Trading Statement

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R.E.A. Holdings plc
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Agricultural operations

The group's crop of oil palm fresh fruit bunches ("FFB") for the year to 31 December 2011 amounted to 607,335 tonnes, an increase of 17.08 per cent on the FFB crop of 518,742 tonnes for the corresponding period in 2010 and close to the budgeted crop for the year of 610,957 tonnes. In addition, the group purchased 34,146 tonnes of FFB from smallholders and other third parties (2010: 20,089 tonnes).

Rainfall across the estates averaged 3,414 mm for 2011, compared with 4,434 mm for the previous year. After a period of relatively low rainfall during the third quarter of the year, the fourth quarter was relatively wet. This delayed crop ripening in the final months of 2012 so that the surpluses over budget reported earlier in the year were not maintained.

Processing of the group's own FFB production and the externally purchased FFB, together totalling 641,481 tonnes (2010: 538,831 tonnes) produced 147,455 tonnes of crude palm oil ("CPO") (2010: 127,256 tonnes) and 28,822 tonnes of palm kernels (2010: 24,614 tonnes) reflecting extraction rates of 22.99 per cent for CPO (2010: 23.62 per cent) and 4.49 per cent for kernels (2010: 4.57 per cent). Production of crude palm kernel oil ("CPKO") amounted to 10,815 tonnes (2010: 9,745 tonnes) with an extraction rate of 38.44 per cent (2010: 40.07 per cent). Current extraction rates reflect in part the increasing proportion of younger crops being processed.

Following the collapse on 28 November 2011 of the Tenggarong Bridge over the Mahakam River, a major disaster for East Kalimantan, all river traffic movement past the bridge was temporarily suspended and this led to some build up in upstream CPO and CPKO stocks. Restrictions on river movement have now been lifted and oil stocks held in the group's mill storage facilities are being steadily reduced to normal levels.

Looking forward to 2012, the group is budgeting an FFB crop of 682,000 tonnes, a 12.3% increase over the 2011 crop.

After opening 2011 at $1,285 per tonne, CIF Rotterdam, the CPO prices weakened during 2011 to end the year at $1,040 per tonne. The average price for the year was $1,124 per tonne (2010: $905 per tonne). The price has remained above the $1,000 level since the start of 2012 and is expected to stay firm for as long as petroleum oil prices remain at around or above current levels.

The development of estate oil palm plantings progressed satisfactorily during the year with the area planted or under development at year end amounting to some 37,000 hectares, an increase during the year of some 5,000 hectares against a target of 7,000 hectares. The balance of 2,000 hectares has been carried forward for development during 2012.

As announced on 3 January, 2012, the subsidiary company, PT Sasana Yudha Bhakti ("SYB"), has entered into a conditional settlement agreement to resolve third party claims to mineral rights in respect of certain of the land areas held by it. Under this agreement, SYB has agreed to swap the land areas in question for land areas held by an Indonesian company, PT Prasetia Utama ("PU"), the whole of the issued share capital of which will be transferred to SYB. The areas to be relinquished by SYB include 2,164 hectares of land already planted or under oil palm development at 31 December 2011 and are included in the overall area of 37,000 hectares planted or under development at that date as referred to above.

PU holds 9,097 hectares of fully titled land. This is located on the southern side of the Belayan river opposite the retained SYB northern estates and is thus highly suitable for development as an extension of the group's existing estates. Of the total 9,097 hectares, some 7,000 hectares are estimated to be available for planting. This additional land bank and the group's existing plantable reserves should together permit the group to expand its oil palm plantings to in excess of 50,000 hectares. After planting of the 2,000 hectare carry over from 2011, the directors intend that the remaining plantable reserves should be developed at a rate consistent with the group's available cash resources which will themselves be dependent upon future CPO prices.

Delays by villages in agreeing allocations of land required for smallholder development held up the 2011 plans for expansion of the village cooperative smallholder schemes. Nevertheless, good progress was made during the year in completing the planting up of the cooperative areas already under development and, with allocations of additional land now being agreed, a useful further increase in cooperative areas should be achievable during 2012.

Expansion of capacity and upgrading of the group's two existing mills is near completion and these are coping well with the demands of the current crop levels. The new third mill is due for completion early in the second half of 2012 in readiness for the expected peak cropping months of the year.

Good progress has been made towards the completion of the two methane recovery plants. Some delays to the delivery of specialist equipment were experienced in the last quarter of 2011 as a result of the severe flooding in Thailand. Delivery of this equipment is now expected in the near future and the first plant should commence operation shortly thereafter. The second plant is expected to become operational once the commissioning of the first plant has been completed.

Coal operations

Deliveries of traded coal for the year to 31 December 2011 amounted to some 262,000 tonnes. Although trading volumes have continued to grow, growth has not been quite as rapid aswas initially projected. Trading prospects do still appear positive and the group hopesto build up volumes during 2012 to an average monthly sales level of 100,000 tonnes. Coal for traded sales iscurrently sourced by outright purchase from third party suppliers but discussions are continuing with a view to developing long term arrangements for meeting a proportion of the traded coal requirement by mining third party owned concessions against payment of royalties.

As previously reported, mining operations at the Kota Bangun concession were halted in the middle of 2011 followingcancellation of the contract with the principal mining contractor who had run into financial difficulties. The group is continuing to review itsoptions for this concession. Further exploration drilling is being carried out to determine the full extent of the coal resource within the concession as well as the potential of an adjacent concession over which the group has secured a period of exclusivity in which to complete due diligence. Production is expected to recommence once an optimised mine plan has been completed.

Good progress is also being made with the further investigation of the Liburdinding concession. Additional mapping has now been completed and a drilling programme to delineate more precisely the available resource is currently in hand. This will be followed by revision of the existing mine plan, after which it is expected that production will be resumed.

Possible emigration to South East Asia

After careful examination of alternative options for the future structure of the group, the directors have concluded that it would not be in the best interests of the company or its shareholders to proceed with the idea of reconstituting the group under the ownership of a new parent company listed on a stock exchange in a South East Asian financial centre. Whilst such a move would be likely to create greater research coverage of the group and would permit an eventual reduction in London overheads, it would be expensive to arrange and would not alleviate the political risks associated with foreign ownership of land in Indonesia.

Instead, the directors are actively pursuing an alternative option of selling, to the investing public in Indonesia, a minority shareholding in an Indonesian subsidiary of the company holding some or all of the group's Indonesian oil palm operations and listing that subsidiary on the Jakarta Stock Exchange. This could be expected to bring the same benefits as a restructuring under a South East Asian listed parent in terms of research coverage and reductions in London overheads but would be less expensive to arrange and would have the particular advantage that, as a listed company, the Indonesian subsidiary would be treated as a local rather than foreign investor for Indonesian regulatory purposes.

Publication of results

In line with the timetable adopted in previous years, it is expected that the final results for 2011 will be announced, and the annual report in respect of 2011 published, in the second half of April 2012.

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