For Immediate Release

Turnaround to profit resulting from higher CPO prices and cost control

Singapore, 12 August 2020 – **Kencana Agri Limited** ("Kencana" or the "Group"), today announced its financial results for the 6 months ended 30 June 2020.

Summary of Results

US$ '000	1H 2020	1H 2019	Change %
Revenue	61,684	45,676	+35.0%
Gross profit	19,680	4,594	+328.4%
Operating profit	14,005	3,784	+270.1%
EBITDA	17,649	10,593	+66.6%
Gain/(Loss) before tax from continuing operations	1,074	(929)	n/m
Discontinued operations	-	(463)	n/m
Net profit/(loss) after tax	408	(1,757)	n/m

*n/m: not meaningful

Review of Group Financial Performance

Revenue and profit

The Group's revenue increased by 35% from US$45.7 million in 1H2019 to US$61.7 million in 1H2020. The increase was mainly due to higher Average Selling Price ("ASP") of Crude Palm Oil ("CPO") and higher sales volume. ASP of CPO increased 24% from US$437 in 1H2019 to US$542 in 1H2020 and sales volume of CPO increased by approximately 11% from 90,226 MT in 1H2019 to 99,917 MT in 1H2020. The Group recorded an Operating Profit ("OP") of US$14.0 million and a Net Profit for the Period of US$0.4 million in 1H2020. The turnaround to Net Profit for the Period in 1H2020 was mainly attributable to higher ASP, offset by foreign exchange loss as a result of the IDR depreciating against the USD.

Cost of operation

Cost of sales remained fairly stable between 1H2019 and 1H2020 despite an increase in sales volume. This is the result of cost control and efficiency measures undertaken. Gross profit was higher mainly due to higher ASP. CPO production increased slightly from 81,683 MT in 1H2019 to 82,669 MT in 1H2020.

Sales and distribution costs decreased by 9% from US$1.2 million in 1H2019 to US$1.1 million in 1H2020 mainly due to a decrease in freight expenses.

Administrative expenses decreased by 18% from US$5.1 million in 1H2019 to US$4.2 million in 1H2020 mainly due to lower bank charges, consultancy fees and travelling expenses due to the Covid situation.

Other losses comprise mainly of withholding and other tax expenses, impairment of receivables from equity accounted joint venture offset by plasma management fee income.

Interest income decreased by 77% from US$1.7 million in 1H2019 to US$0.4 million in 1H2020 mainly due to the capitalisation of interest-bearing loans to in the joint ventures.

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$10.1 million as at 30 June 2020 mainly due to profit for the period of US$0.4 million.

The Group's total current assets decreased by US$6.2 million from US$93.4 million as at 31 December 2019 to US$87.1 million as at 30 June 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$2.1 million mainly due to lower CPO stock on hand as at 30 June 2020;
b) decrease in carrying value of asset held for sale as a result of the waiver of loan payables following the restructuring exercise as announced on 23 January 2020; and
c) increase in other assets amounting to US$3.5 million mainly due to advances given to suppliers for the purchase of FFB and CPO.

Total non-current assets decreased by US$12.5 million from US$265.1 million as at 31 December 2019 to US$252.6 million as at 30 June 2020. This was mainly due to the decrease in bearer plants and property, plant and equipment of US$6.4 million and US$6.3 million respectively as a result of depreciation.

The Group's total current liabilities decreased by US$27.1 million from US$147.8 million as at 31 December 2019 to US$120.7 million as at 30 June 2020. This was mainly due to the following:

a) decrease in trade and other payables amounting to US$13.3 million mainly due to decrease in advances from customers; and
b) decrease in other financial liabilities of US$15.1 million due to decrease in current portion of long - term borrowings as a result of refinancing activities.

Total non-current liabilities increased by US$8.0 million from US$200.9 million as at 31 December 2019 to US$208.9 million due to refinancing activities.

The Group reported negative working capital of US$33.6 million as at 30 June 2020. This was mainly due to a portion of borrowings used to invest in plantation assets.

Net asset value per share for the Group increased from 3.43 US cents as at 31 December 2019 to 3.53 US cents as at 30 June 2020.

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 increased by 2% from 299,983 MT in 1H2019 to 305,908 MT in 1H2020. The oil extraction rate for CPO for 1H2020 increased to 22.3% as compared to 20.7% for 1H2019.

Outlook

Mr. Henry Maknawi, Chairman of Kencana said, "The first half of 2020 was an eventful one. CPO prices started the year trending upwards but the bullish sentiment was disrupted by the double whammy impact of the Covid-19 pandemic and the plunge in crude oil prices. While oil prices have since recovered from its lows, the virus has lingered on. Cities and countries went into lockdown in their attempt to curb the spread of the pandemic.

The second half of 2020 will be a tough one for businesses. In addition to geopolitical tension between US and China, the threat of a second and subsequent waves of the virus will cause market volatility. We remain cautiously optimistic that demand will return to pre-covid level when a vaccine is developed and the situation normalizes. Meanwhile, in this challenging environment we will keep our focus on improving operational 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 30 June 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

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