
JAPFA
FEEDING
EMERGING
ASIA
Annual General Meeting
18 April 2019
JAPFA LTD

Agenda

1. Group Overview
2. Financial Highlights
3. African Swine Fever in Vietnam

GROUP OVERVIEW



Group Overview





Feeding Emerging Asia



- **Established in 1975**
- **5 animal protein businesses in 5 countries**
- **Japfa Ltd's market capitalisation: approx US$1.0 billion[1]**
- **FY2018 revenue: US$3.5 billion**







[1] As at 31 December 2018

Leading Pan-Asian Industrialised Agri-Food Company



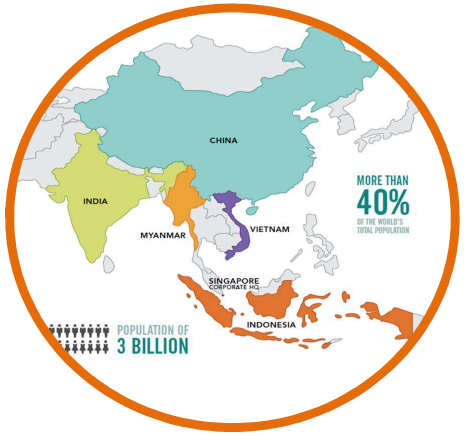
WHAT WE DO

We produce quality protein staples, dairy, and packaged food that nourish millions of people



WHERE WE ARE

We employ over 38,000 people across Singapore, Indonesia, Vietnam, Myanmar, India and China



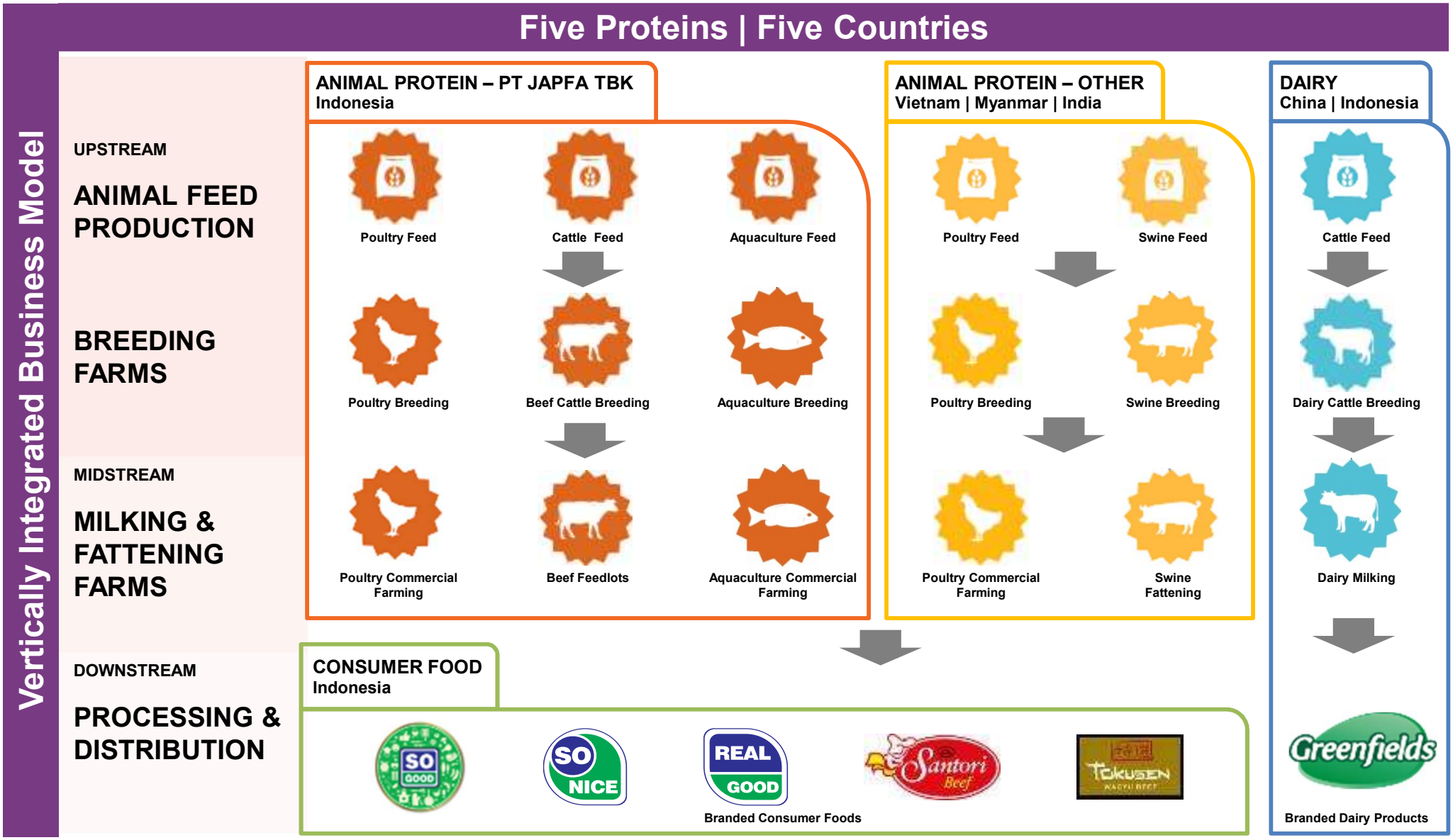
WHY WE DO IT

3 billion people living in our target markets

More than 40% of the world's total population

A leading pan-Asian, industrialised agri-food company dedicated to feeding emerging Asia with essential proteins

Vertically Integrated Business Across Entire Value Chain



Notes:

- **Five Proteins** refers to Poultry, Beef, Aquaculture, Swine and Dairy.
- **Five Countries** refers to Indonesia, Vietnam, Myanmar, India and China.

Japfa's Core Competencies

Industrialized approach to farming and food production

Vertically Integrated Business Model

UPSTREAM **ANIMAL FEED PRODUCTION**	**FEED** Enjoys economies of scale and an established network	
BREEDING FARMS	**LIVESTOCK FARMING** Strong livestock farming experience and expertise	
MIDSTREAM **MILKING & FATTENING FARMS**		
DOWNSTREAM **PROCESSING & DISTRIBUTION**	**BRANDED CONSUMER FOODS** Future growth driver	

CORE COMPETENCIES

LARGE SCALE
- Ability to manage mega-scale farming operations; over 38,000 employees across five countries
- Scale of the Group's animal feed business provides stability to group revenue and profitability

TECHNOLOGY
- JVs with leading genetics companies (Aviagen and Hypor) for superior breeds and genetics
- Advanced feed technology
- Combined with best farm management practices

ANIMAL HEALTH
- Best in class bio-security using stringent operating procedures
- In-house vaccine production firm PT Vaksindo

STANDARDISATION AND REPLICATION
- Replication of best practices and infrastructure design across five protein groups and five countries
- Replication of farm design model in dairy farms, DOC breeding farms, feedmills, etc

FINANCIAL HIGHLIGHTS



Key Highlights for FY2018

Japfa delivers strong revenue and earnings growth across core business pillars, driven by:

- **Indonesian poultry recorded higher feed sales volume and higher ASPs**
- **Full ownership of Dairy segment enables Japfa to recognize 100% contribution in FY2018**
- **Marked turnaround in APO profit with recovery of swine prices in 2Q2018**

Revenue	Operating Profit	Operating Profit Margin
US$3.5 billion	US$341.8 million	9.7%
+10.8% y-o-y	+81.2% y-o-y	+3.8ppt y-o-y

EBITDA	PATMI	Core PATMI w/o Forex
US$457.0 million	US$100.4 million	US$121.9 million
+57.6% y-o-y	+7,494.7% y-o-y	+676.5% y-o-y

Animal feed business remains one of our core stable strengths and profitability

In Indonesia, higher profits led by strong ASPs for DOC and broiler

APO turnaround in profit with recovery of Vietnam swine prices reflecting the readjustment of domestic demand-supply

Continued improvement in milk yields and sales volume

- We define "**EBITDA**" as profit before tax from continuing operations, excluding interest income, finance costs, depreciation of property, plant and equipment, depreciation of investment properties and amortisation of intangible assets, and also excluding changes in fair value of biological assets and derivatives which relate to foreign exchange hedging and foreign exchange adjustments gains/(losses).
- We derived "Core PATMI" from "Profit Attributable to Owners of the Parent, Net of Tax" by excluding changes in fair value of biological assets (net of tax) and derivatives, and by excluding extraordinary items attributable to owners of the parent.

"Core PATMI w/o Forex" is an estimate derived from Core PATMI by excluding foreign exchange gains/losses (before tax) attributable to the owners of the parent. We have not made an estimate of the tax impact on foreign exchange gains/losses. This is because the majority of the gains/losses are unrealised and arise from the translation of USD bonds in PT Japfa Tbk and USD loans in Dairy, which have no tax implication

African Swine Fever in Vietnam



ASF in Vietnam

- 19 February 2019: First reported cases of African Swine Fever ("ASF") in Vietnam
- 7 April 2019: Nearly 89,600[1] pigs culled due to ASF
- Total swine population in Vietnam is estimated at 30 million[2] pigs
- Pigs culled correspond to **0.3%** of the total swine population
- Latest actions taken by Vietnam Government:
  - National Committee for ASF prevention
  - Quarantine stations to control transportation of pigs between provinces
  - Public awareness campaign to clarify:
    - Pork is safe for human consumption
    - ASF cannot be transmitted to humans, so it is not a public health or food safety concern

1. Food and Agriculture Organisation of the United Nations, 7 April 2019
2. Reuters, 5 Mar 2019

Japfa Bio-Security Measures

There is no vaccine or treatment for ASF at the moment. As a result, biosecurity is the key to manage ASF.

Japfa, as an industrialised farmer, implements extensive bio-security measures based on three major components: isolation, traffic control and sanitation





Japfa Heightened Bio-security Measures

Due to the ASF outbreak in China in Aug 2018, Japfa has pre-emptively heightened its already stringent bio-security protocols to minimise any direct impact of ASF to our farms

- trucks go through additional sanitization before entering our farm premises
- extra shower and sanitized clothes/footwear when entering farms
- surveillance camera to monitor adherence to biosecurity protocols
- wider usage of disinfectant in and around the farms
- tighter pest control measures









Backyard vs Industrialised Farms

Industrialised Farms with higher biosecurity levels and geographical distribution should have a lower probability of infection in comparison to Backyard Farms.

Backyard swine fattening farm



Japfa swine fattening farm



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Japfa swine fattening farm



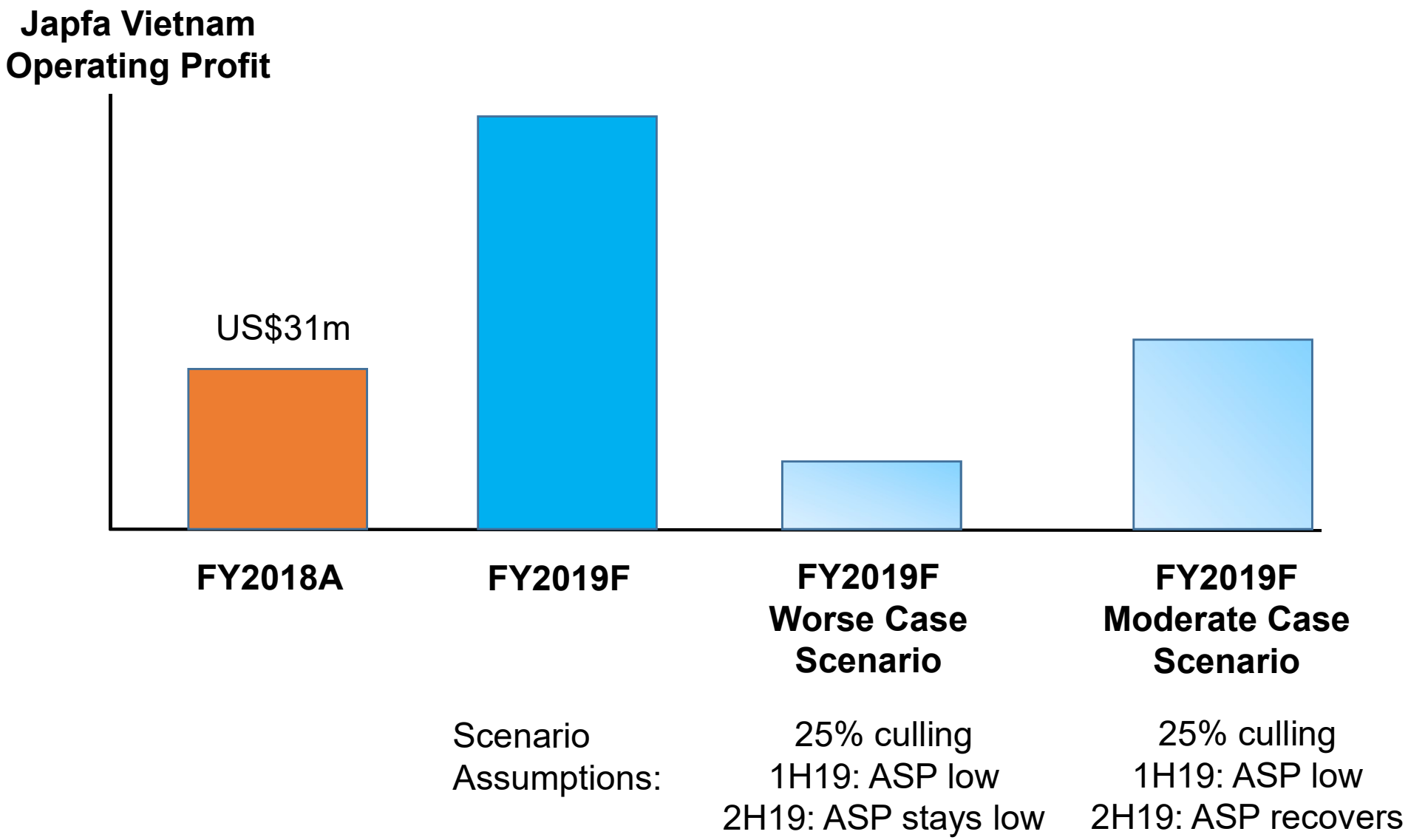
Possible ASF impact based on China experience

In order to gauge the possible impact on Vietnam, we look at the recent China ASF experience. Industry specialists expect that the potential impact to be a reduction of the total pork production in China by 25-35% in 2019.

It is reasonable to expect Japfa farms to be hit by ASF. As an industrialised farmer, with extensive bio-security levels and wide geographical distribution of our farms, the extent of a negative impact is likely to be towards the lower end at 25%.

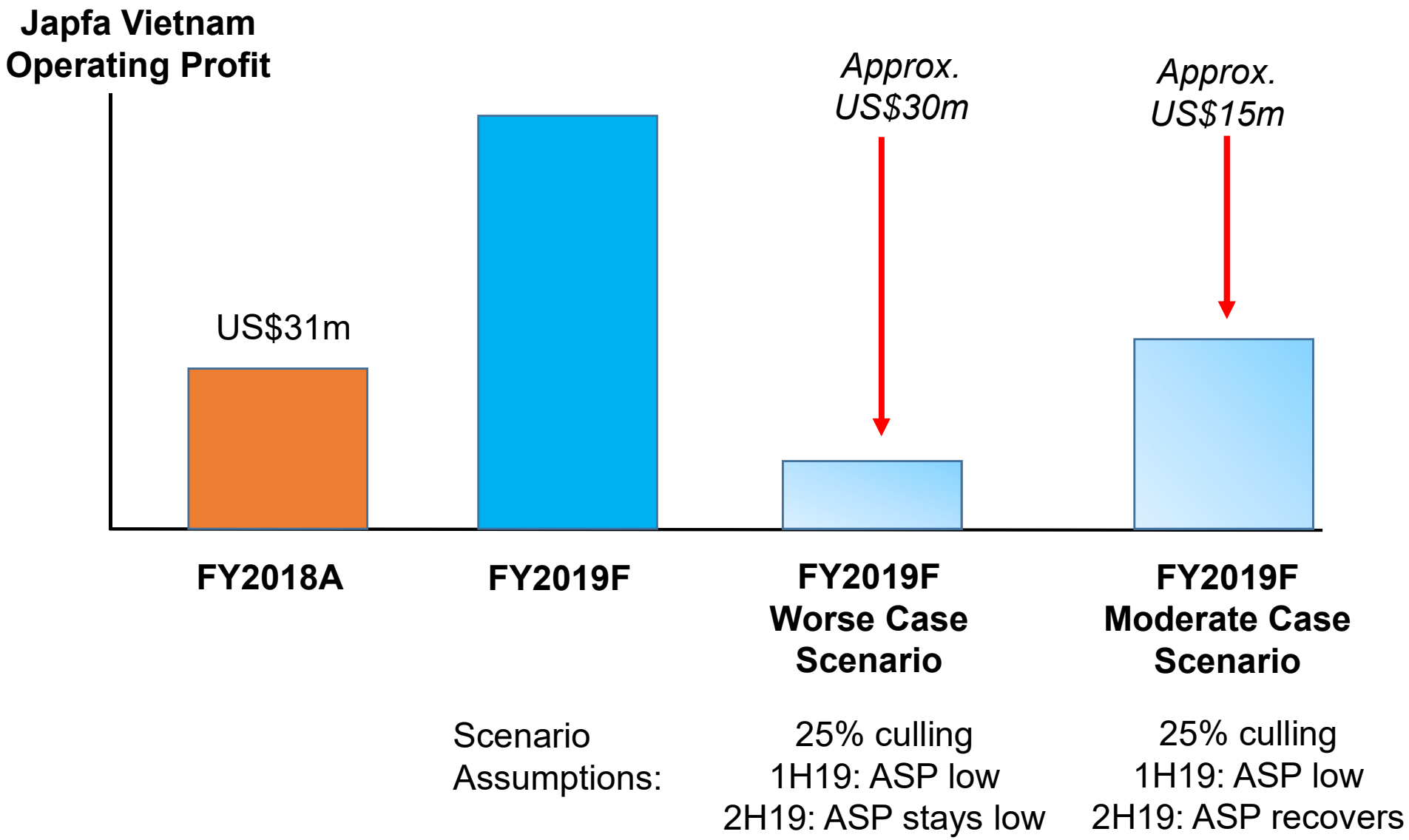
The total value of swine bio-assets in Japfa Vietnam is US$51m as at 31 Dec 2018. Assume 25% of our swine livestock will be culled, the estimated impact to our assets will be approximately US$12.75m. This represents 2.1% of Japfa Group's Total Bio-assets and 0.4% of its Total Assets as at 31 Dec 2018.

Japfa Vietnam: ASF Scenario Analysis



The above is for illustrative purposes only and is not drawn to scale.

Japfa Vietnam: ASF Scenario Analysis



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Possible counterbalancing effects based on China experience

Extracts from industry specialist reports on ASF in China:

- Production will shift towards large scale commercial model
  - Many small farms have exited the market due to losses

- Markets will turn to other proteins (beef, poultry, seafood) to meet pork deficit
  - Poultry will benefit most from pork substitution
  - Poultry prices reached record highs in Nov 2018, and rose again in March 2019

- Available global protein supplies will be insufficient to meet China's protein deficit
  - We see scope for China to import an additional 1.5 to 2.0 million tons of pork
  - Pork prices in China will need to rise to very high levels to capture a larger share of global pork supply

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