

For Immediate Release

Turnaround in results due to increased FFB production and foreign exchange.

Singapore, 14 May 2019 – Kencana Agri Limited (“Kencana” or the “Group”), today announced its financial results for the quarter ended 31 March 2019.

Summary of Results

US\$ '000	1Q2019	1Q2018	Change %
Revenue	20,501	27,990	-26.8%
Gross profit	2,888	112	n/m
Operating profit	2,817	(3,143)	n/m
EBITDA	6,587	(2,992)	n/m
Profit/(Loss) before tax	1,456	(11,895)	n/m
Net profit/(loss) after tax	602	(9,846)	n/m

*n/m: not meaningful

Review of Group Financial Performance

Revenue and profit

The Group's revenue decreased by 27% from US\$28.0 million in 1Q2018 to US\$20.5 million in 1Q2019. The decrease was mainly due to lower Average Selling Price ("ASP") of Crude Palm Oil ("CPO") offset by higher sales volume. ASP of CPO decreased 29% from US\$599 in 1Q2018 to US\$424 in 1Q2019 whereas sales volume of CPO increased by approximately 4% from 39,273 MT in 1Q2018 to 40,986 MT in 1Q2019. The Group recorded an Operating Profit ("OP") of US\$2.8 million in 1Q2019 and a Net Profit for the period of US\$0.6 million in 1Q2019. The Net Profit for the period in 2019 was mainly due to fair value gain in biological assets, foreign exchange gain as a result of the IDR strengthening against the USD offset by lower ASP and share of loss from equity accounted joint venture.

Cost of operation

Cost of sales decreased by 37% from US\$27.9 million in 1Q2018 to US\$17.6 million in 1Q2019 mainly due a lower mix of CPO purchased. Gross margin was lower mainly due to lower ASP. CPO production increased from 28,236MT in 1Q2018 to 40,829MT in 1Q2019.

Sales and distribution costs increased by 59% from US\$0.4 million in 1Q2018 to US\$0.6 in 1Q2019 mainly due to an increase in freight costs.

The Group recorded a decrease in administrative expenses from US\$2.6 million in 1Q2018 to US\$2.5 million in 1Q2019 mainly due to decrease in staff cost.

Other gains comprise mainly of plasma management fee income offset by expense from tax assessment results.

Interest income remained fairly stable in 1Q2019 as compared to 1Q2018.

Review of financial position

Shareholders' equity increased from US\$22.1 million as at 31 December 2018 to US\$23.0 million as at 31 March 2019 mainly due to the profit for the period of US\$0.6 million and a translation gain of US\$0.2 million.

The Group's total current assets decreased by US\$3.1 million from US\$69.2 million as at 31 December 2018 to US\$66.1 million as at 31 March 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) decrease in trade and other receivables amounting to US\$2.6 million due to lesser credit sales;
- b) increase in biological assets amounting to US\$2.8 million due to higher forecasted production and higher FFB prices.

Total non-current assets decreased by US\$0.9 million from US\$288.1 million as at 31 December 2018 to US\$287.2 million as at 31 March 2019. This was mainly due to the following:

- a) decrease in other receivables of US\$1.0 million due to receipts from plasma farmers and share of loss from Joint Venture;
- b) decrease in bearer plants of US\$0.6 million mainly due to depreciation and transfer of bearer plants to plasma; and
- c) increase in deferred tax assets of US\$0.7 million mainly due to additional deferred tax assets recognised in relation to certain subsidiaries which are making losses for the period.

The Group's total current liabilities increased by US\$2.1 million from US\$132.3 million as at 31 December 2018 to US\$134.5 million as at 31 March 2019. This was mainly due to the following:

- a) increase in other financial liabilities of US\$6.0 million due to increase in short-term borrowing and current portion of long-term borrowings;
- b) increase in income tax payables of US\$1.5 million due to additional estimated tax payable recognised in relation to subsidiaries making profit for the period; and
- c) decrease in trade and other payables of US\$5.3 million due to reduction in advances from customers.

Total non-current liabilities decreased by US\$7.0 million from US\$202.8 million as at 31 December 2018 to US\$196.0 million as 31 March 2019. This was mainly due to a decrease in non-current portion of long-term borrowings due to its reclassification to current portion as mentioned above.

The Group reported negative working capital of US\$68.3 million as at 31 March 2019. 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 7.72 US cents as at 31 December 2018 to 8.00 US cents as at 31 March 2019

Review of Operational Performance

At the operational level, the Group's mature area increased by 889 ha to 60,833 ha.

FFB produced from nucleus increased by 34% from 109,271 MT in 2018 to 146,412 MT in 2019. The oil extraction rate for CPO for 2019 increased to 21.2% as compared to 20.7% for 2018.

Outlook

Mr. Henry Maknawi, Chairman of Kencana said, "While prices have recovered slightly from its lows of 4Q2018, it is still at a relatively low level historically. The strong production and weak demand in 2018 resulted in a build-up of inventory which will limit any upward movement in prices until it is drawn down to a lower level. As for the US/China trade tension, we do not see a quick resolution happening anytime soon and we expect commodity prices to remain volatile. However, we are optimistic that the biodiesel program in Indonesia will provide support to prices.

In the challenging environment, we will continue to focus our efforts on our core business and improving productivity and 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”) and Crude Palm Kernel Oil (“CPKO”) with oil palm plantations strategically located in the Sumatra, Kalimantan and Sulawesi regions. As at 31 March 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

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