PRESS RELEASE

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1H2020 Financial Results

Japfa delivers a robust bottom-line in 1H2020 despite Covid-19

- **PATMI rose to US$76.8 million (vs US$12.8 million in 1H2019) and Core PATMI without Forex increased to US$83.0 million (vs US$35.8 million in 1H2019).**
- **PATMI and Core PATMI without Forex improved significantly as a result of the Group's diversification strategy across proteins and markets. Strong results of APO-Vietnam and Dairy-China more than offset the weaker performance of PT Japfa Tbk in Indonesia.**
- **Group's revenue stood at US$1.8 billion, down 2.8% vs 1H2019 as Covid-19 reduced demand for poultry in Indonesia.**
- **Japfa remains committed to provide safe and affordable staple proteins to consumers in Asia. Growth plans in APO-Vietnam and Dairy-China are on track to capture market opportunities.**

Singapore, 29 July 2020 – Leading industrialised agri-food company Japfa Ltd ("Japfa" or, together with its subsidiaries, the "Group") today posted a solid bottom-line for the first half year ended 30 June 2020 ("1H2020"), despite the continued uncertainty caused by the Covid-19 outbreak on the global economy and consumer spending.

As a result of Japfa's diversification strategy, PATMI grew to US$76.8 million from US$12.8 million in 1H2019, while Core PATMI without Forex increased to US$83.0 million compared to US$35.8 million last year. The strong results of APO-Vietnam and Dairy-China have more than offset the weaker performance of PT Japfa Tbk in Indonesia. By diversifying its business across proteins and markets, Japfa has built a portfolio of uncorrelated revenue and profit streams that allows the Group to mitigate major down-cycles in particular markets. Rolling Core PATMI without Forex for the past 12 months ending 30 June 2020 hit an all-time high since Japfa's IPO in 2014.

Group revenue stood at US$1.8 billion, down 2.8% compared 1H2019 as Covid-19 reduced demand for poultry in Indonesia. Despite a difficult environment in Indonesia, Group operating profit grew 7.5% year-on-year ("y-o-y") to US$146.6 million and EBITDA stood at US$214.4 million (+5.9% vs 1H2019).

Japfa remains committed to produce and supply staple protein foods in every country where it operates. Due to the Covid-19 uncertainties in Indonesia, PT Japfa Tbk has frozen non-essential new capital expenditures ("Capex"). However, the Group continues with growth plans in APO-Vietnam, where it is implementing a 3-year breeding programme to enhance swine performance and genetics, and in Dairy-China, where the Group is proceeding with the construction of a new dairy farm, Farm 8, in Chifeng, Inner Mongolia.

Tan Yong Nang, Chief Executive Officer of Japfa, said: "The performance of the first half of 2020 demonstrated that our diversified business model is a true strength in mitigating down-cycles and handling market challenges. As Covid-19 has spread to different countries at different times, our diversification strategy has helped us to cope with the effects of the outbreak and smoothen the financial and operational impact. At the same time, we remained focused on growth by deploying our resources appropriately in each market to match industry cyclicality and demand fluctuations. We are on track with our plans to improve our capacity and performance in two of our core pillars: swine in Vietnam and dairy in China, where we are well positioned to capture market opportunities. More importantly, our activities are critical to feed people in Asia, as we supply about 20 to 25 per cent of animal protein foods[1] in many countries where we operate. Once again, I am very grateful and proud of the continued efforts that our people are making to keep our operations going on safely during these extraordinary times."

Financial Highlights

US$ million	1H2019	1H2020	Change
Revenue	1,886.2	1,833.4	-2.8%
Operating profit	136.3	146.6	7.5%
Operating Profit Margin (%)	7.2%	8.0%	0.8 ppt
EBITDA	202.5	214.4	5.9%
Profit After Tax ("PAT")	46.6	82.6	77.3%
Net Profit Attributable to Owners ("PATMI")	12.8	76.8	500.0%
Core PATMI without Forex	35.8	83.0	132.1%

Segmental Results

PT Japfa Tbk

Revenue and operating profit of the segment were impacted by the reduced demand for poultry due to Covid-19, which resulted in a low-price environment for broiler and DOC.

Revenue decreased to US$1,146.1 million (vs US$1,284.6 million in 1H2019) due to lower poultry feed and DOC volumes following lower demand for poultry in Indonesia. This reduction was due to the adverse impact of Covid-19 measures particularly on low-income households and their spending capabilities, coupled with an industry oversupply in anticipation of Ramadan. This caused broiler and DOC prices to significantly drop in April 2020 to one of the lowest levels since Japfa's IPO back in 2014. Although broiler and DOC prices rebounded since May 2020, this recovery was not enough to offset the price drop in April.

Despite the difficult market environment, operating profit and EBITDA remained respectable on the back of strong feed margins. Operating profit dropped to US$43.7 million (vs US$100.8 million in 1H2019) and EBITDA decreased to US$80.4 million (vs US$134.1 million in 1H2019). Feed margins improved as a result of the Group's ability to manage costs of raw materials and successful procurement during the corn harvest season.

[1] Indonesia: 24% Poultry Feed Production (Frost & Sullivan 2015); 29% DOC production (as per Company's on estimates)
Vietnam: 20% DOC production (as per Company's own estimates)
Myanmar: 27% Poultry Feed Production and 26% DOC production (as per Company's own estimates)

Since the Covid-19 outbreak, PT Japfa Tbk has taken action to freeze non-essential new Capex in line with the financial discipline of the Group. Japfa continues to monitor and evaluate the fluid situation in Indonesia.

Animal Protein Other ("APO")

The APO segment posted strong growth in revenue and profits mainly driven by swine operations in Vietnam.

Revenue increased 16.8% y-o-y to US$364.6 million from US$312.3 million in 1H2019 mainly as a result of increases in swine fattening price and poultry feed sales volumes. Operating profit soared to US$47.4 million (vs US$10.4 million in 1H2019), as the segment was able to capitalise on the rebound of swine fattening price since 4Q2019. In 1H2020, swine fattening prices remained strong due to the supply shortage arising from the African Swine Fever ("ASF") outbreak.

As a result of its industrialised business model, which encompasses strict bio-security protocols and strong farm management, Japfa was able to contain and minimise the adverse effect of ASF on its swine population as well as replenish its swine breeding stock faster than most competitors. In addition, in 2020 APO-Vietnam has started a 3-year plan to enhance swine performance and genetics by importing pure line breeders from its partner Hypor, one of the world's leading suppliers of pig genetics.

In Myanmar, the demand for poultry was impacted by the Covid-19 measures, however operating profit broke even, and EBITDA was sustained by a stable feed business. In India, feed operations, which are the major contributor to revenue, cushioned the impact of Covid-19 on demand.

Dairy

The Dairy segment recorded a strong growth in revenue and profit driven by high raw milk prices in China.

Revenue grew more than 10% y-o-y to US$244.5 million (vs US$220.8 million in 1H2019) and operating profit grew 37.4% y-o-y to US$46.5 million in 1H2020 from US$33.9 million in 1H2019 on the back of higher raw milk prices due to a supply shortage in China.

We believe the supply shortage and the strong raw milk price environment will continue over the medium term as it takes time for the industry to build new dairy farms and reach the "full milking" stage. To date, the Covid-19 measures have had a minimal impact on our day-to-day operations and raw milk demand in China.

In Southeast Asia ("SEA"), sales volumes of Extended Shelf Life ("ESL") products have been stable y-o-y. Although the measures implemented to curb the Covid-19 outbreak have reduced sales volumes to food services customers (coffee chains and bubble tea stores), the increased volumes of direct sales to consumers offset such reduction.

Consumer Food

In 1H2020, operating profit of the segment improved on the back of its frozen food range.

The lockdowns and movement restrictions enforced in Greater Jakarta starting from April 2020 following Covid-19 have increased the demand for frozen products, as people stockpile food supplies. Revenue grew 5.9% y-o-y to US$98.3 million in 1H2020 as a result of higher sales volumes. Operating profit stood at US$8.8 million compared to an operating loss of US$5.5 million in 1H2019.

The operating landscape in our ambient food range remains competitive, and the Group's dominant position continues to be challenged.

Impact of Covid-19 and outlook

As Japfa supplies about 20-25% of animal protein foods in many countries where it operates, the Group plays an essential role in maintaining supply of staple food. Since the onset of Covid-19, Japfa has continued operations safely across its markets to ensure sufficient production and supply in these unprecedented times. In providing an essential service which is supported by respective governments, the Group's supply chain and logistics have not been significantly impacted by movement restrictions.

While our operations and supply chains have not thus far been materially impacted by Covid-19, demand has been affected to varying degrees depending on when the pandemic starts and how it is managed in each country. In particular:

- **Dairy-China**: We see a recovery in the demand for raw milk and we believe that there should not be a major impact over the medium and long-term. As an independent raw milk producer, we are poised to benefit in future from the general shortage of raw milk in China.
- **Swine-Vietnam**: The Covid-19 situation appears to be relatively under control. Demand for pork appears relatively stable as a consequence of the substantial drop in pork supply due to ASF and swine prices remain strong. Through our strict biosecurity measures, we have minimised the adverse effect of ASF and set a strong base for future growth.
- **Poultry-Indonesia**: The Covid-19 measures have reduced purchasing power and hence demand for poultry, which is reflected by the continuing low-price environment for DOC and broiler. The effects of Covid-19 are still unfolding in Indonesia. As we mainly supply chicken, which is a staple and affordable protein food, hopefully the impact will be short-lived. We believe that we are well placed to manage the situation due to our experience, scale and industrialised approach.

In 1H2020, our two key pillars Swine-Vietnam and Dairy-China delivered strong results that more than offset the weaker performance of Poultry-Indonesia, thus proving that our diversification strategy is effective.

As this outbreak is an unprecedented event, the impact going forward cannot be reliably estimated with certainty and we continue to keep a close watch on the evolving situation. In the past, we have successfully managed down-cycles and other issues, on the strength of our key strategy: industrialised business model, diversification across proteins and markets, and prudent growth.

Strategic partnership with Meiji

On 3 July 2020, Japfa successfully closed the sale of 25% of its dairy farming operations in China to Meiji for a total cash consideration of US$254.4 million. Post completion, Japfa continues to manage the farming operations in China and remains the single largest shareholder. This strategic and synergistic partnership with Meiji, one of our growing dairy customers, will enable us to become the largest independent raw milk producer in China, as well as provide a stable revenue stream through a 5-year rolling raw milk supply contract to Meiji.

Strategic expansion of dairy operations in China

China has a clear strategy to ensure self-sufficiency of key staple foods, including milk. The domestic supply of raw milk is currently not enough to meet the increasing demand for healthy and quality dairy products. This demand-supply imbalance offers growth opportunities to independent quality producers like Japfa. Against this backdrop, we have commenced the construction of a new dairy farm in Chifeng, Inner Mongolia, in addition to our existing seven dairy farms in China.

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About Japfa Ltd

Headquartered in Singapore, Japfa Ltd is a leading vertically integrated agri-food company listed on the SGX Main Board since 2014. Established in 1971, the Group has grown into one of Asia's leading low-cost producers of protein staples including poultry, beef, dairy as well as protein-based consumer products across fast-growing emerging Asian economies such as Indonesia, China, India, Myanmar and Vietnam. Japfa embraces an integrated industrial approach to livestock and food production across the value chain. Its vertically integrated business model spans from Feed & Breeding (upstream), Milking and Fattening (mid-stream) and Processing and Distribution of consumer products (downstream).

For more information, please visit https://www.japfa.com/

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For the Company's Income Statement, Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows for 1H2020 please refer to Japfa Ltd's Unaudited Financial Statement. A limited discussion of these results can be found in the Company's Investor Presentation 1H2020 Financial Results. All aforementioned documents can be found on the SGXnet and on the Company's website www.japfa.com.

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