

For Immediate Release

Resilience Amid Global Uncertainty

Singapore, 27 February 2023 – **Kencana Agri Limited** (“Kencana” or the “Group”), today announced its financial results for the full year ended 31 December 2022.

Summary of Results

US\$ '000	2022	2021	Change %
Revenue	152,541	128,454	+18.8%
Gross profit	43,595	41,165	+5.9%
Operating profit	28,157	43,270	-34.9%
EBITDA	40,292	44,004	-8.4%
Profit before tax	3,025	25,215	-88.0%
Profit after tax	2,618	16,799	-84.4%

Review of the Group's Financial Performance

Revenue and profit

The Group's revenue increased by 19% from FY2021 due to higher sales volume and selling prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK"). The sales volume of CPO was 165,769MT in FY2022, an increase of 9% as compared to last financial year's volume of 152,001MT. Likewise, the sales volume of PK increased by 8% from 34,531MT to 37,148MT in FY2022. The average selling price ("ASP") of CPO in FY2022 was US\$761/MT which was 8% higher than that of the last financial year of US\$705/MT. The ASP of PK has also increased to US\$502/MT in FY2022 from US\$429/MT in FY2021.

Notwithstanding the better performance in the top line, the Group's profit after tax decreased by 84% from US\$16.8 million in FY2021 to US\$2.6 million in FY2022. This decrease was mainly due to the Group reporting (i) fair value loss in biological assets and plasma receivables of US\$7.4 million (2021: gain of US\$13.2 million) as a result of the 30% decrease in FFB price from US\$213/MT in FY2021 to US\$150/MT in FY2022 and (ii) mainly unrealized foreign exchange loss of US\$9.9 million (2021: US\$2.4 million) following further depreciation of IDR against USD in FY2022.

Cost of operation

Our cost of sales increased by 25% from \$87.3 million to US\$ 108.9 million in FY2022 and our gross margin decreased to 29% from 32% in FY2021. This was mainly due to increase in the purchase of third party FFB for processing, which is more costly as compared to the Group's own harvested FFB. The additional purchase of 3rd party FFB is part of the Group's strategy to better utilise the capacity of its mill and increase production volume of CPO.

Sales and distribution costs increased from US\$1.3 million in FY2021 to US\$1.7 million in FY2022. This was in line with the increase in the sales volume which remained stable at 1% of revenue.

Review of Financial Position

The Group's total current assets decreased by US\$14.7 million from US\$112.9 million as at 31 December 2021 to US\$98.2 million as at 31 December 2022. The movement in current assets arose mainly from:

- a. decrease in carrying value of asset held for sale which was due to completion of the disposal of PT Cahaya Permata Gemilang in FY2022; and
- b. decrease in biological assets amounting to US\$8.9 million due mainly to lower FFB price.

Total non-current assets decreased by US\$19.9 million from US\$221.3 million as at 31 December 2021 to US\$201.4 million as at 31 December 2022. This was mainly due to depreciation of bearer plants and property, plant and equipment of US\$16.9 million and US\$2.0 million.

The Group's total current liabilities decreased by US\$20.2 million from US\$112.4 million as at 31 December 2021 to US\$92.2 million as at 31 December 2022. This was mainly due to the following:

- a. decrease in trade and other payables amounting to US\$14.8 million due to settlement of payables; and
- b. decrease in other financial liabilities of US\$3.3 million due to repayment of current portion of long - term borrowings.

Total non-current liabilities decreased by US\$14.2 million from US\$191.0 million as at 31 December 2021 to US\$176.8 million as at 31 December 2022 resulting from repayment of long-term borrowings of US\$34.4 million offset against additional long-term trade advance from customer amounting to US\$20.2 million.

Review of Group Cash Flows

The Group's operating cash flow increased by US\$14.6 million in 31 December 2022 as compared to 31 December 2021 mainly due to trade advance received from customer. The Group reported a net cash outflow used in investing activities of US\$9.6 million in 2022 mainly due to payment for property, plant and equipment and bearer plants. Net cash flows used in financing activities was US\$44.7 million mainly due to repayments of borrowings and interest offset by funding from new borrowings.

Review of Operational Performance

At operational level, the Group's mature plantation area including plasma increased 2,700 ha from 61,621 ha in FY2021 to 64,321 ha in FY2022. FFB production from nucleus increased from 585,285MT in FY2021 to 617,454MT in FY2022. The oil extraction rate for CPO for FY2022, however, decreased to 20.4% as compared to 21.1% for FY2021 due to adverse weather conditions which impacted the ripeness of FFB.

Outlook

Mr Henry Maknawi, Chairman of Kencana, said, "Despite the global uncertainty stemming from Russia – Ukraine war which disrupted global supply chain and international trade, the Group showed resilience by recording positive result. Average CPO price recorded modest growth in 2022 compared to 2021 and is expected to remain stable in 2023.

A global economic slowdown compounded by high inflation may adversely impact the overall performance of the Group. The Group will; however, continue to keep vigil on costs and further sharpen its competitive edge by improving production productivity and increasing general 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 31 December 2022, Kencana’s total planted area (including Plasma Programme) was 68,152 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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