



SIPEF

Analyst presentation

December 9, 2020

Summary



SIPEF group - Company profile



SIPEF group - Palm oil in the world



SIPEF group - Production & prices



SIPEF group – Financial performance



SIPEF group - Prospects



Agriculture

- 1st segment of the supply chain - commodities

Tropical

- Recent industrialised countries

Sustainable

- Audited certifications

Connection

- Publicly quoted

Continuous
production

- Continuous crops

Diversified in
product

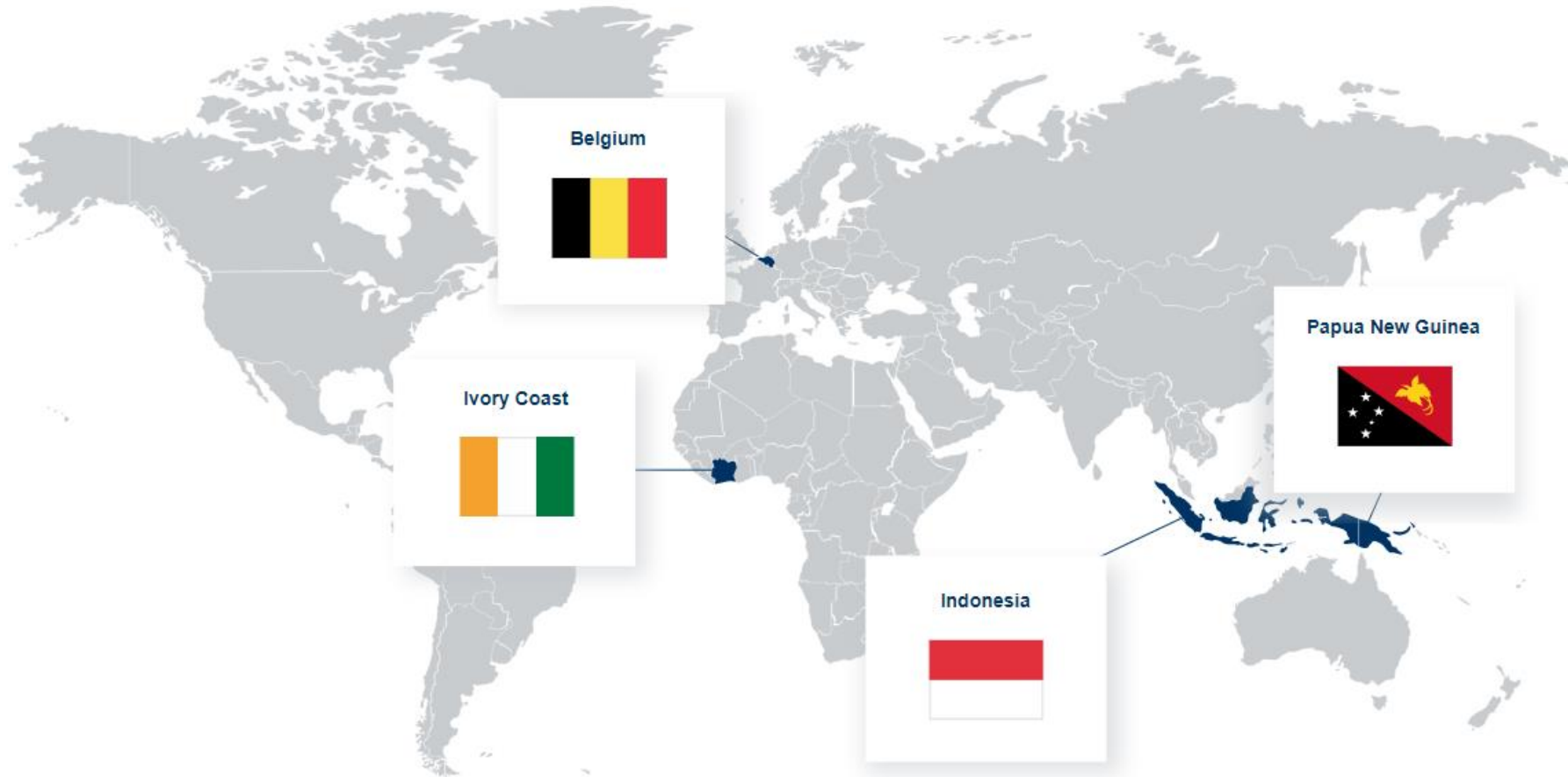
- **Palm oil** : basic commodity for food (and recently energy)
- **Rubber** : cyclic business - tire industry

Diversified in
origin

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

SIPEF group – Company profile

Worldwide



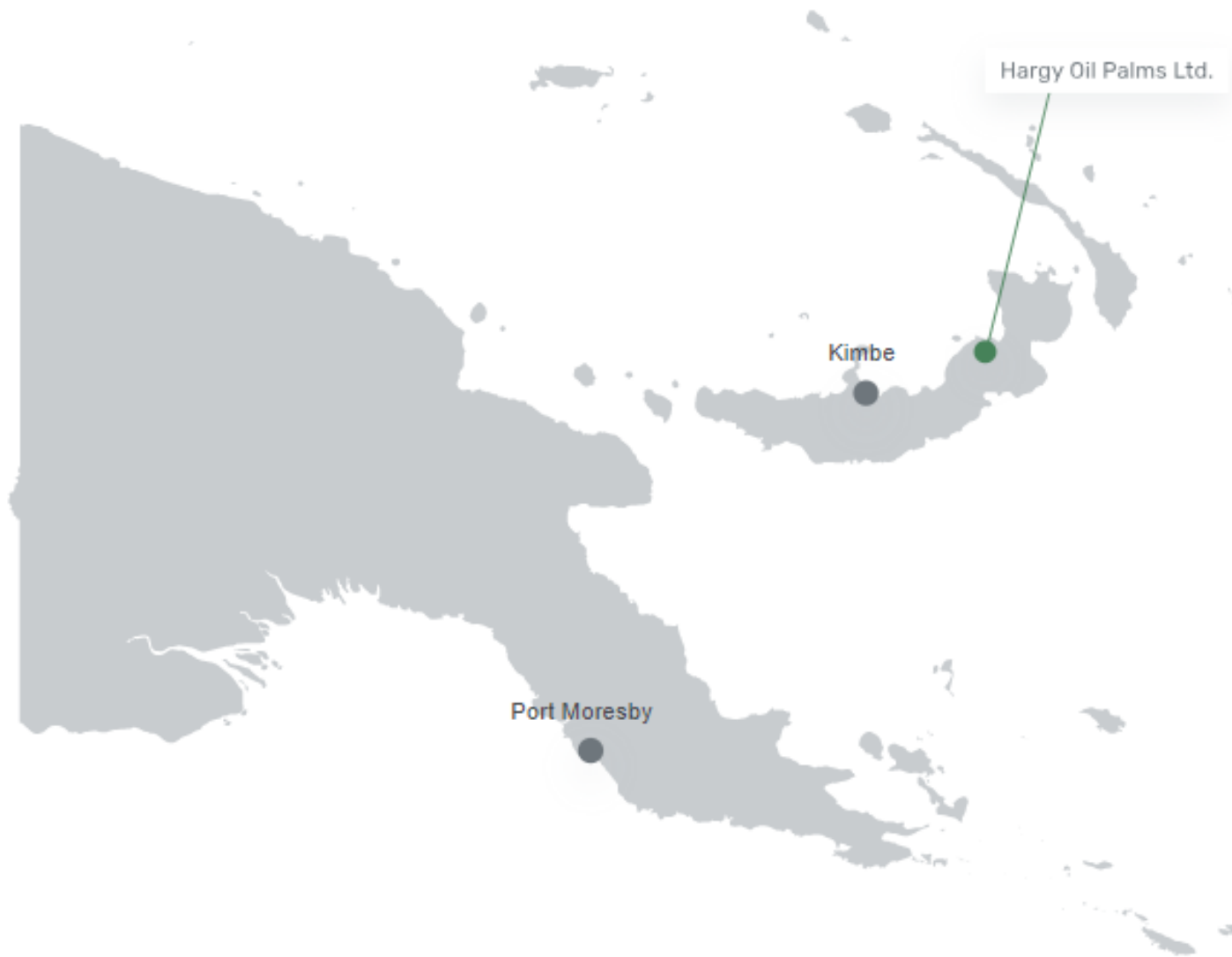
SIPEF group – Company profile

Indonesia



SIPEF group – Company profile

Papua New Guinea



SIPEF group – Company profile
Planted hectares summary 100% – 30 June 2020



2020	Indonesia	PNG	Ivory Coast	Hectares 100%	% of total	Group share	% of total
Palm	61 038	13 628	0	74 666	90%	69 151	90%
Rubber	5 518	0	0	5 518	7%	4 980	7%
Tea	1 786	0	0	1 786	2%	1 612	2%
Bananas	0	0	794	794	1%	794	1%
Other	0	0	31	31	0%	31	0%
Total planted	68 343	13 628	825	82 795	100%	76 568	92%
% of total	83%	16%	1%				
Group share	62 115	13 628	825				

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SIPEF group - Prospects

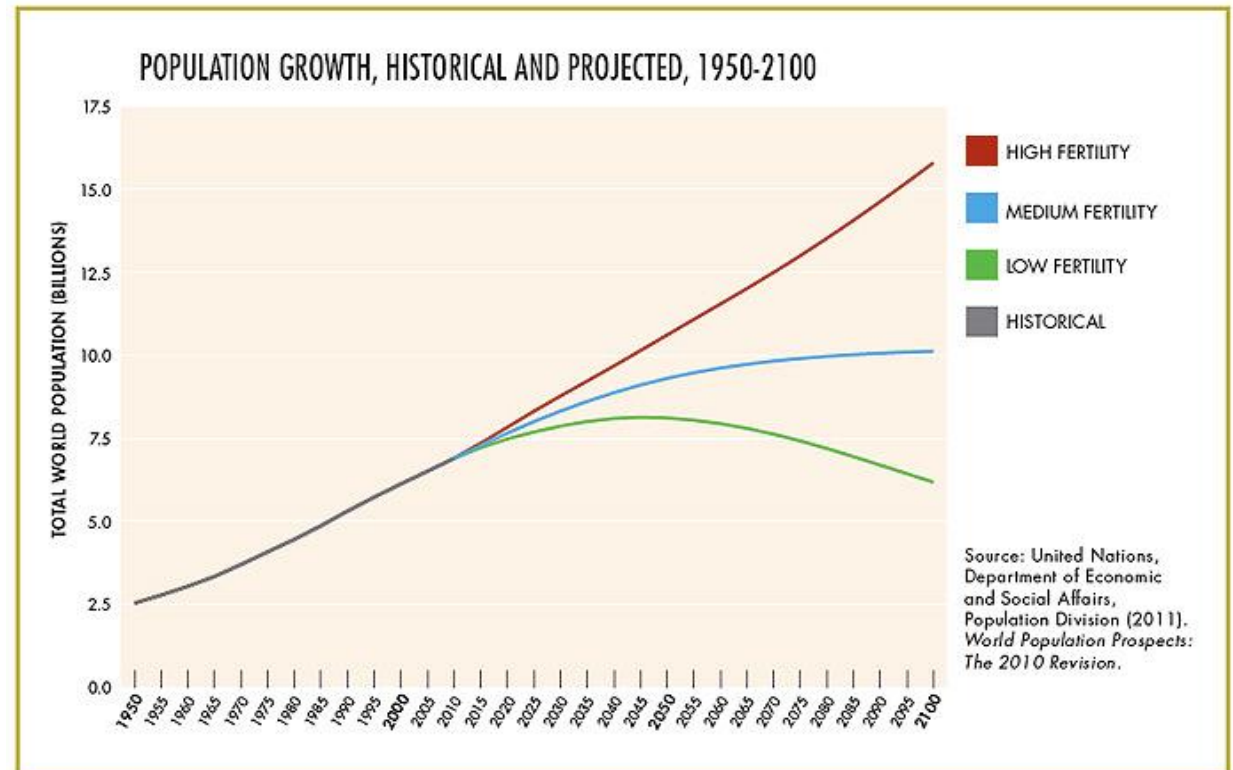


SIPEF group – Palm oil in the world

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



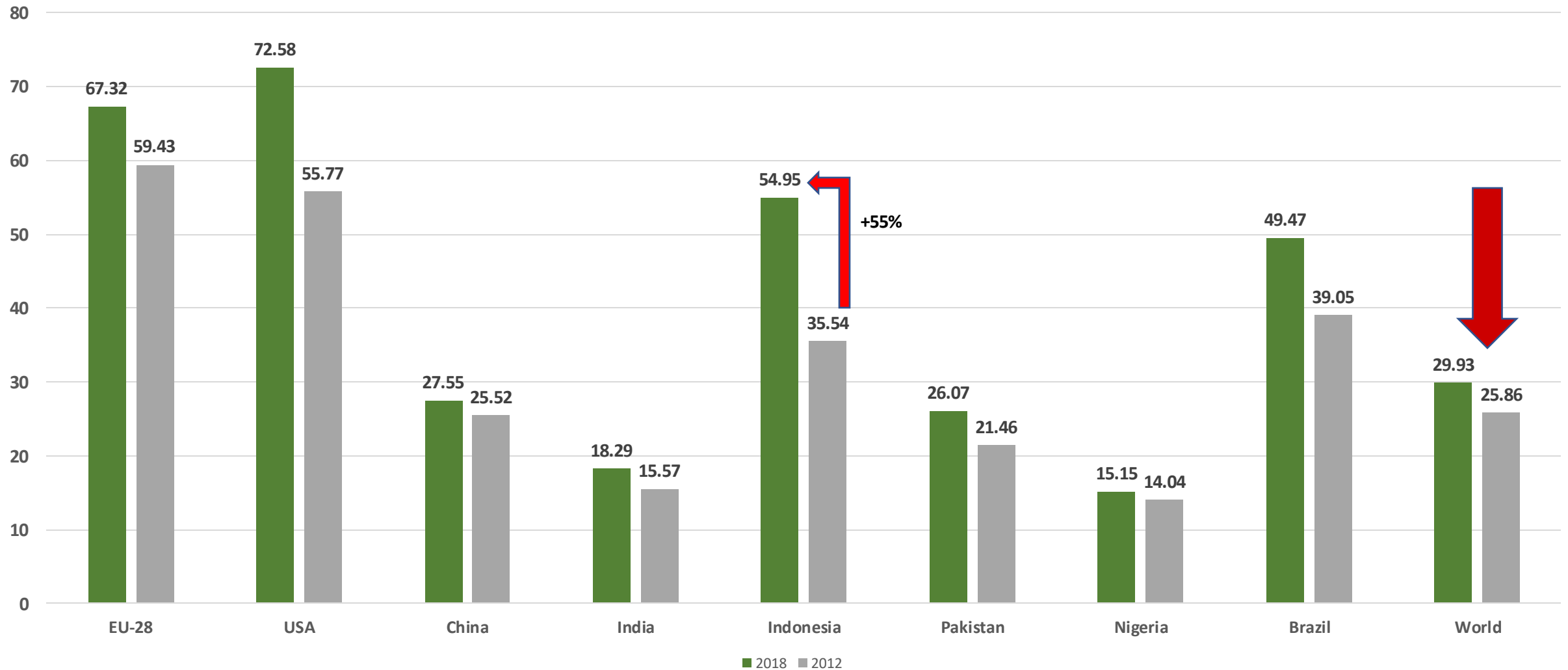
SIPEF group – Palm oil in the world

Oil and fat consumption



Oil and fat consumption per capita (in Kg)

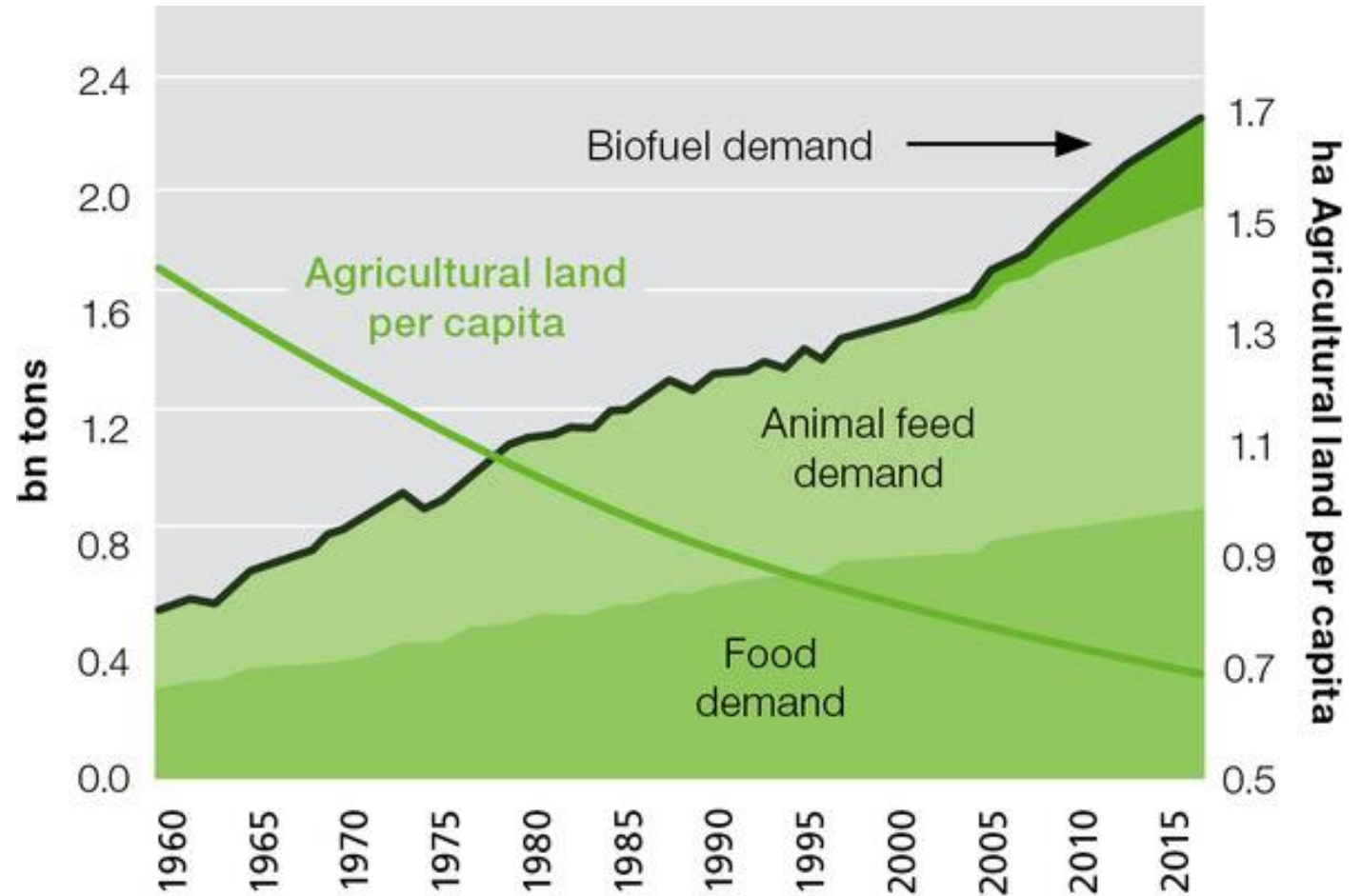
Source: Oilworld



SIPEF group – Palm oil in the world

Palm oil in the world - Land input

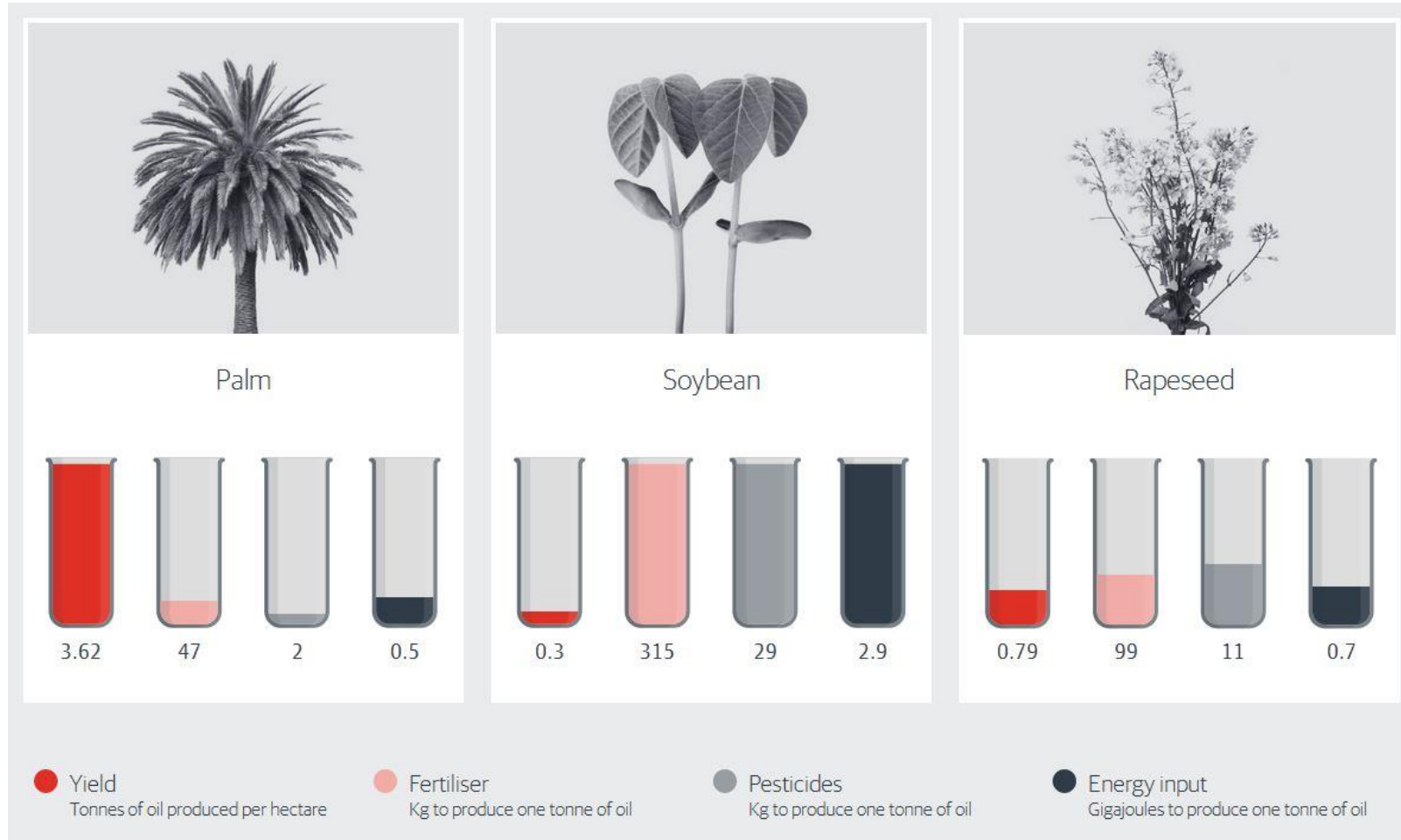
- Increased demand for meat/fat/processed foods
- Increased demand for biofuel
- Decreasing Agricultural land per capita
- Disposable income growth in developing countries



SIPEF group – Palm oil in the world

Palm oil in the world - Comparison to other oils

Resources used per vegetable oil:



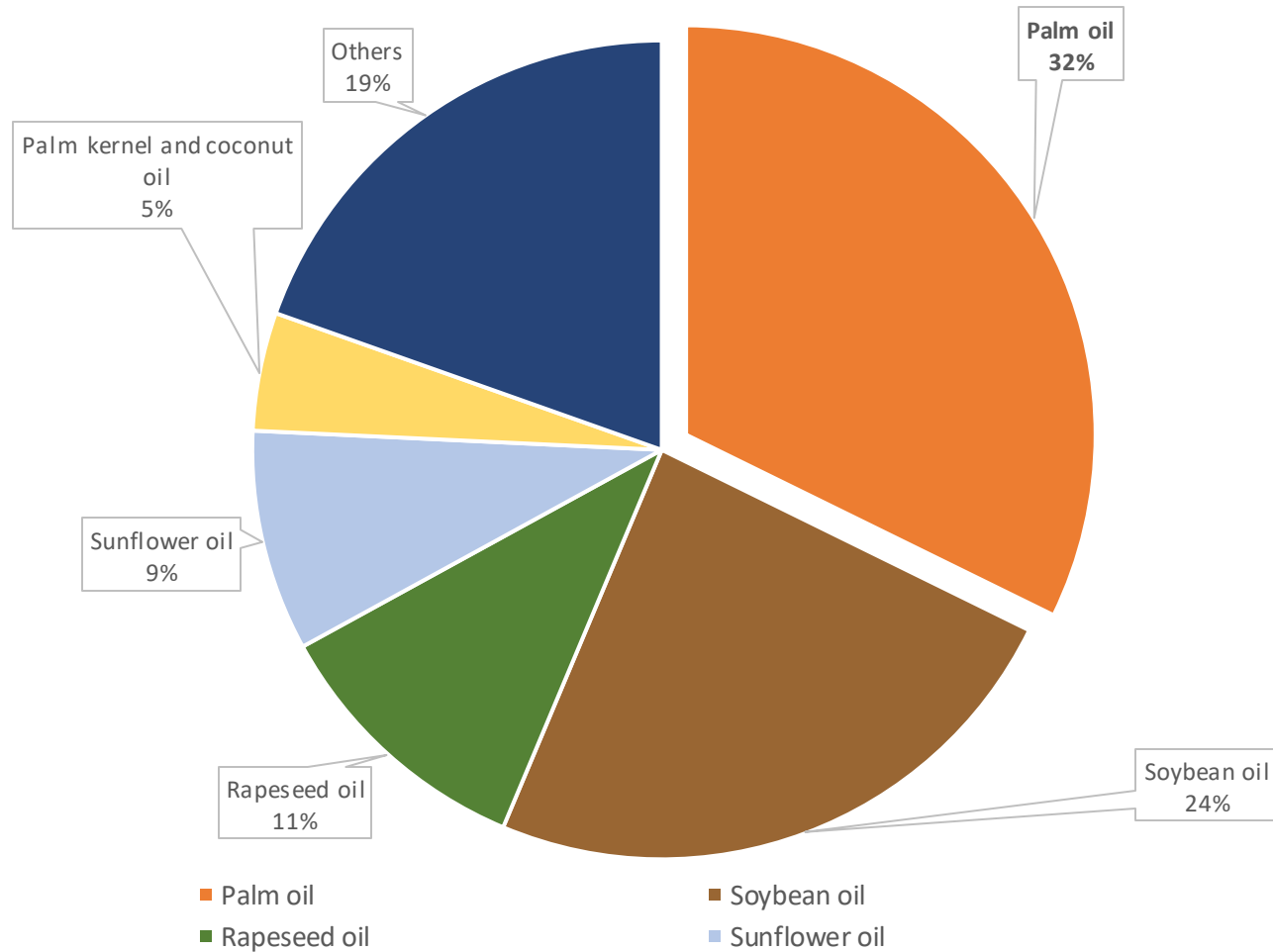
SIPEF group – Palm oil in the world

Palm oil in the world - Vegetable oils

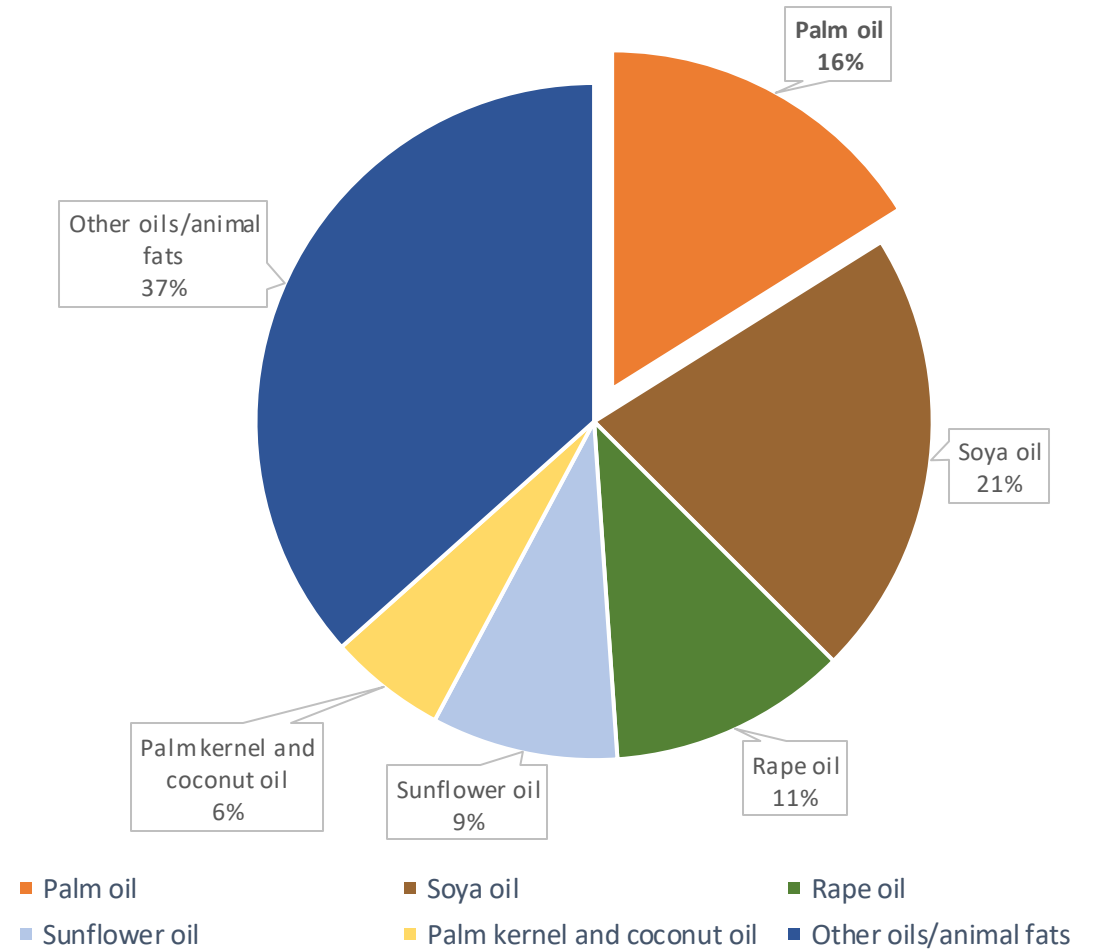


Source: Oilworld

2019 : 234,7 million Ton



1994/95: 93,1 million tonnes



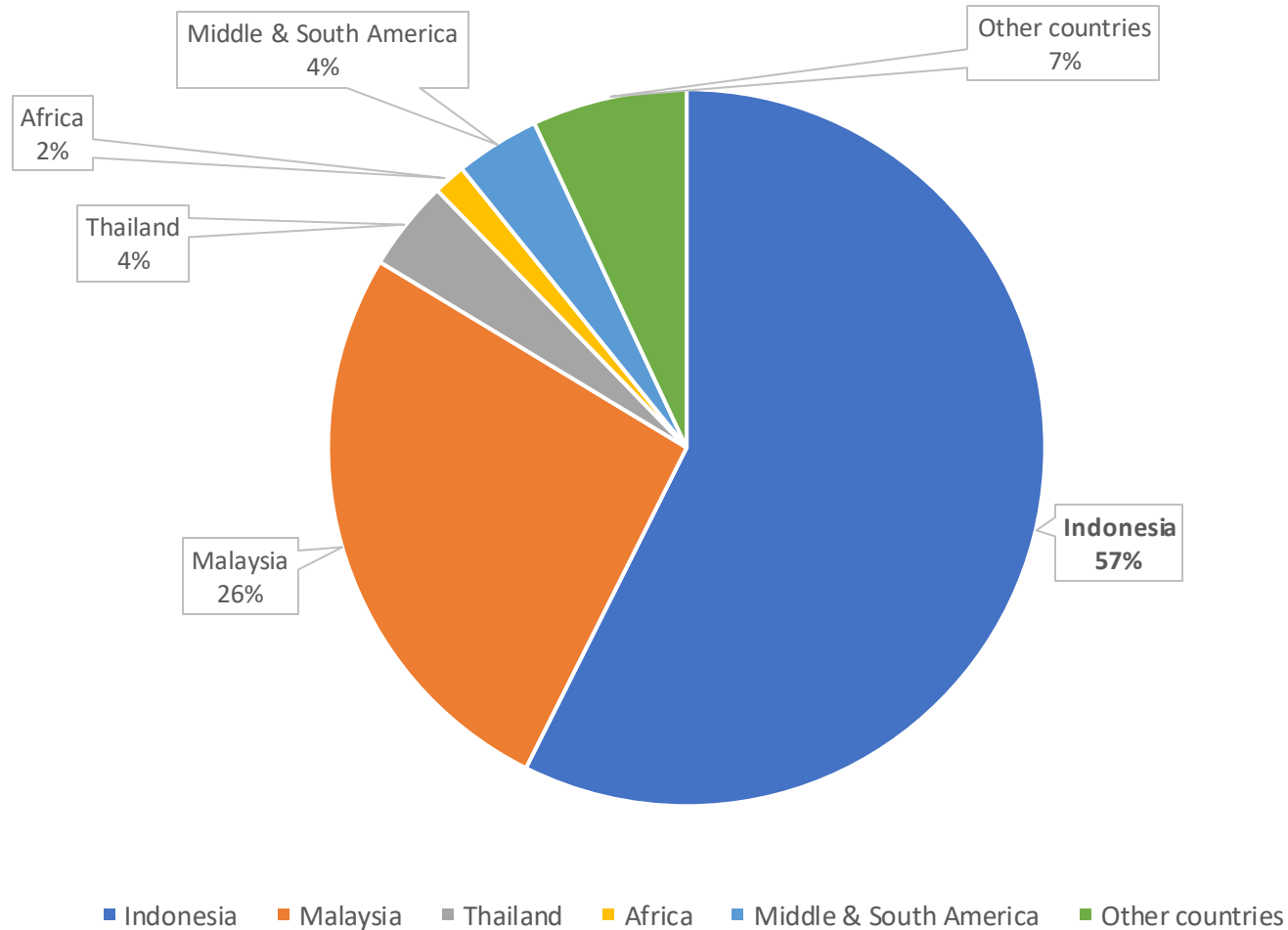
SIPEF group – Palm oil in the world

Palm oil in the world - Palm oil production



2019 Palm oil production
Total of 75,6 Mn tonnes

Source: Oilworld

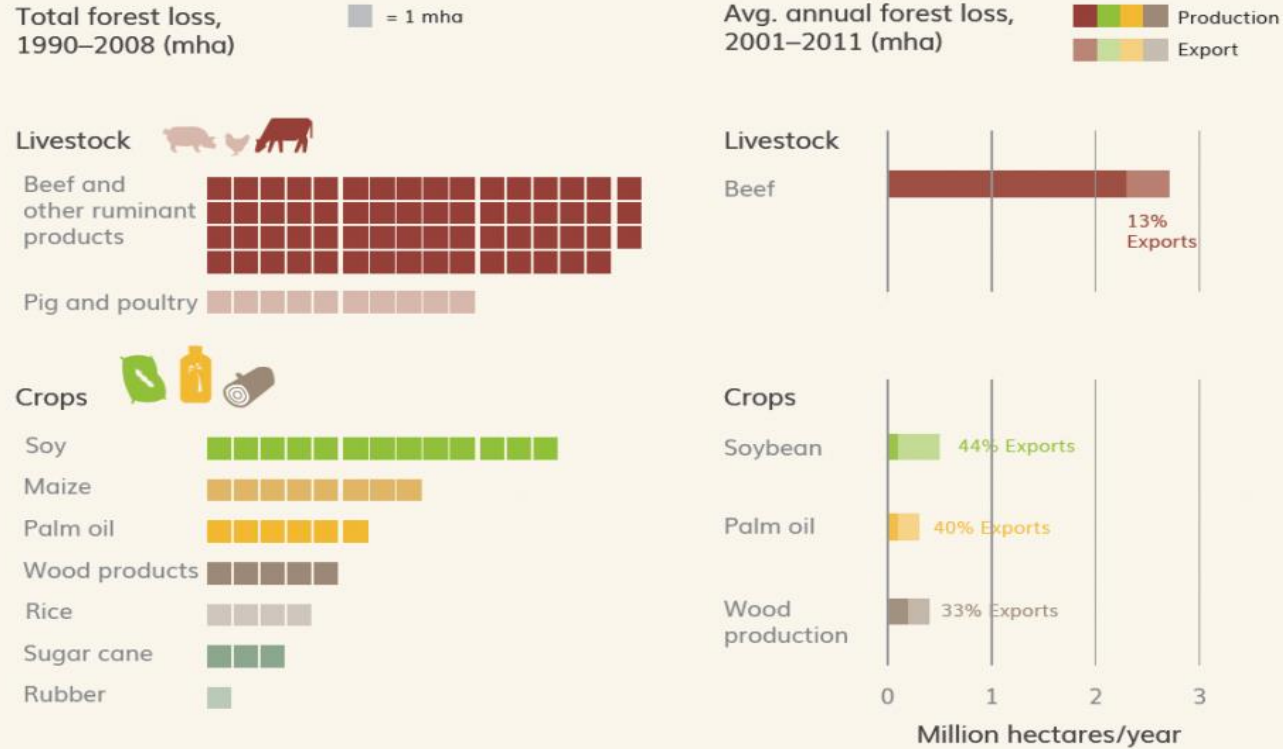


- **Palm oil remains confronted with a European perception problem based on**
 - Health issues
 - No fat <-> moderate use of saturated fat
 - Saturated fats – only 50% saturated and no transfats
 - Environmental issues
 - Deforestation – most efficient vegetable oil/hectare of land
 - Sustainable Development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

SIPEF group – Palm oil in the world

Palm oil in the world - Sources for deforestation

Deforestation linked to major agricultural commodities



Source: (left) Climate Focus calculations based on European Commission, 2013; (right) Henders et al., 2015

Figure 1. Figure illustrates two data sources, one for total forest loss between 1990 and 2008 and another for average annual forest loss in 2001-11. (8: 4)

SIPEF group – Palm oil in the world

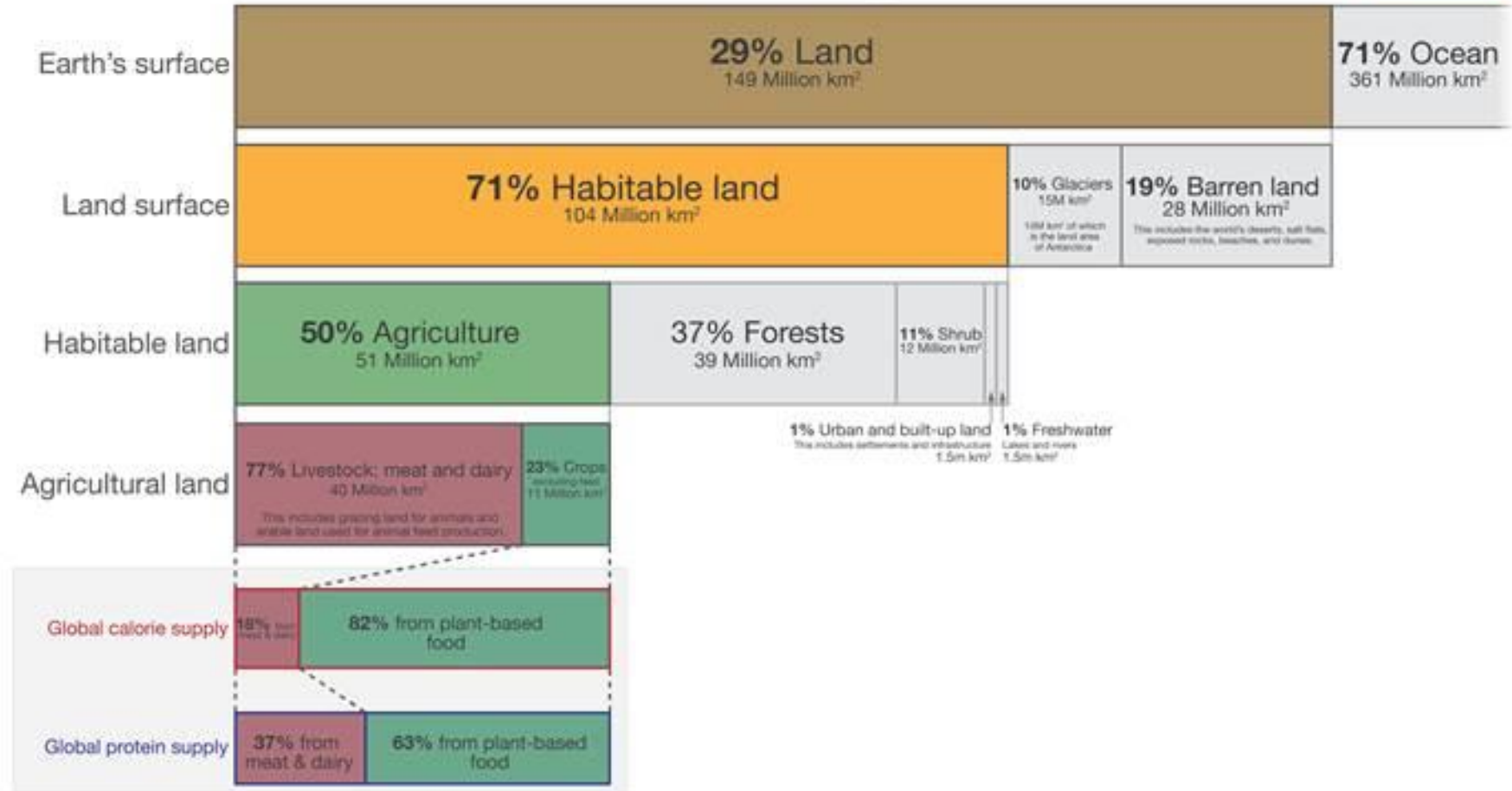
Palm oil in the world – Commodity commitment



SIPEF group – Palm oil in the world
Palm oil in the world – Global land use



Global land use for food production



Data source: UN Food and Agriculture Organization (FAO)
 OurWorldinData.org - Research and data to make progress against the world's largest problems.

Licensed under CC-BY by the authors Hannah Ritchie and Max Roser in 2019.

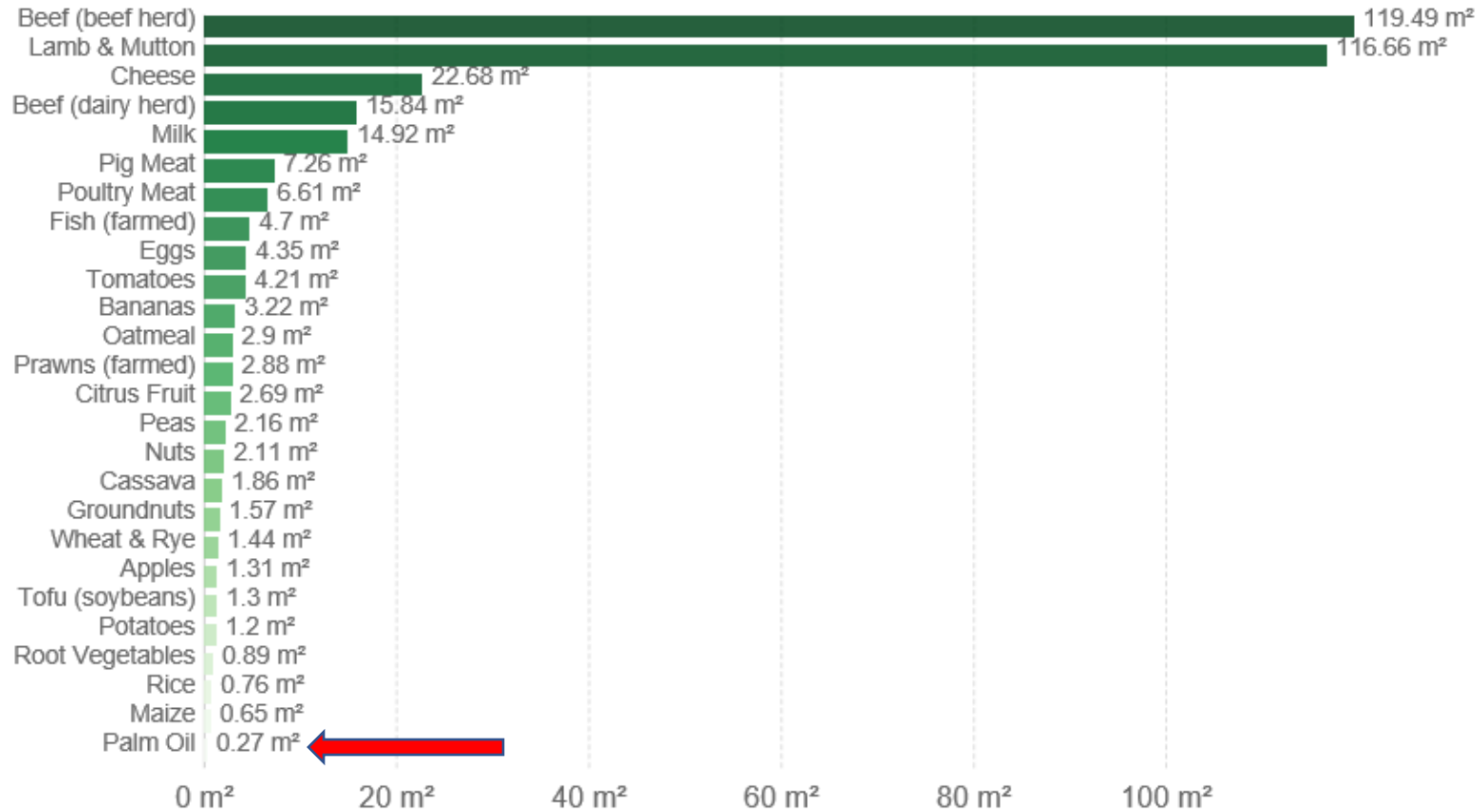
SIPEF group – Palm oil in the world

Palm oil in the world – Land use of foods per 1000 kcal

Land use of foods per 1000 kilocalories

Our World in Data

Land use is measured in meters squared (m²) required to produce 1000 kilocalories of a given food product.



Source: Poore, J., & Nemecek, T. (2018). Additional calculations by Our World in Data.

Note: Data represents the global average land use of food products based on a large meta-analysis of food production covering 38,700 commercially viable farms in 119 countries.

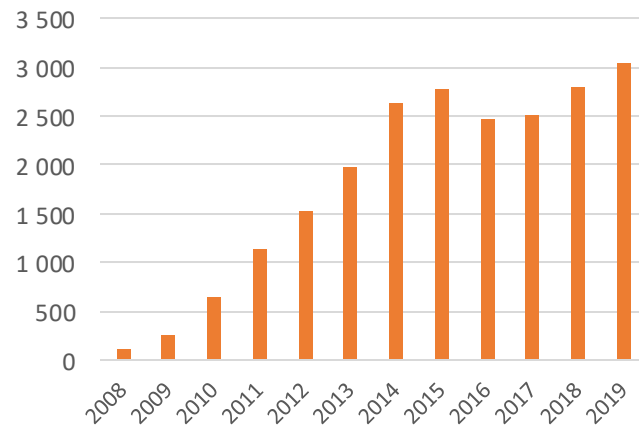
OurWorldInData.org/environmental-impacts-of-food • CC BY

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 > 310.000 tons ‘segregated’

3,05 Million Ha RSPO certified production area

RSPO Certified Ha (in KHa)



19%

Proportion of global palm oil certified by RSPO



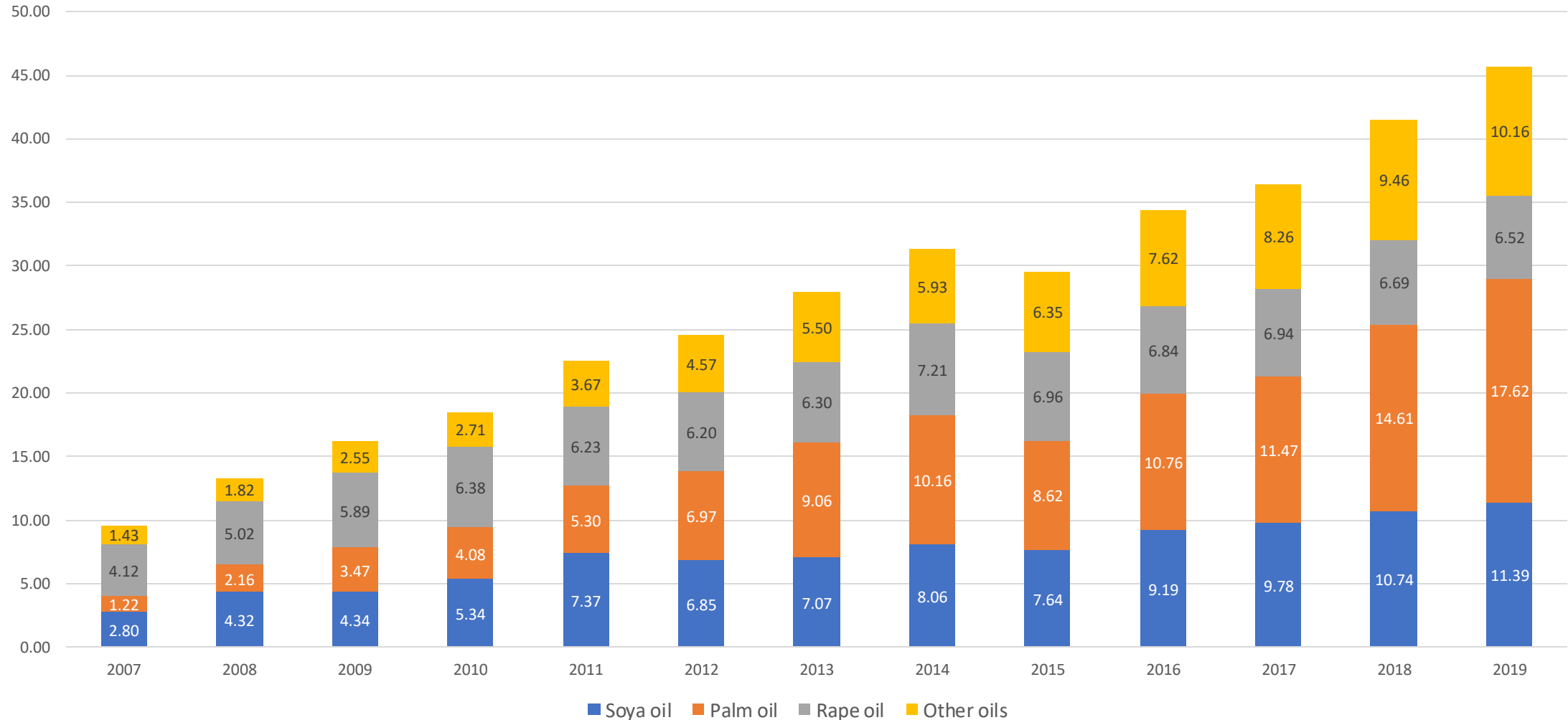
15.58 million tonnes

Volume of RSPO-certified sustainable palm oil

SIPEF group – Palm oil in the world

Palm oil in the world - Biodiesel use of major feedstock (Mn T)

Biodiesel use of major feedstock (Mn T)



SIPEF group – Palm oil in the world

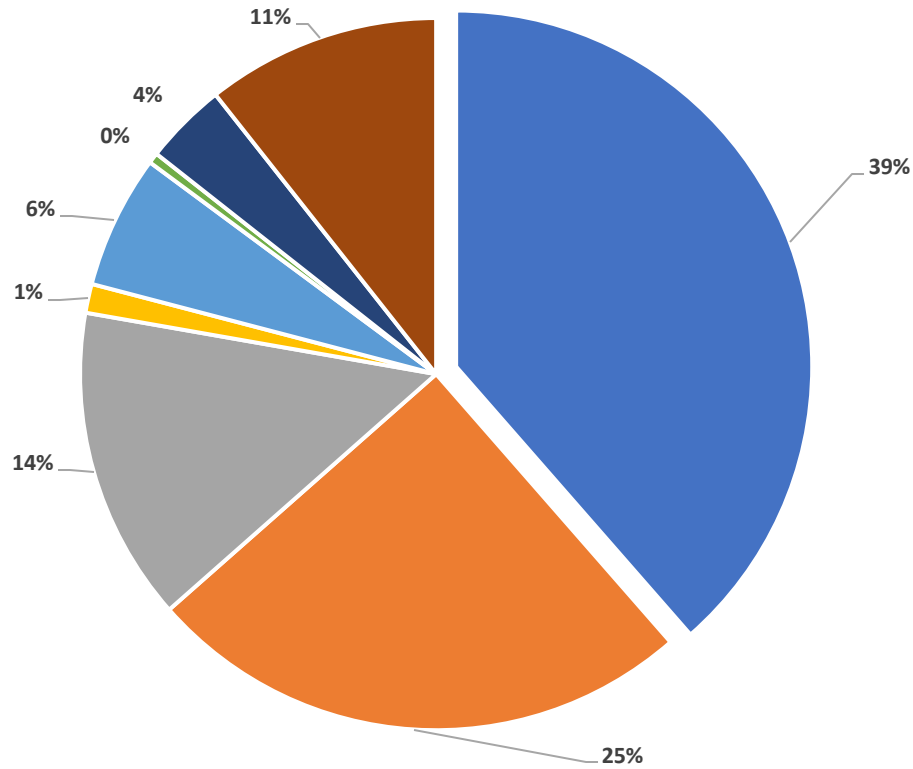
Biodiesel worldwide



Source: Oilworld

Biodiesel worldwide 2019

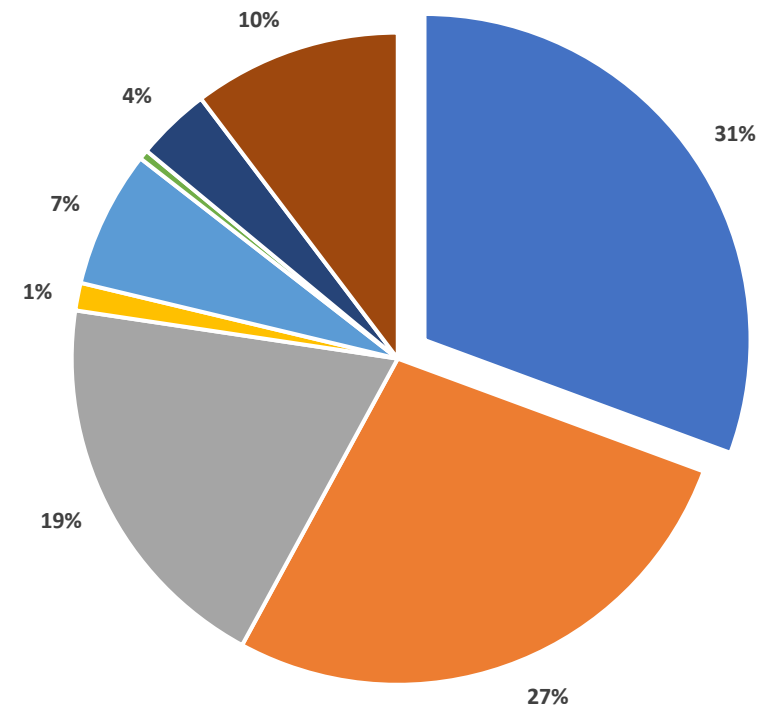
Total of 45,7 Mn tonnes



- Palm Oil
- Soya Oil
- Rapeseed Oil
- Sunflower Oil
- Tallow
- Coconut oil
- Other oils & fats
- Used cooking oil

Biodiesel worldwide 2017

Total of 35,8 Mn tonnes



- Palm oil
- Soya
- Rapeseed oil
- Sunflower oil
- Tallow
- Coconut oil
- Other oils and fats
- Used cooking oil

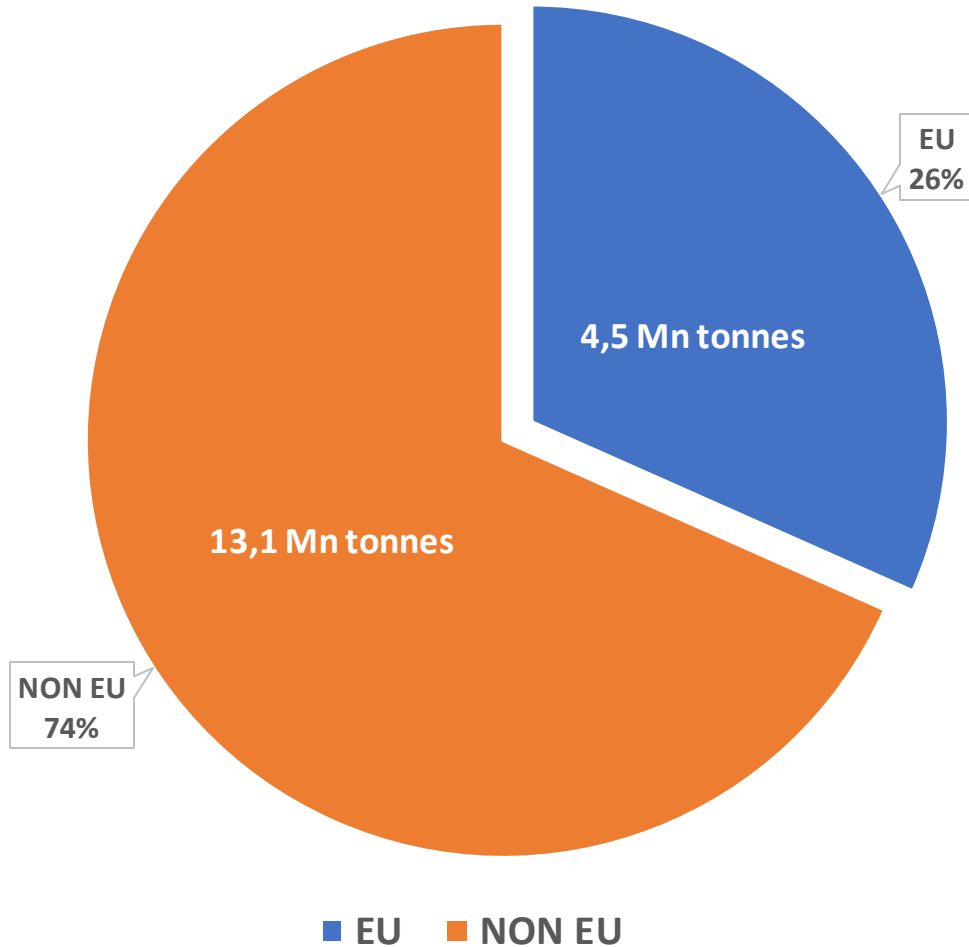
SIPEF group – Palm oil in the world

Palm oil use for biodiesel EU

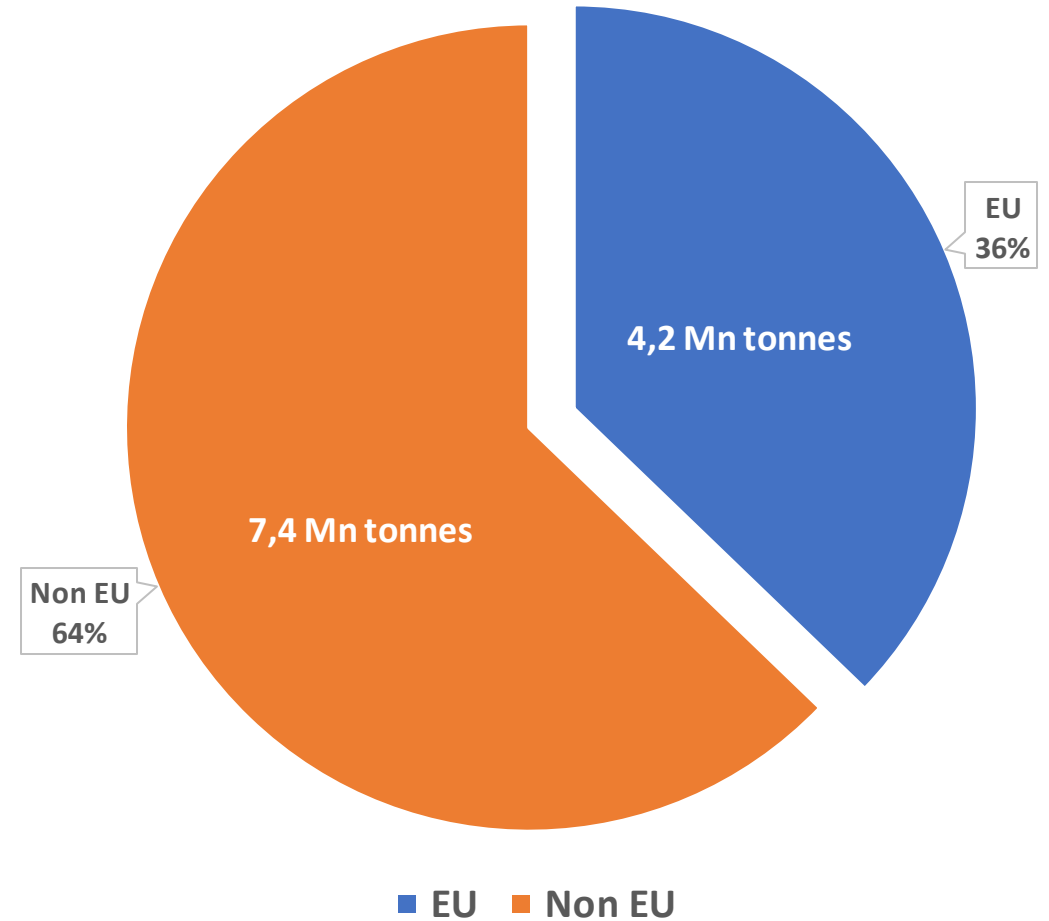


Source: Oilworld

2019: Palm oil use for Biodiesel Total of 17,6 Mn tonnes



2017 Palm oil use for Biodiesel Total of 11,7 Mn tonnes



Summary



SIPEF group - Company profile



SIPEF group - Palm oil in the world



SIPEF group - Production & prices



SIPEF group – Financial performance



SIPEF group - Prospects



SIPEF group - Production & prices

Group production palm oil – September 2020



Palm Oil	Sept. 2020	Sept. 2019	Variance
Own			
Tolan Tiga Group	51 740	52 871	-2,14%
Umbul Mas Wisesa Group	30 021	29 852	0,57%
Agro Muko Group	63 540	60 942	4,26%
South Sumatra Group	10 652	9 529	11,78%
Hargy Oil Palms	46 952	45 860	2,38%
Total own	202 905	199 054	1,93%
Total outgrowers	44 122	35 451	24,46%
Total Palm Oil	247 027	234 505	5,34%

SIPEF group - Production & prices

Group production rubber & tea – September 2020



Rubber	Sept. 2020	Sept. 2019	Variance
Own			
Tolan Tiga Group	2 698	2 602	3,73%
Agro Muko	1 259	1 649	-23,60%
Total own	3 957	4 301	-8,00%
Outgrowers	451	535	-15,70%
Total Rubber	4 408	4 836	-8,85%
Tea			
Melania - Own	1 978	1 760	12,39%
Melania - Outgrowers	19	0	-
Total Tea	1 997	1 760	13,47%

SIPEF group - Production & prices

Group production bananas – September 2020



Bananas	Sept. 2020	Sept. 2019	Variance
Azaguie 1	3 948	3 660	7,87%
Azaguie 2	6 453	7 412	-12,94%
Agboville	6 508	6 281	3,61%
Motobe	6 896	6 933	-0,53%
Total Bananas	23 805	24 286	-1,98%

SIPEF group - Production & prices

Bull & Bear (16/11/2020)



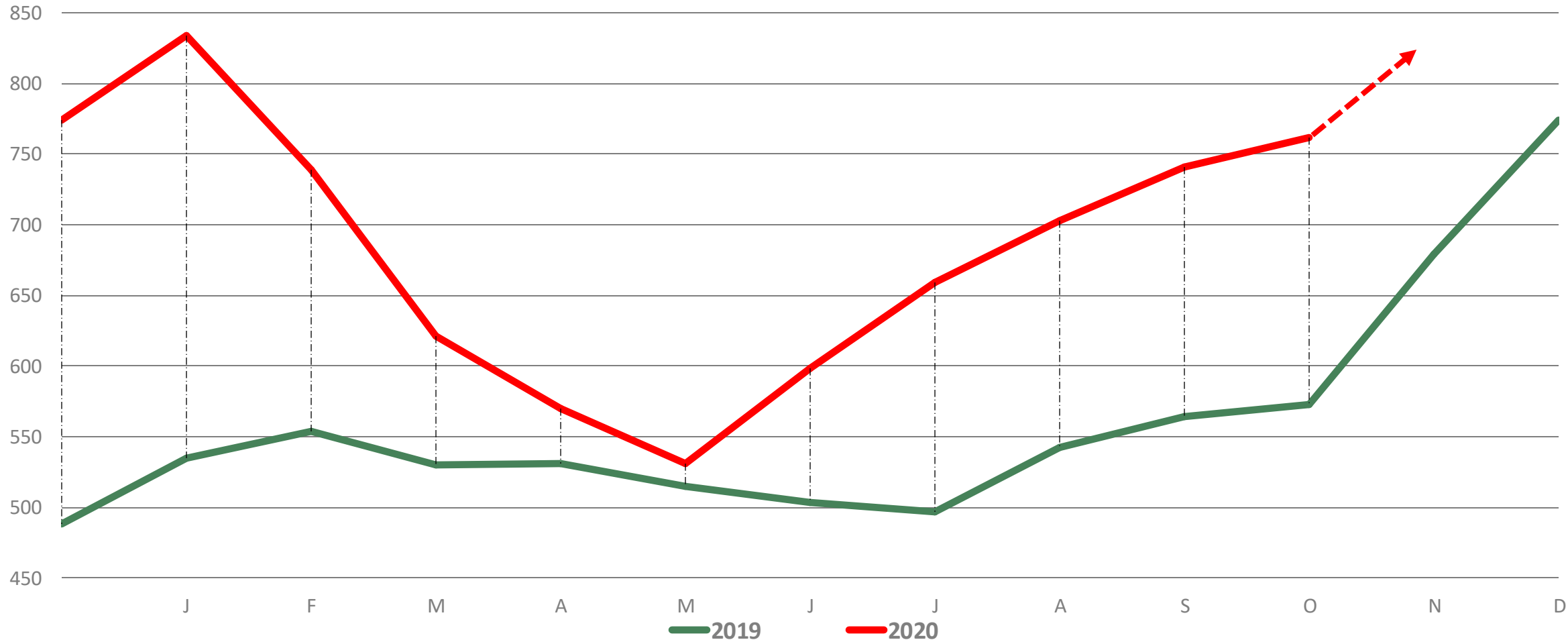
	Rating	Bullish inputs	Bearish inputs
Palm Oil	Neutral / supported	<ul style="list-style-type: none"> - Production slightly below expectation and start of the seasonal production decline. - Export above expectations and as a result a super tight stocks situation. - Lowest stocks number 4 years. - Inverses will probably continue to roll. - Stocks in destination also tightish, except for China which has covered a lot of beans. - Sun seed production 6 mln mt lower, 2.5 mln mt less sun oil for the world.....switching to soy and palm oil. - Poor growing conditions of LATAM soybeans due to La Nina - US & EU biodiesel programs using more palm and soy as waste streams are less available. 	<ul style="list-style-type: none"> - Covid – 19: how will it impact demand following the renewed lockdowns? - Have we seen the economic impact yet? - Low petroleum price environment, POGO strongly negative - Indo B30 program in jeopardy, the CPO fund is running out of money.....will they find another way of financing this program? - Increase of the export levy!!
<ul style="list-style-type: none"> Dec 850 JFM 845 AMJ 795 JAS 740 			
Rubber	Neutral	<ul style="list-style-type: none"> - Short term supply deficit due to weather in Indo, Thailand and Vietnam - Strong demand for latex from glove industry due to Covid-19 - Short covering from trade and consumer, caught by rally - Chinese economy seems to do well - Perfect storm to rally short term 	<ul style="list-style-type: none"> - European and American economy in general and automobile industry is in poor shape - Still long term oversupply, once production hiccup is over, prices tend to slide...
<ul style="list-style-type: none"> RSS3 2300 SIR10 1590 			
Tea	Neutral	<ul style="list-style-type: none"> - La Nina weather should bring a lot of rain, hampering harvest. 	<ul style="list-style-type: none"> - Kenyan production in 2020 was good and high stocks still need to be placed.

SIPEF group – Production & prices
CPO prices CIF Rotterdam 2019-2020



Crude Palm Oil in \$/mt
 CIF Rotterdam

Source: Oilworld

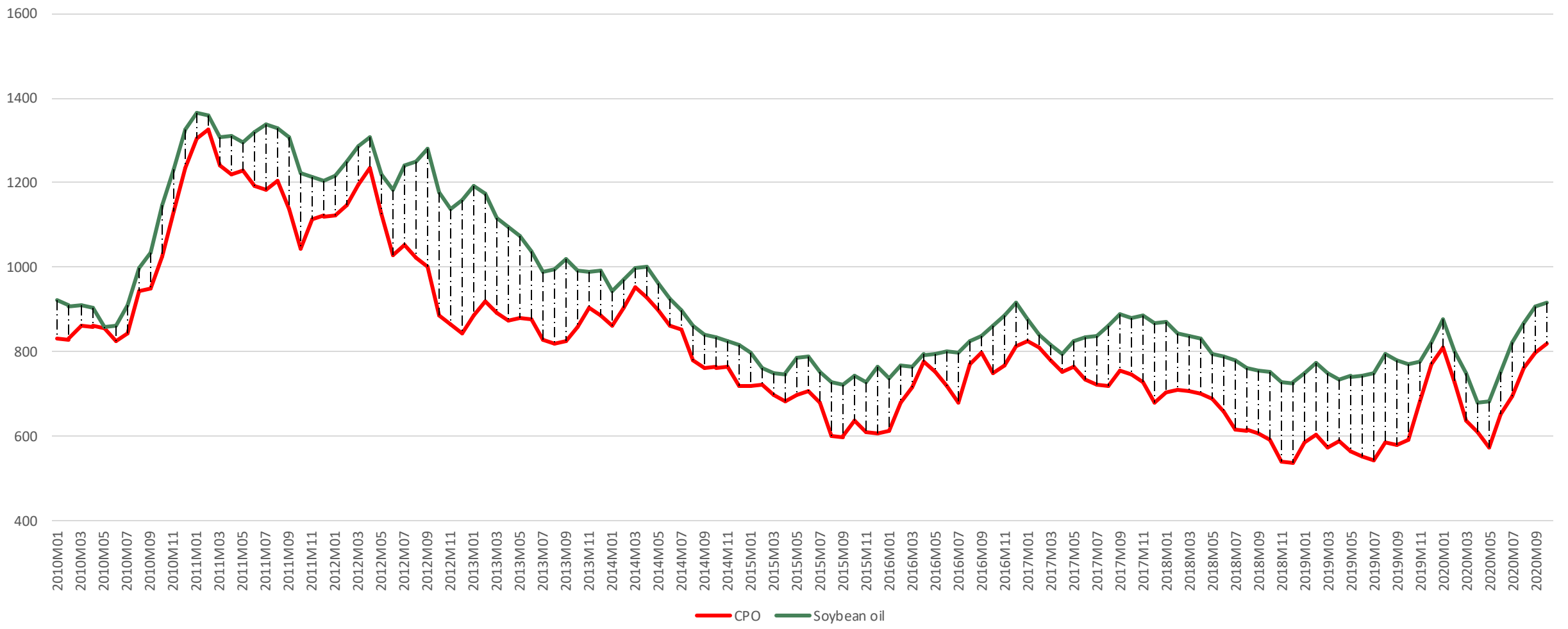


SIPEF group – Production & prices
Spread crude palm oil – soybean oil



Spread CPO - Soybean oil

Source: worldbank



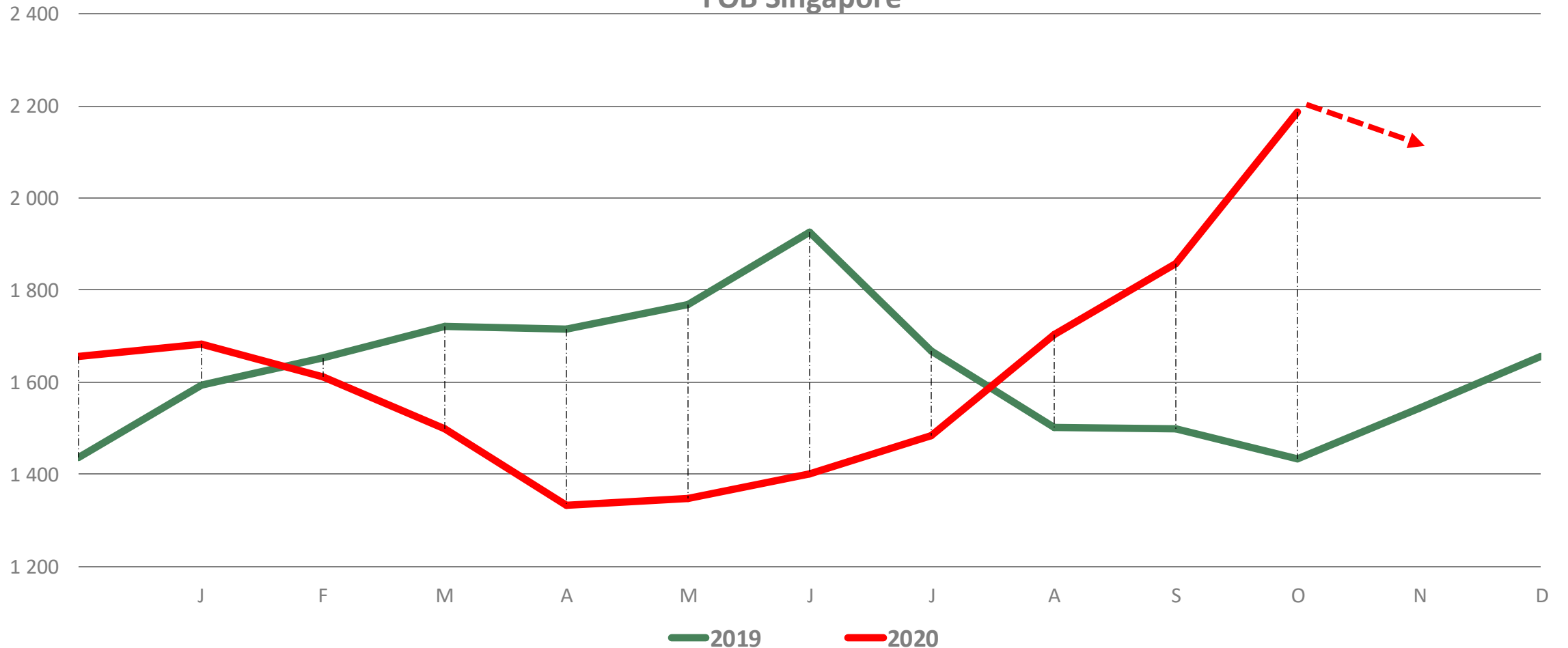
SIPEF group – Production & prices

Rubber prices 2019-2020



RSS3 in \$/mt
FOB Singapore

Source: Worldbank



SIPEF group – Production & prices

Tea prices 2019-2020



Tea in \$/mt
average auction Mombasa

Source: Worldbank



Summary



SIPEF group - Company profile



SIPEF group - Palm oil in the world



SIPEF group - Production & prices



SIPEF group – Financial performance

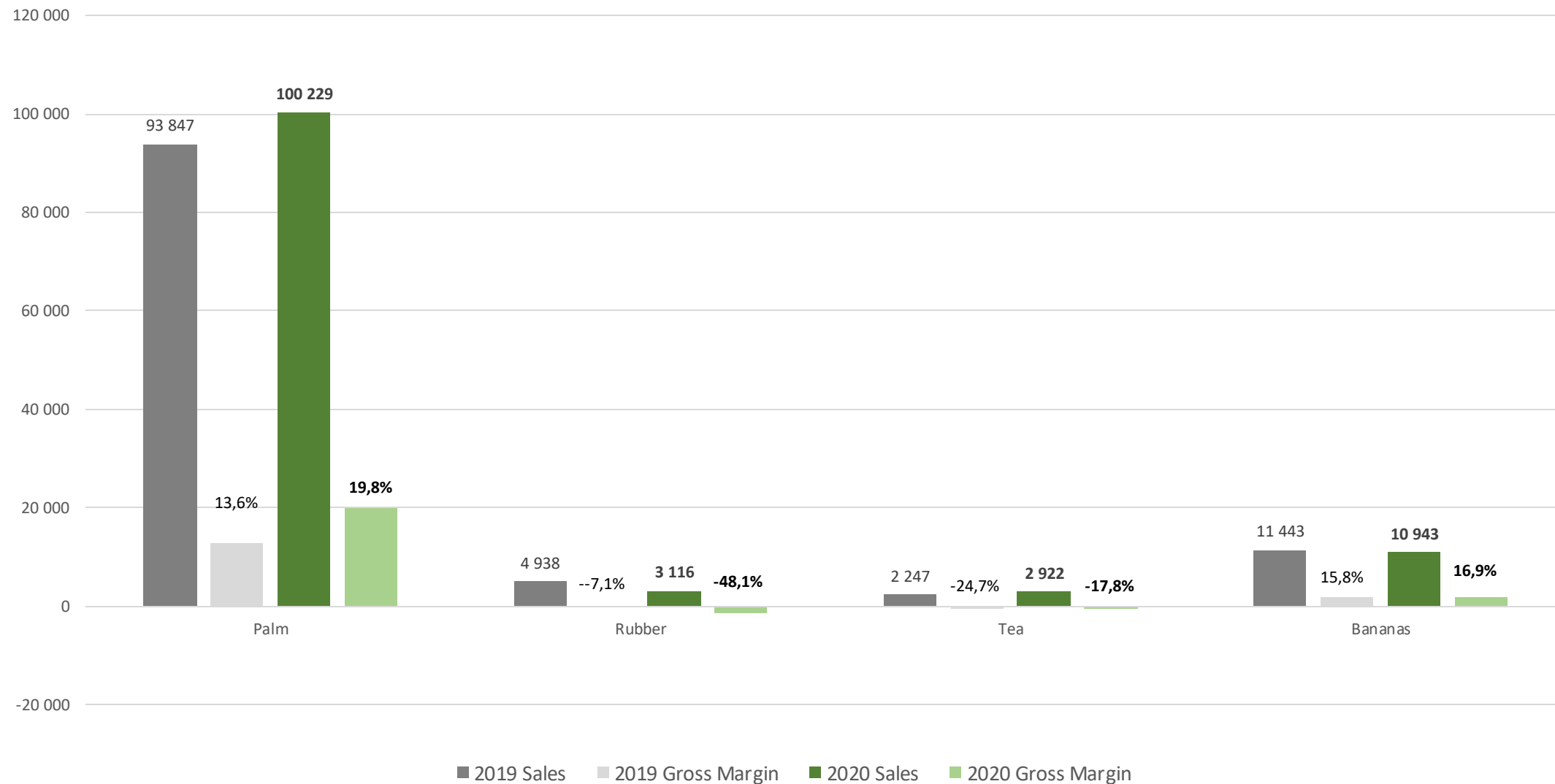


SIPEF group - Prospects



SIPEF group – Financial performance

Sales – consolidated gross margin



SIPEF group – Financial performance

Consolidated balance sheet (management presentation)



In KUSD (management presentation)	30/06/2020	31/12/2019
Biological assets (depreciated costs) - bearer plants	310 134	306 342
Goodwill	104 782	104 782
Other fixed assets	361 497	365 412
Receivables > 1 year	15 055	13 442
Net current assets, net of cash	89 385	94 013
Net cash position	-165 569	-164 623
Total net assets	715 284	719 368
Shareholders' equity, group share	625 786	628 686
Non controlling interest	35 240	34 325
Provisions and deferred tax liabilities	54 258	56 358
Total net liabilities	715 284	719 368

SIPEF group – Financial performance
Value per hectare



Sensitivity 30/09/2020

Stock price @	USD per hectare
30,00	5.890
40,00	7.444
50,00	8.999
60,00	10.553
70,00	12.107
80,00	13.662
45,80 (dd 04/12/2020)	8 346

Summary



SIPEF group - Company profile



SIPEF group - Palm oil in the world



SIPEF group - Update expansion



SIPEF group - Production & prices



SIPEF group – Financial performance



SIPEF Group – Prospects



✓ **Production**

- Prospects for palm oil production for the fourth quarter are rather favorable due to La Niña weather patterns resulting in higher than normal precipitation;
- The previously announced 10% increase in annual volumes will probably not be achieved;
- The Pestalotiopsis fungus is expected to continue to affect rubber activities negatively in the fourth quarter;
- Expectations for tea and banana production for the fourth quarter slightly positive.

✓ **Markets**

- Production has been below its usual trend due to lower fertilizer application in 2018 and 2019;
- Stocks were at the lowest level since 2016 and crop is past its peak;
- Rubber has rallied first weeks of fourth quarter due to tight productions caused by La Niña weather conditions;
- “La Niña” is gaining strength and usually results are below normal rainfall in East Africa which should move prices up moderately.

SIPEF group – Prospects

Prospects – 22/10/2020



✓ **Cash flow and expansion**

- Investment policy remains to be fully focused on development of palm oil activities in South Sumatra;
- Steadily continuing on replanting of own palm plantation areas in Dendymarker;
- Group remains faithful to its intention to renew the old Dendymarker plantings and to develop Musi Rawas concessions despite the uncertainties that covid-19 brings;
- The previously announced restructuring of the rubber activities in Indonesia has already started in the second half of the year to prepare for the future conversion of rubber to oil palm.

✓ **Result**

- 94% of expected production volumes have been sold at an average price of USD 703 CIF Rotterdam, premiums included. Production volumes gradually brought onto the market;
- Based on these sales and recent market conditions, SIPEF expects a return to profit, with a recurring consolidated result after tax which is anticipated to be between USD 10 and 15 million at year end.

✓ **VBS transaction**

- SIPEF acquired an additional stake of 10% in Verdant BioScience Ltd in May 2020. This stake was resold again in November 2020.

SIPEF group – Prospects

Prospects – South Sumatra expansion 2020



<u>Musi Rawas development</u>	<u>Cultivated hectares (planted & cleared)</u>		
	<u>2019</u>	<u>+ 2020</u>	<u>YTD 2020/10</u>
Own	10.312	1.780	12.092
Plasma	1.485	196	1.681
Total	11.797	1.976	13.773
Potential			22.805
Total/Potential			60%

<u>DMIL replanting</u>	<u>Ha</u>
Replanting 2018 & 2019	2.821
Replanting 2020	1.839
	4.660

SIPEF group – Prospects

Updated export levy Indonesia



- On December 3, 2020, a new matrix for **export levy** on palm products was published by the Indonesian government
- Applicable as of December 10, 2020
- Increased levy should ensure current biodiesel program of Indonesian Government (B30)
- Updated export levy will entirely be borne by Indonesian producers
- New export levy will also be combined with the current export tax rates
- From December 10, combined export levy and tax will amount to **213 USD/tonne** (180 USD/tonne + 33 USD/tonne)
- Recent developments → negative impact on future profit potential and on the cash generation of the SIPEF group
- Expected impact 2020 → 2 million USD on the consolidated results after tax
- Quantities affected in 2021 → 230 000 tonnes of CPO and 48 000 tonnes of palm kernels in Indonesia
- Export tax remains unchanged

SIPEF group – Financial performance

New export levy and tax - comparison

- Old vs new Export levy:

CPO reference price in USD/tonne	New export levy	Original export levy	Difference
< 570	55	0	55
570 - 620	55	25	30
620 - 670	55	55	0
670 - 695	60	55	5
695 - 720	75	55	20
720 - 745	90	55	35
745 - 770	105	55	50
770 - 795	120	55	65
795 - 820	135	55	80
820 - 845	150	55	95
845 - 870	165	55	110
870 - 895	180	55	125
895 - 920	195	55	140
920 - 945	210	55	155
945 - 970	225	55	170
970 - 995	240	55	185
> 995	255	55	200

- Export tax unchanged:

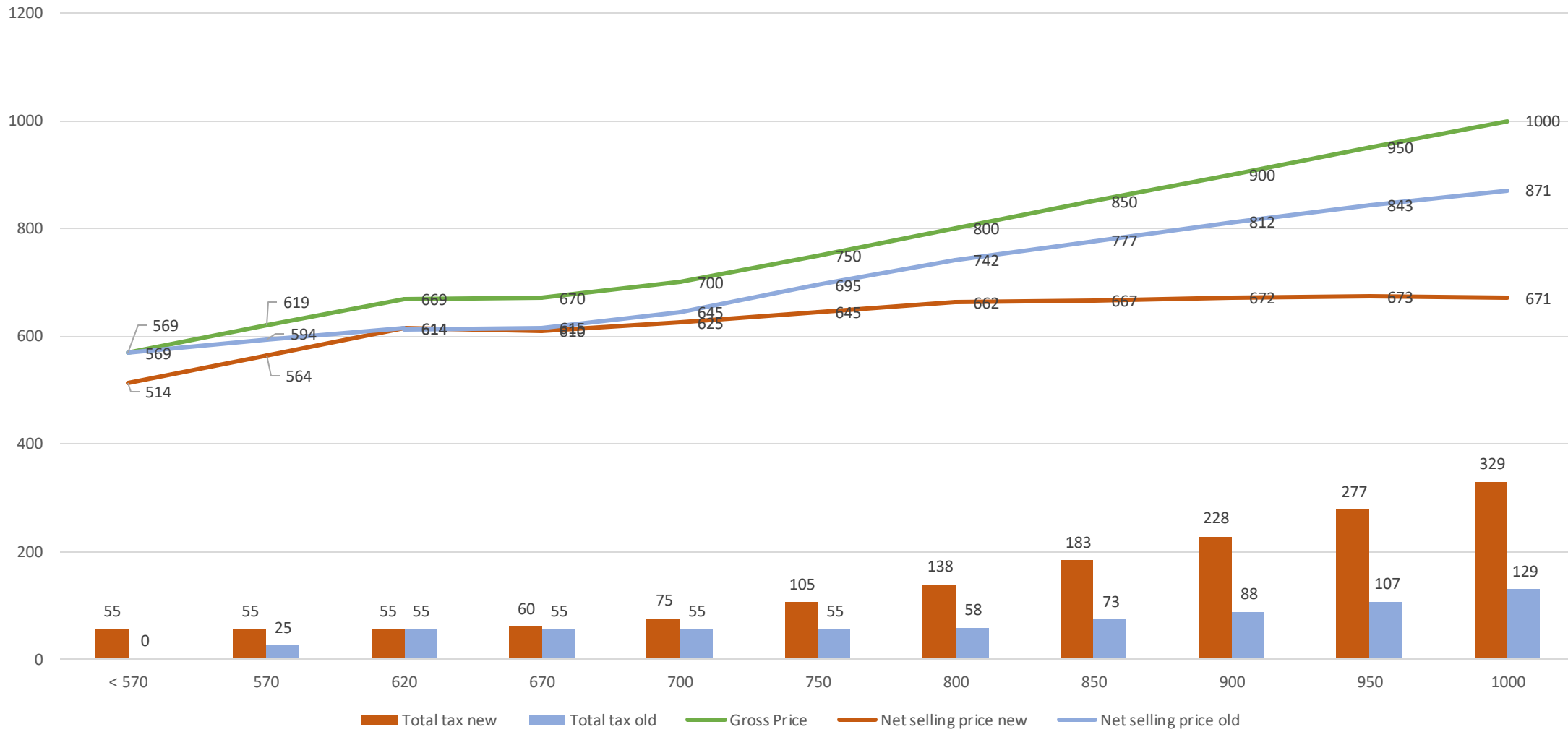
CPO reference price in USD/tonne	Export tax
< 750	0
751 - 800	3
801 - 850	18
851 - 900	33
901 - 950	52
951 - 1 000	74
1 001 - 1 050	93
1 051 - 1 100	116
1 101 - 1 150	144
1 151 - 1 200	166
1 201 - 1 250	183
1 251 - 1 300	200

SIPEF group – Financial performance

Updated export levy – New export levy and tax rates



Impact new export levy structure





The Connection to the world of Sustainable Tropical Agriculture