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PRESS RELEASE

Japfa reports Core PATMI w/o Forex[1] of US$12.1 million on higher revenue of US$814.2 million in 3Q2017

- *Vietnam operations narrowed losses as swine prices improved in 3Q2017, albeit still at levels below cost*
- *Poultry business in Indonesia grew in volume terms which helped to compensate for the decline in margins*

Singapore, 26 October 2017 – Leading agri-food company, **Japfa Ltd** ("Japfa", or together with its subsidiaries, the "Group") today posted Core PATMI w/o Forex of US$12.1 million, on the back of a 3.3% year-on-year ("y-o-y") increase in revenue to US$814.2 million for the third quarter ended 30 September 2017 ("3Q2017").

Overall profitability in 3Q2017 continued to be impacted by the operating losses incurred in Vietnam, where the Group's wholly-owned subsidiary, Japfa Comfeed Vietnam Limited Company ("JVC"), recorded lower average selling prices ("ASPs") y-o-y for the swine fattening business. Although 3Q2017 swine ASPs remained at levels below cost, they improved quarter-on-quarter ("q-o-q"), possibly indicating a narrowing of the gap between overall market demand and supply in 3Q2017.

"Although we have noticed a pickup in Vietnam's swine prices quarter-on-quarter, we are still in a down cycle and it will take time for the swine market in Vietnam to recover. As an industrialised agri-food company, we can only work on areas that we can directly influence. A key focus is to further strengthen our operational efficiency so as to sharpen our position as one of the most competitive and efficient producers in the markets that we operate in. This is important as we continue to build on our core business pillars to ride the growing animal protein consumption in the emerging Asian economies," said Mr Tan Yong Nang, Chief Executive Officer of Japfa.

[1] 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 (namely the gain/loss from the buyback of USD bonds in PT Japfa Tbk) 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. As the majority of the foreign exchange gains/losses are unrealised and arises from the translation of USD bonds in PT Japfa Tbk, which has no tax implication, we have not made an estimate of the tax impact on foreign exchange gains/losses.

KEY FINANCIAL HIGHLIGHTS

US$ million

GROUP	3Q2016	3Q2017	y-o-y % change	9M2016	9M2017	y-o-y % change
Revenue	**788.0**	**814.2**	**+3.3%**	**2,287.7**	**2,340.6**	**+2.3%**
Operating profit	105.4	56.0	-46.9%	268.4	144.6	-46.1%
Operating profit margin	*13.4%*	*6.9%*	*-6.5ppt*	*11.7%*	*6.2%*	*-5.5ppt*
EBITDA[2]	130.6	81.8	-37.3%	339.8	217.9	-35.9%
Profit After Tax	79.0	15.7	-80.1%	185.7	41.1	-77.9%
PATMI	48.0	3.0	-93.7%	116.0	1.7	-98.6%
Core PATMI w/o Forex	**42.0**	**12.1**	**-71.1%**	**114.6**	**22.8**	**-80.1%**

PT Japfa Tbk

The 5.6% improvement in PT Japfa Tbk's revenue to US$563.5 million was driven by growth in the poultry business, which recorded higher sales volumes for feed (+26%), DOC (+22%) and broilers (+14%), albeit at lower margins. Overall operating profit fell 41.0% to US$47.0 million in 3Q2017.

Poultry feed margins in 3Q2017 remained healthy, but were lower y-o-y due to high corn prices in 3Q2017 and exceptionally high feed margins in 3Q2016. The decline in feed margins was compensated by the increase in feed volume. Accordingly, operating profit from the poultry-feed business declined US$3.9 million from US$38.2 million in 3Q2016 to US$34.3 million in 3Q2017.

ASPs of DOCs and broilers declined 9% and 4% respectively. As a result, operating profit from the DOC and broiler businesses decreased by US$7.5 million and US$3.6 million respectively.

Another major reason for the drop in overall operating profit y-o-y was the one-off US$13.0 million gain in 3Q2016 from the sale of beef cattle in Australia.

In 3Q2017, PT Japfa Tbk[3] successfully signed a landmark IDR 3.0 trillion committed term loan which consolidates the previous secured facilities into an unsecured facility under one agreement. This facility is significant as committed and unsecured bank term loans of this quantum are not common in Indonesia, attesting to the creditworthiness of PT Japfa Tbk and the strong relationships it has built up with its major banks over the years.

Animal Protein Other[4]

Revenue from Animal Protein Other ("APO") decreased 17.7% to US$118.9 million due to lower contributions from Vietnam, where ASPs for swine fattening remained at levels below cost. The continued import restrictions into China had curtailed demand since 4Q2016. APO registered an operating loss of US$6.4 million in 3Q2017, compared to an operating profit of US$11.4 million in 3Q2016.

[2] We define "**EBITDA**" as profit before tax from continuing operations, excluding interest income, changes in fair value of biological assets and marketable securities, foreign exchange adjustments gains/(losses), finance costs, depreciation of property, plant and equipment, depreciation of investment properties and amortisation of intangible assets.

[3] The borrowers comprise PT Japfa Tbk and its four subsidiaries.

[4] Animal Protein Other refers to the animal protein operations in Vietnam, Myanmar, India and China.

However, in 3Q2017, swine ASPs in Vietnam picked up q-o-q, shrinking APO-Vietnam's operating loss from US$16.2 million in 2Q2017 to US$7.4 million in 3Q2017. The pickup in swine prices may possibly indicate a narrowing of the gap between overall market demand and supply in 3Q2017.

In Myanmar, consumer demand for chicken was affected due to public confusion between bird flu and the deadly swine flu outbreak in July 2017. Consumers refrained from eating chicken, which led to ASPs of broilers and DOCs falling below cost. Notwithstanding this, a small overall profit was generated, underscoring the strength and stability of the Group's feed business. Poultry prices are starting to recover with growing public awareness.

Dairy

The Dairy core pillar delivered a strong performance from higher sales volume and milk yields, despite the 3% decline in raw milk prices. Operating profit rose 43.6% to US$14.9 million, while EBITDA increased 12.6% to US$18.4 million. The strong showing was achieved on the back of a 2.1 percentage point expansion in operating margins to 17.6% – a result of continued milk yield improvement in China and Indonesia.

Milk yields in China improved from 35.3kg/head/day to 37.4kg/head/day, while in Indonesia, yields improved from 31.0kg/head/day to 33.3kg/head/day.

However, PAT in 3Q2017 was negative US$5.9 million due to a fair value loss of US$16.3 million (3Q2016: fair value loss of US$1.1 million), arising from the lower market price of raw milk, heifers and calves in 3Q2017.

Consumer Food

In 3Q2017, revenue from the Consumer Food business rose 10.5% y-o-y to US$57.9 million, on the back of higher sales volume in Frozen Food (+20%), Real Good UHT products (+19%) and Ambient Food (+2%).

The Consumer Food business recorded a positive EBITDA in 3Q2017 as compared to the negative EBITDA in 2Q2017. The improved q-o-q performance reflects the positive results of the management's efforts to compete effectively in the competitive consumer food sector.

Moving forward, with a right foundation laid for the Consumer Food business, the Group will continue to tap the changing consumer dynamics for downstream consumer food products by investing strategically to build up its consumer brands in Indonesia and Vietnam.

LOOKING AHEAD

The Group will continue to leverage its strong fundamentals, and the strength of its diversified and vertically integrated business model to propel the business forward.

Mr Tan added, "Our large-scale, industrialised approach to farming and food production will not only enable us to tap the growing animal protein consumption in the emerging Asian economies that we operate in, where more than 40% of the world's total population live, it will also position us to tap any industry consolidation opportunities that may arise."

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ABOUT JAPFA LTD

Japfa Ltd is a leading agri-food producer focused on feeding emerging Asian markets. The Group produces protein staples such as chicken, beef and milk, as well as protein-based consumer food products. From its headquarters in Singapore, Japfa operates its businesses in the fast growing economies of Indonesia, China, India and Indo-China. Backed by two generations of farming experience, it operates industrial-scale farms which are vertically integrated with its downstream food processing operations.

This press release is issued on behalf of Japfa Ltd by Kreab Singapore. For media queries, please contact:

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