

Settlement of litigation

R.E.A.Hldgs PLC 24 January 2006 R.E.A. Holdings plc ("REA") Acquisition of minority shareholding in Makassar Investments Limited ("Makassar") and settlement of litigation REA announces that it has reached agreement with Mr Morris E. Zukerman and his associates, Bodley Investment Company, M. E. Zukerman & Co Incorporated ("MEZ Inc"), M. E. Zukerman Investments Limited and the Zukerman Family Trust, (together the "Zukerman parties") on the settlement of (a) litigation claims made or threatened by the Zukerman parties against REA and three of its directors, Charles Letts, John Oakley and Richard Robinow, (together with Makassar, its subsidiary, PT REA Kaltim Plantations, and another subsidiary of REA, Makassar Participation plc, the "REA parties") and (b) litigation claims threatened by the REA parties against the Zukerman parties. Pursuant to the settlement agreement (the "Settlement Agreement"), REA has agreed to acquire the minority shareholding in Makassar (the "Zukerman held Makassar shares") owned by certain of the Zukerman parties for a consideration of \$19 million. In addition, PT REA Kaltim Plantations ("REA Kaltim") has, subject as noted below, agreed to pay a total of \$6 million as additional interest on former loans to REA Kaltim from certain of the Zukerman parties and in settlement of various claims by MEZ Inc against REA Kaltim for fees in respect of past services and financial support. Upon completion of the Settlement Agreement (which has been scheduled for 21 February 2006), all actual and potential claims relating to Makassar and REA Kaltim between the Zukerman parties and the REA parties will be released and the proceedings commenced in New York in November 2001 by certain of the Zukerman parties against certain of the REA parties will be dismissed with each side bearing its own costs. Save to the extent otherwise required by law or regulation (including, in the case of REA, compliance with the rules of the Financial Services Authority), the REA parties and the Zukerman parties have given mutual undertakings to keep confidential the terms of the Settlement Agreement and all matters discussed in the mediated negotiations from which the Settlement Agreement has resulted. The consideration of \$19 million payable by REA for the Zukerman held Makassar shares will be satisfied by the issue by REA of \$19 million nominal of 7.5 per cent dollar notes 2012/14 of REA ("Zukerman dollar notes") ranking pari passu in all respects and forming a single issue with the existing 7.5 per cent dollar notes 2012/14 of REA. Pursuant to an agreement (the "Supplemental Rights Agreement") made concurrently with the Settlement Agreement, REA and those Zukerman parties who will initially hold the Zukerman dollar notes (the "Zukerman dollar noteholders") have agreed that (a) subject to certain limitations, REA may at any time acquire from the Zukerman dollar noteholders some or all of their holdings of Zukerman dollar notes (the "call rights") and (b) in certain circumstances, the Zukerman dollar noteholders may require REA to purchase the Zukerman dollar notes (the "put rights"), in both cases at par plus accrued interest up to the date of completion of the exercise of such rights. The rights of the Zukerman dollar noteholders under the Supplemental Rights Agreement may be assigned (in whole or part) by those persons to a limited class of assignees subject to assumption by the assignees of obligations like to those of the Zukerman dollar noteholders under the agreement. The limitations upon the exercise by REA of the call rights are effectively that by such exercise the nominal amount of the Zukerman dollar notes (as reduced by any previous exercises of the call rights) should not, unless the entire outstanding holding of Zukerman dollar notes is to be acquired by REA, be reduced in nominal amount to below 25 per cent of the nominal amount of all then outstanding 7.5 per cent dollar notes 2012/14 of REA (including any further notes constituted by deed supplemental to the trust deed of 12 September 2005 constituting the 7.5 per cent dollar notes 2012/14 of REA (the "trust deed")). The circumstances under which the Zukerman dollar noteholders may exercise the put rights are occurrences of events that supplement the events of default contained in the trust deed. The

principal of these supplemental events comprise (a) material disposals of assets by REA and its subsidiaries, (b) any person or group of persons acting in concert obtaining the right to exercise more than 50 per cent of the votes that may generally be cast at a general meeting of REA and (c) if UK withholding tax becomes payable in respect of any principal or interest payments on the Zukerman dollar notes, REA not paying such additional amounts as will result in the net amounts receivable by holders remaining as they would have been had no such withholding tax been payable. The payment of \$6 million to be made by REA Kaltim pursuant to the Settlement Agreement is to be made in cash and is conditional upon receipt by REA Kaltim of necessary consents to the making of such payment from its lending banks. Should such consents not be obtained, REA has agreed to pay the \$6 million on behalf of REA Kaltim. The Zukerman held Makassar shares comprise ordinary shares in Makassar representing 12.3 per cent of the issued ordinary share capital of Makassar. The profit before taxation and assets attributable to that interest in Makassar, based on the audited consolidated accounts of REA for the year ended 31 December 2004 (which were prepared under UK Generally Accepted Accounting Practice), amounted to, respectively, £754,000 and £2,721,000. The audited consolidated balance sheet of REA at 31 December 2004 included provisions equivalent in total to \$3.6 million against the liabilities now to be settled under the Settlement Agreement by the \$6 million payment to be made by REA Kaltim. The Zukerman held Makassar shares have for several years been the only issued shares in Makassar not owned by REA and its subsidiaries. The directors of REA consider that the Settlement Agreement will benefit REA both in terms of giving REA ownership of the whole of the issued share capital of Makassar and in settling all outstanding disputes with the Zukerman parties. This information is provided by RNS The company news service from the London Stock Exchange