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

PRESS RELEASE

Japfa posts higher revenue of US$911.2 million with Core PATMI without Forex of US$18.9 million for 1Q2019

- ***Group's revenue improved year-on-year, buoyed by volume growth across core business pillars***
- ***Vertically-integrated operations enabled PT Japfa Tbk to consistently deliver profits despite the low broiler ASP environment in Indonesia***
- ***APO Vietnam recorded fourth consecutive quarter of operating profit since the recovery of swine ASP***

Singapore, 30 April 2019 – Leading vertically-integrated agri-food company, Japfa Ltd ("**Japfa**", or together with its subsidiaries, the "**Group**"), announced today that it has posted a net profit attributable to owners ("**PATMI**") of US$7.8 million for the first three months ended 31 March 2019 ("**1Q2019**"), compared to US$16.7 million in the previous corresponding period ("**1Q2018**"). Revenue for the Group grew 7.8% to US$911.2 million in 1Q2019, mainly attributable to higher sales volumes across the Group's core business segments – PT Japfa Tbk[1], Animal Protein Other ("**APO**"), and Dairy.

In 1Q2019, PT Japfa Tbk recorded a dip in profitability compared to 1Q2018 mainly due to lower broiler average selling prices ("**ASP**") as a consequence of a lower than expected poultry demand. This resulted in commercial farming operations recording a loss, which was more than offset by the strong profit generated in its breeding operations, a result of PT Japfa Tbk's vertically-integrated poultry farming business model.

[1] *Japfa Ltd runs its animal protein operations in Indonesia through IDX-listed PT Japfa Comfeed Indonesia Tbk ("PT Japfa Tbk").*

The APO segment recorded an operating profit of US$10.5 million in 1Q2019, from an operating loss of US$0.1 million in 1Q2018, mainly due to the recovery of the swine market in Vietnam. This marks APO Vietnam's fourth consecutive quarter of operating profit.

Chief Executive Officer of Japfa, Mr Tan Yong Nang (陈荣南), said, "The agri-food business will inevitably be subject to cyclicality, which is dependent on a variety of external factors that are beyond the Group's control. Nonetheless, Japfa delivered a set of resilient results across its core business pillars. This is a strong testament to our diversification strategy across five proteins and five countries, which cushions the Group against cyclicality in any one market or protein group."

FINANCIAL HIGHLIGHTS

(US$'m)	1Q2019	1Q2018	Change (%)
Revenue	911.2	845.5	7.8
Operating Profit	59.2	73.9	(20.0)
Operating Profit Margin (%)	*6.5*	*8.7*	*-2.3 ppt*
EBITDA[2]	92.0	104.4	(11.9)
Profit After Tax ("PAT")	18.7	36.1	(48.1)
Net Profit Attributable to Owners ("PATMI")	7.8	16.7	(53.2)
Core PATMI without Forex[3]	18.9	28.3	(33.3)

[2] *EBITDA is defined as profit before tax from continuing operations, excluding interest income, finance costs, depreciation and amortisation expenses, and also excluding changes in fair value of biological assets and derivatives, which relate to foreign exchange hedging and foreign exchange adjustment gains/(losses).*

[3] *Core PATMI without Forex is an estimate referring to "Profit Attributable to Owners of the Parent, Net of Tax" excluding changes in fair value of biological assets (net of tax) and derivatives, extraordinary items attributable to owners of the parent and foreign exchange gains/losses (before tax) attributable to owners of the parent.*

Japfa Ltd – Overview

In 1Q2019, Japfa recorded a 7.8% increase in revenue to US$911.2 million, up from US$845.5 million in the previous corresponding period, while Core PATMI without Forex decreased to US$18.9 million, compared to US$28.3 million in 1Q2018.

The Group's operating profit amounted to US$ 59.2 million, with a decrease of US$14.7 million mainly due to the weaker operating profit delivered by PT Japfa Tbk, caused by low broiler ASP. This was partially offset by the stronger operating profit in APO segment on the back of higher swine ASP in Vietnam. The diversification strategy of different proteins in different countries helps smoothen cyclicality.

PT Japfa Tbk

The PT Japfa Tbk segment continued to be the largest contributor to the Group's business, accounting for 66% of revenue. Revenue increased by 5.0% to US$605.4 million. This was mainly contributed by higher sales volumes for poultry feed and aquafeed, as well as higher ASP for poultry feed and Day-Old-Chicks ("**DOC**").

The segment's operating profit decreased 36.9% year-on-year ("**y-o-y**") mainly as a consequence of lower broiler ASP, which dropped below production cost due to a lower than expected poultry demand. As a result, the commercial farm operations recorded an operating loss of US$18.7 million.

Conversely, breeding operations continued to deliver a strong operating profit of US$28.7 million driven by high DOC ASP. As a vertically-integrated poultry farming business, the profit generated from breeding operations has more than covered the loss in commercial farming operations. PT Japfa Tbk recorded an operating profit of US$35.6 million for 1Q2019.

Looking ahead, the seasonal effect of Ramadan, when chicken consumption is traditionally higher in Indonesia, is expected to drive demand for poultry and a recovery of broiler ASP in 2Q2019.

Animal Protein Other

The Group's animal protein operations across Vietnam, Myanmar and India, referred to as the APO segment, registered a 25.1% increase in revenue to US$157.1 million in 1Q2019, and a turnaround of operating profit to US$10.5 million, from a loss of US$0.1 million in the previous corresponding period.

The Vietnam operations, which represent the bulk of the APO business, experienced revenue growth driven by higher ASP and higher sales volume across the board. In particular, the sales volumes for poultry and swine feed grew by approximately 20% and 10%, respectively. The y-o-y return to profitability for Vietnam operations was primarily contributed by higher swine ASP, and marked its fourth consecutive quarter of profitability.

While the poultry environment in Myanmar continues to remain competitive, Myanmar operations broke-even following three consecutive quarters of losses, as a result of improved operational efficiency through cost reduction initiatives. The profit from feed operations offset the operating losses from DOC and broiler production in the country. India is another key growth market in the longer term, and the Group's current focus is to grow the feed business, which experienced a 39.3% y-o-y volume growth.

Dairy

Driven by higher milk yields and volumes, the Group's Dairy segment continued to generate profits. Revenue for the segment grew 12.4% to US$111.8 million in 1Q2019, up from US$99.5 million compared to 1Q2018. The Dairy segment recorded an operating profit of US$17.7 million, compared to an operating profit of US$19.3 million in 1Q2018.

The increase in revenue was largely driven by improved raw milk prices as well as milk yields in China. The Group's focus is to continue improving milk yields and volumes to mitigate price fluctuations and improve profitability.

In the Dairy downstream business in Southeast Asia, revenue growth was driven by total sales volume growth of more than 40% (ESL[4], UHT[5], yogurts, and other dairy products). The Group will continue to invest in brand building and in widening the range of Greenfields dairy products to capture a larger target segment.

Consumer Food

The operating landscape in Indonesia remains competitive, and the Group's dominant position in the ambient food sector continues to be contested. Investment in advertising and promotion were sustained to maintain market share. As a result, this has impacted the Group's Consumer Segment, which recorded a 1.6% dip in revenue to US$49.0 million in 1Q2019, and an operating loss of US$2.9 million, compared to an operating loss of US$1.4 million in the previous corresponding period.

The Group is reviewing its strategy and business focus for the segment to sharpen its competitive edge through long-term strategic initiatives such as brand rejuvenation and improvements in the Group's logistics and distribution system.

OUTLOOK & BUSINESS STRATEGIES

In February 2019, the first confirmed cases of African Swine Fever ("**ASF**") were reported in Vietnam. ASF affects swine but is harmless to humans. Japfa takes the threat of potential disease outbreak very seriously and one of its core competencies has always been a focus on animal health. As an industrialised farmer with extensive bio-security levels and a wide geographical distribution of its farms, the extent of any potential impact is not expected to be significant.

"The agri-food industry is witnessing a progressive shift towards industrialised producers, which are able to achieve better productivity and better quality, with a lower production cost. As an industrialised farmer, Japfa will continue to leverage on its industrialised approach to farming and food production and drive integration across the entire value chain to grow the business further and navigate industry headwinds," Mr Tan added.

– End –

[4] ESL refers to extended shelf life of milk
[5] UHT refers to ultra-high temperature milk

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, and Indo-China.

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/.

ISSUED ON BEHALF OF	:	Japfa Ltd
BY	:	Citigate Dewe Rogerson Singapore Pte Ltd 105 Cecil Street #09-01 The Octagon Singapore 069534
CONTACT	:	Winston Choo/Amelia Lee/Aaron Ng at telephone
DURING OFFICE HOURS	:	(65) 6534 5122
EMAIL	:	winston.choo@citigatedewerogerson.com / amelia.lee@citigatedewerogerson.com / aaron.ng@citigatedewerogerson.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.