Press release
Regulated Information

INTERIM STATEMENT OF THE SIPEF GROUP PER 30 SEPTEMBER 2012 (9m/12)

1. INTERIM MANAGEMENT REPORT

1.1. GROUP PRODUCTION

Group production

In tonnes	Own	Third Parties	Total 9m/12	*B.I. 9m/12**	Own	Third Parties	Total 9m/11	*B.I. 9m/11**
Palm Oil	154 846	36 206	191 052	*150 015*	151 208	37 496	188 704	*147 463*
Rubber	7 621	701	8 322	*7 270*	6 454	736	7 190	*6 288*
Tea	1 997	41	2 038	*1 887*	1 896	0	1 896	*1 749*
Bananas	18 318	0	18 318	*18 318*	14 520	0	14 520	*14 520*

* Beneficial Interest: share of the group

The third quarter saw good palm oil production (+5.46%), supported by favourable weather conditions in most locations and in line with the general trend of increasing productions in South East Asia. Notwithstanding the relatively lower quantities (-1.0%) during the first half of the year, the total production of palm oil as per end September already exceeds by 1.2% that of the same period last year.
Especially the mature plantations in the province of North Sumatra and the own estates in Hargy Oil Palms in Papua New Guinea enjoyed growth boosting climatological conditions. The oil extraction rate of the factories of the group are however slightly inferior to those of last year. Also the young plantings of the UMW/TUM plantations in North Sumatra experienced an accelerated growth in quantities and the crops of the outgrowers in Hargy Oil palms have reached cruising speed, after a long spell of recovery following the freakish weather conditions of the first quarter.

The total rubber production increased by 15.7% compared to last year. Favourable weather conditions, together with an optimisation of tapping procedures and stimulation of the rubber trees, ensured an excellent rubber production (+25.0%) for the SIPEF group in Sumatra during the first nine months of the year. The daily supply of rubber for our activities in Papua New Guinea was affected by the high average rainfall leading to loss of tapping days. The low market prices did nothing to stimulate the supply from third parties. The increase in the volume of processed rubber (+14.9%) is mainly the result of processing the stocks that, due to quality issues, had been built up last year.

Following substantially better weather conditions during the second quarter the quantity of tea from our Cibuni gardens in Java improved considerably (+7.5%) compared to the exceptionally dry year 2011. This trend continued in the third quarter albeit somewhat mitigated.
Traditionally the banana production in the Ivory Coast is limited during the summer period but this year volumes in the third quarter turned out better than those during the politically unstable year 2011.

1.2. MARKETS

Average market prices

in USD/tonne*		9m/12	9m/11	12m/11
Palm oil	CIF Rotterdam	1 063	1 159	1 125
Rubber	RSS3 FOB Singapore	3 471	5 229	4 823
Tea	FOB origin	2 850	2 960	2 920
Bananas	FOT Europe	1 099	1 177	1 125

* World Commodity Price Data

During the month of May many analysts started projecting large soy bean and corn crops in the US and this weighed on the oil-seed and vegetable oils markets. However the scenario changed quite substantially when the US Midwest was hit by drought starting around the end of June, combined with a delay in the Indian Monsoon rains and a heat wave in the regions around the Black Sea.
This prompted palm oil prices, which had dropped to around USD 950 CIF Rotterdam, to edge back up to around USD 1 025 by early September.
Then, as harvesting picked up in the US, the crop turned out not to be as bad as feared. It also became clear that oil palm production was turning out stronger than expected both in Malaysia and Indonesia and so on the back of weak demand this led to a sharp increase in stocks. At the end of September stocks of palm oil in Malaysia reached a record level of 2.48 million tonnes. This explains the sudden and sharp drop in levels from mid-September onward to just below USD 900 CIF Rotterdam.

The rubber market was mainly influenced by political initiatives. In July the International Tripartite Rubber Council (Indonesia-Malaysia-Thailand) announced they had plans to support prices but gave no details. Then in August the Thai authorities first said they would release funds to allow the purchase of rubber in the domestic market, only to change their mind a few days later. This fuelled confusion and so reports of a slowdown of the Chinese economy just added to the woes and prices for RSS1 dropped below USD 3 per kg by the end of August.

Tea prices again continued their steady performance during the third quarter as supply and demand were largely unchanged resulting from poor crops in many producing countries with steady off take of good quality teas.

Banana prices, which as a rule suffer during the summer of lack of demand, have moved back up to levels that marginally exceed those of last year. Seen as the group mainly operated with yearly contracts at fixed prices this market move had little or no effect on our activities.

1.3. PROSPECTS

The production expectations for palm oil and rubber in Indonesia remain good and we expect that the current production surplus compared to last year on most of our plantations will be maintained. Depending on the timing of the start of the rainy season in Papua New Guinea this will also be the case for the palm oil production at Hargy Oil Palms. We expect the rubber production in Papua New Guinea to be lower during the fourth quarter as a result of wintering of the trees.
Tea production is expected to be higher than last year and in the Ivory Coast we expect to export more bananas thanks to a full return to normality of the growing conditions.

High palm oil stock are depressing prices on the spot market to such an extent that the Malaysian authorities announced early October they would reduce the export tax policy with a view to boosting demand for crude palm oil. However by delaying the implementation till the 1st January 2013 there will be no immediate relief and market was disappointed.

However fundamentals have not changed and once these stocks do get absorbed, over the next three to four months, prices will move up to higher levels again. Let's keep in mind that demand should be boosted by palm oil's steep discount versus its main competitor soy oil.

The outlook for rubber has changed since early October when the Tripartite implemented what is called the AETS (Agreed Export Tonnage Scheme), which in effect is an export restriciton. Indeed this gave a boost to natural rubber prices and pushed RSS1 levels back over USD 3 per kg. Nevertheless what is needed to maintain prices above USD 3 per kg in a sustainable way is an improvement in the overall economic activity leading to more demand for rubber products.

Despite better weather conditions in some tea producing countries in Africa which may affect tea prices, the outlook still remains better than last year as global demand for good quality teas remains strong.

At this moment a little over 90% of the expected production of palm oil has been sold at an average price equivalent to USD 1 080 CIF Rotterdam. In addition to the limited quantities that are disposed of locally practically the whole rubber production for export has been sold at an average price of USD 3 419 per tonne FOB. Sales of the tea produced in 2012 have again reached a level of USD 3 per kg.
Thanks to these sales we can state that the major part of the income has been secured and that the current lower prices for palm oil will only have a relatively small impact on this year's results. We expect that the export tax in Indonesia will be reduced in line with lower market prices. In October it still amounted to USD 125.15 per tonne.

The rise in cost of production resulting from wage increases has been cancelled out in Indonesia thanks to a weak rupiah, but remains substantial in Papua New Guinea, where again this year the local currency appreciated by about 15% versus the USD.

Taking into account a realised sales price for palm oil about USD 70 per tonne lower than the average for 2011, and with rubber prices almost USD 1 200 per tonne lower, and also considering rising cost of production, we conclude that we are on the way of achieving good results which however shall be lower than in 2011.

Both the planting in additional areas in Papua New Guinea as well as the compensation process, following the acquisition of two new licenses in South Sumatra, are ongoing, but latter requires a patient approach and a meticulous administrative follow up. It is not possible at this time to give an indication on how many hectares SIPEF shall be in a position to develop.

Schoten, 25 October, 2012.

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SIPEF is a Belgian agro-industrial company listed on NYSE 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.