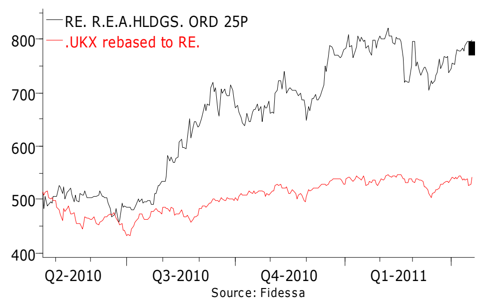
R.E.A. Holdings

Sparkling Full Year Results

782.5p

21 April 2011

Share Price: 782.5p



12m High: 809p

12m Low: 400p

Market Cap: £263.6m

Shares in Issue: 33.4m ordinary, fully diluted

Also 27.06m 9% Cumulative Preference Shares

NAV/Share: 426p

Gearing: 42%

Interest Cover: 7.3x

EPIC Code: RE.

Sector: Food Producers and Processors

Market: London Main List

Broker: Mirabaud Securities

PR: -

Website: www.rea.co.uk

Description: REA is engaged in the operation and further development of a single site palm oil plantation in East Kalimantan, Indonesia. More recently it has acquired rights in respect of two small coal mining concessions, also in East Kalimantan.

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Another sparkling set of results from R.E.A. Holdings: revenues up 45% at $114m ($79m in FY09) and beating our forecast by $6m – put this down largely to first time coal revenues of $4.2m. Pretax profit came in at $48.8m before adding a biological asset revaluation of $1.6m ($31.9m / $9.8m), an increase of nearly 53%. The result is all the more impressive when noted that the pretax position was net of $3.9m of costs attributable to the new coal activities. We were anticipating $49.7m pretax (pre-biological asset revaluation), but we did not account for coal costs; adjusting for these actual results on the palm operations were ahead of our expectations.

The Chairman's statement reveals that the 2010 planting schedule was delayed due to regulatory delay in granting new planting permits. Two permits have been received now and the company is optimistic that the process may now move more quickly. As a result the company is retaining 'its oil palm planting target for the two year period ending 31st December 2011 of 8,000 ha'. This will of course depend on the land becoming available for development as needed. Here to progress appears to have been made; during 2010 fully titled agricultural land area held by the group amounted to 63,263 ha (52,029ha) of which 32,083 ha is planted or under development (21,984 ha mature). Group held land allocations at year end covered 31,500 ha.

It is also clear that R.E.A. has made progress with the development of its coal operations in Indonesia, both mining and trading of coal. Since the start of 2011 it has been able to formalise trading relationships with two major export buyers and as a result it is targeting within the current year to achieve monthly sales of 100,000 tonnes. Coupled with the group's mining activities in two concessions, we are anticipating coal related revenues in 2011 of some $20m and pretax profits in the region of $8m.

R.E.A. Holdings strategy for the development of the coal operations is entirely pragmatic; the company has dabbled with small concessions to understand the operational issues, and it has experimented with trading coal to develop an understanding of both the supply end and the demand end of the market. By developing further its ability to manage Indonesian country risk for offshore customers for coal, the company will be able to manage the growth of the coal customer base ahead of sinking investment into resource recovery. Resource recovery may also be managed by contract mining as an intermediate step between trading and ownership of mineral assets. For shareholders this offers an exciting opportunity to participate in the exploitation of another Indonesian resource, but tempered with a pragmatic low risk approach to investment. For investors seeking oil palm related benefits, it is interesting to note that management believe that the coal activities will be largely self funding.

Y/E	Own Crop	Group Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Divi	Yield
December	Tonnes	US$m	US$m	S$m	c/share		UKp.	%
2008A	450,906	79.6	36.3	39.0	86.1	15.1	2.00	0.3
2009A	490,000	78.9	41.7	32.0	55.3	23.5	3.00	0.4
2010A	518,742	114.0	50.4	48.9	88.0	14.8	5.00	0.6
2011E	611,000	150.0	75.0	70.0	116.0	11.2	7.00	0.9

For 2011 our forecasts are being edged up to $130m revenues for oil palm activities, plus $20m for coal to give $150m. Pretax profits before biological asset revaluations should out turn in the region of $70m to give eps of 116 cents.

By reference to the valuation of other Indonesian oil palm companies, R.E.A. enjoys an in line valuation at circa $14,000 per planted ha. But this is a conservatively managed company with possibly another 31,000 ha of land for planting. Additionally the coal assets are effectively in the share price at no value; this potential income stream will be difficult to value until a pattern of cash flows has been established, but we are conservatively anticipating pretax income of $8m in 2011 largely on the back of coal trading income. Additionally the company has another 10,000 of oil palm hectares to come to maturity and 8,000 further hectares to be planted by the end of this year. On prospective 2011 earnings the shares are trading on a forward p/e of only 11.25x yet earnings growth is running at c. 19%.The shares continue to look good value as an Indonesian natural resources play.

R.E.A. Holdings

21 April 2011

Management	Major Shareholders
Non-Executive Chairman: Richard Robinow	**Richard Robinow** 30.79%
Managing Director: John Oakley	**Prudential** 14.25%
Non-Executive Director: Chan Lok Lim	**Alcatel Bell Pension Fund** 11.99%
Non-Executive Director: David Blackett	**Artemis UK Smaller Cos** 5.74%
Non-Executive Director: Jock Green-Armytage	
Non-Executive Director: John Keatley	
Non-Executive Director: David Killick	
Non-Executive Director: Charles Letts	

Key Dates

AGM: 14 June 2011

Key Milestones

1989: Commences a 125,000H single site oil palm plantation in East Kalimantan, Indonesia.

1997: Asian Economic Crisis closes the door on debt finance. Seeks equity finance, part of which is provided by the MEZ Group.

October 2001: Palm oil price plunges to $250m/t and REA halts new planting activity. Also, the MEZ group launches legal proceedings.

2004: Extension planting is resumed at the rate of 3,000 – 4,000 H per annum.

2005: Two share placings at 260p/share raise 10.24m.

2006: Resolves legal dispute with the MEZ group. Issues $30m of 7.5% dollar-denominated loan notes 2012/14.

September 2006: Acquires PBJ, a 20,000 H land allotment in East Kalimantan.

January 2007: £22m nominal of 9.5% sterling loan notes 2015/17 issued.

March 2008: Acquires a further two land allocations in East Kalimantan, KMS and CDM, totalling 37,000 H.

August 2008: £15m nominal of 9.5% sterling loan notes 2015/17 issued.

August 2008: Acquires rights in respect of two adjoining coal concessions, Liburdinding and Muser.

December 2009: Acquires a further coal concession at Kota Bangun.

Feb 2010: $15m nominal 7.5% dollar loan notes 2012/14 issued and 150,000 shares of $10 in subsidiary KCC.

Oct 2010: Issues 9m new 9% preference shares.

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