**For Immediate Release**

# Improved Performance Due Mainly to Higher CPO Price and Better Cost Management

**Singapore, 1 March 2021** – **Kencana Agri Limited** (“Kencana” or the “Group”), today announced its financial results for the full year ended 31 December 2020.

## Summary of Results

| US$ ‘000 | 2020 | 2019 | Change % |
|---|---|---|---|
| Revenue | 104,284 | 104,065 | +0.2% |
| Gross profit | 28,181 | 22,345 | +26.1% |
| Operating profit | 26,452 | 15,948 | +65.9% |
| Adjusted EBITDA | 31,275 | 23,888 | +30.9% |
| Gain before tax from continuing operations | 7,553 | 1,404 | +438.0% |
| Discontinued operations | - | 2,435 | n/m |
| Net profit/(loss) after tax | 4,021 | (12,821) | n/m |

*n/m: not meaningful

# Review of Group Financial Performance

**Revenue and profit**

The Group's revenue remained approximate that of 2019 despite reported a lower Crude Palm Oil ("CPO") sales volume. This was mainly due to higher Average Selling Price ("ASP") of CPO in 2020. ASP of CPO increased 19% from US$450 in 2019 to US$537 in 2020. Our CPO sales volume decreased by approximately 16% from 201,526 MT in 2019 to 169,060 MT in 2020. The decrease was mainly due to lower yield in Fresh Fruits Bunches (FFB) harvested in 2020.

For the year ended 31 December 2020, the Group recorded an operating profit ("OP") of US$26.5 million and a net profit of US$4.0 million. Our performance improved compared to that of 2019 and this was mainly attributable to higher ASP, lower cost of sales & other operation costs, lower interest expense and share of losses from equity accounted joint venture, offset by foreign exchange loss as a result of the IDR depreciating against the USD.

**Cost of operation**

Cost of sales decreased by 7% from US$81.7 million in 2019 to US$76.1 million in 2020. The decrease was mainly due to the drop in CPO sales volume and implementation of better cost control in CPO production.

Sales and distribution costs decreased by 30% from US$2.6 million in 2019 to US$1.8 million in 2020 mainly due to decrease in freight expenses.

Administrative expenses decreased slightly by 1.9% from US$8.7 million in 2019 to US$8.5 million in 2020. This was mainly due to lower travelling expenses incurred consequence to curtailing in travelling because of Covid-19 pandemic situation and lower bank charges spent.

Other losses comprise mainly of withholding and other tax expenses offset by plasma management fee income.

Interest income decreased by 74% from US$3.3 million in 2019 to US$0.9 million in 2020 mainly due to the capitalisation of interest-bearing loans to the equity of certain joint-venture entities.

Decrease in interest expenses was due to decrease in general interest rates.

**Review of financial position**

Shareholders' equity increased from US$9.9 million as at 31 December 2019 to US$13.7 million as at 31 December 2020 mainly due to profit for the period of US$4.0 million.

The Group's total current assets decreased by US$2.6 million from US$93.4 million as at 31 December 2019 to US$90.7 million as at 31 December 2020. 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) decrease in inventory amounting to US$1.4 million mainly due to lower CPO stock on hand as at 31 December 2020;
b) decrease in carrying value of asset held for sale was due to waiver of loan payables reclassification following the restructuring exercise as announced on 23 January 2020; and
c) increase in biological assets amounting to US$8.5 million due to higher estimated FFB production with better selling price.

Total non-current assets decreased by US$21.4 million from US$265.1 million as at 31 December 2019 to US$243.7 million as at 31 December 2020. This was mainly due to the decrease in bearer plants and property, plant and equipment of US$7.2 million and US$9.2 million respectively as a result of depreciation.

The Group's total current liabilities decreased by US$37.3 million from US$147.8 million as at 31 December 2019 to US$110.5 million as at 31 December 2020. This was mainly due to the following:

a) decrease in trade and other payables amounting to US$19.2 million mainly due to decrease in advances from customers; and
b) decrease in other financial liabilities of US$18.4 million due to decrease in current portion of long - term borrowings as a result of refinancing activities and repayment of borrowings.

Total non-current liabilities increased by US$9.4 million from US$200.9 million as at 31 December 2019 to US$210.3 million as at 31 December 2020 was mainly due to refinancing activities.

The Group reported negative working capital of US$19.7 million as at 31 December 2020. This was mainly due to a portion of borrowings used to invest in plantation assets.

## Review of Operational Performance

At the operational level, the Group's mature plantation area increased by 1,089 ha to 61,571 ha.

FFB produced from nucleus decreased by 19% from 701,169 MT in FY2019 to 569,348 MT in FY2020. The oil extraction rate for CPO for FY2020 increased to 21.57% as compared to 20.95% for FY2019.

## Outlook

Mr. Henry Maknawi, Chairman of Kencana said, "In the second half of 2020, CPO price surged to the highest level in 5-year period and this has reduced the pressure on the plantation business. As Covid-19 pandemic situation continues to impact the global economies, we remain cautiously optimistic on the sustainability of the current high CPO price. We will keep our focus on improving operational and financial efficiency and putting safety as a priority for all employees and stakeholders".

## 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 2020, Kencana's total planted area (including Plasma Programme) was 68,150 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*