DekelOil Public Limited / Index: AIM / Epic: DKL / Sector: Food Producers

14 April 2016

**DekelOil Public Limited ('DekelOil' or 'the Company')**

**Final Results**

DekelOil Public Limited, operator and 51% owner of the vertically integrated Ayenouan palm oil project in Côte d'Ivoire, is pleased to announce its final audited results for the year ended 31 December 2015. Copies of the Annual Report are available on the Company's website www.dekeloil.com.

## Highlights

- Record full year production of 35,770 (2014: 14,242) tonnes of crude palm oil ('CPO') and 6,221 (2014: 2,504) tonnes of kernels at the Company's 70,000 tonnes per annum CPO extraction mill ('the Mill')
  - Represents a 151% increase on the CPO tonnages produced for the full year of 2014
- 134% increase in revenues to €23.4 million (2014: €10m) and EBITDA of €3.7 million compared to a 2014 loss of €0.4m
  - Derived from selling 35,573 tonnes of CPO and 4,806 tonnes of kernel (2014: 13,900 tonnes and 2,444 tonnes respectively)
- Strengthened balance sheet via offset agreement signed with joint venture partner, Biopalm Energy Ltd which reduces the Company's debt position by €5.1m
- Strengthened shareholder register with the introduction of new institutional investors
- Strong progress being made to establish the Company as the first Roundtable for Sustainable Palm Oil ('RSPO') certified, fully functioning producer of CPO in Côte d'Ivoire
- Multiple growth drivers for 2016:
  - The Board expects that like-for-like CPO production volumes will be higher in FY 2016 following an excellent first quarter which saw a 56% increase in production compared to Q1 2015
  - On track for a significant increase in 2016 sales via the sale of products from a new Kernel Crushing Plant ('KCP') which commenced operations in Q4 2015
  - Post year end refinance of €9.15m of senior debt at 7% interest compared to 10.5%

DekelOil Executive Director Lincoln Moore said, "2015 saw DekelOil deliver on our promise to add significant value to our West African palm oil operation. The strength of our revenues and EBITDA for the year and the record Q1 2016 production figures reported recently from our 60 t/hour extraction mill, highlight the efficacy of our activities. Operationally, we have seen a significant increase in feedstock we have received from smallholders, which demonstrates DekelOil's standing as a responsible and reliable processing company in the region. We have also recently delivered our first full quarter of production from our new KCP, which will play a strong role in building further value in our business during 2016. In tandem with reinforcing our business from an operational perspective, our debt re-financing has strengthened our balance sheet, which will help with our objective to implement a dividend policy in the future."

**CHAIRMAN'S STATEMENT**

2015 has been a year of breaking production records, achieving major milestones and, as a result, making considerable progress towards delivering on our objective to build DekelOil into a leading West African palm oil producer.

Our core business activity is the production and sale of crude palm oil ('CPO') at our vertically integrated project at Ayenouan in Cote d'Ivoire (the 'Project'). So it is particularly pleasing that the amount of CPO we have produced and sold during the year, at around 35,000 tonnes, is more than twice the amount achieved over the course of the eight months of 2014 when our 60t/hr extraction Mill first became operational. The excellent progress is testament to the logistics network we have put in place covering the area around the Mill, which includes a fleet of trucks and three collection hubs to facilitate the delivery of fruit grown by local smallholders to the Mill. Thanks to the combination of this network and our modern Mill, which is one of West Africa's largest and most efficient, there is ample scope for further production records to be set in the years ahead, starting with full year 2016 which has already delivered our best ever first quarter in terms of production and sales.

The excellent performance on the ground has been reflected in our full year financial results. Both revenue of €23.4 million (2014: €10.0 million) and EBITDA of €3.7 million (2014: €0.4 million loss) increased considerably in 2015 demonstrating the upward growth curve DekelOil is on. 2015 is also our first year of profitability across all metrics, having reported a profit after tax of €0.1 million (2014: €3.2 million net loss). Notably this commendable performance has been achieved against a backdrop of a challenging CPO pricing environment in 2015 caused by a combination of factors including: lower crude oil prices, which have had the effect of reducing demand for palm oil use in biodiesel production; concerns over a slow-down in the Chinese economy, the second largest consumer of CPO; record soya crop planting in the United States and South America on the back of relatively high 2014 soya pricing; and seasonally high production of CPO in South East Asia, which typically takes place between August and November. CPO prices have rebounded over 20% in early 2016 primarily driven by a decrease in production in South East Asia caused by dry weather conditions in the second half of 2015 widely attributed to the El Nino effect, the continuation of which should enhance our 2016 results.

All the above factors are seasonal, and importantly they do not detract from the structural growth drivers we believe will underpin global palm oil markets for many years to come. Our long held view remains very much intact: thanks to favourable global vegetable oil demand and supply forecasts the outlook for CPO prices over the medium term is highly positive. In the short term, as our full year results demonstrate, DekelOil can still thrive in challenging market conditions. This is due to the state of the art equipment we have installed at Ayenouan, which generates market leading margins; the favourable local supply and demand dynamic for CPO; as well as the natural margin hedge between the price we pay for FFB from smallholders and our sales price for CPO, both of which are linked to the international palm oil price.

While increasing CPO production at the Mill towards its full capacity is a key growth driver for DekelOil, it is by no means the only one. The year ahead will see a full contribution made by our recently commissioned KCP which will allow us to sell Palm Kernel Oil and Palm Kernel Cake, both of which are additional value add products. The KCP therefore provides an additional and enhanced revenue stream, when compared to the revenues we previously received through the sale of non-processed kernels. As was the case with our Mill, the KCP, which has an installed capacity of 80t/day and operates at 60 t/day, was built on time and on budget and importantly ready for the peak fruit 2016 harvesting season which typically runs from March to June. Sales of Palm Kernel Oil and Palm Kernel Cake have already commenced from the factory-gate under arrangements secured with local refineries and suppliers, demonstrating the strong local demand for these products. Like the Mill, we are also looking to process kernels sourced from outside our own operations and discussions are underway with relevant parties. Still in Ayenouan, we intend to increase our own planted estates towards our target of sourcing 25% of FFB for our Mill from our own plantations, with the remaining 75% provided by local smallholders. We already have approximately 2,000ha of our own plantations and we have a medium term target to increase this to 5,000ha. Clearly as we do not have to buy FFB, using company-grown feedstock has a positive impact on margins and profitability at Ayenouan.

Thanks to the progress made we have a modern, highly cash generative platform in place to help fund further expansion across the region, and there is no shortage of suitable growth opportunities for us to pursue. We already hold a second project in the Cote d'Ivoire in Guitry (the 'Guitry Project'), which is located approximately 160 km west of Abidjan, and 240km west of our Ayenouan project. Here we have an agreement in place with landowners covering 24,000 hectares of brownfield estates in Guitry, which are mostly old cocoa and palm oil plantations. Our aim is to replicate the model we have successfully deployed at Ayenouan and build a vertically integrated palm oil project at Guitry, including a Mill, nursery and company estates.

From the outset, the foundation of our business model has been based on working closely with local smallholders to provide them with an additional route to market for their FFB and, in the process, close the gap between fruit production and processing capacity in the area. In keeping with this, we were delighted to sign an agreement with the Projet d'Appui au Secteur de l'Agriculture de Côte d'Ivoire project ('PSAC'), an organisation which is 70% financed by both the World Bank and International Finance Corporation ('IFC') and 30% by the local Inter-professional Association of Oil-Palm Industry. PSAC is establishing a pilot zone in DekelOil's operating region which involves improving the quality of the roads and providing 5,000ha of land suitable for palm oil for smallholder operations. Under the terms of the agreement, we provided the scheme with 140,000 plants from our nursery in 2015 and we have committed a total of 420,000 plants for 2016. PSAC is subsidising 50% of DekelOil's costs associated with preparing nursery plants for sale to smallholders. All plants sold will be planted in the region of Ayenouan, therefore the scheme complements the Company's strategy to increase production of FFB for input into our Mill and it is anticipated that these smallholders will become new trading or more significant partners with DekelOil as they come into FFB production in three years' time.

In addition to our close ties with smallholders, DekelOil plays an active role in the local community. In 2015, we funded the renovation of the school of the village next to our Mill at Ayenouan and also supported government initiatives including those directed by the Minister of Health. In recent weeks, we have embarked on a three year programme with the local village which involves DekelOil transporting the children of Ayenouan to the regional high school each morning and evening; funding the twice weekly visits of a doctor to the village; the building of three new classes to increase the school's capacity; the installation of water pipes and a pump to fill up the village water reservoir using the borehole at the Mill site; supporting the village football team by providing kit and balls; and providing the village clinic with additional space and equipment including a basic laboratory and labour ward.

At DekelOil, we take our social and environmental responsibilities seriously and as well as being a leading producer of palm oil, we are also focused on ensuring DekelOil is recognised as a sustainable and responsible producer. We are therefore working towards gaining certification by the RSPO, which would make us the first in Côte d'Ivoire and among the first in West Africa to be certified. Proforest, an internationally recognised environment and social consulting group, has been helping us with the execution of social and environmental programmes to ensure our activities are compatible with the standards set by the RSPO.

**Financial**

During the period total sales amounted to €23.4 million (31 December 2014: €10.0 million), and the Company reported a net profit after tax of €0.1 million compared to a net loss of €3.2 million over the year to 31 December 2014 and EBITDA of €3.7 million (2014: €0.4 million loss).

In December 2015, our balance sheet was significantly strengthened following a €5.1 million reduction in the Company's debt position. This followed the signing of an offset agreement with our joint venture partner, Biopalm Energy Ltd ('Biopalm'), whereby a capital note totalling €5.1 million owed to Biopalm at the project level was cancelled in return for DekelOil waiving Biopalm's outstanding €1.1 million equity contribution to the Project. This agreement allows Biopalm to maintain its 49% interest in the joint venture which we view as an endorsement of the attractive economics of our project at Ayenouan. It is worth noting that under the terms of the cancelled loan note, interest was payable by the Project at 10% per annum and ranked above that of future dividends to ordinary shareholders. The removal of the loan from the balance sheet therefore facilitates the adoption of a dividend policy at an appropriate juncture in DekelOil's development.

With CPO production and sales on an upwards trajectory, our first project at Ayenouan has been significantly de-risked. It has always been our intention that once positive EBITDA had been established, we would further strengthen our balance sheet so that it more fully reflects DekelOil's status as a growing palm oil producer rather than a pure project development company. Specifically we have been focused on refinancing our existing senior debt facilities on improved terms, which were previously secured when the project was very much at the development stage. Post period end, we announced a new seven year €9.15 million loan with interest payable at a rate of 7% secured with NSIA Banque Cote D'Ivoire (the 'New Loan'). This replaces a €8.65 million loan with interest payable at a rate of 10.5% secured with BIDC-EBID (ECOWAS Bank of Investment and Development). The New Loan's lower interest rate of 7% results in an estimated €270,000 reduction in annual interest costs which drops straight to the bottom line. Discussions are also well advanced to improve the terms of our outstanding development loan with BOAD.

**Outlook**

We have said in the past that once operational our vertically integrated palm oil project at Ayenouan could be viewed as having annuity type characteristics thanks to its visible revenues stretching out over an extended period of time. We believe the years ahead will show this to be the case. Of course annuities pay out a regular income stream and it is our intention that DekelOil will do the same in the form of dividends to shareholders when it is appropriate to do so. In the meantime, the refinancing of the €8.65 million loan on improved terms, as well as the further institutionalisation of our shareholder register provides third party recognition of the excellent progress made in not only growing revenues but also in significantly de-risking the Project. We are confident that the momentum behind the business will continue to build in the year ahead and beyond in terms of increased production and sales. These will be reinvested into further growth opportunities to expand our regional footprint in a controlled and disciplined manner, as we look to replicate the success we have had at Ayenouan elsewhere in the region, and in the process deliver on our objective to build a leading West African focused palm oil producer.

I would like to take this opportunity to thank our Board and management team, employees, our advisers, our local stakeholders and partners for their hard work and support over the course of the year, and I look forward to working with them closely in 2016 as we focus on generating significant value for all our shareholders.

Andrew Tillery

Non Executive Chairman
Date: 13 April 2016

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | | 31 December | |
|---|---|---|---|
| | | **2015** | **2014** |
| | | | **Restated (*)** |
| | **Note** | **Euros in thousands** | |
| ASSETS | | | |

| | | | |
|---|---|---|---|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | 411 | 2,092 |
| Inventory | | 872 | 301 |
| Accounts and other receivables | 5 | 262 | 263 |
| Total current assets | | 1,545 | 2,656 |
| NON-CURRENT ASSETS: | | | |
| Long-term deposits | 6 | - | 119 |
| Property and equipment, net | 7 | 28,964 | 28,024 |
| Total non-current assets | | 28,964 | 28,143 |
| Total assets | | 30,509 | 30,799 |

(*) Restated due to adoption of amendments to IFRS – see Note 2r.

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | | 31 December | |
|---|---|---|---|
| | | **2015** | **2014** |
| | | | **Restated(*)** |
| | **Note** | **Euros in thousands** | |
| EQUITY AND LIABILITIES | | | |
| CURRENT LIABILITIES: | | | |
| Short-term loans and current maturities of long-term loans | 10 | 4,930 | 2,182 |
| Trade payables | | 768 | 1,440 |
| Advance payments from customers | | 281 | 1,330 |
| Other accounts payable and accrued expenses | 8 | 1,064 | 445 |
| Total current liabilities | | 7,043 | 5,397 |
| NON-CURRENT LIABILITIES: | | | |
| Long-term financial lease | 9 | 73 | 19 |
| Accrued severance pay, net | | 40 | 56 |
| Long-term loans | 10 | 12,116 | 14,930 |
| Capital notes | 11 | 1,760 | 6,174 |
| Financial liability for warrants | | - | 318 |
| Total non-current liabilities | | 13,989 | 21,497 |
| Total liabilities | | 21,032 | 26,894 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | 4,436 | 1,757 |
| Non-controlling interest | | 5,041 | 2,148 |

| | | | |
|---|---|---|---|
| Total equity | 14 | 9,477 | 3,905 |
| Total liabilities and equity | | 30,509 | 30,799 |

(*) Restated due to adoption of amendments to IFRS – see Note 2r.

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Note | Year ended 31 December 2015 | Year ended 31 December 2014 Restated(*) |
|---|---|---|---|
| | | Euros in thousands (except share and per share amounts) | |
| Revenues | 15 | 23,436 | 9,973 |
| Cost of revenues | 18a | (17,998) | (8,453) |
| Gross profit | | 5,438 | 1,520 |
| General and administrative | 18b | (2,518) | (2,573) |
| Operating profit (loss) | | 2,920 | (1,053) |
| Finance cost | 18c | (2,776) | (2,224) |
| Income (loss) before taxes on income | | 144 | (3,277) |
| Taxes on income | 16 | (26) | (8) |
| Net income (loss) and total comprehensive income (loss) | | 118 | (3,285) |
| Attributable to: | | | |
| Equity holders of the Company | | (316) | (2,120) |
| Non-controlling interests | | 434 | (1,165) |
| Net income (loss) and total comprehensive income (loss) | | 118 | (3,285) |
| Net income (loss) per share attributable to equity holders of the Company: | | | |
| Basic and diluted income per share | | 0.00 | 0.00 |
| Weighted average number of shares used in computing basic and diluted income per share | | 1,533,650,324 | 1,362,243,608 |

(*) Restated due to adoption of amendments to IFRS – see Note 2r.
The accompanying notes are an integral part of the consolidated financial statements.