For Immediate Release

Signs of recovery as El Niño effect tapers off

Singapore, 27 February 2017 – **Kencana Agri Limited** ("Kencana" or the "Group"), today announced its financial results for the full year ended 31 December 2016.

Summary of Results

US$ '000	2016	2015 (Restated)	Change %
Revenue	138,581	131,844	5%
Gross profit	19,619	18,010	9%
Operating profit	10,804	261	3992%
EBITDA	21,198	(2,459)	n/m
Loss before tax	(5,908)	(34,261)	-83%
Net loss after tax	(8,910)	(30,283)	-71%

*n.m: not meaningful

Review of Group Financial Performance

The Group's revenue increased by 5% from US$131.8 million in 2015 to US$138.6 million in 2016. The increase was mainly due to higher Average Selling Price ("ASP") of CPO. Sales volume of CPO decreased approximately 7% from 226,915 MT in 2015 to 211,508 MT in 2016 and ASP of CPO increased from US$511 in 2015 to US$585 in 2016. The decrease in the volume was mainly due to lower CPO production as a result of lower FFB produced for the year due to the effect of very dry weather.

The Group's Operating Profit ("OP") increased from US$0.3 million in 2015 to US$10.8 million in 2016 and Net Loss After Tax ("NLAT") decreased from US$30.3 million to US$8.9 million. The increase in OP this year was mainly due to increase in the ASP in 2016 as compared to 2015 as well as the gain on fair value changes in consumable biological assets of US$4.7 million in 2016 compared to a loss of US5.7 million. The decrease in NLAT was similarly due to increase in ASP for the year, lower foreign exchange loss in 2016 of US$2.6 million as compared to US$16.7 million in 2015 offset by higher interest expense. The increase in interest expense was mainly due to additional loans obtained and higher interests expensed instead of capitalised in the biological assets as more trees matured. Included in the tax expense for the year were the reversal of deferred tax assets and current year tax losses not carried forward.

Total cost of sales increased by 5% from US$113.8 million in 2015 to US$119.0 million in 2016. The increase was mainly due to higher depreciation charge from bearer plants as well as plant and equipment as matured area increased and also the depreciation for a newly constructed mill. Gross profit margin increased from 13.7% in 2015 to 14.2% in 2016 is mainly due to increase in ASP in 2016 as mentioned above.

The Group recorded an increase in distribution costs as a result of higher CIF sales made for the year. Administrative expenses decreased mainly due to the reversal of provision related to staff costs and lower bank charges.

Other losses comprise mainly of impairment loss on vessels of US$0.9 million and inventory adjustments.

There is an unrealised gain on cross currency swap contracts of US$2.0 million (2015: loss of US$2.0 million). These derivatives are used to hedge significant future cash flows. The group does not enter into derivative contracts other than for the purpose of hedging.

Shareholders' equity decreased from US$49.9 million as at 31 December 2015 to US$43.6 million as at 31 December 2016 mainly due to net loss for the financial year of US$8.9 million and the favorable exchange movement in foreign translation reserve amounting to US$2.4 million.

As at 31 December 2016, the Group's total current assets increased by US$12 million from US$56.6 million to US$68.7 million. Save for the movement in cash and cash equivalents as explained in cash flow section below, the movement in current assets arose due to favorable foreign exchange movement in IDR against USD and the increase in consumable biological assets and reclassification of investment in joint venture to asset held for sale offset by the decrease in other assets.

Total non-current assets as at 31 December 2016 increased by US$3.7 million from US$319.8 million to US$323.5 million. This was mainly due to favorable foreign exchange movement in IDR against USD.

Net asset value per share for the Group decreased from 17.39 US cents in FY2015 to 15.19 US cents in FY2016.

Review of Operational Performance

At the operational level, the Group's total planting was 456 ha 2016 for nucleus and 65 ha for plasma. Mature area increased 5,340 ha to 47,854 ha.

FFB produced from nucleus decreased 16% from 595,969 MT in 2015 to 502,933 MT in 2016 due to a very dry weather in 2015. The oil extraction rates for CPO and CPKO were 20.9% and 43.3% compared to 20.7% and 43.3% in 2015 respectively.

Outlook

Mr. Henry Maknawi, Chairman and CEO of Kencana said, "We had a strong production in 4Q2016 as the El Niño effect tapered off. We expect this recovery in production to continue into 2017 if the favourable climatic conditions remain. As for prices, we have seen some volatility recently caused by increased supply, other commodity prices and also export demand. We expect this volatility to continue in the near future and will focus our efforts on productivity and cost control in this challenging environment."

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 2016, Kencana's total land bank and planted area (including Plasma Programme) were 185,709 ha and 68,220 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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