

Interim Management Statement

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The crop of oil palm fresh fruit bunches ("FFB") harvested to end September 2010 amounted to 368,181 tonnes, against a budgeted crop of 401,000 tonnes and ahead of the crop for the corresponding period in 2009 of 341,714 tonnes. Local management reports excellent bunch formation and believes that FFB crops for the remaining months of 2010 will show a surplus on the monthly budgets. However, with only some three months of cropping left in 2010, the group now looks likely to fall slightly short of the budgeted FFB crop for 2010 of 561,000 tonnes.

Extraction rates for the nine months to 30 September 2010 were 23.82 per cent for crude palm oil ("CPO"), 4.55 per cent for palm kernels and 40.06 per cent for crude palm kernel oil.

The excellent rainfall experienced in the first half of 2010 continued into the third quarter, suggesting that there may be little or no drier period during 2010. This augurs well for 2011 crops.

CPO prices have firmed since 30 June 2010 and the price, CIF Rotterdam, currently stands at over \$900 per tonne. The upward movement appears to reflect an expectation that the adverse weather conditions will result in lower than previously estimated 2010 oilseed crops in Europe and Canada. It is also the case that previous projections of Indonesian CPO production are being scaled back as producers report below budget crops for the year so far. The sliding scale of duties imposed by the Indonesian government on exports of CPO means that the rate of export duty is rising with the increase in CPO prices.

Expansion of the group's newer oil mill to a capacity of 80 tonnes per hour is now complete with the additional capacity available to process the peak crops expected in the closing months of 2010. Upgrading of the group's older mill is also proceeding as planned although lead times for delivery of new boilers mean that the replacement boiler for this mill will not be installed until 2011.

The group retains its oil palm planting target for the two year period ending 31 December 2011 of 8,000 hectares in total. Achievement of this target remains dependent upon land becoming available for development as needed and, in particular, upon the group obtaining confirmations in relation to recently introduced Indonesian Ministry of Forestry regulations that are additional to the confirmations that were previously required. Although considerable progress has been made in obtaining the necessary confirmations, the process has not yet been completed. This is currently delaying the development programme.

Audits in connection with the group's application for Roundtable on Sustainable Palm Oil accreditation are scheduled to start before the end of 2010.

Whilst it is taking longer than the directors had originally hoped to bring the group's new open cast coal mining operations into full production, good progress has been made in recent months. Mining permits for the Kota Bangun concession have been finalised and land compensation has been agreed. A contractor has been appointed, hauling road construction is nearing completion and overburden removal should start in the near future. Coal production is expected before the end of 2010 (with a target of achieving monthly production of 16,000 tonnes within 2011). Enquiries from potential customers support the view that the coal will be easy to market and, provided that coal markets remain around current levels, can be sold at good margins. Further drilling has been commissioned to provide a better idea of the extent to which the inferred reserves can be economically mined.

Regular sales of coal from the Liburdinding concession are now being made through the group's Semarang depot with a current sales level of 3,000 to 4,000 tonnes per month but it is now clear that 2010 Liburdinding production will be much lower than the 150,000 tonnes budgeted. To increase output, the group must establish an export market for the Liburdinding coal. This has to date proved difficult because of the relatively high sulphur content of the coal, but the directors hope to resolve this problem in the coming months by blending the coal with low sulphur coal acquired from third parties and then marketing the blended coal. A potential source of coal suitable for blending with the Liburdinding coal and a potential customer for the blended coal have now been identified and it is hoped that a trial shipment can be made

before 31 December 2010. If successful, the directors consider that, going forward, production of 15,000 tonnes per month of Liburdinding coal is a realistic target.

The group has now started to make traded coal sales and hopes to establish regular sales to a limited range of customers with a target of 100,000 tonnes per month during 2011. Once this has been achieved, the group will consider entering into long term cooperation agreements to source coal to meet these sales with a view to itself mining that coal against payment of an agreed royalty. Contribution margins achievable on traded coal sales are projected at between \$4 and \$10 per tonne (depending on the mix of coal sourced by outright purchase and coal sourced by mining third party concessions).

The directors have recently been advised that Indonesian law now allows foreign direct ownership of Indonesian companies holding coal mining concessions and that applications for the Indonesian government approvals required for such ownership can be submitted to the relevant authorities. Accordingly, the group intends to make applications in the near future to exercise its right to acquire 95 per cent direct ownership of the three companies holding the mining concessions in which the group has invested.

The group has now completed arrangement of a new loan facility in the amount of Rp 350 billion (\$38.5 million) (negotiations for which were previously announced). The facility is available for drawing over a four year period to meet development expenditure by the company's subsidiary, PT Sasana Yudha Bhakti, and is repayable over the immediately following four year period. Following an initial drawing under this facility and other routine changes to group indebtedness, the group's borrowings and related engagements now total (on the basis of exchange and interest swap rates prevailing at 30 June 2010) \$128.6 million. Against this, the group currently holds cash and cash equivalents totalling \$12.45 million after payment on 1 October 2010 of the dividend of 2.5p per share on the ordinary shares of the company.

On 27 September 2010, the company issued 1,670,727 new 9 per cent cumulative preference shares of £1 each ("preference shares") by way of capitalisation of share premium account pursuant to a capitalisation issue to ordinary shareholders. The previously announced restructuring of the security for the 9.5 per cent guaranteed sterling notes 2015/17 issued by the company's subsidiary, REA Finance N.V., and guaranteed by the company ("sterling notes") has been approved by noteholders but remains conditional upon receipt of certain bank consents and completion of legal formalities. It is expected that the restructuring will become effective in the near future.

Following this announcement, the company will be announcing a proposed issue of up to 9,000,000 new preference shares to be issued, to the extent that markets permit, by way of a placing at 100p per share. The net proceeds of the proposed issue will be applied in reducing existing group indebtedness including, to the extent prudent, in purchasing sterling notes and/or 7.5 per cent dollar notes 2012/14 issued by the company. The directors are confident that the full net proceeds of the issue can be deployed in this way, albeit that the reduction may have to be effected over a period to ensure that, where debt is purchased rather than repaid, the terms of purchase are reasonable for the group.

With CPO continuing to trade at good levels, the directors remain positive about the outlook for the group.

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