Interim statement of the *SIPEF* group

Interim management report per 31 March 2015

1. Group productions

	First Quarter				Year To Date			
2015 (In tonnes)	**Own**	**Third parties**	**Q1/15**	**YoY %**	**Own**	**Third parties**	**Q1/15**	**YoY %**
Palm oil	48 623	11 919	60 542	- 2,36%	48 623	11 919	60 542	-2,36%
Rubber	2 799	40	2 839	- 4,48%	2 799	40	2 839	-4,48%
Tea	740	0	740	13,50%	740	0	740	13,50%
Bananas	7 064	0	7 064	- 10,55%	7 064	0	7 064	-10,55%
2014 (In tonnes)	**Own**	**Third parties**	**Q1/14**		**Own**	**Third parties**	**Q1/14**	
Palm oil	50 281	11 722	62 003		50 281	11 722	62 003	
Rubber	2 806	166	2 972		2 806	166	2 972	
Tea	652	0	652		652	0	652	
Bananas	7 897	0	7 897		7 897	0	7 897	

The expected decline of palm oil production, a delayed effect of the intense dry spell in early 2014, continued especially on our mature plantations during the first months of the year. Both in North Sumatra (-13.1%) and PT Agro Muko in the province of Bengkulu (-15.7%) we observed delayed fruiting and ripening. The month of March, however, has already brought some improvement. With hardly any problems, the volume of the young plantations of the PT Umbul Mas Wisesa/PT Toton Usaha Mandiri (UMW/TUM) project continued to expand (+86.5%).
The Hargy Oil Palms plantations in Papua New Guinea again suffered from excessive precipitation, seriously damaging the March production. At the end of the quarter over 4 000 mm of rain had already been recorded, half of which fell during the last month. Irregular transport of fruit, as a result of temporary damage to bridges and roads, had an impact on our own production, the quantities obtained from neighbouring farmers and the quality of the oil produced. However, due to the increasing maturity of expansion areas, production on our own plantations went up by 6.4% compared to the same period last year.

In North Sumatra wintering ot the rubber trees took place slightly later than in previous years, as a result of which we observed an improvement in rubber production, especially in the first months. In the meantime we went back to our usual quantities over the month of March. Because of a change of tapping panels, production in South Sumatra decreased by 14.6%, entirely as we had expected. Agro Muko rubber production continues to grow in line with tree maturity and because of the additional processing of lower quality rubber from South Sumatra.
Serious efforts are being made in the Papua New Guinea rubber activities to increase the yields of our own plantations, in order to cope with low market prices.

Thanks to the increased availability of workers in the region and more optimum weather conditions, for the first time in several years we recorded a production increase at the Cibuni tea plantation for the first trimester of the year (+13.5%).

Plantations J. Eglin SA was unable to equal last year's exceptionally high production volumes in Ivory Coast (-10.5%). The usual Harmattan winds, which were not observed last year, did have their impact on temperatures this year, delaying the ripening process.

2. Markets

Average market prices

in USD/tonne*		YTD Q1/15	YTD Q1/14	YTD Q4/14
Palm oil	CIF Rotterdam	684	911	821
Rubber	RSS3 FOB Singapore	1 733	2 253	1 958
Tea	Mombasa	2 320	2 291	2 045
Bananas	FOT Europe	918	1 053	1 043

* *World Commodity Price Data*

The poor palm oil production at the end of 2014 continued in the first quarter and stocks in Malaysia dropped markedly, by more than half a million tonnes (-23%), from the end of November till the end of February. However, the market ignored the supply problems, as the demand from the main importing countries was very poor. February exports from Malaysia were below 1 million tonnes, something we have not seen since 2007! The market also had to absorb the latest legislation changes in Indonesia, and although the new biodiesel subsidy was well received, the lack of actual follow-through by Pertamina has reduced the initial enthusiasm. All in all, the market traded within a narrow range of 700 USD and 620 USD CIF Rotterdam.

The price of palm kernel oil traded in a similar price band, hovering between 1 000 USD and 900 USD CIF Rotterdam.

The rubber market also traded range-bound. Only RSS1 grade latex was able to exceed the range during February, when the Thai government fund was supporting its farmers during the wintering period; but this was short lived as the fund was running out of money. The price of SICOM RSS3 traded between 1 610 USD and 1 860 USD, after which it dropped back to the lower band of the range.

The early and prolonged dry weather in Kenya resulted in better tea prices during the first quarter of 2015. There was a slight setback in prices during March based on better weather forecasts in Kenya, but the actual impact of the drought will be felt for months. The crop in the first two months of the year is down 16% versus 2014.

In spite of the slightly lower banana price in USD, prices in EUR remain at a very reasonable level on the European market, thanks in part to the decreased supply of the more expensive dollar bananas.

3. Prospects

Productions.
Palm oil production prospects for the next months are good. The second trimester is usually better than the first quarter, and for the most part the consequences of the dry spell on the Indonesian mature plantations also appear to have been overcome. Rubber, tea, as well as banana volumes are sensitive to weather conditions, but no serious irregularities have been observed yet.

Markets.
The palm oil market still is very much focused on the Indonesian government with regards to the actual inclination of biodiesel, as the target was increased from 10% to 15% on the back of the significant subsidy. However, so far these are just numbers and the industry wants to see Pertamina actually buying the biodiesel. The related export levy that the Indonesian government is introducing, hurting the plantations and smallholders and only benefiting the downstream industry, still needs to be actually implemented.

Actual palm oil exports are currently low as some countries prefer soybean oil at these relative narrow spreads, and stocks are likely continue to grow slightly over the coming months. This could also indicate that prices will remain in this narrow trading range, unless the Indonesian biodiesel blends are actually kicking in. If that happens we expect a significant uptick in prices.

The rubber market is likely to remain very lackluster for the remainder of 2015. The slower production is not enough to offset the still high stocks. Only if we see the emerging markets grow at a faster pace, we could expect upticks in natural rubber prices.

The impact of the dry season in Kenya will continue to dominate the black CTC tea market. We expect higher prices during the second quarter, as tea factories in Kenya are running below 50% of their capacity due to the lack of green leaves. In the meantime, our Cibuni tea plantation in Java has been experiencing very good weather since March and we expect good crops in the second quarter.

Results.
As opposed to previous years we will not be able to close many additional forward sales for the expected productions for the rest of the year, and, taking into account the expected price performance, we are selling our palm oil on the spot market at current price levels. Today 34% of our production is being sold at an average value of 773 USD/tonne CIF Rotterdam (including premiums), which is nevertheless 220 USD/tonne under the price registered at the same time last year.

The rubber market is also significantly lower than last year. In the meantime we have sold 50% of the expected rubber volumes at an average of 1 575 USD/tonne FOB, a 28% drop compared to the price registered until April last year. In a newly increasing market 45% of the tea volumes were also sold at 2 210 USD/tonne, which is 7% lower than last year. We have continued our marketing strategy for banana sales, with fixed prices for the entire year.

The further weakening of local currencies compared to the USD has had a favourable influence on the performance of our cost prices. Nevertheless we especially have to take into account lower productions for most of our products for the time being, as well as weak price expectations for the entire year, reinforced by a modification of the Indonesian export tax, mentioned earlier. We, therefore, expect a result and a cash flow generation for the SIPEF group, which will be significantly lower than that of 2014.

After the certification of our palm oil production in UMW/TUM in North Sumatra, approved earlier this year, we can confirm that all crude palm oil produced by the SIPEF group is RSPO (Roundtable on Sustainable Palm Oil) certified again. Discussions on a possible sale of our rubber interests in Papua New Guinea are continuing.

Cash flow and expansion.
In spite of the lower prices our investment policy remains focused on normal replanting on mature plantations, and the expansion of our palm oil activities in Papua New Guinea, where nurseries have been developed in order to plant an additional 1 000 hectares later this year.
The expansion of Musi Rawas in South Sumatra has also continued steadily on three concessions with compensation for local users of the land which has now exceeded 6 489 hectares, 1 658 hectares of which have been planted. In spite of the slightly slower start of the planting season financial resources will be made available to plant a total of 2 000 additional hectares this year.

Schoten, 23 April 2015.

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