



Financial Statements December 2014

The Connection to the world of
Sustainable Tropical Agriculture



Drivers behind agriculture

Palm oil in the global picture

SIPEF group – company profile

SIPEF group – financial statements

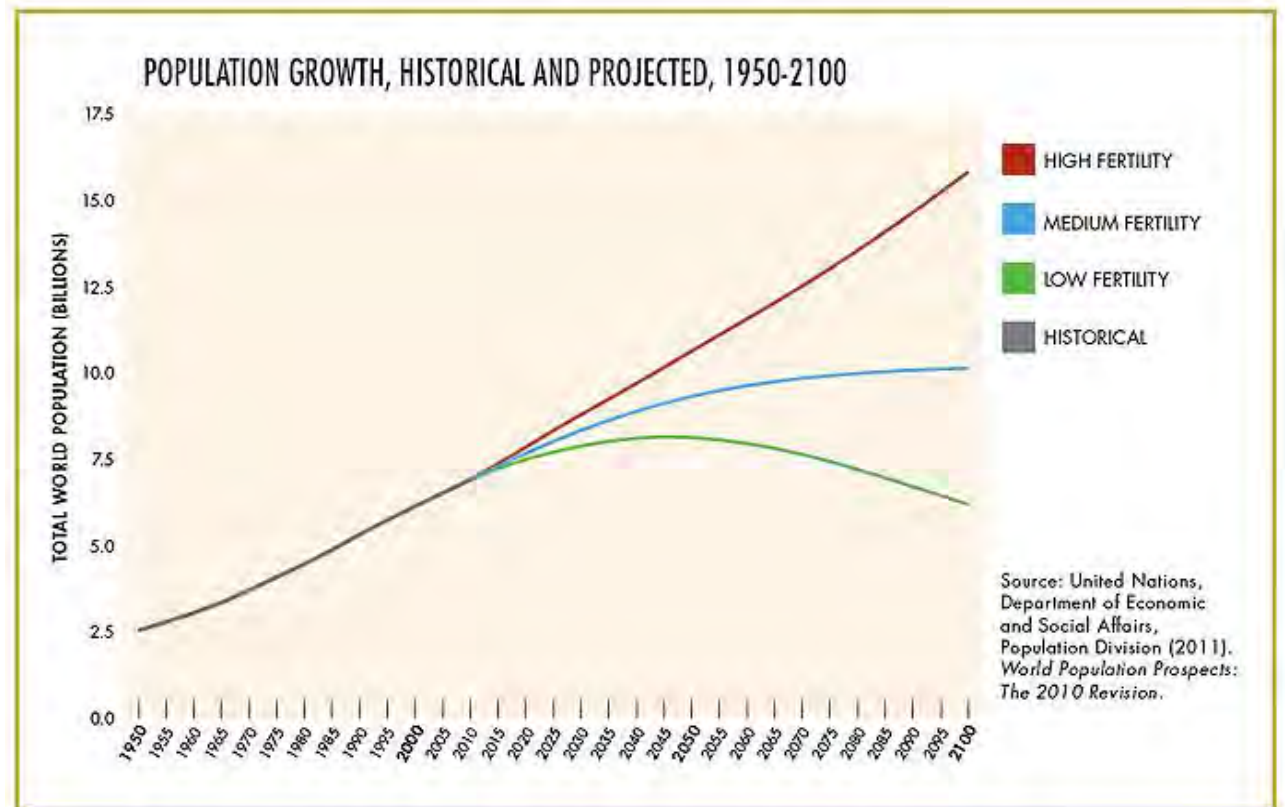
Drivers behind agriculture

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



Drivers behind agriculture

Meat consumption

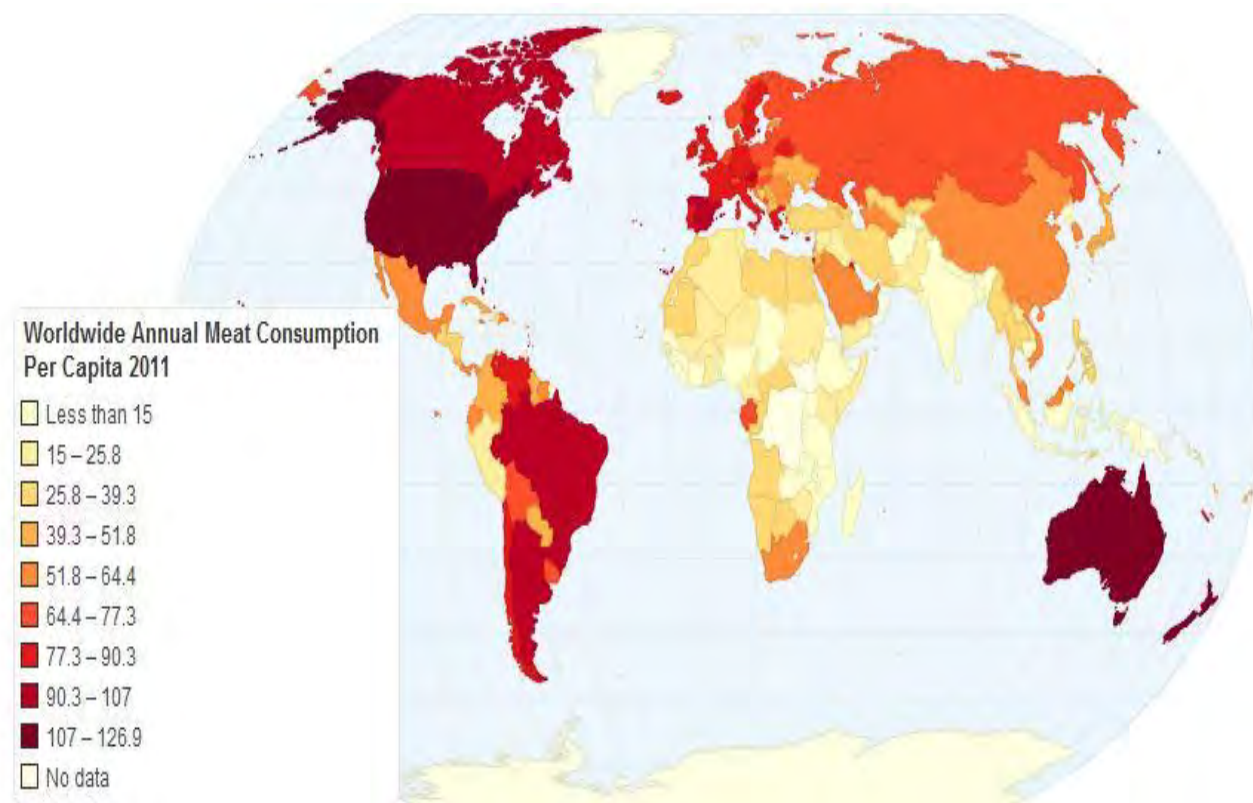


Meat consumption per capita is increasing worldwide due to the disposable income growth in developing countries.

Kg of grains used to produce 1kg of:

Beef	7kg
Pork	4kg
Poultry	2kg

Any change in meat consumption patterns will have a major effect on the demand for meal, grain and corn.



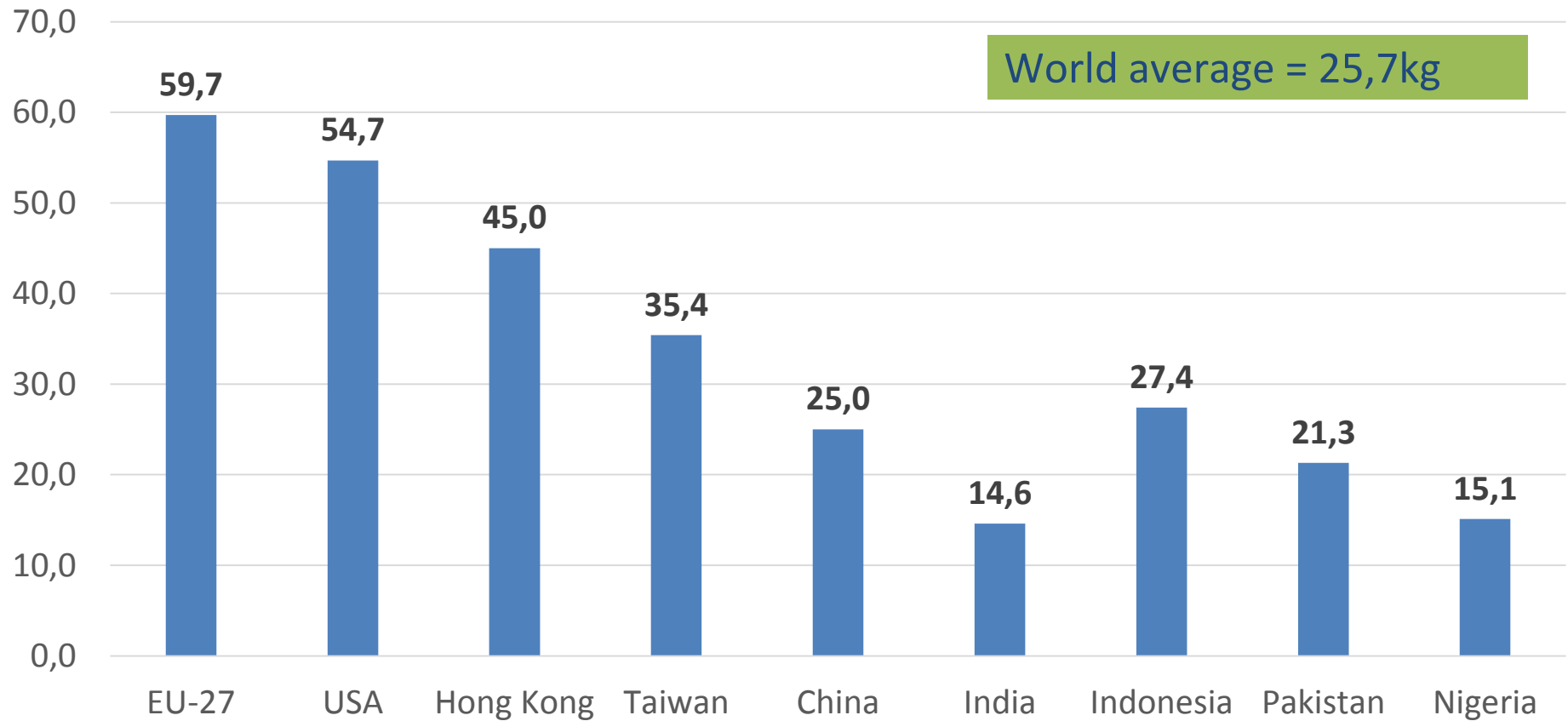
Source: Food and agriculture organization of the UN

Drivers behind agriculture

Oil and fat consumption



Oil and fat per capita consumption (in Kg)



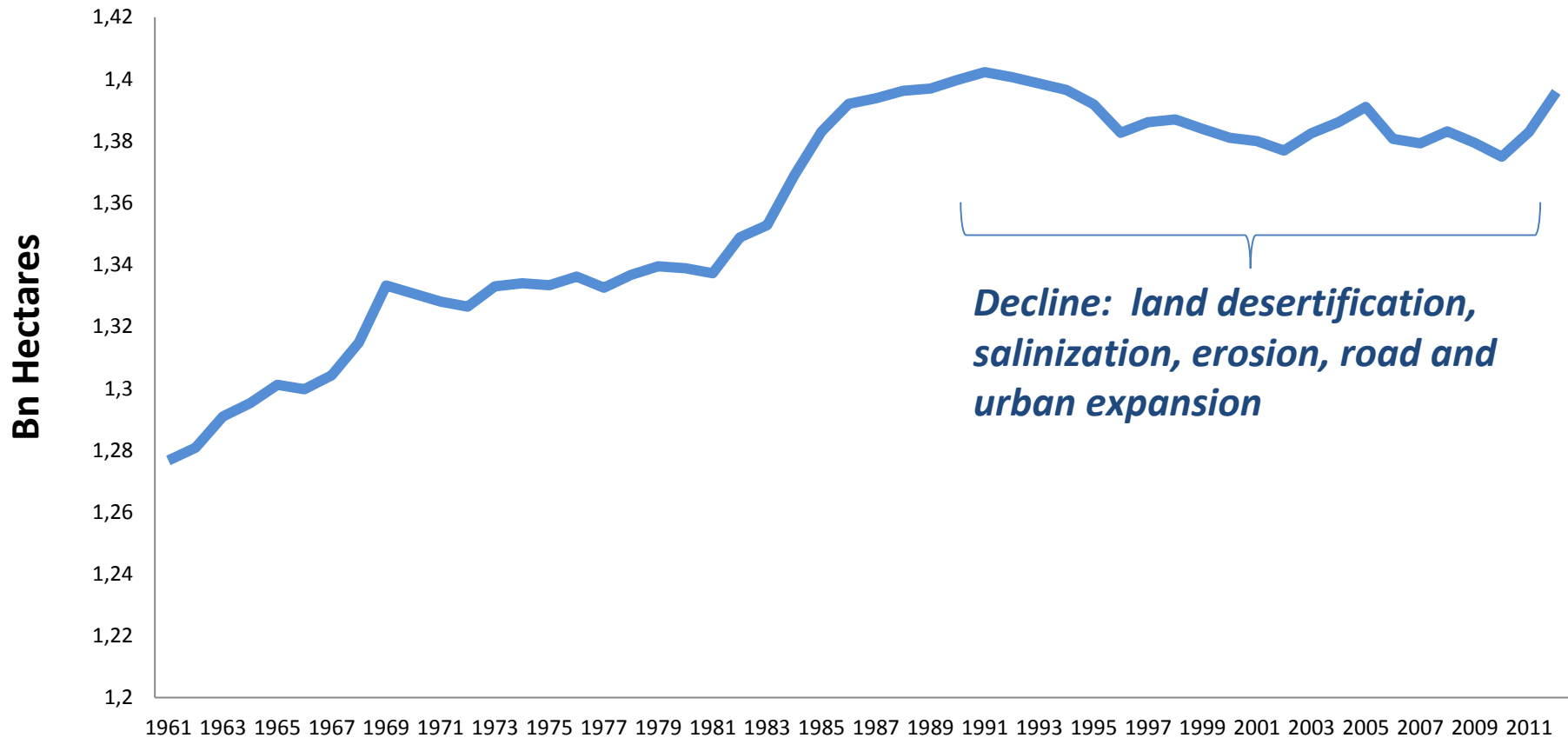
Source: Oil World 2012; Foreign affairs 2011

Drivers behind agriculture

Land input



Available land

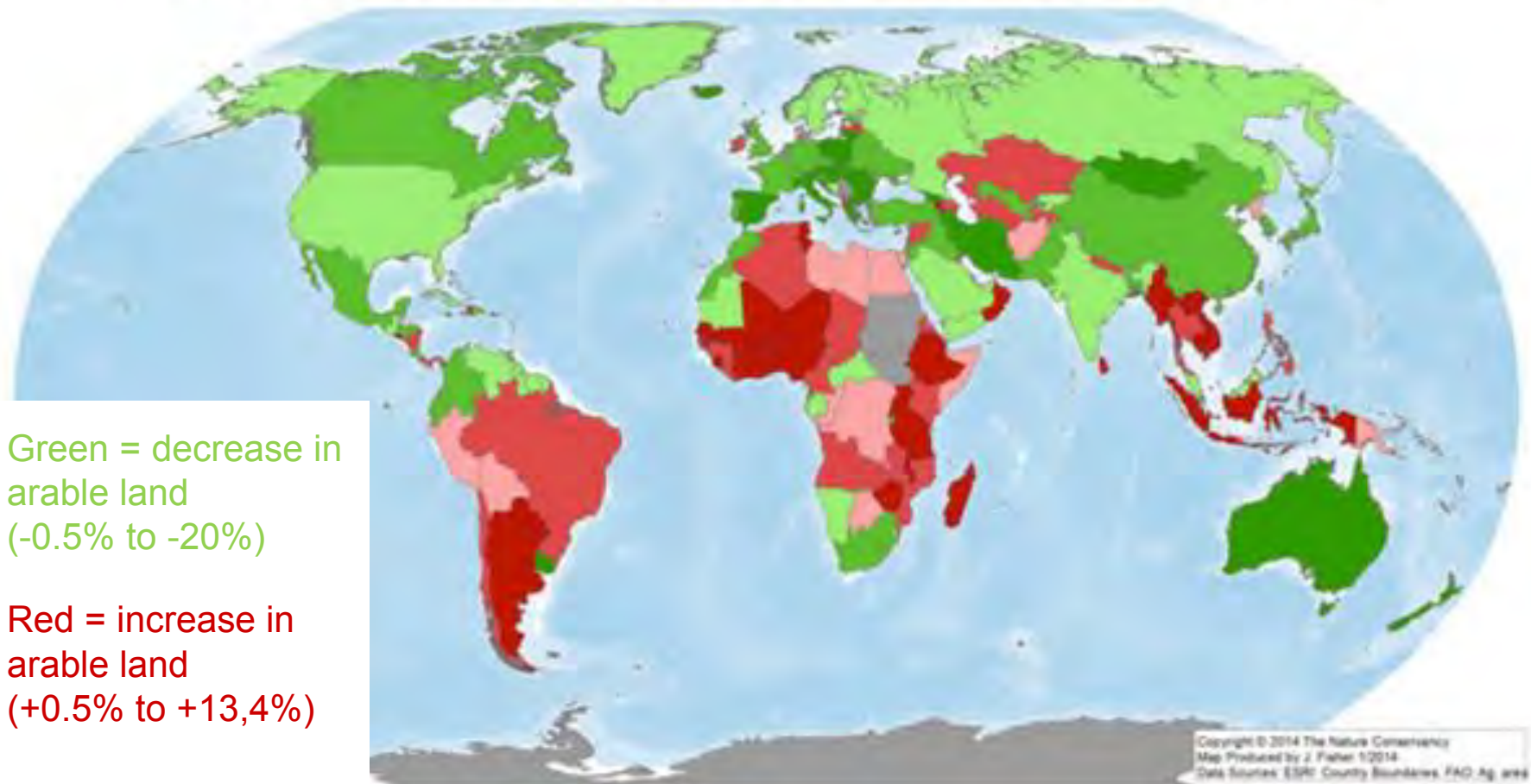


Drivers behind agriculture

Land input



Change in Agricultural Area 1998-2011 by Country

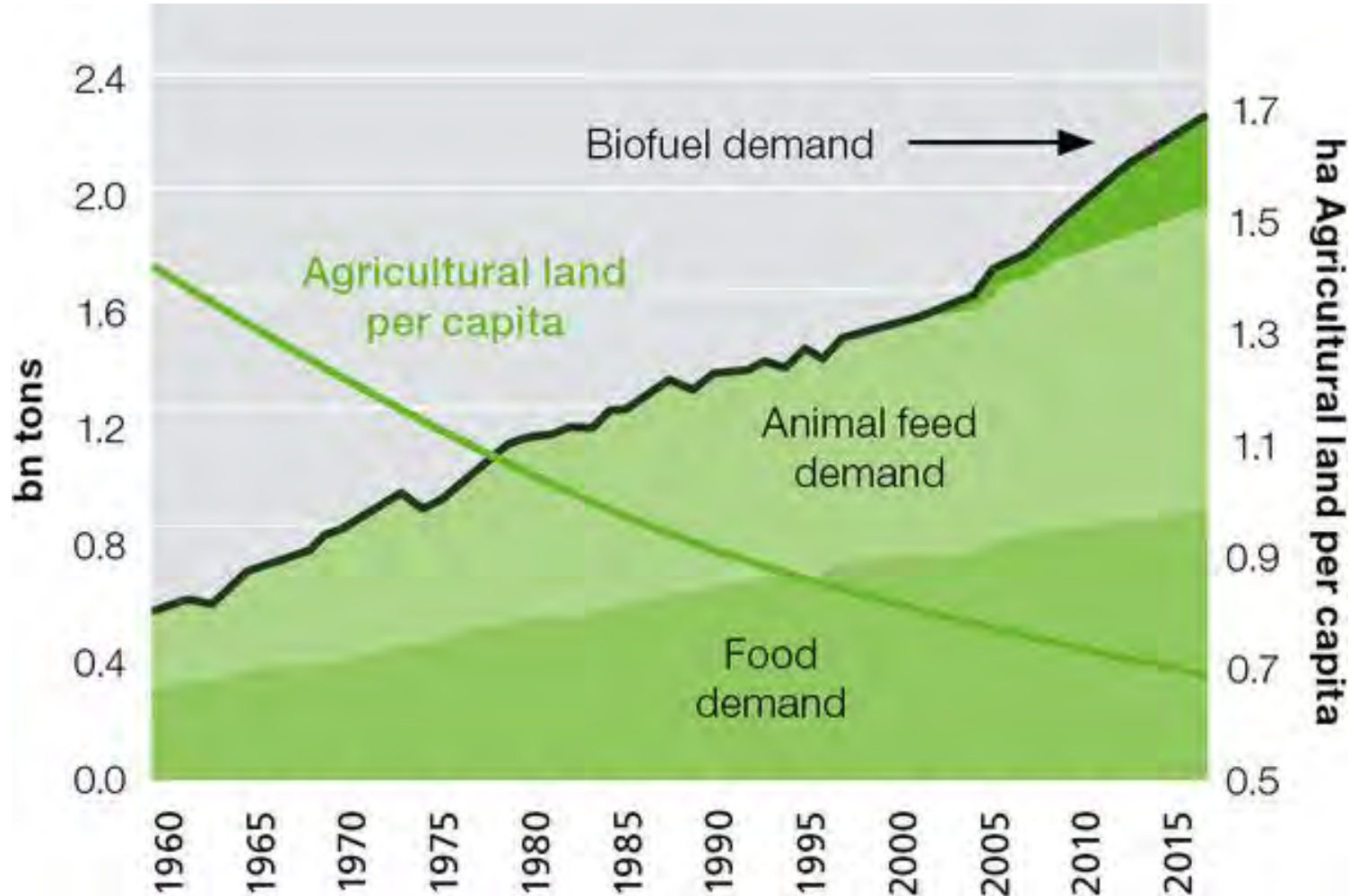


Drivers behind agriculture

Land input



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

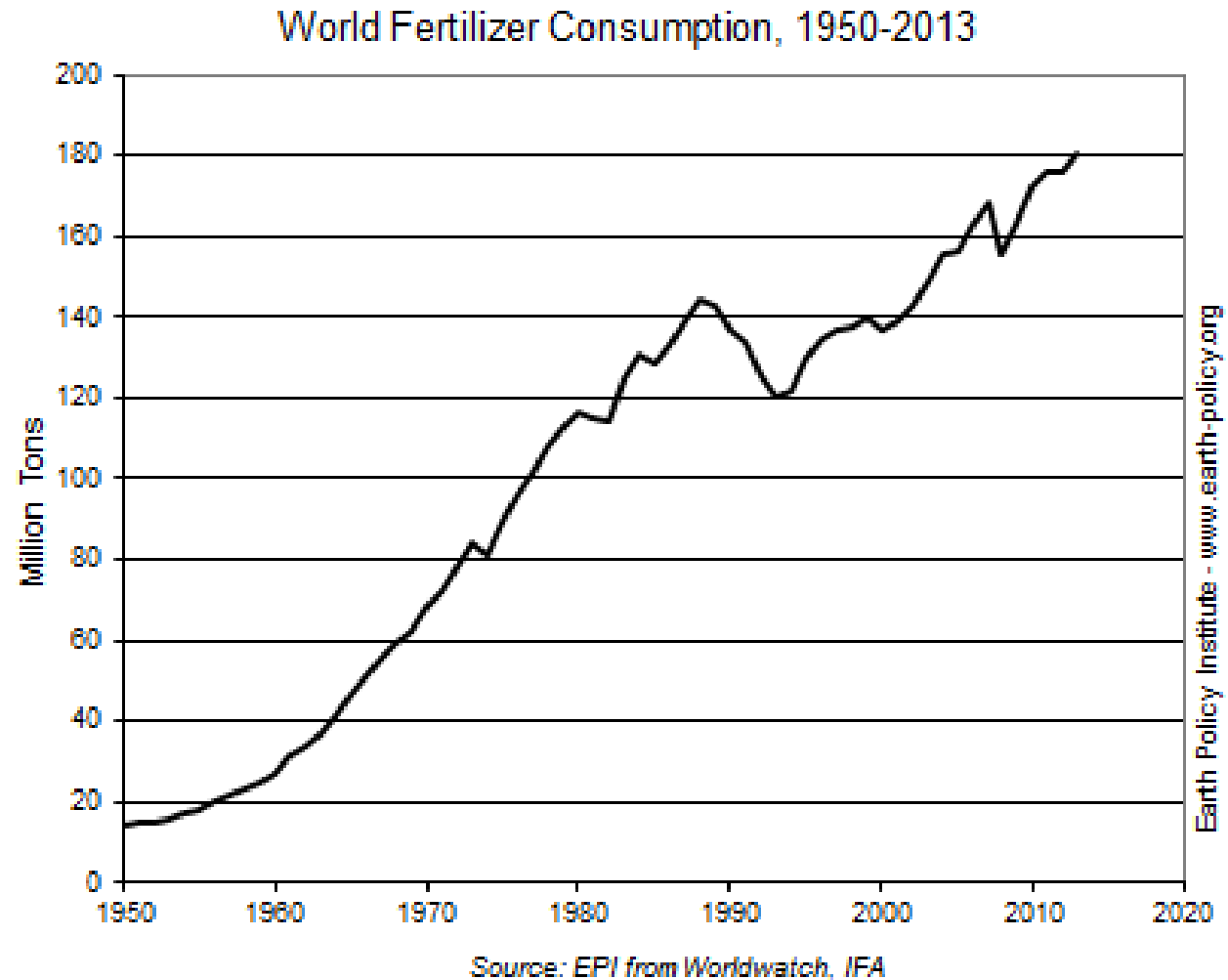


Drivers behind agriculture

Fertilizer input



- Fertilization is necessary
- All nutrients that are taken out of the soil as food/harvest, has to be resupplied as fertilizer
- Fertilizer is also in limited reserves:
 - Nitrogen can be made but has very high production costs
 - Phosphates has very limited reserves and is only possible by mining;
 - Potash (Kalium) has limited reserves and is only possible by mining



Drivers behind agriculture

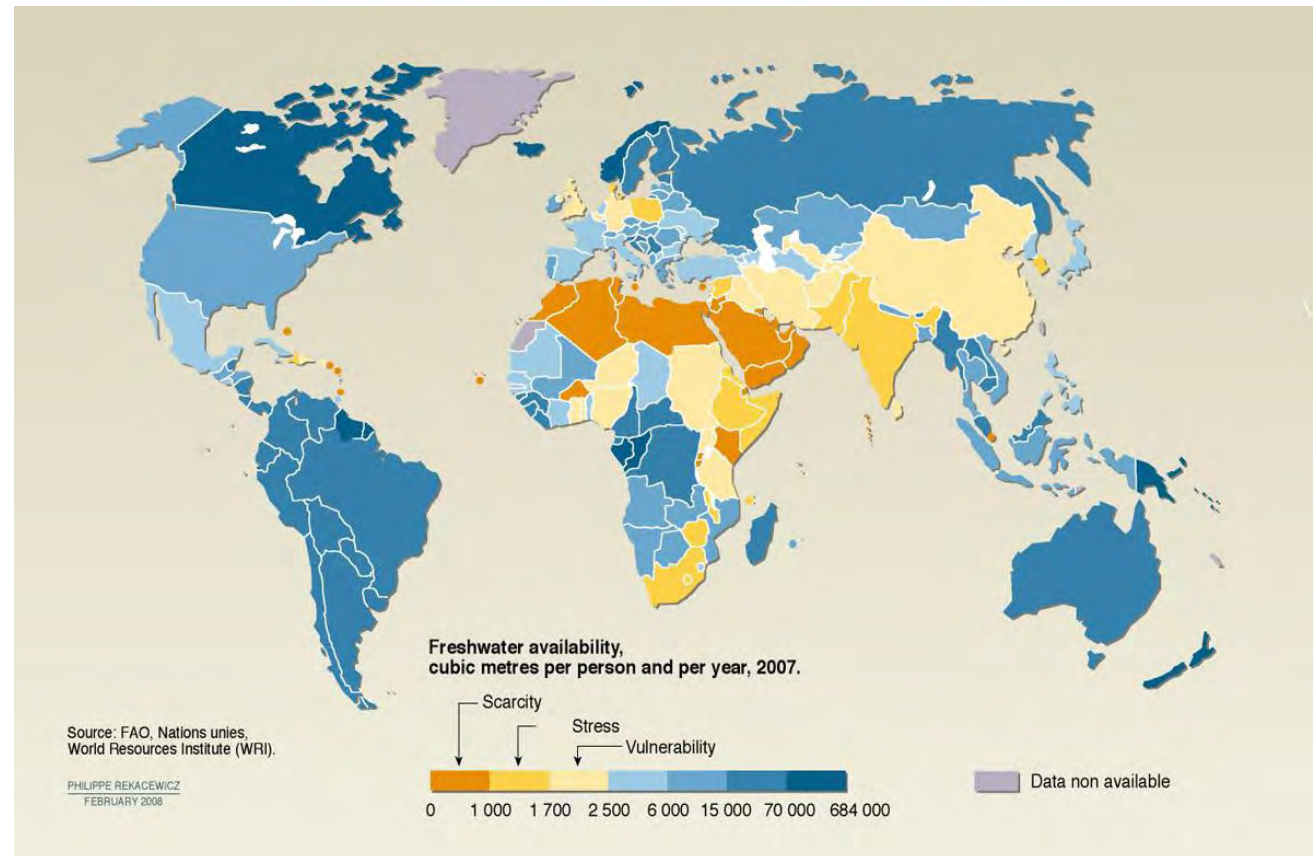
Water input



- Global fresh water supplies are under stress
- Roughly 70% of global water consumption is for agricultural usage

Liters of water used to produce 1kg of:

Chocolate	17 000 L
Beef	15 500 L
Cotton	10 000 L
Butter	5 500 L
Cheese	3 200 L
Bread	1 608 L



- **Historically, agriculture was a family business**
 - Still approximately 9/10 farms are family owned
 - Agriculture is relatively closed from capital markets
 - Heavy governmental support and regulations
- **Demographic and economic shift**
 - Increasingly hard to find successors for farmers (no family successor or too expensive to “buy out” family members)
 - Many old (+/- 60 years of age) farmers in the west
 - Capital markets are finding more and more entrance in the sector
 - Efficiency increases due to increased capital

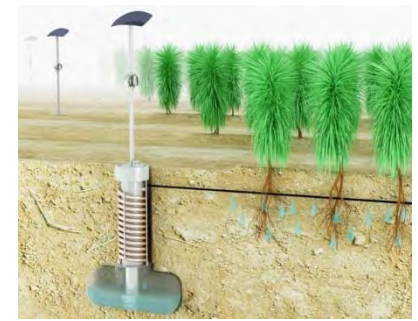
Drivers behind agriculture Investments in innovation



More efficient input allocation and management practices are needed



Drop irrigation



- Agriculture is increasingly becoming a new and alternative investment
- Additional capital is needed to tackle the sectorial challenges of feeding (and fueling) the world in an efficient and sustainable manner
- Agriculture is highly diverse and is fairly resistant to inflation and crisis (people will always need food)

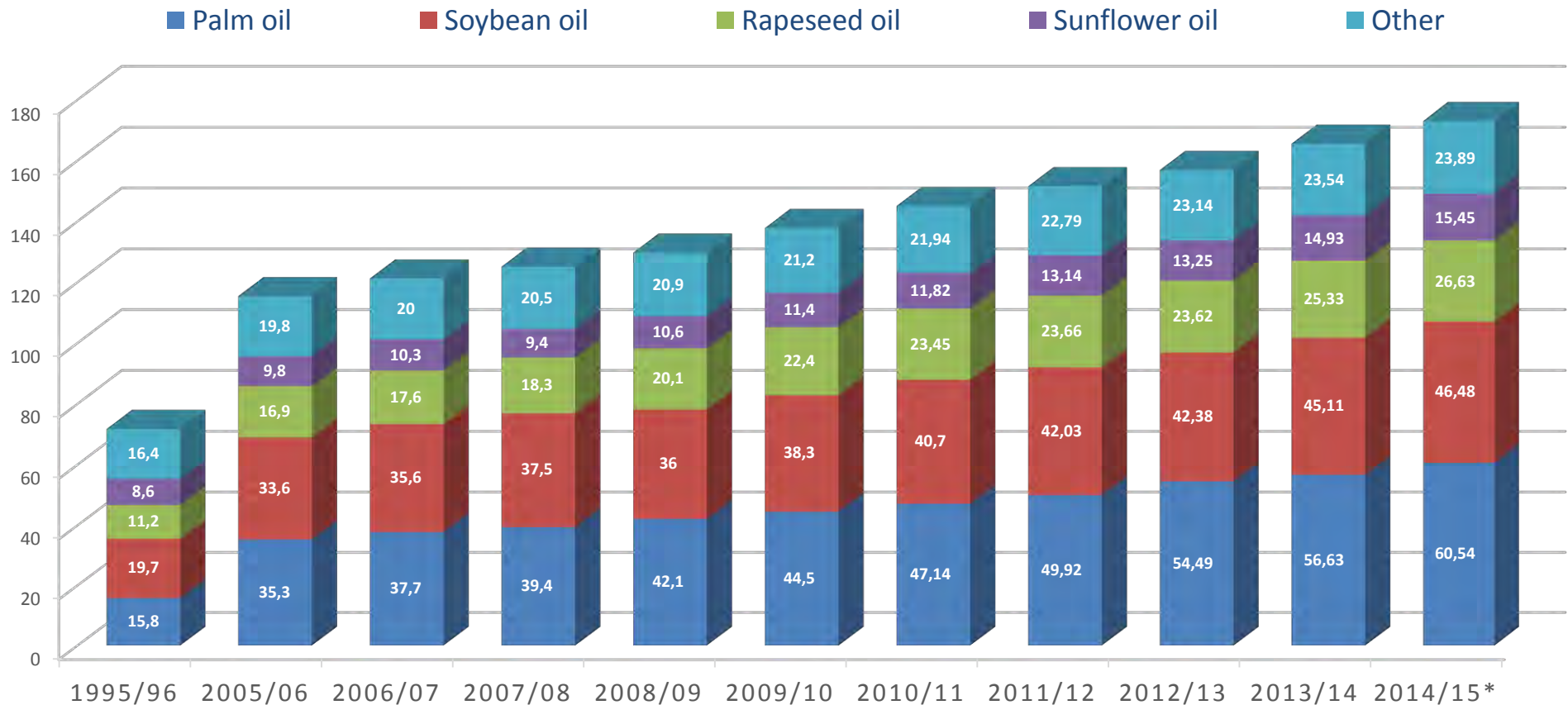
- Drivers behind agriculture
- **Palm oil in the global picture**
- SIPEF group – company profile
- SIPEF group – financial statements

Palm oil in the global picture

Vegetable oils



VEGETABLE OIL
IN MILLION METRIC TONS



Source: Statista 2015



- Vegetable oils are oils or fats extracted from a plant. Their texture can be described as liquid, oily and fatty
- Most vegetable oils are able to fulfill two functions: they can either be used as cooking oil or for fuel and diesel production
- The most common oil types include palm oil, soybean oil, canola (rapeseed) oil and sunflower oil

Palm oil in the global picture

Palm oil fruit



Palm oil is extracted from the flesh of the palm fruit:



84 % of palm oil production is used in food and cosmetics, 16 % is used in biofuels and energy

Palm oil has many advantages:

- Highest-yielding vegetable oil crop: less than a third of the land required compared to other crops
- Usable in a wide range of products, from margarine and chocolate to ice cream, soaps, cosmetics and fuel
- India, China, Indonesia and Europe are the main consumers, while Indonesia and Malaysia are the main producers -> relatively close to the consumer market

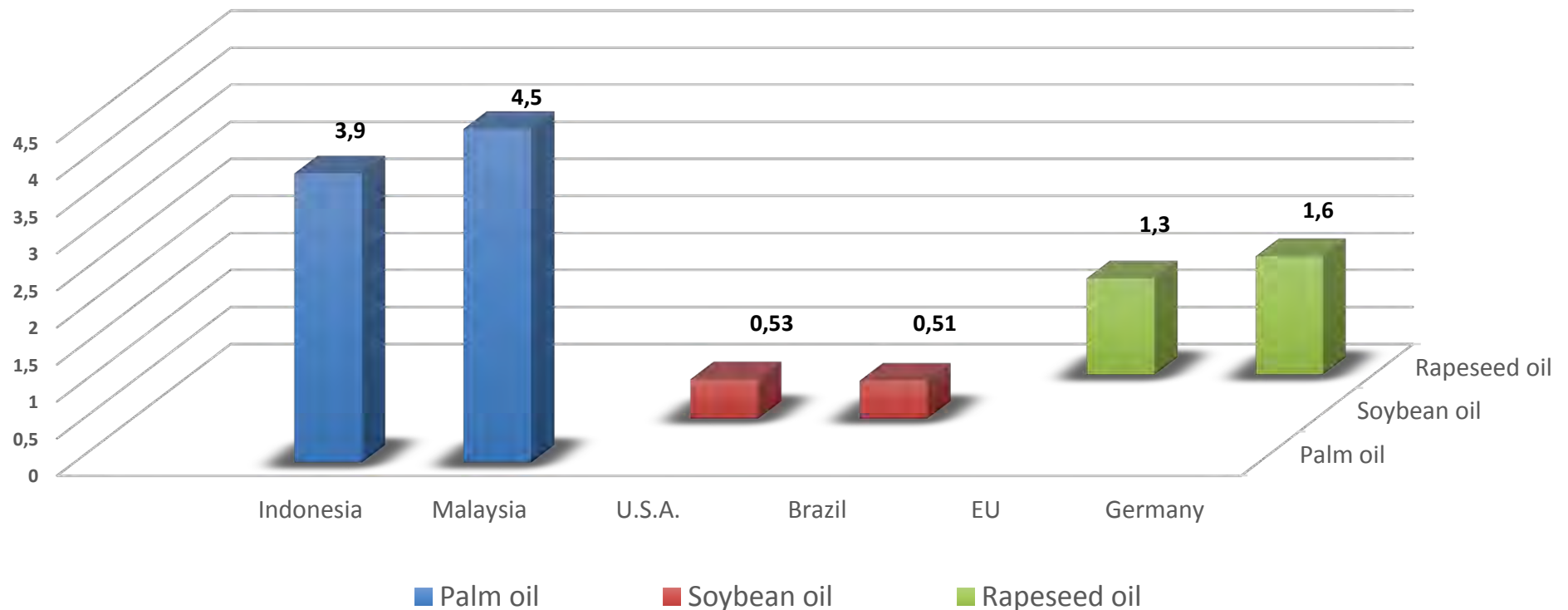
Palm oil in the global picture

Comparison to other oils



Palm oil yields per Ha are much higher than other vegetable oils

Tonnes per hectare

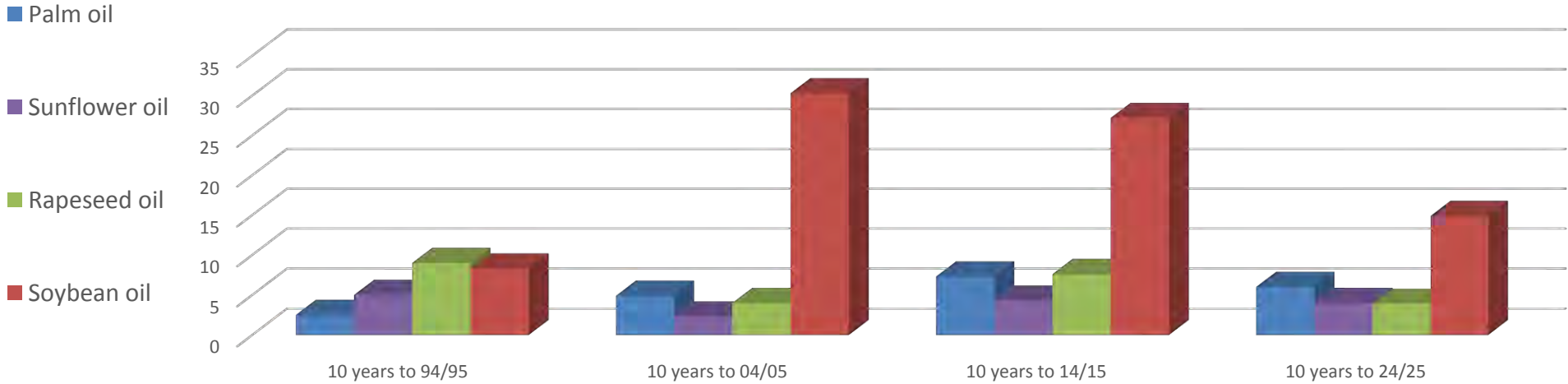


Palm oil in the global picture

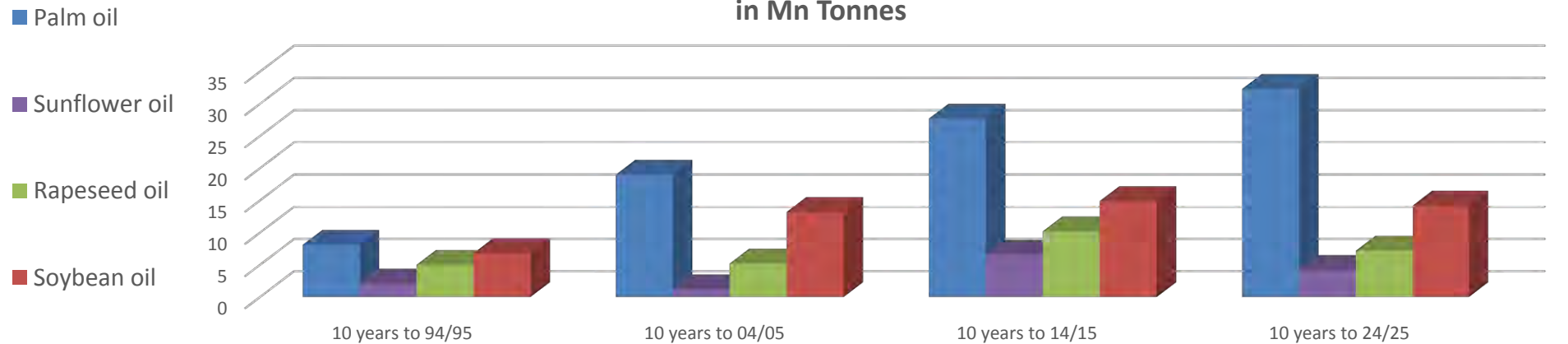
Comparison to other oils



Cumulative acreage growth
in Mn Hectares



World production
in Mn Tonnes



Palm oil in the global picture

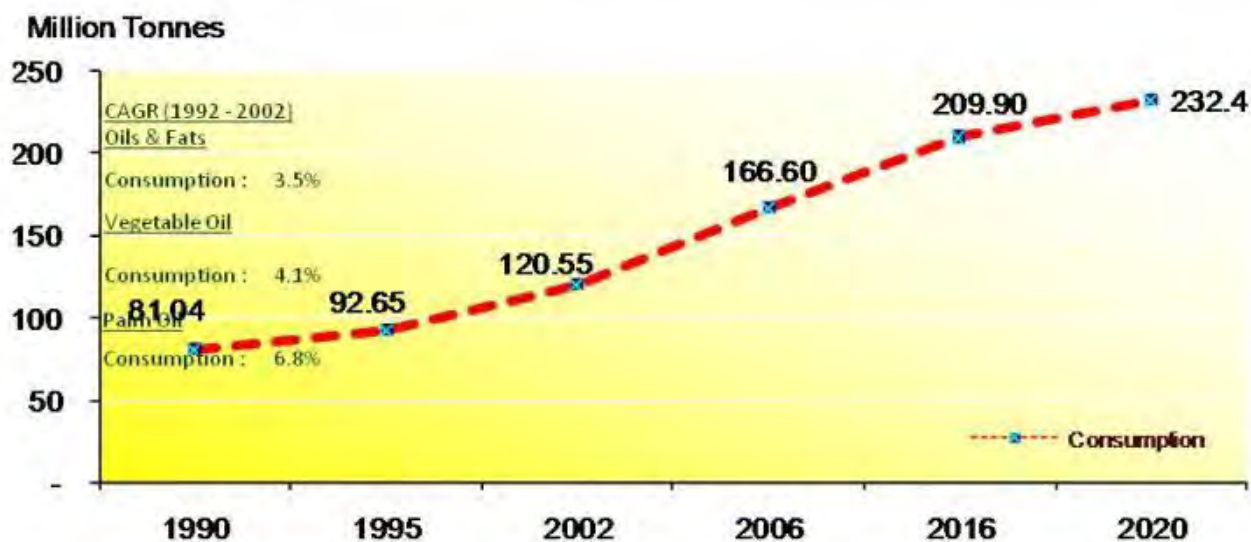
Consumption forecast



Demand for Oils & Fats is forecast to continue to increase

Early predictions (2002) of palm oil consumption are still accurate to date.

More recent studies confirm the predicted increase in consumption.



Year	1990	1995	2002	2006	2016	2020
Population (in Million)	5,300	5,670	6,230	6,690	7,297	7,540
GDP Growth (%)	2.5	3.6	2.9	4.0(F)	NA	NA
Consumption (Kg/Capita)	15.29	16.34	19.35	24.91	28.77	30.82

Source: Oil World 2020, 2002 Issue
The Economist Intelligence Unit

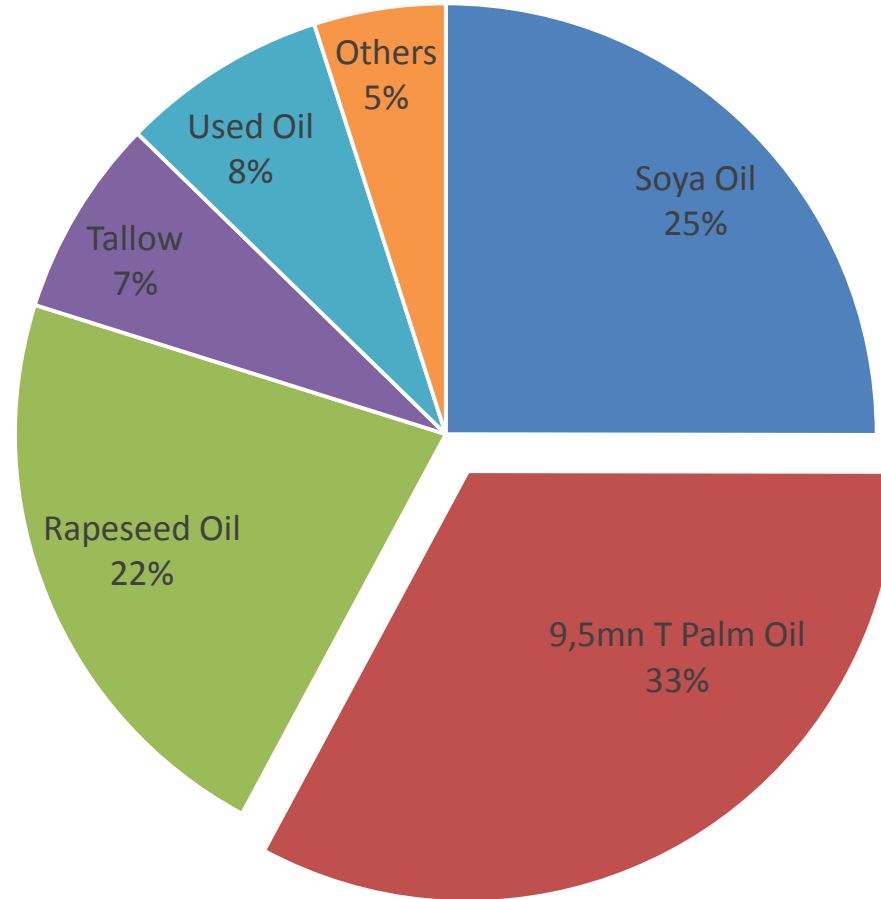
Palm oil in the global picture

Biodiesel and palm oil



29,12 Mn T Total

- Soya Oil
- Palm Oil
- Rapeseed Oil
- Tallow
- Used Oil
- Others



Palm Oil is the most promising and productive first generation biodiesel feedstock for different reasons:

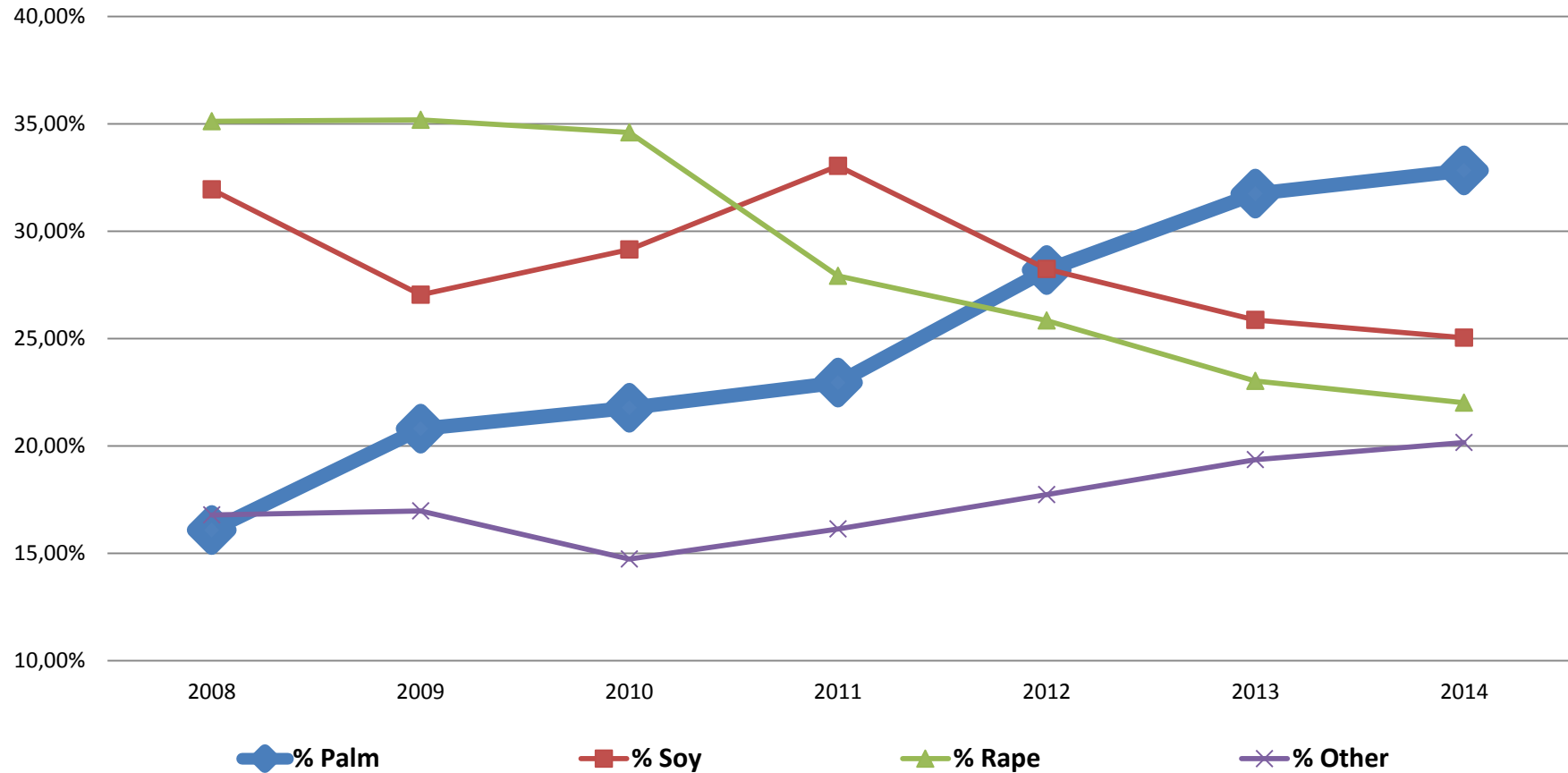
1. Largest output oil/ha/year = less land needed
2. Environmentally most friendly 1st generation feedstock.
Greenhouse gas savings as compared to pure fossil fuel
3. Very good technical performance in diesel engines due to high saturation grade and cetane number

Palm oil in the global picture

Biodiesel and palm oil



Biodiesel & palm oil

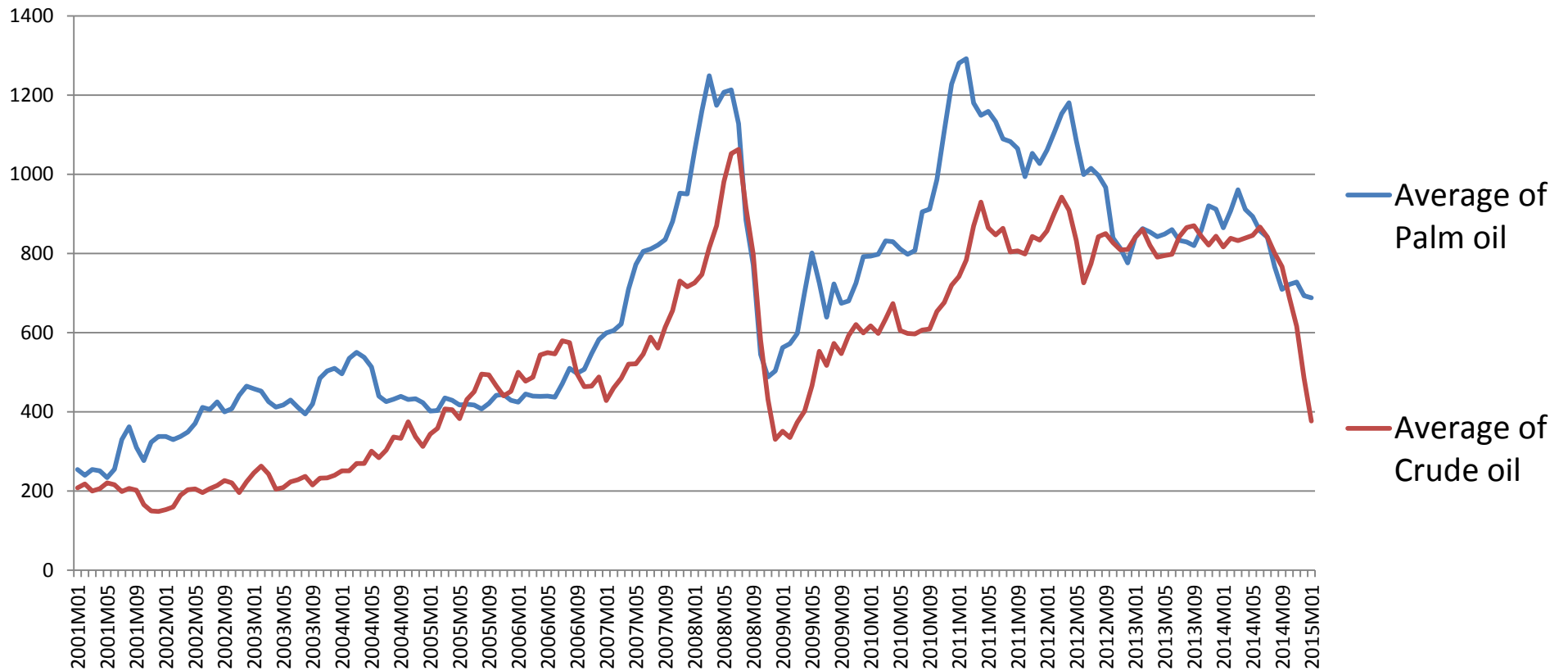


Palm oil in the global picture

Biodiesel and palm oil



Price correlation: Biodiesel (blending with vegetable oil as of 2006)





- Palm oil is increasingly becoming the most important edible oil in the world;
- Palm oil is the highest yielding vegetable oil crop per Ha;
- Palm oil is very suited to blend with diesel to produce more sustainable fuel solutions;
- Early predictions of a worldwide increase in palm oil consumption are still accurate to date.

- Drivers behind agriculture
- Palm oil in the global picture
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The Connection to the world of Sustainable Tropical Agriculture

Agriculture

- 1st segment of the supply chain - commodities

Tropical

- Recent industrialised countries

Sustainable

- Audited certifications

Connection

- Publicly quoted

The Connection to the world of Sustainable Tropical Agriculture

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



SIPEF group

Company profile - Indonesia



SIPEF group

Company profile – Papua New Guinea



SIPEF group

Planted hectares summary



	Palm	Rubber	Tea	Bananas	Other	Total	% Group share	
Indonesia	42 693	6 314	1 787			50 794	75%	36 589
PNG	13 001	3 281			58	16 340	24%	16 340
Ivory coast				570	42	612	1%	612
	55 694	9 595	1 787	570	100	67 746	100%	53 541
%	82%	14%	3%	1%	0%	100,0%		
Group share	43 513	7 746	1 613	570	100	53 541		

SIPEF group

Strategy and 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



Indonesia

- **Beneficial interest from 36 589 Ha to 70 788 Ha**
 - Future expansion of 22 969 Ha Musi Rawas and South Sumatra expansion
 - Further increase participation interests in existing subsidiaries
 - Both in oil palm and rubber

PNG

- **Beneficial interest from 16 340 to 20 225 Ha**
 - Finalize palm oil expansion with an additional 7 100 Ha
 - In area where we are operating

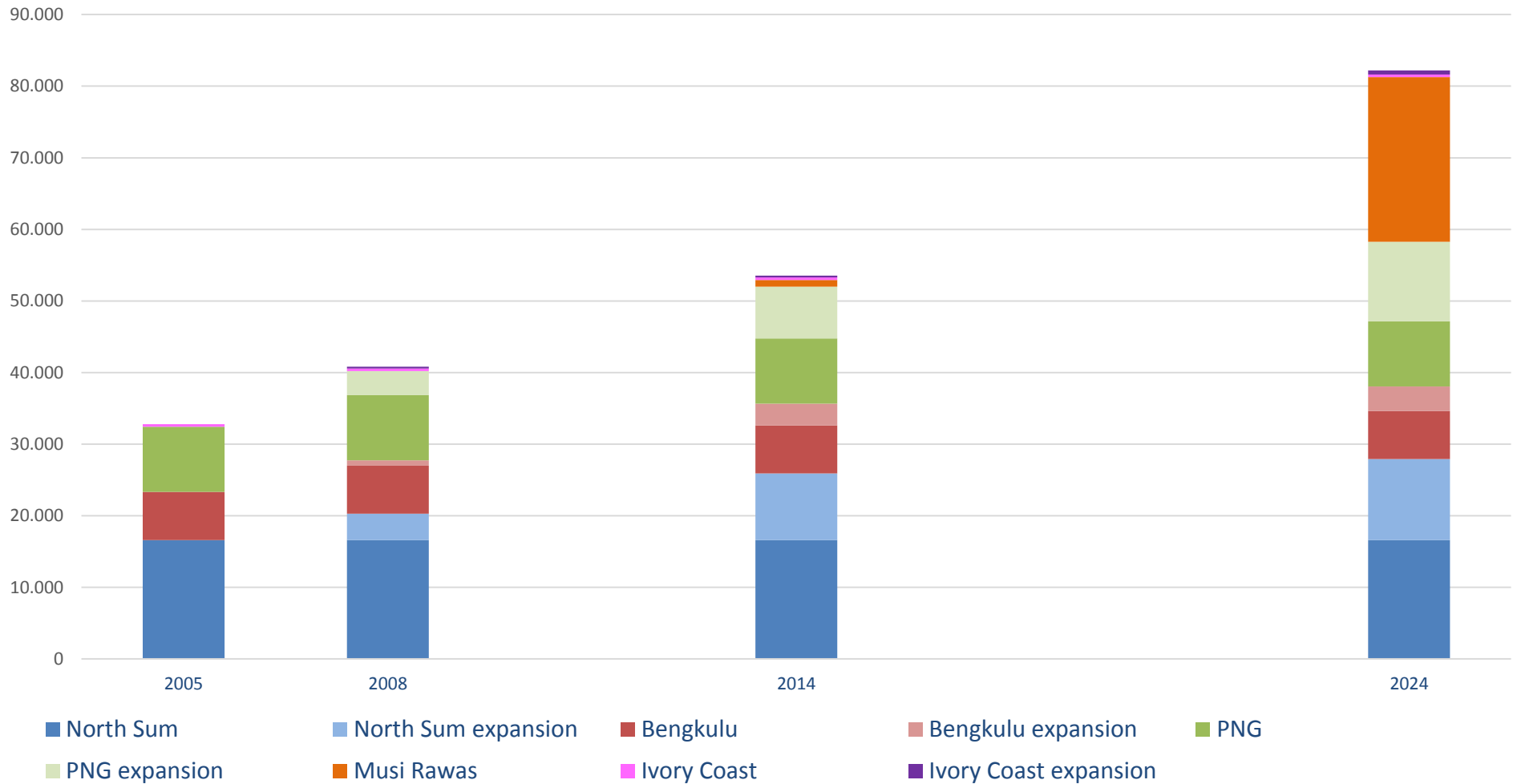
Ivory Coast

- **Beneficial interest from 612 to 932 Ha**
 - Additional bananas development of 320 Ha

SIPEF group Future expansion



Planted area in Hectares (beneficial interest)



SIPEF group

Musi Rawas expansion



AREA – as per 31 December 2014	Izin Lokasi - last year	Izin Lokasi - current update	Potential	Area acquired to date
Agro Kati Lama	10 500	7 568	5 087	2 366
Agro Rawas Ulu	9 000	9 000	4 990	1 821
Agro Muara Rupit	12 309	12 309	10 500	1 875
Total	31 809	28 877	20 577	6 062

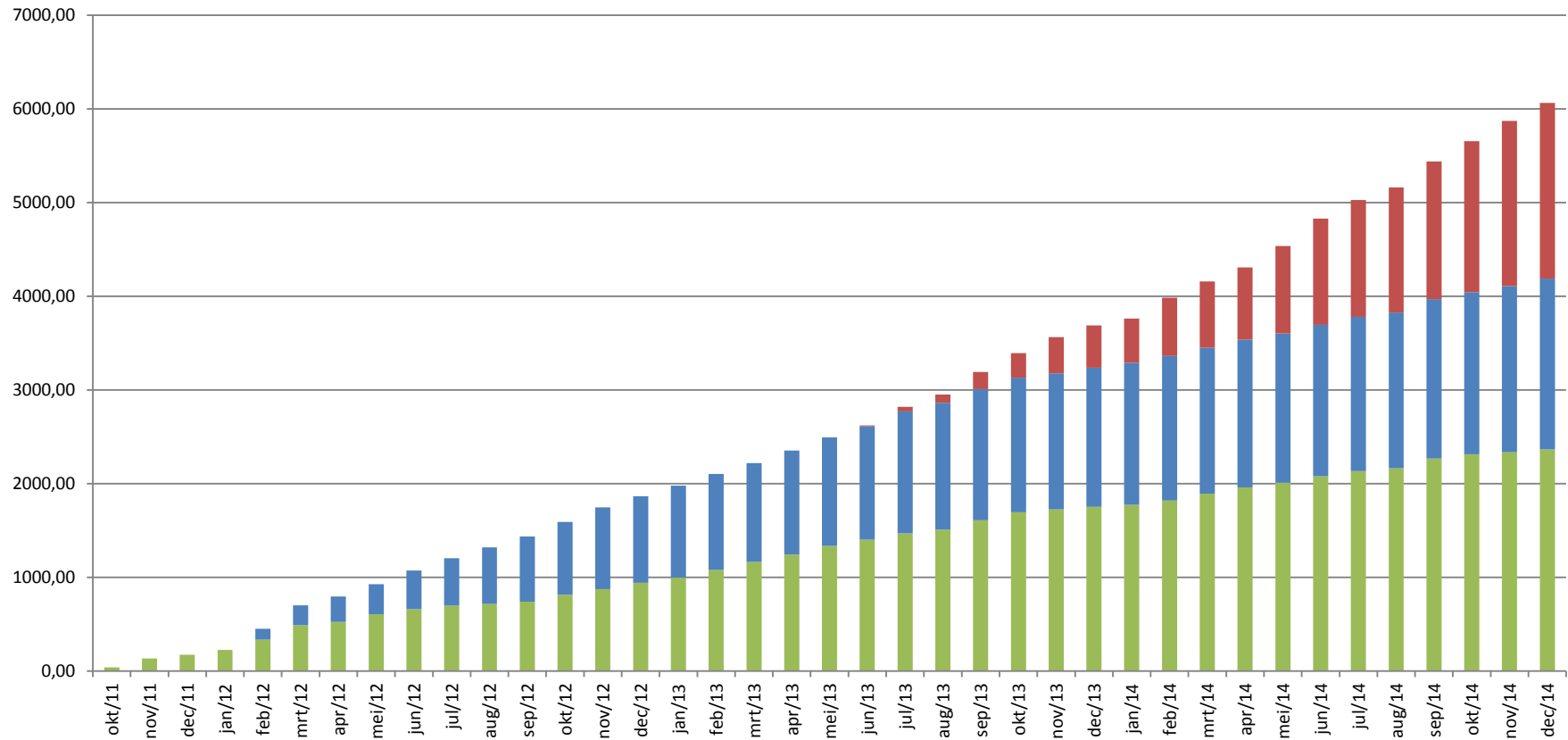
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AKL, AMR and ARU expansion



Cumulative Compensated Area (Ha).

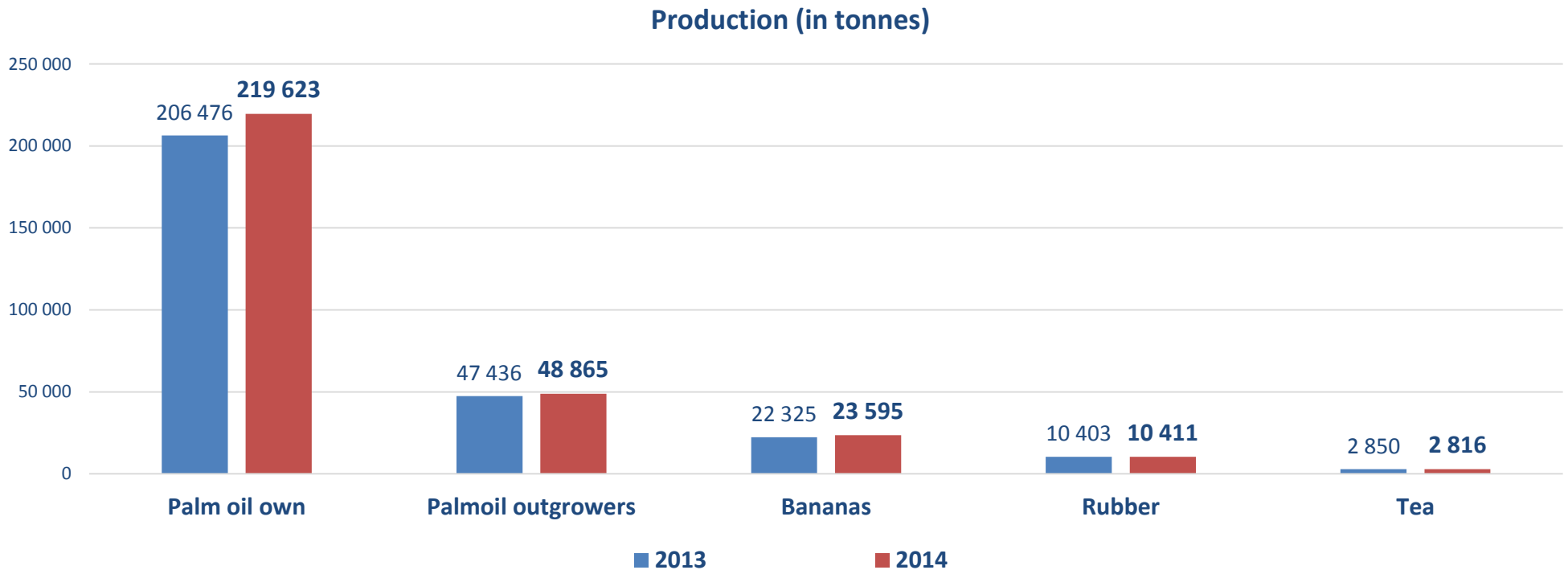
■ AMR ■ ARU ■ AKL



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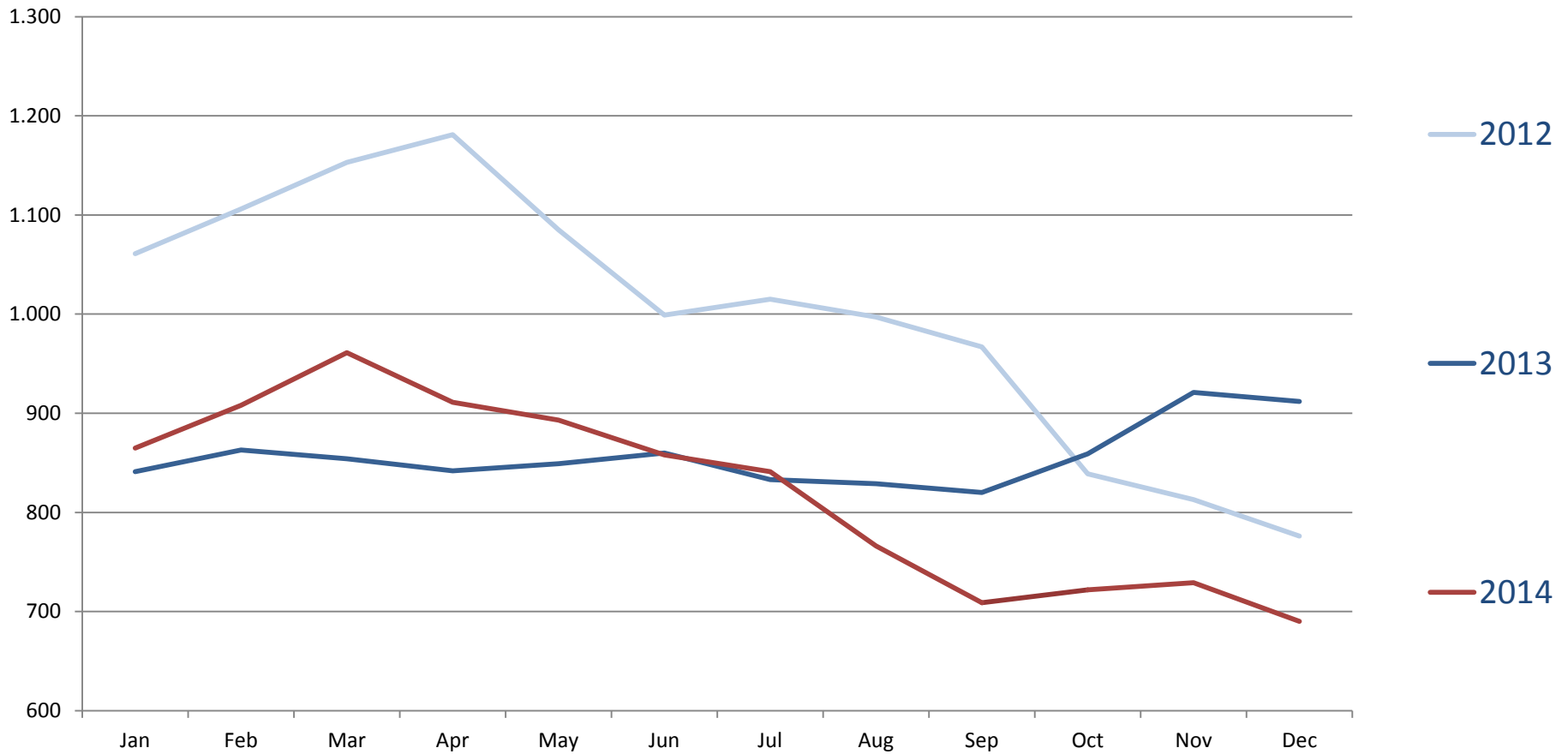
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Current production

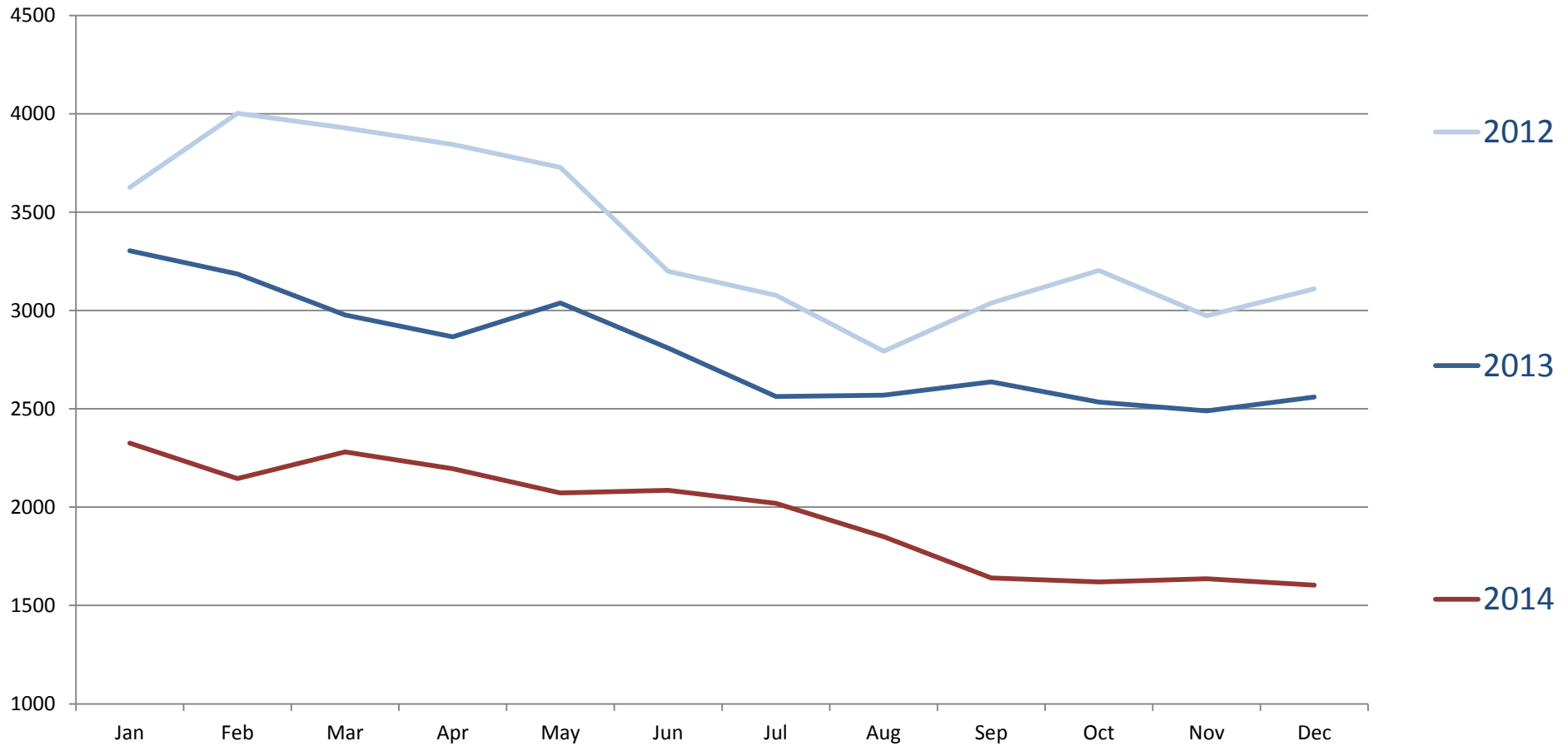


- Indonesia:
 - Increase in palm oil production primarily due to the young plantations UMW/TUM: +78,3% compared to 2013
 - Other plantations are currently producing less due to the consequences of a drought in early 2014
- Papua New Guinea:
 - Increase in production from Hargy Oil Palms Ltd by 4,3%
- Total increase in palm oil production by 5,7% compared to last year

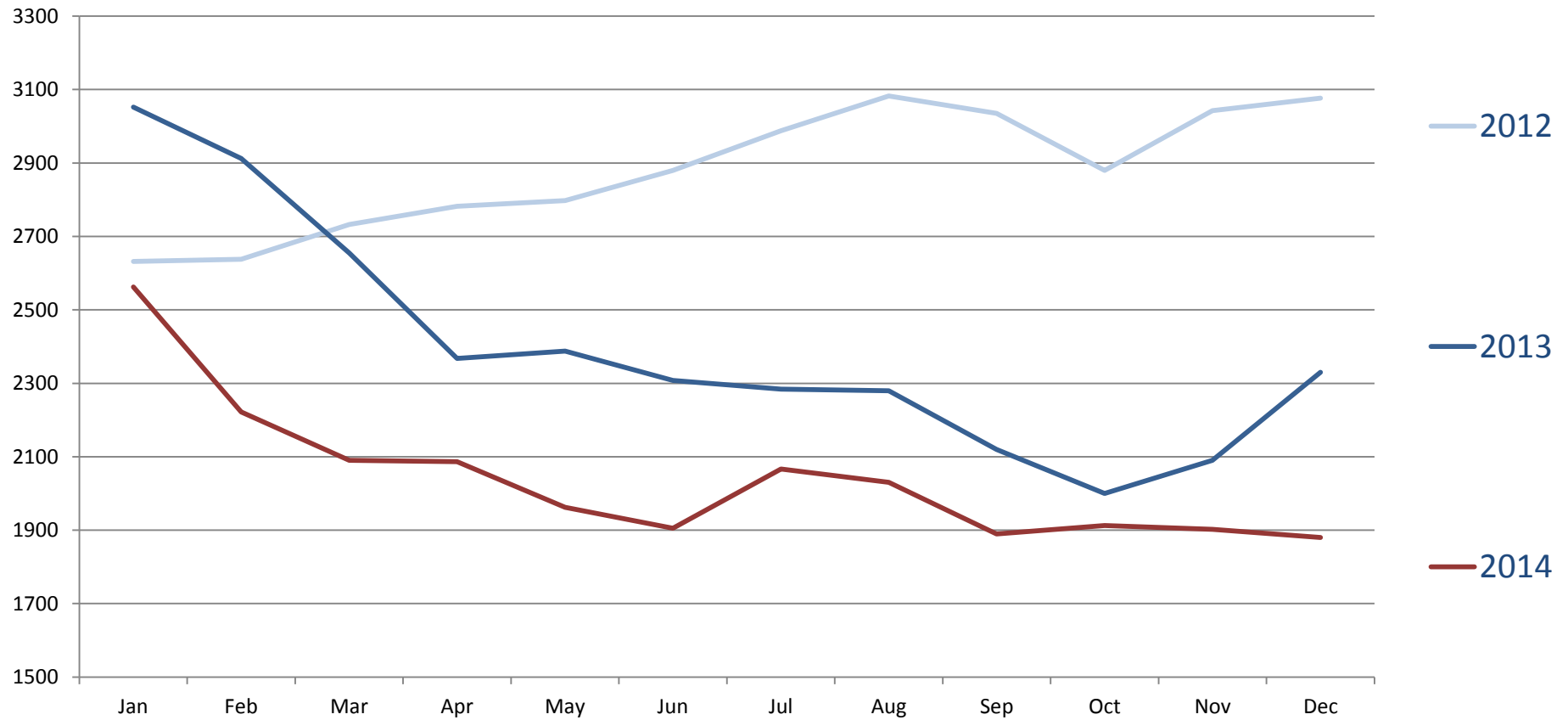
CPO prices



Rubber prices



Tea prices



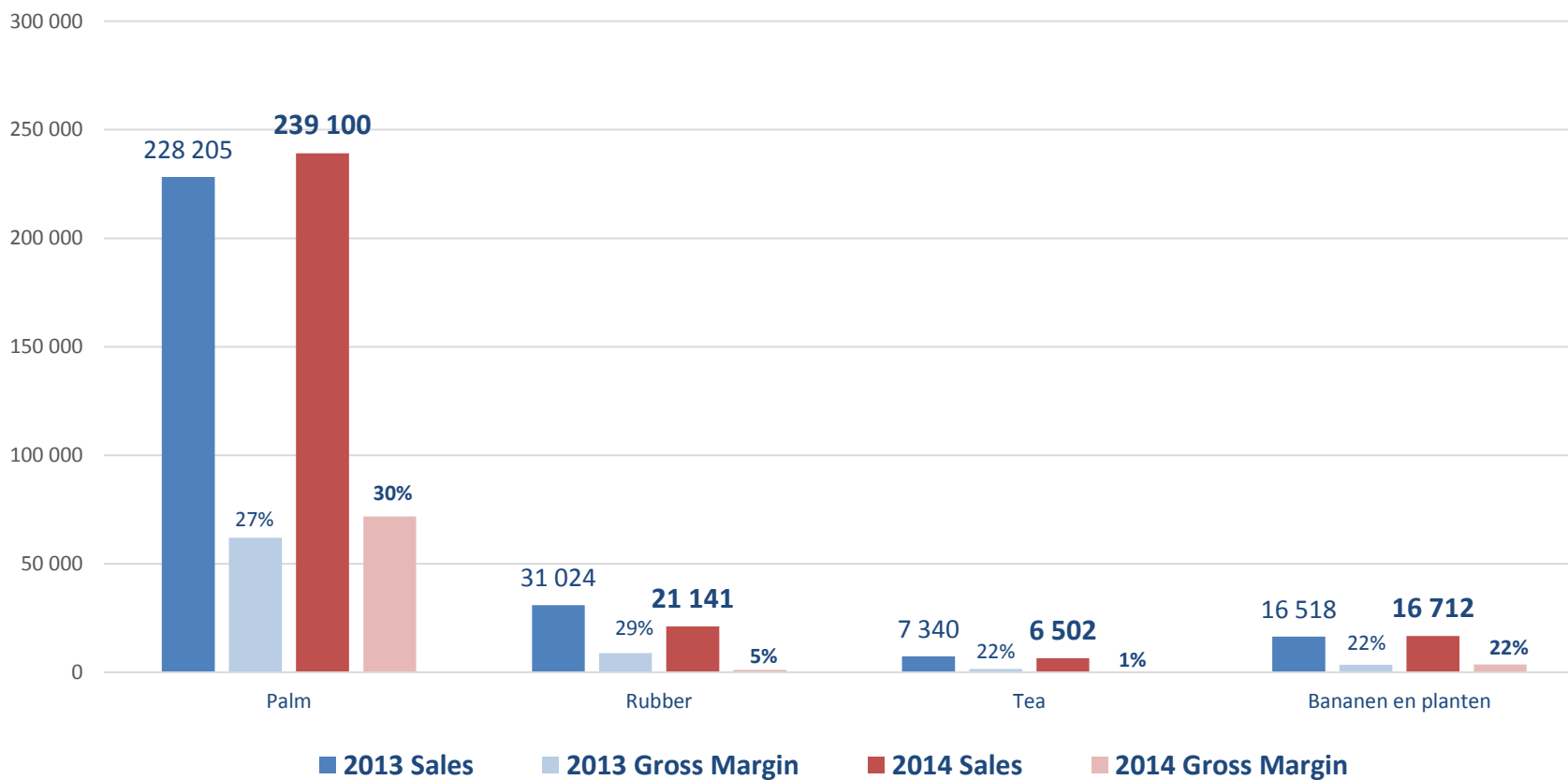
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Sales – Gross margin



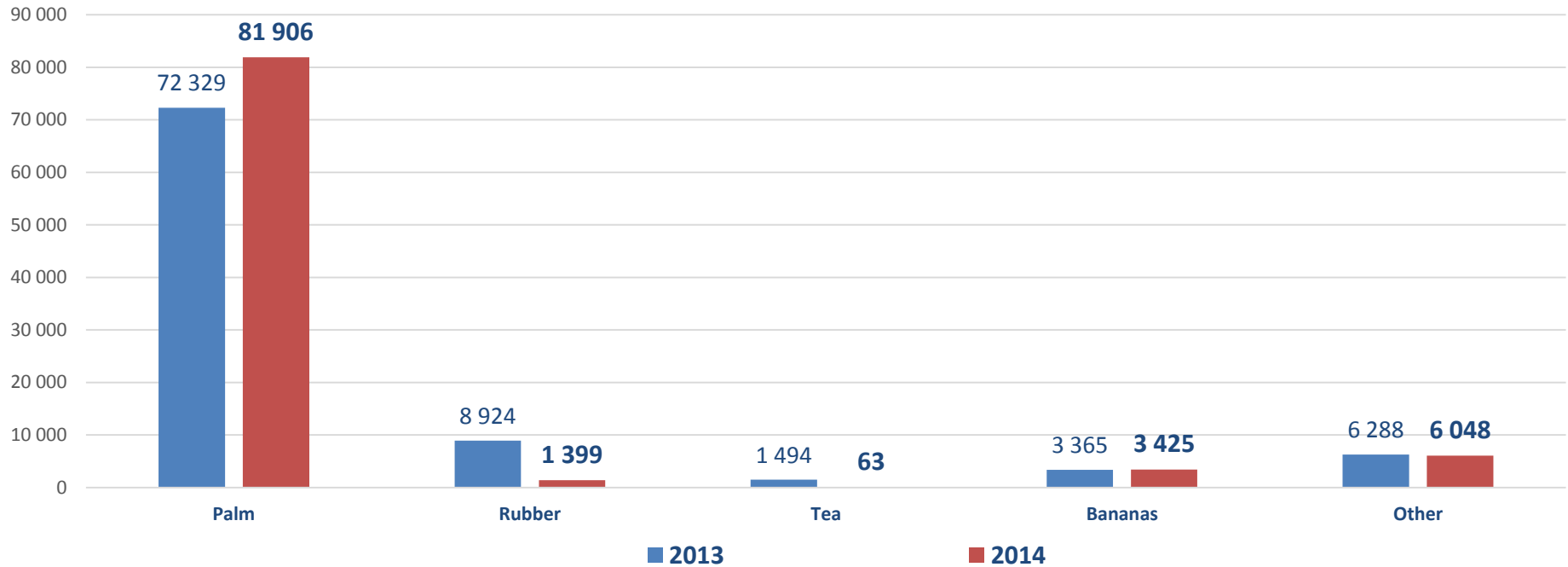
Total consolidated turnover:

- 2014: 285 899 KUSD
- 2013: 286 057 KUSD





Gross Margin per product



- Total gross margin in 2014 (92 841 KUSD) remained stable compared to 2013 (92 340 KUSD).
- Increased Palm oil contribution compared to last year
- Decrease in rubber and tea contribution compared to last year



Profit and loss accounts:

<i>In KUSD</i>	31 December 2014	31 December 2013
Gross Margin	92 841	92 400
Services and administration	- 29 191	- 28 049
Other operating income/(charges)	7 995	- 1 856
Financial income/charges	- 619	- 669
Exchange result	57	- 2 755
Result before tax	71 082	59 070
Tax	- 23 077	- 12 677
Insurance	514	231
Result after tax	48 519	46 625
IAS 41	7 748	9 002
Result after tax after IAS41	56 268	55 627

Other operating income (7 995 KUSD) consisting mainly of:

– Release VAT provision: 5 135 KUSD



Partly due to won court cases



Partly due to a 50% release of the remaining provision

– Realized capital gain on the share swap agreement with PT Timbang Deli and Verdant Bioscience Singapore: 2 124 KUSD

SIPEF group

Tax charge



In KUSD

	31 December 2014	31 December 2013
Result before tax	71 082	59 070
Tax	- 23 077	- 12 677
Tax %	32,5%	21,5%

- Theoretical tax charge of the SIPEF group = 27,44% (19 400 KUSD for 2014)
- Differences in taxes are primarily due to the currency impact on fixed assets valuation

SIPEF group

Financial position



<i>In KUSD</i>	31 December 2014	31 December 2013
Biological assets (depreciated costs)	148 748	140 275
Revaluation	180 111	161 662
Biological assets (IAS 41)	328 859	301 937
Other fixed assets	315 920	293 078
Net assets held for sale	8 417	3 711
Net current assets, net of cash	26 472	37 341
Net cash position	- 24 617	- 35 077
Total net assets	655 051	600 990
Shareholders' equity, group share	547 515	508 058
Non controlling interest	35 838	33 828
Provisions and deferred tax liabilities	71 698	59 104
Total net liabilities	655 051	600 990

SIPEF group

Biological assets – current IAS 41



<i>In KUSD</i>	31 December 2014	31 December 2013
Biological assets (depreciated costs)	148 748	140 275
Revaluation	180 111	161 662
Biological assets (IAS 41)	328 859	301 937

IAS 41 revalues biological assets from historical cost to “fair value”, resulting in the following values per ha per product:

<i>In USD/ha</i>	31 December 2014	31 December 2013
Palm oil	6 913	6 400
Rubber	1 745	1 932
Tea	2 107	2 405



- A new IAS 41 is approved, but not yet endorsed by the EU (endorsement expected in Q3 2015)
- Return to historical cost for “bearer plants”
- Current estimated impact on the balance sheet:
 - Decrease in biological assets: - 180 111 KUSD
 - Decrease in associated companies (net): - 15 461 KUSD
 - Decrease in deferred tax liability: - 45 085 KUSD
 - Decrease in Equity: - 150 487 KUSD
- The main pending issue consists of the valuation of biological produce

In KUSD

31 December 2014

31 December 2013

Net assets held for sale

8 417

3 711

- The decision was made to restructure the rubber activities within the SIPEF group;
- Galley Reach Holding, our rubber plantation in PNG, was put up for sale in September 2014;
- Consolidated break-even value of GRH per December 2014: 6 881 KUSD;
- A “Heads of agreement” was signed on 11 February 2015 concerning the sale of Galley Reach Holding.

SIPEF group

Cash flow



<i>In KUSD</i>	31 December 2014	31 December 2013
Cash flow from operating activities	80 599	68 656
Change in net working capital	11 654	2 751
Income taxes paid	- 18 516	-16 430
Cash flow from operating activities after tax	73 737	54 977
Acquisitions intangible and tangible assets	- 58 380	- 88 203
Acquisitions financial assets	0	0
Operating free cash flow	15 357	- 33 226
Dividends received from associated companies	12 087	7 142
Proceeds from sale of assets	- 180	644
Free cash flow	27 264	- 25 440
Equity transactions with non-controlling parties	- 8	- 4
Decrease/(increase) of treasury shares	0	- 173
Net free cash flow	27 256	- 25 617

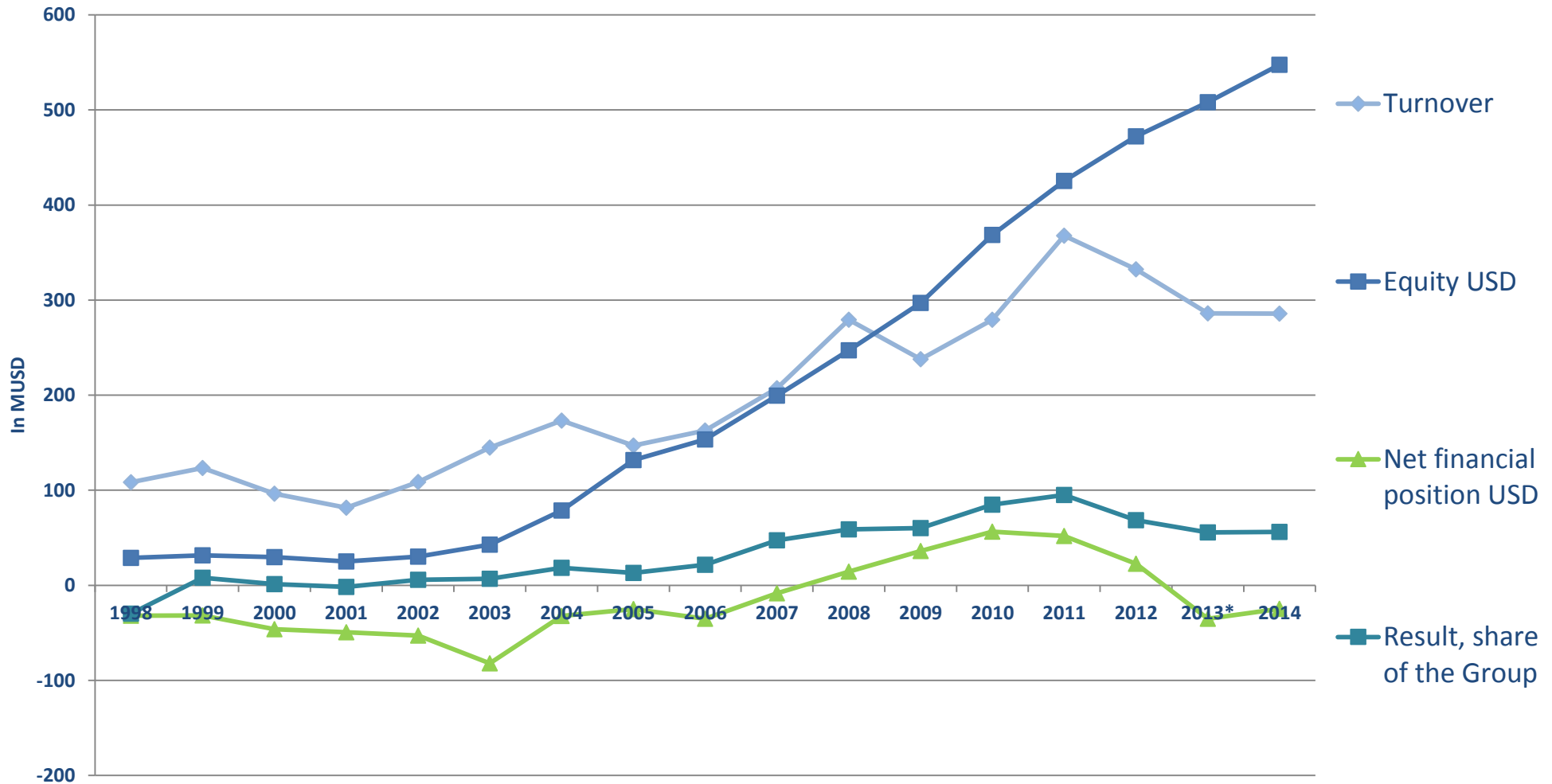
Cash flow highlights:

- **Change in working capital: 11 654 KUSD**
 - Corporate income taxes payable in HOPL are offset with the VAT receivable (8 877 KUSD)

- **Capex: - 58 380 KUSD**
 - Finalization of 2 new palm oil mills (8 263 KUSD)
 - Intangibles: Compensation payment and HGU's (6 992 KUSD)
 - Planting of an additional 1 606 Ha expansion zones (3 378 KUSD)
 - Maintenance of almost 13 000 Ha of immature plantings (20 978 KUSD)

SIPEF group

Historical evolution



2013* restatement PT Agro Muko

- Production in Sumatra (Indonesia) expected to be lower due to delayed drought effect;
- Production in PNG expected to increase due to new matured hectares;
- Palm oil prices expected to (slightly) increase due to lower productions in Malaysia and additional biodiesel blending;
- If prices for our main products are maintained at current level, lower results are expected in 2015;
- Distribution of a gross dividend of 1,25 EUR per share is proposed.

