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

DekelOil Public Limited ('DekelOil' or 'the Company')
Interim 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 interim results for the six months ended 30 June 2015.

Highlights

- Record half yearly production of 21,836 (2014: 7,932) tonnes of crude palm oil ('CPO') and 3,733 (2014: 1,311) tonnes of kernels for the period
    - Six monthly figures represent a 53% increase on the tonnages produced for the full year of 2014
- 187% increase in revenues to €12,936,000 (2014: €4,505,000) and an eight-fold increase in EBITDA to €2.3 million (2014: €300,000)
    - Derived through selling 19,184 tonnes of CPO and 3,760 tonnes of kernel (2014: 5,559 tonnes and 1,253 tonnes respectively)
- Commencement of initiatives to increase sales and profitability via the sale of Palm Kernel Oil and Palm Kernel Cake at Ayenouan from a Kernel Crushing Plant ('KCP') which is under construction at present and which is expected to commence operations in Q4 2015
- Strong progress being made to establish the Company as the first Round Table for Sustainable Palm Oil ('RSPO') certified, fully functioning producer of CPO in Côte d'Ivoire
- The Board expects that like-for-like CPO production volumes will be higher in H2 2015 in comparison to the same period last year and for production to continue to increase in 2016

DekelOil Executive Director Lincoln Moore said, "DekelOil has a proven ability to execute growth initiatives effectively and I am pleased to report that our revenues and EBITDA have been impacted very positively as a result of our activities during the first six months of the year. Having announced record production from our world-class Mill during the period, we are now focused on building on this momentum to deliver further value for shareholders. Our KCP will play an important role in this strategy and we look forward to this becoming operational in Q4 2015. Importantly, we are dedicated to delivering our growth sustainably and are pleased with the progress made towards becoming certified as a sustainable producer of palm oil in West Africa."

Chairman's Statement

The first half of the 2015 financial year saw DekelOil go from strength to strength in terms of bolstering production from our vertically integrated palm oil operation in Côte d'Ivoire.

Having completed 2014 with eight months of production under our belt from the extraction mill at our 51% owned Ayenouan Project, our focus has been firmly fixed on increasing our production rates and to ensuring our supply of Fresh Fruit Bunches ('FFB') is growing. Accordingly, towards the end of 2014 we started to implement a logistics strategy to facilitate and simplify delivery of smallholder feedstock to our premises. I am pleased to report that these initiatives, which included investment in our transport fleet and the development of collection hubs, were highly effective and in April 2015 we announced that we had already surpassed 2014's total production of 14,242 tonnes of CPO. This excellent momentum continued throughout peak harvesting season and by the end of the half year, we had produced 21,836 tonnes of CPO and 3,733 tonnes of kernels, which represents a 53% increase on the 14,242 tonnes produced for the whole of 2014. This translated into sales of 19,184 tonnes of palm oil at an average price per tonne of €617 and 3,760 tonnes of kernel sold at €183 per tonne ex-Mill.

The increase in our production for H1 2015 has resulted in a significant uplift in financial results which are summarised in the table below:

	H1 2015	H1 2014
Sales	€12.9m	€4.5m
Gross Margin	25%	21%
EBITDA	€2.3m	€300k
Net Loss after Tax	€93k	€764k

These results have been achieved despite a challenging CPO pricing environment which has recently seen international prices at the lowest levels since 2009. In our view, the reduction in CPO prices has been driven by a perfect storm of lower crude oil prices decreasing palm oil demand for biodiesel production; recent speculation of the slow-down of 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 seasonal high production of CPO in South East Asia which typically takes place from August to November.

We are managing this price fluctuation better than most given we receive a premium price to the international price for our product because local demand for CPO continues to outstrip supply. Also, our input cost for FFB is partially linked to the international palm oil price providing us with a natural margin hedge between the price we pay for FFB from smallholders and our sales price for CPO. DekelOil is therefore continuing to operate profitably and is well positioned to thrive once one or more of the factors contributing to lower CPO prices unwind. Certainly in the medium term, based on global vegetable oil demand and supply forecasts, we remain bullish about the prospects of CPO prices and importantly, our current operating project and our expansion land ideally positions DekelOil for the long term.

With this strong operational and financial platform now built, we are focused on the following objectives:

- Increasing like for like CPO production in H2 2015 compared to H2 2014 and continuing to increase CPO production into the 2016 financial year;

- Increasing total sales and profitability of our operations via the commencement of operations at our KCP in Q4 2015;
- Continuing our progress to become the first RSPO certified, fully functioning producer of CPO in Côte d'Ivoire;
- Continuing our planting programme in the Ayenouan region and commencing operations at our second project at Guitry; and
- Utilising our positive EBITDA performance to refinance our existing senior debt facilities on improved terms.

Aside from our own plantations, FFB for our Mill at Ayenouan will always be predominantly sourced from local smallholders and we expect like-for-like CPO production volumes in H2 2015 to be higher than last year and production to continue to increase in 2016. This will be achieved by further natural production growth from our smallholder client base and an increase in production derived from feedstock produced on our own estates. We already have 1,900 hectares planted, which are now beginning to yield FFB. A further 500 hectares will be planted in the near term close to the Mill.

The construction of our KCP, which commenced in H1 2015, will allow us to produce and sell Palm Kernel Oil and Palm Kernel Cake at the Mill gate. This will enhance the Company's profitability when compared to the revenues we currently receive through the sale of non-processed kernels. The KCP, which is being constructed by Modipalm Engineering SDN BHD on a turnkey basis for a total capex outlay of €1.1m, is due for commissioning in Q4 2015. Once operational, the KCP will operate at 60 t/day with an installed capacity of 80t/day and I am pleased to report that construction is progressing well. With this in mind, kernels are now being gradually stock-piled in anticipation of operations commencing later this year. At the same time, discussions are underway with local groups to purchase kernels in addition to the Company's own stock for input into the plant.

As a palm oil producer, we are deeply cognisant of the need to develop our estates as sustainably as possible and we take this responsibility very seriously. Our vision is to become the first RSPO certified, fully functioning producer of CPO in Cote d'Ivoire and to be among the first in West Africa. With this in mind, in August 2015 we set out the considerable progress we are making towards this goal in line with the standards set by the Round Table for Sustainable Palm Oil. This prestigious organisation is recognised internationally as the standard bearer for sustainable palm oil and having been a member since 2008, RSPO certification has been uppermost in our minds ever since the Company was established.

In order to prepare our milling operations and oil palm estates for certification, over the past 12 months we have been working with Proforest, an internationally recognised environmental and social consulting group based in Oxford, to assist with the implementation of social and environmental programmes. This has seen us complete a baseline assessment of our activities against the requirements of the RSPO Principles and Criteria, resulting in a detailed action plan. Dedicated to deliver on this, we have formed a Certification Committee, chaired by our Chief Executive Officer, Youval Rasin, and we have been making headway to execute this. We anticipate that the Mill will be certified first, with our palm oil estates expected to be certified within three years of the completion of the Mill certification.

Our business model was developed in response to smallholder demand for a processing outlet for their FFB, which was lacking previous to our entry into the market. We are proud to have positively impacted the lives of thousands of smallholders and the communities in which they live and a recent agreement with World Bank-backed Projet d'Appui au Secteur de l'Agriculture de Côte d'Ivoire project ('PSAC') will enable us to strengthen our close ties with the local community further with our nursery activities.

As part of its overall plans for the region, 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. The 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, will subsidise 50% of our costs associated with preparing nursery plants for sale to smallholders. This will apply to the 140,000 plants grown at our nursery that we have committed to allocating to the scheme in 2015 and the 420,000 plants committed in 2016. All plants sold will be planted in the region where DekelOil operates its producing palm oil project in Ayenouan, which complements the Company's strategy to increase production of FFB for input into its 60tn/hr Mill over time. It is anticipated that these smallholders will become new trading partners with DekelOil as they come into FFB production in three years' time.

Outlook

I hope shareholders will agree that we have a proven track record of delivering on our stated objectives swiftly and effectively. When reflecting on our current status in comparison to what we set out to achieve at the beginning of the period, we are immensely proud of our achievements during H1 2015. Having increased our production dramatically, and with our KCP due to be operational in Q4 2015, we are confident that we will transform the Group’s profitability for the full year. Additionally, we have made significant progress towards becoming a certified producer of palm oil, which will differentiate us from our peers. As demonstrated by our work alongside PSAC, we are pleased to note that our project will play a significant role in the community’s future development. Of course, as reiterated in previous statements, our activities continue against the backdrop of what is a very exciting corporate environment with West Africa. With significant recent capital in-flows to Cote d’Ivoire and a number of major palm oil developers looking to secure future expansion in the region, DekelOil is well positioned to continue to grow its existing operation at Ayenouan and with the on-going development of Guitry. This underpins our growth strategy and our focus on expansion.

I would like to take this opportunity to thank our Board and management team, our advisers, our local stakeholders and partners and of course our valued shareholders and hope that they share in our excitement for the future.

Andrew Tillery

Non Executive Chairman

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2015	31 December 2014
	Unaudited	Audited
	Euros in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	1,764	2,092
Inventory	1,690	216
Government authorities and accounts receivable	298	263
Total current assets	3,752	2,571
NON-CURRENT ASSETS:		
Long-term deposits	1	119
Biological assets	7,441	7,299
Property and equipment, net	21,938	21,533
Total non-current assets	29,380	28,951
Total assets	33,132	31,522
CURRENT LIABILITIES:		
Trade payables	835	1,440
Short-term loans and current maturities of long-term loans	2,002	2,182
Advance payments from customers	2,499	1,330
Other accounts payable and accrued expenses	739	445
Total current liabilities	6,075	5,396
NON-CURRENT LIABILITIES:		
Long-term capital lease	19	19
Accrued severance pay, net	62	56
Long-term loan	14,984	14,930
Capital notes and other liabilities	6,554	6,174
Financial liability for warrants	397	318
Total non-current liabilities	22,016	21,497
Total liabilities	28,091	26,894
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	2,140	2,178
Non-controlling interests	2,901	2,450
Total equity	5,041	4,628
Total liabilities and equity	33,132	31,522

CONSOLIDATED STATEMENTS OF INCOME

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
	Unaudited	Unaudited	Audited
	Euros in thousands (except share and per share amounts)		
Revenues	12,936	4,505	9,973
Net gain from changes in fair value of biological assets	-	439	588
Operating expenses	(9,671)	(3,551)	(8,318)
General and administrative	(1,442)	(1,242)	(2,573)
Profit (loss) before financing costs	1,823	151	(330)
Finance cost	(1,909)	(912)	(2,224)
Loss before taxes on income	(86)	(761)	(2,554)
Taxes on income	(7)	(3)	(8)
Net loss and total comprehensive loss	(93)	(764)	(2,562)
Attributable to:			
Equity holders of the Company	(344)	(570)	(1,699)
Non-controlling interests	251	(194)	(863)
Net loss and total comprehensive loss	(93)	(764)	(2,562)
Net loss per share attributable to equity holders of the Company (in Euros):			
Basic and diluted loss per share in Euros	0.00	0.00	0.00

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Additional paid-in capital	Accumulated deficit	Capital reserve	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Euros in thousands							
Balance as of 1 January 2014 (audited)	44	4,049	(8,771)	2,532	3,175	1,029	2,844	3,873
Net loss and total comprehensive loss			(1,699)			(1,699)	(863)	(2,562)
Capital contribution to subsidiary by non-controlling interests	-	-	-	-	-	-	469	469
Conversion of liability to equity	*) -	179	-	-	-	179	-	179
Issuance of shares, net of issuance costs	6	2,476	-	-	-	2,482	-	2,482
Share-based compensation	-	187	-	-	-	187	-	187
Balance as of 31 December 2014 (audited)	50	6,891	(10,470)	2,532	3,175	2,178	2,450	4,628
Net profit loss and total comprehensive profit loss			(344)			(344)	251	(93)
			-	-	-			-
Issuance of shares	*) -	10	-	-	-	10	-	10
Capital contribution to subsidiary by non-controlling interests	-	-	-	-	-	-	200	200
Share-based compensation	-	296	-	-	-	296	-	296
Balance as of 30 June 2015 (unaudited)	50	7,197	10,814	2,532	3,175	2,130	2,901	5,041

*) Represents an amount lower than €1.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Additional paid-in capital	Accumulated deficit	Capital reserve	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Euros in thousands							
Balance as of January 2014 (audited)	44	4,049	(8,771)	2,532	3,175	1,029	2,844	3,888
Net loss	-	-	(570)	-	-	(570)	(194)	(764)
Issuance of shares, net	2	828	-	-	-	830	-	830
Capital contribution to subsidiary by non-controlling interests	-	-	-	-	-	-	469	469
Share-based compensation	-	32	-	-	-	32	-	32
Balance as of 30 June 2014 (unaudited)	46	4,909	(9,341)	2,532	3,175	1,321	3,119	4,440

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
	Unaudited	Unaudited	Audited
	Euros in thousands		
Cash flows from operating activities:			
Net loss	(93)	(764)	(2,562)
Adjustments to reconcile net loss to net cash provided by (used in) in operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	473	187	497
Share-based compensation	296	32	187
Accrued interest on long-term loan and non-current liabilities	2,035	527	1,953
Change in employee benefit liabilities, net	6	5	23
Gain from changes in fair value of biological assets	-	(439)	(588)
Changes in asset and liability items:			
Increase in trade receivables		(393)	-
Increase in inventory	(1,474)	(917)	(216)
Decrease (increase) in Government authorities and accounts receivable	(35)	220	226
Increase (decrease) in trade payables	(188)	440	1,054
Increase in advance from costumers	1,169	305	693
Increase in financial liability for warrants	79	105	43
Increase in accrued expenses and other accounts payable	295	70	10
	2,656	142	3,874
Cash paid during the year for:			
Interest	(1,081)	(448)	(1,370)
Cash paid during the year for:			
Tax	-	-	(8)
Net cash provided by (used in) operating activities	1,482	(1,070)	(58)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
	Unaudited	Unaudited	Audited
	Euros in thousands		
Cash flows from investing activities:			
Long-term deposits	118	17	13
Investment in biological assets	(142)	-	(66)
Purchase of property and equipment	(1,295)	(2,734)	(5,368)
Net cash used in investing activities	(1,319)	(2,717)	(5,421)
Cash flows from financing activities:			
Issuance of shares, net	10	830	2,482
Capital contribution to subsidiary from non-controlling interests	200	469	469
Receipt of loans	661	2,012	3,650
Repayment of long-term loans	(1,377)	-	(142)
Payment of long-term capital lease	-	(2)	(5)
Net cash provided by financing activities	(506)	3,309	6,454
Increase (decrease) in cash and cash equivalents	(343)	(478)	975
Cash and cash equivalents at beginning of period	2,092	1,117	1,117
Cash and cash equivalents at end of period	1,764	639	2,092
(a) Supplemental disclosure of non-cash financing activities:			
Conversion of long term liability to warrants and shares	-	-	179

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

NOTE 1:- GENERAL [DO THE DEFS NEED TO BE REPEATED?]

a. DekelOil Public Limited ("the Company") is a public limited company incorporated in Cyprus on 24 October 2007. The Company is engaged through its subsidiaries in developing and cultivating palm oil plantations in Côte d’Ivoire and the processing, production and marketing of Crude Palm Oil ("CPO"). The Company's registered office is in Limassol, Cyprus.

b. As of 30 June 2015, the Company has a working capital deficiency of Euro 2,323 thousands. During the six months ended 30 June 2015 the Company incurred a net loss of Euro 93 thousands.

In 2014 the Company completed the construction of its palm oil extraction mill and commenced production and sale of palm oil. The mill is presently generating positive cash flows and during the six months ended 30 June 2015 the Company generated a positive cash flow from operations of Euro 1,482 thousands. Company's management expects the positive cash flows to grow as the mill increases its production capacity. However, the operations of the mill are subject to various market conditions that are not under the Company's control that could have an adverse effect on the Company's cash flows.

Based on the aforementioned, the Company management believes that it will have sufficient funds necessary to finance its operations and meet its obligations as they
come due at least for the next twelve months from the date the financial statements are approved.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation:

The interim condensed financial statements as of 30 June 2015 and for the six months then ended have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.
The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of 31 December 2014 and their accompanying notes.

b. Accounting policies:

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2014.

c. Fair value of financial instruments:

The Company's financial instruments that are presented in the financial statements not at fair value approximate their carrying amount.

NOTE 3:- SIGNIFICANT EVENTS DURING THE PERIOD

a. On 15 January 2015 the Company granted directors and senior employees options to purchase 81,000,000 Ordinary shares. Of that amount, 18,000,000 options vested immediately and the remainder will vest ratably over 3 years. Half of the options have an exercise price of 1.25 pence per share while the remainder is exercisable at a price of 2 pence per share. The fair value of the options granted calculated based on Black-Scholes option pricing model is approximately €820 thousands. .

b. In January 2015 the Company paid the advance payment of €160 thousands to Modipalm. In May 2015 the equipment of the kernel crashing plant was shipped and the second payment of €438 thousands was made. On 23 June 2015, the equipment arrived in Côte d’Ivoire (See note 25d in the 2014 audited financial statements).

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Notes:

DekelOil Public Limited is a low cost producer of palm oil in West Africa, which it is focused on rapidly expanding. To this end, it has a 51% interest in one of the largest oil processing mills based in Côte d'Ivoire, which has a capacity of 70,000 tons of CPO. Feedstock for the Mill comes from mature palm oil plantations that have been secured under long term contracts with smallholders, however it also has nearly 1,900 hectares of its own plantations. Furthermore, it has a world-class nursery with a 1 million seedlings a year capacity.