SIPEF

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

Press release
Schoten, 18 August, 2022

HALF-YEAR RESULTS 2022

Table of contents

Half-Year Results of the SIPEF group

as per 30 June 2022 (6m/22)

Heading for a record performance year for the SIPEF group.

- The recurring operating result more than doubled, from KUSD 50 129 end of June 2021 to KUSD 104 647 by the end of the first semester in 2022.
- The net result, share of the Group, amounted to KUSD 63 922, against KUSD 43 519 as per end of June 2021 which included a capital gain on the sale of PT Melania.
- Increasing (+5.4%) palm oil production in the second quarter largely absorbed the drop in volume in the first three months of the year.
- The Group realised net selling prices largely above the level of the first six months of 2021.
- The high prices for palm oil, up to USD 1 750 per tonne, traded on the international markets, did not fully benefit the Indonesian producers due to a series of protection measures issued by the Indonesian Government. Moreover, a general commodity price drop in June affected also palm oil, closing the first semester at USD 1 250 CIF Rotterdam per tonne.
- The expansion in South Sumatra continued steadily: already 15 425 hectares have been cultivated and the replanting of the Dendymarker plantations acquired in 2017 is largely completed.
- With strong palm oil production in the third quarter, the Group expects that the forecast production increase of more than 4% for 2022 will be achieved, barring exceptional weather effects.
- Once the Indonesian palm oil market is back on its feet to resume the number one position as vegetable oil exporter, the palm oil market will be well positioned again for the remainder of the year.
- With 65% of the budgeted palm oil production sold and the prospect of continued favourable market prices for palm oil, the Group's recurring annual results should exceed the record number of USD 100 million, apart from unfavourable export tax/levy changes imposed by the Indonesian Government.
- Notwithstanding a high capital expenditure program, the Company is trending to a zero net financial debt position.
- In the second quarter of 2022, SIPEF continued its efforts to increase transparency in its sustainability reporting focusing on improvement of its Environmental, Social and Governance (ESG) reporting and strategy.
- Greenhouse gas (GHG) emissions reduction remained another key priority for SIPEF in the second and third quarters of 2022. The Group is working towards the assurance of its carbon footprint calculations in accordance with the ISO 14064 standard, setting an accurate baseline for a mitigation strategy currently under development.
- SIPEF has continued to act as a socially responsible employer and has provided, at its own cost, covid-19 vaccinations and boosters to all employees and their dependents in Indonesia, Ivory Coast and Papua New Guinea. As a result, over 20 000 employees and their dependents have been successfully double-vaccinated.

1. Interim management report

1.1. Group production

Group production

2022 *(in tonnes)*	Own	Third parties	Q2/22	YoY%	Own	Third parties	YTD Q2/22	YoY%
Palm oil	87 136	18 280	105 416	*5.4%*	156 163	34 478	190 642	*-0.5%*
Rubber	272	64	336	*-36.7%*	593	223	816	*-35.7%*
Bananas	8 261	0	8 261	*14.7%*	15 776	0	15 776	*-5.3%*

2021 *(in tonnes)*	Own	Third parties	Q2/21	Own	Third parties	YTD Q2/21
Palm oil	82 312	17 707	100 019	157 534	34 118	191 652
Rubber*	464	67	531	1 050	219	1 269
Bananas	7 205	0	7 205	16 654	0	16 654

**PT Melania rubber production has only been included for 4 months due to the sale of PT Melania per 30/04.*

The Group's palm oil production for the second quarter increased by 5.4% against the second quarter of last year. It almost completely absorbed the drop in production of the first three months of this year (-7.0%). The palm oil production of the first semester was only 0.5% lower than that of the first half year 2021.

In Indonesia, in North Sumatra, palm fruit production in the mature plantations, both on mineral soil and organic soil, experienced strong growth in the second quarter. It can be concluded that the aftermath of the drought of the first half of 2019 is completely over. Precipitation during the second quarter was higher than the long-term averages and, at 30 June 2022, both the average number of fruits and their weight were back to last year's levels.

In the Bengkulu region, weather conditions also normalised after an exceptionally dry first quarter. As a result, the production deficit compared with last year's level decreased from 21.5% at the end of March 2022 to 13.8% at 30 June 2022.

In South Sumatra, the fruit harvest increased in the second quarter, compared with the same period last year, following the trend of the first quarter. Production in own plantations increased by 46.1% and that of smallholders (plasma) by 71.5%. This was the direct result of a larger number of harvestable hectares and increasing yields per mature hectare.

As in the first quarter of the year in Papua New Guinea, precipitation volumes remained significantly below the five-year average in the second quarter (-26.8%) stimulating harvesting and improving oil extraction rates. Recovery from the impact of the volcanic eruptions in the second half of 2019, could therefore continue steadily. Fruit production from own plantations increased again in the second quarter by 13.3% compared with last year. Therefore, own production at the end of the first half was 8.4% higher than that at 30 June 2021. Smallholders' production fell slightly in the first half (-2.0%), due to insufficient use of the fertilisers offered to them, and in the absence of replanting in the aged areas.

Due to this overall strong improvement in the Group's fruit production in the second quarter, the total fruit harvest at the end of June was 1.5% higher than that of 30 June 2021.

The Group's average extraction rates remained strong at 24.1%. They were even slightly better than last year's averages (23.9%). However, in the first half of the year, some of the harvested fruit from South Sumatra could not be processed in the own mill. This was due to the delay in the expansion of the Dendymarker palm oil extraction mill caused by covid-related travel restrictions. As a result, the Group's palm oil production volume was 0.5% lower than that at 30 June 2021.

As in the first quarter of the year (-35.0%), rubber production of the SIPEF group in the second quarter was 36.7% lower than last year. Due to the further conversion of the remaining rubber areas to oil palm plantations, unproductive old trees have already been removed in preparation for the planting of young palms from 2023 onwards.

In the first semester, a total of 5.3% fewer bananas were exported from Ivory Coast compared with the same period last year. Unfavourable weather conditions in the first quarter did not allow qualitative optimisation of field production. Thanks to normal weather conditions and better productivity in the second quarter, the 20.5% deficit at 31 March 2022 could be largely offset.

1.2. Markets

Average market prices

In USD/tonne		YTD Q2/22	YTD Q2/21	YTD Q4/21
Palm oil	CIF Rotterdam*	1 617	1 116	1 195
Rubber	RSS3 FOB Singapore**	2 065	2 263	2 071
Bananas	CFR Europe***	735	641	616

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

At the beginning of the second quarter, the palm oil market was at price levels never seen before, following the fundamental tightness in the entire vegetable oil complex. The war in Ukraine blocked most agricultural products from the European breadbasket to the rest of the world, triggering record high prices in the entire agri-world.

The Indonesian government did not succeed to find a solution for local high-priced cooking oil as the Domestic Market Obligation (DMO) at a Domestic Price Obligation (DPO) policy was unable to reach its targets. As a consequence, President Joko Widodo ordered an export ban on 23 April 2022. This only further fuelled the international market and all farmers, except the Indonesian ones, enjoyed impressive price levels. The re-introduction of the DMO-related export licences in the middle of May was complicated. As a result, hardly any export vessels were loaded. A few weeks later, during which time the export policy was further amended, the government realised that the recent measures had disrupted the local palm oil supply chain, including the refineries, while hardly any oil reached its export destination. Then it introduced a so-called ‘flush out’ tax of USD 200 per tonne to bypass the DMO-related export permits. The total combined taxes and levies equated to USD 688 per tonne, depressing the local market for the growers. It all came together with a collapsing international commodity price, and local crude palm oil (CPO) prices dropped to levels just above the cost of production.

This international commodity price drop in June was triggered by a few events:

1) food inflation hurting demand, predominantly in developing nations;
2) high energy prices further stoking recession fears;
3) a significant liquidation of futures positions by financial funds.

In general, most agricultural levels returned to the levels of prior to the Russian invasion of Ukraine.

Palm oil certainly led the drop in prices, due to the fast-growing stock situation in Indonesia following the export policy. The freight market also contributed, as freight levels nearly tripled versus a year ago. However, the drop was experienced in all vegetable oil markets, as well as in the petroleum market.

The price of palm oil traded from USD 1 400 per tonne from the beginning of April to USD 1 750 by the end of April, due to the export ban, but gradually dropped back to USD 1 250 by the end of the quarter.

Palm kernel oil (PKO) has lost a lot of demand since its huge price rally in early March, where it was at a steep premium over palm oil, but more importantly a big premium over its lauric competitor of coconut oil, probably due to the fear of slower production. PKO was not impacted by the export ban in Indonesia and, from April onwards, it seemed to find itself in a downhill rollercoaster selling below palm oil and at a usual USD 250 discount to coconut oil. PKO prices dropped from USD 2 200 per tonne to almost USD 1 150 during the second quarter.

The natural rubber market remained very quiet and has shown little price aspiration during the entire agricultural rally since early 2021. The high freight market, in combination with the lack of buying interest from China due to the lockdowns, and the continuously slow new car sales, left the physical markets uninspired. Prices of Sicom RSS3 traded from USD 2 100 per tonne to USD 1 900 per tonne and the physical demand was subdued.

The European banana market remained generally well-supplied by all origins, despite major disruptions in maritime logistics. Selling prices remained strong at the start of the semester, before gradually eroding and reaching the levels of previous years from mid-May onwards, when the European market usually starts reducing its consumption of bananas.

1.3. Financial statements

The first half year was, mainly due to the historically high palm oil prices, characterised by a record result of KUSD 63 922 and the continuation of the debt reduction to the level of KUSD 15 199.

1.3.1. Consolidated income statement

Consolidated income statement

In KUSD (management presentation)	**30/06/2022**	**30/06/2021**
Revenue	249 827	182 261
Cost of sales	-123 639	-116 376
Changes in the fair value	2 892	2 632
Gross profit	**129 080**	**68 517**
General and administrative expenses	-24 082	-17 007
Other operating income/(charges)	- 351	-1 381
Recurring operating result	**104 647**	**50 129**
Financial income	376	675
Financial charges	-1 842	-1 936
Exchange differences	-2 584	- 609
Financial result	**-4 050**	**-1 871**
Recurring result before tax	**100 597**	**48 257**
Tax expense	-33 248	-13 159
Recurring result after tax	**67 348**	**35 099**
Share of results of associated companies and joint ventures	- 156	- 482
Recurring profit for the period	**67 192**	**34 617**
Gain on sale PT Melania	0	11 640
Result for the period	**67 192**	**46 257**
Attributable to:		
- Equity holders of the parent – before sale of PT Melania	63 922	32 516
- Equity holders of the parent – after sale of PT Melania	63 922	43 519

Consolidated gross profit

In KUSD (management presentation)	30/06/2022	%	30/06/2021	%
Palm oil	129 066	*100.0%*	66 382	*96.9%*
Rubber	-1 941	*-1.5%*	- 887	*-1.3%*
Tea	100	*0.1%*	65	*0.1%*
Bananas and horticulture	964	*0.7%*	2 412	*3.5%*
Corporate	892	*0.7%*	545	*0.8%*
Total	**129 080**	***100.0%***	**68 517**	***100.0%***

The Group's total revenue amounted to USD 250 million on 30 June 2022 and increased by 37.1% compared to the first half of 2021.

Palm oil revenue increased by 43.9%, although SIPEF sold virtually no Crude Palm Oil (CPO) in Indonesia in May and June, due to low local selling prices for palm oil. Therefore, the increase in volumes sold was mainly due to the significantly higher world market price for CPO.

Revenue in the banana segment, expressed in euro, the functional currency, fell by 5.4% primarily due to a reduction in volumes sold. However, overall revenue in USD fell by 14.6%, due to the EUR/USD exchange rate evolution.

The total cost of sales increased during the first semester by KUSD 7 263. The main elements of this increase are listed below:

- the operational costs for the own plantations and mills increased by KUSD 10 359 or 11.9%, mainly due to higher costs for fertilisers;
- purchases of Fresh Fruit Bunches (FFB) from third parties at Hargy Oil Palms Ltd increased by KUSD 8 070 or 42.6%, mainly due to higher purchase price of FFB, the price of which is related to CPO;
- finally, there was a positive impact on the total cost of sales of KUSD 7 604, due to the high closing stock as per 30 June 2022.

The average ex works unit cost price for the mature oil palm plantations increased significantly (+/- 16.8%) over the first six months compared with the first semester of 2021, due to increased fertiliser costs and a higher bonus provision. The average ex works unit cost price for the mature banana plantations over the same period, expressed in euro, the functional currency, also increased by a similar percentage compared with the first semester of 2021.

The 'changes in fair value' related to the effects of the valuation of the hanging fruits at their fair value (IAS 41R).

The gross profit rose from KUSD 68 517 on 30 June 2021 to KUSD 129 080 at the end of June 2022, an increase of 88.4%.

The gross profit of the palm segment increased by KUSD 62 684 to KUSD 129 066, primarily due to higher net CPO prices. The average realised net CPO price of USD 1 148 per tonne was 64.9% higher than USD 696 per tonne at the same time last year.

The gross profit of the bananas and horticulture segment decreased from KUSD 2 412 to KUSD 964, due to an increase in total costs. Indeed, in the first semester the expansion of the planted areas caused a rise in costs, which, for the time being, could not be compensated by revenue.

General and administrative expenses increased in the first semester compared to the previous half year. This is mainly due to the increased bonus provision because of the better result prospects, the costs of SIPEF Singapore and the normalisation of the travel budgets after the covid-19 pandemic.

The recurring operating result as per 30 June 2022 amounts to KUSD 104 647 compared with KUSD 50 129 last year.

The financial income mostly comprises the interest income from the receivables from plasma holders in South Sumatra.

The financial charges related mainly to long-term financing and a discounting of the receivables on plasma holders (KUSD 863). The negative exchange rate results (KUSD 2 584) are primarily due to the hedging of the expected euro dividend.

The recurring result before tax for the first half year amounted to KUSD 100 597 compared with KUSD 48 257 at the end of June 2021.

The recurring tax expense, including the usual rejected expenses of about USD 1 million, amounted to 33.1%. This figure was considerably higher than the theoretical recurring tax expense of 26,5%. This is in particular due to the fact that, in 2022, the share of Hargy Oil Palms Ltd (Papua New Guinea) in the Group result increased, and the tax expense of this company increased from 30.0% to 40.5%. This increase is due to the booking of the 15% withholding tax on the dividend that will be paid out by Hargy Oil Palms Ltd from Papua New Guinea to the Belgian parent company.

The 'share of results of associated companies and joint ventures' (KUSD -156) included the limited negative contribution of the research activities centralised in PT Timbang Deli and Verdant Bioscience Pte Ltd.

The recurring half year profit amounted to KUSD 67 192, an increase of 94.1% compared to last year.

The recurring net result, share of the Group, amounted to KUSD 63 922 compared with KUSD 32 516 on 30 June 2021.

Up till now, there has been no indication that the capital gain of KUSD 11 640 (share of the Group KUSD 11 003), booked in 2021 on the sale of PT Melania to PT Shamrock Group should be revised.

1.3.2. Consolidated cash flow

Consolidated cash flow

In KUSD (management presentation)	**30/06/2022**	**30/06/2021**
Cash flow from operating activities	125 211	72 576
Change in net working capital*	-29 452	-26 744
Income taxes paid	-18 277	-4 897
Cash flow from operating activities after tax	**77 482**	**40 935**
Acquisitions intangible and tangible assets	-35 273	-23 433
Financing plasma advances*	-1 160	-6 133

Selling price of PP&E and financial assets (PT Melania & SIPEF-CI)	- 945	23 779
Acquisition financial assets	-5 500	0
Free cash flow	**34 605**	**35 148**
Other financing activities	-16 528	-31 837
Net movement in investments, cash and cash equivalents	**18 076**	**3 311**

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

In USD per share	**30/06/2022**	**30/06/2021**
Weighted average shares outstanding	10 401 328	10 419 328
Basic operating result	10.06	5.93
Basic net earnings	6.15	4.18
Diluted net earnings	6.13	4.18
Recurring basic net earnings	6.15	3.06
Cash flow from operating activities after tax	7.45	3.34

In line with the increase of the operating result, the cash flow from operating activities increased from KUSD 72 576 over the first six months of 2021, to KUSD 125 211 over the same period this year.

The change in the working capital of KUSD -29 452 was primarily a temporary increase of the CPO stock by about 30 000 tonnes. In May and June, almost no volumes were sold, due to the destabilised local CPO market in Indonesia.

In Indonesia and Papua New Guinea, the Group made advance tax payments for the financial year 2022 in accordance with local legislation. These were calculated partly based on the results of 2020 and partly on the results of 2021. As the retained earnings were each lower than the 2022 results, the taxes paid (KUSD 18 277) were significantly less than the tax to be paid (KUSD 32 026).

Acquisitions in intangible and tangible assets (KUSD -35 273) were related to the usual replacement investments, but mainly to the expansions in South Sumatra (KUSD -16 392), with particular emphasis on completing the expansion of the processing capacity of the Dendymarker mill from 20 tonnes per hour to 60 tonnes per hour.

During the first semester, the SIPEF group acquired the remaining minority interest of 5% in PT Agro Muko for an amount of KUSD 5 500.

The selling price of plant, property and equipment (PP&E) and financial assets (KUSD -945) only concerned the sale of minor tangible fixed assets and the costs incurred relating to the sale of PT Melania. As a reminder, last year this item (KUSD 23 779) included funds from the sale of PT Melania for KUSD 18 999 and a balance of KUSD 4 303 from the sale of SIPEF-CI.

The free cash flow for the first half year amounted to KUSD 34 605 compared with KUSD 35 148 for the same period last year.

The other financing activities (KUSD -16 528) comprise an additional lease debt for KUSD 646, a partial repayment of the long-term financing (KUSD -9 000 for the long-term loan and KUSD -358 for the lease debt), the repayment of the short-term financing (KUSD -7 204) and interest payments (KUSD -612).

1.3.3. Consolidated balance sheet

Consolidated balance sheet

In KUSD (management presentation)	30/06/2022	31/12/2021
Biological assets (depreciated costs) – bearer plants	306 648	307 371
Goodwill	104 782	104 782
Other fixed assets	374 612	363 934
Receivables > 1 year	25 965	25 666
Assets held for sale	13 520	13 520
Net current assets, net of cash	58 817	61 746
Net cash position	-15 199	-49 192
Total net assets	**869 146**	**827 827**
Shareholders' equity, Group share	773 304	727 329
Non-controlling interest	33 041	38 854
Provisions and deferred tax liabilities	58 468	56 814
Advances received > 1 year	4 334	4 830
Total net liabilities	**869 146**	**827 827**

The increase of other fixed assets by KUSD 10 678 during the first six months of 2022 was mostly due to the investments in intangible and tangible fixed assets (KUSD 35 273) exceeding the depreciation (KUSD 23 775).

The 'assets held for sale' of KUSD 13 520 concerned 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, remained almost stable. The main movements (combined KUSD -2 516) were as follows:

- an increase in stocks (KUSD 24 185), due to a temporary increase in the number of tonnes of CPO in stock
- a temporary increase in trade receivables (KUSD 5 866)
- an increase of the net taxes payable (KUSD -13 749)
- an increase of the dividends to be paid included in the other debts (KUSD -21 740).

The net financial debt decreased by KUSD 33 993 thanks to the positive cash flow, and amounts to KUSD 15 199 as of the end of June 2022.

1.4. Prospects

1.4.1. Production

Taking into account the forecasts of the agronomists, based on representative counts in the plantations, the Group expects that continued strong palm oil production at the end of the third quarter will exceed that of last year again. These growth rates will be mainly driven by the expected strong increase in production in South Sumatra and the continued recovery of production in Papua New Guinea. However, the fruit harvest from the plantations in Bengkulu will remain slightly below expectations.

Although it is not easy to look more than three months ahead, the Group expects that the forecast production increase of more than 4% for 2022 will be achieved, barring exceptional weather effects.

Rubber production will continue to decline, as the priority remains the accelerated conversion to oil palm plantations.

The new expansions in the banana plantations of J. Eglin in Ivory Coast, will gradually come into production from the third quarter onwards. Thus, annual banana exports are expected to be about 8% higher than those of the year 2021.

1.4.2. Markets

The continuous efforts from the Indonesian government to ease regulations and requirements to obtain export licences have disrupted the palm oil supply chain in the country itself. Tanks were filled in the refineries and mills, and in some locations palm fruits could not be harvested and were left to rot in the fields. It had a paralysing effect, and prices locally for the grower were appalling compared with international prices. Mid-July, the Indonesian government announced the temporary removal of the export levy to support the prices for the farmers. The flush-out tax was discontinued at the end of July, implying that the export tax of USD 288 per tonne was remaining. In itself, this was a start in the right direction. Nevertheless, the difficulty to obtain export licences remains in the Domestic Market Obligation (DMO) system. This system, to allow exports in a certain ratio versus selling local cooking oil, has been eased several times.

The latest announcement is that the export tax is being greatly reduced in August to USD 52 per tonne, and to USD 74 as from 16th of August onwards, instead of USD 288 in July. This tax reduction should diminish the discrepancy between the local Indonesian palm oil prices and those paid in the international markets. Local prices have already recovered 50% to 60% from their lows. But at the present time, the high local Indonesian stocks will continue to weigh on the palm oil market.

Another measure that the Indonesian government is considering, is the increase in local biodiesel blending from 30% to 35%, and at a later stage even to 40%. The B35 would imply an increase in palm oil of 1.5 million tonnes per annum.

From a general supply and demand perspective, the global vegetable oil picture remains tight with quite an imbalance of stocks. Indonesia (palm oil) and Ukraine (sunflower oil) are the only two countries that have abundant stocks, while all other growing nations remain very tight. Almost all importing countries are operating with depleted stocks. The extremely high prices of the last six to nine months have certainly rationed demand and stretched pipelines to extremes. Palm oil is very competitively priced and present discounts in relation to soybean oil, rapeseed oil and sunflower oil are huge, hence more exports are expected in the coming months.

The world still needs great crops to normalise the global vegetable oil stocks situation, starting with a good summer oilseed crop in the Northern Hemisphere. The start of the planting season was good, but the weather has not been cooperating lately. The US is still in relatively good shape, while the European crops are suffering from the recent drought. This needs to be closely followed, as it will determine the coming price direction. All macro-economic turbulence is adding to the volatility, particularly demonstrated in the petroleum prices, which are often followed by palm oil.

All in all, once the Indonesian palm market is back on its feet to resume its number one spot as vegetable oil exporter, stocks will reduce and local prices will be connected to world prices. We believe the palm oil market will be well-positioned again.
With imported volumes of bananas matching consumption, prices will remain in line with seasonal lower levels. A recovery in consumption and corresponding higher prices may be expected at the end of the third quarter. These are likely to be further increased to compensate for the impact of rising inflation.

1.4.3. Results

Due to frequent and unpredictable changes in export taxes and export levies on Indonesian palm oil, it was not possible to sell the customary volumes in Indonesia during the second quarter. The decision to stock palm oil until the effects of the export ban have been absorbed, has meant that to date only 46% of the expected palm oil production from the Indonesian operations has been sold at an average price of USD 919 per tonne ex-mill gate equivalent, premiums for sustainability and origin included. At the same time last year, SIPEF had traded 68% of volumes at USD 632.

In Papua New Guinea, the exceptionally high palm oil prices fully benefited the palm activities. To date, about all of the expected palm oil production has been sold at an average price of USD 1 251 per tonne ex-mill gate equivalent, including premiums for sustainability and origin. At the same time last year, SIPEF had traded 88% of volumes at USD 862.

In total, the SIPEF group has sold 65% of the budgeted palm oil production to date at an average price of USD 1 097 per tonne ex-mill gate equivalent, premiums for sustainability and origin included, which is 51% higher than the average price of USD 728, at the same time last year.

In Indonesia, the available palm oil volumes are placed in the market on a monthly basis, as a result of the unpredictable palm oil reference price, which is the basis for monthly export taxes and export levies, and the still large local stocks, despite the abolished export ban.

The unit costs of production for palm oil during the second half of the year will continue to be subject to increases in fertiliser prices, increased transport costs and the anticipated increases in remuneration of the Group's employees. Nevertheless, they should not rise more than the current 16.8%, mainly due to volume gains and, to a lesser extent, the strength of the USD against most of the local currencies in the producing countries.

SIPEF can look forward to very satisfactory recurring results that, in all likelihood, will exceed the historic mark of USD 100 million. This positive evolution is the result of the combination of increasing annual production volumes, the sales already realised and an expected continuing relatively strong palm oil market. The final recurring result will be determined to a large extent by achieving the expected production growth and the evolution of cost prices, but above all by the effects of the current policy for export taxes and export levies, driven by the Indonesian government.

1.4.4. Cash flow and expansion

In the first semester of 2022, the Group focused mainly on the investment programs in South Sumatra. These involve the further expansion of planted hectares and infrastructure in Musi Rawas and replanting and infrastructure improvements in Dendymarker.

In the Musi Rawas project zones, an additional 773 hectares were acquired through compensation, of which 455 hectares were additionally cultivated. As a result, at the end of June 2022, a total of 15 425 hectares have been cultivated, corresponding to 81.4% of the 18 960 hectares acquired through compensation.

To date, 8 162 hectares have already been planted by the SIPEF group in Dendymarker, thanks to the additional preparation and/or replanting of 874 hectares in the first semester of 2022. Another 553 hectares have been prepared for planting in the second semester. At the end of June, the total renewed and cultivated land in the South Sumatra business unit amounts to 24 140 hectares.

The expansion of the processing capacity of the Dendymarker mill from 20 to 60 tonnes per hour, despite a delay caused by covid-19, was completed in the first semester. From June onwards SIPEF was once again able to fully process the increasing production volumes in its own mill. The construction of the first oil extraction mill in Musi Rawas, which has now started, must ensure that in the coming years there will be sufficient processing capacity to absorb the exponential growth in production from the palm activities in South Sumatra.

At the end of June, the banana plantations at Plantations J. Eglin in Ivory Coast comprise 106 newly planted hectares in Lumen, of which 56 hectares are now mature. The first fruits were processed in the renovated packing plant and already 35 tonnes of bananas were exported in the first semester.

The Group's net cash flow is likely to remain positive in the second half of the year, due to the favourable forecasts for production and sales prices. To the extent that the local Indonesian palm oil market normalises, the extensive investment program will also be fully financed internally, after payment of the dividend in July. The Company is trending to a zero net financial debt position.

1.5. Sustainability

1.5.1. Sustainability reporting and stakeholder engagement

Following the release of the 2021 Sustainability Report in April 2022, SIPEF has been working to further develop and improve the Group’s ESG reporting and sustainability strategy. This includes further aligning SIPEF’s reporting strategy with the principles and requirements of the Global Reporting Initiative (GRI) standards, as well as preparing for a more comprehensive disclosure on data and KPIs linked with sustainability performance in the coming years. Materiality workshops are being carried out with the sustainability teams in Indonesia, Papua New Guinea and Ivory Coast, to extend on the internal stakeholder engagement component of SIPEF’s materiality assessment process.

SIPEF has also worked on its human rights and social policies, and resolved an outstanding grievance linked with its subsidiary in Indonesia, PT Agro Kati Lama. The matter was settled in May under the dispute resolution framework of the Roundtable on Sustainable Palm Oil (RSPO), with a satisfactory outcome for all parties. External stakeholder engagement is also being expanded in the third quarter of 2022, with SIPEF having officially started its engagement with the Zoological Society of London (ZSL), which will provide support on tiger and other wildlife monitoring for the SIPEF Biodiversity Indonesia (SBI) programme.

1.5.2. Progress on SIPEF GHG emissions reduction strategy

In June 2021, SIPEF had completed the Group’s baseline GHG calculations following the ISO 14064 methodology. This work built on the several years of measuring and reporting on the historical GHG emissions of SIPEF’s RSPO certified oil palm plantations, using the RSPO GHG calculator.

Reducing GHG emissions remains a key area of focus for SIPEF in 2022.The Group is working with an external verifier on its calculations towards assurance. Accurately measuring current GHG sources and sinks is an important step in providing a baseline, against which to set future targets and monitor progress. It will also help SIPEF to determine its decarbonisation priorities, allocate the appropriate resources, and identify the actions that can be taken to mitigate and adapt to climate change impacts.

As a critical next step, a GHG emissions reduction strategy is in development, which will set short, medium and long-term goals on GHG emission reductions. The plan will build on the various existing measures SIPEF has implemented in recent years, including the capture of methane gas produced by the waste from palm oil production, the development of initiatives to convert waste into cost-effective industrial biomass, and the biodiversity and conservation projects.

1.5.3. Covid-19 update

Thanks to the collective efforts of its teams, SIPEF has made good progress in the comprehensive vaccination program for its employees and their dependents.

With the number of covid-19 cases increasing, Indonesia is on high alert as a fourth wave starts to take hold in the country. SIPEF has continued to make its vaccination booster programme at PT Tolan Tiga Indonesia a priority. The programme has made significant progress, with 92% of targeted employees and dependents (over 19 000 people) having received boosters by the close of July 2022.

In Ivory Coast, since April 2022, good progress has also been made with a booster vaccination programme, although this has been largely dependent on local vaccine availability. By the end of July, and taking increasing employment numbers into consideration, around 69% of employees have been at least double-vaccinated and 14% have received a single dose. As a next step, Plantations J. Eglin plans to administer another 300 doses across all of its sites in September, or as soon as the doses become available to the company.

In Papua New Guinea, free vaccination is still being provided to all interested employees and their dependents, although vaccine confidence remains low.

2. Condensed half-yearly financial statements

2.1. Condensed half-yearly financial statements of the SIPEF group

2.1.1. Condensed consolidated balance sheet

Consolidated balance sheet

In KUSD (condensed)	30/06/2022	31/12/2021
Non-current assets	**825 670**	**815 303**
Intangible assets	285	348
Goodwill	104 782	104 782
Biological assets - bearer plants	306 648	307 371
Other property, plant & equipment	370 795	359 896
Investments in associated companies and joint ventures	3 442	3 598
Financial assets	90	92
Other financial assets	90	92
Receivables > 1 year	25 965	25 666
Other receivables	25 965	25 666
Deferred tax assets	13 662	13 550
Current assets	**232 633**	**176 462**
Inventories	72 202	48 017
Biological assets	12 059	9 168
Trade and other receivables	86 683	82 161
Trade receivables	38 148	32 282
Other receivables	48 535	49 878
Current tax receivables	7 053	1 469
Investments	35	38
Other investments and deposits	35	38
Derivatives	1 058	0
Cash and cash equivalents	38 018	19 939
Other current assets	2 005	2 151
Assets held for sale	13 520	13 520
Total assets	**1 058 303**	**991 765**
Total equity	**806 344**	**766 183**
Shareholders' equity	773 304	727 329
Issued capital	44 734	44 734
Share premium	107 970	107 970
Treasury shares (-)	-11 521	-11 521
Reserves	643 499	596 813
Translation differences	-11 378	-10 666
Non-controlling interests	33 041	38 854
Non-current liabilities	**105 959**	**113 402**
Provisions > 1 year	820	1 125
Provisions	820	1 125
Deferred tax liabilities	48 776	46 950
Financial liabilities > 1 year	27 000	36 000
Leasing liabilities > 1 year	2 495	2 207
Pension liabilities	22 533	22 290
Advances received > 1 year	4 334	4 830
Current liabilities	**146 000**	**112 180**
Trade and other liabilities < 1 year	109 884	66 404
Trade payables	30 042	23 605
Advances received	6 957	11 934
Other payables	34 206	11 519
Income taxes	38 679	19 346
Financial liabilities < 1 year	23 757	30 961
Current portion of amounts payable > 1 year	18 000	18 000
Financial liabilities	5 225	12 477
Leasing liabilities < 1 year	532	484
Derivatives	3 271	2 066
Other current liabilities	9 088	12 749
Total equity and liabilities	**1 058 303**	**991 765**

2.1.2. Condensed consolidated income statement

Consolidated income statement

In KUSD (condensed)	30/06/2022	30/06/2021
Revenue	249 827	182 261
Cost of sales	-123 639	-116 376
Changes in the fair value of the biological assets	2 892	2 632
Gross profit	**129 080**	**68 517**
General and administrative expenses	-24 082	-17 007
Other operating income/(charges)	- 351	10 258
Operating result	**104 647**	**61 768**
Financial income	376	675
Financial charges	-1 842	-1 936
Exchange differences	-2 584	- 609
Financial result	**-4 050**	**-1 871**
Result before tax	**100 597**	**59 898**
Tax expense	-33 248	-13 159
Result after tax	**67 349**	**46 739**
Share of results of associated companies and joint ventures	- 156	- 482
Result for the period	**67 192**	**46 257**
Attributable to:		
- Non-controlling interests	3 270	2 738
- Equity holders of the parent	63 922	43 519
Earnings per share (in USD)		
From continuing and discontinued operations		
Basic earnings per share	6.15	4.18
Diluted earnings per share	6.13	4.18
From continuing operations		
Basic earnings per share	6.15	4.18
Diluted earnings per share	6.13	4.18

2.1.3. Condensed consolidated statement of comprehensive income

Consolidated statement of comprehensive income

In KUSD (condensed)	30/06/2022	30/06/2021
Result for the period	**67 192**	**46 257**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
in subsequent periods		
- Exchange differences on translating foreign operations	- 712	793
- Cash flow hedges - fair value result for the period	1 855	423
- Income tax effect	- 464	- 106
Items that will not be reclassified to profit and loss		
in subsequent periods		
- Defined Benefit Plans - IAS 19R	0	301
- Income tax effect	0	- 66
Total other comprehensive income:	**679**	**1 345**
Other comprehensive income for the year attributable to:		
- Non-controlling interests	0	25
- Equity holders of the parent	679	1 320
Total comprehensive income for the year	**67 871**	**47 602**
Total comprehensive income attributable to:		
- Non-controlling interests	3 270	2 763
- Equity holders of the parent	64 601	44 840

2.1.4. Condensed consolidated cash flow statement

Consolidated cash flow statement

In KUSD (condensed)	30/06/2022	30/06/2021
Operating activities		
Profit before tax	**100 597**	**59 898**
Result from discontinued operations before tax		
Adjusted for:		
Depreciation	23 775	23 952
Movement in provisions	- 61	- 46
Stock options	70	61
Exchange results not yet realised	0	0
Changes in fair value of biological assets	-2 892	-2 632
Other non-cash results	513	- 400
Hedge reserves and financial derivatives	2 002	1 639
Financial income and charges	603	1 657
(Gain)/loss on disposal of property, plant and equipment	603	86
(Gain)/loss on disposal of financial assets	0	-11 640
Cash flow from operating activities before change in net working capital	125 211	72 576
Change in net working capital*	-29 452	-26 744
Cash flow from operating activities after change in net working capital	95 759	45 832
Income taxes paid	-18 277	-4 897
Cash flow from operating activities	**77 482**	**40 934**
Investing activities		
Acquisition intangible assets	0	- 17
Acquisition biological assets	-9 390	-9 173
Acquisition property, plant & equipment	-25 883	-14 243
Financing plasma advances*	-1 160	-6 133
Acquisition subsidiaries	-5 500	0
Proceeds from sale of property, plant & equipment	123	477
Proceeds from sale of financial assets	-1 068	23 302
Cash flow from investing activities	**-42 878**	**-5 787**
Free cash flow	**34 605**	**35 147**
Financing activities		
Decrease long-term financial borrowings	-9 358	-9 123
Increase long-term financial borrowings	499	0
Decrease short-term financial borrowings	-7 204	-18 744
Increase short-term financial borrowings	146	0
Last year's dividend paid during this bookyear	0	0
Dividends paid by subsidiaries to minorities	0	-2 306
Interest received - paid	- 612	-1 664
Cash flow from financing activities	**-16 528**	**-31 837**
Net increase in investments, cash and cash equivalents	**18 076**	**3 310**
Investments and cash and cash equivalents (opening balance)	19 977	9 790
Investments and cash and cash equivalents (closing balance)	38 053	13 100

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

2.1.5. Condensed statement of changes in consolidated equity

Consolidated statement of changes in equity

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, 2022	**44 734**	**107 970**	**-11 521**	**-5 033**	**601 846**	**-10 666**	**727 329**	**38 854**	**766 183**
Result for the period					63 922	0	**63 922**	3 270	**67 192**
Other comprehensive income					1 391	- 712	**679**		**679**
Total comprehensive income	**0**	**0**	**0**	**0**	**65 313**	**- 712**	**64 601**	**3 270**	**67 871**
Last year's dividend paid					-22 280		**-22 280**		**-22 280**
Equity transactions with non-controlling parties (5% PT AM)					3 583		**3 583**	-9 083	**-5 500**
Other					70		**70**		**70**
June 30, 2022	**44 734**	**107 970**	**-11 521**	**-5 033**	**648 532**	**-11 378**	**773 303**	**33 041**	**806 344**
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					43 519		**43 519**	2 738	**46 257**
Other comprehensive income				210	317	793	**1 320**	25	**1 345**
Total comprehensive income	**0**	**0**	**0**	**210**	**43 836**	**793**	**44 840**	**2 763**	**47 602**
Last year's dividend paid					-4 443		**-4 443**	-2 306	**-6 749**
Sale PT Melania							**0**	- 559	**- 559**
Other					- 120		**- 120**	133	**13**
June 30, 2021	**44 734**	**107 970**	**-10 277**	**-4 329**	**551 111**	**-10 245**	**678 964**	**35 893**	**714 857**

2.2. Notes

2.2.1. General information

SIPEF is a Belgian agro-industrial company listed on Euronext Brussels. The condensed financial statements of the Group for the first six months ended 30 June 2022 were established by the board of directors on 16 August 2022.

2.2.2. Basis of preparation and accounting policies

These financial statements are prepared in accordance with 'International Accounting Standard' IAS 34, 'Interim Financial Reporting' as adopted by the EU. This report should be read in conjunction with SIPEF group's annual financial statements as at 31 December 2021, because the financial statements herein do not include all the information and disclosures required in the annual financial statements.

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

A summary of the accounting standards can be found in the audited consolidated financial statements for the year ended 31 December 2021 (https://www.sipef.com/hq/investors/annual-reports). The accounting policies of the SIPEF group which are used as of 1 January 2022 are consistent with the accounting standards used for the audited consolidated financial statements of 31 December 2021, with the exception that the Group has applied the new accounting standards and interpretations applicable for annual periods beginning on or after 1 January 2022. These new standards and interpretations have a minimal impact.

2.2.3. Updated use of accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the Group to use accounting estimates and judgements and make assumptions that may affect the reported amounts of assets and liabilities at the date of the balance sheets and reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates. We refer to Note 4 of the annual report of 2021.

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

The main areas in which estimates are used for the first 6 months of 2022 are:

- Deferred tax assets
- Estimate of the costs relating to the sale of PT Melania

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

The Group has made an estimation of the costs that will occur in order to fulfil the requirements included in the sale and purchase agreement for the sale of PT Melania with the Shamrock Group. Any difference between the estimated costs and actually incurred costs will result in an increase or decrease of the capital gain upon finalisation of the SPA, no later than 2024.

2.2.4. Consolidation scope

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

2.2.5. Income taxes

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

In KUSD	30/06/2022	30/06/2021	31/12/2021
Result before tax	100 597	59 898	136 637
Theoretical tax charge	**-26 382**	**-15 024**	**-35 039**
Impairment on deferred taxes for fiscal losses	571	270	- 306
Other non-deductible	-1 782	- 965	-1 907
Withholding tax on dividends	-5 655	0	0
Capital gain sale PT Melania	0	2 561	2 561
Corrections on last year	0	0	-1 384
Tax charge	**-33 248**	**-13 159**	**-36 075**
Effective tax rate	-33.1%	-22.0%	-26.4%

Applying the principles of IAS 12, a total impairment of KUSD 571 on tax losses carried forward has been reversed per June 30, 2022. Based on the Group's latest estimations, the Group expects to recover these fiscal losses before they expire.

The withholding tax on dividends relates to a 15% withholding tax due on dividends that will be paid out by Hargy Oil Palms Ltd from Papua New Guinea to the Belgian parent company.

The total tax charge of KUSD 33 248 (2021: KUSD 13 159) can be split into a current tax component of KUSD 32 026 (2021: KUSD 10 014) and a deferred tax component of KUSD 1 222 (2021: KUSD 3 145).

2.2.6. Segment information

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 oil, 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 the "cut, tear, curl" (CTC) tea produced by SIPEF in Indonesia.
- Bananas and horticulture: Include all sales of bananas and horticulture 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 executive committee is the chief operating decision maker. The most important differences with IFRS consolidation are:

- Instead of revenue the gross margin per segment is used as the starting point.
- The capital gain on the sale of PT Melania was not included in the 'other operating income/(charges)' but is included on a separate line.

In KUSD (condensed)	30/06/2022	30/06/2021
Gross margin per product		
Palm	129 066	66 383
Rubber	-1 941	- 887
Tea	100	65
Bananas and horticulture	964	2 412
Corporate	892	545
Total gross margin per product	**129 080**	**68 517**
General and administrative expenses	-24 082	-17 007
Other operating income/(charges)	- 351	-1 381
Financial income/(charges)	-1 466	-1 582
Discounting Sipef-CI	0	321
Exchange differences	-2 584	- 609
Result before taks	**100 597**	**48 258**
Tax expense	-33 248	-13 159
Effective tax rate	-33.1%	-27.3%
Result after taks	**67 349**	**35 099**
Share of results of associated companies	- 156	- 482
Result for the period before sale of PT Melania	**67 192**	**34 617**
Gain on sale PT Melania	0	11 640
Result for the period	**67 192**	**46 257**

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
2022 – KUSD					
Palm	233 336	-107 167	2 897	129 066	100.0
Rubber	2 306	-4 246	0	-1 941	-1.5
Tea	2 153	-2 053	0	100	0.1
Bananas and horticulture	11 140	-10 171	- 5	964	0.7
Corporate	892	0	0	892	0.7
Total	**249 827**	**-123 639**	**2 892**	**129 080**	**100.0**
2021 – KUSD					
Palm	162 198	-98 686	2 870	66 382	96.9
Rubber	4 995	-5 882	0	- 887	-1.3
Tea	1 475	-1 410	0	65	0.1
Bananas and horticulture	13 048	-10 398	- 238	2 412	3.5
Corporate	545	0	0	545	0.8
Total	**182 261**	**-116 376**	**2 632**	**68 517**	**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
2022 – KUSD						
Indonesia	115 150	-54 919	470	1 746	62 448	48.4
Papua New Guinea	122 645	-58 549	0	1 151	65 247	50.5
Ivory Coast	11 140	-10 171	0	-5	964	0.7
Europe	421	0	0	0	421	0.3
Total	**249 356**	**-123 639**	**470**	**2 892**	**129 080**	**100.0**
2021 – KUSD						
Indonesia	87 526	-55 816	193	2 475	34 377	50.1
Papua New Guinea	75 980	-44 999	0	395	31 376	45.8
Ivory Coast	18 211	-15 561	0	-238	2 412	3.5
Europe	351	0	0	0	351	0.6
Total	**182 068**	**-116 376**	**193**	**2 632**	**68 517**	**100.0**

Additional information on the gross margin can be found in 1.3.1 consolidated income statement.

Segment information – geographical

	30/06/2022					
In KUSD	Indonesia	PNG	Ivory Coast	Europe	Others	Total
Intangible assets	0	0	0	285	0	285
Goodwill	104 782	0	0	0	0	104 782
Biological assets	225 901	80 398	349	0	0	306 648
Other property, plant & equipment	261 055	100 232	8 149	604	755	370 795
Investments in associates and joint ventures	-1 401	0	0	0	4 843	3 442
Other financial assets	46	0	29	15	0	90
Receivables > 1 year	25 965	0	0	0	0	25 965
Deferred tax assets	11 026	0	417	2 219	0	13 662
Total non-current assets	**627 376**	**180 630**	**8 943**	**3 123**	**5 597**	**825 670**
% of total	75.98%	21.88%	1.08%	0.38%	0.68%	100.00%

	31/12/2021					
In KUSD	Indonesia	PNG	Ivory Coast	Europe	Others	Total
Intangible assets	0	0	0	348	0	348
Goodwill	104 782	0	0	0	0	104 782
Biological assets	226 144	80 950	277	0	0	307 371
Other property, plant & equipment	253 032	98 848	7 311	704	0	359 896
Investments in associates and joint ventures	- 749	0	0	0	4 347	3 598
Other financial assets	46	0	31	15	0	92
Receivables > 1 year	25 666	0	0	0	0	25 666
Deferred tax assets	10 995	0	319	2 237	0	13 550
Total non-current assets	**619 916**	**179 798**	**7 938**	**3 304**	**4 347**	**815 303**
% of total	76.03%	22.05%	0.97%	0.41%	0.53%	100.00%

The assets of Indonesia relate for roughly 98% to the palm segment and roughly 2% to the rubber segments. The assets of PNG relate 100% to the palm segment. The assets of Ivory coast relate 100% to the bananas and horticulture segment. The assets of Europe do not relate specifically to one product segment.

2.2.7. Turnover

More information relating to the turnover can be found in 2.2.6. segments. The timing of the revenue recognition always takes place at a point in time. Additional information relating to the markets in which the SIPEF group operates can be found in 1.2 Markets. Additional information on the turnover and financial results can be found in 1.3.1 consolidated income statement.

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

The share of results of 'associated companies and joint ventures' contains the research activities which are centralised in PT Timbang Deli and Verdant Bioscience PTE Ltd. The comparative figures of 30 June 2021 also include 4 months of results of PT Melania included as a joint – venture until the sale on April 30, 2021, after which it was classified as a joint-venture held for sale. After April 30, 2021, no results of PT Melania have been included in the profit and loss of the SIPEF group.

2.2.9. Shareholders' equity

On June 8, 2022, SIPEF shareholders approved the distribution of a EUR 2.00 gross dividend (coupon 14) for the financial year 2021, payable as from July 6, 2022. The total dividend paid amounts to EUR 20 802 656. Converted at the USD exchange rate of the day of the general assembly, this amounts to USD 22 279 807.

There were no changes in issued capital compared to 31 December 2021.

2.2.10. Net financial assets/(liabilities)

In KUSD	30/06/2022	31/12/2021
Short-term obligations – credit institutions	-5 225	-12 477
Long-term obligations – credit institutions	-27 000	-36 000
Current portion of amounts payable after one year	-18 000	-18 000
Short-term leasing obligations	- 532	- 484
Long-term leasing obligations	-2 495	-2 207
Investments and deposits	35	38
Cash and cash equivalents	38 018	19 939
Net financial assets/(liabilities)	**-15 199**	**-49 192**

The short-term liabilities have a term of less than twelve months and comprise of a 'commercial paper' debt of KUSD 5 225 and the current portion of KUSD 18 000 related to the long-term loan for a total amount of KUSD 45 000. The short-term and long-term leasing obligations are a result of the IFRS 16 – leasing standard.

At June 30, 2022, the Group has one financial covenant connected to the long-term obligations which states that the net financial debt may not exceed 2.50 times REBITDA ('recurring earnings before interest, tax and depreciations') of the financial year. At June 30, 2022 the Group has complied with the covenant (0.0672 times REBITDA).

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

The current maximum credit lines available amount to KUSD 167 901 (2021: KUSD 178 686). Compared to the current total debt (excluding leasing) of KUSD 50 225, this leaves a freely available headroom of KUSD 117 676.

2.2.11. Financial instruments

The financial instruments were categorised according to principles that are consistent with those applied for the preparation of note 26 of the 2021 financial statements. No transfer between levels occurred during the first six months of 2022.

All derivatives outstanding per 30 June 2022 measured at fair value relate to forward exchange contracts and interest rate swaps. The fair value of the forward exchange contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate and is classified as level 2 (fair value determination based on observable inputs). As per 30 June 2022 the fair value amounts to KUSD -2 213 versus KUSD -2 066 per 31 December 2021.

In KUSD	30/06/2022	31/12/2021
Interest rate swaps	1 058	- 797
Forward exchange transactions	-3 271	-1 269
Fair value (+ = asset; - = liability)	**-2 213**	**-2 066**

The fair value of the forward exchange contracts and interest rate swap calculated at the closing value on the 30th of June 2022 were also incorporated in level 2. The notional amount from the forward exchange contracts amounts to KUSD 48 660.

The forward exchange contracts are not documented in a hedging relationship and accordingly, all changes in fair value are recorded in the financial result. The Group has documented the interest rate swaps (IRS) in a hedging relationship. The terms of the IRS and the hedged debt match 100%. Therefore, no effectiveness test based on a ratio of changes in fair value of the hedging instrument against that of the hedged debt is required. An IRS with matching contractual terms would have limited inefficiency.

The IRS has a notional amount of KUSD 45 000. The carrying amount is recorded on the derivatives (assets) for an amount of KUSD 1 058, the deferred tax liability for an amount of KUSD 265 and the other comprehensive income in the equity for an amount of KUSD 793.

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

2.2.12. Business combinations, acquisitions and divestitures

During 2022 the SIPEF group has purchased the remaining 5% shares of PT Agro Muko, increasing the beneficial interest of PT Agro Muko from 90.25% to 95.00%.

In 2021, SIPEF 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. Before the transaction, SIPEF controlled 95% of PT Melania through its Indonesian 95% subsidiary, PT Tolan Tiga. The remaining 5% is 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 took 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 land rights (HGU) for the whole of the rubber and tea business. The gross transaction price for 100% of the shares is USD 36 million.

2.2.13. Related party transactions

There are no material changes to the related party transactions with regard to the annual report of December 2021. We refer to note 29 of the annual report of 2021.

2.2.14. Important events

See management report.

2.2.15. Events after balance sheet date

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

2.2.16. Risks

In accordance with Article 13 of the Royal Decree of 14 November 2007, SIPEF group states that the fundamental risks confronting the company are unchanged from those described in the 2021 annual report, and that no other risks nor uncertainties are expected for the remaining months of the financial year.

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

3. Certification of responsible persons

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

- these interim condensed consolidated financial statements for the six-month period ending 30 June 2022 are prepared in accordance with IFRS (International Financial Reporting Standards) and give, in all material respects, a true and fair view of the consolidated financial position and consolidated results of the SIPEF group and of its subsidiaries included in the consolidation;

- the interim financial report gives, in all material respects, a true and fair view of all important events and significant transactions with related parties that have occurred in the first six months of the fiscal year 2022 and their effects on the interim financial statements, as well as an overview of the most significant risks and uncertainties the SIPEF group is confronted with.

4. Report of the statutory auditor

See annex 1.

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

Schoten, 18 August 2022

For more information, please contact:

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

Tel.: +32 3 641 97 00

investors@sipef.com
www.sipef.com (section 'investors')

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

EY Bedrijfsrevisoren
EY Réviseurs d'Entreprises
Borsbeeksebrug 26
B - 2600 Antwerpen (Berchem)

Tel: +32 (0) 3 270 12 00
ey.com

Statutory auditor's report to the board of directors of SIPEF NV on the review of the condensed consolidated interim financial information as at 30 June 2022 and for the 6-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of SIPEF NV as at 30 June 2022, the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed statement of changes in equity for the 6-month period then ended, and notes ("the condensed consolidated interim financial information").

The condensed consolidated interim financial information shows a balance sheet total of USD 1.058.303 (000) and the condensed consolidated income statement shows a profit (share of the group) for the 6-month period ended 30 June 2022 of 63.922 (000) USD.

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

Scope of Review

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

EY
Building a better working world

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2022 and for the 6-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Antwerp, 16 August 2022

EY Réviseurs d'Entreprises SRL
Statutory auditor
represented by

Oris Christoph

Christoph Oris *
Partner
*Acting on behalf of a BV/SRL

Wim Van Gasse *
Partner
*Acting on behalf of a BV/SRL

23CO0012