SIPEF

PRESS RELEASE | REGULATED INFORMATION

INTERIM STATEMENT OF THE SIPEF GROUP

Interim management report per 30 September 2013

1. Group productions

	Third Quarter				Year To Date			
2013 *(In tonnes)*	**Own**	**Third parties**	**Total**	**YoY %**	**Own**	**Third parties**	**Total**	**YoY %**
Palm oil	52 279	9 545	61 824	-11,44%	147 734	34 706	182 440	-4,51%
Rubber	2 271	161	2 432	-8,23%	7 271	437	7 708	-7,38%
Tea	655		655	10,64%	2 055		2 055	0,78%
Bananas	4 585		4 585	-7,04%	16 408		16 408	-10,43%

2012 *(In tonnes)*	**Own**	**Third parties**	**Total**	**Own**	**Third parties**	**Total**
Palm oil	57 614	12 193	69 807	154 847	36 206	191 053
Rubber	2 478	172	2 650	7 621	701	8 322
Tea	583	9	592	1 998	41	2 039
Bananas	4 932		4 932	18 318		18 318

Compared to the very strong third quarter of 2012 we have noted a decline in total palm oil production of 11.4% during the same quarter this year.

In North Sumatra and Bengkulu the traditionally higher volumes at this time of the year were again noted. Nevertheless, they remained far below last year's levels. This trend appears to be a general one in the sector for the mature Indonesian plantations and it is also impacting available stocks on the world market. We would like to state that the Bengkulu activities have now reached a major replanting phase, which will stagnate the growth for a longer period. Extraction rates were also down on last year due to higher rainfall. The young plantings of the UMW project, however, show ever-increasing volumes.

Hargy Oil Palms Ltd in Papua New Guinea in particular saw a sharp drop in the volume of available fruits as compared to last year and this both in its own plantations (-17.0%) as well as the amounts purchased from smallholders (-24.1%). Traditionally the third quarter in Papua New Guinea is a period of lower production but, over this past summer, the availability of harvestable fruits was exceptionally limited.

Rubber production for the third quarter too was 8.2% down on last year.

With the exception of the Melania plantation in South Sumatra, where production remained high despite the start of the wintering process (+12.8%), the rubber plantations of North Sumatra suffered from the 15% higher rainfall which considerably disrupted tapping (-6.1%). In Papua New Guinea, raw rubber production from both our own plantations as well as purchases from third parties stayed roughly in line with last year, despite this higher rainfall and the wintering process in the third quarter. Due to temporary technical issues at the plant only part of the volumes could be processed; hence 27.1% less rubber was produced.

Despite far-from-ideal weather circumstances in the third quarter, the Cibuni tea estate produced 10.6% more tea versus the same quarter last year. The year-to-date production for the first nine months of 2013 however is similar to 2012.

Consumption of bananas is traditionally low in summertime and we therefore deliberately keep production volumes low in the third quarter. Over the first nine months we are in line with last year's production levels at the Azaguié (+6.2%) and Agboville (-0.1%) plantations, but in Motobé, which is the southernmost plantation, climatological and to a lesser degree also social conditions during the first half of the year were unfavourable (-27.9%).

2. Markets

Average market prices

in USD/tonne*		YTD Q3/13	YTD Q3/12	YTD Q4/12
Palm oil	CIF Rotterdam	843	1 063	999
Rubber	RSS3 FOB Singapore	2 884	3 471	3 377
Tea	FOB origin	2 880	2 850	2 900
Bananas	FOT Europe	1 050	1 099	1 100

* World Commodity Price Data

The third quarter started off from a very low palm oil stock situation in Malaysia and Indonesia. The tight stock scenario was mostly reflected in inverted markets, not in higher flat price markets. The expectation of a record soybean crop was the main reason for lower market prices, until the August USDA report indicated a lower crop and lower yield. Apparently the perfect growing conditions that were proclaimed before were not as good as everyone expected. The palm stocks throughout the quarter remained lower than market expectations on the back of relatively disappointing production and better than expected exports. The energy demand seems to be kicking in as well as the food customer who was holding off its purchases expecting bumper soybean crops. The crude palm oil market however traded in a narrow range of USD 750 – USD 840 CIF Rotterdam. In September the Indonesian government announced a mandatory blending of 10% biodiesel into their diesel consumption for 2014, so-called B10. This would be a significant additional demand factor that could lead up to 3.9 million mt of biodiesel consumed domestically. Pertamina, the lead state-owned gas and oil producer, is committed to the target and already increased its blending from the 1st of September onwards.

The rubber market has been rather lackluster, stocks in origin and destination were sufficient and the summer months did not encourage the tyre industry to take additional coverage. Positive Chinese economic macro data early August did revive the market, prices bounced off the lows. All in all, it feels that market is settling in this price range of USD 2550 / USD 2750 per mt for RSS1. The amount of spot purchases indicates that some destinations' stocks have been shrinking.

Prices of the Mombasa tea auctions, to which our prices are linked, were relatively stable during the summer months but started slipping from end August onwards. The record production in Kenya earlier in the year, and to a lesser extend good production in Sri Lanka and India, is having a price pressuring effect on our teas. This trend continued in September.

3. Prospects

The fourth quarter is traditionally a period of high palm oil production and, in North Sumatra and Bengkulu, we are indeed already noticing volumes picking up again. However we do not expect them to match the exceptionally strong fourth quarter of 2012. The same holds true for Hargy Oil Palms Ltd in Papua New Guinea (despite the newly-planted acreage that will increase output) and our other products such as rubber, tea and bananas. We can therefore conclude that, in agronomical terms, 2013 will certainly not be a record year for our group.

Current production numbers in palm oil and better than expected demand will reflect a stocks carry out number by the end of this year that will be significantly lower than last year. In December 2012 2.6 million mt of palm oil were carried over in Malaysia, but this year 2 million mt seems out of reach. That is a substantial change compared to last year, the outlook into 2014 is therefore very positive for palm oil on its own. We should, however, bear in mind that the soy bean crop in the US and the rapeseed - and sunflower seed crops in the northern hemisphere are very good this year. Therefore it is expected that the discount of palm oil versus liquid oils will narrow by the end of the fourth quarter. Planting conditions in Argentina and Brazil will be of great concern; currently it is too dry particularly in Argentina. The fourth quarter will still show a seasonal palm stock build up (albeit smaller than expected), but the outlook for palm prices in 2014 considering the total vegoil complex is looking quite promising.

The rubber market is expected to remain in a narrow trading range. The stocks in origin and destination will need to diminish further before we can see any significant price rally. A more positive macro-economic outlook from China and the US could certainly spark the market. Longer term into 2014, it seems that natural rubber demand could outpace the production which will have a positive price effect.

Production in the main producing origins is good and the high stocks of teas, particularly in Kenya, will continue to keep a lid on prices. Hopefully the better winter demand will absorb most of the high stocks.

Despite the lower prices on the markets, SIPEF has been able to place 98% of the expected production volumes of palm oil in the market at a mean of USD 909 equivalent per tonne CIF Rotterdam. Additionally, 95% of rubber volumes have been sold at, on average, USD 2 806 per tonne FOB and 80% of the tea volumes at USD 3 070 per tonne FOB. This means that we have anchored most of our annual income and are staying in the market to offer the remaining, yet to be produced, volumes at current prices, which in the case of palm oil are slightly rising.

The foreign exchange rates (closing rates) of the local currencies in Indonesia (-19.7%) and Papua New Guinea (-28.0%) have weakened considerably compared to the USD, which is having a favourable effect on our production costs expressed in US dollars, but has necessitated a non-recurring deferred tax charge (which has no impact on our cash reserves).

In view of the likely production volumes and current price levels, we may assume that the recurring annual result of 2013 will come out considerably lower than the result of last year. The final annual result will depend on:

- production volumes in the fourth quarter
- market prices for the unsold volumes of palm oil and rubber
- the export tax on palm oil in Indonesia
- the evolution of the foreign exchange rates of local currencies against the USD and their effect on cost prices for the recurring result and a one-off tax effect for the non-recurring result.

The oil palm expansion programme in Papua New Guinea is being continued. The 1 000 additional hectares planned for this year have now been planted and another 600 hectares have been prepared for planting in 2014.
In the new project in South Sumatra, Indonesia, parcels of land are now being compensated financially in three zones. Since the start of this year, an additional 1 397 hectares have been acquired, bringing the total of new own land to 3 262 ha. Almost half of this land has since been prepared and 140 have actually been planted.

On September 11th, we also became the owner of a fourth licence for 7 498 ha, which dovetails perfectly with the third project, 'Agro Muara Rupit', which was acquired in March of this year. We now hold 4 licences in the Musi Rawas regency covering a total of 31 809 ha which may be approved for the development of oil palm and rubber plantations. With this last acquisition, we have now reached our potential and in the coming years we continue to consider the steady expansion in South Sumatra as one of our top priorities.

Schoten, 24 September 2013.

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SIPEF is a Belgian agro-industrial company listed on NYSE 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 ventures in developing countries.