The connection to the world of sustainable tropical agriculture

Results of the SIPEF group
as per 31 December 2023 (12m/23)

Satisfying result for the SIPEF group

- Palm oil markets continued to remain favourable from an historical perspective: prices mostly navigated within a tight range between USD 900 and 1 000 CIF Rotterdam during 2023.
- Steady prices and enhanced cost control guaranteed once more outstanding financial performances, albeit lower than the all-time record year 2022:
  - ✓ net recurring result, share of the Group, after tax, amounts to USD 72 735.
  - ✓ net profit per share reaches USD 7.0.
  - ✓ operational cash flow comes to KUSD 122 632 or, USD 11.8 per share.
  - ✓ the Net Financial Position remains limited to KUSD -31 418, after investments of KUSD 106 986, mainly related to the continued expansion in South Sumatra.
- The board of directors proposes to pay a dividend of EUR 2.00, on 3 July 2024, in line with the 30% payout ratio of previous years.
- Palm oil production of the SIPEF group declined with 3.1% against last year, as a result of weather challenges, marked by the El Niño weather phenomenon.
- In Papua New Guinea, the reduction was exacerbated by the volcanic eruption on 20 November 2023. After initial verification, the damage was found less significant than originally estimated and the rehabilitation is proceeding well.
- The banana production increased by 27.0% on previous year’s exported volumes. The increase is entirely related to the ongoing expansion of 421 hectares in two new production sites in Côte d’Ivoire.
- Cultivated areas in Musi Rawas continued to grow by 2 337 hectares to 18 760 hectares, in compliance with RSPO. With the replant of Dendymarker completed, the Group has 28 362 newly planted, maturing oil palm hectares in South Sumatra.
- SIPEF can look forward to another strong performance year, thanks to continuous increasing production in Indonesia and supportive palm oil markets. As the volcanic eruption from November 2023 will still impact the production volumes in Papua New Guinea, the final recurring result for 2024 might be slightly lower than the one presented for 2023.
- The SIPEF Biodiversity Indonesia (SBI) management plan received government approval last December, securing its licence to manage the 12 672-hectare conservation area for another ten years.
- SIPEF retains its 11th position on SPOTT (Sustainability Policy Transparency Toolkit), showing a 2.1% improvement since 2022, and demonstrates an upward trend in its score for CDP Climate Change.

1. Management report

1.1. Group production

Group production

2023 *(in tonnes)*	Own	Third parties	Q4/23	YoY%	Own	Third parties	YTD Q4/23	YoY%
Palm oil	79 742	18 594	98 336	-3.2%	321 629	69 586	391 215	-3.1%
Rubber	134	0	134	-73.9%	827	141	968	-49.7%
Bananas	11 489	0	11 489	43.8%	40 976	0	40 976	27.0%

2022 *(in tonnes)*	Own	Third parties	Q4/22	Own	Third parties	YTD Q4/22
Palm oil	80 456	21 149	101 605	329 090	74 837	403 927
Rubber	339	174	513	1 368	555	1 923
Bananas*	7 990	0	7 990	32 270	0	32 270

**Comparative figures have been restated*

In 2023, SIPEF's plantations encountered weather challenges, marked by the El Niño weather phenomenon. Despite initial expectations, the impact of El Niño proved less severe than anticipated, albeit contributing to increased unpredictability in local productions throughout the year.
After a cyclical decline in production in the first semester in Indonesia, the plantations in Papua New Guinea recorded much lower bunch numbers in the second half of the year, making that the overall annual palm oil production of the SIPEF group declined by 3.1% against the previous year.

<u>Also in the fourth quarter</u>, the SIPEF group continued to record lower production figures than previous year (-3.2%), despite a steady recovery of the Group's Indonesian palm oil production. The appreciated quarterly increase of 7.9% in palm oil production in Indonesia was, unfortunately, more than offset by the cyclical decline in production in Papua New Guinea (-17.4%). This reduction was exacerbated by a volcanic eruption on the 20th November, affecting 46% of the own estates' planted palms.

The renowned El Niño weather phenomenon was apparently not affecting the production in North Sumatra in the fourth quarter, with abundant precipitation figures recorded in all mature estates. The mineral estates exceeded last year's crops by 7.5%, but due to the higher rainfall, the extraction rates reduced by 1.3%, leaving still a 1.8% higher palm oil production compared to the same quarter last year. The organic soil estates had difficulties coping with the high rainfall and part of the estates were substantially flooded in December, affecting harvesting and transport to the mill. An 8.5% decline in harvested crops was recorded for the last quarter.

The estates in Bengkulu however continued to be confronted with extreme dry weather conditions, with hardly any rainfall in September and October. The annual rainfall for all estates varied between -17% and -48% against the 10-year average. The production recovered near year end and the quarter closed with a 7.7% increase on last year's crops.

The maturing estates in South Sumatra, suffering from drought in the third quarter, recovered near year end with good precipitation levels, resulting in 32.1% high crop volumes compared to the fourth quarter of 2022. The palm oil production from the South Sumatra region already represented 23.5% of SIPEF's total annual production in Indonesia.

The Papua New Guinea operations had a strong start of the year, in line with the impressive performance over the last two years. However, production declined in the second semester, both for own estates and surrounding smallholders. Lower bunch numbers combined with higher than usual rainfall reduced the annual palm oil production by 12.0% against the previous year.

The volcanic eruption of Mount Ulawun, located north from the Group's estates and surrounding smallholders, which was experienced on 20 November 2023, disrupted the activities. The focus was onwards on safeguarding people and assets. The efficient evacuation of workers and communities made that no injuries or deaths were suffered, but the impact on plantations and infrastructure was considerable. However, after initial verification, the damage was found less significant than originally expected. The rehabilitation work on 3 565 hectares (out of a total of 13 559 planted hectares) is already more than 60% executed and would be fully completed by the end of the first half of 2024. While remarkable progress, it is anticipated that it will take an additional 2 years before the negative impact on production will have been fully absorbed.

Production of bananas in Côte d'Ivoire has increased by 43.8% in the fourth quarter 2023, bringing the annual production up by 27.0% compared to 2022. The newly developed sites of Lumen and Akoudié, exceeding 420 hectares by now, continued to outperform in their first year of harvest. The production of the historical sites remained below last year's performance, as all three were hampered by unfavourable agronomical conditions at various times of the year.

1.2. Markets

Average market prices

In USD/tonne		YTD Q4/23	YTD Q4/22
Palm oil	CIF Rotterdam*	964	1 345
Rubber	RSS3 FOB Singapore**	1 577	1 810
Bananas	CFR Europe***	830	762

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

In the turbulent, geopolitical landscape of the fourth quarter, the palm oil complex grappled with intense competition from other vegetable oils. While Malaysian stocks edged slightly higher than a year ago, Indonesia experienced a substantial decline, rebounding from the lingering impact of the 2022 export ban. Indonesian exports showed strength, yet it was the surge in domestic consumption driven by the B35 mandate for biodiesel that tightened the stock environment.

Despite initial fears of El Niño disrupting palm crops, the weather phenomenon failed to materialise significantly. Southeast Asia, after enduring two months of dryness in the third quarter, witnessed a return of rains, even causing floods in certain areas. The overall impact on palm crops appears minimal. In South America, atypical El Niño conditions affected soybean crops in Brazil negatively, while Argentina enjoyed favourable growing weather, amplifying price pressure on the vegetable oil complex.

With a promising supply and demand outlook for palm oil itself, the market faced constraints from liquid oil prices. Sunflower and rapeseed oil prices, remaining relatively economical, secured increased market share. Towards the end of the quarter, soybean oils added further pressure. Despite geopolitical turmoil in the

Middle East, there was a weak performance in the petroleum market. There was greater impact on the freight market as the Suez Canal and Red Sea passages became riskier, elevating freight costs to Europe.

In this interconnect of global markets, palm oil played a role as a follower rather than a leader in the vegetable oil complex. Prices navigated within a tight range of USD 80, fluctuating between USD 900 and USD 980 CIF Rotterdam. The market hit its peak in the second half of November, ultimately closing around USD 930 at year end.

Meanwhile, the palm kernel oil (PKO) market, overshadowed by high stocks, remained flat. Global oleochemical demand struggled to fully recover, keeping PKO trading around parity with palm oil, contrary to historical premiums.

Global production, exports as well as consumption of bananas remained generally stable in 2023, and there were no important climatic upheavals affecting the major production areas. However, in the fourth quarter we saw significant pressure from European distributors to reduce banana import prices, underpinning the purchasing power of consumers, with supply being in line with or even slightly higher than demand. It complicated the negotiations for the renewal of the commercial contracts for 2024 and contractual import prices have somewhat declined compared to those recorded in 2023.

1.3. Financial statements

The Group ended the year 2023 with a net result, share of the Group, of KUSD 72 735 which falls within the higher end of the initially provided price range of USD 65 - 75 million. As a consequence of ongoing expansion efforts, which involved capital expenditures amounting to KUSD 106 985, and the distribution of a record dividend totalling KUSD 33 768, the Net Financial Position (NFP) concluded at KUSD -31 418.

1.3.1. Condensed consolidated balance sheet

In KUSD (condensed)	31/12/2023	31/12/2022
Non-current assets	**907 847**	**847 168**
Intangible assets	138	226
Goodwill	104 782	104 782
Biological assets - bearer plants	326 656	316 714
Other property, plant & equipment	425 018	379 931
Investments in associated companies and joint ventures	1 697	3 032
Financial assets	112	98
Other financial assets	112	98
Receivables > 1 year	34 229	28 287
Other receivables	34 229	28 287
Deferred tax assets	15 214	14 097
Current assets	**172 395**	**215 055**
Inventories	47 179	48 936
Biological assets	11 122	10 936
Trade and other receivables	79 366	92 371
Trade receivables	29 876	44 643
Other receivables	49 490	47 728
Current tax receivables	6 925	1 100
Investments	1	10 208
Other investments and deposits	1	10 208
Derivatives	780	1 639
Cash and cash equivalents	11 549	34 148
Other current assets	1 953	2 197
Assets held for sale	13 520	13 520
Total assets	**1 080 242**	**1 062 223**
Total equity	**888 819**	**850 144**
Shareholders' equity	853 777	817 803
Issued capital	44 734	44 734
Share premium	107 970	107 970
Treasury shares (-)	-11 681	-11 588
Reserves	723 733	687 933
Translation differences	-10 978	-11 246
Non-controlling interests	35 042	32 341
Non-current liabilities	**78 466**	**89 665**
Provisions > 1 year	524	767
Provisions	524	767
Deferred tax liabilities	52 454	48 131
Financial liabilities > 1 year	0	18 000
Leasing liabilities > 1 year	1 974	2 320
Pension liabilities	23 515	20 448
Current liabilities	**112 957**	**122 414**
Trade and other liabilities < 1 year	55 093	83 438
Trade payables	25 243	29 863
Advances received	3 411	5 698
Other payables	15 832	14 437
Income taxes	10 605	33 440
Financial liabilities < 1 year	40 994	23 913
Current portion of amounts payable > 1 year	18 000	18 000
Financial liabilities	22 319	5 323
Leasing liabilities < 1 year	675	590
Other current liabilities	16 870	15 063
Total equity and liabilities	**1 080 242**	**1 062 223**

The increase in ‘biological assets – bearer plants’ and ‘other property plant & equipment’ by KUSD 55 029 during 2023 was mainly due to investments in intangible and tangible fixed assets (KUSD 106 985) exceeding depreciation (KUSD 52 724).

The ‘receivables over one year’ increased by KUSD 5 942 as a result of the granting of loans to smallholders in South Sumatra to finance their new plantings.

'Net current assets' can be broken down as follows:

In KUSD	31/12/2023	31/12/2022
Inventories	47 179	48 936
Biological assets	11 122	10 936
Trade receivables	29 876	44 643
Other receivables	49 490	47 728
Current tax receivables	6 925	1 100
Derivatives	780	1 639
Other current assets	1 953	2 197
Trade payables	-25 243	-29 863
Advances received	-3 411	-5 698
Other payables	-15 832	-14 437
Income taxes	-10 605	-33 440
Other current liabilities	-16 870	-15 063
Net current assets, Net of cash	**75 362**	**58 679**

'Net current assets, net of cash' increased by KUSD 16 683 in total, without a major impact on the overall structure of the balance sheet. The increase can be broken down into the following movements:

- Inventories have decreased by KUSD 1 757. The number of tonnes of Crude Palm Oil (CPO) stock at the end of December 2023 was 6.9% lower compared to December 2022. Further, the CPO stock was valued at a lower cost as a consequence of the lower world market prices. This has resulted in a total KUSD 2 257 decrease in stock value of finished goods compared to the year-end of 2022.
- The methodology used to measure the fair value of the biological assets did not change compared to 2022. The total of the biological assets has remained stable however, the biological assets of palm oil have decreased by KUSD 1 785 following lower palm oil prices and lower productions, particularly in Hargy Oil Palms Ltd which has been affected by the volcanic eruption. On the other hand, the biological assets of bananas have increased by KUSD 1 971 following the expansion in Lumen and Akoudié.
- Trade receivables have decreased by KUSD 14 767 following lower sales due to the decrease in production and selling price. Also, the accounts receivable at year-end 2022 was higher than usual, while the outstanding trade receivables at end 2023 were more in line with historical averages.
- The net tax payable (current tax receivable and income taxes) has decreased by KUSD 28 660 due to the high tax prepayments in 2023 which are based on last years' exceptional high results which will only be recovered in 2024/2025. Taxes paid during 2023 (KUSD 56 216) were considerably higher than the current income tax charge of this year (KUSD 32 466).
- The ‘advances received’ decreased by KUSD 2 287 mainly related to the sale of PT Melania for which costs are paid during the year and which are subsequently deducted from the advance already received.

The ‘assets held for sale’ of KUSD 13 520 concerned the estimated net sales value of the part of PT Melania, owned by the Group, until all conditions for a final sale are met.

The net cash position decreased by KUSD 31 540, mainly due to the straight loans, and amounted to KUSD -31 418 at the end of 2023. The long-term loan, at low hedged interest rates, only has 1 year remaining for a total amount of KUSD 18 000. This loan is being replaced by short term loans at prevailing interest rates.

Net deferred tax liability grew by KUSD 3 206, for a large part due to an accelerated tax depreciation of mill infrastructure at Hargy Oil Palms Ltd in Papua New Guinea and an increase in pension provision.

1.3.2. Condensed consolidated income statement

In KUSD (condensed)	31/12/2023	31/12/2022
Revenue	443 886	527 460
Cost of sales	-294 400	-308 198
Changes in the fair value of the biological assets	186	1 769
Gross profit	**149 673**	**221 031**
General and administrative expenses	-46 204	-43 424
Other operating income/(expenses)	4 509	705
Operating result	**107 978**	**178 312**
Financial income	1 809	1 300
Financial costs	-2 079	-3 803
Exchange differences	1 108	-3 251
Financial result	**839**	**-5 754**
Result before tax	**108 817**	**172 557**
Tax expense	-31 128	-59 536
Result after tax	**77 689**	**113 021**
Share of profit and loss of associated companies and joint ventures	-1 335	- 566
Result for the period	**76 354**	**112 455**
Attributable to:		
- Non-controlling interests	3 619	4 298
- Equity holders of the parent	72 735	108 157

In USD per share	31/12/2023	31/12/2022
From continuing operations		
Weighted average shares outstanding	10 403 105	10 401 938
Basic operating result	10.38	17.14
Basic earnings per share	6.99	10.40
Diluted earnings per share	6.98	10.36
Cash flow from operating activities after tax	11.79	15.89

The Group's total 'revenue' amounted to KUSD 443 886 as per 31 December 2023 and dropped by KUSD 83 574 or 15.8% against 31 December 2022.

The palm segment's revenue in particular dropped (KUSD -90 357), mainly as a result of the greatly reduced unit selling price (-16.8%). In addition, the total tonnes of produced CPO have decreased by 3.2%.

The 2023 ex-mill gate unit selling price was USD 739 per tonne for Indonesia (2022: USD 840 per tonne), USD 988 per tonne for Papua New Guinea (2022: USD 1 222 per tonne) and USD 829 per tonne for the Group (2022: USD 996 per tonne).

Banana segment revenue expressed in euro, the functional currency, rose by 47.4% mainly due to an increase in the average unit selling price (+17.9%) and a rise in volumes produced and sold (+27.0%) due to the maturing of the new expansions in Lumen and Akoudié.

The total 'cost of sales' declined by KUSD 13 798 in 2023 in comparison with last year. The main reason for this decrease were:

- Operating costs for the own plantations and mills decreased by KUSD 13 855 or 8.9%. This was mainly due to lower fertiliser costs and harvesting costs as a consequence of the smaller production volumes and the devaluation of the IDR against the USD which is beneficial for the estate operating costs. These decreases are offset by the further maturing of the South Sumatra plantations, resulting in an increase of total estate operating costs for the South Sumatra plantations by KUSD 5 417.
- Third-party purchases of Fresh Fruit Bunches (FFB) from Hargy Oil Palms Ltd decreased by KUSD 18 701 or 37.8%, largely due to lower purchase prices of FFB, of which the price is related to CPO, and lower production volumes.
- Finally, there was a negative impact on the total cost of sales 2023 of KUSD 1 916 following the lower closing stock as of 31 December 2023, due to smaller quantities and an overall lower market price of CPO and PKO.

The 'changes in the fair value of biological assets’ concerned the effects of valuing the hanging fruits at their fair value (IAS41R).

Gross profit decreased from KUSD 221 031 at the end of 2022 to KUSD 149 673 at the end of 2023, a decrease of 32.3%

Palm segment’s gross profit dropped by KUSD 71 616 to KUSD 149 632, mainly due to lower net ex-mill gate CPO prices. The average realised net ex-mill gate CPO price of USD 830 per tonne was 16.7% lower than that of USD 996 per tonne last year.

The gross profit of the banana and horticulture activities rose from KUSD 2 294 to KUSD 4 357, as a consequence of an increase in selling prices and a rise in volumes produced resulting from the expansion of planted areas.

The average ex-mill gate unit cost for mature oil palm plantations increased slightly (+1.4%) in 2023 compared with 2022, mainly due to decreased productions compared to last year, where it should be noted that last year was marked by record productions, especially in Hargy Oil Palms Ltd.

The average ex-mill gate cost for the mature banana plantations over the same period, expressed in euro, the functional currency, increased by 11.8%. This sharp increase was due to higher input costs and the start-up costs in the Lumen and Akoudié expansion zones.

'General and administrative expenses' increased in comparison with last year, mainly as a result of the further deployment of the Singapore branch office to centralise the internal IT services of the Group, the size increase in Plantations J. Eglin and general inflation. The increase is partially offset by a decrease in the provision for variable remuneration for staff and management.

The other operating income/expenses have increased by KUSD 3 804, relating primarily to a reversal on the historical impairment on our subsidiary PT Citra Sawit Mandiri for a total of MUSD 2.8. The historical impairment was recorded due to delays in obtaining the ‘Hak Guna Usaha’ (‘HGU’, i.e. the long term licence to operate). This HGU has been obtained in the second half of 2023, after which the full impairment could be reversed.

The ’operating result’ amounted to KUSD 107 978 compared with KUSD 178 312 last year.

‘Financial income’ of KUSD 1 809 includes interests from receivables on smallholders in South Sumatra (KUSD 1 295) and interest received on deposits (KUSD 514).

‘Financial costs’ were mainly related to interests on short-term financing and a discounting on smallholder receivables (KUSD 402).

The positive 'exchange differences’ (KUSD 1 108) mainly concerned the hedging of the expected dividend payable in euro, the devaluation of the PGK against the USD and the exchange impact on the revaluation of loans to smallholders and pension provision in Indonesia denominated in IDR.

The ‘result before tax’ amounts to KUSD 108 817 for 2023, compared with KUSD 172 557 at the end of 2022.

The effective tax rate amounted to 28.6%. This is higher than the theoretical tax rate of 26.0%. The ‘tax expense’ (KUSD 31 128) includes the impairment of deferred tax assets for fiscal losses (KUSD 2 558), the usual disallowed expenses of about KUSD 502 and non-deductible interest charges due to the thin cap law in Indonesia (KUSD 433). In addition, due to the volcanic eruption in Papua New Guinea, it was decided to temporarily cancel the scheduled dividend from Hargy Oil Palms Ltd to the Belgian parent company, by consequence there is no withholding tax on the dividend like there was in 2022.

The 'share of profit and loss of associated companies and joint ventures' (KUSD -1 335) included the limited negative contribution of the research activities centralised at PT Timbang Deli Indonesia and Verdant Bioscience Pte Ltd.

The ‘result for the period’ 2023 was KUSD 76 354, a decline by 32.1% against last year.

Net profit, share of the Group, amounted to KUSD 72 735 (USD 6.99 per share) against KUSD 108 157 (USD 10.40 per share) last year.

1.3.3. Condensed consolidated statement of comprehensive income

In KUSD (condensed)	31/12/2023	31/12/2022
Result for the period	**76 354**	**112 455**
Other comprehensive income:		
Items that may be reclassified to profit and loss in subsequent periods		
- Exchange differences on translating foreign operations	268	- 580
- Cash flow hedges - fair value result for the period	- 855	2 147
- Income tax effect	214	- 537
Items that will not be reclassified to profit and loss in subsequent periods		
- Defined Benefit Plans	- 512	- 126
- Income tax effect	113	28
Total other comprehensive income:	**- 773**	**932**
Other comprehensive income for the year attributable to:		
- Non-controlling interests	- 14	- 7
- Equity holders of the parent	- 760	939
Total comprehensive income for the year	**75 581**	**113 387**
Total comprehensive income attributable to:		
- Non-controlling interests	3 606	4 291
- Equity holders of the parent	71 975	109 096

1.3.4. Condensed consolidated cash flow statement

In KUSD (condensed)	31/12/2023	31/12/2022
Operating activities		
Profit before tax	**108 817**	**172 557**
Result from discontinued operations before tax		
Adjusted for:		
Depreciation	52 724	47 939
Movement in provisions	2 300	-2 326
Stock options	163	140
Changes in fair value of biological assets	- 186	-1 769
Other non-cash results	-2 963	947
Hedge reserves and financial derivatives	3	-1 558
Financial income and expenses	270	620
(Gain)/loss on disposal of property, plant and equipment	1 641	162
Cash flow from operating activities before change in net working capital	**162 768**	**216 712**
Change in net working capital	16 080	-6 455
Cash flow from operating activities after change in net working capital	178 848	210 257
Income taxes paid	-56 216	-44 964
Cash flow from operating activities	**122 632**	**165 293**
Investing activities		
Acquisition intangible assets	- 9	0
Acquisition biological assets	-32 556	-29 429
Acquisition property, plant & equipment	-74 421	-49 864
Financing plasma advances	-7 799	-4 504
Acquisition subsidiaries*	0	0
Proceeds from sale of property, plant & equipment	889	1 517
Proceeds from sale of financial assets	-2 924	-3 502
Cash flow from investing activities	**-116 819**	**-85 782**
Free cash flow	**5 813**	**79 511**
Financing activities		
Capital increase	0	0
Equity transactions with non-controlling parties*	- 415	-5 500
Increase of treasury shares	-701	- 176
Decrease of treasury shares	608	109
Decrease long-term financial borrowings	-18 528	-18 642
Increase long-term financial borrowings	182	755
Decrease short-term financial borrowings	- 590	-7 154
Increase short-term financial borrowings	17 671	106
Last year's dividend paid during this bookyear	-33 765	-22 280
Dividends paid by subsidiaries to minorities	-2 796	-1 720
Interest received - paid	- 285	- 631
Cash flow from financing activities	**-38 619**	**-55 133**
Net increase in investments, cash and cash equivalents	**-32 806**	**24 378**
Investments and cash and cash equivalents (opening balance)	44 356	19 977
Investments and cash and cash equivalents (closing balance)	11 549	44 356

* Reclassification in prior year figures from investing activitites to financing activities related to the purchase of the 5% shares in PT Agro Muko

Following the reduction in operating profit, 'cash flow from operating activities before change in net working capital' decreased from KUSD 216 712 as of 31 December 2022, to KUSD 162 768 at 31 December this year.

The variation of the working capital of KUSD 16 080 mainly relates to the decrease in trade receivables and trade payables, and a decreased variable renumeration provision.

In January 2023, the withholding tax on the dividend relating to 2022 from Hargy Oil Palms Ltd of KUSD 7 500 was paid. Furthermore, tax prepayments in Indonesia and Papua New Guinea, under local prevailing rules, are based on last year’s (exceptionally) high results. These are the main reasons why the taxes paid (KUSD -56 216 KUSD) are significantly higher than the taxes to be paid (KUSD 33 170).

The 'acquisitions intangible and tangible assets' (KUSD -106 986) related to the usual replacement investments in the existing operations and in the new developments in South Sumatra (KUSD -40 114). In addition, to the further expansion of the planted areas and the associated infrastructure such as houses and roads, investments are being made in South Sumatra in particular in the construction of the Agro Muara Rupit mill (KUSD -13 630 up to December 2023) with a processing capacity, in the first phase, of 45 tonnes of FFB per hour.

Additional loans (KUSD -7 799) were also made during the year to surrounding smallholders in South Sumatra and Bengkulu.

The ‘proceeds from sales of property, plant and equipment’ (KUSD 889) relates mostly to the sale of seedlings of own nurseries to smallholders in the Musi Rawas area and other tangible fixed assets. The ‘proceeds from sale of financial assets’ relates to the expenses made during the year to fulfil the requirement for the sale of PT Melania.

'Free cash flow' for the year 2023 amounted to KUSD 5 813, compared with KUSD 79 511 for the same period last year.

The ‘cash flow from financing activities' (KUSD -38 619) mainly include buy-back and sale transactions on treasury shares (net KUSD -93), partial repayments of long-term financing (KUSD -18 000 for the long-term loans and KUSD -528 for the leasing debt), an increase of short-term financing (KUSD +17 671), last year record dividend payment to SIPEF shareholders (KUSD -33 765) and dividend payments to minority shareholders (KUSD -2 796).

1.3.5. Condensed statement of changes in consolidated equity

In KUSD (condensed)	Issued capital	Share premium	Treasury shares	Remeasurement gain/(loss) on defined benefit plans	Reserves	Translation differences	Shareholders' equity	Non-controlling interests	Total equity
January 1, 2023	**44 734**	**107 970**	**-11 588**	**-5 124**	**693 057**	**-11 246**	**817 803**	**32 342**	**850 144**
Result for the period					72 735		**72 735**	3 619	**76 354**
Other comprehensive income				- 386	- 642	268	**- 760**	- 14	**- 773**
Total comprehensive income	**0**	**0**	**0**	**- 386**	**72 093**	**268**	**71 975**	**3 606**	**75 581**
Last year's dividend accrued					-33 765		**-33 765**	-2 796	**-36 560**
Equity transactions with non-controlling parties					-2 305		**-2 305**	1 890	**- 415**
Other			- 93		163		**70**		**70**
December 31, 2023	**44 734**	**107 970**	**-11 681**	**-5 510**	**729 243**	**-10 978**	**853 777**	**35 042**	**888 819**
January 1, 2022	**44 734**	**107 970**	**-11 521**	**-5 033**	**601 846**	**-10 666**	**727 329**	**38 854**	**766 183**
Result for the period					108 157		**108 157**	4 298	**112 455**
Other comprehensive income				- 91	1 610	- 580	**939**	- 7	**932**
Total comprehensive income	**0**	**0**	**0**	**- 91**	**109 767**	**- 580**	**109 096**	**4 291**	**113 387**
Last year's dividend accrued					-22 280		**-22 280**	-1 720	**-24 000**
Equity transactions with non-controlling parties (5% PT AM)					3 583		**3 583**	-9 083	**-5 500**
Other			- 67		140		**73**		**73**
December 31, 2022	**44 734**	**107 970**	**-11 588**	**-5 124**	**693 057**	**-11 246**	**817 803**	**32 342**	**850 144**

1.3.6. Segment information

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 oil, palm kernels and palm kernel oil, both in Indonesia and Papua New Guinea.
- Rubber: includes all different types of rubber produced in Indonesia and sold by the SIPEF group:
  - Ribbed Smoked Sheets (RSS)
  - Standard Indonesia Rubber (SIR)
  - Scraps and Lumps.
- Tea: includes the “cut, tear, curl” (CTC) tea produced by PT Melania in Indonesia and which the SIPEF group buys and sells.
- Bananas and horticulture: include all sales of bananas and horticulture originating from Côte d’Ivoire.
- 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 executive committee is the chief operating decision maker. The most important difference with IFRS consolidation is: instead of revenue the gross margin per segment is used as the starting point.

In KUSD (condensed)	31/12/2023	31/12/2022
Gross margin per product		
Palm	149 632	221 248
Rubber	-5 861	-4 105
Tea	139	195
Bananas and horticulture	4 357	2 294
Corporate	1 405	1 397
Total gross margin per product	**149 673**	**221 029**
General and administrative expenses	-46 204	-43 424
Other operating income/(expenses)	4 509	705
Financial income/(expenses)	- 270	-2 503
Exchange differences	1 108	-3 251
Result before tax	**108 817**	**172 557**
Tax expense	-31 128	-59 536
Effective tax rate	-28.6%	-34.5%
Result after tax	**77 689**	**113 021**
Share of profit and loss of associated companies	-1 335	- 566
Result for the period	**76 354**	**112 455**

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 the fair value	Gross profit	% of total
2023 - KUSD					
Palm	405 380	-253 962	-1 785	149 632	100.0
Rubber	1 487	-7 348	0	-5 861	-3.9
Tea	3 060	-2 921	0	139	0.1
Bananas and horticulture	32 555	-30 169	1 971	4 357	2.9
Corporate	1 405	0	0	1 405	0.9
Total	**443 886**	**-294 400**	**186**	**149 673**	**100.0**
2022 - KUSD					
Palm	495 737	-274 646	157	221 248	100.1
Rubber	3 821	-7 926	0	-4 105	-1.9
Tea	4 286	-4 090	0	195	0.1
Bananas and horticulture	22 219	-21 536	1 611	2 294	1.0
Corporate	1 397	0	0	1 397	0.6
Total	**527 460**	**-308 198**	**1 769**	**221 031**	**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 the fair value	Gross profit	% of total
2023 - KUSD						
Indonesia	225 360	-153 088	779	- 728	72 322	48.3
Papua New Guinea	184 567	-111 143	0	-1 056	72 367	48.4
Côte d'Ivoire	32 555	-30 169	0	1.971	4 357	2.9
Europe	626	0	0	0	626	0.4
Total	**443 107**	**-294 400**	**779**	**186**	**149 673**	**100.0**
2022 - KUSD						
Indonesia	260 957	-161 780	968	128	100 272	45.4
Papua New Guinea	242 888	-124 880	0	29	118 036	53.4
Côte d'Ivoire	22 219	-21 537	0	1.611	2 293	1.0
Europe	429	0	0	0	429	0.2
Total	**526 492**	**-308 198**	**968**	**1 769**	**221 031**	**100.0**

1.4. Dividends

In line with the 30% pay-out ratio of previous years, the board of directors proposes a gross dividend of EUR 2.00 per share, payable on 3 July 2024.

1.5. Prospects

1.5.1. Production

After a year marked by volatile agronomical conditions across all operational regions, SIPEF looks forward to a more stable and promising new year. As El Niño gradually winds down and South Sumatra developments mature, it is expected that a total production milestone of 300 000 tonnes of palm oil for SIPEF's operations in Indonesia is achievable.

Despite the ongoing challenges posed by the flooding of a portion of the organic soil estates in North Sumatra, with some impact on the regular harvesting activities, there is positive news regarding weather and harvesting conditions across the other areas in Indonesia. Anticipated improvements in crop numbers are expected, showcasing a notable upturn in performance compared to the first quarter of 2023. Later in the year, the production in the Bengkulu region might still carry the effect from the very dry spell the plantations suffered in the third quarter of 2023.

The operations in Hargy Oil Palms in Papua New Guinea are challenged by the usual wet season effect at the start of the year, however without a major impact. Although the rehabilitation work after the ashfall progresses well, most of the affected areas in the Navo Estate will not produce the usual bunch numbers. This could lead to an overall decrease of up to 20% on the production volumes of last year, however still exceeding 120 000 tonnes annually.

Considering the above, the overall SIPEF group production will likely reach 420 000 tonnes, an increase by more than 7% on the 2023 production.

The banana production in Côte d'Ivoire continues to show high performances in the newly developed estates, while the historic plantations require more time to recover to the usual yield patterns. Especially for the Motobé estate, the amended inputs will only lead to better results in the second semester. Overall, the annual banana production will continue to rise to more than 50 000 tonnes of exported bananas, an increase by over 50% in a two-year time span.

1.5.2. Markets

The palm oil market exhibits a resilient stance. Still, with the ongoing low cycle of production, there is anticipation of a substantial decline in stocks, reaching notably tight levels. Projections for 2024 suggest that palm oil production will not witness significant growth, leading to exportable volumes being lower than those observed a year ago.

Despite the comparative high prices of palm oil in relation to other vegetable oils, the spot prices maintain a premium over forward positions. Consequently, palm oil is experiencing a declining global demand as measures are taken to manage its stock situation. While the pressure from sunflower oil and rapeseed oil is expected to decrease, soybean oil poses as a competitor, particularly with the substantial South American crop.

On a positive note, global biofuel demand remains robust, driven by continued growth in Indonesia, the United States of America and Brazil. The downside risks are limited, contingent upon the absence of further macroeconomic disruptions. Geopolitical tensions, currently elevated, could introduce volatility in the short-term price performance.

In summary, the outlook for palm oil prices appears promising, supported by slow production and a sustained demand. Despite the challenges in the global landscape, SIPEF is confident of a favourable price outlook for the medium to long term.

In the first weeks of the new year, the European banana markets seem to be more complicated than experienced in previous years, likely caused by a reduced consumer purchasing power.

The latest winter climatic conditions have also slowed down consumption flows. However, bananas remain a most 'attractive' staple fruit, and consumption will be there, as usual in the first half of the year.

1.5.3. Results

To date, the SIPEF group in Indonesia has sold 12% of its expected palm oil production for 2024, at an average price of USD 728 per tonne ex-mill gate equivalent, premiums for sustainability included. The available palm oil volumes are placed in the local market on a monthly basis, because of the unpredictable palm oil reference price. This reference price is not only the basis for fortnightly export taxes and export levies, but indirectly also affects the local tender prices.

In Papua New Guinea, the sustained strength of the international palm oil markets supported the realised sales prices. To date, 33% of the expected palm oil production has been sold at an average price of USD 955 per tonne ex-mill gate equivalent, premiums for sustainability, quality and origin included.

In total, the SIPEF group has to date sold 19% of the budgeted palm oil production, at an average price of USD 867 per tonne ex-mill gate equivalent, premiums included. At the same time in 2023, the Group had sold 27% of the expected production at a comparable average price of USD 1 004 per tonne.

For almost the entire volume of the expected banana production from Côte d'Ivoire, the usual marketing policy of annual contracts at fixed prices was also continued in 2024. This way, the Group is not subject to the volatility of the international banana markets. Moreover, thanks to these annual contracts, it can supply to the European market all year round a quality product with added value.

The unit production cost prices of palm oil remain well under control. After a steep incline in prices for fertiliser, diesel, and transport costs in 2022, prices have come down in 2023 and remain at comparable lower levels in the first semester of 2024. The wages have only experienced a modest increase, linked to much reduced inflation rates in most countries where SIPEF is invested. So far, the local currencies in the operating countries of the SIPEF group remain steadily linked to the USD and have no immediate effect on the prevailing production costs expressed in USD.

Despite current palm oil prices being lower than in the peak period of the first half of 2022, they still align closely with the levels observed throughout 2023, which are historically considered 'high'. With the combination of rising annual production volumes in Indonesia, stable unit costs and a resilient palm oil market, SIPEF can again look forward to a strong performance year 2024.
However, it is important to acknowledge external factors such as the volcanic eruption in November 2023, which may impact production volumes in Papua New Guinea during 2024. Consequently, while SIPEF is optimistic about its performance, it acknowledges that the final recurrent result for 2024 might be slightly lower than the presented figures for 2023.

1.5.4. Cash flow and expansion

By the end of 2023, a total of 82 171 hectares of the SIPEF group was planted with oil palms as a result of recent achievements. The supply base was exceeding 100 000 hectares, supplying 9 palm oil processing mills in Indonesia and Papua New Guinea.

In 2024, the Group will continue to concentrate mainly on the investment programmes in South Sumatra. These programmes concern the further expansion of the planted areas and new infrastructure in Musi Rawas, and improvement of the existing infrastructure in Dendymarker since the replanting of its 10 184 hectares has been completed end of 2023.

In Musi Rawas, in compliance with RSPO 'New Planting Procedures', an additional 1 786 hectares were compensated last year, and 2 337 hectares were prepared for planting or planted, to reach a total of 18 760 cultivated hectares. This corresponds to 85.9% of the 21 850 hectares acquired through compensation.

As per the end of 2023, the total renewed and cultivated area in the South Sumatra business unit was already 28 362 hectares, of which 18 367 hectares (64.8%) are young mature and harvested.

The completion of the construction of the 10th palm oil mill within the SIPEF group, situated on one of the Musi Rawas estates, is scheduled for the end of the first quarter in 2024. This facility will further enhance processing capacity, ensuring efficient handling of the entire crop yield from both the own estates and those of smallholders in South Sumatra.

In addition to the expansion in South Sumatra, the Group is investing in 2024 in the renewal of materials and mills, as well as in the usual replanting programmes of 9 632 hectares of older plantings in Sumatra, Papua New Guinea, and Côte d'Ivoire. Notably, the conversion of rubber estates in North Sumatra and Bengkulu into 2 458 hectares of maturing oil palms is underway. The strategic investments in 'value creation' are intricately tied to innovation, early adoption of new techniques, and operational enhancements, with a specific focus on producing high-quality, low-contaminant oils. These initiatives are set to surpass USD 10 million in 2024.

The expansion of Plantations J. Eglin's banana plantations will be completed. As a result, the total planted area will reach 1 338 hectares by year end 2024, leading to a gradual increase in production up to 60 000 tonnes by 2025.

The financing of this extensive and diversified investment budget, exceeding USD 100 million, is assumed to fit into the generated operational cash flow for the year, while still leaving margin for the usual dividend distribution. As a result, it is projected that the Net Financial Debt position at the end of 2024 will closely align with the well-managed position reported at the end of 2023.

2. Sustainability

2.1. SBI management plan approved and licence secured for another decade

On 11 December 2023, the Indonesian Ministry of Environment and Forestry (KLHK) approved the SIPEF Biodiversity Indonesia (SBI) 10-year management plan for the 12 672 hectares of forest area overseen by the initiative. The approval secures SBI's existing license to manage and conserve the area for another decade. SBI continues to be the most significant biodiversity initiative supported by SIPEF. Among other accomplishments in 2023, the programme met its 2024 target of engaging with 369 farmers to promote regenerative agricultural practices, as part of efforts to mitigate illegal development and encourage alternative, more sustainable sources of income.

2.2. SIPEF maintains 11th position on SPOTT and advances score for CDP Climate Change

SIPEF's improvements in sustainability reporting and performance are reflected in the sustainability benchmark scores and rankings for 2023. With an 88.9% rating from the Sustainability Policy Transparency Toolkit (SPOTT), the Company increased its score by 2.1% from 2022 and maintained its ranking of 11th out of 100 palm oil companies. Notably, SIPEF also advanced in its CDP Climate Change disclosure, moving up to a C (Awareness) from the 2022 score of D (Disclosure). The new score aligns SIPEF's performance with the crop sector's average. SIPEF maintained its B (Management) score for its CDP Forests submission, a score that falls in line with the average performance of palm oil in the crop farming sector, and is higher than the European regional average.

3. Agenda 2024

18 April 2024		Quarterly information Q1
25 April 2024		Integrated annual report online available (at the latest) on www.sipef.com
12 June 2024		Ordinary general meeting
13 August 2024		Half-yearly financial report
17 October 2024		Quarterly information Q3

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.

EY Bedrijfsrevisoren – represented by Christoph Oris and Wim Van Gasse.

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, 15 February 2024

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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.