SIPEF

Press release | Regulated information

INTERIM STATEMENT OF THE SIPEF GROUP

Interim management report per 31 March 2013

1. Group productions

2013 *(In tonnes)*	First Quarter				Year To Date			
	Own	Third parties	Total	YoY %	Own	Third parties	Total	YoY %
Palm oil	45 075	11 182	56 257	-3,97%	45 075	11 182	56 257	-3,97%
Rubber	2 513	119	2 632	-6,86%	2 513	119	2 632	-6,86%
Tea	705		705	5,22%	705		705	5,22%
Bananas	6 416		6 416	0,39%	6 416		6 416	0,39%

2012 *(In tonnes)*	Own	Third parties	Total	Own	Third parties	Total
Palm oil	46 972	11 613	58 585	46 972	11 613	58 585
Rubber	2 498	328	2 826	2 498	328	2 826
Tea	654	16	670	654	16	670
Bananas	6 391		6 391	6 391		6 391

After the strong growth of palm oil production in the fourth quarter of 2012, the group has experienced a higher than expected reduction in the volumes produced toward the end of the first trimester in all mature plantations, with the exception of the young UMW project in North Sumatra. This drop followed the general trend identified in Indonesia and Malaysia.

Hargy Oil Palms Ltd in Papua New Guinea struggled once more with exceptionally wet weather conditions with more than 2 900 mm of rainfall measured during the first 3 months of the year. This resulted in limited harvesting opportunities, irregular transport and lower extraction rates. The company was, however, able to ship all contracted volumes, albeit occasionally with some delay involved.

In North and South Sumatra the favourable weather following an early wintering resulted in rising rubber production. Due to the centralisation of the rubber areas in Agro Muko in the most suitable area (a project that has been initiated some years ago) we have a young tree profile and therefore a temporary low production. Because of the high rainfall in the rubber plantations of Papua New Guinea, many tapping days were lost, resulting in lower own rubber volumes, but also in considerably fewer purchases from third parties.

Similar to the start of last year, there was insufficient sunlight to improve the tea production of the Cibuni plantation in Java significantly. However, volumes still increased by slightly more than 5% as compared to the first quarter of 2012. The total volume of the three sites for banana production was in line with expectations, despite the effect of the Harmattan winds.

2. Markets

Average market prices

in USD/tonne*		YTD Q1/13	YTD Q1/12	YTD Q4/12
Palm oil	CIF Rotterdam	853	1 107	999
Rubber	RSS3 FOB Singapore	3 155	3 853	3 377
Tea	FOB origin	2 940	2 550	2 900
Bananas	FOT Europe	1 048	1 143	1 100

* World Commodity Price Data

The palm trees in South East Asia went into an obvious down-cycle from February onwards, which in combination with good exports reduced the stocks in Malaysia with 450 Kmt from end December till end March. The good exports were infused with higher demand for palm oil related biofuel, whereby the economics of palm consumption in biodiesel calculates beyond mandates. However, a good final soybean crop number in South America, higher stocks in the oil and grains sector in the US and good forecast for the planting season in the Northern hemisphere just dampened the short-lived friendly outlook. Prices were the highest in early February, where plantations could also benefit from selling forward positions at a premium.

The rubber market started on an almost artificially high level at the beginning of the year, as demand was lacklustre and turnover low. On the back of these high prices, the Thai government decided to abandon the farmer support program which the market took as a negative. The wintering in most producing countries was not as severe as expected and on top of that there was a warehouse fire in China after which the government decided to increase the safety levels and hence reduce stock levels in existing warehouses. China, the biggest importer of rubber in the world, was absent from the market most of March, and prices took a nosedive to below USD 3 per kg for RSS3.

Tea prices have been dropping steadily since the beginning of the year and have come under severe pressure since early March. Kenya's short rains continued well into January and the long rains had an early start which resulted in a higher output. Output till end February outperforms the top producing year of 2010 by 15.72%.

3. Prospects

The prospects for the production of palm oil in the next few months are fairly low for the mature plantations in Indonesia, but the indications for the third trimester look very promising. The second quarter has started well for Hargy Oil Palms in Papua New Guinea, where the drier weather will ripen a glut of fruit in the next few months and we expect to gradually make up for the backlog in production. Rubber, tea and banana volumes are all weather-dependent, but no irregularities were determined.

The low-cycle of the production in palm oil will continue during the second quarter. We will see stocks levels below 2 million tonnes and potentially a friendly stocks-to-usage ratio. Palm is still very competitive versus soybean oil and should continue to buy demand. However the current drop in petroleum/gasoil prices has reduced the attractiveness of palm oil in the biofuel sector. The planting intentions of oilseed crops that will be harvested from September onwards, indicate ample supply and therefore there is limited optimism of much higher prices in the second half of the year.

The high stocks situation in rubber will not be resolved in the next couple of months. The Euro-crises continues to have a negative effect on the world economy and the Chinese growth has been below market expectation, all not supporting the rubber market. The Tri-partite (the governments of Indonesia, Thailand and Malaysia) did not announce any support measures in April. It seems though that most of these elements have been priced into the current market price. The consumers are very hand-to-mouth covered and any buying spree should be supportive to the prices.

Unless weather patterns change dramatically we will see little upward movement for tea prices in the second quarter. After the long rains come to an end by May/June and winter demand starts setting in, prices should rebound from current levels.

Despite the significantly lower market prices, 59% of the expected palm oil sales has currently been placed on the market at an average of the equivalent of USD 934 per ton CIF Rotterdam. In addition, 41% of rubber volumes were sold at an average of 3 042 USD per ton FOB and 39% of the tea volumes at USD 3 320 per ton FOB. We have therefore already secured a significant part of our annual income, particularly for palm oil. Our market strategy to sell bananas at fixed prices throughout the whole year was continued.

Bearing in mind that the outlook for palm oil prices for the second semester is not particularly favourable, we may assume that the annual results for 2013 will be lower than those of the previous year. The final annual result will depend on:

- achieving the expected production volumes,
- the strength of the market prices of palm oil and rubber in the second half of the year,
- the export tax on palm oil in Indonesia and
- the development of the cost prices, which among other things are affected by the prices of crude oil and fertilisers and the value of the local currency compared to the USD.

The oil palm expansion programme in Papua New Guinea is being continued, but was delayed by the rainfall in the first trimester. Only a further 164 hectares were planted, but by now more than 600 hectares have been prepared for planting in the following months, as soon as weather conditions permit this.

In the new project in South Sumatra in Indonesia, a license was obtained last month for the additional development of 4 811 hectares in the name of the Agro Muara Rupit company. The scope of this third license was explicitly restricted to zones with a high likelihood of successful development. During the first quarter we have compensated an additional 350 hectares on the two first licenses and from May onwards we can starting planting the more than 2 200 hectares already compensated. As stated previously, the sustained expansion in South Sumatra will remain one of our priorities in the years to come.

Schoten, 25 april 2013.

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SIPEF is a Belgian agro-industrial company listed on NYSE Euronext Brussels. The company mainly holds majority stakes in tropical businesses, which it manages and operates. The group is geographically diversified, and produces a number of different commodities, principally palm oil. Its investments are largely ventures in developing countries.