

Interim Management Statement

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R.E.A. Holdings plc

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Agricultural operations

The crop of oil palm fresh fruit bunches ("FFB") harvested to the end of September 2012 amounted to 425,173 tonnes. This was slightly lower than the crop for the corresponding period in 2011 of 454,996 tonnes and below the budgeted crop of 499,044 tonnes for the period. Crops for the second half of 2012 have been broadly in line with budget but the group has not yet been able to recover any element of the significant shortfall on budget that was sustained in the first half of the year. Some recovery may still be achieved during the remaining months of the year given the volume of harvestable crop available.

External purchases of FFB during the nine months to 30 September 2012 totalled 41,750 tonnes (2011: 23,727 tonnes). Processing of the externally purchased FFB and the group's own production, together totalling 466,923 tonnes (2011: 478,724 tonnes), produced 107,406 tonnes of CPO (2011: 109,881 tonnes), 21,702 tonnes of palm kernels (2011: 21,331 tonnes) and 8,225 tonnes of CPKO (2011: 8,255 tonnes). These production figures reflect extraction rates of 23.03 per cent for CPO (2011: 22.95 per cent), 4.65 per cent for palm kernels (2011: 4.46 per cent) and 37.80 per cent for CPKO (2011: 38.89 per cent).

Rainfall to the end of September averaged 2,303 millimetres across the group's operations (2011: 2,457 millimetres). July rainfall was at normal levels for the time of year but August and September were relatively dry. Several commentators continue to predict the early onset of an El Nino weather

phenomenon and the rain experience in August and September provides some support for this prediction.

Since 30 June 2012, CPO prices have weakened and, after falling from a level close to \$1,000 per tonne, CIF Rotterdam, to under \$800 per tonne, the price now stands at some \$860 per tonne. Factors influencing the price are reported increases in stocks at origin and concern that the current world economic situation may reduce consumption of CPO and other vegetable oils in industrial applications such as bio-diesel. Against this, the current CPO price is at an unusually large discount to the soya oil price and this seems likely to support the CPO price in the medium term.

The group's third oil mill and second methane capture plant are now both in operation. Given that it has become evident that the two methane capture plants have the capacity to capture far more methane than required to generate the power that the group's operations can themselves absorb, the directors have initiated discussions with the Indonesian state electricity company ("PLN") with a view to exploring the possibilities for using methane to generate power for sale to PLN ideally by feed into the national grid if this can be extended to the group's estates. The directors are also actively investigating the possibility of using methane as an alternative fuel for the group's vehicles and other diesel or petrol powered equipment.

Negotiations continue with local villages in relation to the various disputes reported in the 2012 half yearly report. Some disputes have been resolved. As respects those remaining, the local Indonesian authorities have supported the group in its effort to minimise the disruptive impact on day to day estate operations and this support has to-date proved quite effective. Unfortunately, the delays to harvesting caused by the earlier disruptions have meant that significant volumes of FFB have been and continue to be harvested late with a negative impact on the free fatty acid content of CPO production and the prices realisable on sale of such production. Additional harvesters have been recruited and, with these now in place, the frequency of harvesting rounds should gradually return to normal levels. This should not only improve the quality of CPO output but may also assist in recovering some of the crop shortfall on budget.

The group is proceeding with its planned extension planting programme although planting up of the main areas prepared for planting in 2011 remains slow. Construction of a bridge over the River Senyur to provide better access to these areas has recently been completed but planting up has until very recently continued to be delayed by very dry conditions. It is possible that opening of the 4,000 hectares scheduled for

development in 2012 may take longer than originally foreseen because the group, with its recent experience of disputes with local villages, wishes to ensure, to the maximum extent practicable, that compensation arrangements with villagers are settled and registered with the local Indonesian authorities before development starts. Arranging this is currently causing some delays.

The estates and mills of the group's principal operating subsidiary, PT. REA Kaltim Plantations ("REA Kaltim"), have now obtained International Sustainability and Carbon Certification ("ISCC"). This accreditation should permit CPO from the REA Kaltim estates to be used to manufacture bio-diesel that meets the requirements of the European Union Renewable Energy Directive.

Coal and quarry operations

Following the group's decision to limit further capital committed to the coal mining operations, steps have been taken to reduce the overheads of the coal activities. On the coal trading side, efforts are being made to close out contractual commitments made prior to the suspension of trading and no new trades are being initiated. Drilling reports indicate that at current coal prices, which have if anything fallen slightly from the levels prevailing at the time of publication of the 2012 half yearly report, the potential of the group's coal concessions is unexciting. It may, however, be that, even at current coal price levels, these concessions can be economically developed by holders of adjacent concessions and the directors intend to explore this possibility.

The position regarding the group's stone concession is much more positive with initial drilling reports confirming a substantial deposit of stone suitable for road making and indicating that the deposit can be economically developed for this purpose. Further deeper drilling is now being arranged to establish whether the sub-surface stone would also be suitable for higher value applications such as concrete production.

Financial position

Group indebtedness and related engagements now total (as respects the latter, on the basis of exchange and interest swap rates prevailing at 30 June 2012) \$145.2 million. Against this, the group currently holds cash and cash equivalents totalling \$16.9 million.

On 17 September 2011, the company issued 3,926,575 new 9 per cent cumulative preference shares for cash by way of a placing at 105p per share. This was followed on 28 September 2012 by the issue of 2,004,872 new 9 per cent cumulative preference shares, credited as fully paid up at par

value of £1, by way of a capitalisation issue to ordinary shareholders.

The directors believe that the continuing accretion of shareholder funds from retained earnings means that the group can comfortably support modest additions to its loan capital and the refinancing of existing indebtedness as this falls due for repayment.

On this basis, the group is offering holders of the \$35 million nominal of outstanding existing dollar notes an opportunity to exchange their existing dollar notes for new dollar notes and concurrently is seeking to issue up to a further \$15 million nominal of new dollar notes by way of a placing for cash at par. The new dollar notes will be repayable on 30 June 2017 but will otherwise carry (save as respects redemption and minor amendments to deal with the first payment of interest on the new dollar notes and to exclude terms that are no longer relevant) the same terms as the existing dollar notes which (to the extent not previously repurchased and cancelled) fall due for repayment by instalments commencing 31 December 2012 and ending 31 December 2014.

The various financing measures described above are designed to provide the group with a sufficient cash cushion to permit continuation of the group's planned extension planting programme in the event of a sustained downturn in CPO prices and/or a postponement of the proposed public offering of a minority interest in REA Kaltim.

Proposed listing in Jakarta

The directors are proceeding with their plans for the amalgamation of all of the group's Indonesian plantation subsidiaries into a single sub-group headed by REA Kaltim and for a public offering of a minority shareholding in REA Kaltim (probably 20 per cent) combined with a listing of the shares of REA Kaltim on the Indonesia Stock Exchange in Jakarta.

Outlook

The directors are pleased that the group's monthly cropping has returned to budgeted levels thus confirming the directors' expectation that, whilst crops will from time to time deviate from predicted levels, underlying cropping levels will continue to build as the estates mature. The directors are also encouraged that the group is attracting increasing volumes of third party crop for processing in its mills providing a useful additional stream of income. Whilst the fall in CPO prices is unwelcome, this may prove quite shortlived and will anyway be mitigated by a significant reduction in the rate of duty

levied on Indonesian exports of CPO. The directors therefore retain their previously expressed confidence in the group's capacity for significant further growth.

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