

For Immediate Release

Increase in Production offset by Weaker Prices and Higher Fertilizer Costs

Singapore, 14 August 2023 – Kencana Agri Limited (“Kencana” or the “Group”), today announced its financial results for the period ended 30 June 2023.

Summary of Results

US\$ '000	1H 2023	1H 2022	Change %
Revenue	61,775	68,969	-10.4%
Gross profit	9,908	23,131	-57.2%
Operating profit	3,187	15,874	-79.9%
EBITDA	16,231	22,150	-26.7%
Profit before tax	392	6,003	-93.5%
Profit after tax	1,870	3,551	-47.3%

Review of Financial Performance

Revenue

The Group's revenue decreased by 10% as compared to those of 1H 2022 mainly due to lower selling prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK"). The average selling price ("ASP") of CPO in 1H 2023 was US\$798/MT which was 15% lower compared to 1H 2022 of US\$935/MT. The ASP of PK has also decreased to US\$407/MT in 1H 2023 from US\$756/MT in 1H 2022. The adverse impact of price decrease was compensated against the increase in sales volume. The sales volume of CPO was 68,565MT in 1H 2023, an increase of 18% as compared to 1H 2022 volume of 57,974MT.

Cost of operation

Our cost of sales increased by 13% from US\$45.8 million to US\$51.9 million in 1H 2023 and our gross profit margin decreased from 34% to 16% accordingly. Aligned with our strategy, the increase were mainly due to more aggressive (i) upkeep and maintenance activity, and (ii) fertilizer application in our mature planted area which are necessary to increase our production yield in the upcoming harvesting period.

Sales and distribution costs increased from US\$0.6 million in 1H 2022 to US\$1.0 million in 1H 2023 which were mainly due to increase in sales volume and higher energy prices.

Net Profit

For the 6 months ended 30 June 2023, the Group recorded net profit of US\$1.9 million, decreased 47% compared to US\$3.6 million of 1H 2022. This was mainly due to the impact of decrease in gross profit more than offset of the following :

- a. Favourable exchange movement from appreciation of IDR against USD on USD-denominated loan, and
- b. Net accrual of additional deferred tax assets from realised loss on the disposal of the subsidiary PT Karunia Alam Makmur ("KAM")

Review of Financial Position

The Group's total current assets increased by US\$9.3 million from US\$98.2 million as at 31 December 2022 to US\$107.5 million as at 30 June 2023. The movement in current assets arose mainly from:

- a. Incremental inventory of US\$7.9 million which comprised mainly of fertilizer,
- b. increase in cash and cash equivalent of US\$3.6 million; and
- c. decrease in assets classified as held-for-sale following the completion of disposal of KAM.

Total non-current assets increased by US\$9.3 million from US\$201.4 million as at 31 December 2022 to US\$210.7 million as at 30 June 2023. This was mainly due to additional expenditure of bearer plants and property, plant and equipment of US\$2.4 million and US\$5.0 million respectively.

The Group's total current liabilities increased by US\$12.7 million from US\$92.2 million as at 31 December 2022 to US\$104.9 million as at 30 June 2023. This was mainly due to the following:

- a. increase in trade and other payables amounting to US\$12.0 million due mainly to purchase of fertilizer;

- b. increase in other financial liabilities of US\$3.0 million due to additional drawdown of loans and classification of current portion of long - term borrowings; and
- c. decrease in liabilities classified as held-for-sale US\$2.9 million following the completion of disposal of KAM.

Total non-current liabilities increased by US\$2.9 million from US\$176.8 million as at 31 December 2022 to US\$179.7 million as at 30 June 2023 resulting mainly from additional drawdown of long-term borrowings of US\$5.2 million.

Review of Group Cash Flows

The Group's operating cash flow decreased by US\$14.3 million in 1H 2023 as compared to 1H 2022 mainly due to lower operating profit. The Group reported a net cash inflow from investing activities of US\$0.4 million in 1H 2023 mainly due to payment for additional property, plant and equipment and bearer plants, offset against proceeds from disposal of KAM. Net cash flows used in financing activities was US\$4.3 million mainly due to repayments of borrowings and interest more than offset by funding from new borrowings.

Review of Operational Performance

At operational level, the Group's plantation area including plasma decreased 1,169 Ha from 68,152 Ha as of 31 December 2022 to 66,983 Ha as of 30 June 2023 mainly due to (i) disposal of KAM by 1,005 Ha and (ii) Old mature plantation area cleared for replanting by 222 Ha.

FFB production from nucleus increased from 250,288MT in 1H 2022 to 277,960MT in 1H 2023. The oil extraction rate for CPO, however, slightly decreased to 20.5% as compared to 20.6% for 1H 2022.

Outlook

Mr Henry Maknawi, Chairman of Kencana, said, "CPO price is expected to remain stable for the second half of 2023. While the outlook of the demand of CPO is positive from expected additional consumption following the decision of the Government of Indonesia to increase its biodiesel blending mandate from 30% (B30) to 35% (B35) in February 2023, the production of palm oil may be affected by the potential severe dryness from El Nino weather condition for the remaining part of the year. The Group will continue to focus on improving production yield and general cost efficiency."

About Kencana Agri Limited

Listed on the Main Board of the Singapore Stock Exchange on 25 July 2008, Kencana Agri Limited (“Kencana” or the “Group”) is a fast-growing producer of Crude Palm Oil (“CPO”) with oil palm plantations strategically located in the Sumatra, Kalimantan and Sulawesi regions. As at 30 June 2023, Kencana’s total planted area (including Plasma Programme) was 66,983 ha. As part of its growth strategy and in line with its goal to be a leading palm oil producer and supplier of choice for both local and international markets, Kencana has streamlined its integrated plantation operations, which include palm plantations, palm oil mills, kernel crushing plants, as well as bulking facilities, to support its operations. In addition, Kencana strives to pursue sustainable palm oil production whilst remaining committed to being a good corporate citizen for the benefit of all stakeholders.

For more information about Kencana, please visit www.kencanaagri.com

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