



SIPEF financial statements December 2018

Analyst presentation
February 14, 2019



The Connection to the world of Sustainable Tropical Agriculture



Summary



1. SIPEF Group Company profile

2. SIPEF group - Expansion

3. SIPEF Group – Productions & prices

4. SIPEF group – Financial performance

5. Peer review

1. SIPEF group - Company profile



Agriculture

- 1st segment of the supply chain - commodities

Tropical

- Recent industrialised countries

Sustainable

- Audited certifications

Connection

- Publicly quoted

1. SIPEF group - Company profile



Continuous production

- Continuous crops

Diversified in product

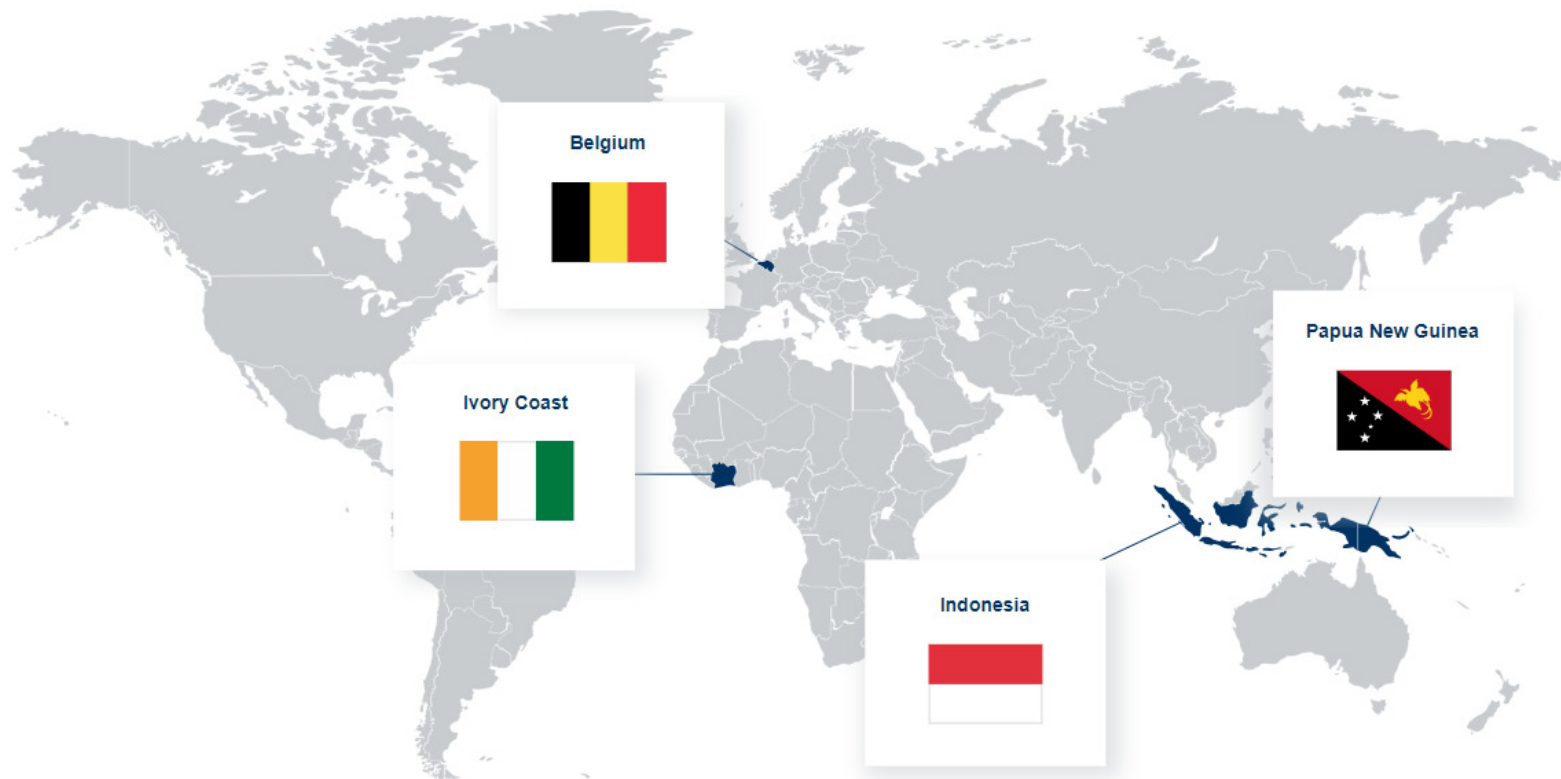
- **Palm oil** : basic commodity for food (and recently energy)
- **Rubber** : cyclic business - tire industry

Diversified in origin

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

1. SIPEF group - Company profile

Worldwide



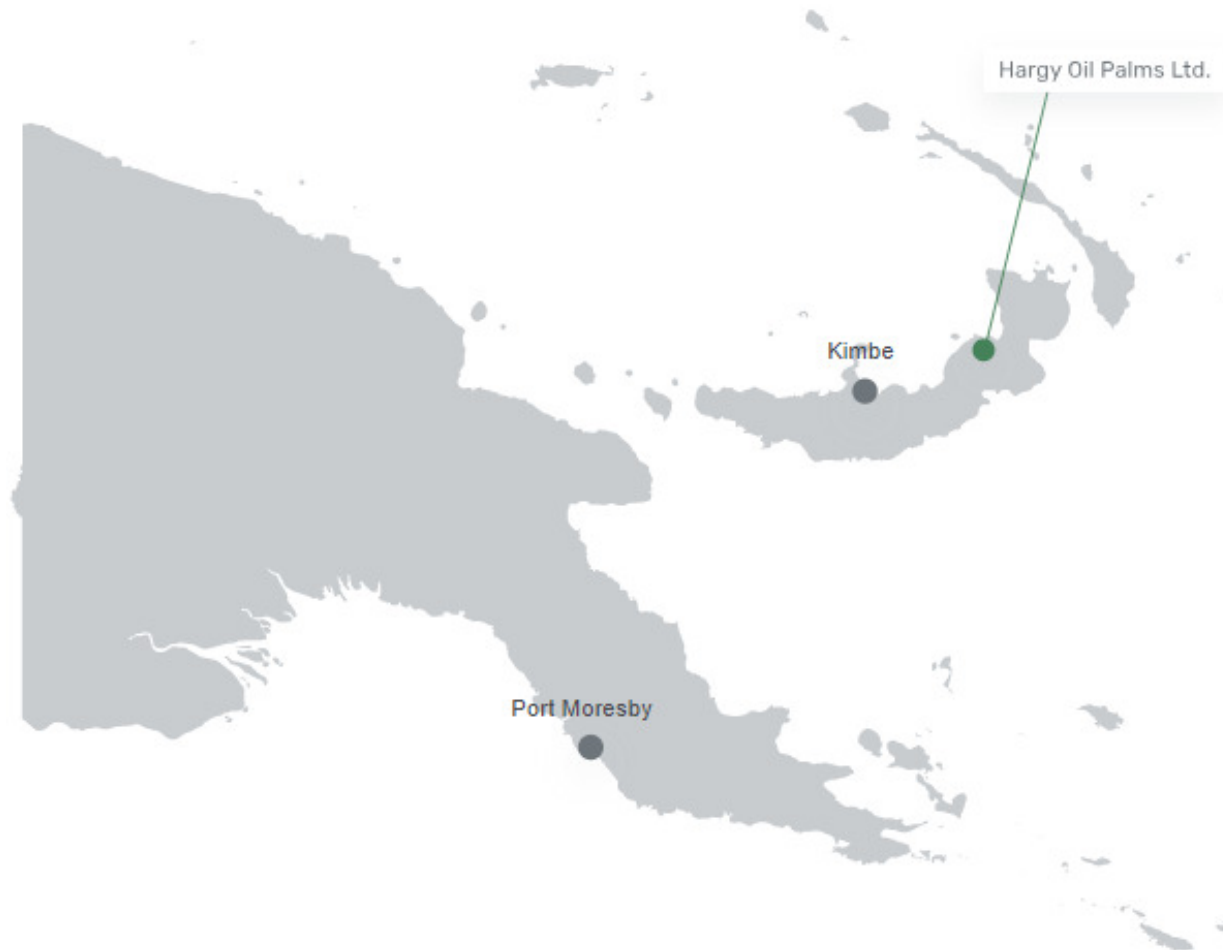
1. SIPEF group - Company profile

Indonesia



1. SIPEF group - Company profile

Papua New Guinea



1. SIPEF group - Company profile
Planted hectares summary – 31 December 2018



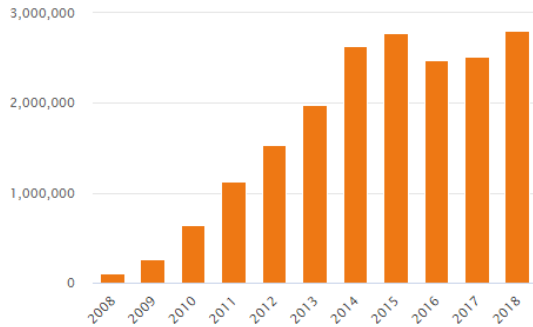
	Palm	Rubber	Tea	Bananas	Other	Total	%	Group share
Indonesia	58 035	6 275	1 763			66 073	82%	59 572
PNG	13 687					13 687	17%	13 687
Ivory coast				749	31	780	1%	780
Total	71 722	6 275	1 763	749	31	80 540	100%	74 039
%	89%	8%	2%	1%	0%	100%		
Group share	66 291	5 376	1 591	749	31	74 039		

1. SIPEF group - Company profile
Palm oil in the world - Sustainable palm oil

Less than 3 million tons is sold as IP/‘segregated’ (100% traceable)
 SIPEF = 100% certified and > 350.000 tons ‘segregated’

2,81 Million Ha RSPO certified production area

Certified Sustainable Palm Oil production area (ha) ⓘ



19%

Proportion of global palm oil certified by RSPO



13.47 million tonnes

Volume of RSPO-certified sustainable palm oil



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2. SIPEF group - Expansion

Strategy & 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



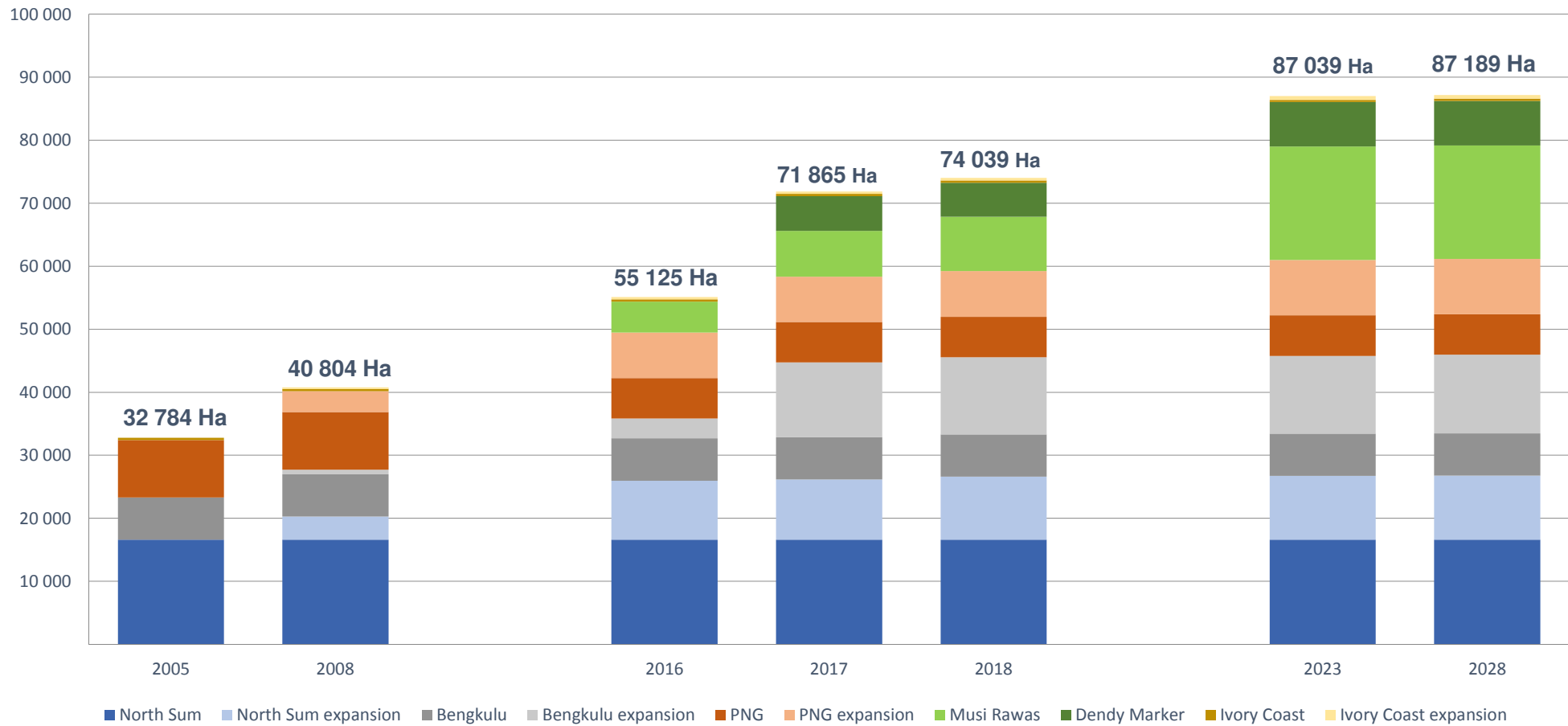
2. SIPEF group - Expansion

Strategy & expansion



2. SIPEF group - Expansion

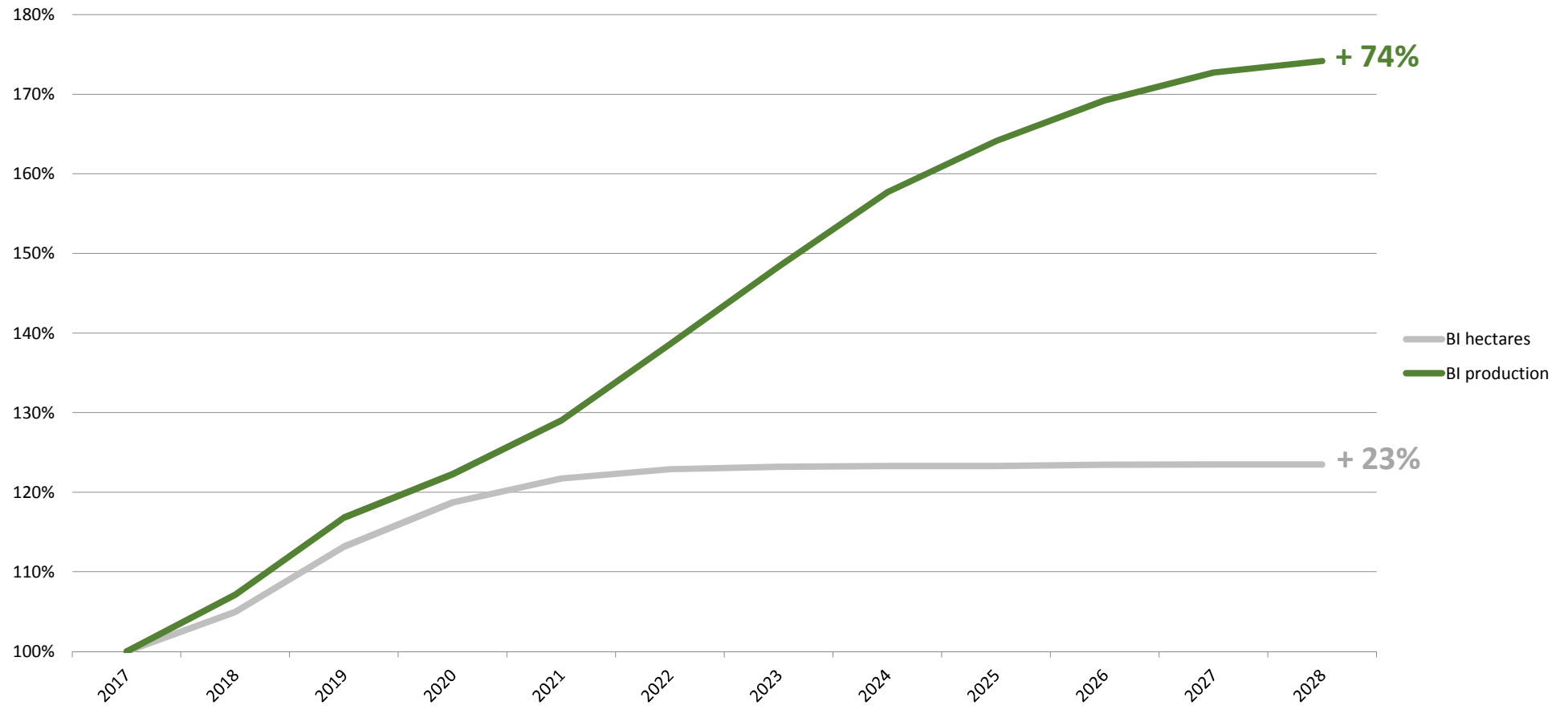
Planted area (in hectares) – Beneficial interest





2. SIPEF group - Expansion

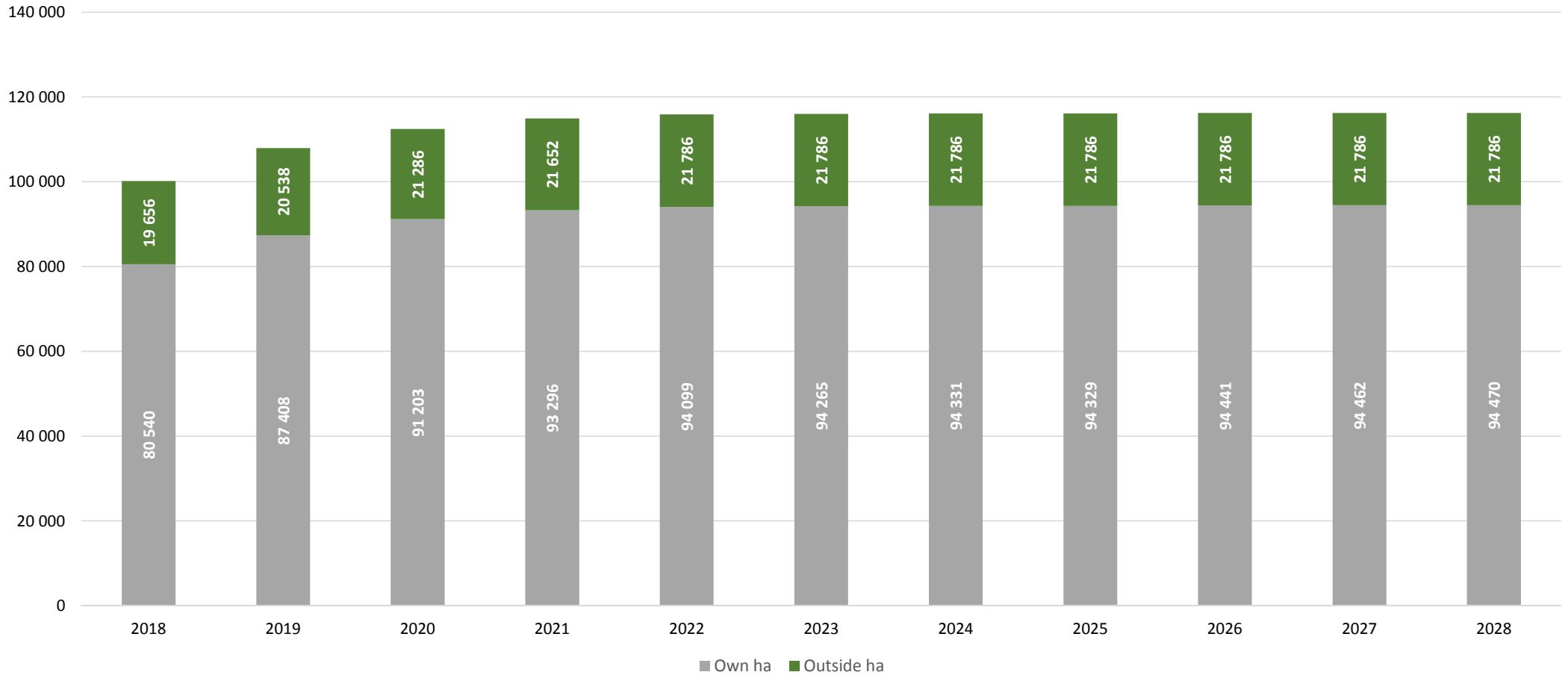
Planted hectares and production of CPO (sale of FFB not included) (BI)





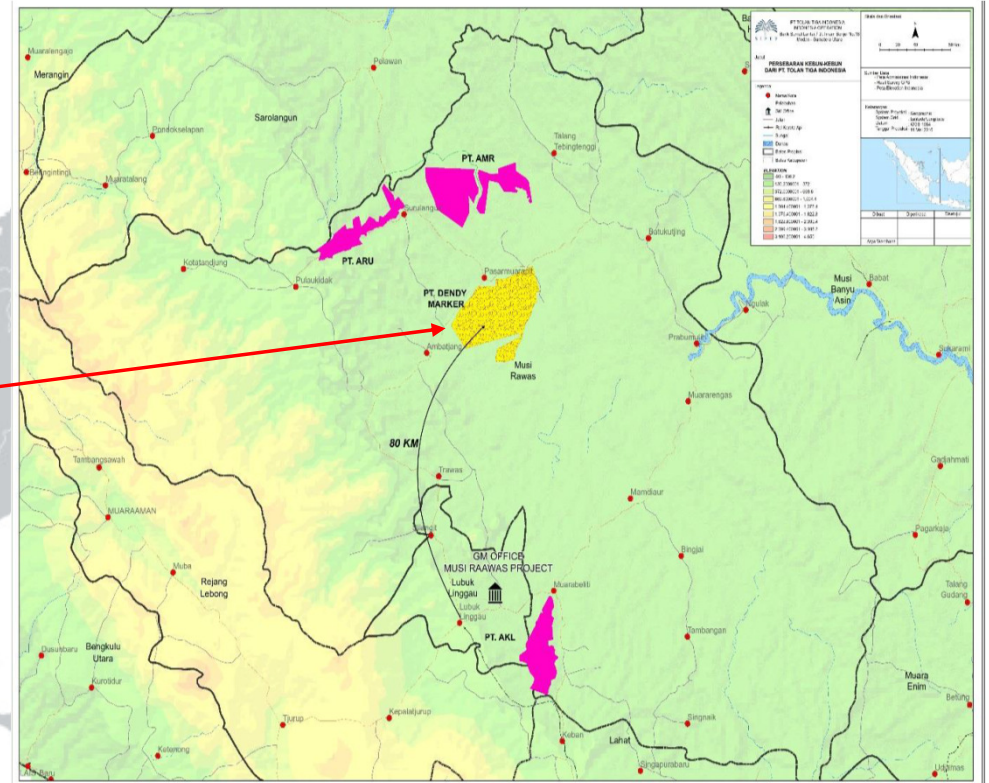
2. SIPEF group - Expansion

Supply base (in hectares): own ha and outgrowers ha – 100%



2. SIPEF group - Expansion

Musi Rawas expansion



2. SIPEF group - Expansion

Musi Rawas – South Sumatra summary of project status



Latest update	Musi Rawas	Musi Rawas II	Dendymarker	DIL Newplant	Total
Izin Lokasi HGU	24 607		17 793		42 400
Expansion Izin Lokasi		8 594			8 594
TOTAL HGU/IZIN	24 607	8 594	17 793	0	50 994
Planted /Cleared	10 653		8 986	0	19 639
Identified	7 855	4 298		1 604	13 755
Potential development	18 507	4 298	8 986	1 604	33 394
INTI	15 423	3 581	6 205	1 604	26 812
PLASMA	3 084	717	2 781	0	6 582

2. SIPEF group - Expansion

Musi Rawas – progress December 2018



MUSI RAWAS	Acquired Ha	Secured Ha	
PT AKL	4 654	4 241	91%
PT ARU	3 333	2 206	66%
PT AMR	7 443	4 205	56%
Total OLD	15 429	10 653	69%
Potential Ha	18 507		
	83%		
AMR III	23	0	0%
AMRS	39	0	0%
AKLE	50	0	0%
Total NEW	111	0	0%
Potential Ha	4 298		
	3%		
GRAND TOTAL	15 540	10 653	69%
Potential HA	22 805	22 805	100%
% of total	68%	47%	

2. SIPEF group - Expansion

Musi Rawas – progress December 2018



Area	Compensation Ha			Cleared/Planted Ha					Planted/ compensated
	YTD 2017	Dec-18	TOTAL	YTD 2017	Correct planted	Planted Dec-18	Cleared Dec-18	TOTAL	
AKL	3 759	318	4 077	3 776	-407	277	68	3 714	91,1%
ARU	2 626	235	2 861	1 558	-13	270	35	1 850	64,7%
AMR	4 789	1 437	6 226	2 410	-33	1 263	201	3 841	61,7%
AMR 3	0	23	23	0					
AMR S	0	39	39	0					
AKL E	0	50	50	0					
Plasma	2 109	157	2 266	929	-39	280	77	1 248	55,1%
TOTAL	13 283	2 257	15 540	8 673	-491	2 090	380	10 653	68,5%



Summary



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3. SIPEF Group – Productions & prices

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5. Peer review

3. SIPEF group – Productions & prices

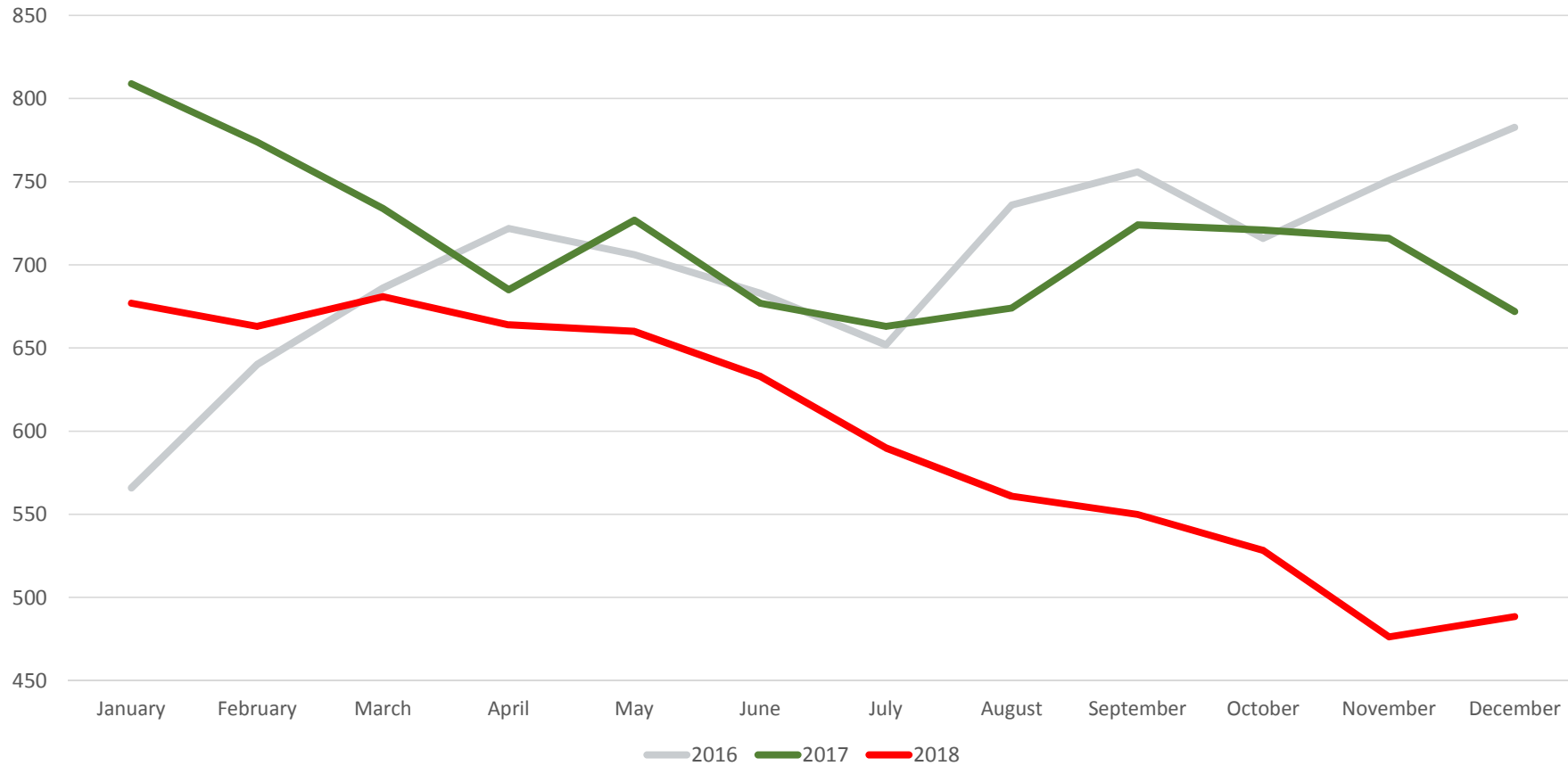
December production 2018



Palm Oil	2018	2017	Variance
Own			
Tolan Tiga Group	72 492	69 477	4,34%
Umbul Mas Wisesa Group	41 568	39 640	4,86%
Agro Muko Group	85 219	79 827	6,75%
South Sumatra Group	6 147	1 679	266,11%
Hargy Oil Palms	85 015	81 689	4,07%
Total own	290 441	272 312	6,66%
Total outgrowers	61 316	58 646	4,55%
Total Palm Oil	351 757	330 958	6,28%
Total Rubber	7 982	8 179	-2,41%
Total Tea	2 422	2 402	0,83%
Total Bananas	27 788	29 772	-6,66%

3. SIPEF group – Productions & prices
Monthly palm oil (CIF Rotterdam USD/ton)

CPO prices



3. SIPEF group – Productions & prices

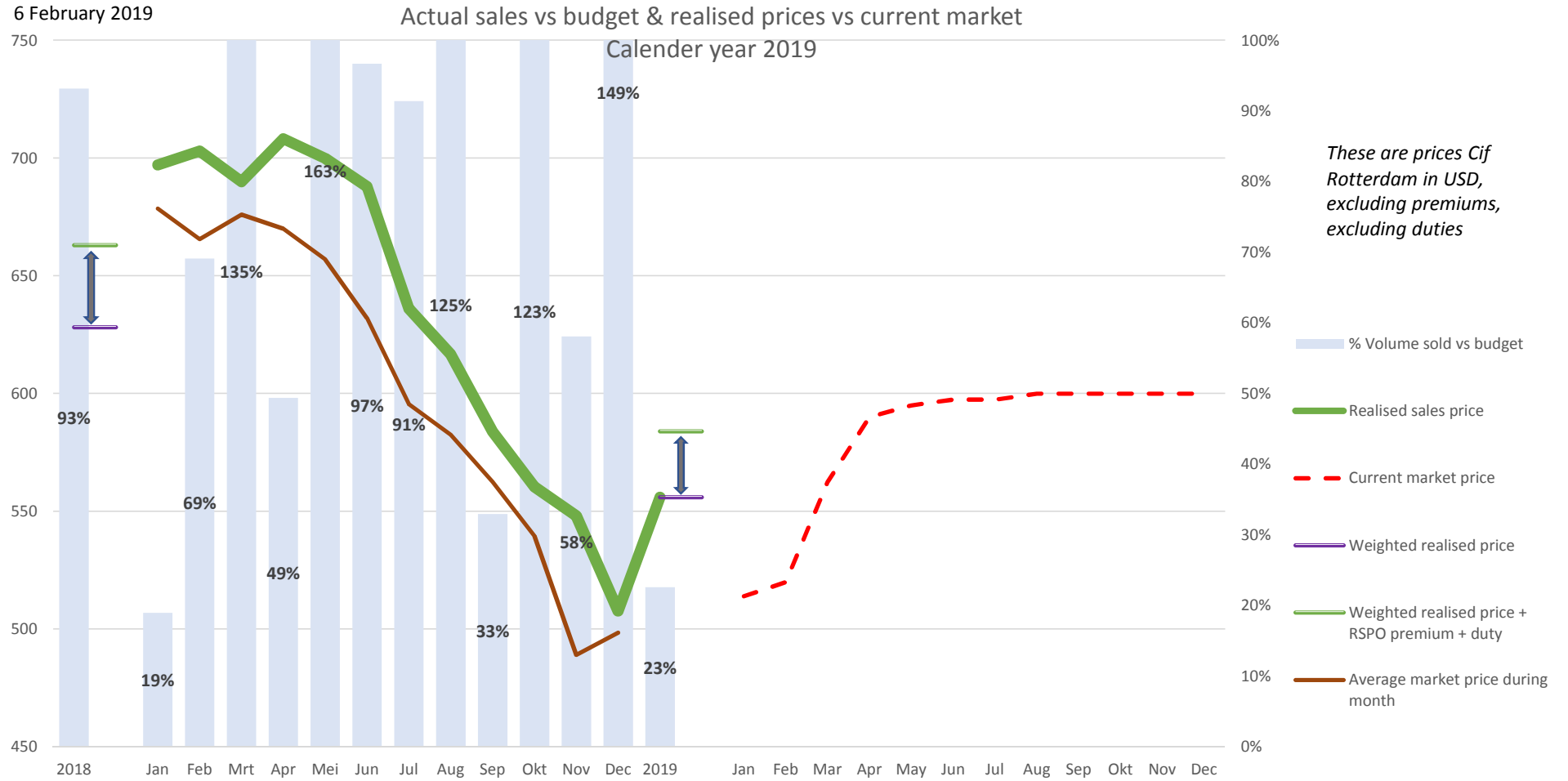
Bull & bear



	Rating	Bullish inputs	Bearish inputs
Palm Oil Feb 540 March 560 AMJ 590 JAS 595	Friendly	<ul style="list-style-type: none"> - Production peak is behind us, stocks will decrease - Production is expected to take a rest - Cheap palm oil prices have triggered good demand - Indonesia determined to achieve 20% biodiesel blending, full support by Jokowi government. Will they achieve 30%? - 2019 demand for palm will surpass supply with approximately 3 mln mt - Soybean prod in Brazil is hampered due to hot & dry weather....8 mln mt less - More domestic biodiesel mandates in Indo, Malaysia, Brazil, as well as smaller countries...will be 4 mln mt growth 	<ul style="list-style-type: none"> - High stocks in Malaysia, Indo is finally under better control - How fast are stocks dropping before palm cycle turns? - Significant volume of Latin American palm oil coming to EU, particularly April-Aug. - Palm discount vs sbo is not big anymore for Q2 onwards - China/US trade war still having a big impact on US soy market, where soybean stocks are burdensome - Sunflower oil keeps gaining market share as Russia and Ukraine keep expanding acreage - Strong dollar has been bearish commodities, but is expected to turn around in 2019.....
Rubber RSS3 1595 SIR10 1340	Neutral	<ul style="list-style-type: none"> - Rubber is cheap 	<ul style="list-style-type: none"> - Large stocks overhang, but S&D getting in more balance - Chinese economy slowing down - Customers very lackluster.
Tea	Neutral at best	<ul style="list-style-type: none"> - 	<ul style="list-style-type: none"> - Kenyan production continues to outperform with add capacity build to overcome the peak production - Pakistan has low turnover with high stocks - Pakistan instable politics / economy, IMF bail-out

1. Market/sales prices & productions

Sales prices 2018 - 2019

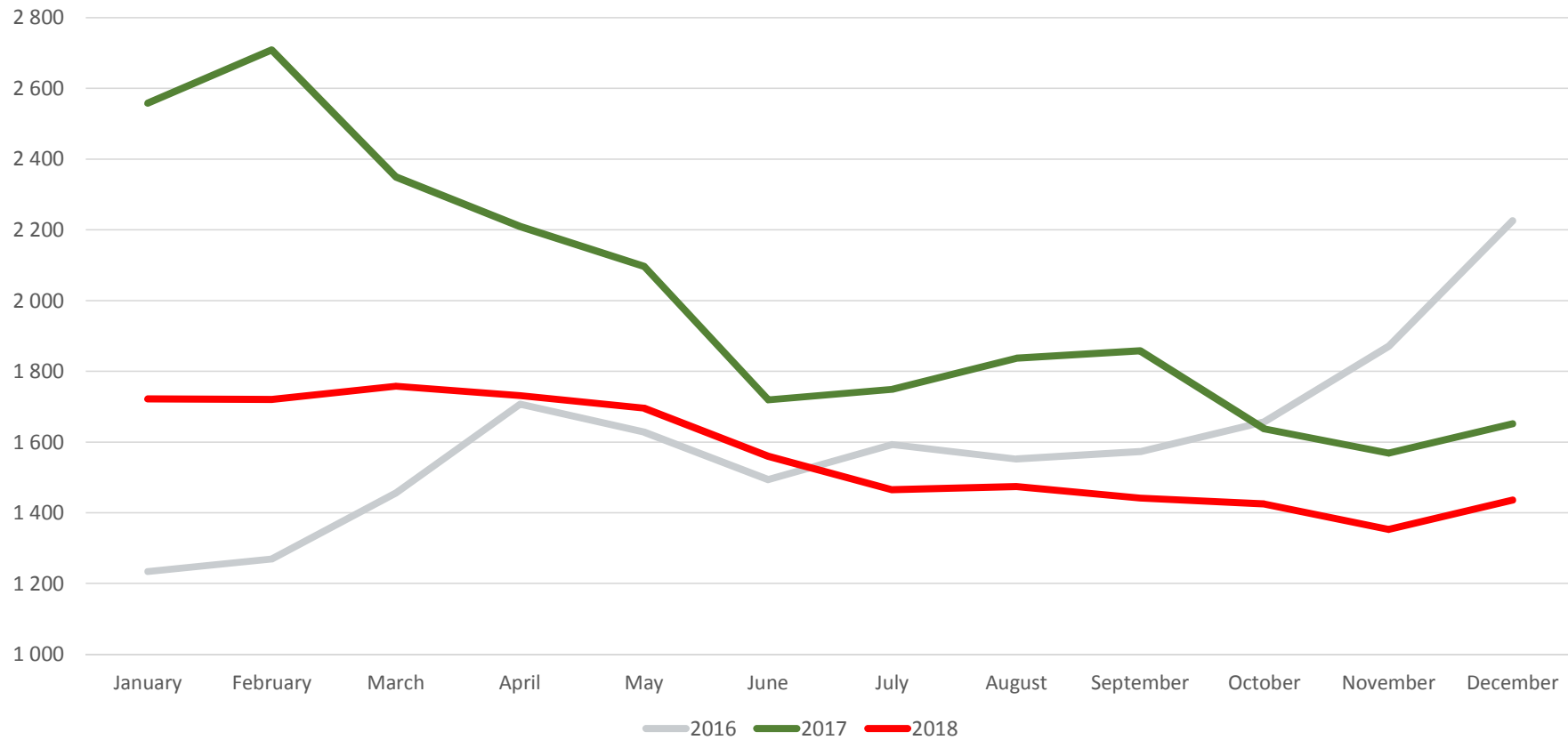


3. SIPEF group – Productions & prices

Monthly rubber (RSS3 Singapore USD/ton)

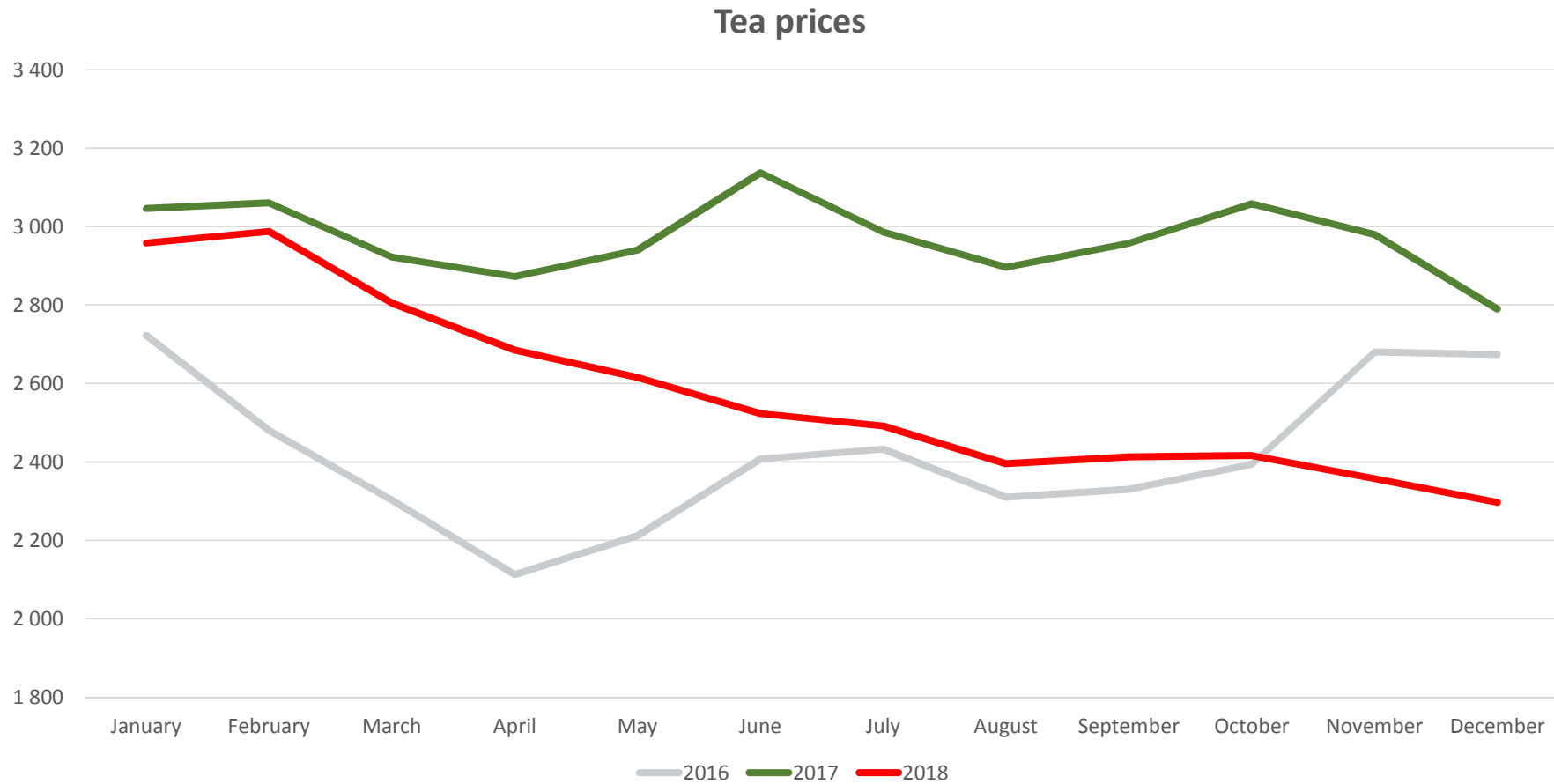


Rubber prices



3. SIPEF group – Productions & prices

Monthly tea prices (Mombasa/Nairobi auctions USD/ton)



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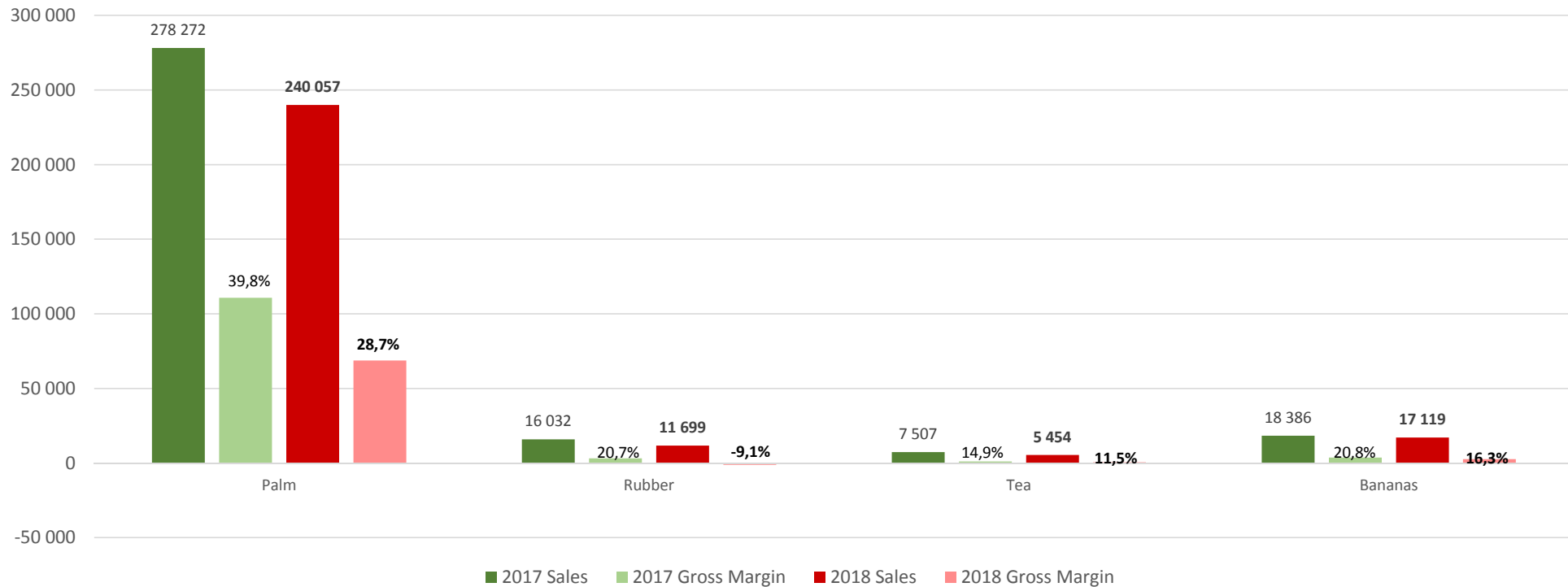
4. SIPEF group – Financial performance

Sales – Consolidated gross margin



Total consolidated turnover (including corporate)

- December 2018: 275 270 KUSD
- December 2017: 321 641 KUSD



4. SIPEF group – Financial performance

Gross margin – per product



In KUSD	2018	%	2017	%
Palm	68 800	95,4%	110 763	91,9%
Rubber	-1 065	-1,5%	3 324	2,8%
Tea	627	0,9%	1 116	0,9%
Bananas and plants	2 793	3,9%	3 827	3,2%
Corporate and other	941	1,3%	1 444	1,2%
Gross margin	72 096	100%	120 474	100%

4. SIPEF group – Financial performance

Profit and loss statement



IN KUSD (management presentation)	2018	2017
Gross margin	72 096	120 474
General and administrative expenses	-31 759	-31 175
Other operating income/(charges)	2 352	962
Operating result	42 689	90 261
Financial income	2 308	1 644
Financial charges	-3 733	-3 211
Exchange differences	-1 666	1 248
Financial result	-3 091	- 319
Profit before tax	39 598	89 942
Tax expense	-14 155	-24 045
Profit after tax	25 443	65 897
Share of results of associated companies and joint ventures	- 854	3 137
Result from continuing operations	24 589	69 034

4. SIPEF group – Financial performance

Profit and loss statement



IN KUSD (management presentation)	2018	2017
Result from continuing operations	24 589	69 034
Revaluation gain acquisition PT Agro Muko	0	79 324
Gain on sale BDM-ASCO	7 376	0
Profit for the period	31 965	148 358
Result from continuing operations share of the group	22 713	64 481
Revaluation gain acquisition PT Agro Muko share of the group	0	75 182
Gain on sale BDM-ASCO share of the group	7 376	0
Profit share of the group	30 089	139 663

4. SIPEF group – Financial performance

Profit and loss statement



Sale BDM-ASCO insurance

- As announced on 18 December 2017, the sale of BDM-ASCO was finalised and handed over on 7 June 2018
- Total net cash amount received: 20 463 KUSD (20 800 KUSD – 337 KUSD)
- Total one-off gain: 7 376 KUSD
- Deconsolidated as of 1 January 2018. The result up to 7 June 2018 was immaterial.

4. SIPEF group – Financial performance

Consolidated balance sheet



In KUSD (management presentation)	DEC 2018	DEC 2017
Biological assets (depreciated costs) - bearer plants	283 712	268 086
Goodwill	104 782	103 008
Other fixed assets	375 593	361 408
Net assets held for sale	0	12 010
Net current assets, net of cash	91 932	65 316
Net cash position	-121 443	-83 697
Total net assets	734 576	726 131
Shareholders' equity, group share	644 509	634 636
Non controlling interest	34 250	33 140
Provisions and deferred tax liabilities	55 817	58 355
Total net liabilities	734 576	726 131

4. SIPEF group – Financial performance

Consolidated cash flow



In KUSD (management presentation)	2018	2017
Cash flow from operating activities	81 899	124 842
Change in net working capital	-13 680	8 622
Income taxes paid	-34 537	-13 611
Cash flow from operating activities after tax	33 682	119 853
Acquisitions intangible and tangible assets	-69 428	-59 625
Sales of PP&E and financial assets (excl. BDM-ASCO)	2 671	1 946
Acquisition financial assets	- 300	- 650
Recurring free cash flow	-33 375	61 524
Selling price BDM-ASCO	20 463	0
Purchase price PT Dendymarker	0	0
Purchase price PT Agro Muko	0	-124 977
Capital increase	0	95 095
Other financing activities	6 327	40 157
Net increase in investments, cash and cash equivalents	-6 585	18 971

4. SIPEF group – Financial performance

Current assets/ current liabilities



CA/CL changes in mgt report (in KUSD)		Expected recovery		
		2019	2020	Later
Variation working capital	-35 160	2019	2020	Later
Taxes payable	14 778			
Taxes prepaid	-34 536			
Tax receivable increase	-19 758		-19 758	
Sipef - payment to VBS	-1 110			-1 110
Indo - VAT	-1 929	-1 929		
Indo - plasma financing	-1 929			-1 929
Hargy - VAT receivable	-2 228	-2 228		
Sipef Group stock increase	-5 247	-5 247		
Other	-2 959			-2 959
Total	-35 160	-9 404	-19 758	-5 998

4. SIPEF group – Financial performance

Value per hectare



Sensitivity 31/12/2018

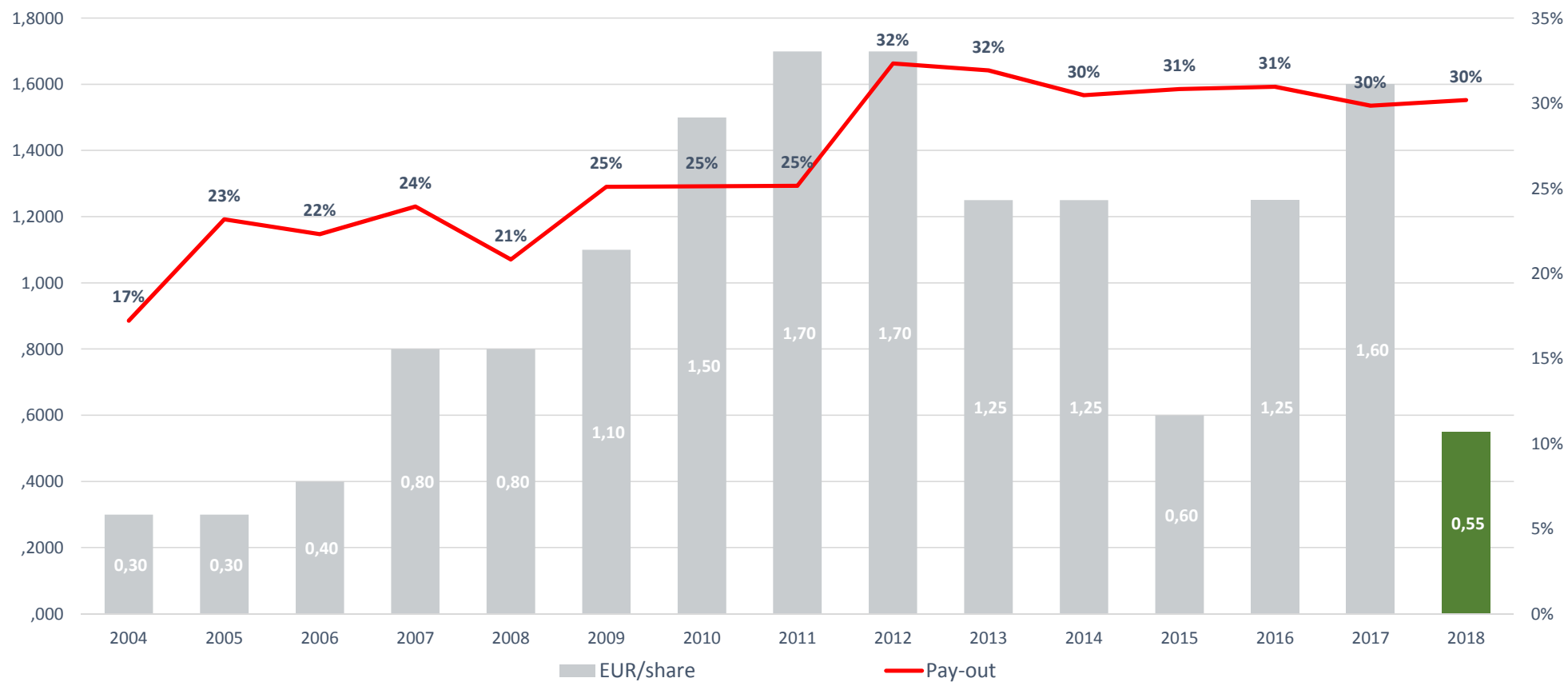
Stock price @	USD per hectare
48,80	8 532
50,00	8 721
55,00	9 510
60,00	10 298
65,00	11 086
70,00	11 874
75,00	12 663

4. SIPEF group – Financial performance

Dividend history

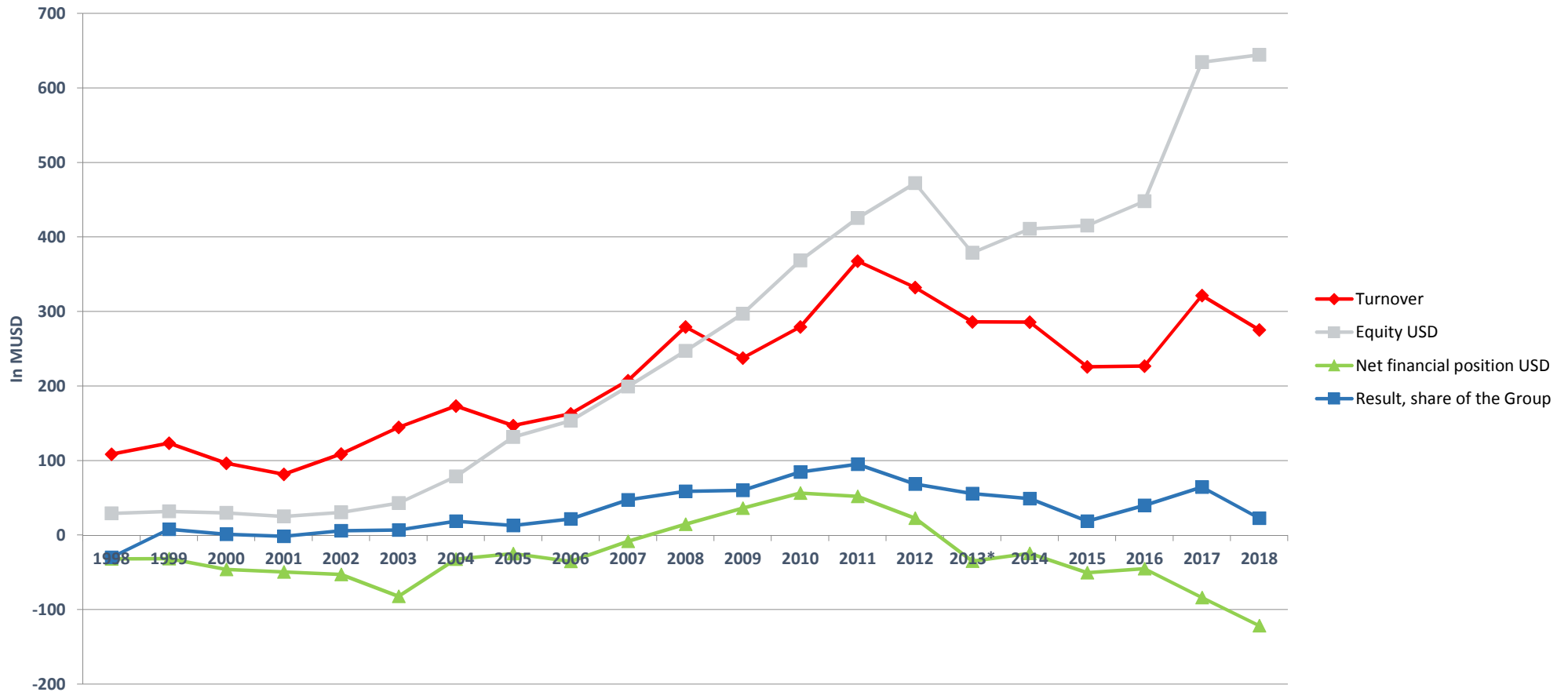


Dividend History Sipef



4. SIPEF group – Financial performance

Historical evolution NFP, equity and turnover



4. SIPEF group – Financial performance

Prospects – comments press release February 14, 2019



Production

- Tough start due to the rainy season in PNG and recovery of floods in UMW/TUM;
- Productions expected to be gradually increasing over next weeks;
- No structural reasons to expect that the volume of 380 000 tons will not be achieved;

Markets

- Important to see how quickly stocks will be reduced in the next 4 months;
- World production outlook is only a moderate growth for 2019;
- Biodiesel mandates continue to increase in Indonesia and Malaysia, but also in Brazil and the US;
- Expected that in 2019 vegetable oil demand will outpace the supply growth;
- External matters such as the China – US trade war and petroleum markets can impact vegetable oil markets.

4. SIPEF group – Financial performance

Prospects – comments press release February 14, 2019



Cash flow and expansion

- Investment policy remains focused on South Sumatra palm oil activities (PT Dendymarker and Musi Rawas);
- The acquisition of PT DM and the additional concessions of Musi Rawas will bring the SIPEF group closer to the 100 000 hectares of which 80 000 are already planted and a 120 000 hectare supply base.

Result

- 23% of expected 2019 palm oil production sold at USD 584 per ton CIF Rotterdam;
- The Group will gradually put volumes in the market at an expected excess of USD 600 per ton;
- only 13% of the expected rubber volumes was sold at an average price of USD 1 384 per tonne;
- The recurring result will be determined by the achievement of the expected production growth, the level of market prices, the retention of existing export levies and cost price trends.



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Disclaimer



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.

5. Peer review
Principle assumptions

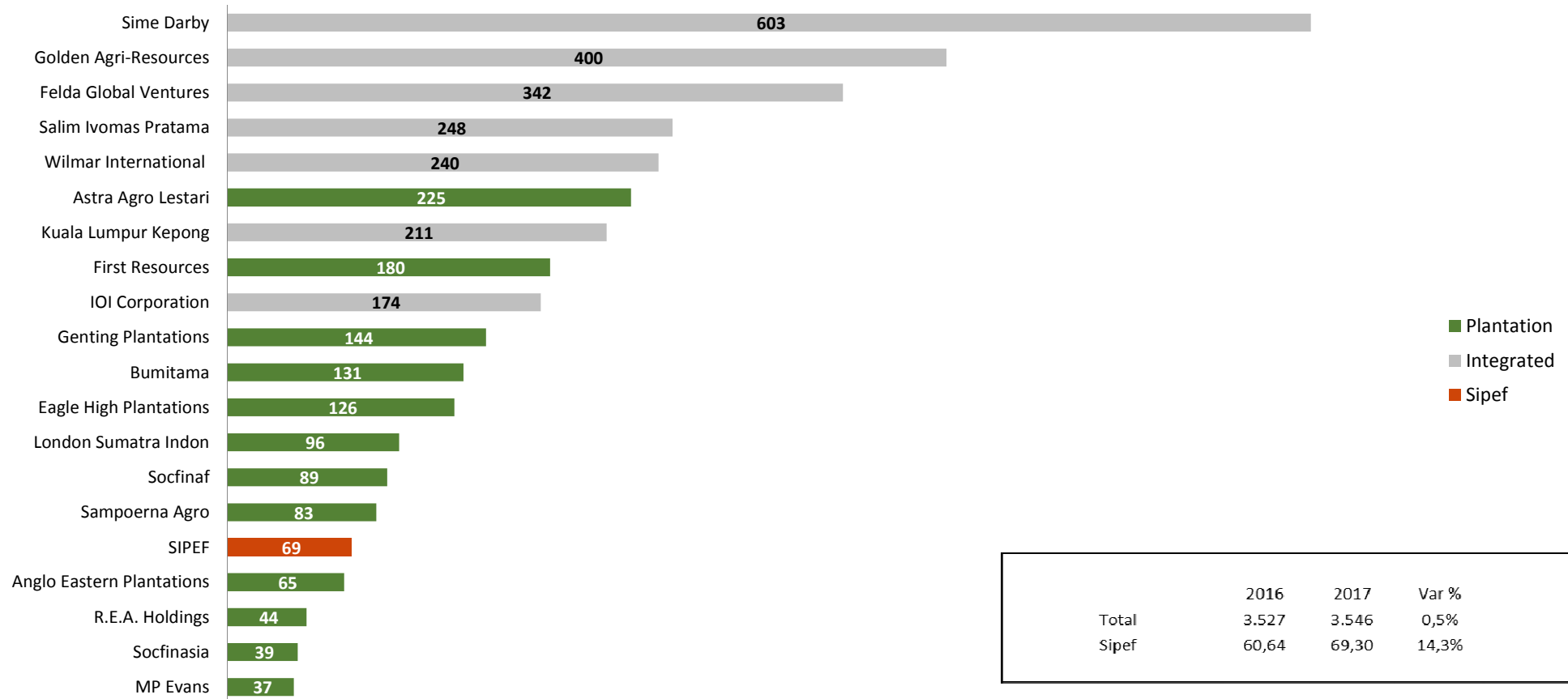
- Benchmark of main industrial competitors
- Age profile based on own ageing interpretation
- Market capitalization is calculated based on the average exchange rate & average share price of the year
- Benchmark based on own CPO productions of competitors:

	Tons
CPO own production benchmark (2017)	10.972.924
Worldwide production (Oilworld 2017)	66.860.000

- Representative sample of comparable industry competitors (2017): 32,3%
 - Industrial comparable companies (50%)

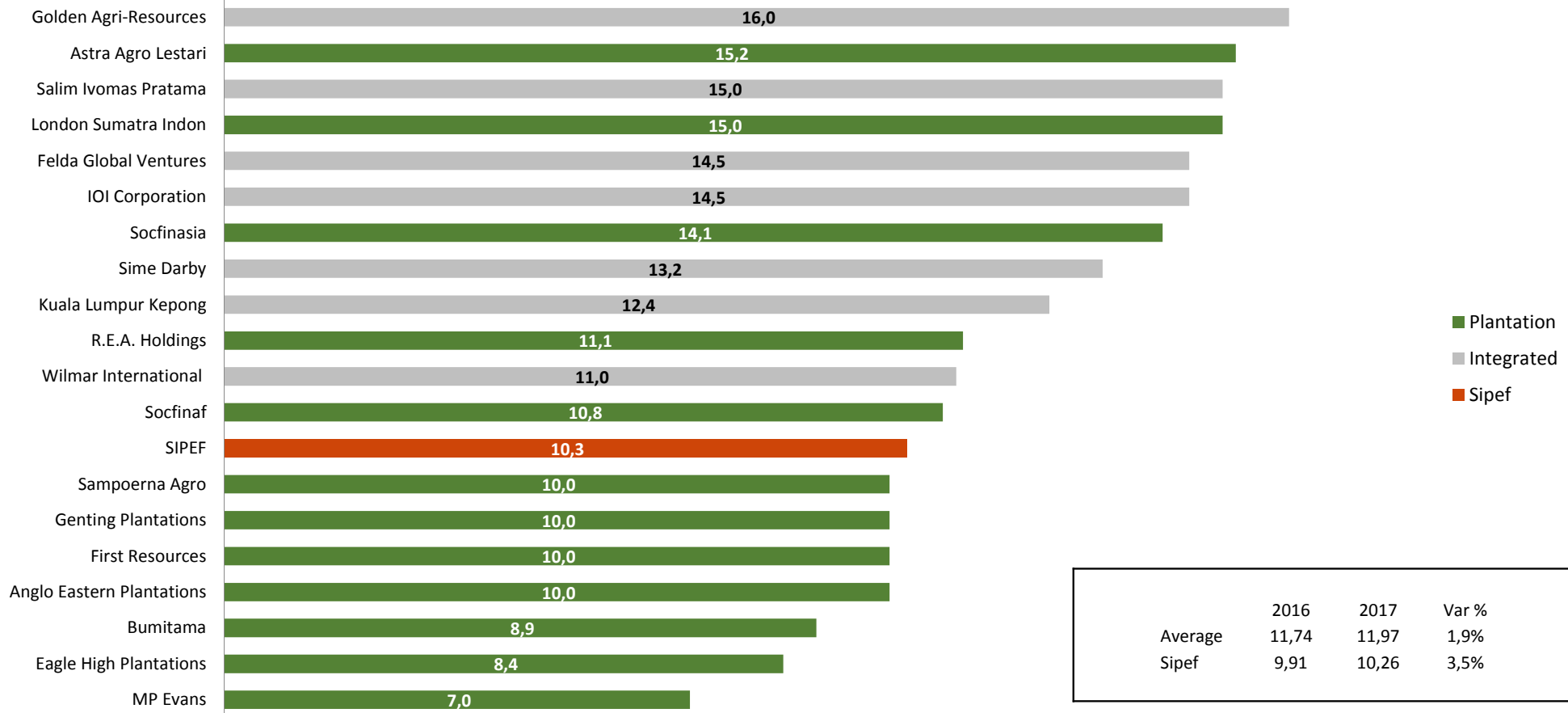
5. Peer review

Own planted Oil Palm Hectares in KHa (2017)



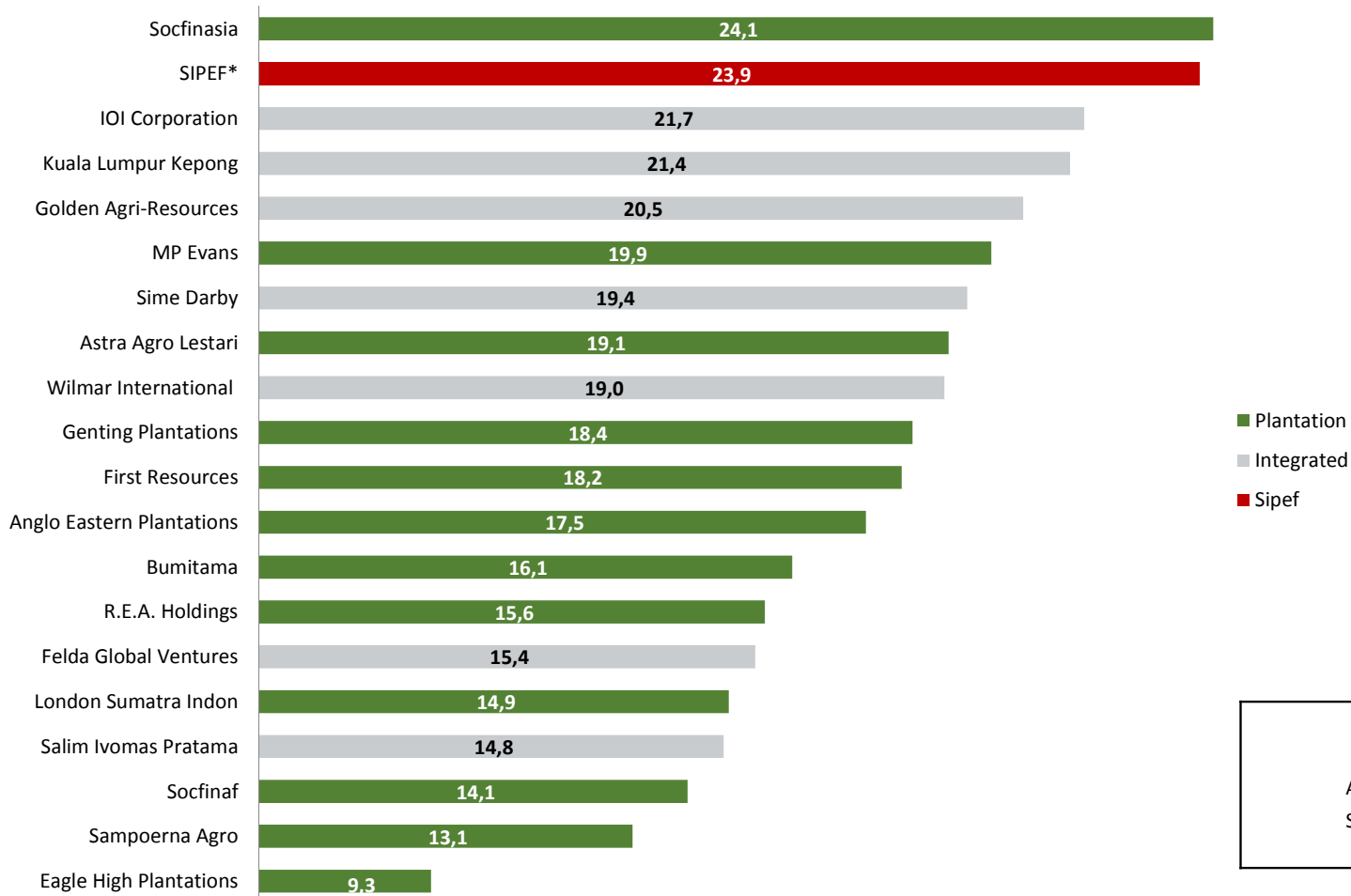
5. Peer review

Age Profile: Average age planted hectares (2017)



5. Peer review

FFB Yield – MT/ha (2017)

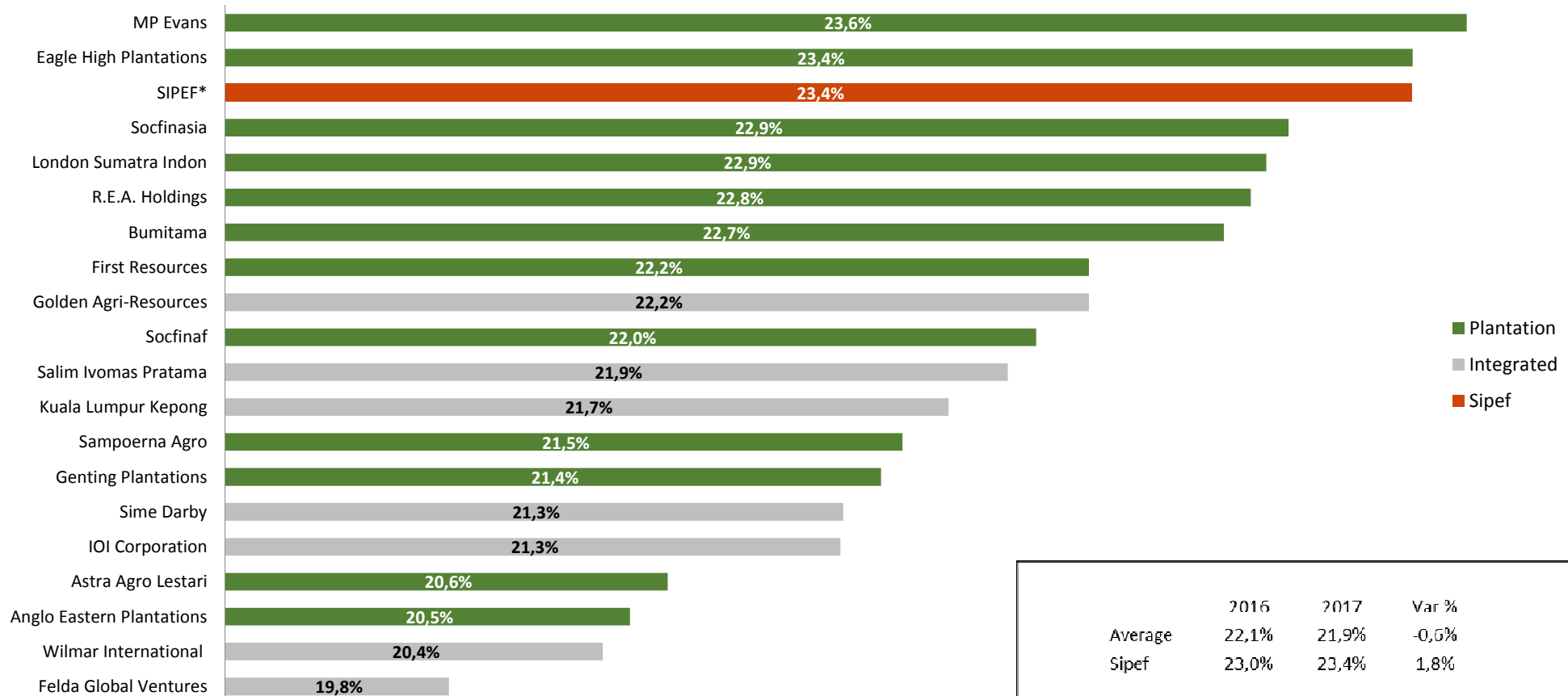


	2016	2017	Var %
Average	16,9	17,8	5,2%
Sipef	22,4	23,9	6,6%

* Sipef excluding PT Dendymarker acquired per 1 August 2017

5. Peer review

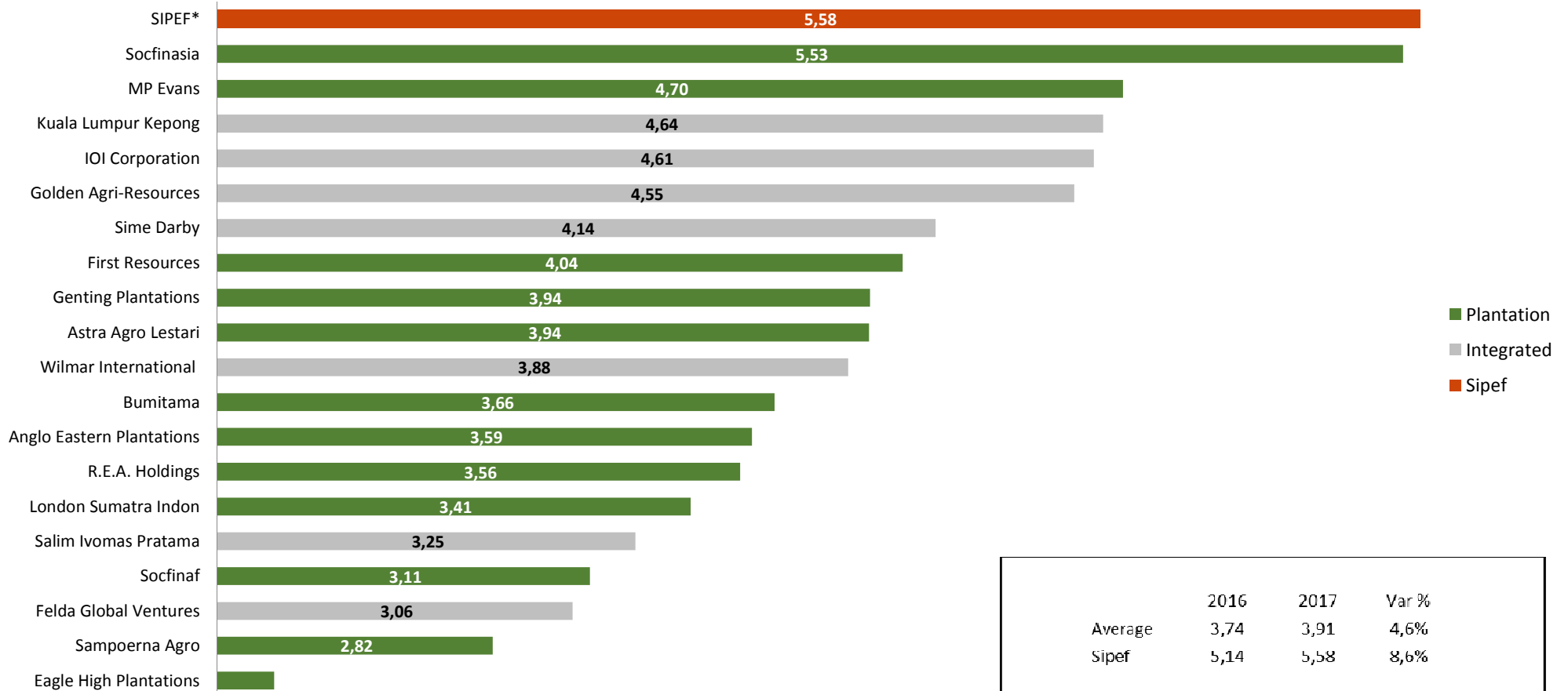
Extraction rate from FFB to CPO (2017)



* Sipef excluding PT Dendymarker acquired per 1 August 2017

5. Peer review

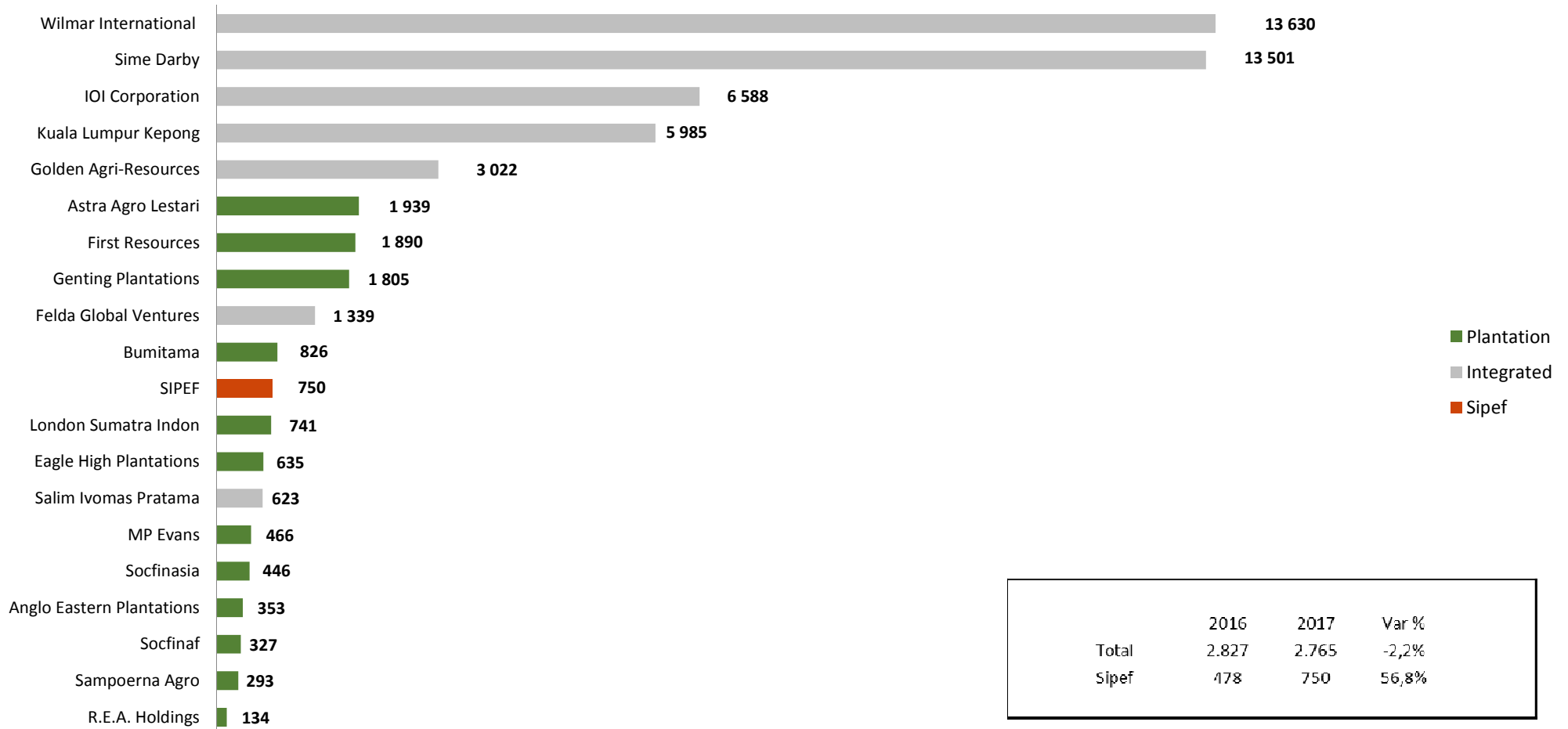
CPO Yield – MT/ha (2017)



* Sipef excluding PT Dendymarker acquired per 1 August 2017

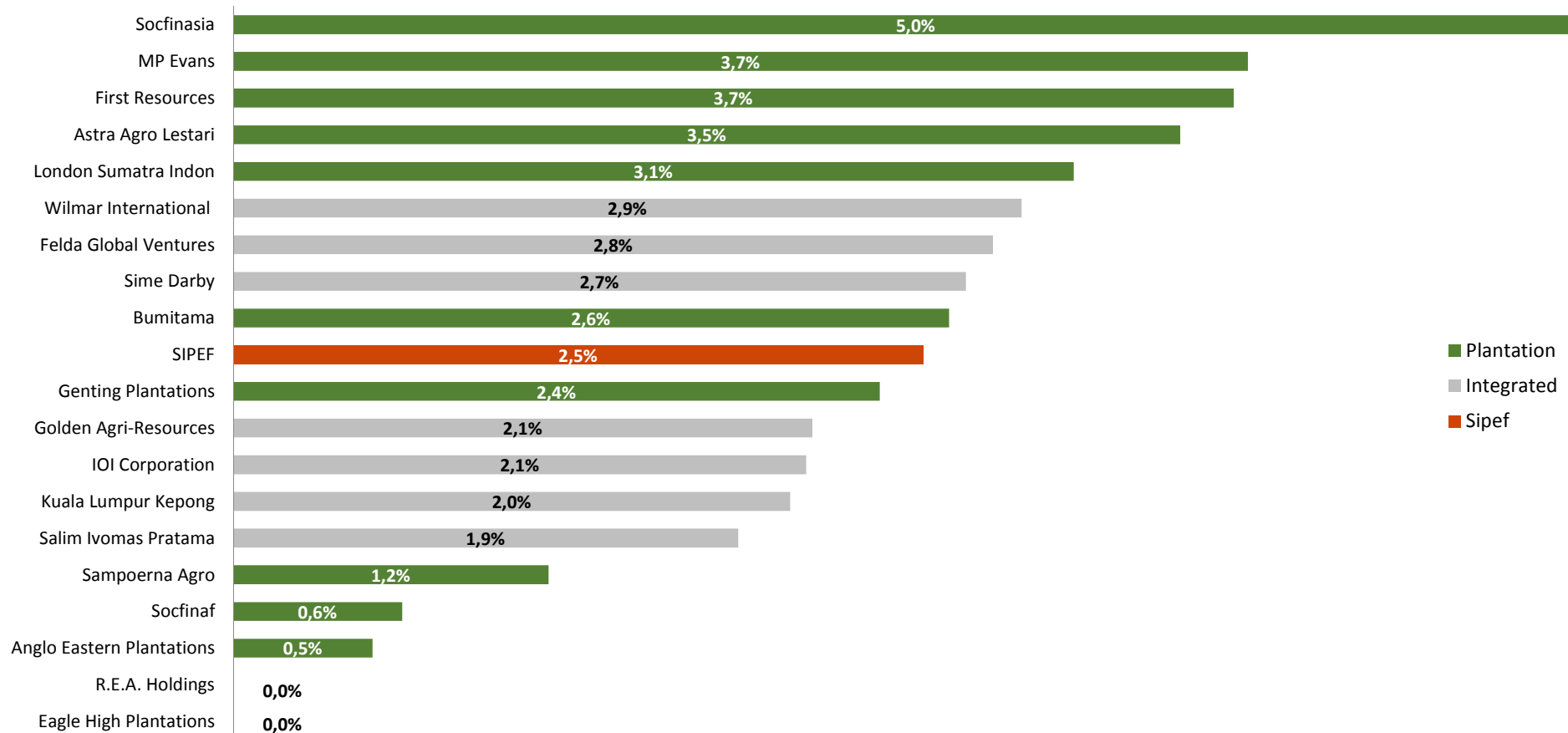
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Market Cap in MUSD (2017)



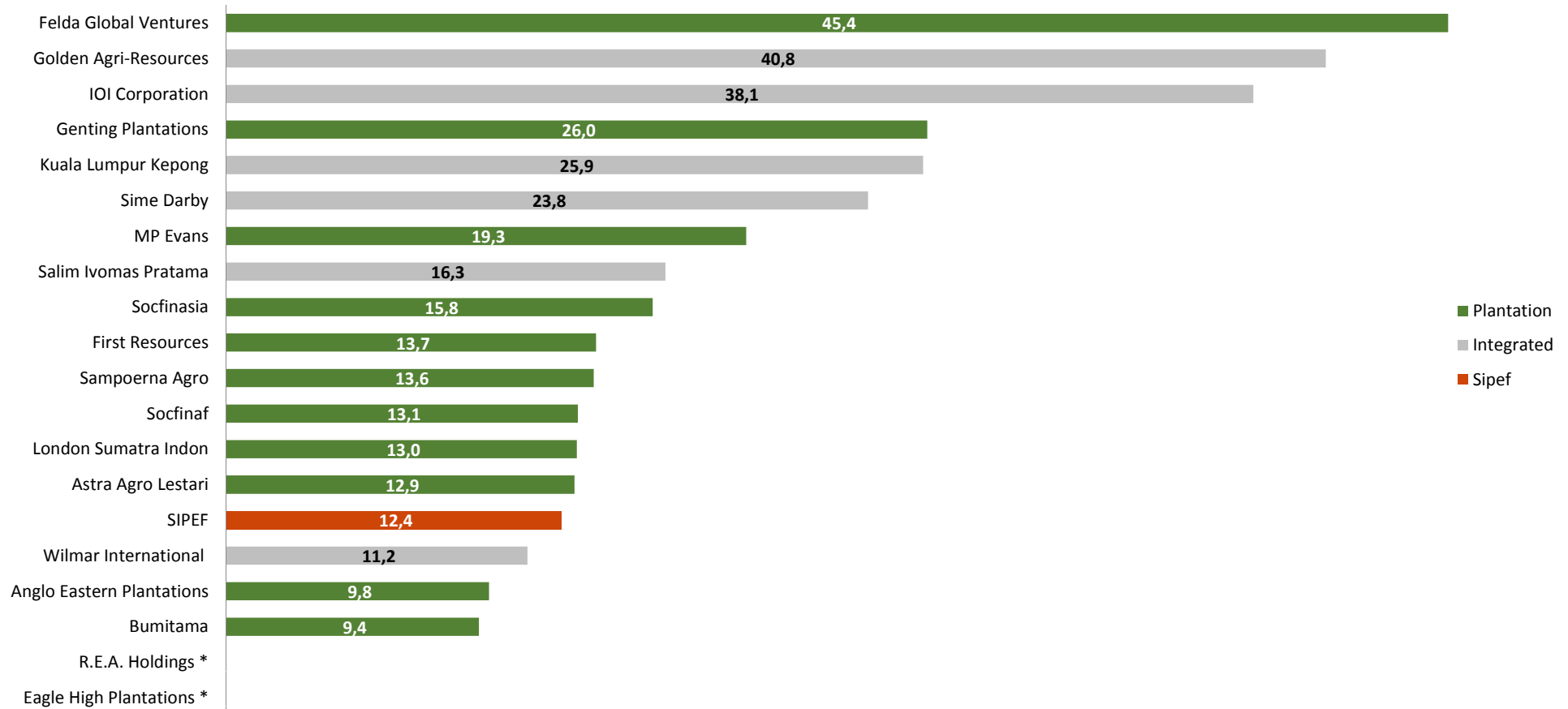
5. Peer review

Dividend Yields (based on average market cap 2017)



5. Peer review

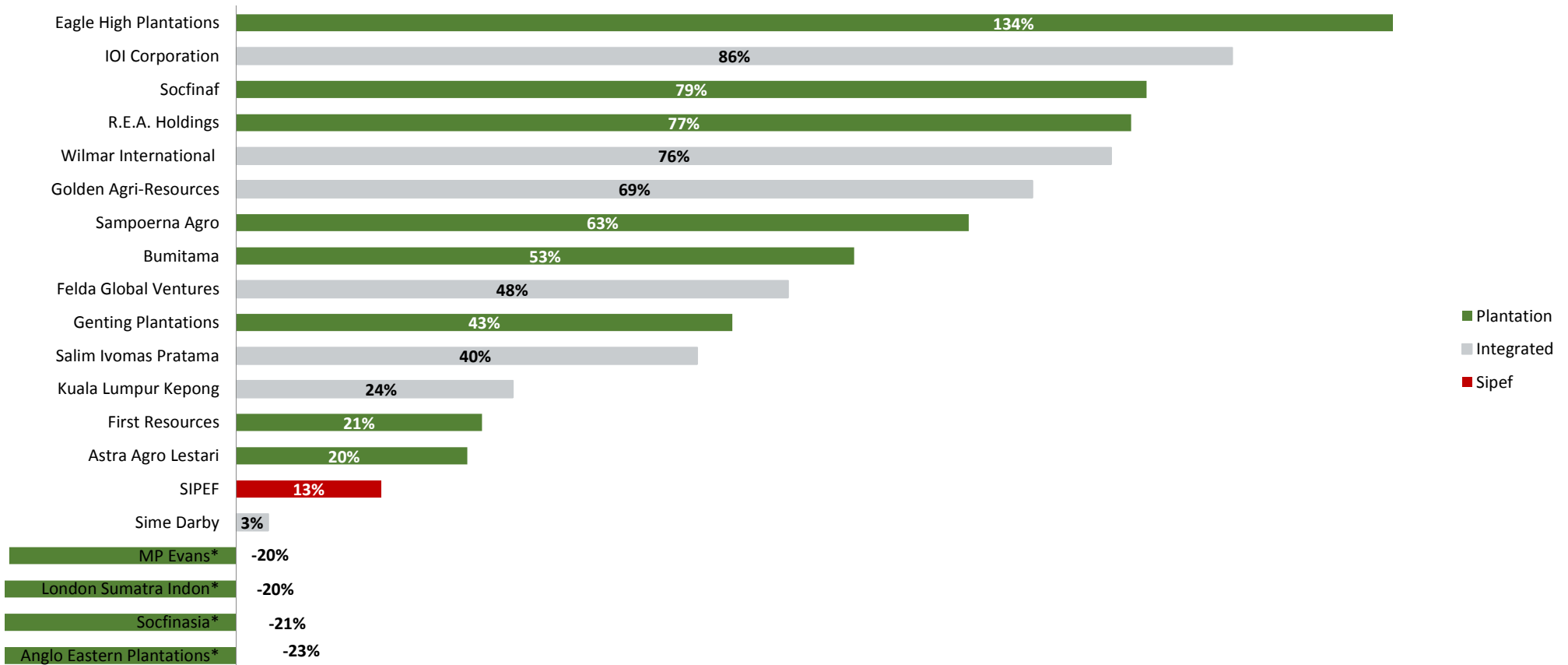
Price Earning Ratio (based on average market cap 2017)



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

5. Peer review

Net financial position/Equity Ratio (2017)



* Cash surplus at the end of the year



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