



REA Holdings

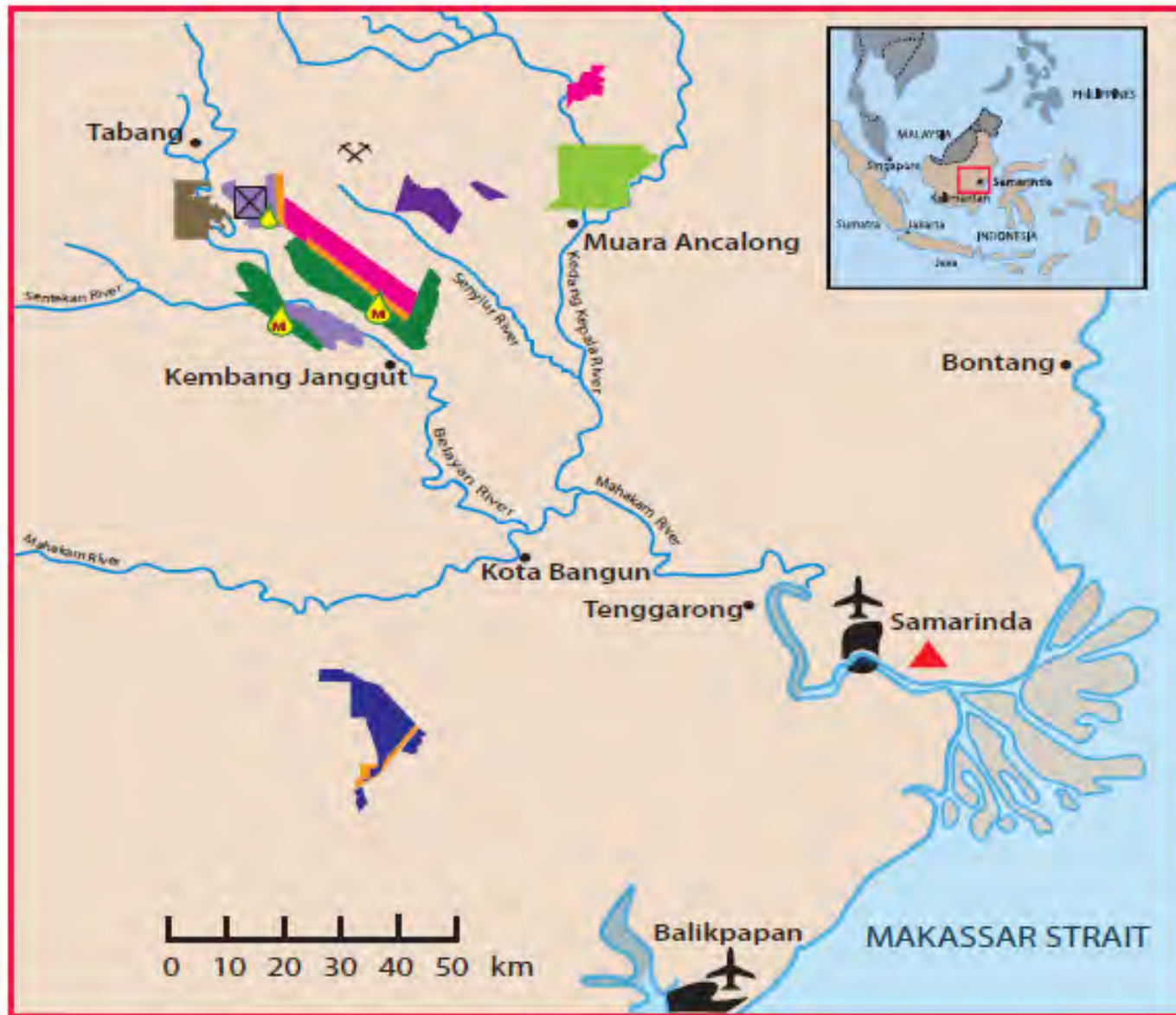
H1 2016 Update

November 2016

CONTENTS

❖ Map of Operations	Page 3
❖ H1 2016 Operational and Financial Highlights	Page 4
❖ Agricultural Progress	Page 5
❖ CPO Price	Page 6
❖ Land Development	Page 7
❖ DSN Investment	Page 8
❖ Capital Structure	Page 9
❖ Strategy & Outlook	Page 10

MAP OF OPERATIONS



The smaller map shows the location of the group's operations within the context of South East Asia. The larger map provides a plan of the operational areas and of the river system by which access is obtained to the main areas.

Key

- M** Methane capture plant
- Oil mill
- Stone quarry
- Tank storage
- CDM** PT Cipta Davia Mandiri
- KKS** PT Kartanegara Kumalasakti
- KMS** PT Kutai Mitra Sejahtera
- PBJ** PT Putra Bongan Jaya
- PBJ2** PT Persada Bongan Jaya
- REAK** PT REA Kaltim Plantations
- SYB** PT Sasana Yudha Bhakti
- SYB swap: land surrender**
- SYB swap: new PU land**

H1 2016 OPERATIONAL AND FINANCIAL HIGHLIGHTS

Operational

- ❖ Crop of fresh fruit bunches (FFB): 225,000 tonnes (2015: 277,000 tonnes) – lower crops throughout East Kalimantan
- ❖ Third Party FFB purchases similarly reduced to 48,000 tonnes (2015: 68,000 tonnes)
- ❖ CPO extraction rates stable at c. 24%

Financial

- ❖ Revenues: \$39.3 million (2015: \$46.2 million); lower crop volumes and lower prices for CPO
- ❖ Cost of sales reduced to \$32.5 million (2015: \$40.2 million)
- ❖ Gross profit increased to \$6.1 million (2015: \$4.7 million)
- ❖ Pre-tax loss of \$5.2 million (2015: \$5.5 million) after depreciation of \$9.0 million (2015: \$9.4 million)
- ❖ Negative impact on profit / loss of IAS 41 amendment (2015 comparatives restated accordingly)

Stone and Coal Group

- ❖ Improving coal prices offering the prospect of resumed mining of the coal concessions
- ❖ Limestone quarry near PBJ offering opportunity for stone to be used for road building on this estate

AGRICULTURAL PROGRESS

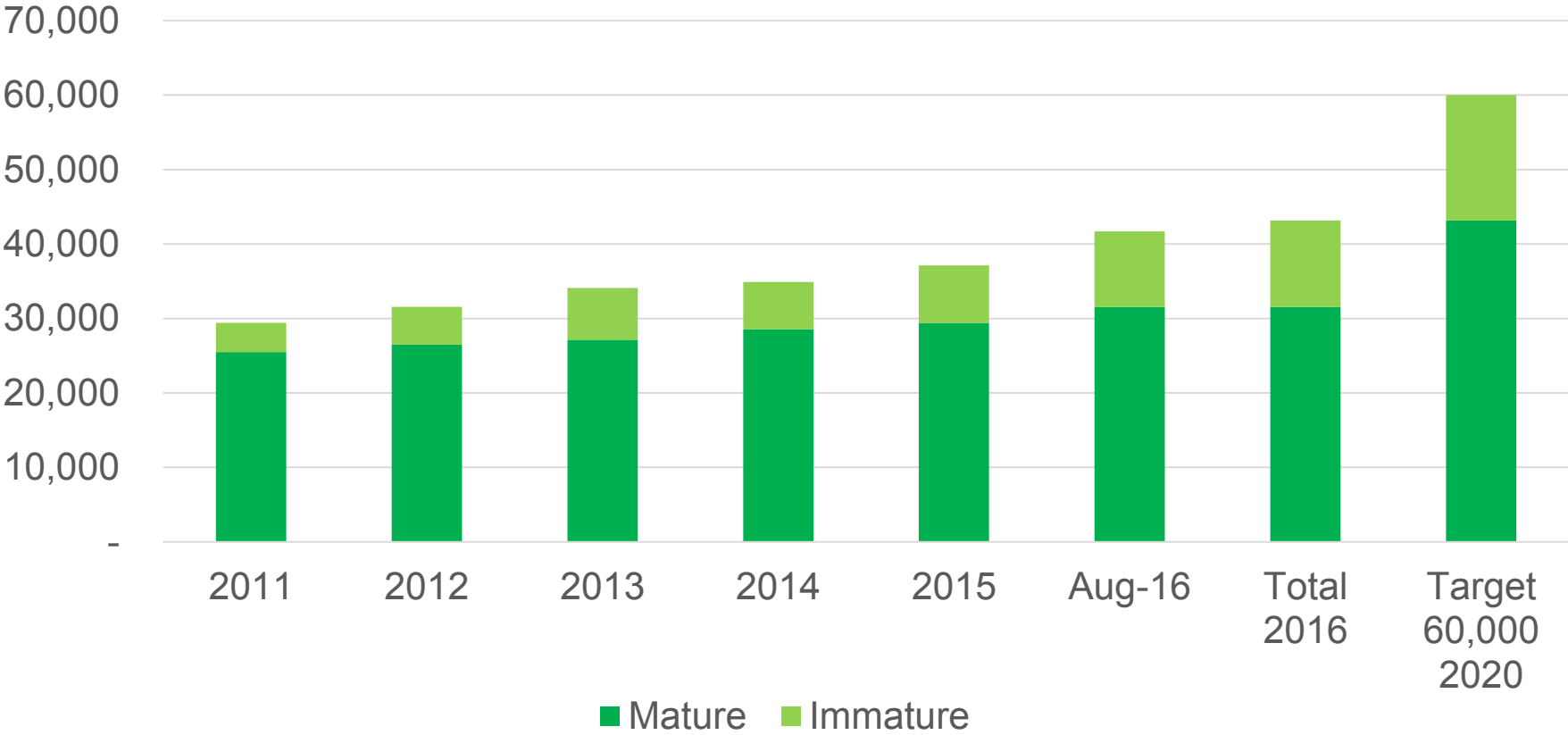
- ❖ Severe dry periods continued into H2 2016 but recent rainfall combined with periods of sunshine has led to a sharp improvement in crops
- ❖ Increased fertiliser dosages addressing shortfall and should result in progressive pick up
- ❖ Bunch formation indicates continuation of recovery and crops should return to more normal levels in 2017
- ❖ Increasing production from maturing and newly maturing areas
- ❖ Change to the system of financial incentives for harvesters and decentralisation of the road and transport management should improve operating efficiencies

CPO PRICE

- ❖ Majority of CPO and CPKO sold in local market
- ❖ REA achieved average CPO price per tonne, FOB, Samarinda: \$516 (2015: 1H: \$542, 2H: \$440)
- ❖ REA achieved average CPKO price per tonne, FOB, Samarinda: \$985 (2015: 1H: \$862, 2H: \$662)
- ❖ CPO price recovering: January 2016 \$560 per tonne, CIF Rotterdam; currently close to \$750, CIF Rotterdam



LAND DEVELOPMENT



- ❖ 4,542 hectares planted in 2016 as at end August
- ❖ On target to achieve 6,000 hectares in 2016

DSN INVESTMENT

- ❖ 15% strategic investment in REA Kaltim by DSN announced in May 2016; completed in October 2016
- ❖ Two DSN subsidiaries together acquiring 15% equity interest in REA Kaltim for US\$15 million equivalent in cash
- ❖ A further \$850,000 payable subject to recovery of overpaid tax amounts by REA Kaltim prior to January 2018
- ❖ In addition, DSN will provide dollar and sterling loans to REA Kaltim of \$10.0m and £3.9m
- ❖ Temporary pre-completion advances of \$10.0m in June and \$13.5m in October to be repaid by net off against amounts payable in respect of share subscription and loans
- ❖ Benefits
 - ❖ Supports REA's extension planting programme
 - ❖ Increases Indonesian participation in ownership of group's agricultural operations
 - ❖ Affords opportunities for co-operation on agronomic practices, sourcing supplies and marketing

CAPITAL STRUCTURE

New Financing and Refinancing:

		\$'m
July 2015	Issue of 4.2 million preference shares	7.8
Sept 2015	Issue of £26.9 million of new sterling notes	39.9
Oct 2015	Issue of 1.75 million ordinary shares	6.8
Dec 2015	Issue of £3.5 million of new sterling notes	4.1
July 2016	Sale of £1.5 million of new sterling notes	1.9
Aug 2016	Repackaging of DBS funding	95.3
Oct 2016	DSN investment and loans	30.0
		<hr/> <u>185.8</u>

Total new or restructured financing to date:

- ❖ Repackaging of DBS funding has extended maturities and deferred nearer term repayments
- ❖ Hope to negotiate a further \$17 million of loans from DSN in March 2017
- ❖ Discussions well advanced on refinancing of dollar and sterling notes (some \$44m in aggregate) maturing in 2017
- ❖ This should completely finance the group and leave it well positioned going forward

STRATEGY & OUTLOOK

- ❖ CPO price outlook satisfactory
- ❖ Anticipated improvement in crop levels from existing areas benefitting from improved fertiliser regime and more favourable climatic conditions
- ❖ Crops will further increase as immature and newly mature areas come into full yield
- ❖ Tight cost management to continue
- ❖ Expansion programme continuing at a rapid rate; target of 60,000 hectares now attainable
- ❖ Expansion will increase capital values with a leveraged benefit to equity