PRESS RELEASE

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Japfa kickstarts the year with significantly higher revenue and profitability

- *The Group recorded higher profitability, driven by strong performance from PT Japfa Tbk*
- *Animal Protein Other narrowed losses, and generated positive EBITDA in 1Q2018*

Singapore, 30 April 2018 – Leading agri-food company, **Japfa Ltd** ("Japfa", the "Company", or together with its subsidiaries, the "Group") today posted a 58.2% rise in EBITDA to US$103.2 million for the first three months ended 31 March 2018 ("1Q2018"), on the back of a 14.9% revenue increase to US$845.5 million. Core PATMI w/o Forex[1] more than tripled to US$28.3million, from US$7.3 million in the corresponding period last year.

The significant improvement in profitability was driven by PT Japfa Tbk's margin and volume expansion. At the same time, Animal Protein Other ("APO") narrowed its losses and generated positive EBITDA in 1Q2018, after navigating a challenging year throughout 2017.

On 30 April 2018, the Group completed the acquisition of Black River Funds' interest in its dairy business ("AustAsia") and now owns 100% of AustAsia. The Consideration of US$263.1 million was satisfied in full by a cash payment of US$223.0 million which was funded by bank financing, and the issue of 90 million ordinary shares in Japfa Ltd at the issue price of S$0.60 (US$0.45) per share based on the exchange rate of 1.3465 (which is approximately US$40.1 million in aggregate). The total number of issued shares of Japfa Ltd (excluding treasury shares) has increased from 1,756,678,891 ordinary shares to 1,846,678,891 ordinary shares as a result.

The Group has also started recognising 100% contribution from its Dairy business, with effect from 1 January 2018.

"Overall, the Group generated strong performance in 1Q2018 with higher revenue and profitability. We will continue to hone our industrialised farming approach, and cement our position as one of the lowest cost producers in Asia. This strategy has worked well as it enables the Group to navigate industry cyclicality more effectively," said Mr Tan Yong Nang, Chief Executive Officer of Japfa.

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[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 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.

KEY FINANCIAL HIGHLIGHTS

US$ million

GROUP	1Q2017	1Q2018	y-o-y % change
Revenue	736.1	845.5	+14.9%
Operating profit	36.5	73.9	+102.6%
Operating profit margin	*5.0%*	*8.7%*	*+3.8ppt*
EBITDA	65.2	103.2	+58.2%
Profit After Tax	10.1	36.1	+259.3%
PATMI	2.1	16.7	+702.4%
Core PATMI w/o Forex	**7.3**	**28.3**	**+287.9%**

PT Japfa Tbk

PT Japfa Tbk delivered solid growth in 1Q2018. Revenue rose 16.2% to US$576.3 million, driven by marked improvement in sales volumes across the poultry division. In particular, sales volume for poultry feed grew 14.5%.

Operating profit nearly tripled from US$19.5 million a year ago to US$56.4 million in 1Q2018, as operating margin expanded from 3.9% to 9.8%. This was driven by strong growth in poultry feed margin on lower raw material costs, as well as higher ASPs for day-old-chicks and broilers. Another major highlight of PT Japfa Tbk's performance was the turnaround recorded by its broiler business, from an operating loss of US$5.3 million to an operating profit of US$18.1 million.

Poultry feed remains a key driver of profitability across the Group's animal protein business.

Animal Protein Other[2]

In Vietnam, operating losses in 1Q2018 narrowed year-on-year to US$2.0 million from US$7.7 million in 1Q2017. The improvement in Vietnam's profitability was due to (i) lower swine fattening costs as a result of the Group's cost containment initiatives; (ii) lower costs for feed raw materials; and (iii) higher poultry ASPs.

On a quarter-on-quarter basis, Vietnam's swine prices picked up 11% in 1Q2018 but remained at levels below cost. Swine prices rose during the Tet festival in February 2018, and held steady even after the Tet holiday.

In the near term, the curtailed demand following China's import restrictions since 4Q2016 will continue to affect Vietnam's swine market. Recovery in swine prices is expected when supply ultimately readjusts down to the new level of demand.

The losses in Vietnam's swine business were compensated by profitability generated by Vietnam's poultry business, as well as continued profits from the feed businesses in Vietnam, Myanmar and India.

As a result, APO reduced its overall Profit After Tax from negative US$6.5 million in 1Q2017 to negative US$1.6 million in 1Q2018. APO recorded a positive EBITDA of US$2.6 million in 1Q2018.

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

Dairy

Despite pressure on raw milk prices, Dairy generated consistent profits, with higher milk yields and volumes. Revenue grew 20.2% to US$99.5 million, on growth in raw milk and ESL[3] sales volumes in China and South-east Asia respectively.

While overall operating profit increased 5.1% to US$19.3 million, operating margin dipped due to lower raw milk prices in China, as well as higher A&P costs in Indonesia as the Group launched a new range of Yogurt and UHT Small Packs – which are targeted to be one of the growth drivers for the Dairy business in Indonesia.

Meanwhile, milk yields in China improved from 38.6Kg/head/day to 38.9Kg/head/day. Milkable cows in China increased 8.7% to a population of 42,010 heads as Farm 7 started fully milking in March 2018.

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

The operating landscape for Consumer Food remains challenging amidst heightened competition, particularly in the ambient food sector.

In 1Q2018, due to lower sales volume and ASPs for ambient food (eg sausages) year-on-year, Consumer Food recorded an operating loss of US$1.4 million against a 3.1% decline in revenue.

However, the Group has rolled out a few initiatives to address the competition. They include raising ASPs for frozen food, brand rejuvenation with a clearer packaging and brand positioning, and improving the taste and quality of "So Good" products. This strategy is beginning to bear fruits, evident from the breakeven EBITDA achieved in 1Q2018, as compared to a loss in 4Q2017. Sales volume of ambient temperature sausages also expanded on a quarter-on-quarter basis.

LOOKING AHEAD

The Group will stay focused in meeting the rising protein consumption in the five emerging Asian markets.

"Over the years, we have built a strong foundation for our core business pillars. We are particularly pleased with the strong showing by PT Japfa Tbk. At the same time, we look forward to participating in the growth of Asia's milk industry in a bigger way as the Group now has a 100% ownership in Dairy. On Vietnam's swine market, while we wait out for the demand and supply to achieve a new balance, we will continue to reduce our cost structure and ramp up efficiency. The Group will also stay focused in implementing our strategy to increase the competitiveness of Consumer Food amidst the challenging landscape," concluded Mr Tan.

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

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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