

For Immediate Release

Better results in 2017 coming from higher production

Singapore, 26 February 2018 – Kencana Agri Limited (“Kencana” or the “Group”), today announced its financial results for the full year ended 31 December 2017.

Summary of Results

US\$ '000	2017	2016	Change %
Revenue	148,096	138,581	7%
Gross profit	29,528	19,619	51%
Operating profit	23,160	10,804	114%
EBITDA	38,686	21,198	82%
Profit/(loss) before tax	10,983	(5,908)	n/m
Net profit/(loss) after tax	4,988	(8,910)	n/m

*n/m: not meaningful

Review of Group Financial Performance

Revenue from Crude Palm Oil (“CPO”) sales of US\$122.7 million in 2017 was slightly lower as compared to US\$123.8 million in 2016 due to lower sales volume offset by higher Average Selling Price (“ASP”). Sales volume of CPO decreased by approximately 6% from 211,508MT in 2016 to 198,565MT in 2017 whereas ASP of CPO increased by 6% from US\$585 in 2016 to US\$618 in 2017. Revenue from Crude Palm Kernel Oil (“CPKO”) and kernel sales were higher due to increase in sales quantity and ASP for both products. Overall, the Group’s revenue increased by 7% from US\$138.6 million in 2016 to US\$148.1 million in 2017.

The Group’s Operating Profit (“OP”) increased by 114% from US\$10.8 million in 2016 to US\$23.2 million in 2017 and Net Profit After Tax (“NPAT”) reversed from a loss of US\$8.9 million in 2016 to a profit of US\$5.0m in 2017. The increase in OP was mainly due to higher ASP for 2017 which resulted in higher gross profit. The increase in NPAT was due to the same reasons mentioned above plus a gain on disposal of joint venture (“JV”) and lower administrative expenses, offset by share of loss from JV and lower fair value changes in financial derivatives.

Sales and distribution costs remained fairly stable in 2017 as compared to 2016.

The Group recorded a decrease in administrative expenses from US\$9.7 million in 2016 to US\$8.6 million in 2017 mainly due to the absence of some bank refinancing charges and restructuring expenses incurred in 2016.

Other losses decreased by 98% from US\$1.4 million in 2016 to US\$36,000 in 2017 mainly due to reduction in expense for tax assessment results and the absence of an impairment loss on property, plant and equipment which was recorded in 2016.

During the year, the Group disposed of its joint venture with the Louis Dreyfus Company Asia Pte Ltd. Net gain on the disposal amounted to US\$8.2 million.

Shareholders' equity increased from US\$43.6 million as at 31 December 2016 to US\$48.6 million as at 31 December 2017 mainly due to profit for the year of US\$5.0 million offset by translation loss of US\$0.3 million for the year.

The Group's total current assets increased by US\$9.6 million from US\$68.7 million as at 31 December 2016 to US\$78.3 million as at 31 December 2017. This was mainly due to increase in cash and cash equivalents amounting to US\$4.1 million as a result from net cash inflows from operating and investing activities offset by cash outflow from financing activities; increase in trade and other receivables of US\$7.7 million mainly due to increase in VAT receivables; increase in biological assets due to fair value gain recognized for the period on anticipated production growth; and increase in other assets due to an increase in prepaid expenses related to infrastructure offset by decrease in assets held for sale as a result of the completed sale of a joint venture.

Total non-current assets decreased by US\$10.6 million from US\$323.5 million as at 31 December 2016 to US\$313.0 million as at 31 December 2017. This was mainly due to decrease in properties, plant and equipment of US\$7.2 million arising from reclassification of some vessels to assets held for sale and depreciation charge for the period offset by additions made during the year; and decrease in bearer plants amounting to US\$3.0 million due to depreciation for the year and bearer plants transferred to plasma offset by additional investments and the capitalization of interest and depreciation of properties, plant and equipment for immature plantations.

Net asset value per share for the Group increased from 15.19 US cents in FY2016 to 16.92 US cents in FY2017.

Review of Operational Performance

At the operational level, the Group's total planting was 13 ha in 2017 for nucleus. Mature area increased 2,426 ha to 55,620 ha.

FFB produced from nucleus increased 18% from 502,933 MT in 2016 to 591,471 MT in 2017 due to recovery from the very dry spell in 2016. The oil extraction rates for CPO and CPKO were 20.4% and 43.3% in 2017 compared to 20.9% and 43.3% in 2016 respectively.

Outlook

Mr. Henry Maknawi, Executive Chairman of Kencana said, “Our FFB production in 2017 rebounded as the effect of dry weather from El Niño diminished. We expect this trend in recovery to continue into 2018. Prices in 2018 however are expected to continue to be under pressure from the stronger supply brought about by the more favourable weather and the ample supply of soybean. We will continue to focus on productivity and cost efficiency in order to position ourselves well to take advantage of the recovery in yields.”

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 2017, Kencana’s total land bank and planted area (including Plasma Programme) were 187,291 ha and 68,483 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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