



SA SIPEF NV



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## INTERIM STATEMENT OF THE SIPEF GROUP PER 30 SEPTEMBER 2010 (3Q10)

### 1. INTERIM MANAGEMENT REPORT

#### 1.1. GROUP PRODUCTION

#### Group production

<i>In tonnes</i>	<b>Own</b>	<b>Third Parties</b>	<b>Total 3Q10</b>	<i>B.I. 3Q10*</i>	<b>Own</b>	<b>Third Parties</b>	<b>Total 3Q09</b>	<i>B.I. 3Q09*</i>
Palm Oil	139,167	33,764	172,931	135,555	143,438	36,330	179,768	138,010
Rubber	7,620	924	8,544	7,181	6,539	1,239	7,778	6,627
Tea	2,360	0	2,360	1,735	2,168	0	2,168	1,594
Bananas	15,800	0	15,800	15,800	15,434	0	15,434	15,434

\* Beneficial Interest: share of the Group

The third quarter saw good production volumes on most of our oil palm estates, both in Indonesia and in Papua New Guinea, where the situation is returning back to normal after the exceptionally heavy rains earlier in the year. As far as the production of palm oil at group level is concerned, the backlog of -7.8% end of June compared to the same period last year has been reduced by half to -3.8% at the end of the first 9 months.

In general we also expect good volumes for the third quarter and this could bring our palm oil production close to that of the record year 2009, provided harvesting does not get disrupted by the announced La Niña rains.

Although rubber production usually is somewhat lower in the second half of the year due to wintering (renewal of foliage), we saw the general trend of better production also continue in the third quarter. Especially in North Sumatra, where after a period of extensive pollarding and a change in tapping panels, production exceeded last year's volumes by 37.6%. Purchases from outgrowers in Papua New Guinea dropped by a quarter following competition from an increased number of buyers who were encouraged by the higher price of natural rubber on the world market.

Our Cibuni tea garden on Java, Indonesia enjoyed very favourable weather conditions that boosted the growth of new shoots, resulting in an increase of production of good quality tea by 8.8%.

A very rainy season in West Africa hampered the flowering of the banana trees during the third quarter. Nevertheless the quantities for export still remain slightly above (+2.4%) those of the first 9 months of last year and our European clients continue to show appreciation for the quality we deliver.

## 1.2. MARKETS

### Average market prices

<i>in USD/tonne*</i>		First 9 months 2010	First 9 months 2009
Palm oil	CIF Rotterdam	831	666
Rubber	RSS3 FOB Singapore	3,429	1,706
Tea	FOB origin	2,844	2,623
Bananas	FOT Europe (EUR/tonne)	690	650

\* World Commodity Price Data

By early July the expectation of large soy bean crops both in South and North America, coupled with worries about a possible double dip in the world economic recovery, have pushed down the levels of vegetable oil prices and the CIF Rotterdam market for palm oil had eased back to USD 755 per tonne.

However the transition from El Niño to La Niña turned out, this time, to be one of the most rapid in history and as the third quarter unfolded a number of adverse weather patterns developed in various parts of the world. Not only did we see drought in Russia and the Ukraine but we also saw peculiar weather patterns in Canada and in the USA. All these elements drastically changed the supply and demand fundamentals so that sustained demand in face of a reduced supply steadily pushed palm oil prices up during August and September. By the end of the third quarter – at USD 930 CIF Rotterdam – the market for palm oil had reached its highest level since the start of the year.

After the set back in rubber prices during the second quarter, adverse weather in certain South East Asian producing countries gave fresh support to prices which, by the middle of August, had climbed to around USD 3,200 per tonne for RSS3. Steady demand from China and India driven by a buoyant automobile industry remains an important factor for the market.

Notwithstanding the rainy season in Kenya bringing more volume to the market, there will be less tea of good quality available and this will help the marketing of our Cibuni teas.

## 1.3. PROSPECTS

In the event that the announced La Niña rains do not disrupt the harvesting and tapping activities, we expect total production volume of palm oil to reach that of 2009 and both the rubber and tea volumes will be larger.

Our sales position now reveals that most of our expected palm oil production has been sold at prices slightly in excess of the average of the first 9 months. Also most of the rubber and tea production has been contracted at levels close to USD 3,000 per tonne. Notwithstanding the turbulence in the banana market, our yearly fixed price contracts give us a secured income for the end period of 2010.

The recent price surge, following the surprise downward revision on the 8<sup>th</sup> October by the USDA of current US corn and soy beans yields, has pushed palm oil prices to 985 USD CIF Rotterdam. In rubber, the deterioration of tapping conditions in the main producing areas due to adverse weather is leading to a growing shortage of supply, which is reflected in prices that have reached the USD 4,000 per tonne mark.

This market development will mainly have a positive effect on the 2011 results for palm oil and rubber.

Taking into account the realised sales and barring negative (La Niña) weather developments hampering the expected production volumes for the fourth quarter, our profit expectations are moving towards a level that may possibly slightly exceed the recurrent results of 2009.

Schoten, 21<sup>st</sup> October, 2010.

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SA SIPEF NV is a Belgian agro-industrial company listed on Euronext Brussels. The company mainly holds majority stakes in tropical businesses, which it manages and operates. The Group is geographically diversified, and produces a number of different commodities, principally palm oil. Its investments are largely ventures in developing countries.