Ordinary General Meeting of 14 June 2023

Message from the Chairman and the Managing Director

Ladies and gentlemen,

On the occasion of this 104th Ordinary General Meeting, it is our pleasure to look back on the past year with you and review the main events of the first 5 months of 2023.

We are delighted to welcome you again to our headquarters for a General Meeting at which all shareholders who so wish can attend in person. We like to meet our shareholders in person and also give them the opportunity to getting to know the directors, members of the executive committee and representatives of the statutory auditor EY.

Looking back at 2022, we can state that SIPEF had a record year operationally and financially.

The Group's palm oil production increased by 5.1% compared to the previous year, which was already an exceptionally good year. We remember, on the one hand, the strong 53.7% growth in fruit production at the new plantations in South Sumatra and, on the other hand, especially the exceptional production growth of our palm operations in Papua New Guinea. The recovery of the plantations after the 2019 volcanic eruptions was unexpectedly good, and fruit volumes from our own plantations and surrounding farmers increased by 9.8% compared to 2021. High average oil extraction rates of 24.0% across the group ensured that rising fruit production was also translated into corresponding growth in palm product volumes (oil, palm kernels and palm kernel oil).

This volume growth was combined with exceptionally high market prices. The ongoing war in Ukraine caused uncertainty in the supply of agricultural commodities, leading to food price inflation, and largely also to the energy crisis in Europe. And then there was the global fear of recession. All elements that, combined with low strategic stocks, ensured that markets continued to react volatile. This phenomenon was further fuelled by a temporary export ban on Indonesian palm oil, causing the world palm oil price to reach peaks of almost USD 1 800/tonne.

We consequently closed the 2022 financial year with a profit, share of the Group, of KUSD 108 157, compared with a profit of KUSD 93 749 in 2021. Despite steadily continuing the expansion, the net financial debt of KUSD 49 192 at the end of 2021 was fully repaid at the end of the 2022 financial year.

The balance between supply and demand for vegetable oils, and palm oil in particular, remained very unstable in the first quarter of 2023 as well. However, from April, exports from producer countries picked up, both for soybean from Brazil, and for rapeseed oil and sunflower oil from the Balkans. The abundance of these products in the export market depressed the prices of liquid oils to levels lower than the price of palm oil, which is rather exceptional. Meanwhile, falling demand meant that palm oil prices on the Rotterdam market dropped from USD 1 100/tonne to just below USD 900/tonne. Given the low crude oil prices and the limited growth forecast in the coming months, we should not expect much good from macroeconomic conditions to bring this price level back up.

Looking ahead, we see that demand for biodiesel will be maintained and that the announced El Niño effects will limit production for the second half of the year. This leads us to conclude that current price levels of USD 850 to 900/tonne will persist for the second half of the year. This will certainly be the case if the big importing countries like China and India will replenish their strategic stocks.

In Papua New Guinea, we are taking full advantage of the historical 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 which now add up to maximum USD 118/tonne. The taxes were introduced by the government to finance the local blending of 35% palm oil into biodiesel. But also, to keep the local price of cooking oil as low as possible for the poorest citizens. This explains the introduction of an export restriction in the ratio of 1 to 4 between local sales and export volumes.

For the Indonesian activities, only the net sales price is therefore being taken into account. For the first 5 and a half months of the year, this amounts to USD 756/tonne. Over this period 35% 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, to date 74% of the expected production had been sold at an average ex-factory selling price of USD 1 077/tonne.

We can therefore state, that to date, the SIPEF group sold a total of 48% of the expected palm oil production at an average net ex-factory sales price of USD 925/tonne. At the time of last year's Annual General Meeting, the volume sold was 49% for a comparable net selling price of USD 1 149/tonne. Consequently, the SIPEF group sold approximately the same volume of palm oil as last year but at a USD 224/tonne or 19.5% lower price.

In agronomic terms, the start of the 2023 year has been less favourable. The Group recorded a slight decline in production of 1.4% for the first 5 months of the year, compared to the same period last year.

This decline occurred mainly in Indonesia, in the Group's 'mature' plantations in North Sumatra and in Bengkulu. After two good production years, a decline was clearly observed there in available palm fruit, which also often had a lower weight. We can speak of a 'cyclical' decline, combined with delayed effects of drought, especially then in the UMW plantations with organic soil. Once again, we should note that agriculture is subject to the whims of nature.

Growth does continue in the young plantations in South Sumatra with a 50.8% increase compared to volumes at the end of May last year. This rise is mainly due to higher maturity of the oil palms and to more hectares coming into production.

Production from our palm plantations in Papua New Guinea remained at last year's exceptionally high levels, both for our own plantations and for surrounding farmers.

Looking ahead, we note that production in Indonesia is gradually picking up. However, this is not the case for production from plantations with organic soils (UMW group), which are likely to suffer longer from the delayed drought effects. By contrast, production in Papua New Guinea notes a decline in harvestable bunches for the next few months. The Group, therefore, does not immediately expect rapid growth in volumes in the next 3 months. It will not be evident to achieve the announced growth of 5.1% at year-end. Not even if better volumes were recorded in the second half of the year - when cyclical movement should have been absorbed. When the half-year figures are announced in August, we should be able to paint a better picture of this. However, SIPEF is still on track with its long-term forecast to produce around 600 000 tonnes of crude palm oil by 2030.

Divestment from rubber and tea that are no longer part of the Group's core business, is also steady continuing. This is being achieved partly, through the conversion to oil palm of the rubber plantations in North Sumatra and Bengkulu, and partly through the sale of PT Melania which owns the Group's third rubber plantation and all tea operations. In all likelihood, this last operation will be completed before the end of 2023. The renewal of the permanent exploitation rights HGU for a new 25-year period is the capstone of this sale.

Wage increases imposed by local governments for 2023 have been relatively limited and in line with local inflation, which was about half of what was recorded in Europe last year. Meanwhile, sharply rising diesel and fertiliser prices, which drove up production costs by more than 15% in 2022, have softened. In Indonesia second-half fertiliser purchases are more than 30% cheaper than peak prices in the second half of last year.

Banana production for export from the Ivory Coast grew by 38.5% compared to the first 5 months of last year. This is mainly due to production from the new plantations in Lumen and Akoudi. The existing operations, however, were subject to weather conditions that limited normal returns per hectare.

Expansion this year is following the expected schedule and will reach a total of 430 hectares at year-end. In 2024, another 120 hectares will follow to be planted, after which the total banana area will be around 1 500 hectares.

The European market for African import bananas remains strong and the better prices achieved through fixed annual contracts will record a stable contribution to the SIPEF group's operational results.

However, the expansion of our oil palm operations in Musi Rawas in South Sumatra province remains the main priority. Today, through 3 companies, there are 20 825 hectares operationally controlled by the company. There are also already 17 212 prepared and planted hectares, so that more than 82% of the hectares under management, are also effectively cultivated. The target remains to plant more than 20 000 RSPO-approved hectares of palm in Musi Rawas.

The replanting of the existing RSPO-certified plantation company Dendymarker Indah Lestari (DIL), acquired in 2017, is virtually complete. There remain 215 hectares to renew in the next few months and then the project of more than 10 000 hectares will be fully completed.

Today, the SIPEF group in South Sumatra has 27 159 newly planted hectares of palm trees, which are between 1 and 9 years old and are the production growth pool for the next 10 years. From now on, investments will focus mainly on infrastructure works and the construction of mills. The AMR mill with a processing capacity of 75 tonnes per hour will be ready in the middle of next year, joining the Dendymarker mill that can already process 60 tonnes per hour. The construction of a smaller third mill will then follow after 2026.

All expansions have adhered to prevailing sustainability standards. SIPEF continues to profile itself as a 100% sustainable plantation company. It imposes standards on itself through 'policies' that often go beyond what certification standards prescribe today and guarantee it a leading place in the many rankings. By expanding its 'Global Sustainability Team', SIPEF remains a forerunner in the application of all rules issued at European and global level. Similarly, a first integrated annual report relating to the financial year 2022 was also produced in preparation for the new 'Corporate Sustainability Reporting Directive' (CSRD), which will impose new reporting standards from 2024.

In the future, the focus will mainly be on improving the technical quality of the palm oil produced, through close cooperation with process developers. The aim is to cash in on our reputation as a reliable preferred producer of traceable, sustainable agricultural products in commercial contacts with trusted relationships in the processing industry.

Partly due to the extensive replanting and expansion programmes for the following 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 being satisfying, which will however be lower than the ones obtained in 2022. 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, certainly also by the evolution of palm oil prices in the local market in Indonesia, and more precisely by the level of taxes and duties introduced by the government on the production of raw palm oil.

With continued satisfactory recurring results, the Group will also generate a positive cash flow. This could still be supplemented by the additional funds from the settlement of the sale of PT Melania. These cash flows will allow financing the circumstantial investment budget without significantly increasing the Group's net financial debts.

As already announced in our February 2023 press release and the 2022 integrated annual report, and in line with the shareholders' remuneration policy, the Board of Directors proposes to the General Meeting to pay for the 2022 financial year a record dividend of EUR 3.00 per share, payable from 5 July 2023.

On the date of this General Meeting, the directorship of our Chairman Baron Luc Bertrand expires. Mr Bertrand has now reached the age limit imposed by the Company's Corporate Governance Charter. However, the Board of Directors has taken the decision to propose a new mandate of 2 years, until after the General Meeting in 2025, given his special experience and knowledge of the Group and the sectors in which it operates.

At this General Meeting, it is also requested to renew the expiring mandates of directors Antoine Friling, Nick Thompson, and François Van Hoydonck for a new 4-year period until after the end of the 2027 General Meeting.

Also, Sophie Lammerant-Velge's mandate expires. After 12 years as an independent director her mandate will not be renewed. We thank Sophie for her years of dedication and her contribution to the development of the Group.

We propose to appoint Giulia Stellari as new independent director for a period of four years as independent director, until after the end of the General Meeting in 2027. Giulia, who will later introduce herself shortly, has a very extensive knowledge of the development and management of Agri-Tech and Food-Tech applications and ESG risks. We are convinced that her presence on SIPEF's Board of Directors will enable her to support the company in its structural sustainable and scientific development and management.

Finally, we wish to thank all employees of the SIPEF group for the efforts made during the past financial year. Thanks to their unbridled support and perseverance, 2022 has become one of the most successful years of the SIPEF group. We hope we can continue to count on them to help realise the ambitious plans the Company has for the coming years.

Schoten, 14 June 2023