For Immediate Release

Results continue to be affected mainly by low production due to very dry weather

Singapore, 14 November 2016 – **Kencana Agri Limited** ("Kencana" or the "Group"), today announced its financial results for the 3rd quarter ended 30 September 2016.

Summary of Results

US$ '000	3Q 2016	3Q 2015 (Restated)	Change	9M 2016	9M 2015 (Restated)	Change
Revenue	27,556	30,515	-9.7%	89,362	98,280	-9.1%
Gross profit	855	2,027	-57.8%	3,718	11,393	-67.4%
Operating (loss)/profit	(1,559)	(316)	393.4%	(5,761)	2,201	n/m
EBITDA	1,401	(12,560)	n/m	10,230	(13,232)	n/m
Loss before tax	(6,745)	(19,909)	-66.1%	(14,260)	(32,805)	-56.5%
Net Loss after tax	(5,912)	(16,474)	-64.1%	(11,877)	(27,262)	-56.4%

*n/m: not meaningful

Review of Group Financial Performance

3Q 2016 vs 3Q 2015

The Group's revenue decreased by 10% from US$30.5 million in 3Q 2015 to US$27.6 million in 3Q 2016. The decrease was mainly due to lower CPO sales volume as a result of low production caused by very dry weather offset by higher Average Selling Price ("ASP") of CPO during the quarter. Sales volume of CPO decreased approximately 29% from 55,360 MT in 3Q 2015 to 39,412 MT in 3Q 2016, whereas ASP of CPO increased approximately 26% from US$483 to US$609.

The Group's Operating Loss ("OL") increased from US$0.3 million in 3Q 2015 to US$1.6 million in 3Q 2016 whereas Net Loss After Tax ("NLAT") decreased from US$16.5 million to US$5.9 million. The increase in OL was mainly due to lower sales volume of CPO mentioned above. The decrease in NLAT was mainly due to favourable foreign exchange movement of the IDR which led to a gain on foreign exchange and financial derivatives offset by higher interest expense and a loss incurred by the joint ventures for the quarter.

Cost of sales decreased by 6% from US$28.5 million in 3Q 2015 to US$26.7 million in 3Q 2016. The decrease was mainly due to lower sales volume in 3Q 2016 as compared to 3Q 2015 offset by higher depreciation charge from bearer plants as well as plant and equipment as matured area has increased and also the depreciation for a mill completed construction in 4Q 2015. Gross margin declined as a result of lower sales volume and higher depreciation charge as mentioned above.

The Group recorded an increase in distribution costs mainly due to higher CIF sales for the quarter.

Administrative expenses increased 19% from US$2.2 million in 3Q 2015 to US$2.6 million in 3Q 2016 mainly due to a one-off compensation for the transfer of employees to a productivity based scheme. Other gains comprise mainly of gain on transfer of biological assets to plasma.

The increase in interest expense was mainly due to the increase in borrowings and interests expensed instead of capitalised as more trees matured.

9M 2016 vs 9M 2015

The Group's revenue decreased by 9% from US$98.3 million in 9M 2015 to US$89.4 million in 9M 2016. The decrease was mainly due to lower sales volume of CPO offset by higher ASP of CPO during the period. ASP of CPO increased approximately 6% from US$541 to US$571 while sales volume of CPO decreased approximately 13% from 158,058 MT in 9M 2015 to 137,782 MT in 9M 2016.

The Group's operating profit decreased from US$2.2 million in 9M 2015 to a loss of US$5.8 million in 9M 2016 and NLAT decrease from US$27.3 million to US$11.9 million. The decrease in operating profit was mainly due to lower sales volume of CPO, higher depreciation charge and impairment loss for vessels for 9M 2016. The decrease in NLAT was mainly due to favorable foreign exchange movement of the IDR as compared to 9M 2015 which led to a gain on foreign exchange and financial derivatives and better results from the joint ventures offset by higher interest expense for the period.

Cost of sales decreased by 1% from US$86.9 million in 9M 2015 to US$85.6 million in 9M 2016. The decrease was mainly due to lower sales volume for the period offset by higher depreciation charge from bearer plants as well as plant and equipment as matured area has increased and also the depreciation for a mill completed construction in 4Q 2015.

The Group recorded an increase in distribution costs mainly due to higher CIF sales for the period.

Administrative expenses remained stable in 9M 2016 as compared to 9M 2015.

Other losses comprise mainly of impairment loss on vessels of US$0.9 million offset by gain on disposal of biological assets.

The increase in interest expense was mainly due to the increase in borrowings and interests expensed instead of capitalised as more trees matured.

Shareholders' equity decreased from US$46.9 million as at 31 December 2015 to US$39.5 million as at 30 September 2016 due to net loss incurred for the financial period of US$11.9 million offset by translation gain of US$4.5 million.

As at 30 September 2016, the Group's total current assets decreased by US$4.3 million from US$52.6 million to US$48.3 million. This was mainly due to an decrease in cash and cash equivalents amounting to US$1.6 million and an decrease in other assets amounting to US$3.1 million. Total non-current assets as at 30 September 2016 increased by US$25.8 million from US$320.8 million to US$346.6 million mainly due to an increase of US$10.4 million in the value of bearer plants, US$4.3 million in other receivables and US$3.4 million in property, plant and equipment and US$4.1 million in land use rights.

Net asset value per share for the Group decreased from 16.33 US cents as at 31 December 2015 to 13.76 US cents as at 30 September 2016.

Review of Operational Performance

At the operational level, the Group's total planting was 143 ha in 9M2016. Mature area stands at 53,195 ha.

FFB produced from nucleus decreased by 27% from 402,088 MT in 9M2015 to 293,182 MT in 9M2016 due to very dry weather. The oil extraction rates for CPO and CPKO were 21.6% and 43.2% compared to 20.7% and 43.3% in 9M2015 respectively.

Outlook

Mr. Henry Maknawi, Chairman and CEO of Kencana said, "The dry weather from El Niño affected global palm oil production in 1H2016 and continued its effect into 3Q2016. While we are seeing signs of a recovery in the production for 4Q2016, we do not expect the production of 2016 to surpass that of 2015 in total due to the low production of the first 9 months. We believe prices in the near future will be supported by low inventory levels and the biodiesel mandate in Indonesia. Our focus will remain on productivity and cost control so as to be competitive 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 30 September 2016, Kencana's total land bank and planted area (including Plasma Programme) were 185,709 ha and 68,069 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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