

R.E.A. Holdings plc: Update re certain matters

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R.E.A. Holdings plc ("REA") **Update re certain matters**

Selling prices

Since May 2020, the price of crude palm oil ("CPO"), CIF Rotterdam, has risen from a low of \$510 per tonne to a current price of \$920 per tonne. Whilst the higher prices now prevailing are materially beneficial to REA, the extent of the benefit is reduced by two imposts chargeable on exports of Indonesian CPO: export duty and export levy.

Export duty is a tax payable to the Indonesian government. Export levy is payable to a dedicated fund which utilises levy income to subsidise the manufacture of biodiesel from CPO and to support other measures designed to benefit the growing of oil palms in Indonesia. According to Oil World, Indonesian biodiesel will consume approaching 8 million tonnes of CPO in 2020 and the Indonesian government has stated that it is committed to increasing the mandatory usage of biodiesel in transport fuel.

Because biodiesel is a substitute for petroleum based diesel oil, it has to be priced on a basis that reflects prevailing levels of petroleum oil prices. As a result, at current CPO prices, the manufacture of biodiesel would be uneconomic without the subsidy funded by the export levy.

Both export duty and export levy are calculated on sliding scales by reference to a CPO reference price that is set periodically by the Indonesian government on the basis of CIF Rotterdam and other recognised benchmark CPO prices. Following the rise in the CPO price referred to above, the Indonesian government has recently announced changes to the export levy scale. As a result, the combined incidence of export duty and export levy at different CPO reference prices is as shown by the table annexed to this announcement. The current CPO reference price is \$870.77.

CPO produced by REA is generally sold in the Indonesian local market. As such, group sales are not subject to export duty or export levy. However, arbitrage between the Indonesian local and international CPO markets normally results in a local price that is broadly in line with prevailing international prices after adjustment of the latter for delivery costs and export duty and levy.

Bank financing

Agreement has recently been reached with the group's Indonesian bankers on extension for a further year of the group's working capital facility, equivalent to some \$5 million, which fell due for renewal in November 2020. Discussions are continuing as to possible additions to the group's term loan facilities to fund, in part, nearer term repayments due in respect of those facilities.

Claims against coal interest

As previously reported, PT Indo Puncadasa Agrotama ("IPA"), an Indonesian company owning a coal concession near Kota Bangun in East Kalimantan, to which REA has extended funding, has been the object of certain arbitration claims by two claimants (connected with each other) with whom IPA previously had conditional agreements relating to the development and operation of IPA's coal concession. REA was joined as a party to the arbitration on a prima facie basis and without prejudice to any final determination of jurisdiction. Further separate, but related, potential claims threatened by the two claimants in respect of, inter alia, alleged tortious conduct by REA's subsidiary, R.E.A. Services Limited, and its managing director were stayed pending a conclusion of the arbitration hearing.

Following a virtual merits hearing of the arbitration claims at the end of June 2020, the arbitral tribunal has dismissed all claims in the arbitration against IPA and REA and has awarded costs on an indemnity basis to IPA. The tribunal's decision removes the grounds for the separate stayed claims in respect of tortious conduct.

Trading update

REA plans to issue an update on 2020 trading early in 2021.

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ANNEXURE

COMBINED EXPORT LEVY AND EXPORT DUTY

From	To	Levy	Duty	Total	Net price*
\$	\$	\$	\$	\$	\$
0	670	55	-	55	615
670	695	60	-	60	635
695	720	75	-	75	645
720	745	90	-	90	655
745	750	105	-	105	645
751	770	105	3	108	662
770	795	120	3	123	672
795	800	135	3	138	662
801	820	135	18	153	667
820	845	150	18	168	677
845	850	165	18	183	667
851	870	165	33	198	672
870	895	180	33	213	682
895	900	195	33	228	672
901	920	195	52	247	673
920	945	210	52	262	683
945	950	225	52	277	673
951	970	225	74	299	671
970	995	240	74	314	681
995	1000	255	74	329	671

1001	1050	255	93	348	702
1051	1100	255	116	371	729
1101	1150	255	144	399	751
1151	1200	255	166	421	779
1201	1250	255	183	438	812
1251	1300	255	200	455	845

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