PRESS RELEASE 2017

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Interim management report

of the SIPEF group as per 30 September 2017 (9m/17)

- *Total palm oil production in the first nine months increased 16.5%. In fact, the increase in the third quarter was 17.6%.*
- *Market prices for palm oil rose from USD 625/tonne at the end of June to USD 695/tonne CIF Rotterdam at the end of September.*
- *The recurring result for the whole of 2017 will be considerably better than last year.*
- *The positive free cash flow enables us to continue our steady but successful expansion of plantation activities in South Sumatra, Indonesia.*

1. Interim management report

1.1. Group production

	Third Quarter				Year To Date			
2017 (In tonnes)	**Own**	**Third parties**	**Q3/17**	**YoY %**	**Own**	**Third parties**	**Q3/17**	**YoY %**
Palm oil	71 132	12 965	84 097	17.61%	200 292	45 346	245 638	16.46%
Rubber	1 697	0	1 697	0.95%	6 121	0	6 121	-13.67%
Tea	578	0	578	-23.34%	1 747	0	1 747	-22.73%
Bananas	7 303	0	7 303	11.79%	22 115	0	22 115	18.14%
2016 (In tonnes)	**Own**	**Third parties**	**Q3/16**		**Own**	**Third parties**	**Q3/16**	
Palm oil	63 092	8 412	71 504		175 516	35 406	210 922	
Rubber	1 681	0	1 681		6 915	175	7 090	
Tea	754	0	754		2 261	0	2 261	
Bananas	6 533	0	6 533		18 719	0	18 719	

The *SIPEF* group continued the trend of generally increasing palm oil production in the third quarter. Compared to the lower volumes of 2016, which were impacted by the El Niño effect, the growth percentage even rose to 17.6% for the third quarter and the combined production figures for the first nine months of the year were 16.5% higher than in the same period in 2016.

In Papua New Guinea the agricultural conditions remained very favourable and growth figures of more than 50% compared to the third quarter of the previous year were recorded in young plantations in particular. A precipitation level spread well over time this year stimulated fruit production, made harvesting easier and led to average palm oil extraction percentages of more than 24.6%, which resulted in a general rise in production of 33.9% for our own plantations and 30.3% among neighbouring farmers.

In spite of the relatively high precipitation in the third quarter, the more mature plantations in North Sumatra remained 7.2% above the Q3 2016 volumes, while the lower UMW/TUM plantations had more difficulty with harvesting and their growth fell slightly to 4.6%. The annual volumes were well above those of the first nine months of 2016, with growth of 15.3% and 7.1%, respectively. Due to intensive replanting programmes, as expected the Agro Muko plantations in the province of Bengkulu remained at comparable volumes to those of last year, a trend that will continue over the coming years.

Rubber production at our Indonesian plantations was in line with what they were last year. In Timbang Deli in North Sumatra the partial conversion of rubber areas to a trial area for the development of high-grade palm seeds had a negative impact on the processed latex volumes. On the other hand, we saw rising yields in the young rubber plantations in Agro Muko.

The tea plantations in Java, Indonesia, continued to struggle with lower production in the third quarter. The number of sunshine hours was around 25% down on the average for the past ten years, which has had an impact on the tea bush leaf growth. Production was accordingly 22.7% lower than for the same period last year.

The development of the new banana plantations in Ivory Coast steadily continued and the Motobé plantation also recovered its normal production rhythm after a poor 2016, with production in Plantations Eglin up 18.1% at the end of September compared to the first nine months of last year.

1.2. Markets

		Average market prices		
		YTD Q3/17	YTD Q3/16	YTD Q4/16
in USD/tonne*				
Palm oil	CIF Rotterdam	719	683	700
Rubber	RSS3 FOB Singapore	2 121	1 501	1 605
Tea	Mombasa	2 804	2 255	2 298
Bananas	FOT Europe	892	919	905

** World Commodity Price Data*

During the third quarter, the palm oil market started to demonstrate a few features:
1) production was not as strong as many had expected, as yields remained subdued;
2) demand was much better than expected, as depleted pipelines needed to be re-stocked, and
3) palm oil is very competitively priced versus other vegetable oils.

Even though the stocks are set to grow during the second semester, this will not be burdensome. The biodiesel market experienced some changes with Argentinian soybean methyl ester being penalised by taxes into the US, whereas in Europe the opposite happened with penalising levies being slashed. The market is still digesting what impacts this will have on palm oil as a feedstock for biofuel in Europe, but certainly, Argentinian supply will have the upper hand. In the middle of September the palm oil market peaked and inverses were back for a few weeks, indicating the expected tightness of the market. The palm oil market traded from USD 625/tonne at the beginning of the quarter to USD 695/tonne CIF Rotterdam by the end of September.

Palm kernel oil (PKO) showed again that the impact in production is felt more strongly in lauric oils, and the PKO price increased rapidly. Although its “partner in laurics”, coconut oil, lost a good deal of its premium with improved production, PKO showed a lot of volatility. The price of PKO traded from USD 930/tonne at the beginning of July to USD 1 250/tonne CIF Rotterdam at the end of September.

The rubber market experienced a volatile quarter, despite a steady performance during most of the quarter on the back of good demand, which was supported by stronger petroleum prices. However, this move was followed by strong Chinese speculation in early September and prices rallying on the futures exchanges, but the physical interest disappeared and the market fell back to the lower range of the price band. Prices for SICOM RSS3 rallied from USD 1 735/tonne to above USD 2 000/tonne for a short while in early September, but closed the month at USD 1 715/tonne.

Tea auction prices in Mombasa were firm during July ahead of the Kenyan elections, as major packers continued to build stock. After the elections in early August, tea prices in the Mombasa auction retreated slightly, as buyers were well covered. With the announcement of re-elections in Kenya (planned on 26th October) tea prices appreciated again and peaked at the end of September.

1.3. Prospects

Production.

At the beginning of the fourth quarter we note slightly lower production compared to the strong volumes in the same quarter last year. In North Sumatra iand Bengkulu, and in Papua New Guinea, we expect the very high peak production of the fourth quarter of 2016 not to be fully matched, but we do note more than 10% growth for the group's total palm oil production.

Barring unforeseen developments, the high yield per hectare of the rubber plantations in Agro Muko, Bengkulu are expected to result in a slight rise in the annual volume of our rubber production in Indonesia. In the fourth quarter, the increased number of sun hours should enable us to recover some of the production losses in tea, and the banana volumes will continue to rise in the fourth quarter due to a higher export quality.

Markets.

It seems that palm oil production has already peaked in the third quarter this year, and with continued good demand we should not expect any significant stocks build. This demand has been good because palm oil is competitively priced and stocks throughout the entire supply chain still need to be replenished. The US soybean crop is excellent again; however, that is already priced in. All eyes are now on the planting in South America, where conditions are far from ideal, with Argentina too wet and most parts of Brazil too dry. Looking at the first semester 2018, palm oil still has to deal with a tight stocks environment and, based on its current competitiveness, there is no reason for palm oil to lose value. The trump card either way will be in the biodiesel mandates, where current changes in EU and US duties are playing out, as well as potentially increased volumes in Indonesia, Malaysia and China. The current stronger petroleum market will certainly help toward an increased mandate. Therefore, we are positive that prices will remain steady for the remainder of the year and for the first semester of 2018, as palm oil is already competitively priced versus its competing oils.

The rubber market is back within its price range; moreover, it is currently at the bottom of that range. The recent years have indicated that the producers will hold off from these levels and it is likely that the market will gain a little more strength. However, we cannot be very positive that we will see any consistently strong price rallies, and expect the market to trade in this narrow range.

Kenyan tea production is entering its peak period and, with major packers well-stocked, prices are expected to stabilise around the current levels. However, if the re-elections in Kenya cause disruptions in the supply, prices should gain upward momentum.

Results.

Capitalising on the improving market of the past few months, we have now sold 95% of the expected production volumes at an average price of USD 755/tonne CIF Rotterdam, including premiums, which is 5.3% higher than the average price achieved around the same period last year.

Based on the much-improved prices in the first quarter of this year, the average of the sales of natural rubber was USD 2 032/tonne FOB, which is 40.3% higher than the average prices of the sales up to the same period last year. Given that almost all of the expected production has now been sold, we expect no further changes in terms of the contribution already made by this sector.

As a consequence of this year's considerably lower tea production volumes, the revenue for this activity is also almost fixed at an average selling price of USD 2 600/tonne FOB, which is identical to what was achieved last year.

Due to the relatively steady exchange rates of our main local currencies (IDR and PGK) against USD and partly because of relatively stable diesel and fertiliser prices, we expect a unit cost price maintained at the current favourable levels. There are also no indications that the applicable system of export levies on Indonesian palm oil will be changed in the short term.

With these indicators in mind, in the second half of the year we do not expect to match the results achieved in the first half, although we will post significantly better recurring results than in the financial year 2016.

Cash flow and expansion.

The investment policy of the *SIPEF* group remains focused on the normal replanting of the mature plantations and the expansion of the palm oil activities in Sumatra in Indonesia. In Papua New Guinea the area planted earlier will be developed further to maximise the profitability of the three factories. The limited expansion of the banana areas in Ivory Coast was completed this year with the planting of an additional 60 hectares.

The acquisition of 95% of the PT Dendymarker Indah Lestari (DIL) palm oil plantation has now been completed and the management was transferred to *SIPEF* group on 1 August. The priorities are optimising the currently loss-making plantation activities, rehabilitating the palm oil mill and gradually replanting the approximately 20-year-old trees, so that we are able to secure a return on the expansion of our activities in Musi Rawas as soon as possible. We expect to be able to start replanting in the final quarter of this year.

The expansion of the three concessions in Musi Rawas also remains successful. Over the past nine months, an additional 1 336 hectares were compensated and an additional 2 260 hectares prepared for planting or planted, bringing the total to 8 357 cultivated hectares, which is 65.9% of the total of 12 690 compensated hectares. There are now more than 1 000 hectares in production and for the time being the harvested fruits are being sold locally. As well as the expansion of the planted areas, the investment focus is oriented to the development of the local roads and the residential centres for the workers and local management.

Following the acquisition of an additional stake in PT Agro Muko and, more recently, the acquisition of DIL, both partially funded by a successful capital increase in May, the net financial debt increased significantly. This debt, a significant part of which will be converted to a structural financial debt in October 2017, is gradually being phased out by a positive operational cash flow.

Translation: this press release is available in Dutch, French and English. The Dutch version is the original; the other language versions are free translations. We have made every reasonable effort to avoid any discrepancies between the different language versions. However, should such discrepancies exist, the Dutch version will take precedence.

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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.