



Growth • Excellence • Integrity

**Kencana Agri Limited**



**3Q 2016  
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



**Port and Bulking Terminal**  
Total capacity :  
120,500 MT



**Logistics**  
Vessels : 4  
Total Capacity :  
8,150 MT

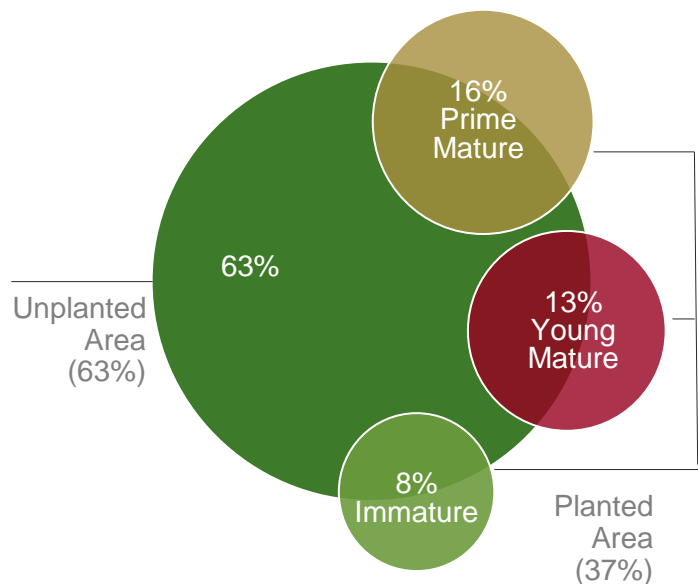


**Biomass Power Plant - 2**  
Total Capacity : 13.5 MW

# Significant Land Bank for Future Planting



Total Land Bank 185,709 ha\* (Nucleus + Plasma)



Land Bank (ha)	Planted Area (ha)	%	Unplanted Area (ha)	%	Total (ha)	%
Nucleus	54,034	33	110,816	67	164,850	89
Plasma	14,035	67	6,824	33	20,859	11
Total	68,069	37	117,640	63	185,709	100



\* Subject to final measurement



# Where We Are...



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

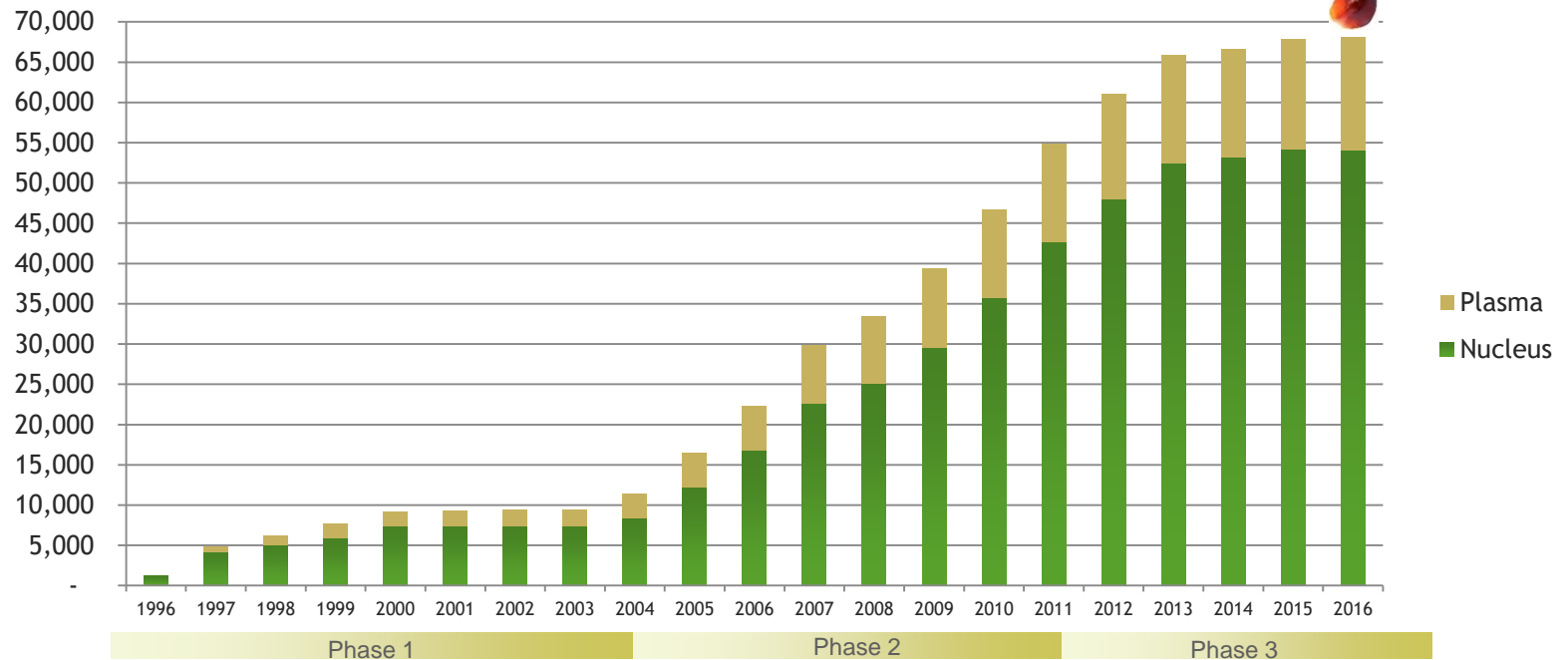
<sup>2</sup> Joint venture with Louis Dreyfus Company in Balikpapan

# Operational Performance



<b>Production Highlights</b>	<b>3Q 2016</b>	<b>3Q 2015</b>	<b>Change</b>	<b>9M 2016</b>	<b>9M2015</b>	<b>Change</b>
<b>FFB Production (MT)</b>	<b>115,008</b>	<b>174,196</b>	<b>-34.0%</b>	<b>368,476</b>	<b>511,728</b>	<b>-28.0%</b>
- Nucleus	90,614	135,678	-33.2%	293,182	402,088	-27.1%
- Plasma	24,394	38,518	-36.7%	75,294	109,640	-31.3%
<b>FFB Processed (MT)</b>	<b>111,417</b>	<b>179,096</b>	<b>-37.8%</b>	<b>357,679</b>	<b>518,176</b>	<b>-31.0%</b>
- Nucleus	87,394	134,341	-35.0%	281,230	390,924	-28.1%
- Plasma	23,858	38,288	-37.7%	73,811	108,718	-32.1%
- External Parties	165	6,467	-97.5%	2,638	18,534	-85.8%
<b>Oil Extraction rates (%)</b>						
- CPO	20.1%	20.6%	-0.5pp	21.6%	20.7%	+0.9pp
- CPKO	43.2%	43.2%	+0.0pp	43.2%	43.3%	-0.1pp
<b>Oil Production (MT)</b>						
- CPO (MT)	22,418	36,877	-39.2%	77,260	107,436	-28.1%
- CPKO (MT)	674	1,142	-41.0%	1,967	3,807	-48.3%
<b>FFB Yield (MT/ha) - Nucleus</b>	<b>2.2</b>	<b>3.7</b>	<b>-40.5%</b>	<b>7.2</b>	<b>7.2</b>	<b>0.0%</b>
<b>Oil Yield (MT/ha)</b>	<b>0.4</b>	<b>0.8</b>	<b>-50.0%</b>	<b>1.5</b>	<b>2.2</b>	<b>-31.8%</b>

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



### 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

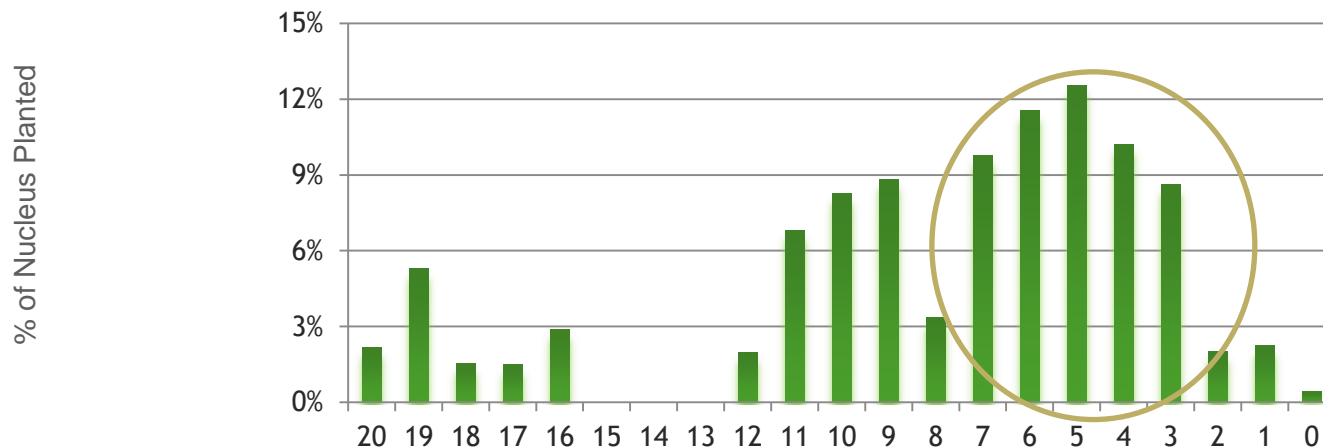
Started in 2011 in Sulawesi.

## AGE PROFILE

	Immature	%	Young Mature	%	Prime Mature	%	Total
Nucleus	13,095	24	18,638	35	22,301	41	54,034
Plasma	1,779	13	4,557	32	7,699	55	14,035
Total	14,874	22	23,195	34	30,000	44	68,069

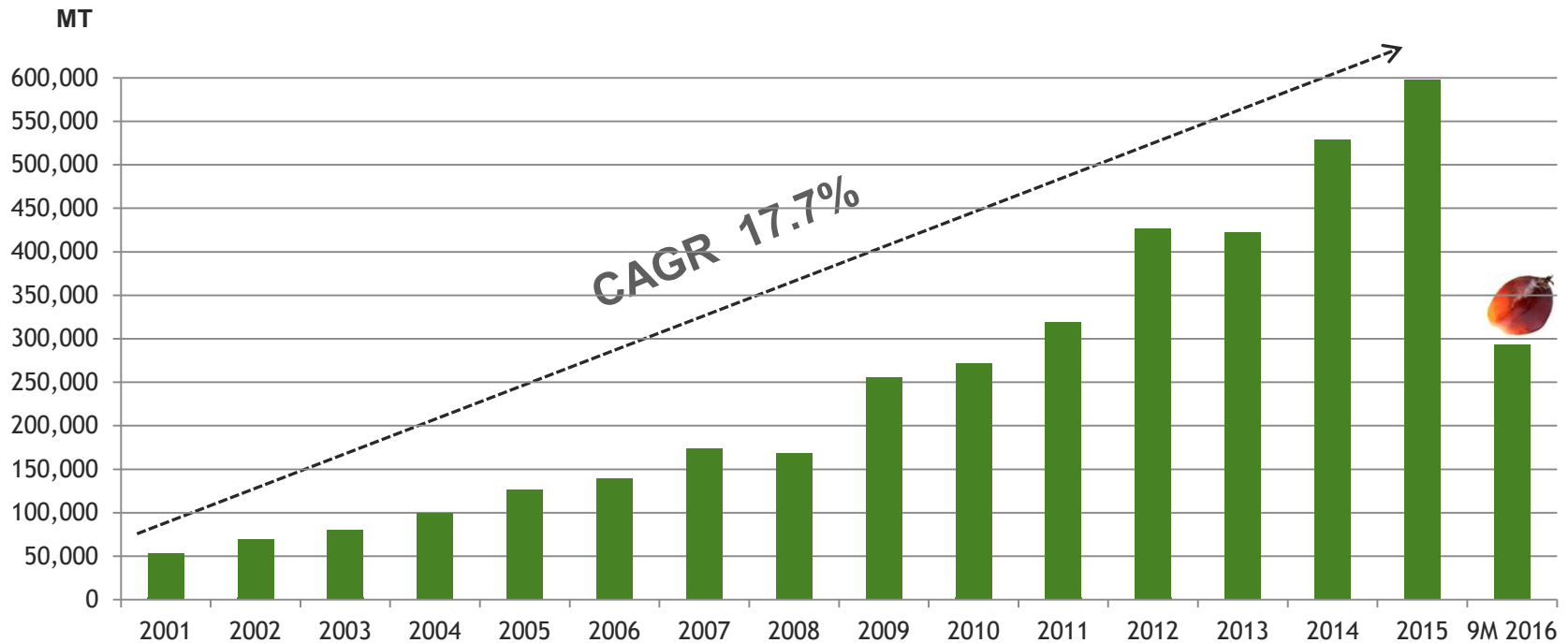
**59% OF IMMATURE AND YOUNG MATURE PALMS (NUCLEUS) WILL ENTER THE PRIME MATURE PHASE, AND WILL DRIVE THE POTENTIAL OF STRONG PRODUCTION GROWTH IN THE NEAR FUTURE.**

**Age distribution of oil palms (nucleus)**



Weighted  
Average Age  
= 8.0 Years

## FFB Production Trend (Nucleus)



- 2001 – 2015 CAGR = 17.7%



# Financial Performance



## Financial Highlights

	3Q 2016	3Q 2015	Change	9M 2016	9M 2015	Change
<b>Sales Volume (MT)</b>						
- CPO	39,412	55,360	-28.8%	137,782	158,058	-12.8%
- CPKO	1,150	1,650	-30.3%	2,450	4,650	-47.3%
<b>Sales Revenue (US\$'000)</b>						
- CPO	23,985	26,732	-10.3%	78,733	85,493	-7.9%
- CPKO	1,378	1,041	+32.4%	2,508	3,581	-30.0%
- OTHERS*	2,193	2,742	-20.0%	8,121	9,206	-11.8%
<b>Average Selling Price (US\$)</b>						
- CPO	609	483	+26.1%	571	541	+5.5%
- CPKO	1,198	631	+89.9%	1,024	770	+33.0%

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

# Financial Performance



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

	3Q 2016	3Q 2015 (Restated)	Change	9M 2016	9M 2015 (Restated)	Change
<b>Revenue</b>	27,556	30,515	-9.7%	89,362	98,280	-9.1%
<b>Gross profit</b>	855	2,027	-57.8%	3,718	11,393	-67.4%
<b>Operating (loss)/profit</b>	(1,559)	(316)	+393.4%	(5,761)	2,201	n/m
<b>Loss before tax</b>	(6,745)	(19,909)	-66.1%	(14,260)	(32,805)	-56.5%
<b>Net loss for the period</b>	(5,912)	(16,474)	-64.1%	(11,877)	(27,262)	-56.4%
<b>EBITDA</b>	1,401	(12,560)	n/m	10,161	(13,232)	n/m
<b>Gross margin (%)</b>	3.1%	6.6%	-3.5pp	4.2%	11.6%	-7.4pp
<b>Net loss margin (%)</b>	-21.5%	-54.0%	+32.5pp	-13.3%	-27.7%	+14.4pp
<b>EBITDA margin (%)</b>	5.1%	-41.2%	n/m	11.4%	-13.5%	n/m

n/m: not meaningful

# Financial Performance



<b>Balance Sheet Highlights (US\$'000)</b>	<b>As at 30 Sept 2016</b>	<b>As at 31 Dec 2015 (Restated)</b>	<b>Change</b>
<b>Current Assets</b>	48,341	52,560	-8.0 %
<b>Non-current Assets</b>	346,587	320,779	+8.0%
<b>Total Assets</b>	394,928	373,339	+5.8%
<b>Current Liabilities</b>	105,288	104,993	+0.3%
<b>Non-current Liabilities</b>	250,151	221,474	+12.9%
<b>Total Liabilities</b>	355,439	326,467	+8.9%
<b>Shareholders' Equity</b>	39,489	46,872	-15.8%
<b>Net Debt/Equity Ratio (%)</b>	700.2	528.9	+170.3pp
<b>Net Debt/Total Assets (%)</b>	70.0	66.4	+3.6pp
<b>Net Debt/EBITDA (x)</b>	27.02	(18.7)	n.m.
<b>EBITDA/Interest Expense (x)</b>	0.7	(1.1)	n.m.

n/m: not meaningful

# Financial Performance



<b>Cash Flow (US\$'000)</b>	<b>9M 2016</b>	<b>9M 2015</b>	<b>Change</b>
<b>Cash at beginning of period</b>	8,196	14,124	-42.0 %
<b>Net cash from operating activities</b>	9,010	6,253	+44.1%
<b>Net cash used in investing activities</b>	(13,070)	(15,222)	-14.1%
<b>Net cash from financing activities</b>	1,283	1,861	-31.1%
<b>Net decrease in cash</b>	(2,777)	(7,108)	-60.9%
<b>Cash at end of period</b>	5,419	7,016	-22.8%

n/m: not meaningful



# Thank You

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