For Immediate Release

Group Remains Profitable Amid Challenges

Singapore, 13 August 2024 – **Kencana Agri Limited** ("Kencana" or the "Group"), today announced its financial results for the period ended 30 June 2024.

Summary of Results

US$ '000	1H 2024	1H 2023	Change %
Revenue	54,531	61,775	-11.7%
Gross profit	14,317	9,908	44.5%
Operating profit	11,148	3,187	249.8%
EBITDA (*)	14,644	16,231	-9.8%
Profit before tax	2,213	392	464.5%
Profit after tax	568	1,870	-69.6%

(*) Profit before tax + interest expense – interest income + amortization/depreciation expenses + fair value change in biological assets and other receivables

Review of Financial Performance

Revenue

The Group's revenue decreased by 12% as compared to those of 1H 2023. This was mainly due to lower selling prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK"). The average selling price ("ASP") of CPO in 1H 2024 was US$706/MT which was 12% lower compared to 1H 2023 of US$798/MT. The ASP of PK has also decreased to US$384/MT in 1H 2024 from US$407/MT in 1H 2023. The adverse impact of the price was compensated with the increase in the sales volume of PK. The sales volume of PK was 13,715MT in 1H 2024, an increase of 5% as compared to 1H 2023's volume of 13,047MT. The sales volume of CPO was stable compared to the same period last year.

Cost of Sales

Cost of sales comprises mainly manuring costs, plantation upkeep and maintenance costs, harvesting costs, overhead costs and processing costs. Our cost of sales decreased by 22% from US$51.9 million to US$40.2 million in 1H 2024 and our gross profit margin increased from 16% to 26%. The decrease in cost were mainly due to more moderate upkeep, manuring and maintenance activities compared to the same period last year. The improved margin was due to reduction in cost of sales offset the reduction in ASP.

Net Profit

For the 6 months ended 30 June 2024, the Group recorded profit before tax of US$2.2 million. Income tax expense recorded at US$1.6 million, which effectively higher than Indonesia statutory corporate income tax rate of 22% due to (i) expenses which are non-deductible for tax purpose and (ii) losses from non-operating subsidiaries which are not eligible for offsetting against future profit.

Net profit of the Group recorded at US$0.6 million, decreased 70% compared to US$1.9 million of 1H 2023. This was mainly due to the impact of foreign exchange loss of US$2.1 million (1H 2023: gain US$4.5 million). The forex exchange loss derived mainly from USD denominated bank loan. During 1H 2024, IDR depreciated by 1,005 points or 7% as compared to USD from IDR15,416 per USD to IDR16,421 per USD. On the other hand, gain from the increase in biological asset value of US$1.8 million which propelled by bullish trend of CPO price, help to cushion the impact of adverse forex movement.

Review of Financial Position

The Group's total current assets increased by US$6.0 million from US$82.4 million as at 31 December 2023 to US$88.5 million as at 30 June 2024. This was mainly due to increase in the inventories of US$6.3 million. Inventories comprises mainly of fertilizer, CPO and PK.

Total non-current assets decreased by US$14.4 million from US$210.8 million as at 31 December 2023 to US$196.4 million as at 30 June 2024. This was mainly due to (i) US$12.0 million forex translation loss for the land use rights, property, plant and equipment as well as bearer plants and (ii) US$3.4 million depreciation of mature bearer plant, offset against US$2.2 million addition following the replanting program in Bangka plantation and new planting in Sulawesi.

The Group's total liabilities decreased by US$6.7 million from US$262.7 million as at 31 December 2023 to US$256.0 million as at 30 June 2024. This was mainly due to :

i. US$12.8 million forex translation gain from IDR denominated trade payables and bank borrowings,
ii. Settlement of trade payable to suppliers and long-term advances from customers amounting to US$4.3 million, offset against
iii. Net additional drawdown of borrowings of US$12.2 million.

Review of Group Cash Flows

The Group's operating cash flow decreased by US$5.3 million in 1H 2024 as compared to 1H 2023. This was mainly due to higher working capital outflow from payment of trade payable to supplier and settlement of advances from customers. The Group reported a net cash outflow from investing activities of US$6.7 million in 1H 2024. This was mainly due to payment for additional property, plant and equipment and bearer plants. Net cash flows from financing activities was US$3.8 million. This came mainly from new borrowings offset by repayments of borrowings and interest.

Review of Operational Performance

At operational level, the Group's plantation area including plasma increased by 373 Ha from 66,846 Ha as of 31 December 2023 to 67,219 Ha as of 30 June 2024 mainly due to (i) old mature plantation area cleared for replanting 235 Ha and (ii) re-planting and new planting of 608 Ha.

FFB production from nucleus decreased from 277,960MT in 1H 2023 to 241,184MT in 1H 2024. The oil extraction rate for CPO, however, increased to 22.0% as compared to 20.5% for 1H 2023 and resulting in 4.8% net reduction of CPO production from 74,570 MT in 1H 2023 to 70,960 MT in 1H 2024.

Outlook

Mr Henry Maknawi, Chairman of Kencana, said, "CPO price has been relatively stable in first half of 2024 as global demand has weakened alongside the disrupted supply due to drier weather. However, in second half of the year, the CPO price is expected to be supported with (i) the possibility of further disruption in production due to weather and (ii) the possibility of strong demand in view of the government policy to achieve full implementation of B35 biodiesel and its intention to launch B40 biodiesel in 2025.

Geopolitical situation may continue to cast uncertainty on exchange rates, energy price and supply which trigger volatility in logistics and overall business cost. The company will continue to be versatile and focus on cost management, optimize maintenance and harvesting practices, and enhance its competitive position by improving production yield and overall 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 30 June 2024, Kencana's total planted area (including Plasma Programme) was 67,219 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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