PRESS RELEASE 2017

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SIPEF

Interim statement of the SIPEF group

Interim management report per 31 March 2017

1. Group production

	First Quarter				Year To Date			
2017 (In tonnes)	**Own**	**Third parties**	**Q1/17**	**YoY %**	**Own**	**Third parties**	**Q1/17**	**YoY %**
Palm oil	64 276	16 606	80 882	21.73%	64 276	16 606	80 882	21.73%
Rubber	2 355	0	2 355	-9.00%	2 355	0	2 355	-9.00%
Tea	578	0	578	-27.11%	578	0	578	-27.11%
Bananas	8 141	0	8 141	20.23%	8 141	0	8 141	20.23%

2016 (In tonnes)	**Own**	**Third parties**	**Q1/16**	**Own**	**Third parties**	**Q1/16**
Palm oil	53 287	13 159	66 446	53 287	13 159	66 446
Rubber	2 526	62	2 588	2 526	62	2 588
Tea	793	0	793	793	0	793
Bananas	6 771	0	6 771	6 771	0	6 771

Compared with 2016, a year which was characterised by low production in the wake of the El Niño weather phenomenon, we recorded rising palm oil volumes at all production sites of the *SIPEF* group (+21.7%). This upward trend was already observed at the end of last year, and continued apace during the first quarter, with the greatest progress being reported in January and March.
The growth was most marked in the mature plantations of North Sumatra (+22.3%) and in the overall operations of Papua New Guinea (+34.2%). The young plantations of UMW/TUM in North Sumatra (+7.5%) and the Agro Muko plantations in Bengkulu that are in the course of being replanted (+7.1%) showed the same positive development.
Weather conditions in Papua New Guinea were substantially better than last year, with precipitation levels that were only half of those in the first quarter of 2016, which meant that the usual harvesting and transportation problems did not occur. As the harvests of the neighbouring farmers could be collected without problem too, their contribution increased by 27.1% compared with last year's volume.

Thanks to better weather conditions, Indonesian rubber volumes also showed a generally positive trend (+12.7%) with higher yields per hectare, although the first quarterly production level is often influenced by the timing of wintering, which this year occurred a little later in Melania in South Sumatra.

The tea plantations in Java in Indonesia were off to a difficult start this year. Prolonged overcast conditions caused a 38% reduction in hours of sunshine compared with the average of the last 10 years, resulting in insufficient fresh leaf growth and a 27.1% fall in production compared with last year's first quarter.

Weather conditions in Ivory Coast during the first quarter were not yet ideal for our banana production, although mild Harmattan winds in January and February and the contribution of the new plantings in the expansion zone in Azaguié already generated a gradual increase in volumes by 20.2% compared with the first quarter of 2016.

2. Markets

Average market prices				
		YTD Q1/17	YTD Q1/16	YTD Q4/16
In USD/tonnes*				
Palm oil	CIF Rotterdam	773	631	700
Rubber	RSS3 FOB Singapore	2 539	1 320	1 605
Tea	Mombasa	2 815	2 385	2 298
Bananas	FOT Europe	839	909	905

* World Commodity Price Data

The tight palm oil stock situation in the origin and the destination kept the prices high during the beginning of the year, and the spot inverse triggered a premium over liquid oils. Hence, palm oil lost demand to soybean oil and sunflower oil. In the middle of February the market was aggressively sold off by speculators related to China on the back of slow demand. The Market was negatively impacted by the expected improved palm oil production during the second half of the year and better weather in South America during the final stages of the soybean production, resulted in another record crop. The tight stock situation in palm oil, which is expected to continue into the second quarter, seems totally ignored and the market was ruled by a perception of what is to come. At the end of March, the US Department of Agriculture planting forecast showed a significant growth in soybean hectares, at the expense of corn and wheat, which was another bearish factor. The palm oil market dropped about USD 100 per tonne, from USD 760 per tonne at the beginning of the year to USD 665 per tonne by the end of March.

The palm kernel oil (PKO) market usually trades in a more volatile style than palm oil. The high PKO prices had reduced the appetite from the customers to take any PKO coverage and finally the prices snapped. Its substitute, coconut oil, however, kept its prices up and the discounting of PKO grew and should attract demand. In the meantime, the price of PKO traded from USD 1 550 per tonne at the beginning of the year to USD 1 100 per tonne CIF Rotterdam at the end of March.

The rubber market initially continued its impressive uptrend during the first quarter as floods in Thailand were reducing the production. The Chinese speculators continued to bull the futures market, but physical buying interest remained rather static. Similar to palm oil, the rubber market was sold off massively in the middle of February as the speculators locked in their profits. Prices for SICOM RSS3 only dropped from USD 2 295 per tonne to USD 2 246 per tonne at the end of March, but with a spike of prices towards USD 2 920 per tonne in the middle of the quarter.

Mombasa tea auction prices started 2017 with a bullish trend on the back of the dry spell that had kicked in at the end of 2016. Despite strong drops in Kenyan production in January (-34%), February (-49%) and an expected drop in March, tea prices ended the first quarter 10% lower from their peak in January, as the auction volumes did not reduce to the same extent, meaning stocks being reduced.

3. Prospects

Production
It is already obvious that the strong production increases of the first quarter will not persist during the second quarter. Smaller numbers of unripe fruit are reported in our oil palm plantations for the coming months, which means that we will see more 'normal' growth volumes of around 10% in the next period.

We expect slightly higher production figures for our Indonesian rubber plantations, a recovery of tea production as weather conditions return to normal, and a continuation of the upward trend in banana volumes in the second quarter.

Markets

The palm oil market seems to be ignoring the tight stock environment it is currently in and everyone is talking about the massive palm oil crop ahead of us. The expected soybean crop this summer in the United States is another cloud that is hanging over our market, and customers remain hand-to-mouth. However, this seems to be priced in and palm oil is currently competitive versus liquid oil. Therefore, we expect that any surprise that could lead to supply disruption, such as less growth in palm oil than expected; bad weather disrupting the US bean development; or longer term, the creation of another El Niño, will trigger a buying wave as global stocks are still very low. In the meantime, the Indonesian biodiesel program is likely to increase its usage at these lower prices. We remain positive that we are currently at the lower end of the price range.

The rubber market has lost about 25% since the highs in February as the Chinese speculators decided to liquidate whilst Thai production was coming back on after the floods disappeared. The lacklustre physical buying interest was still playing hide and seek, waiting for even lower prices. On top of that the Thai government decided to release some of its stocks, adding further pressure. Despite the current bearish tone, the supply and demand globally are in much better balance than a year ago. Therefore, we are confident that we will keep steady prices in the coming months, albeit lower than the prices we enjoyed for a few months.

The strong reduction in the tea crop in Kenya will only be felt by the end of the second quarter. The reduced stocks and lacklustre demand ahead of Ramadan is expected to trigger a buying wave, only to realise then how bad the actual crop was. As a result, we expect firm tea markets for the months to come.

Results

The higher-than-expected palm oil production volumes in the first quarter allowed us to sell at good spot prices and already to hedge a substantial part of the second quarter; consequently, so that so far already 45% of the projected annual volumes are sold at an average price of USD 788/tonne CIF Rotterdam (including premiums), compared with 39% at USD 681/tonne CIF Rotterdam at the same time last year. The lower prices recorded in recent weeks will have more of an impact on the sales of the second quarter.

The short-lived increase in rubber prices meant that 42% of the projected annual volumes were put on the market at an average price of USD 2 307/tonne FOB compared with 49% at USD 1 267/tonne at the same time last year.

The downward trend in tea prices is reflected in the realised sales. 40% of the projected volumes were sold at USD 2 400/tonne FOB, which is 13.0% lower than the price of USD 2 760/tonne realised around the same time last year.

The local currencies maintained their value against the USD, while the unit costs were favourably influenced by the increased volumes, which neutralised the modest increase in labour costs.

Cash flow and expansion

The company's investment policy is primarily focused on the normal replanting in the mature plantations and on the expansion of our palm oil operations in Musi Rawas in South Sumatra, Indonesia. At the three concessions, the compensation of farmland, followed by the preparation of the site and the planting of oil palms, continues at a steady pace. In the first quarter, an additional 404 hectares were compensated, which means that 11 758 hectares are available for planting for our own plantations (80%) and neighbouring farmers (20%). An additional 656 hectares have been planted and 857 hectares already prepared for planting; this means that, to date, 7 132 hectares are planted or prepared for planting, which is 61% of the available hectares. Our objective remains to develop a total of more than 18 000 hectares.

Last 4th of April, the extraordinary general meeting approved a capital increase up to USD 97.2 million.

This should allow us to:

- reimburse part of the bridge loan facility entered into to finance the acquisition of an additional interest of 47.71% in PT Agro Muko, and
- pay part of the purchase price for the possible acquisition of 95% of PT Dendy Marker Indah Lestari.

We intend to refinance the remainder of the bridge loan facility and of the purchase price for PT Dendy Marker Indah Lestari by a long-term bank loan.

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Schoten, 20 April 2017

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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.