The connection to the world of sustainable tropical agriculture

Results of the SIPEF group

as per 31 December 2020 (12m/20)

- The Group's total palm oil production grew by 5.4% compared with 2019.
- All the Group's production units have remained operational, without loss of volume or yield, despite covid-19.
- Palm oil production in Indonesia was almost stable (+0.7%): in North Sumatra, recovery from last year's drought remained limited, while in the expansion regions, production growth continued.
- The plantations affected by last year's volcanic eruptions in Hargy Oil Palms in Papua New Guinea recovered, so that HOPL's total palm oil production increased by 14.9%.
- The net result, share of the Group, after tax, amounted to KUSD 14 122, compared with a loss of KUSD -8 004 last year. This turnaround was mainly due to the strong recovery of palm oil prices during the second semester.
- The investment programs related to the expansion in South Sumatra in Indonesia, continued steadily in 2020. Cultivated hectares in Musi Rawas grew by 1 811 hectares to a total area of 14 014 hectares. 5 207 hectares were also replanted in the nearby Dendymarker plantation.
- Total capital expenditures, which were temporarily delayed by covid-19 related logistical problems, amounted to KUSD 51 763, while net debt decreased to KUSD 151 165 (2019: 164 623).
- The excessive government levies on Indonesian palm oil supplies are limiting the profit potential for the Group.
- Due to the strong market and good production expectations better results are to be expected in 2021.
- In line with the 30% pay-out ratio of previous years, the board of directors proposes to approve a gross dividend of EUR 0.35 per share, payable on July 7, 2021.
- As an RSPO compliant producer, SIPEF continues to supply certified "segregated" sustainable palm oil to the European and Asian markets.

1. Management report

1.1. Group production

Group production

2020 *(in tonnes)*	Own	Third parties	Q4/20	YoY%	Own	Third parties	YTD Q4/20	YoY%
Palm oil	68 567	13 690	**82 257**	5.45%	271 472	57 812	**329 284**	5.37%
Rubber	1 343	260	**1 603**	7.58%	5 300	711	**6 011**	-4.98%
Tea	686	79	**765**	33.98%	2 664	98	**2 762**	18.49%
Bananas	7 353	0	**7 353**	-14.13%	31 158	0	**31 158**	-5.15%

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

The coronavirus continued to cause sustained pressure in the fourth quarter for all the Group's operations on the day-to-day management of the plantations and factories in all of the countries in which SIPEF operates. Nevertheless, covid-19 did not have a material impact on the Group's productions.

During the last three quarters of 2020, Sumatra, Indonesia experienced a persistent and very even rainfall pattern, with average rainfall volumes surpassing the long-term averages by far. This allowed increasing fruit volumes to be recorded in all oil palm plantations of the SIPEF group, except for the mature plantations of the Tolan Tiga group in North Sumatra (-11.1% versus the fourth quarter of last year). There, the recovery from last year's drought was more limited and average fruit weights, especially in the older palms, remained lower.

In the mature plantations of UMW/TUM, the recovery of production was sustained (+1.8%). After three years of lower yields per hectare, the effects of unbalanced fertilisation patterns were virtually overcome. The favourable weather conditions also provided strong growth in the young, mature plantings in South Sumatra. The fruit volumes produced were 49.6% higher than the same quarter last year.

Due to even and abundant rainfall compared to the long-term averages, the fruits contained more moisture. Consequently, oil extraction rates (OER) at the mills in Sumatra were generally lower than last year. The mill in Dendymarker is an exception to this, with the young, oil-rich fruits of Musi Rawas taking an increasing share and gradually driving up the OER percentage further. This generally lower OER explains why palm oil volumes grew by only 0.1% -on an annual basis, while the own fruit volumes of the Indonesian activities increased by 3.4%.

At Hargy Oil Palms Ltd in Papua New Guinea, nearly 3 000 hectares of mature palm areas are still recovering from the three volcanic eruptions of the second half of 2019. Due to even rainfall, the crop grew by 36.4% compared to the fruit volumes of the fourth quarter of last year. The corresponding increase in harvested volumes from smallholders was 5.0%.

On an annual basis, total fruit production of Hargy Oil Palms Ltd grew by 8.9%. The efficiency of the palm oil mills was exceptionally good throughout the year (average 24.6%). It peaked at an average OER of 25.2% in the fourth quarter, increasing total annual palm oil production from Papua New Guinea by 14.9% versus 2019.

The Group's total palm oil production grew by 5.5% and 5.4% compared with the fourth quarter and the full 12 months of 2019, respectively.

Favourable weather conditions in the fourth quarter enabled rubber production in the Group to increase by 7.6% compared to the same reference period of last year. As a result, the year-on-year decrease in the Group's production finally amounted to 5.0%, while it was still -8.9% at the end of the third quarter. However, there are significant differences between the North Sumatra and Agro Muko plantations on the one hand, where production declined further under the influence of the Pestalotiopsis fungus, and the MAS plantation of Melania on the other. The latter, thanks to good leaf development, experienced an increase in production of 56.9% in the fourth quarter and 13.3% on an annual basis.

Steady rainfall and favourable growing conditions for the tea bushes increased leaf growth. In the fourth quarter, black tea production peaked with a 20.1% increase. The year ended with an increase in production of 14.3%. The recent signing of contracts with smallholders also allowed the local sale of the first tonnes of black tea produced from the tea leaves supplied by these farmers.

Due to a climatic delay in the ripening cycle, the exported banana production in Ivory Coast decreased in the fourth quarter by 14.1% compared to the same period last year. As a result, annual production also ended with a deficit of 5.2% compared to 2019.

1.2. Markets

Average market prices

In USD/tonne		YTD Q4/20	YTD Q4/19
Palm oil	CIF Rotterdam*	715	566
Rubber	RSS3 FOB Singapore**	1 728	1 640
Tea	Mombasa**	2 004	2 226
Bananas	CFR Europe***	628	662

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

The fourth quarter was basically an avalanche of friendly inputs for the palm oil as well as the total vegoil industries. Demand had been good throughout the summer, and the fact that the destinations (consuming countries) had hardly any stocks to rely on, as all imports had been consumed, this strong demand wave continued in the last quarter.

World palm oil production was slightly disappointing versus expectations month after month, but also other oilseed crops appeared to be smaller than earlier announcements. The rapid exports showed strong stock reductions, led by the sunflower oil market. Russia initiated an export tax, initially on sunflower seeds, but soon sunflower oil followed. It was the start of more export taxes/levies that further fuelled the prices of global vegoil markets.

The biggest impact came from the Indonesian export levy, which was initially increased from USD 50 to USD 55 per tonne to finance the B30 biodiesel mandate. However, during the fourth quarter the palm oil/gas oil (POGO) spread widened further. The Indonesian government showed strong dedication to the B30 blending program and introduced a very far-reaching export levy system commencing on 10 December 2020. In combination with an escalating export tax system introduced earlier, it implied that almost all upsides from prices above USD 700 are collected by the government, whereby the export levy (in January USD 225 per tonne) should be primarily used to finance the B30 program, and the export tax (in January USD 74 per tonne) supports the government.

The introduction of the export levy increase had been slumbering for a while and in Indonesia stocks were very low. Malaysia also re-introduced their crude palm oil (CPO) windfall tax of 7% from January onwards. This led to massive December exports and, hence, to the lowest stocks the Malaysian industry had seen since 2007, and at a time when stock usually peaks, given the crop cycle.

At the same time, the markets experienced smaller crops in soybeans and sunflower seeds, but also in corn and wheat. A bull market for many agricultural commodity markets commenced. The La Niña weather phenomenon created more dry spots in Latin America, where the soybean crop was hit, and floods were hurting oil palm plantations in Southeast Asia.

All in all, it was a perfect storm in the oilseeds complex, that was followed by a big influx from financial markets, which further boosted the rally.

The price of palm oil rallied strongly from USD 710 at the end of September to USD 965 by year-end, the highest level since 2012.

The palm kernel oil (PKO) market followed the palm oil market. 2020 so far had been very subdued for the PKO market, where origin stocks were outweighing all optimism. However, the production contraction experienced in palm oil was finally felt in the fourth quarter, and in the lauric market as well. The PKO market rallied from USD 750 to USD 1 250 and the palm oil premium was extended.

The rubber market started to consolidate during the fourth quarter after the price rally in the third quarter. The new levels were above full cost for the tyre grades, but it was mainly the latex grades that developed a significant premium as the demand for latex gloves exploded due to the coronavirus pandemic. Poor production throughout 2020 in Thailand, Indonesia and Vietnam took its toll and, whereas the cup lump grades could still eat into the stocks, the latex grades needed fresh produce. The increase in demand from the latex glove industry allowed that industry to pay up.

The price of Sicom RSS3 continued to rise from USD 1 820 to USD 2 800 per tonne by the end of October before it consolidated in the region of USD 2 250 per tonne.

Tea auction prices in Mombasa, the Company benchmark, moved in a very narrow price range during the fourth quarter of the year. Mombasa's tea auction average price in 2020 was the lowest since 2007, as production was the highest on record, outperforming the previous record seen in 2018 by more than 10%.

The pandemic did not have a negative impact on banana consumption, which even continued to rise slightly in Europe. Nevertheless, a climate of rising uncertainty prevailed in the markets, which was exacerbated by the weakness of the US dollar against the euro.

The Brexit agreements signed by the UK government with the producing countries strengthened the historical commercial relationships and perpetuated the import regulations for African bananas in the UK for the future.

Covid-19 effects

All the Group's production units have remained operational in 2020 and to date, with no loss of volumes or yields per hectare. After the previously reported negative financial effects of a sudden drop in palm oil prices, bottoming out in May last year, prices recovered nicely from the third quarter onwards. This was also the case for the market prices of natural rubber.

For the time being, the main challenge remains the organised protection of the close to 20 000 Group employees and their families against the coronavirus infections. Large-scale infection has been avoided by rigorously enforcing the internal measures issued by the SIPEF management in each country, which in most cases exceed the measures imposed by the local authorities. The intention for the time being is to continue to avoid travel that is not strictly necessary and to not ease quarantine measures.

Due to the travel restrictions, a number of planned industrial investment projects were further delayed. In particular, the implementation of the necessary expansion of the processing capacity of the Dendymarker palm oil mill in South Sumatra was postponed to 2021. The start-up of a 'biocoal' plant for high calorific value pellets manufactured from palm fibre at UMW/TUM in North Sumatra is now only anticipated for the end of February 2021.

Further discussion of the prospects will not consider possible additional measures taken by governments to limit the spread of covid-19 that are not known today.

1.3. Consolidated income statement

Consolidated income statement

In KUSD (management presentation)	**31/12/2020**	**31/12/2019**
Revenue	274 027	248 311
Cost of sales	-212 403	-212 038
Changes in the fair value	733	889
Gross profit	**62 357**	**37 162**
General and administrative expenses	-31 573	-31 481
Other operating income/(charges)	- 6	- 741
Operating result	**30 778**	**4 940**
Financial income	2 012	2 161
Financial charges	-5 103	-5 473
Exchange differences	378	- 775
Financial result	**-2 713**	**-4 088**
Result before tax	**28 065**	**852**
Tax expense	-10 828	-6 772
Result after tax	**17 237**	**-5 920**
Share of results of associated companies and joint ventures	-1 059	-1 485

Profit for the period	**16 178**	**-7 404**
Attributable to:		
- Non-controlling interests	2 055	600
- Equity holders of the parent	14 122	-8 004

Consolidated gross profit

In KUSD (condensed)	31/12/2020	%	31/12/2019	%
Palm oil	59 746	95.8%	34 445	92.7%
Rubber	-1 814	-2.9%	-2 244	-6.0%
Tea	- 788	-1.3%	- 370	-1.0%
Bananas and plants	4 390	7.0%	4 697	12.6%
Corporate	823	1.4%	634	1.7%
Total	**62 357**	**100%**	**37 162**	**100%**

Total revenue increased to USD 274 million (+10.4% compared with 2019).

Palm oil revenue increased by 12.6% due to a combination of higher production volumes and a higher world market price for crude palm oil (CPO).

In 2020, rubber revenue declined sharply by 14.2%, mainly due to lower production volumes (-5%) and an even larger drop in volumes sold compared with 2019, which was characterised by a significant rundown of rubber stocks.

Tea revenue increased by 15.5%. However, this increase is not representative of the profitability of the tea segment. Indeed, in 2019, very few sales were realised due to the sharp decline in spot prices on the world market. Only in 2020, was the available production gradually sold.

Revenue in the banana and plant activities remained almost unchanged. The slight decrease in volumes sold and in unit selling price (in EUR) was largely offset by the strengthening of the EUR against the USD.

The average ex works unit cost price for the mature oil palm plantations remained roughly identical compared with 2019. There were also no fundamental changes in the unit cost level for the other segments, compared with the same period last year. For rubber, the necessary measures were taken to reduce costs as much as possible, but due to the sharply reduced production volumes, this had no impact on the unit cost price.

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

Gross profit increased from KUSD 37 162 at the end of 2019 to KUSD 62 357 (+67.8%) at the end of 2020.

The gross profit of the palm segment (95.8% of the total gross profit) increased by KUSD 25 301 (+73.5% compared with December 2019) thanks to higher productions and especially higher palm oil prices. The average world market price for CPO recorded USD 715 per tonne of CIF Rotterdam over the past year. This is

26% higher than that for the same period last year. It should be noted that in Indonesia the fixed export levy has been reintroduced since January 2020. For the entire year 2020, the total impact of the export levy and tax is estimated at approximately USD 74 per tonne. This levy thus skimmed off a significant part of the profit potential.

The negative contribution of the rubber segment to the gross margin improved slightly compared with 2019 (increase of KUSD 430). Despite the decreased production volumes, the spectacular recovery of sales prices in the second half-year allowed the loss to be limited in this period.

The unit cost price of tea dropped due to good production volumes compared with last year (-12.2%). However, also in 2020, the Group recorded an increased negative contribution (KUSD -788) for the tea segment, due to a significant drop in the realised sales price.

In the banana and plant activities profitability was confirmed with a gross margin of KUSD 4 390.

Overall, the general and administrative expenses remained unchanged compared with 2019, but underwent several contrasting movements. On the one hand, they increased due to inflation, exchange rate fluctuations and an increased bonus provision. On the other hand, this increase was offset mainly by the decrease in travel and training costs due to the restrictions imposed by covid-19 worldwide.

As a result of the decision to convert two of the three rubber activities into oil palm activities at a later stage, an exceptional depreciation of KUSD 678 has been applied to the non-recoverable rubber assets. This amount is included in the other operating expenses of KUSD -6.

The operating result amounted to KUSD 30 778 against KUSD 4 940 the previous year.

Financial income mainly comprises the positive time effect of the discount of the receivable from the sale of the SIPEF-CI oil palm plantation in Ivory Coast at the end of 2016 (KUSD 1 368). This receivable should be collected in full by the end of 2021. In addition, interest income from the growing receivables from plasma smallholders in South Sumatra is increasing.

Financial charges primarily comprised the interest on long-term and short-term financing. Of these, approximately half were hedged through an Interest Rate Swap (IRS).

The result before tax was KUSD 28 065 compared with KUSD 852 in 2019.

The tax expense was KUSD 4 421 higher than the theoretical tax charge of KUSD 6 545. This is mainly due to three elements:

- a positive impact of KUSD 697 on deferred taxes as the result of a reduction in the tax rate in Indonesia from 25% to 22%;
- a negative impact of KUSD 3 152 from the impairment of deferred tax assets that, due to a limitation in time, probably cannot be used;
- a negative impact of KUSD 2 043 related to a number of rejected expenses, of which the limitation of interest deduction in Indonesia is the main contributor (KUSD - 992).

The share of the result of associated companies and joint ventures (KUSD -1 059) included the research activities centralised in PT Timbang Deli and Verdant Bioscience Pte Ltd (SIPEF 38%).

The profit for the period amounted to KUSD 16 178 which is KUSD 23 582 higher than last year's KUSD -7 404.

The net result, share of the Group, amounted to KUSD 14 122.

1.4. Consolidated cash flow

Consolidated cash flow

In KUSD (management presentation)	31/12/2020	31/12/2019
Cash flow from operating activities before change in net working capital	73 669	48 227
Change in net working capital	-1 314	-1 647
Income taxes paid	-3 572	-14 693
Cash flow from operating activities after tax	**68 783**	**31 887**
Acquisitions intangible and tangible assets	-51 763	-66 546
Selling price of PP&E and financial assets	4 279	7 108
Acquisition financial assets	0	- 200
Free cash flow	**21 299**	**-27 751**
Equity transactions with non-controlling parties	-2 795	0
Other financing activities	-19 367	8 809
Net movement in investments, cash and cash equivalents	**- 863**	**-18 942**

In USD per share	31/12/2020	31/12/2019
Weighted average shares outstanding	10 419 328	10 436 244
Basic operating result	2.95	0.47
Basic net earnings	1.36	-0.77
Diluted net earnings	1.36	-0.77
Cash flow from operating activities after tax	6.60	3.06

In line with the increase in operating profit, cash flow from operating activities increased from KUSD 48 227 in 2019, to KUSD 73 669 this year.

Net movements in working capital were limited. The main movement was in net payments to smallholders in South Sumatra for pre-financing their expansions and replanting (KUSD 4 479).

In Indonesia and in Papua New Guinea the Group made advance payments of taxes in accordance with local legislation. These related partly to the results of 2018, but mainly to the low results of 2019. Therefore, the prepayments of taxes (KUSD 3 572) were significantly lower than the taxes to be paid (KUSD 10 768).

Acquisitions in intangible and tangible assets (KUSD -51 763) experienced a decrease. This was the result of the temporary reduction to a minimum of the non-expansion related investments, and of the delaying effect of covid-19 on the extension of capacity in the Dendymarker mill.

The selling price of PP&E and financial assets (KUSD 4 279), in addition to the ordinary sales of fixed assets for KUSD 2 401, also included an amount of KUSD 1 371 related to the sale of SIPEF-CI in 2016 and the balance of the sale of Galley Reach Holdings Ltd for KUSD 507.

Free cash flow amounted to KUSD 21 299 compared to KUSD -27 751 during the same period last year.

During the second semester, an additional 5% participation was acquired in PT Dendymarker for an amount of KUSD 2 795 as implementation of agreements made at the time of the original acquisition in 2017.

Other financing activities (KUSD -19 367) include partial repayments of long-term financing (KUSD -9 000 for long-term financing and KUSD -228 for lease payables), repayment of short-term financing (KUSD -5 092), dividend payments to minority shareholders (KUSD -716) and interest payments (KUSD -4 331).

It should be noted that SIPEF made use of the possibility of postponing capital repayments to cope with the impact of covid-19. As a result, repayments at the end of June 2020 (KUSD 4 500) and September 2020 (KUSD 4 500) were postponed to June 2024 and September 2024, respectively.

1.5. Consolidated balance sheet

Consolidated balance sheet

In KUSD (management presentation)	**31/12/2020**	**31/12/2019**
Biological assets (depreciated costs) – bearer plants	315 826	306 342
Goodwill	104 782	104 782
Other fixed assets	359 994	365 412
Receivables > 1 year	16 101	13 442
Net current assets, net of cash	86 137	94 013
Net cash position	-151 165	-164 623
Total net assets	**731 675**	**719 368**
Shareholders’ equity, group share	638 688	628 686
Non-controlling interest	35 862	34 325
Provisions and deferred tax liabilities	57 126	56 358
Total net liabilities	**731 675**	**719 368**

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

The biological assets increased, due to continued expansion. Other fixed assets experienced a slight decrease, due to the reduction of investments not related to expansion. As a result, depreciation exceeded capital expenditures.

The net current assets, net of cash, experienced only two major movements, without any impact on the overall structure of the balance sheet:

- an increase of KUSD 4 479 due to additional advances to smallholders in South Sumatra;

- a decrease of KUSD 7 229 in net tax assets. This is the result of the limited advance payments compared to the taxes to be paid in accordance with the legislation applicable in Indonesia and Papua New Guinea.

The net financial debt decreased by KUSD 13 458 thanks to the positive free cash flow.

1.6. Dividends

In line with the 30% pay-out ratio of previous years, the board of directors proposes to approve a gross dividend of EUR 0.35 per share, payable on 7 July 2021.

1.7. Prospects

1.7.1. Production

With the exception of the mature plantations in North Sumatra, increasing production was recorded for most of the palm plantations in Indonesia in January 2021. The expectations for the first quarter, based on the count of the hanging fruits, also remain positive for the Indonesian activities as a whole. The main growth will again be recorded in the young mature areas in Musi Rawas in South Sumatra, where 7 297 hectares are now being harvested.

For the activities of Hargy Oil Palms Ltd in Papua New Guinea, the usual rainy season has not yet started. In January this year, both in the own plantations and for the supplied fruits from the smallholders, the volumes of processed palm fruits were higher than last year. The expectations for the first quarter of the year are also based on increasing volumes. This can be explained in part by the gradual recovery of the palms damaged by the volcanic eruptions in the second half of 2019. However, much will depend on the intensity of the rainy season in the next two months and the traffic flow that is possible on the roads in the region.

This means that, the production of palm oil is expected to increase by more than 10% compared to the volumes produced in 2020, which were rather below expectations.

1.7.2. Markets

The palm oil market experienced a massive rally that initially continued into early January, until a significant correction took place. The high prices and the massive inverses took their toll on the exports, albeit that the origin markets had nothing left to export anyhow. The long liquidation was something that had been expected for a few months, but had not materialised.

Fundamentally, there has not been a lot of change; the stocks will remain low in most origins until the middle of the summer. It remains to be seen when and to what extent palm oil production will be boosted in the second half of the year. Probably in the second quarter, there will be a fight for acres in North America between soybeans and corn, and to a lesser extent wheat, as all these commodities have shown a significant increase in profitability. These production outlooks will determine the price direction.

Despite the recent drop in prices, it is believed that there is still a very solid foundation for an elevated price level for the entire year of 2021. Obviously, when production outpaces demand there could be some pressure, but the entire global vegoil market is running on such a low stock level and demand, despite the pandemic, is still very solid. Therefore, major setbacks are not expected in palm oil prices.

The rubber market still suffers from insufficient production due to La Niña. Globally the car industry is getting back on its feet, led by the Chinese. Latex demand remains strong as the coronavirus pandemic still controls the world. It still feeds the insecurity of the global industry. Therefore, the rubber market maintains the status quo and current levels are likely to hold for the near future.

High carry-forward tea stocks in Mombasa will continue to keep a lid on any significant price increase unless the impacts of La Niña deplete stocks rapidly. The 'Tea Act', forcing all 'Cut, Tear and Curl' (CTC) teas produced in Kenya to be sold through the auction system, comes into force on 11th March 2021 and will most likely create some volatility.

As usual, the start of the year is accompanied by rising prices for bananas. Nevertheless, demand in European markets remains under stress due to the effects of the pandemic. On the other hand, the general expectations for production volumes remain good and could lead to falling prices at the end of the first quarter.

1.7.3. Results

In a market that has been rising rapidly over the last few months, SIPEF has to date sold 36% of its expected palm oil production for 2021. This was done at an average price of USD 827 per tonne CIF Rotterdam equivalent, including premiums for sustainability and origin, against 36% of the volumes at USD 727 at the same time last year. The realised gross sales prices are thus USD 100 per tonne higher than last year.

The financing of the biofuel program, imposed by the Indonesian government, is currently mainly passed on to the palm oil producers. As a result, deliveries of Indonesian palm oil from 10 December last year are subject to a substantially increased export levy and export tax. These are determined monthly by the government, depending on the prevailing world market prices for palm oil, and remain an uncertain factor in the determination of the net sales prices of the Group. For the Indonesian palm oil volumes still to be sold, it is therefore not the intention, at current market prices, to take further initiatives on the futures market. Rather, the volumes produced will be placed gradually on the market.

Also, 18% of the expected rubber volumes have been sold to date at an average price of USD 2 033 per tonne. This is 28.6% higher than the average price of USD 1 579 per tonne during the same period in 2019. About a quarter of the tea volumes were sold at a price 4.1% higher than the average selling price for the fiscal year 2020. The marketing strategy for banana sales, mainly through annual fixed price contracts, has continued in 2021 through deliveries mainly to customers in France, England and the West African continent.

The excessive government levies on Indonesian palm oil supplies are limiting the profit potential for the Group. Due to the strong market and good production expectations better results are to be expected in 2021.

The final recurring result will largely depend on achieving the targeted production growth of more than 10%, the level of market prices for the rest of the year, the maintenance of the burdening Indonesian tax system on supplies of palm oil and the evolution of the cost prices. For the last, a small increase is expected, due to the increase in workers' wages combined with slightly rising diesel and fertiliser prices compared to last year. The quotations of the local currencies in Indonesia and Papua New Guinea should remain fairly stable compared to the reporting currency USD.

1.7.4. Cash flow and expansion

In addition to the usual replanting programs of the older plantings in Sumatra and Papua New Guinea and the renewal investments of materials and mills, the Group will continue to focus primarily on the investment programs in South Sumatra in 2021. These involve the further expansion of planted areas and infrastructure in Musi Rawas and the replanting and improvement of its own palm plantations, as well as plantings for smallholders (plasma) in Dendymarker. The expansion of the processing capacity of the Dendymarker mill from 20 to 60 tonnes per hour, delayed by the pandemic, is now a priority in order to be able to process the rapidly increasing number of palm fruits in the own facilities.

During the past three years, 5 207 hectares have already been replanted and planted in Dendymarker, including 2 385 hectares in 2020 alone. SIPEF will continue to plant areas in 2021, also again in the plasma zone that matches its own planted hectares.

In Musi Rawas, an additional 1 028 hectares were compensated, and an additional 1 811 hectares were prepared for planting or planted in the past year, to reach a total of 14 014 cultivated hectares. This represents 80.4% of the total of 17 424 compensated hectares, of which 2 360 hectares have been provisionally acquired for the planting of 'plasma' and 15 064 hectares for own development.

As a result of these recent achievements, a total of 83 685 hectares was planted in the SIPEF group by the end of 2020 and the supply base is over 100 000 hectares, for delivery to nine palm oil processing mills in Indonesia and Papua New Guinea.

The SIPEF group attaches great importance to its 38% stake in the Verdant Bioscience (VBS) partnership. VBS focuses on the development of the F1 hybrid for oil palms, in view of significantly increasing productivity. This partnership was strengthened in November 2020 by the entry into the VBS shareholding of the Indonesian listed plantation company Dharma Satya Nusantara (DSNG). Specifically, on that date, SIPEF resold to DSNG the 10% of VBS shares it had additionally acquired from Sime Darby Plantations in May 2020. DSNG will participate alongside SIPEF as an operating partner in the test programs for the commercial development of the F1 hybrid variant by 2028.

2. Agenda 2021

22 April 2021		Interim report Q1
29 April 2021		Annual report online available (at the latest) on www.sipef.com
9 June 2021		Ordinary general meeting
12 August 2021		Announcement on the half year results
21 October 2021		Interim report Q3

3. Condensed financial statements

3.1. Condensed financial statements of the SIPEF group

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

4. Report of the statutory auditor

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

Deloitte Bedrijfsrevisoren – represented by Kathleen De Brabander.

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

Schoten, 11 February 2021

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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)	31/12/2020	31/12/2019
Non-current assets	**809 753**	**805 114**
Intangible assets	473	517
Goodwill	104 782	104 782
Biological assets - bearer plants	315 826	306 342
Other property, plant & equipment	354 811	359 071
Investment property	0	0
Investments in associated companies and joint ventures	4 630	5 751
Financial assets	80	73
Other financial assets	80	73
Receivables > 1 year	16 101	13 442
Other receivables	16 101	13 442
Deferred tax assets	13 049	15 135
Current assets	**136 888**	**138 011**
Inventories	29 648	26 251
Biological assets	6 763	6 030
Trade and other receivables	76 877	78 651
Trade receivables	27 731	33 284
Other receivables	49 146	45 367
Current tax receivables	11 766	14 787
Investments	0	0
Other investments and deposits	0	0
Derivatives	0	0
Cash and cash equivalents	9 790	10 653
Other current assets	2 043	1 639
Assets held for sale	0	0
Total assets	**946 641**	**943 125**
Total equity	**674 550**	**663 010**
Shareholders' equity	638 688	628 686
Issued capital	44 734	44 734
Share premium	107 970	107 970
Treasury shares (-)	-10 277	-10 277
Reserves	507 299	498 052
Translation differences	-11 038	-11 793
Non-controlling interests	35 862	34 325
Non-current liabilities	**126 460**	**137 008**
Provisions > 1 year	1 354	1 548
Provisions	1 354	1 548
Deferred tax liabilities	44 010	46 850
Trade and other liabilities > 1 year	0	1
Financial liabilities > 1 year	54 000	63 000
Leasing liabilities > 1 year	2 285	2 513
Pension liabilities	24 810	23 096
Current liabilities	**145 631**	**143 107**
Trade and other liabilities < 1 year	35 947	28 896
Trade payables	21 384	17 292
Advances received	1 071	2 377
Other payables	8 805	8 747
Income taxes	4 687	480
Financial liabilities < 1 year	104 671	109 763
Current portion of amounts payable > 1 year	18 000	18 000
Financial liabilities	86 128	91 239
Leasing liabilities < 1 year	543	524
Derivatives	793	42
Other current liabilities	4 220	4 406
Liabilities associated with assets held for sale	0	0
Total equity and liabilities	**946 641**	**943 125**

Consolidated income statement

ANNEX 2

In KUSD (condensed)	31/12/2020	31/12/2019
Revenue	274 027	248 311
Cost of sales	-212 403	-212 038
Changes in the fair value of the biological assets	733	889
Gross profit	**62 357**	**37 162**
General and administrative expenses	-31 573	-31 481
Other operating income/(charges)	- 6	- 741
Operating result	**30 778**	**4 940**
Financial income	2 012	2 161
Financial charges	-5 103	-5 473
Exchange differences	378	- 775
Financial result	**-2 713**	**-4 088**
Result before tax	**28 065**	**852**
Tax expense	-10 828	-6 772
Result after tax	**17 237**	**-5 920**
Share of results of associated companies and joint ventures	-1 059	-1 485
Result from continuing operations	**16 178**	**-7 404**
Result from discontinued operations	0	0
Result for the period	**16 178**	**-7 404**
Attributable to:		
- Non-controlling interests	2 055	600
- Equity holders of the parent	14 122	-8 004
Earnings per share (in USD)		
From continuing and discontinued operations		
Basic earnings per share	1.36	-0.77
Diluted earnings per share	1.36	-0.77
From continuing operations		
Basic earnings per share	1.36	-0.77
Diluted earnings per share	1.36	-0.77

Consolidated statement of comprehensive income

In KUSD (condensed)	31/12/2020	31/12/2019
Result for the period	**16 178**	**-7 404**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
in subsequent periods		
- Exchange differences on translating foreign operations	755	- 107
- Cash flow hedges - fair value result for the period	-1 922	- 392
- Income tax effect	489	114
Items that will not be reclassified to profit and loss		
in subsequent periods		
- Defined Benefit Plans - IAS 19R	-1 329	- 289
- Income tax effect	292	72
Total other comprehensive income:	**-1 714**	**- 602**
Other comprehensive income for the year attributable to:		
- Non-controlling interests	- 94	- 10
- Equity holders of the parent	-1 619	- 592
Total comprehensive income for the year	**14 464**	**-8 006**
Total comprehensive income attributable to:		
- Non-controlling interests	1 961	590
- Equity holders of the parent	12 503	-8 596

Consolidated cash flow statement

ANNEX 3

In KUSD (condensed)	31/12/2020	31/12/2019
Operating activities		
Profit before tax	**28 065**	**852**
Result from discontinued operations before tax		
Adjusted for:		
Depreciation	43 581	42 285
Movement in provisions	197	3 267
Stock options	128	126
Exchange results not yet realised	- 169	65
Changes in fair value of biological assets	- 733	- 889
Other non-cash results	-1 266	-1 634
Hedge reserves and financial derivatives	-1 171	-1 120
Financial income and charges	4 330	4 705
Capital (gain)/loss on receivables	- 249	0
Capital (gain)/loss on sale of investments	0	0
(Gain)/loss on disposal of property, plant and equipment	957	570
(Gain)/loss on disposal of financial assets	0	0
Cash flow from operating activities before change in net working capital	73 669	48 227
Change in net working capital	3 165	1 883
Variation in long term receivables	-4 479	-3 530
Cash flow from operating activities after change in net working capital	72 355	46 580
Income taxes paid	-3 572	-14 693
Cash flow from operating activities	**68 783**	**31 887**
Investing activities		
Acquisition intangible assets	- 49	- 160
Acquisition biological assets	-26 971	-33 305
Acquisition property, plant & equipment	-24 743	-33 081
Acquisition investment property	0	0
Acquisition subsidiaries	0	- 200
Dividends received from associated companies and joint ventures	0	0
Proceeds from sale of property, plant & equipment	2 401	1 795
Proceeds from sale of financial assets	1 878	5 313
Cash flow from investing activities	**-47 484**	**-59 638**
Free cash flow	**21 299**	**-27 751**
Financing activities		
Capital increase	0	0
Equity transactions with non-controlling parties	-2 795	0
Decrease/(increase) of treasury shares	0	- 854
Decrease long-term financial borrowings	-9 228	-9 500
Increase long-term financial borrowings	0	50 500
Decrease short-term financial borrowings	-5 092	-19 799
Increase short-term financial borrowings	0	0
Last year's dividend paid during this bookyear	0	-6 495
Dividends paid by subsidiaries to minorities	- 716	0
Interest received - paid	-4 331	-5 043
Cash flow from financing activities	**-22 162**	**8 809**
Net increase in investments, cash and cash equivalents	**- 863**	**-18 942**
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)	9 790	10 653

Statement of changes in consolidated equity

ANNEX 4

In KUSD (condensed)	Issued capital	Share premium	Treasury shares	Defined benefit plans - IAS 19R	Reserves	Translation differences	Shareholders' equity	Non-controlling interests	Total equity
January 1, 2020	**44 734**	**107 970**	**-10 277**	**-3 598**	**501 650**	**-11 793**	**628 686**	**34 325**	**663 010**
Result for the period					14 122		**14 122**	2 055	**16 177**
Other comprehensive income				- 941	-1 433	755	**-1 619**	- 95	**-1 714**
Total comprehensive income	**0**	**0**	**0**	**- 941**	**12 689**	**755**	**12 503**	**1 960**	**14 463**
Last year's dividend paid							**0**	- 200	**- 200**
Equity transactions with non-controlling parties					-2 573		**-2 573**	- 223	**-2 795**
Other					72		**72**	0	**72**
December 31, 2020	**44 734**	**107 970**	**-10 277**	**-4 539**	**511 838**	**-11 038**	**638 688**	**35 862**	**674 550**
January 1, 2019	**44 734**	**107 970**	**-9 423**	**-3 391**	**516 305**	**-11 686**	**644 509**	**34 250**	**678 759**
Result for the period					-8 004		**-8 004**	600	**-7 404**
Other comprehensive income				- 207	- 278	- 107	**- 592**	- 10	**- 602**
Total comprehensive income	**0**	**0**	**0**	**- 207**	**-8 282**	**- 107**	**-8 596**	**590**	**-8 006**
Last year's dividend paid					-6 495		**-6 495**	- 516	**-7 011**
Other			- 855		122		**- 733**	0	**- 733**
December 31, 2019	**44 734**	**107 970**	**-10 277**	**-3 598**	**501 650**	**-11 793**	**628 686**	**34 325**	**663 010**

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 in Indonesia and sold by the SIPEF group:
    - Ribbed Smoked Sheets (RSS)
    - Standard Indonesia Rubber (SIR)
    - Scraps and Lumps
- Tea: Includes tea produced by Sipef in Indonesia, i.e.:
    - "Cut, tear, curl" (CTC) tea
- Bananas and plants: Includes all sales of bananas and plants originating from Ivory Coast.
- Corporate: Mainly includes management fees received from non-group companies, commissions charged on sea freight and other commissions which are not covered by the sales contract.

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

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

In KUSD (condensed)	31/12/2020	31/12/2019
Gross margin per product		
Palm	59 746	34 445
Rubber	-1 814	-2 244
Tea	- 788	- 370
Bananas and plants	4 390	4 697
Corporate	823	634
Total gross margin per product	**62 357**	**37 162**
General and administrative expenses	-31 573	-31 481
Other operating income/(charges)	- 6	- 741
Financial income/(charges)	-4 458	-5 002
Discounting Sipef-CI	1 368	1 689
Exchange differences	378	- 775
Result before tax	**28 065**	**852**
Tax expense	-10 828	-6 772
Effective tax rate	-38.6%	-794.8%
Result after tax	**17 237**	**-5 920**
Share of results of associated companies	-1 059	-1 485
Result for the period	**16 178**	**-7 405**

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	236 707	-177 137	176	59 746	95.8
Rubber	8 866	-10 680	0	-1 814	-2.9
Tea	5 858	-6 611	- 35	- 788	-1.3
Bananas and plants	21 774	-17 976	592	4 390	7.0
Corporate	823	0	0	823	1.4
Total	**274 027**	**-212 403**	**733**	**62 357**	**100.0**
2019 - KUSD					
Palm	210 251	-176 683	877	34 445	92.7
Rubber	10 330	-12 574	0	-2 244	-6.0
Tea	5 072	-5 454	12	- 370	-1.0
Bananas and plants	22 024	-17 327	0	4 697	12.6
Corporate	634	0	0	634	1.7
Total	**248 311**	**-212 038**	**889**	**37 162**	**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	160 337	-119 228	444	- 421	41 132	65.9
Papua New Guinea	89 279	-73 829	0	562	16 012	25.7
Ivory Coast	23 144	-19 346	0	592	4 390	7.0
Europe	822	0	0	0	822	1.4
Total	**273 583**	**-212 403**	**444**	**733**	**62 357**	**100.0**
2019 - KUSD						
Indonesia	149 050	-121 260	143	911	28 844	77.6
Papua New Guinea	72 643	-69 610	0	- 22	3 011	8.1
Ivory Coast	25 840	-21 167	0	0	4 673	12.6
Europe	634	0	0	0	634	1.7
Total	**248 167**	**-212 038**	**143**	**889**	**37 162**	**100.0**