KAMPANI

Investing in family farming

ANNUAL REPORT 2019

TABLE OF CONTENTS

Cover: *Harvest time for Cassia Co-op. Cinnamon spice is made from the inner bark of the Cinnamon tree.* *See page 14 for details.*

PREAMBLE
BY THE CHAIRMAN

Dear investors, stakeholders and friends of Kampani,

I am happy to report that Kampani added its sixth deal to its portfolio in 2019. It involves an SME in Tanzania called Mambo Coffee. In the first months of 2020 we signed two more deals, in Nicaragua and Myanmar, and we have also made one add-on investment.

The COVID-19 crisis has hit Kampani's investees in different ways. For some, it has created an opportunity as the supply lines of the competition are disrupted. Others are suffering or are affected indirectly as the supply of spare parts, for instance, is delayed. While Kampani will continue to support its investees struggling through this crisis, the current uncertainty makes it hard to assess and predict the longer-term impact.

Kampani completed a fundraising round in 2019. We welcomed two new investors — The Catholic University of Leuven, and a private investor. More than 1 million EUR was added to our capital, bringing it to 4.080.000 EUR. As was the case for the previous round, the investors also paid an issuance premium totalling 123.600 EUR, to secure consistency between the shareholders. Kampani also received a grant of 10.000 EUR from Bank Delen to help fund our TA facility.

On behalf of the Board, I would like to thank Alterfin and its team as well as the investors who have made these efforts to reach tens of thousands of smallholder farmers possible.

Steven Serneels

SHAREHOLDERSHIP

Koning Boudewijnstichting
Fondation Roi Baudouin
König-Baudouin-Stiftung
King Baudouin Foundation

LOUVAIN COOPERATION

alterfin
Investing in sustainable development

OXFAM Wereldwinkels

KU LEUVEN

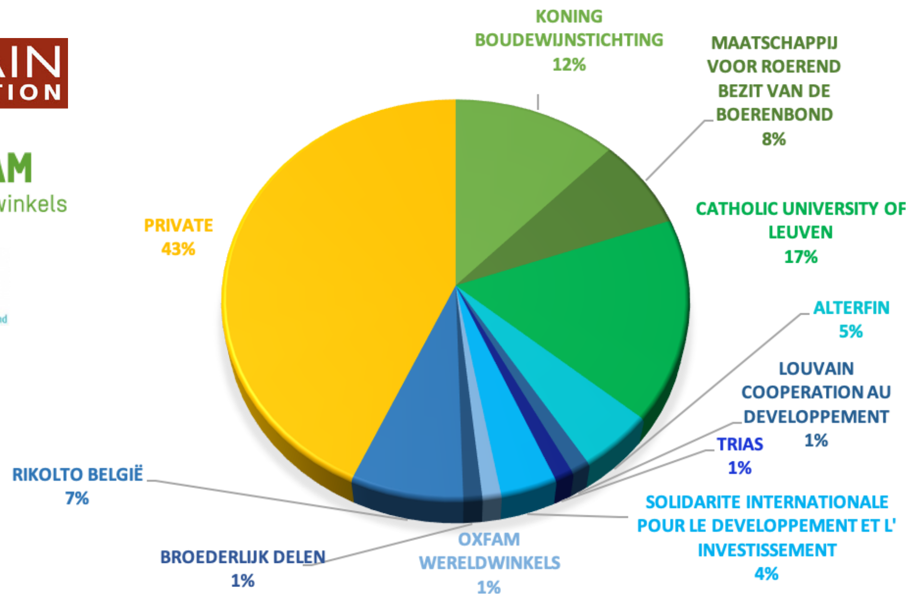
mrbb
Maatschappij Roerend Bezit Boerenbond

rikolto

Broederlijk Delen
TOT IEDEREEN MEE IS

SIDI
SOLIDARITÉ INTERNATIONALE POUR LE DÉVELOPPEMENT ET L'INVESTISSEMENT

TRIAS
DROMEN KRIJGEN KANSEN



and Private Investors

MAMBO COFFEE Tanzania

VITAL STATISTICS

Country	Tanzania
Sector	Coffee
Investment	Construction of additional warehouse, acquisition of additional truck
Prime Social Goal	Access to high-end market for thousands of smallholder farmers
Total estimated capital expenditure	320.000 USD
Investment type	Four year and four-month subordinated loan, one year and four-month grace
Total loan amount	320.000 EUR
In portfolio since	November 2019
Deal sourced by	Alterfin

HIGHLIGHTS FROM 2019

- Deal signed with Kampani
- Construction of new warehouse started
- Acquisition of new truck

THE DEAL

In November 2019 Kampani completed the transaction at a time when Mambo Coffee was hitting the limits of what it could do profitably with its existing transport and warehouse capacity. At the same time, the processing plant had excess capacity, the company could attract sufficient OPEX financing, and both the supply and the demand for the coffee was there. The bottlenecks were warehouse and transport capacity. This is what Kampani has agreed to finance.

Mambo Coffee Company Ltd is a green coffee exporter with its office at the foot of Mount Kilimanjaro, specifically in Moshi. It has a factory in Morogoro. It is founded, wholly owned, and managed by local entrepreneurs.

Mambo Coffee sources its coffee from four main areas (*see red dots on the map on the following page*):

- Kilimanjaro/Arusha area
- the mountains east of Tanga in the north east of the country
- in the vicinity of Lake Victoria in the north west of the country
- and in the south of the country, west of Songea

Page 4: *The oscillating machine;* Above: *The Mambo plant in Morogoro*

Mambo Coffee does not hull its coffee. This is done by a third party. But the coffee is graded and made export ready at Mambo Coffee's factory in Morogoro. The factory operates four components:

- Oscillating machine, which removes wires and husks and dust
- Grade separator (gravity table)
- Electronic colour sorter
- Bulking

Mambo Coffee excels at these parts of the value chain. The state-of-the-art factory, the hand sorting, the certifications, and Mambo Coffee's ability to create the blend the client requires, allow Mambo Coffee to sell at commercially attractive prices.

THE SOCIAL IMPACT

As this is a new investment we cannot yet speak to the social impact of the additional funds provided by Kampani. However, we can highlight the positive impact the company has had on the community to date, and its contractual commitments to further these efforts.

Mambo Coffee was founded in 2011 with the objective of exporting sustainable coffee sourced from small-holders organized in co-operatives or associations. The main target export of the company is specialty coffees that provide an opportunity to work directly with certified co-operatives.

For the first time, Kampani's investment benefits producers who do not have their own export capacity. The total number of producers comes to 15,000 farmers, two thirds of them women. Although Mambo Coffee is a trader (it does not own any coffee farms), Kampani was attracted by its long-term relationship with the producers' co-operatives. Mambo Coffee's firm commitment to working with Fairtrade and organic farmers allows it to source premium coffee which fetches higher prices on the market.

As stated on its website, Mambo Coffee describes its model as follows:

"Our business strategy is to create win-win business opportunities for coffee growers and buyers in order to build relationships of mutual profitability and interest. We serve coffee buyers by delivering their desired quality of coffee combined with the highest level of customer service."

"We serve farmers by promoting socio-economic development and pioneering an environmental agenda at origin. Mambo Coffee tells the story of the farmers behind the coffee. This synergy, we feel, creates sustainable long-term business relationships between growers and consumers."

Mambo Coffee and Kampani have developed a Social Business Charter which codifies the current practice. We look forward to reporting on the continuing success and development of these endeavours.

OUTLOOK + CHALLENGES

The main challenges for the coming year:

- Impact of COVID-19 on sales and export capacity
- Internal capacity building, making sure the strength of the team matches the increased capacity to handle larger volumes
- Similarly, the company needs to increase the resources to expand and consolidate its network of suppliers. Working closely with the farmers and their cooperatives, this is a resource-intensive aspect of the Mambo Coffee business model.

Above: *Construction of the new warehouse in Morogoro. Status on 25 January 2020: proceeding smoothly*

COCOCA
Burundi

VITAL STATISTICS

Country	Burundi
Sector	Coffee
Investment	Acquisition of a coffee processing plant, i.e. a vertical integration
Prime Social Goal	A fully independent and empowered farmer-led actor in the value chain
Total estimated capital expenditure	501.000 USD over three years
Investment type	Subordinated debt over five years
Total loan amount	314.000 USD
Co-investor	Truvalu (formerly known as ICCO Agribusiness Booster), contributing 100.000 USD
In portfolio since	March 2016
Deal sourced by	The King Baudouin Foundation

Top: *Horamama coffee team;*

Below: *Horamama dry mill*

THE DEAL

In March 2016 Kampani made its first investment. We awarded a subordinated loan to a newly established subsidiary of COCOCA, called Horamama Coffee Dry Mill, to acquire an existing hulling factory.

COCOCA is a Fairtrade certified union of coffee producing co-operatives in Burundi. COCOCA's business plan provided for the acquisition or construction of its own hulling factory and warehouse – an activity which was outsourced to third parties.

Hulling is the last link in the value chain before export, and transforms parchment coffee into green coffee. All earlier steps in the process i.e. the production itself and the transformation from cherries into parchment coffee, were already carried out by the base co-operatives in their own washing stations. The missing link for a fully integrated value chain was hulling.

The hulling plant acquired in 2016 has now completed its fourth season of operations. As expected, the 2019-2020 season was small. COCOCA shipped only 52 containers, down from 180 last year.

HIGHLIGHTS FROM 2019

- Interest and principal payments in full; delay caused by government restriction on hard currency leaving the country
- Thanks to the support of the KBF, an inter-bank guarantee for harvest pre-financing was secured
- Governance crisis turned into an opportunity, with important changes in the risk sharing and further institutional strengthening being implemented
- Board of COCOCA and Horamama renewed
- COCOCA moved to new offices in Bujumbura

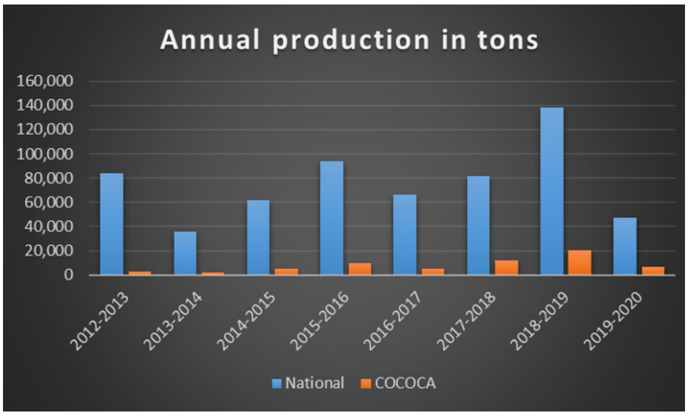
THE SOCIAL IMPACT

COCOCA remains the only co-operative player on the Burundi market to own its own dry mill. Horamama, in terms of volumes processed, was the largest in Burundi in 2019 as a number of hulling mills went out of business. But, as mentioned above, production volumes were low.

These are some examples of the indicators that we monitor as a proxy for an increase in income for the farmers:

- 32-member base co-operatives in 2016, now 40
- Only 52 containers were shipped this year, compared to 180 the year before
- Almost half the processed volume certified Fairtrade or Utz

At the national level COCOCA continues to consolidate its position. It represents 15% of the national production (up from 8% before it owned Horamama):



Financially speaking, given the important fixed cost and the small production volumes, the past year was not great. Horamama made a small loss.

OUTLOOK + CHALLENGES

The main challenges for the coming year:

- The financial risk for the OPEX financing is no longer pooled at the level of COCOCA, correcting the incentive structure. The individual base co-operatives are responsible for reimbursement. This may lead to payment difficulties, even bankruptcy, for some.
- The chaos created by the government's policy to re-nationalise some parts of the coffee sector plus the continued scarcity of hard currency in the country does not create a good business climate.
- The newly composed boards of both COCOCA and Horamama need to live up to expectations, ensuring that the difficult decisions are respected and implemented.
- 2020 is an election year in Burundi.

VERT
Kenya

VITAL STATISTICS

Country	Kenya
Sector	Fresh vegetables for export, fruit pulp for local market
Investment	Construction of new factory on newly acquired land and acquisition of pulping machinery
Primary Social Goal	Provide reliable access to the market and a diversification of income for thousands of outgrowers
Total estimated capital expenditure	1.8M EUR
Investment type	Straight equity combined with a subordinated loan
Equity investment amount	371.458 EUR (in Kenyan Shilling)
Subordinated loan amount	128.542 EUR (in EURO)
Co-investor	Grameen Credit Agricole Foundation, contributing 500.000 EUR, fully aligned with Kampani
Investor loan	800.000 EUR by Fefisol and Alterfin
In portfolio since	November 2016
Deal sourced by	Alterfin

Below: *Drums, each holding 214 kgs of pulp, ready to be shipped*

THE DEAL

In November 2016 Kampani completed the transaction with Vert, a Kenyan SME.

Founded in 2000, Vert originally specialized in the sourcing, grading, packing and export of fresh vegetables such as French beans, snow peas, baby corn, and baby carrots. In 2019, it decided to diversify and expand its business to produce mango and passion fruit pulp for the domestic and regional market.

Vert aggregates smallholder farmers by organizing them in community-based organizations and supporting them along the production process. Vert's founders want to improve smallholder farmers' living conditions by offering them reliable access to new market channels, technical support and pre-financing services.

We reported on the progress during the construction phase in previous annual reports. In early 2019, Vert became fully operational in its new location. It produced its first batch of 3.000 drums of pulp and made its first pulp sales in May 2019. Vert's book year goes from 1 July until 30 June. Vert expects to have sold all of its pulp stock by the end of the book year and expects to close the year with a moderate profit in spite of the COVID-19 crisis heavily affecting the vegetable business line.

HIGHLIGHTS FROM 2019

- New business line, mango and passion fruit pulp, became operational at the beginning of 2019.
- It took longer than expected to obtain all license and certifications. Vert made its first pulp sales in May.
- Significant volumes started being sold as of 2019.

Right: *Pulp production*

THE SOCIAL IMPACT

With the completion of the construction of the pulp processing line, Vert started purchasing significant volumes of mango at the end of 2018. Vert sold 732 drums of mango pulp in 2019. In the first quarter of 2020 Vert sold 1.637 drums, and signed a deal with Del Monte to be one of their suppliers. A product which had been worth nothing, and which was going to waste, namely second grade mango, suddenly represented an additional income stream for several thousand people. We expect to consolidate and expand this impact in the coming years.

Above: *Pulp production, start of the line*

OUTLOOK + CHALLENGES

Vert has successfully made a very big leap. The move to the new site has been completed and the production of mango and passion fruit pulp has started. The quality of the pulp is recognised by the buyers.

The main challenges for the coming year:

- Following its deal in 2020 with Del Monte, Vert is not yet able to meet the demand for pulp based on current production rates. The focus now lies on increasing pulp production as quickly as possible.
- On the vegetable side the impact of COVID-19 is huge. Despite this Vert has so far managed to maintain about half of pre-crisis volumes.
- Preparing the next phase of expansion and the related fundraising whilst carefully managing cash flow.

FECCEG Guatemala

VITAL STATISTICS

Country	Guatemala
Sector	Coffee and honey, expansion to organic whole sugar (panela)
Primary Social Goal	Provide reliable income stream to community not previously benefiting farmer from work of FECCEG
Total estimated capital expenditure	600.000 USD
Investment type	Subordinated loan
Total loan amount	500.000 USD
In portfolio since	June 2017
Deal sourced by	Alterfin (first contact made by Rikolto)

THE DEAL

In June 2017 Kampani completed the transaction with FECCEG, a Guatemalan co-operative.

FECCEG was established in 2006 and has almost 900 member families who are mostly indigenous people in the West of the country. Originally, FECCEG was only a coffee producer and exporter. Now it is also active in the production and commercialisation of organic honey and, thanks to the Kampani investment, in organic whole sugar (panela). Nonetheless, coffee production remains by far the most important activity.

The initial CAPEX for the new panela plant amounted to 674k USD. Kampani contributed 500k USD via a 6-year subordinated loan. FECCEG itself contributed the rest and it has continued to improve the installations and building.

Above: *The FECCEG panela plant in Catarina, Guatemala*

Above: *The FECCEG panela plant in Catarina, Guatemala*

HIGHLIGHTS FROM 2019

- Purchases of sugar cane down from 45 producers to 41
- The expansion towards panela is still challenging, but confidence remains high
- Successful coffee season
- Overall financial situation remains very healthy

THE SOCIAL IMPACT

In the South-West of Guatemala the population is largely indigenous. People live off small-scale agriculture, livestock, and coffee cultivation. There is a shortage of farmland, and often the ground has been exhausted by years of cultivation of corn and beans using chemical fertilizers and pesticides.

Belonging to FECCEG is a solution to common, but major problems such as:

a) Dependency on local buyers and intermediaries who pay low prices.

b) Lack of a processing plant to process quality products for international markets.

c) Lack of access to specialized niche markets in the United States and in Europe.

This is as true for the coffee producers in the mountains as it is for sugar cane producers in the flat lands towards the coast.

OUTLOOK + CHALLENGES

FECCEG completed its second panela production cycle in 2019. This season again fell short of expectations, and it has remained challenging to match supply with demand. However, the FECCEG leadership remains committed and continues to invest in order to optimise the plant. Overall, FECCEG continues to do very well financially. The panela business line is only a small activity in terms of turnover.

For the coming year, FECCEG's challenges specific to the panela business line are expected to be:

- Securing more buyers
- Scaling production

CASSIA CO-OP
Indonesia

VITAL STATISTICS

Country	Indonesia (Sumatra)
Sector	Cinnamon, other spices and essential oils
Primary Social Goal	Transparent and correct pricing and income diversification
Total estimated capital expenditure	650.000 USD
Investment type	Subordinated loan
Total loan amount	500.000 USD
In portfolio since	May 2018
Deal sourced by	Alterfin and Rikolto

Above: *The new purpose-built facility to house the grinder*

THE DEAL

In May 2018 Kampani completed the transaction with Cassia Co-op, an Indonesian SME. PT Cassia Co-op (Cassia Co-op) is a Limited Liability Company incorporated in Jakarta in 2011. Cassia Co-op sources, processes and markets cinnamon and patchouli oil.

Most of the *Cinnamomum burmannii* in today's world market originates from Indonesia. Some 80% of the global production grows in one unique area, Kerinci (Jambi province), on the island of Sumatra. Cassia Co-op was the first — and remains the only — cinnamon processing and exporting company to set up in Kerinci, in the heart of the cinnamon growing area.

Thanks to Kampani's investment Cassia Co-op was able to acquire its own grinder to convert the crushed cinnamon into powder. From a business perspective alone, this vertical integration makes sense as it generates important efficiency gains, saving on both direct and indirect costs. In addition, by moving this part of the downstream added value into the heart of the production zone, Cassia Co-op has been able to further shorten the supply chain, reflecting its social mission. At present only a tiny portion of the cinnamon produced in Indonesia leaves the country in powdered form.

HIGHLIGHTS FROM 2019

- Near completion of the FSSC22000 certified, purpose-built facility for the grinding of cinnamon
- Installation and commissioning of grinder
- Preparation of expansion of patchouli business line

Above: *The FSSC22000 certified installations*

THE SOCIAL IMPACT

Having sustainability at its core, by sourcing directly from the producers, and by doing the processing in the production zone, Cassia Co-op makes a significant, lasting, and positive impact on the area and its smallholder farmers. The shortening of the supply lines, possible thanks to Kampani's investment, has further strengthened the company. This, in turn, will allow it to sustain and expand the social impact it generates for smallholder farmers.

Cassia Co-op will focus in the coming year on the expansion of its other business line: patchouli oil. The oil is derived from a highly fragrant bushy herb and is a key ingredient in the cosmetics industry. Since cinnamon is harvested highly irregularly (a tree tends to be 15 to 20 years old before it is harvest-ready), Cassia Co-op has sought a way that allows the farmers to generate a more regular income. That is precisely what patchouli provides as it is an excellent intercrop when the cinnamon trees are young.

OUTLOOK + CHALLENGES

Cassia Co-op is a professionally run company with a strong board. It is expected to continue expanding the production of essential oils. The margins of the cinnamon business line are expected to improve when the grinder comes on line.

For the coming year, Cassia Co-op's challenges are expected to be:

- Installing and calibrating the new cinnamon grinder
- Securing the required certifications that prove hygiene standards are being met
- Managing the growth of the production of essential oils
- Establishing sales presence in the US

COOPEASSA
Costa Rica

VITAL STATISTICS

Country	Costa Rica
Sector	Organic coffee, banana, expansion to organic pineapple
Primary Social Goal	Expansion to high-margin cash crop
Total estimated capital expenditure	630.000 USD
Investment type	Subordinated loan
Loan amount	580.000 USD
In portfolio since	July 2018
Deal sourced by	Alterfin and Rikolto

THE DEAL

COOPEASSA has been in the portfolio since mid 2018. Founded in 1984, COOPEASSA is relatively long-standing for a co-operative. For a lengthy period it only produced coffee.

COOPEASSA's members have felt the need to expand to crops that generate an income year-round.

The income from coffee is just once a year. COOPEASSA has therefore entered into the organic production of a variety of exotic fruits like pineapple and banana.

Kampani's investment allowed for an accelerated expansion of the acreage devoted to the production of organic pineapple. A total of 14.5 hectares has now been converted to pineapple production, although this still falls short of the projected total of 18 hectares.

HIGHLIGHTS FROM 2019

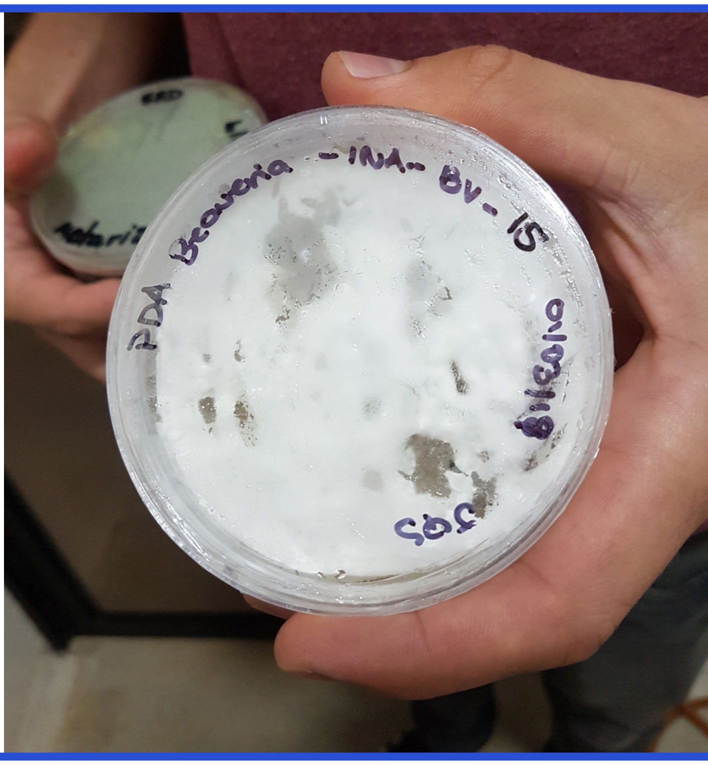
- A new interim general manager was recruited
- Profitability of several business lines was improved (some cost cutting and smarter growth)
- The production of organic fertilizer and other inputs was scaled up thanks to a new installation and lab

Above + Below: *Organic farming techniques require a suitable lab and the production of input at scale*

THE SOCIAL IMPACT

By expanding into organic fruit production and processing, COOPEASSA aims to continue contributing sustainably to the well-being of its members and the general economic development of the area.

The figures so far have confirmed that the expansion to pineapple production was appropriate. The per hectare income for the farmer differs greatly per crop type, varying from some 3.200 USD per hectare for conventional coffee and 4.500 USD for organic coffee to almost 20.000 USD per hectare for organic pineapple. Yet, the high upfront investment costs deter some producers from branching out.



OUTLOOK + CHALLENGES

The business line Kampani invested in, i.e. the production of organic pineapple, continues to do well in terms of margins but less so in terms of volume growth.

For the coming year, COOPEASSA'S challenges are expected to be:

- Recruitment of new CEO
- Consolidate operations
- Spread of social impact to more producers

FINANCIAL RESULTS 2019

BALANCE SHEET IN EURO

	2019	2018
Fixed assets	**92.865**	**371.459**
Financial fixed assets	92.865	371.459
Current assets	**2.444.481**	**2.240.293**
Credit portfolio	1.772.710	1.850.393
Cash and cash equivalents	526.181	301.689
Other accounts receivable	145.591	88.211
Total Assets	**2.537.346**	**2.611.751**
Equity	**2.405.505**	**2.429.042**
Paid-in capital	3.308.000	3.050.000
Issuance premium	147.600	24.000
Accumulated results	-1.050.095	-644.958
Liabilities	**131.841**	**182.709**
Long term liabilities (>1 year)	9.347	68.996
Short term liabilities (<1 year)	78.648	90.893
Transitory accounts	43.846	22.821
Total liabilities and equity	**2.537.346**	**2.611.751**

The balance sheet reflects the capital increase, the risk provisioning, and the new investment we have made in Tanzania. Given the pipeline and provided the COVID-19 crisis does not last much longer, Kampani expects to be fully invested again by early 2022.

PROFIT AND LOSS STATEMENT IN EURO

	2018	2019
Revenues	107.130	157.332
Operational Expenses	199.770	189.434
Operational Results	-92.640	-32.102
Provisions	0	-373.000
Net Result	-92.640	-405.102

The 2019 operational result was better than budgeted. But, while the operational losses continued to decrease as expected, Kampani had to make a risk provision.

GOVERNANCE

The members of the Board of Kampani:

- **Steven Serneels**, Independent (Chairman)
- **Hannelore Beerlandt,** CEO Agricord and Chair of ENABEL
- **Pieter Verhelst,** Senior Adviser, Boerenbond
- **Jan Vander Elst,** Head of Finance, King Baudouin Foundation
- **Chris Claes,** Executive Director, Rikolto International
- **Jean-Michel Pochet,** General Manager, Louvain Cooperation
- **Jean-Marc Debricon,** General Manager, Alterfin
- **Wouter Vandersypen,** Executive Director, Kampani

The members of Investment Committee of Kampani:

- **Wouter Vandersypen** (Chairman of the IC)
- **Helena Vandebeeck,** SIAT Group
- **Suzy Serneels,** Policy Officer, Broederlijk Delen
- **Luc Basstanie,** Senior Investment Manager, AIF, Boerenbond
- **Pierre Harkay,** Manager Development and Sustainability Unit, BIO-Invest
- **Patrick Eeckloo,** South Program Manager, Trias
- **Stefaan Calmeyn,** Policy and South Department, Oxfam WW
- **Pierre Queritet,** Director, PwC Legal
- **Hugo Couderé,** Senior Adviser, Alterfin

Kampani is grateful to these mandate holders, who fulfil their responsibilities at no financial cost to Kampani.

THANK YOU TO alterfin

Investing in sustainable development

Alterfin is intimately linked to Kampani. As Kampani's portfolio manager, Alterfin provides key services such as helping with deal screening, and developing due diligence reports to help inform the investment decisions taken by Kampani's Investment Committee.

THANK YOU TO OUR OTHER PARTNERS

KBC Brussels

Vandelanotte More than accountants

Van Olmen & Wynant

THANK YOU FOR THE GRANT!

DELEN PRIVATE BANK

Kampani NV, Liefdadigheidsstraat 18-26, B-1210 Brussel, Belgium • RPR Brussel BE 0597.703.409
Tel: +32(0)486/453.995, email: wvandersypen@kampani.org