

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

09-Jun-2022 / 07:00 GMT/BST

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

AGM statement

The company will hold its AGM at 10 a.m. today when the chairman will give the following statement to shareholders.

Agricultural operations

Key agricultural statistics for the year to 31 May 2022 (with comparative figures for 2021) were as follows:

	2022	2021
Fresh Fruit Bunch (“FFB”) crops (tonnes):		
Group harvested	252,854	307,140
Third party harvested	98,698	91,860
Total	351,552	399,000
Production (tonnes):		
Total FFB processed	338,964	393,902
CPO	76,008	87,295
Palm kernels	16,211	18,565
CPKO	6,015	6,876
Extraction rates (percentage):		
CPO	22.4	22.2
Palm kernel	4.8	4.7
CPKO*	39.4	38.5
Rainfall (mm):		
Average across the estates	1,848	1,624

*Based on kernels processed

As noted in the 2021 annual report, published in April 2022, production in the first months of 2022 was impacted by high levels of rainfall hindering evacuation of FFB and delaying the group’s road upkeep programme. Average rainfall across the group’s estates was up by some 35 per cent in the first quarter of 2022 compared with the historic average of the last ten years.

In recent days, weather conditions appear to have become more favourable and daily crop evacuation has shown an improvement. Moreover, the group has accelerated investment in its transport fleet with the purchase of substantial numbers of new tractors and trucks. This, combined with the programme progressively to build stone- based all-weather roads that is expected to

commence later in 2022, should reduce the problem of crop evacuation during periods of heavy rainfall. Investment in further bunding of flood prone areas should also assist with crop evacuation as well as improving yields from such areas.

Prices

International CPO prices have continued to trade at unprecedented levels due principally to tighter availability of vegetable oils exacerbated by the war in the Ukraine. Domestic Indonesian CPO prices have increasingly diverged from international prices due to the incidence of export tariffs. Further divergence occurred when local prices dropped as a result of a temporary Indonesian government ban on exports of palm oil from 28 April to 23 May, such ban being designed to support the local availability of cooking oil at an affordable price. Nevertheless, domestic prices remained comfortably ahead of average prices recorded over the last ten years. With the export ban lifted, albeit that certain restrictions remain regarding domestic market obligations, local prices are expected to recover.

Opening the year at \$1,350 per tonne, CIF Rotterdam, prices peaked at \$1,990 per tonne in early March and are currently standing at \$1,710 per tonne. The average price realised from sales of CPO by the group during the period January to May 2022, including premia for certified oil but net of export levy and duty, adjusted to FOB Samarinda, was \$1,027 (average for the year 2021: \$777).

As previously reported, the group sells CPO to Indonesian refineries under long term sales contracts. These are not affected by export restrictions but the prices achieved are based on prevailing domestic market prices for CPO and as such are indirectly affected by tariffs and restrictions on exports.

Stone and coal interests

The coal concession holding company, PT Indo Pancadasa Agrotama (“IPA”), to which the group has made loans, is continuing to mine coal at a rate of approximately 30,000 tonnes per month and has made five shipments to date at selling prices averaging \$290 per tonne (delivered FOB vessel). Cash received by IPA is now principally being applied in the repayment of loans from the group. Provided that coal prices remain firm, the rapid extraction of coal at IPA encourages an expectation of significant near term recovery of the group’s coal loans.

The stone concession holding company, PT Aragon Tambang Pratama (“ATP”), to which the group has also made loans, is close to finalising agreements with a contractor who will operate the quarry to supply stone to the group’s agricultural operations and for sale to a neighbouring coal company and other third parties. There is a substantial deposit of stone for which there should be good long term demand.

Dividends

As previously announced, the semi-annual preference dividend of 4.5p per share falling due on 30 June 2022 in respect of the half year ending on that date will be paid on 30 June 2022.

It remains the directors’ intention to pay not less than 10p of the cumulative arrears of preference dividend (which currently amount to 17p per share) on or before 31 December 2022.

Outlook

With current CPO and coal prices, notwithstanding some inflation in costs, the group is enjoying good cash flows. These should be sufficient to meet the directors’ objectives of a progressive

reduction in group indebtedness and other obligations and increased investment in necessary improvements to the existing operations and expansion of planted areas.

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ISIN: GB0002349065
Category Code:AGM
TIDM: RE.
LEI Code: 213800YXL94R94RYG150
Sequence No.: 167034
EQS News ID: 1371421

End of AnnouncementEQS News Service

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