



## **Statutory auditor's report to the general meeting of Tessengerlo Group NV on the annual accounts as of and for the year ended 31 December 2022**

### **FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN THE DUTCH LANGUAGE**

In the context of the statutory audit of the annual accounts of Tessengerlo Group NV ("the Company"), we provide you with our statutory auditor's report. This includes our report on the annual accounts for the year ended 31 December 2022, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 10 May 2022, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2024. We have performed the statutory audit of the annual accounts of Tessengerlo Group NV for four consecutive financial years.

### **Report on the annual accounts**

#### ***Unqualified opinion***

We have audited the annual accounts of the Company as of and for the year ended 31 December 2022, prepared in accordance with the financial reporting framework applicable in Belgium. These annual accounts comprise the balance sheet as at 31 December 2022, the income statement for the year then ended and notes. The balance sheet total amounts to EUR 1.841.839.035 and the income statement shows a profit for the year of EUR 340.968.415.

In our opinion, the annual accounts give a true and fair view of the Company's equity and financial position as at 31 December 2022 and of its financial performance for the year then ended in accordance with the financial reporting framework applicable in Belgium.

#### ***Basis for our unqualified opinion***

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB and applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the annual accounts" section of our report. We have complied with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matter**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Impairment on investments in subsidiaries and receivables from subsidiaries*

We refer to C-cap 6.4.1, C.6.5.1, C-cap 6.5.2 and C-cap 6.15 section of the annual accounts.

— Description

The Company holds directly and indirectly investments in subsidiaries and has receivables from subsidiaries.

Investments in subsidiaries are valued at historical cost price, unless management has determined that a longstanding impairment exists. Related party receivables are valued at nominal value unless management has determined that collectability is uncertain.

An annual impairment assessment for investments in and receivables from subsidiaries is performed in the context of the preparation of the annual accounts and accordance with the Belgian accounting standards.

Management has adopted the following approach in order to determine whether the assets are subject to an impairment. The net book value of each investment is compared with the share in the equity of the subsidiary held by the Company. An impairment loss is recognized when the recoverable amount is lower than the net book value. The recoverable amount is based on the value in use. The value in use is the net present value of the future cash flows that are expected to be generated.

Impairment of investments in subsidiaries and receivables from subsidiaries is identified as a key audit matter due to:

- Its significance to the balance sheet total (70,5% of total assets); and
- The determination of the value in use which requires numerous judgements and assessments made by management of the Company, in particular, the assessment of the competitive, economic and financial environment in which the subsidiary operates, the ability to generate operational cash flows from strategic plans, the level of required capital expenditures and the discount rates and growth rates used in calculating the recoverable amount.



— Our audit procedures

Our audit procedures included among others:

- We compared the most important data used by management with underlying evidence, in particular the net asset value of the investments, the equity value of the subsidiaries, the shareholders percentage, the net book value of the related party receivables and other financial information with respect to the related parties.
- In case of permanent impairment indicators, we challenged the key assumptions and data (weighted average cost of capital, result before interest and taxes, and growth rates) which are used by management in the valuation model of the forecasted cash flows based on our knowledge of the subsidiary and by involving our own valuation specialists in the determination of discount rates;
- We evaluated the process used by management in preparing cash flow forecasts, including testing the underlying calculations and reconciling the projections with the latest financial targets as approved by the Board of Directors;
- We verified the mathematical accuracy of the calculations performed by management;
- We analyzed the ability of the Company to forecast cash flows accurately and assessed the reasonableness of the current forecasts by comparing key assumptions with historical results.
- Furthermore, we performed sensitivity analyses relating to the key assumptions used for the determination and discounting of cash flow forecasts, in particular the weighted average cost of capital, the result before interest and taxes and the growth rates used by the Company.

*Disclosures with respect to the voluntary public exchange offer by Tessenderlo Group NV for all shares issued by Picanol NV*

We refer to VOL-kap 6.20 'Other information to be mentioned in the annexes' of the annual accounts.

— Description

On July 8, 2022, Tessenderlo Group NV and Picanol Group NV announced their intention to combine the industrial activities of both companies into one large industrial group. Since 2013, Picanol Group has had a reference interest in Tessenderlo Group, and since 2019, Tessenderlo Group has been fully consolidated in Picanol Group's financial statements. On the announcement date, Picanol Group, through its wholly owned subsidiary Verbrugge NV, held 21,860,003 (50.65%) shares in Tessenderlo Group to which 62.89% of the voting rights were attached.

The capital increase by contribution in kind of shares in the company Picanol NV within the framework of the voluntary public exchange offer was approved by the extraordinary general shareholders meeting on October 18, 2022.

Following this approval, Tessenderlo Group launched a voluntary public exchange offer for all shares issued by Picanol Group. More specifically, all Picanol Group shareholders were offered the opportunity to exchange their Picanol Group shares for new shares in Tessenderlo Group. The exchange ratio was 2.36 new shares in Tessenderlo Group per tendered share in Picanol Group.

During the initial acceptance period, 17,554,604 Picanol Group shares were tendered to the exchange offer. The payment of the offer price, consisting of the new shares in Tessenderlo Group and the cash consideration for the fractions of the new shares, took place on January 2, 2023. On that date Tessenderlo Group issued 41,428,134 new shares and increased its issued capital and share premium by 207,579,351 EUR and 1,473,988,607 EUR respectively. The new shares were listed on Euronext Brussels on January 2, 2023. Consequently, Tessenderlo Group owned 97.90% of the shares in Picanol Group as of January 2, 2023.

We identify this matter as a key audit matter due to the importance of this subsequent event, the impact it has on the financial position of the Company and the Group, the complexity of the transaction from an accounting point of view and also in terms of legal aspects.

- Our audit procedures included with the assistance of our legal specialists:
- Obtaining an understanding of the Transaction by inspecting the minutes of the Board of Directors and Shareholders' meetings and the supporting documents related to the Transaction;
  - Evaluating the competence, objectivity and capabilities of the external legal and accounting experts engaged by management;
  - Analyzing the legal requirements of the Transaction, inspecting the legal documents and analysis prepared by the external legal expert, and assessing the compliance of the Transaction with the applicable Laws and Regulations;
  - Assessing the appropriateness of the Group's disclosure as included in VOL-kap 6.20 of the annual accounts.

***Board of directors' responsibilities for the preparation of the annual accounts***

The board of directors is responsible for the preparation of these annual accounts that give a true and fair view in accordance with the financial reporting framework applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Statutory auditor's responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance as to whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these annual accounts.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the annual accounts in Belgium. The scope of the statutory audit of the annual accounts does not extend to providing assurance on the future viability of the Company nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Company. Our responsibilities regarding the going concern basis of accounting applied by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;



- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **Other legal and regulatory requirements**

### ***Responsibilities of the Board of Directors***

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the annual accounts, the statement of the non-financial information attached to the board of directors' annual report on the annual accounts and the other information included in the annual report, of the documents required to be filed in accordance with the legal and regulatory requirements, for maintaining the Company's accounting records in compliance with the applicable legal and regulatory requirements, as well as for the Company's compliance with the Companies' and Associations' Code and the Company's articles of association.

### ***Statutory auditor's responsibilities***

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the annual accounts, the statement of the non-financial information attached to the board of directors' annual report on the annual accounts and the other information included in the annual report, certain documents to be filed in accordance with legal and regulatory requirements and compliance with certain requirements of the Companies' and Associations' Code and with the Company's articles of association, and to report on these matters.

### ***Aspects concerning the board of directors' annual report on the annual accounts and other information included in the annual report***

Based on specific work performed on the board of directors' annual report on the annual accounts, we are of the opinion that this report is consistent with the annual accounts for the same period and has been prepared in accordance with articles 3:5 and 3:6 of the Companies' and Associations' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the annual accounts and other information included in the annual report being:

- the activity report and
- the management report

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:6 §4 of the Companies' and Associations' Code has been included in the annual report on the annual accounts, which is part of section "Sustainability report" of the annual report. The Company has prepared this non-financial information based on the Global Reporting Initiative ("GRI") standards. In accordance with art 3:75 §1, 1<sup>st</sup> paragraph, 6° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the mentioned GRI standards as referred to.

***Information regarding the social balance sheet***

The social balance sheet, which is to be filed with the National Bank of Belgium in accordance with article 3:12 §1 8° of the Companies' and Associations' Code, includes, with respect to form and content, the information required by law, including the information regarding salaries and training, and does not present any material inconsistencies with the information that we became aware of during the performance of our engagement.

***Information about the independence***

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the annual accounts and our audit firm remained independent of the Company during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit of the annual accounts referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the annual accounts.

***Other aspects***

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- We do not have to inform you of any transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' and Associations' Code.



*Statutory auditor's report to the general meeting of Tessengerlo Group NV on the annual accounts as of and for the year ended 31 December 2022*

- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.
- We have evaluated the financial consequences for the Company of the decision regarding the conflict of interest as described in the meeting notes of the board of directors of 23 March 2022, 7 July 2022, 6 September 2022 and 20 December 2022 respectively.

Zaventem, 24 March 2023

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises  
Statutory Auditor  
represented by

Joachim Hoebeeck  
Bedrijfsrevisor / Réviseur d'Entreprises