



Analyst presentation
February 18th, 2016

The Connection to the world of
Sustainable Tropical Agriculture

- **Sipec group – Company profile**
- Palm oil in the world
- The “El Niño” phenomenon
- SIPEF group – Productions & prices
- SIPEF group – Financial performance
- Peer review

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





	Palm	Rubber	Tea	Bananas	Other	Total	% Group share
Indonesia	44 762	6 250	1 777			52 789	75%
PNG	13 558	3 283			58	16 899	24%
Ivory coast				630	42	672	1%
	58 320	9 533	1 777	630	100	70 346	100%
%	82%	14%	3%	1%	0%	100,0%	
Group share	45 898	7 703	1 604	630	100	55 935	

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 38 359 Ha to 66 793 Ha**
 - Future expansion of 18 475 Ha Musi Rawas and South Sumatra expansion
 - Further increase participation interests in existing subsidiaries
 - Both in oil palm and rubber

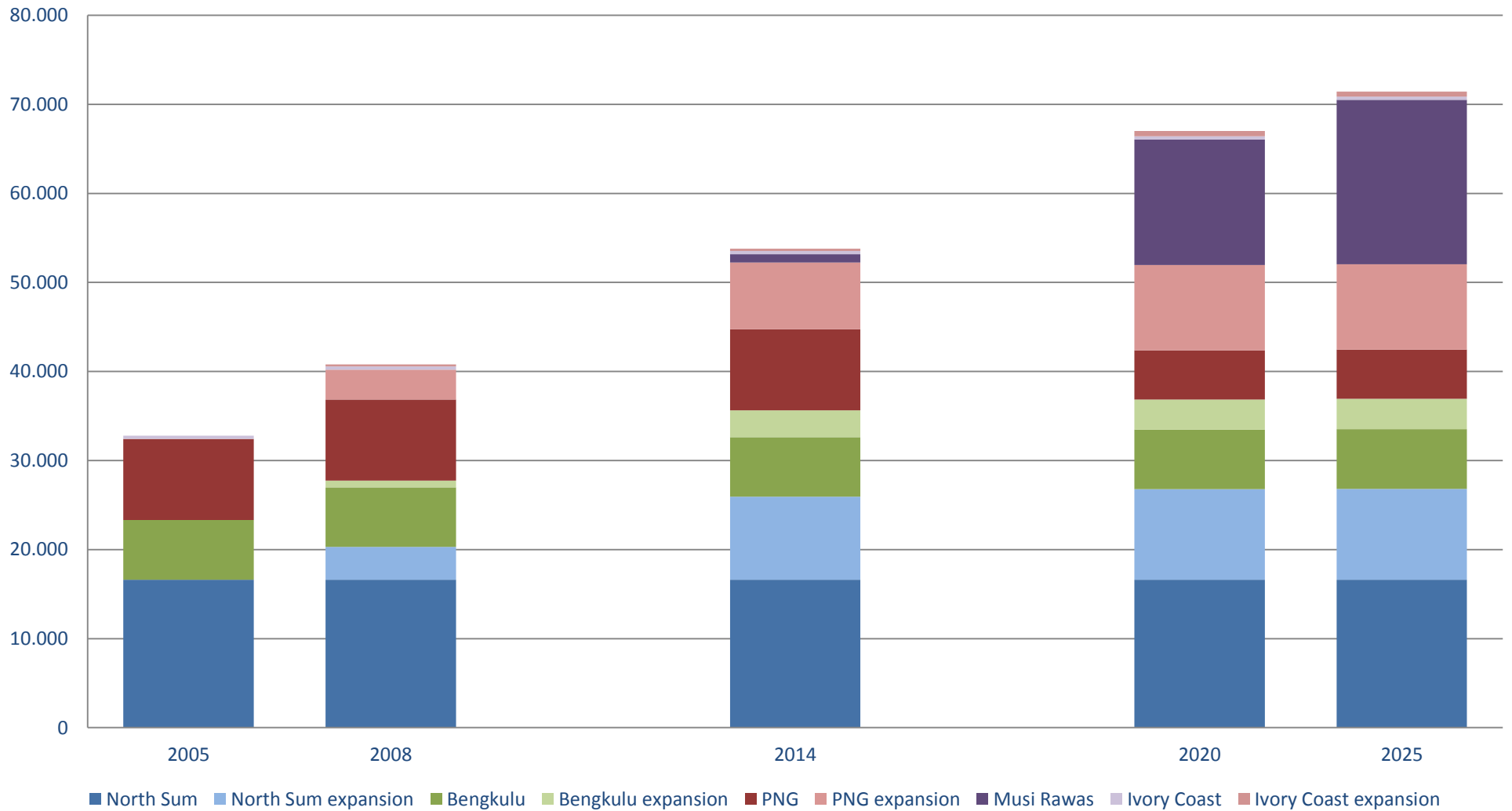
PNG

- **Beneficial interest from 16 899 to 15 102 Ha**
 - Finalize palm oil expansion with an additional 1 544Ha
 - In area where we are operating
 - Sale of our 3 341 Ha rubber plantation in PNG

Ivory Coast

- **Beneficial interest from 672 to 924 Ha**
 - Additional bananas development of 252 Ha

SIPEF group Future expansion



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Palm oil in the world

Vegetable oils



- Vegetable oils are oils or fats extracted from a plant. Their texture can be described as liquid, oily and fatty
- Most vegetable oils can either be used as cooking oil, be used for food and cosmetics 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 world

Oil palm plantations



Oil palm plantations



Fresh fruit bunches

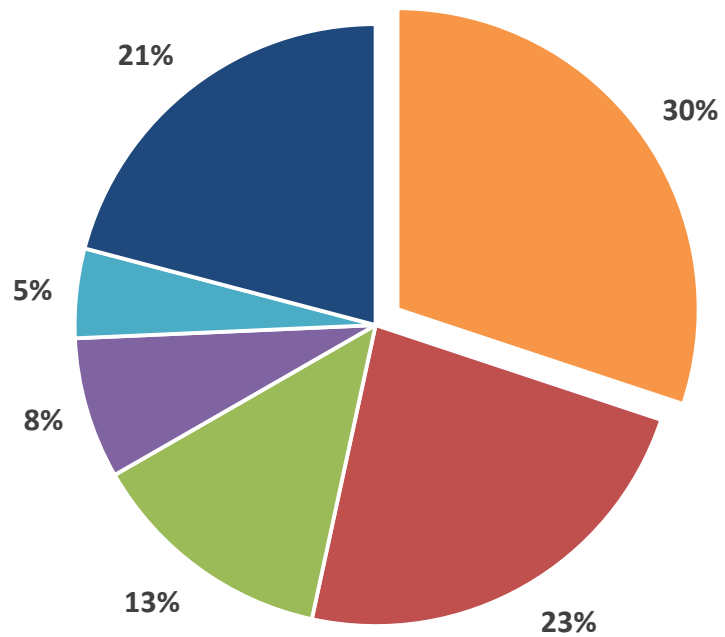


Palm oil in the world

Vegetable oils

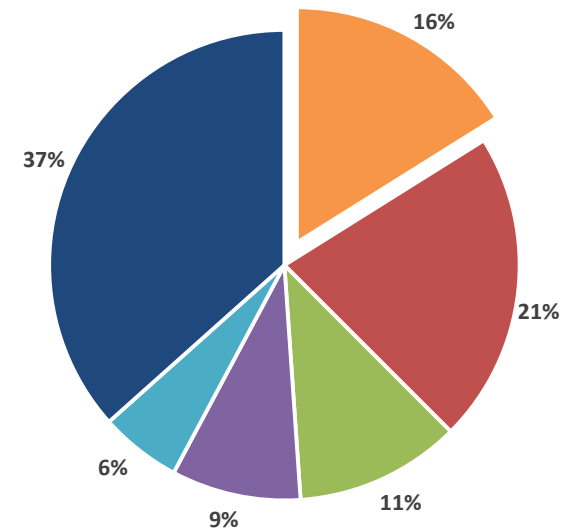


2014/15: 201,7 million tonnes



- Palm oil
- Rape oil
- Palm kernel and coconut oil
- Soya oil
- Sunflower oil
- Other oils/animal fats

1994/95: 93,1 million tonnes



- Palm oil
- Rape oil
- Palm kernel and coconut oil
- Soya oil
- Sunflower oil
- Other oils/animal fats

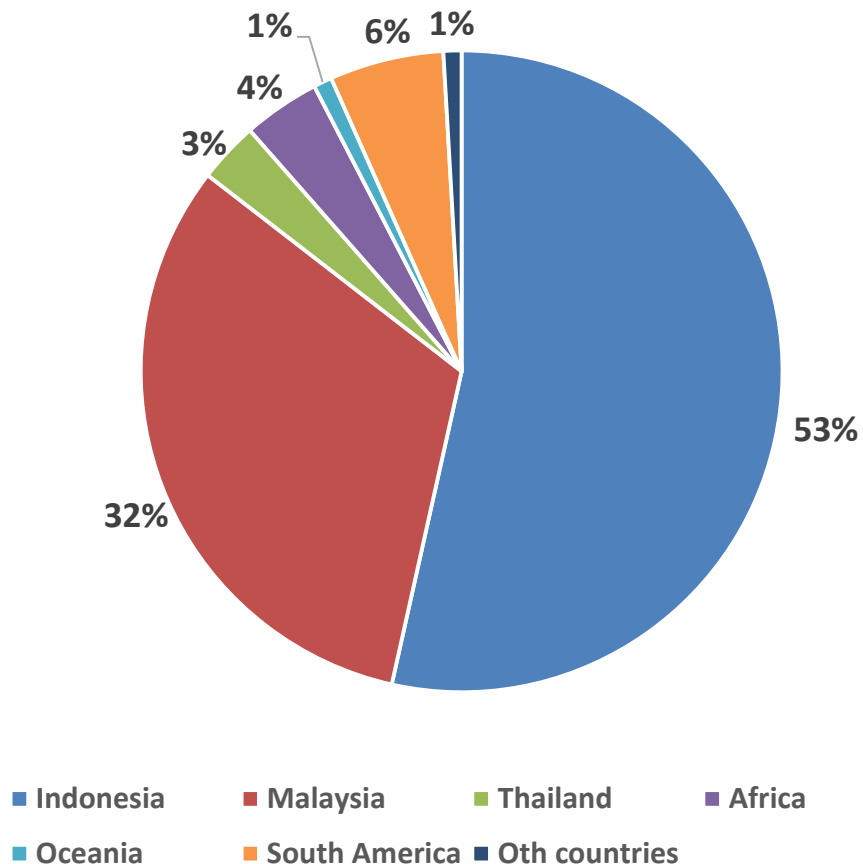
Source: oilworld.de, May 2015

Palm oil in the world

Palm oil production



2014/15 - Palm oil world production



Palm oil production is primarily done in Asia:

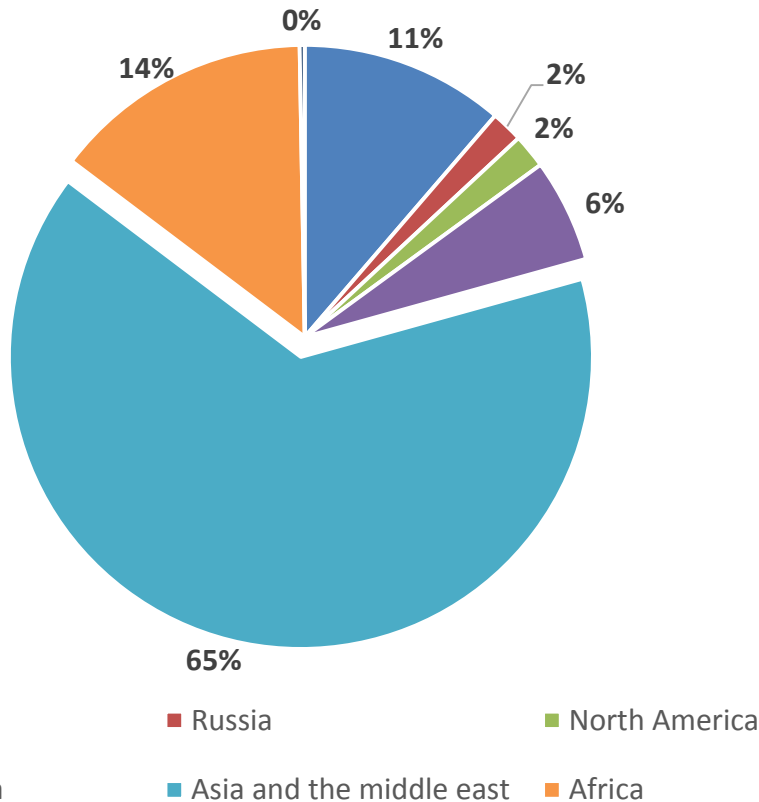
- Indonesia and Malaysia represent 85% of the world's palm oil production
- Oceania includes our subsidiary Hargy Palm Oils Ltd
- Total Sipef production represents 0,44% of the world production.

Palm oil in the world

Palm oil consumption



2014/15 World consumption



- Asia and the Middle-east consists mainly of China, India, Indonesia, Malaysia and Pakistan
- Africa consists mainly of Nigeria, Egypt, Ghana and Kenya
- Very limited CPO consumption in North and South America

Palm oil has many advantages:

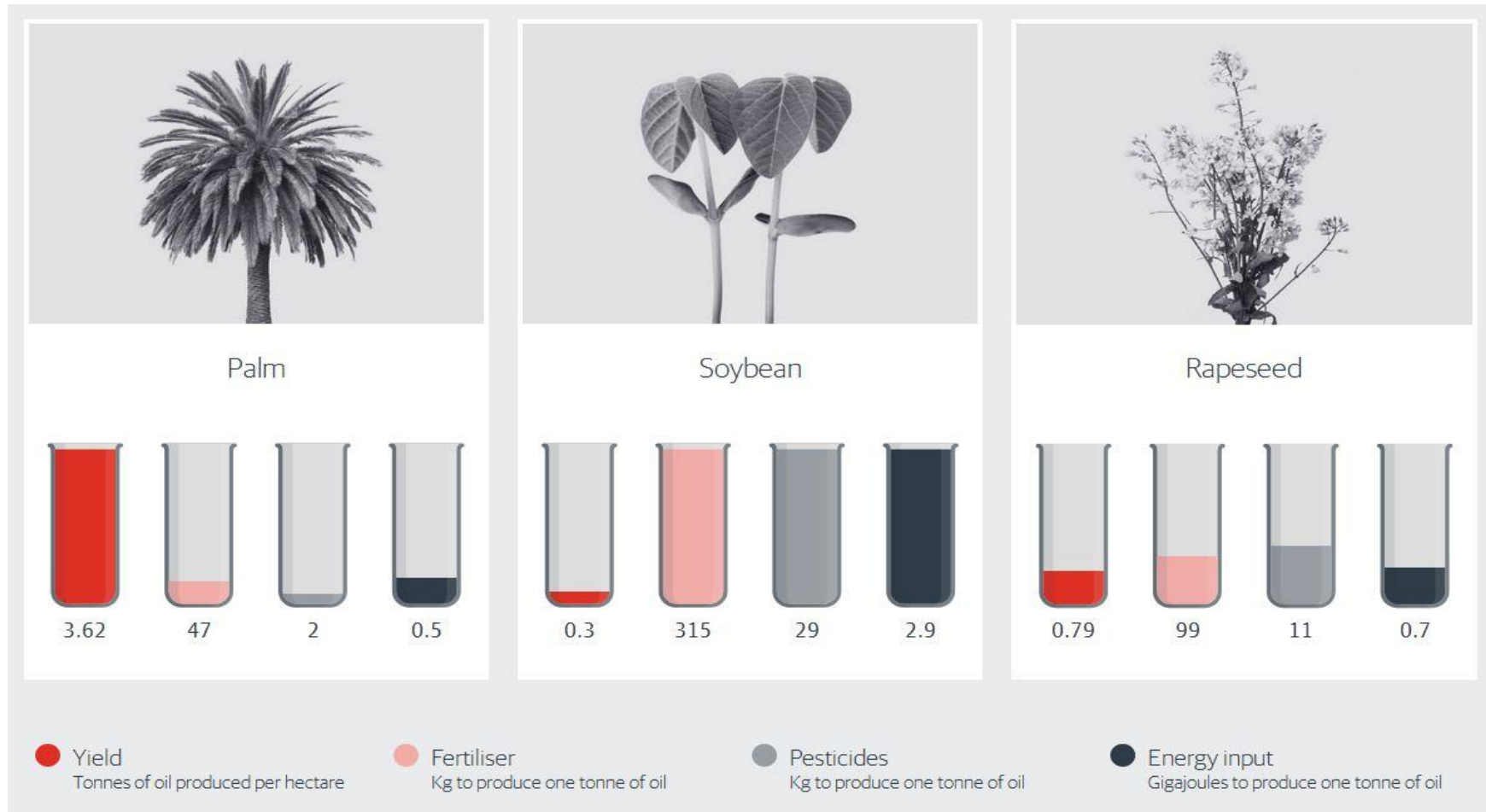
- Highest-yielding vegetable oil crop: less than a third of the land required compared to other crops
- Usable in a wide range of products, from margarine and chocolate to ice cream, soaps, cosmetics and fuel
- India, China, Indonesia and Europe are the main consumers, while Indonesia and Malaysia are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

Palm oil in the world

Comparison to other oils



Resources used per vegetable oil:

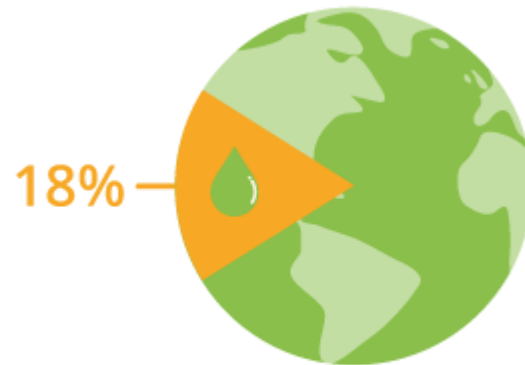


Palm oil in the world

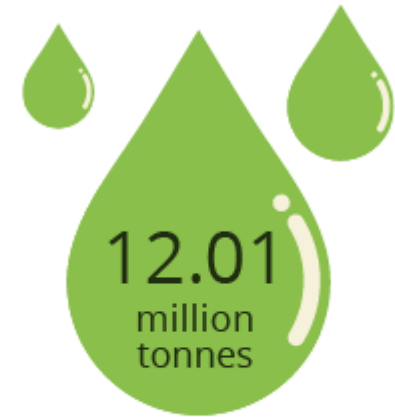
Sustainable palm oil



Less than 2 million tons is 'segregated' (100% traceable)
SIPEF = 100% certified and > 250.000 tons 'segregated'



Proportion of palm oil globally certified by the RSPO



Volume of Certified Sustainable Palm Oil

Our approach to sustainability:

- Social
- Economical
- Environmental



Palm oil in the world

Sustainable palm oil



Social	Economical	Environmental
Respecting worker's rights / Human rights	Employment and financial security	Securing natural resources
Equal opportunities	Cost savings	Biodiversity
Training employees	Smallholders economic growth	Climate change
Providing education	Wealth creating of rural population	Alternative energy sources
Providing health care	Profitable enterprise	Zero burning
Providing housing	Food security for the world	Methane capture
Improving quality standard of living conditions	Best management practices and R&D to improve yields	Maintaining fertile soils
		Water management
		Eco footprint
		Traceability

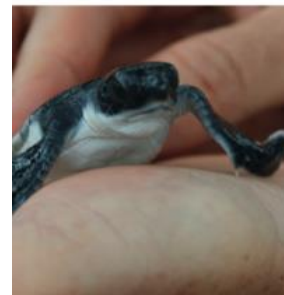
The SIPEF foundation supports two long-term projects in Indonesia:

- SIPEF Biodiversity project (SBI) holds a 60-year license to restore a forest area of 12 672 hectares in Sumatra
- SIPEF sea turtle project protects the egg-laying area of several sea turtle species
- Annual budget approx KUSD 200

Sustainable palm oil SIPEF foundation



SIPEF Foundation:
Left: SIPEF biodiversity
Below: SIPEF turtle project



Environmental responsibility



Social responsibility



Papua New Guinea has very challenging conditions:

- Communities are very isolated;
- Local governments have scarce resources and multiple priorities;
- The national government counts on the agricultural sector for the path to development;

“One hour principle” for all new developments:

- Acces to tap fed potable water within 1 hour walk
- Acces to medical health within 1 hour walk
- Acces to primary school within 1 hour walk

Sustainable palm oil

Continuing process



To accompany and support its growth, SIPEF continues to fulfil its sustainable development obligations:

- ISO 9001 and ISO 14001 certified
- RSPO certified
- ISCC certified
- ISPO certified
- EurepGAP/GlobalGAP
- United Nations clean Development Mechanism
- Rainforest Alliance



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- **The “El Niño” phenomenon**
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The “El Niño” phenomenon

General



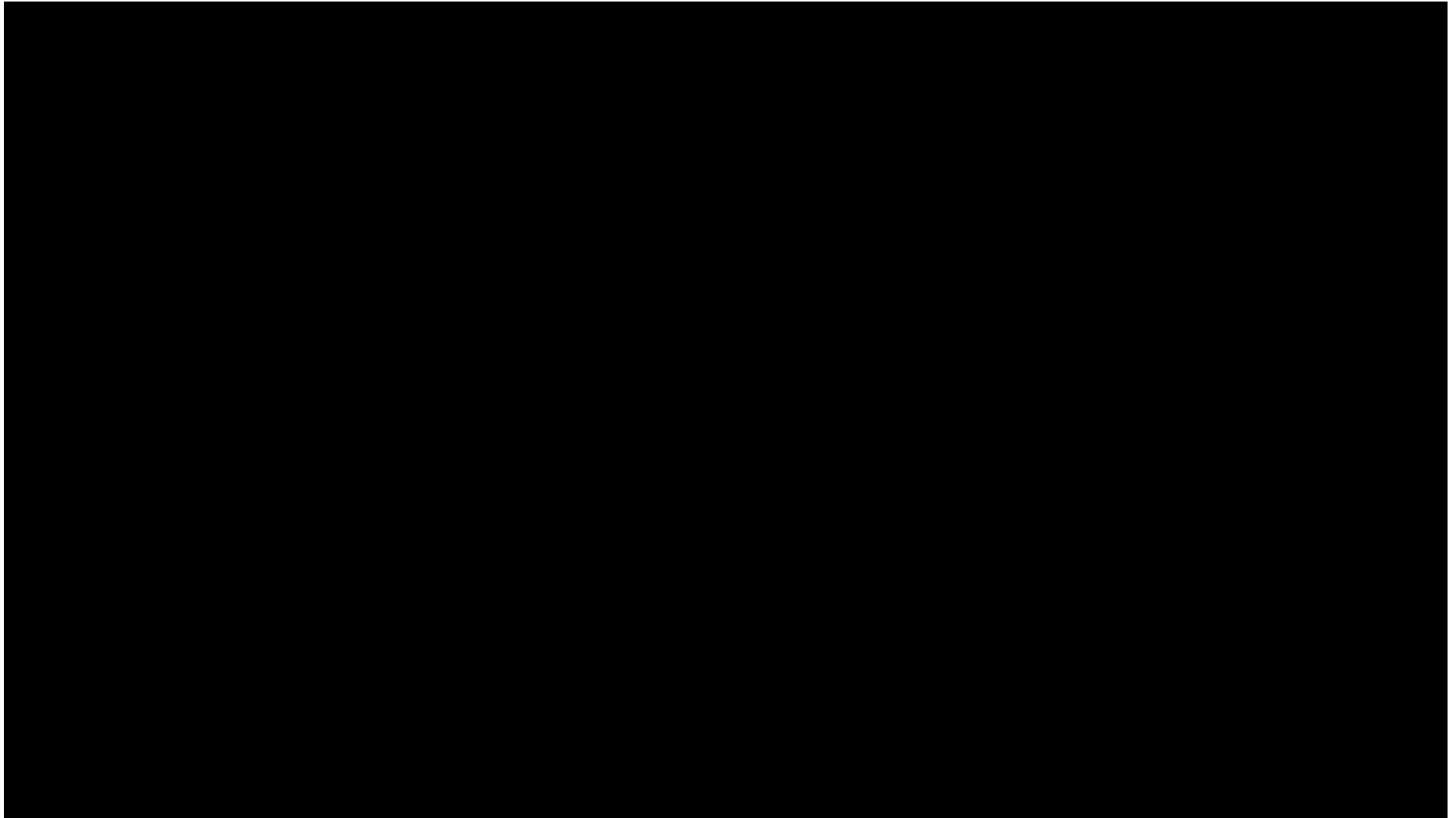
In 2015 an unusual number of weather phenomena are happening:

- Droughts in Africa, South-East Asia and Oceania;
- Excessive rain fall in Northern China, Pakistan, Afghanistan and parts of South America;
- Unpredictable weather patterns all over the world

All these are caused by one phenomenon: El Niño

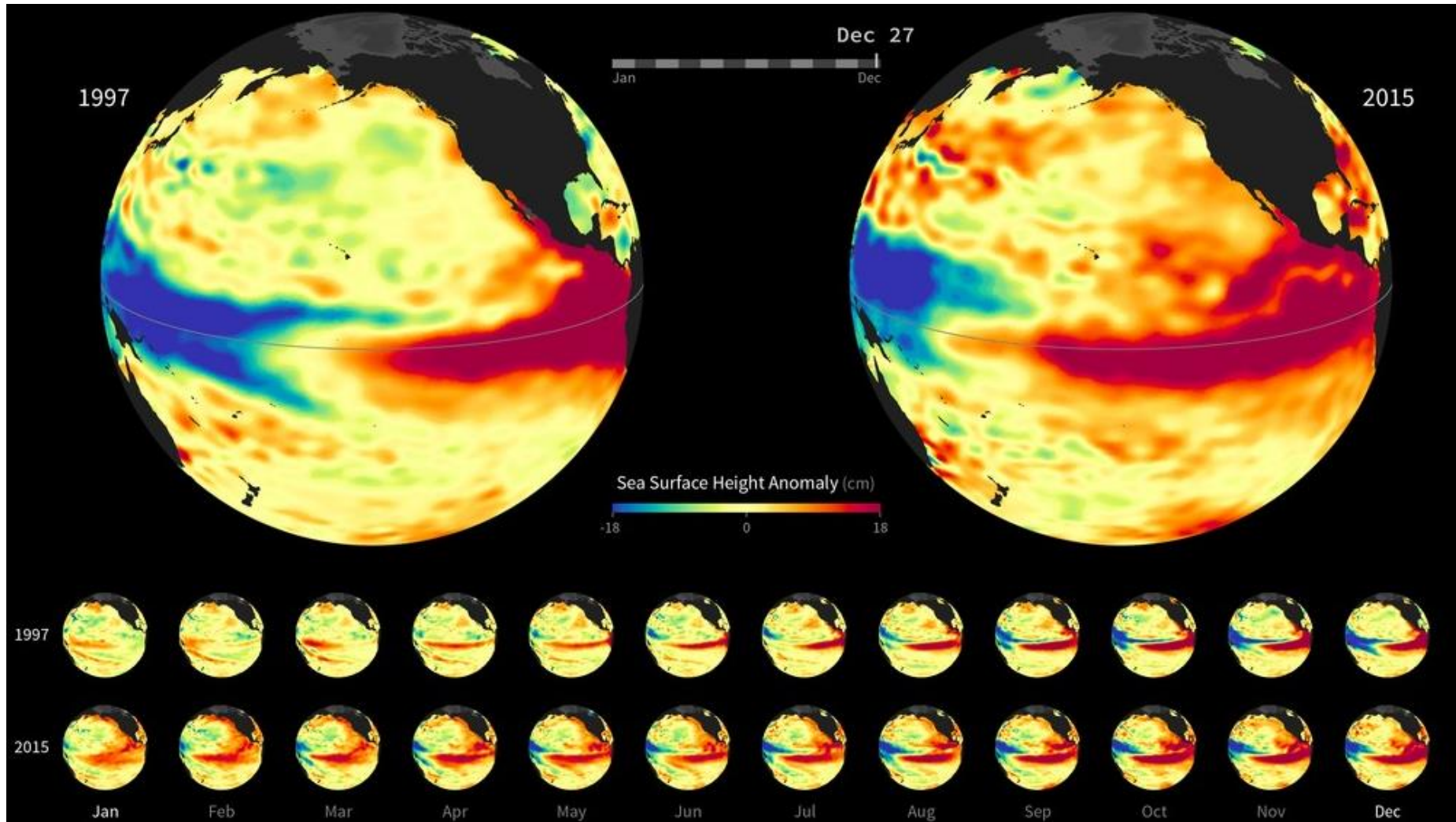
The “El Niño” phenomenon

What is “El Niño”



The “El Niño” phenomenon

What is “El Niño”



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SIPEF group

Current production



In Tonnes:

Palm oil own

- Tolan Tiga Group
- UMW/TUM Group*
- PT Agro Muko
- Hargy Oil Palms

Total palm oil own

Total palm oil outgrowers

Total palm oil

* An equivalent of 2 455 tonnes of palm oil have been sold to a neighbouring palm oil mill

	Total 2015	Total 2014	YoY%
	69 297	65 895	+5,2%
	27 789	19 530	+42,3%
	77 640	77 704	-0,1%
	63 822	56 494	+12,3%
Total palm oil own	238 548	219 623	+8,6%
Total palm oil outgrowers	52 359	48 865	+7,2%
Total palm oil	290 907	268 488	+8,4%

In Tonnes:

Total rubber

Total tea

Total bananas

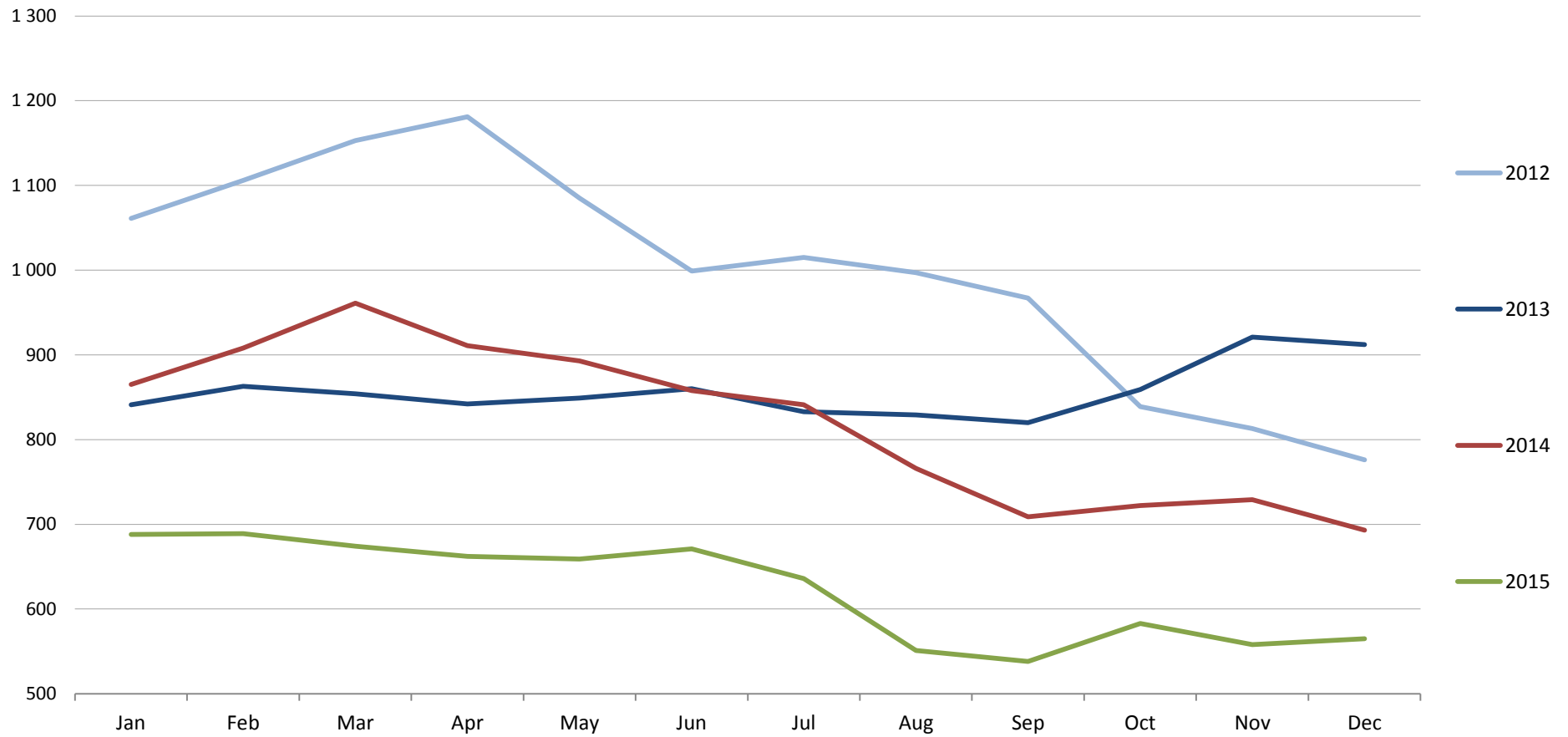
	Total 2015	Total 2014	YoY%
Total rubber	10 069	10 411	-3,3%
Total tea	2 726	2 816	-3,2%
Total bananas	24 286	23 595	+2,9%

SIPEF group

CPO price - CIF Rotterdam – USD



CPO prices

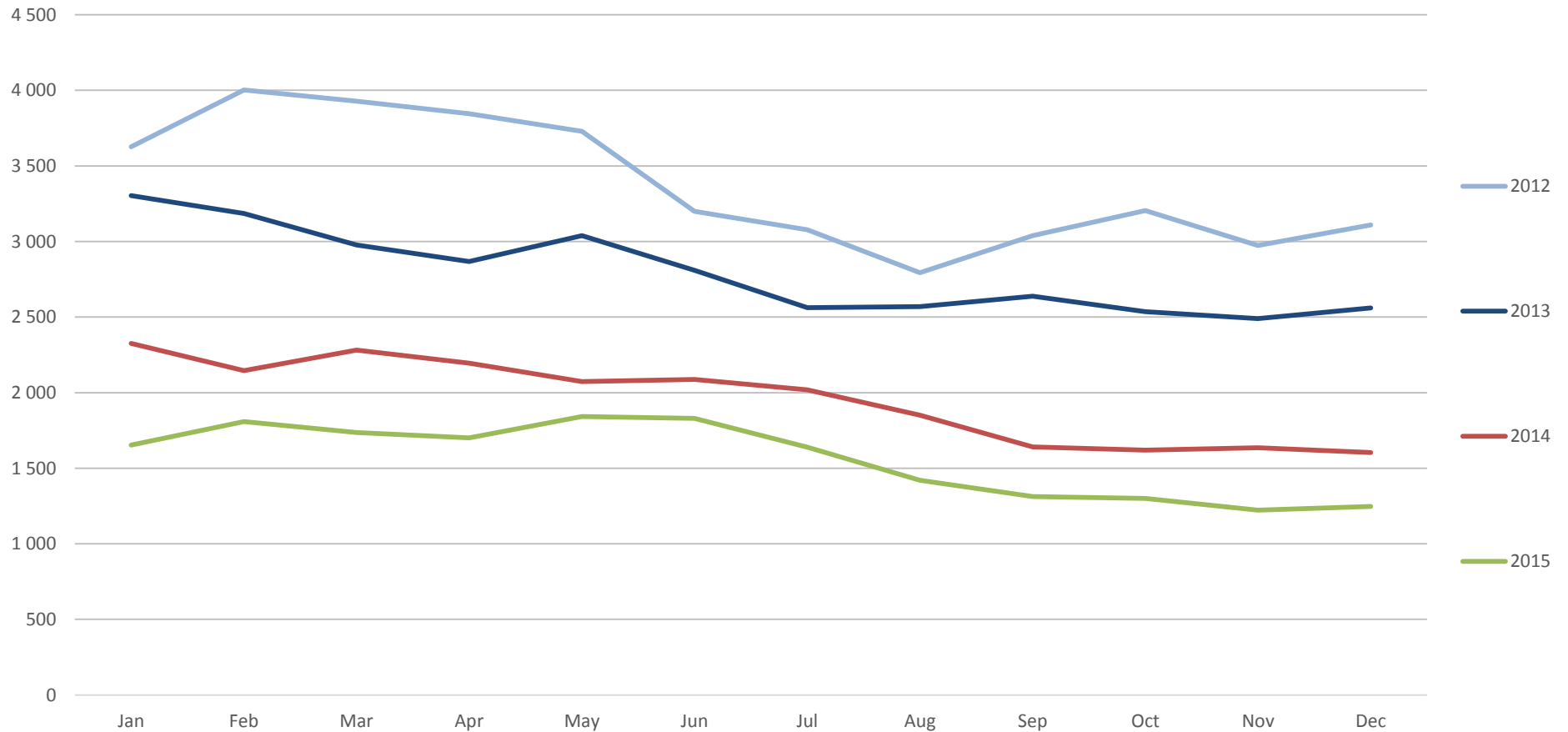


SIPEF group

Rubber price – FOB Malaysia - USD

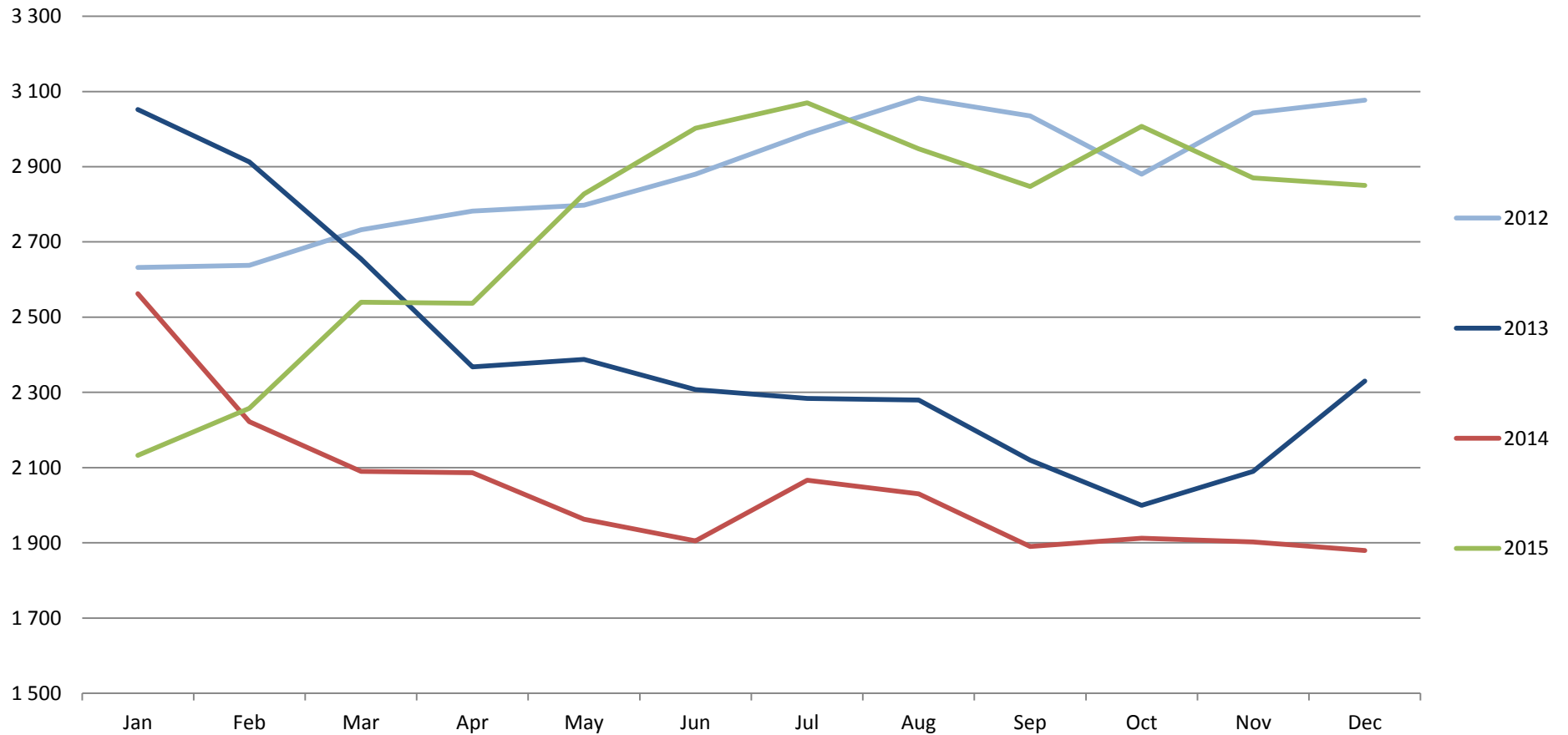


Rubber prices





Tea prices



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<i>In KUSD</i>	2014 IAS 41	Restatement	2014 IAS 41R
Biological assets (IAS 41)	328 859	-179 400	149 459
Other fixed assets	238 541		238 541
Investments in associates	73 557	-14 722	58 835
Financial assets	3 822		3 822
Deferred taks assets	3 013	+11 819	14 832
Net current assets, including cash	97 944		97 944
Assets held for sale	8 845	-895	7 950
Total assets	754 581	-183 198	571 383
Shareholders' equity, group share	547 515	-136 569	410 946
Non controlling interest	35 838	-13 364	22 474
Provisions	11 891		11 981
Deferred taks liabilities	62 820	-33 265	29 555
Current liabilities	96 517		96 517
Total liabilities	754 581	-183 198	571 383

- 2014 IAS 41R result is approximately the “before IAS 41” result, with minor changes:
 - Additional capital gain on the sale of PT Timbang Deli
 - Return to “deemed cost” of the biological assets of Galley Reach Holding
 - Other minor items
 - Total additional profit: + 447 KUSD (Share of the group)
- 2014 restated cash flow is only different in starting result and deduction of non-cash items

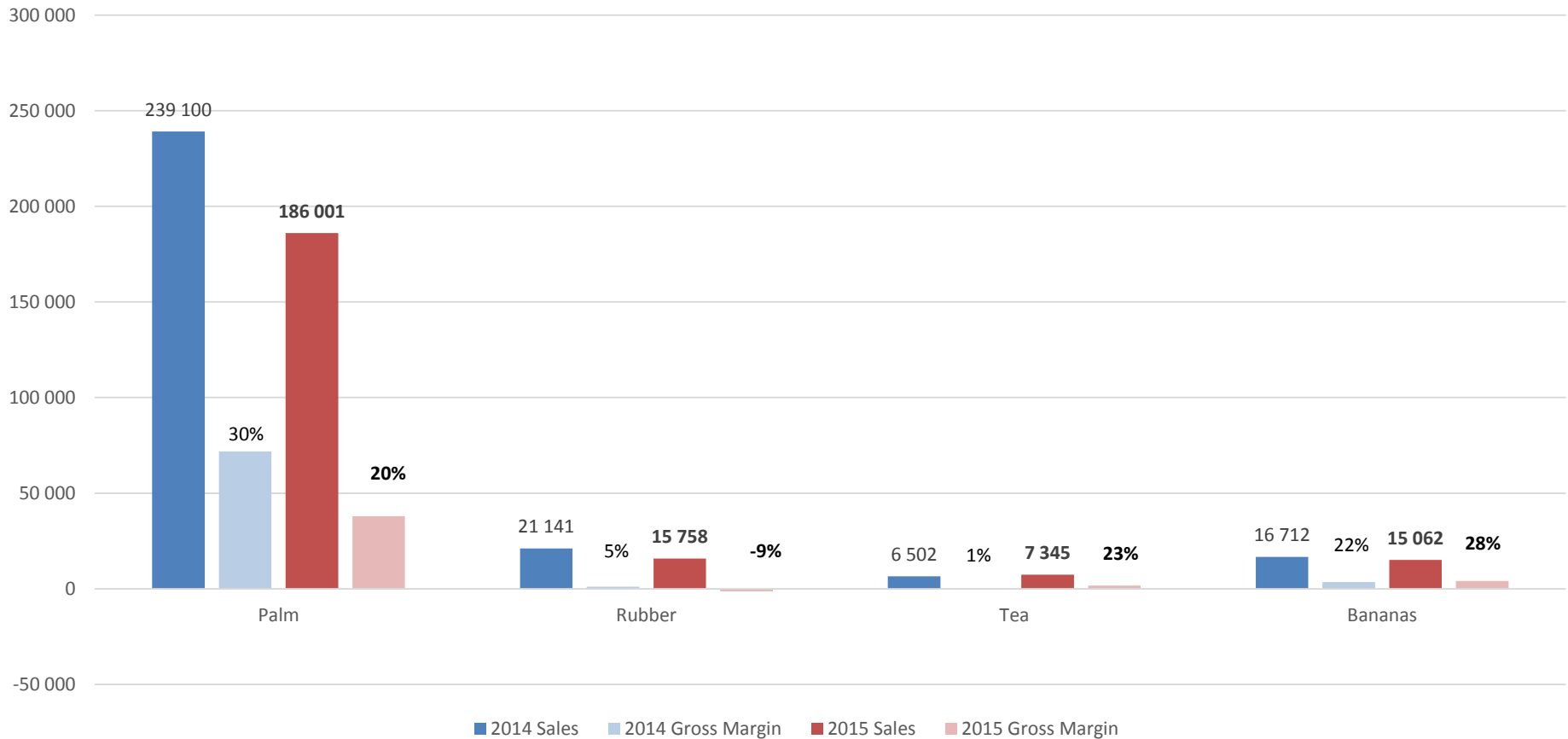
SIPEF group

Sales – Gross margin



Total consolidated turnover (including corporate)

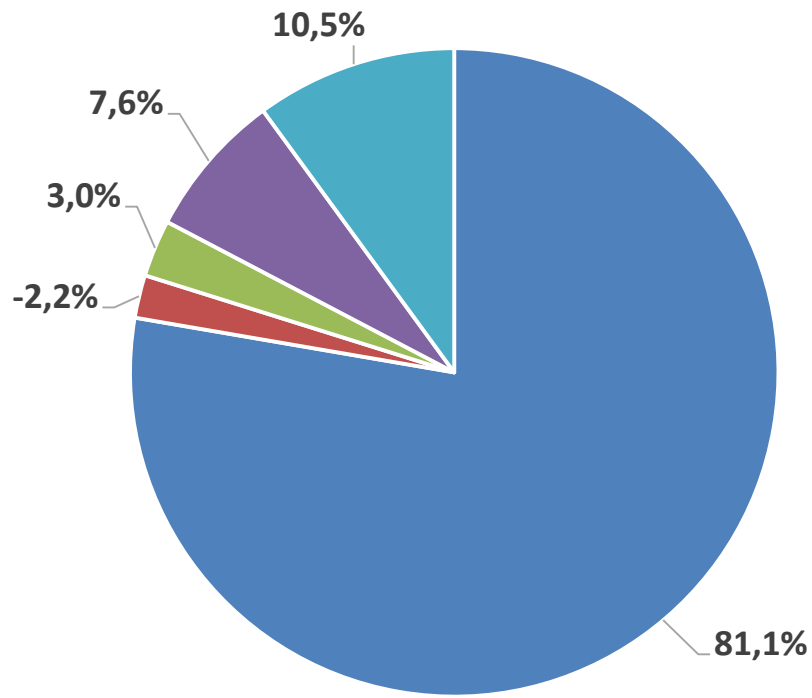
- 2015: 225 935 KUSD
- 2014: 285 899 KUSD



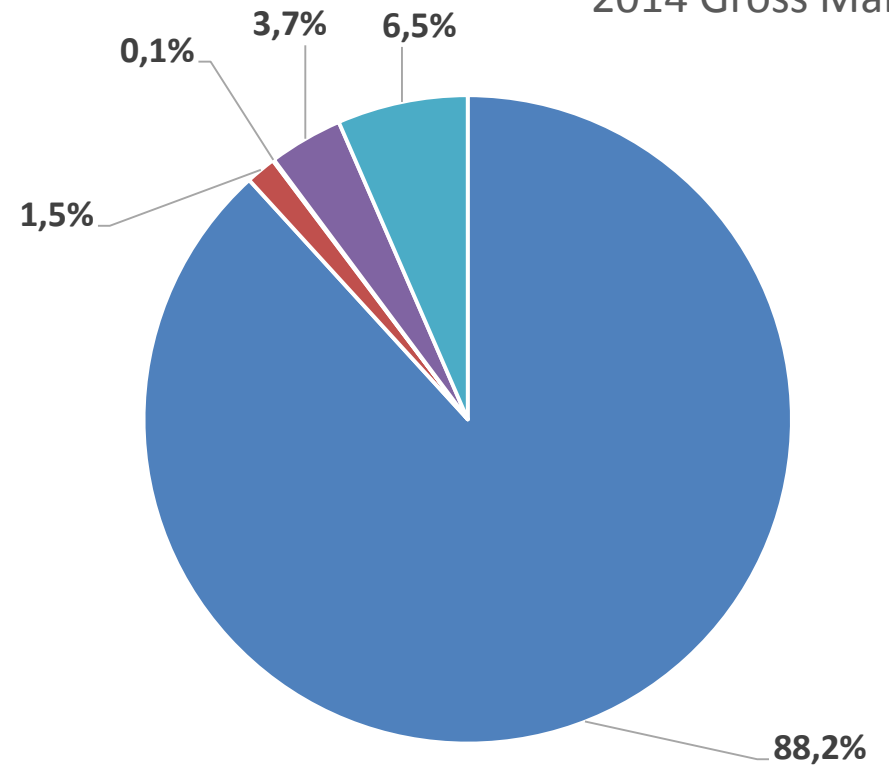
Total gross margin 2015: KUSD 53 075

Total gross margin 2014: KUSD 92 841

2015 Gross margin



2014 Gross Margin



■ Palm ■ Rubber ■ Tea ■ Bananas ■ Corporate

■ Palm ■ Rubber ■ Tea ■ Bananas ■ Corporate



Profit and loss

In KUSD

	2015	2014
Gross Margin	53 075	92 841
Services and administration	- 26 520	- 29 191
Other operating income/(charges)	888	7 995
Financial income/charges	- 709	- 619
Exchange result	102	57
Result before tax	26 836	71 083
Tax	-7 786	-23 077
Insurance	176	634
Result after tax	19 226	48 520
Effect of the IAS 41 restatement	0	447
Result after tax after IAS 41 restatement	19 226	48 967

Balance sheet

In KUSD

	2015	2014
Biological assets- bearer plants	163 505	149 459
Other fixed assets	302 492	301 198
Net assets held for sale	6 943	7 522
Net current assets, net of cash	40 419	26 472
Net cash position	- 50 521	- 24 617
Total net assets	462 838	460 034
Shareholders' equity, group share	413 862	410 946
Non controlling interest	23 312	22 474
Provisions and deferred tax liabilities	25 664	26 614
Total net liabilities	462 838	460 034

Cash flow

In KUSD

	2015	2014
Cash flow from operating activities	49 890	80 599
Change in net working capital	-8 062	11 654
Income taxes paid	-10 471	-18 516
Cash flow from operating activities after tax	31 357	73 737
Acquisitions intangible and tangible assets	-49 002	-58 380
Acquisitions financial assets	-1 750	0
Operating free cash flow	-19 395	15 357
Dividends received from associated companies and JV	7 315	12 087
Proceeds from sale of assets	2 132	-180
Free cash flow	-9 948	27 264
Equity transactions with non-controlling parties	-3	-8
Decrease/(increase) of treasury shares	-2 040	0
Net free cash flow	-11 991	27 256

Production

- Variable production patterns during the first months (El Niño!)
- Young oil palms in Hargy will boost production

Markets

- We expect a slight increase in palm oil prices
- Rubber prices will continue to struggle
- Tea price is expected to remain stable

Cash flow and expansion

- Investment focus remains on Musi Rawas project
- No structural debt

Result

- At current market prices we expect the result for 2016 to be slightly down on the 2015 annual results

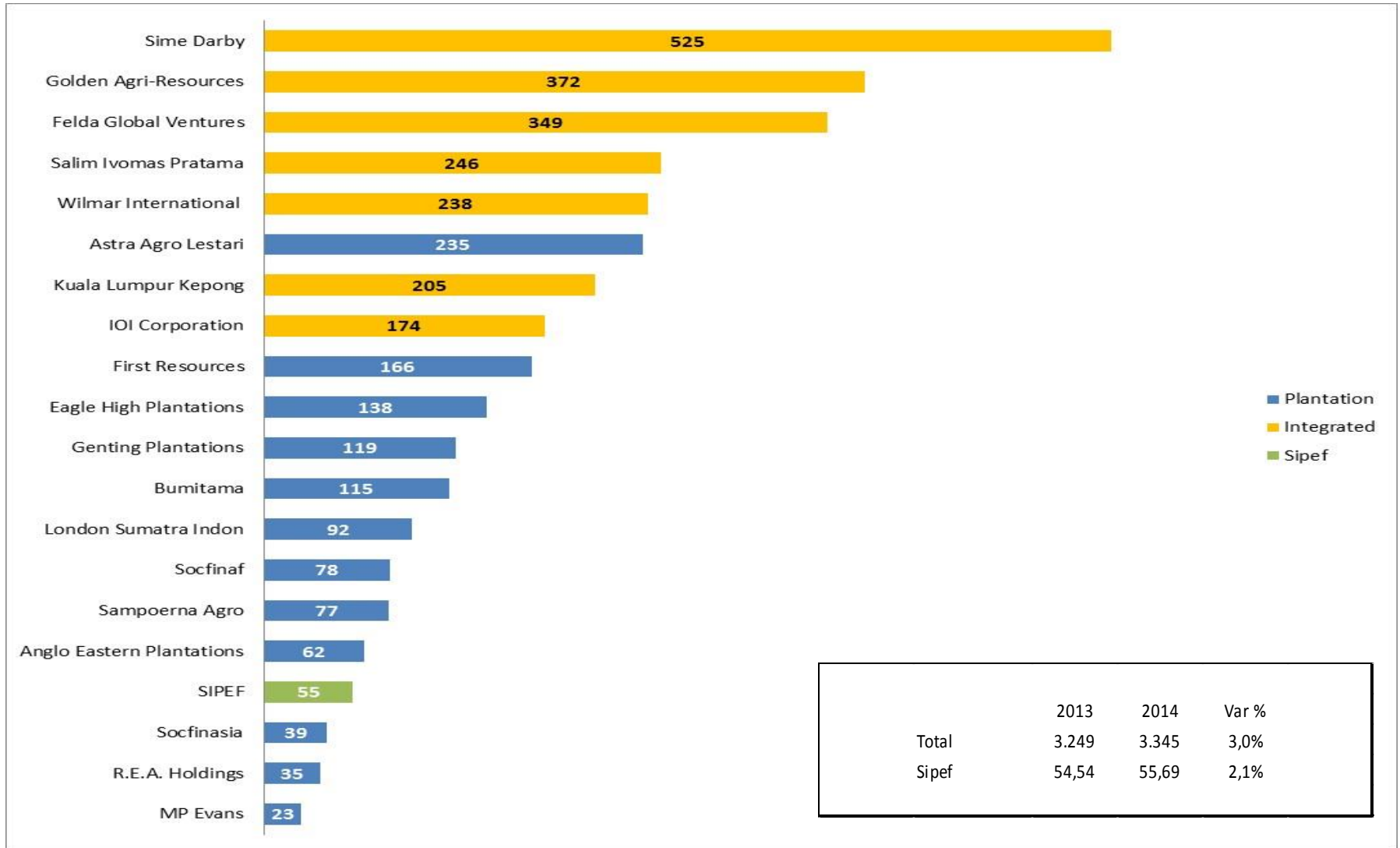
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- **Peer review**

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.

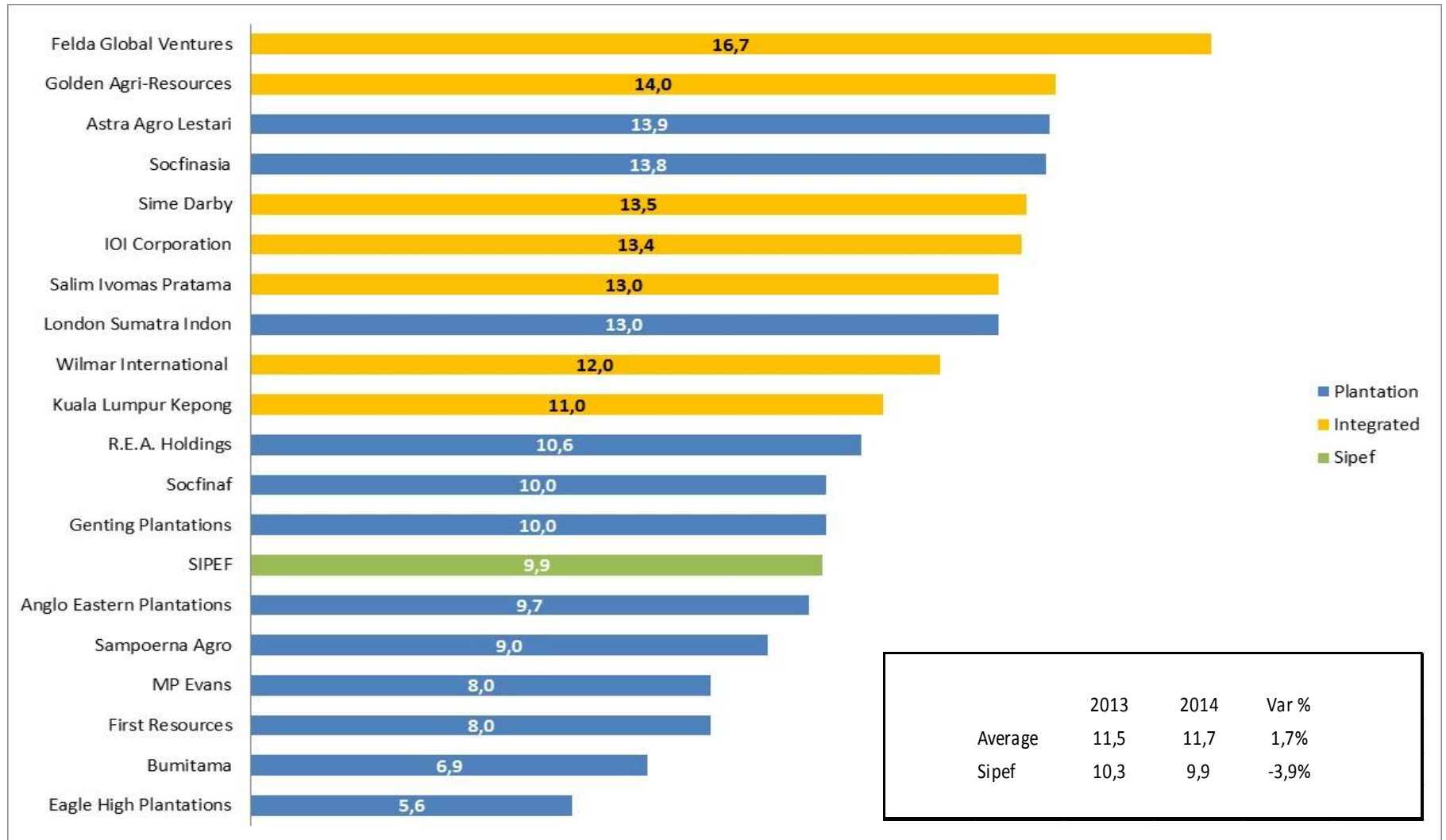
Owned Planted Oil Palm Hectares in KHa (2014)



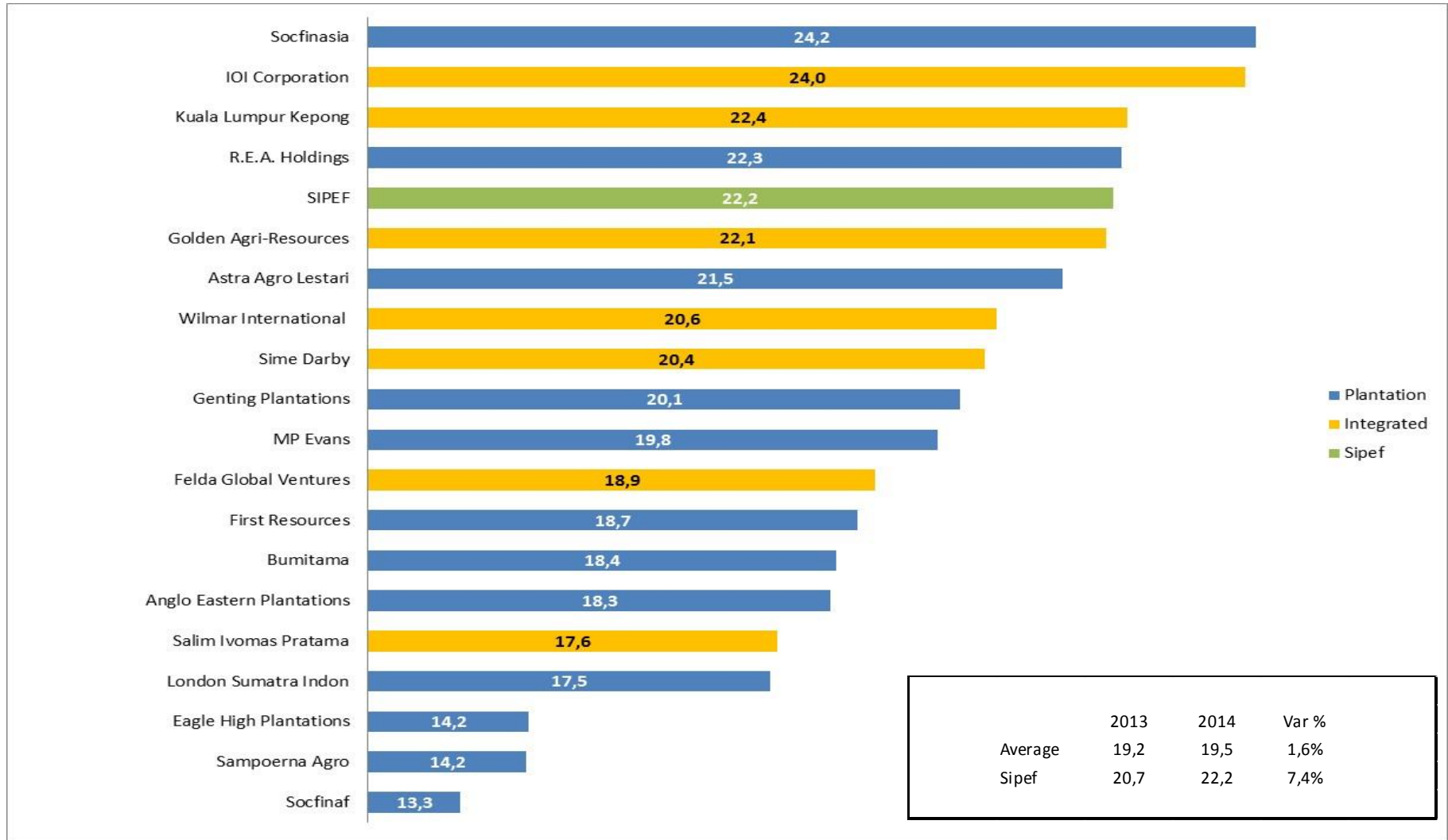
Peer review



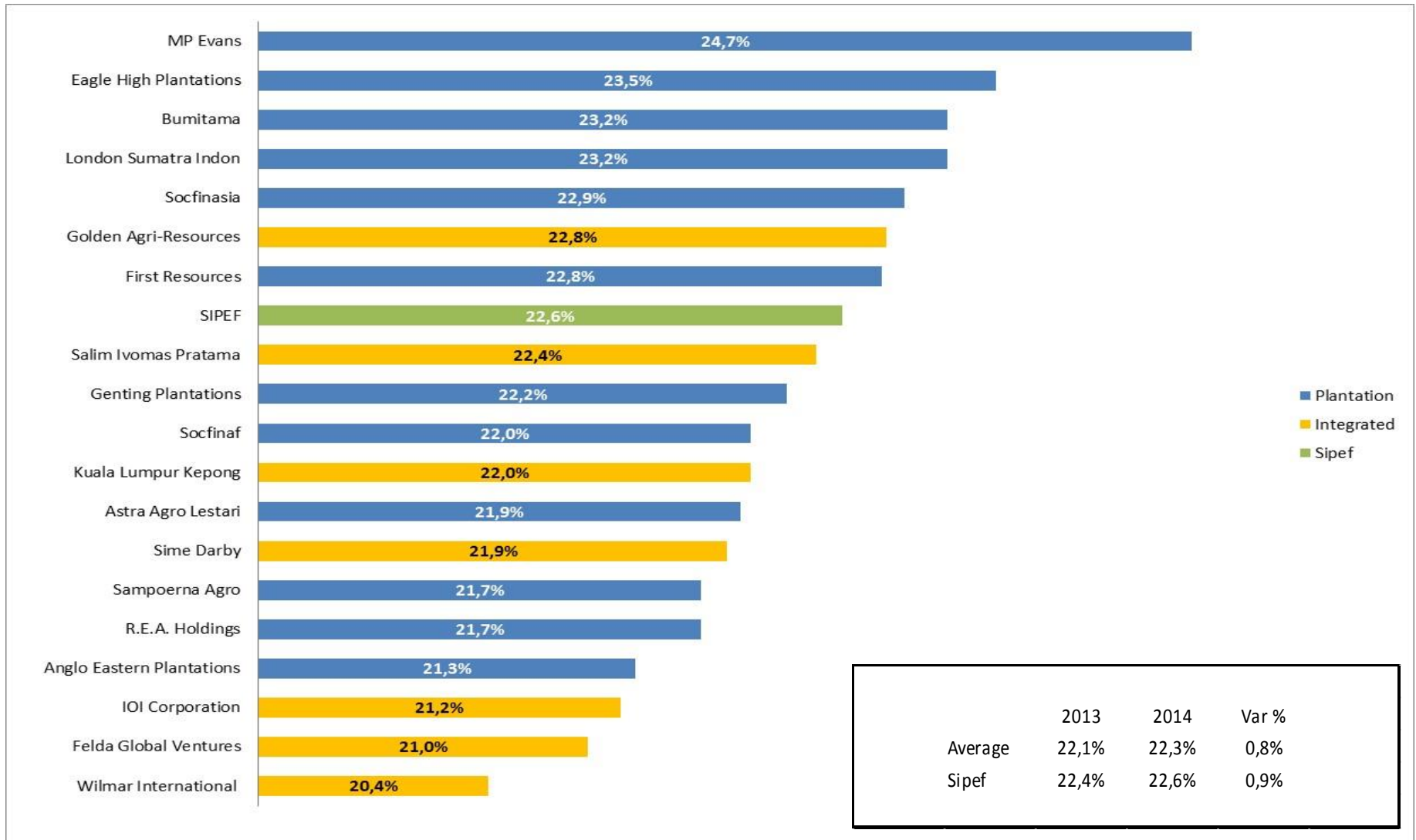
Age Profile : Average Age Planted Hectares (2014)



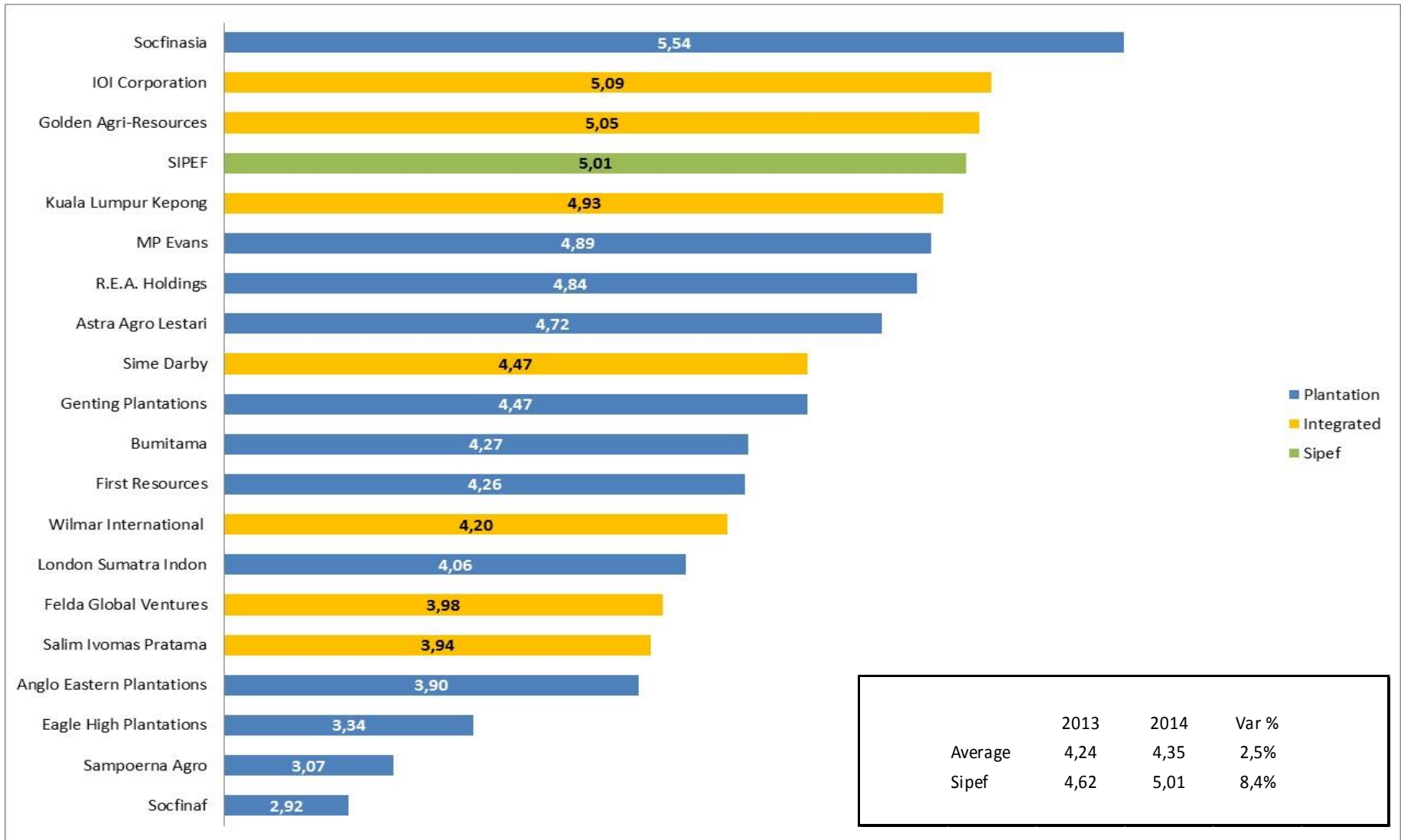
FFB Yields – MT/ha (2014)



Extraction Rate from FFB to CPO (2014)

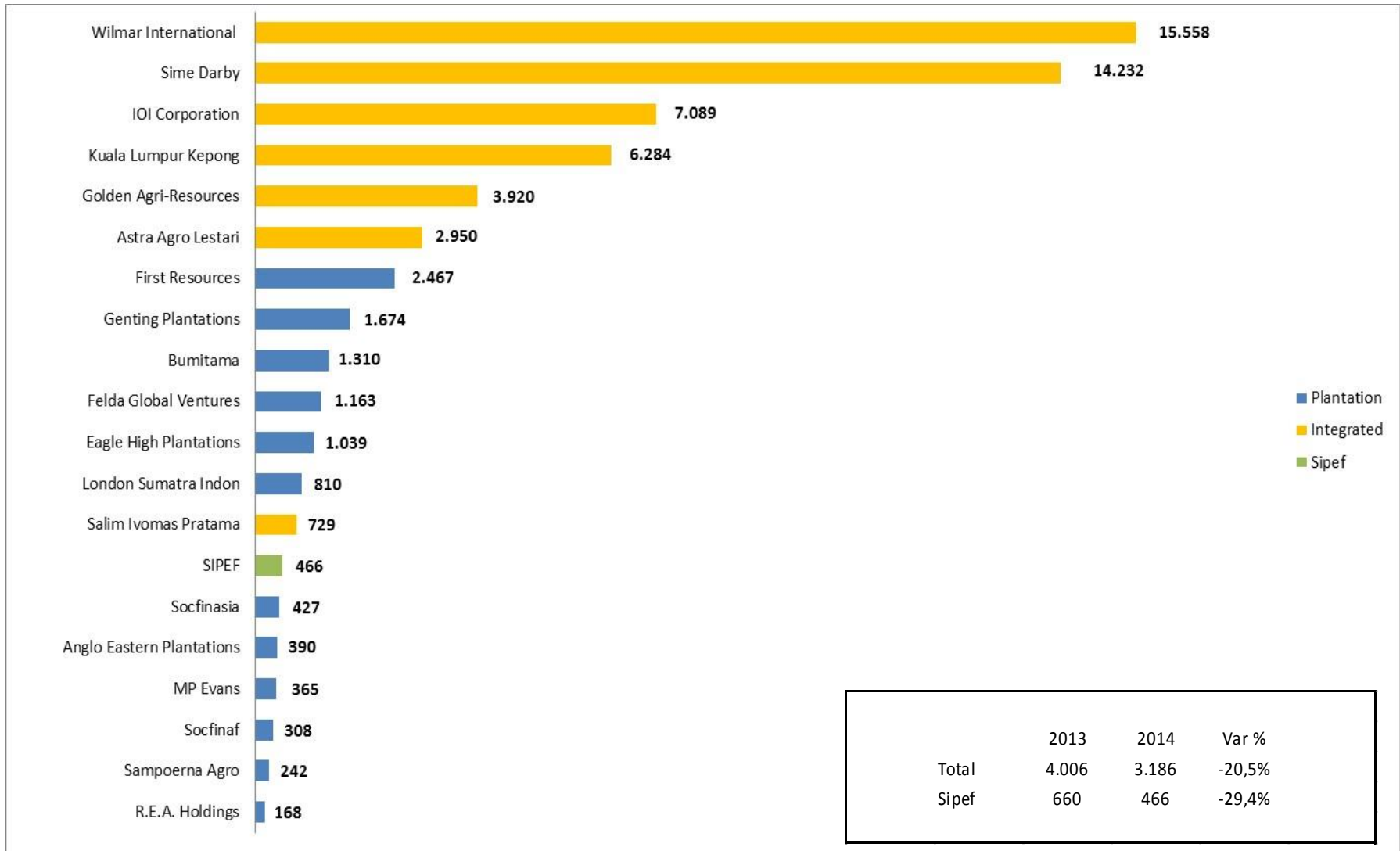


CPO Yields – MT/ha (2014)



Peer review

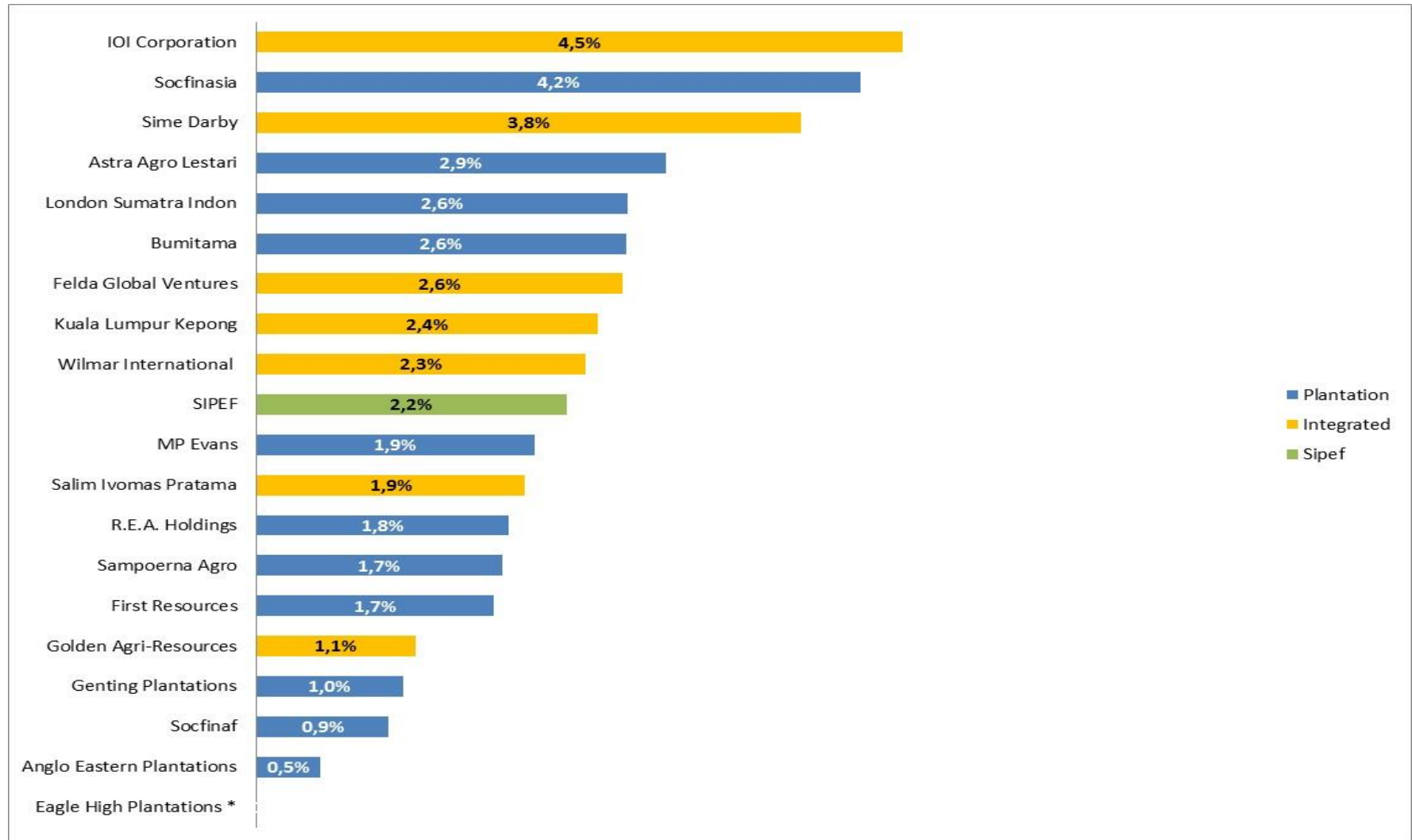
Market Cap in MUSD (July 2015)



Peer review



Dividend Yields (Based on Average Market Cap 2014)



* No dividend pay-out

Peer review

Net financial debt/Equity Ratio (2014)

