

New land and trading update

R.E.A.Hldgs PLC 11 March 2008 Acquisition of additional land rights and trading update Land R.E.A. Holdings plc ("REA") announces that it has agreed to acquire further land allocations in East Kalimantan by purchasing two Indonesian companies, PT Cipta Davia Mandiri ("CDM") and PT Kutai Mitra Sejahtera ("KMS") for a cash consideration of \$2.5 million. The land allocations held by CDM and KMS (which represent the only assets of these two companies) encompass a total of some 37,000 hectares on two sites, each less than 30 kilometres away from the group's existing East Kalimantan estates. The land in question is deforested, having been logged out some time ago. It is suitable for planting with oil palms and has already been zoned for agricultural use (subject to the possible exclusion of up to 6,000 hectares in respect of which mineral exploration rights were previously granted but have now lapsed). CDM and KMS have recently obtained agricultural development permits in respect of the land. CDM and KMS are being acquired by REA on terms that the vendors will have no responsibility for the further costs to be incurred by each company in completing titling of the land allocations held but otherwise CDM and KMS have no existing liabilities. REA has previously announced the conditional acquisition of some 20,000 hectares of land lying approximately 75 kilometres to the south of the group's existing East Kalimantan estates. On satisfaction of the conditions of that acquisition (which it is hoped will occur fairly shortly), that land too will be acquired through the purchase of an Indonesian company, PT Putra Bongan Jaya ("PBJ") which will also have land as its sole asset and no liabilities other than the prospective costs of completion of land titling. Arrangements will be made whereby CDM, KMS and PBJ will all be owned as to 95 per cent through wholly owned subsidiaries of REA and as to 5 per cent by local investors. Upon completion of the above transactions, the REA group will hold land allocations totalling some 120,000 hectares. However, such allocations do not necessarily permit the immediate planting of oil palms. During 2007, there were delays to the group's targeted development programme as a result of problems in securing release for planting of land allocations in respect of which the titling process had not been fully completed. Delays have continued into 2008 to-date. The new acquisitions of CDM and KMS and the previously reported conditional acquisition of PBJ are designed to permit the group to advance concurrently land titling in relation to several different development areas in the hope that this will reduce future delays to the group's expansion programme. It is, however, clear from the group's experience during 2007 that the land titling process in Indonesia, which was never straightforward, is becoming progressively more difficult with the consequential risk of further unpredictable delays. Trading The crop of oil palm fresh fruit bunches ("FFB") for 2007 amounted to 393,217 tonnes, 3.5 per cent ahead of the budgeted crop of 380,000 tonnes and an increase of 17.7 per cent on the FFB crop for 2006 of 334,076 tonnes. Climatic conditions during 2007 were satisfactory with good rainfall of 4,413 mm (2006 - 2,967 mm) generally well distributed through the year. The FFB crop for 2008 has been budgeted at 421,000 tonnes with the expected increase over 2007 reflecting a budgetary assumption of average rainfall (both as to quantum and distribution), increasing yields from the 3,150 hectares of formerly immature oil palms brought into cropping during 2007 and maturing of further hitherto immature areas. The crop to end February 2008 was approximately 7,000 tonnes above budget but, as the monthly phasing of each year's crop varies from year to year, this should not be taken as indicating a likelihood that the FFB crop for 2008 as a whole will be above budget. The extent of the new development achieved in 2007 was a significant disappointment with an outturn of 1,500 hectares against the target of 6,500 hectares set at the beginning of the year. In setting that target, the directors did recognise that its achievement would depend upon the titling of land allocations held by the group proceeding as planned so that land would become available for development in time, and to an extent sufficient, to meet the requirements of the development programme. Unfortunately,

the titling problems referred to earlier meant that this did not happen and the shortfall was the result. Despite the delays, the group has continued to establish nurseries in line with its target planting programme and will therefore have available seedlings with which to catch up on programme arrears if land availability and development logistics permit. The average spot crude palm oil ("CPO") price, CIF Rotterdam, for 2007 was \$780 per tonne as compared with \$478 for 2006. CPO, CIF Rotterdam, is currently trading at above \$1,300 per tonne. During 2007, the group delivered 12,000 tonnes under forward sale contracts at the equivalent of a CIF Rotterdam price of \$620 per tonne. Otherwise, sales were made on a spot basis. The 2007 forward sale contracts are continuing into 2008 at the rate of 2,000 tonnes per month until June (at the same equivalent price of \$620 per tonne). Thereafter the group has forward sales in respect of 2,000 tonnes per month for the six month period to December 2008 and the twelve month period to December 2009 at prices equivalent to CIF Rotterdam prices of respectively \$870 and \$860 per tonne. Export duty is now payable on exports of CPO from Indonesia on a percentage basis rising from nil per cent on sales at prices of up to the equivalent of \$550 per tonne, CIF Rotterdam, to 25 per cent on sales at prices above the equivalent, on that basis, of \$1,300 per tonne. Press calls to: John Oakley Tel: 020 7436 7877 This information is provided by RNS The company news service from the London Stock Exchange