

AGM Statement

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R.E.A.Hldgs PLC
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R.E.A. Holdings plc

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Agricultural operations

FFB harvested during the five month period to the end of May 2012 amounted to 232,931 tonnes. This was broadly in line with the crop for the corresponding period in 2011 of 244,202 tonnes but below the budgeted crop for the period of 270,442. External purchases of FFB totalled 18,620 tonnes, ahead of the budgeted 12,736 tonnes and ahead of the corresponding period in 2011 of 11,974 tonnes.

For the same period, processing of the group's own FFB production and the externally purchased FFB, together totalling 251,551 tonnes (2011: 256,176 tonnes), produced 58,496 tonnes of crude palm oil (CPO) (2011: 57,726 tonnes), 11,674 tonnes of palm kernels (2011: 11,397 tonnes) and 4,799 tonnes of crude palm kernel oil (CPKO) (2011: 4,367 tonnes). These production figures reflect extraction rates of 23.3 per cent for CPO (2011: 22.5 per cent), 4.7 per cent for kernels (2011: 4.5 per cent) and 38.1 per cent for CPKO (2011: 39.6 per cent).

Rainfall for the five month period to the end of May 2011 averaged 1,595 millimetres across the group's operations. This was slightly below the rainfall of 1,815 millimetres received during the corresponding period of 2011.

The budget shortfall in the group's own production reflects the delayed ripening of crops as reported previously and is attributed to the particular weather pattern experienced in 2011. It is premature to draw conclusions as to the likelihood of the group achieving its budgeted crop for 2012 of 682,000

tonnes and local management continues to report favourably on the availability of crop for the remaining months of the year. However, the extent of the shortfall is such that it may not be fully recovered by the year end.

Whilst the deteriorating economic conditions in many parts of the world must be a concern for any commodity producer, CPO prices continue to hold up well. Stocks are not at high levels, vegetable oil consumption is still growing while growth in supply has been muted with unfavourable growing conditions affecting South American soybean crops and CPO production increases falling short of expectations. The price outlook is not therefore discouraging.

The average selling price for the group's CPO for the five months to the end of May 2012, on an FOB basis at the port of Samarinda and after payment of export duty, was \$825 per tonne (2011: \$891 per tonne). The average selling price for the group's CPKO on the same basis was \$1,046 per tonne (2011: \$1,522 per tonne).

Expansion of capacity and upgrading of the group's two existing oil mills is near completion and these are coping well with the demands of the current crop levels. Construction of the group's third oil mill, which commenced during 2011, remains on target for completion in the second half of 2012 in readiness for the expected peak cropping months later in the year.

The first of the group's two methane conversion plants, which are intended to reduce the group's greenhouse gas emissions and increase its energy efficiency, was commissioned in the first quarter of 2012 and is producing some 2 megawatts of power. This is being used to supply electricity to estate buildings, one oil mill and the kernel crushing plant. The second methane conversion plant is expected to be commissioned shortly. It is already clear that the plants will produce methane in excess of that required to meet the group's electrical power needs and the directors are considering various alternatives for productive use of methane surplus to these needs. Such alternatives include the compression and liquefaction of methane as a fuel for use in the group's vehicles.

As previously reported and as a further step in the process of RSPO accreditation of its operations, the group has now obtained certification of its milling and storage facilities under the Supply Chain Certification System.

Land areas and agricultural development

The group continues to work towards implementation of the agreed swap of land subject to overlapping coal rights for a substitute area. A number of propositions for modest expansion of the group's land bank are also being explored.

The group currently has a good pipeline of land immediately available for development and remains on target to open at least a further 4,000 hectares for planting during the current year. Planting up of smallholder areas is also continuing and additional areas for smallholders are in the process of being agreed.

Coal operations

The drilling programmes to delineate more precisely the available resources at the Kota Bangun and Liburdinding concessions are continuing. Once these programmes have been completed, revised mine plans will be developed and it is then hoped to restart production. In the case of Liburdinding, this will be subject to having first decided on the most economic alternative for selling the higher sulphur coal that this concession contains.

On the coal trading side, conditions have become difficult due to falling prices driven by reduced Asian demand, especially from Chinese and Indian buyers. As a result, trading levels are likely to be below those of 2011 and the directors do not now expect that the previously declared target of increasing trading volumes to a level of 100,000 tonnes per month during 2012 will be achieved.

Jakarta IPO

The group is actively pursuing its previously announced plans for the amalgamation of the group's Indonesian plantation subsidiaries into a single sub-group, headed by the group's principal plantation subsidiary, PT REA Kaltim Plantations ("REA Kaltim"), the sale, to the investing public in Indonesia, of a minority shareholding in REA Kaltim (probably 20 per cent) and the listing of REA Kaltim on the Jakarta Stock Exchange. An advisory team has now been appointed and the group will shortly submit applications to the regulatory authorities in Jakarta for permission to proceed with the proposed amalgamation (which will need to be completed before any application can be made for regulatory approvals of the proposed listing and public offering).

Outlook

While CPO and CPKO remain at current levels, the group will continue to enjoy excellent cash flows. Although the coal operations have to-date been a little disappointing, they are not

significant in the overall context. The agricultural cash flows should permit the group to maintain its planned extension planting programme and if the planned Jakarta listing of REA Kaltim is successfully concluded, it is intended to accelerate this programme. The directors therefore remain confident in the group's growth prospects.

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