



JAPFA LTD
AND ITS SUBSIDIARIES

(Registration Number: 200819599W)

SGXNET ANNOUNCEMENT
UNAUDITED FINANCIAL STATEMENT
FOR THE SECOND QUARTER AND HALF YEAR
ENDED 30 JUNE 2017

JAPFA LTD.

(Registration Number: 200819599W)

UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

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		
	2017 US\$'000	2016 US\$'000	Change %	2017 US\$'000	2016 US\$'000	Change %
Revenue	790,248	782,053	1%	1,526,372	1,499,714	2%
Cost of Sales	(647,922)	(591,389)	10%	(1,247,697)	(1,162,882)	7%
Gross Profit	142,326	190,664	-25%	278,675	336,832	-17%
Marketing and Distribution Costs	(33,520)	(30,794)	9%	(64,481)	(60,377)	7%
Administrative Expenses	(56,749)	(52,040)	9%	(125,655)	(113,496)	11%
Operating Profit	52,057	107,830	-52%	88,539	162,959	-46%
Interest Income	1,129	560	102%	2,047	1,194	71%
Finance Costs	(16,273)	(15,791)	3%	(30,537)	(31,745)	-4%
Other (Losses)/Gains	(7,011)	2,779	n/m	(1,068)	3,954	n/m
Share of results of Joint Ventures	(13)	(71)	-82%	(66)	(199)	-67%
Profit Before Foreign Exchange Adjustments and Changes in Fair Value of Biological Assets	29,889	95,307	-69%	58,915	136,163	-57%
Foreign Exchange Adjustments Gains/(Loss)	2,440	(3,746)	n/m	4,911	4,965	-1%
Loss from Changes in Fair Value of Biological Assets	(8,032)	(10,798)	-26%	(19,719)	(12,409)	59%
Profit Before Tax from Continuing Operations	24,297	80,763	-70%	44,107	128,719	-66%
Income Tax Expense	(8,916)	(11,165)	-20%	(18,674)	(22,021)	-15%
Profit from Continuing Operations, Net of Tax	15,381	69,598	-78%	25,433	106,698	-76%
Profit Attributable to Owners of the Parent, Net of Tax*	(3,405)	44,636	n/m	(1,327)	68,026	n/m
Profit Attributable to Non-Controlling Interests, Net of Tax	18,786	24,962	-25%	26,760	38,672	-31%
Profit, Net of Tax	<u>15,381</u>	<u>69,598</u>	-78%	<u>25,433</u>	<u>106,698</u>	-76%

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	<u>3,362</u>	<u>51,873</u>	-94%	<u>10,661</u>	<u>72,570</u>	-85%
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* We derived Core PATMI from "Profit Attributable to Owners of the Parent, Net of Tax" by excluding changes in fair value of biological assets (net of tax) and derivatives and by excluding extraordinary items (namely the gain/loss from the buyback of USD bonds).

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. As the majority of the foreign exchange gains/losses are unrealised and arises from the translation of USD bonds from a subsidiary in Indonesia, which has no tax implication, we have not made an estimate of the tax impact on foreign exchange gains/losses.

EBITDA	<u>70,893</u>	<u>132,147</u>	-46%	<u>136,143</u>	<u>209,221</u>	-35%
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We define EBITDA as profit before tax from continuing operations, excluding interest income, changes in fair value of biological assets and marketable securities, foreign exchange adjustments losses, finance costs, depreciation of property, plant and equipment, depreciation of investment properties and amortisation of intangible assets.

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

	2nd Quarter			Jan - Jun		
	2017 US\$'000	2016 US\$'000	Change %	2017 US\$'000	2016 US\$'000	Change %
Finance Costs	(16,273)	(15,791)	3%	(30,537)	(31,745)	-4%
Foreign Exchange Adjustments Gains/(Loss)	2,440	(3,746)	n/m	4,911	4,965	-1%
Depreciation of Property, Plant and Equipment and Investment Properties	(25,404)	(21,413)	19%	(47,913)	(41,176)	16%
Amortisation of Intangible Assets	(456)	(343)	33%	(824)	(632)	30%
Interest Income	1,129	560	102%	2,047	1,194	71%
Loss from Changes in Fair Value of Biological Assets	(8,032)	(10,798)	-26%	(19,719)	(12,409)	59%
Gain/(Loss) from Changes in Fair Value of Financial Assets	-	147	-100%	-	(699)	-100%
Gain/(Loss) on Disposal of Property, Plant and Equipment and Investment Properties	697	171	308%	719	(237)	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.

Statement of Comprehensive Income

	2nd Quarter			Jan - Jun		
	2017 US\$'000	2016 US\$'000	Change %	2017 US\$'000	2016 US\$'000	Change %
Profit from Continuing Operations, Net of Tax	15,381	69,598	-78%	25,433	106,698	-76%
Other Comprehensive Income:						
Items that will not be reclassified to profit or loss:						
Remeasurement of the Net Defined Benefits Plan, Net of Tax	659	(10,898)	n/m	(7,763)	(10,166)	-24%
Items that may be reclassified subsequently to profit or loss:						
Exchange Differences on Translating Foreign Operations, Net of Tax	5,763	(3,871)	n/m	14,837	24,601	-40%
Other Comprehensive Income for the Period, Net of Tax	6,422	(14,769)	n/m	7,074	14,435	-51%
Total Comprehensive Income	21,803	54,829	-60%	32,507	121,133	-73%
Total Comprehensive Income						
Attributable to Owners of Parent, Net of Tax	641	36,189	-98%	4,236	79,809	-95%
Total Comprehensive Income						
Attributable to Non-Controlling Interests, Net of Tax	21,162	18,640	14%	28,271	41,324	-32%
Total Comprehensive Income	21,803	54,829	-60%	32,507	121,133	-73%

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 30/6/2017 US\$'000	As at 31/12/2016 US\$'000	As at 30/6/2017 US\$'000	As at 31/12/2016 US\$'000
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	939,024	897,809	412	555
Investment Properties	10,292	10,568	-	-
Intangible Assets	8,512	8,384	-	-
Biological Assets	313,558	299,552	-	-
Investments in Subsidiaries	-	-	969,425	947,206
Investment in Joint Ventures	6,196	3,825	-	-
Deferred Tax Assets	22,581	15,714	-	-
Other Receivables	1,826	1,797	-	-
Other Financial Assets	16,331	11,164	2,948	2,948
Other Assets	16,409	15,530	-	-
Total Non-Current Assets	1,334,729	1,264,343	972,785	950,709
Current Assets				
Inventories	688,965	611,907	-	-
Biological Assets	72,040	63,597	-	-
Trade and Other Receivables	208,956	161,428	45,095	41,495
Other Financial Assets	547	791	547	546
Other Assets	133,159	86,965	116	59
Cash and Cash Equivalents	214,993	336,153	5,623	10,166
Total Current Assets	1,318,660	1,260,841	51,381	52,266
Total Assets	2,653,389	2,525,184	1,024,166	1,002,975
EQUITY AND LIABILITIES				
Equity				
Share Capital	940,842	937,614	940,842	937,614
Treasury Shares	(4,239)	-	(4,239)	-
Retained Earnings	390,346	408,167	68,094	60,199
Other Reserves	(377,377)	(374,504)	-	3,138
Translation Reserve	(170,090)	(179,614)	-	-
Equity Attributable to Owners of the Parent	779,482	791,663	1,004,697	1,000,951
Non-Controlling Interests	478,728	467,505	-	-
Put Option Reserve	(170,954)	(169,979)	-	-
Total Equity	1,087,256	1,089,189	1,004,697	1,000,951
Non-Current Liabilities				
Put Option Financial Liabilities	170,954	169,979	-	-
Provisions	104,934	89,525	-	-
Deferred Tax Liabilities	4,253	3,817	-	-
Other Payables	2,032	2,107	-	-
Loans and Borrowings	635,653	520,093	-	-
Other Liabilities	6,517	3,208	-	-
Total Non-Current Liabilities	924,343	788,729	-	-
Current Liabilities				
Income Tax Payable	12,456	16,812	-	-
Trade and Other Payables	292,887	301,507	1,469	2,024
Loans and Borrowings	328,224	319,715	18,000	-
Other Financial Liabilities	480	274	-	-
Other Liabilities	7,743	8,958	-	-
Total Current Liabilities	641,790	647,266	19,469	2,024
Total Liabilities	1,566,133	1,435,995	19,469	2,024
Total Equity and Liabilities	2,653,389	2,525,184	1,024,166	1,002,975

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

	As at 30/6/2017 US\$'000	As at 31/12/2016 US\$'000
Amount due within one year		
Secured	328,224	208,075
Unsecured	-	111,640
Total	<u>328,224</u>	<u>319,715</u>
Amount due more than one year		
Secured	244,765	251,507
Unsecured	390,888	268,586
Total	<u>635,653</u>	<u>520,093</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 subsidiaries.

Disclosure pursuant to Rule 704(31) of the Listing Manual

PT Greenfields Indonesia and PT Austasia Food, wholly-owned subsidiaries AustAsia Investment Holdings Pte Ltd (AIH), a principal subsidiary of the Company, have entered into a RP397 billion loan agreement with PT Bank Central Asia Tbk (the "Facility"), that is expected to take effect on or about 1 August 2017.

The loan agreement includes a covenant against change of control of the Company making reference to shareholding interests of Handojo Santosa and family as follows:

- (a) Handojo Santoso & family and their respective family trusts (directly or indirectly), beneficially collectively own at least 30% of the issued capital of Japfa Ltd, and remain single largest shareholders of Japfa Ltd, throughout the duration of the Facility; and
- (b) The boards of directors and commissioners of PT Greenfields Indonesia shall comprise a majority of nominees appointed by Japfa Ltd (through AIH) that are not objected to by the Santosa Family.

The aggregate amount of facilities subject to this covenant is up to RP397 billion.

In compliance with Rule 728 of the Listing Manual of the SGX-ST, the Company had on 29 July 2014 obtained an undertaking from its controlling shareholders Mr. Handojo Santosa and Ms. Rachel Anastasia Kolonas to notify the Company as soon as he or she becomes aware, of any share pledging arrangements by the Scuderia Trust and the Capital Two Trust (directly and/or indirectly) respectively and of any event which may result in a breach of the provisions under the then existing or any future banking facilities, where the shareholdings of the Controlling Shareholders are referenced.

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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	
	2017	2016
	US\$'000	US\$'000
<u>Cash Flows (Used in)/From Operating Activities</u>		
Profit Before Tax	44,107	128,719
Adjustment for:		
Amortisation of Intangible Assets	824	632
Amortisation of Land Use Rights	8	35
Depreciation of Property, Plant and Equipment and Investment Properties	47,913	41,176
Loss from Changes in Fair Value of Biological Assets	19,719	12,409
Gain on Disposal of Other Financial Assets	-	(38)
Loss/(Gain) from Changes in Fair Value of Derivative Financial Instruments	2,838	(530)
Loss from Changes in Fair Value of Financial Assets	-	699
(Gain)/Loss on Disposal of Property, Plant and Equipment and Investment Properties	(719)	237
Gain on Buyback of Bonds Payable	-	(634)
Increase in Provision for Retirement Benefits	7,503	2,982
Interest Income	(2,047)	(1,194)
Interest Expense	30,537	31,745
Share Options Granted by Subsidiary	265	209
Value of Employee Services received pursuant to Performance Share Plan	90	-
Value of Employee Services received pursuant to Performance Share Plan by Subsidiary	350	-
Share of Loss from Equity-Accounted Joint Ventures	66	199
Write-off of Property, Plant and Equipment	384	180
Net Effect of Exchange Rate Changes	6,299	9,296
Operating Cash Flows before Changes in Working Capital	158,137	226,122
Inventories	(77,058)	4,880
Biological Assets	(25,470)	(22,361)
Trade and Other Receivables	(47,557)	(63,040)
Other Assets	(47,303)	(17,533)
Trade and Other Payables	5,145	(13,321)
Provisions	(3,169)	(2,459)
Other Liabilities	(437)	(1,741)
Net Cash Flows (Used in)/From Operations	(37,712)	110,547
Income Taxes Paid	(24,040)	(7,522)
Net Cash Flows (Used in)/From Operating Activities	(61,752)	103,025
<u>Cash Flows Used in Investing Activities</u>		
Purchase of Property, Plant and Equipment	(93,108)	(61,289)
Purchase of Intangible Assets	(864)	(346)
Purchase of Land Use Rights	(1,434)	(125)
Purchase of Other Financial Assets	(5,047)	(1,577)
Purchase of Biological Assets	(8,991)	(8,355)
Proceeds from Disposal of Property, Plant and Equipment	1,046	1,156
Proceeds from Disposal of Investment in Other Financial Assets	-	967
Addition of Investment in Joint Venture	(2,337)	(373)
Interest Received	2,047	1,194
Net Cash Flows Used in Investing Activities	(108,688)	(68,748)

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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. (Cont'd)

	Jan - Jun	
	2017	2016
	US\$'000	US\$'000
Cash Flows From/(Used in) Financing Activities		
Increase in Working Capital loans	113,407	2,133
Cash Restricted in Use	3,657	894
Purchase of Treasury Shares by the Company	(4,239)	-
Purchase of Treasury Shares by Subsidiary	(271)	-
Buy Back of Bonds Payable	-	(3,285)
Repayment of Bonds Payable	(314,775)	-
Net Proceeds from Issue of bonds	315,929	-
Proceeds from Issue of New Shares by Subsidiary to Non-Controlling Interests	7,537	3,057
Disposal of Shares in Subsidiary to Non-Controlling Interests Without Change in Control	-	462
Acquisition of Non-Controlling Interests Without Change in Control	-	(4,396)
Dividend Paid to Equity Holders of the Company	(12,533)	(6,464)
Dividends Paid by Subsidiary to Non-Controlling Interests	(24,664)	(11,055)
Interest Paid	(30,537)	(31,745)
Net Cash Flows From/(Used in) Financing Activities	<u>53,511</u>	<u>(50,399)</u>
Net Decrease in Cash and Cash Equivalents	(116,929)	(16,122)
Effect of exchange rate changes on cash and cash equivalents	(574)	375
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	<u>331,086</u>	<u>140,769</u>
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	<u>213,583</u>	<u>125,022</u>

Notes:

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

	2017	2016
	US\$'000	US\$'000
Cash and Bank Balances	214,993	131,294
Less: Bank Deposit Pledged	<u>(1,410)</u>	<u>(6,272)</u>
Cash and Cash Equivalents per Consolidated Statement of Cash Flows	<u>213,583</u>	<u>125,022</u>

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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	Put Option Reserve US\$'000
Balance at 1 January 2017	1,089,189	791,663	937,614	-	408,167	(374,504)	(179,614)	467,505	(169,979)
Movements in Equity:									
Total Comprehensive Income for the Period	32,507	4,236	-	-	(5,288)	-	9,524	28,271	-
Issue of New Shares by Subsidiary to Non-Controlling Interests Without a Change in Control	7,537	-	-	-	-	-	-	7,537	-
Grant of Share Options by Subsidiary	265	265	-	-	-	265	-	-	-
Purchase of Treasury Shares by the Company	(4,239)	(4,239)	-	(4,239)	-	-	-	-	-
Purchase of Treasury Shares by Subsidiary	(271)	-	-	-	-	-	-	(271)	-
Value of Employee Services Received of Performance Share Plan	90	90	-	-	-	90	-	-	-
Issue of shares by the Company under Performance Share Plan	-	-	3,228	-	-	(3,228)	-	-	-
Issue of shares by Subsidiary under Performance Share Plan	350	-	-	-	-	-	-	350	-
Dividend Paid to Equity Holders of the Company	(12,533)	(12,533)	-	-	(12,533)	-	-	-	-
Dividend Paid by Subsidiary to Non-Controlling Interests	(24,664)	-	-	-	-	-	-	(24,664)	-
Changes in Present Value of the Put Option Financial Liabilities	(975)	-	-	-	-	-	-	-	(975)
Balance at 30 June 2017	1,087,256	779,482	940,842	(4,239)	390,346	(377,377)	(170,090)	478,728	(170,954)
Balance at 1 January 2016, restated	827,670	670,545	937,614	-	301,022	(396,315)	(171,776)	338,071	(180,946)
Movements in Equity:									
Total Comprehensive Income for the Period	121,133	79,809	-	-	62,270	-	17,539	41,324	-
Issue of New Shares by Subsidiary to Non-Controlling Interests Without a Change in Control	3,057	-	-	-	-	-	-	3,057	-
Disposal of Shares in Subsidiary to Non-Controlling Interests Without Change in Control	462	107	-	-	-	107	-	355	-
Acquisition of Non-Controlling Interests Without Change in Control	(4,396)	(1,770)	-	-	-	(1,770)	-	(2,626)	-
Grant of Share Options by Subsidiary	209	209	-	-	-	209	-	-	-
Dividend Paid to Equity Holders of the Company	(6,464)	(6,464)	-	-	(6,464)	-	-	-	-
Dividend Paid by Subsidiary to Non-Controlling Interests	(11,055)	-	-	-	-	-	-	(11,055)	-
Balance at 30 June 2016	930,616	742,436	937,614	-	356,828	(397,769)	(154,237)	369,126	(180,946)

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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. (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 2017	1,000,951	937,614	-	60,199	3,138
Movements in Equity:					
Total Comprehensive Income for the Period	20,428	-	-	20,428	-
Purchase of Treasury Shares by the Company	(4,239)	-	(4,239)	-	-
Value of Employee Services Received of Performance Share Plan	90	-	-	-	90
Issue of shares by the Company under Performance Share Plan	-	3,228	-	-	(3,228)
Dividend Paid to Equity Holders of the Company	(12,533)	-	-	(12,533)	-
Balance at 30 June 2017	1,004,697	940,842	(4,239)	68,094	-
Balance at 1 January 2016	963,707	937,614	-	26,093	-
Movements in Equity:					
Total Comprehensive Income for the Period	16,175	-	-	16,175	-
Dividend Paid to Equity Holders of the Company	(6,464)	-	-	(6,464)	-
Balance at 30 June 2016	973,418	937,614	-	35,804	-

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 30/6/2017	2nd Quarter to 30/6/2016
Issued ordinary shares:		
As at beginning of period	1,769,525,591	1,764,670,391
Issued during the period	-	-
As at end of period	1,769,525,591	1,764,670,391
Treasury shares:		
As at beginning of period	868,300	-
Purchase of treasury shares	8,825,100	-
As at end of period	9,693,400	-
Issued ordinary shares excluding treasury shares	1,759,832,191	1,764,670,391

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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.

	<u>As at 30/6/2017</u>	<u>As at 30/6/2016</u>
Number of issued shares	<u>1,759,832,191</u>	<u>1,764,670,391</u>

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 2016 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 2017, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS 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.

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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	
	2017 US Cents	2016 US Cents	2017 US Cents	2016 US Cents
Earnings per share for the period				
(a) Based on weighted average number of ordinary shares in issue	(0.19)	2.53	(0.08)	3.85
(b) Based on a fully diluted basis	(0.19)	2.53	(0.08)	3.85
Weighted Average Number of Ordinary Shares	<u>1,769,525,591</u>	<u>1,764,670,391</u>	<u>1,767,942,957</u>	<u>1,764,670,391</u>

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 30/6/2017 US\$	As at 31/12/2016 US\$	As at 30/6/2017 US\$	As at 31/12/2016 US\$
Net asset value per ordinary share	<u>0.44</u>	<u>0.45</u>	<u>0.57</u>	<u>0.57</u>

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

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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 2017 vs 2Q 2016

Revenue

	<u>2Q 2017</u>	<u>2Q 2016</u>	<u>Variance</u>
	US\$ million	US\$ million	US\$ million
Animal Protein Indonesia	552.9	523.2	29.7
Animal Protein Other	111.5	140.6	(29.1)
Dairy	79.0	65.5	13.5
Consumer Food	46.8	52.8	(6.0)
Total	<u>790.2</u>	<u>782.1</u>	<u>8.1</u>

The increase of revenue was generally due to volume increases in our operations in the Animal Protein Indonesia and Dairy segments. This was offset by the decrease in the revenue in the Animal Protein Other segment because of the decline in selling prices for swine in Vietnam, and also decrease in the revenue in Consumer Food segment due to Indonesia's weaker consumer demand.

Operating Profit

	<u>2Q 2017</u>	<u>2Q 2016</u>	<u>Variance</u>
	US\$ million	US\$ million	US\$ million
Animal Protein Indonesia	52.8	75.8	(23.0)
Animal Protein Other	(12.8)	16.9	(29.7)
Dairy	14.7	13.9	0.8
Consumer Food	(4.3)	0.3	(4.6)
Others	1.7	0.9	0.8
Total	<u>52.1</u>	<u>107.8</u>	<u>(55.7)</u>

Animal Protein Indonesia segment recorded lower operating profit in 2Q 2017 as compared to 2Q 2016 due to the exceptionally high feed margins recorded in 2Q 2016. Feed margins remained healthy, albeit at lower levels compared to 2Q 2016. Animal Protein Other's swine fattening business in Vietnam incurred significant operating losses arising from the continued decline in swine prices in 2Q 2017. Consumer Food recorded an operating loss due to Indonesia's weaker consumer demand.

The "Profit Before Foreign Exchange Adjustments and Changes in Fair Value of Biological Assets" was US\$29.9 million in 2Q 2017 as compared to US\$95.3 million in 2Q 2016.

Loss from changes in fair value of biological assets was US\$8.0 million in 2Q 2017 as compared to US\$10.8 million in 2Q 2016. The loss from changes in fair value of biological assets in 2Q 2017 was mainly due to the lower swine and raw milk prices at the end of 2Q 2017, which are used in the valuation of biological assets for breeding swine in Vietnam and dairy cattle herd in China.

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As a result of the above, the Group recorded a profit after tax of US\$15.4 million in 2Q 2017 as compared to US\$69.6 million in 2Q 2016. The loss attributable to owners of the parent was US\$3.4 million loss in 2Q 2017 and profit attributable to owners of the parent was US\$44.6 million in 2Q 2016.

Review of Financial Position

The Group's total assets as at 30 June 2017 increased by US\$128.2 million from US\$2,525.2 million to US\$2,653.4 million primarily due to increase in property, plant and equipment, other assets and inventories.

The Group's total liabilities as at 30 June 2017 increased by US\$130.1 million from US\$1,436.0 million to US\$1,566.1 million primarily due to issuance of new bonds.

The Group's translation reserves improved from negative US\$179.6 million as at 31 December 2016 to negative US\$170.1 million as at 30 June 2017 mainly due to translation gains 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\$61.8 million in 2Q 2017, which mainly arose from operating cash flows before changes in working capital of US\$158.1 million, changes in working capital of US\$195.8 million and income tax paid of US\$24.0 million.

Net cash flows used in investing activities were US\$108.7 million in 2Q 2017 mainly represented by the purchase of property, plant and equipment of US\$93.1 million.

Net cash flows from financing activities were US\$53.5 million in 2Q 2017 mainly arose from increase in working capital loans of US\$113.4 million, net proceeds from issue of bonds of US\$315.9 million and partially offset by repayment of bonds payable of US\$314.8 million and interest paid of US\$30.5 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.

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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 reporting period and the next 12 months.

In the second quarter of 2017 (“2Q2017”), the Group recorded stable revenue but lower profitability due to the losses in Vietnam where swine average selling prices (“ASPs”) have continued to slide to levels well below cost. The industry has observed a pick-up in Vietnam’s swine prices since the start of July 2017, but it is still too early to conclude that this marks the start of market recovery.

The agri-food business is subjected to cyclical which directly impacts the Group’s revenue and profitability. Cyclical is dependent on a variety of external factors, including the seasonality of harvest and festivals, and macroeconomic conditions which affect consumer purchasing power, such as government policies and currency fluctuations. In addition, the industry may also be impacted by fluctuations in raw material costs and selling prices, which are determined by market demand and supply. Cyclical affects the ASPs for the Group’s breeding and fattening livestock products in particular.

While cyclical and macroeconomic factors are beyond the Group’s control, the management will continue to focus on areas where it can influence, including building on its strong business fundamentals and leveraging the strength of its diversified and vertically integrated business model to navigate the industry cyclical. The Group will also strive to continually improve its operational efficiency and stay the course in establishing itself as one of the most efficient and lowest cost industrialised protein producers in the emerging Asian markets that it operates in.

PT Japfa Tbk

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. In addition, the Group expects the Indonesian Rupiah to remain volatile in the near term which may affect chicken consumption.

In early 2016, Indonesia’s Business Competition Supervisory Commission (“KPPU”) issued a guilty verdict on 32 beef companies, including two subsidiaries of PT Japfa Tbk, of cartel and production arrangements, and imposed a fine of approximately US\$1 million. The Group has appealed against the decision and will make further disclosures as required.

In the third quarter of 2016, the KPPU also issued a guilty verdict on PT Japfa Tbk and 11 poultry companies in relation to the industry’s culling of 6 million parent stock. The total fine imposed by KPPU is approximately US\$2 million. The Group has appealed against the decision and will make further disclosures as required.

Furthermore, the People’s Representative Council of the Republic of Indonesia (“DPR”) is currently in the process of amending the Anti-Monopoly Law. In the current draft, DPR is aiming to amend the prevailing provisions under the Anti-Monopoly Law to expand KPPU’s authority. Should this amendment come through, the Group may face new requirements which may affect its business practices.

In addition, the Indonesian government has been introducing 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.

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Animal Protein Other

In Vietnam, swine ASPs have continued to decline and are well below cost, mainly due to lower demand from the Chinese market following the tightening of swine imports into China. The low swine price environment has resulted in an adverse impact on Vietnam's profits. Due to the life cycle of swine, the effect of a market supply readjustment will take time. If China does not adjust its policy and if the Vietnam supply market readjustment is not effective, they will continue to negatively impact Animal Protein Other's financial results.

Dairy

In China, although raw milk prices continue to be under pressure, the Group has been able to mitigate the impact through improvements in milk yields and growth in sales volume. Going forward, the Group will continue to improve efficiency to lift operational performance.

Consumer Food

Recent reports* have highlighted that retail sales have declined year-on-year, which indicates a weaker purchasing power. This is reflected in a lower demand for our Ambient and Real Good UHT products sold in the mass market. If this situation persists, they will continue to negatively impact Consumer Food's financial results.

Nonetheless, 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.

To tap the changing consumer dynamics, the Group will also continue to invest strategically to build up its consumer brands in Indonesia and Vietnam.

**Source: The Jakarta Post, 22 July 2017, "Bank Indonesia sets second-quarter growth estimate at 5.1%"*

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

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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, 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 unaudited second quarter financial results for the period ended 30 June 2017 to be false or misleading in any material respect.

15. Confirmation pursuant to Appendix 7.7 under Rule 720(1) of the Listing Manual

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

By Order of the Board

Tan Yong Nang
Executive Director and
Chief Executive Officer
27 July 2017