A photograph of a palm plantation under a blue sky with white clouds. In the foreground, several palm fronds are silhouetted against the sky. The background shows a dense field of palm trees stretching to the horizon.

REA Holdings

FY2015 Results - Analyst Presentation

April 2016

TOPICS

- 🔥 FY2015 Highlights
- 🔥 Palm Oil Consumption
- 🔥 Operations & Development
 - 🔥 Agricultural Overview
 - 🔥 Workforce
 - 🔥 Sustainability
 - 🔥 Infrastructure Progress
 - 🔥 Land Development
- 🔥 Financial Overview (P&L; Balance Sheet; Capital Structure)
- 🔥 Strategy & Outlook

FY2015 HIGHLIGHTS

Operational

- 🔥 Crop of fresh fruit bunches (FFB): 609,389 tonnes (2014: 631,728 tonnes)
- 🔥 Crude palm oil (CPO): 163,880 tonnes (2014: 169,466 tonnes)
- 🔥 CPO extraction rates continue to improve; now running consistently at 24%

Financial

- 🔥 Revenues: \$90.5 million (2014: \$125.9 million); lower CPO prices in 2015
- 🔥 Operating profit: \$17.2 million (2014: \$32.1 million): lower revenues partly offset by cost savings
- 🔥 Profit before tax: \$11.5 million (2014: \$23.7 million)
- 🔥 Net new investment: \$34.8 million (2014: \$38.2 million)

Development

- 🔥 > 4,200 hectares of new land developed; > 2,200 hectares planted
- 🔥 Perimeter bunding and water gates completed at PBJ; water pumping equipment being installed
- 🔥 Major refurbishment of 3 boilers completed; 4th boiler to be completed in 2016
- 🔥 New jetty constructed at Sungai Mariam
- 🔥 Agreement finalised for land swap between PU and SYB

FY2015 HIGHLIGHTS

Corporate

- 🔥 4.2 million preference shares issued raising \$7.8 million*
- 🔥 1.8 million ordinary shares issued raising \$6.8 million*
- 🔥 Sterling note redemption date extended to 2020 by exchange offer/placing to raising \$4.1 million*
- 🔥 2 new bank facilities arranged in Indonesia totalling \$22.4 million

Current trends

- 🔥 Strong rebound in CPO price since lows of 2015
- 🔥 Sustained improvement in extraction rates
- 🔥 Ongoing focus on enhancing crop yields
- 🔥 Accelerating planting at development estates
- 🔥 Continuing discussions with potential strategic investors

* net of expenses

PALM OIL CONSUMPTION

Market Dynamics

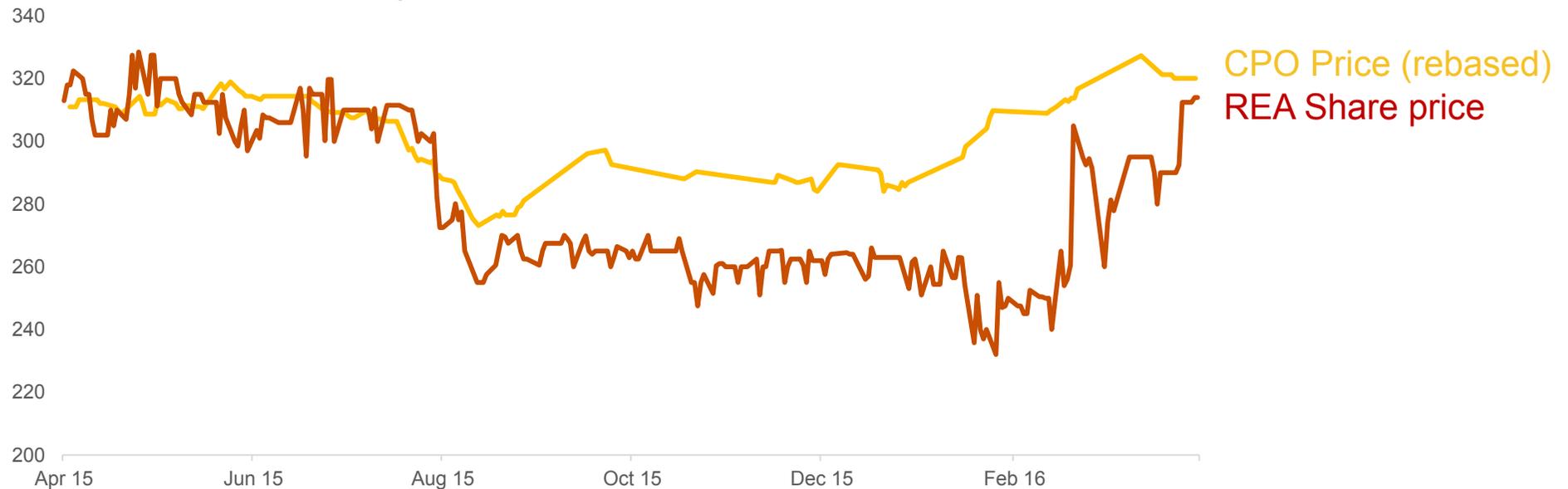
- 🔥 Worldwide consumption of major vegetable/animal oils/fats increased 3.3%
- 🔥 Total vegetable oil production to rise 1.3% in 2016⁽¹⁾
- 🔥 Biofuel increasingly important: 13% of global vegetable oil consumption in 2015
- 🔥 Weakness in CPO prices in 2015
 - 🔥 Downturn in petroleum prices
 - 🔥 Plentiful supply of soya oil in US and Brazil – high soybean stocks in USA
 - 🔥 Concerns over Chinese economy
- 🔥 Recent recovery in CPO prices suggests a decoupling from petroleum oil: US\$745, CIF Rotterdam
 - 🔥 Continuing growth in consumption – China and India low per capita consumption
 - 🔥 Conversion to biofuel not only driven by market factors, eg: government biofuel mandates
 - 🔥 In Indonesia in 2015, 15% mandatory biodiesel content in transport diesel
 - 🔥 Increased to 20% in 2016
 - 🔥 Export levy being used to subsidise biodiesel production

1) Source: Oil World

PALM OIL CONSUMPTION

CPO Price

- 🔥 Average 2015 CPO price, CIF Rotterdam, \$612 (2014: \$828)
- 🔥 Majority of CPO and CPKO sold in local market
- 🔥 REA achieved average CPO price per tonne, FOB, Samarinda: \$485 (2014: \$665)
- 🔥 REA achieved average CPKO price per tonne, FOB, Samarinda: \$744 (2014: \$951)
- 🔥 Indonesian export levy of \$50 per tonne payable since mid-July 2015 - reflected in sales as local and export sales are well arbitrated



OPERATIONS & DEVELOPMENT

FFB crops (tonnes)	2015	2014
Group	609,389	631,728
External purchases	139,276	149,002
Total	748,665	780,730

Production (tonnes)		
CPO	163,880	169,466
Palm kernels	34,354	35,764
CPKO	12,703	12,596

Extraction rates (percentage)		
CPO	22.2	21.9
Palm kernels	4.7	4.6
CPKO	35.0	38.1

Rainfall (mm)		
Average across the estates	2,141	2,606

Agricultural Overview

- 🔥 Group and smallholder FFB lower than 2014
 - 🔥 Driven in part by El Nino effect
 - 🔥 New MIS identifying areas for additional fertiliser
 - 🔥 Poor soils or zones with run off issues
 - 🔥 Higher dosages to be applied in some areas
- 🔥 Improving extraction rates
 - 🔥 Mill upgrades and regular maintenance work
 - 🔥 Improving third party FFB quality

OPERATIONS & DEVELOPMENT

Workforce

- 💧 Group workforce cut back to 7,400 (2014: 9,800)
 - 💧 25% reduction to improve productivity and achieve costs savings
- 💧 Roll out of RKPMS: key contributor to increased efficiency
 - 💧 Operational data managed centrally: facilitates near real-time decision making
- 💧 Employees rewarded on performance – score now linked to group KPIs
- 💧 Tighter absenteeism and overtime controls – installation of fingerprinting technology in mills complete and introducing across other operations

Cooperatives

- 💧 15 smallholder cooperatives cultivating over 1,500 hectares
- 💧 3,400 hectares developed under plasma schemes
- 💧 Group purchased 125,000 tonnes of FFB from plasma, PPMD and independent smallholders in 2015
 - 💧 Revenue of US\$13.3m to local farmers

OPERATIONS & DEVELOPMENT

Sustainability

- 🔥 REA ranked 7th out of 50 palm oil companies by Zoological Society of London's Sustainable Palm Oil Transparency Toolkit
- 🔥 June 2015: second biennial sustainability report published
- 🔥 New policy framework adopted covering sustainability standard and applicable regulations
- 🔥 RSPO certification of third oil mill (SOM) expected shortly (POM and COM already certified)
- 🔥 SOM awarded International Sustainability and Carbon Certification in 2015 (POM and COM already certified)
 - 🔥 Enables group to sell CPO for biodiesel production to meet EU Renewable Energy Directive
- 🔥 72% of CPO (116,528 tonnes); 42% of CPKO (5,274 tonnes) was RSPO certified in 2015
 - 🔥 Of RSPO certified CPO, 105,119 tonnes also ISCC certified

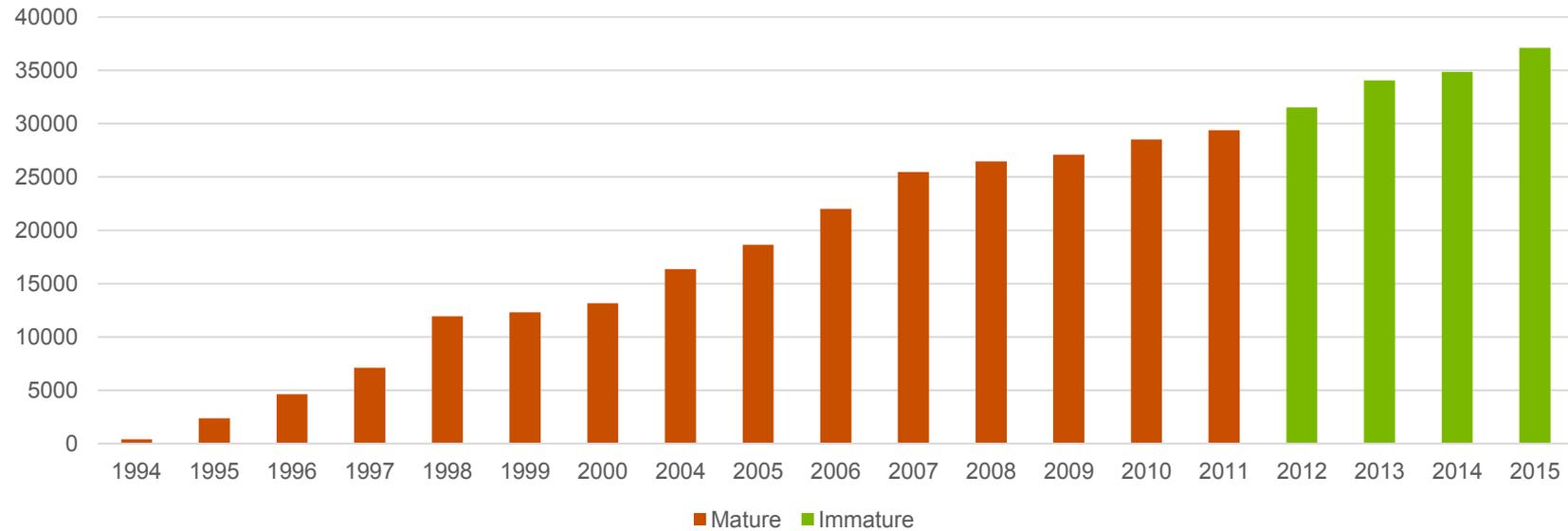
OPERATIONS & DEVELOPMENT

Infrastructure and logistics progress

- 🔥 Implementation of first phase of new information system integrating recording/reporting of operational/accounting information
- 🔥 Refurbishment of 3 boilers and installation of 2nd boiler in 3rd mill for greater resilience
- 🔥 Major part of mill upgrades completed and scheduled maintenance programme commenced in 2015
- 🔥 Logistics enhancements:
 - 🔥 New jetty at transshipment terminal; downstream loading facility operational; direct access by road to Samarinda
- 🔥 Methane from capture plants generating power for group's operations
 - 🔥 3 Mw dedicated to PLN
 - 🔥 Electricity revenue: \$233,000 for eight months to end December 2015; \$133,000 in Q1 2016
 - 🔥 PLN may increase power requirement to 8 Mw in due course: more revenue
- 🔥 Potential for 3rd methane capture plant at SOM

OPERATIONS & DEVELOPMENT

Land Development



💧 37,097 hectares of planted land - 29,367 now mature

💧 4,243 hectares cleared and 2,245 hectares planted in 2015

💧 Land development and planting progressing well in 2016

FINANCIAL OVERVIEW

	2015 \$'000	2014 \$'000
Revenue	90,515	125,865
Net loss arising from changes in fair value of agricultural produce inventory	(1,147)	(1,692)
Cost of sales	(72,406)	(77,914)
Gross profit	16,962	46,259
Net gain arising from changes in fair value of biological assets	13,060	3,571
Other operating income	2	2
Distribution costs	(1,097)	(1,325)
Administrative expenses	(11,702)	(16,391)
Operating profit	17,225	32,116
Investment revenues	259	398
Finance costs	(5,951)	(8,770)
Profit before tax	11,533	23,744
Tax	(6,631)	(1,763)
Profit for the year	4,902	21,981
Attributable to:		
Ordinary shareholders	(3,964)	14,153
Preference shareholders	8,461	8,140
Non-controlling interests	405	(312)
	4,902	21,981
(Loss) / earnings per 25p ordinary share	(11.2 cents)	40.3 cents

All operations for both years are continuing

FINANCIAL OVERVIEW

	2015 \$'000	2014 \$'000
Non-current assets		
Goodwill	12,578	12,578
Biological assets	339,091	310,175
Property, plant and equipment	155,642	151,172
Prepaid operating lease rentals	34,295	33,879
Indonesian stone and coal interests	35,338	31,334
Deferred tax assets	15,787	8,909
Non-current receivables	1,395	2,749
Total non-current assets	594,126	550,796
Current assets		
Inventories	11,190	16,180
Investments	2,158	–
Trade and other receivables	29,103	25,487
Cash and cash equivalents	15,758	16,224
Total current assets	58,209	57,891
Total assets	652,335	608,687
Current liabilities		
Trade and other payables	(27,025)	(17,818)
Current tax liabilities	(3,406)	(2,581)
Bank loans	(50,906)	(40,326)
Sterling notes	–	(14,693)
Hedging instruments	–	(9,590)
Other loans and payables	(93)	(1,238)
Total current liabilities	(81,430)	(86,246)
Non-current liabilities		
Bank loans	(72,034)	(60,638)
Sterling notes	(55,853)	(37,713)
US dollar notes	(33,637)	(33,472)
Deferred tax liabilities	(92,168)	(77,191)
Other loans and payables	(5,558)	(6,802)
Total non-current liabilities	(259,250)	(215,816)
Total liabilities	(340,680)	(302,062)
Net assets	311,655	306,625
Equity		
Share capital	120,288	112,974
Share premium account	30,683	23,366
Translation reserve	(46,282)	(44,324)
Retained earnings	204,429	212,928
	309,118	304,944
Non-controlling interests	2,537	1,681
Total equity	311,655	306,625

FINANCIAL OVERVIEW

	\$'m
7.5 per cent dollar notes 2017 ("2017 dollar notes") (\$34.0 million nominal)	33.6
9.5 per cent guaranteed sterling notes 2015/17 ("2017 sterling notes") (£8.3 million nominal)	10.6
8.75 per cent guaranteed sterling notes 2020 ("2020 sterling notes") (£31.9 million nominal)	45.3
Indonesian term bank loans	87.4
Drawings under working capital lines	35.5
	212.4
Cash and cash equivalents	(15.7)
Net indebtedness	196.7

Capital Structure

- 🔥 4.2m new preference shares placed in July 2015 for cash at a price of 120p, raising \$7.8m net of expenses
- 🔥 1.8m new ordinary shares placed in October 2015 for cash at a price of 260p per shares, raising \$6.8m net of expenses
- 🔥 Sterling note exchange offer and cash placing at par: £26.9m new 8.75% sterling notes 2020; concurrently acquired and cancelled £26.2m nominal of outstanding 9.5% sterling notes 2015/2017 (September 2015)
- 🔥 £5.0m nominal 2020 sterling notes cash placing at 97% (December 2015)

- 🔥 31 December 2015, unutilised facilities available to group - \$21.6m
- 🔥 Undrawn loan facility will be used to fund development expenditure on PBJ
- 🔥 Advancing negotiations to amend \$62.1m amortising term loan facilities
- 🔥 Discussions with shortlist of potential strategic investors
- 🔥 If funding is required pending completion of discussions, seek to place a limited number of shares
- 🔥 Other capex only committed where funding permits

STRATEGY & OUTLOOK

Strategy

- 🔥 Continue commitment to sustainable operation and development
- 🔥 Improve productivity and efficiency of established agricultural operations
- 🔥 Minimise unit production costs
 - 🔥 Greater resilience in any downturn in prices than competitors
- 🔥 Develop land bank, capitalising on available resources
- 🔥 Continue engagement with Indonesian government stakeholders

STRATEGY & OUTLOOK

Outlook

- 🔥 Continued growth in demand for vegetable oils
- 🔥 CPO price outlook encouraging
- 🔥 Improvement in crop levels
 - 🔥 More rigorous harvesting routine; fertiliser regime
- 🔥 Improving yields and extraction rates
- 🔥 Tight cost management to continue
- 🔥 Benefits of new information system and 'real time' operational analysis
- 🔥 Continuing extension planting programme towards 60,000 hectares
- 🔥 Advanced discussions with strategic investors