PRESS RELEASE 2017

Regulated information | December 2017

Results

of the SIPEF group as per 31 December 2017 (12m/17)

- **Annual palm oil production rose by 11.2% compared with a rather weak production year in 2016.**
- **There was a rising trend in market prices for palm oil in the first half of the year and they remained relatively constant in the second half of the year.**
- **Higher sales prices for palm oil, lower unit cost prices and the effect of the full consolidation of PT Agro Muko resulted in a gross profit of KUSD 120 474, a rise of KUSD 46 682 or 63.3%.**
- **The net result, share of the group, before the remeasurement gain of PT Agro Muko was KUSD 64 481, a rise of 61.7% compared with 2016.**
- **The recent acquisitions in Agro Muko and Dendymarker and the expansion in Musi Rawas increased the planted areas (share of the group) in 2017 by 17 985 hectares (30.4%) to a total of 71 865 planted hectares.**
- **The acquisition of a controlling interest in Agro Muko resulted in an IFRS gain of KUSD 75 182, which means the net IFRS result, share of the group, in 2017 was KUSD 139 663.**
- **In May, the company completed a most successful capital increase with preferential right for the existing shareholders of KUSD 97 122.**
- **41% of the expected palm oil volumes for 2018 have already been sold at an average price of USD 741 per tonne CIF Rotterdam, premiums included, while the current market prices are lower.**
- **In line with the 30% pay-out ratio of previous years, the board of directors proposes to approve a gross dividend of EUR 1.60 per share (+28% on last year), on an 18.2% increased number of shares issued and payable on 4 July 2018.**

1. Management report

1.1. Group production

	Fourth Quarter				Year To Date			
2017 (In tonnes)	**Own**	**Third parties**	**Q4/17**	**YoY %**	**Own**	**Third parties**	**Q4/17**	**YoY %**
Palm oil	72 020	13 300	85 320	*-1.69%*	272 312	58 646	330 958	*11.17%*
Rubber	2 058	0	2 058	*-2.09%*	8 179	0	8 179	*-11.02%*
Tea	655	0	655	*-3.53%*	2 402	0	2 402	*-18.30%*
Bananas	7 657	0	7 657	*22.08%*	29 772	0	29 772	*19.13%*

	Fourth Quarter			Year To Date		
2016 (In tonnes)	**Own**	**Third parties**	**Q4/16**	**Own**	**Third parties**	**Q4/16**
Palm oil	70 605	16 178	86 783	246 121	51 584	297 705
Rubber	2 102	0	2 102	9 017	175	9 192
Tea	679	0	679	2 940	0	2 940
Bananas	6 272	0	6 272	24 991	0	24 991

After three strong quarters, with the annual palm oil production at the end of September up 16.46% on the low production of 2016 due to El Niño, in 2017 the year's highest production volumes were once again noted in the last quarter. However, growth was less marked on the Indonesian plantations and even fell in Papua New Guinea, where the fourth quarter of 2016 saw record harvests.

In the mature plantations in North Sumatra and Bengkulu, the generally rising trend continued until the end of the year, with fourth quarter growth of 10.0% for the Tolan Tiga Group and 0.9% for the Agro Muko plantations, which are being replanted. Growth at the young plantations in UMW/TUM also continued, with a rise of 4.8% compared with the fourth quarter of 2016.

In Hargy Oil Palms in Papua New Guinea, since September we have seen predominately male flowers in the plantation's older plantings. This may be the late consequence of the El Niño drought of 2015. As a result, production in the fourth quarter fell at our plantations and smallholders by -11.7% and -20.2% respectively.

Due to this phenomenon the total group production consequently slipped slightly by -1.7% compared with the fourth quarter of 2016, but total annual production was 11.2% higher than last year, so 2017 can be seen as a strong year for palm oil production.

Total annual production at the Indonesian rubber plantations was identical to that in 2016, with the fall in production in North Sumatra, primarily due to the conversion of rubber areas to test fields for the development of high-yielding palm seeds, offset by higher yields in the young rubber areas in Agro Muko in Bengkulu province.

The Cibuni tea plantations in Java had to contend with lower production all year, due to the exceptionally small number of sunshine hours compared with the ten-year average, which delayed the young leaf growth. Production in the fourth quarter was virtually identical (-3.5%) to last year, but total annual production was -18.3% lower than in 2016.

The banana plantations in Ivory Coast produced 19.1% more volume than the previous year, primarily due to the additional yield of the new plantings in Azaguié 2 (+76.4%), whereas the existing plantings produced 8.7% more fruit. Europe is the primary export market, but the rest of Africa, where quality requirements are a little looser, is also served.

1.2. Markets

Average market prices

In USD/tonne*		YTD Q4/17	YTD Q4/16
Palm oil	CIF Rotterdam	715	700
Rubber	RSS3 FOB Singapore	1 995	1 605
Tea	Mombasa	2 804	2 298
Bananas	FOT Europe	899	905

**World Bank Commodity Price Data*

At the beginning of the fourth quarter the palm oil market gave a strong performance, as production had been on a declining trend during the third quarter, and the general assumption was that production had already peaked in July. In combination with good demand, market prices rose to USD 735 CIF Rotterdam. However, during the first half of November the market realised that Malaysia in particular had made a tremendous comeback in production for the entire last quarter, and the stock continued to grow instead of reducing slightly. In hindsight, it was August and September which were the anomaly with lower production. The palm oil market was sold off during December on the back of growing stocks, despite the stronger petroleum market and its competitiveness versus liquid oils. The palm oil market traded from USD 695/tonne at the beginning of the quarter to USD 735/tonne CIF Rotterdam by the end of October, to close at its lowest of USD 660/tonne by year end.

Palm kernel oil (PKO) showed good demand during the fourth quarter, although some of the oleochem players switched part of their needs to coconut oil once its price premium came off. PKO traded from USD 1250/tonne at the beginning of October to USD 1 350/tonne CIF Rotterdam in the middle of November, before it followed the same trend as palm oil and closed the year at USD 1180/tonne.

The rubber market experienced a lacklustre fourth quarter after its unexpected more volatile preceding quarter. Physical buying interest was low and prices were roaming in the lower end of the price band. Prices for SICOM RSS3 were flat, ranging from USD 1 715/tonne, and closed the year at USD 1 681/tonne.

Tea prices at the Mombasa auction dropped during the fourth quarter, as Kenya entered its peak production period until mid-December when rains ceased, and the outlook for a drop in production resulted in prices rebounding from the lows during December.

1.3. Consolidated income statement

Consolidated income statement

In KUSD (management presentation)	31/12/2017	31/12/2016
Revenue	321 641	266 962
Cost of sales	-199 725	-199 107
Changes in the fair value	-1 442	5 937
Gross profit	**120 474**	**73 792**
Selling, general and administrative expenses	-31 175	-26 960
Other operating income/(charges)	962	647
Operating result	**90 261**	**47 479**
Financial income	1 644	120
Financial charges	-3 211	- 879
Exchange differences	1 248	- 694
Financial result	**- 319**	**-1 453**
Profit before tax	**89 942**	**46 026**
Tax expense	-24 045	-12 384
Profit after tax	**65 897**	**33 642**
Share of results of associated companies and joint ventures	3 137	9 059
Result from continuing operations	**69 034**	**42 701**
Remeasurement gain acquisition PT Agro Muko	79 324	0
Profit for the period	**148 358**	**42 701**
Result from continuing operations share of the group	***64 481***	***39 874***
Remeasurement gain acquisition PT Agro Muko share of the group	*75 182*	*0*
Profit for the period share of the group	**139 663**	**39 874**

Consolidated gross profit

In KUSD (condensed)	31/12/2017	%	31/12/2016	%
Palm	110 763	91.9	67 592	91.6
Rubber	3 324	2.8	48	0.1
Tea	1 116	0.9	842	1.1
Bananas and plants	3 827	3.2	3 526	4.8
Corporate and others	1 444	1.2	1 784	2.4
Total	**120 474**	**100.0**	**73 792**	**100.0**

The financial statements of 2017 and the comparison with last year are significantly influenced by the full inclusion of PT Agro Muko in the *SIPEF* consolidation as from 1 March 2017.

Other operating income/charges on the income statement (financial statements in annex 2) include a one-off gain of KUSD 79 324 on the revaluation of the original stake in PT Agro Muko in accordance with IFRS 3 (see annex 7). To promote the readability of the annual report, the remeasurement gain of PT Agro Muko is isolated at the bottom of the income statement.

Total turnover rose by 20.5% to USD 322 million. The full inclusion of PT Agro Muko has only a minor impact on turnover, given that virtually the whole of production of PT Agro Muko used to be sold through *SIPEF*.

Turnover of palm oil rose by 21.8%. The much higher volumes were also sold at higher unit prices.

Rubber turnover rose by 11.6%. Excluding the impact of the disposal of Galley Reach Holdings Ltd from the *SIPEF* group at the beginning of July 2016, this increase was even as high as 26.5%. This rise is almost exclusively due to the higher sales prices, especially during the first half of 2017.

In the tea activities, higher volumes were sold on the export market. As a result, gross turnover rose by 6.0%.

Turnover followed the higher volumes in the banana and horticulture activities (+20.8%).

The average ex-works unit cost price for the palm segment (92% of the total gross margin) fell by around 3% compared with 2016, primarily due to the higher volumes and the lower purchase prices for fertilisers and power.

The adjustment in fair value is due to the impacts on the valuation of:

- the stock of finished products at their market value rather than their production cost (IAS 2);
- the measurement of the hanging palm fruits at their fair value (IAS 41R).

Gross profit rose from KUSD 73 792 in December 2016 to KUSD 120 474 in December 2017 (+63.3%).

Gross profit in the palm segment rose by 63.9% (+KUSD 43 171) compared with 2016 due to the ‘PT Agro Muko’ effect (KUSD 19 963), the excellent production, the higher sales prices and the lower unit cost prices.

Gross profit in rubber recovered (+ KUSD 3 276) compared with 2016, especially due to higher prices on the world market in the first quarter. The contribution of the following three quarters was negligible. There were also two non-operational effects: the disappearance of the negative margin in 2016 (KUSD 199) through the sale of Galley Reach Holdings in Papua New Guinea and the effect of the full consolidation of PT Agro Muko in 2017 (KUSD 382).

Gross profit of the banana and horticulture business was around 8.5%, which was below expectations, primarily due to temporary quality problems at our production unit in Ivory Coast. This means that relatively more bananas were sold in Africa, at lower prices.

The selling, general and administrative expenses increased sharply (+15.6%), primarily due to a higher bonus provision as a consequence of the higher profit, the increased IT costs, the further development of a regional office in the Musi Rawas region and one-off lawyer and consultancy fees in relation to the acquisition of PT Agro Muko and PT Dendymarker. The USD equivalent of the euro costs of the head office in Belgium also increased.

Other operating income/charges of KUSD 962 included a partial reversal of our provision for a continuing VAT dispute in Indonesia (KUSD 1 020), which is slowly and surely coming to a favourable conclusion.

The operating result was KUSD 90 261 compared with KUSD 47 479 the previous year (+90.11%).

Financial income primarily comprises the positive time effect of the discount of the claim from the sale of the stake in the SIPEF-CI SA palm oil plantation in Ivory Coast at the end of 2016 (KUSD 1 436). This claim will be paid over the next five years.

The financial costs can be split into a one-off payment for setting up the bridge financing for the acquisition of PT Agro Muko (KUSD 576) and an interest expense of KUSD 2 635. The rise in the interest expense compared with 2016 was the consequence of the increase in the average debt position in 2017 compared with prior year.

The limited positive exchange differences are primarily due to the hedging of the expected EUR dividend, the exchange differences on the unhedged euro claim from the sale of SIPEF-CI and the hedging cost to USD of the short-term euro financing.

Profit before tax was KUSD 89 942 compared with KUSD 46 026 in 2016, a rise of 95.4%.

The actual tax expense was 26.7% completely in line with the theoretical tax expense.

The share of results of 'associated companies and joint ventures' includes the result of:

- PT Agro Muko up to and including 28 February 2017 (KUSD 2 011),
- PT Timbang Deli and Verdant Bioscience Singapore PTE Ltd (KUSD -597 combined) and
- our insurance branch (KUSD 1 723) where good technical results and a one-off gain on the acquisition of Canal Re SA in Luxembourg of KUSD 871 had a favourable impact on the result.

Profit for the period was KUSD 69 034 compared with KUSD 42 701 the year before, a rise of 61.7%.

The net result, share of the group, before the remeasurement gain of PT Agro Muko, was KUSD 64 481, 61.7% higher than in 2016.

The net result, share of the group, including the remeasurement gain of PT Agro Muko, was KUSD 139 663.

1.4. Consolidated cash flow

Consolidated cash flow

In KUSD (management presentation)	31/12/2017	31/12/2016
Cash flow from operating activities	124 842	74 391
Change in net working capital	8 622	-18 804
Income taxes paid	-13 611	-4 369
Cash flow from operating activities after tax	**119 853**	**51 218**
Acquisitions intangible and tangible assets	-59 625	-41 095
Dividends received from associated companies and joint ventures	0	4 729
Sales of PP&E and financial assets	1 946	1 526
Recurring free cash flow	**62 174**	**16 378**
Acquisition financial assets (ANJ, PT DIL and VBS)	-78 686	-3 050
Equity transactions with non-controlling parties (MP Evans)	-99 769	- 16
Capital increase	95 095	0
Other financing activities	40 157	-15 646
Net increase in investments, cash and cash equivalents	**18 971**	**-2 334**

In USD per share	31/12/2017	31/12/2016
Weighted average shares outstanding	9 826 091	8 851 266
Basic operating result	17.26	5.36
Basic net earnings	14.21	4.50
Diluted net earnings	14.19	4.50
Basic net earnings before remeasurement gain PT Agro Muko	6.56	4.50
Cash flow from operating activities after tax	12.20	5.79

Cash flow from operating activities rose by KUSD 50 451 in line with the higher operating result.

The improvement in working capital (+KUSD 8 622) is primarily due to the application of the applicable delivery and payment arrangements with our customers.

In Indonesia and Papua New Guinea we always pay corporate tax one year later. The limited size of the tax paid in 2017 of KUSD 13 611 reflects the lower profit in 2016.

The main investments were the payment of additional land compensations and the planting of oil palms in the new project in South Sumatra, alongside the usual replacement investments and the maintenance of the immature plantations.

In June 2017, in accordance with the contractual stipulations, the next tranche of KUSD 1 500 was received from the sale of Galley Reach Holdings Ltd in 2016. We will receive a further KUSD 3 600 from this sale over the next three years.

The recurring cash flow in 2017 was KUSD 62 174 compared with KUSD 16 378 during the same period the previous year.

The acquisition of the additional share in PT Agro Muko and the acquisition of PT Dendymarker had the following impact on the cash flow:

	PT AM	PT DIL	Total
Total acquisition price	-144 080	-52 833	-196 913
Advance paid in 2016	1 250	0	1 250
Available liquidity	17 852	5	17 857
Net impact	**-124 978**	**-52 828**	**-177 806**
Presentation in cash flow			
- Acquisition financial assets	-25 208	-52 828	-78 036
- Equity transactions with NCI	-99 770	0	-99 770
Net impact	**-124 978**	**-52 828**	**-177 806**

In addition, another KUSD 650 was paid to Verdant Bioscience Singapore PTE Ltd for the further construction of a research centre, as a result of which 'Acquisitions financial assets' was totally KUSD 78 686.

The capital increase of KUSD 97 122, after deduction of the direct costs of this transaction of KUSD 2 027, had a net impact of KUSD 95 095.

'Other financing activities' (KUSD 40 157) primarily includes a new five-year bank loan of KUSD 50 000, the dividend paid to shareholders and third parties (KUSD -14 138), an additional share buyback (KUSD -1 050), the sale of scrips (KUSD 204) and paid interest (KUSD -2 471). The balance of KUSD 7 611 concerns new short-term debts.

1.5. Consolidated balance sheet

Consolidated balance sheet

In KUSD (management presentation)	31/12/2017	31/12/2016
Biological assets (depreciated costs) - bearer plants	268 086	178 346
Goodwill	103 008	1 348
Other fixed assets	361 408	306 061
Net assets held for sale	12 010	0
Net current assets, net of cash	65 316	61 773
Net cash position	-83 697	-45 061
Total net assets	**726 131**	**502 467**
Shareholders' equity, group share	634 636	448 063
Non-controlling interest	33 140	25 063
Provisions and deferred tax liabilities	58 355	29 341
Total net liabilities	**726 131**	**502 467**

Four aspects had a strong impact on the changes to the balance sheet positions in 2017:

- the full inclusion of PT Agro Muko in the consolidated financial statements of the *SIPEF* group from 1 March 2017
- the purchase and full inclusion of PT Dendymarker in the consolidated financial statements of the *SIPEF* group from 1 August 2017
- the moving of the land rights of intangible assets to tangible assets
- a capital increase in May 2017.

Due to the acquisition of an additional stake in PT Agro Muko, the assets and liabilities of this company were remeasured at their actual value ('market value') and the individual items from 1 March 2017 in the consolidated statements were recognised in full (rather than aggregated under 'Investments in associated companies and joint ventures').

The assets and liabilities of PT Dendymarker were also included at our current estimate of the actual value from 1 August 2017 (see annex 6). Under IFRS rules the estimate may be revised up to one year after the acquisition.

The impact of the two acquisitions on the balance sheet is summarised in annex 7.

Following the acquisition of PT Agro Muko, the *SIPEF* group reviewed the presentation of the land rights and decided to present the land rights as tangible assets rather than intangible assets, in line with the presentation method in the industry and the relevant advice. The comparative balance sheet of 31 December 2016 was revised to include this change in the comparative figures.

On 24 May 2017 a capital increase of KUSD 97 122 was successfully concluded, through the issue of 1 627 588 (+18.2%) new shares.

The net assets held for sale (KUSD 12 010) concern the net carrying value of the insurance segment, for which an agreement was signed with Navigators Group, Inc. at the end of December 2017.

1.6. Dividends

In line with the 30% pay-out ratio of previous years, the board proposes to approve a gross dividend of EUR 1.60 per share (+28% on last year), on an 18.2% increased number of shares issued and payable on 4 July 2018.

1.7. Prospects

Productions.
The new production year for Indonesian palm oil has started in favourable conditions, with rising volumes for most of our Indonesian plantations and the general expectations for the first quarter remain positive. The weather is less favourable in Papua New Guinea, where the harvesting conditions in January were disrupted by the rainy season. The production expectations remain dependent on the weather in the first quarter for group-owned plantations and for neighbouring farmers, who are also harvesting smaller volumes than the previous year. Everything would therefore suggest that we will maintain the expected 9% total rise in annual palm oil production for the *SIPEF* group.

Markets.
The palm oil market had to endure a Malaysian Government ruling of removing the export tax for crude palm oil (CPO) in the first week of January. The ruling was justified as reducing the stocks, but many think it was part of a campaign to influence the smallholders and win their support in the elections in Malaysia later this year. There was also a vote in the European Parliament to ban palm oil as a feedstock in the European Union (EU) biodiesel market after 2021. This vote fed a bearish sentiment, but it has not yet been decided by the European Commission whether it will be fully implemented. We struggle to see this vote being passed by the World Trade Organisation (WTO) and we do not believe it will have any significant impact on the vegoil market in the coming years, as it will be a change like-for-like. In the meantime, the weather in South America has improved and the earlier troublesome soybean growing areas seem to be within yield expectations now, albeit the crop is likely to be lower than last season's record crops. The recent strong, but volatile, petro market, together with its underlying gasoil market, are certainly triggering higher mandated biodiesel volumes in Indonesia, and we are getting very close to discretionary biodiesel blending to become economic sense in general. This has provided a very solid, but higher floor for palm oil. Therefore, we are positive that prices will remain steady, certainly for the first half of the year.

The rubber market has increased its prices slightly due to the export reduction, predominantly by Thailand, but this is coinciding with the wintering period. Therefore, it remains to be seen what the actual impact will be. However, the first quarter could see a further rally as the wintering continues, and longer term, we expect the market to remain within its narrow trading range.

Tea production in Kenya usually drops during the first quarter amid hot and dry conditions, and is acting this year within seasonal expectations. Prices at the Mombasa auction have increased and are expected to remain firm during the first quarter of the year, after which the ‘long rains’ are due. The timing and intensity of the ‘long rains’ will direct the prices from the second quarter onwards.

Results.

We have capitalised on the price fluctuations of recent weeks to sell 41% of the expected palm oil production for 2018 at an average price of USD 741 per tonne CIF Rotterdam, equivalent and premiums for sustainability and origin included, compared with 39% of the volumes at USD 785 per tonne at the same time in the previous year. Bearing in mind the lower price expectations in the second half of the year, we want to continue to capitalise on the current market trends and we continue to gradually put volumes on the market at prices in excess of USD 700 per tonne, premiums included. At the same time, given the not very inspiring prospects on the rubber markets, 15% of the expected rubber volumes were sold at an average price of USD 1 638 per tonne, which is substantially lower than the average price of USD 2 236 per tonne during the same period the previous year. Approximately 31% of the tea volumes were also sold at slightly higher market prices. Our marketing strategy for the sale of bananas, with primarily fixed prices for the whole year, continued in 2018 with deliveries of the best quality to the United Kingdom and France and of other volumes to North Africa.

To a large degree, the ultimate recurring result will be determined by the achievement of the expected production growth, the level of market prices over the rest of the year, the preservation of the current export levies on palm oil in Indonesia, which despite compulsory increases in wages and a strong natural oil price are still favourably influenced by the continuing weak rates of the local currencies of Indonesia and Papua New Guinea compared with the reporting currency USD.

Cash flow and expansion

Except for the usual replacement capital expenditure budgets and the replanting of existing areas in Indonesia and Papua New Guinea, for 2018 the investment programmes continue to be focused on South Sumatra, with the expansion of our activities in Musi Rawas and the replanting and improvement of our recently acquired palm oil plantations and mill in Dendymarker. Negotiations are also ongoing in Papua New Guinea with neighbouring communities on the acquisition of 1 500 hectares of additional agricultural land to bring the total area of palm plantations to 15 000 hectares, to allow them to utilise the capacity of the three mills optimally.

After the acquisition of 95% of the palm oil plantation PT Dendymarker Indah Lestari (DIL), since 1 August 2017 it is an integral part of the area of the *SIPEF* group. Optimising the currently loss-making plantation activities, rehabilitating the palm oil mill and gradually replanting the approximately 20 year old trees are priorities in the *SIPEF* investment programme over the next few years.
We expect to be able to begin replanting as early as the first quarter of 2018, and a study round was also begun into approximately 2 000 hectares of fallow land for development within the framework of the RSPO New Planting Procedures.

The enlargement of the concessions at three locations in Musi Rawas continues with success and we remain interested in acquiring additional land in the region, adjacent to our current project locations. Over the past year, an additional 1 928 hectares were compensated and an additional 3 125 hectares prepared for planting or planted, bringing the total to 9 225 cultivated hectares, which is 69.4% of the total of 13 283 compensated hectares, of which 2 109 hectares acquired for planting for neighbouring farmers and 11 174 for internal development. There are now almost 1 000 hectares in production and for the time being the harvested fruits are being sold locally. As well as the expansion of the planted areas, the investment focus is oriented to the development of the road network and the housing for the workers and local management.

On 18 December 2017 it was announced that *SIPEF* and Ackermans & van Haaren, each 50% shareholder of the Belgian insurance group BDM-ASCO, had reached agreement with the Nasdaq-listed US insurer The Navigators Group, Inc. on the sale of 100% of the share capital of BDM-ASCO. The transaction is now being examined for approval by the regulators, particularly the National Bank of Belgium, and is expected to be finalised before the end of the second quarter of 2018.

The acquisition price for 100% of the shares of BDM-ASCO was set at EUR 35 million. *SIPEF* will realise a gain of approximately USD 7 million. The gross proceeds, which were covered for KUSD 20 783 upon signing, will contribute to the further reduction in the debt position of the Group.

SIPEF

Translation: this press release is available in Dutch, French and English. The Dutch version is the original; the other language versions are free translations. We have made every reasonable effort to avoid any discrepancies between the different language versions. However, should such discrepancies exist, the Dutch version will take precedence.

2. Agenda 2018

19 April 2018	Interim report Q1
27 April 2018	Annual report online available (at the latest) on www.sipef.com
13 June 2018	Ordinary general meeting
4 July 2018	Dividend payment
16 August 2018	Announcement on the half year results
18 October 2018	Interim report Q3

3. Condensed financial statements

3.1. Condensed financial statements of the SIPEF group

3.1.1. Consolidated balance sheet (see annex 1)
3.1.2. Consolidated income statement and statement of comprehensive income (see annex 2)
3.1.3. Consolidated cash flow statement (see annex 3)
3.1.4. Statement of changes in consolidated equity (see annex 4)
3.1.5. Segment information (see annex 5)
3.1.6. Acquisition PT Dendymarker Indah Lestari (see annex 6)
3.1.7. Impact acquisition PT Agro Muko and PT Dendymarker (see annex 7)

4. Report of the statutory auditor

The statutory auditor has confirmed that his audit procedures, which have been substantially completed, have revealed no material adjustments that would have to be made to the accounting information included in this press release.

Deloitte Bedrijfsrevisoren – represented by Kathleen De Brabander.

Schoten, 15 February 2018

For more information, please contact:

F. Van Hoydonck,
managing director
(GSM +32 478 92 92 82)

J. Nelis,
chief financial officer

Tel.: +32 3 641 97 00
Fax : +32 3 646 57 05

finance@sipef.com
www.sipef.com
(section "investors")

SIPEF is a Belgian agro-industrial company listed on Euronext Brussels. The company mainly holds majority stakes in tropical businesses, which it manages and operates. The group is geographically diversified and produces a number of different commodities, principally palm oil. Its investments are largely long-term ventures in developing countries.

SIPEF

Consolidated balance sheet

ANNEX 1

In KUSD (condensed)	31/12/2017	31/12/2016
Non-current assets	**747 529**	**501 560**
Intangible assets	306	136
Goodwill	103 008	1 348
Biological assets - bearer plants	268 086	178 346
Other property, plant & equipment	346 265	236 643
Investment property	0	0
Investments in associated companies and joint ventures	8 116	60 937
Financial assets	78	22
Other financial assets	78	22
Receivables > 1 year	6 643	8 323
Other receivables	6 643	8 323
Deferred tax assets	15 027	15 805
Current assets	**159 479**	**109 639**
Inventories	28 879	23 757
Biological assets	7 018	4 133
Trade and other receivables	72 562	62 681
Trade receivables	36 465	40 401
Other receivables	36 097	22 280
Current tax receivables	1 610	4 084
Investments	0	0
Other investments and deposits	0	0
Derivatives	579	0
Cash and cash equivalents	36 180	17 204
Other current assets	641	1 913
Assets held for sale	12 010	0
Total assets	**907 008**	**615 332**
Total equity	**667 776**	**473 126**
Shareholders' equity	634 636	448 063
Issued capital	44 734	37 852
Share premium	107 970	17 730
Treasury shares (-)	-8 270	-7 425
Reserves	502 694	417 997
Translation differences	-12 492	-18 091
Non-controlling interests	33 140	25 063
Non-current liabilities	**113 382**	**45 146**
Provisions > 1 year	2 898	1 702
Provisions	2 898	1 702
Deferred tax liabilities	51 326	31 582
Trade and other liabilities > 1 year	0	0
Financial liabilities > 1 year (incl. derivatives)	40 000	0
Pension liabilities	19 158	11 862
Current liabilities	**125 850**	**97 060**
Trade and other liabilities < 1 year	39 931	30 515
Trade payables	18 243	16 630
Advances received	678	11
Other payables	8 530	8 223
Income taxes	12 480	5 651
Financial liabilities < 1 year	79 877	63 441
Current portion of amounts payable > 1 year	10 000	0
Financial liabilities	69 877	62 265
Derivatives	0	1 176
Other current liabilities	6 042	3 104
Liabilities associated with assets held for sale	0	0
Total equity and liabilities	**907 008**	**615 332**

Consolidated income statement

ANNEX 2

In KUSD (condensed)	31/12/2017	31/12/2016
Revenue	321 641	266 962
Cost of sales	-199 725	-199 107
Changes in the fair value	-1 442	5 937
Gross profit	**120 474**	**73 792**
Selling, general and administrative expenses	-31 175	-26 960
Other operating income/(charges)	80 286	647
Operating result	**169 585**	**47 479**
Financial income	1 644	120
Financial charges	-3 211	- 879
Exchange differences	1 248	- 694
Financial result	**- 319**	**-1 453**
Profit before tax	**169 266**	**46 026**
Tax expense	-24 045	-12 384
Profit after tax	**145 221**	**33 642**
Share of results of associated companies and joint ventures	3 137	9 059
Result from continuing operations	**148 358**	**42 701**
Result from discontinued operations	0	0
Profit for the period	**148 358**	**42 701**
Attributable to:		
- Non-controlling interests	8 695	2 827
- Equity holders of the parent	139 663	39 874
Earnings per share (in USD)		
From continuing and discontinued operations		
Basic earnings per share	14.21	4.50
Diluted earnings per share	14.19	4.50
From continuing operations		
Basic earnings per share	14.21	4.50
Diluted earnings per share	14.19	4.50
Basic earnings per share before remeasurement gain PT Agro Muko	6.56	4.50

Consolidated statement of comprehensive income

In KUSD (condensed)	31/12/2017	31/12/2016
Profit for the period	**148 358**	**42 701**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
in subsequent periods		
- Exchange differences on translating foreign operations	5 600	- 587
Items that will not be reclassified to profit and loss		
in subsequent periods		
- Defined Benefit Plans - IAS 19R	- 356	- 309
- Cash flow hedges - fair value result for the period	107	0
- Income tax effect	58	77
- Revaluation assets held for sale	0	- 227
Total other comprehensive income:	**5 409**	**-1 046**
Other comprehensive income for the year attributable to:		
- Non-controlling interests	- 13	- 20
- Equity holders of the parent	5 422	-1 026
Total comprehensive income for the year	**153 767**	**41 655**
Total comprehensive income attributable to:		
- Non-controlling interests	8 682	2 807
- Equity holders of the parent	145 085	38 848

Consolidated cash flow statement

ANNEX 3

In KUSD (condensed)	31/12/2017	31/12/2016
Operating activities		
Profit before tax	169 266	46 026
Adjusted for:		
Depreciation	35 308	28 789
Movement in provisions	1 713	1 297
Stock options	160	218
Exchange results not yet realised	- 878	0
Changes in fair value of biological assets	528	-2 236
Other non-cash results	-2 985	- 19
Hedge reserves and financial derivatives	-1 679	339
Financial income and charges	2 360	702
Capital loss on receivables	0	18
Capital loss on sale of investments	0	39
(Gain)/loss on disposal of property, plant and equipment	372	1 034
(Gain)/loss on disposal of financial assets	-79 323	-1 816
Cash flow from operating activities before change in net working capital	124 842	74 391
Change in net working capital	8 622	-18 804
Cash flow from operating activities after change in net working capital	133 464	55 587
Income taxes paid	-13 611	-4 369
Cash flow from operating activities	**119 853**	**51 218**
Investing activities		
Acquisition intangible assets	- 241	- 73
Acquisition biological assets	-22 280	-17 160
Acquisition property, plant & equipment	-37 150	-23 864
Acquisition investment property	46	3
Acquisition financial assets	-78 686	-3 050
Dividends received from associated companies and joint ventures	0	4 729
Proceeds from sale of property, plant & equipment	446	114
Proceeds from sale of financial assets	1 500	1 412
Cash flow from investing activities	-136 365	-37 889
Free cash flow	**-16 512**	**13 329**
Financing activities		
Capital increase	95 095	0
Equity transactions with non-controlling parties (investment MP Evans)	-99 769	- 16
Decrease/(increase) of treasury shares	- 846	- 608
Repayment in long-term financial borrowings	50 000	0
Increase short-term financial borrowings	150 442	0
Decrease short-term financial borrowings	-142 830	-7 383
Last year's dividend paid during this bookyear	-12 408	-6 043
Dividends paid by subsidiaries to minorities	-1 730	- 910
Interest received - paid	-2 471	- 702
Cash flow from financing activities	35 483	-15 662
Net increase in investments, cash and cash equivalents	**18 971**	**-2 333**
Investments and cash and cash equivalents (opening balance)	17 204	19 537
Effect of exchange rate fluctuations on cash and cash equivalents	5	1
Investments and cash and cash equivalents (closing balance)	36 180	17 205

SIPEF

Consolidated statement of changes in equity

ANNEX 4

In KUSD *(condensed)*	Issued Capital	Share premium	Treasury shares	Defined benefit plans - IAS 19R	Reserves	Transla-tion Differen-ces	Share-holders' equity	Non-controlling interests	Total equity
January 1, 2017	**37 852**	**17 730**	**-7 425**	**-2 398**	**420 395**	**-18 091**	**448 063**	**25 063**	**473 126**
Result for the period	**0**	**0**	**0**	**0**	**139 663**	**0**	**139 663**	**8 695**	**148 358**
Other comprehensive income	0	0	0	- 254	76	5 600	5 422	- 13	5 409
Total comprehensive income	**0**	**0**	**0**	**- 254**	**139 739**	**5 600**	**145 085**	**8 682**	**153 767**
Last year's dividend paid	0	0	0	0	-12 409	0	-12 409	-1 730	-14 139
Equity transactions with non-controlling parties	0	0	0	0	- 424	0	- 424	424	0
ANJ acquisition PT Agro Muko	0	0	0	0	0	0	0	59 917	59 917
MP Evans acquisition PT Agro Muko	0	0	0	0	-44 494	0	-44 494	-55 275	-99 769
Transfer PT Agro Muko to PT Tolan Tiga	0	0	0	0	3 618	0	3 618	-3 618	0
Capital increase	6 882	90 240	0	0	-1 338	0	95 784	0	95 784
Other	0	0	- 846	0	259	0	- 587	- 323	- 910
December 31, 2017	**44 734**	**107 970**	**-8 271**	**-2 652**	**505 346**	**-12 491**	**634 636**	**33 140**	**667 776**
January 1, 2016	**45 819**	**21 502**	**-6 817**	**-2 186**	**374 616**	**-17 505**	**415 429**	**23 400**	**438 829**
Result for the period	**0**	**0**	**0**	**0**	**39 874**	**0**	**39 874**	**2 827**	**42 701**
Other comprehensive income	0	0	0	- 212	- 227	- 586	-1 025	- 20	-1 045
Total comprehensive income	**0**	**0**	**0**	**- 212**	**39 647**	**- 586**	**38 849**	**2 807**	**41 656**
Last year's dividend paid	0	0	0	0	-6 043	0	-6 043	- 911	-6 954
Equity transactions with non-controlling parties	0	0	0	0	217	0	217	- 233	- 16
Transfers	-7 967	-3 772	0	0	11 739	0	0	0	0
Other	0	0	- 608	0	219	0	- 389	0	- 389
December 31, 2016	**37 852**	**17 730**	**-7 425**	**-2 398**	**420 395**	**-18 091**	**448 063**	**25 063**	**473 126**

Segment Information
ANNEX 5

SIPEF's activities can be classified into segments based on the type of product. SIPEF has the following segments:

- Palm: Includes all palm products, including palm kernels and palm kernel oil, both in Indonesia and Papua New Guinea
- Rubber: Includes all different types of rubber produced and sold by the SIPEF group, both in Indonesia and Papua New Guinea:
  - Ribbed Smoked Sheets (RSS)
  - Standard Indonesia Rubber (SIR)
  - Scraps and Lumps
- Tea: Includes both types of tea produced by Sipef in Indonesia, i.e.:
  - Orthodox tea
  - “Cut, tear, curl" (CTC) tea
- Bananas: Includes all sales of bananas and flowers originating from Ivory Coast.
- Other: Mainly includes management fees received from non-group companies, commissions charged on sea freight and other commissions which are not covered by the sales contract.

The overview of segments below is based on the SIPEF group's internal management reporting.The most important differences with IFRS consolidation are:

- All companies are included per segment at their percentage of interests using the proportionate consolidation method instead of the full consolidation method and the equity method.
- There are no inter-company eliminations.
- Instead of revenue the gross margin per segment is used as the starting point.

In KUSD (condensed)	31/12/2017 (1)	31/12/2016 (2)
Gross margin per product		
Palm	108 941	75 973
Rubber	2 879	- 9
Tea	1 043	786
Bananas and flowers	3 653	3.377
Other	5 692	5 579
Total gross margin	**122 208**	**85 706**
Selling, general and administrative expenses	-34 581	-30 842
Other operating income/(charges)	1 133	437
Financial income/(charges)	-1 467	- 741
Exchange differences	1 258	- 787
Profit before tax	**88 551**	**53 773**
Tax expense	-23 865	-14 558
Effective tax rate	-27.0%	-27.1%
Insurances	1 723	659
Profit after tax	**66 409**	**39 874**
Correction PT AM @ 44,9273% in Jan-Feb	-1 928	0
Correction PT AM fair value of assets	75 182	0
Profit after tax after IAS 41 restatement	**139 663**	**39 874**

(1) PT Agro Muko included at a beneficial interest of 90,25%
(2) PT Agro Muko included at a beneficial interest of 44,93%

Below we present the segment information per product and per geographical region in accordance with the IFRS profit and loss accounts.

The segment result is revenue minus expense that is directly attributable to the segment and the relevant portion of income and expense that can be allocated on a reasonable basis to the segment.

Gross profit by product

	Revenue	Cost of sales	Changes in the fair value	Gross profit	% of total
2017 - KUSD					
Palm	278 272	-166 214	-1 295	110 763	91.9
Rubber	16 032	-12 504	-204	3 324	2.8
Tea	7 507	-6 448	57	1 116	0.9
Bananas and plants	18 386	-14 559	0	3 827	3.2
Corporate	1 444	0	0	1 444	1.2
Others	0	0	0	0	0.0
Total	**321 641**	**-199 725**	**-1 442**	**120 474**	**100.0**
2016 - KUSD					
Palm	228 509	-166 758	5.841	67 592	91.6
Rubber	14 367	-14 782	463	48	0.1
Tea	7 081	-5 872	-367	842	1.1
Bananas and plants	15 220	-11 694	0	3 526	4.8
Corporate	1 784	0	0	1 784	2.4
Others	1	- 1	0	0	0.0
Total	**266 962**	**-199 107**	**5 937**	**73 792**	**100.0**

The segment "corporate" comprises the management fees received from non-group entities, additional commissions on sea freights and any other commissions that are not included in the sales contracts.

Gross profit by geographical segment

	Revenue	Cost of sales	Other Income	Changes in the fair value	Gross profit	% of total
2017 - KUSD						
Indonesia	186 626	-112 913	522	212	74 447	61.8
Papua New Guinea	115 184	-72 253	0	-1 654	41 277	34.3
Ivory Coast	18 386	-14 559	0	0	3 827	3.2
Europe	923	0	0	0	923	0.8
Others	0	0	0	0	0	0.0
Total	**321 119**	**-199 725**	**522**	**-1 442**	**120 474**	**100**
2016 - KUSD						
Indonesia	161 859	-122 314	748	2 768	43 061	58.4
Papua New Guinea	84 784	-61 794	0	3 169	26 159	35.4
Ivory Coast	18 534	-14 998	0	0	3 536	4.8
Europe	1 036	0	0	0	1 036	1.4
Others	1	- 1	0	0	0	0.0
Total	**266 214**	**-199 107**	**748**	**5 937**	**73 792**	**100**

PT Dendymarker Indah Lestari impact of the acquisition

ANNEX 6

PT Dendymarker Indah Lestari ("PT DIL") is an RSPO certified oil palm company, currently consisting of 6 562 planted hectares of oil palms, 2 780 hectares of smallholders and a palm oil extraction mill with a processing capacity of 25 tonnes of bunches per hour, all located in Musi Rawas Ultara, South Sumatra.

The Sipef Group has acquired 95% of the outstanding shares of DIL for a total purchase price of KUSD 52 833. As a result of this purchase, PT DIL has been included in the consolidated financial statements of the Sipef Group as of 1 August 2017.

As per 31 December 2017, the business combination has been accounted for on a provisional basis using provisional amounts. Adjustments to the 'provisional amounts will be made in the "measurement period" of one year after the acquisition date where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date

The preliminary balance sheet (with a provisional Purchase Price Allocation) of PT DIL as per 31 July 2017 has been included as the opening balance. The impact of the acquisition can be summarized as follows:

In KUSD	1/08/2017	
Biological assets - bearer plants	8 597	
Other property, plant & equipment	23 383	
Deferred tax assets	1 324	
Inventories	268	
Trade and other receivables	50	
Total assets	**33 622**	**A**
Non-controlling interests	- 225	
Trade and other liabilities < 1 year	422	
Total liabilities	**197**	**B**
Amount paid	52 833	
Cash in PT DIL	- 5	
Total consideration paid	**52 828**	**C**
Total Goodwill (C-A+B)	**19 403**	

Impact acquisition PT Agro Muko and PT Dendymarker

ANNEX 7

During 2017, the Sipef group has acquired two companies:

- PT Agro Muko as of 1 March 2017 (change from equity method to full consolidation method)
- PT Dendymarker Indah Lestari as of 1 August 2017 (new business combination)

For the impact of the acquisition of PT DIL we refer to annex 6.

The total impact of the inclusion of PT Agro Muko on the consolidated balance sheet can be summarized in 4 movements:

- Two months of result from PT Agro Muko as an equity consolidated company
- Deconsolidation of the equity consolidation of 47,2919% as per 01/03/2017
- Inclusion of all the remeasured assets (including goodwill paid) and liabilities of PT Agro Muko
- Elimination of intercompany positions which were not yet eliminated as PT Agro Muko was an equity consolidated company before

We have included the total impact of the 4 movements above in the summary below. This summary is including the total of all the transactions relating to PT Agro Muko to arrive at the final share of the group of 90,25% in PT Agro Muko, including the financial liabilities that incurred to purchase PT Agro Muko.

We have also included the impact of the acquisition of PT Dendymarker to show the combined effect of both acquisitions on the balance sheet during the year.

In KUSD (condensed)	PT Agro Muko 2 months equity method	PT Agro Muko full consolidation effect	Total PT Agro Muko effect	PT Dendymarker effect	Total acquisition effect
Non-current assets	**2 011**	**182 626**	**184 637**	**52 707**	**237 344**
Intangible assets	0	0	**0**	0	**0**
Goodwill	0	82 257	**82 257**	19 403	**101 660**
Biological assets - bearer plants	0	67 458	**67 458**	8 597	**76 055**
Property, plant & equipment	0	78 093	**78 093**	23 383	**101 476**
Investment property	0	0	**0**	0	**0**
Investments in associated companies and joint ventures	2 011	-45 228	**-43 217**	0	-43 217
Financial assets	0	46	**46**	0	**46**
Other financial assets	0	46	**46**	0	**46**
Receivables > 1 year	0	0	**0**	0	**0**
Other receivables	0	0	**0**	0	**0**
Deferred tax assets	0	0	**0**	1 324	**1 324**
Current assets	**0**	**31 338**	**31 338**	**323**	**31 661**
Inventories	0	5 782	**5 782**	0	**5 782**
Biological assets	0	727	**727**	268	**995**
Trade and other receivables	0	2 761	**2 761**	50	**2 811**
Trade receivables	0	-1 007	**-1 007**	50	**- 957**
Other receivables	0	3 768	**3 768**	0	**3 768**
Current tax receivables	0	4 240	**4 240**	0	**4 240**
Investments	0	0	**0**	0	**0**
Other investments and deposits	0	0	**0**	0	**0**
Derivatives	0	0	**0**	0	**0**
Cash and cash equivalents	0	17 853	**17 853**	5	**17 858**
Other current assets	0	- 25	**- 25**	0	**- 25**
Assets held for sale	0	0	**0**	0	**0**
Total assets	**2 011**	**213 964**	**215 975**	**53 030**	**269 005**

In KUSD (condensed)	PT Agro Muko 2 months equity method	PT Agro Muko full consolidation effect	Total PT Agro Muko effect	PT Dendymarker effect	Total acquisition effect
Total equity	**2 011**	**-36 338**	**-34 327**	**- 225**	**-34 552**
Shareholders' equity	1 910	-37 266	**-35 356**	0	**-35 356**
Issued capital	0	0	**0**	0	**0**
Share premium	0	0	**0**	0	**0**
Treasury shares (-)	0	0	**0**	0	**0**
Reserves	1 910	-40 781	**-38 871**	0	**-38 871**
Translation differences	0	3 515	**3 515**	0	**3 515**
Non-controlling interests	101	928	**1 029**	- 225	**804**
Non-current liabilities	**0**	**27 601**	**27 601**	**- 225**	**27 376**
Provisions > 1 year	0	986	**986**	0	**986**
Provisions	0	986	**986**	0	**986**
Deferred tax liabilities	0	21 176	**21 176**	0	**21 176**
Trade and other liabilities > 1 year	0	0	**0**	0	**0**
Financial liabilities > 1 year (incl. derivatives)	0	0	**0**	0	**0**
Pension liabilities	0	5 439	**5 439**	0	**5 439**
Current liabilities	**0**	**143 377**	**143 377**	**53 255**	**196 632**
Trade and other liabilities < 1 year	0	-1 672	**-1 672**	422	**-1 250**
Trade payables	0	-6 719	**-6 719**	0	**-6 719**
Advances received	0	281	**281**	0	**281**
Other payables	0	666	**666**	422	**1 088**
Income taxes	0	4 100	**4 100**	0	**4 100**
Financial liabilities < 1 year	0	144 080	**144 080**	52 833	**196 913**
Current portion of amounts payable > 1 year	0	0	**0**	0	**0**
Financial liabilities	0	144 080	**144 080**	52 833	**196 913**
Derivatives	0	0	**0**	0	**0**
Other current liabilities	0	969	**969**	0	**969**
Liabilities associated with assets held for sale	0	0	**0**	0	**0**
Total equity and liabilities	**2 011**	**134 640**	**136 651**	**53 030**	**189 681**
Remeasurement gain		**79 324**	**79 324**		**79 324**