Regulated information within
the meaning of the Royal
Decree of 14 November 2007

Press release
Schoten, August 14, 2019

SIPEF

HALF-YEAR RESULTS 2019

Table of contents

1. Interim management report

1.1. Group production
1.2. Markets
1.3. Consolidated income statement
1.4. Consolidated cash flow
1.5. Consolidated balance sheet
1.6. Prospects

2. Condensed financial statement

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. IFRS 16 - Leasing (see annex 6)

2.2. Notes
- 2.2.1. General information
- 2.2.2. Basis of preparation and accounting policies
- 2.2.3. Consolidation scope
- 2.2.4. Income taxes
- 2.2.5. Segment information
- 2.2.6. Turnover
- 2.2.7. Equity consolidation – share of results of associated companies and joint ventures
- 2.2.8. Shareholders' equity
- 2.2.9. Net financial assets/(liabilities)
- 2.2.10. Financial instruments
- 2.2.11. Goodwill impairment analysis
- 2.2.12. Related party transactions
- 2.2.13. Important events
- 2.2.14. Events after balance sheet date
- 2.2.15. Risks

3. Certification of responsible persons

4. Report of the statutory auditor

Half-Year Results of the SIPEF group

as per 30 June 2019 (6m/19)

- Lower than expected availability of ripe fruit, resulting in a 7.5% fall in total palm oil production in the first half of 2019 compared with the same period last year.
- Notwithstanding an uptick compared with the last quarter of 2018, the palm oil price remained at a very low level during the first semester, with an average price on the world market of USD 528 CIF Rotterdam.
- Gross profit fell from KUSD 46 596 in June 2018 to KUSD 14 330 (-69.2%) in June 2019.
- Net earnings, share of the Group, amounted to KUSD -5 205.
- The expansion of the activities in South Sumatra continued steadily, in spite of the limited cash flow from operating activities.
- The Group had to deal with volcanic eruptions in Papua New Guinea in late June and early August.
- The results of the Group for the second half of the year could approximate those of the first half of the year, taking account of the palm oil sales trend, the expected higher production volumes in Indonesia and the impact of the volcanic eruptions in Papua New Guinea.
- As an RSPO-compliant producer, SIPEF continues to supply certified segregated sustainable palm oil to the European and Asian markets.

1. Interim management report

1.1. Group production

Group production

2019 *(in tonnes)*	Own	Third parties	Q2/19	YoY%	Own	Third parties	YTD Q2/19	YoY%
Palm oil	65 868	14 136	80 004	-9.10%	128 078	25 618	153 696	-7.52%
Rubber	1 246	69	1 315	-28.18%	3 068	296	3 364	-18.45%
Tea	574	0	574	-2.71%	1 312	0	1 312	10.72%
Bananas	7 976	0	7 976	33.27%	16 728	0	16 728	25.76%

2018 *(in tonnes)*	Own	Third parties	Q2/18	Own	Third parties	YTD Q2/18
Palm oil	71 303	16 714	88 017	137 812	28 390	166 202
Rubber	1 707	124	1 831	3 721	404	4 125
Tea	590	0	590	1 185	0	1 185
Bananas	5 985	0	5 985	13 301	0	13 301

After a period of strong production growth in 2018, from the second quarter fruit development in Indonesia generally stagnated, a phenomenon that was also observed in the mature plantations in Sumatra.

In the older plantations in North Sumatra, precipitation returned to normal after a dry period in February and March, so the harvests in the second quarter were comparable with those in the same period last year (-0.5%), with extraction percentages also rising slightly.

However, this trend was not observed in the younger UMW/TUM plantations (-5.2%) and in the Agro Muko plantations under replant in Bengkulu province (-15.2%), where insufficient ripe fruit was available for harvesting in the second quarter. This phenomenon was intensified by a general fall in the oil extraction percentages, which meant that second quarter palm oil production volumes were lower than last year for both origins.

There was a higher yield on a rising number of mature hectares in the new plantations in South Sumatra, where, as at the end of June, the oil volume had almost tripled (+180.3%) compared with the first semester of last year. This area currently represents just 3.9% of the Group’s total palm oil production.

After a long and intense rainy season, in Papua New Guinea, too, the Group was faced with a general decrease in the available fruit on its plantations of 11.9% and 15.4% in purchases from smallholders, compared with the same period last year. However, due to the improved weather, the extraction percentages did increase from 22.2% in the first quarter to 24.2% in the second quarter. The volcanic eruption of 26 June 2019 close to the Hargy Oil Palms plantations obviously only had a limited impact on production in the first half of the year.

With all this in mind, SIPEF group palm oil production in the first semester of 2019 fell by 7.5% compared with the same period last year.

The full impact on production of the Fusicoccum fungus, which some sources say could reduce annual production in Indonesia by more than 15%, was felt in the rubber production of the second quarter (-27.0%). The annual wintering was extended by at least two months in the Tolan Tiga group, which resulted in a 31.8% decrease in production in North Sumatra, whereas the decreases in Melania (-12.6%) and Agro Muko (-18.4%) remain more limited for the time being.

After an exceptionally good start to the year, with favourable weather conditions for tea cultivation, tea production stagnated in Cibuni, Java, in the second quarter (-2.7%), but at the end of June it was still 10.7% higher than in the same period last year.

After an exceptionally poor production year in 2018, the return to normality with regard to banana production in Ivory Coast continued apace in the second quarter (+33.3%), with an export volume 25.8% higher than what it was over the first half of last year.

1.2. Markets

Average market prices

In USD/tonne		YTD Q2/19	YTD Q2/18	YTD Q4/18
Palm oil*	CIF Rotterdam	528	663	598
Rubber**	RSS3 FOB Singapore	1 730	1 698	1 565
Tea**	Mombasa	2 232	2 766	2 579
Bananas***	CFR Europe	681	695	647

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

The palm oil market was trading in a rather subdued pricing environment where the high stocks in destination tempered any enthusiasm, despite the slowly decreasing stocks in origin. Demand has not been too bad, but stocks could not decrease sufficiently to trigger a rally. Demand in the biodiesel market particularly was very good and Indonesia is exporting excess capacity beyond the 20% of domestic blending.

In April, a recent impact analysis of the African swine fever outbreak in China, where approximately 130 million pigs, or almost 15% of the global pig population, will be killed, definitely shows it's having a bearish impact on the soy market. This market was already suffering from the US-China trade war that started in 2018. At the end of April, everybody seemed to be thinking a solution was on its way, until additional tariffs were announced on Chinese goods. A solution seemed unlikely and it sent soybean prices to their lowest point since the first quarter of 2007, even lower than the late 2008 crisis! This had a significant impact on palm oil, sending it to a similar level of the lows in the late 2008 crisis.

In the meantime, the planting of soybeans and corn was severely disrupted in May and June when the heavy rains meant that fields could not be planted or were planted much later than usual, with the risk of frost damage at harvest time. This was another setback for the US farmer who is already being heavily penalised by the trade war. However, prices recovered slightly. Soybeans are a very resilient crop and August weather will ultimately define how good or bad this year's crop will be.

The palm oil market gradually dropped from USD 550 to USD 500 per tonne CIF Rotterdam, with spot discounts due to the high stocks in destinations.

The palm kernel oil market is still in oversupply and looking to attract demand, the price dropped from USD 650 to USD 540 per tonne CIF Rotterdam. The premium on palm oil keeps decreasing, and the discount versus coconut oil is growing again.

The rubber market was surprisingly strong, but mostly on the futures market and certainly less on the physical market. A strong wintering in Thailand triggered less spot material and the Tripartite's (Thailand, Malaysia and Indonesia) decision to reduce exports also supported prices for a short time. Fusicoccum leaf disease in part of Indonesia was another factor supporting the prices, but at the same time Chinese car sales in particular went down significantly as a result of the US-China trade war, and the market slipped from its high price environment.

Prices for Sicom RSS3 traded from USD 1 688 to USD 1 820 by mid-June, but dropped off slightly due to a lack of physical buying interest.

Tea prices in the Mombasa auction, the benchmark for our price setting, moved up during April and early May as a prolonged dried spell affected leaf growth. However, a few weeks after the rains started in Kenya, it became apparent that the effects on tea bushes were limited and prices started to slide. This coincided with the economic uncertainty in Pakistan, the major importer of Kenyan teas, which enforced the downward move to end the second quarter lower by 8% compared to the end of the previous quarter.

In the first half of the year, the European banana market maintained its usual dynamism, with a global offer from all origins that remained reasonable. The prices had an upward trend until the end of April and then began – as usual with the summer drawing near - a downward slide until the end of the first semester. The average prices in the first half of 2019 remained equivalent to those of the previous year.

1.3. Consolidated income statement

Consolidated income statement

In KUSD (management presentation)	**30/06/2019**	**30/06/2018**
Revenue	113 158	139 973
Cost of sales	-98 559	-94 771
Changes in the fair value	- 269	1 395
Gross profit	**14 330**	**46 597**
General and administrative expenses	-16 611	-16 306
Other operating income/(charges)	203	-361
Operating result	**-2 077**	**29 930**
Financial income	893	1 089
Financial charges	-2 063	-1 497
Exchange differences	-478	-909
Financial result	**-1 648**	**-1 317**

Profit before tax	-3 725	28 613
Tax expense	- 412	-9 479
Profit after tax	**-4 137**	**19 134**
Share of results of associated companies and joint ventures	-883	-511
Result from continuing operations	**-5 020**	**18 623**
Gain on sale BDM-ASCO	0	7 380
Profit for the period	**-5 020**	**26 003**
Result from continuing operations share of the group	**-5 205**	**17 391**
Gain on sale BDM-ASCO share of the group	0	7 380
Profit for the period share of the group	**-5 205**	**24 771**

Consolidated gross profit

In KUSD (condensed)	**30/06/2019**	**%**	**30/06/2018**	**%**
Palm oil	12 748	89.0%	44 819	96.2%
Rubber	- 352	-2.5%	- 440	-0.9%
Tea	- 554	-3.9%	383	0.8%
Bananas and plants	1 806	12.6%	1 319	2.8%
Corporate and others	682	4.8%	515	1.1%
Total	**14 330**	**100%**	**46 596**	**100%**

Total revenue dropped to USD 113 million (-19.2% compared with the first half of 2018).

Palm oil revenue fell by 23.8%, due to a combination of lower production volumes and the lower price for crude palm oil (CPO) on the world market. The average price for CPO on the world market in the most recent half-year period was USD 135 per tonne CIF Rotterdam or 20% lower than in the same period last year.

In spite of the 18.4% fall in rubber production during the first six months of 2019 compared with the same period in 2018, revenue for that period decreased by just 0.8%. That is because the realised sales volumes at prices comparable with those in 2018 barely fell in the first half of 2019.

Revenue in the tea business dropped by 23.3%, which is largely consistent with the lower price on the world market (-19.3%).

Revenue in the banana and flower activities increased by 37.2%, primarily due to higher production volumes (+25.8%). Furthermore, from 2019 the revenue is reported in C&F rather than FOB.

The average ex-works unit cost for the mature oil palm plantations increased by some 11% compared with the first six months of 2018. That is because the total production cost, the absolute value of which is identical to its value last year, was spread over a lower quantity produced.

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

Gross profit fell from KUSD 46 596 in June 2018 to KUSD 14 330 (-69.2%) in June 2019.

The gross profit in the palm segment (89.0% of the total gross profit) declined by 71.6% compared with June 2018, due to the lower production and lower palm oil prices. It should be noted that the fixed export levy in Indonesia of USD 50/tonne in December 2018 has been reduced to zero since December 2018 due to low world market prices. This had a positive impact on the gross margin during the first six months of 2019.

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

During the first six months of the year, the tea margin was also negative, due to the sharp fall in the sales price. The unit cost is virtually the same as it was last year.

In the banana and flower activities, the announced return to profitability was confirmed with a rise in the gross margin of KUSD 1 319 to KUSD 1 806 (+36.8%).

The general and administrative expenses remained virtually stable (+1.9%).

The operating result, excluding one-off gains, was KUSD -2 077, compared with KUSD 29 930 last year.

Financial income primarily comprises the positive time effect of the discount of the receivable from the sale of the stake in the SIPEF-CI SA oil palm plantation in Ivory Coast at the end of 2016 (KUSD 846). This receivable will be settled over the next three years.

The financial costs mainly comprised the interest on the long-term and short-term financing at Libor-related rates.

The result before tax, excluding one-off gains, was KUSD -3 726, compared with KUSD 28 613 in June 2018.

The negative tax expense was the direct consequence of the reversal of a number of active deferred tax amounts that expire in 2019, and are unlikely to be utilised due to the persistent disappointing results.

The share of the result of ‘associated companies and joint ventures’ (KUSD -883) comprises the research activities that are centralised at PT Timbang Deli and Verdant Bioscience PTE Ltd.

Profit for the period, excluding the one-off gains, was KUSD -5 020 or KUSD 23 643 lower than the KUSD 18 623 of last year.

The sale of the insurance branch (BDM-ASCO) was completed in the first semester of 2018 with a gain of KUSD 7 380. There were no one-off gains in the first semester of 2019.

Net earnings, share of the Group, amounted to KUSD -5 205.

1.4. Consolidated cash flow

Consolidated cash flow

In KUSD (management presentation)	30/06/2019	30/06/2018
Cash flow from operating activities	19 953	48 471
Change in net working capital	2 960	-21 304
Income taxes paid	-6 953	-11 154
Cash flow from operating activities after tax	**15 960**	**16 013**
Acquisitions intangible and tangible assets	-29 368	-29 194
Selling price of PP&E and financial assets (excl. BDM-ASCO)	4 794	1 309
Acquisition financial assets	-100	-99
Recurring free cash flow	**-8 714**	**-11 971**
Selling price BDM-ASCO	0	20 467
Other financing activities	3 621	-16 537
Net movement in investments, cash and cash equivalents	**-5 093**	**-8 041**

In USD per share	30/06/2019	30/06/2018
Weighted average shares outstanding	10 436 028	10 455 587
Basic operating result	-0.20	3.57
Basic net earnings	-0.50	2.37
Diluted net earnings	-0.50	2.37
Basic net earnings before sale BDM-ASCO	-0.50	1.66
Cash flow from operating activities after tax	1.53	1.53

The change is net working capital (KUSD 2 960) during the first six months of the year was due to a one-off increase in receivables received compared to last year (KUSD 16 452) as a result of a change in sales strategy. During the first months of 2019, more palm oil was sold locally in Indonesia, which was paid immediately. In addition, as a result of this strategy, there is also an increase in customer prepayments of KUSD 2 138.

On the other hand, there is a decrease in working capital due to the payment of the outstanding suppliers on 31 December 2018 (KUSD -12 095), which are traditionally very high after the purchase of fertiliser just before year-end. During the first six months of 2019, additional advances for KUSD -1 102 were provided to the surrounding smallholders in the Musi Rawas region for the development of their areas under the plasma legislation.

The total investment expenditure for the Group was KUSD 29 368, which is almost identical with last year's expenditure.

The sale price of tangible assets and financial assets alongside the regular sales of fixed assets of KUSD 1 553, also includes an amount of KUSD 1 000 from the sale of Galley Reach Holdings and KUSD 2 241 from the sale of SIPEF-CI.

The recurring free cash flow over the first six months of 2019 was KUSD -8 714, compared with KUSD -11 971 over the same period last year.

'Other financing activities' (KUSD 3 621) comprise partial repayment of the long-term financing (KUSD -5 000), paid interest (KUSD -2 356) and an increase in the short-term financing (KUSD 10 977).

1.5. Consolidated balance sheet

Consolidated balance sheet

In KUSD (management presentation)	30/06/2019	31/12/2018
Biological assets (depreciated costs) – bearer plants	291 762	283 712
Goodwill	104 782	104 782
Other fixed assets	366 335	364 481
Receivables > 1 year	11 578	11 112
Net assets held for sale	0	0
Net current assets, net of cash	82 658	91 932
Net cash position	-135 433	-121 443
Total net assets	**721 682**	**734 576**
Shareholders' equity, group share	632 481	644 509
Non-controlling interest	34 443	34 250
Provisions and deferred tax liabilities	54 758	55 817
Total net liabilities	**721 682**	**734 576**

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

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

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

- Rise due to the compulsory advance payment of tax (KUSD 3 569);
- Fall due to the general recovery of working capital (KUSD -2 960);
- Fall due to the recognition of a dividend debt that was not paid until early July 2019 (KUSD -6 495); and
- Fall in the receipt of the short-term part of the receivables from the sale of Galley Reach Holdings and SIPEF-CI (KUSD -3 241).

From 2019 the net cash position also includes the leasing debt recognised in accordance with IFRS 16 (KUSD 2 920 as of 30 June 2019).

Notwithstanding a strong balance sheet position with a net debt/equity ratio of 20%, SIPEF is aware that compliance with its financial covenants remains an important point of attention, in today's low CPO price environment. Management and the board of directors continue to closely monitor this situation.

1.6. Prospects

1.6.1. Production

Given the fruit formation, the production outlook for the second semester in Indonesia is positive. The current estimate is that the palm oil volumes for the Group in Indonesia for the whole year will be slightly higher than they were in 2018.

As stated in the press releases of 27 June and 5 August, the double eruption of the Ulawun volcano led to around half of the planted areas of Hargy Oil Palms in Papua New Guinea being covered by a layer of ash and small stones, so it will be mid-August before harvesting can resume on these plantations. The Navo palm oil mill was not operational throughout July and, after the second eruption, will only resume operations on 12 August. The palm leaves have been damaged to a lesser or greater degree over 3 150 hectares (23% of the total surface area). Over the next few months, 2 200 hectares of these palm areas will return to profitability, and full harvesting programmes will be possible from the fourth quarter. However, it will be two years before normal yields can be achieved over 950 hectares.

In spite of the great inconvenience that these eruptions have caused from an operational and social perspective, there has been no permanent damage to the assets. Nevertheless, it is assumed that the palm oil shortfall in Papua New Guinea will increase further to 19% by the end of the year and it is expected, in accordance with a first estimate, that for 2019 this production loss will mean a pre-tax loss of approximately USD 14 million.

As a result, the total palm oil volumes of the Group at the end of the year will not match those of 2018.

Due to the Fusicoccum fungus, wintering of the rubber trees may extend longer than usual in Melania and Agro Muko in the second half of the year, and the production shortfalls observed at the end of June will consequently not be made up in the second half of the year here either.

The expectations for tea production remain positive for the second half of the year and, in all probability, growth percentages comparable with last year will be achieved for banana production.

1.6.2. Markets

The palm oil market is priced very competitively versus other vegoils as well as gas oil, and it is expected that exports for food consumption and biodiesel export demand as well as domestic blending will be very good in the coming months. However, production is entering its natural peak season as well, and it therefore remains to be seen how the stocks will evolve. The impact of the trade war is becoming more obvious, certainly after the recent escalation, and continues to influence the palm oil markets.

Being in the middle of the growing season for soybeans, the focus is on the weather. Given the poor start to the season, one could be in for a bumpy ride. Obviously, a further deterioration in the soybean crop would be a positive input for palm oil prices. All in all, it is believed there is little downside from the current low-price environment, but one needs more stars aligned to expect a major uptick in prices.

The lower production of natural rubber in 2019, and hence an expected reduction in global stocks, has been neutralised by the negative numbers coming from the automobile industry, particularly from China. The recent escalation in the US-China trade war has heavily impacted the world's largest automobile industry, China. However, a more balanced supply and demand equation should provide some support in the medium term.

Even though Kenyan tea production in 2019 is 10% lower to date, as compared to 2018, decreased activity from the Pakistan market plays the major role at the moment. With Pakistan's currency lower by 15% since mid-May, it is only stability in its currency that will allow for increased activity and higher prices.

For the banana activities is expected that the second half of the year will be consistent with previous years, as limited imported volumes enter Europe in the summer period, when local fruits take over from tropical fruits and there is lower demand for bananas. It is usually from September onwards that banana consumption in Europe restarts with a similarly increasing global offer.

1.6.3. Results

To date, 60% of expected production volumes have been sold at an average price of USD 569 CIF Rotterdam, premiums included, which is USD 146 per tonne lower (-20.4%) than the 66% at USD 715 per tonne CIF Rotterdam achieved at the same time last year. At the moment, there is little prospect of higher price levels in the second half of the year and, as a consequence, the production volumes are gradually being brought onto the market.

Fifty-five per cent of the annual rubber volumes have already been sold at USD 1 562 per tonne FOB, compared with 54% at an average of USD 1 595 per tonne FOB at the same time last year. This price level does not cover costs, and results in operating losses for the rubber activities.

Around 71% of the expected tea volumes were sold at an FOB price of USD 2 360 per tonne, a temporary level that is around 15.4% lower than the average realised sales price of USD 2 790 at the same time last year.

The local currencies in Indonesia and Papua New Guinea remain relatively weak against the USD. As a result, all savings on fertilisers are completely incorporated in the results and the permitted salary rises, in the local currency, will have no additional impact on the production costs in USD.

Taking into account the evolution of palm oil sales, the expected higher production volumes in Indonesia and the impact of the volcanic eruptions in Papua New Guinea, the results of the Group for the second semester could approximate those of the first semester. Barring unforeseeable extreme weather, the final annual result will primarily depend on the palm oil price trend on the global market in the second semester and the achievement of the expected production volumes.

1.6.4. Cash flow and expansion

Except for the usual replacement investments and the timely replanting of the old areas, investment policy continues to be fully focused on developing the palm oil activities in South Sumatra, Indonesia, specifically the Musi Rawas and Dendymarker projects.

The required assessments will be conducted of the three adjacent concessions in Musi Rawas, acquired in 2018 to ensure they comply with the RSPO's sustainability standards (New Planting Procedures). These assessments are taking longer than expected due to an in-depth study of the soil samples, but one certainly hopes to start the first planting in the fourth quarter.

Over the past six months an additional 773 hectares have been compensated over the seven concessions managed in three companies, which brings the total to 16 315 compensated hectares, 13 979 hectares of which were acquired for Company planting and 2 336 hectares for smallholders.

At the same time, an additional 635 hectares on the four earlier acquired concessions were prepared for planting or planted, bringing the total to 11 288 cultivated hectares, which is 69.2% of the total of compensated hectares.

There are now 2 234 hectares in production and the harvested fruits are all processed at the Dendymarker extraction mill, which will therefore be used optimally in 2019. As well as the enlargement and maintenance of the planted hectares, the investment focus is oriented to the development of the internal road network and the residential centres for the workers and local management.

Work is also steadily continuing on the replanting of the own palm plantation areas in Dendymarker, which has been under Tolan Tiga group management since August 2017. After the replanting of 957 hectares in 2018, 630 hectares were replanted in the first six months of 2019. In spite of the low market prices for palm oil, the Group remains faithful to its intention to renew the old Dendymarker plantings and develop the Musi Rawas concessions. Depending on the generated cash flow over the rest of the year, this replanting and enlargement programme may be temporarily suspended to avoid increasing the debt ratio.

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. IFRS 16 - Leasing (see annex 6)

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 first six months ended 30 June, 2019 were established by the board of directors on 13 August, 2019.

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, 2018, 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 31 December, 2018 (https://www.sipef.com/hq/investors/annual-reports). The accounting policies of the SIPEF group which are used as of 1 January, 2019 are consistent with the accounting standards used for the audited consolidated financial statements of 31 December 2018, with the exception that the Group has applied the new accounting standards and interpretations applicable for annual periods beginning on or after 1 January 2019. These new standards and interpretations have a minimal impact.

Relevant IFRS accounting standards to be adopted as from 2019 onwards

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.

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

In accordance with the new standard, the SIPEF group has recognized assets and liabilities for the rights and obligations created by leases. The new standard decreases the rental expenses recognized in the profit and loss and increases 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 have increased. As a result of these impacts, EBITDA has been impacted.

Taking into consideration that the SIPEF group only has very few leases, the transition from IAS 17 to IFRS 16 also only has a very limited impact on the financial statements of the SIPEF group. Additional information about the impact is disclosed in annex 6 – Leasing.

2.2.3. Consolidation scope

There have not been any 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	30/06/2019	30/06/2018	30/06/2018*
Result before tax	-3 726	35 993	28 163
	30.92%	27.26%	26.81%
Theoretical tax charge	1 152	-9 812	-7 665
Last year tax correction	0	-423	-423
Impairment on deferred taxes for fiscal losses	-1 321	-1 084	-1 084
Other	-243	1 833	-307
Tax charge	-412	-9 479	-9 479
Effective tax rate	-11.1%	26.4%	33.2%

* June 2018 figures without the gain on the sale of BDM-ASCO (KUSD 7 380)

Applying the principles of IAS 12, a net deferred tax asset of KUSD 1 321 on tax losses carried forward has been reversed per 30 June, 2019. 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 utilised within the near foreseeable future.

The total tax charge of KUSD 412 (2018: KUSD 9 479) can be split into a current tax component of KUSD 3 221 (2018: KUSD 8 191) and a deferred tax component of KUSD -2 809 (2018: KUSD 1 288).

2.2.5. Segment information

See annex 5.

2.2.6. Turnover

More information relating to the turnover can be found in annex 5. The timing of the revenue recognition always takes place at a point in time.

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 12 June, 2019, SIPEF's shareholders approved the distribution of a EUR 0.55 gross dividend (coupon 12) for the financial year 2018, payable as from 3 July, 2019. The total dividend paid (including to own shares) amounts to EUR 5 818 630. Converted at the USD exchange rate of the day of the general assembly, this amounts to USD 6 584 396.

2.2.9. Net financial assets/(liabilities)

In KUSD	**30/06/2019**	**31/12/2018**
Short-term obligations – credit institutions	132 015	121 038
Long-term obligations – credit institutions	25 000	30 000
Short-term leasing obligations	495	0
Long-term leasing obligations	2 425	0
Investments and deposits	0	0
Cash and cash equivalents	24 502	29 595
Net financial assets/(liabilities)	**-135 433**	**-121 443**

The short-term liabilities have a term of less than twelve months and comprise USD straight loans with bankers of KUSD 99 670, a 'commercial paper' debt of KUSD 22 345 and a long-term loan taken out for the purchase of PT Agro Muko of KUSD 35 000 of which KUSD 10 000 was recorded as a short-term obligation. The short-term and long-term leasing obligations in 2019 are a result of the new IFRS 16 – leasing standard.

At 31 December 2018 the Group had one financial covenant connected to the long term obligations which stated that the net financial debt may not exceed two times REBITDA ("Recurring earnings before interest, tax and depreciations") of the financial year. At 30 June 2019 the Group has obtained a waiver letter for this covenant. The new net financial debt to REBITDA ratio has been raised to 2.75 in the waiver letter. At 30 June 2019 the Group has complied with the new covenant.

The EBITDA of the group consists of the operating results + profit/loss from equity companies + depreciation and additional impairment/increases on assets. The REBITDA consists of the same calculation, but excluding the one-off, non-recurring effects.

The current maximum credit lines available amount to KUSD 173 742 (of which KUSD 157 015 was already included at 30 June 2019):

- ‘Straight loans’ for a total amount KUSD 116 000 (uncommitted) (31/12/2018: KUSD 116 000)
- ‘Long term loan’ for a total amount of KUSD 35 000 (31/12/2018: KUSD 40 000)
- ‘Commercial papers’ for a total amount of KUSD 22 742 (31/12/2018: KUSD 22 890)

The board of directors of 13 August 2019 approved a new financing structure, which has also been approved by the banks, whereby the total loan capacity is increased by KUSD 36 500 and part of the current short-term facilities is converted into a more structural long-term debt. The covenant for the new long-term loan on 31 December 2019 amounts to 3.5x the REBITDA of the year and will decrease by 0.25x the REBITDA per subsequent six months with a minimum of 2x.

The changes due to the new financing structure can be summarized as follows:

	Current structure			New structure		
	Short term	Long term	Total	Short term	Long term	Total
Loans	116 000	35 000	151 000	102 000	85 500	187 500
Commercial papers	22 742		22 742	22 742		22 742
Total	**138 742**	**35 000**	**173 742**	**124 742**	**85 500**	**210 242**

There are no new guarantees provided for the new loans. The interest rates of the short-term loans (straight loans and commercial papers) are determined by the current market circumstances at the time of renewal. The interest rates of the long-term obligations are based on the USD LIBOR 3M plus an additional margin which is dependant of the level of the covenant (total debt/REBITDA).

Notwithstanding a strong balance sheet position with a net debt/equity ratio of 20%, SIPEF is aware that compliance with its financial covenants remains an important point of attention, in today’s low CPO price environment. Management and the board of directors continue to closely monitor this situation.

From cash and cash equivalents, which at 30 June 2019 were KUSD 24 502, as from 3 July 2019 an amount of USD 6 495 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 27 of the 2018 financial statements. No transfer between levels occurred during the first six months of 2019.

All derivatives outstanding per 30 June 2019 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 2019 the fair value amounts to KUSD -1 201 versus KUSD -771 per 31 December 2018.

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

2.2.11. Goodwill impairment analysis

Goodwill is the positive difference between the acquisition price of a subsidiary, associated company or joint venture and the share of the Group in the fair value of the identifiable assets and liabilities of the acquired entity on the acquisition date. Under standard IFRS 3 – Business Combinations, goodwill is not amortized, but rather tested for impairment.

The total goodwill has not changed compared to prior year. Despite the current low level of palm oil prices, the Group is convinced that the long-term palm oil prices used in the goodwill impairment analysis, as included in note 8 of the annual report, still apply.

2.2.12. Related party transactions

There are no changes to the transactions with associated companies with regard to the annual report of December 2018.

2.2.13. Important events

See management report.

2.2.14. Events after balance sheet date

After a first eruption on Wednesday 26th of June 2019 a second eruption of the same Mount Ulawun volcano was recorded on Saturday 3rd of August. The immediate effects of the second eruption are comparable to the first one in June.

Although no important permanent asset losses were recorded requiring reconstruction or replanting, it was not possible to harvest on 3 150 planted hectares (about 23%) during most of the month of July and also the Navo mill was temporarily closed down.

Although production on all other planted areas had in the meantime resumed, it is likely that this second eruption will also affect part of the August harvesting operations and the quality of the palm oil produced.

During the first semester, Hargy Oil Palms already had a worse rainy season than usual. The combined effect of the two recent eruptions and heavy rainfall in the first semester on the production forecast for 2019 may result in a decrease of around 19% compared to last year's palm oil and palm kernel oil volumes. The 2020 budget will also be revised accordingly. This production loss represents a pre-tax loss of approximately USD 14 million for 2019.

As stated in 2.2.9, the board of directors has confirmed a new financing structure on 13 August 2019 whereby the total loan capacity is increased by USD 36.5 million.

2.2.15. 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 2018 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, 2019 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 2019 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 7.

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, 14 August 2019

For more information, please contact:

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

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

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

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

Consolidated balance sheet

ANNEX 1

In KUSD (condensed)	30/06/2019	31/12/2018
Non-current assets	**791 456**	**780 310**
Intangible assets	501	441
Goodwill	104 782	104 782
Biological assets - bearer plants	291 762	283 712
Other property, plant & equipment	359 406	356 723
Investment property	0	0
Investments in associated companies and joint ventures	6 355	7 239
Financial assets	73	77
Other financial assets	73	77
Receivables > 1 year	11 578	11 112
Other receivables	11 578	11 112
Deferred tax assets	16 999	16 224
Current assets	**139 937**	**158 058**
Inventories	37 773	36 274
Biological assets	4 601	4 870
Trade and other receivables	56 424	76 025
Trade receivables	14 135	35 001
Other receivables	42 289	41 024
Current tax receivables	13 731	9 280
Investments	0	0
Other investments and deposits	0	0
Derivatives	0	0
Cash and cash equivalents	24 502	29 595
Other current assets	2 906	2 014
Assets held for sale	0	0
Total assets	**931 393**	**938 368**
Total equity	**666 924**	**678 759**
Shareholders' equity	632 481	644 509
Issued capital	44 734	44 734
Share premium	107 970	107 970
Treasury shares (-)	-9 423	-9 423
Reserves	500 920	512 914
Translation differences	-11 720	-11 686
Non-controlling interests	34 443	34 250
Non-current liabilities	**99 182**	**102 041**
Provisions > 1 year	1 543	1 550
Provisions	1 543	1 550
Deferred tax liabilities	48 759	50 936
Leasing debts > 1 year	2 425	0
Trade and other liabilities > 1 year	0	0
Financial liabilities > 1 year (incl. derivatives)	25 000	30 000
Pension liabilities	21 455	19 555
Current liabilities	**165 287**	**157 568**
Trade and other liabilities < 1 year	30 177	29 623
Trade payables	11 997	19 647
Advances received	2 589	450
Leasing debts < 1 year	495	0
Other payables	14 143	9 455
Income taxes	953	71
Financial liabilities < 1 year	132 015	121 809
Current portion of amounts payable > 1 year	10 000	10 000
Financial liabilities	122 015	111 038
Derivatives	1 201	771
Other current liabilities	1 894	6 136
Liabilities associated with assets held for sale	0	0
Total equity and liabilities	**931 393**	**938 368**

Consolidated income statement

ANNEX 2

In KUSD (condensed)	30/06/2019	30/06/2018
Revenue	113 158	139 973
Cost of sales	-98 559	-94 771
Changes in the fair value of the biological assets	- 269	1 395
Gross profit	**14 330**	**46 597**
General and administrative expenses	-16 611	-16 306
Other operating income/(charges)	203	7 019
Operating result	**-2 077**	**37 310**
Financial income	893	1 089
Financial charges	-2 063	-1 497
Exchange differences	- 478	- 909
Financial result	**-1 648**	**-1 317**
Profit before tax	**-3 725**	**35 993**
Tax expense	- 412	-9 479
Profit after tax	**-4 137**	**26 514**
Share of results of associated companies and joint ventures	- 883	- 511
Result from continuing operations	**-5 020**	**26 003**
Result from discontinued operations	**0**	**0**
Profit for the period	**-5 020**	**26 003**
Attributable to:		
- Non-controlling interests	185	1 232
- Equity holders of the parent	-5 205	24 771

Earnings per share (in USD)		
From continuing and discontinued operations		
Basic earnings per share	-0.50	2.37
Diluted earnings per share	-0.50	2.37
From continuing operations		
Basic earnings per share	-0.50	2.37
Diluted earnings per share	-0.50	2.37
Basic earnings per share before sale BDM-ASCO	-0.50	1.66

Consolidated statement of comprehensive income

In KUSD (condensed)	30/06/2019	30/06/2018
Profit for the period	**-5 020**	**26 003**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
in subsequent periods		
- Exchange differences on translating foreign operations	- 35	936
- Cash flow hedges - fair value result for the period	- 563	883
- Income tax effect	163	- 256
Items that will not be reclassified to profit and loss		
in subsequent periods		
- Defined Benefit Plans - IAS 19R	71	164
- Income tax effect	-18	- 41
- Revaluation assets held for sale	0	0
Total other comprehensive income:	**- 381**	**1 686**
Other comprehensive income for the year attributable to:		
- Non-controlling interests	9	13
- Equity holders of the parent	- 390	1 673
Total comprehensive income for the year	**-5 402**	**27 689**
Total comprehensive income attributable to:		
- Non-controlling interests	193	1 245
- Equity holders of the parent	-5 595	26 444

Consolidated cash flow statement

ANNEX 3

In KUSD (condensed)	30/06/2019	30/06/2018
Operating activities		
Profit before tax	**-3 725**	**35 993**
Result from discontinued operations before tax		
Adjusted for:		
Depreciation	20 271	19 129
Movement in provisions	1 968	- 950
Stock options	63	79
Exchange results not yet realised	47	-1 037
Changes in fair value of biological assets	269	-1 161
Other non-cash results	- 825	323
Hedge reserves and financial derivatives	31	1 860
Financial income and charges	2 113	1 508
Capital loss on receivables	0	- 184
Capital gain on sale of investments	0	-7 380
(Gain)/loss on disposal of property, plant and equipment	- 259	291
(Gain)/loss on disposal of financial assets	0	0
Cash flow from operating activities before change in net working capital	19 953	48 471
Change in net working capital	2 960	-21 304
Cash flow from operating activities after change in net working capital	22 913	27 167
Income taxes paid	-6 953	-11 154
Cash flow from operating activities	**15 960**	**16 013**
Investing activities		
Acquisition intangible assets	- 99	- 34
Acquisition biological assets	-12 600	-11 004
Acquisition property, plant & equipment	-16 669	-18 156
Acquisition investment property	0	0
Acquisition financial assets	- 100	- 99
Dividends received from associated companies and joint ventures	0	0
Proceeds from sale of property, plant & equipment	1 553	109
Proceeds from sale of financial assets	3 241	21 667
Cash flow from investing activities	-24 674	-7 517
Free cash flow	**-8 714**	**8 496**
Financing activities		
Capital increase	0	0
Equity transactions with non-controlling parties (investment MP Evans)	0	0
Decrease/(increase) of treasury shares	0	47
Repayment in long-term financial borrowings	-5 000	-5 000
Increase short-term financial borrowings	10 977	0
Decrease short-term financial borrowings	0	-9 987
Last year's dividend paid during this book year	0	0
Dividends paid by subsidiaries to minorities	0	0
Interest received - paid	-2 356	-1 597
Cash flow from financing activities	3 621	-16 537
Net increase in investments, cash and cash equivalents	**-5 093**	**-8 041**
Investments and cash and cash equivalents (opening balance)	29 595	36 180
Effect of exchange rate fluctuations on cash and cash equivalents	0	0
Investments and cash and cash equivalents (closing balance)	24 502	28 138

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	Shareholders' equity	Non-controlling interests	Total equity
January 1, 2019	**44 734**	**107 970**	**-9 423**	**-3 391**	**516 304**	**-11 686**	**644 508**	**34 250**	**678 758**
Result for the period	0	0	0	0	-5 205	0	**-5 205**	184	**-5 021**
Other comprehensive income	0	0	0	44	- 400	- 34	**- 390**	9	**- 381**
Total comprehensive income	**0**	**0**	**0**	**44**	**-5 605**	**-34**	**-5 595**	**193**	**-5 402**
Last year's dividend paid	0	0	0	0	-6 495	0	**-6 495**	0	**-6 495**
Other	0	0	0	0	63	0	**63**	0	**63**
June 30, 2019	**44 734**	**107 970**	**-9 423**	**-3 347**	**504 267**	**-11 720**	**632 481**	**34 443**	**666 924**
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	0	0	0	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	0	0	0	0	-19 682	0	**-19 682**	0	**-19 682**
Other	0	0	47	0	79	0	**126**	**- 93**	**33**
June 30, 2018	**44 734**	**107 970**	**-8 261**	**-2 529**	**511 166**	**-11 555**	**641 525**	**34 292**	**675 817**

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.
- There are no intercompany eliminations;
- Instead of revenue, the gross margin per segment is used as the starting point

In KUSD (condensed)	30/06/2019	30/06/2018
Gross margin per product		
Palm	10 629	42 112
Rubber	- 711	- 469
Tea	- 494	356
Bananas and flowers	1 715	1 256
Total gross margin	**11 139**	**43 255**
Net general and administrative expenses	-14 808	-15 484
Other operating income/(charges)	171	- 208
Financial income/(charges)	-2 087	-1 476
Discounting Sipef-CI	846	1 037
Exchange differences	- 472	- 888
Profit before tax	**-5 210**	**26 236**
Tax expense	5	-8 845
Effective tax rate	-0,1%	-33.7%
Profit after tax (before capital gain)	**-5 205**	**17 391**
Gain on sale BDM-ASCO	0	7 380
Profit after tax	**-5 205**	**24 771**

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
2019 - KUSD					
Palm	93 848	-81 049	- 51	12 748	89.0
Rubber	4 938	-5 290	0	- 352	-2.5
Tea	2 247	-2 787	- 14	- 554	-3.9
Bananas and plants	11 443	-9 433	- 204	1 806	12.6
Corporate	682	0	0	682	4.8
Others	0	0	0	0	0.0
Total	**113 158**	**-98 559**	**- 269**	**14 330**	**100.0**
2016 - 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**

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
2019 - KUSD						
Indonesia	63 507	-56 211	257	460	8 013	56.0
Papua New Guinea	35 284	-30 698	0	- 525	4 061	28.2
Ivory Coast	13 684	-11 650	0	-204	1 830	12.8
Europe	426	0	0	0	426	3.0
Others	0	0	0	0	0	0.0
Total	**112 901**	**-98 559**	**257**	**- 269**	**14 330**	**100.0**
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**

IFRS 16 – leasing

ANNEX 6

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

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

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

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

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

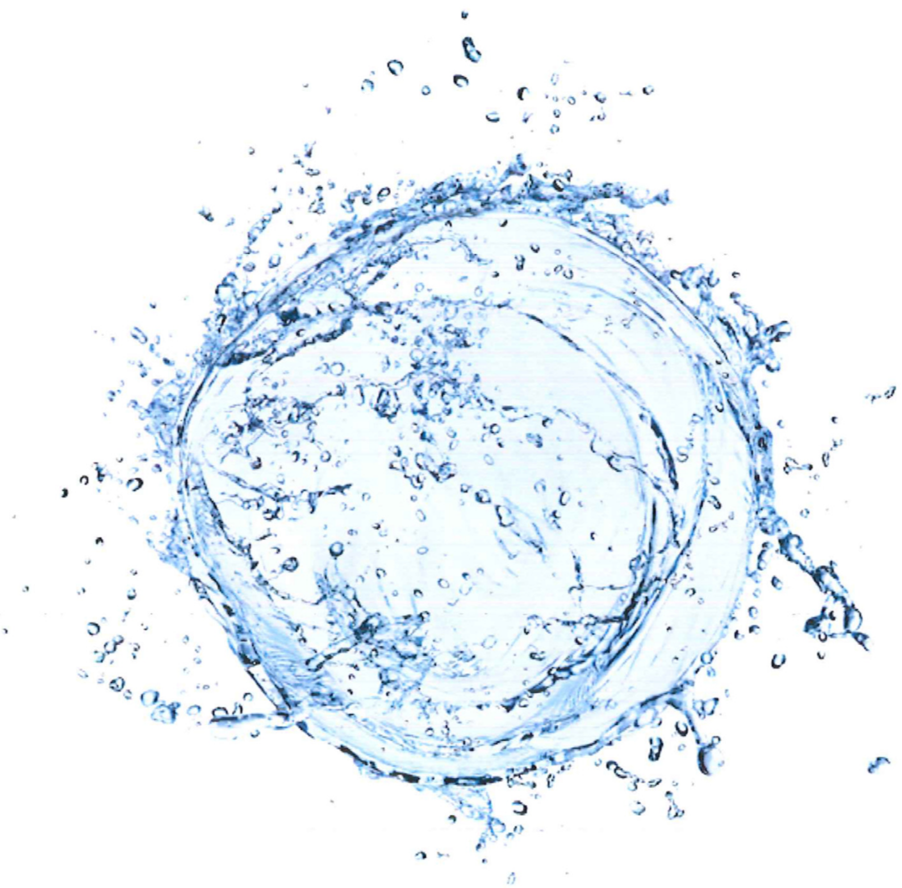
	in KUSD
Operating lease commitments disclosed as at 31 December 2018	5 220
(-) Discounted using the lessee's incremental borrowing rate of at the date of initial application	-2 200
Lease liability recognised as at 1 January 2019	**3 020**
Of which are:	
Current lease liabilities	496
Non-current lease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

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

	Land rights	Office rent	Car rent	Total
Total right-of-use assets as at 1 January 2019	818	1 778	424	**3 020**

The total depreciation for the right-of use assets until 30 June 2019 amounts to 175 KUSD and the financial charges to 113 KUSD. Of the depreciation, 20 KUSD was recorded in the Cost of sales of the palm segment of Papua New Guinea and 155 KUSD in the "General and administrative expenses".

Deloitte.



Sipef NV

Report on the review of the condensed consolidated interim financial information for the six-month period ended 30 June 2019

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 2019

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 2019, 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 14.

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 931 393 (000) USD and the consolidated income statement shows a consolidated loss (group share) for the period then ended of 5 205 (000) USD.

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, 13 August 2019

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Kathleen De Brabander

Deloitte.

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises
Coöperatieve vennootschap met beperkte aansprakelijkheid/Société coopérative à responsabilité limitée
Registered Office: Gateway building, Luchthaven Brussel Nationaal 1 J, B-1930 Zaventem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited