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PRESS RELEASE

Japfa posts higher revenue of US$736.1 million with Core PATMI w/o Forex[1] of US$7.3 million in 1Q2017

- ***Year-on-Year decline in 1Q2017 profitability due to the lower price environment in the key markets that the Group operates in***
- ***Core PATMI w/o Forex for the rolling 12 months ended 31 March 2017 grew 17% as compared to the corresponding period a year ago***
- ***Diversified and vertically integrated business model, along with strong fundamentals to weather industry cyclicality and anchor the Group for long-term growth***

Singapore, 27 April 2017 – Leading agri-food company, **Japfa Ltd** ("Japfa", or together with its subsidiaries, the "Group") has recorded a 2.6% growth in revenue to US$736.1 million for the first three months ended 31 March 2017 ("1Q2017").

The Group's profitability was mainly impacted by the significantly lower selling prices for swine in Vietnam which started declining in the fourth quarter of 2016 due to China's import restrictions. In addition, Indonesia witnessed weaker broiler selling prices in 1Q2017 due to a lower-than-expected poultry demand.

Overall, the Group rounded up the quarter with a lower Core PATMI w/o Forex of US$7.3 million. For the rolling 12 months ended 31 March 2017, Core PATMI w/o Forex grew 17.3%, as compared to the corresponding period ended 31 March 2016.

Commenting on the Group's operating landscape, Mr Tan Yong Nang, Chief Executive Officer of Japfa, said, **"Industry cyclicality is part and parcel of an agri-food business. While we cannot direct macroeconomic factors, we can zero in on factors which we can control, including our production costs and yields. A key focus is to continually improve our operational efficiency so as to be one of the most competitive and efficient protein producers in the markets that we operate in."**

[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 (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. 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.

KEY FINANCIAL HIGHLIGHTS

US$ million

	Quarterly			Rolling 12 months ended		
	1Q2016	**1Q2017**	**% change**	**31.03.16**	**31.03.17**	**% change**
Revenue	**717.7**	**736.1**	**+2.6%**	**2,829.1**	**3,051.4**	**+7.9%**
Operating profit	55.1	36.5	-33.8%	240.3	292.8	+21.8%
Operating profit margin	*7.7%*	*5.0%*	*-2.7ppt*	*8.5%*	*9.6%*	*+1.1ppt*
EBITDA[2]	77.1	65.2	-15.3%	327.4	406.9	+24.3%
Profit After Tax	37.1	10.1	-72.9%	123.9	170.7	+37.8%
PATMI	23.4	2.1	-91.1%	81.1	97.5	+20.2%
Core PATMI w/o Forex	**20.7**	**7.3**	**-64.6%**	**99.6**	**116.8**	**+17.3%**

PT Japfa Tbk

Driven by higher sales volumes for feed, day-old chicks ("DOCs") and broiler, PT Japfa Tbk's revenue rose 4.1% to US$495.9 million. Profitability was, however, affected by the lower average selling prices ("ASP") for broiler and this resulted in a 60.6% decline in Core PATMI w/o Forex to US$2.1 million in 1Q2017.

Notwithstanding this, the feed business, which registered higher sales volume, continued to be a key profitability pillar in Indonesia, while the breeding business witnessed higher DOCs ASP and sales volume.

A weaker-than-expected poultry demand in Indonesia, however, has caused an oversupply of broiler in 1Q2017, resulting in a lower price environment. Consequently, the Group's commercial farming business saw a dip in broiler ASP and profitability.

Due to the seasonal effect of Ramadan where chicken consumption is traditionally higher in Indonesia, poultry prices are expected to improve in 2Q2017. Post Ramadan, the Ministry of Agriculture is expected to effect its new decree of culling unhatched broiler DOC eggs nationwide, which is likely to improve broiler prices for the rest of the year.

Animal Protein Other[3]

Animal Protein Other's performance was impacted by the swine price downturn in Vietnam. This core pillar registered a negative Core PATMI w/o Forex of US$6.5 million in 1Q2017.

Revenue declined 15.3% to US$115.8 million on lower ASP for swine in Vietnam due to China's swine imports restrictions which started in the fourth quarter of 2016. In 1Q2017, ASP for swine fattening dropped 29% year-on-year, which was below production cost, resulting in a significant loss in the swine fattening business.

Nonetheless, the Group has been working hard over the last few years to improve its cost structure, and it is today one of the lowest cost producers of swine in Vietnam. This better-positions the Group to navigate market headwinds, vis a vis smaller competitors.

[2] 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.

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

Meanwhile, the feed business, which continued to provide a stable base of profits in Myanmar, witnessed margin expansion. In India, the focus is on growing the feed business which remained the stable pillar of profitability.

Dairy

Concerted efforts by the Group to push up its milk yield and sales volume continued to bear fruit during the quarter. Revenue rose 18.8% to US$82.8 million, despite the downward pressure on raw milk prices in China. With further enhancements to operational efficiency, operating profit grew 22.0% to US$18.3 million while operating margin improved to 22.1%. In addition, EBITDA grew at a faster rate of 39.5% to US$25.2 million, while Core PATMI w/o Forex improved 20.1% to US$9.2 million.

In China, the Group remained focus in its strategic expansion of the Dairy core pillar. With Farm 6 fully milking and Farm 7 having started milking since November 2016, raw milk sales volume has surged 38% in 1Q2017. As at 31 March 2017, milkable cows in China rose 27% to 38,642 heads, while milk yields has expanded from 37.6 Kg/head/day to 38.6 Kg/head/day. All of these helped to offset the 4% decline y-o-y in ASP of raw milk, which is expected to remain sluggish in the near term.

Consumer Food

The Consumer Food segment showed significant improvement in 1Q2017. Revenue rose 11.7% to US$51.3 million, while operating profit grew to US$0.9 million, driven by improved margins, as well as higher sales of Frozen products and Ambient temperature protein snacks. During the quarter, EBITDA increased 31.8% to US$2.8 million.

Geographically, the Indonesia operations remained profitable in 1Q2017, offsetting the operating losses incurred in Vietnam as the latter ramps up its operations.

Moving forward, the Group will continue to tap the changing consumer dynamics for downstream consumer food products by investing strategically to build up its consumer brands in Indonesia and Vietnam. In the mid- to long-term, it expects the Consumer Food segment to become Japfa's fourth core pillar.

LOOKING AHEAD

Overall, the Group remains confident of its long-term prospects due to its core competencies and strong business model, which in turn positions the Group to benefit from the animal protein consumption gap in its operating markets. Leveraging its strong fundamentals, the Group will stay focused in propelling the business forward.

"While industry cyclicality is expected in an agri-business, what is more important is that our fundamentals remain intact, and the strength of our business model will help us navigate through market cycles. Our diversified businesses across five proteins and five countries will also position us for long-term growth as we continue to ride the growing animal protein consumption in emerging markets. We will stay the course in our strategy to be one of the most efficient and lowest cost industrialised producers in the markets we operate in, by building on our core competencies and strengthening our core pillars," added Mr Tan.

Over the last 12 months, several strategic alliances were made to cement the Group's core competencies. In August 2016, KKR's US$81.9 million-investment in PT Japfa Tbk strengthened the Group's balance sheet and enabled Japfa to leverage on KKR's financial and agricultural experience and network. In September 2016, the Group's wholly-owned Indonesian subsidiary, PT So Good Food, completed a 40-60 joint venture with Cargill to produce and supply fully-cooked poultry products in Indonesia. Besides enhancing the depth and breadth of Japfa's consumer food processing capacities, the strategic partnership also enabled Japfa to widen its product range to tap the growing consumer food market in Indonesia.

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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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