JAPFA LTD
AND ITS SUBSIDIARIES

(Registration Number: 200819599W)

SGXNET ANNOUNCEMENT
UNAUDITED FINANCIAL STATEMENT
FOR THE SECOND QUARTER AND
HALF YEAR ENDED 30 JUNE 2019

JAPFA LTD.

(Registration Number: 200819599W)

UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

1 (a) (i) Income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Income Statement

	2nd Quarter			Jan - Jun		
	2019	2018	Change	2019	2018	Change
	US$'000	US$'000	%	US$'000	US$'000	%
Revenue	975,009	901,029	8%	1,886,248	1,746,557	8%
Cost of Sales	(783,110)	(684,149)	14%	(1,517,971)	(1,341,855)	13%
Gross Profit	191,899	216,880	-12%	368,277	404,702	-9%
Marketing and Distribution Costs	(38,883)	(36,304)	7%	(76,515)	(72,763)	5%
Administrative Expenses	(75,854)	(72,487)	5%	(155,435)	(149,919)	4%
Operating Profit	77,162	108,089	-29%	136,327	182,020	-25%
Interest Income	657	1,029	-36%	1,287	2,710	-53%
Finance Costs	(25,600)	(22,083)	16%	(49,826)	(41,178)	21%
Other (Loss)/Gain	(569)	11,171	n/m	(1,066)	14,582	n/m
Share of results of Joint Ventures	177	177	0%	227	142	60%
Foreign Exchange Adjustments Gain/(Loss)	654	(24,789)	n/m	7,502	(24,909)	n/m
Loss from Changes in Fair Value of Biological Assets	(10,064)	2,655	n/m	(23,022)	(11,577)	99%
Profit Before Tax from Continuing Operations	42,417	76,249	-44%	71,429	121,790	-41%
Income Tax Expense	(14,571)	(21,226)	-31%	(24,852)	(30,654)	-19%
Profit from Continuing Operations, Net of Tax	27,846	55,023	-49%	46,577	91,136	-49%
Profit Attributable to Owners of the Parent, Net of Tax*	**4,990**	**29,552**	-83%	**12,803**	**46,228**	-72%
Profit Attributable to Non-Controlling Interests, Net of Tax	22,856	25,471	-10%	33,774	44,908	-25%
Profit, Net of Tax	27,846	55,023	-49%	46,577	91,136	-49%

n/m : not meaningful

Additional information:

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

Core PATMI w/o forex	16,876	38,375	-56%	35,767	66,686	-46%

* 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 the owners of the parent.

We define 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 (from a subsidiary in Indonesia) and USD loans (from subsidiaries in China), which have no tax implication.

EBITDA	110,529	139,472	-21%	202,480	243,863	-17%

We define EBITDA 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 derivative relates to foreign exchange hedging and foreign exchange adjustments gains/(losses).

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1 (a) (ii) Net Profit is arrived at after (charging)/ crediting the following :

	2nd Quarter			Jan - Jun		
	2019 US$'000	2018 US$'000	Change %	2019 US$'000	2018 US$'000	Change %
Finance Costs	(25,600)	(22,083)	16%	(49,826)	(41,178)	21%
Foreign Exchange Adjustments Gain/(Loss)	654	(24,789)	n/m	7,502	(24,909)	n/m
Depreciation of Property, Plant and Equipment and Investment Properties	(28,717)	(26,379)	9%	(56,533)	(51,818)	9%
Depreciation of Right-Of-Use Assets	(5,058)	-	n/m	(9,156)	-	n/m
Amortisation of Intangible Assets	(475)	(583)	-19%	(1,014)	(1,045)	-3%
Interest Income	657	1,029	-36%	1,287	2,710	-53%
(Loss)/Gain from Changes in Fair Value of Biological Assets	(10,064)	2,655	n/m	(23,022)	(11,577)	99%
Gain/(Loss) on Derivative Financial Instrument						
- Forex	4,616	6,925	-33%	(289)	5,745	n/m
- Non-Forex	(7,228)	708	n/m	(4,793)	1,864	n/m
(Loss)/Gain on Disposal of Property, Plant and Equipment and Investment Properties	(66)	(109)	-39%	(40)	24	n/m

n/m : not meaningful

1 (a) (iii) Statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	2nd Quarter			Jan - Jun		
	2019 US$'000	2018 US$'000	Change %	2019 US$'000	2018 US$'000	Change %
Profit from Continuing Operations, Net of Tax	27,846	55,023	-49%	46,577	91,136	-49%
Other Comprehensive (Loss)/Income:						
Items that will not be reclassified to profit or loss:						
Remeasurement of the Net Defined Benefits Plan, Net of Tax	(364)	5,002	n/m	(7,963)	226	n/m
Items that may be reclassified subsequently to profit or loss:						
Exchange Differences on Translating Foreign Operations, Net of Tax	(3,941)	(57,221)	-93%	17,942	(53,084)	n/m
Other Comprehensive (Loss)/Income for the Period, Net of Tax	(4,305)	(52,219)	-92%	9,979	(52,858)	n/m
Total Comprehensive Income	23,541	2,804	740%	56,556	38,278	48%
Total Comprehensive (Loss)/Income Attributable to Owners of Parent, Net of Tax	(1,409)	(11,279)	-88%	19,170	11,712	64%
Total Comprehensive Income Attributable to Non-Controlling Interests, Net of Tax	24,950	14,083	77%	37,386	26,566	41%
Total Comprehensive Income	23,541	2,804	740%	56,556	38,278	48%

n/m : not meaningful

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1 (b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30/6/2019 US$'000	As at 31/12/2018 US$'000	As at 30/6/2019 US$'000	As at 31/12/2018 US$'000
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	1,090,660	1,010,147	238	274
Right-Of-Use Assets	106,512	-	805	-
Investment Properties	5,244	5,256	-	-
Intangible Assets	12,008	12,073	-	-
Investments in Subsidiaries	-	-	1,280,699	1,275,982
Investment in Joint Ventures	6,076	5,730	-	-
Biological Assets	358,078	365,041	-	-
Deferred Tax Assets	37,807	23,593	-	-
Other Receivables	14,684	14,564	-	-
Other Financial Assets	28,816	30,401	-	-
Other Assets	75,861	82,052	-	-
Total Non-Current Assets	1,735,746	1,548,857	1,281,742	1,276,256
Current Assets				
Inventories	855,448	817,311	-	-
Biological Assets	95,102	83,229	-	-
Trade and Other Receivables	222,524	194,407	12,833	11,956
Other Financial Assets	2,547	2,488	2,404	2,404
Other Assets	99,606	74,660	4,881	3,694
Cash and Cash Equivalents	131,805	168,316	5,486	7,485
Total Current Assets	1,407,032	1,340,411	25,604	25,539
Total Assets	3,142,778	2,889,268	1,307,346	1,301,795
EQUITY AND LIABILITIES				
Equity				
Share Capital	993,178	980,946	993,178	980,946
Treasury Shares	(7,475)	(5,926)	(7,475)	(5,926)
Retained Earnings	470,000	481,721	23,272	44,674
Other Reserves	(460,622)	(451,091)	(15,989)	(6,192)
Translation Reserve	(215,812)	(226,263)	-	-
Equity Attributable to Owners of the Parent	779,269	779,387	992,986	1,013,502
Non-Controlling Interests	367,529	350,998	-	-
Total Equity	1,146,798	1,130,385	992,986	1,013,502
Non-Current Liabilities				
Provisions	104,514	85,386	-	-
Deferred Tax Liabilities	4,006	2,511	-	-
Other Payables	421	358	-	-
Loans and Borrowings	779,171	777,200	252,768	252,768
Lease liabilities	92,068	217	307	-
Other Financial Liabilities	3,219	304	3,219	303
Other Liabilities	3,517	3,405	-	-
Total Non-Current Liabilities	986,916	869,381	256,294	253,071
Current Liabilities				
Income Tax Payable	20,142	37,473	-	-
Trade and Other Payables	308,668	388,843	7,799	11,097
Loans and Borrowings	650,769	440,090	49,760	24,125
Lease liabilities	6,155	119	507	-
Other Financial Liabilities	4,902	8,933	-	-
Other Liabilities	18,428	14,044	-	-
Total Current Liabilities	1,009,064	889,502	58,066	35,222
Total Liabilities	1,995,980	1,758,883	314,360	288,293
Total Equity and Liabilities	3,142,778	2,889,268	1,307,346	1,301,795

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1 (b) (ii) Aggregate amount of group's borrowings and debt securities.

	As at 30/6/2019 US$'000	As at 31/12/2018 US$'000
Amount due within one year		
Secured	596,924	381,736
Unsecured	60,000	58,473
Total	656,924	440,209
Amount due more than one year		
Secured	545,150	453,942
Unsecured	326,089	323,475
Total	871,239	777,417

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.

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1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Jan - Jun	
	2019	2018
	US$'000	US$'000
Cash Flows (Used in)/From Operating Activities		
Profit Before Tax	71,429	121,790
Adjustment for:		
Amortisation of Intangible Assets	1,014	1,045
Land Use Rights Charges	167	134
Depreciation of Property, Plant and Equipment and Investment Properties	56,533	51,818
Depreciation of Right-Of-Use Assets	9,156	-
Fair Value Loss on Biological Assets	23,022	11,577
Fair Value Loss on Derivative Financial Instruments	5,082	7,069
Loss/(Gain) on Disposal of Property, Plant and Equipment and Investment Properties	40	(24)
Increase in Provision for Retirement Benefits	7,971	9,339
Interest Income	(1,287)	(2,710)
Interest Expense on Loans and Borrowings	46,750	41,178
Interest Expense on Leases	3,076	-
Expenses Arising from Share Option Plan	266	305
Value of Employee Services received pursuant to Performance Share Plan	2,435	738
Value of Employee Services received pursuant to Performance Share Plan by Subsidiary	382	293
Share of Gain from Equity-Accounted Joint Ventures	(227)	(142)
Write-off of Property, Plant and Equipment	301	127
Net Effect of Exchange Rate Changes	4,145	(19,440)
Operating Cash Flows before Changes in Working Capital	230,255	223,097
Inventories	(34,717)	(27,965)
Biological Assets	(15,596)	(24,122)
Trade and Other Receivables	(28,237)	(321)
Other Assets	(24,046)	(613)
Trade and Other Payables	(81,175)	(54,436)
Provisions	(1,071)	(6,274)
Other Liabilities	4,496	627
Net Cash Flows From Operations	49,909	109,993
Income Taxes Paid	(53,462)	(32,192)
Net Cash Flows (Used in)/From Operating Activities	(3,553)	77,801
Cash Flows Used in Investing Activities		
Purchase of Property, Plant and Equipment	(126,294)	(123,321)
Purchase of Investment Properties	-	(101)
Purchase of Intangible Assets	(706)	(2,225)
Purchase of Land Use Rights	(1,649)	(2,199)
Purchase of Biological Assets	(11,358)	(7,910)
Proceeds from Disposal of Property, Plant and Equipment	3,032	476
Acquisition of Subsidiaries (Net of Cash Outflow)	-	(2,280)
Interest Income Received	1,287	2,710
Net Cash Flows Used in Investing Activities	(135,688)	(134,850)

1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding

period of the immediately preceding financial year. (Cont'd)

	Jan - Jun	
	2019	2018
	US$'000	US$'000
Cash Flows From/(Used in) Financing Activities		
Increase in Working Capital loans	205,760	29,848
(Repayment of)/Proceeds from Bank Loans	(1,884)	252,768
Decrease/(Increase) in Cash Restricted in Use	3,285	(601)
Purchase of Treasury Shares by the Company	(1,549)	(647)
Lease Payment for Principal and Interest	(12,448)	-
Consideration Paid for Acquisition of Non-Controlling Interests	-	(223,000)
Dividends Paid to Equity Holders of the Company	(20,440)	(6,545)
Dividends Paid by Subsidiary to Non-Controlling Interests	(21,237)	(23,652)
Interest Expense Paid	(46,750)	(41,178)
Net Cash Flows From/(Used in) Financing Activities	104,737	(13,007)
Net Decrease in Cash and Cash Equivalents	(34,504)	(70,056)
Effect of exchange rate changes on cash and cash equivalents	1,278	(4,625)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	164,214	230,471
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	130,988	155,790

Notes:

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

	2019	2018
	US$'000	US$'000
Cash and Bank Balances	131,805	160,787
Less: Bank Deposit Pledged	(817)	(4,997)
Cash and Cash Equivalents per Consolidated Statement of Cash Flows	130,988	155,790

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1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholder, together with a comprehensive statement for the corresponding period of the immediately preceding financial year.

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 2019	1,130,385	779,387	980,946	(5,926)	481,721	(451,091)	(226,263)	350,998
Movements in Equity:								
Total Comprehensive Income for the Period	56,556	19,170	-	-	8,719	-	10,451	37,386
Grant of Share Options by Subsidiary	266	266	-	-	-	266	-	-
Purchase of Treasury Shares by the Company	(1,549)	(1,549)	-	(1,549)	-	-	-	-
Value of Employee Services Pursuant to Performance Share Plan	2,435	2,435	-	-	-	2,435	-	-
Issue of New Shares by the Company under Performance Share Plan	-	-	12,232	-	-	(12,232)	-	-
Reissue Treasury Shares by Subsidiary under Performance Share Plan	382	-	-	-	-	-	-	382
Dividend Paid to Equity Holders of the Company	(20,440)	(20,440)	-	-	(20,440)	-	-	-
Dividend Paid by Subsidiary to Non-Controlling Interests	(21,237)	-	-	-	-	-	-	(21,237)
Balance at 30 June 2019	1,146,798	779,269	993,178	(7,475)	470,000	(460,622)	(215,812)	367,529
Balance at 1 January 2018 (FRS Framework)	1,022,791	693,555	940,842	(4,759)	385,116	(459,804)	(167,840)	329,236
Cumulative Effect of Adopting SFRS(I)	1,803	1,803	-	-	1,803	-	-	-
Balance at 1 January 2018 (SFRS(I) Framework)	1,024,594	695,358	940,842	(4,759)	386,919	(459,804)	(167,840)	329,236
Movements in Equity:								
Total Comprehensive Income for the Period	38,278	11,712	-	-	46,412	-	(34,700)	26,566
Non-Controlling Interests Arising from Acquisition of Subsidiary	31	-	-	-	-	-	-	31
Issue of New Shares by the Company	40,104	40,104	40,104	-	-	-	-	-
Grant of Share Options by Subsidiary	305	305	-	-	-	305	-	-
Purchase of Treasury Shares by the Company	(647)	(647)	-	(647)	-	-	-	-
Value of Employee Services Pursuant to Performance Share Plan	738	738	-	-	-	738	-	-
Reissue Treasury Shares by the Company under Performance Share Plan	-	-	-	31	-	(31)	-	-
Reissue Treasury Shares by Subsidiary under Performance Share Plan	293	-	-	-	-	-	-	293
Dividend Paid to Equity Holders of the Company	(6,545)	(6,545)	-	-	(6,545)	-	-	-
Dividend Paid by Subsidiary to Non-Controlling Interests	(23,652)	-	-	-	-	-	-	(23,652)
Balance at 30 June 2018	1,073,499	741,025	980,946	(5,375)	426,786	(458,792)	(202,540)	332,474

1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholder, together with a comprehensive statement for the corresponding period of the immediately preceding financial year. (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 2019	1,013,502	980,946	(5,926)	44,674	(6,192)
Movements in Equity:					
Total Comprehensive Loss for the Period	(962)	-	-	(962)	-
Purchase of Treasury Shares	(1,549)	-	(1,549)	-	-
Value of Employee Services Pursuant to Performance Share Plan	2,435	-	-	-	2,435
Issue of Shares by the Company under Performance Share Plan	-	12,232	-	-	(12,232)
Dividend Paid to Equity Holders of the Company	(20,440)	-	-	(20,440)	-
Balance at 30 June 2019	992,986	993,178	(7,475)	23,272	(15,989)
Balance at 1 January 2018 (FRS Framework)	1,023,454	940,842	(4,759)	87,350	21
Cumulative Effect of Adopting SFRS(I)	1,803	-	-	1,803	-
Balance at 1 January 2018 (SFRS(I) Framework)	1,025,257	940,842	(4,759)	89,153	21
Movements in Equity:					
Total Comprehensive Income for the Period	7,156	-	-	7,156	-
Issue of New Shares by the Company	40,104	40,104	-	-	-
Purchase of Treasury Shares	(647)	-	(647)	-	-
Difference in Value Arising from Issuance of Consideration Shares	(7,648)	-	-	-	(7,648)
Reissue Treasury Shares by the Company under Performance Share Plan	-	-	31	-	(31)
Value of Employee Services Pursuant to Performance Share Plan	738	-	-	-	738
Dividend Paid to Equity Holders of the Company	(6,545)	-	-	(6,545)	-
Balance at 30 June 2018	1,058,415	980,946	(5,375)	89,764	(6,920)

1 (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the 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	
	2nd Quarter to 30/6/2019	2nd Quarter to 30/6/2018
Issued Ordinary Shares:		
As at beginning of Period	1,881,089,491	1,769,525,591
Issued of New Shares	-	90,000,000
As at end of Period	1,881,089,491	1,859,525,591
Treasury Shares:		
As at beginning of Period	16,420,700	12,846,700
Purchase of Treasury Shares	912,700	-
As at end of Period	17,333,400	12,846,700
Issued Ordinary Shares excluding Treasury Shares	1,863,756,091	1,846,678,891

1 (d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30/6/2019	As at 30/6/2018
Total number of issued shares excluding treasury shares	1,863,756,091	1,846,678,891

1 (d) (iv) 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.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

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

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computations applied by the Group are consistent with those used in its audited financial statements as at 31 December 2018 except for those as disclosed under item 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 January 2019, the Group adopted the new/revised SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.

Other than the adoption of SFRS(I) 16, as disclosed below. The adoption of these new/revised SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (Cont'd)

The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which took effect on 1 January 2019, using the modified retrospective approach. SFRS(I) 16 introduces a single, on-balance sheet lease accounting model. It requires a lessee to recognise a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

In compliance with SFRS(I) 16, the Group and the Company has applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019. Subsequent to initial recognition, the Group and the Company depreciate the ROU assets over the lease term, and recognise interest expenses on the lease liabilities.

The ROU assets as at 30 June 2019 were mainly related to leases of the land use rights, building and site facilities, machineries and equipment and transport vehicles occupied by the Group in the various countries. Accordingly, there was a corresponding increase in lease liabilities of approximately US$98.2 million as at 30 June 2019.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	2nd Quarter		Jan - Jun	
	2019	2018	2019	2018
	US Cents	US Cents	US Cents	US Cents
Earnings per share for the period				
(a) Based on weighted average number of ordinary shares in issue	0.27	1.63	0.69	2.59
(b) Based on a fully diluted basis	0.27	1.63	0.69	2.59
Weighted Average Number of Ordinary Shares	1,864,228,928	1,817,997,572	1,858,295,409	1,788,003,039

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the current financial period reported on and immediately preceding financial year.

	Group		Company	
	As at 30/6/2019	As at 31/12/2018	As at 30/6/2019	As at 31/12/2018
Net asset value per ordinary share				
- in US$	0.42	0.42	0.53	0.55
- in S$	0.57	0.58	0.72	0.75

Net asset value per ordinary share is based on the issued share capital excluding treasury shares of the Company at the end of the financial period.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Group Performance

2Q 2019 vs 2Q 2018

Revenue

	2Q 2019	2Q 2018	Variance*
	US$ million	US$ million	US$ million
Animal Protein Indonesia	670.2	616.1	54.1
Animal Protein Other	152.5	139.3	13.2
Dairy	106.3	94.6	11.7
Consumer Food	43.8	50.1	(6.3)
Others	2.3	0.9	1.4
Total	975.0	901.0	74.0

The Group registered continued growth in revenue, driven mainly by higher animal feed sales volume in Animal Protein segments, as well as higher sales volumes in Dairy segment.

Operating Profit

	2Q 2019	2Q 2018	Variance*
	US$ million	US$ million	US$ million
Animal Protein Indonesia	65.2	89.5	(24.3)
Animal Protein Other	(0.1)	10.1	(10.2)
Dairy	16.2	16.8	(0.6)
Consumer Food	(2.6)	(6.0)	3.4
Others	(1.4)	(2.4)	1.0
Total	77.2	108.1	(30.9)

Operating profit dropped mainly driven by Animal Protein Indonesia segment on the back of low broiler average selling price as a consequence of supply and demand imbalance. Animal Protein Other also reported an operating loss driven by a lower swine fattening average selling price in Vietnam.

Loss from changes in fair value of biological assets was US$10.1 million in 2Q 2019 as compared to a gain from changes in fair value of biological assets of US$2.7 million in 2Q 2018. In Animal Protein Other segment, the loss from changes in the fair value of biological assets is due to lower swine prices in Vietnam. In Dairy segment, the loss from changes in the fair value of biological assets is due to higher feed cost used in the valuation of future income flows from the China dairy cattle herd.

*Due to rounding, numbers presented may not add up precisely to the totals provided.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)

As a result of the above, the Group recorded a profit after tax of US$27.8 million in 2Q 2019 as compared to US$55.0 million in 2Q 2018. The profit attributable to owners of the parent was US$5.0 million in 2Q 2019 and US$29.6 million in 2Q 2018.

Review of Financial Position

The Group's total assets as at 30 June 2019 increased by US$253.5 million from US$2,889.3 million to US$3,142.8 million primarily due to increase in property, plant and equipment, Right-of-use assets, trade and other receivables and inventories.

The Group's total liabilities as at 30 June 2019 increased by US$237.1 million from US$1,758.9 million to US$1,996.0 million primarily due to increase in loans and borrowings and lease liabilities.

The Group's translation reserves improved from negative US$226.3 million as at 31 December 2018 to negative US$215.8 million as at 30 June 2019 mainly due to translation gain arising from the Indonesian Rupiah and China Renminbi strengthening against the US Dollar.

Review of Group Cash Flow

Net cash flows used in operating activities were US$3.6 million in 2Q 2019, which mainly arose from operating cash flows before changes in working capital of US$230.3 million, changes in working capital of US$180.3 million and income tax paid of US$53.5 million.

Net cash flows used in investing activities were US$135.7 million in 2Q 2019 mainly represented by the purchase of property, plant and equipment of US$126.3 million.

Net cash flows from financing activities were US$104.7 million in 2Q 2019 mainly arose from increase in working capital loans of US$205.8 million.

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

Not applicable.

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 reporting period and the next 12 months.

In the quarter ended on 30 June 2019 (2Q2019), the Group recorded higher revenue driven by higher sales volumes of poultry feed (Indonesia, India and Myanmar) and aqua feed (Indonesia) and an increase in dairy sales volumes in South-East Asia. Profitability was impacted by the low-price environment for broiler in Indonesia and swine in Vietnam.

The Group's revenue and profitability is directly impacted by cyclicality in the agri-business, which is dependent on a variety of external factors, including the seasonality of harvest and festivals, macroeconomic conditions that affect consumer purchasing power, government policies as well as changes to the market demand and supply situation which determine raw material costs and selling prices. The trade tensions between US and China may also result in near-term distortion of prices, raw materials costs and physical flow of grains such as corn and soybean as well as animal protein products. The volatility in foreign exchange rates will affect the Group's financial results which are reported in USD terms. Our business involves livestock, of which diseases represent a major risk.

The transmission of diseases, such as the recent African Swine Fever ("ASF") outbreak in Vietnam, may affect the business from time to time. These uncertainties may impact the Group's operations and financial results. As an industrialised farmer, Japfa takes the threat of potential disease outbreak very seriously and one of its core competencies has always been a focus on animal health, with stringent bio-security practices in place to minimise the incidence of such threats in its operations.

While cyclical and macroeconomic factors are beyond the Group's control, the management will continue to focus on building its strong business fundamentals and enhancing its operational efficiency across its four business segments. The Group aims to be one of the most efficient and lowest cost industrialised protein producers in the emerging Asian markets that it operates in and leverage the strength of its diversified and vertically-integrated business model to navigate industry cyclicality.

<u>PT Japfa Tbk</u>
In 2Q2019, PT Japfa Tbk saw higher sales volumes for poultry and aqua feed coupled with higher ASPs for DOC in Indonesia.

In Indonesia, the ASPs of livestock, including DOC and broiler prices, are expected to fluctuate due to the seasonality and cyclical nature of the livestock industry. A depreciation of the Indonesian Rupiah may delay the pass on of the higher imported raw material cost into our feed selling price. Chicken consumption may also be affected by such volatility of the Indonesian Rupiah.

The Ministry of Agriculture has implemented measures, including culling unhatched broiler DOC eggs and parent stock breeding chickens nationwide to stabilise broiler prices. There is also a risk that the Indonesian government could introduce more measures to regulate the agri-food sector. This may affect the market supply and demand dynamics and create uncertainties within the agri-food value chain in the future.

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 reporting period and the next 12 months. (Cont'd)

Animal Protein Other ("APO")
The APO segment recorded an increase in revenues in 2Q2019 driven by higher feed sales volume in Vietnam and India. On a y-o-y basis, the segment reported an operating loss because of low swine fattening ASP in Vietnam due to ASF.

The first confirmed cases of ASF were reported in Vietnam in February 2019 and has since spread throughout the country. As currently there is no vaccine or treatment for ASF, bio-security measures are the only available means to protect our livestock. Japfa has increased its already strict bio-security measures and, because of that, cost of production is increasing. Feed sales volume will reduce as the swine population in Vietnam is likely to decline with the culling of infected animals. In the quarter under review, our financial results have been impacted by the low swine prices environment and pre-emptive culling of swine in our farms located in ASF affected areas.

Meanwhile, the poultry environment in Myanmar remains challenging, although it is notable that Myanmar is profitable for the second consecutive quarter. Myanmar continues to face increasing competitive pressures as well as higher local corn prices, which may affect its profitability in the near term.

Dairy
In China, despite raw milk prices increasing, margin tightened due to higher feed cost. Feed cost for dairy cows continue to increase due to higher domestic corn price. Going forward, the Group will continue to focus on lifting milk yields and volumes to mitigate raw milk price fluctuations.

In Southeast Asia, higher A&P investments in downstream products to improve brand visibility and enhance market share in Indonesia may impact profitability of the business.

Consumer Food
The Group's Consumer Food segment continued to record operating losses during the quarter as the operating landscape in Indonesia remained competitive. The management continues to monitor the situation closely, and devise and implement countermeasures as needed.

Conclusion
The five emerging markets that the Group operates in 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, 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.

11. Dividend

(a) Current Financial Period Reported on
Nil

(b) Corresponding Period of the Immediately Preceding Financial Year
Nil

(c) Date Payable
Not Applicable

(d) Books Closure Date
Not Applicable

12. If no dividend has been declared/ recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have any general mandate for interested person transaction(s) from the shareholders.

14. Negative Confirmation by the Board pursuant to Rule 705(5)

On behalf of the Board of Directors of the Company, I, 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 unaudited second quarter financial results for the period ended 30 June 2019 to be false or misleading in any material respect.

15. Confirmation by the company pursuant to Rule 720(1) of the SGX Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

16. Disclosure pursuant to Rule 704 of the SGX Listing Manual

The Company has today received official confirmation that PT Ciomas Adisatwa, a wholly owned subsidiary of PT Japfa Comfeed Indonesia Tbk ("PT Japfa"), together with PT Suri Tani Pemuka as second statutory shareholder, have incorporated a new subsidiary in Indonesia, namely PT Proteindotama Cipta Pangan (the "New Subsidiary"). The principal activity of the New Subsidiary is to operate a downstream food business in Indonesia.

PT Proteindotama Cipta Pangan was incorporated on 25 July 2019 with an initial paid-up capital of IDR 1,250 million.

The incorporation of Proteindotama Cipta Pangan is funded through internal resources and is not expected to have any material impact on the net tangible assets and earnings per share of the Company for the financial year ending 31 December 2019.

Saved as disclosed above, none of the Directors or Controlling Shareholders of the Company has an interest, directly or indirectly, in the above transaction, save through their shareholdings (if any) in the Company or PT Japfa Comfeed Indonesia Tbk.

By Order of the Board

Tan Yong Nang
Executive Director and
Chief Executive Officer
30 July 2019