Annual Report 2005

SIPEF

Key figures

Activity

	2005	2004
Production from own areas (in tonnes)		
palm oil	*175,959*	*170,559*
rubber	*9,470*	*9,098*
tea	*7,094*	*6,530*
Average market price (USD/tonne)		
palm oil	*422*	*471*
rubber	*1,502*	*1,304*
tea	*1,130*	*1,160*

Results (in K€)

	2005	2004
Turnover	*119,326*	*117,412*
Gross margin	*30,564*	*35,848*
Operating result	*17,536*	*25,771*
Share of the Group in the result/earnings	*11,008*	*13,800*
Operating cash flow (2)	*13,048*	*24,916*
Free cash flow (3)	*6,589*	*24,514*

Balance sheet (in K€)

	2005	2004
Fixed assets	*152,830*	*137,381*
Equity - share of the Group	*111,645*	*92,500*
Net financial debt	*21,139*	*23,646*
Investments in intangible and tangible assest	*8,900*	*11,369*

Data per share (in €)

	2005	2004
Number of shares	*872,511*	*865,196*
Equity	*127.96*	*106.91*
Basic earnings per share	*12.71*	*17.54*
Operating cash flow (4)	*15.06*	*31.67*
Free cash flow (4)	*7.60*	*31.16*

Stock exchange share price (in €)

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

Ratio's

		2005	2004
Debt ratio	$\frac{\text{Net financial debt}}{\text{Equity}}$	*18.93%*	*25.56%*
P/E	$\frac{\text{Share price as per 31/12}}{\text{Earnings (1)}}$	*13.22*	*7.11*

(1) Share of the Group in the result.
(2) Cash flow after capital expenditure in intangible and tangible assets.
(3) Cash flow after sale and acquisition of assets.
(4) Denominator 2005 = weighted average number of shares issued (866,415 shares).

P.T. AGRO MUKO

Workers' housing

Crumb rubber factory

Conservation nursery

Mature oil palms

Loading palm oil fresh fruit bunches

SIPEF

SOCIETE ANONYME

Report of the Board of Directors and of the Statutory Auditor

to be submitted at the 87th Ordinary General Meeting to be held on the 14 June 2006

Financial Year 2005

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 September 7, 2006 before opening hours of the stock exchange and the results of the financial year on March 8, 2007. 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 13, 2007 at 15.00 hrs.

Responsible for the financial information

Michael A. St. Clair-George
François Van Hoydonck
Phone 32/3/641.97.00
Fax 32/3/646.57.05
e-mail: finance@sipef.com

Registered office

Lange Nieuwstraat 17
2000 Antwerpen

Offices

Kasteel Calesberg
2900 Schoten
Phone 32/3/641.97.00
Fax 32/3/646.57.05
e-mail: info@sipef.com

Register Legal Persons Antwerpen
V.A.T. BE-0404.491.285
www.sipef.be

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Key events affecting the SIPEF Group - History

Key events affecting the SIPEF Group

January/December

Increased production of all crops from own areas.

Lower average selling prices, except rubber.

Transition from Belgian GAAP to IFRS.

June

Sale of the land of BONAL S.A.

Acquisition of 20% of the shares of S.E.A. HOLDINGS N.V.

Payment of a dividend of € 3 gross.

December

Acquisition of MINERVA N.V. by B.D.M. N.V.

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 S.A. SIPEF N.V. 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 - Corporate policies

Principal Activities

S.A. SIPEF N.V. 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

S.A. SIPEF N.V. 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
Bernard de GERLACHE de GOMERY	Director
Count Henry le GRELLE	Director
Regnier HAEGELSTEEN	Director
Richard ROBINOW	Director

Statutory Auditor

DELOITTE & TOUCHE Réviseurs d'entreprises SC s.f.d. SCRL
represented by

Philip MAEYAERT
Jos VLAMINCKX

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

S.A. SIPEF N.V.

INSURANCE

Company	Controlling interests	Beneficial interests
ASCO N.V.	50%	50%
B.D.M. N.V.	50%	50%
BRUNS TEN BRINK B.V.	50%	50%
MINERVA/ASCANIUS	50%	50%
ASCO LEVEN N.V.	25%	25%

AMERIcA

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

INDONESIA

Company	Controlling interests	Beneficial interests
P.T. TOLAN TIGA	90%	90%
P.T. EASTERN SUMATRA	90%	90%
P.T. KERASAAN	54%	54%
P.T. BANDAR SUMATRA	90%	90%
P.T. TIMBANG DELI	90%	90%
P.T. MELANIA	90%	70%
P.T. AGRO MUKO	40%	37%

AFRICA

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

EUROPE

Company	Controlling interests	Beneficial interests
JABELMALUX S.A.	77%	77%
AGRIDUS N.V.	86%	86%

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%

Controlling interests
Beneficial interests

Corporate governance

Sipef's Corporate Governance Charter is available for downloading at the Investors Relations corner of the WWW.SIPEF.COM website.

The role of S.A. SIPEF N.V. in relation to its subsidiaries

S.A. SIPEF N.V. 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. S.A. SIPEF N.V. 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	2006
Michael A. St. Clair-George, Managing Director	2010
Baron Bertrand, Director	2008
Priscilla Bracht, Director	2010
Jacques Delen, Director	2008
Bernard 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 Baron Bracht. The Board of Directors proposes to renew the appointment of Baron Bracht for a further period of four years expiring at the Annual General Meeting in 2010.

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;

Bernard 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)

The Board of Directors is 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. Bernard de Gerlache de Gomery, Regnier Haegelsteen and Richard Robinow act as independent directors. Participating in stock option plans dating before the introduction of the Code, issued in 1999 and 2002, is not considered conflicting with their mandate as independent director.

The non-independent directors Baron Bracht, Priscilla Bracht and Count Henry le Grelle represent the Bracht 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 S.A. SIPEF N.V. 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 2005 the Board of Directors met four times. All members of the Board of Directors participated in one meeting, in two other meetings one director was excused, in one meeting four members were excused. Jacques Delen, only nominated as Director at the Annual General Meeting in June, participated in three of the four meetings.

The principles and guidelines regarding Corporate Governance were approved in the meeting of the Board of Directors of 30th November 2005 and committee members were also nominated.

The Audit Committee consists of Priscilla Bracht, non-executive director, and the independent directors Bernard de Gerlache de Gomery and Regnier Haegelsteen. A representative of the Ackermans & van Haaren Group will be invited at all meetings. The Audit Committee will start activities in 2006 discussing the halfyear results, internal audit aspects and the IFRS compliance.

The Remuneration Committee consists of Baron Bracht (chairman) en Regnier Haegelsteen. This committee will also commence activities in 2006 discussing remuneration of directors and members of the management committee.

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

Remuneration of the Board of Directors and Committees.

The Annual General Meeting of 8th June 2005 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€ 137. In non-compliance to the guidelines of the Code, the Board of Directors has 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.

The individual directors' fees paid in 2005 amounted to:

Baron Bracht, Chairman, K€ 27, the other members of the Board of Directors K€ 17 each, except Count Henry le Grelle, receiving K€ 7 as nearing the age limit.

No stock options were granted in 2005.

Disclosing on related party transactions, relations were considered immaterial, except for the rental agreement existing since 1985 between CABRA N.V. and S.A. SIPEF N.V. covering the offices and ancillary parking space at Castle Calesberg in Schoten. The annual rent adjusted for inflation amounts to K€ 123 and K€ 53 is invoiced for Sipef's share in 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 2005 remuneration package of the Chairman General Manager, Baron Bracht, and the Chief Executive Officer, M.A. St. Clair-George, was totalling to:
- Fixed salaries of K€ 304,
- 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 Chief Executive Officer, received in 2005:
- total fixed remuneration of K€ 834,
- bonus over the 2004 profits of K€ 14,
- contribution to personal risk insurance and retirement benefits totalling K€ 193.

Shareholders

Note 21 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.

Stock option plans

28,000 warrants were issued in 1999 under the S.A. SIPEF N.V. stock option plan. These warrants give entitlement to the same number of S.A. SIPEF N.V. 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 S.A. SIPEF N.V. 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 2005, the total number of warrants issued but not exercised amounts to 22,263, of which 6,668 held by non-executive directors and 11,520 by members of the Management Committee.

In accordance with IFRS 2, an amount of K€ 135 has been expensed in 2005 for the second option plan.

Compliance with The Belgian Code on Corporate Governance

Reference is made to S.A. SIPEF N.V.'s Corporate Governance Charter available for download from the Investors corner on our website. S.A. SIPEF N.V. 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 S.A. SIPEF N.V. 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 corner of the website of S.A. SIPEF N.V.

Statutory auditor

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

In the period preceding the nomination of the Audit Committee, the statutory auditor had a meeting with the Board of Directors once a year. This meeting was held in June 2005.

As approved by the Annual General Meeting the statutory auditor has received a fee of K€ 53 for the 2005 bookyear. The company also paid an amount of K€ 52 for legal and taxation matters to a company associated professionally with the statutory auditor.

Proposed appropriation of profits

The profit for the year of the company is K€ 816 to which is added an amount brought forward of K€ 9,784 making the total profit available K€ 10,600.

We propose to transfer K€ 41 to legal reserve, to carry a balance of K€ 7,804 over to the next financial year and to distribute K€ 2,755, by the payment of Directors' fees for K€ 138 and K€ 2,617 as dividend to shareholders. We propose to pay as from 5th July 2006 an amount of € 3 gross, being € 2.25 net and € 2.55 for the holders of scripts, against remittance of coupon 52 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 with the consolidated accounts of the Group as well as those of the company.

For the first time, S.A. SIPEF N.V. has the honour to provide you with its consolidated accounts presented under the International Financial Reporting Standards.

Under the regulation IAS 41 we are required to record our biological assets, namely the trees and other plants of our plantation crops in the tropics, at their fair value. The variation in values of these assets between one balance sheet date and the next, except for exchange differences in Euros, are charged to the profit & loss account. The valuation of these assets is done by an independent expert in the Far-East.

Compliance with this standard has involved considerable costs and work by our head office and overseas subsidiaries and is of very limited benefit to the management. Shareholders will appreciate that such valuations cover only part of our assets and do not extend to oil mills, factories, vehicle fleets etc… Variations in valuations are unrealized and if material, could distort the real operating results.

I wish to draw your attention on the differences in prices encountered between 2005 and 2004; the average price for palm oil was USD 50 per tonne CIF Rotterdam lower than those in 2004. Also to be noted is the use in fuel costs and the freight rate to Europe which has increased by USD 17/tonne.

I estimate that the demand for vegetable oils in the European Community is bound to increase considerably since the intention of its members is to produce significant quantities of bio-diesel which are expected to rise in the coming years.

Rubber purchases by China have played an important part in the price increase from one year to the other of around 15%. Prices should remain firm in 2006.

During the last year, tea prices remained unchanged. However, since the closing of 2005, prices progressed substantially following a severe drought in Kenya, second largest tea producer in the world.

As a result of substantial price increases in Indonesia, we are implementing as quick as possible a conversion of the drying and heating system of our tea factory from diesel oil to coal and later to wood for which trees will be planted.

Banana prices have been satisfactory these last months and the performance of PLANTATIONS J. EGLIN S.A. and SBM S.A. is excellent. This is mainly attributed to the new regulations put in place by Brussels.

On more than one occasion I reiterated the wish of our Board of Directors to expand our planted areas by making new acquisitions in Indonesia, either of existing plantations or green field projects. Our office in Medan is actively trying to realize these objectives and I hope that in the course of the second trimester, S.A. SIPEF N.V. will be in a position to make an announcement of the finalization of an acquisition.

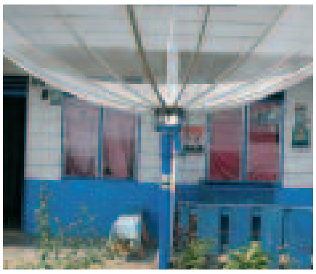
In the insurance group B.D.M. N.V., we acquired MINERVA N.V. at the end of December 2005. This company has in general very similar activities to the ones of B.D.M. N.V. These companies will be merged in 2006 and will have an annual premium turnover of about euro 110 million.

The name MINERVA N.V. and BRUNS TEN BRINK B.V. in Holland will disappear so that we use only the name of B.D.M. N.V.

I would not like to close this message without thanking everyone who contributes to the efficient running of our enterprise both in the overseas countries and in Europe.

Baron Bracht
Chairman

School children and families on one of our Indonesian estates



Activity report by product

Palm oil and palm kernel oil

In the past, China was the only country perceived as the buyer affecting the prices of palm oil; today, the press talks only about "bio-diesel" and "bio-fuels". We have seldom read so many articles assuming palm oil to be the most suitable vegetable oil for this fuel.

However, in reality prices have been subject to very small fluctuations. After a short price fall at the beginning of the year due to higher than expected production in Malaysia and Indonesia, we have seen the prices rising at the end of the first trimester. Thereafter, prices CIF Rotterdam have fluctuated between USD 410 and USD 450 per tonne up to the end of the year.

The substantial stock level of 1.6 million tonnes in Malaysia has been tempered by various factors of which the most important are:
- the high prices of the crude mineral oil,
- the start up of two big refineries in Europe by IOI and KUOK,
- the expected growing demand from the electricity producers.

The average price of crude palm oil was USD 422 CIF Rotterdam against USD 471 per tonne in 2004.

The forecasts for 2006 are favourable. China, which is not subject to import quotas any more, will be able to buy increased quantities of palm oil, the cheapest vegetable oil for the time being. As far as offers are concerned, the growth rate of production in Malaysia and Indonesia should decrease in 2006, what would influence stock levels.

The price of palm kernel oil fluctuated heavily in 2005. A shortage of copra oil at the beginning of the year instigated a cover movement and of which palm kernel oil benefited. Around mid March prices reached USD 740 per tonne CIF Rotterdam, but after increased exports of copra oil from the Philippines the price rise was reversed and slid down to USD 537.5 per tonne in September.

Thanks to a good demand from the chemical sector, prices remained stable for the rest of the year. The average price for palm kernel oil was USD 627 per tonne CIF Rotterdam for 2005 against USD 648 in 2004.

Laboratory - Quality control - Bukit Maradja - Indonesia

Cibuni tea packed - Indonesia

Tea

Increased tea stocks following improved harvest by 10% in Kenya in 2004 badly affected the market in 2005. Teas of low and medium quality suffered the most, whereas good quality teas continued to benefit from strong demand.

The excellent quality of our Cibuni teas obtained a premium over the average prices and have kept their market share. A consistent quality, our reliability and a perfect sales service have been appreciated by our buyers, and this was reflected in our improved sales prices.

A prolonged drought in certain regions of Vietnam affected the performance of our tea bushes. Our factories could hardly maintain the production level of 2004. In December 2005, production in Indonesia went drastically down following the heavy rains in the country.

During the past year we have initiated business with new buyers in Great Britain and in Germany. This has allowed us to offer our products to companies distributing top brand teas.

The usual rains of October and November in Kenya were not present this year, with the consequence of a significant fall in production. Price expectations for 2006 are optimistic and this is confirmed by the very good price improvement since January.

Tea ready for tasting - Cibuni - Indonesia

rubber sheets before smoking - Bandar Pinang - Indonesia

Rubber

The rise in natural rubber prices during 2004 steadily continued in 2005 without interruption, with the exception of two small decreases at mid-August and at the beginning of November

The price of RSS1 which was UScts 121.25 per kilo at the beginning of the year, reached UScts 178 per kilo by the end of December.

Demand for this product, which rose by 5.5%, is not located in Europe anymore but in the Far East and especially in China. Production is unable to meet the growing rate of demand. This can be explained by unfavourable climatic conditions in producing regions, insecurity in Thailand and the strong increase in mineral oil prices.

The share of synthetic rubber (a product based on mineral crude oil) has fallen to 57.7% of the total consumption of rubber products, the lowest level since 1964.

The average rubber price on the Singapore Commodity Exchange reached UScts 150.20 per kilo compared to UScts 130.40 in 2004. The reference grade for the tyre industry, TSR 20, jumped from UScts 118.50 in the beginning of the year to UScts 170.75 at the end of 2005.

The outlook for the coming years seems bright. All analysts are forecasting that rubber production will not be able to satisfy demand. That is why we expect similar or improved levels in 2006.

*Citrus -
South Africa*

Fruit marketing

Bananas

Banana trading continued to be very active in 2005 despite the difficulties in obtaining import licenses from British operators. We have imported and sold 25,449 tonnes of bananas of which 23,308 were from ACP-Ivory Coast origin and 2,141 from Costa Rica. The quality of the fruits from Ivory Coast was good and much appreciated by our customers. Luckily up to now, our banana trading has not been affected by the political events in that country.

Grapes

The quality of the Brazilian grapes improved thanks to normal climatic conditions. We marketed 561 tonnes over the two periods April-May and November-December. We have imported seedless varieties, presented on punnets, to the continent whose wholesale demand is increasing.

Mangoes

We did not import any mangoes from South Africa in 2005 as these were traded on the local market, but 250 tonnes from Guinea, Mali and Brazil were sold in Europe from January to August.

Citrus

The marketing of citrus, oranges and grapefruits was difficult because of the large volumes of medium quality availability provoking a price collapse in the middle of the season. Our two main suppliers are South Africa with 716 tonnes of oranges and grapefruits, and Argentina with 241 tonnes of grapefruits. We hope to improve the quality for the next season.

Pineapples

Production of pineapples in Ivory Coast has ceased; we sold 304 tonnes of pineapples imported by air from Ghana and 375 tonnes of pineapples “Extra Sweet” from Costa Rica.

Next year, our objective is of course to maintain our banana import activity, but at the same time we are looking to develop the marketing of citrus and of mangoes from West Africa.

*Packing of bananas -
Ivory Coast*

Fruit production

Bananas

The banana market followed the upward trend of the second half year of 2004, and so we have been able to obtain good sales prices during the whole of 2005. At the end of the year, the European Community announced the implementation of the import system of "Tariff Only" for bananas produced in the USD zone, namely custom duties amounting to 176 Euro per tonne, without any limits on volumes.

In parallel with this, the ACP countries will have access to the EU market without custom duties up to 775,000 tonnes, the balance being taxed at the same rate as those imported from the USD zone. Bananas produced within the EU zone will have free access without any restrictions.

With the application of the new system, we estimate that only areas producing a good quality and having a competitive cost price will keep and develop their market share.

The imports from Ivory Coast continued with vessels transporting our fruits under controlled temperature to North European ports. Due to high fuel prices, our sales costs have increased markedly.

Mangoes

The flowering of the mango trees in Guinea was completely destroyed by unusually heavy rains in this part of Africa. Although production was low, we were able to export fruits of a decent quality.

Flowers

The pineapple flower and its ancillary products - bouquets, foliages and crowns - continue to find good markets in Northern Europe. Quality was good but we were short of large size flowers to satisfy our customers. Our exports by air have not suffered of the various political developments in Ivory Coast. Our main shipments were effected by DHL which takes some freight in addition to its traditional activity.

In Mexico, we develop our pineapple flower production for the American and local markets. At year end we appointed an agronomist whose objectives will be to improve the agronomical practices, to lower the cost of production and to optimize the marketing.

Stone crusher at Agro Muko

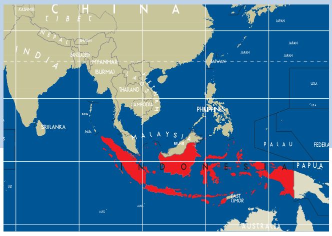
FFB (fresh fruit bunches) entering the oil mill

Tea sorting area

Rubber sheets

latex coagulating troughs

Activity report by country



Indonesia

The year 2005 was quiet without notable events. No marked changes or drastic measures have been implemented under President Susilo Bambang Yudhoyono. However, the security strengthened because of the various attacks of the previous years.

The Rupiah eroded slowly during the year from IDR 9,290 for USD 1 at the beginning of the year to IDR 9,830 at the year end, which represents a devaluation of 5.8% against 7.8% in 2004.

The reconstruction of towns and villages destroyed by the tsunami of 2004 in the province of Aceh is very slow. After having received the necessary authorizations, our subsidiary P.T. TOLAN TIGA has financed and organized the construction of a mosque, a school and a polyclinic in a village near Banda Aceh which had been particularly affected.

The palm oil production of the TOLAN TIGA group was 64,260 tonnes against 71,380 tonnes in 2004. Our British friends constructed their own palm oil mill on their Pangkatan estate in 2004 and ceased to sell their FFB to us. Our own production increased by 3.3% compared to 2004.

The palm oil market remained stable, but at a level that was 12% lower than the previous year. Prices fluctuated between USD 420 and 440 per tonne CIF Rotterdam. The spectacular rise in petroleum prices forced the industry to concentrate on the development of bio-diesel, one of the main factors supporting the price of vegetable oils in general.

The rubber production of the group reached 5,012 tonnes, representing an increase of 3.2% compared to 2004.
In the course of the year rubber prices consolidated and the average was UScts 150.19 per kilo FOB.

Tea production was slightly lower compared to 2004. Climatic conditions, once more, have been out of norm and abundant rains deprived our tea bushes from the necessary sunshine hours to allow leaf growth. The switch to a fine plucking, imperative to produce a high quality tea, has also contributed to the decrease of the volumes produced. There was no change in the market, but prices for our tea improved by 7% thanks to a higher quality.

The production of palm fruits at P.T. AGRO MUKO in 2005 was disappointing and amounted to 266,325 tonnes of FFB, similar to 2004, but 19% under the budgeted tonnage for 2005. This was due to excessive rainfall rendering certain roads difficult to access. Important investments in repair programs for the 2,000 kms roads at Agro Muko have commenced at the beginning of 2005 and will be finished in 2008. The extension of the capacity of one of our two oil mills started in 2005 and will be completed in 2006.

Rubber also suffered from the climatic conditions, however to a lesser extent than the palm oil. Nevertheless, own production was 1,904 tonnes against 1,880 tonnes in 2004.

Oil palm nurseries - Indonesia

Newly opened rubber at Galley Reach - PNG

Papua New Guinea

The general situation has not changed compared to last year. Thanks to good commodity prices, the economy progressed well and inflation remained under 5%. On the other hand, the law and order situation has not improved. The increase in fuel prices by 30% is weighing heavily on the national budget. The Kina continued to gain in value and reached an average of USD 0.33 compared to USD 0.317 one year earlier. This is not favourable for exporting companies like our subsidiaries HARGY OIL PALMS LTD and GALLEY REACH HOLDINGS LTD.

At HARGY OIL PALMS LTD we produced 67,986 tonnes of palm oil against 62,722 in 2004. From this production, 52.4% represented our own crop and the balance came from purchased FFB from outgrowers.

The Australian aid program for the improvement of the road conditions (AUSAID), mentioned in our previous report, continued in 2005. Numerous bridges and roads have been reconstructed.

Our subsidiary GALLEY REACH HOLDINGS LTD produced 2,257 tonnes of rubber, an increase of 13.2% compared to 2004. On the other hand, outside purchases have been lower following an interruption of one month due to a political problem which has since been solved. Our extension program, initiated in 2004, is being continued at a rhythm of 200 to 300 hectares per year.

Vietnam

Tea production at PHU BEN TEA COMPANY increased by 18.2% although competition from the “mini-factories” remained strong.

The growing reputation of Vietnam as being a producer of lower quality teas has pushed the local Government to stop granting licenses to factories whose production from their own plantation does not reach at least 70% of their total output. Such a decision should enable us to purchase leaf at more reasonable prices.

Apart from this issue, PHU BEN TEA COMPANY made efforts to reduce its cost in energy consumption and reduction in waste.

During the year, our subsidiary was officially recognized by the Vietnamese Government as the best tea export company of Vietnam. A prize of USD 53,000 was awarded to the company as well as the right to use the “Vietnam Tea Logo for Quality”. We are one of the seven companies in Vietnam to benefit from such right.

Tea gardens at Phu Ben - Vietnam

*Field prepartion
before planting -
Eglin -
Ivory Coast*

Ivory Coast

The Ivorian political crisis continues, keeping the country in a constant stagnation.

Elections should have taken place in October 2004, but the President Mr. Laurent Gbagbo cancelled the voting. Despite the lively reaction of the rebels and the opposition, the United Nations and the African Union have approved the extension of his five years mandate for another year. Some 6,000 UN and 4,000 French soldiers are already in the country, most of them being deployed along a buffer zone crossing the country from East to West.

The whole vegetable oil sector has been the victim of the crisis. The loss of purchasing power by the local population and the difficulties in exporting to neighbouring countries have contributed to the fall in the finished products market of more than 30% compared to last year.

The absence of basic protectionism at the heart of the UEMOA economic area facilitated the import of vegetable oils from Asia at very low prices. In this context, the local processing industry is no longer competitive in an environment where its neighbouring countries were its traditional markets.

The mechanisms of the local price support for crude oil became inoperative and the average selling price decreased from FCFA 275,000/tonne in 2004 to FCFA 217,000/ton in 2005, putting the operations of the processing industry in jeopardy. Despite the restructuring put in place, SIPEF-CI S.A. closed the year with a loss.

After exceptional productions, the crop returned to the level of 2003. Our own plantation produced 90,377 tonnes of FFB and outgrowers delivered 107,927 tonnes of FFB to our mills. From these fruits, we extracted 42,800 tonnes of palm oil and 7,403 tonnes of palm kernels, these quantities being in line with our estimates. Hence, our extraction rates obtained were 21.58% for crude oil and 3.73% for kernels.

SIPEF-CI S.A. had to export 46% of its oil production following the fall in the local consumption and the sales problems of its neighbouring countries. The balance of 54% was sold to its major shareholder, United Oil Company S.A. whose processing installation is located in Sikensi, northwest of Abidjan.

Banana production from our two plantations at PLANTATIONS J. EGLIN S.A., namely at Agboville (202 ha) and at Azaguié (57 ha) amounted to 9,868 tonnes. The European market has been very profitable and FOB prices obtained were 15% higher compared to those of 2004.

Following the new import regulations (tariff only) implemented on the 1st of January 2006, there will be a risk of destabilization for 1 to 3 years. In consequence, we have closed a number of commercial contracts at the end of 2005 which guarantee our plantations a favourable and fixed sales price for the year 2006.

As announced at the end of last year, we stopped the pineapple fruit activity in Azaguié. This activity has incurred losses for the last few years following poor yields and costly sales charges. Other countries, like Costa Rica and Ghana, have taken over from Ivory Coast where the pineapple exports have been in constant decline.

This year, our flower sector did not reach its objectives. We sold 981,000 flowers in 2005 compared to 1,212,000 units exported in 2004. The recent installation of new irrigation equipment should allow us to optimize our sales and to supply the right size of flowers demanded by our European clients. An agronomic effort is necessary to reactivate this sector which potential is clearly there.

The country remained unstable this year, and most of the residing expatriate families have left Ivory Coast, but our team on site is dynamic and works for the best interest of the company.

*Mangoes -
Guinea*

Guinea

The mango campaign has been atypical and we exported only 84 tonnes or four 40 ft. containers instead of 30 containers initially budgeted.

Our experience since the start of the project in 2000 and cost control must enable us to make this export project profitable. We intend to diversify this activity in 2006 and some trials of melon growing have been initiated in collaboration with professional technicians.

America

FRANKLIN FALLS TIMBER CY, INC.

Cherry Ridge experienced a difficult year with little change to the overall occupancy.

The property is 25 years old and public corridors, restrooms, and other areas will be renovated in order to remain competitive.

Work to correct these deficiencies began in late 2005 and will continue for early 2006.

The overall market remained unchanged and Cherry Ridge should see a positive result by the end of 2006.

Brazil

The government of Mr. Luiz Inacio Lula da Silva led the country's economy to progress well with significant positive results, a revaluation of 12% of the Real compared to the USD and an inflation rate below 5%. 2006 is an election year and we expect a relaxation of the economic policies in order to ensure the reelection of Mr. Lula da Silva as President.

After 18 months of difficult negotiations, BONAL S.A. sold in June 2005, 100% of its assets, namely its property Bom Destino in the province of Acre to the federal organization INCRA (Instituto Nacional de Colonização e Reforma Agraria) which is in charge of developing agrarian projects. All employees and workers have been taken over by the new entity.

After the buy-back of the 18.28% share held by FINAM (Fundo de Investimento da Amazônia), our aim is to dispose of the empty balance sheet, which detains reimbursable debts.

Guava trees - Brazil

SENOR LTD produced 540 tonnes of coagulated rubber at Cajuapara, 322 tonnes of fresh pepper and 324 tonnes of table guava at Ourinhos.

93 tonnes of black pepper have been marketed, of which 75 tonnes have been exported to Rotterdam.

An exceptional severe drought occurred during the last trimester 2005 in the Nordeste and huge forest fires destroyed much of the region. Luckily our property was spared thanks to non-stop efforts.

The financial situation of SENOR LTD markedly improved after the debt repayment by BONAL S.A. Investments in equipment could be made, agricultural machinery renewed, and we had irrigation materials delivered, sufficient to cover our guava for 25 more hectares. The machinery for our pulp production unit was completed in 2005.

In this positive context, we have decided to look for a buyer for these properties whose activities fall outside the core business of the Group.

Europe

JABELMALUX S.A.

In our Luxemburg subsidiary JABELMALUX S.A., the subholding company SEAH HOLDINGS N.V has been wound up. As a consequence JABELMALUX S.A. obtained a direct share in PHU BEN TEA COMPANY in Vietnam.

Insurances

B.D.M. N.V. / ASCO N.V.

Market data

In general the market results are satisfactory, despite the fact that some sectors encountered problems in the area of natural disasters. The insurance industry has been badly hit and influenced in a significant manner by “Katrina”, “Rita” and other cyclones.

The results of the companies themselves have not been put at risk by the earthquakes occurring generally in economically weak countries.

There were no spectacular and costly events in our regions. As a consequence, some insurers are trying more aggressively to take over a larger share of the market. This is seen in high volume sectors such as car and life insurances.

On the other hand, the law has tried to protect the citizen from phenomenons like terrorism and floods. New laws require an accelerated adjustment of insurances contracts.

Activities 2005

For the fifth consecutive year our entire activities have been spared from heavy or frequent claims. This results in great satisfaction from the companies we represent and an improved trust in our future decisions since our companies look for quality before quantity.

For the car sector and life sector, our companies had to suffer the law of the markets described above and have been compelled to adjust the level of their premiums.

A new acquisition, of which you will find the details below, has strengthened our structure at the end of the year.

ASCO N.V.

The company decided to increase once again its own insurance and decrease the share of reinsurers in various contracts. Such decision has been taken with the necessary prudence, as this leads directly to an increase in the enterprise’s reserves which passed from K€ 15,641 to K€ 15,295 thanks to the good technical results.

The decrease of the reserves charged to reinsurers required a contribution from ASCO N.V. of K€ 393 to cover the increase in its own account. The net premiums cashed in 2005 rose by K€ 507.

The total premiums paid in 2005 amounted to K€ 15,166 and the financial result reached K€ 1,414. Net profit after tax amounted to K€ 1,283, an increase of 45% over the 2004 profit. The gross technical expenses and commissions represent 54.41% of the total premiums paid and the general charges represent 9.35%.

The “life” company, created in 2002 together with ASCO N.V. and Ackermans & van Haaren NV, encountered problems to maintain its growth in 2005. It had to adjust the basis of its products to attract the interest of a larger number of brokers.

During its fourth year of activity ASCO LIFE N.V. realized a premium turnover of K€ 5,400.

The total invested funds for the account of its clients reached about K€ 25,000 at the end of 2005.

B.D.M. N.V.

As agent representing foreign companies B.D.M. N.V. is essentially active in the area of transport insurance.

Our subsidiary in Amsterdam increased its turnover to K€ 27,904 and B.D.M. N.V.'s turnover reached K€ 40,007.

At the end of the year the latter acquired 100% of the shares of MINERVA N.V. which realized a turnover of K€ 22,406 in 2005. Hence, B.D.M. N.V. and its subsidiaries' total turnover amounted to K€ 90,317. B.D.M. N.V. and MINERVA N.V. will be merged during 2006.

As a consequence, a better balance will exist between the maritime branches which will remain the principal activity of the group, followed by the industry and the trade areas.

Our Dutch agency realized a positive technical result in each branch of activity, except in the fire area where a major claim occurred.

Commissions and fees booked by B.D.M. N.V. amounted to K€ 3,954, a slight increase of 2.42%. General Charges were limited to 21% and personnel charges to 55% of this amount.

Prospects 2006

After excellent results in the sectors of industrial fire and in transport, we notice a decrease of certain rates. The insurance companies of our Group will have to remain attentive and push the pressure of the premiums downwards while preserving the results of those we represent.

Our company employs 80 persons and a new structure will be put in place to realize the merger with MINERVA N.V.

In the Netherlands new investments in computer systems start to show their benefits.

Our 2006 results should improve sensibly by realizing economies of scale and reducing our general charges and running expenses.

Group production (in tonnes)

	2005			2004		
	Own	Outgrowers	Total	Own	Outgrowers	Total
Palm oil	**175,959**	**70,298**	**246,257**	**170,559**	**85,533**	**256,092**
Indonesia	**120,829**	**14,642**	**135,471**	**116,388**	**27,258**	**143,646**
Tolan Tiga Group	63,370	890	64,260	58,590	12,790	71,380
Agro Muko Group	57,459	13,752	71,211	57,798	14,468	72,266
Papua New Guinea	35,624	32,362	67,986	32,525	30,197	62,722
Ivory Coast	19,506	23,294	42,800	21,646	28,078	49,724
Palm kernels	**33,149**	**7,361**	**40,510**	**33,311**	**11,752**	**45,063**
Indonesia	**29,775**	**3,332**	**33,107**	**29,725**	**7,101**	**36,826**
Tolan Tiga Group	16,335	255	16,590	16,238	3,792	20,030
Agro Muko Group	13,440	3,077	16,517	13,487	3,309	16,796
Ivory Coast	3,374	4,029	7,403	3,586	4,651	8,237
Palm kernel oil	**2,612**	**2,212**	**4,824**	**2,429**	**2,131**	**4,560**
Papua New Guinea	2,612	2,212	4,824	2,429	2,131	4,560
Rubber	**9,470**	**2,320**	**11,790**	**9,098**	**3,368**	**12,466**
Indonesia	**6,916**	**462**	**7,378**	**6,735**	**1,061**	**7,796**
Tolan Tiga Group	5,012	28	5,040	4,855	137	4,992
Agro Muko Group	1,904	434	2,338	1,880	924	2,804
Papua New Guinea	2,257	1,858	4,115	1,993	2,307	4,300
Brazil	297	0	297	370	0	370
Tea	**7,094**	**0**	**7,094**	**6,531**	**0**	**6,531**
Indonesia	3,152		3,152	3,194		3,194
Vietnam	3,942		3,942	3,337		3,337
Pineapples	**368**	**0**	**368**	**873**	**0**	**873**
Ivory Coast	368		368	873		873
Bananas	**9,868**	**0**	**9,868**	**11,744**	**0**	**11,744**
Ivory Coast	9,868		9,868	11,744		11,744
Guava	**365**	**0**	**365**	**261**	**0**	**261**
Brazil	365		365	261		261
Hearts of palm	**8**	**0**	**8**	**16**	**0**	**16**
Brazil	8		8	16		16
Pepper	**93**	**0**	**93**	**89**	**0**	**89**
Brazil	93		93	89		89

Group planted area (in hectares)

	2005							2004						
	Mature	%	Immature	%	Planted	%	Total %	Mature	%	Immature	%	Planted	%	Total %
Oil palms	**44,495**	89	**5,743**	11	**50,238**	100	**78**	**43,882**	89	**5,354**	11	**49,236**	100	**77**
Indonesia	27,375	88	3,577	12	30,952	100	62	27,214	90	3,020	10	30,234	100	61
Tolan Tiga Group	12,412		1,952		14,364			12,385		1,939		14,324		
Agro Muko Group	14,963		1,625		16,588			14,829		1,081		15,910		
Papua New Guinea	5,880	87	847	13	6,727	100	13	5,548	87	820	13	6,368	100	13
Ivory Coast	11,240	89	1,319	11	12,559	100	25	11,120	88	1,514	12	12,634	100	26
Rubber	**7,764**	78	**2,215**	22	**9,979**	100	**15**	**7,539**	78	**2,104**	22	**9,643**	100	**15**
Indonesia	4,832	76	1,500	24	6,332	100	63	4,687	75	1,539	25	6,226	100	65
Tolan Tiga Group	3,099		1,214		4,313			2,961		1,439		4,400		
Agro Muko Group	1,733		286		2,019			1,726		100		1,826		
Papua New Guinea	2,381	77	715	23	3,096	100	31	2,126	79	565	21	2,691	100	28
Brasil	551	100	0	-	551	100	6	726	100	0	-	726	100	8
Tea	**3,020**	91	**296**	9	**3,316**	100	**5**	**3,059**	92	**273**	8	**3,332**	100	**5**
Indonesia	1,762	99	25	1	1,787	100	54	1,762	100	5	0	1,767	100	53
Vietnam	1,258	82	271	18	1,529	100	46	1,297	83	268	17	1,565	100	47
Pineapple (fruits & flowers)	**51**	60	**34**	40	**85**	100	**0**	**83**	56	**64**	44	**147**	100	**0**
Ivory Coast	51	60	34	40	85	100		83	56	64	44	147	100	
Bananas	**253**	100	**0**	0	**253**	100	**0**	**304**	100	**0**	0	**304**	100	**0**
Ivory Coast	253	100	0	-	253	100		304	100	0	-	304	100	
Guava	**15**	7	**205**	93	**220**	100	**0**	**15**	7	**205**	93	**220**	100	**0**
Brasil	15	7	205	93	220	100		15	7	205	93	220	100	
Hearts of palm	**0**	0	**0**	0	0	0	**0**	**410**	100	**0**	0	**410**	100	**1**
Brasil	0	-	0	-	0	-		410	100	0	-	410	100	
Pepper	**72**	85	**13**	15	**85**	100	**0**	**72**	85	**13**	15	**85**	100	**0**
Brasil	72	85	13	15	85	100		72	85	13	15	85	100	
Timber	**0**	0	**238**	100	**238**	100	**0**	**0**	0	**238**	100	**238**	100	**0**
Brasil	0	-	180	100	180	100		0	-	180	100	180	100	
Papua New Guinea	0	-	58	100	58	100		0	-	58	100	58	100	
Total	**55,670**	86	**8,744**	14	**64,414**	100	**100**	**55,364**	87	**8,251**	13	**63,615**	100	**100**

Mature oil palm

Rubber tapper

Tea plucker

Young oil palm

Tea bush

Sustainable agricultural production

The burgeoning growth of the world's population and generally improving living standards place increasing demands on our planet's resources. These two factors are the source of most environmental problems. Land which is available and suitable for agriculture is clearly a finite resource and increasingly valuable.

Land and sustainability

Land

All land owned by SIPEF worldwide is held under titles issued by their respective governments specifically for the purposes of agriculture. Much of this land has been held by the Group for decades. We could only develop new land with the authority of the relevant government. Given the nature of our business we see it as our duty to use the land as productively as possible over the long term using sustainable agricultural practices that are environmentally sound.

Sustainability

The Group was one of the founding signatories to the Statement of Intent that led to the formation of the Roundtable on Sustainable Palm Oil, a global multi-stakeholder association, of which the Group is a member.

Soil and Water conservation

Hilly land is terraced for planting. This not only makes the job of the workers easier (as they are always working on the flat) but also, with the help of silt pits and bunds, prevents soil erosion and helps water retention for the trees. In certain areas Vetiver grass is planted on terrace edges to help strengthen and prevent them from collapsing during very wet conditions.

Leguminous Cover Crops (LCC)

These are sown when the land is being prepared for planting. They cover the area in a thick carpet of foliage which fixes nitrogen in the soil, keeps it moist and cool, prevents soil erosion and the unwanted incursion of noxious weeds. Not for nothing are they known as "the planters' friend".

Leguminous cover crops

Terraced planting

Conservation areas

Conservation areas are retained on most estates; this benefits the wildlife and encourages biodiversity. The largest is over 1,000 hectares at Agro Muko which includes three fresh water lakes.

Among other measures taken is the preservation of riparian reserves to preserve flora and fauna, provide wildlife corridors, ensure water quality and prevent erosion. Steep hill slopes are also left unplanted under natural cover for similar reasons.

Hydro power

At our Cibuni tea estate we make use of the fast flowing Cibuni River to produce hydro-electricity for our tea factory and workers' housing. This sustainable source of clean energy enables us to minimize use of expensive fossil fuels and reduce costs and pollution.

Integrated pest management

Pests cause costly damage but control measures can be equally costly both to the environment and the bottom line. Wherever possible we try to persuade Mother Nature to come to our aid. Three examples serve as illustrations:

(1) Rats love oil palm fruits and can cause significant damage. The old method was use of poisoned bait (chemical Rodenticides) with obvious undesirable secondary effects. Instead, we have introduced the barn owl (*Tyto alba*) who does a very good job of keeping the rat population below economic damage levels.

(2) Bagworms and nettle caterpillars can invade and devastate large areas of oil palm. A measure of prevention and control can be achieved by planting nectariferous plants eg., *Turnera subulata*. These plants encourage parasitoids and predators of bagworms and caterpillars thus exercising a degree of bio-control over the latter.

(3) The Siam weed (*Chromolaena odorata*) is a seriously noxious weed in oil palm estates in Indonesia and in Ivory Coast. Established methods of control are slashing, uprooting or spraying with herbicides. This is rendered more effective by inviting the assistance of the South American gallfly (*Procecidochares connexa*) a member of the fruit fly family. It controls the weed by laying eggs on the plant. The developing larvae (maggots) bore holes into the stem; the Siam weed retaliates by forming galls over the maggots and this process severely stunts it and flowering and reproduction are highly reduced.

Barn owl (Tyto alba) nesting box

Turnera subulata

Zero burning

This technique is used when old and uneconomic trees need to be replaced. The past practice was for them to be chopped down, heaped and burnt. The fires caused smoke pollution and risked going out of control. We, and most responsible plantation companies, stopped this a number of years ago. The present practice is to stack the felled trees (shredded if necessary) in the inter-rows and allow them to decay. The benefits are to allow a return of organic matter to the soil and end a source of pollution.

Palm oil mills

A well managed mill is virtually self sufficient in its energy requirements. The shell and fiber of the oil palm fruit is used as fuel for the boilers, which provide steam for power generation. However there are two by-products; empty fruit bunches (EFB) left after the fruit has been threshed out of it, and palm oil mill effluent (POME).

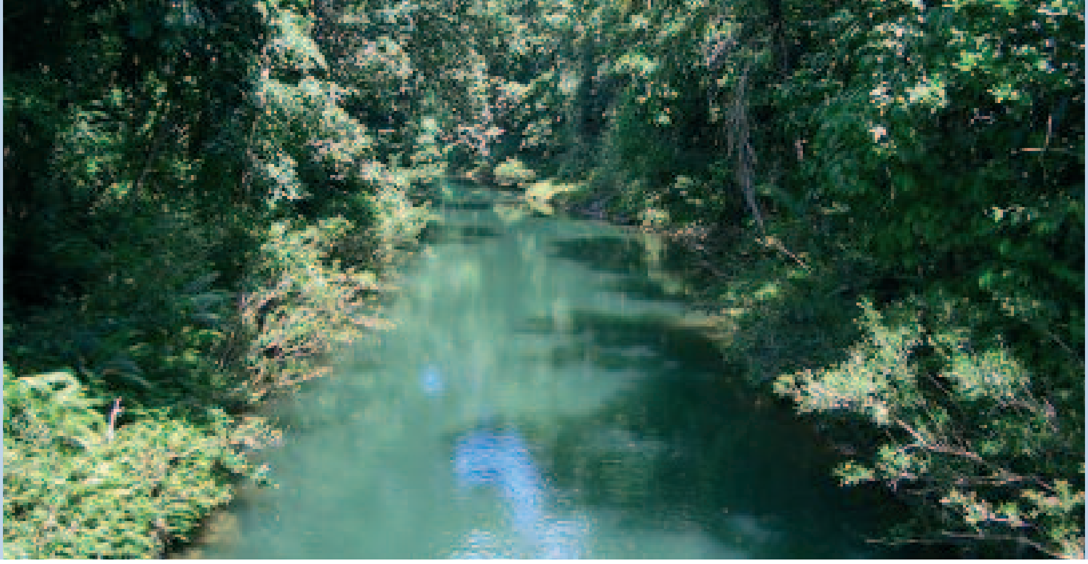
EFB are allowed to be incinerated in certain areas. The ash is high in potassium which is an essential nutrient fertilizer. Elsewhere (EFB) is returned to the field where it acts as a great source of compost for the trees and as a prevention against soil erosion.

POME is the by-product of the mill process of producing Crude Palm Oil. No chemicals are added in the process but plenty of water and steam are used. Raw POME consists of water-soluble components of the palm fruits and some suspended solids and fibre. Although its components are non-toxic POME is acidic and has a very high biochemical oxygen demand (BOD). For this reason it must be treated before discharge. Treatment is by anaerobic digestion and extended aerobic systems.

Composting

In recent years a system has been developed to combine EFB and POME to produce compost. The compost has the potential of replacing chemical fertilizer usage by almost 2/3rds. The SIPEF Group was the first in the world to use the system commercially.

Felled and shredded trees



Preservation of riparian reserves

Rubber and tea factories

Waste from these processes is easier to deal with than those of the oil palm mills. Almost all rubber solids are recovered in the process, the serum having negligible BOD at the point of discharge. Tea waste, if any, is returned as compost to the field.

Local communities

The Group employs several thousand people worldwide. The vast majority live and work on its various estates which are communities in themselves.

The Group promotes their well being by providing housing, utilities, medical services, education facilities, playgrounds, care centers and places of worship. Communities surrounding the estates also benefit from employment opportunities and from satisfying the demand for goods and services from the estate.

Some years ago at P.T. AGRO MUKO we started a scheme of village oil palm development. The village supplies the land and labour and we supply the planting material, agricultural advice and working capital.

When mature, the crop is sold to the estate mill. The village thus has a source of sustainable income which is in its interest to preserve. There are now 31 of these schemes.

Past, present and future

The Group has been in agriculture for almost 90 years. Responsible stewardship and sustainable practices are therefore not something entirely new to us. We will continue to emphasize their importance in the way we operate. At the SIPEF Training Centre in Indonesia, in our agricultural manuals and in the example of their seniors, every new employee soon becomes aware of the necessity of these efforts to safeguard the quality of life on plantations and on our planet.

Navo - compost site

Theoretical training

Training of agricultural management

Solar panels at Kerakera - Hargy

Consolidated financial statements

Consolidated balance sheet at December 31, 2005

	Notes	2005	2004	2003
		K€	K€	K€
Non-current assets		**162,735**	**147,562**	**176,129**
Intangible assets	14	**342**	**335**	**1,330**
Biological assets	10	**106,991**	**95,877**	**119,388**
Property, plant and equipment	15	**44,077**	**40,022**	**47,604**
Investment property	16	**1,763**	**1,482**	**3,244**
Financial assets	17	**6,602**	**6,814**	**4,320**
Investments in associates		5,605	5,811	3,503
Other investments		512	512	0
Other financial assets		485	491	817
Receivables > 1 year		**2,960**	**3,032**	**243**
Other receivables	18	1,921	2,143	243
Deferred tax assets	12	1,039	889	0
Current assets		**36,971**	**39,235**	**37,194**
Inventories	19	**10,116**	**7,328**	**10,542**
Trade and other receivables		**16,196**	**17,444**	**17,815**
Trade receivables		9,441	13,051	12,370
Other receivables	20	6,755	4,393	5,445
Investments		**4,698**	**10,632**	**4,431**
Other investments and deposits	25	4,698	10,516	4,026
Derivatives	28	0	116	405
Cash and cash equivalents	25	**2,647**	**2,951**	**2,036**
Other current assets	20	**3,314**	**880**	**2,370**
Total assets		**199,706**	**186,797**	**213,323**

	Notes	2005	2004	2003
		K€	K€	K€
Total equity	21	**125,276**	**105,089**	**89,424**
Shareholders' equity		**111,644**	**92,499**	**73,964**
Capital stock		33,888	33,603	27,500
Share premium		14,738	14,115	3,719
Hedging reserves		0	7	273
Reserves		64,139	55,729	42,472
Translation differences		-1,121	-10,955	0
Minority interests	22	**13,632**	**12,590**	**15,460**
Non-current liabilities		**46,154**	**50,842**	**67,954**
Provisions > 1 year		**26,140**	**23,108**	**27,170**
Provisions	23	278	282	483
Deferred tax liabilities	12	25,862	22,826	26,687
Trade and other obligations > 1 year	26	**1,673**	**1,734**	**1,735**
Financial obligations > 1 year (incl. derivatives)	25	**12,161**	**20,850**	**32,555**
Liabilities for post-employment benefit plans	24	**6,180**	**5,150**	**6,494**
Current liabilities		**28,276**	**30,866**	**55,945**
Trade and other obligations < 1 year		**9,629**	**11,333**	**15,080**
Trade payables		4,831	3,916	6,448
Advances received		178	416	2,572
Other payables	20	4,117	4,424	5,463
Income taxes		503	2,577	597
Financial obligations < 1 year		**16,487**	**16,263**	**38,385**
Current portion of amounts payable after one year	25	6,731	6,826	6,621
Financial obligations	25	9,593	9,437	31,764
Derivatives	28	163	0	0
Other current liabilities	20	**2,160**	**3,270**	**2,480**
Total equity and liabilities		**199,706**	**186,797**	**213,323**

Consolidated income statement

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

	Notes	2005	2004 pro forma	2004
		K€	K€	K€
Revenue	7	119,326	117,420	140,089
Cost of sales		-88,762	-81,572	-99,223
Gross margin	7	**30,564**	**35,848**	**40,866**
Variation biological assets	9, 10	-2,579	-3,592	-3,592
Selling, general and administrative expenses		-10,982	-10,788	-12,470
Other operating income/(charges)	8	533	4,303	3,009
Operating result		**17,536**	**25,771**	**27,813**
Financial income		409	557	557
Financial charges		-2,337	-3,214	-4,157
Exchange differences		2,783	-601	-601
Financial result	11	**855**	**-3,258**	**-4,201**
Profit before tax		**18,391**	**22,513**	**23,612**
Tax expense	12	-6,109	-8,096	-8,118
Profit after tax		**12,282**	**14,417**	**15,494**
Share of results of associated companies	13	**-36**	**2,010**	**933**
Insurance		1,222	933	933
SIPEF-CI		-1,258	1,077	0
Profit for the period		**12,246**	**16,427**	**16,427**
Attributable to:				
Minority interests		1,238	2,627	2,627
Equity holders of the parent		11,008	13,800	13,800

Consolidated cash flow statement

	Notes	2005	2004
		K€	K€
Operating activities			
Result before tax		**18,391**	**23,612**
Adjusted for:			
Depreciation	7	4,955	6,389
Movement in provisions	24	539	450
Unrealised exchange result	11	-2,618	350
Changes in fair value of biological assets	10	2,579	3,592
Other non-cash results		118	158
Interest received - paid		1,656	3,583
Capital loss on receivables		599	1,799
Capital loss on sale of investments		0	-4
Result on disposal of property, plant and equipment		-300	-3,440
Result on disposal of financial assets	31	0	-2,282
Cash flow from operating activities before change in net working capital		**25,919**	**34,207**
Change in net working capital		-4,206	-3,123
Cash flow from operating activities after change in net working capital		**21,713**	**31,084**
Income taxes paid	12	-8,665	-6,168
Cash flow from operating activities after taxes		**13,048**	**24,916**
Investing activities			
Acquisition intangible assets	7	0	-2
Acquisition biological assets	7	-3,384	-2,394
Acquisition property, plant and equipment	7	-5,389	-8,881
Acquisition investment property	7	-126	-92
Acquisition financial assets		-222	-18
Dividends received from associated companies	17	170	412
Proceeds from sale of property, plant and equipment	15	2,492	5,851
Proceeds from sale of financial assets	31	0	4,722
Cash flow from investing activities		**-6,459**	**-402**
Free cash flow		**6,589**	**24,514**
Financing activities			
Capital increase	21	907	16,500
Costs of capital increase		0	-679
Increase/(decrease) in long-term financial borrowings		-9,115	-7,731
Increase/(decrease) short-term financial borrowings		156	-19,809
Last year's dividend paid during this bookyear		-2,664	0
Dividends paid by subsidiaries to minorities	22	-744	-1,520
Interest received - paid		-1,656	-3,583
Cash flow from financing activities		**-13,116**	**-16,822**
Net increase in cash and cash equivalents		**-6,527**	**7,692**
Cash and cash equivalents (opening balance)	25	13,467	6,062
Effect of exchange rate fluctuations on cash and cash equivalents		406	-287
Cash and cash equivalents (closing balance)	25	7,346	13,467

Consolidated statement of changes in equity

	Capital stock SIPEF N.V.	Share premium SIPEF N.V.	Retained earnings	Stock options	Hedging reserves	Translation differences	**Share-holders' equity**	Minority interests	**Total equity**
January 1, 2004	27,500	3,719	42,347	125	273	0	**73,964**	15,460	**89,424**
Result for the period			13,800				**13,800**	2,627	**16,427**
Translation differences						-10,955	**-10,955**		**-10,955**
Change in hedging reserves					-266		**-266**		**-266**
	27,500	**3,719**	**56,147**	**125**	**7**	**-10,955**	**76,543**	**18,087**	**94,630**
Last year's dividend paid							**0**		**0**
Issue of shares	6,103	10,397	-679				**15,821**		**15,821**
Stock options				135			**135**		**135**
Other							**0**	-5,497	**-5,497**
December 31, 2004	**33,603**	**14,116**	**55,468**	**260**	**7**	**-10,955**	**92,499**	**12,590**	**105,089**
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**

Notes to the consolidated financial statements of the SIPEF Group

1. Identification

S.A. SIPEF N.V. (the 'Company' or SIPEF N.V.) is a limited liability company ('naamloze vennootschap' / 'société anonyme') incorporated in Belgium and registered at 2000 Antwerpen, Lange Nieuwstraat 17.
The consolidated financial statements for the year ended 31 December 2005 comprise SIPEF N.V. and its subsidiaries (together referred to as 'SIPEF' or 'the Group'). Comparative figures are for the financial year commenced on 1 January 2004 and ended 31 December 2004. The consolidated financial statements were authorized for issue by the Directors at the Board Meeting of 1 March 2006 and shall be approved by the shareholders at the Annual General Meeting of 14 June 2006. 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 International Financial Reporting Standards (IFRS) as adopted by the European Union that were in issue on 31 December 2005. SIPEF is using IFRS as its primary basis of accounting as from 1 January 2005. The IFRS opening balance sheet is dated 1 January 2004, which is the date of transition to IFRS. The comparative figures for 2004 have been restated from Belgian GAAP to IFRS. The last financial statements issued under Belgian GAAP were for the financial year ended 31 December 2004. A reconciliation of the difference in equity and profit or loss under both standards is provided under the section 'First-time adoption of IFRS'.

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 SIPEF N.V.

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

Agricultural activities have historically always been accounted for at cost. With the adoption of IAS 41 this general accepted accounting principle has been replaced by the fair value model.

SIPEF records its biological assets at the value confirmed by independent valuation reports which are requested every year. These valuations are principally based on a discounted cash flow (DCF) model supported by a comparison with the value of recent transactions in similar assets and through a comparison with the operational result from the relevant biological asset.

Internal DCF valuation models were developed which link up closely with the external valuations and which are used principally to execute the necessary sensitivity analyses.

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 charges. Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets:

Buildings	5 to 30 years
Infrastructure	5 to 25 years
Installations and machinery	5 to 30 years
Vehicles	3 to 20 years
Office equipment and furniture	5 to 10 years
Other property, plant and equipment	2 to 20 years

Land is not depreciated.

Impairment of assets

Property, plant and equipment 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, SIPEF N.V., Antwerpen/Belgium, is the parent company of the following significant subsidiaries:

Consolidated companies (full consolidation)	Location	% of control	% of interest
P.T. Tolan Tiga	Medan/Indonesia	90.00%	90.00%
P.T. Eastern Sumatra	Medan/Indonesia	90.00%	90.00%
P.T. Kerasaan	Medan/Indonesia	54.00%	54.00%
P.T. Bandar Sumatra	Medan/Indonesia	90.00%	90.00%
P.T. Timbang Deli	Medan/Indonesia	90.00%	90.00%
P.T. Melania	Jakarta/Indonesia	90.00%	69.66%
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 S.A.	Azaguié/Ivory Coast	100.00%	100.00%
Sipef Guinée S.A.	Conackry/Guinea	84.04%	84.04%
Bonal S.A.	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 S.A.	Luxembourg/Luxemburg	77.40%	77.40%
SEA Holdings N.V.	Antwerpen/Belgium		(liquidated in 2005)

Associates (equity method)	Location	% of control	% of interest
Sipef-CI S.A.	San Pedro/Ivory Coast	32.00%	32.00%
BDM N.V.	Antwerpen/Belgium	50.00%	50.00%
Bruns ten Brink B.V.	Wormer/The Netherlands	50.00%	50.00%
Ascanius N.V.	Antwerpen/Belgium	50.00%	50.00%
Minerva N.V.	Antwerpen/Belgium	50.00%	50.00%
Asco N.V.	Antwerpen/Belgium	50.00%	50.00%
Asco Life N.V.	Antwerpen/Belgium	25.00%	25.00%
AIS N.V.	Antwerpen/Belgium		(sold in 2005)

Joint ventures (proportionate consolidation)	Location	% of control	% of interest
P.T. Agro Muko	Jakarta/Indonesia	40.48%	36.89%

Companies not included			
Agridus N.V. (en liquidation)	Antwerpen/Belgium	86.70%	86.70%
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 S.A.	Kinshasa/Congo	50.00%	50.00%

During the financial year an additional share of 19% has been acquired in SEA Holdings N.V. and as a result the full control over SEA Holdings N.V. Because this company had no more added value as the financing company for Phu Ben Tea Cy the liquidation process was initiated and the liquidation was closed at the end of 2005.

On 22 December 2005, the Group acquired together with Ackermans & van Haaren N.V. all shares of Minerva Underwriters N.V. (through the parent company Ascanius N.V.). With this purchase not only the strengthening of the transport insurance activities of the Group is targeted at but also the extension of the other already existing insurance branches in particular.

60% of the 80% participation in A.I.S. N.V. has been sold outside the Group; therefore our interest in this company has been reduced to 10%, resulting in a deconsolidation.

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 N.V.) 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	
	2005	2004	2005	2004
Indonesia	11,596	12,654	12,060	11,220
Papua N.G.	3.5426	4.1401	3.7523	3.9277
Vietnam	18,728	21,438	19,619	19,611
Ivory Coast	656	656	656	656
Guinea	5,300	3,470	4,446	2,834
Brazil	2.7613	3.6156	2.9933	3.6308
USA	1.1797	1.3621	1.2379	1.2462

7. Segment reporting

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

2005 - K€	Revenue	Cost of sales	Gross margin	% of total
Palm	73,764	-51,321	22,443	73.43%
Rubber	13,249	-8,345	4,904	16.05%
Tea	8,785	-8,461	324	1.06%
Tropical fruits and plants	20,887	-19,261	1,626	5.32%
Corporate	1,449	0	1,449	4.74%
Others	1,192	-1,374	-182	-0.60%
Total	**119,326**	**-88,762**	**30,564**	**100.00%**

2004 pro forma - K€	Revenue	Cost of sales	Gross margin	% of total
Palm	76,149	-48,483	27,666	77.18%
Rubber	12,716	-8,118	4,598	12.83%
Tea	7,855	-7,217	638	1.78%
Tropical fruits and plants	17,810	-16,278	1,532	4.27%
Corporate	1,329	0	1,329	3.71%
Others	1,561	-1,476	85	0.24%
Total	**117,420**	**-81,572**	**35,848**	**100.00%**

2004 - K€	Revenue	Cost of sales	Gross margin	% of total
Palm	98,819	-66,135	32,684	79.98%
Rubber	12,716	-8,118	4,598	11.25%
Tea	7,855	-7,217	638	1.56%
Tropical fruits and plants	17,810	-16,278	1,532	3.75%
Corporate	1,329	0	1,329	3.25%
Others	1,560	-1,475	85	0.21%
Total	**140,089**	**-99,223**	**40,866**	**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.

Gross margin by geographical segment

2005 - K€	Revenue	Cost of sales	Other income	Gross margin	% of total
Indonesia	55,007	-33,014	642	22,635	74.06%
Papua New Guinea	31,546	-26,391	0	5,155	16.87%
Vietnam	4,123	-3,840	0	283	0.93%
Ivory Coast	22,934	-21,666	0	1,268	4.15%
Europe	18	-18	994	994	3.25%
Others	4,062	-3,833	0	229	0.75%
Total	**117,690**	**-88,762**	**1,636**	**30,564**	**100.00%**

2004 pro forma - K€	Revenue	Cost of sales	Other income	Gross margin	% of total
Indonesia	60,482	-36,708	1,050	24,824	69.25%
Papua New Guinea	31,648	-23,523	0	8,125	22.67%
Vietnam	4,215	-3,507	0	708	1.98%
Ivory Coast	14,437	-13,166	0	1,271	3.55%
Europe	5	-2	510	513	1.43%
Others	5,073	-4,666	0	407	1.14%
Total	**115,860**	**-81,572**	**1,560**	**35,848**	**100.00%**

2004 - K€	Revenue	Cost of sales	Other income	Gross margin	% of total
Indonesia	60,481	-36,707	1,050	24,824	60.74%
Papua New Guinea	31,648	-23,523	0	8,125	19.88%
Vietnam	4,215	-3,507	0	708	1.73%
Ivory Coast	37,107	-30,818	0	6,289	15.39%
Europe	5	-2	510	513	1.26%
Others	5,073	-4,666	0	407	1.00%
Total	**138,529**	**-99,223**	**1,560**	**40,866**	**100.00%**

Sales by location of the debtors

	2005	2004 pro forma	2004
Singapore	23,373	24,874	24,874
Indonesia	19,702	25,204	25,204
The Netherlands	15,291	12,788	12,788
United Kingdom	12,633	12,040	12,040
France	10,701	8,246	8,246
Germany	8,111	9,048	9,048
Belgium	7,562	6,786	6,786
United States	6,120	5,157	5,157
Pakistan	5,414	4,362	4,362
Spain	2,638	1,361	1,361
India	2,413	2,217	2,217
Ivory Coast	2,244	1,696	24,366
Others	3,123	3,640	3,640
Total	**119,326**	**117,420**	**140,089**

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.

Segment information by product

	2005						
	Palm	Rubber	Tea	TF&P	Insurance	Unal-located	**Total**
Intangible assets						342	**342**
Biological assets	93,520	8,099	3,190	754		1,428	**106,991**
Property, plant and equipment	32,522	2,734	6,447	1,322		1,052	**44,077**
Investment property						1,763	**1,763**
Investments in associates	769				4,836	0	**5,605**
Other receivables	525					1,396	**1,921**
Inventories	2,179	552	1,390			5,995	**10,116**
Trade receivables	4,171	1,419	897	2,622		332	**9,441**
Other current assets	2,186	2		367		759	**3,314**
Unallocated						16,136	**16,136**
Total assets	**135,872**	**12,806**	**11,924**	**5,065**	**4,836**	**29,203**	**199,706**
% of total assets	68.04%	6.41%	5.97%	2.54%	2.42%	14.62%	**100.00%**
Total liabilities							**199,706**
Segment capital expenditures:							
Intangible assets						0	**0**
Biological assets	2,296	770	243	46	29	0	**3,384**
Property, plant and equipment	4,141	446	314	310	32	146	**5,389**
Investment property						126	**126**
Total investments	**6,437**	**1,216**	**557**	**356**	**61**	**272**	**8,899**
Segment depreciation:							
Intangible assets						23	**23**
Property, plant and equipment	3,350	293	661	324	54	180	**4,862**
Investment property						70	**70**
Total depreciation	**3,350**	**293**	**661**	**324**	**54**	**273**	**4,955**

2004							
Palm	Rubber	Tea	TF&P	Insurance	Unal-located	**Total**	
					335	**335**	Intangible assets
78,924	10,519	4,569	707		1,158	**95,877**	Biological assets
27,638	2,262	6,085	1,368		2,669	**40,022**	Property, plant and equipment
					1,482	**1,482**	Investment property
2,027				3,784	0	**5,811**	Investments in associates
367					1,776	**2,143**	Other receivables
1,527	282	784			4,735	**7,328**	Inventories
8,639	1,394	846	2,088		84	**13,051**	Trade receivables
	71		300		509	**880**	Other current assets
					19,868	**19,868**	Unallocated
119,122	**14,528**	**12,284**	**4,463**	**3,784**	**32,616**	**186,797**	**Total assets**
63.77%	7.78%	6.58%	2.39%	2.03%	17.46%	**100.00%**	% of total assets
						186,797	**Total liabilities**
							Segment capital expenditures:
					2	**2**	Intangible assets
1,572	694	77	47		4	**2,394**	Biological assets
6,532	254	1,452	381		262	**8,881**	Property, plant and equipment
					92	**92**	Investment property
8,104	**948**	**1,529**	**428**	**0**	**360**	**11,369**	**Total investments**
							Segment depreciation:
					25	**25**	Intangible assets
4,772	264	609	322	42	170	**6,179**	Property, plant and equipment
					185	**185**	Investment property
4,772	**264**	**609**	**322**	**42**	**380**	**6,389**	**Total depreciation**

Segment information - geographical

	2005						
	Indonesia	PNG	Vietnam	Ivory Coast	Europe	Others	**Total**
Intangible assets	341					1	**342**
Biological assets	82,091	21,391	1,538	754		1,217	**106,991**
Property, plant and equipment	13,431	24,630	3,528	1,265	173	1,050	**44,077**
Investment property					3	1,760	**1,763**
Investments in associates				769	4,836		**5,605**
Other assets	9,772	10,098	1,295	1,305	17,699	759	**40,928**
Total assets	**105,635**	**56,119**	**6,361**	**4,093**	**22,711**	**4,787**	**199,706**
% of total assets	52.90%	28.10%	3.19%	2.05%	11.37%	2.40%	**100.00%**

Segment capital expenditures:							
Intangible assets							**0**
Biological assets	1,673	1,418	218	46		29	**3,384**
Property, plant and equipment	2,505	2,328	72	301	88	95	**5,389**
Investment property						126	**126**
Total investments	**4,178**	**3,746**	**290**	**347**	**88**	**250**	**8,899**

Segment depreciation:							
Intangible assets	22				1		**23**
Property, plant and equipment	1,633	2,400	328	312	63	126	**4,862**
Investment property						70	**70**
Total depreciation	**1,655**	**2,400**	**328**	**312**	**64**	**196**	**4,955**

2004							
Indonesia	PNG	Vietnam	Ivory Coast	Europe	Others	**Total**	
334			1			**335**	Intangible assets
75,525	16,259	2,407	708		979	**95,878**	Biological assets
11,518	21,140	3,316	1,276	148	2,624	**40,022**	Property, plant and equipment
				8	1,474	**1,482**	Investment property
			2,027	3,784		**5,811**	Investments in associates
9,170	8,017	620	1,655	23,138	669	**43,269**	Other assets
96,547	**45,416**	**6,343**	**5,667**	**27,078**	**5,746**	**186,797**	**Total assets**
51.69%	24.31%	3.40%	3.03%	14.50%	3.08%	**100.00%**	% of total assets
							Segment capital expenditures:
			1	1		**2**	Intangible assets
1,157	1,113	74	47		3	**2,394**	Biological assets
2,850	3,156	893	1,847	56	79	**8,881**	Property, plant and equipment
					92	**92**	Investment property
4,007	**4,269**	**967**	**1,895**	**57**	**174**	**11,369**	**Total investments**
							Segment depreciation:
24			1			**25**	Intangible assets
1,532	2,338	288	1,889	34	98	**6,179**	Property, plant and equipment
				100	85	**185**	Investment property
1,556	**2,338**	**288**	**1,890**	**134**	**183**	**6,389**	**Total depreciation**

8. Recurring/Non-recurring result

In 2004, 38% of the shares in SIPEF-CI S.A. were sold. As a result, the control percentage decreased to 32% and the entity being accounted for under the equity method. The 2004 result has been presented on a pro forma basis to allow a better understanding of the comparative figures.

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

	2005	2004 pro forma	2004
Recurring	**835**	**514**	**632**
Sale of office in Medan - Indonesia		2,326	2,326
Sale of P.T. Tanah Abang		2,188	2,188
Sale of shares of Sipef-CI S.A.		34	34
Fiscal dispute Sipef-CI S.A.			-1,412
Write-down of receivables Ivory Coast in Sipef N.V.	-591	-1,770	-1,770
Sale of building in the United States		1,011	1,011
Liquidation SEA Holdings N.V.	289		
Non-recurring	**-302**	**3,789**	**2,377**
Other operating income/(charges)	**533**	**4,303**	**3,009**

Non-recurring result, taxes included

	2005	2004 pro forma	2004
Non-recurring	-302	3,789	2,377
Tax effect on sale of office in Medan - Indonesia		-698	-698
Tax effect on sale of building in the United States		-344	-344
Non-recurring result after taxes	**-302**	**2,747**	**1,335**
Minority interest	0	163	163
Equity holders of the parent	-302	2,584	1,172

9. Impact of IAS 41 on 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 presents the recurring result of the Group in a better manner. Therefore one will find hereafter, for information purposes only, the difference between the "fair value" method and the "depreciated cost" method:

	2005	2004 pro forma	2004
Investments in re-planting and new planting	-3,384	-2,387	-2,387
Retirements	38	40	40
Variation market value	767	-1,245	-1,245
Variation biological assets in the income statement	**-2,579**	**-3,592**	**-3,592**
Deferred taxes	198	519	519
Non depreciation on biological assets	1,326	1,981	1,981
Influence IAS 41 on IFRS accounts	**-1,055**	**-1,092**	**-1,092**
Minority interest	-773	168	168
Equity holders of the parent	-282	-1,260	-1,260

Adjusted net recurring result Group share

	2005	2004 pro forma	2004
Net result - part of the Group	11,008	13,800	13,800
Adjustment non-recurring result	302	-2,584	-1,172
Adjustment IAS 41	282	1,260	1,260
Adjusted net recurring result	**11,592**	**12,476**	**13,888**

10. Variation biological assets

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
P.T. Tolan Tiga	8,479	Concession	2023	Oil palm
P.T. Eastern Sumatra	3,178	Concession	2023	Oil palm
P.T. Kerasaan	2,362	Concession	2023	Oil palm
P.T. Bandar Sumatra	1,412	Concession	2023	Rubber and oil palm
P.T. Timbang Deli	972	Concession	2023	Rubber and oil palm
P.T. Melania	5,140	Concession	2023	Rubber, tea and oil palm
P.T. Agro Muko	10,000	Concession	2019	Rubber and oil palm
P.T. Agro Muko	2,500	Concession	2020	Rubber and oil palm
P.T. Agro Muko	315	Concession	2011	Rubber and oil palm
P.T. Agro Muko	4,313	Concession	2028	Rubber and oil palm
P.T. 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 S.A.	16,264	Concession	2095	Oil palm
Plantations J. Eglin S.A.	1,136	Ownership	na	Bananas and pineapples
Plantations J. Eglin S.A.	322	Concession provisional	na	Bananas and pineapples
Phu Ben Tea Company	2,177	Concession	2035	Tea
Senor Ltd	3,608	Ownership	na	Rubber, guava and pepper
	97,245			

The variation in the biological assets can be seen as 2 distinguished movements. On the one hand the cost for the replanting of existing areas and for the planting of new land, on the other hand the difference between the fair value of the biological assets of the previous year and this year.

The volatility of the prices on the world market of the biologic assets like oil palms, rubber or tea and of the foreign currencies of the countries where SIPEF is active, can lead to important fluctuations in the valuation in the short term of our biological assets. The valuations, as proposed by our external experts, 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.

Variation biological assets (income statement)

K€	Planting cost	Disposals	Variation market value	Total
Oil palm	-2,295	11	5,916	3,632
Rubber	-771	27	-3,294	-4,038
Tea	-242	0	-1,842	-2,084
Others	-76	0	-13	-89
Total	**-3,384**	**38**	**767**	**-2,579**

The higher value for the oil palm plantations is mainly found in the plantations which are in full expansion, Hargy Oil Palms Ltd en P.T. Agro Muko, where young plantings create additional value.
The decrease in rubber values results mainly from a drop of the future production of our plantations in Indonesia.
A reduction of the fair value of the tea plantations is mainly the result of higher cost prices and disappointing operational results at P.T. Melania. An expected quality improvement and the relating increase of selling prices had to be downgraded in Phu Ben Tea Company.
At balance sheet level the movement in biological assets can be summarized as follows:

Movement schedule biological assets

K€	Balance 2004	Variation market value	Translation differences	Balance 2005
Oil palm	78,924	5,916	8,680	93,520
Rubber	10,519	-3,294	874	8,099
Tea	4,568	-1,842	463	3,189
Others	1,866	-13	330	2,183
Total	**95,877**	**767**	**10,347**	**106,991**

The increase of these items due to the translation differences is the result of the revaluation of the IDR, PGK, VND and USD against the EUR. See also the note regarding equity/translation differences.
Values as appearing in the balance sheet are very sensitive to price changes. Simulations made for palm oil, rubber and tea, based on SIPEF's internal valuation model show that a rise or decrease by 10% of the estimated future selling price has the following influence on the present value of biological assets:

Sensitivity variation sales price

K€	+ 10%	Balance 2005	- 10%
Oil palm	118,993	93,520	68,122
Rubber	12,325	8,099	3,869
Tea	7,681	3,189	-1,542
Total	**138,999**	**104,808**	**70,449**
Others		2,183	
		106,991	

11. Financial result

Financial results concern the interest received on current accounts with non consolidated companies and on temporary cash surpluses. Financial costs concern the interests on long and short term loans as well as bank charges and other financial costs.
The strong decrease of net financial cost directly results from the decrease in net financial debt (capital increase 2004, sale of assets in 2004 and 2005 and a positive operating cash flow in 2004 and 2005).
The exchange result (realized and unrealized) is mainly due to the conversion of the Euro loan at Hargy Oil Palms Ltd into local currency (K€ 2,704 in 2005 against K€ -256 in 2004).

12. Income taxes

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

	2005	2004 pro forma	2004
Profit before tax	18,391	22,513	23,612
Tax at the applicable local rate	-5,797	-6,663	-6,913
Average applicable tax rate	31.52%	29.60%	29.28%
Withholding tax on dividends	-183	-932	-932
Disallowed expenses/untaxed income	487	-640	-413
Deferred taxes	-616	139	139
Tax expense	-6,109	-8,096	-8,119
Average effective tax rate	33.22%	35.96%	34.39%

Deferred taxes in the income statement are the result of:

	2005	2004 pro forma	2004
Addition/(utilisation) of tax losses brought forward	129	-307	-307
Origin or reversal of temporary differences - biological assets	198	519	519
Origin or reversal of temporary differences - other non-current assets	24	-51	-51
Origin or reversal of temporary differences - pension provision	165	131	131
Origin or reversal of temporary differences - translation differences loans	-811	101	101
Origin or reversal of temporary differences - inventories	-306	-251	-251
Origin or reversal of temporary differences - other	-15	-3	-3
	-616	**139**	**139**

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

	2005	2004
Deferred tax asset	1,039	889
Deferred tax liabilities	-25,863	-22,826
Net deferred taxes	**-24,824**	**-21,937**

The deferred tax asset refers to unused tax losses in Galley Reach Holdings Ltd where, due to the positive evolution of the return on rubber, it has become probable that future taxable profit will be available against which the unused tax losses can be offset.
The movements in net deferred taxes (assets – liabilities) are:

	2005	2004
Opening balance	-21,937	-26,686
Increase (= expense)/decrease (= income) through income statement	-616	139
Variation consolidation scope		56
Allocation goodwill GRH to deferred taxes		889
Translation differences	-2,271	3,665
Closing balance	**-24,824**	**-21,937**

The increase of these items due to the translation differences is the result of the revaluation 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:

	2005		
	Total	Not recorded	Recorded
Biological assets	-23,832	206	-23,626
Other non-current assets	-4,365	-608	-4,973
Inventories	-1,393	3	-1,390
Long term obligations	818	-82	736
Pension provision	1,757		1,757
Tax losses	9,242	-6,538	2,704
Others	-32		-32
Total	**-17,805**	**-7,019**	**-24,824**

The majority of the unrecognized deferred tax assets at the end of 2005 are located at the parent company (K€ 4,447), at Galley Reach Holdings Ltd and Sipef Pacific Timbers Pty Ltd (together K€ 1,705) and at Plantations J. Eglin S.A. (K€ 631). For these entities there is uncertainty regarding the availability of sufficient future taxable profit. The reasons for these uncertainties are:

- For SIPEF N.V.: revenue is subject to a limited or even no income tax (dividends and capital gains on shares);
- For Galley Reach Holdings Ltd: the non including of certain deferred tax assets above 3 years due to the historical volatility of the rubber prices;
- For Sipef Pacific Timbers Pty Ltd: the absence of any business activity;
- For Plantations J. Eglin S.A.: 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:

	Total	Not recorded	Recorded
1 year	49	-49	0
2 years	47	-47	0
3 years	58	-58	0
4 years	7	-7	0
5 years	6	-6	0
Unlimited	9,075	-6,371	2,704
Total	**9,242**	**-6,538**	**2,704**

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

	2005	2004
Tax at the applicable local rate	-5,797	-6,913
Withholding tax on dividends	-183	-932
Disallowed expenses/untaxed income	487	-413
Current taxes	**-5,493**	**-8,258**
Variation prepaid taxes	-1,098	102
Variation payable taxes	-2,074	1,988
Paid taxes	**-8,665**	**-6,168**

13. Share of results of associated companies

The excellent result in 2005 of the insurance group is due to an increase in technical result (increased premium income and a decrease in claims incurred) and financial result (increased fair value of financial assets).
Economic difficulties exacerbated the seasonal production decline in the Ivory Coast which adversely affected the results of SIPEF-CI S.A.

14. Intangible assets

The heading ‘Intangible assets’ concerns mainly the operating rights in Indonesia. See also the note regarding biological assets.

	Intangible assets
Gross carrying amount at December 31, 2004	514
Translation differences	46
Gross carrying amount at December 31, 2005	560
Accumulated amortization and impairment losses at December 31, 2004	-179
Depreciations	-23
Translation differences	-16
Accumulated amortization and impairment losses at December 31, 2005	-218
Net carrying amount December 31, 2004	335
Net carrying amount December 31, 2005	**342**

15. Property, plant and equipment

	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equip-ment,furniture and others	In progress	Total proper-ty, plant and equipment	Investment property
Gross carrying amount at December 31, ‘04	21,896	31,434	9,210	2,774	1,153	66,467	2,130
Acquisitions	1,177	2,554	1,121	434	297	5,583	126
Sales and disposals	-2,139	-27	-532	-14	-16	-2,728	-6
Transfers	-460	1,112	7	17	-870	-194	0
Translation differences	2,670	4,566	1,195	331	133	8,895	334
Gross carrying amount at December 31, ‘05	23,144	39,639	11,001	3,542	697	78,023	2,584
Accumulated depreciation and impairment losses at December 31, 2004	-6,622	-12,239	-5,723	-1,861		-26,445	-649
Depreciations	-886	-2,377	-1,286	-313		-4,862	-70
Sales and disposals	28	24	514	13		579	2
Translation differences	-560	-1,701	-722	-235		-3,218	-104
Accumulated depreciation and impairment losses at December 31, 2005	-8,040	-16,293	-7,217	-2,396	0	-33,946	-821
Net carrying amount December 31, ‘04	15,274	19,195	3,487	913	1,153	40,022	1,481
Net carrying amount December 31, ‘05	**15,104**	**23,346**	**3,784**	**1,146**	**697**	**44,077**	**1,763**

During the year land at Bonal S.A. in Brazil (net book value of K€ 2,106) has been sold with a small capital gain.
The increase of these items due to translation differences is the result of the revaluation of the IDR, PGK, VND and USD against the EUR. See also the note regarding equity/translation differences.

16. 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:

	2005	2004
1 year	680	561
2 years	473	303
3 years	343	57
4 years	218	29
5 years	119	0
Total	**1,833**	**950**

In 2005 K€ 608 rentals were received (against K€ 720 last year).

The fair value of these assets is estimated by management (based on recent transactions) at a gross amount between K€ 4,200 and K€ 5,200.

17. Financial assets

		Associated companies		Other companies		Other	
		Participations	Receivables	Participations	Receivables	receivables	Total
Gross carrying amount at December 31, '04		5,811	1,618	5,446	8,437	24	21,336
Share of results of associated companies	Insurance	1,193					1,193
	Sipef-CI S.A.	-1,258					-1,258
Distributed dividends		-170					-170
Sale of AIS N.V.		29					29
Other additions			591			1	592
Other sales				-7			-7
Gross carrying amount at December 31, '05		5,605	2,209	5,439	8,437	25	21,715
Accumulated impairment losses at December 31, 2004			1,106	4,979	8,437		14,522
Write-downs			591				591
Accumulated impairment losses at December 31, 2005		0	1,697	4,979	8,437	0	15,113
Net carrying amount December 31, 2004		5,811	512	467	0	24	6,814
Net carrying amount December 31, 2005		**5,605**	**512**	**460**	**0**	**25**	**6,602**

Investments in associates refer to:

	Functional currency	Percentage of interest	Shareholders' equity	Goodwill	Participations in group companies	Net carrying amount
SIPEF-CI S.A.	CFA	32%	769			769
B.D.M. N.V.	EUR	50%	1,800		-5,287	-3,487
Bruns ten Brink B.V.	EUR	50%	415	624		1,039
Ascanius N.V.	EUR	50%	422		-313	109
Minerva N.V.	EUR	50%	527	2,034		2,561
Asco N.V.	EUR	50%	4,880		-1,250	3,630
Asco Life N.V.	EUR	25%	984			984
Total			**9,797**	**2,658**	**-6,850**	**5,605**

The negative value for BDM N.V. (parent entity for investments in Bruns ten Brink, Minerva N.V. and Asco N.V.) is due to the direct consolidation method of the insurance group.
Investments in other enterprises include a 9.6% stake in Gedei N.V. (net book value of K€ 126), a 87% participation in Agridus N.V. in liquidation (net book value of K€ 288) and K€ 46 other participations.
The equity of Gedei N.V. amounted to K€ 4,808 at December 31, 2005 and the equity of Agridus N.V. amounted to K€ 402 at June 30, 2005 (latest available financial statements).

18. 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 S.A. at the end of 2004. In 2005 the agreed terms of redemption were respected so no additional impairment loss was recorded during the year.

19. Inventories

Analysis of inventories (K€)

	2005	2004
Raw materials and supplies	5,804	4,732
Finished goods	4,121	2,592
Advance payments	191	4
Total	**10,116**	**7,328**

Inventories have increased with K€ 2,788. This temporary increase mainly concerns a palm oil stock at P.T. Agro Muko and a tea stock at Phu Ben Tea Company. Stock levels decreased to the usual level in respectively January and March 2006.

20. Other current assets and other current liabilities

Other receivables (K€ 6,755) includes a tax receivable for an amount of K€ 1,777 (against K€ 678 last year). The remaining amount of K€ 4,978 mainly concerns recoverable VAT at the level of various Group companies.
Other payables (K€ 4,117) mainly include social debts (remunerations due, provision holiday pay and bonus provision) and invoices to receive.
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.

21. Total equity

The various components of equity and the changes therein from December 31, 2004 to December 31, 2005 are presented in the consolidated statement of changes in equity.

Capital stock and share premium

The issued capital of the Company as of December 31, 2005 amounts to K€ 33,888, represented by 872,511 fully paid ordinary shares without nominal value. Evolution of capital stock and share premium from the end of 2003 to the end of 2005 is:

Date	Number of shares	Capital (K€)	Par value	Share premium (K€)	Total (K€)	Total/Share
2003	**708,054**	**27,500**	**38.84**	**3,719**	**31,219**	**44.09**
29/06/2004	157,142	6,103	38.84	10,397	16,500	105.00
2004	**865,196**	**33,603**	**38.84**	**14,115**	**47,719**	**55.15**
04/11/2005	7,315	284	38.84	623	907	124.00
2005	**872,511**	**33,888**	**38.84**	**14,738**	**48,626**	**55.73**

The Extraordinary General Meeting of shareholders dated July 4, 2001 has reauthorized the Board of Directors to increase the capital in one or more operations with an amount of K€ 17,350 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€ 865 in the framework of the issue of subscription rights granted in 1999 and 2002 and for the capital increases in 2004 and 2005 for an amount of K€ 6,388.

The company has received following shareholders declarations:

	Number of shares	Date of notifying	Denominator	%
In connection with Baron Bracht				
Cabra N.V.	22,395	28/05/1993	521,285	4.30%
Gedei N.V.	34,295	28/05/1993	521,285	6.58%
				10.88%
Ackermans & van Haaren N.V. and B.D.S. Holding N.V.	140,724	30/04/1997	697,211	**20.18%**
Alcatel Pensioenfonds V.Z.W.	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 evolution compared to last year is mainly the result of the revaluation of the IDR, PGK, VND and USD against the EUR in 2005.

Country	Currency	2004	Movement 2005	2005
Indonesia	IDR	-10,271	5,601	-4,670
PNG	PGK	-404	2,593	2,189
Vietnam	VND	-209	365	156
United States	USD	29	61	90
Others		34	207	241
Total translation differences on equity		**-10,821**	**8,827**	**-1,994**
Conversion loans		-134	1,008	874
Total		**-10,955**	**9,835**	**-1,120**

Since a considerable proportion of the loans granted by SIPEF N.V. 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 1, 2006 a dividend of K€ 2,755 (3 € 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 SIPEF N.V. and is therefore not provided for in the financial statements per December 31, 2005.

22. Minority interests

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

	2005	2004
P.T. Tolan Tiga	10.00%	10.00%
P.T. Eastern Sumatra	10.00%	10.00%
P.T. Kerasaan	46.00%	46.00%
P.T. Bandar Sumatra	10.00%	10.00%
P.T. Timbang Deli	10.00%	10.00%
P.T. Melania	30.34%	30.34%
P.T. Agro Muko	3.59%	3.59%
Sipef Pacific Timbers Pty Ltd	25.00%	25.00%
Phu Ben Tea Cy	22.60%	37.51%
Sipef-CI S.A.	-	30.00%
Sipef Guinea S.A.	15.96%	15.96%
Bonal S.A.	30.18%	30.18%
Senor Ltd	2.71%	2.71%
Jabelmalux S.A.	22.60%	22.60%
SEA Holdings N.V.	-	37.51%

The movements of the year can be summarized as follows:

	2005
At the end of the preceding period	12,590
Change in consolidation scope	-513
Profit for the period attributable to minority interests	1,238
Distributed dividendes	-744
Translation differences	1,061
At the end of the period	**13,632**

23. Provisions

Provisions mainly include a provision for “constructed buildings” which are still under guarantee in SIPEF N.V. (K€ 190) and a provision for a pending fiscal dispute at Plantations J. Eglin S.A. (K€ 61).

24. Pensions and other long-term employee benefits

Liabilities for post-employment benefit plans mainly include defined benefit pension plans in Indonesia. These provisions are unfunded. The calculation aims to provision for total pension liability per employee by the time the employee reaches the pension age.

Following assumptions are used in the pension calculation:

Past service age	55 years or 30 years of seniority
Salary increase	10% per year in 2005 and 8% per year in 2004
Discount rate	12.5% in 2005 and 1.5% per year in 2004

In addition also internal promotion and mortality are taken into account.

Following reconciliation summarizes the variation of total pension liabilities between 2004 and 2005:

In K€	2004	Result	Translation differences	2005
Indonesia	4,841	550	464	5,855
Ivory Coast	168	-13	0	155
Others	141	6	23	170
	5,150	**543**	**487**	**6,180**

Pension cost in Indonesia (K€ 550) comprises service cost for K€ 448, interest cost for 528 and K€ 75 actuarial gains and losses. On the other hand, K€ 501 provision was reversed due to pension benefits paid out.

25. Net financial debt

Net financial debt can be analyzed as follows:

	2005	2004
Long-term financial obligations	12,161	20,850
Current portion of financial obligations payable after one year	6,731	6,826
Obligations initially payable after more than one year	**18,892**	**27,676**
Short-term obligations - credit institutions	9,593	9,437
Investments and deposits	-4,698	-10,516
Cash and cash equivalents	-2,647	-2,951
Nets financial obligations	**21,140**	**23,646**

Analysis of nets financial obligations 2005 per currency (K€)

	EUR	USD	Others	Total
Obligations initially payable after more than one year	18,013	591	288	18,892
Short-term financial obligations	1,000	8,247	346	9,593
Investments and deposits	-1,689	-2,326	-683	-4,698
Cash and cash equivalents	-1,264	-351	-1,032	-2,647
Total	**16,060**	**6,161**	**-1,081**	**21,140**

Analysis of interest expenses of obligations initially payable after more than one year (K€)

	2005	% of total	Weighted average
Fixed rate (or covered by IRS)	18,013	95%	7.56%
Floating rate	879	5%	Floating
	18,892	**100%**	

Due dates of obligations initially payable after more than one year is as follows (K€):

2006	6,731
2007	8,518
2008	3,306
2009	140
2010	99
2011	98
Total	**18,892**

Reconciliation net financial position and cash flow

	2005	2004
Net financial position at the beginning of the period	23,646	64,878
Increase/(decrease) in long-term borrowings	-9,115	-7,731
Increase/(decrease) in short-term financial obligations	156	-19,809
Net movement in cash and cash equivalents	6,527	-7,692
Effect of exchange rate fluctuations on long-term obligations	332	-197
Effect of exchange rate fluctuations on cash and cash equivalents	-406	287
Deconsolidation Sipef-CI S.A.	0	-6,090
Net financial position at the end of the period	**21,140**	**23,646**

26. Trade and other obligations > 1 year

Trade and other obligations > 1 year comprise the debt to its shareholders recorded in Jabelmalux S.A. as a result of the liability to pay for the non-converted shares in 2002.

27. Stock option plans granted by the Company

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

- Arouse and reinforce interest in the group's result. SIPEF N.V.'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 SIPEF N.V.'s stability, thus ensuring SIPEF N.V.'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 SIPEF N.V. 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 SIPEF N.V.
In 2002 a stock option plan has been granted to members of the Board of Directors and the management committee of SIPEF N.V. 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 2004	Forfeited 2005	Exercised 2005	# exercisable end 2005
1999	December 2012	from October 2003	124.00	22,390	-2,150	-7,315	12,925
2002	December 2015	from October 2006	83.00	10,005	-667	0	9,338
				32,395	**-2,817**	**-7,315**	**22,263**

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.

28. Financial instruments

Exposure to fluctuations in the market price of core products, currencies, interest rates and credit risk arises in the normal course of the Group's business. Financial derivative instruments are used to a limited extend to reduce the exposure to fluctuations in foreign exchange rates and interest rates.

Fluctuations in the market price of core products

Structural risk

SIPEF is exposed to structural price risks of their core consumables.

The risk is primarily related to palm oil and palm kernel oil. A change of the palm oil price with 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 consumables 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

SIPEF's currency risk can be split into three distinct categories: structural, transactional and translational:

Structural risk

A portion of SIPEF'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 exchange rate 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 company 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 2005, the Group's net financial debt amounted to K€ 21,140, about of which K€ 3,127 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€ 14,513 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 derivates are (in K€):

	2005	2004
Currency swaps	-89	199
Interest rate swaps	-74	-83
Fair value (+ = asset; - = liability)	**-163**	**116**

29. Joint ventures

The entity P.T. 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 (in K€)	2005	2004
Non-current assets	22,247	17,744
Current assets	2,956	2,523
Non-current liabilities	-5,066	-4,042
Current liabilities	-685	-1,236
Total equity	**19,452**	**14,989**

Income statement (in K€)		
Operating result	4,683	4,171
Financial result	18	49
Tax expense	-1,067	-1,488
Profit for the period	**3,634**	**2,732**

30. Operational leases

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

	2005	2004
1 year	80	89
2 years	43	79
3 years	21	44
4 years	9	21
5 years	0	9
Total	**153**	**242**

During the year an amount of K€ 99 (against K€ 97 in 2004) has been charged in the income statement.

31. Cash flow statement – acquisitions and divestitures

During 2005 no material acquisitions or divestitures were noted.
In 2004 P.T. Tanah Abang was entirely sold.
In addition, the Group's share in Sipef-CI S.A. was reduced from 70% to 32% resulting in a loss of control and the consolidation according to the equity method. Both transactions had following combined impact on assets, liabilities and income statement of 2004:

	2004
Intangible assets	17
Biological assets	7,764
Property, plant and equipment	6,531
Participations	-1,783
Financial assets	60
Current assets/liabilities (excl. cash and cash equivalents)	-960
Provisions	-1,119
Deferred taxes	-56
Financial obligations	-6,090
Cash and cash equivalents	193
Minority interests	-1,924
Sold shareholders' equity	**2,633**
Sales price	4,915
Result	2,282
Net cash inflows (= sales price - sold cash and cash equivalents)	4,722

32. 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€ 10,255 (2004: K€ 15,387).
In addition an amount of K€ 2,507 has been guaranteed by third parties as security for the Company's account and for K€ 299 for the account of subsidiaries.

Significant litigation:
In Plantations J. Eglin S.A. a dispute is pending with the fiscal authorities. Following a review on the accounts from 2001 to 2003, an unreasonable amount of CFA 3,651 million (K€ 5,566) has been claimed. In 2005, there was no further evolution in this case. Apart from the agreed claim of K€ 15 in 2004 the Board of Directors decided that a provision of K€ 61 will be sufficient for a final settlement of this dispute.

33. Related party transactions

Transactions with Directors and members of the Management Committee

Key management personnel are defined as the Directors and the Group's Management Committee. The table below shows an overview of total remuneration received:

Directors' fees	137
Short-term employee benefits	1,152
Post-employment benefits	598
Share-based payments	135
Total	**2,022**

Disclosing on related party transactions, relations were considered immaterial, except for the rental agreement existing since 1985 between Cabra N.V. and SIPEF N.V. covering the offices and ancillary parking space at Castle Calesberg in Schoten. The annual rent adjusted for inflation amounts to K€ 123 and K€ 53 is invoiced for SIPEF N.V.'s share in 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.

34. Earnings per share (basic and diluted)

	2005	2004
Basic earnings per share		
Basic earnings per share - calculation (€)	12.71	17.54
Basic earnings per share is calculated as follows:		
Numerator: Net result for the period attributable to ordinary shareholders (K€)	11,008	13,800
Denominator: The weighted average number of ordinary shares outstanding	866,415	786,625
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	865,196	708,054
Effect of capital increase	1,219	78,571
The weighted average number of ordinary shares outstanding at December 31	866,415	786,625
Diluted earnings per share		
Diluted earnings per share - calculation (€)	12.61	17.47
The diluted earnings per share is calculated as follows:		
Numerator: Net result for the period attributable to ordinary shareholders (K€)	11,008	13,800
Denominator: The weighted average number of dilutive ordinary shares outstanding	873,104	789,773
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	866,415	786,625
Effect of stock options on issue	6,689	3,148
The weighted average number of dilutive ordinary shares outstanding at December 31	873,104	789,773

35. Events after balance sheet date

There are no major events subsequent to the balance sheet date which have a major impact on the further evolution of the Group.

36. 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.

37. Recent developments

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

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 2005

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.

We have audited the accompanying consolidated financial statements of Sipef NV, 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 2005, 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 199,706 (000) EUR and a consolidated profit for the year then ended of 12,246 (000) EUR. We have also performed those specific additional audit procedures required by the Companies Code.

The Board of Directors of the company is responsible for the preparation of the consolidated financial statements and the directors'report on the consolidated financial statements, for the assessment of the information that should be included in the directors'report on the consolidated financial statements, and for the company's compliance with the requirements of the Companies Code and the articles of association.

Our audit of the consolidated financial statements was conducted in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren".

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

The forementioned auditing standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In accordance with these standards, we considered the group's administrative and accounting organization as well as its internal control processes. We have obtained the explanations and information required for our audit. We have examined, on a test basis, the evidence supporting the amounts in the consolidated financial statements. We have assessed the basis of the accounting methods used, the consolidation policies and significant estimates made by management as well as evaluating the presentation of the consolidated financial statements taken as a whole. We believe that our audit 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 2005, 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 attestations

We supplement our report with the following attestations which do not modify 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 principle 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 April 2006

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 SIPEF N.V. are given below in summarized form.

In accordance with the Belgian Code on Companies, the annual accounts of SIPEF N.V., together with the management report and the auditor's report will be deposited with the National Bank of Belgium.

These documents may also be obtained on request from:

SIPEF N.V.
Lange Nieuwstraat 17
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 SIPEF N.V. for the year ended December 31, 2005 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 at December 31, 2005 (after appropriation)

ASSETS	2005	2004
	K€	K€
Fixed assets	**59,021**	**58,751**
Formation expenses	0	0
Intangible assets	0	0
Tangible assets	175	155
Financial assets	58,846	58,596
Current assets	**34,019**	**32,305**
Amounts receivable after more than one year	1,396	1,776
Stocks and contracts in progress	4,295	1,407
Amounts receivable within one year	20,175	19,363
Investments	3,982	8,198
Cash at bank and in hand	1,234	960
Other current assets	2,937	601
Total assets	**93,040**	**91,056**

LIABILITIES	2005	2004
	K€	K€
Equity	**59,613**	**60,646**
Capital	33,888	33,603
Share premium account	14,738	14,115
Reserves	3,184	3,143
Profit/ (loss) carried forward	7,803	9,785
Provisions and deferred taxation	**190**	**194**
Provisions for liabilities and charges	190	194
Creditors	**33,237**	**30,216**
Amounts payable after more than one year	5,212	8,637
Amounts payable within one year	27,285	19,729
Accrued charges and deferred income	740	1,850
Total liabilities	**93,040**	**91,056**

Condensed income statement

	2005	2004
	K€	K€
Operating income	99,850	91,824
Operating charges	-99,769	-92,900
Operating result	**81**	**-1,076**
Financial income	5,376	10,883
Financial charges	-3,883	-5,104
Financial result	**1,493**	**5,779**
Result on ordinary activities	**1,574**	**4,703**
Extraordinary income	218	4,998
Extraordinary charges	-977	-1,788
Extraordinary result	**-759**	**3,210**
Result for the period before taxes	**815**	**7,913**
Income taxes	0	-4
Result for the period	**815**	**7,909**

Appropriation account

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

First time adoption of IFRS

On June 30, 2005 SIPEF published a transition note including preliminary financial data concerning the transition to IFRS. The figures in the preliminary note are in the meantime confirmed and are the same (with the exception of some immaterial reclassifications) as the figures included in the section below.

38. Introduction

From the first semester of 2005 onwards, SIPEF reports its financial results under the International Financial Reporting Standards (IFRS) as adopted by the European Union. This replaces SIPEF's previous reporting under Belgian GAAP. The first SIPEF IFRS annual report is presented in previous sections.
The purpose of this section is to provide information on the effect of the adoption of IFRS on SIPEF's financial statements as previously published under Belgian GAAP. It consists of the following:

- The transition options;
- A reconciliation of January 1, 2004 (date of transition to IFRS) equity and 2004 equity and result;
- Explanations supporting the reconciliations and the IFRS financial information.

The reconciling items between Belgian GAAP and IFRS represent changes in accounting policies. No errors were noted under Belgian GAAP that would have required separate disclosure under IFRS 1.

39. Transition options

The consolidated income statement has been presented by "function" because SIPEF believes that the "function" presentation reflects operations more appropriately. Under Belgian GAAP the consolidated income statement was presented by "nature".

As a first-time adopter in 2005, SIPEF has prepared its opening IFRS balance sheet on 1 January 2004 (date of transition to IFRS) in accordance with IFRS 1 – *First-time adoption of International Financial Reporting Standards*. SIPEF has elected to use the following exemptions provided by IFRS 1 for the implementation of IFRS at the date of transition:

Business combinations
Business combinations that took place before the date of transition to IFRS have not been restated retrospectively in accordance with IFRS 3 – *Business Combinations*. Assets acquired and liabilities incurred have thus been maintained at the value determined under Belgian GAAP.

Employee benefits
Provisions for pensions and similar obligations have been adjusted to take into account the actuarial gains and losses not yet recognized earlier in the financial statements prepared under Belgian GAAP on 31 December 2003. This adjustment has been recognized directly in equity on 1 January 2004. However and as indicated below, the corridor approach as defined in IAS 19 – *Employee Benefits* is used for actuarial gains and losses arising after the date of transition to IFRS.

Cumulative translation differences
The amount of cumulative translation differences included in the consolidated equity at the date of transition to IFRS is deemed to be nil. This restatement has no effect on equity as it represents a transfer from 'cumulative translation differences' to 'retained earnings'.

Share-based payments
The Group applies the transitional provisions of IFRS 2 – *Share-based Payment*. As a consequence, this standard is only applied to grants of equity instruments that occurred after 7 November 2002 and not yet vested on 1 January 2005. Such instruments have no impact on equity.

Insurance contracts

As admitted by IFRS 4 current valuation rules for insurance contracts remain applicable with the exception of the elimination of the catastrophe or claims equalization provision.

Financial assets

SIPEF decided to designate all its financial assets at fair value through profit or loss at the date of transition. This is an exception on the mandatory designation of a financial asset at fair value or as available-for-sale on initial recognition required by IAS 39.

All issues other than those specifically included in the exemptions and specific provisions disclosed above have been treated in accordance with the general provisions of IFRS. In particular, the Group has elected not to make use of the possibility to measure an item of property, plant and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost at that date.

40. Changes in consolidation scope

The consolidation scope remained unchanged except for the inclusion of THSP S.A., a 40% subsidiary of Sipef CI S.A., in the consolidation scope. THSP S.A. was classified as 'Other participating interests' in accordance with Belgian Gaap and is accounted for using the equity method under IFRS.

41. Reconciliation of shareholders' equity and net profit

	Note	December 2003	Result 2004	Translation differences	Others	December 2004
Shareholders' equity according to Belgian Gaap		33,916	14,841	-4,156	13,224	57,825
Minority interests according to Belgian Gaap		5,353	2,454	-677	-3,657	3,473
Total equity according to Belgian Gaap		**39,269**	**17,295**	**-4,833**	**9,567**	**61,298**
Effects of adopting IFRS (net of tax):						
Biological assets	1	49,603	-398	-7,835	-191	41,179
Pension cost	2	-216	-29			-245
Insurance branch	3	236	238			474
Financial instruments	4	273	109		-266	116
Formation expenses	5	-8	70		-679	-617
Measurement of inventory	6	287	-154	-2		131
Capital grants	7	-20				-20
Dividends	8				2,732	2,732
Goodwill	9		10		-9	1
Deferred taxes	10		43	-2		41
Share-based payments	11		-135		135	0
Capital gain P.T. Tanah Abang	12		60	-172	112	0
Capital gain Sipef-CI S.A.	13		-581		581	0
Capital gain P.T. Agro Muko	14		-101	-146	247	0
Effect of conversion to IFRS		**50,155**	**-868**	**-8,157**	**2,662**	**43,792**
Equity holders of the parent		73,964	13,800	-10,956	15,691	92,499
Minority interests		15,460	2,627	-2,034	-3,462	12,591
Total equity according to IFRS		**89,424**	**16,427**	**-12,990**	**12,229**	**105,090**

42. Explanation of transition from Belgian GAAP to IFRS

Note 1: Biological assets (BA)

The valuation of biological assets at fair value instead of at cost is the most important difference between Belgian GAAP and IFRS and has a major positive impact on equity in 2003 and 2004 (respectively K€ 49,603 and K€ 41,179).

Note 2: Pension cost

The application of IAS 19 – *Employee benefits* had a negative impact of K€ 216 (net of tax as recognized in BDM N.V. accounted for using the equity method) on equity at the date of transition due to recognition of the net accumulated actuarial losses. In 2004 an additional pension cost was recognized in accordance with IFRS for an amount of K€ 29.

Note 3: Insurance branch (equity method accounting)

Under Belgian GAAP financial assets in the insurance branch were measured at lower of cost or market value. Under IFRS these financial assets are considered as being "at fair value through profit or loss", measured at market value and changes in fair value are recognized directly in the income statement, resulting in a positive effect on the opening balance and 2004 income statement.

In addition the catastrophe or claims equalization provision recognized under Belgian GAAP in 2003 and 2004 is eliminated under IFRS with a positive effect on the opening balance and 2004 income statement.

Note 4: Financial instruments

Under Belgian GAAP, accounting for derivative instruments that are considered as a hedge, was driven by accounting for the underlying hedged instrument. If the underlying hedged item was maintained at cost or market value, the derivative instrument was recognized correspondingly.

Accounting for derivatives under IFRS is treated in IAS 39 - *Financial Instruments: Recognition and Measurement* and IAS 32 - *Financial Instruments: Disclosure and Presentation*. Under IAS 39, if a derivative is designated as a fair value hedge, changes in fair value of the derivative and the hedged item are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in fair value of the derivative are recognized in equity and recognized in the income statement when the hedged item affects earnings.

Note 5: Formation expenses

Under Belgian GAAP formation expenses were capitalized and depreciated over 5 years. Under IFRS formation expenses do not meet the definition of an asset and therefore these expenses are derecognized at transition date.

Transaction costs attributable to the issuance of equity in 2004 were capitalized and depreciated over a 5 year period in accordance with Belgian GAAP. Under IFRS these costs are immediately recognized as a deduction from equity.

Note 6: Measurement of inventory

Under Belgian GAAP depreciation was not considered as part of the cost of conversion. Under IFRS (IAS 2) cost of inventories should comprise all costs of purchase and costs of conversion, including depreciation. This change had a positive impact on equity at the transition date but since inventory levels decreased over 2004, a negative impact was noted on the income statement 2004.

Note 7: Capital grants

Under Belgian GAAP, capital grants are part of the equity, under IFRS SIPEF opted to present capital grants under deferred income.

Note 8: Dividends

Under Belgian GAAP, proposed annual dividends on ordinary shares, subsequent to approval by the annual meeting of shareholders to be held after book year closing, were recognized as a liability at year-end. Under IFRS, such dividends are not considered as a liability until formally approved.

Note 9: Goodwill

Goodwill arising on the acquisition of shares Jabelmalux S.A. in 2004 was immediately depreciated under Belgian GAAP. In accordance with IFRS 3 – Business Combinations, the goodwill was allocated to the other non current liabilities.

Note 10: Deferred taxes

Since cumulative translation differences included in consolidated equity at transition date to IFRS are deemed to be nil, the deferred tax liabilities regarding these translation differences were also reversed.

Note 11: Share-based payments

Under Belgian GAAP, the compensation expense related to stock options was not recognized. Under IFRS, SIPEF recognizes the stock based compensation expense over the vesting period of stock options in accordance with IFRS 2 - *Share-based payments*. SIPEF estimates the fair value of options granted using the Black-Scholes valuation model.

Note 12: Capital gain sale P.T. Tanah Abang

Capital gain from the sale of P.T. Tanah Abang is different under IFRS compared to Belgian GAAP as a result of:

- Waiver of the cumulative conversion differences (K€ 172) and;
- IAS 41 revaluation (K€ 112)

at transition date.

Note 13: Capital gain on the sale of SIPEF-CI S.A.

The capital gain from the sale of Sipef-CI S.A. is different under IFRS than under Belgian GAAP as a result of:

- Recognition of badwill in retained earnings (K€ 544) and;
- IAS 41 revaluation (K€ 37)

at transition date.

Note 14: Capital gain intercompany sale P.T. Agro Muko

Under Belgian Gaap capital gains or losses made within the Group were eliminated in proportion to the interest (direct or indirect) in each of the subsidiaries concerned resulting in a capital gain of K€ 101. Under IFRS (IAS 27 – Consolidated Statements and Accounting for Investments in Subsidiaries) intragroup transactions are fully eliminated.

Note 15: Summary of other movements in equity

Variation on other movements in equity under Belgian versus IFRS can be summarized as follows:

in K€	Note	Other Belgian	IFRS
Capital increase		16,500	16,500
Proposed dividend	8	-2,732	0
Capital increase	5	0	-679
Hedging reserve	4	0	-266
Share-based payments	11	0	135
Negative goodwill/Goodwill	9	-544	1
Equity holders of the parent		**13,224**	**15,691**
Dividends to minorities		-1,520	-1,520
Minorities Sipef-CI S.A.		-1,870	-1,899
Minorities P.T. Tanah Abang		-13	-25
Minorities P.T. Agro Muko		-246	0
Minorities Jabelmalux S.A.		-8	-18
Minority interests		**-3,657**	**-3,462**
Total equity		**9,567**	**12,229**

SIPEF