

## **M.P. EVANS GROUP PLC**

("Group" or "M.P. Evans")

### **ANNUAL GENERAL MEETING**

The annual general meeting of M. P. Evans Group PLC is being held in London today. The following statement, presenting an update on trading conditions and progress on the Group's activities since the publication of the annual report in April, is being given at the meeting by the chairman, Peter Hadsley-Chaplin:-

#### **1) Indonesian palm oil**

##### **a) Crops and extraction rates**

The overall crop of oil-palm fresh fruit bunches ("f.f.b.") from the majority-owned estates, at 154,100 tonnes, was slightly higher in the first five months of 2015 compared with the 152,900 tonnes recorded for the same period in 2014. The new projects in Kalimantan and Bangka continued their upward trend with 87,000 tonnes, 8% higher than the 80,500 tonnes in the comparative period in the previous year. This was despite heavy flooding in Kalimantan earlier in the year and the residual effect of the acute dry periods experienced on Bangka in 2014. The effects of the dry period in early 2014 in Sumatra were also still being felt in the early part of 2015: the crop in Sumatra for the first five months of the year was 67,100 tonnes, 7% lower when compared with the 72,400 tonnes in the same period in 2014. Crop levels have improved recently.

The overall upward trend in crops is expected to continue and will accelerate when the young areas on the new Musi Rawas project start to produce. It is looking likely that an "El Niño" event is developing. The effect of this will be that there will be a dry period in South East Asia which, if prolonged, may affect production levels.

In line with expectations, the two associated Indonesian plantation companies, PT Agro Muko (37% owned) and PT Kerasaan Indonesia (38% owned), reported crops some 15% lower than for the first five months of 2014 as the accelerated replanting programme takes effect.

Industry-leading extraction rates continue to be achieved by the Group's two palm-oil mills. High oil quality also continues to be achieved.

##### **b) Prices**

Palm-oil prices have remained in the US\$650 to US\$700 per tonne range in 2015 which compares with the average for 2014 of US\$821. Plentiful supplies of competing oil seeds (and the oil extracted from them), the prospect of another year of good oil-seed crops and continuing weak mineral-oil prices continues to have a dampening effect on the palm-oil price. If the El Niño event, referred to above, becomes a reality, this may have a negative effect on palm-oil production in South East Asia which may, in turn, exert some upward pressure on the price.

I referred in my statement in the 2014 annual report to the US\$50 per tonne levy that will be imposed by the Indonesian Government. It has been reported that this is likely to be introduced in August 2015. Consequently, the increase in the Indonesian Government's bio-diesel subsidy has also been delayed.

**c) Musi Rawas project**

Planting is getting under way on this new project in South Sumatra with some 350 hectares planted to date. Compensation has been agreed and settled over approximately 2,500 hectares.

**d) Bangka palm-oil mill**

Construction of the new palm-oil mill on the Bangka project has now started and is on schedule. The mill is expected to be completed in mid-2016.

**2) Australian beef cattle**

Australian beef-cattle prices have continued to rise, trading recently at record-high levels following strong demand, especially from Asia. Woodlands has enjoyed an excellent season to date and it is planned to increase the current herd of 8,000 to over 10,000 head of cattle. Most of the NAPCo properties had a good start to the season, although some are now in need of follow-up rain.

The prospective sale of Woodlands referred to in the 2014 annual report has not proceeded but there have been some indications of interest from other parties.

**3) Malaysian property**

The Group's Malaysian land bank remains a valuable asset.

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Enquiries:

**M.P. Evans Group PLC**

Telephone: 01892 516333

Peter Hadsley-Chaplin – chairman

Philip Fletcher – managing director

Tristan Price – finance director

**Peel Hunt LLP**

Telephone: 020 7418 8900

Dan Webster

Richard Brown

**Hudson Sandler**

Telephone: 020 7796 4133

Charlie Jack

Katie Matthews

Bertie Berger