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FOR IMMEDIATE RELEASE

25 January 2024

R.E.A. Holdings plc (the "company")

Publication of circular and update on current trading and trends

On 2 November 2023 the company announced that agreement had been reached between the company and PT Dharma Satya Nusantara Tbk ("**DSN**") pursuant to which, subject to the satisfaction of certain conditions, PT Agro Pratama, a subsidiary of DSN incorporated in the Republic of Indonesia, would subscribe for further shares in the capital of the company's principal operating subsidiary, PT REA Kaltim Plantations ("**REA Kaltim**"), to increase the investment of the DSN group in the share capital of REA Kaltim from 15 per cent to 35 per cent ("**the proposed DSN subscription**"). The company now announces that a circular regarding the proposed DSN subscription (the "**circular**") has been approved by the Financial Conduct Authority and is being published today.

The circular also contains further details of the priority right granted by the company to the DSN group to acquire PT Cipta Davia Mandiri ("**CDM**") and (ii) the agreement reached between the company and DSN that a new wholly owned UK subsidiary of the company would purchase PT Praselia Utama ("**PU**") from REA Kaltim (such that the DSN group would no longer hold an indirect interest, through REA Kaltim, in PU) (together with the proposed DSN subscription, the "**proposals**"), as well as an update on current trading and trends.

As set out in the circular, the proposals are of a size that results in their being classified as a class 1 transaction for the purposes of the Listing Rules, thus requiring the approval of shareholders. Additionally, by virtue of the DSN group being entitled to exercise more than 10 per cent of the votes capable of being cast at a general meeting of REA Kaltim, DSN is a "substantial shareholder" in REA Kaltim and thus a related party of the company for the purposes of the Listing Rules. Therefore, the proposals are also classified as a related party transaction for the purposes of the Listing Rules, similarly requiring the approval of shareholders. Accordingly, the circular contains a notice convening a general meeting of the company to be held at the London offices of Ashurst LLP at London Fruit and Wool Exchange, 1 Duval Square, London E1 6PW on 12 February 2024 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the necessary shareholder resolution approving the proposals.

DSN has confirmed to the company that neither DSN nor any of its associates is a shareholder in the company.

Subject to receipt of shareholder approval, and satisfaction of the other conditions to each of the proposals, it is expected that completion of: (i) the proposed DSN subscription will take place by the end of February 2024; (ii) the proposed intra-group sale and purchase of PU will also take place by the end of February 2024; and (iii) the potential sale of CDM to the DSN group, should the DSN group exercise its priority right, would take place by the end of May 2024.

In addition to approval by shareholders, the proposals are all also conditional on, amongst other things, the formal approval of PT Bank Mandiri Tbk, the group's Indonesian lending bank, which is expected to be received shortly.

Please click on the link below to view the circular (including the notice of general meeting), a copy of which will also be available for inspection on the company's website at www.rea.co.uk and, in hard copy format, at the offices of

Ashurst LLP and at the company's registered office and during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the conclusion of the general meeting. A copy of the circular will also be uploaded to the FCA's National Storage Mechanism.

Current trading and trends

Agricultural operations

Key agricultural statistics are set out below for the periods indicated:

	6 months to 30 June 2023	6 months to 31 December 2023	Year to 31 December 2023	Year to 31 December 2022
<u>FFB harvested (tonnes)</u>				
Group	346,216	416,044	762,260	765,681
Third party	98,413	133,410	231,823	248,971
Total	444,629	549,454	994,083	1,014,652
<u>Production (tonnes)</u>				
Total FFB processed	411,255	538,446	949,701	981,011
FFB sold	32,345	12,687	45,032	33,168
CPO	90,167	119,827	209,994	218,275
Palm kernels	20,300	27,024	47,324	46,799
CPKO	8,331	11,062	19,393	18,206
<u>Extraction rates (per cent)</u>				
CPO	21.9	22.3	22.1	22.3
Palm kernels	4.9	5.0	5.0	4.8
CPKO*	39.6	40.7	40.2	39.7
<u>Rainfall (mm)</u>				
Average across the estates	1,924	1,301	3,225	3,837

* Based on kernels processed

Group FFB production for 2023, at 762,260 tonnes, was in line with 2022, notwithstanding the reduction in the group's mature hectareage as a result of older mature areas being cleared for replanting. As is normal, crops were weighted to the second half although, unusually, there was no pronounced peak in the fourth quarter. This was likely a consequence of a period of lower rainfall that, while typically occurring each year, fell later than usual in 2023.

After some reduction in purchases of third party fruit during the initial months of 2023, the group adjusted the prices and terms that it was offering for such fruit and purchases then returned to satisfactory levels.

The CPO extraction rate for the second half of 2023, at 22.3 per cent, showed a welcome improvement over the rate of 21.9 per cent achieved in the first half. The improvement is attributed to tighter field disciplines, with focus on regularity of harvesting, recovery of loose fruit and prompt collection of harvested FFB producing better results. Oil losses in the group's mills have been at comfortably below industry standards for some time. It is hoped that 2024 will show a further improvement in the CPO extraction rate.

Replanting and extension planting of oil palms completed during 2023 totalled, respectively, 731 and 491 hectares with planting out of further areas of, respectively, 248 and 38 hectares cleared during 2023 carried over for completion during the early months of 2024. Subject to availability of funding, the group aims, during 2024, to replant a further 1,345 hectares of oil palms and to extend its planted areas by establishing 1,000 hectares of additional oil palm plantings at the PU estate.

Following substantial investment over the past few years in expansion of the group's newest oil mill and in renovation of its other two mills, all three mills are operating with good reliability. Processing capacity should remain ample for

some time for the group's own FFB crops and for the volume of FFB expected to be purchased from third parties. Whilst the mills will continue to require regular replacement and upgrading of mill machinery, the annual investment entailed should now stabilise at a lower level than was needed for the expansion and renovation.

The group is continuing its efforts to improve the revenue that it can generate from sustainability. Those efforts are concentrated on two primary objectives: first, on increasing the proportion of its total CPO and CPKO that can be sold as sustainable and, secondly, on increasing the premia that the group receives for its sustainable production. Agreement reached with the Roundtable on Sustainable Palm Oil (RSPO) on remediation arrangements in respect of certain historic land clearing and development undertaken prior to changes in regulations, together with a drive to obtain sustainability certification for third party FFB suppliers, will assist with the first objective. Discussions initiated with key potential customers for sustainable oil should facilitate determination of a critical path towards achievement of the second objective.

Agricultural selling prices

Opening 2023 at \$1,090 per tonne, CIF Rotterdam, CPO prices weakened progressively through the first six months of the year to a low of \$855 per tonne in early June 2023. The price then rallied and has recovered to a level of \$980 per tonne as at 23 January 2024 (being the latest practicable date prior to the publication of the circular).

The Indonesian government continues to apply levies and duties on exports of CPO and CPKO. These tariffs are calculated on a sliding scale by reference to prices that are set periodically by the Indonesian government on the basis of CIF Rotterdam and other recognised benchmark CPO prices.

The group sells its CPO into the local Indonesian market, which sales are not subject to export levy or export duty. However, arbitrage between the Indonesian and international CPO markets normally results in a local price that is broadly in line with the prevailing international price after adjustment of the latter for delivery costs and export tariffs and restrictions. Changes to export tariffs and restrictions therefore have an indirect effect on the prices that the group achieves on sales of its CPO.

The average selling price for the group's CPO for 2023, including premia for oil with certified sustainability credentials, net of export duty and levy, adjusted to FOB Samarinda, was \$718 per tonne (2022: \$821 per tonne). The average selling price for the group's CPKO, on the same basis, was \$749 per tonne (2022: \$1,185 per tonne).

There is an expectation that growth in global production of CPO in 2024 will be limited. With continuing solid demand for vegetable oils from food and biodiesel producers, the immediate outlook for international CPO prices appears positive. Whilst that should to an extent benefit the local Indonesian CPO price that the group receives, the benefit may be limited by the higher Indonesian export tariffs that, under the current sliding scale, are applicable at higher international prices.

Stone, coal and sand interests

Good progress has been made with plans for quarrying the stone concession held by PT Aragon Tambang Pratama ("**ATP**") which is located in East Kalimantan some 15 kilometres north-west of the continuing REA Kaltim sub-group's northern-most estate. The two stone crushers purchased by ATP are now in situ at the quarry site and have commenced production of crushed stone. The initial output is being utilised to surface the quarry ends of two roads leading from the quarry to the continuing REA Kaltim sub-group's estates. These roads (of which one leads east and then south and the other west and then south) pass through a number of mining and forestry concession areas. Easements have been agreed with the holders of the relevant concessions for use of the eastern road for trucking stone and it is expected that further easements will be finalised in the near future for use of the western road for the same purpose. This will permit delivery of crushed stone to potential customers in the vicinity. Memoranda of understanding have been agreed with several potential customers regarding their prospective offtake of stone and it is expected that commercial sales of stone will begin early in 2024.

The position regarding ATP's subsidiary, PT Indo Pancadasa Agrotama ("**IPA**"), which holds a coal concession adjacent to the town of Kota Bangun in East Kalimantan, is less satisfactory. Prices for the semi-soft and high calorie thermal coal that IPA is able to mine fell substantially between April and June 2023 and have not recovered. As a result, IPA largely suspended mining operations from July 2023. It is continuing to sell stockpiled coal and should be well placed to resume mining should the markets for its coal products recover.

Meanwhile arrangements to permit exploitation of the quartz sand deposits in the overburden overlaying the IPA coal are evolving. Although this sand lies physically within the same area as the IPA coal, the rights to mine the sand are held by a separate company, PT Millenia Coalindo Utama ("**MCU**"). MCU is in the final stages of obtaining the substantive licences required to exercise the mining rights.

IPA's coal mining contractor has been appointed by MCU to mine the MCU sand on terms similar to those that applied to the contractor's mining of coal at IPA. Pursuant to such terms, the contractor will fund all further necessary expenditure on infrastructure, land compensation and mobilisation (such expenditure to be reimbursed on an agreed basis from the proceeds of future sand sales) and the profit contribution from MCU sand sales (representing the excess of the net proceeds of such sales over the direct costs) will be shared between MCU and the contractor in the approximate proportion 70:30. MCU is currently discussing volumes and prices for sand offtake with prospective

customers. Concurrently, the contractor is arranging to install a sand washing plant. Once installation is complete, sand production should commence in the first half of 2024.

The company's current financial interest in ATP and IPA is represented by loans made by the company to ATP and IPA. Pursuant to arrangements stemming from agreements made in 2008, it was intended that the company, through its wholly owned UK subsidiary KCC Resources Limited ("**KCC**"), would acquire a 95 per cent equity interest in ATP but the group has not to-date done so because subsequent changes in Indonesian regulatory requirements relating to foreign ownership of mining assets prevented this. Following recent further changes in such regulatory requirements, the company has initiated discussions with the current owner of ATP with a view to achieving a formal right to participate in the equity of ATP. Meanwhile, where surplus cash accrues to ATP and IPA, all such cash will continue to be applied in servicing these companies' loans from the company. However, for 2023, with the suspension of coal production and the need to finance the start-up of the stone quarry, there was no such surplus cash and the company was obliged to increase its loans to ATP.

Once MCU has formally acquired all of the substantive licences required for the exercise the sand mining rights, pursuant to the terms of the joint venture agreement between KCC and the current shareholders in MCU, KCC will proceed to subscribe a 49 per cent interest in the enlarged share capital of MCU.

Environmental, social and governance

Each year the group participates in the Sustainable Palm Oil Transparency Toolkit assessment by the Zoological Society of London which assesses palm oil producers, processors and traders on their disclosures regarding their organisation, policies and practices with respect to environmental, social and governance matters. In the 2023 assessment, published in November 2023, the company's score increased from 87.0 per cent to 88.7 per cent, compared with an average score of 47.2 per cent, ranking the group 12th out of the 100 palm oil companies assessed.

Financing

During 2023, the group continued to make repayments of its loans from PT Bank Mandiri Tbk in accordance with the terms of the loans. The repayments were principally funded by running down the group's cash balances while the group used its operational cash flows to invest in its business.

Debt and cash were increased in November 2023 upon receipt by REA Kaltim of the pre-closing loan of \$10.0 million from AP.

As a result, the composition of the group's net indebtedness at 31 December 2023 was as follows:

	\$'000
7.5 per cent dollar notes 2026 issued by the company (" dollar notes ") ⁽¹⁾	26,572
8.75 per cent sterling notes 2025 issued by REA Finance B.V. and guaranteed by the company and R.E.A. Services Limited (" sterling notes ") ⁽²⁾	40,501
Loans from the DSN group	24,125
Indonesian term bank loans ⁽³⁾	102,626
Drawings under short term (working capital) bank facilities	2,919
	<hr/> 196,743
Cash and cash equivalents	(8,123)
	<hr/> <hr/> 188,620

⁽¹⁾ There are \$27.0 million nominal of dollar notes in issue. \$26.6 million is such nominal amount less the amortised costs of issue of the dollar notes

⁽²⁾ There are £30.9 million (\$39.3 million) nominal of sterling notes in issue. \$40.5 million is such dollar amount less the amortised costs of issue of the sterling notes, plus \$1.4 million being the amount accrued as at 31 December 2023 in respect of the premium payable on redemption of the sterling notes

⁽³⁾ Net of the fees and expenses amortised over the expected life of the loans

The proposals would result in a substantial reduction in the group's net indebtedness. On the pro-forma basis detailed in the circular, the group's debt / equity ratio would fall from 77 per cent to 42 per cent.

The sterling notes fall due for repayment at 104 per cent of par on 31 August 2025. An object of the proposals is to provide the major part of the cash resources needed to meet this repayment.

Reorganisation

Until recently Indonesian regulations required that all foreign controlled Indonesian companies engaged in oil palm cultivation were owned as to not less than 5 per cent by local investors. These regulations were changed in 2021. Accordingly, in order to simplify the structure of the group (and thereby reduce administrative costs), during the fourth quarter of 2023 and January 2024, (i) REA Kaltim acquired the 5 per cent interests in PT Sasana Yudha Bhakti "**SYB**") and PT Kutai Mitra Sejahtera not already owned by REA Kaltim and (ii) SYB acquired the 5 per cent interest in PU not already owned by SYB. All subsidiaries of REA Kaltim are now wholly owned.

Both PT Kartanegara Kumala Sakti ("**KKS**") and its subsidiary PT Persada Bangun Jaya ("**PBJ2**") were originally acquired with a view to expanding the group's land bank. However, the group proved unable to complete the titling of the land allocations potentially available to these two companies. In the case of KKS, this was because KKS's land allocation was conditional on rezoning of land use and such rezoning (although originally expected) did not occur. In the case of PBJ2, mining rights, overlapping the prospective PBJ2 land, precluded completion of full titling of this land.

Some 77 hectares of land held by PBJ2 was planted before the extent of the land titling problem at PBJ2 became clear. Whilst it is unlikely that the rights to cultivate this area will be disputed if the area is locally owned, given the sensitivities of foreign land ownership in Indonesia, this may not be the case if PBJ2 remained under ultimate foreign ownership. Accordingly, DSN and the company agreed that PBJ2 was best sold and that, given the potential saving in administrative costs that could be achieved by divesting both KKS and PBJ2, it would be sensible to dispose of PBJ2 by selling its immediate parent company, KKS. The sale of KKS was completed during the fourth quarter of 2023.

The financial terms on which the above described reorganisation was effected are detailed in note 2 to pro-forma statement A in Part VII of the circular and the impact of the reorganisation on the group is illustrated in the column of pro-forma statement A headed "Effect of the reorganisation".

Preference dividends

The dividend falling due on the 9 per cent cumulative preference shares of £1 each in the capital of the company (the "**preference shares**") on 31 December 2023 was not paid, bringing the aggregate arrears of dividend on the preference shares to 11.5p per preference share. Subject to the proposed DSN subscription being completed, the directors intend to resolve that such arrears of dividend be paid in full on 8 April 2024.

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Shareholders who have requested to receive all communications by email will also receive an email including a website link to the circular and details regarding voting.

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This announcement includes statements that are, or may be deemed to be, forward-looking statements, beliefs or opinions, including statements with respect to the company's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. These statements are made by the company's directors in good faith based on the information available to them at the date of this announcement and reflect the company's directors' beliefs and expectations. By their nature these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements speak only as at the date of this announcement and the company and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this announcement. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

Nothing in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share or dividend per share for the company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share or dividend per share for the company.

Certain figures included in this announcement have been subjected to rounding adjustments. References in this announcement to "\$" are to US dollars.

Attachment

File: [Circular](#)

Dissemination of a Regulatory Announcement, transmitted by EQS Group.
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