



Degroof analyst presentation
February 2018

The Connection to the world of
Sustainable Tropical Agriculture

- **SIPEF group – Company profile**
- SIPEF group – Expansion
- 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

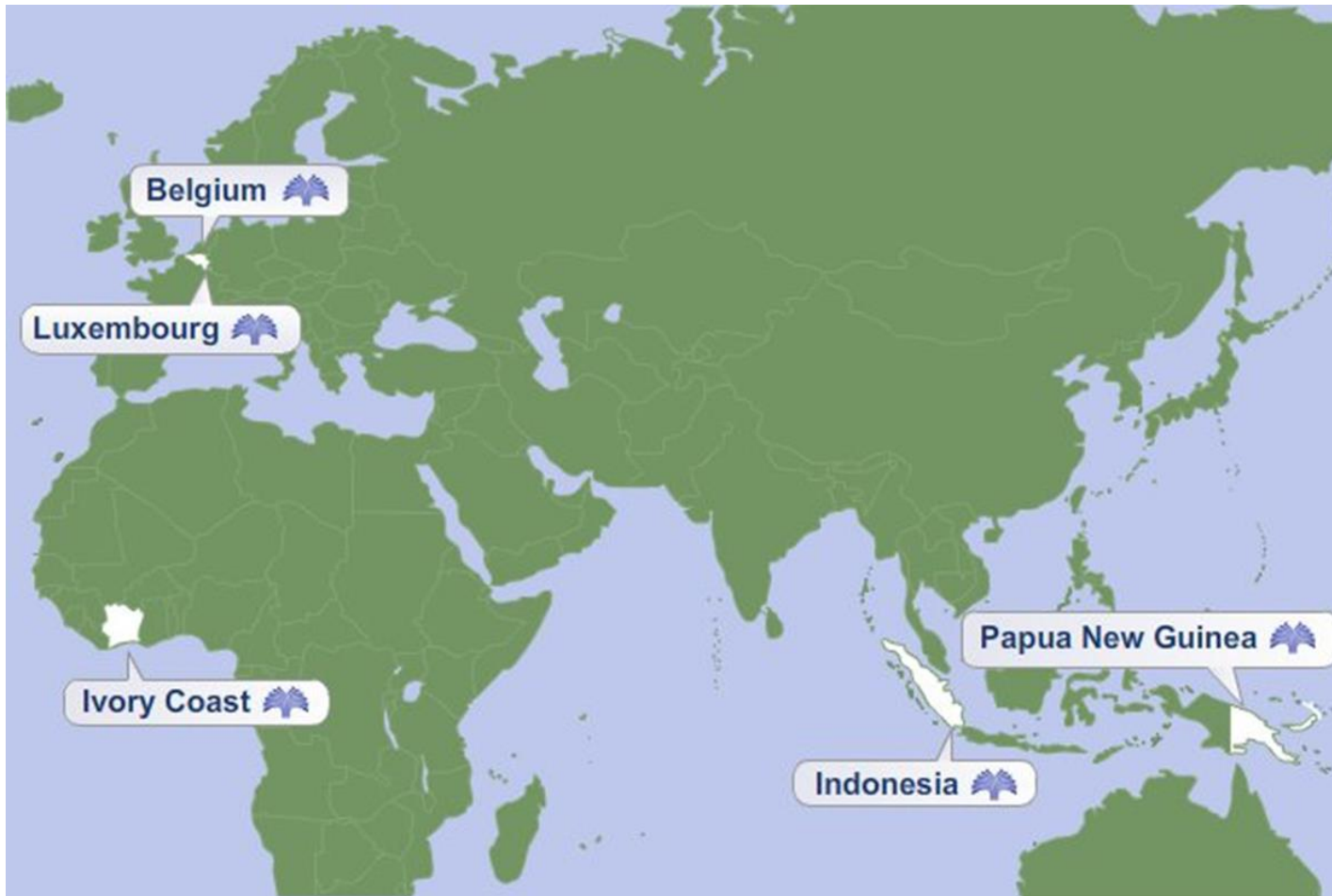
- **Palm oil** : basic commodity for food (and recently energy)
- **Rubber** : cyclic business - tire industry

Diversified in origin

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

SIPEF group

Company profile



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Company profile - Indonesia



SIPEF group

Company profile – Papua New Guinea





	Palm	Rubber	Tea	Bananas	Other	Total	% Group share
Indonesia	55 686	6 425	1 752			63 863	82%
PNG	13 621					13 621	17%
Ivory coast				690	42	732	1%
	69 307	6 425	1 752	690	42	78 216	100%
%	89%	8%	2%	1%	0%	100%	
Group share	64 153	5 398	1 581	690	42	71 865	

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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

Strategy and expansion



Indonesia

- **Beneficial interest from 57 512 Ha (dec 2017) to 68 997 Ha (by 2027)**
 - Further expansion to 7 340 Ha Musi Rawas/South Sumatra expansion
 - Further expansion of 2 716 Ha in PT Dendymarker to a total of 9 106 Ha
 - Both in oil palm and rubber

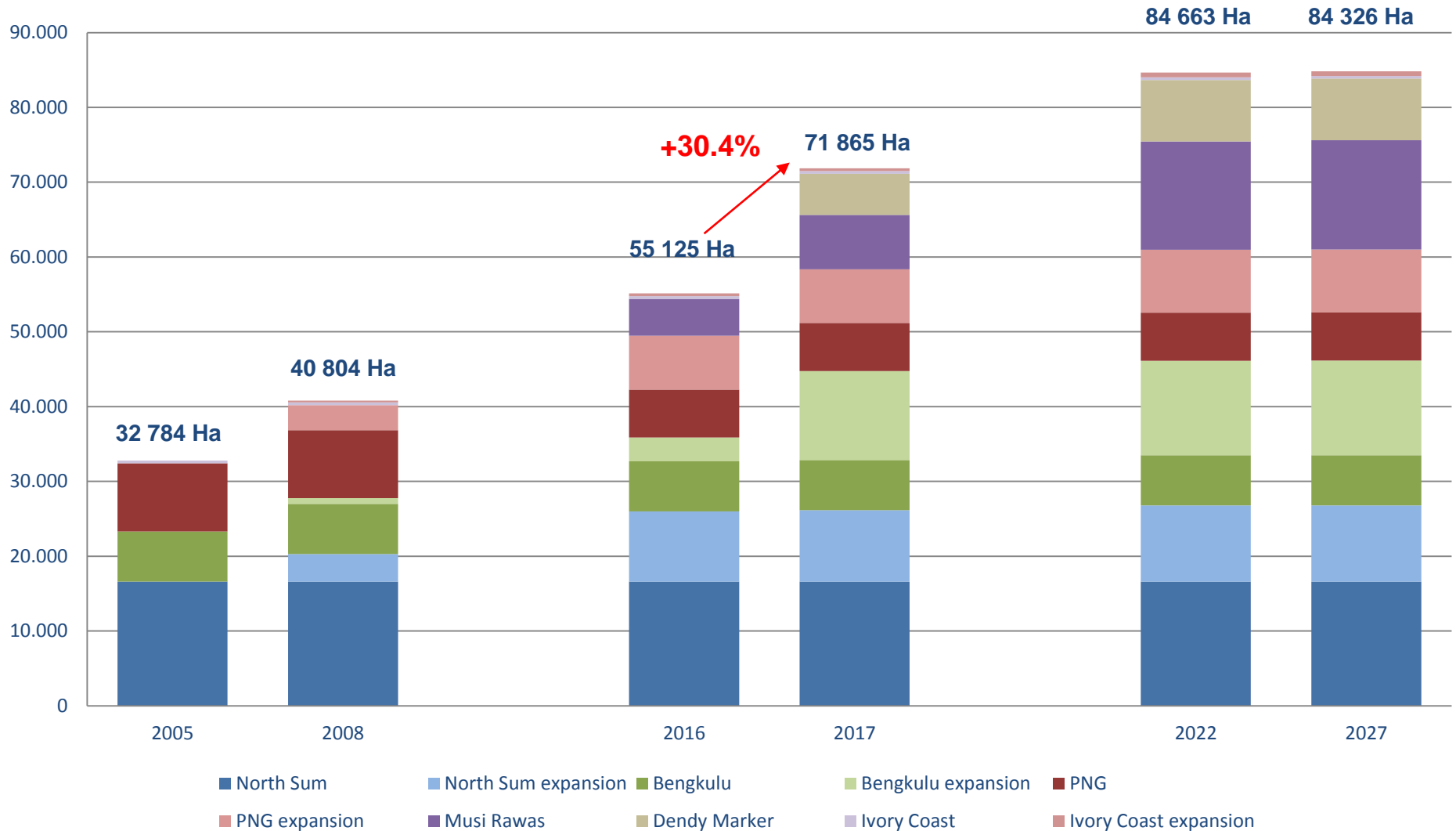
PNG

- **Beneficial interest from 13 621 (dec 2016) to 14 845 Ha (by 2027)**
 - Finalize palm oil expansion with an additional 1 224 Ha
 - In area where we are operating

Ivory Coast

- **Beneficial interest from 732 (dec 2016) to 984 Ha (by 2027)**
 - Additional bananas development of 252 Ha

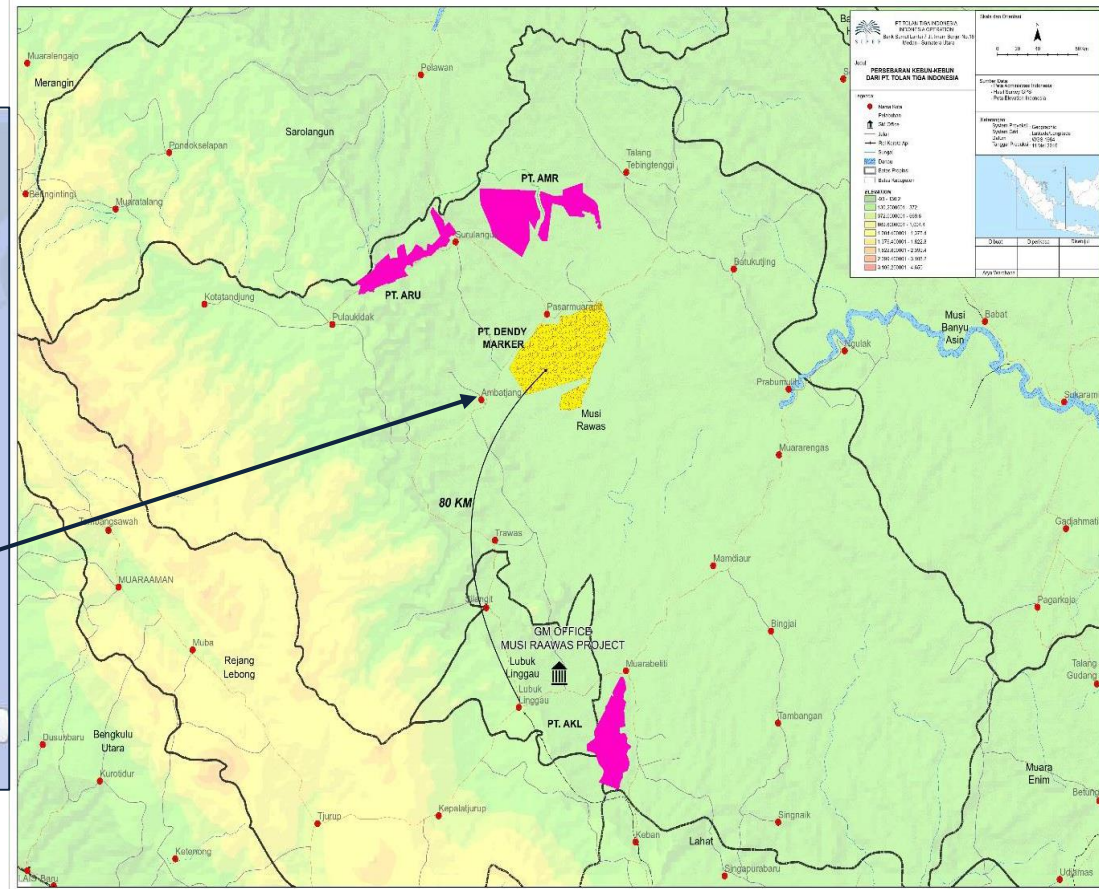
Expansion Increase in Ha (Beneficial interest)



SIPEF group Musi Rawas expansion



Sumatra



SIPEF group

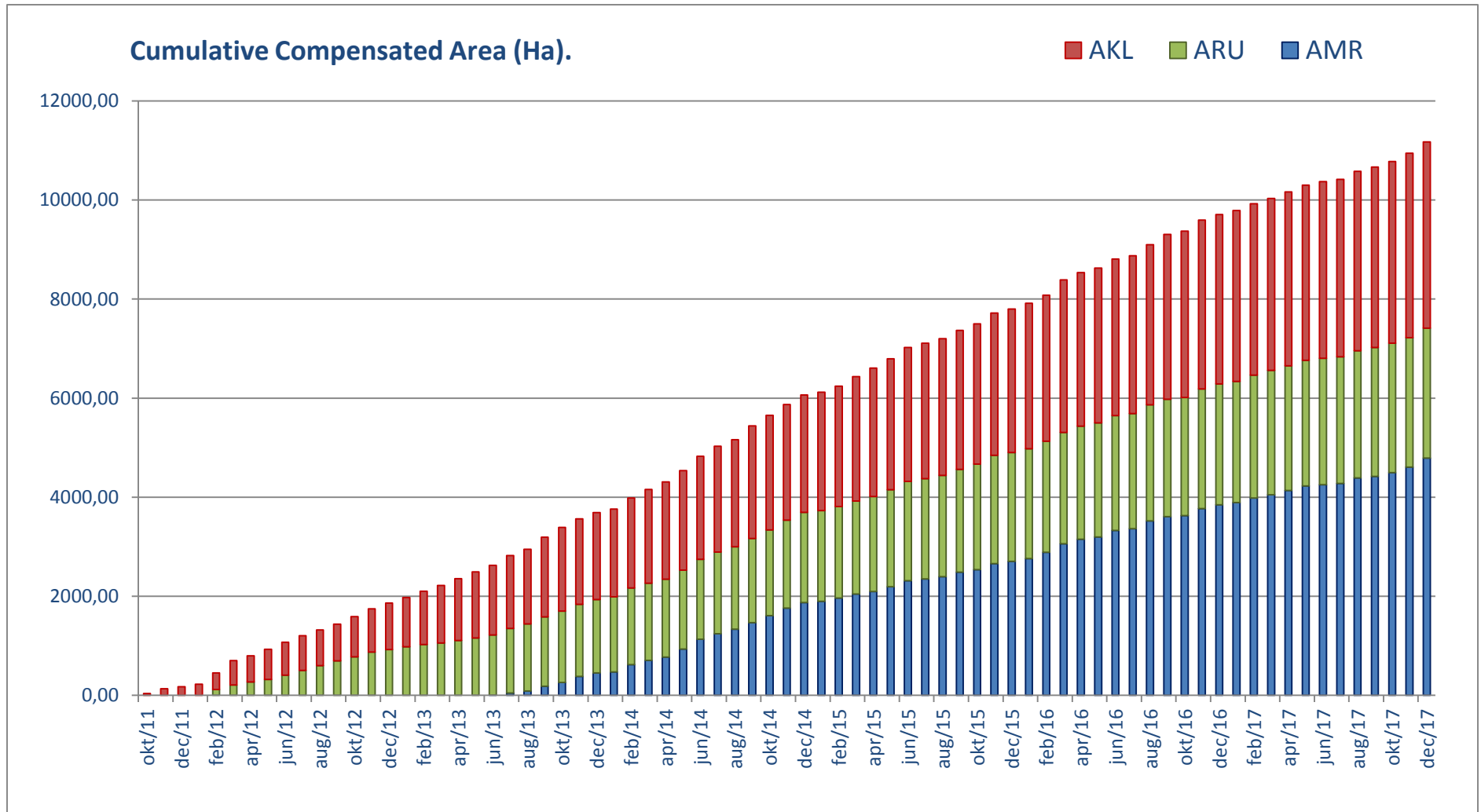
Musi Rawas – progress December 2017



Isin Locasi	24 607			
	<u>Own</u>	<u>Plasma</u>	<u>Total</u>	
Compensated/acquired	11 173	2 109	13 282	72%
To do	4 250	975	5 225	28%
Total potential	15 423	3 084	18 507	100%
	<u>Own</u>	<u>Plasma</u>	<u>Total</u>	
Planted/cleared	8 239	986	9 225	50%
To do	7 184	2 098	9 282	50%
Total potential	15 423	3 084	18 507	100%

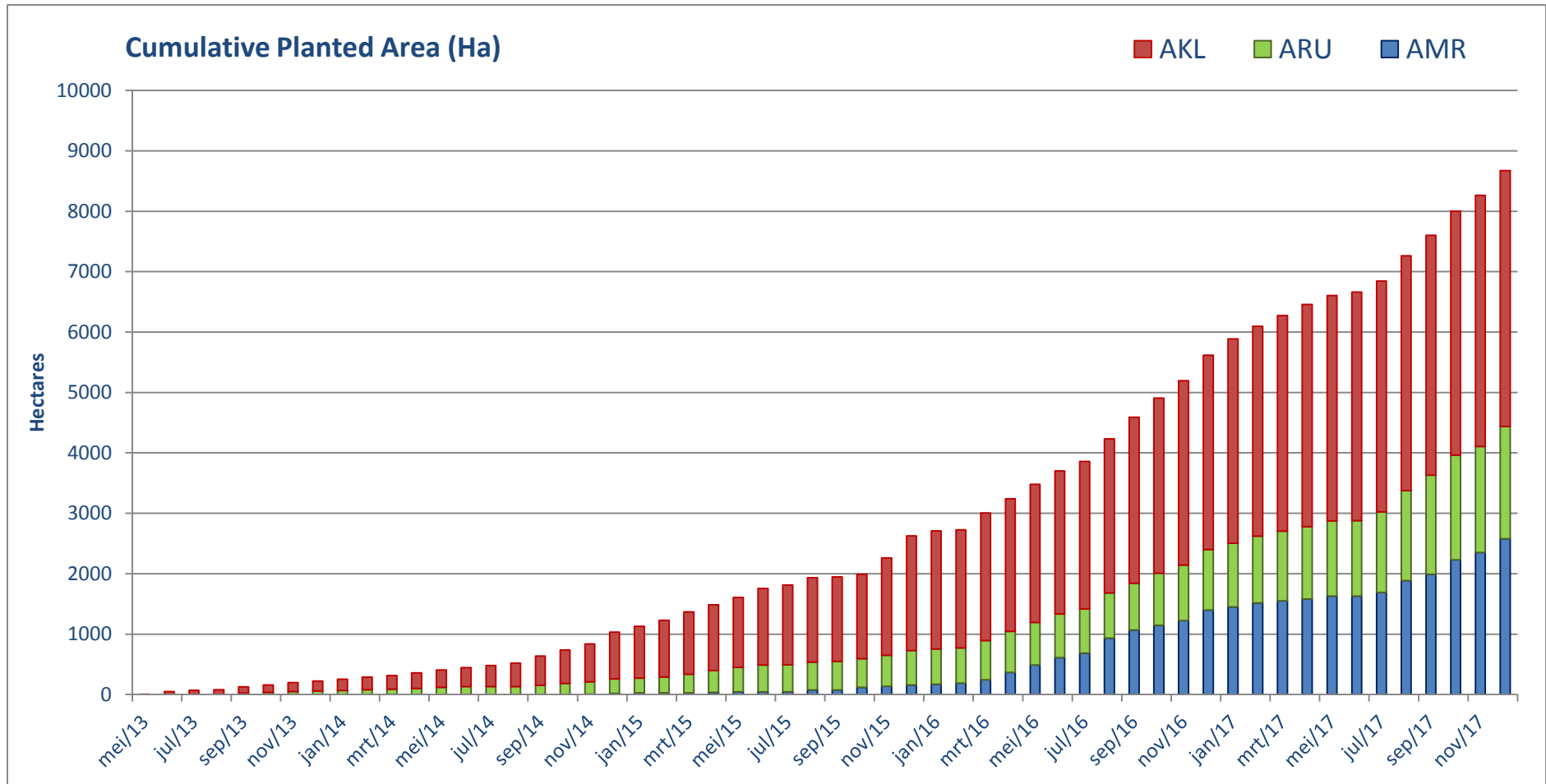
Expansion

Musi Rawas compensated area December 2017



Expansion

Musi Rawas planted area up to December 2017



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SIPEF group

December production



In Tonnes:	Dec 2017	Dec 2016	YoY%
Palm oil own			
- Tolan Tiga Group	72 809	63 955	13,8%
- UMW/TUM Group	39 640	37 221	6,5%
- PT Agro Muko	76 495	76 085	0,5%
- PT Dendymarker	1 679	0	-
- Hargy Oil Palms	81 689	68 860	18,6%
Total palm oil own	272 312	246 121	10,6%
Total palm oil outgrowers	58 646	51 584	13,7%
Total palm oil	330 958	297 705	11,2%

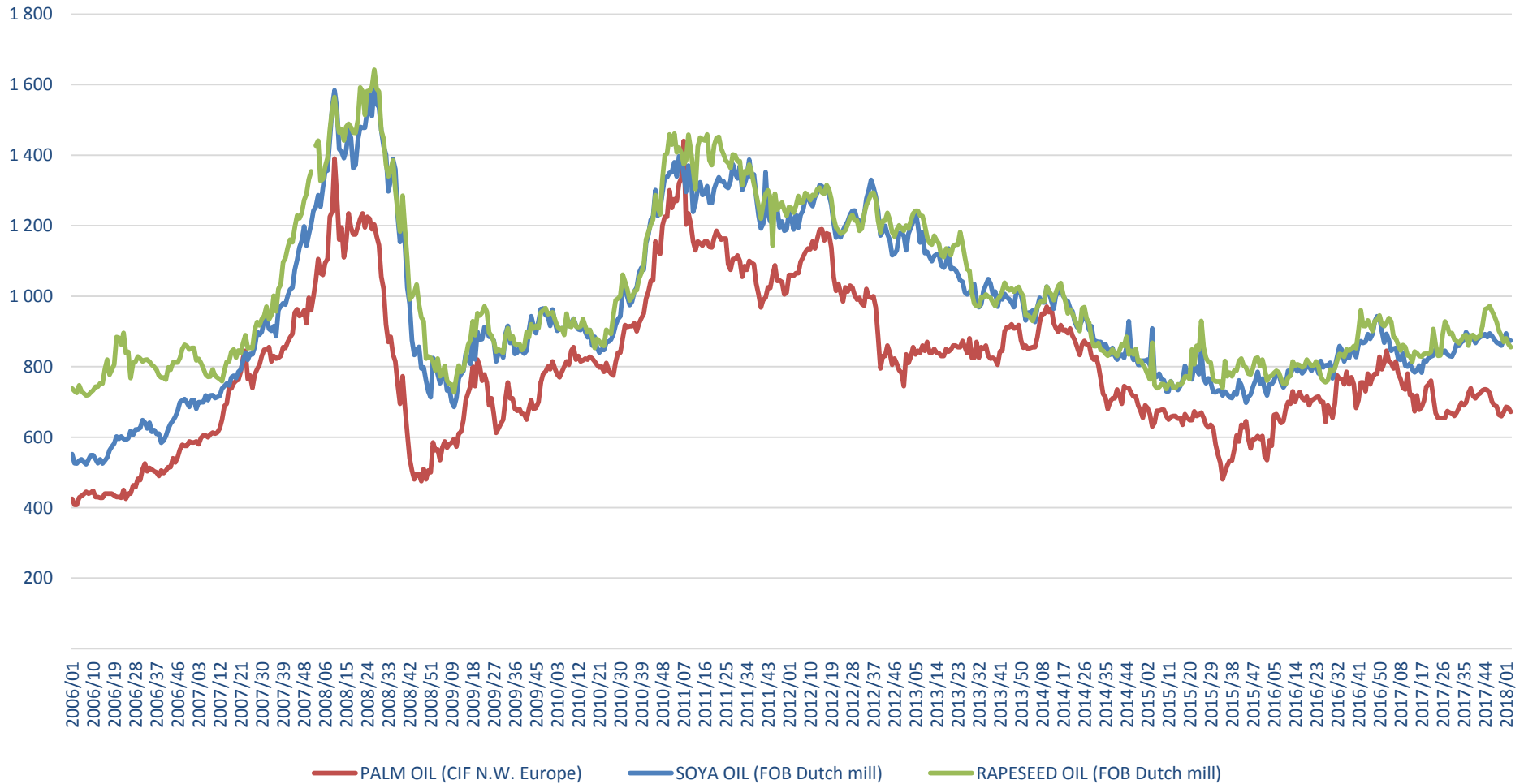
In Tonnes:	Dec 2017	Dec 2016	YoY%
Total rubber	8 179	9 192	-11,0%
Total tea	2 402	2 940	-18,3%
Total bananas	29 772	24 991	19,1%

SIPEF group

Vegetable oil prices



Palm Oil and its main competitors (weekly prices)

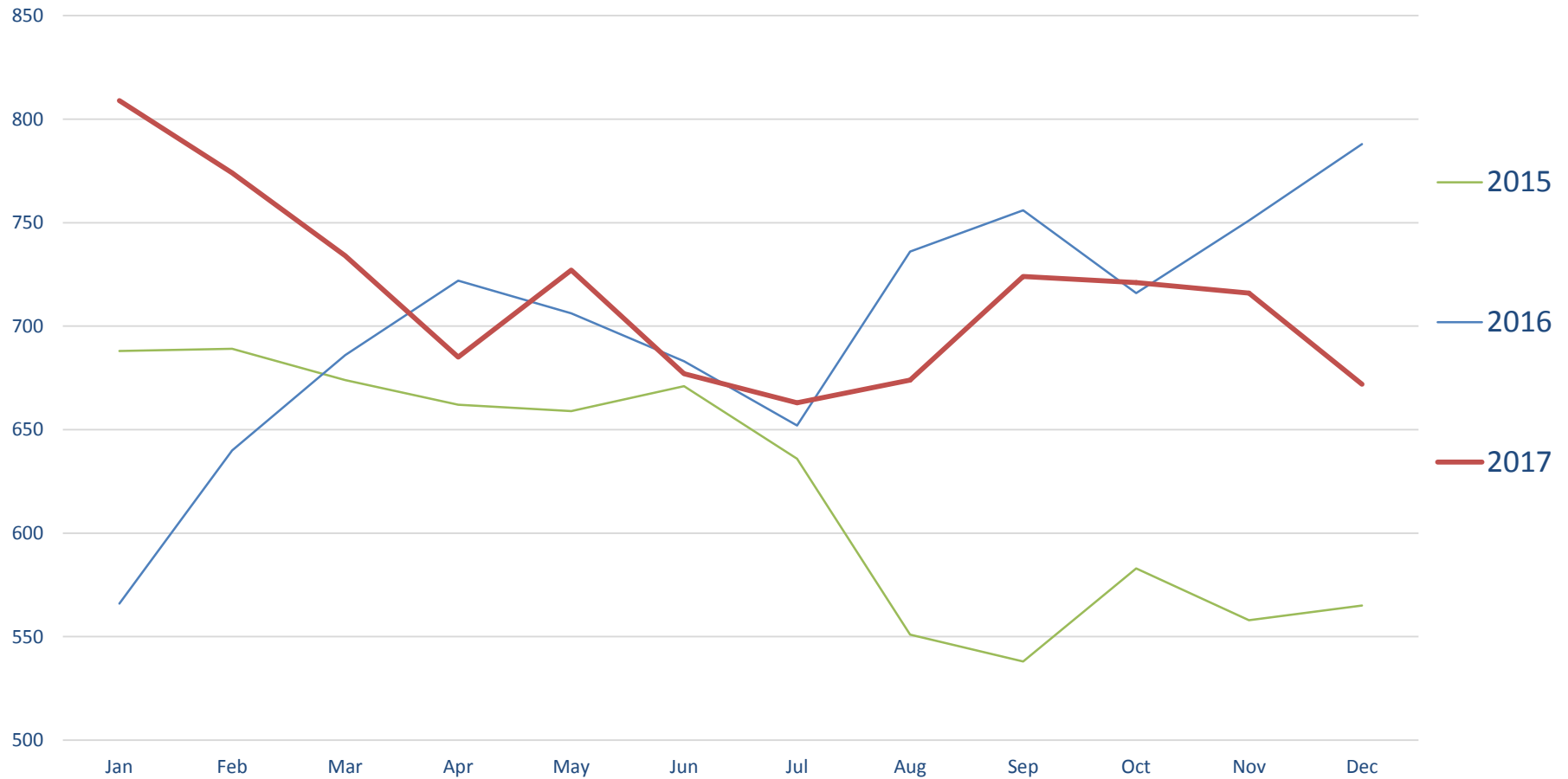


SIPEF group

CPO price - CIF Rotterdam – USD



CPO prices

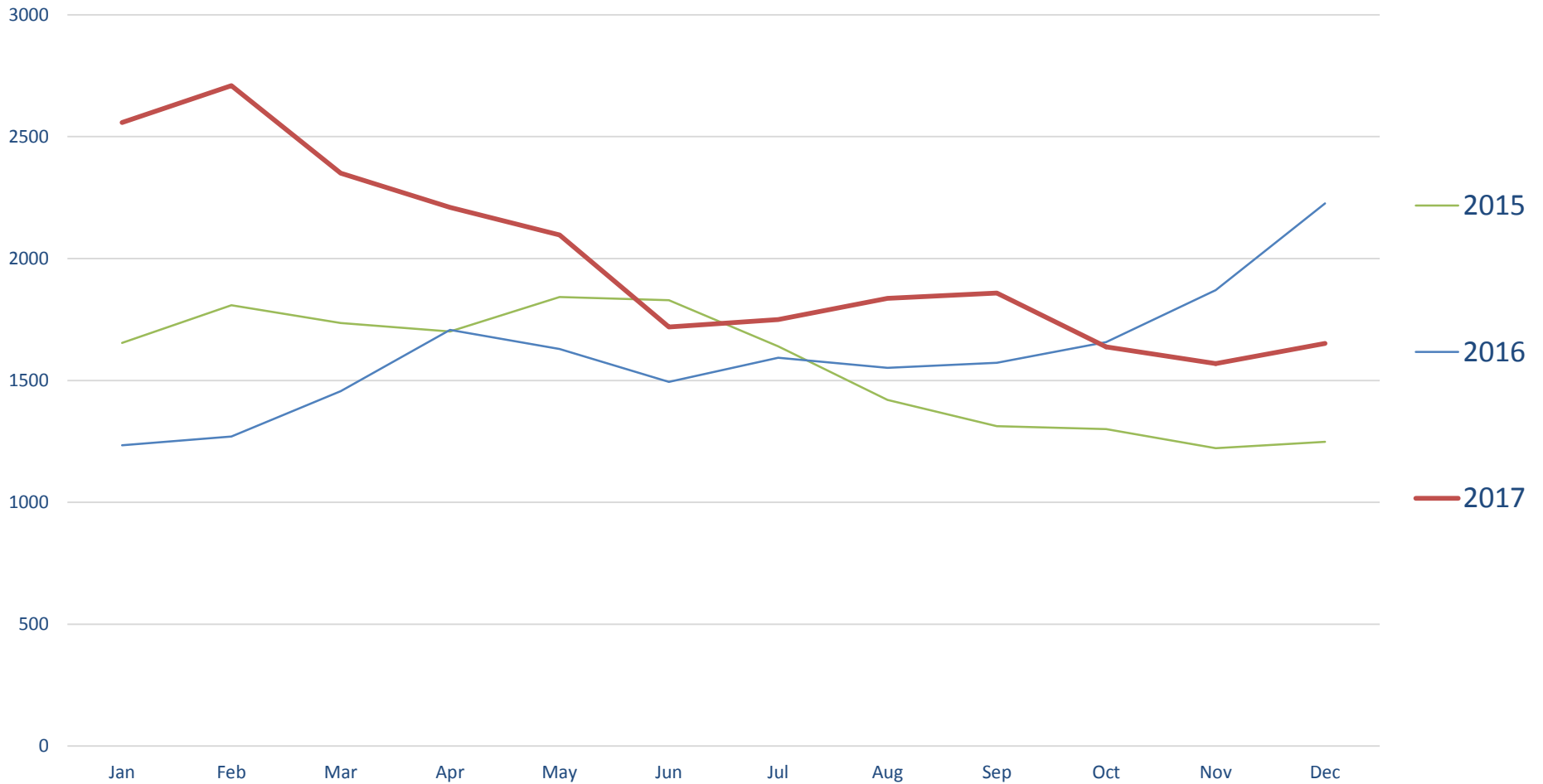


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Rubber price – FOB Malaysia - USD



Rubber prices

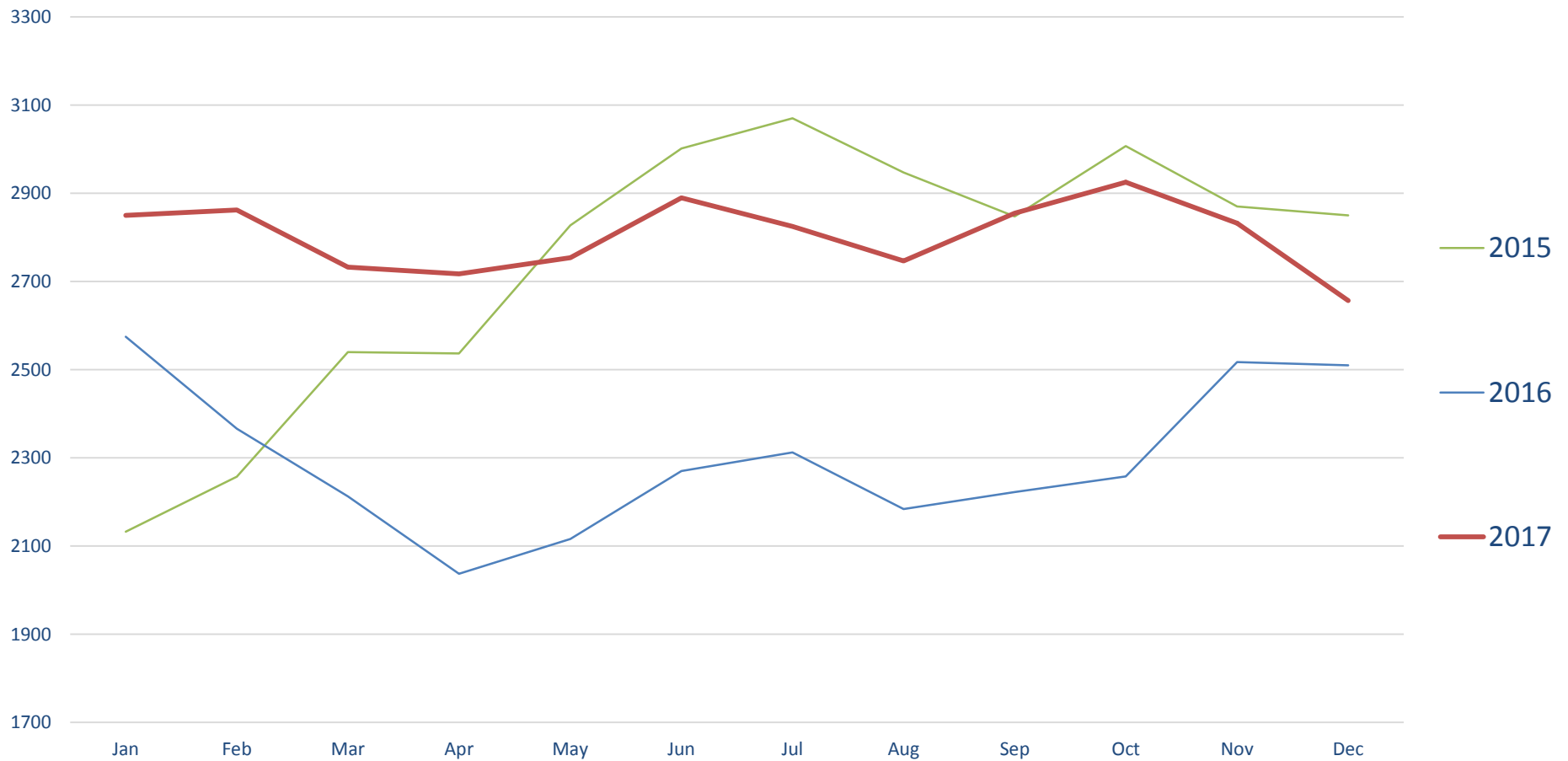


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Tea prices – FOB Indonesia - USD



Tea prices



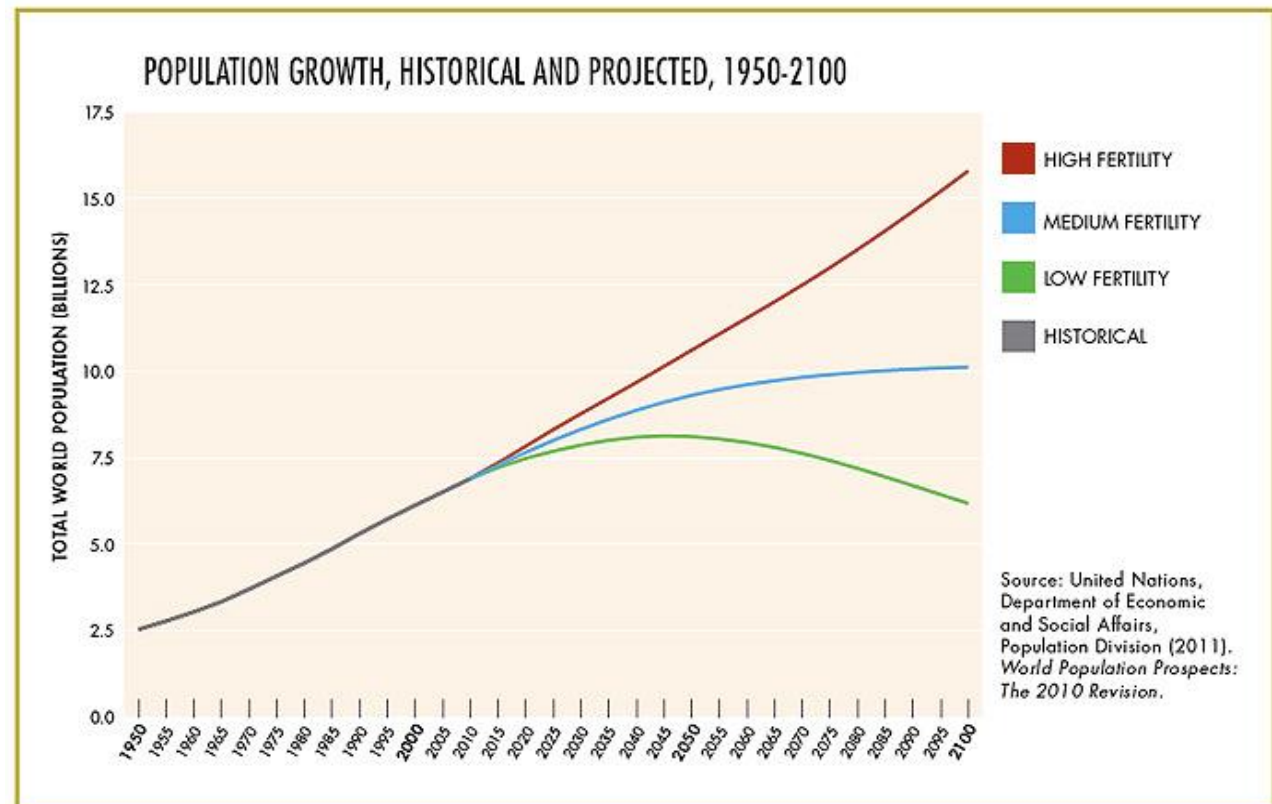
Palm oil in the world

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

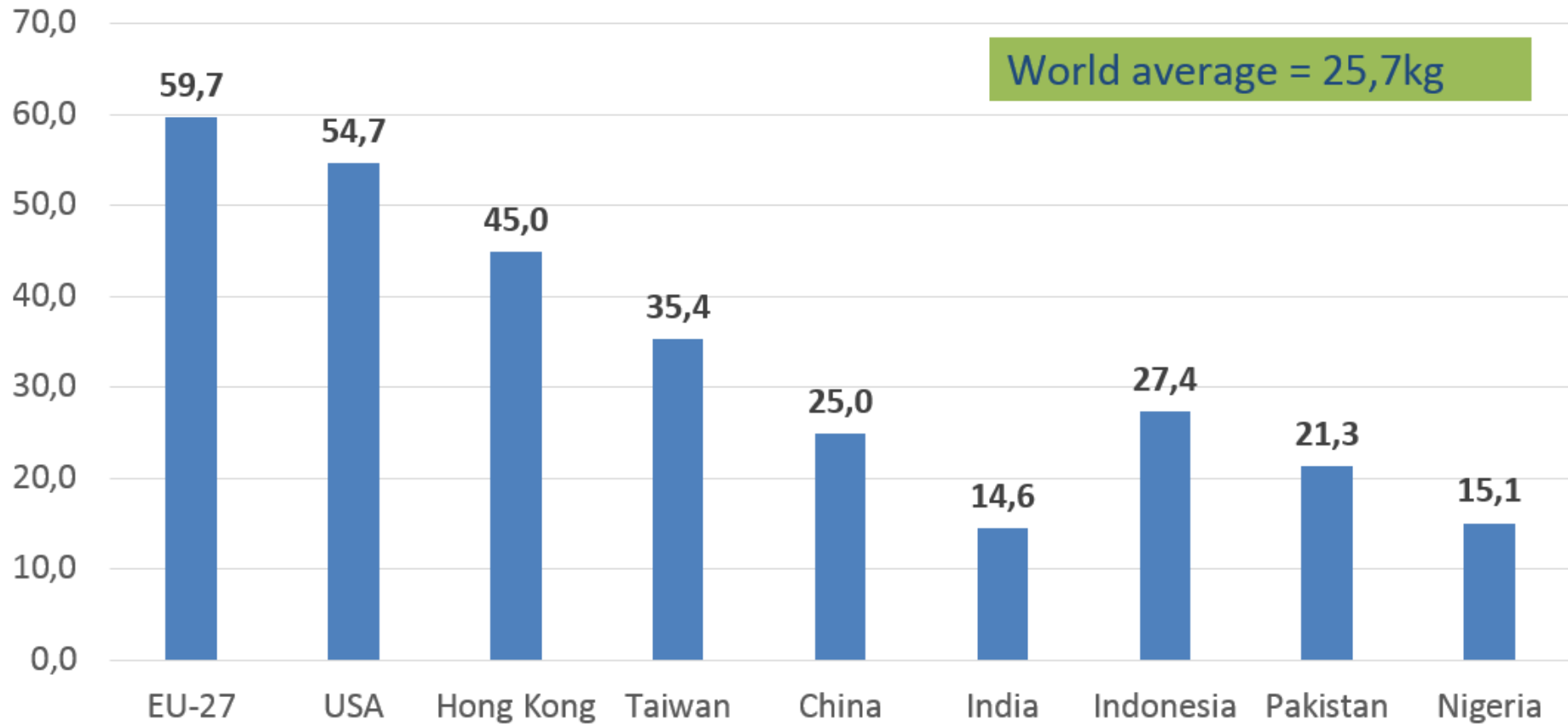


Palm oil in the world

Oil and fat consumption



Oil and fat per capita consumption (in Kg)



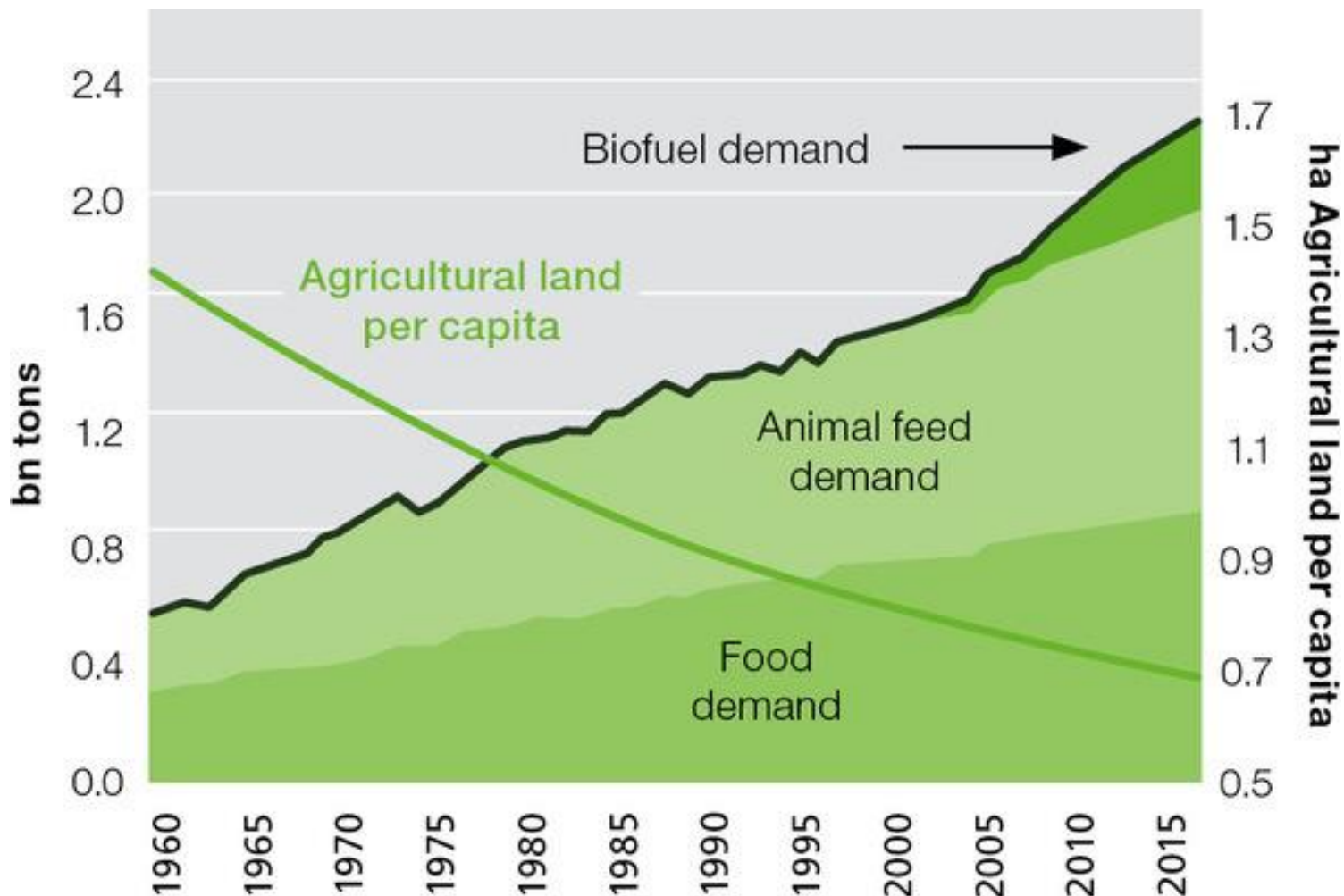
Source: Oil World 2012; Foreign affairs 2011

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

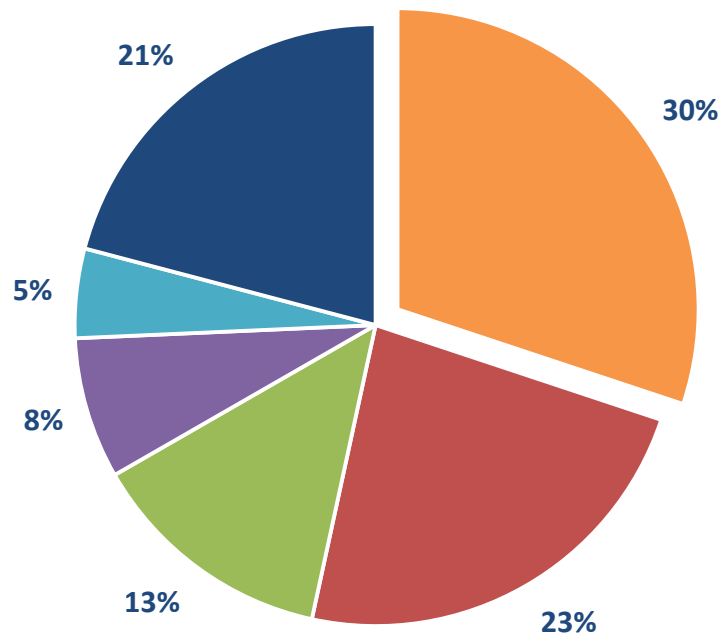


Palm oil in the world

Vegetable oils

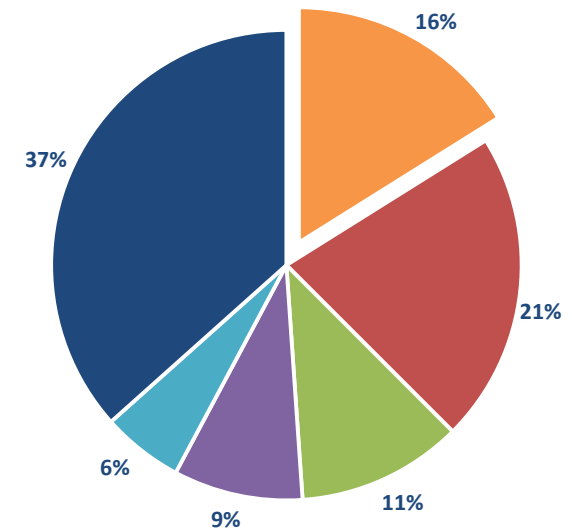


2014/15: 201,7 million tonnes



- 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

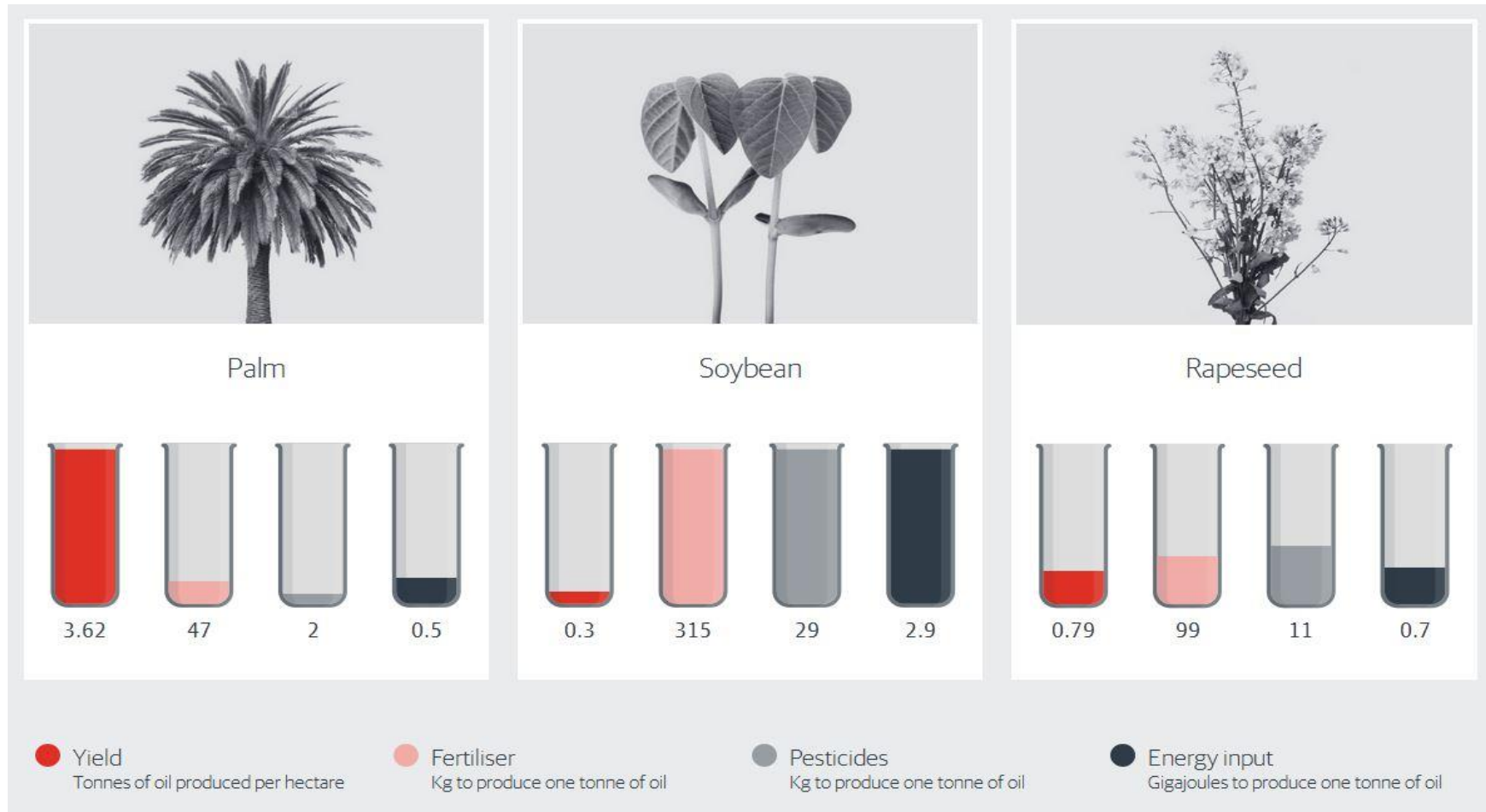
Source: oilworld.de, May 2015

Palm oil in the world

Comparison to other oils



Resources used per vegetable oil:

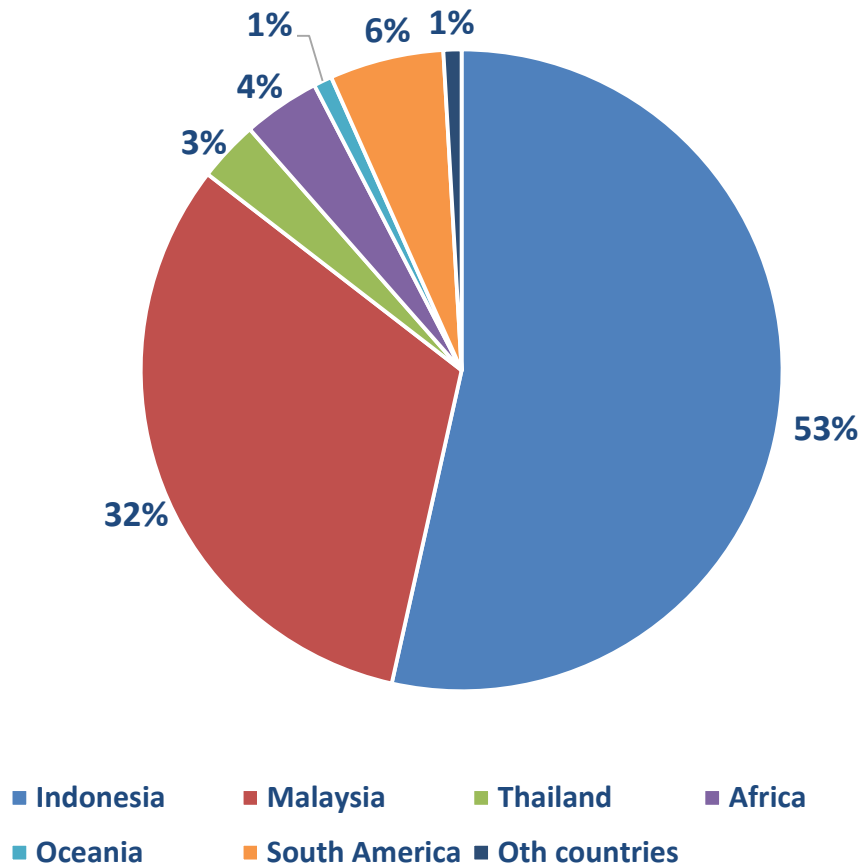


Palm oil in the world

Palm oil production



2014/15 - Palm oil world production



Palm oil production is primarily done in Asia:

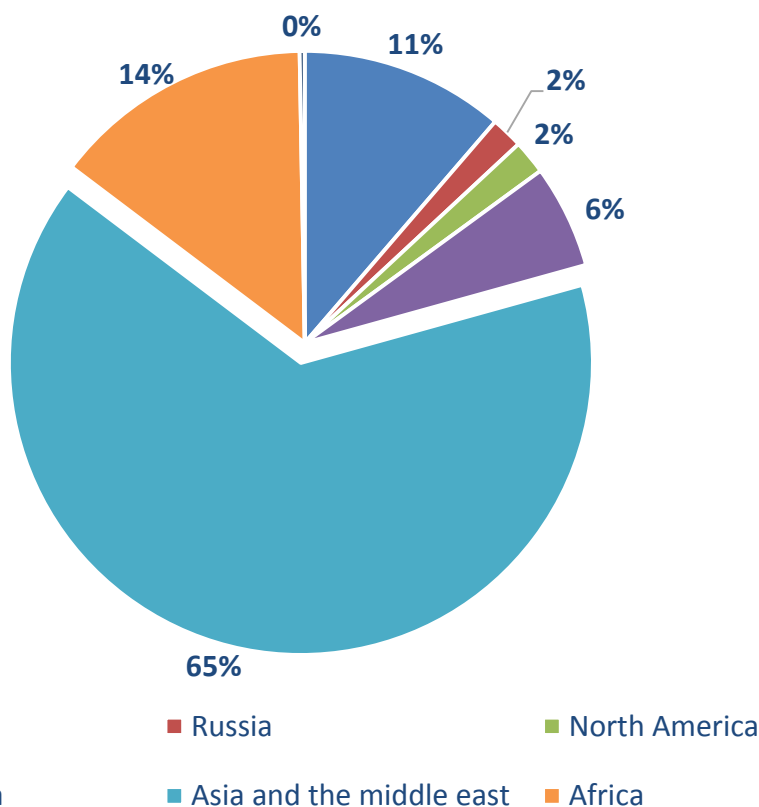
- Indonesia and Malaysia represent 85% of the world's palm oil production
- Oceania includes our subsidiary Hargy Palm Oils Ltd
- Total Sipef production represents 0,44% of the world production.

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

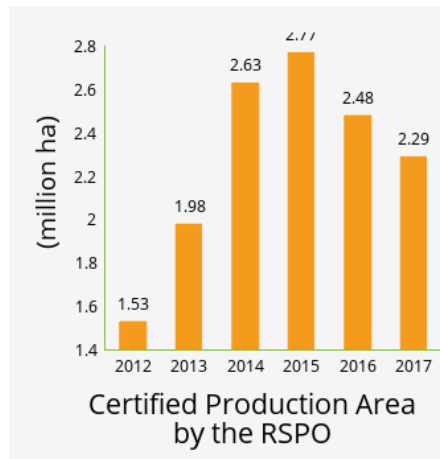
Palm oil in the world

Sustainable palm oil



Less than 2 million tons is 'segregated' (100% traceable)
SIPEF = 100% certified and > 300.000 tons 'segregated'

2,29 Million Ha RSPO certified production area



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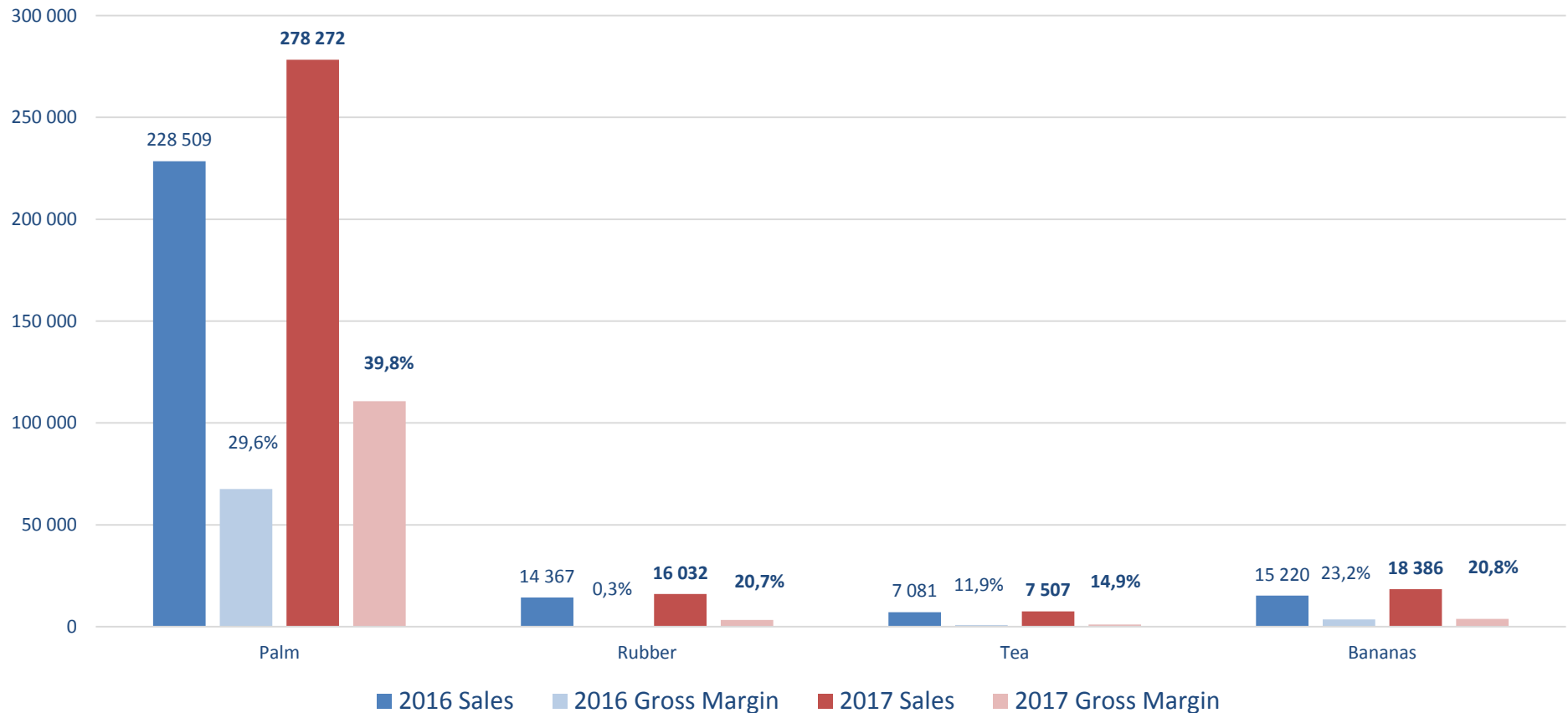
SIPEF group

Sales – Consolidated gross margin



Total consolidated turnover (including corporate)

- December 2017: 321 641 KUSD
- December 2016: 266 962 KUSD



SIPEF group

Gross profit – per product



Gross profit (December YTD)

<i>In KUSD</i>	2017	in %	2016	in %
Palm	110 763	91,9%	67 592	91,6%
Rubber	3 324	2,8%	48	0,1%
Tea	1 116	0,9%	842	1,1%
Bananas	3 827	3,2%	3 526	4,8%
Corporate and others	1 444	1,2%	1 784	2,4%
Total	120 474	100,0%	73 792	100,0%

SIPEF group

Profit and loss statement



Profit and loss (December YTD)

In KUSD (management presentation)

	2017	2016
Gross Profit	120 474	73 792
Services and administration	-31 175	-26 960
Other operating income/(charges)	962	647
Financial income	1 644	120
Financial charges	-3 211	-879
Exchange result	1 248	-694
Profit before tax	89 942	46 026
Tax	-24 045	-12 384
Profit after tax	65 897	33 642
Share of associates and JV's	3 137	9 059
Result from continuing operations	69 034	42 701
Remeasurement gain PT Agro Muko acquisition	79 324	0
Profit for the period	148 358	42 701
Share of the group	139 663	39 874
Share of the group before remeasurement gain PT AM	64 481	39 874

Consolidated Balance Sheet of the Sipef group is strongly impacted by 4 elements:

- Capital increase 24/05/2017 of 97,1 MUSD
- Reclassification of land rights from intangible to tangible fixed assets
- Acquisition of PT Agro Muko
- Acquisition of PT Dendymarker (provisional “Purchase Price Allocation”)

SIPEF group – Financial performance

Consolidated balance sheet



Impact of acquisitions

	<u>PT AM</u>	<u>PT DIL</u>	<u>Total</u>
Goodwill	82 257	19 403	101 660
Biological assets	67 458	8 597	76 055
Other non current assets	34 922	24 707	59 629
Cash	17 853	5	17 858
Other current assets	13 485	318	13 803
Total assets	215 975	53 030	269 005
P&L (remeasurement gain)	79 324	0	79 324
Other equity	-34 327	-225	-34 552
Deferred tax liabilities	21 176	0	21 176
Other non current liabilities	6 425	0	6 425
Current liabilities	-703	422	-281
Purchase price	144 080	52 833	196 913
Total liabilities	215 975	53 030	269 005

Balance sheet

In KUSD (condensed)

	Dec 2017	Dec 2016
Goodwill	103 008	1 348
Biological assets- bearer plants	268 086	178 346
Other fixed assets	353 292	245 124
Investments in associates	8 116	60 937
Net assets held for sale	12 010	0
Net current assets, net of cash	65 316	61 773
Net cash position	-83 697	-45 061
Total net assets	726 131	502 467
Shareholders' equity, group share	634 636	448 063
Non controlling interest	33 140	25 063
Provisions and deferred tax liabilities	58 355	29 341
Total net liabilities	726 131	502 467

SIPEF group

Consolidated cash flow



Cash Flow

In KUSD (management presentation)

	2017	2016
Cash flow from operating activities	124 842	74 391
Change in net working capital	8 622	-18 804
Income taxes paid	-13 611	-4 369
Cash flow from operating activities after tax	119 853	51 218
Acquisitions intangible and tangible assets	-59 625	-41 094
Dividends received from associated companies	0	4 729
Sales of PP&E and financial assets	1 946	1 526
Recurring free cash flow	62 174	16 379
Acquisition financial assets	-78 686	-3 050
Equity transactions with non-controlling parties	-99 769	-16
Capital Increase	95 095	0
Other financing activities	40 157	-15 646
Net increase in investments, cash and cash equivalents	18 971	-2 333

SIPEF group

Split acquisition of financial assets



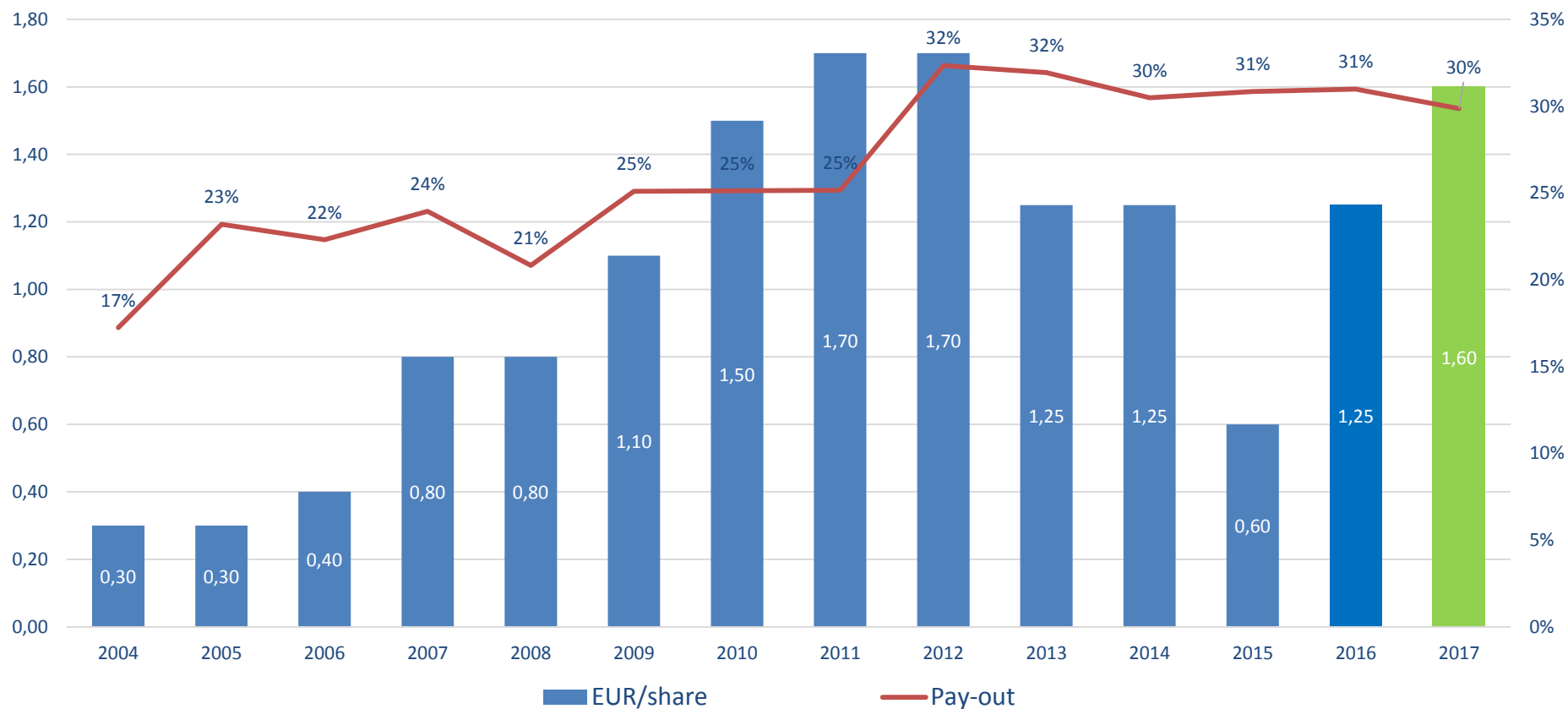
	PT AM	PT DIL	Total
Total acquisition price	-144 080	-52 833	-196 913
Advance paid in 2016	1 250	0	1 250
Available liquidity	<u>17 852</u>	<u>5</u>	<u>17 857</u>
Net impact	-124 978	-52 828	-177 806
Presentation in cash flow			
- Acquisition financial assets	-25 208	-52 828	-78 036
- Equity transactions with NCI	<u>-99 770</u>	<u>0</u>	<u>-99 770</u>
Net impact	-124 978	-52 828	-177 806

SIPEF group

Dividend history

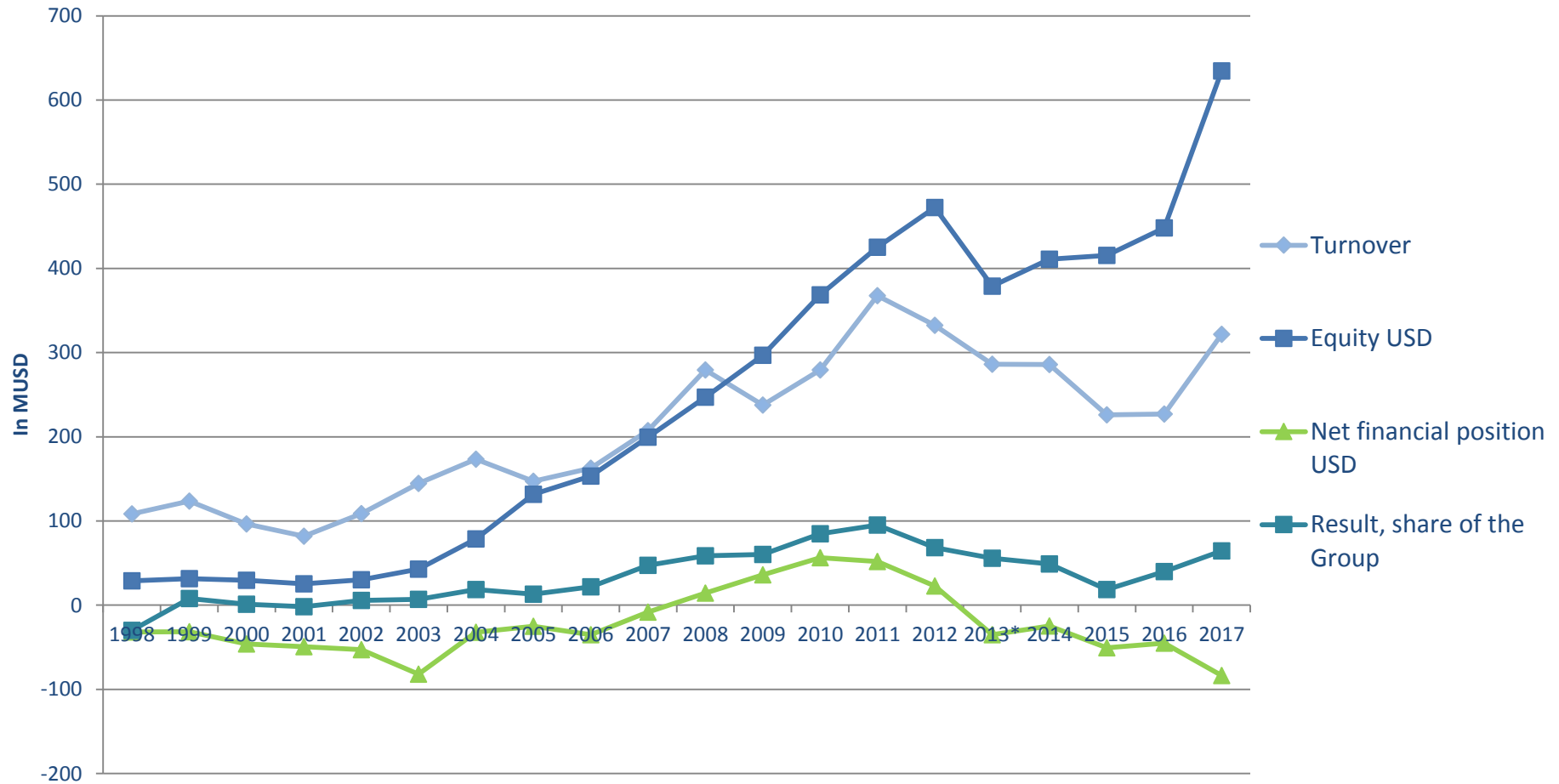


Dividend History Sipef



SIPEF group

Historical evolution NFP, equity and turnover



2013* Restatement for IAS41R



- We maintain the expected 9% total rise in annual palm oil production for the *SIPEF* group;
- We are positive that prices will remain steady, certainly for the first half of the year;
- 41% of the expected palm oil production for 2018 was sold at an average price of USD 741 per tonne CIF Rotterdam, premiums included;
- Capex for 2018 will be primarily expansion in South Sumatra and replacement capex;
- The acquisition price for 100% of the shares of BDM-ASCO was set at EUR 35 million. *SIPEF* will realise a gain of approximately USD 7 million. Gross proceeds of KUSD 20 783 will contribute to the further reduction in the debt position of the Sipef Group.

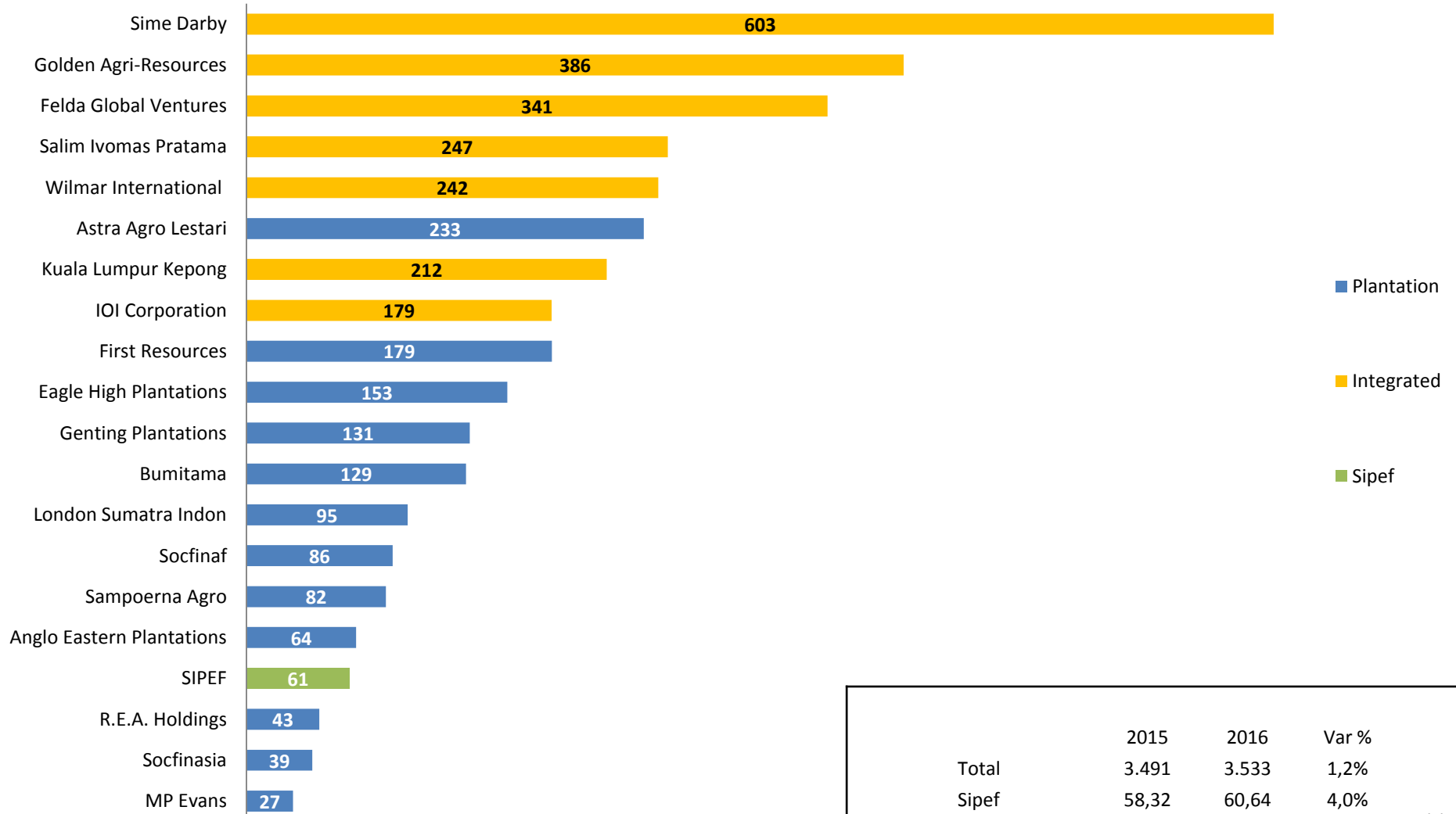
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- **Peer review**

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.

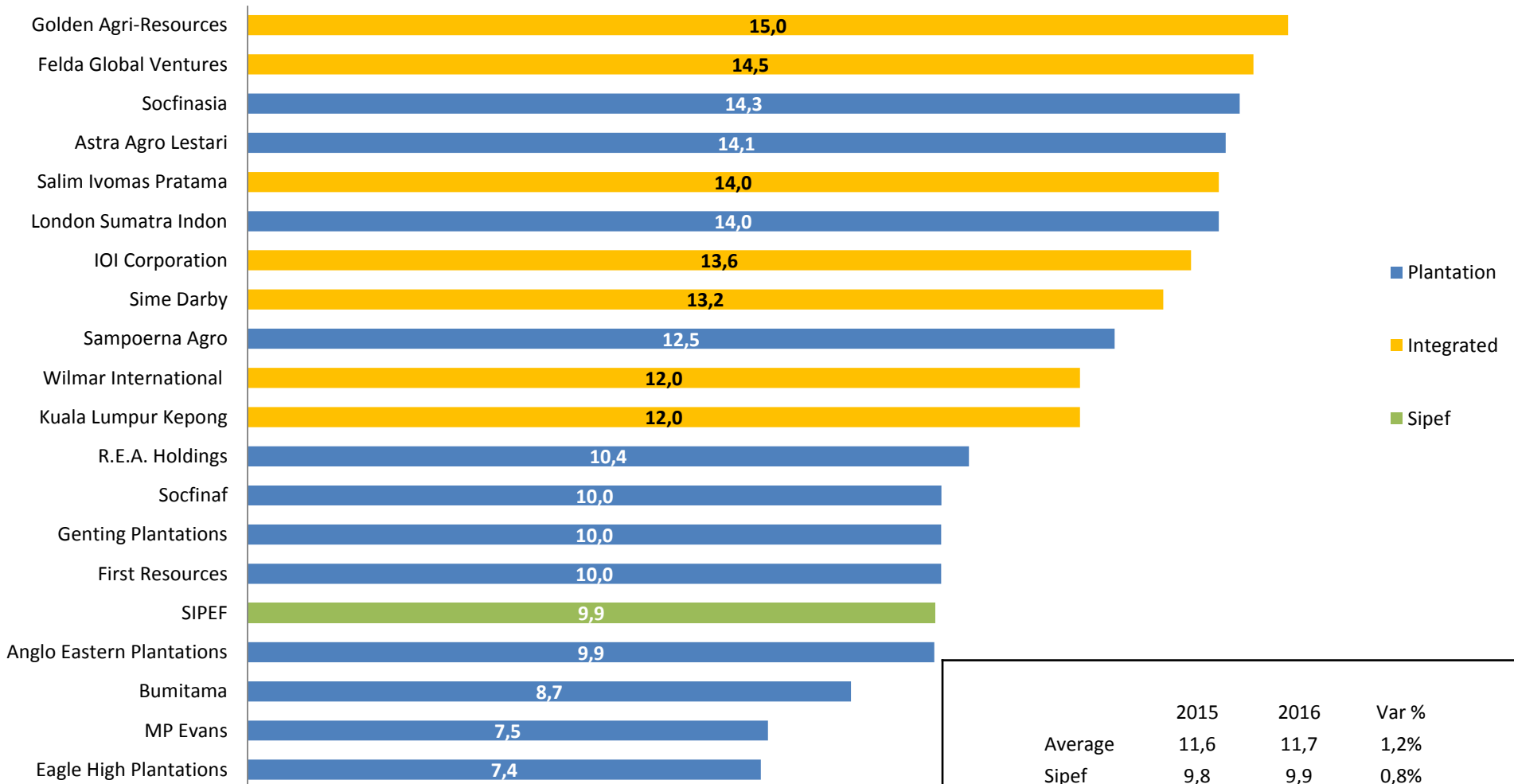
As a consequence of using different sources combined with giving our own interpretation to the available information, the information may not always be correct and SIPEF does not accept any liability for loss and damage that may arise from relying upon this information.

Owned Planted Oil Palm Hectares in KHa (2016)



	2015	2016	Var %
Total	3.491	3.533	1,2%
Sipef	58,32	60,64	4,0%

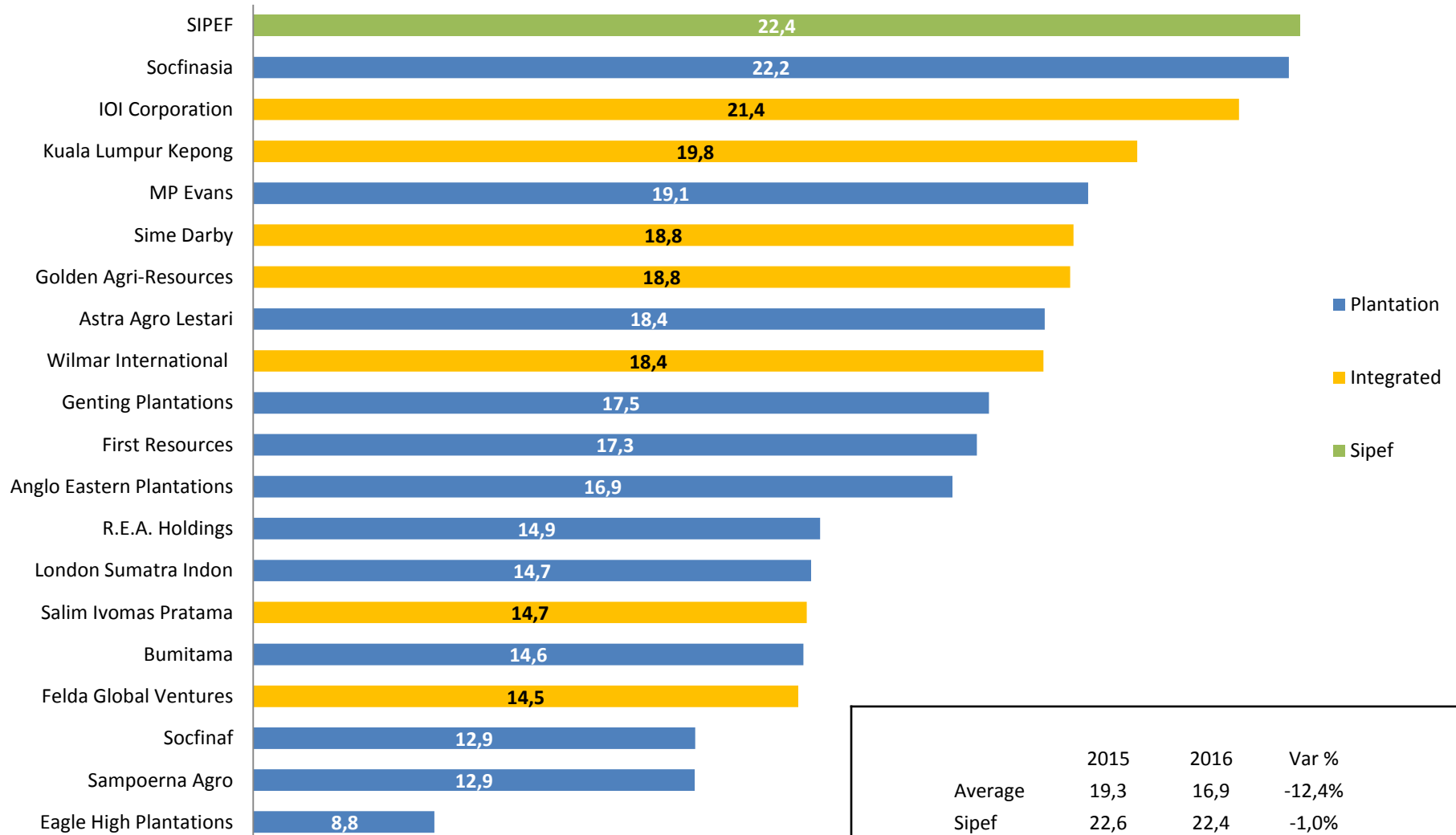
Age Profile : Average Age Planted Hectares (2016)



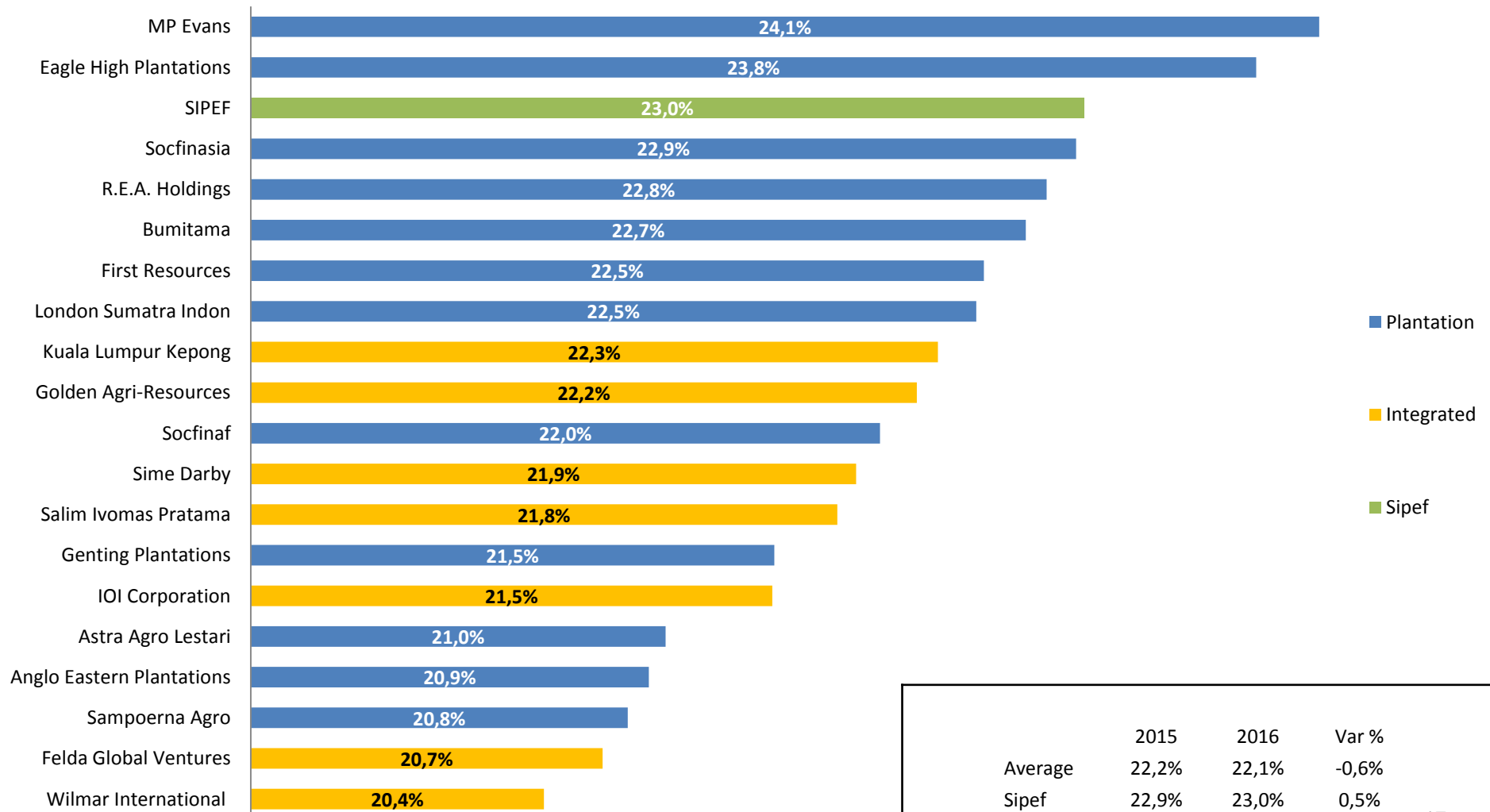
	2015	2016	Var %
Average	11,6	11,7	1,2%
Sipef	9,8	9,9	0,8%

Peer review

FFB Yields – MT/ha (2016)



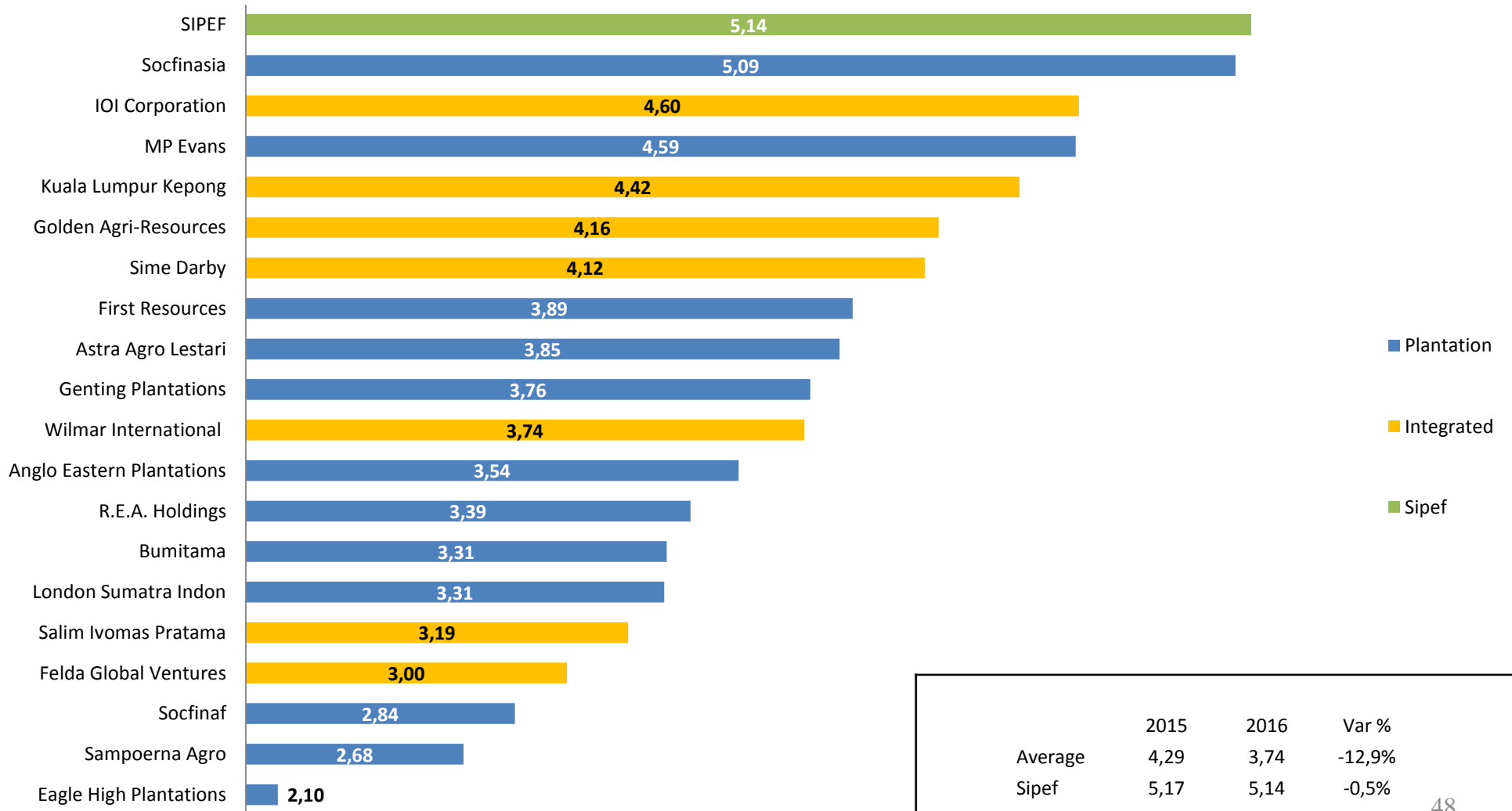
Extraction Rate from FFB to CPO (2016)



	2015	2016	Var %
Average	22,2%	22,1%	-0,6%
Sipef	22,9%	23,0%	0,5%

Peer review

CPO Yields – MT/ha (2016)

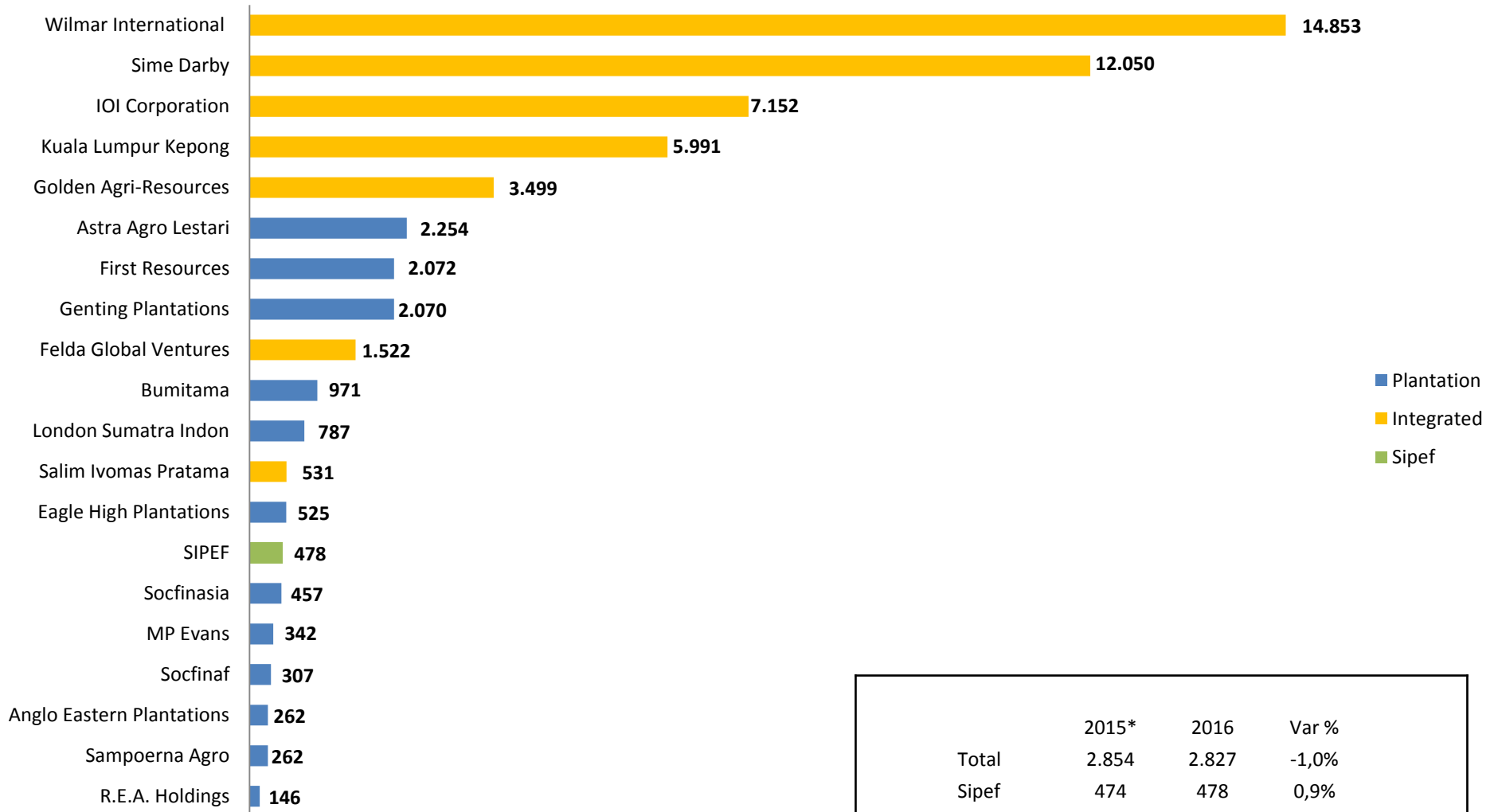


	2015	2016	Var %
Average	4,29	3,74	-12,9%
Sipef	5,17	5,14	-0,5%

Peer review



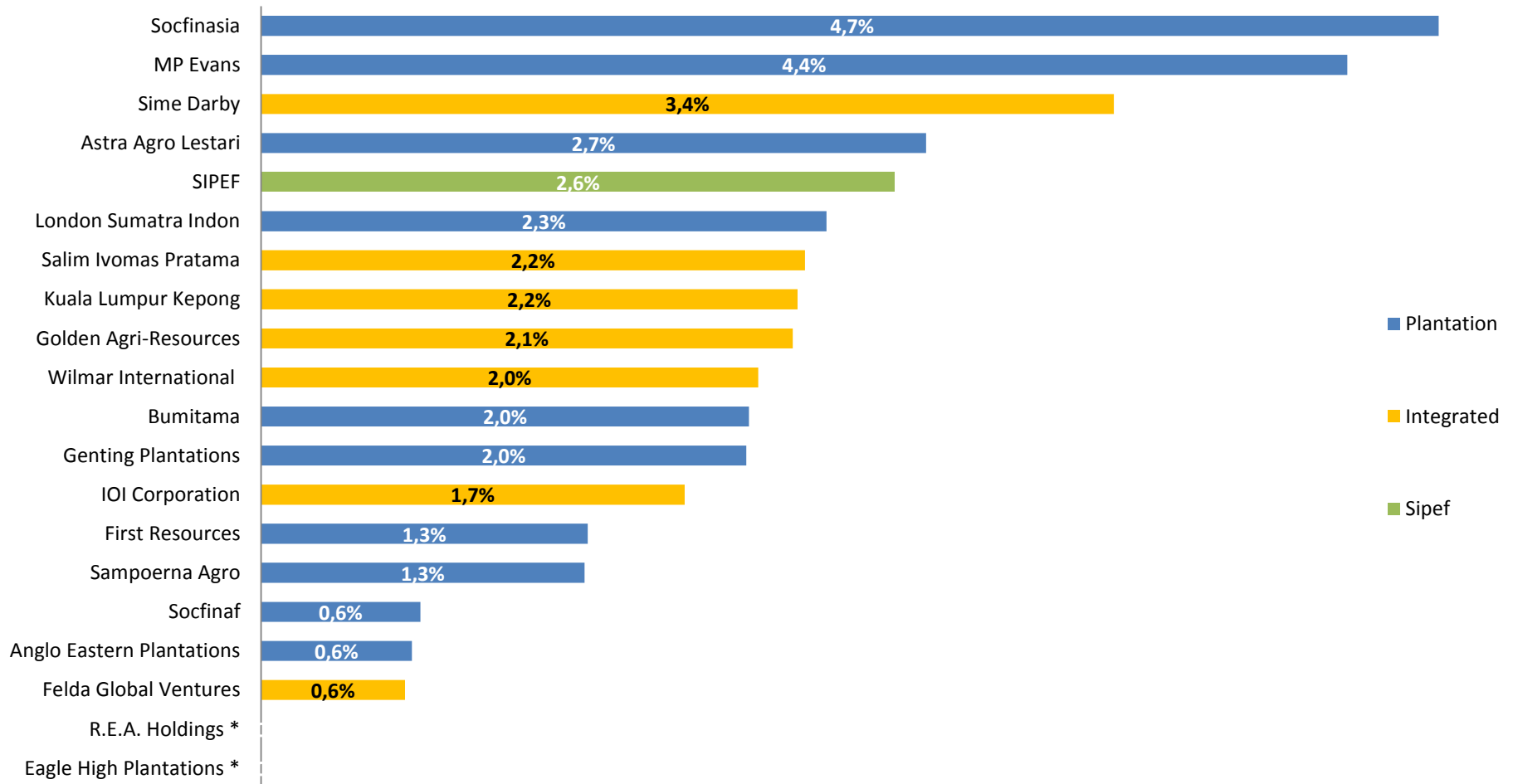
Market Cap in MUSD (average over the fiscal year)



	2015*	2016	Var %
Total	2.854	2.827	-1,0%
Sipef	474	478	0,9%

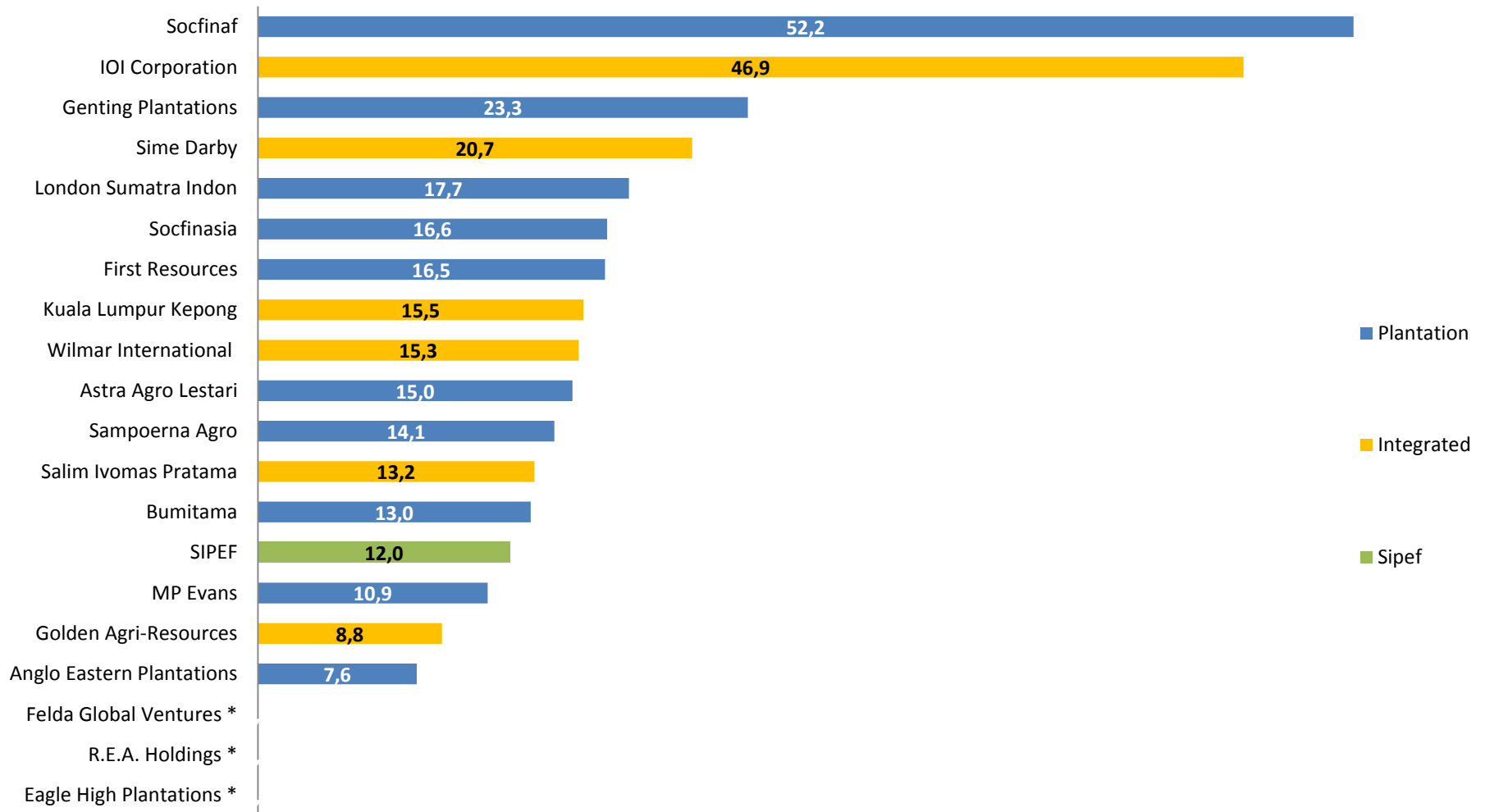
* Restated: calculation of market cap based on average stock exchange of the fiscal year at the average exchange rate of the fiscal year

Dividend Yields (Based on Average Market Cap 2016)



* No dividend pay-out

Price Earnings Ratio (Based on Average Market Cap 2016)

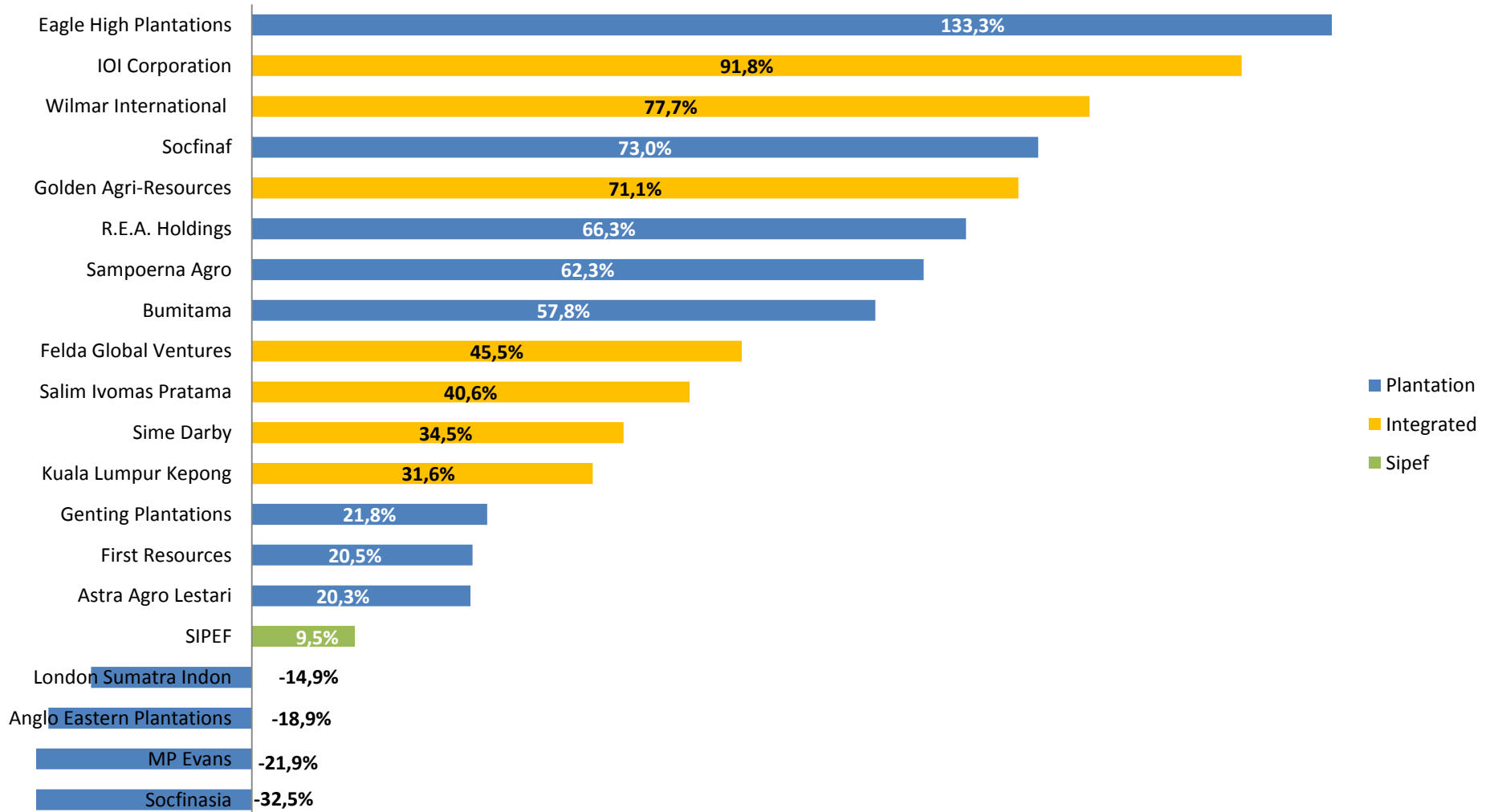


* Not included as irrelevant (profit close to break-even or loss for the year)

Peer review



Net financial debt/Equity Ratio (2016)



Questions

