Half-Year Results of the SIPEF group

as per 30 June 2018 (6m/18)

- Palm oil production at our own plantations rose by 6.7% compared with the first half of last year, with a sharp rise in palm oil volumes in Indonesia (+10.4%) and the fall in production in the first quarter in Papua New Guinea was offset in full.
- Stable but weaker palm oil market that currently quotes below USD 600 per tonne CIF Rotterdam.
- Despite rising volumes and efficiency improvements, the lower prices for palm oil and rubber on the world markets reduced the gross profit from KUSD 57 472 in June 2017 to KUSD 47 008 (-18.2%) in June 2018.
- Due to some non-operational elements such as negative exchange- (-KUSD 1 439) and tax effects (-KUSD 1 507), the net result, share of the Group, excluding one-off gains, was KUSD 17 391, which was 46.1% lower than in 2017.
- Sale of the insurance activity BDM-ASCO was finalised in June with a one-off gain of KUSD 7 380.
- As a result of the expected higher production volumes and the related lower unit cost prices for palm oil, the recurring profit for the second semester should exceed the recurring profit for the first semester.
- With 66% of 2018 palm oil production sold at USD 715 per tonne CIF Rotterdam, premiums included, and the world market trend indicating little prospect of a quick revival in the second half of the year, we expect the recurring result for 2018 to be substantially lower than for 2017.
- Expansion in South Sumatra, Indonesia continued steadily with already 9 749 hectares cultivated in Musi Rawas and the start of the limited expansion and replanting of Dendymarker.

1. Interim management report

1.1. Group production

Group production

2018 *(in tonnes)*	**Own**	**Third parties**	**Q2/18**	**YoY%**	**Own**	**Third parties**	**YTD Q2/18**	**YoY%**
Palm oil	71 303	16 714	88 017	*9.12%*	137 812	28 390	166 202	*2.89%*
Rubber	1 831	0	1 831	*-12.43%*	4 125	0	4 125	*-6.76%*
Tea	590	0	590	*-0.17%*	1 185	0	1 185	*1.37%*
Bananas	5 985	0	5 985	*-10.28%*	13 301	0	13 301	*-10.20%*

2017 *(in tonnes)*	**Own**	**Third parties**	**Q2/17**	**Own**	**Third parties**	**YTD Q2/17**
Palm oil	64 888	15 772	80 660	129 160	32 381	161 541
Rubber	2 091	0	2 091	4 424	0	4 424
Tea	591	0	591	1 169	0	1 169
Bananas	6 671	0	6 671	14 812	0	14 812

After an exceptionally strong production year in 2017, with our own palm oil production up 14.9% over the first six months, we again recorded growth of 6.7% in our own plantations in the first half of 2018. This increase was uniform across each of the three mature production centres in Sumatra, Indonesia: the Tolan Tiga group (+7.6%), the more recent UMW/TUM group (+6.5%) and the Agro Muko plantations in Bengkulu (+9.4%). This growth is driven by generally favourable weather in Sumatra and the improved efficiency of young planted hectares, along with the limited additional volumes of the Dendymarker mill in South Sumatra, which was acquired last year.

After rather low production in Papua New Guinea in the first quarter of 2018 due to a reduction in full fruit formation and the usual intense precipitation, which hampered harvesting and transport to the mills, the situation was fully normalised in the second quarter, with the -11.4% fall in production in Q1 fully made up for in Q2. As a result, combined production is now identical to what it was in the first half of last year (-0.7%).

A similar upswing in production was seen with the smallholders in Papua New Guinea, where the -31.9% fall in production at the end of March was halved to a combined production at the end of June just -14.2% below the figure for the first half of last year. They usually take longer to respond to more positive agronomic conditions because of the higher average age of their plantings.

Due to the sharp growth in volume in the second quarter, the -3.3% fall in total palm oil production for the *SIPEF* group at the end of March was converted to a combined rise of 2.9% by the end of June 2018.

This trend was also observed to an even higher degree in the preceding production of fresh fruit bunches (FFB), which for the Group increased by 7.0% in our own plantations and by 3.9% for the total supply in the first six months. The additional harvest of the young plantings in Musi Rawas, which continue to be sold to non-Group mills for now, is the primary reason for stronger growth in fruits than in palm oil volumes.

Due to the timing of the wintering period in the first half of the year, we often see significant quarterly differences in Indonesian rubber production. For example, the -1.7% fall in production in the first quarter rose to -6.8% at the end of June. This fall is most noticeable in North Sumatra (-27.2%), due to the conversion of rubber areas to test fields for new oil palm seeds at the Timbang Deli plantation and the longer than expected recovery period after the wintering period at the Bandar Pinang plantation. However, the production in the renovated rubber plantations in Agro Muko, Bengkulu continues to rise encouragingly (+15.3%).

The tea plantations in Java, Indonesia again suffered from the changeable weather in the second quarter and exceptionally low minimum night temperatures were recorded in May and June, which meant that the fresh leaf growth remained under par. Limited parts of the plantation even experienced frost, a phenomenon that had never previously been observed in the mountainous environs of Bandung in Java. Even so, production remained stable (+1.4%) with an admittedly weak first half of last year.

However, the higher volumes of bananas in the second quarter, in line with the banana production in Ivory Coast the same period of last year, did not make up the arrears built up in the opening months of 2018 and, in spite of the growth of production in the newly planted Azaguié 2 area (+36.9%), the total volume of exported bananas was -10.2% less than it was in the first half of last year.

1.2. Markets

Average market prices

*In USD/tonne**		YTD Q2/18	YTD Q2/17	YTD Q4/17
Palm oil	CIF Rotterdam	663	734	715
Rubber	RSS3 FOB Singapore	1 702	2 274	1 995
Tea	Mombasa	2 605	2 801	2 804
Bananas	FOT Europe	1 034	872	899

** Jan- May: World Bank Commodity Price Data*
June: SIPEF group best estimate

The second quarter started with high stocks in Malaysia on the back of a strong yield increase in production, but more damaging was the slower demand. India announced its increase in import duty of USD 100 per tonne for palm oil, leaving liquid oils unchanged. In general, slower demand was experienced in India due to its revamp of the monetary system in late 2017 and strong inflation, but palm oil suffered the most. Over a million tonnes of export was lost. During the second quarter, it was clear that yields in Malaysia had started to suffer, but at the same time production in Indonesia, particularly in Kalimantan, experienced a yield increase.

The petroleum market rallied to nearly USD 80 per barrel, while gasoil was touching USD 700 per tonne, and discretionary blending became economically viable. Exports of palm biodiesel surged at the end of the second quarter, but unfortunately, Indonesia has not shown any sign of increasing its blending behaviour. It was probably justified to wait until Ramadan was over but, even after the holiday break, there were no announcements about increasing the blending for 2018.

Another factor that certainly created a lot of uncertainty is the trade war beginning between the US and China. The US soybean market will suffer significantly and it will certainly impact palm oil negatively.

The stocks in Malaysia remained static, but relatively high, and Indonesia experienced a stock increase during the second quarter. Despite that, palm oil is globally well-priced; the lack of Indian demand is being felt and exports dropped each month in the second quarter; and we experienced a bear market throughout the second quarter. The palm oil market traded from USD 670 per tonne CIF Rotterdam at the beginning of the quarter and gradually dropped to USD 625 per tonne by the end of June.

Palm Kernel Oil (PKO) experienced further competition from coconut oil, which took back some market share it had lost three years ago. The fact that coconut oil has no sustainability premium attracted many end consumers. PKO traded from USD 1 000 per tonne to USD 850 per tonne CIF Rotterdam at the end of the second quarter.

The rubber market has been very boring and trading in a narrow range. The Chinese port stocks continued to grow, indicating slow physical demand, and this limited any upside. With Vietnam and Thailand coming out of wintering, fresh supplies pressed the market lower. Prices for SICOM RSS3 gradually dropped from USD 1 700 per tonne to USD 1 500 per tonne.

Tea production in Kenya has been increasing due to beneficial ‘long rains’ during the second quarter. Tea prices at the Mombasa auction gradually dropped, certainly due to the low demand during the Ramadan festivities.

1.3. Consolidated income statement

Consolidated income statement

In KUSD (management presentation)	**30/06/2018**	**30/06/2017**
Revenue	139 973	157 017
Cost of sales	-94 771	-99 705
Changes in the fair value	1 395	160
Gross profit	**46 597**	**57 472**
General and administrative expenses	-16 306	-14 930
Other operating income/(changes)	- 361	1 007
Operating result	**29 930**	**43 549**
Financial income	1 089	784
Financial charges	-1 497	-1 683
Exchange differences	- 909	937
Financial result	**-1 317**	**38**
Profit before tax	**28 613**	**43 587**
Tax expense	-9 479	-12 391
Profit after tax	**19 134**	**31 196**
Share of results of associated companies and Joint ventures	- 511	3 100
Result from continuing operations	**18 623**	**34 296**
Revaluation gain acquisition PT Agro Muko	0	79 324

Gain on sale BDM-ASCO	7 380	0
Profit for the period	**26 003**	**113 620**
Result from continuing operations share of the group	**17 391**	**32 250**
Revaluation gain acquisition PT Agro Muko share of the group	0	75 182
Gain on sale BDM-ASCO share of the group	7 380	0
Share of the group	**24 771**	**107 432**

Consolidated gross profit

In KUSD (management presentation)	30/06/2018	%	30/06/2017	%
Palm	44 819	96.2	51 731	90.1
Rubber	- 440	-0.9	2 713	4.7
Tea	383	0.8	345	0.6
Bananas and plants	1 319	2.8	1 966	3.4
Corporate en others	515	1.1	717	1.2
Total	**46 596**	**100.0**	**57 472**	**100.0**

Total revenue fell to USD 140 million (-10.9%).

Revenue from palm oil fell by 8.4%. The slightly higher volumes were sold at a substantially lower price, the average world market price for crude palm oil in the past half year being USD 72 per tonne CIF Rotterdam, lower than in the same period last year.

Rubber revenue fell by 43.7% due to a combination of the lower production and the lower world market price for natural rubber.

Tea activities revenue fell by 29%. However, last year's turnover was significantly boosted by a large sale of stock. This fall, therefore, has no impact on the gross margin of the tea business, which is virtually identical to the margin achieved last year.

Revenue followed the lower volumes in the banana and flower activities.

The average Ex-works unit price for the palm segment (96.2% of the total gross margin) was virtually unchanged compared with the first half of 2017. That is because the general rise in costs (fuel, fertiliser and local wages) was largely offset by higher production and the devaluation of the rupiah in Indonesia (3.4%) and the kina in Papua New Guinea (1.9%).

The adjustment of fair value is due to the impacts on the valuation of:

- the stock of finished products at their market value rather than their production cost (IAS2);
- the measurement of the hanging palm fruits at their fair value (IAS 41R).

Gross profit fell from KUSD 57 472 in June 2017 to KUSD 47 008 (-18.2%) in June 2018.

The gross profit in the palm segment fell by 13.4% compared with the first six months of 2017, due to the lower palm oil prices.

The rubber activities made a negative contribution to the gross margin (-KUSD 440) due to the low sales prices. The gross margin of the tea activities was virtually identical to last year and the gross margin for banana and flower activities fell sharply as a consequence of lower production.

General and administrative expenses rose considerably (+9.2%), mainly due to increased costs of the continued development of a regional office in the Musi Rawas region and additional IT and travel costs. The USD equivalent of the euro costs of the head office in Belgium also increased.

The operating result, excluding one-off gains, was KUSD 29 930 compared with KUSD 43 549 the previous year (-31.3%).

Financial income primarily comprises the positive time effect of the discount of the receivable from the sale of the interest in the SIPEF-CI SA palm oil plantation in Ivory Coast at the end of 2016 (KUSD 1 037). This receivable will be paid over the next four years.

The final costs primarily comprise mainly the interest on our long- and short-term financing at Libor-related interest rates.

The limited positive exchange differences are primarily due to the hedging of the expected euro dividend, the exchange differences on the unhedged euro receivable from the sale of SIPEF-CI and the hedging cost to USD of the short-term euro financing.

Profit before tax, excluding one-off gains, was KUSD 28 613 compared with KUSD 43 587, a fall of 34.4%.

At 33.1%, the effective tax expense was substantially higher than the theoretical tax expense of 26.8%. A number of deferred tax assets, relating to fiscal losses recoverable in 2018, were reversed due to the downward adjustment of the profit expectation for 2018.

Since the sale of BDM-ASCO at the beginning of 2018 and the full consolidation of PT Agro Muko since 1 March 2017, the share of results of ‘associated companies and joint ventures’ (-KUSD 511) only includes the research activities centralised at PT Timbang Deli and Verdant Bioscience PTE Ltd.

Profit for the period, excluding one-off gains, was KUSD 18 623, compared with KUSD 34 296 the year before, a fall of 45.7%.

The net result, share of the Group, excluding one-off gains, was KUSD 17 391, 46.1% lower than in 2017.

The announced sale of the insurance activities (BDM-ASCO) was finalised in the first half of 2018. This sale generated a gain of KUSD 7 380.

The net result, share of the Group, was KUSD 24 771.

1.4. Consolidated cash flow

Consolidated cash flow

In KUSD (management presentation)	30/06/2018	30/06/2017
Cash flow from operating activities	48 471	58 098
Change in net working capital	-21 304	6 853
Income taxes paid	-11 154	-2 021
Cash flow from operating activities after tax	**16 013**	**62 930**
Acquisitions intangible and tangible assets	-29 194	-24 175
Sales of PP&E and financial assets (excl. BDM-ASCO)	1 309	1 633
Acquisition financial assets	- 99	- 350
Recurring free cash flow	**-11 971**	**40 037**
Selling price BDM-ASCO	20 467	0
Purchase price PT Agro Muko	0	-124 977
Capital increase	0	95 037
Other financing activities	-16 537	5 486
Net increase in investments, cash and cash equivalents	**-8 041**	**15 584**

In USD per share	30/06/2018	30/06/2017
Weighted average shares outstanding	10 455 587	9 176 300
Basic operating result	3.57	13.39
Basic net earnings	2.37	11.71
Diluted net earnings	2.37	11.67
Basic net earnings before remeasurement gain PT Agro Muko and sale BDM-ASCO	1.66	3.51
Cash flow from operating activities after tax	1.53	6.86

Cash flow from operating activities fell by KUSD 9 627, which is in line with the lower operating profit. The increased use of working capital (-KUSD 21 304) is primarily due to higher stocks and the application of the prevailing delivery and payment arrangements with our customers and suppliers.

In Indonesia, we always make advance payments based on prior year results. The higher taxes paid reflect the higher earnings of 2017 compared to those of 2018. Moreover, in the first six months of 2017 there was a regularisation of the overpaid pre-payments from previous years.

The main investments were the payment of additional land compensations and the planting of oil palms in the new project in South Sumatra (KUSD 12 854), alongside the usual replacement investments and the maintenance of the immature plantings.

The recurring free cash flow over the first six months of 2018 was -KUSD 11 971, compared with KUSD 40 037 in the same period last year.

The net selling price received from the sale of BDM-ASCO amounted to KUSD 20 467. This transaction is further clarified in detail in annex 7.

1.5. Consolidated balance sheet

Consolidated balance sheet

In KUSD (management presentation)	**30/06/2018**	**31/12/2017**
Biological assets (depreciated costs) – bearer plants	271 143	268 086
Goodwill	104 782	103 008
Other fixed assets	366 029	361 408
Net assets held for sale	0	12 010
Net current assets, net of cash	68 017	65 316
Net cash position	-76 751	-83 697
Total net assets	**733 220**	**726 131**
Shareholders' equity, group share	641 524	634 636
Non-controlling interest	34 292	33 140
Provisions and deferred tax liabilities	57 404	58 355
Total net liabilities	**733 220**	**726 131**

The balance sheet positions generally remained fairly stable compared with 31 December 2017.

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

After the permanent inclusion of Dendymarker Indah Lestari (DIL) in the consolidation, the 'goodwill' was adjusted somewhat compared with the provisional inclusion on 31 July 2017 (+KUSD 1 774).

As a result of the finalised sale of BDM-ASCO, net assets held for sale were reduced to zero (last year: KUSD 12 010).

Net current assets, net of cash, comprise a sharp rise due to the increased working capital (see comment under cash flow), but it should also be noted that the dividend of KUSD 19 977 was not paid out until the beginning of July (= working capital reduction as of 30 June 2018).

1.6. Prospects

1.6.1. Production

At the beginning of the third quarter we observe an enduring rise in oil palm fruit and palm oil production volumes compared with last year, particularly at the mature plantations in North Sumatra and the new plantings in Agro Muko. The usual fall in volumes in Papua New Guinea during the third quarter will be much less pronounced than previously, and the fruit formation is promising for the coming months. We continue to expect growth of at least 9% in our annual palm oil production.

Starting in the third quarter, in South Sumatra we will process all harvested fruit at our own Dendymarker palm oil mill, without sales to third parties, and with full utilisation of the current extraction capacity.

Rubber production will fall further in the third quarter, in spite of a higher yield in the two plantations in North Sumatra, because a temporary marked wintering period is ongoing at the MAS Palembang plantation in South Sumatra, which could negatively impact production for several months.

Due to the low minimum temperature with limited frost problems in the tea plantations of Cibuni, Java, the production arrears will not be made up quickly.

However we expect a recovery in banana export volumes in Ivory Coast over the coming months.

1.6.2. Markets

The palm oil market is faced with high stocks entering the second half of 2018. The Indian demand is still not picking up and it seems they have learnt to manage to run on low stocks. There are rumours that Indonesia wants to increase its blending percentage to 25% and even 30% for 2019, but that will only become likely if they manage to increase blending for the second half of 2018. So far, there have not been any positive signals.

The US soybean growing season is experiencing great growing conditions so far, but the lack of Chinese demand for US soybeans, due the US-China trade war, is taking its toll and the entire soybean complex is at its lowest level in years. All in all, quite some bearish news has been priced, but the outlook, with palm production going into peak production, strongly depends on demand. A stronger petroleum market would certainly have a positive effect.

The rubber market continues to suffer from the oversupply in general and the overhang of stocks in China in particular. As long as there is no real physical demand run in the coming months, it is difficult to expect any price rally in the near future and the prices will remain static.

Production of tea in Kenya will remain steady in the coming months, but winter demand should kick in during the third quarter. Therefore, we expect prices to continue moving in a narrow range during the next quarter, with a small increase expected.

1.6.3. Results

In spite of the recent weakening of the palm oil market, we continue to gradually place our rising production volumes on the market, using the market trends related to the volume prospects for vegetable oils and the expected change in the price of petroleum as a measure of the demand for biodiesel. To date we have sold 66% of our expected production volumes at an average price of USD 715 per tonne CIF Rotterdam, premiums included, compared with 74% at USD 760 per tonne CIF Rotterdam at the same time last year.

54% of the expected Indonesian rubber production has already been sold at an average price of USD 1 595 per tonne FOB, compared with 75% at USD 2 099 per tonne at the same time last year, when rubber prices in the first quarter of 2017 flared up due to an unexpected rise in Chinese demand. We continue to sell on a stable but relatively unattractive market. As a consequence, the gross margin of the rubber activities will make a negative contribution to the 2018 operating results.

Approximately 59% of our expected tea volumes were sold at an FOB price of USD 2 790 per tonne, a level around 10% higher than the sales prices achieved at the same time last year.

The local currencies in Indonesia and Papua New Guinea continue to lose value against the US dollar. We expect this to offset the annual wage increases and price rises for fuel and fertiliser to a large degree and the rising volumes to support the annual cost prices.

Given the current trend in palm oil prices on the world market, the recurring result for 2018 could be substantially lower than in 2017, in spite of rising volumes and efficiency improvements.

As well as the exceptional and unpredictable weather, the ultimate annual result will depend on the palm oil price trend on the world market in the second half of the year.

1.6.4. Cash flow and expansion

As well as the usual replacement investments and the timely replanting of the older areas, the investment policy remains fully focused on expanding the palm oil activities in South Sumatra, Indonesia, specifically the Musi Rawas and Dendymarker projects.

In Musi Rawas, the compensation of farmland, followed by the preparation of the site and the planting of oil palms, continued steadily on the four concessions centralised in three enterprises. In the first half of the year, an additional 1 202 hectares were compensated and an additional net 524 hectares prepared for planting or planted. This brought the total to 9 749 cultivated hectares, which is 67.3% of the total of 14 485 compensated hectares, of which 2 143 hectares acquired for planting by smallholders (plasma) and 12 343 hectares for internal development. The FFB production of the 902 mature hectares was sold locally at the end of June, but will be processed at our own mill starting in the second half of the year.

The additional acquired licences for a total of 5 504 hectares announced during the most recent General Meeting, which are all adjacent to the existing concession of Agro Muara Rupit (AMR), have now been subjected to the approval procedures for the development of sustainable oil palm plantations, with assessments by consultants who report to the local governments and the Round Table on Sustainable Palm Oil (RSPO).

The additional licences for 3 137 hectares, all adjacent to Agro Kati Lama (AKL) and for which the discussions with the local governments may be completed in September, will be subjected to the same sustainable development procedures. Given the successful development in the Musi Rawas region up to now, we expect more than 22 500 hectares of the total concession of 33 248 hectares to be converted to sustainably developed oil palm plantations in due course.

After last year’s acquisition of Dendymarker Indah Lestari (DIL), which is located among the four concessions of Musi Rawas, in the first half of the year the existing 6 205 planted hectares were substantially restructured in agronomical terms, and costs have been fully expensed. Furthermore, the first replanting of more than 200 hectares was commenced. Replanting will start in the 2 782-hectare plasma zones later in the year too, although this does require prior additional discussions with the surrounding communities. The compensation and new planting of a 2 005-hectare expansion zone will also begin in the third quarter. We expect 80% of it to be gradually converted to oil palm plantations.

As a result, DIL will be increased to more than 10 000 hectares in the future, which will bring the total development in South Sumatra to approximately 33 000 hectares, 20% of which will belong to the local communities but will be managed by us. The combined *SIPEF* group plantations under own management will then span 86 900 hectares, whereas the total FFB supply base for our mills (including smallholders in Papua New Guinea and the plasma plantations in Indonesia) will far exceed 100 000 hectares.

2. Condensed financial statements

2.1. Condensed financial statements of the SIPEF group

2.1.1. Consolidated balance sheet (see annex 1)
2.1.2. Consolidated income statement (see annex 2)
2.1.3. Consolidated statement of comprehensive income (see annex 2)
2.1.4. Consolidated cash flow statement (see annex 3)
2.1.5. Statement of changes in consolidated equity (see annex 4)
2.1.6. Segment information (see annex 5)
2.1.7. PT Dendymarker Indah Lestari impact of the acquisition (see annex 6)
2.1.8. Business combinations, acquisitions and divestitures (see annex 7)

2.2. Notes

2.2.1. General information

SIPEF is a Belgian agro-industrial company listed on Euronext Brussels.
The condensed financial statements of the group for the six months ended 30 June, 2018 were authorised for issue by the board of directors on 14 August, 2018.

2.2.2. Basis of preparation and accounting policies

These financial statements are prepared in accordance with 'International Accounting Standard' IAS 34, "Interim Financial Reporting" as adopted by the EU. This report should be read in conjunction with *SIPEF* group's annual financial statements as at 31 December, 2017, because the financial statements herein do not include all the information and disclosures required in the annual financial statements.

The amounts in this document are presented in KUSD, unless noted otherwise.

A summary of the accounting standards can be found in the audited consolidated financial statements for the year ended December 31, 2017 (www.sipef.com/index.html). The accounting policies of the *SIPEF* group which are used as of 1 January, 2018 are consistent with the accounting standards used for the audited consolidated financial statements of 31 December 2017, with the exception that the group has applied the new accounting standards and interpretations applicable for annual periods beginning on or after 1 January 2018. These new standards and interpretations have a minimal impact.

Relevant IFRS accounting standards adopted as from 2018

As of January 1, 2018 the Group has adopted IFRS 15 *Revenue from contracts with customers* and IFRS 9 *Financial Instruments* for the first time. As required by IAS 34, we have disclosed the nature and impact of these amendments in the sections here below. Several other amendments and interpretations are applicable for the first time in 2018, but have no impact on the interim consolidated financial statements of the Group.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was published in May 2014 and replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*. This standard introduces a new model consisting of five steps for the recognition of revenue from contracts with customers, except for revenue from leases, financial instruments and insurance contracts. The core principle of this standard is that an entity recognizes revenue to the extent it represents the transfer of promised goods or services to customers for a consideration that is the reflection of the remuneration to which the entity expects to be entitled in exchange for those goods or services. The timing of the revenue recognition can take place over time or at a point in time, depending on the transfer of ownership.

The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalized or expensed when incurred. Furthermore, the new disclosures included in IFRS 15 are more detailed than those currently applicable under IAS 18.

The *SIPEF* group's core activity is the sale of goods. *SIPEF* group recognises revenue at the moment the control over the asset is transferred to the customer. The goods sold are transported by ship and recognized as revenue as soon as the goods are loaded onto the ship. Revenue recognition occurs at the moment when the goods are loaded onto the ship. Revenue is recorded at this point in time for all contracts within the *SIPEF* group.

The Group has no material incremental costs of obtaining a contract which would fulfill the capitalization criteria as defined by IFRS 15.

We can conclude that the IFRS 15 does not have an impact on the financial statements of the *SIPEF* group. The Group will continue to sell its products at defined incoterms.

IFRS 9 *Financial instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments* and brings together the following aspects of accounting for financial instruments: classification and measurement, impairment, and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. IFRS 9 changes the classification and measurement of financial assets and includes a new model for assessing the impairment of the financial assets based on expected credit losses. IFRS 9 also contains new general requirements for hedge accounting that further align hedge accounting with risk management.

The *SIPEF* group performed an impact assessment for IFRS 9. The application of the classification and measurement requirements do not have a significant impact either on its statement of financial position or on its equity. The Group will continue to measure all financial assets at fair value.

Relevant IFRS accounting standards to be adopted as from 2019 onwards

A number of new standards, amendments to existing standards and annual improvement cycles have been published and are mandatory for the first time for reporting periods beginning on or after January 1, 2019, and have not been early adopted. Those which may be the most relevant to the *SIPEF* group's consolidated financial statements are set out below.

IFRS 16 *Leases*

IFRS 16 supersedes IAS 17 *Leases* and related interpretations. For lessees, IFRS 16 requires most leases to be recognized on-balance (under a single model), eliminating the distinction between operating and finance leases.

In accordance with the new standard, the lessee will recognize assets and liabilities for the rights and obligations created by leases. The new standard will decrease the rental expenses recognized in the profit and loss and increase depreciation, amortization and interest expenses. In addition, the interest-bearing liabilities and property, plant and equipment in the consolidated financial statements of the *SIPEF* group will increase. As a result of these impacts, EBITDA will be impacted. However, net result (profit of the period) will only be impacted to a limited extent.

The *SIPEF* group has already made a preliminary impact assessment of IFRS 16 in the course of 2018. The largest impact is expected for usufruct of the land in Papua New Guinea. As per 30 June 2018, the group has a preliminary total leasing asset of USD 3.15 million and a total operating lease commitment of USD 3.3 million.

IFRS 16 is effective for the reporting periods beginning on 1 January 2019. The other issued standards, amendments to standards and interpretations which are applicable for reporting periods beginning on or after 1 January 2019 are expected not to have a significant impact on the consolidated financial statements of the *SIPEF* group.

2.2.3. Consolidation scope

On 18 December 2017 it was announced that *SIPEF* and Ackermans & van Haaren, which were each 50% shareholder of the Belgian insurance group BDM-ASCO, had reached agreement with the Nasdaq-listed US insurer The Navigators Group, Inc. on the sale of 100% of the share capital of BDM-ASCO.

On the 7th of June 2018, the company was fully transferred to the new owners. The deconsolidation was carried out on 1 January 2018 as the result up to 7 June 2018 was of negligible importance.

For additional information regarding the sale of BDM-ASCO we refer to annex 7.

There have not been any other changes to the consolidation scope of the *SIPEF* group during this year.

2.2.4. Income taxes

As shown in the table below, the effective tax rate depends to a large extent on other matters than the local results and the applicable local tax rates. The reconciliation can be presented as follows:

In KUSD	30/06/2018	30/06/2018*	30/06/2017	30/06/2017**
Result before tax	35 993	28 613	122 912	43 588
	27.26%	26.81%	25.81 %	27.29 %
Theoretical tax charge	-9 812	-7 665	-31 724	-11 893
Correction on tax charge prior year	-423	-423	0	0
Deferred tax on carried forward losses of the past	-1 084	-1 084	-440	-440
Permanent differences	1 833	-307	19 771	-60
Exchange rate differences (EUR/USD)	0	0	2	2
Tax charge	-9 479	-9 479	-12 391	-12 391
Effective tax rate	26.4%	33.1%	10.08%	28.43%

* For clarification, a column was added in which an abstraction was made of the effect of the non-taxable capital gain of KUSD 7 380 on the sale of BDM-ASCO in 2018.

** For clarification, a column was added in which an abstraction was made for the effect of the non-taxable gain of KUSD 79 324 on the revaluation of the original participation of PT Agro Muko in accordance with IFRS 3 in 2017.

Applying the principles of IAS 12, a net deferred tax asset of KUSD 1 084 on tax losses carried forward has been reversed per 30 June, 2018. This is caused by the impairment on deferred tax assets recorded in the past, because based on the latest available business plan, it is expected that these deferred tax assets will not be utilized within the near foreseeable future.

The total tax charge of KUSD 9 479 (2017: KUSD 12 391) can be split into a current tax component of KUSD 8 191 (2017: KUSD 9 612) and a deferred tax component of KUSD 1 288 (2017: KUSD 2 779).

2.2.5. Segment information

See annex 5.

2.2.6. Turnover

We refer the segment information in annex 5. The timing of the revenue recognition always takes place at a point in time (see note *2.2.2. basis of preparation and accounting policies*).

2.2.7. Equity consolidation – Share of results of associated companies and joint ventures

The share of results of associated companies and joint ventures only contains, since the sale of BDM-ASCO in the beginning of 2018 and the full consolidation of PT Agro Muko since 1 March 2017, the research activities which are centralised in PT Timbang Deli and Verdant Bioscience PTE Ltd.

2.2.8. Shareholders' equity

On 13 June, 2018, *SIPEF*'s shareholders approved the distribution of a EUR 1.60 gross dividend for 2017, payable as from 4 July, 2018. The total dividend paid (including to own shares) amounts to EUR 16 926 925. Converted at the USD exchange rate of the day of the General Assembly, this amounts to USD 19 914 029.

2.2.9. Net financial assets/(liabilities)

In KUSD	30/06/2018	31/12/2017
Short-term obligations – credit institutions	-64 890	-79 877
Long-term obligations – credit institutions	- 40 000	-40 000
Investments and deposits	0	0
Cash and cash equivalents	28 138	36 180
Net financial assets/(liabilities)	**-76 751**	**-83 697**

The short-term liabilities have a term of less than twelve months and comprise USD straight loans with our bankers of KUSD 38 100, a 'commercial paper' debt of KUSD 21 790 and a long term loan taken out for the purchase of PT Agro Muko of KUSD 45 000 of which KUSD 5 000 was recorded as a short-term obligation.

From cash and cash equivalents, which at 30 June 2018 were KUSD 28 138, as from 4 July, 2018 an amount of USD 19 681 953 was paid out as a dividend for 2018.

2.2.10. Financial instruments

The financial instruments were categorised according to principles that are consistent with those applied for the preparation of note 29 of the 2017 financial statements. No transfer between levels occurred during the first six months of 2017.

All derivatives outstanding per 30 June, 2018 measured at fair value relate to forward exchange contracts and interest rate swaps. The fair value of the forward exchange contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate, and is classified as level 2 (fair value determination based on observable inputs). As per 30 June, 2018 the fair value amounts to KUSD -667 versus KUSD 579 per 31 December, 2017.

The carrying amount of the other financial assets and liabilities approximates the fair value.

The current credit lines available amount to KUSD 147 893:

- Straight loans for a total of KUSD 79 526 (uncommitted)
- Long-term loan for a total of KUSD 45 000
- Commercial papers for a total of KUSD 23 367

2.2.11. Related party transactions

There are no changes to the transactions with associated companies with regard to the annual report of December 2017.

2.2.12. Important events

See management report.

2.2.13. Events after balance sheet date

There are no events after the balance sheet date that have a significant impact on the results and/or the shareholders' equity of the Group.

2.2.14. Risks

In accordance with Article 13 of the Royal Decree of 14 November, 2007, *SIPEF* group states that the fundamental risks confronting the company are unchanged from those described in the 2017 annual report, and that no other risks nor uncertainties are expected for the remaining months of the financial year.

On a regular basis, the board of directors and company management evaluate the business risks that confront the *SIPEF* group.

3. Certification of responsible persons

Baron Bertrand, chairman of the board of directors, and François Van Hoydonck, managing director, confirm that to the best of their knowledge:

- these interim condensed consolidated financial statements for the six month period ending 30 June, 2018 are prepared in accordance with IFRS (International Financial Reporting Standards) and give, in all material respects, a true and fair view of the consolidated financial position and consolidated results of the *SIPEF* group and of its subsidiaries included in the consolidation;

- the interim financial report gives, in all material respects, a true and fair view of all important events and significant transactions with related parties that have occurred in the first six months of the fiscal year 2018 and their effects on the interim financial statements, as well as an overview of the most significant risks and uncertainties the *SIPEF* group is confronted with.

4. Report of the statutory auditor

See annex 8.

Translation: this press release is available in Dutch, French and English. The Dutch version is the original; the other language versions are free translations. 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, 16 August 2018

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

Consolidated balance sheet

ANNEX 1

In KUSD (condensed)	30/06/2018	31/12/2017
Non-current assets	**756 668**	**747 529**
Intangible assets	294	306
Goodwill	104 782	103 008
Biological assets - bearer plants	271 143	268 086
Other property, plant & equipment	350 443	346 265
Investment property	0	0
Investments in associated companies and joint ventures	7 604	8 116
Financial assets	77	78
Other financial assets	77	78
Receivables > 1 year	7 611	6 643
Other receivables	7 611	6 643
Deferred tax assets	14 714	15 027
Current assets	**158 537**	**159 479**
Inventories	38 222	28 879
Biological assets	8 373	7 018
Trade and other receivables	72 534	72 562
Trade receivables	36 384	36 465
Other receivables	36 150	36 097
Current tax receivables	7 626	1 610
Investments	0	0
Other investments and deposits	0	0
Derivatives	0	579
Cash and cash equivalents	28 138	36 180
Other current assets	3 644	641
Assets held for sale	0	12 010
Total assets	**915 205**	**907 008**
Total equity	**675 816**	**667 776**
Shareholders' equity	641 524	634 636
Issued capital	44 734	44 734
Share premium	107 970	107 970
Treasury shares (-)	-8 261	-8 308
Reserves	508 637	502 732
Translation differences	-11 556	-12 492
Non-controlling interests	34 292	33 140
Non-current liabilities	**112 687**	**113 382**
Provisions > 1 year	2 723	2 898
Provisions	2 723	2 898
Deferred tax liabilities	51 751	51 326
Trade and other liabilities > 1 year	0	0
Financial liabilities > 1 year (incl. derivatives)	40 000	40 000
Pension liabilities	18 213	19 158
Current liabilities	**126 702**	**125 850**
Trade and other liabilities < 1 year	58 734	39 931
Trade payables	13 601	18 243
Advances received	1 154	678
Other payables	28 880	8 530
Income taxes	15 099	12 480
Financial liabilities < 1 year	64 889	79 877
Current portion of amounts payable > 1 year	5 000	10 000
Financial liabilities	59 889	69 877
Derivatives	667	0
Other current liabilities	2 412	6 042
Liabilities associated with assets held for sale	0	0
Total equity and liabilities	**915 205**	**907 008**

Consolidated income statement

ANNEX 2

In KUSD (condensed)	30/06/2018	30/06/2017
Revenue	139 973	157 017
Cost of sales	-94 771	-99 705
Changes in the fair value	1 395	160
Gross profit	**46 597**	**57 472**
General and administrative expenses	-16 306	-14 930
Other operating income/(charges)	7 019	80 331
Operating result	**37 310**	**122 873**
Financial income	1 089	784
Financial charges	-1 497	-1 683
Exchange differences	- 909	938
Financial result	**-1 317**	**39**
Profit before tax	**35 993**	**122 911**
Tax expense	-9 479	-12 391
Profit after tax	**26 514**	**110 520**
Share of results of associated companies and joint ventures	- 511	3 100
Result from continuing operations	**26 003**	**113 620**
Result from discontinued operations	0	0
Profit for the period	**26 003**	**113 620**
Attributable to:		
- Non-controlling interests	1 232	6 188
- Equity holders of the parent	24 771	107 432
Earnings per share (in USD)		
From continuing and discontinued operations		
Basic earnings per share	2.37	11.71
Diluted earnings per share	2.37	11.67
From continuing operations		
Basic earnings per share	2.37	11.71
Diluted earnings per share	2.37	11.67
Basic earnings per share before revaluation gain PT Agro Muko	1.66	3.51

Consolidated statement of comprehensive income

In KUSD (condensed)	30/06/2018	30/06/2017
Profit for the period	**26 003**	**113 620**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
in subsequent periods		
- Exchange differences on translating foreign operations	936	4 822
Items that will not be reclassified to profit and loss		
in subsequent periods		
- Defined Benefit Plans - IAS 19R	164	- 77
- Cash flow hedges - fair value result for the period	883	0
- Income tax effect	- 297	19
- Revaluation assets held for sale	0	0
Total other comprehensive income:	**1 686**	**4 764**
Other comprehensive income for the year attributable to:		
- Non-controlling interests	13	- 2
- Equity holders of the parent	1 673	4 766
Total comprehensive income for the year	**27 689**	**118 384**
Total comprehensive income attributable to:		
- Non-controlling interests	1 245	6 186
- Equity holders of the parent	26 444	112 198

Consolidated cash flow statement

ANNEX 3

In KUSD (condensed)		30/06/2018	30/06/2017
Operating activities			
Profit before tax		**35 993**	**122 911**
Adjusted for:			
	Depreciation	19 129	16 856
	Movement in provisions	- 950	468
	Stock options	79	80
	Exchange results not yet realised	-1 037	- 472
	Changes in fair value of biological assets	-1 161	140
	Other non-cash results	323	-1 275
	Hedge reserves and financial derivatives	1 860	-2 658
	Financial income and charges	1 508	965
	Capital loss on receivables	- 184	0
	Capital gain on sale of investments	-7 380	0
	(Gain)/loss on disposal of property, plant and equipment	291	407
	(Gain)/loss on disposal of financial assets	0	-79 324
Cash flow from operating activities before change in net working capital		48 471	58 097
	Change in net working capital	-21 304	6 854
Cash flow from operating activities after change in net working capital		27 167	64 951
	Income taxes paid	-11 154	-2 021
Cash flow from operating activities		**16 013**	**62 930**
Investing activities			
	Acquisition intangible assets	- 34	- 69
	Acquisition biological assets	-11 004	-9 661
	Acquisition property, plant & equipment	-18 156	-14 445
	Acquisition investment property	0	0
	Acquisition financial assets	- 99	-25 558
	Dividends received from associated companies and joint ventures	0	0
	Proceeds from sale of property, plant & equipment	109	133
	Proceeds from sale of financial assets	21 667	1 500
Cash flow from investing activities		-7 517	-48 100
Free cash flow		**8 496**	**14 829**
Financing activities			
	Capital increase	0	95 037
	Equity transactions with non-controlling parties (investment MP Evans)	0	-99 769
	Decrease/(increase) of treasury shares	47	204
	Repayment in long-term financial borrowings	-5 000	0
	Increase short-term financial borrowings	0	142 830
	Decrease short-term financial borrowings	-9 987	-136 043
	Last year's dividend paid during this book year	0	0
	Dividends paid by subsidiaries to minorities	0	- 430
	Interest received - paid	-1 597	-1 075
Cash flow from financing activities		-16 537	754
Net increase in investments, cash and cash equivalents		**-8 041**	**15 583**
	Investments and cash and cash equivalents (opening balance)	36 180	17 204
	Effect of exchange rate fluctuations on cash and cash equivalents	0	1
	Investments and cash and cash equivalents (closing balance)	28 138	32 788

Consolidated statement of changes in equity

ANNEX 4

In KUSD *(condensed)*	Issued Capital	Share premium	Treasury shares	Defined benefit plans - IAS 19R	Reserves	Translation differences	Share-holders' equity	Non-controlling interests	Total equity
January 1, 2018	**44 734**	**107 970**	**-8 308**	**-2 652**	**505 384**	**-12 491**	**634 637**	**33 140**	**667 777**
Result for the period	**0**	**0**	**0**	**0**	**24 771**	**0**	**24 771**	**1 232**	**26 003**
Other comprehensive income				123	614	936	1 673	**13**	1 686
Total comprehensive income	**0**	**0**	**0**	**123**	**25 385**	**936**	**26 444**	**1 245**	**27 689**
Last year's dividend paid					-19 682		-19 682		-19 682
Equity transactions with non-controlling parties							0		0
Other			47		79		126	**- 93**	33
June 30, 2018	**44 734**	**107 970**	**-8 261**	**-2 529**	**511 166**	**-11 555**	**641 525**	**34 292**	**675 817**
January 1, 2017	**37 852**	**17 730**	**-7 425**	**-2 398**	**420 395**	**-18 091**	**448 063**	**25 063**	**473 126**
Result for the period	**0**	**0**	**0**	**0**	**107 432**	**0**	**107 432**	**6 188**	**113 620**
Other comprehensive income				- 56		4 822	4 766	**- 2**	4 764
Total comprehensive income	**0**	**0**	**0**	**- 56**	**107 432**	**4 822**	**112 198**	**6 186**	**118 384**
Last year's dividend paid					-12 408		-12 408	**- 430**	-12 838
Equity transactions with non-controlling parties					- 424		- 424	**424**	0
ANJ acquisition PT Agro Muko							0	**59 917**	59 917
MP Evans acquisition PT Agro Muko					-44 494		-44 494	**-55 275**	-99 769
Transfer PT Agro Muko to PT Tolan Tiga					3 618		3 618	**-3 618**	0
Capital increase	6 882	90 240			-1 376		95 746		95 746
Other			204		175		379	**- 98**	281
June 30, 2017	**44 734**	**107 970**	**-7 221**	**-2 454**	**472 918**	**-13 269**	**602 678**	**32 169**	**634 847**

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.
- Other	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:

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

In KUSD (condensed)	30/06/2018	30/06/2017
Gross margin per product		
Palm	42 112	54 129
Rubber	- 469	2 643
Tea	356	330
Bananas and flowers	1 256	1 873
Other	4 624	2 870
Total gross margin	**47 879**	**61 845**
General and administrative expenses	-20 108	-17 022
Other operating income/(charges)	- 208	1 093
Financial income/(charges)	-1 476	-1 608
Discounting Sipef-CI	1 037	718
Exchange differences	- 888	941
Profit before tax	**26 236**	**45 967**
Tax expense	-8 845	-13 139
Effective tax rate	-33.7%	-28.6%
Insurances	0	1 350
Profit after tax	**17 391**	**34 178**
Correction PT AM @ 44,9273% in Jan-Feb	0	-1 928
Correction PT AM fair value of assets	0	75 182
Gain on sale BDM-ASCO	7 380	0
Profit of the period	**24 771**	**107 432**

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
2018 - KUSD					
Palm	123 208	-79 760	1 371	44 819	96.2
Rubber	4 979	-5 415	- 4	- 440	-0.9
Tea	2 929	-2 574	28	383	0.8
Bananas and plants	8 342	-7 023	0	1 319	2.8
Corporate	515	0	0	515	1.1
Others	0	0	0	0	0.0
Total	**139 973**	**-94 772**	**1 395**	**46 596**	**100.0**
2017 - KUSD					
Palm	134 541	-82 952	142	51 731	90.1
Rubber	8 845	-6 055	- 77	2 713	4.7
Tea	4 123	-3 873	95	345	0.6
Bananas and plants	8 790	-6 824	0	1 966	3.4
Corporate	717	0	0	717	1.2
Others	1	- 1	0	0	0.0
Total	**157 017**	**-99 705**	**160**	**57 472**	**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
2018 - KUSD						
Indonesia	82 882	-55 851	94	- 60	27 065	58.1
Papua New Guinea	48 245	-31 898	0	1 455	17 802	38.2
Ivory Coast	8 342	-7 022	0	0	1 320	2.8
Europe	409	0	0	0	409	0.9
Others	0	0	0	0	0	0.0
Total	**139 878**	**-94 771**	**94**	**1 395**	**46 596**	**100.0**
2017 - KUSD						
Indonesia	88 504	-58 175	240	1 211	31 780	55.3
Papua New Guinea	59 005	-34 705	0	-1 051	23 249	40.5
Ivory Coast	8 790	-6 824	0	0	1 966	3.4
Europe	477	0	0	0	477	0.8
Others	1	- 1	0	0	0	0.0
Total	**156 777**	**-99 705**	**240**	**160**	**57 472**	**100.0**

PT Dendymarker Indah Lestari impact of the acquisition

ANNEX 6

PT Dendymarker Indah Lestari ("PT DIL") is an RSPO certified oil palm company, at acquisition consisting of 6 562 planted hectares of oil palms, 2 780 hectares of smallholders and a palm oil extraction mill with a processing capacity of 25 tonnes of bunches per hour, all located in Musi Rawas Ultara, South Sumatra.

A. Consideration transferred

The SIPEF group has acquired 95% of the outstanding shares of DIL for a total purchase price of KUSD 52 833. As a result of this purchase, PT DIL has been included in the consolidated financial statements of the SIPEF group as of 1 August 2017.

No conditional remuneration or equity instrument was used in this transaction.

In KUSD	
Purchase price of the shares	15 129
Acquisition of financial liabilities < 1 year	37 704
Cash in PT DIL	- 5
Total consideration paid	**52 828**

B. Acquisition related cost

Direct acquisition related costs in respect of the purchase of the shares of PT Dendymarker are considered as insignificant and are neither reflected.

C. Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

In KUSD	1/08/2017	01/08/2017 restated	Difference
Biological assets - bearer plants	8 597	8 739	142
Other property, plant & equipment	23 383	20 088	-3 295
Deferred tax assets	1 324	2 645	1 321
Inventories	268	244	- 24
Trade and other receivables	50	40	- 10
Cash and cash equivalents	5	5	0
Total assets	**33 627**	**31 761**	**-1 866**
Equity	-4 499	-6 368	-1 869
Financial liabilities < 1 year	37 704	37 705	1
Trade and other liabilities < 1 year	422	424	2
Total liabilities	**33 627**	**31 761**	**-1 866**

There are no contingent liabilities recognized as part of the net assets

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	
Property plant and equipment - land rights	Market comparison technique: The valuation model considers current prices for similar land rights acquired
Property, plant and equipment - Biological assets - bearer plants & other property, plant and equipment	Discounted cash flow technique and cost technique: the valuation model considers depreciated replacements costs as well as discounted cash flows when appropriate. Depreciated replacement costs reflect adjustments for physical deterioration as well as functional and economical obsolescence.

The main changes of the acquired identified assets and liabilities in comparison to the provisional purchase price allocation per 31 December 2017 are:

1. Other property, plant and equipment - land rights	KUSD -2 477
2. Other property, plant and equipment - palm oil mill	KUSD -818
3. Deferred tax assets	KUSD +1 321

The decrease in value attributed to the land rights relates to the possible reduction of plantable surface in the expansion zones as these lands may not be eligible for efficient planting. For the sake of safety, we haven't assigned a fundamental value to these land rights.

The decrease in value attributable to the mill of PT Dendymarker concerns an adjustment in the fair value of this plant as a result of a final estimation report.

The increase of the deferred tax assets concerns on the one hand the additional tax receivable due to the changes in the final purchase price allocation (KUSD + 761), as well as an additional deferred tax asset on the recoverable fiscal losses, which were not included in the provisional PPA (KUSD + 560).

D. Goodwill acquired

In KUSD	1/08/2017	01/08/2017 restated	Difference	
Biological assets - bearer plants	8 597	8 739	142	
Other property, plant & equipment	23 383	20 088	-3 295	
Deferred tax assets	1 324	2 645	1 321	
Inventories	268	244	- 24	
Trade and other receivables	50	40	- 10	
Total assets (excl. cash and cash equivalents)	**33 622**	**31 756**	**-1 866**	**A**
Non-controlling interests	- 225	- 318	- 93	*
Trade and other liabilities < 1 year	422	424	2	
Total liabilities	**197**	**106**	**- 91**	**B**
Amount paid	52 833	52 833	0	
Cash in PT DIL	- 5	- 5	0	
Total consideration paid	**52 828**	**52 828**	**0**	**C**
Total Goodwill (C-A+B)	**19 403**	**21 178**	**1 775**	

** - 6 368 * 5% = -318*

The goodwill is attributable mainly to the palm oil segment relating to additional synergies and economies of scale within the group. None of the goodwill recognised is expected to be deductible for tax purposes.

Business combinations, acquisitions and divestitures

ANNEX 7

On 18 December 2017 it was announced that SIPEF and Ackermans & van Haaren, which were each 50% shareholder of the Belgian insurance group BDM-ASCO, had reached agreement with the Nasdaq-listed US insurer The Navigators Group, Inc. on the sale of 100% of the share capital of BDM-ASCO. The acquisition price for 100% of the shares of BDM-ASCO was set at EUR 35 million.

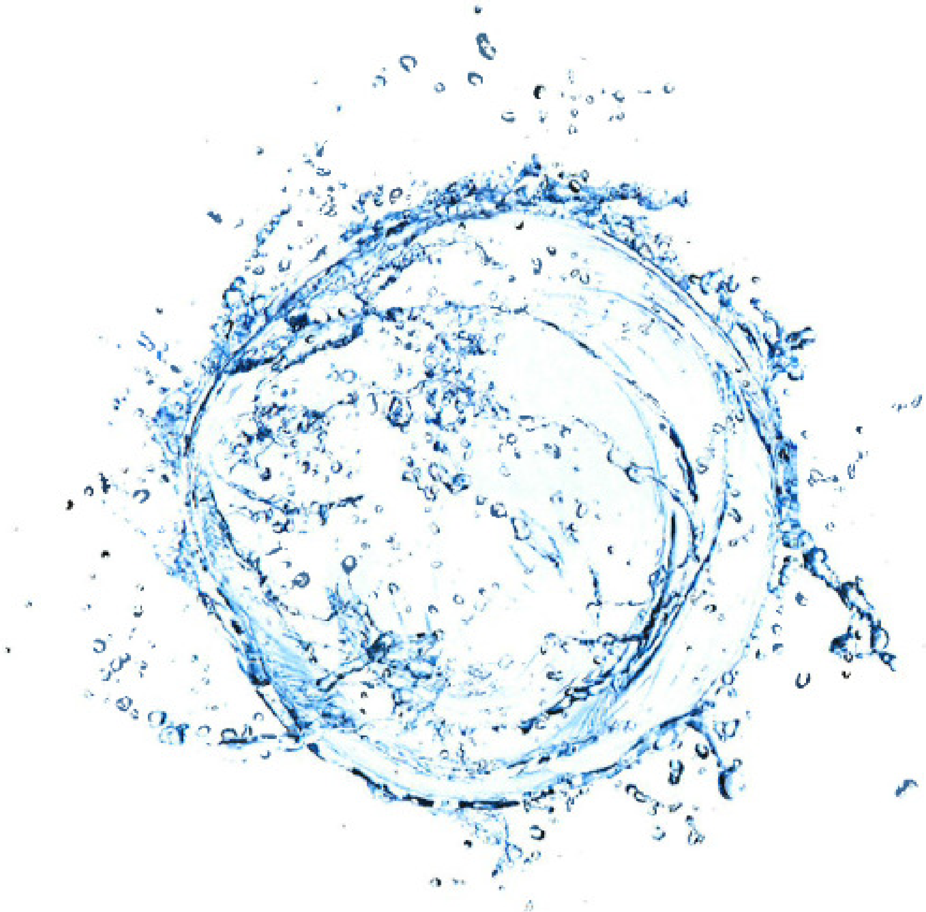
Following this agreement, the companies BDM-ASCO, which were already classified as an asset held for sale, were deconsolidated. On 7 June 2018 the company was fully transferred to the new owners. The deconsolidation was carried out on 1 January 2018 as the result up to 7 June 2018 was of negligible importance.

The total selling price was hedged against a fixed selling price of KUSD 20 804. The total consideration received can be structured as follow:

In KUSD	Total
Hedged sales price	20 804
Selling costs	- 337
Total net selling price	**20 467**

The transaction was completed on 7 June 2018. The total consolidated capital gain amounts to KUSD 7 380.

In KUSD	Total
Total net selling price	20 467
Assets held for sale	-12 010
Translation differences	-1 077
Total consolidated capital gain	**7 380**



Sipef NV

Report on the review of the condensed consolidated interim financial information for the six-month period ended 30 June 2018

The original text of this report is in Dutch

Report on the review of the condensed consolidated interim financial information of Sipef NV for the six-month period ended 30 June 2018

In the context of our appointment as the company's statutory auditor, we report to you on the condensed consolidated interim financial information. This condensed consolidated interim financial information comprises the consolidated balance sheet as at 30 June 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period of six months then ended, as well as selective notes 1 to 13.

Report on the condensed consolidated interim financial information

We have reviewed the condensed consolidated interim financial information of Sipef NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union.

The consolidated balance sheet shows total assets of 915 205 KUSD and the consolidated income statement shows a consolidated profit (group share) for the period then ended of 24 771 KUSD.

The board of directors of the company is responsible for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review of the condensed consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information of Sipef NV has not been prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Antwerp, 14 August 2018

The statutory auditor

DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Kathleen De Brabander

Deloitte.

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