Interim statement of the SIPEF group

as per 31 March 2018 (3m/18)

- Palm oil production at Group-owned plantations up 3.5% compared to the first quarter of 2017.
- Strong rise in palm oil volumes in Indonesia (+11.4%) neutralised by falling volumes in Papua New Guinea (-19.9%), where the rainy season hampers the harvest.
- Stable palm oil markets trade in a narrow band between USD 660 and 700 per tonne CIF Rotterdam.
- 50% of palm oil production for the year 2018 sold at USD 738 per tonne CIF Rotterdam, premiums included.
- Prospects for a relatively stable palm oil market for the rest of the year.
- Expansion in South Sumatra, Indonesia continued steadily with 9 607 hectares cultivated in Musi Rawas and commencement of the limited expansion and replanting of Dendymarker.
- Sale of the BDM-ASCO insurance activities most likely to be completed in Q2/2018.

Interim management report

1.1. Group production

Group production

2018 *(in tonnes)*	Own	Third parties	Q1/18	YoY%	Own	Third parties	Q1/18	YoY%
Palm oil	66 509	11 676	78 185	-3.33%	66 509	11 676	78 185	-3.33%
Rubber	2 294	0	2 294	-1.67 %	2 294	0	2 294	-1.67 %
Tea	595	0	595	2.94%	595	0	595	2.94%
Bananas	7 316	0	7 316	-10.13%	7 316	0	7 316	-10.13%

2017 *(in tonnes)*	Own	Third parties	Q1/17
Palm oil	64 272	16 609	80 881
Rubber	2 333	0	2 333
Tea	578	0	578
Bananas	8 141	0	8 141

After the strong rise of 11.2% in Group palm oil production in 2017, in the first quarter of 2018 we again recorded growth of 3.5% at our own plantations, primarily driven by an 11.4% increase in volumes produced in Indonesia, where the Group's palm oil business in North and South Sumatra and Bengkulu enjoyed generally favourable weather and the young areas in particular contributed to the continued improvements in the efficiency of our planted hectares.

A reduction in fruit bunch formation was noted as early as the end of last year in Papua New Guinea, especially in the older plantings. The usual intense rainfall in January and March also rendered harvesting and transport more difficult and we recorded a slight reduction in oil extraction percentages due to the higher water content in the processed fruit.
As a result, the production in our own plantations fell by 11.4% compared with the same quarter last year, when rainfall was exceptionally low. Due to the higher average age of their plantations, neighbouring farmers were even more susceptible to this phenomenon and we recorded a 31.9% fall in their production in the first quarter.

The Group's total palm oil production fell by 3.3% compared with the first quarter of 2017.

For the young plantations in expansion areas where we do not yet have any processing plants of our own, we obviously recorded a strong rise in volumes of Fresh Fruit Bunches (FFB) due to the growing maturity of the planted areas.
As reflected in our group productions, the own production of FFB rose by 3.3% compared with the same period a year ago.

Due to the usual wintering period in the first half of the year in the rubber plantations in Sumatra, Indonesia, the first-quarter production figures are variable and production at the plantations in North Sumatra (-18.7%)

fell temporarily earlier than a year ago, whereas volumes were boosted at the young plantations in Agro Muko in Bengkulu province due to additional maturity (+28.2%). As a result, the Group's total rubber production fell slightly by 1.7% compared with the same period a year ago.

Just like last year, the tea plantations in Java, Indonesia, experienced a difficult start to the year, with few sunshine hours in January and February, which hampered leaf development. Due to better growing conditions in March, first quarter production is 3% higher than a year ago.

The weather in Ivory Coast was certainly not ideal for banana production in the first quarter, as the Harmattan winds in January and February delayed the flowering of the banana trees. There was organic production growth in the new planted area Azaguié 2 (+51.4%), but production in the other three mature plantations were clearly below expectations, resulting in a 10.1% fall in group production in the first quarter of this year.

1.2. Markets

Average market prices

*In USD/tonne**		YTD Q1/18	YTD Q1/17	YTD Q4/17
Palm oil	CIF Rotterdam	674	773	715
Rubber	RSS3 FOB Singapore	1 733	2 539	1 995
Tea	Mombasa	2 751	2 815	2 804
Bananas	FOT Europe	1 055	839	899

** World Bank Commodity Price Data*

The first quarter started with high stocks in Malaysia on the back of a strong increase in production. The first few months of the year, Malaysian production in particular continued to beat market expectations, whereas Indonesia showed the usual declines. Early January, the Malaysian government also surprised the market by cutting the 5% export tax, which seems to be more politically driven with the upcoming elections. Malaysia continued to attract good demand, also because Indonesia was running rather tight on stocks.

Good demand in general from the food and biodiesel sector received a blow in March when the Indian government initiated an import duty hike of USD 100 on palm oil, taking away its usual discount versus soybean oil. In the meantime, there was a lot of talk about the much lower Argentinean soybean crop, but it didn't impact the oil markets.

All in all, there was a lot going on in the market, including a stronger petroleum market, but palm oil prices remained in a relatively narrow range, simply because it is already very competitively priced and continues to attract demand. The palm oil market traded from USD 690 per tonne CIF Rotterdam at the beginning of the quarter and gradually dropped to USD 670 per tonne by the end of March.

Palm Kernel Oil (PKO) experienced further competition from coconut oil, where production has finally recovered. Despite good oleochemical demand the market dropped, but historically these are still good prices. PKO traded from USD 1 200 per tonne in early January to USD 1 000 per tonne CIF Rotterdam at the end of the first quarter.

The rubber market experienced another lacklustre quarter trading in a very narrow price band. Physical buying interest remains very low, despite the better macroeconomic environment. The premium for prime grades has grown, but predominantly on the futures, while physical demand is lagging. Prices for SICOM RSS3 were flat, ranging from USD 1 770 per tonne, and closed the quarter at USD 1 799 per tonne.

Tea prices at the Mombasa auction moved in a narrow range during the first quarter of 2018. Demand has been robust amid higher production in early 2018 compared to early 2017; hence prices remained stable.

The market prices for bananas remained strong in the first quarter, due to the more limited import volume from dollar banana production countries to Europe. *SIPEF* sells its bananas on the basis of fixed annual contracts, so current market prices have little impact on the profitability of our fruit business, although they do support demand for bananas from African countries.

1.3. Prospects

Production

The prospects for palm oil production in the second quarter remain positive, with persistent volume growth in the Indonesian plantations, although this is less strong than in the first quarter. However, the Group's own plantations and those of smallholders in Papua New Guinea in particular will recover from the rainy season and the delayed fruit bunch formation in the second quarter. We expect to be able to deliver the announced growth projection of 9% for total group production of palm oil in 2018 and the locally sold fruit production in the young expansion areas will also continue to rise.

Otherwise we expect stable rubber production in Indonesia over the next few quarters, along with the recovery of banana production in Ivory Coast and tea production in Cibuni, Java, which will be slightly better than it was last year.

Markets

The palm oil market has been rather static, with most fundamental market factors being priced in, based on a strong production expectation and good solid demand, given its price competitiveness. However, there are still several external factors that can bring surprises to our market. The geopolitical tensions in the world are certainly an unknown factor, with the most relevant example of the trade war between the US and China, which is subject to a possible 25% import duty on US soybeans to China. The impact of such a measure is manifold, but it could be very friendly to palm oil. Politically driven changes, such as the Malaysian export tax, Indian import duties and the removal of the European anti-dumping duties on imported biodiesel, will be impacting our markets. The petroleum price and the possible rising biodiesel mandates, particularly in Indonesia, could create severe demand swings in the coming months. All in all, there are many external factors that could influence our markets; most of them should be friendly to our palm market, but the uncertainty that surrounds it certainly does not help any commodity market, as there will be a 'risk-off' mentality. We are hopeful that most decisions shall be taken wisely and will have a positive effect on our markets.

The rubber market usually rallies during the wintering season, but this year there seems to be hardly any impact of the wintering, as physical demand is simply very slow. Therefore, it is difficult to expect any price rally in the near future.

The 'long rains' have started in Kenyan tea growing regions in due time; hence good tea production can be expected. With Ramadan starting in the middle of May, buyers in the main tea-consuming countries will stock up ahead of time. Therefore, we expect prices to continue moving in a narrow range during the next quarter.

Results

The relatively stable palm oil prices over the past few months have enabled us to gradually place production volumes on the market and sell part of the second half of the year. As a result, 50% of the expected palm oil production volume have been sold at an average price of USD 738 per tonne CIF Rotterdam (premiums for sustainability and origin included), compared to 45% at USD 788 per tonne CIF Rotterdam at the same time last year. Compared to last year, when palm oil prices were considerably lower in the second half of the year, we expect volumes to gradually sell over the coming months at prices approaching those fetched by the volumes already sold.

For natural rubber, 24% of the annual volume have been sold at USD 1 676 per ton, compared with 42% at USD 2 307 at the same time last year. The persistent slump on the rubber markets will make it difficult for *SIPEF* to achieve significantly better sales prices over the rest of the year and, in the best case scenario, the gross margin of the rubber activities will only make a marginal contribution to the 2018 operating results.

As a result of the increased interest in black tea on the Kenyan market we have already managed to sell 46% of our expected volumes at USD 2 800 per ton, a rise of 16.7% compared with the price of USD 2 400 per tonne FOB for 40% of our 2017 production at the same time last year.

Over the past months the local currencies in Indonesia and Papua New Guinea gradually weakened against USD, which, together with the increasing volumes, may offset the limited rising costs for staff, fertilisers and power.

Cash flow and expansion

The Group's current investment policy is primarily oriented to the constant renewal of our planted areas in the mature plantations and the expansion of our palm oil business in South Sumatra, Indonesia, specifically the Musi Rawas and Dendymarker projects.

In Musi Rawas, the compensation of farmland, followed by the preparation of the site and the planting of oil palms continued steadily on the concessions centralised in three companies. In the first quarter, an additional 701 hectares were compensated and an additional 382 hectares prepared for planting or planted, bringing the total to 9 607 cultivated hectares, which is 68.7% of the total of 13 984 compensated hectares, of which 2 102 hectares acquired for planting for smallholders (plasma) and 11 882 for internal development. FFB production of the 902 mature hectares is sold locally at the moment. We also continue to show interest in acquiring additional land in the region adjacent to our current project locations.

The primary focus at the PT Dendymarker Indah Lestari (Dendymarker) plantation, which was acquired in August 2017, is on improving the upkeep and accessibility of the harvestable palms and raising the standard of fertilisation, so we can increase the yield per hectare. On the other hand, we have already begun replanting a first 200 hectares of the old areas and we are also focusing on expanding the planted areas with the possible expansion to 2 000 additional hectares, to bring the total area to more than 8 000 planted hectares and around 2 800 hectares for smallholders (plasma) who will supply their fruit to Dendymarker.

The sale of the shares of the Belgian insurance group BDM-ASCO to the listed US insurer The Navigators Group, Inc, as announced by *SIPEF* and Ackermans & van Haaren on 18 December 2017, is currently being studied by the regulators ahead of approval. This sale will most likely be finalised by the end of the second quarter. The gross revenue, hedged upon signing, for KUSD 20 783 will contribute to the further reduction in the debt position of the Group.

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.

Schoten, 19 April 2018

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SIPEF is a Belgian agro-industry group listed on Euronext Brussels and specialised in the – as sustainable certified - production of tropical agricultural commodities, primarily crude palm oil and palm products. These labour-intensive activities are consolidated in Indonesia, Papua New Guinea and Ivory Coast and are characterised by broad stakeholder involvement, which sustainably supports the long-term investments.