



Growth • Excellence • Integrity

**Kencana Agri Limited**



**1H2018  
Performance Review**

# Overview of Group's Operations



## Plantation and Processing



Location :  
Sumatra, Kalimantan, Sulawesi



Palm Oil Mills : 5  
Total Capacity : 275 MT/hour  
  
Kernel Crushing Plants : 2  
Total Capacity : 435 MT/day

## Products



Main products:  
CPO (Crude Palm Oil)  
CPKO (Crude Palm Kernel Oil)  
PKC (Palm Kernel Cake)

Renewable by-products:  
Empty Fruit Bunches, Liquid  
Waste, Kernel Shells, Fibre

## Supporting Business



**Logistics**  
Vessels : 1  
Total Capacity :  
3,000 MT

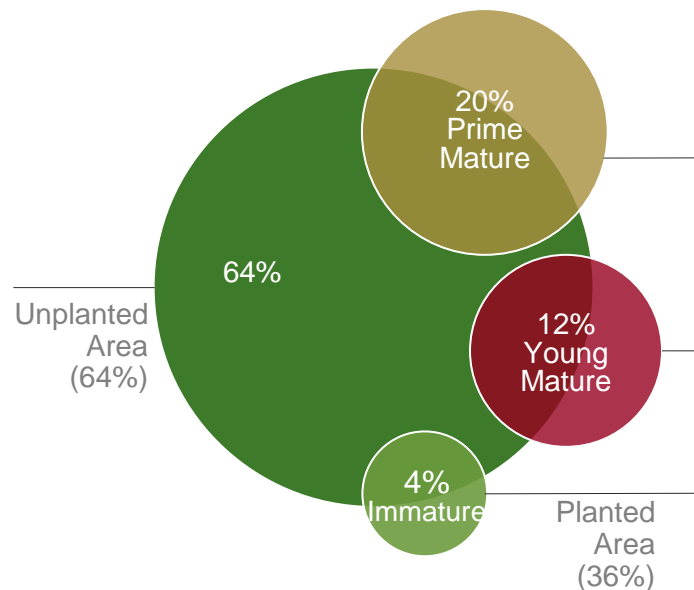


**Biomass Power Plant - 2**  
Total Capacity : 13.5 MW

# Significant Land Bank for Future Planting



Total Land Bank 187,460 ha\* (Nucleus + Plasma)



Land Bank (ha)	Planted Area (ha)	%	Unplanted Area (ha)	%	Total (ha)	%
Nucleus	53,638	32	112,368	68	166,006	100
Plasma	14,295	67	7,159	33	21,454	100
Total	67,933	36	119,527	64	187,460	100



\* Subject to final measurement



# Where We Are...



<sup>1</sup> Joint venture with ENCO Sdn. Bhd. in Bangka & Belitung

# Operational Performance

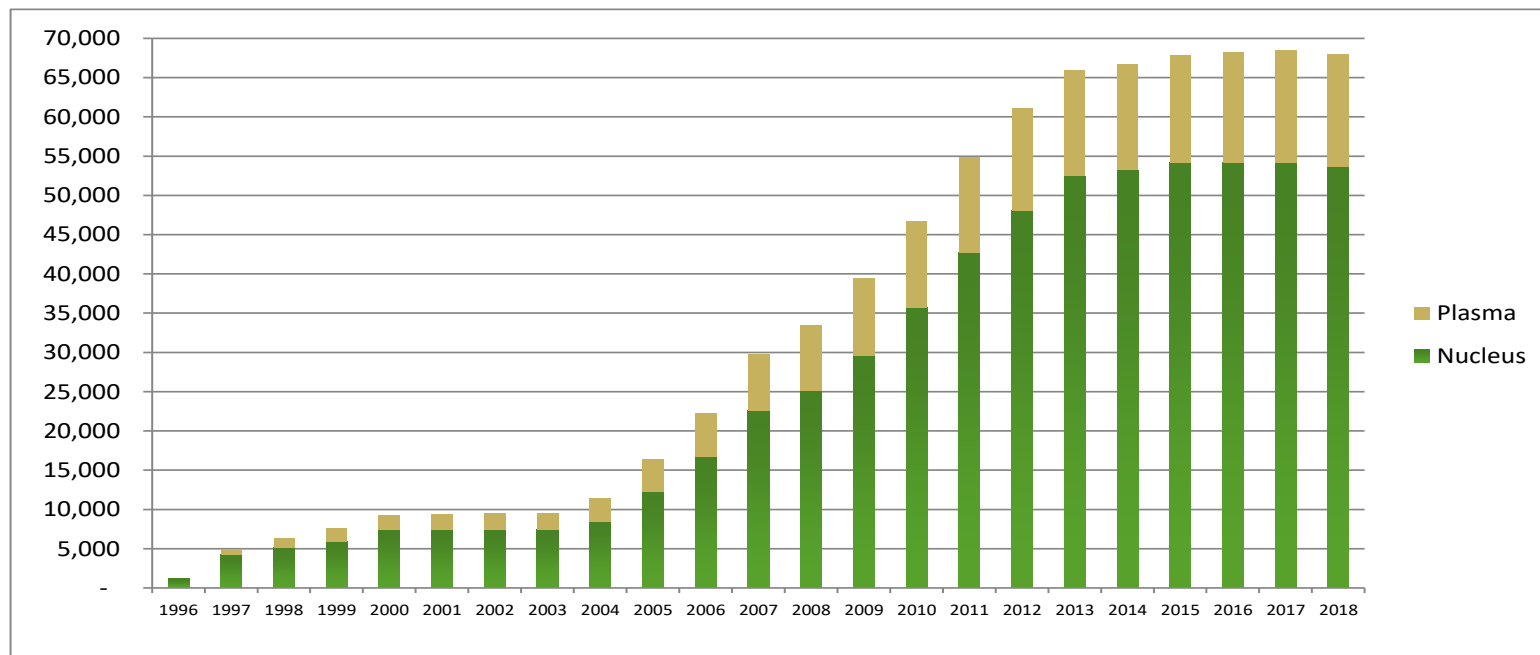


<b>Production Highlights</b>	<b>2Q 2018</b>	<b>2Q 2017</b>	<b>Change</b>	<b>1H 2018</b>	<b>1H 2017</b>	<b>Change</b>
<b>FFB Production (MT)</b>	<b>256,933</b>	<b>170,201</b>	<b>+51.0%</b>	<b>398,959</b>	<b>333,314</b>	<b>+19.7%</b>
- Nucleus	203,320	134,139	+51.6%	312,591	262,451	+19.1%
- Plasma	53,613	36,062	+48.7%	86,368	70,863	+21.9%
<b>FFB Processed (MT)</b>	<b>256,711</b>	<b>159,244</b>	<b>+61.2%</b>	<b>393,231</b>	<b>312,605</b>	<b>+25.8%</b>
- Nucleus	180,349	124,410	+45.0%	278,559	243,840	+14.2%
- Plasma	51,102	34,437	+48.4%	82,269	68,095	+20.8%
- External Parties	25,260	397	n/m	32,403	670	n/m
<b>Oil Extraction rates (%)</b>						
- CPO	20.2%	20.4%	-0.2pp	20.4%	20.4%	+0.0pp
- CPKO	-	43.4%	n/m	-	43.5%	n/m
<b>Oil Production (MT)</b>						
- CPO (MT)	51,833	32,512	+59.4%	80,069	63,890	+25.3%
- CPKO (MT)	-	1,012	n/m	-	1,877	n/m
<b>FFB Yield (MT/ha) - Nucleus</b>	<b>4.3</b>	<b>3.1</b>	<b>+38.7%</b>	<b>6.6</b>	<b>6.1</b>	<b>+8.2%</b>

# Operational Performance



## Development of Kencana's planted area (Nucleus + Plasma)



Phase 1

Phase 2

Phase 3

### Phase 1

Oil Palm cultivation started in 1996 in Bangka island, Sumatra (1,215 ha). This was followed by the 2<sup>nd</sup> planting in 1998 in South Kalimantan.

### Phase 2

Started in 2004 in South and East Kalimantan with rapid planting programme. Total planted area increased by about 5 times from phase 1

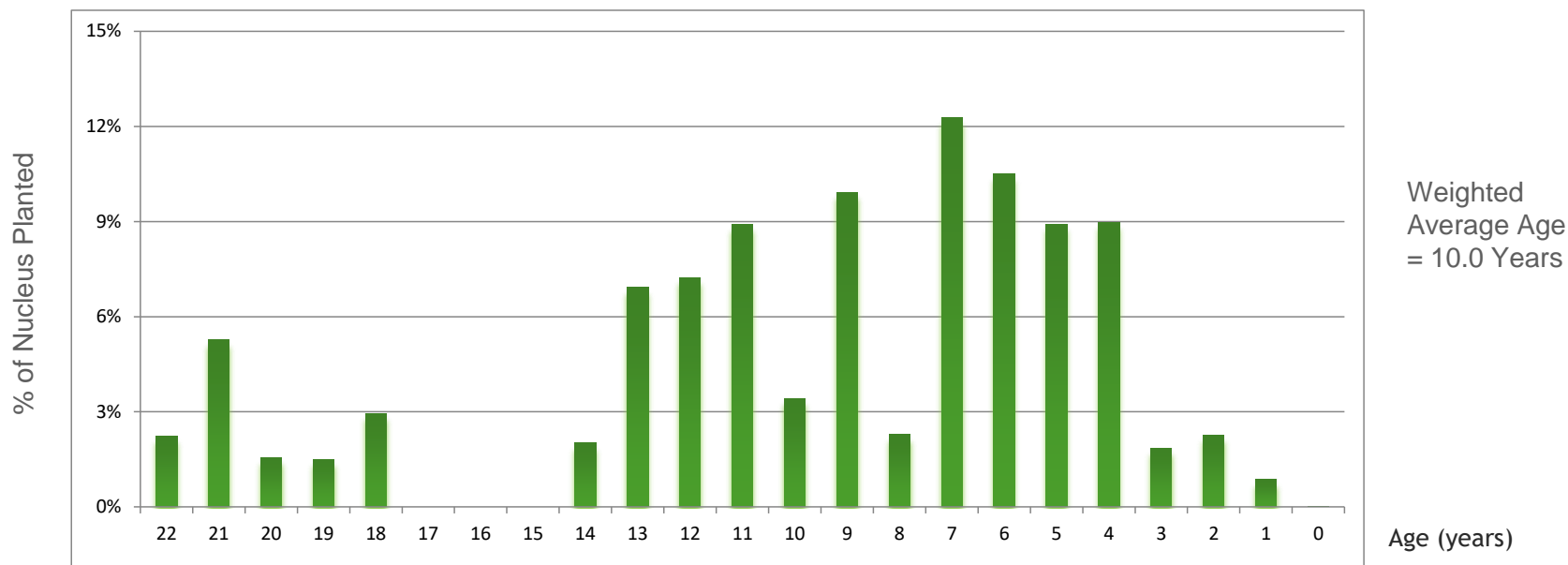
### Phase 3

Started in 2011 in Sulawesi.

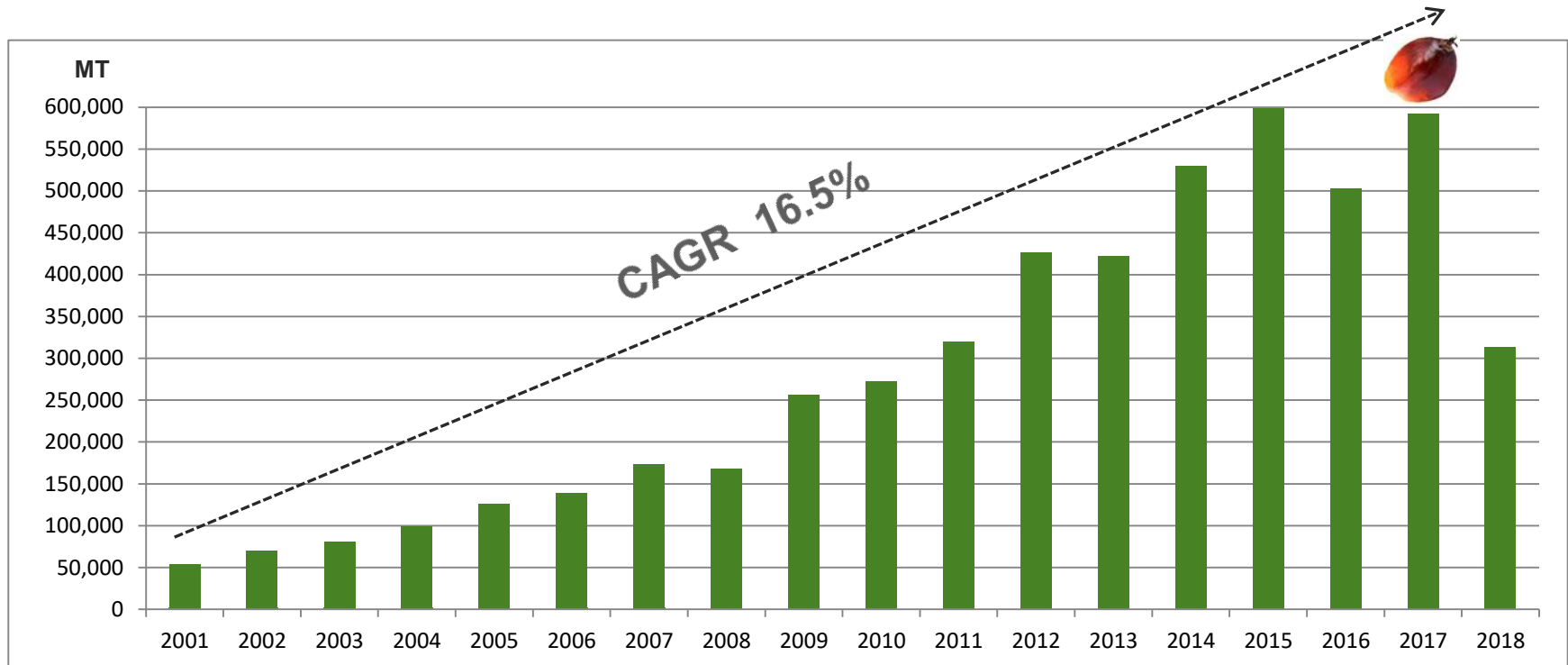
## AGE PROFILE

	Immature	%	Young Mature	%	Prime Mature	%	Total	%
Nucleus	6,305	12	19,249	36	28,084	52	53,638	100
Plasma	937	6	3,836	27	9,522	67	14,295	100
Total	7,242	11	23,085	34	37,606	55	67,933	100

**48% OF IMMATURE AND YOUNG MATURE PALMS (NUCLEUS) WILL ENTER THE PRIME MATURE PHASE, AND WILL DRIVE THE POTENTIAL OF STRONG PRODUCTION GROWTH IN THE NEAR FUTURE.**



## FFB Production Trend (Nucleus)



- 2001 – 2017 CAGR = 16.5%
- 2018 onward – expect steady increase in production



# Financial Performance



## Financial Highlights

	2Q 2018	2Q 2017	Change	1H 2018	1H 2017	Change
<b>Sales Volume (MT)</b>						
- CPO	42,338	36,778	+15.1%	81,611	83,461	-2.2%
- CPKO	-	1,000	n/m	-	2,250	n/m
<b>Sales Revenue (US\$'000)</b>						
- CPO	23,415	23,005	+1.8%	46,948	54,859	-14.4%
- CPKO	-	1,047	n/m	-	2,709	n/m
- OTHERS*	5,926	3,445	+72.0%	10,383	9,757	+6.4%
<b>Average Selling Price (US\$)</b>						
- CPO	553	626	-11.7%	575	657	-12.5%
- CPKO	-	1,047	n/m	-	1,204	n/m

\*) Others include sales of Kernel, Cake, FFB, and income from logistics.

# Financial Performance



## Income Statement Highlights (US\$'000)

	2Q 2018	2Q 2017	Change	1H 2018	1H 2017	Change
<b>Revenue</b>	29,341	27,497	+6.7%	57,331	67,325	-14.8%
<b>Gross profit</b>	7,073	2,812	+151.5%	7,185	13,595	-47.1%
<b>Operating profit</b>	5,668	6,213	-8.8%	2,525	14,659	-82.8%
<b>(Loss)/profit before tax</b>	(8,863)	9,901	n/m	(20,758)	15,783	n/m
<b>Net (loss)/profit for the period</b>	(7,603)	7,112	n/m	(17,449)	11,373	n/m
<b>EBITDA</b>	(2,405)	11,503	n/m	(5,397)	24,732	n/m
<b>Gross margin (%)</b>	24.1	10.2	+13.9pp	12.5	20.2	-7.7pp
<b>Net profit margin (%)</b>	-25.9	25.9	n/m	-30.4	16.9	n/m
<b>EBITDA margin (%)</b>	-8.2	41.8	n/m	-9.4	36.7	n/m

n/m: not meaningful

# Financial Performance



<b>Balance Sheet Highlights (US\$'000)</b>	<b>As at 30 Jun 2018</b>	<b>As at 31 Dec 2017</b>	<b>Change</b>
<b>Current Assets</b>	85,432	78,310	+9.1%
<b>Non-current Assets</b>	297,184	312,955	-5.0%
<b>Total Assets</b>	382,616	391,265	-2.2%
<b>Current Liabilities</b>	128,960	97,413	+32.4%
<b>Non-current Liabilities</b>	224,310	245,282	-8.6%
<b>Total Liabilities</b>	353,270	342,695	+3.1%
<b>Shareholders' Equity</b>	29,346	48,570	-39.6%
<b>Net Debt/Equity Ratio (%)</b>	929.9	563.1	+366.8pp
<b>Net Debt/Total Assets (%)</b>	71.3	69.9	+1.4pp
<b>Net Debt/EBITDA (x)</b>	(50.6)	11.1	n/m
<b>EBITDA/Interest Expense (x)</b>	(0.5)	2.4	n/m

n/m: not meaningful

# Financial Performance



<b>Cash Flow (US\$'000)</b>	<b>1H 2018</b>	<b>1H 2017</b>	<b>Change</b>
Cash at beginning of year	16,692	12,157	+37.3%
Net cash from operating activities	9,728	1,407	n/m
Net cash (used in)/from investing activities	(6,384)	14,915	n/m
Net cash used in financing activities	(1,330)	(11,857)	-88.8%
Net increase in cash	2,014	4,465	-54.9%
Cash at end of year	18,706	16,622	+12.5%



# Thank You

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