## Ordinary General Meeting of 8 June 2016

Message from the Chairman of the Board of Directors

Ladies and gentlemen,

On the occasion of this 97th ordinary general meeting it is my pleasure to present you my impressions of the first five months of the 2016 financial year.

In the past few months we have clearly felt the delayed effect of the El Niño drought on the mature plantations of North Sumatra, with lower production volumes set to persist in June. This trend is also being generally reported in Indonesia and Malaysia, the world's two main palm oil producing countries. However, we are seeing stronger fruit bunch formation that should guarantee higher volumes from the second half of the year.

Palm oil production at the mature estates of Agro Muko, in the province of Bengkulu in Indonesia, remains in line with expectations. At those plantations we are focusing on planting the second generation of oil palms, so that production volumes of this group remain constant over the next few years. The higher rainfall levels in this region mitigate the potential impact of weather conditions such as El Niño.

Fruit bunch production at the UMW/TUM project, with 8 215 hectares of young oil palms in North Sumatra, is gradually reaching cruise speed and will make a contribution that is 36.9% higher than the same period last year. The new mill is also giving higher extraction rates coming close to 25%. We are pleased to observe that in 2016 this project will make its first positive contribution, in terms of both result and cash.

Weather conditions at the beginning of the year are always a challenge for Hargy Oil Palms in Papua New Guinea, although so far not to such an extent as to compromise oil exports. We can therefore speak of a 'normal rainy season', with a 17.0% higher palm oil production being recorded over the first five months, primarily as a result of the rapidly increasing yields of the young plantations in the expansion zones. Transport of fruit bunches from smallholders also went relatively smoothly, causing their contribution to increase by 12.6%.

Since March we have again been seeing higher prices on the palm oil market. The low palm oil production volumes in Indonesia and Malaysia, which caused the large stocks to shrink, combined with rising petroleum prices and the impact of heavy rainfall on soybean production in Argentina and Brazil, pushed prices up. We once again recorded USD 705/tonne CIF Rotterdam, a 45% increase since the lowest quotations of August 2015.

Despite these substantially better prices in the last two months, there are no indications that this rising price trend will continue in the second half of the year. Adequate palm oil stocks and the altered export tax regimes in Argentina, which encourage the planting of soybeans, lead us to expect palm oil prices to stagnate at current levels throughout the rest of the year.

We remain subject to the export levies on crude palm oil from Indonesia, which reduce our margin by at least USD 50/tonne, and in May 2016 by even USD 53/tonne. This levy was introduced to guarantee the mandatory 15% blending of biodiesel by subsidizing palm oil methyl ester producers. This support measure is borne entirely by all 'crude palm oil' producers, including the less efficient smallholders.

At present, *SIPEF* has already sold 50% of the projected production volumes at an average price of USD 703/tonne CIF Rotterdam, including premiums, compared to 51% at USD 750/tonne at the same time last year. We will continue to gradually market the remaining unsold palm oil volumes for the second half of the year.

The group's rubber production shows varying trends, with a 7.1% volume increase at Agro Muko in Bengkulu, where the young plantations produce higher yields. In North Sumatra and in Palembang in South Sumatra, volumes are slightly lower for the time being, depending on the wintering period. For the second half of the year we there expect production volumes that will come close to those of 2015.

Rubber prices on the world market are recovering. As rubber stocks in the biggest Asian consumer countries gradually shrink, we are seeing a fresh upturn in demand, allowing us to gradually move away from the exceptionally low price levels of the last 18 months, although the short-term markets remain strongly dependent on China's purchasing behaviour. We once again recorded RSS3-prices of USD 1 480/tonne FOB on the Singapore market, which is approximately 26% higher than the low of January 2016.
We sold 66% of the projected production in Indonesia at an average price of USD 1 414/tonne, which is 10% lower than in the same period last year, and we will gradually continue to sell in this slightly increasing market.

Pending the completion of the sale of our rubber plantations of Galley Reach Holdings in Papua New Guinea, we carried on the activity for another five months on our own, but as of 1 June the shares have finally been transferred to the new owners. The price being obtained for this loss-making company comes very close to the consolidated carrying value and will be gradually collected over a period of four years.

Unlike last year, the current production volumes of Kenyan tea were not adversely affected by drought; consequently, we saw prices on the Mombasa market - our reference market - fall further over the past few months. At our Cibuni tea plantation in Java, we were unable to maintain the trend of growing the volumes of the first few months of the year, due to the drier weather leaving us with similar volumes to last year.

In Indonesia, we are still facing government-imposed wage increases, pushing up our labour costs, which represent approximately one-third of our overall costs. In Papua New Guinea, however, the wage increases have been largely offset by a further weakening of the local currency against the USD. We also recorded fairly stable fertilizer prices and lower diesel prices, which help to keep our costs under control.

In Ivory Coast, our banana activities were affected by the strong Harmattan winds in January, which ushered in a cooler period and slowed down production. Those effects were compounded by an untreated fungal infection, and at the end of May we recorded a 6.9% decrease in export volumes compared to last year. It will take until the second half of the year for us to regain the projected export volumes. The extension of our banana plantations has continued with a second new planting of approximately 70 hectares, with a view to gradually expanding our activities from 570 hectares to 920 hectares in the coming years.

The extension of our palm oil activities in Musi Rawas in the province of South Sumatra is now accelerating, and we have currently compensated local land users for over 8 500 hectares. During the first five months, 765 hectares were added to the 3 391 prepared and planted hectares at the end of last year, which means that we have now exceeded 4 150 hectares. We expect to be able to convert the large majority of the four concessions, totalling 24 611 hectares, to palm plantations, yet we remain dependent on the willingness of local users to leave us their land in exchange for compensation.

The extension of our oil palm plantations at Hargy Oil Palms in Papua New Guinea continues to a limited extent in order to make optimal use of the production capacity that has increased since last year. This year we planted an additional 157 hectares on land that had already been to a large extent prepared last year, and this will increase the total planted area of our palm oil activities in Papua New Guinea to over 14 000 hectares.

Although it is becoming increasingly difficult for plantation companies to carry out new plantings under the tightening rules of the Roundtable on Sustainable Palm Oil (RSPO), *SIPEF* remains true to its sustainability policy and every new extension is included in the auditing process, so that we will continue to be a 100% sustainable RSPO-certified plantation company in the future.

This sustainability policy is backed up by the development of a reforestation project in the province of Bengkulu in Indonesia, in which the *SIPEF* group will protect an area of more than 12 000 hectares adjoining the Kerinci Seblat National Park against deforestation and, where possible, will reforest the area with the help of the local population, with a view to balancing the needs of humanity and nature in the long term.

We continue to follow with great interest the work of the scientists in the Verdant Bioscience joint venture. *SIPEF* holds a 38% stake in this project through the contribution of the Timbang Deli plantation. Apart from establishing agronomic consulting services to plantation companies, its main objective is the development and sale of high-yield palm seeds.

Because of palm oil and rubber prices being better than last year and the expected growth in palm oil production in the second half of the year, we anticipate that the 2016 recurrent results of the *SIPEF* group will at least equal or perhaps surpass those achieved in 2015. The eventual result will depend on attaining the expected annual volumes of palm oil and rubber, their price trend during the second half of the year, and the effects of the local currencies against the USD, all of which have an impact on production costs.

The available cash flow should enable us to carry on implementing our investment programme for this year, which, apart from the recurring replacement investments, will be mainly focused on the new plantings in Musi Rawas, as well as on the completion of a fifth methane capture plant and a composting activity, both in North Sumatra.
We also began the installation of the first methane biogas engine to generate electricity to be supplied to the public power grid in Bengkulu in Indonesia.
Apart from that, with your approval, the shareholders will receive a dividend of KEUR 5 371, or EUR 0.60 gross per share. Payment is planned for 6 July 2016.

At the expiry of my current term of office at this general meeting, I have decided not to seek re-election to the board of directors of the company. Having served the company as a director and as chairman for more than 40 consecutive years, I would like to hand over the chairmanship to my good friend and business partner Baron Bertrand who, with your approval, will renew his mandate for another four-year term, as will Jacques Delen. I would also like to welcome Antoine de Spoelberch who, also with your approval, will join our board for a four-year term of office until the general meeting of 2020.

I have always enjoyed working for the future of *SIPEF* as a sustainable plantation company, and I hope that my enthusiasm will remain a source of inspiration to those who will continue to run the company as it has been until now. I would like to thank everyone very much for the excellent cooperation and for the support I have always received.

In conclusion, I would like to thank all members of the *SIPEF* group for their efforts during the past financial year and say that we keep counting on them to help us achieve the ambitious plans the company has for the coming years.

Schoten, 8 June 2016.

# Press release 2016

Regulated information | May 2016

SIPEF

## Group production of the SIPEF Group (in tonnes)

| | 2016 | | | | | 2015 | | | | | YoY Variation | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Palm Oil** | Q1 | 04-05 | Q3 | Q4 | YTD | Q1 | 04-05 | Q3 | Q4 | YTD | 04-05 | YTD |
| **Own** | | | | | | | | | | | | |
| Tolan Tiga Group | 12 727 | 8 634 | | | 21 361 | 13 146 | 10 941 | | | 24 087 | -21.09% | -11.32% |
| UMW/TUM Group | 8 053 | 5 160 | | | 13 213 | 5 240 | 4 336 | | | 9 576 | 19.00% | 37.98% |
| Agro Muko | 16 486 | 11 724 | | | 28 210 | 16 033 | 11 735 | | | 27 768 | -0.09% | 1.59% |
| Hargy Oil Palms | 16 021 | 13 210 | | | 29 231 | 14 203 | 11 371 | | | 25 574 | 16.17% | 14.30% |
| **Total own** | **53 287** | **38 728** | **0** | **0** | **92 015** | **48 622** | **38 383** | **0** | **0** | **87 005** | **0.90%** | **5.76%** |
| **Outgrowers** | | | | | | | | | | | | |
| Tolan Tiga Group | 162 | 168 | | | 330 | 0 | 26 | | | 26 | 546.15% | 1 169.23% |
| UMW/TUM Group | 76 | 59 | | | 135 | 36 | 184 | | | 220 | -67.93% | -38.64% |
| Agro Muko | 367 | 242 | | | 609 | 359 | 272 | | | 631 | -11.03% | -3.49% |
| Hargy Oil Palms | 12 554 | 9 588 | | | 22 142 | 11 524 | 8 971 | | | 20 495 | 6.88% | 8.04% |
| **Total outgrowers** | **13 159** | **10 057** | **0** | **0** | **23 216** | **11 919** | **9 453** | **0** | **0** | **21 372** | **6.39%** | **8.63%** |
| Total Palm Oil | 66 446 | 48 785 | 0 | 0 | 115 231 | 60 541 | 47 836 | 0 | 0 | 108 377 | 1.98% | 6.32% |
| **Palm Kernels** | Q1 | 04-05 | Q3 | Q4 | YTD | Q1 | 04-05 | Q3 | Q4 | YTD | 04-05 | YTD |
| **Own** | | | | | | | | | | | | |
| Tolan Tiga Group | 3 228 | 2 179 | | | 5 407 | 3 214 | 2 443 | | | 5 657 | -10.81% | -4.42% |
| UMW/TUM Group | 1 341 | 813 | | | 2 154 | 873 | 707 | | | 1 580 | 14.99% | 36.33% |
| Agro Muko | 3 865 | 2 757 | | | 6 622 | 3 797 | 2 757 | | | 6 554 | 0.00% | 1.04% |
| **Total own** | **8 434** | **5 749** | **0** | **0** | **14 183** | **7 884** | **5 907** | **0** | **0** | **13 791** | **-2.67%** | **2.84%** |
| **Outgrowers** | | | | | | | | | | | | |
| Tolan Tiga Group | 37 | 39 | | | 76 | 0 | 6 | | | 6 | 550.00% | 1 166.67% |
| UMW/TUM Group | 16 | 12 | | | 28 | 6 | 37 | | | 43 | -67.57% | -34.88% |
| Agro Muko | 70 | 48 | | | 118 | 69 | 54 | | | 123 | -11.11% | -4.07% |
| **Total outgrowers** | **123** | **99** | **0** | **0** | **222** | **75** | **97** | **0** | **0** | **172** | **2.06%** | **29.07%** |
| Total Palm Kernels | 8 557 | 5 848 | 0 | 0 | 14 405 | 7 959 | 6 004 | 0 | 0 | 13 963 | -2.60% | 3.17% |
| **Palm Kernel Oil** | Q1 | 04-05 | Q3 | Q4 | YTD | Q1 | 04-05 | Q3 | Q4 | YTD | 04-05 | YTD |
| **Own** | | | | | | | | | | | | |
| Hargy Oil Palms | 1 392 | 1 276 | | | 2 668 | 1 074 | 868 | | | 1 942 | 47.00% | 37.38% |
| **Total own** | **1 392** | **1 276** | **0** | **0** | **2 668** | **1 074** | **868** | **0** | **0** | **1 942** | **47.00%** | **37.38%** |
| **Outgrowers** | | | | | | | | | | | | |
| Hargy Oil Palms | 1 124 | 960 | | | 2 084 | 917 | 757 | | | 1 674 | 26.82% | 24.49% |
| **Total outgrowers** | **1 124** | **960** | **0** | **0** | **2 084** | **917** | **757** | **0** | **0** | **1 674** | **26.82%** | **24.49%** |
| Total Palm Kernel Oil | 2 516 | 2 236 | 0 | 0 | 4 752 | 1 991 | 1 625 | 0 | 0 | 3 616 | 37.60% | 31.42% |

# Group production of the SIPEF Group (in tonnes)

| | 2016 | | | | | 2015 | | | | | YoY Variation | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rubber** | Q1 | 04-05 | Q3 | Q4 | YTD | Q1 | 04-05 | Q3 | Q4 | YTD | 04-05 | YTD |
| **Own** | | | | | | | | | | | | |
| Tolan Tiga Group | 804 | 339 | | | 1 143 | 820 | 335 | | | 1 155 | 1.19% | -1.04% |
| Melania | 797 | 801 | | | 1 598 | 1 005 | 819 | | | 1 824 | -2.20% | -12.39% |
| Agro Muko | 489 | 342 | | | 831 | 445 | 363 | | | 808 | -5.79% | 2.85% |
| Galley Reach | 436 | 396 | | | 832 | 530 | 208 | | | 738 | 90.38% | 12.74% |
| **Total own** | **2 526** | **1 878** | **0** | **0** | **4 404** | **2 800** | **1 725** | **0** | **0** | **4 525** | **8.87%** | **-2.67%** |
| **Outgrowers** | | | | | | | | | | | | |
| Agro Muko | 0 | 0 | | | 0 | 0 | 0 | | | 0 | - | - |
| Galley Reach | 62 | 113 | | | 175 | 40 | 105 | | | 145 | 7.62% | 20.69% |
| **Total outgrowers** | **62** | **113** | **0** | **0** | **175** | **40** | **105** | **0** | **0** | **145** | **7.62%** | **20.69%** |
| Total Rubber | 2 588 | 1 991 | 0 | 0 | 4 579 | 2 840 | 1 830 | 0 | 0 | 4670 | 8.80% | -1.95% |

| **Tea** | Q1 | 04-05 | Q3 | Q4 | YTD | Q1 | 04-05 | Q3 | Q4 | YTD | 04-05 | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Own** | | | | | | | | | | | | |
| Melania | 793 | 501 | | | 1 294 | 740 | 519 | | | 1 259 | -3.47% | 2.78% |
| **Total own** | **793** | **501** | **0** | **0** | **1 294** | **740** | **519** | **0** | **0** | **1 259** | -3.47% | 2.78% |
| **Outgrowers** | | | | | | | | | | | | |
| Melania | 0 | 0 | | | 0 | 0 | 0 | | | 0 | - | - |
| **Total outgrowers** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | - | - |
| Total Tea | 793 | 501 | 0 | 0 | 1 294 | 740 | 519 | 0 | 0 | 1 259 | -3.47% | 2.78% |

| **Bananas** | Q1 | 04-05 | Q3 | Q4 | YTD | Q1 | 04-05 | Q3 | Q4 | YTD | 04-05 | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Azaguie | 1 506 | 738 | | | 2 244 | 1 463 | 881 | | | 2 344 | -16.23% | -4.27% |
| St. Thérèse | 714 | 600 | | | 1 314 | 0 | 0 | | | 0 | - | - |
| Agboville | 2 657 | 1 588 | | | 4 245 | 2 900 | 1 685 | | | 4 585 | -5.76% | -7.42% |
| Motobe | 1 894 | 1 042 | | | 2 936 | 2 702 | 1 900 | | | 4 602 | -45.16% | -36.20% |
| Total Bananas | 6 771 | 3 968 | 0 | 0 | 10 739 | 7 065 | 4 466 | 0 | 0 | 11 531 | -11.15% | -6.87% |

# Commodity Price Data

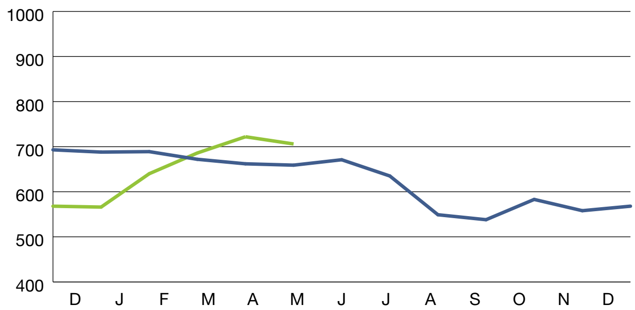
## Average market prices

| Product | | YTD 05/2016 | YTD 05/2015 | YTD Q4/2015 |
|---|---|---|---|---|
| CPO (CIF Rotterdam) | in $/mt | 664 | 674 | 623 |
| CPKO (CIF Rotterdam) | in $/mt | 1 126 | 1 018 | 909 |
| RSS3 (FOB Singapore) | in $/mt | 1 464 | 1 748 | 1 559 |
| Tea (avg auct Mombasa) | in $/mt | 2 257 | 2 463 | 2 742 |
| Bananas (FOT Europe) | in $/mt | 919 | 922 | 903 |

## Crude Palm Oil in $/mt

2016 2015

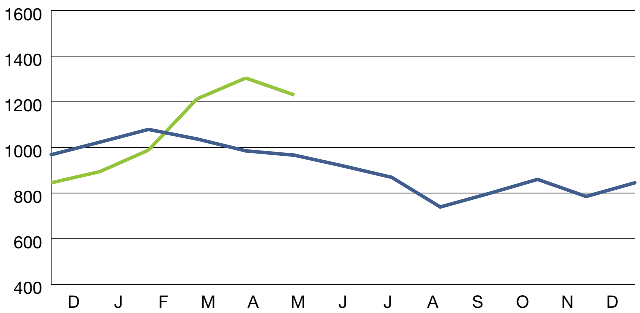
*CIF Rotterdam*




## Crude Palm Kernel Oil in $/mt

2016 2015

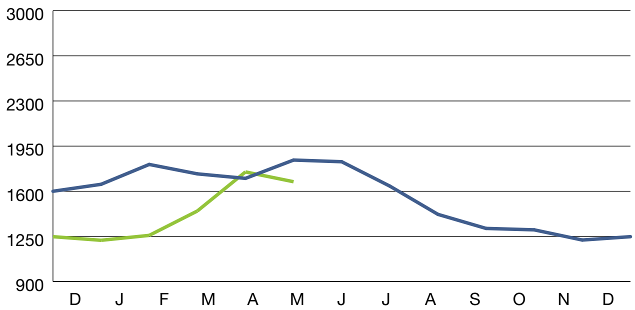
*CIF Rotterdam*




## RSS3 in $/mt

2016 2015

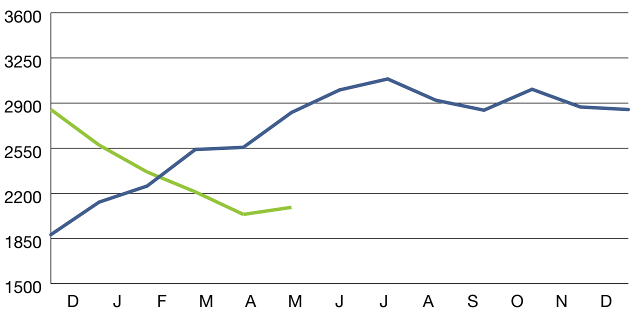
*FOB Singapore*




## Tea in $/mt

2016 2015

*average auct. Mombasa*




## Bananas EU in $/mt

2016 2015

*FOT Europe*