

Debt Issue & Trading Update

R.E.A.Hldgs PLC 27 November 2006 Proposed issue of debt securities by REA Finance B.V. (the "issuer") a wholly owned subsidiary of R.E.A. Holdings plc (the "company") and update regarding trading by the company and its subsidiaries (the "group") Summary The company and the issuer announce that they have today published a prospectus (the "prospectus") relating to a proposed issue of up to £22,000,000 nominal of 9.5 per cent guaranteed sterling notes 2015/17 ("sterling notes") to be issued by the issuer and unconditionally and irrevocably guaranteed by the company. It is proposed that an initial tranche of up to £15,000,000 nominal of the sterling notes be issued for cash at 98.33 per cent of par and that the balance be available for issue pursuant to an offering programme. Reasons for the issue The existing indebtedness of the group consists of \$30,000,000 nominal of 7.5 per cent dollar notes 2012/14 of the company ("dollar notes"), borrowings by PT REA Kaltim Plantations ("REA Kaltim") of \$37,600,000 under loan facilities provided by an Indonesian banking consortium and drawings by REA Kaltim totalling \$4,000,000 under working capital and leasing facilities. To date, Indonesian bank borrowings have been available to the group only for average terms of less than four years. Such maturities do not fit well with the growth cycle of an oil palm and the directors of the company (the "directors") believe that the group should reduce its dependence on Indonesian bank borrowings by seeking longer term debt from markets external to Indonesia. The issue of the dollar notes over the period from September 2005 to August 2006 has already provided the group with some longer term debt but the directors have concluded that it is unlikely that further issues of listed longer term dollar denominated debt securities can be made on the scale that would be needed to reduce materially the group's dependence on Indonesian bank borrowings. The issue of the sterling notes is proposed with the object of securing further longer term debt funding for the group with repayment over a period commencing after the dollar notes have been fully repaid. Particulars of the sterling notes The sterling notes will be issued by the issuer and unconditionally and irrevocably guaranteed by the company. The issuer is a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) incorporated under the laws of the Netherlands, established as a wholly owned subsidiary of the company for the purposes of the proposed issue. The sterling notes will be created pursuant to resolutions of the boards of the company and the issuer and constituted by a trust deed to be executed between the company, the issuer and Capita Trust Company Limited as trustee. The issuer proposes to issue the initial tranche of the sterling notes pursuant to a placing to be arranged by Guy Butler Limited of up to £15,000,000 nominal of the sterling notes at a subscription price of 98.33 per cent of par, payable in full on allotment. The placing is conditional upon receipt of any necessary consents from the Treasury pursuant to section 765 of the Income and Corporation Taxes Act 1988 of the United Kingdom as respect the loans to REA Kaltim proposed to be assigned to, or made by, the issuer; the execution by the parties thereto of the trust deed constituting the sterling notes and all related security documents and the receipt by Capita Trust Company Limited, as trustee for the holders of the sterling notes, of certain legal opinions and directors' certificates (each in form and substance satisfactory to Capita Trust Company Limited); placees being procured for a minimum of £5,000,000 nominal of the sterling notes; and the admission of the sterling notes placed to the Official List and to trading on the EEA Regulated Market of the London Stock Exchange plc by no later than 18 December 2006. The sterling notes will be issued in registered form in amounts and integral multiples of £1,000. They will bear interest at the rate of 9.5 per cent per annum payable semi-annually in arrear on 30 June and 31 December of each year, save that the first interest payment on the initial tranche of the sterling notes will be made on 30 June 2007. Unless previously redeemed or purchased and cancelled by the issuer, the sterling notes will be redeemed at par by three equal annual instalments commencing 31 December 2015. If sterling notes have been

purchased by the issuer and cancelled, the amount of sterling notes that the issuer will be obliged to redeem on any given redemption date will be reduced by the nominal amount of sterling notes purchased and cancelled prior to that redemption date (save in so far as such notes were purchased and cancelled prior to a previous redemption date and taken into account in reducing the sterling note redemption requirement in relation to that previous redemption date). The sterling notes will be secured by way of (i) a second charge (subject only to the prior rights of the relevant bank under general banking conditions) over all cash balances held from time to time by the issuer at bank; and (ii) a first charge over all rights of the issuer in respect of all monies owed from time to time by REA Kaltim to the issuer. Initially, such monies will principally comprise loans to be made by the issuer to REA Kaltim out of the proceeds of the issue of the initial tranche of the sterling notes and additional loans of \$30,500,000 already made by the company to REA Kaltim which are to be assigned by the company to the issuer. All loans from the issuer to REA Kaltim will be unsecured. Under the terms of the trust deed, the company will be obliged to procure that the combined external borrowings of REA Kaltim and the issuer do not exceed an agreed limit. That limit will be set initially at \$55,000,000 (net of cash balances) but will be increased on a formula basis if operating cash flows from REA Kaltim increase (as, subject to fluctuations in CPO prices, the directors would expect that they will do in line with the increasing maturity of REA Kaltim's planted areas). External borrowings will include the principal amount of the sterling notes, converted into dollars at the spot rate applicable on the date of issue of the relevant notes, but will exclude (i) intra-group borrowings and (ii) external borrowings of up to \$10,000,000 incurred for the purposes of repaying then existing external borrowings, provided that the monies so borrowed are applied, within 18 months, in making the proposed repayment. Within the initial limit on the combined external borrowings of REA Kaltim and the issuer of \$55,000,000, REA Kaltim will be free to continue existing, and/or enter into new, external borrowing arrangements that are secured. The issuer will not be permitted to create security over its assets (save for the security described above in relation to the sterling notes). The company will also be obliged to procure that REA Kaltim does not incur any intra-group borrowings other than borrowings from the issuer but will not be under any obligation to restrict the amount of such borrowings or the amount of intra-group borrowings by the issuer. The issuer will be free to receive and retain and/or expend monies received in respect of its loans to REA Kaltim unless and until the security for the sterling notes becomes enforceable, subject always to continued compliance with the covenants imposed by the trust deed. If any person or group of persons acting in concert acquires shares in the company carrying more than 50 per cent of the votes which may generally be cast at general meetings of the company, each holder of sterling notes will have the right to require that the sterling notes held by such holder be repaid at 101 per cent of par. Use of proceeds The entire proceeds from the proposed issue will be on-lent by the issuer to REA Kaltim. Such loans will be principally applied by REA Kaltim in repayment of, or in substitution for new drawings of, local bank borrowings in Indonesia. Current trading The extension development programme in respect of which planting out commenced in 2004 will not make any worthwhile contribution to crops until 2007. Accordingly, the group is budgeting for a crop in 2006 of 353,000 tonnes. Oil palm fresh fruit bunches ("FFB") harvested during the six months to 30 June 2006 totalled 191,000 tonnes. This was well ahead of the crop of 148,000 tonnes achieved in the corresponding period of 2005 and some 27,000 tonnes ahead of budget. Year to year variations in the monthly phasing of crops are, however, normal and the directors have previously reported that bunch censuses indicated less buoyant crops in the second half of 2006 with the result that the crop for the year as a whole might well be much in line with budget. Crops for the second half to date confirm that this remains the likely outcome for the year with FFB harvested in the ten months to October 2006 amounting to 287,000 tonnes, compared to a budget for the period of 279,000 tonnes and a crop for the corresponding period of 2005 of 244,000 tonnes. The current slightly lower levels of cropping are attributed to the combined effect of a cyclic depression in cropping in some of the mature areas and dry conditions. Cyclic depressions or rest periods are a normal aspect of the oil palm's cropping cycle and a drier season in the third quarter of each year is also normal. However, the current year's drier season proved more prolonged than

usual, probably reflecting the development of a moderate el nino weather event. This has meant that the seasonal peak cropping period that would usually begin during September and continue to the end of the year has started late. Crude palm oil ("CPO") and palm kernel production for the ten months to 31 October 2006 amounted to, respectively, 66,500 tonnes (2005: 58,000 tonnes) and 11,000 tonnes (2005: 10,000 tonnes) reflecting extraction rates of 23.1 per cent for CPO (2005: 23.9 per cent) and 3.8 per cent for kernels (2005: 4.2 per cent). The lower than normal extraction rates are attributed to sub-optimal cross-pollination in the last quarter of 2005 following very high levels of rainfall in that period. CPO extraction rates have been improving in recent months. CPO prices since 30 June 2006 have increased as the immediate concerns over increasing stock levels have been allayed by evidence of an improving demand picture, with strong growth in consumption of bio-diesel projected to be an increasingly important market feature in 2007. Monthly average prices for CPO, CIF Rotterdam, have increased from some \$440 per tonne in the second quarter of 2006 to current levels of over \$550 per tonne. If the higher prices for CPO now prevailing are maintained through to the end of 2006, the group can expect a slight increase in dollar revenues in the second half of the year notwithstanding that a crop outturn for the year at the budgeted level would imply FFB production in the second half of 162,000 tonnes against the 191,000 tonnes harvested in the first half. Looking further forward, consumption of vegetable oils continues to grow strongly with traditional food related use augmented by increased use of vegetable oil in bio-diesel and other bio-fuels. The future competitiveness of bio-fuels will depend materially on the price of petroleum oil and the impact of government subsidies and taxes on different categories of fuels. However, international interest in encouraging the use of sustainable resources appears likely to stimulate increasing demand for bio-diesel by way of a combination of fiscal incentives and provision for mandatory blending of bio-diesel and petroleum based diesel. The reported expansion of bio-diesel manufacturing capacity worldwide seems likely at least to maintain the CPO and other vegetable oil markets at good levels well into 2007 and thereafter to moderate the extent of any future downturn in those markets. Whilst it is obviously a positive development for the group that it can sell its produce at today's level of prices, CPO prices are set by international markets and the group cannot influence them. The group therefore continues to concentrate its energies on maximising production efficiency with a view to achieving a unit cost of production that is as low as, and ideally lower than, that of other producers of CPO and competitor vegetable oils. The directors believe that realisation of this objective will be facilitated by capitalising on the economies of scale that a single site plantation permits and building the group's East Kalimantan operations, which already represent a substantial unit, into one of the largest single site plantation units in South East Asia. Assuming that the 2006 extension development target is achieved, developed hectareage at the end of 2006 would amount to some 25,000 hectares. That is nearly double the existing mature area of 13,085 hectares. The enlarged hectareage, when fully mature, can therefore be expected to result in a near doubling of crops with the expectation of still further material increases in crops from the extension developments of 2007 and later years. The resultant impact on revenues, with a central overhead that should not increase proportionately as the group expands, offers exciting prospects for the future value of the group. Further information Copies of the prospectus will be available for inspection at the Document Viewing Facility of the UK Listing Authority and may be obtained free of charge from the company at its registered office, Third Floor, 40-42 Osnaaburgh Street, London NW1 3ND. Copies of the prospectus are also available from the company's website at www.rea.co.uk and the London Stock Exchange plc's website under www.londonstockexchange.com/engb/pricesnews/marketnews. Paste the following link into your web browser to download the PDF document related to this announcement: http://www.rns-pdf.londonstockexchange.com/rns/7920m_-2006-11-27.pdf Expected timetable The results of the proposed placing of the initial tranche of the sterling notes are expected to be announced on 1 December 2006, with dealings in the sterling notes commencing on 4 December 2006. Enquiries Richard Robinow R.E.A. Holdings plc Tel: 020 7419 0100 This information is provided by RNS The company news service from the London Stock Exchange