

For Immediate Release

FFB production increased by 32%. Losses weighed down mainly by weak CPO prices and the weakening of IDR against USD.

Singapore, 28 February 2019 – Kencana Agri Limited (“Kencana” or the “Group”), today announced its financial results for the full year ended 31 December 2018.

Summary of Results

US\$ '000	2018	2017	Change %
Revenue	124,981	149,060	-16.2%
Gross profit	24,345	30,492	-20.2%
Operating profit	6,922	24,379	-71.6%
EBITDA	11,964	39,905	-70.0%
(Loss)/Profit before tax	(27,074)	10,983	n/m
Net (loss)/profit after tax	(23,848)	4,988	n/m

*n/m: not meaningful

Review of Group Financial Performance

Revenue and profit

The Group's revenue decreased by 16% from US\$149.1 million in 2017 to US\$125.0 million in 2018. 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 20% from US\$623 in 2017 to US\$498 in 2018 whereas sales volume of CPO increased by approximately 5% from 198,565 MT in 2017 to 208,386 MT in 2018. The Group recorded an Operating Profit ("OP") of US\$6.9 million in 2018 and a Net Loss for the Year of US\$23.8 million in 2018. The Net Loss for the Year in 2018 was mainly due to lower ASP, fair value loss of biological assets, increase in foreign exchange loss as a result of the IDR weakening against the USD and share of loss from equity accounted joint venture.

Cost of operation

Cost of sales decreased by 15% from US\$118.6 million in 2017 to US\$100.6 million in 2018. The decrease was in line with the decrease in revenue. Gross margin was lower mainly due to lower ASP. CPO production increased from 147,716 MT in 2017 to 197,149 MT in 2018.

Sales and distribution costs remained fairly stable in 2018 as compared to 2017.

The Group recorded an increase in administrative expenses from US\$8.6 million in 2017 to US\$9.7 million in 2018 mainly due to an increase in depreciation expenses and fees incurred in relation to a study for sustainability compliance practices.

Other gains comprise mainly of plasma management fee income and the forfeiture of deposit related to the sale of asset offset by losses from the sale of vessels.

Interest income increased by 8% from US\$3.4 million in 2017 to US\$3.7 million in 2018. The increase was mainly due to increase in interest bearing loans to equity accounted joint venture.

Review of financial position

Shareholders' equity decreased from US\$48.6 million as at 31 December 2017 to US\$22.1 million as at 31 December 2018 mainly due to the loss for the year of US\$23.8 million and a translation loss of US\$2.5 million.

The Group's total current assets decreased by US\$9.1 million from US\$78.3 million as at 31 December 2017 to US\$69.2 million as at 31 December 2018. 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 inventories amounting to US\$4.5 million due to the purchase of more consumables during the year and higher finished goods awaiting for shipment as at 31 December 2018;
- b) decrease in biological assets amounting to US\$8.4 million due to lower production forecasted and lower FFB prices;
- c) decrease in other assets amounting to US\$4.7 million as a result of the reclassification of some advance payments to property, plant and equipment; and
- d) decrease in assets held for sale amounting to US\$1.3 million due to completion of sale of vessels.

Total non-current assets decreased by US\$24.9 million from US\$313.0 million as at 31 December 2017 to US\$288.1 million as at 31 December 2018. This was mainly due to the following:

- a) decrease in other receivables of US\$8.3 million due to receipts from plasma farmers, share of loss from Joint Venture;
- b) decrease in property, plant and equipment of US\$1.1 million due to depreciation and foreign exchange movements offset by the additions made during the year;
- c) decrease in bearer plants of US\$15.2 million mainly due to depreciation, disposal from the sale of subsidiary and foreign exchange movements offset by the additions made during the year; and
- d) increase in deferred tax assets of US\$3.5 million mainly due to additional deferred tax assets recognised in relation to losses for the year.

The Group's total current liabilities increased by US\$34.9 million from US\$97.4 million as at 31 December 2017 to US\$132.3 million as at 31 December 2018. This was mainly due to an increase in short-term borrowings, trade advances and the current portion of long-term borrowings.

Total non-current liabilities decreased by US\$42.5 million from US\$245.3 million as at 31 December 2017 to US\$202.8 million as 31 December 2018. 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\$63.1 million as of end of 31 December 2018. 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 16.92 US cents as at 31 December 2017 to 7.72 US cents as at 31 December 2018.

Review of Operational Performance

At the operational level, the Group's mature area increased by 4,325 ha to 59,945 ha.

FFB produced from nucleus increased by 32% from 591,471 MT in 2017 to 782,758 MT in 2018. The oil extraction rate for CPO for 2018 decreased to 20.1% as compared to 20.4% for 2017.

Outlook

Mr. Henry Maknawi, Chairman of Kencana said, "Kencana attained a record high FFB production for FY2018. We expect production to continue to increase in 2019 with the better maturity profile barring any unforeseen weather conditions. CPO prices recovered slightly in early 2019 and we are hopeful that the Indonesian government's biodiesel programme will provide support to prices. In this challenging environment, we will 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 December 2018, Kencana’s total land bank and planted area (including Plasma Programme) were 186,713 ha and 67,612 ha respectively. 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 and logistics 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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