



## Shareholder's plantation visit April 2016

The Connection to the world of  
Sustainable Tropical Agriculture



- **Sipef group – Company profile**
- The world of natural rubber
- World agriculture
- The world of palm oil
- The world of tea



## 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 – 31 december 2015

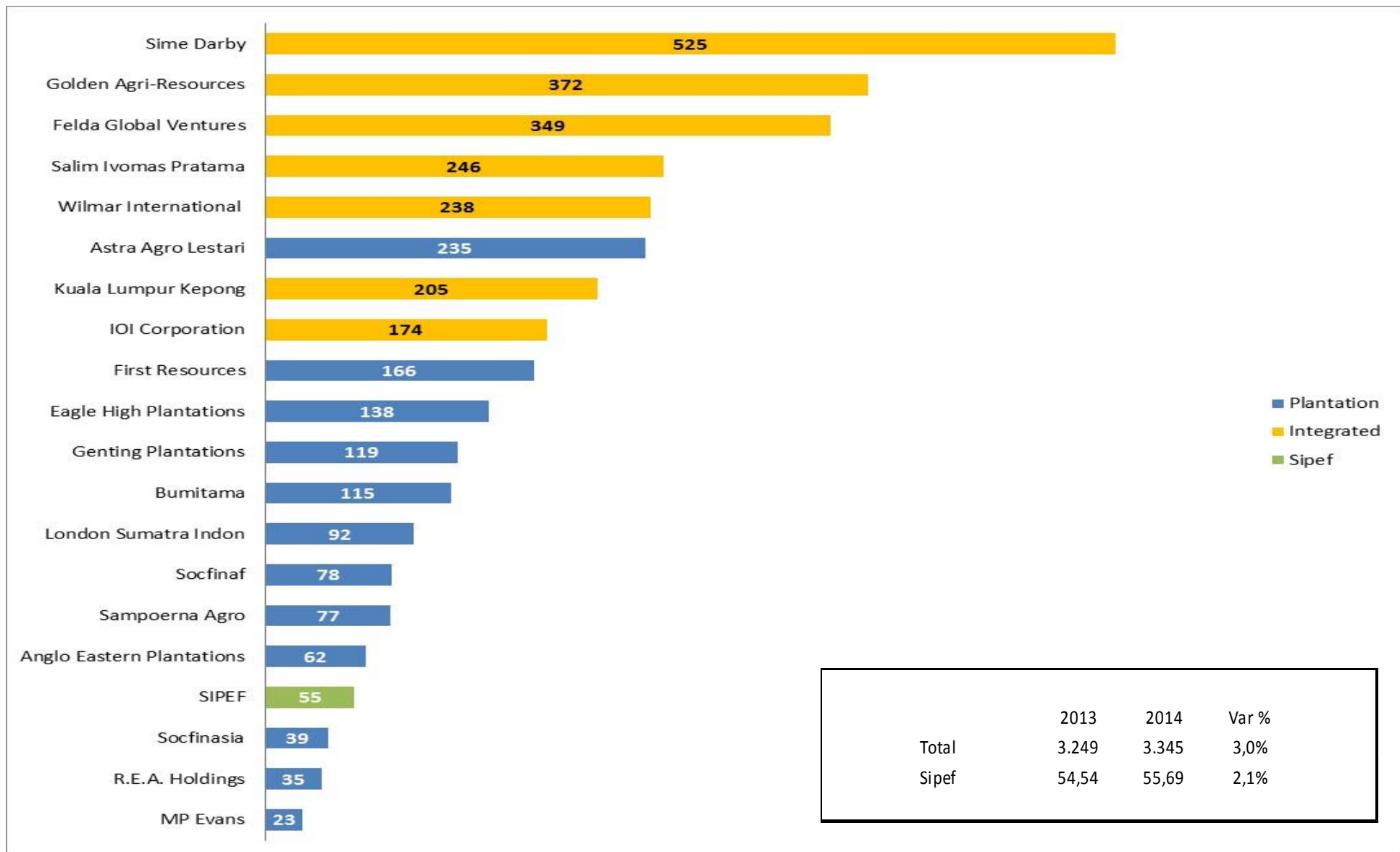


	Palm	Rubber	Tea	Bananas	Other	Total	% Group share	
Indonesia	44 762	6 250	1 777			<b>52 789</b>	75%	38 364
PNG	13 558	3 283			58	<b>16 899</b>	24%	16 899
Ivory coast				630	42	<b>672</b>	1%	672
	<b>58 320</b>	<b>9 533</b>	<b>1 777</b>	<b>630</b>	<b>100</b>	<b>70 346</b>	<b>100%</b>	<b>55 935</b>
%	82%	14%	3%	1%	0%	<b>100,0%</b>		
Group share	45 898	7 703	1 604	630	100	55 935		



# SIPEF group

## Hectare comparison



# 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%
<b>Total palm oil own</b>	<b>238 548</b>	<b>219 623</b>	<b>+8,6%</b>
<b>Total palm oil outgrowers</b>	<b>52 359</b>	<b>48 865</b>	<b>+7,2%</b>
<b>Total palm oil</b>	<b>290 907</b>	<b>268 488</b>	<b>+8,4%</b>

### In Tonnes:

#### Total rubber

#### Total tea

#### Total bananas

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

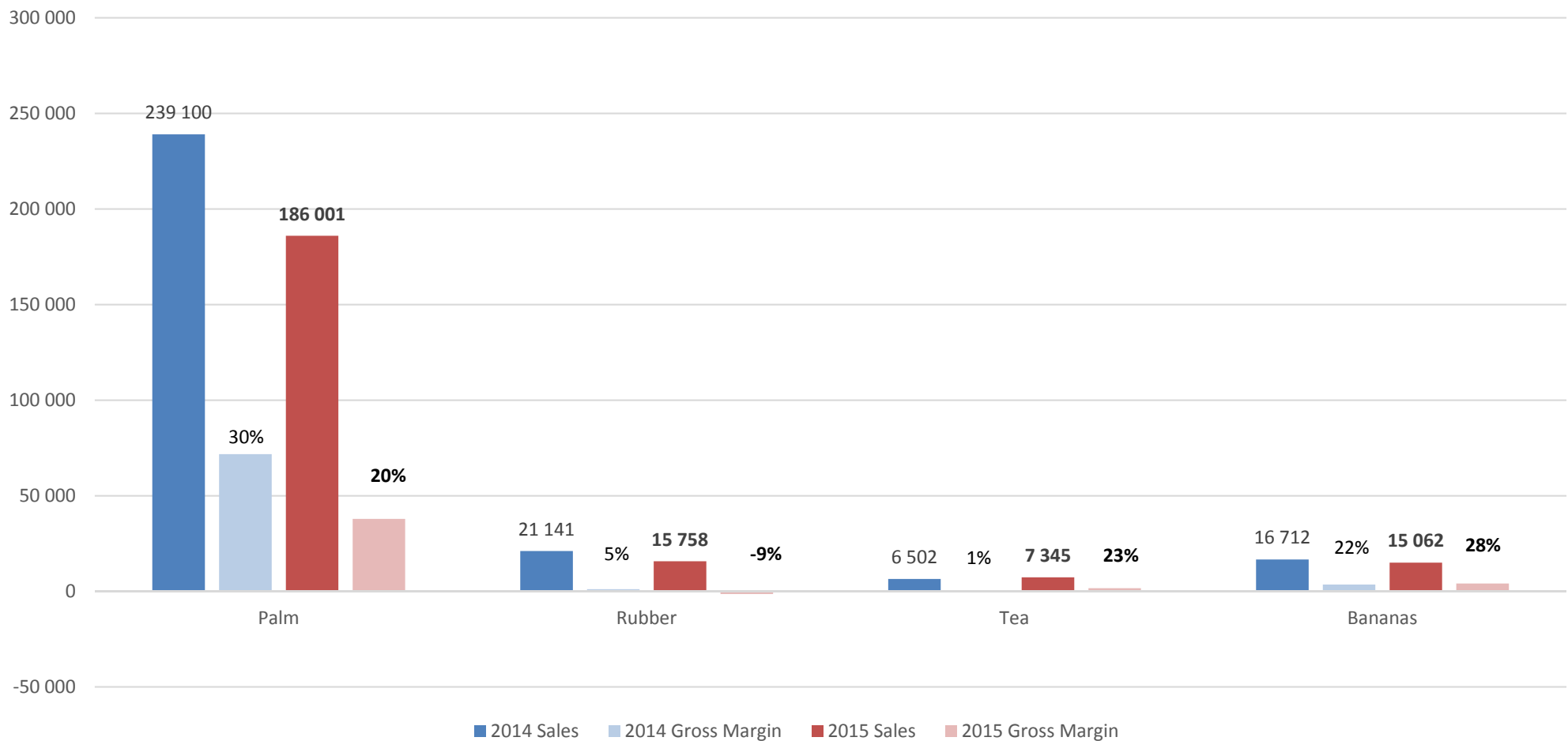
# SIPEF group

## Sales – Gross margin



### Total consolidated turnover (including corporate)

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

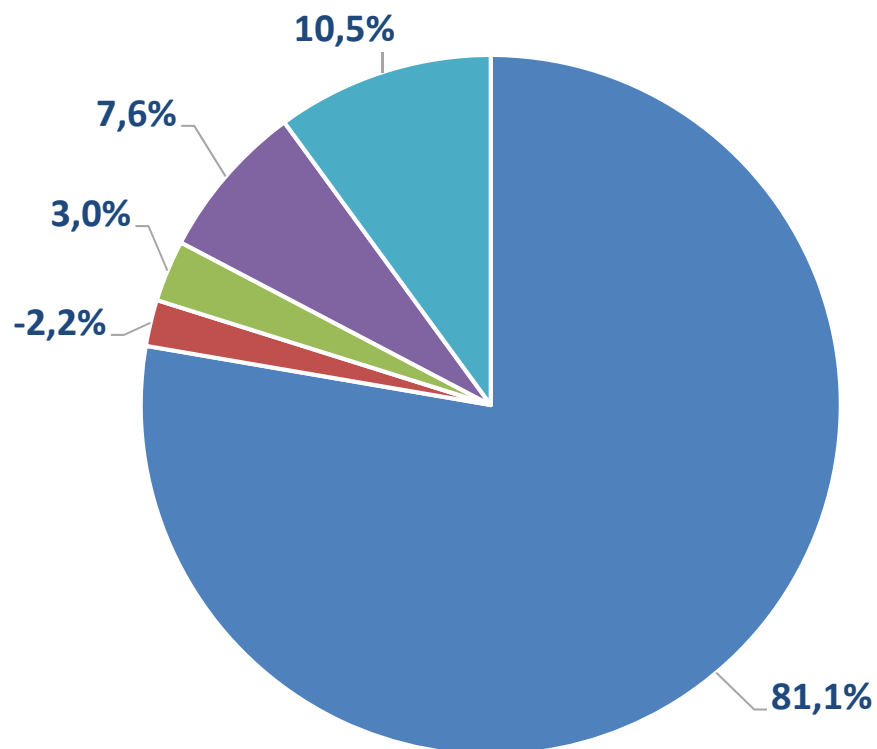




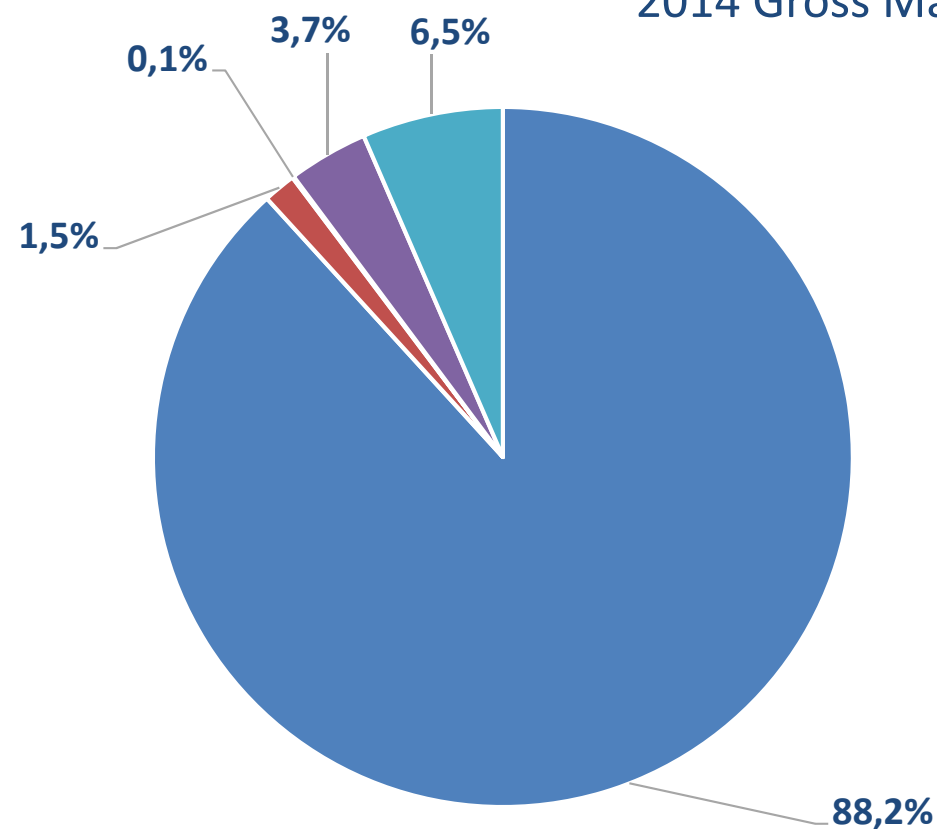
Total gross margin 2015: KUSD 53 075

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*

#### **Gross Margin**

Services and administration

Other operating income/(charges)

Financial income/charges

Exchange result

#### **Result before tax**

Tax

Insurance

#### **Result after tax**

Effect of the IAS 41 restatement

#### **Result after tax after IAS 41 restatement**

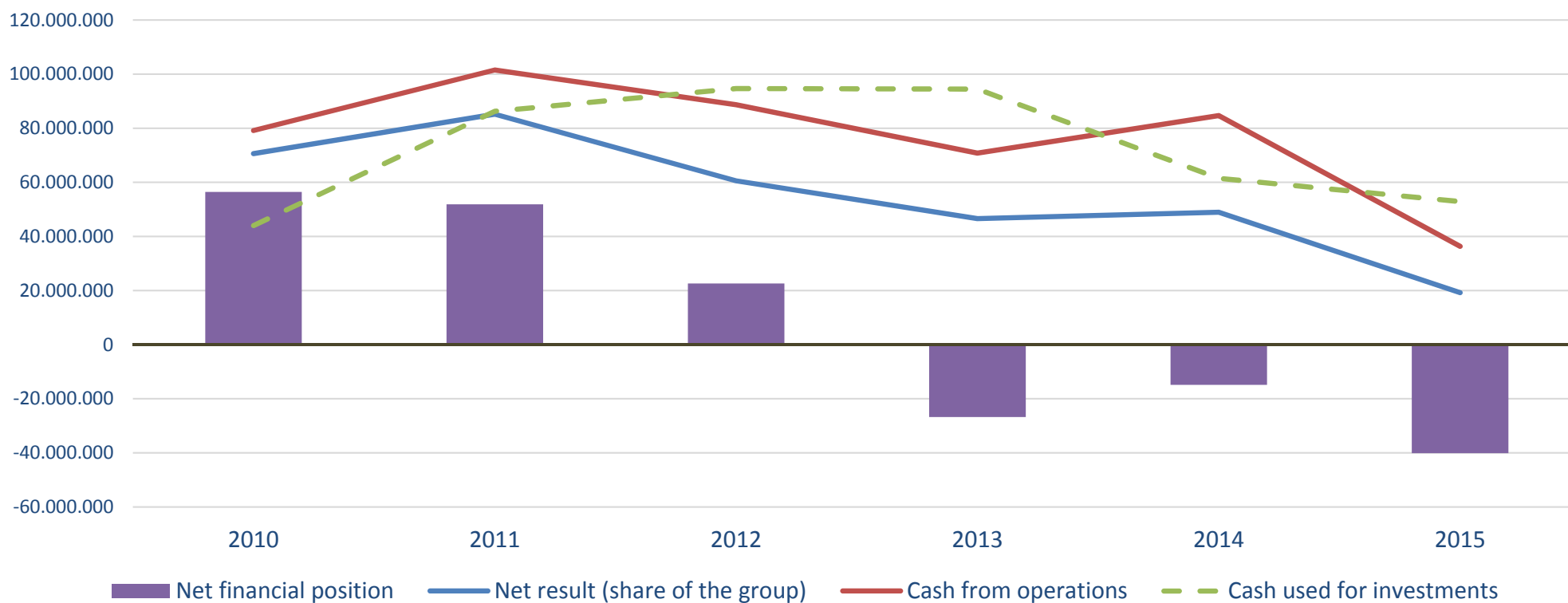
	2015	2014
<b>Gross Margin</b>	<b>53 075</b>	<b>92 841</b>
Services and administration	- 26 520	- 29 191
Other operating income/(charges)	888	7 995
Financial income/charges	- 709	- 619
Exchange result	102	57
<b>Result before tax</b>	<b>26 836</b>	<b>71 083</b>
Tax	-7 786	-23 077
Insurance	176	634
<b>Result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

# SIPEF group

## Cash flow - Key figures



Cash flow – Key figures



### Dividend information

	2010	2011	2012	2013	2014	2015
Dividend per share (in EUR)	1,50	1,70	1,70	1,25	1,25	0,60
Total dividend paid (in EUR)	13.427.610	15.217.958	15.217.958	11.189.675	11.189.675	5.371.044

# 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 38 365 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 Ha to 15 102 Ha**
  - Finalize palm oil expansion with an additional 1 544 Ha
  - In area where we are operating
  - Sale of our 3 341 Ha rubber plantation in PNG

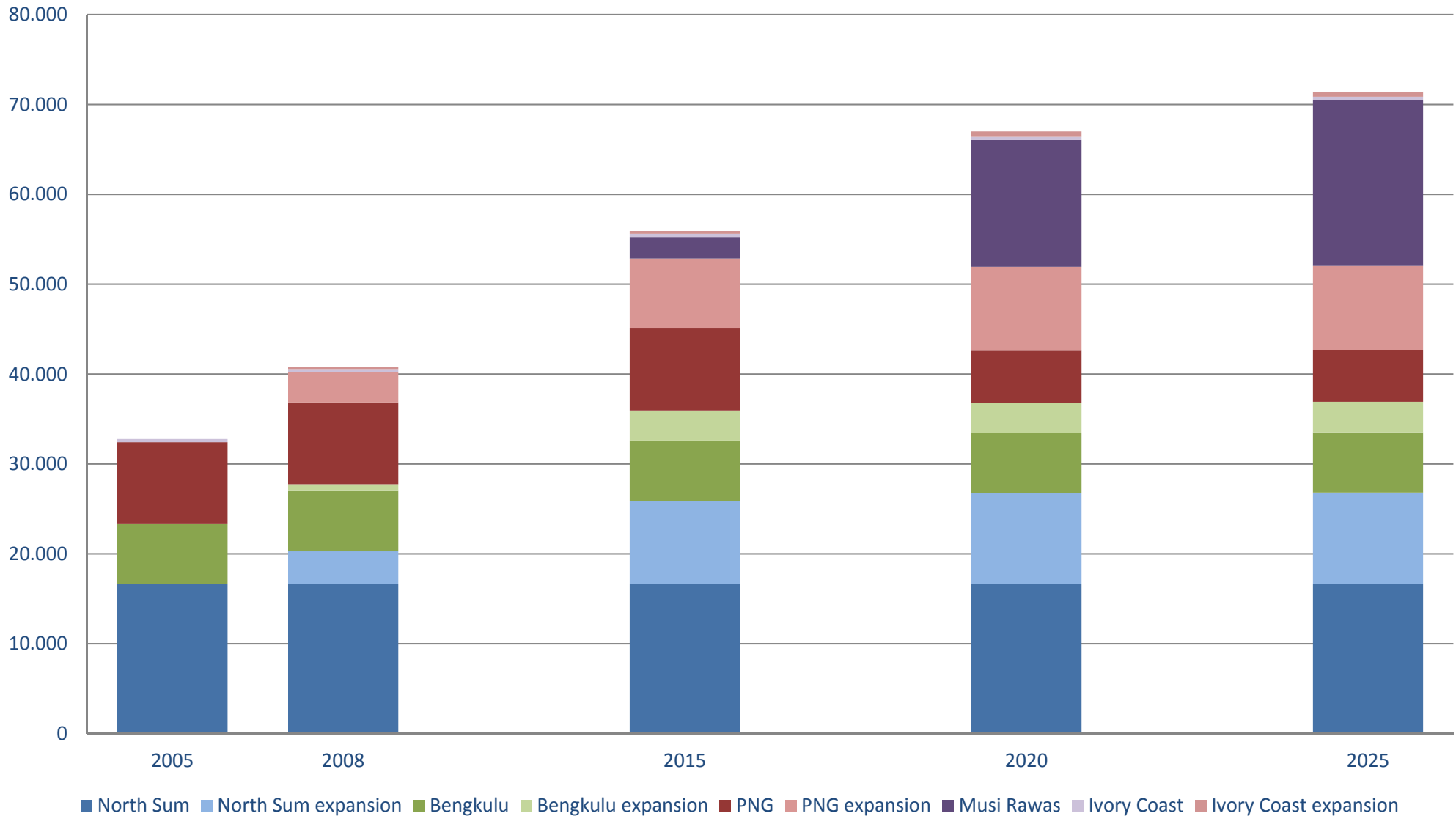
## Ivory Coast

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



# SIPEF group

## Future expansion



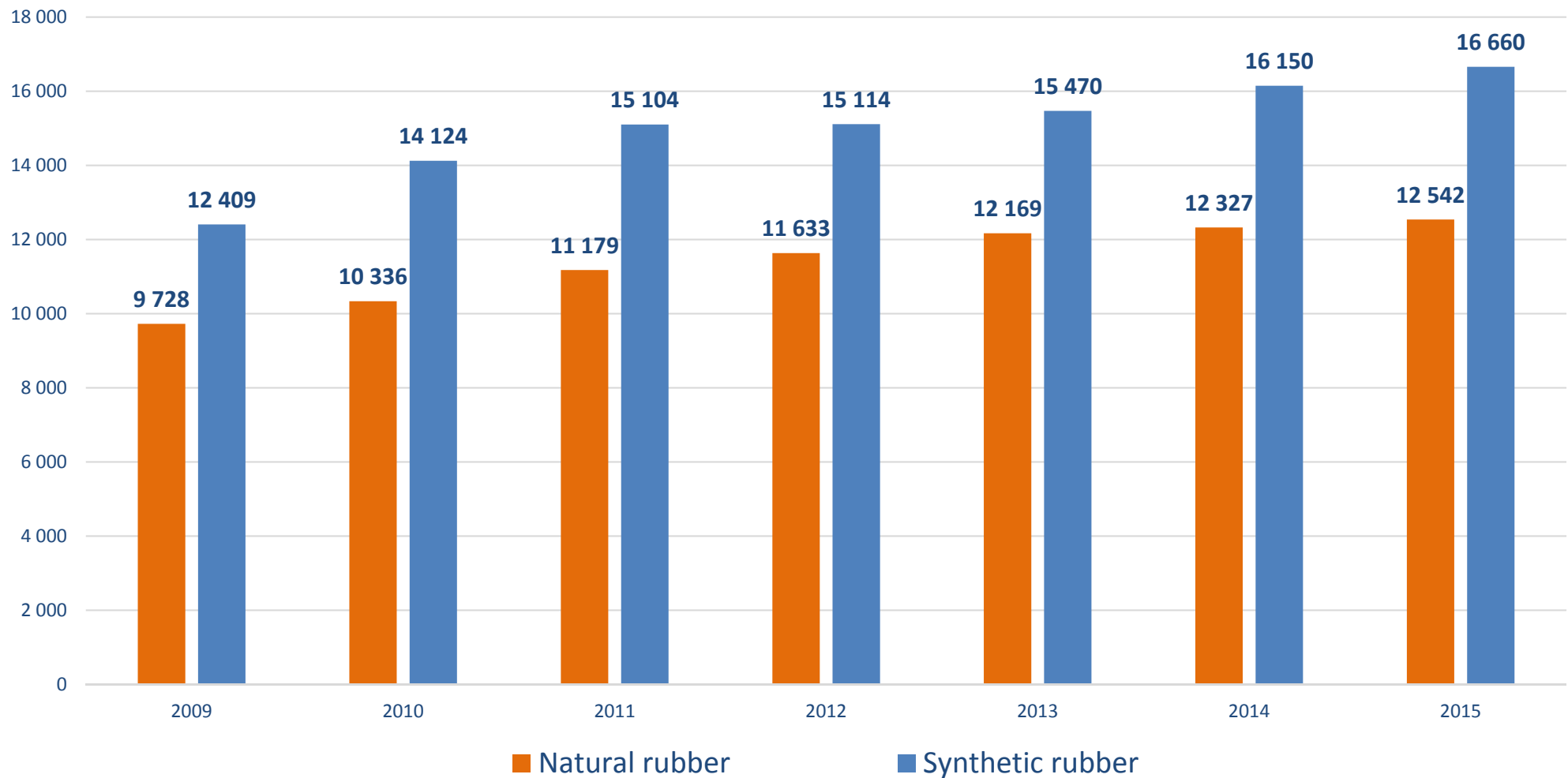
- Sipef group – Company profile
- **The world of natural rubber**
- World agriculture
- The world of palm oil
- The world of tea

# The world of natural rubber

## Synthetic vs natural rubber

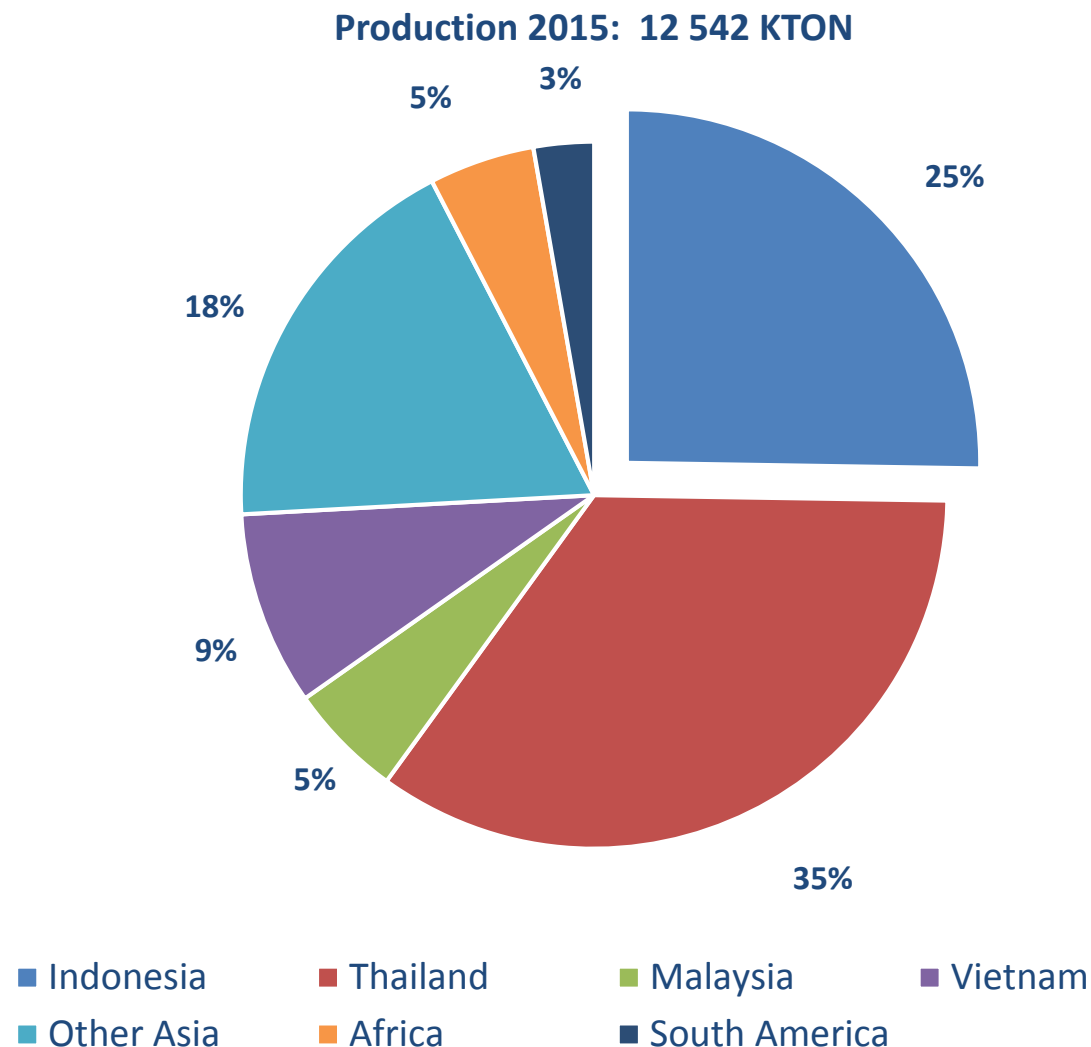


Synthetic vs natural rubber (in KTON)



# The world of natural rubber

## World production



Natural rubber production is primarily done in Asia:

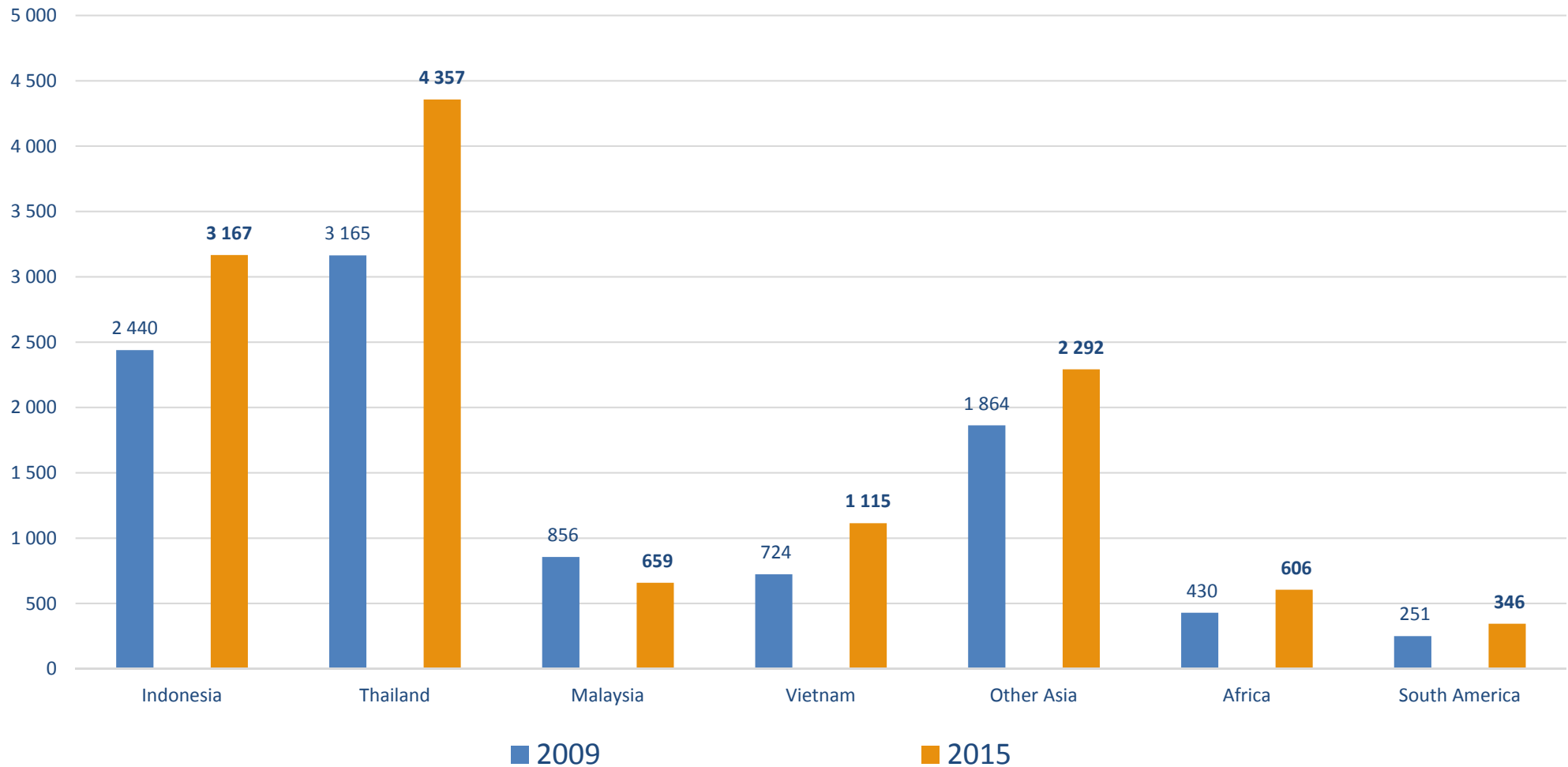
- Indonesia and Thailand represent 60% of the world's rubber production
- Other Asian countries mainly include India and China.
- The Sipef – group produced 10 069 tonnes of rubber in 2015.

# The world of natural rubber

## World production

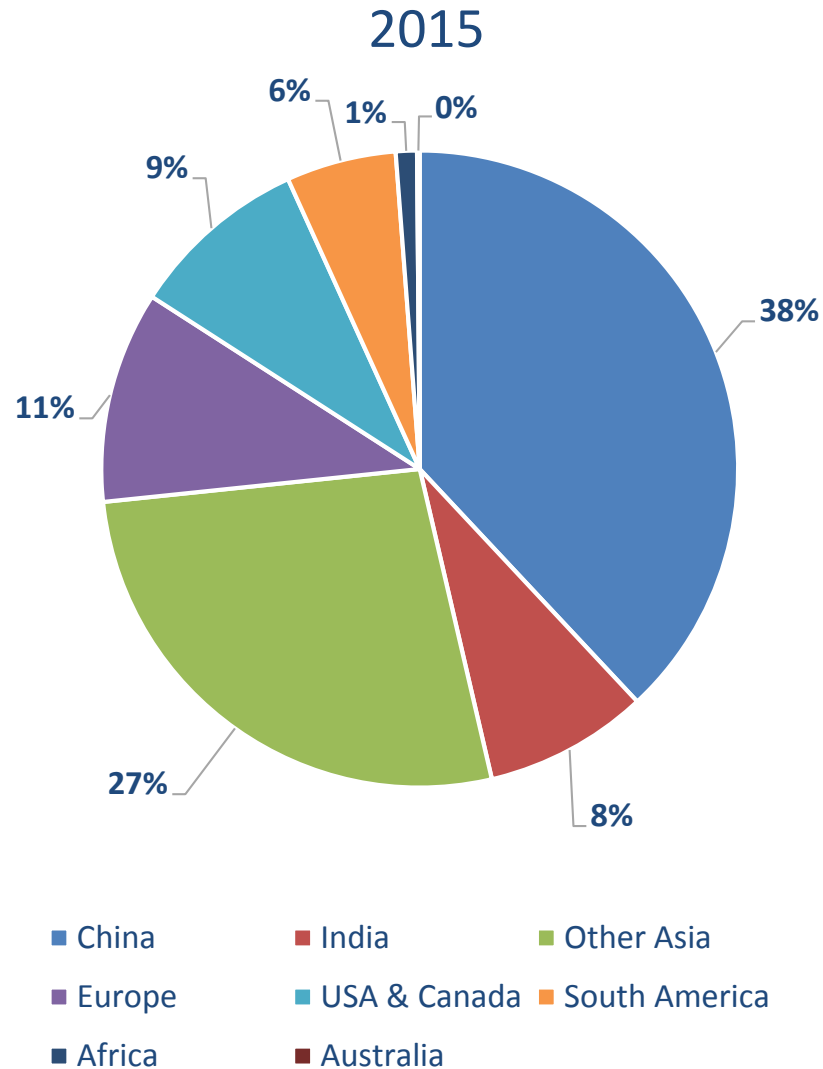


World rubber production (in KTON)



# The world of natural rubber

## World consumption



Rubber consumption is primarily done in Asia

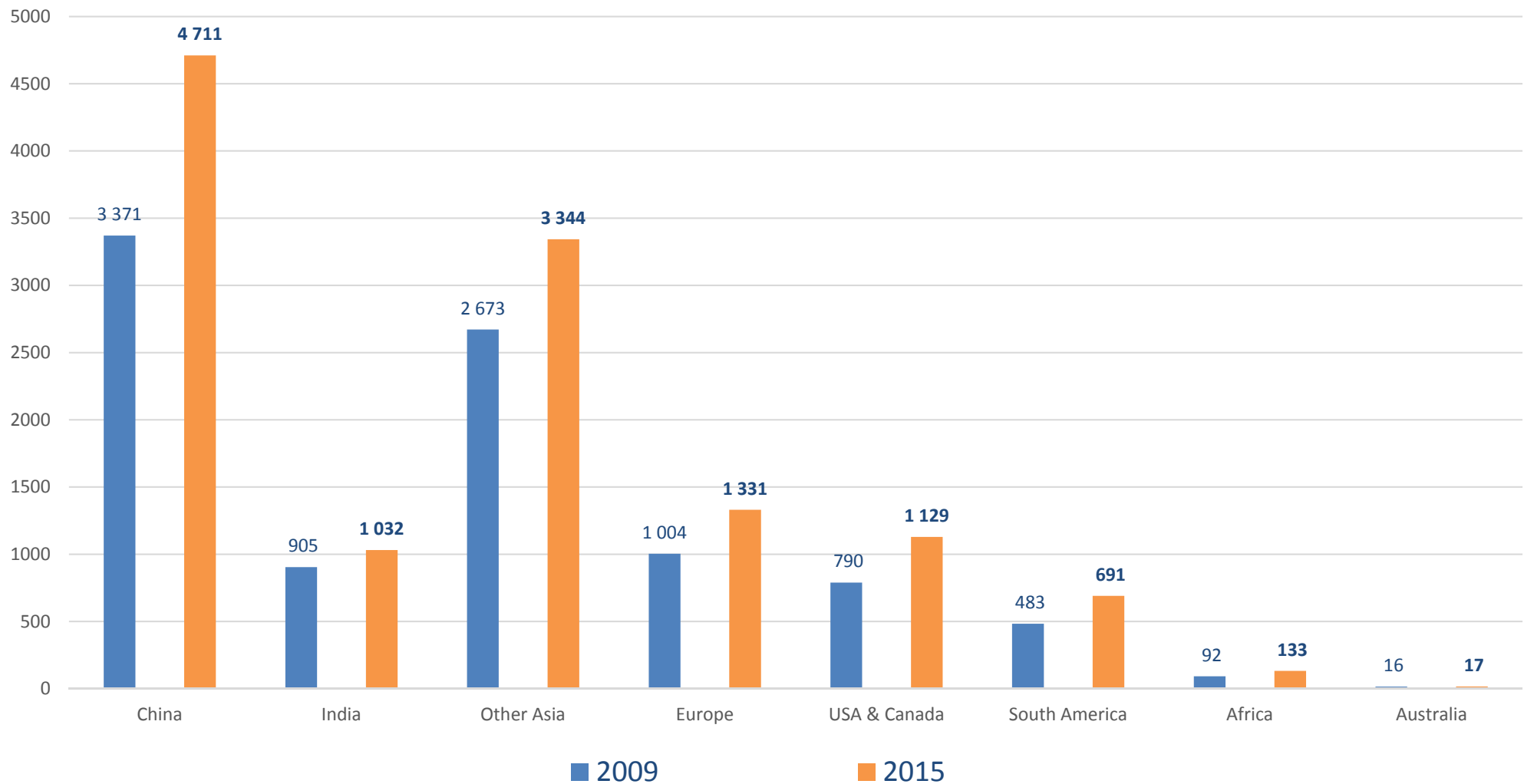
- China is still the principal consumer of natural rubber
- Other Asia mainly includes Japan, Thailand, Indonesia and Korea

# The world of natural rubber

## World consumption

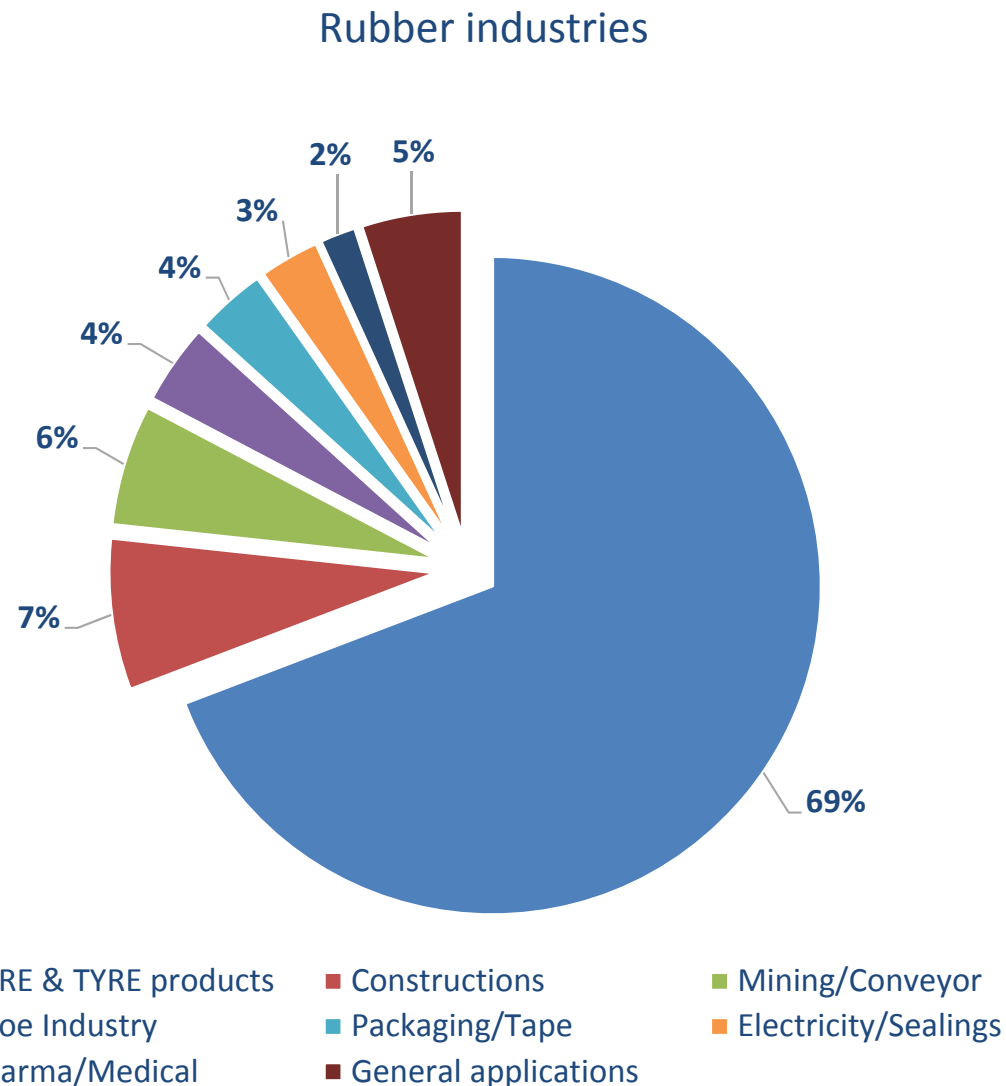


World rubber consumption (in KTON)



# The world of natural rubber

## Rubber industries



- Natural rubber is still primarily used in tyre products, along with synthetic rubber
- Natural rubber offers good elasticity, whilst synthetic rubber materials offer better resistance to temperature, oil, ...

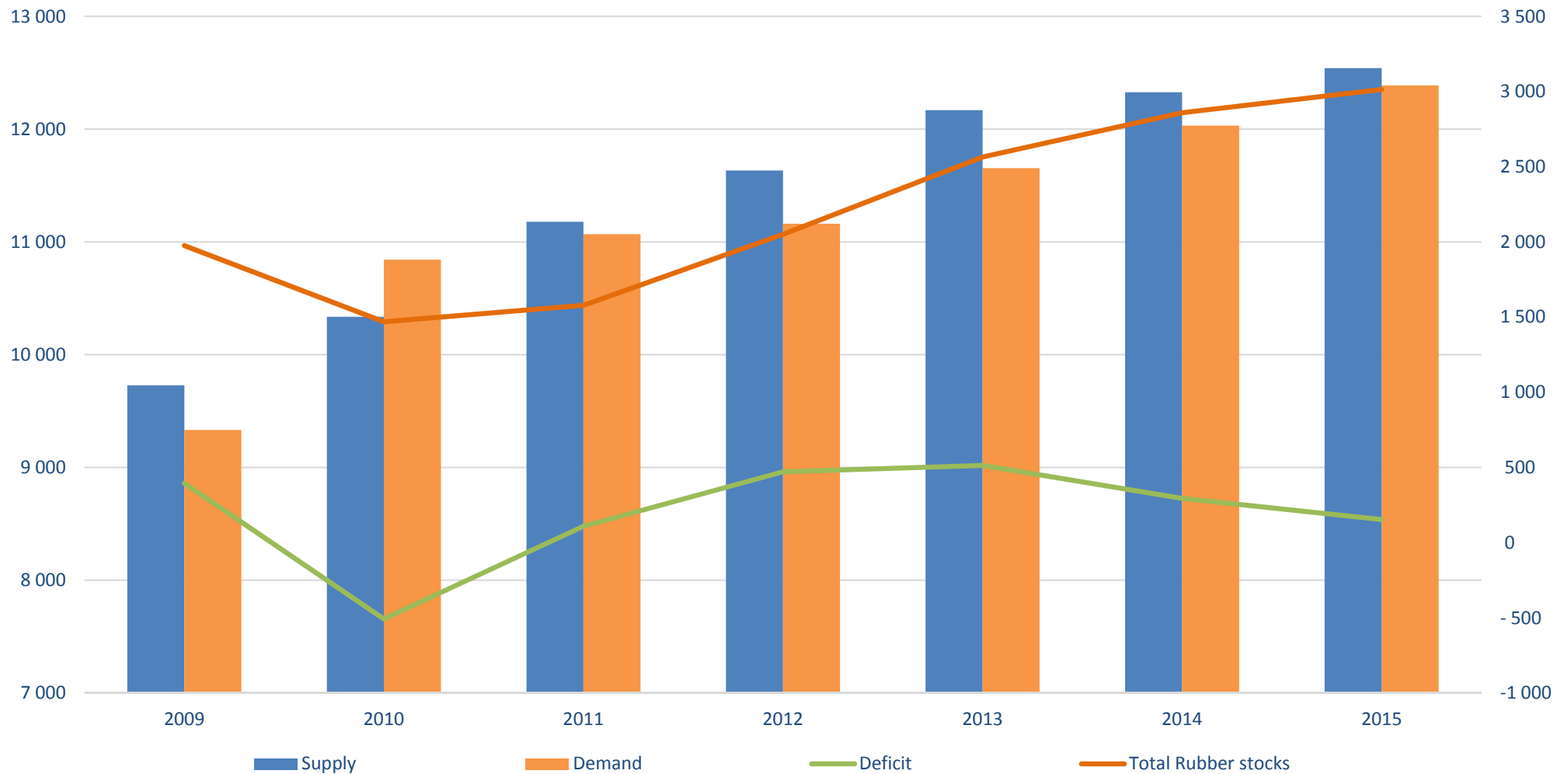


# The world of natural rubber

## Global supply and demand



Global supply, demand and stocks (in KTON)



# The world of natural rubber

## Rubber prices



Historical rubber price (USD/ton)



Q&A



○ Sipef group – Company profile

○ The world of natural rubber

○ **World agriculture**

○ The world of palm oil

○ The world of tea

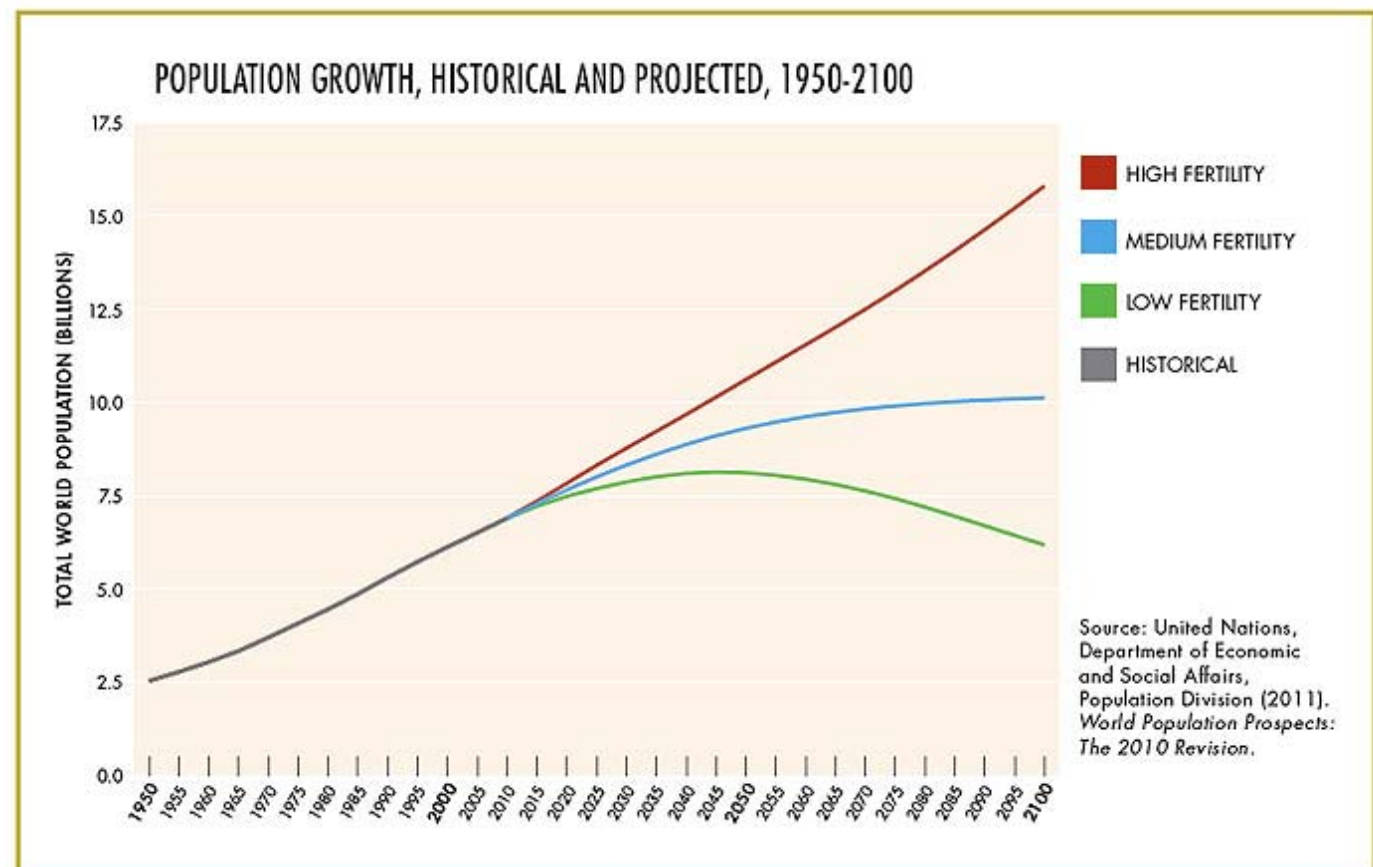
# Drivers behind agriculture

## 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

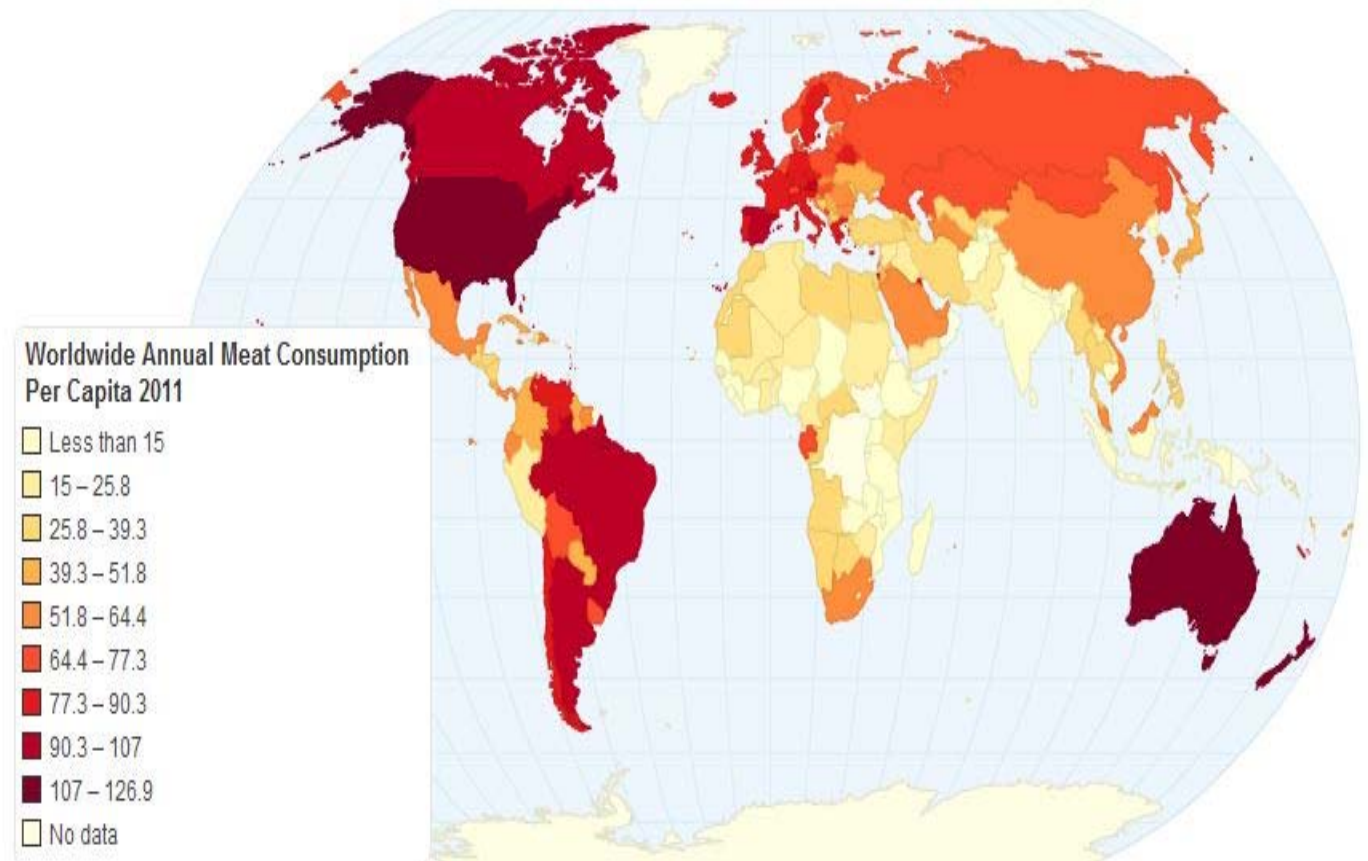


Meat consumption per capita is increasing worldwide due to the disposable income growth in developing countries.

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.



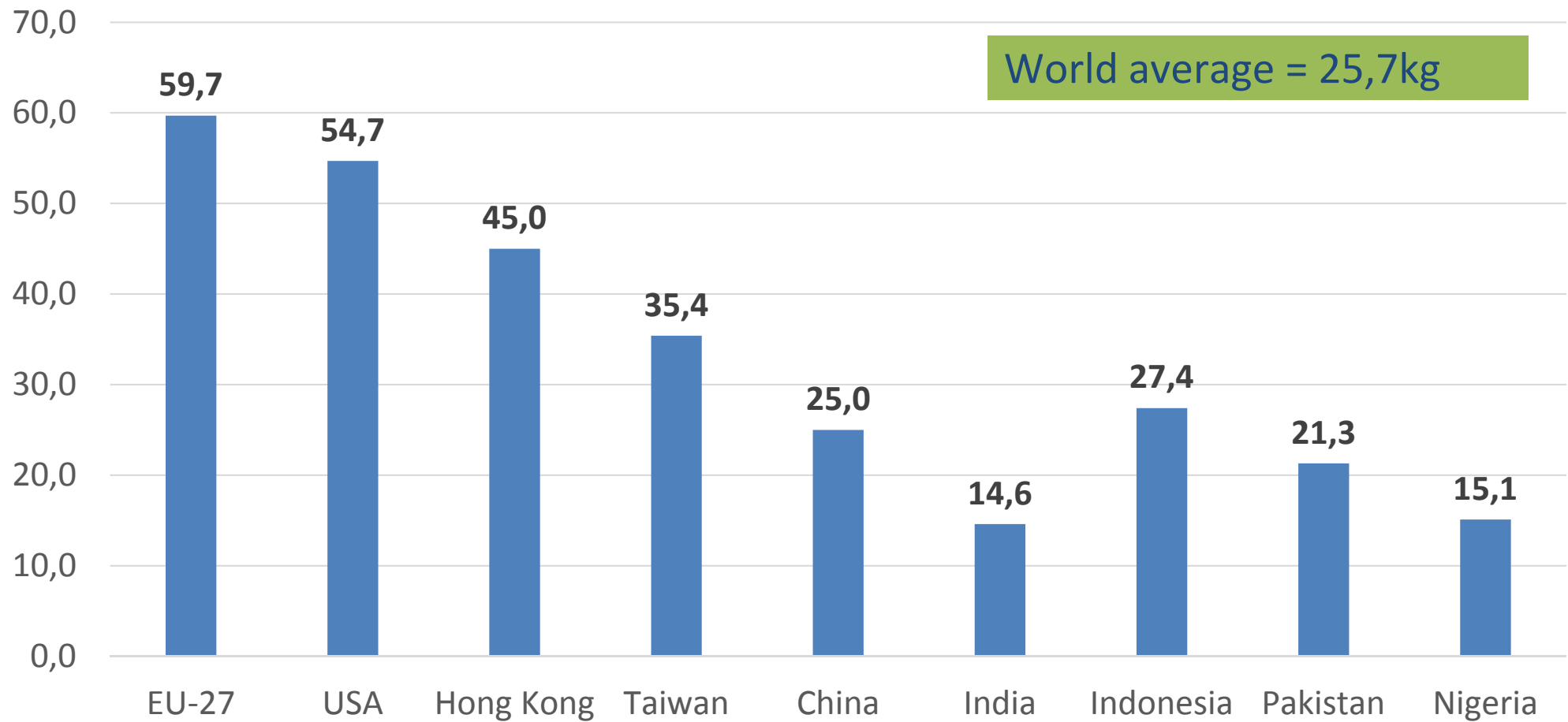
Source: Food and agriculture organization of the UN

# Drivers behind agriculture

## Oil and fat consumption



Oil and fat per capita consumption (in Kg)



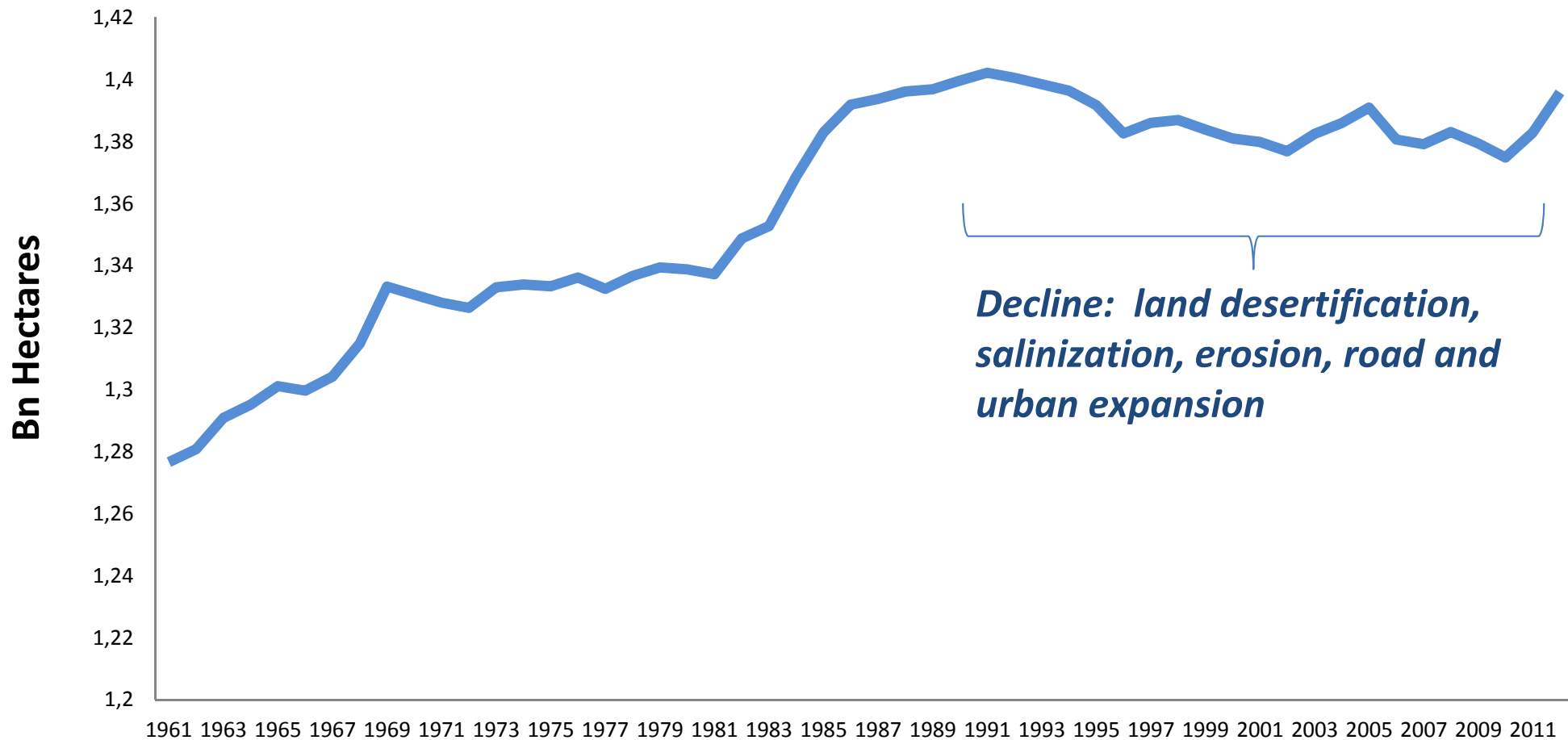
Source: Oil World 2012; Foreign affairs 2011

# Drivers behind agriculture

## Land input



### Available land



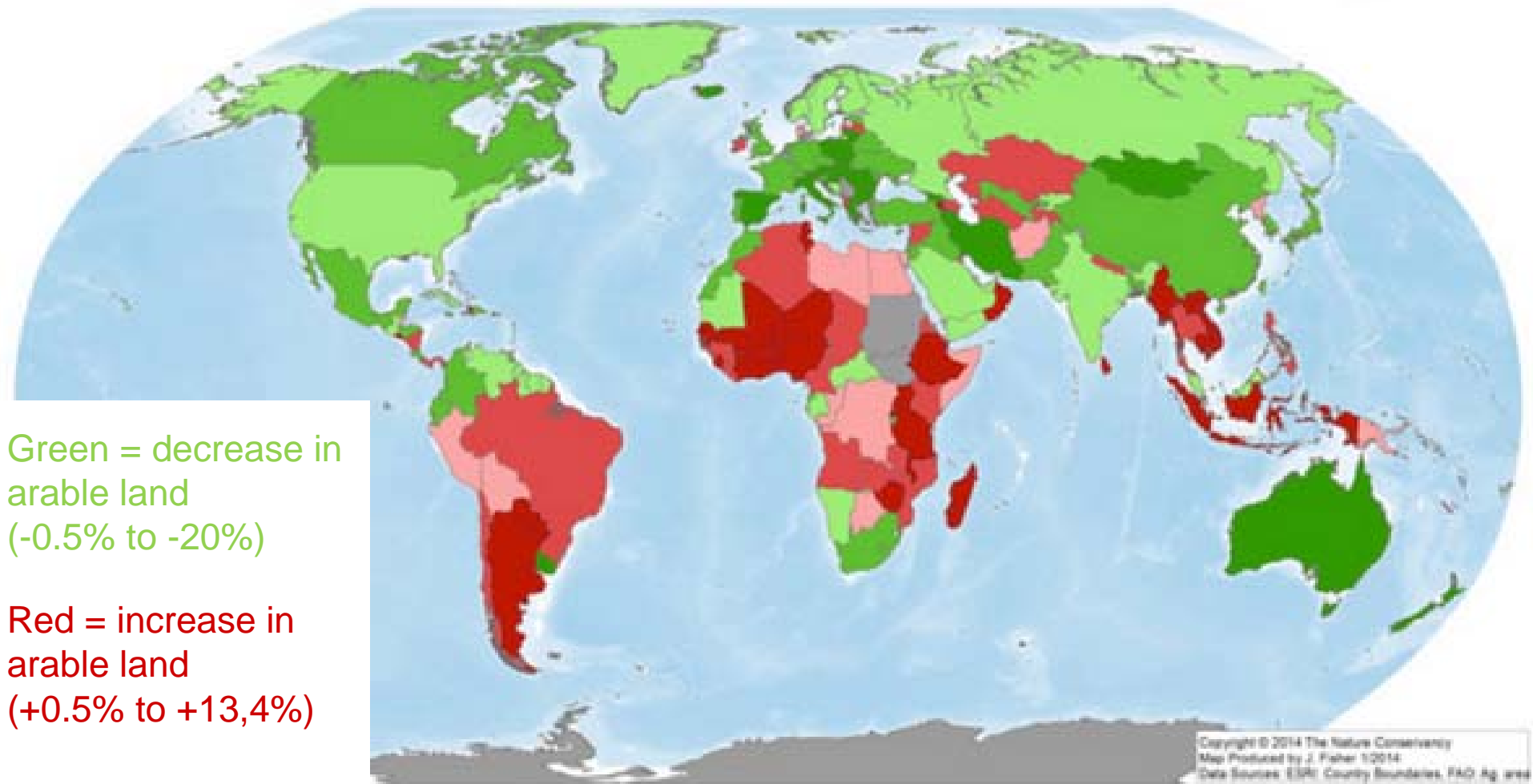


# Drivers behind agriculture

## Land input



### Change in Agricultural Area 1998-2011 by Country

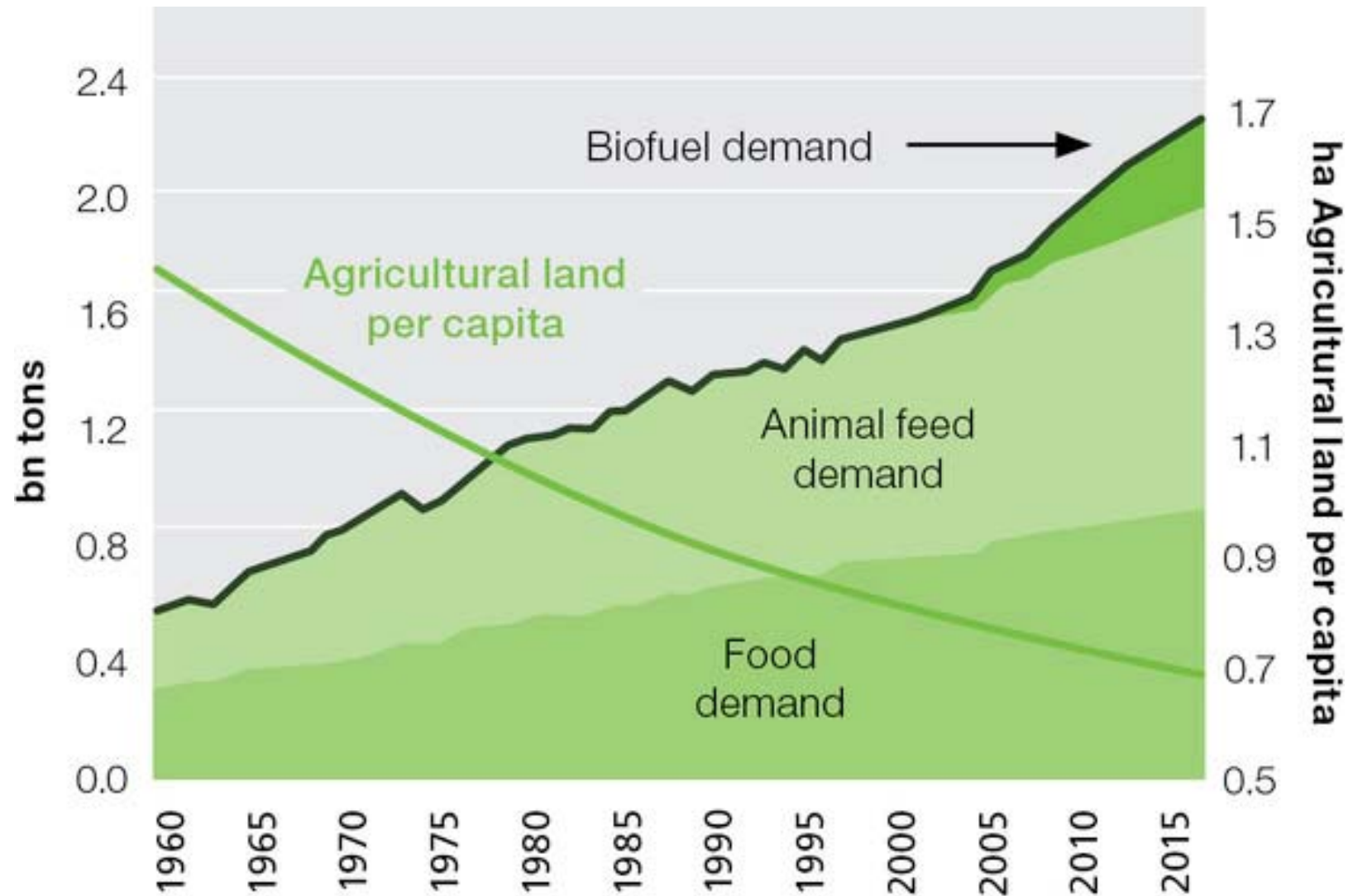


# Drivers behind agriculture

## Land input



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

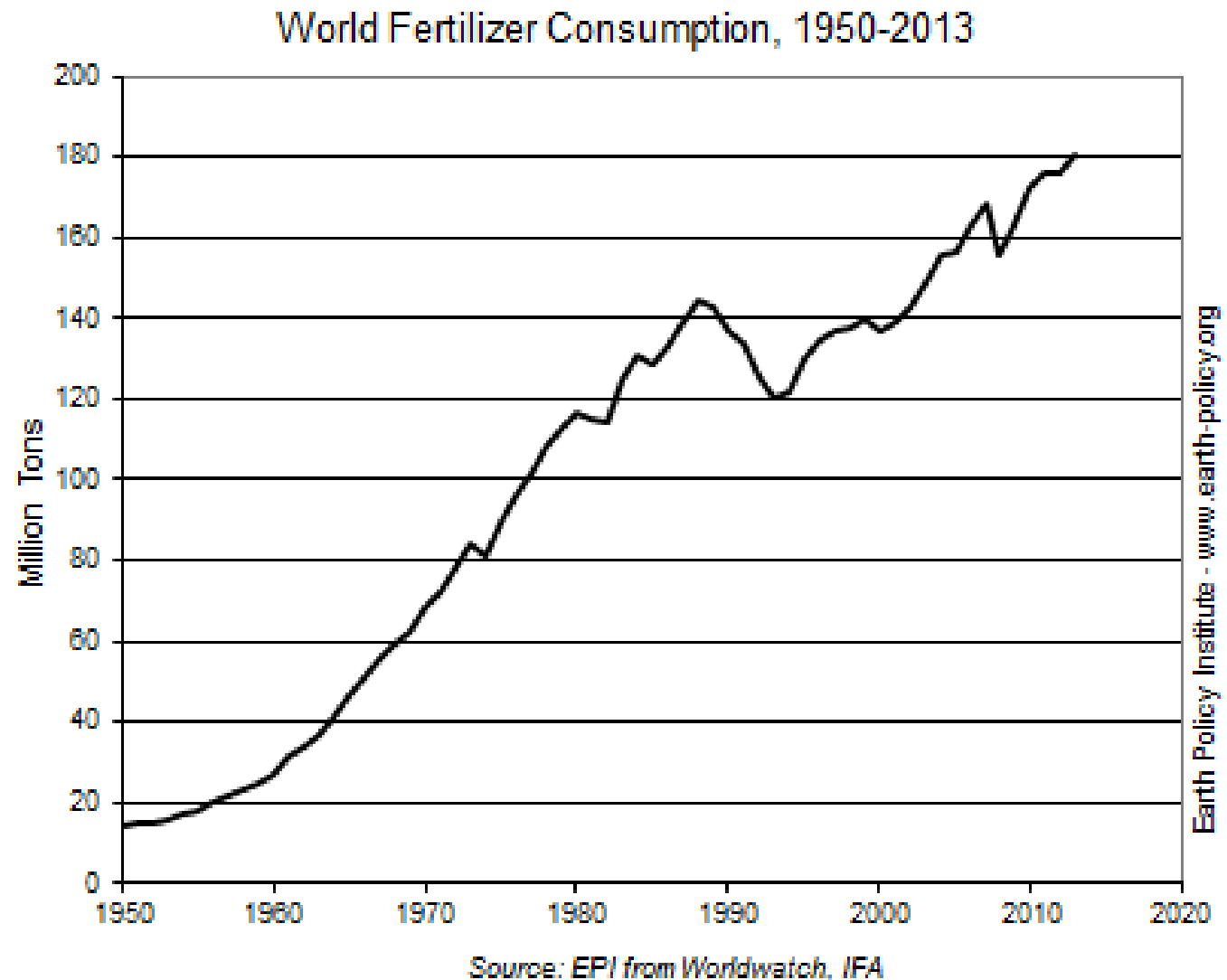


# Drivers behind agriculture

## 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

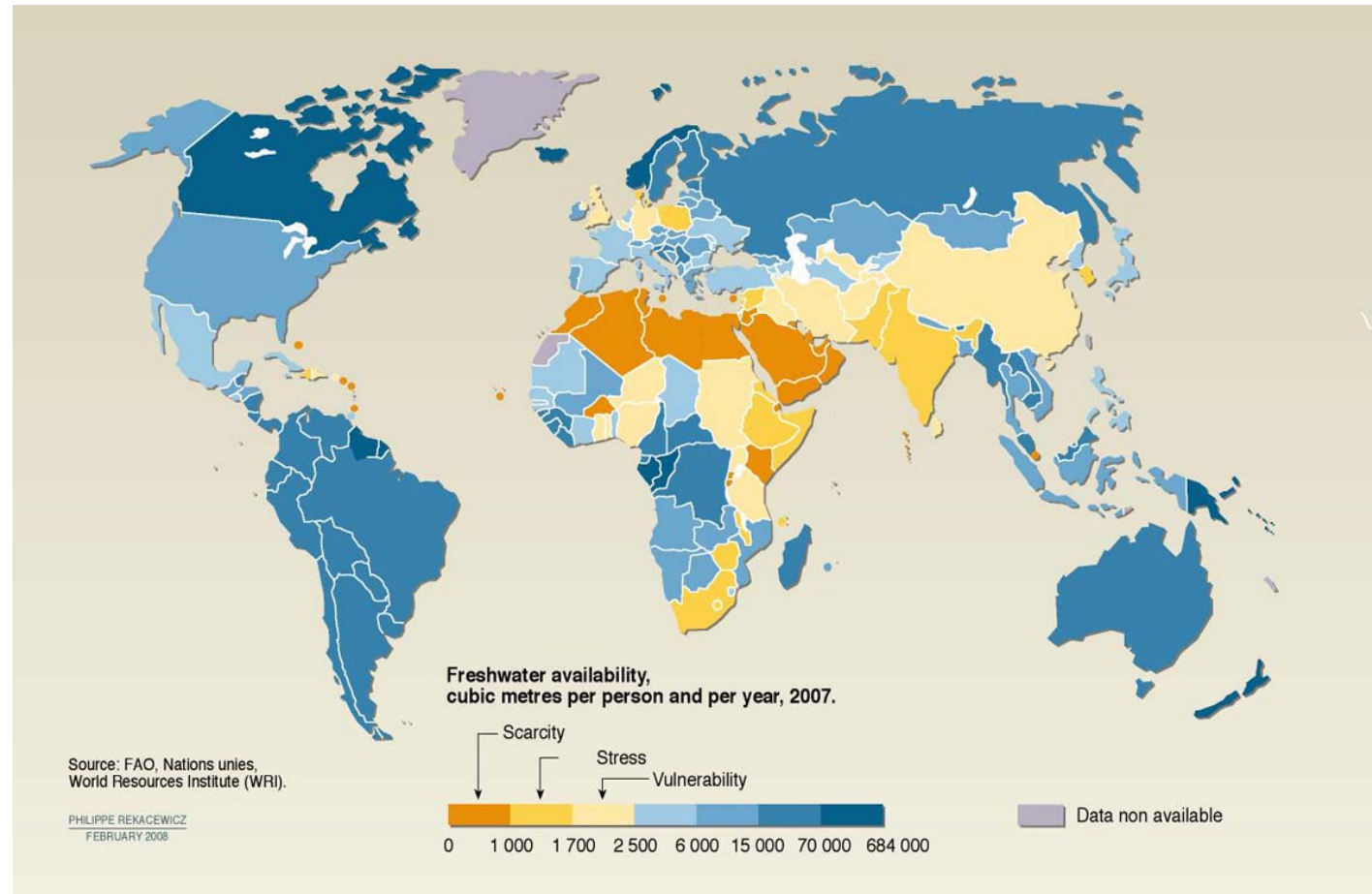
## Water input



- 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)

- Sipef group – Company profile
- The world of natural rubber
- World agriculture
- **The world of palm oil**
- The world of tea



# The world of palm oil

## Vegetable oils



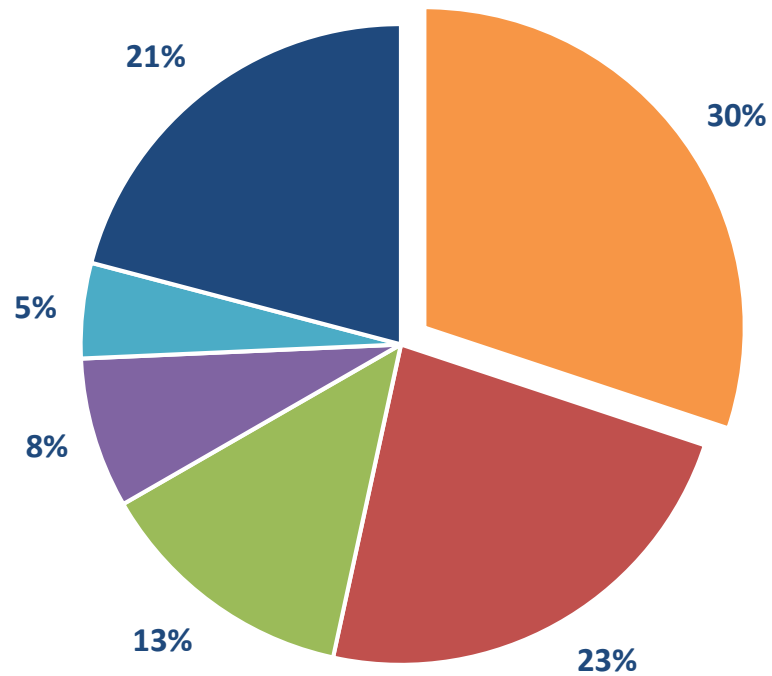
- Vegetable oils are oils or fats extracted from a plant. Their texture can be described as liquid, oily and fatty
- Most vegetable oils can either be used as cooking oil, be used for food and cosmetics or for fuel and diesel production
- The most common oil types include palm oil, soybean oil, canola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

# The world of palm oil

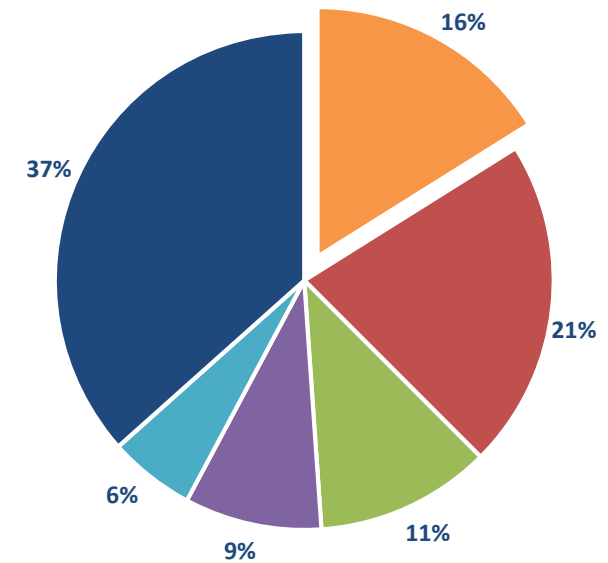
## Vegetable oils



2014/15: 201,7 million tonnes



1994/95: 93,1 million tonnes



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

- Palm oil
- Rape oil
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- Other oils/animal fats

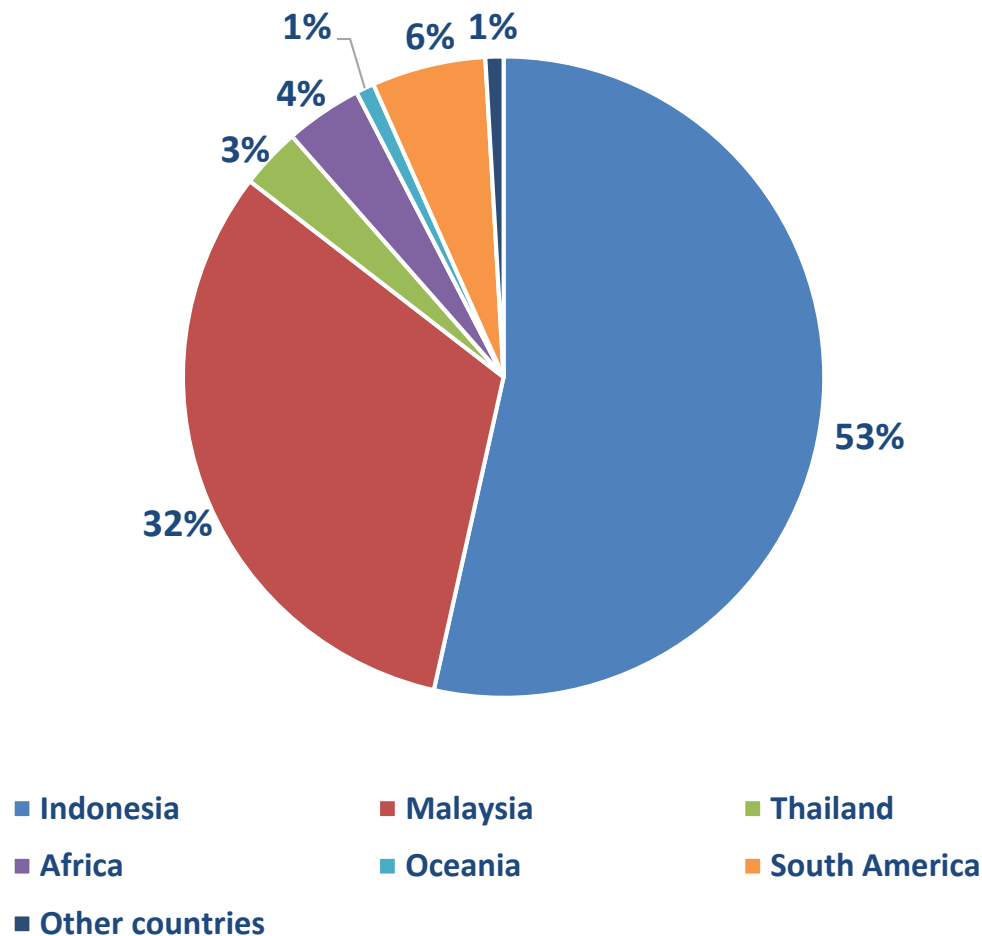
Source: oilworld.de, May 2015

# The world of palm oil

## Palm oil production



2014/15 - Palm oil world production



Palm oil production is primarily done in Asia:

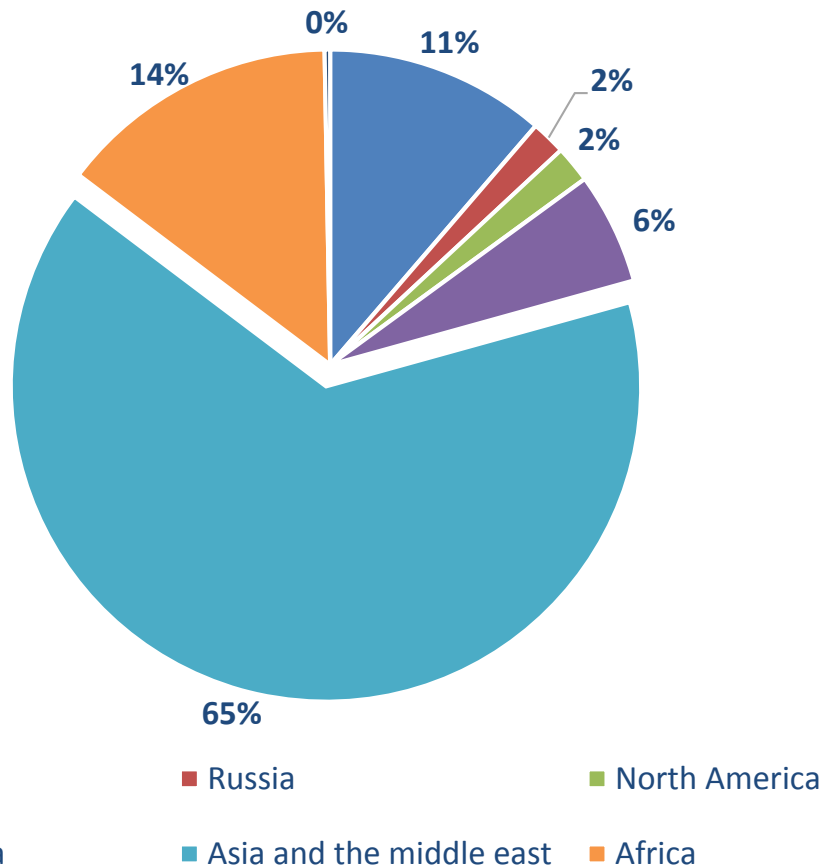
- Indonesia and Malaysia represent 85% of the world's palm oil production
- Oceania includes our subsidiary Hargy Palm Oils Ltd
- Total Sipef production represents 0,44% of the world production.

# The world of palm oil

## 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

# The world of palm oil

## Palm oil prices



Historical palm oil price (CIF Rotterdam)



# The world of palm oil

## 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

# The world of palm oil

## Advantages of Palm oil



### 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

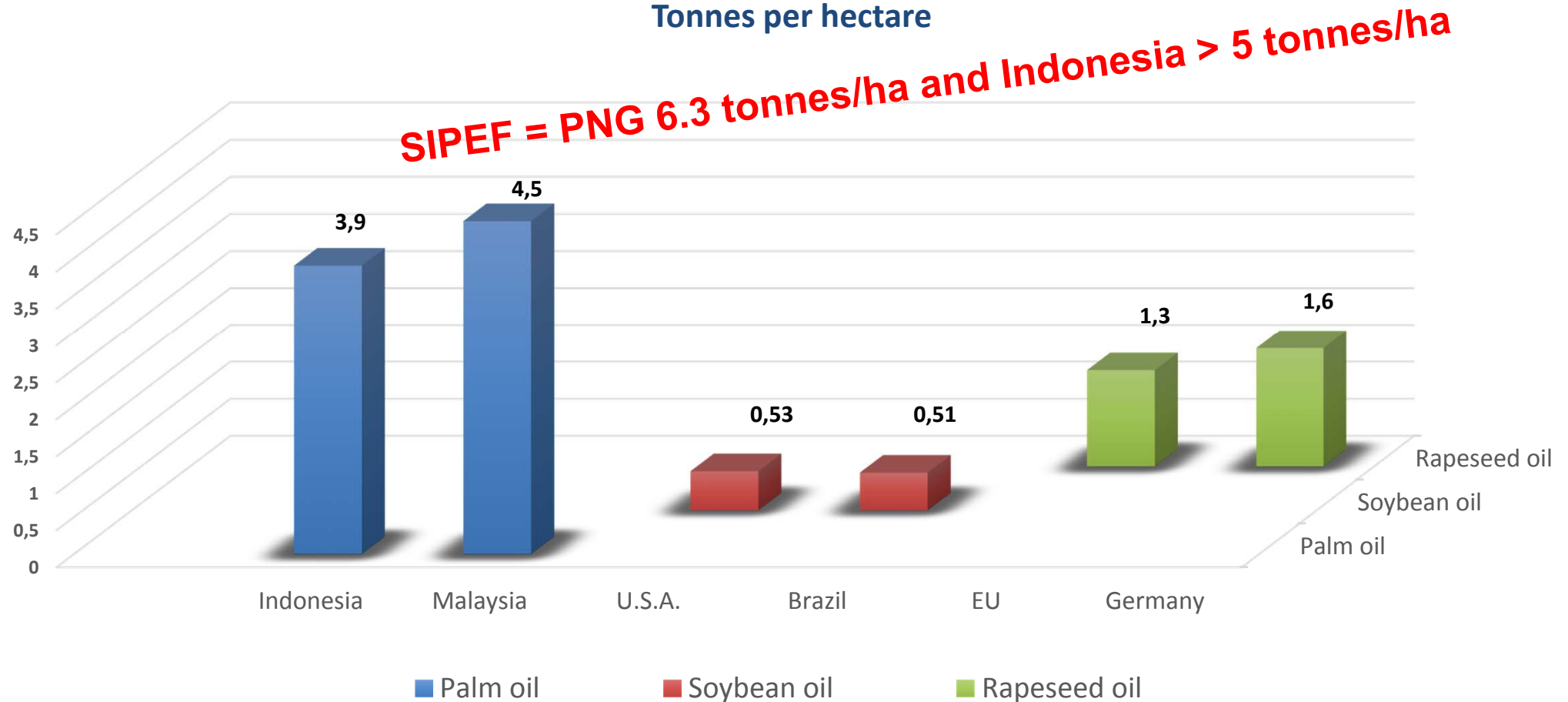
# The world of palm oil

## Comparison to other oils



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

Tonnes per hectare



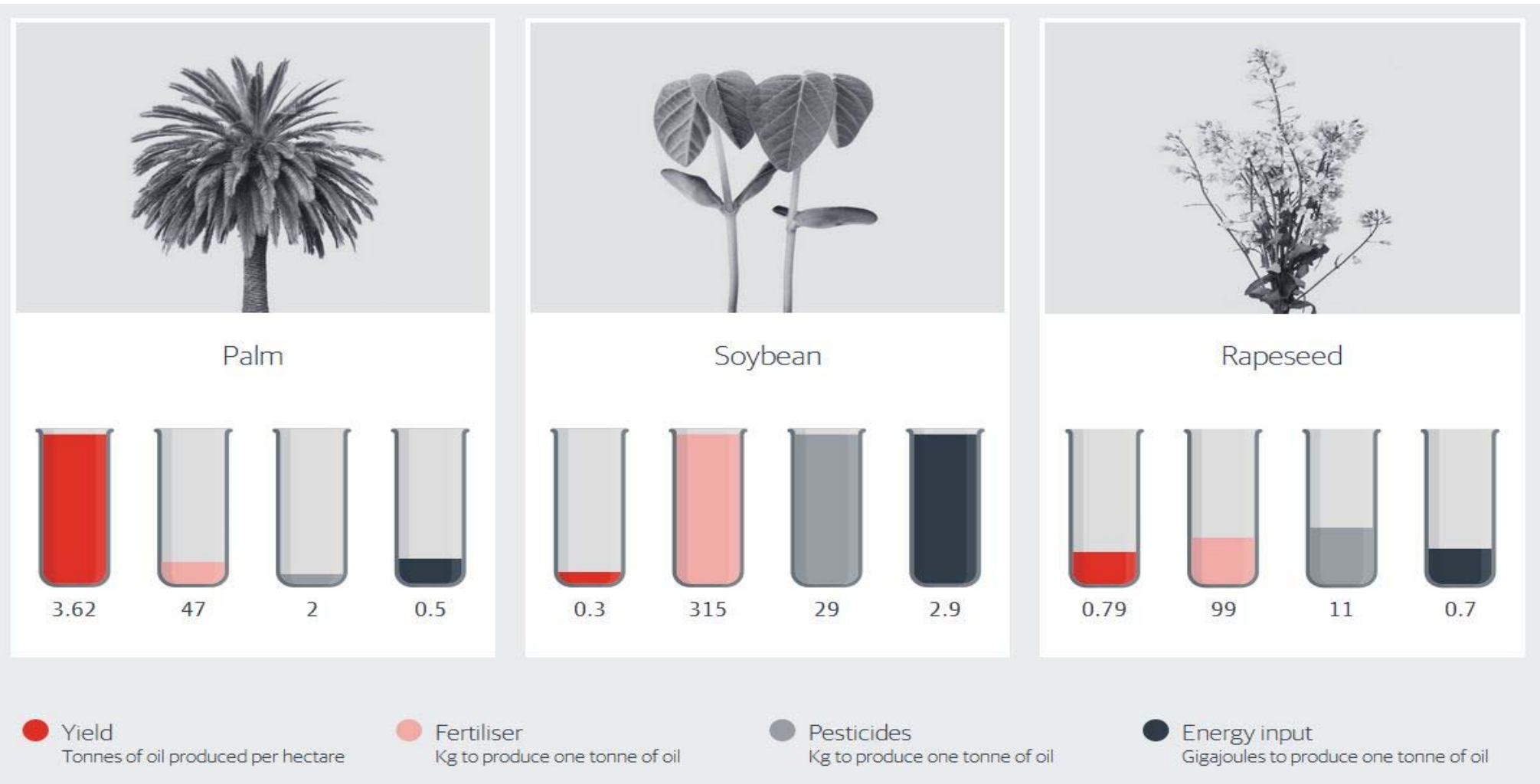


# The world of palm oil

## Comparison to other oils



### Resources used per vegetable oil



# The world of palm oil

## Sustainability - Health



- Most vegetable oils (such as canola oil and Soy oil) need to be hydrogenated to produce a **solid** fat;
- During this hydrogenation process, **trans fats** are created as well;
- In humans, consumption of trans fats increases the risk of coronary heart diseases by increasing “bad” cholesterol and decreasing “good” cholesterol. Trans fats are therefore **removed from all processed food** in the USA by the FDA (within a three-year time limit);
- Palm oil is by nature a non-liquid vegetable oil, which makes it versatile in its use and more importantly: there is no need to hydrogenate and therefore there are **no trans fats** in palm oil!

# The world of palm oil CO<sub>2</sub> sequestration



Oil Crop	Total Global Planted Area in 2006 (mil ha)	O <sub>2</sub> Released (mil tonnes)	CO <sub>2</sub> Absorbed (mil tonnes)	Average O <sub>2</sub> Released (t/ha)	Average CO <sub>2</sub> Absorbed (t/ha)
Oil Palm	9.24	196.8	270.7	21.3	29.3
Soybean	92.40	236.5	325.2	2.56	3.52

# The world of palm oil

## Sustainability issues



- **RSPO = Roundtable on Sustainable Palm Oil**

- **Expansion :**
  - No fragile soils
  - No deforestation
  - Free Prior and Informed Consent



- **Social :**
  - Housing
  - Education
  - Medical care
  - Remuneration
  - Child labour
  - Gender practices

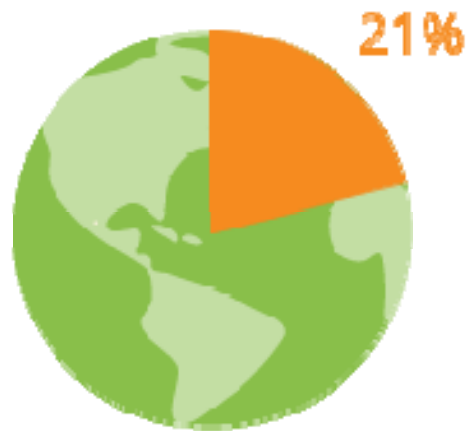
- **Environmental :**
  - Fertilisers
  - Pesticides
  - Waste Management

# The world of palm oil

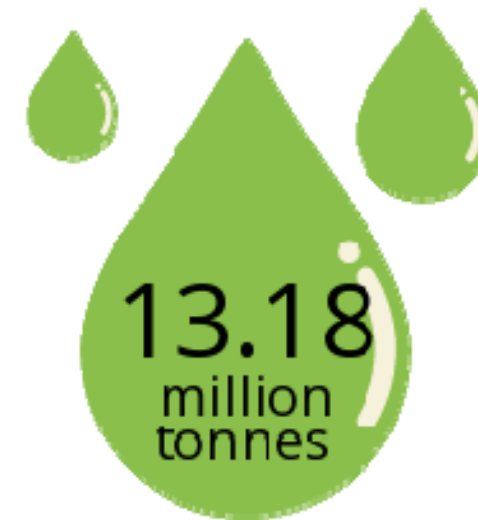
## Sustainable palm oil



SIPEF = 100% certified and > 250.000 tons 'segregated'



Proportion of palm oil globally certified by the RSPO



Volume of Certified Sustainable Palm Oil

# The world of palm oil

## Continuing process



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

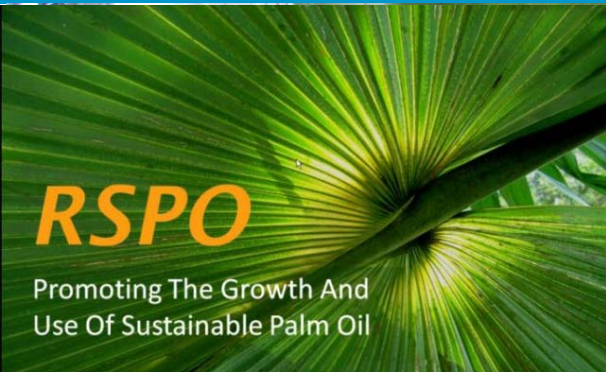
- ISO 9001 and ISO 14001 certified
- RSPO certified
- ISCC certified
- ISPO certified
- EurepGAP/GlobalGAP
- United Nations clean Development Mechanism
- Rainforest Alliance



# Q&A



Source : <http://www.rspo.org/> and Sipef NV



- Sipef group – Company profile
- The world of natural rubber
- World agriculture
- The world of palm oil
- **The world of tea**

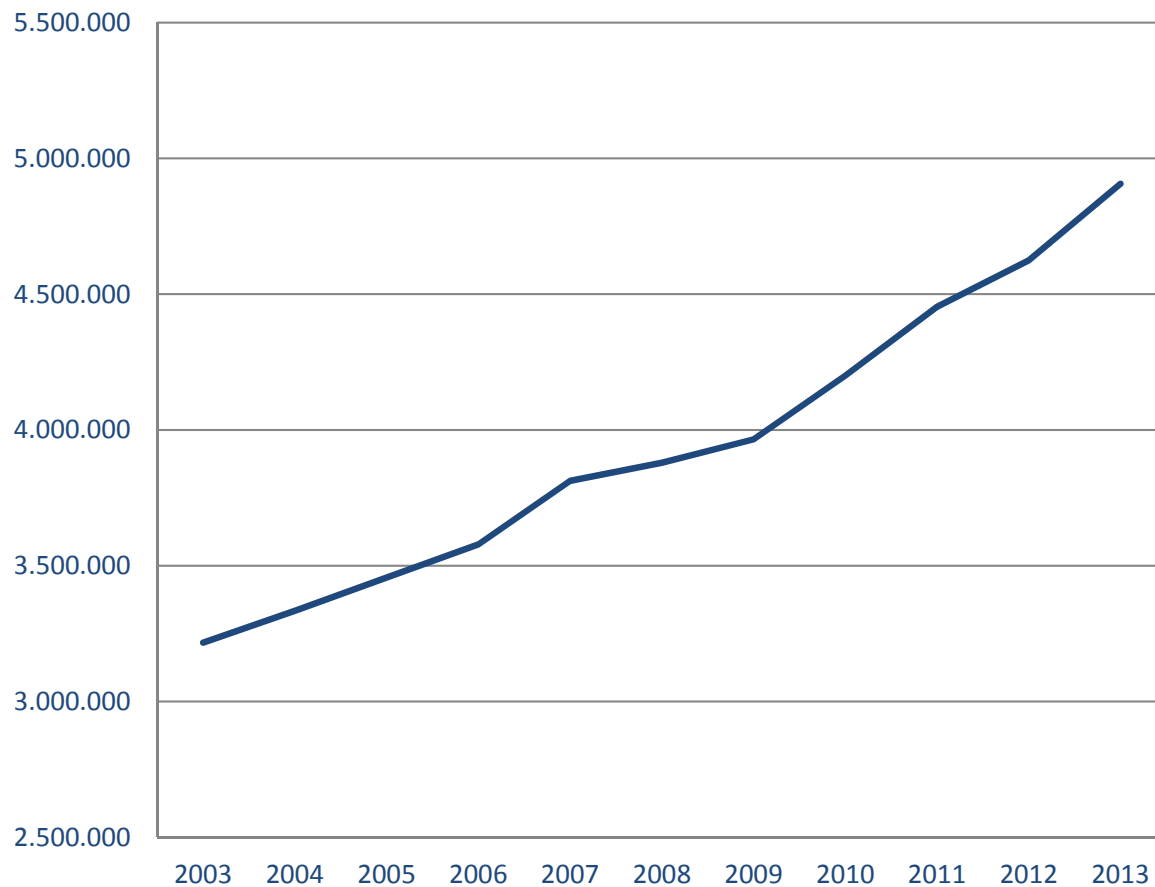


# The world of tea

## Global tea production



World production of tea



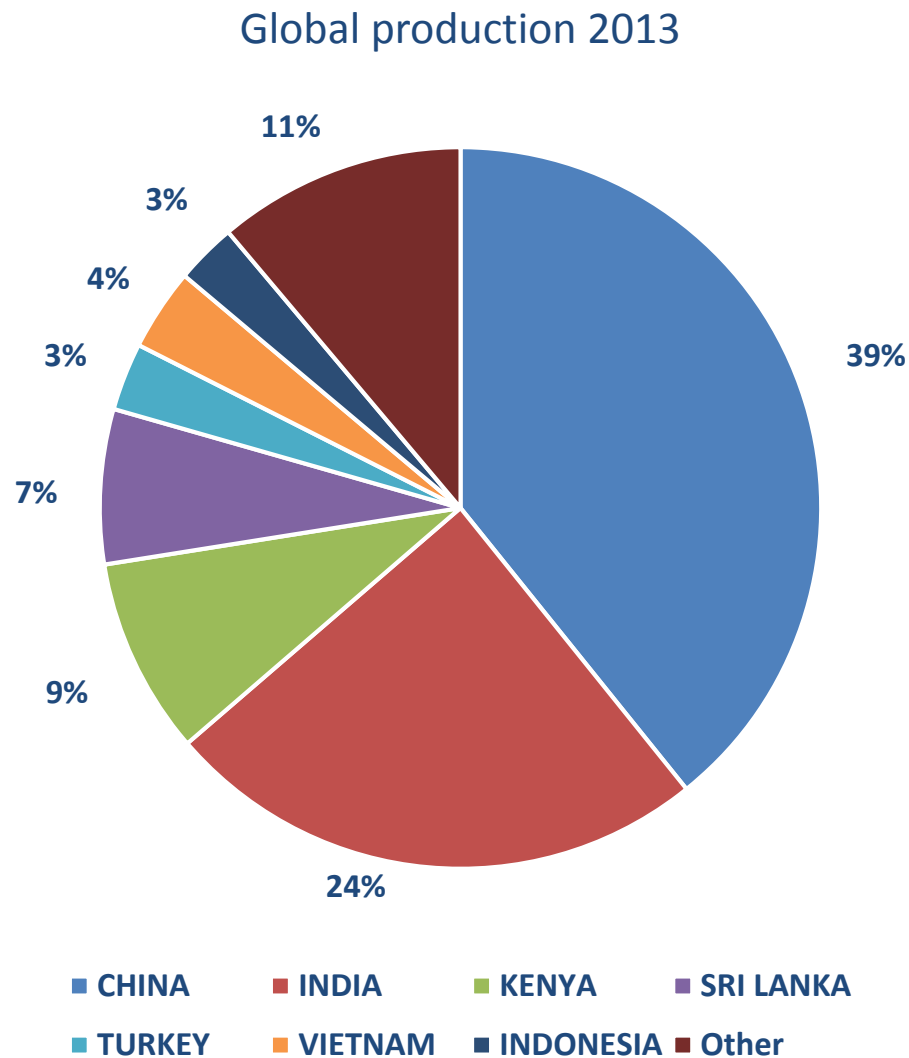
Tea production has known an annual average growth rate of 4,3% per year.

Average increase per country is:

- China +9,6%
- Vietnam +5,5%
- Kenya +4,6%
- India +3,3%
- Sri Lanka +1,3%
- Turkey +0,2%
- Indonesia -2,3%

# The world of tea

## Global tea production



Tea production is primarily done in Asia:

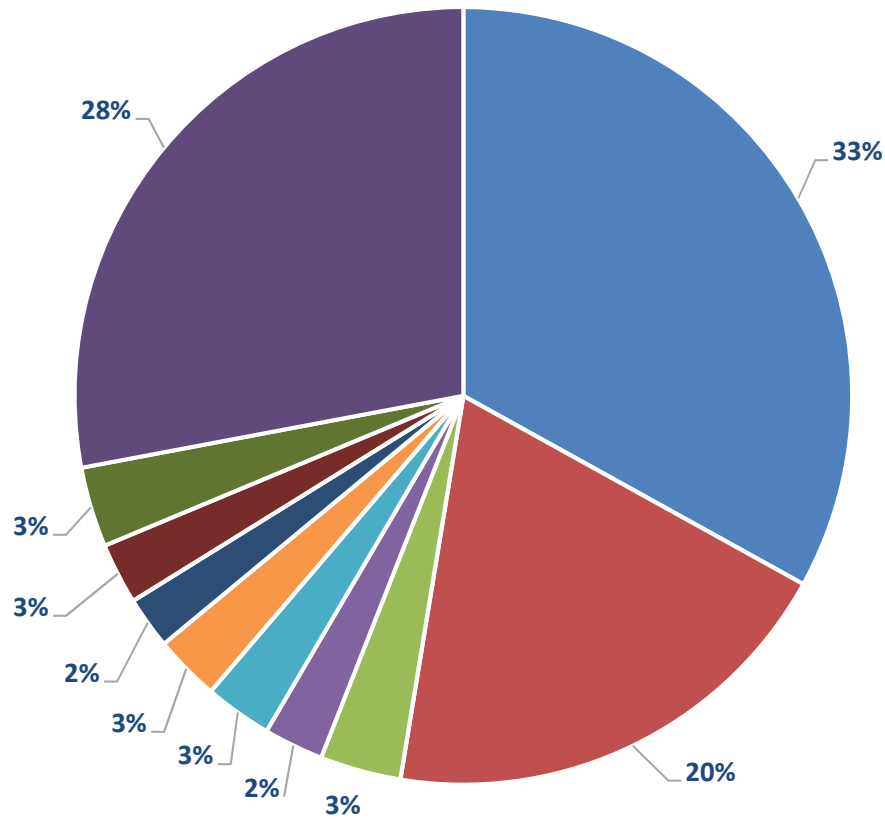
- China and India combined produce 63% of the world's tea
- Indonesian tea represents 3% of the global production is primarily produced on the island of Java

# The world of tea

## Global tea consumption

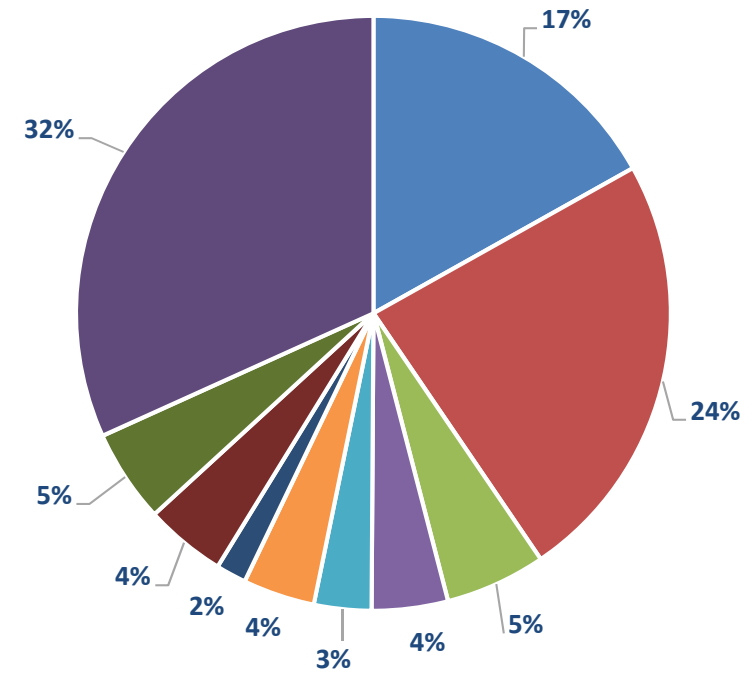


Tea consumption 2013: 4 636 KTON



- China
- India
- Russia
- UK
- US
- Pakistan
- Egypt
- Japan
- Turkey
- Other

Tea consumption 2003: 3 024 KTON



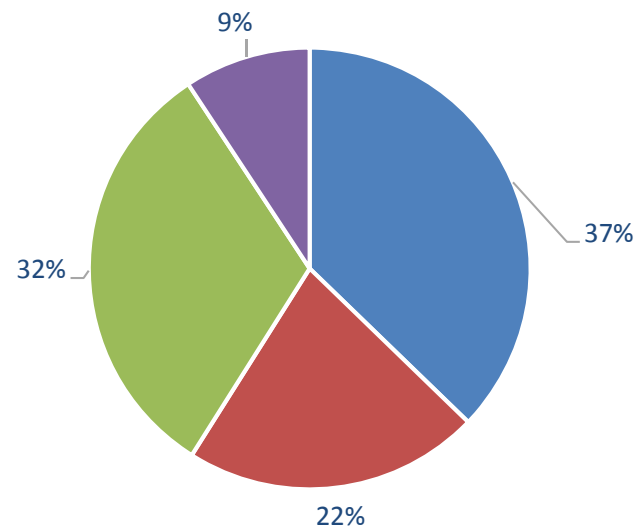
- China
- India
- Russia
- UK
- US
- Pakistan
- Egypt
- Japan
- Turkey
- Other

# The world of tea

## Types of tea

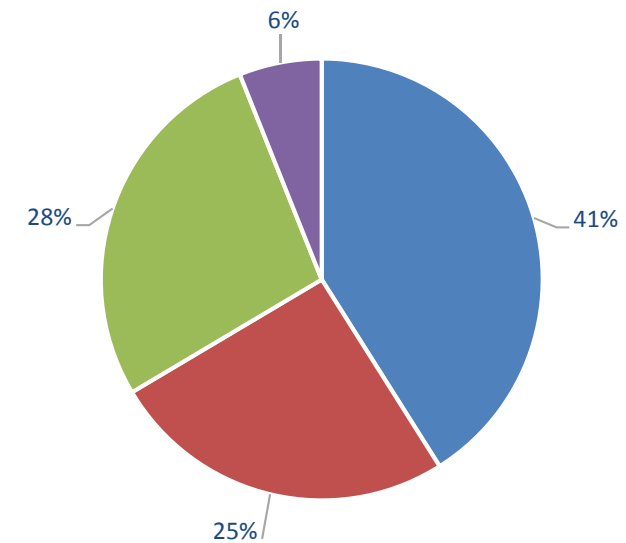


2013 tea types



■ CTC ■ ORTHODOX ■ GREEN ■ OTHERS

2003 tea types



■ CTC ■ ORTHODOX ■ GREEN ■ OTHERS

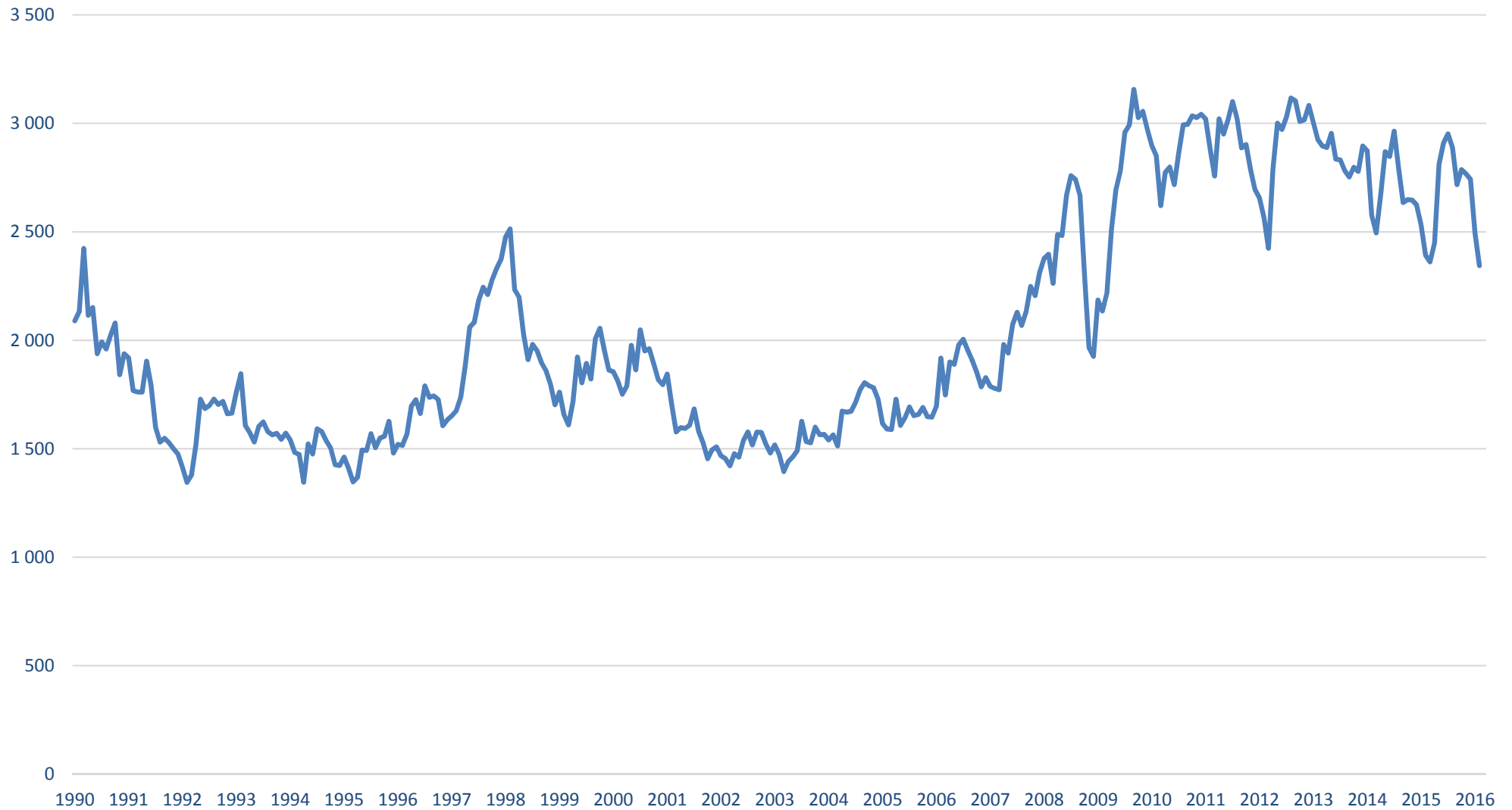
- Black tea is fermented tea and has two production methods:
  - CTC (“Cut-tear-curl”) manufacturing: used in tea bags
  - Orthodox manufacturing: results in big leaves
- Green tea is non-fermented tea
- Other teas are e.g. Oolong tea (semi fermented), white tea and specialty tea

# The world of tea

## Tea prices



Historical tea price (Mombasa market)



# Q&A

