

For Immediate Release

Weak CPO prices continued to affect results in 3Q2019

Singapore, 14 November 2019 – Kencana Agri Limited (“Kencana” or the “Group”), today announced its financial results for the 9 months ended 30 September 2019.

Summary of Results

US\$ '000	3Q 2019	3Q 2018 Restated	Change	9M 2019	9M 2018 Restated	Change
Revenue	24,976	33,894	-26.3%	70,652	91,225	-22.6%
Gross profit	6,648	10,759	-38.2%	11,242	17,944	-37.3%
Operating profit	3,653	4,097	-10.8%	7,437	6,622	12.3%
EBITDA	7,991	3,951	102.3%	18,584	(1,446)	n/m
Loss before tax	(1,231)	(7,393)	-83.3%	(2,623)	(28,151)	-90.7%
Net loss after tax	(1,228)	(6,338)	-80.6%	(2,985)	(23,787)	-87.5%

*n/m: not meaningful

Review of Group Financial Performance

3Q2019 vs 3Q2018

Revenue and profit

The Group's revenue decreased by 26% from US\$33.9 million in 3Q2018 to US\$25.0 million in 3Q2019. The decrease was mainly due to lower Average Selling Price ("ASP") of Crude Palm Oil ("CPO") and lower sales volume. ASP of CPO decreased 14% from US\$499 in 3Q2018 to US\$432 in 3Q2019 and sales volume of CPO decreased by approximately 11% from 57,423 MT in 3Q2018 to 51,283 MT in 3Q2019. The Group recorded an Operating Profit ("OP") of US\$3.7 million and a Net Loss After Tax ("NLAT") of US\$1.2 million in 3Q2019. The NLAT in 3Q2019 was mainly due to lower ASP, share of loss from equity accounted joint venture, interest cost and fair value loss in biological assets.

Cost of operation

Cost of sales decreased by 21% from US\$23.1 million in 3Q2018 to US\$18.3 million in 3Q2019. The decrease was in line with the decrease in revenue. Gross profit margin decreased due to a decrease in CPO production from 62,926 MT in 3Q2018 to 52,168 MT in 3Q2019 resulting in a higher cost per unit.

Sales and distribution costs remained fairly stable in 3Q2019 as compared to 3Q2018.

The Group recorded a decrease in administrative expenses from US\$2.0 million in 3Q2018 to US\$1.7 million in 3Q2019 mainly due to decrease in staff cost.

Other losses comprise mainly of expenses from tax assessment results offset by plasma management fee income.

Interest income decreased by 10% from US\$1.1 million in 3Q2018 to US\$0.9 million in 3Q2019 mainly due to repayment of loans from equity accounted joint venture.

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

9M2019 vs 9M2018

Revenue and profit

The Group's revenue decreased by 23% from US\$91.2 million in 9M2018 to US\$70.7 million in 9M2019. The decrease was mainly due to lower Average Selling Price ("ASP") of Crude Palm Oil ("CPO"). ASP of CPO decreased 20% from US\$544 in 9M2018 to US\$435 in 9M2019. The Group recorded an Operating Profit ("OP") of US\$7.4 million in 9M2019 and a Net Loss After Tax ("NLAT") of US\$3.0 million in 9M2019. The NLAT in 9M2019 was mainly due to lower ASP and share of loss from equity accounted joint venture 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\$73.3 million in 9M2018 to US\$59.4 million in 9M2019 mainly due to a lower mix of CPO purchased. Gross margin was lower mainly due to lower ASP. CPO production decreased from 142,995 MT in 9M2018 to 133,851 MT in 9M2019.

Sales and distribution costs increased by 22% from US\$1.5 million in 9M2018 to US\$1.8 million in 9M2019 mainly due to an increase in freight costs.

The Group recorded a decrease in administrative expenses from US\$7.7 million in 9M2018 to US\$6.8 million in 9M2019 mainly due to decrease in staff cost.

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

Interest income decrease by 7% from US\$2.8million in 9M2018 to US\$2.6million in 9M2019 mainly due to repayment of loans from equity accounted joint venture.

Review of financial position

Shareholders' equity decreased from US\$22.1 million as at 31 December 2018 to US\$19.4 million as at 30 September 2019 mainly due to the loss for the period of US\$3.0 million offset by a translation gain of US\$0.3 million.

The Group's total current assets decreased by US\$2.7 million from US\$69.2 million as at 31 December 2018 to US\$66.5 million as at 30 September 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 collection of VAT receivables;
- b) decrease in other assets amounting to US\$1.1 million due lesser prepaid expenses incurred; and
- c) increase in biological assets amounting to US\$3.9 million due to higher forecasted FFB production.

Total non-current assets decreased by US\$2.2 million from US\$288.1 million as at 31 December 2018 to US\$286.0 million as at 30 September 2019. This was mainly due to the following:

- a) decrease in bearer plants of US\$2.2 million mainly due to depreciation and transfer of bearer plants to plasma;
- b) decrease in property plant and equipment of US\$ 2.3 million mainly due to depreciation; and
- c) increase in deferred tax assets of US\$3.1 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 decreased by US\$3.2 million from US\$132.3 million as at 31 December 2018 to US\$129.1 million as at 30 September 2019. This was mainly due to the following:

- a) decrease in other financial liabilities of US\$6.9 million due to decrease in current portion of long - term borrowings as a result of refinancing activities; and
- b) increase in tax payables of US\$3.5 million due to additional provision for income tax recognised in relation to subsidiaries making profit for the period.

Total non-current liabilities remained fairly stable between 30 September 2019 and 31 December 2019.

The Group reported negative working capital of US\$62.6 million as at 30 September 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 6.78 US cents as at 30 September 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 decreased by 13% from 565,756 MT in 9M2018 to 493,544 MT in 9M2019. The oil extraction rate for CPO for 9M2019 increased to 20.7% as compared to 20.1% for 9M2018.

Outlook

Mr. Henry Maknawi, Chairman of Kencana said, "Production picked up in 3Q2019 but palm oil prices remained weak for the quarter. However, we have seen a small rally in CPO prices in recent weeks due to diminished supply caused by dry weather and an increase in demand from China. We are optimistic that the coming B30 mandate in Indonesia will provide further support to CPO prices in the last quarter of 2019 and into 2020."

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 September 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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