For Immediate Release

Positive Results amid Market Uncertainties

Singapore, 12 August 2022 – **Kencana Agri Limited** ("Kencana" or the "Group"), today announced its financial results for the 6 months ended 30 June 2022.

Summary of Results

US$ '000	1H 2022	1H 2021	Change %
Revenue	68,969	63,835	+8.0%
Gross profit	23,131	22,616	+2.3%
Operating profit	15,874	24,980	-36.5%
EBITDA	22,150	20,521	+7.9%
Profit before tax	6,003	13,271	-54.8%
Net profit after tax	3,551	10,026	-64.6%

Review of Group Financial Performance

Revenue and profit

The Group's revenue increased marginally in 1H 2022 due to a surge in Crude Palm Oil ("CPO") and Palm Kernel ("PK") selling prices. The average selling price ("ASP") of CPO in 1H 2022 was US$935/mt which was 48% higher than of last year at US$631/mt. The ASP of PK also surged to US$756/mt in 1H 2022 from US$357/mt in 1H 2021.

However, sales volume in 1H 2022 was lower than 1H 2021 mainly driven by lower CPO production which decreased from 78,536 MT in 1H 2021 to 69,233 MT in 1H 2022 in palm oil mills as a result of unfavorable climate factors.

For the 6 months ended 30 June 2022, the Group recorded an operating profit ("OP") of US$15.9 million and a net profit of US$3.6 million. The drop in profitability in 1H 2022 as compared to that of 1H 2021 was mainly contributed by the decrease in biological assets and slightly higher general and administration expenses.

Cost of operation

Cost of sales increased by 11.2% in 1H 2022 as compared to 1H 2021 mainly due to higher prices of FFB purchased in line with the higher CPO price. The group also carried out a significant rehabilitation of infrastructure and started the application of fertiliser in 1H 2022. Gross profit was higher mainly due to higher ASP.

Sales and distribution costs decreased from US$0.7 million in 1H 2021 to US$0.6 million in 1H 2022 is mainly due to decrease in freight expenses as a result of lower CIF sales.

Administrative expenses increased from US$5.0 million in 1H 2021 to US$5.9 million in 1H 2022. This was mainly due to the incentive for staff, engagement of external consultants and also engagement of legal professionals.

Other losses comprise mainly of foreign exchange loss and withholding tax offset by plasma management fee income.

Loss on foreign exchange was mainly due to the depreciation of IDR against USD as part of the borrowings are denominated in USD.

Interest expenses decreased from US$7.9 million in 1H 2021 to US$7.8 million in 1H 2022 mainly due to repayment of outstanding loan.

Review of financial position

Shareholders' equity increased from US$30.8 million as at 31 December 2021 to US$32.8 million as at 30 June 2022 mainly due to profit for the period of US$3.6 million.

The Group's total current assets increased by US$13.4 million from US$112.9 million as at 31 December 2021 to US$126.3 million as at 30 June 2022. 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) increase in trade and other receivables amounting to US$4.9 million due to plasma receivables, in process VAT refund for transaction with bonded-zone companies and prepayment of purchase;
b) increase in inventory amounting to US$13.5 million mainly due to significant increase of CPO stock on hand as at 30 June 2022; and
c) decrease in carrying value of asset held for sale was due to completion of sale of biomass company.

Total non-current assets decreased by US$8.5 million from US$221.3 million as at 31 December 2021 to US$212.8 million as at 30 June 2022. This was mainly due to the decrease in bearer plants of US$7.8 million offset with and additional property, plant and equipment US$1.1 million for the construction of new palm oil mill and infrastructures.

The Group's total current liabilities increased by US$3.7 million from US$112.4 million as at 31 December 2021 to US$116.1 million as at 30 June 2022. This was mainly due to the following:
a) increase in trade and other payables amounting to US$5.1 million; and
b) decrease in other financial liabilities of US$1.1 million due to repayment of bank loan and restructuring.

Total non-current liabilities decreased by US$0.9 million from US$191.0 million as at 31 December 2021 to US$190.1 million as at 30 June 2022 mainly due to repayment of long-term borrowings offset with the higher advances from customers.

The Group reported positive working capital of US$10.2 million as at 30 June 2022. This was mainly due to an increase of inventories and repayment of current portion of borrowings.

Net asset value per share for the Group increased from 10.72 US cents as at 31 December 2021 to 11.44 US cents as at 30 June 2022.

Review of Operational Performance

At the operational level, the Group's mature plantation area remained at 50,392 ha in 1H 2022.

FFB produced from nucleus decreased from 306,354 MT in 1H2021 to 250,288 MT in 1H2022 as a result of unfavourable climate factors. The oil extraction rate for CPO for 1H2022 decreased to 20.6% as compared to 21.0% for 1H2021 due to weather conditions.

Outlook

Mr Henry Maknawi, Chairman of Kencana, said, "CPO price was on an uptrend in the first quarter of 2022. This was the result of weaker CPO production caused by unfavourable weather. The Russia-Ukraine crisis had also adversely affected global food security.

In second quarter of 2022, the Government of Indonesia intervened to curb the rising prices of domestic cooking oil by restricting CPO export through the implementation of Domestic Market Obligation and Domestic Price Obligation policies. These measures had cooled down the CPO price in the domestic market.

As there are still uncertainties and volatilities in the market, we will continue to stay focused on our efforts to improve our productivity and costs efficiency in our core business."

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 2022, Kencana's total planted area (including Plasma Programme) was 68,151 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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