PRESS RELEASE

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Japfa posts steady growth in FY2016 surpassing US$3 billion in revenue and US$130 million Core PATMI w/o Forex

- ***Achieves 8.8% year-on-year growth in FY2016 revenue to US$3.0 billion***
- ***FY2016 Core PATMI excluding foreign exchange[1] grows 47.6% to US$130.2 million***
- ***Recommends dividend of 1.0 Singapore cent per share for FY2016***

Singapore, 1 March 2017 – Leading agri-food company, **Japfa Ltd** ("Japfa", or together with its subsidiaries, the "Group") today announced robust results for its financial year ended 31 December 2016 ("FY2016"), as Core PATMI without foreign exchange ("Core PATMI w/o Forex")[1] grew 47.6% year-on-year to US$130.2 million on the back of the 8.8% year-on-year growth in the Group's revenue to US$3.0 billion.

Backed by the stable base of profits from its animal feed operations across all geographical markets, the Group's three core pillars of PT Japfa Comfeed Indonesia Tbk ("PT Japfa Tbk"), Animal Protein Other and Dairy all showed improvement in revenue and profitability in FY2016, with PT Japfa Tbk as the main contributor for the growth in the Group's revenue and profit.

For the full year, the higher revenue and operating profit margin led to a 43.7% growth in operating profit to US$311.4 million. EBITDA rose by 42.3% to US$423.3 million, while profit attributable to Owners of the Parent, Net of Tax ("PATMI"), which includes foreign exchange and biological asset valuation losses, grew 83.6% to US$118.8 million in FY2016.

Summing up the Group's full year performance, Mr Tan Yong Nang, Chief Executive Officer of Japfa, said, **"We are delighted to report a robust set of FY2016 results, which reflects the year-on-year improvement in profitability across the Group's core pillar business segments, as well as the stable profits provided by our animal feed business across all geographies. Apart from benefiting from better market conditions in the respective animal protein segments, our relentless push for operational diversification and higher efficiencies in the past year has also put us in good stead to tap on the positive market tailwinds and overcome pockets of industry headwinds."**

FINANCIAL RESULTS AND SEGMENTAL REVIEW

Group Highlights (US$m)	4Q2016	4Q2015	% change	FY2016	FY2015	% change
Revenue	745.3	711.8	+4.7%	3,032.9	2,787.1	+8.8%
Operating profit	43.1	75.3	-42.8%	311.4	216.6	+43.7%
Operating profit margin	*5.8%*	*10.6%*	*-4.8ppt*	*10.3%*	*7.8%*	*+2.5ppt*
EBITDA	83.5	95.0	-12.1%	423.3	297.5	+42.3%
Profit After Tax	12.0	74.9	-84.0%	197.7	91.8	+115.5%
PATMI	2.7	46.7	-94.1%	118.2	64.7	+83.6%
Core PATMI w/o Forex	**15.6**	**33.4**	**-53.2%**	**130.2**	**88.3**	**+47.6%**

[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 from the buyback of USD bonds in PT Japfa Tbk and the gain on disposal of asset held for sale), 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.

PT Japfa Tbk

PT Japfa Tbk's revenue and profitability showed significant improvement across the board in FY2016. This core pillar registered a 9.4% increase in revenue to US$2.03 billion, which was mainly driven by the increase in sales volume for the feed and day-old chicks ("DOCs") businesses.

The feed business continued to be the stable pillar of profitability, and feed margins improved due to lower material costs during the year. PT Japfa Tbk also benefited from the stable poultry prices throughout FY2016 which led to improved breeding margins, whereas in the previous financial year ended 31 December 2015, poultry prices only recovered in the second half of 2015. In addition, commercial farming sales volume remained stable, and recorded stable margins of 3.2% in FY2016.

Overall, FY2016 was one of the strongest years of revenue and profitability for PT Japfa Tbk since it commenced its poultry operations in Indonesia over 40 years ago. In terms of operating profit, PT Japfa Tbk generated a robust 71.4% growth to US$216.7 million in FY2016, while EBITDA rose 60.2% to US$288.2 million. With the all-round improved performance for PT Japfa Tbk's business units, PT Japfa Tbk's contribution to Core PATMI w/o Forex jumped 124.4% to US$77.4 million in FY2016.

Animal Protein Other[2]

The Group's Animal Protein Other operations achieved a 5.2% increase in revenue to US$562.0 million and overall profitability improved year-on-year, mainly due to contributions by Vietnam and Myanmar. This core pillar's operating profit grew 18.6% to US$42.5 million, while its Core PATMI w/o Forex posted a 22.1% growth to US$36.7 million in FY2016.

Overall, revenue and operating profit grew across all geographies, due to higher sales volume, with Vietnam contributing more than 60% of this segment's revenue, and about 70% of operating profit. On a year-on-year basis, poultry feed volumes increased by 8% in Vietnam and 18% in Myanmar, while swine feed increased by 16% and swine fattening increased by 23% in Vietnam in FY2016.

Following the strong performance in the second and third quarters of 2016 in Vietnam, swine prices declined in late 4Q2016 but were mitigated by the improved cost structure in swine fattening operations.

During the year, Myanmar operations registered a growth in sales volumes for feed, DOCs and broilers. The feed business also maintained its performance and achieved higher margins and profitability in FY2016. On 16 October 2016, the Group officially launched its second feedmill in Myanmar to tap on the growing poultry consumption in Myanmar. Sited in the Mandalay Myotha Industrial Zone, the modern and highly-efficient will produce high-quality animal feed for third party farmers in the Mandalay region.

In India, the consumer demand for chicken has declined due to the demonetization of the Indian Rupee in November 2016, which has resulted in lower poultry sales volumes. The focus continues to be on feed operations which consistently delivers profits.

Dairy

In FY2016, the continuing pressure on raw milk prices was compensated by the Group's improvement in milk yield and higher sales volume, as it continued to expand strategically in China with the completion in construction of Farm 7 in 4Q2016.

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

While this core pillar's revenue and profit generation is mainly driven by China, the Group's dairy operations in South-east Asia continued to show improvement in profitability even as it invests strategically in building the *Greenfields* brand of fresh milk and dairy products.

For the full year, revenue grew in line with the increase in raw milk sales volume in China. Milkable cows in China increased by 27% to a population of 38,420 heads, as Farm 6 started milking in January 2016 and fully milking in November 2016. In addition, Farm 7 started milking in November 2016.

The enhancement of milk volumes and milk yields from 36.1Kg/head/day to 37.0 Kg/head/day for China farms, helped to offset the 9% decline in average selling price ("ASP") of raw milk in China, which is expected to remain sluggish in the near term. In Indonesia, the Group's continuing push for greater efficiencies in dairy operations saw milk yield improve from 30.1 kg/head/day to 30.9 kg/head/day.

Overall, operating profit improved by 13.9% year-on-year to US$54.1 million in FY2016, as a result of the growth in sales volume. Profit after tax dropped 33.6% year-on-year from US$22.7 million to US$15.0 million, primarily due to higher bio-asset fair value loss of US$21.1 million in FY2016, compared to a lower bio-asset fair value loss of US$8.2 million in FY2015.

EBITDA increased by 22.6% to US$74.4 million, while Core PATMI w/o Forex similarly grew by 20.1% to US$26.7 million in FY2016.

Consumer Food

In FY2016, the Group continued with its long-term strategy of building the consumer food business with leading homegrown brands.

Revenue was up 7.4% due to higher sales volumes of frozen products and Real Good milk which increased by 23% and 19%, respectively. While Indonesian consumer food operations continued to be profitable, there was operating losses incurred in Vietnam as this business unit ramps up its operations in the country.

Nonetheless, this business segment continued to deliver positive EBITDA which increased by 7.5% year-on-year to US$9.4 million in FY2016. The Group will continue to invest strategically to build up its consumer brands in Indonesia and Vietnam to be growth drivers in the mid- to long-term so as to tap on the changing consumer dynamics

LOOKING AHEAD

As part of Japfa's long-term growth strategies, the Group continued to build up its core competencies through strategic alliances. In August 2016, KKR's US$81.9 million-investment in PT Japfa Tbk was completed, which strengthened the Group's balance sheet and enabled Japfa to leverage on KKR's 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 on the growing consumer food market in Indonesia.

Despite the macroeconomic challenges which softened consumption in some of the emerging Asian markets in FY2016, the Group's fundamentals has remained strong and its three core pillars have delivered a strong set of financial results which bear testimony to its successful growth strategies.

While the Group's performance will continue to be impacted by the weak macroeconomic environment and currency fluctuations of the countries it operates in, as well as the market environment of the animal protein industries and fluctuations in raw material costs and selling prices, the Group remains confident that its core competencies, diversified strategy across multiple proteins and geographies, together with its track record in replicating its industrialised and scalable business across the region, will sustain its growth in the mid- to long-term.

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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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