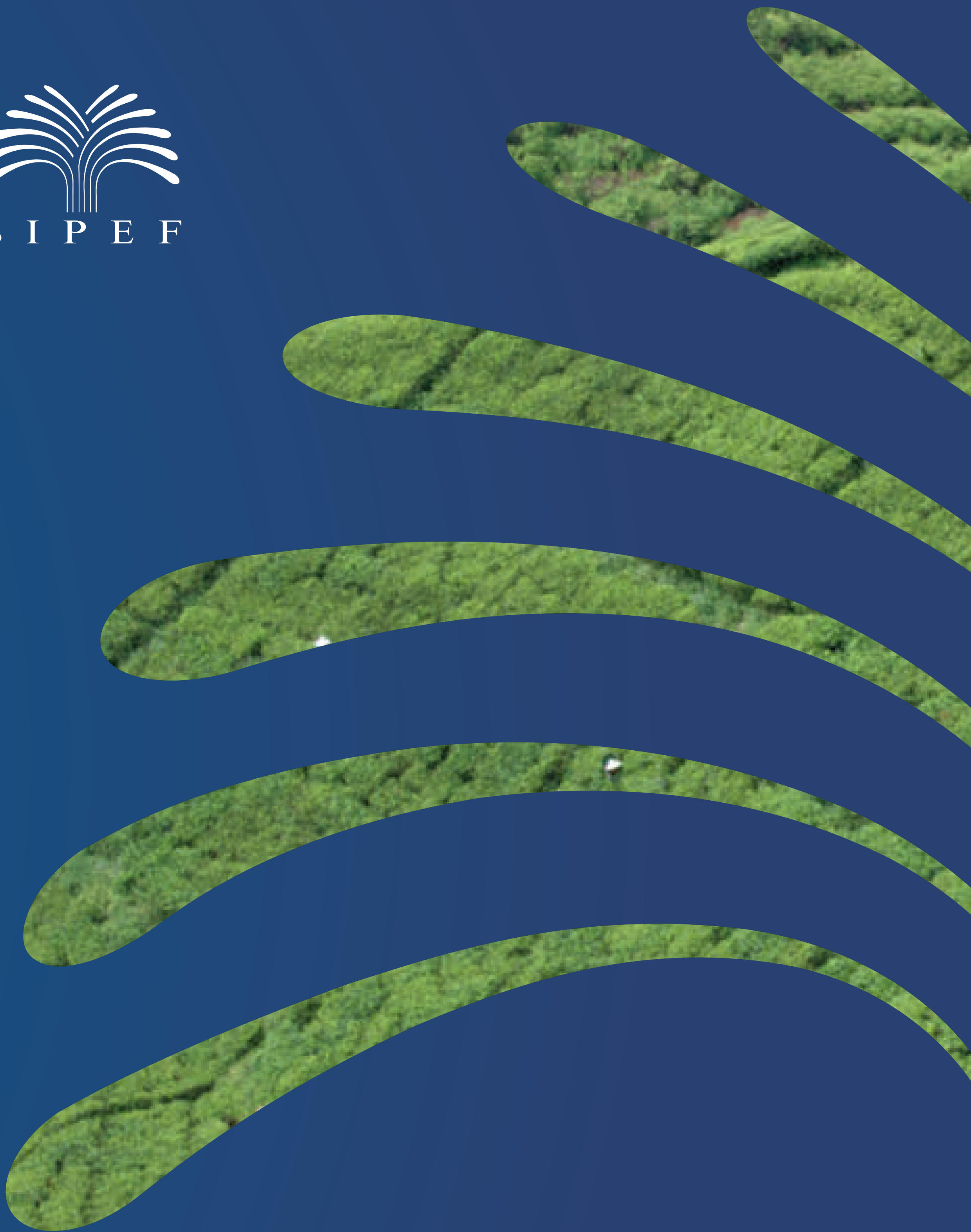
SIPEF



2011
Annual report

Key figures

		2011	2010	2009	2008	2007 Restated
Activity						
Total own production of consolidated companies *(in tonnes)*	palm oil	206 476	192 156	196 368	169 514	171 167
	rubber	8 464	9 608	8 633	9 026	10 033
	tea	2 626	3 097	3 121	6 600	6 237
	bananas	19 297	20 639	20 575	11 046	10 456
Average market price *(USD/tonne)*	palm oil	1 125	901	683	949	780
	rubber	4 823	3 654	1 921	2 619	2 290
	tea	2 921	2 885	2 725	2 420	2 036
	bananas	1 125	1 002	1 145	1 188	1 037

Results *(in KUSD)*	2011	2010	2009	2008	2007 Restated
Turnover	367 661	279 400	237 829	279 402	207 292
Gross profit - before IAS41	136 808	117 682	89 695	92 228	76 797
Operating result - before IAS41	114 090	95 625	73 908	74 066	61 656
Share of the group in the result	95 088	84 843	60 174	58 765	47 289
Cash flow from operating activities after taxes	104 273	77 704	64 400	62 293	63 781
Free cash flow	37 168	33 922	34 593	35 809	33 249

Balance sheet *(in KUSD)*	2011	2010	2009	2008	2007 Restated
Operating fixed assets (1)	385 363	321 512	278 118	254 621	230 089
Shareholders' equity	425 261	368 549	296 918	247 140	199 420
Net financial assets (+)/obligations (-)	47 519	56 484	36 108	14 453	- 8 280
Investments in intangible and operating fixed assets (1)	68 031	37 842	30 847	36 134	31 523

Data per share *(in USD)*	2011	2010	2009	2008	2007 Restated
Number of shares	8 951 740	8 951 740	8 951 740	8 951 740	8 951 740
Equity	47.51	41.17	33.17	27.61	22.28
Basic earnings per share	10.63	9.48	6.72	6.56	5.34
Cash flow from operating activities after taxes (2)	11.65	8.68	7.19	6.96	7.21
Free cash flow (2)	4.15	3.79	3.86	4.00	3.76
Gross dividend (in EUR)	1.70	1.50	1.10	0.80	0.80

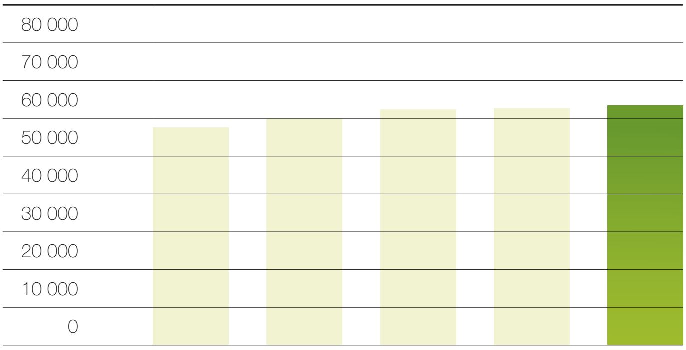
Stock exchange share price *(in EUR)*	2011	2010	2009	2008	2007 Restated
Maximum	75.78	71.93	36.80	53.00	39.90
Minimum	49.01	36.80	18.00	16.80	22.50
Closing 31/12	58.00	71.00	34.78	18.69	39.90
Stock Exchange capitalization at 31/12 *(in K€)*	519 201	635 574	311 342	167 308	357 165

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

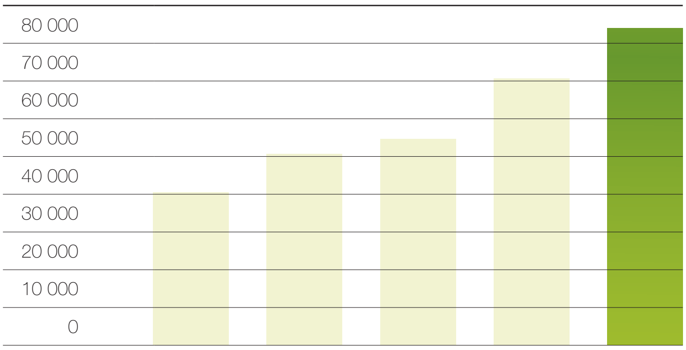
(2) Denominator 2011 = weighted average number of shares issued (8 951 740 shares).

2007 2008 2009 2010 2011

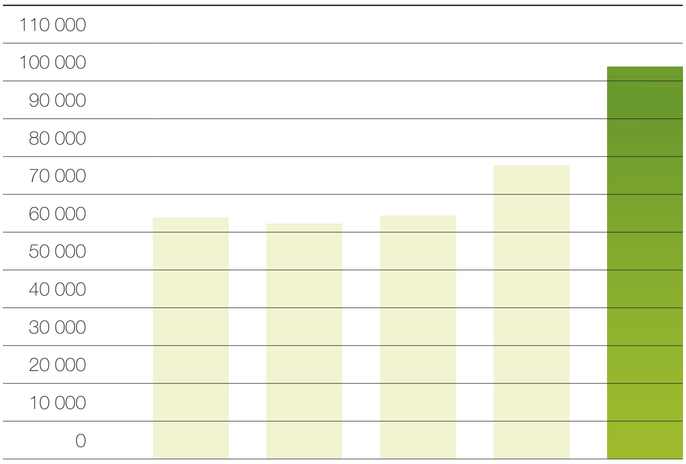
1 Planted area (in hectares)



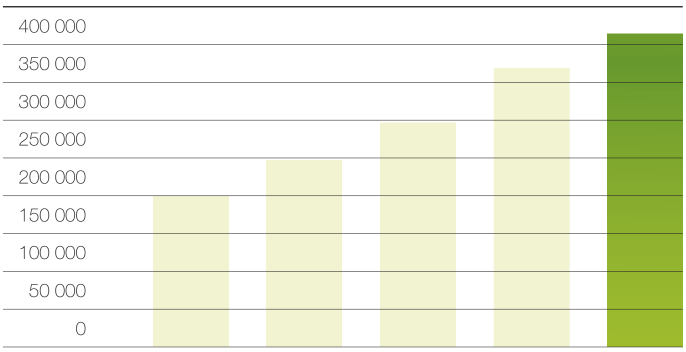
2 Share of the group in the result, before IAS41



3 Cash flow from operating activities after taxes



4 Shareholders' equity



SIPEF

Naamloze vennootschap

Financial Year 2011

Report from the board of directors and from the auditor
presented to the 93rd ordinary general meeting on 13 June 2012

Financial calendar

Periodic and occasional information concerning the company and the group is communicated prior to the opening of the stock market at the following times:

– the interim report for the first 3 months on 26 April 2012;

– the half-year results on 17 August 2012;

– the interim report for the first 9 months on 25 October 2012;

– and the yearly results in February 2013, together with the comments on the group's activities;

– in accordance with applicable legal regulations, a separate press release is issued for each important event that could have an influence on the company's and the group's results.

The following ordinary general meeting will be held on 12 June 2013 at 15:00h at Kasteel Calesberg, 2900 Schoten.

Useful addresses

The individuals responsible for the financial reporting are:

François Van Hoydonck
Johan Nelis

Tel 32/3/641.97.00
Fax 32/3/646.57.05
e-mail: finance@sipef.com

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Register Legal Persons Antwerpen
B.T.W. BE-0404.491.285

Content

Significant events for the SIPEF group

February

Voluntary public bid for the remaining shares in *Jabelmalux SA*.

June

Jabelmalux SA is withdrawn from the stock exchange listing.

July

Distribution of a gross dividend of EUR 1.50 per share.

The first license acquired (10 500 hectares) in the Musi Rawas region.

September

Start of program to acquire the company's own shares for a maximum of EUR 10 million.

November

Succesful full conclusion of the voluntary public bid for the remaining shares in *Jabelmalux SA*, as a result of which the group now owns 99.3% of the shares.

December

Acquisition of a second license (9 000 hectares) in the Musi Rawas region.

January – December

Palm oil production rises by 7.9 percent. Rubber, tea and banana volumes reduce slightly.

Higher sales prices lead to a rise in operating results before IAS41 by 19.3%.

Net IFRS results, group share, amount to KUSD 95 088, representing an increase of 12.1% over the previous year and yet again a record for the *SIPEF* group.

The group's cash position is safeguarded.

Proposal for distribution of a gross dividend of EUR 1.70 per share, a rise of 13.3% in relation to the previous year.

Continued oil palm and rubber expansion in Indonesia and Papua New Guinea.

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 64 088 hectares.

Principal activities

SIPEF is a Belgian agro-industrial company quoted on the Euronext Brussels stock exchange.

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

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

It invests mainly in recently industrialised countries.

Company strategy

Management

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

Customers

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

Employees

In order to optimise the management of the plantations, we attach great importance to the training of our local employees, both in agricultural and management techniques.
The group's policy concerning agricultural, technical, environmental and general aspects is detailed in manuals containing practical guidelines to achieve these goals. Training sessions support proper implementation of these policies. We see to it that all employees are able to work in a healthy and safe environment.

Environment

The group recognises that, in addition to its statutory and commercial obligations, it bears responsibility towards the communities and environment in which it operates. In order to preserve the environment, the group applies ecologically-responsible agricultural policies that comply with the principles and criteria of the "Rountable 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.

"The Connection to the World of
Sustainable Tropical Agriculture"

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
Baron de GERLACHE de GOMERY	Director
Regnier HAEGELSTEEN	Director
Sophie LAMMERANT-VELGE	Director
Richard ROBINOW	Director

Auditor

DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Dirk Cleymans	Auditor

Management

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

Organogram

Nursery with young oil palms


SIPEF
50% 50%
ASCO NV
50% 50%
B.D.M. NV
95% 95%
PT TOLAN TIGA INDONESIA
95% 90%
PT EASTERN SUMATRA INDONESIA
57% 57%
PT KERASAAN INDONESIA
95% 95%
PT BANDAR SUMATRA INDONESIA
95% 95%
PT TIMBANG DELI INDONESIA
95% 90%
PT MUKOMUKO AGRO SEJAHTERA
47% 45%
PT AGRO MUKO
95% 94%
PT MELANIA INDONESIA
95% 94%
PT UMBUL MAS WISESA
95% 94%
PT CITRA SAWIT MANDIRI
100% 99%
P.T. TOTON USAHA MANDIRI
32% 32%
SIPEF-CI SA
100% 100%
PLANTATIONS J. EGLIN SA
50 % 50 %
SOGRAKIN SCARL
99% 99%
JABELMALUX SA
100% 100%
HARGY OIL PALMS LTD
100% 100%
GALLEY REACH HOLDINGS LTD
INSURANCE
INDONESIA
AFRICA
EUROPE
PACIFIC
percentage of control
percentage of interest

Baron Bracht, Chairman

Message from the chairman

Ladies and gentlemen,

I have great pleasure in presenting to you our annual report along with the consolidated accounts for the group and the public company. These will be submitted to the 93rd annual general meeting to be held on 13 June 2012.

We can describe 2011 as being a record year in the history of *SIPEF*. Following the increase in results in 2008, 2009 and 2010, this financial year once again discloses a consolidated result that substantially exceeds that of previous years, and which is based primarily on strong market prices for our four basic activities, namely palm oil, rubber, tea and bananas.

Indonesia is gradually pursuing the path of political stability and economic development, based upon a strong internal market. Appreciation has been shown for this on international financial markets by means of a strong currency and declining interest rates. The growth of the economy, without marked inflation, also means that there is financial scope for improving the infrastructure and addressing corruption.

Despite the excellent prospects for significant income flows from the nascent liquid natural gas (LNG) projects, there were important political power shifts in Papua New Guinea. Fortunately, these were battled out at the level of the legislative chambers without jeopardising the country's stability. The new government has international support to reinvigorate the country with the resolve it needs in order to work out a long-term vision, free of corruption.

Unfortunately, the same cannot be said of the Ivory Coast. The elections of November 2010 perverted last year into a full-blown civil war that paralysed the country for six months and caused a great deal of economic damage. In June 2011, however, we were introduced to a government with strong international support and considerable belief in the future of the country. The vicissitudes of war cut the profitability of our banana and flower activities in half but did not cause any lasting damage to the production equipment.

The financial crisis that put such a heavy brake on the economy in Europe and America has had little influence in the countries where we operate.

The basic principles of the market for palm oil have remained intact, characterised by ever increasing consumption in most parts of the world, accompanied by a growing supply (mainly from Indonesia), which is more or less keeping pace with demand. Price volatility is therefore significantly determined by disrupted weather patterns affecting the production of soya beans in South America, grain crops in North America and palm oil in the Far East.

Doubts concerning an adequate supply of vegetable oils kept prices up for the first trimester of the year. At that point, adverse reports about the limited growth in the developed countries started to gain the upper hand, so that prices gradually started to decline. The price of palm oil finally stabilised just above USD 1 000 per tonne. This level continued through the start of 2012, driven by new reports concerning the adverse impact of the weather on the volumes that could be supplied. We may only anticipate a reduction in the prices once it becomes apparent that there will be sufficient supply during the second semester.

An adjustment to the export tax system in Indonesia came as an unpleasant surprise in November. The idea behind this is to expand a home-grown industry in the country itself, with the industry also receiving financial breaks further along the chain in relation to producers of raw palm oil. We must not lose sight

Message from the chairman

here of the fact that the agricultural businesses at the start of the chain are very labour-intensive and thus operate as the providers of employment within the sector.

Despite the adverse influence of the weather in northern Sumatra, *SIPEF* still managed to record an increase of nearly 8% over the 2010 levels in the volumes of palm oil that were produced. These are the first results of the efforts made in recent years towards rejuvenating and expanding the oil palm plantations in both Indonesia and Papua New Guinea.

In this context, I am absolutely delighted that the efforts of our teams in seeking out new areas are finally being rewarded with the acquisition of two or possibly three licences to develop a maximum of 30 000 hectares of palm and rubber in southern Sumatra. While we have no clear idea as yet about the final size of these expansions, we are optimistic about the future of *SIPEF* in this region, which is very fertile in agronomic terms and which will likewise not provide us with any problems from an ecological perspective, due to our RSPO sustainability criteria. The ultimate success will depend on the willingness of the local population to allow us to use their land, in return for payment, to develop employment in the district.

Weather patterns also had an impact on our production volumes of natural rubber last year, but the prices rose to unprecedented levels at the start of 2011 as a result of strong demand from the Far East. It was only when the European markets dropped out as a result of negative financial news that global prices for natural rubber fell sharply, only to rally again once they had bottomed out at the end of 2011. The long-term prospects for natural rubber remain absolutely positive, driven by strong demand and fairly inflexible supply. *SIPEF* will also definitely be devoting part of its expansion plans to rubber.

In the past, *SIPEF* has made substantial investments with a view to developing a quality tea in Cibuni in Indonesia. We are now reaping the benefits of this, with a reputation that is allowing us to sell our teas in the Middle East for prices that are significantly above the market average. We believe in the strategy of continuing to offer our purchasers hand-picked, high-quality tea, despite the ever reducing employment pool in the region.

Despite a thoroughly difficult year in the Ivory Coast, imports of bananas and flowers to Europe continue to make a fair contribution to the results. This operation is based on long-term relationships with some high-profile customers who are prepared to honour our annual pricing and volume agreements. The reduction in European import taxes for dollar bananas has not permeated through to the sale price for high-quality bananas from Africa, which are highly appreciated in the south of Europe and the United Kingdom.

The insurance operations which we share with Ackermans & van Haaren underwent a requisite restructuring in 2010 in order to transform the two stalwarts of marine and property insurance into profitable activities. We can see the initial results of this in the growth of premiums. We may also anticipate increasing profitability from 2012 onwards.

Following a successful public bid for the shares in *Jabelmalux SA*, the listing of this company, which is now fully integrated within the *SIPEF* group, on the stock exchange in Luxembourg was suspended in June. This transaction coincides with the policy of building up a larger stake, where possible, in assets in which we have previously invested.

The groups expansion plans are developing positively on a number of fronts. The *PT UMW / PT TUM* project in North Sumatra has now achieved its maximum size and the first fruit is being processed in Perlabian. From next year, this will be done in our own factory. *SIPEF* is initiating its own oil palm project in the province of Bengkulu: *PT MukoMuko Agro Sejahtera (PT MMAS)* has as its aim to ensure that the factories of Agro Muko can reach their full processing capacity. We may find the hectares in South Sumatra that *SIPEF* can assemble into the size desirable for the group, in both palm oil and the production of natural rubber. All of these expansions go hand-in-hand with the creation of associated employment opportunities in areas where agriculture is often the main employer. This demands a significant investment on the part of *SIPEF* in infrastructure, new housing and facilities that should let us form long-term bonds between the workers and the group.

The expansions at *Hargy Oil Palms Ltd* in Papua New Guinea are running a little behind schedule for logistical reasons, but we have laid the foundations for doubling our activities on the island of New Britain to more than 20 000 hectares. A start has now been made on construction of the much-needed third extraction mill.

These significant investment budgets obviously will have an impact on future cash flows within the group, but there is no intention whatsoever of returning the group to a systematic debt position. The expansion must be viewed in the context of a long-term plan that allows *SIPEF* to continue to grow, while also taking account of a fair annual distribution to the shareholders.

SIPEF also continues to set an example in the area of sustainability within tropical agriculture. We can confirm that, due to the certification of all of our palm oil mills for the principles and criteria of the 'Roundtable on Sustainable Palm Oil (RSPO)' and the immediate integration of expansion plans within the RSPO procedures, *SIPEF* continues to market exclusively sustainable palm oil. This means that we are making a significant contribution towards undermining the arguments that expansion in the production of palm oil is not ecologically and socially responsible. *SIPEF* and its employees invest in sustainable development on a daily basis. Hopefully, the palm oil consumers will also be prepared to confine the palm oil that they use in the processing of their products to sustainable palm oil.

SIPEF has received the approval of the UNFCCC for its investment in the capture of methane gas released from the wastewater at our palm oil extraction mills in North Sumatra. This provides entitlement to "Certified Emission Reductions" (CERs), which we can then sell on the European market.

We have also obtained a certification for the use of palm oil for green energy purposes in Europe. Our intention is to incorporate these systems into the factories currently being constructed and to introduce them gradually in the other existing installations. This allows us to make a limited contribution to repressing the emission of harmful gases.

I would therefore like to congratulate all of the employees of *SIPEF* for their efforts in ensuring that we achieve and respect standards, both social and environmental. This is always combined with a consideration for profitability standards that the group imposes upon itself as an industrial enterprise listed on the stock exchange. This applies not just to palm oil production but also to the other group activities.

For some years now, we have also been working, through a separate foundation, on setting up a biodiversity project in the province of Bengkulu. We

Message from the chairman

continue to endeavour to secure the requisite political support with a view to obtaining the licenses we need in order to protect a buffer zone of roughly 12 000 hectares, adjacent to a national park, against deforestation and development. We have now initiated two further projects in the same region: one to protect threatened species of seaturtles and another for research into the biotope of protected woodland areas within the palm oil plantations.

Due to the exceptional market situation for most of our activities and the growth in our palm oil production, *SIPEF* closed its financial year with a consolidated result, share of the group, of KUSD 84 681. Once again, this is a record amount in the history of our company and represents a 19.89% improvement over the results of 2001. If we take account of adjustments of the biological fixed assets to fair value, then the result, share of the group, amounts to KUSD 95 088 according to IFRS standards. This signifies an increase of 12.1% over last year's record figure.

My gratitude goes out to all of the employees of the *SIPEF* group who have contributed, each at their own level and activity, to the achievement of such an outstanding result. It remains extremely important for the management and employees to retain their focus, in these times of exceptional market prices, on cost management as well as the efficiency of the production units. The economically healthy environment within which our primary activities are undertaken in the Far East is resulting in strong currencies, inflation and an increase of wages and salaries. This will clearly start to exert some pressure on cost prices.

Despite the expanded investment budget and the distribution of dividends, the cash position that had been built up over recent years was largely retained at the close of the financial year. This will allow an increased dividend to be distributed to the shareholders, due to the rise in the results. We are accordingly delighted to confirm that our board of directors will be proposing a dividend of EUR 1.70 gross, to be paid on 4 July 2012.

Bearing in mind the sales of our primary basic products that have already been achieved, it seems that we should be heading for favourable results once again during the current financial year. The final profits will depend, to a large extent, on price movements in the raw materials markets during the second semester of 2012, potentially influenced by the negative growth prospects and the financial crisis in the European Union.

The long-term prospects for palm oil and rubber undoubtedly continue to be favourable, due to a strong demand from the Far East, where growth is being sustained by an important internal market and a rising middle class, although the supply side continues to be subject to the vicissitudes of the weather and limitations on the growth of areas available for agriculture.

22 February 2012

Baron Bracht
Chairman

Rubber nursery

Annual report from the board of directors

To the ordinary general meeting of 13 June, 2012

Dear shareholders,

We are honoured to bring you a report about the activities of our company during the past financial year and to present you with the individual and consolidated annual financial statements, balanced on 31 December, 2011, 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 Corporate Code.

The report also includes an abbreviated version of the statutory annual financial statements (page 139), drawn up in accordance with Article 105 of the Corporate Code and the integral version of the consolidated annual financial statements (page 79). The complete individual annual financial statements are deposited at the National Bank of Belgium, in accordance with Articles 98 and 100 of the 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, 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 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 types of shares, are available on the website (www.sipef.com).

With respect to the share option plan, 22 000 new options were assigned in 2011. The options that were assigned as of 31 December 2011 and options not yet exercised collectively provide the right to the acquisition of 22 000 *SIPEF* shares (0.25 percent).

1.2. Activities

For an overview of the main activities of the *SIPEF* group during the 2011 financial year, we refer to the 'Message from the Chairman' (page 11).

1.3. Explanation of the simple annual account

1.3.1. Financial situation as at 31 December 2011

SIPEF's statutory annual financial statements have been drawn up in accordance with the Belgian accounting legislation.
The company's balance total as at 31 December 2011 is KEUR 155 129 compared to KEUR 130 721 the previous year.

The increase of the financial fixed assets primarily concerns the acquisition of additional shares in the group company *Jabelmalux SA* (KEUR 13 442) and the creation of the two new Indonesian branches *PT Agro Rawas Ulu* and *PT Agro Kati Lama* (KEUR 2 757). The increase of the floating assets is attributed primarily to a temporary increase in the trade receivables. Also note that KEUR 3 365 worth of private shares were purchased during the financial year, for which an unavailable reserve was created.

SIPEF's private capital before profit distribution is KEUR 79 233, which corresponds with EUR 8.85 per share.

The statutory results of *SIPEF* are determined to a significant degree by dividends and added/subtracted 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 simple result of financial year 2011 is KEUR 4 012 compared to a profit of EUR 7,823,000 in the previous financial year.

1.3.2. Allocation of the returns

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

Profit carried over from the previous financial year	20 177
Profit from the financial year	4 012
Total to be allocated	24 189
Addition to the other reserves	3 365
Payment to the shareholders	15 218
Profit to be carried over	5 606

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 or EUR 1.343 for the coupons that are being offered along with a VVPR strip coupon (withholding tax of 21 percent instead of 15 percent, due to new fiscal rules).
If the ordinary general meeting approves this proposal, the dividends will be payable from 4 July 2012.

1.4. Prospects

The returns 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 financial year 2011, no significant events that could noticeably affect the development of the company have occurred.

1.5.2. Additional compensations auditor

In accordance with Article 134, paragraphs 2 and 4 of the Corporate Code, we also inform you that aside from the normal bonus (as approved by the general meeting) no additional bonus was paid to the auditor. We paid KEUR 57 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 comany's obligations under the stock option plan and as a temporary investment of the liquidity excesses.

The situation as per 31 December 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 2011, the following points in the Articles of Association were changed:

- Name change from *SA SIPEF NV* to *SIPEF*;
- Change of registered office from Entrepotkaai 5, 2000 Antwerp to Calesbergdreef 5, 2900 Schoten;
- Renewal of the authorised capital;
- Change regarding the composition of the remuneration committee and of the audit committee;
- Change in the new legislation regarding the rights of the shareholders.

1.5.6. Announcement based on the Legislation of 1 April, 2007, regarding the public take-over bids

Ackermans & van Haaren NV (AvH) and acting in consultation with Baron Bracht, Cabra NV and GEDEI NV, have announced by letter, dated 6 September, 2011, that together they own 38.89 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 29 May, 2009, 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 business risks as evaluated by the management and the board of directors. Each of these risks could have a significant negative impact on our financial situation, business returns or liquidity and could lead to special impairment losses on the assets. There could be risks that the *SIPEF* group currently assumes to be limited, but which ultimately could have a significant negative effect. There could also be additional risks that the group is not aware of.

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

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

The realised turnover and margin are dependent to a significant degree on the **fluctuations in the market prices** of mainly palm oil and palm kernel oil. A change in the price of palm oil of USD 10 CIF a tonne has an impact of about USD 1.2 million per year on the result, after taxes.

The volumes produced and thus realized profit and margins are affected to some degree by **climatological conditions** such as precipitation, sunshine, temperature and humidity.

In view of the fact that the majority of the investments of the *SIPEF* group is located in developing countries (Indonesia, Papua New Guinea and Ivory Coast), the **geo-political developments** in this region are an extra point of interest to the management. The recent past has shown that the possible unrest in these countries has a limiting effect on the net returns of the group, subject to the impact of the 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 properties, which fit into the sustainability politics of economically responsible terms and conditions. If the group does not succeed in this, this could put pressure on the 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, such as discussed in the financial part of this annual report;
- risks related to social actions;
- risks related to information technology systems;
- risks related to regulations;
- risks related to legal matters;
- risks related to internal audit;
- risks related to fiscal inspection;
- risks related to environmental liability;
- ...

2.2. Explanatory notes to the consolidated annual financial statements.

The consolidated accounts regarding financial year 2011 are drawn up in accordance with the International Financial Reporting Standards (IFRS).

The consolidated balance total as of 31 December 2011 is KUSD 567 291, an increase of 13.33 percent compared to the balance total of KUSD 500 556 at the end of 2010. The main explanation of this increase is the additional investments in the plantations and installations, financed by the cash and cash equivalents generated during the financial year. The balance of the cash and cash equivalents was used to pay back the financial short-term obligations. The net fiscal position at the end of 2011 was KUSD 47 519 compared to KUSD 56 484 at the end of 2010.

The consolidated equity capital of the *SIPEF* group, the group's share prior to profit distribution, has increased to KUSD 425 260. This corresponds to USD 47.51 per share.

Rising palm oil production, but mainly higher selling prices for palm oil and rubber are the key reasons for the sharp increase in turnover (+31.6%) compared to 2010.

The cost of production denominated in USD was negatively influenced by the effects of local inflation and the revaluation of the Indonesian rupiah (3.3%) and more importantly the kina in Papua New Guinea (14.1%) against the USD. Besides that, the cost of sales of Indonesian palm oil was driven higher as a result of the export tax. The average extra burden for the group amounted to USD 201 per tonne in 2011 as compared to USD 43 per tonne in 2010.

The gross profit rose by 16.3% in which the share of palm oil grew to 79.1%. The share of rubber in the total gross profit remains stable around 16.5%, despite the slight drop in volumes. The margins on tea came under pressure due to lower quantities and the high labour intensity of this activity. The margin on our banana activities suffered from the civil war in the Ivory Coast during the first half of the year.

The other operating charges in 2010 were affected by the non-recurrent depreciation on the *PT CSM* estate that no longer fits in our sustainability policy and by the capital gains on the sale of the Brazilian assets. In 2011 the other operating income is limited to the usual capital gains on the sales of assets in the estates.

Taking these above mentioned elements into account the operating result before IAS41 increased by 19.3%.

The financial income and charges remained largely in balance and in view of the limited influence of exchange variations, thanks to a consistent hedging policy, the financial results were rather limited.

The average tax expense, that amounts to 26.6%, was favourably influenced by deferred tax calculations on temporary timing differences in valuation of non-monetary assets in the USD consolidation and in the local accounts, whereby the effective tax expense before IAS41 arrives at 22.8%.

The participation in the insurance sector focuses on the core activities marine and general risk insurance. The recurrent results suffered from temporary lower technical results and due to the restructuring costs the net share in the associated participations closed only marginally positive. The contribution for 2010 was affected by capital gains (KUSD 2 578) on the sale of activities in The Netherlands and in Belgium.

The profit for the period, without taking into account the movements related to IAS41, amounts to KUSD 90 286 and is again a new record for *SIPEF* (+19.7%).

The IAS41 adjustment consists of substituting the depreciation charge in the cost of sales with variation in "fair value" of the biological assets between end 2010 and end 2011, less planting costs and associated deferred tax charges. The gross variation in biological assets amounted to KUSD 28 611 and arose mainly from the expansion of our oil palm areas of our *PT UMW* and *PT CSM* estates in Indonesia and of *Hargy Oil Palms Ltd* in Papua New Guinea, the increase in maturity of the newly planted areas as well as the rise in the long term averages of the palm oil, rubber and tea prices. The effect of the rising cost of production was largely compensated by the effect of a drop in the applied discount rate. Planting costs of KUSD 17 505 reduced the net impact before taxes to KUSD 15 238, which is the basis for the average deferred tax calculation of 25.9%. The net positive IAS41 impact, share of the group, amounts to KUSD 10 407.

The net IFRS result, share of the group, IAS41 adjustments included, amounts to KUSD 95 088 and is 12.1% higher than last year.

2.3. Significant events after the close of the financial year

Since the close of financial year 2011, 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 in 2011.

2.5. Financial tools

Within the *SIPEF* group, we make limited use of financial tools for risk management. These are financial tools 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 the *SIPEF* has built long-term relationships with.

2.6. Prospects for 2012

The palm oil productions are overall in line with expectations, with slightly rising amounts again in Agro Muko in the province of Bengkulu and in the majority of plantations in North Sumatra. Only in *Hargy Oil Palms Ltd* in Papua New Guinea has a small decrease in the production been established for the time being. This is because of the many rainy days at this time of year, which makes harvests and transport more difficult and increases the acidity of the oil produced. The rubber and banana volumes are moving in a rising line, but, as it did in the previous year, the tea production suffered again due to lack of sunshine. Expectations are still positive, however.

The growing perception that the projection for South American soy and corn harvest could be lowered more in the coming weeks, has kept the prices for vegetable oils high. The price of palm oil is well above USD 1 000 CIF. Since it is no longer expected that the demand by China and India will decrease in the coming months, the prospects are now more positive than at the beginning of the fourth quarter of last year. This situation will only change if the next harvests in the United States and the monsoon rains in India evolve positively, which would make it possible to build up new supplies again.

In January the Thai government announced its intention to intervene in the local market with the purchase of 200 000 tonnes of rubber at USD 3 700 ex-mill gate while the market price was around USD 2 800 at that time. This news boosted the prices. Recent reports that wintering started earlier in Southeast Asia and possibly may take longer, pushed the price from RSS3 again above USD 4 000.

Reports in January about a sudden frost in tea growing areas zones of Kenya stimulated the market. The fear that the high quality tea would also be affected negatively gave a strong push to the interest in our very much appreciated Melania tea. The European sales prices for bananas are also evolving positively, because the supplies from Central America and the Caribbean are lower than expected.

At this time, 45 percent of the expected annual production of palm oil has already been sold at average prices, which exceed the equivalent of USD 1 100 CIF Rotterdam. In addition, a quarter of the rubber volumes have been sold in a rising market at an average of USD 3 648 FOB, just like 22 percent of the tea, at prices that for the time being are 10 percent lower than those of last year. We have also continued our market strategy for bananas, with fixed prices for the entire year. We may therefore assume that a significant portion of the expected income for 2012 is already covered.

The realized sales, combined with the signs of continuing strong market prices for palm oil, rubber and tea in the next few months, allow us to decide that we are once again on our way to a good year with good profit expectations for the *SIPEF* group.

Annual report from the board of directors

The final result will depend to a large degree on reaching the expected production volumes, the strength of the market prices in the second half of the year, the export tax on palm oil in Indonesia and the evolution of the cost prices, which are influenced, among others, by the strength of the local currency compared to the USD.

After we had already obtained a permit for the potential expansion to 10 500 hectares for our activities in South Sumatra in July of 2011, we received a license for a second zone of a maximum 9 000 hectares in the same region in December. Both projects require that at least 20 percent must be developed for the local population. There are also on-going discussions about obtaining a third license, which should complete our expansion in this region. After the required examinations and audits were carried out to ensure that these expansions will fit into the sustainability profile of the group and the principles and criteria of the RSPO, we can over the next three years, gradually compensate the land owners for the use of the land. The final scope of these expansions will depend on the success of these compensations and the willingness of the local communities to welcome an industrial expansion that would provide employment in the region.

Thanks to the available cash reserves and the positive price expectations, *SIPEF* is in the ideal position to successfully carry out these expansion programs, along with the expansion that is already going on in the province of Bengkulu and in Papua New Guinea. Furthermore, this can be done without building up a structural debt position.

2.7. Explanation of the responsibilities

The undersigned declare that, to their knowledge:

– the consolidated accounts of the financial year ending on 31 December, 2011 were drawn up in accordance with IFRS (International Financial Reporting Standards) and that they provide an accurate picture of the consolidated financial position and of 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 2011 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, 22 February, 2012.

François Van Hoydonck
Managing Director

Baron Bracht
Chairman

Quality control of the rubber sheets


Baron Bracht


François Van Hoydonck


Baron Bertrand


Priscilla Bracht


Baron de Gerlache de Gomery


Regnier Haegelsteen

Board of directors

Jacques Delen

Antoine Friling

Sophie Lammerant-Velge

Richard Robinow

Corporate governance statement

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

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.

2. Board of directors

2.1. Membership

The board of directors consists of ten members.

	end of term of appointment
Baron Bracht, ***Chairman***	**2014**
François Van Hoydonck, ***Managing Director***	**2015**
Baron Bertrand, ***Director***	**2012**
Priscilla Bracht, ***Director***	**2014**
Jacques Delen, ***Director***	**2012**
Antoine Friling, ***Director***	**2015**
Baron de Gerlache de Gomery, ***Director***	**2012**
Regnier Haegelsteen, ***Director***	**2015**
Sophie Lammerant-Velge, ***Director*** *(since September 2011)*	**2015**
Richard Robinow, ***Director***	**2015**

The board of directors will propose to the ordinary general meeting on 13 June 2012 that the mandates of Baron Bertrand and Jacques Delen (as non-executive directors) should be renewed for a period of four years, to expire at the general meeting of 2016.

Baron de Gerlache does not wish to renew his terms of office. We wish to thank the Baron for the eight years during which he was managing director (1990-1998) and for the many suggestions he has made to the groups' management team as a director during the past 22 years. His insights and unrivalled knowledge of tropical regions have undoubtedly assisted *SIPEF* to become the healthy financial enterprise it now is.

2.2. Non-executive and executive directors

François Van Hoydonck has been managing director since 1 September 2007 and does not represent any reference shareholders.

The remaining nine directors are non-executive directors. The non-independent directors, Baron

Bracht and Priscilla Bracht, represent the Bracht family. Baron Bertrand and Jacques Delen represent Ackermans & van Haaren. Ackermans & van Haaren, in consultation with Baron Bracht, affiliated to Cabra NV and GEDEI NV, have intimated that they possess more than 30% 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);
Baron de Gerlache de Gomery:
Floridienne, Texaf and Quest For Growth;
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) and REA Vipingo Plantations Ltd (Kenya).

2.3. Independent directors

Regnier Haegelsteen (until 1 July 2011)
Antoine Friling (from June 2011)
Sophie Lammerant-Velge (from September 2011)

Under the transitional provisions of the Act dated 17 December 2008, the independent nature of the mandate of Regnier Haegelsteen expired on 1 July 2011.
Antoine Friling and Sophie Lammerant-Velge were appointed as independent directors for a period of 4 years at the general meeting of 8 June 2011 and extraordinary general meeting of 23 September 2011 respectively. Both of them fulfil all of the independence criteria set out in article 526 ter, Belgian Corporate Code.

2.4. Activity report

The board of directors of *SIPEF* met five times in the course of 2011. 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	**5/5**
Baron de Gerlache de Gomery	**4/5**
Regnier Haegelsteen	**5/5**
Sophie Lammerant-Velge	**2/2**
Richard Robinow	**4/5**

During 2011, 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 19 September 2011 concerning the group's strategic development, based on a business plan covering ten years.

At its meeting on 23 February 2011, the board of directors discussed the relationship between itself and the management committee, in accordance with article 2.7 of the Charter and in the absence of the executive director. The directors concerned expressed satisfaction about the transparency and excellent collaboration between the two bodies. In this context, they passed on a few suggestions to the executive director.

The directors also assessed the size, composition and operation of the board of directors, paying particular attention to its 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 reports, familiarity with the sector, experience of management of a company and operation of financial markets – within the current composition of the board of directors.

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.

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. Audit committee

3.1. Membership

The composition of the audit committee was thoroughly overhauled during the course of the year as a result of amended legislation. The current membership is as follows:

Regnier Haegelsteen
– chairman, independent *(until 1 July 2011)* and non-executive director;

Antoine Friling *(from 8 June 2011)*
– independent and non-executive director;

Sophie Lammerant-Velge *(from 23 September 2011)*
– independent and non-executive director.

Departures during the year:

Priscilla Bracht *(until 21 February 2011)*
– non-executive director;

Baron de Gerlache de Gomery *(until 16 August 2011)*
– non-executive director.

It was confirmed, in accordance with article 526 bis, 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.

3.2. Activity report

The audit committee met on four occasions during 2011. 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 of the procedures for valuing biological assets in the context of IAS 41. Finally, the audit committee also held a private session on each occasion with the auditor, but in the absence of members of the executive board.

In November, in addition to considering internal audit committee reports from Indonesia, *Hargy Oil Palms Ltd* and the insurance issue, 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 from Ackermans & van Haaren.

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

4. Remuneration committee

4.1. Membership

There was a fundamental alteration in the membership of the remuneration committee in order to fulfil the new membership criteria (a majority of independent directors) as proposed in article 526 quater of the Belgian Corporate Code. The current membership is as follows:

Regnier Haegelsteen
- chairman *(from 8 June 2011)*, independent *(until 1 July 2011)* and non executive director;

Antoine Friling *(from 8 June 2011)*
- independent and non-executive director;

Sophie Lammerant-Velge *(from 23 September 2011)*
- independent and non-executive director.

Departing:

Baron Bertrand *(until 8 June 2011)*
- chairman and non-executive director;

Baron Bracht *(until 8 June 2011)*
- non-executive director.

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

4.2. Activity report

The remuneration committee met twice in 2011, on 15 April and on 21 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 amounts and payment formats for the variable remuneration and individual remuneration terms for the management committee members. Other recommendations related to salaries and variable remunerations for board members of subsidiary companies who reside abroad. At the meeting of 21 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.

5. Management committee

5.1. Membership

François Van Hoydonck
- managing director

Matthew T. Adams
- external visiting agent

Didier Cruysmans
- manager Estates Department

Thomas Hildenbrand
- manager Marketing Bananas and Flowers

Johan Nelis
- Chief Financial Officer

Paul Nellens
- manager Marketing Commodities

Corporate governance statement

From left to right: François Van Hoydonck, Didier Cruysmans, Paul Nellens, Thomas Hildenbrand, Johan Nelis, Matthew T. Adams

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

5.2. Report on operations

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.

6. Remuneration report

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 payment and a variable payment depending on the consolidated record results of the *SIPEF* group (see also under 'Policy on 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. 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.

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 approved by the general meeting of 8 June 2011) and depends in particular upon the consolidated recurrent results, before IAS 41, 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 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.

6.3. Remuneration of executive and non-executive directors

The remuneration for the directors, for the financial year 2011, was set at a fixed annual amount of KEUR 23 for the chairman and KEUR 20 for each director. The members of the audit committee received 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 itself.
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 2011 in the form of payments for 2011, were:

	In KEUR
Baron Bracht, ***Chairman***	**24**
François Van Hoydonck, ***Executive Director***	**20**
Baron Bertrand	**21**
Priscilla Bracht	**21**
Jacques Delen	**20**
Antoine Friling	**24**
Baron de Gerlache de Gomery	**22**
Regnier Haegelsteen	**26**
Sophie Lammerant-Velge	**8**
Richard Robinow	**20**

6.4. Remuneration of members of the management committee

The fixed and variable remuneration elements and the other benefits awarded and paid to members of the management committee in 2011, 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 the management committee	Total	Relative interest
Fixed payment	292	1 039	1 331	53.17%
Variable payment	336	728	1 064	34.66%
Group insurance	201	157	358	11.67%
Benefits in kind *(company car)*	3	12	15	0.50%
	832	1 936	2 768	100.00%

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

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

Due date	31 December 2021
Exercise price	EUR 56.99
François Van Hoydonck	6 000
Matthew T. Adams	2 000
Didier Cruysmans	2 000
Thomas Hildenbrand	2 000
Johan Nelis	2 000
Paul Nellens	2 000
Total	16 000

We also awarded 6 000 options to the managing directors of the foreign subsidiaries.

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 on 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. 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 other 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.

6.7. Changes to the remuneration policy

No significant changes were made to the remuneration policy in 2011, except for the modification of the contracts of the members of the management committee, with the introduction of a right for the company to reclaim the net variable remuneration that is granted to members of the executive director and the members of the management committee on the basis of incorrect financial information.

6.8. Remuneration policy for the next two financial years (2012-2013)

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

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 dated 8 June 2011 and its 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 76. An additional sum of KEUR 57 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.

Corporate governance statement

The total cost for external audit of the *SIPEF* group was KEUR 313 and the amount paid to the same auditor and its affiliated businesses for advice was KEUR 101.

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.

8. Shareholder structure

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

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.

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 at *SIPEF* consists of every member of the board of directors. Since only one fifth 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 ten 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.

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 eight 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.

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.

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 ISO 9001, ISO 14001, the 'Roundtable on Sustainable Palm Oil' (RSPO), the 'International Sustainability and Carbon Certification' (ISCC), the 'Clean Development Mechanism' (CDM) of the United Nations, the 'Ethical Tea Partnership' (ETP) and 'EurepGAP / 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 enhance 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.

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.

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.

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.

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 Luxembourg
  f. *SA SIPEF NV* 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 the event 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.

Palm tree with the three growth phases:
flowering, immature and mature fruit

Activity report by product

Palm oil

The weather factors associated with La Niña exerted a major influence towards the end of 2010 and the same trend continued through the first two months of 2011. The USDA (United States Department of Agriculture) reduced its soya bean stock forecasts early in the year. Heavy rainfall severely disrupted the harvest and transportation of palm fruits in Malaysia and Indonesia. All of these factors resulted in a shortage of supply and a hefty increase in prices. At the end of January, we recorded a figure around USD 1 285 per tonne CIF Rotterdam, the record for the year. Prices started to decline gradually during the remainder of the year, following improvements in the availability of both palm oil and soya in South America. This decline was limited, however, by a persistently rising demand from the energy sector, particularly for biodiesel.

Raw materials suffered a general decline in the final quarter, when the financial markets became dissatisfied over the lack of any decisive measures to address the growing Euro crisis. While investors were disposing of what they regarded as risky investments, this negative spiral also affected agricultural raw materials. Prices reached their lowest level of the year in October, at about USD 960 per tonne, CIF Rotterdam.

An entirely unexpected recurrence of La Niña aroused fears of further shortages. The result was that vegetable oil prices started to rise, and this was further enhanced by torrential downpours in Southeast Asia and a period of drought in Argentina and southern Brazil.

The average price for CPO was USD 1 125 per tonne, CIF Rotterdam, as opposed to USD 901 in 2010.

The demand for sustainable palm oil, coinciding with the RSPO rules, continues to grow, albeit rather less rapidly than we had hoped. Most multinational manufacturers of consumer goods are aiming for 2015 as the year in which they intend to incorporate 100% sustainable palm oil in their end production.

The market for agricultural raw materials is influenced, to large extent, by two opposing forces. On the one hand, the strong fundamental laws of supply and demand support the price level and, on the other hand, adverse financial reports exert pressure on prices. The result is that we see wide-ranging price movements in the market. First of all, the prices will have to remain stable due to the limited supply during the first quarter of 2012. Later on, less unfavourable weather resulting from the weakening of La Niña should offer scope for a reduction in the second semester of 2012.

Palm kernel oil

Bad weather in the Philippines caused a reduction in the supply of coconut oil. Strong demand from the global market sustained the prices of lauric oil at the start of the year above USD 2 000 per tonne, CIF Rotterdam.

These high prices had a negative impact on consumption in 2011. The price for lauric oil fell during the latter part of the year due to an increase in the production of coconut oil in the subsequent months.

The average price for CPKO was USD 1 648 per tonne, CIF Rotterdam, as opposed to USD 1 184 in 2010.

Activity report by product

Rubber

The shortages that had occurred in 2010 persisted through to the start of 2011 and were further exacerbated by the bad weather in Southeast Asia. This meant that the price for RSS3 reached an all-time high of US 648 cents per kilo in mid February.

The cataclysmic earthquake in Japan in March and Chinese measures designed to temper high demand (including in the automobile sector) aroused fears of a weakening in economic activity. Both of these factors caused price reductions. The crisis with the Euro further amplified this downward trend, undermining growth in both the Eurozone and developing countries.

When news broke towards the end of the year that a number of Chinese purchasers were attempting to negotiate their existing rubber contracts, the markets took a further dive, falling back to UScts 335 per kilo in November. This was the lowest price of the year.

The average price for RSS3 was UScts 482 per kilo, as opposed to UScts 365 in 2010.

It then transpired that prices had fallen too far on the low side and were ripe for a recovery, all the more so because a new La Niña and its associated tempestuous rainfall were disrupting the tapping in Southeast Asia. It is also apparent, from a recent study by the "Association of Natural Rubber Producing Countries" that the scarcity in supply versus demand is likely to persist in years to come.

Tea

Although global production in 2010 was almost 100 million kilos up on the previous year, the market made a strong start to the new year. The reason was that this higher production was achieved mainly in the early part of 2010. In Kenya, the largest exporter of black tea, the "short rains" of October to December 2010 had ended prematurely. The result was a slump in production in the subsequent months.

Continuing instability in Pakistan and political unrest in Egypt (the largest importer of Kenyan tea), Sudan and Yemen had a negative impact upon consumption. Prices fell as a result. Despite these difficulties, prices for Kenyan tea were well above the averages for 2010. *SIPEF* also achieved good prices, thanks to the outstanding quality of our Cibuni tea.

For 2012, we expect prices to rise once again, due to the frost damage in Kenya combined with the reduced production cycle at the start of the year. This will allow us to place our Cibuni tea at higher averages on the market.

Marketing of bananas and flowers

Bananas

Following a very difficult start to the year due to the crisis in the Ivory Coast, we succeeded in raising the volumes of our exports to the European Union during the second half of the financial year. We achieved a total of 25 632 tonnes, 7 294 tonnes of which were produced by third parties. This represents a reduction of 17% in respect of 2010.

We can describe the "banana year" as being a year free of natural disasters, during which all of the major production countries were able to produce and export enough fruit to their most important markets. Consumption remained stable, due to the crisis in Europe, although very attractive marketing campaigns were undertaken by the wholesale sector. At the level of the relatively low commercial value of the product, the price has no further influence upon consumption. This is certainly a type exemplar that we can consider as far as bananas are concerned. Furthermore, the events in North Africa (primarily in Libya) meant that the Mediterranean market became swamped during the summer season.

We had an insurance against these economic problems as a result of our established contracts. In 2012, we shall have to offer our trusted clients an opportunity to recoup their loss of income caused by the lost production in the spring of 2011, the most favourable season for trading in tropical fruit.

On the other hand, we succeeded in taking advantage of a devaluation of the euro against the dollar when renewing our commercial contracts. This has played into our hands, in comparison with the South American competition.

The *SIPEF* strategy in relation to container transport remains the same. We believe strongly in the development potential of the Ivory Coast, which will allow us to extend a reliable and competitive logistical operation.

As far as the development of the West African zone is concerned, our plans are to continue the expansion of the regional trade with exports to Senegal and Mauritania, since purchasing power in these countries continues to rise. These new markets, which we stock with unbranded products, may provide an attractive alternative to the European market.

Flowers

The number of decorative flowers, which we have now been expanding for three years, exceeded the number of pineapple flowers we sold in 2011. The lotus trade remains stable and we exported the same volumes as in previous years.

Our product range for our clients is currently complete. At the moment, *SIPEF* is in the process of consolidating the activities with the three export products, specifically pineapple flowers, ornamental greenery (compacta and cordylines) and lotus.

Needless to say, exports from the Ivory Coast where brought to a halt at the height of the crisis. We lost three weeks of the harvest, but the recent economic revival in the country means that we can once again use air freight transport to northern Europe, where virtually all of our production is traded.

Packing station for bananas

Activity report by country

Indonesia

Since President Susilo Bambang Yudhoyono started his second term after his re-election in 2009, there is political stability in Indonesia. The current government mainly pays attention to the economic development of the internal market and to the presently two weak links that weigh on the country's progress: improvement of the infrastructure and restricting of corruption.

Despite the internal fear that the financial crisis, which last year mainly hit Europe very hard, could also affect the economic development of the Far East, we can state that Indonesia has suffered little inconvenience of this. After the financial crisis at the end of the nineties in the Far East, all banks have already been reorganized and they are now much more directed towards their base activities in the own region than the financial institutions in the West.

The country has an explosive population growth that now already numbers 237 million people. This means that one in every 29 persons on this earth is an Indonesian citizen. It is expected that the 250 million mark will be reached by 2015. Indonesia has a strong internal market and is the largest mixed economy of Southeast Asia, that is consumption oriented and where the government plays an important role as owner of more than 164 state companies. The continuously growing middle class that sees its purchasing power constantly increase is the engine behind the growth of the Gross National Product (GNP). This growth was 6.2% in 2011, compared to an average of 5.27% over the last 10 years. According to the World Bank, Indonesia's GNP now already accounts for 1.14% of the world economy.

Also in 2011, Indonesia's trade balance was largely positive. Important export resources are wood, bauxite, gold, silver, nickel, copper, tin and coal. Machines and equipment, chemicals, oil and food are mainly imported. The most important trade partners are the United States, Europe and Japan. This positive trade balance also causes the public debt to remain low and constitutes only 25.4% of the GNP.
Despite the strong growth, inflation remained relatively limited to 3.79%, compared to more than 5% the year before. The local currency, the rupiah, became 1.46% more expensive against the US dollar, a sign of the general international confidence in the country's development. Interest rates also keep decreasing. The reference interest rate of the National Bank was 6% at the end of the year, which was the lowest since 2005.

The World Bank is also positive about 2012 and expects a 6.2% growth, identical to last year. This is supported by good local consumption previsions and a low inflation, insofar as there will not be a worldwide crisis that would affect the purchasing power of the most important trade partners. It is the government's intention to reduce the fuel subsidies and to use the released funds for the much needed development of the road infrastructure.

Although the services industry provides the largest contribution (39%), agriculture remains an important sector, accounting for more than 15% of the GNP and responsible for almost 40% of total employment. It can thus be concluded that more than forty million people get their income from this sector.
In the course of 2011 the export tax regulation for palm oil has also been adapted. The system was already unchanged in effect since 2008, with a progressive tax based on the average monthly world market price for palm oil, as announced on the Rotterdam exchange. Due to the reform (where

derivatives that are further down the product chain are being taxed less), the vertically integrated corporations are favoured and the producers of raw palm oil are taxed more. With this, the Indonesian government wants to stimulate the local processing of palm oil, at the expense of processing abroad. We see that there is a lot of refinery capacity being constructed in order to benefit from this tax advantage. As producer of raw palm oil, *SIPEF* if fully subjected to this export tax. Due to the new rates, that were calculated to take into account much higher prices, this tax (which in 2010 amounted to approximately USD 43 per tonne or USD 6.1 million in total), was equal to USD 201 per tonne on average and lead to a total of USD 29.3 million tax in 2011. Lots of other palm oil producing countries look at this system suspiciously. Measures against the import of Indonesian palm products will probably follow in these countries.

North Sumatra

The oil palm plantations that are located in North Sumatra had a relatively difficult year, with decreasing volumes of harvested fruits compared to 2010. The increasing volumes in the new projects and the remarkably good performances of our plantations in the Bengkulu province largely made up for this negative trend. Thereby, for the total of the Indonesian activities under *SIPEF* management, there is still an increase of 1.2% in oil palm fruits compared to last year.

The cultivated areas in production increased from 32 955 hectares to 35 028 hectares. This is an increase with 6.3%, of which 1 120 additional hectares in the *UWM* project in North Sumatra and 604 hectares in Agro Muko and Bengkulu. In part due to this rejuvenation, the average return slightly decreased from 18.97 tonnes per hectare in 2010 to 18.47 tonnes per hectare at the end of 2011.

The decrease of the fruit volumes with 6.6% compared to last year in the established plantations in North Sumatra was a result of the combined impact of the lack of precipitation in 2010, of the negative effects of an insect plague on foliation, the effects of the Ganoderma fungus on the palm stock of older plantations and the temporary lower than expected returns of planted new varieties.

The five months long drought of 2010, which led to the formation of more male than female flowers due to stress effects, mainly had a delayed negative impact on this year's production for the Bukit Maradja and Kerasaan plantations. It is only twelve to eighteen months later that there will be less (female) fruits harvested on the palm crowns. Precipitation was well spread and sufficient in these plantations, but there was again a drought from February to July in the area of the Perlaban and Tolan plantations. This might have a delayed effect on the fruit production in 2012. In the last quarter there was abundant rainfall, leading to flooding of the lower grounds and transport problems.

In 2011, the Bukit Maradja and Kerasaan plantations were also exceptionally intensely plagued by leaf eating insects, which eat the palm leaves very fast and this way lower photosynthesis. Only selective injection of chemicals in the palms' trunks can fight these insects. Furthermore, the Oryctes beetle, which lays its eggs in the crown of young palms and whose larvae eat the crown, was intensively present on the Perlabian and Tolan plantations, which delays the maturity of the young plantings. A combined control via chemical spraying, the manual collection of the larvae, net protection of the young crowns and the planting of humus-rich ground cover plants reduced the Oryctes plague to a temporary and manageable problem.

The fight against the Ganoderma fungus asks a lot of the attention of our agronomists. This fungus mainly affects the roots of the palms in those plantations that already are in the second or third generation and thus reduces the total tree stock per hectare year after year. Through concertation with neighbouring plantations and research centres in Southeast Asia, we develop a common strategy to avoid this infestation. Moreover, with the replanting of the cultivated areas, we pay a lot of attention to the purification of the soils and the preventive treatment of the young palms in the nursery gardens.

Finally, the return of young cultivated areas that were planted with new palm varieties in 2008 and 2009 was significantly lower than expected due to a temporary repulsion of the fruits before they ripened. Meanwhile, we noted an improvement as soon as the palm reaches a larger crown size and becomes stronger.

The Bukit Maradja plantation was plagued for several years already by a gradual but constant invasion by grazing cattle. These are brought daily between the palms by the surrounding villagers and because of that lower the returns of these cultivated areas. After intensive consultation with the local government and adequate accompanying measures, we have succeeded in the successful removal of all cattle from our cultivated areas such that we again have full control over our terrains.

The replanting of 783 hectares in the existing plantations in North Sumatra went according to plan, with the necessary attention for the treatment of the grounds in order to counter further spreading of Ganoderma. This year again our seeds come from the established suppliers Socfindo and BLRS. We have also replanted a part with seeds coming from the reputed Costa Rican seed gardens.

The young cultivated areas of the *PT Umbul Mas Wisesa (PTUMW)* and *PT Toton Usaha Mandiri (PT TUM)* projects meanwhile have reached their full extent of 8 492 planted hectares. They delivered their first contribution to the group's volumes, but due to the extreme weather conditions, they did somewhat stay below expectations. A six-month drought that made the water level drop and caused stress to the palm trees, was followed by a very wet year end, with floods and because of that, roads that are difficult to travel on. For now, we transport and process the fruits of these young plantations, which are still small, to and in the neighbouring Perlabian mill, until the new mill that is currently being constructed will process everything locally.

The returns per hectare will increase significantly in the coming years. We carry out an intensive housing construction program in order to be able to lodge enough land labourers and their families. In 2011, a budget for 120 double labourers' houses was already approved, of which the last part will be finished in 2012. Meanwhile, the construction of a new lot of eighty double houses has been approved. We make the cultivated areas more accessible for the harvesters. The construction of a permanent road system must allow ensuring the necessary transports to the factory. It will mainly be these plantations that will support the planned growth of our activities in North Sumatra during the coming years.

During the financial year, another 446 hectares were planted, after compensation was paid for these hectares to local persons for the crops they had already planted on our terrains. The compensation process that has been in progress since 2004 remains a difficult discussion with people who often do not possess documents that prove they own rights on these terrains. We patiently continue handling all these cases, including a legal case about the compensation for

414 hectares that were already compensated earlier to other persons. After this we can proceed with the request of the final exploitation licenses. For the *PT TUM* project for 1 199 hectares, these licenses have already been obtained. They remain valid until 2046.

The fertilization programs in North Sumatra were executed completely and in time. There was only a small delay in the *PT UMW/PT TUM* plantations due to the lack of available labourers in the region and the excessive rainfall during the last quarter. Thanks to the use of composed fertilizers, from 2012 on their timely application will become easier.

In the flat cultivated areas mainly, and wherever possible, the group switches to mechanical spreading of composed fertilizers. This significantly reduces the number of applications and the number of needed labourers. Furthermore, for the spreading of empty palm bunches as organic fertilizers in areas where soil improvement is important, we make use of mechanical spreaders. In the future, we will significantly expand this method. Manual fertilization methods with pre-packed quantities remain the most adequate in the young plantations with low palms (where no tractors can yet pass through) and in the more hilly areas.

The two palm oil extraction mills functioned as expected. Both factories have experienced teams, which since several years process our own fruits very efficiently. The oil extraction ratio was 23.11% on average, a small decrease compared to last year. This is partially due to the increasing supply of the smaller fruits from the *PT UMW / PT TUM* project, which for now still have lower oil content. Thanks to the controlled ripeness standard of the supplied fruits, the quality of the oil and the palm kernels was very good throughout the whole year. The steam kettles of the Perlabian factory were thoroughly renovated during the past year.

Both mills are certified for ISO, RSPO and ISCC standards. This last one allows us to export the produced oil to Europe as the basis for green energy production in Germany. This standard can only be reached when additional measures are being taken in order to decrease the environmental effects of the palm oil production, through the collection of methane gas emissions from the wastewater. Since a couple of years, a membrane that collects the gases in order for them to be burned has been placed on the decanting ponds of both factories. This project has been recognized by the UNFCCC since November 2009 and gives rights to Certified Emission Reductions (CER) that we can sell on the European energy market, now that the Kyoto agreements were extended earlier this year.

The double certification for RSPO and for ISCC temporarily gives us enough possibilities to export our sustainable oil for food or energy purposes to countries that are prepared to pay a premium for this. Where in 2010 approximately 5% of the produced quantities in Indonesia was exported as sustainable palm oil, in 2011 already 80% of the palm oil produced in North Sumatra was exported as Certified Sustainable Palm Oil (CSPO).

The construction of the new extraction mill in the *PT UMW / PT TUM* project started last year with the ground levelling works, which, due to the excessive rainfall during the last quarter, where only 50% finished by the end of the year. From March on, the construction of the foundations and structures starts. We expect the mill to be operational at the beginning of 2013. The factory will also receive an integrated collection from the methane gases' wastewater, which will also be the energy source for the steam kettles. This way, more organic material will remain available from the empty bunches to stimulate the plantations' soil improvement. The mill will also take care of the water and electricity supply for our labourers' houses, because there are no public utilities present throughout the region.

In 2011, we have seen a steep rise in the cost for raw palm oil, which is expressed in USD. This cost was influenced by the slightly stronger local currency against the USD, the single effect of the lower volumes and the higher safety costs for the protection of our cultivated areas in Bukit Maradja and Kerasaan. Other determining factors were the 8.3% inflation on wages, the higher local cost for certain phosphate fertilizers, the increase of fuel prices by 38% and the treatments for the insect plagues and diseases.

We noted a similar negative trend for the rubber production in North Sumatra. Both plantations, Bandar Pinang and Timbang Deli, suffered from an unsteady weather pattern. We noted a shift from the wintering that is accompanied by a change of leafs, which took place twice this year. Due to the extremely wet last quarter, approximately 5% of the tapping days were lost, and production decreased by 11.2% compared to 2010. The replanting also suffered some delay, especially in the lower areas. Here we first took care of the necessary drainage and platforms, before planting the young rubber trees.

South Sumatra

The rubber activities on the Melania plantation in South Sumatra knew a relatively dry period from May to October. This lead to a doubling of the wintering period. Together with the effect of relatively important cultivated areas where the tapping panels are almost exhausted and need to be changed, this lead production to end up 23% lower than in 2010. There are no reasons to suppose that there is a structural change in the Melania returns, so we may assume that the situation will improve in 2012. Due to the drought, the foreseen replanting will be largely postponed to next year. The conversion program of the remaining oil palm cultivated areas into rubber plantations continues. By 2013, we will be able to claim that Melania is a full monoculture rubber plantation, where, on the lowest and most humid grounds, we make use of platforms to plant the rubber.

Our agronomists attach a lot of attention to the treatment of White Root Disease, a disease that affects the tree stock per hectare and that spreads via root contact, especially in areas where the soil has not been purified enough for replanting. The sick trees can be treated individually, with high chance for recovery.

In both factories, the production of RSS rubber went without quality problems. We export the volumes integrally to the Far East, North America and Europe. In order to adapt our production process to the newest standards, we foresee a rehabilitation of the *PT Bandar Sumatra Indonesia* factory in 2012.

For the rubber activities in North and South Sumatra, we noted a substantial increase of the unit cost, expressed in USD, in 2011. Some causes hereof are the one-off effect of the decreased production volumes, the stronger local currency against the US dollar, the inflation that was reflected in higher wages to the labourers and more expensive tapping knives, higher fuel costs, the delivered efforts to counter White Root Disease and the improvement of our plantations' standard in the future with an increased supervision and more specialized instructors.

Activity report by country

Agro Muko

The *PT Agro Muko* oil palm plantations in Bengkulu province knew a relatively good production year. The fruit harvest ended up 11.4% more than last year. Good weather circumstances throughout the whole year with a spread, but moderate rainfall made harvesting and transport a lot easier. Furthermore, the use of small, powerful tractors in the most hilly areas and the continuation of the hardening of the road network contribute to the successful collection of all ripe fruit bunches and their loose fruits. At this moment, 51% of all roads in the plantations have been reinforced with stone chippings. They are now passable during the whole year for trucks, which guarantee a more economic and faster transport than tractors. We will continue this program during the following years.

We managed to execute the fertilization completely, with a partial switch from single to composed fertilizers. Only the supply of dolomite suffered a delay. Due to the constant lack of labourers, which causes recruitment competition because of the numerous oil palm plantations that are present throughout the region, here also and wherever possible, we switch to mechanized spreading of fertilizers and organic material. Because of the hilly surroundings, the possibilities for this are more limited here than in North Sumatra, which is flatter. We also foresee an additional construction of labourer's houses that are located close to the work environment, thus ensuring that the harvesters stay connected to the same employer.

In comparison to previous years, we can state that the Agro Muko plantations had a "dry" year, which for the Bengkulu region guarantees easier transport of the increasing fruit volumes. In 2011, the measured precipitation was between 2 210 and 3 650 mm, while in 2009 and 2010 respectively 5 244 and 5 429 mm were recorded as highest quantities. The average return per harvested hectare thus also increased considerably from 19.25 tonnes to 20.68 tonnes, which is a new record.

Due to the rapidly growing supply, both palm oil extraction mills also were a lot more efficient. They processed 10.4% more fruit from our own plantations and the surrounding small plantations, which are being constructed and managed by the company as social projects. The oil extraction of both mills reached respectively the record heights of 24% and 23.81% compared to 22.71% and 22.99% last year. This considerable improvement can be accredited to the timely delivery of the fruits. The Mukomuko factory is fully occupied, but the capacity of the Bunga Tanjung factory remains underused because we cannot buy fruits from surrounding plantations at competitive prices and without endangering our RSPO certification.

In order to use the capacity of the Bunga Tanjung factory to its full extent in the future, *SIPEF* decided to develop plantations on its own in the region to deliver fruits to this factory. *PT MukoMuko Agro Sejahtera (PT MMAS)* was founded in the beginning of 2011 to receive licenses from the local authorities for the development of maximum 2 782 hectares own plantations and 3 516 hectares for local inhabitants. All investigations were carried out for local purposes and for the RSPO principles and criteria. In December, we already received the license for exploitation of a plantation. At the end of the financial year, we could already compensate 1 271 hectares to local users, such that we can start planting in the new year.

The total oil production was 85 204 tonnes. This is an increase with 17.0% compared to the 72 807 tonnes that were produced in 2010. Furthermore, palm kernel production increased with 14.0% over the same period.

Despite the certification for ISO and RSPO standards, for now there does not seem to be much interest for this oil that is shipped from Padang. The routes to Europe, where premiums are being paid for segregated sustainable palm oil, rather leave from the Strait of Malacca, while the southern harbours focus more on export without premiums with destination China and India or on local consumption. Because the construction of an installation for the collection of methane gas will be started in February 2012, for which the UNFCCC admission was received at the end of last year and that will also justify the sale of CERs, we can get a certification for the German green energy standard ISCC. From the end of 2012, this might allow us to export palm oil to Europe with premiums.

Due to the higher returns per hectare, the elements that are responsible for a generally increasing cost in the other zones of Indonesia (such as higher wages, higher prices for fuel and some fertilizers), have been neutralized.

Furthermore, in the field of rubber activities, Agro Muko had a good year. The average low precipitation made that few working days got lost. Because of high rubber prices at the end of 2010, the replanting in the Mukomuko plantation was delayed for one year, and we continued with intensive tapping of the remaining trees. Also the returns of the newly opened cultivated areas in the Sei Betung plantations were better than expected. Due to the input of experienced instructors to train the tappers and due to the correct application of tree stimulation, the general return of the existing cultivated areas increased from 1 212 kg per hectare to 1 322 kg per hectare. The year production totalled 1 545 tonnes, which is an increase by 39.8% compared to the 2010 volume, which ended up at 1 105 tonnes. This volume effect has largely neutralized the considerable cost increase that we noted in other activity areas of Indonesia.

Also the reconversion program received a continuation: all rubber cultivating areas are being centralized in a Sei Betung plantation and all spread out, old rubber plantations are transformed to oil palm plantations. In this context, we transformed an additional 139 hectares to rubber last year. In 2012 we will continue this movement, in order to eventually own 1 578 hectares of rubber in Sei Betung.
Agro Muko then also gradually starts its second cycle. From 2013, we will start the gradual replanting of the cultivated areas that had been planted at the end of the eighties already. Due to the many immature cultivated areas we can then, in the coming years, rather expect a stable production of about 70 000 tonnes of palm oil, while rubber production will increase gradually after the transformation.

Cibuni – Java

The whole year, tea activities of our Cibuni plantation on Java have suffered from bad weather circumstances. During the first semester, there was a total lack of sunshine, which complicated the growth of new leaves. During the second half of the year it was exceptionally dry. The tea crops got into a survival mode on the most sensitive slopes, which lead to dried leaves. The total precipitation was 40% lower than in 2010 and 11% lower than the year before. The year production thus also decreased with 15.3% compared to last year, but the quality of our black tea remained at the same level. This allowed us to realize good sale prices and to protect the margins on smaller volumes.

Activity report by country

The cost raising effects that we experienced elsewhere in Indonesia were even reinforced in Cibuni due to the low volume. The hydroelectric stations that we built several years ago on the Cikidang River could not function properly to provide electricity to the factory. Therefore, we had to use coal and diesel to power the machines. In order to further use the possibilities of hydroelectricity during periods of low precipitation, we will build an extra detour of the Cikidang River in 2012.

Meanwhile, we have also started working together with surrounding tea producers. Thus, we will be able to process more hand-harvested green leaves in our factory, without affecting Cibuni's quality standard and good reputation in the Middle East markets.

Management

In August, unfortunately, after a long disease that afflicted him for more than a year Yazid Ibrahim, the well-respected President-Director of our Indonesian activities passed away in Malaysia, surrounded by his next of kin. We will remember Yazid as a friendly person who always tried to discover and develop the positive side in everybody. He always aimed to find a consensus without confrontation and to convince his employees to follow him in his line of thought. Yazid also initiated a change in the company culture of our activities in Indonesia. The reception and blindly executing of orders has made way for an open structure, where there is room for discussion and personal input. He also was the driving force behind the regular contacts with the unions. These encounters always happened in a constructive way without the need for interventions of the authorities.

His successor Adam James already was Director of Estates under Yazid's leadership. He will continue the same company culture, where training is an essential part of the organization and an important investment for our activities' future. We have hired a new training manager to actualize the training programs. The program concerns a two-year cycle of intensive training to Field Assistant. During the first year, thirteen young forces succeeded in the tests. Hopefully, they will come to reinforce our ranks after the second year. The new manager is also a fervent supporter of training sessions to stimulate communication, character building and motivation. The participants from all departments within the organization appreciate these possibilities our company offers them.

Through the success of tropical agriculture and the plantations in the Far East in general, it is difficult to find and keep qualified personnel. We then also note a higher rotation of employees in our companies. The pressure to train good people and bind them to the company, is an ever growing challenge. Via our good contacts with other plantation companies and comparison of wage scales, we can keep the remunerations at the adequate level in order to ensure the influx of young graduates and keep them in the group.

In 2011 we started a conversion program in order to also bind the labourers on the plantations to the company. Here, permanent labourers who are registered on the company's payroll, will carry out all routine activities such as the harvesting, spreading of fertilizers and the spraying. Before, this was done by occasional labourers. The most important goal of this move is to increase efficiency and avoid problems such as absences. Permanent labourers are entitled to social benefits and pension formation, and they are usually housed on the plantation with their families. The program was successful and by the end of the year, 80% of labourers were also registered on the permanent payroll.

The group's current management consists of a stable team of Indonesian, Malaysian and European managers, who direct the company together. This way, we can take into account all cultural influences and philosophies, without losing our focus on profitability. We organize events such as management meetings and family days to strengthen this bond.
At the level of the head office in Medan, we recently started a monthly meeting of all persons in a leading role within the company, where these exchange thoughts about all aspects of the company.
The training of young managers is combined with an evaluation system with quality indicators, in order to evaluate and improve the individual return and productivity.

We also encourage managers to develop their creativity and drive for innovation in daily practice on the plantations and within the factories. Every year, we hand out prices for the most innovative developments, that have proven to be a technical progress or to realize a cost saving.

An internal audit department, consisting of six employees and a graduated manager, reports directly to the President-Director. Except for ad-hoc controls as a reaction on reports of possible fraud, a year planning is drafted by the audit committee. This committee convenes three to four times per year to evaluate the results of the regulated audits and to make recommendations to prevent problems in the future. The results from these meetings are also communicated to the head office in Belgium, and they are discussed in the *SIPEF* audit committee meetings.

With regard to Information Technology, we decided to initiate a technological integration of the *SIPEF* group, starting from the Indonesian activities. In a time span of three years, this should lead to a policy instrument that will contain all the group's activities. This instrument also needs to give access to all agronomical, financial and technical basic information via a single input that will happen at the operational units' level. In 2011 we also started the analysis of the processes in Indonesia and the choice of software for the plantation activities. In a further stage, the plantations in Papua New Guinea and the head office in Belgium will be integrated.

Expansion

The past year we have made an important step in the group's expansion plans in Indonesia. For years, we looked for suitable possibilities for expansion, but most of the proposed projects did not reach our sustainability and agronomical quality criteria. Now we found terrains that are of good quality from an agronomical point of view, but that also not contain valuable forest areas or fragile types of soil that do not fit within the RSPO principles and rules for new planting procedures.

In March, three new companies were founded to represent the expansion that might develop in the Musi Rawas region in the province of South Sumatra.
In July, *PT Agro Kati Lama* received a license from the local authorities for the cultivation of a total of 10 500 hectares of land for agriculture, including the provision of 20% for the local population. This happened after the approval of the founding as a foreign company by the qualified ministries. The terrains that have been awarded in this project are located closest to the city of Lubuk Linggau and thus are the most developed. We immediately started an investigation in the social and environmental impact in the framework of the Indonesian law and the RSPO principles and criteria. At the end of the year, we already paid the first compensation to the users of 175 hectares. During the year 2012, our local teams will continue this compensation. They will have to enter

in contact individually with all these people that are using a couple of hectares in the zone that has been awarded to us and agree on a compensation for the cultures they have planted. Taking into account soil structure, the average rainfall and the location, the most appropriate choice is to plant oil palms here.

PT Agro Rawas Ulu is the owner of a second license that was obtained in December, for the development of 9 000 hectares in the same region, also including a 20% provision for the local population. These terrains are located on both sides of a river. Taking into account soil structure and precipitation, it seems appropriate to plant these with a mix of oil palms and rubber trees. People in the surroundings are also already familiar with the tapping of rubber trees that grow wildly in the area. Also for this area we have already started conversations with the local population to discuss the impact of this. At the end of the financial year no local users were compensated yet. These grounds are located further away from the city and are possibly more available for agriculture.

The *PT Agro Muara Rupit* company has been established to manage a third project in the same area. After thorough investigation, we concluded that the proposed terrain coincides with other awarded licenses. Therefore, we decided not to accept this terrain. At the end of the year no alternative was proposed yet, but the local authorities are prepared to investigate other possibilities.

The projects have the support of the local authorities. The licenses for exploitation of the terrains as a plantation and the license to cut wood in the awarded area are pending approval. Our employees are very enthusiastic about the future of these agronomical valuable projects that offer good perspectives on the production of palm oil and rubber. The success will depend on the willingness of the local population to welcome an industrial project in that area and to free the terrains for it against compensation.

Since 2006, we are also busy with *PT Citra Sawit Mandiri*, which is an oil palm project in North Sumatra. After the licenses' acquisition, we determined via soil investigation that these terrains might not meet the RSPO rules and criteria for the development of new plantations, because they are too fragile. Your board of directors then also decided to prepare the project for sale, as it does not fit within the group's sustainable development policy. After depreciation to the supposed realization value, buyers were searched for, but due to the localization and the limited size, the potential buyers all quit. There is also a dispute with a neighbouring palm oil plantation that has planted oil palms on terrains awarded to us. It is unlikely that in the current unsure situation of this company, buyers can be found. Therefore, we decided to make sure we received the necessary licenses first and to settle the dispute with the neighbours, before presenting it again on the market. In December, we have then filed a request for a definitive exploitation license for 1 603 hectares.

Papua New Guinea

At the political level, Papua New Guinea had a turbulent year. The change of government in August meant the end of the nine-year hegemony of the Somare family. What followed was months of political unrest, with two governments demanding power. Fortunately, this battle continued to play out at the political level, without spilling over into the economic life of the country. The new government of Peter O'Neill apparently has the general consensus of the population now, but we are watching with interest to see the result of the national elections that are planned for mid-2012.

Papua New Guinea is a country that is rich in natural assets, such as gold, nickel, cobalt and copper. The economic growth depends primarily on the development of the estimated 227 billion cubic metres of natural gas reserves, which have been discovered below the country and in the sea. The economic growth of 8.9 percent in 2011 was above expectations. This happened not only because of the strong raw materials prices for gold and copper, but also because of the high agricultural prices for palm oil, coffee, cacao and wood. The impact the expansion of the LNG projects has on the transport, construction and aviation sectors also affected the growth positively. This construction will reach its peak in 2012 and will then undoubtedly also boost the distribution and trade sectors.

Due to the significant economic growth and the increased export of raw materials, the local currency (the kina) has gained considerable strength: 18 and 21 percent with respect to the Australian dollar and the US dollar. The National Bank has tightened up the credit conditions, but this cannot prevent the local economy from running at maximum capacity with an inflation percentage of 8.2 percent as the result.

The LNG projects are therefore putting a lot of pressure on the previously limited economic activity of the country. The future royalty returns (which start from 2015, but will not reach their full strength until 2020) are already inspiring high expectations of the financial policy of the government. Announced objectives, such as free education and better social security must be linked to a strong budgeting discipline in order to not get derailed in the meantime.

Hargy Oil Palms Ltd

The palm oil activities of *Hargy Oil Palms Ltd* were very successful in the previous financial year. The produced volumes of raw palm oil were 11.4 percent higher than in 2011. The market prices were higher by an average of 24.9 percent, which makes 2011 a record year in the history of our activities in that country.

While on the climatological level 2010 was a dramatic year with excessive rainfall, which made harvest and transport activities considerably more difficult, nature was much more benevolent to us in 2011. Precipitation was spread out through the year and never exceeded the 10-year averages. This, combined with enough sunshine, created these ideal growing conditions for the relatively young plantations.

Despite this spreading out, the rainy season at the beginning of the year is still a period in which our people have to put in their utmost effort in order to harvest the fruits and get them to the factories on time. This year we also determined an extension of the harvest time in our own areas because of the precipitation from January on. The inadequate availability of transport vehicles to pick up the fruits from our own plantations and from those owned by the smallholders, especially caused delays in our ability to process the ripe fruits in the mills. This raised the acidity level of the palm oil obtained. Higher acidity makes the further refining progress of raw palm oil into finished product more difficult.

The production volumes of the fruits were higher than expected. This caused the pressure to be maintained during the entire first half of the year. We decided to switch to a more reliable fleet of transport lorries for the fruit transport of the smallholders as soon as possible. The remote location of our plantations makes the availability of spare parts very difficult and forces us to work with established brands. For our own plantations we also adapt the logistics. This is coupled with the gradual start-up of a system of open containers. They are filled by smaller tractors in the field and are then picked up by the lorries to be taken to one of the two mills. By doing this we are creating a temporary buffer in the field in case the roads do not allow immediate transport and we are also decreasing the number of required lorries. We will apply this system at the mature Hargy and Navo plantations. At a later stage the Barema plantations, where the fruits are still smaller, may follow.

During the second half of the year, the production normalized and the harvest times were within the usual periods. This also decreased the transportation times and therefore lowered the acidity level of the raw palm oil produced and our mostly European clients again had access to the usual quality of certified sustainable palm oil. The collective annual production of raw palm oil and palm kernel oil was 109 466 tonnes compared to 98 239 tonnes the previous year. That is an increase of 11.4 percent.

The fruit production that has reached its full scope in the Hargy plantation, with 2 479 planted hectares, was 7.6 percent below expectations. But this still provided an average yield of over 27 tonnes of fruits per hectare. A change in the management of the plantation, followed by a re-distribution of workers and the re-introduction of the standards, made the day-to-day management challenging and we will have to judge the results in 2012.

The relatively young Barema plantation will reach it maturity for the completely planted 1 976 hectares. Especially in the next few years, the contribution of this plantation will increase considerably. The tonnage in fruit was 25.3 percent above expectations, due to putting the palms into production at the age of 24 months. Due to the construction of additional houses and improvement of the quality of the drinking water, the plantation also has enough workers to harvest the ripe fruits on time.

The biggest Navo plantation (5 274 hectares planted) produced 3.9 percent above expectations. Because about 2 000 hectares date from the period 1984-1986, these will be replanted during the next three years. We still got an average yield of 24.88 tonnes per hectare here though. After the new planting of 340 hectares in 2010, we made preparations in 2011 for the replanting of 500 hectares in 2012. All together 934 hectares will be re-planted. This also means a reconstruction of the internal road network. The Navo plantations are very fertile, but very sensitive to insect infestations. This demands good management and supervision of the agronomics. The fertilization programs were completed in all the plantations before the end of the year.

Due to lack of sufficient transport vehicles in the first half of the year, the annual production picked up from the surrounding smallholders was below expectations (- 1.3 percent). Due to many technical defects and lack of spare parts, availability of the fleet of Chinese lorries was too limited to pick up the fruits on time during the best production months. This led to a somewhat strained relationship with the farmers in the area, but we were able to remedy this situation relatively quickly by getting additional capacity. We resolutely opted for a long-term solution with the acquisition of a new lorry park, for which there is sufficient logistics support in Papua New Guinea. The relations with the local organizations have by now been strengthened again. Because help from the local government organizations leaves something to be desired, the company provides additional support to their replanting programs by supplying quality palms and fertilizers. The World Bank has also started a support fund by now to help them to optimize their harvests and to finance completion of the acreages.

The production from over 3 000 farmers in the surrounding areas remains important to the company, because 4.7 percent of the fruits supplied to the factories comes from the 12 647 hectares harvested by them. That is just over 16 tonnes of fruits per hectare per year. Due to the guidance the company gives to these people through encouragement for replanting and assistance with their fertilization programs, there is certainly potential for higher yields per hectare in the future.

Management of the two existing palm oil mills has required considerable effort in processing the increasing volumes into sustainable raw palm oil. Particularly during the first half of the year, they had to cope with delays in the delivery of the fruits, which does not optimize the production process. We are therefore eagerly looking forward to the construction of a third factory at the Barema plantation. It will be able to deal with the constantly growing volumes in a timely fashion and should be operational sometime in the first half of 2013. The groundwork was completed in 2011. The foundations for this new extraction mill are being started immediately. It will be able to process 45 tonnes of fruit per hour. It will also be equipped with an extraction-unit for palm kernel oil and for recovering methane gasses from the waste waters.

The Hargy mill reached an exceptionally high average extraction percentage of 24.20 percent. In December it was even 24.96 percent, partly due to good planning of the maintenance programs and the availability of enough spare parts that were needed to prevent interruptions. Most modernizations have been done at this somewhat older factory, with the exception of the sterilization process. That will be replaced as soon as the new Barema mill is operational. During the financial year, we also had work done on the decanting ponds for waste waters, which keeps them well below the legal standards.

The more recent Navo mill achieved an average extraction percentage of only 22.9 percent, mainly due to machine break-downs and transport interruptions. The factory management has also been replaced now. By the end of the financial year the oil extraction did exceed 23 percent. Composting of the empty palm bunches with the waste waters is gradually being reduced. We will replace this with decanting tanks in the future, which will catch the methane gases and send them back to the factory. This will make the empty palm bunches available for organic fertilizer and soil improvement in the plantations.

The improvements of the palm kernel extraction unit at the Hargy mill are starting to bear fruit: the extraction percentage reached 1.9 percent by the end of the year. At the Navo factory this was now 1.64 percent. We will close this unit as soon as the Barema factory becomes operational and it will process the palm kernels of both mills into oil.

Considering the interest of well-functioning transport systems in this company, we have invested not only in the purchase of transport units, but also in the improvement and renewal of the maintenance garages, staff training by experienced maintenance people, support from the suppliers and better housing for the personnel. The slow deliveries of spare parts from abroad make it difficult to keep the vehicle park operational.

Activity report by country

The production cost price of the palm oil, expressed in USD, rose by 24.1 percent compared to the previous year. This was due primarily to the strengthening of the local currency compared to the US dollar and the adaptation of the compensation levels of the workers, as a result of the scarcity in the labour market of skilled labourers. Management and the internal audit department are closely following the evolution of this cost structure.
This scarcity in the labour market for skilled workers is mostly the result of the construction of the LNG terminals. Also, because of the change of ownership of other palm oil plantations in Papua New Guinea, there was a considerable turnover of personnel. We used this to fill vacancies with better qualified managers. Obtaining work permits for foreign managers remains a slow procedure and makes filling certain positions in the company difficult.

Because *Hargy Oil Palms Ltd*'s activities are far away, it is important to provide good housing in order to attract long-term, young, skilfull persons. We therefore put a lot of effort into building new houses for labourers and managers. In 2011 alone, 250 families obtained a new home and we had improvements done on existing homes to bring them up to standard. We will also provide these efforts in the new expansion areas during the next several years.

We have steadily continued the expansion program in the vicinity of the Navo plantations, with the ultimate goal to double the planted hectares and exceed 20 000 oil palms. At the end of 2011, 927 hectares had been planted at three locations that are all situated around the foot of the volcano Ulawun. Construction of a road network to reach these places also took place. The expansion was delayed at the beginning of the year, due to the limited availability of excavators of local contractors, but after delivery of our own machines, we made rapid progress.

All properties that are eligible for this expansion have been examined and approved already in order to comply with the principles and terms and conditions of the RSPO rules for new plant procedures. There are also already enough properties available to plant an additional 1 450 hectares. The rhythm of the expansion will depend primarily on the weather conditions, the availability of materials and the speed at which the government will issue the permits. The agreements with local owners of the properties have all been signed already.

The new government of Papua New Guinea has rightly started an investigation into the many concessions (over five million hectares) that the previous government had granted for the development of agricultural properties from wooded areas. It also placed a temporary moratorium on all new applications. We still have sufficient licenses available and are therefore not delayed by this development.

Meanwhile, we have gone through our second re-audit for the RSPO certification, which we obtained in 2009 and is valid until 2014. Along with this we also had audits for the ISO 14001 and this certification was also extended. These apply to the complete production of our own plantations, for the production that comes from the smallholders and for the tanks and harbour installations that *Hargy Oil Palms Ltd owns* in Bialla. This installation is extremely important for our positioning in the market, especially for our European clients. The "sustainable palm oil"label is very important to them. We ship the majority of the production as "segregated" sustainable palm oil. This means that the client can identify our palm oil right up to his production process and ensure that it is not mixed with other oils.

Galley Reach Holdings Ltd

The natural rubber plantations of *Galley Reach Holdings Ltd* are situated on the southern part of the main island of Papua New Guinea, near the capital, Port Moresby. The rubber production comes from latex from our own trees as well as from purchases from smaller producers in the surrounding provinces.

For nearly the entire year, the volumes were equal to those in 2010. In the very wet month of December, however, there was a lot less tapping activity. That is why we still ended the year with a raw rubber production that was 5 percent less than the previous year.

The competition with the five other purchasers of rubber continued to be important in the regions of Moreguina and Upulima, although the world market prices went down considerably during the course of 2011. It is true that *Galley Reach Holdings Ltd* is the only company that does not export the raw rubber, but processes it locally into a finished product. By guaranteeing regular pick-up rounds and cash payments for the raw material, we are still the biggest buyer in that zone and we have also been able to maintain our purchased volumes at the level of the previous year. These purchases from third parties represent 37.3 percent of the total production and 18.8 percent of the operational results. So they provide a significant contribution to the company's returns, which were slightly lower than the record year 2010, due to the dropping rubber prices.

In order to be able to guarantee consistent quality to the overseas clients, we decided to slow down the production process in the factory and to let the raw rubber age a bit before processing it into export quality. The slow delivery of spare parts after unexpected equipment failures caused the production of DOA rubber to be 2 895 tonnes at the end of the year, which is 14 percent less than last year's volume. We will gradually process the supply of raw rubber that we still have available, starting at the beginning of 2012.

Due to the combined effect of the previously mentioned rising value of the local currency with respect to the US dollar, the rise in salaries and the local fertilizer and oil prices, we saw the cost prices (expressed in USD) rise by nearly 50 percent compared to last years. We are especially worried about the impact of the LNG activities on the local labour market and the accompanying salary increases in the very labour-intensive agricultural sector where semi and unskilled labourers are often hired. The government has issued supervision measures in order not to undermine the competitiveness of agriculture.

Since about two-thirds of the planted areas are older than 25 years, we have been carrying out a gradual replanting effort since 2004, in order to ensure the future yields of our own plantations. Due to the limited availability of experienced workers in the region, we are adapting the schedule to support the opportunities to create nursery gardens and to the weather conditions, which determine the length of the growing seasons. This is being done without any negative effect on the production of full-grown rubber.
In this context, 945 hectares have already been replanted; 566 of which are still immature. The intention is to maintain this replanting rhythm during the next years, to improve the future yields per hectare and to increase the competitiveness of the company.

In addition to the investments in planting and maintenance of young areas, the emphasis is especially on improvement of housing for the workers. The nearness of the capital affects the scarcity of workers that are available in the region. That is why it is important to provide good housing, schooling and medical care for the experienced tappers and field workers. In addition to new constructions we are also upgrading the existing homes to meet the current comfort requirements and we are bringing them more in line with the standards that we apply elsewhere in the group. This gradual process will require several more years of continued effort.

Ivory Coast

The Ivory Coast is now involved in a full recovery phase following the conflicts. The government of Ouattara has proposed an ambitious investment programme for all national sectors. Following the steep decline of 5.4% in 2011, the gross domestic product for 2012 is expected to record a spectacular growth of around 8%.
The return of normality after 10 years of conflicts and the resurgence of the agricultural sector, which employs the majority of the population, are likely to increase consumption by 6.2% in 2012.

SIPEF-CI SA

Our subsidiary company *SIPEF-CI SA* was unable to avoid the crisis, whose main impact was felt throughout the country in the second trimester of 2011.
The company was spared, in relative terms, as regards personnel and infrastructure, but the same could unfortunately not be said in relation to the harvest and the plantations. Our estimate is that about 10 000 tonnes of palm fruit were lost during the full production period (April). Damage to the health of the palm trees, caused by nearly 2 months' enforced lack of maintenance, proved difficult to remedy after the event. This meant that we were unable to recoup the shortfall in budgeted annual production. That said, *SIPEF-CI SA* processed 214 180 tonnes of palm fruit, producing 49 966 tonnes of palm oil and 7 968 tonnes of palm kernel in the two factories of Bolo and Ottawa in the mid West.

Despite these difficult circumstances, the board succeeded in planting 2 056 hectares with young trees in 2011. When combined with the 600 hectares that have been scheduled for the end of the planting programme in 2012, this brings the renovation of the orchard to 7 070 hectares during the period 2008-2012. By 2016, *SIPEF-CI* will have a planted area extending to a total of 13 250 hectares of fully-grown trees to safeguard its continued existence.

The orchards of independent planters have also been rejuvenated since 2008, so that we are obtaining better prices for the fruit. We estimate that these plantations extend to about 22 900 hectares of palm trees at the moment, of which 4 400 hectares have yet to mature. The smallholders supplied 62% of the fruit for the two production units.

SIPEF-CI-SA employs an average of 1 350 people, spread across three operating areas. A large number of dayworkers and external entrepreneurs are also employed, depending upon the seasons and the work that has to be done at various times.

Plantations J. Eglin SA (Eglin SA)

For the Ivory Coast 2011 was a year of socio-political crisis. During the elections from December 2010 until the beginning of March 2011, we could export our bananas in an almost normal manner, but due to the sanctions imposed by the European Union on Mr. Gbagbo's government, export was limited. Therefore, we had to export our fruit via Ghana, and we had to rent our own ships with the help of two independent exporters.

At the beginning of April, the conflict entered a military phase. After three weeks of battle, the northern troops that were faithful to the elected President Ouattara finally could free Abidjan, the economic and financial capital. During this turbulent period, we have not harvested or exported any fruit or flowers. We can be proud of ourselves that no actives were stolen or damaged, which, for the most part, should be owed to the presence and alertness of our managers and employees at our production sites.

The loss we incurred was caused on one hand to the non-exportation of the production during three weeks (this approximately concerns 1 600 tonnes of bananas and 130 000 pieces of pineapple flowers, ornamental leaves and lotus flowers) and on the other hand, to the consecutive damages caused by the transit time and departure delays of the fruit vessels. All these losses were calculated and are part of the files that were presented to the Ivory Coast government for the loss in production or insurance regarding the consecutive damages to the fruit transports.

From May on, the situation stabilized but remained unsure because uncontrolled and armed individuals had not yet returned to their military bases. That situation slowly improved and right now we are very positive for the future, where we will finally be able to work in a calm environment.

The banana export over the whole year ended up lower than what had been foreseen in the budget (19 297 tonnes exported against 22 480 tonnes budgeted), with an important decrease in the neighbouring countries due to a lack of reliable transport. For Europe, the total exported volume was 18 338 tonnes, compared to 17 946 tonnes in 2010.

The three production sites Azaguié, Agboville and Motobé experienced rather large fluctuations in productivity (production peak in full crisis for Motobé and Agboville). Our return remained in line with the objectives.

The average FOB sales price of the fruits sold to Europe was a bit higher than budgeted (419 euros per tonne compared to 399 euros budgeted), but was still lower than during the previous financial year (441 euro per tonne). This difference is not due to the market, but mainly due to the damage of our products which caused a commercial loss in value.

Regarding the sale of pineapple flowers, the horticultural activity decreased, but the export and the sale of ornamental leaves and lotus flowers improved. The European economic outlook, the crisis and the weak return of the pineapple flowers' production are the result of this lower activity. Nevertheless, the horticultural sector contributes positively to the company's results.

During this financial year, we have concluded the merger of the companies *Société Bananière de Motobé SA (SBM SA) and Eglin SA*, which resulted in one legal entity: *Plantations J. Eglin SA.*

Europe

Jabelmalux SA

Jabelmalux SA is the parent company of *PT Melania* (which produces primarily rubber in South Sumatra and has tea plantations in Java Indonesia) and of *PT Umbul Mas Wisesa (PT UMW), PT Toton Usaha Mandiri (PT TUM)* and of *PT Citra Sawit Mandiri (PT CSM)*, the most recent oil palm expansions in North Sumatra.

Activity report by country

Jabelmalux SA was founded after the Indonesian nationalization to protect and centralize the interests of the Belgian shareholders in local plantations. The company was quoted on the stock exchange in Luxembourg since its foundation. After gradual acquisition of share blocks over the years, *SIPEF* already owned 77.40 percent of the shares and the fluidity of the share became very limited. In addition, financing the considerable expansions in North Sumatra was no longer possible without significant inter-group loans from the parent company. Therefore, the board of directors decided on 23 February, 2011 to issue a public purchase offer on the 6 166 *Jabelmalux SA* shares that had not yet been acquired at a price of EUR 2 250 per share. That meant a premium of 36.4 percent compared to the highest rate of the *Jabelmalux SA* share in the twelve months preceding the decision.

The initial offer ran from 15 March to 29 April and was extended to 30 November, 2011, so that ultimately 5 974 additional shares were acquired. This corresponded with 21.9 percent of the capital. As a result, *SIPEF* controls 99.3 percent of the company. We may subject the remaining 193 shares that are still in circulation to a "squeeze out" procedure, if the Luxembourg authorities will legally permit this in the future.

After the end of the initial offer period, we decided to end the quotation. The Stock Exchange of Luxembourg has acceded to this request, so that the last quotation took place on 24 June. As a result, since that time we also meet the local legal requirements, without further extensive consolidated reporting to the shareholders.

Insurance

BDM NV – ASCO NV

The insurance group *BDM NV – ASCO NV* focuses primarily on maritime and industrial insurances, via professional brokers. *BDM NV* is an insurance agency that offers risk coverage in niche markets on behalf of the insurer *ASCO NV* and a number of important international insurers. The presence of *ASCO NV* with the insurers for which *BDM NV* performs the underwriting has important advantages: it lends greater stability to *BDM NV* and enhances capacity via direct access to the reinsurance market.

BDM NV

BDM NV continued to expand upon its new strategy during the course of 2011. Its services were again expanded by the acquisition of some specialist employees. In addition, *BDM NV* developed specific insurance products aimed at its target public, in conjunction with certain brokerage offices.

The profitability of the Hull portfolio was improved in the "Marine" sector. At the same time, *BDM NV* increased its participation in international cargo contracts. This led to a 19% increase in premium volume in the Marine sector. The relatively moderate decrease in personnel expenditure allowed the rise in market share to be translated into a 24% increase in the operational results from this segment.

In the "Property & Casualty" sector, persistent efforts at providing customised solutions and the expansion of new niche products led to an 8% growth in premium volume. The operational results from this sector rose by 15%, thanks to costs remaining stable and significant profit participations.

Despite the strong growth in turnover, up by 11.5%, overhead costs remained virtually at the same level as the previous year. Combined with a reduction of 34% in depreciation charges, the outcome was an operating result of KEUR 500.

Significant exceptional expenditure, partly resulting from the unexpected liquidation of one of the group insurers, reduced this to a net result of KEUR 3.2.

ASCO NV

The insurer *ASCO NV* closed 2011 with a net technical result of KEUR 346, representing a rise of 306% in relation to 2010. Perseverance with efforts towards technical optimisation and the quality of the portfolio led to a positive turnaround, most readily apparent in the "Fire industrial risks" and "Marine Hull" sectors.

A general increase in expenditure by 5% (due to relatively high reinsurance costs) and disappointing financial results (due to minimum values and negative value corrections on investments) culminated in results after taxation of KEUR -249.

Progress was again made in relation to financial audit during 2011. The calculation of the premium reserve (a provision for an errant premium) has been undertaken since the end of 2011 according to the method using 365ths, based on the premiums received each day. Also, the reinsurance programme for 2012 coincides more accurately with the risk profile of the portfolio as regards both coverage and costs.

ASCO NV is planning to support the development of certain *BDM NV* products in 2012, by taking part in the new niche products that *BDM NV* will be offering, both at home and in the neighbouring countries.

Young rubber trees

Group production (in tonnes)

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

		Own	Out-growers	2011	Own	Out-growers	2010
Palm oil		**206 476**	**51 623**	**258 099**	**192 156**	**46 985**	**239 141**
Indonesia		152 916	3 013	155 929	144 450	2 949	147 399
	Tolan Tiga group	65 597		65 597	71 128		71 128
	Umbul Mas Wisesa group	2 115		2 115	515		515
	Agro Muko group	85 204	3 013	88 217	72 807	2 949	75 756
Papua New Guinea		53 560	48 610	102 170	47 706	44 036	91 742
Palm kernels		**35 373**	**577**	**35 950**	**34 037**	691	**34 728**
Indonesia		35 373	577	35 950	34 037	691	34 728
	Tolan Tiga group	16 704		16 704	17 665		17 665
	Agro Muko group	18 669	577	19 246	16 372	691	17 063
Palm kernel oil		**3 825**	**3 471**	**7 296**	**3 501**	**2 995**	**6 496**
Papua New Guinea		3 825	3 471	7 296	3 501	2 995	6 496
Rubber		**8 464**	**1 080**	**9 544**	**9 608**	**1 273**	**10 881**
Indonesia		6 650	0	6 650	7 344	0	7 344
	Tolan Tiga group	5 098		5 098	6 155		6 155
	Agro Muko group	1 552		1 552	1 189		1 189
'Papua New Guinea		1 814	1 080	2 894	2 264	1 273	3 537
Tea		**2 626**	**15**	**2 641**	**3 097**	**11**	**3 108**
Indonesia		2 626	15	2 641	3 097	11	3 108
Pineapple flowers *('000 units)*		**712**	**0**	**712**	833	**0**	833
Ivory Coast		712		712	833		833
Bananas		**19 297**	**0**	**19 297**	**20 639**	**0**	**20 639**
Ivory Coast		19 297		19 297	20 639		20 639

Group planted area (in hectares) *

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

		2011			2010		
		Mature	Immature	Planted	Mature	Immature	Planted
Oil palms		**42 977**	**9 181**	**52 158**	**41 134**	**9 746**	**50 880**
Indonesia		34 026	7 462	41 488	32 955	8 098	41 053
	Tolan Tiga group	12 349	1 560	13 909	13 002	1 164	14 166
	Umbul Mas Wisesa group	4 555	5 025	9 580	3 435	5 375	8 810
	Agro Muko group	17 122	877	17 999	16 518	1 559	18 077
Papua New Guinea		8 951	1 719	10 670	8 179	1 648	9 827
Rubber		**7 279**	**2 216**	**9 495**	**7 049**	**2 238**	**9 287**
Indonesia		4 759	1 453	6 212	4 472	1 532	6 004
	Tolan Tiga group	3 590	864	4 454	3 491	894	4 385
	Agro Muko group	1 169	589	1 758	981	638	1 619
Papua New Guinea		2 520	763	3 283	2 577	706	3 283
Tea		**1 743**	**42**	**1 785**	**1 740**	**47**	**1 787**
Indonesia		1 743	42	1 785	1 740	47	1 787
Pineapple flowers		**27**	**49**	**76**	**27**	**49**	**76**
Ivory Coast		27	49	76	27	49	76
Bananas		516	0	516	516	0	516
Ivory Coast		516		516	516		516
Others		**0**	**58**	**58**	**0**	**58**	**58**
Papua New Guinea			58	58		58	58
Total		**52 542**	**11 546**	**64 088**	**50 466**	**12 138**	**62 604**

* = actual planted hectares

Tea plucking

Age profile

	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
2011	772	794	26	780	2 372	166	139		305
2010	560	1 325	312	548	2 745	141	101		242
2009	228	1 848	537	391	3 004	50	65	87	202
2008	376	2 076	413	154	3 019	96	114	97	307
2007	309	2 127	446	1 699	4 581	262	170	200	632
2006	644	385	1 083	879	2 991	201	188	200	589
2005	665	1 025	525	228	2 443	283		122	405
2004	137		696	132	965	243		57	300
2003	1 143		101	121	1 365	250			250
2002	653		81	331	1 065	198			198
2001	692		475	903	2 070	97		69	166
2000	827		1 034	392	2 253	409	93	116	618
1999	819		1 608	666	3 093	177	100	64	341
1998	454		2 293	625	3 372	270	215	33	518
1997	860		844	129	1 833	215	185	73	473
1996	979		496	558	2 033	191			191
1995	305		257		562	195		37	232
1994	468		872	472	1 812	132			132
1993	336		217		553	225			225
1992	828		142		970				0
1991			259		259				0
1990	29		3 476		3 505	91			91
1989	42		1 387		1 429	153	202		355
1988	296		419		715	296	186		482
1987	194				194	48		119	167
Before 1987	1 293			1 661	2 954	65		2 008	2 073
	13 909	**9 580**	**17 999**	**10 670**	**52 158**	**4 454**	**1 758**	**3 283**	**9 495**
Average age	**12.01**	**2.91**	**13.76**	**10.28**	**10.59**	**11.46**	**10.54**	**26.06**	**16.34**







Sustainability in practice

Our plantations are an integral part of the natural and social environment where they operate in. *SIPEF* applies this in the management techniques that are constantly being revised and improved. For decades already, plantations are being prepared, planted and kept in production. Therefore, it is very important to protect the natural resources and to maintain a harmonious social relationship on and around our working terrain.

In order to follow up on our operations, it is very important to adhere to generally accepted guidelines. We underwent audits for ISO9001, ISO14001, the Roundtable on Sustainable Palm Oil (RSPO), the International Sustainability and Carbon Certification (ISCC), the Ethical Tea Partnership (ETP), EurepGAP/GlobalGAP and the United Nations Clean Development Mechanism (CDM).

The RSPO regulations are the most comprehensive, widely spread standard for sustainable palm oil production. *SIPEF* confirms that the compliance with it ensures the best future for the oil palm industry. From 2011 on, all existing *SIPEF* palm oil factories and all plantations that deliver to it will be RSPO certified.
Our two palm oil mills in North Sumatra (Bukit Maradja and Perlabian) were also certified following the ISCC standard. This relatively new standard checks the complete course and emission values of greenhouse gases during the palm oil production. This is important for the European energy market, since these values have to comply with the European "Reduction of Emissions Directive (RED)" regulation. Palm oil that is being produced at older plantations, where the methane is being collected and burned, can be sold as biofuel.
The emission of methane coming from the ponding system of the palm oil is one of the most important and easiest to be identified impacts of the CPO production. Since 2008, two of our six existing mills have been equipped with installations to collect methane. These comply with the CDM criteria. In 2012, two more will be equipped with the most modern systems. The last two will follow as quickly as is technically possible.
The two new palm oil mills in Papua New Guinea and Indonesia that will become operational in 2012 and 2013 are equipped with methane collection systems.
SIPEF is a member of the non-profit association KAURI, a Belgian network and knowledge centre for corporal ethics and NGO responsibility.

Applying sustainability in our activities

Our main activity consists of the planting and processing of the palm fruits. A good policy in both activities contributes to the application of sustainable practices, for the environment as well as for social development.
We first define good management techniques and then transform these into practical procedures. The consistent follow-up of these has a sustainable positive impact.
The procedures are related to all resources that are being produced by *SIPEF* and are in general much stricter than the legal regulations of the different countries where we are active.

Sustainable plantations

Careful preparation of new terrains. Every potential area that is eligible for *SIPEF* is first studied very carefully for its legal, agronomical, ecological and social status. We hire renowned experts to help us evaluating the areas, while our own teams check practical and legal regulations. Our criteria are very strict, due to which most of the potential areas are found to be unsuitable.

Once an area has passed the screening, we compose a team to approach the local population and to make sure that they understand our intentions. Independent of the type of plant, we ask additional experts to carry out a detailed evaluation of the natural resources, the social situation and the soil's suitability. We continuously organize awareness campaigns following the FPIC procedure (Free, Prior and Informed Consent) for the local communities.

Our oil palm plantations have to comply with the RSPO New Plantings Procedure. This includes a detailed research of the first evaluations and plans and a thirty day public consultation period. *SIPEF* was the first plantation company to subject itself to the RSPO's new regulations.

Maintaining and improving the soil's fertility. The soil's fertility is improved before the land is being prepared. This includes the use of production waste and by-products. We take everything into account that could in time contribute to higher soil fertility.

SIPEF subjects all plantings and replanting to a very strict investigation. The area's situation is checked very carefully for the agronomy and the ecology, with a definition of the no-go areas. These areas are the natural sources and the steep areas. The agronomical team then proposes a planting and/or replanting scheme that needs to be approved by the ecological team. This way of working fits in the framework of our normal procedures and allows for a better planning, a more correct budget calculation and a good integration of our objectives in relation to nature preservation in our main activities.

We apply simple yet strict rules for the preparation of the terrain: no burning, no taking away of cut vegetation, construction of terraces where the combination of soil and slope could lead to erosion, the introduction at an early stage of ground cover plants and planting of anti-erosion vegetation.

Once we have planted a parcel, we use fertilizers based on the recommendations from a soil and foil investigation. Inorganic fertilizers are only used when necessary, and we avoid overdosing.

For oil palms, we spread the empty palm bunches from the factories out in the fields, in order to improve the organic composition of the soil. As much as possible, we bring back the waste water of the palm oil mills (POME) to the fields to be spread out. We also leave loppings of palm behind in the fields, where they can rot.

We adapt the plants' protection to the local situation. Each management team needs to draft a specific Integrated Pest Management (IPM) plan. This IPM plan is a complex and adaptable plan for the plants' protection, to keep damage and diseases under an economic acceptable level. Specially trained employees continuously observe the fields and an early-warning system informs the management in time of possible attacks, with the emphasis on prevention. We only use chemicals when absolutely necessary. This happens under strict supervision and tight control in order to prevent a possible undesirable impact.

Every year, the company's agricultural experts, together with the ecologic team, draft a list of the chemical products that are allowed for use on the plantations. The labourers receive a description of the active ingredients, the use specification, the safety instructions and the possible limitations. This list is widely spread, and the chemical storage spaces are regularly checked. Furthermore, on the terrain we monitor the correct use of the chemical products and the protective equipment. Employees who come into contact with pesticides receive thorough training.

Sustainability in practice

Producing in a responsible way

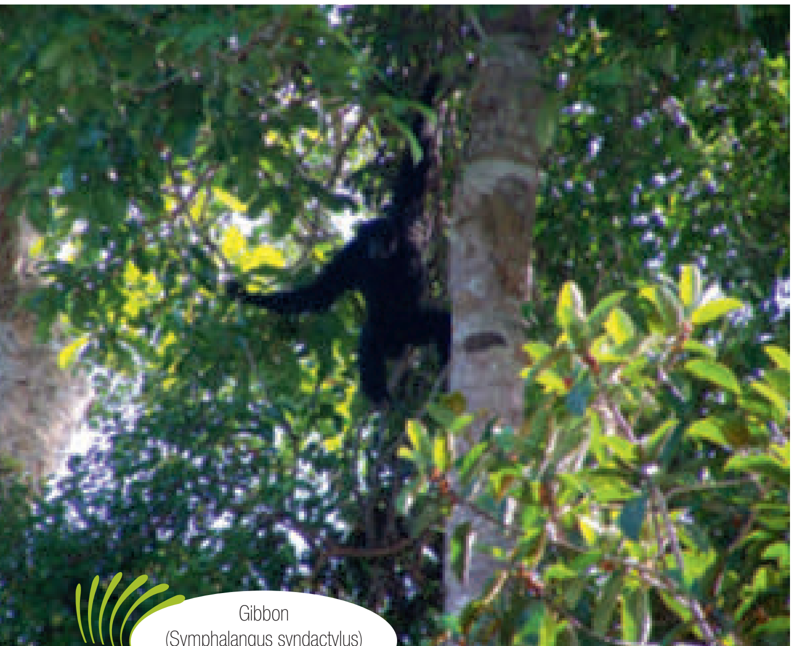
The management of our oil and other factories strives to maximize efficiency and control, and also aims for a proactive role in relation to the impact on the environment. Our biggest industrial entities are the palm oil mills. These are virtually self-sufficient in terms of energy. *SIPEF* closely monitors their fuel and water consumption and the emission of gases and waste water.

Our employees' training is mainly directed towards their technical capabilities, but also towards health and safety (OHS). All our installations are regularly subjected to an internal safety audit. The training courses are mandatory, and the managing board bears the responsibility. The factories are carefully screened for risks, and the necessary protective material is foreseen. We have monthly meetings to discuss risk reducing measures.

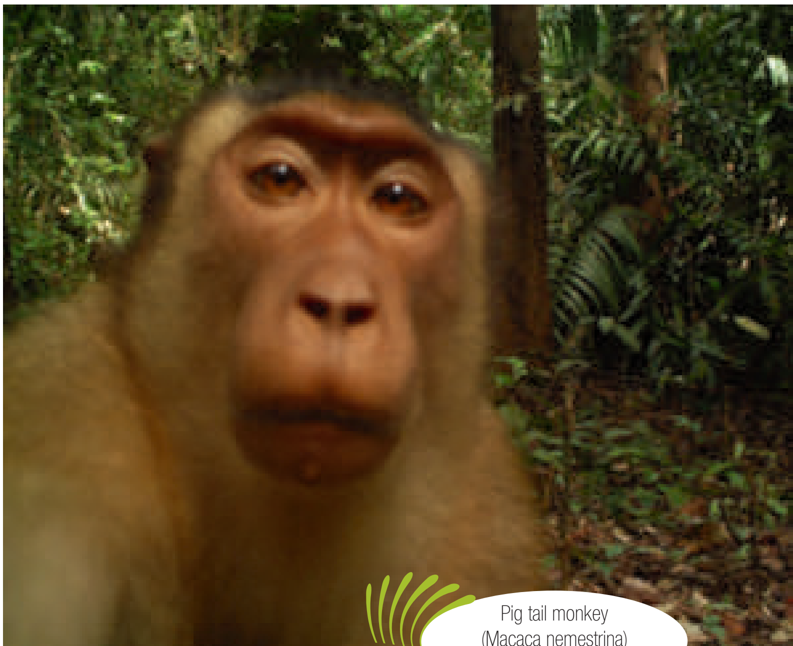
Bananas from the Ivory Coast and sustainable development

The banana production in the Ivory Coast happens in complete harmony with the ecological, ethical and social regulations that we comply with in Asia. *Plantations J. Eglin SA* was certified for Global GAP in 2006. Our objectives in relation to the environment and food-safety protection exceed these standards.

We increase the quality of the soil that we cultivate by planting fallow ground with Tithonia, which is a bushy plant. This prevents erosion and provides us with an important quantity of organic material. During the cultivation we constantly add organic material to the soil by recycling waste, banana stems and cocoa bean peels, coming from factories in the vicinity. These humus-rich peels form a covering layer against evaporation and as such limits the necessary irrigation during the dry season. Thanks to these natural soil enriching techniques, we can reduce the use of chemical fertilizers.



Gibbon
(Symphalangus syndactylus)



Pig tail monkey
(Macaca nemestrina)

Pictures taken in the Mukomuko-plantation
Zoological Society of London

The uncultivated areas are replanted with Gmélina trees. This way, we limit the constant deforestation by the neighbouring communities, who often use charcoal or wood as their only fuel for cooking. This vegetation has the advantage that it grows fast in the Ivory Coast's coastal climate.
The phytosanitary protection is based on a fixed procedure that works only with a warning system: we treat the fields only when the attack by parasites or disease reaches a certain limit. A specialized team regularly carries out checks for cercosporiosis (or black sigatoka, a black stripes disease in banana plants), worms and beetles.
Our personnel use houses that are built or renovated by us in cooperation with the European Union (EU). The EU follows up very closely the general organization of fruit plantations. The villages in our plantations are equipped with good utilities such as electricity, water, schools and medical centres.

Responsible sustainable practices

The communities that work together with us and live around us and the environment where we are located in, all fall under our "sustainable sphere of influence".
SIPEF's challenge is to have an impact that is as positive as possible in as many domains as possible.
The necessary transport infrastructure often is missing in our working environment, due to which we have to maintain ourselves the public roads, bridges, and even a public landing strip in Papua New Guinea.
For the labourers and their family, the housing, medical care and education remain the most important points of attention. The construction and maintenance of houses is an important task for the managers. We stimulate active participation in the housing policy. In Indonesia, we support woman's organizations in our plantations, and we see a remarkable change in the general cleanliness and the general aspect of the labourers' villages. Representatives of the women's organizations meet monthly with the managing board and can directly report certain needs for their houses' maintenance or beautification. A similar initiative has also been started in Papua New Guinea.
We provide free medical care to our permanent employees and their families. In Indonesia, *SIPEF* supports retired employees who suffer from chronic diseases.
We make access to education possible by ensuring transport to existing schools for the labourers' children, or by helping in creating new schools for them. Together with the local authorities, *SIPEF* makes sure these schools get sufficient teachers. Thanks to the Papua New Guinea government's Tax Credit Scheme, *Hargy Oil Palms (HOPL)* could provide extra support to Ibana's primary school.
The communities that live around our plantations can benefit from the economic advantages of palm oil. *PT Agro Muko* in Indonesia still enjoys the 'Kebun Masyarakat Desa' (KMD) program that has been running since 2000. Most of the neighbouring villages are part of this plan, and more remote villages now ask to be incorporated in the program as well. The participating villages put a maximum of fifteen hectares of community grounds at disposal. We develop these into oil palm plantations, managed by *PT Agro Muko*. The company advances all costs and the reimbursement happens gradually, depending on the life span of the planting. Management is individual and very transparent, with a publication of the yearly accounts in the local paper.
The protection of the waterways is very important from a social, agricultural and ecological point of view. The water sources must be protected quantitatively as well as qualitatively. We encourage the preservation of surface and underground water by the collection of rainwater whenever possible. The

original river banks are protected in order to guarantee water quality for the downstream users. Along with this, we create passages in the forest, for wild animals.

The *SIPEF* Foundation in Indonesia continues its efforts with a third project. The three programs are located in the Bengkulu Province.

The goal of the "Mukomuko Biodiversity Project" is the preservation and recovery of a forest that serves as a buffer for the Kerinci Seblat National Park (KSNP). The licensing procedure that was started in 2010 was interrupted up to three times because of a change in the territorial status of the concerned area. At the end of the year, the Ministry of Forestry confirmed and reinforced the area's status as a natural reserve that is only open for licenses of nature recovery. We remain committed to this cause, and we will try to obtain our license in 2012.

At the end of 2010 we started the Retak Ilir Turtle Project. This project is directed towards a small group of villagers who protect sea turtles. The activities in 2011 were impressive, with the appearance of a very rare species that was threatened with extinction.

The Retak Ilir beach is a place on Sumatra's west coast that is of great importance for the expansion of sea turtles. The illegal collection of turtle eggs and the plundering by monitor lizards are a big threat for them in this region. With our foundation's support, a small group of villagers monitors the coming ashore of the sea turtles at night. The villagers collect the eggs and take them to a small hatching installation in the village, where they are safe. Immediately after hatching, the little turtles are released into the sea. This seemingly simple action considerably increases the number of little turtles that makes it to sea. The *SIPEF* Foundation provides material support to modernize and maintain the hatching installation and to equip the monitoring team. The villagers draft a weekly activity report and meet with the Foundation's members every month in the village.

Over the last years, except in 2011, we saw three species on this beach: *Chelonia mydas* (Green Sea Turtle), *Caretta caretta* (Loggerhead Sea Turtle) and *Eretmochelys imbricata* (Hawksbill Turtle). It is possible that some turtles come ashore further away from the monitoring team, or that they land even further away on the coast. Sea turtle habits are not very well known yet.

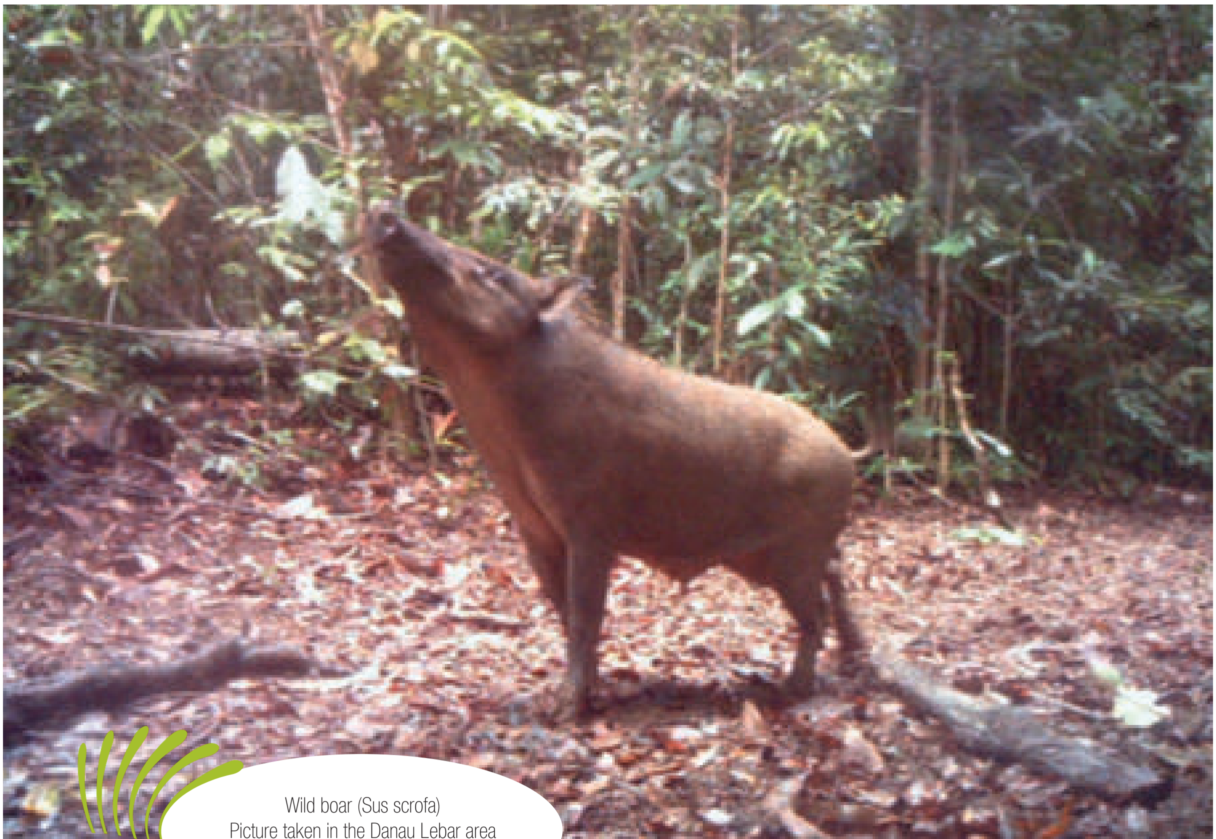
Two other species came ashore to lay eggs on the Retak Ilir beach. We saw a large number of *Lepidochelys olivacea* (Olive Ridley Sea Turtle), and the monitoring team collected 1 836 eggs. The surprise came from some *Dermochelys coriacea* (Leatherback Sea Turtle). This is a threatened species that is very important for sea turtle experts. Some specimens were spotted in January and February 2011, and 305 eggs were collected.

Of the total of 2 141 collected eggs, 1 508 little turtles were released into the sea. That is a score of 70%, which is a lot higher than the 40% that is possible the natural way. Retak Ilir is one of two villages on this beach, and we plan to work together with the second village as well in 2012.

A pre-agreement concerning these activities will bring together these two local communities, the local Mukomuko authorities, the Nature Preservation Agency and the *SIPEF* Foundation.

Two scientists specialized in sea turtle research have planned a visit in 2012. They will evaluate the operation and will make recommendations for improvements, especially for gathering and sharing data. Detailed information about sea turtles on Sumatra is very scarce, and the input of our modest project will be valuable for these scientists.

At the end of 2011, the *SIPEF* Foundation signed an agreement with the Zoological Society of London (ZSL). ZSL's one-year Oil Palm and Biodiversity Project aims for the development of practical ways to define the biodiversity in oil palm companies, with the objective to take protective measures and



Wild boar (Sus scrofa)
Picture taken in the Danau Lebar area
Zoological Society of London

follow-up on the results. ZSL has a unique experience in the observation of the African fauna. The field work will be done by their specialists in our plantations. In a first stage of observation and definition of the existing biodiversity, cameras will be placed in order to determine the permanent or temporary presence of animals in our plantations. Our employees will also receive training on determining the biodiversity and they will collect data on the presence of animals in our plantations. These are relatively small, but they can play an important role in the construction and maintenance of passage roads in the forest, or in foreseeing a temporary or permanent place to stay for species that feel threatened by the increasing human activity. Through a better understanding of the way in which the wild animals use our plantations, we can determine the best methods for nature preservation.

The *SIPEF* Foundation finances this project (value KUSD 100) for 67%. The International Finance Company provides the remaining 33%. The conclusion of ZSL-*SIPEF*'s activities will be added to a similar program that was executed by ZSL in another plantation company in Kalimantan. The RSPO will use these data to draft new guidelines for the management of natural areas in the oil palm regions.

Soccer games are never won by the spectators.

A good employer also has to participate in initiatives that have a positive influence on the working

Release of the young leatherback turtles

Young leatherback turtles (Dermochelys coriacea)

environment. *SIPEF* is an active member of the Roundtable on Sustainable Palm Oil. Management members participate in the Trade and Traceability Standing Committee, the PNG National Interpretation Working Group, the Biodiversity and High Conservation Values Technical Committee and the Compensation Task Force, that is presided by *SIPEF*. Participation in the RSPO forms an opportunity to exchange experiences and insights with other participants who have a different view on the meaning of sustainability.

In 2011, the WWF team worked together with *SIPEF* to prepare a study about the RSPO New Plantings Procedure. The WWF pleads for the application of sustainable controllable standards and considers *SIPEF* an example of a plantation company that accepts change and brings sustainability into practice.

Links

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

Production of rubber sheets

Financial statements

Consolidated statement of financial position

In KUSD	*Note*	2011	2010	2009
Non-current assets		**424 831**	**355 565**	**307 853**
Goodwill and other intangible assets	8	25 575	20 251	15 018
Biological assets	9	268 416	237 694	203 134
Property, plant & equipment	10	116 944	83 815	74 981
Investment property	11	3	3	3
Financial assets	12	13 540	13 628	12 191
Investments in associates		9 476	9 589	7 881
Other financial assets		4 064	4 039	4 310
Receivables > 1 year		353	174	2 526
Other receivables	13	106	145	1 820
Deferred tax assets	25	247	29	706
Current assets		**142 460**	**144 991**	**115 886**
Inventories	14	38 332	29 846	24 366
Trade and other receivables		52 230	45 872	36 077
Trade receivables	28	37 473	26 439	18 674
Other receivables	15	14 757	19 433	17 403
Investments		15 855	15 582	10 315
Other investments and deposits	20	15 855	15 582	10 315
Cash and cash equivalents	20	34 289	49 025	42 122
Other current assets		1 754	2 085	936
Assets held for sale	21	0	2 581	2 070
Total assets		**567 291**	**500 556**	**423 739**

In KUSD	Note	2011	2010	2009
Total equity		**450 874**	**395 789**	**318 529**
Shareholders' equity	16	425 261	368 549	296 918
Issued capital		45 819	45 819	45 819
Share premium		21 502	21 502	21 502
Treasury shares (-)		-4 603	0	0
Reserves		377 875	316 133	242 889
Translation differences		-15 332	-14 905	-13 292
Non-controlling interests	17	25 613	27 240	21 611
Non-current liabilities		**59 899**	**60 614**	**59 911**
Provisions > 1 year		111	115	177
Provisions	18	111	115	177
Deferred tax liabilities	25	48 505	47 508	41 532
Trade and other liabilities > 1 year		0	0	144
Financial liabilities > 1 year (incl. derivatives)	20	0	2 600	8 847
Pension liabilities	19	11 283	10 391	9 211
Current liabilities		**56 518**	**44 153**	**45 299**
Trade and other liabilities < 1 year		46 372	33 177	31 947
Trade payables	15	14 491	9 195	9 525
Advances received	15	465	286	314
Other payables	15	12 532	8 422	12 136
Income taxes	25	18 884	15 274	9 972
Financial liabilities < 1 year		3 629	5 691	8 280
Current portion of amounts payable after one year	20	2 600	5 200	5 645
Financial liabilities	20	25	323	1 837
Derivatives	28	1 004	168	798
Other current liabilities		6 517	4 817	4 667
Liabilities associated with assets held for sale	21	0	468	405
Total equity and liabilities		**567 291**	**500 556**	**423 739**

Consolidated income statement

		2011			2010			2009		
In KUSD	*Note*	Before IAS 41	IAS41	IFRS	Before IAS 41	IAS41	IFRS	Before IAS 41	IAS41	IFRS
Revenue	7	367 661		367 661	279 400		279 400	237 829		237 829
Cost of sales	7, 9	-230 853	4 132	-226 721	-161 718	3 442	-158 276	-148 134	2 762	-145 372
Gross profit	7	**136 808**	**4 132**	**140 940**	**117 682**	**3 442**	**121 124**	**89 695**	**2 762**	**92 457**
Variation biological assets	9		28 611	28 611		33 413	33 413		19 209	19 209
Planting cost (net)	9		-17 505	-17 505		-14 269	-14 269		-13 208	-13 208
Selling, general and administrative expenses		-24 936		-24 936	-19 758		-19 758	-17 814		-17 814
Other operating income/(charges)	22	2 218		2 218	-2 299		-2 299	2 027		2 027
Operating result		**114 090**	**15 238**	**129 328**	**95 625**	**22 586**	**118 211**	**73 908**	**8 763**	**82 671**
Financial income		653		653	977		977	540		540
Financial charges		- 677		- 677	-1 131		-1 131	-1 530		-1 530
Exchange differences		2 583		2 583	440		440	881		881
Financial result	23	**2 559**	**0**	**2 559**	**286**	**0**	**286**	**- 109**	**0**	**- 109**
Profit before tax		**116 649**	**15 238**	**131 887**	**95 911**	**22 586**	**118 497**	**73 799**	**8 763**	**82 562**
Tax expense	25, 9	-26 573	-3 951	-30 524	-23 048	-6 041	-29 089	-16 133	-2 768	-18 901
Profit after tax		**90 076**	**11 287**	**101 363**	**72 863**	**16 545**	**89 408**	**57 666**	**5 995**	**63 661**
Share of results of associated companies	26	**210**	**0**	**210**	**2 587**	**0**	**2 587**	**913**	**0**	**913**
- Insurance		210		210	2 587		2 587	913		913
Result from continuing operations		**90 286**	**11 287**	**101 573**	**75 450**	**16 545**	**91 995**	**58 579**	**5 995**	**64 574**
Result from discontinued operations		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Profit for the period		**90 286**	**11 287**	**101 573**	**75 450**	**16 545**	**91 995**	**58 579**	**5 995**	**64 574**
Attributable to:										
- Non-controlling interests	17	5 605	880	6 485	4 819	2 333	7 152	3 935	465	4 400
- Equity holders of the parent		84 681	10 407	95 088	70 631	14 212	84 843	54 644	5 530	60 174

Earnings per share	*In USD*	2011	2010	2009
From continuing and discontinued operations				
Basic earnings per share	35	10.63	9.48	6.72
Diluted earnings per share	35	10.63	9.48	6.72
From continuing operations				
Basic earnings per share	35	10.63	9.48	6.72
Diluted earnings per share	35	10.63	9.48	6.72

Consolidated statement of comprehensive income

In KUSD	2011			2010			2009		
	Before IAS 41	IAS41	IFRS	Before IAS 41	IAS41	IFRS	Before IAS 41	IAS41	IFRS
Profit for the period	90 286	11 287	101 573	75 450	16 545	91 995	58 579	5 995	64 574
Other comprehensive income:									
- Exchange differences on translating foreign operations	- 427		- 427	-1 173		-1 173	364		364
- Reclassification adjustments			0	- 440		- 440	- 392		- 392
- Revaluation assets available for sale			0	226		226			0
Total other comprehensive income for the year, net of tax:	- 427	0	- 427	-1 387	0	-1 387	- 28	0	- 28
Other comprehensive income attributable to:									
- Non-controlling interests			0			0			0
- Equity holders of the parent	- 427		- 427	-1 387		-1 387	- 28		- 28
Total comprehensive income for the year	89 859	11 287	101 146	74 063	16 545	90 608	58 551	5 995	64 546
Total comprehensive income attributable to:									
- Non-controlling interests	5 605	880	6 485	4 819	2 333	7 152	3 935	465	4 400
- Equity holders of the parent	84 254	10 407	94 661	69 244	14 212	83 456	54 616	5 530	60 146

Consolidated cash flow statement

In KUSD	*Note*	2011	2010	2009
Operating activities				
Profit before tax		131 887	118 497	82 562
Adjusted for:				
Depreciation	7	11 962	9 698	8 178
Movement in provisions	18	876	998	889
Impairment assets held for sale		0	3 649	0
Changes in fair value of biological assets	9	-11 106	-19 144	-6 001
Other non-cash results		836	- 630	- 337
Financial income and charges		24	155	989
Capital loss on receivables		0	181	- 175
Result on disposal of property, plant and equipment		- 254	98	69
Result on disposal of financial assets		0	-1 350	- 884
Cash flow from operating activities before change in net working capital		134 225	112 152	85 290
Change in net working capital	27	-8 167	-16 906	-2 464
Cash flow from operating activities after change in net working capital		126 058	95 246	82 826
Income taxes paid	25, 9	-21 785	-17 542	-18 426
Cash flow from operating activities		104 273	77 704	64 400
Investing activities				
Acquisition intangible assets	7	-5 765	-4 344	-2 705
Acquisition biological assets	7	-17 657	-14 541	-13 615
Acquisition property, plant & equipment	7	-44 609	-18 957	-14 527
Acquisition financial assets	32	0	-8 335	0
Proceeds from sale of property, plant & equipment		926	848	797
Proceeds from sale of financial assets	32	0	1 547	243
Cash flow from investing activities		-67 105	-43 782	-29 807
Free cash flow		**37 168**	**33 922**	**34 593**
Financing activities				
Equity transactions with non-controlling parties *		-19 531	68	0
Decrease/(increase) of treasury shares	16	-4 603	0	0
Repayment in long-term financial borrowings	20	-5 200	-6 692	-5 784
Increase/(decrease) short-term financial borrowings	20	- 298	-1 514	698
Last year's dividend paid during this bookyear		-19 657	-11 670	-10 367
Dividends paid by subsidiaries to minorities	17	-2 271	-1 582	-1 463
Financial income and charges		- 61	- 354	-1 146
Cash flow from financing activities		-51 621	-21 744	-18 062
Net increase in investments, cash and cash equivalents	20	-14 453	12 178	16 531
Investments and cash and cash equivalents (opening balance)	20	64 607	52 437	35 903
Effect of exchange rate fluctuations on cash and cash equivalents	20	- 10	- 8	3
Investments and cash and cash equivalents (closing balance)	20	50 144	64 607	52 437

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, 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 16, 17)			-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**
January 1, 2010	**45 819**	**21 502**	**0**	**242 889**	**-13 292**	**296 918**	**21 611**	**318 529**
Total comprehensive income				85 069	-1 613	83 456	7 152	90 608
Last year's dividend paid				-11 825		-11 825		-11 825
Other (note 17)						0	-1 523	-1 523
December 31, 2010	**45 819**	**21 502**	**0**	**316 133**	**-14 905**	**368 549**	**27 240**	**395 789**

* 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 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	0	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 of the SIPEF group

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 2011 comprise *SIPEF* and its subsidiaries (together referred to as "SIPEF group" or "the group"). Comparative figures are for the financial years 2010 and 2009.

The consolidated financial statements were authorized for issue by the directors at the board meeting of 22 February 2012 and shall be approved by the shareholders at the annual general meeting of 13 June 2012. A list of the directors and the statutory auditor ("commissaris" / "commissaire"), 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 2011 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 (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 2013)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 13 *Fair Value Measurement* (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 July 2011)
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Derecognition* (applicable for annual periods beginning on or after 1 July 2011)
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2012)
- Amendments to IAS 19 *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* (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 the amendments to IAS 28 Investments in associates and joint ventures, 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

Notes to the consolidated financial statements of the SIPEF group

entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Consolidation principles

Subsidiaries:

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

Associates:

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

Joint ventures:

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

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

Transactions eliminated on consolidation:

All intra-group balances and transactions, and any unrealized gains arising on intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the group's interest in the enterprise against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions:

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

Financial statements of foreign operations:

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

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

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

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

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

Biological assets

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

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

The main variables in these models concern:

Variable	Comment
Currency valuation:	USD
Production volumes:	Estimate based on historical data regarding the yield/ha of the concerning or comparable areas.
Selling price:	Estimate based on the past 20-year average world market price. Palm oil: 568 USD/tonne CIF Rotterdam Rubber: 1 580 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: Oil palm: 15% Rubber: 15%-16% Tea: 16%

Notes to the consolidated financial statements of the SIPEF group

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. 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. No derivatives for trading purposes are held nor issued. 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

Notes to the consolidated financial statements of the SIPEF group

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 un-funded 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 19)
- Deferred tax assets (note 25)
- Provisions
- Fair value biological assets (note 9)
- Impairment of assets

Notes to the consolidated financial statements of the SIPEF group

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	57.00
PT Bandar Sumatra Indonesia	Medan / Indonesia	95.00	95.00
PT Timbang Deli Indonesia	Medan / Indonesia	95.00	95.00
PT Melania Indonesia	Jakarta / Indonesia	95.00	94.33
PT Mukomuko Agro Sejahtera	Medan / Indonesia	95.00	90.25
PT Umbul Mas Wisesa	Medan / Indonesia	95.00	94.33
PT Citra Sawit Mandiri	Medan / Indonesia	95.00	94.33
PT Toton Usaha Mandiri	Medan / Indonesia	100.00	99.29
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	94.33
Hargy Oil Palms Ltd	Bialla / Papua N.G.	100.00	100.00
Galley Reach Holdings Ltd	Port Moresby / Papua N.G.	100.00	100.00
Plantations J. Eglin SA	Azaguié / Ivory Coast	100.00	100.00
Jabelmalux SA	Luxembourg / G.D. Luxemburg	99.29	99.29
Joint ventures (proportionate consolidation)			
PT Agro Muko	Jakarta / Indonesia	47.29	44.93
Associates (equity method)			
B.D.M. NV	Antwerpen / Belgium	50.00	50.00
Asco NV	Antwerpen / Belgium	50.00	50.00
Companies not included			
SIPEF-CI SA	San Pedro / Ivory Coast	32.01	32.01
Horikiki Development Cy Ltd	Honiara /Solomon Islands	90.80	90.80
Sograkin SA	Kinshasa /Congo	50.00	50.00

The perimeter has been extended by 3 newly established 95% subsidiaries *PT Agro Rawas Ulu, PT Agro Kati Lama* and *PT Agro Muara Rupit.* These Indonesian companies could comprise new investments in the province of South Sumatra.

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		
	2011	2010	2009	2011	2010	2009
EUR	0.7715	0.7468	0.6942	0.7145	0.7567	0.7181

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.

Notes to the consolidated financial statements of the SIPEF group

Gross profit by product

	Revenue	Cost of sales	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
2011 - In 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**
2010 - In KUSD						
Palm	207 358	-117 573	89 785	2 964	92 749	76.57
Rubber	36 411	-16 919	19 492	382	19 874	16.41
Tea	9 472	-5 887	3 585	31	3 616	2.99
Bananas and plants	24 084	-21 171	2 913	65	2 978	2.46
Corporate	1 874		1 874		1 874	1.55
Others	201	- 168	33		33	0.03
Total	**279 400**	**-161 718**	**117 682**	**3 442**	**121 124**	**100.00**

The segment "corporate" comprises the management fees received from non group entities.
Under IFRS (IAS41) depreciation on biological assets is not allowed.

Gross profit by geographical segment

	Revenue	Cost of sales	Other income	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
2011 - In 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**
2010 - In KUSD							
Indonesia	149 428	-71 396	427	78 459	1 419	79 878	65.95
Papua New Guinea	103 813	-68 983		34 830	1 958	36 788	30.37
Ivory Coast	24 084	-21 171		2 913	65	2 978	2.46
Europe			1 447	1 447		1 447	1.19
Others	201	- 168		33		33	0.03
Total	**277 526**	**-161 718**	**1 874**	**117 682**	**3 442**	**121 124**	**100.00**

Revenue by location of the debtors

In KUSD	2011	2010
Singapore	97 420	90 624
United Kingdom	61 891	37 801
The Netherlands	51 176	39 627
Indonesia	41 648	51 297
Germany	41 085	14 714
Switserland	37 724	14 706
United States	12 672	3 443
Belgium	7 606	8 500
France	5 451	9 311
Pakistan	4 471	5 425
Others	4 374	685
Ivory Coast	1 352	2 491
Spain	788	776
Total	**367 661**	**279 400**

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 22 363.

In KUSD	Palm	Rubber	Tea	Bananas & Plants	Insurance	Un-allocated	Total
	2011						
Goodwill and other intangible assets						25 575	25 575
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	15 793	2 903	1 521	443		17 672	38 332
Trade receivables	33 684	2 009	813	936		31	37 473
Other current assets						1 754	1 754
Unallocated						69 212	69 212
Total assets	**393 694**	**32 600**	**8 870**	**7 793**	**9 476**	**114 858**	**567 291**
% of total assets	69.40%	5.75%	1.56%	1.37%	1.67%	20.25%	100.00%
Total liabilities							**567 291**
Segment capital expenditures:							
Goodwill and other intangible assets						5 765	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	**54 979**	**4 462**	**930**	**1 589**	**0**	**6 071**	**68 031**
Segment depreciation:							
Goodwill and other intangible assets						326	326
Property, plant & equipment	8 927	1 258	321	931		199	11 636
Inventories							0
Total depreciation	**8 927**	**1 258**	**321**	**931**	**0**	**525**	**11 962**

In KUSD	2010						
	Palm	Rubber	Tea	Bananas & Plants	Insurance	Un-allocated	Total
Goodwill and other intangible assets						20 251	20 251
Biological assets	215 815	17 109	2 920	1 850			237 694
Property, plant & equipment	71 611	4 625	2 934	4 151		494	83 815
Investment property						3	3
Investments in associates					9 589		9 589
Other receivables	145						145
Inventories	13 629	3 185	992	617		11 423	29 846
Trade receivables	22 080	1 827	397	1 942		193	26 439
Other current assets						2 085	2 085
Unallocated						90 689	90 689
Total assets	**323 280**	**26 746**	**7 243**	**8 560**	**9 589**	**125 138**	**500 556**
% of total assets	64.58%	5.34%	1.45%	1.71%	1.92%	25.00%	100.00%
Total liabilities							**500 556**
Segment capital expenditures:							
Goodwill and other intangible assets						4 344	4 344
Biological assets	12 522	1 811	71	137			14 541
Property, plant & equipment	16 231	881	345	1 403		97	18 957
Total investments	**28 753**	**2 692**	**416**	**1 540**	**0**	**4 441**	**37 842**
Segment depreciation:							
Goodwill and other intangible assets						273	273
Property, plant & equipment	7 411	628	460	615		162	9 276
Inventories						149	149
Total depreciation	**7 411**	**628**	**460**	**615**	**0**	**584**	**9 698**

Segment information - geographical

	2011					
In KUSD	Indonesia	PNG	Ivory Coast	Europe	Others	Total
Goodwill and other intangible assets	25 154		13	408		25 575
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:						
Goodwill and other 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:						
Goodwill and other intangible assets	68		1	257		326
Property, plant & equipment	4 256	6 384	931	65		11 636
Inventories						0
Total depreciation	**4 324**	**6 384**	**932**	**322**	**0**	**11 962**

In KUSD	2010					
	Indonesia	**PNG**	**Ivory Coast**	**Europe**	**Others**	**Total**
Goodwill and other intangible assets	19 695		4	552		20 251
Biological assets	180 140	55 703	1 851			237 694
Property, plant & equipment	31 862	47 592	4 152	209		83 815
Investment property				3		3
Investments in associates				9 589		9 589
Other assets	46 042	23 697	1 981	77 484		149 204
Total assets	**277 739**	**126 992**	**7 988**	**87 837**	**0**	**500 556**
% of total assets	55.48%	25.37%	1.60%	17.55%	0.00%	100.00%
Segment capital expenditures:						
Goodwill and other intangible assets	4 205		4	135		4 344
Biological assets	8 629	5 775	137			14 541
Property, plant & equipment	6 992	10 513	1 403	49		18 957
Total investments	**19 826**	**16 288**	**1 544**	**184**	**0**	**37 842**
Segment depreciation:						
Goodwill and other intangible assets	32		1	240		273
Property, plant & equipment	3 698	4 912	615	51		9 276
Inventories		149				149
Total depreciation	**3 730**	**5 061**	**616**	**291**	**0**	**9 698**

8. Goodwill and other intangible assets

In KUSD	2011			2010
	Goodwill	Other	Total	Total
Gross carrying amount at January 1	4 519	16 913	21 432	15 883
Change in consolidation scope			0	3 256
Acquisitions		5 765	5 765	4 344
Sales and disposals		- 114	- 114	- 1
Other			0	-2 047
Translation differences		- 2	- 2	- 3
Gross carrying amount at December 31	4 519	22 562	27 081	21 432
Accumulated amortization and impairment losses at January 1		-1 181	-1 181	- 865
Change in consolidation scope			0	- 47
Depreciations		- 326	- 326	- 273
Sales and disposals			0	1
Translation differences		1	1	3
Accumulated amortization and impairment losses at December 31		-1 506	-1 506	-1 181
Net carrying amount January 1	4 519	15 732	20 251	15 018
Net carrying amount December 31	**4 519**	**21 056**	**25 575**	**20 251**

The acquisitions refer mainly to the additionnal payments made for obtaining the landtitles of *PT Umbul Mas Wisesa, PT Citra Sawit Mandiri, PT Toton Usaha Mandiri* and *PT Mukomuko Agro Sejahtera.*

The changes in consolidation scope are detailed in note 32.

For 2010 the variation "other" encompasses the transfers of the concessions of *PT Citra Sawit Mandiri* to the post "Assets held for sale" (note 21).

In accordance with the accounting policies the goodwill was reviewed for impairment. This had no impact in 2011.

The assumptions that were used for these tests are in accordance with the assumptions for the IAS41 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 IAS41 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 IAS41 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	8 479	Concession	2023	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	2023	Rubber and oil palm
PT Timbang Deli Indonesia	991	Concession	2023	Rubber and oil palm
PT Melania Indonesia	5 140	Concession	2023	Rubber, tea and oil palm
PT Umbul Mas Wisesa	8 726	In negotiation	-	Oil palm
PT Citra Sawit Mandiri	3 604	In negotiation	-	Oil palm
PT Toton Usaha Mandiri	1 200	In negotiation	-	Oil palm
PT Agro Muko	10 000	Concession	2019	Rubber and oil palm
PT Agro Muko	2 500	Concession	2020	Rubber and oil palm
PT Agro Muko	315	Concession	2011	Rubber and oil palm
PT Agro Muko	4 313	Concession	2028	Rubber and oil palm
PT Agro Muko	5 786	Concession	2022	Rubber and oil palm
Hargy Oil Palms Ltd	9 952	Concession	2072	Oil palm
Hargy Oil Palms Ltd	2 900	Concession	2101	Oil palm
Galley Reach Holdings Ltd	16 429	Concession	2080	Rubber

Notes to the consolidated financial statements of the SIPEF group

	Hectares	Type	Maturity	Crop
Plantations J. Eglin SA	1 440	Freehold	na	Bananas and pineapple flowers
Plantations J. Eglin SA	322	Provisional concession	na	Bananas and pineapple flowers
	89 049			

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, 2010	215 815	17 109	2 920	1 850	237 694
Variation biological assets	25 408	2 682	280	241	28 611
Variation consolidation scope					0
Reclassification	2 187				2 187
	243 410	**19 791**	**3 200**	**2 091**	**268 492**
Translation differences				- 76	- 76
December 31, 2011	**243 410**	**19 791**	**3 200**	**2 015**	**268 416**

The gross variation in biological assets amounted to KUSD 28 611 and arose mainly from the expansion of our oil palm areas of our *UMW* and *CSM* estates in Indonesia and of *Hargy Oil Palms Ltd* in Papua New Guinea, the increase in maturity of the newly planted areas as well as the rise in the long term averages of the palm oil, rubber and tea prices.

The effect of the rising cost of production was largely compensated by the effect of a drop in the applied discount rate.

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%	2011	- 10%
Oil palm	318 205	243 410	168 575
Rubber	27 471	19 791	12 214
Tea	7 362	3 200	- 964
Total	**353 038**	**266 401**	**179 824**
Others		2 015	
		268 416	

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 (568 USD/tonne CIF Rotterdam). The average price of palmoil for the last 10 years was 664 USD/tonne. The average price for palmoil for 2011 was 1125 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 IAS41 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%	2011	- 1%
Oil palm	229 929	243 410	258 208
Rubber	19 106	19 791	20 632
Tea	3 005	3 200	3 415
Total	**252 040**	**266 401**	**282 255**
Others		2 015	
		268 416	

Notes to the consolidated financial statements of the SIPEF group

Impact of IAS41 on the income statement

According to IFRS, biological assets are measured at fair value instead of at "depreciated cost" (IAS41). 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 IAS41 impact is presented in a separate column on the face of the income statement.

In KUSD	Oil palm	Rubber	Tea	Others	Total 2011	Total 2010
Depreciation	3 637	460	28	7	4 132	3 442
Variation biological assets	25 408	2 682	280	241	28 611	33 413
Planting cost	-14 983	-2 343	- 81	- 248	-17 655	-14 541
Disposals	131	19			150	272
Operating result	**14 193**	**818**	**227**	**0**	**15 238**	**22 586**
Tax impact					-3 951	-6 041
Net impact					**11 287**	**16 545**

Impact of IAS41 on the cash flow statement

In KUSD	2011	2010
Variation biological assets	-28 611	-33 413
Planting cost (included in investing activities)	17 655	14 541
Sales and disposals (included in sale of assets)	- 150	- 272
	-11 106	**-19 144**

10. Property, plant & equipment

In KUSD	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment, furniture and others	Leases	In progress	2011 Total	2010 Total
Gross carrying amount at January 1	55 446	63 572	28 513	6 085	0	3 822	157 439	140 495
Change in consolidation scope							0	2 769
Acquisitions	16 217	4 482	12 065	1 038		11 777	45 578	22 107
Sales and disposals	- 52	- 276	- 1 320	- 90		- 81	- 1 818	- 2 512
Transfers	- 473	230	- 493	1 014		- 2 374	- 2 096	- 2 758
Other						728	728	- 1 565
Translation differences	- 376	- 116	- 70	- 41		1	- 602	- 1 098
Gross carrying amount at December 31	70 762	67 892	38 695	8 007	0	13 873	199 228	157 438
Accumulated depreciation and impairment losses at January 1	- 18 052	- 34 879	- 16 859	- 3 834	0	0	- 73 624	- 65 514
Change in consolidation scope							0	- 1 213
Depreciation	- 2 414	- 4 244	- 4 473	- 505			- 11 636	- 9 277
Sales and disposals	14	180	1 128	89			1 410	1 538
Transfers	- 1	514	612	1			1 126	- 92
Other							0	82
Translation differences	278	89	54	18			439	853
Accumulated depreciation and impairment losses at December 31	- 20 175	- 38 340	- 19 539	- 4 231	0	0	- 82 284	- 73 623
Net carrying amount January 1	37 394	28 694	11 654	2 251	0	3 822	83 815	74 981
Net carrying amount December 31	**50 587**	**29 552**	**19 157**	**3 776**	**0**	**13 873**	**116 944**	**83 815**

The post "other" encompasses the transfers of the assets of *PT Citra Sawit Mandiri* to the post "Assets held for sale" (see note 22)

The changes in consolidation scope are detailed in note 32.

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

Notes to the consolidated financial statements of the SIPEF group

11. Investment property

In KUSD	2011	2010
Gross carrying amount at January 1	46	46
Acquisitions		
Sales and disposals	- 3	
Gross carrying amount at December 31	43	46
Accumulated depreciation and impairment losses at January 1	- 43	- 43
Depreciation		
Sales and disposals	3	
Accumulated depreciation and impairment losses at December 31	- 40	- 43
Net carrying amount January 1	3	3
Net carrying amount December 31	**3**	**3**

12. Financial assets

	2011					2010
		Other companies				
In KUSD	Investments in associates	Participations	Receivables	Other receivables	Total	Total
Gross carrying amount at January 1	9 589	5 664	3 093	35	18 381	17 178
Share of results of associated companies	210				210	2 587
Other increase (decrease)		61		- 31	30	- 482
Translation differences	- 323	- 5			- 328	- 902
Gross carrying amount at December 31	9 476	5 720	3 093	4	18 293	18 381
Accumulated impairment losses at January 1		- 1 660	- 3 093		- 4 753	- 4 987
Reversal write-downs					0	234
Translation differences					0	0
Accumulated impairment losses at December 31		- 1 660	- 3 093		- 4 753	- 4 753
Net carrying amount January 1	9 589	4 004	0	35	13 628	12 191
Net carrying amount December 31	**9 476**	**4 060**	**0**	**4**	**13 540**	**13 628**

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	3 090		3 090
Asco NV	EUR	50.00	6 386		6 386
Total			**9 476**	**0**	**9 476**

Investments in other enterprises include a 32% stake in *SIPEF-CI SA* in Ivory Coast (net book value of KUSD 3 801), a 9.6% stake in Gedei NV (net book value of KUSD 166) and KUSD 37 other participations.
The net book value of *SIPEF-CI SA* is valued at cost minus eventual impairments. The fair value is not applied as no reliable financial information is available on time.
On 31 December 2011 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.

13. Other long term receivables

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

In KUSD	2011	2010
Others	106	145
Total	**106**	**145**

14. Inventories

Analysis of inventories

In KUSD	2011	2010
Raw materials and supplies	17 671	11 334
Finished goods	20 661	18 512
Total	**38 332**	**29 846**

Besides an increase in activity in general, a modification to the production process at the rubber factory in Papua New Guinea has slowed down the output, which resulted in an increase of the stocks of raw materials and supplies (KUSD 1 465).
Furthermore, an increase in the stocks of palm oil ready for export was mentioned (KUSD 2 164).

15. Other current receivables and other current payables

The "other payables" (KUSD 12 532) mainly concern social obligations (salaries to be paid, provisions for holiday pay and bonus) and invoices to be received.
The net current assets, net of cash, amount to 10.5% of the turnover as compared to 14.2% in 2010.

16. Shareholders' equity

Capital stock and share premium

The issued capital of the company as at December 31, 2011 amounts to KEUR 34 768 (KUSD 45 819), represented by 8 951 740 fully paid ordinary shares without nominal value.

	2011	2010
Number of shares	8 951 740	8 951 740
Number of VVPR strips	4 211 800	4 211 800

	2011	2010	2011	2010
	KEUR	*KEUR*	*KUSD*	*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**

	2011	2010	2011	2010
	KEUR	*KEUR*	*KUSD*	*KUSD*
Treasury shares - opening balance	0	0	0	0
Acquisition treasury shares	3 366		4 603	
Disposal of treasury shares				
Treasury shares - ending balance	**3 366**	**0**	**4 603**	**0**

Between end September and end November 59 676 own shares, or 0.67% of the share capital, were bought back as a temporary investment of the cash results 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:

	Numberof shares	Date of notifying	Denominator	%
In mutual consent				
Ackermans & van Haaren NV	2 335 373	31/08/11	8 951 740	26.088
Gedei NV	480 435	31/08/11	8 951 740	5.367
(in connection with Baron Bracht and Cabra)				
Cabra NV	399 095	31/08/11	8 951 740	4.458
(in connection with Baron Bracht and Gedei)				
Baron Bracht	265 966	31/08/11	8 951 740	2.971
(in connection with Cabra and Gedei)				
	3 480 869			**38.884**
Fortis Investment Management NV	491 740	1/09/08	8 951 740	5.493
Alcatel Pensioenfonds VZW	469 600	1/09/08	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 evolution compared to last year is mainly the result of a weakening of the USD compared to the Euro (KUSD -427).

Opening balance at December 31, 2010 (*KUSD*)	-14 905
Movement, full consolidation	- 104
Movement, equity method	- 323
Ending balance at December 31, 2011	**-15 332**

Dividends

On February 22, 2012 a dividend of KEUR 15 218 (EUR 1.7 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, 2011.

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 expansian policy while respecting a very limited debt ratio. The management puts forward yearly the financial plan for approval by the board of directors.

17. Non-controlling interests

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

%	2011	2010
PT Tolan Tiga Indonesia	5.00	5.00
PT Eastern Sumatra Indonesia	9.75	9.75
PT Kerasaan Indonesia	43.00	43.00
PT Bandar Sumatra Indonesia	5.00	5.00
PT Timbang Deli Indonesia	5.00	5.00
PT Melania Indonesia	5.67	26.47
PT Mukomuko Agro Sejahtera	9.75	9.75
PT Umbul Mas Wisesa	5.67	26.47
PT Citra Sawit Mandiri	5.67	26.47
PT Toton Usaha Mandiri	0.71	22.60
PT Agro Rawas Ulu	5.00	
PT Agro Kati Lama	5.00	
PT Agro Muara Rupit	5.67	
PT Agro Muko	2.36	2.36
Jabelmalux SA	0.71	22.60

The movements of the year can be summarized as follows:

In KUSD	2011	2010
At the end of the preceding period	27 240	21 611
- Change in consolidation scope	415	16
- Profit for the period attributable to non-controlling interests	6 485	7 152
- Distributed dividends	-2 271	-1 582
- Capital increase		43
- Additional acquisition Jabelmalux SA	-6 256	
At the end of the period	**25 613**	**27 240**

18. Provisions

These include provisions for "constructed buildings" which are still under guarantee in *SIPEF* (KUSD 111).

19. Pension liabilities

Defined benefit plans

Pension liabilities mainly represent defined benefit plans in Indonesia. These pension plans, set up in order to pay a lump sum amount at the time of retirement, are not financed with a third party.

The following reconciliation summarizes the variation of total pension liabilities between 2010 and 2011:

In KUSD	2010	Pension cost	Payment	Exchange	Translation difference	Change consolida-tion scope	Other	2011
Indonesia	9 771	2 101	-1 108	- 83			13	10 694
Ivory Coast	373	- 78			- 6			289
Others	247	72	- 19					300
	10 391	**2 095**	**-1 127**	**- 83**	**- 6**	**0**	**13**	**11 283**

Following assumptions are used in the pension calculation of Indonesia:

	2011	2010
Discount rate	7.50%	9.00%
Salary increase	5.00%	6.50%
Past service age	55 years or 30 years of seniority	

Pension liabilities in Indonesia have changed as follows:

In KUSD	2011	2010
Opening	9 771	8 571
Change consolidation scope		164
Service cost	725	644
Interest cost	938	1 017
Benefits paid	-1 108	-1 282
Actuarial gains and losses	438	267
Exchange differences	- 83	403
Other	13	- 13
Closing	**10 694**	**9 771**

The amounts recognised in the balance sheet are as follows:

In KUSD	2011	2010
Pension liabilities	10 694	9 771
Liabilities in the balance sheet	10 694	9 771

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

In KUSD	2011	2010
Service cost	725	644
Interest cost	938	1 017
Actuarial gains and losses	438	267
Pension cost	**2 101**	**1 928**

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	2011	2010	2009
Pension liabilities	10 694	9 771	8 571
Experience adjustments	365	185	- 292
	3.41%	**1.89%**	**-3.41%**

Estimated benefit payments in 2012 are KUSD 887.

Defined contribution plans

Contributions paid regarding the defined contribution plans amount to KUSD 723 (KUSD 848 in 2010). 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.

20. Net financial assets/(liabilities)

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

In KUSD	2011	2010
Long term financial obligations		-2 600
Current portion of financial obligations payable after one year	-2 600	-5 200
Obligations initially payable after more than one year	**-2 600**	**-7 800**
Short-term obligations - credit institutions	- 25	- 323
Investments and deposits	15 855	15 582
Cash and cash equivalents	34 289	49 025
Net financial assets/(liabilities)	**47 519**	**56 484**

Analysis of net financial assets/(liabilities) 2010 per currency

In KUSD	EUR	USD	Others	Total
Obligations initially payable after more than one year		-2 600		-2 600
Short-term financial obligations		- 25		- 25
Investments and deposits	4 355	11 500		15 855
Cash and cash equivalents	2 306	29 748	2 235	34 289
Total	**6 661**	**38 623**	**2 235**	**47 519**

The obligations initially payable after more than one year (KUSD 7 800) with a floating rate (LIBOR USD 3 months +0.95%) are economically covered by IRS to a fixed rate of 6.45%.

Obligations initially payable after more than one year (KUSD 2 600) expire in 2012,

Reconciliation net financial assets/(liabilities) and cash flow

In KUSD	2011	2010
Net financial position at the beginning of the period	56 484	36 108
Repayment of long-term borrowings		6 692
(Increase)/decrease in short-term financial obligations		1 514
Net movement in cash and cash equivalents		12 178
Effect of exchange rate fluctuations on cash and cash equivalents	- 10	- 8
Net financial assets/(liabilities) at the end of the period	**47 519**	**56 484**

21. 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 to temporarily reincorporate the project at its estimated sales value in the assets of the group.

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

In KUSD	2011	2010
Biological assets		2 187
Non current assets		3 529
Current assets		514
Revaluation held for sale		- 3 649
Assets held for sale	**0**	**2 581**
Trade payables		- 64
Other payables		- 404
Liabilities associated with assets held for sale	**0**	**- 468**
Net assets held for sale	**0**	**2 113**

22. Non-recurring result

The non-recurring result is included under the heading "Other operating income/(charges)", "Taxes" and "Share of result of associated companies" and can be detailed as follows:

	2011			2010		
In KUSD	Equity holders of the parent	Non-controlling interests	Total	Equity holders of the parent	Non-controlling interests	Total
Impairment PT Citra Sawit Mandiri			0	-2 683	- 966	-3 649
Sale Bonal SA and Senor Ltd			0	1 350		1 350
Non-recurring	**0**	**0**	**0**	**-1 333**	**- 966**	**-2 299**
Tax effect on non-recurring result			0	1 266		1 266
Non-recurring result after taxes	**0**	**0**	**0**	**- 67**	**- 966**	**-1 033**
Sale Bruns ten Brink BV and Asco Life NV			0	2 578		2 578
Non-recurring result after taxes	**0**	**0**	**0**	**2 511**	**- 966**	**1 545**

Adjusted net recurring result group share

In KUSD	2011	2010
Net result - part of the group	95 088	84 843
Adjustment non-recurring result		-2 511
Adjustment IAS41	-10 407	-14 212
Adjusted net recurring result	**84 681**	**68 120**

23. Financial result

The financial income concerns the interests received on current accounts both 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	2011	2010
Financial income	1 490	347
Financial charges	- 677	-1 131
Exchange result	2 583	440
Financial result derivatives	- 837	630
Financial result	**2 559**	**286**

24. Share based payment

Grant date	2011
Number options granted	22 000
Balance	22 000
Exercise price	56.99
Exercise period	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 2011 of the outstanding options amounts to KUSD 542 and is calculated according to the Black & Scholes model, of which the main components are:

Year	2011
Share price (*In EUR*)	58.00
Dividend yield	2.50%
Estimated expected lifetime	5.00
Volatility	38.29
Interest rate	3.59%
Black & Scholes value (€)	18.37

The fair value is recorded in the profit and loss accounts over the vesting period of 3 years (2012-2014).

To cover the outstanding option obligation, *SIPEF* has a total of 59 676 treasury shares in portfolio.

25. Income taxes

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

In KUSD	2011	2010
Profit before tax	131 887	118 497
Tax at the applicable local rates	-35 101	-31 331
Average applicable tax rate	26.61%	26.44%
Withholding tax on dividends	- 301	- 210
Permanent differences	-2 552	349
Deferred tax on non current assets resulting from exchange rate fluctuations	7 430	2 103
Tax expense	-30 524	-29 089
Average effective tax rate	23.14%	24.55%

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	2011	2010
Deferred tax assets	247	29
Deferred tax liabilities	-48 505	-47 508
Net deferred taxes	**-48 258**	**-47 479**

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

In KUSD	2011	2010
Opening balance	-47 479	-40 826
Increase (= expense)/decrease (= income) through income statement	- 951	-5 831
Change in consolidation scope		- 650
Reclassification to "assets available for sale"	172	- 172
Closing balance	**-48 258**	**-47 479**

Deferred taxes in the income statement are the result of:

In KUSD	2011	2010
Addition/(utilisation) of tax losses brought forward	1 026	1 782
Origin or reversal of temporary differences - biological assets	-3 951	-6 041
Origin or reversal of temporary differences - other non-current assets	2 387	415
Origin or reversal of temporary differences - pension provision	227	263
Origin or reversal of temporary differences - inventories	231	-1 511
Origin or reversal of temporary differences - other	- 871	- 739
	- 951	**-5 831**

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:

	2011		
In KUSD	Total	Not recorded	Recorded
Biological assets	-42 745		-42 745
Other non-current assets	-6 717	455	-7 172
Inventories	-5 825		-5 825
Long term obligations	0		
Pension provision	2 673		2 673
Tax losses	11 596	7 623	3 973
Others	838		838
Total	**-40 180**	**8 078**	**-48 258**

The majority of the unrecognized deferred tax assets at the end of 2011 are located at the parent company (KUSD 5 236), at *Plantations J. Eglin SA* (KUSD 455) and *Jabelmalux SA* (KUSD 2 387).
For these entities there is uncertainty regarding the availability of sufficient future taxable profit. The reasons for these uncertainties are:

- For *SIPEF* and *Jabelmalux SA:* revenue is subject to limited or even no income tax (dividends and capital gains on shares);
- For Plantations *J. Eglin SA:* the unstable political situation in Ivory Coast and the uncertainty regarding future banana prices.

Total tax losses (recognized and unrecognized) have the following maturity structure:

	2011		
In KUSD	**Total**	**Not recorded**	**Recorded**
1 year	0		
2 years	1 067		1 067
3 years	0		
4 years	514		514
5 years	1 609		1 609
Unlimited	8 406	7 623	783
Total	**11 596**	**7 623**	**3 973**

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

In KUSD	2011	2010
Taxes to receive	936	5 122
Taxes to pay	-18 884	-15 274
Net taxes to pay	**-17 948**	**-10 152**

In KUSD	2011	2010
Net taxes to pay at the beginning of the period	-10 152	-4 665
Change consolidation scope	- 8	229
Taxes to pay	-29 573	-23 258
Paid taxes	21 785	17 542
	-17 948	**-10 152**

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

In KUSD	2011	2010
Tax expense	-30 524	-29 089
Deferred tax	951	5 831
Current taxes	**-29 573**	**-23 258**
Variation prepaid taxes	4 186	404
Variation payable taxes	3 602	5 312
Paid taxes	**-21 785**	**-17 542**

26. Share of results of associated companies

The participation in the insurance sector focuses on the core activities marine and general risk insurance. The recurrent results suffered from temporary lower technical results and due to the restructuring costs the net share in the associated participations closed only marginally positive. The contribution for 2010 was affected by capital gains (KUSD 2 578) on the sale of activities in The Netherlands and in Belgium.

27. Change in net working capital

The cash flow from operating activities rose by 19.7% compared to the same period as last year. While the increase in trade receivables and payables remained largely in balance, a larger inventory of palm oil still to be shipped led to a temporary increase in the requirement of working capital.

28. Financial instruments

Exposure to fluctuations in the market price of core products, currencies, interest rates and credit risk arises in the normal course of the group's business. Financial derivative instruments are used to a limited 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 (without taking into account the impact of the current export tax in Indonesia) on result after tax. This risk is assumed to be
a business risk.

Transactional risk

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

Currency risk

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

Structural risk

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

Transactional risk

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

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

In KUSD	IDR + 10%	Book value	IDR - 10%
Pension liabilities in Indonesia	9 722	10 694	11 883
Gross impact income statement	972		-1 189

Notes to the consolidated financial statements of the SIPEF group

On the February 22, 2012 the board of directors has also proposed the payment of KEUR 15 218 (EUR 1.7 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 20 889 for KEUR 15 220 (average exchange rate of 0.7287).

- KUSD 18 517 (KEUR 13 440) before the end of the year
- KUSD 2 372 (KEUR 1 780) after year end

Sensitiviy 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	15 679	17 421	19 163
Gross impact income statement	1 742		-1 742

Translational risk

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

Interest rate risk

The group's exposure to changes in interest rates relates to the group's financial debt obligations. At the end of December 2011, the group's net financial assets/(liabilities) amounted to KUSD 47 519 (2010: KUSD 56 484), of which KUSD 2 600 (2010: 7 800) loans initially payable after more than one year and KUSD 50 119 (2010: KUSD 64 284) net short term cash and cash equivalents.
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 (see also the note regarding net financial debt) so that 100% of the borrowings with an initial term of more than 1 year have a fixed rate of interest (see also note 20 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	2011	2010
- receivables from the sale of palm oil/rubber/tea	36 537	24 507
- receivables from the sale of bananas and plants	936	1 932
	37 473	**26 439**

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	2011	2010
Not yet due	820	1 754
Due < 30 days	116	178
Due > 30 days	0	0
	936	**1 932**

In 2011 there were no material depreciations on receivables.

Notes to the consolidated financial statements of the SIPEF group

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.

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 and other liabilities > 1 year							
Financial liabilities > 1 year							
Non-current financial liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**
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**

2010 - 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 and other liabilities > 1 year							
Financial liabilities > 1 year	2 600	-2 677		-2 677			
Non-current financial liabilities	**2 600**	**-2 677**	**0**	**-2 677**	**0**	**0**	**0**
Trade & other liabilities < 1 year							
Trade payables	9 195	-9 195	-9 195				
Advances received	286	- 286	- 286				
Financial liabilities < 1 year							
Current portion of amounts payable after one year	5 200	-5 487	-5 487				
Financial liabilities	323	- 323	- 323				
Derivatives	168	- 169	- 158	- 11			
Other current liabilities	4 817	-4 817	-4 817				
Current liabilities	**19 989**	**-20 277**	**-20 266**	**- 11**	**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. The company needs to respect certain solvability ratio's for one of her credit lines. In 2011, 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	2011	2010
Forward exchange transactions	- 968	119
Interest rate swaps	- 36	- 287
Fair value (+ = asset; - = liability)	**- 1 004**	**- 168**

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 2010 and was classified as level 2.
The fair value of the forward exchange contracts calculated at the closing value on the 31st of December 2011 were also incorporated in level 2.
The notional amount of the amortized swap amounts to KUSD 2 600 and from the forward exchange contracts KUSD 14 034.
A rise or drop of the interest rate by 10 basis points leads to a rise of drop of the fair value of KUSD 0.5.

Financial instruments per category

The next table gives the financial instruments per category as per end 2011 and end 2010. The carrying amount mentioned in this summary is also representative for the actual faire value.
The obligations with a term of more than one year (KUSD 2 600; 2010 KUSD 7 800) comprise for KUSD 2 600 (2010: KUSD 7 800) loans covered with an Interest Rate Swap. The management is of the opinion that in view of the market circumstances, the carrying amount of the loans with a fixed interest rate is representative for the fair value.

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
Other current assets		1 754		1 754
Total current financial assets	**0**	**89 371**	**0**	**89 371**
Total financial assets	**4 060**	**89 481**	**0**	**93 541**

2011 - In KUSD	Derivatives	Other liabilities	Total carrying amount
		(2)	
Trade and other obligations > 1 year			0
Financial obligations > 1 year (incl. derivatives)			0
Total non-current financial liabilities	**0**	**0**	**0**
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
Other current liabilities		6 517	6 517
Total current financial liabilities	**1 004**	**24 098**	**25 102**
Total financial liabilities	**1 004**	**24 098**	**25 102**

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

(2) at amortized cost

2010 - In KUSD	Assets available for sale	Loans and receivables	Derivatives	Total carrying amount
			(1)	
Financial assets				
Other financial assets				0
Other investments	4 004	35		4 039
Receivables > 1 year				
Other receivables		145		145
Total non-current financial assets	**4 004**	**180**	**0**	**4 184**
Trade and other receivables				
Trade receivables		26 439		26 439
Investments				
Other investments and deposits		15 582		15 582
Cash and cash equivalents		49 025		49 025
Other current assets		2 085		2 085
Total current financial assets	**0**	**93 131**	**0**	**93 131**
Total financial assets	**4 004**	**93 311**	**0**	**97 315**

2010 - In KUSD	Derivatives	Other liabilities	Total carrying amount
		(2)	
Trade and other obligations > 1 year			0
Financial obligations > 1 year (incl. derivatives)		2 600	2 600
Total non-current financial liabilities	**0**	**2 600**	**2 600**
Trade & other obligations < 1 year			
Trade payables		9 195	9 195
Advances received		286	286
Financial obligations < 1 year			
Current portion of amounts payable after one year		5 200	5 200
Financial obligations		323	323
Derivatives	168		168
Other current liabilities		4 817	4 817
Total current financial liabilities	**168**	**19 821**	**19 989**
Total financial liabilities	**168**	**22 421**	**22 589**

(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:

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**	**- 859**

2010 - 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		129	848			977
Financial charges		- 208			- 923	-1 131
Derivatives held for trade purposes				630		630
	0	**- 79**	**848**	**630**	**- 923**	**476**

29. Joint ventures

PT Agro Muko in Indonesia is managed according to the principles of a joint venture (joint control) and is accounted for according to the proportional consolidation method. In 2010 the share of the group has changed from 40.475% to 47.2919%. The related goodwill is explained in note 32.

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

Statement of financial position - In KUSD	2011	2010
Non-current assets	45 240	42 399
Current assets	13 940	15 368
Non-current liabilities	-7 124	-6 390
Current liabilities	-4 495	-2 013
Total equity	**47 561**	**49 364**

Income statement	2011	2010
In KUSD		
Operating result	25 716	18 561
Financial result	232	152
Tax expense	-6 458	-4 286
Result from continuing operations	**19 491**	**14 427**

30. Operational leases

The group leases office space, office equipment and vehicles under a number of operating lease agreements. Future lease payments under these non-cancelable operating leases are due as follows:

In KUSD	2011	2010
1 year	257	313
2 years	23	58
3 years	5	24
4 years		5
5 years		
	285	**400**

During the year an amount of KUSD 335 (against KUSD 324 in 2010) has been charged in the income statement.

31. Finance leases

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

32. 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.

These transactions had the following segment impact on the balance sheet, income statement and cash flow:

During 2011 no material acquisitions or divestitures were made.

In KUSD	2011 Total	2010
Intangible assets - Other		38
Biological assets		3 468
Property, plant & equipment		1 556
Current assets/liabilities (excl. cash and cash equivalents)		165
Provisions		- 164
Deferred taxes		- 650
Cash and cash equivalents		1 049
Translation differences		545
Non-controlling interests		9
Purchased/sold shareholders' equity	**0**	**6 016**
Purchase price(+)/selling price(-)		-7 837
Goodwill		3 171
Result	0	1 350
Purchase price(+)/selling price(-)		-7 837
Cash and cash equivalents		1 049
Net cash in/outflows	0	-6 788

33. Rights and commitments not reflected in the balance sheet

Guarantees

An amount of KUSD 84 has been guaranteed by third parties as security for the Company's account and for KUSD 320 for the account of subsidiaries.

An amount of KUSD 1 856 has been guaranteed by *SIPEF* for the account of *Hargy Oil Palms Ltd.*

The various rights and commitments are comprised of call-options (KUSD -89) and put-options (KUSD 78) on the assets of the insurance sector.

Significant litigation

Nihil

Forward sales

The commitments for the delivery of goods (palm products, rubber, tea and bananas and plants) after the year end fall within the normal delivery period of about 3 months from date of sale. Those sales are not considered as forward sales. As of 31 December 2011 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)
2012	48 000	1 065
2013	25 500	1 093
2014	12 000	1 050
Total	**85 500**	

34. 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	2011	2010
Directors' fees		
fixed fees	284	202
Short-term employee benefits	3 350	2 358
Post-employment benefits	501	587
Total	**4 135**	**3 147**

The amounts are paid in EUR. The amount paid in 2011 is KEUR 2 954 (KEUR 2 382 in 2010). The increase is mainly the result of the higher variable remunerations. Starting from the financial year 2007 fixed fees shall be paid to the members of the board of directors, the audit committee and the remuneration committee.

Related party transactions are considered immaterial, except for the rental agreement since 1985 between Cabra NV and *SIPEF* covering the offices and ancillary parking space at Castle Calesberg in Schoten. The annual rent, adjusted for inflation, amounts to KUSD 210 (KEUR 150) and KUSD 85 (KEUR 60) 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.

35. Earnings per share (basic and diluted)

Basic earnings per share

	2011	2010
Basic earnings per share		
Basic earnings per share - calculation (USD)	10.63	9.48
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	95 088	84 843
Denominator: the weighted average number of ordinary shares outstanding	8 946 767	8 951 740
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	8 951 740	8 951 740
Effect of shares issued / share buyback programs	- 4 973	
The weighted average number of ordinary shares outstanding at December 31	8 946 767	8 951 740
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	10.63	9.48
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	95 088	84 843
Denominator: the weighted average number of dilutive ordinary shares outstanding	8 946 767	8 951 740
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	8 946 767	8 951 740
Effect of stock options on issue		
The weighted average number of dilutive ordinary shares outstanding at December 31	8 946 767	8 951 740

From continuing operations

	2011	2010
Basic earnings per share		
Basic earnings per share - calculation (USD)	10.63	9.48
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	95 088	84 843
Denominator: the weighted average number of ordinary shares outstanding	8 946 767	8 951 740
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	8 951 740	8 951 740
Effect of shares issued / share buyback programs	- 4 973	
The weighted average number of ordinary shares outstanding at December 31	8 946 767	8 951 740
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	10.63	9.48
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	95 088	84 843
Denominator: the weighted average number of dilutive ordinary shares outstanding	8 946 767	8 951 740
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	8 946 767	8 951 740
Effect of stock options on issue		
The weighted average number of dilutive ordinary shares outstanding at December 31	8 946 767	8 951 740

36. Events after the balance sheet date

Nihil

37. 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.

Notes to the consolidated financial statements of the SIPEF group

38. Recent developments

To the best of our actual knowledge, there are no circumstances or developments, which would have a major impact on the further development of the group. The board of directors proposes a gross dividend of EUR 1.70 per share payable on Wednesday 4th July 2012, an increase with 13.3% on previous year and corresponding to a payout ratio of 25.2% on the net profit, share of the group, before IAS 41.

39. 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 106 (against KUSD 89 last year). For the group, Deloitte has provided services for KUSD 554 in 2011 (against KUSD 412 the year before), of which KUSD 134 (2010: KUSD 78) are for non audit services.

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Sipef NV

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2011 to the shareholders' meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements 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. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, 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 balance sheet shows total assets of 567.291 (000) USD and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 95.088 (000) USD.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we have considered 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. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

Deloitte.

In our opinion the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2011, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Without prejudice to the unqualified opinion issued above, we draw attention to the consolidated annual report 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.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change 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 and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Antwerpen, 22 February 2012

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, 2011 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	2011	2010	2009
Assets			
Fixed assets	61 732	45 588	56 102
Formation expenses	0	0	0
Goodwill and other intangible assets	296	399	478
Tangible assets	206	160	165
Financial assets	61 230	45 029	55 459
Current assets	93 397	85 133	59 884
Amounts receivable after more than one year	0	0	1 162
Stocks and contracts in progress	342	528	535
Amounts receivable within one year	72 408	51 108	31 071
Investments	15 598	31 274	23 851
Cash at bank and in hand	5 021	2 096	3 205
Other current assets	28	127	60
Total assets	**155 129**	**130 721**	**115 986**
Liabilities			
Equity	64 015	75 220	80 825
Capital	34 768	34 768	34 768
Share premium account	16 285	16 285	16 285
Reserves	7 356	3 990	3 990
Profit/ (loss) carried forward	5 606	20 177	25 782
Provisions and deferred taxation	165	153	163
Provisions for liabilities and charges	165	153	163
Creditors	90 949	55 348	34 998
Amounts payable after more than one year	0	1 942	5 415
Amounts payable within one year	89 581	52 534	28 471
Accrued charges and deferred income	1 368	872	1 112
Total liabilities	**155 129**	**130 721**	**115 986**

Condensed income statement

In KEUR	2011	2010	2009
Operating income	238 723	176 690	150 762
Operating charges	-235 241	-175 264	-148 616
Operating result	**3 482**	**1 426**	**2 146**
Financial income	4 012	3 395	19 433
Financial charges	-3 597	-709	-20 072
Financial result	**415**	**2 686**	**-639**
Result on ordinary activities	**3 897**	**4 112**	**1 507**
Extraordinary income	115	3 723	1 063
Extraordinary charges	0	-8	-9
Extraordinary result	**115**	**3 715**	**1 054**
Result for the period before taxes	**4 012**	**7 827**	**2 561**
Income taxes	0	-4	0
Result for the period	**4 012**	**7 823**	**2 561**

Appropriation account

In KEUR	2011	2010	2009
Profit/ (loss) to be appropriated	**24 189**	**33 605**	**35 629**
Profit/ (loss) for the period available for appropriation	4 012	7 823	2 561
Profit/ (loss) brought forward	20 177	25 782	33 068
Appropriation account	**24 189**	**33 605**	**35 629**
Transfers to legal reserve	0	0	0
Transfers to other reserves	3 365	0	0
Result to be carried forward	5 606	20 177	25 782
Dividends	15 218	13 428	9 847
Remuneration to directors	0	0	0

Harvesting of palm fruits

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