For Immediate Release

FX losses, lower cyclical FFB production and lower CPO prices affected 1Q2018 results

Singapore, 14 May 2018 – **Kencana Agri Limited** ("Kencana" or the "Group"), today announced its financial results for the quarter ended 31 March 2018.

Summary of Results

US$ '000	2018	2017	Change %
Revenue	27,990	39,828	-30
Gross profit	112	10,783	-99
Operating (loss)/profit	(3,143)	8,446	n/m
EBITDA	(2,992)	13,229	n/m
(Loss)/profit before tax	(11,895)	5,882	n/m
Net (loss)/profit after tax	(9,846)	4,261	n/m

*n/m: not meaningful

Review of Group Financial Performance

The Group's revenue decreased by 30% from US$39.8 million in 1Q2017 to US$28.0 million in 1Q2018. The decrease was mainly due to lower Average Selling Price ("ASP") of CPO and the decrease in sales volume during the quarter due to low cyclical FFB production. ASP of CPO decreased 12% from US$682 to US$599 and sales volume of CPO decreased approximately 16% from 46,683 MT in 1Q2017 to 39,273 MT in 1Q2018.

The Group recorded an Operating Loss ("OL") of US$3.1 million in 1Q2018 and a Net Loss After Tax ("NLAT") of US$9.8 million in 1Q2018. The NLAT in 1Q2018 was due to low ASP and sales volume of CPO, higher interest expense, lower share of results from JV and increase in foreign exchange loss as a result of the weakening IDR. The increase in interest expense was mainly due to higher borrowings and more interests expensed instead of capitalised as more trees matured.

Sales and distribution costs decreased by 43% mainly due to lower sales volume.

The Group recorded an increase in administrative expenses from US$2.3 million in 1Q2017 to US$2.6 million in 1Q2018 mainly due to fees incurred in relation to a study on environmental issues for compliance to sustainable practices.

Other losses increased by 57% from US$0.2 million in 1Q2017 to US$0.4 million in 1Q2018 mainly due to the loss on disposal of a vessel.

Shareholders' equity decreased from US$48.6 million as at 31 December 2017 to US$38.1 million as at 31 March 2018 mainly due to loss for the period of US$9.8 million and translation loss of US$0.6 million for the period.

The Group's total current assets decreased by US$5.7 million from US$78.3 million as at 31 December 2017 to US$72.6 million as at 31 March 2018. This was mainly due to decrease in cash and cash equivalents amounting to US$3.4 million as a result from cash inflows from operating activities offset by cash outflow from investing and financing activities, decrease in trade and other receivables amounting to US$3.1 million mainly due to payments received from plasma receivables, increase in inventories amounting to US$2.6 million due the purchase of more consumables during the period and decrease in other assets amounting to US$1.3 million as a result of the reclassification of some advance payments to property, plant and equipment.

Total non-current assets decreased by US$0.8 million from US$313.0 million as at 31 December 2017 to US$312.2 million as at 31 March 2018. This was mainly due to increase in other receivables of US$1.1 million as a result of advances made to a joint venture, Increase in properties, plant and equipment of US$1.1 million due to additions made during the period offset by the depreciation charge, decrease in bearer plants of US$4.3 million mainly due to depreciation charges and a disposal made during the period and increase in deferred tax assets of US$2.0 million mainly due to additional deferred tax asset recognised in relation to losses suffered this period.

Net asset value per share for the Group decreased from 16.92 US cents as at 31 December 2017 to 13.27 US cents as at 31 March 2018.

Review of Operational Performance

At the operational level, the Group's mature area increased 5,071ha to 60,691 ha.

FFB produced from nucleus decreased 15% from 128,311MT in 2017 to 109,271 MT in 2018 due to low crop trend. The oil extraction rates for CPO were 20.7% in 1Q2018 compared to 20.5% in 1Q2017.

Outlook

Mr. Henry Maknawi, Executive Chairman of Kencana said, "While the FFB production experienced a cyclical low trend in 1Q2018, we are already seeing a recovery in production for 2Q2018 and this recovery is expected to continue into the remaining part of the year. CPO prices however are expected to remain volatile affected by EU sanctions, Indian tariffs and the involvement of soy in the trade war between the US and China. We are optimistic that the biodiesel programme in Indonesia will provide support for CPO prices. In this challenging environment, we will continue to focus our efforts on productivity and cost efficiency."

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 2018, Kencana's total land bank and planted area (including Plasma Programme) were 187,460 ha and 67,933 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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