For Immediate Release

Strong FFB production weighed down by FX losses from the strengthening of the USD

Singapore, 13 August 2018 – **Kencana Agri Limited** ("Kencana" or the "Group"), today announced its financial results for the first half ended 30 June 2018.

Summary of Results

US$ '000	2Q 2018	2Q 2017	Change	1H 2018	1H 2017	Change
Revenue	29,341	27,497	6.7%	57,331	67,325	-14.8%
Gross profit	7,073	2,812	151.5%	7,185	13,595	-47.1%
Operating profit	5,668	6,213	-8.8%	2,525	14,659	-82.8%
EBITDA	(2,405)	11,503	n/m	(5,397)	24,732	n/m
(Loss)/profit before tax	(8,863)	9,901	n/m	(20,758)	15,783	n/m
Net (loss)/profit after tax	(7,603)	7,112	n/m	(17,449)	11,373	n/m

*n/m: not meaningful

Review of Group Financial Performance

2Q2018 vs 2Q2017
The Group's revenue increased by 7% from US$27.5 million in 2Q2017 to US$29.3 million in 2Q2018. The increase was mainly due to higher sales volume offset by lower Average Selling Price ("ASP") of CPO during the quarter. Sales volume of CPO increased by approximately 15% from 36,778 MT in 2Q2017 to 42,338 MT in 2Q2018 and ASP of CPO decreased by 12% from US$626 in 2Q2017 to US$553 in 2Q2018.

The Group recorded an Operating Profit ("OP") of US$5.7 million in 2Q2018 and a Net Loss After Tax ("NLAT") of US$7.6 million in 2Q2018. The NLAT in 2Q2018 was mainly due to the increase in foreign exchange loss as a result of the weakening IDR and higher share of losses from equity accounted joint venture.

Cost of sales decreased by 10% from US$24.7 million in 2Q2017 to US$22.3 million in 2Q2018. The decrease was mainly due to the increase in CPO production from 32,512 MT in 2Q2017 to 51,833 in 2Q2018 resulting in a lower cost per unit and an improvement in gross margin, in spite of lower ASP in 2Q2018.

Sales and distribution costs remained fairly stable in 2Q2018 as compared to 2Q2017.

The Group recorded an increase in administrative expenses from US$2.4 million in 2Q2017 to US$3.0 million in 2Q2018 mainly due to increase in staff costs incurred during the quarter.

Other gains comprise mainly of insurance claims for the quarter.

1H2018 vs 1H2017
The Group's revenue decreased by 15% from US$67.3 million in 1H2017 to US$57.3 million in 1H2018. The decrease was mainly due to lower sales volume and lower ASP of CPO during the period. Sales volume of CPO decreased by approximately 2% from 83,461 MT in 1H2017 to 81,611 MT in 1H2018 and ASP of CPO decreased 12% from US$657 in 1H2017 to US$575 in 1H2018.

The Group recorded an Operating Profit ("OP") of US$2.5 million in 1H2018 and a Net Loss After Tax ("NLAT") of US$17.5 million in 1H2018. The NLAT in 1H2018 was mainly due to low sales volume in the first quarter, increase in foreign exchange loss as a result of the weakening IDR and higher share of loss from equity accounted joint venture.

Cost of sales decreased by 7% from US$53.7 million in 1H2017 to US$50.1 million in 1H2018. The decrease was mainly due to lower sales volume. Gross margin was lower mainly due to lower ASP. CPO production increased from 63,890 MT in 1H2017 to 80,069 MT in 1H2018.

Sales and distribution costs decreased by 28% is mainly due to lower sales volume in 1H2018 as compared to 1H2017.

The Group recorded an increase in administrative expenses from US$4.7 million in 1H2017 to US$5.7 million in 1H2018 mainly due to increase in staff costs and fees incurred in relation to a study on sustainability compliance practices.

Other losses comprise mainly of losses on disposal of vessels offset by insurance claims and management fees charged.

Shareholders' equity decreased from US$48.6 million as at 31 December 2017 to US$29.3 million as at 30 June 2018 mainly due to the loss for the period of US$17.4 million and a translation loss of US$1.7 million.

The Group's total current assets increased by US$7.1 million from US$78.3 million as at 31 December 2017 to US$85.4 million as at 30 June 2018. This was mainly due to increase in cash and cash equivalents amounting to US$2.0 million as a result from cash inflow from operating activities offset by cash outflow from investing and financing activity, increase in inventories amounting to US$7.7 million due the purchase of more consumables during the period and higher finished goods awaiting for shipment as at 30 June 2018 offset by the decrease in other assets amounting to US$1.9 million as a result of the reclassification of some advance payments to property, plant and equipment and decrease in assets held for sale amounting to US$1.0 million is due to the sale of vessels completed.

Total non-current assets decreased by US$15.8 million from US$313.0 million as at 31 December 2017 to US$297.2 million as at 30 June 2018. This was attributable to the decrease in other receivables of US$1.6 million due to receipts from plasma farmers, decrease in properties, plant and equipment of US$2.6 million as a result of depreciation charges and foreign exchange movements offset by the additions made during the period, decrease in bearer plants of US$11.7 million mainly due to depreciation charges, a disposal made during the period and foreign exchange movements offset by the additions made during the period and the increase in deferred tax assets of US$2.8 million arising from additional deferred tax asset recognised in relation to losses for this period.

Net asset value per share for the Group decreased from 16.92 US cents as at 31 December 2017 to 10.22 US cents as at 30 June 2018.

Review of Operational Performance

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

FFB produced from nucleus increased by 19% from 262,451 MT in 1H2017 to 312,591 MT in 1H2018. The oil extraction rate for CPO for 1H2018 remained unchanged at 20.4% as compared to 1H2017.

Outlook

Mr. Henry Maknawi, Chairman and CEO of Kencana said, "The FFB production rebounded strongly(almost double Q1) in 2Q2018 mitigating the effect of falling CPO prices during the quarter. We expect this recovery in production to continue and extend into the remaining part of the year. CPO prices however are expected to remain volatile, affected by abundant supply. The Indonesian government's plan to bring forward the rollout of their B30 biodiesel programme to 2019 is likely to support CPO prices. In this challenging environment, we will 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 30 June 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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