SIPEF

The connection to the world of sustainable tropical agriculture

Results of the SIPEF group
as per 31 December 2021 (12m/21)

Record performance year for the SIPEF group

- Total group production of palm oil increased by 16.7% compared with previous year.
- The palm oil market experienced a steady increase in prices throughout the year.
- The combination of excellent productions and selling prices resulted in outstanding financial performance.
    - The net recurring result*, share of the Group, after tax, amounted to KUSD 82 746, compared to KUSD 14 122 last year.
    - Including the capital gain of USD 11 million on the sale of PT Melania (Indonesian tea estate and half of the rubber operations) net results, share of the Group, reached KUSD 93 749.
    - Operational cash flow reached KUSD 160 311, an increase with 118.8% on previous year.
    - Net debt decreased by more than two thirds from KUSD 151 165 to KUSD 49 192.
- Total capital expenditures amounted to KUSD 68 693 and mainly related to the expansion in South Sumatra in Indonesia. Cultivated areas in Musi Rawas grew, in RSPO compliance, by 956 hectares to a total surface of 14 970 hectares. An additional 2 630 hectares were also replanted in the nearby Dendymarker plantation.
- In line with the 30% payout ratio of previous years, the board of directors proposes to increase the gross dividend from EUR 0.35 per share last year to EUR 2.00 per share, payable on 6 July 2022.
- The combination of increasing annual production volumes and a continuing strong palm oil market allows SIPEF to look forward to very satisfactory recurring results.
- 92% of the SIPEF employees and their dependents in Indonesia had been fully vaccinated against covid-19 at the charge of SIPEF by November 2021. A booster program will follow in 2022.
- SIPEF was ranked 4th out of the 350 most influential companies of the commodity sector by 'Forest 500' and 9th out of 100 palm oil companies by the 'Sustainability Policy Transparency Toolkit' (SPOTT).

*The net recurring result are exclusive of the capital gain of KUSD 11 640 (of which KUSD 11 003 share of the Group) related to the sale of PT Melania.

1. Management report

1.1. Group production

Group production

2021 *(in tonnes)*	Own	Third parties	Q4/21	YoY%	Own	Third parties	YTD Q4/21	YoY%
Palm oil	75 067	17 443	92 510	12.46%	316 740	67 438	384 178	16.67%
Rubber	433	207	640	-60.07%	3 182	645	3 827	-36.33%
Tea	0	0	0	N/A	829	136	965	-65.06%
Bananas	8 144	0	8 144	10.76%	32 200	0	32 200	3.34%

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

In 2021, the Group's total palm oil production reached the record figure of 384 178 tonnes and increased by 16.7% compared with last year. This growth rate was identical for the production from own plantations and for the purchases from local smallholders.

This increase was the result of generally very favourable weather conditions in 2021, which were conducive to palm growth and fruit development for all palm oil activities in Indonesia and Papua New Guinea. The good climate also led to higher oil extraction rates (OER), which averaged 24.0%. This is 0.6% higher than last year's average ratio of 23.4%, and is again a record for the SIPEF group's palm oil mills.

However, for the fourth quarter, the palm oil production in the own plantations grew at a slower pace of 9.5%. An erratic rainfall pattern hampered harvesting and transport. In addition, it was mainly the already mentioned more limited fruit development, with lower bunch weights that effectively continued in the fourth quarter in most of the mature plantations in North Sumatra (-1.4%) and in Bengkulu (-0.2%). Only in the UMW/TUM plantations with organic soils, due to controlled water management, the growth continued in the last quarter (+5.6% compared with the same period of last year). However, purchases from local smallholders continued to increase steadily (+27.4%).

In South Sumatra 10 195 hectares of young-mature plantings are now being harvested. These are spread over 8 748 hectares of new plantations in Musi Rawas and 1 447 replanted hectares in Dendymarker. The Dendymarker mill (under expansion) converted the harvested fruits into 24 540 tonnes of palm oil, exceeding last year's volume by 39.9%.

In Papua New Guinea, the annual growth of palm oil volumes from the own estates was 41.9%. However, there was a slight weakening of the growth rate to 28.0% for the fourth quarter. This exceptional increase in volume was mainly due to the favourable agronomic effects of a moderate rainfall. Indeed, the precipitation level was a third lower than the average of the last five years. On the other hand, there was also the unexpectedly fast recovery of production in the own Navo plantations (+62.1%), which were most affected by the ash from the volcanic eruptions in 2019. The production of palm oil from the harvests of smallholders, where the palms were less affected by the ashfall, increased by 14.1% year-on-year. This growth was thus mainly due to the growth-promoting rainfall. Harvesting was also encouraged by the high world market prices for their delivered fruit. The OER of the three mills in Papua New Guinea reached a record annual average of 25.6%, compared with 24.6% the previous year.

The decreasing rubber production in the Group is mainly the result of the gradual conversion of the rubber plantations into oil palm plantings, and of the sale of PT Melania to the Shamrock Group in May. Due to the transfer of these rubber and tea plantations, the respective production in 2021 is only included in the comparative figures for four months.

After a production slowdown in the third quarter, the exported banana volumes from Ivory Coast showed an anticipated strong growth in the fourth quarter (+10.8%). As a result, the annual production, from an identical harvested area, increased again by 3.3% compared with 2020.

1.2. Markets

Average market prices

In USD/tonne		YTD Q4/21	YTD Q4/20
Palm oil	CIF Rotterdam*	1 195	715
Rubber	RSS3 FOB Singapore**	2 071	1 728
Bananas	CFR Europe***	616	628

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

The palm oil market showed a volatile character in the fourth quarter. Driven by a low stock environment and a continuous lower than expected production picture, the palm oil prices remained high, and it lost its competitive edge versus other vegetable oils. The floods in Malaysia at the end of December amplified the lower production, and the total production in 2021 was one million tonnes less than the year before.

The volatility was mostly driven by other factors. At the beginning of the South American soybean planting season, record hectares were planted. In combination with the big United States summer crop, the soybean complex had a bearish price outlook. However, in November the United States summer crop was retrospectively reduced, and in December the La Niña related drought struck in the Southern Brazil and Argentina region, reducing the soybean crop significantly. It certainly changed the sentiment entering the new year. Furthermore, the strong petroleum market had underlying support.

The price of palm oil traded from USD 1 200 to USD 1 400 per tonne by late October on the spot with significant discounts on the forward position. A serious drop in December was followed by a late recovery to year end, closing at USD 1 305 per tonne.

Palm kernel oil (PKO) showed its special character during the last quarter, when the production tightness was really felt. Its lauric partner, coconut oil, experienced a strong typhoon in the Philippines, hence the tightness led to a strong price surge. The PKO prices rallied from USD 1 300 to almost USD 2 000 per tonne during the fourth quarter.

The natural rubber market remained strongly impacted by the lack of space in container freight. At the same time, physical demand seemed to be slow, and that balanced the slow production, which was still being impacted by diseases. Prices of Sicom RSS3 traded hovered around USD 1 850 per tonne during the last months of the year.

After the usual decline in the third quarter, world market prices for bananas remained fairly stable in the fourth quarter. The combined supply from Central America, the Caribbean, Africa and Europe remained in line with previous years. Moreover, the impact of the pandemic on consumption was also much more limited in 2021 than in the previous year.

1.3. Consolidated income statement

Consolidated income statement

In KUSD (management presentation)	31/12/2021	31/12/2020
Revenue	416 053	274 027
Cost of sales	-249 240	-212 403
Changes in the fair value	2 404	733
Gross profit	**169 218**	**62 357**
General and administrative expenses	-36 891	-31 573
Other operating income/(charges)	-4 552	-6
Recurring operating result	**127 776**	**30 778**
Financial income	1 475	2 012
Financial charges	-3 096	-5 103
Exchange differences	-1 157	378
Financial result	**-2 779**	**-2 713**
Recurring result before tax	**124 997**	**28 064**
Tax expense	-36 075	-10 828
Recurring result after tax	**88 923**	**17 236**
Share of results of associated companies and joint ventures	-1 091	-1 059
Recurring profit for the period	**87 832**	**16 177**
Gain on sale PT Melania	11 640	0
Result for the period	**99 471**	**16 177**
Attributable to:		
- Equity holders of the parent – before sale of PT Melania	82 746	14 122
- Equity holders of the parent – after sale of PT Melania	93 749	14 122

Consolidated gross profit

In KUSD (condensed)	31/12/2021		31/12/2020	
Palm oil	166 562	98.4%	59 746	95.8%
Rubber	-2 608	-1.5%	-1 814	-2.9%
Tea	134	0.1%	- 788	-1.3%
Bananas and plants	3 803	2.2%	4 390	7.0%
Corporate	1 328	0.8%	823	1.3%
Total	**169 218**	**100%**	**62 357**	**100%**

Total revenue increased by 51.8% compared with 2020, up to USD 416 million. The revenue from palm products increased by 60.9%, mainly due to a combination of higher volumes and higher world market prices for crude palm oil (CPO). Rubber revenue decreased by 9.1% despite a higher realised unit selling price, due to lower production at PT Agro Muko and the loss of direct sales to external clients by PT Melania, the company that was deconsolidated in 2021. This deconsolidation also resulted in the revenue from tea being almost halved. The revenue in the banana segment, expressed in the functional currency, the euro, increased mainly due to a 3.6% rise in volumes sold. As the bananas are traded in euro, the USD revenue increased by 6.1%, due to the evolution of the EUR/USD exchange rate.

The total cost of sales increased by KUSD 36 837.

Purchases of Fresh Fruit Bunches (FFB) from third parties augmented by KUSD 34 462, due to a rise in the purchased volumes and the increased FFB purchase prices, which are related to CPO prices.

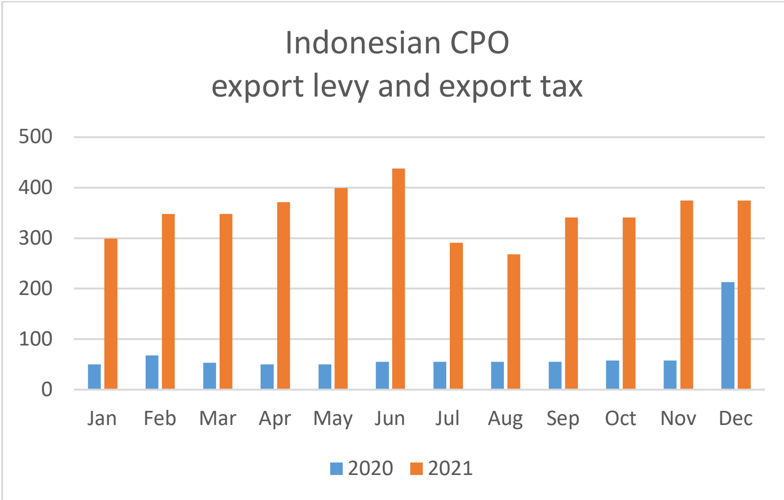
The average ex works unit cost price for the oil palm plantations experienced a slight increase by 4.3%. In Indonesia, the high costs of the young mature plantations weighed on the average cost level, while in Papua New Guinea, the excellent production of Hargy Oil Palms Ltd led to a decrease in the unit cost price by 17.7%. The unit cost price of the banana segment remained about the same as in 2020. For the rubber segment, the unit cost prices increased significantly (50.8%): in preparation for the conversion from rubber into palm, production decreased significantly and the remaining net carrying value was depreciated more quickly.

The changes in fair value concerned the valuation of the hanging fruits (IAS 41R).

The gross profit rose from KUSD 62 357 at the end of 2020 to KUSD 169 218 at the end of 2021.

The gross result of the palm segment (98.4% of the total gross profit) increased by KUSD 106 816, thanks to higher production and especially higher net palm oil prices. The average world market price for CPO for 2021 was USD 1 195 per tonne CIF Rotterdam. This is 67.1% higher than over the same period last year. However, it should be noted that in Indonesia the export levy and export tax increased significantly compared to last year. For the entire year 2021, the total impact of the export levy and export tax is estimated at approximately USD 349 per tonne compared with USD 74 per tonne last year.

The graph below shows Indonesia's export levy and export tax per month.



In Papua New Guinea, the Group was able to fully benefit from the increase in CPO prices.

Despite this export levy and export tax, the total average ex-works sales price (gross sales price lowered by the local and international transport costs, and export levy and export tax) for CPO increased. This evolved from USD 583 per tonne for 2020 to USD 807 per tonne for 2021, an increase of 38.4%.

The relatively strong recovery of sales prices for rubber, since the second half of last year, could not prevent a further increase in the negative contribution of the rubber segment to the gross margin. This is mainly due to the decreased production volumes in the rubber estates of PT Bandar Sumatra and PT Agro Muko.

Since 2021, the net result of the tea segment represents exclusively the commissions that SIPEF receives from the sale of tea volumes in the market.

The profitability of the banana and horticulture activities was confirmed with a gross margin of KUSD 3 803.

The general and administrative expenses increased compared with last year, mainly due to the increased bonus provision because of the better results.

The other operating charges and income included an exceptional depreciation on earlier than foreseen replanting in PT Dendymarker (KUSD 4 229).

The recurring operating result amounted to KUSD 127 776 against KUSD 30 778 last year.

The 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 748). This receivable was almost completely collected by the end of 2021. In addition, interest income from the growing receivables from plasma smallholders in South Sumatra increased.

The financial charges were mainly related to long-term and short-term financing. Of these, approximately half were hedged through an Interest Rate Swap (IRS).

The result before tax amounted to KUSD 124 997 compared with KUSD 28 064 in 2020.

The recurring tax expense of 28.9% was slightly higher than the recurring theoretical tax expense of 26%. This was mainly due to the negative impact (KUSD 1 942) of a number of non-deductible expenses, of which the most important was the limitation of interest deduction in Indonesia (KUSD -825).

The share of results of associated companies and joint ventures (KUSD -1 091) included the research activities that are centralised in PT Timbang Deli and Verdant Bioscience Pte Ltd (KUSD -1 032), and four-month result of PT Melania (KUSD -59).

The recurring profit for the period amounted to KUSD 87 832.

The recurring net result, share of the Group, amounted to KUSD 82 746, almost six times higher than the result of KUSD 14 122 in 2020.

On 30 April 2021, an agreement was signed with Shamrock Group concerning the conditional sale of PT Melania for USD 36 million. The total capital gain of KUSD 11 640 (share of the Group, KUSD 11 003) realised on this transaction is further detailed in annex 6.

The net result, share of the Group, amounted to KUSD 93 749.

1.4. Consolidated cash flow

Consolidated cash flow

In KUSD (management presentation)	**31/12/2021**	**31/12/2020**
Cash flow from operating activities before change in net working capital	178 796	73 669
Change in net working capital*	-8 523	3 165
Income taxes paid	-9 962	-3 572
Cash flow from operating activities after tax	**160 311**	**73 262**
Acquisitions intangible and tangible assets	-68 692	-51 763
Financing plasma advances*	-9 578	-4 479
Selling price of PP&E and financial assets (PT Melania & SIPEF-CI)	30 229	4 279
Acquisition financial assets	0	0
Free cash flow	**112 270**	**21 299**
Other financing activities	-102 084	-22 162
Net movement in investments, cash and cash equivalents	**10 186**	**-863**

** As from 2021, the financing of plasma advances has been included under financing activities instead of changes in net working capital. The 2020 comparitive figures have been changed accordingly*

In USD per share	**31/12/2021**	**31/12/2020**
Weighted average shares outstanding	10 418 431	10 419 328
Basic operating result	13.38	2.95
Basic net earnings	9.00	1.36
Diluted net earnings	8.99	1.36
Recurring net earnings (basic and diluted)	7.88	1.36
Cash flow from operating activities after tax	15.39	6.60

In line with the increase of the operating result, the cash flow from operating activities increased from KUSD 73 669 in 2020 to KUSD 178 796 this year.

The variation of the working capital of KUSD -8 523 mainly concerned the following elements:

- an increase in inventories (KUSD -22 211) as a result of higher inventory volumes, mainly of finished products, and a higher unit cost price for CPO;
- an increase in trade receivables (KUSD -4 614);
- an increase in advances received on local sales (KUSD 8 450);
- an increase in other payables and other current liabilities including an increase in bonus provision following the improved result (KUSD 10 582).

The above-mentioned use of working capital concerned the usual temporary movements.

In Indonesia and Papua New Guinea the Group made advance payments of taxes in accordance with local legislation. These were partly based on the results of 2019 and partly on the results of 2020 which were both lower than the results of 2021. Therefore, the prepayments of taxes of KUSD 9 962 were significantly below the taxes to be paid of KUSD 34 722.

The acquisitions in intangible and tangible assets (KUSD -68 692) related to the usual replacement investments, but mainly to the expansions in South Sumatra (KUSD -33 180). Due to covid-19 related logistic and operational impediments, investments temporarily remained below expectations.

During the year, additional loans (KUSD -9 578) were also granted to the surrounding plasma smallholders in South Sumatra.

The selling price of property, plant and equipment (PP&E) and financial assets (KUSD 30 229) mainly concerned funds received from three transactions:

- the sale of PT Melania for KUSD 17 077 (see annex 6);
- the balance of the sale of SIPEF-CI in 2016 for KUSD 7 631;
- the sale of tangible fixed assets, mainly the sale of young palm trees to the surrounding plasma smallholders in South Sumatra in Indonesia.

The free cash flow for the year amounted to KUSD 112 270 compared with KUSD 21 299 for the same period last year.

The other financing activities (KUSD -102 084) comprise the buy-back and sale transactions of treasury shares (KUSD -1 161); the partial repayments of long-term financing (KUSD -18 000 for the long-term loan and KUSD -78 for the leasing debts); repayment of short-term financing (KUSD -73 710); dividend payments to SIPEF shareholders (KUSD -4 443); dividend payments to non-controlling parties (KUSD -2 306); and interest payments (KUSD -2 386).

1.5. Consolidated balance sheet

Consolidated balance sheet

In KUSD (management presentation)	31/12/2021	31/12/2020
Biological assets (depreciated costs) – bearer plants	307 371	315 826
Goodwill	104 782	104 782
Other fixed assets	363 934	359 994
Receivables > 1 year	25 666	16 101
Assets held for sale	13 520	0
Net current assets, net of cash	61 746	86 137
Net cash position	-49 192	-151 165
Total net assets	**827 827**	**731 675**
Shareholders' equity	727 329	638 688
Non-controlling interest	38 854	35 862
Provisions and deferred tax liabilities	56 814	57 126
Advances received > 1 year	4 830	0
Total net liabilities	**827 827**	**731 675**

With the exception of the strong decrease in the net cash position due to the excellent free cash flow, the main movements in the balance sheet positions were related to the deconsolidation of PT Melania. Annex 6 summarises the impact on the income statement of this transaction as well as the impact on the various balance sheet items.

The reduction in biological assets (KUSD 8 456) is the result of the deconsolidation of PT Melania (KUSD 12 482) and the accelerated depreciation in PT Dendymarker on earlier than planned replanting (KUSD 4 229). The other fixed assets showed a slight increase due to the accelerated execution of the investment budget in the second semester, whereby the investments exceeded the depreciations.

The amounts receivable after one year increased, due to the granting of loans to the plasma smallholders in South Sumatra for the financing of their new plantings.

The assets held for sale of KUSD 13 520 (55% of KUSD 24 582) represent the estimated net sales value of the part of PT Melania that is still held by the Group until all conditions for a final sale are fulfilled.

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

- an increase in stocks and trade receivables of KUSD 25 325;
- an increase in net tax liabilities of KUSD 24 995. This is the result of insufficient prepayments compared to the taxes to be paid in accordance with the legislation in force in Indonesia and Papua New Guinea;
- an increase in the advance payments received of KUSD 8 450 and, more specifically, on palm oil to be shipped;

- an increase in the other current liabilities of KUSD 8 529, as a result of an increased bonus provision and the fact that debts with PT Melania have not been eliminated since the deconsolidation.

The net financial debt decreased by KUSD 101 974 thanks to the positive free cash flow.

The advances received after 1 year relate to the sale of 40% of the shares of PT Melania. They include the difference between the amount received (KUSD 19 000) and the sum of the value of 40% of the shares of PT Melania (KUSD 9 833) that were transferred, and the amounts paid since the transfer for the renewal of the concession rights, pension payments and the financing of the tea activities (KUSD 1 922). Of the total remaining advance of KUSD 7 245, KUSD 2 415 is expected to be used within the year and KUSD 4 830 to be used after more than one year.

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 2.00 per share, payable on 6 July 2022.

1.7. Prospects

1.7.1. Production

In the Indonesian own plantations, harvests at the beginning of the year remained well below expectations. This trend should continue in the first quarter. Thereafter, the fruit development should stabilise. The main growth will be recorded in the young mature areas in South Sumatra. This would again increase the Indonesian production from own plantations by more than 10%, compared with the already exceptionally good year 2021.

For the activities of Hargy Oil Palms Ltd in Papua New Guinea, the usual rainy season has started. This results in a delay of the harvest and transport problems, both for its own fruits and for the harvests of the local smallholders. As a result, volumes for the first quarter should fall below the levels of the exceptionally good harvests of 2021, when rainfall volumes were more than a third below the long-term averages. The recovery from the 2019 ashfall from the volcanic eruption will still have a limited positive effect on annual production. Nevertheless, this will probably be lower than the record figures of 2021.

However, in 2022, the annual volume of palm oil produced should exceed 400 000 tonnes for the first time in SIPEF history. This means that the annual production of palm oil for the SIPEF group will continue to increase. Nonetheless, the expected increase will be limited to around 4%. Considering the exceptional strong growth of 16.7% in 2021, SIPEF will, nevertheless, be able to record an annual average growth of 10% over the last two years, as foreseen in the multiannual plan.

In 2021, the banana area in Ivory Coast was expanded with a new plantation, of which 28 hectares were effectively planted in the fourth quarter. The annual production should therefore increase by 18% in 2022, mainly due to the new harvests in the second half of the year.

1.7.2. Markets

Palm oil is currently in the low production season; therefore, it is expected that stocks will remain very low. Furthermore, it seems that production so far is below expectations. The drought in Latin America has reduced the soybean crop to such an extent that it has reversed an abundant production outlook into a much lower forecast. Hence, a very tight vegetable oil picture will remain, at least till the next growing season.

The consumer will determine the price movement in the coming months in this supply-driven rally. Due to the impact of the covid-19 pandemic, it is still difficult to judge the effect of the high price environment on the actual demand loss. Given that most destinations are not well covered, any price movement could have a reinforced demand effect.

The Indonesian government has expressed many concerns about the huge price increase in local cooking oil. This is even though the local market has not increased as much as the international markets, due to the significant export tax and levy. However, new regulations are being drafted to ensure a reasonable cooking oil price for its citizens. The uncertainty that the market is currently experiencing in this respect, has lifted prices even further. From late January till now, various new policies have been introduced to restrict the amount of exportable volumes and to guarantee local supply which should be subsidised by the refiners.

The palm kernel oil market has shown the impact of the lower production, and has priced itself at a substantial premium of USD 750 per tonne over palm oil. It is predicted that the lauric market will continue at a high price level, as there is little relief from the production perspective.

All in all, the vegetable oil picture remains in a very narrow balance of supply and demand on almost all fronts and a longer-term elevated price level is foreseen. Only a negative macro environment or a governmental decision could change that outlook.

Rubber is experiencing a slightly better freight market. Container prices, however, remain high, but it is certainly easier to book space to move containers. Hence, there has been a slight improvement in physical business. However, the slow demand from the car industry is currently in balance with the low production of natural rubber, particularly now during the wintering of the rubber trees. A disturbance in this balance could certainly support prices, as long as the low production season continues.

Demand for bananas, as well as for other fruit and vegetables, remains good, and general consumption is increasing in Europe and the rest of the world. With the disruption of logistic flows and the overall increase in costs, sales prices have been revised upwards for 2022. The European market looks good until the end of spring - at the very least - with traditionally high demand.

1.7.3. Results

In a continuing strong palm oil market, SIPEF has so far sold 33% of its expected palm oil production for 2022. This was done at an average price of USD 1 267 per tonne CIF Rotterdam equivalent, including premiums for sustainability and origin. At the same time last year, when the market still had to improve, SIPEF had traded 36% of the volumes at USD 827.

In Papua New Guinea, the exceptionally high palm oil prices fully benefited the palm activities. But in Indonesia, gross sales prices were substantially skimmed by a combined export levy and export tax. These taxes were intended to finance the local biodiesel programme strongly encouraged by the Indonesian government. However, starting in July last year, the levy mechanism was relaxed and capped at USD 375 per tonne. This ceiling was reached in November last year. Given the uncertainty of the determination of the reference price for palm oil, which is the basis for the monthly tax and levy, the available palm oil volumes in Indonesia are placed in the market on a monthly basis. In Papua New Guinea, however, the expected volumes from their own plantations can be hedged over time.

The usual marketing policy of annual contracts at fixed prices for almost the entire volume of expected banana production was continued in 2022. In this way, the Group is not subject to the volatility of the banana market. Moreover, this allows a quality product with added value to be offered on the European market all year round.

The unit production cost prices of palm oil remain well under control. However, in 2022, they are subject to increases in the price of fertilisers and diesel, increased transport costs and the usual increase in the remuneration of the Group's employees. This would raise the overall cost in USD for the Group by 8%. This rise will not be neutralised for the time being by a weakening of local currencies against the USD.

The combination of increasing annual production volumes and a continuing strong palm oil market with previously unseen selling prices, allows SIPEF to look forward to very satisfactory recurring results.

The final recurring result will be determined to a large extent by achieving the targeted production growth, the level of market prices for palm oil for the remainder of the year, the Indonesian levies and taxes on supplies of palm oil and the evolution of the cost of production in USD.

1.7.4. Cash flow and expansion

In 2022, the Group will continue to concentrate mainly on the investment programmes in South Sumatra. These concern the further expansion of the planted areas and infrastructure in Musi Rawas and of replanting and infrastructure improvements in Dendymarker. The expansion of the processing capacity of the Dendymarker mill from 20 to 60 tonnes per hour, delayed by the pandemic, will be completed in the first quarter of 2022. In addition, preparatory work will start for the construction in Musi Rawas of an oil extraction mill that will initially process 45 tonnes per hour. It remains the intention to always build sufficient processing capacity to process all the fruits produced in South Sumatra into RSPO certified palm oil in SIPEF’s own mills.

Since the acquisition in 2018, 7 836 hectares have already been replanted and planted in Dendymarker, of which 2 630 hectares were in 2021. SIPEF will continue to plant areas in 2022, mainly in the plasma zone adjacent to its own planted area.

In Musi Rawas, in compliance with RSPO ‘New Planting Procedures’, an additional 763 hectares were compensated last year and 956 hectares were prepared for planting or planted, to reach a total of 14 970 cultivated hectares. This represents 82.3% of the total of 18 187 compensated hectares, of which 2 307 hectares were provisionally acquired for planting for 'plasma' and 15 880 hectares for own development.

In addition to the expansion in South Sumatra, the Group is investing in the renewal of materials and mills, as well as in the usual replanting programmes of 6 862 hectares of older plantings in Sumatra, Papua New Guinea and Ivory Coast.

By the end of 2021, as a result of these recent achievements, a total of 76 691 hectares in the SIPEF group are planted with oil palms and the supply base is near to 100 000 hectares, for supply to nine palm oil processing mills in Indonesia and Papua New Guinea.

The financing of the extensive investment budget and of the described expansion will approach USD 100 million in 2022. Nevertheless, the net financial debts, which have been considerably reduced, will remain at a low level, thanks to the expected strong cash flow from operations and from the possible early completion of the sale of PT Melania.

2. Sustainability

2.1. Covid-19 update

SIPEF continued its comprehensive programme to vaccinate against covid-19 its employees and their dependents free of charge. In Indonesia, where around 47% of the national population had been fully vaccinated, SIPEF made the most progress: 92% of the SIPEF employees and dependents had been double-vaccinated against covid-19 by November 2021. A booster programme will begin in 2022.

In Ivory Coast, 45% of employees had been double-vaccinated and 15% had received a single dose. Due to limited vaccine availability the programme could not be continued and the number of vaccinated employees therefore remained the same in the last quarter of 2021. Nevertheless, with only 8.2% of the national population in Ivory Coast having been fully vaccinated, SIPEF believes its programme made a positive contribution. The Group will continue its programme in 2022, when more supply becomes available.

In Papua New Guinea, SIPEF has focused on providing clear information and establishing supporting policies. More time will be needed to allow vaccine confidence to grow in order to increase the vaccination rate, which is currently below 10% of the targeted number. Lack of confidence may also partly explain the low vaccination rate at a national level, with only 2.5% of the country having been fully vaccinated as at December 2021.

2.2. Sustainability rankings

In 2021, SIPEF was ranked 4th out of the 350 most influential companies in forest risk commodity (FRC) supply chains by Forest 500. SIPEF was also ranked 9th out of 100 palm oil companies by the Sustainability Policy Transparency Toolkit (SPOTT), developed by the Zoological Society of London (ZSL). In both rankings, SIPEF had improved its score since 2020. These rankings by high-profile not-for-profit benchmarking programmes reflect SIPEF's efforts to continuously improve the Group's sustainability commitments, performance and reporting and to be transparent about it.

3. Agenda 2022

21 April 2022		Interim report Q1
28 April 2022		Annual report online available (at the latest) on www.sipef.com
8 June 2022		Ordinary general meeting
18 August 2022		Announcement on the half year results
20 October 2022		Interim report Q3

4. Condensed financial statements

4.1. Condensed financial statements of the SIPEF group

4.1.1. Consolidated balance sheet (see annex 1)
4.1.2. Consolidated income statement and statement of comprehensive income (see annex 2)
4.1.3. Consolidated cash flow statement (see annex 3)
4.1.4. Statement of changes in consolidated equity (see annex 4)
4.1.5. Segment information (see annex 5)
4.1.6. Sale PT Melania (see annex 6)

5. Report of the statutory auditor

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

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

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

Schoten, 17 February 2022

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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)	31/12/2021	31/12/2020
Non-current assets	**815 303**	**809 753**
Intangible assets	348	473
Goodwill	104 782	104 782
Biological assets - bearer plants	307 371	315 826
Other property, plant & equipment	359 896	354 811
Investment property	0	0
Investments in associated companies and joint ventures	3 598	4 630
Financial assets	92	80
Other financial assets	92	80
Receivables > 1 year	25 666	16 101
Other receivables	25 666	16 101
Deferred tax assets	13 550	13 049
Current assets	**176 462**	**136 888**
Inventories	48 017	29 648
Biological assets	9 168	6 763
Trade and other receivables	82 161	76 877
Trade receivables	32 282	27 731
Other receivables	49 878	49 146
Current tax receivables	1 469	11 766
Investments	38	0
Other investments and deposits	38	0
Derivatives	0	0
Cash and cash equivalents	19 939	9 790
Other current assets	2 151	2 043
Assets held for sale	13 520	0
Total assets	**991 765**	**946 641**
Total equity	**766 183**	**674 550**
Shareholders' equity	727 329	638 688
Issued capital	44 734	44 734
Share premium	107 970	107 970
Treasury shares (-)	-11 521	-10 277
Reserves	596 813	507 299
Translation differences	-10 666	-11 038
Non-controlling interests	38 854	35 862
Non-current liabilities	**113 402**	**126 460**
Provisions > 1 year	1 125	1 354
Provisions	1 125	1 354
Deferred tax liabilities	46 950	44 010
Trade and other liabilities > 1 year	0	0
Financial liabilities > 1 year	36 000	54 000
Leasing liabilities > 1 year	2 207	2 285
Pension liabilities	22 290	24 810
Advances received > 1 year	4 830	0
Current liabilities	**112 180**	**145 631**
Trade and other liabilities < 1 year	66 404	35 947
Trade payables	23 605	21 384
Advances received	11 934	1 071
Other payables	11 519	8 805
Income taxes	19 346	4 687
Financial liabilities < 1 year	30 961	104 671
Current portion of amounts payable > 1 year	18 000	18 000
Financial liabilities	12 477	86 128
Leasing liabilities < 1 year	484	543
Derivatives	2 066	793
Other current liabilities	12 749	4 220
Liabilities associated with assets held for sale	0	0
Total equity and liabilities	**991 765**	**946 641**

Consolidated income statement

ANNEX 2

In KUSD (condensed)	31/12/2021	31/12/2020
Revenue	416 053	274 027
Cost of sales	-249 240	-212 403
Changes in the fair value of the biological assets	2 404	733
Gross profit	**169 218**	**62 357**
General and administrative expenses	-36 891	-31 573
Other operating income/(charges)	7 088	- 6
Operating result	**139 416**	**30 778**
Financial income	1 475	2 012
Financial charges	-3 096	-5 103
Exchange differences	-1 157	378
Financial result	**-2 779**	**-2 713**
Result before tax	**136 637**	**28 065**
Tax expense	-36 075	-10 828
Result after tax	**100 562**	**17 237**
Share of results of associated companies and joint ventures	-1 091	-1 059
Result from continuing operations	**99 471**	**16 178**
Result from discontinued operations	0	0
Result for the period	**99 471**	**16 178**
Attributable to:		
- Non-controlling interests	5 722	2 055
- Equity holders of the parent	93 749	14 122

Earnings per share (in USD)		
From continuing and discontinued operations		
Basic earnings per share	9.00	1.36
Diluted earnings per share	8.99	1.36
From continuing operations		
Basic earnings per share	9.00	1.36
Diluted earnings per share	8.99	1.36
Basic earning per share excluding capital gain sale PT Melania	7.88	1.36

Consolidated statement of comprehensive income

In KUSD (condensed)	31/12/2021	31/12/2020
Result for the period	**99 471**	**16 178**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
in subsequent periods		
- Exchange differences on translating foreign operations	372	755
- Cash flow hedges - fair value result for the period	905	-1 922
- Income tax effect	- 226	489
Items that will not be reclassified to profit and loss		
in subsequent periods		
- Defined Benefit Plans - IAS 19R	- 631	-1 329
- Income tax effect	139	292
Total other comprehensive income:	**559**	**-1 714**
Other comprehensive income for the year attributable to:		
- Non-controlling interests	2	- 94
- Equity holders of the parent	557	-1 619
Total comprehensive income for the year	**100 030**	**14 464**
Total comprehensive income attributable to:		
- Non-controlling interests	5 724	1 961
- Equity holders of the parent	94 306	12 503

Consolidated cash flow statement

ANNEX 3

In KUSD (condensed)	31/12/2021	31/12/2020
Operating activities		
Profit before tax	**136 637**	**28 065**
Result from discontinued operations before tax		
Adjusted for:		
Depreciation	48 616	43 581
Movement in provisions	2 452	197
Stock options	121	128
Exchange results not yet realised	0	- 169
Changes in fair value of biological assets	-2 404	- 733
Other non-cash results	- 773	-1 266
Hedge reserves and financial derivatives	2 178	-1 171
Financial income and charges	2 369	4 330
Capital (gain)/loss on receivables	0	- 249
Capital (gain)/loss on sale of investments	0	0
(Gain)/loss on disposal of property, plant and equipment	1 241	957
(Gain)/loss on disposal of financial assets	-11 640	0
Cash flow from operating activities before change in net working capital	178 796	73 669
Change in net working capital	-8 523	3 165
Variation in long term receivables*	0	0
Cash flow from operating activities after change in net working capital	170 273	76 834
Income taxes paid	-9 962	-3 572
Cash flow from operating activities	**160 311**	**73 262**
Investing activities		
Acquisition intangible assets	- 40	- 49
Acquisition biological assets	-27 396	-26 971
Acquisition property, plant & equipment	-41 256	-24 743
Financing plasma advances*	-9 578	-4 479
Acquisition investment property	0	0
Acquisition subsidiaries	0	0
Dividends received from associated companies and joint ventures	0	0
Proceeds from sale of property, plant & equipment	5 521	2 401
Proceeds from sale of financial assets	24 708	1 878
Cash flow from investing activities	**-48 041**	**-51 963**
Free cash flow	**112 270**	**21 299**
Financing activities		
Capital increase	0	0
Equity transactions with non-controlling parties	0	-2 795
Increase of treasury shares	-2 194	0
Decrease of treasury shares	1 033	0
Decrease long-term financial borrowings	-18 078	-9 228
Increase long-term financial borrowings	0	0
Decrease short-term financial borrowings	-73 710	-5 092
Increase short-term financial borrowings	0	0
Last year's dividend paid during this bookyear	-4 443	0
Dividends paid by subsidiaries to minorities	-2 306	- 716
Interest received – paid	-2 386	-4 331
Cash flow from financing activities	**-102 084**	**-22 162**
Net increase in investments, cash and cash equivalents	**10 186**	**- 863**
Investments and cash and cash equivalents (opening balance)	9 790	10 653
Effect of exchange rate fluctuations on cash and cash equivalents	0	0
Investments and cash and cash equivalents (closing balance)	19 977	9 790

** As from 2021, the financing of plasma advances has been included under financing activities instead of changes in net working capital. The 2020 comparative figures have been changed accordingly.*

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, 2021	**44 734**	**107 970**	**-10 277**	**-4 539**	**511 838**	**-11 038**	**638 688**	**35 862**	**674 550**
Result for the period	0	0	0	0	93 749	0	**93 749**	5 722	**99 471**
Other comprehensive income	0	0	0	- 494	679	372	**557**	2	**559**
Total comprehensive income	**0**	**0**	**0**	**- 494**	**94 428**	**372**	**94 306**	**5 724**	**100 030**
Last year's dividend paid	0	0	0	0	-4 443	0	**-4 443**	-2 306	**-6 749**
Sale PT Melania	0	0	0	0	0	0	**0**	- 426	**- 426**
Other	0	0	-1 244	0	23	0	**-1 221**	0	**-1 221**
December 31, 2021	**44 734**	**107 970**	**-11 521**	**-5 033**	**601 846**	**-10 666**	**727 329**	**38 854**	**766 183**
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	0	0	0	0	14 122	0	**14 122**	2 055	**16 177**
Other comprehensive income	0	0	0	- 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	0	0	0	0	0	**0**	- 200	**- 200**
Equity transactions with non-controlling parties	0	0	0	0	-2 573	0	**-2 573**	- 223	**-2 795**
Other	0	0	0	0	72	0	**72**	0	**72**
December 31, 2020	**44 734**	**107 970**	**-10 277**	**-4 539**	**511 838**	**-11 038**	**638 688**	**35 862**	**674 550**

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)	31/12/2021	31/12/2020
Gross margin per product		
Palm	166 562	59 746
Rubber	-2 608	-1 814
Tea	134	- 788
Bananas and horticulture	3 803	4 390
Corporate	1 328	823
Total gross margin per product	**169 218**	**62 357**
General and administrative expenses	-36 891	-31 573
Other operating income/(charges)	-4 552	- 6
Financial income/(charges)	-2 369	-4 458
Discounting Sipef-CI	748	1 368
Exchange differences	-1 157	378
Result before tax	**124 997**	**28 065**
Tax expense	-36 075	-10 828
Effective tax rate	-28.9%	-38.6%
Result after tax	**88 923**	**17 237**
Share of results of associated companies	-1 091	-1 059
Result for the period before sale of PT Melania	**87 832**	**16 178**
Gain on sale PT Melania	11 640	0
Result for the period	**99 471**	**16 178**

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
2021 - KUSD					
Palm	380 862	-216 913	2 613	166 562	98.4
Rubber	8 059	-10 667	0	-2 608	-1.5
Tea	2 719	-2 574	- 11	134	0.1
Bananas and horticulture	23 085	-19 085	- 197	3 803	2.2
Corporate	1 328	0	0	1 328	0.8
Total	**416 053**	**-249 239**	**2 404**	**169 218**	**100.0**
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 horticulture	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**

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
2021 - KUSD						
Indonesia	215 361	-130 497	900	1 392	87 156	51.5
Papua New Guinea	167 920	-91 298	0	1 209	77 831	46.0
Ivory Coast	31 444	-27 445	0	-197	3 803	2.2
Europe	428	0	0	0	428	0.3
Total	**415 153**	**-249 239**	**900**	**2 404**	**169 218**	**100.0**
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**

PT Melania sale

ANNEX 6

SIPEF has signed a sale and purchase agreement with Shamrock Group (SG) on the sale of 100% of the share capital of its Indonesian subsidiary, PT Melania. SG is an Indonesian group that runs several rubber plantations and factories, and specialises in the production and sale of latex gloves. SIPEF controls 95% of PT Melania through its Indonesian 95% subsidiary, PT Tolan Tiga, the remaining 5% being owned by an Indonesian pension fund.

As a reminder, PT Melania owns half of the Group's Indonesian rubber operations in Sumatra and the entire tea operations in Java. Initially, 40% of the shares was sold for a payment of USD 19 million. After this first stage the Shamrock Group has taken over the management of the rubber activities. The second tranche of 60% of the shares (of which 55% are held by SIPEF) will be transferred no later than 2024 for USD 17 million, after the renewal of the permanent concession rights (HGU) for the whole of the rubber and tea business. The gross transaction price for 100% of the shares is USD 36 million.

The final net sale price and any capital gain on the sale of PT Melania will depend largely on the cost of renewing the permanent concession rights (HGU) and on the compensation for the accumulated social rights of the employed personnel, who will presumably be taken over almost entirely. The gain on the sale of PT Melania may be adjusted going forward depending on revision of the estimate of these costs in the future.

SIPEF has made a best estimate of the costs related to the sale of PT Melania. Below we present the calculation of the net selling price.

In KUSD	Selling price
Total amount to be received	36 000
estimated costs related to the sale	-11 418
Net selling price (100% of the shares)	**24 582**
Net selling price for 95%	23 353
Of which	
40% of the shares	9 833
55% of the shares	13 520

Upon signing of the SPA, SIPEF has lost full control of PT Melania. Subsequently, PT Melania has been accounted for as a joint venture held for sale on 30 April 2021. The assets and liabilities of PT Melania have been measured at fair value, equaling the net selling price of KUSD 23 353.

The results of PT Melania have been included in the share of results of associated companies and joint ventures for the first four months of 2021. As of 30 April 2021, the results of PT Melania are no longer included in the consolidated profit and loss of the SIPEF group as PT Melania is classified as a joint venture held for sale.

The classification as a joint venture held for sale, including subsequent remeasurement at fair value, and sale of 40% of the shares of PT Melania has the following impact on the balance sheet and profit and loss accounts of the SIPEF group:

In KUSD	30/04/2021	Sale of 40%	Payments during 2021	Total impact
Assets				
Non-current assets	-17 319			-17 319
Assets held for sale	23 353	-9 833		13 520
Current assets	- 170			- 170
Cash and cash equivalents	- 1	19 000	-1 922	17 077
Total assets	**5 864**	**9 167**	**-1 922**	**13 109**
Liabilities				
Currency translation adjustments	1 091			1 091
Minorities	- 559			- 559
Non-current liabilities	-5 833			-5 833
Non-current liabilities - advances received		4 830		4 830
Current liabilities - advances received		4 337	-1 922	2 415
Current liabilities	- 475			- 475
Total liabilities	**-5 776**	**9 167**	**-1 922**	**1 469**
Profit and loss				
Other operating income/(charges)	11 640			11 640
Of which:				
Share of the group	11 003			11 003
Minorities	637			637
Total	**11 640**	**0**	**0**	**11 640**

Upon classification as joint venture as held for sale, a capital gain of KUSD 11 640 is realised, being the difference between the net selling price for 95% of the shares (KUSD 23 353) and the value of the net assets of PT Melania in the consolidated financial statements of the SIPEF group (KUSD 11 713).

The sale of 40% of the shares of PT Melania for KUSD 19 000 has been recorded as a sale of 40% the value of the assets held for sale (KUSD 9 833) and as advances received (KUSD 9 167). Since the transfer of shares, there was a deduction for the amounts paid for the renewal of the concession rights, pension payments and the financing of the tea activities (KUSD 1 922). Of the total remaining advance of KUSD 7 245, KUSD 2 415 is expected to be used within the year and KUSD 4 830 to be used after more than one year.

Total cash received (KUSD 17 077) is included in the cash flow as part of the proceeds from sales of financial assets (KUSD 24 708)