The connection to the world of sustainable tropical agriculture

Interim statement of the SIPEF group

as per 30 September 2024 (9m/24)

Confirmation of solid results for 2024

- A general cyclical decline in palm oil production, both in Indonesia and in Papua New Guinea, as well as the effects of the volcanic eruption in 2023 in Papua New Guinea, led to a temporary 9.0% decrease in palm oil production of the SIPEF group during the first nine months of the year.
- In Indonesia, a slight 0.2% decline in own Fresh Fruit Bunch production compared to 2023 was noted. Nevertheless, there are production increases of 3.0% in the mineral soil estates of North Sumatra and 10.5% in South Sumatra.
- In Papua New Guinea, while overall production of palm oil decreased by 21.1% due to the 2023 volcanic eruption, recovery efforts are now complete, with a rebound in production expected in 2025.
- Banana production continued to grow and increased with 26.7% compared to 2023. This increase stems from the completion of 485 hectares added in strategic sites Lumen and Akoudié across Côte d'Ivoire.
- Demand for palm oil remained strong in the third quarter with price levels above USD 1 000 per tonne CIF Rotterdam, going as far up as USD 1 100 per tonne CIF Rotterdam.
- 82.0% of the projected palm oil volumes were sold at an average ex-mill gate price of USD 854 per tonne.
- The projected Group recurring annual result is expected to be between USD 60 and 70 million.
- The Group is heading for a limited net financial debt at year end 2024, comparable to the net financial debt at the end of 2023.
- The cash flow of 2024 will support the dividend paid in the second semester of 2024, as well as the extensive capex programme nearing USD 100 million including the completion of the construction of the Agro Muara Rupit mill in South Sumatra in 2024.
- Prospects are positive with a sustained strong palm oil market, an increased number of maturing hectares in Indonesia and a rebound in production expected in Papua New Guinea in 2025 for the areas impacted by the 2023 volcanic eruption.
- The SIPEF subsidiary in Côte d'Ivoire supports industry efforts focussed on living wage and shared responsibility in the Ivorian banana sector.
- SIPEF will launch its innovative supply chain traceability tool by end of October, strengthening its commitment to compliance with the EU Deforestation Regulation (EUDR).

1. Group production

Group production

2024 (in tonnes)	Own	Third parties	Q3/24	YoY%	Own	Third parties	YTD Q3/24	YoY%
Palm oil	78 485	13 270	**91 756**	*-14.7%*	222 201	44 301	**266 502**	*-9.0%*
Rubber	0	0	**0**	*-100.0%*	59	0	**59**	*-92.9%*
Bananas	12 250	0	**12 250**	*19.4%*	37 372	0	**37 372**	*26.7%*

2023 (in tonnes)	Own	Third parties	Q3/23	Own	Third parties	YTD Q3/23
Palm oil	93 008	14 551	**107 559**	241 887	50 992	**292 880**
Rubber	179	0	**179**	693	141	**834**
Bananas	10 257	0	**10 257**	29 487	0	**29 487**

Following a strong start to the year, the Group experienced a decline in its Indonesian production during the third quarter of 2024 compared to the previous year. The production of Fresh Fruit Bunches (FFB) in the third quarter fell by 10.8% compared to the same period in 2023, with a slight year-to-date decline of 0.2%.

The Agro Muko estates in Bengkulu continue to be affected by the dry weather spells of 2023, which have impacted the bunch formation process and the transition from flowering to fruiting. FFB productions on the organic soil estates in North Sumatra have suffered from excessive rainfall and flooding during the start of the year, resulting in lower FFB productions in the third quarter.

In contrast, the North Sumatra estates saw robust performance on mineral soils, with ample rainfall in the third quarter leading to a 3.0% production increase compared to 2023. Additionally, the steadily maturing young plantations in South Sumatra boosted fruit production by 10.5% year-over-year, although there was a minor 0.1% dip in the third quarter due to drier conditions which slightly affected bunch ripening and reduced the bunch sizes from the younger mature areas.

By the end of September, the Group's Indonesian palm oil production decreased by 1.7% compared to the previous year. Despite ongoing efficiency improvements at the Indonesian palm oil extraction mills, the Oil Extraction Rate (OER) was 0.5% lower than the same period last year.

In Papua New Guinea, SIPEF’s own production areas are steadily recovering from last year’s volcanic eruption. Rehabilitation pruning of approximately 3 500 hectares affected by volcanic ashfall was successfully completed in May, with more than half of the frond canopy removed. While bunch formation remains low in these areas and the reduced crop is expected to persist throughout the remainder of 2024, a rebound in production is anticipated in 2025. As a result, FFB production is currently 20.1% below the same period last year.

Smallholders also experienced lower yields, with a decline of 8.8% in the third quarter compared to 2023, due to the combined effects of reduced fertilizer application in 2022 and the ashfall from the 2023 volcanic eruption. However, the 2024 wet season, though more intense than the past three years, brought beneficial rainfall to most areas.

The OER for the Papua New Guinea palm oil mills was 23.3% as of September 2024, slightly lower than the 24.5% recorded in September 2023. The wet season had a temporary impact on OER earlier in the year, but it has gradually improved. Encouragingly, some areas of the Papua New Guinea plantations that previously faced poor fruit sets, have begun to show signs of recovery. Total palm oil production in Papua New Guinea decreased by 21.1% compared to the first nine months of last year.

The Group's overall palm oil production declined by 14.7% in the third quarter of 2024 and 9.0% year-to-date. Despite some of the challenges, the recovery efforts in Papua New Guinea, the increased number of maturing hectares in South Sumatra and the overall improved conditions in Indonesia provide a positive outlook for future production.

Banana productions saw a 26.7% year-on-year increase by the end of September 2024, driven by the expansion initiated three years ago and by the progress on development of the Lumen site. The total planted area now covers 1 261 hectares, an increase of 50 hectares compared to the previous quarter. There are strong agronomic yields in the expansion areas which are compensating for lower yields at historic production sites which are facing more pronounced unfavourable agronomical conditions. Currently, 38% of operations are on new extensions, with full development expected by the end of the first quarter of 2025. Climatic conditions have been generally normal, with the most productive hot, humid period ahead following a normal rainy season.

2. Markets

Average market prices

In USD/tonne		**YTD Q3/24**	**YTD Q3/23**	**YTD Q4/23**
Palm oil	CIF Rotterdam*	1 020	975	964
Rubber	RSS3 FOB Singapore**	2 223	1 553	1 577
Bananas	CFR Europe***	820	832	830

** Oil World Price Data*
***World Bank Commodity Price Data (updated database)*
**** CIRAD Price Data (in EUR)*

The third quarter began with a steady yet slightly softer palm oil market. Palm oil regained its traditional competitive pricing position against alternative oils while maintaining a consistent premium over petroleum. Consumer interest remained robust, driving strong export activity, particularly from Malaysia.

As the palm oil production cycle approached its peak season, most market participants focused on the expected stock growth in the second half of the year. Concurrently, a record level of soybean crops was harvested in the United States, exerting price pressure on the market. While the soybean harvest signals potential competition for palm oil, the performance of rapeseed and sunflower seed crops in the Northern Hemisphere has been less favourable, with their effects anticipated to impact the market in 2025. In addition to crop performance, the macroeconomic environment remains a critical focus for market participants. Despite various ongoing geopolitical conflicts, petroleum prices have remained relatively stable, providing a degree of resilience within the broader market.

Despite a slightly bearish macro-outlook and negative sentiments regarding other vegetable oils, palm oil maintained a steady trajectory in August, developing a premium over its competitors and a significant premium over gasoil, which would certainly put pressure on biodiesel mandates. Indonesia reaffirmed its commitment to its internal policy by announcing an increase from B35 to B40 for 2025, effectively removing an additional three million metric tons of biodiesel from the export market.
The market was confronted with some unexpected developments mid-September. India sharply raised its import duties on all major vegetable oils with 20.0%. This hike was initially anticipated to dampen demand.

Instead, it surged as oil stocks were revealed to be so low that the country was compelled to buy in advance of its festival season.

Additionally, the Indonesian government revised its export levy scheme for Crude Palm Oil (CPO) as from 22 September 2024. This scheme, previously consisting of a sliding scale levy calculated in USD 50/tonne price bands, was replaced by a flat 7.5% levy based on the government's CPO reference price. The adjustment results in lower levies across all price levels, while the export tax structure remains unchanged. SIPEF does not expect any material impact from this regulatory shift, as the majority of its CPO sales occur within the local Indonesian market, where no export levies or taxes apply. However, local CPO prices are typically aligned with international prices, reflecting delivery costs and export tariffs. Therefore, any changes in export policies may indirectly influence domestic selling prices.

Short covering by traders and funds, combined with heightened physical demand in an inverted market, triggered a substantial rally in late September and October. Such supply-driven rallies are often more volatile and intense, catching many market participants off guard. Despite the prevailing assumption of strong production levels, actual output proved to be weaker than anticipated. This unexpected decline in supply contributed to a surge in palm oil prices, while premiums over competing oils and gasoil appeared to be largely overlooked in the market response. Market prices hovered around USD 1 000 per tonne CIF Rotterdam before the rally pushed them to USD 1 100 per tonne CIF Rotterdam, with spot prices frequently exceeding this threshold.

The palm kernel oil (PKO) market, reflecting the physical status of the palm oil crop with greater immediacy, experienced tightness right away. Strong demand for lauric oils and a robust premium for coconut oil reinforced the rationale for PKO-prices to rise from USD 1 200 per tonne CIF Rotterdam to nearly USD 1 500 per tonne CIF Rotterdam, widening its premium over palm oil to USD 400 per metric ton.

The third quarter proved favourable for the banana market, with strong consumption and limited supply to the European market. As a result, prices remained stable and well above the trends of previous years. Following the back-to-school season and the supermarket promotions launched during this time, demand increased, accompanied by a seasonal surge in supply mainly from Colombia and, to a lesser extent, Costa Rica.

3. Prospects

3.1. Projected production

The fourth quarter usually yields a higher level of palm oil production in Indonesia. However, the exceptionally dry weather conditions of last year's third quarter are expected to still have a temporary impact, although the North Sumatra mineral estates are performing relatively well, and recovery is ongoing in Bengkulu.

In Papua New Guinea, the production continues to experience the impact of the 2023 volcanic eruption. Nevertheless, to date, more than 3 000 hectares have been rehabilitated and the recovery of crop is expected to pick up early 2025.

It is likely for the decline in the total annual FFB production of 6.0% to continue to accumulate in the fourth quarter. A slight improvement in OER, CPO, and Palm Kernels (PK) output is expected in the final months of the year, although it is unlikely to reach last year's levels. It is worth noting that many in the industry are facing similar challenges, with overall palm oil production down compared to last year. Production for the year may not grow as initially predicted based on the typical yield patterns of the current planted hectares. As a result, 2024 is likely to be recorded as an agronomical 'lower production year' for the SIPEF group.

Regarding bananas, SIPEF anticipates continued growth in production volumes in the coming period, with promising prospects for quality and yields.

3.2. Future evolution of markets

The palm oil outlook for the remainder of 2024 remains challenging. Palm oil's premium over competing oils is expected to limit demand and a market adjustment seems necessary, especially as Indonesia's expanded biodiesel programme continues to reduce palm oil supply. The geopolitical uncertainty and its effects on oil supplies may further influence palm oil demand. Rising tensions in the Russia-Ukraine conflict also impact the palm oil industry, as the limited availability of oil leads to increased price pressures and disrupts trading dynamics.

Although Malaysian palm oil production outperformed 2023 levels during the first eight months of 2024, this trend is now reversing. Indonesian production has been consistently lower throughout the year, reflecting reduced yields. Strong physical demand, fuelled by declining stocks at key market destinations, is tightening supply.

Final figures show that the United States soybean crop yields reached a record high, while sunflower and rapeseed crop yields from Europe and Russia were reduced. Looking at crops in South America, the current planting conditions are proving challenging, with certain areas experiencing the worst drought in history. While it is too early to predict decreased yields, the market is already reflecting some risk premiums for oil production from these crops.

Early October, the European Commission proposed delaying the implementation of the EU Deforestation Regulation (EUDR), set to enter into force on 30 December 2024, by one year. While many stakeholders, including SIPEF, have been and continue preparing for compliance, this delay, which as yet awaits approval by the European Parliament and European Council, has left the market in a state of uncertainty about the regulation's implementation.

In conclusion, despite challenges, the outlook for palm oil prices remains positive, although the premium of palm oil over other oil products may not be sustained over the medium term. SIPEF remains confident in a strong palm oil market going forward.

While on bananas a slight price erosion is currently observed, it has not significantly impacted annual averages. The growing consumption of fruits and vegetables, including bananas, continues, with approximately 5% additional annual volumes being marketed across Europe. The fluctuating global production, resulting from the impacts of extreme weather conditions and increasingly complex logistics, suggests a good commercial window for the fourth quarter as well as strengthening prices for 2025.

3.3. Projected Results

In a continuously strong palm oil market with, historically, persistently high price levels, SIPEF has so far been able to sell 82.0% of its budgeted palm oil volumes at an average ex-mill gate price of USD 854 per tonne, including premiums for sustainability and origin. At the same time last year, SIPEF had contracted 82.0% of volumes at roughly the same average ex-mill gate price of USD 855 per tonne equivalent.

These sales already realised in 2024 correspond to 94.0% of the volumes budgeted for Papua New Guinea, adjusted downwards for the effects of the volcanic eruption, at an average ex-mill gate price of USD 959 per tonne. 76.0% of the volumes projected for the Indonesian operations were sold at an average ex-mill gate price of USD 786 per tonne. In Indonesia, local sales prices continue to be affected by a combined export tax and levy set monthly by the Indonesian government, currently at USD 119 per tonne. Given the uncertainty in determining the reference price for palm oil, which forms the basis for the imposed tax and levy, most available palm oil volumes in Indonesia are marketed on a monthly basis.

Key inputs, which relate to the unit production cost of palm oil, such as fuel prices and transport costs, were up slightly in the first half due to the geopolitical environment but have continued to come down during the second half of the year. On the other hand, the strengthening of the USD has halted since August 2024, and the exchange rate of the Indonesian Rupiah has appreciated again to the same level as at the end of 2023. This has also halted the positive effect of the first 8 months of 2024 on local costs such as salaries and wages, when expressed in USD. The Papua New Guinea PGK continues to devaluate against the USD, resulting in a positive effect on the cost price of our Papua New Guinea activities when expressed in USD.

The Group expects the future unit production costs will continue to decline to the extent that the mature plantings in South Sumatra will continue to grow, resulting in increasing harvesting volumes.

Thanks to the continuation of the usual marketing policy of fixed-price annual contracts with reputable European customers in 2024, the Group is not subject to the volatility of international banana markets. Thus, Plantations J. Eglin could provide a stable contribution to gross profit throughout the year.

Due to the impact of the 2023 volcanic eruption on production volumes in Papua New Guinea in 2024, as well as the negative effects of the droughts witnessed on the plantations in Indonesia, the Group expects the final productions to be lower than last year. With continued high palm oil prices leaning towards the significant levels of 2023 but offset with the decreasing productions, SIPEF can look forward to solid results in 2024. The Group expects the final recurring result to be between USD 60 and 70 million.

In addition to the possible price effects of the palm oil markets mentioned earlier, the final recurring result will largely depend on achieving the expected productions in Indonesia and Papua New Guinea, maintaining the current export tax and duty policy in Indonesia and the further evolution of cost prices in the fourth quarter of 2024.

3.4. Cash flow and expansion

The Group continues to focus on investments in South Sumatra. In Musi Rawas, these programmes involve further expansion of planted areas and new infrastructure. In Dendymarker where replanting of more than 10 000 hectares has been completed, the aim is to improve the existing infrastructure.

In Musi Rawas, until the end of September 2024, 18 945 hectares have been newly planted with oil palms, in line with the RSPO 'New Planting Procedures', of which 14 495 hectares (76.5%) are young matures and producing an increasing volume of fruit. Together with Dendymarker plantings of 10 202 hectares, the total renewed and cultivated area in the South Sumatra business unit at the end of June already amounted to 29 147 hectares, of which 22 284 hectares (76.4%) are young mature. Meanwhile, the South Sumatra business unit accounts for almost a quarter of the SIPEF group's palm oil production in Indonesia.

The new palm oil extraction mill located at the Agro Muara Rupit plantation in Musi Rawas, which was commissioned in June 2024, continued to be operational during the third quarter of 2024. This mill has a current processing capacity of 45 tonnes per hour. Together with the Dendymarker mill, with a capacity of 60 tonnes per hour, the palm oil extraction mill will ensure efficient processing of the entire crop, both from own plantations and smallholders in South Sumatra.

The Group will continue its ongoing expansion programme in South Sumatra. It will also continue investing in renewing materials and increasing the efficiency of its palm oil extraction mills in the other areas. The usual replanting programme, comprising the replanting of 12 090 hectares of older plantations in Sumatra, Papua New Guinea and Côte d'Ivoire, will also be further implemented. In particular, the conversion of rubber plantations in North Sumatra and Bengkulu into 2 951 hectares of oil palm in full growth requires a lot of attention.

The strategic investments in 'value creation' are closely linked to innovation, early adoption of new techniques and operational improvements, with a specific focus on the production of high-quality, low- contaminant oil. Initial results from the application of these innovative techniques are undeniably promising. These investment initiatives will already exceed USD 10 million by the end of 2024 and new initiatives will be continued in 2025.

In Côte d’Ivoire, the expansion of Plantations J. Eglin's new banana plantation will be completed in the final months of 2024. This will bring the total planted area to 1 338 hectares by the end of 2024, leading to a gradual increase in production to 60 000 tonnes by 2025.

The financing of this extensive and diversified investment budget of over USD 100 million should fit within the operating cash flow generated for the year. As a result, the 'Net Financial Debt Position' at the end of 2024 is expected to closely match the well-managed position at the end of 2023.

4. Sustainability

4.1. Plantations J. Eglin supports industry efforts at event on living wage and shared responsibility

Plantations J. Eglin played a key role in supporting a major industry event held in Abidjan in September 2024, focused on promoting living wage and shared responsibility in the Ivorian banana sector. The three-day event, organised by Afruibana, brought together unions, banana producers, retailers, and government representatives from Côte d'Ivoire, along with organisations like the Comité de Liaison Entrepreneuriat-Agriculture-Développement (COLEAD), Banana Link, the World Banana Forum, the Confédération Générale des Entreprises de Côte d’Ivoire (CGECI), and the International Labor Organization (ILO).

As part of its commitment to driving positive change, Plantations J. Eglin hosted a field visit to its Azaguié site, where participants observed the company's operations, and its robust social initiatives designed to support workers. The event also featured collaborative working sessions that addressed the challenges and opportunities for achieving sector-wide living wage commitments and enhanced shared responsibility.

The event concluded with the signing of the Joint Working Group Charter, laying the foundation for future negotiations on a sector-wide agreement between employers and workers. Additionally, a declaration of intent was launched, emphasizing the need for fair pricing, living wages and shared responsibility.

Plantations J. Eglin’s involvement underscores its support for greater collaboration across the banana value chain, from plantations to retailers, to foster an ethical and sustainable future for the sector.

4.2. SIPEF to launch Supply Chain Traceability Tool strengthening commitment to EUDR compliance

SIPEF is set to launch its innovative Supply Chain Traceability Tool in October 2024, reinforcing its commitment to a fully traceable supply chain and compliance with the EU Deforestation Regulation (EUDR). The software, which will be operational in the fourth week of October, will enable SIPEF to ensure comprehensive traceability from plantation or smallholder blocks all the way to the final product.

This advanced tool offers a range of key features, including end-to-end tracking of products from origin to destination, geospatial mapping to monitor sourcing areas and prevent deforestation, and automated compliance management to streamline certification processes. By integrating these capabilities, the software tool will provide SIPEF with greater visibility and control over its entire supply chain.

The launch of this tool underscores SIPEF’s commitment to sustainability and responsible sourcing, aligning with the latest EUDR requirements and ensuring full compliance with stringent regulations well ahead of their planned implementation. This new system will play a crucial role in helping SIPEF manage its supply base more efficiently while upholding its environmental and social responsibilities.

Translation: this press release is available in Dutch and English. The Dutch version is the original; the other language version is a free translation. We have made every reasonable effort to avoid any discrepancies between the different language versions. However, should such discrepancies exist, the Dutch version will take precedence.

Schoten, 17 October 2024

For more information, please contact:

* P. Meekers, managing director (Mobile +32 471 11 27 62)
* B. Cambré, chief financial officer

Tel.: +32 3 641 97 00

investors@sipef.com
www.sipef.com (section "investors")

SIPEF is a Belgian agro-industry group listed on Euronext Brussels and specialised in the – as sustainable certified - production of tropical agricultural commodities, primarily crude palm oil and palm products. These labour-intensive activities are consolidated in Indonesia, Papua New Guinea and Côte d'Ivoire and are characterised by broad stakeholder involvement, which sustainably supports the long-term investments.