

# PT JAPFA COMFEED INDONESIA Tbk

## ANNUAL REPORT

2000

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## FINANCIAL HIGHLIGHTS

(in millions of Rupiah)

DESCRIPTION	1996	1997	1998	1999	2000
Net Sales	997,831.8	1,290,703.6	1,810,102.3	2,402,590.6	3,447,471.6
Gross Profit	152,041.3	139,628.5	273,755.9	397,114.0	393,800.9
Operating Income	64,505.2	5,393.2	75,163.2	144,125.1	5,517.3
Foreign Exchange Gain (Loss)	(13,101.5)	(11,670.8)	(1,095,322.3)	371,337.7	(1,109,191.7)
Net Income (Loss) before Tax	40,739.4	(354,649.5)	(1,307,660.6)	323,559.3	(1,293,728.0)
Minority Interest	(26.6)	(20,646.2)	21,561.6	5,210.7	3,261.8
Net Income (Loss) after Tax	31,243.0	(334,967.7)	(979,970.6)	202,589.4	(969,605.3)
Net Income (Loss) to Sales	3.1 %	-26.0 %	-54.1 %	8.4 %	-28.1 %
Earnings per Share (Rupiah)	209,8	(2,249.0)	(6,580.00)	1,360.00	(6,510.00)
At Year End					
Current Assets	556,348.6	1,013,375.4	1,328,190.6	1,397,561.4	1,575,266.2
Total Assets	1,044,382.3	2,520,027.5	3,007,729.5	2,933,868.2	3,460,626.3
Current Liabilities	260,317.7	1,602,903.5	3,884,373.3	3,566,665.5	5,003,838.1
Total Equity	349,524.4	37,421.5	(937,236.7)	(759,858.7)	(1,693,091.8)
Financial Ratios					
Return on Average Assets	3.3 %	-18.8 %	-35.5 %	6.8 %	-30 %
Return on Average Equity	9.2 %	-173.1 %	NA	NA	NA
Leverage	1,8 x	65,5 x	NA	NA	NA
Current Ratios	2,1 x	0,6 x	0,3 x	0,4 x	0.3 x

## LETTER TO SHAREHOLDERS

Japfa's performance in 2000 has to be reviewed against a backdrop of a multidimensional Indonesian crisis that has persisted for over three years. Extensive reforms need to be implemented to revive the Indonesian economy. The continuing political uncertainties and social tension have dampened any hopes for any real economic recovery as the country's macroeconomic situation continues to deteriorate. Stability of the Rupiah exchange rate is critical to the success of Japfa's business.

The plunging Rupiah has been the Company's major concern and the principal reason for the poor 2000 bottom line performance. The Rupiah fell 35 % against the US dollar in 2000 and the downward trend has persisted well into the 2001 year. As a significant portion of our raw materials are imported, the drop in the currency without an equivalent adjustment in selling prices has resulted in a thinning of margins.

Our business is largely dependent on the ordinary person's purchasing power. As prices of essential goods rise without the equivalent adjustment to wages, there is likely to be a drop in demand for chicken meat as was experienced in 1998 when Japfa's sales volume fell by 40 %. The improvement in our sales in 2000 is somewhat fragile and can be expected to decline in the current year as the Rupiah continues its fall and purchasing power weakens.

The prolonged crisis and the significant depreciation of the Rupiah has also impeded the progress of the restructure of its US\$ denominated loans. The Company is still actively involved in continuing discussions with its creditors to restructure its debt.

The Company has effectively operated in survival mode over the last few years and will continue with initiatives to ensure survival in the future. These include selective divestments of non-core activities, careful management of cashflow and implementing efficiency improvements. The patience and support shown by the financial community, suppliers, shareholders as well as employees in these difficult times is much appreciated.

**HANDOJO SANTOSA**, *President Director*

**BAMBANG BUDI HENDARTO**, *Vice President Director*

**IGNATIUS HERRY WIBOWO**, *Director*

**SYAMSIR SIREGAR**, *President Commissioner*

**OSA MASONG**, *Vice President Commissioner*

## FINANCIAL AND OPERATIONAL ANALYSIS

The 2000 consolidated net loss of Rp 970 billion basically arose from two key factors, the fall in margins and the drop in the value of the Rupiah.

Japfa recorded consolidated Sales of Rp 3.3 trillion for 2000, which represents a significant increase of 37 % over the previous year. The Gross Profit margin of 11.9 % however significantly decline from the prior year margin of 16.5 %. Selling, general and administration costs increased from 10.5 % in 1999 to 11.7 % in 2000 as a percentage of sales. The fall in margins was primarily due to the substantial increase of raw material costs while selling prices remained fairly static throughout the year. With the drop in the value of the currency, the cost of imported raw materials like corn and soya bean meal has effectively increased in Rupiah terms. Accordingly, an Operating Profit of Rp 5.5 billion was recorded for the year.

The single major reason for the overall net loss for the year was the decline of the Rupiah. The loss is primarily due to the foreign exchange loss arising from USD denominated debt. With the fall in the closing value of the Rupiah from Rp 7,100 per USD in 1999 to Rp 9,595 per USD at the end of 2000, the Company recorded a foreign exchange loss of Rp 1,109 billion. This resulted in the consolidated net loss of Rp 970 billion for the year 2000.

The company is still actively involved in continuing discussions with its banks to restructure its loans. In view of the continued fall of the Rupiah, the significant size of the loans and the large number of banks involved, negotiations to achieve a mutually acceptable solution to all parties can be expected to take more time. The Company has continued to partially service its debt obligations by monthly payments to its banks.

### POULTRY DIVISION

As in previous years, the Poultry Division remains the largest contributor to Japfa's revenue. Sales revenue was Rp 2.9 trillion in 2000, an increase of 33.9 % over 1999's Rp 2.1 trillion. In comparison, Poultry's Net Profit was Rp 138 billion, a decrease of 36.8 % from 1999's Rp 219 billion.

The poultry feed business, was especially badly hit by the depreciation of the Rupiah as a substantial portion of raw materials is imported. This, coupled with the lag in raising selling prices, has resulted in a significant reduction of Profit Margins.

Other businesses, especially the Breeding business, in the Poultry Division remained relatively unscathed by the plunging Rupiah although the continuing political and economical uncertainties have capped consumer spending, limiting increases in sales volumes and the ability to raise prices.

Looking forward, we believe that the Poultry Division can improve its performance when the political and economic environment in Indonesia recovers, bringing with it stability and a sustained increase in purchasing power.

## **AQUACULTURE DIVISION**

In the year 2000, the Aquaculture Division registered a Net Loss of Rp 8.8 billion. Although the Aquafeed and Cold Storage businesses performed relatively well, the Division was affected by the poor performance of its shrimp ponds.

## **CONSUMER PRODUCTS DIVISION**

The year 2000 saw further results from our efforts to establish the Consumer business. Sales more than doubled. Products introduced in 1999 showed some success in 2000. Looking forward, we believe that the success of the year 2000 will continue into 2001 with the introduction of new products as well as efficiencies in the consolidation of current product lines.

## **INTERNATIONAL DIVISION**

Most of Japfa's overseas operations were able to achieve breakeven status in 2000, even though they are still effectively at startup phase. In India and Myanmar, we were able to achieve market leadership in some of the market segments and have become a significant player in other segments. For 2001, we intend to build on this foundation and achieve market leadership in most segments as well as improve overall profitability.

P.T. JAPFA COMFEED INDONESIA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2000 AND 1999

	Notes	2000 Rp	1999 Rp
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2d,3	320,219,290,093	399,996,521,145
Temporary investments	2e,4,19	172,699,799,608	202,938,731,246
Trade accounts receivable	2f,5,19,20		
Related parties		1,442,332,964	4,331,435,633
Third parties - net of allowance for doubtful accounts of Rp 23,113,796,149 in 2000 and Rp 11,280,229,862 in 1999		414,688,275,788	228,463,858,606
Other accounts receivable		64,906,456,461	51,361,652,175
Inventories	2g,6,19,20	516,011,716,056	452,231,893,944
Advances		19,150,481,050	12,525,242,034
Prepaid taxes	2q,7	53,850,692,336	31,927,506,724
Prepaid expenses	2h	12,299,130,111	13,784,541,314
<b>Total Current Assets</b>		<b>1,575,268,174,467</b>	<b>1,397,561,382,821</b>
<b>NONCURRENT ASSETS</b>			
Restricted cash in bank	20	63,944,102,425	-
Accounts receivable from related parties	8,34	-	17,417,975,810
Deferred tax assets	2q,31	480,461,856,364	170,129,935,002
Investments in shares of stock	2e,9	7,878,622,553	8,485,472,938
Plantations - net of accumulated depreciation of Rp 668,983,045 in 2000 Rp 515,276,005 in 1999	2i,10	3,991,423,842	4,130,991,832
Property, plant and equipment - net of accumulated depreciation of Rp 414,539,000,083 in 2000 and Rp 312,557,379,373 in 1999	2j,2k,11,19,20	1,258,355,475,575	1,225,243,620,453
Real estate assets		7,459,681,207	15,336,521,557
Advances for the purchases of property, plant and equipment		219,319,467	26,999,500,927
Long-term rental on land		11,377,246,636	12,100,322,008
Deferred charges - net	2m	5,398,329,415	7,811,876,188
Goodwill - net	2b	3,096,207,110	4,897,055,632
Unused property, plant and equipment - net	2j,11	16,120,641,202	14,855,726,017
Security deposits		3,450,299,570	4,394,006,371
Intangible assets - net	2i,12	14,519,103,868	15,418,013,716
Forward receivable from company under liquidation - net	2f,13	9,085,810,046	9,085,810,046
<b>Total Noncurrent Assets</b>		<b>1,885,358,119,280</b>	<b>1,536,306,828,497</b>
<b>TOTAL ASSETS</b>		<b>3,460,626,293,747</b>	<b>2,933,868,211,318</b>

P.T. JAPFA COMFEED INDONESIA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2000 AND 1999 (Continued)

	Notes	2000 Rp	1999 Rp
<b>LIABILITIES AND CAPITAL DEFICIENCY</b>			
<b>CURRENT LIABILITIES</b>			
Trade accounts payable to third parties	14	150,013,984,141	116,141,461,290
Other accounts payable	15	215,123,087,307	167,165,804,425
Taxes payable	2q,16	15,392,060,828	11,451,842,575
Accrued expenses	17	807,158,007,294	389,719,559,584
Advances received		17,231,004,256	14,242,860,864
Unearned revenue		2,570,073,383	227,166,128
Notes payable	18	87,345,606,990	65,961,229,400
Bank loans	19	756,420,996,070	585,408,236,813
Current maturity of long-term liabilities			
Bank loans	20	2,951,976,044,085	2,206,994,182,100
Liabilities for the purchases of property, plant and equipment	21	585,023,079	296,547,475
Lease liabilities	2k,22,32	22,167,055	9,056,648,343
<b>Total Current Liabilities</b>		<b>5,003,838,054,488</b>	<b>3,566,665,538,997</b>
<b>NONCURRENT LIABILITIES</b>			
Account payable to related party	8,34	-	81,002,723
Deferred tax liabilities	2q,31	-	3,280,925,974
Long-term liabilities - net of current maturity			
Bank loans	20	133,598,473,541	111,351,980,557
Liabilities for the purchases of property, plant and equipment	21	2,697,759,673	2,182,522,392
Lease liabilities	2k,22,32	-	22,372,216
<b>Total Noncurrent Liabilities</b>		<b>136,296,233,214</b>	<b>116,918,803,862</b>
<b>MINORITY INTERESTS IN NET ASSETS OF SUBSIDIARIES</b>	23	<b>13,583,766,369</b>	<b>10,142,617,025</b>
<b>CAPITAL DEFICIENCY</b>			
Capital stock - Rp 1,000 par value per share			
Authorized - 200,000,000 shares			
Subscribed and paid-up - 148,941,466 shares	24	148,941,466,000	148,941,466,000
Additional paid-in capital	25	42,423,905,800	42,423,905,800
Translation adjustment	2c	72,847,358,414	36,765,983,586
Difference due to change of equity in subsidiary	2e	1,380,552,616	-
Unrealized loss on decrease in value of securities	2e,4	(7,208,920,962)	(6,119,284,912)
Difference in value of restructuring transactions among entity under common control	2b	5,798,519,720	5,798,519,720
Deficit		(1,957,274,641,912)	(987,669,338,760)
<b>Total Capital Deficiency</b>		<b>(1,693,091,760,324)</b>	<b>(759,858,748,566)</b>
<b>TOTAL LIABILITIES AND CAPITAL DEFICIENCY</b>		<b>3,460,626,293,747</b>	<b>2,933,868,211,318</b>

P.T. JAPFA COMFEED INDONESIA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	Notes	2000 Rp	1999 Rp
NET SALES	2n,26	3,299,453,359,493	2,402,590,610,494
COST OF GOODS SOLD	2n,27	2,905,652,481,341	2,005,476,650,842
GROSS PROFIT		393,800,878,152	397,113,959,652
OPERATING EXPENSES	2n,28		
Selling		120,248,307,145	83,443,060,233
General and administrative		268,035,255,546	169,545,828,156
Total Operating Expenses		388,283,562,691	252,988,888,389
INCOME FROM OPERATIONS		5,517,315,461	144,125,071,263
OTHER INCOME (CHARGES)			
Interest income	29	30,373,887,626	57,418,720,237
Received payments of the claim on forward receivable from company under liquidation	13	98,160,120,028	-
Rental income		4,320,713,343	-
Gain on sale of property, plant and equipment	2j,11	3,070,381,995	4,286,979,871
Sale of raw materials and indirect materials		1,225,194,435	1,594,054,753
Equity in net income of associated companies	2e,9	1,284,899,615	3,175,040,595
Unrealized loss	2e,4	(44,828,911,102)	-
Interest expense	30	(291,579,181,459)	(249,422,762,280)
Gain (loss) on foreign exchange - net	2c,37	(1,109,191,676,387)	371,337,650,844
Others - net		7,919,236,525	(8,955,454,904)
Other Income (Charges) - Net		(1,299,245,335,381)	179,434,229,116
INCOME (LOSS) BEFORE TAX		(1,293,728,019,920)	323,559,300,379
TAX BENEFIT (EXPENSE)	2q,31	312,786,157,435	(126,180,581,331)
INCOME (LOSS) FROM ORDINARY ACTIVITIES		(980,941,862,485)	197,378,719,048
EXTRAORDINARY ITEM	2p,32	8,074,718,085	-
INCOME (LOSS) BEFORE MINORITY INTERESTS IN NET LOSSES OF SUBSIDIARIES		(972,867,144,400)	197,378,719,048
MINORITY INTERESTS IN NET LOSSES OF SUBSIDIARIES	23	3,261,841,248	5,210,704,596
NET INCOME ( LOSS )		(969,605,303,152)	202,589,423,644
EARNINGS (LOSS) PER SHARE			
Basic	2r	(6,510)	1,360

P.T. JAPFA COMFEED INDONESIA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	Notes	Paid-up Capital Stock Rp	Additional Paid-in Capital Rp	Translation Adjustment Rp	Difference due to change of equity in subsidiary Rp	Unrealized Loss on Decrease in Value of Securities Rp	Difference in Value of Restructuring Transactions among Entities Under Common Control Rp	Deficit Rp	Total Capital Deficiency Rp
Balance as of January 1, 1999		148,941,466,000	42,423,905,800	55,858,185,095	-	-	5,798,519,720	(1,190,258,762,404)	(937,236,685,789)
Translation adjustment	2c	-	-	(19,092,201,509)	-	-	-	-	(19,092,201,509)
Unrealized loss on decrease in value of securities	2e,4	-	-	-	-	(6,119,284,912)	-	-	(6,119,284,912)
Net income for the year		-	-	-	-	-	-	202,589,423,644	202,589,423,644
Balance as of December 31, 1999		148,941,466,000	42,423,905,800	36,765,983,586	-	(6,119,284,912)	5,798,519,720	(987,669,338,760)	(759,858,748,566)
Translation adjustment	2c	-	-	36,081,374,828	-	-	-	-	36,081,374,828
Difference due to change of equity in subsidiary	2e	-	-	-	1,380,552,616	-	-	-	1,380,552,616
Unrealized loss on decrease in value of securities	2e,4	-	-	-	-	(1,089,636,050)	-	-	(1,089,636,050)
Net loss for the year		-	-	-	-	-	-	(969,605,303,152)	(969,605,303,152)
Balance as of December 31, 2000		148,941,466,000	42,423,905,800	72,847,358,414	1,380,552,616	(7,208,920,962)	5,798,519,720	(1,957,274,641,912)	(1,693,091,760,324)

P.T. JAPFA COMFEED INDONESIA Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
	Rp	(As restated - Note 2a) Rp
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	3,106,377,651,302	2,398,535,966,001
Cash paid to suppliers and employees	(2,908,809,218,701)	(2,015,351,354,674)
Cash generated from operations	197,568,432,601	383,184,611,327
Interest paid	(7,731,495,104)	(106,095,417,359)
Income tax paid	(24,448,252,503)	(5,313,269,097)
Cash receipts from restitution of income taxes	6,982,706,041	15,313,740,395
Other operating cash payments	(214,057,417,164)	(4,397,017,624)
Net Cash Provided by (Used in) Operating Activities	(41,686,026,129)	282,692,647,642
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Withdrawals of temporary investments	30,238,931,638	56,277,677,335
Increase (decrease) in accounts receivable from related parties	12,116,032,398	(647,640,541)
Dividends received	4,500,000,000	1,020,000,000
Increase (decrease) in security deposits	943,706,801	(1,321,580,228)
Decrease in long-term rental on land	723,075,372	1,100,029,272
Interest received	30,635,612,480	60,100,452,959
Decrease in deferred charges	2,413,546,773	89,516,400
Decrease in plantations	139,567,990	141,059,840
Proceeds from sale of property, plant and equipment	31,151,133,693	37,821,289,531
Acquisitions of property, plant and equipment	(188,366,901,541)	(92,142,582,120)
Increase (decrease) in advances for the purchases of property, plant and equipment	26,780,181,460	(8,976,951,102)
Net Cash Provided by (Used in) Investing Activities	(48,725,112,936)	53,461,271,346
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in (payments of) bank loans	16,410,495,285	(177,354,769,886)
Payments of lease liabilities	(4,733,335,623)	(2,229,529,386)
Payments of liabilities for the purchases of property, plant and equipment	-	(3,764,009,595)
Payments of notes payable	(1,426,424,349)	(2,807,032,650)
Net Cash Provided by (Used in) Financing Activities	10,250,735,313	(186,155,341,517)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(80,160,403,752)	149,998,577,471
Restricted cash in bank	(63,944,102,425)	-
Effect of foreign exchange rates changes	64,327,275,125	(17,041,780,855)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	399,996,521,145	267,039,724,529
CASH AND CASH EQUIVALENTS AT END OF YEAR	320,219,290,093	399,996,521,145
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash investing and financing activities :		
Increase in leased assets through lease liabilities	-	420,842,024
Reclassification of unused property, plant and equipment to property, plant and equipment	-	87,206,985
Reclassification of advances for the purchases of property, plant and equipment to property, plant and equipment	-	1,002,000

## BOARD OF COMMISSIONERS

### **SYAMSIR SIREGAR,**

*President Commissioner*

Born in Pematang Siantar, Indonesia, in 1941. Finished education in National Military Academy and School of Army Staff Command (Seskoad) and had a military career. Joined PT Japfa Comfeed Indonesia Tbk since 1998 as President Commissioner.

### **OSA MASONG,**

*Vice President Commissioner*

Born in Solo, Indonesia, in 1940. Hold a degree in Accounting from University of Indonesia. Worked as chief accountant for 10 years in PT PNI - a United States, Canada and Holland joint venture company. Completed extensive management training and financial studies in the United States and Canada. Served as Vice President Commissioner of PT Japfa Comfeed Indonesia Tbk since 1998.

### **HARIONO SOEMARSONO,**

*Commissioner*

Born in Magetan, Indonesia, in 1936. Graduated from Technische Universitaet Dresden, Germany as Diplom Ingenieur in Mechanical Engineering and from the American World University Iowa, USA as Doctor of Philosophy in Human Resources Management. Previous experiences include Dean of Engineering Faculty ITS, Surabaya. Joined Group in 1981.

## BOARD OF DIRECTORS

### **HANDOJO SANTOSA,**

*President Director*

Born in Surabaya, Indonesia, in 1964. Educated at Pepperdine University, USA. Served as President Director of PT Japfa Comfeed Indonesia Tbk since 1997.

### **BAMBANG BUDI HENDARTO,**

*Vice President Director*

Born in Bondowoso, Indonesia, in 1945. Graduated from Animal Husbandary from Brawijaya University Malang, Indonesia. Completed overseas training in Holland, Taiwan and The United States. Served as Director of PT Japfa Comfeed Indonesia Tbk since 1989 before serving as Vice President Director of PT Japfa Comfeed Indonesia Tbk since 1997.

### **IGNATIUS HERRY WIBOWO,**

*Director*

Born in Tuban, Indonesia, in 1949. Hold graduated degree in Economics from University of Diponegoro Semarang, Indonesia. Experienced in Banking business since 1977, with last position as President Director. Served as Director of PT Japfa Comfeed Indonesia Tbk since 1998.