

Japfa Ltd

INVESTOR PRESENTATION

Proposed Acquisition of Remaining Interest in AustAsia

January 2018

IMPORTANT NOTICE: *This presentation is for information only and may contain forward-looking statements that involve assumptions, risks and uncertainties. It should be read in conjunction with the SGXNet announcement dated 21 December 2017. All capitalized terms used but not defined herein shall have the same meanings ascribed to such term in the SGXNet announcement.*

Overview of AustAsia

China



373
Raw Milk Sales Volume (mil kg)[1]

41,766
Milkable cows (heads)[2]

37.4
Average Daily Milking (kg/head/day)[2]

Southeast Asia



24
SE Asia Extended Shelf Life Branded Milk Sales Volume (mil litres)[1]

4,508
Milkable cows (heads)[2]

33.3
Average Daily Milking (kg/head/day)[2]

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1 As at 31 December 2016 ("FY2016")
2 As at 30 September 2017 ("3Q2017")

AustAsia's Achievements

Indonesia – Downstream

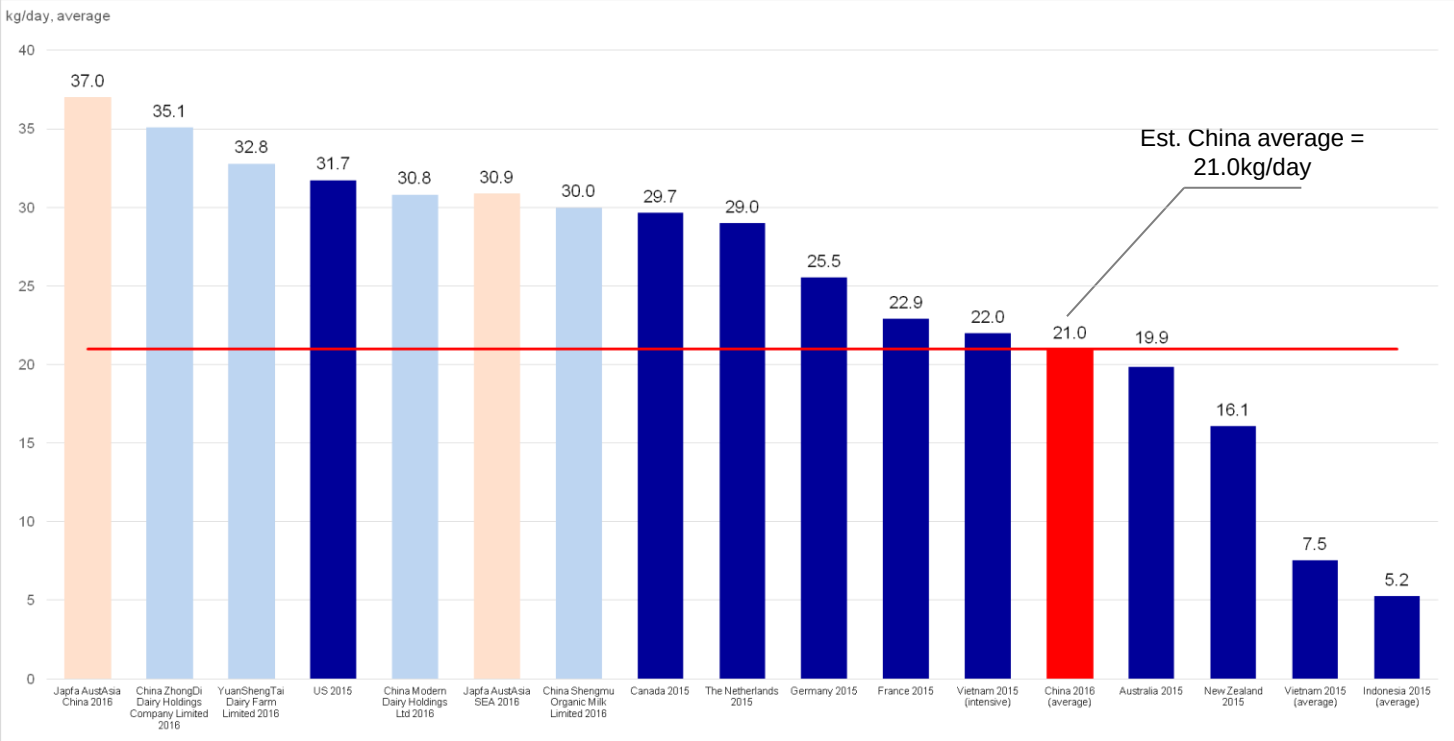
- Launched ***Greenfields*** brand of milk in 2000
- Successful brand-building

Greenfields, #1 brand of Fresh Pasteurized Milk in Indonesia[1]

China – Enjoys Highest Milk Yield

Milk yield X **Milk price** = **Profitability**

Japfa's yield continues to surpass listed China competitors[2]



1 PT Austasia Food calculation and claim based on value and volume sales data provided by Nielsen Scan Track Service for Pasteurized Milk category for the 12 months ending September 2016 for Indonesia market. (Copyright © 2016, Nielsen)

2 Sources: Rabobank, IFCN, annual reports 2016 by respective listed corporates

Proposed Acquisition of Remaining Interest in Dairy Business ("AustAsia")

Aggregate consideration **US$263.1 million** to be satisfied in full by:

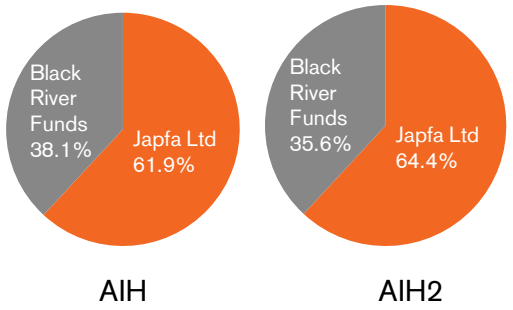
a) Cash payment of US$223.0 million funded by bank borrowings

b) Issuance of 90 million ordinary shares in Japfa Ltd at S$0.60 (US$0.45) per share (which is approximately US$40.1 million)

Overview of Proposed Transaction

- ☑ Entered into a share purchase agreement on 21 December 2017 to acquire the outstanding shares in AustAsia from Black River Funds, which is managed by Proterra Investment Partners LP ("Proterra")
- ☑ AustAsia consists of two principal subsidiaries: AIH and AIH2, in which Japfa currently holds a 61.9% and 64.4% stake, respectively
- ☑ To acquire 38.1% stake in AIH and 35.6% stake in AIH2 for US$263.1 million, comprising:
  - ➢ Call Option Shares of US$19.6 million, based on the cost of investment of Black River Funds
  - ➢ Sale Shares of US$243.5 million, arrived at after arm's length negotiations on a "willing-buyer, willing-seller" basis, taking into account AustAsia's earnings and dairy industry earnings multiples
- ☑ Subject to: (a) SGX-ST's approval for the listing of the Consideration Shares on SGX-ST Mainboard; (b) financing and (c) shareholders' approval at EGM

AustAsia Ownership (Present)



AustAsia Ownership (Post Transaction)



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Rationale of Proposed Transaction

☑ **Enhance overall profile**
- Gaining full control over the business will enable the Group to align AustAsia's objectives with its long-term strategic goal of becoming a fully integrated milk and food player in emerging markets

☑ **Dairy business is a strong engine of growth**
- In China, AustAsia commands leadership position in milk yields
- In Indonesia, it enjoys strong brand equity where Greenfields is the top fresh milk brand
- With its upstream business substantially in place, the Group is now focusing on strengthening its downstream capabilities

☑ **100% ownership will enable the Group to enjoy full contribution from its strong dairy business**
- AustAsia has recorded consistent profitability, despite prevailing low raw milk price environment

☑ **Tap full potential of the fast growing milk industry in emerging Asia**
- The Group will continue to invest resources to further solidify its position in the dairy industry

☑ **Other benefits**
- Acquire the Call Option Shares from Black River Funds at cost
- Remove uncertainties and risks arising from the Put Options disclosed in the IPO prospectus and financial statements
- The Company believes the Consideration is fair and reasonable, after taking into account the above-mentioned reasons and AustAsia's historical profitability







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Syndicated Loan
Up to US$280.0 million

The Company intends to enter into a facility agreement:

Mandated Lead Arranger Banks	▪ DBS Bank Ltd ▪ Coöperatieve Rabobank U.A., Singapore Branch
Syndicated Loan Quantum	Up to US$280.0 million comprising: ▪ Up to US$230.0 million 3-year loan for the purpose of the Transaction ("Transaction Loan") ▪ Up to US$50.0 million 3-year revolving credit facility for general corporate purposes
Repayment	<u>Transaction Loan</u> ▪ Bullet repayment in 3 years' time ▪ Can be prepaid or cancelled without penalty

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Our Farms and Processing Facilities

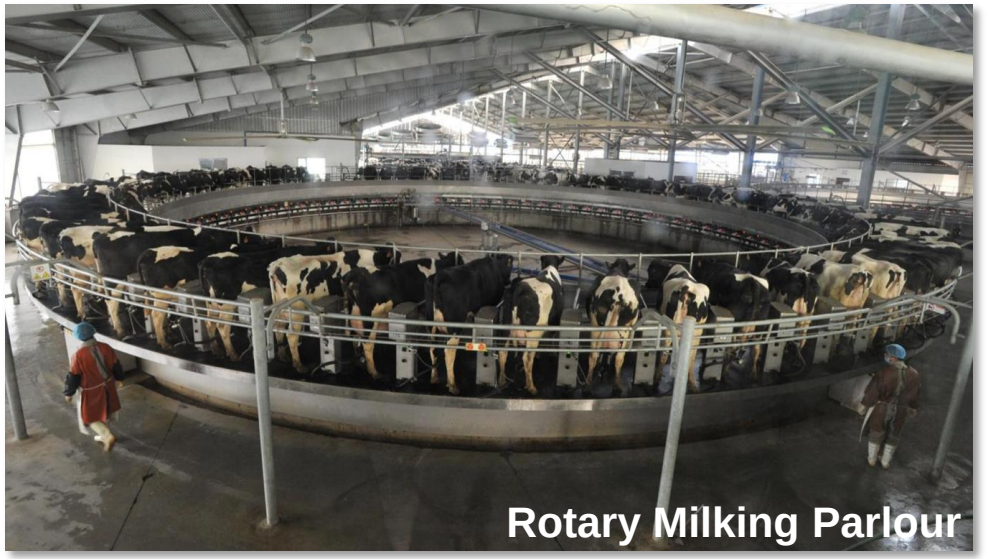






5 Dairy Farms in Shandong, China









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2 Dairy Farms in Chifeng, Inner Mongolia, China



Front view of Milking Parlour


Calves Barns & Hutches


Hay Barns


Rotary Milking Parlour

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Dairy Farm Indonesia: Farm 1 Expansion (completed)

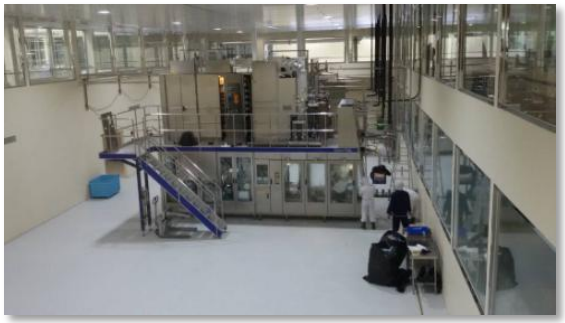


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Dairy Business in Indonesia

Operational Commencement of New Dairy Processing Plant
Desa Palaan, Malang, East Java







- The 7-hectare plant was officially opened on 4 May 2017
- Investment value of IDR 335 billion is 4 times larger than the plant located at Desa Babadan, Ngajum, Malang
- Milk processing capacity increased from 72 million litres per year (as at March 2017) to current capacity of 102 million litres per year

- **With this capacity expansion, Greenfields is now the largest fresh milk producer in Indonesia**
- **Aim to better support the increasing per capita milk consumption in the country**
- **Target to increase milk processing capacity as part of AustAsia's expansion into other dairy categories, in line with its branded consumer goods strategy**

Looking Ahead







Dairy Business in China: JV with Food Union

Construction of 300,000 metric tonnes pa milk processing plant underway





- Sits on a 115 mu (77,000 sq m) land, approximately five kilometres from our dairy farms in Dongying city, Shandong Province
- Expected completion date: June 2018
- As part of the JV arrangement, AustAsia will enter into a long term (five-year renewable) off-take contract to supply premium raw milk to the plant
- JV combines Japfa's strength as a producer of premium raw milk in China and Food Union's expertise in milk processing and distribution, together with its track record in building successful dairy products businesses in emerging markets

Forms the first step in our longer term plans to build a branded consumer goods business in China

Capture growth and margins across the dairy value chain, as well as accelerate the development of our Greenfields brand in Asia

Dairy Farm Indonesia: Farm 2 in Wlingi, East Java
(Earthworks completed, construction in progress)











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Dairy Business in SEA



- Continue to improve the cost of production of milk through farm operation improvement
- Greenfields now holds a clear dominant position in strategically important Fresh Milk category in Indonesia, which opens up opportunity for the company to diversify its products range
- Dairy Processing facility in Palaan, East Java, was officially opened in May 2017; our strategy is to enter new dairy product categories such as yoghurt in addition to Liquid Milk
- New plant has an infrastructure to cater up to 3 farms output and is expected to run more cost efficiently, thus lowering conversion cost
- Strategy of branded consumer goods business for next 5 years is to focus on Liquid Milk, Yoghurt and Fresh Cheeses and capitalise on Greenfields Premium Brand positioning

Thank You

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