PRESS RELEASE

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Japfa rounded FY2017 with EBITDA[1] of US$306.6 million on a 5.2% improvement in revenue to US$3.2 billion

- *PT Japfa Tbk's poultry business showed strong growth in sales volumes, while commanding a creditable feed operating margin of 9.7%*
- *Dairy generated consistent profitability on higher milk yields and sales volumes*
- *Overall profitability was hit by losses from Animal Protein Other in Vietnam as swine prices remained at levels well below cost*
- *The Board recommends a final dividend of 0.50 Singapore cent per share for FY2017*

Singapore, 1 March 2018 – Leading agri-food company, **Japfa Ltd** ("Japfa", the "Company", or together with its subsidiaries, the "Group") today posted EBITDA of US$306.6 million and Core PATMI w/o Forex[2] of US$15.7 million, against a 5.2% improvement in revenue to US$3.2 billion for the financial year ended 31 December 2017 ("FY2017").

Overall profitability in FY2017 was hit by losses from Animal Protein Other ("APO") in Vietnam due to the persistent low swine price environment. The market downturn, arising from China's swine import restrictions which started in 4Q2016, had curtailed overall market demand in Vietnam causing swine average selling prices ("ASPs") to slide to levels well below cost throughout FY2017.

PT Japfa Tbk's poultry business showed strong growth, with volume expansion across its poultry operations. In particular, sales volume for poultry feed expanded 15.3% while feed operating margin stood at a creditable 9.7%.

Dairy also turned in strong performance in FY2017, generating consistent top- and bottom-line growth.

During the year, the feed business continued to be a key profitability pillar across the Group.

"Vietnam's swine market remains in a down cycle and this is something beyond our control. Our fundamentals remain intact, and we will continue to grow our core business pillars to ride the rising animal protein consumption in emerging Asia. In all the markets that we operate in, we strive to be one of the lowest cost industrialised producers as this places us in a stronger position to navigate industry headwinds and benefit from industry consolidation opportunities. We will push for

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[1] 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.

[2] 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. 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.

continued growth through higher sales volumes and operational efficiency," said Mr Tan Yong Nang, Chief Executive Officer of Japfa.

In appreciation of shareholders' support, the Board is recommending a final dividend of 0.50 Singapore cent per share for FY2017.

KEY FINANCIAL HIGHLIGHTS

US$ million

GROUP	4Q2016	4Q2017	y-o-y % change	FY2016	FY2017	y-o-y % change
Revenue	745.3	849.3	+14.0%	3,032.9	3,189.9	+5.2%
Operating profit	43.1	44.1	+2.4%	311.4	188.6	-39.4%
Operating profit margin	*5.8%*	*5.2%*	*-0.6ppt*	*10.3%*	*5.9%*	*-4.4ppt*
EBITDA	83.5	88.7	+6.2%	423.3	306.6	-27.6%
Profit After Tax	12.0	36.4	+202.8%	197.7	77.5	-60.8%
PATMI	2.7	20.9	+662.8%	118.8	22.6	-81.0%
Core PATMI w/o Forex	**15.6**	**-7.1**	**-145.5%**	**130.2**	**15.7**	**-87.9%**

PT Japfa Tbk

PT Japfa Tbk's revenue grew 8.7% to US$2.2 billion in FY2017. The poultry business, which contributed the bulk of PT Japfa Tbk's revenue, reported solid growth over FY2017. In particular, sales volume for poultry feed, which is the key profitability pillar for the animal protein business, grew 15.3%.

When compared to FY2016, however, PT Japfa Tbk's operating profit showed a decline of 27.5% to US$157.1 million. This was due to the exceptionally high poultry feed operating margin of 13.4% in FY2016, given the particular market circumstances during the year. In addition, the high domestic corn price environment had tightened our poultry feed operating margin. The drop in ASPs of day-old-chicks also contributed to the decline in PT Japfa Tbk's operating profit.

Animal Protein Other[3]

Revenue from the APO segment decreased 15.4% to US$475.4 million in FY2017 due to the low swine price environment in Vietnam. This resulted in APO recording an operating loss of US$26.9 million, compared to an operating profit of US$42.5 million a year ago.

Since the start of China's import restrictions in 4Q2016, overall demand for swine in Vietnam had dropped significantly. ASPs for swine declined 38.7% to levels well below cost in FY2017, accounting for Vietnam's operating loss of US$33.9 million, compared to an operating profit of US$29.8 million in FY2016.

Recovery in swine prices is expected when supply readjusts down to the new level of demand. This process will take time due to the long life cycle of swine livestock. To navigate the headwinds in Vietnam, the Management will continue to lift its operational efficiency by sharpening its position as one of the lowest costs producers.

In Myanmar and India, the feed business generated continued profits in FY2017.

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

Dairy

The Dairy segment delivered a strong performance as it continued to lift milk yields and volumes. Despite pressure on China's raw milk prices, operating margin improved 1.3 percentage point to 19.3%. Operating profit rose 30.3% to US$67.0 million, while EBITDA improved 13.6% to US$84.5 million. This was achieved on the back of 21.9% growth in revenue to US$347.3 million as China and Indonesia generated higher raw milk and ESL[4] sales, respectively.

In China, milk yields improved from 37.0Kg/head/day to 38.4Kg/head/day, while in Indonesia, milk yields increased from 30.9kg/head/day to 32.7Kg/head/day.

Looking forward, the Group will continue to focus on improving milk yields and volumes in China to mitigate price fluctuations. In Indonesia, efforts will be channeled into brand building and widening its range of Greenfields dairy products to capture a larger target segment.

Consumer Food

In FY2017, revenue from the Consumer Food segment improved marginally to US$201.3 million. However, an operating loss was recorded in FY2017 due to heightened competition in Indonesia's ambient food sector and higher raw material costs for frozen food (eg nuggets) as chicken prices rose significantly in 4Q2017.

To lift its performance, ASPs for frozen food will be increased to cover the higher cost of chicken. In addition, the Group has embarked on a few strategic initiatives to sharpen its competitive edge in Indonesia. They include brand rejuvenation with a clearer packaging and brand positioning, improving the taste and quality of "So Good" products, widening its ambient product positioning from the existing "snacks" category to a broader general grocery market, as well as improving its logistics and distribution system.

RECENT DEVELOPMENTS

In December 2017, the Group entered into an agreement to acquire its remaining interest in the dairy business ("AustAsia") from its private equity partner, Black River Funds. Under the proposed acquisition, the Company will acquire Black River Funds' stakes in AustAsia for US$263.1 million. Of the aggregate consideration, US$223.0 million will be funded by bank borrowings, while approximately US$40.1 million will be funded through the issuance of 90 million ordinary shares in Japfa Ltd at S$0.60 (US$0.45) per share.

The proposed acquisition bodes well for Japfa in the long term as having 100% ownership allows the Group to tap the full potential of the fast-growing milk industry in emerging Asian markets. The Dairy segment is now on a stronger footing, and the Group will continue to invest resources to further establish its position in the dairy industry.

The Company will seek shareholders' approval for the proposed acquisition at an Extraordinary General Meeting to be held on or about 12 April 2018, following the conclusion of the Company's Annual General Meeting.

[4] ESL: refers to fresh milk with an extended shelf life.

LOOKING AHEAD

The Group will continue to leverage its large-scale, industrialised approach to farming and food production, as well as the strength of its diversified and vertically integrated business model to propel the business forward.

"We have laid a strong foundation for our four business segments and are heading in the right direction with our five proteins, five countries strategy. Our poultry business in Indonesia is showing strong growth, while a 100% ownership in our Dairy business will anchor our position in the exciting milk industry. In the near term, we will also focus on grooming our people to undertake challenges and grow the Group's core pillars," added 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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