Interim Management Statement

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RNS Number : 0277E
R.E.A.Hldgs PLC
03 May 2013

R.E.A. Holdings plc (the "company")

Interim management statement and placing of ordinary shares

Agricultural operations

The crop of oil palm fresh fruit bunches ("FFB") harvested during the four month period to the end of April 2013 amounted to 178,385 tonnes, compared with 183,494 tonnes for the corresponding period in 2012. Purchases of FFB totalled 26,366 tonnes, compared with the corresponding figure for 2012 of 14,346 tonnes. Rainfall to the end of April averaged 1,396 mm across the group's operations, compared with 1,168 mm during the same period in the previous year.

As noted in the company's annual report published on 25 April 2013, continuing village issues in the early weeks of 2013, and some subsequent limited harvesting blockages, have had an impact on the crops harvested to-date. No new issues have arisen since the publication of the annual report and, if the agreements now reached in relation to village issues continue to be respected (as they have been to-date), the directors expect the group's own FFB crops to return to more normal levels as the year progresses. The disruptions to harvesting in 2012 however are likely to have affected the normal fruiting cycle so that it must be expected that monthly cropping levels may be below average for the next few months but above average for the closing months of 2013.

Negotiations with villages in the group's next planned area for development are nearing completion and clearing of a substantial initial component of the 11,000 plantable hectares is expected to commence shortly. Negotiations are continuing with villages adjacent to further areas proposed to be developed so that, once compensation has been agreed and settled, land clearing in preparation for planting may commence in the near future. Planting out is continuing on the 5,000 hectare area that was cleared and prepared for planting in 2011 and partially planted during 2012. As previously explained, a minor proportion of this area is likely to be transferred to village cooperatives.

Processing of the group's own FFB production and the externally purchased FFB, together totalling 204,751 tonnes (2012: 197,840 tonnes) produced 43,139 tonnes of crude palm oil ("CPO") (2012: 46,137 tonnes), 9,319 tonnes of palm kernels (2012: 9,201 tonnes) and 3,403 tonnes (2012: 3,903 tonnes) of crude palm kernel oil ("CPKO") reflecting extraction rates of, respectively, 21.1 per cent for CPO (2012: 23.3 per cent), 4.6 per cent for kernels (2012: 4.7 per cent) and 36.0 per cent for CPKO (2012: 38.0 per cent).

With the recent commissioning of the third oil mill and upgrading and expansion of the two older oil mills, the group has, for the immediate future, sufficient processing capacity to handle all crop from its own estates and from the growing number of maturing smallholder plantings in the vicinity.

The CPO price, CIF Rotterdam, currently stands at $840 per tonne. The average price for the period 1 January to 30 April 2013 was $841 as compared with an average for the corresponding period in 2012 of $1,122. At the current level, the price is at an unusually large discount to the soya oil price but, with reports of large current season plantings of soybean in both the United States and South America (spurred by the high soybean prices of 2012), there is an expectation that the discount will narrow as a result of reducing soya oil prices rather than rising CPO prices. Against this, there is now evidence of declining stocks of CPO and past experience suggests that lower price levels will lead to increased Indian and Chinese consumption.

Electricity generated from the two methane capture plants commissioned in 2012 continues to supply a significant proportion of the group's mills, offices and housing, thereby substantially reducing the group's consumption of diesel oil for power generation with material consequential savings in energy costs and in greenhouse gas emissions.

The group continues to work towards implementation of the previously announced outline agreement with the Indonesian state electricity company ("PLN") under which the group will install an additional three megawatts of generating capacity, which it will dedicate to PLN and which PLN will use to supply power to the villages surrounding the group's estates by way of a local grid to be constructed by PLN.

Stone and coal operations

The group remains confident of the economic viability of its stone concession and work is continuing on plans to quarry the concession to provide stone for building and maintenance of infrastructure in the group's agricultural operations and for sale to users of stone in the surrounding area. Discussions are continuing with third parties that have coal mining interests adjacent to the group's coal concessions.

Financial position

Group borrowings and related engagements currently stand at $162.8 million (as respects the latter, on the basis of exchange and interest swap rates prevailing at 31 December 2012) ($163.5 million at 31 December 2012 as disclosed in the company's recently published 2012 annual report). Against this, the group currently holds cash and cash equivalents totalling $10.0 million ($26.4 million at 31 December 2012). The increase in borrowings net of cash and cash equivalents amounting to $15.2 million principally reflects the expected weighting of crops to the second half of the year, a reduction in outstanding creditors and payment of the first interim dividend.

During 2013, the group has arranged an increase of $15 million in the working capital line for the plantations group.

Placing of ordinary shares

The company has today entered into a placing agreement with Mirabaud Securities LLP pursuant to which the latter has agreed to use its reasonable endeavours to procure, on the company's behalf, subscribers for a total of 1,670,724 new ordinary shares of 25p each of the company (the "placing shares") at a subscription price of 425p per share, payable in full on allotment.

The placing is conditional upon admission of the placing shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's main market for listed securities. It is expected that admission, for which the company will make application, will become effective and that dealings in the placing shares will commence at 8.00 am on 10 May 2013.

In accordance with the Prospectus Rules issued by the Financial Conduct Authority in compliance with relevant European law, no prospectus is required to be published in connection with the proposed placing. Accordingly, it should be noted the company is not publishing a prospectus in relation to the proposals.

The placing shares will, when issued, rank *pari passu* in all respects with the existing ordinary shares of the company and, in particular, will be entitled to the final dividend paid in respect of 2012 which the directors have recommended should be paid at the rate of 3½ p per share.

The proceeds from the placing of the placing shares are estimated to amount to £6.8 million (net of expenses of approximately £250,000). These monies will be applied towards reducing the group's short term bank indebtedness. This will leave the group with greater unutilised bank facilities and will provide the group with a cushion, which the directors believe that the group should always have, against the volatility of the CPO market.

Strategic direction

As already announced, the directors retain their view that it remains desirable for the group to list its Indonesian plantation operations on the Indonesia stock exchange and are now reviewing their options for pursuing this strategy, given the probable need to postpone its implementation until sufficient time has elapsed for the Indonesian sub-group that those operations constitute to have reported figures that reflect normal cropping levels.

Outlook

As stated in the company's recently published 2012 annual report, the directors believe that the challenges facing the group are being surmounted, that the group will be successful in taking advantage of expansion opportunities and that there will be further scope for enhancing returns through the now proven methane capture initiatives. This should ensure that the group will continue to accrue value from its oil palm operations which already represent a high quality large scale agricultural business.

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