The connection to the world of sustainable tropical agriculture

Interim statement of the SIPEF group
as per 31 March 2024 (3m/24)

SIPEF looks forward to another strong performance year

- Palm oil markets remain favourable from a historical perspective and prices continue to meet the high levels observed during 2023.
- The Group records a 9.0% decline in palm oil production at the end of March. Increasing palm oil production volumes in Indonesia could not fully offset the impact of last year's volcanic eruption on the productions of own estates and smallholder plantations in Papua New Guinea.
- However, over the year, the production volumes for 2024 will be close to 400 000 tonnes, in line with those of the previous year, due to the growing importance of South Sumatra production.
- Banana productions increased by 36.3% on the previous year's first quarterly exported volumes. The rise is entirely related to the ongoing expansion of 430 hectares in two new production sites in Côte d'Ivoire.
- The final recurring Group's result for 2024 might be slightly lower than, but close to the USD 72.7 million recorded at the end of 2023. Thanks to supportive palm oil markets SIPEF looks forward to another strong performance year, but the volcanic eruption will still impact the production volumes in Papua New Guinea.
- Cultivated areas in Musi Rawas reached 18 699 hectares, all in compliance with RSPO. With the replant of Dendymarker completed, the Group has 28 654 hectares newly planted maturing oil palm hectares in South Sumatra, of which 25.4% are still immature.
- Generated cash flows are expected to cover the extensive investment plan of more than USD 100 million, the working capital requirements and the dividend distribution of USD 23.3 million. At year end, the Net Financial Position will be close to the USD -31.4 million recorded at the end of 2023.
- Petra Meekers will succeed François Van Hoydonck as Managing Director of SIPEF as from the 1st of September 2024 onwards, subject to approval of her appointment as Director by the annual meeting of shareholders in June.
- SIPEF ranks 4th out of 350 companies on Forest 500, with a score increase of 10% from the previous assessment.
- In support of its transition planning, SIPEF is completing its biodiversity and climate risk and opportunity assessments conducted in the first quarter of 2024.

Interim management report

1. Group production

Group production

2024 *(in tonnes)*	Own	Third parties	Q1/24	YoY%	Own	Third parties	YTD Q1/24	YoY%
Palm oil	65 458	14 273	79 731	*-9.02%*	65 458	14 273	79 731	*-9.02%*
Rubber	54	0	54	*-87.20%*	54	0	54	*-87.20%*
Bananas	13 881	0	13 881	*36.32%*	13 881	0	13 881	*36.32%*

2023 *(in tonnes)*	Own	Third parties	Q1/23	Own	Third parties	YTD Q1/23
Palm oil	68 996	18 643	87 639	68 996	18 643	87 639
Rubber	297	125	422	297	125	422
Bananas	10 183	0	10 183	10 183	0	10 183

In Indonesia, in Sumatra, the Group recorded an increase in production of Fresh Fruit Bunches (FFB) of 11.6% compared with the first quarter of last year. Higher volumes were harvested in all the production sites of the Group.

In North Sumatra, both on mineral and organic soils, the weather was generally dry after a very wet month of January, which was supportive for palm growth. The mineral soil estates recorded a limited FFB production growth by 2.3%, mainly related to increased maturity of replanted areas. The organic soil estates were badly impacted by flooding over the months of December and January, which affected normal harvesting. Nevertheless, they recovered well, with dryer weather thereafter, and ended the quarter with an 8.5% increased crop volume compared with the first quarter in 2023.

In contrast, in the oil palm plantations in Bengkulu province, the rainfall pattern resumed normality with all estates recording higher rainfall and more rain days during the first quarter compared to the long-term averages. Mainly the younger and prime production areas benefited from the favourable weather conditions, resulting in an overall increase of FFB volumes by 8.1% compared with the same period last year, when the estates were suffering from much dryer growing conditions.

In South Sumatra, FFB production continued to rise, with 32.9% growth for the first quarter compared with the same period last year. This growth rate was also reflected in the 20.0% increase in smallholders' purchases (plasma). The rising contributions from both the Musi Rawas plantations and those of Dendymarker were the direct result of an enlarged number of harvestable hectares and increasing bunch weight and bunch numbers on maturing estates. However, the recorded crop did not fully meet the Group's growth expectations, but further yield improvement measures are put in place to enhance the future performance of the South Sumatra estates over the next few years.

Due to several mill efficiency enhancement works in the Indonesian operations, the Oil Extraction Rate (OER), was, temporarily, generally lower than last year. Moreover, subsequently, the wet weather also impacted the oil content in the harvested bunches, except for the mineral soil estates in North Sumatra.

Due to slightly declining extraction rates, the 11.6% crop increase could not be converted into a corresponding rise in palm oil production. Nevertheless, the operations in Indonesia still achieved an 8.9% increase in palm oil volumes by the end of the first quarter of 2024.

In Papua New Guinea, the Group experienced a bold ‘wet season’ effect for most of the trimester, with rainfall exceeding last year’s numbers by more than 50%. The persistent rainfall posed challenges to the harvesting rounds, hindered the collection of loose fruit, and disrupted the transportation of Fresh Fruit Bunches (FFB) to the mills. This was further compounded by the remote location of the Group’s estates, which rely on supplies from overseas.

After the ashfall of last November’s volcanic eruption, the rehabilitation works on the affected surfaces, about 25% of the planted areas, progress well and should be completed by the end of April. However, most of the affected areas will not produce the usual bunch numbers until they are fully recovered, which could take over one year depending on the damage incurred.

The combination of these effects led to an overall decrease of 20.2% on the FFB production volumes, both on own estates and on the purchases from surrounding smallholders. It also affected the OER in the three mills, resulting in a decline in palm oil production of 28.1% compared to the same period last year.

The encouraging increasing production in Indonesia could however not make up for the losses incurred after the volcanic eruption in Papua New Guinea. As a result, there was an overall decline of palm oil production by 9.0% compared with the same period last year.

Banana productions for the first quarter of 2024 increased by 36.3% compared with those of the same quarter of last year. This rising performance can be explained by the large volumes produced by the two new production sites of Lumen and Akoudié, the high yielding developments that were started a little over two years ago. At the end of March, the production of Lumen and Akoudié represented 48% of the total volumes exported while the size of the two plantations only represented 35% of the total planted area. Azaguié, Agboville and Motobé remain the three historic production sites, with standard yields.

At the start of the year, the usual harmattan winds (cold northern wind affecting production cycles) were followed by a very hot period, with higher than previously recorded average temperatures, ensuring good general production conditions.

2. Markets

Average market prices

In USD/tonne		YTD Q1/24	YTD Q1/23	YTD Q4/23
Palm oil	CIF Rotterdam*	988	1 017	964
Rubber	RSS3 FOB Singapore**	2 073	1 040	1 577
Bananas	FOT Europe***	824	1 609	830

** Oil World Price Data*
*** World Bank Commodity Price Data*
**** CIRAD Price Data (in EUR)*

The performance of the palm complex demonstrated remarkable stability throughout the initial two months of the year, but prices truly picked up in March. While palm oil production remained relatively stagnant compared with the previous year, indicating a consistent outlook for the remainder of the year, there was a notable decline in stocks. Palm oil found itself pricing beyond the reach of competing liquid oils, prompting widespread anticipation among consumers that this trend would be short-lived, especially in anticipation of a massive South American soybean harvest.

However, unexpected adverse weather conditions hampered the South American soybean crop, leading to a reduction in its projected output. Despite still achieving record production levels, the supply remained manageable and was not excessive. Meanwhile, sunflower oil and rapeseed oil, pricing lower than palm oil, capitalised on the opportunity to gain market share. Nevertheless, concerns arose as the pipelines for palm oil delivery to major destinations began to dwindle, a realisation that gained traction during the annual Palm and Lauric Oils Price Outlook Conference (POC2024) held in early March.

This recognition prompted a sharp rally in prices, driven by increased spot destination demand. The market dynamics shifted as palm oil regained prominence amidst tightening supply chains, signalling a potentially sustained period of heightened demand and pricing strength.

The Indonesian biodiesel mandate continues to expand, resulting in reduced availability of palm oil for export due to stagnant production levels. Moreover, increasing demand for biodiesel in the United States (US), Brazil and even India is driving the influx of additional waste and vegetable oils. This trend is expected to persist in the foreseeable future.

In this complex network of interconnected global markets, palm oil has taken the lead, consistently trading at a premium over all liquid oils throughout the first quarter. Prices fluctuated between USD 930 and USD 1 050 CIF Rotterdam, with spot prices often surpassing these levels. This price dynamic was partly influenced by the challenges associated with rerouting cargo via the Cape of Good Hope instead of the Suez Canal.

Furthermore, the palm kernel oil (PKO) market diverged from palm oil due to lower stocks, a stagnant production outlook, and notably stronger demand. Despite oleochemical demand not fully recovering from its peak, there has been a noticeable improvement in margin structures. Additionally, PKO's lauric oil counterpart, coconut oil, has gained momentum following a diminished production outlook attributed to rainfall data.

PKO prices surged from USD 930 to nearly USD 1 200, commanding a premium of USD 150 over palm oil, and reflecting the market's response to evolving supply and demand dynamics.

For bananas, this first quarter of 2024 did not follow the upward price trend of previous years. Indeed, fairly large import volumes in the first weeks of the year made the European market fragile and unstable, without the traditional price increase being observed. However, from the end of February, extreme climatic conditions (high temperatures in Ecuador, a cold front in Costa Rica) combined with logistical upheavals (reduced capacity of the Panama Canal and storms in the Atlantic Ocean) completely reversed the trend and the lower supply of dollar bananas, combined with good global and European consumption in particular, have contributed to an improvement in demand and in European sales prices.

3. Prospects

3.1. Projected production

In line with previous years, the SIPEF group is expecting growing palm oil productions in the second quarter compared with the first one. The increasing volumes in Indonesia will, however, by the end of June, not fully make up for the lower volumes in Papua New Guinea, still facing the impact of the volcanic eruption.

Production forecasts for bananas for the first semester are expected to be 37% higher against the same period last year, as from April onwards, a good production increase can be expected at the historic sites of Agboville, Azaguié and Motobé.

Although it is not obvious to predict more than three months in advance, the Group still assumes that the forecasted annual production increase in the Indonesian operations will make up for the incurred production losses in Papua New Guinea. Therefore, it expects that, despite the ashfall impact on the production of more than a quarter of the planted hectares in Papua New Guinea, the Group’s production volume at year-end will be in line with the one of last year, nearing 400 000 tonnes of crude palm oil.

3.2. Future evolution of markets

The palm oil outlook for 2024 depends heavily on the growth of oilseed crops. Palm oil production is not increasing, and there is also a decrease in exportable volume because of domestic biodiesel mandates.

With a clear view on the final figures for South American soybean oil production, attention now shifts to the upcoming summer crops in key regions such as the United States (soybeans), Europe and Russia (sunflowers and rapeseeds).

Current palm oil stocks are at a low point and are expected to remain so, at least until the end of the second quarter, potentially extending further. This scarcity aligns with subdued exports, as palm oil struggles to compete in the current market landscape. The process of market adaptation has been ongoing for some time, suggesting that the pinnacle of palm oil demand is being neared, particularly evident in Europe where switching to alternative oils has almost peaked.

Analysts increasingly suggest that liquid oils may need to appreciate in value relative to palm oil, rather than the converse scenario of palm oil prices declining. Monitoring the summer planting of oilseeds is crucial, as it greatly influences market dynamics. Against a backdrop of geopolitical uncertainty, market volatility is expected to persist for the foreseeable future.

In summary, the outlook for palm oil prices remains promising, given the constraints on production and a steady demand. SIPEF is confident of a favourable price trajectory over the medium to long term.

The banana markets will logically remain buoyant until May, whereafter the improved weather conditions and offering of seasonal fruits in Europe risk turning consumers away from the banana product, which nevertheless remains one of the most affordable fruits for the consumer.

3.3. Projected results

In continuation of, from a historical perspective, high price levels, SIPEF was able to sell 39% of its palm oil volumes at an average ex-mill gate price of USD 882 per tonne, premiums for sustainability and origin included. At the same time last year, SIPEF had traded also 39% of the volumes at an average ex-mill gate price of USD 966 per tonne.

These sales correspond to 66% of the projected volumes of Papua New Guinea, at an average ex-mill gate price of USD 963 per tonne, while 24% of the volumes of Indonesian operations were sold at an average ex-mill gate price of USD 763 per tonne. In Indonesia, local sales prices remain impacted by a combined export tax and export levy, which currently hover around a total of USD 142 per tonne and are fixed on a monthly basis by the Indonesian Government. Due to the uncertainty surrounding the determination of the reference price for palm oil, which serves as the basis for applicable taxes and levies, the palm oil volumes in Indonesia are now introduced to the market on a monthly basis.

Most inputs, related to the unit production cost of palm oil, such as fertiliser, fuel prices and transport costs, have increased slightly given the current geopolitical climate. The continuous devaluation of the local currencies against the USD has absorbed the remuneration increases, triggered by inflation, of the Group's employees. This resulted in currently stable production costs. In the future the production costs will continue to come down with the maturing status of the plantings in the South Sumatra Group, linked to increasing yields and the improvement of the average unit production cost for the SIPEF group.

For almost the entire volume of the expected banana production from Côte d'Ivoire, the usual marketing policy of annual contracts at fixed prices was also continued in 2024. This way, the Group is not subject to the volatility of the international banana markets. Moreover, thanks to these annual contracts, it can supply to the European market a quality product with added value all year round.

With the current palm oil prices aligning with the high levels observed throughout 2023, and the rising annual production in Indonesia, SIPEF can again look forward to a strong performance year 2024.

However, it is important to acknowledge external factors such as the volcanic eruption in November 2023, which will impact production volumes in Papua New Guinea during 2024. Consequently, while SIPEF is optimistic about its performance, it acknowledges that the final recurring result for 2024 might be slightly lower than, but close to the USD 72.7 million recorded in 2023.

Besides the possible price effects of the palm oil markets mentioned earlier, the final recurring result will largely depend on the achievement of the expected production growth, the maintaining of the current export tax and levy policy in Indonesia and the evolution of cost prices.

3.4. Cash flow and expansion

In 2024, the Group will continue to concentrate mainly on the investment programmes in South Sumatra. These programmes concern the further expansion of the planted areas and new infrastructure in Musi Rawas, and improvement of the existing infrastructure in Dendymarker, since the replanting of 10 197 hectares has been fully completed.

In Musi Rawas, in compliance with RSPO 'New Planting Procedures', the Group aims to plant an additional 2 146 hectares of oil palm planting, bringing the total cultivated area to 20 906 hectares. This corresponds to 95.7% of the 22 074 hectares acquired through compensation.

As per the end of March 2024, the total renewed and cultivated area in the South Sumatra business unit was already 28 921 hectares, of which 21 370 hectares (73.9%) are young mature and harvested.

The completion of the construction of the 10th palm oil mill within the SIPEF group, situated on one of the Musi Rawas estates, is scheduled for the end of April, after the Hari Raya holiday period. This facility will further enhance processing capacity, ensuring efficient handling of the entire crop yield from both the own estates and those of smallholders in South Sumatra.

In addition to the expansion in South Sumatra, the Group is investing in 2024 in the renewal of materials and mills, as well as in the usual replanting programmes of 12 090 hectares of older plantings in Sumatra, Papua New Guinea, and Côte d'Ivoire. Notably, the conversion of rubber estates in North Sumatra and Bengkulu into 2 951 hectares of maturing oil palms is underway. The strategic investments in 'value creation' are intricately tied to innovation, early adoption of new techniques, and operational enhancements, with a specific focus on producing high-quality, low-contaminant oils. These initiatives are set to surpass USD 10 million in 2024.

The expansion of Plantations J. Eglin's banana plantations will be completed. As a result, the total planted area will reach 1 338 hectares by year end 2024, leading to a gradual increase in production up to 60 000 tonnes by 2025.

The financing of this extensive and diversified investment budget, exceeding USD 100 million, is assumed to fit into the generated operational cash flow for the year, while still leaving margin for the usual dividend distribution. As a result, it is projected that the Net Financial Debt position at the end of 2024 will closely align with the well-managed position at the end of 2023.

4. Succession planning

The company is pleased to announce that Petra Meekers, currently Chief Operating Officer Asia-Pacific and member of the Executive Committee, will be promoted to Managing Director, subject to approval of her appointment as Director by the annual meeting of shareholders in June 2024. As from 1st September 2024, she will replace François Van Hoydonck, who will, at the age of 65 and after 45 years in the company, of which 17 years of leadership as managing director, retire as Chairman and member of the Executive Committee. François will continue to serve on the board as a non-executive Director, until the end of his current term of office which expires in 2027.

Petra has studied biochemistry at the University of Deventer and has a close to 20 years' experience in the tropical agriculture sector. While living for most of her career in Asia and working for integrated palm oil and food businesses, she joined the SIPEF board of directors already in 2018 as an Independent Director. She resigned from the board in 2021 to become a member of the SIPEF Executive Committee, to manage the

Southeast Asian operations of the Group. With her lifelong experience in the sector, she is the right person to further lead SIPEF in its growth and its expansion of strategic investments in 'value creation', with a specific focus on producing high-quality, low-contaminant oils.

Petra will also chair the Executive Committee, that recently underwent some changes.

Johan Nelis, former Chief Financial Officer (CFO) did not join the SIPEF banana operations in Côte d'Ivoire, contrary to what was announced in September 2023. He decided that, as from the end of June 2024, his next step in his professional career will be outside the SIPEF group. The vacant position of General Manager of Plantations J. Eglin has been taken up by Charles De Wulf. Charles has a previous and appreciated experience in bananas before joining the SIPEF group in 2013. He will redirect his professional career towards the management of the expanding SIPEF banana business in Côte d'Ivoire. In this capacity he will work closely with Petra to create additional value in exporting high-quality bananas in the European and Sub-Region African markets. Charles has consequently resigned from the SIPEF Executive Committee as per 1st April 2024. We thank Charles for his appreciated contribution to the Executive Committee over the past decade.

5. Sustainability

5.1. SIPEF advances to 4th position in Forest 500 assessment

SIPEF achieved a score of 65.9% in the 2023 Forest 500 assessment, securing the 4th position out of 350 companies. Released in February 2024, the results represent a substantial improvement over SIPEF's 2022 performance, where the Group scored 55.9% and was ranked 18th.
Forest 500 evaluates and ranks the most influential companies and financial institutions in the supply chains of forest-risk commodities.

5.2. Biodiversity and climate risk and opportunity assessments

In preparation for compliance with the EU Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS), SIPEF has conducted in the first quarter of 2024 biodiversity and climate risk and opportunity assessments in support of its transition planning. These assessments are in their final stages and will provide valuable insights for SIPEF's ongoing group-wide double materiality assessment.
Additionally, a detailed physical climate risk assessment is underway in collaboration with the Principal Investigator at the Carnegie Institution for Science. The assessment evaluates climate-related hazards over various timeframes and future scenarios, offering recommendations for mitigation where risks are deemed potentially material.

Translation: this press release is available in Dutch and English. The Dutch version is the original; the other language version is a free translation. We have made every reasonable effort to avoid any discrepancies between the different language versions. However, should such discrepancies exist, the Dutch version will take precedence.

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SIPEF is a Belgian agro-industry group listed on Euronext Brussels and specialised in the – as sustainable certified - production of tropical agricultural commodities, primarily crude palm oil and palm products. These labour-intensive activities are consolidated in Indonesia, Papua New Guinea and Côte d'Ivoire and are characterised by broad stakeholder involvement, which sustainably supports the long-term investments.