Annual report 2010

KEY FIGURES

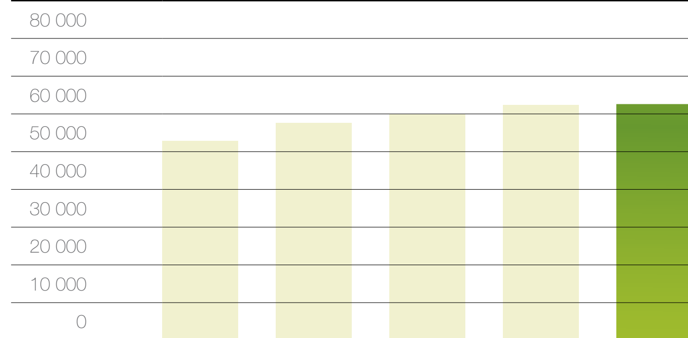
		2010	2009	2008	2007 Restated	2006 Restated
Activity						
Total own production of consolidated companies (in tonnes)	palm oil	192 156	196 368	169 514	171 167	167 756
	rubber	9 608	8 633	9 026	10 033	9 553
	tea	3 097	3 121	6 600	6 237	5 494
	bananas	20 639	20 575	11 046	10 456	11 159
Average market price (USD/tonne)	palm oil	901	683	949	780	478
	rubber	3 654	1 921	2 619	2 290	2 101
	tea	2 885	2 725	2 420	2 036	1 872
	bananas	1 002	1 145	1 188	1 037	897
Results *(in KUSD)*						
Turnover		279 400	237 829	279 402	207 292	162 861
Gross profit - before IAS41		117 682	89 695	92 228	76 797	40 774
Operating result - before IAS41		95 625	73 908	74 066	61 656	30 239
Share of the group in the result		84 843	60 174	58 765	47 289	21 766
Cash flow from operating activities after taxes		77 704	64 400	62 293	63 781	27 468
Free cash flow		33 922	34 593	35 809	33 249	- 4 208
Balance sheet *(in KUSD)*						
Operating fixed assets (1)		321 512	278 118	254 621	230 089	199 060
Shareholders' equity		368 549	296 918	247 140	199 420	153 455
Net financial assets (+)/obligations (-)		56 484	36 108	14 453	- 8 280	- 35 214
Investments in intangible and operating fixed assets (1)		37 842	30 847	36 134	31 523	17 381
Data per share *(in USD)*						
Number of shares		8 951 740	8 951 740	8 951 740	8 951 740	8 828 880
Equity		41.17	33.17	27.61	22.28	17.38
Basic earnings per share		9.48	6.72	6.56	5.34	2.49
Cash flow from operating activities after taxes (2)		8.68	7.19	6.96	7.21	3.14
Free cash flow (2)		3.79	3.86	4.00	3.76	-0.48
Gross dividend (in EUR)		1.50	1.10	0.80	0.80	0.40
Stock exchange share price *(in EUR)*						
Maximum		71.93	36.80	53.00	39.90	24.71
Minimum		36.80	18.00	16.80	22.50	16.22
Closing 31/12		71.00	34.78	18.69	39.90	24.71
Stock Exchange capitalization at 31/12 (in K€)		635 574	311 342	167 308	357 165	218 162

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

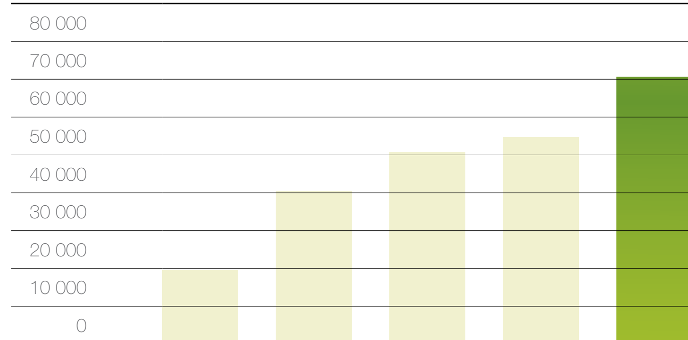
(2) Denominator 2010 = weighted average number of shares issued (8 951 740 shares).

2006	2007	2008	2009	2010

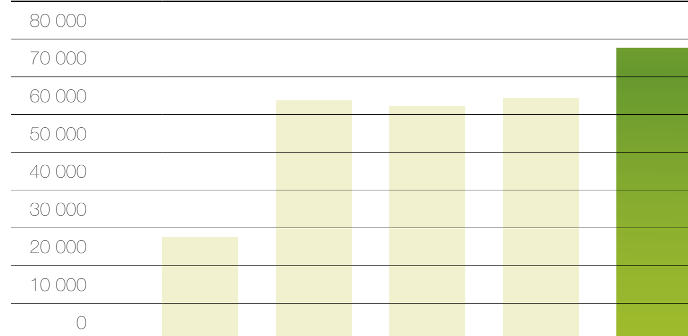
1. Planted area (in hectares)



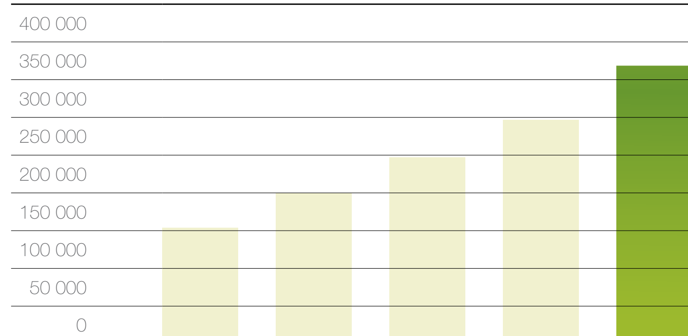
2. Share of the group in the result, before IAS41



3. Cash flow from operating activities after taxes



4. Shareholders' equity



SIPEF

NAAMLOZE VENNOOTSCHAP

FINANCIAL YEAR 2010

Report from the Board of Directors and from the Auditor
Presented to the 92nd Ordinary General Meeting on 8 June 2011

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 with production figures for the first quarter on 28 April 2011;
- the half-year results on 18 August 2011;
- the interim report with production figures for the third quarter on 27 October 2011;
- and the yearly results in February 2012, 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 13 June 2012 at 15:00h at kasteel Calesberg, 2900 Schoten.

Useful Addresses

The individuals responsible for the financial reporting are:

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Significant events for the SIPEF Group

January

Asco Continentale Verzekeringen NV sells *Asco Life NV*.

February

B.D.M. NV sells *Bruns ten Brink Assuradeuren BV*.

March

The *SIPEF* Group acquires an additional 6.82% stake in *PT Agro Muko*.

April

Certification under ISO 140001 and RSPO renewed for 1 year at *Hargy Oil Palms Ltd* in Papua New Guinea.

May

SIPEF sells the remainder of its operations in Brazil.

June

The certification, in terms of the 'RSPO Principles & Criteria', of the Perlabian and Bukit Maradja palm oil mills and associated plantations in Indonesia was confirmed by the BSI and RSPO auditors.

July

Distribution of a gross dividend of EUR 1.10.

January – December

Moderate fall in palm oil production, by 3.1%, due to weather, but a significant increase in average prices.

The combination of rising volumes of rubber (+5%) and higher market prices more than doubled the contribution made by rubber to the gross profit.

Higher sales prices for all of our products led to a 29.3% rise in profits for the period, group share prior to IAS 41.

Net result, after IAS 41, group share, was USD 84 843 – 41.0% higher than the record result for 2009.

Net cash position rose by KUSD 20 736 to KUSD 56 484.

Proposal for distribution of a gross dividend of EUR 1.50 per share, a rise of 36.4% 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 (SIPEF) 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. *SA SIPEF NV* also provides management and marketing services to third parties.

The plantations currently extend over a planted surface area of 62 604 hectares.

Principal Activities

SA SIPEF NV 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

SA SIPEF NV 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. *SA SIPEF NV* 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
Richard ROBINOW	Director

Auditor

DELOITTE
Bedrijfsrevisoren BV o.v.v.e. CVBA,
represented by Philip MAEYAERT — 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

Young rubber
- Galley Reach Holdings Ltd (PNG)

ORGANOGRAM

SIPEF group*

- 100 % SA SIPEF NV
  - 95 % PT Tolan Tiga
  - 90 % PT Eastern Sumatra
  - 57 % PT Kerasaan
  - 95 % PT Bandar Sumatra
  - 95 % PT Timbang Deli
  - 90 % PT MukoMuko Agro Sejahtera
  - 45 % PT Agro Muko
  - 100 % Hargy Oil Palms Ltd
  - 100 % Galley Reach Holdings Ltd
  - 100 % Plantations J. Eglin SA
  - 100 % Société Bananière de Motobé SA
  - 50 % Asco NV
  - 50 % B.D.M. NV
- 77 % JABELMALUX SA
  - 74 % PT Melania
  - 74 % PT Umbul Mas Wisesa
  - 74 % PT Citra Sawit Mandiri
  - 77 % PT Toton Usaha Mandiri

* % of interest

Chairman's message

Ladies and gentlemen,

I have great pleasure in submitting the annual report to you, along with the consolidated financial statements for the group and the public company, which will be laid before the 92nd annual general meeting to be held on 8 June 2011.

2010 will go down as a record year in the history of *SA SIPEF NV*. Following record profits in 2008 and 2009, we see once again a consolidated result for this financial year that significantly exceeds those of previous years, and which is primarily based on strong market prices for palm oil, rubber, tea and bananas, our four basic activities.

There was a stable political atmosphere in Indonesia and the country made considerable economic progress as a result of its growing internal market, which was translated into a stronger currency in relation to the American dollar. The political and economic environment in Papua New Guinea was also stable due to the prospects of significant returns from the future Liquid Natural Gas (LNG) project; this allowed us to concentrate on our commercial operations.

Regrettably, the same cannot be said for the Ivory Coast. The presidential elections at the end of 2010, which went off smoothly, ended up in a conflict between two "winners", so the country is now in the grip of a political impasse. The business world has not yet suffered a great deal of damage from this, but the macro-economic measures promulgated by the international community are threatening to complicate our export activities for bananas and flowers. This might end up posing a threat in 2011 to the profitability in the sector, which is dependent on satisfactory logistical processes.

These countries, and the markets for palm oil and rubber in particular, were not significantly affected by the financial crisis.

Good returns from soya beans in South America and the strong demand from the Asiatic market supported the market for vegetable oils in the first six months of 2010. From halfway through the year, the disrupted weather patterns in various parts of the world resulted in a greater volatility in supplies, so that we experienced rising prices. This trend continued further in the new year, and while there are expectations that supply will improve, this may not be translated into price reductions for palm oil until the second six months. Apart from the dampening effect of high export taxes in Indonesia, the group was able to derive full benefits from the record prices and place a significant volume of anticipated production for 2011 on the market.

Incidentally, this was also the case for palm kernel oil, where prices exploded to hitherto unheard-of levels, above USD 2 000 per tonne, due to a chronic gap on the supply side.

The weather also had an adverse impact on the supply of natural rubber in 2010. Increasing demand in China and India caused the prices to rise four-fold within two years. This increasing trend has continued in the new year for precisely the same reasons. At the time of writing this report, prices for natural rubber had broken the barrier of USD 6 000 per tonne FOB. Since there is virtually no flexibility on the supply side, the only likely pressure on prices in the fullness of time would emerge from a reduction in demand from the tyre industry.

The efforts devoted in the past to producing a good quality tea in Cibuni in Indonesia have now borne fruit, with average sale prices above USD 3 per kilogramme. This trend is also continuing in 2011.

Chairman's message

Our insurance operations were fundamentally restructured through the sale of the life insurance company and the Dutch subsidiary, the recruitment of a new commercial team for marine insurance and a rearrangement of the management team in the general insurance sector. These shifts were not immediately reflected in the recurrent results of *B.D.M. NV* and *ASCO NV* for 2010, but they do lay the groundwork for a healthy future in these operational areas.

The exceptional climatic conditions are also having a temporary impact on expansion plans within the *SIPEF* group, but at least we can now say that the *PT Umbul Mas Wisesa* project is virtually complete in terms of planted hectares. *Hargy Oil Palms Ltd* also undertook the initial plantings that will result in a doubling of our activities in Papua New Guinea. We are forecasting 2 000 additional hectares in 2011.
Starts were made on the construction of new palm oil extraction plants in both North Sumatra and in Papua New Guinea. We are paying a great deal of attention to the associated housing provision and improving the quality of transport in the plantation areas. Once all the procedures for sustainable expansion have been completed, we can also start on the *MMAS* projects in the province of Bengkulu from the second quarter onwards, with *SIPEF* extending its own acreage by 4 000 hectares, combined with developing about the same area of palm oil plantations for the surrounding communities.

Taken in aggregate, this all signifies a significant investment budget. Like the acquisition of the minority interests in *PT Agro Muko* from the World Bank and the German development bank at the start of 2010, this also fits in with the group's long-term plans for gradual expansion towards a total of 100 000 planted hectares of palm oil and rubber in Indonesia and Papua New Guinea.

SIPEF also continues to set an example for corporate social responsibility in the tropical agricultural sector. After the *PT Agro Muko* factories underwent the audit for RSPO certification at the end of 2010, we can announce that every tonne of palm oil leaving the *SIPEF* factories today satisfies the strict sustainability requirements imposed by the Roundtable on Sustainable Palm Oil (RSPO). The Indonesian factories are also certificated in accordance with the German standard for the use of palm oil for energy purposes. This application has gained further ground over the past year, but is increasingly being questioned due to high food prices.

We would also now like to congratulate our management teams for achieving and maintaining these standards, which guarantee that the level of our activities satisfies the strictest sectoral requirements, both in social terms and in terms of the environment. This applies to palm oil as well as to our other key activities of rubber, tea and bananas.

For some time now, we have also been working, through a separate foundation, on setting up a biodiversity project in the province of Bengkulu. We are hoping to receive the licences for this shortly from the Indonesian government, with a view to protecting more than 12 000 hectares of tropical forest from gradual deforestation.

In these exceptional market circumstances, *SA SIPEF NV* closed the financial year with a profit for the period, representing its group share prior to the application of IAS41, of KUSD 70 631, an increase of 29% over the record result of 2009. Taking account of the financial adjustment to the fair value of our plantations, the IFRS results for the group share amounted to KUSD 84 843, an increase of 41% over the previous year.

Our thanks therefore go out to all of the group's employees who made such an effort, each one in his or her own field, to help the group achieve these outstanding results. On the other hand, it remains extremely important for the management and employees to retain their focus on cost management as well as the efficiency and productivity of the production units, in these times of exceptional market prices.

The cash flow further enhanced the group's balance sheet and the cash position is being fortified temporarily to support the expansion of the basic activities, combined with a sound policy on dividends. We are accordingly delighted to confirm that our executive board will be proposing a dividend of EUR 1.50, to be paid in July 2011.

Without anticipating the facts, but taking account of the sales already achieved with our four basic products, it appears that we should once again be able to look forward to a very favourable year, in which the ultimate profit will be determined to a significant extent by price movements in the raw material markets over the course of the second half of 2011.

The long-term prospects for palm oil and rubber remain undoubtedly favourable, with strong demand from the Far East, due to a growing middle class with increased purchasing power, and on the other hand supply that is increasingly subject to the impact of weather and restrictions in growth potential for the available sustainable agricultural areas.

23 February 2011

Baron Bracht
Chairman

Oil palm nursery
- PT Agro Muko (Indonesia)

Annual report by the Board of Directors

To the general meeting of 8 June 2011.

Dear shareholders,

We are honoured to present, for your approval, our report on the operational activities of our company during the past financial year, along with the individual and consolidated annual financial statements, for the financial year to 31 December 2010.

In accordance with the Royal Decree of 14 November 2007 (relating to the obligations affecting issuers of financial instruments that are admitted to trading on a Belgian regulated market), *SA SIPEF NV* is obliged to make its annual financial report available to the public.

This report includes the stautory and consolidated annual report by the board of directors, prepared in accordance with article 119, final paragraph, of the Belgian Corporate Code.

The report also contains an abbreviated version of the statutory annual financial statements (page 128), prepared in accordance with article 105 of the Belgian Corporate Code, and the integral version of the consolidated annual financial statements (page 71). The complete individual annual financial statements, along with the annual report by the board of directors and auditor's report, have been submitted to the National Bank of Belgium in accordance with articles 98 and 100 of the Belgian Corporate Code.
The auditor has issued an unqualified approval certificate in relation to the statutory annual financial statements.

The annual report, the integral versions of the stautory and consolidated annual financial statements and the certificates from the auditor in relation to the said annual financial statements are available on the website (www.sipef.com) but can also be obtained, free of charge, on request from the following address: Calesbergdreef 5 – 2900 Schoten, Belgium, or by email: info@sipef.com.

1. Individual annual financial statements

1.1. Capital and shareholdings

There have been no changes in the company's capital during the past financial year. The issued share capital amounts to EUR 34 767 740.80, represented by 8 951 740 shares, which are fully paid-up without having a nominal value.

The company's up-to-date Articles of Association, including information concerning its legal format, objects, capital structure, authorised share capital and types of share, are available on the website (www.sipef.com).

The share option plans from 1999 and 2002 have been fully exercised and have therefore come to an end. No new plans were issued during the financial year.

1.2. Operational activities

Reference is made to the "Chairman's Message" (page 11) for an overview of the primary activities of the *SIPEF* group during the financial year 2010.

1.3. Explanatory notes to the statutory annual financial statements

1.3.1. Financial position as at 31 December 2010

The statutory annual financial statements of *SA SIPEF NV* have been prepared in accordance with Belgian accountancy legislation.
The company's balance sheet total as at 31 December 2010 amounted to KEUR 130 721 as opposed to KEUR 115 986 in the previous year.

The reduction in financial fixed assets relates primarily to a reclassification, from long-term to short-term, of an inter-group claim against *Hargy Oil Palms Ltd*. The increase in current assets is due to a temporary increase in trading receivables and an increase in available cash reserves, in addition to the reclassification mentioned above.

The equity capital of *SA SIPEF NV*, prior to the allocation of profit, amounted to KEUR 88 648 or an equivalent of EUR 9.90 per share.

The statutory results of *SA SIPEF NV* are determined to a large extent by dividends and increases/reductions in values. Since not all of the participating interests in the group are held directly by *SA SIPEF NV*, the group's consolidated result is a more accurate reflection of the underlying economic trend.
The statutory results for the financial year 2010 amounted to KEUR 7 823 as opposed to a profit of KEUR 2 561 for the previous financial year.

1.3.2. Allocation of the results

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

Profit brought forward from previous financial year	25 782
Profit from the financial year	7 823
Total to be allocated	33 605
Allocation to legal reserves	0
Payment to the shareholders	13 428
Profit to be carried forward	20 177

The board of directors proposes payment of a dividend of EUR 1.50 gross per share. After deduction of the withholding tax, the net dividend amounts to EUR 1.125 per share, or EUR 1.275 for the coupons offered in conjunction with the VVPR strip coupon.
If the general meeting approves of this proposal, the dividend will be payable from 6 July 2011.

1.4. Prospects

As has previously been the case, the results for the current financial year will depend to a large extent on the dividends distributed by the subsidiaries.

1.5. Notices

1.5.1. Significant events after the close of the financial year

No significant events have occurred since the close of the financial year 2010 that might have a major influence on the company's growth.

1.5.2. Additional payment to auditor

In accordance with article 134, paragraphs 2 and 4, Belgium Corporate Code, we also give you notice that no additional payment was made to the auditor beyond the normal payment (as approved by the general meeting). A sum of KEUR 30 was paid to firms affiliated to the auditor for legal, accountancy and tax opinions.

1.5.3. Research & development

The company did not undertake any activities in relation to research & development.

1.5.4. Amendments to the Articles of Association

No amendments to the Articles of Association were made during 2010.

1.5.5. Notification in terms of the Act of 1 April 2007 relating to public takeover bids

In terms of a letter dated 31 August 2010, Nationale Investeringsmaatschappij NV (NIM), in association with Ackermans & van Haaren NV (AvH) and acting in consultation with Baron Bracht, Cabra NV and GEDEI NV, gave notification that they collectively held 34.74% of the total voting rights in *SA SIPEF NV*.

1.5.6. Protective structures

On 29 May 2009, the extraordinary general meeting granted authorisation to the board of directors to acquire or dispose of shares in the company for a period of three years, if this proved necessary to prevent the company from suffering any serious, threatening disadvantage.

2. Consolidated annual financial statements

2.1. Risks and uncertainties

The following text reflects the commercial risks as assessed by the management team and the board of directors. Each of these risks could have a significantly adverse impact on our financial situation, operating results or liquidity, and could result in special impairment losses affecting assets.
There may be risks that the *SIPEF* group currently assesses as being limited, but which might ultimately have a significantly adverse impact. There may also be additional risks of which the group is not aware.

The following have been identified as the main commercial risks that are not covered:

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

The turnover and margin we achieve are largely dependent on **movements in the market prices**, particularly of palm oil and palm kernel oil. A change in the palm oil price of USD 10 CIF per tonne has an impact of about USD 1.2 million per annum on the results after tax. The volumes we produce and therefore the turnover and margins we achieve are to a certain extent influenced by **climatological circumstances** such as rainfall, sunshine, temperature and humidity.

Since the bulk of investments by the *SIPEF* group are made in developing nations (Indonesia, Papua New Guinea and the Ivory Coast), the **geo-political developments** in these regions are a matter of extra concern to the management team. Recent history has shown that any upheaval in these countries has a limited impact on the group's net results, subject to the impact of macro-economic measures.

Whether or not the *SIPEF* group succeeds in achieving its contemplated **expansion** plans will depend on securing new concession agreements for agronomically suitable land, which satisfies the group's policy on sustainability on economically responsible terms. If the group fails in these efforts, this could exert pressure on its plans for growth.

In addition to these important specific risks, the group is also faced with more general risks, which include:

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

2.2. Explanatory notes to the consolidated annual financial statements

The consolidated annual financial statements for the financial year 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The consolidated balance sheet total as at 31 December 2010 amounted to KUSD 500 556 representing an increase of 18.13% in comparison with the balance sheet total of KUSD 423 739 at the close of 2009. The fundamental explanation for this increase lies in the additional investments made in plantations and installations, financed by cash and cash equivalents generated during the financial year. The balance of cash and cash equivalents was applied towards repayment of short-term financial liabilities. The net financial position, of KUSD 36 108 at the close of 2009, was further enhanced to a net cash position of KUSD 56 484 at the close of 2010.

The consolidated equity capital of the *SIPEF* group, group share prior to allocation of profit, rose to KUSD 368 549 or a corresponding value of USD 41.17 per share.

Thanks to the increased average sales prices for our most important products (palm oil and rubber), and despite lower volumes produced at a higher cost price, we succeeded in recording profits of KUSD 75 450 for our ongoing commercial operations, prior to the application of IAS 41. This represents a rise of 28.80% in comparison with the previous year.

The IAS 41 recalculation consists of replacing the depreciation costs included in the cost price of sales with the variation in "fair value" of the biological assets between the end of 2009 and the end of December 2010, less the planting costs and associated tax charges. The gross variation in biological assets amounted to KUSD 33 413, arising mainly from the expansion of our oil palm acreage at *PT UMW* in Indonesia and the rise in long-term average prices for palm oil, rubber and tea. Planting costs of KUSD 14 269 reduced the net pre-tax impact to KUSD 22 586, the base for an average deferred tax charge of 26.75%. The net positive IAS 41 impact, group share, amounts to KUSD 14 212.

The net IFRS result, group share (including IAS 41 adjustments), amounted to KUSD 84 843 and was therefore 41.00% above the record result of the previous year.

2.3. Significant events after the close of the financial year

The board of directors passed the resolution on 23 February 2011 to issue a voluntary public purchase bid in relation to the shares of *Jabelmalux SA*. This public bid shall be effective as from 15 March 2011 and relates to the 6 166 shares (22.6% of the capital) that are not yet owned by *SA SIPEF NV*. The proposed price per share is EUR 2 250 per share.

2.4. Research & development

SA SIPEF NV and its consolidated businesses did not undertake any research & development activities during 2010.

2.5. Financial instruments

Financial instruments are used for risk management within the *SIPEF* group. The effect of these financial instruments is to mitigate the rise in interest rates.
The other contracting parties for these financial instruments are exclusively Belgian reputable banks with which *SA SIPEF NV* has built up a long-term relationship.

2.6. Prospects for 2011

Current volumes from the palm plantations are again in line with expectations, with a loss of production in some of the plantations in North Sumatra (this is a deferred effect of the period of drought at the start of last year). By contrast, volumes are increasing in Agro Muko in the province of Bengkulu and in *Hargy Oil Palms Ltd* in Papua New Guinea.

Rubber and tea production is very close to the excellent volumes achieved last year.

At this point, 45% of the anticipated annual production of palm oil has already been sold at average prices exceeding the equivalent of USD 1 100 CIF Rotterdam. Furthermore, 39% of rubber volumes and 32% of tea production have already been sold at slightly higher prices than last year. We can therefore state that a significant proportion of anticipated income for 2011 is already covered.

Despite the high prices, we can still see a persistently strong demand and we therefore expect a shortage in supplies that will give further support to the market in the short term. The current high price levels might only weaken if there were clear signs that improved harvests would result in stocks being built up again. Any reduction in price would probably be regarded as a buying opportunity for users in the energy sector, as Brent crude oil rises above USD 100 per barrel.

Since the start of 2011, the shortage in supply has pushed the price of natural rubber above the USD 6 per kilogramme level. We do not expect this situation to ease in the short term, since we are now on the threshold of the 'wintering' period (when the trees lose their leaves and production falls).
As far as the market for tea is concerned, we suspect that the much-needed rain in Kenya (from March onwards) will not be enough to offset the past three drier months. We are therefore fairly convinced that prices will stay above USD 3 000 per tonne for the foreseeable period.

The sales we have achieved, combined with indications of persistent high market prices for palm oil, rubber and tea over the next few months, convince us that we are once again on course for a year where we can expect high profits for the *SIPEF* group.

Thanks to the cash flows we have available, *SIPEF* is ideally placed to press on with the expansion programmes in North Sumatra and Papua New Guinea, to secure a larger interest in existing operations and to seize any new sustainable investment opportunities in the agricultural sector in the Far East.

2.7. Managerial statement

The undersigned certify that, to their knowledge:

- the consolidated annual financial statements for the financial year ending on 31 December 2010 were prepared in accordance with IFRS (International Financial Reporting Standards) and provide a faithful picture of the consolidated financial position and the consolidated results of the *SIPEF* group and its subsidiary companies included in the consolidation;
- the financial report provides a faithful summary of the most significant events and transactions with affiliated parties occurring during the financial year 2010 and of their effect on the financial position, as well as a description of the main risks and uncertainties faced by the *SIPEF* group.

On behalf of the board of directors, 23 February 2011.

François Van Hoydonck	**Baron Bracht**
Managing Director	*Chairman*

from left to right:

Baron Bertrand
Priscilla Bracht
François Van Hoydonck
Jacques Delen
Richard Robinow
Antoine Friling
Baron Bracht
Baron de Gerlache de Gomery
Regnier Haegelsteen

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 *SA SIPEF NV* 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.

SA SIPEF NV currently uses the Belgian Corporate Governance Code 2009 as reference code. The corporate governance charter approved by the board of directors of *SA SIPEF NV* is in compliance with the Belgian Corporate Governance Code 2009.

As specified in the Code, *SA SIPEF NV* 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 nine members.

	end of term of appointment
Baron Bracht, *chairman*	2014
François Van Hoydonck, *managing director*	2011
Baron Bertrand, *director*	2012
Priscilla Bracht, *director*	2014
Jacques Delen, *director*	2012
Antoine Friling, *director*	2011
Baron de Gerlache de Gomery, *director*	2012
Regnier Haegelsteen, *director*	2011
Richard Robinow, *director*	2011

The board of directors will submit a proposal to the ordinary general meeting on 8 June 2011 to renew the appointments of François Van Hoydonck (as executive director) and Antoine Friling, Regnier Haegelsteen and Richard Robinow (as non-executive directors) for a period of four years, which will expire at the general meeting of 2015.

The board of directors will also propose the appointment of a new director at the ordinary general meeting on 8 June 2011.

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 other eight 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, affiliated to the Nationale Investeringsmaatschappij, have intimated, following mutual consultation with Baron Bracht in

conjunction with Cabra NV and GEDEI NV, that they hold more than 30% of the shares in *SA SIPEF NV*.

The directors who hold offices 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, Leasinvest Real Estate and Texaf;

Jacques Delen:
: Ackermans & van Haaren;

Regnier Haegelsteen:
: Atenor Group and Etex Group;

Richard Robinow:
: MP Evans (UK), REA (UK) and REA Vipingo Plantations Ltd (Kenya).

2.3. Independent directors

Baron de Gerlache de Gomery, Regnier Haegelsteen and Richard Robinow are independent directors on the board. They fulfil the independence criteria as contained in the former article 524 of the Belgian Corporate Code and also all of the independence criteria specified in article 2.2.4 of the company's Charter. Up to the end of June 2011, Regnier Haegelsteen also fulfils the new independence criteria specified in article 526 *ter* of the Belgian Corporate Code. Baron de Gerlache de Gomery and Richard Robinow fulfil the criteria specified in article 526 *ter*, apart from 2°, since their mandates exceed a period of 12 years.

If this general meeting approves the reappointment of Antoine Friling and the appointment of a new director, they will fulfil positions as independent directors. Both of them fulfil all of the independence criteria set out in article 526 *ter*, Belgian Corporate Code.

2.4. Report on activities

The board of directors of *SA SIPEF NV* met on five occasions in 2010. Average attendance stood at 93%. Individual attendance records were as follows:

Director	Attendance
Baron Bracht, *chairman*	5/5
François Van Hoydonck, *managing director*	5/5
Baron Bertrand	5/5
Priscilla Bracht	4/5
Jacques Delen	5/5
Antoine Friling	5/5
Baron de Gerlache de Gomery	4/5
Regnier Haegelsteen	4/5
Richard Robinow	5/5

During 2010, the board of directors followed the group results and the development of activities among the different 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 had a special meeting on 30 August 2010 concerning the group's strategic development, based on a business plan covering ten years.

At its meeting on 24 February 2010, 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 who were involved expressed their satisfaction at the transparency and satisfactory collaboration between both of the company bodies and passed a few suggestions in this context 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

Regnier Haegelsteen
– chairman and independent, non-executive director
Priscilla Bracht
– non-executive director
Baron de Gerlache de Gomery
– independent and 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 fulfils the independence criteria specified in article 526 *ter* of the Belgian Corporate Code. Baron de Gerlache de Gomery also fulfils the criteria specified in article 526 *ter*, but his mandate exceeds a period of 12 years.

Bearing in mind that Regnier Haegelsteen and Baron de Gerlache de Gomery will not be entitled to sit on audit committee from 1 July 2011 as independent directors (as specified in article 526 *ter*), the requisite number of independent directors will not be achieved from then on. This committee will therefore have its membership reviewed in the course of 2011 in order to comply with the new statutory provisions.

3.2. Report on operations

The audit committee convened on three occasions in 2010. The attendance rate (either in person or 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. The procedures for valuation of the biological assets, in the context of IAS41, were also explained and discussed, accompanied by presentation of a comparative study in relation to IAS41 valuation within the sector. Finally, the 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.

4. Remuneration committee

4.1. Membership

Baron Bertrand
– chairman and non-executive director
Baron Bracht
– non-executive director
Regnier Haegelsteen
– independent non-executive director

As indicated in recommendation 5 of the Code, the remuneration committee consists exclusively of non-executive directors.

The membership of the remuneration committee will be adjusted during the course of 2011 in order to fulfil the new membership criteria (a majority of independent directors), as proposed in article 526 quater of the Belgian Corporate Code.

4.2. Report on operations

The remuneration committee met twice in 2010, on 24 February and on 1 December. The average attendance rate was 100%. The remuneration committee submitted recommendations to the board of directors relating to fixed remuneration for the directors and the chairman, remuneration for the management committee, the amount and payment format for bonuses and individual payments for the management committee, salaries and bonuses for board members of subsidiaries who reside abroad and amendments proposed in law relating to payments for executive directors who are demitting office.

5. Management committee

5.1. Membership

François Van Hoydonck
– managing director

Matthew T. Adams
– Chief Operating Officer
(External Visiting Agent from1 November 2010)

Didier Cruysmans
– manager Estates Department

Thomas Hildenbrand
– manager Marketing Bananas and Flowers

Johan Nelis
– Chief Financial Officer

Paul Nellens
– manager Marketing Commodities

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

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.

Corporate governance Statement

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

from left to right:

Johan Nelis
Matthew T. Adams
Thomas Hildenbrand
Paul Nellens
Didier Cruysmans
François Van Hoydonck

6. Remuneration report

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

The remuneration of 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. Any amendments proposed by the remuneration committee are submitted to the general meeting for approval.

The members of the management committee receive a fixed payment and a bonus depending on the consolidated recurrent results of the *SIPEF* group. No share options plans have been awarded since 2002, although there is provision for them in the Charter. 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.

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. Bonus policy

The members of the management committee qualify for the award of a bonus, the amount of which depends on the consolidated recurrent result of the *SIPEF* group.

6.3. Remuneration of executive and non-executive directors

The remuneration for the directors, for the financial year 2010, was set at a fixed annual amount of KEUR 18 for the chairman and KEUR 15 for each director. These amounts were the same as those for the previous year. Directors who retire or are appointed during the financial year are paid pro rata, depending on the length of the mandate in the financial year. There are also fixed annual payments of KEUR 4 to members of the audit committee and KEUR 2 to members of the remuneration committee. These figures are therefore no longer related to the size of the results and can be regarded as fixed, non-performance-related payments awarded during the financial year itself.

The individual remuneration figures for the directors, as actually received in 2010 in the form of payments for 2010, were:

In KEUR	
Baron Bracht, *chairman*	19
François Van Hoydonck, *managing director*	15
Baron Bertrand	17
Priscilla Bracht	19
Jacques Delen	15
Antoine Friling	15
Baron de Gerlache de Gomery	19
Regnier Haegelsteen	21
Richard Robinow	15

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 2010, either directly or indirectly, by *SA SIPEF NV* and its subsidiaries, can be summarised as follows:

In KEUR

	CEO	*Other members of management committee*	*Total*	*Relative interest*
Fixed payment	206	Total	1 096	48,91%
Variable payment	246	433	679	30,30%
Group insurance	196	248	444	19,81%
Benefits in kind *(company car)*	3	19	22	0,98%
	651	1 590	2 241	100,00%

No further share option plans have been initiated or awarded since 2002, and the final options that could be exercised were exercised in 2007.

6.5. 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.

7. Internal and external audit

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

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 on the 11 June 2008. His mandate expires in June 2011.

The annual payment to the auditor for the audit of the summarised and consolidated annual financial statements of *SA SIPEF NV* amounts to KEUR 68. An additional sum of KEUR 30 is also paid to the company with which the auditor is affiliated, for legal, accountancy and fiscal work. These payments are proved by the audit committee, which has received a summary of these honoraria at each meeting.

The total cost for external audit of the *SIPEF* group amounted to KEUR 308, with a further KEUR 68 as the amount of honoraria paid for opinions from the same auditor and associated companies.

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 *SA SIPEF NV* 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 *SA SIPEF NV*. This was done to promote a balanced development and the profitable growth of *SA SIPEF NV* 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. Share option plans

No further share option plans had been initiated or awarded since 2002. The final options that could be exercised were exercised in 2007.

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

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

10.1. 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 *SA SIPEF NV* consists of every member of the board of directors. While only one third of the membership of the board of directors is made up of independent non-executive directors, the Charter deviates from the Code on this point.

The board of directors considers, however, that this deviation is well-founded, bearing in mind the fact that its relatively limited size (with nine members) does not obstruct 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.

10.2. Membership of remuneration committee

In terms of recommendation 5.4.1 of Appendix E to the Code, the remuneration committee should consist exclusively of non-executive directors. At the very least, a majority of the members of this committee must be independent.

The remuneration committee at *SA SIPEF NV* is made up exclusively of non-executive directors. Since only one third of the members are independent, the Charter deviates from the Code on this point.

The board of directors also considers that this deviation is well-founded, bearing in mind the fact that the two dependent directors represent different shareholders and that there is still an independent director present. This still allows for a balanced opinion to be transmitted to the board of directors.

The membership of the remuneration committee will be adjusted during the course of 2011 in order to fulfil the membership criteria (a majority of independent directors), as proposed in article 526 quater of the Belgian Corporate Code.

10.3. Submission of proposals to the general meeting

In terms of recommendation 8.9 of the Code, the required minimum percentage of shares that must be held by a shareholder in order to be able to submit proposals to the general meeting should not exceed 5% of the share capital. The board of directors has decided not to follow this recommendation. The shareholders of *SA SIPEF NV* can ask questions to the directors and the auditor, at the general meetings, that are connected with the points specified in the agenda.

11. 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 international reference framework such as 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.
- 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.

Tall oil palm harvesting
- PT Agro Muko (Indonesia)

Activity report by product

Palm oil

Following good soybean harvests in South America and with the prospect of record harvests in the US, the prices of vegetable oils (including palm oil) varied within narrow margins during the first half of the year. The wide fluctuations of 2008 seem to be behind us. These plentiful harvests were in fact necessary to maintain a balance in the face of ever-increasing consumption.

In the late summer, the market was startled by big changes in supply and demand. Weather patterns were seriously upset in various parts of the world. The great drought hit the harvest of sunflower seeds in Russia and “La Niña” caused heavy rains in Malaysia and Indonesia. Once it became clear that supply was not going to suffice to meet the sharply growing demand of the industry, prices shot up.

After the USDA revised the 2010 soybean harvest downwards in the US in October, the limits of the market became yet clearer. This attracted a great deal of investment money for agricultural commodities and led to an even more rapid rise in prices that persisted until the end of the year. The last quarter of 2010 was characterised by a drought in Argentina and persistent heavy rains in Southeast Asia. This pushed palm oil prices up above USD 1 200 at the end of December.

Though abundant rains augur well for the productivity of palm oil, we will not feel their positive effects until the second half of 2011.

The average price of CPO was USD 901 per tonne CIF Rotterdam compared with USD 683 in 2009.

As a result of the high prices in the last quarter of 2010, vegetable oils have risen above crude oil. It was not an easy affair to be able to meet the requirements for the biodiesel sector. This will undoubtedly have repercussions on the growth potential of biodiesel over the coming months.

According to the principles of the RSPO, the market is finally witnessing a rise in demand for sustainable palm oil. Nevertheless, this is as of yet limited to European countries where it is either used by the food industry as “segregated” (unmixed) sustainable palm oil or as “mass balance” (mixed with normal palm oil) ISCC (International Sustainability and Carbon Certification) by the energy sector.

The shortage will persist over the very short term. Attracted by the high commodities prices, farmers across the world will be encouraged to plant more. Unless new weather problems arise, the larger harvest will make up for the shortage, leading to lower levels in the second half of 2011.

Palm kernel oil

Lauric oils experienced a genuine price explosion. This is the result of the extremely strong arguments at the beginning of the second half of the year. The price of crude palm kernel oil that varied between USD 900 and USD 1 000 during the first six months suddenly began to rise starting in August and reached USD 1 980 CIF at the end of the year.

Palm kernel oil production, which is lower than expected, cannot keep up with the demand. This difficult situation will persist in 2011.

The average price of CPKO was USD 1 084 per tonne CIF Rotterdam compared with USD 700 in 2009.

Activity report by PRODUCT

Rubber

In 2009, the market got off to a difficult start, but rubber prices have shot through the roof this year. The shortage that dominated in 2009 continued in 2010. Positive events were observed on both the supply and demand sides. As for demand, the success of the Chinese automobile industry and the increasing imports in India drove prices up. The main concern for supply was the impact of La Niña and the heavy rains that hit the main producing regions in Southeast Asia. As a result, natural rubber prices continued to rise over the course of the year, with only a small dip at the end of the second quarter. The price of RSS3 went from UScts 300 per kilogram in January UScts 500 per kilogram at the end of the year. This means that natural rubber prices more than quadrupled over a period of two years.

The average price of RSS3 in 2010 was UScts 365 compared with UScts 191 in 2009.

Furthermore, the outlook seems to be stable even at this high level as the shortage is likely to last quite some time. Over the short term, supply will not react to these high prices rapidly as too little was invested in rubber plantations for many years and the new plants require seven years before latex can be economically harvested.

Tea

The year 2010 began with a global shortage of nearly 100 000 tons of tea. Kenya and Sri Lanka reported record harvests, but necessarily to the detriment of quality. Large producers such as India and China did not experience a rise in production, while increased consumption - estimated at 2 to 3 percent - generated additional demand. This led to a drop in exports from these countries. The larger harvests in Kenya and Sri Lanka were thus rapidly absorbed.

Though wholesalers had bought large volumes of average-quality at lower prices than in previous years, they still needed good tea to preserve their mixture. As a result, demand for this type of tea increased. A sharp drop in high-quality tea from Assam in India was yet another aggravating factor. The difference between good-quality tea and lower-quality tea became so large that the first category was sold at prices that were up to three times higher than those of the second category.

This high demand for good quality was more than welcome for Cibuni as, thanks to our consistent sales policy, we were able to supply our customers regularly with our widely appreciated Melania tea. The outlook for 2011 is good as the shortage of good tea has not yet declined and buyers are prepared to pay high prices for exceptional quality.

Marketing of fruit and flowers

Bananas

In the framework of a slow upturn out of the European crisis, our trade in fruit from Ivory Coast was profitable. We sold the 20 640 tonnes of fruit that we produced and exported through *Plantations J. Eglin SA / Société Bananière de Motobé SA*, increased by 9 365 tonnes from another producer from Ivory Coast, in large part under contract to regular customers who increasingly stick to fixed and standardised suppliers, specifications and production zones. The year was atypical with good demand during the second half, which is uncommon. This can be explained by a shortage in the main Central American production zones due to poor weather conditions (excess rains). This trend also continued at the start of the new year.

Until the present, the reduction in customs duties for bananas of American origin had no repercussion on our business. The law of supply and demand and uncertainty regarding fluctuating exchange rates remain two deciding factors in the European banana trade. The slow though certain erosion of customs rights will continue on its own in January 2011 with a decrease from EUR 148 to EUR 143 euros per tonne for dollar bananas. Producers from ACP countries (Africa, Caribbean and Pacific), of which we are a member, preceded by European planters, will need to content themselves with supporting financial measures.

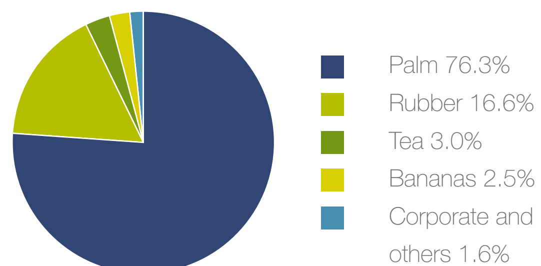
The logistics of banana imports was the same as in the past and we imported the entire production in refrigerated containers with "door-to-door" service.

Flowers

Trade in pineapple flowers was very active this year. We exported and marketed throughout the year, except in December. At that time, the winter conditions in Europe hampered road transport and thus orders for the holidays were cancelled. The other products in the same sector of activities (lotus flowers and ornamental greenery) underwent the same effect, for the same reasons.

The development of ornamental greenery that was started two years ago reached the defined production objectives. The "compacta" and "cordyline" varieties were a good technical and economical choice. The general quality of our entire horticultural production, which was completely exported by air freight, is very good.

Gross profit



Banana flower
- Plantations J. Eglin SA (Ivory Coast)

Activity report by country

Indonesia

In July 2009, the outgoing president, Susilo Bambang Yudhoyono, was re-elected for a second term of office, which will run until 2014. Since then, Indonesia has been in a stable situation. Observers expect the president to focus on expanding economic development and clamping down on corruption.

As with most Asiatic countries, the economic and financial crisis that primarily affected Europe and America largely bypassed Indonesia. The local banks had been reorganised as a result of the Asiatic crisis in 1997-98, and the emphasis was much more on basic activities. This meant that the impact of collapsing investments in derivative products was very limited. The substantial internal market, with a growing middle class enjoying a rise in its purchasing power, is the engine behind a gradual growth in the mixed economy, with both the private sector and the government playing important parts.

Thanks to this strong internal market, which is based on 240 million consumers, the Indonesian economy grew by 5.9% in 2010 as against 4.5% in 2009. Inflation amounted to 5.3%, slightly up on the 4.8% of the previous year. The trading balance remained largely positive and external debt remained more or less constant in nominal terms, but fell from 29% to 22% of the gross domestic product (GDP). These are all signs of a fundamentally healthy economy.

The local currency strengthened from IDR 9 400/USD to a closing price of IDR 8 991, partly through economic growth but mostly through the enormous inflow of foreign speculative capital; this was a source of concern to the government. Since July 2010, further controls on capital have been established in order to prevent more short-term speculation. Interest rates have also followed a declining curve.

Indonesia is now the largest economic power in South-east Asia, as well as a member of the G-20 group of the most significant countries. While the services sector is largest, representing 39% of GDP, agriculture (worth 14% of GDP) is responsible for more than 40% of employment, so that this sector provides an income for more than 40 million people.

Palm oil production for 2010 fell by nearly 2% compared with the exceptionally fine year of 2009. A cyclical trend of generally lower returns per hectare, experienced by all oil palm plantations in the area, was further exacerbated by adverse weather, with lower than normal and irregular rainfall, primarily in North Sumatra.

Fruit production was low in North Sumatra, particularly at the start of the year, with a slump of nearly 10% in the first quarter gradually recovering over the three subsequent quarters to -2% at year end. The average returns per hectare remained the same, at 23.6 tonnes per hectare.

The first fruits are now being harvested in the new *PT Umbul Mas Wisesa (UMW)* project and processed in the Perlabian factory, but returns per hectare are still limited to 1.2 tonnes per hectare for these relatively new acreages. The fruit will continue to be processed at the Perlabian factory in the new year. From 2012, we expect production to be so large that it can be processed directly in the new palm oil mill, of which construction is to start in the second quarter of 2011.

Fertilisation programmes are being further optimised, primarily in the oil palm plantations in the plains of northern Sumatra, by using mechanical fertiliser

spreading machinery or 'giltraps' to spread out the empty palm oil fruit bunches as an organic fertiliser. In comparison with 2009, and despite increased supervision of the maintenance activities in our acreage, we still noted an overall rise of 15% in production costs (expressed in US dollars). The main reasons for this were the stronger currency and inflation, which was reflected in payments to our workers and the procurement of products and services.

The payments for picking up palm bunches and collecting fallen fruits, which were amended in 2009, again contributed towards an important improvement in quality. The result was that 96% of the fruits offered to the two palm oil factories satisfied the optimum standard for processing, as opposed to 93% in 2009.

The Bukit Maradja palm oil mill thus achieved an average oil extraction rate of 23.61%, which is a new record for this area of origin. The Perlabian factory slightly remained below 2009 levels, at 22.91%, because more of the fruit being offered originates from *UMW* and is younger and smaller. This fruit does not contain as much oil as the fruit from mature plantations.

In contrast to the palm plantations in North Sumatra, *PT Agro Muko* in the province of Bengkulu made a strong start to the year. Production exceeded that of 2009, although the generally downwards trend was also perceived here towards the end of the year. The financial year closed with production volumes down by 3.1%. This group of eight plantations in the same region, with a planted area of 16 518 hectares of mature oil palms, generated a total of 317 926 tonnes of fruit, which were processed in the two palm oil factories at MukoMuko and Bunga Tanjung. The average return per hectare fell from 20.11 tonnes in the previous financial year to 19.25 tonnes in 2010.

The hilly landscape makes mechanical fertilisation more difficult, but the use of composite fertilisers in the second half of the year meant that it was still possible to complete the programmes in time. Harvesting is also generally more difficult in this hilly terrain, and fruit is often lost on the steep slopes. The introduction of small mechanical buffalo tractors allows for recovery of all of the fruit using the narrow pathways.

There used to be problems in attracting and retaining sufficient workers for the harvest in these working conditions. This has been dealt with by improving employment conditions in proportion to the degree of difficulty and providing adequate accommodation for the workers' families. This is one of the contributory factors behind the fact that 87% of the fruit offered at the factory met the optimum standard, as opposed to 85% in 2009.

Bearing in mind the rainfall of more than 4 000 mm affecting the majority of these plantations, we continued with the investment programme for improving the internal road network. At the end of 2010, a total of 1 185 km of roads (or about 47% of all roads on the plantations) had been upgraded using hardcore. This allows the fruit to be brought to the factories in good time and in optimum condition, even during the extreme rainy season.

The palm oil factories underwent significant improvement and maintenance work, which was reflected in the production costs. Extraction rates remained at comparable levels with 2009, at 22.71% and 22.99% respectively.

The most recent factory, Bunga Tanjung, is still facing under-capacity. Just half of the additional throughput capacity for production from neighbouring farms, which was asked for by the local authority and provided during construction, was taken up by the production from our

own acreage, due to competition with other factories. This is also reflected in the production costs, of course. We are continuing to look into possibilities of processing fruit from larger private plantations in the vicinity, without jeopardising our sustainability criteria in the context of the RSPO certification.

Following lengthy discussions with the minority shareholders International Finance Corporation (IFC) and Deutsche Investitions- und EntwicklungsGesellschaft (DEG), their respective interests of 7.21% were sold pro rata to the three remaining shareholders, MPEvans, Austindo and *SIPEF*, in March 2010. This additional proportion of 6.82% of the interest was acquired by *PT Tolan Tiga Indonesia,* so the group interest in *PT Agro Muko* now amounts to 44.93%. This acquisition is commensurate with the strategy of gradually acquiring all minority interests in the plantations managed by *SIPEF.*

Rubber harvests in North Sumatra recovered in full. Rubber production in 2009 in particular was disappointing, following a radical pruning of the young trees in 2008 and a relatively high percentage of trees being tapped on the lower panels. Good climatic conditions, a thorough control over the correct application of agronomic standards, the transition to the upper tapping panels for a number of plantations and an improvement in growth stimulation all resulted in production rising by 21.34% in the Bandar Pinang and Timbang Deli plantations, as compared with 2009. This means that we once again achieved an average return of 1.8 tonnes per hectare.

At the *PT Melania* plantation in South Sumatra, these positive influences actually resulted in an increase in production volumes by 36.9%, leading to nearly 3 100 tonnes of annual production once again.

Even at *PT Agro Muko*, where the restructuring of the rubber acreage is fully under way into a plantation with the lowest annual rainfall, the forecast budgets were still exceeded by 8.4% for the old acreage that have not yet been replaced. We are seeing a gradual increase in returns per hectare. However, it will still be a few years before the recent planting on 571 hectares reaches full capacity.

Tea production in Cibuni, on the island of Java, was fully in line with previous years, achieving 3 097 tonnes. Generally speaking, the weather gods were favourably disposed towards Cibuni; we only perceived a drop in anticipated volumes in the fourth quarter. The deliberate choice for quality, by handpicking the tea leaves and processing them in the CTC factory, is bearing fruit. This is because chiefly for better quality tea higher prices have been paid over recent years. There are no signs of further expansion of volumes, due to the shortage of labour force, but Cibuni is attempting to buy in tea leaves from surrounding tea plantations that might meet the same standards.

Production costs (expressed in US dollars) fell in 2009 for palm oil, rubber and tea. This could be traced back to the impact of the global crisis on most raw materials, as well as the weaker local currency. By contrast, 2010 was another year where rising fertiliser prices, the impact of inflation and the stronger currency led to higher production costs for all of our products.

As a sustainable producer, we also continued to concentrate in 2010 on using alternative energy sources. The tea plantation in Java is in an ideal position beside the Cibuni river, where we can make best use of hydro-electric power stations to produce the energy required for the factory and surrounding residential accommodation. The hydro-electric turbines were

recently modernised and the reservoirs were adapted to ensure maximum returns. Any shortfall in power supply for drying the leaves is covered by a coal-fired power station. An additional steam boiler was also installed last year at Agro Muko, operating entirely on organic waste from the palm oil extraction process and supplying enough electricity to power the rubber factory and surrounding workers' houses. Small units using solar cells are used to provide electricity to more distant workers' accommodation and the security posts. Because of the nearby rivers, Agro Muko might also qualify for the construction of a hydro-electric power station. This possibility is being investigated further. The recovery of bio-methane gases is also being provided as an additional source of energy for the steam boilers at the palm oil extraction factory for *PT UMW* in North Sumatra, where construction will start in 2011.

Since 2008, the decantation ponds at the Perlabian and Bukit Maradja palm oil extraction mills in North Sumatra have been covered with membranes, allowing for the comprehensive collection and combustion of methane gases. Both of these projects were also recognised by UNFCCC in November 2009, and the volumes of methane gas that are recovered provide entitlement to Certified Emission Reductions (CERs) that can be sold on the European energy market. The prices for these CERs dropped due to the partial failure of the environmental conference in Copenhagen, combined with the global crisis. This drop in value also led to the postponement of a similar project for the decantation ponds at two palm oil extraction factories for Agro Muko, because AEV-Agriverde, the joint investor, could not achieve the desired profitability standards. CER market values have now recovered and we will be starting to capture methane gases at the MukoMuko factory in 2011. The Bunga Tanjung factory does not yet qualify for this sort of investment, due to its under-capacity.

As stated in the section on sustainable agriculture, we have been working over the past few years on increasing the standard of practical operating procedures and on formalising these standards in the plantations and the factories. Over the past year, an important further step was taken in the form of the successful audit for RSPO certification at the Perlabian and Bukit Maradja mills, but both factories were also certificated for the ISO 9001 and ISO 14001: 2004 EMS standards. In order to gain access to the European alternative energy market for the sustainable palm oil they produce, both of the factories were also audited for the ISCC standard, in terms of which emission savings are balanced against the raw oil products. These were found to be more than adequate for the use of our palm oil in biofuel and the production of green electricity.

An identical path was sketched out for the Agro Muko palm oil extraction mill, and the audits were duly carried out, but the results were only announced by the relevant authorities after the close of the financial year.
These certifications mean that we can now regard the *SIPEF* palm oil mills and associated plantations as textbook examples as far as the environment and safety are concerned. These certifications also provide a guarantee of the general level of quality of our activities in North Sumatra in relation to social facilities such as worker accommodation, training opportunities, medical care and energy management. While there are no identical certification processes available for Indonesian rubber and tea production, we are also endeavouring to apply the same standards of quality in these operational areas.

Our activities in the Padang region and our tea plantation in Java both remain susceptible to earthquakes, due to their specific location on a geological fault line.

Following a number of earthquakes in the vicinity of Agro Muko, and particularly the serious earthquake in Padang in December 2009 (which devastated large parts of the city), the situation was relatively calmer during this financial year. We are proactively trying to fortify the structure of the residences, adapt the factories and make the tank terminal at Padang more resilient to shock, in order to prevent any new catastrophes. We have also provided psychological help for the workers, to help deal with the post-traumatic impact and support them in their response to any future earthquakes.

Following a period of restless social labour conflicts, with accompanying strikes and redundancies in 2007 and 2008, the plantations in North Sumatra have generated a new business culture. The result is a disciplined group of workers, most of whom live on the plantations. Contacts with the local trade unions are constructive, and there has been no need for any intervention on the part of government departments or others.

The overall growth in plantation activity in the region has made it difficult to recruit and retain a sufficient number of well qualified workers in the province of Bengkulu. Thorough training programmes for poorly educated workers from other sectors and regions should ensure that the number of workers will remain at a satisfactory level and that the work will be done properly. All the workers have now been trained by the sustainability teams in the principles and criteria applied by the Roundtable on Sustainable Palm Oil (RSPO), and have proved, via the audits, that they are applying these principles and criteria in practice.

We are also paying a great deal of attention to the recruitment and training of younger workers, who will form the basis for the future of our company. We hope that the recent increase in salary scales will ensure an adequate influx of young graduates for the future. They are provided with long-term training programmes to turn them into skilled planters and engineers, by means of training workshops as well as practical on-site courses. Retaining these promising youngsters within the group is a constant strain, due to the significant interest in the sector and the gradual expansion of planted acreage in Indonesia. The management of the Indonesian activities is undertaken by a stable team of Malaysian, European and Indonesian managers, who jointly direct the company while taking account of all the cultural and ideological influences and not losing focus on profitability in a sustainable environment. The training for young managers is combined with an appraisal system using quality indicators to evaluate and improve their individual input and productivity. This is done using “Key Performance Indicators” in combination with the introduction of “Best Management Practice” areas within the plantations, designed to lead to a general improvement in agronomic standards.

We also encourage the managers to develop their creativity and powers of innovation in day-to-day practical activities on the plantations and in the factories. The manager at the Perlabian plantation recently discovered a new procedure to reduce the damage to new planting caused by Oryctes rhinoceros beetles. Following a thorough comparative study, this will now be applied on a group-wide basis. It is often simple but practical, minor improvements that can have a relatively major impact on the overall cost structure.

New planting has continued at *PT Umbul Mas Wisesa (UMW)* and *PT Toton Usaha Mandiri (TUM)*, the most recent acquisitions in the province of North Sumatra, and should reach its full extent no later than early 2011. We were held back during the financial year by negotiations on payments that had to be made to individuals who

had started unlawful agricultural activities on this land, but who were demanding compensation for the crops they had planted.

During the financial year, 605 additional hectares were planted, resulting in a planted surface area of 8 046 hectares at the close of 2010. There are now 3 435 hectares that have yielded their first limited production, which is being processed at the nearby Perlabian factory. The construction of the new palm oil extraction mill will commence in the second quarter of the new year, with a view to being completed by June 2012. This will allow us to cope with an increased influx of fruit. We have also started expanding the infrastructure, by embarking on the construction of a first group of 80 workers' houses and some warehouses for storing fertilisers. We will need a significant investment budget over the next two years in order to complete the central residential complex.

Our management teams in Medan have devoted great deal of effort to expanding the group. Every proposal for the acquisition of land or existing plantations is examined for its agronomic qualities, the status of ownership rights and its consistency with the principles and criteria of the RSPO. In concrete terms, this means that no expansion can take place in areas containing “high conservation value forest” (HCVF) or on peat moorland. The criteria for HCVF reflect not only the status of the ground cover but also the social impact on existing communities in the vicinity of a potential project.

The search for further expansion is being formalised by setting up an expansion department, which will deal with any proposals to extend our acreage in a structured manner.
Despite the fact that many projects are available, not a single one has yet been found that meets our group's internal and external quality requirements. We are continuing our search in the most valuable areas, in agronomic terms, of Indonesia.

Papua New Guinea

The political situation in Papua New Guinea is fairly sensitive to minor squabbles, but remains generally stable. Following Prime Minister Somare's re-election for a new five-year term in 2007, the government got back to work on its long-term plan entitled “Vision 2050”.

Papua New Guinea is rich in natural raw materials, but the country's economic growth will be based primarily on developing its estimated 227 billion cubic metres of natural gas reserves. A consortium led by an American oil giant has started to construct terminals for liquid natural gas (LNG), with exports potentially starting in 2013 or 2014, followed by other concessions. This, the largest ever investment project in the country's history, has the potential to double the gross domestic product (GDP) and treble export income in the short term. Expectations are therefore high. The government is facing the challenge of using the income flows from these projects in a transparent manner for the long-term future of the country.

For the time being, the agricultural sector, which accounts for 32% of GDP, remains the most significant source of income for 85% of the population, but it is clear that the industrial development is likely to draw the available educated workforce away from the agricultural sector, which will have the impact of increasing costs for our palm oil and rubber production.

The global financial crisis had virtually no impact on the country due to the continuing demand for Papua

New Guinea's exported raw materials from mining and agriculture. Growth in GDP is therefore estimated at 6.2% for 2010. Inflation for 2010 will be similar to the 6.9% of 2009, with the level of debt remaining confined to 27.8% of GDP. The local currency, the kina (PGK), rose slightly, by 2.3%, in relation to the US dollar.

Hargy Oil Palms Ltd

Hargy Oil Palms Ltd endured an extremely difficult year. The traditional rainy season in the first quarter deteriorated into a deluge, with more than 4 000 mm of rainfall in the first four months alone, which is equivalent to the normal annual rainfall. Operations were seriously disrupted when bridges and roads were washed away. By the end of April, there had already been a reduction in oil production of 13% compared with the previous year for the company's own plantations and 26% for the surrounding outgrowers. The access roads to the nearest town of Kimbe had been reopened by May, but the bridges remained damaged for a longer period and were only repaired in the second half of the year, with assistance from the government and also the Australian government.

The rainfall also had an impact, of course, on the quality of the oil produced and on the extraction rates in the two palm oil mills. There were also frequent difficulties, during the first six months, in shipping the volumes that had been sold in time.

Production and transportation of fruit returned to normal in the second half of the year and extraction rates at the factory started to climb, with the result that they exceeded forecasts once again in the fourth quarter. The aggregate production of palm oil and palm kernel oil was 98 238 tonnes, as opposed to 102 445 tonnes in the previous year, representing a slight fall of 4.0%.

Thanks to the purchase of our own fleet of trucks, we were able to continue with resurfacing the internal road network on the Hargy plantation (2 431 planted hectares), and this network now stretches to 35.1 km. The acquisition of new tractors also contributed to a better evacuation of the fruit from the most distant fields. These two improvements could not however prevent the Hargy plantation from remaining slightly below the forecast volumes. The fertilisation programmes were fully completed in the second half as a result of improved accessibility.

The Barema plantation, now fully planted across 2 077 hectares, is being brought gradually into production as soon as the palms are two years old. Production also exceeded forecasts by 8.7%, despite the low-lying parts being inundated during the first quarter.

At the largest Navo plantation, the intention is to replace about 2 000 of its 5 269 planted hectares over a period of three years and to proceed with resurfacing the internal roads network to prevent erosion. Only 324 of the forecasted 724 hectares were re-planted during the financial year, because of the exceptional circumstances. The result was that production from the existing planted areas exceeded the original budgets by 8%. The fertilisation programmes were completed in December. The palms from the Navo plantation give high yields, but are also the most susceptible to infestations of insects such as sexava and stick insect. They demand thorough control and attention from the agronomists.

Because the plantations belonging to the surrounding planters are often far distant and were sometimes even cut off from the factory for months on end, it took until the second half of the year for fruit transportation to return to its normal level. This resulted in a 4% fall

in supplies compared with the previous year. These supplies represent 48.3% of annual production of palm oil, so the company pays a great deal of attention to assisting these smallholders, by providing planting material and fertiliser and most of all by encouraging them to replant in good time. The World Bank's financing of this is unfortunately only released sporadically. The World Bank will also now release credits to finance the completion of planted areas. Assistance from local government leaves much to be desired, and this service urgently needs to be restructured. *Hargy Oil Palms Ltd* therefore took it upon itself to extend its “smallholders” department, with a new manager who will concentrate on promulgating RSPO awareness, by clarifying the procedures for replanting, achieving proper operational standards and applying fertilisers.

The management at both of the palm oil extraction mills made considerable efforts during the period of excessive rainfall to keep extraction rates at the proper level; this is partly obscured by the fact that the fruit often arrived late at the factory, with a high water content. The older Hargy mill has undergone many adaptations in recent years. Apart from replacing the sterilisation process, most of the infrastructure was renewed, so that the annual average palm oil extraction was 23.58%, actually rising to 25.74% in December. The newer Navo mill had to deal with irregular transportation and machinery breakdowns. While an extraction level of 24.85% was achieved in December, the annual average was 22.59%.

The extraction rate for palm kernel oil remained below expectations and the new chief engineer, assisted by our people in Indonesia, has put together an investment programme for 2011 to improve palm oil and palm kernel oil extraction. We will be paying particular attention to waste water processing with the construction of two new decantation ponds at the Navo factory, combined with an intensive cleaning of existing ponds at the Hargy factory.

We will be able to cope with the increasing throughput of fruit from our own plantations and those of surrounding planters from 2012 in the new Barema factory, which will be able to process 45 tonnes of fruit per hour. The licence applications have been filed and the site is being cleared with a view to starting foundation work in the second quarter of 2011.

We spared neither expense nor trouble in keeping production and transportation at proper levels during the extreme weather conditions of the first half of the year. This was reflected in production costs, which increased by a quarter, in US dollar equivalents, in comparison with 2009. The new financial management team will be assembling a programme for monitoring the cost structure closely in consultation with the staff. A new internal audit department has been set up to supervise the procedures.

The transportation of fruit and oil remains a very important element in the production chain, certainly in relation to the widely distributed plantations in Papua New Guinea. We therefore paid considerable attention to the maintenance of our freight fleet, by recruiting an experienced garage manager and by having the maintenance staff trained by an Australian instructor.

The company had to face many changes in the management team during the financial year. The takeover by our neighbours NBPOL of the CTP plantation group in April created opportunities in the generally limited local labour market. A number of our employees left to join this new project. We were able to fill all of the vacancies

relatively quickly, with better skilled people. The only point that took much more time than anticipated was securing work permits for foreign managers.

A further priority for the management team is the recruitment of enough young workers to deal with harvesting and maintenance. A large number of older workers retired and were repatriated to their original provinces in 2010. Good accommodation is very important in this context. Over recent years, the company has invested substantially in new houses (for more than 150 families in 2010) as well as the maintenance of existing residences, principally for the factory workers. These efforts will be continued in the coming years, along with the construction of new residences in the expansion zones.

The expansion programme in the vicinity of the Navo plantation is being pursued, with the ultimate intention of doubling the planted surface area to at least 20 000 hectares. The landowners have now been identified and approached. We have concluded agreements to safeguard the expansion. All the qualifying plots have also been investigated in connection with compliance with the RSPO principles and criteria. The acquisition of the new plots has been delayed by the government services that have to produce new property titles. The effective planting, estimated at 1 500 hectares, has also faced delays, due to weather conditions and the lack of contractors with good machinery to work the land. We therefore decided to procure our own bulldozers and cranes to cut down this dependence. The operators have been recruited so that the expansion can proceed at a faster rate.
A first re-audit was undertaken in April, following receipt of the initial certification for RSPO in 2009, which runs until 2014. *Hargy Oil Palms Ltd* was again certified for one year and its ISO 14001 certification was also renewed. This applies to the complete production process for our own plantations and those of the smallholders who bring their fruit to our two factories. This certification is extremely important for positioning our business in the European market. The vast majority of the oil is shipped as "segregated certified sustainable palm oil", which allows purchasers to process sustainable palm oil directly into their end products.

Galley Reach Holdings Ltd

The rubber operations of *Galley Reach Holdings Ltd* on the main island of Papua New Guinea were largely comparable with those of previous years, but the operating results were slightly better than 2009 due to the significant increase in the sale price for natural rubber (mainly in the second half of the year).

Production from our own acreage was virtually identical to that of the previous year, but there was a slight reduction in the volumes of purchases from third parties. Because of the higher prices, the competition is also much more intense among buyers of raw rubber in the Moreguina and Upulima regions, who want to export the rubber for processing abroad. *Galley Reach Holdings Ltd* continues to shadow this competition with cash payments and regular uplifts of the available rubber, that almost 60% of the potential volumes are collected and processed in our own factory. These purchases from third parties represent 36% of the volumes that are produced and account for 28% of operating results.

Due to the stronger local kina currency, as well as the rising prices for fertilisers and fuel, production costs rose by 12% (in US dollar equivalents) in comparison with the previous year. The average prices for procuring rubber from third parties have more than doubled, although they still leave an adequate margin for the company.

Activity report by country

As a significant proportion of our own acreage is now at an advanced age, we prepared a long-term replanting plan some years ago. Despite problems obtaining suitable seed and the irregular rainfall, 1 148 hectares have now been replanted. This is a third of the total planted surface area, with something over 700 hectares still being immature. The intention is, to continue with this planting pattern for a few more years, with the aim of gradually replacing the older parts of the plantation with young trees. This will provide better yields per hectare. We are also increasing accessibility to the trees during the rainy season by laying drains and new water courses in the lower-lying parts of the plantation.

Investment is focused primarily at this point on the immature acreage and the replanting of rubber trees. The factory has been significantly updated, apart from the steam boiler, which might have to be replaced in the near future. While we had mainly been building new houses in previous years, we started to address the maintenance of existing houses in 2010. Twenty new houses will also be added to the current stock of 674 workers' residences during the course of the next year.

Since the rubber operations are situated close to the capital city of Port Moresby, we are now beginning to see the initial impact of the LNG project on the labour market for educated workers. The availability of houses, combined with schooling and medical care, is therefore an excellent guarantee for attracting suitable workers and retaining them after they have been trained as rubber tappers.

Ivory Coast

As this text is written, Ivory Coast finds itself in a complete political gridlock.
The election process in which the population had placed so much hope to pull the country out of a delicate political situation and to establish a climate of lasting peace has degenerated into an unprecedented institutional crisis.
Unless a rapid and peaceful solution is found, the economic and social climate will deteriorate yet further and the entire WAEMU (West African Economic and Monetary Union) will eventually suffer as a result.

The biggest cacao producer in the world was able to benefit in 2010 from the high global prices and the country's economic growth should reach over 3%. Agriculture is one of the most dynamic sectors.

SIPEF-CI SA

Volatile and unusual weather conditions caused sporadic problems at harvest time and in the transport of the goods for *SIPEF-CI SA* in which we hold a 32% stake. This led to a drop in agricultural volumes by some 10% compared with the previous year.
The three operational sites in Bolo, Ottawa and Okrouyo supplied a total of 226 669 tonnes of palm fruits, 60% of which was produced by independent planters.

The two mills produced 51 811 tonnes of palm oil: 64% of the production went to the refinery of our partner and biggest shareholder, United Oil Company (UOC, located in Sikensi), and 36% was exported.
At the same site, we also produced 7 392 tonnes of palm kernels supplied to Oil-Tech that also belongs to the Adam-Afrique group.

Thanks to favourable selling prices for palm oil,

SIPEF-CI SA was able to more rapidly implement its renovation plan on its plots and it now has 4 466 hectares with immature young trees planted over the last three years, which, from an agricultural standpoint, affords us a fair amount of optimism for the future.

Plantations J. Eglin SA / Société Bananière de Motobé SA (SBM SA)

From an agricultural point of view, 2010 was not exceptionally good: at the beginning of the year, we lost around twenty hectares of production as a result of a tornado on the site of *SBM SA*. The rains - mainly concentrated during the summer months - exceeded the averages of last year by nearly thirty percent, thus extending the production cycles and lowering productivity. Through the combination of all of these climate factors, we were not able to meet the objectives of *SBM SA* and there was a shortage of 952 tonnes compared with the budget. Agboville closed the year as expected and was finally able to make up for the backlog that had accumulated initially. Azaguié again largely exceeded the objectives (+ 1 200 tonnes).

From a consolidated standpoint, we closed the year close to expectations (+ 189 tonnes, for a total of 20 639 tonnes) and achievements from the previous year (+ 64 tonnes), and this with the same planted surface area. The geographical diversity of the three production zones was advantageous for us this time. We were fortunate that, despite everything, we were able to ensure a regular supply of fruit to fulfil the commercial contracts.

The packaging and presentation of our fruit was optimised after the visit from a Columbian expert to our packaging stations that are currently being adapted. This will allow us to yet further improve our standard in the future.

The average FOB sale price for the fruit sold to Europe was above our expectations (EUR 441 per tonne compared with EUR 398 per tonne in the budget). Because we suffered from a shortage in volumes during the first half of the year due to the tornado, we missed common sales opportunities in a lucrative market. Sales to neighbouring countries were as predicted (EUR 303 per tonne), as they were completely laid out by contract.

The flowers activity improved with a positive result, though without meeting the expectations that we had set. The margin that we had built up over the course of the fiscal year was completely negated in December by the cold wave on the European continent, which completely hampered logistics and sales during the holiday period. Thanks to our expertise and through renewed commercial activities, we can however look at the coming year with optimism.

The presidential elections held during the last quarter led to an unbelievably disorderly situation and complete chaos in the country. Despite concern about the risks of a civil war, we were still able despite all of this - as this text was written - to produce, harvest, package and export our goods by sea and air, under decent conditions. We can congratulate our management teams heartily for their devotion and the professional preservation and maintenance of our company's activities. We all hope that 2011 will be a year of peace and economic revival for Ivory Coast.

Activity report by country

Europe

Jabelmalux SA

Jabelmalux SA is the parent company of *PT Melania, PT Umbul Mas Wisesa (UMW), Toton Usaha Mandiri (TUM)* and *PT Citra Sawit Mandiri (CSM)* in Indonesia.
Once local regulations permit, these subsidiaries will be transferred to *SA SIPEF NV.*

You can find more information about the operational development of these subsidiaries in our "Activities report by country".

Insurance

B.D.M. NV - ASCO NV

The insurance group *B.D.M. NV - ASCO NV* works through professional brokers to provide chiefly maritime and industrial insurance. *B.D.M. NV* is an insurance agency that offers risk coverage on 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 *B.D.M. NV* underwrites has important advantages: it lends greater stability to *B.D.M. NV* and reinforces the capacity through direct access to the reinsurance market.

The strategic repositioning of *B.D.M. NV* started in late 2009 continued in 2010 with the hiring of a number of high profile employees, the development of new products and supporting marketing campaigns.

This increased the premium volume in the marine segment by 7%. Due to the sharp increase in the proportion of workforce costs, we were not yet able to capitalise on the increased market share in the operational results for this segment, which dropped by 13%. Through the internationalisation of the transport activities, we will be able to make full use of the effect of the increased revenues in 2011.

In the Property & Casualty segment, the creation of a new platform for future growth was able to prevent further erosion of the operational results. The focus shifted from the less attractive mass risks to products and solutions with high added value that are actively promoted through a limited number of professional brokers. Despite a drop in the volume of premiums by 8%, the operational results for this segment only decreased by 2%. In 2011, we will focus on the marketing of new niche products and further cost control.

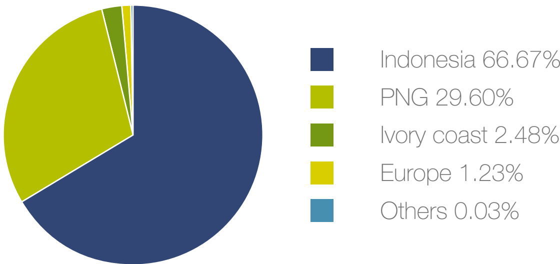
The somewhat lower results in both segments led to an operational result (EBITDA) of EUR 16 477. The extraordinary result from the sale of the Dutch subsidiary *Bruns ten Brink Assuradeuren BV* was not able to prevent the net results from falling due to increased operating expenses as a result of the strategic repositioning of the activities.

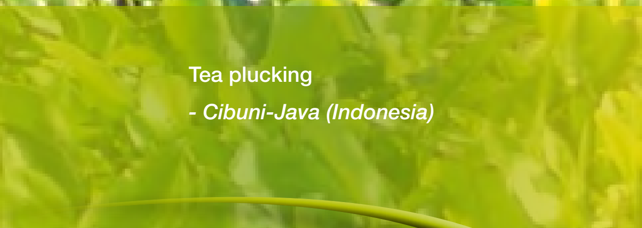
For the insurer *ASCO NV*, 2010 was characterised by a significant turnabout in its portfolio composition. On the one hand, no new underwritings were carried out this year for the former agencies *Bruns ten Brink Assuradeuren BV* and I.B.I.S. On the other, the first underwritings were added to the portfolio through the agencies Unireas and Almarisk. As a whole, this resulted in EUR 26.3 million in premiums received (a 29 percent increase compared with 2009).

The damages costs changed positively. The positive gross technical result was neutralised by still too heavy reinsurance costs, despite revision of the reinsurance programme.

For 2011, we predict further refinement of the reinsurance programme.

Gross profit





Tea plucking

- Cibuni-Java (Indonesia)

Group production (in tonnes)

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

		Own	Out-growers	2010	Own	Out-growers	2009
Palm oil		**192 156**	**46 985**	**239 141**	**196 368**	**50 489**	**246 857**
Indonesia		144 450	2 949	147 399	147 373	4 316	151 689
	Tolan Tiga group	71 643	-	71 643	72 197	-	72 197
	Agro Muko group	72 807	2 949	75 756	75 176	4 316	79 492
Papua New Guinea		47 706	44 036	91 742	48 995	46 173	95 168
Palm kernels		**34 037**	**691**	**34 728**	**35 198**	**994**	**36 192**
Indonesia		34 037	691	34 728	35 198	994	36 192
	Tolan Tiga group	17 665	-	17 665	17 977	-	17 977
	Agro Muko group	16 372	691	17 063	17 221	994	18 215
Palm kernel oil		**3 501**	**2 995**	**6 496**	**3 771**	**3 506**	**7 277**
Papua New Guinea		3 501	2 995	6 496	3 771	3 506	7 277
Rubber		**9 608**	**1 273**	**10 881**	**8 633**	**1 727**	**10 360**
Indonesia		7 344	0	7 344	6 003	0	6 003
	Tolan Tiga group	6 155	-	6 155	4 782	-	4 782
	Agro Muko group	1 189	-	1 189	1 221	-	1 221
Papua New Guinea		2 264	1 273	3 537	2 289	1 727	4 016
Brazil		-	-	0	341	-	341
Tea		**3 097**	**11**	**3 108**	**3 121**	**0**	**3 121**
Indonesia		3 097	11	3 108	3 121	-	3 121
Pineapple flowers *('000 units)*		**833**	**0**	**833**	**824**	**0**	**824**
Ivory Coast		833	-	833	824	-	824
Bananas		**20 639**	**0**	**20 639**	**20 575**	**0**	**20 575**
Ivory Coast		20 639	-	20 639	20 575	-	20 575
Guava		**0**	**0**	**0**	**689**	**0**	**689**
Brazil		-	-	0	689	-	689
Pepper		**0**	**0**	**0**	**26**	**0**	**26**
Brazil		-	-	0	26	-	26

GROUP PLANTED AREA (IN HECTARES) *

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

		2010			2009		
		Mature	Immature	Planted	Mature	Immature	Planted
Oil palms		**41 134**	**9 746**	**50 880**	**38 062**	**11 138**	**49 200**
Indonesia		32 955	8 098	41 053	30 831	8 764	39 595
	Tolan Tiga group	13 002	1 164	14 166	13 320	913	14 233
	Umbul Mas Wisesa group	3 435	5 375	8 810	1 185	6 322	7 507
	Agro Muko group	16 518	1 559	18 077	16 326	1 529	17 855
Papua New Guinea		8 179	1 648	9 827	7 231	2 374	9 605
Rubber		**7 049**	**2 238**	**9 287**	**8 012**	**2 297**	**10 309**
Indonesia		4 472	1 532	6 004	4 735	1 534	6 269
	Tolan Tiga group	3 491	894	4 385	3 447	982	4 429
	Agro Muko group	981	638	1 619	1 288	552	1 840
Papua New Guinea		2 577	706	3 283	2 520	763	3 283
Brazil		0	0	0	757	0	757
Tea		**1 740**	**47**	**1 787**	**1 742**	**45**	**1 787**
Indonesia		1 740	47	1 787	1 742	45	1 787
Pineapple flowers		**27**	**49**	**76**	**36**	**50**	**86**
Ivory Coast		27	49	76	36	50	86
Bananas		**516**	**0**	**516**	**512**	**0**	**512**
Ivory Coast		516	0	516	512	0	512
Others		**0**	**58**	**58**	**242**	**241**	**483**
Brazil		0	0	0	242	183	425
Papua New Guinea		0	58	58	0	58	58
Total		**50 466**	**12 138**	**62 604**	**48 606**	**13 771**	**62 377**

* = actual planted hectares

Oil palm nursery
- PT UMW-Sumatra (Indonesia)

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
2010	560	1 325	312	512	**2 709**	141	101	0	**242**
2009	228	1 848	537	391	**3 004**	50	65	87	**202**
2008	376	2 118	413	154	**3 061**	96	114	97	**307**
2007	309	2 334	446	1 676	**4 765**	262	170	200	**632**
2006	644	335	1 083	879	**2 941**	201	188	200	**589**
2005	665	800	525	173	**2 163**	283	0	122	**405**
2004	137	0	696	255	**1 088**	243	0	57	**300**
2003	1 143	50	101	148	**1 442**	253	0	0	**253**
2002	653	0	81	359	**1 093**	198	0	0	**198**
2001	692	0	475	662	**1 829**	97	0	69	**166**
2000	831	0	1 034	510	**2 375**	409	93	116	**618**
1999	819	0	1 608	666	**3 093**	177	100	65	**342**
1998	668	0	2 293	625	**3 586**	270	215	33	**518**
1997	869	0	844	129	**1 842**	228	185	73	**486**
1996	986	0	496	558	**2 040**	198	0	0	**198**
1995	305	0	257	0	**562**	195	0	37	**232**
1994	468	0	872	472	**1 812**	132	0	0	**132**
1993	336	0	217	0	**553**	225	0	0	**225**
1992	828	0	142	0	**970**	0	0	0	**0**
1991	0	0	259	0	**259**	0	0	0	**0**
1990	29	0	3 476	0	**3 505**	91	0	0	**91**
1989	42	0	1 491	0	**1 533**	153	202	0	**355**
1988	306	0	419	0	**725**	324	186	40	**550**
1987	194	0	0	0	**194**	52	0	129	**181**
1986	394	0	0	422	**816**	20	0	365	**385**
Before 1986	1 684	0	0	1 236	**2 920**	87	0	1 593	**1 680**
	14 166	**8 810**	**18 077**	**9 827**	**50 880**	**4 385**	**1 619**	**3 283**	**9 287**
Average age	**12.53**	**2.13**	**12.83**	**10.16**	**10.38**	**11.13**	**10.44**	**24.95**	**15.90**

Newly opened rubber field
- North Sumatra (Indonesia)

SUSTAINABILITY: WELL-MANAGED PLANTATIONS ARE THE GATEWAY TO SUSTAINABLE PLANTATIONS

A SOUND AND RELIABLE MANAGEMENT TEAM IS A LONG-TERM OBLIGATION AND A DRIVING FORCE FOR SUSTAINABILITY.

For many years, the *SIPEF* group has been a strong supprter of sustainable business practices. Plantations represent a long-term operation. This means that retaining the natural sources we manage and caring for harmonious social relationships in and around our activities are not only our responsibility but also in the company's interests.

Plantations have to be efficient and profitable and at the same time strive for high social and environmental standards.

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 stricter than the statutory requirements in the countries where 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'.

Our sustainability department converts these standards into operational procedures, in terms of which we suggest improvements in collaboration with local management teams, and help in achieving these. We organise training sessions for our employees at every level, as well as for employees of other businesses, in order to clarify the new standards and to ensure that they are applied in practice. We also closely monitor the results, which allows us to ensure correct and uniform application and any appropriate improvements by the various departments.

Our obligation to observe a policy on sustainability in relation to palm oil production is based on the principles and criteria of the 'Roundtable on Sustainable Palm Oil' (RSPO). Since 2004, this organisation has formed a meeting point for the plantations, small-scale planters, NGOs, wholesalers, refineries, manufacturers and financial institutions, with a view to setting up guidelines for the production and processing of sustainable palm oil.

SIPEF is an active member of RSPO, and is represented on the 'National Interpretations Working Group for Papua New Guinea', the 'Trade and Traceability Working Group' and the 'Biodiversity Technical Committee'.
We believe that RSPO offers the best prospects for the future in the palm oil industry.

In 2010, all of our mature palm oil plantations in Indonesia underwent an audit in accordance with the RSPO principles and criteria. Our activities in North Sumatra were certificated in May 2010. Later in the year, the operations at Bengkulu were audited and recommended for certification. The certification in Papua New Guinea was confirmed following a successful verification audit. Since the start of 2011, when our Bengkulu plantations were officially certified, all of *SIPEF*'s mature palm oil plantations are now approved by RSPO. *SIPEF* is the first organisation to apply the 'RSPO New Planting Procedure', for its new expansion at *Hargy Oil Palms Ltd (HOPL)* in Papua New Guinea.

We also apply strict social and environmental standards to our rubber, tea and banana operations; these

standards are largely comparable with those we use for our palm oil. All the businesses within the *SIPEF* group are therefore obliged to work with sustainability in mind for all of their operations.

SIPEF is also a member of KAURI asbl, a Belgian network and expertise centre for business ethics and responsibility among NGOs. The *SIPEF* management team organised a meeting for stakeholders in June 2010, under the leadership of KAURI. The various aspects of corporate social responsibility were discussed there, with recommendations for improving policy on sustainability and responsibility.

The application of an excellent policy on the environment

The fertility of the soil is of the utmost importance for plantations. SIPEF has formulated detailed guidelines on preserving and improving the fertility of the soil. Each step in the production process, from preparing the land to processing by-products and even waste treatment, can contribute towards this.

A detailed investigation is initiated in relation to the suitability of the land, its situation, the varieties to be planted and anticipated long-term yields before any planting or replanting is undertaken. This process is checked by experienced managers before any work on the land is started.

The preparation of land, for both new planting and replanting, is the subject of a strict "zero burning" policy. The 'ASIAN Zero Burning Policy' governs this in Indonesia. The cropped vegetation is piled up and allowed to rot, so that the organic material is retained in order to improve soil fertility.

Land plots with a slope of more than 25° are kept in their natural condition. These areas are too steep to be planted, due to the risk of serious erosion and accidents at work.

Planting takes place around terraces on undulating or slightly hilly land, in order to counteract any soil erosion. The terraces are sometimes fortified with Vetiver or Guatemala grass, whose deep roots stabilise the soil and prevent erosion. We also sometimes use old tyres to stabilise specific plots, thus reusing them instead of having them taken away for destruction or recycling.

Once a strip of land has been reserved, it is immediately planted with *leguminous ground cover plants*, which are selected for their ability to cover the ground very quickly and capture nitrogen. This not only provides protection against the sun and erosion through wind and rain, but it also hampers the growth of weeds. The growth of ground cover plants is monitored closely, to ensure that they do not get overgrown or start spreading to land reserved as nature plots.

The river banks are protected in order to retain water quality for downstream users and create transit points for wildlife. These buffer zones also protect the watercourses against accidental erosion.

The use of chemical or inorganic fertilisers is kept to a minimum. The extraction process for palm oil in the palm oil factories, in particular, generates a by-product or 'waste product' that is rich in nutrients. The empty palm bunches are taken back to the field untreated. POME (Palm Oil Mill Effluent), the waste water, is also recycled for irrigation of the land.

SIPEF has long been applying Integrated Pest Management (IPM) for pest control purposes. Every

Sustainability: well-managed plantations are the gateway to sustainable plantations

department prepares an IPM plan to meet local needs. IPM involves a regular and accurate observation of the fields and combines chemical and natural countermeasures. Some sicknesses or plagues are exterminated, whereas others are kept at such a level that they do not cause any damage to plants. The ultimate aim is to use an absolute minimum of chemical products, which means that the workers are exposed to chemicals as little as possible. This is how we also restrict the ecological impact and in fact also reduce our costs, by using them only when absolutely necessary.

We provide our employees with regular training courses, to foster an 'early warning' system among them and maintain high standards of health and safety. A lot of attention is paid here to personal protective equipment for the employees who work with chemicals. They also receive regular medical checks.

Weed control follows the same logical operating method as IPM: chemical products are only used when necessary, in a targeted and responsible manner, in order to limit the adverse impact on the environment and safety risks for the workers.

Each year, we prepare a list of permitted products at our plantations, in order to improve the use of chemicals. Every active ingredient permitted for the following year is first discussed, with its use being specified. This working method is monitored both by the plantation management team and the sustainability department.

Areas reserved for nature purposes are actively protected. The areas that qualify as nature reservations are clearly marked and actively protected. In Indonesia, we gave about 50 of our employees and surrounding farmers a training course as 'Conservation Auxiliaries'. They are responsible for protecting these areas.

Palm oil mills

Crude palm oil (CPO) is obtained by means of mechanical pressing of the fruit ('Full Fruit Bunches', or FFB). This process generates three by-products, namely the empty bunches (Empty Fruit Bunches, or EFB), fibre (from the fruit) and waste water (Palm Oil Mill Effluent, or POME).

EFB, rich in nutrient elements for the plants, improve the physical and chemical qualities of the soil and are therefore used as a fertiliser on our plantations.

A properly managed factory can normally provide its own energy. We use the fibre and sometimes also part of the EFB as fuel in the heating boilers that provide sufficient steam for power generation. This power generation is generally enough to meet the energy needs of the factory and the workers' residences.

POME is a by-product of one of the procedures that does not involve any chemical product at all. It contains just water from the extraction process with water-soluble materials from the palm fruits and a number of solids and fibres. On the other hand, POME is acidic, with a high BOD ('Biochemical Oxygen Demand') content. This is why it cannot just be released into the water system. The strict rules in Indonesia and Papua New Guinea specify acceptable standards and uses of POME, and we also apply these standards. We regularly undertake analyses at specific points of the process.

The crude POME is normally treated using a ponding system, where it stays for 90 days. After the sedimentation period, POME can be used as an organic fertiliser, through irrigation, in certain parts of our plantations.

While POME sedimentation is an industrial standard, it also releases methane gas (a recognised greenhouse gas). In order to limit these emissions, *SIPEF* installed a system in 2008 for capturing and burning this gas at two palm oil mills in North Sumatra. We applied for certification from the Clean Development Mechanism Board (CDM), in the context of the Kyoto Protocol. Both projects were approved by the Executive Board of the United Nations Framework Convention on Climate Change (UNFCCC) in November 2009, so that we now receive Carbon Emission Reductions (CERs) for this.

Our two factories at *PT Agro Muko (PT AM)* have also been adapted for the same system. The mills at Hargy and Navo in Papua New Guinea are also being investigated for the application of a more advanced system, where the gases will be fed back to the factory for the electricity supply.

SIPEF is a pioneer in the palm oil industry as regards methane capture, in both Indonesia and Papua New Guinea. We hope that this exemplary conduct will raise general awareness on global warming and the possibilities for cutting down on greenhouse gases.

Certification under international standards

SIPEF has committed itself to recognised and transparent standards of sustainability, as well as the application of these standards in its policy procedures. Regular certification audits and inspection visits by independent bodies are an integral part of our efforts to raise our sustainability standards. Preparing for these investigations gives us the opportunity to test our working methods against internationally accepted standards, introduce permanent improvements at every level and perpetuate a generally improved collaborative atmosphere.

ISO 9001 (the quality management system) emphasises the possibility of managing the production process efficiently and complying with high standards of quality. Our four Indonesian palm oil mills were all certificated under ISO 9001:2008 in 2010, as were our tea factory at Cibuni (Indonesia) and the *PT AM* crumb rubber factory.

ISO 14001 (an environmental management system) is a generally recognised system for environmental policy. *HOPL* was the first to subscribe to this method and was certificated in 2005. This certification was reaffirmed (for ISO 14001:2004) after the first follow-up audit in 2008. Our four Indonesian palm oil mills were certificated in 2010.

RSPO is an industrial standard developed to promote broad collaboration among stakeholders in the palm oil industry. The RSPO certification process requires the members to prepare a strictly timetabled plan for the audit of all production units (a production unit is defined as a palm oil mill and its associated base for fruit supply) in which the members hold a majority stake. *SIPEF* is presently operating six palm oil mills in two countries (Indonesia and Papua New Guinea) and has filed a timetable for the audit of all six mills before the end of 2010. *SIPEF* selected the British Standards Institute (BSI) as its certifying body. BSI is a certifying body officially recognised by the RSPO.

The Navo and Hargy palm oil mills run by *HOPL* in Papua New Guinea were the subject of an audit in 2008 and were both certificated in April 2009. This certification was reaffirmed in March 2010 after a follow-up audit. A further follow-up audit will take place in March 2011.

SUSTAINABILITY: WELL-MANAGED PLANTATIONS ARE THE GATEWAY TO SUSTAINABLE PLANTATIONS

HOPL currently produces 100 000 tonnes of CPO per annum.

The palm oil mills at Bukit Maradja and Perlabian, run by *PT Tolan Tiga Indonesia (PT TTI)*, were the subject of an audit in March 2010, and received their certification in May of that year. A further audit is scheduled for May 2011. *PT TTI* produces 78 000 tonnes of CPO per annum.

The audits at the MukoMuko and Bunga Tanjung palm oil mills run by *PT AM* were performed in October 2010, with certification in February 2011. Annual production at *PT AM* amounts to 75 000 tonnes of CPO.

ISCC is a new standard for the palm oil sector: 'International Sustainability and Carbon Certification'. ISCC provides for checks on the emission of greenhouse gases from agricultural products that are used for power generation. Our Perlabian palm oil mill received its certification in November 2010, while the mill at Bukit Maradja followed in January 2011, after an audit in December 2010.

New developments

SIPEF carefully studies every opportunity for expansion, to be sure that the land in question coincides with the statutory, ecological and social standards. We prefer acreage that is "degraded", where plant growth is no longer in its original condition and cannot provide any extensive biodiversity.

The first area to be thoroughly investigated for all potential projects is the legal status. Only the acreage that unconditionally fulfils all the requirements will be investigated further.

In relation to expansion for palm oil, the Principles and Criteria of RSPO, along with the New Planting Procedures, impose a strict operating method that is verified for compliance by an external audit body. This is published for public commentary on the RSPO website.

We hold thorough 'first, prior and informed consent' (FPIC) sessions, along with an investigation of valuable forestry areas and a social impact assessment. These are all taken into account in our policy plans.

Areas of primary rainforest and other areas including valuable forestry are excluded from any expansion plans. We do, however, try to keep these areas within our concessions as far as possible, in order to ensure their preservation.
The FPIC procedure provides a facility for stakeholder communities to contribute towards decisions on their future. This process is the first step towards a harmonious relationship between the project and the communities in question.

SIPEF was the first RSPO member to follow the New Planting Procedure, submitting a file for expansion at *HOPL* in Papua New Guinea in January 2010. After successfully fulfilling the requirements of the New Planting Procedure, this project has now started. HOPL is including and protecting substantial areas for nature reserve as part of the project.

Following the example of palm oil, *SIPEF* consistently pursues identical operating methods for other crops, with a view to meeting criteria for sustainability.

Corporate social responsibility

Our plantations are generally situated in remote areas, with limited infrastructure and economic opportunities.

In addition to direct employment, the local population often also relies on the *SIPEF* organisation for essential services. In Papua New Guinea and on the banana plantations run by *SA Plantations J. Eglin* in the Ivory Coast, the surrounding communities benefit from our company maintaining public roads and bridges.

Nearby communities know that they can count on our support for community projects. Over the years, *SIPEF* has financed the construction of a number of schools, places of worship and local offices.

We pay a great deal of attention to the welfare of our employees and their families on all of our plantations. *SIPEF* provides residential facilities and free medical care for the workers and their families, as well as schooling for their children. If there are schools in the vicinity, *SIPEF* provides school transport. If there are none, *SIPEF* enters into an agreement with the local government authority, to ensure that a school can be built and teachers can be provided, by means of a financing venture. The best students also receive a grant from the company to let them continue their studies at university.

We are extending the 'Kebun Masyarakat Desa' (KMD) programme at our Bengkulu Plantation *(PT AM)* in Indonesia. This programme, which started in 2000, originally provided the villages near the plantations with a long-term source of income. If a village took part, it made 15 hectares of land available to plant with oil palms, managed by *PT AM* and supported by a company credit facility.

The management of KMD is transparent and participatory, and the project has been a major success. Villages that are not in the immediate vicinity of plantations have asked if they can participate in the project, and currently there are 51 villages involved at various stages of the KMD programme.

In Papua New Guinea, *HOPL* is making maximum use of the facilities offered by the "tax credit scheme" to support community projects. After constructing the primary school at Ibana, *HOPL* has now agreed to provide school amenities for the pupils. At the same time, *HOPL* will be financing the maintenance and modernisation of three hospitals in West New Britain, at Sale Sege, Vilelo and Soi.

The *SIPEF* foundation *'Yayasan SIPEF Indonesia'*, was set up in 2009 to help protect the natural environment in Indonesia. At this point, the foundation is pursuing two projects in the province of Bengkulu.
The aim of the long-term project, the 'MukoMuko Biodiversity Project', is to secure the management of a buffer zone in the Kerinci Seblat National Park. This area is under serious threat from deforestation, which would increase the pressure on the National Park. The Indonesian Ministry of Forestry Management is currently examining our licence application and the initial field activities are scheduled to take place in 2011.

A second project was initiated towards the end of 2010. The 'Retak Ilir Turtle Project' is supporting a village community which protects a beach where sea turtles come to lay their eggs. The species of sea turtle on the beach include the 'Eretmochelys imbricata', which is classified as being 'critically endangered' on the 'IUCN Red List'. The community members are being trained to collect the eggs and keep them safe until they hatch, after which the young baby turtles are released back into the sea.

Links

www.rspo.org
www.iscc-system.org
www.hcvnetwork.org
www.iucnredlist.org

PT Agro Muko’s drumband (Indonesia)

Palm Oil Mill Bunga Tanjung
- PT Agro Muko (Indonesia)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In KUSD	*Note*	2010	2009	2008
Non-current assets		**355 565**	**307 853**	**285 456**
Goodwill and other intangible assets	8	20 251	15 018	12 609
Biological assets	9	237 694	203 134	184 956
Property, plant & equipment	10	83 815	74 981	69 662
Investment property	11	3	3	3
Financial assets	12	13 628	12 191	11 644
Investments in associates		9 589	7 881	6 698
Other financial assets		4 039	4 310	4 946
Receivables > 1 year		174	2 526	6 582
Other receivables	13	145	1 820	5 780
Deferred tax assets	24	29	706	802
Current assets		**144 991**	**115 886**	**87 774**
Inventories	14	29 846	24 366	27 753
Trade and other receivables		45 872	36 077	23 032
Trade receivables	27	26 439	18 674	12 064
Other receivables	15	19 433	17 403	10 968
Investments		15 582	10 315	4 985
Other investments and deposits	20	15 582	10 315	4 985
Cash and cash equivalents	20	49 025	42 122	30 920
Other current assets		2 085	936	1 084
Assets held for sale	21	2 581	2 070	0
Total assets		**500 556**	**423 739**	**373 230**

In KUSD	*Note*	2010	2009	2008
Total equity		**395 789**	**318 529**	**265 936**
Shareholders' equity	16	368 549	296 918	247 140
Issued capital		45 819	45 819	45 819
Share premium		21 502	21 502	21 502
Reserves		316 133	242 889	193 083
Translation differences		-14 905	-13 292	-13 264
Non-controlling interests	17	27 240	21 611	18 796
Non-current liabilities		**60 614**	**59 911**	**60 934**
Provisions > 1 year		115	177	175
Provisions	18	115	177	175
Deferred tax liabilities	24	47 508	41 532	37 799
Trade and other liabilities > 1 year		0	144	139
Financial liabilities > 1 year (incl. derivatives)	20	2 600	8 847	14 512
Pension liabilities	19	10 391	9 211	8 309
Current liabilities		**44 153**	**45 299**	**46 360**
Trade and other liabilities < 1 year		33 177	31 947	34 964
Trade payables		9 195	9 525	13 630
Advances received		286	314	88
Other payables	15	8 422	12 136	11 634
Income taxes		15 274	9 972	9 612
Financial liabilities < 1 year		5 691	8 280	7 953
Current portion of amounts payable after one year	20	5 200	5 645	5 765
Financial liabilities	20	323	1 837	1 175
Derivatives	27	168	798	1 013
Other current liabilities		4 817	4 667	3 443
Liabilities associated with assets held for sale	21	468	405	0
Total equity and liabilities		**500 556**	**423 739**	**373 230**

Consolidated income statement

In KUSD	Notes	2010			2009			2008		
		Before IAS 41	IAS41	IFRS	Before IAS 41	IAS41	IFRS	Before IAS 41	IAS41	IFRS
Revenue	7	279 400		279 400	237 829		237 829	279 402		279 402
Cost of sales	7, 9	-161 718	3 442	-158 276	-148 134	2 762	-145 372	-187 174	2 122	-185 052
Gross profit	7	117 682	3 442	121 124	89 695	2 762	92 457	92 228	2 122	94 350
Variation biological assets	9	0	33 413	33 413	0	19 209	19 209	0	22 812	22 812
Planting cost (net)	9	0	-14 269	-14 269	0	-13 208	-13 208	0	-17 646	-17 646
Selling, general and administrative expenses		-19 758		-19 758	-17 814		-17 814	-20 156		-20 156
Other operating income/(charges)	24	-2 299		-2 299	2 027		2 027	1 994		1 994
Operating result		95 625	22 586	118 211	73 908	8 763	82 671	74 066	7 288	81 354
Financial income		977		977	540		540	1 851		1 851
Financial charges		-1 131		-1 131	-1 530		-1 530	-2 506		-2 506
Exchange differences		440		440	881		881	1 860		1 860
Financial result	23	286	0	286	- 109	0	- 109	1 205	0	1 205
Profit before tax		95 911	22 586	118 497	73 799	8 763	82 562	75 271	7 288	82 559
Tax expense	24, 9	-23 048	-6 041	-29 089	-16 133	-2 768	-18 901	-25 502	2 843	-22 659
Profit after tax		72 863	16 545	89 408	57 666	5 995	63 661	49 769	10 131	59 900
Share of results of associated companies	25	2 587	0	2 587	913	0	913	328	0	328
- Insurance		2 587		2 587	913		913	-2 230		-2 230
- SIPEF-CI SA		0		0	0		0	2 558		2 558
Result from continuing operations		75 450	16 545	91 995	58 579	5 995	64 574	50 097	10 131	60 228
Result from discontinued operations		0	0	0	0	0	0	3 942	- 260	3 682
Profit for the period		75 450	16 545	91 995	58 579	5 995	64 574	54 039	9 871	63 910
Attributable to:										
- Non-controlling interests	17	4 819	2 333	7 152	3 935	465	4 400	3 323	1 822	5 145
- Equity holders of the parent		70 631	14 212	84 843	54 644	5 530	60 174	50 716	8 049	58 765

Earnings per share	USD	2010	2009	2008
From continuing and discontinued operations				
Basic earnings per share	34	9.48	6.72	6.56
Diluted earnings per share	34	9.48	6.72	6.56
From continuing operations				
Basic earnings per share	34	9.48	6.72	6.17
Diluted earnings per share	34	9.48	6.72	6.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In KUSD	2010			2009			2008		
	Before IAS 41	IAS41	IFRS	Before IAS 41	IAS41	IFRS	Before IAS 41	IAS41	IFRS
Profit for the period	75 450	16 545	91 995	58 579	5 995	64 574	54 039	9 871	63 910
Other comprehensive income:									
- Exchange differences on translating foreign operations	-1 173	0	-1 173	364	0	364	-931	0	-931
- Reclassification adjustments	-440	0	-440	-392	0	-392	429	0	429
- Revaluation assets available for sale	226	0	226	0	0	0	0	0	0
Total other comprehensive income for the year, net of tax:	-1 387	0	-1 387	- 28	0	- 28	- 502	0	- 502
Other comprehensive income attributable to:									
- Non-controlling interests	0	0	0	0	0	0	0	0	0
- Equity holders of the parent	-1 387	0	-1 387	- 28	0	- 28	- 502	0	- 502
Total comprehensive income for the year	74 063	16 545	90 608	58 551	5 995	64 546	53 537	9 871	63 408
Total comprehensive income attributable to:									
- Non-controlling interests	4 819	2 333	7 152	3 935	465	4 400	3 323	1 822	5 145
- Equity holders of the parent	69 244	14 212	83 456	54 616	5 530	60 146	50 214	8 049	58 263

CONSOLIDATED CASH FLOW STATEMENT

In KUSD	*Notes*	2010	2009	2008
Operating activities				
Profit before tax		118 497	82 562	82 559
Result from discontinued operations before tax		0	0	5 459
Adjusted for:				
Depreciation	7	9 698	8 178	8 410
Movement in provisions	18	998	889	-1 373
Impairment assets held for sale		3 649	0	0
Changes in fair value of biological assets	9	-19 144	-6 001	-4 846
Other non-cash results		- 630	- 337	730
Financial income and charges		155	989	655
Capital loss on receivables		181	- 175	-1 134
Result on disposal of property, plant and equipment		98	69	-5 126
Result on disposal of financial assets		-1 350	- 884	- 408
Cash flow from operating activities before change in net working capital		112 152	85 290	84 926
Change in net working capital	26	-16 906	-2 464	-1 761
Cash flow from operating activities after change in net working capital		95 246	82 826	83 165
Income taxes paid	24, 9	-17 542	-18 426	-20 872
Cash flow from operating activities		77 704	64 400	62 293
Investing activities				
Acquisition intangible assets	7	-4 344	-2 705	-3 297
Acquisition biological assets	7	-14 541	-13 615	-17 934
Acquisition property, plant & equipment	7	-18 957	-14 527	-14 903
Acquisition financial assets	31	-8 335	0	- 544
Proceeds from sale of property, plant & equipment		848	797	7 984
Proceeds from sale of financial assets	31	1 547	243	2 210
Cash flow from investing activities		-43 782	-29 807	-26 484
Free cash flow		**33 922**	**34 593**	**35 809**
Financing activities				
Equity transactions with non-controlling parties	17	68	0	163
Increase/(decrease) in long-term financial borrowings	20	-6 692	-5 784	-7 824
Increase/(decrease) short-term financial borrowings	20	-1 514	698	-14 677
Last year's dividend paid during this bookyear		-11 670	-10 367	-10 542
Dividends paid by subsidiaries to minorities	17	-1 582	-1 463	-1 644
Financial income and charges		- 354	-1 146	- 730
Cash flow from financing activities		-21 744	-18 062	-35 254
Net increase in investments, cash and cash equivalents	20	12 178	16 531	555
Investments and cash and cash equivalents (opening balance)	20	52 437	35 903	35 353
Effect of exchange rate fluctuations on cash and cash equivalents	20	- 8	3	- 5
Investments and cash and cash equivalents (closing balance)	20	64 607	52 437	35 903

Consolidated statement of changes in equity

In KUSD	Issued capital SA SIPEF NV	Share premium SA SIPEF NV	Reserves	Translation differences	Share-holders' equity	Non-controlling interests	Total equity
January 1, 2010	**45 819**	**21 502**	**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**	**316 133**	**-14 905**	**368 549**	**27 240**	**395 789**
January 1, 2009	**45 819**	**21 502**	**193 083**	**-13 264**	**247 140**	**18 796**	**265 936**
Total comprehensive income			60 174	- 28	60 146	4 400	64 546
Last year's dividend paid			-10 368		-10 368		-10 368
Other (note 17)					0	-1 585	-1 585
December 31, 2009	**45 819**	**21 502**	**242 889**	**-13 292**	**296 918**	**21 611**	**318 529**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Identification

SA SIPEF NV (the 'company') is a limited liability company ('naamloze vennootschap' / 'société anonyme') incorporated in Belgium and registered at 2000 Antwerpen, Entrepotkaai 5.
The consolidated financial statements for the year ended 31 December 2010 comprise *SA SIPEF NV* and its subsidiaries (together referred to as 'SIPEF' or 'the group'). Comparative figures are for the financial years 2009 and 2008.
The consolidated financial statements were authorized for issue by the directors at the board meeting of 23 February 2011 and shall be approved by the shareholders at the annual general meeting of 8 June 2011. 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 2009 which have a significant impact on SIPEF'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* (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2010) (normally applicable for annual periods beginning on or after 1 January 2011)
- Amendment to IFRS 1 *First Time Adoption of International Financial Reporting Standards – IFRS 7 exemptions* (applicable for annual periods beginning on or after 1 July 2010)
- Amendment 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)
- Amendment to IFRS 7 *Financial Instruments: Disclosures – Derecognition* (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2012)
- Amendment to IAS 24 *Related Party Disclosures* (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 *Related Party Disclosures* as issued in 2003.
- Amendments to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (applicable for annual periods beginning on or after 1 February 2010)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement* (applicable for annual periods beginning on or after 1 January 2011).

At this stage the group does not expect first adoption of these standards and interpretations to have any material impact.

3. Accounting policies

Basis of preparation

Starting in 2007 the consolidated financial statements are presented in US dollar (until 2006 this was done in euro), rounded off to the nearest thousand (KUSD). This modification is the result of the changed policy with regard to the liquidity and debt management since the end of 2006, whereby the functional currency of the majority of the subsidiaries has been changed from the local currency to the US dollar.
The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments classified as available-for-sale, financial derivative instruments and biological assets.
The accounting policies have been consistently applied throughout the group and are consistent with those used in the previous year.

Business combinations

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

Step acquisitions

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the company.
Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognized in profit or loss.
Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Consolidation principles

Subsidiaries

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

Associates

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

Joint ventures

Joint ventures are those enterprises over whose activities the group has joint control, established by contractual agreement. The consolidated financial statements include the group's proportionate share of the enterprise's assets, liabilities, revenue and expenses, from the date that joint control commences (or a date nearby) until the date that joint control ceases.
When the ownership interest in a joint venture is increased without losing joint control, the company recognizes a goodwill as the difference between the consideration paid for the additional interest and the book value of the net assets of the joint venture.

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

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

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

acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

Biological assets

According to IFRS, biological activities are measured at fair value (IAS41).
As from 2006 SIPEF 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: 529 USD/tonne CIF Rotterdam Rubber: 1 380 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: 16% Rubber: 16%-17% Tea: 17%

SIPEF only recognizes a biological asset or agricultural produce 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 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 customer lists that have been acquired by means of business combinations together with 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 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

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

5. Financial assets available for sale

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

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

Inventories

Inventories are valued at the lower of cost or net realizable value.
The stock finished products including biological assets are valued by adding production cost to the fair value of the biological asset concerned.
Inventories are written down on a case-by-case basis if the estimated net realizable value declines below the carrying amount of the inventories. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. When the reason for a write-down of the inventories has ceased to exist, the write-down is reversed.

Shareholders' equity

Dividends of the parent company payable on ordinary shares are only recognized as a liability in the period in which they are declared.
Costs incurred with respect to the issuance of equity instruments are recorded as a deduction in equity.

Non-controlling interest

Non-controlling interests include a proportion of the fair value of identifiable assets and liabilities recognized upon acquisition of a subsidiary, together with the appropriate proportion of subsequent profits and losses.
In the income statement the minority share in the company's profit or loss is separated from the consolidated result of the group.

Provisions

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

Pensions and other post employment benefits

Group companies have various pension schemes in accordance with the local conditions and practices in the countries they operate in. The defined benefit plans are generally 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 SIPEF's 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 24)
- Provisions
- Fair value biological assets (note 9)
- Impairment of assets

5. Group companies / consolidation scope

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

	Location	% of control	% of interest
Consolidated companies (full consolidation)			
PT Tolan Tiga	Medan / Indonesia	95.00	95.00
PT Eastern Sumatra	Medan / Indonesia	95.00	90.25
PT Kerasaan	Medan / Indonesia	57.00	57.00
PT Bandar Sumatra	Medan / Indonesia	95.00	95.00
PT Timbang Deli	Medan / Indonesia	95.00	95.00
PT Melania	Jakarta / Indonesia	95.00	73.53
PT MukoMuko Agro Sejahtera	Medan / Indonesia	95.00	90.25
PT Umbul Mas Wisesa	Medan / Indonesia	95.00	73.53
PT Citra Sawit Mandiri	Medan / Indonesia	95.00	73.53
PT Toton Usaha Mandiri	Medan / Indonesia	100.00	77.40
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
Société Bananière de Motobé SA	Azaguié / Ivory Coast	100.00	100.00
Bonal SA	Rio Branco / Brazil		sold in 2010
Senor Ltd	Açailandia / Brazil		sold in 2010
Jabelmalux SA	Luxembourg / G.D. of Luxemburg	77.40	77.40
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
Bruns ten Brink BV	Wormer / The Netherlands		sold in 2010
Asco NV	Antwerpen / Belgium	50.00	50.00
Asco Life NV	Antwerpen / Belgium		sold in 2010
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
Yayasan Sipef Indonesia	Medan / Indonesia	100.00	0.00

In 2010, the group acquired, through its 95% subsidiary *PT Tolan Tiga*, an additional 6.82% in the shareholding of *PT Agro Muko* (note 30). The scope was expanded with the newly established 95% subsidiary *PT MukoMuko Agri Sejahtera* that shall encompass possible new investments in the Bengkulu Province.
During the first 6 months of 2010 the Brazilian companies *Bonal SA* and *Senor Ltd* were sold (note 30).
The insurance subsidiaries *Asco Life NV* and *Bruns ten Brink BV* have been sold through our associated insurance companies *Asco NV* and *B.D.M. NV* (note 25).

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
Société Bananière de Motobé 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		
	2010	2009	2008	2010	2009	2008
EUR	0.7468	0.6942	0.7185	0.7567	0.7181	0.6780

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 and palm products/Ivory Coast) in the income statement.

Gross profit by product

	Revenue	Cost of sales	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
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	0	1 874	0	1 874	1.55
Others	201	- 168	33	0	33	0.03
Total	**279 400**	**-161 718**	**117 682**	**3 442**	**121 124**	**100.00**
2009 - In KUSD						
Palm	175 966	-102 376	73 590	2 207	75 797	81.98
Rubber	20 856	-13 520	7 336	389	7 725	8.36
Tea	10 434	-6 835	3 599	25	3 624	3.92
Bananas and plants	27 411	-24 125	3 286	58	3 344	3.62
Corporate	2 006	0	2 006	0	2 006	2.17
Others	1 156	-1 278	- 122	83	- 39	-0.04
Total	**237 829**	**-148 134**	**89 695**	**2 762**	**92 457**	**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
2010 - In KUSD							
Indonesia	149 428	-71 396	427	78 459	1 419	79 878	65.95
Papua New Guinea	103 813	-68 983	0	34 830	1 958	36 788	30.37
Ivory Coast	24 084	-21 171	0	2 913	65	2 978	2.46
Europe	0	0	1 447	1 447	0	1 447	1.19
Others	201	- 168	0	33	0	33	0.03
Total	**277 526**	**-161 718**	**1 874**	**117 682**	**3 442**	**121 124**	**100.00**
2009 - In KUSD							
Indonesia	114 204	-59 479	867	55 592	925	56 517	61.13
Papua New Guinea	91 555	-62 006	0	29 549	1 638	31 187	33.73
Ivory Coast	27 391	-24 119	0	3 272	58	3 330	3.60
Europe	0	- 4	1 289	1 285	0	1 285	1.39
Others	2 523	-2 526	0	- 3	141	138	0.15
Total	**235 673**	**-148 134**	**2 156**	**89 695**	**2 762**	**92 457**	**100.00**

Revenue by location of the debtors

In KUSD	2010	2009
Singapore	90 624	69 255
Indonesia	51 297	35 851
The Netherlands	39 627	29 718
United Kingdom	37 801	30 881
Germany	14 714	20 802
Switserland	14 706	12 783
France	9 311	10 325
Belgium	8 500	9 136
Pakistan	5 425	6 309
United States	3 443	4 199
Ivory Coast	2 491	2 010
Spain	776	780
Others	685	5 780
Total	**279 400**	**237 829**

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 *SA SIPEF NV* of 44 685 KUSD.

Segment information by product

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		0	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**

In KUSD	Palm	Rubber	Tea	Bananas & Plants	Insurance	Un-allocated	Total
	2009						
Goodwill and other intangible assets						15 018	15 018
Biological assets	187 670	11 811	1 741	1 912			203 134
Property, plant & equipment	63 366	4 373	3 049	3 633		560	74 981
Investment property						3	3
Investments in associates					7 881		7 881
Other receivables	146		1 674				1 820
Inventories	10 095	1 693	1 046	736		10 796	24 366
Trade receivables	13 625	941	789	2 733		586	18 674
Other current assets						936	936
Unallocated						76 926	76 926
Total assets	**274 902**	**18 818**	**8 299**	**9 014**	**7 881**	**104 825**	**423 739**
% of total assets	64.88%	4.44%	1.96%	2.13%	1.86%	24.73%	100.00%
Total liabilities							**423 739**
Segment capital expenditures:							
Goodwill and other intangible assets						2 705	2 705
Biological assets	12 154	1 231	68	162			13 615
Property, plant & equipment	13 191	328	145	685		178	14 527
Total investments	**25 345**	**1 559**	**213**	**847**	**0**	**2 883**	**30 847**
Segmentafschrijvingen op:							
Goodwill and other intangible assets						232	232
Property, plant & equipment	5 963	585	416	768		214	7 946
Inventories							0
Total depreciation	**5 963**	**585**	**416**	**768**	**0**	**446**	**8 178**

Segment information - geographical

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**

In KUSD	2009					
	Indonesia	PNG	Ivory Coast	Europe	Others	Total
Goodwill and other intangible assets	14 360		1	657		15 018
Biological assets	152 392	48 829	1 913			203 134
Property, plant & equipment	28 919	42 214	3 633	215		74 981
Investment property				3		3
Investments in associates				7 881		7 881
Other assets	33 102	17 831	2 461	67 247	2 081	122 722
Total assets	**228 773**	**108 874**	**8 008**	**76 003**	**2 081**	**423 739**
% of total assets	53.99%	25.69%	1.89%	17.94%	0.49%	100.00%
Segment capital expenditures:						
Goodwill and other intangible assets	2 529			176		2 705
Biological assets	8 097	5 355	163			13 615
Property, plant & equipment	5 041	8 706	685	67	28	14 527
Total investments	**15 667**	**14 061**	**848**	**243**	**28**	**30 847**
Segment depreciation:						
Goodwill and other intangible assets	26		2	204		232
Property, plant & equipment	2 712	4 335	764	54	81	7 946
Inventories						0
Total depreciation	**2 738**	**4 335**	**766**	**258**	**81**	**8 178**

8. Intangible assets

In KUSD	2010			2009
	Goodwill	Other	Total	Total
Gross carrying amount at January 1	1 348	14 535	15 883	13 241
Change in consolidation scope	3 171	85	3 256	- 62
Acquisitions		4 344	4 344	2 705
Sales and disposals		- 1	- 1	- 3
Other		-2 047	-2 047	0
Translation differences		- 3	- 3	2
Gross carrying amount at December 31	4 519	16 913	21 432	15 883
Accumulated amortization and impairment losses at Januari 1	0	- 865	- 865	- 632
Change in consolidation scope		- 47	- 47	0
Depreciations		- 273	- 273	- 232
Sales and disposals		1	1	0
Translation differences		3	3	- 1
Accumulated amortization and impairment losses at December 31	0	-1 181	-1 181	- 865
Net carrying amount January 1	1 348	13 670	15 018	12 609
Net carrying amount December 31	**4 519**	**15 732**	**20 251**	**15 018**

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

The changes in consolidation scope are detailed in note 30.
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 2010. 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, nevertheless, 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 SIPEF 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 SIPEF are established:

	Hectares	Type	Maturity	Crop
PT Tolan Tiga	8 479	Concession	2023	Oil palm
PT Eastern Sumatra	3 178	Concession	2023	Oil palm
PT Kerasaan	2 362	Concession	2023	Oil palm
PT Bandar Sumatra	1 412	Concession	2023	Rubber and oil palm
PT Timbang Deli	991	Concession	2023	Rubber and oil palm
PT Melania	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

	Hectares	Type	Maturity	Crop
Plantations J. Eglin SA	1 139	Freehold	na	Bananas and pineapple flowers
Plantations J. Eglin SA	322	Provisional concession	na	Bananas and pineapple flowers
Société Bananière de Motobé SA	301	Freehold	na	Bananas
	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, 2009	187 670	11 811	1 741	1 912	203 134
Variation biological assets	26 925	5 237	1 179	72	33 413
Variation consolidation scope	3 407	61			3 468
Reclassification	- 2 187				- 2 187
	215 815	**17 109**	**2 920**	**1 984**	**237 828**
Translation differences				- 134	- 134
December 31, 2010	**215 815**	**17 109**	**2 920**	**1 850**	**237 694**

The positive variation in fair value of the oil palm is mainly related to the expansion and the young plantings that provide for value creation (mainly oil palm at *Umbul Mas Wisesa-group* and *PT Tolan Tiga*).
The reclassification concerns the biological assets of *PT Citra Sawit Mandiri* that have been transferred to assets held for sale. The variation in consolidation scope are related to the additional acquisition of *PT Agro Muko* (note 30).

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%	Balance 2010	- 10%
Oil palm	277 601	215 815	154 026
Rubber	23 280	17 109	11 041
Tea	6 779	2 920	- 944
Total	**307 660**	**235 844**	**164 123**
Others		1 850	
		237 694	

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 (529 USD/tonne CIF Rotterdam). The average price of palmoil for the last 10 years was 580 USD/tonne. The average price for palmoil for 2010 was 901 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%	Balance 2010	- 1%
Oil palm	204 652	215 815	228 023
Rubber	16 431	17 109	17 833
Tea	2 752	2 920	3 103
Total	**223 835**	**235 844**	**248 959**
Others		1 850	
		237 694	

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 2010	Total 2009
Depreciation	2 964	382	31	65	3 442	2 762
Variation biological assets	26 925	5 237	1 179	72	33 413	19 209
Planting cost	-12 522	-1 811	- 71	- 137	-14 541	-13 615
Disposals	176	96	0	0	272	407
Operating result	**17 543**	**3 904**	**1 139**	**0**	**22 586**	**8 763**
Tax impact					-6 041	-2 768
Net impact					**16 545**	**5 995**

Impact of IAS41 on the cash flow statement

In KUSD	2010	2009
Variation biological assets	-33 413	-19 209
Planting cost (included in investing activities)	14 541	13 615
Sales and disposals (included in sale of assets)	- 272	- 407
	-19 144	**-6 001**

10. Property, plant & equipment

In KUSD	2010							2009
	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment, furniture and others	Leases	In progress	Total property, plant & equipment	Total property, plant & equipment
Gross carrying amount at January 1	48 125	59 002	20 658	5 808	2 021	4 881	140 495	129 698
Change in consolidation scope	1 089	1 138	444	45		53	2 769	- 130
Acquisitions	7 209	4 053	7 011	738		3 096	22 107	15 767
Sales and disposals	- 154	- 270	- 1 202	- 167	- 59	- 660	- 2 512	- 2 623
Transfers	259	- 122	1 962	- 68	- 1 962	- 2 827	- 2 758	- 1 240
Other	- 376	- 19	- 212	- 230		- 728	- 1 565	- 1 512
Translation differences	- 706	- 210	- 148	- 41		7	- 1 098	535
Gross carrying amount at December 31	55 446	63 572	28 513	6 085	0	3 822	157 438	140 495
Accumulated depreciation and impairment losses at January 1	- 16 419	- 31 122	- 13 983	- 3 440	- 550	0	- 65 514	- 60 036
Change in consolidation scope	- 265	- 632	- 281	- 35			- 1 213	100
Depreciation	- 1 872	- 3 674	- 2 922	- 417	- 392		- 9 277	- 7 946
Sales and disposals	60	254	1 083	140	1		1 538	2 164
Transfers	- 91	107	- 941	- 108	941		- 92	0
Other	19	10	46	7			82	616
Translation differences	516	179	139	19			853	- 412
Accumulated depreciation and impairment losses at December 31	- 18 052	- 34 878	- 16 859	- 3 834	0	0	- 73 623	- 65 514
Net carrying amount January 1	31 706	27 880	6 675	2 368	1 471	4 881	74 981	69 662
Net carrying amount December 31	**37 394**	**28 694**	**11 654**	**2 251**	**0**	**3 822**	**83 815**	**74 981**

The post “other” encompasses the transfers of the assets of *PT Citra Sawit Mandiri* to the post “Assets held for sale” (see note 23). The changes in consolidation scope are detailed in note 30.
In 2010 in the light of further restructuring of the groups’ financing the current financial leasing contracts have been terminated.

11. Investment property

In KUSD	2010	2009
Gross carrying amount at January 1	46	46
Acquisitions		
Sales and disposals		
Gross carrying amount at December 31	46	46
Accumulated depreciation and impairment losses at January 1	- 43	- 43
Depreciation		
Sales and disposals		
Accumulated depreciation and impairment losses at December 31	- 43	- 43
Net carrying amount January 1	3	3
Net carrying amount December 31	**3**	**3**

12. Financial assets

In KUSD	2010					2009
	Investments in associates	Other companies		Other receivables	Total	Total
		Participations	Receivables			
Gross carrying amount at January 1	7 881	5 439	3 327	531	17 178	16 328
Share of results of associated companies	2 587				2 587	913
Other increase (decrease)		226	- 234	- 474	- 482	- 1 287
Translation differences	- 879	- 1		- 22	- 902	349
Gross carrying amount at December 31	9 589	5 664	3 093	35	18 381	16 303
Accumulated impairment losses at January 1	0	- 1 660	- 3 327	0	- 4 987	- 4 684
Reversal write-downs			234		234	634
Translation differences					0	- 62
Accumulated impairment losses at December 31	0	- 1 660	- 3 093	0	- 4 753	- 4 112
Net carrying amount January 1	7 881	3 779	0	531	12 191	11 644
Net carrying amount December 31	**9 589**	**4 004**	**0**	**35**	**13 628**	**12 191**

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	2 841		2 841
Asco NV	EUR	50,00	6 748		6 748
Total			**9 589**	**0**	**9 589**

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 impaired at the fair value per 31 december 2010.

On 31 December 2010 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.

The reduction in the other receivables (KUSD -474) is mainly the repayment of the long term recivables by *SIPEF-CI SA*.

13. Other long term receivables

In 2009 this was mainly a claim on Phu Ben Tea Company (KUSD 1 674) resulting from the sale in 2008, and for which the necessary guarantees have been obtained that must ensure the repayment of this claim.
In 2010 the proposed repayment schedule of claims on Phu Ben Tea Company have been respected and the amount was transferred to other current receivables.

KUSD	2010	2009
Phu Ben Tea Company	0	1 674
Others	145	146
Total	**145**	**1 820**

14. Inventories

Analysis of inventories

KUSD	2010	2009
Raw materials and supplies	11 334	10 761
Finished goods	18 512	13 605
Advance payments	0	0
Total	**29 846**	**24 366**

The increase in the stocks of finished goods is mainly the result of high prices at year end.
During 2010, KUSD 149 was written down from stock spareparts.

15. Other current receivables and other current payables

Other receivables (KUSD 19 433) mainly include a tax receivable for KUSD 12 639 and a recivable concerning the sale of Phu Ben Tea Company for KUSD 1 674. The remaining amount of KUSD 5 120 mainly concerns recoverable income taxes.

The 'other payables' (KUSD 8 422) mainly concern social obligations (salaries to be paid, provisions for holiday pay and bonus) and invoices to be received.

16. Shareholders' equity

Capital stock and share premium

The issued capital of the company as at December 31, 2010 amounts to KEUR 34 768 (KUSD 45 819), represented by 8 951 740 fully paid ordinary shares without nominal value.

	2010	2009
Number of shares	8 951 740	8 951 740
Number of WPR strips	4 211 800	4 211 800

	2010	2009	2010	2009
	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**

Authorized capital

The extraordinary general meeting of shareholders on July 17, 2006 reauthorized the board of directors to increase the capital in one or more operations by an amount of KEUR 33 888 over a period of 5 years after the publication of the renewal. The board of directors made use of the authorized capital for an amount of KEUR 880 for the the capital increase in 2006 and 2007.

Shareholder structure

The company has received following shareholders declarations:

	Number of shares	Date of notifying	Denominator	%
In mutual consent				
Ackermans & van Haaren NV	2 273 143	03-03-2011	8 951 740	25.393
Gedei NV	464 340	03-03-2011	8 951 740	5.187
(in connection with Baron Bracht and Cabra)				
Cabra NV	415 190	03-03-2011	8 951 740	4.638
(in connection with Baron Bracht and Gedei)				
Baron Bracht	200 180	03-03-2011	8 951 740	2.236
(in connection with Cabra and Gedei)				
	3 352 853			**37.454**
Fortis Investment Management NV	491 740	01-09-2008	8 951 740	5.493
Alcatel Pensioenfonds VZW	469 600	01-09-2008	8 951 740	5.246

Translation differences

Translation differences comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company.
The evolution compared to last year is mainly the result of a weakening of the USD compared to the Euro (KUSD -828) and a modification in the consolidation scope (KUSD - 785)

Opening balance at December 31, 2009	-13 292
Movement, full consolidation	- 735
Movement, equity method	- 878
Ending balance at December 31, 2010	**-14 905**

Dividends

On February 23, 2011 a dividend of KEUR 13 428 (1.5 EUR 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 *SA SIPEF NV* and is therefore not provided for in the financial statements as at December 31, 2010.

Capital management

The capital structure of the group is based on the financial strategy as defined by the board of directors. This takes into account all the important elements that meet the requirements of the strategy and daily needs of the group. 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:

%	2010	2009
PT Tolan Tiga	5.00	5.00
PT Eastern Sumatra	9.75	9.75
PT Kerasaan	43.00	43.00
PT Bandar Sumatra	5.00	5.00
PT Timbang Deli	5.00	5.00
PT Melania	26.47	26.47
PT MukoMuko Agro Sejahtera	9.75	-
PT Umbul Mas Wisesa	26.47	26.47
PT Citra Sawit Mandiri	26.47	26.47
PT Toton Usaha Mandiri	22.60	22.60
PT Agro Muko	2.36	2.02
Senor Ltd	-	2.71
Jabelmalux SA	22.60	22.60

The movements of the year can be summarized as follows:

KUSD	2010	2009
At the end of the preceding period	21 611	18 796
- Change in consolidation scope	16	- 123
- Profit for the period attributable to non-controlling interests	7 152	4 400
- Distributed dividends	-1 582	-1 462
- Capital increase	43	0
At the end of the period	**27 240**	**21 611**

18. Provisions

These include a provision for “constructed buildings” which are still under guarantee in *SA SIPEF NV* (KUSD 115).

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 2009 and 2010:

KUSD	2009	Pension cost	Payment	Exchange	Translation difference	Change consolidation scope	Other	2010
Indonesia	8 571	1 928	-1 282	403		164	- 13	9 771
Ivory Coast	388	12			- 27			373
Others	252		- 5					247
	9 211	**1 940**	**-1 287**	**403**	**- 27**	**164**	**- 13**	**10 391**

Following assumptions are used in the pension calculation of Indonesia:

	2010	2009
Discount rate	9%	11%
Salary increase	7%	8%
Past service age	55 years or 30 years of seniority	

Pension liabilities in Indonesia have changed as follows:

KUSD	2010	2009
Opening	8 571	7 813
Change consolidation scope	164	0
Service cost	644	548
Interest cost	1 017	1 055
Benefits paid	-1 282	-1 817
Actuarial gains and losses	267	- 266
Exchange differences	403	1 238
Other	- 13	0
Closing	**9 771**	**8 571**

The amounts recognised in the balance sheet are as follows:

KUSD	2010	2009
Pension liabilities	9 771	8 571
Liabilities in the balance sheet	9 771	8 571

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

KUSD	2010	2009
Service cost	644	548
Interest cost	1 017	1 055
Actuarial gains and losses	267	- 266
Pension cost	**1 928**	**1 337**

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:

KUSD	2010	2009	2008
Pension liabilities	9 771	8 571	7 813
Experience adjustments	185	- 292	187
	2%	**-3%**	**2%**

Estimated benefit payments in 2011 are KUSD 632.

Defined contribution plans

Contributions paid regarding the defined contribution plans amount to KUSD 848 (KUSD 1 121 in 2009). 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:

KUSD	2010	2009
Long term financial obligations	-2 600	-8 847
Current portion of financial obligations payable after one year	-5 200	-5 645
Obligations initially payable after more than one year	**-7 800**	**-14 492**
Short-term obligations - credit institutions	- 323	-1 837
Investments and deposits	15 582	10 315
Cash and cash equivalents	49 025	42 122
Net financial assets/(liabilities)	**56 484**	**36 108**

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

KUSD	EUR	USD	Other	Total
Obligations initially payable after more than one year	0	-7 800	0	-7 800
Short-term financial obligations	- 298	- 25	0	- 323
Investments and deposits	15 582	0	0	15 582
Cash and cash equivalents	1 896	44 256	2 873	49 025
Total	**17 180**	**36 431**	**2 873**	**56 484**

The cash deposit in EUR of KUSD 15 582 concerns mainly funds that are reserved for the payment of the proposed dividend.

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

KUSD	EUR + 10%	Book value	EUR - 10%
Dividend	14 024	15 582	17 140
Gross impact income statement	1 558	0	-1 558

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%.
The long term financial obligations do not concern subordinated loans.

Due dates of obligations initially payable after more than one year are as follows:

KUSD	2010
2011	-5 200
2012	-2 600
Total	**-7 800**

Net financial position at the beginning of the period`

KUSD	2010	2009
(Increase)/decrease in long-term borrowings	36 108	14 453
(Increase)/decrease in short-term financial obligations	6 692	5 784
Net movement in cash and cash equivalents	1 514	- 698
Effect of exchange rate fluctuations on long term obligations	12 178	16 531
Effect of exchange rate fluctuations on cash and cash equivalents	- 8	3
Change consolidation scope	0	35
Net financial assets/(liabilities) at the end of the period	**56 484**	**36 108**

21. Assets / liabilities held for sale

PT Citra Sawit Mandiri is expected to be sold in the first semester of 2011 and assets are measured at the lower of their carrying amount and fair value less costs to sell (note 22).

In 2009 the remaining plantation assets of *Senor Ltd* were likewise presented in the balance sheet and during the first 6 months of 2010 this Brazilian company was sold.

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

KUSD	2010	2009
Biological assets	2 187	1 095
Non current assets	3 529	897
Current assets	514	78
Revaluation held for sale	- 3 649	0
Assets held for sale	**2 581**	**2 070**
Trade payables	- 64	- 51
Other payables	- 404	- 354
Liabilities associated with assets held for sale	**- 468**	**- 405**
Net assets held for sale	**2 113**	**1 665**

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:

	2010			2009		
KUSD	Equity holders of the parent	Non-controlling interests	Total	Equity holders of the parent	Non-controlling interests	Total
Impairment PT Citra Sawit Mandiri	-2 683	- 966	-3 649			0
Sale Bonal SA and Senor Ltd	1 350		1 350			0
Goodwill acquisition Bonal SA			0	123		123
Sale Cavalla Rubber Corporation, CKE			0	74		74
Sale Sipef Guinée SA			0	513		513
Result on long term assets Ivory Coast in SA SIPEF NV			0	782		782
Write down of receivables.			0	- 235		- 235
Non-recurring	**-1 333**	**- 966**	**-2 299**	**1 257**	**0**	**1 257**
Tax effect on non-recurring result	1 266		1 266			0
Non-recurring result after taxes	**- 67**	**- 966**	**-1 033**	**1 257**	**0**	**1 257**
Sale Bruns ten Brink BV and Asco Life NV	2 578		2 578			0
Non-recurring result after taxes	**2 511**	**- 966**	**1 545**	**1 257**	**0**	**1 257**

Adjusted net recurring result group share

	2010	2009
Net result - part of the group	84 843	60 174
Adjustment non-recurring result	-2 511	-1 257
Adjustment IAS41	-14 212	-5 530
Adjusted net recurring result	**68 120**	**53 387**

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.

KUSD	2010	2009
Financial income	347	325
Financial charges	-1 131	-1 530
Exchange result	440	881
Financial result derivatives	630	215
Financial result	**286**	**- 109**

24. Income taxes

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

KUSD	2010	2009
Profit before tax	118 497	82 562
Tax at the applicable local rates	-31 331	-23 792
Average applicable tax rate	26.44%	28.82%
Impact future change tax % in Indonesia - biological assets	0	0
Impact future change tax % in Indonesia - other	0	86
Withholding tax on dividends	- 210	- 194
Permanent differences	349	1 806
Deferred tax on non current assets resulting from exchange rate fluctuations	2 103	3 193
Tax expense	-29 089	-18 901
Average effective tax rate	24.55%	22.89%

In 2009, the tax rate in Indonesia is reduced to 28%. From 2010 onwards, a tax rate of 25% is applicable.

SIPEF 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:

KUSD	2010	2009
Deferred tax assets	29	706
Deferred tax liabilities	-47 508	-41 532
Net deferred taxes	**-47 479**	**-40 826**

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

KUSD	2010	2009
Opening balance	-40 826	-36 997
Increase (= expense)/decrease (= income) through income statement	-5 831	-3 881
Change in consolidation scope	- 650	0
Reclassification to "assets available for sale"	- 172	52
Closing balance	**-47 479**	**-40 826**

Deferred taxes in the income statement are the result of:

KUSD	2010	2009
Addition/(utilisation) of tax losses brought forward	1 782	- 548
Origin or reversal of temporary differences - biological assets	-6 041	-2 768
Origin or reversal of temporary differences - other non-current assets	415	- 457
Origin or reversal of temporary differences - pension provision	263	189
Origin or reversal of temporary differences - inventories	-1 511	- 988
Origin or reversal of temporary differences - other	- 739	691
	-5 831	**-3 881**

The addition of tax losses brought forward refer mainly to Galley Reach Holdings Ltd where, due to the positive returns on rubber, it has become probable that future taxable profits will be available, against which the unused tax losses can be partly 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:

	2010		
KUSD	Total	Not recorded	Recorded
Biological assets	-38 777	0	-38 777
Other non-current assets	-9 187	552	-9 739
Inventories	-5 132	0	-5 132
Long term obligations	0	0	0
Pension provision	2 443	0	2 443
Tax losses	9 913	6 966	2 947
Others	779	0	779
Total	**-39 961**	**7 518**	**-47 479**

The majority of the unrecognized deferred tax assets at the end of 2010 are located at the parent company (KUSD 5 409), at *Plantations J. Eglin SA* (KUSD 552) and *Jabelmalux SA* (KUSD 1 557). For these entities there is uncertainty regarding the availability of sufficient future taxable profit. The reasons for these uncertainties are:

- For *SA SIPEF NV* 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:

	2010		
KUSD	**Total**	**Not recorded**	**Recorded**
1 year	0	0	0
2 years	150	0	150
3 years	1 068	0	1 068
4 years	0	0	0
5 years	485	0	485
Unlimited	8 210	6 966	1 244
Total	**9 913**	**6 966**	**2 947**

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

KUSD	**2010**	**2009**
Taxes to receive	5 122	5 307
Taxes to pay	-15 274	-9 972
Net taxes to pay	**-10 152**	**-4 665**

KUSD	**2010**	**2009**
Net taxes to pay at the beginning of the period	-4 665	-8 071
Change consolidation scope	229	0
Taxes to pay	-23 258	-15 020
Paid taxes	17 542	18 426
	-10 152	**-4 665**

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

KUSD	2010	2009
Tax expense	-29 089	-18 901
Deferred tax	5 831	3 881
Current taxes	**-23 258**	**-15 020**
Variation prepaid taxes	404	-3 765
Variation payable taxes	5 312	359
Paid taxes	**-17 542**	**-18 426**

25. Share of results of associated companies

The share of our associates in the insurance sector benefited through capital gains on the sale of the Dutch agency *Bruns ten Brink BV* (KUSD 2 358) and the life insurance company *Asco Life NV* (KUSD 220). Following the sale of these subsidiaries the restructured agency *B.D.M. NV* and the insurance company *Asco NV* can, out of Antwerp, focus on the core activities marine and general risk insurance.

26. Change in net working capital

The substantially improved prices and the higher amounts receivable due to shipments prior to the end of the year had an effect on the required working capital (inventories KUSD -5 427, trade receivables KUSD -6 670 and various movements KUSD - 4 871).

27. 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 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 10 USD CIF per ton has an impact of about KUSD 1 250 per year (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

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:

KUSD	IDR + 10%	Book value	IDR - 10%
Pension liabilities in Indonesia	8 883	9 771	10 858
Gross impact income statement	888	0	-1 087

On the February 23, 2011 the board of directors proposed the payment of KEUR 13 428 (1.5 EUR 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 17 781 for KEUR 13 428 (average exchange rate of 0.7552).

- KUSD 15 312 (KEUR 11 637) before the end of the year
- KUSD 2 469 (KEUR 1 791) after year end

Sensitivity analysis: see note 20

Translational risk

SIPEF 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 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 2010, the group's net financial assets/(liabilities) amounted to KUSD 56 484 (2009: KUSD 36 108), of which KUSD 7 800 (2009: 14 492) loans initially payable after more than one year and KUSD 64 284 (2009: KUSD 50 600)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 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:

KUSD	**2010**	**2009**
- receivables from the sale of palm oil/rubber/tea	24 507	15 969
- receivables from the sale of bananas and plants	1 932	2 705
	26 439	**18 674**

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:

KUSD	2010	2009
Not yet due	1 754	1 971
Due < 30 days	178	580
Due between 30 and 60 days	0	154
Due between 60 and 90 days	0	0
	1 932	**2 705**

In 2010 there were no material depreciations on receivables.

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 2010, same as in previous years, there were no infringements on the conditions stated in the credit agreements no were there any shortcomings in repayments.

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. SIPEF manages the liquidity risk by evaluating the short term and long term cash flows. SIPEF 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.

2010 - 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**

2009 - 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	144	- 144					- 144
Financial liabilities > 1 year	8 847	-9 394		-6 142	-3 252		
Non-current financial liabilities	**8 991**	**-9 538**	**0**	**-6 142**	**-3 252**	**0**	**- 144**
Trade & other liabilities < 1 year							
Trade payables	9 525	-9 525	-9 525				
Advances received	314	- 314	- 314				
Financial liabilities < 1 year							
Current portion of amounts payable after one year	5 645	-6 788	-6 788				
Financial liabilities	1 837	-1 837	-1 837				
Derivatives	798	- 803	- 562	- 230	- 11		
Other current liabilities	4 667	-4 667	-4 667				
Current liabilities	**22 786**	**-23 934**	**-23 693**	**- 230**	**- 11**	**0**	**0**

Fair value

Fair values of derivatives are:

KUSD	2010	2009
Forward exchange transactions	119	-
Interest rate swaps	- 287	- 798
Fair value (+ = asset; - = liability)	**- 168**	**- 798**

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, 2010 and 2009 and was classified as level 2.
The fair value of the forward exchange contracts calculated at the closing value on the 31st of December 2010 were also incorporated in level 2.
The notional amount of the amortized swap amounts to KUSD 7 800 and from the forward exchange contracts KUSD 7 324. A rise or drop of the interest rate by 10 basis points leads to a rise of drop of the fair value of KUSD 8.

Financial instruments per category

The next table gives the financial instruments per category as per end 2010 and end 2009. 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 7 800; 2009 KUSD 14 492) comprise for 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.

2010 - KUSD	Assets available for sale	Loans and receivables	Derivatives	Total carrying amount
			(1)	
Financial assets				
Other investments				0
Other financial assets	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**

	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

2009 - KUSD	Assets available for sale	Loans and receivables	Derivatives	Total carrying amount
			(1)	
Financial assets				
Other financial assets				0
Other investments	3 778	532		4 310
Receivables > 1 year				
Other receivables		1 820		1 820
Total non-current financial assets	**3 778**	**2 352**	**0**	**6 130**
Trade and other receivables				
Trade receivables		18 674		18 674
Investments				
Other investments and deposits		10 315		10 315
Cash and cash equivalents		42 122		42 122
Other current assets		936		936
Total current financial assets	**0**	**72 047**	**0**	**72 047**
Total financial assets	**3 778**	**74 399**	**0**	**78 177**

	Derivatives	Other liabilities	Total carrying amount
		(2)	
Trade and other obligations > 1 year		144	144
Financial obligations > 1 year (incl. derivatives)		8 847	8 847
Total non-current financial liabilities	**0**	**8 991**	**8 991**
Trade & other obligations < 1 year			
Trade payables		9 525	9 525
Advances received		314	314
Financial obligations < 1 year			
Current portion of amounts payable after one year		5 645	5 645
Financial obligations		1 837	1 837
Derivatives	798		798
Other current liabilities		4 667	4 667
Total current financial liabilities	**798**	**21 988**	**22 786**
Total financial liabilities	**798**	**30 979**	**31 777**

(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:

2010 - 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 economical purposes				630		630
	0	**- 79**	**848**	**630**	**- 923**	**476**

2009 - KUSD	Assets available for sale	Loans and receivables	Cash	Derivatives	Amortized cost	Total
Revenue	2					2
Selling, general and administrative expenses						0
Other operating income/(charges)						0
	2	**0**	**0**	**0**	**0**	**2**
Financial income		215	325			540
Financial charges	- 1	- 239			-1 290	-1 530
Derivatives held for economical purposes				215		215
	- 1	**- 24**	**325**	**215**	**-1 290**	**- 775**

28. 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 30.

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

Statement of financial position	2010	2009
Non-current assets	42 399	30 060
Current assets	15 368	13 356
Non-current liabilities	-6 390	-4 831
Current liabilities	-2 013	-1 692
Total equity	**49 364**	**36 893**

Income statement	2010	2009
Operating result	18 561	7 939
Financial result	152	319
Tax expense	-4 286	-1 608
Result from continuing operations	**14 427**	**6 650**

29. 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:

KUSD	2010	2009
1 year	313	336
2 years	58	331
3 years	24	62
4 years	5	26
5 years	0	6
	400	**761**

During the year an amount of KUSD 324 (against KUSD 358 in 2009) has been charged in the income statement.

30. Finance leases

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

Payments under these non-cancelable finance leases are due as follows:

KUSD	2010	2009
1 year	0	445
2 years	0	501
3 years	0	547
4 years	0	0
	0	**1 493**

During the year an amount of KUSD 107 has been charged to the income statement.
(including costs for termination leasing contract).

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

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

In 2009 all the shares in *Sipef Guinée SA* were sold.

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

	2010			2009
KUSD	Indonesia	Brazil	Total	
Intangible assets - Other	38		38	
Intangible assets - Goodwill			0	- 62
Biological assets	3 468		3 468	
Property, plant & equipment	1 556		1 556	- 30
Current assets/liabilities (excl. cash and cash equivalents)	916	- 751	165	545
Provisions	- 164		- 164	
Deferred taxes	- 650		- 650	
Cash and cash equivalents	1 049		1 049	- 25
Translation differences		545	545	
Non-controlling interests		9	9	
Purchased/sold shareholders' equity	**6 213**	**- 197**	**6 016**	**428**
Purchase price(+)/selling price(-)	-9 384	1 547	-7 837	268
Goodwill	3 171		3 171	
Result	0	1 350	1 350	696
Purchase price(+)/selling price(-)	-9 384	1 547	-7 837	268
Cash and cash equivalents	1 049	0	1 049	- 25
Net cash in/outflows	-8 335	1 547	-6 788	243

32. Rights and commitments not reflected in the balance sheet

Guarantees:

An amount of KUSD 80 has been guaranteed by third parties as security for the Company's account and for KUSD 306 for the account of subsidiaries.

The company has established securities for an amount of KUSD 1 674 as a guarantee for debt repayment.

The various rights and commitments are comprised of call-options (KUSD -77) and put-options (KUSD 73) on the assets of the insurance sector.

Significant litigation:

Nihil

Forward sales

The commitments for the delivery of goods (palm products, rubber, tea and tropical fruits) 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 2010 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:

	Tonnes	Price (USD/tonne FOB)
2011	30 000	813
2012	16 000	783
Total	**46 000**	

33. Related party transactions

Transactions with directors and members of the executive 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:

KUSD	2010	2009
Directors' fees		
fixed fees	202	213
Short-term employee benefits	2 358	2 695
Post-employment benefits	587	769
Total	**3 147**	**3 677**

The amounts are paid in EUR. The decrease is mainly the result of the retirement of a director. The amount paid in 2010 is KEUR 2 640 (KEUR 2 304 in 2009). 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 *SA SIPEF NV* covering the offices and ancillary parking space at Castle Calesberg in Schoten. The annual rent, adjusted for inflation, amounts to KUSD 194 (KEUR 147) and KUSD 78 is invoiced for *SA SIPEF NV*'s share of maintenance of the buildings, parking space and park area.

Relations with board members and management committee members are covered in detail in the "Corporate Governance" section.

34. Earnings per share (basic and diluted)

From continuing and discontinued operations

	2010	2009
Basic earnings per share		
Basic earnings per share - calculation (USD)	9.48	6.72
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	84 843	60 174
Denominator: the weighted average number of ordinary shares outstanding	8 951 740	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 capital increase	0	0
The weighted average number of ordinary shares outstanding at December 31	8 951 740	8 951 740
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	9.48	6.72
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	84 843	60 174
Denominator: the weighted average number of dilutive ordinary shares outstanding	8 951 740	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	8 951 740	8 951 740
Effect of stock options on issue	0	0
The weighted average number of dilutive ordinary shares outstanding at December 31	8 951 740	8 951 740

From continuing operations

	2010	2009
Basic earnings per share		
Basic earnings per share - calculation (USD)	9.48	6.72
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	84 843	60 174
Denominator: the weighted average number of ordinary shares outstanding	8 951 740	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 capital increase	0	0
The weighted average number of ordinary shares outstanding at December 31	8 951 740	8 951 740
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	9.48	6.72
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	84 843	60 174
Denominator: the weighted average number of dilutive ordinary shares outstanding	8 951 740	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	8 951 740	8 951 740
Effect of stock options on issue	0	0
The weighted average number of dilutive ordinary shares outstanding at December 31	8 951 740	8 951 740

35. Events after the balance sheet date

The board of directors decided on the 23rd February 2011 to make a voluntary public offer for the shares of *Jabelmalux SA*. This public offer that took place as from 15 March 2011 covers the 6 166 shares (representing 22.6% of the share capital) not yet held by *SA SIPEF NV*. The price per share offered amounts to EUR 2 250 per share.

36. Recent IFRS accounting pronouncements

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

37. 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 1.50 per share payable on Wednesday 6th July 2011, an increase with 36.4% on previous year and corresponding to a payout ratio of 25.1% on the net profit, share of the group, before IAS 41.

38. Services provided by the auditor and related fees

The statutory auditor of the group is Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Philip Maeyaert.
The fees for the annual report of SA SIPEF NV 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 89 (against KUSD 91 last year). This decrease is due to the exchange variation of the EUR against the USD. For the group, Deloitte has provided services for KUSD 412 in 2010 (against KUSD 393 the year before), of which KUSD 78 (2009: KUSD 78) are for non audit services.

Deloitte.

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SA Sipef NV

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2010 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 SA 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 2010, 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 500.556 (000) USD and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 84.843 (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 Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
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Deloitte.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2010, 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, with regard to the valuation of the biological assets, referring 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.

Diegem, 24 February 2011

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Philip Maeyaert

Parent company summarized statutory accounts

The annual accounts of *SA SIPEF NV* are given below in summarized form. In accordance with the Belgian Code on Companies, the annual accounts of *SA SIPEF NV*, 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:

SA SIPEF NV, Entrepotkaai 5, 2000 Antwerpen

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 *SA SIPEF NV* for the year ended December 31, 2010 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)

KEUR	2010	2009	2008
Assets			
Fixed assets	45 588	56 102	59 383
Formation expenses	0	0	0
Goodwill and other intangible assets	399	478	499
Tangible assets	160	165	156
Financial assets	45 029	55 459	58 728
Current assets	85 133	59 884	66 604
Amounts receivable after more than one year	0	1 162	4 048
Stocks and contracts in progress	528	535	7 183
Amounts receivable within one year	51 108	31 071	35 190
Investments	31 274	23 851	16 109
Cash at bank and in hand	2 096	3 205	3 945
Other current assets	127	60	129
Total assets	**130 721**	**115 986**	**125 987**
Liabilities			
Equity	75 220	80 825	88 111
Capital	34 768	34 768	34 768
Share premium account	16 285	16 285	16 285
Reserves	3 990	3 990	3 990
Profit/ (loss) carried forward	20 177	25 782	33 068
Provisions and deferred taxation	153	163	96
Provisions for liabilities and charges	153	163	96
Creditors	55 348	34 998	37 780
Amounts payable after more than one year	1 942	5 415	9 341
Amounts payable within one year	52 534	28 471	28 118
Accrued charges and deferred income	872	1 112	321
Total liabilities	**130 721**	**115 986**	**125 987**

Condensed income statement

KEUR	2010	2009	2008
Operating income	176 690	150 762	167 262
Operating charges	-175 264	-148 616	-167 104
Operating result	**1 426**	**2 146**	**158**
Financial income	3 395	19 433	21 053
Financial charges	-709	-20 072	-11 913
Financial result	**2 686**	**-639**	**9 140**
Result on ordinary activities	**4 112**	**1 507**	**9 298**
Extraordinary income	3 723	1 063	29 352
Extraordinary charges	-8	-9	-156
Extraordinary result	**3 715**	**1 054**	**29 196**
Result for the period before taxes	**7 827**	**2 561**	**38 494**
Income taxes	-4	0	0
Result for the period	**7 823**	**2 561**	**38 494**

Appropriation account

KEUR	2010	2009	2008
Profit/ (loss) to be appropriated	**33 605**	**35 629**	**40 662**
Profit/ (loss) for the period available for appropriation	7 823	2 561	38 494
Profit/ (loss) brought forward	25 782	33 068	2 168
Appropriation account	**33 605**	**35 629**	**40 662**
Transfers to legal reserve	0	0	433
Result to be carried forward	20 177	25 782	33 068
Dividends	13 428	9 847	7 161
Remuneration to directors	0	0	0

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