

Trading update

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R.E.A.Hldgs PLC
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Agricultural operations

The crop of oil palm fresh fruit bunches ("FFB") harvested for the year to 31 December 2014 amounted to 631,728 tonnes, compared with 578,785 tonnes for the year to 31 December 2013. External purchases of FFB from smallholders and other third parties totalled 149,002 tonnes for the year (2013: 99,348 tonnes). The record production levels achieved in 2014 reflect the increasing volumes flowing through from the now maturing estates of the group and from local smallholders.

For the same period, processing of the group's own FFB production and the externally purchased FFB, together totalling 780,730 tonnes (2013: 678,133 tonnes) produced 169,466 tonnes of crude palm oil ("CPO") (2013: 147,649 tonnes), 35,764 tonnes of palm kernels (2013: 30,741 tonnes) with 14,047 tonnes (2013: 11,393 tonnes) of crude palm kernel oil ("CPKO") extracted. These production figures reflect extraction rates of, respectively, 21.9 per cent for CPO (2013: 21.8 per cent), 4.6 per cent for palm kernels (2013: 4.5 per cent) and 38.1 per cent for CPKO (2013: 36.8 per cent).

Rainfall across the estates averaged 2,606 mm in 2014, substantially below the average of 3,386 mm for the previous year and the average of 3,560 mm for the preceding eight years.

As previously reported, the on-going programme of refurbishment in the group's oil mills coupled with the disruption to river transport logistics caused by the particularly dry weather in September and October meant that some harvesting had to be postponed so as to limit the volume of fruit being delivered to the mills for processing. The delays

had a negative impact on the free fatty acid ("FFA") content of oil production, which meant that prices were lower than otherwise might have been expected. Results for 2014 will have been further impacted by markedly weaker prices for CPO prices through to the end of 2014 and into 2015.

The CPO price, CIF Rotterdam, having started 2014 at \$900 per tonne, edged up during the early months of the year towards \$1,000 per tonne but then fell progressively to end the year at \$700. It weakened further in January 2015 but has since recovered and is now again hovering at around \$700. Bearish factors have been a record soybean crop in the US and the fall in the petroleum oil price that has reduced the competitiveness of bio-diesel manufactured from vegetable oil. Latterly, sentiment has been helped by falling CPO stocks in Malaysia and Indonesia and increased subsidies for bio-diesel in Indonesia. It should be noted that CPO prices published in the Financial Times are no longer based on CIF Rotterdam, but on Bursa Malaysia contract terms that are based on FOB Malaysia. The CPKO price now stands at US\$ 1,150 compared to US\$ 1,170 at the start of 2014.

Works to two of the four boilers in the group's two older mills continued to restrict throughput in those mills during January but are now substantially complete. The two remaining boilers in these mills will be refurbished over the next few months but this is not expected to affect throughputs. Concurrently, with the work on the boilers, recovery of arrears of other mill maintenance has been making good progress so that, since the beginning of February, mill capacity has been rising to more normal levels.

Expansion of the group's third, newest oil mill at Satria to increase its capacity to 80 tonnes of FFB per hour is also underway, with completion expected during early 2016, to provide further resilience in meeting growing processing requirements.

There are encouraging prospects that development of the group's newer land areas, held by PT Putra Bongan Jaya ("PBJ") and PT Cipta Davia Mandiri ("CDM"), will now proceed quite rapidly. Agreements with local villagers regarding compensation payments and community development and allocations of land for smallholder cooperatives have been largely resolved. Where this is required under recently enacted legislation, the group is conducting analysis of land containing standing timber in both PBJ and CDM but, as large areas to be developed contain no standing timber, it is not now thought that compliance with the new legislation will delay development plans.

At PBJ, work has started on bunding along the HGU boundaries to control water levels in the lower lying areas. Once bunding has been completed, planting should be relatively rapid, as the areas to be planted require little land clearing and no terracing. The areas that are immediately available for development at PBJ and CDM are, as previously reported, respectively 7,000 and 1,000 hectares.

Following completion by the Indonesian state electricity company, PLN, of the local electricity distribution infrastructure, the group has now signed agreements with both PLN and the district power company, Perusda, to supply local villages with electricity generated using methane supplied by the group's methane capture plants on the basis of an agreed fixed tariff. The final commissioning process has now started and the group expects shortly to be supplying power to some 21 villages.

Outlook and publication of results

The group continues to make a steady recovery and to improve operational efficiencies. The directors are confident that crop levels and production will make good progress in 2015 and that the development and expansion planting programme will move forward at a good pace.

In line with the timetable adopted in previous years, it is expected that the final results for 2014 will be announced, and the annual report in respect of 2014 published, in the second half of April 2015.

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