

2

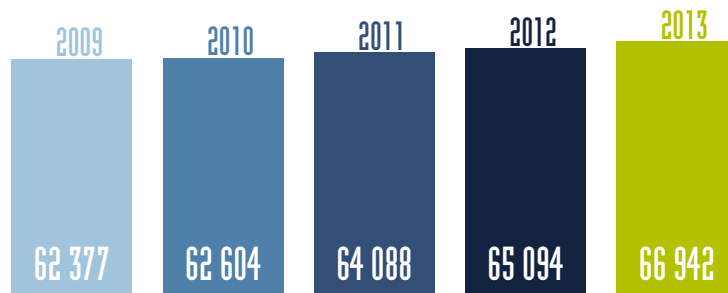


1

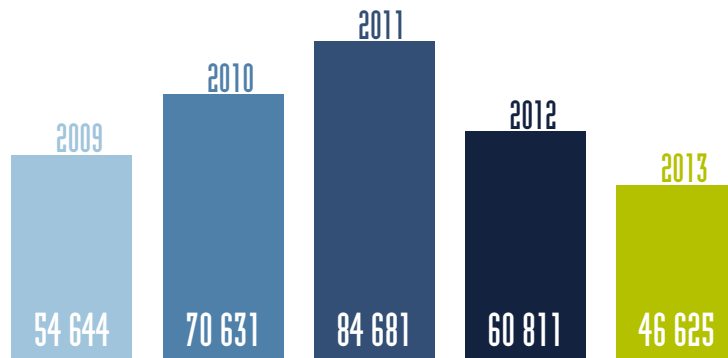


ANNUAL REPORT

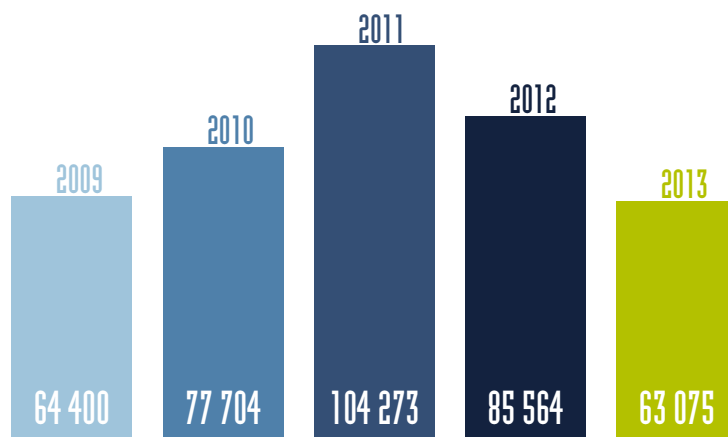
1 Planted area
(in hectares)



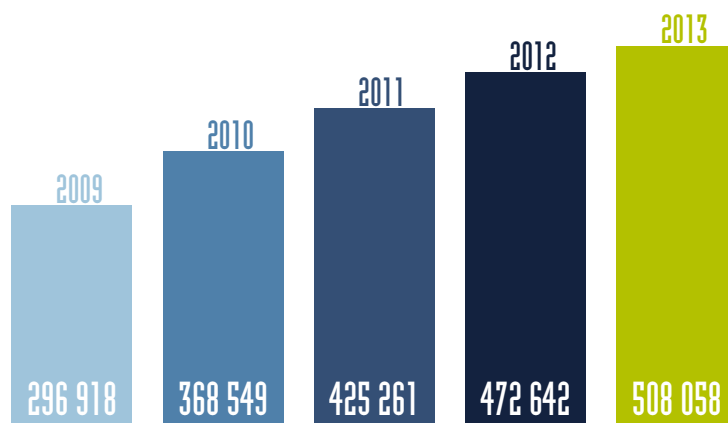
2 Share of the group
in the result,
before IAS41



3 Cash flow from
operating activities
after taxes



4 Shareholders'
equity



Key figures

Activity		2013	2012	2011	2010	2009
Total own production of consolidated companies (in tonnes)	palm oil	206 476	214 521	206 476	192 156	196 368
	rubber	9 773	9 757	8 464	9 608	8 633
	tea	2 850	2 869	2 626	3 097	3 121
	bananas	22 325	23 916	19 297	20 639	20 575
Average market price (USD/tonne)	palm oil	857	999	1 125	901	683
	rubber	2 795	3 377	4 823	3 654	1 921
	tea (1)	2 399	2 881	2 724	2 719	2 725
	bananas	1 022	1 100	1 125	1 002	1 145
Results (in KUSD)						
Turnover		291 678	332 522	367 661	279 400	237 829
Gross profit - before IAS41		94 421	112 255	136 808	117 682	89 695
Operating result - before IAS41		66 292	83 635	114 090	95 625	73 908
Share of the group in the result		55 627	68 392	95 088	84 843	60 174
Cash flow from operating activities after taxes		63 075	85 564	104 273	77 704	64 400
Free cash flow		- 27 658	- 9 296	37 168	33 922	34 593
Balance sheet (in KUSD)						
Operating fixed assets (2)		535 984	467 628	385 363	321 512	278 118
Shareholders' equity		508 058	472 642	425 261	368 549	296 918
Net financial assets (+)/obligations (-)		- 31 918	18 193	47 519	56 484	36 108
Investments in intangible and operating fixed assets (2)		91 644	99 323	68 031	37 842	30 847
Data per share (in USD)						
Number of shares		8 951 740	8 951 740	8 951 740	8 951 740	8 951 740
Own shares		62 000	59 676	59 676	0	0
Equity		57.15	53.15	47.82	41.17	33.17
Basic earnings per share		6.26	7.69	10.63	9.48	6.72
Cash flow from operating activities after taxes (3)		7.09	9.62	11.65	8.68	7.19
Free cash flow (3)		-3.11	-1.05	4.15	3.79	3.86
Gross dividend (in EUR)		1.25	1.70	1.70	1.50	1.10
Stock exchange share price (in EUR)						
Maximum		65.30	71.89	75.78	71.93	36.80
Minimum		49.52	54.51	49.01	36.80	18.00
Closing 31/12		57.70	58.50	58.00	71.00	34.78
Stock Exchange capitalization at 31/12 (in KEUR)		516 515	523 677	519 201	635 574	311 342

(1) Mombasa auction

(2) Operating fixed assets = biological assets, property, plant & equipment and investment property

(3) Denominator 2013 = weighted average number of shares issued (8 891 870 shares).



Naamloze Vennootschap



Report of the board of directors and of the statutory auditor to be submitted at the 95th ordinary general meeting to be held on 11 June 2014

Financial calendar

The periodical and occasional information relating to the company and to the group will be published before opening hours of the stock exchange as follows:

- the interim report for the first 3 months on 24th April 2014;
- the half-year results on 21st August 2014;
- the interim report for the first 9 months on 23rd October 2014;
- the results of the financial year in February 2015 accompanied with comments on the activities of the group;
- in accordance with the legal regulations all important data that could influence in one way or another the results of the company and of the group will be subject to a separate press release.

The next annual meeting of shareholders will be held on 10th June 2015 at 15 hrs at Kasteel Calesberg, Calesbergdreef 5 – 2900 Schoten.



A view of the tank farm of PT Agro Muko, where the sustainable crude palm oil is stored before dispatch to the port of Padang, from where most of our oil is shipped.

Useful addresses

Responsible for the financial information:

François Van Hoydonck

Johan Nelis

Tel. +32 3 641 97 00

Fax +32 3 646 57 05

e-mail: finance@sipef.com

Registered office and offices:

Kasteel Calesberg

Calesbergdreef 5

B-2900 Schoten

Tel. +32 3 641 97 00

Fax +32 3 646 57 05

e-mail: info@sipef.com

www.sipef.com

RPR Antwerpen

VAT BE0404491285

Content

Financial calendar	2
Useful addresses	3
Significant events for the SIPEF group in 2013	4
History	5
Principal activities	5
Company strategy	6
Directors, auditors and management	7
Activities	10
Organogram	12
Chairman's message	14
Board of directors	18
Annual report of the board of directors	20
Activity report by product	42
Activity report by country	46
Group production	73
Group planted area	74
Age profile	75
Building on the positive impacts already achieved by SIPEF operations.	77
Financial statements	84

Significant events for the SIPEF group in 2013

March 2013

In South Sumatra, a license was obtained for the additional development of 4 811 hectares in the name of the *PT Agro Muara Rupit* company.

May 2013

Start-up of the bio-gas installation in the Mukomuko palm oil factory (Indonesia).

July 2013

Distribution of a gross dividend of EUR 1.70 per share.

September 2013

Acquisition of a fourth licence for 7 498 ha, which dovetails perfectly with the third project, *PT Agro Muara Rupit*.

October 2013

The signing of a joint-venture agreement in order to develop high yielding oil palm trees. « F1 Hybrid ».

December 2013

Less favourable agronomic conditions resulted in a slightly lower group production.

Selling prices for the four products, palm oil, rubber, tea and bananas, were not as strong as in 2012.

Production costs remained stable, benefiting from the devaluation of local currencies against the USD.

The result before the IAS41 share of the group, amounted to KUSD 46 625, the net IFRS result being KUSD 55 627.

Operational investment in Indonesia and Papua New Guinea exceeds cash flow from operating activities after tax.

Based on the volumes already sold and the production and price outlook we remain confident that the *SIPEF* group will achieve a satisfactory result once more in 2014.

Proposed payment of a gross dividend of EUR 1.25 per share, in line with last year's payout ratio.

History

Société Internationale de Plantations et de Finance was incorporated in 1919 with the principal aims of promoting and managing plantation companies in both tropical and sub-tropical areas. At that time the company had two “agencies”, one operating in Kuala Lumpur, Malaysia, the other in Medan, Indonesia.

Over the years, the company has developed into an agro-industrial group with production and export facilities in Asia, Oceania, Africa and South America, where it manages important plantations of traditional crops, such as rubber, palm oil and tea.

Starting in 1970, other crops, such as bananas, pineapples, ornamental plants, guava and pepper, were also introduced. The group invested in the real estate sector in Belgium and in the United States, but these activities were later phased out completely.

Our traditional activities in commodities and their shipping led us to also get involved in the insurance sector where we now offer a wide range of services.

In the last decade, *SIPEF* has concentrated its efforts in the agro-industrial sector solely on the production of palm oil, rubber, tea and bananas in Indonesia, Papua New Guinea and Ivory Coast. The group sells its own products throughout the world. *SIPEF* also provides management and marketing services to third parties.

By the end of 2013 the plantations extend over a planted surface area of 66 942 hectares.

Principal activities

SIPEF is a Belgian agro-industrial company quoted on NYSE Euronext Brussels.

The company mainly holds majority stakes in tropical plantation businesses that it manages and operates.

The group is geographically diversified and produces various commodities, principally palm oil.

It invests mainly in recently industrialised countries.



Company strategy

Management

SIPEF plays a decisive role in the management of companies in which it holds a majority stake or that it controls together with other partners. This role includes active participation in the boards of directors of these subsidiaries as well as monitoring of the management and operation of these companies. *SIPEF* strives to transmit its agronomic experience and management techniques to the local management.

Customers

Every effort is made to meet the needs of our customers and to provide them with high-quality goods and services in a timely manner.

Employees

In order to optimise the management of the plantations, we attach great importance to the training of our local employees, both in agricultural and management techniques.

The group's policy concerning agricultural, technical, environmental and general aspects is detailed in manuals containing practical guidelines to achieve these goals. Training sessions support proper implementation of these policies. We see to it that all employees are able to work in a healthy and safe environment.

Environment

The group recognises that, in addition to its statutory and commercial obligations, it bears responsibility towards the communities and environment in which it operates.

In order to preserve the environment, the group applies ecologically-responsible agricultural policies that comply with the principles and criteria of the "Roundtable on Sustainable Palm Oil" (RSPO). This covers a broad series of environmental and social topics such as transparency, compliance with legal standards, good agricultural policy, sustainable development of the land and continued efforts to achieve perfection.

A separate chapter in the annual report is devoted to sustainable agriculture and our efforts to implement those policies.

Directors, auditors and management

Board of directors

Baron BRACHT	chairman
François VAN HOYDONCK	managing director
Baron BERTRAND	director
Priscilla BRACHT	director
Jacques DELEN	director
Antoine FRILING	director
Regnier HAEGELSTEEN	director
Sophie LAMMERANT-VELGE	director
Richard ROBINOW	director

Statutory auditor

DELOITTE	auditors
Bedrijfsrevisoren BV o.v.v.e. CVBA	
represented by	
Dirk CLEYMANS	

Management

François VAN HOYDONCK	managing director
Didier CRUYSMANS (till October 2013)	manager estates department
Charles DE WULF (as from October 2013)	manager estates department
Thomas HILDENBRAND	manager marketing bananas and horticulture
Robbert KESSELS	manager marketing commodities
Johan NELIS	chief financial officer

Consultant

Matthew T. ADAMS	external visiting agent
------------------	-------------------------



The Fresh Fruit Bunches and the collected loose fruits are transported by truck and dumped onto the loading ramp of the mill.

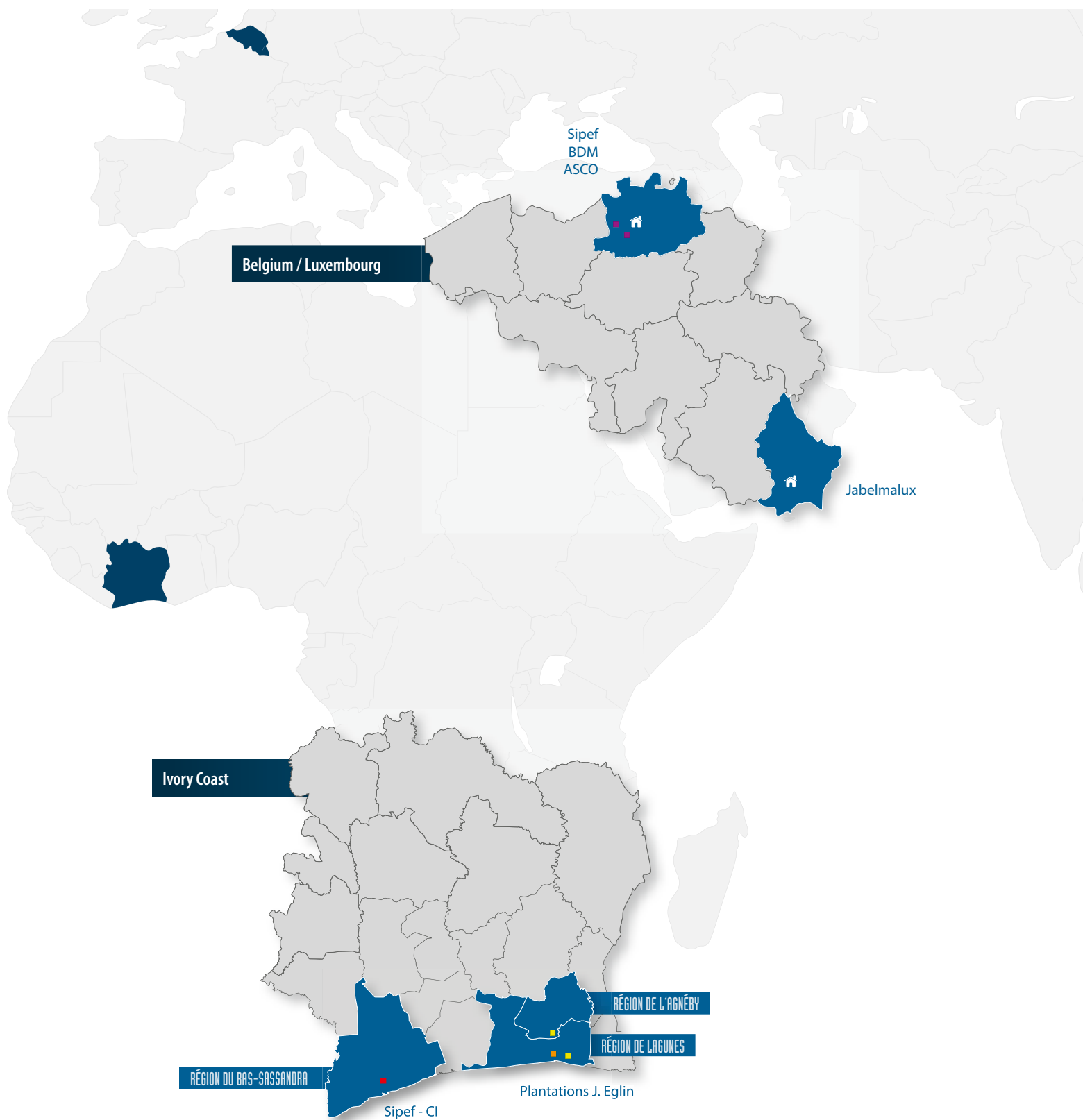


Activities

 Insurance

 Palm oil

 Rubber



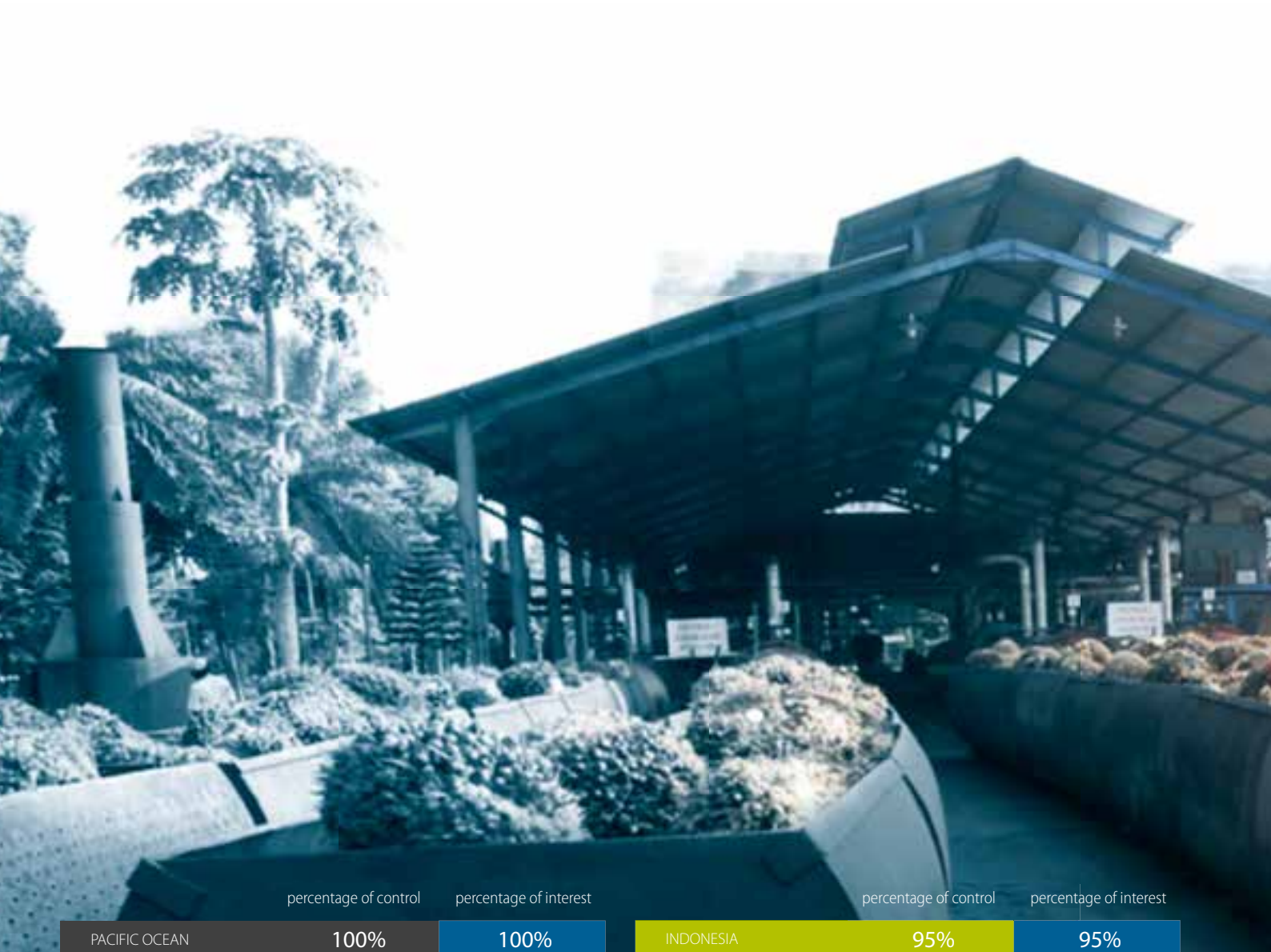
Tea

Bananas

Horticulture



Organogram



percentage of control

percentage of interest

percentage of control

percentage of interest

PACIFIC OCEAN

100%

100%

Hargy Oil Palms Ltd

100%

100%

Galley Reach Holdings Ltd

INDONESIA

95%

95%

PT Tolan Tiga Indonesia

95%

90%

PT Eastern Sumatra Indonesia

57%

54%

PT Kerasaan Indonesia

95%

90%

PT Timbang Deli Indonesia

95%

90%

PT Bandar Sumatra Indonesia

95%

90%

PT Melania Indonesia

95%

95%

PT Umbul Mas Wisesa



Bunches are loaded in cages while waiting for sterilization.



percentage of control	percentage of interest
95%	95%
PT Toton Usaha Mandiri	
95%	95%
PT Citra Sawit Mandiri	
47%	45%
PT Agro Muko	
95%	86%
PT Mukomuko Agro Sejahtera	
95%	95%
PT Agro Kati Lama	
95%	95%
PT Agro Rawas Ulu	
95%	95%
PT Agro Muara Rupit	

	percentage of control	percentage of interest
AFRICA	100%	100%
Plantations J. Eglin SA		
	100%	100%
Sograci SA		
	32%	32%
Sipef-Ci SA		
	50%	50%
Sograkin SA		
EUROPE	99,60%	99,60%
Jabelmalux SA		
INSURANCE	50%	50%
ASCO NV		
	50%	50%
BDM NV		

Chairman's message



Dear ladies and gentlemen,

It is a pleasure for me to present you with our annual report and the consolidated accounts for the group and the public limited company. They will be submitted to the 95th ordinary general shareholders' meeting on 11th June 2014.

2013 may be characterised as a weak agricultural production year. Unfavourable weather conditions at our plantations, but also in Southeast Asia in general, means volumes are down for our four products: palm oil, rubber, tea and bananas. We have been faced with higher than average precipitation. On the mature palm oil plantations, which enjoyed exceptionally high yields in the second half of 2012, we have observed a "tree-rest" in 2013.

In the run-up to the presidential elections of July 2014, Indonesia has seen its currency weakening due to lower growth, a decline in commodity prices, increased borrowing and higher interest rates. The resulting negative balance of payments has put pressure on the country's economic development. Indonesia is now branded as one of the "Fragile Five" - countries in urgent need of measures to prevent further financial weakening. Thus expectations are high for the elections, which, at the end of the current president's second term, will bring on a new administration. Its task will be to provide the country with transparent regulations, increased legal certainty, improved infrastructure, especially in the area of roads and ports, renewed strong growth and balanced budgets.

Despite good long-term prospects for Papua New Guinea, based on commodity exports and significant gas reserves, which can be exploited from 2015 onward, the country is faced with temporary financial deficits and a weakened currency with respect to the US dollar. The current government is trying to remedy this situation in the short term, but recently surprised foreign investors with a number of decisions that came very close to the nationalisation of interests. In the search for additional revenue, the labour-intensive agricultural sector has been spared for the time being.

We have seen a stable political climate in Ivory Coast, which is, however, suffering economically from the lower commodity prices. Nevertheless we see the country gradually resuming its previous prominent position in West Africa. Our banana and flower activities suffered from the generally unpredictable weather conditions, with a slight decrease in their contribution as a consequence. This pattern also characterises the local palm oil project in which we merely participate.

The positive long-term forecasts for palm oil remain valid. We observe on a daily basis that palm oil is playing an increasingly important role in feeding the world's growing population. The short-term price fluctuations are mainly determined by the quantities of vegetable oils (soy, rapeseed and palm oil) available on the markets at any time. In the first quarter of 2013, the high stockpiles resulting from good yields in 2012 still weighed on the price. In the subsequent period we did observe the positive effect on the price of declining palm oil production and increasing demand for biodiesel, but this was neutralised by the prospects of large soybean harvests in the United States.

The announcement of an additional Indonesian biodiesel mandate for transport and energy did result in higher prices by the end of the year. This positive trend persisted into the first quarter of 2014, where we saw palm oil prices reaching USD 1 000 per tonne (CIF Rotterdam) for the first time in almost two years, a level at which we wish to place greater volumes on the market.

For the rest of the year, the price will mainly be driven by the effect of weather forecasts on palm oil volumes in Southeast Asia and on soybean production (in the first half of the year in South America, in the second half in the United States). In addition, evolution in the demand for biodiesel will continue to support the price.

In 2013, the *SIPEF* group experienced a slight decrease in palm oil production due to the negative effects of the weather. This was in sharp contrast to the results of our recent efforts to expand and rejuvenate the palm oil areas in Papua New Guinea (on locations where we are already active) and in Indonesia. In the latter country, our expansion in North Sumatra is complete and we can look forward to the growing maturity of the palms in the three projects *PT Umbul Mas Wisesa (UMW)*/ *PT Toton Usaha Mandiri (TUM)* and *PT Citra Sawit Mandiri (CSM)*, which together cover almost 10 000 hectares.

Expansion in Papua New Guinea continued with the planting of an additional 1 003 hectares of oil palms, so that now 3 357 hectares are immature. This additional planting will allow optimal use of the third palm oil extraction plant in the coming years. Weather conditions in this country continue to present a challenge for our management teams, but on the agricultural level, Papua New Guinea continues to offer the best yields for oil palms.

The focus of our expansion has in the past two years shifted to the province of South Sumatra, where we acquired three concessions close to the city of Lubuk Linggau for a maximum of 31 809 hectares of oil palm and rubber plantations. Since the start-up, during which as always the sustainability studies required by the RSPO were conducted first and local approvals had to be obtained, compensation for 4 000 hectares has already been handed over to local users. These compensations will continue at least for the next three years in order to develop a new business unit in the region, which does not yet have many industrial agricultural projects. Almost half of the vegetation in these hectares has been removed. The first few hundred hectares have already

been planted with oil palms, a process that we hope to accelerate during the present year.

Natural rubber is a cyclical product and its profitability is under extreme pressure. Not only did we note a slight decrease in volumes for the group (due to weather conditions), but the substantially lower selling prices also resulted in decreased profits. Due to the worldwide planting of additional rubber plantations since 2008-2009, driven by higher selling prices, a greater supply of rubber has gradually entered the world market. However, natural rubber is mainly a raw material for the production of tyres for cars and heavy industrial vehicles. Falling demand in the automotive and mining industries has had a direct effect on pricing. The increase in stockpiles in China and most other consuming countries in the last six months has driven prices below USD 2 000 per tonne. In the short term, moreover, no price rises are expected. Only an improvement in economic prospects for the second half of 2014 can bring relief here.

The tea activities in Cibuni, on the island of Java, continue to make a valued contribution to the group's results. Since the second half of 2013, a greater supply of tea from Kenya has been putting pressure on the current prices of our hand-picked quality tea, which is mainly sold in the established market of the Middle East. We manage to remain competitive thanks to energy-efficient production methods, but tea is the group's most labour-intensive crop. We are following with interest the evolution of salaries in Indonesia, where the provincial governors themselves set the salary increases.

In Ivory Coast, the main impact of the political crisis of 2011 appears to be behind us. Banana and flower exports to Europe from *Plantations J. Eglin SA* too have fully recovered, even though in the past year this sector has been marked by lower production levels. Thanks to the advance setting of selling prices and freight rates, the business risk remains limited to producing the highest quality and the required volumes. The lowering of European import duties for dollar zone bananas has not had an immediate effect on the prices of African bananas, which have found their own market in southern Europe and the United Kingdom. Due to the absence of the dry Harmattan winds, we have started the new financial year with an increased production of good quality, which allows us to look forward to another year of positive contribution to group results in 2014.

The lion's share of the restructuring process of the insurance activities we share with Ackermans & van Haaren has been completed. The focus is fully on maritime and general risk insurance, but due to the volume of the undertaking, managing the volatility in the technical results remains a difficult task. Thanks to an additional reorganisation of specific risks and a stricter underwriting policy, we expect more stability in the results for 2014.

The above cited plantation expansions have taken place primarily in remote areas where agriculture is the main employer. These expansions have been accompanied by important infrastructure work and the construction of new housing and facilities to bind the workers to the group in the long term. The increased volumes of produced fruit also require expansion for their processing into oil. In 2013, the bulk of our investments went into the construction of two new extraction plants that were added to the existing contingent of six plants. Such acquisitions weigh heavily on the available resources, but it remains our strategy to further develop the group without building up a structural debt position, while still providing a fair annual dividend for our shareholders.

With respect to the integration of the activities of the *SIPEF* group, I wish to announce that as of 1st January 2014, our Indonesian branches have switched to a fully integrated accounting and reporting system. In the second stage, this system will also be taken up by the branches in Papua New Guinea and subsequently by the group's holding company. This will allow us to analyse both basic agronomic data and the profitability of the branches much more quickly and accurately.

SIPEF also continues to play a conscious pioneering role with respect to sustainable tropical agriculture. As a company quoted on the stock exchange and active in continental Europe, where sustainability is a basic requirement for the future of the palm oil sector, we wish to have all the activities of the *SIPEF* group acquire the required certifications to allow us to grow our products in an ecologically and socially responsible way. In this context, we are also continuing work on the sale of CSM, a young palm oil plantation that will not meet the certification standards.

Seeing as the good reputation enjoyed by palm oil has recently come under significant pressure in the European media, we view it as our task as a producer to highlight all aspects of palm oil while avoiding campaigns with a one-sided focus. We are investing in the sustainable development of palm oil on a daily basis and observe that more and more food producers are gradually switching to the use of identifiably sustainable palm oil and palm kernel oil. They are prepared to pay a premium over normal market prices for this oil.

We also are continuing to invest in reducing biogas emissions. After constructing an additional capture system in Agro Muko in the province of Bengkulu in 2013, we will also be equipping our two new plants with systems for capturing methane. We are also studying the possibility of reusing biogases in the Perlarian plant in North Sumatra. Consequently, in 2014 five out of the group's eight plants are already eligible for certification for the use of our palm oil for green energy purposes in Europe. *SIPEF* always takes care to combine sustainability and certification with achieving sufficient profitability for all the company's activities, which is a basic requirement for an industrial group quoted on the exchange.

After a patient multi-year campaign, we finally acquired a license via our own Indonesian foundation in 2013 for the active protection of approximately 12 000 hectares of forest that is a buffer zone next to a national park in the province of Bengkulu. After the required registrations and the legally obligatory investigations, we expect to be able to engage "rangers" to combat deforestation this year, and also involve local residents. In the meantime, of course, we are also continuing our additional project for protecting endangered sea turtle species via a breeding programme from eggs collected at two beaches on the south coast of Sumatra.

In addition, we are pleased to announce the signing of a cooperation agreement with NBPOL (a plantation company in Papua New Guinea quoted on the exchange with a renowned palm seed production research centre) and Biosing (an organisation of scientists). We will be co-operating on developing high-yield palms to greatly improve the extraction of palm oil and in the future take the industry to a higher level.

Due to slightly decreased production volumes and lower market prices for all the group's products, we were unable to match the results of 2012. *SIPEF* closed its financial year with a consolidated group profit of KUSD 46 625. This represents a decrease of 23.3% compared to last year's result. Taking into consideration the changes to the biological fixed assets at fair value, group profit according to IFRS standards is KUSD 55 627 compared to KUSD 68 392 last year.

I would like to thank all employees of the *SIPEF* group who contributed, each in their own way, to achieving these results. In these times of lower prices, it is important to preserve our profitability via good cost management and a focus on the efficiency of our plantations and factories. The salary increases imposed on us by the authorities in recent years have certainly not made it easier for plantation companies to control production costs.

Due to decreased earnings and an expanded investment budget, the positive cash position of 2012 has now become a slightly negative debt position. However, the situation cannot be called structural. This also will allow us to distribute a dividend in line with the results and the payout ratio of the previous financial year. We are therefore pleased to confirm that our board of directors will propose a dividend of EUR 1.25 gross, to be distributed on 2nd July 2014.

Thanks to good prospects with respect to volume and already concluded sales of our principal basic products, we are confident that we will be able to return satisfactory results for the current financial year. The actual profit will depend to an important degree on the evolution of prices on the commodity markets during the second half of 2014. These may be impacted by the production volumes and stockpiles of soybean and soy oil in the vegetable oil markets. The economic recovery in the United States and the European Union will additionally play a role in the evolution of the price of natural rubber.

Despite the short-term volatility of the palm oil and rubber prices, we continue to believe in the long-term perspectives of both products, with demand in the Far East growing (borne by a rising middle class with greater purchasing power) and with a volatile supply side, subject to weather conditions and the limitations inherent in agriculture.

18th February 2014

Baron Bracht
chairman.

Board of directors





1. Baron Bracht
2. Richard Robinow
3. Jacques Delen
4. Baron Bertrand
5. Regnier Haegelsteen
6. Antoine Friling
7. Sophie Lammerant - Velge
8. Priscilla Bracht
9. François Van Hoydonck

Annual report of the board of directors

To the ordinary general annual meeting of 11th June 2014.

Dear shareholders,

We are honoured to bring you a report about the operating activities of our company during the past financial year, with the individual and consolidated annual financial statements, balanced on 31st December 2013, for approval.

In accordance with the Royal Decree of 14th November 2007 (regarding the obligations of issuers of financial instruments that are permitted to trade in the Belgian regulated market), *SIPEF* must make its annual financial report available to the public.

This report includes the combined statutory and consolidated annual report from the board of directors, drawn up in accordance with article 119, last paragraph, of the Belgian Corporate Governance Code.

The report also includes an abbreviated version of the statutory annual financial statements (page 135), drawn up in accordance with article 105 of the Belgian Corporate Governance Code, and the integral version of the consolidated annual financial statements (page 86). The complete individual annual financial statements are deposited at the National Bank of Belgium, in accordance with articles 98 and 100 of the Belgian Corporate Governance Code, along with the annual report from the board of directors and the report from the auditor.

With respect to the statutory and consolidated annual financial statements, the auditor has provided a declaration of approval without reservations.

The annual report, the integral versions of the statutory and the consolidated annual financial statements and the reports from the auditor regarding the afore-mentioned annual financial statements, are available on the website (www.sipef.com) but can also be obtained by request, free of charge, at the following address: Calesbergdreef 5 – 2900 Schoten, Belgium, or by email: finance@sipef.com.

1. Individual annual financial statements

1.1. Capital and ownership of shares

During the past financial year, there were no changes in the company's capital. The endorsed capital is EUR 34 767 740.80, and is represented by 8 951 740 shares, without designation of nominal value and with payment in full.

The company's updated Articles of Association, including information about the legal form, the statutory goal, the capital structure, the authorised capital and the type of shares, are available on the website (www.sipef.com).

With respect to the share option plan, 20 000 new options were assigned in 2013. The options that were assigned as of 31st December 2013 and options not yet exercised collectively provide the right to the acquisition of 62 000 *SIPEF* shares (0.69%).

1.2. Activities

For an overview of the main activities of the *SIPEF* group during the financial year 2013, we refer to the 'Message from the chairman' (page 14).

1.3. Explanatory notes to the statutory annual financial statements

1.3.1. Financial position as at 31st December 2013

SIPEF's statutory financial statements have been drawn up in accordance with the Belgian accounting legislation.

The company's balance total as at 31st December 2013 is KEUR 235 829 compared to KEUR 212 874 the previous year.

The receivables of a maximum of 1 year increased from KEUR 143 546 to KEUR 169 349 due to an increase in the receivables on *Jabelmalux SA* and the receivables on *Hargy Oil Palm Ltd* (disposal of funds for the further completion of two oil extraction mills).

SIPEF's private capital before profit distribution is KEUR 157 815, which corresponds with EUR 17.63 per share.

The statutory results of *SIPEF* are determined to a significant degree by dividends and increases/reductions in values. Since *SIPEF* does not directly hold all of the interests of the group, the consolidated result of the group is a more accurate reflection of the underlying economic development. The statutory results of the financial year 2013 are KEUR 612 compared to a profit of KEUR 108 407 in the previous financial year.

1.3.2. Allocations of the results

The board of directors proposes to allocate the results as follows (in KEUR):

- Profit carried over from the previous financial year	98 794
- Profit from the financial year	612
- Total to be allocated	99 406
- Transfers to other reserves	128
- Payment to the shareholders	11 190
- Profit to be carried over	88 088

The board of directors proposes to pay a dividend of EUR 1.25 gross per share. After deduction of the withholding tax, the net dividend is EUR 0.9375 per share.

If the ordinary general meeting approves this proposal, the dividend will be payable from 2nd July 2014.

1.4. Prospects

The results of the current financial year will, as in the past, depend to a significant degree on the dividends that will be paid out from the subsidiary companies.

1.5. Notices

1.5.1. Important events after the close of the financial year

Since the close of the financial year 2013, no significant events have occurred that could noticeably affect the development of the company.

1.5.2. Additional compensation to the auditor

In accordance with article 134, § 2 and 4, of the Belgian Corporate Governance Code, we also inform you that no additional payment was made to the auditor aside from the normal payment (as approved by the general meeting). We paid KEUR 33 to related companies of the auditor for legal, accounting and fiscal consultations.

1.5.3. Research and development

The company has not engaged in any activities related to research and development.

1.5.4. Acquisition and transfer of own shares

On 29th May 2009 the extraordinary general meeting authorized the board of directors of *SIPEF* to acquire own shares within a well-defined price range during a period of five years.

In the course of the 2013 financial year *SIPEF* acquired 2 324 additional own shares. These shares were acquired to cover the company's obligations under the stock option plan and as a temporary investment of the liquidity excesses.

- The situation as per 31st December 2013 is as follows:
- Number of treasury shares 62 000 (0,69%)
- Average price per share (EUR) 56,35
- Total investment value (KEUR) 3 494

1.5.5. Changes in the Articles of Association

No changes to the Articles of Association were made during 2013.

1.5.6. Announcement based on the Legislation of

1st April 2007 relating to public take-over bids.

Ackermans & van Haaren NV (AvH), acting in consultation with CABRA NV, GEDEI NV and Baron Bracht and children, have announced by letter dated 30th August 2013, that together they own 39.555% of the total voting rights of *SIPEF*.

1.5.7. Protection measures

The extraordinary general meeting assigned authorization to the board of directors on 13th June 2012, to acquire or transfer the company's shares for a period of three years, if this were to become necessary in order to prevent the company from suffering a serious and threatening loss.



STERILIZER

3



The palm fruit bunches, loaded in cages, are sterilized by steam induction in cylinders.

2. Consolidated annual financial statements

2.1. Risks and uncertainties

The text below shows the commercial risks as evaluated by the management and the board of directors. Each of these risks could have a significantly negative impact on our financial situation, operating results or liquidity, and could result in special impairment losses affecting assets.

There could be risks that the *SIPEF* group currently assumes to be limited, but which ultimately could have a significantly negative effect. There could also be additional risks that the group is not aware of.

The main non-covered commercial risks are identified as follows:

- Fluctuations in the market prices for the basic products of palm oil, rubber, tea and bananas;
- climatological conditions;
- geo-political developments;
- expansion risks.

The realized turnover and margin are largely dependent on fluctuations in the market prices of mainly palm oil and palm kernel oil. A change in the palm oil price of USD 10 CIF per tonne has an impact of about USD 1.2 million per year on the results after tax.

The volumes produced and thus the turnover and margins are to a certain degree affected by climatological conditions, such as precipitation, sunshine, temperature and humidity.

In view of the fact that the majority of the investments of the *SIPEF* group is located in developing countries (Indonesia, Papua New Guinea and Ivory Coast), the geo-political developments in these regions are an extra point of interest to the management. The recent past has shown that the possible unrest in these countries has had a limited effect on the group's net results, subject to the impact of macro-economic measures.

Whether the *SIPEF* group will succeed in realizing the intended additional expansion will depend on the acquisition of new concession agreements for agronomically suitable land, which fits into the group's policy on sustainability in economically responsible terms. If the group does not succeed in this, it could put pressure on its growth plans.

Aside from these most significant risks, the group also has other, more general risks, to consider, such as:

- currency, interest, credit and liquidity risks, as discussed in the financial section of this annual report;
- risks associated with social campaigns;
- risks associated with information technology systems;
- risks associated with regulations;
- risks associated with legal matters;
- risks associated with internal audit;
- risks associated with fiscal inspection;
- risks associated with environmental liability;
- ...

2.2. Explanatory notes to the consolidated annual financial statements

The consolidated annual financial statements for the financial year 2013 are drawn up in accordance with the "International Financial Reporting Standards" (IFRS).

The consolidated balance sheet total as at 31st December 2013 is KUSD 710 095, an increase of 12.38% compared to the balance total of KUSD 631 842 at the end of 2012.

The continued expansion of the plantations in Indonesia and Papua New Guinea, and the increase in the fair value of existing areas of oil palms in the same countries, resulted in a further increase in the biological assets that now amount to KUSD 334 712.

In addition to the standard replacement capital expenditure, the increase in other fixed assets was due to additional compensation payments made for expansion in North and South Sumatra and investment in the further optimization of production sites in *Hargy Oil Palms Ltd* in Papua New Guinea and the *UMW* group in North Sumatra.

The "net assets held for sale" were the net assets of *PT Timbang Deli* that, as a result of the execution of the previously announced joint venture agreement of October 2013 between *SIPEF*, *NBPOL* and *BioSing*, will be transferred to this new activity.

The net current assets, net cash, rose mainly due to significant tax prepayments.



The net financial position decreased by KUSD 50 111 as a result of the negative free cash flow of KUSD 27 658 and a dividend distribution of KUSD 21 302.

The consolidated equity capital of the *SIPEF* group, group share prior to allocation of profit, has increased to KUSD 508 058. This corresponds to USD 57.15 per share (excluding own shares).

Turnover fell by 12.3% due to the drop in volumes and lower selling prices for palm oil, rubber, tea and bananas.

In our Indonesia activities the USD cost price per tonne remained almost stable for the second consecutive year, thanks to a devaluation of the rupiah by 12.2% as compared with 2012. This compensated for the effect of local wage inflation and lower production. In Papua New Guinea our USD cost price per tonne fell by approximately 9.5% in 2013, mainly due to the devaluation of the kina by 13.1%, so that cost prices of prior to the start of the LNG project in 2011 could become once more a reality.

Gross profit fell by an average of 15.9%, whereas for rubber and tea this was as much as about 30% due to the considerably lower selling prices.

Taking account of the above factors, operating results before IAS41 decreased by 20.7%.

The other operating income/charges included additional provisions for a VAT dispute in Indonesia (KUSD 3 159 before tax).

The limited net financial charges reflect the group's strategy to fund expansion with auto-financing. Exchange rate differences had a limited effect, a direct result of a consistently implemented policy of currency hedging.

The effective tax charge before IAS41 was 22.16%. There was a positive effect on the average tax rate, that was theoretically 27.4%, by a combination of permanent and temporary differences between the USD consolidation and the local accounts.

Participation in the insurance industry focuses on the core activities of marine and general risk insurance. Temporarily lower technical results in specific marine activities meant that the positive trend of the last few years was not continued.

Profit for the period, without taking account of the results linked to the IAS41 application, was KUSD 49 255, which was 23.8% lower than the result in 2012.

The IAS adjustment consists of substituting the depreciation charge in the cost of sales with the variation in the 'fair value' of the biological assets between the end of 2012 and the end of 2013, reduced by the planting costs and associated deferred tax charges. The gross variation in biological assets amounted to KUSD 36 461 and resulted mainly from an increase in the margins used and the expansion and increasing maturity of the newly planted areas of our *UMW* oil palm plantation in Indonesia and *Hargy Oil Palms Ltd* in Papua New Guinea. Planting costs of KUSD 28 717 reduced the net impact before taxes to KUSD 12 674, which was the basis for the average deferred tax calculation of 24.2%. The net positive IAS41 impact, share of the group, amounted to KUSD 9 002 and was 18.7% higher than the KUSD 7 581 for the previous year.

The net IFRS result, share of the group, including IAS41 adjustments, amounts to KUSD 55 627 and was 18.7% lower than the previous year.

2.3. Significant events after the close of the financial year

In execution of the joint-venture agreement of October 2013 between *SIPEF* and NBOL (concerning the start of a project for developing high yielding palm trees), *PT Timbang Deli* Indonesia will be contributed by *SIPEF* in the company Verdant Bioscience Singapore (VBS). This transaction will have a material impact on the consolidated result of 2014. Considering *SIPEF* will only own 38% of VBS, *PT Timbang Deli* Indonesia will as of 2014 no longer be an integral part of the consolidation scope of the *SIPEF* group (we also refer to note 21 – assets/liabilities held for sale).

2.4. Research and development

SIPEF and its consolidated companies did not undertake any activities with respect to research and development activities during 2013.

2.5. Financial instruments

Within the *SIPEF* group, we make limited use of financial tools for risk management. These are financial instruments that supposedly ameliorate the effect of the increase in interest rates and exchange rates.

The providers of these financial tools are exclusively reputable Belgian banks that *SIPEF* has built up long-term relationships with.

2.6. Prospects for 2014

The expected volumes for the group are generally favourable at the start of the year.

Indonesian palm oil production is satisfactory in the mature plantations in North Sumatra and in *PT Agro Muko* in Bengkulu province, and also the increasing volumes from the young plantations in the *UMW/TUM* projects will likely meet expectations. The plantations of *Hargy Oil Palms Ltd* in Papua New Guinea are recovering from a very wet January, in which rainfall was again more than 1 000 mm; this caused problems in the estates, but did not result in any permanent damage. Production volumes are currently 16% below expectations, although still 5.28% above January last year. The outlook for the harvest for the next few months is favourable, if weather conditions will allow it.

Rubber volumes are increasing once more in all the Indonesian plantations, with the exception of the Bandar Pinang plantation, where we are still experiencing the effect of the wind damage last year. Production in January is already 15.74% above last year. In Papua New Guinea we are trying to increase the raw rubber quantity from our own plantations and from the smallholders to reduce our production costs.

So far tea volumes suffered again due to the lack of sunshine.

Banana production for the first quarter is expected to reach 14% higher than the first quarter of last year, due to the absence of the usual drought in Ivory Coast at the start of the year.

Lower palm oil stocks compared to last year will be the upbeat for a positive price scenario. The additional demand from the Indonesian bio-energy mandates will consume almost all additional supply in 2014, which effectively implies there will be no additional oil available for export. The record soybean crop in South America can bring relief, although dry and hot weather conditions could impact the crop negatively. Therefore it is expected that the traditional discount of palm oil versus soybean oil will be minimal, and could even lead temporarily to a premium for palm oil. The global demand for food and bio-energy is still growing by

3 to 4% per annum. Therefore we are looking positively at palm oil price development throughout 2014.

The rubber market is suffering from the relatively poor Chinese economic data, its biggest consuming country. The high stock will keep a lid on prices and 2014 will remain a challenging year for the rubber producers. In the first six weeks of the year the rubber market dropped almost 15%. However, the better economic global outlook could spark the car and heavy equipment industries to consume more rubber, particularly at these lower prices.

Kenya, India and Sri Lanka all had a record tea production in 2013. This will still have an impact on prices during the first quarter considering the stocks carried forward. Weather in Kenya in coming months will decide the medium term direction of the market, although it is expected that the crop will retract from 2013's record harvest.

Due to the unfavourable weather conditions in the main producing countries the world supply of bananas for the first quarter will not meet demand, which will lead to a price increase in this period of the year. Because of the weak currency of the dollar, producers are more inclined to export to Europe, which may destabilize the market in this part of the world.

For palm oil in particular we have already covered a significant part of our expected income for 2014. 36% of our expected volume has already been sold at an average of USD 1 001 per tonne CIF Rotterdam. In addition, 12% of the rubber volume was sold at an average of USD 2 357 per tonne FOB and about one third of the tea volumes was sold at the current lower market prices. In 2014 we will continue our marketing strategy for bananas, with fixed prices for the whole year, via sales in England and France.

Due to the uncertainty on the outlook on palm oil prices over the next few months, we remain hopeful that the *SIPEF* group will achieve a satisfactory result once more in 2014. The final result will mainly depend on the volumes produced, the strength of market prices in the second half of the year, the export tax on palm oil in Indonesia and the development of cost prices; the latter will be affected, among other things, by the variance of local currencies against the reporting currency (USD).

Once the two new palm oil mills are operational at the end of the first trimester, most of our capital investment will be concentrated on the expansion of new plantations in Indonesia and Papua New Guinea. In *Hargy Oil Palms Ltd* 600 hectares have already been prepared for planting as soon as the rainy season allows and the emphasis is on bringing the more than 3 000 hectares that have already been planted in the past three years into production, next to the replanting of more than 700 hectares of old oil palms with new high-yielding varieties.

In Musi Rawas in South Sumatra the compensation of local landowners is continuing on three concessions at the same time; new plantations can be planted as quickly as possible in these zones. In 2014 we hope to expand the earlier planted 223 hectares to half of the 4 000 hectares already compensated. Both the compensation and the new plantations continue to consume a lot of time due to the complex social conditions in this region. It is therefore not yet possible to determine the ultimate size of this new region in *SIPEF* activities, but over the next three years we will continue to work towards the expansion of a sustainable and profitable project in this high-quality agricultural area.

Our expansion programs remain, however, dependent on the cash flows generated by the group, without building a structural debt position.

2.7. Explanation of the responsibilities

The undersigned declare that, to their knowledge:

- the consolidated financial statements for the financial year ended on 31st December 2013 were drawn up in accordance with IFRS (International Financial Reporting Standards) and provide an accurate picture of the consolidated financial position and the consolidated results of the *SIPEF* group and its subsidiary companies that are included in the consolidation;
- the financial report provides an accurate overview of the main events and transactions with affiliated parties, which occurred during the financial year 2013 and their effects on the financial position, as well as a description of the main risks and uncertainties for the *SIPEF* group.

On behalf of the board of directors, 20th February 2014.

François Van Hoydonck

managing director

Baron Bracht

chairman





View of the construction of the newly installed digesters and screw presses in the nearly finished palm oil extraction mill at PT UMW in North Sumatra.

3. Corporate Governance

SIPEF's Corporate Governance Charter can be found under the heading 'Investor Relations' on the website www.sipef.com.

3.1. General

The board of directors of SIPEF approved the first corporate governance charter ("Charter") on 23 November 2005. The Charter was prepared in accordance with the provisions of the Belgian Corporate Governance Code ("Code") that was announced by the "Corporate Governance Committee" on 9th December 2004. This version of the Charter already coincided with various Royal Decrees implementing European rules on market abuse.

SIPEF currently uses the Belgian Corporate Governance Code 2009 as a reference and the corporate governance charter approved by the board of directors of SIPEF is in compliance with the Code.

As specified in the Code, SIPEF must devote specific attention in a chapter of its annual report (the "Corporate Governance Chapter") to factual information concerning corporate governance, any amendments to the corporate governance policy and relevant events in connection with corporate governance that have occurred during the previous year. The "Corporate Governance Chapter" also provides a more detailed explanation of the deviations from the Code recommendations, in terms of the "comply or explain" principle, during the past financial year.

3.2. Board of directors

3.2.1. Membership

The board of directors consists of nine members.

	End of term of appointment
Baron Bracht, <i>chairman</i>	2014
François Van Hoydonck, <i>managing director</i>	2015
Baron Bertrand, <i>director</i>	2016
Priscilla Bracht, <i>director</i>	2014
Jacques Delen, <i>director</i>	2016
Antoine Friling, <i>director</i>	2015
Regnier Haegelsteen, <i>director</i>	2015
Sophie Lammerant-Velge, <i>director</i>	2015
Richard Robinow, <i>director</i>	2015

The board of directors will submit a proposal to the ordinary general meeting of 11th June 2014 to renew the appointments of Baron Bracht and Madam Priscilla Bracht, both as non-executive

directors, for a period of 2 and 4 years respectively, which will expire at the general meetings of 2016 and 2018.

3.2.2. Non-executive and executive directors

François Van Hoydonck has been managing director since 1st September 2007.

The remaining eight directors are non-executive directors. Ackermans & van Haaren on the one hand, and Baron Bracht, his children and their affiliated companies CABRA NV and GEDEI NV on the other hand, have declared that they possess together 39.555% of the shares in SIPEF.

The directors who hold directorships in other listed companies outside the group are:

Baron Bertrand:

Ackermans & van Haaren, Atenor Group, Leasinvest Real Estate, Groupe Flo (FR) en Schroders (UK);

Jacques Delen:

Ackermans & van Haaren;

Regnier Haegelsteen:

Atenor Group;

Richard Robinow:

MP Evans Group plc (UK), R.E.A. Holdings plc (UK) en REA Vipingo Plantations Ltd (Kenya).

3.2.3. Independent directors

Antoine Friling

Sophie Lammerant-Velge

Both directors fulfil all of the independence criteria set out in article 526ter of the Code.

3.2.4. Activity report

The board of directors of SIPEF met five times in the course of 2013. The average attendance rate was 91%. Individual attendance records were as follows:



Baron Bracht, <i>chairman</i>	5/5
François Van Hoydonck, <i>managing director</i>	5/5
Baron Bertrand	5/5
Priscilla Bracht	4/5
Jacques Delen	3/5
Antoine Friling	5/5
Regnier Haegelsteen	5/5
Sophie Lammerant-Velge	5/5
Richard Robinow	4/5

During 2013, the board of directors followed the group results and the development of the activities of the various subsidiaries by means of reports prepared by the management committee. The board of directors also took major investment and disposal decisions during the past financial year.

At its meeting on 19th February 2013, the board of directors discussed the relationship between itself and the management committee, in accordance with article 2.7 of the Charter and in the absence of the executive director. The directors concerned expressed their satisfaction with the transparency and the excellent collaboration between the two bodies. In this context, they passed a few suggestions to the executive director.

The directors also assessed the size, composition and operation of the board of directors and of the committees, paying particular attention to their current composition, which was assessed in comparison with the desired composition. It was also established that there was a proportionate balance of specific skills – such as the interpretation of financial reporting, familiarity with the sector, experience in management of a company and operation of financial markets – within the current composition of the board of directors.

The board of directors held a special meeting on 19th September 2013 concerning the group's strategic development, based on a business plan covering ten years.

3.2.5. Rules of conduct concerning conflicts of interest

The board of directors also announced in the Charter (2.9 and 4.7) its policy in relation to transactions that might give rise to conflicts of interest (whether or not coinciding with the definition in the Code). There was no need to apply this policy during the financial year.

3.2.6. Rules of conduct concerning financial transactions

The board of directors announced its policy concerning the prevention of market abuse in chapter 5 of the charter.

3.3. Audit committee

3.3.1. Membership

Regnier Haegelsteen

- chairman and non-executive director;

Antoine Friling

- independent and non-executive director;

Sophie Lammerant-Velge

- independent and non-executive director.

It was confirmed, in accordance with article 526bis of the Code, that Regnier Haegelsteen, chairman of the committee, possesses the requisite skills within the disciplines of accountancy and auditing. Regnier Haegelsteen no longer fulfils the independence criteria specified in article 526ter of the Code.

3.3.2. Activity report

The audit committee met on four occasions in 2013. The attendance rate (or representation by proxy) was 100%. In February and August, the committee focused primarily on analysing the annual and six-monthly financial reports, in the presence of the auditor. It also considered the figures for the proposed press release, as well as the "one-to-one rule" for the waiver of the auditor's independence. There was also an explanation and discussion on the procedures for valuing the biological assets, in the context of IAS41. Finally, the audit committee also held a private session on each occasion with the auditor, but in the absence of members of the executive board.

In November, in addition to considering internal audit committee reports from Indonesia, *Hargy Oil Palms Ltd* and the insurance activities, the committee also re-examined and supplemented a risk analysis for the group.

These committees were also attended by the chairman of the board of directors, the managing director, the CFO and a representative of Ackermans & van Haaren.

The audit committee systematically reported on the performance of its duties to the board of directors.

3.4. Remuneration committee

3.4.1. Membership

Regnier Haegelsteen

- chairman and non-executive director;

Antoine Friling

- independent and non-executive director;

Sophie Lammerant-Velge

- independent and non-executive director.

The remuneration committee meetings were consistently attended by representatives of the Bracht family and Ackermans & van Haaren.

3.4.2. Activity report

The remuneration committee met twice in 2013, on 19th February and on 19th November. The average attendance rate (or representation by proxy) was 100%. The remuneration committee made recommendations to the board of directors in connection with fixed remuneration for the directors and the chairman, as well as recommendations for the remuneration of the management committee, the amount and payment formats for the variable remuneration and individual payments for the management committee, as well as salaries and variable remuneration for board members of subsidiaries residing abroad. At the meeting of 19th November, the remuneration committee made recommendations to the board of directors in connection with the offer of share options to the management committee and the group's foreign management teams, and regarding the organization of the management committee.

3.5. Management committee

3.5.1. Membership

François Van Hoydonck

- managing director

Didier Cruysmans (till October 2013)

- director estates department

Charles De Wulf (as from October 2013)

- director estates department

Thomas Hildenbrand

- director marketing bananas and horticulture

Robbert Kessels

- director marketing commodities

Johan Nelis

- chief financial officer

Matthew T. Adams

- external visiting agent

Baron Bracht (chairman of the board of directors) and Priscilla Bracht (non-executive director) periodically attended the meetings of the management committee as observers.

3.5.2. Activity report

Except in unforeseen circumstances, the management committee meets once each week. The management committee's responsibilities include the day-to-day management of the group and it also prepares the decisions that have to be taken by the board of directors.

3.6. Remuneration report

3.6.1. Procedure to develop a remuneration policy and to adopt remuneration levels

The remuneration of the non-executive directors consists exclusively of a fixed payment. This fixed payment consists of a basic payment and, in appropriate cases, an additional payment depending on whether the director concerned is a member of a specific committee.

The remuneration committee periodically assesses the payment of non-executive directors. The remuneration committee submits any proposed adjustments to the board of directors for approval.

The members of the management committee receive a fixed remuneration and a variable payment depending on the consolidated recurrent results of the *SIPEF* group (see also under "Policy regarding variable payments"). They also have use of a company car and membership of a group insurance plan (pension accrual, death benefit cover, invalidity cover), meal tokens, a legal assistance insurance policy offering worldwide coverage and hospitalisation cover. The group insurance is of a "fixed contribution" type.

Share options were offered to the members of the management committee and some of the executive directors of the foreign affiliated companies during 2011, 2012 and 2013. The share options, which were offered under the *SIPEF* share option plan, have the following features:

- Offer: end of November;
- Exercise price: price established on the basis of the average closing price for the share over 30 days prior to the offer;



- Exercise period: the options may be exercised from the end of the third calendar year after the year in which the offer is made, until the end of the 10th year, counting from the date of the offer.

These elements are assessed each year by the remuneration committee, and tested for market conformity. This is generally done at a meeting in November or December. The test is undertaken on the basis of public information (for instance, the remuneration data included in the annual reports of other comparable listed companies) and salary studies. Any amendments proposed by the remuneration committee are submitted to the board of directors for approval.

3.6.2. Policy regarding variable remuneration

The variable remuneration that is awarded to members of the management committee depends upon predetermined and objectively verifiable performance criteria, measured over a period of one financial year (as mentioned in the bylaws) and depends in particular upon the consolidated recurrent results, before IAS41, of the *SIPEF* group. In other words, there is no long-term cash incentive plan. The variable remuneration is paid in July of the ensuing financial year, the same month when dividends are distributed to the shareholders.

There is a provision for the company to have a right to reclaim the net variable remuneration that is awarded to the executive directors and members of the management committee on the basis of incorrect financial data.

3.6.3. Remuneration of executive and non-executive directors

The remuneration for the directors, for the financial year 2013, was set at a fixed annual amount of EUR 20 for the chairman and EUR 20 for each director. The members of the audit committee receive a fixed annual payment of EUR 4 and the members of the remuneration committee receive a fixed annual payment of EUR 2. These figures are therefore not related to the amount of the results and can be regarded as fixed, non-performance related payments awarded during the financial year.

Directors who retire or are appointed during the financial year are paid pro rata, depending on the length of their mandate in the financial year.

The individual remuneration figures for the directors, as actually received in 2013 in the form of payments for 2013, were:

	In EUR
Baron Bracht, chairman	20
François Van Hoydonck, managing director	20
Baron Bertrand	20
Priscilla Bracht	20
Jacques Delen	20
Antoine Friling	26
Regnier Haegelsteen	26
Sophie Lammerant-Velge	26
Richard Robinow	20

3.6.4. Remuneration of members of the management committee

The fixed and variable remuneration elements, and other benefits awarded and paid to members of the management committee in 2013, either directly or indirectly, by *SIPEF* and its subsidiaries, can be summarised as follows (total cost to the company):

In EUR	CEO	Other members of management committee	Total	Relative Share
Fixed payment	306	1 081	1 387	45,67%
Variable payment	300	547	847	27,89%
Group insurance	215	163	378	12,45%
Resignation payment	0	310	310	10,21%
Share options 2012	41	41	82	2,70%
Benefits in kind (company car)	11	22	33	1,08%
	873	2 164	3 037	100,00%

The options that have been offered in 2013 are only awarded finally in 2014 and are therefore not included in the table shown above.



1. Thomas Hildenbrand
2. Charles De Wulf
3. Johan Nelis
4. Robbert Kessels
5. François Van Hoydonck









3.6.5. Options awarded to members of the management committee in 2013

Due Date	31st december 2023
Exercise price	EUR 55.50

François Van Hoydonck	6 000
Matthew T. Adams	2 000
Thomas Hildenbrand	2 000
Robbert Kessels	2 000
Johan Nelis	2 000
Total	14 000

In total, 6 000 options were awarded to some of the managing directors of the foreign subsidiaries.

3.6.6. Most significant contract terms

The managing director is subject to the Statute for the Self-employed and has a permanent contract. The contract can be terminated unilaterally by the managing director, subject to a notice period of 6 months, while the company must observe a notice period of between 18 and 24 months depending on the timing of termination of the contract. The notice period will be extended by 12 months in the event of termination of the agreement as a result of changes in the company's control in terms of which more than half of the directors are replaced, and in the event of serious restrictions in the essential powers introduced unilaterally by the company. This final provision was approved by the extraordinary general meeting of 27th December 2007, in the context of article 556 of the Code.

The position of "external visiting agent" (EVA) was created on 1st November 2010. The EVA has an exclusivity contract with *SIPEF*. This contract can be terminated by either party, subject to a notice period of one year. The payment awarded to the EVA is commensurate with the payments awarded to the members of the management committee. As of 1st January 2014, the exclusive fulltime cooperation was changed into a non-exclusive part-time agreement.

The contracts with the other members of the management committee are subject to the statute on employees and contain the normal provisions regarding remuneration (fixed and variable payments) and insurances. The contracts are permanent in nature. Any member of the management committee is entitled to terminate his contract unilaterally, subject to a notice period of six months. The company can terminate the contract with each member of the management committee unilaterally, provided that it gives appropriate notice, determined in accordance with the rules and customs associated with the Statute on Employees.



One of the newly installed boilers that generates steam as a primary energy source for the oil extraction process in the nearly finished Barema Mill in Papua New Guinea.

3.6.7. Changes to the remuneration policy

No significant changes were made to the remuneration policy in 2013.

3.6.8. Remuneration policy for the next two financial years (2014 - 2015)

The board of directors does not expect to make any fundamental changes to the remuneration policy in the current and next financial years.

3.7. Internal and external audit

The company's auditor is Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Dirk Cleymans.

The auditor arranges for the external audit of the consolidated and summarised figures for the *SIPEF* group and reports twice each year to the audit committee and the board of directors.

The auditor was appointed at the ordinary general meeting of 8th June 2011 and his mandate expires in June 2014.

The board of directors will propose to the ordinary general meeting to renew the mandate of Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Dirk Cleymans, for a period of three years.

The annual payment to the auditor for the audit of the summarised and consolidated annual financial statements of *SIPEF* amounts to KEUR 81. An additional sum of KEUR 33 is also paid to the company to which the auditor is affiliated, for legal, accountancy and fiscal work. These payments are approved by the audit committee, which received a summary of these honoraria at each meeting.

The total cost for the external audit of the *SIPEF* group was KEUR 338 and the amount paid to the same auditor and his affiliated businesses for advice was KEUR 88.

The internal audit for Indonesia and *Hargy Oil Palms Ltd* in Papua New Guinea is structured within an audit department, with a committee meeting four times each year to consider the internal audit reports. The internal audit for our insurance business is subcontracted. The audit committee at *SIPEF* receives a summary of their work, with an explanation and estimate of the potential impact of the findings, which allows it to assess the work of the local audit department. For the other subsidiaries, the internal audit is organised by the financial controller. Bearing in mind the

more limited size of these companies, the audit committee has decided that there is no need, for the time being, to set up any separate audit department.

3.8. Shareholder structure

As stated in note 16 in the explanatory notes to the consolidated financial statements, three shareholders have announced a holding in excess of 5% in our company. The company has no knowledge of any agreements among these shareholders, nor of the existence of committees of shareholders or directors, with the exception of the common declaration of 12th February 2007, which is also included in explanatory note 16.

On that date, Ackermans & van Haaren (AvH) NV and acting in consultation with Baron Bracht and children, CABRA NV and GEDEI NV, notified the company of the conclusion of a shareholder agreement with a view to the creation of a stable shareholding in *SIPEF*. This was done to promote the balanced development and profitable growth of *SIPEF* and its subsidiary companies. The shareholder agreement, which was concluded for a period of 15 years, includes voting arrangements in connection with the appointment of directors and arrangements in connection with the transfer of shares.

The relevant information concerning this transparency report can be found on the company's website (www.sipecf.com).

3.9. Coincidence with the Belgian Corporate Governance Code – comply or explain

The Charter at *SIPEF* deviates from the recommendations of the Code on a limited number of points.

3.9.1. Membership of the nomination committee

In accordance with recommendation 5.3.1 of Appendix D to the Code, the nomination committee must have a majority of independent non-executive directors. The nomination committee of *SIPEF* consists of every member of the board of directors. Since only 22% of the membership of the board of directors is made up of independent non-executive directors, the Charter deviates from the Code on this point.

The board of directors considers, however, that this deviation is well-founded, bearing in mind the fact that its relatively limited size (with nine members) does not hinder efficient deliberation and decision-making processes. Furthermore, the board of direc-

tors as a whole is in a better position to consider its own size, membership and succession plans.

3.9.2. Gender diversity

In accordance with paragraph 2.1 of the Code, the board of directors must be composed in a manner compliant with the principles of gender diversity as well as of diversity in general.

After the recent nominations, the board of directors of *SIPEF* is composed of seven men and two women with varying yet complementary knowledge bases and fields of experience.

The board of directors has taken note of the recent legislative initiatives with regard to representation of women on the boards of directors of listed companies and will make every effort to conform its composition to the actual legislation before 1st January 2017.

3.10. Report on internal controls and risk management systems

The board of directors of *SIPEF* is responsible for assessing the company's inherent risks and the effectiveness of its internal controls.

SIPEF's internal control system was set up in accordance with the accepted principles relating to internal controls (relevant statutory regulations, Code 2009 and COSO).

The basis of the internal controls and risk management system is established by means of a risk assessment that has been carried out at a group level. Particular attention is paid to the reliability of financial reporting and the communications process.

3.10.1. Control environment

SIPEF implements a Corporate Governance Charter, which aims to promote the observance of accepted ethical standards by directors, management and staff in carrying out their duties.

The board of directors at *SIPEF* supports the application of clear rules on sustainability, which are applied in terms of the policy governing our day-to-day operations and which are also more stringent than the statutory requirements in the countries in which we operate.

Our operations are assessed in accordance with commonly applied standards, such as ISO9001, ISO14001, the "Roundtable on Sustainable Palm Oil" (RSPO), "Indonesian Sustainable Palm Oil" (ISPO), the "International Sustainability and Carbon Certification" (ISCC), the "Clean Development Mechanism" (CDM) of the United Nations, the "Ethical Tea Partnership" (ETP), "Rainforest Alliance" and "GlobalGAP".

In general terms, the company structure, company philosophy and management style may be described as being clear, which is supported by the limited number of decision-making processes within its hierarchy. This limited number of decision-making processes, together with the limited degree of staff rotation, also enhances the social controls within the company.

The group is subdivided into a number of departments as set out in an organisational chart. Each department and each person within the relevant department has his/her own job description. The required qualifications and/or level of experience are specified for each position and job. There is a clearly defined policy of delegated powers.

3.10.2. Risk assessment and controlling activities

Strategic, operational, financial, tax-related and legal objectives are defined in a strategic plan, which is approved annually by the board of directors. The risks that may jeopardise the ability to meet these objectives have been identified and designated according to their potential importance, the probability with which the risk might occur and the measures that have been taken to deal with the risk according to its importance. Risk management is divided into various categories (reduction, transfer, prevention or acceptance).

The necessary instructions and/or procedures have been issued to ensure that the identified risks are managed appropriately.

3.10.3. Information and communication

A complete set of operational and (internal and external) financial reports has been set up to provide the necessary information periodically (daily, weekly, monthly, six-monthly or annually) and at the appropriate levels in order to ensure that assigned responsibilities are performed properly.

3.10.4. Control

It is the responsibility of each employee to report any potential shortcomings in the internal controls in relation to their respective responsibilities.

In addition, the internal audit departments (in Indonesia and in Papua New Guinea at *Hargy Oil Palms Ltd*) and the subcontracted internal audit (for our insurance business) are responsible for continuous supervision of the effectiveness and observance of the existing internal controls for their respective activities. They propose any necessary adjustments based upon their findings. The reports from these internal audit departments are discussed on a quarterly basis in a local audit committee. A summary of the most important findings is submitted annually to the group's audit committee.

For small subsidiaries, for which no separate internal audit position has been created, supervision of the internal inspection is fulfilled by the responsible member of the management together with the managing director and chief financial officer of the group.

In addition, each subsidiary of the group is (as a minimum requirement) subjected annually to scrutiny of its financial statements by an external auditor. Any comments relating to this external audit are passed on to the management in the form of a "management letter". No significant shortcomings in internal controls have been found in the past.

3.10.5. Internal controls and risk management system associated with financial reporting

The process for drawing up financial reports is organised as follows:

- The process is directed by the "corporate finance" department, which falls under the direct supervision of the group's chief financial officer;
- Depending on the (internal and external) deadlines to be met, a retrospective schedule is drawn up, which is submitted to each reporting entity and to the external auditor at the start of the year. The external deadlines are also published on the company website;
- The following reporting entities can be identified:
 - a. the entire group of companies in Indonesia
 - b. *Hargy Oil Palms Ltd* in Papua New Guinea
 - c. *Galley Reach Holdings Ltd* in Papua New Guinea
 - d. *Plantations J. Eglin SA* in Ivory Coast
 - e. *Jabelmalux SA* in Luxembourg
 - f. *SIPEF* in Belgium
 - g. *BDM NV / ASCO NV* in Belgium
- There is a certified accountant at the head of the financial department of each entity;
- The start of the annual reporting cycle consists of drawing up a budget for the following year. This is completed during the months of September to November and is submitted for approval to the board of directors by the end of November / the start of December. The strategic options that are included in this budget also fit into the long-term strategic plan that is updated and approved annually by the board of directors;
- The necessary sensitivity analyses are drawn up for both the strategic plan and the annual budget, to be able to assess the correct risk profile for the decisions that need to be taken;
- During the first week of each new month the production figures and net financial position of the previous month are received and consolidated by the corporate finance department and are submitted to the managing director, chairman of the board of directors and group management;
- During this first week the intergroup transactions are also reconciled before proceeding to close the accounts;
- The monthly financial reporting consists of an analysis of the volumes (starting stock, production, sales and finishing stock), the operating result, a summary of the other items in the profit-and-loss account (financial result and taxes), a balance sheet and cash-flow analysis;
- The accounting standards that are applied for monthly reporting are exactly the same as those that are used for the statutory consolidation under the IFRS standards (with the exception of the IAS41 valuations that are only included for external reporting);

- The monthly figures are compared with the budget and with the same period for the previous year for each reporting entity in which any significant variations are investigated;
- These (summary) operating and financial figures are converted on a monthly basis by the "corporate finance" department into the operating currency (usually USD), consolidated into the reporting currency (USD) and then once again compared in terms of their consistency with the budget or the previous period;
- The consolidated monthly report is submitted to the managing director, the chairman of the board of directors and the group management;
- The board of directors receives this report periodically (months 4, 6, 9 and 12) in preparation for the board of directors meetings. This report involves a memorandum containing a detailed description of the operational and financial trends over the past quarter;
- The board of directors is also notified in the intervening period in case of any exceptional events;
- In June and December an update is drawn up of the calculation of the actual value of the biological assets (IAS41 valuation);
- The individual financial statements (only in December for smaller entities), the IAS41 valuations, as well as the technical consolidation for June and December undergo an external audit before the consolidated IFRS figures are submitted to the audit committee;
- Based upon the advice of the audit committee, the board of directors states its opinion in relation to approving the consolidated figures before publishing the financial statements in the market;
- Twice a year, after the first quarter and after the third quarter, an interim report is published on the evolution of the produced volumes, the world market prices and possible changes in the prospects;
- It is the "corporate finance" department that is responsible for monitoring any changes in (IFRS) reporting standards and for implementing these changes within the group;
- The monthly management report and the statutory consolidation are maintained in an integrated system. Appropriate care is taken to provide antivirus security software, periodic backups and measures to ensure continuity of service.

Activity report by product

Palm oil

The year 2013 started off in a weak palm oil environment, stocks were at record levels of over 2.6 million tonnes in Malaysia (the only country that launches official data), “spot oil” was heavily discounted because tanks were filled to the brim, and the discount of palm oil versus soybean oil was over USD 300 per tonnes. The energy market has benefited from these low prices, with Brent prices hovering around USD 105/115, and there was a lot of demand for palm oil. Not only did the mandated blending of biodiesel lead to further uptake in the first half of 2013, but it also made economic sense to blend biodiesel into regular diesel beyond the mandated levels.

From February onwards the production went into a prolonged downward cycle whereby we saw less fruit and lower oil extraction rates. This is a phenomenon which we call “tree-stress”. 2013 is probably the first year that we have seen hardly any growth in palm oil production, implying that yields from mature estates have been lower year by year and that gap has been filled by the increased production of the young trees.

The stronger biofuel demand, the attractiveness of palm versus other vegetable oils, and the lower production drove stocks much lower, around 1.65 million tonnes by mid-summer, a level that is considered to be very tight. Due to great growing conditions in the US and an expectation of a bumper soybean crop, these lower palm oil stocks were not reflected in higher markets. In fact, just prior to harvesting the soybean crop we saw the lowest price of the year, USD 750 CIF Rotterdam.

2013 has been a year where the market traded within a very narrow trading range. It ended the year close to its highs since production has been disappointing throughout the year and demand for biofuel in particular has been good. The announcement that Indonesia will have a mandated 10% blending of biodiesel for 2014 has supported the market. This demand could consume the entire foreseen growth of production. Given that the stocks in Malaysia will be lower by almost three quarters of a million at the end of 2013, we are looking forward to a positive price scenario for palm oil in 2014.

The average price for CPO CIF Rotterdam was USD 857 against an average of USD 999 in 2012, a decrease of 14.2%.

We have experienced greater demand for fully “segregated” sustainable palm oil, fuelled by the new EU labelling regulation commencing in the fourth quarter of 2014. *SIPEF* is in a good position to serve its customers and we have increased our fully “segregated” sustainable palm oil and palm kernel oil commitments for 2014. Pressure throughout the food supply chain will continue this drive to use more and more “segregated” palm oil products.

Palm kernel oil

The price of palm kernel oil was trading below palm oil for the first half of 2013, a result of high stocks of palm kernel oil and coconut oil in the second half of 2012, and a lagging demand that was caused by markets finding alternatives after the skyrocketing prices in 2010 and 2011. Such a discount situation never lasts for a long time. This premium oil was the cheapest vegetable oil in the world! The price did its job and demand returned. On top of that, there was the destructive Typhoon Hyan that hit the Philippines in November 2013. More than 20% of the trees that produce coconut oil were destroyed, meaning that production is not likely to ever return because the trees just snapped. It boosted the lauric oil prices and palm kernel oil was back to a premium of USD 250 over palm oil.

The average price of PKO CIF Rotterdam was USD 897 against an average in 2012 of USD 1 110, a decline of 19.2%.

Rubber

The rubber market continued its decline in 2013 from USD 3 500 per tonne RSS3 to USD 2 500 per tonne, on the back of a slight oversupply, high stocks particularly in China, and still a very much hand-to-mouth buying behavior of the final customers. The European car industry in particular was still suffering in 2013. The second half of 2013 showed some signs of bottoming out as prices reached production costs in the less cost efficient producing countries. However, before we can experience a positive price trend we need to see stocks declining.

The average price for natural rubber RSS3 was USD 2 795 per tonne against USD 3 375 in 2012, a decrease of 17.2%.

The global demand for natural rubber grew in 2013 by only 2.5%, which was below expectations, whereas the International Rubber Study Group (IRSG) forecasts a growth of 5.3% for 2014 and 2015. The demand in China and the EU in particular disappointed. The IRSG has established the supply growth at 3.1% for 2013, and its forecast for 2014 and 2015 is respectively 3.9% and 4.7%. There has been a small oversupply in the last 2 years when predominantly China had built stocks. Next year it is likely that we will absorb the majority of these stocks. China holds the trump card.

Tea

Ideal weather conditions at the end of 2012 and first quarter of 2013 in Kenya, the world's biggest exporter of black CTC (Crush, Tear and Curl) tea, boosted a record production. The close to 20% production increase could not be absorbed by the market, resulting in stockpiling in Kenya and the destination countries. The political turmoil in several Arab countries in the last two years certainly played a role in the reduced demand for high quality CTC tea; however, as of late we see demand improving.

Despite the fact that production in the second half of 2013 was in line with 2012, the stockpiles built earlier weighed heavily on prices, reaching the lowest prices since 2008. However, that only accounts for CTC teas, orthodox produced tea remained stable to slightly higher. The Cibuni tea estate produces CTC tea.

During the last quarter of 2013 the prices bottomed out. Since then, prices have increased more than 30% and are not expected to drop below current levels in the first half of 2014. Weather conditions, especially in Kenya, will be the main driver of the market for the remainder of the year.

Bananas

In 2013, volumes of fruit marketed in the European Union fell by 13% as compared with 2012, and by 29% in the regional zone of West Africa, with a total volume marketed of 22 325 tonnes.

In the European Union, the fall in volume arose from a fall in the production of our own plantation as well as from a fall in the trading of a third party producer in the Ivory Coast. The fall in sales in the sub-region of West Africa is explained by defective logistics between the ports of Abidjan and Dakar, mainly during the first half of the year.

England and France continue to be the main destination countries for the fruits we sell. We called a halt to sales to Spain in the second half of the year. Our packaged "a la carte" programmes continue, with ripener clients supplying the big supermarket chains where we obtain added value, enabling us to continue our presence in a period of crisis where margins can be low, or even disappear.

In 2013, global supply to the European Union increased by 4%, with provenance largely from the dollar zone, with Ecuador, Colombia and Costa Rica increasing supply by 6%. The ACP (Africa, Caribbean and Pacific) countries, with the main producers being the Dominican Republic, Cameroon and Ivory Coast, also registering an increase in volumes placed on the market amounting to 7%. On the other hand, production from the EU zone - dominated by the Canaries, Martinique and Guadeloupe - fell by 7%. These trends will certainly continue in coming years.

We would point out that analysis over several years shows that banana markets - in green price terms - are stabilising, thanks to a sharp fall in spot offers on the free market.

The "Bananas Accompanying Measures" (MAB) programmes supporting ACP producers have begun. Ivory Coast will benefit from an overall budget of EUR 44.75 million, which should make it possible to limit the impact of the fall in customs duties for dollar bananas imported into the EU region. As a reminder, on January 1st 2014, import customs duties for the Latin American countries currently stand at EUR 132 per tonne but will fall gradually to EUR 114 per tonne on 1st January 2019. Some countries, such



The cyclone dries the shells of the fruit nuts, which are used as an energy source for the boilers.





as Colombia and Peru, have already ratified parallel agreements with the EU which guarantee access to the market by means of a progressive change to EUR 75 per tonne by 2020. These countries will pay, from the beginning of this year, EUR 117 per tonne in customs duties, in other words, EUR 15 per tonne less than the biggest producer and exporter country, Ecuador.

The ACP countries - and Ivory Coast - will have to improve competitiveness and maintain their current qualitative level if they are to keep their market share. Currently, our Ivory Coast production remains on the market and is competitive!

Horticulture

Marketing of pineapple bromelias followed the same pattern as in previous years even though the traditionally most busy month of the year - December - was characterised by two trends: the first fortnight extremely busy, the second quiet...

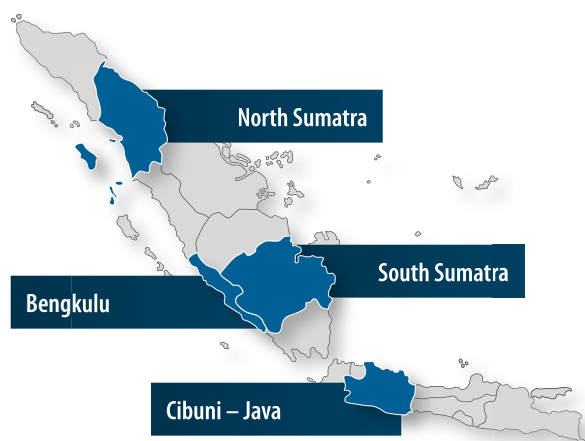
Our production is sold largely in Northern Europe. Dispatch flights from Abidjan have been profitable since the end of the crisis. Productivity increased from the second half of the financial year, enabling us to lower costs and to increase sale prices.

Trading in ornamental leaves continued to improve and we believe that we will soon reach optimal volumes of approximately 1.3 million units of *Dracaena Compacta* and *Cordylines*. New varieties are being intensively developed in order to increase the range on offer to our customer base.

Sales of lotus flowers remain stable with approximately 260 000 units sold.

Activity report by country

Indonesia



In general

Despite a very strong first term, the second period of office for President Susilo Bambang Yudhoyono, which started in 2009, has seen few fundamental changes in the Indonesian government's policies. The focus remains on reducing poverty, improving the public sector, supporting democracy and increasing legal certainty. Particularly in the last years of his current period of office, the emphasis appeared to be on adhering to the measures taken in the first term. The country is now once more facing a major election period, with voting for the regional and national parliaments on 9th April and the presidential elections on 9th July 2014. Since, after two terms, the current president cannot run for office anymore, the identities of the final party representatives and their plans for tackling the necessary reforms are being awaited with interest.

2013 was a difficult year for Indonesia, both politically and economically. For the first time since 2009, the country failed to reach a 6% annual growth rate. A weak fourth quarter showed an economy hampered by a weak currency, high interest rates and a negative balance of payments. The final growth of the Gross Domestic Product (GDP) was 5.78% compared to 6.1% in 2012. Reductions in fuel subsidies were the main reason for rising inflation rates, which amounted to 8.4% by year-end 2013 compared to just 4.3% the year before.

The weak currency was the result of the rising interest rates imposed by Bank Indonesia, which had an impact on investments from the private sector. A decline in imports of raw materials and machinery also played a role. Last year, Bank Indonesia raised interest rates five times in order to curb the deficit. In 2013, the Indonesian Rupiah (IDR) fell by 26%.

Indonesia, which has long sought to join the "BRICS" group of growing economies, is now listed as one of the "Fragile Five" countries, together with Brazil, India, South Africa and Turkey. These countries are experiencing problems with their balance of payments and have become too dependent on foreign investment to finance growth. Yet the financial markets certainly do not wish to penalise Indonesia. In fact, they express their admiration for the way the country tackled its now reduced deficit. Furthermore, its foreign exchange reserves are growing once more.

Indonesia is facing a challenging period on a social level too. The average GDP per capita is now around USD 4 800 and is considered a lower middle-class income. In order to become a higher income country, the GDP has to grow to a minimum of USD 11 750 per capita, which is still far off. The average income appears to be stagnating rather than growing. High prices for commodities have boosted the economy in recent years, but the growth and wealth that these prices brought with them has had more impact on the world economy than on the country itself. The middle class is being encouraged to consume at this time but since the income level does not allow this, we see consumer loans rising, especially through the import of goods. This is one of the main causes of the payment deficit and the weakening currency.

By the end of the year, we again saw major discussions and political movements arguing for a rise in the minimum wages. The elections for governor in early 2013 led to a substantial increase in the minimum wage in most provinces, with peaks of 44% in Jakarta and even over 50% in Kalimantan. The proposed rises for 2014 are more limited in most provinces but still amount to between 10% and 20% compared to last year. Naturally, such recurring annual increases impact heavily on labour-intensive sectors, including tropical agriculture. Differences between the provinces are also growing and this is not beneficial to overall economic development, which is reflected in the provision of infrastructure, health and educa-

tion. A national approach would certainly bring a solution in the future.

The Indonesian government remains committed to the regulations on the export taxes on palm oil. Following its introduction in 2008, the system was further amended in November 2011. It has remained unchanged since then. The tax is levied on a progressive scale based on world market prices for palm oil. Furthermore, agricultural holdings are taxed more heavily than the manufacturers of more finished products. For this reason, since 2011 a lot has been invested in vertically integrated groups that ensure that palm oil is processed into a refined product within the country or even into biodiesel that is exported to Europe at competitive prices. Subsidisation of this industry has also caused reactions from other producing countries, such as Malaysia and India. Moreover, this has led to Europe taking protective measures against the import of Indonesian biodiesel. As a producer of crude palm oil, *SIPEF* is subject to high tax rates, which amounted to an average taxation of USD 75 per tonne in 2013 compared to USD 149 in 2012. The group's gross income was thus reduced by USD 11.6 million, which was however lower compared to USD 23.8 million the year before.

There is still uncertainty for the plantation companies about the permitted scale of planted hectares. The Minister of Agriculture has set the limit, under certain conditions by law, at 100 000 hectares per group of companies, but the department that issues the licenses for the acquired land rights continues to rely on older laws, which set the limit at 20 000 hectares per province and per company. These situations illustrate the increasing legal uncertainties facing foreign investors in Indonesia today.

North Sumatra

With the exception of the new projects, palm oil production was generally lower than in 2012. This applies to both the mature plantations in North Sumatra and those in the province of Bengkulu, reducing total palm oil production in Indonesia by 3.3% compared to 2012.

The maturity of some additional young plantings pushed up the number of hectares of oil palms in production from 33 766 hectares in 2012 to 35 656 hectares by the end of December 2013. Yields per hectare decreased from 18.91 tonnes to 17.94 tonnes per hectare in North Sumatra and from 22 tonnes to

21.57 tonnes per hectare in Bengkulu province. This reduction was particularly pronounced in the mature plantations. This was due in part to a seasonal low production trend after the exceptionally good production year of 2012, and in part to a rise in the percentage of young trees that cannot yet guarantee a full harvest.

Precipitation was higher than last year in most of the North Sumatra plantations and also higher than the annual average. This had a negative impact on the harvest, the quality of the fruit and the transport from field to mill. There were particular problems with flooding in the fourth quarter for the lowland plantations in the Labuhan Batu region. Driving conditions on the road network were also difficult.

The Perlabian and Tolan plantations form part of *PT Tolan Tiga Indonesia*, which has exploited oil palms for decades and represents 8 214 planted hectares, of which 7 107 are mature and 1 107 are being replanted. After an exceptional output in the second half of 2012, it was mainly the Tolan plantation that appeared to require a recovery period. This resulted in a 10.3% lower volume of harvested fruit in 2013. The average yield amounted to 22.8 tonnes per hectare in the somewhat older plantations in Perlabian, but 24.9 tonnes per hectare in the younger Tolan plantation.

Through early planting of humus-rich ground cover, the use of nets to protect the young palm crowns and a limited use of selective chemical spraying, the *Oryctes* beetle (which lays eggs in the palm and whose larvae devour the soft crown) plague was controlled far better than has been the case in the past. The highly effective treatment prevented any delay in growth to maturity. The immature period of the most recent palm varieties is actually getting shorter and we can reap the first fruits a mere 24 months after planting.

The Bukit Maradja and Kerasaan plantations (5 416 planted hectares, of which 4 588 hectares are mature and 828 hectares are replanted) have fully recovered from the attack of leaf-eating insects that affected production in 2011 and part of 2012. Through constant monitoring and the appropriate treatment, whereby natural balance is maintained by increasing natural enemies instead of using chemical sprays, any sudden recurrences could be brought under control fairly quickly. Full restoration of the ground cover meant that the yield was once

more in line with previous years, with an average yield of 22.6 tonnes of fruit per hectare.

The fight against the *Ganoderma* fungus required a great deal of attention from our agronomists, particularly in the older plantations, where we have third generation palms. This fungus mainly affects the roots of the tree and in so doing annually reduces the number of palms per hectare. Extensive cooperation between the various plantation groups in North Sumatra allowed us to test different treatment methods in different locations. Besides measures taken in the areas that needed replanting, *Ganoderma*-tolerant seeds, recently on the market, were used for the first time. We also conducted tests using soil improvement products that were designed to boost the health and immune system of the palms. For existing hectares, we are providing extra protection at the base of the palms so that they survive longer. However, in the years to come we will have to accelerate plans to replant existing areas where no protective measures were taken at the time of replanting. The impact of this earlier replanting will not significantly affect total production for the *SIPEF* group since replanting with the latest seed varieties will guarantee a higher yield per hectare.

The replanting of 437 hectares of the existing plantations in North Sumatra to prevent the spread of the *Ganoderma* fungus went according to plan. In Perlavian, 119 hectares were replanted, whereas no further replanting will be necessary at the Tolan plantation in the next few years. In Bukit Maradja, 163 hectares were replanted and in Kerasaan 155 hectares. These latter replantings fit in with the early replacement plan for affected areas, where since 2009 the greatest care has been devoted to purification of the soil before the new palms are planted.

The most recent expansion in North Sumatra is to be found in the *PT Umbul Mas Wisesa (PT UMW)* and *PT Toton Usaha Mandiri (PT TUM)* projects, that comprise 8 215 planted hectares, of which 7 094 hectares are mature and 1 121 hectares not yet mature. Despite the difficulties at the start of the project, which resulted in uneven growth in the early stages, we saw encouraging progress in 2013. The construction of new housing has now ensured a sufficient workforce. The establishment of a foundation that operates local shops to provide all the daily necessities at lower prices is a great success and will be expanded next year. Besides harvesting the fruit, the workers

now ensure the application of improved agronomic practices and guarantee that the palms receive sufficient fertiliser. Basic fertilisers have been replaced by composite products that slowly release the nutrients and improve soil composition. Management of water levels in this lowland project was improved using a system of channels and water locks. Furthermore, we invested heavily in the road infrastructure so that we can now state that the fruit can be harvested and transported at regular intervals. In 2013, the fruit was still being brought to the Perlavian mill but from April 2014, our own mill will be operating and will process the fruit into oil.

The output of fruit rose by 90.1% in 2013 compared with the previous year, partly due to the maturity of an additional 2 441 hectares but mainly due to the natural growth of the young areas to their most productive stage. For these young plantations, the average yield per hectare rose from six to just over nine tonnes. This makes us hopeful that the progress that was achieved will be repeated in all the mature hectares in the coming years.

In the fourth quarter particularly, production was disrupted by exceptionally heavy rainfall, which flooded the lower sections of the plantations. The access road to this project was cut off for truck transport for over a month. Delivery of fruit had to be done partly by boat and transfer to the boats was an additional cost factor. We investigated various options to facilitate access to this project during the rainy season. Transport on the nearby river seemed by far the best solution. We have already purchased a piece of land on the banks of the Barumun River in order to build a jetty, and hope that in the course of 2015 we will have an efficient water transport system in place that will enable the shipping of oil and the supply of fertilisers. Meanwhile, the volume of oil produced is not so great that it cannot be transported the relatively small roads.

PT UMW and *PT TUM* also had to contend with attacks of leaf-eating insects in 2013. With the experience gained in other plantations in North Sumatra, we were able to deal with that fairly quickly. Lower photosynthesis meant that we had to factor in a slight decline in production for the first months of 2014. Termite attacks had resulted in young palms needing to be replaced.

Having previously received a definitive operating permit (Hak Guna Usaha) for *PT TUM*, which remains valid until 2046, in

June 2013 a licence was also issued for an initial phase of 6 468 hectares, which remains valid for 35 years (until 2048). This permit was issued by two regencies since our lands extend across the border. Permission for a second section of 1 296 hectares is pending. The local authorities have now visited the location in order to make the necessary checks regarding any outstanding disputes. They have confirmed that there is no reason to postpone this permit any longer. A foundation was also created to enable the local elementary school to be extended.

The fertilisation programmes for the established plantations in North Sumatra were fully implemented. A mechanical spreader was used wherever possible. Where manual fertilisation is necessary, all fertilisers are now packaged in advance to give an exact amount per palm tree so that fertilisation is always uniform. Organic fertilisers are also applied systematically. In addition, the empty palm bunches are spread by tractors and the wastewater from the plants' effluent ponds provides irrigation for the surrounding areas. Furthermore, deficiencies of certain micro nutrients are replenished using scientific methods. In 2013, this primarily concerned magnesium and boron, of which deficiencies were observed in young plant material from certain established seed producers as well as in the older palms of the mature plantations. At the express request of consultants specialising in fertilisation programmes, an application of compound fertilisers with high potassium levels was formulated at *PT UMW* and *PT TUM*, with favourable yield results. Successful fertilisation of the areas is largely dependent on the available workers, but also on the timely delivery of the amounts needed in the on-site warehouses and on the accessibility of the palms.

Prices for fertilisers were to a great extent influenced by demand. Lower palm oil prices meant that there was an obvious decrease in use by the local Indonesian farmers. We noted a lower overall price for phosphates (-10%), for potassium (-9%) and finally, in the second half of the year for nitrates (-6%). This downward trend was reinforced at the end of the year when the largest producers of fertilisers ended their price fixing. We can thus face 2014 with confidence regarding the price level of compound fertilisers.

The two palm oil extraction plants in Perlabian and Bukit Maradja performed as expected and processed 5.8% more fruit than in the previous year, mainly due to the greater volume

of fruit from the *PT UMW* and *PT TUM* projects. The Perlabian mill has a processing capacity of 60 tonnes per hour and in 2013 had an average utilisation rate of 52.2 tonnes per hour. The Bukit Maradja mill is smaller, with a processing capacity of 30 tonnes per hour. In spite of replanting in the neighbouring plantations, it achieved an effective utilisation rate of 30.30 tonnes per hour. The average oil extraction rate of the Perlabian mill was limited to 21.5% due to the supply of young fruit with lower oil content from *PT UMW* and *PT TUM*. This is nearly 0.60% lower than in the previous year. Oil extraction at Bukit Maradja was 23.2%, compared with 23.6% the previous year. This can also be explained by the generally heavier rainfall in North Sumatra in 2013. Controlled standards for the maturity of the delivered fruit meant that high quality oil and kernels could be produced throughout the year without acidity problems.

Both plants are ISO, RSPO and ISCC certified. The latter allows us to export oil to Europe to be used as biodiesel and as a basis for the generation of green energy. We can only achieve these certification standards if the plants are equipped with a system to capture methane gases produced.

These certifications offer us the opportunity to offer our sustainable palm oil to refineries. They can then, according to demand, use it for nutritional or energy purposes. In either case, the provision of sustainable oil comes with the right to a premium on top of the normal price of palm oil. All the output of these two plants generated an additional premium in 2013.

We are also studying the reuse of biogas as an additional energy source for the processing of palm fruit into oil. This means that there will be more organic material available to fertilise the plantations and that eventually systems to generate energy could be installed. We have already held talks on this subject but the Indonesian public grid is not yet adapted to be able to reimburse such a supply. For the time being, the system installed in 2008, based on a membrane placed above the effluent ponds, is still in use. It is also recognised by the UNFCCC and is entitled to certification.

Since the premiums are mainly paid on deliveries outside of Indonesia, the share of sales in the export market rose from 70% to 85% of the output. This also means that transport from the plantations to the port of Belawan markedly increased. We also hired additional tank storage. Belawan has meanwhile

reached saturation point, whereby the ships experience long waiting times before they can load palm oil for export, mainly to Europe. So we are also examining the potential for shipping from other ports located along the north coast of Sumatra.

The construction of the third palm oil extraction mill in North Sumatra, which will process the fruit from *PT UMW* and *PT TUM*, continued in 2013. There were delays caused by the very wet weather conditions in this region in November and December. Flooding of access roads prevented the supply of cement and steel, which meant we had to postpone the construction work on the concrete loading platforms and on the cisterns for methane capture. By the end of December, 70% of the installation was completed. The mill, completed by the end of March 2014, will immediately process all of the project's harvest. This mill is built to process 45 tonnes of fruit per hour with the potential to expand to 60 tonnes per hour at a later stage. It includes a fully integrated plant for the recycling of wastewater and the capture of methane gas. The latter is used as an energy source for generating steam. The plant will also be responsible for providing drinking water and electricity for our workers' residential units.

In spite of lower production volumes, the average unit production cost (denominated in USD) of our palm oil in North Sumatra has not risen. The upward pressure of the significant rise in the minimum wage in most regions of Indonesia was offset by the weakening of the local currency against the USD. In North Sumatra, the increase in the wages paid to our workers, which far exceed the minimum wage, remained comparatively low at 19% while in other provinces, 2013 frequently saw increases of up to 50%. Other major costs, such as petroleum and fertilisers, which are linked to the USD, were spared from increases. Regarding fertilisers, we even noted a downward trend in the second half of the year.

Volumes from the North Sumatra rubber business also remained slightly below expectations. In *PT Timbang Deli* (where 866 hectares are planted, of which 807 are in production), production suffered from the higher precipitation, especially in the mornings. This led to more lost tapping days. The volume therefore decreased by 7.3% compared to the previous year. The yield was 1.57 tonnes per hectare as compared to 1.69 tonnes in 2012. In *PT Bandar Sumatra* (where 1 164 hectares are planted, of which 1 010 hectares are tapped), in August there was the additional impact of wind damage. 4 700 trees

were destroyed by a tornado and 23 600 trees required additional pruning. This mainly affected latex production in the fourth quarter. The average annual yield per hectare dropped from 1.66 tonnes to 1.61 tonnes in 2013. Replanting of the mature plantations followed the original pattern, whereby 57 hectares were restored in *PT Bandar Sumatra*. In *PT Timbang Deli*, replanting was postponed by the launch of the research project.

Following a complete renovation of the *PT Bandar Sumatra* plant in 2012, we have seen a strong improvement in the quality of (Ribbed Smoked Sheet) RSS3 rubber production. This was also reflected in an optimisation of processing costs. In the rubber industry too, rising local costs, due to wage increases, interim application of fertilisers and increased supervision of the tapping activities, were offset by the weakening of the local currency against the USD.

South Sumatra

Rubber activities at the Melania plantation in South Sumatra remain highly satisfactory. In this *SIPEF's* largest in size rubber plantation in Indonesia (with 2 735 planted hectares, of which 2 242 hectares are tapped and thus 18% of which is immature) production rose by 12.9% compared with last year. Improved weather conditions, with 56% higher precipitation and, most importantly, more even distribution across the year, more hectares in production and improved security of the areas, resulted in an increase in the average annual yield from 1.52 tonnes to 1.58 tonnes per hectare. This is comparable to the rubber zones in North Sumatra.

The installation of our own laboratory, which can measure Dry Rubber Content (DRC) in latex on-site, significantly improved the tappers' perception of their remuneration. This encouraged them to increase production. Collection of latex by tank truck instead of tractors makes transport of the latex to the factory faster and more efficient. In 2013, we continued with the heightened 'zero thief' security scheme by bringing in external security officers. This has made production losses negligible, and workers and supervisors can be more focused on their work.

The conversion programme to turn the remaining oil palm plantations into rubber plantations is almost completed: 127 hectares were replanted with young rubber trees in 2013. The intention is to convert the Melania plantation into a fully-

fledged monoculture rubber plantation. Furthermore, low-land zones that were previously planted with oil palms have now been transformed into platforms with rubber trees.

Our agronomists continue to closely monitor the progress of *White Root Disease*. This disease attacks tree stocks and spreads through root contact in zones that were not sufficiently purified during replanting. It requires individual treatment of each tree, with an 80% success rate.

The production of RSS3 rubber in the factory did not demonstrate any quality issues. Containers were shipped to South East Asia, North America and Europe. A change of local freight handler meant that we could improve export and reduce costs.

The province of South Sumatra was confronted with an increase in the minimum wage of 30% compared to 2012. That was reflected in increased costs for tapping, maintenance of roads, supervision of the workers and security costs for protecting the borders of our plantations. Due to higher production volumes and a weaker local currency, costs denominated in USD rose only 1.1% compared to the previous year.

Bengkulu

Following several years of continuous growth in the *PT Agro Muko* oil palm plantations in the province of Bengkulu, a slight decline in production was noted for 2013. The production of fruit decreased by 5.8% compared to 2012.

These lower volumes are mainly due to high precipitation, particularly in the fourth quarter when there was an average of 1 400 mm of rain spread over 51 days. As a result, harvesting of the fruit was delayed, the quality was lower and transport was hampered by damage to roads and bridges. The overall annual average rainfall was 3 809 mm in 160 days, which is significantly higher than the long term average. We can therefore state that *PT Agro Muko* had to operate under difficult weather conditions in 2013. This slightly reduced the average yield from 21.97 tonnes per hectare in 2012 to 21.57 tonnes per hectare in the past financial year.

PT Agro Muko is now entering a second production cycle in which, in the next few years, there will be a gradual replacement of the palms with new, higher-yield varieties. In 2013,

we took 990 hectares out of production. An early start with replanting meant that we could complete replanting the entire area within the year. Of the 17 796 hectares planted with oil palms, today there are still 1 763 hectares (9.9%) that are immature and 16 033 hectares that are harvested, with an average age of 14 years.

The comparatively good production results are attributable to greater availability and stability of the workforce, who stay in employment longer due to improved housing and utilities, and to the expansion of the paved road network, enabling transport of fruit.

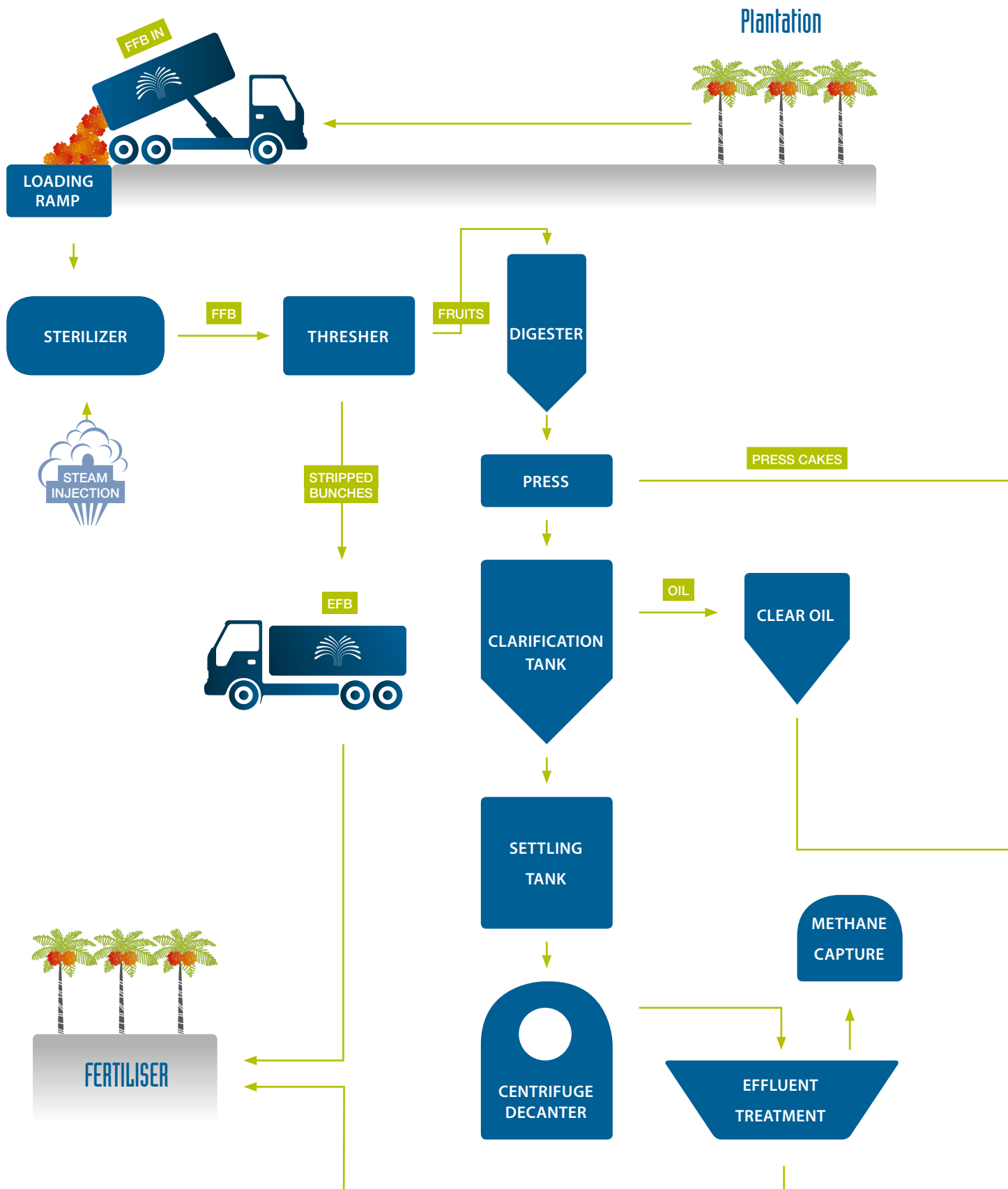
The programme to pave all main roads where fruit has to be collected using gravel progressed to some extent in 2013, with an additional 50 km of paved roads. Spread over several years, two thirds of all arterial roads have been paved, but priority that was given to this project in the past has now dropped somewhat. In future years, we will certainly continue to add more gravel as we replant and reconstruct roads. The trucks are able to collect the fruit in time and within deadlines, even in very wet weather and without compromising the quality of the fruit.

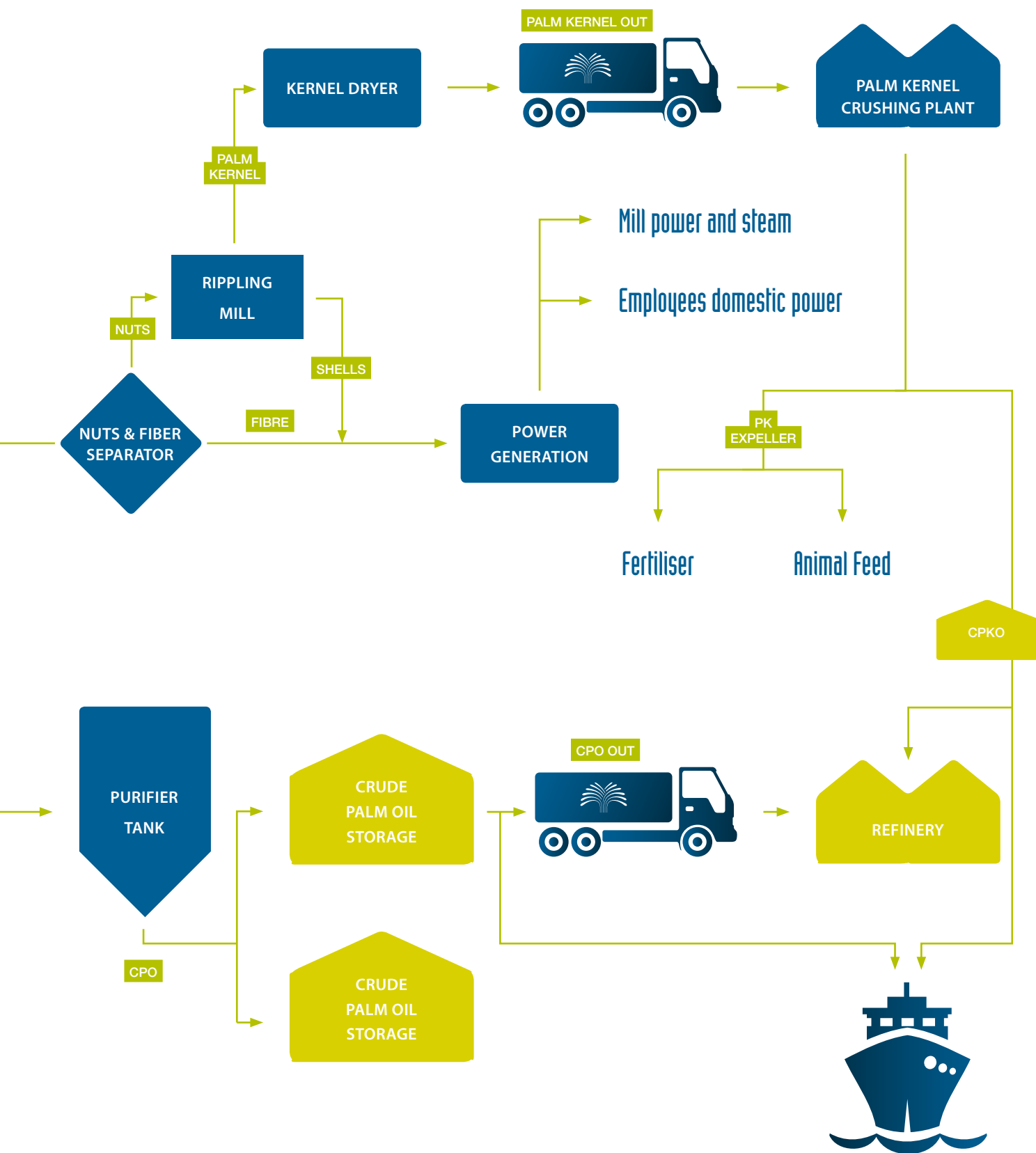
Over the past few years, there have been considerable efforts at *PT Agro Muko* to make the workers feel attached to the company. This has been done through the provision of better and newer homes with more mod-cons, integrating women as workers for lighter work and by offering permanent contracts that give entitlement to a pension scheme, healthcare and access to the company's facilities.

The fertilisation programmes were completed to the set standards. We are gradually switching from single to compound fertilisers. A limited proportion of the areas can be fertilised using a mechanical spreader but this is less appropriate for the hillier landscape farther from the coast. To promote tree growth through soil improvement and to enhance the uptake of fertiliser, organic fertilisers were spread across 1 282 hectares. This took the form of Empty Fruit Bunches (EFB), the remnants of the palm bunches after processing at the mill.

Besides the fruit from our own plantations, we also process fruit from neighbouring villages. Small plantations are estab-

Crude palm oil milling process





lished in the region as social projects for the benefit of the communities. The company is responsible for the planting and management of these plantations. These projects are highly appreciated by the neighbouring villages and will increase in number in the future. There are currently 620 hectares planted. If there is sufficient land made available, we anticipate an additional 240 hectares in 2014.

Higher rainfall and 5.8% lower production of palm fruit has meant that the mills were also less efficient than the previous year. The average extraction rate of the two palm oil extraction mills was 22.48% compared to 23.17% in 2012. The quality of the oil produced met the acidity criteria set by our clients throughout the entire year. Considering the intensity of rainfall in the fourth quarter, this was quite a feat.

The Mukomuko factory has a theoretical processing capacity of 60 tonnes of fruit per hour. In the past year, an average of 56.3 tonnes per hour was processed. The Bunga Tanjung factory, with an average throughput of 32.9 tonnes per hour, remains underutilised. This is reflected in the factory's operational costs, since at the Bunga Tanjung factory our use of energy and labour cannot be as efficient. This factory was built with the proviso that we also process the fruit of neighbouring farms. Since then, a number of mills have appeared in the area that only process purchased fruit, without developing their own plantations. This means that highly competitive prices are paid in the region. As a result, we decided to focus on our own production, with the intention to expand this where possible.

SIPEF decided a few years ago to develop its own plantations in the area to supply fruit to this mill. *PT Muko Muko Agro Sejahtera (PT MMAS)* was founded in 2011, after obtaining licenses from the local authorities, on two locations to compensate the development of its own plantations by providing the neighbouring farmers with land (the "plasma" scheme). We began the process after this expansion was checked against RSPO standards so that it could be developed sustainably. However, we have observed that there is less and less interest from the local population in this region in relinquishing land, as people prefer to develop it themselves for small oil palm plantations. By the end of the financial year, therefore, 1 910 hectares were compensated, of which 908 hectares were planted for our own use and 298 hectares for the plasma community. We continue with the land compensation in order to achieve contiguous areas in both locations, but expect a limit

of around 1 500 hectares of planted oil palms. Given the small size of these plantations, the senior leadership of *PT Agro Muko* will, for a fee, perform the daily monitoring of them. This will act to increase the project's efficiency.

PT Agro Muko's own plantations and also those of the neighbouring farmers who supply the mills, are all RSPO certified for the fruits that are delivered to each of the factories. Despite the ISO and RSPO certifications of these mills, there appeared to be little interest in the past in shipping this sustainable oil from the port of Padang. The usual shipping routes for sustainable oil tended to be from the northern ports of Sumatra, which offer a more convenient connection to Europe. This made us decide to build a tank plant for the Mukomuko factory to capture methane gases. This system allows the biogas to be recycled and used as fuel for steam generation in the boilers. Furthermore, this means that the factory would be eligible for ISCC certification, through which sustainable oil can also be used for energy purposes in Europe.

For this project, a joint venture was entered into with the producer of this technology. The plant has been operational since August 2013 and the ISCC certification has been obtained. In the months that followed, we had our first buyers. They now have a choice of two oils: RSPO sustainable oil for food or ISCC oil for energy. We now expect to get premiums for all the oil that leaves this factory for shipping from Padang.

In terms of unit production costs, we noted the same dynamic in 2013 at *PT Agro Muko* as in North Sumatra: a worrying increase in workers' wages and slightly declining volumes, which were mainly offset by the weakening of the rupiah against the USD. As a result, we registered a net increase of 1.4% compared to 2012. Due to its location, topography and yields per hectare, the cost price for palm oil from *PT Agro Muko* remains approximately one third higher than in North Sumatra, where the group's most efficient plantations are located. This ongoing cost difference is mainly explained by the hilly terrain. Higher development costs are involved in the construction of terraces, upon which fewer palms per hectare can be grown, the need for more roads and more paved roads to be constructed and limited mechanisation.

There were positive results for *PT Agro Muko's* rubber activities, even though they were confronted with lower sales prices. After a restructuring period for the areas, with the rubber

plantations being centralised in the land most agronomically suited for rubber development, we are now entering a phase of rising yields and volumes. There are now 1 653 hectares planted with rubber trees. Of these, 707 hectares are not yet mature (42.8%). We are tapping 946 hectares of mainly young trees. Production grew by 4.9% compared with last year, explained by the increasing yield per hectare (from 1.47 tonnes to 1.52 tonnes) and by the “slaughter tapping” in zones to be replanted. This technique allows very intensive tapping, just before the tree will be replaced.

The switchover programme and the over 700 hectares of immature trees mean that the capacity of the factory is underutilised. However, in the next few years we will be able to enjoy greater volumes and lower production costs since the biogas plant will contribute to the drying of the processed rubber. We are thus replacing petroleum driers with biogas driers. Furthermore, we are transporting the second quality raw materials that were previously sold to third parties, from the Melania rubber factory to *PT Agro Muko*, in order to optimise volumes here.

After several years of rising unit costs we note that in *PT Agro Muko*, like in the other rubber activities, the cost prices remained constant in 2013. Given the lower overall selling prices for rubber, this is certainly a pleasant realisation.

Cibuni – Java

Regarding the tea activities of our Cibuni plantation near Bandung on the island of Java, 2013 was agronomically unexceptional. We have experienced a lack of sunshine in recent years compared with the past, and leaf development is reduced by constant cloud cover. This year was characterised by significantly higher precipitation, with the total annual rainfall of 4 136 mm exceeding the long term average by 33%. The combination of both effects depressed temperatures in the tea fields. We produced 2 850 tonnes of black tea, which again is 0.7% lower than in 2012. The number of hectares of planted tea remains more or less constant at 1 787, of which only 49 hectares are immature. The yield remained stable at 1.64 tonnes per hectare, the same as last year. Twenty-two hectares were replanted.

For Cibuni it is essential to produce quality tea on a consistent basis in order to safeguard the reputation we have built with our clients in the Middle East. It is this tea that achieves high

sales prices, a tea comparable in quality with that produced in Kenya. It also allows us to maintain profit margins. When it comes to Indonesian tea production, quality prevails over volume.

The tea plantation is our most labour-intensive activity. This makes the wage level highly significant, of course. The increases imposed by the governors in the past few years are, therefore, an important factor in the evolution of the unit production cost of our black tea. Although protective measures have been enacted for the minimum wage in the agricultural sector in Java, any increase remains an additional strain for the tea plantations that produce hand-picked tea. We note that even the state-owned enterprises are switching to mechanical harvesting to maintain profitability. This means that, in contrast to previous years, there are sufficient experienced workers offering their services to our plantations. We can say with confidence that enough pickers are available to harvest the young shoots in time.

Energy remains the second vital factor for production costs of the black tea Cut Tear Curl (CTC). In 2012, we expanded the capacity of the hydroelectric power plants with a new reservoir and a new canal from the local river, giving us the capacity to handle even the driest periods of the year. This also means that we only needed an extremely limited amount of petroleum for energy at the factory. To dry the leaves, we have for several years employed a coal plant that generates steam. A sharp decline in coal prices in Indonesia has resulted in lower than expected energy costs.

A sudden drop in tea prices in the second half of the year left clients reluctant to ship the tea. This led to exceptionally high stocks of finished tea at year-end. This did not have a significant impact on 2013 results due to forward selling. The cost price, denominated in USD, fell by 3.9% compared to the previous year.

Management

For over two years, the group of Indonesian companies has been under the leadership of Mr Adam James, who previously had been heading the plantations department. The search for an appropriate replacement to lead this department has taken some time. In February 2013, we appointed Mr Michael Hoare, the son of the former president director Dereck Hoare. The current leadership of the group is in the hands of a team of

Indonesian, Malaysian and European managers who manage the company together. We need to account for the influences of all the different cultures and ideologies. We organise diverse events, such as manager meetings and family days, in order to strengthen the bonds between them.

The effective day-to-day management of the plantations was reorganised in September 2012. We now have three independent business units: North Sumatra, South Sumatra and Bengkulu. This decentralised approach means that each unit is managed from the plantations and reports to the director of estates at the headquarters in Medan. There is a general manager at the head of each unit who is aided by three assistants: a senior field manager, a senior manager operations and a senior manager administration. With this unit structure, we aim for an equal treatment of all regions. This strict segregation of functions promotes proper delegation of tasks to the lower management and executive levels.

Since 2011, monthly meetings of the executive committee, that is all department managers in the company, have been scheduled. They can draw up policies and exchange views on all aspects of corporate policy.

To assess and improve individual performance and productivity, we link the training of young managers with an evaluation system. This includes qualitative and quantitative indicators and personal goals.

We also encourage managers to develop their creativity and innovation instincts in the daily practice of their duties on the plantations and in the factories. We award an annual prize for the most innovative development or most cost-effective measure to contribute to our company's performance.

To ensure a flow of young graduates, we set up an intensive two-year training programme of theoretical and practical courses that will train them to be field assistants who each manage a section of a plantation. Furthermore, their leadership skills in the field or factory are stimulated with courses in communications, character-building and job motivation. Since the programme began in 2011, nine new field assistants have been appointed. From a group of 23 people who began in 2012, 20 successful graduates remain. The 2013 group of 21 people is now pared down to 15 potential assistants. This training will continue in 2014.

The success of tropical agriculture in South East Asia has made it increasingly difficult to attract, and particularly keep, qualified personnel. There is clearly a higher rotation of employees than in the past. Young executives are more likely to be tempted by proposals from newcomers in the sector. Through our extensive contacts with other established plantation companies we are able to compare wage scales and pay for temporary workers and adapt our payment scales accordingly.

In 2011, we began a conversion programme from contract type workers to permanent workers to improve loyalty to the company in our plantation and factory workers. With this, our permanent workers will exclusively carry out all routine activities, such as the harvesting, spreading of fertilisers, spraying of pesticides and stimulation of rubber trees. We hope that this will increase efficiency and reduce absenteeism. In the past, this work was done by occasional labourers who were not motivated to perform the tasks properly. Permanent workers are entitled to social benefits and pension plans, are usually housed on the plantation with their families and, therefore, enjoy the benefits of medical care, education and utilities provided free of charge by the company. The company also has a policy of taking on married couples as permanent employees. The programme is a success: by year-end, 96% of the employees who carried out the routine activities were on the permanent payroll.

The evolution towards more permanent workers makes contacts with unions more intense. The latest collective bargaining agreement (CBA) was successful after negotiations that took longer than usual. The subsidy system for additional remuneration of workers is equalised and formalised for all plantations.

During the financial year, we were faced with the sudden deaths of two valued employees: Mr Arden Hasibuan managed plantations in North Sumatra for many years, while Mr Dewadas was part of the human resources team in the Medan Office.

In a labour-intensive environment, medical supervision of our employees, who usually live on the plantations with their families, is of vital importance. The medical management team is part of the executive committee and supervises 22 polyclinics with 48 medical assistants, almost equally divided into nurses and midwives. Training programmes and courses are organ-

ised. Along with the usual consultations, the team has conducted over 1 000 check-ups on new employees and people at risk.

We have noticed that theft is frequently the underlying reason for lower results, so we redoubled efforts in the past financial year to improve security services. We did this with the assistance of a specialist consultant who will continuously train and reorganise our own people to ensure that our assets are better protected.

The internal audit department now includes seven auditors, a manager and an administrator. Three auditors are employed in Medan and conduct site visits in North and South Sumatra. The remaining four are located in *PT Agro Muko*. Given the growing size of the company, we are working on expanding to 12 people, including 10 auditors. They will focus on the typical risk areas in the management of decentralised companies. These two groups rotate between the two locations on an annual basis in order to avoid habituation. Two auditors are retained to ensure continuity in information provision. The manager reports directly to the president director, but the annual programme is prepared and approved by the audit committee. This committee meets three to four times a year to evaluate the results of the regulated audits and to make recommendations for the departments concerned. Furthermore, they treat reports of potential fraud cases. The results from these meetings are also communicated to the head office in Belgium, and they are discussed at the *SIPEF* audit committee meetings.

During the previous financial year, the new "Information Technology" (IT) department launched three major projects that will have a significant impact on daily information sharing and policy making. These projects will lead to the technological integration of the *SIPEF* group. Over a period of three years, this should lead to a policy instrument that will allow integrated access to all the agricultural, financial and technical information of the group. Input will be done only once on the level of the operating units. Procedures for ordering, monitoring and paying for materials will be integrated so there can be no arbitrary deviations.

After conducting a comparative market study in 2012, we decided to purchase a license for the Malaysian integrated software "Lintramax Plantation", which has already been used

by Indonesian plantation companies. We prepared for implementation of this system last year and began using it on 2nd January 2014.

Following the successful integration of all Indonesian operations, in 2015 we will gradually incorporate the *SIPEF* group's activities for all the other countries in which it operates (Papua New Guinea, Ivory Coast and Belgium) into the databank.

We have built a system of hardware communication towers to support this project and to enable data to be processed from the operating units. We can, therefore, dismantle the current system. Moreover, the *SIPEF* group's network communication structure has been adapted and standardised.

With regard to our Indonesian operations, we also report a dispute pending between the companies in our group and the Indonesian tax authorities in connection with the repayment of deductible VAT on plantation activities. This tax was deductible until 2010 and was always refunded. A new interpretation of these taxes has meant that the plantation sector for the growing of products was suddenly no longer considered as a VAT taxable operation. Only the industrial processes were subject to VAT status. This interpretation of the law was challenged before the tax courts by all plantation companies, and we are still waiting for a decision regarding the VAT to be recovered from 2010 to 2013. Recently, the government published the confirmation that from 1st January 2014, plantation operations are once again transactions subject to VAT. This announcement, however, was not accompanied by a decisive response concerning the period between 2010 and 2013. We are, therefore, continuing our lawsuits in order to obtain a full refund. The amount of VAT that we are reclaiming is KUSD 9 960.

Expansion

In 2011, three new companies were founded to represent the potential expansion occurring in the Musi Rawas region in South Sumatra.

In July 2011, *PT Agro Kati Lama (PT AKL)* received a permit for the development of 10 500 hectares of oil palms and/or rubber, including the development of at least 20% for the local population under the plasma scheme. This licence provides four years of exclusivity for the development of these areas. After following all local and RSPO "New Planting Procedures"

(NPP), we were able to start compensating the current users of the land. *PT AKL*'s land is situated in the vicinity of the town of Lubuk Linggau, where our office is provisionally located.

The exact same procedures were followed for a second permit for 9 000 hectares of oil palms and rubber trees, which was obtained in December 2011 by *PT Agro Rawas Ulu (PT ARU)* for the same period of four years. Again, this licence came with the obligation to develop at least 20% for the local population under the plasma scheme. This land is farther from the town and the developed area around it, but is the subject of more frequent social unrest between residents and the authorities.

In March 2013, a third licence was obtained in the name of *PT Agro Muara Rupit (PT AMR)*, for 4 811 hectares of oil palms and rubber trees. In September, this was extended with a second section of 7 498 hectares that is connected to the previously acquired section and that has the same conditions attached as the first two licences. The latter concession is the most isolated from any rural development and, as such, should deliver a proportionally better result for the compensation process.

All the projects, with a total potential area of 32 309 hectares, are now completely in line with local regulations and the RSPO NPP. Our teams can thus focus entirely on compensating the users. We have to negotiate with many smallholders, who each use several hectares but usually cannot produce property deeds. As a result, we had to work with witnesses, which is a long and laborious process that complicates the compensation procedures.

By the end of December, we had paid compensation for a total of 3 916 hectares, of which 3 690 hectares are for our own development and 226 hectares for plasma development. Approximately half of this land has been cleared of undergrowth. By the end of the financial year, there were 223 hectares planted with oil palms. The first nursery was laid out in the *MAS Melania* rubber plantation, while we also rent a piece of land near *PT AKL*. There, we bring the seeds to maturity for replanting in the years to come.

Although all these projects enjoy the full support of the local authorities, it is the responsibility of the company to enter into talks with the many thousands of land users. If this industrial project is to succeed, we have to convince them to relinquish

the land to us in exchange for compensation. These discussions are confidential, held directly with the smallholders and, for the time being, remain within our set limits for compensation amounts. Within the zones, there are always groups who support our project but there are also those who oppose it. The region is known for its law and order issues, which our teams and the contractors who work for us experience on a daily basis.

It is impossible to give a reliable estimate today for the eventual scale, but our teams in the field are enthusiastic about the future of these agronomically valuable projects.

Since 2006, we have also held a license for the development of *PT Citra Sawit Mandiri (PT CSM)* as a palm oil project in North Sumatra. Following the acquisition, we determined that this land would probably not comply with the rules and criteria of the RSPO New Planting Procedures (NPP), because it is too fragile. The *SIPEF* board of directors therefore decided to prepare the concession for sale, considering that in the long term it did not fit in with the sustainability profile of the group. The process to find a suitable buyer has begun, but this could take some time considering the relatively small size of the concession (1 314 hectares planted). There is also a dispute with an adjacent oil palm plantation that planted palms on 212 hectares of the land granted to us. The companies are now embroiled in a lawsuit with a view to reacquiring the land, subject to compensation for the palm trees. The verdict was provisionally in our favour. With a view to securing the asset, we therefore decided in the meantime to continue to complete the project by constructing roads and ensuring that the immature palms can continue growing. We will then put it back on the market. The application for a final exploitation licence was filed for 1 472 hectares. The authorities have already marked out the boundaries with the adjacent land using concrete pillars.

In 2013, we initiated talks with New Britain Palm Oil (NBPOL) and Biosing. NBPOL is a palm oil producer, listed on the London Stock Exchange, that has run a research centre for the development of oil palm (DAMI) in Papua New Guinea for many years. Biosing is an organisation of scientists specialising in research into developing improved yield from oil palm. The talks have led to the signing of a joint venture agreement between the three companies in October. *SIPEF* will contribute land in the form of the *PT Timbang Deli* plantation, as well as



a cash amount of USD 5 million upon receipt of 38% of the shares in Verdant BioScience Pty Ltd, based in Singapore and the headquarters of the new company. NBPOL will keep 52% of the shares in exchange for its technology. Biosing will receive 10% of shares for the transfer of technical knowledge (Intellectual Property), and to collaborate on developing a research facility on the grounds of *PT Timbang Deli*. In the period until the end of December 2013, we worked on the agreements for the transfer of company assets in consideration for stock, and obtaining of an operating licence and a licence to allow the transfer of *PT Timbang Deli* under Indonesian law. These activities were not completed in 2013, meaning that the transfer of assets had not occurred by year-end and that the transaction will be recorded in the *SIPEF* books in 2014.





Close-up of a recently harvested Fresh Fruit Bunch, showing the orange colored mesocarp, which contains the palm oil, and the nuts, with the black shell and the white kernel, containing the kernel oil.

Papua New Guinea



Papua New Guinea remains a challenging country with over 600 islands spread over 463 000 square kilometres and a population of approximately 6.7 million, which means that the internal market is relatively limited. Approximately 85% of the population is scattered across the country and is dependent on agriculture. Annual population growth amounts to 2.8%.

Lower prices for the main export commodities of gold, copper and oil, plus lower agricultural commodity prices, have resulted in a slower growth of the Gross Domestic Product (GDP) from 8.1% in 2012 to 5.4% in 2013. Rising public spending on infrastructure, education, health and safety has led to a negative balance of payments and a rise in inflation from 2.2% to 5.3%. We have also noted rising interest rates and a gradual weakening of the local currency against the USD, which brings about an additional local revenue stream from the export-oriented economy. In the labour-intensive agricultural sector, where labour costs are paid in local currency but the export of products boosts revenue, we are looking forward to a weakening of the Papua New Guinean Kina (PGK).

In 2013, the government had already fully anticipated this growth, driven by the Liquid Natural Gas (LNG) projects, which are at their peak and will start to produce in 2015. This will shift the engine of economic growth from foreign investments and related infrastructure to the commodity export sector. However, in

2014 many measures will need to be taken to balance the budget and prevent state debt increasing from its current figure of 63.5% of GDP.

Hargy Oil Palms Ltd

Exceptional weather events and lower sales prices for palm oil and palm kernel oil have resulted in less profitable palm oil activities for *Hargy Oil Palms Ltd* than in previous years.

The plantations are located on the island of New Britain and comprise 12 387 hectares planted with oil palms with an average age of 8.59 years, of which 3 357 hectares (27.1%) are immature. Furthermore, the company is responsible for the processing of the fruit of approximately 3 600 local farmers, who harvest 3 849 blocks of oil palms. In 2013, the processing of fruit into palm oil and palm kernel oil is still done by two extraction plants, each with a maximum processing capacity of 45 tonnes of fruit per hour. The monthly shipments to Europe depart from our jetty near the Hargy factory, which offers direct access to sea-going vessels.

Despite expansion through new plantings, which are gradually reaching maturity and improved transport facilities, difficult weather conditions have meant that annual production from our plantations and produce purchased from neighbouring farmers have both decreased, especially in the first quarter, by respectively 4.10% and 8.53% compared to the previous year.

Once again, the rainy season at the beginning of the year was a great challenge for our people, with an extremely wet January and March and a somewhat drier February, which allowed us to repair the damage to some extent. Total precipitation in the first quarter reached 2 900 mm in the mature plantations. While this amount of rain is not exceptional for the time of year, there were a few very intense storms with a rainfall of over 200 mm per day, which caused significant damage to road infrastructure. Some of the bridges over rivers disappeared with the floods and it took months before new bridges were built by the local authorities. In the meantime, our company managed to create a passageway using gravel.

The precipitation meant that the plantations lost an average of eight harvest days in the first three months.

Certain zones of neighbouring farmers were also inaccessible and any fruit that was picked did not reach the mill in time. This led

to the necessity to refuse 630 tonnes of overripe fruit delivered by the farmers.

In addition, the oil shipment scheduled for December was delayed and the loading of the ship could only begin on 15th January. Our company's existing storage capacity could not cope with such a delay, caused by the shipping line, and we were forced to transport the oil to be stored at one of our neighbours' plants, New Britain Palm Oil Ltd, which offered temporary storage capacity. At the same time, harvesting on our own plantations was stopped for four days, thereby disrupting the order of the areas to be harvested and, due to the combination of circumstances, it took several months before 'normal' harvesting could resume. In the meantime, the delayed harvesting and the additional transport caused an increase in the acidity of the available oil and for three months we shipped oil with a higher acidity level than the required 5%. Delivery of oil with excessive acid content meant additional costs for the refineries and we had to accept the lowering of our contract prices according to an agreed scale.

At the end of the first quarter, production was also 4.5% lower than in the same period of 2012, with an almost identical decline in our own production as for that of neighbouring farms.

Hargy Oil Palms Ltd's entire transport system was dramatically improved by the gradual introduction of a new system using open containers loaded in the field and then transported to the mill, and by investment in very reliable Volvo trucks to replace the older trucks produced in China. An additional storage buffer was thus created for fruit that cannot be processed immediately in the mill. We introduced the open container system at the end of 2011 at the Hargy plantation and also step by step in Navo in the second half of 2012. For the sake of efficiency, open trucks are being used provisionally in the younger Barema plantation, where even smaller fruit are harvested. On the neighbouring farms nets are used to retrieve fruit, which is loaded into trucks using cranes that automatically register the weight. Two modern service centres were built for the maintenance of the fleet. These centres allow rolling stock to be serviced in safe conditions, and the team was expanded with experienced mechanics.

After the necessary budget was earmarked for the repair of our roads, the production deficit was quickly erased through the efficient transport of fruit. We also saw production rise by 11.11% in the second quarter compared with the same period in 2012, and at the end of June we already quoted a volume of 3.56%

above total production in the first half of last year. These additional volumes were achieved as much from the neighbouring farmers as from our own production, with the exception of the Barema plantation, where the heavy rainfall was followed by a persistent failure in pollination due to a lack of male flowers. As a result, some 600 000 fruits were underdeveloped and had to be removed, which corresponds to a loss of 1 350 tonnes of oil.

Additionally, the normally lower production months of the third quarter were exceptionally weak this year. There is generally a stage of formation of male flowers, whereby production in certain parts of the plantation is less than half of the expected amount, which cancels out the previously established growth rates. This masculine stage is completely physiological and cannot be prevented by management. We noted a reduction of 17.03% for our own plantations and 24.08% for the neighbouring farmers.

Although a recovery was observed in the fourth quarter, the total annual production remained 6.17% below production in the previous year, while we had expected an increase of over 5% from additional areas and maturity of the trees. The neighbouring farmers were especially behind at year-end (-8.53%) and appeared poorly motivated to harvest their blocks at regular intervals.

The Hargy plantation, which formed the basis of the first settlement, covers 2 598 hectares of which only 139 hectares (5.35%) are immature. The average age is now 13.78 years and, therefore, fully mature, with an annual production rate of 26.67 tonnes per hectare. We expect the first limited replanting of 139 hectares in 2015. The harvest is done using the open-container transport system only and the programme for paving all the main roads will be completed in 2014. Hargy's road network suffered badly during the rainy season and there was a hiatus in the proper monitoring of the harvest rounds and maintenance of the palms, as a result of the replacement of agronomists in spring. For two quarters, Hargy was not able to make up the deficit and only in September, when a new expatriate manager was available, was a significant improvement achieved in the harvest quality of the fruit delivered to the mill.

The largest plantation is the more northerly located Navo with 5 275 planted hectares, 1 273 of which are presently replanted, and of which 933 have not yet matured. Also in 2014, another 727 hectares of the first generation of palms that were planted in 1984/1986 will be replanted. Because of its large size, the plan-

tation has been divided into two management units, Karla and Ibana, with a respective average age of 12.06 and 8.5 years old. Improved control of the harvest practices could optimise the average yield of 26.88 tons of fruit per hectare, considering that the optimal age was achieved in 2013. A management reshuffle, the reconstruction of the road network in the replanted hectares to prevent erosion, the redevelopment of the nursery and the full introduction of the new open-container transport system are all certain to achieve successful outcomes in the future.

The remote location meant that the monitoring of standards had been less efficient in the past, but in 2013 a significant improvement was noted as a result of the new local management that is housed on the site. They have removed many people from the housing units and increased security for the residents of our villages. Our workers and the neighbouring farmers will be able to manage their financial resources better now that an ATM and a local bank branch have been installed.

The relatively young Barema plantation (1 976 hectares planted, with an average age of 5.8 years) will make a significantly higher contribution in coming years due to increasing maturity. During the financial year, the average yield amounted to 26.59 tonnes of fruit per hectare, in spite of the previously mentioned flower fertilisation issue in the first half of the year, which resulted in some 600 000 female flowers not forming into fruit. We expect that with the growing maturity of the palms this problem will not reoccur. Since Barema is a low-lying coastal area, the danger of flooding from the Barema River is a major factor during the first quarter of the year and over 21 km of additional drainage ditches were constructed. In the second half of the year, the Barema plantation suffered greatly from the male flowers' stage that developed unexpectedly but still managed to achieve its expected volumes by the end of the year. The open-container transport system has not yet been introduced but the construction of new houses and remodelling of existing ones, as well as the drilling of new water wells, meant that there were sufficient numbers of workers available for the harvest.

The total annual production of the neighbouring farmers remained well below expectations and ended 8.53% lower than the previous year. During the first quarter, many farmers were cut off from the palm oil extraction mill and thus could not deliver the normal quantities of fruit, while in the third quarter their plantations were hit by the male flower stage. The Oil Palm Industry Corporation (OPIC), the government agency, which is

supposed to assist the farmers with advice and guidance, functioned inadequately, and our own people have launched an intensive campaign to motivate the owners of the areas to fertilise and harvest regularly, and especially to replant in time. The aid promised to farmers by a World Bank support fund was also not paid out. Our intention is to now organise this aid from within the company and to take over OPIC's tasks from the government, but we are facing clear resistance to this from the authorities. Even the long-standing price formula, generally applied in Papua New Guinea, is being reviewed by consultants. Initial reports, however, confirm that the formula is still proving valid and prevents irregularities in the pricing of the fruit supplied.

Hargy Oil Palms Ltd now has at its disposal a good fleet of Volvo trucks that can pick up the fruit in time, which means that the unreliable transport, in some cases organised by the farmers themselves with small trucks, can be phased out. This also improves the quality of the fruit delivered.

The neighbouring farmers' contribution remains important for our company, considering that 45.5% of the fruit comes from the approximately 13 000 hectares which they exploit, with an annual yield of nearly 16 tonnes per hectare. The entire production from all the neighbouring farmers is also certified as sustainable RSPO palm oil. With proper guidance including encouragement to replant in time and aid for fertilisation programmes, there is certainly the potential for higher yields per hectare in the future.

The extremely variable weather, especially during the peak production period at the beginning of the year, has meant that the two existing palm oil plants had to perform optimally to process the fruit in time to make quality sustainable oil. The completion of the new Barema mill, which is expected to be operational by April 2014, should allow us to deal with the increased volumes at this time of year. On the other hand, during the period of exceptionally low fruit supply, the two plants were often operating at reduced capacity, which impacted on the production costs for both units.

Compared to last year, the efficiency of the Hargy mill was improved after maintenance work, achieving an average of 43 tonnes per hour, with a peak in October of 52 tonnes per hour. Extraction rates were 22.96%, as compared to 23.35% in the previous year. The slight decrease is due to the irregularity of fruit supply. Although most of the remodelling work on this mill was carried out, the replacement of the sterilisation process still

needs to be achieved, and will only be done after the Barema mill opens. In the meantime, the wastewater effluent ponds have been restored.

At the more recent Navo mill, efficiency also increased again to 41.4 tonnes per hour, despite problems with the system of transporting the fruit to the sterilisers and then on to the presses. The rail system will be improved in the second half of 2014, as soon as the Barema mill can take on a part of the production, and the boilers also require a major overhaul. The oil extraction ratio remained limited at 22.66%. Composting of empty palm bunches was significantly reduced and they were returned to the field as organic fertiliser for the younger trees. The wastewater, which is rich in organic matter, is distributed to the palm fields using a canal system.

Weather conditions have played a part in delaying progress in the construction of the new Barema mill, but work was also slowed down by a succession of different contractors. The new mill has an efficiency rate of 45 tonnes per hour, as well as a new palm kernel oil department that will process the palm kernels from the Navo mill, and a wastewater tank installation, which will use the released methane gas as an energy resource for steam production. The mill is ready but still awaits completion of the wastewater system with biogas recovery, for which large tanks are being built. This work was impeded by delays obtaining work permits for the Indian workers in charge of the installation, and now again by the rainy season of the first quarter of 2014. We expect the definitive start-up of operations in April 2014.

The pressure to process all the fruit into oil in the two existing plants requires a lot of steam and does not allow the drying of the palm kernels to a humidity below 5%, which means that the palm kernel cannot be efficiently extracted. Yet we achieved an extraction percentage of 1.80% in the Hargy mill and 1.68% in the Navo unit, a slight improvement over the previous year.

In spite of a significant improvement in the quality and availability of transport for the fruit and the introduction of open containers, which allow the delivery of all fruit within 24 hours, it wasn't possible to collect fruit from the plantations that enable the production of oil with a low acidity level. Irregular harvests in our own plantations coupled with the absence of well-organised plantation management during the second and third quarters and inadequate supervision of the neighbouring farmers by OPIC, meant that the quality of the delivered fruit remained

substandard. Only three of the twelve deliveries resulted in oil being produced with an acidity level below 4% at departure, this quality entitles to premiums at delivery.

The production cost of palm oil, denominated in USD, decreased significantly (-9.37%) in comparison with the previous financial year. This is mainly due to the weakening of the local currency against the US dollar, which after an increase of over 35% in two years has gradually decreased by 13.1% in value. This decrease more than offset the increase in costs, which occurred due to the floods in the first quarter and the additional maintenance that was necessary in the second half of the year to restore the areas to a normal agronomic state. The salary expenses also rose by 3%, based on inflation, since minimum wages were maintained at the 2012 level and will probably be discussed again in 2014 by an advisory board that must hear all stakeholders. The cost of fuel in terms of USD experienced a slight decrease and that was certainly also the case for fertilisers imported in containers from China.

Staff retention at *Hargy Oil Palms Ltd* is essential to ensure proper operations. Since activities take place in such a remote location, good housing is vital in order to attract young, high quality people for the long term. We have put in considerable efforts building new houses for workers and managers over the past five years. The budgets that were allocated in 2012 to provide a new home to over 200 families were still being used in 2013 and from 2014 we will focus primarily on the new development areas, which still need a complete housing programme to be implemented as soon as the planted palms reach maturity.

While we have restored stability to the employment of the company's management, there is once again a lot of turnover among the agronomic personnel, both regarding expatriate management and local managers, which mainly impacted on exploitation of the plantations in mid-year. The lengthy process of gaining a work permit makes it impossible to provide an instant replacement for a departing expatriate manager. Local people often can't achieve the required standards and then choose to depart the company unannounced. We fill these positions by recruiting younger employees who appreciate being trained.

In the framework of implementing the business plan to expand *Hargy Oil Palms Ltd* into a company with at least 20 000 hectares of oil palms, in 2013 as well everything possible was done to realise this expansion quickly. Following rather disappointing expansion volumes in 2012, the new year has begun with sufficient

heavy equipment and contractors who rapidly cleared the areas of undergrowth. We had therefore already achieved the planned 1 000 hectares of new planting by September and, in order to keep the machinery at work in the region, have already started preparation of the zones that will be planted in 2014, as well as the replanting zone at the Navo plantation. The need to hire contractors for the accelerated clearance of the land and the laying of roads was not adequately budgeted for and monitored in 2013, resulting in the planned costs being exceeded, a situation that was regularised in October.

An additional 1 003 hectares were planted in 2013, which brings the total of the new zone, after correction by a GPS measurement, to 2 539 hectares, spread over several locations that are all situated around the base of the Ulawun volcano, but grouped into two management units, Yanaswali and Bakada. In the meantime, the first fruits were harvested from the 262 hectares that were planted in 2010 and construction of the buildings and utilities to house the workers was completed. It is also important that the management are living in the zone. Much attention was also paid to the construction and paving of roads necessary to collect the fruit. We have also expanded the team responsible for the expansion, with specialised maintenance staff for the heavy equipment, such as bulldozers and cranes, as well as an expatriate agronomist who will take care of the immature hectares and will organise the first harvest.

All the lands that qualify for this expansion have been surveyed and approved in line with RSPO regulations. Agreements have been signed with the owners of sufficient land to plant an additional 600 hectares in 2014 too. In 2014, we deliberately scaled back the number of hectares a little in order to make sure that we could bring the previously planted hectares to maturity and recruit the workers to guarantee the upkeep and harvest. We have cultivated the necessary palm nurseries with water supplies but, given the extremely isolated location, the rate of further expansion will depend on weather conditions and the availability of workers. We have received all the required approvals from the local authorities.

Considering the need for the Internal Audit Department to keep a growing company in line with the established procedures, the audit department was expanded by four members last year, but the fourth auditor could only be recruited in December. The more experienced Indonesian auditors will continue to support the recently recruited auditors.

In anticipation of the implementation of Lintramax, the integrated ERP software, in 2015, the communication networks between the plantations and the satellite link abroad have been further improved. A training room was opened where courses were given in the advanced use of information technology for over 400 man-days. The goal for 2014 is to extend this to 1 200 man-days so that even more people become familiar with the new applications. A steering committee was also set up to support implementation, while the integration with the financial department was reinforced through the training of young accountants. Additionally, a new software application was installed for personnel management, with derivative applications, such as housing management, management of work clothes and tools, and dissemination of efficient reporting. This software will be linked to the yet to be developed Lintramax salary package.

We note with satisfaction that the primary school education, which we organise for 90 of our employees' children through the Bialla International Primary School (BIPS) is highly appreciated by the parents, while the excellent cooperation with the middle school in Kimbe means the children can also move up.

Construction of the new homes in the expansion zone was entrusted to local contractors under the supervision of our own building department, but the building planned for 2012 was only completed in August 2013. However, a reorganisation of the teams has put us back on schedule for 2014. The purchasing department management team has also been reinforced, and the monitoring of orders and the diesel supply contract have been converted into a fixed contract for 10 years, as a result of the construction of in-house infrastructure that allows diesel to be delivered at reduced prices by sea transport.

After another re-audit this year for the RSPO certification, which we received in 2009, the ISO 14001 certification was also extended. Both certificates apply to the entire production of our own plantations and that of the neighbouring farmers. This means that all the oil we ship can be considered "segregated" sustainable palm oil (not mixed with other oils). This positioning is very important to our customers in Europe, as there is a shortage of "segregated" sustainable oil, which also generates subsidies that we share with our neighbouring farmers each year. To properly monitor the changes to criteria, we have increased integration with the sustainability teams from our Indonesian operations.

The company maintains significant sections of the public road network itself in order to enable the collection of fruit from the neighbouring farmers. In 2013, over PGK 1.3 million was spent, of which to date only PGK 0.3 million PGK has been reimbursed by the government. There are projects sponsored by Australian Aid to eventually asphalt all main roads through the area and the Asian Development Bank will be financing the replacement of 12 bridges starting in 2014. We were able to maintain the roads sufficiently to ensure the regular transport of fruit using the government's tax credits system.

Galley Reach Holdings Ltd

Galley Reach Holdings Ltd concentrates its plantation activities in the south of the main island of Papua New Guinea, approximately 70 km from the capital city of Port Moresby. The land was acquired in the 1980s, but at that time it was already extensively planted. There are 3 100 mature hectares still being tapped, of which the average age exceeds 25 years: for this reason, the annual yield is limited to 610 kg of dry rubber per hectare. Besides its own production of raw rubber, the mill also processes raw rubber purchased from smallholders in the neighbouring provinces.

2013 was a difficult year for operations in its own plantations, and many tapping days were lost during the exceptionally wet rainy season, whereby, if it rains in the morning, rubber can't be tapped. Great efforts were been made to keep all the areas tapped through the recruitment and training of new tappers, who were brought over from other provinces of Papua New Guinea, but it has proven difficult to keep the workers motivated. Raw rubber production from the company's own plantations rose by 9.3% compared with last year.

Precipitation also had an impact on the tapping activities of the smallholders, who were moreover already discouraged by the much lower rubber prices and preferred to save their bark for more profitable times. As a result, the annual production of rubber purchased from third parties was 7.3% lower than in 2012. The purchasing from third parties, which represents 24.9% of the total production of processed rubber for the entire year, allows factory capacity to be maximised and is important to the company's performance.

The rubber factory also had to contend with technical issues in order to process the supplied rubber in time. The poor quality of the rubber delivered caused many machinery failures, and the availability of spare parts cannot be relied upon in this country. Total production amounted to 2 535 tonnes compared to 3 127 tonnes last year, a decrease of 18.9%.

The profitability of *Galley Reach Holdings Ltd* was under considerable pressure in 2013. Firstly, there were, of course, the significantly lower sales prices due to the general decline in the demand for natural rubber in China, Europe and America, resulting in a 21.1% decrease in the net selling price per tonne. The labour-intensive nature of the operation meant that the change to the local minimum wage was a cost-raising factor and the declining volumes impacted on the unit cost price. Weakening of the local currency against the USD did bring some relief here, allowing the unit cost price denominated in USD to decrease by 9.7% compared to 2012. However, it was the first year that the net contribution to the group's results was negative. There are once more discussions about raising the minimum wage for all business sectors in Papua New Guinea. This raises major concerns for the labour-intensive agricultural sector regarding future economic performance and thus for employment in rural areas.

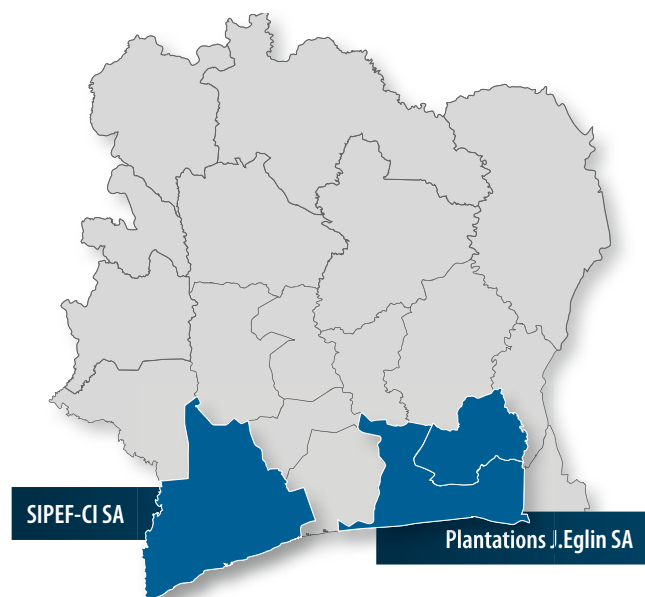
Since approximately two thirds of the planted areas are older than 25 years, there has been a scheme in existence since 2004 to gradually replant, which will allow the company to increase yields per hectare and remain profitable. At the end of the financial year, 1 006 hectares had been replanted, of which 426 hectares are immature. We adapt the replanting to the available cash flow as well as to the available workers in the area, without compromising the operation of existing plantations. Low sales and reduced cash flow restricted investment budgets to maintenance of the immature areas, housing and the lorry park.





View of the tank farm at the Agro Muko Tank Terminal in Padang.

Ivory Coast



After a decade of political crisis that ended in bloody clashes following the elections of October 2010 until April 2011, Alassane Ouattara came to power and the Ivory Coast has launched a major diplomatic offensive to break its isolation, improve security, bring about reconciliation and relaunch the economy. Today we can say that Ivory Coast has returned to political stability and that the country is gradually reassuming the influential position it once held in West Africa.

SIPEF-CI SA

After a long agronomic recovery period due to the political irregularities at the beginning of 2011, 2013 was the first year for which we can again speak of normal production levels for *SIPEF-CI SA*. However, its ambitious production target of 60 000 tonnes of crude palm oil could not be fully achieved.

With 4 633 hectares of immature and 8 966 hectares of mature palm trees, at the end of the year *SIPEF-CI SA* had 13 599 hectares of industrial plantations with an average age of 8.02 years. The replanting of all acres is complete; no rejuvenation will be needed before 2018.

The surrounding farmers' plantations cover approximately 20 000 hectares and employ 6 000 planters who work independently or are united in cooperatives. In 2013, they provided 59.9% of the fruit that was processed in the two plants. An active policy of

guidance and support is pursued in order to protect the sector from the increasingly clearer preference for rubber trees at the expense of replanting oil palms.

The two factories are continuing their intensive renewal plan. Together they have produced 58 008 tonnes of palm oil and 9 190 tonnes of palm kernels. The average extraction level reached 23.9%, which due to weather conditions remained below the 24.11% for 2012. At the end of the year, the company employed 1 570 workers as well as many day labourers.

We marketed 45% of the palm oil locally, all via our most important partner UOC, and exported the remainder. The total production of palm kernels was transported via trucks to Abidjan and processed in Vridi at the plant of Oil-Tech SARL, part of the Adam-Afrique group.

Plantations J. Eglin SA

The outlook for 2013 was good, but by the end of the year our results, although satisfactory, came in below estimates.

At the beginning of the year, we lost a large proportion of our banana production on our two large production sites at Agboville and Motobé, as a result of climatic and technical conditions. Volumes lost were to some extent recuperated in the second half of the year, but nevertheless our export volumes were lower than projections and lower than for the previous financial year. We exported 22 325 tonnes in 2013 compared with 23 917 tonnes in 2012, with an almost identical area planted. Export logistics for delivering to the sub-region were also insufficient at the beginning of the year, with a large number of deliveries cancelled, causing us considerable difficulties in placing our production on the market in Mauritania.

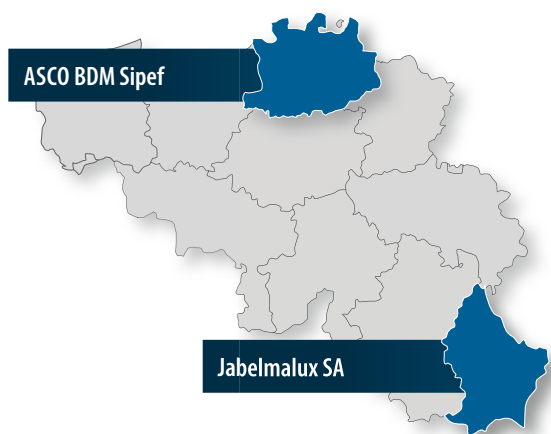
It should be pointed out that consumption of bananas and local fruits continues to increase in Africa, mainly in urban areas where purchasing power is improving, enabling us to obtain net sale prices fairly close to those obtained on the European continent. With improving logistics and optimizing South-South trade, marketing is sure to develop positively in the countries bordering on Ivory Coast. Setting aside Senegal and Mauritania, which we have been supplying for many years, some Sahelian countries, such as Mali or Niger, have future potential to be developed.

The average Free On Board (FOB) price for sales to Europe closed with an average of EUR 442 per tonne, 7% lower than in the

previous year, which had registered excellent performances. Qualitative problems linked to post harvest usage changes led to a lack of revenue during the rainy season.

Horticultural activities are improving performance with an increase in productivity of bromelias. If trade continues at profitable levels, the horticultural sector will make a positive contribution to *Plantations J. Eglin SA* general business.

Europe



Jabelmalux SA

Jabelmalux SA is the Luxembourg parent company of *PT Umbul Mas Wisesa (PT UMW)*, *PT Toton Usaha Mandiri (PT TUM)* en *PT Citra Sawit Mandiri (PT CSM)*, the latest oil palm expansions in North Sumatra, as well as of *PT Agro Muara Rupit (PT AMR)*, the most recently acquired concession in Musi Rawas in South Sumatra.

After the successful public purchase bid that was issued in 2011, the company disappeared from the Luxembourg stock exchange. The initial offer was then continued, and at the end of 2013 the *SIPEF* group controlled 27 172 or 99,6% of the 27 280 issued shares. *SIPEF* aims in the future to also acquire the remaining 108 shares that are still in public hands.

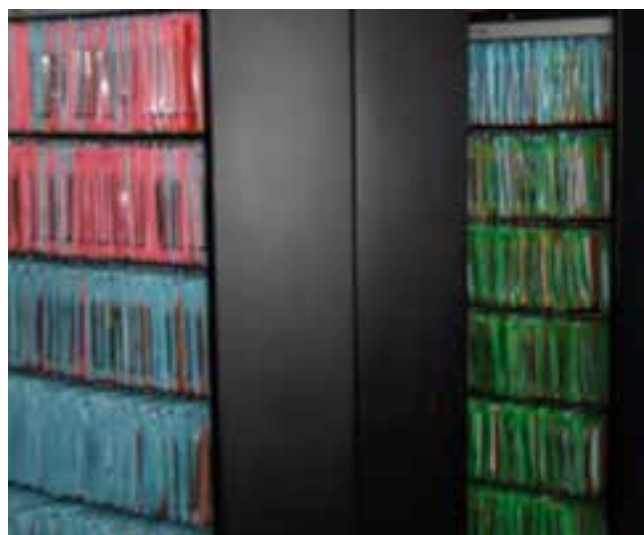
Insurance

The insurance group *BDM NV - ASCO NV* focuses primarily on maritime and industrial insurance through brokers. *BDM NV* is an insurance agency that acts on behalf of the insurer *ASCO NV* and a number of major international insurers to offer risk coverage in niche markets. The intense collaboration between *BDM NV* as agency and *ASCO NV* as insurer within the same group offers substantial advantages: it ensures that *BDM NV* has a major underwriting capacity and simultaneously offers a powerful commercial outlet for *ASCO NV*.



BDM NV

In 2013, *BDM NV* was able to take full advantage of the previous year's investments in information systems and additional expertise. Targeted actions greatly enhanced the technical quality of the insurance contracts portfolio. From this reconstruction schemes resulted a small portfolio decrease : the volume of premiums dropped from KEUR 67 373 in 2012 to KEUR 65 421 in 2013.



With regard to target groups, in the Property & Casualty segment *BDM NV* focused on Small and Medium sized Enterprises (SMEs), Real Estate, Public Buildings and High Net Worth.

Despite a rigorous selection of risks in Fire and Car, the overall Property & Casualty portfolio increased by 3%.

In the Marine segment, our Protection & Indemnity and Cruise portfolios once again showed slight growth. For Cargo and Hull, the existing portfolios were thoroughly reorganised in order to protect the technical results for our principals. We are continuing these reconstruction schemes in 2014. Nevertheless, we can al-

ready see a clear improvement in the technical results of these segments.

Operating costs are also slightly lower than last year, causing the final operational result to fall by 6%. The net result of KEUR 729 remains at the same level as in the previous year.

In 2014, *BDM NV* is focused on developing the Property & Casualty portfolio and reorienting the Marine business.

ASCO NV



ASCO NV underwrote gross premiums for KEUR 29 505, 3% more than the previous year. Thanks to rigorous monitoring and reorganisation by *BDM NV*, the technical results of this portfolio saw a dramatic improvement with a gross technical profit of KEUR 4 212, which corresponds to 16 % of the premium collected. However, this profit was more than halved due to the loss of a French agency. This agency's mandate was terminated on 31/12/2013. From 2014, *ASCO NV* will have 99% of the business under its own control.

Given that reinsurance costs increased slightly compared to the previous year, in 2013 *ASCO NV* achieved a net result of KEUR -568 as opposed to KEUR -91 in 2012.

In the course of 2013, *ASCO NV* continued to prepare for the introduction of the Solvency II directive, including a further expansion of the Own Risk and Solvency Assessment (ORSA) process and the calculation of the capital requirement under Solvency II.

Group production (in tonnes)

Total production of consolidated companies (= share of the group)

Product	Own	Outgrowers	2013	Own	Outgrowers	2012
Palm Oil	206 476	47 436	253 912	214 521	51 257	265 778
Indonesia	152 430	2 205	154 635	158 162	1 808	159 970
Tolan Tiga group	63 494	513	64 007	67 056	41	67 097
Umbul Mas Wisesa group	10 954		10 954	5 762		5 762
Agro Muko group	77 982	1 692	79 674	85 344	1 767	87 111
Papua New Guinea	54 046	45 231	99 277	56 359	49 449	105 808
Palm kernels	36 301	480	36 781	37 651	357	38 008
Indonesia	36 301	480	36 781	37 651	357	38 008
Tolan Tiga group	15 335	136	15 471	18 284	11	18 295
Umbul Mas Wisesa group	2 900		2 900			0
Agro Muko group	18 066	344	18 410	19 367	346	19 713
Palm kernel oil	4 126	3 471	7 597	4 217	3 728	7 945
Papua New Guinea	4 126	3 471	7 597	4 217	3 728	7 945
Rubber	9 773	630	10 403	9 757	884	10 641
Indonesia	7 868		7 868	7 508	6	7 514
Tolan Tiga group	6 432		6 432	6 138		6 138
Agro Muko group	1 436		1 436	1 370	6	1 376
Papua New Guinea	1 905	630	2 535	2 249	878	3 127
Tea	2 850	0	2 850	2 869	54	2 923
Indonesia	2 850		2 850	2 869	54	2 923
Pineapple flowers ('000 units)	569	0	569	638	0	638
Ivory Coast	569		569	638		638
Bananas	22 325	0	22 325	23 917	0	23 917
Ivory Coast	22 325		22 325	23 917		23 917

Group planted area (in hectares) *

Total planted area of consolidated companies (≠ share of the group).

Product	2013			2012		
	Mature	Immature	Planted	Mature	Immature	Planted
Oil palms	44 684	9 857	54 541	42 200	11 076	53 276
Indonesia	35 654	6 500	42 154	33 797	7 895	41 692
Tolan Tiga group	11 763	2 843	14 606	11 658	2 717	14 375
Umbul Mas Wisesa group	7 858	1 671	9 529	5 417	4 113	9 530
Agro Muko group	16 033	1 763	17 796	16 722	1 065	17 787
Musi Rawas group		223	223			0
Papua New Guinea	9 030	3 357	12 387	8 403	3 181	11 584
Rubber	8 105	1 840	9 945	7 306	2 060	9 366
Indonesia	5 005	1 414	6 419	4 786	1 297	6 083
Tolan Tiga group	4 059	707	4 766	3 854	758	4 612
Agro Muko group	946	707	1 653	932	539	1 471
Papua New Guinea	3 100	426	3 526	2 520	763	3 283
Tea	1 738	49	1 787	1 748	39	1 787
Indonesia	1 738	49	1 787	1 748	39	1 787
Pineapple flowers	23	19	42	18	20	38
Ivory Coast	23	19	42	18	20	38
Bananas	570	0	570	569	0	569
Ivory Coast	570		570	569		569
Others	0	58	58	0	58	58
Papua New Guinea		58	58		58	58
Total	55 120	11 823	66 943	51 841	13 253	65 094

* actual planted hectares

Age profile (in hectares)

Planting year	Oil palms						Rubber			
	Tolan Tiga group	Umbul MasWisesa group	Agro Muko group	Musi Rawas group	Hargy Oil Palms	Total	Tolan Tiga group	Agro Muko group	Galley Reach Holdings	Total
2013	670	25	1 018	223	1 039	2 975	184	205		389
2012	1 420	218	719		1 643	4 000	197	195	60	452
2011	754	796	26		675	2 251	168	142		310
2010	546	1 333	304		627	2 810	141	108	182	431
2009	221	1 753	499		391	2 864	52	57	87	196
2008	375	2 006	216		154	2 751	96	117	97	310
2007	301	2 086	350		1 695	4 432	258	173	200	631
2006	619	349	926		879	2 773	205	187	201	593
2005	667	963	434		173	2 237	294		122	416
2004	133		688		160	981	226		58	284
2003	1 165		102		148	1 415	262			262
2002	570		56		331	957	200			200
2001	688		526		903	2 117	96		69	165
2000	802		1 017		392	2 211	419	78	41	538
1999	646		1 680		666	2 992	180	83	139	402
1998	466		2 334		625	3 425	266	157	33	456
1997	827		927		361	2 115	215	151	73	439
1996	991		509		326	1 826	197			197
1995	312		207		333	852	206		37	243
1994	482		712		139	1 333	131			131
1993	346		209			555	191			191
1992	774		106			880				0
1991			269			269				0
1990	31		2 668			2 699	91			91
1989	42		878			920	153			153
Before 1989	758		416		727	1 901	338		2 127	2 465
Total	14 606	9 529	17 796	223	12 387	54 541	4 766	1 653	3 526	9 945
Average age	11,12	4,78	13,97	0,00	8,59	10,32	12,19	6,60	25,89	16,11



The degasifier cleans the biogas after extraction from the effluent water.



Building on the positive impacts already achieved by SIPEF operations.

As environmental legislation and certification standards change and consumers demand more assurance in terms of traceability and responsibility on the part of producers, *SIPEF* is proving its continued commitment to integrate its operations seamlessly into the environment, both in terms of duration and transparency.

This commitment is sustained by continuous efforts to improve on the technical front, validated by external certification of globally recognised standards.

Above all, in a market where many questions arise over the provenance of products, *SIPEF* can guarantee traceability of its sales. *SIPEF* only trades produce from its own plantations and from small partners with which it has close links.

This is a major advantage in assuring *SIPEF* clients that its social and environmental commitments are and will be followed on the ground, both now and in the future.

For many years, *SIPEF* has been committed to a policy of “sustainable development” certification. This approach enables us to validate our practise, to improve it, identify risks and weaknesses and remedy them. Annual audits assess progress and sometimes difficulties facing our operations. Preparation for each audit involves detailed analysis of technical stages, procedures, and their application. Being “certified” involves sustained efforts in training employees at every level, continuous improvement in their working conditions and lives, and finally commitments to communities and their representatives.

The standards applied in our operations are well known: ISO 9001 and ISO 14001, “Roundtable for Sustainable Palm Oil” (RSPO), “International Sustainability and Carbon Certification” (ISCC), “EurepGAP/GlobalGAP” and “Clean Development Mechanism” (CDM, United Nations).

SIPEF is active within the RSPO, as in previous years, on committees such as “Trade and Traceability” and “Biodiversity and High Conservation Values”, as well as in the RSPO forum in Papua New Guinea. In 2013, *SIPEF* was invited to join the RSPO Complaints Panel which looks at complaints lodged against RSPO members and which recommends responses. *SIPEF* remains convinced that the RSPO, because it includes all actors concerned in the sector,

is the ideal and sole forum for making production and worldwide consumption of palm oil sustainable.

SIPEF continues to support the Belgian Association for Sustainable Palm Oil and is a member of KAURI, the multi-actor Belgian network for business ethics and nongovernmental organisation responsibility.

If oil palm cultivation is clearly “certified”, other types of cultivation are following parallel paths. So, for example, rubber cultivation will soon see the appearance of an international certification standard. This standard has been developed by the International Rubber Study Group (IRSG) which covers producer countries and the natural rubber industry.

The majority of our industrial sites are ISO 14001 or ISO 9001 certified. The ISO system is an excellent framework for preparing for more specific certifications, such as the RSPO or the ISCC.

Whilst *SIPEF* is finalising construction of two new oil mills (one in Indonesia and one in Papua New Guinea), the six other units in operation were RSPO re-certified in 2013. The two new oil mills will be ready for certification as soon as they begin production in 2014. *SIPEF* will continue to be 100% RSPO certified for oil mills in operation.

SIPEF respects RSPO principles and criteria, submitting every new oil palm plantation project to the “New Planting Procedure”. This extremely strict protocol ensures that every new development has been planned respecting the environment - by searching for high conservation value areas (HCV) - by respecting the rights and aspirations of local communities - by imposing on every new project a requirement for patient consultation with affected communities (the acronym is FPIC: Free, Prior and Informed Consent), and by demonstrating that the area is agronomically compatible with cultivation of the oil palm. The preparatory documentation for the project is verified by an external certifying body.

The “New Planting Procedure” includes a period of thirty days during which the important elements of the project are available on the RSPO website. Comments by the public are carefully examined by the RSPO.

In 2013, *SIPEF* obtained ISCC certification for a third oil mill in Indonesia. Following Bukit Maradja and Perlabian in Northern Sumatra, the Mukomuko plant in the province of Bengkulu passed its audit successfully.

The ISCC standard certifies that the emissions generated by the production of palm oil from these three oil mills are lower than or equal to the limit laid down by the European directive on emission reduction (RED). ISCC certification enables access to the European biomass fuel market. It publishes figures for the equivalent CO₂ value of each tonne of palm oil, which is an interesting indicator of environmental performance.

The ISCC certification for these three oil mills has only been possible thanks to installing methane capture devices, methane being emitted by the liquid effluents resulting from milling.

In the Bukit Maradja and Perlabian mills, the capture equipment was installed in 2008. The Mukomuko oil mill has a new generation system, which is more efficient and even safer than previous systems. The same system will be used for equipping the two new company oil mills (Barema in Papua and *Umbul Mas Wisesa* in Indonesia) as soon as they are commissioned.

This equipment complies with the United Nations "Clean Development Mechanism" standard.

The policy of "sustainable certification" is built on a foundation of good agronomic, industrial and social practises.

Good agronomic practise seeks to obtain an optimal yield for a minimal footprint. A good soil diagnosis is of the first importance, both for new plots and old, and takes into account climate, soil, topography and ecological context.

Agronomists work with environmental teams to determine which areas will be planted and which areas protected. The interactions between the two types of area are carefully considered in order to avoid involuntary damage but also to help the plantations to reach their best performance.

Potential impacts on water resources are examined and cultivation practises are modified as required for preserving water availability and quality for communities downstream from operations. Ecological corridors for protected animal species are put in place if observations on the ground have shown them to be necessary.

The natural areas surrounding our plantations are regularly patrolled to prevent any intrusions but also to evaluate biodiversity. The results are sometimes surprising and demonstrate the importance of planning plantations in the light of their position in the ecosystem, so that they can continue to carry out useful functions for flora and fauna.

For perennial cultivation, plantations must remain productive without any time limit. Some of our plots have been producing for a century. In Indonesia, *SIPEF* has been growing the oil palm since 1930, on the Perlabian plantation, which is still one of the most productive.

It is critically important to maintain and increase the fertility of the soil. Each stage of cultivation therefore takes this into account, ranging from preparing plots without slash and burn, establishing growth of leguminous plants for cover as quickly as possible, adding carefully calculated doses of fertilizer, carefully returning all organic matter (palm trimmings and stalks), to spreading liquid effluents recycled from the mill. Erosion is also controlled by cover plants and by constructing terraces on slopes.

The fight against weeds and pests and diseases is also an important agronomic aspect. Rapid planting of cover limits the growth of weeds. For pests and diseases, each plantation develops its own integrated campaign, with the same order of priority: prevention, then destruction. Preventing attacks by pests depends upon natural predators for keeping the pest population and the damage they cause within acceptable limits. Natural predators are "invited" on our plantations: installation of nests for owls, against mice, and planting of host plants for insect predators, against the numerous parasites affecting our cultivation. Specialist technicians collect information on a regular basis for monitoring pest populations, thus enabling rapid action if populations increase by too much. Depending on the gravity of the situation, use of chemicals can be resorted to as the most effective way of preventing the spread of infestation.

Every year, the agronomists are provided with a list of authorized products for use on *SIPEF* plantations. These products are stored



GAS HOLDER



The biogas holder, part of the effluent treatment plant, contains the extracted methane biogas ready for re-injection as a fuel source for the boiler.



A truck weighing and loading the Fresh Fruit Bunches and loose fruits harvested by one of the more than 3 000 neighbouring smallholders, who represent close to 45% of the production of Hargy Oil Palms Ltd.

in secure warehouses and are used by specifically trained and equipped technicians. Handling and application equipment and the products themselves are checked and stored carefully. Each employee who comes into contact with chemical products (on the plantation or in the plant) must have a quarterly health check and a complete medical test every year.

The potential environmental impacts of industrial units are predicted and controlled. Care taken to limit environmental impact goes together with constant research into technical excellence. A well-managed plant is efficient and leaves a low environmental footprint.

Adopting methane capture in our oil mills is an important step towards a neutral environmental impact from processing our products.

In our oil mills particular attention is paid to product traceability in both directions - incoming and outgoing. Each of our plants is a key stage in the process. The plants check the origin of each

batch of latex, bananas or tea leaves, and can then guarantee this provenance to our clients.

Good social practises complete good agronomic and industrial practises. They recognise the first importance of the men and women who work for *SIPEF* and also the importance of the link between our operations and surrounding communities.

Continuous training for our employees has two aims: increasing their technical skills and improving safety at work. Training requirements are regularly assessed on the basis of requests from plant or plantation managers and safety at work committees.

These committees play an active role in preventing pollution and accident risks. Regular inspections and monitoring help to anticipate risks and to focus everyone's attention on maintenance.

Our operations mainly take place in isolated areas. *SIPEF* builds and maintains housing for all permanent workers. Water and electricity are also provided by the company. On most of our

plantations, the terms of maintenance of housing units are discussed every month by residents and the plantation manager.

Dispensaries (and ambulances for serious cases) are arranged and financed by *SIPEF*. Regular consultations by doctors are organised so that all employees and their families can have access to quality care and treatment.

Education is a major concern for our employees. For the very young, kindergartens are available on the plantations. In Indonesia, school transport is arranged. Where necessary, *SIPEF* contributes to building public schools, by donating land and helping with the building of the schools. In Indonesia, on the *Umbul Mas Wisesa* plantation, the success of the small school built by *SIPEF* has been such that the number of classrooms and teachers will be doubled in 2014.

In Papua New Guinea, the government has developed a system of tax credits, which enables *Hargy Oil Palms Ltd* (HOPL) to contribute directly to local development. A share of HOPL taxes goes towards maintaining a primary school, the provincial road, several bridges, a police station and an airstrip.

Dialogue and cooperation with local people is another key to the long term success of our operations.

In Papua New Guinea, HOPL has been negotiating every new acquisition of land rights for several years. The time taken to explain, but above all to listen, builds a long term relationship of confidence with village communities.

In Indonesia, since 2000, *PT Agro Muko* has continued to be highly successful with its programme for community oil palm plots. The plots, known as *Kebun Masyarakat Desa* (KMD), are wholly managed by *PT Agro Muko* in the same fashion as the *Agromuko* plantations. *PT Agro Muko* provides early stage finance for development and maintenance costs, purchasing production at the market price. As a guarantee of transparency, all payments received by each KMD are published in the local newspaper. Almost half of the villages in the Mukomuko region are now taking part in the KMD programme.

The new *SIPEF* projects in the South of Sumatra, in the area of Musi Rawas, are being developed with a village plantation component. In the long run, these village plantations will form 20% of the area developed by *SIPEF* in Musi Rawas. Patient preparation has led to a model of association between village cooperatives and plantations, which augurs, well for a long term relationship of benefit to all parties.

Sipec Foundation: 2013, a good year ratified.

The activities of the *SIPEF* foundation during 2013 were concentrated on two projects initiated in previous years, and whose potential has been ratified and confirmed.

2013 was a good year for the sea turtle protection project in Mukomuko (province of Bengkulu, Indonesia). Following the agreement signed in 2012 with the National Agency for the Protection of Natural Resources (BKSDA, under the authority of the Forestry Ministry of the Indonesian Republic), which added a second village to the project, and thanks to the interest shown by the villagers in these activities, 5 974 eggs were collected and 4 508 baby turtles were released.

Three species were released during the project, mainly Ridley turtles (*Lepidochelys olivacea*), but also some green sea turtles (*Chelonia mydas*) and a small number of hawksbill turtles, (*Eretmochelys imbricata*, classified as "critically endangered" by the International Union for Conservation of Nature (IUCN).

Sea turtles lay their eggs all along the west coast of Sumatra. The laying areas are subject to strong pressure from collection by humans, in spite of the legal protection covering all species of sea turtles. There are very few projects for the protection of sea turtles in Indonesia, in spite of the country's long coastline and an environment, which is particularly hospitable to these species.

The *SIPEF* Foundation's project protects a large proportion of the laying areas in the project zone, both from commercial collection and from natural risks to which the nests are exposed. The hatching rate achieved by the project (75%) can be improved, but is higher than the natural rate (40%).



The chairman, Baron Bracht, surrounded by students at the opening of the new classrooms of one of the primary schools built by Hargy Oil Palms Ltd in Papua New Guinea.



The second *SIPEF* Foundation project “*SIPEF* Biodiversity Indonesia” (SBI) is a novel but ambitious project for a plantation company in Indonesia.

After a lengthy procedure, towards the end of 2013 the Minister for Forests in the Republic of Indonesia granted a forest management license (entitled IUPHHK-RE) to SBI for a period of sixty years. This license is of a new type, covering forest protection, reforestation and sustainable management. For the time being, only a handful of such projects have been approved.

SBI is beginning its activities in an area of 12 672 hectares in the foothills of the Kerinci Seblat National Park (TNKS) on the island of Sumatra. This area, under legal protection, is being damaged by local populations but also by migrants. It is a very important area for protection by the TNKS by virtue of its populations of muntjac deer, tapir, bears, tigers and protected vegetable species.

With the aim of keeping the forest intact, a major effort is planned for helping village communities on the perimeter of the project. In areas already damaged, SBI will carry out replanting both for creating sustainable growth and sustainable use. The aim is to create a barrier to deforestation with the participation of local communities. The project can only succeed with a vote of confidence from these communities in our long term commitment.

Links

www.rspo.org

www.iscc-system.org

www.zsl.org

www.iucnredlist.org

<http://seaturtlestatus.org/learn/meet-the-turtles>

Financial statements

Consolidated financial statements	84
Consolidated statement of financial position	86
Consolidated income statement	88
Consolidated statement of comprehensive income	89
Consolidated cash flow statement	90
Consolidated statement of changes in equity	91
Notes to the consolidated financial statements	92
1. Identification	92
2. Statement of compliance	92
3. Accounting policies	93
4. Use of estimates	97
5. Group companies / consolidation scope	98
6. Exchange rates	99
7. Segment reporting	99
8. Goodwill and other intangible assets	103
9. Biological assets	104
10. Property, plant and equipment	107
11. Investment property	108
12. Investments in associates	108
13. Other financial assets	109
14. Inventories	109
15. Other current receivables and other current payables	110
16. Shareholders' equity	110
17. Non-controlling interests	112
18. Provisions	112
19. Pension liabilities	113
20. Net financial assets/(debts)	115





21. Assets/liabilities held for sale	115
22. Non-recurring result	116
23. Financial result	117
24. Share based payment	117
25. Income taxes	118
26. Share of results of associated companies	120
27. Change in net working capital	120
28. Financial instruments	121
29. Joint ventures	127
30. Operating leases	127
31. Finance leases	128
32. Rights and commitments not reflected in the balance sheet	128
33. Related party transactions	129
34. Earnings per share (basic and diluted)	130
35. Events after balance sheet date	131
36. Recent developments	131
37. Services provided by the auditor and related fees	132
Statutory Auditor's report	133
Parent company summarized statutory accounts	135



Although palm oil mills are energy-self-sufficient once running at capacity, the start-up requires the use of diesel, stored in bunded tanks.

Consolidated statement of financial position

In KUSD	Note	2013	2012	2011
Non-current assets		598 936	514 307	424 831
Intangible assets	8	36 963	27 979	21 056
Goodwill	8	4 519	4 519	4 519
Biological assets	9	334 712	302 295	268 416
Property, plant & equipment	10	201 269	165 330	116 944
Investment property	11	3	3	3
Investments in associates	12	10 696	10 289	9 476
Financial assets		3 860	3 857	4 064
Other financial assets	13	3 860	3 857	4 064
Receivables > 1 year				106
Other receivables				106
Deferred tax assets	25	6 914	35	247
Current assets		111 159	117 535	142 460
Inventories	14	36 749	44 626	38 332
Trade and other receivables		41 059	40 010	51 294
Trade receivables	28	25 120	28 275	37 473
Other receivables	15	15 939	11 735	13 821
Current tax receivables	25	5 335	483	936
Investments			5 017	15 855
Other investments and deposits	20		5 017	15 855
Derivatives	28	986	327	
Cash and cash equivalents	20	20 502	25 783	34 289
Other current assets		1 037	1 289	1 754
Assets held for sale	21	5 491		
Total assets		710 095	631 842	567 291

In KUSD	Note	2013	2012	2011
Total equity		541 886	504 490	450 874
Shareholders' equity	16	508 058	472 642	425 261
Issued capital		45 819	45 819	45 819
Share premium		21 502	21 502	21 502
Treasury shares (-)		-4 776	-4 603	-4 603
Reserves		459 741	424 836	377 875
Translation differences		-14 228	-14 912	-15 332
Non-controlling interests	17	33 828	31 848	25 613
Non-current liabilities		74 964	66 149	59 899
Provisions > 1 year		5 248	2 546	111
Provisions	18	5 248	2 546	111
Deferred tax liabilities	25	58 594	51 589	48 505
Trade and other liabilities > 1 year				
Financial liabilities > 1 year (incl. derivatives)	20			
Pension liabilities	19	11 122	12 014	11 283
Current liabilities		93 245	61 203	56 518
Trade and other liabilities < 1 year		35 684	43 885	46 372
Trade payables	28	14 523	19 268	14 491
Advances received	28	163	1 479	465
Other payables	15	9 639	11 112	12 532
Income taxes	25	11 359	12 026	18 884
Financial liabilities < 1 year		52 420	12 607	2 625
Current portion of amounts payable after one year	20			2 600
Financial liabilities	20	52 420	12 607	25
Derivatives	28			1 004
Other current liabilities		3 361	4 711	6 517
Liabilities associated with assets held for sale	21	1 780		
Total equity and liabilities		710 095	631 842	567 291

Consolidated income statement

In KUSD	Note	2013			2012			2011		
		Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS
Revenue	7	291 678		291 678	332 522		332 522	367 661		367 661
Cost of sales	7, 9	-197 257	4 930	-192 327	-220 267	3 679	-216 588	-230 853	4 132	-226 721
Gross profit	7	94 421	4 930	99 351	112 255	3 679	115 934	136 808	4 132	140 940
Variation biological assets	9		36 461	36 461		33 836	33 836		28 611	28 611
Planting cost (net)	9		-28 717	-28 717		-26 962	-26 962		-17 505	-17 505
Selling, general and administrative expenses		-25 336		-25 336	-25 425		-25 425	-24 936		-24 936
Other operating income/(charges)	22	-2 793		-2 793	-3 195		-3 195	2 218		2 218
Operating result		66 292	12 674	78 966	83 635	10 553	94 188	114 090	15 238	129 328
Financial income		155		155	880		880	653		653
Financial charges		- 838		- 838	- 488		- 488	- 677		- 677
Exchange differences		-2 629		-2 629	2 897		2 897	2 583		2 583
Financial result	23	-3 312	0	-3 312	3 289	0	3 289	2 559	0	2 559
Profit before tax		62 980	12 674	75 654	86 924	10 553	97 477	116 649	15 238	131 887
Tax expense	25, 9	-13 956	-3 062	-17 018	-22 917	-1 710	-24 627	-26 573	-3 951	-30 524
Profit after tax		49 024	9 612	58 636	64 007	8 843	72 850	90 076	11 287	101 363
Share of results of associated companies	26	231	0	231	623	0	623	210	0	210
- Insurance		231		231	623		623	210		210
Result from continuing operations		49 255	9 612	58 867	64 630	8 843	73 473	90 286	11 287	101 573
Result from discontinued operations		0	0	0	0	0	0	0	0	0
Profit for the period		49 255	9 612	58 867	64 630	8 843	73 473	90 286	11 287	101 573
Attributable to:										
- Non-controlling interests	17	2 630	610	3 240	3 819	1 262	5 081	5 605	880	6 485
- Equity holders of the parent		46 625	9 002	55 627	60 811	7 581	68 392	84 681	10 407	95 088
Earnings per share (in USD)										
From continuing operations										
Basic earnings per share	34			6.26			7.69			10.63
Diluted earnings per share	34			6.26			7.69			10.63
From continuing operations										
Basic earnings per share	34			6.26			7.69			10.63
Diluted earnings per share	34			6.26			7.69			10.63

Consolidated statement of comprehensive income

In KUSD	Note	2013			2012			2011		
		Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS
Profit for the period		49 255	9 612	58 867	64 630	8 843	73 473	90 286	11 287	101 573
Other comprehensive income:										
Items that may be reclassified to profit and loss in subsequent periods										
- Exchange differences on translating foreign operations	16	684		684	287		287	- 427		- 427
Items that will not be reclassified to profit and loss in subsequent periods										
- Defined Benefit Plans - IAS 19R	19	- 1 306		- 1 306			0			0
- Income tax relating to components of other comprehensive income		324		324			0			0
Total other comprehensive income for the year, net of tax:		- 298	0	- 298	287	0	287	- 427	0	- 427
Other comprehensive income attributable to:										
- Non-controlling interests		- 87		- 87						
- Equity holders of the parent		- 211		- 211	287		287	- 427		- 427
Total comprehensive income for the year		48 957	9 612	58 569	64 917	8 843	73 760	89 859	11 287	101 146
Total comprehensive income attributable to:										
- Non-controlling interests		2 543	610	3 153	3 819	1 262	5 081	5 605	880	6 485
- Equity holders of the parent		46 414	9 002	55 416	61 098	7 581	68 679	84 254	10 407	94 661

Consolidated cash flow statement

In KUSD	Note	2013	2012	2011
Operating activities				
Profit before tax		75 654	97 477	131 887
Adjusted for:				
Depreciation	7	15 642	16 006	11 962
Movement in provisions	18	977	3 166	876
Stock options		307	175	
Changes in fair value of biological assets	9	-7 744	-6 874	-11 106
Other non-cash results		-1 353	5 897	836
Financial income and charges		24	-1 723	24
Result on disposal of property, plant and equipment		1 061	174	- 254
Result on disposal of financial assets			-3 346	
Cash flow from operating activities before change in net working capital		84 568	110 952	134 225
Change in net working capital	27	- 74	-3 744	-8 167
Cash flow from operating activities after change in net working capital		84 494	107 208	126 058
Income taxes paid	25	-21 419	-21 645	-21 785
Cash flow from operating activities		63 075	85 563	104 273
Investing activities				
Acquisition intangible assets	7	-9 503	-6 128	-5 765
Acquisition biological assets	7	-27 610	-26 247	-17 657
Acquisition property, plant & equipment	7	-54 531	-66 948	-44 609
Dividends received from associated companies		266		
Proceeds from sale of property, plant & equipment		645	952	926
Proceeds from sale of financial assets	33		3 512	
Cash flow from investing activities		-90 733	-94 859	-67 105
Free cash flow		-27 658	-9 296	37 168
Financing activities				
Equity transactions with non-controlling parties *		- 5	53	-19 531
Decrease/(increase) of treasury shares	16	- 173		-4 603
Repayment in long-term financial borrowings	20		-2 600	-5 200
Increase/(decrease) short-term financial borrowings	20	39 814	12 582	- 298
Last year's dividend paid during this bookyear		-20 122	-18 944	-19 657
Dividends paid by subsidiaries to minorities	17	-1 180	-1 426	-2 271
Financial income and charges		- 596	286	- 61
Cash flow from financing activities		17 738	-10 049	-51 621
Net increase in investments, cash and cash equivalents	20	-9 920	-19 345	-14 453
Investments and cash and cash equivalents (opening balance)	20	30 800	50 144	64 607
Effect of exchange rate fluctuations on cash and cash equivalents	20	4	1	- 10
Investments and cash and cash equivalents (closing balance)	20	20 884	30 800	50 144

Consolidated statement of changes in equity

In KUSD	Issued capital SIPEF	Share premium SIPEF	Treasury shares	Defined benefit plans IAS 19R	Reserves	Translation differences	Share-holders' equity	Non-controlling interests	Total equity
January 1, 2013	45 819	21 502	-4 603	0	424 836	-14 912	472 642	31 848	504 490
Result for the period					55 627		55 627	3 240	58 867
Other comprehensive income				- 895		684	- 211	- 87	- 298
Total comprehensive income	0	0	0	- 895	55 627	684	55 416	3 153	58 569
Last year's dividend paid					-20 122		-20 122		-20 122
Equity transactions with non-controlling parties *					- 12		- 12	7	- 5
Other (note 16,17)			- 173		307		134	-1 180	-1 046
December 31, 2013	45 819	21 502	-4 776	- 895	460 636	-14 228	508 058	33 828	541 886
January 1, 2012	45 819	21 502	-4 603		377 875	-15 332	425 261	25 612	450 873
Result for the period					68 392		68 392	5 081	73 473
Other comprehensive income						287	287		287
Total comprehensive income	0	0	0	0	68 392	287	68 679	5 081	73 760
Last year's dividend paid					-18 944		-18 944		-18 944
Equity transactions with non-controlling parties **					- 43		- 43	96	53
Transfers without loss of control ***					-2 618	133	-2 485	2 485	0
Other (note 17)					174		174	-1 426	-1 252
December 31, 2012	45 819	21 502	-4 603	0	424 836	-14 912	472 642	31 848	504 490

* The equity transactions with non-controlling parties comprise the acquisition of 5 additional shares of Jabelmalux SA, so that the group now owns 99.6% of the shares. This transaction was recorded directly in the group's reserves (KUSD -12) and in the non-controlling interests (KUSD 7).

** During exercise 2012, PT Toton Usaha Mandiri was acknowledged as being a foreign company in Indonesia, whereby the shareholding of this company has to be formalized. Accordingly, 5% of the shares were sold to a local minority shareholder. This transaction was recorded directly in the group's reserves (KUSD -43) and in the non-controlling interests (KUSD 96).

*** In the context of the further centralization of SIPEF's Indonesian activities, the shareholdings in PT Kerasaan Indonesia, PT Bandar Sumatra Indonesia, PT Timbang Deli Indonesia, PT Mukomuko Agro Sejahtera and PT Melania Indonesia were transferred within the group on June 25, 2012 from SIPEF/Jabelmalux SA to PT Tolan Tiga Indonesia, which acts as Indonesian holding company. Therefore the percentage of interest in the concerning subsidiaries changed resulting in a transfer between reserves and exchange differences on the one hand and non-controlling interests on the other hand.

Notes to the consolidated financial statements

1. Identification

SIPEF (the 'company') is a limited liability company ('naamloze vennootschap'/'société anonyme') incorporated in Belgium and registered at 2900 Schoten, Calesbergdreef 5.

The consolidated financial statements for the year ended 31 December 2013 comprise *SIPEF* and its subsidiaries (together referred to as '*SIPEF* group' or 'the group'). Comparative figures are for the financial years 2012 and 2011.

The consolidated financial statements were authorized for issue by the directors at the board meeting of 18 February 2014 and shall be approved by the shareholders at the annual general meeting of 11 June 2014. A list of the directors and the statutory auditor, as well as a description of the principal activities of the group, are included in the non-financial section of this annual report.

2. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) which have been adopted by the European Union as per 31 December 2013.

The following standards or interpretations are applicable for the accounting year commencing on the 1st of January 2013:

- IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
- IAS 19 (revised 2011) Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Government Loans (applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)

These amendments have no significant impact on *SIPEF* group's financial statements. As of January 1, 2013 onwards, IAS 19 Revised Employee Benefits is applicable. IAS19 Revised has to be applied retrospectively. The impact of this revised accounting standard for the group consists mainly of the immediate recognition of unrecognized actuarial gains/losses through other comprehensive income. The group has calculated the impact of the change in this accounting standard on previous periods and have evaluated this to be immaterial and has therefore decided not to account for IAS19 Revised retrospectively.

The group did not elect for early application of the following new standards and interpretations which were issued at the date of approval of these financial statements but were not yet effective on the balance sheet date:

- IFRS 9 Financial Instruments and subsequent amendments (not yet endorsed in EU)
- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016)
- IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2014)
- Improvements to IFRS (2010-2012) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

- Improvements to IFRS (2011-2013) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 19 Employee Benefits – Employee Contributions (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 – Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 21 – Levies (applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

At this stage the group does not expect first adoption of these standards and interpretations to have any material impact on the net results of the group. The application of IFRS 10, IFRS 11 and IAS 28 will have an important impact on the presentation of the consolidated balance sheet and income statement due to the joint venture “PT Agro Muko”, which is currently accounted for according to the proportional consolidation method. As of financial year 2014, PT Agro Muko will be accounted for using the equity method. We also refer to note 29 for additional information concerning the joint ventures.

The application of IFRS 12 will have an influence on the notes to the consolidated financial statements.

3. Accounting policies

Basis of preparation

Starting in 2007 the consolidated financial statements are presented in US dollar (until 2006 this was done in euro), rounded off to the nearest thousand (KUSD). This modification is the result of the changed policy with regard to the liquidity and debt management since the end of 2006, whereby the functional currency

of the majority of the subsidiaries has been changed from the local currency to the US dollar.

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments classified as available-for-sale, financial derivative instruments and biological assets.

The accounting policies have been consistently applied throughout the group and are consistent with those used in the previous year.

Business combinations

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Any costs directly attributable to the acquisition are recognized in profit or loss. The purchase consideration to acquire a business, including contingent payments, is recorded at fair value at the acquisition date, while subsequent adjustments to the contingent payments resulting from events after the acquisition date are recognized in profit or loss. The ‘full goodwill’ option, which can be elected on a case by case basis, allows SIPEF to measure the non-controlling interest either at fair value or at its proportionate share of the acquiree’s net assets. All acquisition-related costs, such as consulting fees, are expensed.

Step acquisitions

Changes in the group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group’s interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the company.

Where a business combination is achieved in stages, the group’s previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or

loss, where such treatment would be appropriate if that interest were disposed of.

Consolidation principles

Subsidiaries

Subsidiaries are those enterprises controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases (or a date nearby).

Associates

Associates are those enterprises in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases (or a date nearby). When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred obligations in respect of the associate.

Joint ventures

Joint ventures are those enterprises over whose activities the group has joint control, established by contractual agreement. The consolidated financial statements include the group's proportionate share of the enterprise's assets, liabilities, revenue and expenses, from the date that joint control commences (or a date nearby) until the date that joint control ceases.

When the ownership interest in a joint venture is increased without losing joint control, the company recognizes a goodwill as the difference between the consideration paid for the additional interest and the book value of the net assets of the joint venture.

Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealized gains arising on intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the group's interest in the enterprise against the investment in the associate. Unrealized losses are eliminated in

the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions

In the individual group companies, transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Financial statements of foreign operations

Functional currency: items included in financial statements of each entity in the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). Starting from 2007 the consolidated financial statements are presented in USD, this is the functional currency of the majority of the group companies.

To consolidate the group and each of its subsidiaries, the financial statements of the individual entities are translated as follows:

- Assets and liabilities at the closing rate;
- Income statements at the average exchange rate for the year;
- The components of shareholders' equity at the historical exchange rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, joint ventures and associated entities at the year-end exchange rate are recorded as part of the shareholders' equity under 'translation differences'. When a foreign entity is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

Biological assets

According to IFRS, biological activities are measured at fair value (IAS41).



As from 2006 *SIPEF* group records its biological assets at the value according to internal valuation models (formerly on the basis of external models). These models are mainly based on the Discounted Cash Flow method (DCF).

The main variables in these models concern:

Variable	Comment
Currency valuation	USD
Production volumes	Estimate based on historical data regarding the yield/ha of the concerning or comparable areas.
Selling price	Estimate based on the past 20-year average world market price: Palm oil: 622 USD/tonne CIF Rotterdam Rubber: 1 800 USD/tonne FOB Singapore
Cost price	Estimate based on actual cost prices ('adjusted current year cost price').
Planting costs	Estimated costs for the further development of immature areas are deducted.
Replacement investments	Estimated costs for required replacement investments (vehicles, houses, infrastructure...) are also deducted.
Discount rate	Future cash flows are, depending on the location of the underlying assets, discounted at following discount rates: Oil palm: 15% Rubber: 15% - 16% Tea: 16%

SIPEF group only recognizes a biological asset or agricultural product when it controls the asset as a result of past events, when it is probable that future economic benefits associated with the asset will flow to *SIPEF* group and when the fair value or cost of the asset can be measured reliably.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point of sale costs and from the change in fair value less estimated point of sale costs of a biological asset is included in net profit or loss in the period in which it arises.

Goodwill

Goodwill represents the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired in a business combination. Goodwill is not amortized but reviewed for impairment at least annually. For the purpose of testing goodwill for impairment, goodwill is allocated to operating companies which is the lowest level at which the goodwill is monitored for internal management purposes (i.e. cashflow generating unit). Any impairment is immediately recognized in the income statement and is not subsequently reversed.

Negative goodwill represents the excess of the group's interest in the fair value of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is immediately recognized in the income statement.

Intangible assets

Intangible assets include computer software, various licenses and concessions. Intangible assets are capitalized and amortized using the straight-line method over their useful life. For concessions the useful life is determined by their duration.

Property, plant and equipment

Property, plant and equipment, including investment property, are stated at cost less accumulated depreciation and any accumulated impairment losses. Borrowing costs attributable to the construction or production of qualifying assets are capitalized. Expenses for the repair of property, plant and equipment are usually charged against income when incurred.

Property held for sale, if any, is stated at the lower of amortized cost and fair value less selling charges.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets:

Buildings	5 to 30 years
Infrastructure	5 to 25 years
Installations and machinery	5 to 30 years
Vehicles	3 to 20 years
Office equipment and furniture	5 to 10 years
Other property, plant and equipment	2 to 20 years

Land is not depreciated.

Impairment of assets

Property, plant and equipment, financial assets and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may be higher than the recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. If impairment is no longer justified in future periods due to a recovery in assets' fair value or value in use, the impairment reserve is reversed.

Financial instruments

1. Derivatives

The group uses financial derivative instruments primarily to manage its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. The group does not apply special hedge accounting under IAS 39 – 'Financial Instruments: Recognition and Measurement'. Derivatives are stated at fair value. Any gains or losses arising from changes in fair value are charged directly to net profit or loss for the period.

2. Receivables and payables

Amounts receivable and payable are measured at amortised cost price.

Amounts receivable and payable are measured at their nominal value, less a provision for any doubtful amounts receivable. Amounts receivable and payable in a currency other than the currency of the subsidiary are translated at the prevailing group exchange rates on the balance sheet date.

3. Cash and cash equivalents

Cash and cash equivalents are measured at their nominal value and include cash and deposits with an original maturity of three months or less. Negative cash balances are recorded as liabilities.

4. Interest-bearing borrowings

Interest-bearing borrowings are measured at amortised cost price.

Borrowings are initially recognized as proceeds received, net of transaction costs. Any difference between cost and redemption value is recognized in the income statement using the effective interest method.

5. Financial assets available for sale

Financial assets available for sale are measured at fair value. Fair value gains and losses are recognized in other comprehensive income. If the fair value of a financial asset cannot be measured reliably, the financial asset will be measured at amortized cost.

When a decrease in fair value of a financial asset available for sale is recognized in other comprehensive income and an objective evidence of impairment exists, the cumulated losses previously recognized in equity will be taken into profit or loss.

Inventories

Inventories are valued at the lower of cost or net realizable value.

The stock finished products including biological assets are valued by adding production cost to the fair value of the biological asset concerned.

Inventories are written down on a case-by-case basis if the estimated net realizable value declines below the carrying amount of the inventories. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. When the reason for a write-down of the inventories has ceased to exist, the write-down is reversed.

Shareholders' equity

Dividends of the parent company payable on ordinary shares are only recognized as a liability in the period in which they are declared.

Costs incurred with respect to the issuance of equity instruments are recorded as a deduction in equity.

Non-controlling interest

Non-controlling interests include a proportion of the fair value of identifiable assets and liabilities recognized upon acquisition of a subsidiary, together with the appropriate proportion of subsequent profits and losses.

In the income statement the minority share in the company's profit or loss is separated from the consolidated result of the group.

Provisions

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.

Pensions and other post employment benefits

Group companies have various pension schemes in accordance with the local conditions and practices in the countries they operate in. The defined benefit plans are generally unfunded but fully provisioned for using the 'projected unit credit'- method. This provision represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in the other comprehensive income.

The group pays contributions to publicly or privately administered insurance plans. The payments are recognized as expenses as they fall due, and as such are included in operating charges.

Revenue recognition

Revenue is measured at the fair value of the amount received for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the group. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Interest income is recognized using the effective interest rate method. Dividends are recognized when the right to receive payment is established.

Cost of sales

Cost of sales includes all costs associated with harvest, transformation and transport. Purchases are recognized net of cash discounts and other supplier discounts and allowances.

Selling, general and administrative expenses

Selling, general and administrative expenses include expenses of the marketing and financial department and general management expenses.

Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax liabilities and assets are recognized for temporary differences between the carrying amount in the balance sheet and the tax bases of assets and liabilities and are subsequently adjusted to reflect changes in tax rates expected to be in effect when the temporary differences reverse. Deferred tax assets are included in the consolidated accounts only to the extent that their realization is probable in the foreseeable future.

4. Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the group to use estimates and make assumptions that may affect the reported amounts of assets and liabilities at the date of the balance sheets and reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.

The main areas in which estimates are used are:

- Post-employment benefits (note 19)
- Deferred tax assets (note 25)
- Provisions
- Fair value biological assets (note 9)
- Impairment of assets

5. Group companies / consolidation scope

The ultimate parent of the group, *SIPEF*, Schoten/Belgium, is the parent company of the following significant subsidiaries:

	Location	% of control	% of interest
Consolidated companies (full consolidation)			
PT Tolan Tiga Indonesia	Medan / Indonesia	95.00	95.00
PT Eastern Sumatra Indonesia	Medan / Indonesia	95.00	90.25
PT Kerasaan Indonesia	Medan / Indonesia	57.00	54.15
PT Bandar Sumatra Indonesia	Medan / Indonesia	95.00	90.25
PT Timbang Deli Indonesia	Medan / Indonesia	95.00	90.25
PT Melania Indonesia	Jakarta / Indonesia	95.00	90.25
PT Mukomuko Agro Sejahtera	Medan / Indonesia	95.00	85.74
PT Umbul Mas Wisesa	Medan / Indonesia	95.00	94.62
PT Citra Sawit Mandiri	Medan / Indonesia	95.00	94.62
PT Toton Usaha Mandiri	Medan / Indonesia	95.00	94.62
PT Agro Rawas Ulu	Medan / Indonesia	95.00	95.00
PT Agro Kati Lama	Medan / Indonesia	95.00	95.00
PT Agro Muara Rupit	Medan / Indonesia	95.00	94.62
Hargy Oil Palms Ltd	Bialla / Papua-N-G	100.00	100.00
Galley Reach Holdings Ltd	Port Moresby / Papua-N-G	100.00	100.00
Plantations J. Eglin SA	Azaguïé / Ivory Coast	100.00	100.00
Sograci SA	Abidjan / Ivory Coast	100.00	100.00
Jabelmalux SA	Luxembourg / G.D. Luxemburg	99.60	99.60
Joint ventures (proportionate consolidation)			
PT Agro Muko	Jakarta / Indonesia	47.29	44.93
Associates (equity method)			
B.D.M. NV	Antwerpen / Belgium	50.00	50.00
Asco NV	Antwerpen / Belgium	50.00	50.00
Companies not included			
SIPEF-CI SA	San Pedro / Ivory Coast	32.01	32.01
Horikiki Development Cy Ltd	Honiara / Solomon Islands	90.80	90.80
Sograkin SA	Kinshasa / Congo	50.00	50.00

The scope was expanded with the newly established 100% subsidiary *Sograci SA*, that shall encompass possible new rubber investments in Ivory Coast.

As the shareholding and the management of *SIPEF-CI SA* changed in June 2008, and trustworthy financial information could no longer be received, it was decided that equity method accounting was not appropriate from the second half of 2008 onwards.

In spite of the possession of the majority of voting rights, the group has no control over the non consolidated companies because they are established in inaccessible regions (*Horikiki Development Cy Ltd* and *Sograkin SA*).

The non consolidated companies are seen as financial assets available for sale.



6. Exchange rates

As a result of a revised liquidity- and debt management as from the end of 2006 the functional currency in the majority of the subsidiaries has been changed to US dollar as from January 1, 2007.

Following subsidiaries have however another functional currency:

<i>Plantations J. Eglin SA</i>	EUR
<i>B.D.M. NV</i>	EUR
<i>Asco NV</i>	EUR

The exchange rates below have been used to convert the balance sheets and the results of these entities into US dollar (this is the currency in which the group presents its results).

	Closing rate			Average rate		
	2013	2012	2011	2013	2012	2011
EUR	0.7254	0.7574	0.7715	0.7515	0.7738	0.7145

7. Segment information

Segment reporting is based on two segment reporting formats. The primary reporting format represents business segments – palm products, rubber, tea, bananas and plants and insurance – which represent the management structure of the group.

The secondary reporting format represents the geographical locations where the group is active. Gross profit per geographical market shows revenue minus cost of sales based on the location where the enterprise's products are produced.

Segment result is revenue minus expense that is directly attributable to the segment and the relevant portion of income and expense that can be allocated on a reasonable basis to the segment.

The result of the companies consolidated using the equity method is immediately detailed (insurance / Europe) in the income statement.

Gross profit by product

	Revenue	Cost of sales	Gross profit before IAS 41	IAS 41	Gross profit IFRS	% of total
2013 - KUSD						
Palm	234 053	-157 064	76 989	4 702	81 691	82.22
Rubber	30 963	-21 360	9 603	461	10 064	10.13
Tea	7 340	-5 725	1 615	25	1 640	1.65
Bananas and plants	16 518	-12 973	3 545	-258	3 287	3.31
Corporate	2 649		2 649		2 649	2.67
Others	155	-135	20		20	0.02
Total	291 678	-197 257	94 421	4 930	99 351	100.00

	Revenue	Cost of sales	Gross profit before IAS 41	IAS 41	Gross profit IFRS	% of total
2012 - KUSD						
Palm	257 402	-168 654	88 748	2 995	91 743	79.13
Rubber	41 145	-27 505	13 640	819	14 459	12.47
Tea	9 517	-7 190	2 327	27	2 354	2.03
Bananas and plants	20 859	-16 908	3 951	-162	3 789	3.27
Corporate	3 491		3 491		3 491	3.01
Others	108	-10	98		98	0.09
Total	332 522	-220 267	112 255	3 679	115 934	100.00

The segment 'corporate' comprises the management fees received from non group entities.

Under IFRS (IAS41) depreciation on biological assets is not allowed.

Gross profit by geographical segment

	Revenue	Cost of sales	Other income	Gross profit before IAS 41	IAS 41	Gross profit IFRS	% of total
2013 - KUSD							
Indonesia	155 974	-95 513	526	60 987	2 171	63 158	63.57
Papua New Guinea	116 430	-88 636		27 794	3 018	30 812	31.01
Ivory Coast	15 962	-12 448		3 514	-259	3 255	3.28
Europe			2 075	2 075		2 075	2.09
Others	711	-660		51		51	0.05
Total	289 077	-197 257	2 601	94 421	4 930	99 351	100.00
2012 - KUSD							
Indonesia	184 162	-112 113	544	72 593	1 874	74 467	64.23
Papua New Guinea	123 935	-91 237		32 699	1 967	34 666	29.90
Ivory Coast	20 853	-16 904		3 949	-162	3 787	3.27
Europe			2 913	2 913		2 913	2.51
Others	115	-13		101		101	0.09
Total	329 065	-220 267	3 457	112 255	3 679	115 934	100.00

Revenue by location of the debtors

In KUSD	2013	2012
Switzerland	76 879	70 904
United Kingdom	57 287	57 171
Singapore	56 704	79 950
The Netherlands	42 298	36 415
Indonesia	31 820	47 875
United States	5 733	9 794
Pakistan	4 896	5 942
Belgium	4 363	6 938
Others	3 353	6 603
Germany	3 214	3 098



In KUSD	2013	2012
Ivory Coast	2 550	2 749
France	2 275	3 821
Spain	306	1 262
Total	291 678	332 522

Segment information by product

Fair value of biological assets per product and the variation per product is detailed further in the note concerning biological assets. Assets and liabilities of a segment are the assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities that can be attributed are immaterial and therefore these liabilities are not attributed (liabilities mainly concern the parent company). The section 'unallocated' mainly contains cash deposits and other receivables.

In KUSD	2013						Total
	Palm	Rubber	Tea	Bananas & Plants	Insurance	Unallocated	
Intangible assets	36 702	75	7	57		122	36 963
Goodwill	4 258	261					4 519
Biological assets	313 368	14 218	4 298	2 828			334 712
Property, plant & equipment	184 163	8 158	1 824	4 456		2 668	201 269
Investment property						3	3
Investments in associates					10 696		10 696
Inventories	30 394	4 033	1 025	1 279		18	36 749
Trade receivables	20 868	1 536	513	1 896		307	25 120
Assets held for sale		5 491					5 491
Unallocated						54 573	54 573
Total assets	589 753	33 772	7 667	10 516	10 696	57 691	710 095
% of total assets	83.05%	4.76%	1.08%	1.48%	1.51%	8.12%	100.00%
Total liabilities							710 095
Segment capital expenditures:							
Intangible assets	9 460	41		2			9 503
Biological assets	25 260	2 148	71	131			27 610
Property, plant & equipment	49 863	1 818	210	1 105		1 535	54 531
Total investments	84 583	4 007	281	1 238	0	1 535	91 644
Segment depreciation:							
Intangible assets	394	4	1			119	518
Property, plant & equipment	12 975	842	349	812		146	15 124
Total depreciation	13 369	846	350	812	0	265	15 642

In KUSD	2012						Total
	Palm	Rubber	Tea	Bananas & Plants	Insurance	Unallocated	
Intangible assets	27 638	39	8	52		242	27 979
Goodwill	4 258	261					4 519
Biological assets	278 100	18 278	3 594	2 323			302 295
Property, plant & equipment	149 346	8 243	2 741	4 357		643	165 330
Investment property						3	3
Investments in associates					10 289		10 289
Inventories	38 270	3 420	1 648	1 288			44 626
Trade receivables	23 862	1 973	440	1 990		10	28 275
Assets held for sale							0
Unallocated						48 526	48 526
Total assets	521 474	32 214	8 431	10 010	10 289	49 424	631 842
% of total assets	82.54%	5.10%	1.33%	1.58%	1.63%	7.82%	100.00%
Total liabilities							631 842
Segment capital expenditures:							
Intangible assets	6 080			45		3	6 128
Biological assets	23 108	2 962	74	103			26 247
Property, plant & equipment	61 295	3 090	417	922		1 224	66 948
Total investments	90 483	6 052	491	1 070	0	1 227	99 323
Segment depreciation:							
Intangible assets	89	4	1			169	263
Property, plant & equipment	13 180	935	408	1 014		206	15 743
Total depreciation	13 269	939	409	1 014	0	375	16 006

Segment information - geographical

In KUSD	2013					Total
	Indonesia	PNG	Ivory Coast	Europe	Others	
Intangible assets	36 743		98	122		36 963
Goodwill	4 519					4 519
Biological assets	257 967	73 916	2 829			334 712
Property, plant & equipment	77 446	118 898	4 631	294		201 269
Investment property				3		3
Investments in associates				10 696		10 696
Other assets	45 358	31 452	2 206	42 917		121 933
Total assets	422 033	224 266	9 764	54 032	0	710 095
% of total assets	59.43%	31.58%	1.38%	7.61%	0.00%	100.00%
Segment capital expenditures:						
Intangible assets	9 460		43			9 503
Biological assets	8 041	19 439	130			27 610
Property, plant & equipment	24 532	28 646	1 280	73		54 531
Total investments	42 033	48 085	1 453	73	0	91 644
Segment depreciation:						
Intangible assets	399			119		518
Property, plant & equipment	4 376	9 893	812	43		15 124
Total depreciation	4 775	9 893	812	162	0	15 642



In KUSD	2012					
	Indonesia	PNG	Ivory Coast	Europe	Others	Total
Intangible assets	27 685		52	242		27 979
Goodwill	4 519					4 519
Biological assets	240 353	59 618	2 324			302 295
Property, plant & equipment	60 522	100 155	4 357	296		165 330
Investment property				3		3
Investments in associates				10 289		10 289
Other assets	46 149	36 195	1 674	37 409		121 427
Total assets	379 228	195 968	8 407	48 239	0	631 842
% of total assets	60.02%	31.02%	1.33%	7.63%	0.00%	100.00%
Segment capital expenditures:						
Intangible assets	6 080		45	3		6 128
Biological assets	10 755	15 389	103			26 247
Property, plant & equipment	26 149	39 784	922	93		66 948
Total investments	42 984	55 173	1 070	96	0	99 323
Segment depreciation:						
Intangible assets	94			169		263
Property, plant & equipment	4 606	10 052	1 014	71		15 743
Total depreciation	4 700	10 052	1 014	240	0	16 006

8. Goodwill and other intangible assets

In KUSD	2013		2012	
	Goodwill	Intangible assets	Goodwill	Intangible assets
Gross carrying amount at January 1	4 519	29 748	4 519	22 562
Acquisitions		9 502		6 127
Sales and disposals		-15		
Transfers				1 057
Other		-9		
Translation differences		4		2
Gross carrying amount at December 31	4 519	39 230	4 519	29 748
Accumulated amortization and impairment losses at January 1		-1 769		-1 506
Depreciations		-517		-263
Sales and disposals		15		
Other		6		
Translation differences		-2		
Accumulated amortization and impairment losses at December 31		-2 267		-1 769
Net carrying amount at January 1	4 519	27 979	4 519	21 056
Net carrying amount at December 31	4 519	36 963	4 519	27 979

The acquisitions of intangible assets refer mainly to the additional payments made for obtaining the land titles of *PT Umbul Mas Wisesa*, *PT Citra Sawit Mandiri*, *PT Agro Rawas Ulu*, *PT Agro Kati Lama*, *PT Agro Muara Rupit*, *PT Mukomuko Agro Sejahtera* and *Sograci SA*.

In accordance with the accounting policies the goodwill was reviewed for impairment. This had no impact in 2013. The assumptions that were used for these tests are in accordance with the assumptions for the IAS 41 valuation.

9. Biological assets

According to IFRS biological activities are measured at fair value (IAS 41). In accordance with IFRS 13 biological assets are brought under level 3. This relates to fair value determination based on inputs that are not based on observable market data. We also refer to note 3 relating to the accounting policies in which we further disclose the method of valuation and the assumptions used for the calculation. The valuations, as presented in the internal valuation models based on net present values, take into account the long term exploitation of the plantations. The board of directors retains their view that commodity markets are inherently cyclical and that long term price projections are highly unpredictable.

The board of directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the IAS 41 valuations as included in the consolidated accounts against his own assumptions. It does concern the directors that no estimate of fair value can ever be completely accurate (particularly in a business in which selling prices and costs are subject to very material fluctuations). Moreover, in the case of the group's biological assets, small differences in valuation assumptions can have a quite disproportionate effect on results.

Another concern is that, as shown from an international benchmark, there is currently no uniform approach within the plantation sector when it comes to defining the major variables, such as selling price and/or discount rates, in the DCF models resulting in the IAS 41 values.

Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the prices of the agricultural produce and the absence of a liquid market, their carrying value may differ from their realisable value. The biological assets of the *SIPEF* group are mainly on land for which a long term concession has been obtained. When measuring the fair value of the biological assets we assume that these concessions can and will be renewed at normal cost. Future production included in the calculation of the fair value takes into account the age of the asset and not the expiration date of the concessions.

Below is a table with the proprietary rights on which the plantations of the *SIPEF* group are established:

	Hectares	Type	Maturity	Crop
PT Tolan Tiga Indonesia	6 042	Concession	2023	Oil palm
PT Tolan Tiga Indonesia	2 437	Concession	2024	Oil palm
PT Eastern Sumatra Indonesia	3 178	Concession	2023	Oil palm
PT Kerasaan Indonesia	2 362	Concession	2023	Oil palm
PT Bandar Sumatra Indonesia	1 412	Concession	2024	Rubber and oil palm
PT Timbang Deli Indonesia	972	Concession	2023	Rubber
PT Melania Indonesia	5 140	Concession	2023	Rubber, tea and oil palm
PT Toton Usaha Mandiri	1 199	Concession	2046	Oil palm
PT Agro Muko	2 270	Concession	2019	Rubber and oil palm
PT Agro Muko	2 500	Concession	2020	Rubber and oil palm
PT Agro Muko	315	Concession	2031	Rubber and oil palm



	Hectares	Type	Maturity	Crop
PT Agro Muko	1 410	Concession	2028	Rubber and oil palm
PT Agro Muko	2 903	Concession	2022	Rubber and oil palm
PT Agro Muko	7 730	Concession	2019	Rubber and oil palm
PT Agro Muko	2 171	Concession	2022	Rubber and oil palm
PT Agro Muko	1 515	Concession	2020	Rubber and oil palm
PT Agro Muko	2 100	Concession	2022	Rubber and oil palm
PT Umbul Mas Wisesa	6 468	Concession	2048	Oil palm
Hargy Oil Palms Ltd	2 967	Concession	2076	Oil palm
Hargy Oil Palms Ltd	128	Concession	2074	Oil palm
Hargy Oil Palms Ltd	322	Concession	2106	Oil palm
Hargy Oil Palms Ltd	364	Concession	2106	Oil palm
Hargy Oil Palms Ltd	6 460	Concession	2082	Oil palm
Hargy Oil Palms Ltd	2 900	Concession	2101	Oil palm
Galley Reach Holdings Ltd	16 429	Concession	2080	Rubber
Plantations J. Eglin SA	1 442	Freehold	na	Bananas and pineapple flowers
Plantations J. Eglin SA	322	Provisional concession	na	Bananas and pineapple flowers
	83 458			
PT Umbul Mas Wisesa	1 296	In negotiation	-	Oil palm
PT Citra Sawit Mandiri	3 947	In negotiation	-	Oil palm
PT Agro Rawas Ulu	9 000	In negotiation	-	Oil palm
PT Agro Kati Lama	10 500	In negotiation	-	Oil palm
PT Agro Muara Rupit	12 309	In negotiation	-	Oil palm
PT Mukomuko Agro Sejahtera	2 932	In negotiation	-	Oil palm

Movement schedule biological assets

The balance sheet movements in biological assets can be summarized as follows:

In KUSD	Oil palm	Rubber	Tea	Others	Total
Ending balance at December 31, 2012	278 101	18 278	3 594	2 322	302 295
Variation biological assets	35 267	101	704	389	36 461
Reclassification	0	-4 161			-4 161
	313 368	14 218	4 298	2 711	334 595
Translation differences				117	117
Ending balance at December 31, 2013	313 368	14 218	4 298	2 828	334 712

The gross variation of biological assets amounted to KUSD 36 461 and arises mainly from an increase in margins applied and the expansion and the increase in maturity of the new planted oil palm areas of our *PT Umbul Mas Wisesa* estate in Indonesia and at *Hargy Oil Palms Ltd* in Papua New Guinea.

The reclassification concerns the biological assets of *PT Timbang Deli* that have been transferred to assets held for sale (see also note 21).

The gross variation of the biological assets is the result of changes in following variables:

In KUSD	Palm Oil	Rubber	Tea	Other	Total 2013	Total 2012
Variables relating to gross margin	17 875	2 420	484		20 779	25 838
Volumes	12 138	-452	-22	389	12 053	11 733
Extraction rates	2 184				2 184	91
Discount rate					0	
Investments	3 070	-1 867	242		1 445	-3 826
Variation of Biological Assets	35 267	101	704	389	36 461	33 836

Sensitivity variation sales price

Values as appearing in the balance sheet are very sensitive to price changes with regard to the average sales prices applied. Simulations made for oil palm, rubber and tea show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

In KUSD	+10%	2013	-10%
Oil palm	405 129	313 368	221 678
Rubber	19 410	14 218	9 025
Tea	8 728	4 298	-137
Total	433 267	331 884	230 566
Others		2 828	
		334 712	

The sales price for palm oil, in the models approved by the board of directors, is the average world market price of palm oil of the last 20 years (622 USD / tonne CIF Rotterdam). The average price of palmoil for the last 10 years was 767 USD / tonne. The average price for palmoil for 2013 was 857 USD / tonne. According to the Board of Directors, current sales prices are not relevant for establishing the expected future margins and are therefore not used in the IAS 41 valuation models.

Sensitivity variation discount rate

Values as appearing in the balance sheet are very sensitive to price changes with regard to the discount rate applied. Simulations made for oil palm, rubber and tea show that a rise or decrease by 1% of the estimated future selling price has the following effect on the net present value of biological assets:

In KUSD	+1%	2013	-1%
Oil palm	296 753	313 368	331 557
Rubber	13 664	14 218	14 817
Tea	4 041	4 298	4 518
Total	314 458	331 884	350 892
Others		2 828	
		334 712	

Impact of IAS 41 on the income statement

According to IFRS, biological assets are measured at fair value instead of at 'depreciated cost' (IAS 41). This means that the amounts paid for the replanting of existing areas or for the planting of new land are immediately charged to the income statement in the year they arise, even if these investments have an economic lifetime of at least 20 years. In addition these biological assets are not depreciated but are adjusted to fair value. Management is of the opinion that capitalising these investments and depreciating them over their economic useful



life presents the recurring result of the group in a better manner. Therefore the IAS 41 impact is presented in a separate column on the face of the income statement.

In KUSD	Oil palm	Rubber	Tea	Others	Total 2013	Total 2012
Depreciation	4 702	461	25	-258	4 930	3 679
Variation biological assets	35 267	101	704	389	36 461	33 836
Planting cost	-25 260	-2 148	-71	-131	-27 610	-26 247
Transfers	-781	-540	-28		-1 349	-928
Disposals	232	10			242	213
Operating result	14 160	-2 116	630	0	12 674	10 553
Tax impact					-3 062	-1 710
Net impact					9 612	8 843

Impact of IAS 41 on the cash flow statement

In KUSD	2013	2012
Variation biological assets	-36 461	-33 836
Planting cost (included in investing activities)	27 610	26 247
Transfers	1 349	928
Sales and disposals (included in sale of assets)	-242	-213
	-7 744	-6 874

10. Property, plant & equipment

In KUSD	2013						2012
	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment, furniture and others	In progress	Total	Total
Gross carrying amount at January 1	90 339	71 257	47 693	7 840	40 941	258 070	199 229
Acquisitions	10 963	2 165	3 097	844	37 462	54 531	66 948
Sales and disposals	-318	-504	-1 926	-113	-463	-3 324	-6 203
Transfers	308	60	456	60	-2 318	-1 434	-2 230
Other	-793	-37	-106	-25	-115	-1 076	
Translation differences	487	144	114	43	24	812	326
Gross carrying amount at December 31	100 986	73 085	49 328	8 649	75 531	307 579	258 070
Accumulated depreciation and impairment losses at January 1	-22 897	-42 412	-22 562	-4 869		-92 740	-82 285
Depreciation	-3 453	-4 183	-6 828	-662		-15 126	-15 743
Sales and disposals	79	376	1 389	18		1 862	5 285
Transfers							250
Other	206	24	75	12		317	
Translation differences	-396	-128	-76	-23		-623	-247
Accumulated depreciation and impairment losses at December 31	-26 461	-46 323	-28 002	-5 524		-106 310	-92 740
Net carrying amount at January 1	67 442	28 845	25 131	2 971	40 941	165 330	116 944
Net carrying amount at December 31	74 525	26 762	21 326	3 125	75 531	201 269	165 330

The acquisitions included, in addition to the standard replacement capital expenditure, the further finishing of 2 additional oil extraction mills (KUSD 30 794) and the improvement of the logistics and infrastructure of the plantations.

The item 'Other' encompasses the transfer of the assets of *PT Timbang Deli* to 'Assets held for sale' (see also note 21).

11. Investment property

In KUSD	2013	2012
Gross carrying amount at January 1	43	43
Acquisitions		
Gross carrying amount at December 31	43	43
Accumulated depreciation and impairment losses at January 1	-40	-40
Depreciation		
Accumulated depreciation and impairment losses at December 31	-40	-40
Net carrying amount at January 1	3	3
Net carrying amount at December 31	3	3

12. Investments in associates

In KUSD	2013	2012
Gross carrying amount at January 1	10 289	9 476
Share of results of associated companies	231	623
Other variations	-276	
Translation differences	452	190
Gross carrying amount at December 31	10 696	10 289
Net carrying amount at January 1	10 289	9 476
Net carrying amount at December 31	10 696	10 289

Investments in associates refer to:

In KUSD	Functional currency	% of interest	Shareholders' equity group share	Goodwill	Net carrying amount
B.D.M. NV	EUR	50,00	3 962		3 962
Asco NV	EUR	50,00	6 734		6 734
Total			10 696	0	10 696

The item 'Other variations' includes mainly the elimination of dividends paid.



13. Other financial assets

In KUSD	2013				2012
	Other companies		Other receivables	Total	Total
	Participations	Receivables			
Gross carrying amount at January 1	5 513	3 050	4	8 567	8 817
Other increase (decrease)			2	2	-207
Translation differences	1	134		135	-43
Gross carrying amount at December 31	5 514	3 184	6	8 704	8 567
Accumulated impairment losses at January 1	-1 660	-3 050		-4 710	-4 753
Translation differences		-134		-134	43
Accumulated impairment losses at December 31	-1 660	-3 184		-4 844	-4 710
Net carrying amount at January 1	3 853		4	3 857	4 064
Net carrying amount at December 31	3 854	0	6	3 860	3 857

Investments in other enterprises include a 32% stake in *SIPEF-CI SA* in Ivory Coast (net book value of KUSD 3 801) and KUSD 53 other participations.

The net book value of *SIPEF-CI SA* is valued at cost minus eventual impairments. The fair value is not applied as no reliable financial information is available on time.

On 31 December 2013 an impairment test was effected on the participations based on the latest available information. This test did not lead to an adjustment of the book values.

14. Inventories

Analysis of inventories

In KUSD	2013	2012
Raw materials and supplies	13 703	20 284
Finished goods	22 950	24 342
Other Inventories	96	
Total	36 749	44 626

The reduction in inventories of finished products is due to a slight decrease in the total tonnage of unshipped palm oil at year end compared to 2012.

The reduction of stocks of raw materials and supplies can be attributed to a general reduction in inventory levels, both in Indonesia and Papua New Guinea.

15. Other current receivables and other current payables

The 'other payables' (KUSD 9 639) mainly concern social obligations (salaries to be paid, provisions for holiday pay and bonus) and invoices to be received.

The 'other receivables' (KUSD 15 939) mainly include VAT receivables in the various affiliates, but also contain an impairment for a VAT dispute in Indonesia for an amount of KUSD 4 544.

The net current assets, net of cash, rose mainly due to significant tax prepayments, a direct result of the existing regulation in Indonesia.

16. Shareholders' equity

Capital stock and share premium

The issued capital of the company as at December 31, 2013 amounts to KEUR 34 768 (KUSD 45 819), represented by 8 951 740 fully paid ordinary shares without nominal value.

	2013	2012
Number of shares	8 951 740	8 951 740

	2013 KEUR	2012 KEUR	2013 KUSD	2012 KUSD
Capital	34 768	34 768	45 819	45 819
Share premium	16 285	16 285	21 502	21 502
	51 053	51 053	67 321	67 321

	2013 KEUR	2012 KEUR	2013 KUSD	2012 KUSD
Treasury shares - opening balance	3 366	3 366	4 603	4 603
Acquisition treasury shares	128		173	
Treasury shares - ending balance	3 494	3 366	4 776	4 603

On November 20, 2013 *SIPEF* has purchased 2 324 own shares.

Since the start of the share buy-back program on 22 September 2011, *SIPEF* has bought back 62 000 shares for a total amount of KEUR 3 494, corresponding to 0.6926% of the total shares outstanding, as cover for a share option plan for the management.

Authorized capital

The extraordinary general meeting of shareholders on June 8, 2011 reauthorized the board of directors to increase the capital in one or more operations by an amount of KEUR 34 768 over a period of 5 years after the publication of the renewal.



Shareholder structure

The company has received following shareholders declarations:

In mutual consent	Number of shares	Date of notifying	Denominator	%
Ackermans & van Haaren NV	2 395 312	10/09/2013	8 951 740	26.758
Gedei NV	652 379	10/09/2013	8 951 740	7.288
Cabra NV	493 117	10/09/2013	8 951 740	5.509
Baron Bracht	0	10/09/2013	8 951 740	0.000
Total Baron Bracht and children	1 145 496			12.797
Total votes acting in concert	3 540 808			39.555
Fortis Investment Management NV	491 740	1/09/2008	8 951 740	5.493
Alcatel Pensioenfond VZW	469 600	1/09/2008	8 951 740	5.246

Translation differences

Translation differences comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company. The deviation from last year is mainly due to the movement of the USD versus the EUR (KUSD +684).

In KUSD	2013
Opening balance at January 1, 2013	-14 912
Movement, full consolidation	232
Movement, equity method	452
Ending balance at December 31, 2013	-14 228

Dividends

On February 18, 2014 a dividend of KEUR 11 190 (EUR 1.25 gross per ordinary share) has been recommended by the board of directors but has not yet been approved by the general meeting of shareholders of *SIPEF* and is therefore not provided for in the financial statements as at December 31, 2013.

Capital management

The capital structure of the group is based on the financial strategy as defined by the board of directors. Summarized, this strategy consists of an expansion policy while respecting a very limited debt ratio. The management puts forward yearly the plan for approval by the board of directors.

17. Non-controlling interests

These consist mainly of non-controlling interests in the equity and net income of:

%	2013	2012
PT Tolan Tiga Indonesia	5.00	5.00
PT Eastern Sumatra Indonesia	9.75	9.75
PT Kerasaan Indonesia	45.85	45.85
PT Bandar Sumatra Indonesia	9.75	9.75
PT Timbang Deli Indonesia	9.75	9.75
PT Melania Indonesia	9.75	9.75
PT Mukomuko Agro Sejahtera	14.26	14.26
PT Umbul Mas Wisesa	5.38	5.39
PT Citra Sawit Mandiri	5.38	5.39
PT Toton Usaha Mandiri	5.38	5.39
PT Agro Rawas Ulu	5.00	5.00
PT Agro Kati Lama	5.00	5.00
PT Agro Muara Rupit	5.38	5.39
PT Agro Muko	2.36	2.36
Jabelmalux SA	0.40	0.41

The movements of the year can be summarized as follows:

In KUSD	2013	2012
At the end of the preceding period	31 848	25 613
- Profit for the period attributable to non-controlling interests	3 240	5 081
- Defined Benefit Plans - IAS 19R	-87	
- Distributed dividends	-1 180	-1 426
- Equity transactions with non-controlling parties	7	2 580
At the end of the period	33 828	31 848

The equity transactions with non-controlling parties comprise the acquisition of 5 additional shares of *Jabelmalux SA*.

18. Provisions

The provisions entirely relate to a VAT dispute in Indonesia (KUSD 5 248). It is difficult to make an estimate of the settlement time of the dispute.

19. Pension liabilities

Defined benefit plans

Pension liabilities mainly represent defined benefit plans in Indonesia. These pension plans, set up in order to pay a lump sum amount at the time of retirement, are not financed with a third party. The total number of employees affected by the pension plan amounts to 9 203. The pension plan is payable to an employee at the age of 55 or after 30 years of seniority, whichever comes first.

Since the pension plan is adjusted by future salary increases and discount rates, the pension plan is exposed to Indonesia's future salary expectations, as well as Indonesia's inflation and interest rate risk. Furthermore the pension plan is payable in Indonesian Rupiah, exposing it to a currency risk. We refer to note 28 for further details concerning the currency risk of the group. As the pension plan is unfunded, there is no risk relating to a return on plan assets.

The following reconciliation summarizes the variation of total pension liabilities between 2012 and 2013:

In KUSD	2012	Pension cost	Payment	Exchange	Translation difference	Change consolidation scope	Other	2013
Indonesia	11 264	2 942	-1 082	-2 578			-318	10 228
Ivory Coast	454	69			22			545
Others	296	72	-19					349
	12 014	3 083	-1 101	-2 578	22	0	-318	11 122

The item 'Other' encompasses the transfer of the obligations of *PT Timbang Deli* to the post 'Liabilities associated with assets held for sale' (see also note 21).

Following assumptions are used in the pension calculation of Indonesia:

In KUSD	2013	2012
Discount rate	9.00%	6.50%
Salary increase	6.50%	4.00%
Past service age	55 years or 30 years of seniority	

Pension liabilities in Indonesia have changed as follows:

In KUSD	2013	2012
Opening	11 264	10 694
Service cost	915	856
Interest cost	731	838
Benefits paid	-1 082	-1 467
Actuarial gains and losses	1 296	1 043
Exchange differences	-2 578	-700
Other	-318	
Closing	10 228	11 264

Actuarial gains and losses consist of:

In KUSD	2013	2012
Experience adjustments	1 397	1 002
Changes in assumptions used	-101	41
Total actuarial gains and losses	1 296	1 043

The amounts recognised in the balance sheet are as follows:

In KUSD	2013	2012
Pension liabilities	10 228	11 264

The amounts relating to the pension cost of Indonesia are as follows:

In KUSD	2013	2012
Service cost	915	856
Interest cost	731	838
Actuarial gains and losses recorded in the profit and loss accounts		1 043
Pension cost	1 646	2 737
Actuarial gains and losses recorded in Other Comprehensive Income	1 296	
Total Pension cost	2 942	2 737

These costs are included under the headings cost of sales and selling, general and administrative expenses of the income statement.

The experience adjustments on plan liabilities are presented as follows:

In KUSD	2013	2012	2011
Pension liabilities	10 228	11 264	10 694
Experience adjustments	1 397	1 002	365
	13.66%	8.90%	3.41%

Estimated benefit payments in 2014 are KUSD 598.

Defined contribution plans

Contributions paid regarding the defined contribution plans amount to KUSD 551 (KUSD 887 in 2012). Contributions paid within the scope of the Belgian pension schemes are provided through insurance companies and meet the minimum return requirement and are therefore treated as defined contribution plans. As per 31 December 2013, an immaterial deficit relating to the defined contribution plans exist, which has been recorded as a provision in the 2013 financial statements

20. Net financial assets / (liabilities)

Net financial assets/(liabilities) can be analysed as follows:

In KUSD	2013	2012
Obligations initially payable after more than one year		
Short-term obligations - credit institutions	-52 420	-12 607
Investments and deposits		5 017
Cash and cash equivalents	20 502	25 783
Net financial assets / (liabilities)	-31 918	18 193

Analysis of net financial assets/(liabilities) 2013 per currency

In KUSD	EUR	USD	Others	Total
Obligations initially payable after more than one year				0
Short-term financial obligations	-17 920	-34 500		-52 420
Investments and deposits				0
Cash and cash equivalents	2 786	14 188	3 528	20 502
Total 2013	-15 134	-20 312	3 528	-31 918
Total 2012	7 814	8 661	1 718	18 193

Obligations initially payable after more than one year expired in 2012.

Reconciliation net financial assets / (liabilities) and cash flow:

In KUSD	2013	2012
Net financial position at the beginning of the period	18 193	47 519
Repayment of long-term borrowings		2 600
(Increase)/decrease in short-term financial obligations	-39 814	-12 582
Net movement in cash and cash equivalents	-9 920	-19 345
Effect of exchange rate fluctuations on cash and cash equivalents	4	1
Cash and cash equivalents included in assets held for sale	- 381	
Net financial assets/(liabilities) at the end of the period	-31 918	18 193

21. Assets / liabilities held for sale

The 'net assets held for sale' were the net assets of *PT Timbang Deli* that, as a result of the execution of the joint venture agreement of October 2013 between *SIPEF*, *NBPOL* and *BioSing*, will be transferred to this new activity in the course of 2014.

The most important assets and liabilities that these companies contains are described hereafter:

In KUSD	2013	2012
Intangible assets	4	
Biological assets	4 162	
Property, plant and equipment	844	
Current assets	481	
Assets held for sale	5 491	0
Non-current liabilities	-1 114	
Trade payables	-522	
Other payables	-143	
Liabilities associated with assets held for sale	-1 780	0
Net assets held for sale	3 711	0

22. Non-recurring result

The non-recurring result is included under the heading 'Other operating income / (charges)', and can be detailed as follows:

In KUSD	2013			2012		
	Equity holders of the parent	Non-controlling interests	Total	Equity holders of the parent	Non-controlling interests	Total
Sale of GEDEI NV shares			0	3 346		3 346
VAT claim Indonesia 2010 / 2011			0	-5 050		-5 050
Total non-recurring	0	0	0	-1 704	0	-1 704
Tax effect on non-recurring result			0	1 263		1 263
Non-recurring result after taxes	0	0	0	- 441	0	- 441

Adjusted net recurring result group share

In KUSD	2013	2012
Net result - part of the group	55 627	68 392
Adjustment non-recurring result		441
Adjustment IAS41	-9 002	-7 581
Adjusted net recurring result	46 625	61 252

23. Financial result

The financial income concerns the interests received on current accounts with non-consolidated companies and on temporary excess cash. The financial charges concern the interests on short term borrowings as well as bank charges and other financial costs.

In KUSD	2013	2012
Financial income	155	844
Financial charges	- 838	- 488
Exchange result	-3 288	1 602
Financial result derivatives	659	1 331
Financial result	-3 312	3 289

24. Share based payment

Grant date	2013	2012	2011
Number options granted	20 000	20 000	22 000
Balance	20 000	20 000	22 000
Exercise price	55.50	59.14	56.99
Exercise period	1/1/2017 - 31/12/2023	1/1/2016 - 31/12/2022	1/1/2015 - 31/12/2021

SIPEF's stock option plan, which was approved in November 2011, is intended to provide long term motivation for the members of the management committee and general directors of the foreign subsidiaries whose activities are essential to the success of the group. The options give them the right to acquire a corresponding number of *SIPEF* shares.

The remuneration committee is responsible for monitoring this plan and selecting the beneficiaries. The options are provided free of charge and their exercise period is 10 years.

IFRS 2 has been applied to the stocks. The fair value as of 31 December 2013 of the outstanding options amounts to KUSD 1 273 and is calculated according to the Black & Scholes model, of which the main components are:

Year	2013	2012	2011
Share price (In EUR)	57.70	58.50	58.00
Dividend yield	2.50%	2.50%	2.50%
Estimated expected lifetime	5.00	5.00	5.00
Volatility	29.69	37.55	38.29
Interest rate	1.36%	0.90%	3.59%
Black & Scholes value (In EUR)	12.72	15.07	18.37

In 2013, 20 000 new stock options were granted with an exercise price of 55.50 euros per share. The fair value when granted was fixed at KUSD 351 and is recorded in the profit and loss accounts over the vesting period of 3 years (2014-2016).

To cover the outstanding option obligation, *SIPEF* has a total of 62 000 treasury shares in portfolio.

25. Income taxes

The reconciliation between the tax expenses and tax at local applicable tax rates is as follows:

In KUSD	2013	2012
Profit before tax	75 654	97 477
Tax at the applicable local rates	-20 744	-24 723
Average applicable tax rate	27.42%	25.36%
Permanent differences	10 731	1 643
Deferred tax on non current assets resulting from exchange rate fluctuations	-7 005	-1 547
Tax expense	-17 018	-24 627
Average effective tax rate	22.49%	25.26%

The group prepares consolidated accounts in USD. However, subsidiaries are obliged to pay taxes that are calculated and denominated in local currency. Accordingly, the tax bases of assets and liabilities are in local currency and changes in exchange rates give rise to temporary differences. The resulting deferred tax is charged or credited to profit or loss in accordance with IAS 12.41. This has a significant impact on the effective tax rate.

We received from the Indonesian tax authorities the formal approval, that starting from the financial year 2014 our Indonesian affiliates are allowed to lodge their tax declaration in USD. Deferred tax liabilities and assets are offset per taxable entity which leads to the following split between deferred tax assets and deferred tax liabilities:

In KUSD	2013	2012
Deferred tax assets	6 914	35
Deferred tax liabilities	-58 594	-51 589
Net deferred taxes	-51 680	-51 554

The movements in net deferred taxes (assets - liabilities) are:

In KUSD	2013	2012
Opening balance	-51 554	-48 258
Variation (- expense) / (+ income) through income statement	-1 077	-3 296
Tax impact of IAS 19R through comprehensive income	324	
Reclassification to liabilities associated with assets available for sale	627	
Closing balance	-51 680	-51 554

Deferred taxes in the income statement are the result of:

In KUSD	2013	2012
Addition / (utilisation) of tax losses brought forward	11 304	1 516
Origin or reversal of temporary differences - IAS 41 revaluation	-3 062	217
Origin or reversal of temporary differences - non-current assets	-9 209	-7 889
Origin or reversal of temporary differences - pension provision	-504	142
Origin or reversal of temporary differences - inventories	-153	701
Origin or reversal of temporary differences - other	548	2 017
Total	-1 076	-3 296

The addition of tax losses brought forward refer mainly to the inclusion of past losses for *Sipef NV* and losses of the year for *Hargy Oil Palms Ltd*, where it is probable that sufficient taxable profits will be available in the near future against which the deferred tax losses can be offset.

Total deferred tax assets are not entirely recognized in the balance sheet. The breakdown of total, recognized and unrecognized deferred taxes is as follows:

In KUSD	2013		
	Total	Not recorded	Recorded
Biological assets	-44 907		-44 907
Other non-current assets	-24 307		-24 307
Inventories	-4 961		-4 961
Pension provision	2 557		2 557
Tax losses	25 176	8 383	16 793
Others	3 145		3 145
Total	-43 297	8 383	-51 680

The majority of the unrecognized deferred tax assets at the end of 2013 are located at the companies of the *UMW* group (KUSD 4 347), and *Jabelmalux SA* (KUSD 3 421). For these entities there is uncertainty regarding the availability of sufficient future taxable profit. For *Jabelmalux SA*, the reason for this uncertainty is that an important part of the revenue is subject to limited or even no income tax (dividends and capital gains on shares). For the *UMW* group the main cause of uncertainty is the limited transferability over time (max 5 years).

The deferred tax assets relating to total tax losses (recognized and unrecognized) have the following maturity structure:

In KUSD	2013		
	Total	Not recorded	Recorded
1 year	0		
2 years	403	72	331
3 years	1 234	173	1 061
4 years	1 963	314	1 649
5 years	7 641	4 403	3 238
Unlimited	13 935	3 421	10 514
Total	25 176	8 383	16 793

The net taxes to be paid relate mainly to the taxes to be paid in Indonesia and Papua New Guinea.

In KUSD	2013	2012
Taxes to receive	5 336	483
Taxes to pay	-11 359	-12 026
Net taxes to pay	-6 023	-11 543

In KUSD	2013	2012
Net taxes to pay at the beginning of the period	-11 543	-17 948
Transfer		6 091
Reclassification to liabilities associated with assets available for sale	43	
Taxes to pay	-15 942	-21 331
Paid taxes	21 419	21 645
	-6 023	-11 543

Taxes paid as presented in the consolidated cash flow statement are detailed as follows:

In KUSD	2013	2012
Tax expense	-17 018	-24 627
Deferred tax	1 076	3 296
Current taxes	-15 942	-21 331
Variation prepaid taxes	-4 852	453
Variation payable taxes	- 625	- 767
Paid taxes	-21 419	-21 645

26. Share of results of associated companies

Participation in the insurance industry focuses on the core activities of marine and general risk insurance. Temporarily lower technical results in specific marine activities meant that the positive trend of the last few years was not continued. (2013: KUSD 231; 2012: KUSD 623)

27. Change in net working capital

As a result of the lower operating results before IAS 41, cash flow from operating activities was reduced by KUSD 26 384 to KUSD 84 568 (2012: KUSD 110 952).

28. Financial instruments

Exposure to fluctuations in the market price of core products, currencies, interest rates and credit risk arises in the normal course of the group's business. Financial derivative instruments are used to a limited extent to reduce the exposure to fluctuations in foreign exchange rates and interest rates.

Fluctuations in the market price of core products

Structural risk

SIPEF Group is exposed to structural price risks of their core products. The risk is primarily related to palm oil and palm kernel oil and to a lesser extent to rubber. A change of the palm oil price of USD 10 CIF per ton has an impact of about KUSD 1 250 (without taking into account the impact of the current export tax in Indonesia) on result after tax. This risk is assumed to be a business risk.

Transactional risk

The group faces transactional price risks on products sold. The transactional risk is the risk that the price of products purchased from third parties fluctuates between the time the price is fixed with a customer and the time the transaction is settled. This risk is assumed to be a business risk.

Currency risk

Most of the subsidiaries are using the US dollar as functional currency. The group's currency risk can be split into three distinct categories: structural, transactional and translational:

Structural risk

A portion of the group's revenues are denominated in USD, while all of the operations are located outside the USD zone (particularly in Indonesia, Papua New Guinea, Ivory Coast and Europe). Any change in the USD against the local currency will therefore have a considerable impact on the operating result of the company. Most of these risks are considered to be a business risk.

Transactional risk

The group is also subject to transactional risks in respect of currencies, i.e. the risk of currency exchange rates fluctuating between the time the price is fixed with a customer, supplier or financial institution and the time the transaction is settled. This risk, with the exception of naturally covered positions, is not covered since most receivables and payables have a short settlement term.

The pension liabilities in Indonesia are important long term liabilities that are fully payable in IDR. A devaluation or revaluation of 10% of the IDR versus the USD has the following effect on the income statement:

In KUSD	IDR Dev 10%	Book value	IDR Rev 10%
Pension liabilities in Indonesia	9 587	10 546	11 717
Gross impact income statement	959		-1 171

On February 18th, 2014 the board of directors has also proposed the payment of KEUR 11 190 (EUR 1.25 gross per ordinary share). In the light of our liquidity and currency policy the exchange risk on the payment of this dividend was covered in five forward exchange contracts for the sale of KUSD 14 883 for KEUR 11 190 (average exchange rate of 0.7519).

- KUSD 13 034 (KEUR 9 847) before the end of the year
- KUSD 1 849 (KEUR 1 343) after year end

Sensitivity analysis:

With regard to the cover of the dividend for the end of the year a devaluation or revaluation of 10% of the EUR versus the USD has the following effect on the profit and loss account:

In KUSD	EUR Dev 10%	Dividend	EUR Rev 10%
Dividend	12 218	13 575	14 932
Gross Impact income statement	-1 357		1 357

Translational risk

SIPEF group is an international company and has operations which do not use the USD as their reporting currency. When such results are consolidated into the group's accounts the translated amount is exposed to variations in the value of such local currencies against the USD. SIPEF group does not hedge against such risk (see accounting policies). As from 1st of January 2007 onwards the functional currency of most of our activities is the same as the presentation currency, this risk has been largely restricted.

Interest rate risk

The group's exposure to changes in interest rates relates to the group's financial debt obligations. At the end of December 2013, the group's net financial assets/(liabilities) amounted to KUSD - 31 918 (2012: KUSD 18 193), of which KUSD 52 420 short term financial liabilities (2012: KUSD 12 607) and KUSD 20 502 net short term cash and cash equivalents (2012: KUSD 30 800).

At the end of December 2013, there are no borrowings with an initial term of more than one year. Since all of the debt is of a current nature with variable interest rates, we believe a 0.5% change in interest rate will not have a material impact. Available funds are invested in short term deposits.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a loss. This credit risk can be split into a commercial and a financial credit risk. With regard to the commercial credit risk management has established a credit policy and the exposure to this credit risk is monitored on a continuous basis. In practice a difference is made between:

In KUSD	2013	2012
Receivables from the sale of palm oil/rubber/tea	23 224	26 286
Receivables from the sale of bananas and plants	1 896	1 990
	25 120	28 276

The credit risk for the first category is rather limited as these sales are for the most part immediately paid against presentation of documents. Moreover it concerns a relatively small number of first class buyers (per product about 90% of the turnover is realized with maximum 10 clients of which none is over 30%). Contrary to the first category the credit risk for the receivables from the sales of bananas and plants are more important.

For both categories there is a weekly monitoring of the open balances due and a proactive system of reminders. Depreciations are applied as soon as total or partial payments are seen as unlikely. The elements that are taken into account for these appraisals are the lengths of the delay in payment and the creditworthiness of the client.



The receivables from the sales of bananas and plants have the following due date schedule:

In KUSD	2013	2012
Not yet due	1 805	1 759
Due < 30 days	10	156
Due between 30 and 60 days	81	62
Due between 60 and 90 days		13
	1 896	1 990

In 2012 and 2013 there were no material depreciations on receivables.

Liquidity risk

A material and structural shortage in our cash flow would damage both our creditworthiness as well as the trust of investors and would restrict the capacity of the group to attract fresh capital. The operational cash flow provides the means to finance the financial obligations and to increase shareholder value. The group manages the liquidity risk by evaluating the short term and long term cash flows. The *SIPEF*-group maintains an access to the capital market through short and long term debt programs.

The following table gives the contractually determined (not-discounted) cash flows resulting from liabilities at balance sheet date.

2013 -In KUSD	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 5 years
Trade & other liabilities < 1 year							
Trade payables	14 523	-14 523	-14 523				
Advances received	163	-163	-163				
Financial liabilities < 1 year							
Current portion of amounts payable after one year							
Financial liabilities	52 420	-52 426	-52 426				
Derivatives							
Other current liabilities							
Current liabilities	67 106	-67 112	-67 112	0	0	0	0

2012 -In KUSD	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 5 years
Trade & other liabilities < 1 year							
Trade payables	19 268	-19 268	-19 268				
Advances received	1 479	-1 479	-1 479				
Financial liabilities < 1 year							
Current portion of amounts payable after one year							
Financial liabilities	12 607	-12 635	-12 635				
Derivatives							
Other current liabilities							
Current liabilities	33 354	-33 382	-33 382	0	0	0	0

In order to limit the financial credit risk *SIPEF* has spread its more important activities over a small number of banking groups with a first class rating for creditworthiness. In 2013, same as in previous years, there were no infringements on the conditions stated in the credit agreements no were there any shortcomings in repayments.

Financial instruments measured at fair value in the statement of financial position

Fair values of derivatives are:

In KUSD	2013	2012
Forward exchange transactions	986	327
Fair value (+ = asset; - = liability)	986	327

In accordance with IFRS 7 financial derivatives are brought under in 3 levels:

- Level 1 relates to fair value determination based on quoted prices in active markets for identical assets or liabilities
- Level 2 relates to fair value determination based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability
- Level 3 relates to fair value determination based on inputs for the asset or liability that are not based on observable market data

The fair value of the forward exchange contracts calculated at the closing value on the 31st of December 2013 were also incorporated in level 2. The notional amount from the forward exchange contracts amounts to KUSD 30 445.

Financial instruments per category

The next table gives the financial instruments per category as per end 2013 and end 2012. The carrying amount of the financial assets and liabilities approximates the fair value because of the current nature of the financial instruments, except for the available for sale financial assets, which are valued at cost due to the fact that reliable information is not available. The financial instruments are measured at level 2.

2013 In KUSD	Assets available for sale	Loans and receivables	Derivatives (1)	Total carrying amount
Financial assets				
Other investments				0
Other financial assets	3 854	6		3 860
Receivables > 1 year				
Other receivables				0
Total non-current financial assets	3 854	6	0	3 860
Trade and other receivables				
Trade receivables		25 120		25 120
Investments				
Other investments and deposits				0
Cash and cash equivalents		20 502		20 502
Derivatives			986	986
Total current financial assets	0	45 622	986	46 608
Total financial assets	3 854	45 628	986	50 468



2013 - In KUSD	Derivatives	Other liabilities (2)	Total carrying amount
Trade & other obligations < 1 year			
Trade payables		14 523	14 523
Advances received		163	163
Financial obligations < 1 year			
Current portion of amounts payable after one year			0
Financial obligations		52 420	52 420
Derivatives			0
Total current financial liabilities	0	67 106	67 106
Total financial liabilities	0	67 106	67 106

(1) is technically considered as held for trading under IAS 39

(2) at amortized cost

2012 - In KUSD	Assets available for sale	Loans and receivables	Derivatives (1)	Total carrying amount
Financial assets				
Other financial assets				0
Other investments	3 853	4		3 857
Receivables > 1 year				
Other receivables				0
Total non-current financial assets	3 853	4	0	3 857
Trade and other receivables				
Trade receivables		28 275		28 275
Investments				
Other investments and deposits		5 017		5 017
Cash and cash equivalents		25 783		25 783
Derivatives			327	327
Total current financial assets	0	59 075	327	59 402
Total financial assets	3 853	59 079	327	63 259

2012 - In KUSD	Derivatives	Other liabilities (2)	Total carrying amount
Trade & other obligations < 1 year			
Trade payables		19 268	19 268
Advances received		1 479	1 479
Financial obligations < 1 year			
Current portion of amounts payable after one year			0
Financial obligations		12 607	12 607
Derivatives			0
Total current financial liabilities	0	33 354	33 354
Total financial liabilities	0	33 354	33 354

(1) is technically considered as held for trading under IAS 39

(2) at amortized cost

The contribution to the net result of the financial instruments per category is presented as follows:

2013 - In KUSD	Assets available for sale	Loans and receivables	Cash	Derivatives	Amortized cost	Total
Revenue						0
Selling, general and administrative expenses						0
Other operating income / (charges)						0
	0	0	0	0	0	0
Financial income		3	152			155
Financial charges		-520	-318			-838
Derivatives held for trade purposes				659		659
	0	-517	-166	659	0	-24

2012 - In KUSD	Assets available for sale	Loans and receivables	Cash	Derivatives	Amortized cost	Total
Revenue						0
Selling, general and administrative expenses						0
Other operating income / (charges)						0
	0	0	0	0	0	0
Financial income		3	877			880
Financial charges		-408	-15		-65	-488
Other operating income / (charges)				1 331		1 331
	0	-405	862	1 331	-65	1 723

29. Joint ventures

PT Agro Muko in Indonesia is managed according to the principles of a joint venture (joint control) and is accounted for according to the proportional consolidation method. The share of the group is 47.2919%.

Key figures related to the joint venture (at the group's share) are:

Statement of financial position in KUSD	2013	2012
Non-current assets	50 263	48 594
Current assets	12 783	13 915
Non-current liabilities	-8 946	-7 478
Current liabilities	-843	-4 136
Total equity	53 257	50 895

Income statement in KUSD	2013	2012
Operating result	12 530	20 616
Financial result	252	50
Tax expense	-3 327	-5 548
Result from continuing operations	9 455	15 118

30. Operational leases

The group leases office space, office equipment and vehicles under a number of operating lease agreements.

Future lease payments under these non-cancelable operating leases are due as follows:

In KUSD	2013	2012
1 year	350	324
2 years	126	101
3 years	102	96
4 years	41	72
5 years		33
	619	626

During the year an amount of KUSD 370 (against KUSD 351 in 2012) has been charged in the income statement.

31. Finance leases

In 2010 in the light of further restructuring of the groups' financing the current financial leasing contracts have been terminated.

32. Rights and commitments not reflected in the balance sheet

Guarantees:

No guarantees has been issued by third parties as security for the Company's account and for KUSD 315 for the account of subsidiaries.

An amount of KUSD 114 has been guaranteed by *SIPEF* for the account of *Hargy Oil Palms Ltd.*

The various rights and commitments are comprised of call-options (KUSD -103) and put-options (KUSD 80) on the assets of the insurance sector.

Significant litigation:

Nihil

Forward sales

The commitments for the delivery of goods (palm products, rubber, tea and bananas and plants) after the year end fall within the normal delivery period of about 3 months from date of sale. Those sales are not considered as forward sales.

As of 31 December 2013 the group has made some forward sales for palm oil with the goal of securing the cash flow necessary to finance the expansion plans.

These concern the following deliveries:

	Tonne	Price (USD/tonne CIF)
2014	27 000	1 095
2015	6 000	1 095
Total	33 000	

33. Related party transactions

Transactions with directors and members of the management committee

Key management personnel are defined as the directors and the group's management committee.

The table below shows an overview of total remuneration received:

in KUSD	2013	2012
Directors' fees		
fixed fees	263	269
Short-term employee benefits	2 946	3 470
Resignation payment	1 146	
Share based payments	109	103
Group Insurance	503	508
Benefits in kind (Company car + cell phone)	45	47
Total	5 012	4 397

The amounts are paid in EUR. The amount paid in 2013 is KEUR 3 216 (KEUR 3 402 in 2012). The decrease is mainly the result of the lower-variable remunerations. Starting from the financial year 2007 fixed fees shall be paid to the members of the board of directors, the audit committee and the remuneration committee.

Related party transactions are considered immaterial, except for the rental agreement since 1985 between Cabra NV and *SIPEF* covering the offices and ancillary parking space at Castle Calesberg in Schoten. The annual rent, adjusted for inflation, amounts to KUSD 211 (KEUR 158) and KUSD 85 (KEUR 64) is invoiced for *SIPEF*'s share of maintenance of the buildings, parking space and park area.

SIPEF's relations with board members and management committee members are covered in detail in the 'Corporate Governance statement' section.

Other related party transactions

Transactions with related companies are mainly trade transactions and are priced at arms' length. The revenue and expenses related to these transactions are immaterial to the consolidated financial statements as a whole.

Transactions with group companies

Balances and transactions between the group and its subsidiaries which are related parties of the group have been eliminated in the consolidation and are not disclosed in this note. Details of transactions between the group and other related parties (mainly *Pt Agro Muko*) are disclosed below.

The following table represents the total of the transactions that have occurred during the financial year between the group and the joint venture *PT Agro Muko* at 100%. We clarify that the share of the group in *PT Agro Muko* amounts to 47.2919% and that the joint venture is accounted for according to the proportional consolidation method.

In KUSD	PT Agro Muko
Total sales during the financial year	2 383
Total purchases during the financial year	54 737
Total receivables as per 31 December 2013	749
Total payables as per 31 December 2013	7 223

34. Earnings per share (basic and diluted)

From continuing and discontinued operations	2013	2012
Basic earnings per share		
Basic earnings per share - calculation (USD)	6.26	7.69
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	55 627	68 392
Denominator: the weighted average number of ordinary shares outstanding	8 891 870	8 892 064
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	8 892 064	8 892 064
Effect of shares issued / share buyback programs	-194	
The weighted average number of ordinary shares outstanding at December 31	8 891 870	8 892 064
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	6.26	7.69
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	55 627	68 392
Denominator: the weighted average number of dilutive ordinary shares outstanding	8 891 870	8 894 045
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	8 891 870	8 892 064
Effect of stock options on issue		1 981
The weighted average number of dilutive ordinary shares outstanding at December 31	8 891 870	8 894 045



From continuing operations	2013	2012
Basic earnings per share		
Basic earnings per share - calculation (USD)	6.26	7.69
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	55 627	68 392
Denominator: the weighted average number of ordinary shares outstanding	8 891 870	8 892 064
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	8 892 064	8 892 064
Effect of shares issued / share buyback programs	- 194	
The weighted average number of ordinary shares outstanding at December 31	8 891 870	8 892 064
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	6.26	7.69
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	55 627	68 392
Denominator: the weighted average number of dilutive ordinary shares outstanding	8 891 870	8 894 045
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	8 891 870	8 892 064
Effect of stock options on issue		1 981
The weighted average number of dilutive ordinary shares outstanding at December 31	8 891 870	8 894 045

35. Events after the balance sheet date

In execution of the joint-venture agreement of October 2013 between *SIPEF* and NBOL (concerning the start of a project for developing high yielding palm trees), *PT Timbang Deli Indonesia* was contributed by *SIPEF* in the company Verdant Bioscience Singapore (VBS). This transaction will have a material impact on the consolidated result of 2014. Considering *Sipec* will only own 38% of VBS, *PT Timbang Deli Indonesia* will as of 2014 no longer be an integral part of the consolidation scope of the *SIPEF* group (we also refer to note 21 – assets/liabilities held for sale).

36. Recent developments

To the best of our actual knowledge, there are no circumstances or developments, which would have a major impact on the further development of the Group. The board of directors proposes a gross dividend of EUR 1.25 per share payable on July 2, 2014. This corresponds to a payout of 31.94% on the profit, share of the group, before IAS 41, and is identical to last year's pay-out ratio.

37. Services provided by the auditor and related fees

The statutory auditor of the *SIPEF* group is Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Dirk Cleymans. The fees for the annual report of *SIPEF* were approved by the general meeting after review and approval of the audit committee and by the board of directors. These fees correspond to an amount of KUSD 108 (against KUSD 101 last year).

For the group, Deloitte has provided services for KUSD 565 in 2013 (against KUSD 506 the year before), of which KUSD 117 (2012: KUSD 72) are for non audit services.

Sipef NV

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2013

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion with an emphasis of matter paragraph

We have audited the consolidated financial statements of Sipef NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

The consolidated statement of financial position shows total assets of 710.095 (000) USD and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 55.627 (000) USD.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Sipef NV give a true and fair view of the group's net equity and financial position as of 31 December 2013, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Emphasis of matter paragraph

Without prejudice to the unqualified opinion issued above, we draw attention to note 9. Biological assets to the consolidated financial statements which with regard to the valuation of the biological assets refers to the fact that, because of the inherent uncertainty associated with the valuation of the biological assets due to the volatility of the prices of the agricultural product and the absence of a liquid market, their carrying value may differ from their realisable value.

Report on other legal and regulatory requirements

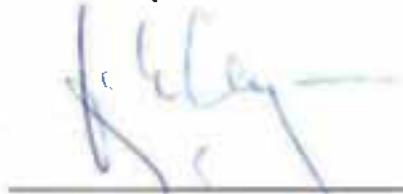
The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Antwerp, 11 April 2014

The statutory auditor



DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Dirk Cleymans

Parent company summarized statutory accounts

The annual accounts of *SIPEF* are given below in summarized form. In accordance with the Belgian Code on Companies, the annual accounts of *SIPEF*, together with the management report and the auditor's report will be deposited with the National Bank of Belgium. These documents may also be obtained on request from:

SIPEF, Calesbergdreef 5, B-2900 Schoten

Only the consolidated annual financial statements as set forth in the preceding pages present a true and fair view of the financial position and performance of the *SIPEF* group.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of *SIPEF* for the year ended December 31, 2013 give a true and fair view of the financial position and results of the company in accordance with all legal and regulatory requirements.

Condensed balance sheet (after appropriation)

In KEUR	2013	2012	2011
Assets			
Fixed assets	56 637	56 269	61 732
Formation expenses	0	0	0
Intangible assets	78	167	296
Tangible assets	221	223	206
Financial assets	56 338	55 879	61 230
Current assets	179 192	156 605	93 397
Amounts receivable after more than one year	0	0	0
Stocks and contracts in progress	395	365	342
Amounts receivable within one year	169 349	143 546	72 408
Investments	3 494	7 166	15 598
Cash at bank and in hand	5 918	5 425	5 021
Other current assets	36	103	28
Total assets	235 829	212 874	155 129
Liabilities			
Equity	146 625	157 203	64 015
Capital	34 768	34 768	34 768
Share premium account	16 285	16 285	16 285
Reserves	7 484	7 356	7 356
Profit / (loss) carried forward	88 088	98 794	5 606
Provisions and deferred taxation	99	149	165
Provisions for liabilities and charges	99	149	165
Creditors	89 105	55 522	90 949
Amounts payable after more than one year	0	0	0
Amounts payable within one year	88 640	54 866	89 581
Accrued charges and deferred income	465	656	1 368
Total liabilities	235 829	212 874	155 129

Condensed income statement

In KEUR	2013	2012	2011
Operating income	205 225	224 066	238 723
Operating charges	-200 688	-219 848	-235 241
Operating result	4 537	4 218	3 482
Financial income	1 014	45 804	4 012
Financial charges	-4 943	-4 265	-3 597
Financial result	-3 929	41 539	415
Result on ordinary activities	607	45 757	3 897
Extraordinary income	2	62 652	115
Extraordinary charges	0	0	0
Extraordinary result	2	62 652	115
Result for the period before taxes	609	108 409	4 012
Income taxes	2	-2	0
Result for the period	612	108 407	4 012

Appropriation account

In KEUR	2013	2012	2011
Profit/(loss) to be appropriated	99 406	114 013	24 189
Profit/(loss) for the period available for appropriation	612	108 407	4 012
Profit/(loss) brought forward	98 794	5 606	20 177
Appropriation account	99 406	114 013	24 189
Transfers to legal reserve	0	0	0
Transfers to other reserves	128	0	3 365
Result to be carried forward	88 088	98 795	5 606
Dividends	11 190	15 218	15 218
Remuneration to directors	0	0	0



Registered office and offices:

kasteel Calesberg
Calesbergdreef 5
B-2900 Schoten

General contact:

T +32 3 641 97 00
F +32 3 646 57 05
info@sipef.com
www.sipef.com

Design and printing:

Lannoo
www.lannooprint.be
140084



WWW.SIPEF.COM