



PRESS RELEASE

JAPFA LTD

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All business segments of Japfa report top and bottom line growth in 3Q 2016

- ***Delivers 13.3% growth in revenue to US\$788.0 million***
- ***Core PATMI excluding foreign exchange¹ grows 50.9% to US\$42.0 million***
- ***Well-positioned to ride on any positive industry and economic tailwinds***

Singapore, 27 October 2016 – Leading agri-food company, **Japfa Ltd** (“Japfa”, or together with its subsidiaries, the “Group”) today announced its third consecutive quarter of robust financial results, as Core PATMI without foreign exchange (“Core PATMI w/o Forex”)¹ for the third quarter ended 30 September 2016 (“3Q 2016”) rose by 50.9% from US\$27.9 million in 3Q 2015 to US\$42.0 million in 3Q 2016.

In 3Q 2016, the Group’s three core pillars – majority-owned subsidiary PT Japfa Comfeed Indonesia Tbk (“PT Japfa Tbk”), Animal Protein Other and Dairy – as well as the downstream business segment of Consumer Food, delivered better performance in both the top and bottom line, backed by a stable base of profits from the Group’s animal feed operations across all geographical markets.

The growth in revenue and the higher operating profit margin in 3Q 2016 led to a 60.1% increase in operating profit to US\$105.4 million. EBITDA rose by 45.5% to US\$130.6 million, while PATMI, which includes foreign exchange and biological asset valuation losses, jumped from US\$8.0 million in 3Q 2015 to US\$48.0 million in 3Q 2016.

During the quarter under review, the Group moved ahead with several corporate initiatives. In August 2016, global investment firm KKR’s US\$81.9 million-investment in PT Japfa Tbk was completed, resulting in a reduction in its ownership of PT Japfa Tbk from 58% to 51%. In the following month, the Group’s wholly-owned Indonesian subsidiary PT So Good Food sealed a 40-60 joint venture with Cargill to produce and supply fully-cooked poultry products in Indonesia, which would enhance the depth and breadth of Japfa’s consumer food processing capacities.

Recapping the performance and developments in 3Q 2016, Mr Tan Yong Nang, Chief Executive Officer of Japfa, said, **“We are pleased to deliver another strong quarter of revenue and profits, which reflects the resilience of our diversified business in overcoming industry headwinds when they occur. While the poultry industry can be seasonal, our animal feed business continues to deliver strong and stable earnings, with opportunities to grow even further. We have been strengthening our efficiency and prudently expanding our operations in all markets, which will position us well to ride on any positive industry and economic tailwinds.”**

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 and derivatives attributable to owners of the parent (net of tax), and excluded extraordinary items (attributable to owners of the parent, net of tax) namely a gain from the buyback of USD bonds in PT Japfa Tbk and gain on disposal of asset held for sale.

“Core PATMI w/o Forex” is 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.

FINANCIAL RESULTS AND SEGMENTAL REVIEW

Group Highlights (US\$m)	3Q 2016	3Q 2015	% change	9M 2016	9M 2015	% change
Revenue	788.0	695.3	+13.3%	2,287.7	2,075.3	+10.2%
Operating profit	105.4	65.8	+60.1%	268.4	141.4	+89.8%
<i>Operating profit margin</i>	<i>13.4%</i>	<i>9.5%</i>	<i>+3.9ppt</i>	<i>11.7%</i>	<i>6.8%</i>	<i>+4.9ppt</i>
EBITDA	130.6	89.7	+45.5%	339.8	202.5	+67.8%
Profit After Tax	79.0	10.4	+658.5%	185.7	16.8	+1,003.2%
PATMI	48.0	8.0	+501.0%	116.0	18.0	+546.5%
Core PATMI w/o Forex	42.0	27.9	+50.9%	114.6	54.8	+109.0%

PT Japfa Tbk

PT Japfa Tbk registered a 7.2% increase in revenue in Indonesian Rupiah (“IDR”) terms, and a 16.0% increase in USD terms to US\$533.5 million due to the appreciation of the IDR. The growth was backed by the improvement in average selling prices (“ASP”) of day-old chicks (“DOCs”) and broiler chickens since the beginning of 2016, coupled with the sale of beef cattle from its Riveren and Inverway Stations in Australia.

Feed operations continued to contribute to the bulk of PT Japfa Tbk’s operating profit, as margins improved due to the lower cost of raw materials. With the higher ASPs of DOCs and broiler chickens, PT Japfa Tbk’s breeding and commercial farming operations achieved strong profits in 3Q 2016.

Overall, 3Q 2016 was the most profitable quarter for PT Japfa Tbk since 1Q 2013, partly boosted by a gain of US\$13 million from the sale of the beef cattle herd in Australia. In terms of operating profit, PT Japfa Tbk generated a robust 63.3% growth to US\$79.6 million in 3Q 2016, while EBITDA rose 43.8% to US\$94.7 million. PT Japfa Tbk’s Core PATMI w/o Forex jumped 47.5% to US\$24.6 million in 3Q 2016.

Animal Protein Other²

The Group’s Animal Protein Other operations achieved a 7.9% increase in revenue to US\$144.5 million, with growth across Vietnam, Myanmar and India. Operating profit rose 43.3% to US\$11.4 million, while Core PATMI w/o Forex posted a 50.5% growth to US\$10.3 million in 3Q 2016.

Following its record performance in 2Q 2016, the Group’s Vietnam operations continued to deliver in 3Q 2016, and contributed more than 60% of this segment’s revenue and more than 80% of operating profit. The strong performance was supported by a growth in its swine feed and swine fattening volumes, higher swine fattening margins and a healthier DOC business.

In 3Q 2016, Myanmar operations registered a growth in sales volumes for feed, DOCs and broilers, which were offset by higher costs of goods sold for its DOC and broilers. The feed business maintained its performance and achieved higher margins and profitability in 3Q 2016.

To tap on the growing poultry consumption in Myanmar, the Group officially launched its second feedmill in Myanmar on 16 October 2016. Sited in the Mandalay Myohta Industrial Zone, the modern and highly-efficient will produce high-quality animal feed for third party farmers in the Mandalay region.

In India, its feed operations continued to deliver profits, which were offset by lower selling prices for its DOCs and broilers.

² Animal Protein Other refers to the animal protein operations in Vietnam, India, Myanmar and China

Dairy

In 3Q 2016, the persistent decline in average selling price of raw milk in China, which dipped by 10% year-on-year during the reporting quarter, was mitigated by the Group's enhancement in milk yields and growth in sales volumes. The Group continues to expand strategically with the construction of Farm 7 in China.

The Group's milk yields in China improved from 34.7 kg/head/day to 35.3 kg/head/day in 3Q 2016, while the number of milkable cows in China increased by 23% year-on-year to 35,264 heads as at 30 September 2016. In Indonesia, the dairy operations saw milk yield improve from 30.3 kg/head/day to 31.0 kg/head/day.

Against enhancements in operational efficiency and lower feed costs, this segment's operating margin improved from 11.2% to 15.5% year-on-year. EBITDA increased by 44.3% to US\$16.4 million, while Core PATMI w/o Forex grew at a faster rate of 57.1% from US\$3.5 million in 3Q 2015 to US\$5.4 million in 3Q 2016.

Consumer Food

Revenue for the Consumer Food business was up 7.9% to US\$52.4 million in 3Q 2016, in tandem with the increase in sales volumes of frozen products and Real Good milk in Indonesia.

Operating profit increased from US\$1.0 million to US\$3.2 million year-on-year, due to the higher sales volume and improved margins. The Indonesia operations remained profitable in 3Q 2016, while Vietnam incurred start-up losses. The Group continues to invest strategically to build up its consumer brands in Indonesia and Vietnam.

All in, the Consumer Food business segment registered a turnaround in Core PATMI w/o Forex, from negative US\$1.3 million in 3Q 2015 to US\$1.0 million in 3Q 2016.

LOOKING AHEAD

In general, the Group's performance is impacted by the macroeconomic environment and currency fluctuations of the countries it operates in, as well as the market environment of the various animal protein industries. There could also be fluctuations in raw material costs and selling prices, which are determined by supply and demand.

The Group remains confident that its diversified strategy across multiple proteins and geographies, together with its track record in replicating its industrialised and scalable business across the region, will sustain its long-term growth momentum.

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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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