



SIPEF

Consumer Goods Seminar
Degroof Petercam - Brussels
June 20, 2019



The Connection to the world of Sustainable Tropical Agriculture

Summary



1. SIPEF Group Company profile

2. SIPEF Group Palm oil in the world

3. SIPEF Group - Expansion

4. SIPEF Group – Productions & prices

5. SIPEF Group – Financial performance

6. Peer review

SIPEF group - Company profile



Agriculture

- 1st segment of the supply chain - commodities

Tropical

- Recent industrialised countries

Sustainable

- Audited certifications

Connection

- Publicly quoted

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

SIPEF group - Company profile
Worldwide



SIPEF group - Company profile

Indonesia



SIPEF group - Company profile
Papua New Guinea



SIPEF group - Company profile

Planted hectares summary 100% – 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		

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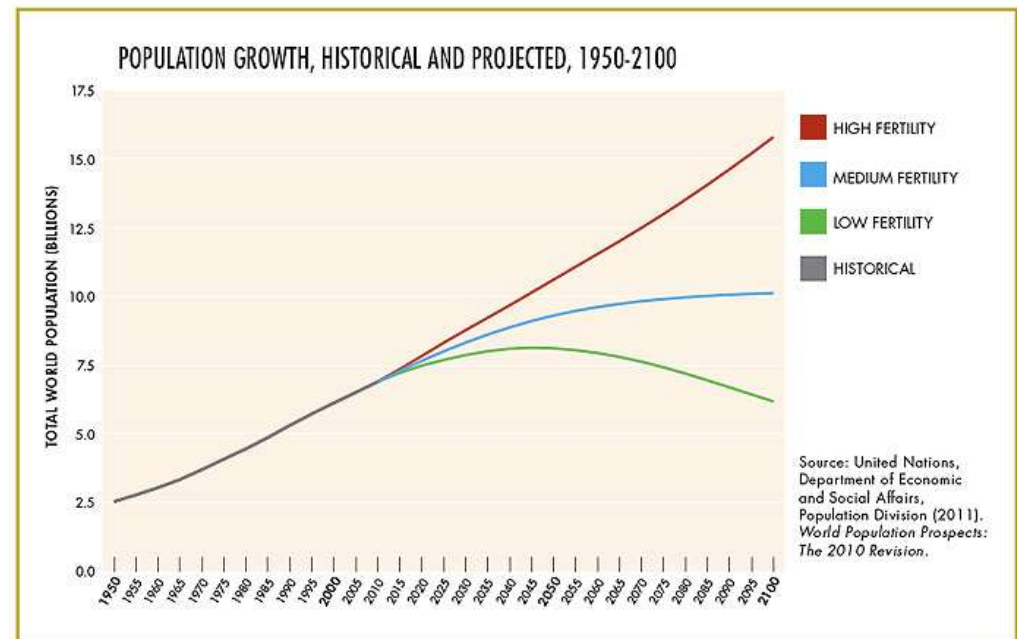
6. Peer review

SIPEF group – Palm oil in the world

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



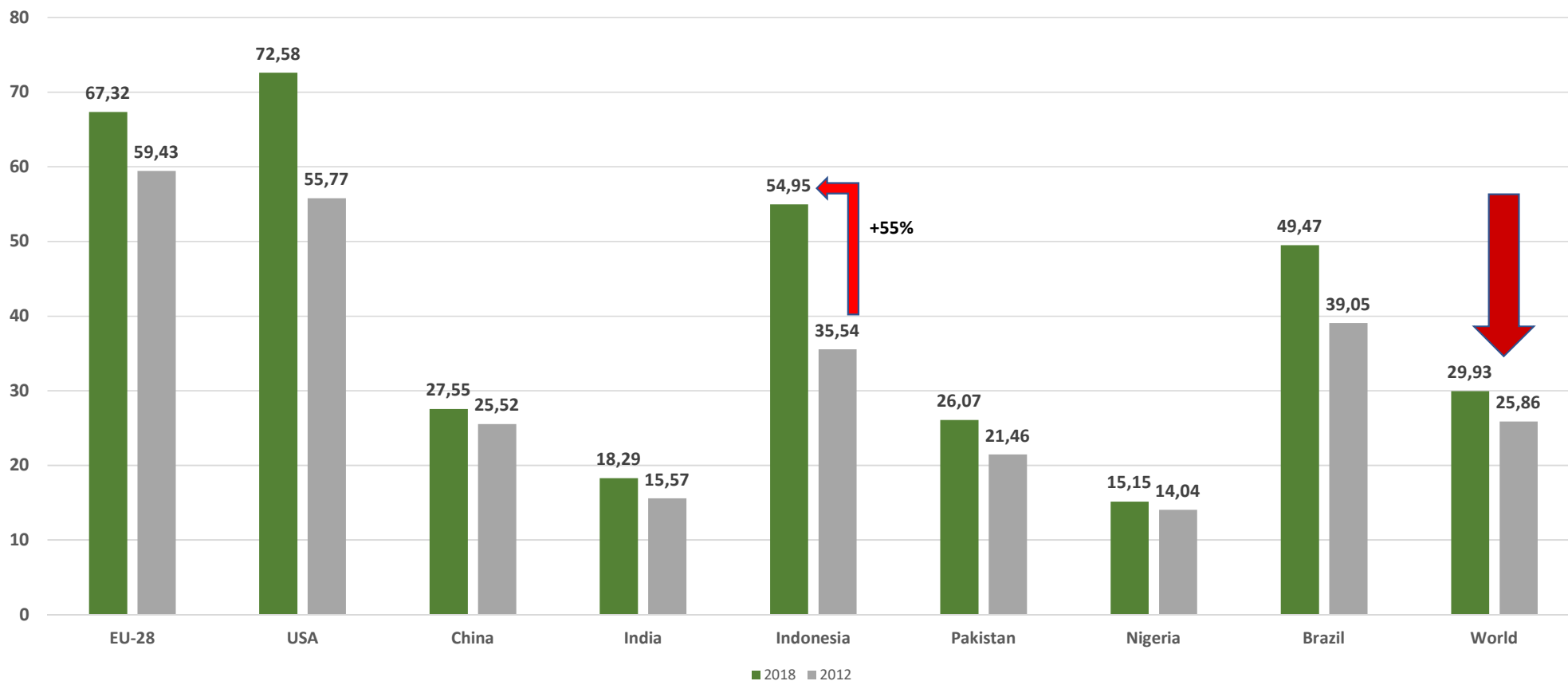
SIPEF group - Palm oil in the world

Oil and fat consumption



Source: Oilworld

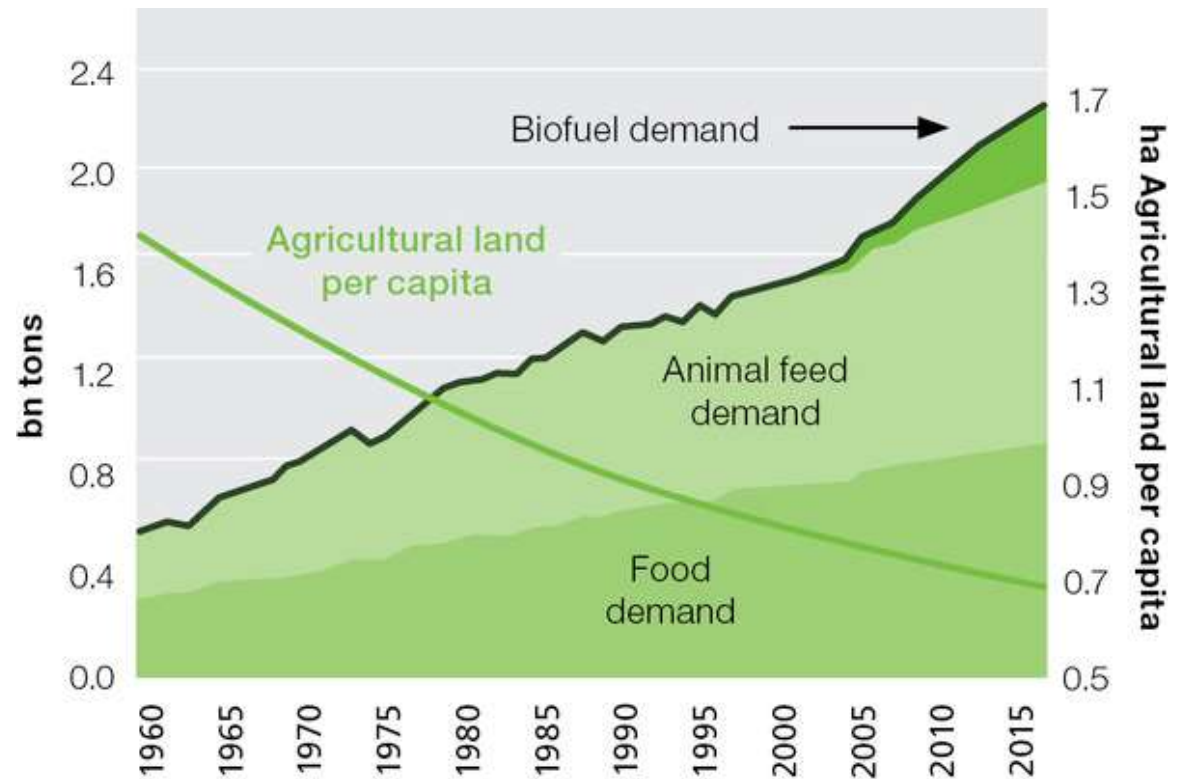
Oil and fat consumption per capita (in Kg)



SIPEF group - Palm oil in the world
Palm oil in the world - Land input

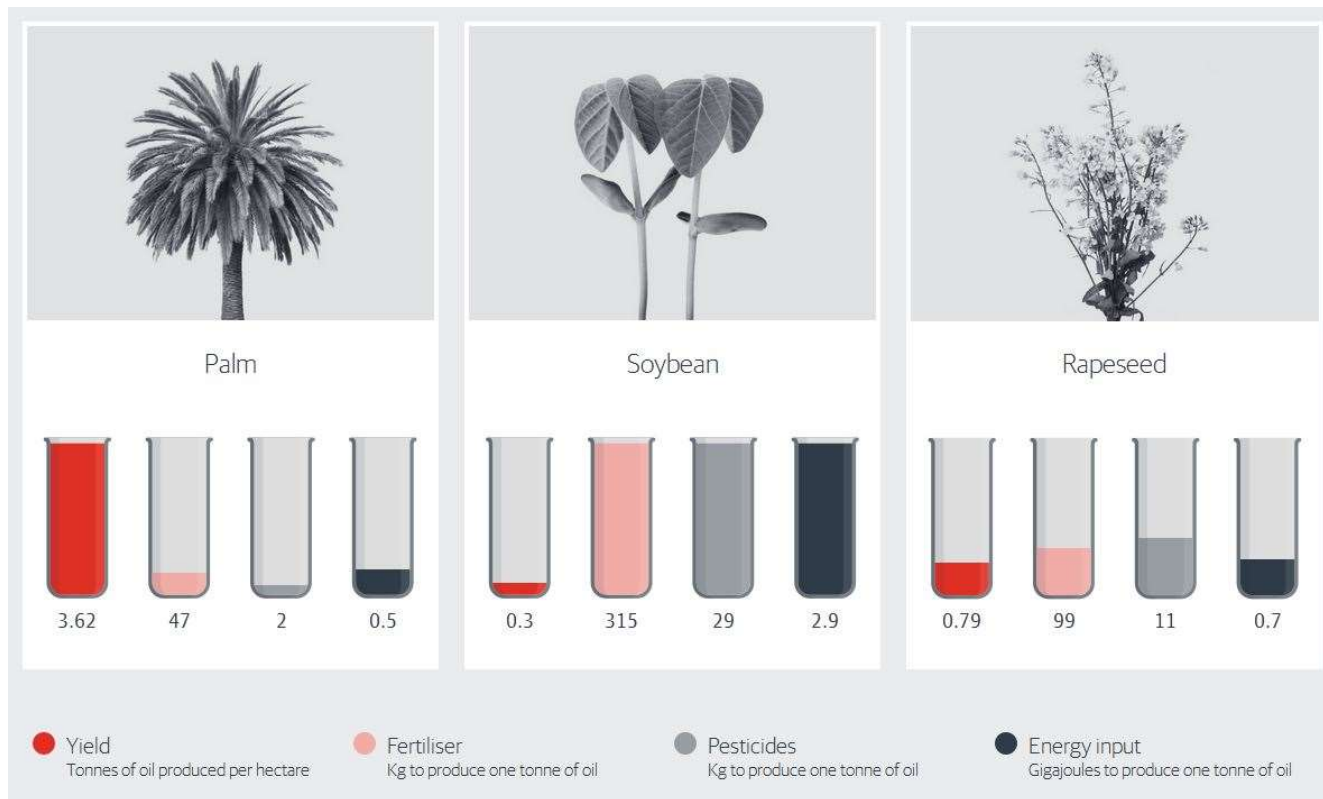


- Increased demand for meat/fat/processed foods
- Increased demand for biofuel
- Decreasing Agricultural land per capita
- Disposable income growth in developing countries



SIPEF group - Palm oil in the world
Palm oil in the world - Comparison to other oils

Resources used per vegetable oil:

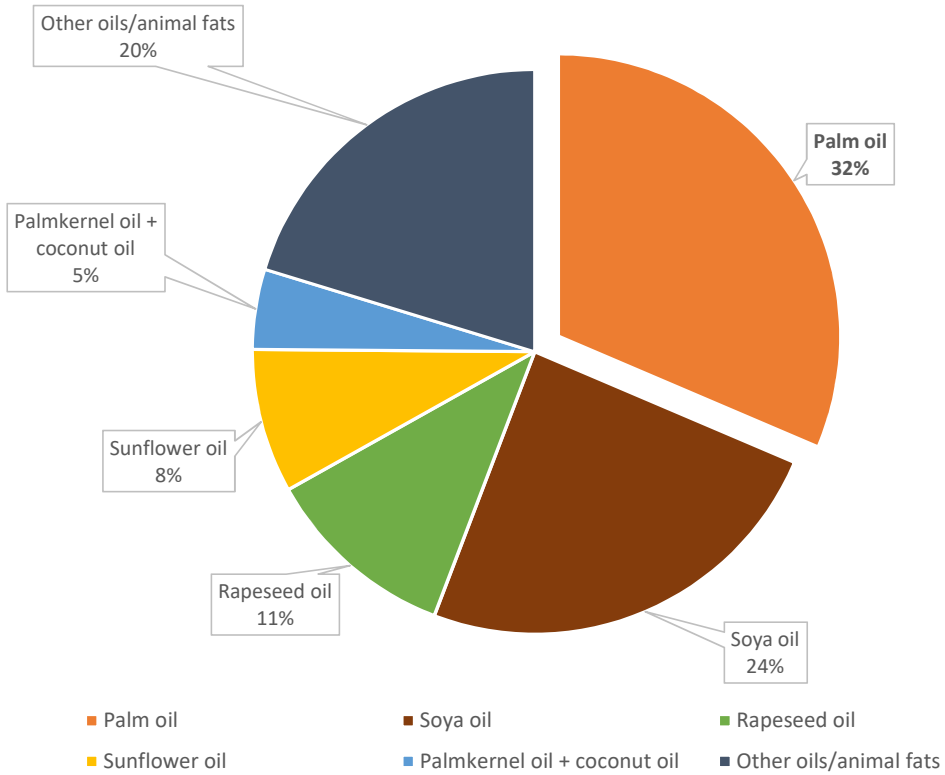


SIPEF group - Palm oil in the world
Palm oil in the world - Vegetable oils

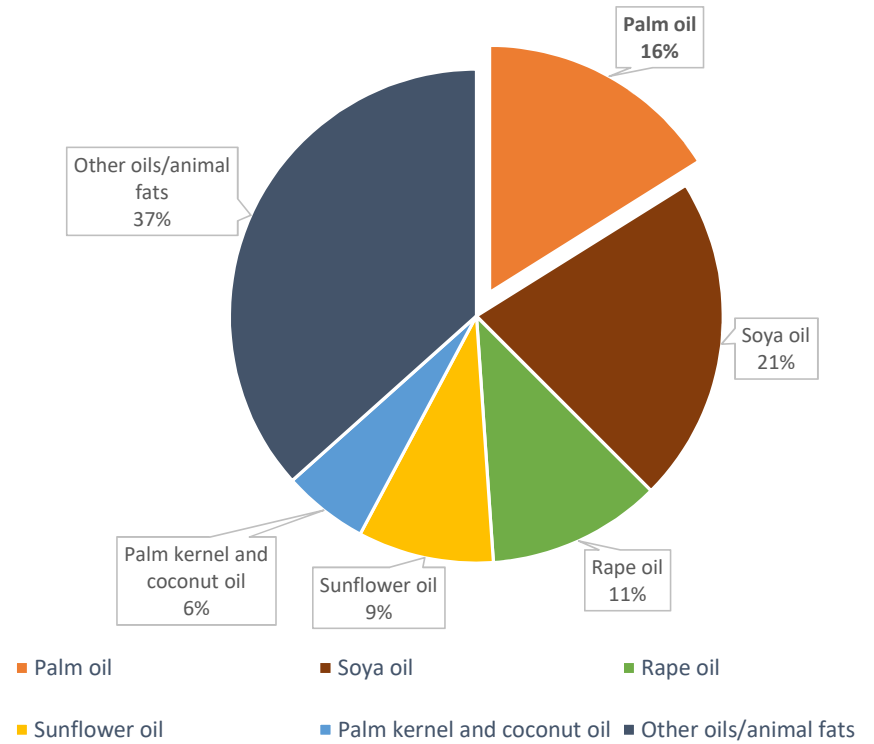


Source: Oilworld

2018: 231 million tonnes



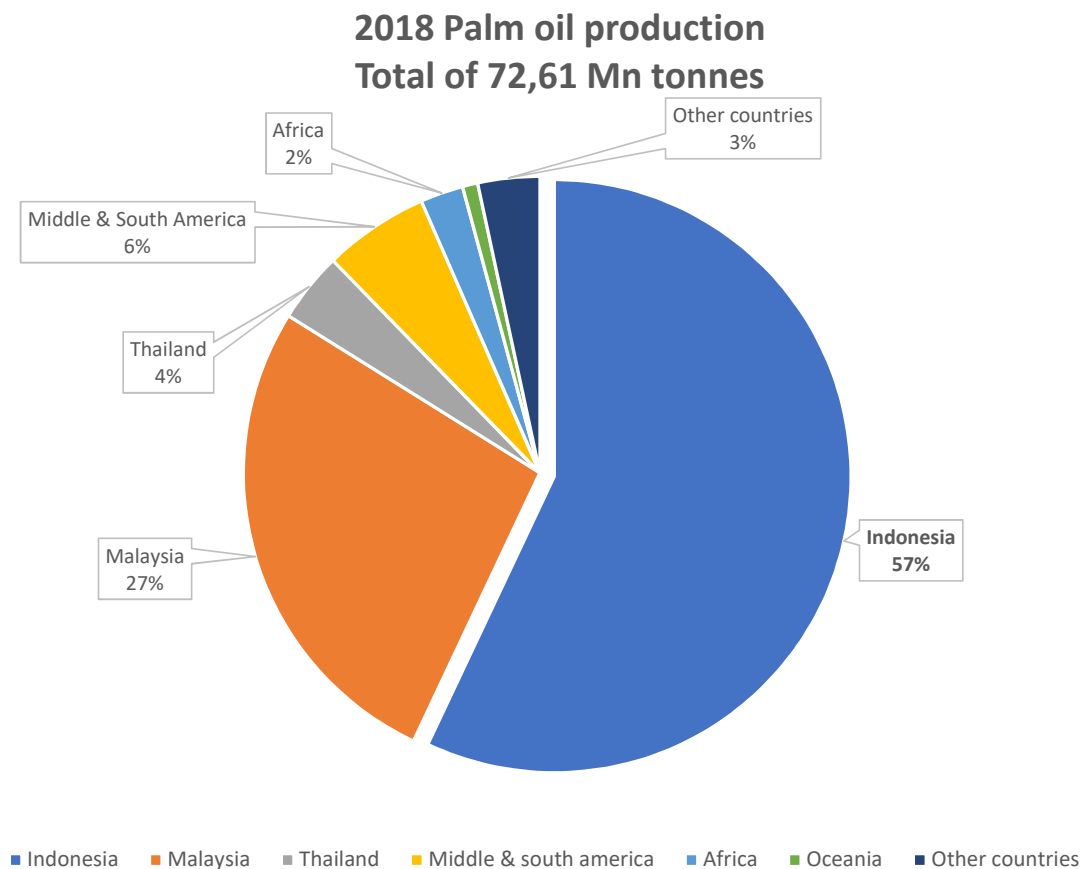
1994/95: 93,1 million tonnes



SIPEF group - Palm oil in the world
Palm oil in the world - Palm oil production



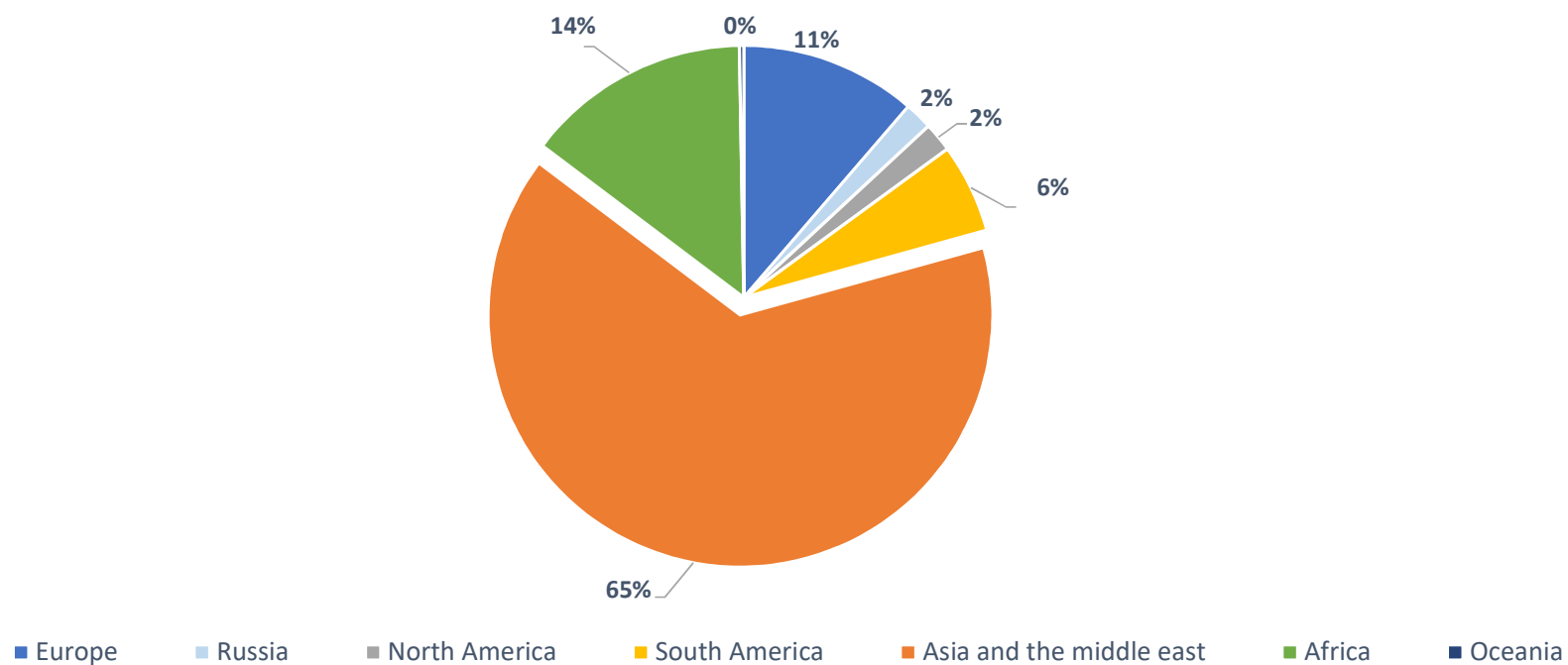
Source: Oilworld



SIPEF group - Palm oil in the world
Palm oil in the world - Palm oil consumption



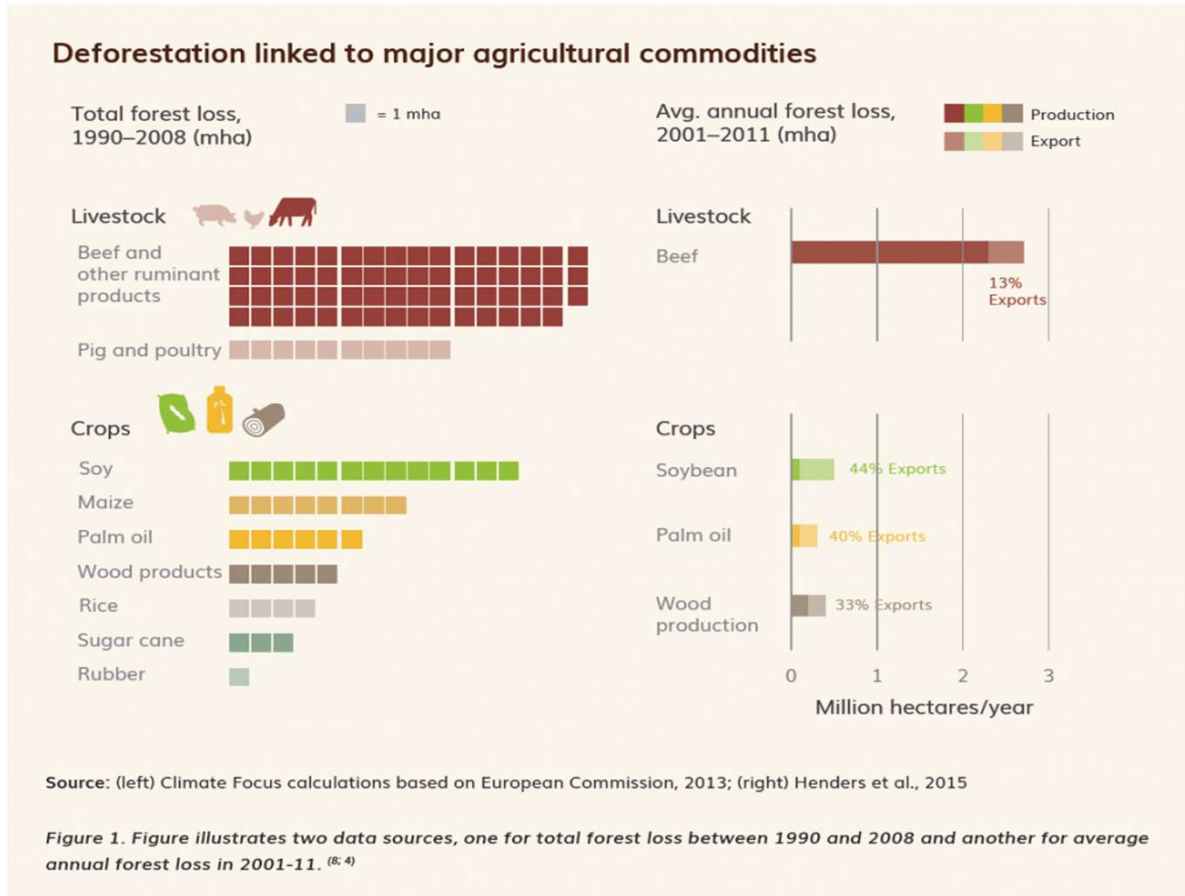
2014/15 World palm oil consumption per region



- **Palm oil remains confronted with a European perception problem based on**
 - Health issues
 - No fat <-> moderate use of saturated fat
 - Saturated fats – only 50% saturated and no transfats
 - Environmental issues
 - Deforestation – most efficient vegetable oil/hectare of land
 - Sustainable Development Goals – Palm Oil covers the majority of it!

SIPEF group - Palm oil in the world

Palm oil in the world - Sources for deforestation



SIPEF group - Palm oil in the world
Palm oil in the world – Commodity commitment



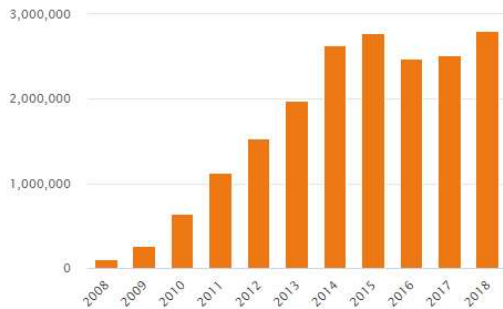
SIPEF group - Palm oil in the world
Palm oil in the world - Sustainable palm oil



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

SIPEF group - Palm oil in the world
Number of certified production and/or operational units



Number of certified production and/or operational units - 2006-2018

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
RSPO: Roundtable on Sustainable Palm Oil				2	4	6	6	6	7	10	10	11	11
ISCC: International Sustainability and Carbon Certification					2	2	2	4	4	5	5	5	5
ISPO: Indonesian Sustainable Palm Oil										2	4	5	5
Rainforest Alliance											2	3	5
GLOBALG.A.P.	1	1	1	1	1	1	1	1	1	1	1	1	1
	1	1	1	3	7	9	9	11	12	18	22	25	27

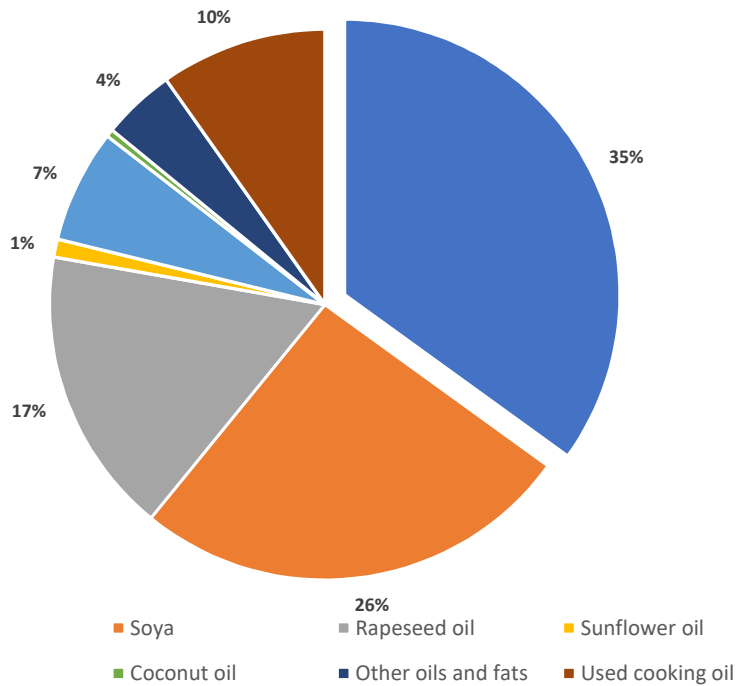
- **Approval of the Delegated Act by the EU-commission**
- Renewable energy from 20% in 2020 to 32% by 2030
- Renewable energy in transport from 10% in 2020 to 14% in 2030
- Conventional biofuels will be optional and limited to 7% maximum
- Palm Oil is defined to have high ILUC-risk (in high-carbon stock land)
 - 2019 consumption level capped till 2023, gradual reduction by 2030

SIPEF group - Palm oil in the world
Biodiesel worldwide

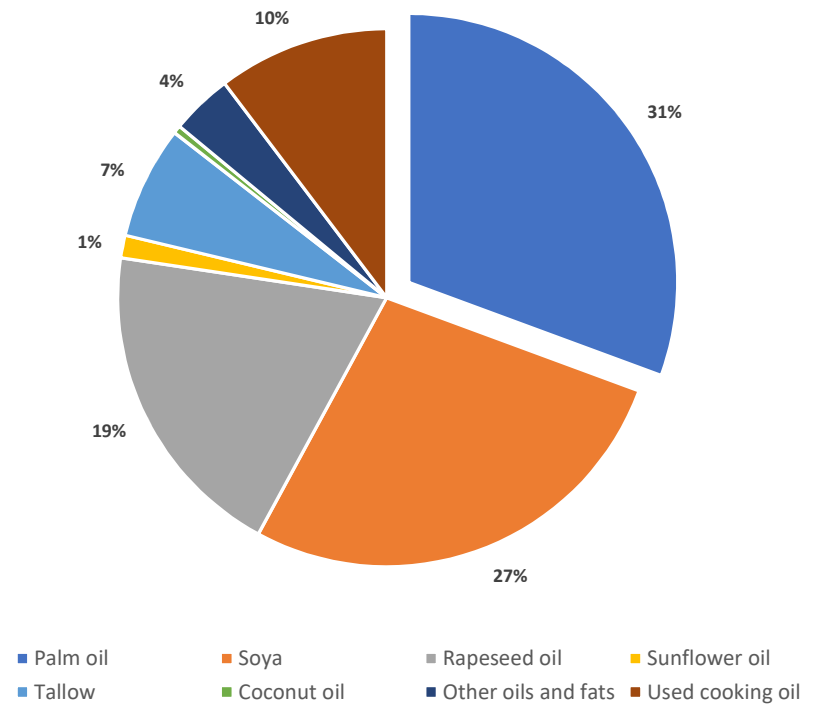


Source: Oilworld

Biodiesel worldwide 2018
Total of 40,7 Mn tonnes



Biodiesel worldwide 2017
Total of 35,8 Mn tonnes



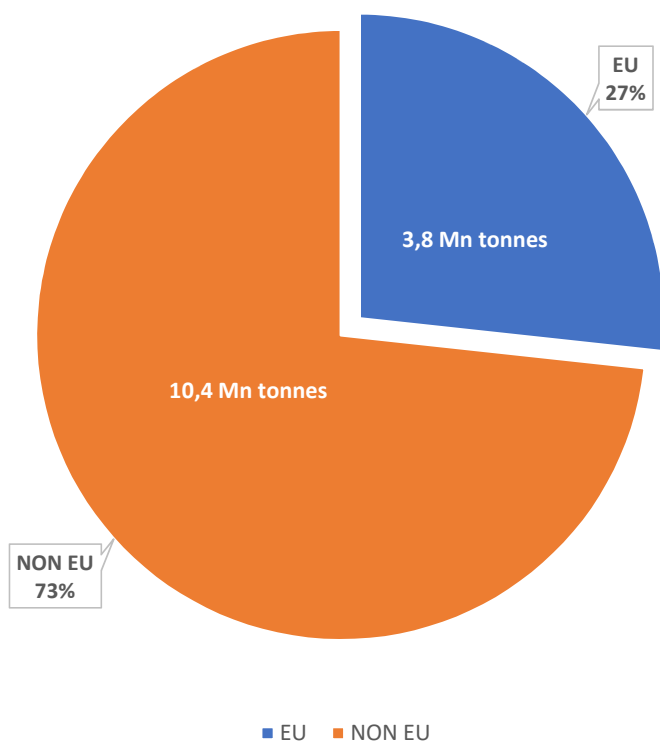
SIPEF group - Palm oil in the world

Palm oil use for biodiesel EU

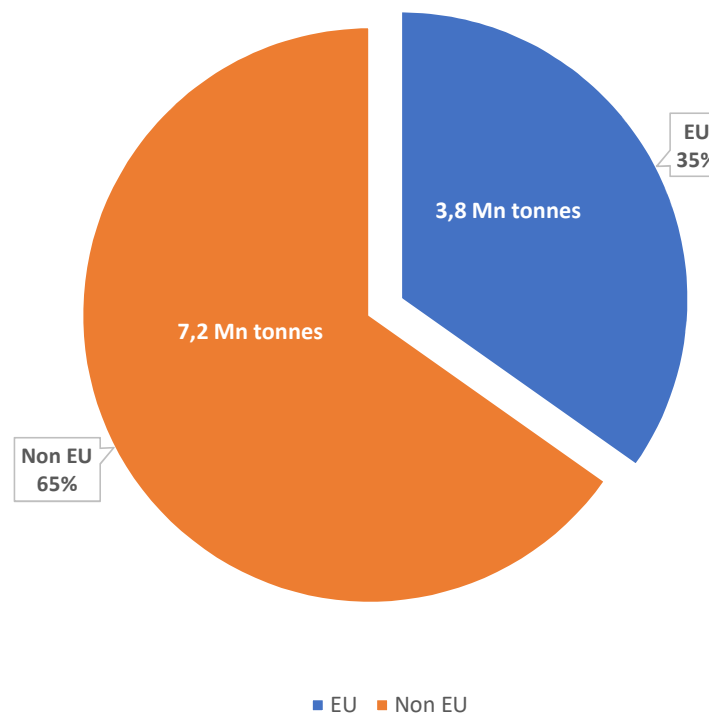


Source: Oilworld

2018 Palm oil use for Biodiesel
Total of 14,2 Mn tonnes



2017 Palm oil use for Biodiesel
Total of 11,0 Mn tonnes





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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

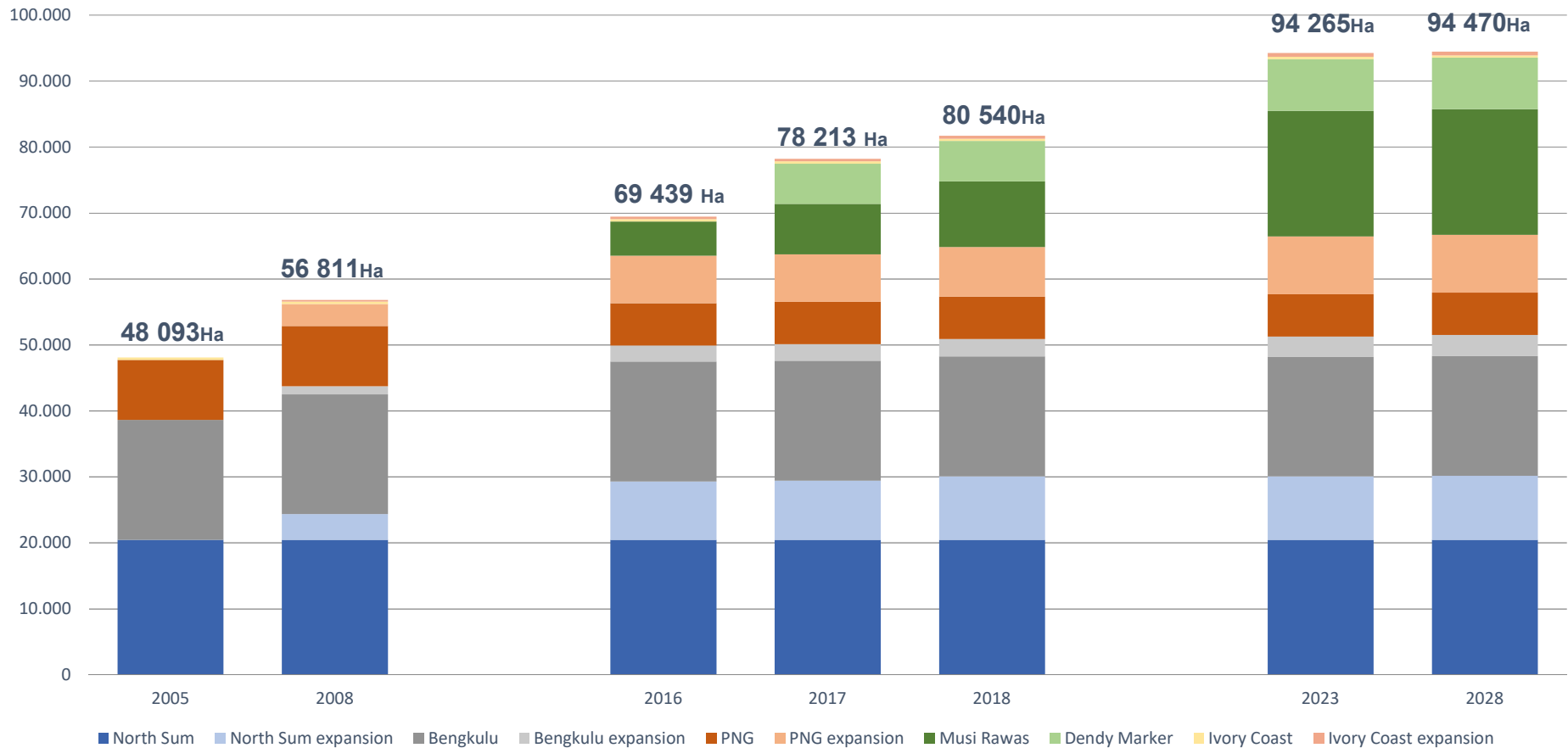
Focus on 'Sustainable Agriculture' (RSPO)

Expansion of existing activities

Acquisition of new investments

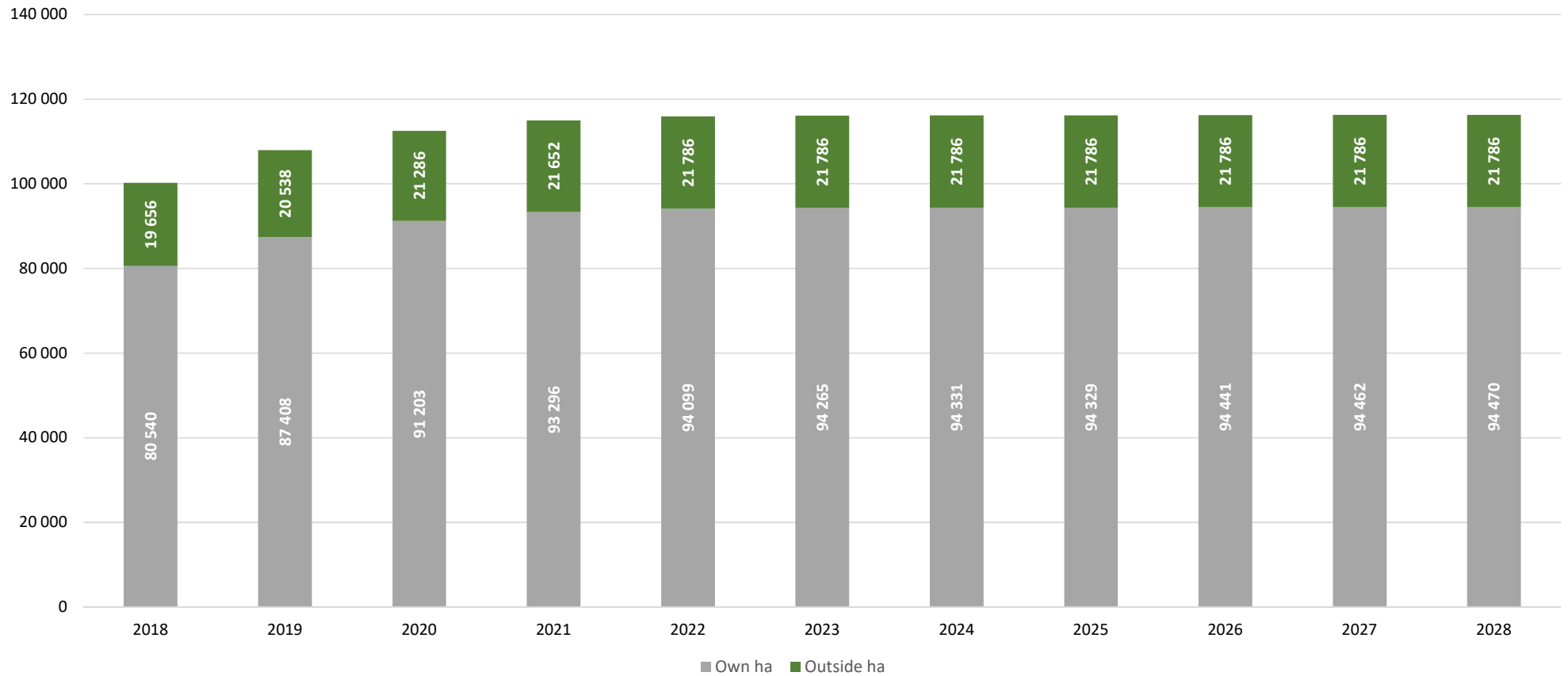
Balanced leverage

SIPEF group - Expansion
 Planted area (in hectares) – 100%



SIPEF group - Expansion

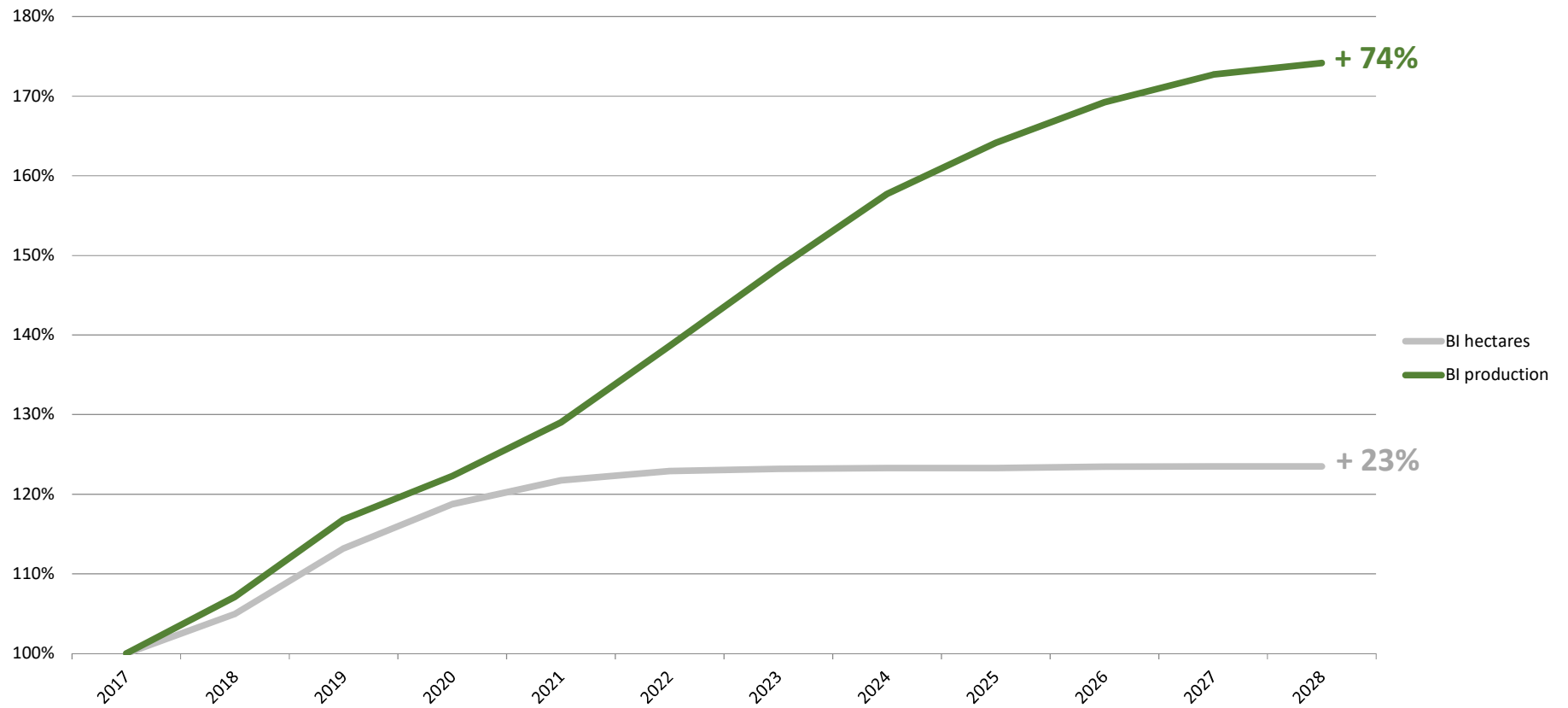
Supply base (in hectares): own ha and outgrowers ha – 100%





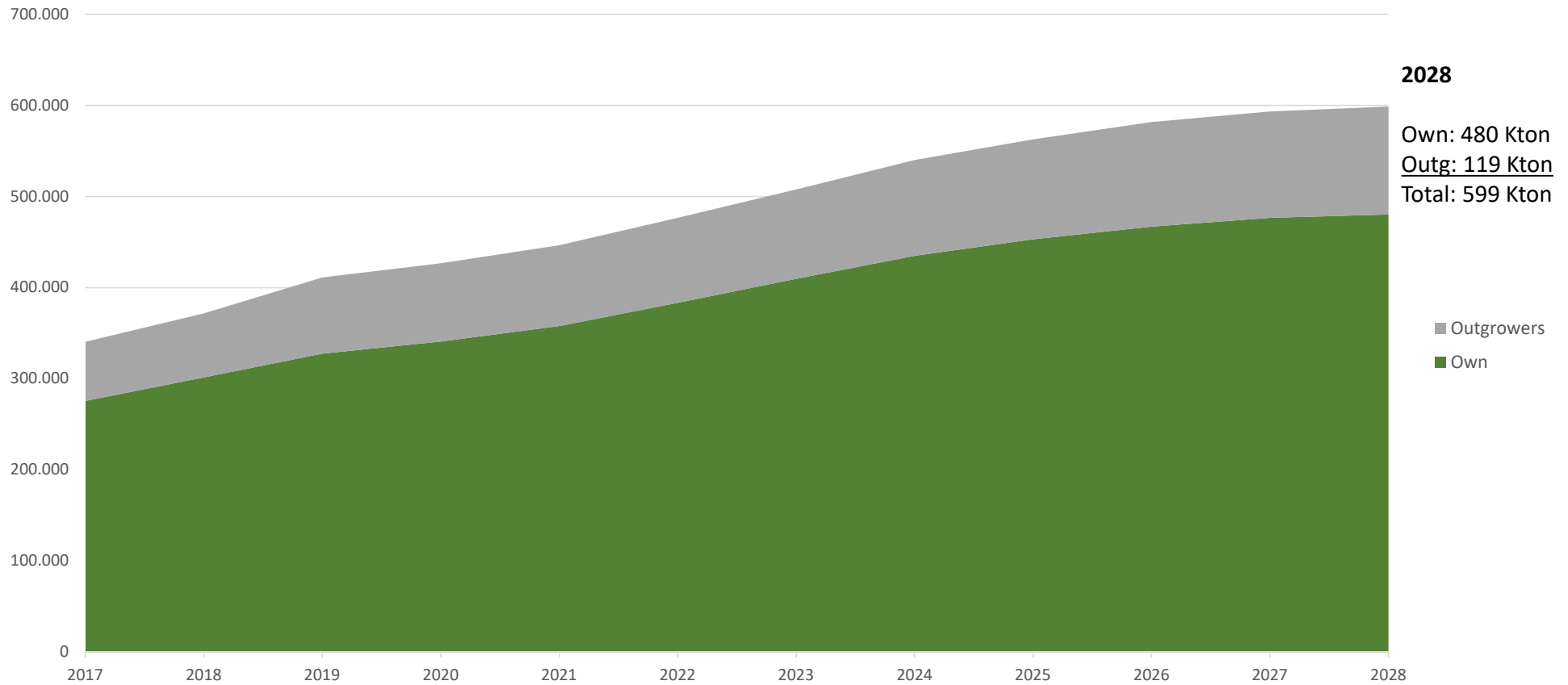
SIPEF group - Expansion

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



SIPEF group - Expansion

100% CPO production (including plasma and outgrowers – NO FFB)



SIPEF group - Expansion

Musi Rawas expansion



North Sumatra

- 1 Timbang Deli
- 2 Bandar Sumatra
- 3 Kerasaan
- 4 Eastern Sumatra
- 5 Citra Sawit Mandiri
- 6 Toton Usaha Mandiri
- 7 Umbul Mas Wisesa
- 8 Tolan Tiga

South Sumatra

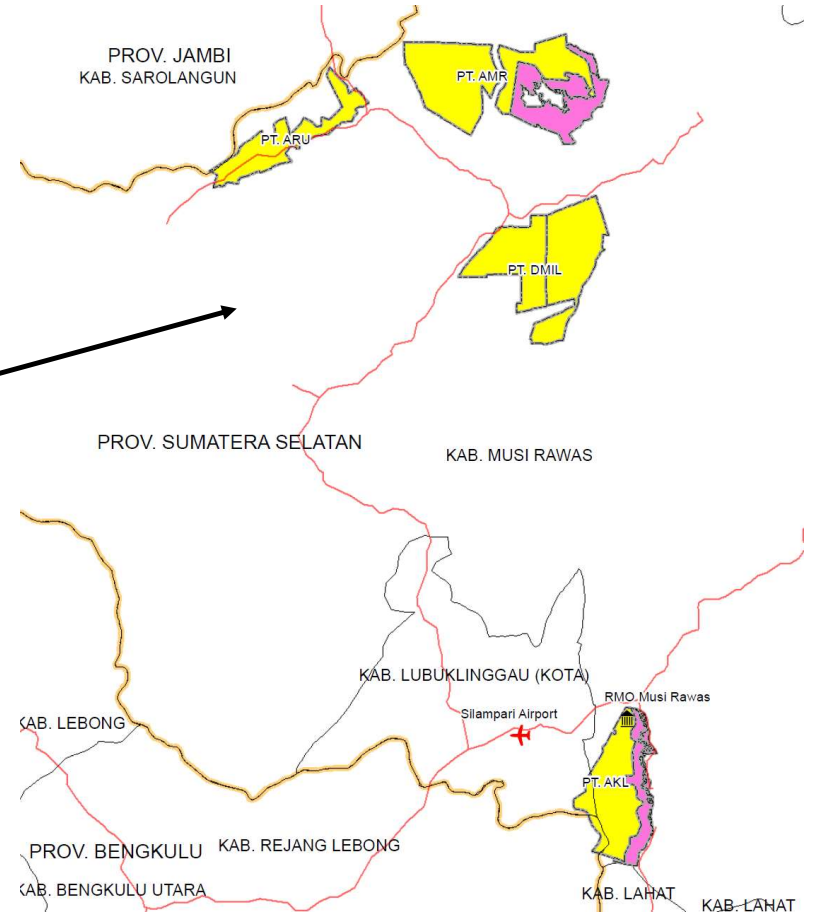
- 1 Melania (Rubber Estate)
- 2 Agro Rawas Ulu
- 3 Agro Muara Rupit
- 4 Agro Kati Lama
- 5 Dendymarker Indah Lestari

Bengkulu

- 1 Agro Muko
- 2 Mukomuko Agro Sejahtera

West Java

- 1 Melania (Tea Estate)



The Connection to the world of Sustainable Tropical Agriculture

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	0	17.793	0	42.400
Expansion Izin Lokasi	0	8.594			8.594
TOTAL HGU/IZIN	24.607	8.594	17.793	0	50.994
Planted /Cleared	11.111	0	8.986	0	20.097
Identified	7.396	4.297		1.604	13.297
Potential development	18.507	4.297	8.986	1.604	33.394
INTI	15.423	3.581	6.205	1.604	26.812
PLASMA	3.085	716	2.781	0	6.582

SIPEF group - Expansion
Musi Rawas – progress April 2019



MUSI RAWAS	Acquired Ha	Secured Ha	
PT AKL	4.746	4.328	91%
PT ARU	3.395	2.325	68%
PT AMR	7.658	4.458	58%
Total OLD	15.799	11.111	70%
Potential Ha	18.507		
	85%		
AMR III	33	0	0%
AMRS	121	0	0%
AKLE	92	0	0%
Total NEW	246	0	0%
Potential Ha	4.297		
	6%		
GRAND TOTAL	16.045	11.111	69%
Potential HA	22.804	22.804	100%
% of total	70%	49%	

SIPEF group - Expansion
Musi Rawas – progress April 2019



Area	Compensation Ha			Cleared/Planted Ha				Planted/ compensated
	YTD 2018	Apr/19	TOTAL	YTD 2018	Planted Apr/19	Cleared Apr/19	TOTAL	
AKL	4.077	92	4.169	3.646	54	78	3.778	90,6%
ARU	2.861	23	2.884	1.816	105	38	1.959	67,9%
AMR	6.226	195	6.421	3.640	236	268	4.144	64,5%
AMR 3	23	10	33	0				
AMR S	39	82	121	0				
AKL E	50	42	92	0				
Plasma	2.266	59	2.325	1.171	59	0	1.230	52,9%
TOTAL	15.542	503	16.045	10.273	454	384	11.111	69,2%



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SIPEF group – Productions & prices
Production Palm Oil April 2019



Palm Oil	April 2019	April 2018	Variance
Own			
Tolan Tiga Group	20 332	22 247	-8,61%
Umbul Mas Wisesa Group	12 245	13 237	-7,49%
Agro Muko Group	23 421	26 716	-12,33%
South Sumatra Group	3 522	1 251	181,53%
Hargy Oil Palms	23 581	27 009	-12,69%
Total own	83 101	90 460	-8,13%
Outgrowers			
Umbul Mas Wisesa Group	43	0	-
Agro Muko Group	978	1 031	-5,17%
South Sumatra Group	146	64	128,13%
Hargy Oil Palms	14 822	15 437	-3,98%
Total outgrowers	15 989	16 532	-3,28%
Total Palm Oil	90 088	106 992	-7,39%

SIPEF group – Productions & prices
Production Rubber April 2019



Rubber	April 2019	April 2018	Variance
Own			
Tolan Tiga Group	547	741	-26,18%
Melania	1 245	1 336	-6,78%
Agro Muko	760	921	-17,50%
Total Rubber	2 551	2 998	-14,89%

SIPEF group – Productions & prices
Production Tea & Bananas April 2019



Tea	April 2019	April 2018	Variance
Melania	925	821	12,64%
Total Tea	925	821	12,64%

Bananas	April 2019	April 2018	Variance
Azaguie 1	1 864	1 681	10,89%
Azaguie 2	3 499	3 279	6,71%
Agboville	2 986	2 894	3,18%
Motobe	3 413	2 204	54,85%
Total Bananas	11 762	10 058	16,94%

SIPEF group – Productions & prices

Bull & Bear

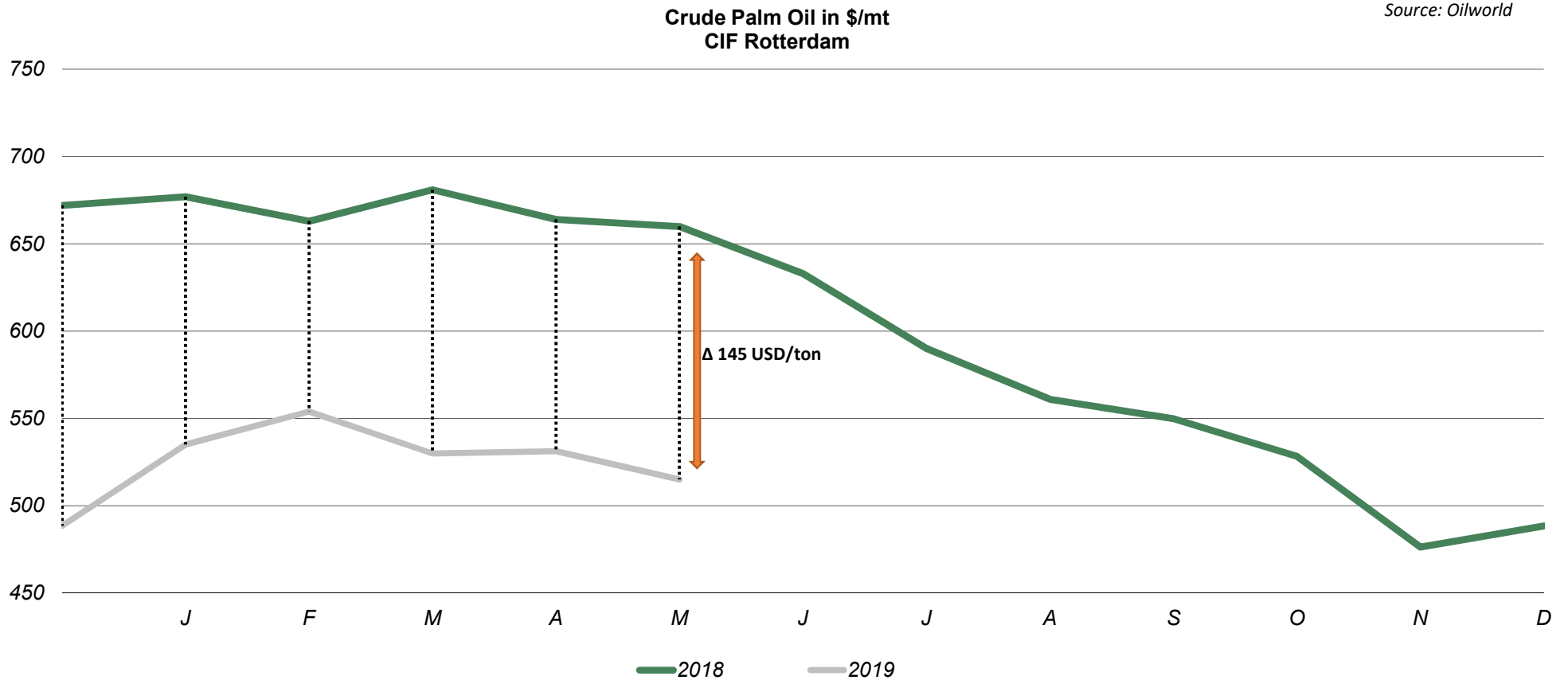


	Rating	Bullish inputs	Bearish inputs
Palm Oil July 500 Aug 505 Sept 510 OND 525	Neutral	PALM SUPPLY & DEMAND <ul style="list-style-type: none"> •Palm oil exports and local (bio) demand has been good despite high destination stocks to traditional market. Low prices attract demand. •Indo biodiesel blending of 20% is reached, looking to increase. •Production is expected to take a rest, but impact needs to be assessed. •2019 demand for palm will surpass supply with approximately 3 mln mt SOY MARKET - PRICING <ul style="list-style-type: none"> •If June will continue to rain heavily in the US Midwest, planting could be severely reduced....but it is a big IF as soybeans are a resilient crop and can recover well. •Corn and wheat rallied 20% due to wet planting conditions, soybeans to a lesser extent. •Palm oil is well priced against liquid oil but slightly less against gasoil. 	STOCK SITUATION IN ASIA <ul style="list-style-type: none"> •Following great production in 2018 we still have high stocks in Malaysia, Indo is finally under better control •Stocks are decreasing, but window shorter as we are about to enter new production cycle •High stocks in destinations as they bought into the low prices, strongly discounted on the spot during Q4 2018 •Most plantations poorly sold due to low price environment. CHINA-US TRADE WAR – EXTERNAL MACRO <ul style="list-style-type: none"> •China/US trade war still having a big impact on US soy market, recent tweets by Trump took soybeans to a 12-year low •Strong dollar has been bearish commodities...but did we experience the turnaround? •Petro/gasoil dropped 15% in the last few weeks, hurting the POGO spread •Brazil soybean crop became better after harvest. •US planting of corn/wheat massively delayed by wet fields, could lead to more soybean planting.....unless June stays wet. •African Swine Flu in China reduces appetite for soybeans •US aid package of \$16 billion could stimulate soybean planting
Rubber RSS3 1814 SIR10 1529	Neutral	<ul style="list-style-type: none"> •Hot & dry weather reduced Thai production •Tripartite reducing exports has a positive effect so far but can kick back. •Fusicoccum leaf disease impact could come into play, particularly in Sumatra 	<ul style="list-style-type: none"> •S&D getting in more balance, but still high stocks •Customers very lackluster, cash trading below futures, do not believe in the rally.
Tea	Neutral at best	<ul style="list-style-type: none"> •The short window that long rains in Kenya were delayed, could impact crop, but was short-lived 	<ul style="list-style-type: none"> •Kenyan production continues to outperform with add capacity build to overcome the peak production •Pakistan has depreciated the local rupee.

SIPEF group – Productions & prices
CPO prices CIF Rotterdam 2018-2019



Source: Oilworld

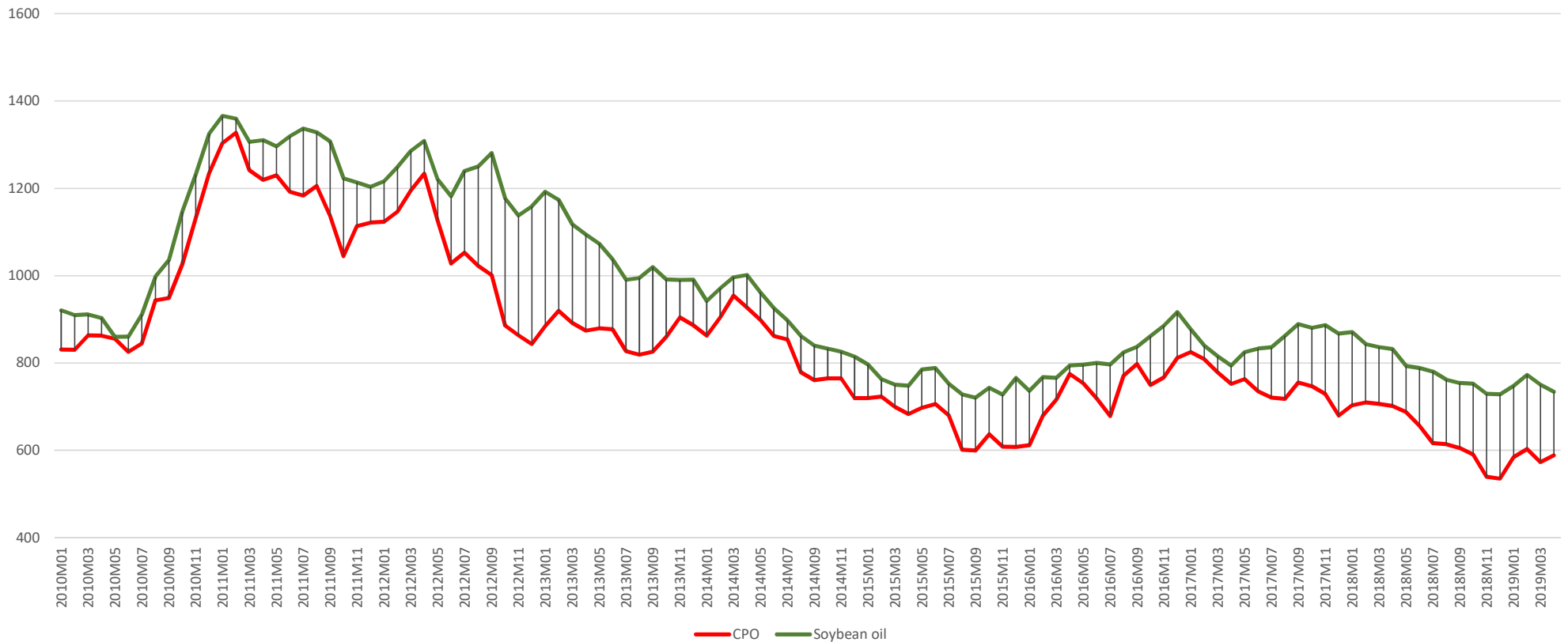


SIPEF group – Productions & prices
Spread crude palm oil – soybean oil



Source: Worldbank

Spread CPO - Soybean oil

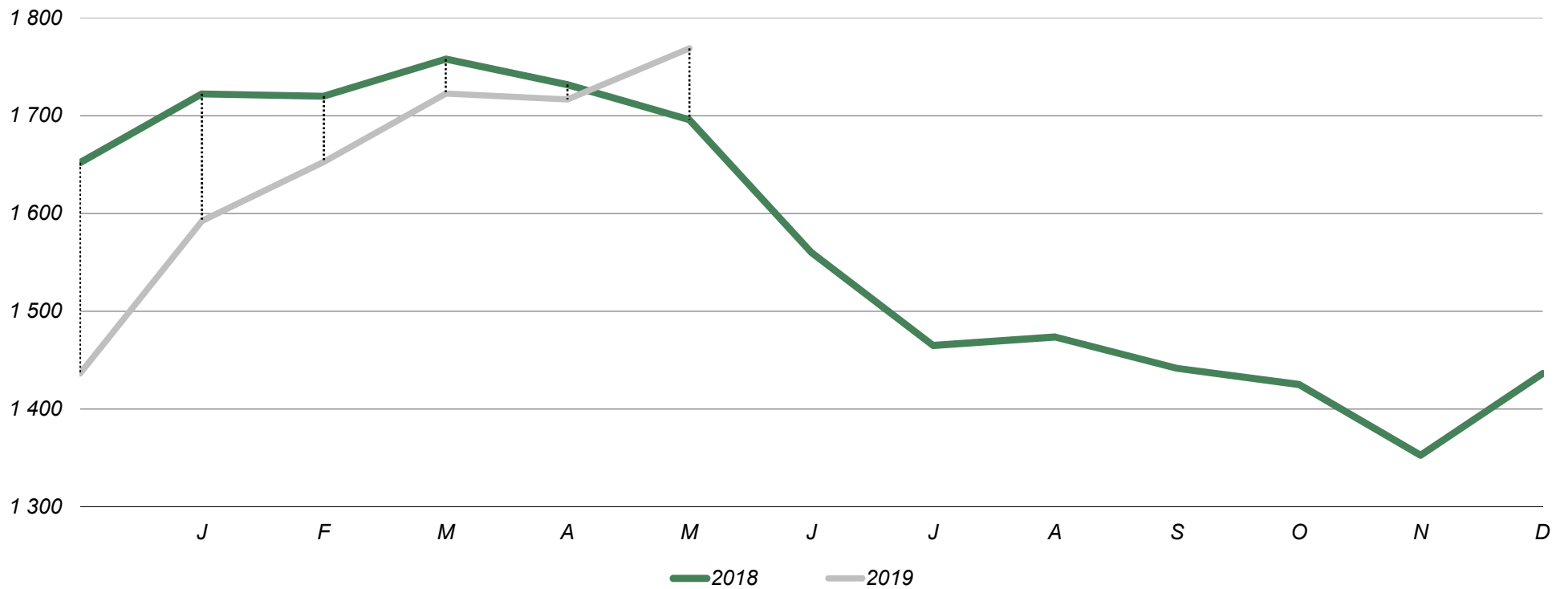


SIPEF group – Productions & prices
Rubber prices CIF Rotterdam 2018-2019



Source: Worldbank

**RSS3 in \$/mt
 FOB Singapore**

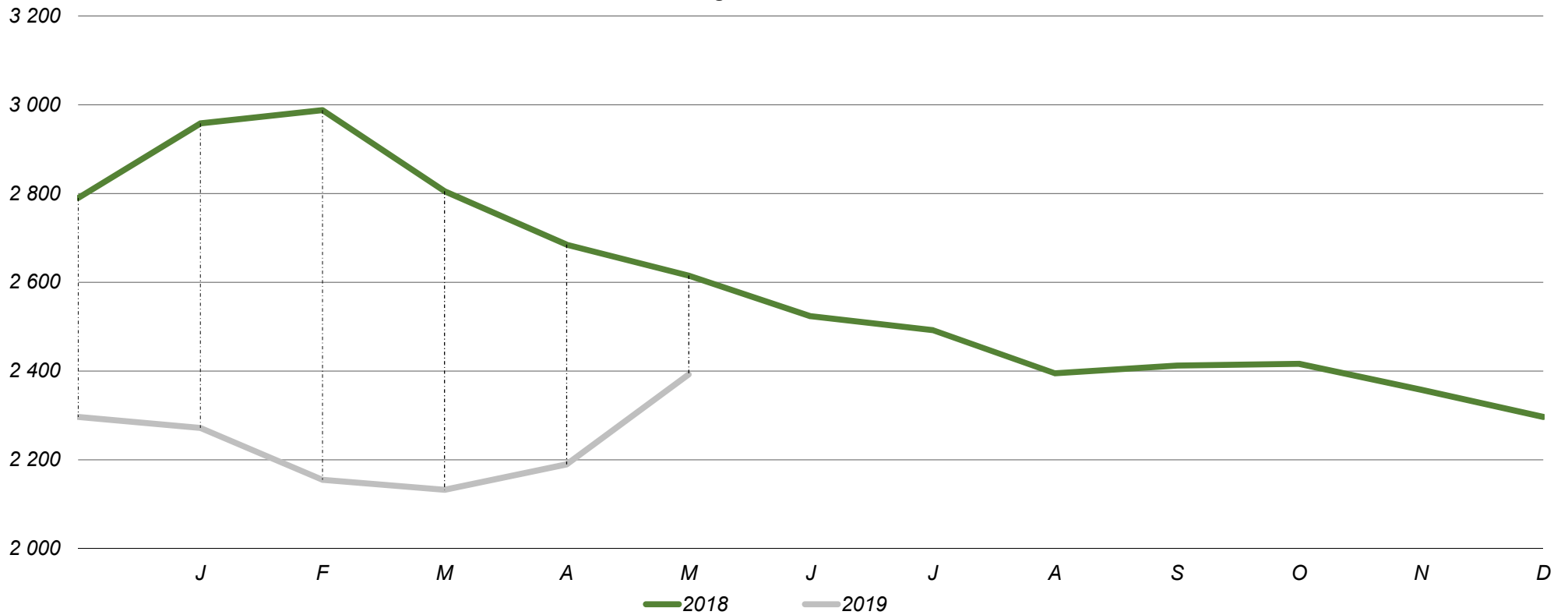


SIPEF group – Productions & prices
Tea prices CIF Rotterdam 2018-2019



Source: Worldbank

Tea in \$/mt
Average auction Mombasa



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SIPEF group – Financial performance
Consolidated balance sheet (management presentation)



In KUSD (condensed)	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

SIPEF group – Financial performance
Gross margin – Results before tax (management presentation)



In KUSD (condensed)	DEC 2018	DEC 2017	%change
Gross margin per product			
Palm	62 731	108 941	-42%
Rubber	-1 277	2 879	-144%
Tea	584	1 043	-44%
Bananas and flowers	2 669	3.653	-27%
Total gross margin	64 707	116 516	-44%
General and administrative expenses + other GM	-28 443	-28 889	
Other operating income/(charges)	2 417	1 133	
Financial income/(charges)	-3 182	-3 102	
Discounting Sipef-CI	2 031	1 636	
Exchange differences	-1 670	1 258	
Result before tax	35 860	88 552	

SIPEF group – Financial performance
Net profit after tax (management presentation)



In KUSD (condensed)	DEC 2018	DEC 2017
Result before tax	35 860	88 551
Tax expense	-13 147	-23 865
Effective tax rate	-36,7%	-27,0%
Insurances	0	1 723
Recurring result after tax	22 713	66 409
Correction PT AM @ 44,9273% in Jan-Feb	0	-1 928
Correction PT AM fair value of assets	0	75 182
Gain on sale BDM-ASCO	7 376	0
Consolidated result	30 089	139 663

SIPEF group – Financial performance
Value per hectare



Sensitivity 31/12/2018

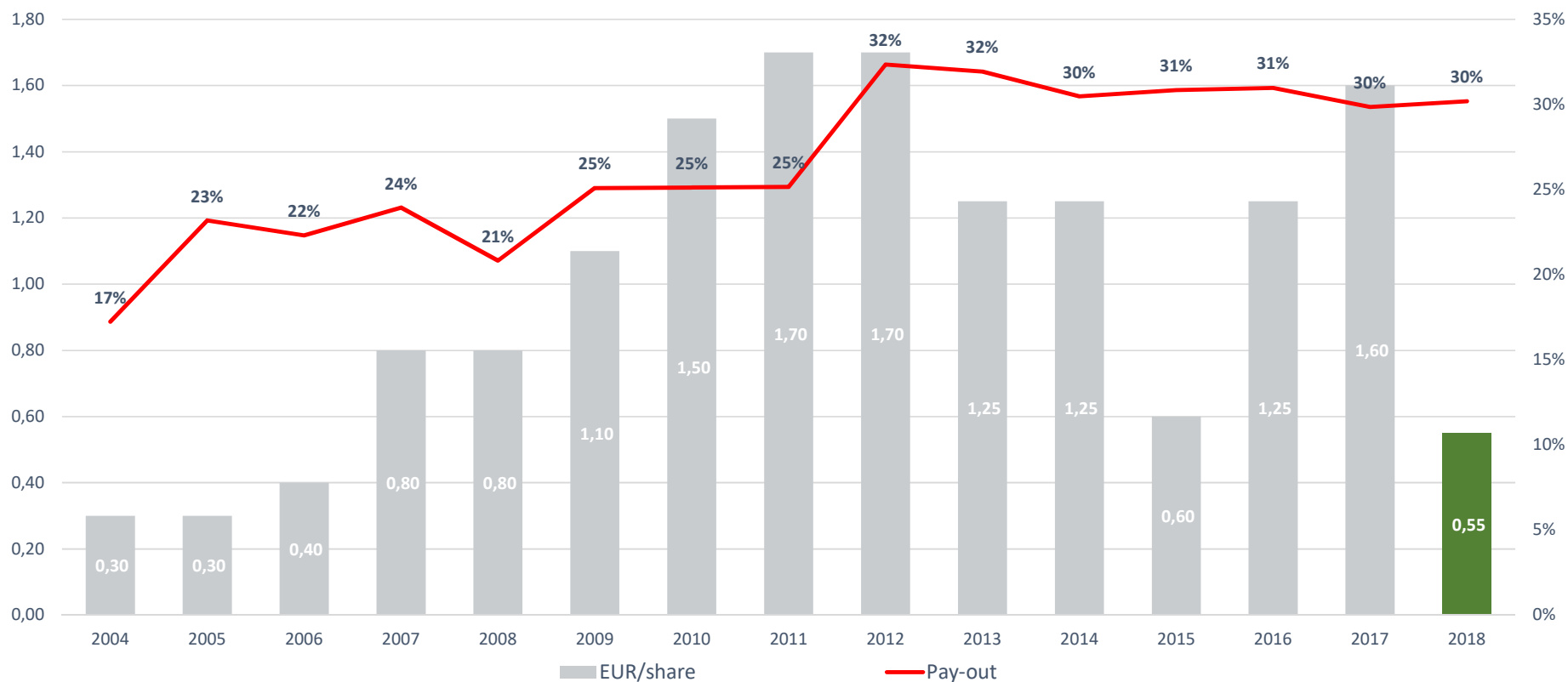
Stock price @	USD per hectare
43,00	7 493
50,00	8 721
55,00	9 510
60,00	10 298
65,00	11 086
70,00	11 874
75,00	12 663

SIPEF group – Financial performance

Dividend history



Dividend History Sipef



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Peer review

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.

Peer review

Principle assumptions

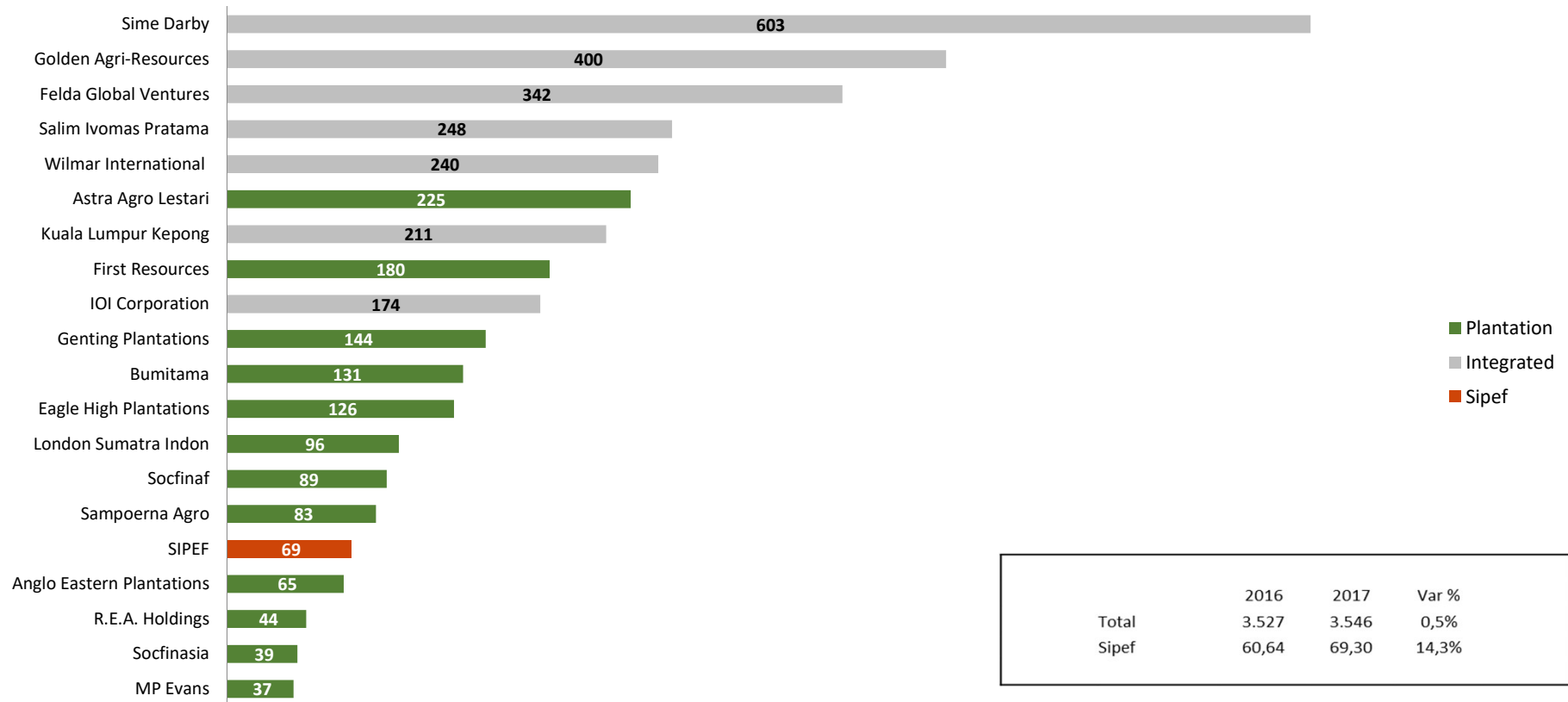
- Benchmark of main industrial competitors
- Age profile based on own ageing interpretation
- Market capitalization is calculated based on the average exchange rate & average share price of the year
- Benchmark based on own CPO productions of competitors:

	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%)

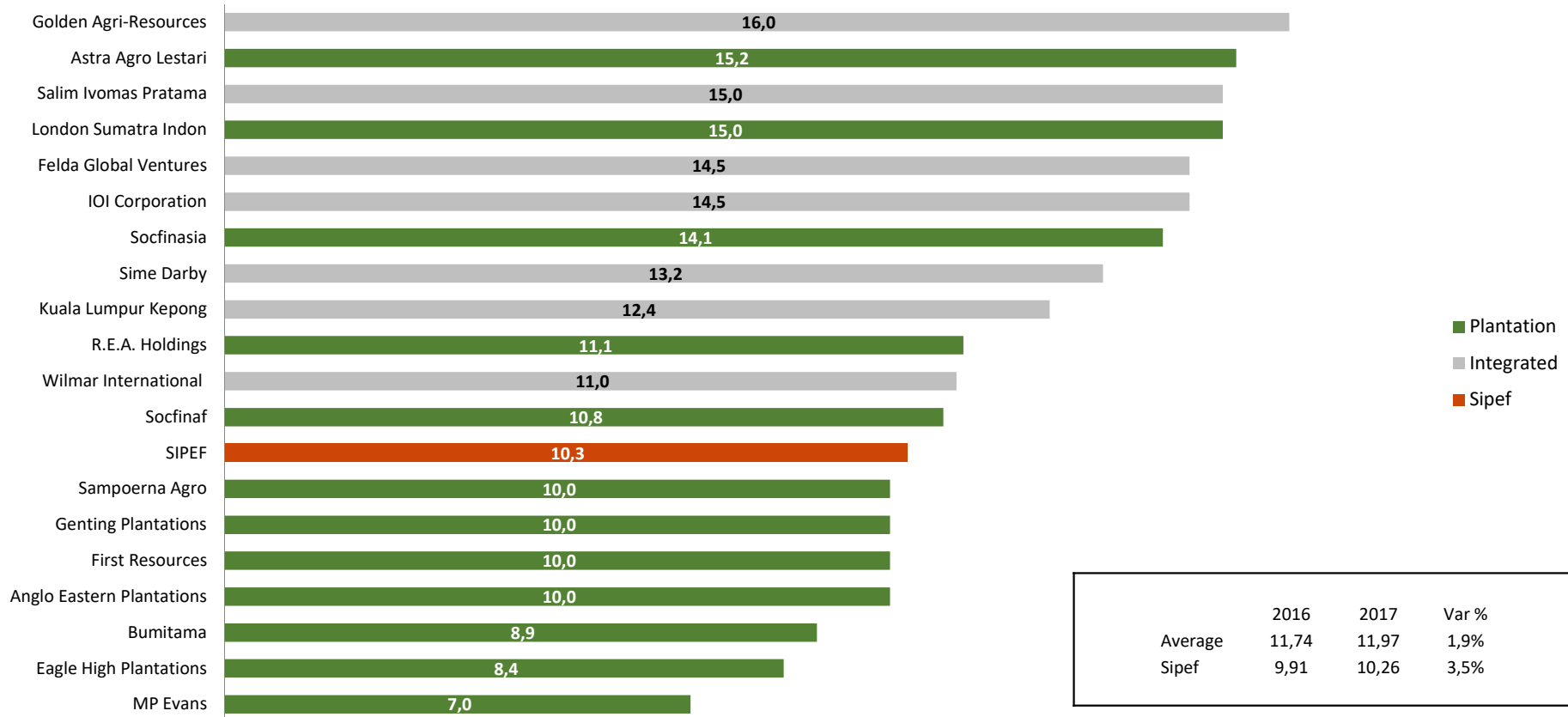
Peer review

Own planted Oil Palm Hectares in KHa (2017)



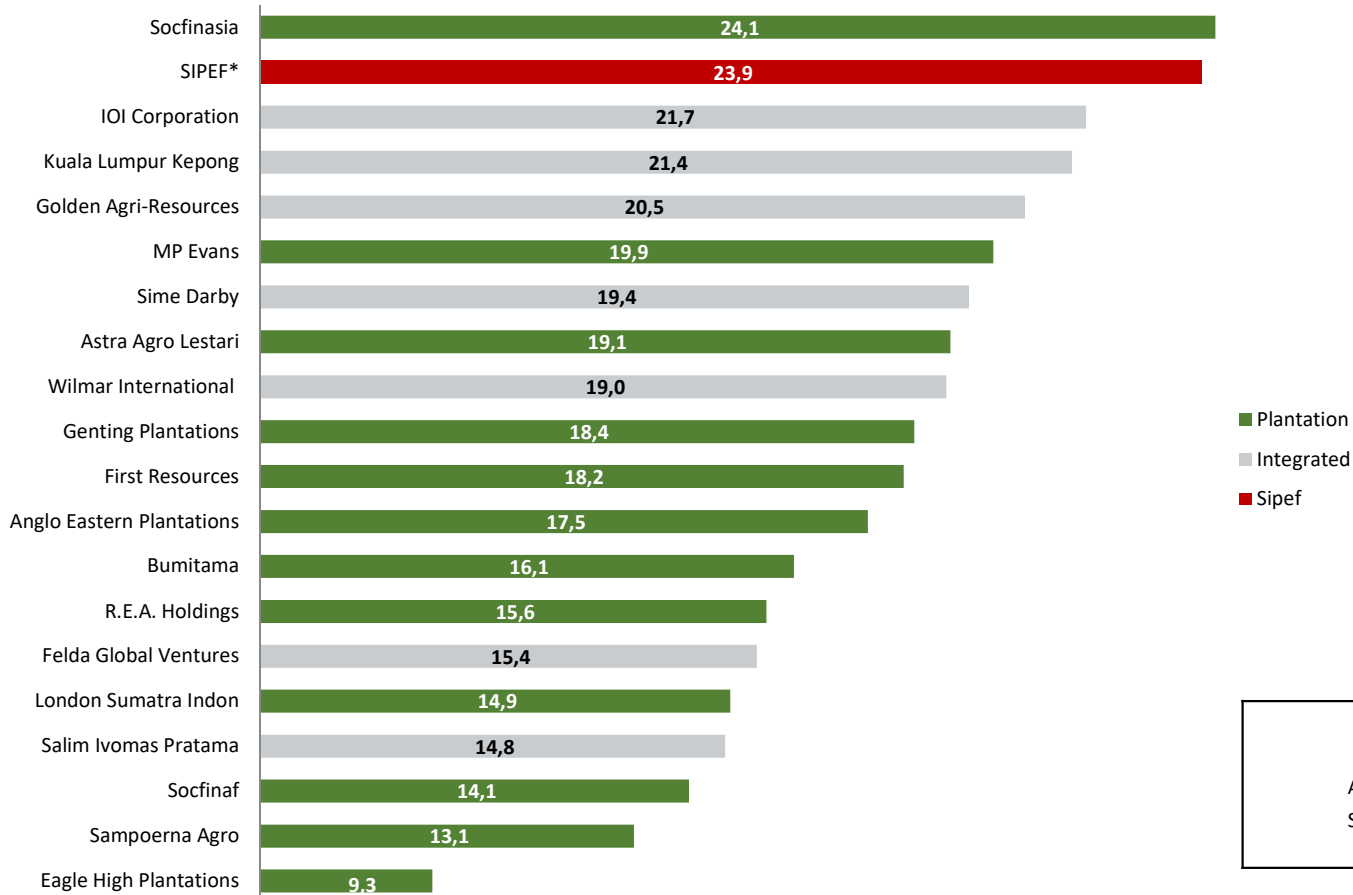
Peer review

Age Profile: Average age planted hectares (2017)



Peer review

FFB Yield – MT/ha (2017)

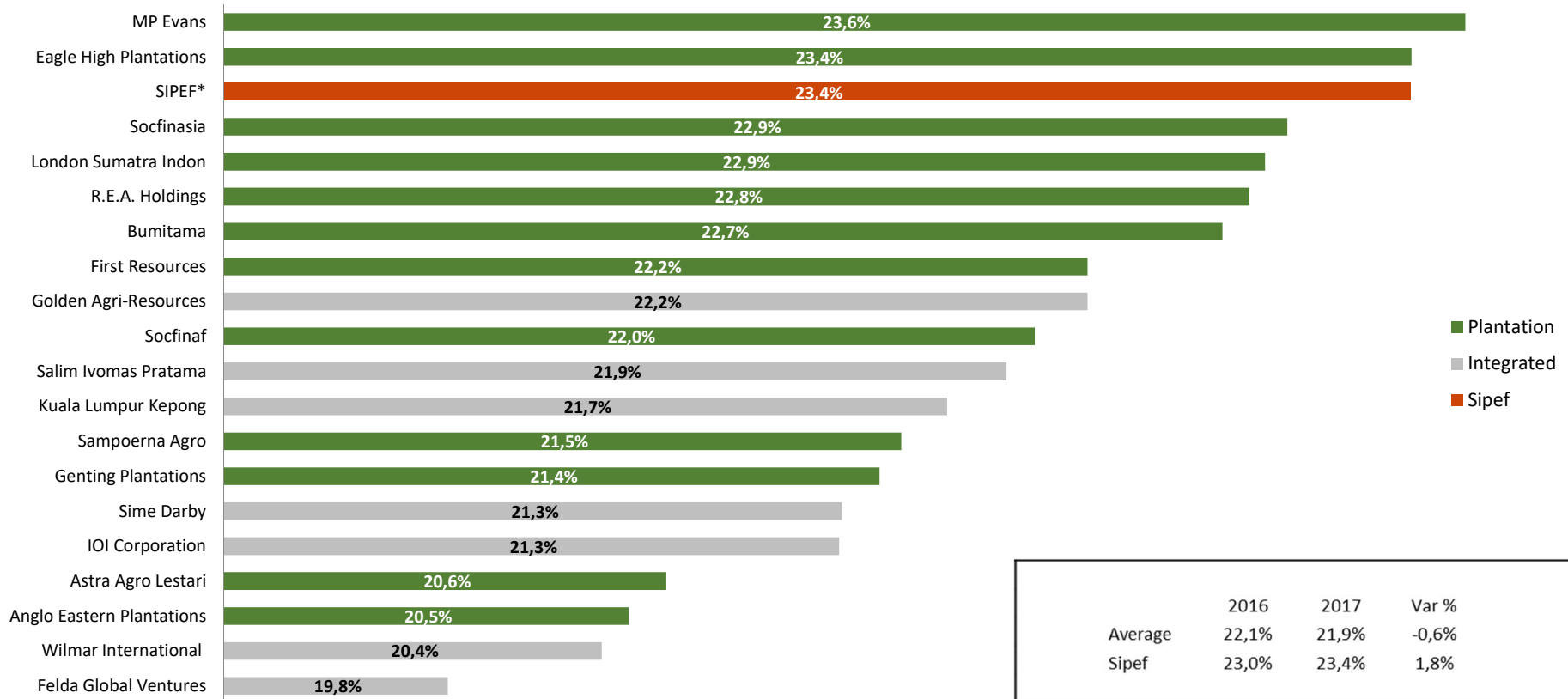


	2016	2017	Var %
Average	16,9	17,8	5,2%
Sipef	22,4	23,9	6,6%

* Sipef excluding PT Dendymarker acquired per 1 August 2017

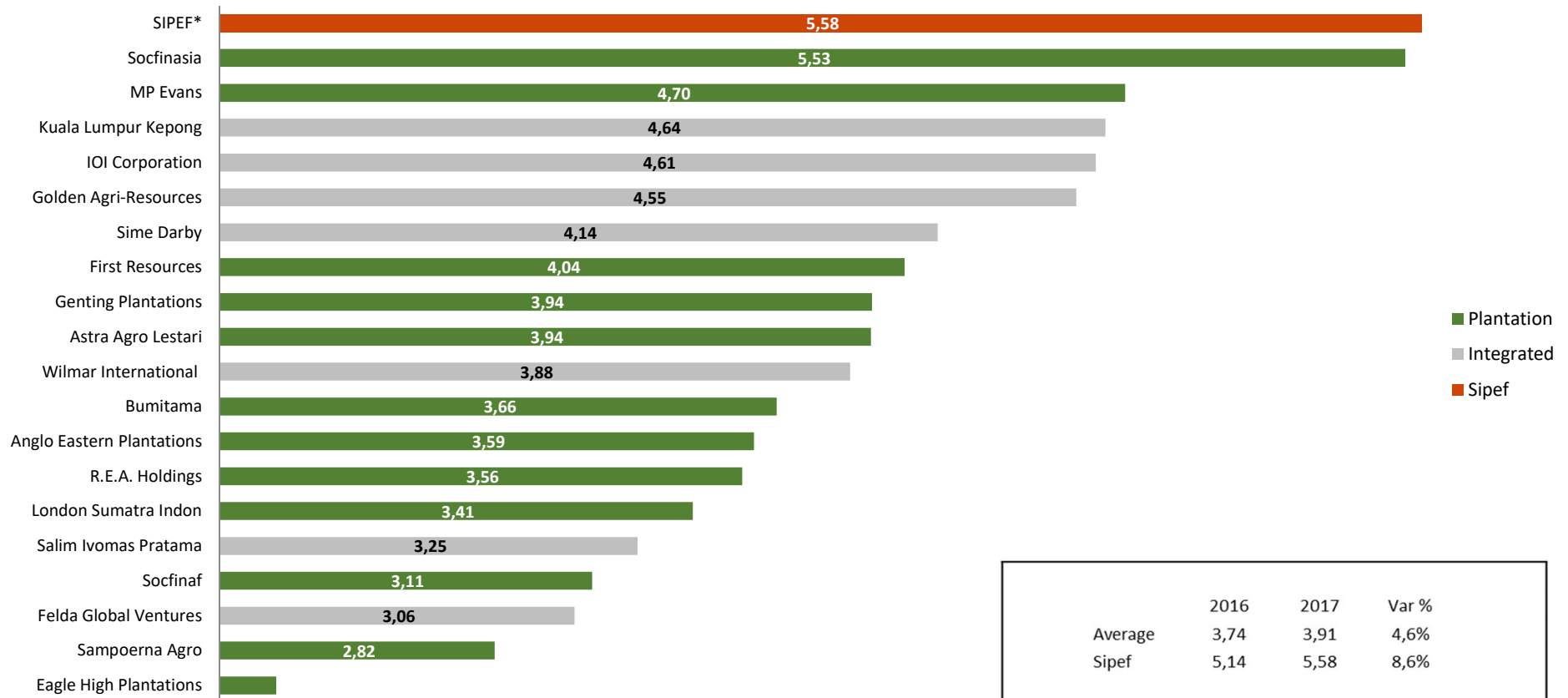
Peer review

Extraction rate from FFB to CPO (2017)



* Sipef excluding PT Dendymarker acquired per 1 August 2017

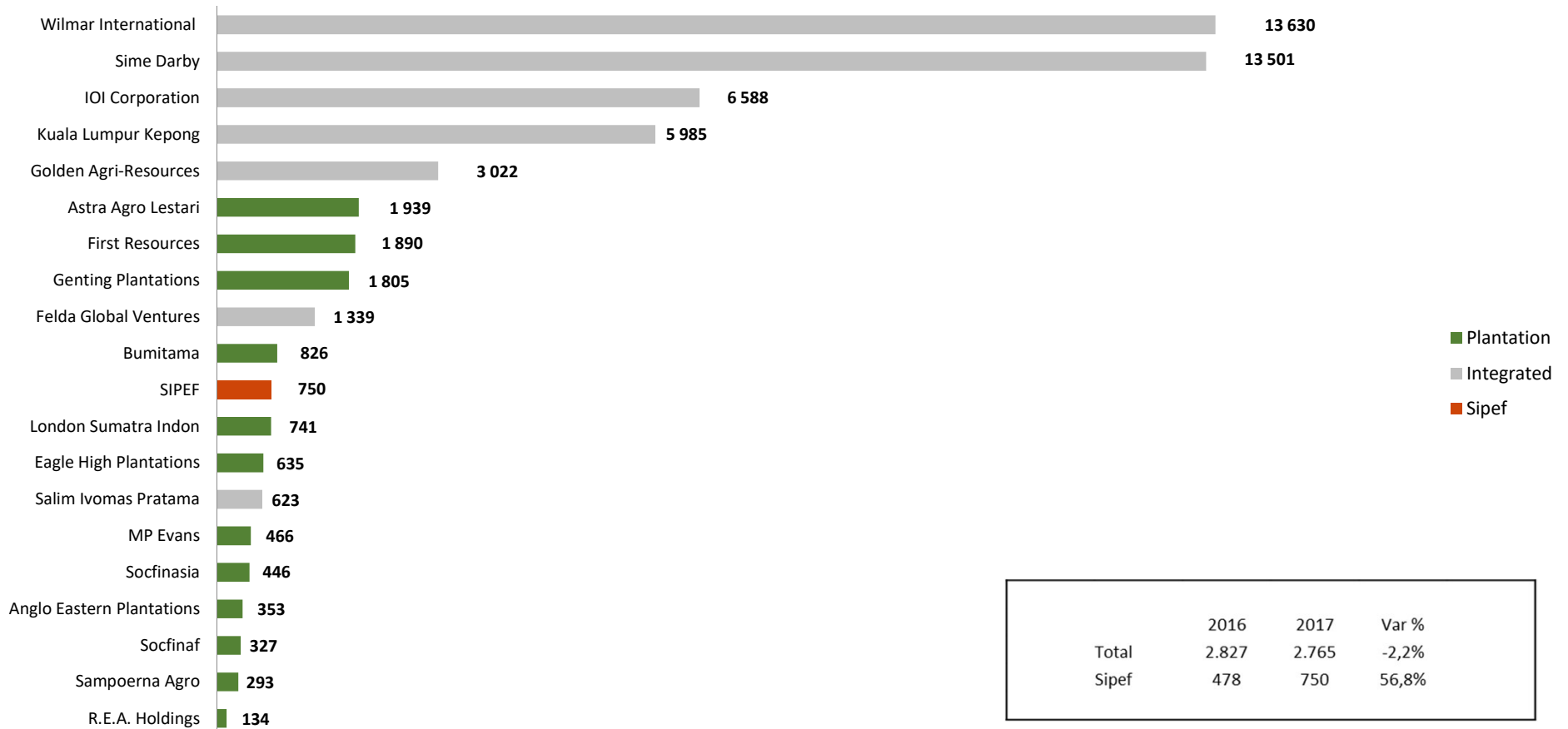
Peer review CPO Yield – MT/ha (2017)



* Sipef excluding PT Dendymarker acquired per 1 August 2017

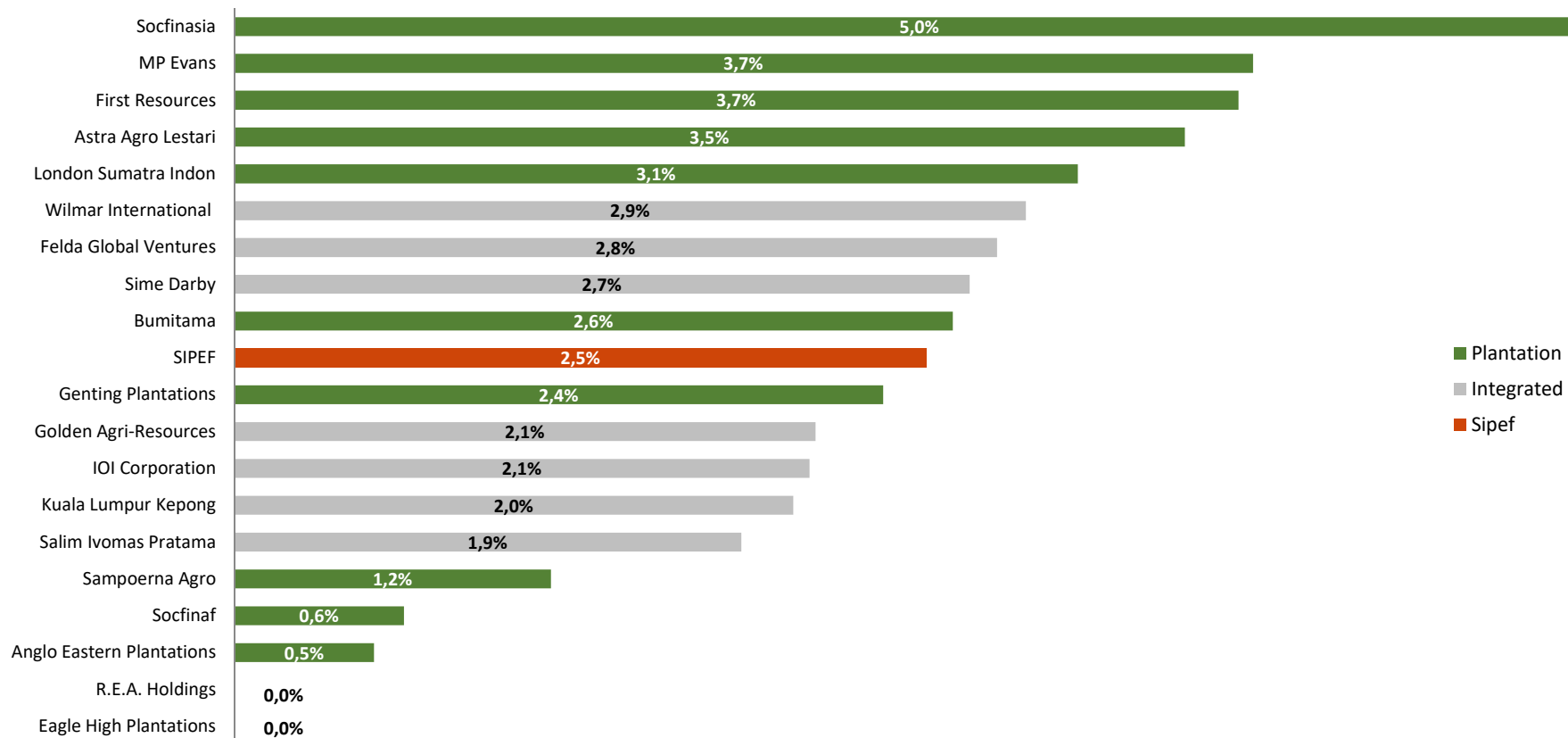


Peer review Market Cap in MUSD (2017)



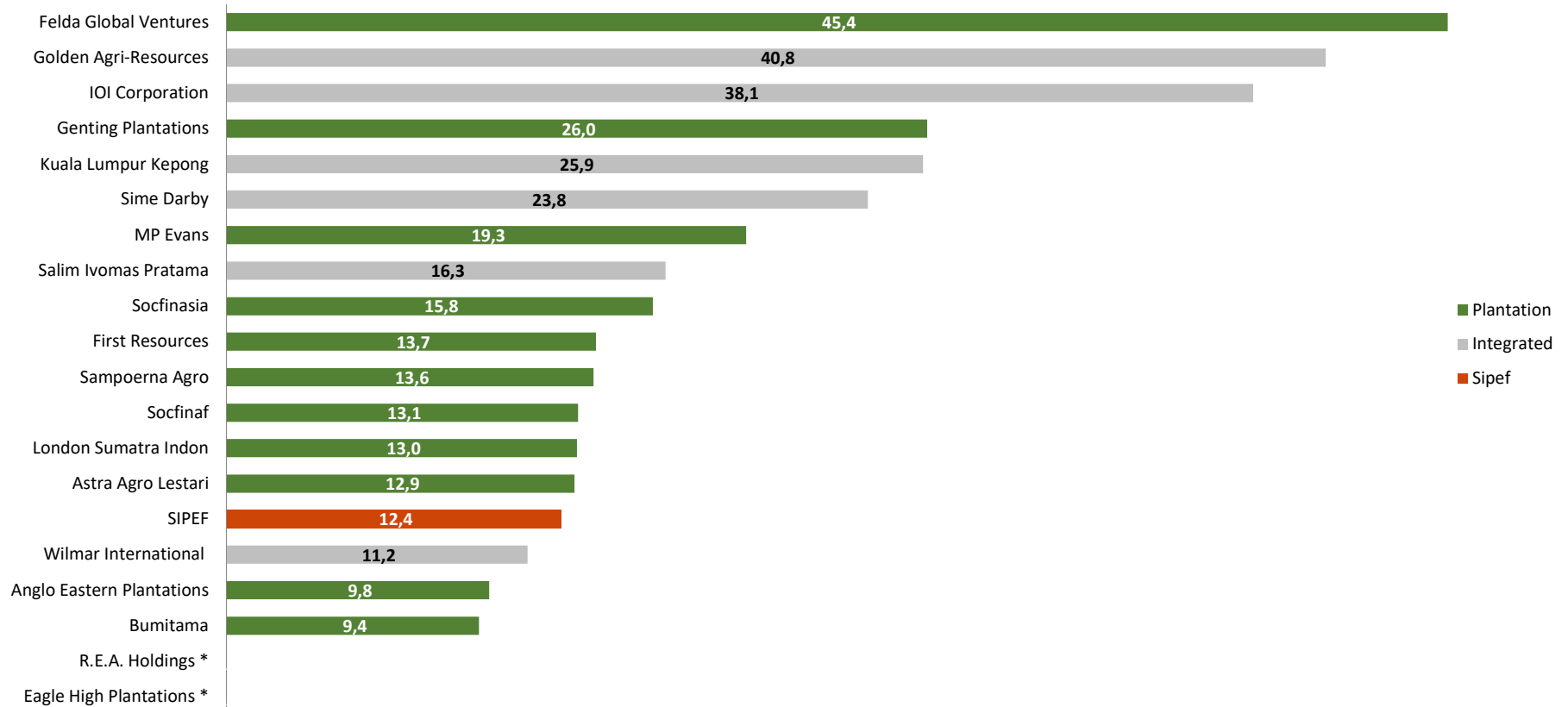
Peer review

Dividend Yields (based on average market cap 2017)



Peer review

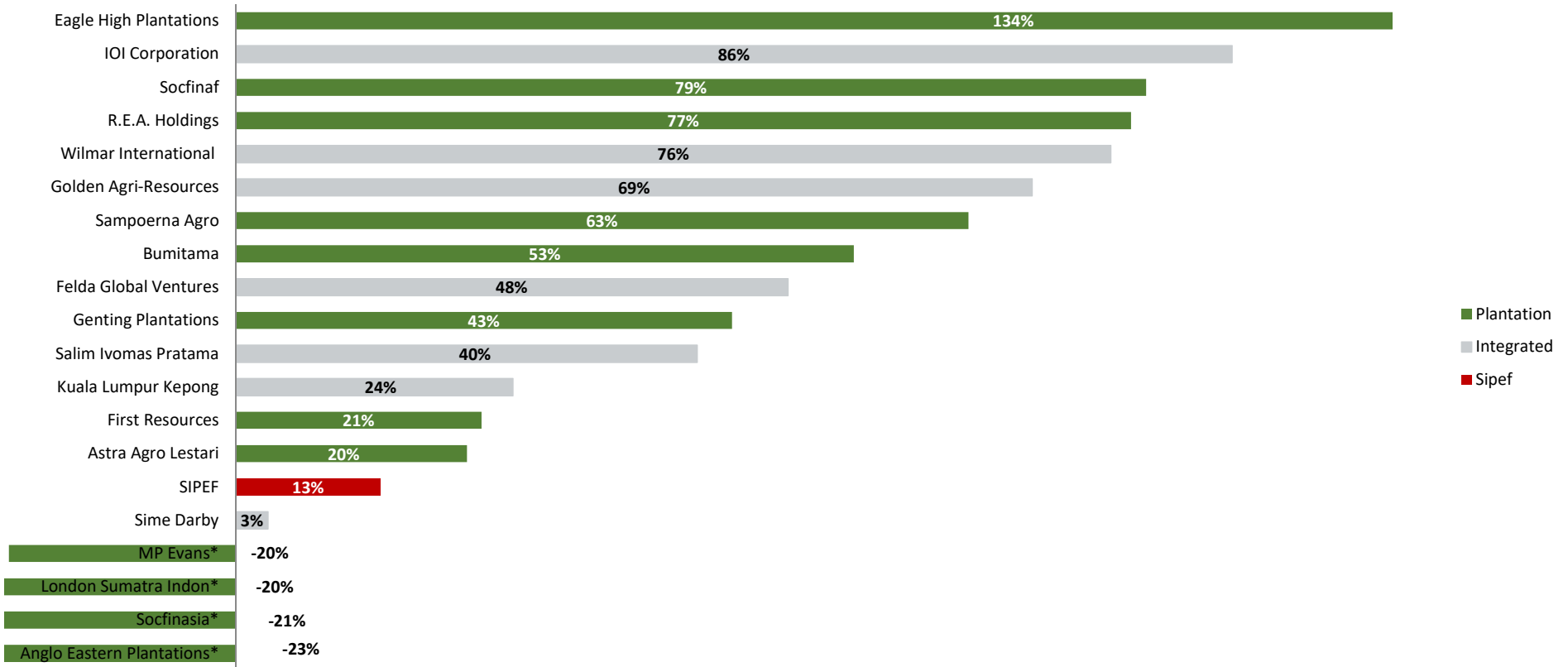
Price Earning Ratio (based on average market cap 2017)



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

Peer review

Net financial position/Equity Ratio (2017)



* Cash surplus at the end of the year



The Connection to the world of Sustainable Tropical Agriculture

