PRESS RELEASE

JAPFA LTD
391B Orchard Road, #18-08, Ngee Ann City Tower B, Singapore 238874
Tel: (65) 6735 0031 Fax: (65) 6735 4465
Company Registration No: 200819599W

FY2019 Financial Results

Backed by a record 4Q2019, Japfa posted strong FY2019 results despite challenging conditions. A testament to its robust business model.

- **In FY2019 revenue amounted to US$3.9 billion (+10% vs FY2018) driven mainly by higher feed volumes across the Group.**
- **Profits remained steady, backed by a record performance in 4Q2019, despite low broiler prices in Indonesia and African Swine Fever ("ASF") in Vietnam.**
- **Group's Core PATMI without Forex[1] was US$119.7 million (-1.8% vs FY2018). Group's EBITDA[2] amounted to US$478.6 million (+4.7% vs FY2018).**
- **Japfa's long-term strategy and industrialised business model position it well to take advantage of when market conditions turn around.**
- **The Board of Directors recommends a final dividend of 1 Singapore cent per share for FY2019.**

Singapore, 29 February 2020 – Leading industrialised agri-food company Japfa Ltd ("Japfa" or, together with its subsidiaries, the "Group") today posted strong revenue of US$ 3.9 billion, with a 10.1% growth compared to FY2018, driven by higher feed sales volumes across the Group.

Despite challenging markets conditions influencing two of our core business pillars for most of the year, in 2019 the Group's was able to maintain steady profits. Operating profit remained solid at US$339.0 million (-0.8% vs FY 2018), while the Core PATMI without Forex was US$119.7 million (-1.8% vs FY2018). By means of its long-term strategy and industrialised business model, Japfa was able to make the most of improved livestock prices in 4Q2019.

[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

[2] EBITDA is defined as profit before tax from continuing operations, excluding interest income, finance costs, depreciation of property, plant and equipment, depreciation of investment properties and amortisation of intangible assets, and also excluding changes in fair value of biological assets; derivative relates to Forex hedging and Forex adjustment gains/(losses).

The Animal Protein Other ("APO") segment recorded a remarkable profitability as Japfa has been able to minimise the negative effect of the ASF through strict bio-security protocols and strong farm management, thus benefitting from the rebound of swine fattening ASP in the 4Q2019.

Backed by continued increases in milk yields in its China operations over the last five years, the Dairy segment generated an increased operating profit, taking advantage of higher raw milk prices in China.

Tan Yong Nang, Chief Executive Officer of Japfa, said: "I am encouraged by our ability to weather challenging conditions across different proteins and countries. Our FY2019 results show that our long-term strategy of industrialisation and diversification, coupled with our ability to implement the necessary actions on the ground, is bearing tangible results. A good example is how we have handled the African Swine Fever ("ASF") in Vietnam. With our industrialised business model, which encompasses strict bio-security protocols and strong farm management, we have been able to contain the adverse effects of the ASF and capitalise on the rebound of swine fattening ASP in the last quarter of 2019. Even more importantly, our strategy of building a swine breeding pyramid starting from our own Great Grand Parent (GGP) farms allows us to replenish our swine breeding stock faster than the competition. As a result, in a context of supply shrinkage in Vietnam, we anticipate that have been able to increase our swine fattening market share. We believe that, by continuing to focus on our strengths, we can continue to create the most value for our shareholders."

Financial Highlights

(US$ million)	*4Q 2018*	*4Q 2019*	*Change*	*FY 2018*	*FY 2019*	*Change*
Revenue	909.3	1,052.1	15.7%	3,533.3	3,890.5	10.1%
Operating Profit	77.3	154.6	100.0%	341.8	339.0	-0.8%
Operating Profit Margin	*8.5%*	*14.7%*	*6.2pts*	*9.7%*	*8.7%*	*-1.0pts*
EBITDA[1]	*100.6*	188.3	*87.2%*	*457.0*	*478.6*	*4.7%*
Profit After Tax ("PAT")	53.4	121.3	127.3%	178.2	184.6	3.6%
PATMI	39.9	97.5	144.5%	100.4	120.0	19.5%
Core PATMI without Forex	26.6	72.1	170.6%	121.9	119.7	-1.8%

Segment Results

PT Japfa Tbk

Animal feed is the backbone of Japfa's vertically integrated business model.

PT Japfa Tbk recorded a revenue increase of 9% to US$2.6 billion driven by a 9% increase in total poultry and aqua feed sales volumes that compensated for low broiler Average Selling Prices ("ASPs") resulting from an oversupply in the market.

The operating profit amounted to US$219.0 million on the back of poultry and aqua feed. Breeding profitability remains healthy, albeit lower than in 2018, which was a good year with high ASPs following the lack of Day-Old-Chicks ("DOCs"). Commercial farm operations profitability has been affected by weak broiler ASPs, resulting from a market oversupply of broilers for the first three quarters of 2019.

APO

The APO segment delivered strong growth in revenue (+18.7% y-o-y) to US$692.0 million from US$583.1 million as a result of an increase of 16% in total swine and poultry feed volumes.

The operating profit grew by 19.6% y-o-y to US$39.6 million in FY2019 from US$33.1 million in FY2018, despite the impact of the ASF in Vietnam, which is estimated to have significantly reduced the total swine population in Vietnam[3].

With our industrialised business model, which encompasses strict bio-security protocols and strong farm management, Japfa was able to contain the impact of the ASF and capitalise on the rebound of swine fattening ASP in 4Q19, after two consecutive quarters of low prices.

Furthermore, in a context of overall supply shrinkage in Vietnam driven by the ASF, Japfa has been able to increase its swine fattening market share. This was the result of Japfa's long-term strategy of building a swine breeding pyramid starting from our own Great Grand Parent (GGP) farms, which allows APO-Vietnam to quickly replenish its own breeding stocks.

Broiler volumes also increased (+16%) as a result of a consumer shift towards alternative source of protein driven by the ASF.

In India, the continued focus on feed operations led to a strong growth of 24% in feed sales volumes.

Dairy

The Dairy segment recorded an improved performance year-on-year. Revenue grew by 15.3% y-o-y to US$471.5 million. Operating profit grew by 24.1% to US$89.2 million in FY2019 from US$71.8 million in FY2018.

In China, as a result of our industrialised business model, Dairy saw the improvement in daily milk yields to 39.6 kg/head in 2019 from 38.9 kg/head in 2018 and an increase by 4% y-o-y in raw milk sales volumes. The segment's profitability was driven by higher raw milk prices in the second half of 2019 following a shortage of raw milk.

In Indonesia overall sales volume increased by 38% y-o-y resulting from the operations of second dairy farm, as well as the expansion of the dairy product range and the continued investments in advertising and promotion to increase brand visibility.

Consumer Food

In the Consumer Food segment, the Group continued to face tight competition in the ambient food sector, where its dominant position continues to be challenged. Revenue decreased by 6.2% to US$190.7 million in FY2019 from US$203.3 million last year.

After two years of negative performance, the segment delivered a positive EBITDA of US$4.7 million following the implementation of various strategies such as brand rejuvenation, cost efficiency measures in the supply chain and distribution, and refocused efforts in advertising and promotion.

[3] Source: USDA, 6 December 2019, Vietnam African Swine Fever Update: "According to official statistics, Vietnam's pig herd has shrunk by 22 percent compared to the same period last year. Other sources suggest that about 30-40 percent of Vietnam's total swine population has been lost to the disease itself and to depopulation".

Looking ahead

While animal feed remains the backbone of our vertically integrated business, providing stability to revenues and profitability, the Group will continue to take advantage of its vertically integrated industrialised business model as well as a greater diversification among proteins and geographies.

Poultry remains our core business of **PT Japfa Tbk**, where we have a strong market share in Indonesia with economies of scale.

APO-Vietnam's ability to successfully face ASF allowed the Group not only to make the most of swine fattening ASP increase in 4Q2019, but also to grow its swine market share and set a stronger base for the future.

China raw milk prices started to gain upward momentum in 2H2019. This bodes well for the growth of our **Dairy** segment, where the Group can benefit from its ability to increase quality and milk yields. In SEA, the business has increased with a second dairy farm and moved to downstream processing to widen the dairy product range, thus allowing the Group to seize the growth opportunities in the market.

In light of the recent coronavirus outbreak, we believe that the impact on our overall business should not be significant as Japfa supplies staple protein foods largely to the domestic markets where they are produced. While there will be some disruptions in the near term, as of today we cannot anticipate how the situation will evolve.

The successful completion of the rights issue launched in December 2019 and concluded in February 2020 will enhance our financial flexibility and allow us to capitalise on potential growth opportunities arising from the increasing protein consumption in Asia.

###

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 1975, the Group has over the last four decades 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/

Contacts

Japfa Investor Relations and Corporate Communication
Tel. +65 67350031
Email: investorcontact@japfa.com

IMPORTANT NOTICE: *This press release should be read in conjunction with the financial statements and presentation materials announced on SGXNET. This press release is for information only and may contain forward-looking statements that involve assumptions, risks and uncertainties.*