The connection to the world of sustainable tropical agriculture

Results of the SIPEF group
as per 31 December 2022 (12m/22)

Record performance year for the SIPEF group

- Total Group production of palm oil increased by 5.1% compared with previous year.
- The combination of excellent productions and selling prices resulted in an outstanding financial performance:
  - Net recurring result, share of the Group, after tax, amounted to KUSD 108 157, an increase of 30.7%, compared with KUSD 82 746 last year.
  - Net recurring profit per share increased by 32.0%, to a record amount of USD 10.40.
  - Operational cash flow reached KUSD 165 295, a rise with 3.1 % on previous year.
  - Net financial position for the Group turned positive, even after capital expenditures of KUSD 79 294, mainly related to the continued expansion in South Sumatra.
  - Sales exceeded USD 500 million, equity rose above USD 800 million and total assets surpassed USD 1 billion, all historical milestones for the Group.
- In line with the 30% payout ratio of previous years, the board of directors proposes to increase the gross dividend per share by 50%, from EUR 2.00 to EUR 3.00, payable on 5 July 2023.
- Cultivated areas in Musi Rawas continued to grow in compliance with RSPO, by 1 453 hectares to a total area of 16 423 hectares. The Dendymarker own plantations are now fully replanted.
- SIPEF can look forward to another strong performance year, thanks to increasing annual production volumes and controlled unit production costs. The recurring result 2023 will highly depend on the further evolution of the palm oil prices.SIPEF started a project, together with a licensed assessor, to develop a balanced oil palm landscape approach for smallholders and customary landowners around Hargy Oil Palms' operations in Papua New Guinea.
- SIPEF was the first RSPO member to work with the Dispute Settlement Facility designed by RSPO, engaging with its stakeholders as an important part of its human right due diligence and grievance process.

1. Management report

1.1. Group production

Group production

2022 *(in tonnes)*	Own	Third parties	Q4/22	YoY%	Own	Third parties	YTD Q4/22	YoY%
Palm oil	80 456	21 149	101 605	9.8%	329 090	74 837	403 927	5.1%
Rubber	339	174	513	-19.8%	1 368	555	1 923	-27.2%
Bananas	6 269	0	6 269	-23.0%	32 270	0	32 270	0.2%

2021 *(in tonnes)*	Own	Third parties	Q4/21	Own	Third parties	YTD Q4/21
Palm oil	75 067	17 443	92 510	316 740	67 438	384 178
Rubber	433	207	640	1 996	645	2 641
Bananas	8 144	0	8 144	32 200	0	32 200

The fourth quarter, the Group's palm oil production grew by 9.8% against last year's fourth quarter. As a consequence, annual palm oil production growth reached 5.1%.

In Indonesia, North Sumatra, annual french fruit bunches (FFB) production in the mature plantations on mineral soil increased by 2.3%, rainfall in 2022 being generally supportive of palm growth and bunch development. The mature plantations on organic soils experienced a fairly wet fourth quarter. Despite good water management, significant lower yields were experienced (-7.5%) against the same quarter last year, reducing the annual crop performance by 1.8% compared with last year.

In the Bengkulu region high rainfall of over 550 mm per month in October and November disturbed the harvesting and transport of bunches. This resulted in a decrease in production of 5.3% compared with the fourth quarter 2021. The annual crop for the Agro Muko Group was 9.0% lower than the previous year, mainly due to the remaining effect of the 2019 drought. As a reminder, FFB production decline experienced due to this phenomenon in the first semester of the year, against 30 June 2021, amounted to 13.8%.

In South Sumatra, FFB production continued to rise, with 59.6% growth for the fourth quarter and an annual increase of 53.7% compared with the full year 2021. These growth rates were also largely reflected in smallholders' purchases (Plasma). The rising contributions from both the Musi Rawas plantations and those of Dendymarker were the direct result of an enlarged number of harvestable hectares, and increasing bunch weight and bunch numbers on maturing estates.

In Papua New Guinea the exceptional performance of the oil palm plantations, also continued in the fourth quarter, both for the crop harvested on own estates (+5.9% versus the fourth quarter last year) and for the smallholder FFB purchases (+19.5% against the same period 2021). Thanks to annual rainfall reaching 59% of the five-year average, 21% lower than last year, in combination with a better than anticipated recovery from the impact of the volcanic eruption in 2019, a record crop of 403 419 tonnes was harvested on the own estates in 2022. Also, the smallholders' purchases hit a record volume of 254 356 tonnes. As a result, the overall volumes processed over the year increased with 9.8% in comparison with 2021.

Due to these steady growing performances, total FFB production for the Group increased by 7.6% in the fourth quarter and by 5.6% for the full year 2022.

The average oil extraction rate (OER) for the fourth quarter of 24.2% was the highest for the year, mainly driven by the outstanding average OER of 25.7% of the mills in Papua New Guinea. This resulted in an average annual OER of 24.0% for the Group, equal to the 2021 average OER.

Some FFB had to be sold outside the Group as the expanded capacity of the Dendymarker mill in South Sumatra was only fully operational as from the second semester of the year. Consequently, the Group's growth in palm oil of 5.1% was slightly lower than the growth of 5.6% in palm fruits.

Declining rubber production was also recorded in the fourth quarter of the year (-19.8%), while the annual production decreased by 27.2% against 2021 production. This related entirely to the smaller number of rubber trees tapped, a result of the ongoing conversion from rubber to palm activities in the SIPEF group.

Fourth quarter banana production recorded a fairly large decline following unfavourable weather conditions. As a result, production cycles were shifted and flowering cycles were delayed, mainly on the Motobé and Azaguié sites.

Banana production for the year 2022 ultimately remained close to those of the year 2021. The additional production from the recently developed extension on the Lumen site compensated for the reduced volumes from the Motobé plantation. This latter decrease in production was the consequence of generally lower temperatures and high rainfall, exceeding the five-year average by more than 30%, resulting in the flooding of certain parcels.

1.2. Markets

Average market prices

In USD/tonne		**YTD Q4/22**	**YTD Q4/21**
Palm oil	CIF Rotterdam*	1 345	1 195
Rubber	RSS3 FOB Singapore**	1 810	2 071
Bananas	CFR Europe***	762	616

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

Contrary to the first nine months of the year, the last quarter of 2022 showed less volatility and prices were relatively stable. Palm oil was still gaining demand in the export domain and was priced very competitively compared to its rivals such as soybean oil and sunflower oil. As a result, exports were very good, particularly from Indonesia. All major importers took advantage of the reduction in prices and, active re-stocking was indicated by high inventories in the ports by the end of the year.

As palm oil production was passing its peak season, by late November the market's attention was drawn to the South American soybean growing conditions. Brazil was heading for a record crop, albeit there have been some yield reductions as of late, but Argentina was suffering again from hot and dry La Niña conditions. Combined, this production could bring some temporary relief, but was not considered to be sufficient to reduce the global tightness in vegoils.

The biggest impact on the agricultural markets was coming from external factors. Petroleum was rather volatile on the back of recession fears, an energy crisis was happening in Europe, the US dollar lost some of its strength, the Ukraine war continued, and (food) inflation remained a global worry. Most of these factors had a negative impact on palm oil prices, but were the main movers and shakers in the fourth quarter.

The impact of changing export tariffs was, for once, very subtle, and the Domestic Market Obligation (DMO) was manageable. The price of palm oil recovered from USD 950 to USD 1 050 CIF Rotterdam during the last quarter.

The palm kernel oil (PKO) market remained rather subdued, as the oleochemical industry, a high-intense energy consumer, was suffering greatly due to increased energy costs. That lack of demand triggered short-term price discounts to palm oil, making PKO temporarily the cheapest popular vegetable oil in the world. It recovered from that dip, although it settled to only a small premium over palm oil. PKO prices hovered between USD 950 and USD 1 050 CIF Rotterdam mostly during the fourth quarter.

The natural rubber market finally showed some signs of awakening. China's demand was slowly coming back, and production was suffering from very wet conditions. However, new car sales numbers are still disappointing. Prices of Sicom RSS3 hovered from USD 1 400 per tonne to USD 1 500 per tonne, and physical interest increased slightly.

Banana consumption remained very dynamic over the last quarter and, due to a limited supply from Latin American sources, the spot market selling price on the European market continued its upward trend. This selling price also followed the general cost inflation on all production areas, where energy, inputs and logistics showed substantial increases.

1.3. Financial statements

2022 was marked by a record net recurring result, share of the Group, of KUSD 108 157, mainly due to historically high palm oil prices. The Group managed to eliminate its net financial debt, notwithstanding a continued expansion resulting in capital expenditures of KUSD 79 294 and the payment of a record dividend of KUSD 22 280 or EUR 2 per share in July 2022.
In addition, historical milestones were achieved, such as: sales exceeding USD 500 million, equity rising above USD 800 million and total assets surpassing USD 1 billion.

1.3.1. Consolidated income statement

Consolidated income statement

In KUSD (management presentation)	**31/12/2022**	**31/12/2021**
Revenue	527 460	416 053
Cost of sales	-308 198	-249 240
Changes in the fair value	1 769	2 404
Gross profit	**221 031**	**169 218**

General and administrative expenses	-43 424	-36 891
Other operating income/(charges)	705	-4 552
Recurring operating result	**178 312**	**127 776**
Financial income	1 300	1 475
Financial charges	-3 803	-3 096
Exchange differences	-3 251	-1 157
Financial result	**-5 754**	**-2 779**
Recurring result before tax	**172 558**	**124 996**
Tax expense	-59 536	-36 075
Recurring result after tax	**113 021**	**88 922**
Share of results of associated companies and joint ventures	- 566	-1 091
Recurring profit for the period	**112 455**	**87 831**
Gain on sale PT Melania	0	11 640
Result for the period	**112 455**	**99 471**
Attributable to:		
- Equity holders of the parent – before sale of PT Melania	108 157	82 746
- Equity holders of the parent – after sale of PT Melania	108 157	93 749

Consolidated gross profit

In KUSD (condensed)	**31/12/2022**	**%**	**31/12/2021**	**%**
Palm oil	221 248	100.1	166 562	98.4
Rubber	-4 105	-1.9	-2 608	-1.5
Tea	195	0.1	134	0.1
Bananas and plants	2 294	1.0	3 803	2.2
Corporate	1 397	0.6	1 328	0.8
Total	**221 031**	**100.0**	**169 218**	**100.0**

Total sales increased by 26.7% versus 2021 to USD 527 million.

Palm oil sales grew by 30.2%. The rise in volumes sold was mainly due to the significantly higher world market price for crude palm oil (CPO). In addition, the total tonnes of CPO produced increased by 5.1%.

Sales in the banana and horticulture segment expressed in euro, the functional currency, increased by 3.2%, mainly due to higher unit selling prices. However, after conversion to USD, the functional currency of SIPEF, these sale figures decreased by 3.7% due to the EUR/USD exchange rate evolution.

The total cost of sales increased by KUSD 58 958 in 2022 in comparison with last year. The main elements of this rise are:

- Operating costs for the own plantations and mills increased by KUSD 23 058 or 12.6% . This was mainly due to higher fertiliser costs, the further maturing of the South Sumatra plantations (KUSD +9 588) and a higher cost for harvesting and transporting FFB at Hargy Oil Palms Ltd in Papua New Guinea.
- Third-party purchases of FFB from Hargy Oil Palms Ltd increased by KUSD 10 679 or 27.6%, largely due to higher purchase prices of FFB, the price of which is related to CPO.
- Third-party CPO purchases also increased by KUSD 11 728 as a result of a one-time purchase and sale transaction (without margin).
- Finally, there was a positive impact on the total cost of sales 2022 of KUSD 15 471 due to low closing stock as of 31 December 2022.

The average ex-factory unit cost for mature oil palm plantations increased significantly (+/- 10.0%) in 2022 compared with 2021, mainly due to increased fertiliser costs and higher bonus provisions. These negative effects were mitigated by a devaluation of the Indonesian rupiah (IDR) against the USD by 4.0%, reducing local costs expressed in USD.

The average ex-factory cost for the mature banana plantations over the same period, expressed in euro, the functional currency, increased by 24.7%. This sharp increase was due to higher input costs, such as fertilisers and packaging materials, as well as start-up costs in the Lumen and Akoudié expansion zones.

The ‘fair value adjustment’ related to the effects of valuing pending fruits at their fair value (IAS 41R).

Gross profit increased from KUSD 169 218 at the end of 2021 to KUSD 221 031 at the end of 2022, an increase of 30.6%

Gross profit from the palm segment grew by KUSD 54 687 to KUSD 221 248, mainly due to higher net ex-mill CPO prices. At USD 996 per tonne, the average realised net ex-factory CPO price was 23.4% higher than that of USD 807 per tonne at the same time last year. In addition, higher CPO production (+5.1%) and increased unit cost prices (+10.0%) played an important role, each in opposite ways.

The gross profit of the banana and horticulture segment decreased from KUSD 3 803 to KUSD 2 294 due to an increase in total costs. This rise was caused by, cost inflation in 2022 and the expansion of planted areas, which for the time being, could not be offset by sales.

General and administrative expenses increased in comparison with last year, mainly as a result of the raised bonus provision linked to better results, the further deployment of the Singapore branch office centralising the internal IT services of the Group and the normalisation of travel budgets following the covid-19 pandemic.

Recurring operating income amounted to KUSD 178 312 compared with KUSD 127 776 last year.

Financial income of KUSD 1 300 includes interests from receivables from plasma holders in South Sumatra (KUSD 844) and interest received on deposits (KUSD 456). Last year's amount (KUSD 1 475) also included a positive time effect of the discounting of the receivable from the 2016 sale of the SIPEF-CI oil palm plantation in Ivory Coast (KUSD 748). Therefore, the cash income in 2022 increased by KUSD 573 compared with 2021.

Financial charges were mainly related to long-term financing and a discounting on plasma holder receivables (KUSD 1 883).

The negative exchange results (KUSD 3 251) were mainly due to the hedging of the expected dividend in euro and the conversion into USD of the net IDR balance position at the Indonesian subsidiaries. Most of the positions were hedged but the sudden devaluation of the IDR against the USD at year-end led to a limited exchange loss anyway.

The result before taxes was KUSD 172 557 compared with KUSD 124 997 in 2021.

The effective tax rate amounted to 34.5%. This is significantly higher than the expected recurring tax charge of 26.6%. This is the consequence of a 15% withholding tax (KUSD 7 500) on the dividend paid from Papua New Guinea to the Belgian parent company. There was also the impairment of several deferred tax assets (KUSD 2 022) and the impact of a number of disallowed expenses (KUSD 4 022), among which the most important is the limitation of interest deduction in Indonesia (KUSD 2 240).

Share of result of associates and joint ventures (KUSD -566) included the limited negative contribution of research activities centralised in PT Timbang Deli and Verdant Bioscience Pte Ltd.

Recurring profit for the period was KUSD 112 455, up 28.0% against last year.

Recurring net income, share of the Group, amounted to KUSD 108 157 (USD 10.40 per share).

To date, there is no indication that the capital gain of KUSD 11 640 (KUSD 11 003, share of the Group) recorded 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)	31/12/2022	31/12/2021
Cash flow from operating activities before change in net working capital	216 714	178 796
Change in net working capital	-6 455	-8 523
Income taxes paid	-44 964	-9 962
Cash flow from operating activities after tax	**165 295**	**160 311**
Acquisitions intangible and tangible assets	-79 294	-68 692
Financing plasma advances	-4 504	-9 578
Selling price of PP&E and financial assets (PT Melania & SIPEF-CI)	-1 985	30 229
Acquisition financial assets	-5 500	0
Free cash flow	**74 012**	**112 270**
Other financing activities	-49 633	-102 084
Net movement in investments, cash and cash equivalents	**24 378**	**10 186**

In USD per share	31/12/2022	31/12/2021
Weighted average shares outstanding	10 401 938	10 418 431
Basic operating result	17.14	13.38
Basic net earnings	10.40	9.00
Diluted net earnings	10.36	8.99
Recurring net earnings (basic)	10.40	7.88
Cash flow from operating activities after tax	15.89	15.39

Cash flow from operating activities increased from KUSD 178 796 in 2021 to KUSD 216 714 in 2022, in line with the increase in operating profit.

The variation of the working capital of KUSD -6 455 mainly concerned a temporary increase in trade receivables and trade payables, and an increased bonus provision. The stock level of CPO was at a very high level throughout 2022 due to the destabilised local CPO market in Indonesia. At year-end it had fully normalised and was almost back to the same tonnage as at the end of 2021.

In Indonesia and Papua New Guinea, the Group made advance payments of taxes relating to fiscal year 2022 in accordance with local legislations. These were calculated partly on the 2020 results and partly on the 2021 results. Since the retained earnings were in each case lower than the 2022 results, the taxes paid (KUSD 44 964) were significantly less than the taxes to be paid (KUSD 59 427). In addition, the withholding tax on the dividend paid by Hargy Oil Palms Ltd to the Belgian parent company (KUSD 7 500) was not paid until January 2023.

Investments in intangible and tangible assets (KUSD -79 294) related to the usual replacement investments, but mainly to the expansions in South Sumatra (KUSD -36 225). Continued covid-19 related logistical and operational constraints kept investments temporarily below expectations of USD 100 million.

Additional loans (KUSD -4 504) were also made during the year to surrounding plasma holders in South Sumatra.

The sale price of tangible fixed assets and financial fixed assets (KUSD -1 985) concerned only the sale of minor tangible fixed assets and the cost of the sale of PT Melania. As a reminder, last year this item (KUSD 30 229) mainly included funds from the sale of PT Melania for KUSD 17 077, and the balance of KUSD 7 631 was related to the sale of SIPEF-CI.

In early 2022, the SIPEF group acquired the remaining 5% minority stake in PT Agro Muko at a cost of KUSD 5 500.

Free cash flow for the year was KUSD 74 012 compared to KUSD 112 270 for the same period last year.

Other financing activities (KUSD -49 633) included buy-back and sale transactions on treasury shares (KUSD -67), partial repayments of long-term financing (KUSD -18 000), a net increase of KUSD 219 of leasing debts, repayment of short-term financing (KUSD -7 048), dividend payments to SIPEF shareholders (KUSD -22 280), dividend payments to minority shareholders (KUSD -1 720) and net interest payments (KUSD -631).

1.3.3. Consolidated balance sheet

Consolidated balance sheet

In KUSD (management presentation)	31/12/2022	31/12/2021
Biological assets (depreciated costs) – bearer plants	316 714	307 371
Goodwill	104 782	104 782
Other fixed assets	383 287	363 934
Receivables > 1 year	28 287	25 666
Assets held for sale	13 520	13 520
Net current assets, net of cash	58 679	61 746
Net cash position	122	-49 192
Total net assets	**905 392**	**827 827**

Shareholders’ equity	817 803	727 329
Non-controlling interest	32 341	38 854
Provisions and deferred tax liabilities	55 248	56 814
Advances received > 1 year	0	4 830
Total net liabilities	**905 392**	**827 827**

The increase in biological assets and other fixed assets by KUSD 28 697 during 2022 was mainly due to investments in intangible and tangible fixed assets (KUSD 79 294) exceeding depreciation (KUSD 47 939).

Over-year receivables increased as a result of the granting of loans to plasma farmers in South Sumatra to finance their new plantings.

The assets held for sale of KUSD 13 520 concerned the estimated net sales value of the part of PT Melania owned by the Group until all conditions for a final sale are met.

Net current assets, net of cash, remained around the usual level of USD 60 million. The growth due to a rise in inventories and receivables was largely offset by an increase in taxes payable.

The net cash position improved by KUSD 49 314, thanks to positive cash flows, and amounted to KUSD +122 at the end of December 2022.

1.4. Dividends

In line with the 30% pay-out ratio of previous years, the board of directors proposes to approve a gross dividend of EUR 3.00 per share, payable on 5 July 2023. The proposal represents a 50% increase on the previous year’s gross dividend of EUR 2.00, paid in July 2022.

1.5. Prospects

1.5.1. Production

In the Indonesian own plantations, harvest at the beginning of the year remained well below expectations. This negative trend is, according to the field counts, likely to fade out during the first quarter, whereafter normalisation of production is expected. The main growth will continue to be recorded in the young mature areas in South Sumatra. This would again increase the Indonesian production from own estates by 16.2%, compared with the previous year.

For the activities in Hargy Oil Palms Ltd in Papua New Guinea, the usual rainy season has started. This has resulted mainly in a delay in the harvest and in transport to the mills, both for its own FFB and for collection from the local smallholders. However, it looks like crop volumes will remain high for the coming months and, if reasonable weather prevails, higher than anticipated volumes will be recorded in the first quarter.

In 2022, for the first time in history, the SIPEF group exceeded the annual volume of 400 000 tonnes of palm oil produced. It is expected, with increasing hectares harvested and maturing estates, that the annual production of palm oil will continue to grow with a factor of 5% on the volume produced in 2022, close to reaching 425 000 tonnes of CPO.

Banana production forecasts for the beginning of the current year are satisfying, with increasing flowering on all the sites. In addition, the harvests and yields from the new production sites will make it possible to optimise future exports. With the ongoing expansion of planted hectares of bananas in Ivory Coast, annual production should increase to more than 52 000 tonnes. This would equal to a year-over year growth of 61.7% for the volumes exported out of Ivory Coast.

1.5.2. Markets

The palm oil market started the new year with a very balanced stocks situation, with production indicating modest growth and demand expected to grow minimally at its usual pace. The entire world is still in re-stocking mode, and palm oil is still the most attractively priced vegoil. Furthermore, biofuel demand remains a strong growth factor, whereby Indonesia will increase its blend from B30 to B35, consuming roughly two million tonnes additionally per annum. Currently, the government of Indonesia has also curtailed its export capacity through a tighter DMO (1:6) regulation. Effectively these two measures combined suggest there will be less exportable volume available throughout the year.

Biofuel demand in general is still growing, not only in Indonesia, but predominantly in the US and Brazil. Both countries were traditionally vegoil exporters, but are slowly turning into net importers. In 2023, there will be another fine balance in the trade flows.

A big swing factor will be China, as it comes out of the lockdowns. It is generally agreed that imports of many food staples could grow significantly in 2023. Timing is of the essence and this could commence now that the Chinese New Year is over.

The macro environment is still a little uncertain in terms of direction, but as a group, SIPEF is looking forward to a healthy price environment for palm oil throughout 2023, as it is fundamentally well-positioned in the vegetable oil world.

Consumption of bananas remains very good overall. World production remains globally stable or slightly lower than in previous years, which suggests that the European market will maintain good momentum from the start of the year onwards. The expectations for the first semester in terms of selling prices are therefore promising.

1.5.3. Results

To date, the SIPEF group in Indonesia has sold 14% of its expected palm oil production for 2023, at an average price of USD 747 per tonne ex-mill gate equivalent, premiums for sustainability included. The available palm oil volumes are placed in the local market on a monthly basis, because of the unpredictable palm oil reference price. This reference price is not only the basis for fortnightly export taxes and export levies, but indirectly also affects the local tender prices.

In Papua New Guinea, the continuing strong international palm oil markets supported the realised sales prices. To date, 52% of the expected palm oil production has been sold at an average price of USD 1 133 per tonne ex-mill gate equivalent, premiums for sustainability, quality and origin included.

In total, the SIPEF group has to date sold 27% of the budgeted palm oil production, at an average price of USD 1 004 per tonne ex-mill gate equivalent, premiums included. At the same time in 2022, the Group had sold 33% of the expected production at a comparable average price of USD 1 185 per tonne.

The usual marketing policy of annual contracts at fixed prices was also continued in 2023 for almost the entire volume of expected banana production from Ivory Coast. In this way, the Group is not subject to the volatility of the international banana markets. Moreover, thanks to these annual contracts, it can supply to the European market all year round a quality product with added value.

The unit production cost prices of palm oil remain well under control. Despite a substantial increase in fertiliser prices, diesel prices and transport costs in 2022, it is expected that these elements will not experience a further incline in the current year. The stabilisation of these operating costs might compensate for the current higher than usual inflation-linked remuneration increases of the Group's employees. So far, the local currencies in the operating countries of the SIPEF group remain steadily linked to the USD, and have no immediate effect on the prevailing production costs expressed in USD.

Although palm oil prices are currently lower than in the peak period of the first half of 2022, they remain high in historical perspective. With the combination of rising annual production volumes, stable unit costs and a robust palm oil market, SIPEF can again look forward to a strong performance year 2023. However, the final recurrent result will depend to a significant extent on the evolution of the palm oil market in the second half of the year.

1.5.4. Cash flow and expansion

By the end of 2022, as a result of recent achievements, a total of 78 354 hectares of the SIPEF group was planted with oil palms. The supply base was near to 100 000 hectares, supplying nine palm oil processing mills in Indonesia and Papua New Guinea.

In 2023, the Group will continue to concentrate mainly on the investment programmes in South Sumatra. These programmes concern the further expansion of the planted areas and infrastructure in Musi Rawas, and completion of the replanting and infrastructure improvements in Dendymarker.

The construction of a second palm oil mill on one of the estates of Musi Rawas was started in 2022. This way, the Group will continue to provide sufficient processing capacity to process all the produced crop from both own estates and smallholders in South Sumatra into RSPO certified palm oil.

Since the acquisition in 2018, the own estates in Dendymarker have been fully replanted. The balance of 1 086 of smallholder (plasma) areas will be completed in the course of the year. As a consequence, by year end 2023, the total area of at least 10 103 hectares will have been rejuvenated with high yielding palms.

In Musi Rawas, in compliance with RSPO 'New Planting Procedures', an additional 1 878 hectares were compensated last year and 1 453 hectares were prepared for planting or planted, to reach a total of 16 423 cultivated hectares. This corresponds to 81.8% of the 20 065 hectares acquired through compensation. As per the end of 2022, the total renewed and cultivated area in the South Sumatra business unit was 25 440 hectares.

In addition to the expansion in South Sumatra, the Group is investing in 2023 in the renewal of materials and mills, as well as in the usual replanting programmes of 9 535 hectares of older plantings in Sumatra, Papua New Guinea and Ivory Coast.

The expansion of Plantations J. Eglin's banana plantations will be continued with 231 hectares in the current year. As a result, the total planted area will amount up to 1 225 hectares by year end 2023, leading to a gradual increase in production up to 60 000 tonnes by 2025.

The financing of the extensive investment budget, both in plantings and in infrastructure, including the construction of a new palm oil mill, might slightly exceed the generated cash flow for the year. This could result for the Group in a small, but well-managed, net financial debt position at the end of 2023.

2. Sustainability

2.1. The landscape approach at Hargy Oil Palms Ltd

SIPEF is committed to achieving a deforestation-free supply chain and to working closely in partnership with its suppliers, which consist of smallholders. There is an increasing interest from the smallholders and customary landowners in Papua New Guinea around SIPEF's operation to participate in the sustainable supply chain. Therefore, Hargy Oil Palms Ltd has started a project together with a licensed assessor, PT Hijau Daun, looking at a balanced approach towards an inclusive oil palm landscape. An integrated HCV-HCSA assessment was carried out which included field plots and surveys, in-depth interviews with participants and participatory land use mapping of customary lands. This has resulted in HCV-HCS vegetation cover maps and participatory land use plans, that will be validated through another round of consultation with all the communities.

2.2. Human rights and mediation process

SIPEF contributed to one of the RSPO RT2022 main panel discussions in November 2022 in Kuala Lumpur. In addition, SIPEF participated in one of the breakout sessions titled 'Complaints from Every Angle'. It reflected on its mediation outcomes on human rights due diligence processes in Indonesia, and more precisely on the PT AKL grievance case. In the process of finding a solution, one of the key aspects is to include inputs from all relevant stakeholders when developing an action plan, as it is the compass to measure progress. SIPEF was the first RSPO member to use the Dispute Settlement Facility designed by RSPO to resolve complaints more effectively.

3. Agenda 2023

20 April 2023		Quarterly information Q1
27 April 2023		Integrated annual report online available (at the latest) on www.sipef.com
14 June 2023		Ordinary and extraordinary general meeting
14 August 2023		Half-yearly financial report
19 October 2023		Quarterly information 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)

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, 16 February 2023

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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)	31/12/2022	31/12/2021
Non-current assets	**847 168**	**815 303**
Intangible assets	226	348
Goodwill	104 782	104 782
Biological assets - bearer plants	316 714	307 371
Other property, plant & equipment	379 931	359 896
Investments in associated companies and joint ventures	3 032	3 598
Financial assets	98	92
Other financial assets	98	92
Receivables > 1 year	28 287	25 666
Other receivables	28 287	25 666
Deferred tax assets	14 097	13 550
Current assets	**215 055**	**176 462**
Inventories	48 936	48 017
Biological assets	10 936	9 168
Trade and other receivables	92 371	82 161
Trade receivables	44 643	32 282
Other receivables	47 728	49 878
Current tax receivables	1 100	1 469
Investments	10 208	38
Other investments and deposits	10 208	38
Derivatives	1 639	0
Cash and cash equivalents	34 148	19 939
Other current assets	2 197	2 151
Assets held for sale	13 520	13 520
Total assets	**1 062 223**	**991 765**
Total equity	**850 144**	**766 183**
Shareholders' equity	817 803	727 329
Issued capital	44 734	44 734
Share premium	107 970	107 970
Treasury shares (-)	-11 588	-11 521
Reserves	687 933	596 813
Translation differences	-11 246	-10 666
Non-controlling interests	32 341	38 854
Non-current liabilities	**89 665**	**113 402**
Provisions > 1 year	767	1 125
Provisions	767	1 125
Deferred tax liabilities	48 131	46 950
Financial liabilities > 1 year	18 000	36 000
Leasing liabilities > 1 year	2 320	2 207
Pension liabilities	20 448	22 290
Advances received > 1 year	0	4 830
Current liabilities	**122 414**	**112 180**
Trade and other liabilities < 1 year	83 438	66 404
Trade payables	29 863	23 605
Advances received	5 698	11 934
Other payables	14 437	11 519
Income taxes	33 440	19 346
Financial liabilities < 1 year	23 913	30 961
Current portion of amounts payable > 1 year	18 000	18 000
Financial liabilities	5 323	12 477
Leasing liabilities < 1 year	590	484
Derivatives	0	2 066
Other current liabilities	15 063	12 749
Total equity and liabilities	**1 062 223**	**991 765**

Consolidated income statement

ANNEX 2

In KUSD (condensed)	31/12/2022	31/12/2021
Revenue	527 460	416 053
Cost of sales	-308 198	-249 240
Changes in the fair value of the biological assets	1 769	2 404
Gross profit	**221 031**	**169 218**
General and administrative expenses	-43 424	-36 891
Other operating income/(charges)	705	7 088
Operating result	**178 312**	**139 416**
Financial income	1 300	1 475
Financial charges	-3 803	-3 096
Exchange differences	-3 251	-1 157
Financial result	**-5 754**	**-2 779**
Result before tax	**172 557**	**136 637**
Tax expense	-59 536	-36 075
Result after tax	**113 021**	**100 562**
Share of results of associated companies and joint ventures	- 566	-1 091
Result for the period	**112 455**	**99 471**
Attributable to:		
- Non-controlling interests	4 298	5 722
- Equity holders of the parent	108 157	93 749

Earnings per share (in USD)		
From continuing and discontinued operations		
Basic earnings per share	10.40	9.00
Diluted earnings per share	10.36	8.99
From continuing operations		
Basic earnings per share	10.40	9.00
Diluted earnings per share	10.36	8.99
Basic earning per share excluding capital gain sale PT Melania	10.40	7.88

Consolidated statement of comprehensive income

In KUSD (condensed)	31/12/2022	31/12/2021
Result for the period	**112 455**	**99 471**
Other comprehensive income:		
Items that may be reclassified to profit and loss		
in subsequent periods		
- Exchange differences on translating foreign operations	- 580	372
- Cash flow hedges - fair value result for the period	2 147	905
- Income tax effect	- 537	- 226
Items that will not be reclassified to profit and loss		
in subsequent periods		
- Defined Benefit Plans - IAS 19R	- 126	- 631
- Income tax effect	28	139
Total other comprehensive income:	**932**	**559**
Other comprehensive income for the year attributable to:		
- Non-controlling interests	- 7	2
- Equity holders of the parent	939	557
Total comprehensive income for the year	**113 387**	**100 030**
Total comprehensive income attributable to:		
- Non-controlling interests	4 291	5 724
- Equity holders of the parent	109 096	94 306

Consolidated cash flow statement

ANNEX 3

In KUSD (condensed)	31/12/2022	31/12/2021
Operating activities		
Profit before tax	**172 557**	**136 637**
Result from discontinued operations before tax		
Adjusted for:		
Depreciation	47 939	48 616
Movement in provisions	-2 326	2 452
Stock options	140	121
Exchange results not yet realised	0	0
Changes in fair value of biological assets	-1 769	-2 404
Other non-cash results	947	- 773
Hedge reserves and financial derivatives	-1 558	2 178
Financial income and charges	620	2 369
(Gain)/loss on disposal of property, plant and equipment	162	1 241
(Gain)/loss on disposal of financial assets	0	-11 640
Cash flow from operating activities before change in net working capital	216 714	178 796
Change in net working capital	-6 455	-8 523
Cash flow from operating activities after change in net working capital	210 259	170 273
Income taxes paid	-44 964	-9 962
Cash flow from operating activities	**165 295**	**160 311**
Investing activities		
Acquisition intangible assets	0	- 40
Acquisition biological assets	-29 429	-27 396
Acquisition property, plant & equipment	-49 864	-41 256
Financing plasma advances	-4 504	-9 578
Acquisition subsidiaries	-5 500	0
Proceeds from sale of property, plant & equipment	1 517	5 521
Proceeds from sale of financial assets	-3 502	24 708
Cash flow from investing activities	**-91 283**	**-48 041**
Free cash flow	**74 012**	**112 270**
Financing activities		
Capital increase	0	0
Equity transactions with non-controlling parties	0	0
Increase of treasury shares	- 176	-2 194
Decrease of treasury shares	109	1 033
Decrease long-term financial borrowings	-18 642	-18 078
Increase long-term financial borrowings	755	0
Decrease short-term financial borrowings	-7 154	-73 710
Increase short-term financial borrowings	106	0
Last year's dividend paid during this bookyear	-22 280	-4 443
Dividends paid by subsidiaries to minorities	-1 720	-2 306
Interest received - paid	- 631	-2 386
Cash flow from financing activities	**-49 633**	**-102 084**
Net increase in investments, cash and cash equivalents	**24 378**	**10 187**
Investments and cash and cash equivalents (opening balance)	19 977	9 790
Investments and cash and cash equivalents (closing balance)	44 356	19 977

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, 2022	**44 734**	**107 970**	**-11 521**	**-5 033**	**601 846**	**-10 666**	**727 329**	**38 854**	**766 183**
Result for the period					108 157		**108 157**	4 298	**112 455**
Other comprehensive income				- 91	1 610	- 580	**939**	- 7	**932**
Total comprehensive income	**0**	**0**	**0**	**- 91**	**109 767**	**- 580**	**109 096**	**4 291**	**113 387**
Last year's dividend paid					-22 280		**-22 280**	-1 720	**-24 000**
Equity transactions with non-controlling parties (5% PT AM)					3 583		**3 583**	-9 083	**-5 500**
Other			- 67		140		**73**	0	**73**
December 31, 2022	**44 734**	**107 970**	**-11 588**	**-5 124**	**693 057**	**-11 246**	**817 803**	**32 342**	**850 144**
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					93 749		**93 749**	5 722	**99 471**
Other comprehensive income				- 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					-4 443		**-4 443**	-2 306	**-6 749**
Sale PT Melania							**0**	- 426	**- 426**
Other			-1 244		23		**-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**

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 the 'cut tear, curl' (CTC) produced by SIPEF Indonesia
- 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.
- The capital gain of the sale PT Melania was not included in the 'operating income/charges' but is included in a separate line

In KUSD (condensed)	31/12/2022	31/12/2021
Gross margin per product		
Palm	221 248	166 562
Rubber	-4 105	-2 608
Tea	195	134
Bananas and horticulture	2 294	3 803
Corporate	1 397	1 328
Total gross margin per product	**221 031**	**169 218**
General and administrative expenses	-43 424	-36 891
Other operating income/(charges)	705	-4 552
Financial income/(charges)	-2 503	-2 369
Discounting Sipef-CI	0	748
Exchange differences	-3 251	-1 157
Result before tax	**172 557**	**124 997**
Tax expense	-59 536	-36 075
Effective tax rate	-34.5%	-28.9%
Result after tax	**113 021**	**88 923**
Share of results of associated companies	- 566	-1 091
Result for the period before sale of PT Melania	**112 455**	**87 832**
Gain on sale PT Melania	0	11 640
Result for the period	**112 455**	**99 471**

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	495 737	-274 646	157	221 248	100.10
Rubber	3 821	-7 926	0	-4 105	-1.86
Tea	4 286	-4 090	0	195	0.09
Bananas and horticulture	22 219	-21 536	1 611	2 294	1.04
Corporate	1 397	0	0	1 397	0.63
Total	**527 460**	**-308 198**	**1 769**	**221 031**	**100.0**
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**	**-249 240**	**2 404**	**169 218**	**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	260 957	-161 780	968	128	100 272	45.4
Papua New Guinea	242 888	-124 880	0	29	118 036	53.4
Ivory Coast	22 219	-21 537	0	1 611	2 293	1.0
Europe	429	0	0	0	429	0.2
Total	**526 492**	**-308 198**	**968**	**1 769**	**221 031**	**100.0**
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**	**-249 240**	**900**	**2 404**	**169 218**	**100.0**