SIPEF

SIP LISTED EURONEXT

The connection to the world of sustainable tropical agriculture

Results of the SIPEF group

as per 31 December 2019 (12m/19)

- Due to a general decline in palm crops in Indonesia and the effect of three volcanic eruptions in Papua New Guinea, the annual palm oil production of the SIPEF group fell by 11.2% compared with the previous year.
- Because of the increased contribution of the young maturing areas, the Indonesian palm activities experienced a limited volume growth (+2.5%) in the fourth quarter, compared with the same period a year ago, but the overall yearly production reduced by 0.7%.
- The oil palm plantations in Papua New Guinea gradually recovered from the three volcanic eruptions of Mount Ulawun earlier in 2019, but the palm oil production at the own plantations fell by 38.1% compared with the fourth quarter of 2018.
- The damage caused by these eruptions affected almost half of the planted hectares and it will take at least two years for up to 3 000 hectares to be returned to their optimal production conditions.
- The result before tax was KUSD 852, compared with KUSD 39 598 in 2018, chiefly due to low market prices for palm oil.
- Due to the tax expense and the negative share of the research activities, the IFRS net result, share of the Group, was KUSD -8 004, compared with KUSD 30 089 the previous year. The proposal will be not to declare a dividend for the financial year 2019, in line with the applied dividend policy.
- The expansion of the activities in South Sumatra continued steadily, in spite of the limited cash flow, with the planted hectares at the end of 2019 increasing by 2 427 hectares to 82 967 hectares (of which 76 302 hectares share of the Group).
- The investment expenses amounted to KUSD 66 746, with net debt up to KUSD 164 623.
- On an improving palm oil market, 36% of the expected palm oil production for 2020 has already been sold at an average price of USD 727 per tonne CIF Rotterdam, premiums included, and, in spite of the negative impact of the coronavirus, the expected price trend remains positive.
- Having entered in a more comforting price environment for palm oil since the end of 2019, with prices touching the USD 750 to USD 800 per tonne levels, there is a prospect for improving results in 2020.
- As an RSPO-compliant producer, SIPEF continues to supply certified, traceable sustainable palm oil to the European and Asian markets.

1. Management report

1.1. Group production

Group production

2019 *(in tonnes)*	**Own**	**Third parties**	**Q4/19**	**YoY%**	**Own**	**Third parties**	**YTD Q4/19**	**YoY%**
Palm oil	65 587	12 422	78 009	-13.40%	264 641	47 873	312 514	-11.16%
Rubber*	1 194	296	1 490	-27.85%	5 495	831	6 326	-20.75%
Tea	571	0	571	-25.26%	2 331	0	2 331	-3.76%
Bananas	8 563	0	8 563	18.52%	32 849	0	32 849	18.21%

2018 *(in tonnes)*	**Own**	**Third parties**	**Q4/18**	**Own**	**Third parties**	**YTD Q4/18**
Palm oil	72 929	17 148	90 077	290 441	61 316	351 757
Rubber*	1 740	325	2 065	6 930	1 052	7 982
Tea	764	0	764	2 422	0	2 422
Bananas	7 225	0	7 225	27 788	0	27 788

*Tolan Tiga Group rubber production has been split into own and outgrower production. The outgrower production consists of PT Timbang Deli. The figures of prior year have been restated.

The production of palm oil fruits in the fourth quarter remained below expectations for the SIPEF group in Indonesia. After drier than normal conditions in the first and third quarter, the exceptionally changeable weather continued, with a very wet October and November in North Sumatra. On the other hand, it was exceptionally dry in Bengkulu, followed by a very wet December. It can be concluded that, except for the young plantings in South Sumatra, the SIPEF plantations will follow the general annual trend of lower production for the whole of Indonesia.

In the fourth quarter, there was a 8.8% fall in the more mature plantations of North Sumatra and a 7.4% fall in the somewhat younger UMW/TUM plantations. However, the decline was limited to 3.0% in the Agro Muko plantations of Bengkulu province, primarily due to the young plantings. On an annual basis, there was a 5.7% decline for the mature plantations compared with the exceptionally good production year of 2018.

The sufficient rainfall in December meant that the young plantings in South Sumatra ended the year strongly (+31.9%). As a consequence, total production, which already accounts for 7.5% of the Indonesian volumes, rose by 42.9%. A striking increase in oil extraction rates, from 18.0% to 20.6%, was noted at the Dendymarker mill, which completely processes the total production of South Sumatra.

Due to the three volcanic eruptions of June, August and October, around 45% of the planted surface area was more or less covered with a layer of ash and small stones, up to 15 cm in places. This significantly affected the production of fruit. For the fourth quarter SIPEF recorded a 35.2% fall in production at the own plantations and a 24.5% fall at smallholders, who were less affected by the ash clouds. With harvesting and transport made more difficult, the extraction rates for the quarter were also lower than the previous year (24.5% versus 25.6%) and annual palm oil production ended 37 852 tonnes down on the previous year (-26.9%).

The aforementioned events led to a 13.4% decrease in the palm oil production of the Group in the last quarter and a 11.2% fall over the whole of 2019.

The much-discussed fungal infection, which has already affected large parts of Southeast Asia, also considerably extended the wintering period for the SIPEF group, significantly limiting the latex production of rubber trees. Both the mature plantations in North and South Sumatra and the younger plantings at Agro Muko experienced substantial declines in production, which were 31.4% in the fourth quarter and 20.7% over the whole production year.

The year started strongly for Cibuni tea production. It exceeded production in the first quarter of 2018 by 10.7%. That was followed by five months without any rain worth mentioning in Java, which meant that annual precipitation was 28% below the 10-year average. As a result, production fell quarter after quarter, ultimately ending 3.8% lower than the annual production in 2018.

Banana production returned to normal in 2019 after a relatively poor production year. SIPEF once more recorded volumes 18.2% higher than in 2018, with an annual production of almost 33 000 tonnes. All four plantations made a positive contribution to this rise, but the Motobé plantation in particular confirmed the complete reestablishment of profitability standards, with production rising by 44.3%.

1.2. Markets

Average market prices

In USD/tonne		YTD Q4/19	YTD Q4/18
Palm oil	CIF Rotterdam*	566	598
Rubber	RSS3 FOB Singapore**	1 640	1 565
Tea	Mombasa**	2 226	2 579
Bananas	CFR Europe***	662	647

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

The palm oil market in the fourth quarter of 2019 experienced one of the biggest rallies in recent years where the market increased from 2 200 to 3 100 ringgit on the Malaysia Derivatives exchange (MDEX). The physical prices increased even more. This was driven by a strong reduction in production and very good demand, leading to lower stocks.

In Indonesia signs of lower production were already showing in the third quarter, following the dry weather and a strong reduction of fertiliser application from the middle of 2018 when prices started to trigger cost cutting measures. In Malaysia the production was still on par, but dropped off strongly during October. The actual reduction in production in November and December was unprecedented, and with the good demand domestically and for export, stocks reduced tremendously.

Demand for palm oil in China particularly was very strong where it was driven partially by a lower soybean crush. This was a result of the lower protein demand following the culling of the pig herd due to African swine fever as well as lower lard production for the same reason. In general, export demand for palm oil was very good as the low-price environment had triggered demand switches from other vegoils, but also an absolute stronger demand growth.

The domestic biodiesel demand in Indonesia was another very important factor. B30, where 30% palm methyl ester is blended with regular diesel, was confirmed to be mandatory from January 2020 onwards. In 2019 there was already an increase of 2 million tonnes for domestic biodiesel blending, and for 2020 this could be another 2.5 million tonnes. The Indonesian government really showed its commitment to realising the directive, therefore reducing their dollar outflow to import regular diesel - an important macro-economic measure of the Jokowi government - and support the suffering palm oil smallholders at the same time. The biodiesel policy is also funded by the export levy, hence a solid plan despite palm oil being traded at a premium versus gasoil. Malaysia also announced an increase from B10 to B20, but this plan is less substantiated by well-defined funding.

The trade war between the US and China kept lingering on and the South American soybean crop seemed to be in good condition. But all these factors were less important as the supply and demand in palm oil was developing at such a pace towards a future shortage, that it rallied to the highest level in three years. The palm oil prices jumped from USD 560 per tonne CIF Rotterdam in October to USD 830 in December.

As coconut oil production was coming off and the palm kernel oil market was suffering from lower yields also, the relative high palm kernel oil stocks from the third quarter reduced quickly, although not as tightly as the palm oil market. The price nearly doubled from USD 560 to USD 1 040 per tonne CIF Rotterdam by the end of the year. The current premium of lauric oils over palm oil has normalised again, around USD 200 a tonne.

Rubber prices on the futures market moved upwards during the last quarter of the year, completely overturning the drop experienced in the third quarter. However, physical trade remained subdued most of the time, as the automobile industry is still experiencing difficult times. Improved sentiment in the China-US trade war, as well as news of dropping production in the main producers, Thailand and Indonesia, added to the positive price movement. Both Thailand and Indonesia reported a higher incidence of a leaf disease heavily affecting yields. Prices for SICOM RSS3 traded from USD 1 454 per tonne early October to USD 1 684 per tonne by the end of December.

Tea prices in the Mombasa auction moved up slightly at the start of the fourth quarter as winter demand set in. However, with increased volumes entering the auction, prices retreated to the levels seen before. The government in Pakistan issued new laws for businesses also impacting tea firms, which resulted in their remaining reluctant to buy large volumes.

1.3. Consolidated income statement

Consolidated income statement

In KUSD (management presentation)	**31/12/2019**	**31/12/2018**
Revenue	248 311	275 270
Cost of sales	-212 038	-201 040
Changes in the fair value	889	-2 134
Gross profit	**37 162**	**72 096**
General and administrative expenses	-31 481	-31 759
Other operating income/(charges)	- 741	2 352
Operating result	**4 940**	**42 689**
Financial income	2 161	2 308
Financial charges	-5 473	-3 733
Exchange differences	- 775	-1 666
Financial result	**-4 088**	**-3 091**

Result before tax	**852**	**39 598**
Tax expense	-6 772	-14 155
Result after tax	**-5 920**	**25 443**
Share of results of associated companies and joint ventures	-1 485	- 854
Result from continuing operations	**-7 404**	**24 589**
Gain on sale BDM-ASCO	0	7 376
Result for the period	**-7 404**	**31 965**
Result from continuing operations share of the group	**-8 004**	**22 713**
Gain on sale BDM-ASCO share of the group	0	7 376
Result for the period share of the group	**-8 004**	**30 089**

Consolidated gross profit

In KUSD (condensed)	**31/12/2019**	**%**	**31/12/2018**	**%**
Palm oil	34 445	92.7%	68 800	95.4%
Rubber	-2 244	-6.0%	-1 065	-1.5%
Tea	- 370	-1.0%	627	0.9%
Bananas and plants	4 697	12.6%	2 793	3.9%
Corporate and others	634	1.7%	941	1.3%
Total	**37 162**	**100%**	**72 096**	**100%**

Total revenue fell to USD 248 million (-9.8% compared with 2018).

Palm oil revenue fell by 12.4%, due to a combination of lower production volumes, particularly at Hargy Oil Palms Ltd in Papua New Guinea (-26.9%), and the lower price for crude palm oil (CPO) on the world market. The average world market price for CPO in the most recent year was USD 32 per tonne CIF Rotterdam or 5% lower than in the same period the year before.

Rubber revenue fell by 11.7% compared with 2018, mainly due to the lower volumes sold at comparable prices.

Tea revenue fell by 7.0%, in spite of the higher volumes sold (+11.1%), due to the considerably lower sales prices (-13.7%).

Revenue in the banana and flower activities increased by 28.7%, primarily due to the higher production volumes (+18.2%). Furthermore, from 2019 turnover is reported ‘Cost & Freight’ rather than FOB.

The average ex-works unit cost price for the mature oil palm plantations increased by some 9.5% compared with 2018. In Indonesia, the average ex-works unit cost increased by 6.7%, which can be viewed as a normal rise in a period without currency devaluation. The Indonesian currency has been devalued by 54.6% since 2010, but this trend has flipped somewhat recently. At Hargy Oil Palms Ltd in Papua New Guinea the ex-works unit cost rose by 26.1%, as a consequence of the major fall in production caused by the difficult weather conditions in the first half of the year and, particularly, the three volcanic eruptions between the end of June and October 2019.

The adjustment in fair value was due to the impact on the measurement of hanging fruits at their fair value (IAS 41R).

Gross profit fell from KUSD 72 096 in 2018 to KUSD 37 162 (-48.5%) in 2019.

The gross profit of the palm segment (92.7% of the gross profit) decreased by KUSD 34 335 (-49.9%) compared to 2018 due to lower productions and lower palm oil prices. The lower productions in Hargy Oil Palms Ltd alone (see above) represented a negative effect of approximately USD 9 million on the gross profit.

The contribution of the rubber segment remained negative due to the disappointing production figures and persistently low sales prices, which do not currently cover production costs.

The tea margin was also negative in 2019, because of the sharp fall in the sales price. Additionally, there was an uptick in unit cost (+7.1%) compared with the previous year.

In the banana and flower activities, the announced improvement of profitability was confirmed with a rise in the gross margin from KUSD 2 793 to KUSD 4 697 (+68.2%).

The general and administrative expenses remained virtually stable (-0.9%). On the one hand there was normal inflation, which slightly increased costs, but on the other hand there was a sharp decrease in the bonus provision for 2019.

The operating result, excluding one-off gains, was KUSD 4 940, compared with KUSD 42 689 the previous year.

Financial income primarily comprises the positive time effect of the discount of the receivable from the sale of the stake in the SIPEF-CI SA oil palm plantation in Ivory Coast at the end of 2016 (KUSD 1 689). This receivable will be settled over the next three years.

The financial charges mainly comprised the interest on long-term and short-term financing at Libor-related rates. The rise in interest charges is the consequence of a higher debt position, against which a higher margin was charged in accordance with the credit agreements with the banks.

The result before tax, excluding one-off gains, was KUSD 852, compared with KUSD 39 598 in 2018.

The tax expense was largely due to:

- The reversal of a number of active deferred tax amounts that expired in 2019 and could not be recovered due to the continued disappointing results;
- The downward adjustment of the profit forecast for the coming years, as a consequence of which the previously estimated results for 2021-2025 had been downgraded and some of the deferred tax assets had to be reversed;
- Application of the ‘thin cap’ rule in Indonesia, as a consequence of which interest on intergroup loans were taxed in Belgium but were not deductible in selected Indonesian group companies.

The share of the result of 'associated companies and joint ventures' (KUSD -1 485) comprised the research activities that are centralised at PT Timbang Deli and Verdant Bioscience Pte Ltd.

Profit for the period, excluding the one-off gains, was KUSD -7 404 or KUSD 31 993 lower than the KUSD 24 589 of the previous year.

The sale of the insurance branch (BDM-ASCO) was completed in the first half of 2018 with a gain of KUSD 7 376. There were no one-off gains in 2019.

Net result, share of the Group, was KUSD -8 004.

1.4. Consolidated cash flow

Consolidated cash flow

In KUSD (management presentation)	**31/12/2019**	**31/12/2018**
Cash flow from operating activities	48 227	81 899
Change in net working capital	-1 647	-13 680
Income taxes paid	-14 693	-34 537
Cash flow from operating activities after tax	**31 887**	**33 682**
Acquisitions intangible and tangible assets	-66 546	-69 428
Selling price of PP&E and financial assets (excl. BDM-ASCO)	7 108	2 671
Acquisition financial assets	- 200	- 300
Recurring free cash flow	**-27 751**	**-33 375**
Selling price BDM-ASCO	0	20 463
Other financing activities	8 809	6 327
Net movement in investments, cash and cash equivalents	**-18 942**	**-6 585**

In USD per share	31/12/2019	31/12/2018
Weighted average shares outstanding	10 434 244	10 454 309
Basic operating result	0.47	4.79
Basic net earnings	-0.77	2.88
Diluted net earnings	-0.77	2.88
Basic net earnings before sale BDM-ASCO	-0.77	2.17
Cash flow from operating activities after tax	3.06	3.22

The cash flow from operating activities fell by KUSD 33 672, which is in line with the lower operating result. The increased use of working capital (KUSD -1 647) was primarily due to the additional advances of approximately USD -3.5 million that were granted to smallholders in the Musi Rawas region for the development of their land within the framework of the plasma law.

In Indonesia and Papua New Guinea, in 2019 the Group made advance tax payments based on the previous year's results (2018), in accordance with local laws. Therefore, a relatively large amount of tax was paid in 2019 (KUSD 14 693) compared with the actual tax expense of KUSD 6 772. At the end of 2019, the Group has outstanding tax receivables of USD 14 787, which will be recovered over the next two years.

The total investment expenditure for the Group was KUSD 66 746, which is almost identical with last year's expenditure. The scheduled but not yet confirmed investments were reexamined and postponed where possible in 2019, as part of the reduction in liquid assets from operations from the end of 2018 and to keep the debt position under control. The expansion programme for the Musi Rawas region was geared down significantly, for example, albeit without threatening the long-term potential.

The selling price of PP&E and financial assets alongside the regular sales of fixed assets of KUSD 1 795 also include an amount of KUSD 1 500 from the sale of Galley Reach Holding and KUSD 3 813 from the sale of SIPEF-CI.

The recurring free cash flow over 2019 was KUSD -27 751, compared with KUSD -33 375 over the same period last year.

Other financing activities (KUSD 8 809) comprise the buyback of shares (KUSD -854), the dividend paid over the preceding financial year (KUSD -6 495), a net increase in the long-term financing (KUSD 41 000), paid interest (KUSD -5 042) and partial repayment of the short-term financing (KUSD -19 799).

1.5. Consolidated balance sheet

Consolidated balance sheet

In KUSD (management presentation)	31/12/2019	31/12/2018
Biological assets (depreciated costs) – bearer plants	306 342	283 712
Goodwill	104 782	104 782
Other fixed assets	365 412	364 481
Receivables > 1 year	13 442	11 112
Net assets held for sale	0	0
Net current assets, net of cash	94 013	91 932
Net cash position	-164 623	-121 443
Total net assets	**719 368**	**734 576**
Shareholders' equity, group share	628 686	644 509
Non-controlling interest	34 325	34 250
Provisions and deferred tax liabilities	56 358	55 817
Total net liabilities	**719 368**	**734 576**

The balance sheet positions were relatively stable on the whole, compared with 31 December 2018.

The biological assets and other fixed assets increased due to the continuing expansion.

There were a few major movements in the net current assets, excluding liquidities:

- Rise due to the compulsory advance payment of tax (KUSD 5 098);
- Rise due to additional advances to smallholders in Musi Rawas region of around USD 3.5 million;
- Fall in the receipt of the short-term part of the receivables from the sale of the Galley Reach Holding and SIPEF-CI (KUSD -5 313);
- Fall due to the general recovery of working capital (KUSD -1 647).

From 2019 the net cash position also includes the leasing debt recognised in accordance with IFRS 16 (KUSD 3 037 as of 31 December 2019).

1.6. Dividends

In line with the 30% pay-out ratio of previous years, the board of directors proposes not paying out a dividend for the financial year 2019 in order to keep the Group's debt position under control and ensure the growth potential is not threatened.

1.7. Prospects

1.7.1. Productions

No improvement in the volumes has been noted at the Indonesian plantations in the first month of the new production year. For the time being, these remain below the tonnages for January 2019 at the plantations in North Sumatra. This is especially the case for the UMW/TUM plantations, where the weight of the fruit bunches continues to fall short. That said, the outlook is more favourable for the rest of the first year-half and slightly positive production figures are again expected for the Group in Indonesia over the rest of the year.

The production outlook in Papua New Guinea has been adjusted downward. This is because more than 3 000 hectares were covered in ash and stones and production is now gradually getting started. However, the leaf coverage of up to 3 000 hectares of this will gradually be reestablished over a period of at least two years without fruit formation of any importance. The annual production of own plantations is expected to be 10% higher than the previous year, although this is still 20% lower than what it was in 2018. The harvests of smallholders recover more rapidly and will once more approximate those of 2018. The rainy season has now begun, but it did start a month later than a year ago. Until now, this has not caused any great disruption to the harvest.

Therefore there is no reason to adjust the outlook for the whole production year of 2020. This means that, in spite of the short-term losses of production areas in Papua New Guinea, a rise in production of more than 10% is expected compared with the disastrous year 2019 and the Group could again approximate the palm oil production volume of 2018, which exceeded 350 000 tonnes.

1.7.2. Markets

In 2020, there will be no growth in production of palm oil around the globe; Malaysia is expected to see a reduction of 0.5 to 1 million tonnes, and Indonesia limited growth at best. Other regions such as Africa, Middle America as well as Papua New Guinea are also not growing for various reasons. The main reason in Southeast Asia is the adverse weather and the reduction of fertiliser application. This situation could even spill over into 2021.

In 2019, the market has also consumed another three to four million tonnes of stocks, and it closed the year in a very low stock situation in Malaysia and Indonesia, hence the inverted price action. Normal global food growth is about three million tonnes a year and 2020 will be a year of strong domestic biodiesel consumption in many producing countries. Obviously, Indonesia is leading this charge; B30 seems to be a done deal, and there are already discussions ongoing regarding B40 for 2021 and even B100 in the upcoming years.

By adding all these inputs to the models, a very compelling friendly story was predicted for palm oil in 2020. Palm oil demand needed to be rationed, but it was unlikely to happen in biodiesel, so it had to come from food export demand. Price levels needed to increase to cut demand, and probably needed to rise considerably above the recent highs.

But then came the coronavirus outbreak, which took the market down strongly by the end of January. On paper there is little reason to believe it will impact the demand, albeit that temporarily there are some logistic hiccups, but uncertainty has taken its toll. The market has experienced a strong sell off. Provided that the coronavirus is controlled soon, it is expected that the market will rebound strongly. Once palm oil market fundamentals are back in control, SIPEF still foresees a very positive price environment for 2020.

The coronavirus outbreak is also impacting the rubber industry and has set the market back to its low price environment. Rubber production reports that suggest an early wintering in rubber producing areas, as well as the impact of the leaf disease, are limiting supply. Though the demand side continues to be subdued, it remains to be seen for how long. However, if the automobile industry improves, particularly in the Asian region, SIPEF could see a more positive price environment.

Tea production in Kenya is in its peak period and, along with the sluggish demand experienced, SIPEF expects prices to continue to move in their current price bands which are at multiyear lows.

1.7.3. Results

SIPEF has now sold 36% of the expected palm oil production for 2020 on a market that has risen sharply over the past four months. This was achieved at an average price of USD 727 per tonne CIF Rotterdam equivalent, premiums for sustainability and origin included, compared with 23% of the volumes at USD 584 per tonne at the same time the previous year. So sales are already USD 143 per tonne higher (+24.5%) than in the previous year. However, in the present financial year due consideration will again have to be given to an export levy of USD 50 per tonne and a possible export tax in February of USD 18 per tonne. In spite of the current unexpected uncertainty in the market due to the coronavirus, the Group wishes to take further advantage of the underlying positive market trends. The volumes will gradually be placed on the market, taking account of the applicable sales policy of selling under forward contracts three to six months in advance.

Furthermore, given the uninspiring outlook on the rubber markets, only 13% of the expected rubber volumes were sold at an average price of USD 1 579 per tonne at the beginning of 2020. However, this is 14.1% higher than the average price of USD 1 384 per tonne in the same period in 2019. Around 19% of the tea volumes were also sold at considerably lower market prices. The marketing strategy for the sale of bananas was continued, with primarily fixed prices for the whole year, in 2020 through deliveries mainly to France and the UK for the best qualities and to West Africa for the other volumes.

Having entered in a more comforting price environment for palm oil since the end of 2019, with prices touching the USD 750 to USD 800 per tonne levels, there is a prospect for improving results in 2020.

To a great degree the ultimate recurring result will be determined by the achievement of the forecast of the production growth, the level of the market prices for the rest of the year, the retention of the existing export levies on palm oil in Indonesia and the trend in cost prices. A slight upswing is expected in the latter case, due to the increase in worker wages, combined with the strong performance of the local currency in Indonesia against the reporting currency, USD.

1.7.4. Cash flow and expansion

Pursuant to the generally low palm oil prices in 2019, resulting in negative free cash flow, the decision was made to limit the usual replacement investments in the new financial year 2020 where possible. In response to the volcanic eruptions in Papua New Guinea, the decision was also made not to set up any nurseries and to postpone the replanting for a year. The replanting was also postponed in Indonesia where possible.

The Group will therefore continue to focus on the investment programmes in South Sumatra in 2020, with the further expansion of the Musi Rawas activities and the replanting and improvement of the recently acquired Dendymarker palm plantations and mill. The expansion of this mill's processing capacity from 20 tonnes per hour to 60 tonnes per hour is a priority to process the rocketing number of palm fruits at its own installations.

Over the past two years 2 824 hectares have already been rejuvenated with young palms at Dendymarker, including 1 868 hectares in 2019. In 2020, SIPEF will continue to plant more areas, including in the 'plasma' zone (neighbouring smallholders) adjacent to the own planted hectares.

In the past year, an additional 1 532 hectares were compensated and an additional 1 550 hectares prepared for planting or planted in Musi Rawas, bringing the total to 12 203 cultivated hectares. That is 71.5% of the total of 17 074 compensated hectares, of which 2 363 hectares acquired for planting for plasma and 14 711 for own development. There are now more than 4 400 hectares in production. As well as the enlargement of the planted areas, the investment focus is primarily oriented to the development of the internal road network and the residential centres for the workers and local management.

Due to these recent achievements, the SIPEF group had planted a total of 82 967 hectares at the end of 2019, with the supply base in excess of 100 000 hectares, supplying nine palm oil mills in Indonesia and Papua New Guinea.

2. Agenda 2020

23 April 2020		Interim report Q1
30 April 2020		Annual report online available (at the latest) on www.sipef.com
10 June 2020		Ordinary general meeting
13 August 2020		Announcement on the half year results
22 October 2020		Interim report Q3

3. Condensed financial statements

3.1. Condensed financial statements of the SIPEF group

3.1.1. Consolidated balance sheet (see annex 1)
3.1.2. Consolidated income statement and statement of comprehensive income (see annex 2)
3.1.3. Consolidated cash flow statement (see annex 3)
3.1.4. Statement of changes in consolidated equity (see annex 4)
3.1.5. Segment information (see annex 5)
3.1.6. IFRS 16 - leasing (see annex 6)

4. Report of the statutory auditor

The statutory auditor has confirmed that his audit procedures, which have been substantially completed, have revealed no material adjustments that would have to be made to the accounting information in this press release.

Deloitte Bedrijfsrevisoren – represented by Kathleen De Brabander.

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, 13 February 2020

For more information, please contact:

* F. Van Hoydonck, managing director (GSM +32 478 92 92 82)
* J. Nelis, chief financial officer

Tel.: +32 3 641 97 00
Fax : +32 3 646 57 05

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 Ivory Coast and are characterised by broad stakeholder involvement, which sustainably supports the long-term investments.

Consolidated balance sheet

ANNEX 1

In KUSD (condensed)	31/12/2019	31/12/2018
Non-current assets	**805 114**	**780 310**
Intangible assets	517	441
Goodwill	104 782	104 782
Biological assets - bearer plants	306 342	283 712
Other property, plant & equipment	359 071	356 723
Investment property	0	0
Investments in associated companies and joint ventures	5 751	7 239
Financial assets	73	77
Other financial assets	73	77
Receivables > 1 year	13 442	11 112
Other receivables	13 442	11 112
Deferred tax assets	15 135	16 224
Current assets	**138 011**	**158 058**
Inventories	26 251	36 274
Biological assets	6 030	4 870
Trade and other receivables	78 651	76 025
Trade receivables	33 284	35 001
Other receivables	45 367	41 024
Current tax receivables	14 787	9 280
Investments	0	0
Other investments and deposits	0	0
Derivatives	0	0
Cash and cash equivalents	10 653	29 595
Other current assets	1 639	2 014
Assets held for sale	0	0
Total assets	**943 125**	**938 368**
Total equity	**663 010**	**678 759**
Shareholders' equity	628 686	644 509
Issued capital	44 734	44 734
Share premium	107 970	107 970
Treasury shares (-)	-10 277	-9 423
Reserves	498 052	512 914
Translation differences	-11 793	-11 686
Non-controlling interests	34 325	34 250
Non-current liabilities	**137 008**	**102 041**
Provisions > 1 year	1 548	1 550
Provisions	1 548	1 550
Deferred tax liabilities	46 850	50 936
Trade and other liabilities > 1 year	1	0
Financial liabilities > 1 year	63 000	30 000
Leasing liabilities > 1 year	2 513	0
Pension liabilities	23 096	19 555
Current liabilities	**143 107**	**157 568**
Trade and other liabilities < 1 year	28 896	29 623
Trade payables	17 292	19 647
Advances received	2 377	450
Other payables	8 747	9 455
Income taxes	480	71
Financial liabilities < 1 year	109 763	121 038
Current portion of amounts payable > 1 year	18 000	10 000
Financial liabilities	91 239	111 038
Leasing liabilities < 1 year	524	0
Derivatives	42	771
Other current liabilities	4 406	6 136
Liabilities associated with assets held for sale	0	0
Total equity and liabilities	**943 125**	**938 368**

Consolidated income statement

ANNEX 2

In KUSD (condensed)	31/12/2019	31/12/2018
Revenue	248 311	275 270
Cost of sales	-212 038	-201 040
Changes in the fair value of the biological assets	889	-2 134
Gross profit	**37 162**	**72 096**
General and administrative expenses	-31 481	-31 759
Other operating income/(charges)	- 741	9 728
Operating result	**4 940**	**50 065**
Financial income	2 161	2 308
Financial charges	-5 473	-3 733
Exchange differences	- 775	-1 666
Financial result	**-4 088**	**-3 091**
Result before tax	**852**	**46 974**
Tax expense	-6 772	-14 155
Result after tax	**-5 920**	**32 819**
Share of results of associated companies and joint ventures	-1 485	- 854
Result from continuing operations	**-7 404**	**31 965**
Result from discontinued operations	0	0
Result for the period	**-7 404**	**31 965**
Attributable to:		
- Non-controlling interests	600	1 876
- Equity holders of the parent	-8 004	30 089

Earnings per share (in USD)		
From continuing and discontinued operations		
Basic earnings per share	-0.77	2.88
Diluted earnings per share	-0.77	2.88
From continuing operations		
Basic/diluted earnings per share	-0.77	2.88
Diluted earnings per share	-0.77	2.88
Basic earnings per share before sale BDM-ASCO	-0.77	2.17

Statement of consolidated comprehensive income

In KUSD (condensed)	31/12/2019	31/12/2018
Result for the period	**-7 404**	**31 965**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
in subsequent periods		
- Exchange differences on translating foreign operations	- 107	805
- Cash flow hedges - fair value result for the period	- 392	503
- Income tax effect (cash flow hedges)	114	122
Items that will not be reclassified to profit and loss		
in subsequent periods		
- Defined Benefit Plans - IAS 19R	- 289	-1 073
- Income tax effect	72	122
Total other comprehensive income:	**- 602**	**357**
Other comprehensive income for the year attributable to:		
- Non-controlling interests	- 10	- 67
- Equity holders of the parent	- 592	423
Total comprehensive income for the year	**-8 006**	**32 322**
Total comprehensive income attributable to:		
- Non-controlling interests	590	1 810
- Equity holders of the parent	-8 596	30 512

Consolidated cash flow statement

ANNEX 3

In KUSD (condensed)	31/12/2019	31/12/2018
Operating activities		
Result before tax	**852**	**46 974**
Adjusted for:		
Depreciation	42 285	38 745
Movement in provisions	3 267	-1 967
Stock options	126	157
Exchange results not yet realised	65	113
Changes in fair value of biological assets	- 889	2 134
Other non-cash results	-1 634	-1 693
Hedge reserves and financial derivatives	-1 120	1 707
Financial income and charges	4 705	3 391
Capital loss on receivables	0	80
Capital gain on sale of investments	0	-7 376
(Gain)/loss on disposal of property, plant and equipment	570	- 366
(Gain)/loss on disposal of financial assets	0	0
Cash flow from operating activities before change in net working capital	48 227	81 899
Change in net working capital	1 883	-13 680
Variation in long term receivables	-3 530	0
Cash flow from operating activities after change in net working capital	46 580	68 219
Income taxes paid	-14 693	-34 537
Cash flow from operating activities	**31 887**	**33 682**
Investing activities		
Acquisition intangible assets	- 160	- 261
Acquisition biological assets	-33 305	-27 496
Acquisition property, plant & equipment	-33 081	-41 671
Acquisition investment property	0	0
Acquisition financial assets	- 200	- 300
Dividends received from associated companies and joint ventures	0	0
Proceeds from sale of property, plant & equipment	1 795	1 171
Proceeds from sale of financial assets	5 313	21 963
Cash flow from investing activities	**-59 638**	**-46 594**
Free cash flow	**-27 751**	**-12 912**
Financing activities		
Capital increase	0	0
Equity transactions with non-controlling parties (investment MP Evans)	0	0
Decrease/(increase) of treasury shares	- 854	-1 115
Decrease long-term financial borrowings	-9 500	-10 000
Increase long-term financial borrowings	50 500	0
Decrease short-term financial borrowings	-19 799	0
Increase short-term financial borrowings	0	41 161
Last year's dividend paid during this bookyear	-6 495	-19 682
Dividends paid by subsidiaries to minorities	0	- 607
Interest received - paid	-5 043	-3 430
Cash flow from financing activities	**8 809**	**6 327**
Net increase in investments, cash and cash equivalents	**-18 942**	**-6 585**
Investments and cash and cash equivalents (opening balance)	29 595	36 180
Effect of exchange rate fluctuations on cash and cash equivalents	0	0
Investments and cash and cash equivalents (closing balance)	10 653	29 595

Statement of changes in consolidated equity

ANNEX 4

In KUSD (condensed)	Issued capital	Share premium	Treasury shares	Defined benefit plans - IAS 19R	Reserves	Translation differences	Shareholders' equity	Non-controlling interests	Total equity
January 1, 2019	**44 734**	**107 970**	**-9 423**	**-3 391**	**516 305**	**-11 686**	**644 509**	**34 250**	**678 759**
Result for the period					**-8 004**		**-8 004**	**600**	**-7 404**
Other comprehensive income				- 207	- 278	- 107	- 592	- 10	- 602
Total comprehensive income	**0**	**0**	**0**	**- 207**	**-8 282**	**- 107**	**-8 596**	**590**	**-8 006**
Last year's dividend paid					-6 495		-6 495	- 516	-7 011
Equity transactions with non-controlling parties							0		0
Other			- 855		122		- 733		- 733
December 31, 2019	**44 734**	**107 970**	**-10 277**	**-3 598**	**501 650**	**-11 793**	**628 686**	**34 325**	**663 010**
January 1, 2018	**44 734**	**107 970**	**-8 308**	**-2 652**	**505 384**	**-12 491**	**634 636**	**33 140**	**667 776**
Result for the period				**0**	**30 089**	**0**	**30 089**	**1 876**	**31 965**
Other comprehensive income				- 739	357	805	423	- 67	357
Total comprehensive income	**0**	**0**	**0**	**- 739**	**30 446**	**805**	**30 512**	**1 809**	**32 322**
Last year's dividend paid					-19 682		-19 682	- 606	-20 288
Equity transactions with non-controlling parties							0		0
Other			-1 116		157		- 959	- 93	-1 052
December 31, 2018	**44 734**	**107 970**	**-9 423**	**-3 391**	**516 305**	**-11 686**	**644 509**	**34 250**	**678 759**

Segment information

ANNEX 5

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.
- Corporate: Mainly includes management fees received from non-group companies, 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:

- Instead of revenue the gross margin per segment is used as the starting point.

In KUSD (condensed)	31/12/2019	31/12/2018
Gross margin per product		
Palm	34 445	68 800
Rubber	-2 244	-1 065
Tea	- 370	627
Bananas and flowers	4 697	2 794
Corporate	634	941
Total gross margin per product	**37 162**	**72 096**
General and administrative expenses	-31 481	-31 759
Other operating income/(charges)	- 741	2 352
Financial income/(charges)	-5 002	-3 457
Discounting Sipef-CI	1 689	2 031
Exchange differences	- 775	-1 666
Result before tax	**852**	**39 597**
Tax expense	-6 772	-14 155
Effective tax rate	-794.8%	-35.7%
Result after tax	**-5 920**	**25 442**
Share of results of associated companies	-1 485	- 854
Gain on sale BDM-ASCO	0	7 376
Result for the period	**-7 404**	**31 964**

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

	Revenue	Cost of sales	Changes in fair value	Gross profit	% of total
2019 - KUSD					
Palm	210 251	-176 683	877	34 445	92.7
Rubber	10 330	-12 574	0	-2 244	-6.0
Tea	5 072	-5 454	12	- 370	-1.0
Bananas and plants	22 024	-17 327	0	4 697	12.6
Corporate	634	0	0	634	1.7
Others	0	0	0	0	0.0
Total	**248 311**	**-212 038**	**889**	**37 162**	**100.0**
2018 - KUSD					
Palm	240 057	-169 088	-2 169	68 800	95.4
Rubber	11 699	-12 764	0	-1 065	-1.5
Tea	5 454	-4 862	35	627	0.9
Bananas and plants	17 119	-14 326	0	2 793	3.9
Corporate	941	0	0	941	1.3
Others	0	0	0	0	0.0
Total	**275 270**	**-201 040**	**-2 134**	**72 096**	**100.0**

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.

Gross profit by geographical segment

	Revenue	Cost of sales	Other Income	Changes in fair value	Gross profit	% of total
2019 - KUSD						
Indonesia	149 050	-121 260	143	911	28 844	77.6
Papua New Guinea	72 643	-69 610	0	- 22	3 011	8.1
Ivory Coast	25 840	-21 167	0	0	4 673	12.6
Europe	634	0	0	0	634	1.7
Others	0	0	0	0	0	0.0
Total	**248 167**	**-212 037**	**143**	**889**	**37 162**	**100.0**
2018 - KUSD						
Indonesia	163 653	-118 738	381	-1 477	43 819	60.8
Papua New Guinea	93 232	-67 976	0	- 657	24 599	34.1
Ivory Coast	17 120	-14 326	0	0	2 794	3.9
Europe	884	0	0	0	884	1.2
Others	0	0	0	0	0	0.0
Total	**274 889**	**-201 040**	**381**	**-2 134**	**72 096**	**100.0**

IFRS 16 – leasing

ANNEX 6

The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The lease payments are discounted using the weighted average cost of capital (WACC) implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group leases office space, land rights and vehicles under a number of operating lease agreements with a lease term of one year or more. The rent of the office buildings concerns the monthly rental payments for the offices in Indonesia. For the land rights the subject of the lease concerns the usufruct of certain land wherefore a fixed annual rental amount is paid. The remaining land rights in PNG have a duration of 99 years for which no rental amount is paid. These assets will be depreciated over a period of 25 years in line with the lifespan of an oil palm. The vehicles concern the limited number of car leases within the group.

The future operating lease commitments under these non-cancellable operating leases are due as follows:

	in KUSD
Operating lease commitments disclosed as at 31 December 2018	5 220
(-) Discounted using the lessee's incremental borrowing rate of at the date of initial application	-2 200
Lease liability recognised as at 1 January 2019	**3 020**
Of which are:	
Current lease liabilities	496
Non-current lease liabilities	2 524
Total lease liability as at 1 January 2019	**3 020**

The movement during the year of the lease liability can be summarised as follows:

	In KUSD
Operating lease commitments disclosed as at 1 January 2019	**3 020**
Acquisitions	233
Financial costs (unwinding discount rate)	251
Lease repayments	- 524
Exchange result	57
Lease liability recognised as at 31 December 2019	**3 037**
Of which are:	
Current lease liabilities	524
Non-current lease liabilities	2 513
Total lease liability as at 31 December 2019	**3 037**

As the Group has opted to apply option 2B: Cumulative catch-up, the right-of-use asset equals the lease liability as at 1 January 2019. The movement of the year is presented here below:

Movement	Opening balance
Total right-of-use assets as at 1 January 2019	3 020
Acquisition	233
Depreciation	- 358
Total	**2 895**

	Land rights*	Office rent	Car rent	Total
Total right-of-use assets as at 1 January 2019	818	1 778	424	**3 020**
Total right-of-use assets as at 31 December 2019	1 003	1 580	312	**2 895**

* increase in land rights subject to lease in PNG in 2019

The total depreciation for the right-of-use assets until 31 December 2019 amounts to 358 KUSD and the financial charges to 251 KUSD. Of the depreciation, 47 KUSD was recorded in the Cost of sales of the palm segment of Papua New Guinea and 310 KUSD in the "General and administrative expenses".