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PRESS RELEASE:

WARA reviews SIFCA Group's ratings

WARA once again affirms SIFCA's rating at 'BBB+'; outlook revised from 'stable' to 'positive'

WARA once again affirms at 'BBB+' the long-term rating of the SIFCA Group, the largest private-sector employer of Cote d'Ivoire. However, the outlook is revised from 'stable' to 'positive'.

Abidjan, 19/06/2018 - **West Africa Rating Agency** (WARA) has affirmed the long- and short-term ratings of the **SIFCA Group**, as well as its bond rating. On WARA's regional scale, the long-term credit and bond rating of the SIFCA Group remains "**BBB+**", an investment grade credit rating, and the short-term credit rating stays "**w-4**". However, the outlook attached to these ratings is revised from stable to **positive**.

Simultaneously, WARA has also affirmed SIFCA's ratings on its international scale, while revising the outlook from stable to positive. Therefore, the foreign-currency ratings and outlook of SIFCA become: **iB+/Positive/iw-5**.

The main reason why WARA has made this decision to revise the outlook to positive stems from the considerable efforts the Group have made to lower its breakeven point, as a result of twin actions: i) strict control over costs in all three lines of business, and ii) larger production capacities, in order to capture economies of scale without compromising quality. WARA shares the Group's option according to which this strategy is the only viable way to strengthen SIFCA's resilience against the volatility of palm oil and rubber prices. Nevertheless, SIFCA's ratings remain structurally dependent on price volatility. Indeed, the evolution of the world prices for these commodities directly affects SIFCA's revenues, in an exogenous way. However, SIFCA's competitive advantages in its market, its impeccable management of the value chain for natural rubber, palm oil and sugar, as well as its healthy financial position, despite market volatility, are three key rating factors. More volumes make heavy investments necessary: notwithstanding a stronger capacity to generate operating cash flows thanks to sustained commodities prices since 2016 and robust cost controls, the Group will likely raise more debt, which in turn will reduce its financial flexibility.

The counterparty credit rating of SIFCA benefits from no external support factor. However, WARA's opinion with regards to SIFCA's creditworthiness takes into account the advantages that the Group extracts from the close relationships it has built with its strategic shareholders, i.e. Wilmar in the palm oil sector, and to a certain extent, with Michelin in the rubber sector and Terra in the sugar sector.

Established in 1964 in Abidjan, SIFCA holds a key position within the West-African agro-industrial sector and economic ecosystem. SIFCA is the first private-sector employer in Cote d'Ivoire, with more than 30,000 employees.

An upgrade of SIFCA's ratings will depend on: i) a material and prolonged increase of natural rubber and palm oil prices; ii) the successful continuation of its strict cost control policies and procedures; iii) the success of its expansion plans in order to modernize and/or increase the current production capacities for its various subsidiaries; iv) the saturation of its production plants with high-quality inputs; and v) the stronger development of commercial strategies by Sania and Sucrivoire to foster their regional growth.

A downgrade of SIFCA's ratings would be the consequence of: i) a new political crisis in Ivory Coast; ii) the loss of market share on its domestic, regional and international markets; iii) a prolonged period of low SICOM and CPO CIF Rotterdam prices; iv) detrimental delays regarding investments to modernize and/or increase production capacities; or v) leverage levels that WARA would consider excessive or unsustainable.

As a matter of reference, WARA considers that the probability of occurrence of the best case scenarios is higher than that of the worst case scenarios in the medium term; in other words, SIFCA's current ratings carry lower downward pressure than upward potential.

The methodology used by WARA to rate the SIFCA Group is the credit rating methodology for the industrial and commercial companies, which was published on the 15th of July 2012 (revised in September 2016) and is available on WARA's website: http://www.emergingmarketsratings.com/.

Information sources used by WARA to carry out the SIFCA's ratings are mainly private information obtained during discussions with SIFCA's management team and subsidiaries in March 2018. This information, coupled with publicly available sources, is considered by WARA as satisfactory for conducting SIFCA's credit rating process.

Finally, WARA states that the credit rating process of SIFCA was requested and participating, meaning that it was performed upon a request by the SIFCA Group, and that SIFCA's management actively participated in the discussions with WARA's team of analysts.

SIFCA's rating of '**BBB+**' is 2 notches above the minimum credit rating accepted by the CREPMF to issue debt without a guarantee.

The comprehensive credit rating report is available upon request by e-mail.

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