Ordinary General Meeting of 8 June 2022

Message from the Chairman and the Managing Director

Ladies and gentlemen,

On the occasion of this 103rd Ordinary General Meeting, it is our pleasure to look back on the past year with you and review the main events of the first five months of 2022.

We are delighted to welcome you back to our headquarters for a General Meeting that is once again open to attendance in person by all shareholders who wish to do so. I think we have all been looking forward to this, after two years of holding the General Meeting behind closed doors, even though it was streamed live over the internet last year. Perhaps family and friends have been lost during this period in the fight against covid; we wish to remember them.

This crisis has brought about significant changes for companies in the day-to-day management of operations. This has certainly been the case for a company like SIPEF, for which the safety of all employees and the continuation of daily activities are paramount. In tropical countries on the equatorial belt, this required adapted working procedures and restricted mobility.

The decision to offer a free vaccination package to all SIPEF employees and their immediate families worldwide has been a great success. This project has also created a lot of goodwill among our employees and their families, especially since the local authorities often did not have the capacity to vaccinate everyone in time. We continue to motivate our teams to achieve maximum protection by offering booster treatment.

Looking back at 2021, we can state that SIPEF had a record year operationally, with exceptionally good production in Indonesia, Papua New Guinea and Ivory Coast. After two years of difficult climatic conditions, nature has been kind, allowing the Group to register an unexpectedly strong 16.7% increase in produced volumes, especially for palm oil, our core business.

This volume growth was combined with rising market prices. Indeed, the supply of vegetable oils, which was still suffering from the consequences of the drought in 2019, could not sufficiently meet the strong demand. Stocks in consuming countries remained limited, and the slightest disturbance in supply or demand triggered further rising market prices, both in the international markets, which determine the price of our oil from Papua New Guinea and in the Indonesian market, where locally produced quantities are offered directly.

We therefore closed the 2021 financial year with a profit, share of the Group, of KUSD 82 746, compared with a profit of KUSD 14 123 in 2020. This final result was supported by an exceptional capital gain of KUSD 11 003 on the conditional sale of PT Melania in Indonesia. Despite the steady expansion, the net financial debt also decreased from KUSD 151 165 at the end of 2020 to KUSD 49 192 at the end of the 2021 financial year.

The balance between supply and demand for vegetable oils, palm oil in particular, has so far remained very unstable in 2022. From February 2022 onwards, however, the tightness on the international markets increased considerably, due to the start of the war between Ukraine and Russia. This has severely restricted the supply of agricultural commodities, especially sunflower oil, from the Black Sea ports and pushed up the prices of most vegetable oils to unprecedented levels. Due to the ongoing war situation, this will not change in the coming months.

In Papua New Guinea, we are taking full advantage of the high market price. In Indonesia, on the other hand, these exceptionally good market prices have been eroded since December 2020 by varying export taxes and levies, which reduce the profitability of our activities in that country. These taxes and levies are constantly being adjusted by the government and now total up to USD 575/tonne. The taxes were introduced by the government to finance the local blending of 30% palm oil into biodiesel, but also recently to keep the local price of cooking oil as low as possible for the poorest citizens. In addition, an export ban was imposed from 28 April 2022 to keep the local oil price down. However, due to the importance of palm oil exports for Indonesia, this ban was lifted on 23 May 2022.

The export tax and export levy have become an integral part of Indonesian government policy and it is the only country where the 30% biodiesel blend is fully financed by the agricultural sector. As Indonesia accounts for more than half of the world production of palm oil, variable levies and an export ban are more likely to result in further rising world prices, making it more difficult to bring down the local consumer price.

For the Indonesian activities, only the net sales price is therefore being taken into account. For the first five months of the year, this amounts to USD 1 049/tonne and 30.3% of the expected palm oil production has been sold. Due to the ever-changing taxation policy, it is not possible to sell forward our palm oil. For the palm oil produced in Papua New Guinea the forward positions of the Rotterdam CIF market were used to cover part of our sales. Thus at the end of May 83.0% of the expected production had been sold at an average ex-factory selling price of USD 1 218/tonne.

We can therefore state, that at the end of May, the SIPEF group sold a total of 48.6% of the expected palm oil production at an average net ex-factory sales price of USD 1 149/tonne. Expressed in CIF Rotterdam equivalent, premiums included, this corresponds to 48.6% at USD 1 414/tonne compared to 58% at USD 965/tonne on average at the same time last year.

The start of the 2022 year has been less favourable from an agronomic point of view. Falling volumes have been noted, especially at the start of the year, compared with the same period last year. This trend was also generally observed in the world production of palm oil, but it did not continue in the second quarter. However, the production losses of the first quarter will not be fully absorbed in the second quarter.

The production figures in Indonesia were additionally disrupted in the month of May by the Eid al-Fitr. Fortunately, after two years of covid-related restrictions, this one-week family celebration among the Muslim community was able to return to normal. We predict that production in the coming months will continue to evolve in line with expectations, with growth to come mainly from the young mature hectares in South Sumatra.

Production figures in Papua New Guinea, on the other hand, are good so far. After a difficult month in February, they remain largely in line with those of the 2021 record year. Here the expectations for the next few months are also favourable. On the one hand, there is the growing recovery of the areas affected by the volcanic eruptions of 2019. On the other hand, the high prices should also motivate local farmers to harvest regularly.

We can therefore state that the expectation of reaching the 400 000 tonne mark for palm oil this year, which represents 4% growth for 2022 compared to 2021, is not yet structurally under threat. We should be able to paint a better picture of this when the half-year figures are announced in August. Moreover, SIPEF is still on course with its long-term forecast to produce approximately 600 000 tonnes of crude palm oil by 2030.

In 2021, preparations were made for the conversion of the rubber plantations to oil palm plantations in North Sumatra and Bengkulu. Some rubber trees were removed and, where possible, the soil was prepared for oil palm. The remaining rubber acreage was further tapped. As all required permits will, in all likelihood, be obtained by the end of 2022, the conversion can be accelerated. Therefore, nursery gardens have already been started in order to plant the first oil palms in 2023.

Rubber prices have not moved in line with rising market prices for other agricultural commodities and continue to fluctuate around the level of USD 2 000/tonne FOB. Supply continues to slightly exceed demand. To date, 46.1% of expected production has been sold at an average price of USD 1 934 per tonne FOB. This figure is in line with the USD 2 095 per tonne at the same time last year. At these prices, however, the winding down rubber activities will not be able to register a positive gross margin.

As a result of the conditional sale in May 2021 of PT Melania to the Indonesian Shamrock Group, both the rubber activities in the MAS plantation and the tea activities in Cibuni, Java, are no longer consolidated by the Group. Since the conclusion of this conditional sale, the rubber activities have been run by Shamrock Group. For the time being, SIPEF will continue to operate the tea plantations until the renewal of the concessions has been completed. This procedure is progressing well and could lead to the transfer of the remaining 60% of the shares sooner than expected, by early 2023 at the latest.

Wage increases imposed by local governments for 2022 were relatively limited and in line with local inflation. However, strongly increasing prices for diesel and fertilisers were recorded. As a result, unit cost prices for palm products in most estates may increase up to 15% compared with last year. However, the sharp price increases for fertilisers will not affect our agronomic standards for fertilisation.

Banana production for export from Ivory Coast fell by 20.47% at the end of the first quarter. This was due to the cold Harmattan winds, but also to delays in container shipments from African ports to Europe. For the second quarter, production is again in line with expectations. However, this increase is insufficient to make up for the shortfall in the first quarter.

Given the recurring stable contribution of the banana activities to the SIPEF results, it was decided last year to expand the planted areas in Ivory Coast. Thus, the 780 hectares of Plantations J. Eglin were supplemented by 550 hectares, through the acquisition of the assets of an existing banana plantation. Meanwhile, 22 hectares were planted on the land of Lumen at the end of last year. The first production volumes from these plantings will be exported in the fourth quarter. In 2022 and 2023 the newly planted areas of Lumen and Akoudié will be expanded to 301 and 430 hectares respectively, to reach the full size of 550 hectares in 2024. Future export volumes will then approach 60 000 tonnes, an increase of almost 80% compared to current export volumes.

However, the expansion of our oil palm activities in Musi Rawas in the province of South Sumatra remains the main priority. Today, there are 18 664 hectares operationally controlled by the Company. There are also 15 316 prepared and planted hectares, so that now more than 82% of the hectares under management are also effectively cultivated.

In addition to the completion of the existing projects, three smaller concessions were approved by RSPO last year for the development of oil palm. These lands are contiguous to the existing projects and are considered to be the last possibility for increasing the number of planted hectares in Musi Rawas to over 20 000 in the next two years.

The replanting of the existing RSPO certified plantation company Dendymarker Indah Lestari (DIL), acquired in 2017 and located among the Musi Rawas concessions, will be completed this year for its 7 222 hectares of own plantations. The plasma land will also be replanted at an accelerated pace, so that a total of nearly 10 000 young hectares will be gradually brought under cultivation.
Today, the SIPEF group has planted or replanted close to 25 300 hectares in South Sumatra, but 12 166 hectares are not yet in production.

The Dendymarker palm oil plant has been handling all of South Sumatra's production since August 2018. However, it had reached its limits. The processing capacity has now been increased from 20 tonnes per hour to 60 tonnes per hour and will soon be able to work at full capacity. This way, all fruits will again be processed in our own factory. Meanwhile, in Musi Rawas, the groundwork will be started this year for the construction of a second factory of 45 tonnes per hour, expandable to 90 tonnes per hour. Furthermore, we expect at the end of this month in North

Sumatra the final delivery of the installation for processing waste fibres of the palm fruits into high-quality bio-pellets, that will be offered on the local market.

All new expansions have taken into account the applicable sustainability standards. SIPEF continues to profile itself as a 100% sustainable plantation company, which imposes standards on itself through ‘policies’ that often go beyond what the certification standards require today. In 2021, ’Forest 500’ awarded SIPEF the 4th place in a ranking of 350 companies based on their efforts to eliminate deforestation and human rights abuses. More specifically it concerned the 350 most influential companies in the supply chains of commodities considered to pose a potential risk to forest environments (’Forest Risk Commodity’ - FRC). SIPEF was also ranked 9th out of 100 palm oil companies by the ’Sustainability Policy Transparency Toolkit’ (SPOTT) developed by the ’Zoological Society of London’ (ZSL). In both rankings SIPEF has improved its score since 2020. These rankings by leading non-profit benchmarking programmes reflect SIPEF's efforts to continuously improve and be transparent about the Group's sustainability commitments, performance and reporting.

In the future, the focus will mainly be on improving the technical quality of the palm oil produced, through close cooperation with process developers.
In view of the extensive replanting and expansion programmes for the coming years, we have been strategic investors in Verdant Bioscience since 2013. This joint venture was established to develop high-yielding oil palms in Indonesia and gives us access to the latest techniques in the sector.

Taking into account the sales of palm oil already realised and based on recent market prices, the Group expects net recurring results exceeding those of 2021. The final recurrent result will largely depend on the continuation of the expected production growth, the level of market prices for the rest of the year, the evolution of cost prices and, unfortunately, also on the level of government levies on the production of crude palm oil in Indonesia.

In line with the increasing recurrent results, the Group will also generate a positive cash flow. This could be supplemented by the additional funds from the settlement of the sale of PT Melania. Thanks to these cash flows, the Group's net financial debts can be further reduced, in addition to financing the extensive investment budget.

As already announced in our press release of February 2022 and the 2021 annual report, and in line with the shareholders' remuneration policy, the Board of Directors proposes to the General Meeting that a dividend of EUR 2.00 per share be paid for the 2021 financial year, payable as of 6 July 2022. This dividend is almost six times the dividend paid over the 2020 financial year.

On the date of this General Meeting, the mandate of Jacques Delen expires, his having notified the Board of Directors that he no longer wishes to renew his mandate. We propose to appoint Alexandre Delen as his replacement for a four-year term as non-executive director, until after the end of the General Meeting in 2026. Alexandre, who will introduce himself shortly, has acquired a very extensive knowledge of IT applications and developments, and is also managing director at Delen Private Bank. We are convinced that he will be able to make an important future contribution to the further development of the Company.

At this General Meeting, it is also requested that the expiring mandates of non-executive directors Priscilla Bracht and Tom Bamelis be extended for four years, until after the end of the 2026 General Meeting. Tom Bamelis is also the chairman of the Audit Committee and will continue to hold this position after his reappointment.

Finally, we would like to thank all the employees of the SIPEF group for their efforts during the past financial year, which certainly was not easy. During the past two years, despite the corona crisis, they have remained faithfully at the post in areas where medical assistance was often limited. Thanks to their unbridled support and perseverance, 2021 has become one of the most successful years for the SIPEF group. We hope that they can continue to be counted on to help realise the ambitious plans that the Company has for the coming years.

Schoten, 8 June 2022