



PRESS RELEASE

JAPFA LTD

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Japfa reports 2Q 2015 Core PATMI¹ of US\$14.3 million; diversified business cushions near-term challenges in Indonesian market

- *Diversification strategy mitigates the loss in Indonesia; with the exception of Indonesia, all the other animal protein, dairy and consumer food businesses in Asia continue to deliver positive performance*
- *Excluding foreign exchange losses, PT Japfa Tbk was profitable in 2Q 2015*
- *2Q 2015 Group performance in general, whilst lower than 2Q 2014, has improved compared to 1Q 2015*

Singapore, 28 July 2015 – Amidst challenging market conditions in Indonesia, leading agri-food company, **Japfa Ltd** (“Japfa”, or together with its subsidiaries, the “Group”) has reported a Core PATMI¹ of US\$14.3 million for the second quarter ended 30 June 2015 (“2Q 2015”), cushioned by its diversified operations across protein segments and geographies.

In general, the Group’s performance in 2Q 2015, whilst lower than the same quarter a year ago (“2Q 2014”), has improved compared to 1Q 2015. The Group’s Core PATMI of US\$14.3 million in 2Q 2015 was a 13% decline from US\$16.5 million (after adjusting for a one-off gain) in 2Q 2014, but a significant improvement from US\$1.6 million in 1Q 2015.

In the reporting quarter, the Group’s financial results were weighed down by its 57.5%-owned subsidiary, PT Japfa Comfeed Indonesia Tbk (“PT Japfa Tbk”), which registered a negative Core PATMI of US\$2.6 million compared to a Core PATMI of US\$12.8 million in 2Q 2014.

Excluding foreign exchange losses, PT Japfa Tbk posted a profit before tax of US\$3.1 million in 2Q 2015. PT Japfa Tbk remains self-sufficient in its operating cash needs and its approximate cash and cash equivalents are at a healthy US\$69.3 million.

The persistent weakness in the poultry market and purchasing power of low-income consumers in Indonesia had muted the effect of Ramadan – a traditionally strong period of poultry consumption – on PT Japfa Tbk’s overall poultry volumes and margins. PT Japfa Tbk also registered an unrealised translation loss of US\$4.5 million from its US dollar bonds as a result of a 2% depreciation of the Indonesian Rupiah against the USD in 2Q 2015.

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 attributable to owners of the parent (net of tax), and excluded a one-off gain from the disposal of asset held for sale (attributable to owners of the parent, net of tax) in 2Q 2014.

Other factors contributing to the Group's lower bottom line compared to last year included a US\$17.5 million loss from changes in the fair value of the Group's biological assets, versus a fair value loss of US\$5.8 million in 2Q 2014. In 2Q 2015, there was also the absence of an extraordinary gain of US\$9.6 million in 2Q 2014 from the sale of its Kallang property in Singapore.

More importantly, the Group's diversification strategy has strengthened its operational resilience. Despite the challenges in Indonesia, the Group generated an operating profit of US\$44.1 million and EBITDA of US\$62.4 million, on the back of revenues of US\$704.3 million. With the exception of PT Japfa Tbk, the Group's other businesses in Vietnam, India, Myanmar and China continued to deliver positive performance.

In particular, its poultry and swine operations in Vietnam turned around from last year to achieve a Core PATMI of US\$7.0 million in 2Q 2015. To further capitalise on Myanmar's fast-growing poultry market, the Group also completed the acquisition of the remaining 15% of the issued share capital of Japfa Comfeed Myanmar Pte Ltd on 1 June 2015.

Overall, the Group continues to have healthy operating cash flows and balance sheet. In the first six months of this year, the Group generated a positive cash flow of US\$41.2 million from its operating activities. Cash and cash equivalents as at the end of 30 June 2015 stood at US\$215.2 million. Moreover, the Group still has more than US\$50.0 million in un-used IPO Proceeds.

"Our Group performance in 2Q 2015 was supported by our other animal protein, dairy and consumer food businesses across Asia, which helped to mitigate the challenges in Indonesia. Our strategy to diversify across different animal protein segments and geographies is proving its mettle in this difficult market. While we are reducing capital expenditure and scaling back on day-old chick production in Indonesia, we remain focused on growing our other businesses, namely dairy in China and poultry and swine in Indochina," said Mr Tan Yong Nang, Chief Executive Officer of Japfa.

SEGMENTAL REVIEW

Animal Protein

In 2Q 2015, the Group's Animal Protein business posted revenue of US\$593.6 million. The 16.6% decline in sales from PT Japfa Tbk was partially mitigated by an 8.1% year-on-year growth in sales from the Other Animal Protein businesses to US\$131.7 million.

Despite the persistent weakness in the Indonesian poultry market, PT Japfa Tbk achieved an operating profit of US\$17.6 million and EBITDA of US\$29.0 million. Driven by improved performance from its Vietnam operations, the Other Animal Protein businesses saw operating profit strengthen by US\$10.6 million to reach US\$11.8 million.

Vietnam's swine business has turned the corner in profitability, through improvements in productivity which have resulted in cost reductions. Performance in Myanmar and India continued to be stable.

The Other Animal Protein businesses contributed a Core PATMI of US\$8.8 million, which compensated for PT Japfa Tbk's negative Core PATMI of US\$2.6 million, bringing Core PATMI for the consolidated Animal Protein business to US\$6.2 million.

Dairy

Revenue for the Group's Dairy business grew 15.1% year-on-year from US\$55.7 million in 2Q 2014 to US\$64.1 million in 2Q 2015. The stronger revenues were due mainly to capacity growth in China as

well as improved milk yields in Indonesia and China. In 2Q 2015, Farm 4 in China started milking at full capacity while Farm 5 started contributing to revenues. Construction of Farm 6 is also well underway.

With the reversion of raw milk prices from their high levels in 2014 to lower levels in 2015, the Group's Dairy Business in 2Q 2015 posted a decline in operating profit from US\$17.8 million in 2Q 2014 to US\$11.4 million in 2Q 2015. Correspondingly, Core PATMI decreased to US\$6.6 million in 2Q 2015 from US\$9.7 million in 2Q 2014.

The Group had made a strategic decision to lock in more than half of its milk capacity with major milk producers in China. It has also increased its milk volumes and improved milk yields significantly. However, these efforts were not sufficient to fully compensate for the considerable decline in average raw milk prices compared to last year.

Consumer Food

The Group's Consumer Food business contributed US\$46.6 million to total Group revenue in 2Q 2015. The Consumer Food operations in Indonesia continued to cover the start-up losses in Vietnam. With improvements in gross profit and margins in Indonesia, the overall operating profit and Core PATMI generated by the Consumer Food business came in at US\$2.4 million and US\$0.4 million, respectively, reversing the operating loss and negative Core PATMI of US\$0.6 million and US\$0.9 million in 2Q 2014.

OUTLOOK

The ongoing market challenges in Indonesia, including the oversupply of day-old chicks and broiler chickens, the depreciation of the Indonesian Rupiah and the lower purchasing power of consumers, are expected to persist in the near term. These challenges may continue to affect the Group's animal protein business in Indonesia, adding pressure on its animal feed, breeding and commercial farming margins.

Despite the difficult market conditions, PT Japfa Tbk's competitive advantage remains intact, backed by 40 years of experience in the poultry business. Since the last quarter of 2014, the Group has been reducing capital expenditure and scaling back on day-old chick production in Indonesia, while focusing on improving operational efficiency and profitability.

Other factors that would impact the Group's performance are the macro-economic performance of the countries it operates in, mainly Indonesia and China. In view of the slowdown of the China economy, the raw milk prices in China are expected to remain sluggish in the near term.

In spite of these headwinds, the Group believes its long-term fundamentals remain favourable across all geographies because of the low protein consumption of the large population base in these countries. The Group believes its diversified business strategy and its track record in replicating its industrialized and scalable business will enable it to sustain its long-term growth momentum across all geographies.

"Japfa's controlling shareholders and management are firmly committed to the Group, and remain confident of the Group's vertically integrated business model. We believe our diversified business model and strategy will keep the ship steady in volatile times and anchor our long-term growth in emerging markets. As we navigate the headwinds in Indonesia, we will continue to leverage our track record in replicating our industrialized and scalable business, to build our three key business pillars – dairy in China, poultry in Indonesia, and poultry and swine in Indochina," concluded Mr Tan.

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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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