For Immediate Release

RESILIENCE AMIDST CHALLENGES: PAVING THE WAY FOR FUTURE PRODUCTION GROWTH

Singapore, 28 February 2024 – **Kencana Agri Limited** ("Kencana" or the "Group") announced its financial results for the year ended 31 December 2023 ("FY2023"). The Group recorded a net loss of US$0.3 million. The loss was mainly due to lower revenue and increase in the cost of sales. The extent of the loss was partly reduced by the foreign exchange gain of US$2.8 million, following the appreciation of IDR against USD in FY2023. The summary of our performance is as follows :

Summary of Results

US$ '000	2023	2022	% Change
Revenue	136,366	152,541	-10.6%
Gross profit	26,418	43,595	-39.4%
Operating profit	10,628	28,157	-62.3%
EBITDA	34,446	40,292	-14.5%
(Loss) profit before tax	(810)	3,025	-126.8%
(Loss) profit after tax	(283)	2,618	-110.8%

Group’s Financial Performance

Revenue

During FY2023, the Group’s revenue decreased by 11%. This was because of (i) decrease in the selling prices of Crude Palm Oil (“CPO”) and Palm Kernel (“PK”) and (ii) decrease in the sales volume of Fresh Fruits Brunch (“FFB”). In FY2023, the average selling price (“ASP”) of CPO decreased by 8% from US$761/MT in FY2022 to US$698/MT in FY2023. The ASP of PK also decreased from US$502/MT in FY2022 to US$345/MT in FY2023. For the same FY ended, the sales volume of FFB to third parties declined by 68%. This was due to greater usage of FFB harvested for internal milling following the commissioning of new mill located in Gorontalo in April 2023. Nonetheless, the sales volume of CPO increased by 8,829 MT to 174,598MT in FY2023. The improvement was mainly due to the increase in FFB processed and better CPO extraction rate. Despite this, the impact of the lower ASP has more than offset the impact from the increase in the sales volume of CPO.

Cost of sales

Cost of sales comprises mainly manuring costs, plantation upkeep and maintenance costs, harvesting costs, overhead costs and processing costs. Despite our lower sales in FY 2023, our cost of sales increased from US$108.9 million to US$109.9 million because we have applied more fertilizer to the plants and upkept the plantation more to boost the future production yield. Accordingly, our gross sales margin decreased from 29% in FY 2022 to 19% in FY2023.

Group’s Financial Position

The Group’s current assets decreased by US$15.8 million from FY2022 to FY2023. This was because of :

a. the decrease in the inventory value of US$3.2 million due to more intensive fertilizer application,
b. the decrease in the biological asset value of US$4.1 million. This was because of the lower estimated FFB production due to the El Nino effect, and
c. the completion of the sales of KAM, a subsidiary, in FY2023. Following this, the assets classified as held-for-sale was reversed, which amounted to US$5 million.

The Group’s non-current assets increased by US$9.5 million from FY2022 to FY2023. In FY2023, we incurred capital expenditure of US$10.8 million to improve roads and other infrastructure in the plantation. In addition, we also overhauled our boiler machinery.

The Group’s current liabilities increased by US$12.2 million from FY2022 to FY2023. This was because of :

a. additional trade advance received from customers as well as re-classification of certain trade advance to short term amounting to US$8.5 million, and
b. additional drawdown of bank loans and re-classification of certain long-term loans to short term amounting to US$4.6 million.

The Group’s non-current liabilities decreased by US$18.5 million from FY2022 to FY2023. The decrease was mainly due to repayment of bank borrowings of US$12.5 million and the re-classification of long-term trade advance to short term amounting to US$4.7 million.

Group’s Cash Flows

In FY2023, the Group’s operating cash flow decreased by US$14.0 million which was mainly affected by the lower sales and margin as explained above. Even so, we generated an operating cash flow of US$40.4 million in FY2023. The Group reported a net cash outflow in investing activities of US$12.5 million in FY2023 which mainly relating to capital expenditure for roads improvement, building and labour housing, heavy equipment, and other infrastructure in the plantation, overhaul of boiler machinery and replanting program. Net cash flows used in financing activities was US$27.2 million mainly for repayment of bank borrowings and interest.

Group’s Operational Performance

Our Group’s planted area including those of plasma decreased 1,306 ha from 68,152 ha in FY2022 to 66,846 ha in FY2023. This was because of our replanting program in the Bangka plantation and the completion of the disposal of a subsidiary, PT. Karunia Alam Makmur. Despite this, our yield performance metrics improved in FY2023. Our FFB production yield improved from 12.3MT/ha in FY2022 to 13.1MT/ha in FY2023, while our FFB production volume increased from 617,454MT in FY2022 to 623,068MT in FY2023. Besides, our CPO extraction rate for FY2023 increased to 20.9% as compared to 20.4% for FY2022.

Outlook

Mr Henry Maknawi, Chairman of Kencana, said, “The projected impact of the El Nino drought on FFB production yield is expected to negatively affect CPO production. However, the potential increase in domestic CPO consumption following the full implementation of B35 biodiesel could boost demand. This imbalance is likely to maintain a positive CPO price in 2024. Additionally, external factors like conflict and unrest in the Middle East may disrupt the supply chain, leading to higher logistics costs that could impact commodity price volatility. The company will continue to focus on cost management, optimize maintenance and harvesting practices, and enhance its competitive position by improving production yield and overall efficiency, considering the current global circumstances.”

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 31 December 2023, Kencana's total planted area (including Plasma Programme) was 66,846 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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