For Immediate Release

Strong recovery in production

Singapore, 14 November 2017 – **Kencana Agri Limited** ("Kencana" or the "Group"), today announced its financial results for the 3rd quarter ended 30 September 2017.

Summary of Results

US$ '000	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenue	43,528	27,556	58.0%	110,145	89,362	23.3%
Gross profit	9,022	855	955.2%	21,909	3,718	489.3%
Operating profit/(loss)	6,358	(1,559)	n/m	20,309	(5,761)	n/m
EBITDA	7,523	1,401	437.0%	31,547	10,161	210.0%
(Loss)/profit before tax	(708)	(6,745)	-89.5%	15,075	(14,260)	n/m
Net (loss)/profit after tax	(1,384)	(5,912)	-76.6%	9,989	(11,877)	n/m

*n.m: not meaningful

Review of Group Financial Performance

3Q 2017 vs 3Q 2016

The Group's revenue increased by 58% from US$27.6 million in 3Q 2016 to US$43.5 million in 3Q 2017. The increase was mainly due to higher CPO sales volume offset by a lower Average Selling Price ("ASP") of CPO during the quarter. Sales volume of CPO increased approximately 62% from 39,412 MT in 3Q 2016 to 63,794 MT in 3Q 2017, whereas ASP of CPO decreased approximately 3% from US$609 in 3Q 2016 to US$588 in 3Q 2017.

The Group's Operating Profit ("OP") reversed from a loss of US$1.6 million in 3Q 2016 to a profit of US$6.4 million in 3Q 2017 and Net Loss After Tax ("NLAT") decreased from US$5.9 million to US$1.4 million. The increase in OP was mainly due to higher sales volume which resulted in higher gross profit. The decrease in NLAT was due to the same reasons mentioned above, lower interest expense and lower losses from share of results of joint venture offset by an increase in foreign exchange loss as a result of the weakening IDR. The decrease in interest expense was mainly due to higher mix of USD loans during the period incurring interests at a lower rate than IDR loans.

Cost of sales increased by 29% from US$26.7 million in 3Q 2016 to US$34.5 million in 3Q 2017. The increase was mainly due to higher sales volume for the quarter. Gross margin improved from 3% in 3Q 2016 to 21% in 3Q 2017 due to increased CPO production from 22,418 MT in 3Q 2016 to 44,657 MT in 3Q 2017 resulting in a lower cost per unit in 3Q 2017 as compared to 3Q 2016.

The Group recorded an increase in distribution costs mainly due to higher sales for the quarter. Administrative expenses remained fairly stable for the period.

9M 2017 vs 9M 2016

The Group's revenue increased by 23% from US$89.4 million in 9M 2016 to US$110.1 million in 9M 2017. The increase was mainly due to higher ASP of CPO as well as higher sales volume during the period. ASP of CPO increased by approximately 9% from US$571 to US$622 and sales volume of CPO increased approximately 7% from 137,782 MT in 9M 2016 to 147,255 MT in 9M 2017.

The Group's OP reversed from a loss of US$5.8 million in 9M 2016 to a profit of US$20.3 million in 9M 2017. After tax results reversed from a loss of US$11.9 million in 9M 2016 to a profit of US$10.0 million in 9M 2017. The increase in OP was mainly due to higher ASP as well as higher sales volume and increase in fair value gain on biological assets. The increase in after tax results was due to the same reasons mentioned above plus a gain on disposal of joint venture, lower interest expense offset by foreign exchange loss caused by depreciation of the IDR against the USD and lower fair value changes in financial derivatives. The decrease in interest expense was mainly due to higher mix of USD loans during the period incurring interests at a lower rate than IDR loans.

Cost of sales increased by 3% from US$85.6 million in 9M 2016 to US$88.2 million in 9M 2017. The increase was mainly due to higher sales volume in 9M 2017 as compared to 9M 2016. Gross margin improved from 4% in 9M 2016 to 20% in 9M 2017 mainly due to higher CPO production from 77,260 MT in 9M 2016 to 108,547 MT in 9M 2017.

The Group recorded an increase in distribution costs mainly due to higher sales in 9M 2017 as compared to 9M 2016. Administrative expenses remained fairly stable for the period.

During the period, 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$53.4 million as at 30 September 2017 mainly due to profit for the period of US$10.0 million offset by translation loss of US$0.2 million for the period.

The Group's total current assets increased by US$15.8 million from US$68.7 million as at 31 December 2016 to US$84.5 million as at 30 September 2017. This was mainly due to increase in cash and cash equivalents amounting to US$13.8m as a result from cash inflow from operating and investing activities offset by cash outflow from financing activity, increase in trade and other receivables amounting to US$1.7 million due to increase in VAT receivables; increase in biological assets amounting to US$7.4 million due to fair value gain recognized for the period on anticipated production growth and offset by decrease in assets held for sale amounting to US$7.4 million as a result of the completed sale of a joint venture.

Total non-current assets decreased by US$4.2 million from US$323.5 million as at 31 December 2016 to US$319.3 million as at 30 September 2017. This was mainly due to increase in other receivables amounting to US$3.1 million mainly due to advances to joint venture for operating expenditures and interest charges; decrease in properties, plant and equipment of US$6.5 million mainly due to reclassification of vessels to assets held for sale and depreciation charge for the period and increase in bearer plants amounting to US$0.3 million mainly due to additional investments and the capitalization of interest and depreciation for immature plantations

Net asset value per share for the Group increased from 15.19 US cents as at 31 December 2016 to 18.61 US cents as at 30 September 2017.

Review of Operational Performance

At the operational level, the group's mature area increased 2,427 ha to 55,621 ha.

FFB produced from nucleus increased by 50% from 293,182 MT in 9M2016 to 436,618 MT in 9M2017 due to recovery from the very dry spell in 2016. The oil extraction rates for CPO and CPKO were 20.3% and 43.3% compared to 21.6% and 43.2% in 9M2016 respectively.

Outlook

Mr. Henry Maknawi, Chairman and CEO of Kencana said, "We have seen our FFB production rebound in 1H2017 as the effect of dry weather from El Niño diminished. This trend was more pronounced in 3Q2017 and we expect the recovery to continue into 2018. Overall, we expect the production of 2017 to surpass that of 2016 in total. Prices however are expected to be softer due to stronger supply brought about by the more favourable weather, weaker demand from China and the EU 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 30 September 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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