5th May 2016

hardman&co

Food Producers

Source: Fidessa

Market data

EPIC/TKR	RE.
Price (p)	311.5
12m High (p)	340.0
12m Low (p)	232.0
Shares Ord (m)	36.8
Shares Prefs (m)	63.6
Mkt Cap Ord (£m)	114.8
Mkt Cap Pref (£m)	58.9
EV ($m)	449.3
Free Float* (%)	54%
Market	Main

**As defined by AIM Rule 26*

Description

R.E.A. is engaged in the operation and further development of palm oil plantations in East Kalimantan, Indonesia. The group also operates a stone quarry, and owns coal mining concessions that have been contracted out to other significant coal mine operators.

Company information

Chairman	David Blackett
Managing Director	Mark Parry

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Key shareholders

Directors	29.4%
Prudential PLC	16.5%
Alcatel Bell Pension Fund	11.35%
Artemis UK	9.71%
First State Investment	4.02%

Next event

AGM	6 June

Analysts

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R.E.A. Holdings

Progress in a tough climate

2015 was a tough year for the palm oil producers, and REA was no exception. A combination of the El Nino weather phenomenon and a depressed commodity price has taken its toll on profitability and nudged gearing higher. But whereas weather and commodity prices fall outside the control of management, some important business drivers within management's control notably strengthened. The oil extraction rate (OER) and rate of estate development were achievement highlights that can be expected to improve further in the current year. Notably too – the company was able to report its first revenues from the sale of electricity.

- **Strategy:** REA Kaltim (REAK), the chief operating division of REA Holdings, is developing and operating high quality sustainable palm oil producing assets in East Kalimantan. By end 2016 some 41,000 ha of oil palm are expected to be planted. With a further 20,000 ha to complete, REAK, a mid-size plantation by Indonesian standards, represents an attractive consolidation target.

- **Renewable Energy:** With a high end profit margin on electricity supply (c. 35%), the business of supplying sustainable energy from palm oil mill effluent (POME) has the potential to boost profits incrementally in the coming years and these cash flows should be valued distinctly from the palm oil operations.

- **Valuation:** Currently REA is trading at a discount of circa 13% to its listed peer group (excluding Wilmar). This looks anomalous on the basis of asset quality and rising operational efficiencies. It also does not take into account a possible valuation of circa $30m for the electricity operations which began to generate revenues during 2015.

- **Risks:** Agricultural risk, commodity price risk and country risk are constants of palm oil production. A bias to the use of debt finance means that the net debt to equity ratio is currently estimated at 65.1% for end 2016. REA has stated its intention to rebalance debt with permanent capital. Investors will be watching for progress on this front.

- **Investment summary:** REA is developing and operating high quality plantation assets to produce sustainable palm oil. Against a background of tightening land availability in Indonesia, REA reports that it is in discussion with various parties about the sale of a strategic stake in the Indonesian operating company REA Kaltim.

Financial summary and valuation

Year end Dec ($m)	2013	2014	2015	2016E	2017E
Sales	111	126	91	113	136
EBITDA	39	43	27	37	49
Reported EBIT	27	32	17	25	36
Pretax Profit	25	24	12	11	21
EPS (cents)	16	40	-11	-11	8
Dividend per share (p)	7.25	7.75	0.00	0.00	4.00
Net (debt)/cash	-164.4	-179.2	196.7	202.6	236.0
P/E (x)	28.6	11.2	-	-	56.8
Planted Hectares (ha)	33,830	34,614	37,097	41,097	43,097
EV/Planted Hectare ($/ha)*	13,281	12,980	12,111	10,933	10,425
CPO Production (mt)	147,649	169,466	163,880	178,505	189,175

**EV/planted Hectare include market capitalisation of the 9% Cumulative Preference*

Source: Hardman Agribusiness

Disclaimer: Attention of readers is drawn to important disclaimers printed at the end of this document

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Progress in a tough climate

Investors in the agriculture sector must contend with two powerful and potentially supervening forces beyond the control of the managements of the businesses in which they are invested: nature (weather patterns and pest/disease) and commodity prices. Monday 25th April, REA Holdings (REA) announced its results for the year to 31st December, 2015. The reported figures were heavily impacted by these two forces outside the control of management: El Nino (with crop production down 3.5% despite improving estate maturities) and sales of goods down by 29.5% y-o-y, on the back of a depressed average price received for goods sold. The average price received for the group's 163,880 mt (169,466) CPO was $485/mt. For the 2014 year the average price received was $665/mt. The average price per mt received in 2015 was more than 27% lower than the preceding year. This combination of factors resulted in pretax profits more than 51% lower y-o-y at $11.5m ($23.7m) and a loss per ordinary share of 11.2 cents compared with 2014 earnings of 40.3 cents per ordinary share. Yet there were positives in the reported data, certain key factors under the control of management registered important gains: operational efficiencies and pace of development.

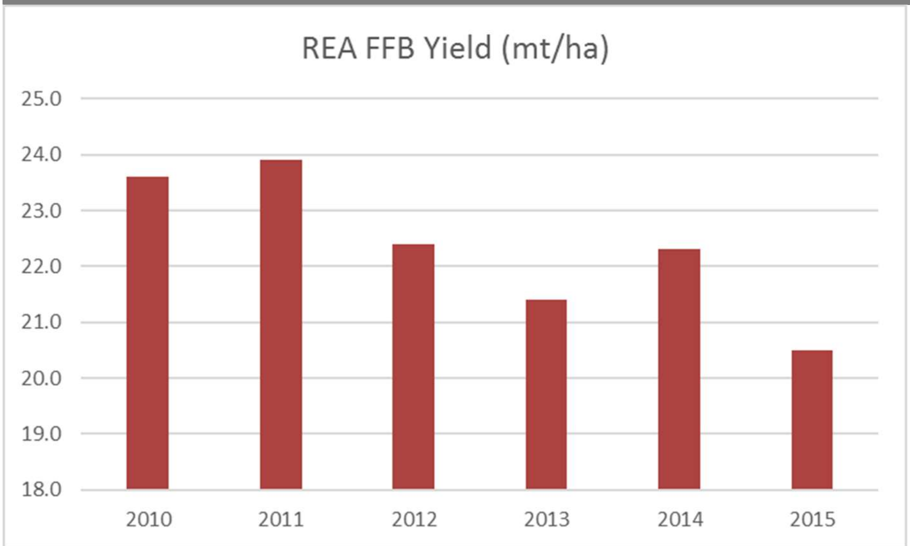
Management of Efficiency

While weather patterns and commodity pricing lie outside the control of agri-managers, farm efficiencies are entirely within their control. In the production of palm oil the efficiencies that count most are crop yields (mt/FFB/ha), oil extraction rates (OER) and cost of production.

Crop Yields

By contrast with an improving OER (see below), 2015 FFB yields per hectare were disappointing – partly influenced by the El Nino weather system. Across the South East Asian region, palm oil production has been marked by reduced productivity. In March for example Malaysian production came in 21% down y-o-y. REA produced 609,000 mt FFB in 2015 compared with 632,000 mt in 2014 a decline of 3.6% notwithstanding gathering estate maturities (weighted average age of the 29,367 ha of mature area is now 13 years) and increased production area (another 860 ha will have matured at beginning of 2015).

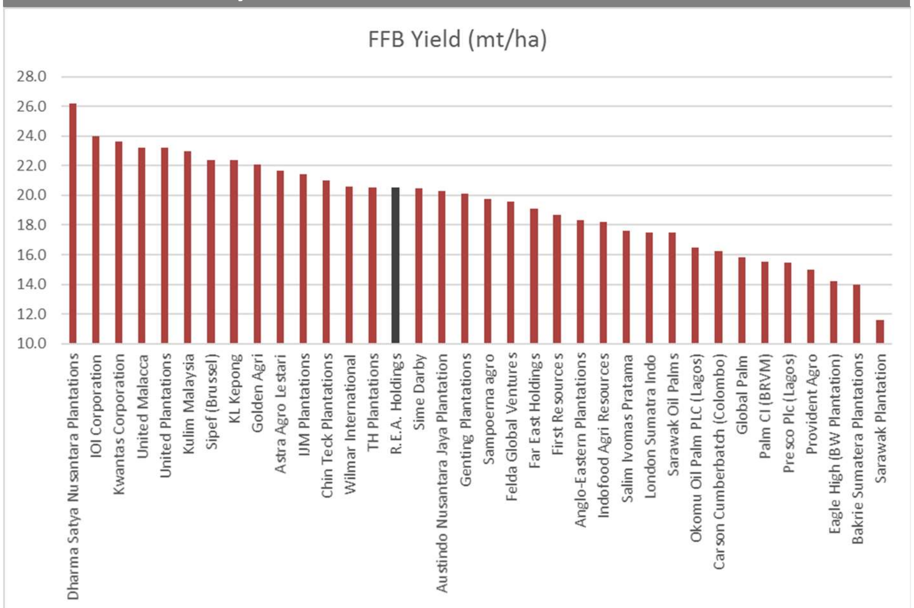
REA FFB Yield



Source: Hardman Agribusiness

As the chart above reveals, FFB yields have been trending down (and below the anticipated yield curve for modern planting material in a highly suitable cultivation environment such as East Kalimantan) for the past four years. Climate has played a role, the disruption to normal estate management during the village disputes during the period 2012-2013 also played a part, but there is gathering evidence that the company needs to implement a fertiliser regime defined by the specific needs of individual blocks. Recently implemented information systems are providing management with detailed analysis of the plantations on a block by block basis. This analysis is indicating the need for differential fertiliser applications and over the next 2 -3 years this can be expected to result in an improving agricultural yield.

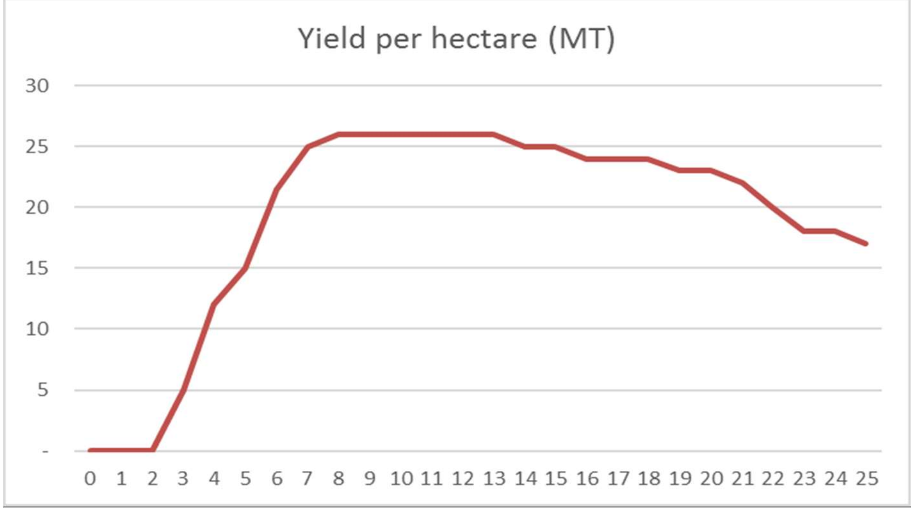
FFB Yield – Industry



Source: Hardman Agribusiness

Within the global listed palm oil producer sector, REA productivity levels are currently just above middle ranking, but as demonstrated in 2011, the company's estates are capable of achieving upper end productivity. REA MD Mark Parry has acknowledged that optimising the yield potential of the REA estates is a key priority. The chart immediately below reflects the yield curve HAB would expect for modern plantations in East Kalimantan: at average age 13 years, we would be expecting over 25 mt /FFB/ha.

REA Estimated Yield Curve

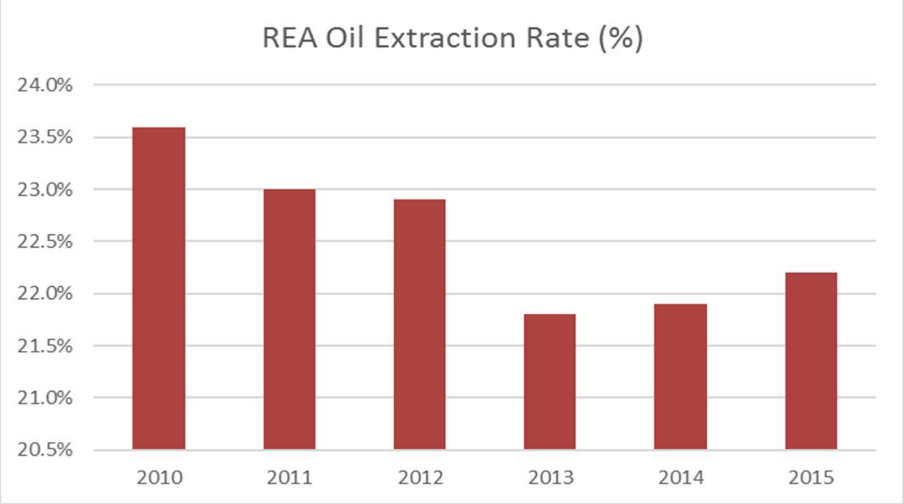


Source: Hardman Agribusiness

Oil Extraction Rate

In respect of this driver, REA's management team was able to point to an improving set of data, suggesting a tight focus on harvesting efficiencies, the grading of 3rd party supplies, mill processing efficiencies and mill security. While the 2015 OER rose to 22.2% compared with 21.9% in 2014, the company noted that following boiler refurbishment and the implementation of tighter management practices across the three mills, 23.5% was being achieved by the year end. This got the company back to the efficiency levels it was achieving in 2010.

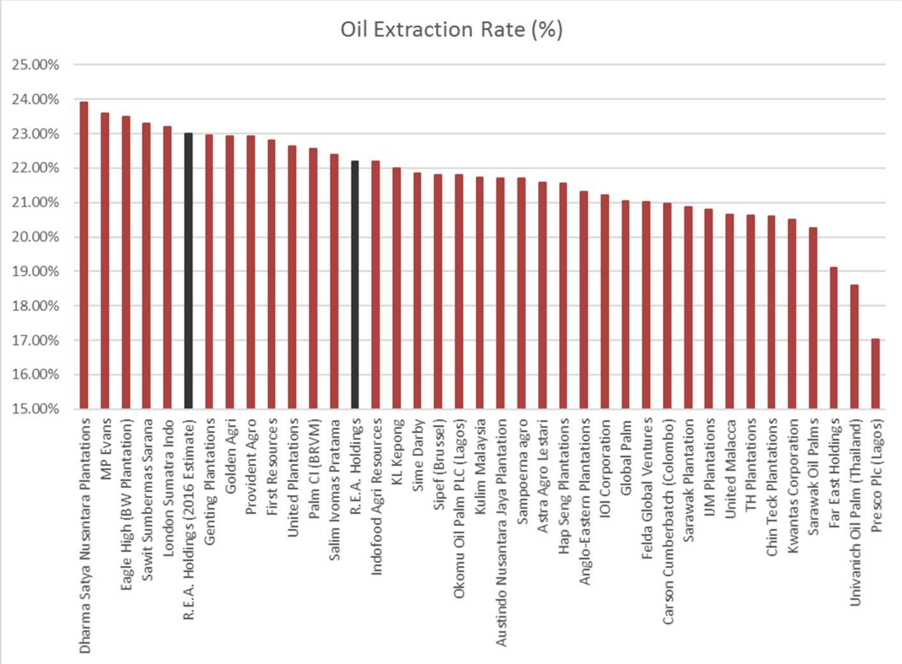
REA Oil Extraction Rate



Source: Hardman Agribusiness

Within the first 4 months of 2016, the company reports that it is achieving close to 24%. This is an important indicator – it is a mirror on the efficiency of a palm oil production business from the field to the mill gate and OERs at this level are at the very top end of sector efficiencies. We have pitched our 2016 estimates with an OER of 23% and expect it to be proved conservative.

Oil Extraction Rate - Industry



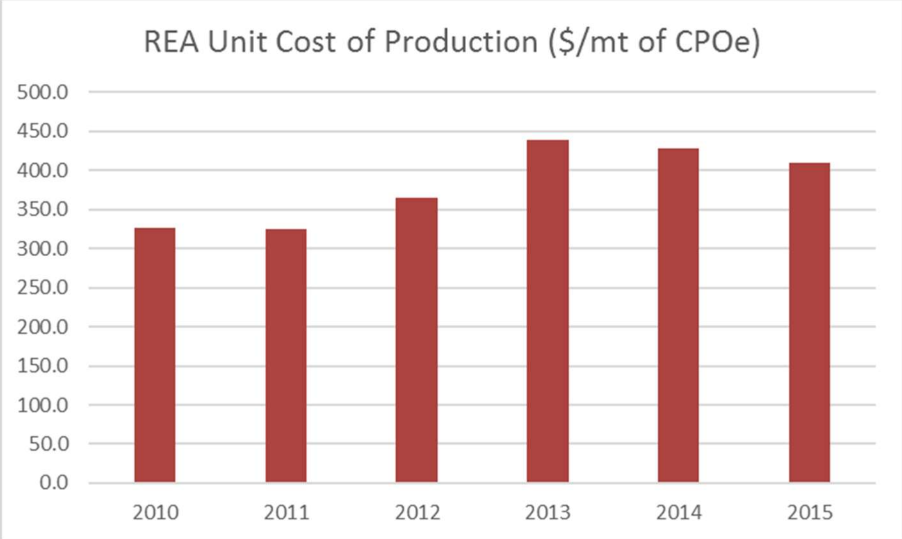
Source: Hardman Agribusiness

The evidence of tightening efficiency in OER also provides deeper confidence in management: having marked mill efficiencies as an area of concern, it is reassuring to see that this problem has been effectively addressed with a mixture of capital investments and improved operational methods. FFB yields may take longer to come through, but the gains in respect of OER efficiencies give confidence of improving results for this new area of management focus.

Cost of Production

REA has been traditionally within the top quartile of operators in respect of cost of production but as productivity has been reduced by the various factors discussed herein, cost of production (excludes only central office costs for Jakarta and London) has risen as reviewed in the chart below (note how cost of production rose during the height of the village disruptions in 2013).

REA Unit Cost of Production



Source: Hardman Agribusiness

Like other business sectors during a demand down cycle, the palm oil sector has had to focus on business efficiencies and REA has been no exception. With the average received price of palm oil down by more than 27% for 2015, management has trimmed costs where ever possible. The total number of estate workers was reduced from 9,800 at the start of the year, to 7,042 by end of the year. This represented a reduction of circa 500 full time jobs and some 2,000 jobs performed under short term temporary employment contracts.

Employment costs represent about one third of cost of sales attributable to the agricultural activities. The influence of this cost category on marginal profitability requires that it is tightly managed and in this context it is relevant to note that the company is implementing a new information system which will integrate the recording and reporting of operational and accounting information. The REA Kaltim Plantation Management System (RKPMS) will permit the centralised management and analysis of all human resources and operational data. The company believes that the greater scrutiny of the business that this system will provide will enable easier identification of opportunities for gains in efficiencies and scope for savings.

The cost of production (per metric tonne of CPOe) out turned in 2015 at some $410 ($428). Depreciation of plantation assets is estimated to have come in at $51/mt ($53/mt). Readers should note that REA is transitioning from the IAS 41 convention in 2016 and as a consequence it will be reviewing some accounting policies, including potentially depreciation policy. These changes may have an impact in the cost components of cost of production going forward.

Estate Development

Estate development in 2015 was another considerable achievement for the management team: with some 2,200 new ha planted and more than 4,200 ha cleared for planting. Indeed management notes that more hectares have been planted already in 2016 than for the whole of 2015; Hardman Agribusiness is raising its projections for new planted area in 2016 to 4,000 ha.

Estate Development					
		2013	2014	2015	2016 e
Hectare Planted (Ha)	Immature	6,960	6,339	7,730	9,590
	Mature	27,102	28,275	29,367	31,507
Total Planted (Ha)		**34,062**	**34,614**	**37,097**	**41,097**
Planting rate		2,555	784	2,251	4,000

Source: Company Report, Hardman Agribusiness

Mark Parry, REA Managing Director, has set a goal to beat the company's previous record of c. 4,800 ha planted in any one year. Raising the pace of development, subject to availability of capital, is an important goal noting that the company has perhaps another 20,000 ha of available land to plant. Building out its substantial land bank with productive palm oil plantations is the key to unlocking the significant value in the titled and allocated land currently available to the company. Despite the weather and commodity price impacted financial outcome for 2015, investors will note that significant progress was made in terms of estate development and that this improving trend has continued into the first two quarters of 2016. Reports out of Indonesia suggest that acquiring land for development in Indonesia is becoming increasingly difficult as the authorities grapple with external pressure to control environmental degradation and internal pressures for a more orderly management of natural resources allocations. REA has diligently acquired a significant bank of high quality land in East Kalimantan; the interests of investors will be best served by the timely development of this land bank into productive palm oil plantations. Average sector values (EV)for Indonesian planted land are currently in the region of $11,000, while development costs to maturity (inclusive of mill) are indicated (by data available) at circa $8,000 / ha implying a gain of $3,000 per ha for developed land. At current sector values (still below cyclical Indonesian sector highs of $14,000 EV/ha achieved in 2011/12), REA's enterprise value could be expected to benefit from an uplift of some $60m on completion of a further 20,000 ha planted. The Company's strategy to acquire land contiguous to the company's estates, if and when available, suggests that it could potentially develop an even larger estate than the 60,000 ha planted currently targeted.

One to Watch

It was unreservedly good news that REA was able to report first time revenues (for 8 months of 2015) from the supply of electricity to villages around its estates. According to the statement issued by the company, 20 of the 24 villages and sub-villages (some 13,000 households in total) surrounding the plantations have been connected now to the electricity supply network, with the utility, PLN, having installed prepay meters in over one third of village houses. Revenues in the first 8 months of operation amounted to $233,000 but within the first three months of 2016, revenues evolved at circa $133,000. On an annualised basis, the 2016 data suggest uptake at the rate of circa $120 per household per year, implying revenues of more than $1.5m pa when all 13,000 households are connected. This estimate may prove conservative however. Local communities are likely to increase their usage as they adjust their lifestyles to having a reliable and constant supply of electricity.

REA notes that its purchases of community grown FFB in 2015 injected more than $13m (2014: $19m) of cash into local communities, and this new source of income is filtering into improved housing and domestic appliances. With a high end profit margin on electricity supply (c. 35%), the business of supplying sustainable energy from palm oil mill effluent (POME) has the potential to boost profits incrementally in the coming years and these cash flows should be valued distinctly from the palm oil operations.

Balance Sheet

The statement accompanying the results notes that "Considerable time and effort was devoted in 2015 to addressing the group's funding profile". The balance sheet has been a focus of investor concern and management attention for the past two years as the palm oil price has melted and interest cover has narrowed. The table below confirms the incremental growth in net debt as the P&L and Cash Flow has been pressured by reducing profits over the past 3 years. While the net debt: equity ratio of itself is not so out of line with sector norms, the company's liquidity ratios have become stretched with net debt: ebitda expanding from a tolerable 4.4x in 2014 to 12.8x in 2015 – well beyond the level deemed suitable for bond investors. HAB has projected the ratio falling to 5.5x in 2016 helped by:

- rising ebitda $37.0m ($27.3m)
- an inflow ($30m) of new equity capital from the sale of a minority stake in REA Kaltim to a strategic partner investor

Interest cover (including payments in respect of the Preference Share Capital) fell below 1.1x in 2015 before the addition of biological asset gains (which the IAS 41 policy will be abandoned in 2016). This ratio exposes the strain on cash flow from the 27% y-o-y decline in the price of CPO.

REA Capital Structure

	2013	**2014**	**2015**	**2016 e**
Net Debt/Equity (Equity incl prefs)	54.9%	58.4%	63.1%	61.5%
Net Debt/EBITDA (before bio asset)	5.2	4.4	12.8	5.5
Interest Cover (before BA, P&L interest, excl pref div)	7.1	3.6	0.9	1.8
Interest Cover (after BA, P&L interest, excl pref div)	9.8	3.8	3.0	1.8
Interest Cover (Before BA, P&L Interest, incl pref div)	2.0	1.8	0.4	1.1
Interest Cover (after BA, P&L Interest, incl pref div)	2.8	1.9	1.2	1.1

Source: Hardman Agribusiness

Company	Net Debt / Equity
MP Evans	1.3%
BLD Plantation	10.5%
Okomu Oil Palm PLC (Lagos)	11.5%
Sipef (Brussel)	11.6%
Socfin (Luxembourg)	13.7%
Genting Plantations	19.2%
Austindo Nusantara Jaya Plantation	23.2%
KL Kepong	23.5%
Presco Plc (Lagos)	23.6%
IJM Plantations	28.2%
Golden Agri	29.1%
Indofood Agri Resources	33.7%
Palm CI (BRVM)	36.0%
Socfinaf (Luxembourg)	36.5%
Sarawak Oil Palms	43.5%
Salim Ivomas Pratama	44.4%
First Resources	46.8%
Sime Darby	50.5%
Kwantas Corporation	53.5%
R.E.A. Holdings	63.1%
Felda Global Ventures	63.1%
Astra Agro Lestari	63.6%
TH Plantations	71.4%
Sawit Sumbermas Sarana	71.5%
Sampoerna agro	77.4%
Wilmar International	83.3%
Carson Cumberbatch (Colombo)	86.5%
TSH Resources	88.1%
Feronia *	110.1%
IOI Corporation	114.9%
Eagle High (BW Plantation)	120.8%
Provident Agro	127.5%
Dharma Satya Nusantara Plantations	146.1%
Bakrie Sumatera Plantations	351.2%

* Feronia adjusted EV/ha adjusted for 23.5% of DRC gov holdings

Source: Company Reports, Hardman Agribusiness

The sector comparison data above demonstrate that the net debt to equity ratio is at the higher end of sector norms – but not unusual. The Board has signalled that it wants to rebalance with permanent capital and in this context it confirmed in the statement accompanying the publication of the 2015 Full Year results that it is in "current active discussions with a limited shortlist of interested parties...directed at securing a strategic third party investment in...PT REA Kaltim Plantations". The statement also confirmed that if required, the group would "seek to place for cash a limited number of new ordinary shares...". The events of the past 3 years, and especially the 2015 impact on cash flows from a depressed palm oil price, have left the Board determined to strengthen the balance sheet and to extend maturities on its debt capital.

REA's new MD has signalled strongly that his management team intends to accelerate the rate of development of the company's land bank. To do this the company needs access to capital as capex can be expected to run at some $30m-$35m pa. In this context the company will want to conclude a strategic investor transaction sooner rather than later as the capital inflowing from such a transaction will be an important contributor to the facilitation of estate development.

Profit & Loss					
Year Ended 31st Dec	**2013**	**2014**	**2015**	**2016 e**	**2017 e**
$m					
Revenue	**110.5**	**125.9**	**90.5**	**113.5**	**135.8**
Net (loss)/ gain arising from changes in inventory value	0.5	-1.7	-1.1	0.4	0.5
Cost of production	-69.9	-77.9	-72.4	-75.6	-86.7
Gross profit	**41.2**	**46.3**	**17.0**	**38.2**	**49.5**
Gross margin %	37.3%	36.8%	18.7%	33.7%	36.5%
Biological assets valuation	7.1	3.6	13.1	0.0	0.0
Other operating income	0.0	0.0	0.0	0.0	0.0
Distribution costs	-1.3	-1.3	-1.1	-1.5	-1.6
Administrative expenses	-19.0	-16.4	-11.7	-12.2	-12.4
Operating profit	**28.1**	**32.1**	**17.2**	**24.6**	**35.6**
EBITDA	38.8	42.7	27.3	37.0	49.4
Investment revenue	0.5	0.4	0.3	0.2	0.2
Finance costs	-3.3	-8.8	-6.0	-13.6	-14.7
Profit before tax	**25.2**	**23.7**	**11.5**	**11.2**	**21.1**
Tax	-12.5	-1.8	-6.6	-5.3	-6.3
Profit for the year	**12.7**	**22.0**	**4.9**	**5.8**	**14.8**
EPS (cents)	15.8	40.3	-11.2	-11.0	8.0
Dividend (GBp)	7.3	7.8	0.0	0.0	4.0
Attributable to:					
Ordinary Shareholders	5.5	14.2	-4.0	-4.1	2.9
Preference Shareholders	7.3	8.1	8.5	8.6	8.6
Non-controlling interests	-0.1	-0.3	0.4	0.1	0.3
Minorities	0.0	0.0	0.0	1.2	3.0
	12.7	**22.0**	**4.9**	**5.8**	**14.8**

Source: Hardman Agribusiness

The ‘wild cards’ in the 2016 results outcome include the palm oil commodity price, HAB has based its forecasts on an average achieved price of $570/mt, and the $/Indonesian Rupiah exchange rate. The currency’s downward trend has been driven by a combination of factors, both domestic and external. Weak economic growth and declining exports revenues (both a symptom of the weakening in the commodity cycle), and now regional currency depreciation led by the Chinese yuan, have been driving demand for dollars. FocusEconomics Consensus Forecast panelists expect the rupiah will trade at 13,649 per USD in 2016. REA’s 2015 P&L reported finance costs of $5.95m (compared with $16.4m of interest payments passing through the cash flow statement). The finance costs reported in the P&L were significantly influenced by an exchange rate gain of some $7.6m in respect of the Sterling Notes and other, mostly Rupiah loans. By holding the Rupiah: $ exchange rate steady in our projections for 2016, readers will note an expected uptick in the estimated finance charges. Currently we are projecting interest on loans and borrowings charged to the 2016 year P&L of $13.6m ($6.0m).

Balance Sheet					
Year Ended 31st Dec	2013	2014	2015 e	2016 e	2017 e
$m					
NON-CURRENT ASSETS					
Goodwill	12.6	12.6	12.6	12.6	12.6
Biological Assets	288.2	310.2	339.1	353.6	368.8
Property, Plant & Equipment	147.0	151.2	155.6	158.7	163.9
Prepaid Operating Lease Rentals	30.5	33.9	34.3	34.7	35.1
Indonesia Stone and Coal Interests	30.4	31.3	35.3	35.8	36.3
Deferred Tax Assets	9.5	8.9	15.8	15.8	15.8
Non-Current Receivables	2.3	2.7	1.4	1.5	1.5
	520.4	550.8	594.1	612.7	634.1
CURRENT ASSETS					
Inventories	17.3	16.2	11.2	15.9	21.7
Trade & other receivables	28.6	25.5	29.1	28.2	31.2
Cash & equivalent	34.6	16.2	15.8	16.8	6.0
	80.5	57.9	58.2	60.9	58.8
TOTAL ASSETS	**600.9**	**608.7**	**652.3**	**673.6**	**692.9**
CURRENT LIABILITIES					
Trade and other payables	16.9	17.8	27.0	24.9	21.7
Current Tax Liabilities	2.9	2.6	3.4	2.1	3.1
Bank Loans	35.0	40.3	50.9	45.5	57.7
Sterling notes	0.0	14.7	0.0	0.0	0.0
US dollar notes	6.0	0.0	0.0	3.4	3.4
Hedging instruments	0.0	9.6	0.0	0.0	0.0
Other Loans & Payables	0.9	1.2	0.1	1.4	1.4
	61.8	86.2	81.4	77.2	87.2
NON-CURRENT LIABILITIES					
Bank loans	62.3	60.6	72.0	84.5	107.2
Sterling notes	55.7	37.7	55.9	55.9	43.4
US dollar notes	33.5	33.5	33.6	30.3	30.3
Hedging instruments	7.9	0.0	0.0	0.0	0.0
Deferred tax liabilities	73.4	77.2	92.2	90.9	91.9
Other loans & payables	6.9	6.8	5.6	5.6	5.6
	239.7	215.8	259.3	267.0	278.3
TOTAL LIABILITIES	**301.5**	**302.1**	**340.7**	**344.3**	**365.6**
TOTAL EQUITY	**299.4**	**306.6**	**311.7**	**329.4**	**327.3**

Source: Hardman Agribusiness

Cash Flow					
Year Ended 31st Dec	2013	2014	2015	2016 e	2017 e
$m					
NET CASH FROM OPERATING	**0.8**	**24.4**	**20.1**	**5.4**	**12.0**
Interest received	0.5	0.4	0.3	0.2	0.2
Proceeds from disposal of PP&E	0.1	0.0	2.5	0.0	0.0
Purchase of PP&E	-12.0	-14.9	-15.8	-12.0	-14.7
Expenditure on Biological Assets	-16.8	-18.5	-16.6	-19.4	-20.9
Expenditure on prepaid operating lease rentals	-4.3	-4.3	-1.3	-1.0	-1.0
Change in minority interest	0.0	0.0	0.0	0.0	0.0
Investment in Indonesian stone & coal	-0.9	-0.9	-4.0	-0.5	-0.5
CASH FROM INVESTING ACTIVITIES	**-33.5**	**-38.2**	**-34.8**	**-32.7**	**-36.9**
Preference dividends paid	-7.3	-8.1	-8.5	-8.6	-8.6
Ordinary dividends paid	-3.7	-4.3	-4.2	0.0	0.0
Repayment of borrowings	-5.0	-30.7	-9.6	-18.0	0.0
Proceeds of issue of ordinary shares	10.5	0.0	6.8	0.0	0.0
Purchase of treasury shares	0.0	-1.0	0.0	0.0	0.0
Proceeds of issue of preference shares	0.0	10.6	7.8	0.0	0.0
Redemption of US dollar notes	-9.7	-6.3	0.0	0.0	0.0
Issuance of Sterling notes, by exchange	0.0	0.0	39.9	0.0	0.0
Redemption of Sterling notes, by exchange	0.0	0.0	-39.9	0.0	-12.4
Proceeds of issue of sterling notes (net of cost)	0.0	0.0	4.1	0.0	0.0
Purchase of sterling notes	0.0	0.0	-2.2	0.0	0.0
Payment on termination of hedging contract	-1.9	0.0	-10.2	0.0	0.0
Net Sale and repurchase of US dollar notes	1.2	0.0	0.0	0.0	0.0
New bank borrowings drawn	57.6	35.4	30.3	25.0	35.0
Strategic Partner	0.0	0.0	0.0	30.0	0.0
CASH FROM FINANCING	**41.8**	**-4.5**	**14.5**	**28.4**	**14.0**
NET INCREASE IN CASH	**9.0**	**-18.2**	**-0.3**	**1.1**	**-10.9**
Cash b/f	26.4	34.6	16.2	15.8	16.8
Effect of exchange rate	-0.8	-0.1	-0.2	0.0	0.0
CASH BALANCE C/F	**34.6**	**16.2**	**15.8**	**16.8**	**6.0**

Source: Hardman Agribusiness

REA's new Managing Director, Mark Parry, and his team achieved a respectable 2,200 ha planted in 2015 (notwithstanding cash flow constraints and a significant restructuring of the Indonesian work force). In 2016 the company believes it will plant some 4,000 ha with more than 2,200 ha already achieved. We have cautiously reduced development to 2,000 ha in 2017 but this is a projection we would hope to have to revise upwards – much will depend on REA gaining access to new permanent capital.

Plantation Statistics		2013	2014	2015	2016 e	2017 e
Hectare Planted (Ha)	Immature	6,960	6,339	7,730	9,590	9,035
	Mature	27,102	28,275	29,367	31,507	34,062
Total Planted (Ha)		**34,062**	**34,614**	**37,097**	**41,097**	**43,097**
Planting rate		2,555	784	2,251	4,000	2,000
FFB Prod' (own) (MT)		578,785	631,728	609,389	646,111	692,501
FFB (purchased) (MT)		99,348	149,002	139,276	130,000	130,000
Total FFB for process (MT)		**678,133**	**780,730**	**748,665**	**776,111**	**822,501**
FFB yield per ha (MT/ha)		*21.4*	*22.3*	*20.5*	*20.5*	*20.3*
Total CPO production (MT)		**147,649**	**169,466**	**163,880**	**178,505**	**189,175**
OER (%)		*21.8%*	*21.9%*	*22.2%*	23.0%	23.0%
Total CPKO (MT)		**11,393**	**12,596**	**12,703**	**12,573**	**13,325**
CPO Price ($/MT)		648	665	485	570	650

Source: Hardman Agribusiness

As shown in the table above we have been very cautious on FFB yields noting that this recent severe El Nino could have a longer impact than expected. REA's management has set itself the task of strengthening plantation productivity as noted above (Crop Yields) and we would hope that this estimate too will prove to be overly cautious.

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