

R.E.A. Holdings plc: AGM Statement

,

R.E.A. Holdings plc (RE.)
R.E.A. Holdings plc: AGM Statement

13-Jun-2017 / 10:15 GMT/BST

Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR), transmitted by EQS Group.

The issuer is solely responsible for the content of this announcement.

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

AGM Statement

Agricultural operations

Crops, production statistics and rainfall for the period from January to the end of May 2017 (with comparative figures for 2016) are set out below:

	5 months to	5 months to
	May-17	May-16
<u>Crop (tonnes)</u>		
Fresh Fruit Bunches (FFB) - Jan / Apr	160,000	160,000
FFB - May	43,000	32,000
	203,000	192,000
FFB external	44,000	42,000
	247,000	234,000
<u>Production (tonnes)</u>		
Crude palm oil (CPO)	53,400	55,600
Palm kernels	10,700	11,000
Crude palm kernel oil (CPKO)	3,400	4,100*
<u>Extraction rates (%)</u>		
CPO - Jan / Apr	21.8	23.9
CPO - May	22.9	23.7
Palm kernels - Jan / Apr	4.4	4.8
Palm kernels - May	4.4	4.6
CPKO - Jan / Apr	38.2	30.4

CPKO - May	38.0	36.7
Rainfall (mm)		
Jan / Apr	1,412	1,174
May	314	240
	1,726	1,414

* 2016 CPKO production includes CPKO from prior year kernel production.

The heavy rains in the final months of 2016 persisted into the initial months of 2017 but started to ease off in May. As a result, harvesting and transportation difficulties experienced at the end of 2016 continued into 2017 but the operating situation gradually improved over the period and there was a marked upturn in crop in May.

Moving into the traditionally dryer period of the year, the programme to strengthen the group's road infrastructure can be accelerated. This will facilitate more efficient access to mature areas and evacuation of harvested crop to the group's mills, supporting the improving trend in production and extraction rates.

Mill extraction rates for 2017 to date reflect the harvesting and transportation difficulties but these are now on an improving trend as evidenced by the rates for May. To some degree, oil extraction rates in the first eight months of 2016 will have been inflated by the drought conditions as these result in an abnormally low moisture content in FFB harvested.

Whilst it is still too early to assess the impact of the increased fertiliser programmes introduced into the mature areas in 2016, the benefit of these programmes and other measures to optimise field disciplines with advice and support from the recently engaged agronomy adviser, should start to become progressively more evident in the second half of 2017 and 2018.

Works to expand the capacity of the group's newest mill at Satria and to refurbish the last of four boilers in the older mills are on target for completion in 2017. When the programme of major works is finished, the group will have adequate capacity for its own processing requirements and to process expected crops from smallholders at least until 2019.

The CPO price, CIF Rotterdam, started the year in strong fashion rising from \$790 per tonne at the beginning of January to \$857 per tonne by the middle of the month on the back of generally lower production. Thereafter, the price drifted gently downward reaching a low point of \$662.50 in late April as stock levels started to increase. Since then, the price has seen some recovery, now standing at \$712.5 per tonne and is expected to remain relatively stable around the \$700 level for the remainder of the year, supported to a degree by keen demand in the major growth economies. CPKO prices in January maintained the exceptionally high premia over CPO experienced in the last quarter of 2016 but then declined sharply in February to reflect premia in line with historic norms.

The average selling price for the group's CPO for the five months to the end of May 2017, on an FOB basis at the port of Samarinda, net of export levy and duty, was \$623 per tonne (2016: \$518 per tonne). The average selling price for the group's CPKO, on the same basis, was \$1,356 per tonne (2016: \$941 per tonne). The group continued to sell all of its ISCC certified CPO at a premium throughout the period.

Development work in PBJ and CDM has progressed in the first months of 2017, but planting at both estates has been delayed until the weather becomes dryer and bunding to control flooding has been completed. Thereafter, planting out the 4,000 hectares planned for 2017 across both estates should be completed rapidly. The bunding now under construction at PBJ is on the northern section and is using the same techniques as the existing bunding that has proved effective throughout the recent months of heavy rains.

Sales of renewable energy to PLN, the Indonesian national electricity company, for distribution to local villages amounted to over \$250,000 in the five month period to the end of May 2017 (2016: \$228,000) with household take-up continuing to grow each month.

Stone and coal operations

The limestone quarry adjacent to the group's PBJ property remains on track to start production during this month. The group is also working actively on the reopening of its Kota Bangun coal concession following the recent agreement with a new third party to resume mining of this concession. The group is in discussions to obtain access to an existing loading point on the Mahakam River to be used to evacuate production.

Finance

As previously reported, the group's financial position has been much improved over the last two years by the subscription of some \$28 million for additional ordinary and preference capital, the issue of replacement sterling and dollar notes, maturing in, respectively, 2020 and 2022, totalling \$65 million, the loan and equity investment by the group's new Indonesian partners, DSN, of \$43 million, a new Indonesian term bank loan of \$18 million and extensions to the maturity of other Indonesian bank borrowings. Discussions are continuing on limited further measures to improve the maturity profile of the group's indebtedness and the group's liquidity.

Outlook

Crop levels are now starting to improve. Bunch censuses are encouraging and, with improved disciplines in the field, yields gradually benefitting from a more intensive fertiliser regime and improved transport conditions, the directors are optimistic of increasing crops and, in due course, a full recovery in financial performance.

Company enquiries:

R.E.A. Holdings plc
Tel: 020 7436 7877

Media enquiries:

Jennifer Renwick
jennifer.renwick@camarco.co.uk
Tel: 020 3757 4994

Language: English
ISIN: GB0002349065
Category Code: AGM

TIDM: RE.
LEI Code: 213800YXL94R94RYG150
Sequence No.: 4291

End of Announcement EQS News Service

582519 13-Jun-2017

UK-Regulatory-announcement transmitted by DGAP - a service of EQS Group AG. The issuer is solely responsible for the content of this announcement.