

## INTERIM STATEMENT OF THE SIPEF GROUP

### Interim management report per 31 March 2014

#### 1. Group productions

2014 (In tonnes)	First Quarter				Year To Date			
	Own	Third parties	Total	YoY %	Own	Third parties	Total	YoY %
Palm oil	50 281	11 722	62 003	10.21%	50 281	11 722	62 003	10.21%
Rubber	2 806	166	2 972	12.92%	2 806	166	2 972	12.92%
Tea	652		652	-7.52%	652		652	-7.52%
Bananas	7 897		7 897	23.26%	7 897		7 897	23.26%

  

2013 (In tonnes)	First Quarter			Year To Date		
	Own	Third parties	Total	Own	Third parties	Total
Palm oil	45 075	11 182	56 257	45 075	11 182	56 257
Rubber	2 513	119	2 632	2 513	119	2 632
Tea	705		705	705		705
Bananas	6 407		6 407	6 407		6 407

Despite a period of intense drought during the first two months of the year, palm oil production at our mature plantations in Northern Sumatra is increasing again (+15.3%) compared to the first quarter of 2013, which was distinctly weak. The plantations in the province of Bengkulu benefited from favourable weather conditions, and the young plantings of the UMW/TUM project are affirming a rising production trend due to more mature hectares which are gradually providing higher yields.

The Hargy Oil Palms Ltd plantations in Papua New Guinea again suffered from abundant precipitation which had an especially negative influence on production in January and March. Irregular fruit collection due to temporary damage to bridges and roads had an impact on the quantities obtained from neighbouring farmers and on the quality of the oil produced. Due to the increasing maturity of the expansion areas, the production of own plantations grew by 11.8% versus the same period last year.

In Sumatra, climatological conditions favourable for tapping resulted in increased rubber volumes. While in North Sumatra we were still experiencing the effects of the tornado damage from August of last year, in South Sumatra and Bengkulu, virtually no tapping days were lost. In order to overcome low market prices, significant efforts were made to increase yields at our own plantations as well as to increase third party purchases at our rubber activities in Papua New Guinea.

Production volumes at the Cibuni tea plantation again suffered (-7.5%) due to the lack of sunshine. As a result, the growth of young leaves which we need to achieve our desired handplucked quality, were hampered.

Due to the absence of the usual Harmattan winds at the beginning of the year, we experienced no period of drought in Ivory Coast. The higher temperatures however benefitted the banana production strongly to 23.11% above last year's tonnages.

## 2. Markets

Average market prices				
in USD/tonne*		YTD Q1/14	YTD Q1/13	YTD Q4/13
Palm oil	CIF Rotterdam	911	853	857
Rubber	RSS3 FOB Singapore	2 253	3 156	2 795
Tea	Mombasa	2 291	2 873	2 399
Bananas	FOT Europa	1 053	1 096	1 022

\* World Bank Commodities Price Data

January started off on a dull note, however during the middle of February a scenario started to unfold of a lower carry in of palm oil stocks in combination with a significant drop in production whilst there was a dry spell ongoing in Malaysia and Indonesia. The market got spooked by the low production and rallied about USD 100 per tonne and a steep inverse developed quickly in the market place. After the price-friendly Price Outlook Conference in Kuala Lumpur it appeared that this price rally and steep inverses killed a lot of demand and countries like India bought a lot of soybean and sunflower oil because it was price competitive versus palm oil. On top of that, March palm production kicked back in with an increase of 17% month-to-month and a flat stocks scenario. The lack of demand and the lack of price competitiveness resulted in a setback of prices and the inverse disappearing. The palm oil market traded from a low of USD 850 to a high of USD 970 per tonne CIF Rotterdam.

The price of palm kernel oil was also benefitting from the tight palm supply and friendly price scenario. In combination with a very tight coconut oil situation, the palm kernel oil price rallied from USD 1 140 to USD 1 410 per tonne CIF Rotterdam, and to a premium of USD 500 per tonne over palm oil.

The rubber market continued its downtrend, from USD 2 500 to USD 2 100 per tonne for Sicom RSS3. The market place is filled with stocks and the lackluster macro-economic picture of China will remain a burden to the natural rubber market.

The record 2013 tea production in Kenya continued to weigh on the market. The Mombasa auction made steady gains in the 4th quarter 2013 and earlier this year but ever since the news that production in Kenya did not drop as expected, the market is back in a downtrend.

## 3. Prospects

The production outlook for palm oil for the following months is good. The second quarter is generally a better period than the first quarter, certainly for Papua New Guinea where we are gradually catching up from the production backlog. Rubber, tea and banana volumes are sensitive to the weather, but no major irregularities have been noted until now.

The palm oil market had a USD 50 per tonne setback from the highs early March, but the market place will still remain in a tight stocks scenario till the end of the 3rd quarter. The high price of palm oil has done its job quicker than expected in loosing demand. All eyes will be focused on the development of the production after the strong drop in February and unexpected strong increase in March. Some factors that could have major effects on the production are the impact of the dry spell from mid-January till mid-March on the nearby crop, and the potential development of the El Niño weather phenomenon. On top of that we have the biodiesel mandate in Indonesia which started off on a good pace, but still has not reached its full potential.

All in all, the market seems to be well priced currently and above mentioned factors could be a friendly surprise, but at the same time we have a record soybean planting ahead of us in the United States as well as good rapeseed and sunflower seed crops forecasted. We remain however optimistic about the palm oil price development throughout 2014.

Despite the weak rubber price environment, suffering from the high stocks, there seems to be some light at the end of the tunnel with better economic environments in the EU and US. Correspondingly we see better car sales globally, but the rubber market is still very much depending on the Chinese demand, which has not come alive yet.

Tea production in Kenya has not shown the expected decline yet and this continues to influence the auction levels. Stocks in origin are still high and these will need to be consumed first before a significant price surge can be expected. However looking at the 15 year production trend, we should expect a significant drop in production later this year.

We have covered most of our expected income from palm oil for 2014; 62% of production has already been sold at average values of USD 993 per tonne CIF Rotterdam, which is USD 60 higher than the prices obtained during the same period last year. Our aim is to gradually continue these sales in the coming months.

The rubber and tea markets are significantly weaker than last year. In the meantime, we have sold 41% of the rubber volumes at an average price of USD 2 179 per tonne FOB, a decrease of 28.7% compared to the price obtained until April of last year. A third of the tea volumes were also sold, but here again the selling prices received were 30% lower on average. Our marketing strategy for bananas, with fixed prices for the entire year, was continued.

Despite the uncertainty concerning palm oil prices in the second half of the year and the lower prices for rubber and tea, in view of the volumes already sold, the sound production outlook, and the evolution in costs that is being positively influenced by the weak local currencies with respect to the USD, we are hopeful to achieve a satisfactory result and cash flow for the SIPEF group again in 2014.

In the second quarter, the start-up of the two new palm oil mills will go hand in hand with the audit for certification of sustainable palm oil production according to the standards of the Roundtable on Sustainable Palm Oil (RSPO). Furthermore, the investment policy for 2014 is focused on normal replanting in the mature plantations, and the development of our palm oil activities in Papua New Guinea, where we have recently planted more than 3 000 hectares and where the needed road infrastructure must now be built for harvesting the first fruits and expanding accommodations for the workers. We foresee planting an additional 600 hectares in the second half of the year.

The expansion in South Sumatra is being steadily continued at three concessions with the compensation of local landowners. Today we have compensated over 4 200 hectares, of which approximately half have already been prepared for planting. Due to social tensions following the local parliamentary and presidential elections, this process is going slower than anticipated. In the meantime, 335 hectares have been planted with oil palms.

Schoten, 24th April 2014

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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.*