

R.E.A. Holdings plc: Trading Update

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R.E.A. Holdings plc ("REA" or the "company") - Trading update June 2021

Key agricultural statistics for the 5 months to 31 May 2021 (with comparative figures for 2020) were as follows:

	2021	2020
FFB crops (tonnes):		
Group harvested	303,340	288,631
Third party harvested	95,660	81,459
Total	<u>399,000</u>	<u>370,090</u>

Production (tonnes):		
Total FFB processed	393,902	361,568
CPO	87,295	83,353
Palm kernels	18,565	18,044
CPKO	6,876	5,447

Extraction rates (percentage):		
CPO	22.2	23.1
Palm kernel	4.7	5.0
CPKO	38.5	39.8

Rainfall (mm):		
Average across the estates	1,624	1,300

As noted in the annual report for the year ended 31 December 2020, published on 27 April 2021, the impact of Covid-19 on the group's operations has been limited and continues to be so. Despite high rainfall and the end of Ramadan holiday period falling early in 2021, production since the start of 2021 has been at good levels, with the typical year end peak crop period extending into the first few months of the year.

Close focus on harvesting standards, backed by a range of measures including realignment of financial incentives to improve loose fruit recovery, has started to pay off resulting in a marked improvement in extraction rates to over 23 per cent for CPO in May. With contractors and spare parts now more readily available, the modification and expansion works to the group's mills are proceeding satisfactorily to completion which should further optimise processing efficiency.

CPO prices have remained firm supported by the favourable demand-supply balance for vegetable oils generally and, in particular, for palm oil where stocks have been depleted by low production in Malaysia. Opening the year at \$1,050 per tonne, CIF Rotterdam, after a brief drop back in early February to \$950 per tonne prices have edged up to reach a high for the year to date in mid May of \$1,295. Currently, CPO prices stand at \$1,140.

The Indonesian government has continued to maintain export duty and levy at the high levels introduced in the latter half of 2020. The average selling price for the group's CPO for the five months to the end of May 2021, on an FOB basis at the port of Samarinda, net of export levy and duty, was \$683 per tonne (2020: \$540 per tonne). The average selling price for the group's CPKO, for the same period, was \$1,006 per tonne (2020: \$650 per tonne).

The group's stone and coal interests have seen some positive developments since the start of the year. The andesite stone concession holding company, ATP, has recently agreed an easement to permit evacuation of stone - a critical pre-requisite to negotiating terms with a contractor. Meanwhile, at the coal concession holding company, IPA, preparations for resumption of mining have continued. Land compensation agreements with affected local individuals are being finalised, repairs to the 12km haul road from the concession to the IPA port are close to completion and the appointed contractor's equipment has been delivered to site. Signature of an agreement between IPA and a neighbouring coal company will add port revenue to expected mining revenue with the coal company concerned expected to start coal shipments through the port in the next few weeks. Discussions are under way with two other coal companies that may also utilise IPA's port facilities.

The proposals for replacement term loan facilities to be provided by the group's Indonesian bankers are advancing through the bank's approval process. Once these arrangements are finalised, other financing issues as outlined in the group's annual report can be addressed.

In line with their previously stated intention to pay the preference dividends arising during the year subject to CPO prices remaining at or around the levels current when the annual report was published, the directors have recently declared the payment of the fixed semi-annual preference dividend that falls due on 30 June 2021.

The group is now producing better cash flows, with CPO prices holding firm, and expects to report significantly improved trading results for the half year to 30 June 2021.

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

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