



JAPFA LTD
AND ITS SUBSIDIARIES

(Registration Number: 200819599W)

SGXNET ANNOUNCEMENT
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2023

JAPFA LTD.

(Registration Number: 200819599W)

A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000	Change %
<u>Continuing operations*</u>				
Revenue	4	2,118,875	2,213,353	-4%
Cost of sales		(1,901,784)	(1,876,217)	1%
Gross profit		217,091	337,136	-36%
Marketing and distribution costs		(79,761)	(72,477)	10%
Administrative expenses		(133,555)	(136,055)	-2%
Operating profit		3,775	128,604	-97%
Interest income		2,759	1,532	80%
Finance costs		(56,974)	(40,504)	41%
Other gain		642	1,832	-65%
Foreign exchange adjustments loss		(1,230)	(1,868)	-34%
Changes in fair value of biological assets		(4,281)	(4,554)	-6%
Share of results of associate and joint ventures		(1,394)	843	n/m
(Loss)/Profit before tax from continuing operations	5	(56,703)	85,885	n/m
Income tax credit/(expense)	6	5,892	(21,150)	n/m
(Loss)/Profit for the period from continuing operations, net of tax		(50,811)	64,735	n/m
<u>Discontinued operations**</u>				
Profit after tax from discontinued operations		-	29,579	n/m
(Loss)/Profit for the period, net of tax		(50,811)	94,314	n/m
(Loss)/Profit for the period, net of tax attributable to:				
- Owners of the parent ("PATMI")		(53,581)	44,012	n/m
- Non-controlling interests		2,770	50,302	-94%
		(50,811)	94,314	n/m
<u>Continuing operations</u>				
(Loss)/Profit for the period, net of tax attributable to owners of the parent ("PATMI")		(53,581)	25,525	n/m
Profit for the period, net of tax attributable to non-controlling interests		2,770	39,210	-93%
		(50,811)	64,735	n/m
<u>Discontinued operations</u>				
Profit for the period, net of tax attributable to owners of the parent ("PATMI")		-	18,487	n/m
Profit for the period, net of tax attributable to non-controlling interests		-	11,092	n/m
		-	29,579	n/m

* Continuing operations above do not include AAG.

** On 30 December 2022, being the listing date of AustAsia Group Ltd ("AAG"), the Company distributed ("DIS") its AAG shares to its shareholders and AAG ceased to be a subsidiary of the Group. Accordingly, the "discontinued operations" accounting principle has been applied as at 31 December 2022, where AAG's profit after tax for the financial period 2022 was recorded as a separate line item "profit after tax from discontinued operations", which is included in the Group's PAT, PATMI and Core PATMI w/o Forex for 1H2022 (January to June 2022).

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income (cont'd)

Additional information:

Management believes that Core PATMI w/o forex and EBITDA are important measures of performance, although these are not standard measures under SFRS(I).

	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000	Change %
<u>Continuing operations</u>			
Core PATMI w/o forex	(49,345)	31,252	n/m

We derived Core PATMI from "Profit Attributable to Owners of the Parent, Net of Tax" by excluding a) changes in fair value of biological assets (net of tax), other than gains/(losses) from the sale of beef in China, b) changes in fair value of derivatives, and c) extraordinary items, attributable to the 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.

Continuing operations

EBITDA	64,001	190,861	-66%
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We define EBITDA as profit before tax, excluding interest income, finance costs, depreciation and amortisation expenses. We also exclude a) foreign exchange adjustments gains/(losses), b) changes in fair value of derivatives relating to foreign exchange hedging, and c) fair value of biological assets.

Statement of Comprehensive Income

	Note	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000	Change %
<u>Statement of Comprehensive Income</u>				
(Loss)/Profit for the period, net of tax		(50,811)	94,314	n/m
<u>Continuing operations</u>				
<u>Other comprehensive income:</u>				
Items that will not be reclassified to profit or loss:				
Net gain on equity instruments designated at fair value through other comprehensive income		(3,664)	-	n/m
Remeasurement of the net defined benefits plan, net of tax		(4,089)	3,977	n/m
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations, net of tax		37,163	(40,568)	n/m
Share of other comprehensive loss of associate and joint ventures		61	(856)	n/m
Cash flow hedges		11,133	(7,503)	n/m
		40,604	(44,950)	n/m
<u>Discontinued operations</u>				
<u>Other comprehensive income:</u>				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations, net of tax		-	(42,239)	n/m
		-	(42,239)	n/m
Other comprehensive income for the period, net of tax		40,604	(87,189)	n/m
Total comprehensive income		(10,207)	7,125	n/m
Total comprehensive income, net of tax attributable to:				
- Owners of the parent		(32,730)	(10,922)	200%
- Non-controlling interests		22,523	18,047	25%
		(10,207)	7,125	n/m
Basic and diluted earnings per share (cents)	9	(2.63)	2.16	n/m

n/m : not meaningful

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a. Condensed interim statements of financial position

	Note	Group		Company	
		As at 30/6/2023 US\$'000	As at 31/12/2022 US\$'000	As at 30/6/2023 US\$'000	As at 31/12/2022 US\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	1,036,392	968,094	65	78
Right-of-use assets		212,829	205,135	247	494
Investment properties		24,680	23,047	-	-
Intangible assets		12,853	12,698	-	-
Investment in subsidiaries		-	-	453,447	410,913
Investments in associate and joint ventures		38,273	35,664	28,000	28,000
Biological assets	11	40,481	40,845	-	-
Deferred tax assets		71,421	58,613	-	-
Real estate assets		65,490	62,481	-	-
Other receivables		965	965	-	-
Other financial assets		12,675	15,408	-	-
Other assets		41,921	37,824	-	-
Total non-current assets		1,557,980	1,460,774	481,759	439,485
Current assets					
Biological inventories	11	212,820	205,208	-	-
Inventories	12	772,624	743,715	-	-
Biological assets	11	128,101	136,979	-	-
Trade and other receivables		180,062	190,807	4,203	5,111
Other financial assets		9,122	12,219	8,370	12,034
Other assets		67,255	37,460	2,468	919
Cash at banks		188,028	280,695	33,117	76,816
Total current assets		1,558,012	1,607,083	48,158	94,880
Total assets		3,115,992	3,067,857	529,917	534,365
EQUITY AND LIABILITIES					
Equity					
Share capital	13	478,898	478,898	478,898	478,898
Treasury shares	13	(14,283)	(13,724)	(14,283)	(13,724)
Retained earnings		536,727	607,736	85,426	81,978
Other reserves		(6,651)	(9,297)	(21,406)	(18,294)
Translation reserve		(227,690)	(248,664)	-	-
Equity attributable to owners of the parent		767,001	814,949	528,635	528,858
Non-controlling interests		406,832	400,317	-	-
Total equity		1,173,833	1,215,266	528,635	528,858
Non-current liabilities					
Defined benefit plan liabilities	14	87,769	75,209	-	-
Deferred tax liabilities		2,562	4,226	-	-
Other payables		504	423	-	-
Loans and borrowings	15	600,547	616,985	-	-
Lease liabilities	15	156,139	148,096	-	29
Other financial liabilities		540	-	-	-
Other liabilities		1,012	807	-	-
Total non-current liabilities		849,073	845,746	-	29
Current liabilities					
Income tax payable		12,661	16,930	2	535
Trade and other payables		246,534	299,596	1,000	4,440
Loans and borrowings	15	801,602	657,587	-	-
Lease liabilities	15	20,396	20,542	280	503
Other financial liabilities		7	274	-	-
Other liabilities		11,886	11,916	-	-
Total current liabilities		1,093,086	1,006,845	1,282	5,478
Total liabilities		1,942,159	1,852,591	1,282	5,507
Total equity and liabilities		3,115,992	3,067,857	529,917	534,365

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C. Condensed interim statements of changes in equity

Group	Total equity US\$'000	Attributable to parent sub-total US\$'000	Share capital US\$'000	Treasury shares US\$'000	Retained earnings US\$'000	Other reserves US\$'000	Translation reserve US\$'000	Non-controlling interests US\$'000
Balance at 1 January 2023	1,215,266	814,949	478,898	(13,724)	607,736	(9,297)	(248,664)	400,317
Movements in equity:								
Total comprehensive income for the period	(10,207)	(32,730)	-	-	(55,798)	2,094	20,974	22,523
Purchase of treasury shares by the company	(559)	(559)	-	(559)	-	-	-	-
Value of employee services received of performance share plan	552	552	-	-	-	552	-	-
Issuance of new shares to non-controlling interests without change of control	1,159	-	-	-	-	-	-	1,159
Dividend paid to equity holders of the company	(15,211)	(15,211)	-	-	(15,211)	-	-	-
Dividend paid by subsidiary to non-controlling interests	(17,167)	-	-	-	-	-	-	(17,167)
Balance at 30 June 2023	1,173,833	767,001	478,898	(14,283)	536,727	(6,651)	(227,690)	406,832
Balance at 1 January 2022	2,146,452	1,426,972	1,059,882	(14,125)	709,272	(157,676)	(170,381)	719,480
Movements in Equity:								
Total comprehensive income for the period	7,125	(10,922)	-	-	46,139	(3,872)	(53,189)	18,047
Acquisition of non-controlling interests without change of control	(5,781)	(2,384)	-	-	-	(2,384)	-	(3,397)
Transfer of share-based payment reserve to liability	(741)	(741)	-	-	-	(741)	-	-
Reissued treasury shares by the company pursuant to performance share plan	-	-	-	3,067	-	(3,067)	-	-
Value of employee services received of performance share plan	6,729	6,729	-	-	-	6,729	-	-
Dividend paid to equity holders of the company	(21,946)	(21,946)	-	-	(21,946)	-	-	-
Dividend paid by subsidiary to non-controlling interests	(23,319)	-	-	-	-	-	-	(23,319)
Balance at 30 June 2022	2,108,519	1,397,708	1,059,882	(11,058)	733,465	(161,011)	(223,570)	710,811

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C. Condensed interim statements of changes in equity (cont'd)

Company	Total equity US\$'000	Share capital US\$'000	Treasury shares US\$'000	Retained earnings US\$'000	Other reserves US\$'000
Balance at 1 January 2023	528,858	478,898	(13,724)	81,978	(18,294)
Movements in equity:					
Total comprehensive income for the period	14,995	-	-	18,659	(3,664)
Purchase of treasury shares	(559)	-	(559)	-	-
Value of employee services received of performance share plan	552	-	-	-	552
Dividend paid to equity holders of the company	(15,211)	-	-	(15,211)	-
Balance at 30 June 2023	528,635	478,898	(14,283)	85,426	(21,406)
Balance at 1 January 2022	1,113,791	1,059,882	(14,125)	84,116	(16,082)
Movements in equity:					
Total comprehensive income for the period	20,717	-	-	20,717	-
Reissued treasury shares pursuant to performance share plan	-	-	3,067	-	(3,067)
Value of employee services received of performance share plan	648	-	-	-	648
Dividend paid to equity holders of the company	(21,946)	-	-	(21,946)	-
Balance at 30 June 2022	1,113,210	1,059,882	(11,058)	82,887	(18,501)

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D. Condensed interim consolidated statement of cash flows

	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000 Restated
Cash flows from operating activities		
(Loss)/Profit before tax from continuing operations	(56,703)	85,885
Profit before tax from discontinued operation	-	31,038
(Loss)/Profit before tax	(56,703)	116,923
Adjustment for:		
Amortisation of intangible assets		
- Continuing operations	471	603
- Discontinued operations	-	183
Amortisation of bonds issuance cost	992	1,010
Amortisation of premium on option	3,835	3,867
Depreciation of property, plant and equipment		
- Continuing operations	45,135	43,050
- Discontinued operations	-	10,488
Amortisation of right-of-use assets		
- Continuing operations	14,925	15,556
- Discontinued operations	-	1,677
Write-off of property, plant and equipment	72	163
Write (back)/down of inventories	(1,074)	846
Depreciation of investment properties	448	373
Effect of lease liabilities remeasurement	(692)	(31)
Fair value changes on other financial assets	(4)	15
Negative goodwill arising from acquisition of subsidiary	-	(2)
Fair value loss/(gain) on biological assets		
- Continuing operations	4,281	4,554
- Discontinued operations	-	(2,267)
(Gain)/Loss on disposal of property, plant and equipment		
- Continuing operations	(504)	(212)
- Discontinued operations	-	531
Expenses arising from increase in defined benefit plan liabilities	7,320	10,672
Interest income		
- Continuing operations	(2,759)	(1,532)
- Discontinued operations	-	(249)
Interest expense on loans and borrowings		
- Continuing operations	48,160	34,157
- Discontinued operations	-	9,733
Interest expense on leases		
- Continuing operations	8,814	6,347
- Discontinued operations	-	4,297
Allowance for impairment on trade and other receivables	2,381	548
Value of employee services received pursuant to performance share plan		
- Continuing operations	552	645
- Discontinued operations	-	6,084
Share of gain from associate and joint ventures	1,394	(843)
Net effect of exchange rate changes	5,700	1,822
Operating cash flows before changes in working capital	82,744	269,008

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D. Condensed interim consolidated statement of cash flows (cont'd)

	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000 Restated
Operating cash flows before changes in working capital	82,744	269,008
Biological inventories	(5,294)	(18,926)
Inventories	1,464	(193,878)
Biological assets	19,612	(35,466)
Trade and other receivables	11,411	(9,344)
Other assets	(19,327)	(24,561)
Trade and other payables	(66,172)	34,342
Defined benefit plan liabilities	(3,394)	(1,348)
Other liabilities	173	(3,094)
Net cash flows from operations	21,217	16,733
Income taxes paid	(13,662)	(25,207)
Interest expense paid	(48,160)	(43,890)
Interest paid on lease liabilities	(8,814)	(10,644)
Net cash flows used in operating activities	(49,419)	(63,008)
<u>Cash flows used in investing activities</u>		
Acquisition of subsidiaries, net of cash inflow	-	82
Purchase of property, plant and equipment	(95,405)	(125,856)
Purchase of Investment Properties	(828)	-
Proceeds from disposal of property, plant and equipment	1,101	1,534
Proceeds from disposal of investment properties	3	9
Additions in real estate assets	(77)	(180)
Addition to investment in joint venture	(3,464)	-
Proceeds from issuance of shares to non-controlling interest by subsidiary	1,159	-
Purchase of biological assets	(7,632)	(15,700)
Purchase consideration paid for acquisition of non-controlling interests without change of control	-	(5,781)
Purchase of intangible assets	(51)	(1,116)
Purchase of financial assets	4	(27)
Interest income received	2,759	1,781
Net cash flows used in investing activities	(102,431)	(145,254)

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D. Condensed interim consolidated statement of cash flows (cont'd)

	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000 Restated
Cash flows from financing activities		
Dividends paid by subsidiary to non-controlling interests	(17,167)	(23,319)
Dividends paid to equity holders of the company	(15,211)	(21,946)
Payment of principal portion of lease liabilities	(13,830)	(16,362)
Increase in bank loans	104,738	319,436
Increase in cash restricted in use	314	1,354
Purchase of treasury shares by the company	(559)	-
Repayment of bonds payable	-	(67,349)
Net cash flows from financing activities	<u>58,285</u>	<u>191,814</u>
Net decrease in cash and cash equivalents	(93,565)	(16,448)
Effect of exchange rate changes on cash and cash equivalents	1,212	(2,915)
Cash and cash equivalents, statement of cash flows, beginning balance	<u>280,381</u>	<u>318,137</u>
Cash and cash equivalents, statement of cash flows, ending balance	<u>188,028</u>	<u>298,774</u>

Notes:

(i) For the purpose of the Consolidated Statement of Cash Flows, the Consolidated Cash and Cash Equivalents comprise the following:

	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000
Cash and bank balances	188,028	299,848
Less: bank deposit pledged	-	(1,074)
Cash and cash equivalents per consolidated statement of cash flows	<u>188,028</u>	<u>298,774</u>

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E. Notes to the condensed interim consolidated financial statements

1. Corporate information

Japfa Ltd (the “Company”) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2023 comprise the Company and its subsidiaries (collectively, the Group). The primary activities of the Company are that of group head office, and business development and branding.

The principal activities of the Group are production of multiple high-quality animal proteins, including poultry, swine, beef and aquaculture as well as high-quality animal feed, and production of raw milk.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022. The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in United States Dollars (“US\$” or “USD”) and all values in the tables are rounded to the nearest thousand (“US\$’000”), except when otherwise indicated.

2.1 Changes in accounting policies

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 11 – determination of fair value of biological assets using significant unobservable inputs
- Note 14 – the defined benefit plan liabilities involved a number of significant assumptions in determining the valuation of ultimate liability

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E. Notes to the condensed interim consolidated financial statements (cont'd)

3. Agri-business cyclicity

The Group's revenue and profitability are directly impacted by cyclicity in the agri-business, which in turn is dependent on a variety of external factors beyond the Group's control. These include seasonal factors such as seasonality of harvest and festivals, and other factors such as macroeconomic conditions that affect consumer purchasing power, government policies as well as changes to market demand and supply for raw materials which resulting in fluctuations in their costs and selling prices.

4. Segment and revenue information

The animal protein segment includes production of multiple high-quality animal proteins, including poultry, swine, beef and aquaculture as well as high-quality animal feed, across the Group's target markets as follows:

Animal Protein – PT Japfa Tbk refers to the animal protein operations of its public listed subsidiary in Indonesia, PT Japfa Tbk.

Animal Protein – Other mainly comprises of animal protein operations in Vietnam, India and Myanmar.

Others include corporate office, central purchasing office and consolidation adjustments which are not directly attributable to a particular business segment above.

Inter-segment sales are measured on the basis that the entity actually uses to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The management reporting system evaluates performances based on operating statement of comprehensive income and is measured in the same way as operating statement of comprehensive income in the consolidated financial statements.

These operating segments are reported in a manner consistent with internal reporting provided to CEO who are responsible for allocating resources and assessing performance of the operating segments.

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E. Notes to the condensed interim consolidated financial statements (cont'd)

4. Segment and revenue information (cont'd)

4.1 Reportable segments

1 January 2023 to 30 June 2023

	Animal Protein - PT Japfa Tbk US\$'000	Animal Protein - Other US\$'000	Sub-total US\$'000	Others US\$'000	Group US\$'000
Continuing operations					
Revenue by segment					
External revenue	1,608,581	498,849	2,107,430	11,445	2,118,875
Inter-segment revenue	712	1,759	2,471	(2,471)	-
Total revenue	<u>1,609,293</u>	<u>500,608</u>	<u>2,109,901</u>	<u>8,974</u>	<u>2,118,875</u>
Operating profit/(loss)	41,794	(43,744)	(1,950)	5,725	3,775
Interest income	1,423	1,137	2,560	199	2,759
Finance costs	(33,356)	(18,131)	(51,487)	(5,487)	(56,974)
Foreign exchange adjustments loss	(942)	(260)	(1,202)	(28)	(1,230)
Changes in fair value of biological assets	9	(4,290)	(4,281)	-	(4,281)
Share of results of associate and joint ventures	159	-	159	(1,553)	(1,394)
Others	(896)	521	(375)	1,017	642
Profit before tax from continuing operations	<u>8,191</u>	<u>(64,767)</u>	<u>(56,576)</u>	<u>(127)</u>	<u>(56,703)</u>
Income tax (expense)/credit	(4,445)	11,178	6,733	(841)	5,892
Profit for the year from continuing operations, net of tax	<u>3,746</u>	<u>(53,589)</u>	<u>(49,843)</u>	<u>(968)</u>	<u>(50,811)</u>
Discontinued operations					
Profit after tax from discontinued operations					-
Profit for the year, net of tax					<u>(50,811)</u>
Assets and reconciliations					
Segment assets	2,105,855	804,672	2,910,527	63,843	2,974,370
Unallocated assets	85,070	31,738	116,808	24,814	141,622
Total Group assets	<u>2,190,925</u>	<u>836,410</u>	<u>3,027,335</u>	<u>88,657</u>	<u>3,115,992</u>
Liabilities and reconciliations					
Segment liabilities	1,360,050	607,781	1,967,831	(40,895)	1,926,936
Unallocated liabilities	10,426	3,798	14,224	999	15,223
Total Group liabilities	<u>1,370,476</u>	<u>611,579</u>	<u>1,982,055</u>	<u>(39,896)</u>	<u>1,942,159</u>

Unallocated assets comprise mainly investment in joint ventures and an associate, goodwill, deferred tax assets and prepaid tax.

Unallocated liabilities comprise mainly tax payable and deferred tax liabilities.

Other material items and reconciliations

Property, plant and equipment, rights-of-use assets, Intangible assets and investment properties.

Continuing operations

- Capital expenditure	71,970	34,975	106,945	1	106,946
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Continuing operations

- Depreciation and amortisation	40,005	20,707	60,712	267	60,979
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E. Notes to the condensed interim consolidated financial statements (cont'd)

4. Segment and revenue information (cont'd)

4.1 Reportable segments (cont'd)

1 January 2022 to 30 June 2022

	Animal Protein - PT Japfa Tbk US\$'000	Animal Protein - Other US\$'000	Sub-total US\$'000	Others US\$'000	Group US\$'000
Continuing operations					
Revenue by segment					
External revenue	1,689,324	506,199	2,195,523	17,830	2,213,353
Inter-segment revenue	899	-	899	(899)	-
Total revenue	1,690,223	506,199	2,196,422	16,931	2,213,353
Operating profit	129,025	(6,058)	122,967	5,637	128,604
Interest income	184	670	854	678	1,532
Finance costs	(28,129)	(9,740)	(37,869)	(2,635)	(40,504)
Foreign exchange adjustments loss	721	(1,828)	(1,107)	(761)	(1,868)
Changes in fair value of biological assets	(396)	(4,158)	(4,554)	-	(4,554)
Share of results of associate and joint ventures	499	-	499	344	843
Others	623	804	1,427	405	1,832
Profit before tax from continuing operations	102,527	(20,310)	82,217	3,668	85,885
Income tax (expense)/credit	(23,076)	2,641	(20,435)	(715)	(21,150)
Profit for the year from continuing operations, net of tax	79,451	(17,669)	61,782	2,953	64,735
Discontinued operations					
Profit after tax from discontinued operations					29,579
Profit for the year, net of tax					94,314
Assets and reconciliations					
Segment assets	2,099,763	840,308	2,940,071	123,761	3,063,832
Unallocated assets	52,962	15,908	68,870	28,596	97,466
Total Group assets	2,152,725	856,216	3,008,941	152,357	3,161,298
Discontinued operations					
Segment assets from discontinued operations					1,375,716
					4,537,014
Liabilities and reconciliations					
Segment liabilities	1,287,418	619,401	1,906,819	(92,106)	1,814,713
Unallocated liabilities	10,646	4,922	15,568	1,386	16,954
Total Group liabilities	1,298,064	624,323	1,922,387	(90,720)	1,831,667
Discontinued operations					
Segment liabilities from discontinued operations					596,828
					2,428,495

Unallocated assets comprise mainly investment in joint ventures and an associate, goodwill, deferred tax assets and prepaid tax.

Unallocated liabilities comprise mainly tax payable and deferred tax liabilities.

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E. Notes to the condensed interim consolidated financial statements (cont'd)

4. Segment and revenue information (cont'd)

4.1 Reportable segments (cont'd)

1 January 2022 to 30 June 2022

Other material items and reconciliations

Property, plant and equipment, rights-of-use assets, Intangible assets and investment properties.

	Animal Protein - PT Japfa Tbk US\$'000	Animal Protein - Other US\$'000	Sub-total US\$'000	Others US\$'000	Group US\$'000
Continuing operations					
- Capital expenditure	47,463	93,707	141,170	10	141,180
Discontinued operations					
- Capital expenditure from discontinued operations					39,804
					<u>180,984</u>
Continuing operations					
- Depreciation and amortisation	39,740	19,572	59,312	270	59,582
Discontinued operations					
- Depreciation and amortisation from discontinued operations					12,348
					<u>71,930</u>

Geographical information

Revenue information based on the geographical location of customers is as follows:

	Revenue	
	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000
Continuing operations		
Indonesia	1,585,314	1,670,921
Vietnam	387,066	370,274
India	65,713	79,530
Myanmar	41,369	49,282
Others	39,413	43,346
	<u>2,118,875</u>	<u>2,213,353</u>

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services.

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E. Notes to the condensed interim consolidated financial statements (cont'd)

4. Segment and revenue information (cont'd)

4.2 Disaggregation of revenue

Major product

Revenue by the major products groups by segments include the following:

	Animal Protein – PT Japfa Tbk US\$'000	Animal Protein – Other US\$'000	Total US\$'000
<u>Continuing operations</u>			
<u>1 January 2023 to 30 June 2023</u>			
Sales of animal feed	539,306	189,127	728,433
Sales of livestock	742,026	288,988	1,031,014
Sales of animal protein products	240,752	16,800	257,552
<u>1 January 2022 to 30 June 2022</u>			
Sales of animal feed	586,011	218,493	804,504
Sales of livestock	764,148	269,534	1,033,682
Sales of animal protein products	245,423	18,172	263,595

For the sale of goods, the Group satisfies its performance obligation at a point in time.

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E. Notes to the condensed interim consolidated financial statements (cont'd)

5. (Loss)/Profit before tax from continuing operations

5.1 Significant items

	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000	Change %
<u>Income /(expenses)</u>			
<u>Continuing Operations</u>			
Finance costs			
- Interest expense on loans and borrowings	(48,160)	(34,157)	41%
- Interest expense on lease liabilities	(8,814)	(6,347)	39%
Depreciation of property, plant and equipment	(45,135)	(43,050)	5%
Depreciation of investment properties	(448)	(373)	20%
Depreciation of right-of-use assets	(14,925)	(15,556)	-4%
Amortisation of intangible assets	(471)	(603)	-22%
Changes in fair value of biological assets	(4,281)	(4,554)	-6%
Foreign exchange adjustments loss	(1,230)	(1,868)	-34%
Gain on disposal of property, plant and equipment	504	212	138%

5.2. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

	Group	
	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000
Revenue	12,347	7,669
Purchases of goods	4,862	3,562
Insurance expense	1,987	1,715
Rendering of services expense	1,258	1,154
Rental income	467	473
Interest income	-	615
Rental of premises	1,126	157
Rental of boat	250	-
Technical service fee income	199	260

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E. Notes to the condensed interim consolidated financial statements (cont'd)

6. Income tax credit/(expense)

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	US\$'000	US\$'000
Current income tax expense	8,437	26,093
Deferred income tax credit relating to original/ (reversal) of temporary differences	(14,329)	(4,943)
Income tax credit/(expense) recognised in statement of comprehensive income	(5,892)	21,150

7. Dividends

	Group	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	US\$'000	US\$'000

Dividends paid during the financial period

Dividends on ordinary shares:

Final and special (tax exempt one-tier) dividend of 1.5 Singapore cents (ordinary dividend of 1.0 Singapore cent and special dividend of 0.5 Singapore cent) per share paid for reporting year ended 31 December 2021

- 21,946

Final (tax exempt one-tier) dividend of 1.0 Singapore cent per share paid for reporting year ended 31 December 2022

15,211 -

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E. Notes to the condensed interim consolidated financial statements (cont'd)

8. Net asset value

	Group		Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Net asset value per ordinary share				
- in US\$	0.38	0.40	0.26	0.26
- in S\$	0.51	0.54	0.35	0.35

9. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted amount per share:

	Group	
	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000
Numerator:		
Earnings attributable to equity holders:		
Continuing operations	(53,581,000)	14,433,000
Discontinued operations	-	29,579,000
Earnings attributable to equity holders for basic earnings	(53,581,000)	44,012,000
Denominator:		
Weighted average number of ordinary shares	2,037,879,842	2,041,471,290
Earnings per share:		
Continuing operations (in cents)	(2.63)	0.71
Discontinued operations (in cents)	-	1.45
Basic and diluted earnings per share (in cents)	(2.63)	2.16

10. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired assets amounting to US\$80.9 million (30 June 2022: US\$119.7 million) and disposed of assets amounting to US\$0.7 million (30 June 2022: US\$2.0 million).

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E. Notes to the condensed interim consolidated financial statements (cont'd)

11. Biological assets

	Group	
	30 June 2023 US\$'000	31 December 2022 US\$'000
Breeding chickens	111,220	111,196
Breeding ducks	614	601
Breeding cattle	2,001	2,155
Breeding swine	54,581	63,703
Forage and plantation	166	169
	<hr/>	<hr/>
	168,582	177,824
Fattening livestock	212,820	205,208
	<hr/>	<hr/>
	381,402	383,032
	<hr/>	<hr/>
<u>Presented as:</u>		
Biological assets, current	128,101	136,979
Biological assets, non-current	40,481	40,845
Biological inventories, current	212,820	205,208
	<hr/>	<hr/>
	381,402	383,032
	<hr/>	<hr/>

	Group US\$'000
<u>6 months ended 30 June 2023</u>	
Opening balance at 1 January 2023	383,032
Net reductions	(6,690)
Changes in fair value	(4,281)
Foreign exchange adjustments	9,341
	<hr/>
Closing balance at 30 June 2023	381,402
	<hr/>

12. Inventories

	Group	
	30 June 2023 US\$'000	31 December 2022 US\$'000
Finished goods	96,334	96,799
Work in process	8,830	8,744
Raw materials	610,235	583,575
Consumables	57,225	54,597
	<hr/>	<hr/>
	772,624	743,715
	<hr/>	<hr/>

JAPFA LTD.

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E. Notes to the condensed interim consolidated financial statements (cont'd)

13. Share capital and other equity information

13.1 Share capital

	Group and Company	
	Number of shares issued '000	Amount US\$'000
<u>Issued and fully paid ordinary shares:</u>		
30 June 2023		
Beginning of interim period on 1 January 2023		
and end of interim period on 30 June 2023	2,067,423	478,898

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

13.2 Treasury shares

	Group and Company	
	Number of shares '000	Amount US\$'000
30 June 2023		
Beginning of interim period on 1 January 2023	27,588	13,724
Purchase of treasury shares	3,299	559
End of interim period on 30 June 2023	30,887	14,283

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 3,299,000 (2022: Nil) shares in the Company through purchases on the Singapore Exchange during the interim financial period. The total amount paid to acquire the shares was US\$0.6 million (2022: US\$Nil) and this was presented as a component within shareholders' equity.

The total number of issued shares excluding treasury shares as at 30 June 2023 is 2,036,536,820 (31 December 2022: 2,039,835,520).

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E. Notes to the condensed interim consolidated financial statements (cont'd)

14. Defined benefit plan liabilities

	Group	
	30 June 2023 US\$'000	31 December 2022 US\$'000
Present value of unfunded defined benefit	101,054	89,535
Fair value of plan assets	(13,285)	(14,326)
Defined benefit plan liabilities	<u>87,769</u>	<u>75,209</u>

Defined benefit plan liabilities mainly relates to a defined benefit plan operates by the Group's subsidiaries in Indonesia for its employees in accordance with Indonesian Labour Laws. Amounts are determined based on years of service and salaries of the employees at the time of the pension.

Movements of the defined benefit plan liabilities recognised in statement of financial position are as follows:

	Group US\$'000
6 months ended 30 June 2023	
Opening balance at 1 January 2023	75,209
Net benefit expense recognised in statement of profit or loss under administrative expenses	7,320
Re-measurement loss included in other comprehensive income	5,145
Contributions to plan made	(3,152)
Payments for the interim period	(242)
Foreign exchange adjustments	3,489
Closing balance at 30 June 2023	<u>87,769</u>

Movements in the fair value of the plan assets are as follows:

	Group US\$'000
6 months ended 30 June 2023	
Opening balance at 1 January 2023	14,326
Interest income	497
Return on plan assets (excluding amounts included in net interest expense)	(175)
Contributions from the employer	3,152
Benefits paid	(5,160)
Foreign exchange adjustments	644
Closing balance at 30 June 2023	<u>13,285</u>

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E. Notes to the condensed interim consolidated financial statements (cont'd)

15. Borrowings

	Group	
	30 June 2023 US\$'000	31 December 2022 US\$'000
Amount due within one year		
Secured	375,801	396,888
Unsecured	446,197	281,241
Total	<u>821,998</u>	<u>678,129</u>
Amount due more than one year		
Secured	231,507	229,420
Unsecured	525,179	535,661
Total	<u>756,686</u>	<u>765,081</u>

The secured borrowings are secured by property, plant and equipment, share certificates of certain subsidiaries, cash and cash equivalents, receivables, inventories, biological assets, assessment of insurance policies and corporate guarantees of the Company and its subsidiaries.

Borrowings comprise of loan and borrowings, and lease liabilities presented in balance sheet.

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E. Notes to the condensed interim consolidated financial statements (cont'd)

16. Financial assets and financial liabilities at amortised cost

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022:

	Group		Company	
	30 June 2023 US\$'000	31 December 2022 US\$'000	30 June 2023 US\$'000	31 December 2022 US\$'000
Financial Assets				
Total trade and other receivables	181,027	191,772	4,203	5,111
Cash at banks	188,028	280,695	33,117	76,816
Deposit	7,473	7,002	380	381
Total financial assets	376,528	479,469	37,700	82,308
Financial Liabilities				
Trade and other payables	247,038	300,019	1,000	4,440
Loan and borrowings	1,402,149	1,274,572	-	-
Lease liabilities	176,535	168,638	280	532
Total financial liabilities	1,825,722	1,743,229	1,280	4,972

Deposit is included in other asset presented in balance sheet.

17. Non-cash transactions

The net cash incurred for the purchase of property, plant and equipment is as follows:

	Group	
	6 months ended 30 June 2023 US\$'000	6 months ended 30 June 2022 US\$'000
Additions of property, plant and equipment (Note 10)	80,899	119,680
Less: Net movements in advance and liability for purchase/ construction of plant and equipment	14,506	6,176
Purchase of property, plant and equipment in consolidated statement of cash flows	95,405	125,856

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E. Notes to the condensed interim consolidated financial statements (cont'd)

18. Fair value measurement

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of assets/liabilities measured at fair value as at 30 June 2023 and 31 December 2022:

	<u>Fair value measurements at the end of the reporting period using</u>			
	<u>Quoted prices in active markets for identical instruments (Level 1)</u>	<u>Significant observable inputs other than quoted prices (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000
30 June 2023				
Assets/(liabilities) measured at fair value				
Financial assets/(liabilities):				
<u>Equity securities at FVOCI</u>				
Quoted equity securities	4,565	-	-	4,565
Unquoted equity securities	-	-	8,186	8,186
<u>Derivatives</u>				
Foreign currency forward and option contracts	-	8,499	-	8,499
Financial assets	4,565	8,499	8,186	21,250
Non-financial assets:				
Biological assets	-	-	381,402	381,402
Non-financial assets	-	-	381,402	381,402

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E. Notes to the condensed interim consolidated financial statements (cont'd)

18. Fair value measurement (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	<u>Fair value measurements at the end of the reporting period using</u>			
	<u>Quoted prices in</u> <u>active markets for</u> <u>identical instruments</u> <u>(Level 1)</u> <u>US\$'000</u>	<u>Significant observable</u> <u>inputs other than</u> <u>quoted prices</u> <u>(Level 2)</u> <u>US\$'000</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u> <u>(Level 3)</u> <u>US\$'000</u>	<u>Total</u> <u>US\$'000</u>
31 December 2022				
Assets/(liabilities) measured at fair value				
Financial assets/(liabilities):				
<u>Equity securities at FVOCI</u>				
Quoted equity securities	9,630	-	-	9,630
Unquoted equity securities	-	-	6,588	6,588
<u>Derivatives</u>				
Foreign currency forward and option contracts	-	11,135	-	11,135
Financial assets	9,630	11,135	6,588	27,353
Non-financial assets:				
Biological assets	-	-	383,032	383,032
Non-financial assets	-	-	383,032	383,032

19. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

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OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Japfa Ltd and its subsidiaries as at 30 June 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

3. Review of performance of the Group

Review of Group Performance

Please refer to the Company's Investor Presentation for the six months period ended 30 June 2023.

Review of Group Financial Position

Total assets increased by US\$48.1 million from US\$3,067.9 million as at 31 December 2022 to US\$3,116.0 million as at 30 June 2023 primarily due to increase in property, plant and equipment, inventories and other assets.

Total liabilities increased by US\$89.6 million from US\$1,852.6 million as at 31 December 2022 to US\$1,942.2 million as at 30 June 2023 primarily due to increase in loans and borrowings.

Equity attributable to the owners of the parent decreased by US\$47.9 million from US\$814.9 million as at 31 December 2022 to US\$767.0 million as at 30 June 2023 mainly due to the loss attributable to owners of the parent for the financial period ended 30 June 2023.

Review of Group Cash Flow

Net cash flows used in operating activities were US\$49.4 million in 1H 2023, which mainly arose from operating cash flows before changes in working capital of US\$82.7 million, changes in working capital of US\$61.5 million, income tax paid of US\$13.7 million and interest paid of US\$57.0 million.

Net cash flows used in investing activities were US\$102.4 million in 1H 2023 mainly represented by purchase of property, plant and equipment of US\$95.4 million and purchase of biological assets of US\$7.6 million.

Net cash flows from financing activities were US\$58.3 million in 1H 2023 mainly arose from increase in bank loans of US\$104.7 million and partially offset by payment of principal portion of lease liabilities of US\$13.8 million and dividend paid of US\$32.4 million (including dividend paid by subsidiary to non-controlling interests).

4. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

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5. Number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	
	As at 30 June 2023	As at 30 June 2022
Issued ordinary shares	2,067,423,320	2,067,423,320
Treasury shares	30,886,500	20,841,400
Issued ordinary shares excluding treasury shares	2,036,536,820	2,046,581,920

6. A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares for the half year ended 30 June 2023.

7. Dividend information

(a) *Current financial period reported on*
Nil

No interim dividend is recommended for the current financial period reported on as the Group intends to conserve cash to be used for the operations. It is the Group's practice to recommend dividend payment annually together with its audited full-year results.

(b) *Corresponding period of the immediately preceding financial year*
Nil

(c) *Date payable*
Not applicable

(d) *Books closure date*
Not applicable

8. Interested person transactions

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

9. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

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10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

Group revenue and profitability are directly impacted by cyclical in the agri-business, which in turn is dependent on a variety of external factors beyond the Group's control. These include macroeconomic conditions that affect consumer purchasing power, government policies, the availability and cost of raw materials, which depend on the seasonality of harvest and festivals as well changes to demand and supply. In addition, geopolitical tensions may also disrupt global economies, supply chains and commodities prices, and impact the cost of raw materials as well as consumer's purchasing power.

Since 2022, our operating environment has become even more challenging, with the ongoing conflict between Russia and Ukraine, global inflationary pressures and tightening global monetary policy.

Costs of agricultural commodities increased to record levels¹ in 2022 and affected our production costs, resulting in an overall margins shrinkage. These conditions continued in 1H2023. In addition, the world is facing increased inflation. Inflation has a stronger impact on the purchasing power of the consumers in the low-income band. The lower purchasing power reduces our ability to increase selling prices especially in Emerging Asia. The combined impact of high raw material costs on our production costs and the low consumer purchasing power on ASP increases resulted in overall margin shrinkage.

Going forward, raw material prices are expected to remain high, as (i) weather conditions may affect crop production in some countries, (ii) the situation in Ukraine persists, and (iii) hikes in interest rates increase the cost of funding.

We expect these global external factors to remain uncertain in the near term, but we are cautiously optimistic over the solid prospects for staple protein consumption in our markets. As our business involves livestock, the outbreak of animal diseases, such as African Swine Fever ("ASF") in Vietnam, represent a major risk. These uncertainties may impact the Group's operations and financial results.

The Covid-19 impact appears to weaken as many countries, including China, have progressively relax movement restrictions and returned to normal². On 5 May 2023, the World Health Organisation has indicated that Covid-19 no longer represent a global health emergency, even though the virus remains a global health threat³, with unpredictable effects on the global economies. As such, we continue to keep a close watch on the situation.

Volatility in foreign exchange rates might affect the Group's financial results which are reported in USD terms.

¹ Rabobank, Agri Commodity Markets Research Outlook 2023: Tightening the Belt, November 2022: "Agricultural commodities reached record nominal prices in May 2022, on the back of adverse weather (much of it related to two years of La Niña), falling stockpiles, the war in Ukraine, the container shortage, and various protectionist measures restricting food commodity exports".

² World Health Organisation, Statement on the fifteenth meeting of the IHR (2005) Emergency Committee on the COVID-19 pandemic, 5 May 2023: "The WHO Director-General concurs with the advice offered by the Committee regarding the ongoing COVID-19 pandemic. He determines that COVID-19 is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern (PHEIC)".

³ Press briefing transcript of the Virtual Press conference on COVID-19 and other global health issues (5 May 2023): "It's therefore with great hope that I declare COVID-19 over as a global health emergency. However, that does not mean COVID-19 is over as a global health threat. [...] This virus is here to stay. It is still killing and it's still changing. The risk remains of new variants emerging that cause new surges in cases and deaths."

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10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months (cont'd)

PT Japfa Tbk

In Indonesia, the prices of broiler and day-old-chick (“DOC”) are volatile, depending on market demand-supply dynamics. For example, in April 2020, the price dropped to one of the lowest levels since Japfa’s IPO in 2014. This was due to the reduced demand for consumer staples, including poultry, following the Covid-19. In 2022, selling prices of both DOC and broiler did not keep pace with the higher global feed raw materials. The prolonged demand supply imbalance in DOC and broiler since 2022 resulted in weak poultry prices, which improved in 2Q2023. Over the past few years, a balance in the poultry demand and supply dynamics has been maintained through the active management of the country’s DOC supply, which is outside of our control.

Since the Covid-19 outbreak, PT Japfa Tbk has taken action to freeze and defer non-essential capital expenditures (“Capex”). In the light of the current challenging environment, this measure is still on place and Tbk continues to keep a close eye on the macro-economic conditions and manage Capex accordingly.

New lifestyles are changing consumer patterns towards processed foods, including those produced by the Group. Challenges remain particularly in the Group’s ambient food products business due to intense market competition.

Animal Protein Other (“APO”)

In Vietnam, swine prices remain low due to the pre-emptive sales in the market linked to the ASF, as well as the weak consumer demand resulting from factory layoffs and workers lowering their spending, as many export-oriented companies saw a reduction in orders because of the economic slowdowns in their target markets. The low swine fattening selling prices were not able to cover the increased feed raw material and operational costs, which have caused a margin shrinkage for the swine operations in Vietnam.

As there is still no proven vaccine or treatment for ASF, biosecurity measures are the only available means to protect Vietnamese swine livestock. The application of strict biosecurity protocols by our wholly owned Vietnamese subsidiary has increased our operational costs. ASF is an industry-wide problem and the situation is unlikely to improve in the immediate future.

While the long-term prospects in Vietnam are expected to remain sound, the current challenges are expected to weigh down our operations in the near term. In the light of the current market volatility, APO-Vietnam has temporarily frozen non-essential new capex and scaled down the sow breeding population and swine fattening livestock. This measure has resulted in additional direct costs of approximately US\$8 million in 1H2023 and additional costs are expected in the coming periods.

JAPFA LTD.

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10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months (cont'd)

In relation to our operations in Myanmar, consumer demand has been affected by the political situation in the country. Business in Myanmar has reverted to a cash economy. Actions have been taken by the local management to adapt to the current situation, including scaling down operations to match the lower demand, and sourcing raw materials from local suppliers in local currency (Myanmar Kyat). Although the general situation in Myanmar appears to progressively stabilise, our operations in Myanmar remain challenging as consumer purchasing power is still weak. The Group's business in Myanmar is not material, representing approximately 2% of Group revenue and assets in 1H2023. However, as the Company supplies mainly chicken, which is a staple and affordable protein food, we do not expect the impact on our business to be long lasting. The Company will continue to monitor the situation as it develops.

Conclusion

Over the medium and long-term the emerging markets in which the Group operates are expected to continue to witness growing animal protein consumption. Against this backdrop, the Group is confident that its core competencies in large-scale farming and food production as well as its strategy of diversification across proteins and geographies, together with its track record in replicating its industrialised and scalable business across the region, will continue to sustain its growth in the medium to long-term.

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Tan Yong Nang
Director

Kevin John Monteiro
Director

Singapore
31 July 2023