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SIPEF

HALF-YEAR RESULTS 2020

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Half-Year Results of the SIPEF group

as per 30 June 2020 (6m/20)

- Favourable weather conditions led to a 5.64% increase in the total palm oil production during the first half of the year.
- The production volumes of palm oil for the second semester should continue to increase compared to the same period last year.
- In Hargy Oil Palms Ltd the recovery from the damage caused by the 3 volcanic eruptions last year is progressing well. The loss of production for 2020 is estimated at approximately 25 000 tonnes of palm oil.
- So far, Covid-19 had no significant direct negative financial impact on the operational activities of the SIPEF group, except for the effect of a sudden sharp drop in the price of palm oil since mid-February. In the meantime, the price has recovered significantly.
- The gross profit increased from KUSD 14 330 at the end of June 2019 to KUSD 20 023 at the end of June 2020.
- The net result, share of the Group, amounted to KUSD -712, compared to KUSD -5 205 on 30 June 2019.
- To date, SIPEF has sold 76% of the expected palm oil production for 2020 at an average price of USD 692 per tonne CIF Rotterdam, premiums included.
- Taking into account the sales already realised, the recent market prices and the production outlook for palm oil, the Group expects a return to a recurring profit position for the year 2020.
- At the end of June, the cultivated hectares increased to 12 958 in Musi Rawas in South Sumatra in Indonesia, where the expansion continued steadily.
  As a 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

2020 *(in tonnes)*	Own	Third parties	Q2/20	YoY%	Own	Third parties	YTD Q2/20	YoY%
Palm oil	67 752	16 083	**83 835**	4.79%	130 894	31 474	**162 368**	5.64%
Rubber	1 370	55	**1 425**	8.37%	2 787	259	**3 046**	-9.45%
Tea	668	0	**668**	16.38%	1 478	0	**1 478**	12.65%
Bananas	7 150	0	**7 150**	-10.36%	16 169	0	**16 169**	-3.34%

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

The coronavirus has imposed many business restrictions, and has made it difficult to implement operating policies on plantations and mills. However, it has not had a significant impact on the Group's production.

In Indonesia, the good start of the year in agronomical and operational terms continued in the second quarter. Thanks to the regular rainfall, the volumes of which surpassed the long-term averages, the number of fruits harvested exceeded that of the second quarter of last year in all production units. As a result, for the whole of the Indonesian palm activities, including the increasing purchases from smallholders, the fruit production increased in the second quarter of 2020 by 11.7%, while that of the half-year increased by 8.5%.

In North Sumatra, the own production of the mature plantations remained almost in line with last year (+1.1%). On the other hand, the UMW/TUM plantations in particular showed a recovery of fruit volumes and weights (+9.0%). Therefore, the own production in North Sumatra for the first half of the year was again in line with the good figures of last year.

The agronomic conditions in the province of Bengkulu were extremely favourable compared to last year’s drier period. As a result, the own fruit production of the second quarter exceeded that of the same period of 2019 by 25.4%. The young plantings in South Sumatra had a more erratic pattern in the development towards full fruit formation. Moreover, as a result of the replanting in Dendymarker, more mature hectares were temporarily taken out of production compared to last year. Nevertheless, a slight increase of 2.0% was recorded in the second quarter, after an exceptional growth of 26.0% in the first quarter of this year.

Due to the generally favourable average oil extraction rates (OER) compared to last year, palm oil production in Indonesia rose, including that from increasing purchases from smallholders, by 12.8% and 9.2% for the second quarter and half year respectively, compared to the same periods last year.

After a relatively 'dry' rainy season in the first quarter in Papua New Guinea the generally lower precipitation volumes in the months of May and June caused a slower fruit ripening in the own estates and among the smallholders. As a result, in the second quarter fruit production on the own estates decreased by 20.1% compared to the second quarter of 2019, which roughly corresponds to the number of mature hectares still out of production, due to the recovery from ash clouds after last year's volcanic eruptions.

Despite the slowdown in fruit ripening, the mature areas of the smallholders, which were much less affected by the volcanic eruptions, produced 6.0% more fruit than in the second quarter of last year and 14.1% more in the first semester. Partly due to the drier weather conditions mentioned earlier, the average OER of the three palm oil mills reached the exceptional target of 25.0% in the second quarter. These favourable factors meant that the palm oil production volumes of Hargy Oil Palms Ltd - still suffering the effects of the ash clouds - were able to match those of the first half of 2019 (+0.2%).

The total palm oil production of the Group grew by 4.8% and 5.6% respectively, compared to the second quarter and the first semester of last year.

Due to the increasing precipitation, which mainly had a favourable effect on the volumes of the Melania rubber plantation near Palembang, for the first time in several years rubber production did not decrease further in the second quarter of 2020. However, the Pestalotiopsis fungus, which generally continues to affect the rubber activities in Southeast Asia, caused a 9.5% drop in production in the first half year, including purchases from third parties.

In spite of a gradual decrease in precipitation in May and June, the production volume of the Cibuni tea plantation in West Java increased by 16.4% in the second quarter. In addition, the half-year production figures also remained thoroughly positive with an increase of 12.7% compared to the corresponding period last year.

In Ivory Coast, the ripening process of the bananas slowed down in the second quarter, as a result of which, part of the production peak will fall earlier in the summer period. For this reason, production for the second quarter decreased by 10.4% compared to the same period last year. However, due to the normalisation of the banana activities in Ivory Coast and the strong recovery in the first quarter, the half-year production only decreased by 3.3% compared to the reference period of 2019.

1.2. Markets

Average market prices

In USD/tonne		YTD Q2/20	YTD Q2/19	YTD Q4/19
Palm oil	CIF Rotterdam*	649	528	566
Rubber	RSS3 FOB Singapore**	1 479	1 730	1 640
Tea	Mombasa**	2 053	2 232	2 226
Bananas	CFR Europe***	671	681	662

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

In the second quarter of this year the world was held captive by the covid-19 pandemic. The scale of the economic impact slowly became reality, and by the middle of May it appeared that the vegoil market had taken in most of the negative news, and stocks in many countries needed urgent replenishment.

After a strong drop in prices in March, there was little news entering the market that could provide positive impulses. The second quarter production in Malaysia was better than expected. Nevertheless, the swings between the months were rather erratic, partially due to a 'new-style' Ramadan break. Indonesia was already showing bigger negative impacts in production, due to a lack of rainfall in 2019 and the lack of fertiliser application since the summer of 2018 in the low price environment.

Better exports in June provided sufficient confidence to the market and prices slowly increased during the month. Food inventories needed urgent restocking, and the biodiesel demand also seemed to be performing better than expected (also benefitting from the high prices of rapeseed oil in the EU). Not only were China and India buying, but there was a strong surge for vegoil from most importing countries.

The price of palm oil dropped from USD 610 at the beginning of April to below USD 500 per tonne CIF Rotterdam mid-May, before closing the quarter at USD 585 per tonne.

The palm kernel oil (PKO) market was suffering from the covid-19 uncertainty as well, and the market declined from above USD 710 to USD 610 per tonne CIF Rotterdam by mid-May. It recovered slightly during June, but PKO was still suffering from the higher stocks position.

The depressed rubber market was hurt immensely by the covid-19 pandemic. Since most factories in the automobile industry closed their doors for several weeks or months, there was hardly any physical movement of rubber, and stockpiles grew. Prices of SICOM RSS3 continued to hover between USD 1 300 per tonne early January to USD 1 400 per tonne during the second quarter, but physical offers were available at even lower prices.

Tea auction prices in Mombasa, SIPEF's usual benchmark, initially moved up as buyers stocked up ahead of Ramadan. However, prices could not sustain any upward movement with this year's production massively above 2019. Kenyan tea production during the first half of 2020 outpaced 2019 by 41%. Prices overall declined almost 7% during the second quarter.

In the first half of 2020, the European banana market - like the world market - was severely disrupted by the coronavirus crisis. All production volumes from the Latin American zone, initially planned for China, were diverted to Europe and Russia, which led to an oversupply of the European market in particular. The fruit sector has, however, made great efforts to maintain permanent logistics on supply flows. In summary, average prices have remained below the averages of recent years.

1.3. Consolidated income statement

Consolidated income statement

In KUSD (management presentation)	30/06/2020	30/06/2019
Revenue	117 673	113 158
Cost of sales	-96 938	-98 559
Changes in the fair value	- 712	- 269
Gross profit	**20 023**	**14 330**
General and administrative expenses	-15 515	-16 611
Other operating income/(charges)	113	203
Operating result	**4 621**	**-2 077**
Financial income	863	893
Financial charges	-2 497	-2 063
Exchange differences	- 519	- 478
Financial result	**-2 153**	**-1 648**
Profit before tax	**2 468**	**-3 725**
Tax expense	-1 686	- 412
Profit after tax	**782**	**-4 137**
Share of results of associated companies and joint ventures	- 578	- 883
Profit for the period	**204**	**-5 020**
Attributable to:		
- Non-controlling interests	916	184
- Equity holders of the parent	- 712	-5 205

Consolidated gross profit

In KUSD (condensed)	30/06/2020	%	30/06/2019	%
Palm oil	19 823	99.0%	12 748	96.2%
Rubber	-1 498	-7.5%	- 352	-0.9%
Tea	- 518	-2.6%	- 554	0.8%
Bananas and plants	1 844	9.2%	1 806	2.8%
Corporate and others	373	1.9%	682	1.1%
Total	**20 023**	**100%**	**14 330**	**100%**

Total revenue increased to USD 118 million (+4% compared with the first half of 2019).

Palm oil revenue rose by 6.8% due to a combination of higher production volumes and a higher world market price for Crude Palm Oil (CPO).

As a result of a persistently low production and sales price, the revenue of rubber fell by 36.9%.

Tea sales increased by 30%. However, this increase is not representative of the profitability of the tea segment. Indeed, in the first half of 2019 very few sales were realised because of the sharp drop in spot prices on the world market. Ever since, the available production has once again been gradually sold.

The revenue of the banana and flower activities decreased by 3.6%, mainly due to the lower production volumes (-3.3%).
The average Ex Works unit cost price for the mature oil palm plantations remained more or less the same compared to the first half of 2019. For the other segments also, there were no fundamental changes in the unit cost level against the similar period last year. For rubber, the necessary measures were taken to limit costs as much as possible, but owing to the strongly decreased production volumes this did not affect the unit cost price.

The adjustments in fair value concerned the impact of the measurement of hanging fruits at their fair value (IAS41R).

The gross profit increased from KUSD 14 330 at the end of June 2019 to KUSD 20 023 (+39.7%) at the end of June 2020.

The gross profit in the palm segment (99.0% of the total gross profit) improved by KUSD 7 075 (+55.5% compared to June 2019), thanks to the higher production and especially the higher palm oil prices. The average world market price for CPO was USD 649 per tonne CIF Rotterdam during the past half year. This is 23% higher than the same period last year. It should be noted that in Indonesia the fixed export levy of USD 50 per tonne was reintroduced in January 2020, and raised to USD 55 per tonne as from June 2020. This levy has skimmed off part of the profit potential.

The contribution of the rubber segment to the gross margin fell significantly (decrease by KUSD 1 146). This was the result of disappointing production and persistently low sales prices that could not cover the production cost.

The unit cost price of tea improved as a result of the good production volumes compared to last year. However, for the tea segment, the Group also recorded a negative contribution of approximately USD 0.5 million in 2020 due to a significant drop in the realised sales price.

In the banana and flower activities, profitability was confirmed with a gross margin of KUSD 1 844.

The general and administrative expenses decreased mainly as a result of the decrease in travel and training costs caused by the global restrictions imposed in response to covid-19 and lower general expenses in Hargy Oil Palms Ltd compared to the first six months of last year. This latter decrease is due to the change in the management structure of the plantation, which has led to significant cuts.

The operating result amounted to KUSD 4 621 compared to KUSD -2 077 last year.

The financial income mainly comprised the positive time effect of the discount of the receivable from the sale of the stake in the oil palm plantation SIPEF-CI SA in Ivory Coast at the end of 2016 (KUSD 613). This receivable will be settled over the next two years.

The financial charges mainly related to the interest on the long-term and short-term financing at Libor-related rates. About half of these were hedged by an “IRS”. The total cost in USD increased due to the higher average net financial debt compared to the first half of 2019.

The result before tax amounted to KUSD 2 468 compared with KUSD -3 726 in June 2019.

The tax expense was KUSD 1 382 higher than the theoretical tax expense of KUSD 304. This is primarily due to three elements:

- A positive impact of KUSD 685 as a result of a change in the tax rate in Indonesia from 25% to 22%;
- A negative impact of KUSD 964 due to a reversal of a number of deferred tax assets set up, which expire in 2020 and which will probably not be used;
- A negative impact of KUSD 1 103 relating to a number of rejected expenses, of which the limitation of interest deduction in Indonesia by KUSD -715 is the main contributor.

The share of the result of 'associated companies and joint ventures' (KUSD -578) included the research activities centralised in PT Timbang Deli and Verdant Bioscience PTE Ltd.

The profit for the period was KUSD 204 which is KUSD 5 225 higher than last year's KUSD -5 021.

Net earnings, share of the Group, amounted to KUSD -712.

1.4. Consolidated cash flow

Consolidated cash flow

In KUSD (management presentation)	**30/06/2020**	**30/06/2019**
Cash flow from operating activities	26 416	19 953
Change in net working capital	160	2 960
Income taxes paid	-3 821	-6 953
Cash flow from operating activities after tax	**22 755**	**15 960**
Acquisitions intangible and tangible assets	-21 948	-29 368
Selling price of PP&E and financial assets	2 715	4 794
Acquisition financial assets	-1 609	- 100
Free cash flow	**1 913**	**-8 714**
Other financing activities	573	3 621
Net movement in investments, cash and cash equivalents	**2 486**	**-5 093**

In USD per share	30/06/2020	30/06/2019
Weighted average shares outstanding	10 419 328	10 436 028
Basic operating result	0.44	-0.20
Basic net earnings	-0.07	-0.50
Diluted net earnings	-0.07	-0.50
Cash flow from operating activities after tax	2.18	1.53

In line with the increase in the operating result, the cash flow from operating activities increased from KUSD 19 953 over the first six months in 2019 to KUSD 26 416 over the same period this year.

The working capital remained broadly stable. However, during the first six months of 2020, the Group's stocks increased significantly, and receivables decreased significantly. These movements only concerned time differences between shipments and payments of current activities.

In Indonesia and Papua New Guinea, in accordance with local legislation, the Group made advance tax payments, based partly on the results of 2018 and partly on the results of 2019. The advance tax payments of KUSD 3 821 were largely in accordance with the payable taxes of KUSD 3 638.

At the end of June 2020, the Group had an amount of USD 14 491 of outstanding tax assets that will be recovered over the next two years.

The acquisitions of intangible and tangible assets (KUSD -21 948) have decreased as a consequence of a temporary limitation to a minimum of investments not related to expansion.

The selling price of PP&E and financial assets (KUSD 2 715) concerned, besides the ordinary sales of fixed assets for KUSD 1 345, also an amount of KUSD 1 370 related to the sale of SIPEF-CI in 2016.

KUSD 1 609 was paid for the acquisition of an additional 10% in Verdant Bioscience PTE Ltd (see press release of 29 May 2020).

The free cash flow amounted to KUSD 1 913 against KUSD -8 714 during the same period last year.

The financing activities (KUSD 573) included a partial repayment of the long term financing (KUSD - 4 500), an increase of the short term financing (KUSD 7 933), a dividend paid to minority shareholders (KUSD -516) and interest paid (KUSD -2 343).

It should be noted that SIPEF has made use of the possibility of postponing capital repayments to cope with the impact of covid-19. As a result, the repayments at the end of June 2020 (KUSD 4 500) have been suspended until June 2024, and the repayment at the end of September 2020 (KUSD 4 500) will also be postponed until September 2024.

1.5. Consolidated balance sheet

Consolidated balance sheet

In KUSD (management presentation)	30/06/2020	31/12/2019
Biological assets (depreciated costs) – bearer plants	310 134	306 342
Goodwill	104 782	104 782
Other fixed assets	361 497	365 412
Receivables > 1 year	15 055	13 442
Net current assets, net of cash	89 385	94 013
Net cash position	-165 569	-164 623
Total net assets	**715 284**	**719 368**
Shareholders' equity, group share	625 786	628 686
Non-controlling interest	35 240	34 325
Provisions and deferred tax liabilities	54 258	56 358
Total net liabilities	**715 284**	**719 368**

Overall, the balance sheet positions remained fairly stable compared with 31 December 2019.

As a result of the ongoing expansion, biological assets have increased. The other fixed assets have decreased slightly as a consequence of a temporary limitation to a minimum of investments not related to expansion. Therefore, depreciation was higher than investments.

The net current assets, excluding liquidities, experienced some significant movements without affecting the overall structure of the balance sheet:

- Increase of KUSD 1 758 as a result of additional advance payments to smallholders in the Musi Rawas region;
- Increase of stocks by KUSD 11 291. This strong increase is solely linked to the execution of the usual agreements with customers;
- Decrease in trade receivables by KUSD 18 759, which is partly due to the previous item and to an exceptionally high customer balance sheet at the end of 2019;
- Decrease by KUSD 4 314 of trade payables and advances received;
- Increase in the derivatives on the liabilities side of the balance sheet by KUSD 2 027 as a result of the decrease in the USD interest rates against the hedged interest of the long-term loan. As this is a hedged transaction, the movement is included in the other elements of the total comprehensive income.

Net financial debt remained virtually unchanged at USD 165 million.

1.6. Prospects

1.6.1. Covid-19 impact

So far, there have been no consequences that have had a significant direct negative financial impact on the operational activities of the SIPEF group.
Despite the fact, that the coronavirus continues to have a long-term negative impact on people's freedom of movement worldwide, all production units within the SIPEF group have remained operational, with no loss of volumes or return per hectare.

The negative effects on the world market for commodities (palm oil, rubber and tea) were mainly limited for the Group to a sudden fall in the price of palm oil since mid-February, which has since recovered significantly. The persistent effect of such a price drop on the results and cash flow can be calculated via the sensitivity, also mentioned in the annual report. At the level of the result, it amounts to KUSD 2 600 on an annual basis, a USD 10 per tonne price difference.

There was also a temporary effect on the marketing of bananas and flowers from Ivory Coast, which was limited to less than KUSD 300 on an annual basis, but compensated to a large extent by the decrease in general expenses, due to the travel restrictions of management and consultants who had to postpone the training programmes to a later date.

On the other hand, the Indonesian government has announced the reduction of corporate income tax from 25% to 22% for the income years 2020 and 2021, and to 20% from the income year 2022 onwards. This reduction will have an effect on taxes payable and deferred taxes recorded in the Company's balance sheet.

A delay has also been observed in a number of industrial investment projects, such as the expansion of the Dendymarker palm oil mill in South Sumatra; the establishment of a “biocoal” factory for pellets from palm fibres in North Sumatra; and the further optimisation of industrial processes in the mills of the SIPEF group. All these projects will therefore only be realised in 2021.

Of course, in all the countries where SIPEF is operational, usually in close consultation with governments and often on its own initiative, a whole series of measures has been taken to protect the employees, the management and their families from infection by the virus. These measures are also aimed at the effective treatment of possible future infections. They are constantly evaluated and adapted to the ever-changing local environment and to the stage of infection in the area concerned.

Further discussion of the prospects cannot include possible additional measures, as yet unknown, that could be taken by the authorities to limit the spread of covid-19.

1.6.2. Production

Prospects for palm oil production for the third quarter are rather poor. Production in Indonesia is likely to be affected during this period by last year's long drought, from which the older plantations will suffer more damage than the younger plantings. From the fourth quarter onwards the usual contribution to the volume increase of the second semester is again expected.

For Hargy Oil Palms Ltd the production for the third quarter is usually lower than in the second and fourth quarters, but, in any case, the production ought to increase compared to last year. At that time, activities were disrupted by the three consecutive volcanic eruptions in June, August and October. The 3 000 hectares still in recovery are gradually being brought back into production, but the effects are limited. Only in 2022 will these plantations regain their full capacity. In the meantime, the production of the smallholders remains at a good level and supports the total contribution of Hargy Oil Palms Ltd to the total production volume of the Group.

In view of the predicted drop in yields in Indonesia in the third quarter, the previously announced 10% increase in annual volumes to 350 000 tonnes will probably not be achieved. However, the increase over the year will surpass the current 5.6% increase.

Furthermore, the Pestalotiopsis fungus is expected to negatively affect rubber production for the rest of the year. On the other hand, provided that favourable weather conditions are maintained, tea production will end the year with a positive growth rate. Prospects for banana production also remain positive and will at least match those of last year in the second half of the year.

1.6.3. Markets

The palm oil market initiated a price rally of more than USD 100 per tonne in June and July, on the back of great exports. Malaysian production in June was above expectations, but July was disappointing. In addition, the general production prediction in Indonesia is rather poor. This has triggered significant stock reduction in the origin countries, whereas the destination countries are slowly replenishing their stocks. This is not only the case for palm oil, but a similar situation is being seen in soybean oil, sunflower oil, rapeseed oil and soybeans.

These friendly inputs can be offset by a potential record crop in the US soybean market as well as sunflower seeds in Ukraine and Russia. The weather in August will determine the final yields, but the US growing conditions in particular have been fantastic so far. The other factor that could be a serious dent for the palm oil market is how the Indonesian government plans to finance their B30 biodiesel blending program. The current premium of palm oil over gasoil would suggest the built-up State Fund could be running out of money to subsidise the biodiesel market by the end of this year. So far, the blending rates remain rather stable, not only in Indonesia but also in other origin markets like Brazil.

Given the significant rally of palm oil in June and July, most factors are probably well priced in. However, continued disappointing palm oil production into the peak cycle could provide further support. As a Group, steady prices are being looked at with cautious confidence.

The rubber market is very dependent on the automobile industry and the demand for new cars is very sensitive to the economic growth. Covid-19 has caused a serious dent in the growth globally and the perspectives of travel have probably changed permanently. It is clear, that it will be a challenge for the natural rubber industry in the remaining part of the year.

Tea production is declining seasonally in Kenya. Nevertheless, prices are expected to move up only moderately from current levels, considering the high stocks resulting from the huge production during the first half.

Normal banana volumes are expected for the weeks and months to come, without any signs of oversupply being displayed by the large operators. With the end of the summer season and the start of school, increasing demand will make it possible to resume a steady price dynamic for the third and fourth quarters, the consumption of fruits and vegetables being generally on the rise during this period of the year, and normal (school) activities prevailing.

1.6.4. Results

Thanks to sales at the end of 2019 (for shipment in 2020) and at the beginning of 2020 in a strong palm oil market, but also due to sales in the recent upturn in the market, SIPEF has so far been able to sell 76% of the expected palm oil production for 2020, at an average price of USD 692 per tonne CIF Rotterdam equivalent, including sustainability and origin premiums.

This price is USD 123 per tonne higher than the average price of USD 569 per tonne at the same time last year, when 60% of the volumes were realised.

In view of the uncertainty regarding the demand for biodiesel in the fourth quarter of the year, SIPEF wishes to continue to respond to the volatility of market trends and to gradually place unsold volumes in the market.

At the same time, considering the uninspiring prospects in the rubber markets, 32% of the expected rubber volumes were sold at an average price of USD 1 537 per tonne compared to 55% at USD 1 562 per tonne at the same time last year.
In an oversaturated tea market, approximately 69% of expected tea volumes were traded at an average market price of USD 1 920 per tonne. This represents a decrease of 18.4% compared to USD 2 360 per tonne at the same time last year, when 71% of expected volumes had already been put under contract.

The marketing strategy for banana sales, with mainly fixed prices for the whole year, continued in 2020 with deliveries mainly to England and France for the best quality, and to the West African continent for the remaining volumes. Therefore, the current price evolution of bananas is having no impact on the contribution of the banana activities to the gross operating result.

Considering the already realised sales of palm oil and based on the recent market prices, the Group expects a return to a recurring profit position for the year 2020.

Subject to the previously mentioned potential impact of covid-19 on the operational activities of the Group and on the palm oil market, the final recurring result will to a large extent be determined by the expected production growth; the level of market prices for the rest of the year; the maintenance of the current policy for the export tax on palm oil in Indonesia and the evolution of the cost prices. The last, in spite of compulsory increases in workers' wages, is favourably influenced by the lower oil price and by the persistently weak quotations of the local currencies of Indonesia and Papua New Guinea against the reporting currency, USD.

1.6.5. Cash flow and expansion

In Musi Rawas, the original four concessions were expanded in 2018 with three more adjoining concessions. The expansion of the current seven concessions at three locations will continue successfully, and the necessary 'assessments' will be carried out so these extensions will fully meet the sustainability standards (New Planting Procedures) of the RSPO. This procedure is taking more time than expected and may be finalised in early 2021. Only then will the first planting be carried out on the three most recently acquired adjoining concessions. Meanwhile, the focus remains on the expansion of the four existing concessions, for which all permits have been obtained, and on the replanting of the Dendymarker plantations, which were purchased in 2017. In Dendymaker another 306 hectares were replanted during the first half of the year, bringing the total to 3 127 hectares replanted.

During the past six months, an additional 482 hectares were additionally compensated, and 755 hectares were additionally prepared for planting or planted, making a total of 12 958 cultivated hectares. This corresponds to 76.8% of the total of 16 879 compensated hectares, of which, after correction, 2 349 hectares were provisionally acquired for planting for smallholders and 14 530 hectares for own development. There are now 4 461 hectares in production and all harvested fruits are processed in the own extraction mill in Dendymarker, which will therefore be used optimally in 2020. Due to the coronavirus-related travel restrictions, the necessary increase in processing capacity from 20 to 60 tonnes of palm fruits (FFB) per hour will only take place in 2021. In addition to the expansion of the planted areas, the investment focus is concentrated on the expansion of the internal road network and residential areas for the workers and local management.

Finally, with the acquisition of Dendymarker in 2017 and the additional concessions in Musi Rawas in 2018, the path has been paved for the expansion of the SIPEF group into a company that, over a period of five years, can approach 100 000 own hectares, of which more than 80 000 hectares are currently planted, and whose supply base can reach 120 000 hectares. Despite the uncertainties that covid-19 brings with it in the short term, the Group remains committed to its intention to renew, as soon as possible, the old plantings of Dendymarker and to develop the concessions of Musi Rawas.

Due to the persistently low prices for natural rubber and the lack of prospects for the future, specific measures are also being worked out for a restructuring of the rubber activities in the SIPEF group.

Subject to the previously mentioned delays in the implementation of the technical investments in mills and processes, the SIPEF group has not yet had to take any significant exceptional measures to support the Company's liquidity and solvency during the coronavirus crisis. Supported by the more attractive market prices for palm oil, the Group does not expect to have to delay the replanting and expansion programme in order to avoid a possible higher 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)

2.2. 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 2020 were established by the board of directors on 12 August 2020.

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 2019, 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 2019 (https://www.sipef.com/hq/investors/annual-reports). The accounting policies of the SIPEF group which are used as of 1 January, 2020 are consistent with the accounting standards used for the audited consolidated financial statements of 31 December 2019, with the exception that the Group has applied the new accounting standards and interpretations applicable for annual periods beginning on or after 1 January 2020. These new standards and interpretations have a minimal impact.

2.2.3. Updated use of accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the Group to use accounting estimates and judgements and make assumptions that may affect the reported amounts of assets and liabilities at the date of the balance sheets and reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates. We refer to note 4 of the annual report of 2019.

Below we present an update of the most important estimates and judgement applicable in the half-year report:

Judging that land rights will not be amortized unless there is an indication that the land title might not be renewed: A total of 7 730 Ha of land rights in PT Agro Muko have matured in 2019. All documentation for the renewal of the land rights have been delivered in time to the relevant authorities. Due to covid-19 there has been a delay in the renewal process. The relevant authorities are in the process of reviewing and approving the renewal. There is no indication that these land rights will not be renewed.

The main areas in which estimates are used for the first 6 months of 2020 are:
- Deferred tax assets
- Impairment of assets

The key estimates used in the calculation of deferred tax assets and impairment of assets testing rely on making an estimate on commodity prices over a longer period. By nature, the commodity prices used in such estimates are volatile and will therefore in reality will be different from the estimated amounts.

2.2.4. Consolidation scope

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

2.2.5. 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	30/06/2020	30/06/2019	31/12/2019
Result before tax	2 468	-3 726	852
	12.32%	30.92%	-20.4%
Theoretical tax charge	-304	1 152	-174
Change in tax-%	+685	0	0
Impairment on deferred taxes for fiscal losses	-964	-1 321	-4 279
Other non-deductible	-1 103	-243	-2 667
Tax charge	1 686	-412	-6 772
Effective tax rate	68.3%	11.1%	794.7%

The tax gain of KUSD 685 due to the change in tax-% relates to the decrease in the corporate income tax rate in Indonesia from 25% to 22%, starting from 1 January 2020. Therefore, all previously recognised deferred tax assets and liabilities in Indonesia have been revalued at the new 22% tax rate. This resulted in a total tax gain of KUSD 685 primarily due to the revaluation of the deferred tax liabilities related to the purchase price allocation of the acquisitions of PT Agro Muko and PT Dendymarker Indah Lestari.

Applying the principles of IAS 12, a net deferred tax asset of KUSD 964 on tax losses carried forward has been reversed per 30 June 2020. 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 3 637 (2019: KUSD 3 221) and a deferred tax component of KUSD -1 952 (2019: KUSD -2 809).

2.2.6. Segment information

See annex 5.

2.2.7. 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.

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

The share of results of 'associated companies and joint ventures' only contains the research activities which are centralised in PT Timbang Deli and Verdant Bioscience PTE Ltd.

2.2.9. Shareholders' equity

The board of directors proposed not to pay out a dividend for the financial year 2019 which was approved by the General assembly on the June 10, 2020. There were no changes in issued capital compared to 31 December 2019.

2.2.10. Net financial assets/(liabilities)

In KUSD	**30/06/2020**	**31/12/2019**
Short-term obligations – credit institutions	-112 864	-109 239
Long-term obligations – credit institutions	-63 000	-63 000
Short-term leasing obligations	-514	-524
Long-term leasing obligations	-2 330	-2 513
Investments and deposits	0	0
Cash and cash equivalents	13 139	10 653
Net financial assets/(liabilities)	**-165 569**	**-164 623**

The short-term liabilities have a term of less than twelve months and comprise USD straight loans with bankers of KUSD 77 300, a 'commercial paper' debt of KUSD 22 064 and the current portion of KUSD 13 500 related to a long term loan for a total amount of KUSD 76 500. The short-term and long-term leasing obligations in 2020 are a result of the IFRS 16 – leasing standard.

It should be noted that SIPEF has made use of the possibility of postponing capital repayments to cope with the impact of covid-19. As a result, the repayments at the end of June 2020 (KUSD 4 500) have been suspended until June 2024, and the repayment at the end of September 2020 (KUSD 4 500) will also be postponed until September 2024.

At 30 June 2020 the Group had one financial covenant connected to the long-term obligations which stated that the net financial debt may not exceed 3.25 times REBITDA ("Recurring earnings before interest, tax and depreciations") of the financial year. At 30 June 2020 the Group has complied with the covenant (3.05 times REBITDA).

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 200 956 (2019: KUSD 205 432). Compared to the current total debt (excluding leasing) of KUSD 175 864, this leaves a freely available headroom of KUSD 25 092.

Notwithstanding a strong balance sheet position with a net debt/equity ratio of 25%, SIPEF is aware that compliance with its financial covenants remains an important point of attention, in today's volatile CPO price environment. Management and the board of directors continue to closely monitor this situation.

The compliance with the financial covenant of 3.0x at year end will mainly depend on:

- The final recurring result that to a large extent will be determined by the expected production growth; the level of market prices for the rest of the year; the maintenance of the current policy for the export tax on palm oil in Indonesia and the evolution of the cost prices;
- Working capital movements, mainly depending on the timing of deliveries and payments of daily operations;
- The realisation of the various ongoing investment projects.

We currently expect that the financial covenant will be met at year-end.

2.2.11. Financial instruments

The financial instruments were categorised according to principles that are consistent with those applied for the preparation of note 26 of the 2019 financial statements. No transfer between levels occurred during the first six months of 2020.

All derivatives outstanding per 30 June 2020 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 2020 the fair value amounts to KUSD -2 069 versus KUSD -42 per 31 December 2019.

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

2.2.12. Business combinations, acquisitions and divestitures

On 29 May 2020, SIPEF and Ackermans & van Haaren signed an agreement with Sime Darby Plantation Berhad (Malaysia) to acquire the latter's 52% interest in Verdant Bioscience PTE Ltd (VBS), based in Singapore.

SIPEF increased its stake by 10% to 48% for an amount of USD 1.6 million. Ackermans & van Haaren acquired a 42% stake in VBS, representing an investment of USD 7 million. The Singapore-based company BioSing, which established VBS and in which its scientists are associated, maintained its 10% of the company. This transaction has the full consent of BioSing, and its representatives, Bryan Dyer and Dr Stephen Nelson, remain in office respectively as chairman and managing director of VBS.

Following the transaction, the SIPEF group is acting as a guarantor for a total debt of KUSD 9 247 which VBS has to repay over the next three years to the previous shareholder, Sime Darby Plantation Berhad.

2.2.13. 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 Group has performed a goodwill impairment analysis as per 30 June 2020. The total goodwill has not changed compared to prior year.

The goodwill impairment testing is based on a discounted cash flow model considering the cash flows resulting from the long-term business plans ("LTBP") related to the palm oil segment.

The constant palm oil price of USD 700 per tonne (2019: USD 690 per tonne) used in the model is management's best estimate of the long-term palm oil price expressed as CIF Rotterdam.

The current model was established with a weighted average cost of capital (after tax) of 8.16% (2019: 8.01%). For the sensitivity analysis, the price was increased and decreased by USD 50 per tonne. The WACC was increased and decreased with one percent.

Overview principle assumptions

CPO price/WACC	7,16%	8,16%	9,16%
650 $/tonne	Scenario 1	Scenario 2	Scenario 3
700 $/tonne	Scenario 4	Scenario 5	Scenario 6
750 $/tonne	Scenario 7	Scenario 8	Scenario 9

Based on the consolidated balance sheet per 30 June 2020 and using a constant palm oil price of USD 700 per tonne and a WACC of 8,16%, we arrive at the following preliminary headroom matrix:

Sensitivity analysis

WACC/CPO price (in KUSD)	7,16%	8,16%	9,16%
650 $/tonne	1 103 956	895 964	746 559
700 $/tonne	1 450 723	1 186 665	996 857
750 $/tonne	1 784 638	1 467 396	1 239 202
Value underlying assets	787 285	787 285	787 285

Headroom (in KUSD)	7,16%	8,16%	9,16%
650 $/tonne	316 670	108 678	-40 726
700 $/tonne	663 438	399 380	209 572
750 $/tonne	997 352	680 111	451 917

Break-even price	7,16%	8,16%	9,16%
$/tonne	585 $/tonne	612 $/tonne	658 $/tonne

Management is of the opinion that the assumptions used in the calculation of the value in use as described above give the best estimates of future development. The sensitivity analysis shows that goodwill is in most of the cases fully recoverable. As a result, management is of the opinion that there is no indication of any impairment.

We refer to note 8 in the annual report for an extensive overview of the goodwill impairment analysis per 31 December 2019.

2.2.14. Related party transactions

There are no changes to the transactions with associated companies with regard to the annual report of December 2019. We refer to 2.2.12 for additional information regarding the additional stake in Verdant Bioscience PTE Ltd.

2.2.15. Important events

See management report.

2.2.16. 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.

2.2.17. 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.

2.2.18. Covid-19

We refer to note 1.6.1 – Covid-19 effects of the management report.

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 2020 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 2020 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 6.

Translation: this press release is available in Dutch and English. The Dutch version is the original; the English version is a free translation. We have made every reasonable effort to avoid any discrepancies between the different language versions. However, should such discrepancies exist, the Dutch version will take precedence.

Schoten, 13 August 2020

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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)	30/06/2020	31/12/2019
Non-current assets	**805 761**	**805 114**
Intangible assets	505	517
Goodwill	104 782	104 782
Biological assets - bearer plants	310 134	306 342
Other property, plant & equipment	354 785	359 071
Investment property	0	0
Investments in associated companies and joint ventures	6 134	5 751
Financial assets	73	73
Other financial assets	73	73
Receivables > 1 year	15 055	13 442
Other receivables	15 055	13 442
Deferred tax assets	14 293	15 135
Current assets	**136 555**	**138 011**
Inventories	37 541	26 251
Biological assets	5 318	6 030
Trade and other receivables	59 612	78 651
Trade receivables	14 525	33 284
Other receivables	45 087	45 367
Current tax receivables	18 552	14 787
Investments	0	0
Other investments and deposits	0	0
Derivatives	0	0
Cash and cash equivalents	13 139	10 653
Other current assets	2 392	1 639
Assets held for sale	0	0
Total assets	**942 316**	**943 125**
Total equity	**661 026**	**663 010**
Shareholders' equity	625 786	628 686
Issued capital	44 734	44 734
Share premium	107 970	107 970
Treasury shares (-)	-10 277	-10 277
Reserves	495 139	498 052
Translation differences	-11 780	-11 793
Non-controlling interests	35 240	34 325
Non-current liabilities	**133 881**	**137 008**
Provisions > 1 year	1 387	1 548
Provisions	1 387	1 548
Deferred tax liabilities	43 507	46 850
Trade and other liabilities > 1 year	0	1
Financial liabilities > 1 year	63 000	63 000
Leasing liabilities > 1 year	2 330	2 513
Pension liabilities	23 656	23 096
Current liabilities	**147 409**	**143 107**
Trade and other liabilities < 1 year	28 012	28 896
Trade payables	14 166	17 292
Advances received	1 188	2 377
Other payables	8 596	8 747
Income taxes	4 062	480
Financial liabilities < 1 year	113 378	109 763
Current portion of amounts payable > 1 year	13 500	18 000
Financial liabilities	99 364	91 239
Leasing liabilities < 1 year	514	524
Derivatives	2 069	42
Other current liabilities	3 950	4 406
Liabilities associated with assets held for sale	0	0
Total equity and liabilities	**942 316**	**943 125**

Consolidated Income statement

ANNEX 2

In KUSD (condensed)	30/06/2020	30/06/2019
Revenue	117 673	113 158
Cost of sales	-96 938	-98 559
Changes in the fair value of the biological assets	- 712	- 269
Gross profit	**20 023**	**14 330**
General and administrative expenses	-15 515	-16 611
Other operating income/(charges)	113	203
Operating result	**4 621**	**-2 077**
Financial income	863	893
Financial charges	-2 497	-2 063
Exchange differences	- 519	- 478
Financial result	**-2 153**	**-1 648**
Result before tax	**2 468**	**-3 725**
Tax expense	-1 686	- 412
Result after tax	**782**	**-4 137**
Share of results of associated companies and joint ventures	- 578	- 883
Result from continuing operations	**204**	**-5 020**
Result from discontinued operations	0	0
Result for the period	**204**	**-5 020**
Attributable to:		
- Non-controlling interests	916	184
- Equity holders of the parent	- 712	-5 205

Earnings per share (in USD)		
From continuing and discontinued operations		
Basic earnings per share	-0.07	-0.50
Diluted earnings per share	-0.07	-0.50
From continuing operations		
Basic earnings per share	-0.07	-0.50
Diluted earnings per share	-0.07	-0.50
Basic earnings per share before sale BDM-ASCO	-0.07	-0.50

Consolidated statement of comprehensive income

In KUSD (condensed)	30/06/2020	30/06/2019
Profit for the period	**204**	**-5 020**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
in subsequent periods		
- Exchange differences on translating foreign operations	13	- 34
- Cash flow hedges - fair value result for the period	-2 155	- 563
- Income tax effect	539	163
Items that will not be reclassified to profit and loss		
in subsequent periods		
- Defined Benefit Plans - IAS 19R	2	71
- Income tax effect	0	- 18
- Revaluation assets held for sale		
Total other comprehensive income:	**-1 602**	**- 381**
Other comprehensive income for the year attributable to:		
- Non-controlling interests	0	9
- Equity holders of the parent	-1 602	- 390
Total comprehensive income for the year	**-1 398**	**-5 402**
Total comprehensive income attributable to:		
- Non-controlling interests	916	193
- Equity holders of the parent	-2 314	-5 595

Consolidated cash flow statement

ANNEX 3

In KUSD (condensed)	30/06/2020	30/06/2019
Operating activities		
Profit before tax	**2 468**	**-3 725**
Result from discontinued operations before tax		
Adjusted for:		
Depreciation	21 371	20 271
Movement in provisions	400	1 968
Stock options	64	63
Exchange results not yet realised	- 2	47
Changes in fair value of biological assets	712	269
Other non-cash results	- 545	- 825
Hedge reserves and financial derivatives	- 141	31
Financial income and charges	2 343	2 113
Capital loss on receivables	0	0
Capital gain on sale of investments	0	0
(Gain)/loss on disposal of property, plant and equipment	- 254	- 259
(Gain)/loss on disposal of financial assets	0	0
Cash flow from operating activities before change in net working capital	26 416	19 953
Change in net working capital	160	2 960
Cash flow from operating activities after change in net working capital	26 576	22 913
Income taxes paid	-3 821	-6 953
Cash flow from operating activities	**22 755**	**15 960**
Investing activities		
Acquisition intangible assets	- 35	- 99
Acquisition biological assets	-11 483	-12 600
Acquisition property, plant & equipment	-10 430	-16 669
Acquisition investment property	0	0
Acquisition financial assets	-1 609	- 100
Dividends received from associated companies and joint ventures	0	0
Proceeds from sale of property, plant & equipment	1 344	1 553
Proceeds from sale of financial assets	1 371	3 241
Cash flow from investing activities	-20 842	-24 674
Free cash flow	**1 913**	**-8 714**
Financing activities		
Capital increase	0	0
Equity transactions with non-controlling parties	0	0
Decrease/(increase) of treasury shares	0	0
Repayment in long-term financial borrowings	-4 500	-5 000
Increase short-term financial borrowings	7 932	10 977
Decrease short-term financial borrowings	0	0
Last year's dividend paid during this bookyear	0	0
Dividends paid by subsidiaries to minorities	- 516	0
Interest received - paid	-2 343	-2 356
Cash flow from financing activities	573	3 621
Net increase in investments, cash and cash equivalents	**2 486**	**-5 093**
Investments and cash and cash equivalents (opening balance)	10 653	29 595
Effect of exchange rate fluctuations on cash and cash equivalents	0	0
Investments and cash and cash equivalents (closing balance)	13 139	24 502

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, 2020	**44 734**	**107 970**	**-10 277**	**-3 598**	**501 650**	**-11 793**	**628 686**	**34 325**	**663 010**
Result for the period					- 712		**- 712**	916	**204**
Other comprehensive income				1	-1 617	13	**-1 602**		**-1 602**
Total comprehensive income	**0**	**0**	**0**	**1**	**-2 329**	**13**	**-2 314**	**916**	**-1 398**
Last year's dividend paid							**0**		**0**
Equity transactions with non-controlling parties							**0**		**0**
Other					- 585		**- 585**		**- 585**
June 30, 2020	**44 734**	**107 970**	**-10 277**	**-3 597**	**498 736**	**-11 780**	**625 786**	**35 241**	**661 026**
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					-5 205		**-5 205**	184	**-5 021**
Other comprehensive income				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					-6 495		**-6 495**		**-6 495**
Other					63		**63**		**63**
June 30, 2019	**44 734**	**107 970**	**-9 423**	**-3 347**	**504 267**	**-11 720**	**632 481**	**34 443**	**666 924**

Segment information

ANNEX 5

SIPEF's activities can be classified into segments based on the type of product. SIPEF has the following segments:

- Palm: Includes all palm products, including palm kernels and palm kernel oil, both in Indonesia and Papua New Guinea
- Rubber: Includes all different types of rubber produced and sold by the SIPEF group, both in Indonesia and Papua New Guinea
    - Ribbed Smoked Sheets (RSS)
    - Standard Indonesia Rubber (SIR)
    - Scraps and Lumps
- Tea: Includes both types of tea produced by SIPEF in Indonesia, i.e.:
    - Orthodox tea
    - "Cut, tear, curl" (CTC) tea
- Bananas and flowers: Includes all sales of bananas and flowers originating from Ivory Coast.
- Corporate: Mainly includes management fees received from non-group companies, commissions charged on sea freight and other commissions which are not covered by the sales contract.

The overview of segments below is based on the SIPEF group's internal management reporting. The most important differences with IFRS consolidation are:

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

In KUSD (condensed)	30/06/2020	30/06/2019
Gross margin per product		
Palm	19 823	12 748
Rubber	-1 498	- 350
Tea	- 519	- 555
Bananas and flowers	1 844	1 806
Total gross margin per product	**19 650**	**13 649**
General and administrative expenses	-15 142	-15 929
Other operating income/(charges)	113	203
Financial income/(charges)	-2 247	-2 016
Discounting Sipef-CI	613	845
Exchange differences	- 519	- 478
Result before tax	**2 469**	**-3 725**
Tax expense	-1 686	- 412
Effective tax rate	-68.3%	11.1%
Result after tax	**782**	**-4 137**
Share of results of associated companies	- 578	- 883
Result for the period	**204**	**-5 020**

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
2020 - KUSD					
Palm	100 229	-80 011	- 396	19 823	99.0
Rubber	3 116	-4 614	0	-1 498	-7.5
Tea	2 922	-3 408	- 32	- 518	-2.6
Bananas and plants	11 033	-8 905	- 284	1 844	9.2
Corporate	373	0	0	373	1.9
Others	0	0	0	0	0.0
Total	**117 673**	**-96 938**	**- 712**	**20 023**	**100.0**
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**

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
2020 - KUSD						
Indonesia	67 015	-53 654	68	- 187	13 242	66.2
Papua New Guinea	37 813	-33 009	0	- 241	4 563	22.7
Ivory Coast	12 404	-10 276	0	-284	1 844	9.2
Europe	373	0	0	0	373	1.9
Others	0	0	0	0	0	0.0
Total	**117 605**	**-96 938**	**68**	**- 713**	**20 023**	**100.0**
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**

Report of the statutory auditor
ANNEX 6

Deloitte.

Sipef NV

Report on the review of the consolidated interim financial information for the six-month period ended 30 June 2020

The original text of this report is in Dutch

Report on the review of the consolidated interim financial information of Sipef NV for the six-month period ended 30 June 2020

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the consolidated condensed balance sheet as at 30 June 2020, the consolidated condensed income statement, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the period of six months then ended, as well as selective notes 1 to 18.

Report on the consolidated interim financial information

We have reviewed the 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 condensed balance sheet shows total assets of 942 316 (000) USD and the consolidated condensed income statement shows a consolidated loss (group share) for the period then ended of 712 (000) USD.

The board of directors of the company is responsible for the preparation and fair presentation of the 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 consolidated interim financial information based on our review.

Scope of review

We conducted our review of the 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 consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the 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, 12 August 2020

The statutory auditor

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