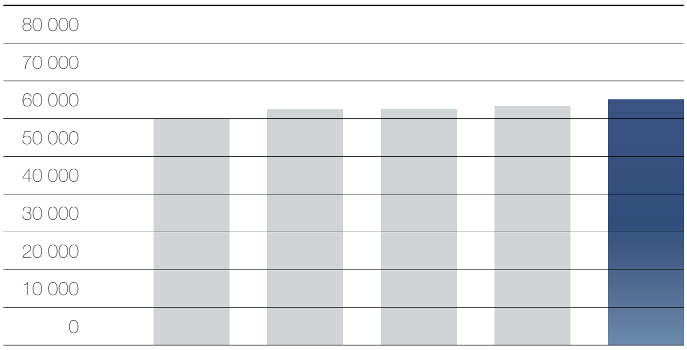
2012

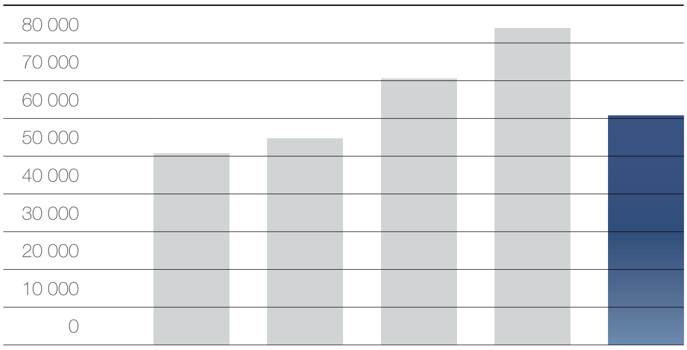
Annual report

2008 2009 2010 2011 2012

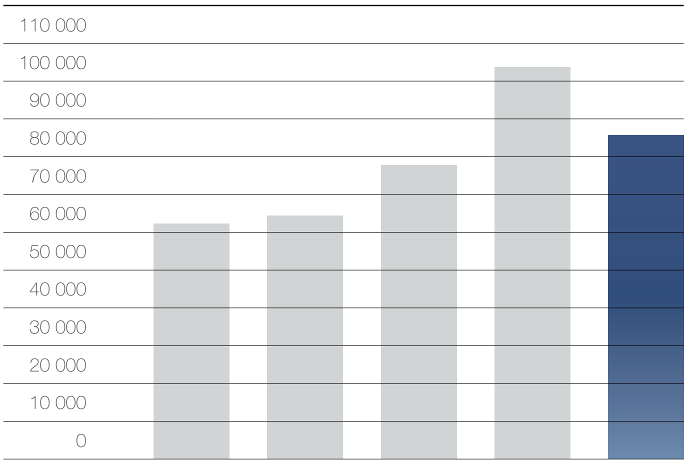
1 Planted area (in hectares)



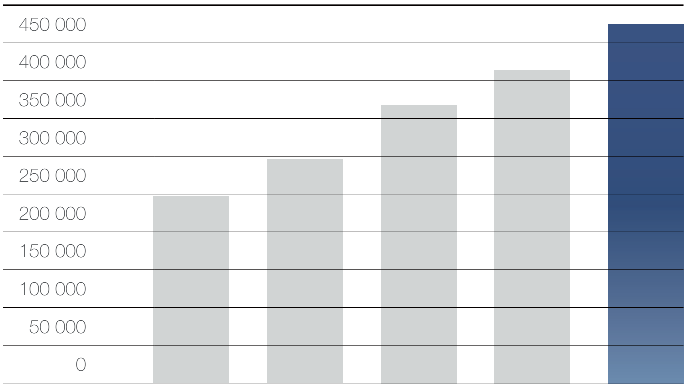
2 Share of the group in the result, before IAS41



3 Cash flow from operating activities after taxes



4 Shareholders' equity



Key figures

Activity

		2012	2011	2010	2009	2008
Total own production of consolidated companies *(in tonnes)*	palm oil	214 521	206 476	192 156	196 368	169 514
	rubber	9 757	8 464	9 608	8 633	9 026
	tea	2 869	2 626	3 097	3 121	6 600
	bananas	23 917	19 297	20 639	20 575	11 046
Average market price *(USD/tonne)*	palm oil	999	1 125	901	683	949
	rubber	3 377	4 823	3 654	1 921	2 619
	tea	2 900	2 921	2 885	2 725	2 420
	bananas	1 100	1 125	1 002	1 145	1 188

Results *(in KUSD)*

	2012	2011	2010	2009	2008
Turnover	332 522	367 661	279 400	237 829	279 402
Gross profit - before IAS41	112 255	136 808	117 682	89 695	92 228
Operating result - before IAS41	83 635	114 090	95 625	73 908	74 066
Share of the group in the result	68 392	95 088	84 843	60 174	58 765
Cash flow from operating activities after taxes	85 564	104 273	77 704	64 400	62 293
Free cash flow	- 9 295	37 168	33 922	34 593	35 809

Balance sheet *(in KUSD)*

	2012	2011	2010	2009	2008
Operating fixed assets (1)	467 628	385 363	321 512	278 118	254 621
Shareholders' equity	472 642	425 261	368 549	296 918	247 140
Net financial assets (+)/obligations (-)	18 193	47 519	56 484	36 108	14 453
Investments in intangible and operating fixed assets (1)	99 323	68 031	37 842	30 847	36 134

Data per share *(in USD)*

	2012	2011	2010	2009	2008
Number of shares	8 951 740	8 951 740	8 951 740	8 951 740	8 951 740
Equity	52,80	47,51	41,17	33,17	27,61
Basic earnings per share	7,69	10,63	9,48	6,72	6,56
Cash flow from operating activities after taxes (2)	9,62	11,65	8,68	7,19	6,96
Free cash flow (2)	-1,05	4,15	3,79	3,86	4,00
Gross dividend *(in EUR)*	1,70	1,70	1,50	1,10	0,80

Stock exchange share price *(in EUR)*

	2012	2011	2010	2009	2008
Maximum	71,89	75,78	71,93	36,80	53,00
Minimum	54,51	49,01	36,80	18,00	16,80
Closing 31/12	58,50	58,00	71,00	34,78	18,69
Stock Exchange capitalization at 31/12 *(in K€)*	523 677	519 201	635 574	311 342	167 308

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

(2) Denominator 2012 = weighted average number of shares issued (8 951 740 shares).

S I P E F

Naamloze Vennootschap

Financial Year 2012

Report of the board of directors and of the statutory auditor to be submitted at the 94th ordinary general meeting to be held on 12 June 2013

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 25 April 2013,
- the half-year results on 14 August 2013,
- the interim report for the first 9 months on 24 October 2013,
- the results of the financial year in February 2013 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 11 June 2014 at 15 hrs at Kasteel Calesberg, Calesbergdreef 5 – 2900 Schoten.

Useful addresses

Responsible for the financial information:
François Van Hoydonck
Johan Nelis

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Fax 32-3-646 57 05
e-mail: finance@sipef.com

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2900 Schoten

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e-mail: info@sipef.com
www.sipef.com

RPR Antwerpen
B.T.W. BE-0404.491.285

GERMINATED OIL PALM SEED SHOWING THE EMERGING RADICLE (FUTURE ROOT) AND PLUMULE (FUTURE STEM) READY FOR PLANTING IN THE NURSERY. OIL PALM SEEDS ARE GERMINATED IN CONTROLLED CONDITIONS AND MUST BE PLANTED AS SOON AS POSSIBLE AFTER GERMINATION.

Content

Significant events for the SIPEF group

January 2012

Work on the construction of two new palm oil factories in Papua New Guinea and North Sumatra starts.

Compensation procedures start for the new expansion in South Sumatra.

May 2012

The completely renovated rubber factory in Bandar Pinang (Indonesia) comes online.

June 2012

Sale of a non-strategic financial fixed asset with added value of KUSD 3 346.

July 2012

Distribution of a gross dividend of EUR 1.70 per share.

August 2012

Start of construction work on a bio-gas installation in the Mukomuko palm oil factory (Indonesia).

December 2012

Group production levels of all our products (palm oil, rubber, tea and bananas) increase.

Falling sale prices for palm oil and rubber and an increase in production costs are the main causes behind the 26.7% decrease in operating results.

The result before IAS41, as a group share, is KUSD 60 811. This is a decrease of 28.2% compared with the previous year.

Investments in the oil palm and rubber plantations in Indonesia and Papua New Guinea, including the planting of 1 790 additional hectares, exceed cash flow from operating activities after tax. This means that the net cash position, after payment of the dividend, falls to KUSD 18 193 at the close of the year.

Proposal to maintain distribution of a gross dividend of EUR 1.70 per share.

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 course of the years, the company has developed into an agro-industrial group with production and export facilities in Asia and 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 US, 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 de 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.

The plantations currently extend over a planted surface area of 65 094 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.

The series of photographs in this annual report illustrates the various phases of oil palm cultivation, which for our group is a step in the production process of crude palm oil.

Consequently and exceptionally, no photographic material has been included for our other products; rubber, tea, bananas and flowers. The sustainability report is part of a separate section.

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.

Board of 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

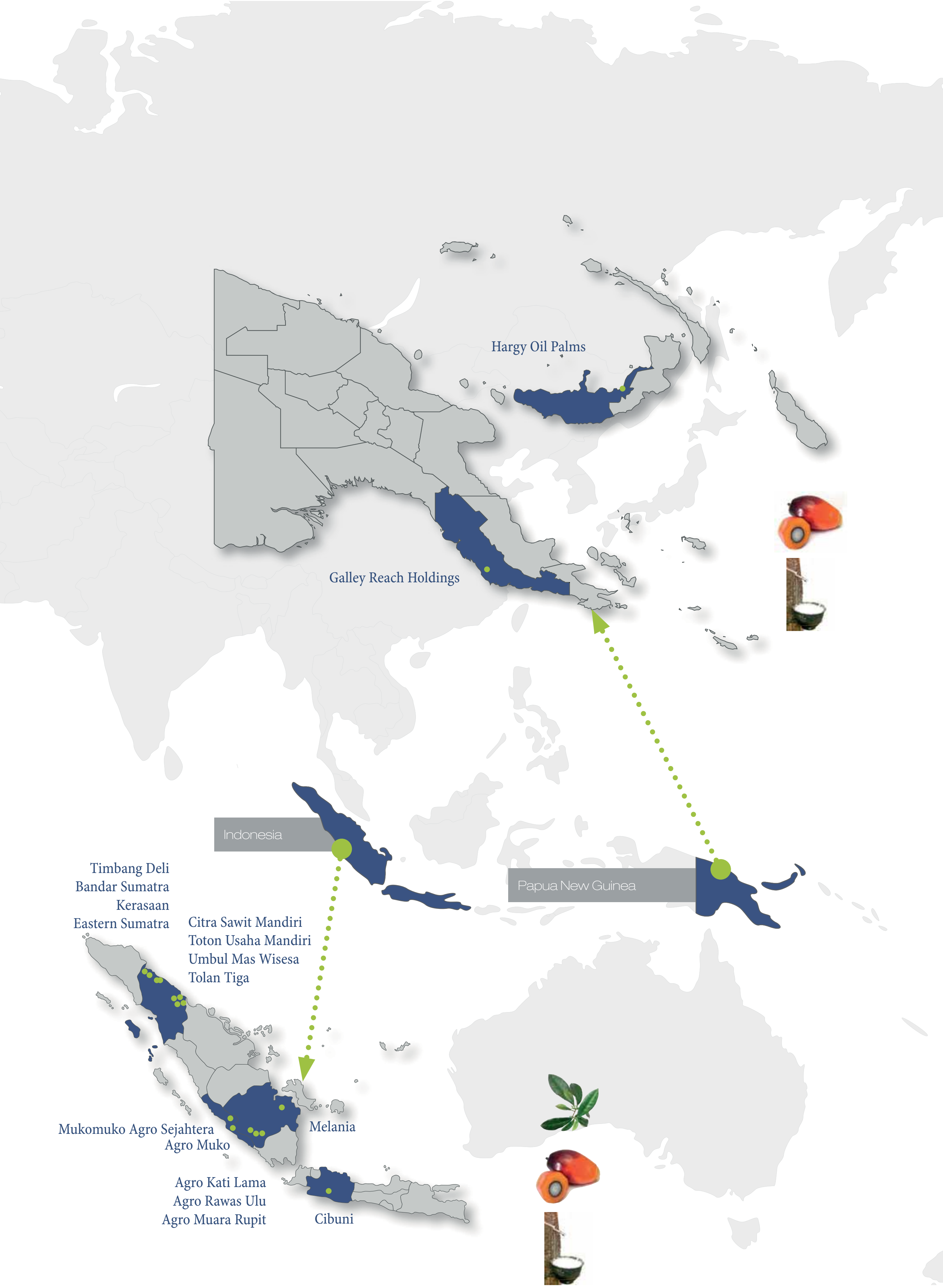
DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Dirk CLEYMANS	Auditors

Management

François VAN HOYDONCK	Managing Director
Matthew T. ADAMS	External Visiting Agent
Didier CRUYSMANS	Manager Estates Department
Thomas HILDENBRAND	Manager Marketing Bananas and Flowers
Robbert KESSELS	Manager Marketing Commodities
Johan NELIS	Chief Financial Officer

Activities


Belgium
bdm
Sipef
B.D.M
Asco
Jabelmalux
JABELMALUX S.A.
Ivory Coast
Plantations J. Eglin
Sipef - CI


Hargy Oil Palms
Galley Reach Holdings
Indonesia
Papua New Guinea
Timbang Deli
Bandar Sumatra
Kerasaan
Eastern Sumatra
Citra Sawit Mandiri
Toton Usaha Mandiri
Umbul Mas Wisesa
Tolan Tiga
Mukomuko Agro Sejahtera
Agro Muko
Melania
Agro Kati Lama
Agro Rawas Ulu
Agro Muara Rupit
Cibuni

Organogram

GERMINATED SEEDS ARE CAREFULLY PLANTED AND ALLOWED TO GROW FOR TWO MONTHS IN THE PRE-NURSERY PRIOR TO BEING TRANSPLANTED INTO THE MAIN NURSERY. THE PRE-NURSERY ALLOWS FOR SELECTION AND ENSURES THAT ONLY HEALTHY PALMS ARE TRANSFERRED TO THE MAIN NURSERY.

	percentage of control	percentage of interest
PACIFIC		
Hargy Oil Palms Ltd	100%	100%
Galley Reach Holdings Ltd	100%	100%
INDONESIA		
PT Agro Rawas Ulu	95%	95%
PT Agro Kati Lama	95%	95%
PT Tolan Tiga	95%	95%
PT Eastern Sumatra	95%	90%
PT Timbang Deli	95%	90%
PT Melania	95%	90%
PT Kerasaan	57%	54%
PT Agro Muko	47%	45%
PT Bandar Sumatra	95%	90%
PT Mukomuko Agro Sejahtera	95%	86%
PT Umbul Mas Wisesa	95%	95%
PT Citra Sawit Mandiri	95%	95%
PT Toton Usaha Mandiri	95%	95%
PT Agro Muara Rupit	95%	95%
AFRICA		
Sipef-Ci SA	32%	32%
Sograkin Scarl	50%	50%
Plantations J. Eglin SA	100%	100%
EUROPE		
Jabelmalux SA	99.59%	99.59%
INSURANCE		
ASCO NV	50%	50%
B.D.M. NV	50%	50%

BARON BRACHT CHAIRMAN

Chairman's message

Ladies and gentlemen,

I take great pleasure in presenting to you our annual report along with the consolidated accounts for the group and the public limited company. These will be submitted to the 94th General Meeting, to be held on June 12th, 2013.

We may describe 2012 as a strong year in operational terms. Despite what were often difficult local weather conditions, the annual volumes for four products of our group, palm oil, rubber, tea and bananas, have increased. We were however faced with lower average prices for palm oil and rubber, the group's two main products. This has for the first time in five years interrupted the upward trend of our results.

Indonesia managed to continue its economic growth, based on a strong domestic market. This was supported by political stability, relatively low inflation and falling interest base rates. The economic crisis that caused such a slow-down in the European and U.S. economies has had virtually no impact on the country. However, falling raw material prices caused a weakening of the balance of payments, and the currency lost ground to the US dollar. In the short term, it is important for our companies that the government guarantee the rule of law and continue with its improvements to the roads and ports infrastructure.

The elections in Papua New Guinea went down well and the Prime Minister has embarked on his second term of office. The prospects for this country, rich in raw materials and with significant gas reserves, exploitation of which will begin in 2015, are favourable in the long term. This is evidenced by rising wages and salaries and a strong currency in comparison with the US dollar, but it also means the labour-intensive agricultural sector is experiencing difficulties. Since many people are employed in the most outlying areas, it is important that steps should be taken to support and develop the agricultural sector.

The situation in the Ivory Coast has stabilised again, following the turbulence of 2011. The new government has the full support of the international community in its efforts to restore the country to its previous level. Our banana and flower operations have recovered well from the damages suffered and are now yielding highly satisfactory results. The palm oil project in which we are participating also had a good year, but production volumes are still suffering from the after-effects of the interrupted harvest in the spring of 2011.

Long-term prospects for palm oil remain good and we are convinced, more than ever, that palm oil will take an increasingly important place in the food chain for the rising global population. The short-term price volatility is determined primarily by the volumes of vegetable oils on offer in the markets. We saw stocks of palm oil rising gradually in the second half of the year. This trend is the result of good production. The temporary fall in demand from China and India (resulting from weather conditions) and from the bio-fuel sector in Europe (where the full impact of the crisis was felt) also played their part, leading to a drop in prices for palm oil below USD 800 per tonne, a level we had not seen in the previous two years.

Reports on the recovery in the United States economy and rising sales in China mean that we are once again returned to the level of USD 900 plus per tonne. We have since already sold more than half of our annual production for 2013. The palm oil price for the remainder of the year will be driven primarily by weather forecasts and their impact on the volumes of soya beans. These are produced in South America during the first half of the year and in the USA in the second half. Barring catastrophes, this price level seems to be a matter of consensus in the market for 2013.

Palm oil production in Papua New Guinea within the *SIPEF* group rose yet again, despite adverse weather. This is the result of the efforts we have made in both Papua New Guinea (at the sites where we are already operational) and in Indonesia, where our expansion in North Sumatra has been completed. We can now look forward to the palm trees maturing in three projects – *UMW/TUM* and *CSM* – which collectively cover almost 10 000 hectares.

YOUNG SEEDLINGS IN NURSERY BAGS: OIL PALM SEEDLINGS IN THE MAIN NURSERY ARE CAREFULLY NURTURED WITH REGULAR WATERING AND OPTIMUM FERTILIZER TO ENSURE THAT THE SEEDLINGS ARE READY FOR PLANTING AT TWELVE MONTHS. THE NURSERIES ARE KEPT FREE OF PESTS AND DISEASE TO GUARANTEE BEST GROWING CONDITIONS.

Starting last year, the focus of the expansion has moved to the province of South Sumatra, where we obtained two licences for planting a maximum of 19 500 hectares of oil palms and rubber plantations near the town of Lubuk Linggau. During the first year, when the main focus was on undertaking the sustainability studies required for the RSPO and for obtaining the local permits, we already managed to compensate 2 000 hectares to the local users. We will continue these compensations over the next three years in order to expand a new business unit in this area, which does not have many industrial agriculture projects yet. The first planting has already commenced and a third licence is now also in sight, which will guarantee sufficiency of scale in the future.

The volumes of rubber, which rose markedly in 2012, nevertheless had to be sold at significantly reduced prices, virtually halving the contribution of these activities to the group results. Natural rubber is a raw material for tyre manufacture, and the falling demand in the vehicle industry has had an immediate impact on pricing. Despite strong demand in the Far East and favourable long-term prospects, the movements in prices will to a large extent depend on the economic recovery of Europe and America.

Tea activities in Cibuni on the island of Java, where the main investment had already been made in previous years, continue to provide a valuable contribution to group results. The established sales markets in the Middle East are the main purveyors of hand-picked quality tea. We remain competitive due to our energy-efficient production methods. The pressure on salaries in Indonesia, where the provincial governors individually set wage increases, and the industrialisation of Java, are leading to an increasingly reduced labour supply in this region.

Following a difficult production year in 2011 in the Ivory Coast, the banana and flower exports by *Plantations J. Eglin SA* to Europe have now fully recovered. Due to the advance setting of sales prices and freight tariffs, the commercial risk remains limited to producing the best of quality and the demanded volumes. The reduction in European import taxes for dollar bananas has not had any immediate impact on selling prices

Chairman's message

for African bananas, which have established their own sales market in the south of Europe and the United Kingdom. However, we are looking forward to the support measures issued by the European Community with a view to allowing African producers to become more competitive in the face of the flood of bananas from Central America. We will use this support to extend our plantations in order to develop adequate benefits of scale and also to improve our social facilities and the infrastructure for the workers.

The lion's share of the restructuring within the insurance operations which we share with Ackermans & van Haaren is now complete. After noting a rise in premiums in 2011, we have now also observed growing profitability in 2012. This yield will continue to improve in the future through further optimisations and a more selective underwriting policy.

The expansion in planted areas mentioned above is mostly taking place in more outlying regions, where the agricultural sector is the primary employer. They coincide with significant infrastructural works and the construction of new houses and facilities designed to enhance our workers' loyalty to the group over the longer term. The rise in the volumes of fruit we produce also requires an expansion of our processing facilities to produce oil. We are hoping to add two new extraction mills to our existing collection of six mills in the course of 2013. This is a major investment which will have a hefty impact on this year's budgets, as the plants also need systems to process the bio-gases generated by waste water. However, our strategy remains developing the group without building up any structural debt position, taking into account a fair annual payment to the shareholders.

SIPEF also continues to set an example in the area of sustainability in tropical agriculture. As a listed company in mainland Europe, where sustainability is a basic requirement for the future of the palm oil industry, we desire to have all of the *SIPEF* group's operations covered by the requisite certifications. These will allow us to cultivate our products in an ecologically and socially responsible manner and contribute towards the good reputation of palm oil in general. We invest in the sustainable production of palm oil every single day. Therefore we can only hope that the users of our oil will appreciate the efforts we make and will move towards the exclusive use of sustainable palm oil in the future.

We are also continuing to invest in the reduction of emissions from bio-gases, with the construction of an ancillary installation in Agro Muko in the province of Bengkulu. This means that, towards the close of 2013, five of the group's eight mills will already qualify for the use of our palm oil for green energy purposes in Europe. I would therefore like to congratulate all of the employees of *SIPEF* for their efforts in achieving these certifications and standards and for retaining them in the future, for both the social and the environmental and ecological aspects. At *SIPEF*, we always combine sustainability and certifications with the achievement of an adequate return from all of the company's operations, which is the primary requirement for an industrial group listed on the stock exchange.

For some years now we have been working via the foundation incorporated in Indonesia on obtaining a licence for the active protection of approximately 12 000 hectares of forest, situated in the province of Bengkulu and acting as a buffer zone adjacent to a national park. We hope that the Ministry of Forestry will give us the final green light in 2013, so that we can bring this project to a satisfactory conclusion. In the meantime, we have already embarked upon two associated projects: the protection of threatened species of sea turtles via a breeding programme and an investigation into the biotope of protected forestry zones in palm oil plantations.

Despite rising production volumes for all of the group's products, the falling market prices for palm oil and rubber have meant that we have been unable to replicate the results of 2011. *SIPEF* ends its financial year with a consolidated result, as a share of the group, of KUSD 60 811. This is a decrease of 28.2% compared with the record results of last year. If we take into account adjustments of the biological fixed assets to fair value, then the result as a share of the group amounts to KUSD 68 392 according to IFRS standards, as compared to KUSD 95 088 for the previous year.

My gratitude goes out to all employees of the *SIPEF* group who each on their own level and in their own activity, have contributed to the achievement of these results. It is important, in times of low prices, to safeguard yields through adequate cost management and a focus on the efficiency of the plantations and factories. The wage increases that have been forced upon us in recent years by government action have certainly not made it any easier for plantation businesses to manage their production costs.

Despite the lower results and the expanded investment budget, we managed to maintain an acceptable cash position at the close of 2012. This again allows us to distribute a dividend, which is identical to that of last year, meaning that our pay-out ratio rises to 32.2%. We are accordingly pleased to confirm that our board of directors will be proposing a dividend of EUR 1.70 gross, to be paid on 3 July 2013.

While average sale prices are lower than in the previous year, we are in a position to confirm, thanks to the sales of our principal basic products that we have already achieved, that we are yet again heading for satisfactory results in the current financial year. The final profit margin will depend to a large extent on the price movements of raw materials during the second half of 2013. These movements may be influenced by the production volumes and stocks of soya beans and soya oil in the vegetable oil markets. In addition, the recovery from the crisis in the USA and the European Union can play a role in the price movements for natural rubber.

Despite lower prices for palm oil and rubber, we continue to believe in the long-term prospects for both products, with growing demand from the Far East generated by an increasing middle class with greater buying power and a volatile supply side that is subject to weather conditions and restrictions on agriculture.

February 19th, 2013.

Baron Bracht
Chairman.

Board of directors

Baron Bracht

François Van Hoydonck

Baron Bertrand

Priscilla Bracht

Jacques Delen

Antoine Friling

Regnier Haegelsteen

Sophie Lammerant-Velge

Richard Robinow

Annual report of the board of directors

To the general annual meeting of 12 June 2013.

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 31 December 2012 for approval.

In accordance with the Royal Decree of 14 November 2007 (regarding the obligations of issuers of financial tools 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 Code.

The report also includes an abbreviated version of the statutory annual financial statements (page 144), drawn up in accordance with article 105 of the Belgian Corporate Code, and the integral version of the consolidated annual financial statements (page 85). 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 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 of 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 2012. The options that were assigned as of 31 December 2012 and options not yet exercised collectively provide the right to the acquisition of 42 000 *SIPEF* shares (0.47 percent).

1.2. Activities

For an overview of the main activities of the *SIPEF* group during the financial year 2012, we refer to the 'Message from the Chairman' (page 13).

1.3. Explanatory notes to the statutory annual financial statements

1.3.1. Financial position as at 31 December 2012

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

The company's balance total as at 31 December 2012 is KEUR 212 874 compared to KEUR 155 129 the previous year.

The decrease of the financial fixed assets primarily concerns the sale of the shares in *PT Kerasaan*, *PT Bandar Sumatra* and *PT Timbang Deli* to our subsidiary *PT Tolan Tiga* with a capital gain of KEUR 59 907. Also the share in GEDEI NV was sold with a capital gain of KEUR 2 670. This transaction implies the application of article 523 of the Belgian Corporate Code. Reference is made to item 4 of this report for the complete publication of the decisions made by the board of directors concerning this transaction.

The receivables of maximum 1 year increased from KEUR 72 408 to KEUR 143 546 due to an increase in the receivables on *Jabelmalux SA* (dividend not received and disposal of funds for the further financing of *PT UMW* group).

SIPEF's private capital before profit distribution is KEUR 172 421, which corresponds with EUR 19.26 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 2012 is KEUR 108 407 compared to a profit of KEUR 4 012 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 previous financial year	5 606
Profit from the financial year	108 407
Total to be allocated	114 013
Payment to the shareholders	15 218
Profit to be carried over	98 795

The board of directors proposes to pay a dividend of EUR 1.70 gross per share. After deduction of the withholding tax, the net dividend is EUR 1.275 per share.

If the ordinary general meeting approves this proposal, the dividend will be payable from 3 July 2013.

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 2012, 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, paragraphs 2 and 4, of the Belgian Corporate Code, we also inform you that no additional payment was made to the auditor aside the normal payment (as approved by the general meeting). We paid KEUR 10 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 29 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 5 years. In the course of the 2011 financial year *SIPEF* acquired 59 676 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.

MATURE NURSERY: AT TWELVE MONTHS THE SEEDLINGS HAVE DEVELOPED SUFFICIENT ROOT SYSTEMS THAT WILL ALLOW THEM TO CONTINUE RAPID GROWTH WHEN PLANTED INTO THE FIELD. ONLY THE MOST HEALTHY AND VIGOROUS SEEDLINGS ARE SELECTED FOR FIELD PLANTING.

The situation as per 31 December 2012 is as follows:

Number of treasury shares	59 676 (0.67%)
Average price per share (EUR)	56.40
Total investment value (KEUR)	3 365

1.5.5 Changes in the Articles of Association

During the year 2012, the following points in the Articles of Association were changed:

- Renewal of the authorization to acquire own shares in order to prevent the company from suffering a serious and threatening loss;
- Authorization to transfer own shares as part of the share option plans;
- Confirmation of the remuneration policy.

1.5.6 Announcement based on the Legislation of 1 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 10 October 2012, that together they own 39.49 percent of the total voting rights of *SIPEF.*

1.5.7 Protection constructions

The extraordinary general meeting assigned authorization to the board of directors, on 13 juni 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.

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 the Ivory Coast), the **geo-political developments** in these regions are a extra point of interest to the management. The recent past has shown that the possible unrest in these countries has 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, this 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 2012 are drawn up in accordance with the International Financial Reporting Standards (IFRS).

The consolidated balance sheet total as at 31 December 2012 is KUSD 631 842, an increase of 11.38 percent compared to the balance total of KUSD 567 291 at the end of 2011.

The continued expansion of the estates in Indonesia and Papua New Guinea and an increase in the fair value of the planted areas of palm and tea in Indonesia have led to a further increase of the biological assets that now amounts to KUSD 302 295.

The increase of the other fixed assets comprises of, besides the usual replacement capital expenditure, additional compensation paid for the expansion in North and South Sumatra and investments in the completion and improvement of our production site at *Hargy Oil Palms Ltd* in Papua New Guinea and in the *UMW* group in North Sumatra.

The net current assets, net of cash, amount to 11.5% of the turnover as compared to 10.5% in 2011. This slight increase is mainly due to the relatively important tonnage of unshipped palm oil at year end.

Net financial position decreased by KUSD 29 326 as a result of the negative net free cash flow of KUSD 9 296 and a dividend distribution of KUSD 20 370. Nevertheless, the year closes with a positive net financial position.

The consolidated equity capital of the *SIPEF* group, group share prior to allocation of profit, has increased to KUSD 472 642. This corresponds to USD 52.80 per share.

Rising volumes for palm oil, rubber, tea and bananas could not compensate the decreasing selling prices, hence the turnover diminished with 9.6% compared to 2011.

The evolution of cost prices of our own production shows a different trend in Indonesia compared to Papua New Guinea. In Indonesia the USD/ton cost price remained almost at the same level thanks to the devaluation of the rupiah of 7.2% compared to 2011 erasing the effect of local salary inflation. In Papua New Guinea however, the kina revalued by 12.1%, reinforcing the impact of local cost increases from higher salaries and additional maintenance and repairs as a result of the freakish weather during the beginning of the year.

The gross profit dropped by 17.9%. For the palm and rubber activities this was even respectively 18.1% and 39.5% due to a drop in gross margins. Now that the political situation in the Ivory Coast has returned to normal our banana operations have enjoyed a remarkable recovery.

The other operating revenues/costs comprise a capital gain on the sale of a non-strategic financial fixed asset (KUSD +3 346), and the setup of a provision against a possible sectorial VAT dispute in Indonesia (KUSD -8 330 before taxes).

Taking above elements into account, the operating results before IAS41 dropped by 26.7%.

The financial income and charges were very much in balance and due to a limited impact of exchange differences, a direct result of a consistently implemented policy of currency hedging, the financial results were rather limited.

The effective tax rate is 26.3% which is very close to the average tax rate of the group (25% in Indonesia and 30% in Papua New Guinea).

The participations in the insurance sector focus on the core activities of maritime and general insurance. After a restructuring, during which the profitability suffered from temporary lower technical results and a one-off cost, we have again been able to tie in with a rising contribution for the group in 2012.

The profit for the period, without taking into account the results linked to the application of IAS41, amounts to KUSD 64 630, or 28.4% lower than the historically high results for 2011.

The IAS41 adjustment consists of substituting the depreciation charge in the cost of sales with the variation in "fair value" of the biological assets between end 2011 and the end of 2012, less planting costs and associated deferred tax charges. The gross variation of biological asset amounted to KUSD 33 836 and arises mainly from an increase in margins applied in Indonesia, the expansion and the increase in maturity of the newly planted oil palm areas of our *UMW* estate in Indonesia. Planting costs of KUSD 26 962 reduced the net impact before taxes to KUSD 10 553, which is the basis for the average deferred tax calculation of 16.2%. The net positive impact of IAS41, share of the group, amounts to KUSD 7 581 and is, mainly through a reduction of the selected future margins at *Hargy Oil Palms Ltd* in Papua New Guinea, 27.2% lower than the KUSD 10 407 of last year.

The net IFRS result, share of the group, IAS41 changes included, amounts to KUSD 68 392 and is 28.1% lower than last year.

2.3. Significant events after the close of the financial year

Since the close of the financial year 2012, no significant events that could affect the activities of the company have occurred.

2.4. Research and development

SIPEF and its consolidated companies did not undertake any activities with respect to research and development activities during 2012.

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 the interest rates and exchange rates. The oppositions of these financial tools are exclusively Belgian renowned banks that *SIPEF* has built up long-term relationships with.

2.6. Prospects for 2013

In general, we expect good crops for the entire group. The production of our Indonesian palm oil estates are within expectations. We have again slightly increasing volumes at our mature estates in North Sumatra as well as Agro Muko, in the province of Bengkulu. Our younger trees in *UMW/TUM* are performing as expected in a strong growth curve. *Hargy Oil Palms Ltd*, our estate in Papua New Guinea, is recovering of a very wet January, which received almost a quarter of the annual rainfall in this month alone. It took its toll on the production, 18% below budget, but we do expect a recovery in the next months. There is no irreparable damage.

The rubber volumes at our North Sumatra estates are growing again. At our Agro Muko estate the production is above expectation, but given the restructuring of the acres still below last year. The tea volumes are strongly higher compared to last year which was impacted by a total lack of sunshine.

The high stocks in palm oil, in origin as well as the main importing countries, will remain a burden to the market and it is not expected that palm oil will rally on its own. On the contrary, the uncertainty of what will happen in the future holds several plantations away from the forward sell side.

However, we have entered the low production cycle in Indonesia and Malaysia and this should lead to lower stocks going into the second quarter. The focus will be on buying demand from its competitive soy bean oil due to the steep discount. On top of that current weather conditions in South America will be closely watched because the tight global soybean stocks need a good crop. Once the Brazilian and Argentinean crops are known the focus will be at the US soybean crop that should recover from last year's crop failure. Current dry soil moisture indicates they need a lot of rain before the planting commences. If anything goes wrong with one of these crops, palm will definitely borrow some of its strength.

The outlook for rubber is twofold, the Western economies and car industries are fairly patchy. At the same time the economies in the East, particularly China and India, are having strong performances and the rubber demand seems to be rather robust. We therefore see little downside to current market prices, but fundamentally the market is not strong enough to expect a significant price rally.

Tea prices are expected to remain firm in the first quarter of 2013, albeit off the highs reached end 2012. Continued political instability and delays in policy decision/regulation in some of the major importing countries could create a delay in buying power. Prices for the remainder of the year will also depend on the weather developments in Kenya, India and Sri Lanka.

A major part of the expected income for 2013 has been secured. At this moment 53% of the expected year production of palm oil has been sold at an average price equivalent to USD 936 per tonne CIF Rotterdam. Also one fifth of the projected rubber production has been sold at an average price of USD 3 057 per tonne FOB and one third of the tea production has been sold at prices that are about 8% above last year's prices. We have continued our marketing strategy for bananas to sell at fixed prices for the full year.

Notwithstanding the uncertain price outlook on the markets we are, considering the already committed volumes and decent production expectations, on track to achieve a satisfactory result for 2013. The final result shall mainly depend on the volumes produced, the strength of market prices during the remainder of the year, the export tax for palm oil in Indonesia and the evolution of the cost of production that remains sensitive to the exchange rate of local currencies against our reporting currency, the USD.

Besides the limited additional plantings in *MMAS* in the province of Bengkulu and the continuous expansion of *Hargy Oil Palms Ltd*, the expansion in South Sumatra is taken to the next level by increasing the compensation in both our licensed operations. The administrative process for individual land owners remains very time consuming. Over 2 000 hectares have been compensated for so far and are being prepared for planting which should commence at the end of the first quarter. We continue the conversation on the acquisition of a third license. The scope of this project cannot be clearly stated at this time of writing, but *SIPEF* clearly has the intention to continue to invest in a valuable and profitable project for the next three years in this area known for its highly qualitative agricultural land.

SIPEF is in a strong position to achieve these expansion projects, financed by the available cash reserves as well as the cash flow generated in 2013, without structural debt.

2.7. Explanation of the responsibilities

The undersigned declare that, to their knowledge:

- the consolidated financial statements for the financial year ended on 31 December 2012 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 2012 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, February 19th, 2013.

François Van Hoydonck
Managing Director

Baron Bracht
Chairman

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 has been announced by the Corporate Governance Committee on 9 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 reference code. The corporate governance charter approved by the board of directors of *SIPEF* is in compliance with the Belgian Corporate Governance Code 2009.

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, chairman	2014
François Van Hoydonck, managing director	2015
Baron Bertrand, director	2016
Priscilla Bracht, director	2014
Jacques Delen, director	2016
Antoine Friling, director	2015
Baron de Gerlache de Gomery, director	2012/06
Regnier Haegelsteen, director	2015
Sophie Lammerant-Velge, director	2015
Richard Robinow, director	2015

The term of office of Baron de Gerlache expired at the end of June 2012. Until that date de board of directors was composed of 10 members.

3.2.2. Non-executive and executive directors

François Van Hoydonck has been managing director since 1 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 more than 30 percent 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) and Schroders (UK);

Jacques Delen:
Ackermans & van Haaren;

Regnier Haegelsteen:
Atenor Group and Etex 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, Belgian Corporate Code.

3.2.4. Activity report

The board of directors of *SIPEF* met five times in the course of 2012. The average attendance rate was 94%. Individual attendance records were as follows:

Baron Bracht, chairman	5/5
François Van Hoydonck, managing director	5/5
Baron Bertrand	4/5
Priscilla Bracht	5/5
Jacques Delen	5/5
Antoine Friling	4/5
Baron de Gerlache de Gomery	2/2
Regnier Haegelsteen	4/5
Sophie Lammerant-Velge	5/5
Richard Robinow	5/5

During 2012, 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.

The board of directors held a special meeting on 5 September 2012 concerning the group's strategic development, based on a business plan covering ten years.

At its meeting on 22 February 2012, the board of directors discussed the relation 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 about 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 of management of a company and operation of financial markets – within the current composition of the board of directors.

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 Belgian Corporate 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 the Charter (5.).

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 526*bis* of the Belgian Corporate Code, that Regnier Haegelsteen, chairman of the committee, possesses the requisite skills within the disciplines of accountancy and audit. Regnier Haegelsteen no longer fulfils the independence criteria specified in article 526*ter* of the Belgian Corporate Code.

Above from left to right:
ROBBERT KESSELS
DIDIER CRUYSMANS
JOHAN NELIS

Under from left to right:
FRANÇOIS VAN HOYDONCK
THOMAS HILDENBRAND
MATTHEW T. ADAMS

3.3.2. Activity report

The audit committee met on four occasions in 2012. 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 of 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 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 committees were consistently attended by representatives of the Bracht family and Ackermans & van Haaren.

3.4.2. Activity report

The remuneration committee met twice in 2012, on 22 February and on 20 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 who reside abroad. At the meeting of 20 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.

3.5. Management committee

3.5.1. Membership

François Van Hoydonck
- managing director

Matthew T. Adams
- external visiting agent

Didier Cruysmans
- director estates department

Thomas Hildenbrand
- director marketing bananas and flowers

Johan Nelis
- chief financial officer

Paul Nellens (till 31/12/2012)
- director marketing commodities

Robbert Kessels (as from 01/11/2012)
- director marketing commodities

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

IMMATURE OIL PALM FIELD: YOUNG OIL PALMS ARE USUALLY PLANTED AT 143 PALMS PER HECTARE TO MAXIMIZE GROWTH AND YIELD. CORRECTLY PLANTED PALMS THAT ARE WELL MAINTAINED CAN ACHIEVE MATURITY AFTER 28 MONTHS FROM TIME OF PLANTING.

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 a hospitalisation cover. The group insurance is of a "fixed contribution" type.

For the first time since 2002, share options were offered to the members of the management committee and the executive directors of the foreign affiliated companies during 2011 and 2012. 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 ensuring 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 2012, was set at a fixed annual amount of KEUR 24 for the chairman and KEUR 20 for each director. The members of the audit committee receive a fixed annual payment of KEUR 4 and the members of the remuneration committee receive a fixed annual payment of KEUR 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 2012 in the form of payments for 2012, were:

	In KEUR
Baron Bracht, voorzitter	24
François Van Hoydonck, gedelegeerd bestuurder	20
Baron Bertrand	20
Priscilla Bracht	20
Jacques Delen	20
Antoine Friling	26
Baron de Gerlache de Gomery	10
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 2012, either directly or indirectly, by *SIPEF* and its subsidiaries, can be summarised as follows (total cost to the company):

In KEUR	CEO	Other members of management committee	Total	Relative share
Fixed payment	300	1 131	**1 431**	44.58%
Variable payment	352	922	**1 274**	39.69%
Group insurance	223	170	**393**	12.24%
Share options 2011	34	45	**79**	2.46%
Benefits in kind (company car)	10	23	**33**	1.03%
	919	**2 291**	**3 210**	**100.00%**

The options that have been offered in 2012 are only awarded finally in 2013 and are therefore not included in the table shown above.

3.6.5. Options awarded to members of the management committee in 2012

Due Date	31 December 2022
Exercise price	EUR 59.14

François Van Hoydonck	6 000
Matthew T. Adams	2 000
Didier Cruysmans	2 000
Thomas Hildenbrand	2 000
Johan Nelis	2 000
Totaal	**14 000**

We also awarded 6 000 options to 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 six 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 27 December 2007, in the context of article 556 of the Belgian Corporate Code.

The position of External Visiting Agent (EVA) was created on 1 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.

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.

3.6.7. Changes to the remuneration policy

No significant changes were made to the remuneration policy in 2012.

3.6.8. Remuneration policy for the next two financial years (2013 – 2014)

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 8 June 2011 and his mandate expires in June 2014.

The annual payment to the auditor for the audit of the summarised and consolidated annual financial statements of *SIPEF* amounts to KEUR 78. An additional sum of KEUR 10 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.

MALE AND FEMALE FLOWER AND YOUNG BUNCHES: AFTER THE FEMALE FLOWERS ARE POLLINATED, THE BUNCHES DEVELOP OVER A PERIOD OF SIX MONTHS AT WHICH TIME THEY ARE READY FOR HARVESTING.

The total cost for external audit of the *SIPEF* group was KEUR 354 and the amount paid to the same auditor and his affiliated businesses for advice was KEUR 56.

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 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 17 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 12 February 2007, which is also included in explanatory note 17.

On that date, Nationale Investeringsmaatsschappij (NIM) NV, affiliated to Ackermans & van Haaren (AvH) NV and acting in consultation with Baron Bracht, 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 a balanced development and the 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.sipef.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 percent 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 directors 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 1 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 Palm Oil', 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 and informal, 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 is 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*) 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 web site.

- The following reporting entities can be identified:
  a. 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 the Ivory Coast
  e. Jabelmalux SA in Luxemburg

Annual report of the board of directors

f. SIPEF in Belgium
g. B.D.M. 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 bookkeeping 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. 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.

4. Decisions of the board of directors

of 13 June 2012 within the framework of the application of article 523 of the Belgian Corporate Code

4.1. Preliminary Explanation

In light of the agenda items to be dealt with and in accordance with article 523 of the Belgian Corporate Code, we state below the minutes of the board of directors relating to the application of the conflict of interest procedure as described.

It is also noted that article 524 is not applicable, as the activity concerned represents less than one percent of the net assets of *SIPEF*, as shown from the consolidated annual account.

4.1.1. Nature / Description of the operation

By the decision of the Board of Directors of 13 June 2012, *SIPEF* wishes to proceed with the sale of its interest of 9.57 % in the company GEDEI NV (6 319 shares) to the acquiring company CABRA NV. These shares will be sold at market value as determined on the basis of the adjusted shareholders' equity of the company GEDEI NV. As the net assets of the company largely consist of listed financial assets, the closing price of 12 June 2012 is retained to determine the adjusted shareholders' equity of the company.

4.1.2. Statement by the directors involved in a conflict of interest

Prior to the start of the deliberation, the directors present were informed by chairman Baron Bracht and director Priscilla Bracht that article 523 of the Belgian Corporate Code is applicable with regard to the agenda item relating to the decision to be taken on the sale of the interest of 9.57% in GEDEI NV by *SIPEF* to CABRA NV, as both directors have a direct financial interest that conflicts with a decision or a transaction that is within the competence of the board of directors. Both are in fact shareholders of the acquiring company CABRA NV.

4.1.3. Grounds for justification / Motivation of the operation

This transaction must be viewed within the framework of *SIPEF*'s general restructuring policy which consists of re-focusing on its core activities: the management and operation of tropical plantation companies in which it mainly holds majority stakes.

4.1.4. Financial consequences of the transaction for SIPEF

As of June 12th, the book value in *SIPEF* is KEUR 126. These shares are sold at market value, i.e. KEUR 2 796 so that *SIPEF* realizes a capital gain on this transaction of KEUR 2 670.

4.1.5. Notification of the statutory auditor

In accordance with article 523 of the Belgian Corporate Code the statutory auditor was also informed of the conflict of interest.

4.1.6. Non-participation in the deliberation and vote by the directors involved in the conflict of interest regarding the agenda item in question

As *SIPEF* is a company which makes a public appeal for funds, the directors involved may not participate in the deliberations on this operation or in the vote in this connection. Chairman Baron Bracht and director Priscilla Bracht leave the meeting at this point.

PRIME OIL PALM CAN BE EXPECTED TO PRODUCE ABOUT 9-10 BUNCHES OF FRUIT EVERY YEAR DEPENDING ON THE AGE. ONE HECTARE OF PRIME PALMS CAN PRODUCE IN EXCESS OF 30 METRIC TONS OF FRESH FRUIT BUNCHES (FFB) PER YEAR.

Director François Van Hoydonck reminds the directors present that he has a management position both in *SIPEF* and the acquiring company CABRA NV, and also has an immaterial shareholding in *SIPEF*. To avoid opening a discussion on the area of application of the conflict of interest regulation regarding whether Mr. Van Hoydonck's shareholder status has a material character or not, or whether Mr. Van Hoydonck could act in joint consultation or not with Baron Bracht and Mrs. Priscilla Bracht, Mr. Van Hoydonck also proposes not to take part in the deliberation and the vote on this agenda item. The other directors accept this proposal at which point Mr. Van Hoydonck leaves the meeting while it discusses this item.

4.2 Decisions by the board of directors

The deliberation and approval of the sale of the interest in GEDEI NV.

Resolution.

After deliberation, the following resolution was unanimously adopted:

The board approves the sale of the interest of 9.57% which *SIPEF* holds in the company GEDEI NV to the acquiring company CABRA NV.

The board approves in particular the following aspects:

- The shares will be sold at market conditions for an amount of KEUR 2 796.

- Taking into account the carrying value of these shares, *SIPEF* realizes a capital gain of KEUR 2 670 on this transaction.

Activity report by product

Palm oil

2012 started on a positive note. Palm oil prices rose significantly due to the low production figures and the disappointing soya bean and maize harvests in South America. Stocks were at their lowest in Malaysia and Indonesia during the second quarter. At the start of April, palm oil reached its highest price quote of the year (USD 1 190 per tonne CIF Rotterdam). The high prices during the first half of 2012 were the result of supply problems rather than any higher general demand. The contraction of the global economy, caused by stagnation in China and crisis in the Euro zone, meant that customers started pursuing a 'hand-to-mouth' policy for their purchases.

In the USA, the hottest summer in 118 years destroyed a large part of the maize and soya bean harvest, for which we noted record prices. This was not the case with soya oil and palm oil. The overall demand for vegetable oil weakened, primarily because China opted to press more soya beans instead of buying the products. Another factor was the stagnating demand in the bio-diesel industry. At the same time, palm oil production rocketed in the second half of 2012 due to a marked increase in the harvest. The result was record stock levels in the fourth quarter. Prices fell to a low point of USD 745 in December 2012.

The attractive price benefit for palm oil in comparison with its competitor soya oil, the cyclical reduction in palm oil production at the end of the fourth quarter and a slight recovery in the macro-economy drew prices back up from that low point.

The climate will continue to influence the market in 2013. Due to the high prices for soya beans and maize in 2012, we expect that a record number of hectares will be planted. The world needs these crops to supplement the general stocks, but everything depends on weather conditions.

The average price for CPO was USD 999 per tonne CIF Rotterdam, contrasted with an average of USD 1 125 in 2011.

The demand for sustainable palm oil remains good and we can perceive a shift towards interest in "segregated" (not mixed with other oils) sustainable oil. *SIPEF* is now in a good position to supply its customers with "segregated" sustainable palm oil and palm kernel oil. The new European legislation, which will come into force in 2014 and require all foodstuffs to indicate the oil they contain, will increase the requirement for this 'segregated' sustainable palm oil even further.

Palm kernel oil

The record price (USD 2 450) for palm kernel oil at the start of 2011 encouraged the oleo-chemical and food industries to replace this with other oils, either vegetable (for food) or synthetic (oleo-chemical). The impact of this was felt in 2012, principally in the second half of the year when demand fell far below the average growth trend. An over-supply situation was created by the good coconut oil production in the Philippines and Indonesia and the recovery of palm kernel oil in the second half of the year. The prices for lauric oils dipped in the second half of the year to a level below those for palm oil. The bottom level was reached in December 2012 (USD 725 per tonne CIF Rotterdam). History tells us that this negative difference with palm oil can only persist for a brief period.

The average price for palm kernel oil was USD 1 110 per tonne CIF Rotterdam, contrasted with an average of USD 1 648 in the previous year.

Rubber

The rubber market collapsed in 2011, from a record price of UScts 648 per kilo for Sicom RSS3 down to UScts 335. In a historical context, this is still relatively high. At the start of 2012, the Thai government proposed a number of measures intended to raise prices, which as a result recovered to UScts 419,10 per kilo. This became the top level for the year, but the euro-crisis influenced the market and this restricted demand from the European car industry. The growth in China, which ground to a halt at that point, combined with a sense of unease about a possible further slump in the global economy, did little to sustain demand. In mid August, rubber fell to its bottom price of UScts 261 per kilo. Governments of the three largest producer countries proposed a replanting scheme. They introduced the implementation of the "Agreed Export Tonnage Scheme (AETS)" in order to raise levels again, but this turned out to have only a limited impact. The improvement of the situation in the

Euro zone and better prospects for the Chinese and US economies resulted in a higher level of demand in the third quarter.

The average price for natural rubber RSS3 was UScts 338 per kilo, as compared to UScts 482 in 2011.

General demand for natural rubber rose slightly in 2012, while availability increased by 3.6% (according to the 'International Rubber Study Group'). The result was an over-supply of 450 000 tonnes, absorbed partially by the Thai support program and partly by China building up its stocks. The supply and demand analysis for 2013 shows a more balanced picture. The European car industry is continuing its efforts. There are also better prospects for the developing countries and the USA.

Tea

Frost damage in Kenya at the end of 2011 and the start of 2012 led to a significant reduction in supply during the first four months of 2012. Unfortunately, political instability in the most significant importing countries proved to be an obstacle to any improvement in the market. It became clear around the middle of the year that production from the largest producer countries, such as India and Sri Lanka, was also showing signs of decline. During the second half of the year, prices rose again, peaking in the final quarter.

Quality tea (such as our Cibuni tea) attracted a premium, particularly in the second half of the year, because the shortage of producers encouraged an increase in production at the expense of quality. The largest production deficit was overcome towards the end of the year, but this is not enough to let the market slump again, since consumption is rising by an annual average of 2%.

We expect prices to remain satisfactory in the first quarter of 2013, despite continuing political instability and the absence of policy decisions and regulation in some of the most significant importing countries.

Marketing of bananas and flowers

Bananas

2012 was a particularly "fruitful" year, with a total volume of 26 777 tonnes of bananas. Of these, 3 088 tonnes were marketed in West Africa with the remainder going to Europe as usual, specifically Great Britain, France and Spain. The proportion supplied by our external supplier/producer declined by 60%, from 7 294 tonnes in 2011 to 2 860 tonnes in 2012. By contrast, however, our company *Plantations J. Eglin SA* in the Ivory Coast fortified its position as a supplier to *SIPEF*, with 90% of the volumes sold. This gave us better control and enhanced our ability to monitor the quality of the packaging programmes and the specifications of our clientele.

The crisis had no impact on the trade in bananas in Europe. This food remains one of the 10 basic products for households and will always remain a good seller. We accordingly traded our entire production to established contracts in the European market and we will continue to pursue this strategy in the future.

Global production also remained stable without any special peaks or troughs. Climatological conditions often reduced the production peaks that might have disrupted the market.

The European Union concluded its ATF (*Assistance Technique et Financière*) programme for banana producers in the ACS countries at the end of 2012, the last one related to the support for 2008. We are currently embarking on a new and final tranche with support for these producers. In order to reduce the impact of the reduction of customs duties on dollar bananas in Europe, the European Union will allocate a global package of EUR 190 million to increase competition and improve the social and ecological development of the banana plantations in the ACS countries. The allowance for the Ivory Coast amounts to EUR 44.75 million. We consider that we will be able to benefit from part of this, which should allow us to increase productivity significantly, as well as improving the living and working conditions of our employees. However, we are keen not to forget the environment and to complete our projects for introducing forests in difficult areas in timely fashion.

CLOSE UP OF A RIPE BUNCH: THE HARVESTER IDENTIFIES SUITABLY RIPE BUNCH BY THE PRESENCE OF LOOSE FRUIT IN THE CIRCLE AT THE BASE OF THE PALM. THE BUNCH IS SAFELY HARVESTED USING A SICKLE ATTACHED TO A LIGHT WEIGHT POLE.

Flowers

Despite a scaling down of production capacity for pineapple flowers in the Ivory Coast, we were unable to achieve our budgetary objectives. We only exported 638 000 flowers out of the 825 000 that had been forecast. This remains a regrettable state of affairs, as the market was undersupplied for a large part of the year.

Plantations J. Eglin SA remains the largest supplier for pineapple flowers worldwide and our customers remain confident about the potential and future of this product. Improved horticultural techniques will undoubtedly allow us to increase our productivity.

The trade and production of ornamental foliage is cruising along nicely at the moment. We exported 1 075 000 items of ornamental foliage, representing a 32% increase over 2011. The two varieties that are being cultivated are *Dracaena Compacta* and *Cordyline*. If the trade intensifies further, we could either export more or add a new variety.

The sale of lotus flowers remained stable with about 275 000 items sold.

Activity report by country

Indonesia

GENERAL

Following the re-election of President Susilo Bambang Yudhoyono in 2009, his second term of office has focused primarily on combating poverty, improving the quality of the public sector and strengthening democracy and the rule of law.

Despite the country's strong economic growth, amounting to 6.1% in 2012, raising the general standard of living for the local population remains one of the main priorities for the government. 12.5% of the population lives below the national poverty threshold and 18.1% have less than USD 1.25 per day to spend. The population continues to grow by 1.6% per annum. The total stood at 241 million in 2011 and there will be 250 million residents in the country by 2015. This means that one in every 28 persons on this earth is an Indonesian citizen.

Indonesia felt little impact from the financial crisis, which mainly affected the United States and Europe. Thanks to a strong domestic market and its mixed economy, gross domestic product (GDP) grew by 6.1%, as it had in 2011. The economy is primarily oriented towards consumption and is supported by an expanding middle class whose purchasing power is gradually increasing. In economic terms, the government continues to play an important part as the owner of many state companies. According to the World Bank, Indonesia's GDP already amounts to 1.15% of the global economy. Public debt also remains low, at barely 25.0% of GDP.

Despite the strong growth and the increase in minimum wages, inflation was restricted to 4.3% (as compared to 3.79% in 2011). General interest rates also were brought further down (from 6% to 5.75%), despite a budgetary shortfall of 2.5%, rather more than the government had forecast. This shortfall is evidence that the revenue side has been weakened by reduced commodity prices, while expenditure continues to rise. The discretionary expenditure of energy and fuel subsidies in particular is having a severe impact. The balance of payments therefore weakened in 2012, a trend which was mainly reflected in a gradual decline in value of nearly 7% of the Indonesian rupiah in relation to the US dollar.

The general weakening of the economic situation also became apparent in the investment climate, which often correlates with commodity prices in Indonesia. We can therefore expect that these factors will continue to impact on budgets and investments – the driving forces behind economic growth – in 2013.

While general prospects for 2013 remain favourable, a lot will depend on the political framework that can be created in order to retain the confidence of investors. Looking forward to the general elections of 2014, the legislation and the continuity of the measures announced by the government will form a measure of value for foreign investors who form part of the basis for the country's strong economic growth.

Towards year end, we witnessed important discussions and political movements associated with the increase in the minimum wages, which are negotiated on a provincial basis. This movement was initiated by the populist governor of Jakarta, who announced a 44% increase for his region. A number of other provinces responded by introducing similar measures, under pressure from the trade unions. Such annually recurring increases obviously have their biggest impact in the labour-intensive sectors. They also increase inequality between the provinces and do not benefit general economic growth, which shows increasingly wide gaps between the different provinces and districts, including in the availability of infrastructure, health care and education. A national approach might offer a solution to this situation in the future.

The Indonesian government is also persisting in regulating the export tax on palm oil. Following an amendment introduced at the end of 2011 to the system that has been in force since 2008, agricultural companies in particular have been subject to heavier taxation in the form of a progressive tariff based on the monthly global market prices for palm oil, which encourages the development of vertically integrated groups. These arrange for the crude palm oil to be refined in their own countries or else to leave the country in the form of bio-diesel. This initiative has been a success, bearing in mind the many projects that have been accomplished or announced in the development of the processing industry. We will actually have surplus capacity when all the projects are completed. The question will then remain as to whether this industry will be able to stay profitable once the tax benefits disappear again under the pressure of international trade. We have already seen responses from other producer countries, such as Malaysia and India, which have adjusted their own taxes in accordance with this policy. As a producer of crude palm oil, *SIPEF* was therefore subject to the application of the highest tariffs in the sector. For 2012, this amounted to an average tax of USD 149 per tonne, leading to a reduction in gross income of about USD 23.8 million, as opposed to USD 201 per tonne and USD 29.3 million in 2011.

North Sumatra

Palm oil production was generally highly satisfactory in 2012. The established plantations in North Sumatra, the new projects in that area and the plantations in the province of Bengkulu all closed the financial year with higher volumes than in 2011, resulting in a 3.4% increase in volume for the total palm oil operations of the *SIPEF* group in Indonesia.

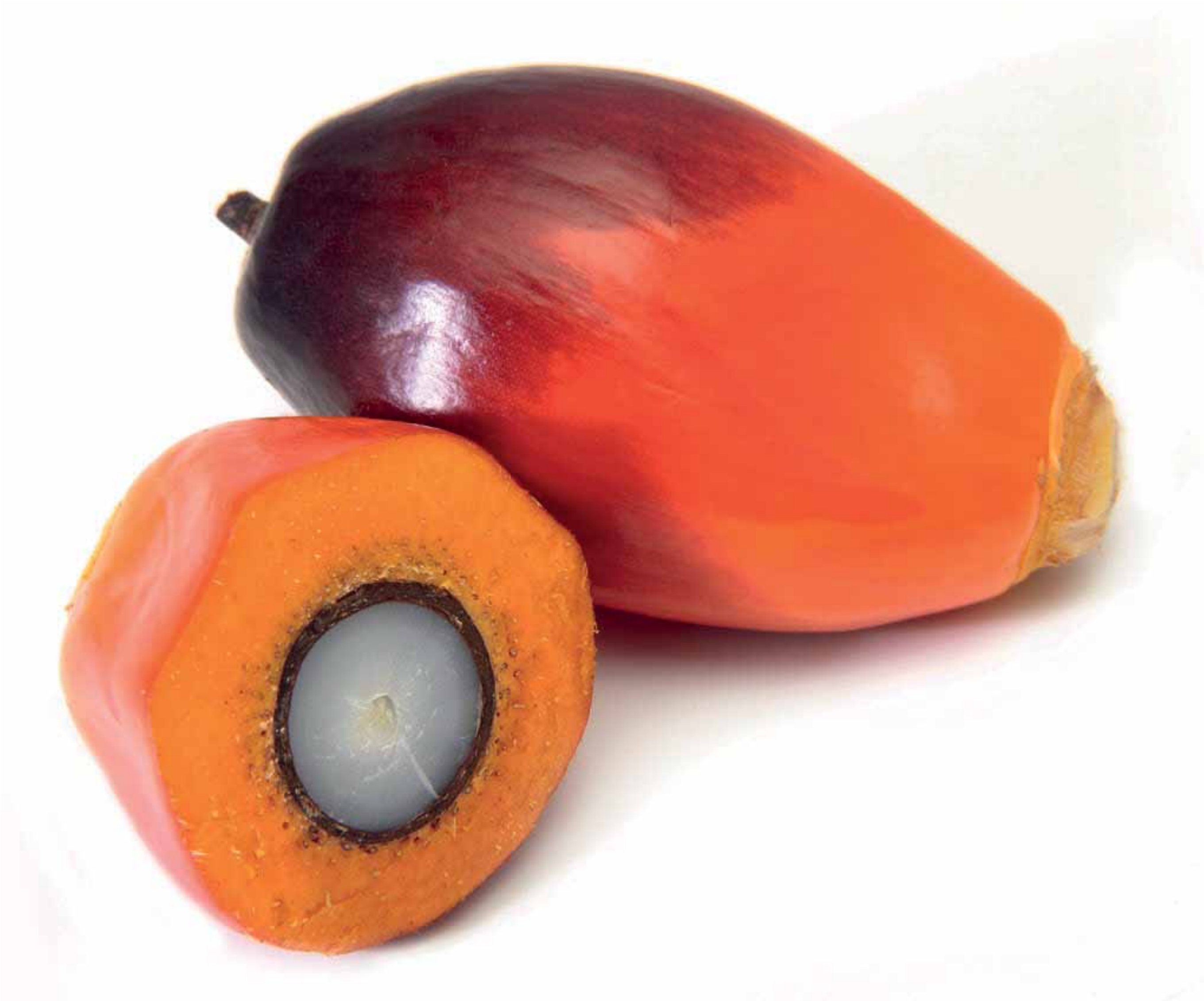
Productive acreage was reduced from 34 026 hectares to 33 797 hectares on account of the replanting of oil palms in most established plantations. The yield in fruit per hectare rose from 17.3 to 18.9 tonnes per hectare in North Sumatra, due to the increasing maturity of the added acreage. In Agro Muko, where most of the plantations are fully mature, we went from 20.7 to 22.0 tonnes per hectare.

The 3.7% increase in fruit volumes at the established plantations in North Sumatra was reassuring after the 6.6% reduction which we recorded for these same plantations in 2011. Weather conditions were generally favourable, with good average rainfall in a virtually equal distribution across the year.

The Perlabian and Tolan plantations (which collectively form *PT Tolan Tiga Indonesia* and represent 6 923 mature hectares) enjoyed the best of the generally upward trend we recorded in most of the palm plantations in North Sumatra, featuring a 9.7% rise in production over 2011. We also achieved better results in the battle against the *Oryctes* beetle. This beetle lays its eggs in the crowns of young palm trees. The larvae consume the crown, thus delaying the palm tree's maturity. The combination of chemical spraying, manual collection of the larvae, protecting the crowns with nets and planting humus-rich groundcover appears to have been effective. We will be careful to continue this exercise in order to prevent a repeat of the losses that occurred in 2010 and 2011.

The Bukit Maradja and Kerasaan plantations (with 4 658 hectares of mature palms) managed a gradual recovery in 2012 following attacks by leaf-eating insects, which had a serious impact on production in 2011. We continually inspect the palm trees so that we can immediately react, on a selective basis, to the first signs of any recurrence of this plague. Our agronomists are assisted by scientists who give them advice on the best treatment during site visits. It will still take one to two years before we can be confident that the natural ecological balance has been restored to its previous level. The recovery of the leaf coverage allowed the palm trees' photosynthesis to increase, and the weight of the fruit was back to former levels.

The battle against the *Ganoderma* fungus also demands a great deal of attention from our agronomists in the plantations in North Sumatra, where we already have third-generation palm trees. This fungus primarily attacks the roots of the palm trees, thus reducing the palm population per hectare on a year by year basis. Extensive collaboration among the different planta-



ONE FRUITLET AND ONE HALVED FRUITLET SHOWING KERNEL / ENDOCARP (SHELL) / MESOCARP (PULP) / TEGUMENT (EPIDERMIS). THE FRESH FRUIT BUNCH (FFB) COMPRISES NUMEROUS FRUITLETS THAT ARE ATTACHED TO SPIKELETS. THE OUTER FLESH OF THE FRUITLETS OR MESOCARP IS PROCESSED INTO CRUDE PALM OIL WHILE THE INNER NUT IS PROCESSED INTO KERNEL OIL.

tion groups in North Sumatra means that we can test different treatment methods at different sites. The research centres that produce the seeds are working on Ganoderma-tolerant seeds, which were marketed for the first time last year. Planting these seeds is claimed to guarantee that the fungus will not be able to develop in newly planted areas. For this, however, the soil needs to be adequately cleaned up first and then given a chance to recover. Residues of the earlier planting also have to be removed from the ground. For our existing hectares, we are providing extra protection at the base of the palms so that they survive longer. Over the next few years, we may have to accelerate our transition to replanting existing areas where no protective measures were taken at the time. The impact on the total production of the *SIPEF* group will be very limited.

In the meantime, we can confirm that the actions taken in 2011, following consultation and collaboration with the local authorities, to clear the Bukit Maradja plantation of an invasion of grazing cattle that had been introduced to the plantations by local residents, has been successful.

The replanting of 753 hectares in the existing plantations in North Sumatra went entirely according to plan, with a view to combating the spread of *Ganoderma*. This year, we obtained our seeds from BLRS, the seed producer of the London Sumatra Group. A final section was also planted with the seed imported from Costa Rica.

The most recent expansions in North Sumatra are in the *PT Umbul Mas Wisesa (PT UMW)* and *PT Toton Usaha Mandiri (PT TUM)* projects, which are know fully planted and cover 8 241 hectares, 5 417 of which can be regarded as fully mature. Due to the agronomic difficulties on start-up and the lack of labour in the region, some areas are not yet level enough to provide an adequate return. However, we note that return per hectare is increasing rapidly, especially in the *UMW* North and *TUM* plantations. Annual production has more than doubled compared to 2011 and this growth trend will be sustained over the next few years. Significant efforts were made during the fiscal year 2012 to continue developing these projects. This has included improving access to the palm trees and recruiting additional workers to ensure that field maintenance, fertilisation and the first harvests were all on schedule. Towards year end, the project has yet again suffered severely from incessant rainfall, with parts of the access road being flooded, meaning that some of the fruit had to be transferred by boat. We are investigating several options to ensure access to the project during the rainy season. For the time being, the small fruit is still being processed at the Perlabian plant until such time as construction of our own processing plant has been completed.

Significant investment budgets were provided in both 2011 and 2012. These are not only used to expand the internal roads network, but also to construct two villages with houses and facilities for the workforce, which will make it more attractive to live in this region. Completion of both villages and the associated utility provisions is planned in 2013.

Following compensation for the final areas of land in 2011, we proceeded with the application for the final exploitation permit (Hak Guna Usaha). A number of people in the area continue to demand money for plots which we have already compensated others for and to which they cannot supply any valid title deeds. We are patiently treating these files and have been able to resolve all of the lawsuits that were initiated in our favour. Unfortunately, these legal proceedings are preventing the government from granting us the final permit. We hope to receive the permit for *PT UMW* in 2013, as we already did for *PT TUM*, where the permit is valid until 2046.

The fertilisation programmes in the established plantations in North Sumatra were fully completed. We have already switched over to mechanical distribution where possible. Where we are still applying fertiliser by hand, all the fertilisers are now prepacked in doses for single palm trees, ensuring uniform application. The spreading of organic manure in the form of empty palm bunches and waste water from the plants' decanting ponds also went entirely according to plan. Where necessary, we also skilfully supplemented any deficiencies of specific metals. The fertilisation schemes for the *PT UMW* and *PT TUM* projects were adjusted in line with the recommendations made by a new consultant who is an expert in this field. We switched from individual to composite fertilisers, to delayed release of metals and to higher potassium coverage. The lower prices for palm oil also reduced the use of fertilisers by the local farmers. This resulted in a generally falling trend for fertiliser prices, with the exception of nitrates (urea), whose average price rose by 23% in comparison with 2011. As it happens, the price of urea is controlled by the government, and a major local producer was shut down.

The two palm oil extraction mills in Perlabian and Bukit Maradja operated as expected and processed 11.1% more fruit this year than in 2011. The Perlabian mill has a theoretical capacity of 60 tonnes of fruit per hour and an average usage rate of 52.6 tonnes per hour. Bukit Maradja has a theoretical capacity of 30 tonnes per hour, which is virtually fully utilised. The average oil extraction ratio was 23.62% for the Bukit Maradja mill (as against 23.38% the previous year) and is now the highest in the *SIPEF* group. Perlabian had an average extraction ratio of 22.10%, as opposed to 22.98% the previous year, because it was processing more fruit from the young *PT UMW* and *PT TUM* plantations, which still have lower oil content. We managed to produce high-quality oil and kernels over the entire year, without acidity problems, due to the audited standards of ripeness for the fruit that was brought in.

Both mills are certified for ISO, RSPO and ISCC standards: the latter allows us to export the oil we produce to Europe as the basis for green energy production. The certification can only be obtained after the mills have been fitted with a system that captures the methane gases that are released from the waste water decanting ponds. Since 2008, there have been membranes in place above the ponds with the highest emissions, so that the bio-gases are captured and burned. These two projects are recognised by the UNFCCC and provide entitlement to Certified Emission Reductions (CERs), which we can in turn sell in the European energy market in the context of the Kyoto agreements.

We are also investigating how we can integrate the bio-gases into the production process by generating additional power that we can then use in the business or sell to the public electricity network. We have contacted an independent energy producer with a view to undertaking a profitability study into this type of collaboration. This will involve our company supplying the bio-gas, with the partner being responsible for producing electricity. We anticipate that this project will become operational in the course of 2013.

These certifications offer us the opportunity to offer our sustainable oil to refineries, which can then use it for food or energy purposes depending on demand. In both cases, our sales price is augmented by a premium. We can say that all of the sustainable oil produced in these two mills generated a premium throughout the entire year.

Transporting the crude oil to the port of Belawaan is turning into an increasing challenge due to theft between leaving the plantation and arriving at the tanker park put at our disposal. The transport companies who have to face these losses are often themselves at their wits' end and lose their motivation. Hopefully, the new government initiatives will curb the thefts. We have also leased new tanks in Belawaan to ensure a more efficient storage and export of oil. Sadly, Belawaan is a port where ships encounter increasing delays, and which our customers tend to avoid for that reason. We are looking into the possibility of shipping via different ports along the northern coast of Sumatra.

Construction of a third palm oil extraction mill in North Sumatra, to process the fruit from *PT UMW* and *PT TUM*, is proceeding steadily. We expect this to be operational by the end of 2013. The construction encountered delays because ground preparation work was hampered by the incessant rain. At the close of the fiscal year, the construction programme was about one third complete. The ground preparation works were completed in March and construction started after that. The plant will be able to process 45 tonnes of fruit per hour and is being fitted from the outset with an integrated capture system for the bio-gases from waste water. This means we will be able to recycle the methane as a source of energy for steam generation in the boilers, in the process liberating more organic dry material for fertilising the plantations or selling to third parties. As there are no public utilities in the area, the factory will also arrange for the provision of drinking water and electricity.

Despite higher production volumes, we saw an increase in the unit production cost for crude palm oil expressed in the local currency. This was primarily the result of inflation and the increase in minimum wages in the province. Our workers are paid in excess of these minimum wages, but when the minimum wages are increased, this also has an impact on the wage negotiations with our workers' trade unions. The price of fuel rose slightly and the budgets for fertilisation and treatment against insects and diseases were exceeded, as were the security costs for the plantations. If we consider the production costs per tonne expressed in US dollars, however, the increases in terms of the local currency are fully offset by the 7.2% devaluation of the local rupiah against the US dollar.

We can see an identical positive trend in production for the rubber operations in North Sumatra. The financial year under report came back in line with forecasts after the disappointing volumes in 2011 due to weather conditions. Production at the two rubber plantations of *PT Bandar Sumatra* and *PT Timbang Deli* rose by 6.4% and 15.8% respectively compared with the previous year. At *PT Bandar Sumatra*, however, this resulted more from an expansion of mature hectares. Yields rose at *PT Timbang Deli* from 1.54 tonnes to 1.69 tonnes per hectare. Good weather allowed for more tapping days. Daily production was also increased as a result of the reorganisation of tapping activities with increased supervision and better discipline. This has also allowed us to undertake maintenance more effectively.

The *PT Bandar Sumatra* plant was closed for four months for a complete rehabilitation and adaptation to the newest standards. This should allow us to improve quality, undertake our own tests on the processed rubber and increase volumes. During work on the plant, latex was bought in locally so that we did not lose our customer base in the export market.

This closure did of course have an impact on the production costs but the cost prices were also influenced by the reorganisation of supervision, maintenance of the plantations and the tapping operations. The bottom line was that total production costs for 2012, expressed in US dollars, were 17.3% higher than for 2011. We will have to recoup this rise by means of increased production over the next few years, improved discipline and keeping the trees productive for longer.

South Sumatra

The rubber operations at the Melania plantation in South Sumatra were highly satisfactory. Production rose by 31.7% over the previous year, despite an exceptional dry spell between July and October. This production increase was partly the result of more hectares reaching maturity and partly associated with the successful introduction of the "zero thieves" program. Having confirmed a significant downturn in the volumes produced in 2011, we decided after thorough investigation to extend the security provisions at the plantation, thus preventing the theft of latex. This campaign, which we pursued over several months, yielded the anticipated results with an immediate increase in volumes. We are continuing this program in 2013 with better fencing and enhanced demarcation of our planted hectares.

The reconversion program of the remaining acreage of oil palm into rubber plantations is proceeding. We can expect conversion to be virtually completed by the end of 2013. It had been planned to convert 110 hectares in 2012, but due to the persistent dry weather during the planting season, we decided to postpone the rubber planting to the next year. This final reconversion will turn Melania into a proper monoculture rubber plantation, using platforms to allow rubber to be planted in the lowest lying areas as well.

Our agronomists keep monitoring the "White Root Disease", which attacks the stock of trees and spreads through root contact, principally in areas that were not properly cleaned up when replanting took place. The sick trees are individually treated and about 80% of them recover.

The production of RSS rubber proceeded without any quality problems and the containers were exported to the Far East, North America and Europe. Following the successful upgrade of the Bandar Sumatra plant, we are considering similar adaptation works on the Melania plant in near future.

Melania has made the same adjustments to the organisation of the tappers, with better supervision and introduction of standards with improved discipline. The impact of this was to increase costs for a brief period and for Melania this was further combined with an increase in security costs and the

CAGES WITH FRUIT WAITING TO ENTER THE STERILIZERS: THE HARVESTED FRUITS ARE COOKED USING A SYSTEM OF PRESSURE AND STEAM WHICH INHIBITS DETERIORATION AND RELEASES THE FRUITLETS FROM THE BUNCHES, THEREBY ENSURING THAT OIL CAN BE EXTRACTED.

costs for treating the "White Root Disease". These factors, expressed in the production cost price in US dollars per tonne, were completely offset by the large increase in volumes and the relative weakening of the local currency.

Bengkulu

The *PT Agro Muko* oil palm plantations in Bengkulu province had an exceptionally good year of production. Having recorded excellent rising volumes over the previous two years, our agronomists had anticipated a reduction in volumes. This was not the case and the production of fruit actually exceeded that of 2011 by 3.7%.

We can trace this increase in the competitiveness of *PT Agro Muko* to the rise in yield per hectare, which went up from 20.7 tonnes of fruit per hectare in 2011 to 22.0 tonnes per hectare in 2012, representing an improvement of 6.4%. We have seen a reflection of this positive movement in the figures over the past few years.

The climatological conditions were not ideal, however, with a very dry September which delayed the planting and fertilisation programmes, followed by an exceptional amount of rainfall in the fourth quarter, when 48% of the annual rainfall fell in just 57 days. October was by far the rainiest month, with more than 500 mm per square metre. This caused damage to infrastructure, roads and equipment, including the rubber tree nursery and the water supply for the plant at Mukomuko.

We proceeded to replant 1 042 hectares, involving a partial switch to rubber. This reconversion program is now nearing its end. In all, 1 660 hectares of rubber trees will be concentrated at the Sei Betung site, while the widely spread smaller rubber growing areas in the other plantations are being converted to oil palm tree acreage. The average age of the plantations is 14.3 years, meaning that *PT Agro Muko* is gradually moving into its second cycle, and that increasingly large patches will have to be replanted over the next few years.

For the real reason for increasing production, we have to look at the greater availability and stability of the workforce, who now stay longer with us thanks to improved housing and utilities. The further expansion of the paved road network also plays a positive part here, as it enables transportation of the fruit.

The program for paving all the principal roads and all the roads to places where the fruit needs to be picked up with road-metal was also continued in 2012, with 137 km of roads being paved. This means that virtually 65% of all the transport routes have now been reinforced with road-metal. This ensures that it is possible to pick up the fruit during the rainy season too.

Over recent years, considerable efforts have been made at *PT Agro Muko* to foster workforce loyalty to the company. We have provided improved and newer houses with greater comfort, integrated the women as part of the workforce for lighter duties and offered fixed contracts that include entitlement to retirement benefits, health care and access to company facilities.

In the fertilisation programmes we have partially switched from simple to compound fertilisers. We also use mechanical spreading wherever possible, but this often proves impossible due to the hilly nature of the terrain in the plantations further from the coast. We also encourage the use of organic fertilisers (in the form of spreading out empty palm bunches through existing plantations). 1 373 hectares were fertilised in this way in 2012.

The increase in the quantity of fruit also makes both palm oil extraction mills more efficient. They processed 2.0% more fruit from our own plantations and the surrounding small plantations, which are laid out and managed by the company as social projects. The higher rainfall meant that the oil extraction rate stood at an average of 23.17%, rather less than the exceptional 23.93% we achieved in the previous year. The quality of the oil we produced was entirely up to standard throughout the entire year.

The Mukomuko mill has a theoretical capacity of 60 tonnes of fruit per hour and is working virtually at full capacity. By contrast, the capacity at Bunga Tanjung is not being utilised sufficiently, at 32.8 tonnes per hour, because we are unable to buy fruit from surrounding farmers at prices that allow us to achieve a commercial margin. This is also reflected in the operational costs of the two mills, since Bunga Tanjung cannot use power or the workforce as efficiently.

In order to make better use of the Bunga Tanjung mill's capacity, *SIPEF* decided to develop plantations in the vicinity which will supply fruit to the factory. *PT Muko Muko Agro Sejahtera (PT MMAS)* was set up in 2011 with a view to compensating the land for development of our own plantations and for the adjacent farmers (plasma), after licenses have been obtained from the local authority. After all of the procedures for extending the acreage had been followed and approval was obtained from the RSPO to the effect that this land could be developed in a sustainable manner, we started the compensation procedure. At the close of the financial year 2012, 1 556 hectares had already been compensated and 904 of these had been planted. We are continuing the land compensation procedure with the intention of developing more than 2 000 hectares, in conjunction with the introduction of the plasma zones.

Oil production at Agro Muko, from our own fruit, amounted to 85 344 tonnes – almost identical to the volume in 2011. We produced 1 767 tonnes of oil from fruit of the surrounding farmers, as compared to 3 013 tonnes in 2011. From this year onward, these farmers are also certified for RSPO and the oil we produce will be exclusively sustainable palm oil.

Despite the certification of our installations for ISO and RSPO standards, at this stage there does not seem to be much interest in this sustainable oil, which is shipped from Padang. The routes to Europe, where a premium is available for segregated sustainable palm oil, run from the Straits of Malacca. The southern ports in Sumatra tend to focus more on exports to China or India or on local consumption, where no premiums are available at this juncture.

The construction of a tank system for capturing methane gases from the Mukomuko mill, which will recycle the bio-gases to the boilers to generate additional power, will also qualify us for ISCC certification. We expect this to give us access to the European energy market. It may also allow us to interest our existing customer base in transporting oil from Padang. The construction of the foundations was about 60% complete by year end and the installation should be operational by May 2013.

Due to the high production levels of the palm oil operations, the general array of elements that increased cost prices (such as rising minimum wages, inflation, fuel costs and nitrates) have been neutralised at *PT Agro Muko* too through the devaluation of the Indonesian rupiah against the US dollar. The production cost price of palm oil at *PT Agro Muko*, expressed in US dollars, remains about one third higher than that of the established plantations in North Sumatra. This permanent difference can be explained mainly by the hilly terrain, which increases development costs because of the construction of terraces and the lower number of palms planted per hectare. It also raises operating costs by the need to pave roads and by the lack of opportunities for mechanisation.

Agro Muko also had a very good year as regards its operations in rubber. Total production fell from 1 552 to 1 376 tonnes, due to the reduction in mature hectares, but the yield per hectare rose from 1 322 kg to 1 464 kg. These higher yields are the result of improved supervision, reorganisation of the tapping activities and improved maintenance and stimulation of the trees. Good weather conditions meant that few working days were lost. There was further intensive tapping in the Mukomuko plantation before the trees were finally uprooted for the switch to palm oil planting. The reconversion program is currently being completed and in the future we will only tap in the Sei Betung plantation, which ought to provide the best yield for our concentrated rubber operations. The average age of the rubber plantation is 7.9 years.

The reconversion programme, combined with the 540 hectares that are still immature, means that the crumb rubber factory capacity is currently being underused.

Improved yields per hectare and the devaluation of the local currency have almost entirely offset the cost price increase (resulting from the reorganisation of the workforce and supervision and from the wage increases in Bengkulu province).

Cibuni-Java

The tea operations at our Cibuni plantation on the island of Java have enjoyed better weather conditions than in 2011, when annual production fell by more than 15%. The start of the year was difficult in 2012 too, however, with very dry weather in the first semester, but the weather patterns returned to normal in the second half of the year. Generally speaking, the number of hours of sunshine was lower than normal, and production was consequently also lower than expected. Cibuni closed the financial year with a production of 2 923 tonnes of black tea, compared with 2 641 tonnes in 2011. This represents an improvement of 10.7%. There were virtually no changes in the 1 748 mature hectares and the yield rose once again from 1 507 kg to 1 641 kg per hectare.

The priority for Cibuni is to continue to produce high-quality tea on a consistent basis so that we can maintain the reputation we have built up among our customers in the Middle East. This tea obtains high sales prices and allows us to retain our profit margins in this very labour-intensive sector. Producing hand-picked tea demands a large number of experienced workers who are increasingly difficult to find. Our managers have to cope with continual shortages of pickers to get the young shoots harvested in time. The sector will certainly have to seek alternatives, in the form of partial mechanisation, if the production of high-quality tea is to survive in the future.

Beside energy costs, the minimum wage levels in the province are a significant factor in cost price calculation. It is therefore with some concern that we observe the developments in recent months in connection with the provincial negotiations on wages, and we hope that some account will be taken of the labour-intensive agricultural sector.

We expanded the capacity of our hydro-electric power stations this year with a new reservoir and an additional canal to lead the water from the River Chikidan to the power stations. These additional facilities should allow us to retain sufficient capacity even in the drier periods of the year, so that we will need little or no fuel oil for generating the plant's electricity. For some years, we have been using a coal-fired power station for leaf-drying, as this generates sufficient steam to accomplish the process.

Rising volumes and the devaluation of the local currency meant that the production cost price (expressed in US dollars) remained slightly below the level for 2011. We will have to monitor cost price movements very closely, bearing in mind the tight profit margins in tea.

MANAGEMENT

Since the unexpected death of Mr. Yazid Ibrahim in August 2011, the group of Indonesian companies has been managed by Mr. Adam James, who had already taken over management of the plantation division. Finding a suitable replacement for the manager of this division has not been a simple task, but by the end of 2012, we were able to recruit an experienced oil palm agronomist from abroad, who will now take on these duties. The group's current management consists of a team of Indonesian, Malaysian and European managers, who jointly lead the company. We must take account of all influences of cultures and philosophies. We organise a range of events, such as management meetings and family days, to strengthen this bond.

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. Each unit is now managed on a decentralised basis from the plantations and reports to the Director of Estates at the head office in Medan. Each unit is headed by a General Manager, who is supported by three assistants: a Senior Field Manager, a Senior Manager Operations and a Senior Manager Administration. The idea behind this unitary structure is to ensure the equal treatment of all regions. The strict division of responsibilities aims to ensure proper delegation of duties to the lower managerial and executive levels.

By the end of 2011, the head office in Medan was already hosting monthly meetings for all managerial staff from all of the company's departments to outline policies and exchange ideas about every aspect of the company's policy.

With a view to improving and evaluating individual performance and productivity, we combine the training of young managers

THRESHER: THE BUNCHES PASS THROUGH THE THRESHER WHICH SEPARATES THE FRUITLETS FROM THE STALKS. THE FRUITLETS ARE THEN TRANSFERRED BY CONVEYORS TO THE PRESS SECTION.

with an assessment system consisting of qualitative and quantitative indicators and personal targets.

We also encourage our managers to develop their creativity and drive for innovation in their daily work on the plantations and in the plants. Every year, we issue a prize for the most innovative development or the most cost-saving measure contributing to improved operations.

In order to ensure a constant throughput of young graduates, we have set up an intensive two-year training cycle, designed to train them via theoretical and practical internships and tests to Field Assistant level - a stage where they can manage a department or a plantation. They also receive training with a view to stimulating communication, building their character and motivating them in their work. This should strengthen their leadership abilities in the field or the plant. 9 new Field Assistants have now been appointed from the program that we started in 2011. Of the group of 23 individuals who started in 2012, we expect 17 to complete their training in 2013.

The success story of tropical agriculture in South-east Asia makes it more and more difficult to recruit and retain qualified personnel. There is clearly a more active turnover of managers than we have seen in the past, and young managers are more readily seduced by proposals from newcomers in the sector. Our extensive contacts with other established plantation companies mean that we are able to compare salary scales and variable benefits and thus adapt to the applicable remuneration levels.

In 2011 we started a conversion program in order to bind the workers on our plantations and plants to the company. This means that all routine activities (such as harvesting, spreading fertilisers, spraying pesticides and stimulating the rubber trees) are undertaken only by permanent workers. Our aim here is to increase efficiency and cut down on absence from work. In the past, these jobs were often done by casual workers, who had no motivation to do the job properly. Permanent workers are entitled to social benefits and pension accrual; they generally stay at the plantation with their families and also enjoy the other facilities (such as healthcare, schooling and utilities) that are provided by the company free of charge. The company also consistently tries to include married couples in the permanent workforce. After two years, the program can be described as successful, with 96% of the workforce who perform routine activities already on the permanent salaries list by the end of the year.

This evolution towards having more permanent workers also intensifies the contacts with the trade unions. The most recent collective labour agreement (CLA) was successfully concluded to everyone's satisfaction following discussions that took place between 15 October and 4 November.

The internal audit department was expanded to 8 auditors, a manager and an office assistant during the financial year. Four of the auditors work in Medan and undertake site visits in North and South Sumatra. The remainder are based at *PT Agro Muko*. The two groups rotate between the two locations on an annual basis in order to prevent habituation, although two auditors are retained in order to ensure the continuity of the provision of information. The manager reports directly to the President Director, but the annual program is prepared and approved by the audit committee. This committee convenes three to four times each year to evaluate the results of the regulated audits and to make recommendations to the departments in question. They also deal with the reporting of any fraud files. 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 fiscal year, the IT (information technology) department embarked on three major projects which will have a significant impact on daily information provision and policy implementation and will kick start the technological integration of the *SIPEF* group. These activities are designed, over a period of three years, to result in a policy instrument that will encompass all of the group's activities via integrated access to all agronomic, financial and technical basic information. The input will be undertaken on a one-off basis at the level of operational units. We performed a comparative market survey in 2012 and decided that we would work with the integrated software package "Lintramax Plantation". In May, we started on an integration process that is designed to form a stable source of information for the company by January 2014. Following the integration of all the Indonesian activities, we will gradually include the activities in the other countries where the *SIPEF* group operates (Papua New Guinea, the Ivory Coast and Belgium) starting in 2014.

With a view to supporting this project and enabling online data processing from the operational units, we have built a system of hardware communication towers, meaning that the existing system can be dismantled. The *SIPEF* group's network structure is also being adjusted and made more uniform.

EXPANSION

In 2011, we set up three new companies to represent the expansion that might develop in the Musi Rawas region in the province of South Sumatra.

PT Agro Kati Lama (PT AKL) acquired a licence in July 2011 for the development of 10 500 hectares of oil palms and/or rubber, including the development of at least 20% for the local population. This licence entitles the company to the exclusive development of this acreage for four years. After all the local and RSPO procedures for New Planting Procedures (NPP) had been completed, we were able to start compensating the current land users for the areas in question. *PT AKL*'s land lies near the town of Lubuk Linggau, which is also where our office is based for the time being.

The exact same procedures were followed for the second licence for 9 000 hectares of oil palms and rubber trees secured in December 2011 by *PT Agro Rawas Ulu (PT ARU)*, likewise for a period of four years. This was also subject to an obligation to develop at least 20% for the local population. This land lies further from the town and the developed environment, so compensation should be more straightforward.

Both of these projects now fully comply with local legislation and meet the RSPO-NPP standards, so that our teams can turn their full attention to compensating the users. This will involve negotiations with numerous small-scale landholders, each using just a few hectares but most of whom have no title deeds. This means we have to work with witnesses, which is a lengthy and intricate process which complicates the compensation procedure. So far, we have limited the monthly compensation to 100 hectares, but we should be able to double the monthly rate in 2013 with the new teams. We are also attempting to identify owners/users of larger blocks, but this has not so far been very successful.

At the end of December, we paid compensation for a total of 1 865 available hectares (941 ha for *PT AKL* and 924 ha for *PT ARU*). 90 hectares are additionally available for the plasma project, bringing the total as at the end of December to 1 955 hectares. In the meantime, we have proceeded with the removal of undergrowth over 375 hectares, which are now ready for planting in 2013 as soon as the palms in the nurseries are large enough. The first nursery was set out in the rubber plantation at MAS Melania, but we are now also leasing a plot of land close to *PT AKL*, where the seeds are developed.

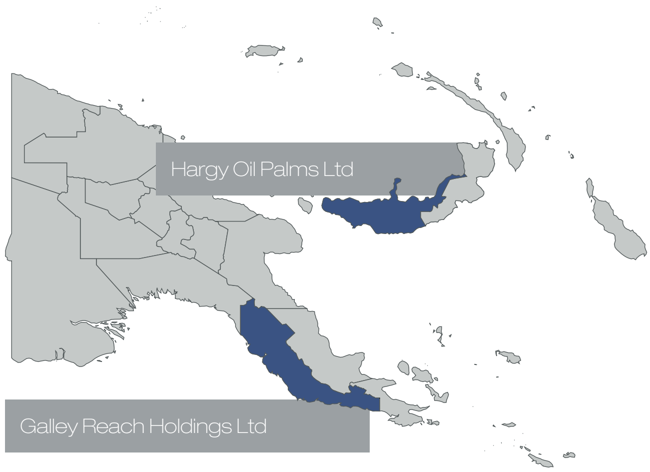
Discussions with the local authorities for securing a third licence in the name of *PT Muara Rupit* are also under way. This should result in an additional licence being secured in 2013 for approximately 10 300 hectares. Since we have frequently been faced with overlaps with other licences, we exercise extreme caution before accepting any proposal. This third licence will provide us with the guarantees we need for the expansion of a sufficiently large business unit in the vicinity of Musi Rawas.

Although all of these projects enjoy the full support of the local authorities, it is the company's responsibility to enter into discussion with the many thousands of land users and convince them to transfer the land to us in return for compensation so that we can develop an industrial project. It is impossible at this stage to provide a reliable estimate of the ultimate size, but our local teams remain enthusiastic about the future of these agronomically valuable projects.

We have also held a licence, since 2006, for the expansion of *PT Citra Sawit Mandiri (PT CSM)* as a palm oil project in North Sumatra. Following the acquisition, we established that this land might not meet the rules and criteria of the RSPO-NPP (New Planting Procedures), as the soils are too fragile.

The board of directors of *SIPEF* accordingly decided to prepare the project for sale, as it is not commensurate with the group's sustainability policy in the longer term. The procedures for finding an appropriate transferee have started but may yet take some time, bearing in mind the relatively small size of the project (1 289 planted hectares). There is also a dispute with a neighbouring oil palm plantation, which planted 212 hectares of oil palms on the land allocated 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 judge has already made a decision in our favour, but this has yet to be implemented. 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 only offer the land on the market again after that work has been completed. The application for a final exploitation licence for 1 472 hectares was submitted in August. The authorities are already placing the boundary markers to delineate the boundary between this land and the adjacent land.

Papua-New-Guinea



The national elections held in June resulted in the reinstatement of the government that had been in power since August 2011. Prime Minister Peter O'Neill was able to retain and where necessary strengthen his team of ministers.

Papua New Guinea survived the general slowdown in growth better than most countries in Asia and the Pacific region. For this, the country has its rich deposits of natural raw materials such as gold, nickel, cobalt and copper to thank, along with the development of significant gas reserves. This made it one of the fastest-growing economies in 2012. Provisional estimates for the rise in gross domestic product (GDP) indicate a figure of 9.9%, as compared to 8.9% the previous year. Growth was partly driven by the opening of a new nickel and cobalt mine, but in fact every sector of the economy made a strong contribution. This is certainly the case for the construction and transport industries, which benefited from the construction of the LNG projects. Construction works are in full swing now and production will start from 2014. This means resource export will become the main engine for economic growth in the coming years. In the past, growth relied on foreign investments and associated infrastructural works.

The economy also enjoyed low inflation figures during 2012. Estimates indicate an average inflation rate of 4.1%, or about 2.4% lower than had been forecast. This is a result of lower

PRESSES: HAVING BEEN PARTIALLY TREATED IN THE STERILIZERS, THE FRUITLETS ARE FURTHER COOKED IN DIGESTERS BEFORE ENTERING THE PRESSES. CRUDE PALM OIL IS EXTRACTED USING A SCREW PRESS THAT LITERALLY FORCES THE SEPARATION OF OIL, LEAVING FIBER AND NUTS.

international commodity prices, the introduction of free education by the government and the continuing rise in the value of the kina in relation to the US dollar and the Australian dollar. The lower inflation rate allowed the national bank to reduce official interest rates by 1% in September. The budget for 2012 was not balanced: there was a deficit of 1.2% of GDP. The main reasons for this were the lower than expected price of gold and copper, the national elections and the weak control over government salaries which resulted in higher expenditure.

The budget projections for the current year predict a significant downturn in income growth, with falling yields from mining and oil and lower revenue from the agricultural sector as a result of lower international prices and the strong kina. A rise in expenditure for education, health, transport infrastructure and security is also anticipated to lead to a deficit of 7.2% of GDP, higher inflation and a reduction of economic growth to 4.5%. These factors could form the basis for a potential weakening of the local kina against the US dollar and the Australian dollar, which would certainly give a boost to the labour-intensive agricultural sector, which is primarily export-driven.

Hargy Oil Palms Ltd

The palm oil operations of *Hargy Oil Palms Ltd* were less profitable than in previous years, despite an increase in production volume.

The plantations are situated on the island of New Britain. They comprise 11 524 hectares planted with oil palms which have an average age of 8.25 years and include 3 121 hectares (27.1%) that are still immature. The company is also responsible for processing fruits supplied by approximately 3 600 other farmers in the region. The production of palm oil and palm kernel oil is carried out by two existing mills with a maximum processing capacity of 45 tons of fruit per hour each. The monthly shipments to Europe pass through our own landing stage which offers direct access to ocean-going vessels.

Despite the difficult weather conditions of the first quarter, the annual production of our own plantations and the production from fruit procured from the surrounding farmers rose, by 5.2% and 1.7% respectively compared with the previous year. This is mainly the result of improved transport facilities and the expanding operation with newly planted areas gradually reaching maturity.

The rainy season at the start of year, was once again a challenge for our people, with extremely wet months in January and March. February was drier, which allowed us to recoup the losses to some extent. The annual rainfall for 2012 worked out at an average of more than 4 800 mm. This is 75% more than in 2011, with more than half of the rain falling during the first three months. This intensive rainfall makes harvesting and transport to the mills more difficult. Certain areas belonging to the surrounding farmers become inaccessible. The result was that the fruits did not reach the mill in good time, leading to a high acid content of the oil production. High acidity in the raw palm oil complicates the subsequent refining process which produces the finished product and is also factored into the final sales price of the oil.

At the end of the first quarter, production was therefore 9.7% down on the same period in 2011, principally because the fruit from the surrounding farmers had to be left in the field (-16.3%). The transportation system at *Hargy Oil Palms Ltd* has, however, been improved to some extent, on the one hand through the gradual introduction of the new transportation system with open containers that are loaded in the field and then transported to the mill, and on the other hand through an investment in highly reliable Volvo trucks to replace the older Chinese-manufactured vehicles. This has allowed us to create a storage buffer for fruit that cannot be processed immediately in the mill. We introduced the open container system from the end of 2011 in the Hargy plantation and have gradually been introducing it in Navo since the middle of the year. For efficiency considerations, we are for the time being still using open trucks for the younger plantation at Barema, where the harvest still comprises smaller fruits. We use nets to collect fruits from the surrounding farmers; these are loaded on to a truck with its own crane, which automatically records the weight.

This has allowed us to clear up the harvesting backlog entirely from May onwards, while the acid content of the exported oil returned to below the ideal limit of 4%. The second quarter

Activity report by country

therefore gave us an opportunity to restore the plantations to normal agronomic standards. By the end of June, the production backlog had been virtually halved to -5.9% compared with the previous year. Apart from a very wet August, the remainder of the year was characterised by very good agronomic conditions. *Hargy Oil Palms Ltd* therefore ended the year with a palm oil production that was 3.6% above the levels for 2011, and palm kernel oil production up by 8.9%.

The Hargy plantation, which formed the basis of the initial settlement program, was expanded by 78 hectares in 2012 to achieve its full capacity of 2 562 hectares. This was also the plantation where the system of open container transport was first introduced. The increasing maturity of the plantation means that we achieved an average yield of 27.5 tonnes of fruit per hectare. A review of the plantation management, leading to improved fertilisation and a reduction in the number of workers, will push the future returns of this plantation even higher.

The largest and most northerly plantation is Navo, covering 5 314 planted hectares, 1 313 of which have now been replanted. We shall be replanting a further 727 hectares of the first generation of palms, which were introduced between 1984 and 1986, in 2014.

We achieved an average yield of 31.0 tonnes of fruit per hectare in 2012, because the vast majority of the plantation is now at its optimum age. This could be improved even further through an extended control of harvesting operations. A management reshuffle, the renovation of the roads network in the 939 hectares that were replanted in 2012 and the introduction of the new transportation system during the second half of the year will certainly bear fruit.

From this year on, all of the workers have an opportunity to open a bank account and have their salaries paid into it. They can withdraw cash from a cash machine that has been installed at the company's expense. This is an important step forward for the financial independence of our employees.

The relatively young Barema plantation (1 976 planted hectares) will continue to provide slightly higher contributions over coming years, as it continues to mature. In fiscal 2012, the average yield was 27.2 tonnes of fruit per hectare, a 32.7% increase over 2011. This was despite a pollination problem affecting the flowers in the first half of the year, which meant that about 300 000 female flowers did not turn into fruit. The Barema plantation developed its full potential in the second half of the year, and it was difficult to complete harvesting in time. There were enough workers available to complete the harvests thanks to the sinking of new drinking water wells, the construction of new houses and the renovation of existing houses.

During the first half of the year in particular, production from the surrounding farms remained below expectations. The almost incessant rain during the first three months made it extremely difficult to harvest and arrange for collection of the fruit. The government body OPIC, which is supposed to assist the farmers with advice and support, did not play its full part. This meant that the company itself had to provide support for people to regularly harvest their plots. The assistance from a World Bank aid fund promised to the farmers has not yet materialised either.

Hargy Oil Palms Ltd now has an excellent fleet of Volvo freight trucks, which allows the fruit to be collected in good time and which will allow us to dismantle the irregular system of transport organised by some of the farmers themselves with small trucks, as well as improving fruit quality.

The volume of fruit supplied during the second half of the year increased thanks to improved support. At the close of the year, oil production stood at 49 449 tonnes, 1.7% above the level for 2011. This activity remains important to our company, since 46.6% of the fruit for this comes from the surrounding farmers, who harvest 13 085 hectares with an annual yield of 16.3 tonnes per hectare. The entire production from all the surrounding farms is also certified as sustainable RSPO palm oil. Good levels of support, through encouragement for timely replanting and assistance with the fertilisation programmes, mean that there is certainly further potential for higher yields per hectare in the future.

The two existing palm oil mills had to put in a tremendous effort in order to process the fruit in good time into sustainable high quality oil, due to the highly capricious weather, particularly during the peak production period at the start of the year. The completion of the new Barema mill, which ought to be operational before the end of 2013, should allow us to cope with the increasing volumes. Until then, it will remain difficult for us to combine the required maintenance and replacement works with the timely processing of the growing tonnage of fruit from both our own plantations and those of the surrounding farmers.

The efficiency of the Hargy mill was lower than expected, particularly in the first half of the year, due to the delays in fruit transports. This has reduced the fruit processing, and extraction rates fell below 23%. Following extensive maintenance work, efficiency improved to a figure above 40 tons per hour. At the end of December, we once again achieved an extraction rate of 23.49%. While most of the renovations have now been completed at this plant, the sterilisation process still needs to be replaced. This will have to wait until the Barema mill has come online. The rehabilitation of the decanting ponds for waste water has in the meantime been finalised.

The newer Navo mill was less efficient in 2012, primarily resulting from problems in the rail transport system for the fruit to the sterilisers and thereafter to the presses. We will improve this rail system as soon as the Barema mill can take over part of the production. The boilers also need a significant amount of maintenance. Efficiency climbed back to 38 tonnes per hour in the second half of the year, but the oil extraction rate stayed at just 22.6%. The composting of the empty palm bunches has been significantly reduced. The bunches now go back to the field as an organic fertiliser for the younger palm trees.

The construction of the new Barema mill is proceeding according to plan. In May, we decided to award the contracting work and the construction of buildings to the same contractor who had undertaken the ground work, so that the same teams could continue to work there. This time-saving measure will enable us to complete the mill (which should run at efficiency rates of 45 tonnes per hour) by the end of 2013. This is also the case for the new palm kernel oil mill (which will process the palm kernels from the Navo mill) and a tank installation for the processing of waste water, which will allow us to use the methane gas released in the process as a source of energy for steam production.

The pressure to process all of the fruit into oil in the two existing mills demands a lot of steam and does not allow the palm kernels to be dried to a moisture level below 5%. This also means that the palm kernel oil extraction process cannot be done as efficiently as required. Yet we again achieved an extraction rate of 1.82% in the Hargy mill and 1.62% at Navo, which is comparable with the previous year.

Despite the difficult weather conditions, we are always able to return relatively quickly to “normal” production conditions. This is thanks to the significant improvement in the quality and availability of means of transport for the fruit and to the introduction of the open containers, allowing all of the fruit to be delivered within 24 hours after being harvested. Apart from the first few months of the year, we were able to keep below acidity levels of 4%, which yields premiums when we deliver the oil. We can certainly describe the switch to high-quality trucks and the use of the open container system as successes. The investment in means of transport was coupled with the construction of two new hangars for maintenance of the rolling stock and storage of the necessary spare parts. To get the best return on our investment, we recruited and trained experienced maintenance personnel and organised training courses by the suppliers.

The production cost price of the palm oil, expressed in USD, has increased significantly, (by +18.6 %) compared to the previous fiscal year. This is due to the upswing of the local currency, which has risen in value by more than 35% in two years against the US dollar. This has an impact on all cost price elements which are expressed in the local currency, mainly the wages and salaries that together form more than a third of the expenditure. The rise of the kina against the US dollar is mainly the result of the pressure on the labour market and investment assets resulting from the construction of the LNG terminals. The higher local prices for fertilisers and fuel were further reasons. Also, the exceptional weather conditions disrupted the normal cultivation standards at our plantations, preventing us from continuing regular maintenance of the palms during the first quarter of the year. The result was that additional trimming work

ROTATING KERNEL DRUM: THE KERNEL NUTS ARE TRANSFERRED TO THE KERNEL DRUM WHICH POLISHES AND FURTHER SEPARATES THE NUTS FROM REMAINING FIBER.

on the palm trees and the removal of weeds further increased the operational plantation costs in the second quarter. Apart from the impact arising from the increased value of the kina, we expect that a reduction in the number of workers being employed, as well as increased efficiency and cost control will allow us to bring production cost prices down again.

The retention of personnel is essential for *Hargy Oil Palms Ltd* in order to ensure a satisfactory operation. Since the activities are so remote in geographical terms, good accommodation is important to attract young, high-quality people in the longer term. We have therefore put a lot of effort into building new houses for workers and managers over the past five years. With more than 200 families having been allocated a new residence in 2012, we can now say that for the existing plantations we have achieved a level that should allow us to offer work to people over the longer term. From 2014 on, we will concentrate primarily on the new expansion areas, where we will still have to execute a full accommodation programme as soon as the planted palms reach maturity.

In the context of implementing the business plan to expand the size of *Hargy Oil Palms Ltd* to a company with at least 20 000 hectares of oil palm trees, we have continued to do all we could in 2012 to achieve this expansion as quickly as possible. However, weather conditions as well as technical and personnel problems have delayed this expansion, mainly in the first half of the year. Following the purchase of extra heavy plant and the recruitment of an additional workforce, however, we managed to plant a further 897 hectares in 2012. This brought the total of new areas to 1 824 hectares divided over four sites all situated in the foothills of the Ulawan volcano. The first fruit has now been harvested on the 172 hectares planted in Alaba in 2010. This was coupled with the construction of buildings and utilities to accommodate the workers. We have also enlarged the team involved in securing the expansion. We invested for this purpose in specialist maintenance staff for the heavy plant (such as bulldozers and cranes) and an engineer for constructing the new roads.

All of the land that will be involved in this expansion has already been examined and approved as conform to the RSPO rules. Upon signing contracts with the landowners, we now have more than enough land available to plant a further 1 000 hectares in the course of 2013. We have laid out the required palm tree nurseries and irrigation installations, but given the isolated location, the speed of the expansion will depend on weather conditions and the availability of workers. We duly obtained all required permits from the local authorities.

We also extended our internal audit team to four people, given the fact that the business is in a permanent growth phase. Additionally, we recruited an IT manager to undertake further computerisation and we reinforced the financial team with better qualified staff who will integrate with the other company departments.

Last year the new government had embarked on an investigation into the innumerable concessions granted by the previous government (covering a surface area of over five million hectares) for the development of palm oil plantations in Papua New Guinea. This investigation was continued in 2012. It involves a temporary moratorium on all new concessions, which are often no more than a cover for pure forestry without any development of agricultural land or new employment. However, we have enough licences available and these developments will not affect us.

Having undergone once more an audit this year for the RSPO certification we obtained in 2009, the certification for ISO-14001 was also extended. These certifications apply to the entire production process from our own plantations and to all production originating in the surrounding farms. This means that we can regard the oil that we ship out via Bialla as “segregated” sustainable palm oil (not mixed with other oils). This positioning is extremely important to our customers in Europe, as there is a shortage of segregated sustainable oil, and it generates premiums that we can share with our surrounding farmers.

Galley Reach Holdings Ltd

The plantation operations of *Galley Reach Holdings Ltd* are concentrated in the south of the main island of Papa New Guinea, about 70 km from the capital Port Moresby. We acquired the land in the 1980s, but it was already partially planted at that point. Rubber trees are being tapped on 2 520 mature hectares, with an average age of more than 25 years. This means that the annual yield is less than 1 tonne of dry rubber per hectare. In addition to the production of its own rubber, the plant also processes raw rubber from small producers in the surrounding provinces.

2012 was a difficult operational year for the company's own plantations, with raw rubber production 17% down on the previous year. Many tapping days were lost due to the exceptionally wet rainy season. No tapping can be done if it rains in the morning. In addition, the elections also had a negative impact on the work output: the lengthy campaigns that were undertaken during the first half of the year, with the usual gifts being made by candidates to potential voters, meant that the tappers were often absent. This had an impact on production volumes, especially during the peak season.

The rain and the elections also had an impact on the tapping operations of the smaller producers. Furthermore, the significantly lower rubber prices meant they were less motivated to tap, preferring to hold over the bark-tapping potential until prices had improved. In addition, the Moreguina region, where we normally collect an important proportion of our production from third parties, remained inaccessible to us for a lengthy period due to the poor condition of the road. This meant that we lost part or the available raw rubber to competitors. As a result, the annual production of rubber bought from third parties was 43% lower than in 2011. Third-party purchases, representing 28.1% of this year's total production of processed rubber, allow us to make optimal use of plant capacity and are important to the company's profitability.

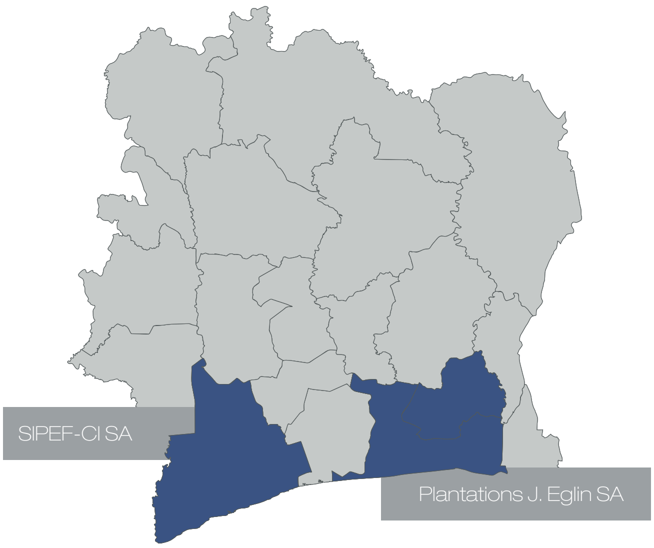
At the time of delivery at the very high rubber prices of 2011, we had created buffer stocks of fresh raw rubber. We did this in order to guarantee quality because it is not a straightforward matter to process raw rubber homogeneously. The gradual depletion of these stocks in 2012 meant that production of processed rubber from the crumb rubber factory remained good and was in fact 8.0% higher than in 2011 by the end of the financial year. By now, however, these stocks have been completely processed. Total production amounted to 3 126 tonnes as opposed to 2 895 tonnes in the previous year.

There was high pressure on the profitability of *Galley Reach Holdings Ltd* in 2012. First of all, of course, there were the significantly lower sales prices, due to a general slump in demand for natural rubber in Europe and America, which led to a 23.5% reduction in the net sales price per ton. As our operation is very labour-intensive, adjustments of local minimum wages were also a factor in increasing the costs. This effect was further magnified by the increase in value of the local currency against the US dollar. This raised production costs by 10.9%. The combined impact of lower sales prices and higher production costs reduced the operating margin to a quarter of the previous year's. Driven by the intense pressure on the labour market due to the construction of the LNG project, the government again raised the minimum wages for all business sectors in Papua New Guinea. This has caused much concern in the labour-intensive agricultural sector for future returns and for employment in the rural areas.

Since roughly two-thirds of the planted areas are now more than 25 years old, we have embarked on a gradual replanting operation since 2004. This will allow the company to increase the yield per hectare again and to remain profitable. 945 hectares were replanted by the end of the fiscal year, 763 of which are still immature. We determine the amount of replanting based on the available cash flow and the workers who are available in the vicinity, while avoiding endangering the operation of the existing plantations.

As well as investments in planting and maintaining immature fields, there is also an emphasis on extending the number of houses for workers. This accommodation, combined with education and medical care, will lay the long-term foundation for employing the tappers.

Ivory Coast



The Ivory Coast has suffered a decade-long political crisis, ending with the bloody confrontations following the elections in late 2010-early 2011 and the assumption of power by Alassane Ouattara. Since then, the country has launched a major diplomatic offensive in an attempt to breach its isolation. Through its bilateral and multilateral relations, the country has been soliciting the support it badly needs to reposition itself and restart its economy.

The president has often described the three major challenges that are currently Ivory Coast's most pressing priorities: security, economic recovery and reconciliation. Progress has been made, but much remains to be done.

SIPEF-CI SA

In this context, 2012 was yet again a difficult year for *SIPEF-CI SA* in many respects.

During peak production in April 2011, the fruit was not harvested, which completely disrupted the growing cycle of the palm trees.

The harvest and purchase of the fruit, which normally peaks between March and May, took up a much longer period in 2012. This reduced operating yields.

SIPEF-CI SA was unable to achieve its optimistic forecast of producing 60 000 tonnes of palm oil in 2012.

We did, however, manage to achieve the consolidation and expansion measures that had been forecast in the budget. This meant that the company completed the 2008-2012 plan for the total replanting of the industrial plantations with 7 714 hectares, with the final 200 hectares at Bolo and 416 hectares at Ottawa in 2012. The Okrouyo site underwent a complete renovation between 2008 and 2011.

With 6 521 hectares of immature palm trees and 7 074 hectares of mature palm trees, *SIPEF-CI SA* closed 2012 with 13 595 hectares of industrial plantations, at an average age of 7.24 years. There will be no need for rejuvenation prior to 2018.

The plantations of adjacent farmers cover about 20 000 hectares, for around 6 000 farmers who are either independent or associated in cooperatives. In 2012, they supplied 63% of the fruits which we processed in our two mills. We pursue an active policy of support and assistance, designed to protect this sector against the increasingly clear preference for the cultivation of hevea at the expense of replanting with palm oil trees.

Both of our mills are continuing with their intensive renovation plans. Together, they produced 58 732 tonnes of palm oil and 9 903 tonnes of palm kernels. Extraction levels continued to improve and reached 24.11% for 2012.

We marketed 69% of the palm oil locally, primarily to our most important partner UOC, and exported the balance. The entire palm kernel production was transported by truck to Abidjan and processed in the factory at Vridi belonging to Oil-Tech SARL, a member of the Adam-Afrique group.

On December 31st, 2012, the company employed 1 512 workers alongside a large number of casual day workers.

TANK PARK: CRUDE PALM OIL IS STORED IN LARGE BULK TANKS PRIOR TO BEING SHIPPED TO REFINERS AROUND THE WORLD.

Plantations J. Eglin SA.

Following a difficult period caused by the political crisis of 2011, our activities flourished again in 2012. Production was good both in terms of quality and quantity in spring, the period when demand is strong. The number and frequency of shipments returned to normal: we exported 23 917 tonnes of bananas, 4% more than the budgeted amount. This was 24% up on 2011, when we lost about 1 600 tonnes of bananas due to the crisis.

Our three operating sites (Azaguié, Agboville and Motobé) almost perfectly complement each other: Motobé produces on heavy and moist soil, while Agboville and Azaguié cultivate their crops on drained lateritic soil. For this reason, Motobé is mainly productive in the dry season, while both other sites have their production peaks after the rains. We are attempting to improve our profitability per hectare in Agboville and Motobé even further. The target is 50 tonnes per hectare, which is the average in Azaguié. This should be achievable on the other two sites in the short to medium term.

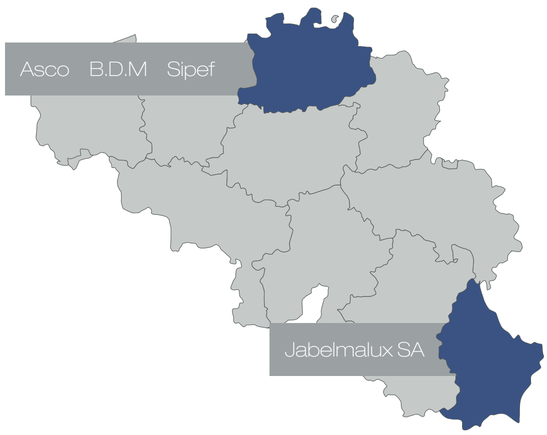
Since our banana operations are gradually achieving their objectives, we will soon be in a position to expand this industry yet further by developing the zones that are still available. Azaguié still has a fine reserve of lands that we can develop within the framework of the forthcoming support measures. This can only enhance our competitive position and make us more resilient to market fluctuations.

Trade to Europe remained profitable, with sales prices for our bananas standing at EUR 474 per tonne FOB. This represents an improvement of 13% over 2011 and 7% over 2010.

The results from the flower sector, however, did not match expectations, despite a fine increase in the sales figures for ornamental leaves. Sales of lotus flowers remained stable. Pineapple flowers were the weaker area, due to a technical problem. We estimate that our yield and cost prices will improve with the new production areas. Despite the setbacks, the flower sector continued to contribute to the general expenses at *Plantations J. Eglin SA*.

Activity report by country

Europe



Jabelmalux SA

Jabelmalux SA is the Luxemburg-based parent company of *PT Umbul Mas Wisesa* (*PT UMW*), *PT Toton Usaha Mandiri (PT TUM)* and *PT Citra Sawit Mandiri (PT CSM)*, the most recent palm oil expansions in Northern Sumatra. The holding interest in *PT Melania*, which mainly produces rubber in South Sumatra but also has tea plantations in Java-Indonesia, has now been transferred within the group to *PT Tolan Tiga Indonesia*.

The company was removed from the Luxemburg stock exchange following a successful public flotation issued in 2011. The initial offer was extended in 2012. At the end of 2012, the *SIPEF* group controlled 27 167 out of 27 280 shares issued, or 99.59%. *SIPEF* intends to also acquire the remaining 113 shares that are still in the public domain.

Insurance

The insurance group *BDM NV – ASCO NV* focuses primarily on maritime and industrial insurances through professional brokers. *BDM NV* offers risk cover in niche markets on account of insurer *ASCO NV* and a number of other significant international insurers. 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 offers a powerful commercial outlet for *ASCO NV*.

BDM NV

In 2012, BDM NV continued to develop its new strategy, which focuses on underwriting specialist custom products with high added value. In Property & Casualty (P&C), *BDM NV* is a minor player with a strong focus on SMEs, Real Estate, Public Buildings, High Net Worth and vehicle fleets. In Marine, *BDM NV* is one of the top five insurers, offering a wide range of insurance in the Cargo, Hull, Protection & Indemnity and Pleasure Cruising segments.

In recent years, the already considerable in-house expertise has been further expanded thanks to the recruitment of a number of specialist employees. Additionally, *BDM NV* has made significant investments in product overhaul and information systems. This strategy is now bearing fruit: premium volumes rose from KEUR 49 000 in 2009 to KEUR 67 000 in 2012.

The Marine segment grew by 17% in 2012. The Hull portfolio remained flat, due to selective underwriting resulting from difficult market conditions. Growth was derived primarily from Cargo contracts and an expansion of underwriting dealing with pleasure cruising.

In the P&C segment, persistent efforts at providing customised solutions, together with the development of new niche products, led to a 21% growth in premium volume.

The increased market share in both of these areas translated into a rise of 40% in operating results, thanks to stable costs and significant increases in volumes.

Despite the marked rise in turnover, overhead costs remained almost the same as those of the previous year. Combined with 64% fewer depreciation charges, the business's operating result rose by 145% to KEUR 1 223. The contribution by *BDM NV* to the IFRS results of the group was KUSD 417, as opposed to KUSD 367 in the previous financial year.

ASCO NV

One feature of the year for P&C was a negative technical result in Vehicles, caused by two serious damage cases. This was offset to a large extent by outstanding results in the Property portfolio. The lack of any serious damages or disasters in this segment, combined with a markedly reduced reinsurance cost, resulted in an outstanding net loss ratio.

The technical results in Marine were adversely influenced by a limited number of exceptionally serious damage cases. Thus, the fire on board the container ship Flaminia last summer and the consequences of Hurricane Sandy in autumn accounted for almost a quarter of claim payments in this segment.

Yet again, we have to confirm that the market results in Marine remain poor. The rates are still under pressure, due to over-capacity and the failure to calculate in new risks, including for instance piracy and the rise in the number of storms resulting from climate change. *BDM NV* will continue to underwrite from a technical perspective and take all steps required to keep the portfolio in a healthy condition, even at the expense of volume.

BDM NV – ASCO NV enhanced their internal audit system throughout the entire organisation, partly in response to the Solvency II guidelines. In 2012, a start was made with the organisation of departmental workshops designed to increase risk awareness and audit awareness. A more conservative assessment of the provisions resulted in an increase in the IBNR reserves (Incurred But Not Reported).

The contribution by *ASCO NV* to the IFRS results of the group was KUSD 205, as opposed to KUSD -157 in the previous financial year.

LAB WITH BOTTLES OF CRUDE PALM OIL: THROUGHOUT THE PROCESS THE CRUDE PALM OIL IS TESTED FOR QUALITY TO ENSURE THAT IT MEETS THE HIGH STANDARDS REQUIRED BY THE CUSTOMER.

Group production (in tonnes)

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

Product	2012			2011		
	Own	Outgrowers	2012	Own	Outgrowers	2011
Palm oil	**214 521**	**51 257**	**265 778**	**206 476**	**51 623**	**258 099**
Indonesia	158 162	1 808	159 970	152 916	3 013	155 929
Tolan Tiga group	67 056	41	67 097	65 597		65 597
Umbul Mas Wisesa group	5 762		5 762	2 115		2 115
Agro Muko group	85 344	1 767	87 111	85 204	3 013	88 217
Papua New Guinea	56 359	49 449	105 808	53 560	48 610	102 170
Palm kernels	**37 651**	**357**	**38 008**	**35 373**	**577**	**35 950**
Indonesië	37 651	357	38 008	35 373	577	35 950
Tolan Tiga group	18 284	11	18 295	16 704		16 704
Agro Muko group	19 367	346	19 713	18 669	577	19 246
Palm kernel oil	**4 217**	**3 728**	**7 945**	**3 825**	**3 471**	**7 296**
Papoea-Nieuw-Guinea	4 217	3 728	7 945	3 825	3 471	7 296
Rubber	**9 757**	**884**	**10 641**	**8 464**	**1 080**	**9 544**
Indonesia	7 508	6	7 514	6 650		6 650
Tolan Tiga group	6 138		6 138	5 098		5 098
Agro Muko group	1 370	6	1 376	1 552		1 552
Papua New Guinea	2 249	878	3 127	1 814	1 080	2 894
Tea	**2 869**	**54**	**2 923**	**2 626**	**15**	**2 641**
Indonesia	2 869	54	2 923	2 626	15	2 641
Pineapple flowers (‘000 units)	**638**	**0**	**638**	**712**	**0**	**712**
Ivory Coast	638		638	712		712
Bananas	**23 917**	**0**	**23 917**	**19 297**	**0**	**19 297**
Ivory Coast	23 917		23 917	19 297		19 297

Group planted area (in hectares) *

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

Product	2012			2011		
	Mature	Immature	Planted	Mature	Immature	Planted
Oil palms	**42 200**	**11 076**	**53 276**	**42 977**	**9 181**	**52 158**
Indonesia	33 797	7 895	41 692	34 026	7 462	41 488
Tolan Tiga group	11 658	2 717	14 375	12 349	1 560	13 909
Umbul Mas Wisesa group	5 417	4 113	9 530	4 555	5 025	9 580
Agro Muko group	16 722	1 065	17 787	17 122	877	17 999
Papua New Guinea	8 403	3 181	11 584	8 951	1 719	10 670
Rubber	**7 306**	**2 060**	**9 366**	**7 279**	**2 216**	**9 495**
Indonesia	4 786	1 297	6 083	4 759	1 453	6 212
Tolan Tiga group	3 854	758	4 612	3 590	864	4 454
Agro Muko group	932	539	1 471	1 169	589	1 758
Papua New Guinea	2 520	763	3 283	2 520	763	3 283
Tea	**1 748**	**39**	**1 787**	**1 743**	**42**	**1 785**
Indonesia	1 748	39	1 787	1 743	42	1 785
Pineapple flowers	**18**	**20**	**38**	**27**	**49**	**76**
Ivory Coast	18	20	38	27	49	76
Bananas	**569**	**0**	**569**	**516**	**0**	**516**
Ivory Coast	569		569	516		516
Others	**0**	**58**	**58**	**0**	**58**	**58**
Papua New Guinea		58	58		58	58
Total	**51 841**	**13 253**	**65 094**	**52 542**	**11 546**	**64 088**

* = actual planted hectares

Age profile (in hectares)

Planting year	Oil palms					Rubber			
	Tolan Tiga group	Umbul Mas Wisesa group	Agro Muko group	Hargy Oil Palms	Total	Tolan Tiga group	Agro Muko group	Galley Reach Holdings	Total
2012	1 420	218	719	1 822	4 178	197	195		392
2011	754	782	26	814	2 375	168	142		310
2010	546	1 336	312	545	2 739	141	108		249
2009	221	1 737	563	391	2 912	52	62	87	201
2008	375	2 026	304	154	2 859	96	31	97	224
2007	302	2 090	379	1 694	4 465	279	173	200	652
2006	619	378	1 051	879	2 927	205	188	200	592
2005	671	964	528	173	2 336	284		122	406
2004	133		579	160	872	226		57	283
2003	1 165		102	148	1 415	258			258
2002	572		54	331	957	200			200
2001	688		501	903	2 092	96		69	165
2000	826		976	392	2 194	412	78	116	606
1999	775		1 576	666	3 017	180	83	64	327
1998	466		2 258	625	3 350	266	157	33	455
1997	854		882	319	2 056	215	151	73	439
1996	992		509	368	1 870	197			197
1995	312		208	333	852	206		37	243
1994	482		727	139	1 348	131			131
1993	346		209		555	191			191
1992	794		126		920				0
1991			284		284				0
1990	31		3 310		3 341	91			91
1989	42		1 188		1 230	153			153
1988	291		416		707	269	102		372
Before 1988	696			728	1 425	100		2 128	2 228
	14 375	**9 530**	**17 787**	**11 584**	**53 276**	**4 612**	**1 471**	**3 283**	**9 366**
Average age	10.97	3.80	14.14	8.21	10.15	11.75	7.88	27.06	16.51

Responsible planting methods for a sustainable development

The *SIPEF* plantations are integrated into the social and natural environment as regards both longevity and transparency. Respect for the environment is commensurate with the management techniques and constitutes a guarantee for the continuity of our operations.

In order to maintain and improve our results, our operations are certified according to generally recognised standards: ISO 9001 and 14001, Roundtable on Sustainable Palm Oil (RSPO), International Sustainability and Carbon Certification (ISCC), Ethical Tea Partnership (ETP), EurepGAP/GlobalGAP and Clean Development Mechanism (CDM, United Nations).

Additionally, *SIPEF* is also a member of KAURI, the Belgian network for corporate responsibility and NGO accountability.

All of *SIPEF*'s palm oil mills are RSPO certified: this accordingly applies to both of the mills of *Hargy Oil Palms Ltd (HOPL)* in Papua New Guinea and the four mills in Indonesia (Bukit Maradja, Perlabian, Mukomuko and Bunga Tanjung).

The Roundtable on Sustainable Palm Oil is a network with more than 800 members from all sectors of the palm oil industry, including NGOs.

The RSPO certification standard covers the social, ecological and technical aspects of palm oil production. Following an initial certification, the operations are subjected to a meticulous audit each year in order to ensure that they continue to meet all standards.

Every new plantation project is subjected to a verification procedure in relation to its potential impact. This procedure is carried out by an accredited auditor of the RSPO and is followed by a 30-day period of public consultation.

The RSPO represents the future of palm oil: it contains exacting ecological and social standards as well as product traceability.

The palm oil mills in Indonesia (Bukit Maradja and Perlabian) are also certified under the ISCC standard. This monitors emission values during the production of palm oil and compares them to a reference value prescribed by the European directives for the restriction of emission gases (RED). Compliance with these ISCC standards provides us with access to the European bio-fuel market.

Our tea plantation underwent an audit by the Ethical Tea Partnership in 2012 and is now preparing for certification in 2013 by the Rainforest Alliance.

The *SIPEF* methodology can be subdivided into three stages of action. In the established plantations, natural resources are protected through the application of horticultural and industrial working methods. In addition, we continue to spend efforts on the social development of our employees and of the surrounding communities.

For our new projects, we subject the potential territories to a selection process based on strict ecological and social criteria. In parallel with the creation of new plantations, *SIPEF* participates in developing norms which will set new standards for the plantations of the future. Finally, *SIPEF* also plays a part that transcends its own business: through the *SIPEF* Foundation, we finance two projects that aim to preserve the natural environment in Indonesia.

"Business as usual": a new approach

For *SIPEF*, "business as usual" has quite a different and positive meaning. Our "usual" cultivation and industrial working methods incorporate the principles of sustainable agriculture and evolve alongside those principles.

Maintaining and increasing soil fertility is a priority for a plantation business. First of all, we need to undertake a careful search for the areas that are most suitable for optimum production during differing plant cycles. Whether dealing with a new plantation or re-planting an existing field, our agricultural experts always take into account climatologic conditions, soil conditions, topography and ecology in order to establish whether the area is suitable for cultivation. This procedure incorporates an assessment of these results by the ecological team. All areas that deviate from the norm are identified and will be protected.

Responsible planting methods for a sustainable development

We pay extra attention to river banks and springs by installing natural "filters" with a view to guaranteeing the water quality.

By carefully specifying those areas that are suitable for planting, we can concentrate our efforts and expenditure on the most fertile plots. This in turn allows us to provide optimum protection to the environment against the negative impact of arbitrary intensive cultivation. Our plantations are designed to provide optimum yields with minimum impact.

While preparing the soil before planting an area, we avoid all forms of burning and removing cut-down vegetation. As early as possible, we introduce podded creepers to counteract soil erosion, improve fertility (by fixing nitrogen in the soil) and prevent the growth of weeds. We build terraces if the ground is slightly sloping. This is done to prevent landslides and to create cultivable surface areas that are more practical and less hazardous for our employees.

In the case of palm oil, we recycle the by-products of the oil production to improve the soil. We allow the wastewater to trickle back into the ground and distribute the empty fruit bunches (EFB) over the plantations. We also leave the trimmings from the palm trees where they fall in order to increase the organic matter in the soil.

These simple steps allow us to reduce our reliance on expensive and often imported fertilisers.

In all of our cultivation operations, we limit the use of chemical products to control weeds and vermin. Every plantation has to produce an integrated control plan for this purpose. This plan includes preventive measures, such as providing nests for barn owls (*Tyto alba*). These owls hunt mice and rats and help to ensure that their numbers are kept down. In the same way, we introduce host plants into the plantations, to attract the enemies of specific parasites.

Every one of our employees, including the specialist technicians, reports any sign of contamination. We adopt corrective biological measures as early as possible with a view to keeping any damage below a specific economic threshold and avoiding the use of chemical treatment.

If chemical products prove necessary, however, we will consult the specialist teams. We produce a list of permitted chemical products every year. These are stored in designated warehouses and examined every month. The employees who handle these products receive regular information about them. Their protective clothing is handed out on each working day and stored in controlled storage areas. A nurse examines the employees every quarter and they undergo a medical test every year.

We audit all of our industrial units for any waste they deposit in the environment. The potential impact from the oil mills is the greatest, via the wastewater that could end up in the rivers, combined with the emission of methane while draining the volatile waste materials in the water reservoirs.

SIPEF has had facilities for the capture of methane gas installed in its two oil mills in Indonesia (Bukit Maradja en Perlabian) from 2008. These installations meet the standards of the "Clean Development Mechanism" of the United Nations. They have also allowed us to obtain ISCC certification of the two mills.

SIPEF decided to install a second generation system for methane capture in the Mukomuko mill in Indonesia. As soon as they come online, the two mills under construction in Papua New Guinea and Indonesia will be equipped with the same new system.

The key to success and progress lies in the men and women who work in our company. Their compulsory and continuing education covers both technical and safety aspects. Every working position is properly described, with the relevant risks and the steps required to avoid them. There are safety committees at every unit which undertake regular inspections, the results of which are provided to the local management teams as well as being reported to independent teams for supervision and advice.

SIPEF is responsible for the construction and maintenance of our employees' accommodation. The same applies to the availability of water and electricity. The representatives of the women's organisations founded in Indonesia, which are supported by *SIPEF*, hold meetings with the plantation management teams. This gives them the opportunity to discuss the condition of the accommodation.

A network of dispensaries, built and managed by *SIPEF*, ensures that the employees and their families have access to healthcare. In the event of serious accidents, *SIPEF* arranges for evacuation to a reputable hospital.

SIPEF also arranges access to educational facilities. We provide school buses in Indonesia to pick up the pupils. In some instances, we have built schools that were subsequently transferred to the local authorities. The schools receive further financial support from *SIPEF* with a view to providing the requisite teaching staff.

Within the framework of a tax credit, *HOPL* in Papua New Guinea is directly supporting the construction and fitting out of the local primary school. *HOPL* has also upgraded three dispensaries in the vicinity and sunk a new well close to the medical centre in the nearby town of Bialla. This same framework also allows *HOPL* to maintain a provincial road, bridges and even a public airstrip.

In Indonesia *PT Agro Muko (AM),* our operation in Bengkulu, has been developing small plots for the benefit of surrounding farmers since 2000. All the costs are financed by the plantation, which uses the same agricultural techniques there as it does on its own land, while expecting the same returns. This program, which is called KMD (Kebun Masyarakat Desa, or “plantations for the villages”) has been highly successful and is promoting the harmonious integration of *AM* in the region.

The local population is pleased with the attention we devote to the risks of contamination. They regard *SIPEF* as a good neighbour.

Preparing for future practices today

All proposed new projects at *SIPEF* are first subjected to a rigorous examination. The idea behind this is to determine as early as possible which areas can be planted, which should be left unplanted and which have to be protected. Different teams study the agricultural possibilities, the state of the biodiversity and any negative and positive impacts in technological, cultural and social terms.

It is extremely important for the local population to understand and support the project. We call this “FPIC” (First, Prior and Informed Consent). This aspect can take several years, particularly in Papua New Guinea.

The RSPO imposes a procedure on its members for every project involving oil palm trees, which is called the NPP (New Planting Procedure). *SIPEF* was the first company to submit an NPP file in 2010. We submitted two more files in 2012.

At the end of 2011, the *SIPEF* Foundation and the Zoological Society of London (ZSL) signed an agreement for the development of a practical method for managing protected zones within oil palm plantations. This activity ran for one year and cost KUSD 100, 33% of which was financed by the International Finance Company (World Bank) and 67% of which was financed by the *SIPEF* Foundation. The RSPO will be using the operating methods of this exercise as a guideline for all of its members in 2013.

ZSL employs techniques that had previously been used in African and Indonesian national parks in order to identify the animals present within the protected zones. Automatic cameras showed the presence of animals not normally associated with plantations.

We are still today protecting the river banks and stretches of primeval forest. Thanks to the new methods and the training provided by the ZSL, we can now also start thinking about taking stock of the biodiversity in our protected areas and studying its evolution in the longer term.

SIPEF remains active within the RSPO and is cooperating with it in reviewing the “Principles & Criteria” (P&C) of the organisation. We are also participating in the committees for “Trade and Traceability” and “Biodiversity and High Conservation Values”. Finally, we are also involved in a national working group for P&C in Papua New Guinea.

Responsible planting methods for a sustainable development

Bananas from the Ivory Coast and sustainable development

The production of bananas and flowers in the Ivory Coast is in complete harmony with the ecological, ethical and social regulations that we meet in Asia.

Plantations J. Eglin was certified for “Global GAP” in 2006. Our objectives in relation to protecting the environment and food-safety exceed these standards.

We increase the quality of the soil that we cultivate by planting Tithonia, a bushy plant, on fallow plots. This bush prevents erosion and provides us with a significant quantity of organic material. We continually add organic material to the soil during cultivation. This is done through recycling waste, along with banana stalks and coconut husks from the surrounding factories. The humous husks form a covering layer against evaporation and reduce the amount of irrigation required during the dry season. Thanks to these natural techniques of soil improvement, we can reduce the use of chemical fertilizers.

The uncultivated areas are replanted with Gmélina trees. This way, we limit the constant deforestation by the surrounding communities, which often use charcoal or wood as their only cooking fuel. This vegetation has the advantage of growing fast in the Ivory Coast’s coastal climate.

The phytosanitary protection is based on an established procedure that works exclusively on the basis of a warning system: we treat the fields only when attacks by parasites or diseases reach a certain threshold. A specialist team regularly checks for cercosporiosis (or black sigatoka, a black stripe disease in banana plants), worms and beetles.

Our personnel occupy houses that are built or renovated by us in cooperation with the European Union (EU). The EU monitors the general organisation of fruit plantations very closely. The villages in our plantations are equipped with adequate amenities such as electricity, water, schools and medical centres.

On February 15th, 2013, we had the pleasure of entertaining Deputy Prime Minister and Minister for Foreign Affairs Didier Reynders, along with a delegation of his staff, the Belgian press and a number of Ivory Coast officials. During his visit to our company, we explained our operations in the production and export of bananas and flowers and outlined our importance as a major employer in the area, with options for expansion in the future.

The SIPEF Foundation: beyond the boundaries of our plantations

The *SIPEF* Foundation is supporting two nature protection projects.

Since the end of 2010, the *SIPEF* Foundation has been supporting a group of villagers who are protecting sea turtles on the western coast of Sumatra, near Mukomuko. Sea turtles lay their eggs along this coastline. The laying sites are under serious threat from people who remove the eggs, despite the statutory protection enjoyed by all types of turtles.

The *SIPEF* Foundation signed an agreement in 2012 with the National Agency for Nature Preservation (BKSDA), which is supervised by the Ministry of Forestry of the Republic of Indonesia. This agreement adds a second group of villagers to the project on the same beach. The *SIPEF* Foundation has financed the construction of a second breeding installation for the turtle eggs.

In 2011, a large number of sea turtles came to the beach protected by the first group of villagers to lay their eggs. They included leatherback turtles (*Dermochelys coriacea*, classified as a threatened species by the IUCN). Unfortunately, strong onshore winds were blowing, so that the beach was covered with boulders. This discouraged many of the turtles. The efforts of the villagers were rewarded, however, as they collected 1 684 eggs from the warana turtles (*Lepidochelys olivacea*). A total of 1 267 baby turtles were released. This 75% success rate is much higher than the natural survival rate of 40%.

MR. DIDIER REYNDERS, DEPUTY PRIME MINISTER AND MINISTER FOR FOREIGN AFFAIRS VISITED PLANTATIONS J. EGLIN SA IN THE IVORY COAST.

The *SIPEF* Foundation's second project encompasses the management of an area of 12 000 hectares of forest that acts as a buffer for the National Park of Kerinci Seblat (TNKS), near Mukomuko. This officially protected area is under heavy pressure from the local population and migrants. *SIPEF* has been attempting to gain control of part of the buffer zone since 2010 in order to protect it. This will also allow us to prevent the disappearance of the last recognised populations of muntjaks, tapirs, bears and tigers that live in the forests of Mukomuko.

This is an unusual initiative for a plantation business in Indonesia and will have an absolutely unique value as a model. In order to ensure a high level of capability and transparency in the management of this project, an agreement is being prepared with an international NGO involved in the protection of flora and fauna. This NGO has a wealth of experience protecting the natural environment in the outer reaches of TNKS.

The official framework for managing this forest area is new and rather complex. Despite this, however, the *SIPEF* Foundation managed to achieve a preliminary agreement in 2012 with the Ministry of Forestry of the Republic of Indonesia, so that the area will be allocated to us in 2013 for a period of 60 years. This long-term concession is commensurate with the engagement displayed by the *SIPEF* Foundation and the *SIPEF* group in general.

Links

www.rspo.org
www.iscc-system.org
www.zsl.org
www.iucnredlist.org
http://seaturtlestatus.org/learn/meet-the-turtles

Financial statements

Consolidated statement of financial position

In KUSD	Note	2012	2011	2010
Non-current assets		**514 307**	**424 831**	**355 565**
Intangible assets	8	27 979	21 056	15 732
Goodwill	8	4 519	4 519	4 519
Biological assets	9	302 295	268 416	237 694
Property, plant & equipment	10	165 330	116 944	83 815
Investment property	11	3	3	3
Investments in associates	12	10 289	9 476	9 589
Financial assets		3 857	4 064	4 039
Other financial assets	13	3 857	4 064	4 039
Receivables > 1 year		0	106	145
Other receivables	14	0	106	145
Deferred tax assets	26	35	247	29
Current assets		**117 535**	**142 460**	**144 991**
Inventories	15	44 626	38 332	29 846
Trade and other receivables		40 010	51 294	40 750
Trade receivables	29	28 275	37 473	26 439
Other receivables	16	11 735	13 821	14 311
Current tax receivables	26	483	936	5 122
Investments		5 017	15 855	15 582
Other investments and deposits	21	5 017	15 855	15 582
Derivatives	29	327	0	0
Cash and cash equivalents	21	25 783	34 289	49 025
Other current assets		1 289	1 754	2 085
Assets held for sale	22	0	0	2 581
Total assets		**631 842**	**567 291**	**500 556**

In KUSD	Note	2012	2011	2010
Total equity		**504 490**	**450 874**	**395 789**
Shareholders' equity	17	472 642	425 261	368 549
Issued capital		45 819	45 819	45 819
Share premium		21 502	21 502	21 502
Treasury shares		-4 603	-4 603	
Reserves		424 836	377 875	316 133
Translation differences		-14 912	-15 332	-14 905
Non-controlling interests	18	31 848	25 613	27 240
Non-current liabilities		**66 149**	**59 899**	**60 614**
Provisions > 1 year		2 546	111	115
Provisions	19	2 546	111	115
Deferred tax liabilities	26	51 589	48 505	47 508
Trade and other liabilities > 1 year		0	0	0
Financial liabilities > 1 year (incl. derivatives)	21	0	0	2 600
Pension liabilities	20	12 014	11 283	10 391
Current liabilities		**61 203**	**56 518**	**44 153**
Trade and other liabilities < 1 year		43 885	46 372	33 177
Trade payables	29	19 268	14 491	9 195
Advances received	29	1 479	465	286
Other payables	16	11 112	12 532	8 422
Income taxes	26	12 026	18 884	15 274
Financial liabilities < 1 year		12 607	3 629	5 691
Current portion of amounts payable after one year	21	0	2 600	5 200
Financial liabilities	21	12 607	25	323
Derivatives	29	0	1 004	168
Other current liabilities		4 711	6 517	4 817
Liabilities associated with assets held for sale	22	0	0	468
Total equity and liabilities		**631 842**	**567 291**	**500 556**

Consolidated income statement

In KUSD	Notes	2012			2011			2010		
		Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS
Revenue	7	332 522		332 522	367 661		367 661	279 400		279 400
Cost of sales	7, 9	-220 267	3 679	-216 588	-230 853	4 132	-226 721	-161 718	3 442	-158 276
Gross profit	7	**112 255**	**3 679**	**115 934**	**136 808**	**4 132**	**140 940**	**117 682**	**3 442**	**121 124**
Variation biological assets	9		33 836	33 836		28 611	28 611		33 413	33 413
Planting cost (net)	9		-26 962	-26 962		-17 505	-17 505		-14 269	-14 269
Selling, general and administrative expenses		-25 425		-25 425	-24 936		-24 936	-19 758		-19 758
Other operating income/(charges)	23	-3 195		-3 195	2 218		2 218	-2 299		-2 299
Operating result		**83 635**	**10 553**	**94 188**	**114 090**	**15 238**	**129 328**	**95 625**	**22 586**	**118 211**
Financial income		880		880	653		653	977		977
Financial charges		- 488		- 488	- 677		- 677	-1 131		-1 131
Exchange differences		2 897		2 897	2 583		2 583	440		440
Financial result	24	**3 289**	**0**	**3 289**	**2 559**	**0**	**2 559**	**286**	**0**	**286**
Profit before tax		**86 924**	**10 553**	**97 477**	**116 649**	**15 238**	**131 887**	**95 911**	**22 586**	**118 497**
Tax expense	26, 9	-22 917	-1 710	-24 627	-26 573	-3 951	-30 524	-23 048	-6 041	-29 089
Profit after tax		**64 007**	**8 843**	**72 850**	**90 076**	**11 287**	**101 363**	**72 863**	**16 545**	**89 408**
Share of results of associated companies	27	**623**	**0**	**623**	**210**	**0**	**210**	**2 587**	**0**	**2 587**
- Insurance		623		623	210		210	2 587		2 587
Result from continuing operations		**64 630**	**8 843**	**73 473**	**90 286**	**11 287**	**101 573**	**75 450**	**16 545**	**91 995**
Result from discontinued operations		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Profit for the period		**64 630**	**8 843**	**73 473**	**90 286**	**11 287**	**101 573**	**75 450**	**16 545**	**91 995**
Attributable to:										
- Non-controlling interests	18	3 819	1 262	5 081	5 605	880	6 485	4 819	2 333	7 152
- Equity holders of the parent		60 811	7 581	68 392	84 681	10 407	95 088	70 631	14 212	84 843
Earnings per share (in USD)										
From continuing and discontinued operations										
Basic earnings per share	36			7.69			10.63			9.48
Diluted earnings per share	36			7.69			10.63			9.48
From continuing operations										
Basic earnings per share	36			7.69			10.63			9.48
Diluted earnings per share	36			7.69			10.63			9.48

Consolidated statement of comprehensive income

In KUSD	2012			2011			2010		
	Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS
Profit for the period	**64 630**	**8 843**	**73 473**	**90 286**	**11 287**	**101 573**	**75 450**	**16 545**	**91 995**
Other comprehensive income:									
- Exchange differences on translating foreign operations	287		287	- 427		- 427	-1 173		-1 173
- Reclassification adjustments			0			0	- 440		- 440
- Revaluation assets available for sale			0			0	226		226
Total other comprehensive income for the year, net of tax:	**287**	**0**	**287**	**- 427**	**0**	**- 427**	**-1 387**	**0**	**-1 387**
Other comprehensive income attributable to:									
- Non-controlling interests			0			0			0
- Equity holders of the parent	287		287	- 427		- 427	-1 387		-1 387
Total comprehensive income for the year	**64 917**	**8 843**	**73 760**	**89 859**	**11 287**	**101 146**	**74 063**	**16 545**	**90 608**
Total comprehensive income attributable to:									
- Non-controlling interests	3 819	1 262	5 081	5 605	880	6 485	4 819	2 333	7 152
- Equity holders of the parent	61 098	7 581	68 679	84 254	10 407	94 661	69 244	14 212	83 456

Consolidated cash flow statement

In KUSD	Notes	2012	2011	2010
Operating activities				
Profit before tax		97 477	131 887	118 497
Adjusted for:				
Depreciation	7	16 006	11 962	9 698
Movement in provisions	19	3 166	876	998
Impairment assets held for sale		0	0	3 649
Stock options		175	0	0
Changes in fair value of biological assets	9	-6 874	-11 106	-19 144
Other non-cash results		5 897	836	- 630
Financial income and charges		-1 723	24	155
Capital loss on receivables		0	0	181
Result on disposal of property, plant and equipment		174	- 254	98
Result on disposal of financial assets	35	-3 346	0	-1 350
Cash flow from operating activities before change in net working capital		110 952	134 225	112 152
Change in net working capital	28	-3 744	-8 167	-16 906
Cash flow from operating activities after change in net working capital		107 208	126 058	95 246
Income taxes paid	26, 9	-21 645	-21 785	-17 542
Cash flow from operating activities		85 563	104 273	77 704
Investing activities				
Acquisition intangible assets	7	-6 128	-5 765	-4 344
Acquisition biological assets	7	-26 247	-17 657	-14 541
Acquisition property, plant & equipment	7	-66 948	-44 609	-18 957
Acquisition financial assets	33	0	0	-8 335
Proceeds from sale of property, plant & equipment		952	926	848
Proceeds from sale of financial assets	33, 35	3 512	0	1 547
Cash flow from investing activities		-94 859	-67 105	-43 782
Free cash flow		**-9 296**	**37 168**	**33 922**
Financing activities				
Equity transactions with non-controlling parties *		53	-19 531	68
Decrease/(increase) of treasury shares	17	0	-4 603	0
Repayment in long-term financial borrowings	21	-2 600	-5 200	-6 692
Increase/(decrease) short-term financial borrowings	21	12 582	- 298	-1 514
Last year's dividend paid during this bookyear		-18 944	-19 657	-11 670
Dividends paid by subsidiaries to minorities	18	-1 426	-2 271	-1 582
Financial income and charges		286	- 61	- 354
Cash flow from financing activities		-10 049	-51 621	-21 744
Net increase in investments, cash and cash equivalents	21	-19 345	-14 453	12 178
Investments and cash and cash equivalents (opening balance)	21	50 144	64 607	52 437
Effect of exchange rate fluctuations on cash and cash equivalents	21	1	- 10	- 8
Investments and cash and cash equivalents (closing balance)	21	30 800	50 144	64 607

Consolidated statement of changes in equity

In KUSD	Issued capital SIPEF	Share premium SIPEF	Treasury shares	Reserves	Translation differences	Share-holders' equity	Non-controlling interests	Total equity
January 1, 2012	**45 819**	**21 502**	**-4 603**	**377 875**	**-15 332**	**425 261**	**25 612**	**450 873**
Total comprehensive income				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, 18)				174		174	-1 426	-1 252
December 31, 2012	**45 819**	**21 502**	**-4 603**	**424 836**	**-14 912**	**472 642**	**31 848**	**504 490**
January 1, 2011	**45 819**	**21 502**	**0**	**316 133**	**-14 905**	**368 549**	**27 240**	**395 789**
Total comprehensive income				95 088	- 427	94 661	6 485	101 146
Last year's dividend paid				-19 657		-19 657		-19 657
Equity transactions with non-controlling parties ***				-13 689		-13 689	- 5 842	-19 531
Other (note 18)			-4 603			-4 603	-2 271	-6 874
December 31, 2011	**45 819**	**21 502**	**-4 603**	**377 875**	**-15 332**	**425 261**	**25 612**	**450 873**

* During this exercise, *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 het 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 sharehodings 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* 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.

*** The equity transactions with non-controlling parties comprise mainly the acquisition of 21.9% of *Jabelmalux SA*, so that the group now owns 99.3% of the shares. Through this acquisition the *SIPEF* group now owns an additional share (2 882 ha) in the oil palm estates of the *UMW* project and in the rubber and tea gardens of *PT Melania Indonesia*. On 24 June 2011 the company was delisted from the Luxemburg stock exchange.

In KUSD	Part of the group	Non-controlling interests	Total
Purchase of shares Jabelmalux SA	19 945		19 945
Acquired equity Jabelmalux SA	-6 256	6 256	0
	13 689	6 256	19 945
Capital increase establishment Musi Rawas Group		- 414	- 414
	13 689	**5 842**	**19 531**

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 2012 comprise *SIPEF* and its subsidiaries (together referred to as '*SIPEF* group' or 'the group'). Comparative figures are for the financial years 2011 and 2010.

The consolidated financial statements were authorized for issue by the directors at the board meeting of 19 February 2013 and shall be approved by the shareholders at the annual general meeting of 12 June 2013. 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.

There are no standards or interpretations issued by the IASB in 2012 which have a significant impact on *SIPEF* group's financial statements.

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 (normally applicable for annual periods beginning on or after 1 January 2015)
- 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 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
- 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 (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 (normally 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 IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (applicable for annual periods beginning on or after 1 January 2014)
- 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 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)
- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013).

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.

The application of IFRS 12 and IFRS 13 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).

Notes to the consolidated financial statements

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 (IAS 41).

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: 598 USD/tonne CIF Rotterdam Rubber: 1 700 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.
Disount rate:	Future cash flows are, depending on the location of the underlying assets, discounted at following discount rates: Oliepalm: 15% Rubber: 15% - 16% Thee: 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.

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.

Notes to the consolidated financial statements

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 fully and immediately charged to the pension costs of that year.

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 20)
- Deferred tax assets (note 26)
- 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	94.61
PT Citra Sawit Mandiri	Medan / Indonesia	95.00	94.61
PT Toton Usaha Mandiri	Medan / Indonesia	95.00	94.61
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	94.61
Hargy Oil Palms Ltd	Bialla / Papoea-N-G	100.00	100.00
Galley Reach Holdings Ltd	Port Moresby / Papua-N-G	100.00	100.00
Plantations J. Eglin SA	Azaguié / Ivory Coast	100.00	100.00
Jabelmalux SA	Luxembourg / G.D. Luxemburg	99.59	99.59
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

On June 25, 2012 the shareholding in *PT Kerasaan Indonesia*, *PT Bandar Sumatra Indonesia, PT Timbang Deli Indonesia, PT Mukomuko Agro Sejhatera* and *PT Melania Indonesia* was transferred from *SIPEF / Jabelmalux* to our Indonesian holding company *PT Tolan Tiga Indonesia*. The resulting decrease of the percentage of interest in the concerning subsidiaries, lies in a range between 2.85% and 4.75%, depending of the subsidiary.

During this exercise, *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.

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.

Inspite 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 subsidaries have however another functional currency:

Plantations J. Eglin SA	EUR
B.D.M. NV	EUR
Asco NV	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		
	2012	2011	2010	2012	2011	2010
EUR	0.7574	0.7715	0.7468	0.7738	0.7145	0.7567

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
2012 - KUSD						
Palm	257 402	-168 654	88 748	2 995	91 743	79.14
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	0.08
Total	**332 522**	**-220 267**	**112 255**	**3 679**	**115 934**	**100.00**
2011 - KUSD						
Palm	287 175	-178 875	108 300	3 637	111 937	79.43
Rubber	48 362	-25 828	22 534	460	22 994	16.31
Tea	7 769	-5 806	1 963	28	1 991	1.41
Bananas and plants	22 067	-20 314	1 753	7	1 760	1.25
Corporate	2 200		2 200		2 200	1.56
Others	88	- 30	58		58	0.04
Total	**367 661**	**-230 853**	**136 808**	**4 132**	**140 940**	**100.00**

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

Under IFRS (IAS 41) depreciation on biological assets is not allowed.

Notes to the consolidated financial statements

Gross profit by geographical segment

	Revenu	Cost of sales	Other income	Gross profit before IAS 41	IAS 41	Gross profit IFRS	% of total
2012 - KUSD							
Indonesia	184 162	-112 113	544	72 593	1 874	74 467	64.23
Papua New Guinea	123 936	-91 236		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	114	- 14		101		101	0.09
Total	**329 065**	**-220 267**	**3 457**	**112 255**	**3 679**	**115 934**	**100.00**
2011 - KUSD							
Indonesia	187 251	-98 869	652	89 034	1 783	90 817	64.44
Papua New Guinea	156 055	-111 640		44 415	2 342	46 757	33.17
Ivory Coast	22 047	-20 302		1 745	7	1 752	1.24
Europe			1 548	1 548		1 548	1.10
Others	108	- 42		66		66	0.05
Total	**365 461**	**-230 853**	**2 200**	**136 808**	**4 132**	**140 940**	**100.00**

Revenue by location of the debtors

In KUSD	2012	2011
Singapore	79 950	97 421
Switserland	70 904	37 724
United Kingdom	57 171	61 891
Indonesia	47 875	41 649
The Netherlands	36 415	51 176
United States	9 794	12 672
Belgium	6 938	7 607
Others	6 603	4 374
Pakistan	5 942	4 471
France	3 821	5 451
Germany	3 098	41 085
Ivory Coast	2 749	1 352
Spain	1 262	788
Total	**332 522**	**367 661**

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 the cash deposits and the cash held by *SIPEF* of KUSD 12 179.

In KUSD	2012						
	Palm	Rubber	Tea	Bananas & Plants	Insurance	Un-allocated	Total
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
Other receivables							0
Inventories	38 270	3 420	1 648	1 288			44 626
Trade receivables	23 862	1 973	440	1 990		10	28 275
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**

In KUSD	2011*						
	Palm	Rubber	Tea	Bananas & Plants	Insurance	Un-allocated	Total
Intangible assets	20 581	45	8	13		409	21 056
Goodwill	4 258	261					4 519
Biological assets	243 410	19 791	3 200	2 015			268 416
Property, plant & equipment	100 701	7 897	3 336	4 399		611	116 944
Investment property						3	3
Investments in associates					9 476		9 476
Other receivables	106						106
Inventories	30 338	5 122	1 857	1 015			38 332
Trade receivables	33 684	2 009	813	936		31	37 473
Unallocated						70 966	70 966
Total assets	**433 078**	**35 125**	**9 214**	**8 378**	**9 476**	**72 020**	**567 291**
% of total assets	76.34%	6.19%	1.62%	1.48%	1.67%	12.70%	100.00%
Total liabilities							**567 291**
Segment capital expenditures:							
Intangible assets	5 640	1		11		113	5 765
Biological assets	14 984	2 344	81	248			17 657
Property, plant & equipment	39 995	2 118	849	1 341		306	44 609
Total investments	**60 619**	**4 463**	**930**	**1 600**	**0**	**419**	**68 031**
Segment depreciation:							
Intangible assets	63	4	1	1		257	326
Property, plant & equipment	8 927	1 258	321	931		199	11 636
Total depreciation	**8 990**	**1 262**	**322**	**932**	**0**	**456**	**11 962**

* *Data deviate from what was published in 2011. Intangible assets, goodwill and the entire amount of inventories are split out over the different products, which was not done in the annual report of 2011.*

Segment information - geographical

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**

In KUSD	2011*					
	Indonesia	PNG	Ivory Coast	Europe	Others	Total
Intangible assets	20 635		13	408		21 056
Goodwill	4 519					4 519
Biological assets	201 649	64 752	2 015			268 416
Property, plant & equipment	41 359	70 913	4 398	274		116 944
Investment property				3		3
Investments in associates				9 476		9 476
Other assets	52 953	28 513	1 342	64 069		146 877
Total assets	**321 115**	**164 178**	**7 768**	**74 230**	**0**	**567 291**
% of total assets	56.60%	28.94%	1.37%	13.09%	0.00%	100.00%
Segment capital expenditures:						
Intangible assets	5 641		11	113		5 765
Biological assets	8 857	8 552	248			17 657
Property, plant & equipment	13 557	29 580	1 341	131		44 609
Total investments	**28 055**	**38 132**	**1 600**	**244**	**0**	**68 031**
Segment depreciation:						
Intangible assets	68		1	257		326
Property, plant & equipment	4 256	6 384	931	65		11 636
Total depreciation	**4 324**	**6 384**	**932**	**322**	**0**	**11 962**

* *Data deviate from what was published in 2011. Intangible assets and goodwill are presented separately.*

8. Goodwill and other intangible assets

In KUSD	2012		2011	
	Goodwill	Intangible assets	Goodwill	Intangible assets
Gross carrying amount at January 1	4 519	22 562	4 519	16 913
Acquisitions		6 127		5 765
Sales and disposals				- 114
Transfers		1 057		
Translation differences		2		- 2
Gross carrying amount at December 31	4 519	29 748	4 519	22 562
Accumulated amortization and impairment losses at Januari 1		-1 506		-1 181
Depreciations		- 263		- 326
Translation differences				1
Accumulated amortization and impairment losses at December 31		-1 769		-1 506
Net carrying amount at January 1	4 519	21 056	4 519	15 732
Net carrying amount at December 31	**4 519**	**27 979**	**4 519**	**21 056**

The acquisitions of intangible assets refer mainly to the additionnal payments made for obtaining the landtitles of *PT Umbul Mas Wisesa, PT Citra Sawit Mandiri, PT Agro Rawas Ulu, PT Agro Kati Lama, PT Mukomuko Agro Sejahtera* and *Plantations J. Eglin SA*.

In accordance with the accounting policies the goodwill was reviewed for impairment. This had no impact in 2012. The assumptions that were used for these tests are in accordance with the assumptions for the IAS 41 valuation. A significant rise/decrease (10% of the selling price and 1% of the discount rate) of these assumptions do not lead to a loss in value.

9. Biological assets

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	991	Concession	2023	Rubber
PT Melania Indonesia	5 140	Concession	2023	Rubber, tea and oil palm
PT Toton Usaha Mandiri	1 200	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
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
Hargy Oil Palms Ltd	3 972	Concession	2074	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
	77 201			

	Hectares	Type	Maturity	Crop
PT Umbul Mas Wisesa	8 726	In negotiation	-	Oil palm
PT Citra Sawit Mandiri	3 975	In negotiation	-	Oil palm
PT Agro Rawas Ulu	7 200	In negotiation	-	Oil palm
PT Agro Kati Lama	8 400	In negotiation	-	Oil palm
PT Mukomuko Agro Sejahtera	2 935	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
December 31, 2011	243 410	19 791	3 200	2 015	268 416
Variation biological assets	34 690	- 1 513	394	265	33 836
	278 100	**18 278**	**3 594**	**2 280**	**302 252**
Translation differences				43	43
December 31, 2012	**278 100**	**18 278**	**3 594**	**2 323**	**302 295**

The gross variation of biological asset amounted to KUSD 33 836 and arises mainly from an increase in margins applied in Indonesia, and the expansion and the increase in maturity of the new planted oil palm areas of our *UMW* estate in Indonesia. Against these positive effects there is a reduction of the applied future margins at *Hargy Oil Palms Ltd* in Papua New Guinea.

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%	2012	- 10%
Oil palm	361 303	278 100	194 900
Rubber	24 480	18 278	12 075
Tea	7 956	3 594	- 771
Total	**393 739**	**299 972**	**206 204**
Others		2 323	
		302 295	

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 (598 USD/tonne CIF Rotterdam). The average price of palmoil for the last 10 years was 725 USD/tonne. The average price for palmoil for 2012 was 999 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%	2012	- 1%
Oil palm	262 579	278 100	295 135
Rubber	17 663	18 278	18 941
Tea	3 382	3 594	3 827
Total	**283 624**	**299 972**	**317 903**
Others		2 323	
		302 295	

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 in 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 the depreciation over the economic useful life (as was the previous treatment) 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 2012	Total 2011
Depreciation	2 995	819	27	- 162	3 679	4 132
Variation biological assets	34 690	-1 513	394	265	33 836	28 611
Planting cost	-23 108	-2 962	- 74	- 103	-26 247	-17 655
Transfers	- 773	- 154	- 1		- 928	
Disposals	23	190			213	150
Operating result	**13 827**	**-3 620**	**346**	**0**	**10 553**	**15 238**
Tax impact					-1 710	-3 951
Net impact					**8 843**	**11 287**

Impact of IAS 41 on the cash flow statement

In KUSD	2012	2011
Variation biological assets	-33 836	-28 611
Planting cost (included in investing activities)	26 247	17 655
Transfers	928	
Sales and disposals (included in sale of assets)	- 213	- 150
	-6 874	**-11 106**

10. Property, plant & equipment

In KUSD	2012							2011
	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment, furniture and others	Leases	In progress	Total	Total
Gross carrying amount at January 1	70 762	67 892	38 695	8 007		13 873	199 229	157 439
Acquisitions	19 509	27 163	13 193	574		6 509	66 948	45 578
Sales and disposals	- 58	- 824	- 4 541	- 242		- 538	- 6 203	- 1 818
Transfers	- 70	173w	301	- 516		- 2 118	- 2 230	- 2 096
Other							0	728
Translation differences	196	59	45	17		9	326	- 602
Gross carrying amount at December 31	90 339	94 463	47 693	7 840	0	17 735	258 070	199 229
Accumulated depreciation and impairment losses at January 1	- 20 175	- 38 340	- 19 539	- 4 231			- 82 285	- 73 624
Depreciation	- 2 846	- 4 785	- 7 376	- 736			- 15 743	- 11 636
Sales and disposals	34	763	4 381	107			5 285	1 410
Transfers	245		5				250	1 126
Translation differences	- 155	- 50	- 33	- 9			- 247	439
Accumulated depreciation and impairment losses at December 31	- 22 897	- 42 412	- 22 562	- 4 869	0	0	- 92 740	- 82 285
Net carrying amount at January 1	50 587	29 552	19 156	3 776	0	13 873	116 944	83 815
Net carrying amount at December 31	**67 442**	**52 051**	**25 131**	**2 971**	**0**	**17 735**	**165 330**	**116 944**

In 2010 in the light of further restructuring of the groups' financing the current financial leasing contracts have been terminated.

11. Investment property

In KUSD	2012	2011
Gross carrying amount at January 1	43	46
Acquisitions		
Sales and disposals		- 3
Gross carrying amount at December 31	43	43
Accumulated depreciation and impairment losses at January 1	- 40	- 43
Depreciation		
Sales and disposals		3
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	2012	2011
Gross carrying amount at January 1	9 476	9 589
Share of results of associated companies	623	210
Translation differences	190	- 323
Gross carrying amount at December 31	10 289	9 476
Net carrying amount at January 1	9 476	9 589
Net carrying amount at December 31	**10 289**	**9 476**

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	3 574		3 574
Asco NV	EUR	50.00	6 715		6 715
Total			**10 289**	**0**	**10 289**

13. Other financial assets

In KUSD	2012				2011
	Other companies		Other receivables	Total	Total
	Participations	Receivables			
Gross carrying amount at January 1	5 720	3 093	4	8 817	8 792
Other increase (decrease)	- 207			- 207	30
Translation differences		- 43		- 43	- 5
Gross carrying amount at December 31	5 513	3 050	4	8 567	8 817
Accumulated impairment losses at January 1	- 1 660	- 3 093		- 4 753	- 4 753
Translation differences		43		43	0
Accumulated impairment losses at December 31	- 1 660	- 3 050	0	- 4 710	- 4 753
Net carrying amount at January 1	4 060	0	4	4 064	4 039
Net carrying amount at December 31	**3 853**	**0**	**4**	**3 857**	**4 064**

Investments in other enterprises include a 32% stake in *SIPEF-CI SA* in Ivory Coast (net book value of KUSD 3 801) and KUSD 52 other participations.

The reduction concerns the sale of the 9.6% share in Gedei NV with a book value of KUSD 166 (see note 35).

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 2012 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. Other long term receivables

At the end of 2011 there only remained a small long term receivable on *Hargy Oil Palms Ltd*.

In KUSD	2012	2011
Others		106
Total	**0**	**106**

15. Inventories

Analysis of inventories

In KUSD	2012	2011
Raw materials and supplies	20 284	17 671
Finished goods	24 342	20 661
Total	**44 626**	**38 332**

The increase of the inventories finished products is due to the relatively important tonnage of unshipped palm oil at year end, mainly in Papua New Guinea.

The increase of the stocks of raw materials and supplies is also mainly due to the rise of the inventories at *Hargy Oil Palms Ltd* in Papua New Guinea.

16. Other current receivables and other current payables

The ‘other payables’ (KUSD 11 112) mainly concern social obligations (salaries to be paid, provisions for holiday pay and bonus) and invoices to be received.

The ‘other receivables’ (KUSD 11 735) include an impairment for a possible VAT dispute in Indonesia for an amount of KUSD 5 897

The net current assets, net of cash, amount to 11.5% of the turnover as compared to 10.5% in 2011, a slight increase mainly due to the relatively important tonnage of unshipped oil at year end

17. Shareholders' equity

Capital stock and share premium

The issued capital of the company as at December 31, 2012 amounts to KEUR 34 768 (KUSD 45 819), represented by 8 951 740 fully paid ordinary shares without nominal value.

	2012	2011
Number of shares	8 951 740	8 951 740

	2012 In KEUR	2011 In KEUR	2012 In KUSD	2011 In 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**

	2012 In KEUR	2011 In KEUR	2012 In KUSD	2011 In KUSD
Treasury shares - opening balance	3 366	0	4 603	0
Acquisition treasury shares		3 366		4 603
Treasury shares - ending balance	**3 366**	**3 366**	**4 603**	**4 603**

Between end September and end November 2011, 59 676 own shares, or 0.67% of the share capital, were bought back as a temporary investment of the cash reserves and 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	2 389 312	10/10/12	8 951 740	26.691
Gedei NV	480 435	10/10/12	8 951 740	5.367
Cabra NV	399 095	10/10/12	8 951 740	4.458
Baron Bracht	265 966	10/10/12	8 951 740	2.971
Total Baron Bracht and children	**1 145 496**			**12.796**
Total votes acting in concert	**3 534 808**			**39.487**
Fortis Investment Management NV	491 740	01/09/08	8 951 740	5.493
Alcatel Pensioenfonds VZW	469 600	01/09/08	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 +287) and to a transfer to non-controlling interests as a result of an internal transfer of shares without loss of control (KUSD +133).

		In KUSD
Opening balance at January 1, 2012		-15 332
Movement, full consolidation		230
Movement, equity method		190
Ending balance at December 31, 2012		**-14 912**

Dividends

On February 19, 2013 a dividend of KEUR 15 218 (EUR 1.70 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, 2012.

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.

18. Non-controlling interests

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

%	2012	2011
PT Tolan Tiga Indonesia	5.00	5.00
PT Eastern Sumatra Indonesia	9.75	9.75
PT Kerasaan Indonesia	45.85	43.00
PT Bandar Sumatra Indonesia	9.75	5.00
PT Timbang Deli Indonesia	9.75	5.00
PT Melania Indonesia	9.75	5.67
PT Mukomuko Agro Sejahtera	14.26	9.75
PT Umbul Mas Wisesa	5.39	5.67
PT Citra Sawit Mandiri	5.39	5.67
PT Toton Usaha Mandiri	5.39	0.71
PT Agro Rawas Ulu	5.00	5.00
PT Agro Kati Lama	5.00	5.00
PT Agro Muara Rupit	5.39	5.67
PT Agro Muko	2.36	2.36
Jabelmalux SA	0.41	0.71

The movements of the year can be summarized as follows:

In KUSD	2012	2011
At the end of the preceding period	25 613	27 240
- Change in consolidation scope		415
- Profit for the period attributable to non-controlling interests	5 081	6 485
- Distributed dividends	-1 426	-2 271
- Equity transactions with non-controlling parties	2 580	
- Additional acquisition Jabelmalux SA		-6 256
At the end of the period	**31 848**	**25 613**

In the context of the further centralization of the Indonesian activities of *SIPEF* the sharehodings in *PT Kerasaan Indonesia*, *PT Bandar Sumatra Indonesia, PT Timbang Deli Indonesia, PT Mukomuko Agro Sejahtera* and *PT Melania Indonesia* are transferred within the group from *SIPEF/Jabelmalux* to *PT Tolan Tiga Indonesia*, which acts as Indonesian holding company. This changed the non-controlling interests in the concerned companies, which resulted in an increase of KUSD 2 484 of the non-controlling interests.

On 25 June 2012, 5% of the share held in *PT Toton Usaha Mandiri* was sold to a local minority shareholder, resulting in an increase by KUSD 96 of the minority interests

19. Provisions

The provisions mainly relate to a possible VAT dispute in Indonesia (KUSD 2 433). It is difficult to make an estimate of the settlement time of the dispute. These also include a provision for “constructed buildings” which are still under guarantee in *SIPEF* (KUSD 113).

20. 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 following reconciliation summarizes the variation of total pension liabilities between 2011 and 2012:

In KUSD	2011	Pension cost	Payment	Exchange	Translation difference	Change consolidation scope	Other	2012
Indonesia	10 694	2 737	-1 467	- 700				11 264
Ivory Coast	289	156			9			454
Others	300	14	- 18					296
	11 283	**2 907**	**-1 485**	**- 700**	**9**	**0**	**0**	**12 014**

Following assumptions are used in the pension calculation of Indonesia:

	2012	2011
Discount rate	6.50%	7.50%
Salary increase	4.00%	5.00%
Expected retirement age	55 years or 30 years of seniority	

Pension liabilities in Indonesia have changed as follows:

In KUSD	2012	2011
Opening	10 694	9 771
Service cost	856	725
Interest cost	838	938
Benefits paid	-1 467	-1 108
Actuarial gains and losses	1 043	438
Exchange differences	- 700	- 83
Other		13
Closing	**11 264**	**10 694**

The amounts recognised in the balance sheet are as follows:

In KUSD	2012	2011
Pension liabilities	11 264	10 694
Liabilities in the balance sheet	11 264	10 694

The amounts recognised in the income statement for Indonesia are as follows:

In KUSD	2012	2011
Service cost	856	725
Interest cost	838	938
Actuarial gains and losses	1 043	438
Pension cost	**2 737**	**2 101**

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	2012	2011	2010
Pension liabilities	11 264	10 694	9 771
Experience adjustments	1 002	365	185
	8.90%	**3.41%**	**1.89%**

Estimated benefit payments in 2013 are KUSD 711.

Defined contribution plans

Contributions paid regarding the defined contribution plans amount to KUSD 887 (KUSD 723 in 2011). 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.

21. Net financial assets/(liabilities)

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

In KUSD	2012	2011
Long term financial obligations		
Current portion of financial obligations payable after one year		-2 600
Obligations initially payable after more than one year	**0**	**-2 600**
Short-term obligations - credit institutions	-12 607	- 25
Investments and deposits	5 017	15 855
Cash and cash equivalents	25 783	34 289
Net financial assets/(liabilities)	**18 193**	**47 519**

Analysis of net financial assets/(liabilities) 2012 per currency

In KUSD	EUR	USD	Others	Total
Obligations initially payable after more than one year				0
Short-term financial obligations		- 12 607		-12 607
Investments and deposits	5 017			5 017
Cash and cash equivalents	2 797	21 268	1 718	25 783
Total 2012	**7 814**	**8 661**	**1 718**	**18 193**
Total 2011	**6 661**	**38 623**	**2 235**	**47 519**

Obligations initially payable after more than one year expired in 2012 (KUSD 2 600).

In KUSD	2012	2011
Reconciliation net financial assets/(liabilities) and cash flow		
Net financial position at the beginning of the period	47 519	56 484
Repayment of long-term borrowings	2 600	5 200
(Increase)/decrease in short-term financial obligations	-12 582	298
Net movement in cash and cash equivalents	-19 345	-14 453
Effect of exchange rate fluctuations on cash and cash equivalents	1	- 10
Net financial assets/(liabilities) at the end of the period	**18 193**	**47 519**

22. Assets / liabilities held for sale

The negotiations that were started with potential buyers of the *PT Citra Sawit Mandiri* oil palm estate in North Sumatra, that no longer fits in the sustainability strategy of the group, did not lead to a sale early 2011, upon which it was decided at the end of 2010 to temporarily reincorporate the project at its estimated sales value in the assets of the group.

23. Non-recurring result

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

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

Adjusted net recurring result group share:

In KUSD	2012	2011
Net result - part of the group	68 392	95 088
Adjustment non-recurring result	441	
Adjustment IAS 41	-7 581	-10 407
Adjusted net recurring result	**61 252**	**84 681**

24. 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 long term and short term borrowings as well as bank charges and other financial costs.

In KUSD	2012	2011
Financial income	844	1 490
Financial charges	- 488	- 677
Exchange result	1 602	2 583
Financial result derivatives	1 331	- 837
Financial result	**3 289**	**2 559**

25. Share based payment

Grant date	2012	2011
Number options granted	20 000	22 000
Balance	20 000	22 000
Exercise price	59.14	56.99
Exercise period	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 succes 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 2012 of the outstanding options of 2011 and 2012 amounts to KUSD 922 and is calculated according to the Black & Scholes model, of which the main components are:

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

In 2012, 20 000 new stock options were granted with an exercise price of 59.14 euros per share. The fair value when granted was fixed at KUSD 398 and is recorded in the profit and loss accounts over the vesting period of 3 years (2013-2015). To cover the outstanding option obligation, *SIPEF* has a total of 59 676 treasury shares in portfolio.

26. Income taxes

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

In KUSD	2012	2011
Profit before tax	97 477	131 887
Tax at the applicable local rates	-24 723	-35 101
Average applicable tax rate	25.36%	26.61%
Withholding tax on dividends		- 301
Permanent differences	776	-2 552
Deferred tax on non current assets resulting from exchange rate fluctuations	- 680	7 430
Tax expense	-24 627	-30 524
Average effective tax rate	25.26%	23.14%

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.

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	2012	2011
Deferred tax assets	35	247
Deferred tax liabilities	-51 589	-48 505
Net deferred taxes	**-51 554**	**-48 258**

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

In KUSD	2012	2011
Opening balance	-48 258	-47 479
Increase (= expense)/decrease (= income) through income statement	-3 296	- 951
Reclassification to "assets available for sale"		172
Closing balance	**-51 554**	**-48 258**

Deferred taxes in the income statement are the result of:

In KUSD	2012	2011
Addition/(utilisation) of tax losses brought forward	1 516	1 026
Origin or reversal of temporary differences - IAS 41 revaluation	217	-3 951
Origin or reversal of temporary differences - non-current assets	-7 889	2 387
Origin or reversal of temporary differences - pension provision	142	227
Origin or reversal of temporary differences - inventories	701	231
Origin or reversal of temporary differences - other	2 017	- 871
	-3 296	**- 951**

The addition of tax losses brought forward refer mainly to the start up losses of the Indonesian subsidiaries of the *UMW* group where it is probable that sufficient future taxable profits will be available 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	2012		
	Total	Not recorded	Recorded
Biological assets	-42 527		-42 527
Other non-current assets	-15 060		-15 060
Inventories	-5 123		-5 123
Pension provision	2 816		2 816
Tax losses	12 237	6 748	5 489
Others	2 851		2 851
Total	**-44 806**	**6 748**	**-51 554**

The majority of the unrecognized deferred tax assets at the end of 2012 are located at the parent company (KUSD 4 242), and *Jabelmalux SA* (KUSD 2 506).

For these entities there is uncertainty regarding the availability of sufficient future taxable profit. 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).

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

In KUSD	2012		
	Total	Not recorded	Recorded
1 year	0		
2 years	0		
3 years	417		417
4 years	1 509		1 509
5 years	2 324		2 324
Unlimited	7 987	6 748	1 239
Total	**12 237**	**6 748**	**5 489**

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

In KUSD	2012	2011
Taxes to receive	483	936
Taxes to pay	-12 026	-18 884
Net taxes to pay	**-11 543**	**-17 948**

In KUSD	2012	2011
Net taxes to pay at the beginning of the period	-17 948	-10 152
Change consolidation scope	0	- 8
Transfer	6 091	
Taxes to pay	-21 331	-29 573
Paid taxes	21 645	21 785
	-11 543	**-17 948**

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

In KUSD	2012	2011
Tax expense	-24 627	-30 524
Deferred tax	3 296	951
Current taxes	**-21 331**	**-29 573**
Variation prepaid taxes	453	4 186
Variation payable taxes	- 767	3 602
Paid taxes	**-21 645**	**-21 785**

27. Share of results of associated companies

The participations in the insurance sector focus on the core activities of maritime and general insurance. After a restructuring, during which the profitability suffered from temporary lower technical results and a one-off cost, we have again been able to tie in with a rising contribution for the group in 2012 (2012: KUSD 623; 2011: KUSD 210).

28. Change in net working capital

Following a reduction of the operating results before IAS 41 also the cash flow from operating activities after tax diminished with KUSD 18 709 to KUSD 85 564 (KUSD 104 273 in 2011).

29. 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 extend 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 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 + 10%	Book value	IDR - 10%
Pension liabilities in Indonesia	10 240	11 264	12 516
Gross impact income statement	1 024	0	-1 252

On February 19, 2013 the board of directors has also proposed the payment of a dividend of KEUR 15 218 (EUR 1.70 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 19 941 for KEUR 15 218 (average exchange rate of 0.7632).

- KUSD 17 544 (KEUR 13 428) before the end of the year
- KUSD 2 397 (KEUR 1 790) 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 + 10%	Book value	EUR - 10%
Dividend	19 503	17 730	15 957
Gross Impact income statement	-1 773	0	1 773

Translation 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 2012, the group's net financial assets/(liabilities) amounted to KUSD 18 194 (2011: KUSD 47 519), of which KUSD 12 607 short term financial liabilities and KUSD 30 800 net short term cash and cash equivalents (2011: KUSD 50 119). The borrowings with an initial term of more than 1 year have all come to maturity in 2012 (2011: KUSD 2 600).

As part of the management of its overall costs of funding, the group has "economically" hedged its interest rate risk exposure by entering into interest rate swaps so that 100% of the borrowings with an initial term of more than 1 year have a fixed rate of interest (see also note 21 with regard to the net financial debt).

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 continous basis.

In practice a difference is made between:

In KUSD	2012	2011
receivables from the sale of palm oil/rubber/tea	26 286	36 537
receivables from the sale of bananas and plants	1 990	936
	28 276	**37 473**

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	2012	2011
Not yet due	1 759	820
Due < 30 days	156	116
Due between 30 and 60 days	62	0
Due between 60 and 90 days	13	0
	1 990	**936**

In 2011 and 2012 there were no material impairments 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.

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	0	0	0				
Financial liabilities	12 607	-12 635	-12 635				
Derivatives							
Other current liabilities							
Current liabilities	**33 354**	**-33 382**	**-33 382**	**0**	**0**	**0**	**0**

2011 - 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	14 491	-14 491	-14 491				
Advances received	465	- 465	- 465				
Financial liabilities < 1 year							
Current portion of amounts payable after one year	2 600	-2 646	-2 646				
Financial liabilities	25	- 25	- 25				
Derivatives	1 004	-1 004	-1 004				
Other current liabilities	6 517	-6 517	-6 517				
Current liabilities	**25 102**	**-25 148**	**-25 148**	**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 2012, 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	2012	2011
Forward exchange transactions	327	- 968
Interest rate swaps		- 36
Fair value (+ = asset; - = liability)	**327**	**-1 004**

In accordance with IFRS 7 financial derivates 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 interest rate swap was determined based on the interbank interest rates as per December 31st, 2011 and was classified as level 2. At December 31st 2012 there were no interest rate swaps.

The fair value of the forward exchange contracts calculated at the closing value on the 31st of December 2012 were also incorporated in level 2. The notional amount from the forward exchange contracts amounts to KUSD 20 968.

Financial instruments per category

The next table gives the financial instruments per category as per end 2012 and end 2011. The carrying amount mentioned in this summary is also representative for the actual faire value. The obligations with an initial term of more than one year have all come to maturity in 2012 (2011: KUSD 2 600).

2012 - In KUSD	Assets available for sale	Loans and receivables	Derivatives	Total carrying amount
			(1)	
Financial assets				
Other investments				0
Other financial assets	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**

	Derivatives	Other liabilities	Total carrying amount
		(2)	
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

2011 - In KUSD	Assets available for sale	Loans and receivables	Derivatives	Total carrying amount
			(1)	
Financial assets				
Other investments				0
Other financial assets	4 060	4		4 064
Receivables > 1 year				
Other receivables		106		106
Total non-current financial assets	**4 060**	**110**	**0**	**4 170**
Trade and other receivables				
Trade receivables		37 473		37 473
Investments				
Other investments and deposits		15 855		15 855
Cash and cash equivalents		34 289		34 289
Derivatives				0
Total current financial assets	**0**	**87 617**	**0**	**87 617**
Total financial assets	**4 060**	**87 727**	**0**	**91 787**

	Derivatives	Other liabilities	Total carrying amount
		(2)	
Trade & other obligations < 1 year			
Trade payables		14 491	14 491
Advances received		465	465
Financial obligations < 1 year			
Current portion of amounts payable after one year		2 600	2 600
Financial obligations		25	25
Derivatives	1 004		1 004
Total current financial liabilities	**1 004**	**17 581**	**18 585**
Total financial liabilities	**1 004**	**17 581**	**18 585**

(1) is technically considered as held for trading under IAS 39
(2) at amortized cost

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

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
Derivatives held for trade purposes				1 331	0	1 331
	0	**- 405**	**862**	**1 331**	**- 65**	**1 723**

2011 - 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		106	547			653
Financial charges		- 204			- 473	- 677
Derivatives held for trade purposes				- 837		- 837
	0	**- 98**	**547**	**- 837**	**- 473**	**- 861**

30. 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	2012	2011
Non-current assets	48 594	45 240
Current assets	13 915	13 940
Non-current liabilities	-7 478	-7 124
Current liabilities	-4 136	-4 495
Total equity	**50 895**	**47 561**

Income statement In KUSD	2012	2011
Operating result	20 616	25 716
Financial result	50	232
Tax expense	-5 548	-6 458
Result from continuing operations	**15 118**	**19 490**

31. 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	2012	2011
1 year	324	257
2 years	101	23
3 years	96	5
4 years	72	
5 years	33	
	626	**285**

During the year an amount of KUSD 351 (against KUSD 335 in 2011) has been charged in the income statement.

32. Finance leases

In 2010 in the light of further restructuring of the groups' financing the current financial leasing contracts have been terminated.

33. Cash flow statement - business combinations, acquisitions and divestitures

In 2010, the group acquired, through its 95% subsidiary *PT Tolan Tiga Indonesia*, an additional 6.82% in the shareholding of *PT Agro Muko* and the Brazilian companies Bonal SA and Senor Ltd were sold.

34. Rights and commitments not reflected in the balance sheet

Guarantees

An amount of KUSD 76 has been guaranteed by third parties as security for the Company's account and for KUSD 302 for the account of subsidiaries. An amount of KUSD 314 has been guaranteed by *SIPEF* for the account of *Hargy Oil Palms Ltd*.

The various rights and commitments are comprised of call-options (KUSD -92) and put-options (KUSD 72) on the assets of the insurance sector.

Significant litigations

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 2012 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 FOB)
2013	36 000	1 069
2014	27 000	1 068
2015	6 000	1 075
Total	**69 000**	

35. 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	2012	2011
Directors' fees		
fixed fees	269	258
Short-term employee benefits	3 470	3 350
Share based payments	103	
Post-employment benefits	508	501
Benefits in kind (Company car+ cell phone)	47	26
Total	**4 397**	**4 135**

The amounts are paid in EUR. The amount paid in 2012 is KEUR 3 368 (KEUR 2 954 in 2011). The increase is mainly the result of the higher variable remunerations. Starting from the financial year 2007 fixed fees are paid to the members of the board of directors, the audit committee and the remuneration committee.

There were no changes in transactions with related parties compared to the previous annual report, except for the sale to Cabra NV of shares Gedei NV (KUSD 3 512) by *SIPEF*. Cabra NV is the patrimony company of the Baron Bracht family. Given the fact that Baron Bracht, Priscilla Bracht and François Van Hoydonck are directors of Cabra NV as well as of *SIPEF* there was a potential conflict in interest and the procedure as stipulated in article 523 of the Corporate Code was followed.

Description of the transaction:

	In KEUR
Sale at market value at 12/06/2012	2 796
Book value at 12/06/2012 (KUSD 166)	126
Realized capital gain in Sipef group (KUSD 3 346)	2 670

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 200 (KEUR 155) and KUSD 81 (KEUR 62) 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.

36. Earnings per share (basic and diluted)

	2012	2011
From continuing and discontinued operations		
Basic earnings per share		
Basic earnings per share - calculation (USD)	7.69	10.63
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	68 392	95 088
Denominator: the weighted average number of ordinary shares outstanding	8 892 064	8 946 767
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	8 892 064	8 951 740
Effect of shares issued / share buyback programs		- 4 973
The weighted average number of ordinary shares outstanding at December 31	8 892 064	8 946 767
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	7.69	10.63
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	68 392	95 088
Denominator: the weighted average number of dilutive ordinary shares outstanding	8 894 045	8 946 767
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	8 892 064	8 946 767
Effect of stock options on issue	1 981	
The weighted average number of dilutive ordinary shares outstanding at December 31	8 894 045	8 946 767

	2012	2011
From continuing operations		
Basic earnings per share		
Basic earnings per share - calculation (USD)	7.69	10.63
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	68 392	95 088
Denominator: the weighted average number of ordinary shares outstanding	8 892 064	8 946 767
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	8 892 064	8 951 740
Effect of shares issued / share buyback programs		- 4 973
The weighted average number of ordinary shares outstanding at December 31	8 892 064	8 946 767
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	7.69	10.63
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	68 392	95 088
Denominator: the weighted average number of dilutive ordinary shares outstanding	8 894 045	8 946 767
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	8 892 064	8 946 767
Effect of stock options on issue	1 981	
The weighted average number of dilutive ordinary shares outstanding at December 31	8 894 045	8 946 767

37. Events after the balance sheet date

Nihil.

38. Recent IFRS accounting pronouncements

There are no standards or interpretations issued by the IASB which have a significant impact on the financial statements of the *SIPEF* group.

39. 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 to distribute on 3 July 2013 a gross dividend of EUR 1.70 per share, similar to the dividend of previous year, which corresponds to a pay-out of 32.2% on the profit, share of the group, before IAS41, and a fair increase on the ratio of 25.2% applied the previous year.

40. 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 committée and by the board of directors. These fees correspond to an amount of KUSD 101 (against KUSD 106 last year).

For the group, Deloitte has provided services for KUSD 506 in 2012 (against KUSD 554 the year before), of which KUSD 72 (2011: KUSD 134) are for non audit services.

Deloitte.

Deloitte Bedrijfsrevisoren /
Reviseurs d'Entreprises
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Sipef NV

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2012

To the shareholders

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements as defined below together with our report on other legal and regulatory requirements.

Report on the consolidated financial statements – Unqualified opinion with an emphasis of matter paragraph

We have audited the accompanying 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. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, 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. The consolidated statement of financial position shows total assets of 631.842 (000) USD and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 68.392 (000) USD.

Responsibility of the board of directors 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 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. 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 auditor considers internal control relevant to the group's preparation and fair presentation of the 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 company'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.

Deloitte.

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 2012, 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.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is, for all significant aspects, in agreement with the consolidated financial statements and is not in obvious contradiction with any information obtained in the performance of our mandate.

Antwerp, 19 February 2013

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, 2012 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	2012	2011	2010
Assets			
Fixed assets	56 269	61 732	45 588
Formation expenses	0	0	0
Intangible assets	167	296	399
Tangible assets	223	206	160
Financial assets	55 879	61 230	45 029
Current assets	156 605	93 397	85 133
Amounts receivable after more than one year	0	0	0
Stocks and contracts in progress	365	342	528
Amounts receivable within one year	143 546	72 408	51 108
Investments	7 166	15 598	31 274
Cash at bank and in hand	5 425	5 021	2 096
Other current assets	103	28	127
Total assets	**212 874**	**155 129**	**130 721**
Liabilities			
Equity	157 203	64 015	75 220
Capital	34 768	34 768	34 768
Share premium account	16 285	16 285	16 285
Reserves	7 356	7 356	3 990
Profit/ (loss) carried forward	98 794	5 606	20 177
Provisions and deferred taxation	149	165	153
Provisions for liabilities and charges	149	165	153
Creditors	55 522	90 949	55 348
Amounts payable after more than one year	0	0	1 942
Amounts payable within one year	54 866	89 581	52 534
Accrued charges and deferred income	656	1 368	872
Total liabilities	**212 874**	**155 129**	**130 721**

Condensed income statement

In KEUR	2012	2011	2010
Operating income	224 066	238 723	176 690
Operating charges	-219 848	-235 241	-175 264
Operating result	**4 218**	**3 482**	**1 426**
Financial income	45 804	4 012	3 395
Financial charges	-4 265	-3 597	-709
Financial result	**41 539**	**415**	**2 686**
Result on ordinary activities	**45 757**	**3 897**	**4 112**
Extraordinary income	62 652	115	3 723
Extraordinary charges	0	0	-8
Extraordinary result	**62 652**	**115**	**3 715**
Result for the period before taxes	**108 409**	**4 012**	**7 827**
Income taxes	-2	0	-4
Result for the period	**108 407**	**4 012**	**7 823**

Appropriation account

In KEUR	2012	2011	2010
Profit/ (loss) to be appropriated	**114 013**	**24 189**	**33 605**
Profit/ (loss) for the period available for appropriation	108 407	4 012	7 823
Profit/ (loss) brought forward	5 606	20 177	25 782
Appropriation account	**114 013**	**24 189**	**33 605**
Transfers to legal reserve	0	0	0
Transfers to other reserves	0	3 365	0
Result to be carried forward	98 795	5 606	20 177
Dividends	15 218	15 218	13 428
Remuneration to directors	0	0	0

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