Annual Report 2006

SIPEF

Key figures

Activity	2006	2005	2004
Total own production of consolidated companies (in tonnes)			
palm oil	*186,537*	*175,960*	*170,559*
rubber	*9,553*	*9,470*	*9,098*
tea	*5,494*	*5,738*	*5,343*
Average market price (USD/tonne)			
palm oil	*478*	*422*	*471*
rubber	*2,101*	*1,502*	*1,304*
tea	*1,449*	*1,130*	*1,160*

Results (in K€)

Turnover	*129,607*	*119,326*	*117,420*
Gross profit - before IAS 41	*33,140*	*29,238*	*33,867*
Operating result - before IAS 41	*24,547*	*18,789*	*27,382*
Share of the Group in the result/earnings	*17,498*	*11,008*	*13,800*
Operational cash flow (2)	*21,747*	*13,048*	*24,916*
Free cash flow (3)	*-3,335*	*6,589*	*24,514*

Balance sheet (in K€)

Operating fixed assets (4)	*151,148*	*152,831*	*137,381*
Shareholders' equity	*117,921*	*111,644*	*92,499*
Net financial debt	*26,739*	*21,140*	*23,646*
Investments in intangible and operating fixed assets (4)	*13,762*	*8,899*	*11,369*

Data per share (in €)

	2006	2005	2004
Number of shares	*882,888*	*872,511*	*865,196*
Equity	*133.56*	*127.96*	*106.91*
Basic earnings per share	*20.02*	*12.71*	*17.54*
Operating cash flow (5)	*24.88*	*15.06*	*31.67*
Free cash flow (5)	*-3.81*	*7.60*	*31.16*

Stock exchange share price (in €)

	2006	2005	2004
Maximum	*247.10*	*173.00*	*136.00*
Minimum	*162.20*	*119.00*	*108.55*
Closing 31/12	*247.10*	*168.00*	*124.70*
Stock Exchange capitalization at 31/12 (in K€)	*218,162*	*146,582*	*107,890*

Ratio's

		2006	2005	2004
Debt ratio	Net financial debt / Equity	*22.68%*	*18.94%*	*25.56%*
P/E	Share price as per 31/12 / Earnings (1)	*12.34*	*13.22*	*7.11*

(1) Share of the Group in the result
(2) Cash flow after capital expenditure in intangible and operating fixed assets
(3) Cash flow after sale and acquisition of assets
(4) Operating fixed assets = biological assets, property, plant & equipment and investment property
(5) Denominator 2006 = weighted average number of shares issued (874,241 shares).

PT Tolan Tiga - Indonesia.

SIPEF
SOCIETE ANONYME

Report of the Board of Directors and of the Statutory Auditor

to be submitted at the 88th Ordinary General Meeting to be held on the 13 June 2007

Financial Year 2006

Financial calendar and addresses

The periodical and occasional information relating to the Company and to the Group are communicated as follows:

- the results of the first semester will be published on 31 August, 2007 before opening hours of the stock exchange and the results of the financial year on 28 February, 2008. Together with these figures you will find the comments on the activities of the Group.
- the production figures of the Group are communicated per trimester.
- in accordance with the legal regulations all important data that could influence in one way or another the results of the Company and of the Group will be subject to a separate press release.

The next Annual Meeting of Shareholders will be held on June 11, 2008 at 15.00 hrs.

Responsible for the financial information

Michael A. St. Clair-George
François Van Hoydonck
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Register Legal Persons Antwerpen
V.A.T. BE-0404.491.285

www.sipef.com

Contents

Key events affecting the *SIPEF* Group

January/December

Increased production of own oil palm and rubber crops.

Net result, share of the Group before IAS 41 increases by 40.2%.

June

Distribution of a dividend of € 3 gross.

July

Acquisition of 100% of the shares of *PT Umbul Mas Wisesa*.

Merger of *B.D.M. NV*, *Minverva NV* and *Ascanius NV*.

September

Buy back of 5% of the *Tolan Tiga* group.

December

Signing of a "Memorandum of Understanding" for the acquisition of an additional 6,500 ha.

History

Société Internationale de Plantations et de Finance was incorporated in 1919 with the principal aims of promoting and managing plantation companies which would operate 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.

Since then the Company has developed into an agro-industrial group of established plantations with processing and shipping facilities in Asia and Oceania, Africa and South America. In addition *SA SIPEF NV* provides management, marketing and consultancy services in the agro-industry.

A programme of diversification was started in the 1970's when, in addition to the traditional crops of rubber, oil palm and tea, other crops such as bananas, pineapples, ornamental plants, guava and pepper were introduced. These products are marketed by the Group worldwide. Currently the estates extend to some 64,000 planted hectares.

An insurance business, originating from our involvement in commodities and their shipping, has been extended and now includes a wide range of insurance services. Investments in real estate have been made in Belgium and the United States of America, although agro-industry remains our core business.

Principal Activities

SA SIPEF NV is a Belgian agro-industrial company quoted on the Brussels Euronext Stock Exchange.

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

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

Its investments are largely long-term ventures in developing countries.

Corporate policies

Management

SA SIPEF NV aims to play a decisive role in the management of the companies in which it holds a majority stake or which it controls with other partners. This involves playing an active part on the boards of directors of these subsidiaries, as well as supervising the management and operations of the companies concerned.

Customers

Every effort is made to meet the needs of our customers so that goods and services of the very best quality are delivered to them on time.

Employees

In order to improve the quality of management of our plantations a particular effort is made to pass on agronomic expertise and management know-how to the nationals.

A group training center was established in Indonesia several years ago. Training manuals set out the Group's agricultural, engineering and general policies and how they should be attained.

We seek to make sure that all employees work in a safe and healthy environment.

Environment

The Group recognizes that, in addition to its statutory and commercial obligations, it has a responsibility to the communities and environment in which it operates.

The Group is committed to safeguarding the environment by maintaining sound and sustainable agricultural policies. These include a "zero-burn" policy, integrated pest management, the treatment of effluent and the utilisation of biomass.

Directors, Auditors and Management

Board of Directors

Baron BRACHT	Chairman and General Manager
Michael A. ST. CLAIR-GEORGE	Managing Director
Baron BERTRAND	Director
Priscilla BRACHT	Director
Jacques DELEN	Director
Baron de GERLACHE de GOMERY	Director
Count Henry le GRELLE	Director
Regnier HAEGELSTEEN	Director
Richard ROBINOW	Director

Statutory Auditor

DELOITTE Réviseurs d'Entreprises SC s.f.d. SCRL
represented by
Philip MAEYAERT

Management

Baron BRACHT	Chairman and General Manager
Michael A. ST. CLAIR-GEORGE	Managing Director
Didier CRUYSMANS	Manager Africa and South America
Bertrand de DECKER	Manager Asia and Oceania
Thomas HILDENBRAND	Manager Marketing Fruits/Various
Paul NELLENS	Manager Marketing Commodities
François VAN HOYDONCK	Chief Financial Officer

Organisation chart

SA SIPEF NV

INDONESIA

Company	Controlling interests	Beneficial interests
PT TOLAN TIGA	95%	95%
PT EASTERN SUMATRA	95%	95%
PT KERASAAN	57%	57%
PT BANDAR SUMATRA	95%	95%
PT TIMBANG DELI	95%	95%
PT MELANIA	95%	74%
PT UMBUL MAS WISESA	100%	77%
PT AGRO MUKO	40%	38%

FAR EAST

Company	Controlling interests	Beneficial interests
HARGY OIL PALMS LTD	100%	100%
GALLEY REACH HOLDINGS LTD	100%	100%
SIPEF PACIFIC TIMBERS PTY LTD	75%	75%
PHU BEN TEA CY	100%	77%

AFRICA

Company	Controlling interests	Beneficial interests
SIPEF-CI SA	32%	32%
PLANTATIONS J. EGLIN SA	100%	100%
SIPEF GUINEE SA	84%	84%
C.K.E. SCARL	81%	81%
SOGRAKIN SCARL	50%	50%
CAVALLA RUBBER CORP.	80%	80%

INSURANCE

Company	Controlling interests	Beneficial interests
ASCO NV	50%	50%
B.D.M. NV	50%	50%
BRUNS TEN BRINK BV	50%	50%
ASCO LEVEN NV	25%	25%

AMERICA

Company	Controlling interests	Beneficial interests
FRANKLIN FALLS TIMBER CY, INC	100%	100%
SENOR LTD	97%	97%
BONAL SA	70%	70%

EUROPE

Company	Controlling interests	Beneficial interests
JABELMALUX SA	77%	77%
AGRIDUS NV	87%	87%

Controlling interests
Beneficial interests

Corporate governance

Sipef's Corporate Governance Charter is available for downloading at the Investors Relations section of the *www.sipef.com* website.

The role of *SA SIPEF NV* in relation to its subsidiaries

SA SIPEF NV plays a decisive role in the management of the companies in which it holds a majority stake or which it controls with other partners. This involves playing an active part on the boards of directors of these subsidiaries, as well as supervising the management and operation of the companies concerned. *SA SIPEF NV* makes a particular effort to pass on agronomic and management know-how to local managements.

The Board of Directors

The Board of Directors is made up of nine members.

	Term of office expiring in
Baron Bracht, Chairman	2010
Michael A. St. Clair-George, Managing Director	2010
Baron Bertrand, Director	2008
Priscilla Bracht, Director	2010
Jacques Delen, Director	2008
Baron de Gerlache de Gomery, Director	2008
Count Henry le Grelle, Director	2007
Regnier Haegelsteen, Director	2011
Richard Robinow, Director	2007

At the coming Annual General Meeting the term of office to expire is that of Richard Robinow. He has been a member of the Board of Directors since 1975 and has a thorough knowledge of our business. The Board of Directors, acting as Nomination Committee, proposes to renew his appointment for a further period of 4 years expiring at the Annual General Meeting in 2011.

In accordance with the age limit imposed by the charter, the term of office of Count Henry le Grelle also expires. The Board of Directors expresses their heartfelt thanks for his useful contribution for more than 30 years. The Board of Directors, acting as Nomination Committee, proposes to appoint Antoine Friling as director of the company for a period of 4 years expiring at the Annual General Meeting in 2011. Antoine Friling is the brother-in-law of Count le Grelle, and with his experience as a banker and manager of a "family office" he has monitored our company for many years in a professional capacity. He will continue representing his family on the Board of Directors.

Michael A. St.Clair-George also reaches the age limit stipulated in the charter for the office of Managing Director in 2007 and as a result wishes to relinquish his appointment at the coming Annual General Meeting. Michael A. St.Clair-George has been a Board Member since 1993 and Managing Director since October 1997. We express our thanks to Michael A. St.Clair-George for his contribution to the development of our company into an efficient and profitable plantation company.

The Board of Directors proposes to appoint François van Hoydonck as Director and Managing Director for a period of 4 years up to the Annual General Meeting in 2011. François Van Hoydonck has been CFO of *SA SIPEF NV* for 12 years and, in co-operation with Baron Bracht and Michael A. St.Clair-George, has laid the foundation for the size and the profitability of the company.

Also in accordance with the age limit regulation, Baron Bracht will retire from the daily management of the company. Baron Bracht will remain Chairman of the Board of Directors.

Composition

Directors bearing offices in other companies listed on the stock exchange are as follows:

Baron Bertrand: Ackermans & van Haaren, Agridec, Atenor Group, Quick Restaurants, Solvus and Leasinvest Real Estate;
Baron de Gerlache de Gomery: Floridienne, Leasinvest Real Estate and Texaf;
Jacques Delen : Ackermans & van Haaren;
Regnier Haegelsteen: Atenor Group and Fountain;
Richard Robinow: MP Evans (UK) and REA (UK).

From left to right: Baron de Gerlache de Gomery, Regnier Haegelsteen, Michael A. St. Clair-George, Baron Bracht, Count Henry le Grelle, Richard Robinow, Priscilla Bracht, Jacques Delen, Baron Bertrand.

In 2006 the Board of Directors was made up of seven non-executive directors and two executive directors. The latter are Baron Bracht and Michael A. St. Clair-George, who participate in the day-to-day management of the company. Baron de Gerlache de Gomery, Regnier Haegelsteen and Richard Robinow act as independent directors. Participation in the stock option plans predating the introduction of the Code, issued in 1999 and 2002, is not considered as conflicting with their mandate as independent director.

The non-independent directors Baron Bracht, Priscilla Bracht and Count Henry le Grelle represent resp. the Bracht and Friling families; Baron Bertrand and Jacques Delen represent Ackermans & van Haaren.

Ackermans & van Haaren and Baron Bracht have disclosed that they hold more than 5% of the shares in *SA SIPEF NV*. Michael A. St. Clair-George holds the position of Managing Director and does not represent a major shareholder.

Activity report on Board of Directors and Committee meetings.

Reference is made to the Corporate Governance Charter on *www.sipef.com* for an overview of the responsibilities of the Board of Directors and its Committees.

In 2006 the Board of Directors met four times. All members of the Board of Directors participated in two meetings, in the two other meetings one director was excused.

The Audit Committee consists of Regnier Haegelsteen, chairman and independent director, Priscilla Bracht, non-executive director, and the independent director Baron de Gerlache de Gomery. A representative of the Ackermans & van Haaren Group was invited to all meetings and the audit partner of Deloitte assisted at 2 meetings. The Audit Committee started their activities in 2006 and met 3 times with the following agenda: discussion of the half year results, internal audit aspects, the IFRS compliance, the evaluation of the hedging policy against currency risks and the marketing procedures.

The Remuneration Committee consists of Baron Bertrand (chairman), Baron Bracht and Regnier Haegelsteen. This committee has also started activities in 2006 reviewing the remuneration of directors and members of the management committee.

The Nomination Committee consists of all board members and will consider potential nominations and terms of office as an agenda item at their board meetings.

Remuneration of the Board of Directors and Committees.

The Annual General Meeting of 14th June 2006 has, together with the dividend distribution, approved the remuneration of directors. Although the fee permitted under the articles is up to 10% of the dividend distribution including the fee, in practice the Board of Directors has limited the fee to 5%, which amounted to K€ 138. In non-compliance to the guidelines of the Code, the Board of Directors explicitly decided in the Corporate Governance Charter to link the directors' fees to the distribution of dividends to the shareholders. The Board of Directors has approved the distribution among the board members. No additional remuneration is paid for attending committee meetings.

In compliance with the guidelines of the Belgian Corporate Governance Code, the Board of Directors wishes to propose to the Extraordinary General Meeting of Shareholders, through an alteration of the articles of association, to consider future remuneration as a fixed yearly fee, to be approved by the General Meeting. The Board of Directors proposes to provide for 2007 a fee of K€ 15 per director as well as a fixed fee of K€ 26 for the chairman of the Board of Directors, K€ 4 for the members of the Audit Committee and K€ 2 for the members of the Remuneration Committee.

The individual directors' fees paid in 2006 amounted to:

Baron Bracht, Chairman, K€ 23, the other members of the Board of Directors K€ 15 each, except Count Henry le Grelle, receiving K€ 7 as nearing the age limit.

No stock options were granted in 2006.

Disclosing on related party transactions were considered immaterial, except for the rental agreement, existing 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 K€ 135 and K€ 55 is invoiced for the share of maintenance of the buildings, parking space and park area.

Management Committee

Day-to-day management is carried out by the Chairman General Manager, Baron Bracht, and the Managing Director, Michael A. St. Clair-George. These persons also preside over the weekly Management Committee meetings, attended by:

Didier Cruysmans	Manager Africa and South America
Bertrand de Decker	Manager Asia and Oceania
Thomas Hildenbrand	Manager Marketing Fruits/Various
Paul Nellens	Manager Marketing Commodities
François Van Hoydonck	Chief Financial Officer

The 2006 remuneration package of the Chairman General Manager, Baron Bracht, and the Managing Director, Michael A. St. Clair-George, was totalling to:

- Fixed salaries of K€ 299,
- Contributions to personal risk insurance and retirement benefits of K€ 405.

The other members of the Management Committee, excluding the Chairman General Manager and the Managing Director, received in 2006:

- Total fixed remuneration of K€ 894,
- Bonus over the 2005 profits of K€ 19,
- Contribution to personal risk insurance and retirement benefits totalling K€ 197.

Shareholders

Note 16 annexed to the accounts states that three shareholders have disclosed a holding of more than 5% in our company. The company does not have any knowledge of agreements between shareholders nor of the existence of groupings of shareholders or directors, except of the mutual declaration of 12th February 2007, also mentioned in note 16.

At that date, Nationale Investerings Maatschappij (NIM), associated with Ackermans & van Haaren (AvH), and acting in concert with Baron Bracht, *Cabra NV* and *GEDEI NV*, informed the company of the existence of a shareholders' agreement to create a stable shareholding for *SA SIPEF NV* and its subsidiaries. This agreement is for a period of 15 years and includes a.o. convenants for the nomination of directors and transfer of shares.

Stock option plans

28,000 warrants were issued in 1999 under the *SA SIPEF NV* stock option plan. These warrants give entitlement to the same number of *SA SIPEF NV* shares which will be issued under the form of a capital increase within the limits of the authorised capital. After prolongation, this programme runs for 13 years, in accordance with the law of 26 March 1999 introducing a new tax regime for warrants. The participants are the directors, managers and employees, together with certain key executives of the operating subsidiaries.

A second stock option plan was introduced in 2002, which is also in accordance with the law of 26 March 1999 and runs, after prolongation, till 2015.

14,170 warrants were issued giving entitlement to the same number of shares of *SA SIPEF NV*. The participants of this plan are the board members and the managers of the company. For both stock option plans, non-executive directors hold 9,335 warrants and members of the Management Committee hold 14,070 warrants.

As per end of 2006, the total number of warrants issued but not exercised amounts to 12,286, of which 6,668 held by non-executive directors and 4,286 by members of the Management Committee.

Compliance with The Belgian Code on Corporate Governance

Reference is made to *SA SIPEF NV*'s Corporate Governance Charter available for download from the Investors section on our website.

SA SIPEF NV complies to a large extent to all corporate governance rules, as can be found in 'The Belgian Code on Corporate Governance', which can be consulted on the website www.corporategovernancecommittee.be.

The principles and guidelines of the code that *SA SIPEF NV* does not comply with, along with an explanation of the reasons for non-compliance, can also be found in the Corporate Governance section on the Investors section of the website of *SA SIPEF NV*.

Statutory auditor

External auditing of the consolidated and statutory accounts is carried out by the statutory auditor Deloitte & Touche Bedrijfs-revisoren BV o.v.v.e CVBA, represented by Philip Maeyaert.

The audit partner participated at two of the three meetings of the Audit Committee.

As approved by the Annual General Meeting the statutory auditor received a fee of K€ 54 for the 2006 bookyear. The company also paid an amount of K€ 56 for legal and taxation matters to a company associated professionally with the statutory auditor.

These amounts have been approved by the Audit Committee, who receives a summary of the fees at each meeting.

Proposed appropriation of profits

The loss for the year of the company is K€ 1,905 which is deducted from the profit brought forward of K€ 7,804 making the total profit available K€ 5,899.

We propose to distribute a dividend of K€ 3,669 by the payment of Directors' fees for K€ 138 and K€ 3,531 as dividend to shareholders and carry the balance of K€ 2,229 over to the next financial year. We propose to pay as from 4th July 2007 an amount of € 4 gross, being € 3 net and € 3.40 for the holders of scripts, against remittance of coupon 53 at the offices of Bank Degroof, Bank Delen, Dexia Bank, Fortis Bank, ING Bank and KBC Bank and at the administrative office of the company.

Chairman's message

Ladies and Gentlemen,

It is my pleasure to present to you our Annual Report as well as the consolidated results of the Group and those of the parent Company.

To facilitate the understanding and the comparison between our figures in the press announcements and in the annual report, I would like to draw your attention to its presentation which shows clearly our financial accounts before IAS 41.

The year 2006 has been an extraordinary year during which a number of new important decisions for the future of our enterprise have been taken.

These decisions are based on the positive improvement in the prices of all our commodities. We note that average palm oil prices increased from USD 422 per tonne to USD 478 during 2006.

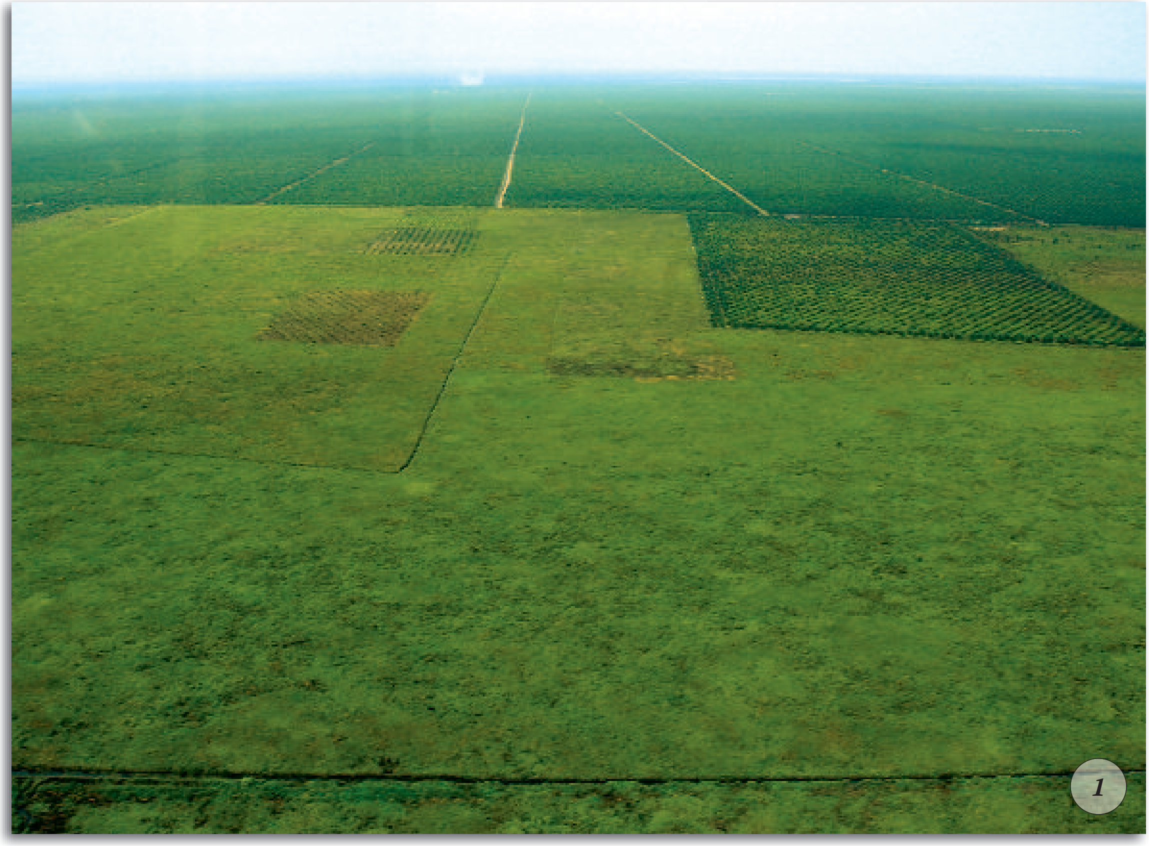
The price increase is the consequence of the growing needs of vegetable oils in China and India, as well as an increased demand for biodiesel in the world. The last page of this report offers you a brief analysis of this new market.

The rubber market prices have been rather volatile as a result of the positions taken by investment funds.

When the price of the oil barrel was sliding down, these funds were massively liquidating their positions causing a fall in rubber prices; from November on prices declined from USD 2.40 per kg to USD 1.50 per kg in a matter of time.

Since then, the consumers demand has lifted the prices up again, but to a more realistic level of USD 2.20 per kg. It is interesting to note that during the last few years we have rejuvenated extensive areas in Indonesia which are now progressively entering into production.

The tea crop at Cibuni has suffered from a prolonged drought in that part of Java but today I can tell you that this climatical problem has disappeared and rainfall has come back to normal with as a consequence a better crop for the next few months.



1. Land ready for development into oil palm at newly acquired PT Umbul Mas Wisesa - Indonesia.

The tea production in Vietnam has been excellent and we try to plant up more areas under tea in order to limit our dependence from leaf purchases from outgrowers.

Prices in 2006 have been satisfactory, although they underwent a downward trend since then.

Our search for the acquisition of new land in Sumatra, Indonesia, has been fruitful and the recent purchase of *PT Umbul Mas Wisesa* will certainly be followed by other purchases close or adjacent to the land of *PT Umbul Mas Wisesa*.

Works for infrastructure are progressing in a satisfactory manner and we intend to plant 2,400 hectares of oil palms in 2007.

In our Insurance interests, the merger between *Minerva NV* and *B.D.M. NV* has been sealed by the move of both companies into the same office building located at Entrepotkaai 5, 2000 Antwerp.

The newly merged company has been performing well and results are satisfactory.

I wish to thank my colleagues and the personnel of our plantations for the efforts made to realize these excellent results.

March 7th, 2007.

Baron Bracht
Chairman

PT Agro Muko - Indonesia.

Activity report by product

Palm oil and palm kernel oil

2006 was dominated by the varied news regarding "biodiesel". With a crude oil price of USD 78 per barrel biodiesel was seen as the ideal solution to reduce our dependence on fossil fuels and to fight against C02 emissions. The announcement of the construction of numerous biodiesel plants throughout the world has reinforced the expectation of a very strong growth in vegetable oil demand. A few analysts even believed there will be a shortage of oil destined for the food sector.

The fall in crude oil prices to USD 50 per barrel, as well as a resistance from the European Community to utilize palm oil as source of energy have altered this scenario.

CIF prices remained firm, increasing from USD 425 in January 2006 to USD 625 in December. The average price of palm oil was USD 478 per tonne CIF Rotterdam against USD 422 in 2005.

2. Ocean terminal - Hargy Oil Palms Ltd - PNG.

Expectations for the future remain good. Despite the fact that the use of biodiesel could be lower than the initial forecasts, the outlook remains firm because the improvement in living standards in China and India is supporting the demand from the food sector.

But there is a new development in the Unites States. The demand for bio-ethanol for the transport sector encourages farmers to plant more corn instead of soya beans. This implies that the decrease in production of soya oil has to be compensated by other vegetable oils, among them palm oil.

In contrast to last year, the market for palm kernel oil has undergone little variations. Only towards the year end prices increased after some heavy weather disturbances in the Philippines affecting the production of coconut oil. The prices for palm kernel oil averaged USD 581 CIF Rotterdam against USD 627 in 2005.

The demand from the oleo-chemical sector remains stable and we expect a steady market during 2007.

3. Smallholder oil palm fruit awaiting collection - Hargy Oil Palms Ltd - PNG.
4. A high quality oil palm fruitlet - Bukit Maradja Estate - Indonesia.
5. The classic "two + a bud" ready for plucking - Cibuni Tea Estate - Indonesia.

Tea

Tea production in Kenya continues to play a major role on the world market and the weekly auctions are good references for the CTC tea market.

The World production increased in 2005 up to a record of 3.5 million tonnes. But the situation was different in 2006. The last quarter of 2005 and the first quarter of 2006 were hit by a severe drought in Kenya and this producer lost more than 25% of its production.

Indonesia also suffered from a long drought and significant crop losses. As from January 2006 the imbalance between offer and demand had its effect on tea prices which remained good during the rest of the year. The reduced production in Kenya has forced the traditional tea buyers of that origin to buy from other producing countries and we enjoyed the benefits of this situation in Indonesia.

Only towards the end of the year did tea prices stabilize when crops improved again in India and Kenya.

Good world production for 2007 is expected, but existing stocks were well reduced during 2006. Market prices should therefore keep their level.

It is essential to produce good quality teas for which the demand remains strong and which are less influenced by downward price movements.


6


7

Rubber

Rubber prices fluctuated heavily during 2006 as witnessed by the price movements of the RSS1 grade in Singapore. The year started with prices at UScts 183 per kg and reached a peak of UScts 278 per kg half June. They fell back at UScts 155 at the end of November and were at UScts 203 per kg at the end of the year.

The growing impact of investment funds and speculators are at the origin of these fluctuations. Encouraged by strong crude oil prices, they took large speculative positions on the Japanese rubber exchange. In the second half of 2006, when crude oil prices started their downward trend, these same funds liquidated their positions which resulted in a spectacular price fall. Rubber marketing became difficult because these price movements did not reflect the offer and demand situation. The market remained fundamentally firm. There was a slight deficit in 2006 between world production estimated at 9,155 million tonnes and consumption estimated at 9,164 million tonnes.

The average price for rubber at the Singapore commodity Exchange was UScts 210 per kg against UScts 150 per kg in 2005.

Demand on the world market remains firm and we expect a steady and stable market, except in case of massive interventions by investment funds.

6. Crumb rubber factory - PT Agro Muko - Indonesia.
7. Young rubber trees.

Fruit Marketing

Bananas

The banana tonnages imported in 2006 were significant. We marketed 27,663 tonnes of fruits from Ivorian origin. *Plantations J. Eglin SA* remains the principal supplier of about 11,160 tonnes. Production of *Société Bananière de Motobe* improved to 9,190 tonnes, representing 2,100 tonnes above the 2005 crop.

The balance was provided by independent growers for whom we act as selling agents for the whole or part of their production to the European Community. These large volumes of fruit coupled to good quality allow us to create faithful customers and develop new markets.

Grapes

Grapes from Brazil are imported during the off season and are appreciated by the Northern European distributors who appreciate pre-packed grapes in trays. Volumes were stable at 584 tonnes of the varieties "Italia" and "Princess seedless".

Mangoes

813 tonnes of West African mangoes were supplied to the market from April to July. The market was very difficult due to a keen competition from South American origins like Peru and Ecuador.

"Kent" and "Keith" are the most popular mango varieties.

Citrus / Pineapples

Marketing of citrus was limited to 142 tonnes of grapefruits from Argentina and 265 tonnes of oranges from South Africa, and pineapples from Costa Rica to 400 tonnes.

Our objective is to develop the market of citrus from South America and South Africa, both being reputable origins. Bananas will remain our core product, but we think that the marketing of citrus will add substantial support to our fruit activities.

8. Dessert grapes - Brazil.

Fruit and Flower Production

Bananas

Since the 1st of January 2006, import regulations within the European Community have been altered. We have changed from a system of historical references (import licenses granted to traditional operators) to a system called FCFS (First Come First Served) for the majority of the ACP imports.

Volumes from whatever origin are now free to be imported and made marketing more difficult than in 2005.

The bananas from the dollar zone are subject to an import tax of € 176 per tonne, but this was not an obstacle for Costa Rica to substantially increase its market share, benefiting in counter measure from a favorable euro-dollar exchange rate.

We anticipated this situation in 2005 and obtained contracts with guaranteed fixed prices from our principal customers.

In the course of the year we finalized the certification audits and have obtained the "Tesco Nature Choice" for *Plantations J. Eglin SA* and for *Société Bananière de Motobe.* Such certification will allow us commercial access to the most important British distributor Tesco to whom we deliver some 15,000 tonnes via two ripeners, Pratt's Bananas and Jamaican Producers.

The export logistics remained unchanged on conventional "reefers" and we did not escape the higher bunker surcharges following the crude oil price increases.

Mangoes

The mango production in Guinea was according to expectations in 2006, but we had unexpectedly to stop the exports following an oversupplied European market by products from Peru and then from West Africa.

Flowers

In the course of the first semester 2006 we have marketed close to the entire production of pineapple flowers from *Plantations J. Eglin SA* in Ivory Coast, but a shortage of large size flowers did not allow us to realize good sales prices. It was the first time this activity ended the year with a disappointing result.

The move into a new production area benefiting from fertile soils as well as an improved technical management allowed us to satisfy all the orders, both in size and quantity, to different clients as from the last quarter of the year.

We pursue the development of our pineapple flowers activity in the state of Veracruz, Mexico. Thanks to sound management we have reduced our costs and improved the local performance of the project.

Our objective is to continue cultivation in a new area where agricultural operations can be mechanized in order to further reduce costs. The future performance of the project is directly linked to the market potential, i.e. to the quantities of flowers we shall be able to sell in the USA and Mexico.

9. Bananas ready for sale - Plantations J. Eglin SA - Ivory Coast.

Cibuni Tea Estate - Indonesia.

Activity report by country

Indonesia

In general 2006 has been a good year for Indonesia. The government is trying to exercise better control over the regionalization policy established a few years ago and the security has improved markedly following various measures taken by them. Serious efforts have and are still being made to attract new foreign investments which have been in decline for a number of years.

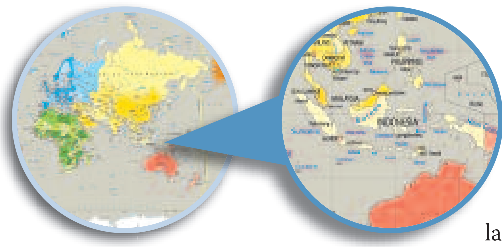
The Indonesian rupiah remained relatively stable against the euro during 2006. The latter quoted IDR 11,879 for € 1 against IDR 11,596 at the end of 2005, representing an erosion of 2.5%. On the other hand, against the dollar, the IDR gained in value by 8%.

Palm oil production of the *Tolan Tiga* group reached 65,544 tonnes against 64,260 tonnes in 2005. Crude palm oil prices well increased compared to 2005 and are principally supported by the development of the biodiesel industry in the world. Prices have considerably improved thanks to this recent development and have risen from USD 422 per tonne CIF Rotterdam in 2005 to USD 478 in 2006. This price has kept its level beginning 2007.

10. Improved estate roads - PT Agro Muko - Indonesia.

Through our subsidiary *PT Melania*, the group acquired a new concession of 8,353 ha in Sumatra, which will be planted up with oil palms over a period of some four years. This concession is located at 30 km from our existing plantation Perlabian which has sufficient processing capacity to absorb the production for the first few years. A new oil mill will only be necessary around 2012.

Discussions are being held for a further 6,500 ha, located a few kilometers from the first acquisition. We hope to sign an agreement in 2007 after the necessary due diligence has been carried out.



Rubber production of the group reached 5.072 tonnes, very close to the production of 2005. Prices however were better than in 2005, reaching an average of Ucts 210 per kilo. As every year rejuvenation of our old rubber continued.

Tea production at Cibuni fell substantially in 2006 to 2,512 tonnes of made tea, being 600 tonnes less than in 2005. The drought of recent years has been long and severe which has impeded us applying the required quantities of fertilizers. The quality of our teas, on the other hand, has been of the first order and allowed us to negotiate excellent prices compared to the rest of the Indonesian market.

In order to reduce our production costs following the price increase of diesel oil, we have decided to change the source of energy for the tea drying from diesel oil burners into a boilers/radiator installation using alternative energy sources. Improvements have also been achieved by increasing the capacity of our hydro-electrical installation. These investments will allow us to reduce our production costs by some 15%.

Palm oil production in 2006 at *PT Agro Muko* was similar to 2005 and the own rubber production was lower than last year. A good part of the rubber areas suffered from excessive moisture and wind damage since they have been planted in the late eighties. This rubber will be gradually replanted in other areas within our concession where the rainfall is more suitable. Important road stoning works will facilitate the transport of our crops in the wet season.

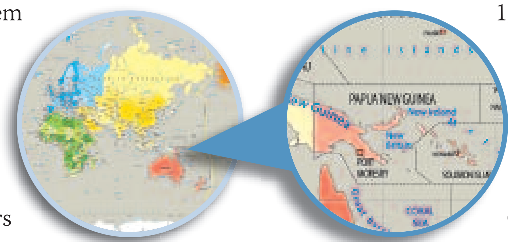
The extension of the capacity from 30 to 45 tonnes per hour at the Bunga Tanjung oil mill has been operational since September 2006.

The capacity of our palm oil terminal at the port of Teluk Bayur in Padang will be extended by adding three tanks of 3,000 ton each to satisfy the demand from third parties, with whom we have signed a contract for the storage and export of their palm oil.

Papua New Guinea

Good commodity prices have helped the country improve its economy. Main exports consists of minerals and agricultural products like coffee, palm oil, copra and rubber. The kina quoted USD 0.33 at the end of 2005 and USD 0.343 at the end of 2006.

The government faces a difficult situation and elections are due in June 2007. Law and order is a latent problem in and around the cities.



Own palm oil production at *Hargy Oil Palms Ltd* was similar as in 2005. Heavy rainfalls reaching over 5 m for the year, as well as lower sunshine hours were the main causes of this production stagnation. Production from the surrounding smallholders suffered the same phenomenon. Total palm oil production reached 67,146 tonnes.

We continued our extension programme and planted 709 ha of new oil palms. 2,267 ha were prepared for our 2007 planting.

2006 was an excellent year for our subsidiary *Galley Reach Holdings Ltd.* It produced 2,386 tonnes of rubber from its own plantation and bought 1,363 tonnes of rubber from smallholders from various regions within the country. Good cost control and the excellent rubber prices contributed to the realization of very good results.

Our extension programme of rubber plantings has continued with 200 ha planted in 2006. In 2007, a further 300 ha new plantings are foreseen.

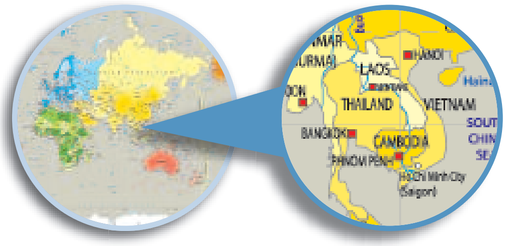
11. Machine developed for composting oil mill waste products - Hargy Oil Palms Ltd - PNG.

Vietnam

The three factories of *Phuben Tea Company* have achieved 4,845 tonnes of made tea, which is 22.8% higher than in 2005. The company ended the year with a negative result, which is however lower than the previous year. Despite the announcement made by the Government that it would stop issuing new licenses to mini-factories without plantation, the competition for the purchase of green leaf remained very strong.

A total of 50 ha were planted with new tea in 2006 and a further 55 ha will be planted in 2007.

We remain confident that the company will improve its profitability with the help of the competent management on site and the further improvement of the quality.



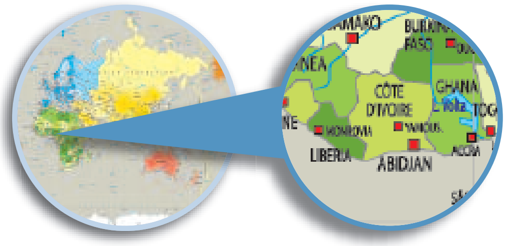
Ivory Coast

The presidential election, considered by the International Community as one of the main keys of the crisis shaking the Ivory Coast, did not take place in October 2006 as planned. The opposition parties disagreed on two crucial problems which are the identity of the Ivorian nationality and disarmament. The country starts a new transition period of a year of high risk, under the leadership of President Gbagbo.

According to the resolution 1721 of the United Nations, this transition period should lead to presidential elections before the 31st of October 2007.

For the second consecutive year and due to weakness and competition in the local vegetable oil market, *SIPEF-CI SA* was forced, during the high cropping season, to export 7,600 tonnes of palm oil on the international market at prices below its revenue cost.

In this suicidal economic context, the Board of Directors and the management of the company decided to put an immediate and extensive restructuring in place to cut short the losses.



12. The Minister of Commerce presents the Vietnam Export Award to Phu Ben Tea Cy.

This restructuring is composed of two main actions:

- improving the average yield of the industrial plantation by closing down all areas producing less than 10 tonnes of fruit per hectare.
- reduction of workers and staff.

As such, on the 1st of March 2006 we closed down 783 ha at Bolo division, 1,045 ha at Ottawa division and 2,517 ha at Okrouyo division.

The number of labour has been reduced from 2,241 on 31/5/2006 to 1,378 workers on 31/10/2006, or a decrease of 38,5%. Expatriate staff have been reduced from 4 to 2 persons. General management has been reinforced.

Despite the cost of such reorganization, savings in general charges and operational costs enabled the company to end the year with a positive result of K€ 40, which is an exceptional achievement after the significant loss of K€ 3,930 in 2005.

Smallholders delivered 98,675 tonnes of fruit, being 9% less than last year. Number of smallholders have abandoned or are felling their oil palm areas, either due to a shortage of money or to replant into rubber.

Palm oil production reached 40,756 tonnes with an acceptable extraction rate of 22.27%. 6,872 tonnes of palm kernels were produced. 74,6% of the 2006 sales were sold to our partner refiner United Oil Company (UOC); 19,5% were exported and the balance of 5,9% was sold to other local buyers. Palm kernels were sold to an associated company of UOC.

The dynamic growth of the UOC group hopefully will absorb the full production of 2007. This would avoid *SIPEF-CI SA* having to sell to the export market which is non-competitive.

Should palm oil prices remain firm, *SIPEF-CI SA* is planning to reduce its excessive indebtedness, to rehabilitate its oil mills at Bolo and Soubre and to prepare an ongoing replanting programme as from 2008.

Plantations J. Eglin SA used its generated cashflow of K€ 263 to improve its irrigation system and to renew the planting material of the banana plantation and some agricultural equipment.

13. Pineapple flowers - Plantations J. Eglin SA - Ivory Coast.
14. Fruit harvest - Plantations J. Eglin SA - Ivory Coast.

Banana production has been above estimates and the 11,159 tonnes of fruits sold in the European Community and in the surrounding regions allowed us to keep our FOB production costs competitive. We intend to improve our performances by increasing our yields and quality and by reducing our sales costs in Europe.

We pursue the technical development of our production sites, like the electrification of our irrigation stations, soil improvements, pest and disease treatments, recycling systems, and at the same time putting a priority on improving the working and life conditions of our workers. All these activities make part of the current commitments taken in the certifications obtained in July 2006 and named "Tesco Nature Choice" and "Eurepgap".

The marketing contracts entered into with most of our ripeners will certainly be renewed in 2007, but the year may turn difficult if our Latino-American competitors continue to supply large volumes of bananas at low prices.

The European Community has finally completed its technical and financial assistance for the year 2003. Some € 100,000 have been paid in 2007 for, and we insist, the financial year 2003.

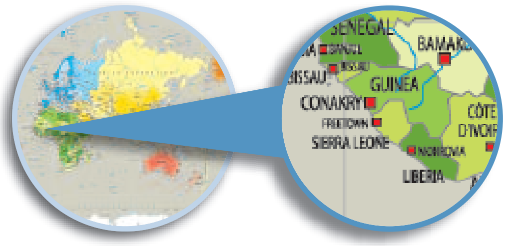
Performance of the horticultural sector has been disappointing. The quantities of sold flowers were lower than 2005 and the forecast we had fixed at 1.3 million pineapple flowers. The absence of large sizes in the course of the first semester has only aggravated the situation and this sector could only realize its sales programme at the end of the third trimester.

We have concentrated our efforts on productivity improvement and have moved all the planting material to a new more fertile production area.

Guinea

Our fruit marketing in West Africa was adversely affected by excessive mango supplies from Peru in the course of the first trimester.

We started our export campaign on the 15th of April in a saturated market and could not obtain the desired prices for the 389 tonnes, sold at an average price of € 0.199 per kilo. This compares to € 0.766 per kilo in 2005.



15. Mangoes - Sipef Guinée SA.
16. Smallholders' mango estate, in production.

America

Franklin Falls Timber Cy, Inc

Cherry Ridge is the last building owned by *Franklin Falls Timber Cy, Inc.* It was decided at the end of 2006 to sell this asset.
The situation of the real estate market in San Antonio is presently favorable and we hope to be able to finalize this sale around mid 2007.
Renovation works at the end of 2006 will maximize the value of this sale.

Brazil

Having contributed to the considerable progress in recent years to the macro-economic stability and restructuring of the economy, President Luiz Inacio Lula da Silva was re-elected at the end of 2006 for a new mandate of four years.

The Brazilian real gained 9% in value against the American dollar and remained unchanged against the euro. Inflation remained under 5%.

Despite a number of signs of interest, the empty shell company *Bonal SA* has not yet been sold. Bonal will be changed from a limited company to a private company and its registered office will be transferred from the State of Acre to the State of Sao Paulo. These administrative and judicial changes should facilitate the sale of the company.

In accordance with the decision to sell the assets of *Senor Ltd*, our subsidiary company of the region of Nordeste, an appraisal of the value of the plantation Ourinhos was completed by the federal agency charged with the promotion of agricultural reform.

After the interest shown by INCRA in the property, it was invaded in April 2006 by squatters and members of the MST (Movimento dos Trabalhadores Rurais Sem Terra).

The legal and police procedures to protect the property and to move them out took six months and the damage done to our forest reserves is substantial. Nearly 100 hectares of jungle have been illegally felled.

Today, numerous MST members still occupy the areas along the boundary of the property and hope to receive some land from the government.

The convoluted administrative procedures of the pre-negotiations with INCRA are still being pursued.

The agricultural activities have suffered from this exceptional situation. We have had to endure continuous hassles and thefts, in particular during the annual pepper harvest of which the crop was reduced to 206 tonnes.

The irrigation of 40 ha of guava trees resulted in a production increase of 75% and the sale of over 565 tonnes of guava fruits on the local markets.

The Cajuapara plantation is running well and the rubber crop showed a slight increase compared to last year.

Europe

Jabelmalux SA

Through *PT Melania* in Indonesia, our Luxemburg subsidiary company *Jabelmalux SA* acquired 95% of the Indonesian company *PT Umbul Mas Wisesa*, as mentioned earlier in this report under the chapter "Indonesia". This situation is temporary waiting to be allowed to transfer lease titles to *SA SIPEF NV*.

Jabelmalux SA has also bought back 5% of the shares of *PT Melania* from an Indonesian pension fund. Today *Jabelmalux SA* is 95% owner of this Indonesian subsidiary.

Insurances

Asco NV / B.D.M. NV

Market

Insurance markets were spared from major calamities during 2006. Results are generally satisfactory thanks to the favorable stock market climate. This lead to new capacities, which were translated by a decrease in premium rates to acquire larger parts of the market share.

In our country and in neighboring countries the premium conditions of the main branches as vehicles and third party liability were reasonable cheaper.

We note, next to growing competition in vehicles and fire, a global decrease in life insurance premium due to higher fiscal charges on this type of product.

These various market movements resulted in a stable volume of insured goods but total premiums paid have decreased as compared to 2005.

Results 2006

Our activities have not been subject to large or frequent claims for the sixth consecutive year.

The insurance activity has generated a new income source and is again active in the market of technical insurances.

Thanks to our experience, all branches in Belgium ended with positive results.

The Dutch activities made a loss for the first time in five years in its maritime business due to a number of ships having suffered a total loss.

Measures have been taken to increase our activities in the products branch which are subject to more stability. Losses on a still modest portfolio have been absorbed by the good results realized in Belgium.

The other branches in the Netherlands are also positive.

Asco NV

The volume of gross premiums improved by 7.13% to reach K€ 16,181. Net premiums have increased by 16.35%, due to inter alia the continuous decrease of premiums transferred to re-insurance.

The gross reserves increased from K€ 15,557 to K€ 18,821. The proportionally reduced reserves for account of the re-insurers imply an increase of the own reserves of K€ 1,860. Notwithstanding this increase the company realized a positive technical result. The net reserves amounted to 1.5 times the total premium cashed.

The investment income amounted to K€ 1,889. With the positive technical result, the company realized a technical profit of K€ 1,977.

17

18

17 et 18. The new offices of Asco NV / B.D.M. NV in Antwerp.

In the course of last year *Asco NV* invested K€ 2,018 in an unfinished building structure for sale. The insurance activities were moved when the building was completed and is located at Entrepotkaai, 5 in Antwerp.

After a less than good year in 2005, the life insurance subsidiary company, in which *Asco NV* owns 50%, has progressed to a satisfactory level with K€ 13,843 of new premiums. Total managed reserves reached K€ 37,907.

The life insurance company has taken the necessary measures with regard to personnel and information technology to undertake new activities in the course of 2007.

B.D.M. NV

As a representative of foreign companies, this enterprise is more active in transport insurance.

Its office in the Netherlands has been able to increase its premium turnover by 4.16%, to reach K€ 29,065.

The turnover of *B.D.M. NV* in Antwerp amounted to K€ 58,548 against K€ 40,007 in 2005. The integration of the company *Minerva NV*, acquired beginning July 2006, is the basis for this growth. The total cashed premiums in Belgium and the Netherlands reached K€ 87,612.

K€ 35.900 of premiums have been cashed for the marine sector and K€ 51.700 for the non-marine sector. In Belgium, transport insurance, with its total premiums of K€ 33.300, remains the most important branch.

Despite some major claims at the beginning of the year, the activity realized a technical positive result in each of the branches.

The subsidiary in the Netherlands produced a positive global result, but the transport branch underwent a number of total losses in freight and in ship damage and the technical result was negative. For this branch of activity, important premium increases are needed to reach a profitability.

Commissions and fees booked by *B.D.M. NV* amounted to K€ 8.157. General charges were limited to 18% and personnel charges to 53% of this amount.

Prospects 2007

The three Belgian companies have transferred their activities and their registered office to the offices acquired by *Asco NV*.

After satisfactory results in the heavy sectors like industrial fire and transport, we notice a decrease of the premium rates which will have their effect on the technical results.

The company will make sure that businesses with too low premiums will be abandoned in order to preserve the results.

In the Netherlands, investments in electronic information to the customers are bearing their fruits since a few weeks.

The continuous consolidation of the integrated entities will take a part of our energy during the first weeks of 2007; thereafter we shall have to find new outlets to maintain our growth.

Finally *Asco NV* will take a part of the car insurance for its own account and *B.D.M. NV* will try to increase its market share.

Group production (ton)

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

	2006			2005		
	Own	Outgrowers	Total	Own	Outgrowers	Total
Palm oil	**186,537**	**59,548**	**246,085**	**175,959**	**70,298**	**246,257**
Indonesia	**132,139**	**6,026**	**138,165**	**120,829**	**14,642**	**135,471**
Tolan Tiga Group	65,544	83	65,627	63,370	890	64,260
Agro Muko Group	66,595	5,943	72,538	57,459	13,752	71,211
Papua New Guinea	35,617	31,547	67,164	35,624	32,362	67,986
Ivory Coast	18,781	21,975	40,756	19,506	23,294	42,800
Palm kernels	**34,638**	**5,011**	**39,649**	**33,149**	**7,361**	**40,510**
Indonesia	**31,471**	**1,306**	**32,777**	**29,775**	**3,332**	**33,107**
Tolan Tiga Group	16,393	22	16,415	16,335	255	16,590
Agro Muko Group	15,078	1,284	16,362	13,440	3,077	16,517
Ivory Coast	3,167	3,705	6,872	3,374	4,029	7,403
Palm kernel oil	**2,636**	**2,228**	**4,864**	**2,612**	**2,212**	**4,824**
Papua New Guinea	2,636	2,228	4,864	2,612	2,212	4,824
Rubber	**9,553**	**2,535**	**12,088**	**9,470**	**2,320**	**11,790**
Indonesia	**6,925**	**1,172**	**8,097**	**6,916**	**462**	**7,378**
Tolan Tiga Group	5,072	0	5,072	5,012	28	5,040
Agro Muko Group	1,853	1,172	3,025	1,904	434	2,338
Papua New Guinea	2,387	1,363	3,750	2,257	1,858	4,115
Brazil	241	-	241	297	-	297
Tea	**5,494**	**2,134**	**7,628**	**5,738**	**1,506**	**7,244**
Indonesia	2,512	-	2,512	3,152	-	3,152
Vietnam	2,982	2,134	5,116	2,587	1,506	4,092
Pineapple flowers (per 1,000 units)	**897**	**0**	**897**	**981**	**0**	**981**
Ivory Coast	897	-	897	981	-	981
Bananas	**11,159**	**0**	**11,159**	**9,868**	**0**	**9,868**
Ivory Coast	11,159	-	11,159	9,868	-	9,868
Guava	**566**	**0**	**566**	**365**	**0**	**365**
Brazil	566	-	566	365	-	365
Hearts of palm	**0**	**0**	**0**	**8**	**0**	**8**
Brazil	-	-	0	8		8
Pepper	**62**	**0**	**62**	**93**	**0**	**93**
Brazil	62	-	62	93		93

Group planted area* (in hectares)

Total planted area of consolidated companies (≠ share of the Group)

	2006							2005						
	Mature	%	Immature	%	Planted	%	Total %	Mature	%	Immature	%	Planted	%	Total %
Oil palms	**40,217**	82	**9,083**	18	**49,300**	100	**78**	**44,495**	89	**5,743**	11	**50,238**	100	**78**
Indonesia	27,631	87	4,103	13	31,734	100	64	27,375	88	3,577	12	30,952	100	62
Tolan Tiga Group	12,893		1,446		14,339			12,412		1,952		14,364		
Agro Muko Group	14,738		2,657		17,395			14,963		1,625		16,588		
Papua New Guinea	6,225	63	3,619	37	9,844	100	20	5,880	87	847	13	6,727	100	13
Ivory Coast	6,361	82	1,361	18	7,722	100	16	11,240	89	1,319	11	12,559	100	25
Rubber	**7,878**	79	**2,096**	21	**9,974**	100	**16**	**7,764**	78	**2,215**	22	**9,979**	100	**15**
Indonesia	4,869	77	1,485	23	6,354	100	64	4,832	76	1,500	24	6,332	100	63
Tolan Tiga Group	3,043		1,297		4,340			3,099		1,214		4,313		
Agro Muko Group	1,826		188		2,014			1,733		286		2,019		
Papua New Guinea	2,458	80	611	20	3,069	100	31	2,381	77	715	23	3,096	100	31
Brazil	551	100	0	-	551	100	6	551	100	0	-	551	100	6
Tea	**2,983**	90	**347**	10	**3,330**	100	**5**	**3,020**	91	**296**	9	**3,316**	100	**5**
Indonesia	1,747	98	40	2	1,787	100	53	1,762	99	25	1	1,787	100	54
Vietnam	1,236	80	307	20	1,543	100	46	1,258	82	271	18	1,529	100	46
Pineapple flowers	**46**	65	**25**	35	**71**	100	**0**	**51**	60	**34**	40	**85**	100	**0**
Ivory Coast	46	65	25	35	71	100		51	60	34	40	85	100	
Bananas	**268**	100	**0**	0	**268**	100	**0**	**253**	100	**0**	0	**253**	100	**0**
Ivory Coast	268	100	0	-	268	100		253	100	0	-	253	100	
Guava	**111**	50	**110**	50	**221**	100	**0**	**15**	7	**205**	93	**220**	100	**0**
Brazil	111	50	110	50	221	100		15	7	205	93	220	100	
Pepper	**72**	82	**16**	18	**88**	100	**0**	**72**	85	**13**	15	**85**	100	**0**
Brazil	72	82	16	18	88	100		72	85	13	15	85	100	
Timber	**0**	0	**238**	100	**238**	100	**0**	**0**	0	**238**	100	**238**	100	**0**
Brazil	0	-	180	100	180	100		0	-	180	100	180	100	
Papua New Guinea	0	-	58	100	58	100		0	-	58	100	58	100	
Total	**51,575**	81	**11,915**	19	**63,490**	100	**100**	**55,670**	86	**8,744**	14	**64,414**	100	**100**

* = actual planted hectares + hectares in preparation

Perlabian mill reservoir - Indonesia.

Biodiesel review

Introduction

In our 2004 Annual Report we published a review of the world supply and demand for edible oils and fats and the part played by palm oil. The main point that emerged from the review was that demand for edible oils is led by the increase in world population allied to improving living standards and dietary intake in the developing world, particularly China and India. Reflecting this, demand growth has been at around 3% p.a. for a number of years. The review also pointed to the extra land area required to satisfy this demand.

What the review did not mention was the demand for edible oils created by their use in biofuels, and in palm oil's case its use in biodiesel. This is expected to increase compound annual growth rate for vegetable oils to about 5.5% between 2005-2010.

This demand source is not something new. The world has been in this situation before. What has brought it to the fore more recently is the price of mineral oils and the geopolitical fears surrounding its supply. Crudely put, as long as mineral oil prices were low and supply plentiful, edible oils were too expensive to be put into your car rather than in your diet.

But price is not the only factor: using biofuels is much more environmentally friendly than burning fossil fuels. To the extent that governments may be moving towards making biofuels mandatory it really doesn't matter what the relative prices of edible and mineral oils are in future, a new sustained and substantial demand for edible oils for non-edible purposes will have been put in place. Since many edible oils are substitutable they will all benefit to some extent by this new demand.

Biodiesel

Among biofuels, biodiesel is produced from oil-bearing crops such as palm oil, rape seed, soya and peanuts; whereas ethanol is produced from grain crops such as corn, wheat and barley, and from sugar cane.

Biodiesel is a renewable diesel fuel substitute. It can be made from a variety of natural oils and fats. Rudolf Diesel, a German engineer, patented a compression-ignition engine in 1897. He wanted to broaden the availability of powered machinery using a commonly available fuel. At the World's Fair in 1900 he demonstrated an engine using peanut oil. Compression-ignition engines and their fuels were eventually named after him.

Since then a number of developments have taken place so that use of vegetable oils as fuel for compression-ignition engines, boilers etc., is now commonplace.

Biodiesel is made by chemically combining any natural oil or fat with an alcohol such as methanol and a catalyst. In Europe the predominant feedstock is rape seed oil; in the United States it is soya bean oil. It can even be made from waste oils and fats e.g., from restaurants, known as "yellow grease".

It can be produced on a huge commercial scale or in your garage! This is one reason why it is difficult to quote a general guide to its production cost.

It can be used in its neat form (100% biodiesel generally referred to as B100) or in blends with petroleum diesel (e.g. B5, B10 etc).

Advantages/disadvantages

From a national and global perspective biodiesel use has a number of advantages:

- Fossil fuels. Although one can argue about the extent of the world's reserves of coal, oil and natural gas it is indisputable that ultimately the supply of these fuels is limited.
- Greenhouse gas emissions. The burning of fossil fuels since the start of the industrial revolution over 150 years ago has increased the level of carbon dioxide and other "greenhouse gases" in the atmosphere. One researcher expressed this by stating that "Within a few centuries, we are returning to the atmosphere and the oceans the concentrated organic carbon stored in sedimentary rocks over hundreds of millions of years". The harm this is doing to our planet is, as you all know, the subject of serious debate, as expressed in the European Union Environment Council conclusions of 20th February 2007.
  Biodiesel is said to be approximately neutral in this regard since the vegetable matter will have absorbed carbon dioxide while it was alive.
- Reducing air pollution. Use of biodiesel reduces many air pollutants especially in urban areas.
- Geopolitical. For petroleum oil importing nations it reduces their dependence on unstable countries and regions for their energy supplies.

Biodiesel does have some disadvantages, for example in terms of power and economy particularly in colder climates, but this is not to the extent that would detract from its use.

Food and/or energy

Almost everything we eat can be converted into a fuel of some sort. Whenever the food value of a crop drops below its fuel value, the market will convert it into fuel. This dynamic has the potential to drive up world food prices and destabilize governments in low-income countries.

Until quite recently we thought of ourselves as being in the food sector. With the unprecedented interest in biodiesel we now find ourselves being considered to be in the energy sector as well.

Mineral oil prices are influencing vegetable oil prices and have the potential to distort those for vegetable oils and fats since the normal supply and demand factors are now affected by swings in mineral oil prices.

A number of large biodiesel factories have been and are being constructed in Europe, Asia and the Americas to cater for the anticipated demand. If all these factories operate at anywhere near full capacity it will divert a very substantial portion of vegetable oils away from their traditional use in food and into energy. The effect can only be to push up the price of edible oils, everything else being equal.

However, if this is overdone governments, particularly in developing countries, are likely to use taxation to redress the balance. In importing countries of the European Union, public opinion will not support the subsidizing of palm oil, particularly if this threatens the rain forests or the economics of local crops, and tax policies will be shaped accordingly.

World production of oils and fats
vs
Diesel used in transport

2005/06

Sources: Oil World, IEA.

Vegetable oils and fats/ mineral oils

World production of all oils and fats are only around 3.6% of all mineral oils produced and only about 10% of all diesel produced. If a 5% biodiesel blend were to occur worldwide for transportation it would absorb some 25% of all vegetable oils and fats.

As the conversion to diesel gathers pace and demand in China and India begin to reflect the number of vehicles on their roads this percentage can only increase.

Over the past decade Chinese car ownership has grown at double-digit or even triple-digit rates every single year. But there are still only 20 cars per 1,000 people compared with 950 in the U.S. If China's per capita car ownership rises to only 10% of American levels, as is likely, the country will outstrip the U.S. as the world's biggest oil consumer.

Biodiesel feedstock

Domestic biodiesel feedstocks are generally as follows:

EU	Rapeseed
U.S.A.	Soja / Maize
India	Jatropha
China	Animal, Yellow grease
Malaysia / Indonesia	Palm oil

If a 5% blend of biodiesel were to come about in Europe, it would absorb all of Europe's current rapeseed oil production and still leave a substantial shortfall. There is almost no more available land in Europe and, considering that ideally rape should only be grown once every 3 or 4 years in the same field, there is a natural limit on the amount of biodiesel that can be produced by European farming and imports would have to make up the shortfall.

In this context it is worth noting that the oil yield per hectare of land from oil palm is 10 times more than soya and 6 times more than rape.

Feedstock costs are the largest single component of biodiesel costs. New production processes are being developed to reduce costs and improve efficiency. One such process is based on continuous production rather than the more traditional batch system.

This should materially reduce production costs and favour high FFA oils and fats, and crude palm oil as a feedstock.

Alternative fuels

They say necessity is the mother of invention and this has certainly been true for fuels. For example, Germany, which is petroleum-poor but coal-rich, invented a process (Fischer-Tropsch) in the 1920s which produced liquid fuel from coal. It was used by Germany and Japan during WWII to produce alternative fuels. Germany's synthetic fuel production reached 6.5 million tonnes in 1944.

Although biofuels are a reality, some experts are predicting that within a decade, biofuel production methods could be replaced by what are known as "second generation" fuels. These "second generation" fuels will be produced by the use of lignocelluloses, which is, basically, the use of biomass or everything that grows. This includes the non-edible parts of existing crops, and from plants that can be grown on soils and climates unsuited for food crops.

There are other alternatives like electric hybrids, hydrogen and fuel cells, algae, human and animal waste etc., but in present, practical terms, biodiesel and other biofuels offer the most promising alternative for the immediate future.

Tax and subsidies

Government tax and subsidies, both in importing and exporting countries, will play a crucial role in the economics of biodiesel.

The European Union is likely to put mineral diesel and biodiesel on an equal footing through taxes, excise duties and diversion of subsidies from, say, "set-aside" areas.

Conclusions

Over 3.5 million tonnes of biodiesel capacity in Asia and over 6 million tonnes in Europe has been or will be constructed by the end of the year. Their owners will be keen to run them at full capacity and this will represent a substantial additional demand for vegetable oils and fats over and above the demand for human consumption. Our conclusions may be summarized as follows:

1. New substantial demand for vegetable oils and fats.
2. Biodiesel demand will be driven by:
   - High mineral oil prices.
   - Government legislation to make use of renewable fuels mandatory regardless of the price of mineral oils.
3. The new demand is substantial and is therefore bullish for vegetable oils in general and palm oil in particular because of its discount to rape.
4. Biodiesel demand will underpin palm oil prices in future. If prices fall too low the two major producers, Malaysia and Indonesia, are likely to burn excess stocks in their transport systems and/or power stations.
5. The impact of this new demand will be felt more fully when more biodiesel factories come on stream.
6. Mineral oil prices will influence vegetable oils and fats prices and could lead to price distortions.
7. Governments' tax policies will have a material impact on the economics of biodiesel production.

Consolidated financial statements

Consolidated balance sheet

at December 31, 2006

	Note	K€ 2006	2005	2004
Non-current assets		**166,702**	**162,735**	**147,562**
Intangible assets	8	**5,396**	**342**	**335**
Biological assets	9	**106,074**	**106,991**	**95,877**
Property, plant & equipment	10	**43,237**	**44,077**	**40,022**
Investment property	11	**1,837**	**1,763**	**1,482**
Financial assets	12	**7,635**	**6,602**	**6,814**
Investments in associates		6,634	5,605	5,811
Other investments		520	512	512
Other financial assets		481	485	491
Receivables > 1 year		**2,523**	**2,960**	**3,032**
Other receivables	13	1,565	1,921	2,143
Deferred tax assets	24	958	1,039	889
Current assets		**48,526**	**36,971**	**39,235**
Inventories	14	**13,239**	**10,116**	**7,328**
Trade and other receivables		**17,943**	**16,196**	**17,444**
Trade receivables		11,104	9,441	13,051
Other receivables	15	6,839	6,755	4,393
Investments		**13,637**	**4,698**	**10,632**
Other investments and deposits	20	13,637	4,698	10,516
Derivatives	27	0	0	116
Cash and cash equivalents	20	**2,688**	**2,647**	**2,951**
Other current assets	15	**1,019**	**3,314**	**880**
Total assets		**215,228**	**199,706**	**186,797**

	Note	2006	2005	2004
K€				
Total equity		**127,675**	**125,276**	**105,089**
Shareholders' equity	16	**117,921**	**111,644**	**92,499**
Issued capital		34,291	33,888	33,603
Share premium		15,421	14,738	14,115
Hedging reserves		0	0	7
Reserves		79,020	64,139	55,729
Translation differences		-10,811	-1,121	-10,955
Minority interests	17	**9,754**	**13,632**	**12,590**
Non-current liabilities		**34,876**	**46,154**	**50,842**
Provisions > 1 year		**24,094**	**26,140**	**23,108**
Provisions	18	188	278	282
Deferred tax liabilities	24	23,906	25,862	22,826
Trade and other obligations > 1 year	21	**100**	**1,673**	**1,734**
Financial obligations > 1 year (incl. derivatives)	20	**3,567**	**12,161**	**20,850**
Pension liabilities	19	**7,115**	**6,180**	**5,150**
Current liabilities		**52,677**	**28,276**	**30,866**
Trade & other obligations < 1 year		**9,767**	**9,629**	**11,333**
Trade payables		3,856	4,831	3,916
Advances received		290	178	416
Other payables	15	5,113	4,117	4,424
Income taxes		508	503	2,577
Financial obligations < 1 year		**39,653**	**16,487**	**16,263**
Current portion of amounts payable after one year	20	8,426	6,731	6,826
Financial obligations	20	31,071	9,593	9,437
Derivatives	27	156	163	0
Other current liabilities	15	**3,257**	**2,160**	**3,270**
Total equity and liabilities		**215,228**	**199,706**	**186,797**

Consolidated income statement

Following the sale of 38% of the shares in SIPEF-CI SA in 2004, the 2004 result has been presented as a pro-forma as if SIPEF-CI SA was accounted for under the equity method. This will allow a better understanding of the comparative figures.

	Note	2006			2005			2004 pro forma		
	K€	Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS
Revenue	7	129,607		129,607	119,326		119,326	117,420		117,420
Cost of sales	7, 9	-96,467	1,449	-95,018	-90,088	1,326	-88,762	-83,553	1,981	-81,572
Gross profit	7	**33,140**	**1,449**	**34,589**	**29,238**	**1,326**	**30,564**	**33,867**	**1,981**	**35,848**
Variation biological assets	9		6,991	6,991		767	767		-1,245	-1,245
Planting cost (net)	9		-5,510	-5,510		-3,346	-3,346		-2,347	-2,347
Selling, general and administrative expenses		-11,293		-11,293	-10,982		-10,982	-10,788		-10,788
Other operating income/(charges)	22	2,700		2,700	533		533	4,303		4,303
Operating result		**24,547**	**2,930**	**27,477**	**18,789**	**-1,253**	**17,536**	**27,382**	**-1,611**	**25,771**
Financial income		551		551	409		409	557		557
Financial charges		-1,921		-1,921	-2,337		-2,337	-3,214		-3,214
Exchange differences		-927		-927	2,783		2,783	-601		-601
Financial result	23	**-2,297**	**0**	**-2,297**	**855**	**0**	**855**	**-3,258**	**0**	**-3,258**
Profit before tax		**22,250**	**2,930**	**25,180**	**19,644**	**-1,253**	**18,931**	**24,124**	**-1,611**	**22,513**
Tax expense	24, 9	-5,946	-1,068	-7,014	-6,307	198	-6,109	-8,615	519	-8,096
Profit after tax		**16,304**	**1,862**	**18,166**	**13,337**	**-1,055**	**12,282**	**15,509**	**-1,092**	**14,417**
Share of results of associated companies	25	**1,199**	**0**	**1,199**	**-36**	**0**	**-36**	**2,010**	**0**	**2,010**
Insurance		1,152		1,152	1,222		1,222	933		933
SIPEF-CI SA		47		47	-1,258		-1,258	1,077		1,077
Profit for the period		**17,503**	**1,862**	**19,365**	**13,301**	**-1,055**	**12,246**	**17,519**	**-1,092**	**16,427**
Attributable to:										
Minority interests	17	1,673	194	1,867	2,011	-773	1,238	2,459	168	2,627
Equity holders of the parent		15,830	1,668	17,498	11,290	-282	11,008	15,060	-1,260	13,800

Consolidated cash flow statement

	Note	2006	2005	2004
	K€			
Operating activities				
Result before tax		**25,180**	**18,391**	**23,612**
Adjusted for:				
Depreciation	7	5,575	4,955	6,389
Movement in provisions	19	1,031	539	450
Unrealised exchange result		-1,180	-2,618	350
Changes in fair value of biological assets	9	-1,481	2,579	3,592
Other non-cash results		-1,356	118	158
Interest received - paid		1,377	1,656	3,583
Capital loss on receivables		-79	599	1,799
Capital loss on sale of investments		0	0	-4
Result on disposal of property, plant and equipment		229	-300	-3,440
Result on disposal of financial assets		0	0	-2,282
Cash flow from operating activities before change in net working capital		**29,296**	**25,919**	**34,207**
Change in net working capital		-2,065	-4,206	-3,123
Cash flow from operating activities after change in net working capital		**27,231**	**21,713**	**31,084**
Income taxes paid	24, 9	-5,484	-8,665	-6,168
Cash flow from operating activities after taxes		**21,747**	**13,048**	**24,916**
Investing activities				
Acquisition intangible assets	7	-166	0	-2
Acquisition biological assets	7	-5,649	-3,384	-2,394
Acquisition property, plant & equipment	7	-7,586	-5,389	-8,881
Acquisition investment property	7	-361	-126	-92
Acquisition financial assets	30	-11,686	-222	-18
Dividends received from associated companies	12	170	170	412
Proceeds from sale of property, plant & equipment		196	2,492	5,851
Proceeds from sale of financial assets		0	0	4,722
Cash flow from investing activities		**-25,082**	**-6,459**	**-402**
Free cash flow		**-3,335**	**6,589**	**24,514**
Financing activities				
Capital increase	16	1,086	907	16,500
Costs of capital increase		0	0	-679
Increase/(decrease) in long-term financial borrowings	20	-6,051	-9,115	-7,731
Increase/(decrease) short-term financial borrowings	20	21,478	156	-19,809
Last year's dividend paid during this bookyear		-2,566	-2,664	0
Dividends paid by subsidiaries to minorities	17	-169	-744	-1,520
Interest received - paid		-1,377	-1,656	-3,583
Cash flow from financing activities		**12,401**	**-13,116**	**-16,822**
Net increase in cash and cash equivalents	20	**9,066**	**-6,527**	**7,692**
Cash and cash equivalents (opening balance)	20	7,346	13,467	6,062
Effect of exchange rate fluctuations on cash and cash equivalents	20	-87	406	-287
Cash and cash equivalents (closing balance)	20	16,325	7,346	13,467

Consolidated statement of changes in equity

K€	Capital stock SA SIPEF NV	Share premium SA SIPEF NV	Retained earnings	Stock options	Hedging reserves	Translation differences	Share-holders' equity	Minority interests	Total equity
January 1, 2005	**33,603**	**14,116**	**55,468**	**260**	**7**	**-10,955**	**92,499**	**12,590**	**105,089**
Result for the period			11,008				**11,008**	1,238	**12,246**
Translation differences						9,834	**9,834**		**9,834**
Change in hedging reserves					-7		**-7**		**-7**
	33,603	**14,116**	**66,476**	**260**	**0**	**-1,121**	**113,334**	**13,828**	**127,162**
Last year's dividend paid			-2,732				**-2,732**		**-2,732**
Issue of shares	285	622					**907**		**907**
Stock options				135			**135**		**135**
Other							**0**	-196	**-196**
December 31, 2005	**33,888**	**14,738**	**63,744**	**395**	**0**	**-1,121**	**111,644**	**13,632**	**125,276**
January 1, 2006	**33,888**	**14,738**	**63,744**	**395**	**0**	**-1,121**	**111,644**	**13,632**	**125,276**
Result for the period			17,498				**17,498**	1,867	**19,365**
Translation differences						-9,690	**-9,690**		**-9,690**
Change in hedging reserves							**0**		**0**
	33,888	**14,738**	**81,242**	**395**	**0**	**-10,811**	**119,452**	**15,499**	**134,951**
Last year's dividend paid			-2,617				**-2,617**		**-2,617**
Issue of shares	403	683					**1,086**		**1,086**
Stock options							**0**		**0**
Other							**0**	-5,745	**-5,745**
December 31, 2006	**34,291**	**15,421**	**78,625**	**395**	**0**	**-10,811**	**117,921**	**9,754**	**127,675**

Notes to the consolidated financial statements of the SIPEF Group

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 (registered office changed as per March 12, 2007).
The consolidated financial statements for the year ended 31 December 2006 comprise SA SIPEF NV and its subsidiaries (together referred to as 'SIPEF' or 'the Group'). Comparative figures are for the financial years 2005 and 2004.
The consolidated financial statements were authorized for issue by the Directors at the Board Meeting of 7 March 2007 and shall be approved by the shareholders at the Annual General Meeting of 13 June 2007. 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 IFRSs which have been adopted by the European Union. 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:
- IFRIC 7: Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;
- IFRIC 8: Scope of IFRS 2;
- IFRIC 9: Reassessment of Embedded Derivatives;
- IFRIC 10: Interim Financial Reporting and Impairment;
- IFRIC 11 & IFRS 2: Group and Treasury Share Transactions;
- IFRIC 12: Service Concession Arrangements;
- IFRS 7: Financial Instruments: Disclosures;
- IFRS 8: Operating Segments.

At this stage, the Group does not expect first adoption of these standards and interpretations to have any material impact. The presentation of the segment information might be influenced by IFRS 8 Operating Segments.

3. Accounting policies

Basis of preparation

The consolidated financial statements are presented in Euros, rounded to the nearest thousand (K€).
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.

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.

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). The consolidated financial statements are presented in Euros which is the functional currency of the parent SA SIPEF NV.

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 faire value (IAS 41).

As from 2006 SIPEF records its biological assets at the value according to internal valuation models. These models are mainly based on the discounted cash flow method (DCF). For the major part of the biological assets (74%) the valuation methodology and the assumptions used were confirmed by an external expert. The valuations for which no external confirmation was obtained (mainly smaller group entities) follow a comparable methodology and use comparable assumptions.

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
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: 14.5%-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. Any impairment is recognized immediately 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 charge.

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 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

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.

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.

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.

Cash and cash equivalents

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

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.

Minority interest
Minority 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 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 personnel costs.

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 over the period of the borrowings.

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.

Share based payments
The fair value of employee share based payment plans is calculated using the Black-Scholes valuation model. In accordance with IFRS 2 - *Share-based payments*, the resulting cost is charged to the income statement over the share vesting period. Compensation expense is adjusted to reflect expected and actual levels of vesting.
When warrants are exercised, new shares are issued and equity is increased by the amount of the proceeds received: share capital is increased by the fractional amount per share with the remainder being recorded as share premium.

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
- Deferred tax assets
- Provisions
- Fair value biological assets
- 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:

Consolidated companies (full consolidation)	Location	% of control	% of interest
PT Tolan Tiga	Medan / Indonesia	95.00	95.00
PT Eastern Sumatra	Medan / Indonesia	95.00	95.00
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 Umbul Mas Wisesa	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
Sipef Pacific Timbers Pty Ltd	Port Moresby / Papua N.G.	75.00	75.00
Phu Ben Tea Cy	Hanoi / Vietnam	100.00	77.40
Plantations J. Eglin SA	Azaguié / Ivory Coast	100.00	100.00
Sipef Guinea SA	Conackry / Guinea	84.04	84.04
Bonal SA	Rio Branco / Brazil	69.82	69.82
Senor Ltd	Açailandia / Brazil	97.29	97.29
Franklin Falls Timber Cy, Inc	Delaware / USA	100.00	100.00
Jabelmalux SA	Luxembourg / Luxemburg	77.40	77.40

Joint ventures (proportionate consolidation)	Location	% of control	% of interest
PT Agro Muko	Jakarta / Indonesia	40.48	38.45

Associates (equity method)			
SIPEF-CI SA	San Pedro / Ivory Coast	32.01	32.01
B.D.M. NV	Antwerpen / Belgium	50.00	50.00
Bruns ten Brink BV	Wormer / The Netherlands	50.00	50.00
Ascanius NV	Antwerpen / Belgium		(merged with BDM NV in 2006)
Minerva NV	Antwerpen / Belgium		(merged with BDM NV in 2006)
Asco NV	Antwerpen / Belgium	50.00	50.00
Asco Life NV	Antwerpen / Belgium	25.00	25.00

Companies not included			
Agridus NV (in liquidation)	Antwerpen / Belgium	86.83	86.83
Cavalla Rubber Corporation	Monrovia / Liberia	80.00	80.00
Horikiki Development Cy Ltd	Honiara / Solomon Islands	90.80	90.80
C.K.E. Scarl	Bandundu / Congo	81.20	81.20
Sograkin SA	Kinshasa / Congo	50.00	50.00

In July 2006 Jabelmalux SA acquired a 100% share in PT Umbul Mas Wisesa. This subsidiary will develop into a major additional palm oil activity in Sumatra, Indonesia.
During the year an additional share of 5% was acquired in PT Tolan Tiga, PT Eastern Sumatra, PT Bandar Sumatra, PT Timbang Deli and PT Melania and of 3% in PT Kerasaan.
A reorganisation within the insurance branch was realized on July 1 by the merger of Minerva NV and Ascanius NV with B.D.M. NV.
Inspite of the possession of the majority of voting rights, the Group has no control over the non consolidated companies because they are either in liquidation (Agridus NV) or they are established in inaccessible regions (Horikiki, CKE, Cavalla and Sograkin).

6. Exchange rates

The main currencies applicable within the Group used for the translation of the balance sheets and income statements of consolidated entities to the Euro (the reporting currency) are set out below. All subsidiaries, associates and joint ventures have as functional currency, the currency of the country in which they operate.

	Closing rate		Average rate	
	2006	2005	2006	2005
Indonesia	11,879	11,596	11,542	12,060
Papua N.G.	3.8397	3.5426	3.7308	3.7523
Vietnam	21,192	18,728	20,203	19,619
Ivory Coast	656	656	656	656
Guinea	7,442	5,300	6,391	4,446
Brazil	2.8157	2.7613	2.7382	2.9933
USA	1.3170	1.1797	1.2630	1.2379

Note that as a result of a revised liquidity- and debt management as from the end of 2006 functional currency in the majority of the subsidiaries will change as from January 1, 2007 to US dollar (for the Asian subsidiaries) or Euro (for the African subsidiaries).

7. Segment information

Segment reporting is based on two segment reporting formats. The primary reporting format represents business segments – palm products, rubber, tea, tropical fruits & 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 margin 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

2006 K€	Revenue	Cost of sales	Gross profit before IAS 41	IAS 41	Gross profit IFRS	% of total
Palm	77,072	-54,793	22,279	1,046	23,325	67.43
Rubber	19,106	-11,203	7,903	269	8,172	23.63
Tea	8,982	-8,565	417	42	459	1.33
Tropical fruits and plants	21,708	-20,550	1,158	35	1,193	3.45
Corporate	1,495	0	1,495	0	1,495	4.32
Others	1,244	-1,356	-112	57	-55	-0.16
Total	**129,607**	**-96,467**	**33,140**	**1,449**	**34,589**	**100.00**

2005 K€	Revenue	Cost of sales	Gross profit before IAS 41	IAS 41	Gross profit IFRS	% of total
Palm	73,764	-52,315	21,449	995	22,444	73.43
Rubber	13,249	-8,586	4,663	236	4,899	16.03
Tea	8,785	-8,502	283	40	323	1.06
Tropical fruits and plants	20,887	-19,261	1,626	0	1,626	5.32
Corporate	1,449	0	1,449	0	1,449	4.74
Others	1,192	-1,424	-232	55	-177	-0.58
Total	**119,326**	**-90,088**	**29,238**	**1,326**	**30,564**	**100.00**

The segment "corporate" comprises the management fees received from non group entities.
The others mainly concern the margin coming from real estate investments.
Under IFRS (IAS 41) depreciation on biological assets is not allowed.

Gross profit by geographical segment

2006 K€	Revenue	Cost of sales	Other income	Gross profit before IAS 41	IAS 41	Gross profit IFRS	% of total
Indonesia	60,985	-37,361	664	24,288	517	24,805	71.71
Papua New Guinea	36,887	-30,905	0	5,982	775	6,757	19.54
Vietnam	4,982	-4,212	0	770	23	793	2.29
Ivory Coast	20,199	-19,241	0	958	35	993	2.87
Europe	29	-53	1,037	1,013	0	1,013	2.93
Others	4,824	-4,695	0	129	99	228	0.66
Total	**127,906**	**-96,467**	**1,701**	**33,140**	**1,449**	**34,589**	**100.00**

2005 K€	Revenue	Cost of sales	Other income	Gross profit before IAS 41	IAS 41	Gross profit IFRS	% of total
Indonesia	55,007	-33,461	642	22,188	447	22,635	74.06
Papua New Guinea	31,546	-27,158	0	4,388	767	5,155	16.87
Vietnam	4,123	-3,863	0	260	23	283	0.93
Ivory Coast	22,934	-21,666	0	1,268	0	1,268	4.15
Europe	18	-18	994	994	0	994	3.25
Others	4,062	-3,922	0	140	89	229	0.75
Total	**117,690**	**-90,088**	**1,636**	**29,238**	**1,326**	**30,564**	**100.00**

Revenue by location of the debtors

K€	2006	2005
Singapore	28,203	23,373
United Kingdom	20,925	12,633
Indonesia	20,905	19,703
The Netherlands	14,053	15,291
Germany	9,841	8,111
United States	7,926	6,120
Belgium	7,171	7,562
Pakistan	6,786	5,414
France	4,770	10,701
India	2,573	2,413
Spain	2,101	2,638
Ivory Coast	1,627	2,244
Others	2,726	3,123
Total	**129,607**	**119,326**

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 liabilities are not attributed.

	2006 - K€						
	Palm	Rubber	Tea	TF&P	Insurance	Un-allocated	**Total**
Intangible assets						5,396	**5,396**
Biological assets	89,055	9,981	1,793	778		4,467	**106,074**
Property, plant & equipment	32,092	3,032	5,872	1,206		1,035	**43,237**
Investment property						1,837	**1,837**
Investments in associates	816				5,818	0	**6,634**
Other receivables	342					1,223	**1,565**
Inventories	4,270	717	1,618			6,634	**13,239**
Trade receivables	4,940	1,482	573	3,032		1,077	**11,104**
Other current assets		2		256		761	**1,019**
Unallocated						25,123	**25,123**
Total assets	**131,515**	**15,214**	**9,856**	**5,272**	**5,818**	**47,553**	**215,228**
% of total assets	61.10%	7.07%	4.58%	2.45%	2.70%	22.09%	**100.00%**
Total liabilities							**215,228**
Segment capital expenditures:							
Intangible assets						166	**166**
Biological assets	4,328	1,050	196	59		16	**5,649**
Property, plant & equipment	5,731	779	566	235		275	**7,586**
Investment property						361	**361**
Total investments	**10,059**	**1,829**	**762**	**294**	**0**	**818**	**13,762**
Segment depreciation:							
Intangible assets						38	**38**
Property, plant & equipment	3,859	327	660	298		300	**5,444**
Investment property						93	**93**
Total depreciation	**3,859**	**327**	**660**	**298**	**0**	**431**	**5,575**

2005 - K€

Palm	Rubber	Tea	TF&P	Insurance	Un-allocated	**Total**	
					342	**342**	Intangible assets
93,520	8,099	3,189	754		1,429	**106,991**	Biological assets
32,522	2,734	6,447	1,322		1,052	**44,077**	Property, plant & equipment
					1,763	**1,763**	Investment property
769				4,836	0	**5,605**	Investments in associates
525					1,396	**1,921**	Other receivables
2,179	552	1,390			5,995	**10,116**	Inventories
4,171	1,419	897	2,622		332	**9,441**	Trade receivables
2,186	2		367		759	**3,314**	Other current assets
					16,136	**16,136**	Unallocated
135,872	**12,806**	**11,923**	**5,065**	**4,836**	**29,204**	**199,706**	**Total assets**
68.04%	6.41%	5.97%	2.54%	2.42%	14.62%	**100.00%**	% of total assets
						199,706	**Total liabilities**
							Segment capital expenditures:
					0	**0**	Intangible assets
2,296	770	243	46		29	**3,384**	Biological assets
4,141	446	314	310		178	**5,389**	Property, plant & equipment
					126	**126**	Investment property
6,437	**1,216**	**557**	**356**	**0**	**333**	**8,899**	**Total investments**
							Segment depreciation:
					23	**23**	Intangible assets
3,350	293	661	324		234	**4,862**	Property, plant & equipment
					70	**70**	Investment property
3,350	**293**	**661**	**324**	**0**	**327**	**4,955**	**Total depreciation**

Segment information - geographical

	2006 - K€						
	Indonesia	PNG	Vietnam	Ivory Coast	Europe	Others	**Total**
Intangible assets	5,244			7	145		**5,396**
Biological assets	82,231	20,568	1,385	778		1,112	**106,074**
Property, plant & equipment	14,416	23,590	2,887	1,171	171	1,002	**43,237**
Investment property					3	1,834	**1,837**
Investments in associates				816	5,818		**6,634**
Other assets	6,150	10,629	1,736	1,415	31,646	474	**52,050**
Total assets	**108,041**	**54,787**	**6,008**	**4,187**	**37,783**	**4,422**	**215,228**
% of total assets	50.20%	25.46%	2.79%	1.95%	17.55%	2.05%	**100.00%**

Segment capital expenditures:							
Intangible assets				8	158		**166**
Biological assets	2,107	3,310	157	59		16	**5,649**
Property, plant & equipment	3,127	3,911	69	204	159	116	**7,586**
Investment property						361	**361**
Total investments	**5,234**	**7,221**	**226**	**271**	**317**	**493**	**13,762**

Segment depreciation:							
Intangible assets	23			2	13		**38**
Property, plant & equipment	1,772	2,815	311	290	161	95	**5,444**
Investment property						93	**93**
Total depreciation	**1,795**	**2,815**	**311**	**292**	**174**	**188**	**5,575**

2005 - K€

Indonesia	PNG	Vietnam	Ivory Coast	Europe	Others	**Total**	
341					1	**342**	Intangible assets
82,091	21,391	1,538	754		1,217	**106,991**	Biological assets
13,431	24,630	3,528	1,265	173	1,050	**44,077**	Property, plant & equipment
				3	1,760	**1,763**	Investment property
			769	4,836		**5,605**	Investments in associates
9,772	10,098	1,295	1,305	17,699	759	**40,928**	Other assets
105,635	**56,119**	**6,361**	**4,093**	**22,711**	**4,787**	**199,706**	**Total assets**
52.90%	28.10%	3.19%	2.05%	11.37%	2.40%	**100.00%**	% of total assets
							Segment capital expenditures:
						0	Intangible assets
1,673	1,418	218	46		29	**3,384**	Biological assets
2,505	2,328	72	301	88	95	**5,389**	Property, plant & equipment
					126	**126**	Investment property
4,178	**3,746**	**290**	**347**	**88**	**250**	**8,899**	**Total investments**
							Segment depreciation:
22				1		**23**	Intangible assets
1,633	2,400	328	312	63	126	**4,862**	Property, plant & equipment
					70	**70**	Investment property
1,655	**2,400**	**328**	**312**	**64**	**196**	**4,955**	**Total depreciation**

8. Intangible assets

K€	Goodwill	Others	Total intangible assets
Gross carrying amount at December 31, 2005	0	560	560
Change in consolidation scope	4,290	643	4,933
Acquisitions	0	166	166
Sales and disposals	0	0	0
Transfers	0	0	0
Translation differences	0	-12	-12
Gross carrying amount at December 31, 2006	4,290	1,357	5,647
Accumulated amortization and impairment losses at December 31, 2005	0	-218	-218
Change in consolidation scope	0	0	0
Depreciations	0	-38	-38
Sales and disposals	0	0	0
Translation differences	0	5	5
Accumulated amortization and impairment losses at December 31, 2006	0	-251	-251
Net carrying amount December 31, 2005	0	342	342
Net carrying amount December 31, 2006	**4,290**	**1,106**	**5,396**

In anticipation of the final calculation of fair value of the assets and liabilities of PT UMW, the value of the concession rights and goodwill (together K€ 4,933) should be considered as a best estimate. Values will be finalized in the course of 2007.

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. 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	972	Concession	2023	Rubber and oil palm
PT Melania	5,140	Concession	2023	Rubber, tea and oil palm
PT Umbul Mas Wisesa	8,353	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
Sipef-CI SA	16,264	Concession	2095	Oil palm
Plantations J. Eglin SA	1,136	Freehold	na	Bananas and pineapple flowers
Plantations J. Eglin SA	322	Concession provisional	na	Bananas and pineapple flowers
Phu Ben Tea Cy	2,177	Concession	2035	Tea
Senor Ltd	3,608	Freehold	na	Rubber, guava and pepper
	105,598			

Movement schedule biological assets

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

K€	Oil palm	Rubber	Tea	Others	Total
December 31, 2005	93,520	8,099	3,189	2,183	106,991
Variation market value	5,514	2,843	-1,110	-256	6,991
Acquisition PT UMW				3,355	3,355
	99,034	**10,942**	**2,079**	**5,282**	**117,337**
Translation differences	-9,979	-961	-286	-37	-11,263
December 31, 2006	**89,055**	**9,981**	**1,793**	**5,245**	**106,074**

The positive variation of the market value for oil palm and rubber is mainly due to young areas creating additional value (in PT Agro Muko in particular) and the general increase in the profitability of rubber. The reduction of the fair value of the tea plantations is the result of the higher cost prices and disappointing operational results (PT Melania).

The decrease of these items due to the translation differences is the result of the devaluation of the USD against the EUR.

Sensitivity variation sales price

Values as appearing in the balance sheet are very sensitive to price changes. 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:

K€	+ 10%	Balance 2006	- 10%
Oil palm	115,417	89,055	62,712
Rubber	14,043	9,981	5,994
Tea	5,499	1,793	-1,913
Total	**134,959**	**100,829**	**66,793**
Others		5,245	
		106,074	

Impact of IAS 41 on the income statement

According to IFRS, biological assets are measured at fair value instead of at 'depreciated cost' (IAS 41). This means that the amounts paid for the replanting of existing areas or for the planting of new land are immediately charged in the income statement in the year they arise, even if these investments have an economic lifetime of at least 20 years. In addition these biological assets are not depreciated but are adjusted to fair value. Management is of the opinion that capitalising these investments and the depreciation over the economic useful life (as was the previous treatment) presents the recurring result of the Group in a better manner.
Therefore the IAS 41 impact is presented in a separate column on the face of the income statement.

K€	Oil palm	Rubber	Tea	Others	Total
Depreciation	1,046	227	42	134	1,449
Variation biological assets	5,514	2,843	-1,110	-256	6,991
Planting cost	-4,328	-1,050	-196	-75	-5,649
Disposals	40	12	87	0	139
Operating result	**2,272**	**2,032**	**-1,177**	**-197**	**2,930**
Tax impact					-1,068
Net impact					**1,862**

Impact of IAS 41 on the cash flow statement

K€	2006	2005
Variation biological assets	-6,991	-767
Planting cost (included in investing activities)	5,649	3,384
Sales and disposals (included in sale of assets)	-139	-38
	-1,481	**2,579**

10. Property, plant & equipment

K€	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment, furniture and others	In progress	Total property, plant and equipment	Investment property
Gross carrying amount at December 31, 2005	23,144	39,639	11,001	3,542	697	78,023	2,584
Change in consolidation scope				33		33	0
Acquisitions	2,107	2,602	1,882	600	634	7,825	361
Sales and disposals	-42	-39	-327	-74	-266	-748	-33
Transfers	214	-3		-210	-240	-239	0
Other				260		260	63
Translation differences	-1,155	-2,600	-633	-210	-39	-4,637	-283
Gross carrying amount at December 31, 2006	24,268	39,599	11,923	3,941	786	80,517	2,692
Accumulated depreciation and impairment losses at December 31, 2005	-8,040	-16,293	-7,217	-2,396	0	-33,946	-821
Change in consolidation scope						0	0
Depreciation	-942	-2,538	-1,519	-445		-5,444	-93
Sales and disposals	35	31	323	73		462	33
Transfers	-42			41		-1	0
Other				-260		-260	-63
Translation differences	298	1,046	411	154		1,909	89
Accumulated depreciation and impairment losses at December 31, 2006	-8,691	-17,754	-8,002	-2,833	0	-37,280	-855
Net carrying amount December 31, 2005	15,104	23,346	3,784	1,146	697	44,077	1,763
Net carrying amount December 31, 2006	**15,577**	**21,845**	**3,921**	**1,108**	**786**	**43,237**	**1,837**

The decrease of these items due to translation differences is the result of the devaluation of the IDR, PGK, VND and USD against the EUR. See also the note regarding equity/translation differences.

11. Investment property

Investment property mainly represents leased out office buildings in the U.S.A. and are accounted for according to the cost model (cost less any accumulated depreciation and any accumulated impairment losses).
The maturity of future minimum non-cancelable rental income is (in KUSD):

	2006	2005
1 year	896	680
2 years	762	473
3 years	659	343
4 years	559	218
> 4 years	288	119
Total	**3,164**	**1,833**

In 2006 K€ 721 rentals were received (against K€ 608 last year).
The fair value of these assets is estimated by management (based on recent transactions) at a gross amount between K€ 4,500 and K€ 5,000.

12. Financial assets

		Associated companies		Other companies			
	K€	Participations	Receivables	Participations	Receivables	Other receivables	Total
Gross carrying amount at December 31, 2005		5,605	2,209	5,439	8,437	25	21,715
Share of results of associated companies	Insurance	1,152					1,152
	Sipef-CI SA	47					47
Distributed dividendes		-170					-170
Other additions			137				137
Other sales						-4	-4
Gross carrying amount at December 31, 2006		6,634	2,346	5,439	8,437	21	22,877
Accumulated impairment losses at December 31, 2005		0	1,697	4,979	8,437	0	15,113
Write-downs			129				129
Disposals							0
Accumulated impairment losses at December 31, 2006		0	1,826	4,979	8,437	0	15,242
Net carrying amount at December 31, 2005		5,605	512	460	0	25	6,602
Net carrying amount at December 31, 2006		**6,634**	**520**	**460**	**0**	**21**	**7,635**

Investments in other enterprises include a 9.6% stake in Gedei NV (net book value of K€ 126), a 87% participation in Agridus NV in liquidation (net book value of K€ 288) and K€ 46 other participations.
The equity of Gedei NV amounted to K€ 4,938 at December 31, 2006 and the equity of Agridus NV amounted to K€ 384 at June 30, 2006 (latest available financial statements).

Investments in associates refer to:

K€	Functional currency	% of interest	Shareholders' equity Group share	Goodwill	Participations in Group companies	Net carrying amount
SIPEF-CI SA	CFA	32	816			816
B.D.M. NV	EUR	50	2,118		-2,617	-499
Bruns ten Brink BV	EUR	50	475	520		994
Asco NV	EUR	50	5,610		-1,250	4,360
Asco Life NV	EUR	25	963			963
Total			**9,982**	**520**	**-3,867**	**6,634**

The negative value for B.D.M. NV (parent entity for investments in Bruns ten Brink BV and Asco NV) is due to the direct consolidation method of the insurance group.

13. Other long term receivables

Other long term receivables concern the present value of the receivable on United Oil Company which originates from the sale of 38% of the shares in SIPEF-CI SA at the end of 2004. In 2006 the agreed terms of redemption were met so part of the previous impairment loss was reversed during the year (K€ 208).

14. Inventories

Analysis of inventories

K€	2006	2005
Raw materials and supplies	5,949	5,804
Finished goods	6,605	4,121
Advance payments	685	191
Total	**13,239**	**10,116**

Inventories have increased with K€ 2,484. This temporary increase mainly concerns a palm oil inventory at Tolan Tiga Group (K€ 504), PT Agro Muko (K€ 303) and Hargy Oil Palms Ltd (K€ 1,327) and tea stock at Phu Ben Tea Cy (K€ 212).

15. Other current assets and other current liabilities

Other receivables (K€ 6,839) includes a tax receivable for K€ 1,381 (against K€ 1,777 last year). The remaining amount of K€ 5,458 mainly concerns recoverable VAT in various Group companies.
Other payables (K€ 5,113) mainly include social debts (remuneration due, holiday pay and bonus provisions) and invoices outstanding. The increase in 2006 is mainly due to the transfer to current liabilities of the debt to its shareholders recorded in Jabelmalux SA as a result of the liability to pay for the non-converted shares in 2002. This debt is payable in November 2007.
Marketing activities are not included in the result until the corresponding contracts have been fully closed; in the meantime, they are recorded under accrued/deferred charges and income.

16. Shareholders' equity

The various components of equity and the changes therein from December 31, 2005 to December 31, 2006 are presented in the consolidated statement of changes in equity.

Capital stock and share premium

The issued capital of the Company as at December 31, 2006 amounts to K€ 34,291, represented by 882,888 fully paid ordinary shares without nominal value. Changes in capital stock and share premium from the end of 2004 to the end of 2006 are:

Date	Number of shares	Capital (K€)	Par value	Share premium (K€)	Total (K€)	Value/share
2004	**865,196**	**33,603**	**38.84**	**14,115**	**47,718**	**55.15**
04/11/2005	7,315	285	38.96	623	908	124.13
2005	**872,511**	**33,888**	**38.84**	**14,738**	**48,626**	**55.73**
03/11/2006	10,377	403	38.84	683	1,086	104.65
2006	**882,888**	**34,291**	**38.84**	**15,421**	**49,712**	**56.31**

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 K€ 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 K€ 477 for the issue of subscription rights granted in 1999 and 2002 and for the capital increase in 2006 of K€ 403.
As at 31 December 2006 the Company has received following shareholders declarations:

	Number of shares	Date of notifying	Denominator	%
In connection with Baron Bracht				
Cabra NV	22,395	28/05/1993	521,285	4.30
Gedei NV	34,295	28/05/1993	521,285	6.58
				10.88
Ackermans & van Haaren NV and B.D.S. Holding NV	140,724	30/04/1997	697,211	**20.18**
Alcatel Pensioenfonds VZW	35,450	30/06/2003	708,054	**5.01**

On February 12, 2007 a new declaration was received following which the shareholders' structure is as follows:

	Number of shares	Date of notifying	Denominator	%
In mutual consent				
N.I.M. NV (in connection with AvH NV)	165,000	12/02/2007	882,888	18.69
AvH NV (in connection with N.I.M. NV)	941	12/02/2007	882,888	0.11
Baron Bracht (in connection with Cabra and Gedei)	20,018	12/02/2007	882,888	2.27
Cabra NV (in connection with baron Bracht and Gedei)	38,777	12/02/2007	882,888	4.39
Gedei NV (in connection with baron Bracht and Cabra)	43,864	12/02/2007	882,888	4.97
	268,600			**30.43**
Alcatel Pensioenfonds VZW	**35,450**	30/06/2003	708,054	**5.01**

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 change compared to last year is mainly the result of the devaluation of the IDR, PGK, VND and USD against the EUR in 2006.

Country	Currency	2005	Movement 2006	2006
Indonesia	IDR	-4,670	-6,233	-10,903
PNG	PGK	2,189	-1,968	221
Vietnam	VND	156	-224	-68
United States	USD	90	-216	-126
Others		241	76	317
Total translation differences on equity		**-1,994**	**-8,565**	**-10,559**
Conversion loans		873	-1,125	-252
Total		**-1,121**	**-9,690**	**-10,811**

Since a considerable proportion of the loans granted by SA SIPEF NV to Hargy Oil Palms Ltd, Sipef Pacific Timbers Pty Ltd and Senor Ltd can be considered as equivalent to equity (interest-free, with no fixed repayments and also no foreseeable repayments); the translation differences on this part of the debts have been recorded directly to translation differences.

Dividends

On March 7, 2007 a dividend of K€ 3,669 (4 € gross per ordinary share + directors' fees) 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, 2006.

17. Minority interests

These consist mainly of minority interests in the equity and net income of:

%	2006	2005
PT Tolan Tiga	5.00	10.00
PT Eastern Sumatra	5.00	10.00
PT Kerasaan	43.00	46.00
PT Bandar Sumatra	5.00	10.00
PT Timbang Deli	5.00	10.00
PT Melania	26.47	30.34
PT Umbul Mas Wisesa	22.60	-
PT Agro Muko	2.02	3.59
Sipef Pacific Timbers Pty Ltd	25.00	25.00
Phu Ben Tea Cy	22.60	22.60
Sipef Guinea SA	15.96	15.96
Bonal SA	30.18	30.18
Senor Ltd	2.71	2.71
Jabelmalux SA	22.60	22.60

The movements of the year can be summarized as follows:

K€	2006
At the end of the preceding period	13,632
Change in consolidation scope	-4,714
Profit for the period attributable to minority interests	1,867
Distributed dividends	-169
Translation differences	-862
At the end of the period	**9,754**

18. Provisions

These mainly include a provision for “constructed buildings” which are still under guarantee in SA SIPEF NV (K€ 99) and a provision for a pending fiscal dispute at Plantations J. Eglin SA (K€ 61).

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 2005 and 2006:

K€	2005	Pension cost	Payment	Translation difference	2006
Indonesia	5,855	1,922	-813	-171	6,793
Ivory Coast	155	3		0	158
Others	170	10		-16	164
	6,180	**1,935**	**-813**	**-187**	**7,115**

Following assumptions are used in the pension calculation of Indonesia:

	2006	2005
Discount rate	10.0%	12.5%
Salary increase	7.5%	10.0%
Past service age	55 years or 30 years of seniority	

Pension liabilities in Indonesia have changed as follows:

K€	2006	2005
Opening	**5,855**	**4,841**
Service cost	398	454
Interest cost	734	528
Past service cost	40	0
Benefits paid	-813	-501
Actuarial gains and losses	750	69
Translation differences	-171	464
Closing	**6,793**	**5,855**

The amounts recognised in the balance sheet are as follows:

K€	2006	2005
Pension liabilities	6,793	5,855
Liabilities in the balance sheet	6,793	5,855

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

K€	2006	2005
Service cost	398	454
Interest cost	734	528
Past service cost	40	0
Actuarial gains and losses	750	69
Pension cost	**1,922**	**1,051**

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:

K€	2006	2005
Pension liabilities	6,793	5,855
Experience adjustments	721	-
	11.0%	**-**

The important experience adjustments are the result of a higher than expected salary increase in Indonesia following the increased fuel prices in that country.
Estimated benefit payments in 2007 are K€ 466.

Defined contribution plans
Contributions paid regarding the defined contribution plans amount to K€ 686 (K€ 635 in 2005).
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 debt

Net financial debt can be analysed as follows:

K€	2006	2005
Long-term financial obligations	3,567	12,161
Current portion of financial obligations payable after one year	8,426	6,731
Obligations initially payable after more than one year	**11,993**	**18,892**
Short-term obligations - credit institutions	31,071	9,593
Investments and deposits	-13,637	-4,698
Cash and cash equivalents	-2,688	-2,647
Net financial obligations	**26,739**	**21,140**

Analysis of net financial obligations 2006 per currency:

K€	EUR	USD	Others	Total
Obligations initially payable after more than one year	5,212	6,599	182	11,993
Short-term financial obligations	0	28,772	2,299	31,071
Investments and deposits	-56	-13,144	-437	-13,637
Cash and cash equivalents	-698	-223	-1,767	-2,688
Total	**4,458**	**22,004**	**277**	**26,739**

The analysis of net financial obligations per currency includes a cover against the USD regarding
- a contractual long term debt in EUR and;
- a short term debt of K€ 20,000.

Analysis of interest expenses of obligations initially payable after more than one year:

K€	2006	% of total	Weighted average
Fixed rate (or covered by IRS)	11,370	95%	7.35%
Floating rate	623	5%	Floating
	11,993	**100%**	

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

K€	2006
2007	8,427
2008	3,265
2009	125
2010	88
2011	88
Total	**11,993**

Reconciliation net financial position and cash flow

K€	2006	2005
Net financial position at the beginning of the period	21,140	23,646
Increase/(decrease) in long-term borrowings	-6,051	-9,115
Increase/(decrease) in short-term financial obligations	21,478	156
Net movement in cash and cash equivalents	-9,066	6,527
Effect of exchange rate fluctuations on long-term obligations	-849	332
Effect of exchange rate fluctuations on cash and cash equivalents	87	-406
Net financial position at the end of the period	**26,739**	**21,140**

21. Trade and other obligations >1 year

The decrease in 2006 is the result of a transfer to short term obligations of a debt to its shareholders of Jabelmalux SA for non-converted shares in 2002. This debt matures in November 2007.

22. Recurring/Non-recurring result

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

K€	2006	2005
Recurring	**552**	**835**
Badwill on purchase Tolan Tiga Group	1,349	
Write down of receivables Ivory Coast and SA SIPEF NV	79	-591
Recovery receivable from Congo (Libenge)	720	
Liquidation SEA Holdings NV		289
Non-recurring	**2,148**	**-302**
Other operating income/(charges)	**2,700**	**533**

Non-recurring result, taxes included

K€	2006	2005
Non-recurring	2,148	-302
Tax effect on non-recurring result	0	0
Non-recurring result after taxes	**2,148**	**-302**
Minority interest	0	0
Equity holders of the parent	2,148	-302

Adjusted net recurring result Group share

K€	2006	2005
Net result - part of the Group	17,498	11,008
Adjustment non-recurring result	-2,148	302
Adjustment IAS 41	-1,668	282
Adjusted net recurring result	**13,682**	**11,592**

23. Financial result

Financial income consists of interest received on current accounts with non consolidated companies and on temporary cash surpluses. Financial charges include interest on long and short term loans as well as bank charges and other financial costs.

The exchange gain in 2005 was mainly due to the strengthening of the kina against the euro whereas it, the rupiah and the dollar weakened in 2006.

24. Income taxes

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

K€	2006	2005
Profit before tax	25,180	18,391
Tax at the applicable local rates	-7,591	-5,797
Average applicable tax rate	30.15%	31.52%
Withholding tax on dividends	-22	-183
Disallowed expenses/untaxed income	1,728	487
Deferred taxes	-1,129	-616
Tax expense	-7,014	-6,109
Average effective tax rate	27.86%	33.22%

Deferred taxes in the income statement are the result of:

K€	2006	2005
Addition/(utilisation) of tax losses brought forward	957	129
Origin or reversal of temporary differences - biological assets	-1,068	198
Origin or reversal of temporary differences - other non-current assets	-708	24
Origin or reversal of temporary differences - pension provision	333	165
Origin or reversal of temporary differences - translation differences loans	-341	-811
Origin or reversal of temporary differences - inventories	-316	-306
Origin or reversal of temporary differences - other	14	-15
	-1,129	**-616**

Deferred tax liabilities and assets are offset per taxable entity which leads to the following split between deferred tax assets and deferred tax liabilities:

K€	2006	2005
Deferred tax asset	958	1,039
Deferred tax liabilities	-23,906	-25,862
Net deferred taxes	**-22,948**	**-24,823**

The deferred tax asset refers to unused tax losses in 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 (including the losses carried forward in Sipef Pacific Timbers Pty Ltd).

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

K€	2006	2005
Opening balance	-24,823	-21,937
Increase (= expense)/decrease (= income) through income statement	-1,129	-616
Translation differences	3,004	-2,270
Closing balance	**-22,948**	**-24,823**

The decrease of these items due to the translation differences is the result of the devaluation of the IDR, PGK, VND and USD against the EUR. See also the note regarding equity/translation differences.

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

	2006		
K€	Total	Not recorded	Recorded
Biological assets	-20,932	-855	-21,787
Other non-current assets	-4,767	-588	-5,355
Inventories	-1,602	2	-1,600
Long term obligations	571	-223	348
Pension provision	2,038		2,038
Tax losses	10,759	-7,335	3,424
Others	13	-29	-16
Total	**-13,920**	**-9,028**	**-22,948**

The majority of the unrecognized deferred tax assets at the end of 2006 are located at the parent company (K€ 6,374), at Galley Reach Holdings Ltd and Sipef Pacific Timbers Pty Ltd (together K€ 1,886) and at Plantations J. Eglin SA (K€ 619). For these entities there is uncertainty regarding the availability of sufficient future taxable profit. The reasons for these uncertainties are:

- For SA SIPEF NV: revenue is subject to limited or even no income tax (dividends and capital gains on shares);
- For Galley Reach Holdings Ltd: the exclusion of certain deferred tax assets above 2 years due to the volatility of the rubber prices;
- For Sipef Pacific Timbers Pty Ltd: the absence of any business activity;
- 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:

K€	Total	Not recorded	Recorded
1 year	28	-28	0
2 years	28	-28	0
3 years	71	-71	0
4 years	4	-4	0
5 years	0	0	0
Unlimited	10,628	-7,204	3,424
Total	**10,759**	**-7,335**	**3,424**

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

K€	2006	2005
Tax at the applicable local rates	-7,591	-5,797
Withholding tax on dividends	-22	-183
Disallowed expenses/untaxed income	1,728	487
Current taxes	**-5,885**	**-5,493**
Variation prepaid taxes	396	-1,098
Variation payable taxes	5	-2,074
Paid taxes	**-5,484**	**-8,665**

25. Share of results of associated companies

Once again the insurance group performed satisfactorily on both technical results (due to an increased premium income and a reduced claim charge) and financial results (due to an increased fair value of financial assets).
The restructuring in SIPEF-CI SA, which was completed in 2006, proved to be succesful and the company finished the year with a positive result.

26. Stock option plans granted by the Company

Currently, SA SIPEF NV has 2 warrant plans in place. Both plans allow a free assignment of a share option in the company with as objective:

- Arouse and reinforce interest in the group’s result. SA SIPEF NV's main objective in implementing this Scheme is to motivate the participants, thus ensuring that it is in their own interest that the value of the Shares in the Company increases;
- Ensure SA SIPEF NV's stability, thus ensuring SA SIPEF NV’s management board remains motivated in the execution of its tasks and will deliver a positive contribution to the going concern of the company;
- Make capital available for SA SIPEF NV within a relatively short period;
- Increase the participants’ impact on the operation of the Company by enabling all participants to become shareholders.

In 1999 a stock option plan has been granted to members of the Board of Directors, the management committee, overseas managers and employees of SA SIPEF NV
In 2002 a stock option plan has been granted to members of the Board of Directors and the management committee of SA SIPEF NV.

Further details regarding the exercise period, exercise price, exercisable options and the variation in comparison to last year are detailed in the following schedule.

Plan	Maturity date	Exercice	Price (€)	# exercisable end 2005	Forfeited 2006	Exercised 2006	# exercisable end 2006
1999	December 2012	from October 2003	124.00	13,325	0	-5,475	7,850
2002	December 2015	from October 2006	83.00	9,338	0	-4,902	4,436
				22,663	**0**	**-10,377**	**12,286**

The stock option plan granted in 2002 is subject to the application of IFRS 2 which means that the fair value of these options is recorded in the income statement against the same increase in equity spread over the vesting period.
At the time of granting, the fair value of the option plan was calculated at 39.47 € per option or a total value of K€ 395 based on following parameters (Black & Scholes model):

The exercise price of the option		83 EUR
The life of the option = average of	a)	3 years
	b)	10 years
The current price of the underlying shares		107.81 EUR
The expected volatility of the share price		37.23%
The dividends expected on the shares		2.50%
The risk-free interest rate for the life of the option	a)	2.88%
	b)	3.98%

In 2005 and 2004 a cost of K€ 135 was recognized. Together with the amount recognized at the first application of IFRS at the beginning of 2004 (K€ 125), the total amount has been included in equity.

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. A change of the palm oil price of 10 USD CIF per ton has an impact of about K€ 700 per year 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 many of the operations are located outside the USD zone (particularly in Indonesia, Papua New Guinea, Vietnam, 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.
Only the future USD-margins on the forward sales (with a maximum 6 months) are systematically covered against a devaluation of this currency against the EUR.

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.

Translational risk
SIPEF is an international company and has operations which do not use the Euro 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 Euro. SIPEF does not hedge against such risk (see accounting policies).

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 2006, the Group's net financial debt amounted to K€ 26,739, about of which K€ 15,369 was subject to floating interest rates.

As part of the management of its overall costs of funding, the Group has hedged part of its interest rate risk exposure by entering into (see also the note regarding net financial debt):

- K€ 7,870 loans with a fixed interest rate
- K€ 3,500 covered with interest rate swaps

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.
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Fair value
Fair values of derivatives are:

K€	2006	2005
Currency swaps	-90	-89
Interest rate swaps	-66	-74
Fair value (+ = asset; - = liability)	**-156**	**-163**

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. Key figures related to the joint venture (at the Group's share of 40.475%) are:

Balance sheet K€	2006	2005
Non-current assets	25,646	22,247
Current assets	3,672	2,956
Non-current liabilities	-5,910	-5,066
Current liabilities	-719	-685
Total equity	**22,689**	**19,452**

Income statement K€	2006	2005
Operating result	8,421	5,193
Financial result	-84	18
Tax expense	-2,503	-1,577
Profit for the period	**5,834**	**3,634**

29. Operational leases

The Group leases mainly vehicles under a number of operating lease agreements. Future lease payments under these non-cancelable operating leases are due as follows:

K€	2006	2005
1 year	84	80
2 years	21	43
3 years	9	21
4 years	0	9
Total	**114**	**153**

During the year an amount of K€ 94 (against K€ 100 in 2005) has been charged in the income statement.

30. Cash flow statement - acquisitions and divestitures

During 2005 no material acquisitions or divestitures were made.

In 2006 two acquisitions were made:

- in July 2006, 100% of the shares in PT Umbul Mas Wisesa;
- in September 2006, an additional 5% in the Tolan Tiga Group (3% in PT Kerasaan).

Both transactions had the following combined impact on the balance sheet, income statement and cash flow:

K€	2006
Intangible assets	4,933
Biological assets	3,355
Property, plant & equipment	33
Minority interests	4,714
Purchased shareholders' equity	**13,035**
Purchase price	-11,686
Result	1,349
Net cash outflows	-11,686

31. Off balance sheet rights and commitments

Guarantees

The Group has given or irrevocably promised guarantees on their own assets as security for debts and commitments of enterprises included in the consolidation for an amount of K€ 6,781 (2005: K€ 10,255).

In addition an amount of K€ 1,136 has been guaranteed by third parties as security for the Company's account and for K€ 229 for the account of subsidiaries.

Significant litigation

In Plantations J. Eglin SA a dispute is pending with the fiscal authorities following their review of the accounts from 2001 to 2003, an unreasonable amount of CFA 3,651 million (K€ 5,566) has been claimed. In 2005 and 2006, there was no further developments in this dispute and due to the expiration of the legal terms the risk of any amounts becoming payable is improbable.

32. 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:

K€	2006	2005
Directors' fees	138	137
Short-term employee benefits	1,211	1,152
Post-employment benefits	602	598
Share-based payments	0	135
Total	**1,951**	**2,022**

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 K€ 135 and K€ 5 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.

Other related party transactions
Transactions with related companies are mainly trade transactions and are priced at arms' length. The revenue and expenses related to these transactions are immaterial to the consolidated financial statements as a whole.

33. Earnings per share (basic and diluted)

	2006	2005
Basic earnings per share		
Basic earnings per share - calculation (€)	20.02	12.71
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (K€)	17,498	11,008
Denominator: the weighted average number of ordinary shares outstanding	874,240	866,415
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	872,511	865,196
Effect of capital increase	1,729	1,219
The weighted average number of ordinary shares outstanding at December 31	874,240	866,415
Diluted earnings per share		
Diluted earnings per share - calculation (€)	19.81	12.61
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (K€)	17,498	11,008
Denominator: the weighted average number of dilutive ordinary shares outstanding	883,249	873,161
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	874,240	866,415
Effect of stock options on issue	9,009	6,746
The weighted average number of dilutive ordinary shares outstanding at December 31	883,249	873,161

34. Events after the balance sheet date

On February 12, 2007 notification of a new shareholders agreement was received (see note 16. Shareholders' equity for more details). There are no major events subsequent to the balance sheet date which have a major impact on the further development of the Group.

35. Recent IFRS accounting pronouncements

There are no standards or interpretations issued by the IASB but not effective, and which have a significant impact on the SIPEF's financial statement.

36. Recent developments

To the best of our actual knowledge, there are no circumstances or developments, which would have a major impact on the further development of the Group.

37. Services provided by the auditor and related fees

The statutory auditor of the Group is Deloitte 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 K€ 54 (against K€ 53 last year).
For the Group, Deloitte has provided services for K€ 312 in 2006 (against K€ 336 the year before), of which K€ 86 (2005:106) is for non audit services.

Statutory Auditor's report

Statutory auditor's report to the shareholders' meeting of S.A. SIPEF N.V. on the consolidated financial statements for the year ended 31 december 2006.

To the shareholders

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

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

We have audited the accompanying consolidated financial statements of SIPEF NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, the consolidated income statement, 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 215,228 (000) EUR and a consolidated profit (group share) for the year then ended of 17,498 (000) EUR.

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 Reviseurs d'Entreprises/Instituut der 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.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2006, 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 produce and the absence of a liquid market, their carrying value may differ from their realisable value.

Additional comment

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

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Antwerpen, 20 March 2007

The statutory auditor,
DELOITTE
Réviseurs d'Entreprises SC s.f.d. SCRL
Represented by P. 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 (registered office changed as per March 12, 2007):

SA SIPEF NV
Entrepotkaai 5
B-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, 2006 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)

Assets K€	2006	2005	2004
Fixed assets	**64,973**	**59,021**	**58,751**
Formation expenses	0	0	0
Intangible assets	147	0	0
Tangible assets	173	175	155
Financial assets	64,653	58,846	58,596
Current assets	**44,174**	**34,019**	**32,305**
Amounts receivable after more than one year	1,224	1,396	1,776
Stocks and contracts in progress	5,656	4,295	1,407
Amounts receivable within one year	24,760	20,175	19,363
Investments	11,184	3,982	8,198
Cash at bank and in hand	693	1,234	960
Other current assets	657	2,937	601
Total assets	**109,147**	**93,040**	**91,056**

Liabilities K€	2006	2005	2004
Equity	**55,125**	**59,613**	**60,646**
Capital	34,291	33,888	33,603
Share premium account	15,421	14,738	14,115
Reserves	3,184	3,184	3,143
Profit/ (loss) carried forward	2,229	7,803	9,785
Provisions and deferred taxation	**99**	**190**	**194**
Provisions for liabilities and charges	99	190	194
Creditors	**53,923**	**33,237**	**30,216**
Amounts payable after more than one year	0	5,212	8,637
Amounts payable within one year	51,872	27,285	19,729
Accrued charges and deferred income	2,051	740	1,850
Total liabilities	**109,147**	**93,040**	**91,056**

Condensed income statement

K€	2006	2005	2004
Operating income	110,005	99,850	91,824
Operating charges	-109,709	-99,769	-92,900
Operating result	**296**	**81**	**-1,076**
Financial income	3,925	5,376	10,883
Financial charges	-4,504	-3,883	-5,104
Financial result	**-579**	**1,493**	**5,779**
Result on ordinary activities	**-283**	**1,574**	**4,703**
Extraordinary income	928	218	4,998
Extraordinary charges	-2,550	-977	-1,788
Extraordinary result	**-1,622**	**-759**	**3,210**
Result for the period before taxes	**-1,905**	**815**	**7,913**
Income taxes	0	0	-4
Result for the period	**-1,905**	**815**	**7,909**

Appropriation account

K€	2006	2005	2004
Profit/ (loss) to be appropriated	**5,898**	**10,600**	**12,912**
Profit/ (loss) for the period available for appropriation	-1,905	815	7,909
Profit/ (loss) brought forward	7,803	9,785	5,003
Appropriation account	**5,898**	**10,600**	**12,912**
Transfers to legal reserve	0	41	395
Distribution of result	2,229	7,803	9,784
Dividends	3,531	2,618	2,596
Remuneration to directors	138	138	137

The next Annual Meeting of Shareholders will be held on June 11, 2008 at 15.00 hrs.

Responsible for the financial information

Michael A. St. Clair-George
François Van Hoydonck
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