For Immediate Release

Overall performance improved in 1Q2017

Singapore, 15 May 2017 – **Kencana Agri Limited** ("Kencana" or the "Group"), today announced its financial results for the quarter ended 31 March 2017.

Summary of Results

US$ '000	1Q2017	1Q2016	Change %
Revenue	39,459	28,847	-37
Gross profit	10,414	2,352	-52
Operating profit / (loss)	8,077	(629)	n/m
EBITDA	12,860	8,711	48
Profit before tax	5,882	570	932
Net profit after tax	4,261	768	455

*n.m: not meaningful

Review of Group Financial Performance

The Group's revenue increased by 37% from US$28.8 million in 1Q 2016 to US$39.5 million in 1Q 2017. The increase was mainly due to higher Average Selling Price ("ASP") of CPO during the quarter despite a slight decrease in sales volume. ASP of CPO increased 33% from US$505 to US$674 whereas sales volume of CPO decreased approximately 7% from 50,264 MT in 1Q 2016 to 46,683 MT in 1Q 2017.

The Group's Operating Profit ("OP") for 1Q 2017 turned from a loss of US$0.6 million in 1Q 2016 to a profit of US$8.1 million whereas Net Profit After Tax ("NPAT") increased from US$0.8 million to US$4.3 million. The increase in OP this year was mainly due to higher ASP of CPO resulting in a higher gross margin. The increase in NPAT was similarly due to higher ASP of CPO, lower interest expense offset by the decrease in foreign exchange gain. The decrease in interest expense was mainly due to higher mix of USD loans incurring interests at a lower rate than IDR loans.

The Group recognized a fair value gain of US$1.1 million on biological assets mainly due to increase in FFB prices and higher margin.

Distribution costs increased slightly due to higher CIF sales during the quarter.

Administrative expenses remained fairly stable for the quarter.

Shareholders' equity increased from US$43.6 million as at 31 December 2016 to US$48.2 million as at 31 March 2017 mainly due to profit for the quarter of US$4.3 million.

The Group's total current assets decreased by US$2.8 million from US$68.7 million as at 31 December 2016 to US$65.9 million as at 31 March 2017 mainly due to increase in inventory amounting to US$2.0 million as a result of higher level of finished goods and consumables as at 31 March 2017; increase in biological assets amounting to US$1.1 million due to fair value gain recognized for the period; decrease in other assets amounting to US$1.5 million as a result of reclassification to property, plant and equipments and increase in assets held for sale amounting to US$2.2 million due to 2 vessels being classified as asset held for sale.

Total non-current assets increased by US$2.8 million from US$323.5 million as at 31 December 2016 to US$326.3 million as at 31 March 2017. This was mainly due to increase in other receivables amounting to US$2.2 million related to advances to plasma for capital and operating expenditures; decrease in properties, plant and equipment of US$2.4 million related to reclassification of vessels to assets held for sale and depreciation charge for the period; increase in bearer plants amounting to US$1.5 million related to expenditures incurred on immature plantations and the capitalization of interest and depreciation and increase in other assets of US$1.3 million due to deposits paid in relation to purchase of property, plant and equipment

Net asset value per share for the Group increased from 15.19 US cents as at 31 December 2016 to 16.80 US cents as at 31 March 2017.

Review of Operational Performance

At the operational level, the group's mature area increased 2,426 ha to 55,620 ha.

FFB produced from nucleus increased by 17% from 109,914 MT in 1Q2016 to 128,311 MT in 1Q2017 due to better maturity profile. The oil extraction rates for CPO and CPKO were 20.5% and 43.6% in 1Q 2017 compared to 22.2% and 43.3% in 1Q2016 respectively.

Outlook

Mr. Henry Maknawi, Chairman and CEO of Kencana said "We have seen a recovery in production as the effect of El Niño tapered off. Along with higher CPO prices the group was able to start the year well with an encouraging set of results for 1Q2017. We expect this recovery to continue for the rest of the year if the favourable climatic conditions remain. Prices however have been volatile recently being affected by soy and crude oil prices as well as biodiesel policies. We 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 March 2017, Kencana's total land bank and planted area (including Plasma Programme) were 187,291 ha and 68,470 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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