

For Immediate Release

Weak CPO prices, loses from JV and impact of taxes affected results for FY 2019

Singapore, 28 February 2020 – Kencana Agri Limited (“Kencana” or the “Group”), today announced its financial results for the full year ended 31 December 2019.

Summary of Results

US\$ '000	2019	2018	Change %
Revenue	104,065	124,981	-16.7%
Gross profit	22,345	24,345	-8.2%
Operating profit	15,948	6,922	+130.4%
EBITDA	23,888	11,314	+111.1%
Gain/(Loss) before tax from continuing operations	1,404	(24,380)	n/m
Discontinued operations	(2,435)	(2,694)	-9.6%
Net loss after tax	(12,821)	(23,848)	-46.2%

*n/m: not meaningful

Review of Group Financial Performance

Review of financial performance

Revenue and profit

The Group's revenue decreased by 17% from US\$125.0 million in 2018 to US\$104.1 million in 2019. The decrease was mainly due to lower Average Selling Price ("ASP") of Crude Palm Oil ("CPO") and lower sales volume. ASP of CPO decreased 10% from US\$498 in 2018 to US\$450 in 2019 and sales volume of CPO decreased by approximately 3% from 208,386 MT in 2018 to 201,526 MT in 2019. The Group recorded an Operating Profit ("OP") of US\$15.9 million and a Net Loss for the Year of US\$12.8 million in 2019. The Net Loss for the Year in 2019 was mainly due to lower ASP, impairment of receivables, share of loss from equity accounted joint venture and write off of deferred tax assets offset by fair value gain in biological assets and foreign exchange gain as a result of the IDR strengthening against the USD.

Cost of operation

Cost of sales decreased by 19% from US\$100.6 million in 2018 to US\$81.7 million in 2019. The decrease was in line with the decrease in revenue. Gross profit was lower mainly due to lower ASP. CPO production decreased from 197,149 MT in 2018 to 187,899 MT in 2019.

Sales and distribution costs increased by 20% from US\$2.1 million in 2018 to US\$2.6 million in 2019 mainly due to an increase in freight costs.

The Group recorded a decrease in administrative expenses from US\$9.7 million in 2018 to US\$8.7 million in 2019 mainly to decrease in staff cost.

Other losses comprise mainly of impairment of receivables from equity accounted joint venture.

Interest income decreased by 9% from US\$3.7 million in 2018 to US\$3.3 million in 2019 mainly due to repayment of loans from equity accounted joint venture.

Increase in interest expenses mainly due to an increase in short-term borrowings.

Discontinued operations

As at 12 December 2019, the Company, together with its subsidiary, PT Sawindo Kencana (SWK), entered into a Conditional Sales and Purchase Agreement with PT Kencana Energi Lestari, TBK, for the sale and purchase of 78.5% of the issued shares and paid-up share capital of PT Cahaya Permata Gemilang (CPG). As at 31 December 2019, share of results for CPG group are accordingly presented in the consolidated income statement as "Discontinued Operations". The assets related to CPG have been presented as "Assets held for sale". The disposal is expected to be completed in 2020.

Review of financial position

Shareholders' equity decreased from US\$22.1 million as at 31 December 2018 to US\$9.9 million as at 31 December 2019 mainly due to the loss for the year of US\$12.3 million.

The Group's total current assets increased by US\$24.2 million from US\$69.2 million as at 31 December 2018 to US\$93.4 million as at 31 December 2019. Save for the movement in cash and cash equivalents as explained in the cash flow section below, the remaining movement in current assets arose mainly from:

- a) increase in biological assets amounting to US\$9.6 million due to higher forecasted FFB selling price;
- b) long-term receivables from equity accounted joint venture and investment property amounting to US\$4.1 million and US\$2.3 million respectively reclassified to assets held for sale; and
- c) increase in trade and other receivables amounting to US\$4.9 million mainly due to transfer of bearer plants to plasma.

Total non-current assets decreased by US\$23.0 million from US\$288.1 million as at 31 December 2018 to US\$265.1 million as at 31 December 2019. This was mainly due to the following:

- a) decrease in other receivables amounting to US\$ 6.4 million mainly due to the impairment of receivables from equity accounted joint venture and the reclassification to assets held for sale;
- b) decrease in deferred tax assets amounting to US\$5.2 million mainly due to write off of deferred tax assets;
- c) decrease in bearer plants of US\$6.2 million mainly due to depreciation and transfer of bearer plants to plasma; and
- d) decrease in property, plant and equipment of US\$ 3.0 million mainly due to depreciation.

The Group's total current liabilities increased by US\$15.5 million from US\$132.3 million as at 31 December 2018 to US\$147.8 million as at 31 December 2019. This was mainly due to the following:

- a) increase in trade and other payables amounting to US\$20.7 million due to longer repayment cycle to suppliers and increase in advances from customers;
- b) increase in income tax payables of US\$2.9 million due to additional tax payable recognised in relation to subsidiaries making profit for the year; and
- c) decrease in other financial liabilities of US\$8.2 million due to decrease in current portion of long - term borrowings as a result of refinancing activities.

Total non-current liabilities remained fairly stable between 31 December 2019 and 31 December 2018.

The Group reported negative working capital of US\$54.4 million as at 31 December 2019. This was mainly due to a portion of borrowings used to invest in plantation assets.

Net asset value per share for the Group decreased from 7.72 US cents as at 31 December 2018 to 3.43 US cents as at 31 December 2019.

Review of Operational Performance

At the operational level, the Group's mature area increased by 538 ha to 60,482 ha.

FFB produced from nucleus decreased by 10% from 782,758 MT in FY2018 to 701,169 MT in FY2019. The oil extraction rate for CPO for FY2019 increased to 20.95% as compared to 20.1% for FY2018.

Outlook

Mr. Henry Maknawi, Chairman of Kencana said, "In the later part of 4Q2019, palm oil prices strengthened due to lower production and the increased biodiesel mandate in Indonesia (B30) and Malaysia (B20). This improvement in CPO prices continued into the beginning of 2020 until February until it was impacted by the coronavirus epidemic. How this will pan out for the year remains uncertain. We will continue to focus on our operational 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”) and Crude Palm Kernel Oil (“CPKO”) with oil palm plantations strategically located in the Sumatra, Kalimantan and Sulawesi regions. As at 31 December 2019, Kencana’s total planted area (including Plasma Programme) was 67,722 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

For more information, please contact:

Kencana Agri Ltd: +65 6636 8998

Email: info@kencanaagri.com