

R.E.A. Holdings plc: change to board of directors and trading update

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

Change to board of directors and trading update

Management

The directors of REA announce that on 20 February 2017 they accepted the resignation of Mark Parry as managing director of the company and his resignation as president director of PT REA Kaltim Plantations ('**REAK**'), REA's principal operating subsidiary in Indonesia, with immediate effect. Mark has also resigned from all other directorships and employment he holds with REA's subsidiaries. Whilst Mark's board appointments ended with effect from 20 February 2017, his employment with REA's Singapore subsidiary will continue until 20 May 2017.

Mark decided to offer his resignation following concerns expressed by the authorities in East Kalimantan, Indonesia, that Mark, in his position as president director of REAK, might have undertaken various tasks that were outside the scope of his work permits. The tasks in question involved matters relating to human resources and personnel management (which are reserved by Indonesian law to Indonesian nationals) and conducting business at group locations not specifically covered by the work permits.

The directors of both REA and REAK would like to thank Mark for his work over the past five years and his many achievements, particularly in the areas of new planting and developing good working relations with local villages. The directors would also like to take this opportunity to wish Mark well in his future endeavours.

As a result of Mark's decision, the directors of REA have appointed Carol Gysin as managing director of REA, based in London. Carol has worked for REA for the last eight years as group company secretary and is a Fellow of the Institute of Chartered Secretaries and Administrators.

In addition, the shareholders of REAK intend to appoint George Kapitan as president director of REAK. George, who is an Indonesian citizen, is currently chairman of the board of commissioners of REAK but will relinquish that position on his appointment as president director of REAK. It is

intended that David Blackett, chairman of REA, be appointed as chairman of REAK's board of commissioners in his place.

The directors of REA are confident that the group management team already in place will be able to continue the operations and planned development of the group without loss of momentum.

Agricultural operations

Key agricultural statistics for the year to 31 December 2016 (with restated comparative figures for the corresponding period of 2015) were as follows:

	2016	2015*
FFB crops (tonnes):		
Group harvested	468,371	600,741
Third party harvested	98,052	138,657
Total	566,423	739,398
Production (tonnes):		
Total FFB processed	560,957	728,871
CPO	127,697	161,844
Palm kernels	26,371	33,877
CPKO	9,840	12,557
Extraction rates (percentage):		
CPO	22.8	22.2
Palm kernel	4.7	4.7
CPKO	34.7	35.0
Rainfall (mm):		
Average across the estates	3,449	2,141

* The 2015 comparative figures have been restated as the new information system that was implemented in 2015 allows for data collection in real time so that operational statistics can be reported on an actual month basis

As previously reported, the severe dry periods experienced in both 2014 and 2015 had a significant negative impact on the group's crop production in 2016, alongside that of other oil palm plantations in East Kalimantan and a number of other areas of South East Asia. Cropping rates started to recover from September onwards, but unusually heavy rainfall in November and December disrupted collection, which meant that production in the final months of the year fell short of crop availability as not all crop could be harvested.

With promising bunch formation in the field, the appointment of a new agronomy consultant at the beginning of 2017 and work now underway to strengthen the group's road infrastructure, the directors are optimistic that monthly production will start to accelerate.

The CPO price, CIF Rotterdam, edged steadily upwards through 2016 from an opening price of \$570 per tonne to close at \$801 per tonne and has traded in a range between \$770 and \$860 per tonne since the beginning of 2017. It is widely expected that prices will remain around current levels at least for the first half of 2017. Beyond that much depends upon soya crops but with CPO stocks depleted as a result of the poor 2016 harvest, there is a reasonable expectation that prices will continue at remunerative levels through the second half of 2017.

Good progress was made with the group's extension planting programme in 2016. Cumulative development for the year is detailed below:

Hectares	2016
Cleared, not yet planted at 1 January 2016	2,700
Cleared during the period	4,600
Cleared, not yet planted at end of period	(1,600)
Planted during the period	5,700

Clearing and planting are continuing at a good rate.

Stone and coal operations

The group is moving towards implementation of its previously announced plans to purchase crushed stone from a third party contractor who would extract the stone from a limestone quarry located near the PT Putra Bongan Jaya ('**PBJ**') property and then crush the stone on a site within the PBJ property. The resultant crushed stone will be utilised for hardening roads on PBJ and for sale to third parties as well as potentially to other group companies.

Arrangements for the resumption of coal mining at the group's PT Indo Pancadasa Agrotama ('**IPA**') concession near Kota Bangun are well advanced and a new contractor will be selected from a short list in the near future. Following a limited period for rehabilitation of the mine, it is intended that coal production will resume. The agreement that is already in place will provide for a steady cash inflow to the group based upon prevailing coal prices but with an agreed floor.

Outlook and publication of results

Production and the group's expansion programme are expected to make steady progress in 2017, with the benefit of improvements to operational infrastructure and efficiencies as well as stable CPO prices.

In line with the timetable adopted in previous years, it is expected that the final results for 2016 will be announced, and the annual report in respect of 2016 published, at the end of April 2017.

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