SIPEF

## Ordinary General Meeting of 14 June 2017

Message from the Chairman and the Managing Director

Ladies and Gentlemen,

On the occasion of this 98th Ordinary General Meeting, it is my pleasure to run through, with you, the main events in the first five months of 2017.

Unlike last year, our mature plantations in North Sumatra have not suffered any further disruption due to El Niño-related drought effects. We see sharply rising volumes compared with the first five months of last year and this trend looks likely to continue over the next few months. Indeed, in this region we always produce a larger volume of palm oil there in the second half of the year than in the first.

Fruit production of the UMW/TUM group, the most recent expansion in North Sumatra, continues to grow, with a 17.5% higher contribution compared with the same period last year. The new mill processes the fruit at higher extraction percentages and since 2016 this group has made a constant positive contribution to the results and cash flows of *SIPEF*.

Palm oil production at the mature estates of Agro Muko, in the province of Bengkulu in Indonesia, has risen slightly and 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, but the mountainous terrain means fruit harvesting and transport are less efficient than in North Sumatra.

Hargy Oil Palms in Papua New Guinea made a good recovery from last year's fall in production, which was related to El Niño, and production rose to an unprecedented and unexpected level due to a relatively light rainy season at the beginning of this year. The neighbouring farmers also made a 19.0% higher contribution. And due in part to the rapidly increasing yields of the young plantations in the expansion zones, we have recorded growth of 22.9% in oil volumes over the first five months. We expect the usual decline to the lower yields of the third quarter from June.

The higher prices for palm oil in January and February could not be maintained on the palm oil markets over the following months. Despite a lower than expected rise in palm oil production volumes in Indonesia and Malaysia, together with limited stocks on the global market, the markets continued to be more focused on the good prospects for competitive oilseed production, which were announced for the second half of the year.

We continue to trade in an inverted market, in which short-term prices are higher than forward positions. USD 690/tonne is quoted on the CIF Rotterdam market for June delivery, but that falls to USD 630/tonne for delivery between three to six months hence.

We therefore remain rather cautious about the expected price developments in the second half of the year. The announced large harvests of oilseed in South and North America continue to hold sway over the markets and only an unexpected fall in production could break this trend.

We continue to be subject to levies on exports of crude palm oil from Indonesia, which deprives us of a margin of USD 50/tonne at least, and possibly higher, based on the applicable market prices. This levy was introduced in July 2015 to guarantee the mandatory 15% blending of biodiesel by subsidising palm oil methyl ester producers. This support measure is borne entirely by all 'crude palm oil' producers, including the less efficient smallholders.

Capitalising on the higher prices at the start of the year, *SIPEF* has already sold 53% of the projected production volumes at an average price of USD 781/tonne CIF Rotterdam, including premiums, compared to 50% at USD 703/tonne at the same time last year. Given the market trends, our sales for the second half of the year remain more focused on the higher-priced short-term deliveries.

As things stand, there is a rising trend in the group's rubber production at all plantations, most strikingly 7.4% in South Sumatra and 15.9% at Agro Muko in Bengkulu, where the young plantations produce higher yields. However, the volumes continue to be subject to the wintering period, which arrived later than expected this year and may cause production to fall over the next few months.

The inadequate supply from a number of important production countries, such as Thailand and Vietnam, brought a short-lived upturn in rubber prices at the beginning of the year, but buyers quickly reverted to their familiar short-term buying pattern, causing prices to fall again to the unduly low levels of 2016. The niche product RSS3 in latex grade, which we produce in North Sumatra, attracted a significant premium of up to USD 600/tonne compared with the normal tyre grade SIR-10. RSS3 is now selling on the Singapore market back at just USD 1 600/tonne FOB, a price that is slightly higher than what it was in the same period last year.

Capitalising on the brief upturn, we sold 55% of projected production in Indonesia at an average of USD 2 265/tonne, which is 60.2% higher than the USD 1 414 USD/tonne we earned in the same period last year, and we continue to gradually sell in this stable but lower market.

In the wake of a drought period that began at the end of 2016, production volumes of Kenyan tea fell in the first quarter of 2017. This was not expressed in lower auctioned volumes and so did not immediately lead to the anticipated price rises on the Mombasa market, our benchmark for sales from our Cibuni tea plantation in Java. However, due to seasonal rising demand we do anticipate higher prices over the next two months.

At the end of May, production volumes for Cibuni tea were 26.0% lower than they were last year, due to protracted cloud cover, which resulted in a 38% fall in the number of hours of sunshine compared with the average of the past decade. 64% of the expected production volumes was sold at an average price of USD 2 500/tonne FOB, which is 4.6% lower than in the same period last year.

Unlike previous years, the local Indonesian currency has held up well against the USD. The usual pay rises imposed by the government were therefore more limited and were largely offset by lower than expected local diesel and fertiliser prices, so there were only minor variations in our unit production cost expressed in USD. The unit production cost in our palm plantations in Papua New Guinea fell by 17.5% compared with the same period last year, due to the significant rise in volumes, better weather and an intensive cost analysis.

In Ivory Coast we were able to increase our banana production by 16.2% compared to the first five months of 2016, primarily due to the yields of additional planted areas. This percentage will increase further during the summer period, due to better bunch formation. The enlargement of our banana plantations continues with a third additional planting of approximately 60 hectares, based on the expansion plan, as we gradually expand our activities from 570 hectares to 920 hectares.

We have stepped up the expansion of our oil palm activities in Musi Rawas in the province of South Sumatra and now control more than 12 000 hectares, after compensating local land users. In the first five months of 2017, 1 561 hectares were added to the 6 097 prepared and planted hectares we had at the end of last year, which means we have already exceeded 7 648 hectares. We expect to be able to convert the large majority of the four concessions – a total of 24 607 hectares – into palm plantations. We have also taken the decision to request smaller licences adjacent to the existing concessions, so that we can approach users of neighbouring land.

We also want to expand our acreage in Papua New Guinea to a limited degree, but it is increasingly difficult for plantation companies to create new plantings under the tightening rules of the Roundtable on Sustainable Palm Oil (RSPO). However, *SIPEF* continues to pursue its sustainability policy and every new expansion is included in the audit process, ensuring we continue to be a 100% sustainable plantation company in the future.

This sustainability policy also applies to the acquisition of 95% of the existing RSPO-certified plantation company Dendy Marker Indah Lestari (DMIL), which is located next to the four concessions in Musi Rawas. The 'due diligence' process has now been completed with a positive outcome. The conditional purchase agreement will be signed soon, which must be ratified by the government before the payment of USD 53.1 million can be made. DMIL will enlarge the group's planted acreage by 6 198 hectares of its own plantings and 2 781 hectares of plantings by local farmers. Insofar as the sustainability criteria are met, the plantation may be enlarged by a further 3 000 hectares, allowing us to expand the activities in the Musi Rawas region to 30 000 planted hectares.

After the acquisition of an additional 47.71% in PT Agro Muko for USD 144 million earlier this year, to partially finance these purchases the decision was taken to increase the capital for the benefit of the existing shareholders, which was duly completed on 24 May 2017 with the creation of 1 627 588 new shares totalling EUR 88.9 million. We thank the shareholders for their confidence in our company.

The remaining financing comes from medium-term bank loans and the potential sale of non-strategic activities in the SIPEF Group will be considered.

In 2017 we expect recurring results for the *SIPEF* group to be higher than those posted in 2016, due to a clear rise in our palm oil production, better prices than last year for palm oil and rubber volumes that have already been sold, and the rise in the stake in PT Agro Muko. The ultimate result will depend on attaining the expected annual volumes of palm oil and rubber, their price trend in the second half of the year and the effects of local currencies against USD, all of which have an impact on production costs.

The available cash flow should enable us to complete our investment programme for this year, which, apart from the usual replacement investments, is mainly focused on the new plantings in Musi Rawas. In the technical sphere, the first methane biogas engine generating electricity with supplies to the public power grid in Bengkulu in Indonesia is now operational. and, the construction of the fifth methane gas capture plant and the composting activity in North Sumatra have been completed.

Furthermore, subject to your approval, EUR 11 772, or EUR 1.25 gross per share, will be paid out to the holders of coupon 10, just over double the dividend paid out last year. Payment is scheduled for 5 July 2017.

The terms of no directors expire on the date of this General Meeting, but we do propose, with your approval, that the statutory auditor be reappointed for a new term of three financial years until the General Meeting of 2020. We may appoint an additional director in an Extraordinary General Meeting later in the financial year to comply with the recent legislation on gender diversity.

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, 14 June 2017

# ORDINARY GENERAL MEETING 2017

Regulated information I May 2017

## Group production

of the SIPEF Group (in tonnes)

| | 2017 | | | | | 2016 | | | | | YoY Variation | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Palm Oil** | **Q1** | **04-05** | **Q3** | **Q4** | **YTD** | **Q1** | **04-05** | **Q3** | **Q4** | **YTD** | **04-05** | **YTD** |
| **Own** | | | | | | | | | | | | |
| Tolan Tiga Group | 15 563 | 11 449 | | | 27 012 | 12 727 | 8 634 | | | 21 361 | 32.60% | 26.45% |
| UMW/TUM Group | 8 654 | 6 872 | | | 15 526 | 8 053 | 5 160 | | | 13 213 | 33.18% | 17.51% |
| Agro Muko | 17 662 | 12 895 | | | 30 557 | 16 486 | 11 723 | | | 28 209 | 10.00% | 8.32% |
| Hargy Oil Palms | 22 393 | 14 412 | | | 36 805 | 16 021 | 13 225 | | | 29 246 | 8.98% | 25.85% |
| **Total own** | **64 272** | **45 628** | **0** | **0** | **109 900** | **53 287** | **38 742** | **0** | **0** | **92 029** | **17.77%** | **19.42%** |
| **Outgrowers** | | | | | | | | | | | | |
| Tolan Tiga Group | 243 | 202 | | | 445 | 162 | 168 | | | 330 | 20.24% | 34.85% |
| UMW/TUM Group | 0 | 0 | | | 0 | 76 | 59 | | | 135 | -100.00% | -100.00% |
| Agro Muko | 408 | 270 | | | 678 | 367 | 242 | | | 609 | 11.57% | 11.33% |
| Hargy Oil Palms | 15 958 | 10 382 | | | 26 340 | 12 554 | 9 573 | | | 22 127 | 8.45% | 19.04% |
| **Total outgrowers** | **16 609** | **10 854** | **0** | **0** | **27 463** | **13 159** | **10 042** | **0** | **0** | **23 201** | **8.09%** | **18.37%** |
| Total Palm Oil | 80 881 | 56 482 | 0 | 0 | 137 363 | 66 446 | 48 784 | 0 | 0 | 115 230 | 15.78% | 19.21% |

| **Palm Kernels** | **Q1** | **04-05** | **Q3** | **Q4** | **YTD** | **Q1** | **04-05** | **Q3** | **Q4** | **YTD** | **04-05** | **YTD** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Own** | | | | | | | | | | | | |
| Tolan Tiga Group | 3 948 | 2 674 | | | 6 622 | 3 228 | 2 179 | | | 5 407 | 22.72% | 22.47% |
| UMW/TUM Group | 1 499 | 1 148 | | | 2 647 | 1 341 | 812 | | | 2 153 | 41.38% | 22.94% |
| Agro Muko | 4 033 | 2 867 | | | 6 900 | 3 865 | 2 757 | | | 6 622 | 3.99% | 4.20% |
| **Total own** | **9 480** | **6 689** | **0** | **0** | **16 169** | **8 434** | **5 748** | **0** | **0** | **14 182** | **16.37%** | **14.01%** |
| **Outgrowers** | | | | | | | | | | | | |
| Tolan Tiga Group | 57 | 46 | | | 103 | 37 | 39 | | | 76 | 17.95% | 35.53% |
| UMW/TUM Group | 0 | 0 | | | 0 | 16 | 12 | | | 28 | -100.00% | -100.00% |
| Agro Muko | 78 | 50 | | | 128 | 70 | 48 | | | 118 | 4.17% | 8.47% |
| **Total outgrowers** | **135** | **96** | **0** | **0** | **231** | **123** | **99** | **0** | **0** | **222** | **-3.03%** | **4.05%** |
| Total Palm Kernels | 9 615 | 6 785 | 0 | 0 | 16 400 | 8 557 | 5 847 | 0 | 0 | 14 404 | 16.04% | 13.86% |

| **Palm Kernel Oil** | **Q1** | **04-05** | **Q3** | **Q4** | **YTD** | **Q1** | **04-05** | **Q3** | **Q4** | **YTD** | **04-05** | **YTD** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Own** | | | | | | | | | | | | |
| Hargy Oil Palms | 1 945 | 1 223 | | | 3 168 | 1 392 | 1 247 | | | 2 639 | -1.92% | 20.05% |
| **Total own** | **1 945** | **1 223** | **0** | **0** | **3 168** | **1 392** | **1 247** | **0** | **0** | **2 639** | **-1.92%** | **20.05%** |
| **Outgrowers** | | | | | | | | | | | | |
| Hargy Oil Palms | 1 418 | 917 | | | 2 335 | 1 124 | 989 | | | 2 113 | -7.28% | 10.51% |
| **Total outgrowers** | **1 418** | **917** | **0** | **0** | **2 335** | **1 124** | **989** | **0** | **0** | **2 113** | **-7.28%** | **10.51%** |
| Total Palm Kernel Oil | 3 363 | 2 140 | 0 | 0 | 5 503 | 2 516 | 2 236 | 0 | 0 | 4 752 | -4.29% | 15.80% |

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# Group production of the SIPEF Group (in tonnes)

| Rubber | 2017 Q1 | 2017 04-05 | 2017 Q3 | 2017 Q4 | 2017 YTD | 2016 Q1 | 2016 04-05 | 2016 Q3 | 2016 Q4 | 2016 YTD | YoY Variation 04-05 | YoY Variation YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Own** | | | | | | | | | | | | |
| Tolan Tiga Group | 791 | 369 | | | 1 160 | 804 | 338 | | | 1 142 | 9.17% | 1.58% |
| Melania | 1 007 | 709 | | | 1 716 | 797 | 801 | | | 1 598 | -11.49% | 7.38% |
| Agro Muko | 535 | 428 | | | 963 | 489 | 342 | | | 831 | 25.15% | 15.88% |
| Galley Reach | 0 | 0 | | | 0 | 436 | 396 | | | 832 | -100.00% | -100.00% |
| **Total own** | **2 333** | **1 506** | **0** | **0** | **3 839** | **2 526** | **1 877** | **0** | **0** | **4 403** | **-19.77%** | **-12.81%** |
| **Outgrowers** | | | | | | | | | | | | |
| Agro Muko | 0 | 0 | | | 0 | 0 | | | | 0 | - | - |
| Galley Reach | 0 | 0 | | | 0 | 62 | 113 | | | 175 | -100.00% | -100.00% |
| **Total outgrowers** | **0** | **0** | **0** | **0** | **0** | **62** | **113** | **0** | **0** | **175** | **-100.00%** | **-100.00%** |
| Total Rubber | 2 333 | 1 506 | 0 | 0 | 3 839 | 2 588 | 1 990 | 0 | 0 | 4 578 | -24.32% | -16.14% |

| Tea | 2017 Q1 | 2017 04-05 | 2017 Q3 | 2017 Q4 | 2017 YTD | 2016 Q1 | 2016 04-05 | 2016 Q3 | 2016 Q4 | 2016 YTD | YoY Variation 04-05 | YoY Variation YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Own** | | | | | | | | | | | | |
| Melania | 578 | 379 | | | 957 | 793 | 501 | | | 1 294 | -24.35% | -26.04% |
| **Total own** | **578** | **379** | **0** | **0** | **957** | **793** | **501** | **0** | **0** | **1 294** | **-24.35%** | **-26.04%** |
| **Outgrowers** | | | | | | | | | | | | |
| Melania | 0 | 0 | | | 0 | 0 | 0 | | | 0 | - | - |
| **Total outgrowers** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | - | - |
| Total Tea | 578 | 379 | 0 | 0 | 957 | 793 | 501 | 0 | 0 | 1 294 | -24.35% | -26.04% |

| Bananas | 2017 Q1 | 2017 04-05 | 2017 Q3 | 2017 Q4 | 2017 YTD | 2016 Q1 | 2016 04-05 | 2016 Q3 | 2016 Q4 | 2016 YTD | YoY Variation 04-05 | YoY Variation YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Azaguie | 1 594 | 742 | | | 2 336 | 1 506 | 734 | | | 2 240 | 1.09% | 4.29% |
| St Thérèse | 1 582 | 1 015 | | | 2 597 | 714 | 600 | | | 1 314 | 69.17% | 97.64% |
| Agboville | 2 578 | 1 099 | | | 3 677 | 2 657 | 1 588 | | | 4 245 | -30.79% | -13.38% |
| Motobe | 2 387 | 1 477 | | | 3 864 | 1 894 | 1 042 | | | 2 936 | 41.75% | 31.61% |
| Total Bananas | 8 141 | 4 333 | 0 | 0 | 12 474 | 6 771 | 3 964 | 0 | 0 | 10 735 | 9.31% | 16.20% |

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# Commodity Price Data

## Average market prices*

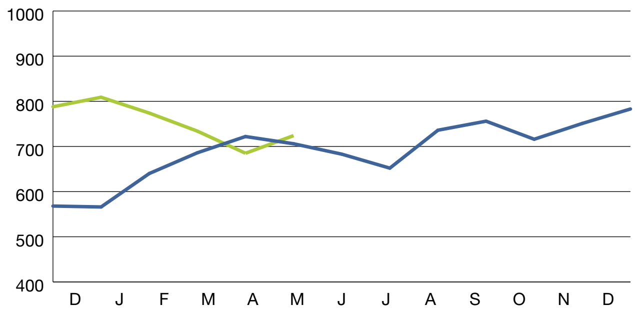
| Product | | YTD 05/2017 | YTD 05/2016 | YTD Q4/2016 |
|---|---|---|---|---|
| CPO (CIF Rotterdam) | in $/mt | 745 | 664 | 700 |
| CPKO (CIF Rotterdam) | in $/mt | 1 340 | 1 049 | 1 290 |
| RSS3 (FOB Singapore) | in $/mt | 2 385 | 1 459 | 1 605 |
| Tea (avg auct Mombasa) | in $/mt | 2 778 | 2 299 | 2 298 |
| Bananas (FOT Europe) | in $/mt | 860 | 919 | 905 |

* World Bank Commodity Price Data

## Crude Palm Oil in $/mt

2017 2016

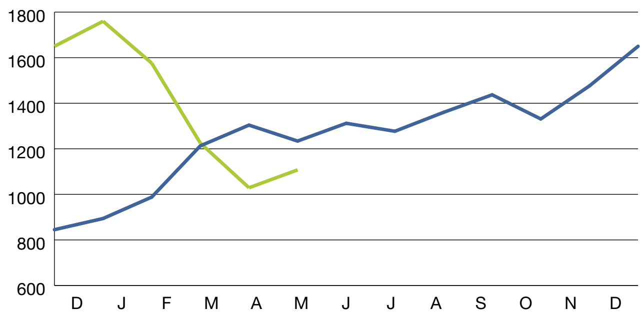
*CIF Rotterdam*




## Crude Palm Kernel Oil in $/mt

2017 2016

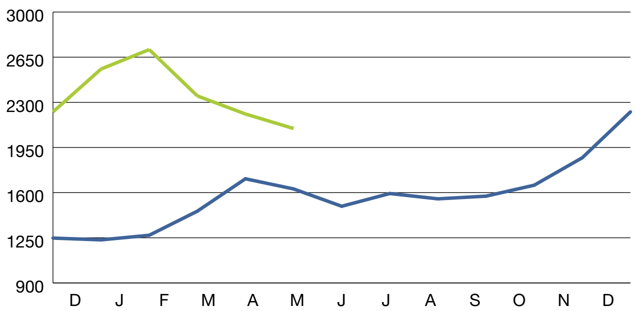
*CIF Rotterdam*




## RSS3 in $/mt

2017 2016

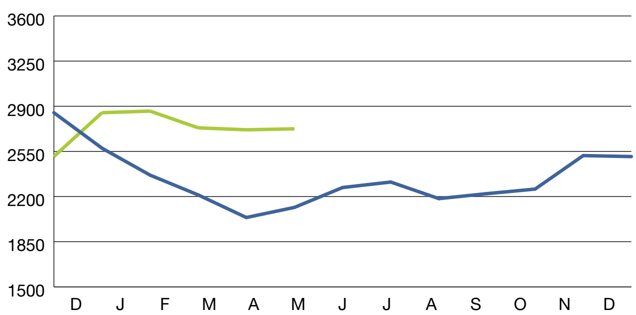
*FOB Singapore*




## Tea in $/mt

2017 2016

*average auct. Mombasa*




## Bananas EU in $/mt

2017 2016

*FOT Europe*