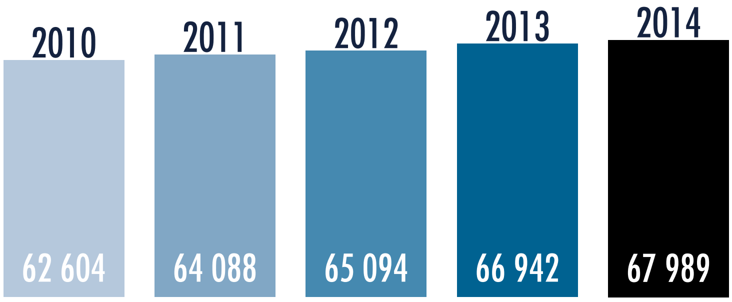
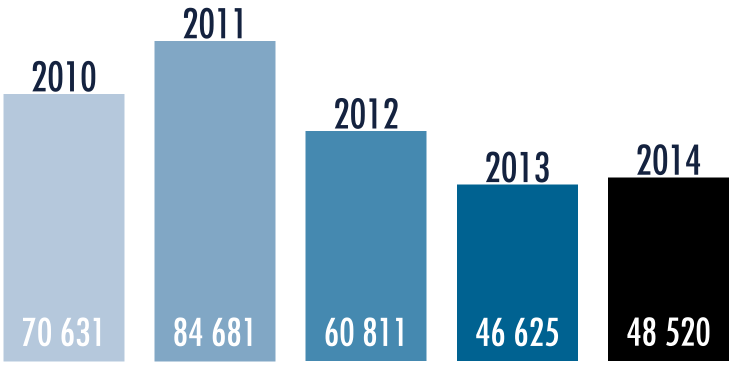
Annual Report 2014

"The Connection to the World of Sustainable Tropical Agriculture"

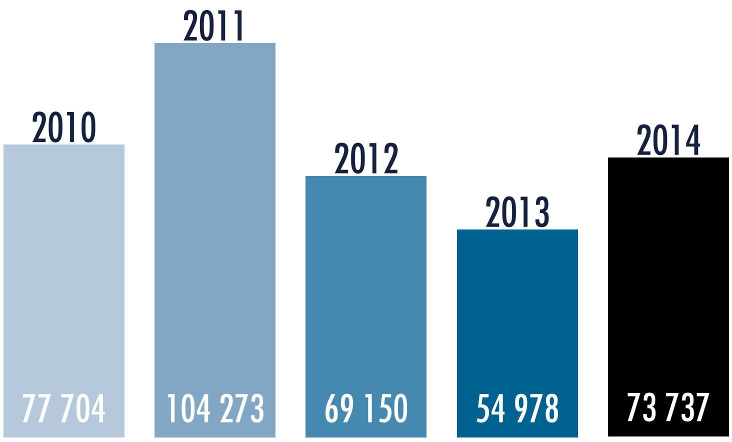
1 Planted area
(in hectares)



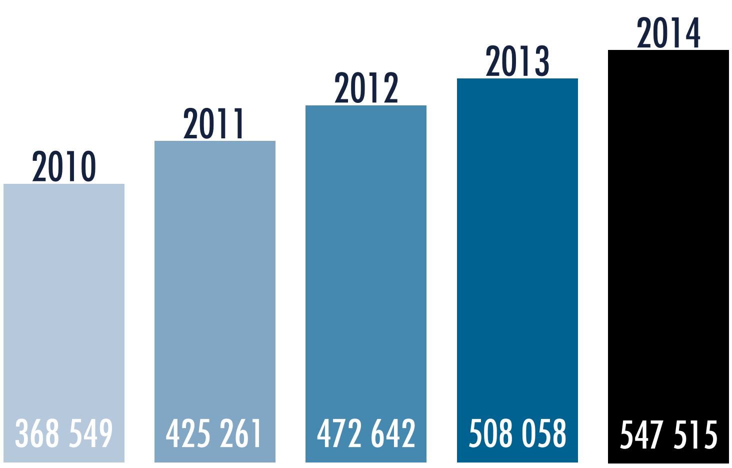
2 Share of the group in the result, before IAS41



3 Cash flow from operating activities after taxes



4 Shareholders' equity



Key figures

Activity		2014	2013R	2012R	2011NR	2010NR
Total own production of consolidated companies *(in tonnes)*	palm oil	219 623	206 476	214 521	206 476	192 156
	rubber	9 675	9 773	9 757	8 464	9 608
	tea	2 816	2 850	2 869	2 626	3 097
	bananas	23 595	22 325	23 916	19 297	20 639
Average market price *(USD/tonne)*	palm oil	821	857	999	1 125	901
	rubber	1 958	2 795	3 377	4 823	3 654
	tea *	2 045	2 399	2 881	2 724	2 719
	bananas	1 043	1 022	1 100	1 125	1 002
Results *(in KUSD)*						
Turnover		285 899	286 057	320 141	367 661	279 400
Gross profit - before IAS41		78 903	79 014	93 434	136 808	117 682
Operating result - before IAS41		59 693	53 888	64 669	114 090	95 625
Share of the group in the result		56 268	55 627	68 392	95 088	84 843
Cash flow from operating activities after taxes		73 737	54 978	69 150	104 273	77 704
Free cash flow		27 264	- 25 439	- 10 042	37 168	33 922
Balance sheet *(in KUSD)*						
Operating fixed assets (1)		522 599	489 106	422 445	385 363	321 512
Shareholders' equity		547 515	508 058	472 642	425 261	368 549
Net financial assets (+)/obligations (-)		- 24 617	- 35 077	12 817	47 519	56 484
Investments in intangible and operating fixed assets (1)		58 380	88 203	95 440	68 031	37 842
Data per share *(in USD)*						
Number of shares		8 951 740	8 951 740	8 951 740	8 951 740	8 951 740
Own shares		62 000	62 000	59 676	59 676	0
Equity		61.59	57.15	53.15	47.82	41.17
Basic earnings per share		6.33	6.26	7.69	10.63	9.48
Cash flow from operating activities after taxes (2)		8.29	6.18	7.78	11.65	8.68
Free cash flow (2)		3.07	-2.86	-1.13	4.15	3.79
Gross dividend *(in EUR)*		1.25	1.25	1.70	1.70	1.50
Stock exchange share price *(in EUR)*						
Maximum		64.00	65.30	71.89	75.78	71.93
Minimum		45.10	49.52	54.51	49.01	36.80
Closing 31/12		47.68	57.70	58.50	58.00	71.00
Stock Exchange capitalization at 31/12 *(in KEUR)*		426 819	516 515	523 677	519 201	635 574

(1) Operating fixed assets = biological assets, property, plant & equipment and investment property
(2) Denominator 2014 = weighted average number of shares issued (8 889 740 shares).

R The 2013 and 2012 comparative figures have been restated due to the equity method consolidation of PT Agro Muko in accordance with the new IFRS 11 standard.
NR: The comparative figures of 2011 and 2010 have not bee restated. The orignal figures have been retained.

* Mombasa auction

Financial Year 2014

SIPEF

Naamloze Vennootschap

Report of the board of directors and of the statutory auditor
to be submitted at the 96th ordinary general meeting to be held on 10 June 2015

“ Irrigation in the palm nursery. A woman doing the manual irrigation of young palm plants with a hose.

Financial calendar

The periodical and occasional information relating to the company and to the group will be published before opening hours of the stock exchange as follows:

- the interim report for the first 3 months on 23rd April 2015;
- the half-year results on 20th August 2015;
- the interim report for the first 9 months on 22nd October 2015;
- the results of the financial year in February 2016 accompanied with comments on the activities of the group;
- 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 8th June 2016 at 15 hrs at Kasteel Calesberg, Calesbergdreef 5 – 2900 Schoten.

Useful addresses

Responsible for the financial information:

François Van Hoydonck, CEO
Johan Nelis, CFO
finance@sipef.com

Registered office and offices:

Kasteel Calesberg
Calesbergdreef 5
B-2900 Schoten

Tel. +32 3 641 97 00
Fax +32 3 646 57 05
info@sipef.com
www.sipef.com

RPR Antwerpen
VAT BE0404491285

Content

Significant events

for the *SIPEF* group in 2014

March 2014

Formal start of the research project in Indonesia/Singapore for the development of high yielding palms.

July 2014

Startup of a new oil extraction mill in Indonesia.
Distribution of a gross dividend of 1.25 EUR per share.

October 2014

Startup of a new oil extraction mill in Papua New Guinea.

December 2014

Crossing the threshold of 6 000 hectares compensations and 1 000 hectares new plantings in the expansion zone Musi Rawas in Indonesia.

Annual palm oil production rose by 5.7%, but disappointing in the fourth quarter (-2.8%).

World market prices for palm oil, rubber and tea have fallen.

Devaluation of local currencies (IDR, PGK and Euro) has helped our constant efforts to manage production costs.

Profit before tax before IAS41 adjustment increased by 17.2%.

Results before IAS41, group share, amounted to 48 520 KUSD, the net IRFS result being 56 268 KUSD.

Free cash flow amounted to 27 264 KUSD and was used to pay dividends and improve the net financial position.

Heads of Agreement signed on the sale of *Galley Reach Holdings Ltd*, our rubber plantation in Papua New Guinea.

At current sales prices, we expect lower results in 2015.

Distribution of a gross dividend of 1.25 EUR per share is proposed, in line with the payout ratio of previous years.

“ Employee specialised in the plucking of the terminal bud and the 2nd leaf (‘young leafs’), intended for the manufacturing of quality teas.

History

Société Internationale de Plantations et de Finance was incorporated in 1919 with the principal aims of promoting and managing plantation companies in both tropical and sub-tropical areas. At that time the company had two "agencies", one operating in Kuala Lumpur, Malaysia, the other in Medan, Indonesia.

Over the years, the company has developed into an agro-industrial group with production and export facilities in Asia, Oceania, Africa and South America, where it manages important plantations of traditional crops, such as rubber, palm oil and tea.

Starting in 1970, other crops, such as bananas, pineapples, ornamental plants, guava and pepper, were also introduced. The group invested in the real estate sector in Belgium and in the United States, but these activities were later phased out completely.

Our traditional activities in commodities and their shipping led us to also get involved in the insurance sector where we now offer a wide range of services.

In the last decade, *SIPEF* has concentrated its efforts in the agro-industrial sector solely on the production of palm oil, rubber, tea and bananas in Indonesia, Papua New Guinea and Ivory Coast. The group sells its own products throughout the world. *SIPEF* also provides management and marketing services to third parties.

By the end of 2014 the plantations extend over a planted surface area of 67 989 hectares.

Principal activities

SIPEF is a Belgian agro-industrial company quoted on Euronext Brussels.

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

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

It invests mainly in recently industrialised countries.

"View of a field with a flowering variety of pineapple 'Ananas comosus striatus', for the florists of the European market.

Company strategy

Management

SIPEF plays a decisive role in the management of companies in which it holds a majority stake or that it controls together with other partners. This role includes active participation in the boards of directors of these subsidiaries as well as monitoring of the management and operation of these companies. *SIPEF* strives to transmit its agronomic experience and management techniques to the local management.

Customers

Every effort is made to meet the needs of our customers and to provide them with high-quality goods and services in a timely manner.

Employees

In order to optimise the management of the plantations, we attach great importance to the training of our local employees, both in agricultural and management techniques

The group's policy concerning agricultural, technical, environmental and general aspects is detailed in manuals containing practical guidelines to achieve these goals. Training sessions support proper implementation of these policies. We see to it that all employees are able to work in a healthy and safe environment.

Environment

The group recognises that, in addition to its statutory and commercial obligations, it bears responsibility towards the communities and environment in which it operates.

In order to preserve the environment, the group applies ecologically-responsible agricultural policies that comply with the principles and criteria of the "Roundtable on Sustainable Palm Oil" (RSPO). This covers a broad series of environmental and social topics such as transparency, compliance with legal standards, good agricultural policy, sustainable development of the land and continued efforts to achieve perfection.

A separate chapter in the annual report is devoted to sustainable agriculture and our efforts to implement those policies.

A team for phyto sanitary treatment at work in a mature plantation located in Indonesia, North Sumatra.

Directors, auditors and management

Board of directors

Baron BRACHT	chairman
François VAN HOYDONCK	managing director
Baron BERTRAND	director
Priscilla BRACHT	director
Jacques DELEN	director
Antoine FRILING	director
Regnier HAEGELSTEEN	director
Sophie LAMMERANT-VELGE	director
Richard ROBINOW	director

Statutory auditor

DELOITTE Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Dirk CLEYMANS	auditors

Management

François VAN HOYDONCK	managing director
Charles DE WULF	manager estates department
Thomas HILDENBRAND	manager marketing bananas and horticulture
Robbert KESSELS	manager marketing commodities
Johan NELIS	chief financial officer

Consultant

Matthew T. ADAMS	independent visiting agent

“ *The felling of a parcel of old palms, which will be subject to replanting after a fallow period. The pseudostems are being ground to stimulate decomposition and improving of the soil with organic material.*

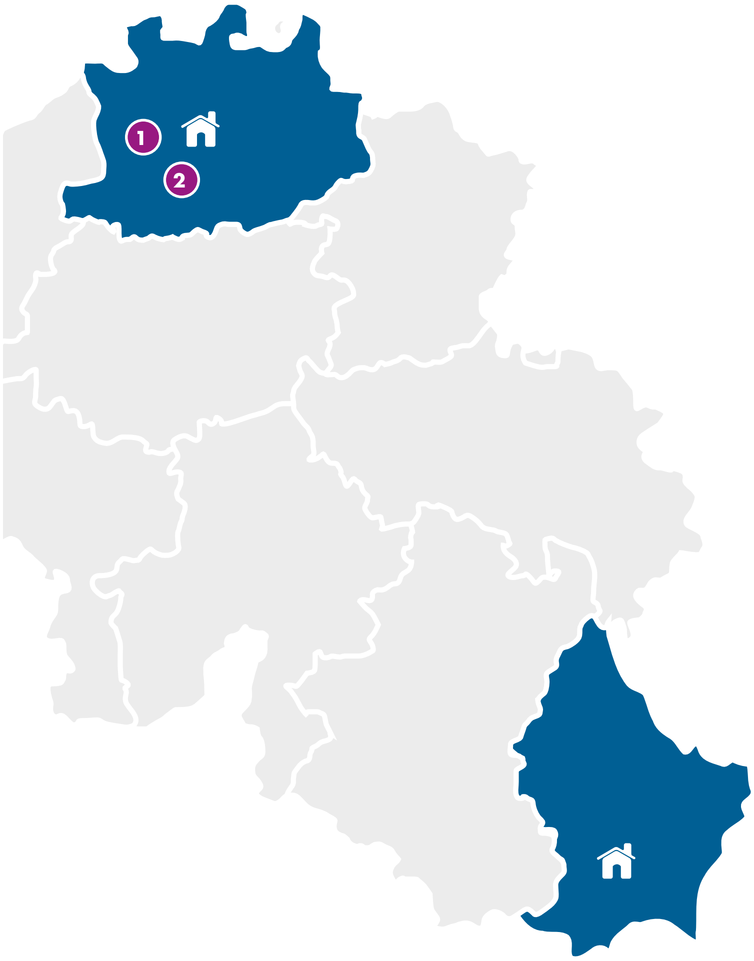
Activities

Legend

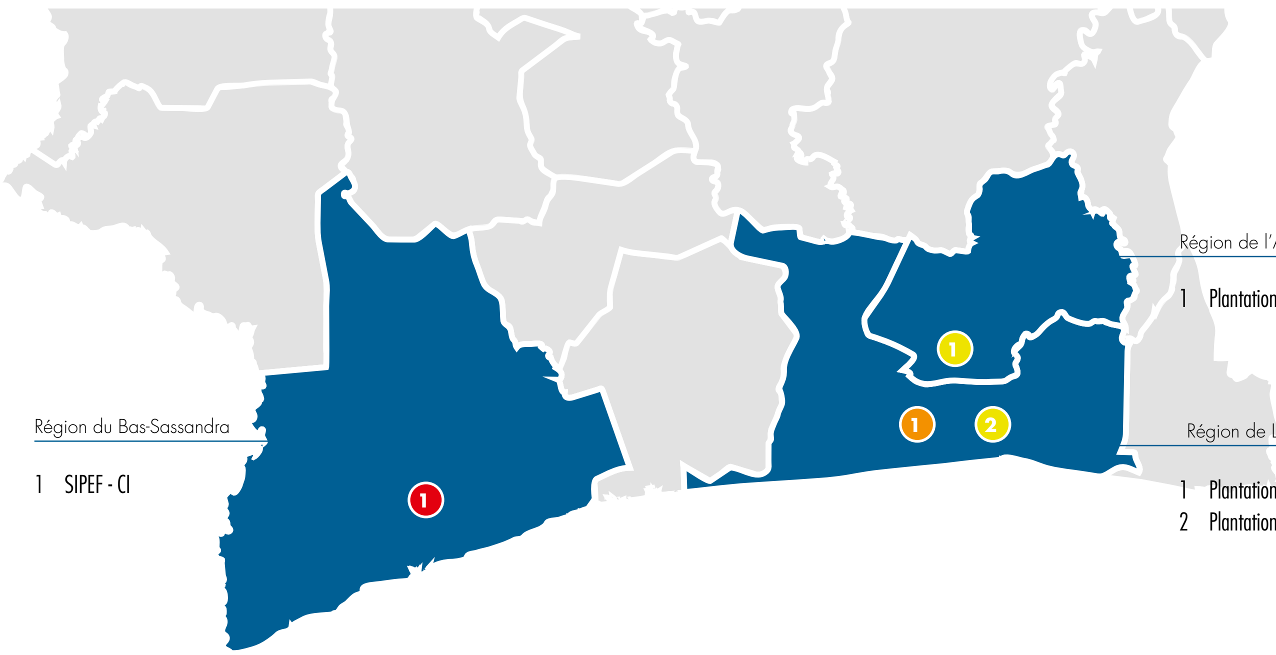
- Palm oil
- Rubber
- Bananas
- Tea
- Horticulture
- Insurance

Belgium Luxembourg

SIPEF
1 BDM
2 ASCO
Jabelmalux



Ivory Coast



Région du Bas-Sassandra

1 SIPEF - CI

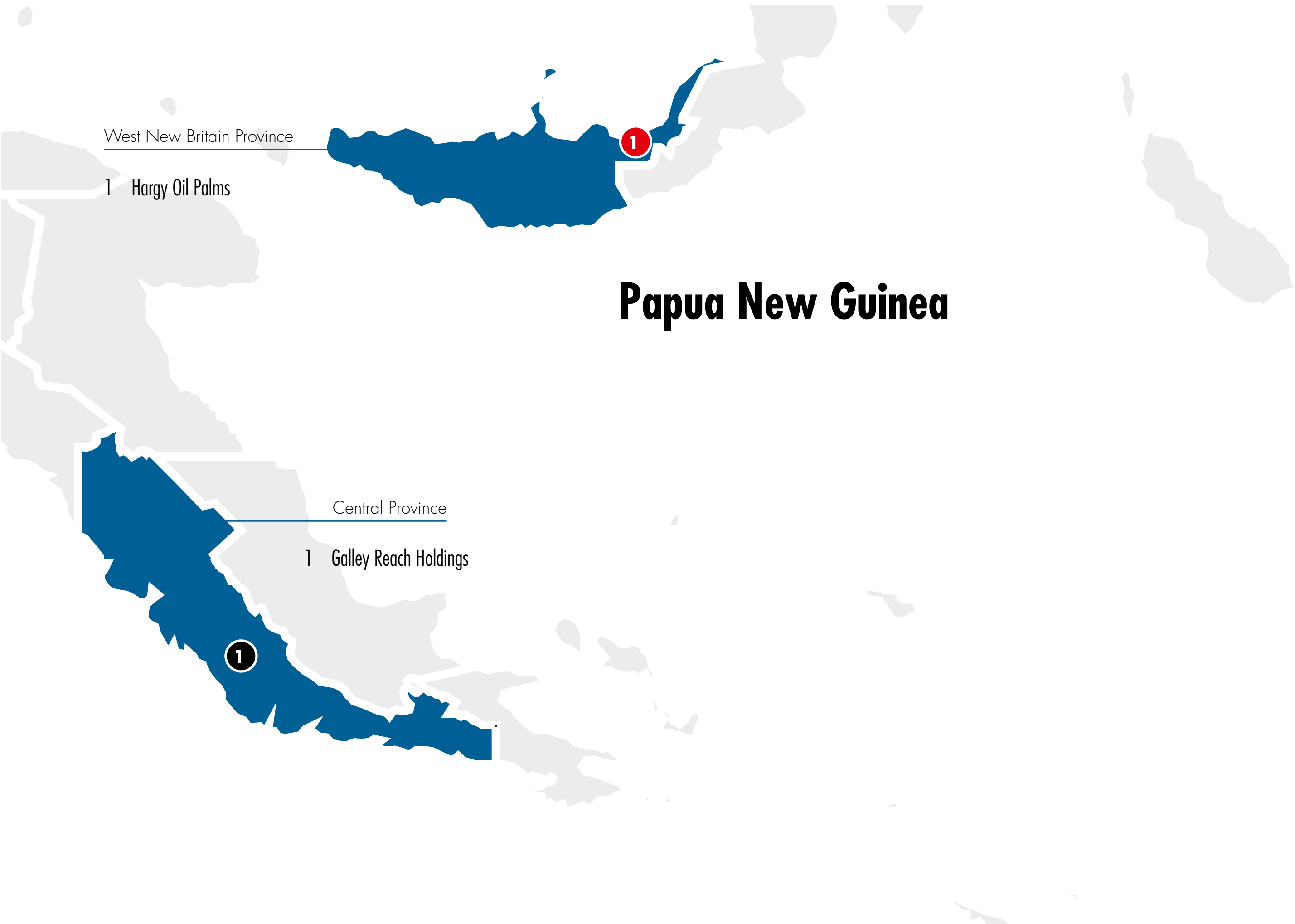
Région de l'Agnéby

1 Plantations J.Eglin

Région de Lagunes

1 Plantations J.Eglin
2 Plantations J.Eglin

Papua New Guinea



Indonesia

❝ Selection work in a rubber tree nursery. The germinated plants are gradually being phased out if they have stunted growth, are poorly shaped or are yellowing, which would make them unsuitable for grafting.

Organogram

SIPEF

Insurance

percentage of control	percentage of interest	
50%	50%	ASCO NV
50%	50%	BDM NV

Indonesia

percentage of control	percentage of interest	
95%	95%	PT TOLAN TIGA INDONESIA
95%	90%	PT EASTERN SUMATRA INDONESIA
57%	54%	PT KERASAAN INDONESIA
95%	90%	PT BANDAR SUMATRA INDONESIA
38%	36%	PT TIMBANG DELI INDONESIA
95%	90%	PT MELANIA INDONESIA
95%	95%	PT UMBUL MAS WISESA
95%	95%	PT TOTON USAHA MANDIRI
95%	95%	PT CITRA SAWIT MANDIRI
47%	45%	PT AGRO MUKO
95%	86%	PT MUKOMUKO AGRO SEJAHTERA
95%	95%	PT AGRO KATI LAMA
95%	95%	PT AGRO RAWAS ULU
95%	95%	PT AGRO MUARA RUPIT

Africa

percentage of control	percentage of interest	
100%	100%	PLANTATIONS J. EGLIN SA
32%	32%	SIPEF-CI SA

Europe

percentage of control	percentage of interest	
99,64%	99,64%	JABELMALUX SA

Pacific Ocean

percentage of control	percentage of interest	
100%	100%	HARGY OIL PALMS LTD
100%	100%	GALLEY REACH HOLDINGS LTD

Singapore

percentage of control	percentage of interest	
38%	38%	VERDANT BIOSCIENCE PTE LTD

Chairman's message

Baron Bracht
chairman

Dear ladies and gentlemen,

I am pleased to present to you our annual report, the consolidated accounts of the group and the holding company. They will be submitted to the 96th ordinary general meeting to be held on 10 June, 2015.

The year 2014 was essentially divided into two parts: the first half with generally good production volumes and better palm oil prices, and the second half with much lower volumes and plunging market sales prices. After a disappointing year in 2013, the agronomic conditions were particularly favourable in the first semester. We noted higher palm oil, rubber and banana volumes in most production units. This did, however, not last until the end of the year and generally fewer volumes were recorded in most palm oil producing areas in South-East Asia and our banana harvests in Ivory Coast also suffered from colder than usual weather.

The Indonesian news was mainly dominated by the parliamentary and presidential elections in respectively April and July. After the announcement of the election results, there was a period of political instability as the victory of President Joko Widodo was contested by the losing parties, which still had a lot of followers in the newly elected parliament. At the end of October, the new president could, however, begin to implement his election programme, concentrating on abolishing inequalities between the poor and the rich, reducing dependence on natural resources, diversifying exports, investing in infrastructure and production, as well as research and development.

The delayed launch of the first liquefied gas project and falling raw material prices put the government of Papua New Guinea under budgetary pressure. The already implemented long-term plan to improve infrastructure, schooling and medical care for the population is not yet being covered by income from the royalties on gas reserves. The local currency kept on weakening against the US dollar and measures to protect the currency had to be taken, which lack, however, the desired effect for the time being.

In Ivory Coast the political and social climate remained very stable. The country has progressed well since the 2011 public turmoil, and hopes to gradually recover its prominent place on the African continent. Thus, much attention is being paid to the 2015 election year, when a new president will be elected.

Long-term expectations for palm oil have remained totally unaffected and this oil takes, both in the food industry and the biofuel sector, an increasingly prominent place among vegetable oils. However, short-term price volatility is mainly determined by combined offers with soy and rapeseed oil and by the demand for biofuel, linked to crude oil prices. In the first half of the year the offer remained limited and the prices stable, but because of exceptionally good harvests on more planted hectares of soybeans in South America we noted a sharp drop towards the middle of the year.

The announced mandatory blending of biodiesel in Indonesia, combined with lower subsidies for local diesel use, helped the market but large volumes of soybeans harvested on the North American continent pushed prices downward in the third trimester. The sudden drop in crude oil prices undermined the profitability of free biodiesel production and reduced the price for palm oil to levels we had not experienced since 2009.

Fewer palm oil supplies from the Far East, as a consequence of a drought in early 2014 and a generous support package for the mandatory blending of biodiesel in Indonesia support current market prices, but further evolution of the palm oil price will depend on the effects of the weather forecast for the production of soybeans in the first half year in South America and during the second semester in the United States.

We recorded an increase of 5.7% in the volumes of palm oil produced compared to 2013, due to our recent efforts to rejuvenate and expand oil palm areas both in Papua New Guinea and Indonesia. The expansion of the projects, *PT Umbul Mas Wisesa (UMW)* and *PT Toton Usaha Mandiri (TUM),* in North Sumatra is completely finished, and the increased maturity of the palms is the principal contribution to the group's growth. The new palm oil extraction mill processes all fruit in a sustainable way.

The expansions in *Hargy Oil Palms* in Papua New Guinea continued steadily with an additional 615 hectares, so that 13 000 hectares have already been planted, of which 30.6% are still immature. The new palm oil extraction mill is completed and will also manage the processing of increasing fruit volumes in the years to come. Every year the abundant rainy season is a challenge for our managers but from the agronomic point of view this area provides the group's highest yield per hectare.

In the region of Musi Rawas in South Sumatra the expansions are gradually taking shape. From three concessions obtained for a recently revised total of 25 579 hectares, local users have already been compensated for more than 6 000 hectares, of which more than 1 000 hectares have effectively been planted with oil palms. Time-consuming compensations and subsequent planting will be continued at an accelerated pace. The agronomic qualities of this region are very good, and there are not yet many employment possibilities from the local population in the industrial agriculture sector, which is why this project will remain the spearhead of expansions of the *SIPEF* group in Indonesia for the next few years.

The profitability of natural rubber plantations has come under a lot of pressure, and in the past two years the price of quality rubber for tyres was halved to a level that forced a number of producing countries to sell below production price. The offer was increased in 2008-2009 by new plantings, which are now producing. The demand, especially for tyres for cars and industrial vehicles, did, however, not increase to the same extent, and was hit by a slowdown in the mining sector and stockpiling in the largest consumer countries, mainly

Chairman's message

China. We believe we have reached the lowest point of the market, and we are now seeing a slight increase in prices, caused by the recovery in car sales worldwide. After a structural evaluation of rubber activities in the group, we decided not to replant on our own account anymore and to sell off the rubber plantations of *Galley Reach Holdings Ltd* in Papua New Guinea. Moreover, we are already in advanced negotiations with potential buyers. We are keeping our rubber plantations in Sumatra and will further invest in their future profitability.

Due to sharply increased volumes in Kenyan tea plantations, the reference price for our Cibuni tea, produced by the *SIPEF* group in Java in Indonesia, fell sharply last year. The annual pay rises, for labour-intensive hand-picking were continued, to obtain the desired quality. Due to this, the production cost was close to the low sales prices, which has driven our clients in the Middle East to buy more locally. However, early in the new year we note that sales are rising again in our usual region, with higher prices.

The extraordinary banana production volumes in early 2014, due to the absence of the Harmattan winds, were offset by colder than usual weather in the second half of the year. Nevertheless, for our banana and flower export activities from *Plantations J. Eglin SA* to Europe it was again a successful year with a very stable contribution to the group results. The system of sales prices and freight rates fixed in advance guarantees annual results, insofar as volumes, the required quality and production cost prices can be adhered to by our people on site. Despite lower European import duties for dollar bananas, the sales price for our bananas did not budge in the United Kingdom and Southern Europe, where African bananas have found a stable market. The group has started to gradually expand the areas and the construction of an additional packing station.

Insurance activities, which we share with Ackermans & van Haaren, focus on maritime and general risk insurance with further restructuring in the more volatile branches. We work increasingly with larger regional brokers and the commercial link between both sectors will be reinforced, which should benefit the technical insurance income.

SIPEF continues to invest in the expansion of planted areas far from large cities where the agriculture sector is the biggest employer. These expansions go hand in hand with investments in infrastructure, housing and facilities likely to keep the workers loyal to the company in the long run. Last year we completed two new extraction mills for palm oil to ensure the processing of increasing fruit volumes into sustainable palm oil in our own installations in the next few years. This construction has weighed on the company's resources, but it remains our strategy to finance the group's development without structural debt and take into account the shareholders' annual dividend payments.

In early 2014, after the launch of the Indonesian subsidiaries under a totally integrated financial and reporting system, our operations in Papua New Guinea were also added on 1 January, 2015. This allows us to analyse basic agronomic and technical data faster and more efficiently. We are studying further integration with information processing in the *SIPEF* headquarters in Belgium and the banana activities in Ivory Coast.

SIPEF wants to behave in an exemplary manner in the area of sustainability. As a European company listed on the stock exchange, we owe it to our investors to endorse the guaranteed respect of nature and people through the certification of all our activities and all our products, which takes into account the environmental and socially responsible standards for tropical industrial agriculture.

As recently the good reputation of palm oil has come under pressure once again in the public opinion of France and Belgium, we are actively involved in setting up the Belgian Alliance for Sustainable Palm Oil, aimed at encouraging food producers and consumers to use sustainable palm oil. Through this organisation we are promoting a well-balanced image of the nutritional qualities of palm oil and clarifying the ecological and social criteria maintained by sustainable producers.

In this context we also continue to invest in the reduction of biogas emissions. In addition to the two existing systems built to collect methane gas from wastewater in North Sumatra in 2007, a tank system was built for an existing factory in the Bengkulu province and for two new factories, which recently started operating in Papua New Guinea and North Sumatra. Therefore, five of the eight factories are already equipped to meet the certification standards for green energy goals in Europe. Sustainability and certification are, however, always combined with, and dependent on, the company remaining adequately profitable.

Through our own Indonesian foundation we are also working on two projects to make a long-term contribution to the country's conservation of nature. For several years we have been pursuing a marine protection project on two beaches on the south coast of Sumatra, where endangered sea turtle species lay their eggs and we are participating in a breeding programme, which guarantees the annual hatching of 5 000 eggs and the release of young turtles to freedom in the sea. Moreover, after years of patient campaigning, we have obtained a licence to actively protect more than 12 000 hectares of endangered forests near Kerinci Seblat National Park, where we will replant forests in close cooperation with the local population.

The cooperation agreement with NBPOL (a plantation company listed on the stock exchange with a renowned research centre for palm seed production in Papua New Guinea), and Biosing (a scientific organisation), has taken shape, and our group has, meanwhile, made the Timbang Deli plantation available for the development of high-yield palms which should in turn increase the industry's yield. Such scientific work is unique in the sector but certainly requires sufficient long-term vision to achieve commercially responsible results.

Thanks to our market strategy for forward sales in the first half of the year, we succeeded, despite falling palm oil prices in the second half of the year and disappointing contributions of rubber and tea, in closing the fiscal year with a better result than in 2013. Better palm oil productions, sold at higher prices, were the main reason for the IFRS profit of 56 268 KUSD, share of the group, against 55 627 KUSD last year.

I would like to take this opportunity to thank all employees of the *SIPEF* group who, each at their level of activity, helped to achieve these results. It is important in these times of low prices to control costs and manage plantations and mills in the most efficient manner. General salary increases imposed on us by local authorities, in recent years, have certainly not made it easier for the labour-intensive agricultural sector to manage production costs and to make all crops profitable.

By lowering the investment budgets we were able to close the year with a positive free cash flow, thanks to which we could further reduce the net debt position, which is non-structural. Furthermore, this position should enable us again to propose a dividend payout of 1.25 EUR gross per share to the next general meeting, which will then be paid on 1 July, 2015.

Despite a relatively difficult start of the year with lower production volumes, related to the deferred effects of an extreme dry spell in early 2014, and with palm oil and rubber prices remaining stable at current levels, we are convinced that we are heading for satisfactory results for the current fiscal year, which will, however, be lower than those of 2014. The eventual profit will, of course, depend on the price evolution on the commodity markets during the year, which can be affected by the production volumes of palm oil in Indonesia and Malaysia and of soybeans in South and North America. Moreover, the recovery of the world economy is important for the price evolution of natural rubber, the primary product for the tyre industry.

Despite the short-term sales price volatility of our key products: palm oil, rubber, tea and bananas, we still believe in their long-term prospects, with growing demand due to the increased purchasing power of a larger middle class in developing countries and with a volatile supply side, subject to weather conditions and the constraints of agriculture.

Schoten, 17 February, 2015

Baron Bracht
chairman

Board of directors

1. Baron Bertrand
2. Antoine Friling
3. Regnier Haegelsteen
4. Priscilla Bracht
5. François Van Hoydonck
6. Jacques Delen
7. Sophie Lammerant-Velge
8. Baron Bracht
9. Richard Robinow

Annual report of the board of directors

To the ordinary general annual meeting of 10th June 2015.

Dear shareholders,

We are honoured to bring you a report about the operating activities of our company during the past financial year, with the individual and consolidated annual financial statements, balanced on 31st December 2014, for approval.

In accordance with the Royal Decree of 14th November 2007 (regarding the obligations of issuers of financial instruments that are permitted to trade in the Belgian regulated market), *SIPEF* must make its annual financial report available to the public.

This report includes the combined statutory and consolidated annual report from the board of directors, drawn up in accordance with article 119, last paragraph, of the Belgian Corporate Governance Code.

The report also includes an abbreviated version of the statutory annual financial statements (page 142), drawn up in accordance with article 105 of the Belgian Corporate Governance Code, and the integral version of the consolidated annual financial statements (page 84). The complete individual annual financial statements are deposited at the National Bank of Belgium, in accordance with articles 98 and 100 of the Belgian Corporate Governance Code, along with the annual report from the board of directors and the report from the auditor.

With respect to the statutory and consolidated annual financial statements, the auditor has provided a declaration of approval without reservations.

The annual report, the integral versions of the statutory and the consolidated annual financial statements and the reports from the auditor regarding the afore-mentioned annual financial statements, are available on the website (www.sipef.com) but can also be obtained by request, free of charge, at the following address: Calesbergdreef 5 – 2900 Schoten, Belgium, or by email: finance@sipef.com.

1. Individual annual financial statements

1.1. Capital and ownership of shares

During the past financial year, there were no changes in the company's capital. The endorsed capital is 34 767 740.80 EUR, and is represented by 8 951 740 shares, without designation of nominal value and with payment in full.

The company's updated Articles of Association, including information about the legal form, the statutory goal, the capital structure, the authorised capital and the type of shares, are available on the website (www.sipef.com).

With respect to the share option plan, 20 000 new options were assigned in 2014. The options that were assigned as of 31st December 2014 and options not yet exercised collectively provide the right to the acquisition of 82 000 *SIPEF* shares (0.92%).

1.2. Activities

For an overview of the main activities of the *SIPEF* group during the financial year 2014, we refer to the "Message from the chairman" (page 14).

1.3. Explanatory notes to the statutory annual financial statements

1.3.1. Financial position as at 31st December 2014

SIPEF's statutory financial statements have been drawn up in accordance with the Belgian accounting legislation.

The company's balance total as at 31st December 2014 is 249 677 KEUR compared to 235 829 KEUR the previous year.

The short-term receivables of *Jabelmalux SA* and *Hargy Oil Palms Ltd* (for a total of 155 243 KEUR) will be transferred from "amounts receivable within one year" to "financial assets –receivables from affiliated companies".

SIPEF's private capital before profit distribution is 138 443 KEUR, which corresponds with 15.46 EUR per share.

The statutory results of *SIPEF* are determined to a significant degree by dividends and increases/reductions in values. Since *SIPEF* does not directly hold all of the interests of the group, the consolidated result of the group is a more accurate reflection of the underlying economic development. The statutory results of the financial year 2014 are -8 182 KEUR compared to a profit of 612 KEUR in the previous financial year.

1.3.2. Allocations of the results

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

– Profit carried over from the previous financial year	88 088
– Profit from the financial year	-8 182
– Total to be allocated	79 906
– Transfers to other reserves	0
– Payment to the shareholders	11 190
– Profit to be carried over	68 716

The board of directors proposes to pay a dividend of 1.25 EUR gross per share. After deduction of the withholding tax, the net dividend is 0.9375 EUR per share.

If the ordinary general meeting approves this proposal, the dividend will be payable from 1st July 2015.

1.4. Prospects

The results of the current financial year will, as in the past, depend to a significant degree on the dividends that will be paid out from the subsidiary companies.

1.5. Notices

1.5.1. Important events after the close of the financial year

Since the close of the financial year 2014, no significant events have occurred that could noticeably affect the development of the company.

1.5.2. Additional compensation to the auditor

In accordance with article 134, § 2 and 4, of the Belgian Corporate Governance Code, we also inform you that no additional payment was made to the auditor aside from the normal payment (as approved by the general meeting). We paid 37 KEUR to related companies of the auditor for legal, accounting and fiscal consultations.

1.5.3. Research and development

The company has not engaged in any activities related to research and development.

1.5.4. Acquisition and transfer of own shares

On 29th May 2009 the extraordinary general meeting authorized the board of directors of *SIPEF* to acquire own shares within a well-defined price range during a period of five years

During the year 2014 *SIPEF* did not acquire any additional own shares.

The situation as per 31st December 2014 is as follows:

– Number of treasury shares	62 000 (0.69%)
– Average price per share (EUR)	56,35
– Total investment value (KEUR)	3 494
– Total carrying amount (KEUR)	2 979

1.5.5. Changes in the Articles of Association

No changes to the Articles of Association were made during the year 2014.

On 11 February 2015, the extraordinary general meeting of *SIPEF* approved on the following changes in the Articles of Association :

- Autorisation to acquire own shares;
- Autorisation to acquire own shares in order to prevent the company from suffering a serious and threatening loss.

1.5.6. Announcement based on the Legislation of 1st April 2007 relating to public take-over bids

Ackermans & van Haaren NV (AvH), acting in consultation with CABRA NV, GEDEI NV and Baron Bracht and children, have announced by letter dated 4th September 2014, that together they own 39.576% of the total voting rights of *SIPEF*.

1.5.7. Protection measures

The extraordinary general meeting assigned authorization to the board of directors on 11th February 2015, to acquire or transfer the company's shares for a period of three years, if this were to become necessary in order to prevent the company from suffering a serious and threatening loss.

A tractor delivers stripped palm bunches. The workers, equipped with gripping hooks take care of uniform spreading of this organic matter rich on potash between the mature palms.

2. Consolidated annual financial statements

2.1. Risks and uncertainties

The text below shows the commercial risks as evaluated by the management and the board of directors. Each of these risks could have a significantly negative impact on our financial situation, operating results or liquidity, and could result in special impairment losses affecting assets.

There could be risks that the *SIPEF* group currently assumes to be limited, but which ultimately could have a significantly negative effect. There could also be additional risks that the group is not aware of.

The main non-covered commercial risks are identified as follows:

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

The realized turnover and margin are largely dependent on fluctuations in the market prices of mainly palm oil and palm kernel oil. A change in the palm oil price of 10 USD CIF per tonne has an impact of about 1.3 million USD per year on the results after tax.

The volumes produced and thus the turnover and margins are to a certain degree affected by climatological conditions, such as precipitation, sunshine, temperature and humidity.

In view of the fact that the majority of the investments of the *SIPEF* group is located in developing countries (Indonesia, Papua New Guinea and Ivory Coast), the geo-political developments in these regions are an extra point of interest to the management. The recent past has shown that the possible unrest in these countries has had a limited effect on the group's net results, subject to the impact of macro-economic measures.

Whether the *SIPEF* group will succeed in realizing the intended additional expansion will depend on the acquisition of new concession agreements for agronomically suitable land, which fits into the group's policy on sustainability in economically responsible terms. If the group does not succeed in this, it could put pressure on its growth plans.

Aside from these most significant risks, the group also has other, more general risks, to consider, such as:

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

Regarding risks involved in the regulatory process, we point out that currently each export of palm oil from Indonesia is taxed. Since this tax is also charged for local sales by our local clients, this tax weighs on all palm oil we produce in Indonesia. In 2014 this export tax amounted on average to 68 USD/tonne against 75 USD/tonne in 2013 and 149 USD/tonne in 2012.

2.2. Explanatory notes to the consolidated annual financial statements

The consolidated annual financial statements for the financial year 2014 are drawn up in accordance with the "International Financial Reporting Standards" (IFRS).

An adjustment to the international accounting standards concerning the consolidation method of joint ventures has had considerable influence on the incorporation of *PT Agro Muko* (percentage of control 47.3% and percentage of interest 44.9%) in the *SIPEF* Group. *PT Agro Muko* must be incorporated according to the equity method as of 1 January 2014 compared to the proportionate consolidation method last year. This adjustment only has an influence on the presentation of the financial statements and does not affect equity, the profit from the related period and the net result, share of the group. The comparative figures of the previous year were restated to facilitate the further analysis of the financial statements.

The consolidated balance sheet total as at 31st December 2014 is 754 581 KUSD, an increase of 7.2% compared to the balance total of 703 722 KUSD at the end of 2013.

The continued expansion of plantations in Indonesia and Papua New Guinea, and the increase in fair value of existing surfaces planted with oil palms in these countries, further increased biological assets, which now amount to 328 859 KUSD.

Other increased assets, besides the usual replacement investments, concerned additional compensation payments made for the expansion in South Sumatra and Bengkulu, and investments to further optimise production equipment in *Hargy Oil Palms* in Papua New Guinea and the *UMW* Group in North Sumatra.

The "net assets held for sale" refers to the net assets of *Galley Reach Holdings.* In September 2014 it was decided to restructure the group's rubber activities and, consequently, to also put our rubber plantation in Papua New Guinea up for sale. On 11 February 2015, a Heads of Agreement was signed. The sale should be finalized within the period of the next three months, subject to completion of a due diligence.

The consolidated equity capital of the *SIPEF* group, group share prior to allocation of profit, has increased to 547 515 KUSD. This corresponds to 61.59 USD per share (excluding own shares).

Total turnover and cost of sales remained almost unchanged from last year, thus also stabili zing the gross margin at around 79 million USD. Higher palm oil gross profit (+15.7%) was completely offset by lower rubber and tea gross profits (respectively -87.2% and -97.6%). The share of banana activities remained almost stable at 3.6 million dollar.

Palm oil share rose sharply due to the combination of:

- increased volumes
- lower cost price per unit, and
- comparable sales price/tonne.

The share of rubber and tea dropped considerably due to the sharp fall in realised sales prices.

In 2014, permanent efforts to control cost prices were facilitated by a devaluation in local currencies against the USD compared to 2013 (12.7% for the IDR in Indonesia, as well as the PGK in Papua New Guinea), resulting in a drop in local costs in terms of USD.

Other operating income/charges include, amongst others, the partial release of a provision for a VAT dispute in Indonesia (3 914 KUSD), and a capital gain realised on the sale of *PT Timbang Deli* (2 124 KUSD), the plantation integrated into the joint venture with Verdant BioScience to grow high-yield oil palms.

Low net financial charges reflect the group's strategy to finance the expansion with its own funds. Foreign exchange results had very limited impact, a direct consequence of a consistently applied hedging policy.

The profit before tax, without taking into account the IAS41 impact, amount to 58 993 KUSD compared to 50 324 KUSD in 2013, an increase of 17.2%.

The effective tax rate before IAS41 amounted to 33.2%. The theoretical average tax rate of 27.4% was offset mainly by a stronger USD against the Euro, resulting in an additional deferred tax charge of 5 155 KUSD at the level of our head office in Belgium.

As of 2014, included under the share results of associated companies (12 586 KUSD), besides the historical insurance industry (514 KUSD), were also *PT Agro Muko* (12 812 KUSD), *PT Timbang Deli* (-171 KUSD) and Verdant BioScience (-569 KUSD). The strong rise compared to last year is largely due to the increased profitability of palm oil activities in *PT Agro Muko* compared to last year, and the release of a provision for a VAT dispute in Indonesia (1 642 KUSD). Rubber activities of *PT Agro Muko* and *PT Timbang Deli*, however, suffered significant losses.

Profits for the period, without taking into account the IAS41 impact, amount to 51 996 KUSD compared to 49 255 KUSD in 2013, an increase of 5.6%.

The IAS41 adjustment consists of replacing depreciation expenses included in the cost of sales by the difference in "fair value" of biological assets between the end of 2013 and the end of 2014, less planting costs and the accompanying tax charge. The gross variation of biological assets amounted to 29 937 KUSD, mainly due to the expansion and growing maturity of the newly planted areas of our oil palm plantation in *Hargy Oil Palms Ltd* in Papua New Guinea and the general application of an increased long-term margin for palm oil. Planting costs of 22 308 KUSD and other operational charges of 1 439 KUSD reduced the net impact before taxes to 11 701 KUSD, the basis for an average deferred tax calculation rate of 26.2%. Together with the net IAS41 result of the equity consolidated companies (-462 KUSD), the net positive IAS41 impact share of the group, amounts to 7 748 KUSD.

The net IFRS result, share of the group, including IAS41 adjustments, amounts to 48 520 KUSD and is 4.1% higher than last year.

Annual report of the board of directors

2.3. Significant events after the close of the financial year

On 11 February 2015, a Heads of Agreement was signed. The sale should be finalized within the period of the next three months, subject to completion of a due diligence.

2.4. Research and development

SIPEF and its consolidated companies did not undertake any activities with respect to research and development activities during 2014.

2.5. Financial instruments

Within the *SIPEF* group, we make limited use of financial tools for risk management. These are financial instruments that supposedly ameliorate the effect of the increase in interest rates and exchange rates.

The providers of these financial tools are exclusively reputable Belgian banks that *SIPEF* has built up long-term relationships with.

2.6. Prospects for 2015

Productions.

We note that the lower production of fruit in mature plantations in Sumatra is expected to continue through 2015 due to the delayed effect of the general drought at the beginning of 2014 in Indonesia and Malaysia. Only the young areas of UMW/TUM continue to consistently increase their yields.

The oil palm plantations of *Hargy Oil Palms* in Papua New Guinea are operationally affected by the usual rainy season, but production for the month of January nevertheless increased by 8.8% compared to last year, due to additional mature hectares and neighbouring farmers also harvesting 14.5% more fruit for processing in our plants.

Total palm oil production for the group currently shows a slight increase of 0.9% compared to last year.

Markets.

A significant stocks decrease occurred in January in palm oil on the back of poor production numbers. The impact of low yields has shifted somewhat to the east where East Malaysia and Kalimantan on the island of Borneo are impacted most. The expected tightness in stocks in the coming months has not been translated in the price yet as the importing countries continue to run on low stocks and low imports. The record South American soybean crop has given them a lifeline, however if for whatever reason they need to buy spot oil, it could trigger a rally and inverses should grow. The focus of the market will be on the Indonesian biodiesel inclination. The government has recently increased the subsidy for biodiesel blending for consumption of the general public from 1 500 IDR/liter to 4 000 IDR/liter, roughly 316 USD/tonne of biodiesel. This huge subsidy makes the calculation of biodiesel blending work, and could trigger about 1.5 million metric tons additional demand. The question of how much will be actually blended is in the hands of Pertamina and the Indonesian government. The announcement of the subsidy alone certainly gave the market price of crude palm oil a boost. The relative small discount of palm oil vis-à-vis soybean oil will limit however the upside as it is not expected that palm will trade structurally a premium versus other vegetable oils.

The rubber market staged to higher prices since Thailand, the biggest producer, is in wintering and the overhaul of the Thai government stocks are apparently sold. The market indicators are slightly positive as stocks are lower globally and demand seems to improve on the back of the low prices. We are confident that prices remain on a slow but steady uptrend.

The impact of the dry season in Kenya is certainly reflected in higher prices. The tea gardens west of the Rift have suffered through hot and dry weather and the crop has dropped significantly. The long rains normally start in March, but if they come later it could further stress the tea bushes. In the meantime our Cibuni tea prices increased merely 20%.

African banana production is currently still below expectations but the strong USD has triggered much interest in European markets for cheaper imports from West Africa.

Results.

Meanwhile, we have sold 21% of the palm oil production forecast for 2015 at an average price of 813 USD/tonne CIF Rotterdam equivalent premiums included, and we continue to gradually place our volumes on the market. In addition, 23% of the expected volumes of rubber have been sold at an average price of 1 530 USD/tonne FOB and roughly a third of the tea volumes have been sold at current better market prices. Also in 2015, we are continuing our marketing strategy of selling bananas in England and France at fixed prices during the whole year.

If prices for our main products of palm oil, rubber and tea are maintained at current market levels, we expect results for 2015 to be lower than last year. The final result will be determined to a large extent by reaching expected production volumes, the level of market prices for the rest of the year, the retention of current export tax levies on palm oil in Indonesia and the evolution of cost prices, which are currently positively influenced by the devaluation of local currencies against the reporting currency of USD.

Cash flow and expansion.

In 2015, investment programmes, except the usual replacement investments, will remain concentrated on the expansion of our activities in South Sumatra and in *Hargy Oil Palms* in Papua New Guinea.

In Musi Rawas, compensation of local landowners will be continued on three concessions and we will then proceed to plant these zones. At the end of the year, more than 6 000 hectares had already been compensated, of which more than 1 000 hectares have been planted with oil palms, and these efforts will continue at an accelerated pace.

Hargy Oil Palms nurseries will provide for the additional planting of 1 000 hectares during 2015 to supplement the existing 13 000 hectares of oil palms in the province of West New Britain in Papua New Guinea.

Our expansion programmes will, however, remain adjusted to the cash flow generated by the group without building up a structural long-term debt exposure.

2.7. Explanation of the responsibilities

The undersigned declare that, to their knowledge:

- the consolidated financial statements for the financial year ended on 31st December 2014 were drawn up in accordance with IFRS (International Financial Reporting Standards) and provide an accurate picture of the consolidated financial position and the consolidated results of the *SIPEF* group and its subsidiary companies that are included in the consolidation;

- the financial report provides an accurate overview of the main events and transactions with affiliated parties, which occurred during the financial year 2014 and their effects on the financial position, as well as a description of the main risks and uncertainties for the *SIPEF* group.

On behalf of the board of directors, 19th February 2015.

François Van Hoydonck
managing director

Baron Bracht
chairman

3. Corporate Governance

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

3.1. General

The board of directors of *SIPEF* approved the first corporate governance charter ("Charter") on 23 November 2005. The Charter was prepared in accordance with the provisions of the Belgian Corporate Governance Code ("Code") that was announced by the "Corporate Governance Committee" on 9th December 2004. This version of the Charter already coincided with various Royal Decrees implementing European rules on market abuse.

SIPEF currently uses the Belgian Corporate Governance Code 2009 as a reference (http://www.corporategovernancecommittee.be). The corporate governance charter approved by the board of directors of *SIPEF* is written in accordance with the stipulations of the Belgian Corporate Governance Code.

As specified in the Code, *SIPEF* must devote specific attention in a chapter of its annual report (the "Corporate Governance Chapter") to factual information concerning corporate governance, any amendments to the corporate governance policy and relevant events in connection with corporate governance that have occurred during the previous year. The "Corporate Governance Chapter" also provides a more detailed explanation of the deviations from the Code recommendations, in terms of the "comply or explain" principle, during the past financial year (see 3.9).

“ Cibuni Tea Estate. A squad of skilled pluckers at work. The leaves are picked and handled with care, then collected in a basket, before they are being sent to the factory for further processing.

Annual report of the board of directors

3.2. Board of directors

3.2.1. Membership

The board of directors consists of nine members.

	end of term of appointment
Baron Bracht, *chairman*	2016
François Van Hoydonck, *managing director*	2015
Baron Bertrand, *director*	2016
Priscilla Bracht, *director*	2018
Jacques Delen, *director*	2016
Antoine Friling, *director*	2015
Regnier Haegelsteen, *director*	2015
Sophie Lammerant-Velge, *director*	2015
Richard Robinow, *director*	2015

At the ordinary general meeting of 10 June, 2015, the board of directors will make the proposal to renew the mandates of Sophie Lammerant-Velge and Antoine Friling, both non-executive independent directors; the mandate of Regnier Haegelsteen, non-executive director; and the mandate of François Van Hoydonck, delegated/executive director, for a four-year term expiring at the 2019 ordinary general meeting.

Considering that he has reached the limit of 70 years of age, Richard Robinow no longer wishes to apply for a new mandate. We thank Mr Robinow for his forty years as a director (1975 -2015), in which he always unconditionally shared his invaluable knowledge of tropical regions, in general, and his experience with palm oil plantation management, in particular, with *SIPEF*'s other directors and management.

Bryan Dyer's application for the mandate of independent director, replacing sector specialist Richard Robinow, will be submitted at the next ordinary general meeting of 10th June 2015.

3.2.2. Non-executive and executive directors

François Van Hoydonck has been managing director since 1st September 2007.

The remaining eight directors are non-executive directors. Ackermans & van Haaren on the one hand, and Baron Bracht, his children and their affiliated companies CABRA NV and GEDEI NV on the other hand, have declared that they possess together 39.576% of the shares in *SIPEF*.

The directors who hold directorships in other listed companies outside the group are:

Baron Bertrand:
Ackermans & van Haaren, Atenor Group, Leasinvest Real Estate, Groupe Flo (FR) and Schroders (UK);

Jacques Delen:
Ackermans & van Haaren;

Regnier Haegelsteen:
Atenor Group;

Richard Robinow:
M.P. Evans Group plc (UK), R.E.A. Holdings C (UK) and REA Vipingo Plantations Ltd (Kenya).

3.2.3. Independent directors

Antoine Friling
Sophie Lammerant-Velge

Both directors fulfil all of the independence criteria set out in article 526ter of the Code.

3.2.4. Activity report

The board of directors of *SIPEF* met five times in the course of 2014. The average attendance rate was 93%. Individual attendance records were as follows:

Baron Bracht, *chairman*	5/5
François Van Hoydonck, *managing director*	5/5
Baron Bertrand	4/5
Priscilla Bracht	4/5
Jacques Delen	4/5
Antoine Friling	5/5
Regnier Haegelsteen	5/5
Sophie Lammerant-Velge	5/5
Richard Robinow	5/5

During 2014, the board of directors followed the group results and the development of the activities of the various subsidiaries by means of reports prepared by the executive committee. The board of directors also took major investment and disposal decisions during the past financial year.

At its meeting on 18th February 2014, the board of directors discussed the relationship between itself and the executive committee, in accordance with article 2.7 of the Charter and in the absence of the executive director. The directors concerned expressed their satisfaction with the transparency and the excellent collaboration between the two bodies. In this context, they passed a few suggestions to the executive director.

The directors also assessed the size, composition and operation of the board of directors and of the committees, paying particular attention to their current composition, which was assessed in comparison with the desired composition. It was also established that there was a proportionate balance of specific skills – such as the interpretation of financial reporting, familiarity with the sector, experience in management of a company and operation of financial markets – within the current composition of the board of directors.

The board of directors held a special meeting on 17th September 2014 concerning the group's strategic development, based on a business plan covering ten years.

3.2.5. Rules of conduct concerning conflicts of interest

The board of directors also announced in the Charter (2.9 and 4.7) its policy in relation to transactions that might give rise to conflicts of interest (whether or not coinciding with the definition in the Code). There was no need to apply this policy during the financial year.

3.2.6. Rules of conduct concerning financial transactions

The board of directors announced its policy concerning the prevention of market abuse in chapter 5 of the charter.

3.3. Audit committee

3.3.1. Membership

Regnier Haegelsteen
- chairman and non-executive director;
Antoine Friling
- independent and non-executive director;
Sophie Lammerant-Velge
- independent and non-executive director.

All members of the audit committee have the necessary accounting and auditing skills.

Regnier Haegelsteen holds a Law degree and attended an MBA programme in New York. He has acquired relevant experience during a career of over 20 years in banking.

Antoine Friling holds a Bachelor of Business Administration, Finance & Marketing and an MBA in International Management. Antoine Friling has had several years of experience in banking and is director of family, industry and financial companies in Europe and South America.

Sophie Lammerant-Velge holds a degree in Economics and attended an MBA programme. She is also executive director of FBNet België (Family Business Net Belgium), director of FBNet International and director of Bekaert Stichting Administratie Kantoor.

Regnier Haegelsteen no longer complies with the independence criteria mentioned in Article 526ter of the Company Code because he has been on the *SIPEF* board of directors for over 12 years.

3.3.2. Activity report

The audit committee met on four occasions in 2014. The attendance rate (or representation by proxy) was 100%. In February and August, the committee focused primarily on analysing the annual and six-monthly financial reports, in the presence of the auditor. It also considered the figures for the proposed press release, as well as the "one-to-one rule" for the waiver of the auditor's independence. There was also an explanation and discussion on the procedures for valuing the biological assets, in the context of IAS41. Finally, the audit committee also held a private session on each occasion with the auditor, but in the absence of members of the executive board.

In November, in addition to considering internal audit committee reports from Indonesia, *Hargy Oil Palms Ltd* and the insurance activities, the committee also re-examined and supplemented a risk analysis for the group.

These committees were also attended by the chairman of the board of directors, the managing director, the CFO and a representative of Ackermans & van Haaren.

The audit committee systematically reported on the performance of its duties to the board of directors.

Annual report of the board of directors

3.4. Remuneration committee

3.4.1. Membership

Regnier Haegelsteen
- chairman and non-executive director;
Antoine Friling
- independent and non-executive director;
Sophie Lammerant-Velge
- independent and non-executive director.

The remuneration committee meetings were consistently attended by representatives of the Bracht family and Ackermans & van Haaren.

3.4.2. Activity report

The remuneration committee met twice in 2014, on 18th February and on 17th November. The average attendance rate (or representation by proxy) was 100%.

The remuneration committee made recommendations to the board of directors in connection with fixed remuneration for the directors and the chairman, as well as recommendations for the remuneration of the executive committee, the amount and payment formats for the variable remuneration and individual payments for the executive committee, as well as salaries and variable remuneration for board members of subsidiaries residing abroad. At the meeting of 17th November, the remuneration committee made recommendations to the board of directors in connection with the offer of share options to the executive committee and the group's foreign management teams, and regarding the organization of the executive committee.

3.5. Executive committee

3.5.1. Membership

François Van Hoydonck	managing director
Charles De Wulf	manager estates department
Thomas Hildenbrand	manager marketing bananas and horticulture
Robbert Kessels	manager marketing commodities
Johan Nelis	chief financial officer

On 1 January, 2014, Matthew T. Adams left the executive committee. As of that date Matthew Adams has acted as an independent, non-exclusive consultant.

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

3.5.2. Activity report

Except in unforeseen circumstances, the executive committee meets once each week. The executive committee's responsibilities include the day-to-day management of the group and it also prepares the decisions that have to be taken by the board of directors.

3.6. Remuneration report

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

The remuneration of the non-executive directors consists exclusively of a fixed payment. This fixed payment consists of a basic payment and, in appropriate cases, an additional payment depending on whether the director concerned is a member of a specific committee.

The remuneration committee periodically assesses the payment of non-executive directors. The remuneration committee submits any proposed adjustments to the board of directors for approval.

The members of the executive committee receive a fixed remuneration and a variable payment depending on the consolidated recurrent results of the *SIPEF* group (see also under "Policy regarding variable payments"). They also have use of a company car and membership of a group insurance plan (pension accrual, death benefit cover, invalidity cover), meal tokens, a legal assistance insurance policy offering worldwide coverage and hospitalisation cover. The group insurance is of a "fixed contribution" type.

As from the year 2011 share options have been offered to the members of the executive committee and some of the executive directors of the foreign affiliated companies. The share options, which were offered under the *SIPEF* share option plan, have the following features:

- Offer: end of November;
- Exercise price: price established on the basis of the average closing price for the share over 30 days prior to the offer;
- Exercise period: the options may be exercised from the end of the third calendar year after the year in which the offer is made, until the end of the 10th year, counting from the date of the offer.

These elements are assessed each year by the remuneration committee, and tested for market conformity. This is generally done at a meeting in November or December. The test is undertaken on the basis of public information (for instance, the remuneration data included in the annual reports of other comparable listed companies) and salary studies. Any amendments proposed by the remuneration committee are submitted to the board of directors for approval.

3.6.2. Policy regarding variable remuneration

The variable remuneration that is awarded to members of the executive committee depends upon predetermined and objectively verifiable performance criteria, measured over a period of one financial year (as mentioned in the bylaws) and depends in particular upon the consolidated recurrent results, before IAS41, of the *SIPEF* group.

In other words, there is no long-term cash incentive plan. The variable remuneration is paid in July of the ensuing financial year, the same month when dividends are distributed to the shareholders.

There is a provision for the company to have a right to reclaim the net variable remuneration that is awarded to the executive directors and members of the executive committee on the basis of incorrect financial data.

3.6.3. Remuneration of executive and non-executive directors

The fees of non-executive directors consist entirely of a flat fee, composed of a basic fee and an additional fee, depending on the director in question's membership of a certain committee. Non-executive directors' fees are periodically assessed by the remuneration committee.

These figures are therefore not related to the amount of the results and can be regarded as fixed, non-performance related payments awarded during the financial year.

Directors who retire or are appointed during the financial year are paid pro rata, depending on the length of their mandate in the financial year.

The individual remuneration figures for the directors, as actually received in 2014 in the form of payments for 2014, were:

In KEUR	
Baron Bracht, *chairman*	35
François Van Hoydonck, *managing director*	20
Baron Bertrand	20
Priscilla Bracht	20
Jacques Delen	20
Antoine Friling	28
Regnier Haegelsteen	30
Sophie Lammerant-Velge	28
Richard Robinow	20

3.6.4. Remuneration of members of the executive committee

The fixed and variable remuneration elements, and other benefits awarded and paid to members of the executive committee in 2014, either directly or indirectly, by *SIPEF* and its subsidiaries, can be summarised as follows (total cost to the company):

In KEUR	CEO	Other members of the executive committee	Total	Relative Share
Fixed payment	309	796	1 105	50,34%
Variable payment	230	295	525	23,92%
Group insurance	258	163	421	19,18%
Share options 2013	38	38	76	3,46%
Benefits in kind (company car)	10	58	68	3,10%
	845	1 350	2 195	100,00%

The options that have been offered in 2014 are only awarded finally in 2015 and are therefore not included in the table shown above.

3.6.5. Options awarded to members of the executive committee in 2014

Due Date	31 December 2024
Exercise price	54,71 EUR
François Van Hoydonck	6 000
Charles De Wulf	2 000
Thomas Hildenbrand	2 000
Robbert Kessels	2 000
Johan Nelis	2 000
Total	**14 000**

In total, 6 000 options were awarded to some of the managing directors of the foreign subsidiaries.

1. Charles De Wulf
2. Robbert Kessels
3. Thomas Hildenbrand,
4. François Van Hoydonck,
5. Johan Nelis

Annual report of the board of directors

3.6.6. Most significant contract terms

The agreements of the executive committee members contain the usual provisions on fees (flat-rate and variable fees), non-competition and non-disclosure. They are applicable for an indefinite period of time and will terminate on the manager's 65th birthday. The agreements also provide the company with a reclaim right for variable fees granted on the basis of incorrect financial data.

The managing director is subject to the Statute for the Self-employed and has a permanent contract. The contract can be terminated unilaterally by the managing director, subject to a notice period of 6 months, while the company must observe a notice period of between 18 and 24 months depending on the timing of termination of the contract. The notice period will be extended by 12 months in the event of termination of the agreement as a result of changes in the company's control in terms of which more than half of the directors are replaced, and in the event of serious restrictions in the essential powers introduced unilaterally by the company. This final provision was approved by the extraordinary general meeting of 27th December 2007, in the context of article 556 of the Code.

Since 1 July, 2014, the other executive committee members have been affiliated through an agreement of independent service provision, after having previously been considered as employees. The term of notice in case of termination by the company is 1 month for every year of service, with a minimum of 3 months and a maximum of 18 months.

The term of notice in case of termination by the executive committee member is 1.5 months for each five years of service that has commenced, with a maximum of six months.

3.6.7. Changes to the remuneration policy

No significant changes were made to the remuneration policy in 2014.

3.6.8. Remuneration policy for the next two financial years (2015 - 2016)

The board of directors does not expect to make any fundamental changes to the remuneration policy in the current and next financial years.

3.7. Internal and external audit

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

The auditor arranges for the external audit of the consolidated and summarised figures for the *SIPEF* group and reports twice each year to the audit committee and the board of directors.

The mandate of Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, represented by Dirk Cleymans, was retrospectively confirmed at the extraordinary general meeting of 11th February, 2015, for a period of three years, until the closing of the ordinary general meeting of the year 2017.

The annual payment to the auditor for the audit of the summarised and consolidated annual financial statements of *SIPEF* amounts to 84 KEUR. An additional sum of 37 KEUR is also paid to the company to which the auditor is affiliated, for legal, accountancy and fiscal work. These payments are approved by the audit committee, which received a summary of these honoraria at each meeting.

The total cost for the external audit of the *SIPEF* group was 373 KEUR and the amount paid to the same auditor and his affiliated businesses for advice was 106 KEUR.

The internal audit for Indonesia and *Hargy Oil Palms Ltd* in Papua New Guinea is structured within an audit department, with a committee meeting four times each year to consider the internal audit reports. The internal audit for our insurance business is subcontracted. The audit committee at *SIPEF* receives a summary of their work, with an explanation and estimate of the potential impact of the findings, which allows it to assess the work of the local audit department. For the other subsidiaries, the internal audit is organised by the financial controller. Bearing in mind the more limited size of these companies, the audit committee has decided that there is no need, for the time being, to set up any separate audit department.

3.8. Shareholder structure

As stated in note 15 in the explanatory notes to the consolidated financial statements, three shareholders have announced a holding in excess of 5% in our company. The company has no knowledge of any agreements among these shareholders, nor of the existence of committees of shareholders or directors, with the exception of the common declaration of 12th February 2007, which is also included in explanatory note 15.

On that date, Ackermans & van Haaren (AvH) NV and acting in consultation with Baron Bracht and children, CABRA NV and GEDEI NV, notified the company of the conclusion of a shareholder agreement with a view to the creation of a stable shareholding in *SIPEF*. This was done to promote the balanced development and profitable growth of *SIPEF* and its subsidiary companies. The shareholder agreement, which was concluded for a period of 15 years, includes voting arrangements in connection with the appointment of directors and arrangements in connection with the transfer of shares.

The relevant information concerning this transparency report can be found on the company's website (www.sipef.com).

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

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

3.9.1. Membership of the nomination committee

In accordance with recommendation 5.3.1 of Appendix D to the Code, the nomination committee must have a majority of independent non-executive directors.

The nomination committee of *SIPEF* consists of every member of the board of directors. Since only 22% of the membership of the board of directors is made up of independent non-executive directors, the Charter deviates from the Code on this point.

The board of directors considers, however, that this deviation is well-founded, bearing in mind the fact that its relatively limited size (with nine members) does not hinder efficient deliberation and decision-making processes. Furthermore, the board of directors as a whole is in a better position to consider its own size, membership and succession plans.

3.9.2. Number of independent directors

Pursuant to provision 2.3 of the Code at least half of the board of directors must consist of non-executive directors, at least three of which must be independent according to the criteria of the Code. Within *SIPEF*'s board of directors there are only two directors who qualify as independent according to these criteria.

The board of directors is aware of this temporary inadequacy, but for recent re-appointments of directors it has always preferred independence "in fact" over strict compliance with the criteria of the Code. Especially as a result of the criterion that independence is said to come to an end after more than three consecutive mandates, without exceeding twelve years, directors who were independent in the past are now no longer considered as such, according to the rules of the Code.

Nevertheless, the new candidate director, Bryan Dyer, meets all the criteria, so that *SIPEF* will have the necessary number of independent directors if his application is accepted.

3.9.3. Gender diversity

In accordance with paragraph 2.1 of the Code, the board of directors must be composed in a manner compliant with the principles of gender diversity as well as of diversity in general.

After the recent nominations, the board of directors of *SIPEF* is composed of seven men and two women with varying yet complementary knowledge bases and fields of experience.

The board of directors has taken note of the recent legislative initiatives with regard to representation of women on the boards of directors of listed companies and will make every effort to conform its composition to the actual legislation before 1st January 2017.

3.10. Report on internal controls and risk management systems

The board of directors of *SIPEF* is responsible for assessing the company's inherent risks and the effectiveness of its internal controls.

SIPEF's internal control system was set up in accordance with the accepted principles relating to internal controls (relevant statutory regulations, Code 2009 and COSO).

The basis of the internal controls and risk management system is established by means of a risk assessment that has been carried out at a group level. Particular attention is paid to the reliability of financial reporting and the communications process.

3.10.1.Control environment

SIPEF implements a Corporate Governance Charter, which aims to promote the observance of accepted ethical standards by directors, management and staff in carrying out their duties.

The board of directors at *SIPEF* supports the application of clear rules on sustainability, which are applied in terms of the policy governing our day-to-day operations and which are also more stringent than the statutory requirements in the countries in which we operate.

Our operations are assessed in accordance with commonly applied standards, such as ISO 9001, ISO 14001, the "Roundtable on Sustainable Palm Oil" (RSPO), "Indonesian Sustainable Palm Oil" (ISPO), the "International Sustainability and Carbon Certification" (ISCC), the "Clean Development Mechanism" (CDM) of the United Nations, the "Ethical Tea Partnership" (ETP), "Rainforest Alliance" and "GlobalG.A.P.".

In general terms, the company structure, company philosophy and management style may be described as being clear, which is supported by the limited number of decision-making processes within its hierarchy. This limited number of decision-making processes, together

Annual report of the board of directors

with the limited degree of staff rotation, also enhances the social controls within the company.

The group is subdivided into a number of departments as set out in an organisational chart. Each department and each person within the relevant department has his/her own job description. The required qualifications and/or level of experience are specified for each position and job.There is a clearly defined policy of delegated powers.

3.10.2. Risk assessment and controlling activities

Strategic, operational, financial, tax-related and legal objectives are defined in a strategic plan, which is approved annually by the board of directors. The risks that may jeopardise the ability to meet these objectives have been identified and designated according to their potential importance, the probability with which the risk might occur and the measures that have been taken to deal with the risk according to its importance. Risk management is divided into various categories (reduction, transfer, prevention or acceptance).

The necessary instructions and/or procedures have been issued to ensure that the identified risks are managed appropriately.

3.10.3. Information and communication

A complete set of operational and (internal and external) financial reports has been set up to provide the necessary information periodically (daily, weekly, monthly, six-monthly or annually) and at the appropriate levels in order to ensure that assigned responsibilities are performed properly.

3.10.4. Control

It is the responsibility of each employee to report any potential shortcomings in the internal controls in relation to their respective responsibilities.

In addition, the internal audit departments (in Indonesia and in Papua New Guinea at *Hargy Oil Palms Ltd*) and the subcontracted internal audit (for our insurance business) are responsible for continuous supervision of the effectiveness and observance of the existing internal controls for their respective activities. They propose any necessary adjustments based upon their findings. The reports from these internal audit departments are discussed on a quarterly basis in a local audit committee. A summary of the most important findings is submitted annually to the group's audit committee.

For small subsidiaries, for which no separate internal audit position has been created, supervision of the internal inspection is fulfilled by the responsible member of the management together with the managing director and chief financial officer of the group.

In addition, each subsidiary of the group is (as a minimum requirement) subjected annually to scrutiny of its financial statements by an external auditor. Any comments relating to this external audit are passed on to the management in the form of a "management letter".No significant shortcomings in internal controls have been found in the past.

3.10.5. Internal controls and risk management system associated with financial reporting

The process for drawing up financial reports is organised as follows:

- The process is directed by the "corporate finance" department, which falls under the direct supervision of the group's chief financial officer;

- Depending on the (internal and external) deadlines to be met, a retrospective schedule is drawn up, which is submitted to each reporting entity and to the external auditor at the start of the year. The external deadlines are also published on the company website;

- The following reporting entities can be identified:
  a. the entire group of companies in Indonesia
  b. *Hargy Oil Palms Ltd* in Papua New Guinea
  c. *Galley Reach Holdings Ltd* in Papua New Guinea
  d. *Plantations J. Eglin SA* in Ivory Coast
  e. *Jabelmalux SA* in Luxembourg
  f. *SIPEF* in Belgium
  g. *BDM NV / ASCO NV* in Belgium

- There is a certified accountant at the head of the financial department of each entity;

- The start of the annual reporting cycle consists of drawing up a budget for the following year. This is completed during the months of September to November and is submitted for approval to the board of directors by the end of November / the start of December. The strategic options that are included in this budget also fit into the long-term strategic plan that is updated and approved annually by the board of directors;

- The necessary sensitivity analyses are drawn up for both the strategic plan and the annual budget, to be able to assess the correct risk profile for the decisions that need to be taken;

- During the first week of each new month the production figures and net financial position of the previous month are received and consolidated by the corporate finance department and are submitted to the managing director, chairman of the board of directors and group management;

- During this first week the intergroup transactions are also reconciled before proceeding to close the accounts;

- The monthly financial reporting consists of an analysis of the volumes (starting stock, production, sales and finishing stock), the operating result, a summary of the other items in the profit-and-loss account (financial result and taxes), a balance sheet and cash-flow analysis;

- The accounting standards that are applied for monthly reporting are exactly the same as those that are used for the statutory consolidation under the IFRS standards (with the exception of the IAS41 valuations that are only included for external reporting);

- The monthly figures are compared with the budget and with the same period for the previous year for each reporting entity in which any significant variations are investigated;

- These (summary) operating and financial figures are converted on a monthly basis by the "corporate finance" department into the operating currency (usually USD), consolidated into the reporting currency (USD) and then once again compared in terms of their consistency with the budget or the previous period;

- The consolidated monthly report is submitted to the managing director, the chairman of the board of directors and the group management;

- The board of directors receives this report periodically (months 4, 6, 9 and 12) in preparation for the board of directors meetings. This report involves a memorandum containing a detailed description of the operational and financial trends over the past quarter;

- The board of directors is also notified in the intervening period in case of any exceptional events;

- In June and December an update is drawn up of the calculation of the actual value of the biological assets (IAS41 valuation);

- The individual financial statements (only in December for smaller entities), the IAS41 valuations, as well as the technical consolidation for June and December undergo an external audit before the consolidated IFRS figures are submitted to the audit committee;

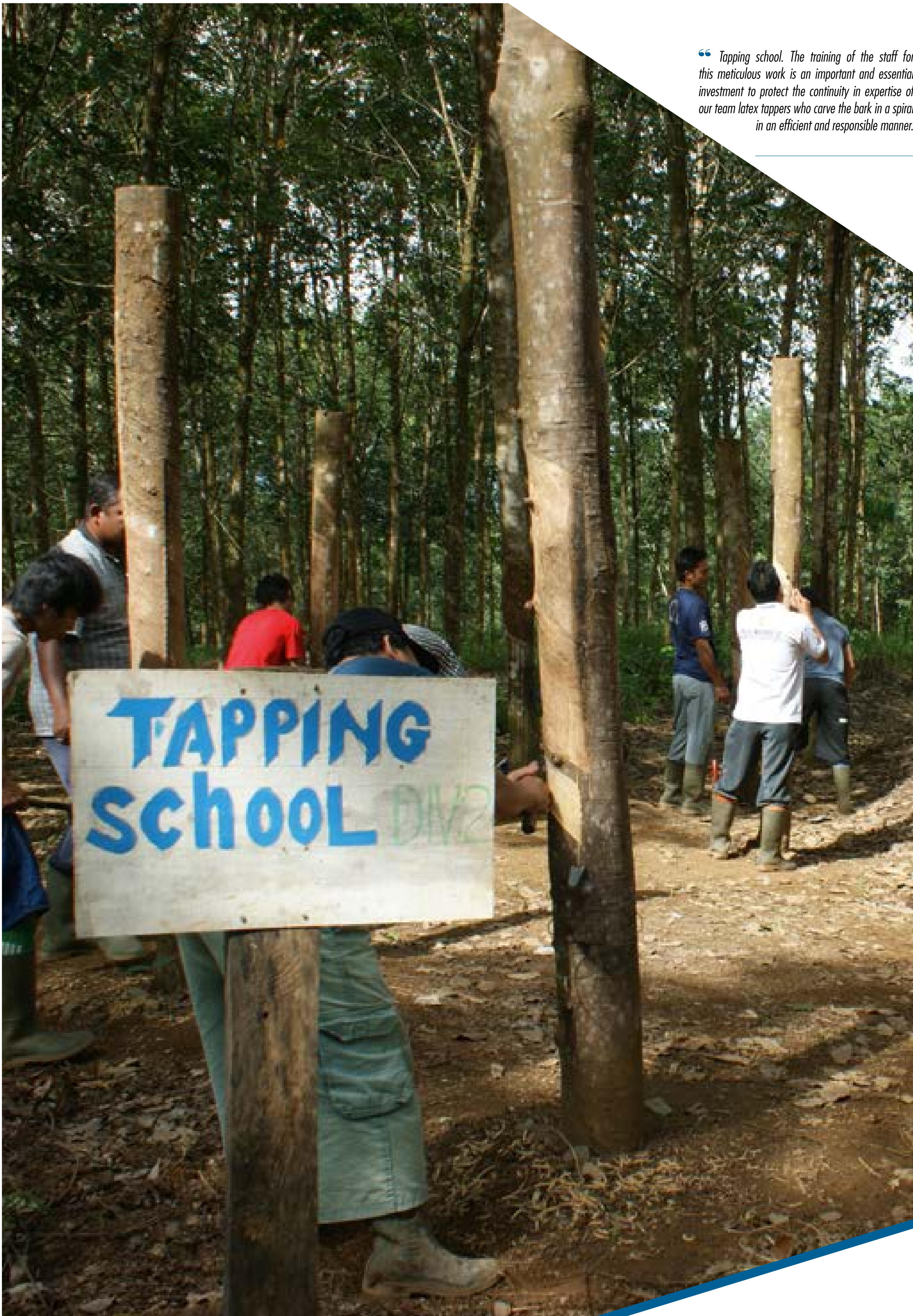
- Based upon the advice of the audit committee, the board of directors states its opinion in relation to approving the consolidated figures before publishing the financial statements in the market;

- Twice a year, after the first quarter and after the third quarter, an interim report is published on the evolution of the produced volumes, the world market prices and possible changes in the prospects;

- It is the "corporate finance" department that is responsible for monitoring any changes in (IFRS) reporting standards and for implementing these changes within the group;

- The monthly management report and the statutory consolidation are maintained in an integrated system. Appropriate care is taken to provide antivirus security software, periodic backups and measures to ensure continuity of service.

“ *Manufacturing of ‘RSS’ rubber bales. The operator of this press produces bales of rubber with Ribbed Smoked Sheets which were stacked in advance.*



“ Tapping school. The training of the staff for this meticulous work is an important and essential investment to protect the continuity in expertise of our team latex tappers who carve the bark in a spiral in an efficient and responsible manner.

Activity report by product

Palm oil

2014 started off rather well for palm oil, whereby production decreased significantly in February, which developed into a tight stock scenario and steep inverses. The dry spell from January till early March unsettled the market, and a further development of El Niño was feared. The first signs of the biodiesel inclination in Indonesia looked promising and the market rallied to the high of the year at 980 USD per tonne CIF Rotterdam in early March. As a result of these high prices and inverses, palm oil lost a lot of demand to the relative cheaper soybean and sunflower oils. Most friendly factors disappeared during the second quarter and the heavy liquid oil picture prevailed. A record South American soybean crop was followed by another record harvest in the USA, and the likelihood of an El Niño weather event disappeared. The proverb, "Big crops grow bigger." could have been applied to the US soybean crop during the summer months, and continuous pressure took market prices down to 660 USD per tonne, the low for the year.

Malaysia was the first country to initiate a zero export tax regime in September, followed in October by Indonesia. These export tax adjustments initially triggered a good export pace. On top of that, palm production from September onwards showed an unusual drop in yields, which was a time lag effect of the dry spell earlier in the year. Despite all these cost-effective inputs the market rebounded a little, but it was not sufficient to resist the overall bearish inputs from the liquid oil environment.

Biodiesel played a significant role in the world of vegetable oils in 2014. In the first nine months there was good demand due to the mandated blending targets as well as discretionary biodiesel demand, however, the major collapse of the petroleum market in the fourth quarter killed the discretionary demand and the future will only tell how strong the mandates in various countries are. The Indonesian mandate of 10% biodiesel blend did not meet its potential in 2014, and the outcome has actually been rather disappointing, with merely 1.2 million tonnes being blended versus a potential of nearly 4 million tonnes.

The average price for CPO CIF Rotterdam was 821 USD per tonne against an average of 857 USD per tonne in 2013, a decrease of 4.2%.

SIPEF sold more than 85% of its palm oil, palm kernel oil and kernels in the certified physical schemes of the Roundtable of Sustainable Palm Oil (RSPO) and the International Sustainability and Carbon Certification (ISCC) in 2014. We have been able to widen our customer base for sustainable palm oil, a trend that we expect to continue for 2015. Although sustainability is still pre-dominantly an agenda driven by the Western world, there is increased pressure on global companies to use sustainable products around the world and, therefore, we expect this growing trend to use sustainable palm oil to gain momentum in the coming years.

Palm kernel oil

The market for lauric oil, the generic term for palm kernel oil and coconut oil, was trading at a steep premium over palm oil in 2014 on the back of a significant reduction in the production of coconut oil, due to the destructive Typhoon Haiyan that hit the Philippines in November 2013. The palm kernel oil market has traded its tight fundamental supply and demand picture, as there are no other substitutes for lauric oil. The bearish influence of liquid oils on palm oil has had a very limited impact on lauric oils. The price of palm kernel oil was on average at a 224 USD premium over palm oil. The average price of PKO CIF Rotterdam was 1 121 USD against an average in 2013 of 897 USD, an increase of 25.0%.

Rubber

The rubber market has continued its downtrend for the third year in a row, dropping from 2 500 USD per tonne RSS3 on the SICOM future exchange to 1 720 USD per tonne. The demand trend that was broken in the 2008 crisis has not been recovered, and, hence, an imbalance in the supply and demand has continued to exist, although for a couple of years this imbalance was not visible due to China's strong demand and stock buildup. This bubble had burst by 2012 and the overhaul of stocks and oversupply brought prices to a level, which has tested production costs.

Government intervention only made things worse, with the Thai government building a stockpile during 2013 to support local farmers. The new government decided to sell off this stockpile in the third quarter, putting additional pressure on world prices. In the meantime, Chinese stocks have reduced significantly on the back of the credit crunch. Therefore, a much healthier situation has been created, although prices have not benefited from these changes.

In several countries there are reports that smallholders stopped tapping their trees as it was more beneficial to get a job in the city instead. The impact is rather unclear and has surely not been felt in supporting prices yet. The global car industry had a record sales year in 2014, with a growth of 3.0% to 3.5%, and this should provide positive input on rubber prices.

The average price for Natural Rubber RSS3 was 1 958 USD per tonne against 2 795 USD per tonne in 2013, a decrease of 30.0%.

The global demand for natural rubber grew a good 5.3% in 2014, compared to 2.7% in 2013, according to the International Rubber Study Group (IRSG). The low prices have apparently stimulated demand more than expected, although these numbers could have been confused, as some stock building might have been included as demand growth. The IRSG is forecasting a demand growth of 3.1% and 4.4% for 2015 and 2016 respectively. The supply of natural rubber contracted by 0.5% in 2014, much lower than the forecast 3.9% growth, and the actual growth of 4.0% in 2013. Clearly the low prices encouraged a lot of smallholder farmers to abandon their trees and find employment elsewhere. The IRSG expects a supply growth of 3.1% for 2015 and 4.2% for 2016.

Tea

2014 was another year when the tea crop in Kenya was very good. Kenya is the world's biggest exporter of black CTC (Crush, Tear and Curl) tea, and the best price indicator for our Cibuni CTC tea. Since the last quarter of 2012, Kenya has experienced perfect weather conditions and 2013 and 2014 were both record crop years. Due to the additional production capacity that has been built all the tealeaves could be processed. Not only has the Kenyan crop been very good, but all the tea producing countries in East Africa have experienced favorable crop conditions. On top of that, demand has been lagging for the second year in a row, due to the political turmoil that has distorted the buying behavior in key tea consuming countries, like Russia and those in the Middle East. Warehouses in the growing countries were filled to the brim, whereas importing countries could carry low stocks anticipating the heavy supply.

The big crop, combined with high stockpiles and a slowdown in demand, triggered a dwindling down of the prices to a record level for the past six years. Prices dropped below cost prices and quality teas were partially sold off for blending purposes.

The situation improved at the end of 2014 when the dry season kicked in earlier and stronger than expected. The tea crop dropped strongly and warehouse stocks were not as heavy as expected by the market. Weather forecasts that this drought could continue into early 2015 have triggered a buying wave. Kenya's crop condition will remain the main driver for our tea market for 2015.

Bananas

All volumes marketed by the fruit department stem from our own banana production in Ivory Coast. Thus, 23 594 tonnes of fruit are marketed and divided between Europe - 20 763 tonnes - and the West African region, with 2 831 tonnes sold to Senegal.

We traditionally remain close to the English and French markets with stable clients and products whose special features follow the evolution of the demand. A significant amount of bananas is pre-packed directly in Ivory Coast, therefore guaranteeing the European consumer an excellent weight/quality ratio.

It should be noted that banana consumption developed in Europe by nearly 6%, with imports exceeding 5.64 million tonnes. We hope that this trend will continue to invigorate a market, which remains highly competitive in Europe: the banana is, and remains, a bargain for the consumer, and in this time of crisis consumption of this fruit should progress.

The different production zones maintain and consolidate their market share in Europe: Central American production of Ecuador, Colombia and Costa Rica, remains, of course, the main supplier with 3 948 000 tonnes, followed distantly by the ACP countries, which includes Ivory Coast, with a total of 1 080 000 tonnes, and by bananas produced in the European Union (EU), totalling 614 000 tonnes.

Lower customs duties for the dollar zone continue to be applied, as foreseen by the agreements, and some countries like Ecuador, amongst others, have ratified trade agreements with the EU, which should result in 75 EUR/tonne customs duties by 2020. Their objective is certainly to end up with zero customs duties and, therefore, total liberalisation of market access.

The recent devaluation of the euro against the USD is still in our favour, given that our fruits produced in Ivory Coast, the CFA franc zone, are sold at a fixed exchange rate with the euro, contrary to those produced in Latin American countries.

The regional African market is evolving favourably and we are confident that excellent development opportunities will present themselves in the future. Thanks to the economic partnership agreements, customs barriers in West Africa will be more "flexible" and South-South trade will intensify in parallel with the constant development of the West African zone. At present, we note a recent very active establishment of large European distribution centres in West African capitals and large cities, which will certainly offer new short-term trade opportunities. This trend should be monitored closely!

" A palm pre-nursery. Women who manually remove the weeds between the seedlings, where they equally control their morphology, in order to ensure the transition of plants with the same stage of development and the quality required to the nursery.

Ivory Coast will, therefore, make progress naturally in terms of production volumes and export trade, and our Eglin subsidiary logically follows this development with planned extensions, which will increase our commercial potential. This origin is, and remains, a reference on the market and our quality standards are correct and recognised on the market. We are working on the sustainability of our sector, our company and our product: good agricultural practices, approved for several years now by GlobalG.A.P., are now largely followed by ISO 14001 and SA 8000 certifications, standards being finalised by our subsidiary through 2015.

Horticulture

Pineapple flowers still remain our principal horticultural cultivation in terms of turnover, with some 646 000 units sold. We remain market leader of this product, consumed mainly in northern Europe. We will further optimise the extent to which we can supply flowers of a larger size; this strategy is currently being applied and we will reach our objectives in the course of 2015.

The ornamental leaves trade remained active in 2014, with more than 1 100 000 stems of purple-tricoloured *Dracaena* and *Cordyline* sold. The market potential is far more important and with the two new imported varieties (Cappuccino, Snow Queen) being propagated, we could manage 1 500 000 stems without any problem. These products have good potential, and the cultures are well adapted to Ivory Coast's weather conditions.

Lotus flower sales remain stable with some 270 000 units sold.

Activity report by country

INDONESIA

General

After two terms in office for President Susilo Bambang Yudhoyono, 2014 was an important electoral year for the Republic of Indonesia. On 9 July, 2014, the date of the presidential elections, Indonesians had to choose between two cartels of parties formed in the electoral battle after the election of the national parliaments on 9 April, 2014. With 53% for Joko Widodo, popular among ordinary Indonesians, the results were very clear, and yet the country experienced a period of uncertainty because his main opponent, General Prabowo, contested the results and put pressure on the electoral commission to not confirm the results. It was not until October that the new president came into office and could start implementing his programme. The new president is a man of the people who experienced a raid entry into politics via the position of governor of Jakarta, and who does not have the usual connections with the established powers of the country.

The motto of "unity in diversity" is part of his programme, which includes closing the gap between the rich and the poor, reducing dependence on natural resources, the diversification of exports, investment in infrastructure and production, as well as research and development. Soon after he came into office the fuel subsidy, a burden of over 22 billion dollars on the country's budget, was adapted so that the newly available budget funds could be spent on public transport, social security and the improvement of agricultural yields. His main objective, however, is to restore trust in the country and its private sector, as well as the trust of foreign investors, by reducing corruption and inefficiency.

It is with great interest, therefore, that we look forward to the coming period and the practical measures that will be taken to achieve these objectives, especially in the agricultural sector, traditionally an important employer in a country with a population of over 255 million; a budget deficit of -2.3% of the GDP and inflation of 5.6%, in spite of near 6% growth in 2014.

The president's message of encouraging foreign investment is contradicted by established interests, which control a fragmented and mostly hostile parliament and are taking steps to maintain their hold on local businesses. In the past few months several sources have spread rumours and come up with proposals to limit the shareholdings of foreign companies in the agricultural sector for the benefit of local participation, but this has not resulted in measures, which could be of short-term concern to us.

Persistent rumours about these measures obviously do not contribute to restoring trust in the country, which is also reflected in the weakness of the local currency, the Indonesian rupiah, compared to the American dollar. In the course of 2014 we saw the currency slip further from IDR 12 189/USD to IDR 12 440/USD at the end of the year, a trend continuing in early 2015. The weak currency has led to the inflation of prices and once again this year, it has also led to important discussions on the increase of minimum wages, which are still individually determined by province and are subject to strong regional variation. After exceptionally high increases in 2013 to over 50% in certain provinces as a result of gubernatorial elections, 2014 was another year in which minimum wages increased by 10% to 20%. Such high increases obviously weigh on labour-intensive sectors, including tropical agriculture. Even if these increases have currently been weakened by currency devaluation, there is still a risk that when trust in the country's politics has been restored, parity with the USD will increase and cause an irreversible upward trend in labour costs, which represent no less than one-third of our production costs. We can also observe growing differences between different provinces, which are unfavorable to general economic development and are reflected in the availability of infrastructure, health care and education. A national approach of a minimum wage policy could definitely be a solution for the future.

The Indonesian government has also held on to the regulation of the tax on the export of palm oil. Since November 2011 we have seen a system with progressive rates applied as soon as the corresponding world market price reaches 750 USD/tonne for crude palm oil. Agricultural companies pay higher taxes than producers of more finished products. This diversified approach has led to substantial investments in refining capacity as well as biodiesel factories, and to more exports of finished products than before. The subsidies for this sector have caused numerous reactions from other producing countries, but Europe has also taken protective measures for the import of biodiesel based on palm oil from Indonesia. As a producer of crude palm oil *SIPEF* consequently remains subject to the highest tax rates. Because of strongly decreasing palm oil prices on the world market in the second semester of the year, export taxes were reduced to zero, but in spite of this exoneration the average taxes for 2014 still amounted to 68 USD/tonne, compared to 75 USD/tonne in 2013 and even 149 USD/tonne in 2012. This decreased revenues share of the group after taxes by 6.1 USD million, compared to 6.0 USD million in 2013 and 11.8 USD million in 2012.

For the plantation sector there is still a lack of clarity about the exact maximum size of a private company in Indonesia, which is not quoted on the stock exchange. Whereas, previously there were two systems limiting planted areas to 20 000 hectares per province and 100 000 hectares for the entire country, a new system was launched in 2013 which only states 100 000 hectares as the total size of a company, but the new government and parliament are expected to come up with further measures in this context. With 58 342 hectares under its control, *SIPEF* is not in danger of exceeding the limit yet.

After a fairly weak production year in 2014 palm oil production in general grew in all of the group's projects. Yields were on the rise for the mature plantations of North Sumatra and the province of Bengkulu, as well as for plots with young palms on the *PT UMW/PT TUM* plantations of North Sumatra and the total palm oil production by the group in Indonesia increased by 6.7% compared to last year.

Due to the maturity of a number of other young plantations, the number of hectares of producing oil palms grew from 35 656 to 35 964 at the end of December 2014, in spite of an intensive replanting programme in Agro Muko in the province of Bengkulu. Yields per hectare went up from 17.35 tonnes per hectare to 18.91 tonnes per hectare in North Sumatra, and from 21.57 tonnes per hectare to 22.56 tonnes per hectare in Bengkulu. This growing trend was observed in general on all mature plantations as a result of better agronomic circumstances, mainly in the first three-quarters of the year, but also especially on the young palms of *PT UMW/TUM* in North Sumatra where the uniformity of the plantations has improved substantially.

North Sumatra

The general weather pattern in North Sumatra was dryer last year, even more than 10% below the ten-year average. An intense four-month dry season was registered, which will undoubtedly have a delayed impact during the first six months of 2015. Only on the *PT UMW/TUM* plots with young palms total precipitation exceeded the long-term average, but the most rainfall was registered towards the end of the year, when over 3 000 hectares flooded and the access road was closed to traffic for three weeks in December, so that no oil could be transported.

The plantations of Perlabian and Tolan, both part of *PT Tolan Tiga Indonesia*, have been planted with oil palms for decades and represent 8 214 hectares, including 7 207 mature hectares and 1 007 hectares which are being replanted. After disappointing production in 2013, there was a remarkable production inverse, especially during the first nine months of 2014, and the Perlabian plantation even registered an 8.8% increase in fruit production. The annual yield amounted to 23.03 tonnes per hectare in the slightly older Perlabian plots, but amounted to 26.34 tonnes per hectare in the younger Tolan plantation.

As opposed to the past few years, because of the long dry spell, the early planting of creepers rich in oligo elements did not turn out very well. This is why the agronomists had to pay extra attention to the fight against the Oryctes beetle, which lays eggs in the heart of the palm and the larvae of which devour the tree's soft crown. However, larvae collecting, the protection of young palm crowns and the limited and targeted use of chemical substances have contributed to keeping the plague under control and no delays in growth have been observed. The same goes for the containment of bud rot, a disease in young palms caused by the *Fusarium fungus*. Thanks to targeted treatment there was no obstacle to growth and maturity. This period of growth is becoming increasingly shorter for most recent oil palm varieties, and the first fruits can already be harvested 24 months after planting.

The plantations of Bukit Maradja and Kerasaan (5 002 planted hectares, including 4 164 mature hectares and 838 immature hectares following replanting) can now fully manage the problems with leaf-eating insects, which is reflected in increased fruit production by 5.8% and 1.9% respectively. The average yield amounted to 25.90 tonnes per hectare, in spite of the impact of root disease in this environment.

Especially in slightly older plantations with third-generation palms we need to tackle the persistent *Ganoderma* fungus, which mainly infects the palms' root systems and reduces the density of the palms year by year. Thanks to close cooperation between the different groups of plantations confronted with the phenomenon, various treatments could be tested in order to delay or stop the progression of the fungus. Apart from the steps taken during the preparation of plots to be replanted, *Ganoderma* tolerant seeds now also exist on the market, which should diminish its effect, and which we are planting in the most infected areas. We are also running tests with soil conditioners, which are said to enhance the palm's immune system and, therefore, ensure a better yield per palm. On existing plantations where the fungus is diagnosed, the palm is protected by covering the base with soil. However, we had to accelerate replanting of existing areas where no protective measures were originally taken. Even so, the impact of advance replanting is negligible compared to the *SIPEF* group's total production, because the plots are being replaced with new seed varieties to ensure an increased yield per hectare.

The replanting of 723 hectares on existing plantations in North Sumatra went entirely according to plan. In Perlabian 323 hectares were replanted, which is more than twice the area of the year before. On the Tolan plantation no replanting has been scheduled for the coming years; all palms are now at optimum age. 116 hectares were replanted in Bukit Maradja and 284 hectares in Kerasaan. This replanting is part of the accelerated strategy for plots infected by *Ganoderma* and extra attention being paid to purifying the soil before planting young palms. We are also taking the opportunity to transform older areas into plots with trees planted in straight lines, which are easier to maintain and fertilize.

Fertilization programmes for the established plantations of North Sumatra were completely implemented before the end of the year. Successful fertilization of planted plots is highly dependent on the availability of workers, the timely supply of the correct quantities to local warehouses and the accessibility of the palms. Wherever possible mechanical distribution is now being used. When the application is still manual, all the fertilizers are packed in advance in the form of suitable doses for each palm, allowing even fertilization that is reflected in the uniform growth and colour of the palm leaves. Organic fertilizers are also administered according to fertilization plans, including the distribution of empty palm bunches using tractors and the irrigation of surrounding areas with wastewater rich in humus from the mills' settling ponds. Moreover, shortages of metals, if any, are professionally monitored and supplemented. In the past year this mostly happened with the boron supply, temporary shortages of which were registered in young palms and also in the older palms of mature plantations.

Fertilizer prices are largely determined by demand. The general lower price of agricultural commodities clearly led to reduced consumption by the agricultural sector. This was reflected in decreasing world prices for the three main components of chemical fertilizers: nitrates, phosphates and potassium. We recorded lower prices in Indonesia compared to last year, partially because of the transition to phosphates of a different origin and the elimination of price fixing by the major potassium producers.

The most recent extensions in North Sumatra are in the *PT Umbul Mas Wisesa (PT UMW)* and *PT Toton Usaha Mandiri (PT TUM)* projects, which jointly represent 8 215 planted hectares, 8 198 of which are mature and 17 still immature. Therefore, we can say that these plantations have reached maturity. Yields per hectare went up again in the past year. Whereas in 2013 annual production always fluctuated between 8.74 tonnes per hectare and 9.26 tonnes per hectare, in 2014 it ranged between 10.80 tonnes per hectare and 13.09 tonnes per hectare, depending on maturity and the presence of non-producing palms. First of all, over 1 000 additional hectares reached maturity, but also the palms of planting years 2005 to 2007 have higher yields because they are now in the very profitable age cycle.

Following a detailed inventory of planted plots, however, we observed that mainly in UMW North and TUM, almost 20% of palms are currently not producing. The reasons for this are that the palms were planted in locations obstructing root growth, or that fertilization was carried out incorrectly or that there was a lack of spraying against insects and termites. An intensive programme has been launched to make these palms productive, with individual treatment to improve root growth and meticulous follow-up. The first positive results could already be observed in the second semester of 2014.

Because of their location in the northern and very low part of Sumatra, plantations there are also frequently infested by leaf-eating insects. Especially in the fourth quarter almost all plantations were confronted with a *Setora Nitens* plague, which required chemical and biological pesticides in order to prevent further spread. The soil also remains sensitive to termites and the regular use of pesticides is necessary to protect the palms from this scourge.

Fertilization programmes were carried out in a timely manner and before the end of the year. Following the advice of Dr Gurmit Singh several small applications were made to increase absorption. The fertilizer used is a compound enriched with micro-minerals to stimulate plant growth and to improve its colour. To a limited extent fibre ash was also used to maintain the long-term acidity of the soil.

Managing water levels remains very important in this lowland project. Major efforts have been made in the past few years to build a network of channels and locks intended to quickly drain water in the case of floods during the rainy season, and to avoid low water levels stunting palm growth in the dry season. The road system is now almost complete and all harvestable fields are accessible for the trucks to pick up fruits all year round. Following an investment in two new housing blocks there are now also sufficient workers on the plantations for maintenance and fertilization, and for regular fruit harvesting. Houses were built together with a school, a clinic, a day-care centre for children and religious sites, because none of these facilities is near the plantations.

Especially during the fourth quarter, the plantations were hit by excessive rains, which flooded the palm fields and seriously hindered the harvest and transport of fruits. Also, the main access road was almost impassable and the danger of flooding lasted for several weeks. In the near future we will have to look for a way to have permanent access to the plantations during the rainy season, transporting the palm oil either by river, or by constructing an additional road through higher land or by raising the current road considerably. A thorough study will be conducted to determine the financial feasibility of these proposals.

The construction of a new palm oil extraction mill started in 2013 and was completed in early 2014. As of late April we could start our first tests and as of late July all the fruits from the neighbouring plantations have been processed in the new mill. The mill's theoretical capacity is 45 tonnes per hour, and during the first six months we could already work at an average capacity of almost 40 tonnes per hour. The extraction percentages amounted to an average of 22.20% and were influenced by excessive rains in the fourth quarter. The mill has been equipped with the latest technology, such as vertical fruit sterilizers and an effluent processing unit ensuring the capture of methane gas to provide the steam generators with energy. Recycled wastewater can be reused in production and the mill will also ensure the provision of drinkable water and electricity for the houses of workers living permanently on the plantations.

After having obtained the final exploitation licences (HGU - Hak Guna Usaha) for *PT TUM* and for the first stage of 6 468 hectares of *PT UMW*, we also obtained a second licence in September 2014 for a second stage, so that only 154 hectares remained to be licensed permanently. This last licence was obtained in February 2015. The completely planted area can now be considered in its entirety as finally being licensed for a 35-year term, as issued by two regencies. The licence comes with the obligation to offer processing possibilities at the new mill for fruits harvested by local farmers. In the meantime we have signed contracts with neighbouring cooperatives, which will organize these fruit supplies as of early 2015.

The *PT UMW* and *PT TUM* plantations as well as the mill were visited several times by licensed auditors for certification according to RSPO standards. The audit was positive but, due to a delay in the approval of compensation procedures within the RSPO, certification will be issued in early 2015, which should allow us to sell palm oil at a premium.

The unit production cost is going down further because of growing yields per hectare and the higher efficiency of the more mature areas. Nevertheless, the cost of this plantation is still far greater than that of the other mature plantations in North Sumatra, because plant development in these lower areas requires additional costs for soil improvement, development and maintenance of the road system, treatment for insects and termites, water management and the construction of buildings on unstable ground.

The two palm oil extraction mills in Perlabian and Bukit Maradja met our expectations. The older Perlabian mill processed 6.06% less fruits compared to 2013, when the entire UMW/TUM production was still processed on this location. The average flow of fruits was 52.29 tonnes per hour, the same as last year, whereas the theoretical capacity is 55 tonnes per hour. The oil extraction level improved slightly from 21.53% to 21.81%, but remained low compared to the group's other mills. This is partially due to the relatively young fruits of UMW/TUM, which were still processed in Perlabian during the first six months of the year, and also to the replanting of our own Perlabian areas. The oil produced was of good quality and did not exceed the required acidity level at any time. Because of substantial non-budgeted repairs to the steam generator during the second semester and the rise in diesel consumption the processing cost turned out 15% higher than expected.

The smaller Bukit Maradja mill, which accepts fruits from the Bukit Maradja and Kerasaan plantations, processed 4.2% more fruits than in 2013. The average flow of the mill was 29.64 tonnes per hour, whereas the theoretical capacity is 30 tonnes per hour. The oil extraction level was equal to 23.20%, which was slightly better than in 2013, and the best rate for the group. The Bukit Maradja mill remains highly efficient and produced high quality oil all year round.

Both mills have been equipped with a methane capture system based on a membrane covering the settling ponds, which has earned them United Nations Framework Convention on Climate Change (UNFCCC) certification and makes them eligible for certification according to the International Sustainability and Carbon Certification (ISCC) standard for green energy supplies in Europe. Since the mills have ISO, RSPO and ISCC certifications, which were renewed in September 2014, we can supply our customers with sustainable traceable oil, which can be used for various purposes, either for food, biodiesel production or electricity production, always meeting the strict European Community requirements for renewable energy.

For the time being the collected gas is still burnt at both locations, but we are also studying the reuse of biogas as an additional energy source to process palm fruits into oil. Thanks to the reuse of the gas, more organic material is available for fertilizing the plantations. This option requires investing in a biogas engine and alternator, which we feel may interest partners for cooperation on a larger scale.

For the Perlabian mill we would like to start using a tank system to replace the current capture of methane with a membrane, by setting up a joint venture with the supplier. This system will mostly replace the current structure of settling ponds and make the gas available to the factory. This system has been operating in the new UMW mill since September 2014. The biogas contains approximately 70% methane and purified effluent is discharged entirely according to the applicable standards. Reuse of the gas will be optimized further in 2015.

For the Bukit Maradja mill we are also planning the construction of a composting factory, which will accelerate the composting of effluent and empty bunches, that can then be spread on the fields. On the older plots of Bukit Maradja and Kerasaan compost will contribute to the improvement of soil quality and the fight against the *Ganoderma* fungus mentioned above.

Since sustainable palm oil premiums are paid especially for deliveries to Europe, these two mills represent almost the entire share of sales on the export market. Only the uncertified oil from the UMW-TUM project was sold locally without premiums and certified local sales were very restricted. For the first time we have also been able to sell certified palm kernels at a premium to customers in Indonesia who further process them into sustainable palm kernel oil. In 2014 oil export from North Sumatra still took place entirely from Belawan, but because of the congestion of this port, we have taken all the necessary measures to shift to hired tanks in Dumai, a more recent deep sea port which does not show any signs of saturation yet and is closer to Perlabian and *PT UMW*.

We have also observed a great interest in the extension of port facilities in Kuala Tanjung, a new port complex where the authorities still have to build a wharf. The new Indonesian president recently attended the laying of the first stone. *SIPEF* has bought a little over one hectare of land in this location, which should be more than enough to protect our potential future interests should we find it of economic interest to build our own tank park instead of renting space. Kuala Tanjung is quite close to Bukit Maradja and occupies a more central position for our North Sumatran plantations.

Activity report by country

In 2014 the average unit production cost in USD did not increase for our North Sumatran palm oil production. The upward pressure of a rise in minimum wages, in the region, of 19% to 20%, as well as the rise in diesel prices for transportation in Indonesia, due to changes in the subsidy system for private users, were mostly neutralized by increasing production volumes, persistently low prices for chemical fertilizers and the weakening of the local currency compared to the USD.

The general profitability of rubber activities in the group suffered greatly due to the pressure of decreasing world market prices. North Sumatran rubber production, however, met expectations and was even 1.9% higher than last year. This is mainly the production of the Timbang Deli plantation, where 864 hectares are planted and 805 are producing, which has exceeded expectations thanks to favourable weather conditions with relatively few lost tapping days and the postponement of large pruning projects to a later date. Yields went up from an average of 1 567 kilograms to 1 753 kilograms per hectare per year. Replanting at this location has been postponed because of the change of occupation we want to give this plantation in the joint research programme. The Bandar Pinang plantation with 1 145 planted hectares and 985 producing hectares is still suffering from the effects of the August 2013 wind damage, which caused the loss of approximately 4 700 palms and required the additional pruning of over 20 000 mature palms. The yields per hectare dropped slightly from 1 612 kilograms to 1 559 kilograms. Replanting follows age ranges and 25 hectares were redeveloped during the year.

After total renovation of the *PT Bandar Sumatra* rubber mill in 2012, which also processes latex from Timbang Deli, we observed substantial quality improvement in the production of RSS3 rubber ("Ribbed Smoked Sheets"). This also had the effect of optimizing processing costs, because during drying we were able to use our own wood supply in smoke houses.

South Sumatra

The rubber activities of the Melania plantation in South Sumatra, near Palembang, remain very satisfactory. In the most extensive *SIPEF* rubber plantation in Indonesia, with 2 614 planted hectares, 2 078 hectares of which can be tapped and 20.5% of which is still immature, production remained 12.44% lower than last year. Because 157 hectares were replanted in 2014, the number of producing hectares dropped, and due to the double wintering throughout the year as a result of persistent dry spells, there was insufficient photosynthesis in the crowns of the trees. The annual yields consequently dropped from 1 597 kilograms to 1 492 kilograms per hectare.

The unit production price in USD increased slightly because of higher minimum wages having an additional impact on latex collection, which is labour-intensive. This was in spite of the favourable effect of the local currency devaluation and lower maintenance costs as a result of drought.

Thanks to improved efficiency when picking up latex, achieved through new collecting areas and transport with tanker trucks instead of tractors, the supervision of tapping operations could also be simplified. After an intensive anti-theft campaign in 2012 and 2013, which led to a considerable increase in the production of coagulated rubber, security measures became slightly less strict. Approval was granted, however, to build a wall on the boundary of one of the neighbouring villages in order to better protect our assets, and the fences around our plantations were also strengthened.

The programme for the reconversion of remaining oil palm plots into rubber plantations has been completed and the Melania plantation has become a monoculture rubber plantation. So, the lowland areas, which used to be planted with oil palms, have now been converted to platforms planted with rubber trees, and a few smaller wet areas have been preserved as protected natural areas.

The agronomists continue to closely follow the development of "*White Root Disease*". This disease infects palms and spreads by root contact in areas that have not been sufficiently sanitized before replanting, which is often the case in hilly areas with more difficult access. The disease requires individual treatment for each tree, with a recovery rate of over 80%. In 2014 relatively few new cases were observed, possibly as a result of the dry spell during the first six months of the year.

There were no quality problems with the production of RSS3 rubber at the factory. Rubber is shipped to South-East Asia, North America and Europe in containers. Because of a recent change in cargo handler and the optimization of tasks at the factory, we were able to further economize on production costs.

Bengkulu

In spite of the decrease in harvestable hectares from 16 033 to 15 290 (-4,9%) as a result of the intensive replanting programme, the production of *PT Agro Muko*, located in the province of Bengkulu, remained almost identical to that of the previous year. Annual yields increased from 21.57 tonnes per hectare to 22.56 tonnes per hectare.

Although annual precipitation with an average of 3 666 mm in 177 days was comparable to last year when 3 809 mm was registered in 160 days, the 2014 pattern was far more capricious and rainfall still exceeded the long-term average. A dry spell from June to September limited the replanting programme, and during the fourth quarter we registered 1 459 mm of precipitation in 61 days, which damaged the roads of many plantations especially in November, and which also seriously limited the accessibility of the fields as well as the possibilities of collecting fruits.

These relatively good production results can be attributed to the greater availability and stability of the workforce, which remains in service for a longer period of time as a result of improved housing and public utilities, as well as the more efficient fertilization programmes and also the expanded network of paved roads, which makes it easier to transport fruit all year round.

PT Agro Muko is now completely in the second production cycle, which will in coming years replace existing palms with new high-yield varieties, located in more accessible areas. Due to an early start 756 hectares were replanted on three plantations compared to 900 hectares last year. At the end of the year, 2 515 hectares of the 17 806 hectares planted with oil palms were still immature (14.1%) and harvesting took place on 15 290 hectares. The average age of the palms is still 14 years.

The soil structure of the *PT Agro Muko* plantations makes it difficult to collect fruits from the fields during the rainy season. In the past few years considerable efforts have been made to increase the accessibility of mature fields. In the meantime slightly more than two-thirds of the plantations' internal road system has been paved with gravel, and we will continue to make this programme a priority in the coming years, especially now that we are replanting large areas. We can optimize the road system to guarantee fruit collection at all times, so that the harvest can be taken to the mill within the required time to produce low acidity palm oil.

In the past few years considerable efforts have been made at *PT Agro Muko* to build worker loyalty to the company. Traditionally, there has been a shortage of workers and there have been high turnover rates, but we are now making newer and more comfortable houses available, integrating women for lighter work, offering workers permanent contracts and eligibility for the pension, providing health care and access to company amenities.

Fertilization programmes have been carried out according to established standards, although especially during the second half of the year intense rainfall made it difficult to apply fertilizers correctly. Since the land is mostly hilly, hardly any mechanical distribution can be used and the correct quantities per palm are pre-packed for distribution in the fields. In order to promote the growth of the palms through soil improvement and to increase fertilizer absorption, organic fertilizers were distributed on 1 026 hectares. This was done using empty fruit bunches (EFB). The boron shortages mentioned earlier were also registered in certain parts of *PT Agro Muko*, requiring additional fertilization, and visible deficiencies have been remedied in the meantime.

In neighbouring villages around our own plots small plantations have been created as social projects for the benefit of local communities. The company deals with the planting and management, and the harvested fruits are processed in our mills. Since these projects are warmly appreciated by the inhabitants, we will increase them in the future. By the end of 2014, 651 hectares had already been developed, 501 hectares of which are mature. If enough land is made available, in 2015 we expect to move on 21 projects and plant an additional 210 hectares.

Because of the variable weather with a dry beginning of the year and a very wet end, as well as the supply of younger fruits now that we are in the middle of replanting, the two palm oil mills of Mukomuko and Bunga Tanjung were unable to improve their quality. The average extraction rate of the two mills was 22.47%, the same as for the last financial year.

The Mukomuko palm oil mill has a theoretical processing capacity of 60 tonnes of fruits an hour and was also very well utilised, so that its rate was 57.97 tonnes an hour compared to 56.27 tonnes last year. Since most of the fruits of the neighbouring farmers are processed here, the individual extraction rate was limited to 22.20% and remained in line with last year. The Bunga Tanjung palm oil mill was more efficient as regards extraction, with an average of 22.89%. It also has a theoretical processing capacity of 60 tonnes of fruits an hour, but is currently not operating at its maximum utilisation rate, with an average of 32.04 tonnes an hour. This is reflected in the mill's operational costs because energy consumption and the deployment of workers are less efficient here. As a matter of fact, the mill was built with the requirement to process fruits from the neighbouring farmers, but because of the development of oil palms in the vicinity mills, which do not have their own plantations, were also built and are, therefore, prepared to pay competitive prices for collected fruits. We prefer to concentrate on our own production, supplemented with our own new extensions, all with sustainable certification.

A few years ago the decision was taken to make full use of the mill's capacity by developing plots in the region. *PT Mukomuko Agro* Sejahtera *(MMAS)* was established in 2011 to compensate for land in two locations, in order to develop our own plantations, and on behalf of the surrounding farmers (plasma). Near the most northern plantations of *PT Agro Muko* land was acquired, which has in the meantime been planted, such as the Malin Deman Estate, whereas in the south, land like the Air Manjunto Estate, was also compensated and planted. At the end of 2014 these estates jointly represented a planted area of 1 116 hectares. In 2015 we will continue making efforts to implement compensations, but it is clear that land users in this region are not interested in compensation, and would rather develop the land themselves. Consequently, we do not expect that in both locations there will be more than 1 500 planted hectares in the future. In order to improve the efficiency of *PT Agro Muko* and *PT MMAS*, in the course of the year we decided to let the very expe rienced *PT Agro Muko* managers assist the management of the two young estates, which are considered as a new division. We have also established the conditions to buy the harvested fruits of both plantations when they are mature and ready to supply the Bunga Tanjung mill. In the coming months *PT MMAS* will also receive confirmation about certification for RSPO purposes. In the meantime, the audit has taken place, revealing no important elements.

Global overview of a young palm plantation, with an abundant development, between the rows, of a mulching cover crop to prevent weed treatment and at the time control erosion.

Activity report by country

All of our plantations, as well as our community developments in palm oil, together with our mills and our tank terminal in Padang, have been certified according to RSPO and ISO standards. These standards allow us to sell the palm oil we produce as "sustainable" on the European market. Since there is not a lot of interest in sustainable palm oil for food shipped from Padang, we decided to submit the Mukomuko palm oil mill to ISCC certification through the construction of a methane capture installation. Buyers can then choose whether they want to charge the food sector to pay the premium for sustainability, or approach green energy and biodiesel buyers. Methane is captured using a KIS Group tank system, for which we already have cooperation agreements on our plantations in North Sumatra and Papua New Guinea. The KIS tank system enables us to recover methane from wastewater and centralise it for reuse as fuel for the steam-producing boilers, which results in more organic material being available to fertilize the fields. We are looking at the future possibilities for other applications with higher efficiency because the demand for electricity from the company and from the senior management and worker houses continues to rise. It is not yet possible for our employees to connect to the public electricity supply and we have to provide for increasing needs through our own factories and generators. In the meantime the infrastructure has been finished to switch to the public net as soon as the electricity company can guarantee sufficient capacity.

As in North Sumatra the average unit production cost for palm oil in USD did not go up at *PT Agro Muko* in 2014. The upward pressure of the rise in minimum wages, which was, in the region, of 19% to 20% again, as well as the increase in diesel prices for transport in Indonesia as a result of a modification of the subsidy system for private users, were mostly neutralised by growing production volumes, persistently low prices for chemical fertilizers and the local currency's weakened position compared to the USD.

Because of its location, topography and lower yields per hectare, palm oil production at *PT Agro Muko* remained approximately one-third more expensive than that of our most efficient plantations in North Sumatra. In spite of considerable improvements in yields per hectare in the past few years, the difference in cost is mainly due to the rugged topography, which limits the possibilities of mechanisation, and also has a development cost. This cost is due to the construction of terraces to facilitate harvesting, which obviously reduces the number of palms that can be planted per hectare, and because of the need for more gravel roads per hectare to make all palms accessible. The rubber activities at *PT Agro Muko* suffered from absolutely weak world market prices, in spite of an increasing production volume. The Sei Jeringing plantations, where all our rubber trees have been brought together since the termination of the reconversion programme, registered a 6.4% increase in production. This was mainly as a result of the higher number of mature hectares, which went up from 946 to 1 006 because the variable weather with a longer wintering period from August to October followed by a very wet fourth quarter, considerably limited the number of tapping days. Yields per hectare remained constant at around 1 515 kilograms per year.

Because of the reconversion programme and the replanting of 75 hectares in 2014, 684 hectares are still immature and the "crumb rubber" factory is still not fully utilised. This was partially compensated by the supply of over 700 tonnes of low-grade material from the group's MAS Palembang plantation, which used to be sold to third parties in the past. Because of this optimization the factory's total production went up by 55.67% compared to last year, which also impacted the unit production cost that, in spite of higher diesel prices, dropped by 5.7% compared to 2013. Sales of the better SIR3CV60 latex quality shipped from Padang were difficult and we transported finished rubber to Palembang to stimulate demand.

Cibuni, Java

Black tea production of our Cibuni plantation, located near Bandung on the island of Java, with 1 722 mature hectares of tea, amounted to 2 816 tonnes and was more or less equal to last year's production (-1.19%), with a comparable yield per acre of 1 636 kilograms per year. Although the annual precipitation was more in line with the 10-year average (+9.0%) rain patterns were variable and because of the limited number of hours of sunshine the plants also became more sensitive to fungi and insects, causing a delay in the formation of new leaves.

In 2014 we experienced a downward price pressure, mainly because of the production of black tea in Kenya, which turned out higher than expected. Nevertheless we will continue to produce quality tea following the price development of the highly-rated Kenyan markets. This quality can only be achieved through handpicked leaves, which are then processed into black tea primarily used in tea bags, following the CTC ("Cut-Tear-Curl") procedure.

Most tea producers in Indonesia have already switched to mechanical picking due to increasing minimum wage costs (+13.2%), which we have also experienced this year in the scales we apply to our wage structure. The supply of workers in the region is more than enough to ensure the regular picking of our 1 722 mature hectares for processing in our modernised factory, to provide the quality product requested by our customers in the Middle East. The cost per tonne in USD dropped slightly (- 4.6%), in spite of an increase in total wages. This was entirely compensated by a decrease in carbon prices, the main resource for the boilers producing steam used to dry tea leaves, and the weakened position of the local currency compared to the USD. For years we have used electricity generated by our own hydroelectric power plants, which have recently been updated and expanded.

Shipping was somewhat delayed because of falling prices and we had to deal with high stocks of the finished product almost all year round. It was not until early 2015 that we registered rising demand as a result of higher prices on international markets.

Management

Our Indonesian companies' management is headed by Mr Adam James, who is assisted by a permanent team of Indonesian, Malaysian and European managers with a relatively low turnover rate. We need to take into account all the influences of the cultures and ideologies characteristic of the Indonesian community. We organise various events, such as management meetings, blood donation days, sports competitions and family days for team building.

Two years ago the actual plantation management was restructured into three independent business units: North Sumatra, South Sumatra and Bengkulu. Each unit is managed in a decentralized way and reports to the "Director of Estates", who is based in Medan. Functions are strictly separated in each unit, which has a "General Manager" supported by three assistants each having their own specific competences that are unique to the unit. Thus we can ensure a good delegation of tasks to the junior management.

For a few years, at the Medan headquarters we have organized monthly meetings of all heads of department to exchange information on all aspects of company strategy and define policies for the near future.

To assess and improve our management's productivity we link young managers' training to an assessment system with quantitative and qualitative indicators and personal targets. We encourage our managers and executives to cultivate their passion for innovation in the daily management of plantations and factories by awarding annual prizes for the most innovative development or the most economical measures, which have contributed to the improved performance of our activities.

To ensure the recruitment of young graduates we have designed an intensive two-year training course aimed at making them "field assistants" through theoretical and practical internships, so that they can lead a plantation department. Since this year training has also been provided to factory engineers and junior managers for general services. They all attend training to stimulate communication, the development of character and professional motivation, in order to boost their leadership skills in their professional environment. The programme was started in 2011 and has now developed tremendously, with two groups of trained graduates having already been integrated into the company. In 2014 again, 26 new young graduates started their two-year training.

Due to low palm oil and rubber prices expansion in Indonesia has slowed down, and pressure to retain staff has somewhat lessened. Obviously from the expansion areas in Kalimantan and Irian Jaya there still is a demand for qualified staff, but we are increasingly shifting towards internal industry rotation. In this context it is important for the company to permanently compare wage scales and variable fees, and adapt to applicable fee levels through extensive contacts in the plantation sector.

Activity report by country

To retain workers on our plantations and in our factories, all routine activities, such as harvesting, distributing fertilizers, spraying pesticides and stimulating rubber trees, are carried out exclusively by permanent workers who are bound to the company by contract. They are entitled to social security and retirement benefits, are usually established on the plantation with their families and, therefore, also benefit from all the opportunities we offer, such as education for their children, health care and utilities made available by the company for free. Couples are increasingly being employed and this programme is successful because 96% of employees previously paid by the job are now included in the permanent staff. Moreover, for occasional tasks we sometimes call on workers who are made available by specialized companies, but we try to limit such actions to cooperatives and people living near our plantations. This shift towards more permanent workers also strengthens our relations with trade unions, with which annual collective labour agreements are concluded, in which the company strives to equalize payment and bonus systems as much as possible.

An important evolution in social security and healthcare for our permanent employees is the start of the BPJS national insurance programme, membership of the programme being compulsory for all employees, and which represents a significant advance for healthcare for all employees in the country. Our clinics are also all recognized as medical centres for first aid in the context of this national insurance programme. The group's medical staff consists of 14 visiting physicians and 47 paramedics, of whom 25 are midwives and 22 are nurses, in 25 clinics. This means that the current variable medical costs in the company are mostly replaced by flat-rate contributions to the national programme. However, the company continues to conduct medical education courses for our employees and last year about 1 200 medical check-ups were organized for our workers.

Efforts to improve safety on our plantations and to ensure protection of our production have continued, focusing on aspects of safety in the new expansion area of Musi Rawas. For this purpose a specialized firm has been contacted, and this assistance programme will be further deployed in all of the group's existing plantations. To restrict the use of cash money on plantations we have been able to persuade Bank Mandiri to place an ATM on every plantation in North Sumatra, and we expect to be able to do the same on the *PT Agro Muko* plantations in 2015. Also, limiting casual labour, which is often paid in cash, will constitute a considerably smaller risk of theft and assault.

The internal audit department has been expanded to a total of 11 people, including nine auditors spread over the three business units of North Sumatra, South Sumatra and Bengkulu. The auditors rotate between units so they can focus on the typical risk areas for the management of decentralized companies. At the end of 2014 a physical inspection of all permanent assets was started and will be continued in 2015, as well as an in-depth analysis of the construction file of the UMW palm oil mill. The manager reports directly to the "President Director", but the annual programme is established by the audit committee, which meets three to four times a year to assess the results of regulated audits and make recommendations for the departments involved. Furthermore, the committee also deals with possible cases of fraud. The results of these meetings are also reported to headquarters in Belgium and discussed at the *SIPEF* audit committee meetings.

On 1 January, 2014, the new Lintramax software package was launched online. This originally Malaysian ERP-programme (Enterprise Resource Planning) is now also being applied in the Indonesian plantation business. The software comprises the integrated management of all agricultural, financial and technical basic information and has also been combined with a change in reporting currency, from Indonesian rupiah to USD. Data are introduced only once and in a decentralised manner at the group's operational units. Moreover, all buying and selling activities are concentrated at the headquarters in Medan, which means saving time and money for the group. The upgrade is completely finished. In the transition phase there were some delays in ordering goods and making the relative payments, but this considerably improved in the second half of the year. Developing efficient reporting is now our next priority.

This successful online implementation is supported by a network of communication towers enabling the simultaneous transfer of information, established at all operational units. For *PT Agro Muko* in the province of Bengkulu communication remained too slow and additional lines have been installed. Also, after a specialized audit during the second half of the year, a new "Disaster Recovery System" was implemented to ensure permanent data security. Email exchanges within the *SIPEF* group are now also based on a different platform and have been made uniform.

Preparation for the implementation of the ERP software in Papua New Guinea was also started as of April. Based on the same information flow with adaptations to some local circumstances, such as wage programmes and the purchase of fruits from local farmers, *Hargy Oil Palms* has also started using the same platform on 1 January, 2015.

In the context of our Indonesian plantation activities we already mentioned last year that litigation is pending between the companies of the group and the Indonesian tax authority relating to the refund of deductible VAT amounts for plantation activities. These VAT amounts were deductible until 2010 and always used to be refunded, but from 2011 to 2013 the tax authority interpreted existing legislation differently and refused refunds for VAT transactions relating only to plantation activities. There was still a refund, however, for the production of palm oil from fruits. This unclear situation was maintained until 2014, when the legislator issued a clear guideline that as of 2014 plantation activities would also be refunded again. Since there was no reason to assume that this was not the case for the period from 2011 to 2013, we filed an appeal in court to claim a refund, but we did make provisions for all open amounts at group level. In the meantime, in 2014 courts pronounced favourable rulings for us, and we have received refunds. As a result we have included half of the remaining provisions in our results. We will continue to follow the pending cases and hope to recover the entire sum, since there have not been any rejections based on the merits in any of the cases.

Expansion

Since 2011 we have started expanding our activities in the region of Musi Rawas in the province of South Sumatra. Near the city of Lubuk Linggau we have obtained three concessions for a total of 31 809 hectares to develop oil palm and/or rubber plantations. Three separate companies have been established to this end, 95% of which is part of the *SIPEF* group. The concessions have been granted for an initial four years, provided that we develop at least 20% of the land for neighbouring farmers and communities (plasma).

PT Agro Kati Lama (PT AKL) obtained its first license for a total of 10 500 hectares in July 2011. After following all local and RSPO procedures for "New Planting Procedures" (NPP) we started with the compensation of current land users prepared to leave their plots. The *PT AKL* plots are closest to the city of Lubuk Linggau, where we have also established our office for the time being. At the end of December 2 366 hectares had already been compensated, and negotiations are ongoing with the identified users of another 1 837 hectares, 1 588 of which have already been surveyed. 118 hectares are also being prepared for plasma holders.

In July 2014 the licence was renewed for a year starting from its expiry date, but as parts of the concession are not interesting to develop because they are too densely populated or too expensive to compensate, we decided to renew for only 7 568 hectares.

After we started planting the first 164 hectares in 2013, we planted an additional 572 hectares on our own land and 41 hectares on the plasma area in 2014. At the end of the year a total of 777 hectares had been planted with oil palms. Planting is now prepared with 12 machines in five different locations on the concession and a total of 436 workers have already been employed, primarily in the nursery.

PT Agro Rawas Ulu (PT ARU) obtained its 9 500-hectare concession in December 2011, so it had to be extended at the end of the year. Since in the meantime the regency was divided into two and the new regent has not yet been appointed by the governor, by the end of the year the file had not been approved. The relevant extension relates to 5 702 hectares and was obtained in February 2015. At the end of December 1 821 hectares had already been compensated and negotiations are ongoing with the identified users of another 2 316 hectares, 655 of which have been surveyed. 94 hectares are also being prepared for plasma holders.

After planting 59 hectares in 2013, an additional 181 hectares were planted in the next financial year, which makes a total of 240. The start of plasma planting has been planned for 2015, once the new regent has taken office. Planting is prepared with seven machines working simultaneously in four different locations on the concession and 137 workers have been employed. *PT ARU* is clearly the most difficult environment of the three because many villages are located on the concession, which hinders transport and planting preparation.

The final concession of *PT Agro Muara Rupit (PT AMR)* was obtained in two parts in March and September 2012 and covers a total of 12 309 hectares, which have been granted all the necessary permits since 2014 to start the compensation procedure. At the end of 2014 1 874 hectares had been compensated and 6 526 hectares had been identified for negotiations, 1 640 of which had been surveyed.

Only 17 hectares had been planted at the end of 2014, the rainy season making planting in lower areas difficult, but *PT AMR* is clearly the project with the highest potential. Land compensation proceeded quickly because there is not much development on the concession and also because there are fewer villages. At the end of the year 288 workers were employed there.

For the three projects together we had thus compensated over 6 000 hectares at the end of the year, and over 1 000 hectares had already been planted. Compensations will involve amounts which on average can be compared to the ones we paid last year. We are seeing a marked acceleration of compensation and especially land clearing and planting procedures, so that we can say that we have established ourselves in the region as a potential new employer. Nevertheless, this is an area of Sumatra where it certainly is not easy to develop an industrial and labour-intensive activity. Local inhabitants show little respect for the law and the government, and, they are used to standing up for their rights by all possible means, a situation which we have already experienced, particularly in this period of falling rubber prices. So we have set up a reliable security team to protect our team of 31 most valued managers and executives and to assist our employees in the field.

Today it is impossible to make reliable estimates of the final scope of the project, but our local teams remain enthusiastic about the future of these valuable agricultural projects, which are the spearheads of *SIPEF*'s expansion in Indonesia.

Since 2006, we have also held a licence for the development of *PT Citra Sawit Mandiri (PT CSM)* as a palm oil exploitation project in North Sumatra. After obtaining the licence we determined that the soils may not meet the RSPO-NPP ("New Planting Procedures") rules and criteria, because they are too fragile and have not been developed within the allowable schemes. The Board of Directors has, therefore, decided to prepare this project for sale and to also report this to the RSPO authorities, so that there would be no doubts about our sustainable intentions within the group.

Some time ago we started the procedures to find a buyer for the 1 314 planted hectares, the first areas of which are now producing. These fruits are being sold outside the group for the time being. The maintenance of planted hectares is not simple and we remain subject to attacks by insects stunting growth, and the lower areas are also more difficult to access during the rainy season, so we are implementing a drainage plan.

Considering the relatively small size of the plantation and that there are a number of court cases still pending, it is not easy to find a buyer. Therefore, we have decided to first finalise the court case before requesting an HGU (a permanent licence) and then enter the market with a plantation that includes a 35-year HGU. An important court case, relating to a dispute about 212 hectares planted on our concession by our neighbours, is also still pending at the highest possible appeal level in Jakarta. The proceedings will commence in the course of 2015.

In 2013 negotiations were started with New Britain Palm Oil (NBPOL) and Biosing for the establishment of Verdant Bioscience Singapore PTE LTD, a joint venture for the development of high-yield oil palms and the eventual commercialization of these seeds on the Indonesian market. NBPOL has had its own research centre (DAMI) for years and already sells seeds to us for the *Hargy Oil Palms* plantations in Papua New Guinea. Biosing has facilitated cooperation between scientists who have worked on the development of these high-yield palms for quite some time. At the beginning of 2014 *SIPEF* contributed the *PT Timbang Deli* plantation company and also made an investment promise of 5 million dollars to construct buildings for the research centre on this plantation in exchange for 38% of the shares of the new joint venture. Since then the necessary licences have been obtained in Indonesia to transform *PT Timbang Deli* from a rubber plantation into a research centre and a company authorised to import, grow and sell seeds in Indonesia. A number of areas have already been cleared to construct the buildings necessary to support seed production and to house the scientists at the plantation's research centre. Moreover, the first seeds have arrived from DAMI and a nursery has been dedicated to them. In the course of 2015 the construction of buildings should be started. The project also includes the provision of services and consultancy in the palm oil sector, such as leaf analysis, fertilizer recommendations, disease control and the fight against the *Ganoderma* fungus which might undermine the yields of older plantations.

PAPUA NEW GUINEA

Papua New Guinea continues to be a challenging country. The relatively small population of approximately 6.8 million is scattered over more than 600 islands stretched over an area of 463 000 square kilometres. Population growth rate is 2.8% and only 15% live in cities.

Due to the population being spread over large areas agriculture remains an important source of income, especially now when there are currently considerably lower prices for the main export commodities - gold, copper and oil. The government expects significant income to come from liquefied natural gas (LNG) projects, which are in full development, but are not yet generating sufficient royalties. Large sums of money have been spent on health, education, infrastructure and supporting the development of the provinces and districts, resulting again in negative expenditure for the government and incurring foreign debt up to 27.8% of Gross Domestic Product (GDP). The local currency weakened against the USD by 12.9% during the first five months of the year, after which the government decided to freeze the exchange rate at 0.4055 PGK/USD. This exchange rate could be sustained for a few months but it dropped again to 0.3855 towards the end of the year. As a result, the inflation rate for the year rose to 8.3%. The weakening of the local currency against the USD, the currency at which our products are sold, favourably affects our production cost price of which the labour component, amounting to approximately one-third, is entirely paid in local currency.

The coming years are very important for the government of Papua New Guinea where elections are scheduled for mid-2017. Financially, the expected income from royalties on the export of raw materials should bring about a reversal in the budget management and debt of the country.

The palm oil industry remains very important for PNG, as the production of more than 600 000 tonnes is almost entirely exported and represents more than two-thirds of export produce turnover. The sector directly employs more than 28 600 people on almost 150 000 planted hectares, of which 60% are industrial plantations and 40% are farmed by locals.

Hargy Oil Palms Ltd

Hargy Oil Palms Ltd plantations are located on the island of New Britain, northeast of the main island, where the capital, Port Moresby, is located. By the end of 2014, a total of 13 002 hectares was planted with oil palms with an average age of 7.5 years, and 3 982 hectares or 30.6% were immature. Furthermore, the company is responsible for processing the fruit of approximately 3 600 neighbouring farmers who manage and harvest 3 822 blocks of oil palms on a total planted area of 13 673 hectares. By employing more than 4 200 workers and processing all the fruit from neighbouring farmers, we can say that more than 50 000 people depend directly on our activities in the region of Bialla for their income.

After completing the new installations on the Barema plantation in 2014, the processing of the fruit to raw palm oil now takes place in three extraction mills, each with a maximum processing capacity of 45 tonnes of fruit per hour. Monthly shipments to Europe depart from our jetty near the Hargy factory, allowing ships to directly load the goods.

Despite the relatively difficult weather conditions in the rainy season in the first quarter, annual production from our own plantations and produce purchased from neighbouring farmers rose by 3.2% and 2.9% respectively, compared to the previous year. This was achieved by expanding activities through new plantings, which are gradually reaching maturity, and using improved transport facilities to collect fruit from neighbouring farmers.

The start of the year was again very problematic in terms of weather conditions. 2014 was, with precipitations of up to 5 252 mm the sixth-wettest year on record. It was not only the extreme rainfall but also the intensity of some cyclones, which washed away roads and some bridges, limiting fruit transport and temporarily cutting off particular areas from the mills. Delays in harvesting and transport, and the loss of 13 days when harvesting was impossible, made sure that over that period the fruit was ripened too much when delivered to the mill, so in 2014 we had two shipments with average acidity exceeding 5%. A high acidity level makes refining difficult for our clients and obliges us to grant price discounts on raw palm oil deliveries. Despite major investments in a reliable transport system and efforts by the government and Australian Aid funds to improve the roads, it was still difficult to cope with the extraordinary weather conditions in the first quarter of the year. Our company has directly invested more than half a million USD in urgent intervention, for which we hope to recover compensation through tax deduction.

However, in past years we invested heavily in the company's transport system. We replaced the old, cheaper trucks produced in China with much more reliable, European Volvo trucks, what has improved reliability significantly. Furthermore, fruit is collected in open containers and loaded in the field making for more flexible transport organization using available trucks. The fruit is collected in the field with smaller tractors and scissor-lift trailers. Meanwhile, the old tractors were replaced by more reliable brands. Most mature oil palm areas are now equipped with this system and, depending on the maturity of new plantations, we are switching over from loading fruit on trucks to filling containers in the field to be collected later. For the time being, recent expansions still yield smaller fruit, which can be loaded directly onto trucks. To collect fruit from neighbouring farmers the net system remains the most efficient. Producers collect their fruit in large nets, which are then emptied by crane into a truck's trailer and weighed directly in the field, thus avoiding any further discussions about actual weight. Also, for the collection of these fruit, we have switched to reliable Volvo trucks, which maintain their capacity on roads that are difficult to pass. Maintenance of our trucks and rolling stock is usually ensured entirely by our own team of mechanics in two maintenance centres, which were recently modernised and expanded. Much attention is paid to training local mechanics.

After the company put up the necessary funds for the repair of several bridges and maintenance of more than 500 kilometres of roads connecting smaller farmers with the mills, production quickly went back to normal in the second trimester with better acidity, but not enough to make up the budgeted production.

The third quarter was again characterised by lower volumes. Although the months of August and September traditionally yield smaller volumes, this year the production was much lower than expected. Especially in areas with mature palm trees, the process of fruit ripening on the trees was delayed and, temporarily, only smaller quantities could be harvested.

The fourth trimester began with higher volumes and the months of October and November brought the hoped-for production increase to fulfil annual forecasts. Due to the early start of the rainy season, during which up to 458 mm of rain was recorded in the new expansion zones, the month of December remained below budget volumes. The year consequently closed with a volume increase of 3.1% for our own plantations, and acquisitions from smallholders were 2.9% higher than in 2013. We noted additional volumes mostly on the Barema plantation, which has reached full maturity, and in the new expansion areas. There was no progress on the fully mature Hargy plantation and volumes on the Navo plantation, in the replanting phase, fell by 5.7%.

“ *An employee operates an electric capstan to move the sterilization cages (left in photo) on the rails, into the sterili zers (pictured right).*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Activity report by country

The Hargy plantation, which formed the basis of the first settlement in the area, covers 2 597 hectares, of which 95.6% are mature. The average age of the palm trees is 14.8 years. The oldest plants date back to 1994 and we have started to replant the third generation. The palm trees are, therefore, fully mature, with an average annual production of 26.67 tonnes per hectare, which is harvested entirely with the open container system. However, due to the topography, it is still difficult to access all planted areas the whole year round. In recent years substantial efforts have been made to stabilise roads with gravel, which has improved accessibility significantly. With gradual replanting of areas at higher altitudes we hope to adjust plant structures so that during the wettest months fruit can also be collected from the fields in due time. By acquiring additional parcels, the plantation was able to expand by 115 hectares in the last three years. In 2015 for the first time replanting on 200 hectares will be done with the newest "Super Family Dami" seeds that should guarantee a significant increase in yield in the future.

The Navo plantation is located northernmost along the coast and consists of the divisions, Karla and Ibana. The total planted surface covers 5 265 hectares, of which 1 665 hectares (31.6%) were replanted recently but are not yet productive. So the replanting programme is herewith completed for the time being, and the average age of the plantation is 7.6 years. Considering the ideal age of most palms, average annual production was 30.55 tonnes per hectare, the company's highest so far. The replanting programme pays great attention to road reconstruction to counter erosion. The volcanic soil is very fertile but at the same time very susceptible to erosion during the rainy season. In 2014, harvesting was carried out entirely with the open container system and, together with the management reshuffle and improved road network, the Karla and Ibana plantations will also be the backbone of our production in years to come. In the past, the Navo plantation always had to struggle to meet the standards due to its remote location, but, thanks to the improved standard of living and communication, the new local management now lives there. Their permanent presence increases the safety of villagers and the availability of housing is now better regulated. The installation of an ATM by the local bank and a supermarket also contribute to the higher standard of living, making long trips to the nearest small town of Bialla no longer necessary.

In recent years, the Navo plantation has also set up a large nursery to raise palm trees from seeds, which are then planted in Navo's replanting plot, but also in expansion zones and sold to neighbouring farmers. Here we work only with the two-stage system, in which, during the first stage, germinated seeds are grown in a protected environment and then only well-developed little palm trees are planted to grow outdoors. Thus, we considerably increase the success rate of the nursery and reduce costs. Seed orders for planting as of autumn 2015 will all be of the newest type, "Super Family Dami".

The relatively young Barema plantation has a planted area of 1 972 hectares in full production with an average age of 6.8 years. As it is situated in a valley in a coastal area crossed by the Barema and Lobu rivers, there is always a danger of flooding in the rainy season. Also, this year the rivers broke their banks, but thanks to efficient drainage works carried out recently, production could be resumed quickly. Investments in permanent bridges and footbridges ensured that all areas remain accessible all year round and this benefits production. Despite a considerable fall in volumes during the third trimester, due to incomplete flower pollination after the rainy season, annual production amounted to 29.29 tonnes per hectare. During the first six months fruit was still delivered to the Hargy mill farther away, but as of July transport was facilitated by the adjacent Barema mill, thus considerably reducing delivery time. Due to the young age of the plantation, the relatively small fruits are not yet harvested with the open container system but picked using trucks. The housing construction programme and provision of sufficient facilities have been finalised, and the availability of labour is satisfactory on this plantation.

In the framework of carrying out the long-term business plan to expand the scope of the *Hargy Oil Palms Ltd* enterprise to a business of at least 20 000 hectares of oil palms, the necessary steps were made in 2014 to achieve this expansion as soon as possible. After we had planted more than 1 000 hectares fairly quickly in 2013, we consciously reduced expansion in 2014 to 615 hectares. We had realised that, due to the remote location, insufficiently trained labour was present in the immature areas to guarantee a good standard and reducing plant volumes enabled us to nurse already planted areas to maturity, supply enough maintenance and fertilisers and organise the start of the harvest. Inexperienced on-site labour was given the correct training to carry out their work satisfactorily. As of 2015, we may expand again by 1 000 hectares of oil palms, and preparations for this were started during the financial year.

After planting 615 hectares in 2014, the expansion area now covers 3 168 hectares spread over several locations around the foot of the volcano, Ulawun, but divided into two management areas, namely Bakada and Yanaswali. Meanwhile, 969 hectares started producing in 2014, 871 hectares of which are in Bakada. In the past three years we invested heavily in these areas in the form of housing construction and utilities to accommodate labour. Appropriate housing was also provided for the management, allowing it now to stay constantly on-site, thereby significantly increasing productivity and agronomical standards. In 2013, we began to pave all the roads that were necessary to allow the plantation to mature and we sustain these efforts depending on the maturity of the area. We also have an on-site maintenance team to maintain the heavy equipment needed for planting and road construction. As the fruit has to be transported to the Navo factory, harvesting is done using open containers, which allows some flexibility on the availability of trucks that collect containers, so the harvest is not interrupted.

All plots earmarked for further expansion have already been examined and approved and meet RSPO rules for new oil palm plantations. Meanwhile, we have entered into agreements with the landowners, with the approval of local authorities, to carry on planting in 2015 according to plan. These procedures will continue over the coming years, so that sufficient plots are always available to carry out the entire plan, depending on available funds, labour and machines. We evaluate the procedures and opportunities for the planned expansion in this region of Papua New Guinea annually.

Annual production of neighbouring farmers was 2.9% higher than in 2013, but remained significantly below expectations. In the first quarter, production suffered from torrential rainfall and some production areas were cut off from the mills by damaged roads and bridges. The bridges were repaired by our own services and the contractors were paid by local authorities, thus making all zones accessible to collect fruit again after a few weeks. Moreover, we noted that there were considerably less volumes to harvest in the third trimester.

Thanks to investments in rolling stock, there are now enough trucks with cranes to collect the fruits at regular intervals and collection rounds are announced early, facilitating coordination between harvesting and transport. Transport is carried out entirely with our own vehicles, we no longer use the services of subcontractors, because the availability seemed insufficiently reliable. Only a limited number of nearby villages opt to carry their fruit to the mills by their own means.

Despite making quality palm trees available for replanted areas and more than 1 600 tonnes of fertiliser for mature zones, we noted that yield per hectare remained too low. A thorough investigation on-site by management revealed that approximately 30% of blocks were harvested to only a limited extent and that in 17% of blocks not even a single volume could be harvested. These are blocks whose owner has passed away or where ownership is not clearly defined or where there is a dispute among family members as to the rights to proceeds. Moreover, it was noted that there is not enough equipment, such as wheelbarrows and sickles for harvesting, and that no assistance whatsoever is provided by the government agency, the Oil Palm Industry Corporation (OPIC), which was specially set up to assist farmers during the harvest, maintenance and replanting of their blocks.

To a large extent our company has already taken over from the World Bank and local authorities to financially support farmers. Due to advances on future harvests, fertilisers, tools and palm trees were put at their disposal allowing them to continue their activities and to generate a decent income. All too often, due to lack of practical assistance, even this debt finally remains unpaid and blocks are abandoned in frustration.

To remedy this situation, *Hargy Oil Palms Ltd* decided last year to actively coach farmers themselves. We formed teams to visit all farmers producing insufficient fruit to see what the problems were and to iron out shortcomings in a group of workers. At the end of the financial year, more than 1 000 such blocks had been upgraded, enabling these owners to continue harvesting and delivering at their own initiative.

At the national level, efforts are ongoing to reorganise the public service, OPIC, to privatise its services for palm oil producers, who are already doing most of their tasks efficiently. This reorganisation has met with tough opposition from OPIC board members and the Minister of Agriculture, who would rather set up a central authority to centralise all services against payment.

The World Bank has also financed a study to examine the price formula, which has been applied at the national level for years, and is based on world market prices for palm oil. This formula has proven very effective in distributing income between farmers and the palm oil mills they supply. This study showed that the formula is fair and can be retained in its actual form as it allocates 65% of profits to the farmers. The government now has to endorse these decisions through competent committees.

The contribution of neighbouring farmers remains important for our company as they supply 45.4% of processed fruit. In principal they harvest 11 542 mature hectares, yielding 17.59 tonnes per hectare, as compared to an average of 27.14 tonnes per hectare for company plantations. Total production of all farmers is certified as sustainable RSPO palm oil. Current coaching programmes organised in-house by the company should bring yields closer to those of the company.

Due to the late completion of the new Barema mill, the two existing mills, Hargy and Navo, had to process the entire peak production of the first quarter. Due to very instable weather conditions during this period, overripe fruit was supplied, exceeding the pH-value demanded by clients. It was only during the second half of the year, at relatively low production levels, that the Barema factory could do test runs and process some of the fruit. This obviously affected production costs in the mills, which exceeded budget costs by approximately 10% due to unplanned overtime.

The completion of the Barema mill enabled us during the fiscal year to carry out desperately needed upgrading of the Hargy mill, which is by far the oldest of the three. We began by replacing the interior of the sterilizers and also carried out a number of minor repairs to improve flow capacity. We obtained an average efficiency rate of 43 tonnes of fruit per hour and an extraction percentage of 23.28% against 23.15% in 2013. Furthermore, the palm oil kernel extraction percentage increased from 1.82% to 1.91%. Average acidity was 3.98%. We aim at an average below 4% at the time of shipment. Restoration of the waste-water effluent ponds has been completed and we await government approval to improve discharge, supervised by RSPO auditors.

In the Navo factory, constructed more recently, the efficiency rate was 41 tonnes of fruit per hour. By adapting the internal fruit transport systems and the railway system for the wagons, better throughput raised the efficiency rate to 43 tonnes/hour and the oil extraction percentage from 22.44% last year to 23.05% in 2014. Extraction of palm kernel oil also rose from 1.67% to 1.72%. Compost production continues to a limited extent, mainly for use in nurseries for young palm trees. The remaining empty bunches are used as organic fertiliser in the field, just as wastewater is used as organic manure for palm areas in the vicinity of the factory.

Due to the weather conditions, on the one hand, and slow follow-up of the various contractors involved in the construction of the new Barema mill on the other, commissioning was delayed until the second half of the year, and the factory was fully operational as of November 2014. Setting up the wastewater installation, turbines and the palm kernel oil mill were the last elements delaying full operational exploitation. Wastewater management worried us mainly because of the faulty tuning of the machines when they were first started. There are ongoing talks with the contractors regarding damages for late completion. Since the beginning of January 2015, palm kernels are no longer being pressed to oil in the Navo mill, but the entire production process of both mills is being handled by the new and more efficient Barema installation, built to provide sufficient energy for this process. We thus expect a better extraction percentage for palm kernel oil than in the past.

The factory is equipped with a wastewater installation allowing the recovery of methane gas for reuse as fuel in steam production. Organic raw material made available by this procedure can be used in the field. Also, sufficient houses were built next to the factory for the management and workers on one shift. Housing for those on the second shift is foreseen in the 2015 investments.

Despite the available production capacity, investments in improved fruit transport by means of the open container system and sufficient availability of trucks allowing fruit delivery within 24 hours, it was not possible to produce oil with a pH-value below the required level throughout the year. Weather conditions in the first quarter made it extremely difficult to consistently deliver good quality fruit to the three mills, and efforts had to be made on our own plantations, as well as during fruit collection from neighbouring farmers, to maintain road infrastructure to ensure consistent collection of harvested fruit. We noted that the government had made little effort to release funds for roads in remote areas and hope that in coming years income from royalties generated by the LNG industry will benefit rural areas.

We export our palm oil on ships that dock directly at the quay and are certified according to the International Ship and Port Facility Security Code (ISPS Code). In recent years, however, we had noted a marked deterioration of the jetty's concrete structure, so we decided to renovate the entire jetty over a period of two years. Our own construction team, led by a specialised consultant, has systematically and thoroughly repaired all damage and we will also replace the fenders and ladders next year. We spent in total more than 1 million USD on the renovation, which should then guarantee sustained use of the jetty again.

The production cost price of palm oil, expressed in USD, fell again (-8.9%) compared to last year. This is mainly due to increased volumes and the weakening of the local currency against the USD. After some years of improvement, the local currency is again devalued by 12.7%. This fall compensated for rising costs in local currency due to unforeseen expenses for road repairs after the rainy season and additional costs to realign the plantations' standards. Furthermore, the delayed completion of the third mill caused overtime and additional diesel fuel consumption. Salary expenses rose by 3% in March but the minimum national wage remained at the 2013 level, due to the exemption granted to the labour-intensive agricultural sector. Only fuel and fertiliser prices fell last year. Diesel consumption rose but the cost per litre was the lowest since 2011.

Keeping staff is of crucial importance for *Hargy Oil Palms Ltd* to ensure the smooth functioning of the company. Industrial agriculture remains a labour-intensive sector for palm oil production. Given the remote locations of the plantations, the company must provide decent housing to attract young and qualified labour in the long term. In recent years, we have made considerable efforts to provide enough comfortable housing on existing plantations, and from 2014 we can fully concentrate on the expansion zones. During the fiscal year, the first lot of 148 labourers' cottages and some houses for management were built, and the same rate will be maintained in 2015. All residential construction is carried out by local contractors under the supervision of our own construction team, which often also ensures supply of quality materials not in stock locally. Depending on the further expansion of our activities, additional housing projects will be added, sufficient space on planned hectares allowing. However, the presence of workers remains substandard in the field as well as in the mills. Despite all measures taken to encourage attendance, we continue to operate at an average availability of 80% at most, with the fortnightly weekend payments disrupting the routine. We hope to increase productivity by further automating payments through the introduction of mobile banking.

We found that employment of the expatriate and local management of the company was more stable, but we still have to deal with regular replacements, as their family situation does not allow them to remain any longer in remote locations. Lengthy procedures to obtain a work permit often do not allow the immediate replacement of expatriate managers. Local managers sometimes do not meet the required standards and then choose to leave without notice. We fill these vacancies by hiring young people we train ourselves via an extensive training programme. We also have cadet training for young expatriate agronomists, whereby on average three young people at a time undergo training in all regions of the organisation before they are given responsibility in line management.

The internal audit department, which is important to safeguard the internal organisation and established procedures in a growing company, consisted of four employees the whole year. The team reported to the local Internal Audit Committee and the reports were also discussed by the *SIPEF* Audit Committee. The more experienced team of Indonesian internal auditors keeps lending support to recently hired auditors.

In view of the implementation of an integrated ERP software, Lintramax, on 1 January, 2015, improvement of communication networks among plantations and satellite connections abroad, was completed on time. The transition to integrated software has been well prepared by setting up a core committee with the help of a supplier and the IT team of the Medan office in Indonesia, which had already taken the plunge a year earlier. The emphasis was on training in the use of software, and throughout the year staff training was organised to prepare for the transition in the best possible way. Then, with the supplier's help, it was determined where adaptations to PNG legislation had to be made. After the launch in early January 2015, we can begin programming on the basis of these requirements. New software for personnel management has also been installed, with links to housing management, workwear, tools and the distribution of focussed reports.

Primary school education, which we organise for the children of our employees via Bialla International Primary School (BIPS), is very successful, and the number of pupils rose from 90 to 115 in 2014. We extended the schoolhouse during the end-of-year holidays. Transfer to the secondary school in Kimbe proceeds smoothly. The healthcare we provide in nine centres on all our plantations is efficient and provides first aid in remote locations and in May a new company doctor specialising in emergency medicine and pain treatment was hired.

The purchase department has been integrated into the new automation of the company and the follow-up of orders and stock control has improved considerably. Furthermore, the company concluded a 10-year contract with a local fuel supplier so we could build a large permanent storage tank and provisioning can be done by sea. This project should lead to savings in purchase prices. We established that total diesel consumption in 2014 rose by 6% compared to last year, mainly in the mills where steam production proved insufficient to meet energy demand. By regrouping palm kernel oil presses in the new Barema mill and placing a larger steam turbine generator in the Hargy mill, we will surely see a drop in diesel fuel consumption in the future.

Annual audits for certification for the Roundtable on Sustainable Palm Oil (RSPO) standards were successfully concluded in spring, and certification for the ISO 14001 standard was also extended in August. In the fall, a separate audit was carried out in the new Barema mill to certify that the new installations conform to RSPO rules. However, the auditor who took care of all these certifications had problems with his RSPO accreditation during the year. Nevertheless, the validity of our old certificates was extended and our new certificates were only obtained in November. This means that the oil produced in the three mills from fruit growing on our own plantations and those acquired from smallholders is certified as "segregated" sustainable palm oil (not mixed with other oils). This positioning is important for our customers in Europe, as "segregated" sustainable palm oil is hard to come by, and also generates premiums, which we share with our neighbouring farmers each year by means of a bonus based on fruit quantities supplied. To ensure good compliance with constantly changing criteria, continual collaboration with the sustainability teams of our Indonesian subsidiaries is required.

This year, the government and an Australian Aid fund released larger budgets for road and bridge maintenance, so that we had to invest less in the maintenance of major roads. We used our budget to maintain local roads, mostly to be able to reach neighbouring farmers all year round. Then again, the "tax credit scheme" ensures that we can deduct social support projects for the region from our tax payments. Once the government approves our proposed projects we can proceed with calling for tenders and their implementation for up to a maximum of 1.5% of our taxable income. In the past we have been able to build two new schools in the region from scratch, with classrooms and housing for the teachers. We have also renovated the buildings of the local hospital and the local police, and plan to continue our efforts to guarantee our "Corporate Social Responsibility" in the region in the future.

Galley Reach Holdings Ltd

The *Galley Reach Holdings Ltd* plantations are located about 70 kilometres from the capital, Port Moresby, in the south of the main island of Papua New Guinea. Most of the concessions acquired by three local subsidiaries are nearly 100 years old. They were bought by *SIPEF* in the eighties, already partially planted, so the average age of the rubber trees is now 26.9 years. Rubber is still tapped on 3 099 hectares and current average yield is thus limited to 680 kilogram per hectare. However, in recent years 964 hectares have been replanted and yielded up to 1.80 tonnes per hectare last year. There are still 427 hectares of immature trees.

Low rubber prices made operations difficult for the company. Due to the low yield per hectare, the cost price for rubber produced from our own plantations proved to exceed market prices. Moreover, the weather conditions in this part of the land were not ideal and due to rain in the morning many tapping days were lost during the last fiscal year. However, thanks to increased follow-up by management and better attendance efforts by the tappers, the production volume of raw rubber was increased by 9.9% as compared to 2013.

The low prices also impacted the volumes on offer from third parties. Local farmers lacked incentive and preferred to leave the latex in the trees, so that a lot of motivation and encouragement was needed to induce the owners to tap. The result was that 16.8% more rubber was collected than in 2013.

Processing of stocks in the factory ensured that in total 16.8% more processed rubber could be sold than last year. Management of our own plantations, those responsible for acquisitions from third parties as well as the factory manager, all tried to maximise volumes and to spread fixed costs over as many production processed as possible. The average number of employees fell to less than 800 and *Galley Reach Holdings Ltd* was noticed for applying the reductions granted in the agricultural sector to increasing the minimum wage.

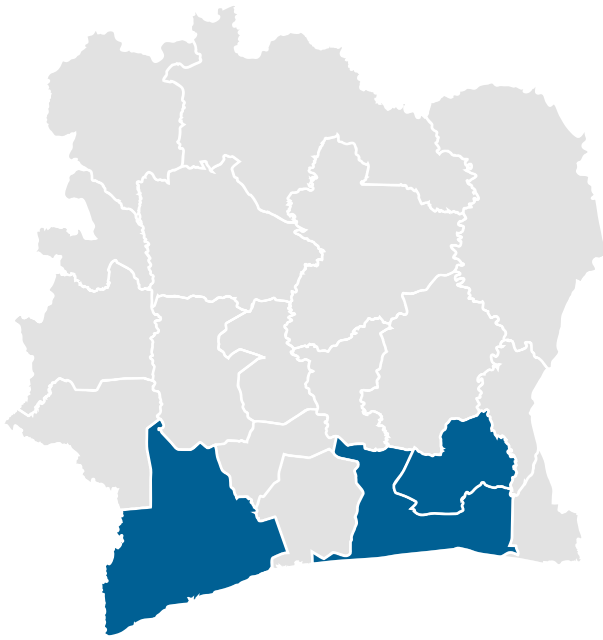
Activity report by country

As a result of the low prices, operational results from our own plantations, as well as acquisitions from third parties, were negative and, due to the lack of forecasts of better sales prices, the situation is not likely to change in the short term. Competition for acquisitions from third parties in the areas of Moreguina and Upulima in the main island's southwest, where most production can be collected, has considerably lessened, meanwhile, because some buyers have left the area due to the lack of profitability. Falling prices, however, saw to it that the margins existing at the time of acquisition of raw rubber could not be reflected in sales after processing.

Cost prices benefited from increased production volumes and the devaluation of local currency against the USD. Thorough cutbacks and work optimisation have further ensured that the total cost price per unit of production fell by -6.6% compared to last year.

The low sales prices affected the company's activities, but in 2014 we maintained and fertilised immature areas to ensure that their future potential is not lost. Based on the, for *SIPEF*, limited strategic importance of rubber activities in Papua New Guinea, the higher production cost price and older average age of the trees, which make financing a long-term replanting programme questionable in the future, *SIPEF* has decided to sell the company in 2015 and to concentrate on rubber activities in Indonesia.

IVORY COAST



The Ivorian presidential elections announced for next October are in preparation in a serene and confident social climate. Large infrastructure development projects are ongoing in the country and the economy is booming with a sufficiently diversified agriculture, that reduces the impact of the price decreases of some agricultural produce.

Fortunately, the haemorrhagic fever, Ebola, which has been raging in West Africa, was perfectly managed by the Ivorian authorities. Drastic hygiene and control measures taken mid-2014 are presently being relaxed but not, however, totally abandoned as long as the risk exists.

SIPEF-CI SA

The 2014 financial year was very turbulent for the *SIPEF-CI* plantation company. After a first year of normalized productions in 2013, but with high pressure on profitability because of a steep rise in costs, shareholders asked serious questions about cost control and investments at the presentation of the annual report. As a result, General Manager Léopold Behi left in June, after which the financial director was declared in default and legal proceedings were initiated against the General Manager.

During an in-depth analysis of the accounts from 2010 to 2013, as well as those of the current year up to June, serious irregularities were discovered, which have burdened the company with major debt.

Since then daily management has been taken over by Marwan Al Anis who represents the controlling shareholders. He has appointed an entirely new management team and has completely restructured the company, as a result of which the number of workers on the payroll has gone down considerably.

The year ended with the production of 54 634 tonnes of palm oil and 7 908 tonnes of palm kernels, decreases of 5.9% and 13.9% respectively, compared to 2013.

Insufficient maintenance of the own plantations was the main reason for this.

Lower sales prices on the world market also had an impact on local sales, which represent 38% of turnover. Because of decreased revenue, partially due to important restructuring costs, the financial year 2014 ended with a loss for the first time in years, which is estimated at 2.5 billion FCFA (5 million dollars). Because of the ongoing legal proceedings the final accounts will be closed later this year.

Plantations J. Eglin SA

2014 was a very unusual year for banana production in Ivory Coast: at the outset, thanks to exceptional weather conditions, we largely exceeded our production objectives and increased volumes by about 20% compared to the previous year. As of May, torrential rain followed by very low temperatures totally shifted our production cycles to finally drastically reduce our yield. Some of our fellow producers' plantations located in the low-lying areas of Ivory Coast were totally flooded and suffered huge production losses. Luckily, the *SIPEF* growing areas are not flood prone and we finally closed our year with 23 594 tonnes of exported fruit. Thus, this production exceeds that of the past fiscal year by 1 269 tonnes (+ 5.8%) in the same planted areas, which is a good performance under the circumstances.

Our three banana production sites have met our expectations overall, though productivity could still be better in Motobé and Agboville. We are working on this and the result with an annual crop such as bananas can and should be fast. The existing team is very dynamic and was joined during the year by a new finance manager.

At the end of the year, we started opening up the Azaguié site for banana development, a new production area located on our own reserve land. As a result of this after three years, a first block of 200 hectares will be planted, followed by another block of an additional 150 hectares in another area, the economic and agronomic conditions allowing. This is how over a period of six years our area will increase from 568 to 918 hectares and will enable us to improve our competitiveness and presence in consumer markets.

The logistics of exporting in refrigerated containers has functioned well with weekly departures via two shipping companies. The development of the West African economy is positive for our logistics, even if the ports become congested; to try to remedy this, the shipping lines operate with larger vessels while continuing to reduce cruising speed to save fuel.

Each year at our own expense we carry out a complete logistics audit to help us improve and optimise our qualitative performance. Thus, our damage rate is minimal and we finally note that the adverse effects of the Ivorian crisis have completely disappeared.

The sales price FOB to European destinations closed at an average of 447 EUR/tonne, improving slightly (1%) compared to the previous fiscal year. Sales in the sub-region are making progress in terms of volume and unit sales price, thanks to consumption that is constantly developing.

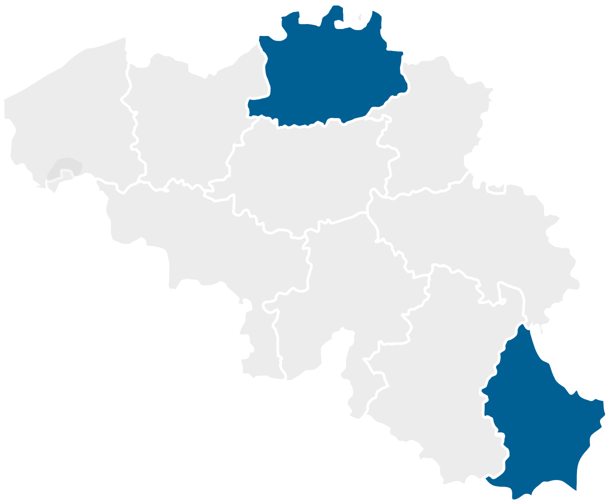
Plantations J. Eglin SA's sales are realised entirely on a contractual basis through the group, which enables us to ensure secure revenue for all commercial destinations. Currently, and for many years, a large part of our production is destined for the English market and specifications have been finalised with the ripening facilities allowing us to achieve a good standard. It should be noted that more than 30% of our fruit is presently conditioned in pre-packaging allowing an interesting commercial added value. Marketing operations in the sub-region, in particular Senegal, are also secured with firm contracts.

Horticultural activities increased their contribution, which is positive despite, however, not meeting our expectations. Our investment in pineapple flowers, foliage and lotus flowers is paying off and we need to continue our efforts to improve productivity by improving and securing our quality in the field while optimising the calibre of products sold. We export by air to Europe where markets and sales prices are relatively stable.

The worker operates the cage tipper, so that these can be emptied at the end of the sterilization process, in order to load the conveyor, which pulls up the fruits (on the background of the image) to the pressing phase. In the front, a view of the insulated profile of a sterilizer.

Activity report by country

EUROPE



Jabelmalux SA

Jabelmalux SA is the Luxembourg parent company of *PT Umbul Mas Wisesa (PT UMW)*, *PT Toton Usaha Mandiri (PT TUM)* and of *PT Citra Sawit Mandiri (PT CSM)*, the latest oil palm expansions in North Sumatra, as well as of *PT Agro Muara Rupit (PT AMR)*, the most recently acquired concession in Musi Rawas in South Sumatra.

After the successful public purchase bid that was issued in 2011, the company disappeared from the Luxembourg stock exchange. The initial offer was then continued, and at the end of 2014 the *SIPEF* group controlled 27 182 or 99.6% of the 27 280 issued shares. *SIPEF* aims in the future to also acquire the remaining 98 shares that are still in public hands.

BDM NV - ASCO NV

Insurance

The insurance group *BDM NV - ASCO NV* concentrates mainly on maritime and industrial insurance via brokers. *BDM NV* is an endorsement agent offering risk coverage in niche markets on behalf of the insurance company *ASCO NV* and a number of important international insurance companies. The close collaboration of *BDM NV* and *ASCO NV* within the same group offers considerable advantages: it endows *BDM NV* with an important endorsement capacity and offers *ASCO NV* a powerful commercial instrument.

In 2014, *BDM NV* concentrated on “Property & Casualty” as well as “Marine” in the development of niche products via larger provincial insurance brokers. Moreover, mainly in “Marine”, the technical quality of portfolio insurance contracts was further improved. In this connection reorganisation accomplished in the spring of 2014 had an inevitable negative impact on premium income; the global premium volume fell from 86 496 KUSD in 2013 to 79 092 KUSD in 2014.

In “Property & Casualty” we noted again an increase in our niche products, but due to the loss of some large and less profitable contracts in other branches, growth in the global “Property & Casualty” portfolio remained in the end limited to 1%.

In the “Marine” segment, our “Protection & Indemnity” and “Pleasure Cruising” portfolios, the upward trend of previous years continued. Premiums for the “Cargo” branch fell sharply due to radical revisions in large “Commodity” contracts.

Reorganisation within *BDM NV*, however, profited *ASCO NV*, where the insurance result improved considerably.

Like so many other insurers, *ASCO NV* was hit by hail damage in June 2014, mainly in the branches “Fire and Automobile”.

The costs were, however, compensated by improved technical results in "Marine". Moreover, reinsurance costs continued to fall compared to last year. In combination with favourable financial results, *ASCO NV* recorded a much higher net profit in 2014.

In 2014, the share of the insurance branch *(BDM-ASCO)* in the group's results amounted to 514 KUSD compared to 231 KUSD in 2013.

In 2014, *ASCO NV* continued preparing for the introduction of the Solvency II guidelines, amongst others, regarding the calculation of own funds required under Solvency II. In 2015 everything will be ready for the concrete implementation of the so-called 3rd pillar of Solvency II regarding different regulatory reporting procedures.

" Visual inspection of 'Ribbed Smoked Sheets', on a lit table to cut by means of a pair of scissors any weaknesses that could appear during the drying-smoking phase (black spots, thicknesses, white spots), to guarantee impeccable RSS1 quality.

Group production (in tonnes)

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

	2014			2013		
Product	**Own**	**Outgrowers**	**Total**	**Own**	**Outgrowers**	**Total**
Palm oil	**219 623**	**48 865**	**268 488**	**206 476**	**47 436**	**253 912**
Indonesia	163 130	1 847	164 977	152 430	2 205	154 635
Tolan Tiga group	65 895	103	65 998	63 494	513	64 007
Umbul Mas Wisesa group	19 530	32	19 562	10 954	0	10 954
Agro Muko group	77 704	1 712	79 416	77 982	1 692	79 674
Papua New Guinea	56 494	47 018	103 512	54 046	45 231	99 277
Palm kernels	**38 036**	**372**	**38 408**	**36 301**	**480**	**36 781**
Indonesia	38 036	372	38 408	36 301	480	36 781
Tolan Tiga group	15 637	27	15 664	15 335	136	15 471
Umbul Mas Wisesa group	4 272	4	4 276	2 900	0	2 900
Agro Muko group	18 127	341	18 468	18 066	344	18 410
Palm kernel oil	**4 363**	**3 676**	**8 039**	**4 126**	**3 471**	**7 597**
Papua New Guinea	4 363	3 676	8 039	4 126	3 471	7 597
Rubber	**9 675**	**736**	**10 411**	**9 773**	**630**	**10 403**
Indonesia	7 581	0	7 581	7 868	0	7 868
Tolan Tiga group	6 045	0	6 045	6 432	0	6 432
Agro Muko group	1 536	0	1 536	1 436	0	1 436
Papua New Guinea	2 094	736	2 830	1 905	630	2 535
Tea	**2 816**	**0**	**2 816**	**2 850**	**0**	**2 850**
Indonesia	2 816	0	2 816	2 850	0	2 850
Pineapple flowers ('000 units)	**646**	**0**	**646**	**569**	**0**	**569**
Ivory Coast	646	0	646	569	0	569
Bananas	**23 595**	**0**	**23 595**	**22 325**	**0**	**22 325**
Ivory Coast	23 595	0	23 595	22 325	0	22 325

Group planted area (in hectares) *

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

	2014			2013		
Product	**Mature**	**Immature**	**Planted**	**Mature**	**Immature**	**Planted**
Oil palms	**44 982**	**10 711**	**55 693**	**44 684**	**9 857**	**54 541**
Indonesia	35 962	6 731	42 693	35 654	6 500	42 154
Tolan Tiga group	11 372	2 961	14 333	11 763	2 843	14 606
Umbul Mas Wisesa group	9 300	261	9 561	7 858	1 671	9 529
Agro Muko group	15 290	2 515	17 805	16 033	1 763	17 796
Musi Rawas group	0	994	994	0	223	223
Papua New Guinea	9 020	3 980	13 000	9 030	3 357	12 387
Rubber	**7 973**	**1 866**	**9 839**	**8 105**	**1 840**	**9 945**
Indonesia	4 874	1 439	6 313	5 005	1 414	6 419
Tolan Tiga group	3 868	755	4 623	4 059	707	4 766
Agro Muko group	1 006	684	1 690	946	707	1 653
Papua New Guinea	3 099	427	3 526	3 100	426	3 526
Tea	**1 722**	**65**	**1 787**	**1 738**	**49**	**1 787**
Indonesia	1 722	65	1 787	1 738	49	1 787
Pineapple flowers	**23**	**19**	**42**	**23**	**19**	**42**
Ivory Coast	23	19	42	23	19	42
Bananas	**570**	**0**	**570**	**570**	**0**	**570**
Ivory Coast	570	0	570	570	0	570
Others	**0**	**58**	**58**	**0**	**58**	**58**
Papua New Guinea	0	58	58	0	58	58
Total	**55 270**	**12 719**	**67 989**	**55 120**	**11 823**	**66 943**

* = actual planted hectares.

Age profile (in hectares)

	Oil palms						Rubber			
Plantjaar	Tolan Tiga group	Umbul Mas Wisesa group	Agro Muko group	Musi Rawas group	Hargy Oil Palms	Total	Tolan Tiga group	Agro Muko group	Galley Reach Holdings	Total
2014	943	32	779	771	1 383	3 908	66	75	0	141
2013	670	25	1 018	223	1 052	2 988	184	205	0	389
2012	1 408	218	719	0	1 545	3 890	197	195	60	452
2011	754	791	26	0	773	2 344	168	142	0	310
2010	546	1 312	304	0	627	2 789	141	108	182	431
2009	221	1 781	492	0	391	2 885	52	57	87	196
2008	375	1 950	216	0	154	2 695	96	117	97	310
2007	302	2 101	301	0	1 687	4 391	251	173	200	624
2006	619	348	745	0	879	2 591	203	188	200	591
2005	652	1 003	445	0	173	2 273	294	0	122	416
2004	133	0	688	0	160	981	227	0	58	285
2003	1 164	0	102	0	148	1 414	262	0	0	262
2002	470	0	63	0	331	864	200	0	0	200
2001	626	0	544	0	903	2 073	96	0	69	165
2000	613	0	1 071	0	392	2 076	417	78	41	536
1999	568	0	1 818	0	619	3 005	180	83	139	402
1998	464	0	2 329	0	625	3 418	266	119	33	418
1997	792	0	937	0	361	2 090	215	150	73	438
1996	956	0	514	0	326	1 796	184	0	0	184
1995	312	0	207	0	333	852	193	0	37	230
1994	482	0	712	0	138	1 332	131	0	0	131
1993	346	0	209	0	0	555	174	0	0	174
1992	584	0	106	0	0	690	0	0	0	0
1991	0	0	269	0	0	269	0	0	0	0
1990	31	0	2 199	0	0	2 230	91	0	0	91
Before 1990	302	0	992	0	0	1 294	335	0	2 128	2 463
Total	**14 333**	**9 561**	**17 805**	**994**	**13 000**	**55 693**	**4 623**	**1 690**	**3 526**	**9 839**
Average age	10,61	5,77	14,00	0,22	7,47	9,94	12,51	7,08	26,89	16,73

“ Teacher in one of our ‘kindergarten’ established in each of the Indonesian estates, which provides the transition from home to the primary school for the children of our employees, with animation based on interaction with others, singing, practical activities such as drawing, etc.

Grow responsibly to sustain growth

To accompany and support its growth, *SIPEF* continues to fulfil its sustainable development obligations based on responsible practices and complete traceability sanctioned by certifications and recognised standards: ISO 9001 and ISO 14001, the Roundtable on Sustainable Palm Oil (RSPO), International Sustainability and Carbon Certification (ISCC), Indonesian Sustainable Palm Oil standard (ISPO), EurepGAP/GlobalG.A.P. and the United Nations Clean Development Mechanism (CDM, United Nations).

In 2014, two new oil mills were started up, one in Indonesia, the other in Papua New Guinea. Immediately after start-up, these two operations were audited for the RSPO standard. The Barema oil mill in Papua New Guinea obtained its certification before the end of the year. The second oil mill, *Umbul Mas Wisesa* in Indonesia, was audited later and awaits confirmation of its certification in 2015.

The two new oil mills are equipped with latest generation methane capture devices. Five of the eight *SIPEF* oil mills are now equipped to capture methane and thus contribute to limit even more their environmental impact. All methane capture devices installed in our plants are registered with the United Nations Framework Convention on Climate Change (UNFCCC) and meet the Clean Development Mechanism standard, validating the techniques used.

Five years after their initial certification, the Hargy and Navo oil mills in Papua New Guinea, as well as the plantations and small growers who supply them with their harvests, have been recertified by the RSPO. These are the first of our operations to submit to this five-year process. With the certification of the new Barema oil mill 100% of *SIPEF*'s palm oil and palm kernel oil production in Papua New Guinea is RSPO-certified, whether coming from plantations or village plots. In 2015, the Indonesian oil mills of Bukit Maradja, Perlabian, Mukomuko and Bunga Tanjung will in turn be recertified under the RSPO standard.

SIPEF thus keeps its commitment to certify all its oil mills under the RSPO standard. Seven of the eight *SIPEF* oil mills have been certified and, as mentioned above, *Umbul Mas Wisesa* is expected to receive certification in early 2015.

SIPEF continues to actively participate in the functioning of the RSPO by taking part in the work of the Trade and Traceability Standing Committee (T&TSC), the Biodiversity and High Conservation Values (HCV) Working Group, the Compensation Task Force, the forum of producer members of the RSPO in Papua New Guinea and Indonesia, and sitting on the "Complaints Panel".

The ISCC certification of three of our oil mills in Indonesia was maintained in 2014. The ISCC standard (International Sustainability and Carbon Certification) certifies the carbon content of produce, which may be converted to biofuel for the European market, as defined by the European "RED" Directive. The adoption of methane capture in our oil mills enables us to fulfil the conditions to reduce greenhouse gases as required by the European directive. The ISCC standard is very strict regarding traceability and transparency, two principles we particularly care about.

Indonesia has introduced national certification of sustainable palm oil production, the ISPO (Indonesia Sustainable Palm Oil) standard, which is mandatory for oil mills and producing plantations. All our mature operations were audited in 2014 and all were recommended for certification. The application of the ISPO standard represents a considerable effort by the Indonesian Government and should make the whole industry more transparent.

In Europe, the creation of the Belgian Alliance for Sustained Palm Oil (BASP) is an important step to accelerate the consumers' transition to sustainable palm oil and an objective for transparent communication on palm oil. *SIPEF* actively supports the alliance of which it is a member.

Now, the natural rubber sector also has its sustainable development standard: the Sustainable Natural Rubber Initiative (SNR-i), developed by the International Rubber Study Group (IRSG). Just published and still in its trial phase, the SNR-i will enable us to validate and improve practices in our plantations and natural rubber processing factories. *SIPEF* would like to be one of the first rubber plantation companies in Indonesia to obtain the SNR-i certification.

All our activities are based on "good practices" implementing *SIPEF*'s commitment for responsible plantations and grouped in four categories:

- social practices
- technical practices
- new developments
- traceability.

The guiding principle of this commitment is that our operations must recognise and play their role in their social and natural environment in all transparency.

Our social practices must be responsible with regard to our employees and surrounding communities, which share with us more than geographic proximity.

As a responsible employer *SIPEF* strictly respects labour legislation applying to its operations. Several of the company's policies accentuate some critical points: minimum age of employees, interdiction of any form of forced labour and labour trafficking, absence of any hiring discrimination and discrimination in the workplace, gender equality and the importance of safety at work. Special attention is paid to the continued training of our employees, guaranteeing continuous improvement of the technical level and safety at work.

Our permanent staff and their families are housed on the plantations and supplied with water and electricity by the company. Access to quality healthcare is guaranteed by *SIPEF* through a network of health care centres managed by the group. Serious cases are rapidly evacuated to referral hospitals under contract to *SIPEF*, by means of ambulances, which are permanently available on our sites.

Each month the safety, housing and wellbeing of our employees and their families are discussed by a committee for safety, environmental and social affairs at plantation level.

This committee, where everyone is represented and encouraged, mainly women, to participate, is an essential communication and adaptive management mechanism.

Wherever necessary, *SIPEF* builds or facilitates the construction of schools, primarily for the children of its employees. In Papua New Guinea, the *Hargy Oil Palms* school is an international institution, which is entirely financed by *SIPEF*. In Indonesia, *SIPEF* entirely or partially pays the salary of the teachers of public schools attended by the children of our employees. In our Umbul Mas Wisesa plantation, set up in an isolated area, *SIPEF* built a public school, which is so successful with the surrounding villages that its capacity has doubled.

Our operations and the surrounding communities maintain the best possible long-term relations.

In Papua New Guinea, about half of our production stems from local, independent planters. *SIPEF* gives them preferential treatment for transport and processing which guarantees them a steady income. A dedicated team ensures that the commitment of each person is well understood, accepted and implemented. In Indonesia, our *Agro Muko* operation has managed a small communal plantation programme, Kebun Masyarakat Desa, (KMD) around its plantations since the year 2000. The KMD are installed on plots owned by villages participating in the programme and managed by *PT Agro Muko*, just like the plots of our plantations. The development and maintenance of the KDM are pre-financed by *PT Agro Muko*, ensuring the harvest and acquisition, at market price, of the bunches. The villages use the profits mainly to carry out work of common interest, e.g. renovation of infrastructure, schools and places of worship. All transactions are published in the local paper to ensure maximum transparency. This programme is very successful, with half the villages in the region taking part and many others wishing to join.

Technical excellence is a must for our plantations and factories and it upholds the environmental responsibility expected from us.

The environmental impact of the factories is managed by well identifying the causes of negative impacts, and researching the efficacy in each production phase, by continued and demanding monitoring of certain environmental conditions around the site. The objective of all our plants is simple: a minimum negative impact on their environment.

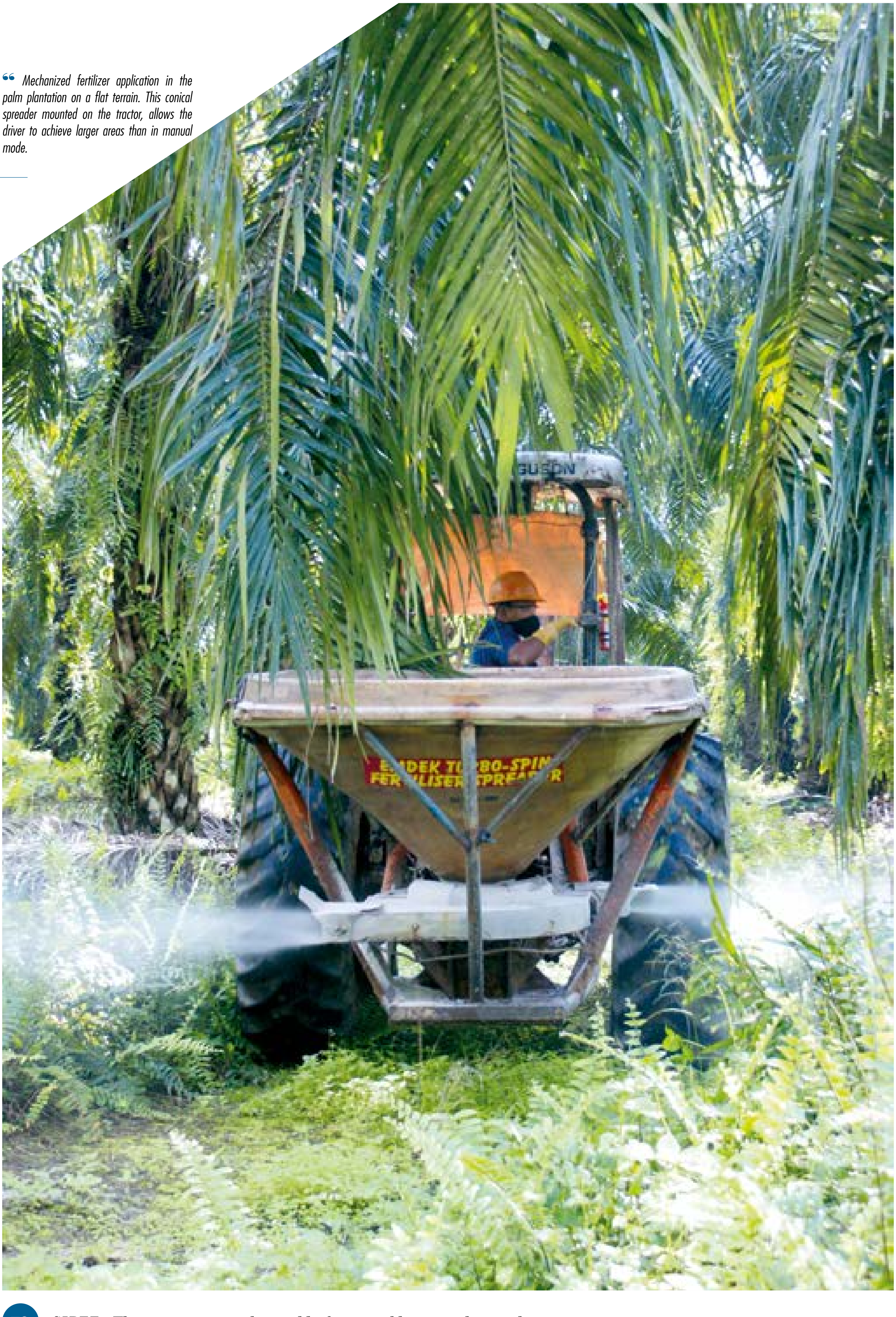
Any technological innovation likely to reduce the impact of our plants is considered attentively. Thus, our new palm oil mills use less water than those built previously, thanks to new sterilisers. But the most important progress has been made in the capture of methane, a powerful greenhouse gas. Our new oil mills are equipped with latest generation devices to capture methane, whereas all our older oil mills are considering replacing or modernising their methane capture devices.

Our main cultures are perennial: oil palms, rubber trees, bananas and tea. Our Cibuni tea plantation in Java has been exploited for over a hundred years just as our Timbang Deli rubber tree plantation in Sumatra. The Perlabian plantation, also in Sumatra, was planted before 1930 and remains one of our best oil palm tree plantations in Indonesia.

To keep the soil fertile long-term is a major aspect of our activities. Based on soil analyses we obtain precise recommendations on fertiliser input from our agronomists and outside specialists. Organic matter is recycled as much as possible: palms that have been pruned, brash and even liquid effluent from our oil mills, entirely replacing industrial fertilisers on some plots. When replanting, special attention is paid to avoiding erosion: soil binders are put in place as soon as possible, no slash-and-burn method is tolerated and terraces are built in hilly plots.

During the life of a plantation one should be able to anticipate and control attacks by different pests. The objective is to keep their population sufficiently low so that their presence is hardly felt. The protection of cultures is based on an integrated pest control plan determined for each plantation. This integrated plan relies on the continued observation of plantations to monitor pest populations and the introduction of natural pest control. The presence of natural predators of vermin is encouraged by planting host plants for the insects, e.g. by setting up nesting places for owls to catch rats and mice. Chemical pest control remains a strictly supervised possibility if required by the situation. Each year a list of authorised products is drawn up. Storage and use of these products is entrusted to technicians and specially trained employees who are medically supervised.

“ *Mechanized fertilizer application in the palm plantation on a flat terrain. This conical spreader mounted on the tractor, allows the driver to achieve larger areas than in manual mode.*



Every year, forest fires in Sumatra destroy huge areas. Our plantations are prepared for a possible fire outbreak near or even inside our concessions. We have set up a procedure to monitor the risk of fire including training, regular vigilance instructions and coloured signposts to indicate the different alert phases. Our voluntary teams of firefighters are mobilised as soon as the outbreak of a fire has been observed, including outside our plantations.

In our plantations "conservation" areas have been identified and are actively protected. They host an often surprising biodiversity of flora and fauna. Many "conservation" areas are strips of riparian forest, providing corridors and vital habitats for many protected species, but also preserving the water resources of communities surrounding of our operations.

During new developments, the first steps are: dialogue with the communities and environmental and agronomic diagnoses. As to oil palm projects, *SIPEF* observes the RSPO's Procedures for New Plantings (NPP), which is strict and transparent.

SIPEF is particularly committed to the principle of FPIC (Free, Prior and Informed Consent). The communities living in the project area are consulted as early as possible. Their consent is the prerequisite for any *SIPEF* activity in the area. In Papua New Guinea this step may take several years but it lays the foundations for a long-term relationship of trust.

An environmental study is carried out to better understand the place of the project area in its ecosystem. Possible areas of high conservation value (HCV) are identified.

The third diagnosis is agronomical and considers the area's compatibility, potential and the soil, the weather conditions (sunshine and rainfall) as well as the topography.

Based on this information, the agronomists and engineers plan the development of the project, integrating the protection of areas to be conserved, taking account of the rights, needs and aspirations of local communities, and aiming to obtain the best yields. Only the most appropriate varieties are selected.

An ongoing concern is to foresee that the environmental and social impact of all activities is as neutral as possible.

In the framework of the RSPO's "New Planting Procedure", our diagnostics and plans are publicised for a period of 30 days. No field activities may begin before this public consultation period has expired.

None of our developments uses the slash-and-burn method which is a technique both disastrous for the environment and future yields.

Our distribution chains are totally transparent. We aim to obtain and maintain the confidence of the participants of the industry in which we are active. The traceability of our products is indisputable and entirely available to our clients. Regardless of the product – palm oil, palm kernels and palm kernel oil, natural rubber, tea, bananas or flowers - its origin is known outside the production site.

SIPEF foundation

For several years, the *SIPEF* Foundation has supported two projects in Indonesia.

On Sumatra's west coast, at Mukomuko, a "sea turtle" project protects the egg-laying area of several sea turtle species. In partnership with the National Agency for the Protection of Natural Resources (BKSDA) and two village communities, the project makes it possible to significantly increase the number of eggs laid on the beach to hatch. Besides the natural risks, a frequent illegal collection of eggs endangers sea turtles in this region.

The *SIPEF* Foundation's project is one of the very few projects in Indonesia to take an interest in sea turtles.

In 2014, only one species of sea turtle, the Ridley turtle, (Lepidochelys olivacea) could be observed in the project area against four species in 2012 and three in 2013. In total 4 582 eggs were collected and 2 795 turtles were released. These figures are declining compared to 2013, despite the perseverance of voluntary villagers and the growing enthusiasm of the rest of the communities. The *SIPEF* Foundation will continue to support this project in 2015 and beyond. The objective is to secure the entire beach during the egg-laying season without having recourse to hatching in an artificial environment.

The *SIPEF* Foundation has launched a large-scale project against deforestation in Indonesia. The *SIPEF* Biodiversity Project (SBI) covers an area of 12 672 hectares in the foothills of the Kerinci Seblat National Park, listed among the World Heritage Sites of UNESCO. The project area is still partly covered in forests but partly degraded by migrants and some members of the local population.

Grow responsibly to sustain growth

At the end of 2013, the SBI project obtained a concession for sixty years in the project area. The licence is of a very particular type of sustainable forest management, new to Indonesia, and the only one to allow private actors to protect forest zones. Only fourteen licences of this type have been granted by the Indonesian Ministry of Forests. *SIPEF* is the only plantation company to support a project of this type.

In 2014, the SBI project took up its activities with a baseline study on the biodiversity and condition of the forest. It confirmed that the zone needed urgent protection to avoid the destruction of a now rare habitat for the populations of tigers, bears, panthers, tapirs, muntjac deer, and fragile protected plant species.

In 2014, our activities mainly concentrated on approaching communities in the area which contribute to the degradation of the ecosystem. Their support for the project is essential for its success. Over the months, relationships of trust have developed and in the twelve villages bordering the project, a minority of the community is neutral from now on but the majority actively supports the project. The first forest patrol was organised with the indispensable participation of the villagers. Tiger traps were discovered and destroyed.

Programmes are set up for 2015 to develop economic activities, which will stabilise this pioneer front, together with a larger deployment of patrols and the setting-up of permanent guard posts. One of the first programmes with active villager involvement will be the installation of dozens of beehives to collect wild honey.

BANANAS

Young banana plantation. One can see the plants from in vitro origin, with an age of about 4 months, in full growth, and the appearance of the first shoots. The soil is covered with cacao mulching, in order to improve the quality of the soil with organic matter.

1. THE BANANA'S IMAGE IN THE WORLD

There are more than 1 000 varieties of banana trees, which, however, all stem from crossbreeding two original kinds of the genus *Musa*, respectively *acuminata* and *balbisiana*. Despite the considerable genetic diversity of this giant grass, the sub-group Cavendish represents by itself the majority of bananas sold on international markets and ending up on our plates in Europe.

In terms of world production, the banana takes fourth place behind rice, wheat and maize. As concerns trade, the banana is the most-marketed fruit, before apples, oranges and then other citrus fruits. The trade exploded in a spectacular way during the last 100 years. In fact, before 1900, there was less than 200 000 tonnes exported, while as from 1918, 1 000 000 tonnes were sold. In 1990, before the introduction of the regulations of the European market in 1993, this trade increased to 10 million tonnes, while we are now talking about almost 18 million tonnes.

Even if persistent alarmist rumours predict the imminent demise of the fruit, the banana still has a lot of aces up its sleeve. Research centres around the globe are working on finding other varieties resistant to current pests and/or by adding to its value while producing quality fruit that fulfill sustainability and yield criteria.

1.1 Origins and history of the plant

The banana tree originates in the tropical areas of South East Asia, most often referred to as Indonesia and South India; other sources place its origin in China. Papua New Guinea is still attributed with having a large variety of cultivars that are mostly edible but often not fruit having. Numerous legends and myths surround its evolution in these regions.

The mature plant, about 7 months old, sends the flower stalk through the center and it bends to the ground. The stage of the appearance of the flower is indicated with a colored band indicating the week of flowering (top photo).

The blooming develops, with, under the purple sheaths which arise, every time female flowers, which form the hands of the bananas, consisting of "fingers". At the end of the inflorescence, is located the male bud, which the flowers abort (picture below).

Migrating populations looking for fertile land spread the plants in the South Pacific region, and thereafter, seafaring explorers were responsible for its development in all tropical regions worldwide. 3 000 years ago, the banana was introduced in East Africa by Arab traders controlling the markets of the Indian Ocean and the Mediterranean. Much later and even more remote, when the "New World" was discovered, the Spaniards and Portuguese who, via the Canary Islands, navigated to the Caribbean islands and then South and Central American regions, literally took the banana tree on a trip around the world from east to west.

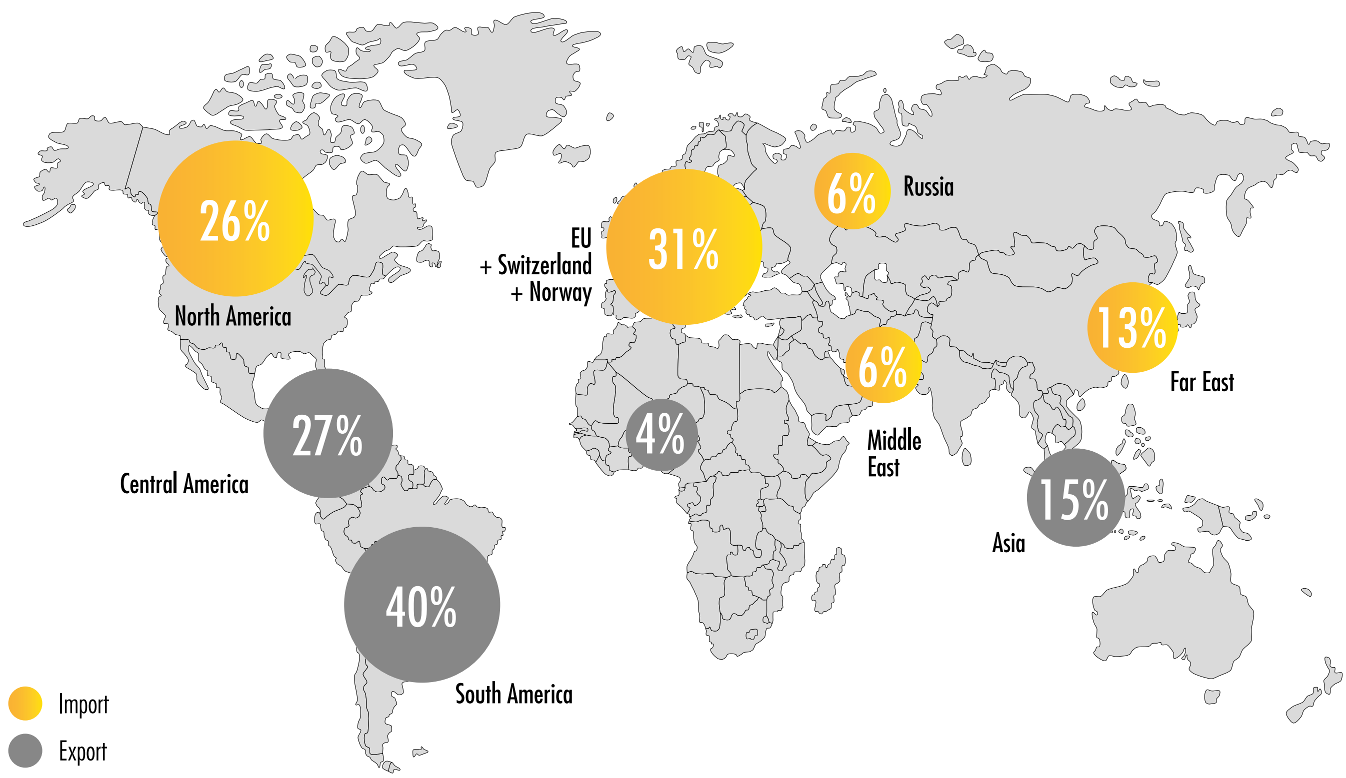
Currently more than 120 countries produce bananas and the fruit represents a staple diet in many of these countries. The banana has the advantage for food production that it can be harvested all year round.

Scientific research programmes.

Many research teams worldwide, such as the Catholic University of Louvain, CIRAD in the French Antilles, Embrapa in Brazil, FHIA in Honduras, CARBAP in Cameroon, etc., are currently developing varietal improvement programs for bananas.

Even if there are more than 1 000 varieties, it is interesting to know that the largest collection of banana trees can be found in Belgium. Indeed, the common history of Belgium and the banana dates back to the thirties when Belgian scientists started research on banana trees and plantains in what is presently called the Democratic Republic of Congo, Rwanda and Burundi. Moreover, the reputed station of Yangambi lent its name to a banana tree variety (just like

The worldwide marketing of dessert bananas



a palm tree variety, presently still cultivated in our Asian plantations).

Belgium continued to finance the research and over the years a collection of world-class banana trees was accumulated at the Catholic University of Louvain.[1]

The sterile fruit develops from the female inflorescence of the banana tree. While it grows, the male inflorescence is aborted and usually does not pollinate the female flower, which is of great interest as the banana we eat every day contains no seeds. This is typical of parthenocarpic fruit.

1.2 History of the banana trade

Still today, the banana is the staple food for a number of populations in tropical regions. It grows all year round as a subsistence crop without the need for large investments: once planted, a first plant generates consecutive harvests through the young shoots emerging at the root of this original mother plant.

Only towards the end of the 19th century for the United States, and the beginning of the twenties for Europe, did the fruit begin to conquer the "export markets".

International banana trade originated on the American continent and has remained predominant there from the start.

The tale of the evolution of the three North American "Majors"[2] in South America, briefly described below, was written by successive opportunities and was most often linked to the development of maritime and rail operations. The very first exports of bunches were recorded to have sailed from Cuba to the United States of America in 1803, whereas they only sailed to Europe 100 years later after the indispensable development of refrigerated transport.

- Panama then followed, regularly as of 1860, then Jamaica, nearer, which was the commercial cradle of the forerunner of the United Fruit Company (1899). Other countries like Honduras, Santo Domingo, Guatemala and Nicaragua rapidly followed. In 1969, United Brands Company became the first operator and, in 1986, finally **CHIQUITA** Brands International Inc, despite the brand existing since 1964, developed from marketing in cartons. Chiquita Brands' development sprawled and hit the headlines of the economic press again in 2014, announcing its merger with the Irish company, Fyffes, and lastly the disclaimer in favour of Brazilian investors.

- **DOLE** Food Company, formerly the Standard Fruit Company, started its activities in Panama and Costa Rica under the name Castle & Cook.

- As for **DEL MONTE**, it started out in Guatemala just after the war, has changed hands most often since 1980 and nearly went bankrupt in the nineties.

Outside America and at the EU market level, the importance of two historic European operators, **GEEST** and **FYFFES** should be noted, which were originally supplied from the Canary Islands, and then from the Caribbean area[3]. Today worldwide supplied, only Fyffes, an Irish multinational, remains a major player in the European market, where, in the meantime, it became number 1.

[1] http://www.rtb.cgiar.org/luniversite-ku-leuven-met-la-belgique-et-les-bananes-dans-le-b-de-rtb/

[2] Chiquita, Dole, Del Monte

[3] Predominantly Jamaica, Suriname, Belize

During growth, the fingers stretch out reaching for the light. The bunch in formation will be protected by a polyethylene cover and the male bud is cut, what the employee responsible for the "fruit care" task is doing here.

1.2.1 Main production origins

There are two main fruit types destined for consumption:

World production

	in million tonnes
1. India	27
2. China	10
3. The Philippines	9
4. Ecuador (1st exporter)	8
5. Brazil	7
6. Indonesia	6
...	
10. Colombia	2
...	
14. Papua New Guinea	1.33
...	
16. Cameroon	1.95
29. Democratic republic of Congo	0.35
...	
33. Ivory Coast	0.27
Total	100

Source : Estimation FAO 2012 + CIRAD

- The so-called "dessert", "mild" or "sweet" banana, in which the Cavendish sub-group holds a major stake, especially as concerns banana sales worldwide, is mainly produced in Latin America and Asia.

  Cavendish's first global producer is India, followed by Ecuador, China, Colombia and Costa Rica. Together, these five countries ensure more than half of Cavendish's global production. However, Latin America dominates the global banana trade.

- As to plantains or "cooking bananas", they are mainly produced and consumed directly in the areas where they are produced in Africa, Latin America and Asia.

  In Uganda, for example, the annual consumption per inhabitant is estimated at 300 kilograms, and in Rwanda, Gabon and Cameroon it is situated between 100 and 200 kilograms per year per inhabitant.

  In these four countries, bananas represent between 12% and 27% of the population's daily calorie intake.

1.2.2 Main consumer markets

The international banana trade is structured around the "regions" below:

The main import markets

	EU	ACP	$	Asia	Total (K tonnes)
EU	650	1 000	3 700	-	5 350
United States + Canada	-	-	4 150	-	4 150
Russia	-	-	1 250	-	1 250
Japan	-	-	50	1 050	1 100
Other Asian countries	-	-	-	✓	1 100
Mediterranean zone	-	✓	✓	-	700
Middle East	-	-	✓	✓	300

- The European continent, together with the countries of the former USSR, imports bananas mainly from the countries of Latin America, West Africa and the Caribbean.

- The United States, Canada and the countries of South America import bananas from Latin America (Guatemala, Costa Rica, Ecuador, Colombia, Honduras).

- Japan imports most of its bananas from the Philippines, also the main banana supplying country for China and South Korea. The other countries in Asia and the Middle East are supplied with bananas mainly from the Philippines and Ecuador.

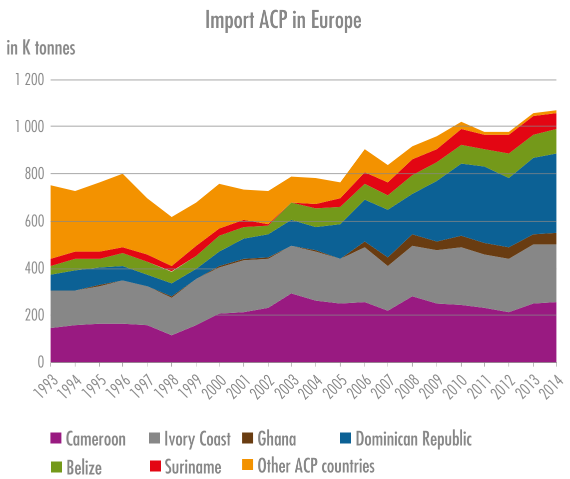
- The countries of the Middle East import similar quantities from Ecuador and from the Philippines. Taiwan and Indonesia belong to the smaller suppliers of the East Asian countries.

The main import markets of the dessert banana are North America, the European Union, Japan and, finally, the countries of Eastern Europe and the former USSR.

It is the EU market that has the most diversified import regime as a result of a privileged trade agreement with the ACP countries (Africa - Caribbean - Pacific) and allowed access to “dollar bananas”. The bananas in the EU market consequently have three different origins, each with their respective problems:

- European Union: the Antilles (France), Canary Islands (Spain), Madeira and the Azores (Portugal);
- ACP countries: mainly Cameroon, Ghana, Ivory Coast, the Dominican Republic and the rest of the Caribbean Islands;
- the so-called “third” countries: South America.

As of 1993, when the single market for bananas was established in the European Union, the commercial preference system started evolving along with the reform of quotas and customs duties, which followed the new rules for international trade. The initiative was taken by the stakeholders, and managed by the General Agreement on Tariffs and Trade (GATT), and later the World Trade Organisation (WTO), with the objective of almost entirely liberalizing the market by 2020.



Nursery under shade. The vitro plants from the acclimatization greenhouse were planted in individual pots in order to ensure their growth phase here. Irrigation and adding of well-proportioned fertilizer supports a homogeneous plant growth of the plants, before the planting in open air.

2. THE BANANA IN AFRICA

2.1 History of the West-African production

There are currently three major exporting countries to the European markets. We will focus on Ivory Coast where *SIPEF* produces bananas since 1985, following the acquisition of a plantation established in 1959.

Stowage of bunches in the shade. Once bunches are cut and transported to the packing station, a stock is built up, where quality control is performed on each bunch, before passing the process of cutting, selection and packaging of the fruits.

2.1.1. Ivory Coast

The first export operations, limited as they were, go back to 1930. Production varied between 16 000 and 26 000 tonnes in the fifties, with a limited production increase because of the development of yellow sigatoka4, a change in variety (transition from Dwarf Cavendish to Poyo) and the then supremacy of the Guinean production.

The Ivory Coast banana production did not further develop until later. The application of the Treaty of Rome in 1958, leading to a commercial preference of the French market for Ivory Coast bananas, and the arrival of Guinean planters on the run for the changing regime in the country marked the beginning of spectacular growth as of 1959. As of 1975 Ivory Coast benefited from commercial preferences under the successive Lomé-conventions.

The banana plantations are in a 200 kilometre radius around Abidjan, the port from which overseas export takes place.

Our Ivory Coast banana plantation is located in a tropical forest climate with two rainy seasons. The longest and most intense rains come around June, and the weakest and shortest rains in October. In between there is a short dry season with few hours of sunshine.

As a result of strongly reduced rainfall, irrigation is required eight months a year. In fact, plantations should now be irrigated all year round in order to improve the fruit quality standard.

The average temperature varies from 28°C to 32°C, with no major daily temperature fluctuations, which creates very favourable conditions for growing bananas.

From November till January, the harmattan winds, a warm air stream (more than a wind) and accompanied by desert sand, is blowing towards the southwest. It pushes the intertropical rainfalls, and it results in an even drier period, and with additional accentuation of the evaporation, which ultimately leads to "cold" temperatures of the region, as low as 20 or 18 °C. It is more or less winter in

[4] Fungal disease attacking the leaves of the banana plant, was spread in West Africa as from the late 1950s, already observed in Java in 1902, and formally identified in Jamaica since the 1940s.

West Africa and the growth of the banana slows down and they do not become larger this period.

There are few hours of sunshine, in the region of 1 600 to 1 800 hours a year.

There can be strong winds in the in-between seasons, especially at the end of the long dry season. Relative production losses are estimated at an average of more or less 5% a year.

Export production nowadays originates from six companies or groups of companies united in two professional coordinating organisations.

2.1.2. Ghana

The first independent export operator only started his activities in the country in 1988. Since 2005 a second export operator, who already had activities in Ivory Coast, has been developing new plantations.

2.1.3. Cameroon

The first export operations from the "English area" go back to 1907, whereas export operations from the "French area" only started in 1931.

Quite a few smaller plantations were decimated by the Panama disease and yellow sigatoka between the fifties and sixties. Since then Cameroon has also transitioned from Gros Michel to Poyo, to the current Giant Cavendish.

2.2 *The plantations J. Eglin SA*

2.2.1 History

The *Eglin* plantation was created by, Mr Jean Eglin, a French horticulturist who settled there in 1959. Banana cultures were as such introduced in the region of Azaguié, 35 kilometres north of Abidjan. *SIPEF* bought *Les Plantations J. Eglin SA* in 1985, which at the time diversified into pineapple fruit cultures and horticulture, in addition to banana production.

J. Eglin SA rapidly expanded by acquiring a new site in the region of Agboville, 90 kilometres north of Abidjan. Only pineapple fruits were cultivated there, but due to the lack of profitability we relaunched banana production on this site in 1995. For some years now, fresh pineapple production has been totally concentrated on Central American countries, especially Costa Rica. To date, West Africa has only kept a very small market share.

A third estate, in which *Eglin SA* held a minor share as from 1989, was taken over by the group in 2004. It is located near Grand-Bassam, the former capital of the country, 65 kilometres east of Abidjan.

To date, *J. Eglin SA* has more than 1 700 hectares of real estate, geographically spread over three sites, which limits the climatic hazards likely to have a considerable effect on production, e.g. tornados, floods, etc. Banana cultivation still represents the principal activity with approximately 600 cultivated hectares. Horticulture, whereby we produce pineapple flowers and ornamental shrubs, occupies some 45 hectares.

Since the year 2004, for nearly a decade, we had to work under strict security conditions, which at times complicated our supply chain management. Still, thanks to the dynamism and professionalism of our teams, our production and exports could be guaranteed.

2.2.2 Current developments

Our company has the assets to not only maintain but also develop its activities: due to our reputation we have a perfect understanding of the environment, and the *J. Eglin* company, set up more than 50 years ago, is, and remains, one of the pillars of the region's economic and agricultural activities where it is located.

Panoramic view of the sector "Vidal" of the plantation of Azaguié. In the background, the dam, surrounded by bamboo groves. This reservoir of rainwater from the flooding areas in the vicinity makes an autonomous water reserve available for the irrigation of the plots in this sector.

Our principal investment, the banana, is a popular consumer product both in Europe and Africa, the market for which is respectively constant and increasing. Ivory Coast remains a reliable ACP country, which keeps and develops its market share. The weather conditions are favourable for banana cultivation: to date, the regions close to the Equator have not suffered from climate change. Thus, the yield and quality conform to consumer market demands.

Our management teams are young and competent, with a will to develop the company to keep it structurally profitable: the soils are our basic wealth and people are the main success factor.

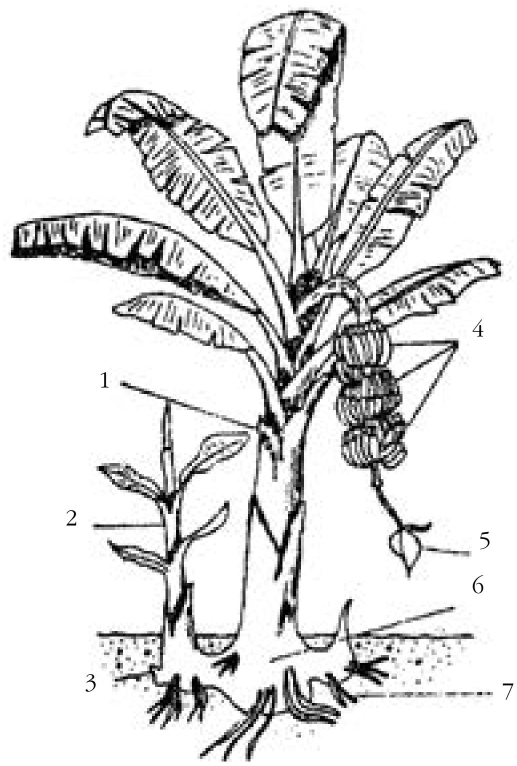
We have embarked on an extension programme of our banana production, which will help us to realise substantial savings and increase our market share: 350 hectares of plants are being developed to therefore increase the area planted with banana trees to more than 900 hectares, on our own land, without any environmental impact.

2.2.3 Environmental and social certifications

Plantations J. Eglin SA concentrates on limiting nuisance caused by its activity to a strict minimum. In this context it constantly reduces pollution levels and respects international and national guidelines on good agricultural practices. The constant renewal of certification exercises (GlobalG.A.P., ISO 14000) enable us to be always in line with environmental protection requirements. We ensure that natural resources are respected by integrating their protection in pollution controls. Biodiversity is ensured by maintaining the ecosystems of non-cultivated areas: reforestation programmes are initiated and managed in time. The objective of protecting and preserving the environment is accomplished by the involvement of our workers and their families. This responsible approach helps maintain a healthy environment in and also outside production processes.

This action is accomplished by strengthening social assistance for workers and their families, and by participating in the development of surrounding communities.

Plantations J. Eglin SA contributes to the independence of communities by providing school, medical, social and other infrastructures. The living conditions of the workers and their families are improved by providing or constructing housing ad hoc.



1. The pseudostem (overlapping leaves)
2. A shoot (2nd generation)
3. A shoot (3rd generation)
4. Hands of female flowers = bananas which compose the bunch
5. The male bud composed of bracts and dozens of small male flowers
6. The bulb or underground stem
7. The roots

3. BANANA CULTIVATION

3.1 Description of the banana tree

The banana tree is a large herbaceous flowering plant without a vegetative aerial stem. The underground stem is the vital centre of the banana tree, where roots, leaves and inflorescence are formed. The emission of roots occurs during the entire vegetative phase and growth. The trunk, or pseudo-trunk, is not a genuine stem: it is the result of leaves overlapping each other. The aerial foliage is well developed. The inflorescence forms in the underground stem and runs along the entire false trunk before it emerges from the plant. The female flowers develop into banana bunches, which are the edible and marketable part.

3.2 Propagation, plant material

The main objective in banana cultivation is to have healthy plant material to plant in the field, combined with soil cleansing by a period of fallow.

The banana vitroplant, obtained by the multiplication of meristems or the upper part of the plant buds, is the basis for cleaner cultivation, i.e. sensible and sustainable agriculture, helping to improve the environment and human health.

The primary interest in vitroplants is their health status. Planted in healthy or sanitised soil, much less pesticide is necessary.

The vitroplant has to undergo a first acclimatisation phase after its importation and the plants are put in a greenhouse for three to four weeks. Then they are put in pots, to grow in a shaded tree nursery. This second phase takes six to eight weeks. After approximately three months, the plants are ready to be planted in the field.

Greenhouse acclimatization. In vitro imported plants are replanted in a mixed ground of coconut husks and compost. The roots hardly present at this stage, are not sufficiently developed to feed the plant, a spray irrigation encourages their healthy development..

3.3 Planting and development phase

Banana cultivation can be very demanding and requires on average 1.4 workers per hectare. The plantations all have standards that are increasingly meeting international standards and certifications.

With the soil cleansing practice of fallow cycles and good preparation of the land, planting quality is crucial for sustaining cultivation. The plants are planted with an average density of 1 850 trees per hectare and the best planting period is between April and June, to optimise the timeframe for first harvests.

As the banana tree is a fragile and very demanding plant, for intensive cultivation the following need to be integrated:

- localised irrigation to overcome water shortages during the dry season: all commercial plantations prioritise irrigation to maintain and guarantee a permanent quality standard on the market

- a drainage system, made up of collectors and drains, to remove excess water during the rainy season, mainly in low-lying cultivation areas

- a relatively dense network of harvesting tracks limiting the transport of banana bunches: the bunches can weigh up to 50 kilograms, and need to be carried on the backs of workers over a maximum distance of 50 metres. On slightly sloping plantations, the “cableway” technique can be used, thereby considerably reducing the network of tracks.

Running a banana plantation requires the consistent use of water, fertilisers and weeding, the fight against erosion as well as the addition of organic matter. All these practices should meet the criteria of economical, productive and environmentally responsible use.

During the vegetative development phase of the banana tree several cultivation practices are applied:

- weed control
- fertilisation and supply of organic matter

The person responsible for the selection of the fruits, takes the hands out of the rinsing tank, in order to put them to dry, according to a rank of size and length, before forwarding to the packaging area.

- leaf removal and combating cercosporiose (black sigatoka)[5]
- desuckering
- drainage and irrigation.

This phase takes about six months, which corresponds to the time between planting in the field and the appearance of the first flowers.

The fruiting phase takes three months, between 85 and 110 days to be exact, and the duration can vary depending on the weather conditions.

Therefore, the first production cycle takes 12 months, taking into account the growth stage in the nursery.

Production cycles then continue thanks to the permanent selection of suckers, called desuckering. Thus, a banana plantation may remain in place for several years, even decades. In general, the average cycle of a banana tree is nine months and average annual harvest production is 1.3 banana bunches per plant. A banana plantation remains in place on average between four to ten years under normal conditions.

3.4 Fruit care and harvesting

The quality of the fruit is obtained first in the field by caring for a banana bunch as soon as it emerges from the centre of the foliage. Then, harvest, transport and packaging circumstances may increase some risks of bruising and the conditions of cleanliness and hygiene.

[5] Black Sigatoka, or more correctly "Black Leaf Streak Disease" whose causal agent is a fungus, can be considered as the most important aggressor of the banana plantation, and, in the case of a loss of control, can actually destroy plantations in a few weeks and can bring the production in danger. This fungal disease, even more aggressive than yellow Sigatoka, was spread in West Africa since the mid-1980s, while initially observed in Hawaii in the early 1960s and widespread in South America in the 1970s. Today, this fungal disease threatens all the banana producing countries in the world.

Three main factors define the quality of the fruit:

- shape and size of the banana fingers
- appearance of the skin
- state of health linked to the effects of parasites.

Agricultural operations thus start as soon as the flowers appear; first each flower is protected from possible shocks and injuries - this is the clearance of the inflorescence - then they are sheathed to provide good protection for the banana bunch, as well as thermal and mechanical insulation. Each flower is also marked and counted weekly to predict production, program the work required on the fruit, evaluate the plantation's technical management and make the decision to harvest. The young fruits, called fingers, are deflowered as well as a clearance of the lower hands of the banana bunch is executed to limit and optimise the final size of the fruit. These tasks are carried out as soon as possible after the flowers appear. In addition the banana bunch is rigged with ropes to prevent the banana tree from buckling under the weight of the fruit or possible tropical cyclones.

The fruit can be harvested after approximately three months and the stage of optimal harvest is determined by a combined control of the temperature and the grade of the fruit. Supervision by the harvesting team is done at least once per week, 52 weeks per year, on all parcels in production.

The banana bunches are cut by hand, transported and handled carefully to avoid any shock and accidental friction: bad transport causes bruising which can be the main cause for downgrading in packaging stations. The average weight of a banana bunch is 25 up to 30 kilograms.

Between the field and the packaging station several fruit transport methods can be used: the best transport method is by "cableway" which requires a relatively flat terrain. Flatbed trailers are also used in hilly terrain.

3.5 Conditioning

Conditioning is a major step and the fruit must be green, firm and clean. An analysis of the defects upon arrival at and departure from the station enables the quality of the work to be evaluated and optimises export volumes.

First, the banana bunches are cut from the stem; then each bunch is made to have a minimum of three and at most seven banana fingers per hand or bouquet.

Bins filled with water allow, on the one hand, the draining of latex and, on the other, the floating of the fruit to selection stations where bunches are classified by grade and quality: several specifications are thus defined depending on the length, grade and visual defects of the fruit.

Quality fruit P20 (premium 20 centimetres), P19 (premium 19 centimetres) or P14 (premium 14 centimetres) are then packaged on to pallets, ready to be shipped. Cartons of 20 kilograms gross for 18.5 kilograms net of fruit are mainly used; the same packaging can often be found on the stalls of distribution centres in consumer markets. Using palettes aims at reducing costs for the multiple handling of the cartons and at reducing the risk of bruising.

To monitor the internal quality of the fruit and to guarantee a good green life for the fruit, a delay of at most 20 hours should elapse between harvesting and the cold storage of the fruit.

3.6 Shipping and export logistics

Two shipping methods are mainly used for transport between production and consumption sites: transport by refrigerated shipping and refrigerated container shipping, with the latter method tending to develop.

The cold chain should be initiated as soon as possible and not suffer any severe disruption in the time from when the palette is put in the container until it is received at the ripening station. The reference temperature is 13.4°C: higher than that, it may provoke "early ripening", and lower than 12°C it leads to curling symptoms (the fruit becomes greyish).

As soon as the containers are unloaded in the packing station, they are immediately connected to the refrigeration unit to start cooling down. It will take about four days for fruit with a temperature of around 30°C when packaged to stabilise at 13.4°C.

The containers are then delivered to the port, connected to the terminal and shipped by sea to consumer markets once or twice per week. Transport takes between 10 and 20 days.

On arrival in Europe, the palettes are unloaded from the containers and the fruit, still green, is inspected by the health authorities and receivers at the ripening station.

In optimal storage conditions, the green lifespan of a banana is about 25 days.

3.7 Ripening

Ripening, an essential process for the final quality of the banana, is broken down into three stages:

- increase in temperature of the fruits
- control of the development of gasses
- ventilation at a holding temperature.

The total ripening period varies from four to eight days depending on the temperature programme chosen and business needs.

Sources and additional bibliography:
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http://agriculture.gouv.ci
http://www.cirad.fr/ur/systemes_bananes_ananas
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Le bananier et sa culture, Editions Quae
Koeppel D., Banana The fate of the fruit that changed the world, A Plume Book

An example of bananas from Plantations J. Eglin SA, ripened by our customers, as offered to the consumers.

Financial statements

“ *Maintenance of young palms in our nursery.*

Consolidated balance sheet

In KUSD	Note	2014	2013*	01/01/2013*
Non-current assets		**647 792**	**601 929**	**516 608**
Intangible assets	8	43 453	36 748	27 740
Goodwill	8	1 348	1 348	1 348
Biological assets	9	328 859	301 937	271 484
Property, plant & equipment	10	193 737	187 166	150 958
Investment property	11	3	3	3
Investments in associates and joint ventures	25	73 557	63 953	61 183
Financial assets	12	3 822	3 860	3 857
Other financial assets		3 822	3 860	3 857
Receivables > 1 year		0	0	0
Other receivables		0	0	0
Deferred tax assets	24	3 013	6 914	35
Current assets		**106 789**	**101 793**	**107 159**
Inventories	13	26 498	31 616	40 409
Trade and other receivables		35 197	40 116	39 359
Trade receivables	27	23 795	25 215	28 389
Other receivables	14	11 402	14 901	10 970
Current tax receivables	24	6 751	5 335	483
Investments		80	0	5 017
Other investments and deposits	19	80	0	5 017
Derivatives	27	0	986	327
Cash and cash equivalents	19	27 579	17 343	20 407
Other current assets		1 839	906	1 157
Assets held for sale	20	8 845	5 491	0
Total assets		**754 581**	**703 722**	**623 767**

* The 2013 and 01/01/2013 comparative figures have been restated due to the equity method consolidation of PT Agro Muko in accordance with the new IFRS 11 standard.

In KUSD	Note	2014	2013*	01/01/2013*
Total equity		**583 353**	**541 886**	**504 490**
Shareholders' equity	15	547 515	508 058	472 642
Issued capital		45 819	45 819	45 819
Share premium		21 502	21 502	21 502
Treasury shares (-)		-4 776	-4 776	-4 603
Reserves		500 912	459 741	424 836
Translation differences		-15 942	-14 228	-14 912
Non-controlling interests	16	35 838	33 828	31 848
Non-current liabilities		**74 711**	**66 018**	**58 671**
Provisions > 1 year		1 479	3 236	2 546
Provisions	17	1 479	3 236	2 546
Deferred tax liabilities	24	62 820	53 454	45 873
Trade and other liabilities > 1 year		0	0	0
Financial liabilities > 1 year (incl. derivatives)	19	0	0	0
Pension liabilities	18	10 412	9 328	10 252
Current liabilities		**96 517**	**95 818**	**60 606**
Trade and other liabilities < 1 year		40 188	38 519	43 671
Trade payables	27	20 274	16 947	20 731
Advances received	27	219	144	614
Other payables	14	14 505	9 170	10 560
Income taxes	24	5 190	12 258	11 766
Financial liabilities < 1 year		52 276	52 420	12 607
Current portion of amounts payable after one year	19	0	0	0
Financial liabilities	19	52 276	52 420	12 607
Derivatives	27	1 756	0	0
Other current liabilities		1 869	3 099	4 328
Liabilities associated with assets held for sale	20	428	1 780	0
Total equity and liabilities		**754 581**	**703 722**	**623 767**

* The 2013 and 01/01/2013 comparative figures have been restated due to the equity method consolidation of PT Agro Muko in accordance with the new IFRS 11 standard.

Consolidated income statement

In KUSD	Notes	2014			2013*		
		Before IAS 41	IAS41	IFRS	Before IAS 41	IAS41	IFRS
Revenue	7	285 899		285 899	286 057		286 057
Cost of sales	7, 9	-206 996	5 511	-201 485	-207 043	4 503	-202 540
Gross profit	7	**78 903**	**5 511**	**84 414**	**79 014**	**4 503**	**83 517**
Variation biological assets	9		29 937	29 937		34 500	34 500
Planting cost (net)	9		-22 308	-22 308		-26 454	-26 454
Selling, general and administrative expenses		-25 447		-25 447	-25 154		-25 154
Other operating income/(charges)	21	6 237	-1 439	4 798	28		28
Operating result		**59 693**	**11 701**	**71 394**	**53 888**	**12 549**	**66 437**
Financial income		181		181	142		142
Financial charges		- 870		- 870	- 838		- 838
Exchange differences		- 11		- 11	-2 868		-2 868
Financial result	22	**- 700**	**0**	**- 700**	**-3 564**	**0**	**-3 564**
Profit before tax		**58 993**	**11 701**	**70 694**	**50 324**	**12 549**	**62 873**
Tax expense	24, 9	-19 583	-3 061	-22 644	-10 660	-3 031	-13 691
Profit after tax		**39 410**	**8 640**	**48 050**	**39 664**	**9 518**	**49 182**
Share of results of associated companies and joint ventures	25	**12 586**	**- 462**	**12 124**	**9 591**	**94**	**9 685**
Result from continuing operations		**51 996**	**8 178**	**60 174**	**49 255**	**9 612**	**58 867**
Result from discontinued operations		**0**	**0**	**0**	**0**	**0**	**0**
Profit for the period		**51 996**	**8 178**	**60 174**	**49 255**	**9 612**	**58 867**
Attributable to:							
- Non-controlling interests	16	3 476	430	3 906	2 630	610	3 240
- Equity holders of the parent		48 520	7 748	56 268	46 625	9 002	55 627
Earnings per share (in USD)							
From continuing operations							
Basic earnings per share	33			6.33			6.26
Diluted earnings per share	33			6.33			6.26
From continuing operations							
Basic earnings per share	33			6.33			6.26
Diluted earnings per share	33			6.33			6.26

* The 2013 comparative figures have been restated due to the equity method consolidation of PT Agro Muko in accordance with the new IFRS 11 standard.

Consolidated statement of comprehensive income

In KUSD	Notes	2014			2013*		
		Before IAS 41	IAS41	IFRS	Before IAS 41	IAS41	IFRS
Profit for the period		**51 996**	**8 178**	**60 174**	**49 255**	**9 612**	**58 867**
Other comprehensive income:							
Items that may be reclassified to profit and loss in subsequent periods							
- Exchange differences on translating foreign operations	15	-1 714		-1 714	684		684
Items that will not be reclasified to profit and loss in subsequent periods							
- Defined Benefit Plans - IAS 19R	19	-1 252		-1 252	-1 306		-1 306
- Income tax effect		313		313	324		324
Total other comprehensive income for the year, net of tax:		**-2 653**	**0**	**-2 653**	**- 298**	**0**	**- 298**
Other comprehensive income attributable to:							
- Non-controlling interests		- 78		- 78	- 87		- 87
- Equity holders of the parent		-2 575		-2 575	211		211
Total comprehensive income for the year		**49 343**	**8 178**	**57 521**	**48 957**	**9 612**	**58 569**
Total comprehensive income attributable to:							
- Non-controlling interests		3 398	430	3 828	2 543	610	3 153
- Equity holders of the parent		45 945	7 748	53 693	46 836	9 002	55 838

* The 2013 comparative figures have been restated due to the equity method consolidation of PT Agro Muko in accordance with the new IFRS 11 standard.

Consolidated cash flow statement

In KUSD	Notes	2014	2013*
Operating activities			
Profit before tax		70 694	62 873
Adjusted for:			
Depreciation	8, 10	15 977	14 186
Movement in provisions	17	-1 366	- 779
Impairment assets held for sale		0	0
Stock options		424	307
Changes in fair value of biological assets	9	-7 629	-8 046
Other non-cash results		- 939	- 946
Financial income and charges		3 187	24
Capital loss on receivables		888	0
Capital loss on sale of investments		0	0
Result on disposal of property, plant and equipment		1 149	1 038
Result on disposal of financial assets		-1 786	0
Cash flow from operating activities before change in net working capital		80 599	68 657
Change in net working capital	26	11 654	2 751
Cash flow from operating activities after change in net working capital		92 253	71 408
Income taxes paid	24	-18 516	-16 430
Cash flow from operating activities		73 737	54 978
Investing activities			
Acquisition intangible assets	8	-6 992	-9 502
Acquisition biological assets	9	-20 349	-25 734
Acquisition property, plant & equipment	10	-31 039	-52 967
Acquisition investment property		0	0
Acquisition financial assets		0	0
Dividends received from associated companies and joint ventures		12 087	7 142
Proceeds from sale of property, plant & equipment		330	644
Proceeds from sale of financial assets		- 510	0
Cash flow from investing activities		-46 473	-80 417
Free cash flow		**27 264**	**-25 439**
Financing activities			
Equity transactions with non-controlling parties		-8	-4
Decrease/(increase) of treasury shares	15	0	-173
Repayment in long-term financial borrowings	19	0	0
Increase/(decrease) short-term financial borrowings	19	-144	39 813
Last year's dividend paid during this bookyear		-15 041	-20 122
Dividends paid by subsidiaries to minorities	16	-1 225	-1 180
Financial income and charges		-437	-597
Cash flow from financing activities		**-16 855**	**17 737**
Net increase in investments, cash and cash equivalents	19	10 409	-7 702
Investments and cash and cash equivalents (opening balance)	19	17 726	25 424
Effect of exchange rate fluctuations on cash and cash equivalents	19	-9	4
Investments and cash and cash equivalents (closing balance)	19	28 126	17 726

* The 2013 comparative figures have been restated due to the equity method consolidation of PT Agro Muko in accordance with the new IFRS 11 standard.

Consolidated statement of changes in equity

In KUSD	Issued capital SIPEF	Share premium SIPEF	Treasury shares	Defined benefit plans IAS 19R	Reserves	Translation differences	Shareholders' equity	Non-controlling interests	Total equity
January 1, 2014	**45 819**	**21 502**	**-4 776**	**- 895**	**460 636**	**-14 228**	**508 058**	**33 828**	**541 886**
Result for the period					56 268		56 268	3 906	60 174
Other comprehensive income				- 861		-1 714	-2 575	- 78	-2 653
Total comprehensive income	**0**	**0**	**0**	**- 861**	**56 268**	**-1 714**	**53 693**	**3 828**	**57 521**
Last year's dividend paid					-15 041		-15 041	-1 225	-16 266
Equity transactions with non-controlling parties *					- 25		- 25	18	- 7
Other (note 16)					830		830	- 611	219
December 31, 2014	**45 819**	**21 502**	**-4 776**	**-1 756**	**502 668**	**-15 942**	**547 515**	**35 838**	**583 353**
January 1, 2013	**45 819**	**21 502**	**-4 603**		**424 836**	**-14 912**	**472 642**	**31 848**	**504 490**
Result for the period					55 627		55 627	3 240	58 867
Other comprehensive income				- 895		684	- 211	- 87	- 298
Total comprehensive income	**0**	**0**	**0**	**- 895**	**55 627**	**684**	**55 416**	**3 153**	**58 569**
Last year's dividend paid					-20 122		-20 122		-20 122
Equity transactions with non-controlling parties **					- 12		- 12	7	- 5
Other (note 16)			- 173		307		134	-1 180	-1 046
December 31, 2013	**45 819**	**21 502**	**-4 776**	**- 895**	**460 636**	**-14 228**	**508 058**	**33 828**	**541 886**

* The equity transactions with non-controlling parties comprise the acquisition of 10 additional shares of *Jabelmalux SA*, so that the group now owns 99.6% of the shares. This transaction was recorded directly in het group's reserves (-25 KUSD) and in the non-controlling interests (18 KUSD).

** The equity transactions with non-controlling parties comprise the acquisition of 5 additional shares of *Jabelmalux SA*, so that the group now owns 99.6% of the shares. This transaction was recorded directly in het group's reserves (-12 KUSD) and in the non-controlling interests (7 KUSD).

Notes to the consolidated financial statements

1. Identification

SIPEF (the 'company') is a limited liability company ('naamloze vennootschap' / 'société anonyme') incorporated in Belgium and registered at 2900 Schoten, Calesbergdreef 5.

The consolidated financial statements for the year ended 31 December 2014 comprise *SIPEF* and its subsidiaries (together referred to as '*SIPEF* group' or 'the group'). Comparative figures are for the financial year 2013.

The consolidated financial statements were authorized for issue by the directors at the board meeting of 17 February 2015 and shall be approved by the shareholders at the annual general meeting of 10 June 2015. A list of the directors and the statutory auditor, as well as a description of the principal activities of the group, are included in the non-financial section of this annual report.

2. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) which have been adopted by the European Union as per 31 December 2014.

The following standards or interpretations are applicable for the accounting year commencing on the 1st of January 2014:

- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)

These amendments have no significant impact on the net result of the group. The application of IFRS 10, IFRS 11 and IAS 28 has a significant impact on the presentation of the consolidated balance sheet and income statement, as the joint venture "*PT Agro Muko*" is no longer consolidated using the proportionate consolidation method. As of Fiscal year 2014, *PT Agro Muko* is consolidated using the equity method. The comparative figures of 2013 have been restated. We refer to note 34 for additional information as to the impact of this restatement.

The application of IFRS 12 has an impact on the notes to the consolidated financial statements.

The group did not elect for early application of the following new standards and interpretations which were issued at the date of approval of these financial statements but were not yet effective on the balance sheet date:

- IFRS 9 *Financial Instruments* and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018 but not yet endorsed in the EU)
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 January 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 1 *Presentation of Financial Statements – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 19 *Employee Benefits - Employee Contributions* (applicable for annual periods beginning on or after 1 February 2015)
- Amendments to IAS 27 *Separate Financial Statements - Equity Method* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRIC 21 *Levies* (applicable for annual periods beginning on or after 17 June 2014)

At this stage the group does not expect first adoption of these standards and interpretations to have any material impact on the financial statements of the group, except for the amendments to IAS 16 and IAS 41 – Agriculture: Bearer plants. The application of the new IAS 41 will have an import impact on the following balance sheet items: Biological assets, investments in associates and joint ventures, deferred tax liabilities and equity.

The amendments to IAS 16 and IAS 41 bring bearer plants into the scope of IAS 16 property, plant and equipment, rather than into the scope of IAS 41 – agriculture. The "bearer plants" will be included at historical cost instead of fair value. This will lead to a decrease in the above mentioned balance sheet items. At this time, the impact on equity is estimated to be 150 MUSD.

3. Accounting policies

Basis of preparation

Starting in 2007 the consolidated financial statements are presented in US dollar (until 2006 this was done in euro), rounded off to the nearest thousand (KUSD). This modification is the result of the changed policy with regard to the liquidity and debt management since the end of 2006, whereby the functional currency of the majority of the subsidiaries has been changed from the local currency to the US dollar.

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments classified as available-for-sale, financial derivative instruments and biological assets.

The accounting policies have been consistently applied throughout the group and are consistent with those used in the previous year.

Business combinations

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

Step acquisitions

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the company.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Consolidation principles

Subsidiaries

Subsidiaries are those enterprises controlled by the company. An investor controls an investee if and only if the investor has all of the following elements, in accordance with IFRS 10:

- power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities;
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect the amount of the investor's returns.

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 share of the total recognized gains and losses of joint ventures 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 joint ventures.

Transactions eliminated on consolidation
All intra-group balances and transactions, and any unrealized gains arising on intra-group transactions, are eliminated for companies included using the full consolidation method in preparing the consolidated financial statements.

Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency

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

Financial statements of foreign operations
Functional currency: items included in financial statements of each entity in the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). Starting from 2007 the consolidated financial statements are presented in USD, this is the functional currency of the majority of the group companies.

To consolidate the group and each of its subsidiaries, the financial statements of the individual entities are translated as follows:

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

Biological assets

According to IFRS, biological activities are measured at fair value (IAS41).

As from 2006 *SIPEF* group records its biological assets at the value according to internal valuation models (formerly on the basis of external models). These models are mainly based on the Discounted Cash Flow method (DCF).

The main variables in these models concern:

Variable	*Comment*
Currency valuation:	USD
Production volumes:	Estimate based on historical data regarding the yield/ha of the concerning or comparable areas.
Selling price:	Estimate based on the past 20-year average world market price. Palm oil: 637 USD/tonne CIF Rotterdam Rubber: 1 840 USD/tonne FOB Singapore
Cost price:	Estimate based on actual cost prices ('adjusted current year cost price').
Planting costs:	Estimated costs for the further development of immature areas are deducted.
Replacement investments:	Estimated costs for required replacement investments (vehicles, houses, infrastructure...) are also deducted.
Discount rate:	Future cash flows are, depending on the location of the underlying assets, discounted at following discount rates: Oil palm: 15% Rubber: 15% - 16% Tea: 16%

SIPEF group only recognizes a biological asset or agricultural product 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* group and when the fair value or cost of the asset can be measured reliably.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point of sale costs and from the change in fair value less estimated point of sale costs of a biological asset is included in net profit or loss in the period in which it arises.

Goodwill

Goodwill represents the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired in a business combination. Goodwill is not amortized but reviewed for impairment at least annually. For the purpose of testing goodwill for impairment, goodwill is allocated to operating companies which is the lowest level at which the goodwill is monitored for internal management purposes (i.e. cashflow generating unit). Any impairment is immediately recognized in the income statement and is not subsequently reversed.

Negative goodwill represents the excess of the group's interest in the fair value of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is immediately recognized in the income statement.

Intangible assets

Intangible assets include computer software, various licenses and concessions. Intangible assets are capitalized and amortized using the straight-line method over their useful life. For concessions the useful life is determined by their duration.

Property, plant and equipment

Property, plant and equipment, including investment property, are stated at cost less accumulated depreciation and any accumulated impairment losses. Borrowing costs attributable to the construction or production of qualifying assets are capitalized. Expenses for the repair of property, plant and equipment are usually charged against income when incurred.

Property held for sale, if any, is stated at the lower of amortized cost and fair value less selling charges.

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

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

Land is not depreciated.

Impairment of assets

Property, plant and equipment, financial assets and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may be higher than the recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. If impairment is no longer justified in future periods due to a recovery in assets' fair value or value in use, the impairment reserve is reversed.

Financial instruments

1. Derivatives

The group uses financial derivative instruments primarily to manage its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. The group does not apply special hedge accounting under IAS 39 – *"Financial Instruments: Recognition and Measurement"*. Derivatives are stated at fair value. Any gains or losses arising from changes in fair value are charged directly to net profit or loss for the period

2. Receivables and payables

Amounts receivable and payable are measured at amortised cost price.

Amounts receivable and payable are measured at their nominal value, less a provision for any doubtful amounts receivable. Amounts receivable and payable in a currency other than the currency of the subsidiary are translated at the prevailing group exchange rates on the balance sheet date.

3. Cash and cash equivalents

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

4. Interest-bearing borrowings

Interest-bearing borrowings are measured at amortised cost price.

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

5. Financial assets available for sale

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

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

Notes to the consolidated financial statements

Inventories
Inventories are valued at the lower of cost or net realizable value.

The stock finished products including biological assets are valued by adding production cost to the fair value of the biological asset concerned.

Inventories are written down on a case-by-case basis if the estimated net realizable value declines below the carrying amount of the inventories. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. When the reason for a write-down of the inventories has ceased to exist, the write-down is reversed.

Shareholders' equity
Dividends of the parent company payable on ordinary shares are only recognized as a liability in the period in which they are declared.

Costs incurred with respect to the issuance of equity instruments are recorded as a deduction in equity.

Non-controlling interest
Non-controlling interests include a proportion of the fair value of identifiable assets and liabilities recognized upon acquisition of a subsidiary, together with the appropriate proportion of subsequent profits and losses.

In the income statement the minority share in the company's profit or loss is separated from the consolidated result of the group.

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

Pensions and other post employment benefits
Group companies have various pension schemes in accordance with the local conditions and practices in the countries they operate in.

The defined benefit plans are generally un-funded but fully provisioned for using the 'projected unit credit'- method. This provision represents the present value of the defined benefit obligation.

The actuarial gains and losses are recognized in the Other Comprehensive Income.

The group pays contributions to publicly or privately administered insurance plans. The payments are recognized as expenses as they fall due, and as such are included in operating charges.

Revenue recognition
Revenue is measured at the fair value of the amount received for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the group. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Interest income is recognized using the effective interest rate method. Dividends are recognized when the right to receive payment is established.

Cost of sales
Cost of sales includes all costs associated with harvest, transformation and transport. Purchases are recognized net of cash discounts and other supplier discounts and allowances.

Selling, general and administrative expenses
Selling, general and administrative expenses include expenses of the marketing and financial department and general management expenses.

Income taxes
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax liabilities and assets are recognized for temporary differences between the carrying amount in the balance sheet and the tax bases of assets and liabilities and are subsequently adjusted to reflect changes in tax rates expected to be in effect when the temporary differences reverse. Deferred tax assets are included in the consolidated accounts only to the extent that their realization is probable in the foreseeable future.

4. Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the group to use estimates and make assumptions that may affect the reported amounts of assets and liabilities at the date of the balance sheets and reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.

The main areas in which estimates are used are:

- Post-employment benefits (note 18)
- Deferred tax assets (note 24)
- Provisions (note 17)
- Fair value biological assets (note 9)
- Impairment of assets

5. Group companies / consolidation scope

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

	Location	% of control	% of interest
Consolidated companies (full consolidation)			
PT Tolan Tiga Indonesia	Medan / Indonesia	95.00	95.00
PT Eastern Sumatra Indonesia	Medan / Indonesia	95.00	90.25
PT Kerasaan Indonesia	Medan / Indonesia	57.00	54.15
PT Bandar Sumatra Indonesia	Medan / Indonesia	95.00	90.25
PT Melania Indonesia	Jakarta / Indonesia	95.00	90.25
PT Mukomuko Agro Sejahtera	Medan / Indonesia	95.00	85.74
PT Umbul Mas Wisesa	Medan / Indonesia	95.00	94.66
PT Citra Sawit Mandiri	Medan / Indonesia	95.00	94.66
PT Toton Usaha Mandiri	Medan / Indonesia	95.00	94.66
PT Agro Rawas Ulu	Medan / Indonesia	95.00	95.00
PT Agro Kati Lama	Medan / Indonesia	95.00	95.00
PT Agro Muara Rupit	Medan / Indonesia	95.00	94.66
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
Plantations J. Eglin SA	Azaguié / Ivory Coast	100.00	100.00
Jabelmalux SA	Luxembourg / G.D. Luxemburg	99.64	99.64
Associates and joint ventures (equity method)			
PT Agro Muko	Jakarta / Indonesia	47.29	44.93
Verdant Bioscience Singapore PTE LTD	Singapore / Republic of Singapore	38.00	38.00
PT Timbang Deli Indonesia	Medan / Indonesia	38.00	36.10
BDM NV	Antwerp / Belgium	50.00	50.00
Asco NV	Antwerp / Belgium	50.00	50.00
Companies not included			
SIPEF-CI SA	San Pedro / Ivory Coast	32.01	32.01
Horikiki Development Cy Ltd	Honiara /Solomon Islands	90.80	90.80
Sograkin SA	Kinshasa /Congo	50.00	50.00
Sograci SA	Abidjan / Ivory Coast	100.00	100.00

The consolidation scope has been modified in the following manner compared to the 2013 financial year:

Sograci SA, a 100% subsidiary which was supposed to encompass possible new rubber investments in Ivory Coast, was ended. Consequently, it has no longer been included in the consolidation scope.

The application of the new IFRS 11 standard has an impact on the consilidation method of the joint venture *PT Agro Muko*. The group has decided to classify its interests in *PT Agro Muko* as a joint venture in accordance with the new IFRS 11 standard, as a result of which it is included in the consolidated financial statements using the equity method. This transition has been applied retrospectively in accordance with the new IFRS 11 standard. We refer to note 34 for a summary of the impact of the application of the new IFRS 11 standard on the consolidated financial statements.

The group has a percentage of control and a percentage of interest of 38% in the newly founded company *Verdant Bioscience Singapore PTE LTD* ("*VBS*"). In exchange for 38% of the *VBS* shares, the group has contributed its *PT Timbang Deli* shares to *VBS*, among others using a share-swap agreement. The impact of this transaction can be found in note 30 of the annual report. As of this year *VBS* will be included in the consolidated financial statements using the equity method.

As a result of the *PT Timbang Deli* contribution to *Verdant Bioscience Singapore PTE LTD* following the above mentioned share-swap agreement, the percentage of control and the percentage of interest in *PT Timbang Deli* have dropped to 38% and 36,10% respectively. Consequently, as of this year *PT Timbang Deli* will be included using the equity method.

As the shareholding and the management of *SIPEF-CI SA* changed in June 2008, and trustworthy financial information could no longer be received, it was decided that equity method accounting was not appropriate from the second half of 2008 onwards.

Inspite of the possession of the majority of voting rights, the group has no control over the non consolidated companies because they are established in inaccessible regions (*Horikiki Development Cy Ltd* and *Sograkin SA*).

The non consolidated companies are seen as financial assets available for sale.

6. Exchange rates

As a result of a revised liquidity- and debt management as from the end of 2006 the functional currency in the majority of the subsidiaries has been changed to US dollar as from January 1, 2007. Following subsidaries have however another functional currency:

Plantations J. Eglin SA	EUR
BDM NV	EUR
Asco NV	EUR

The exchange rates below have been used to convert the balance sheets and the results of these entities into US dollar (this is the currency in which the group presents its results).

	Closing rate		Average rate	
	2014	2013	2014	2013
EUR	0.8236	0.7254	0.7567	0.7515

7. Segment reporting

SIPEF's activities can be classified into segments based on the type of product. *SIPEF* has the following segments:

- Palm: Includes all palm products, including palm kernels and palm kernel oil, both in Indonesia and Papua New Guinea
- Rubber: Includes all different types of rubber produced and sold by the *SIPEF* group, both in Indonesia and Papua New Guinea
  - Ribbed Smoked Sheets (RSS)
  - Standard Indonesia Rubber (SIR)
  - Scraps and Lumps
- Tea: Includes both types of tea produced by Sipef in Indonesia, i.e.:
  - Orthodox tea
  - "Cut, tear, curl" (CTC) tea
- Bananas and flowers: Includes all sales of bananas and flowers originating from Ivory Coast.
- Other: Mainly includes management fees received from non group entities, commissions charged on sea freight and other commissions which are not covered by the sales contract.

The overview of segments below is based on the *SIPEF* group's internal management reporting. The most important differences with IFRS consolidation are:

- All companies are included per segment at their percentage of interests using the proportionate consolidation method instead of the full consolidation method and the equity method;
- There are no inter-company eliminations;
- Instead of revenue, the gross margin per segment is used as the starting point.

In KUSD	2014	2013
Gross margin per product		
Palm	81 906	72 329
Rubber	1 399	8 924
Tea	63	1 494
Bananas and flowers	3 425	3 365
Other	6 048	6 288
Total gross margin	**92 841**	**92 400**
Selling, general and administrative expenses	-29 191	-28 049
Other operating income/(charges)	7 995	-1 856
Financial income/(charges)	- 619	- 669
Exchange differences	57	-2 756
Profit before tax	**71 083**	**59 070**
Tax expense	-23 077	-12 676
Effective tax rate	-32.5%	-21.5%
Insurances	514	231
Profit after tax	**48 520**	**46 625**
IAS41	7 748	9 002
Profit after tax after IAS41	**56 268**	**55 627**

Below we present the segment information per product and per geographical region in accordance with the IFRS profit and loss accounts.

The 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.

Gross profit by product

2014 - KUSD	Revenue	Cost of sales	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
Palm	239 100	-167 272	71 828	4 427	76 255	90.33
Rubber	21 141	-19 994	1 147	622	1 769	2.10
Tea	6 502	-6 463	39	60	99	0.12
Bananas and plants	16 712	-13 124	3 588	402	3 990	4.73
Corporate	2 280		2 280		2 280	2.70
Others	164	- 143	21		21	0.02
Total	**285 899**	**-206 996**	**78 903**	**5 511**	**84 414**	**100.00**

2013 - KUSD	Revenue	Cost of sales	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
Palm	228 205	-166 110	62 095	4 328	66 423	79.53
Rubber	31 024	-22 100	8 924	409	9 333	11.17
Tea	7 340	-5 725	1 615	25	1 640	1.96
Bananas and plants	16 518	-12 973	3 545	- 259	3 286	3.93
Corporate	2 815		2 815		2 815	3.37
Others	155	- 135	20		20	0.02
Total	**286 057**	**-207 043**	**79 014**	**4 503**	**83 517**	**100.00**

The segment "corporate" comprises the management fees received from non group entities, additional commissions on sea freights and any other commissions that are not included in the sales contracts.

Under IFRS (IAS41) depreciation on biological assets is not allowed.

Gross profit by geographical segment

2014 - KUSD	Revenue	Cost of sales	Other income	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
Indonesia	165 984	-127 037	575	39 522	2 447	41 969	49.72
Papua New Guinea	99 185	-66 692		32 493	2 662	35 155	41.65
Ivory Coast	16 712	-13 124		3 588	402	3 990	4.73
Europe	3 279			3 279		3 279	3.88
Others	164	- 143		21		21	0.02
Total	**285 324**	**-206 996**	**575**	**78 903**	**5 511**	**84 414**	**100.00**

2013 - KUSD	Revenue	Cost of sales	Other income	Gross profit before IAS41	IAS41	Gross profit IFRS	% of total
Indonesia	166 006	-122 801	637	43 842	1 745	45 587	54.58
Papua New Guinea	99 696	-71 902		27 794	3 017	30 811	36.89
Ivory Coast	15 719	-12 205		3 514	- 259	3 255	3.90
Europe	3 844			3 844		3 844	4.60
Others	155	- 135		20		20	0.02
Total	**285 420**	**-207 043**	**637**	**79 014**	**4 503**	**83 517**	**100.00**

Revenue by location of the debtors

In KUSD	2014	2013
Switzerland	52 399	76 879
United Kingdom	69 653	57 287
Ireland	9 627	0
Singapore	43 159	56 704
The Netherlands	44 915	42 298
Indonesia	41 823	26 199
United States	4 870	5 733
Pakistan	3 109	4 896
Belgium	5 134	4 363
Others	2 813	3 353
Germany	1 252	3 214
Ivory Coast	1 943	2 550
France	5 198	2 275
Spain	4	306
Total	**285 899**	**286 057**

Segment information - geographical

In KUSD	2014					
	Indonesia	**PNG**	**Ivory Coast**	**Europe**	**Others**	**Total**
Intangible assets	43 342		47	64		43 453
Goodwill	1 348					1 348
Biological assets	239 932	86 691	2 236			328 859
Property, plant & equipment	69 092	120 696	3 667	282		193 737
Investment property				3		3
Investments in associates	56 105			9 585	7 867	73 557
Other financial assets			3 822			3 822
Deferred tax assets	574		181	2 258		3 013
Total non-current assets	**410 393**	**207 387**	**9 953**	**12 192**	**7 867**	**647 792**
% of total	63.36%	32.01%	1.54%	1.88%	1.21%	100.00%

In KUSD	2013					
	Indonesia	PNG	Ivory Coast	Europe	Others	Total
Intangible assets	36 528		98	122		36 748
Goodwill	1 348					1 348
Biological assets	225 192	73 916	2 829			301 937
Property, plant & equipment	63 343	118 898	4 631	294		187 166
Investment property				3		3
Investments in associates	53 257			10 696		63 953
Other financial assets			3 860			3 860
Deferred tax assets	367	336	2	6 209		6 914
Total non-current assets	**380 035**	**193 150**	**11 420**	**17 324**	**0**	**601 929**
% of total	63.13%	32.09%	1.90%	2.88%	0.00%	100.00%

8. Goodwill and other intangible assets

In KUSD	2014		2013	
	Goodwill	Intangible assets	Goodwill	Intangible assets
Gross carrying amount at January 1	**1 348**	**38 588**	**1 348**	**29 105**
Acquisitions		6 992		9 503
Sales and disposals				- 15
Transfers		6		
Remeasurement		675		
Other		- 40		- 9
Translation differences		- 12		4
Gross carrying amount at December 31	**1 348**	**46 209**	**1 348**	**38 588**
Accumulated amortization and impairment losses at Januari 1	**0**	**-1 840**	**0**	**-1 365**
Depreciations		- 563		- 494
Sales and disposals				15
Transfers		- 7		
Remeasurement		- 351		
Other				6
Translation differences		5		- 2
Accumulated amortization and impairment losses at December 31	**0**	**-2 756**	**0**	**-1 840**
Net carrying amount January 1	**1 348**	**36 748**	**1 348**	**27 740**
Net carrying amount December 31	**1 348**	**43 453**	**1 348**	**36 748**

The acquisitions of intangible assets refer mainly to the additionnal payments made for obtaining the landtitles of *PT Umbul Mas Wisesa*, *PT Citra Sawit Mandiri*, *PT Agro Rawas Ulu*, *PT Agro Kati Lama*, *PT Agro Muara Rupit* and *PT Mukomuko Agro Sejahtera*.

9. Biological assets

According to IFRS biological activities are measured at fair value (IAS 41). In accordance with IFRS 13 biological assets are brought under level 3. This relates to fair value determination based on inputs that are not based on observable market data. For the values used for the different variables we refer to the accounting policies (see note 3).

The valuations, as presented in the internal valuation models based on net present values, take into account the long term exploitation of the plantations. The board of directors retains their view that commodity markets are inherently cyclical and that long term price projections are highly unpredictable.

The board of directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the IAS 41 valuations as included in the consolidated accounts against his own assumptions.

It does concern the directors that no estimate of fair value can ever be completely accurate (particularly in a business in which selling prices and costs are subject to very material fluctuations). Moreover, in the case of the group's biological assets, small differences in valuation assumptions can have a quite disproportionate effect on results.

Another concern is that, as shown from an international benchmark, there is currently no uniform approach within the plantation sector when it comes to defining the major variables, such as selling price and/or discount rates, in the DCF models resulting in the IAS 41 values.

Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the prices of the agricultural produce and the absence of a liquid market, their carrying value may differ from their realisable value.

The biological assets of the *SIPEF* group 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 the *SIPEF* group are established:

	Hectares	Type	Maturity	Crop
PT Tolan Tiga Indonesia	6 042	Concession	2023	Oil palm
PT Tolan Tiga Indonesia	2 437	Concession	2024	Oil palm
PT Eastern Sumatra Indonesia	3 178	Concession	2023	Oil palm
PT Kerasaan Indonesia	2 362	Concession	2023	Oil palm
PT Bandar Sumatra Indonesia	1 412	Concession	2024	Rubber and oil palm
PT Timbang Deli Indonesia	972	Concession	2023	Rubber
PT Melania Indonesia	5 140	Concession	2023	Rubber, tea and oil palm
PT Toton Usaha Mandiri	1 199	Concession	2046	Oil palm
PT Agro Muko	2 270	Concession	2019	Rubber and oil palm
PT Agro Muko	2 500	Concession	2020	Rubber and oil palm
PT Agro Muko	315	Concession	2031	Rubber and oil palm
PT Agro Muko	1 410	Concession	2028	Rubber and oil palm
PT Agro Muko	2 903	Concession	2022	Rubber and oil palm
PT Agro Muko	7 730	Concession	2019	Rubber and oil palm
PT Agro Muko	2 171	Concession	2022	Rubber and oil palm
PT Agro Muko	1 515	Concession	2022	Rubber and oil palm
PT Agro Muko	2 100	Concession	2022	Rubber and oil palm
PT Umbul Mas Wisea	6 468	Concession	2049	Oil palm
PT Umbul Mas Wisea	679	Concession	2049	Oil palm
PT Umbul Mas Wisea	462	Concession	2049	Oil palm
Hargy Oil Palms Ltd	2 967	Concession	2076	Oil palm
Hargy Oil Palms Ltd	128	Concession	2074	Oil palm
Hargy Oil Palms Ltd	322	Concession	2106	Oil palm
Hargy Oil Palms Ltd	364	Concession	2106	Oil palm
Hargy Oil Palms Ltd	6 460	Concession	2082	Oil palm
Hargy Oil Palms Ltd	2 900	Concession	2101	Oil palm
Hargy Oil Palms Ltd	170	Concession	2097	Oil palm
Hargy Oil Palms Ltd	17	Concession	2077	Oil palm
Hargy Oil Palms Ltd	18	Concession	2113	Oil palm
Galley Reach Holdings Ltd	15 257	Concession (36 titles)	2016 - 2087	Rubber
Plantations J. Eglin SA	1 442	Freehold	n/a	Bananas and pineapple flowers
Plantations J. Eglin SA	322	Provisional concession	n/a	Bananas and pineapple flowers
	84 803			
PT Umbul Mas Wisesa	155	In negotiation	-	Oil palm
PT Citra Sawit Mandiri	3 947	In negotiation	-	Oil palm
PT Agro Rawas Ulu	9 000	In negotiation	-	Oil palm
PT Agro Kati Lama	7 568	In negotiation	-	Oil palm
PT Agro Muara Rupit	12 309	In negotiation	-	Oil palm
PT Mukomuko Agro Sejahtera	1 800	In negotiation	-	Oil palm
PT Mukomuko Agro Sejahtera	1 167	In negotiation	-	Oil palm

Movement schedule biological assets

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

In KUSD	Oil palm	Rubber	Tea	Others	Total
December 31, 2013	**281 346**	**13 466**	**4 296**	**2 829**	**301 937**
Variation biological assets	32 652	-1 903	-533	-279	29 937
Reclassification		-2 700			- 2 700
	313 998	**8 863**	**3 763**	**2 550**	**329 174**
Translation differences				-315	-315
December 31, 2014	**313 998**	**8 863**	**3 763**	**2 235**	**328 859**

The gross variation of biological assets amounted to 29 937 KUSD and arises mainly from the expansion and the increase in maturity of the new planted oil palm areas at *Hargy Oil Palms Ltd* in Papua New Guinea as well as a general increase in long term margins applied for palm oil.

The reclassification concerns the biological assets of *Galley Reach Holdings Ltd* that have been transferred to assets held for sale (see also note 20).

The gross variation of the biological assets is a consequence of the following variables:

In KUSD	Palm Oil	Rubber	Tea	Other	Total 2014	Total 2013
Variables relating to gross margin	22 928	-903	-189		21 836	18 224
Volumes	8 441	-341	-56	-279	7 765	11 863
Extraction rates					0	3 294
Discount rate					0	0
Investments	1 283	-659	-288		336	1 119
Variation of Biological Assets	**32 652**	**-1 903**	**-533**	**-279**	**29 937**	**34 500**

Sensitivity variation sales price

Values as appearing in the balance sheet are very sensitive to price changes with regard to the average sales prices applied. Simulations made for oil palm, rubber and tea show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

In KUSD	+ 10%	2014	- 10%
Oil palm	400 423	313 998	228 578
Rubber	13 160	8 863	4 567
Tea	8 186	3 763	-660
Total	**421 769**	**326 624**	**232 485**
Others		2 235	
		328 859	

The sales price for palm oil, in the models approved by the board of directors, is the average world market price of palm oil of the last 20 years (637 USD/tonne CIF Rotterdam). The average price of palmoil for the last 10 years was 802 USD/tonne. The average price for palmoil for 2014 was 821 USD/tonne.

According to the Board of Directors, current sales prices are not relevant for establishing the expected future margins and are therefore not used in the IAS 41 valuation models.

Sensitivity variation discount rate

Values as appearing in the balance sheet are very sensitive to price changes with regard to the discount rate applied. Simulations made for oil palm, rubber and tea show that a rise or decrease by 1% of the estimated future selling price has the following effect on the net present value of biological assets:

In KUSD	+ 1%	2014	- 1%
Oil palm	297 538	313 998	332 010
Rubber	8 456	8 863	9 302
Tea	3 532	3 763	4 020
Total	**309 526**	**326 624**	**345 332**
Others		2 235	
		328 859	

Impact of IAS 41 on the income statement

According to IFRS, biological assets are measured at fair value instead of at 'depreciated cost' (IAS 41). This means that the amounts paid for the replanting of existing areas or for the planting of new land are immediately charged to 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 the IAS 41 impact is presented in a separate column on the face of the income statement.

In KUSD	Oil palm	Rubber	Tea	Others	Total 2014	Total 2013
Depreciation	4 427	622	60	402	5 511	4 503
Variation biological assets	32 652	-1 903	- 533	- 279	29 937	34 500
Planting cost	-18 298	-1 679	- 249	- 123	-20 349	-25 599
Transfers	-2 521		135		-2 386	-1 003
Remeasurement	- 686	- 558	- 195		-1 439	0
Disposals	357	70			427	148
Operating result	**15 931**	**-3 448**	**- 782**	**0**	**11 701**	**12 549**
Tax impact					-3 061	-3 031
Net impact					**8 640**	**9 518**

Impact of IAS 41 on the cash flow statement

In KUSD	2014	2013
Variation biological assets	-29 937	-34 500
Planting cost (included in investing activities)	20 349	25 599
Transfers	2 386	1 003
Sales and disposals (included in sale of assets)	- 427	- 148
Total	**-7 629**	**-8 046**

10. Property, plant & equipment

In KUSD	2014						2013
	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment, furniture and others	In progress	Total	Total
Gross carrying amount at January 1	**88 731**	**107 022**	**44 940**	**8 209**	**31 190**	**280 092**	**231 628**
Change in consolidation scope		-27	-120	-27		-174	0
Acquisitions	6 118	6 504	6 197	4 008	8 212	31 039	52 967
Sales and disposals	-106	-303	-2 384	-194	-852	-3 839	-3 151
Transfers	11 007	11 716	249	-476	-24 746	-2 250	-1 087
Remeasurement	4 651	7 070	659	397	-905	11 872	0
Other	-2 988	-1 400	-2 694	-516		-7 598	-1 076
Translation differences	-1 416	-411	-339	-126	-78	-2 370	812
Gross carrying amount at December 31	**105 997**	**130 171**	**46 508**	**11 275**	**12 821**	**306 772**	**280 093**
Accumulated depreciation and impairment losses at January 1	**-22 971**	**-39 929**	**-24 826**	**-5 200**		**-92 926**	**-80 671**
Change in consolidation scope						0	0
Depreciation	-3 641	-4 726	-6 291	-757		-15 415	-13 692
Sales and disposals	49	291	2 342	106		2 788	1 742
Transfers		-114		-20		-134	0
Remeasurement	-5 149	-7 294	-764	-419		-13 626	0
Other	1 200	790	2 059	366		4 415	317
Translation differences	1 194	386	214	69		1 863	-623
Accumulated depreciation and impairment losses at December 31	**-29 318**	**-50 596**	**-27 266**	**-5 855**	**0**	**-113 035**	**-92 927**
Net carrying amount January 1	**65 760**	**67 093**	**20 114**	**3 009**	**31 190**	**187 166**	**150 957**
Net carrying amount December 31	**76 679**	**79 575**	**19 242**	**5 420**	**12 821**	**193 737**	**187 166**

The acquisitions included, in addition to the standard replacement capital expeniture, the further finishing of 2 additional oil extraction mills (8 263 KUSD) and the improvement of the logistics and infrastructure of the plantations.

The item 'Other' encompasses the transfer of the assets of *Galley Reach Holdings* to the post 'Assets held for sale' (see also note 20).

The post remeasurement consists of the revaluation of the assets and liabilities of the Indonesian entities to the USD historical cost for local purposes. To this end, the Indonesian entities converted their local financial statements at an imposed historical USD exchange rate, which did not necessarily correspond to the historical exchange rates used in the consolidation. Since the total impact of this conversion was immaterial, the group has decided to adapt the historical USD group figures to the local USD financial statements. For a summary of the total impact we refer to note 21.

11. Investment property

In KUSD	2014	2013
Gross carrying amount at January 1	43	43
Acquisitions	0	0
Sales and disposals	0	0
Gross carrying amount at December 31	43	43
Accumulated depreciation and impairment losses at January 1	-40	- 40
Depreciation	0	0
Sales and disposals	0	0
Accumulated depreciation and impairment losses at December 31	-40	- 40
Net carrying amount January 1	**3**	**3**
Net carrying amount December 31	**3**	**3**

12. Other financial assets

In KUSD	2014				2013
	Other companies		Other receivables	Total	Total
	Participations	Receivables			
Gross carrying amount at January 1	5 514	3 184	6	8 704	8 567
Other increase (decrease)	-30		-6	-36	2
Translation differences	-2			-2	135
Gross carrying amount at December 31	5 482	3 184	0	8 666	8 704
Accumulated impairment losses at January 1	-1 660	-3 184		-4 844	-4 710
Translation differences				0	-134
Accumulated impairment losses at December 31	-1 660	-3 184	0	-4 844	-4 844
Net carrying amount January 1	**3 854**	**0**	**6**	**3 860**	**3 857**
Net carrying amount December 31	**3 822**	**0**	**0**	**3 822**	**3 860**

Investments in other enterprises include a 32% stake in *SIPEF-CI SA* in Ivory Coast (net book value of 3 819 KUSD) and 3 KUSD other participations.

The net book value of *SIPEF-CI SA* is valued at cost minus eventual impairments. The fair value is not applied as no reliable financial information is available on time.

On 31 December 2014 an impairment test was effected on the participations based on the latest available information. This test did not lead to an adjustment of the book values.

13. Inventories

Analysis of inventories

In KUSD	2014	2013
Raw materials and supplies	12 243	12 754
Finished goods	14 255	18 766
Other Inventories	0	96
Total	**26 498**	**31 616**

The reduction in inventories of finished products is due to a slight decrease in the total tonnage of unshipped palm oil at year end compared to 2013.

The stock of raw materials and supplies has remained stable compared to 2013.

14. Other current receivables and other current payables

The 'other payables' (14 505 KUSD) mainly concern social obligations (salaries to be paid, provisions for holiday pay and bonus), invoices to be received and a current account with the newly founded company "*Verdant Bioscience Singapore PTE LTD*" for a total of 5 000 KUSD.

The 'other receivables' (11 402 KUSD) mainly include VAT receivables in the various affiliates, but also contain an impairment for a VAT dispute in Indonesia for an amount of 2 280 KUSD.

The net current assets, net of cash, decreased mainly due to the reimbursement of a large VAT receivable in our subsidiary *Hargy Oil Palms Ltd.*

15. Shareholders' equity

Capital stock and share premium

The issued capital of the company as at December 31, 2014 amounts to 34 768 KEUR (45 819 KUSD), represented by 8 951 740 fully paid ordinary shares without nominal value.

	2014	2013
Number of shares	8 951 740	8 951 740

	2014	2013	2014	2013
	KEUR	KEUR	KUSD	KUSD
Capital	34 768	34 768	45 819	45 819
Share premium	16 285	16 285	21 502	21 502
Total	**51 053**	**51 053**	**67 321**	**67 321**

	2014	2013	2014	2013
	KEUR	KEUR	KUSD	KUSD
Treasury shares - opening balance	3 494	3 366	4 776	4 603
Acquisition treasury shares	0	128	0	173
Treasury shares - ending balance	**3 494**	**3 494**	**4 776**	**4 776**

Since the start of the share buy-back program on 22 September 2011, *SIPEF* has bought back 62 000 shares for a total amount of 3 494 KEUR, corresponding to 0.6926% of the total shares outstanding, as cover for a share option plan for the management.

Authorized capital

The extraordinary general meeting of shareholders on June 8, 2011 reauthorized the board of directors to increase the capital in one or more operations by an amount of 34 768 KEUR over a period of 5 years after the publication of the renewal.

Shareholder structure

The company has received following shareholders declarations:

In mutual consent	Number of shares	Date of notifying	Denominator	%
Ackermans & van Haaren NV	2 397 312	9/09/14	8 951 740	26.780
Cabra NV	652 379	9/09/14	8 951 740	7.288
Gedei NV	493 117	9/09/14	8 951 740	5.509
Baron Bracht	0	9/09/14	8 951 740	0.000
Total Baron Bracht and children	**1 145 496**			**12.797**
Total votes acting in concert	**3 542 808**			**39.577**
Fortis Investment Management NV	491 740	1/09/08	8 951 740	5.493
Alcatel Pensioenfonds VZW	469 600	1/09/08	8 951 740	5.246

Translation differences

Translation differences comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company.

The deviation from last year is mainly due to the movement of the USD versus the EUR (- 2 000 KUSD)

In KUSD	2014
Opening balance at January 1, 2014	-14 228
Movement, full consolidation	- 710
Movement, equity method	-1 004
Ending balance at December 31, 2014	**-15 942**

Dividends

On February 17, 2015 a dividend of 11 190 KEUR (1.25 EUR gross per ordinary share) has been recommended by the board of directors but has not yet been approved by the general meeting of shareholders of *SIPEF* and is therefore not provided for in the financial statements as at December 31, 2014.

Capital management

The capital structure of the group is based on the financial strategy as defined by the board of directors. Summarized, Summarized, this strategy consists of an expansion policy while respecting a very limited debt ratio. The management puts forward yearly the plan for approval by the board of directors.

Chain of control

1. Chain of control on Ackermans & van Haaren NV

I. Ackermans & van Haaren NV is directly controlled by Scaldis Invest NV, a company incorporated under Belgian law.
II. Scaldis Invest NV is directly controlled by Belfimas NV, a company incorporated under Belgian law.
III. Belfimas NV is directly controlled by Celfloor S.A., a company incorporated under Luxembourg law.
IV. Celfloor S.A. is directly controlled by Apodia International Holding B.V., a company incorporated under Dutch law.
V. Apodia International Holding B.V. is directly controlled by Palamount N.V., a company incorporated under the law of The Netherlands Antilles.
VI. Palamount N.V. is directly controlled by Stichting administratiekantoor "Het Torentje", incorporated under Dutch law.

VII. Stichting Administratiekantoor "Het Torentje" is the ultimate controlling shareholder. In accordance with article 11, §1 of the Law of 2 May 2007, Stichting administratiekantoor "Het Torentje" is acting under its own name and at the expense of the companies mentioned under (II) and (VI).

2. Chain of control on Cabra NV and Gedei NV

Priscilla Bracht, Theodora Bracht and Victoria Bracht exercise joint control over Cabra NV and Gedei NV.

16. Non-controlling interests

According to Indonesian law, no foreign investor is allowed to own more than 95% of the shares of a plantation company. Therefore all Indonesian subsidiaries have at least a 5% non-controlling interest. The non-controlling interests of our Indonesian subsidiaries mainly consist of one Indonesian pension fund.

The table below presents the non-controlling interests per company, as well as their share of the equity and the profit of the year.

In KUSD	2014			2013		
	% Non-controlling interests	Share of the equity	Share of the profit of the year	% Non-controlling interests	Share of the equity	Share of the profit of the year
PT Tolan Tiga Indonesia	5.00	14 694	752	5.00	13 421	865
PT Eastern Sumatra Indonesia	9.75	6 319	732	9.75	5 884	305
PT Kerasaan Indonesia	45.85	7 484	1 676	45.85	6 966	1 059
PT Bandar Sumatra Indonesia	9.75	1 630	57	9.75	1 583	37
PT Timbang Deli Indonesia*	0.00	0	0	9.75	338	137
PT Melania Indonesia	9.75	3 270	-183	9.75	3 488	325
PT Mukomuko Agro Sejahtera	14.26	-122	-91	14.26	-31	37
PT Umbul Mas Wisesa	5.34	946	244	5.38	707	5
PT Citra Sawit Mandiri	5.34	0	60	5.38	-61	-18
PT Toton Usaha Mandiri	5.34	281	46	5.38	236	19
PT Agro Rawas Ulu	5.00	79	-11	5.00	90	-2
PT Agro Kati Lama	5.00	85	-5	5.00	89	3
PT Agro Muara Rupit	5.34	198	-10	5.38	209	-4
PT Agro Muko	2.36	1 177	632	2.36	1 141	473
Jabelmalux SA**	0.36	-203	7	0.40	-232	-1
Total		**35 838**	**3 906**		**33 828**	**3 240**

* The non-controlling interests of *PT Timbang Deli* and for a part of *PT Tolan Tiga* (the immediate mother company) have no longer been inclued as of 2014 due to the change of the consoldiation method from full consolidation to equity method consolidation as a consequence of the loss of control.

** The equity transactions with non-controlling interests comprise the acquisition of 10 additional shares of *Jabelmalux SA*.

The non-controlling interest's share of the biological assets (after IAS 41) amounts to 22 612 KUSD in 2014 compared to 21 379 KUSD in 2013.

The movements of the year can be summarized as follows:

In KUSD	2014	2013
At the end of the preceding period	33 828	31 848
- Profit for the period attributable to non-controlling interests	3 906	3 240
- Defined Benefit Plans - IAS19R	- 78	- 87
- Distributed dividends	-1 225	-1 180
- Equity transactions with non-controlling parties**	18	7
- Sale of *PT Timbang Deli**	- 611	0
At the end of the period	**35 838**	**33 828**

* The non-controlling interests of *PT Timbang Deli* and for a part of *PT Tolan Tiga* (the immediate mother company) have no longer been inclued as of 2014 due to the change of the consoldiation method from full consolidation to equity method consolidation as a consequence of the loss of control.

** The equity transactions with non-controlling interests comprise the acquisition of 10 additional shares of *Jabelmalux SA*.

The distributed dividends to non-controlling interests consist of:

In KUSD	2014	2013
PT Kerasaan Indonesia	1 075	700
PT Eastern Sumatra Indonesia	150	0
PT Timbang Deli Indonesia	0	480
Total	**1 225**	**1 180**

There are no limitations to the transfer of funds.

17. Provisions

The provisions entirely relate to a VAT dispute in Indonesia (1 479 KUSD). It is difficult to make an estimate of the settlement time of the dispute.

18. Pension liabilities

Defined benefit plans

Pension liabilities mainly represent defined benefit plans in Indonesia. These pension plans, set up in order to pay a lump sum amount at the time of retirement, are not financed with a third party. The total number of employees affected by the pension plan amounts to 9 057. The pension plan is payable to an employee at the age of 55 or after 30 years of seniority, whichever comes first.

Since the pension plan is adjusted by future salary increases and discount rates, the pension plan is exposed to Indonesia's future salary expectations, as well as Indonesia's inflation and interest rate risk. Furthermore the pension plan is payable in Indonesian Rupiah, exposing it to a currency risk. We refer to note 27 for further details concerning the currency risk of the group. As the pension plan is unfunded, there is no risk relating to a return on plan assets.

The following reconciliation summarizes the variation of total pension liabilities between 2013 and 2014:

In KUSD	2013	Pension cost	Payment	Exchange	Translation difference	Change consolidation scope	Other	2014
Indonesia	8 433	2 386	- 811	- 140				9 868
Ivory Coast	545		- 14		- 64			467
Other	349		- 60			- 212		77
Totaal	**9 327**	**2 386**	**- 885**	**- 140**	**- 64**	**- 212**	**0**	**10 412**

Following assumptions are used in the pension calculation of Indonesia:

	2014	2013
Discount rate	8.50%	9.00%
Future salary increase	6.00%	6.50%
Assumed retirement age	55 years or 30 years of seniority	55 years or 30 years of seniority

Pension liabilities in Indonesia have changed as follows:

In KUSD	2014	2013
Opening	8 433	9 503
Service cost	687	740
Interest cost	678	614
Benefits paid	- 811	- 962
Actuarial gains and losses	1 021	1 008
Exchange differences	- 140	-2 152
Other	0	- 318
Closing	**9 868**	**8 433**

Actuarial gains and losses consist of:

In KUSD	2014	2013
Experience adjustments	1 021	1 069
Changes in assumptions used	4	- 61
Total actuarial gains and losses	**1 025**	**1 008**

The actuarial gains and losses included in the above table contain the largest part of the total actuarial gains and losses included in the other comprehensive income (- 1 252 KUSD). The remaining difference (- 227 KUSD) consists of the actuarial gains and losses of the equity consolidated companies (*PT Agro Muko, PT Timbang Deli, BDM NV* and *ASCO NV insurances*).

The amounts recognised in the balance sheet are as follows:

In KUSD	2014	2013
Pension liabilities	9 868	8 433

The amounts relating to the pension cost of Indonesia are as follows:

In KUSD	2014	2013
Service cost	687	740
Interest cost	678	614
Actuarial gains and losses recorded in the profit and loss accounts	0	0
Pension cost	**1 365**	**1 354**
Actuarial gains and losses recorded in Other Comprehensive Income	1 021	1 008
Total	**2 386**	**2 362**

These costs are included under the headings cost of sales and selling, general and administrative expenses of the income statement.

Estimated benefit payments in 2015 are 772 KUSD.

Sensitivity of the variation of the discount rate and of the future salary increase

Values as appearing in the balance sheet are sensitive to changes in the actual discount rate compared to the discount rate used. The same applies to changes in the actual future salary increase compared to the future salary increase used in the calculation. For our Indonesian entities, simulations were made to calculate the impact of a 1% increase or decrease of both parameters on the pension provision, resulting in the following effects:

Impact of the change in discount rate:

In KUSD	+1%	carrying amount	-1%
Pension liability of the Indonesian subsidiaries	11 169	12 144	13 305
Gross impact on the comprehensive income	975		-1 161

Impact of the change in future salary increase:

In KUSD	+1%	carrying amount	-1%
Pension liability of the Indonesian subsidiaries	13 268	12 144	11 187
Gross impact on the comprehensive income	-1 124		957

The pension liability in Indonesia consists of 9 868 KUSD from fully consolidated subsidiaries and of 2 276 KUSD from equity consolidated companies (*PT Agro Muko* and *PT Timbang Deli*)

Defined contribution plans

Contributions paid regarding the defined contribution plans amount to 618 KUSD (551 KUSD in 2013).

The contributions made within the framework of the Belgian pension regulations benefit from minimum guaranteed rates of return. Hence, strictly speaking, those plans are covered by the definition of a defined benefit plan for which the "Projected Unit Credit" method has to be applied to calculate future benefit obligations. The IASB acknowledges that accounting for these "contribution-based plans" as if they were defined benefit plans is problematic (see the September 2014 staff paper relating to the "research project: post-employment benefits").

Taking into account the insecurity of the future evolution regarding the minimum guaranteed rates of return in Belgium the *SIPEF* group has decided to treat these benefit plans as defined contribution plans and to provision only the net liability of this defined contribution plan. This net liability is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date (i.e. the net liability is based on intrinsic value, if any).

For the calculation of the net liability of the defined contribution plans only the guaranteed minimum rate of return until the end of 2014 is taken into account. The fact that currently this minimum guaranteed rate of return must be carried until the time the employee retires, may still impact future cash flows.

The net liability at the end of 2014 amounts to 26 KUSD (2013: 29 KUSD)

19. Net financial assets/(liabilities)

Net financial assets/(liabilities) can be analysed as follows:

In KUSD	2014	2013
Obligations initially payable after more than one year	0	0
Short-term obligations - credit institutions	-52 276	-52 420
Investments and deposits	80	0
Cash and cash equivalents	27 579	17 343
Net financial assets/(liabilities)	**-24 617**	**-35 077**

Analysis of net financial assets/(liabilities) 2014 per currency:

In KUSD	EUR	USD	Others	Total
Obligations initially payable after more than one year				0
Short-term financial obligations	-22 276	-30 000		-52 276
Investments and deposits		80		80
Cash and cash equivalents	1 733	23 064	2 782	27 579
Total 2014	**-20 543**	**-6 856**	**2 782**	**-24 617**
Total 2013	**-15 134**	**-23 471**	**3 528**	**-35 077**

Reconciliation net financial assets/(liabilities) and cash flow:

In KUSD	2014	2013
Net financial position at the beginning of the period	-35 077	12 817
Repayment of long-term borrowings	0	0
(Increase)/decrease in short-term financial obligations	144	-39 813
Net movement in cash and cash equivalents	10 409	-7 702
Effect of exchange rate fluctuations on long term obligations	0	0
Effect of exchange rate fluctuations on cash and cash equivalents	- 9	4
Change consolidation scope	0	0
Cash and cash equivalents included in assets held for sale	- 84	- 383
Net financial assets/(liabilities) at the end of the period	**-24 617**	**-35 077**

20. Assets / liabilities held for sale

The 'net assets held for sale' refers to the net assets of *Galley Reach Holdings*. In September 2014 it was decided to restructure the group's rubber activities and, consequently, to also put our rubber plantation in Papua New Guinea up for sale. On 11 February 2015, a Heads of Agreement was signed. The sale should be finalized within the period of the next three months, subject to completion of a due diligence.

The 'net assets held for sale' of 2013 consisted of the net assets of *PT Timbang Deli* that, as a result of the execution of the joint venture agreement of October 2013 between *SIPEF*, NBPOL and BioSing, was transferred to this new activity in the course of 2014.

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

In KUSD	2014	2013
Intangible assets	0	4
Biological assets	2 700	4 162
Property, plant and equipment	3 181	844
Current assets	2 963	481
Assets held for sale	**8 844**	**5 491**
Non-current liabilities	0	-1 114
Trade payables	-221	-522
Other payables	-207	-143
Liabilities associated with assets held for sale	**-428**	**-1 780**
Net assets held for sale	**8 416**	**3 711**

21. Non-recurring result

The non-recurring result is included under the headings below and can be detailed as follows:

In KUSD	2014			2013		
	Equity holders of the parent	Non-controlling interests	Total	Equity holders of the parent	Non-controlling interests	Total
Other operating income: VAT claim Indonesia	3 573	341	3 914			0
Other operating income: result of the sale of PT Timbang Deli	2 124		2 124			0
Variation biological assets: remeasurement	1 283	156	1 439			0
Other operating income: remeasurement	-1 176	- 48	-1 224			0
Non-recurring result	**5 804**	**449**	**6 253**	**0**	**0**	**0**
Tax effect: remeasurement	-1 477	- 145	-1 622			0
Tax effect on the VAT claim Indonesia	- 893	- 85	- 979			0
Non-recurring result after taxes	**3 434**	**219**	**3 653**	**0**	**0**	**0**

Adjusted net recurring result group share

In KUSD	2014	2013
Net result - part of the group	56 268	55 627
Adjustment non-recurring result	-3 434	0
Adjustment IAS41	-7 748	-9 002
Adjusted net recurring result	**45 086**	**46 625**

The post 'remeasurement' consists of the revaluation of the assets and liabilities of the Indonesian entities to the USD historical cost for local purposes. To this end, the Indonesian entities converted their local financial statements at an imposed historical USD exchange rate, which did not necessarily correspond to the historical exchange rates used in the consolidation. Since the total impact of this conversion was immaterial, the group has decided to adapt the historical USD group figures to the local USD financial statements. Below we present a summary of the total impact:

Balance sheet - assets - In KUSD	Before IAS41	IAS41	After IAS41
Goodwill and other intangible assets	324		324
Biological assets	1 439		1 439
Property, plant and equipment	-1 754		-1 754
Current assets	206		206
Deferred tax assets	- 729		- 729
Total impact on the assets	**- 514**	**0**	**- 514**

Balance sheet - liabilities - In KUSD	Before IAS41	IAS41	After IAS41
Deferred tax liabilities	893		893
Total impact on the liabilities	**893**	**0**	**893**

Income statement - In KUSD	Before IAS41	IAS41	After IAS41
Variation biological assets		1 439	1 439
Other operating income/(charges)	215	-1 439	-1 224
Tax expense	-1 622		-1 622
Total impact on the income statement	**-1 407**	**0**	**-1 407**

22. Financial result

The financial income concerns the interests received on current accounts with non-consolidated companies and on temporary excess cash. The financial charges concern the interests on long term and short term borrowings as well as bank charges and other financial costs.

In KUSD	2014	2013
Financial income	162	142
Financial charges	- 851	- 838
Exchange result	2 731	-3 527
Financial result derivatives	-2 742	659
Financial result	**- 700**	**-3 564**

23. Share based payment

Grant date	2014	2013
Number options granted	20 000	20 000
Balance	20 000	20 000
Exercise price	54.71	55.50
Exercise period	1/1/2018 - 31/12/2024	1/1/2017 - 31/12/2023

SIPEF's stock option plan, which was approved in November 2011, is intended to provide long term motivation for the members of the executive committee and general directors of the foreign subsidiaries whose activities are essential to the succes of the group.

The options give them the right to acquire a corresponding number of *SIPEF* shares. The remuneration committee is responsible for monitoring this plan and selecting the beneficiaries. The options are provided free of charge and their exercise period is 10 years.

IFRS 2 has been applied to the stocks. The fair value as of 31 December 2014 of the outstanding options amounts to 1 403 KUSD and is calculated according to the Black & Scholes model, of which the main components are:

Year	2014	2013
Share price (In EUR)	47.68	57.70
Dividend yield	2.50%	2.50%
Estimated expected lifetime	5.00	5.00
Volatility	24.83	29.69
Interest rate	0.15%	1.36%
Black & Scholes value (€)	5.34	12.72

In 2014, 20 000 new stock options were granted with an exercise price of 54.71 euros per share. The fair value when granted was fixed at 130 KUSD and is recorded in the profit and loss accounts over the vesting period of 3 years (2015-2017).

To cover the outstanding option obligation, *SIPEF* has a total of 65 490 treasury shares in portfolio.

24. Income taxes

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

In KUSD	2014	2013
Profit before tax	70 694	62 873
Tax at the applicable local rates	-19 400	-17 549
Average applicable tax rate	27.44%	27.91%
Permanent differences	-3 776	10 659
Remeasurement*	-1 568	0
Deferred tax on the carry forward losses from the past	4 150	531
Deferred tax on non-current assets resulting from exchange rate fluctuations	-2 050	-7 332
Tax expense	-22 644	-13 691
Average effective tax rate	**32.03%**	**21.78%**

* For a summary of the total impact of the remeasurement we refer to note 21.

The group prepares consolidated accounts in USD. However, subsidiaries are obliged to pay taxes that are calculated and denominated in local currency. Accordingly, the tax bases of assets and liabilities are in local currency and changes in exchange rates give rise to temporary differences. The resulting deferred tax is charged or credited to profit or loss in accordance with IAS 12.41. This has a significant impact on the effective tax rate.

We received from the Indonesian tax authorities the formal approval, that starting from the financial year 2014 our Indonesian affiliates are allowed to lodge their tax declaration in USD. A similar approval has been received from the PNG tax authorities for 2015.

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

In KUSD	2014	2013
Deferred tax assets	3 013	6 914
Deferred tax liabilities	-62 820	-53 454
Net deferred taxes	**-59 807**	**-46 540**

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

In KUSD	2014	2013
Opening balance	-46 540	-45 838
Variation (- expense) / (+ income) through income statement	-12 612	-1 581
Tax impact of IAS 19R through comprehensive income	255	252
Reclassification to liabilities associated with assets held for sale	- 894	627
Other	- 16	0
Closing balance	**-59 807**	**-46 540**

Deferred taxes in the income statement are the result of:

In KUSD	2014	2013
Addition/(utilisation) of tax losses brought forward	14 622	11 304
Origin or reversal of temporary differences - IAS 41 revaluation	-3 062	-3 031
Origin or reversal of temporary differences - non-current assets	-19 383	-9 655
Origin or reversal of temporary differences - pension provision	103	- 512
Origin or reversal of temporary differences - inventories	1 594	265
Origin or reversal of temporary differences - other	-6 486	48
Total	**-12 612**	**-1 581**

The addition of tax losses brought forward refers mainly to the inclusion of past losses for *Jabelmalux SA* and losses of the year for *Hargy Oil Palms Ltd*, where it is probable that sufficient taxable profits will be available in the near future against which the deferred tax losses can be offset.

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

In KUSD	2014		
	Total	Not recorded	Recorded
Biological assets	-45 084		-45 084
Other non-current assets	-40 145		-40 145
Inventories	-2 733		-2 733
Pension provision	2 466		2 466
Tax losses	35 023	5 348	29 675
Others	-3 986		-3 986
Total	**-54 459**	**5 348**	**-59 807**

The majority of the unrecognized deferred tax assets at the end of 2014 are located at the companies of the *UMW* group (2 473 KUSD) and *Jabelmalux SA* (1 863 KUSD). For the *UMW* group, the main cause of uncertainty is the limited transferability over time (max 5 years). The set-up of and the adjustments to the deferred tax assets are based on the most recently available long term business plans.

The total tax losses (recognized and unrecognized) have the following maturity structure:

In KUSD	2014		
	Total	Not recorded	Recorded
1 year	2 187	359	1 828
2 years	6 840	734	6 106
3 years	9 900	1 154	8 746
4 years	30 563	10 612	19 951
5 years	5 695	1 082	4 613
Unlimited	68 983	6 377	62 606
Total	**124 168**	**20 318**	**103 850**

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

In KUSD	2014	2013
Taxes to receive	6 751	5 335
Taxes to pay	-5 190	-12 258
Net taxes to pay	**1 561**	**-6 923**

In KUSD	2014	2013
Net taxes to pay at the beginning of the period	-6 923	-11 285
Change consolidation scope	0	0
Transfer	0	0
Reclassification to liabilities associated with assets available for sale	0	43
Taxes to pay	-10 032	-12 111
Paid taxes	18 516	16 430
Net taxes to pay at the end of the period	**1 561**	**-6 923**

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

In KUSD	2014	2013
Tax expense	-22 644	-13 691
Deferred tax	12 612	1 581
Current taxes	**-10 032**	**-12 110**
Variation prepaid taxes	-1 416	-4 812
Variation payable taxes	-7 068	492
Paid taxes	**-18 516**	**-16 430**

25. Investments in associates and joint ventures

The *SIPEF* group has the following percentage of control and percentage of interest in the assocates and joint ventures:

Entity	Location	% of control	% of interest
PT Agro Muko	Jakarta / Indonesia	47.29	44.93
Verdant Bioscience Singapore PTE LTD	Singapore / Republic of Singapore	38.00	38.00
PT Timbang Deli Indonesia	Medan / Indonesia	38.00	36.10
BDM NV	Antwerp / Belgium	50.00	50.00
Asco NV	Antwerp / Belgium	50.00	50.00

In accordance with the new IFRS 11 standard, *PT Agro Muko* has been defined as a joint venture as a result of which it is included in the consolidated financial statements using the equity method. The investments in associates and joint ventures therefore now consists of the following 2 sectors:

1. Tropical agriculture - *PT Agro Muko*, *PT Timbang Deli* and *Verdant Bioscience Singapore PTE LTD*
2. The insurance sector: *BDM NV* and *ASCO NV*.

The group has a 44.93% participation in *PT Agro Muko*, a company located on the island of Sumatra in Indonesia. *PT Agro Muko*, active in palm oil as well as rubber, is a private company which is not quoted on the stock exchange. Following the new IFRS 11 standard *PT Agro Muko* has been classified as a joint venture and has therefore been included using the equity method.

Verdant Bioscience Singapore PTE LTD (*VBS*) is a newly founded company located in Singapore. As of 1 January 2014 the group holds a 38% interest in *VBS*. The company is a cooperation between Ultra Oleom PTE Ltd (52%), *Sipef* (38%) and Biosing PTE (10%) with the objective of conducting research into and developing high-yielding seeds with a view to commercialising them.

As of this year the group holds a 36.10% participation in *PT Timbang Deli*, a company located on the island of Sumatra in Indonesia. *PT Timbang Deli* is active in growing rubber. Following the 'Share Swap Agreement' with *Verdant Bioscience Singapore PTE LTD* the *SIPEF* group has lost control of *PT Timbang Deli* and the latter has therefore been included using the equity method. For more information on the impact of this transaction we refer to note 30.

The group holds a 50% interest in the *BDM NV* and *ASCO NV* insurance group, which especially targets maritime and industrial insurance. *BDM NV* is an insurance agent for *ASCO NV*, among others, and for a number of large international insurers offering risk coverage in certain niche markets. The remaining 50% interest in *BDM NV* and *ASCO NV* is held by the Ackermans & Van Haaren group.

The total post "investments in associates and joint ventures" can be summarized as follows:

In KUSD	2014	2013
PT Agro Muko	53 976	53 257
Verdant Bioscience Singapore PTE LTD	7 867	0
PT Timbang Deli Indonesia	2 129	0
Insurances (BDM NV and ASCO NV)	9 585	10 696
Total	**73 557**	**63 953**

Tropical agriculture

The associated companies and joint ventures included in the tropical agriculture consist of:

a) The joint venture *PT Agro Muko*

b) The associated companies *PT Timbang Deli* and *Verdant Bioscience Singapore PTE LTD*

Below we present the condensed statements of financial position of the associated companies and joint ventures. These are prepared in accordance with IFRS and are before intercompany eliminations and excluding goodwill.

	PT Agro Muko		PT Timbang Deli		Verdant Bioscience Singapore	
In KUSD	2014	2013	2014	2013	2014	2013
Biological assets	73 066	69 301	3 118	4 161	0	0
Other non-current assets	27 979	33 448	1 037	848	23 602	0
Current assets	21 118	21 101	849	619	5 063	0
Cash and cash equivalents	11 466	6 678	650	383	104	0
Total assets	**133 630**	**130 529**	**5 654**	**6 011**	**28 769**	**0**
Non-current liabilities	17 135	18 917	899	1 114	0	0
Long term financial debts	0	0	0	0	0	0
Current liabilities	9 065	2 533	1 095	741	1 993	0
Short term financial debts	0	0	0	0	0	0
Equity	107 430	109 079	3 660	4 156	26 776	0
Total liabilities	**133 630**	**130 529**	**5 654**	**6 011**	**28 769**	**0**

Below we present the condensed income statements of the associated companies and joint ventures. These are prepared in accordance with IFRS and are before intercompany eliminations and excluding goodwill.

	PT Agro Muko		PT Timbang Deli		Verdant Bioscience Singapore	
In KUSD	2014	2013	2014	2013	2014	2013
Inclusion in the consolidation:	47.29%	47.29%	36.10%	90.25%	38%	0%
Revenue	69 480	60 035	2 717	3 367	0	0
Depreciation	6 329	4 705	186	142	0	0
Interest income	105	28	6	53	0	0
Interest charges	0	0	0	0	0	0
Net result before IAS 41	27 090	19 793	319	1 439	-1 498	0
IAS 41	- 375	200	- 786	32	0	0
Net IFRS result	26 715	19 992	- 467	1 471	-1 498	0
Share in the consolidation	**12 634**	**9 455**	**- 169**	**1 327**	**- 569**	**0**
Extraordinary result: historical currency translation adjustments after loss of control	0	0	- 286	0	0	0
Total share of the group	12 002	8 982	- 455	1 328	- 569	0
Total share minorities	632	473	0	143	0	0
Total	**12 634**	**9 455**	**- 455**	**1 471**	**- 569**	**0**

Insurance sector

Considering the relatively small impact of the insurance sector on the consolidated financial statements, we aggregate the insurance sector. Below we present the condensed aggregated financial statements of the associated companies. These are prepared in accordance with IFRS and are before intercompany eliminations and goodwill.

Aggregated statement of financial position of the insurances:

	Insurances	
In KUSD	**2014**	**2013**
Other non-current assets	44 859	48 846
Current assets	23 164	31 324
Cash and cash equivalents	8 135	11 645
Total assets	**76 157**	**91 814**
Non-current liabilities	27 369	31 322
Long term financial debts	0	0
Current liabilities	29 618	39 100
Short term financial debts	0	0
Equity	19 170	21 392
Total liabilities	**76 157**	**91 814**

Aggregated condensed income statement of the insurance sector:

	Insurances	
In KUSD	**2014**	**2013**
Revenue	3 464	3 485
Depreciation	356	383
Interest income	2 716	1 647
Interest charges	638	- 45
Net result before IAS 41	**1 029**	**462**
IAS 41	0	0
Net IFRS result	**1 029**	**462**
Share in the consolidation	**514**	**231**

Reconciliation of the associated companies and joint ventures

The below tables are prepared in accordance based on the IFRS financial statements as included in the consolidation, in accordance with the accounting policies of the *SIPEF* group, before goodwill allocation.

Reconciliation tropical agriculture

In KUSD	PT Agro Muko		PT Timbang Deli		Verdant Bioscience Singapore	
	2014	2013	2014	2013	2014	2013
Equity without goodwill	107 431	105 908	3 660	0	26 776	0
Share of the group	50 805	50 086	1 322	0	10 175	0
Goodwill	3 171	3 171	807	0	0	0
Equity elimination PT Timbang Deli	0	0	0	0	-2 307	0
Total	**53 976**	**53 257**	**2 129**	**0**	**7 867**	**0**

Reconciliation insurances

In KUSD	Insurances	
	2014	2013
Equity without goodwill	19 170	21 392
Total share of the group	**9 585**	**10 696**

Dividends received from associated companies and joint ventures

During the year the following dividends were received:

In KUSD	2014	2013
PT Agro Muko	11 823	6 876
BDM NV	264	258
Total	**12 087**	**7 134**

There are no restrictions on the transfers of funds to the group.

26. Change in net working capital

As a result of the higher operating results before IAS 41, cash flow from operating activities increased by 18 759 KUSD to 73 737 KUSD (2013: 54 978 KUSD).

27. Financial instruments

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

Fluctuations in the market price of core products

Structural risk

SIPEF group is exposed to structural price risks of their core products.

The risk is primarily related to palm oil and palm kernel oil and to a lesser extent to rubber. A change of the palm oil price of 10 USD CIF per ton has an impact of about 1 250 KUSD (without taking into account the impact of the current export tax in Indonesia) on result after tax. This risk is assumed to be a business risk.

Transactional risk

The group faces transactional price risks on products sold.

The transactional risk is the risk that the price of products purchased from third parties fluctuates between the time the price is fixed with a customer and the time the transaction is settled. This risk is assumed to be a business risk.

Currency risk

Most of the subsidiaries are using the US dollar as functional currency.

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

Structural risk

A portion of the group's revenues are denominated in USD, while all of the operations are located outside the USD zone (particularly in Indonesia, Papua New Guinea, Ivory Coast and Europe). Any change in the USD against the local currency will therefore have a considerable impact on the operating result of the company. Most of these risks are considered to be a business risk.

Transactional risk

The group is also subject to transactional risks in respect of currencies, i.e. the risk of currency exchange rates fluctuating between the time the price is fixed with a customer, supplier or financial institution and the time the transaction is settled. This risk, with the exception of naturally covered positions, is not covered since most receivables and payables have a short settlement term.

The pension liabilities in Indonesia are important long term liabilities that are fully payable in IDR. A devaluation or revaluation of 10% of the IDR versus the USD has the following effect on the income statement:

In KUSD	IDR Dev 10%	Book value	IDR Rev 10%
Pension liabilities in Indonesia	11 040	12 144	13 493
Gross impact income statement	1 104		-1 349

The pension liability in Indonesia consists of 9 868 KUSD from fully consolidated subsidiaries and of 2 276 KUSD from equity consolidated companies (*PT Agro Muko* and *PT Timbang Deli*)

On February 17th, 2015 the board of directors has also proposed the payment of 11 190 KEUR (1,25 EUR gross per ordinary share). In the light of our liquidity and currency policy the exchange risk on the payment of this dividend was covered in five forward exchange contracts for the sale of 14 643 KUSD for 11 190 KEUR (average exchange rate of 0.7642).

- 11 264 KUSD (8 393 KEUR) before the end of the year
- 3 379 KUSD (2 797 KEUR) after year end

Sensitivity analysis:

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

In KUSD	EUR Dev 10%	Book value	EUR Rev 10%
Dividend	9 172	10 191	11 210
Gross Impact income statement	-1 019		1 019

Translational risk

The *SIPEF* group is an international company and has operations which do not use the USD as their reporting currency. When such results are consolidated into the group's accounts the translated amount is exposed to variations in the value of such local currencies against the USD. *SIPEF* group does not hedge against such risk (see accounting policies).

As from 1st of January 2007 onwards the functional currency of most of our activities is the same as the presentation currency, this risk has been largely restricted.

Interest rate risk

The group's exposure to changes in interest rates relates to the group's financial debt obligations. At the end of December 2014, the group's net financial assets/(liabilities) amounted to - 24 617 KUSD (2013: -35 077 KUSD), of which 52 276 KUSD short term financial liabilities (2013: KUSD 52 420) and 27 659 KUSD net short term cash and cash equivalents (2013: 17 343 KUSD).

At the end of December 2014, there are no borrowings with an initial term of more than one year. Since all of the debt is of a current nature with variable interest rates, we believe a 0.5% change in interest rate will not have a material impact.

Available funds are invested in short term deposits.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a loss. This credit risk can be split into a commercial and a financial credit risk. With regard to the commercial credit risk management has established a credit policy and the exposure to this credit risk is monitored on a continous basis. In practice a difference is made between:

In KUSD	2014	2013
Receivables from the sale of palm oil/rubber/tea	22 897	23 319
Receivables from the sale of bananas and plants	898	1 896
Total	**23 795**	**25 215**

The credit risk for the first category is rather limited as these sales are for the most part immediately paid against presentation of documents. Moreover it concerns a relatively small number of first class buyers (per product about 90% of the turnover is realized with maximum 10 clients of which none is over 30%). Contrary to the first category the credit risk for the receivables from the sales of bananas and plants are more important.

For both categories there is a weekly monitoring of the open balances due and a proactive system of reminders. Depreciations are applied as soon as total or partial payments are seen as unlikely. The elements that are taken into account for these appraisals are the lengths of the delay in payment and the creditworthiness of the client.

The receivables from the sales of bananas and plants have the following due date schedule:

In KUSD	2014	2013
Not yet due	765	1 805
Due < 30 days	89	10
Due between 30 and 60 days	0	81
Due between 60 and 90 days	44	0
Total	**898**	**1 896**

In 2013 and 2014 there were no material depreciations on receivables.

Liquidity risk

A material and structural shortage in our cash flow would damage both our creditworthiness as well as the trust of investors and would restrict the capacity of the group to attract fresh capital. The operational cash flow provides the means to finance the financial obligations and to increase shareholder value.

The group manages the liquidity risk by evaluating the short term and long term cash flows. The *SIPEF* group maintains an access to the capital market through short and long term debt programs.

The following table gives the contractually determined (not-discounted) cash flows resulting from liabilities at balance sheet date:

2014 - In KUSD	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 5 years
Trade & other liabilities < 1 year							
Trade payables	20 274	-20 274	-20 274				
Advances received	219	- 219	- 219				
Financial liabilities < 1 year							
Current portion of amounts payable after one year	0	0	0				
Financial liabilities	52 276	-52 284	-52 284				
Derivatives	1 756	-1 756	-1 756				
Other current liabilities	0	0	0				
Current liabilities	**74 525**	**-74 533**	**-74 533**	**0**	**0**	**0**	**0**

2013 - In KUSD	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 5 years
Trade & other liabilities < 1 year							
Trade payables	16 947	-16 947	-16 947				
Advances received	144	- 144	- 144				
Financial liabilities < 1 year							
Current portion of amounts payable after one year	0	0	0				
Financial liabilities	52 420	-52 420	-52 420				
Derivatives	0	0	0				
Other current liabilities	0	0	0				
Current liabilities	**69 511**	**-69 511**	**-69 511**	**0**	**0**	**0**	**0**

In order to limit the financial credit risk *SIPEF* has spread its more important activities over a small number of banking groups with a first class rating for creditworthiness.

In 2014, same as in previous years, there were no infringements on the conditions stated in the credit agreements nor were there any shortcomings in repayments.

Financial instruments measured at fair value in the statement of financial position

Fair values of derivatives are:

In KUSD	2014	2013
Forward exchange transactions	-1 756	986
Interest rate swaps	0	0
Fair value (+ = asset; - = liability)	**-1 756**	**986**

In accordance with IFRS 7 financial derivates are brought under in 3 levels:

- Level 1 relates to fair value determination based on quoted prices in active markets for identical assets or liabilities
- Level 2 relates to fair value determination based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability
- Level 3 relates to fair value determination based on inputs for the asset or liability that are not based on observable market data.

The fair value of the forward exchange contracts calculated at the closing value on the 31st of December 2014 were also incorporated in level 2. The notional amount from the forward exchange contracts amounts to 34 158 KUSD.

Financial instruments per category

The next table gives the financial instruments per category as per end 2014 and end 2013. The carrying amount of the financial assets and liabilities approximates the fair value because of the current nature of the financial instruments, except for the available for sale financial assets, which are valued at cost due to the fact that reliable information is not available.

The financial instruments are measured at level 2.

2014 - In KUSD	Assets available for sale	Loans and receivables	Derivatives	Total carrying amount
			(1)	
Financial assets				
Other investments	3 822			3 822
Other financial assets				0
Receivables > 1 year				
Other receivables				0
Total non-current financial assets	**3 822**	**0**	**0**	**3 822**
Trade and other receivables				
Trade receivables		23 795		23 795
Investments				
Other investments and deposits		80		80
Cash and cash equivalents		27 579		27 579
Derivatives				0
Total current financial assets	**0**	**51 454**	**0**	**51 454**
Total financial assets	**3 822**	**51 454**	**0**	**55 276**

	Derivatives	Other liabilities	Total carrying amount
		(2)	
Trade and other obligations > 1 year			0
Financial obligations > 1 year (incl. derivatives)			0
Total non-current financial liabilities	**0**	**0**	**0**
Trade & other obligations < 1 year			
Trade payables		20 274	20 274
Advances received		219	219
Financial obligations < 1 year			
Current portion of amounts payable after one year			0
Financial obligations		52 276	52 276
Derivatives	1 756		1 756
Total current financial liabilities	**1 756**	**72 769**	**74 525**
Total financial liabilities	**1 756**	**72 769**	**74 525**

(1) is technically considered as held for trading under IAS 39

(2) at amortized cost

2013 - In KUSD	Assets available for sale	Loans and receivables	Derivatives	Total carrying amount
			(1)	
Financial assets				
Other financial assets	3 854	6		3 860
Other investments				0
Receivables > 1 year				
Other receivables				0
Total non-current financial assets	**3 854**	**6**	**0**	**3 860**
Trade and other receivables				
Trade receivables		25 215		25 215
Investments				
Other investments and deposits				0
Cash and cash equivalents		17 343		17 343
Derivatives			986	986
Total current financial assets	**0**	**42 558**	**986**	**43 544**
Total financial assets	**3 854**	**42 564**	**986**	**47 404**

	Derivatives	Other liabilities	Total carrying amount
		(2)	
Trade and other obligations > 1 year			0
Financial obligations > 1 year (incl. derivatives)			0
Total non-current financial liabilities	**0**	**0**	**0**
Trade & other obligations < 1 year			
Trade payables		16 947	16 947
Advances received		144	144
Financial obligations < 1 year			
Current portion of amounts payable after one year			0
Financial obligations		52 420	52 420
Derivatives			0
Total current financial liabilities	**0**	**69 511**	**69 511**
Total financial liabilities	**0**	**69 511**	**69 511**

(1) is technically considered as held for trading under IAS 39

(2) at amortized cost

The contribution to the net result of the financial insturments per category is presented as follows:

2014 - In KUSD	Assets available for sale	Loans and receivables	Cash	Derivatives	Amortized cost	Total
Revenue						0
Selling, general and administrative expenses						0
Other operating income/(charges)						0
	0	**0**	**0**	**0**	**0**	**0**
Financial income		1	180			181
Financial charges		- 421	- 449		0	- 870
Derivatives held for trade purposes				-2 742		-2 742
	0	**- 420**	**- 269**	**-2 742**	**0**	**-3 431**

2013 - In KUSD	Assets available for sale	Loans and receivables	Cash	Derivatives	Amortized cost	Total
Revenue						0
Selling, general and administrative expenses						0
Other operating income/(charges)						0
	0	**0**	**0**	**0**	**0**	**0**
Financial income		3	139			142
Financial charges		- 520	- 318			- 838
Derivatives held for trade purposes				659		659
	0	**- 517**	**- 179**	**659**	**0**	**- 37**

28. Operational leases

The group leases office space, office equipment and vehicles under a number of operating lease agreements. Future lease payments under these non-cancelable operating leases are due as follows:

In KUSD	2014	2013
1 year	341	350
2 years	134	126
3 years	90	102
4 years	32	41
5 years	3	0
	600	**619**

During the year an amount of 370 KUSD (against 351 KUSD in 2013) has been charged in the income statement.

29. Finance leases

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

30. Business combinations, acquisitions and divestitures

During the course of January 2014, the *SIPEF* group has acquired 38% of the shares of a newly founded company "*Verdant Bioscience Singapore PTE LTD*" (*VBS*). For the acquisition of these shares, the *SIPEF* group has taken on an additional debt of 5 000 KUSD payable to *VBS*. Furthermore, The *SIPEF* group has traded all their shares in *PT Timbang Deli* for the shares of *VBS* by means of a "share Swap Agreement".

Following this agreement, the company *PT Timbang Deli*, which was already classified as an asset held for sale in the 2013 consolidated financial statements, was deconsolidated. This transaction was caonsidered a complete sale of *PT Timbang Deli*.

As of this year, the newly found company *VBS* is consolidated using the equity method, seeing as The *SIPEF* group holds a percentage of interest of 38% in *VBS*.

After this transaction, the *SIPEF* group still holds - through *VBS* - a percentage of interest of 36.1% in *PT Timbang Deli*. *PT Timbang Deli* is therefore also included in the consolidated financial statements using the equity method. During 2013, the *SIPEF* group had a percentage of interest of 90.25% in *PT Timbang Deli*. *PT Timbang Deli* was then consolidated using the full integration method.

The above mentionned transaction had the following effects on the balance sheet, the income statement and the cash flow:

In KUSD	Total
Investments in associates	10 744
Other current assets	-445
Assets held for sale	-5 109
Assets held for sale: cash and cash equivalents	-382
Total assets	**4 809**

In KUSD	Total
Minority interests	-125
Curreny translation adjustment	286
Liabilities associated with assets held for sale	-1 780
Other liabilities	5 000
Total liabilities	**3 381**
Sales price (+) / purchase price (-)	0
Result on disposal of financial assets	2 124
Non-recurring costs in the share of results of associated companies	-286
Total result of the sale	**1 838**
Net cash received (+) / payed (-)	-382

The net cash paid related to the cash included in the company *PT Timbang Deli* as at December 31, 2013 The cash was already included in assets held for sales and has left the *SIPEF* group after the sale of *PT Timbang Deli*.

31. Rights and commitments not reflected in the balance sheet

Guarantees

No guarantees has been issued by third parties as security for the company's account and for 278 KUSD for the account of subsidiaries during 2014.

The various rights and commitments are comprised of call-options (-100 KUSD) and put-options (70 KUSD) on the assets of the insurance sector.

Significant litigation

Nihil

Forward sales

The commitments for the delivery of goods (palm products, rubber, tea and bananas and plants) after the year end fall within the normal delivery period of about 3 months from date of sale. Those sales are not considered as forward sales.

As of 31 December 2014 the group has made some forward sales for palm oil with the goal of securing the cash flow necessary to finance the expansion plans.

These concern the following deliveries:

	Ton	Price (USD/tonne FOB)
2015	15 000	992

32. Related party transactions

Transactions with directors and members of the executive committee

Key management personnel are defined as the directors and the group's executive committee.

The table below shows an overview of total remuneration received:

In KUSD	2014	2013
Directors' fees		
Fixed fees	293	263
Short-term employee benefits	2 124	2 946
Resignation payment	0	1 146
Share based payments	101	109
Post-employment benefits	556	503
Benefits in kind (Company car+ cell phone)	90	45
Total	**3 164**	**5 012**

The amounts are paid in EUR. The amount paid in 2014 is 2 394 KEUR (2013: 3 766 KEUR).

The decrease is mainly the result of the lower variable remunerations. Starting from the financial year 2007 fixed fees shall be paid to the members of the board of directors, the audit committee and the remuneration committee.

Related party transactions are considered immaterial, except for the rental agreement since 1985 between Cabra NV and *SIPEF* covering the offices and ancillary parking space at Castle Calesberg in Schoten. The annual rent, adjusted for inflation, amounts to 211 KUSD (160 KEUR) and 85 KUSD (64 KEUR) is invoiced for *SIPEF*'s share of maintenance of the buildings, parking space and park area. *SIPEF*'s relations with board members and executive committee members are covered in detail in the "Corporate Governance statement" 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.

Transactions with group companies

Balances and transactions between the group and its subsidiaries which are related parties of the group have been eliminated in the consolidation and are not disclosed in this note. Details of transactions between the group and other related parties (mainly *PT Agro Muko*) are disclosed below.

The following table represents the total of the transactions that have occured during the financial year between the group and the joint venture *PT Agro Muko*, *PT Timbang Deli* and *Verdant Bioscience Singapore PTE LTD* at 100%:

In KUSD	PT Agro Muko	PT Timbang Deli	Verdant Bioscience Singapore
Total sales during the financial year	1 632	540	0
Total purchases during the financial year	66 373	2 154	0
Total receivables as per 31 December 2014	654	170	990
Total payables as per 31 December 2014	5 836	387	5 063

33. Earnings per share (basic and diluted)

From continuing and discontinued operations	2014	2013
Basic earnings per share		
Basic earnings per share - calculation (USD)	6.33	6.26
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	56 268	55 627
Denominator: the weighted average number of ordinary shares outstanding	8 889 740	8 891 870
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	8 889 740	8 892 064
Effect of shares issued / share buyback programs	0	-194
The weighted average number of ordinary shares outstanding at December 31	8 889 740	8 891 870
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	6.33	6.26
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	56 268	55 627
Denominator: the weighted average number of dilutive ordinary shares outstanding	8 890 552	8 891 870
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	8 889 740	8 891 870
Effect of stock options on issue	812	0
The weighted average number of dilutive ordinary shares outstanding at December 31	8 890 552	8 891 870

From continuing operations		
Basic earnings per share		
Basic earnings per share - calculation (USD)	6.33	6.26
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	56 268	55 627
Denominator: the weighted average number of ordinary shares outstanding	8 889 740	8 891 870
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Diluted earnings per share		
Diluted earnings per share - calculation (USD)	6.33	6.26
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Denominator: the weighted average number of dilutive ordinary shares outstanding	8 890 552	8 891 870
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	8 889 740	8 891 870
Effect of stock options on issue	812	0
The weighted average number of dilutive ordinary shares outstanding at December 31	8 890 552	8 891 870

34. Restatement PT Agro Muko

The following standards or interpretations are applicable on the *SIPEF* group for the accounting year commencing on the 1st of January 2014:

- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2014)

IFRS 11 "Joint Arrangements" and IAS 28 "Investments in Associates and Joint Ventures"

The application of the new IFRS 11 standard has an impact on the consolidation method of the joint venture *PT Agro Muko*. The *SIPEF* group has a percentage of interest of 44.93% and a percentage of control of 47.29% in *PT Agro Muko*. Before the transition to the new IFRS 11 standard, *PT Agro Muko* was consolidated using the proportionate method. The part of the assets, liabilities, revenues and costs which belonged to the group was included in the consolidated financial statements.

After the application of the new IFRS 11 standard, the *Sipef* Group has decided to classify *PT Agro Muko* as a joint venture in accordance with the new IFRS 11 standard. Therefore, *PT Agro Muko* is included in the consolidated financial statements using the equity consolidation method. This transition was applied retrospectively. The 2013 comparative trial balances have been restated to take into consideration the new IFRS 11 standard. The effect can be summarized as follows:

Effect on the consolidated income statement

In KUSD (condensed)	31 December 2013								
	Proportionate method			Equity method			Difference		
	Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS	Before IAS 41	IAS 41	IFRS
Gross Sales	291 678		291 678	286 057		286 057	-5 621		-5 621
Cost of Sales	-197 257	4 930	-192 327	-207 043	4 503	-202 540	-9 786	-427	-10 213
Gross Margin	**94 421**	**4 930**	**99 351**	**79 014**	**4 503**	**83 517**	**-15 407**	**-427**	**-15 834**
Variation Biological assets		36 461	36 461		34 500	34 500		-1 961	-1 961
Planting costs (net)		-28 717	-28 717		-26 454	-26 454		2 263	2 263
Selling, general and admin expenses	-25 336		-25 336	-25 154		-25 154	182		182
Other operating income/charges	-2 793		-2 793	28		28	2 821		2 821
Operating Result	**66 292**	**12 674**	**78 966**	**53 888**	**12 549**	**66 437**	**-12 404**	**-125**	**-12 529**
Financial Income	155		155	142		142	-13		-13
Financial costs	-838		-838	-838		-838	0		0
Exchange variances	-2 629		-2 629	-2 868		-2 868	239		239
Financial Result	**-3 312**		**-3 312**	**-3 564**		**-3 564**	**-252**		**-252**
Profit/Loss before tax	**62 980**	**12 674**	**75 654**	**50 324**	**12 549**	**62 873**	**-12 656**	**-125**	**-12 781**
Tax	-13 956	-3 062	-17 018	-10 660	-3 031	-13 691	3 296	31	3 327
Profit/Loss after tax	**49 024**	**9 612**	**58 636**	**39 664**	**9 518**	**49 182**	**-9 360**	**-94**	**-9 454**
Share of results of associated companies	231		231	9 591	94	9 685	9 360	94	9 454
Profit for the Period (continuing operations)	**49 255**	**9 612**	**58 867**	**49 255**	**9 612**	**58 867**	**0**	**0**	**0**
Profit for the Period (incl discontinued operations)	**49 255**	**9 612**	**58 867**	**49 255**	**9 612**	**58 867**	**0**	**0**	**0**
- Non controlling interests	**2 630**	**610**	**3 240**	**2 630**	**610**	**3 240**	**0**	**0**	**0**
- Equity holders of the parent	**46 625**	**9 002**	**55 627**	**46 625**	**9 002**	**55 627**	**0**	**0**	**0**

Effect on the net assets

In KUSD (condensed)	31 December 2013		
	Proportionate method	Equity method	Difference
Balance sheet			
Tangible and intangible assets	242 754	225 265	-17 489
Biological assets	334 712	301 937	-32 775
Investments in associates	10 696	63 953	53 257
Financial assets	3 860	3 860	0
Deferred tax assets	6 914	6 914	0
Total non-current assets	**598 936**	**601 929**	**2 993**
Inventories	36 749	31 616	-5 133
Receivables	46 394	45 451	-943
Cash and cash equivalents	21 488	18 329	-3 159
Other current assets	1 037	906	-131
Assets held for sale	5 491	5 491	0
Total current assets	**111 159**	**101 793**	**-9 366**
Total assets	**710 095**	**703 722**	**-6 373**
Provisions	5 248	3 236	-2 012
Deferred tax liabilities	58 594	53 454	-5 140
Pension liabilities	11 122	9 328	-1 794
Trade liabilities	35 684	38 519	2 835
Financial liabilities < 1 year	52 420	52 420	0
Other current liabilities	3 361	3 099	-262
Liabilities associated with assets held for sale	1 780	1 780	0
Total liabilities	**168 209**	**161 836**	**-6 372**
(Net impact on) equity			
Attributable to:			
- Non-controlling interests	**33 828**	**33 828**	**0**
- Equity holders of the parent	**508 058**	**508 058**	**0**

Effect on the cash flow

In KUSD (condensed)	31 December 2013		
	Proportionate method	Equity method	Difference
Cash flow			
Cash flow from operating activities	84 568	68 657	-15 911
Change in net working capital	-74	2 750	2 824
Income taxes paid	-21 419	-16 430	4 989
Cash flow from operating activities after tax	**63 075**	**54 977**	**-8 098**
Acquisitions intangible and tangible assets	-91 644	-88 204	3 440
Acquisitions financial assets	0	0	0
Operating free cash flow	**-28 569**	**-33 227**	**-4 658**
Dividends received from associated companies	266	7 142	6 876
Proceeds from sale of assets	645	645	0
Free cash flow	**-27 658**	**-25 440**	**2 218**
Equity transactions with non-controlling parties	-5	-5	0
Decrease/(increase) of treasury shares	-173	-173	0
Increase/(decrease) short-term financial borrowings	39 814	39 814	0
Last year's dividend paid during this bookyear	-20 122	-20 122	0
Dividends paid by subsidiaries to minorities	-1 180	-1 180	0
Financial income and charges	-596	-596	0
Net increase in investments, cash and cash equivalents	**-9 920**	**-7 702**	**2 218**
Net free cash flow	**-27 836**	**-25 618**	**2 218**
Investments and cash and cash equivalents (opening balance)	30 800	25 424	-5 376
Investments and cash and cash equivalents (closing balance)	20 884	17 726	-3 158

35. Events after the balance sheet date

In September 2014 it was decided to restructure the group's rubber activities and, consequently, to also put our rubber plantation in Papua New Guinea up for sale. On 11 February 2015, a Heads of Agreement was signed. The sale should be finalized within the period of the next three months, subject to completion of a due diligence.

36. Recent developments

To the best of our actual knowledge, there are no circumstances or developments, which would have a major impact on the further development of the Group. The board of directors proposes a gross dividend of 1.25 EUR per share payable on July 1, 2015. This corresponds to a payout of 30,48% on the profit, share of the group, before IAS 41, and is identical to last year's pay-out ratio.

37. Services provided by the auditor and related fees

The statutory auditor of the *SIPEF* group is Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Dirk Cleymans. The fees for the annual report of *SIPEF* were approved by the general meeting after review and approval of the audit committée and by the board of directors. These fees correspond to an amount of 111 KUSD (against 108 KUSD last year). For the group, Deloitte has provided services for 610 KUSD in 2014 (against 565 KUSD the year before), of which 141 KUSD (2013: 117 KUSD) are for non audit services.

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Sipef NV

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2014

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Sipef NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated balance sheet shows total assets of 754.581 (000) USD and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 56.268 (000) USD.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Unqualified opinion

In our opinion, the consolidated financial statements of Sipef NV give a true and fair view of the group's net equity and financial position as of 31 December 2014, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Emphasis of Matter

Without prejudice to the unqualified opinion issued above, we draw attention to note 9. Biological assets to the consolidated financial statements which with regard to the valuation of the biological assets refers to the fact that, because of the inherent uncertainty associated with the valuation of the biological assets due to the volatility of the prices of the agricultural product and the absence of a liquid market, their carrying value may differ from their realisable value.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Antwerp, 3 April 2015

The statutory auditor

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

Parent company summarized statutory accounts

The annual accounts of *SIPEF* are given below in summarized form. In accordance with the Belgian Code on Companies, the annual accounts of *SIPEF*, 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, Calesbergdreef 5, B-2900 Schoten

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* for the year ended December 31, 2014 give a true and fair view of the financial position and results of the company in accordance with all legal and regulatory requirements.

Condensed balance sheet (after appropriation)

In KEUR	2014	2013
Assets		
Fixed assets	**219 167**	**56 637**
Formation expenses	0	0
Intangible assets	33	78
Tangible assets	213	221
Financial assets	218 921	56 338
Current assets	**30 510**	**179 192**
Amounts receivable after more than one year	0	0
Stocks and contracts in progress	462	395
Amounts receivable within one year	20 463	169 349
Investments	2 979	3 494
Cash at bank and in hand	6 545	5 918
Other current assets	61	36
Total assets	**249 677**	**235 829**
Liabilities		
Equity	**138 443**	**146 625**
Capital	34 768	34 768
Share premium account	16 285	16 285
Reserves	7 484	7 484
Profit/ (loss) carried forward	79 906	88 088
Provisions and deferred taxation	**64**	**99**
Provisions for liabilities and charges	64	99
Creditors	**111 170**	**89 105**
Amounts payable after more than one year	38 279	0
Amounts payable within one year	72 587	88 640
Accrued charges and deferred income	304	465
Total liabilities	**249 677**	**235 829**

Condensed income statement

In KEUR	2014	2013
Operating income	200 597	205 225
Operating charges	- 195 903	- 200 687
Operating result	**4 694**	**4 538**
Financial income	4 282	1 014
Financial charges	- 7 618	- 4 943
Financial result	**- 3 336**	**- 3 929**
Result on ordinary activities	**1 358**	**608**
Extraordinary income	260	2
Extraordinary charges	- 9 800	0
Extraordinary result	**- 9 540**	**2**
Result for the period before taxes	**- 8 182**	**610**
Income taxes	0	2
Result for the period	**- 8 182**	**612**

Appropriation account

In KEUR	2014	2013
Profit/ (loss) to be appropriated	**79 906**	**99 406**
Profit/ (loss) for the period available for appropriation	- 8 182	612
Profit/ (loss) brought forward	88 088	98 794
Appropriation account	**79 906**	**99 406**
Transfers to legal reserve	0	0
Transfers to other reserves	0	128
Result to be carried forward	68 716	88 088
Dividends	11 190	11 190
Remuneration to directors	0	0

SIPEF

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