AGM Statement

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R.E.A. Holdings plc ("REA")
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The crop of oil palm fresh fruit bunches ("FFB") harvested during the five month period to the end of May 2014 amounted to 258,000 tonnes, compared with 221,000 tonnes for the corresponding period in 2013. External purchases of FFB totalled 57,000 tonnes, compared with 34,000 tonnes for the corresponding period in 2013.

For the same period, processing of the group's own FFB production and the externally purchased FFB, together totalling 315,000 tonnes (2013: 255,000 tonnes), produced 68,000 tonnes of crude palm oil ("CPO") (2013: 55,000 tonnes), 14,000 tonnes of palm kernels (2013: 11,000 tonnes) and 5,000 tonnes of crude palm kernel oil ("CPKO") (2013: 4,000 tonnes). These production figures reflect extraction rates of 21.6 per cent for CPO (2013: 21.4 per cent), 4.4 per cent for kernels (2013: 4.5 per cent) and 38.4 per cent for CPKO (2013: 36.2 per cent).

Rainfall to the end of May 2014 averaged 1,106 millimetres across the group's operations compared with 1,741 millimetres during the corresponding period in 2013. This is consistent with the prediction, for which there appears to be increasing support, that 2014 will see a recurrence of the El Nino weather phenomenon.

Relations with the local communities remain calm. Despite the relatively dry start to the year, with the steady reduction in the maintenance backlog that built up on the estates during the period of disruptions and the implementation of further measures to upgrade infrastructure and boost operating efficiencies, production levels are on a rising trend. This is expected to continue into the second half of the year, subject to any impact that an El Nino or other adverse weather condition might have.

Close attention is being given to maintenance in the oil mills where the current average level of extraction rates reflects an unacceptable performance by the two older oil mills. A number of engineering and operational deficiencies have been identified and these will be addressed over the next few months.

The CPO price has remained relatively firm during the first months of 2014, trading in a range between $830 and just below $1,000 per tonne, CIF Rotterdam, and currently standing at $832.5 per tonne. Anticipation of an El Nino and an increase in the government mandated bio-diesel components of transport fuel in Indonesia, Malaysia and Argentina are supporting these price levels although concerns remain as to the impact of what promises to be a record soybean crop later this year. The group is currently preparing a risk assessment and developing strategies to mitigate as far as possible the impact of an El Nino.

The CPKO price continues to stand at a premium (currently of over $400 per tonne) to the CPO price.

The average selling price for the group's CPO for the five months to the end of May 2014, on an FOB basis at the port of Samarinda and after payment of export duty, was $721 per tonne (2013: $586 per tonne). The average selling price for the group's CPKO on the same basis was $1,059 per tonne (2013: $525 per tonne). These selling prices included premia realised from sales of sustainable oil which are estimated to have generated some $600,000 of revenue during the period. In addition, the group realised some $300,000 from the sale of green palm certificates with the price for green palm certificates in respect of CPKO currently at $60 per tonne, compared with an average of some $10 per tonne in 2013.

Development of the group's newer land areas, held by PT Putra Bongan Jaya ("PBJ") and PT Cipta Davia Mandiri, and the allocation of land for smallholder cooperatives is proceeding, albeit in the case of PBJ at a slower pace than the group would have wished due to the need to allay villager concerns regarding the location of village cooperative developments and to settle one late villager land compensation claim. In addition, following the implementation agreement reached earlier in the year in respect of the agreed swap of land currently held by PT Sasana Yudha Bhakti (and the subject of overlapping coal rights) for land held by PT Praesetia Utama ("PU"), work has commenced on the establishment of a master plan for the development of the PU land and, in particular on the identification of areas to be designated as conservation areas.

Progress is also continuing with the group's ancillary projects: the sale of electricity generated by the group's methane capture plants to the Indonesian state electricity company ("PLN"); the establishment of a quarry on the group's stone concession with a view to producing stone for the group's agricultural operations and for sale to third parties; and the cooperation arrangements for the mining of the group's coal concessions by third parties. The contractor for PLN has recently commenced installation of the infrastructure required to connect the agreed local villages with power supplied by the group's methane capture plants, with completion expected during the second half of the year. Revenue from at least some of the foregoing initiatives should be received in 2014 with increasing revenues in future years.

The group's recent projects in respect of methane capture as well as the recently constructed Satria oil mill will be included in 22 recently completed projects, all in East Kalimantan, to be inaugurated by the President of Indonesia at the official opening of the new airport in Balikpapan later in June.

Earlier in the year, research conducted by students and scientists from Universitas Nasional (UNAS) in Jakarta on one of the group's newer land areas, held by PT Kutai Mitra Sejahtera, identified 225 orangutan nests in the conservation areas as well as 84 species of birds within the oil palm plantation and conservation areas.

The directors retain their previously announced intention regarding a public offering of a minority shareholding in REA Kaltim combined with a listing of REA Kaltim's shares on the Indonesia Stock Exchange in Jakarta.

In line with their stated intention of, when market conditions permit, replacing shorter dated debt either with debt of a longer maturity or with preference share capital, the directors are currently seeking to issue, by way of a placing for cash, new 9 per cent cumulative preference shares up to an amount not exceeding some 5 million new preference shares, being approximately10 per cent of the preference shares currently in issue. Such new preference shares would rank pari passu in all respects with the existing issued preference shares.

The improvement in operations during the first months of the year is encouraging and should be reflected in the results for the first half of 2014. With standards gradually being restored to the high levels to which the group aspires, potential new revenues from ancillary projects and the continued expansion of the agricultural operations, the directors are confident that the recent improvement in the group's performance can be sustained.

<u>Enquiries:</u>

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

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