

R.E.A. Holdings plc: Trading Update

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

Key agricultural statistics for the year to 31 May 2020 (with comparative figures for 2019) were as follows:

	2020	2019
FFB crops (tonnes):		
Group harvested	295,000	275,000
Third party harvested	75,000	78,000
Total	<u>370,000</u>	<u>353,000</u>

Production (tonnes):		
Total FFB processed	362,000	346,000
CPO	83,400	79,300
Palm kernels	18,000	15,400
CPKO	5,400	4,500

Extraction rates (percentage):		
CPO	23.1	22.9
Palm kernel	5.0	4.5
CPKO*	39.8	40.0

Rainfall (mm):		
Average across the estates	1,300	1,664

* Based on kernels processed

Covid-19 has not so far had a significant negative effect on the operations as agriculture is treated as a priority industry in Indonesia and, therefore, is explicitly excluded from lockdown measures. To date there have been only two confirmed cases of Covid-19 on the group's estates.

As noted in the annual report for the year ended 31 December 2019, published on 7 May 2020, production in the first few months of the year has been at good levels. With many harvesters unable to travel home for the traditional Ramadan holiday, productivity has been maintained during this period. Despite the persistently weak CPO prices throughout most of 2019, the group maintained fertiliser applications at normal levels and aims to do so again for 2020.

The group continues to push for improvements in loose fruit collection, greater efficiency of FFB transport to the mills for processing and tighter disciplines in the mills. Driven by the recently restructured management team, the modifications, upgrading and rigorous maintenance programme across all three mills are progressing with a view to optimising extraction rates and ensuring that the design throughput in each mill is maintained.

After a strong start to 2020, CPO prices CIF Rotterdam fell from \$860 per tonne on 1 January to a low for the year to date of \$510 per tonne in mid May. Since then, there has been a moderate recovery to a current level \$595 per tonne. The Indonesian government continues to support the production of CPO based bio-diesel for internal use and this, coupled with continued CPO offtake by China and a reopening Indian market for CPO, should provide support to the CPO price.

The average selling price for the group's CPO for the five months to the end of May 2020, on an FOB basis at the port of Samarinda, net of export levy and duty, was \$540 per tonne (2019: \$434 per tonne). The average selling price for the group's CPKO, for the same period, was \$650 per tonne (2019: \$590 per tonne).

Significant uncertainties still remain regarding the Covid-19 pandemic and its economic impact. The directors are therefore continuing to adopt a cautious approach with expenditure being minimised throughout the group. Some additional measures are being taken to reduce costs without compromising operational performance, including a headcount reduction of some 200 (mostly in the temporary workforce) since the beginning of the year as a further step in the cost saving programme initiated in 2019.

Following the previously reported conclusion of an agreement with a neighbouring coal company on quarrying the andesite stone concession, the coal company in question has commenced land clearing for the road that it is proposing to build through the group's estates utilising stone sourced at least in part from the concession. This augurs well for commencement of stone production. However, weakness in coal prices in the wake of the Covid-19 pandemic is likely to mean a further delay to the planned recommencement of coal production by the concession holding company, IPA.

Over time, low levels of replanting and little new planting in Indonesia will result in slower production growth of CPO and CPKO boding well for future prices as demand increases and stocks diminish. The directors, therefore, look forward to a more positive outlook as cash flows improve.

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