



SIPEF

Analyst presentation

August 14, 2019



The Connection to the world of Sustainable Tropical Agriculture



Summary



1. SIPEF Group Company profile

2. SIPEF Group Palm oil in the world

3. SIPEF Group - Expansion

4. SIPEF Group – Productions & prices

5. SIPEF Group – Financial performance

6. Peer review

SIPEF group - Company profile



Agriculture

- 1st segment of the supply chain - commodities

Tropical

- Recent industrialised countries

Sustainable

- Audited certifications

Connection

- Publicly quoted

SIPEF group - Company profile



Continuous production

- Continuous crops

Diversified in product

- **Palm oil** : basic commodity for food (and recently energy)
- **Rubber** : cyclic business - tire industry

Diversified in origin

- **Indonesia** : leading producing country within Asian market
- **PNG** : export oriented with strong agronomical basics

SIPEF group - Company profile
Worldwide



SIPEF group - Company profile

Indonesia



SIPEF group - Company profile
Papua New Guinea



SIPEF group - Company profile

Planted hectares summary 100% – 31 December 2018



	Palm	Rubber	Tea	Bananas	Other	Total	%	Group share
Indonesia	58 035	6 275	1 763			66 073	82%	59 572
PNG	13 687					13 687	17%	13 687
Ivory coast				749	31	780	1%	780
Total	71 722	6 275	1 763	749	31	80 540	100%	74 039
%	89%	8%	2%	1%	0%	100%		
Group share	66 291	5 376	1 591	749	31	74 039		

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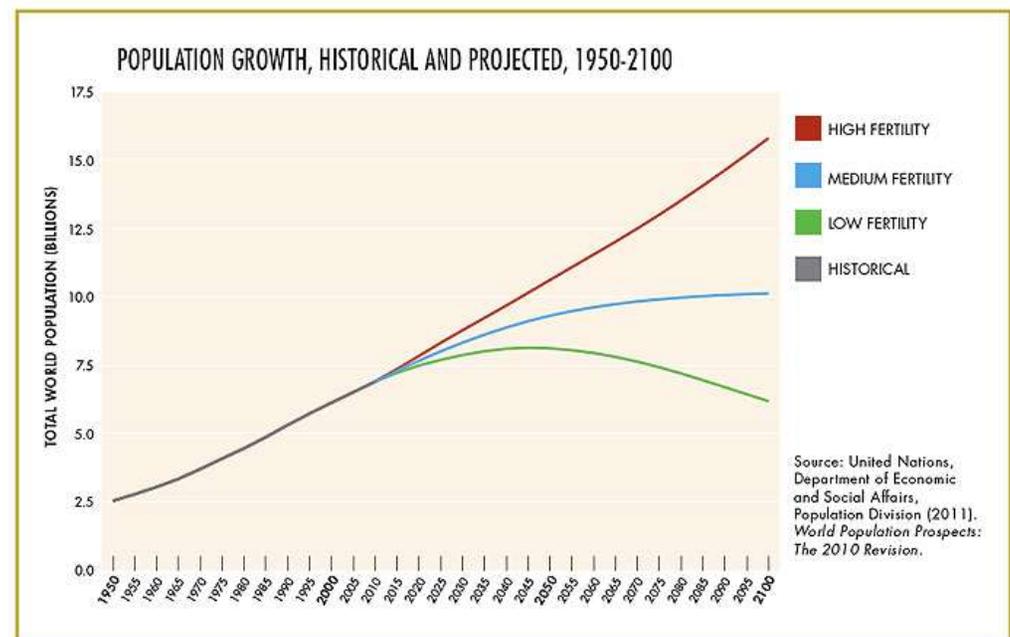
6. Peer review

SIPEF group – Palm oil in the world

Palm oil in the world - Population growth



- In the coming 40 years, mankind will have to produce more food than in the previous 10 000 years put together
- Population growth will have a huge impact on future food demands
- Rising middle class is causing diet changes in developing countries
- Agricultural land is increasingly becoming scarcer

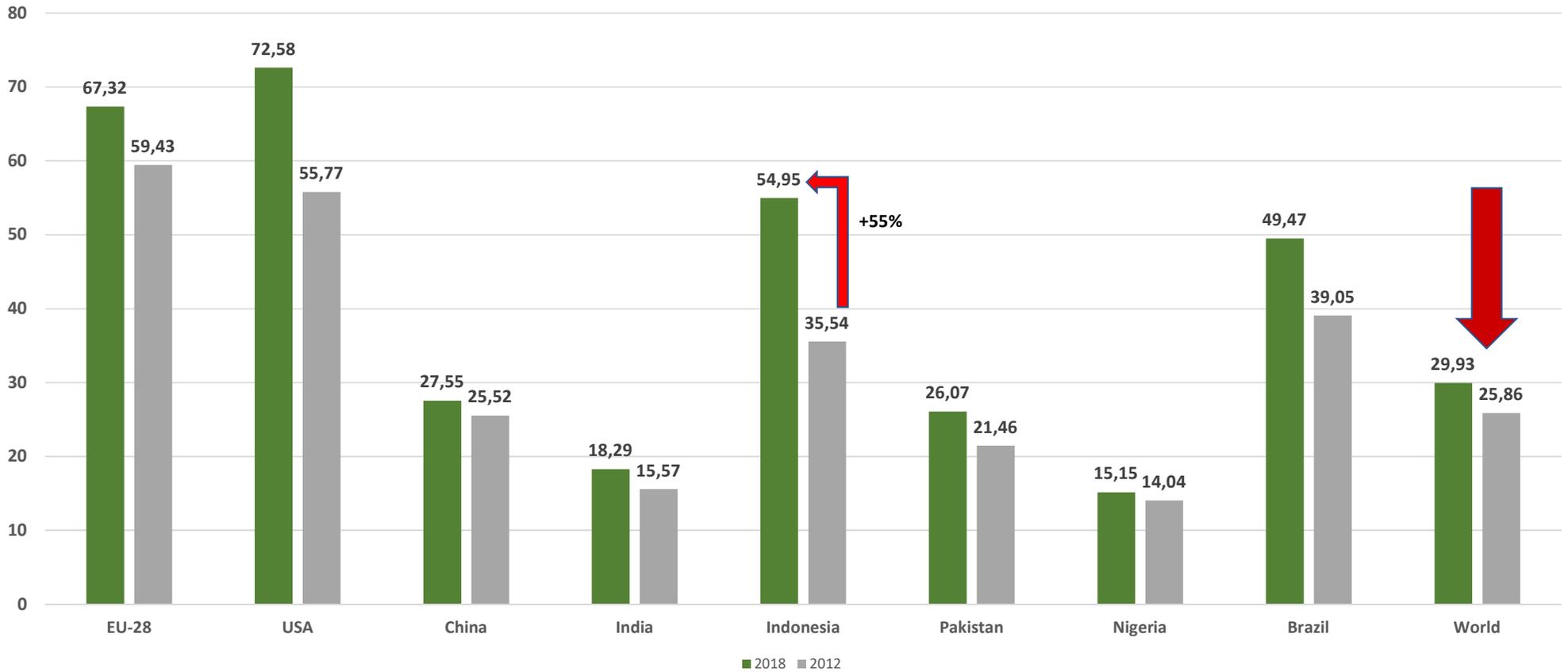


SIPEF group - Palm oil in the world
Oil and fat consumption



Source: Oilworld

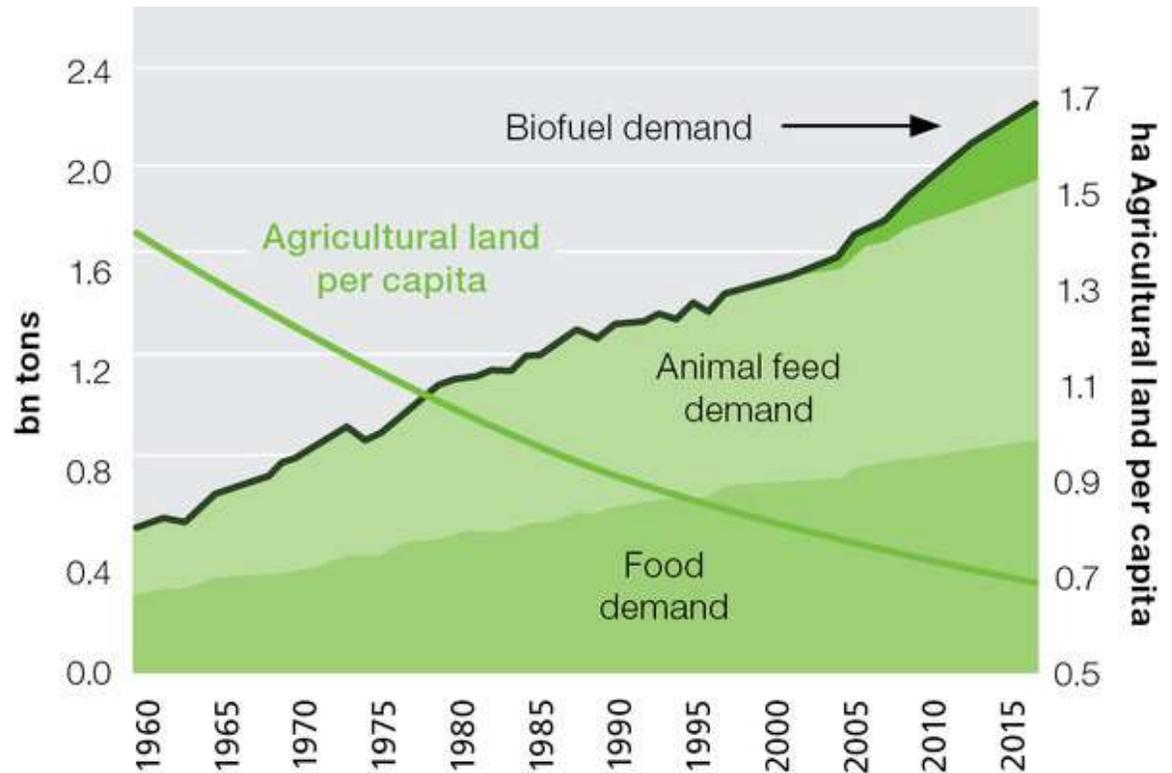
Oil and fat consumption per capita (in Kg)



SIPEF group - Palm oil in the world
Palm oil in the world - Land input

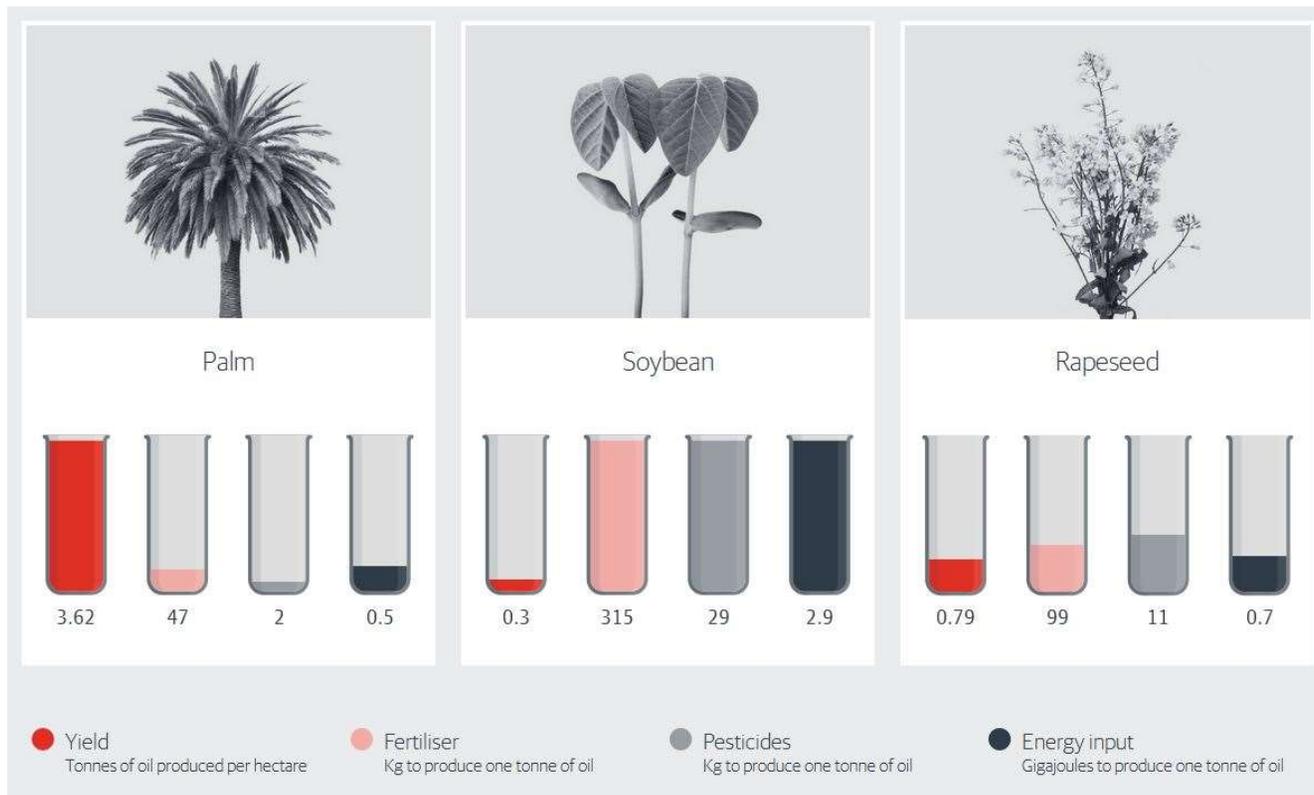


- Increased demand for meat/fat/processed foods
- Increased demand for biofuel
- Decreasing Agricultural land per capita
- Disposable income growth in developing countries



SIPEF group - Palm oil in the world
Palm oil in the world - Comparison to other oils

Resources used per vegetable oil:

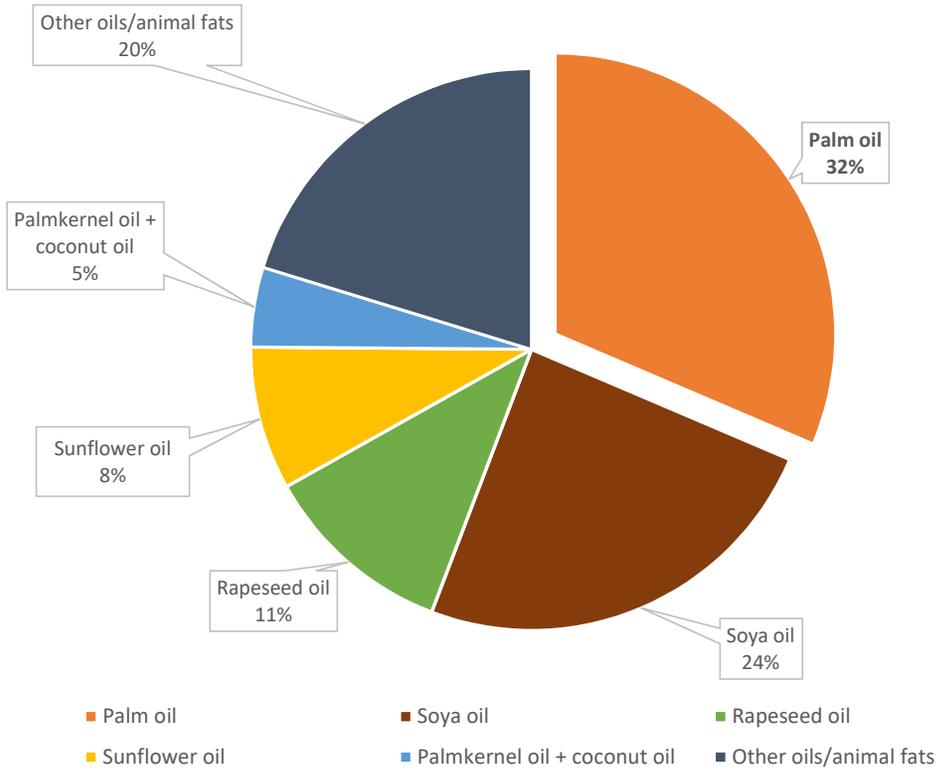


SIPEF group - Palm oil in the world
Palm oil in the world - Vegetable oils

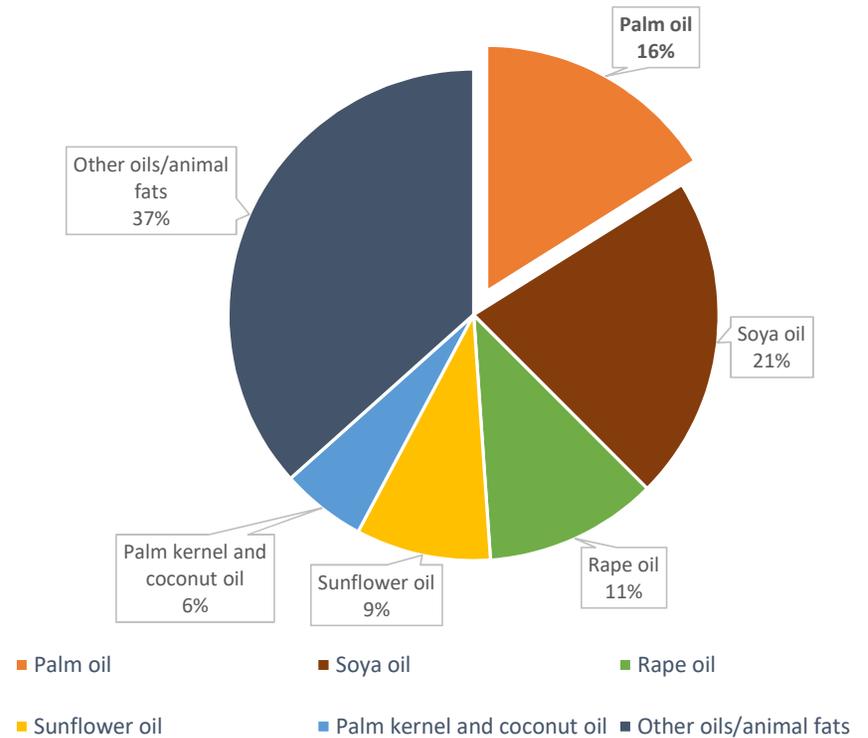


Source: Oilworld

2018: 231 million tonnes



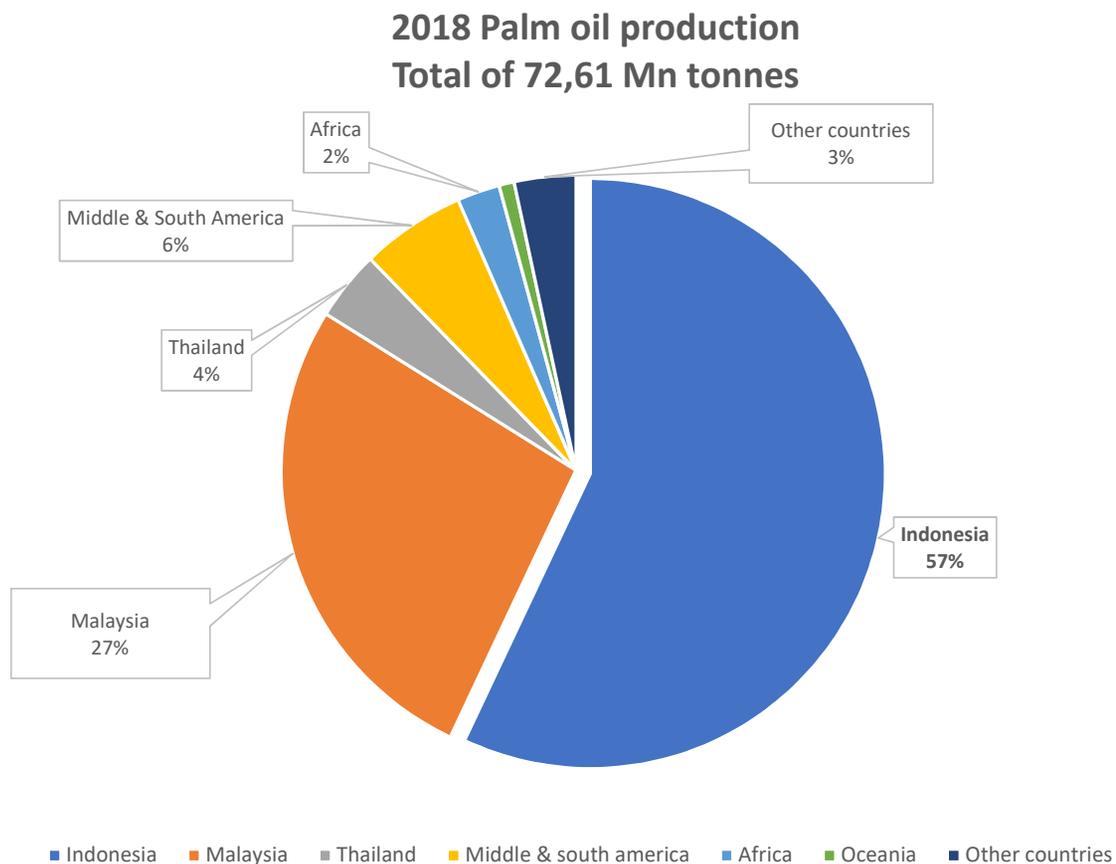
1994/95: 93,1 million tonnes



SIPEF group - Palm oil in the world
Palm oil in the world - Palm oil production



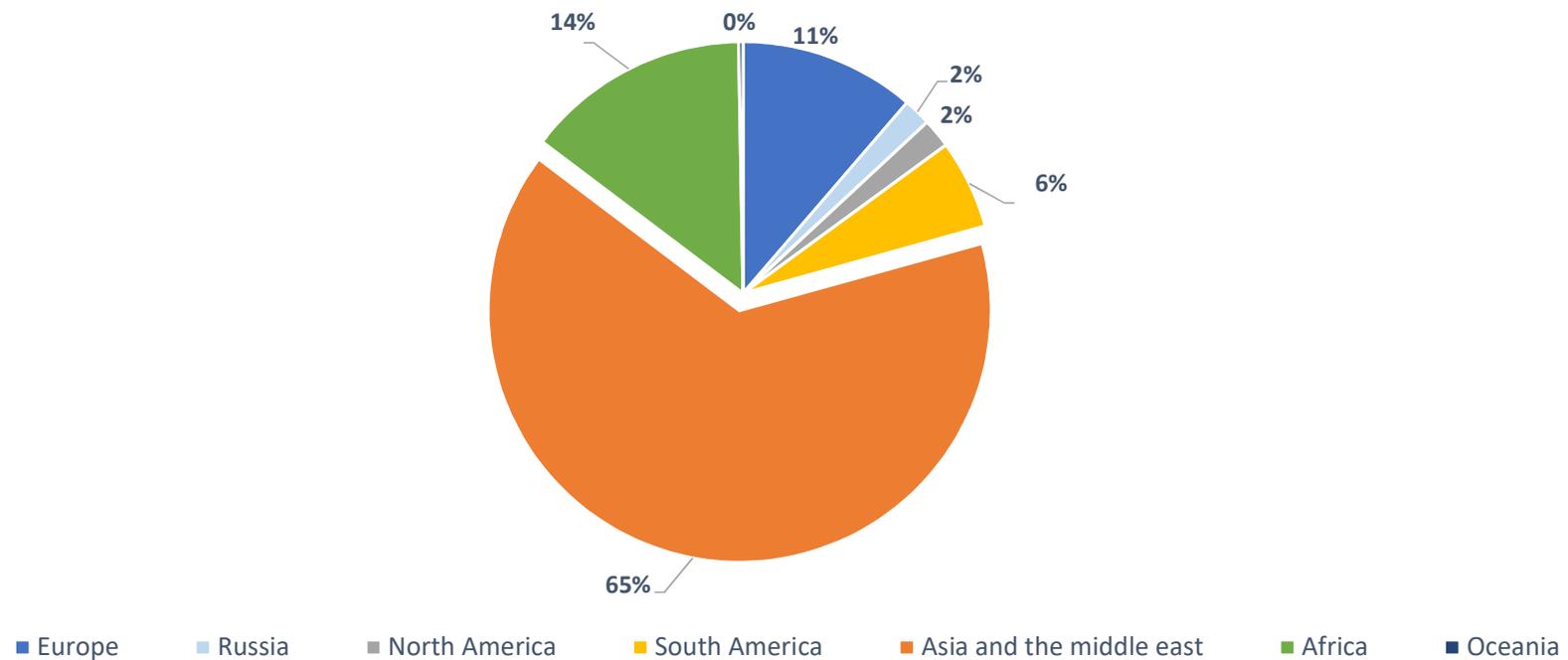
Source: Oilworld



SIPEF group - Palm oil in the world
Palm oil in the world - Palm oil consumption



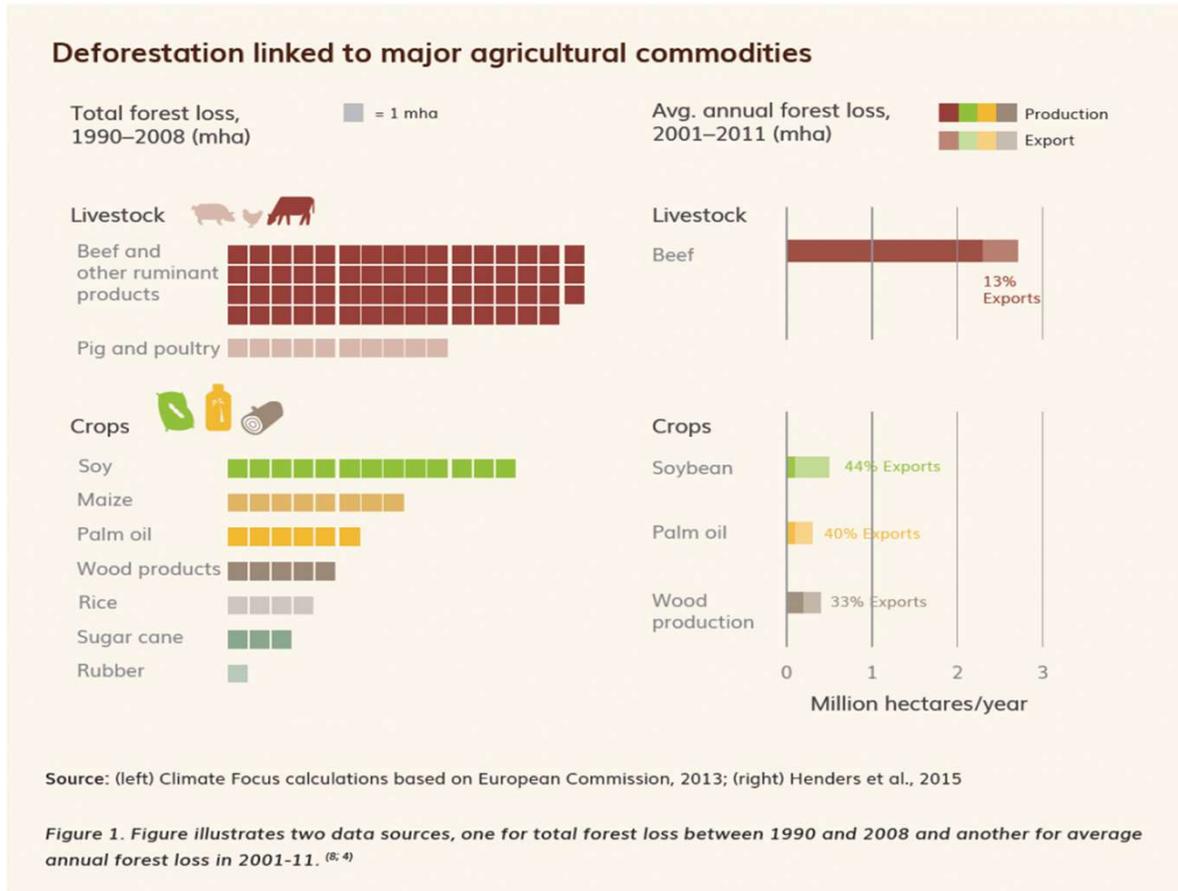
2014/15 World palm oil consumption per region



- **Palm oil remains confronted with a European perception problem based on**
 - Health issues
 - No fat <-> moderate use of saturated fat
 - Saturated fats – only 50% saturated and no transfats
 - Environmental issues
 - Deforestation – most efficient vegetable oil/hectare of land
 - Sustainable Development Goals – Palm Oil covers the majority of it!

SIPEF group - Palm oil in the world

Palm oil in the world - Sources for deforestation



SIPEF group - Palm oil in the world
Palm oil in the world – Commodity commitment



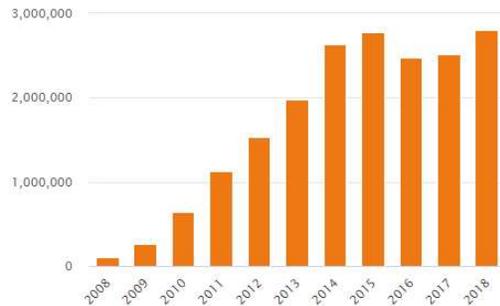
SIPEF group - Palm oil in the world
Palm oil in the world - Sustainable palm oil



Less than 3 million tons is sold as IP/‘segregated’ (100% traceable)
 SIPEF = 100% certified and > 350.000 tons ‘segregated’

2,81 Million Ha RSPO certified production area

Certified Sustainable Palm Oil production area (ha) ⓘ



19%

Proportion of global palm oil certified by RSPO



13.47 million tonnes

Volume of RSPO-certified sustainable palm oil

SIPEF group - Palm oil in the world
Number of certified production and/or operational units



Number of certified production and/or operational units - 2006-2018

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
RSPO: Roundtable on Sustainable Palm Oil				2	4	6	6	6	7	10	10	11	11
ISCC: International Sustainability and Carbon Certification					2	2	2	4	4	5	5	5	5
ISPO: Indonesian Sustainable Palm Oil										2	4	5	5
Rainforest Alliance											2	3	5
GLOBALG.A.P.	1	1	1	1	1	1	1	1	1	1	1	1	1
	1	1	1	3	7	9	9	11	12	18	22	25	27

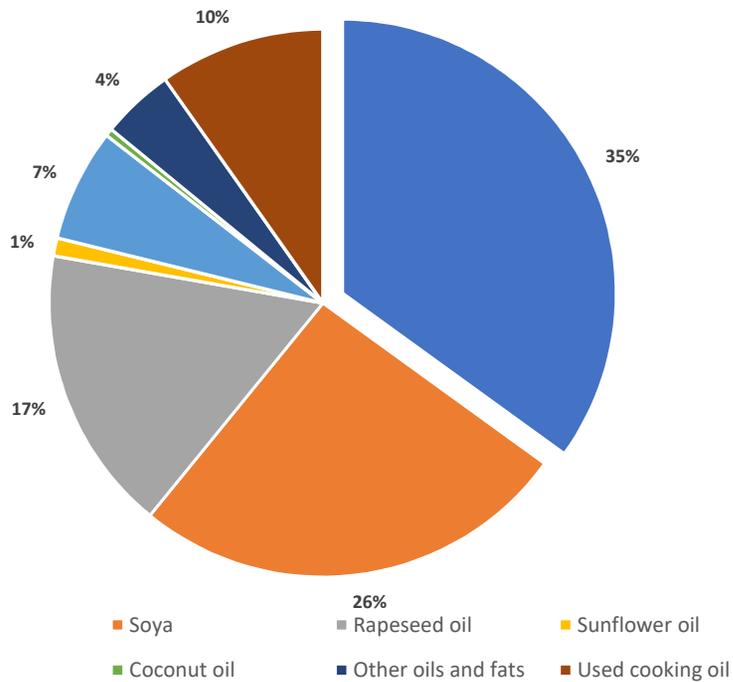
- **Approval of the Delegated Act by the EU-commission**
- Renewable energy from 20% in 2020 to 32% by 2030
- Renewable energy in transport from 10% in 2020 to 14% in 2030
- Conventional biofuels will be optional and limited to 7% maximum
- Palm Oil is defined to have high ILUC-risk (in high-carbon stock land)
 - 2019 consumption level capped till 2023, gradual reduction by 2030

SIPEF group - Palm oil in the world
Biodiesel worldwide

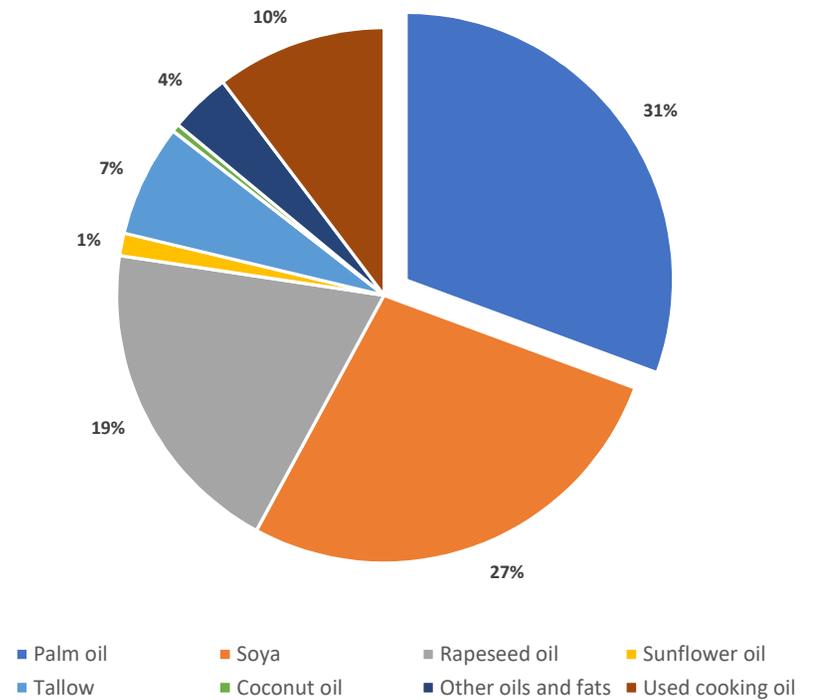


Source: Oilworld

Biodiesel worldwide 2018
Total of 40,7 Mn tonnes



Biodiesel worldwide 2017
Total of 35,8 Mn tonnes



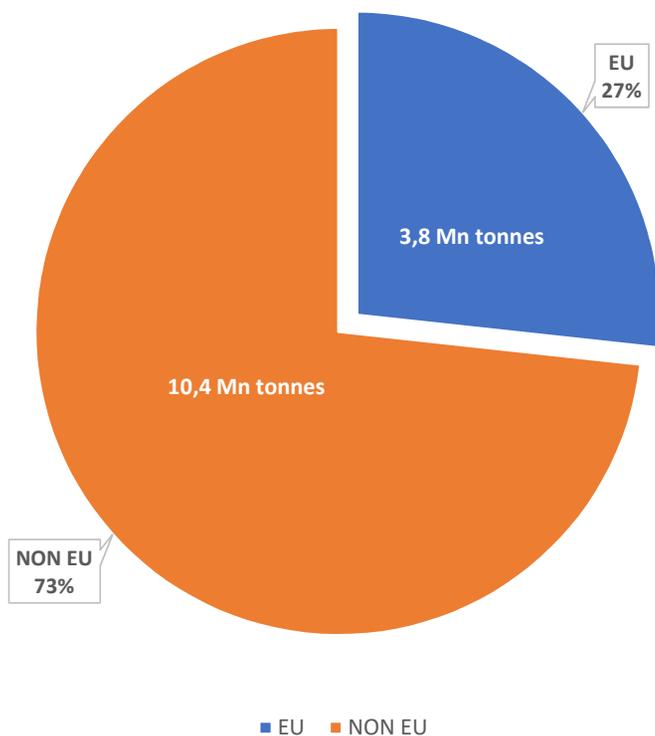
SIPEF group - Palm oil in the world

Palm oil use for biodiesel EU

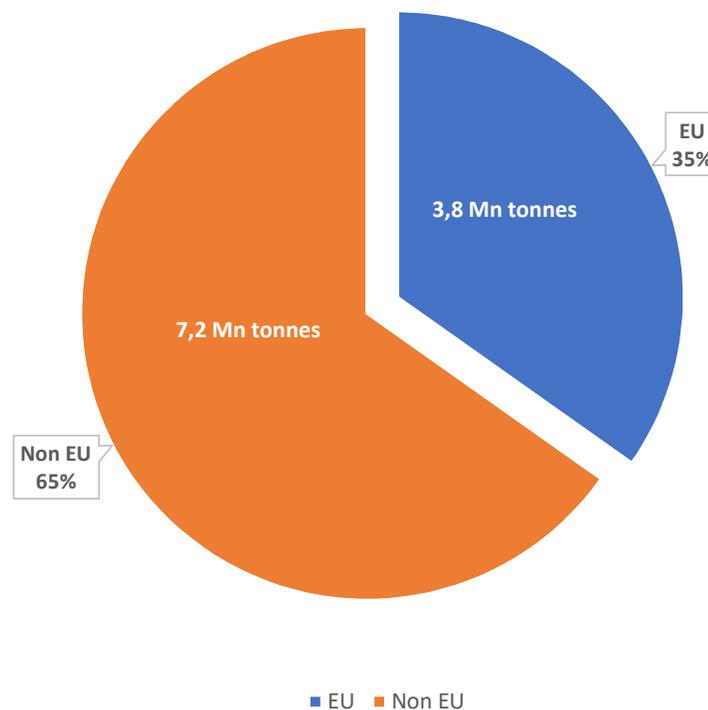


Source: Oilworld

2018 Palm oil use for Biodiesel
Total of 14,2 Mn tonnes



2017 Palm oil use for Biodiesel
Total of 11,0 Mn tonnes





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SIPEF group - Expansion

Strategy & expansion



SIPEF group= 100.000 Ha planted (group' share)

Focus on core-business

- Palmoil – Rubber – Bananas – Tea
- Indonesia – Papua New Guinea

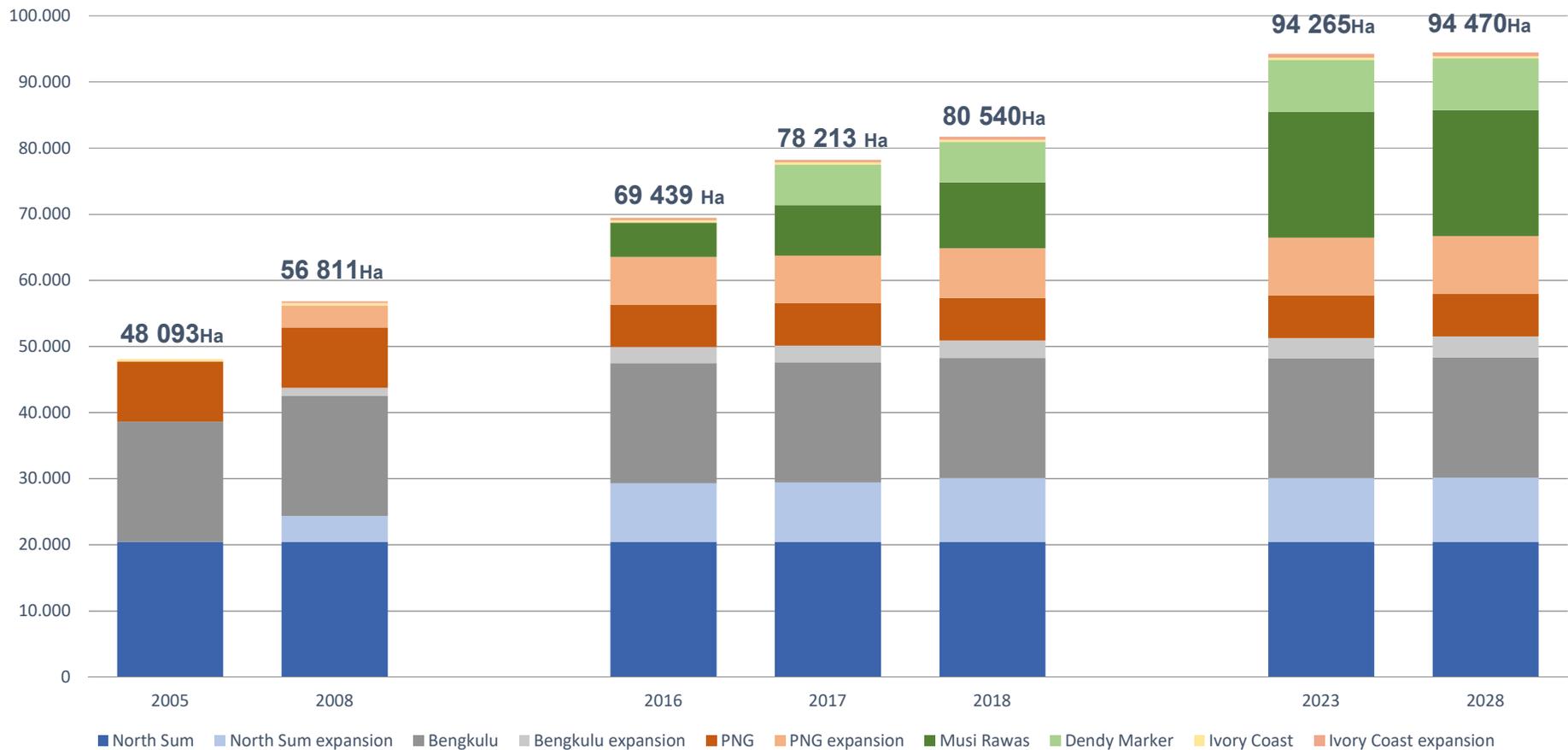
Focus on 'Sustainable Agriculture' (RSPO)

Expansion of existing activities

Acquisition of new investments

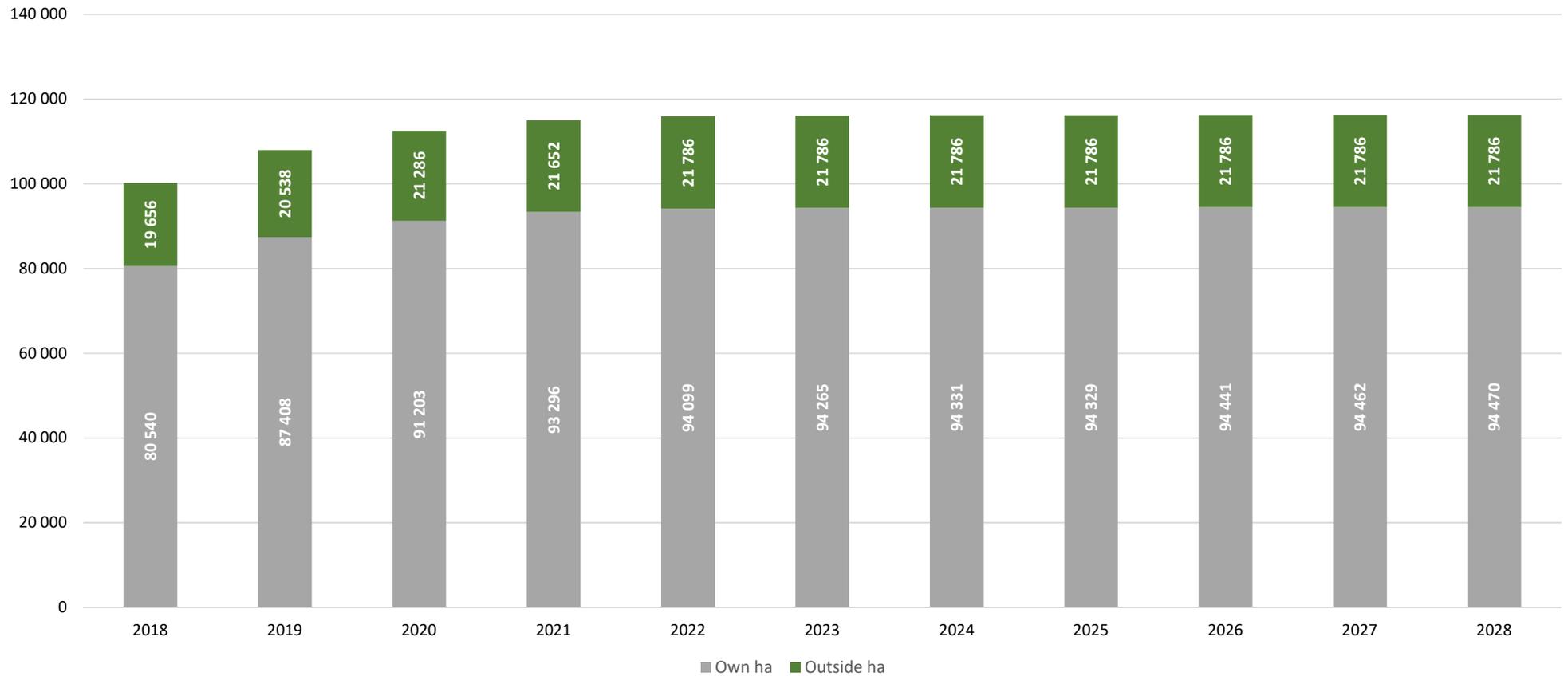
Balanced leverage

SIPEF group - Expansion
 Planted area (in hectares) – 100%



SIPEF group - Expansion

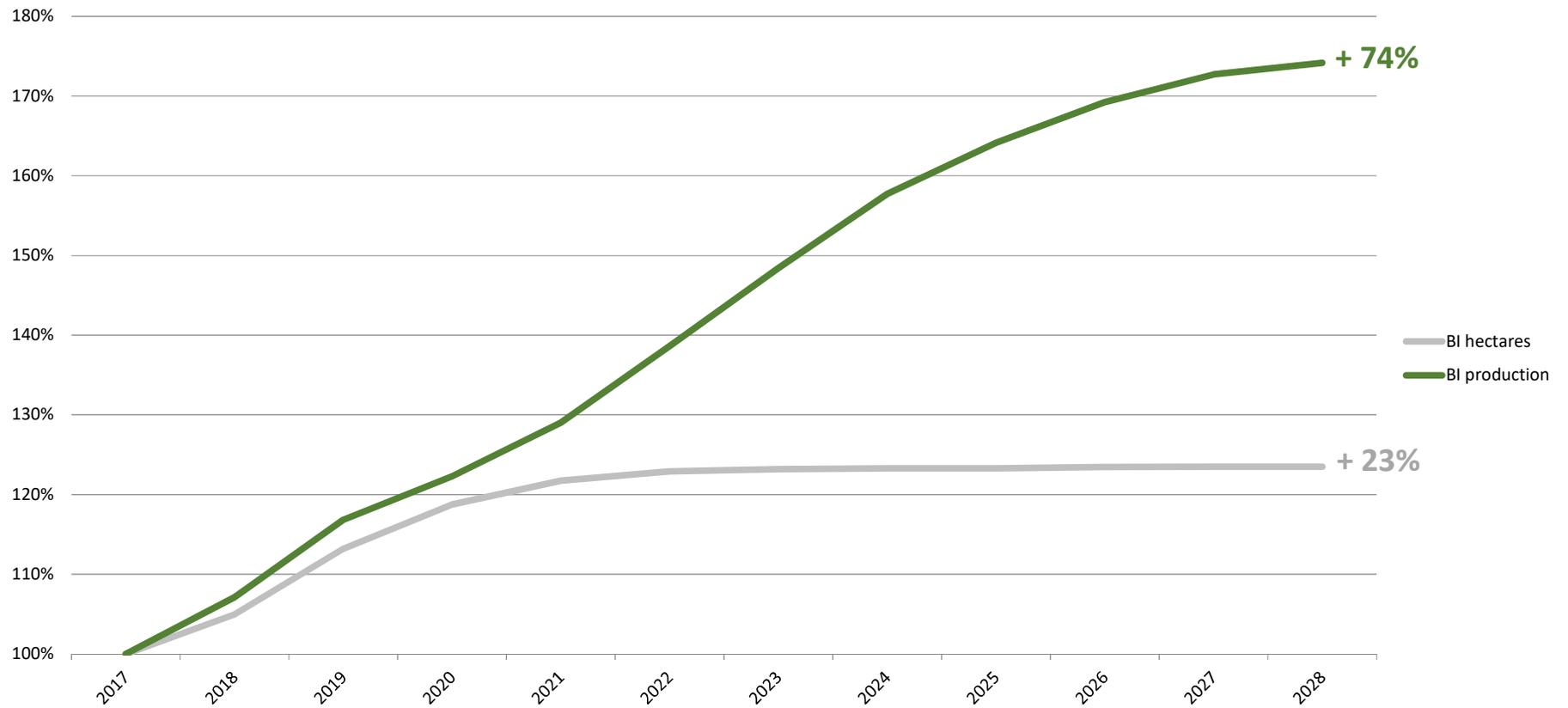
Supply base (in hectares): own ha and outgrowers ha – 100%





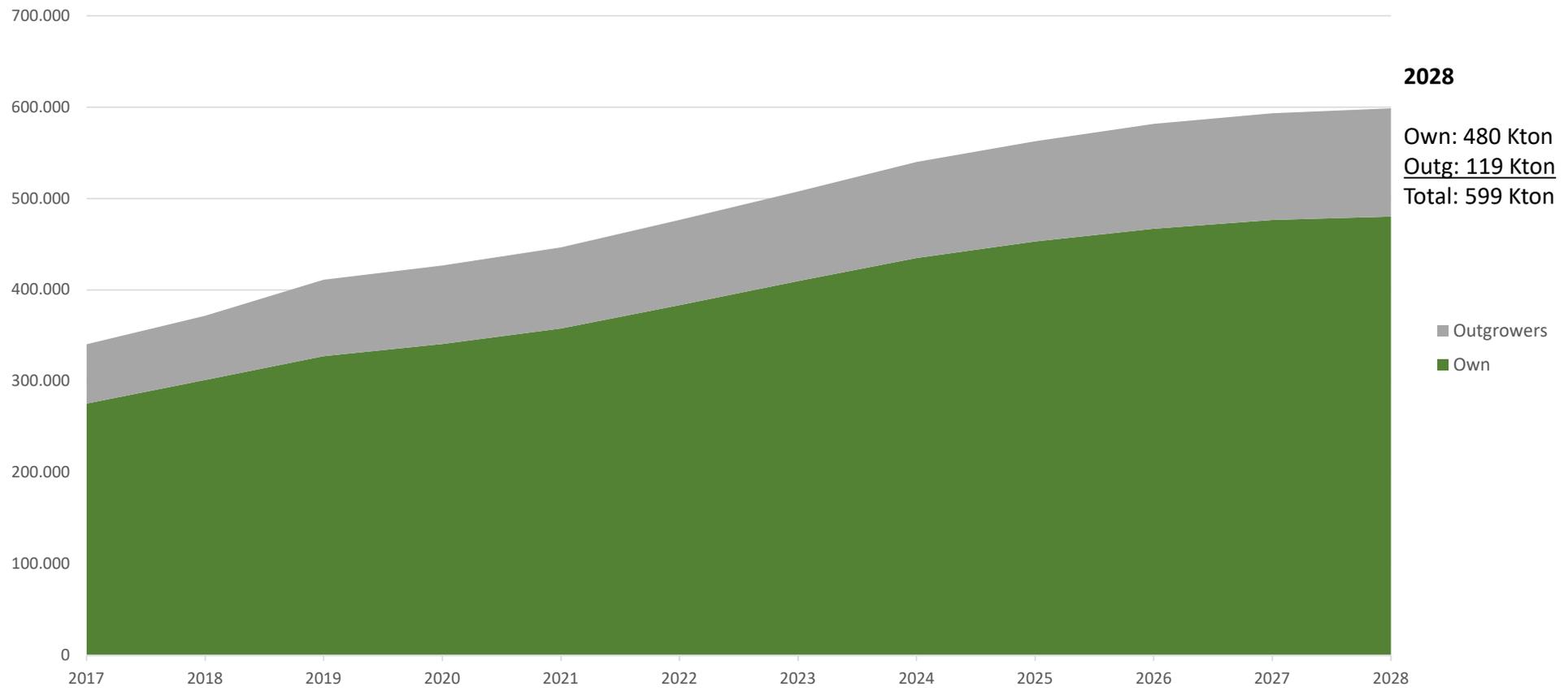
SIPEF group - Expansion

Planted hectares and production of CPO (sale of FFB not included) (BI)



SIPEF group - Expansion

100% CPO production (including plasma and outgrowers – NO FFB)



SIPEF group - Expansion

Musi Rawas expansion



North Sumatra

- 1 Timbang Deli
- 2 Bandar Sumatra
- 3 Kerasaan
- 4 Eastern Sumatra
- 5 Citra Sawit Mandiri
- 6 Toton Usaha Mandiri
- 7 Umbul Mas Wisesa
- 8 Tolan Tiga

South Sumatra

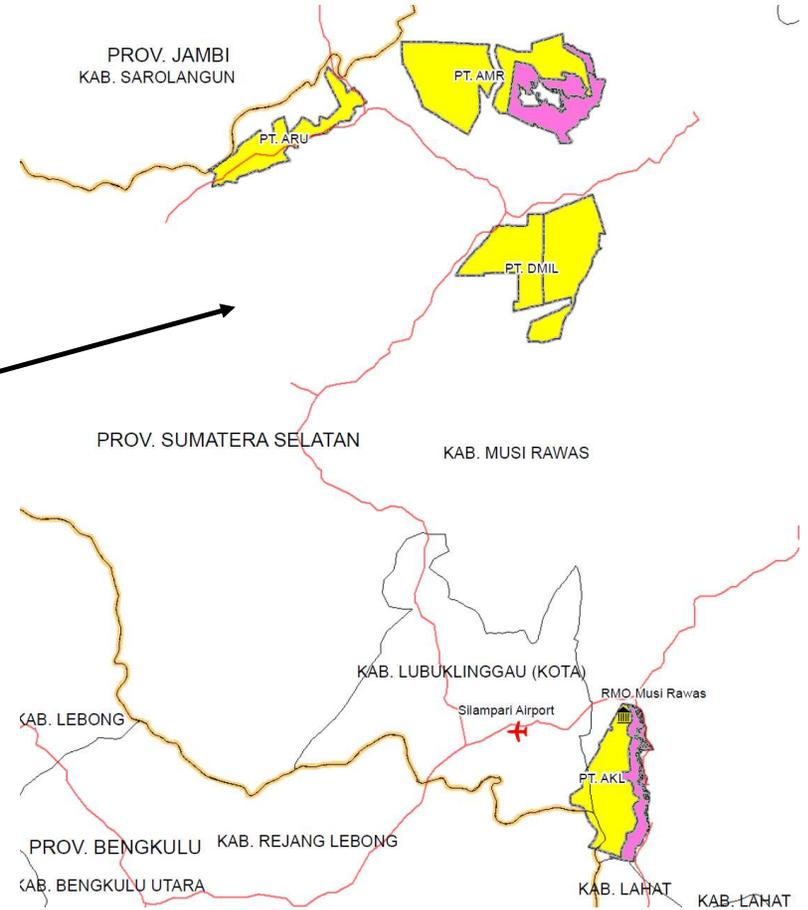
- 1 Melania (Rubber Estate)
- 2 Agro Rawas Ulu
- 3 Agro Muara Rupit
- 4 Agro Kati Lama
- 5 Dendymarker Indah Lestari

Bengkulu

- 1 Agro Muko
- 2 Mukomuko Agro Sejahtera

West Java

- 1 Melania (Tea Estate)



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SIPEF group - Expansion
Musi Rawas – South Sumatra summary of project status



Latest update	Musi Rawas	Musi Rawas II	Dendymarker	DIL Newplant	Total
Izin Lokasi HGU	24 607	0	17 793	0	42 400
Expansion Izin Lokasi	0	8 594	0	0	8 594
TOTAL HGU/IZIN	24 607	0	17 793	0	42 400
Planted / cleared	11 288	0	8 986	0	20 274
Identified	9 416	2 101	0	1 604	13 120
Potential development	20 704	2 101	8 986	1 604	33 394
INTI	17 253	1 750	6 205	1 604	26 812
PLASMA	3 451	350	2 781	0	6 582

SIPEF group - Expansion
Musi Rawas – progress June 2019



MUSI RAWAS	Acquired Ha	Secured Ha	
PT AKL	4 771	4 348	91%
PT ARU	3 430	2 345	68%
PT AMR	7 833	4 595	59%
Total OLD	16 034	11 288	70%
Potential Ha	18 507		
	87%		
AMR III	33	0	0%
AMRS	136	0	0%
AKLE	112	0	0%
Total NEW	281	0	0%
Potential Ha	4 298		
	7%		
GRAND TOTAL	16 315	11 288	69%
Potential HA	22 805	22 805	100%
% of total	72%	49%	

SIPEF group - Expansion
Musi Rawas – progress June 2019



Area	Compensation Ha			Cleared/Planted Ha				Planted/ compensated
	YTD 2018	Jun/19	TOTAL	YTD 2018	Planted Jun/19	Cleared Jun/19	TOTAL	
AKL	4 077	117	4 194	3 646	66	76	3 788	90,3%
ARU	2 861	47	2 908	1 816	119	36	1 971	67,8%
AMR	6 226	370	6 596	3 640	364	276	4 280	64,9%
AMR 3	23	10	33	0				
AMR S	39	97	136	0				
AKL E	50	62	112	0				
Plasma	2 266	70	2 336	1 171	78	0	1 249	53,5%
TOTAL	15 542	773	16 315	10 273	627	388	11 288	69,2%



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SIPEF group – Productions & prices
Production Palm Oil June 2019



Palm Oil	June 2019	June 2018	Variance
Own			
Tolan Tiga Group	31 438	32 761	-4,04%
Umbul Mas Wisesa Group	18 300	19 831	-7,72%
Agro Muko Group	35 723	40 313	-11,39%
South Sumatra Group	5 548	1 979	180,34%
Hargy Oil Palms	37 069	42 928	-13,65%
Total own	128 078	137 812	-7,06%
Outgrowers			
Umbul Mas Wisesa Group	61	4	1425,00%
Agro Muko Group	1 496	1 500	-0,27%
South Sumatra Group	389	245	58,78%
Hargy Oil Palms	23 672	26 641	-11,14%
Total outgrowers	25 618	28 390	-9,76%
Total Palm Oil	153 696	166 202	-7,52%

SIPEF group – Productions & prices
Production Rubber June 2019



Rubber	June 2019	June 2018	Variance
Own			
Tolan Tiga Group	384	563	-31,79%
Melania	1 617	1 850	-12,59%
Agro Muko	1 067	1 308	-18,43%
Total Own	3 068	3 721	-17,55%
Outgrowers			
Tolan Tiga Group*	296	404	-26,73%
Total Rubber	3 364	4 125	-18,45%

*Tolan Tiga Group rubber production have been split into own and outgrower production. The outgrower production consists of production from PT Timbang Deli. The figures of prior year have been restated.

SIPEF group – Productions & prices
Production Tea & Bananas June 2019



Tea	June 2019	June 2018	Variance
Melania	1 312	1 185	10,72%
Total Tea	1 312	1 185	10,72%

Bananas	June 2019	June 2018	Variance
Azaguie 1	2 505	2 100	19,29%
Azaguie 2	4 311	4 327	-0,37%
Agboville	4 804	3 910	22,86%
Motobe	5 108	2 964	72,33%
Total Bananas	16 728	13 301	25,76%

SIPEF group – Productions & prices

Bull & Bear



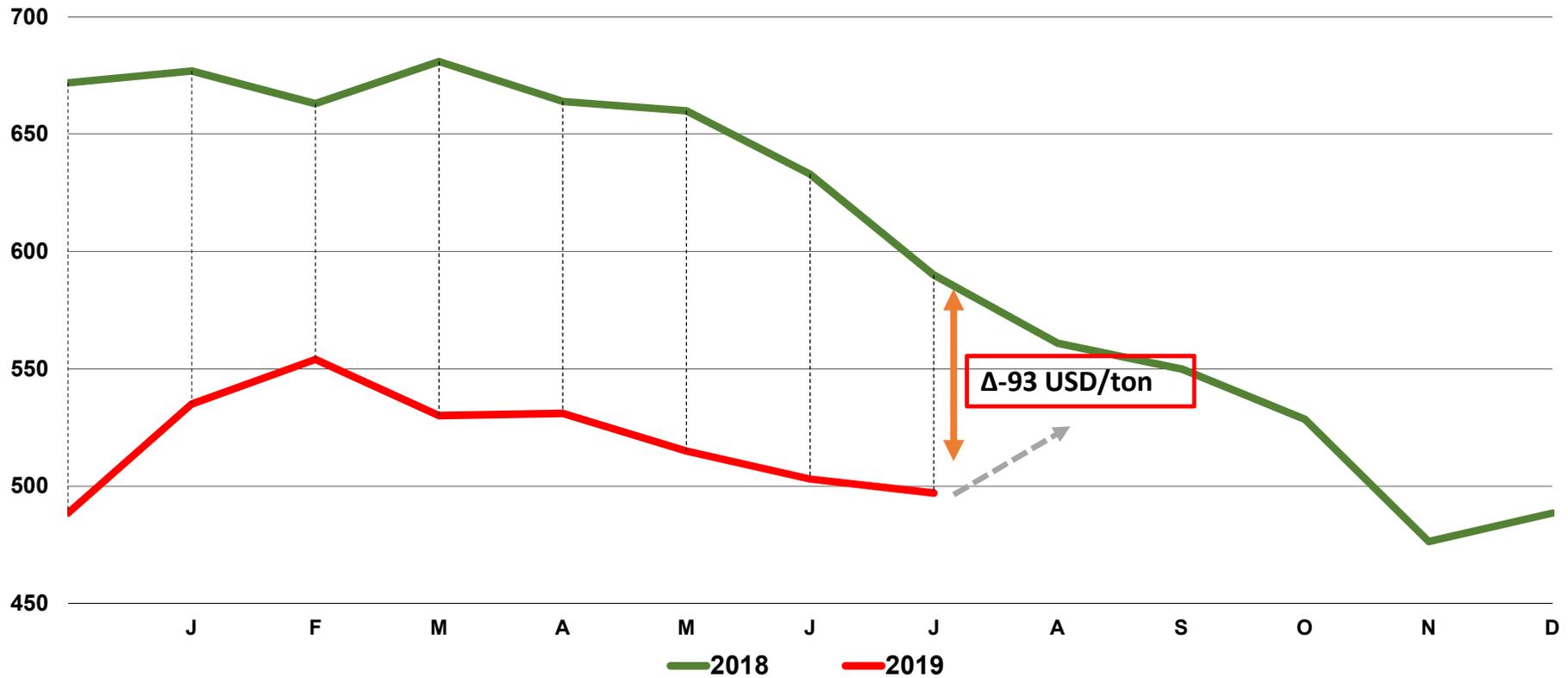
	Rating	Bullish inputs	Bearish inputs
Palm Oil Sept 545 Oct 550 Nov 560 Dec 565 JFM 580	Slightly friendly	PALM SUPPLY & DEMAND <ul style="list-style-type: none"> - Demand has been good for food and biodiesel. India and China taking good volumes. - Production is expected to take a rest, but when will it kick in? Could be gamechanger. - 2019 demand for palm will surpass supply with approximately 4 mln mt. - Stocks will build, but less than 2018. - B30 plans Indonesia, add 3 mln mt SOY MARKET - PRICING <ul style="list-style-type: none"> - Significant lower acreage planted in US, planted in very poor condition. How will the weather be in August? - How many acres are going for insurance? USDA report 12 aug - Palm oil is well priced against liquid oil but has lost a lot of competitiveness vs gasoil 	STOCK SITUATION IN ASIA <ul style="list-style-type: none"> - Stocks have dropped mid year, but we are entering peak production period. Therefore timing is off. - Destination stocks dropped during Q2, particularly Indian stocks came off. - Heading for a fantastic sun seed crop in Russia / Ukraine, expect price competition from sun oil. CHINA-US TRADE WAR – EXTERNAL MACRO <ul style="list-style-type: none"> - China/US trade war escalation taking its toll on global growth projection, even recession rumours, and keeps a lid on soybean prices in the US - Uncertainty is killing for commodities - Strong dollar has been bearish commodities... - Petro/gasoil weakness on the back of recession fear - African Swine Flu in China reduces appetite for soybeans
Rubber RSS3 1487 SIR10 1323	Neutral	<ul style="list-style-type: none"> - Weather related reduction in production in Thailand and Vietnam - Fusicocum leaf disease in Sumatra impacting production - Supply side curbed, was slowly eating into stocks 	<ul style="list-style-type: none"> - The US-China trade war escalating, hurting global economy forecasts - Automobile industry is suffering negative growth across the globe, but mainly in China and EU - Lack of demand as a result, taking us back to the lows
Tea	Neutral	<ul style="list-style-type: none"> - Kenyan tea production 8% lower in first half, but impact nihil due to low activity from Pakistan 	<ul style="list-style-type: none"> - Pakistan financial turmoil takes the Bazar activity to survival mode, but slowly improving - Slowly see a shift from tea in bulk to packed tea in Pakistan

SIPEF group – Productions & prices
CPO prices CIF Rotterdam 2018-2019



**Crude Palm Oil in \$/mt
 CIF Rotterdam**

Source: Oil World

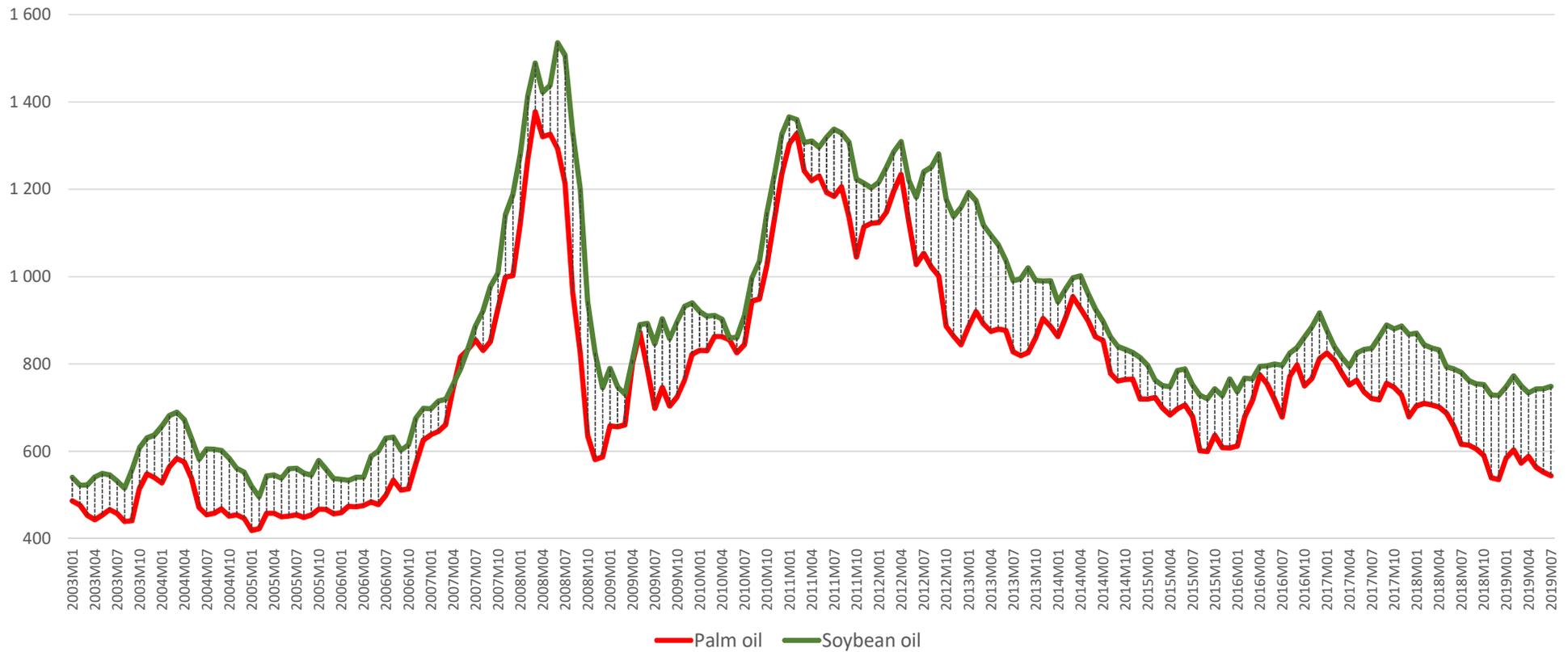


SIPEF group – Productions & prices
Spread crude palm oil – soybean oil

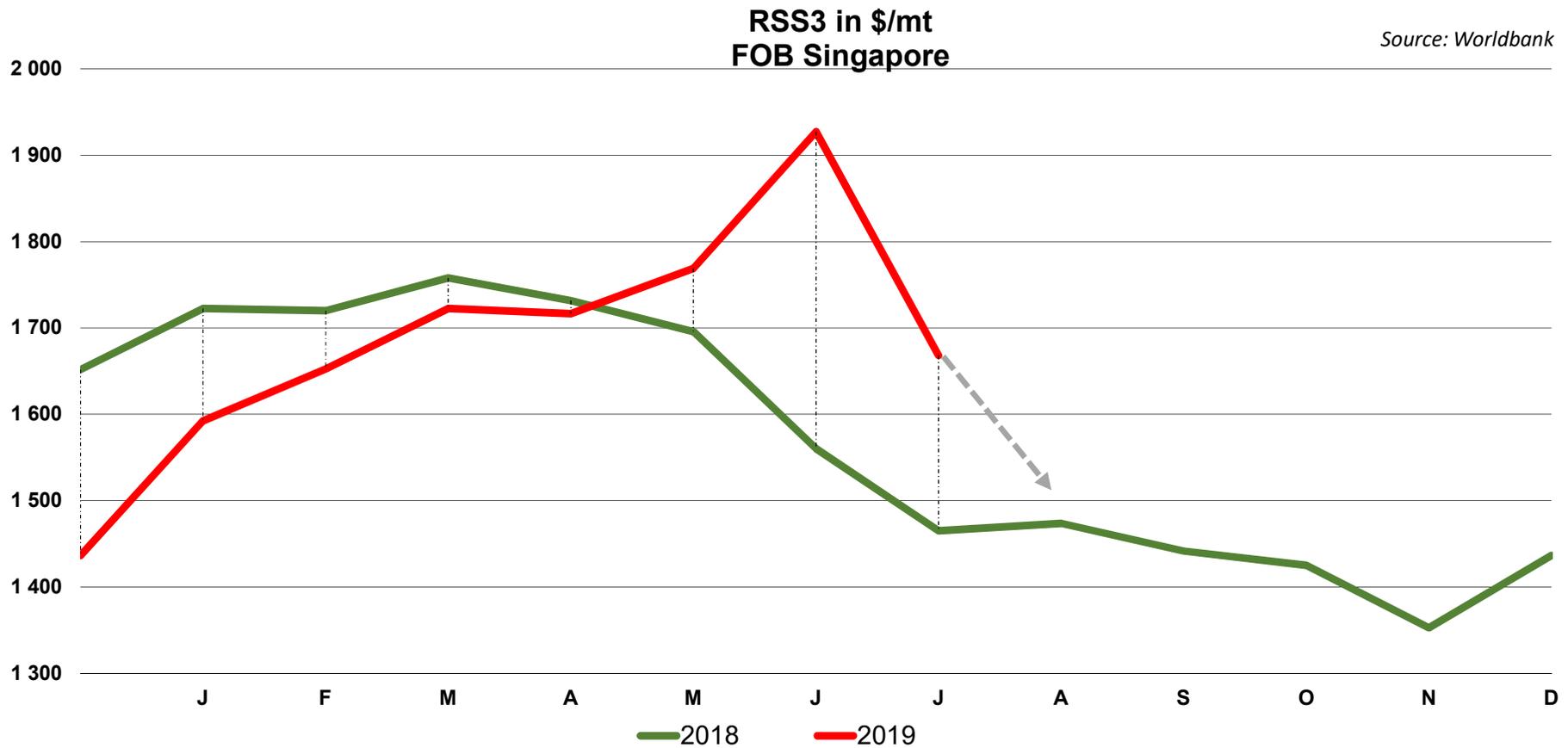


Spread CPO – Soybean oil

Source: Worldbank



SIPEF group – Productions & prices
Rubber prices CIF Rotterdam 2018-2019

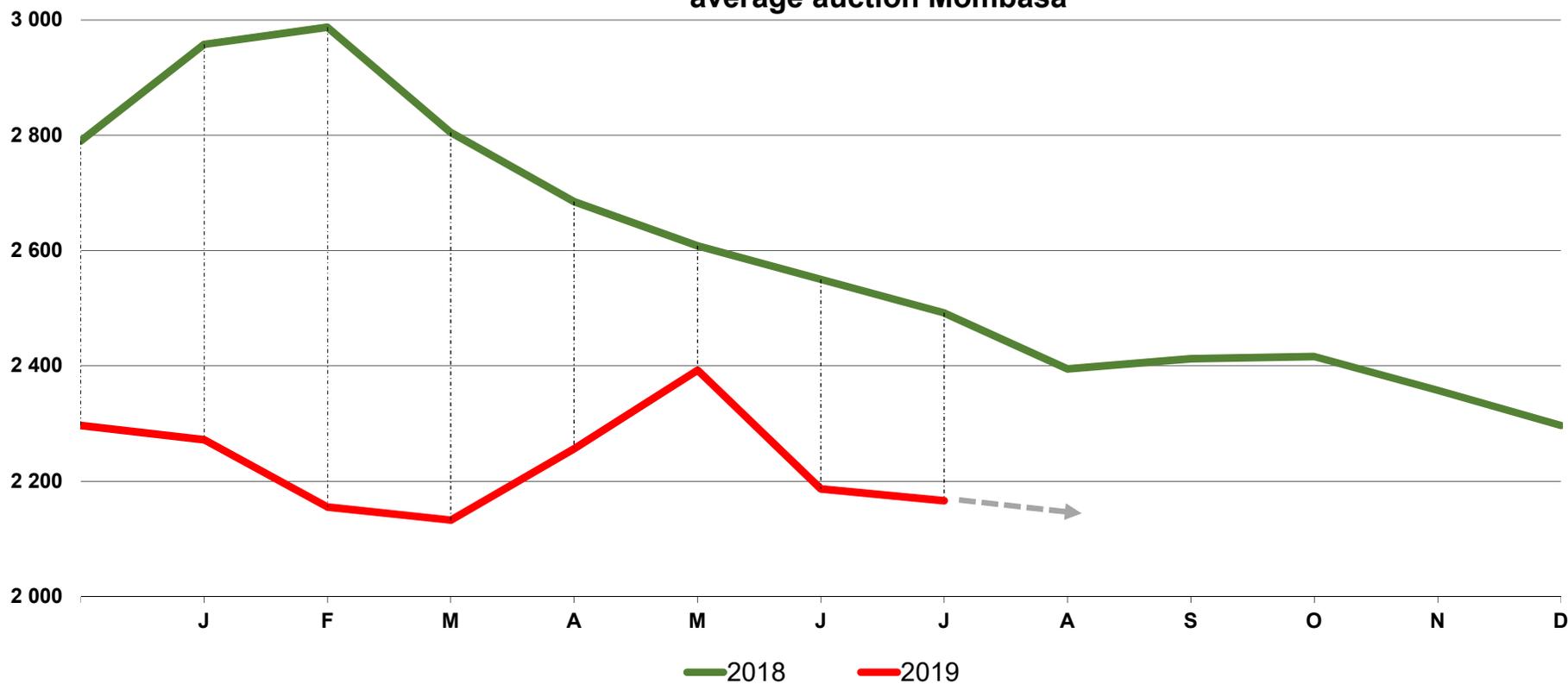


SIPEF group – Productions & prices
Tea prices CIF Rotterdam 2018-2019



Tea in \$/mt
average auction Mombasa

Source: Worldbank



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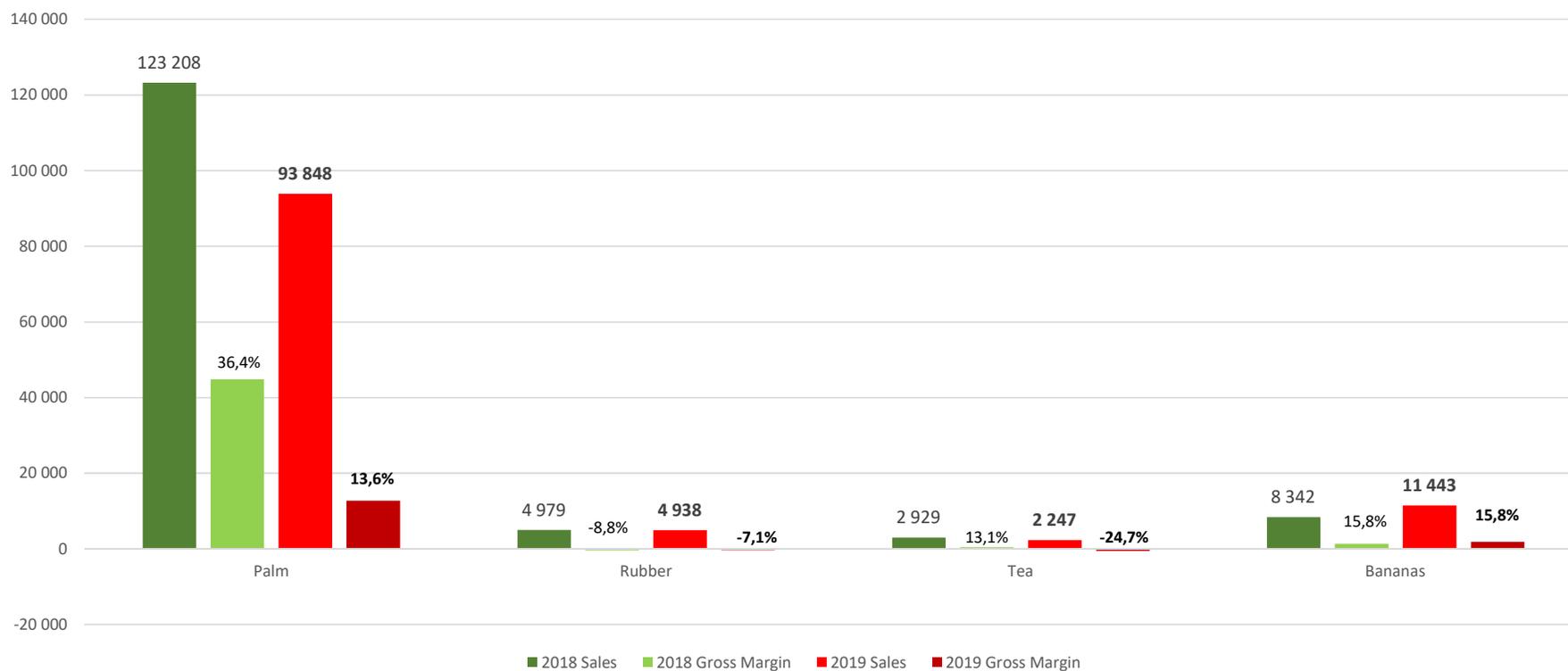
SIPEF group – Financial performance

Sales – consolidated gross margin



Total consolidated turnover (including corporate)

- June 2019: 113 158KUSD
- June 2018: 139 973 KUSD



SIPEF group – Financial performance

Gross profit – per product June 2019 (management presentation)



In KUSD	30/06/2019	%	30/06/2018	%
Palm	12 748	89,0%	44 819	96,2%
Rubber	- 352	-2,5%	- 440	-0,9%
Tea	- 554	-3,9%	383	0,8%
Bananas and plants	1 806	12,6%	1 319	2,8%
Corporate and others	682	4,8%	515	1,1%
Total	14 330	100,0%	46 597	100,0%

SIPEF group – Financial performance
Profit and loss statement (management presentation)



In KUSD	30/06/2019	30/06/2018
Gross profit	14 330	46 597
General and administrative expenses	-16 611	-16 306
Other operating income/(charges)	203	- 361
Operating result	-2 078	29 930
Financial income	893	1 089
Financial charges	-2 063	-1 497
Exchange differences	- 478	- 909
Profit before tax	-3 726	28 613
Tax expense	- 412	-9 479
Profit after tax	-4 138	19 134
Share of results of associated companies and joint ventures	- 883	- 511
Result from continuing operations	-5 020	18 623
Gain on sale BDM-ASCO	0	7 380
Profit for the period	-5 020	26 003
Result from continuing operations share of the group	-5 205	17 391
Gain on sale BDM-ASCO share of the group	0	7 380
Profit share of the group	-5 205	24 771

SIPEF group – Financial performance
Consolidated balance sheet (management presentation)



In KUSD (condensed)	June 2019	December 2018
Biological assets (depreciated costs) - bearer plants	291 762	283 712
Goodwill	104 782	104 782
Other fixed assets	366 335	364 481
Net assets held for sale	0	0
Receivables > 1 year	11 578	11 112
Net current assets, net of cash	82 658	91 932
Net cash position	-135 433	-121 443
Total net assets	721 682	734 576
Shareholders' equity, group share	632 481	644 509
Non controlling interest	34 443	34 250
Provisions and deferred tax liabilities	54 758	55 817
Total net liabilities	721 682	734 576

SIPEF group – Financial performance

Covenant update



SIPEF Group has one long-term loan of 35 mio USD per 30 June 2019:

- ✓ **Per 31/12/2018: one financial covenant to long term loan:**
 - net financial debt < 2 times REBITDA of the financial year

- ✓ **Per 30/06/2019**
 - waiver letter obtained for this covenant: net financial debt < 2.75 times REBITDA of the financial year
 - Group complies with covenant per 30 June 2019

- ✓ **New long-term loan**
 - Approved by BoD of 13 August 2019 and by banks
 - Increase loan capacity of KUSD 36 500 (partly conversion current ST loan to LT)
 - New loan covenant: net financial debt < 3.5 times REBITDA of the financial year
 - No other new guarantees

SIPEF group – Financial performance
Consolidated cash flow (management presentation)



In KUSD	30/06/2019	30/06/2018
Cash flow from operating activities	19 953	48 471
Change in net working capital	2 960	-21 304
Income taxes paid	-6 953	-11 154
Cash flow from operating activities after tax	15 960	16 013
Acquisitions intangible and tangible assets	-29 368	-29 194
Selling price of PP&E and financial assets (excl. BDM-ASCO)	4 794	1 309
Acquisition financial assets	- 100	- 99
Recurring free cash flow	-8 714	-11 971
Selling price BDM-ASCO	0	20 467
Other financing activities	3 621	-16 537
Net movement in investments, cash and cash equivalents	-5 093	-8 041

SIPEF group – Financial performance
Value per hectare



	EUR
Market price (30/06/2019)	42,10
Number of shares	10.579.328
Own shares	-143.300
	10.436.028
EUR/USD	1.1371

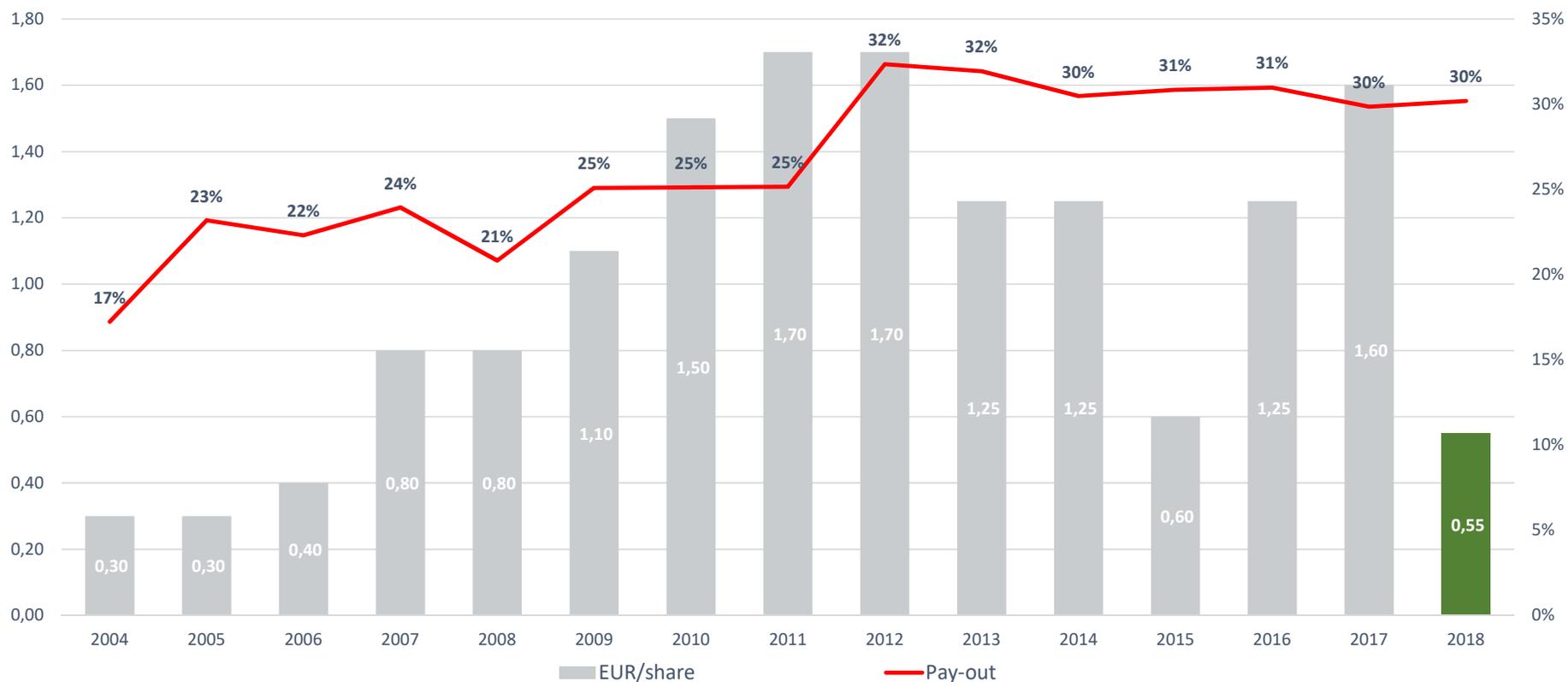
Sensitivity per 30/06/2019	
Stock price EUR @	USD per hectare
30.00	5.811
40.00	7.375
50.00	8.939
60.00	10.503
70.00	12.067
80.00	13.631
dd 09/08/2019	35.95
	6.742

SIPEF group – Financial performance

Dividend history



Dividend History Sipef



SIPEF group – Financial performance

Prospects



✓ Production

- Production outlook for Indonesia is positive (slightly higher as PY);
- Due to volcano eruptions and the heavy rainfall in PNG, it is assumed that palm oil shortfall will increase to 19%. However, no permanent damage to assets as a consequence of the eruption;
- Wintering of rubber trees may extend longer due to Fusicoccum fungus;
- Expectations for tea and banana production for second half of the year remain positive.

✓ Markets

- Palm oil is priced very competitively versus other vegoils as well as gas oil;
- Entering natural peak season for palm oil → to be seen how stocks will evolve in coming months;
- Lower production of natural rubber and expected reduction in global stocks has been neutralized by negative number coming from automobile industry
- Decreased tea demand from Pakistan
- Banana activities will be consistent with previous years

SIPEF group – Financial performance

Prospects



✓ Cash flow and expansion

- Investment policy remains to be fully focused on development of palm oil activities in South Sumatra;
- Steadily continuing on replanting of own palm plantation areas in Dendymarker;
- Group remains faithful to its intention to renew the old Dendymarker plantings and to develop Musi Rawas concessions;
- Depending on the generated cash flows, this replanting and enlargement programme may temporarily be suspended to avoid increasing debt ratio.

✓ Result

- 60% of expected production volumes have been sold at an average price of USD 569 CIF Rotterdam, premiums included. Little prospect of higher price levels in second half of the year. Production volumes gradually brought onto the market;
- Taking into account the evolution of palm oil sales, the expected higher production volumes in Indonesia and the impact of the volcano eruption, the results of the Group for the second semester could approximate those of the first semester.

Summary



1. SIPEF Group Company profile

2. Palm oil in the world

3. SIPEF group - Expansion

4. SIPEF Group – Productions & prices

5. SIPEF group – Financial performance

6. Peer review

Peer review

Disclaimer



The information contained in this section is provided for your general information only and is not designed nor intended to offer anything more than information only.

The information with respect to the companies included in the Peer Review was retrieved from publicly available information being annual reports and company websites on the one hand and from analyst reports we received on the other hand. In some cases we had to give our own interpretation to the available information in order to get comparable indicators.

As a consequence of using different sources combined with giving our own interpretation to the available information, the information may not always be correct and SIPEF does not accept any liability for loss and damage that may arise from relying upon this information.

Peer review

Principle assumptions

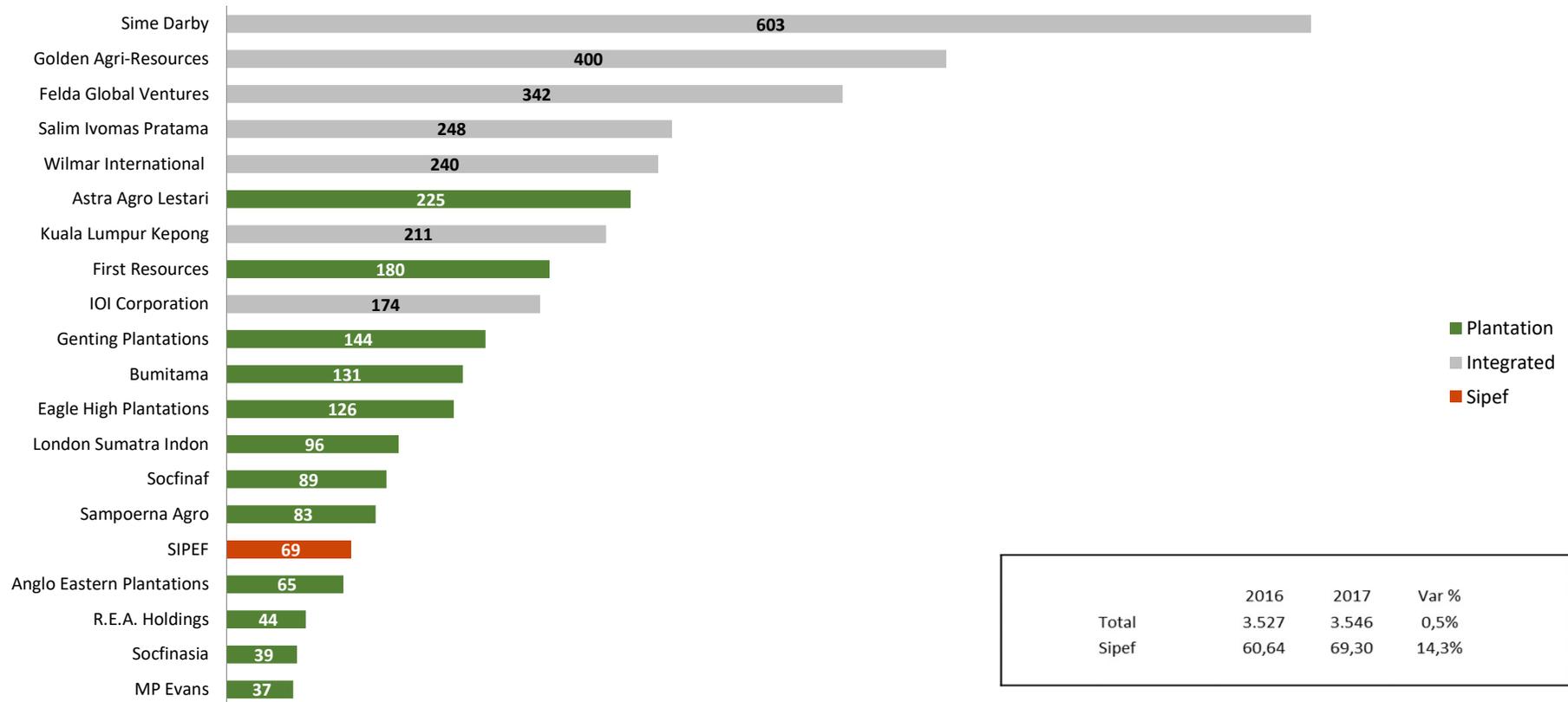
- Benchmark of main industrial competitors
- Age profile based on own ageing interpretation
- Market capitalization is calculated based on the average exchange rate & average share price of the year
- Benchmark based on own CPO productions of competitors:

	Tons
CPO own production benchmark (2017)	10.972.924
Worldwide production (Oilworld 2017)	66.860.000

- Representative sample of comparable industry competitors (2017): 32,3%
 - Industrial comparable companies (50%)

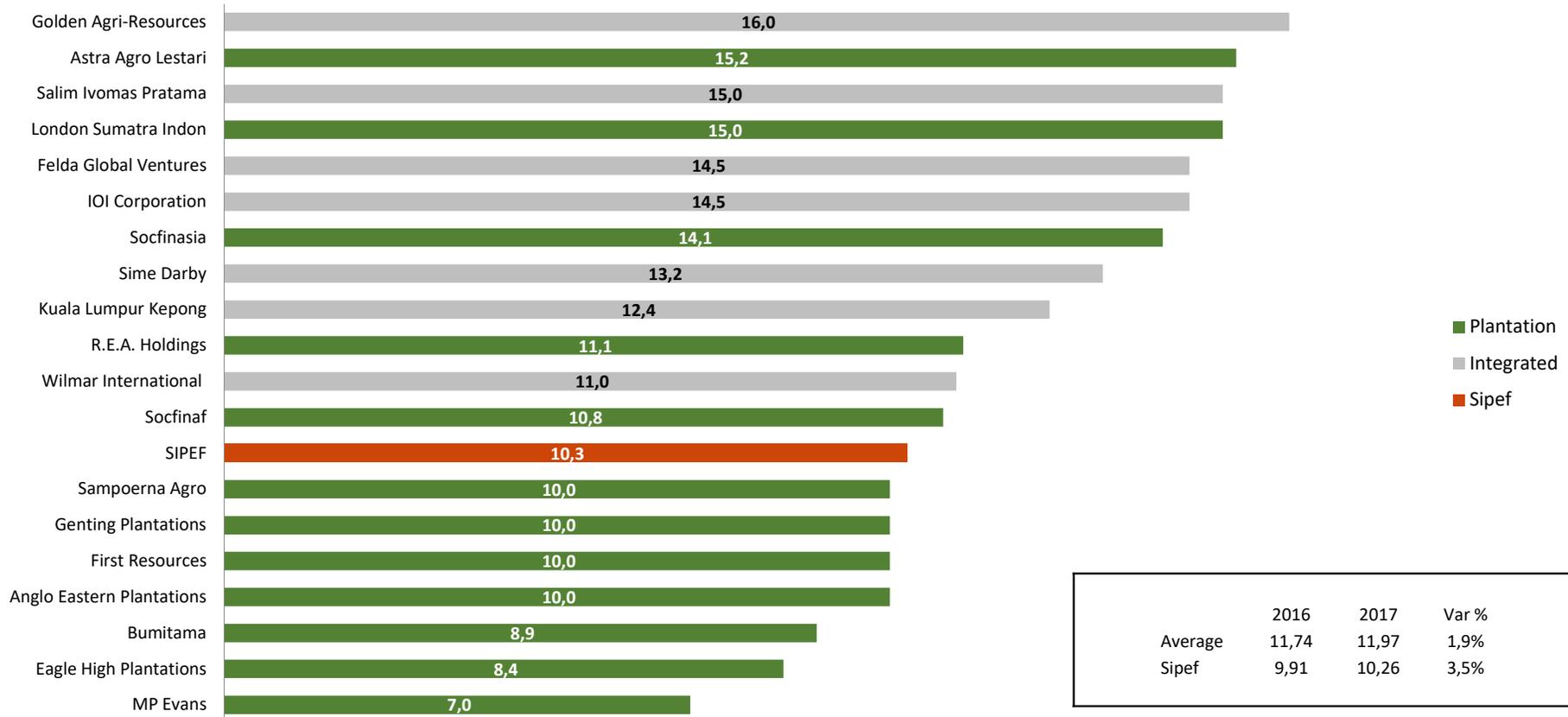
Peer review

Own planted Oil Palm Hectares in KHa (2017)



Peer review

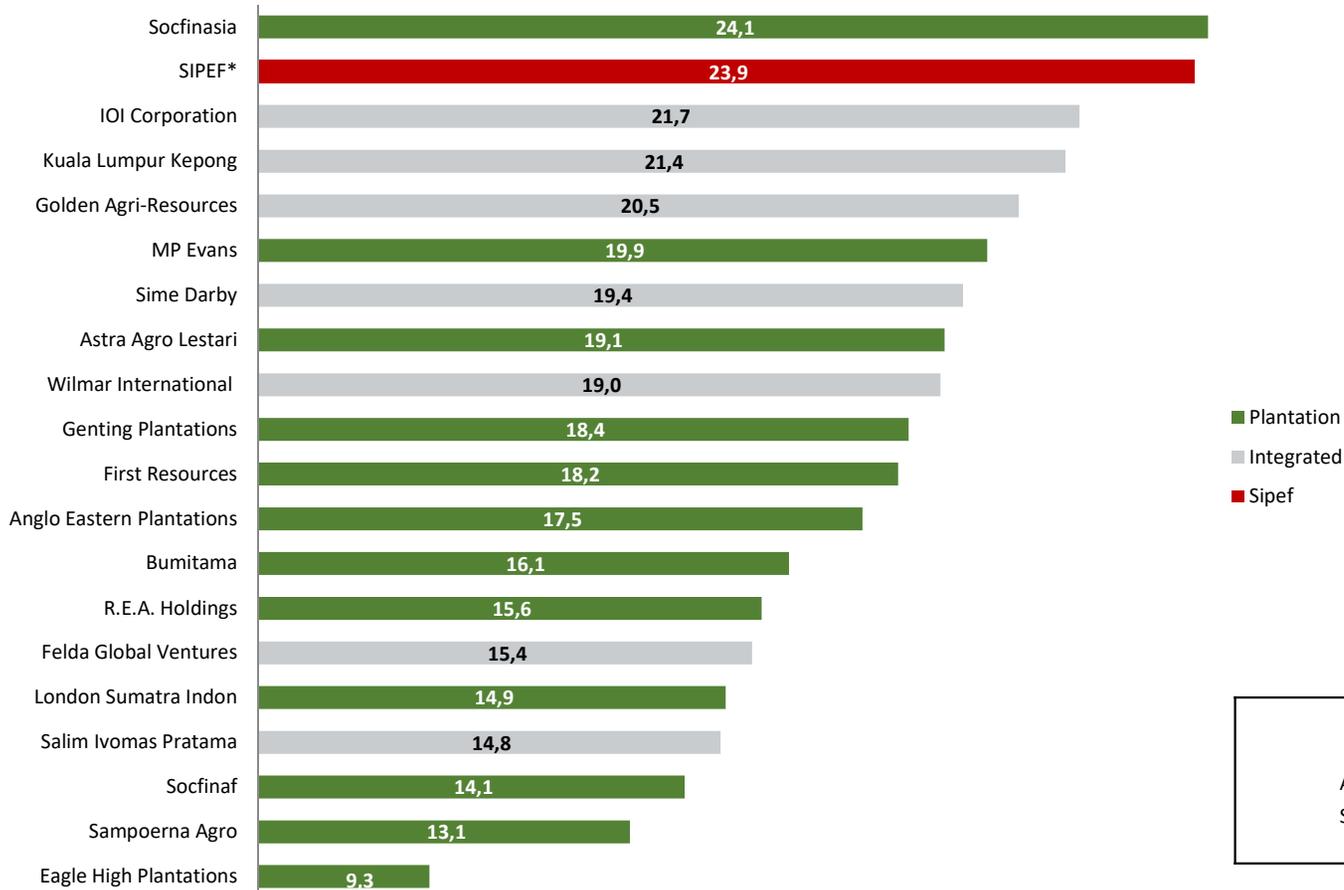
Age Profile: Average age planted hectares (2017)



	2016	2017	Var %
Average	11,74	11,97	1,9%
Sipef	9,91	10,26	3,5%

Peer review

FFB Yield – MT/ha (2017)

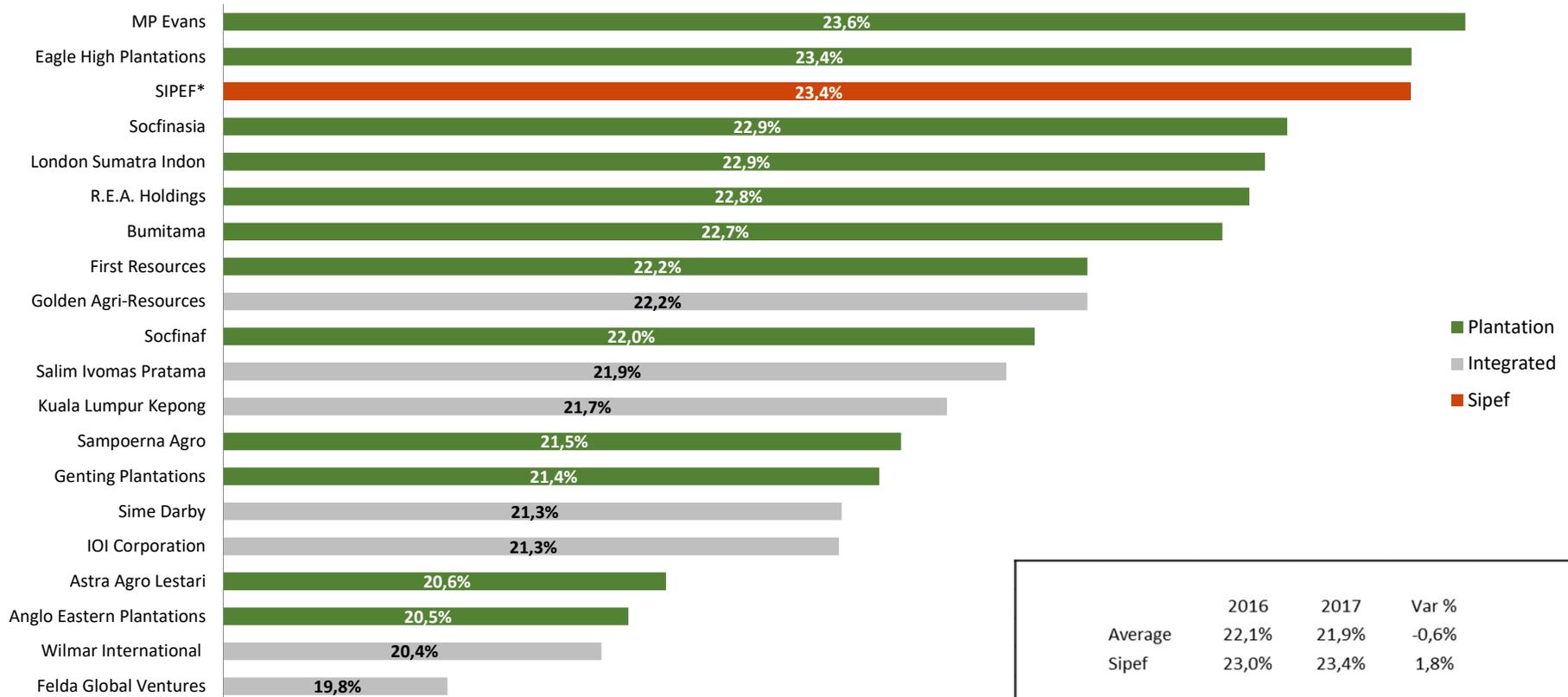


	2016	2017	Var %
Average	16,9	17,8	5,2%
Sipef	22,4	23,9	6,6%

* Sipef excluding PT Dendymarker acquired per 1 August 2017

Peer review

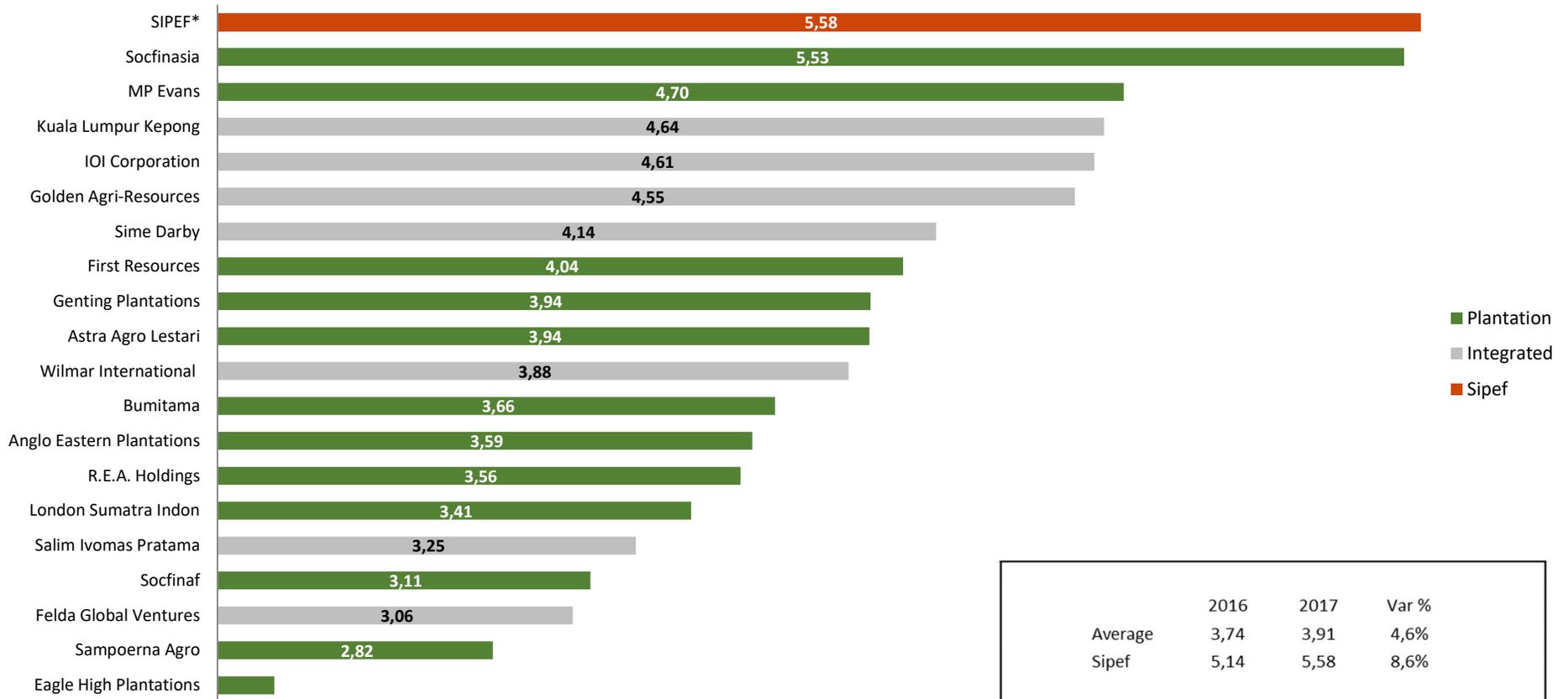
Extraction rate from FFB to CPO (2017)



* Sipef excluding PT Dendymarker acquired per 1 August 2017

Peer review

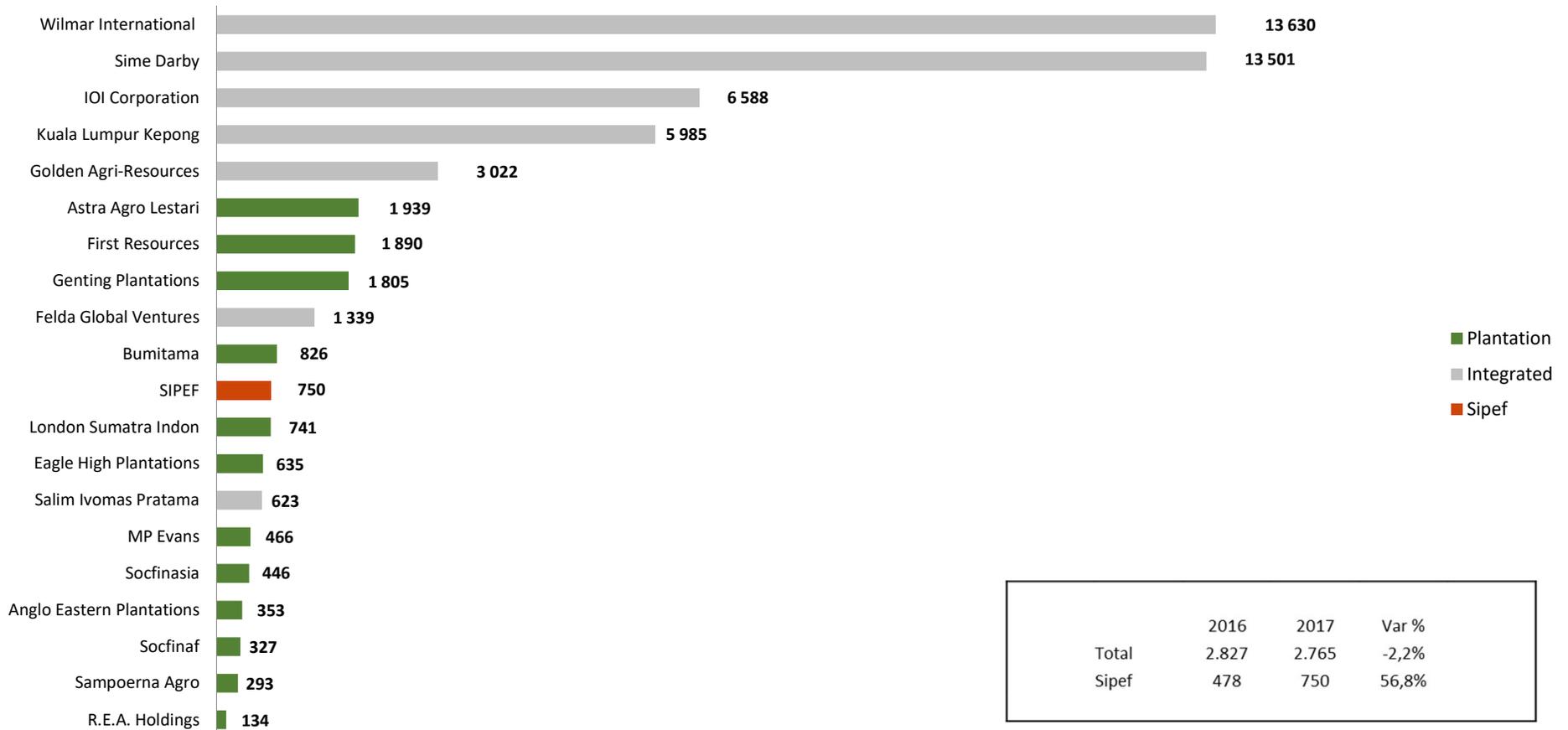
CPO Yield – MT/ha (2017)



* Sipef excluding PT Dendymarker acquired per 1 August 2017

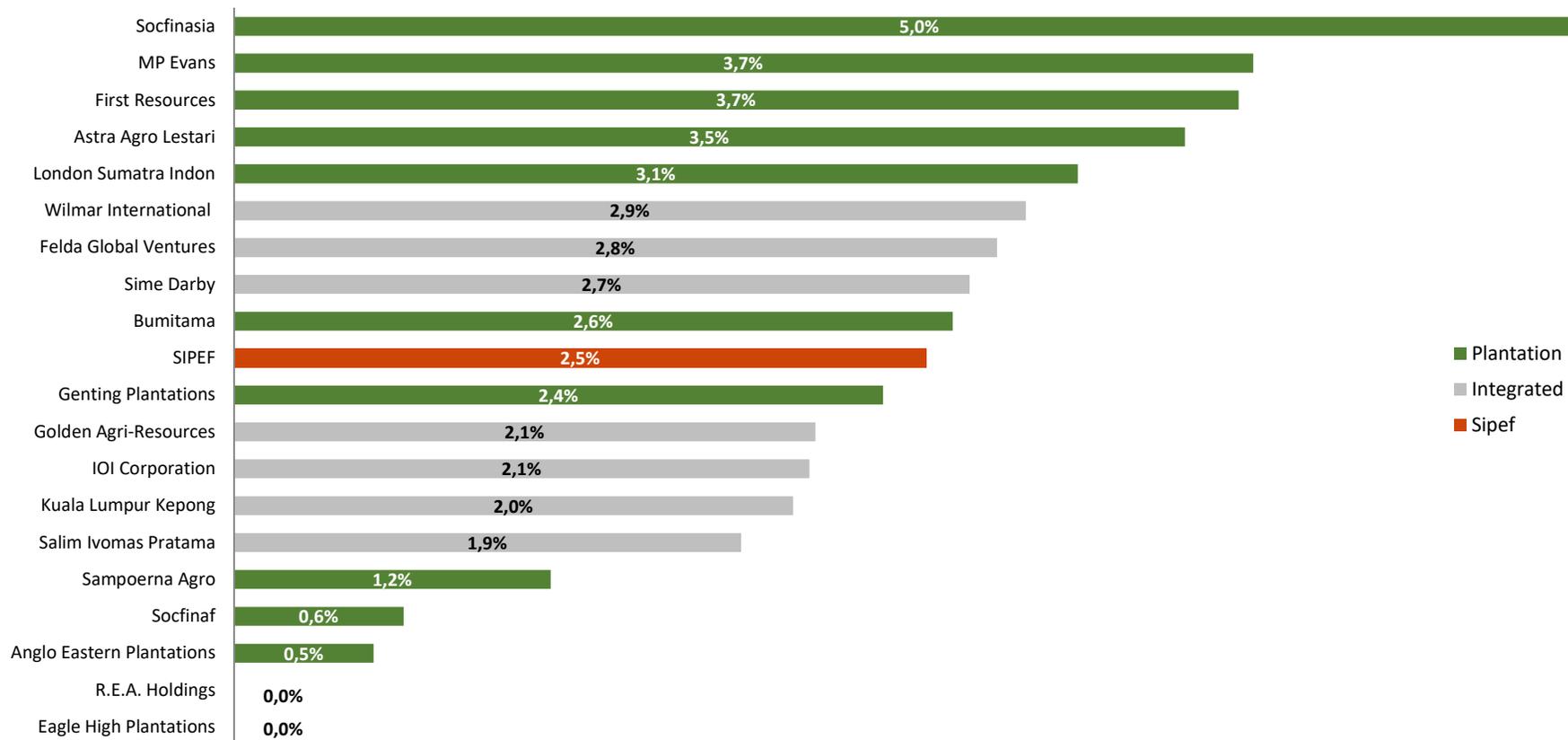


Peer review Market Cap in MUSD (2017)



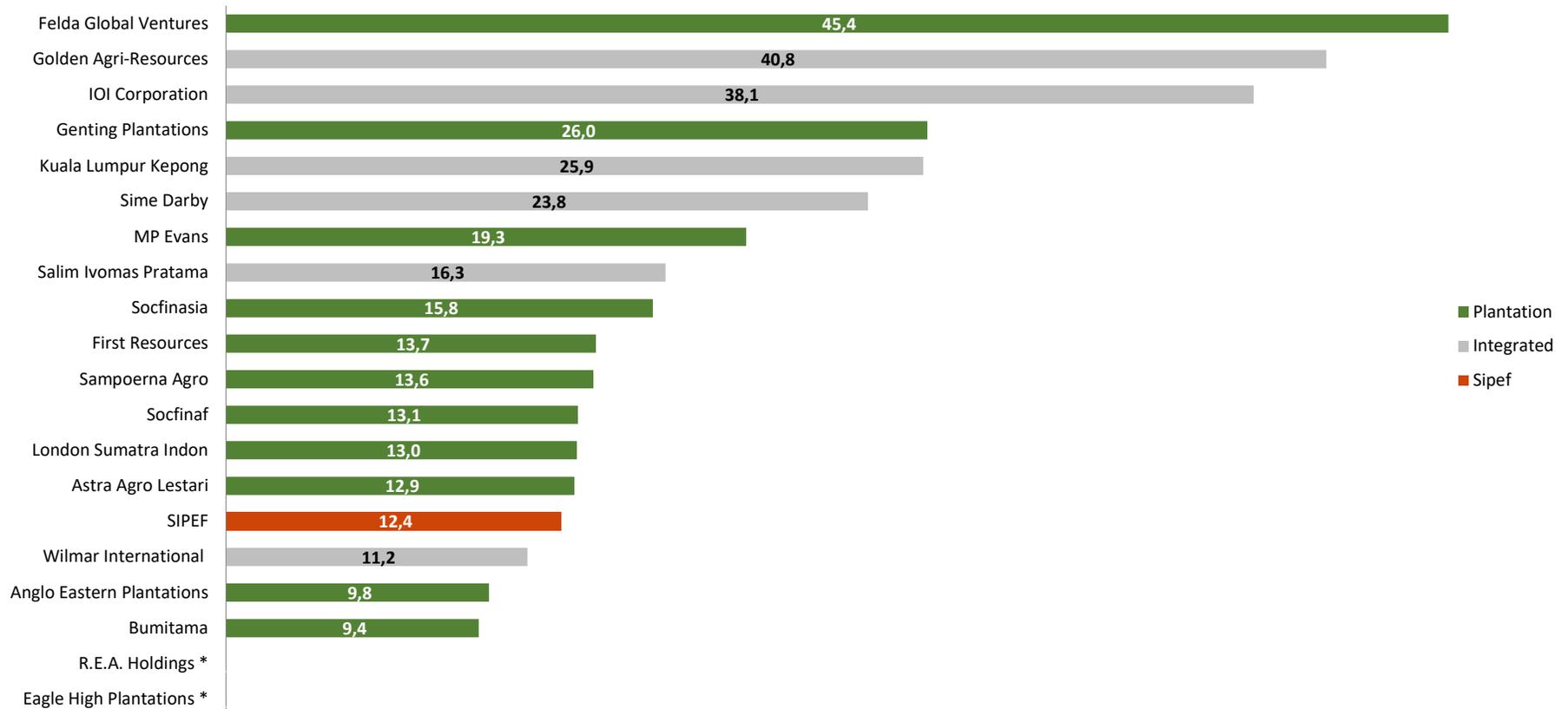
Peer review

Dividend Yields (based on average market cap 2017)



Peer review

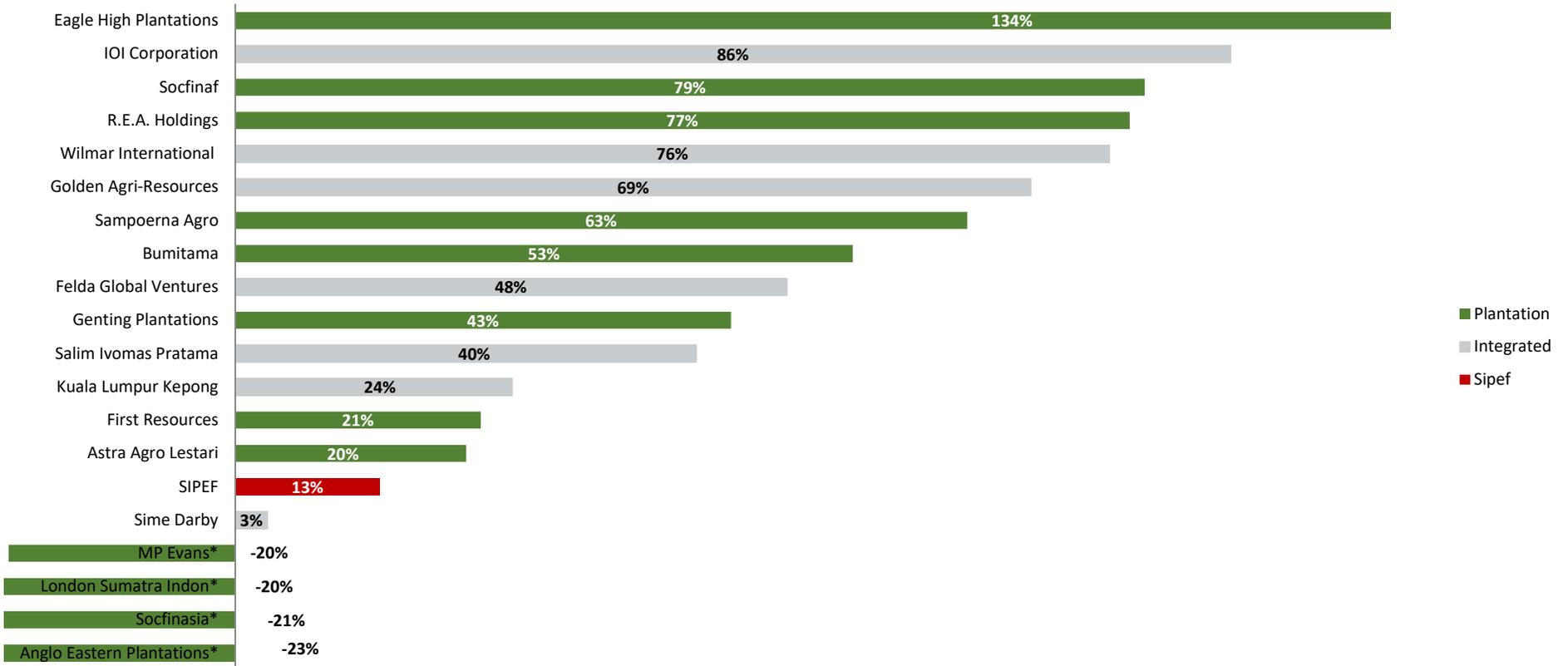
Price Earning Ratio (based on average market cap 2017)



* Not included as irrelevant (profit close to break-even or loss for the year)

Peer review

Net financial position/Equity Ratio (2017)



* Cash surplus at the end of the year



The Connection to the world of Sustainable Tropical Agriculture