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REGULATED INFORMATION
Brussels, August 26, 2019, 8:00 am CET

TESSENDERLO GROUP INTERIM REPORT FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2019[1]

[1] Note that Tessenderlo Group published, in addition to this interim report, also a press release on the June 30, 2019 results. This press release can be consulted on our website www.tessenderlo.com.

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Note:
- The half year information has been subject to a review by external auditors. Reference is made to the independent auditor's review in chapter 4 of this report.
- Figures may not add up due to rounding.

1. MANAGEMENT REPORT

1.1 GROUP KEY EVENTS

- In June, Tessenderlo Group acquired NAES Belgium bvba from the American group NAES Corporation, a subsidiary of Itochu Corporation. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant, a 100% subsidiary of Tessenderlo Group.
- Meanwhile, within the DYKA Group business unit, which provides high quality, value-added solutions in plastic pipe systems for the utilities, agricultural, building and civil engineering markets, DYKA has opened new branches in Anderlecht (Belgium) and Třeboň (Czech Republic) in the first half of 2019.
- In the first half of 2019, Tessenderlo Group also presented Claro™, a range of revolutionary tissue-engineering products for 3D applications (operating segment Bio-valorization).
- On July 10, an Extraordinary General Meeting approved a number of amendments to the articles of association and the introduction of loyalty voting rights.

1.2 GROUP KEY FIGURES

Million EUR	HY19	HY18	% Change excluding fx effect[2] and impact IFRS 16[3]	% Change as reported
Revenue	925.0	845.0	6.8%	9.5%
- T-Power revenue	-34.8	-		
Revenue excluding T-Power	**890.3**	**845.0**	**2.7%**	**5.4%**
Adjusted EBITDA[4]	144.9	97.5	29.8%	48.7%
- T-Power Adjusted EBITDA	-24.4	-		
Adjusted EBITDA excluding T-Power	**120.5**	**97.5**	**4.9%**	**23.7%**
Adjusted EBIT [5]	79.3	62.5	18.6%	26.8%
- T-Power Adjusted EBIT	-5.9	-		
Adjusted EBIT excluding T-Power	**73.4**	**62.5**	**9.1%**	**17.4%**
Profit (+) / loss (-) for the period	**47.5**	**54.9**		**-13.5%**
Total comprehensive income	**36.1**	**53.3**		**-32.4%**
Capital expenditure	**43.5**	**32.4**		**34.5%**
Cash flow from operating activities	**131.5**	**56.3**		**133.6%**
Operational free cash flow[6]	**99.8**	**36.0**		**177.2%**

GROUP KEY FIGURES - YEAR TO DATE				
Million EUR	**HY19**	**HY18**	**% Change excluding fx effect and impact IFRS 16**	**% Change as reported**
Revenue Group	**925.0**	**845.0**	**6.8%**	**9.5%**
Agro	352.7	333.3	1.3%	5.8%
Bio-valorization	265.3	247.9	4.9%	7.0%
Industrial Solutions[7]	272.3	263.8	2.4%	3.2%
T-Power	34.8	-	nm	nm
Adjusted EBITDA Group	**144.9**	**97.5**	**29.8%**	**48.7%**

[2] As the group results might be impacted significantly by foreign exchange changes, the group reports some key financial indicators excluding any foreign exchange impact. The '% change excluding foreign exchange effect' is calculated by translating the HY19 result of foreign currency entities at the average exchange rate of HY18. The variance between this calculated result and the previous year result shows the effective result variance excluding any foreign exchange impact.
[3] The implementation of IFRS 16 *Leases*, as of January 1, 2019, impacted the Adjusted EBIT/EBITDA. The IFRS 16 impact on the Adjusted EBITDA is as follows: Agro (+3.4 million EUR), Bio-valorization (+4.6 million EUR), Industrial Solutions (+4.6 million EUR) and T-Power (+0.0 million EUR). The IFRS 16 impact on the Adjusted EBIT is as follows: Agro (+0.1 million EUR), Bio-valorization (+0.2 million EUR), Industrial Solutions (+0.1 million EUR) and T-Power (+0.0 million EUR).
[4] Adjusted EBITDA equals Adjusted EBIT plus depreciation and amortization.
[5] Adjusted EBIT is considered by the group to be a relevant performance measure in order to compare results over the period 2018-2019 as it excludes adjusting items from the EBIT (Earnings Before Interests and Taxes).
[6] Operational free cash flow equals to Adjusted EBITDA minus capital expenditure minus change in trade working capital.
[7] The subsidiary S8 Engineering executed significant engineering and construction activities for the joint-venture Jupiter Sulphur LLC in the period 2015-2018. The execution of this contract had no significant impact on the 2018 revenue and Adjusted EBIT/EBITDA. However In order to improve the comparability of figures, the entire S8 Engineering results were presented separately in prior years. As from 2019, the entire result of S8 engineering has been included within the operating segment 'Industrial Solutions'. Comparative 2018 figures have been restated as well.

Agro	70.7	69.6	-9.5%	1.5%
Bio-valorization	25.2	13.0	49.2%	93.4%
Industrial Solutions[7]	24.7	14.8	33.3%	66.5%
T-Power	24.4	-	nm	nm
Adjusted EBIT Group	**79.3**	**62.5**	**18.6%**	**26.8%**
Agro	55.5	57.7	-10.3%	-3.8%
Bio-valorization	8.0	0.7	nm	nm
Industrial Solutions[7]	9.9	4.2	133.5%	137.6%
T-Power	5.9	-	nm	nm
EBIT adjusting items	-5.7	-2.7	nm	nm
EBIT	73.5	59.8	13.1%	23.0%

REVENUE

HY19 revenue, when excluding the contribution of T-Power, increased by +5.4% (or increased by +2.7% when excluding the foreign exchange effect) compared to the same period last year. When excluding the foreign exchange effect, Agro revenue slightly increased (+1.3%), while the revenue of Bio-valorization increased thanks to higher PB Leiner volumes (+4.9%). The revenue of Industrial solutions increased by +2.4%, mainly thanks to the contribution of DYKA Group. T-Power, only fully (from 20% to 100%) acquired in 4Q18, contributed 34.8 million EUR to the HY19 revenue, which was in line with expectations.

ADJUSTED EBITDA

The HY19 Adjusted EBITDA amounts to 144.9 million EUR compared to 97.5 million EUR one year earlier. The HY contribution of T-Power, only fully acquired in 4Q18, amounts to 24.4 million EUR. The HY19 Adjusted EBITDA impact of the adoption of IFRS 16 Leases amounted to +12.6 million EUR as the operating lease payments were previously deducted from the Adjusted EBITDA, while the amortization of the right-of-use assets and interest on the lease liabilities are excluded. When excluding the impact of T-Power and IFRS 16 Leases, as well as the foreign exchange effect, the Adjusted EBITDA increased by 4.7 million EUR or 4.9% compared to prior year. A decrease of the Adjusted EBITDA was noted within Agro, which was offset by an increase within Bio-valorization and Industrial solutions.

NET FINANCIAL DEBT

As per HY19, group net financial debt amounts to 356.5 million EUR, including 70.4 million EUR IFRS 16 lease liabilities. Excluding the IFRS 16 lease liabilities, group net financial debt would have amounted to 286.1 million EUR compared to 348.0 million EUR as per year-end 2018.

PROFIT (+) / LOSS (-) FOR THE PERIOD

The HY19 profit amounts to 47.5 million EUR compared to 54.9 million EUR in HY18. The profit (+)/loss (-) was impacted by exchange gains and losses, mainly on non-hedged intercompany loans and cash and cash equivalents in USD. Excluding these exchange gains and losses, the profit (+) / loss (-) for HY19 would have amounted to approximately 45 million EUR, while the HY18 result would have amounted to approximately 46 million EUR.

CASH FLOW FROM OPERATING ACTIVITIES

The HY19 cash flow from operating activities amounts to 131.5 million EUR (HY18: 56.3 million EUR). The improved operational results, including the contribution of T-Power, the impact of IFRS 16 *Leases*, as well as a stable working capital compared to an increase in HY18, positively impacted the cash flow from operating activities.

OPERATIONAL FREE CASH FLOW

The HY19 operational free cash flow amounts to 99.8 million EUR, compared to 36.0 million EUR in HY18. This increase can be explained by the increase of the Adjusted EBITDA, including the first time contribution of T-Power and IFRS 16 *Leases*, combined with a stable trade working capital compared to an increase in HY18, which was only partially offset by the increase of capital expenditure (the capital expenditure amounted to 43.5 million EUR in HY19 compared to 32.4 million EUR in HY18).

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1.3 OPERATING SEGMENTS PERFORMANCE REVIEW

AGRO

Million EUR	HY19	HY18	% Change excluding fx effect and impact IFRS 16	% Change as reported
Revenue	352.7	333.3	1.3%	5.8%
Adjusted EBITDA	70.7	69.6	-9.5%	1.5%
Adjusted EBITDA margin	20.0%	20.9%		
Adjusted EBIT	55.5	57.7	-10.3%	-3.8%
Adjusted EBIT margin	15.7%	17.3%		

HY19 revenue slightly increased when excluding the foreign exchange effect (+1.3%). Crop Vitality revenue remained stable when excluding the foreign exchange effect. NovaSource revenue decreased, impacted by weather conditions. Tessenderlo Kerley International revenue increased thanks to higher liquid fertilizer volumes and an increase of the sales price of sulphates, which was able to offset its volume decline.

The Adjusted EBITDA decreased by -9.5% compared to prior year when excluding the impact of IFRS 16 (+3.4 million EUR) and the foreign exchange effect. The slight improvement of the Adjusted EBITDA of Tessenderlo Kerley International could not offset the lower Adjusted EBITDA of NovaSource and Crop Vitality, the latter being impacted by lower margins.

BIO-VALORIZATION

Million EUR	HY19	HY18	% Change excluding fx effect and impact IFRS 16	% Change as reported
Revenue	265.3	247.9	4.9%	7.0%
Adjusted EBITDA	25.2	13.0	49.2%	93.4%
Adjusted EBITDA margin	9.5%	5.2%		
Adjusted EBIT	8.0	0.7	nm	nm
Adjusted EBIT margin	3.0%	0.3%		

Revenue increased by +4.9% when excluding the foreign exchange effect, as higher PB Leiner volumes were only partially offset by the decrease of volumes within Akiolis.

The Adjusted EBITDA increased to 25.2 million EUR or increased by 49.2% when excluding the IFRS 16 impact (+4.6 million EUR) and the foreign exchange effect. While Akiolis was impacted by lower volumes, PB Leiner results were able to increase thanks to an increase of volumes, combined with an improved product mix and lower raw material prices.

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INDUSTRIAL SOLUTIONS				
Million EUR	**HY19**	**HY18**	**% Change excluding fx effect and impact IFRS 16**	**% Change as reported**
Revenue	272.3	263.8	2.4%	3.2%
Adjusted EBITDA	24.7	14.8	33.3%	66.5%
Adjusted EBITDA margin	9.1%	5.6%		
Adjusted EBIT	9.9	4.2	133.5%	137.6%
Adjusted EBIT margin	3.6%	1.6%		

HY19 Industrial Solutions revenue increased by +2.4% when excluding the foreign exchange effect, mainly positively impacted by an increase of the DYKA Group revenue who benefited from favorable market circumstances.

The HY19 Adjusted EBITDA increased by 33.3%, when excluding the IFRS16 impact (+4.6 million EUR) and the foreign exchange effect. The Adjusted EBITDA of DYKA Group increased thanks to higher volumes and an increase of production efficiency based on investments made. Performance Chemicals Adjusted EBITDA increased compared to prior year, as the HY18 Adjusted EBITDA of Performance Chemicals was negatively impacted by further start-up expenses for the NaOH production in Loos (new membrane electrolysis plant in France). A further increase of the Adjusted EBITDA of Performance Chemicals in the second half of 2019 compared to prior year is not expected as 3Q19 unforeseen technical issues at the plant in Loos negatively influence current production volumes.

T-POWER				
Million EUR	**HY19**	**HY18**	**% Change excluding fx effect and impact IFRS 16**	**% Change as reported**
Revenue	34.8	-	nm	nm
Adjusted EBITDA	24.4	-	nm	nm
Adjusted EBITDA margin	70.1%	-		
Adjusted EBIT	5.9	-	nm	nm
Adjusted EBIT margin	16.9%	-		

T-Power contributed in the first half of 2019 34.8 million EUR to the revenue and 24.4 million EUR to the Adjusted EBITDA of the Group. These results were in line with expectations, as T-Power fulfilled all tolling agreement requirements.

The group has reviewed the T-Power financing structure during the first half of 2019 (see also note 16 - Loans and borrowings of the interim report for the 6 month period ended 30 June 2019).

The group acquired NAES Belgium bvba in its entirety from the American group NAES Corporation, a subsidiary of Itochu Corporation, in June 2019. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant. The company employs 30 members of staff. The name of the company was changed to T-Power Energy Services bv. With the acquisition of NAES Belgium and the fact that it is locally based, Tessenderlo Group now also has the technological knowledge and the team to completely manage T-Power internally.

2. STATEMENT ON THE TRUE AND FAIR VIEW OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND THE FAIR OVERVIEW OF THE MANAGEMENT REPORT

Mr. L. Tack (CEO) and Mr. S. Haspeslagh, representative of Findar BVBA (COO/CFO) certify, on behalf and for the account of the company, that, to their knowledge,

a) the condensed consolidated financial information which has been prepared in accordance with the International Financial Reporting Standard on Interim Financial Statements (IAS 34), gives a true and fair view of the financial position, income statement and statement of comprehensive income of the company, and the entities included in the consolidation as a whole,
b) the management report includes a fair overview of the information required under Article 13, §5 and §6 of the Royal Decree of November 14, 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

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3. CONDENSED CONSOLIDATED FINANCIAL INFORMATION JUNE 30, 2019

3.1 CONDENSED CONSOLIDATED INCOME STATEMENT

Million EUR	note	HY19	HY18
Revenue	6	**925.0**	**845.0**
Cost of sales		-690.7	-634.2
Gross profit		**234.4**	**210.7**
Distribution expenses		-56.7	-55.1
Sales and marketing expenses		-31.2	-30.9
Administrative expenses		-57.7	-53.2
Other operating income and expenses		-9.5	-9.1
Adjusted EBIT		**79.3**	**62.5**
EBIT adjusting items	8	-5.7	-2.7
EBIT (Profit (+) / loss (-) from operations)		**73.5**	**59.8**
Finance (costs) / income - net	9	**-10.6**	**5.2**
Share of result of equity accounted investees, net of income tax		0.5	2.4
Profit (+) / loss (-) before tax		**63.4**	**67.4**
Income tax expense	10	-16.0	-12.5
Profit (+) / loss (-) for the period		**47.5**	**54.9**
Attributable to:			
- Equity holders of the company		**46.1**	**54.6**
- Non-controlling interest		**1.4**	**0.3**
Basic earnings per share (EUR)	15	1.07	1.27
Diluted earnings per share (EUR)	15	1.07	1.27

3.2 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Million EUR	Note	HY19	HY18
Profit (+) / loss (-) for the period		**47.5**	**54.9**
Translation differences		-3.7	-5.2
Net change in fair value of derivative financial instruments, before tax[8]		-0.1	0.6
Other movements		0.0	0.0
Income tax on other comprehensive income		0.1	-0.2
Items of other comprehensive income that are or may be reclassified subsequently to profit or loss		**-3.7**	**-4.7**
Remeasurements of the net defined benefit liability, before tax	17	-8.8	3.2
Income tax on other comprehensive income		1.1	-0.1
Items of other comprehensive income that will not be reclassified subsequently to profit or loss		**-7.7**	**3.1**
Other comprehensive income, net of income tax		**-11.4**	**-1.6**
Total comprehensive income		**36.1**	**53.3**
Attributable to:			
- Equity holders of the company		35.2	52.9
- Non-controlling interest		0.9	0.4

[8] The net change in fair value of derivative financial instruments before tax can be explained by the group's part in the change in fair value of the interest rate swaps of the joint-venture Jupiter Sulphur LLC (-0.3 million EUR) and the subsidiary T-Power nv (+0.2 million EUR) (note 18 - Financial instruments).

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3.3 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Million EUR	note	30/06/2019	31/12/2018
ASSETS			
Total non-current assets		**1,139.3**	**1,083.0**
Property, plant and equipment	12	859.9	789.2
Goodwill		35.1	35.0
Other intangible assets		175.2	190.2
Investments accounted for using the equity method		19.1	18.5
Other investments		11.1	11.1
Deferred tax assets		25.4	24.6
Trade and other receivables		13.7	14.4
Total current assets		**744.3**	**754.6**
Inventories	13	269.4	303.0
Trade and other receivables	13	317.4	286.6
Derivative financial instruments		0.0	0.9
Cash and cash equivalents	14/16	157.5	164.1
Total assets		**1,883.6**	**1,837.6**
EQUITY AND LIABILITIES			
Total equity		**767.8**	**737.2**
Equity attributable to equity holders of the company		**765.8**	**735.0**
Issued capital		216.2	216.2
Share premium		237.9	237.9
Reserves and retained earnings		311.8	281.0
Non-controlling interest		**2.0**	**2.2**
Total liabilities		**1,115.8**	**1,100.4**
Total non-current liabilities		**754.5**	**773.1**
Loans and borrowings	16	433.3	464.0
Employee benefits	17	66.8	57.9
Provisions		137.2	128.8
Trade and other payables		3.6	2.6
Derivative financial instruments	18	35.6	40.8
Deferred tax liabilities		78.0	79.1
Total current liabilities		**361.3**	**327.3**
Bank overdrafts	16	0.0	0.1
Loans and borrowings	16	80.7	48.0
Trade and other payables	13	251.0	247.1
Derivative financial instruments	18	12.8	13.6
Current tax liabilities		2.7	1.1
Employee benefits	17	1.0	1.3
Provisions		13.1	16.0
Total equity and liabilities		**1,883.6**	**1,837.6**

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3.4 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Million EUR)	note	Issued capital	Share premium	Legal reserves	Translation reserves	Hedging reserves	Retained earnings	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at January 1, 2019		**216.2**	**237.9**	**21.6**	**-86.2**	**-0.2**	**345.9**	**735.0**	**2.2**	**737.2**
- Adjustment on initial application of IFRS 16 *Leases*, net of tax		-	-	-	-	-	-4.4	-4.4	-	-4.4
Adjusted Balance at January 1, 2019		**216.2**	**237.9**	**21.6**	**-86.2**	**-0.2**	**341.5**	**730.7**	**2.2**	**732.8**
Profit (+) / loss (-) for the period		-	-	-	-	-	46.1	46.1	1.4	47.5
Other comprehensive income										
- Translation differences		-	-	-	-3.2	-	-	-3.2	-0.6	-3.7
- Remeasurements of the net defined benefit liability, net of tax	17	-	-	-	-	-	-7.7	-7.7	-	-7.7
- Net change in fair value of derivative financial instruments, net of tax		-	-	-	-	0.0	-	0.0	-	0.0
- Other movements		-	-	-	-	-	-	0.0	0.0	0.0
Comprehensive income, net of income taxes		**0.0**	**0.0**	**0.0**	**-3.2**	**0.0**	**38.3**	**35.2**	**0.9**	**36.1**
- Other movements[9]		-	-	-	-	-	-	0.0	-1.1	-1.1
Balance at June 30, 2019		**216.2**	**237.9**	**21.6**	**-89.4**	**-0.2**	**379.9**	**765.8**	**2.0**	**767.8**

[9] Following the liquidation of PB Gelatins (Wenzhou) Co. Ltd., the remaining net asset value was distributed to the shareholders of the PB Gelatins (Wenzhou) Co. Ltd., of which -1.1 million EUR was paid to the non-controlling interest holder.

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3.5 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Million EUR	Note	30/06/2019	30/06/2018
OPERATING ACTIVITIES			
Profit (+) / loss (-) for the period		**47.5**	**54.9**
Depreciation, amortization and impairment losses[10]		53.5	35.0
Depreciation on ROU assets (IFRS 16)	3	12.2	-
Changes in provisions[11]		5.2	-0.1
Finance (costs) / income - net	9	10.6	-5.2
Loss / (profit) on sale of non-current assets		-0.1	-0.4
Share of result of equity accounted investees, net of income tax		-0.5	-2.4
Income tax expense	10	16.0	12.5
Other non-cash items		0.8	0.1
Changes in inventories[12]	13	33.1	9.4
Changes in trade and other receivables	13	-29.8	-36.4
Changes in trade and other payables	13	-0.8	-4.1
Change in accounting estimates - inventory write off		1.6	0.7
Revaluation electricity forward contract	18	0.4	-1.4
Recycling currency translation adjustments PB Gelatins Wenzhou Co., Ltd.	8	-3.0	-
Cash generated from operations		**146.7**	**62.5**
Income tax paid		-15.3	-7.8
Dividends received		0.1	1.6
Cash flow from operating activities		**131.5**	**56.3**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and other intangible assets	12	-43.5	-32.4
Acquisition of subsidiary, net of cash acquired	7	1.1	-
Proceeds from the sale of property, plant and equipment		0.2	9.3
Cash flow from investing activities		**-42.2**	**-23.1**
FINANCING ACTIVITIES			
Payment of lease liabilities	3	-12.1	-
Proceeds from new borrowings		0.5	18.0
(Reimbursement) of borrowings[13]		-68.9	-1.7
Settlement interest rate swaps T-Power nv	18	-8.0	-
Interest paid		-6.1	-0.1
Interest paid (IFRS 16)		-0.5	-
Interest received		0.5	1.0
Other finance costs paid		-1.3	-0.8
(Increase) / decrease of long term receivables		-0.1	-1.0
Reimbursement to non-controlling interest		-1.1	-
Cash flow from financing activities		**-97.0**	**15.3**
Net increase / (decrease) in cash and cash equivalents		**-7.7**	**48.5**
Effect of exchange rate differences		1.2	3.8
Cash and cash equivalents less bank overdrafts at the beginning of the period	14/16	164.0	195.3
Cash and cash equivalents less bank overdrafts at the end of the period	14/16	157.5	247.7

10 The increase of depreciation, amortization and impairment losses (53.5 million EUR in HY19 compared to 35.0 million EUR in HY18) can be mainly explained by the contribution of T-Power nv, which was only acquired in 4Q18.
11 'Changes in provisions' in 2019 mainly relate to a change in environmental provisions, following the decrease of the discount rate applied (see note 8 - EBIT adjusting items).
12 HY19 working capital is in line with HY18 working capital, while the sum of changes in inventories, trade and other receivables and trade and other payables amounts to +2.5 million EUR in HY19, compared to -31.1 million EUR in HY18. This variance can be mainly explained by the working capital position as per year end 2018 (342.4 million EUR) compared to 2017 (310.4 million EUR), and furthermore to a timing effect of client and supplier payments.
13 '(Reimbursement) of borrowings' in 2019 mainly relates to the prepaid capital of the syndicated credit facility of T-Power nv (see note 16 - Loans and borrowings).

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3.6 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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1. REPORTING ENTITY

Tessenderlo Group nv (hereafter referred to as 'the company'), the parent company, is a company domiciled in Belgium. The condensed consolidated financial information for the six month period ended June 30, 2019 comprises the company and its subsidiaries (together referred to as 'the group') and the group's interests in jointly controlled entities.

2. STATEMENT OF COMPLIANCE

This condensed consolidated financial information for the six month period ended June 30, 2019 has been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*, as adopted for use by the European Union. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended December 31, 2018 which have been prepared in accordance with IFRS.

This condensed consolidated financial information was approved by the Board of Directors on August 22, 2019. This condensed consolidated financial information has been reviewed, not audited.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used by the group in the present condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements as at and for the year ended December 31, 2018, except for those mentioned below, and are in accordance with IAS 34 *Interim Financial Reporting*.

The group had adopted IFRS 16 Leases at the date of initial application (January 1, 2019). The impact of the adoption of this new standard, as well as the new accounting policy is disclosed below. There are no other new or amended standards or interpretations that are effective for the first time for the interim report for the six month period ended June 30, 2019 that had a significant impact on the consolidated financial statements. For the six month period ended June 30, 2019, the group has not early adopted any standard, interpretation or amendment, which was issued, but is not yet effective.

IFRS 16 *Leases* replaces the existing standards regarding the processing of lease agreements including IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. A lessee recognizes right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies, classifying leases into finance and operating leases.

The main leases consist of land and buildings, mainly sales branches within Industrial Solutions and the Brussels headquarters offices, a large number of trucks and railcars, mainly within Agro and Bio-valorization, as well as company cars.

The group has applied the modified retrospective approach. The cumulative effect of the initial IFRS 16 application (net impact of -4.4 million EUR) was recognized as an adjustment to the opening balance of retained earnings as per January 1, 2019, with no restatement of comparative information. The group applied the practical expedient to grandfather the definition of a lease on transition. IFRS 16 is applied on all contracts entered into before January 1, 2019, which are identified as leases in accordance with IAS 17 and IFRIC 4. Contracts, which were not identified as leases under IAS 17 and IFRIC 4, were not reassessed. The group chose not to recognize right-of-use assets and lease liabilities for low-value items and short term leases. Low-value assets mainly consist of IT-equipment and small items of office furniture. Short-term leases are leases with a lease term of 12 months or less. The lease payments associated with these low-value items and short term leases are recognized on a straight-line basis as an expense over the lease term.

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has applied judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the group considered all relevant factors that create an economic incentive for it to exercise the renewal.

On adoption of IFRS 16, right-of-use assets were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The incremental borrowing rate applied to the lease liabilities on January 1, 2019 is between 0.6% and 4.6%, taking into account the term and condition of the lease, the nature of the leased asset and the location of the lessee.

The change in accounting policy affected the following items on the balance sheet on January 1, 2019:

Million EUR	**January 1, 2019**
ASSETS	
Total non-current assets	**69.8**
Property, plant and equipment	69.3
Deferred tax assets	0.5
Total assets	**69.8**
EQUITY AND LIABILITIES	
Equity attributable to equity holders of the company	**-4.4**
Reserves and retained earnings	-4.4
Total liabilities	**74.2**
Total non-current liabilities	**50.7**
Loans and borrowings	50.7
Total current liabilities	**23.4**
Loans and borrowings	23.4
Total equity and liabilities	**69.8**

The lease liabilities as of January 1, 2019 can be reconciled to the non-cancellable operating lease commitments as of December 31, 2018 as follows:

Million EUR	**January 1, 2019**
Operating lease commitments disclosed as of December 31, 2018	**77.6**
Add: finance lease liabilities recognized as at December 31, 2018	0.1
(Less) leases recognized on a straight-line basis as expense	-1.4
Discounted using the group's incremental borrowing rate	-4.6
Add: lease extensions considered reasonably certain	2.4
Lease liability recognized as of January 1, 2019	**74.0**

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As from January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability, at the date at which a leased asset is available for use by the company. Each lease payment is allocated between this liability and a related finance cost. The finance cost is charged to income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and its lease term.

The Adjusted EBIT, the Adjusted EBITDA and the segment assets as per June 2019 all increased as a result of this accounting policy change. The impact was the following:

Million EUR	Adjusted EBIT	Adjusted EBITDA	Segment assets
Agro	0.1	3.4	13.1
Bio-valorization	0.2	4.6	20.7
Industrial Solutions	0.1	4.6	25.5
T-Power	0.0	0.0	0.0
Non-allocated	-	-	6.3
Tessenderlo Group	**0.4**	**12.6**	**65.6**

The impact on the finance costs amounts to -0.5 million EUR as per June 30, 2019. The weighted average incremental borrowing rate applied to the lease liabilities as per June 30, 2019 was 1.5%.

The following exchange rates have been used in preparing the condensed consolidated financial information:

EXCHANGE RATES					
	Closing rate			Average rate	
1 EUR equals:	30/06/2019	31/12/2018	30/06/2018	30/06/2019	30/06/2018
Argentine peso	48.2799	43.1452	33.7417	46.7752	26.0922
Brazilian real	4.3511	4.4440	4.4876	4.3417	4.1415
Chinese yuan	7.8185	7.8751	7.7170	7.6678	7.7086
Czech crown	25.4470	25.7240	26.0200	25.6845	25.5005
Hungarian forint	323.3900	320.9800	329.7700	320.4200	314.1128
Polish zloty	4.2496	4.3014	4.3732	4.2920	4.2207
Pound sterling	0.8966	0.8945	0.8861	0.8736	0.8798
US dollar	1.1380	1.1450	1.1658	1.1298	1.2104

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed consolidated financial information in conformity with IFRS as adopted for use by the European Union requires management to make judgments, estimates and assumptions that affect the application of the accounting policies, the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial information and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results could differ from those estimates.

Estimates and assumptions are reviewed periodically and the effects of revisions, if needed, are reflected in the condensed consolidated financial information. The judgments, estimates and assumptions used in preparing the condensed consolidated financial information for June 30, 2019 are the same as those applied and disclosed in the consolidated financial statements at December 31, 2018. Actual results could differ from these estimates.

5. RISKS AND UNCERTAINTIES

Under the explicit understanding that this is not an exhaustive list, the main risk factors and uncertainties for the group for the second semester of 2019 are listed below. Additional risks of which the group is not aware may possibly exist. There may also be risks that the group currently believes to be unimportant, but which can still have an adverse effect. The order in which the individual risks are presented is neither indicative of their likelihood to occur, nor of the severity or significance of the individual risks. Please note that in the 2018 annual report additional risks were included. For a more detailed overview of the major risks for the group, we refer to our 2018 annual report.

- **The group depends on the availability of sufficient volumes of raw materials with the required specifications at competitive prices.**

The group depends on the availability of sufficient volumes of raw materials, which meet the required specifications, against competitive prices. While the group sources most of its raw materials from multiple suppliers, some raw materials are sourced from only few suppliers. As such, the group relies on a number of third party suppliers and other business partners. If the market prices fall below the agreed minimum prices, the group may be required to purchase products at above-market prices.

- **If the group is unable to sell, store, re-utilize or dispose of certain components that it produces, it may be required to limit or reduce its overall production levels.**

The group's chemical operations are dependent on its ability to sell, store, re-utilize or otherwise dispose of certain components (such as by-products and co-products) which are produced in the course of the production process of various products. There can be no assurance that the group will be able to do this in the future and will not be required to reduce its overall production levels or invest in new treatment processes.

- **The group's results are dependent on weather conditions and are subject to seasonality.**

Several of the group's activities are dependent on weather conditions. The group also has activities which are also subject to seasonality, whereby products are sold within a short timeframe. Products of the group's Agro segment must be supplied to the customers during the planting season. Bad weather conditions can disrupt this process, reduce the possibility to apply product and/or reduce the need for products. The group also sells products in the construction markets in several countries in the northern hemisphere, which are typically affected by winter weather conditions.

- **The group's current and future investments and/or constructions are subject to the risk of delays, cost overruns and other complications, and may not achieve the expected returns.**

The group currently has new projects which are under construction or in ramp-up phase. In addition, the group is implementing a number of major investment projects that are key to its strategy. These projects may be delayed, exceed the budget or the utilized technology may prove to be inadequate or may fail to reach the expected return.

- **The group is exposed to an energy off-take agreement.**

The group sold the majority of its PVC/Chlor-Alkali activities in the third quarter of 2011. The electricity purchase agreement relating to that activity was not part of the sale transaction and therefore the group is still under an obligation to purchase certain quantities of electricity. As the group no longer needs the electricity for its own use, it needs to sell the electricity on the market until the end of the contract. The value of the contract is depending on the current and future difference between market electricity prices and the generation cost based on market gas prices, and on the effect of the hourly pricing optimization as foreseen in the contract. Based on today's electricity prices and the current price of electricity futures, the contract has a negative value in the financial statements as per June 30, 2019 (-16.1 million EUR).

- **The group's results are sensitive to commodity prices.**

The group is sensitive to commodity prices. As the group is a diversified specialty group that is worldwide active in many areas of agriculture, food, water management, efficient (re)use of natural resources and other industrial markets, the impact of changes of some raw material prices might have a significant impact on the results of individual activities, however is not expected to have a material impact on the results of operating segments or the group.

- **The group may be exposed to product liability and warranty claims, including but not limited to liability in respect of food safety.**

The group's products are subject to increasingly stringent industry, regulatory and customer requirements. The activities of the group may expose the group to product liability and warranty claims. The products manufactured by the group are used in various downstream applications including, but not limited to, the food, cosmetics, nutraceutical and pharmaceutical industry and may contain undetected errors or defects, which may lead, for example, to product recalls, increased customer service and support, payment of monetary damages to customers, lawsuits and loss of customers. In addition, the group cannot exclude that customers incorrectly apply the group's products.

- **The group is exposed to the risk of information technology failures**

The group increasingly makes use of information technology systems to process, transmit and store electronic information and as such, to operate efficiently and interface. A significant portion of the communication between the group's personnel, customers and suppliers depends on information technology. The group is dependent on information systems to manage inventory, accounting, purchasing and sales applications and to maintain cost efficient operations. As with all large systems, the group's information systems may be vulnerable to a variety of interruptions due to events beyond its control, including, but not limited to, natural disasters, terrorist attacks, telecommunication failures, computer viruses, hackers or other security issues. These or other similar interruptions may disrupt the group's business, results of operation of financial condition.

- **The group may not be able to recruit and retain key personnel**

The group may not be able to recruit and retain competent personnel for key roles. The group's success depends to a significant extent upon its ability to attract and retain qualified management, scientific, technical, marketing and sales personnel and upon the continued contributions of such personnel. The group's employees may voluntarily terminate their employment at any time. There is no guarantee that the group will be successful in attracting and/or retaining qualified employees to replace existing employees or to further support its growth strategy. The loss of the services of key personnel or the inability to attract additional qualified personnel may have a material adverse effect on the business and its expertise, results of operation or financial condition.
Potential impacts might include: loss of knowledge of key systems and specialized skills resulting in a skills and competency gap, high staff turnover, customer dissatisfaction, failure to meet business objectives, increased re-hiring costs, loss of customers because of the customer-employee relationships. Although the group believes that it is well positioned to attract and retain skilled and experienced personnel, there can be no assurance that it will be able to do so. The inability to do so could have a material adverse effect on the group's business, results of operation or financial condition.

- **The group may be exposed to circumstances of geo-political nature.**

The group could be impacted by the political uncertainty caused by Brexit or any other circumstances of geo-political nature that could have an impact on the consumer trust.

- **The group is exposed to a variety of financial risks such as credit risk, liquidity risk, currency risk and interest risk.**

We refer to note 26 - Financial instruments of the 2018 consolidated financial statements for more detailed information on the company's exposure to financial risks and its risk management policies.

- Credit risk

The maximum exposure to credit risk amounts to 488.6 million EUR as of June 30, 2019. This amount mainly consists of current and non-current trade and other receivables (331.1 million EUR), derivative financial instruments (0.0 million EUR) and cash and cash equivalents (157.5 million EUR).

- Liquidity risk

The group limits this risk, through a series of actions:

- The setup of a factoring program at the end of 2009, which is put on hold since 2015;
- A capital increase of 174.8 million EUR on December 19, 2014;
- The issuance in July 2015 of two series of bonds, with a maturity of 7 years (the '2022 bonds') and 10 years (the '2025 bonds'). The total issue amount was 250.0 million EUR, of which 192.0 million EUR for the 2022 bonds and 58.0 million EUR for the 2025 bonds;
- The replacement of the syndicated facility agreement in December 2015 by 5 year committed bilateral credit lines for a total amount of 142.5 million EUR (of which part can be drawn in USD) with four banks. These facilities have no financial covenants and ensure maximum flexibility for the different activities.
- In addition, the group uses a commercial paper program of maximum 200.0 million EUR.

- Currency risk

The currencies given rise to this risk are primarily USD (US Dollar), Pound sterling (GBP) and Chinese yuan (CNY). This exposure is mainly due to intragroup loans and cash and cash equivalents which are not hedged.

- Interest risk

The financial debt position is funded by fixed and variable interest rate instruments. The variable interest rate instruments are, for the majority, hedged through forward rate agreements. The bonds, issued in July 2015 for an amount of 192.0 million EUR with a maturity of 7 years and 58.0 million EUR with a maturity of 10 years, are the main fixed interest rate instruments with an interest rate of 2.875% and 3.375% respectively. The T-Power nv loan (180.1 million EUR as per June 30, 2019) is a variable interest rate instrument, for approximately 80% hedged through a series of interest rate swaps.

6. SEGMENT REPORTING

The group has 4 operating segments based on the principal business activities, economic environments and value chains in which they operate, as defined under IFRS 8 Operating Segments, and relate to agriculture, animal by-product valorization, products, systems and solutions for handling, processing and treatment of water including flocculation and depressants. The customers and main markets of these segments are different. The 4 operating segments fulfill the quantitative thresholds and are reported separately. The information provided below is consistent with the information that is available and evaluated regularly by the Chief Operating Decision Maker (the Executive Committee).

The following summary describes the operations in each of the group's reportable segments:

- 'Agro' – includes production, trading and distribution of crop nutrients and crop protection products (including the following businesses: Crop Vitality, Tessenderlo Kerley International and NovaSource).
- 'Bio-valorization' – includes collecting and processing of animal by-products; production and distribution of gelatins and collagen peptides and rendering, production and sales of proteins and fats (gelatin) (including the following businesses: PB Leiner and Akiolis).
- 'Industrial Solutions' – includes products, systems and solutions for handling, processing and treatment of water including flocculation and depressants through the production, trading and sale of plastic pipe systems, water treatment chemicals, mining and industrial auxiliaries, the delivery of services for the treatment and disposal of produced and flowback water from oil and gas exploration, as well as the recovery of industrial process fluids (including the following businesses: DYKA Group, Mining and Industrial, Performance Chemicals, S8 Engineering and MPR/ECS).
- 'T-Power' – includes a gas-fired 425 MW power plant in Tessenderlo (Belgium). A tolling agreement was concluded with RWE group for a period of 15 years (until 2026) for the full capacity of the plant, with an optional 5-year extension thereafter.

In 2018, the engineering and construction activities of the subsidiary Tessenderlo Kerley Services Inc. were formalized into a new business unit, called S8 Engineering. This business unit became part of the Industrial Solutions segment and focuses on design, engineering, procurement and construction projects for internal and external customers in the refining, oil and gas, general chemical, mining and sulfur specialties markets. The subsidiary executed a material contract for the joint-venture Jupiter Sulphur LLC, which impacted the 2017 revenue and Adjusted EBIT/EBITDA in a significant way. Although the execution of this contract had no significant impact on the 2018 revenue and Adjusted EBIT/EBITDA, the entire subsidiary's results (for 2018 and 2017) were excluded from the Industrial Solutions segment and were presented separately within 'Other' in order to increase the comparability of results (no other activities were included in 'Other'). As from 2019, S8 Engineering is included within the Industrial Solutions segment, while the 2018 comparable figures also have been included in this segment.

The costs included within Adjusted EBIT, related to the corporate activities, are allocated to the different operating segments they support.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The measure of segment profit/loss is Adjusted EBIT, which is consistent with information that is monitored by the chief operating decision maker.

The group is a diversified specialty group that is worldwide active in many areas of agriculture, food, water management, efficient re(use) of natural resources and other industrial markets. The products of the group are used in various applications, industrial and consumption markets. Although a leadership position is occupied by the group in a number of diverse markets, the diversification of the group's revenue makes the group not reliant on major customers.

The major line items of the income statement and statement of financial position are shown per operating segment in the table below. The income statement information is for the six month period ended June 30, while information from the statement of financial position is compared to December 31, 2018 figures.

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SEGMENT REPORTING	Agro		Bio-valorization		Industrial Solutions		T-Power		Non-allocated		Tessenderlo Group	
Million EUR	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue (internal and external)	353.0	333.8	265.3	247.9	272.6	263.8	34.8	-	-	-	925.6	845.5
Less: revenue (internal)	0.3	0.5	-	-	0.3	0.0	-	-	-	-	0.6	0.5
Revenue	**352.7**	**333.3**	**265.3**	**247.9**	**272.3**	**263.8**	**34.8**	**-**	**-**	**-**	**925.0**	**845.0**
Of which:												
- at a point in time	352.7	333.3	265.3	247.9	269.2	259.0	34.8	-	-	-	921.9	840.2
- over time	-	-	-	-	3.1	4.8	-	-	-	-	3.1	4.8
Adjusted EBIT	**55.5**	**57.7**	**8.0**	**0.7**	**9.9**	**4.2**	**5.9**	**-**	**-**	**-**	**79.3**	**62.5**
Adjusted EBITDA	**70.7**	**69.6**	**25.2**	**13.0**	**24.7**	**14.8**	**24.4**	**-**	**-**	**-**	**144.9**	**97.5**
Return on revenue (Adjusted EBITDA/revenue)	**20.0%**	**20.9%**	**9.5%**	**5.2%**	**9.1%**	**5.6%**	**70.1%**	**-**	**-**	**-**	**15.7%**	**11.5%**
Segment assets[14]	469.6	482.2	415.4	385.9	329.3	287.9	412.4	429.5	43.9	32.9	1,670.6	1,618.4
Derivative financial instruments	-	-	-	-	-	-	-	-	0.0	0.9	0.0	0.9
Investments accounted for using the equity method	18.3	17.8	0.7	0.7	-	-	-	-	-	-	19.1	18.5
Other investments	-	-	-	-	-	-	-	-	11.1	11.1	11.1	11.1
Deferred tax assets	-	-	-	-	-	-	-	-	25.4	24.6	25.4	24.6
Cash and cash equivalents	-	-	-	-	-	-	-	-	157.5	164.1	157.5	164.1
Total assets	**488.0**	**500.0**	**416.2**	**386.6**	**329.3**	**287.9**	**412.4**	**429.5**	**237.8**	**233.6**	**1,883.6**	**1,837.6**
Segment liabilities[15]	73.6	83.4	146.6	139.9	78.7	74.9	6.9	4.8	169.5	151.9	475.4	454.9
Derivative financial instruments	-	-	-	-	-	-	-	-	48.4	54.4	48.4	54.4
Loans and borrowings	-	-	-	-	-	-	-	-	514.0	512.0	514.0	512.0
Bank overdrafts	-	-	-	-	-	-	-	-	0.0	0.1	0.0	0.1
Deferred tax liabilities	-	-	-	-	-	-	-	-	78.0	79.1	78.0	79.1
Total equity	-	-	-	-	-	-	-	-	767.8	737.2	767.8	737.2
Total equity and liabilities	**73.6**	**83.4**	**146.6**	**139.9**	**78.7**	**74.9**	**6.9**	**4.8**	**1,577.7**	**1,534.6**	**1,883.6**	**1,837.6**
Capital expenditures: property, plant and equipment and other intangible assets	10.1	5.9	24.3	13.7	9.0	12.6	-	-	0.1	0.2	43.5	32.4
Depreciation, amortization and impairment losses on property, plant and equipment, goodwill and other intangible assets[16]	-15.2	-11.9	-17.2	-12.4	-14.9	-10.7	-18.5	-	-	-	-65.7	-35.0
Reversal/(additional) inventory write-offs	-0.2	-0.3	-1.3	-0.2	-0.1	-0.2	-	-	-	-	-1.6	-0.7

[14] The increase of the segment assets of the different segments can be mainly explained by the impact of IFRS 16 (see also note 3 - Significant accounting policies).
[15] Non-allocated segment liabilities include environmental provisions recognized for the for the factory sites in Belgium (Ham, Tessenderlo and Vilvoorde) and France (Loos).
[16] The increase of the depreciation on property, plant and equipment of the different segments can be mainly explained by the impact of IFRS 16 (see also note 3 - Significant accounting policies), as well as by the first time contribution of T-Power nv, which was only acquired in 4Q18.

The reconciliation of the profit before tax is as follows:

RECONCILIATION PROFIT BEFORE TAX		
Million EUR	**30/06/2019**	**30/06/2018**
Adjusted EBIT	**79.3**	**62.5**
EBIT adjusting items	-5.7	-2.7
Finance (costs) / income - net	-10.6	5.2
Share of result of equity accounted investees, net of income tax	0.5	2.4
Profit (+) / loss (-) before tax	**63.4**	**67.4**

7. ACQUISITIONS AND DISPOSALS

Acquisitions

In June 2019, the group acquired 100% of the shares and voting rights of NAES Belgium bvba from NAES Corporation, a subsidiary of Itochu Corporation. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant (Tessenderlo, Belgium), a 100% subsidiary of Tessenderlo Group. The company employs 30 members of staff. At the date of the acquisition, the company's name was changed into T-Power Energy Services bv. The purchase consideration paid in cash and the transaction-related costs were insignificant. The fair value of the acquired assets and liabilities assumed at acquisition date approximated their carrying amount and therefore no significant fair value adjustments were recognized. The transaction did not result in the recognition of any goodwill. Other payables and current tax liabilities have been measured on a provisional basis. If new information, obtained within one year of the acquisition, about facts and circumstances that existed at the date of acquisition, identifies adjustments to the above amounts, the acquisition accounting will be revised. The contribution of T-Power Energy Services bv to the groups 2019 half-year results was insignificant.

Disposals

There were no disposals in the first half of 2019.

8. EBIT ADJUSTING ITEMS

The HY19 EBIT adjusting items show a net loss of -5.7 million EUR and include:

- The recycling of currency translation reserves following the completion of the liquidation process of PB Gelatins Wenzhou Co., Ltd. (China) for +3.0 million EUR.
- The impact (-4.9 million EUR) of the decrease of the discount rate applied to the environmental provisions to cover the cost, over the period 2019-2054, for the remediation of historical soil and ground contamination of the factory sites in Belgium (Ham, Tessenderlo and Vilvoorde) and France (Loos). The discount rate as per June 30, 2019 varied between 0% and 1% (between 0% and 2% at year-end 2018).
- The impact and revaluation of an electricity purchase agreement, for which the own-use exemption under IAS 39 is not applicable anymore; and
- several other individually less significant items (mainly changes in provisions).

9. FINANCE COSTS AND INCOME

Net finance costs and income amount to -10.6 million EUR as per June 30, 2019, compared to +5.2 million EUR as per June 30, 2018.

FINANCE COSTS AND INCOME – YTD		
Million EUR	**HY19**	**HY18**
Total borrowing costs	-10.2	-3.6
Total income from investments, cash and cash equivalents	0.6	1.2
Net other finance (costs)/income	-1.1	7.7
Total	**-10.6**	**5.2**

The borrowing costs amount to -10.2 million EUR in HY19 (HY18: -3.6 million EUR) and mainly consist of:

- The accrued interest charges (-3.3 million EUR) on the bonds, issued in 2015, with a maturity of 7 years (the '2022 bonds') and 10 years (the '2025 bonds') with a fixed rate of 2.875% and 3.375% respectively (HY18: -3.3 million EUR).
- The borrowing costs of T-Power nv, which was only acquired in the fourth quarter of 2018. The interest expense, related to T-Power nv and expensed in the first semester of 2019, amounts to -5.9 million EUR. The financing structure of T-Power nv has been modified in the first half of 2019 (see also note 16 - Loans and borrowings).

The decrease of the HY19 net other finance (costs)/income can mainly be explained by lower unrealized foreign exchange gains on USD intercompany loans and cash and cash equivalents, which are not hedged. The weakening of the EUR against the USD by -0.6% in the first semester of 2019, compared to -2.8% in the first semester of 2018, impacted this result. We refer to the 2018 financial report for more information on the group's exposure to foreign currency risk.

10. INCOME TAX EXPENSE

Income tax expense amount to -16.0 million EUR in HY19, versus an income tax expense of -12.5 million EUR in HY18 and mainly relate to the operations in the United States.
Deferred tax assets on fiscal losses carried forward are recognized for 16.5 million EUR. These are mainly recognized on Tessenderlo Group nv, the parent company, for an amount of 8.4 million EUR (December 2018: 9.1 million EUR). The other deferred tax assets on fiscal losses carried forward recognized amount to 8.1 million EUR (December 2018: 7.7 million EUR). As per June 2019, total tax losses and tax credits carried forward in Tessenderlo Group nv amount to approximately 162 million EUR, while these amount to approximately 65 million EUR in France.

11. SEASONALITY OF OPERATIONS

Tessenderlo Group demonstrates a limited seasonality pattern at group level for revenue (first half of 2018: 52%), while seasonality at operating profitability level (as expressed by Adjusted EBITDA) is more pronounced (first half of 2018: 55%). The degree of seasonality at group level is primarily determined by selling to customers in several end markets, including food, pet food, construction, agriculture and water treatment. Two important end markets which demonstrate seasonal characteristics are construction and agriculture. The group sells into the construction markets through its operating segment Industrial Solutions in several countries in the northern hemisphere, which are typically impacted by winter weather conditions in the first and fourth quarter. Agriculture related sales made in the operating segment Agro are influenced by the planting seasons, especially the spring planting season. Most of the sales of Crop Vitality - being part of the Agro operating segment - are in the United States, and this normally leads to higher sales and operating profitability in the first half of the year. Agro is the largest contributor to the group operating profitability, which explains why group operating profitability is typically higher in the first half year.

12. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

For the six month period ended June 30, 2019, the group's capital expenditure amounted to 43.5 million EUR (HY18: 32.4 million EUR). The majority of the capital expenditure relates to:

- investments in the upgrade of plant infrastructure (mainly within the operating segment Agro);
- investments in the expansion of the SOLUGEL® collagen peptides production capacity and in the optimization of the valorization of animal by-products (operating segment Bio-valorization);
- investments in new branches and production lines within DYKA Group (operating segment Industrial Solutions);
- the replacement of equipment and vehicles, which were previously leased, through acquisition.

The capital expenditure - property, plant and equipment and other intangible assets - per operating segment is disclosed in note 6 - Segment reporting.

Capital expenditure contracted for at the end of the reporting period, but not yet incurred, amounts to 30.9 million EUR, the majority of which is expected to be delivered in 2019.

13. WORKING CAPITAL

WORKING CAPITAL			
Million EUR	**30/06/2019**	**31/12/2018**	**30/06/2018**
Inventories	269.4	303.0	268.1
Current trade and other receivables	317.4	286.6	311.5
Current trade and other payables	-251.0	-247.1	-256.8
Working capital	**335.8**	**342.4**	**322.8**

The working capital slightly increased from 322.8 million EUR as per June 30, 2018 to 335.8 million EUR as per June 30, 2019. This evolution can be mainly explained by foreign exchange effects (mainly USD) and lower trade payables outstanding as per June 30, 2019 (mainly within the operating segment Agro).

The group expects to recover or settle the inventory, available as per June 30, 2019 within the next twelve months, except for the inventory of non-strategic spare parts (11.9 million EUR as per HY19, compared to 10.7 million EUR as per December 31, 2018). These parts will be used whenever deemed necessary.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to 157.5 million EUR as per June 30, 2019 (compared to 164.1 million EUR as per December 31, 2018) and include 40.5 million USD (35.6 million EUR) compared to 29.6 million USD (25.9 million EUR) as per year-end 2018. 60 million USD was sold and converted into approximately 53 million EUR during the first half of 2019.

15. EARNINGS PER SHARE

Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the six month period ended June 30.

The weighted average number of ordinary shares and the earnings per share are calculated as follows:

BASIC EARNINGS PER SHARE		
	30/06/2019	**30/06/2018**
Adjusted weighted average number of ordinary shares at June 30[1]	**43,146,979**	**43,136,779**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	46.1	54.6
Basic earnings per share (in EUR)	**1.07**	**1.27**

[1] Takes into account the effect of shares issued, which is based on the weighted average number of issued shares during the accounting period. There were no shares issued in HY19 and HY18.

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the diluted weighted average number of ordinary shares outstanding during the first half year.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

DILUTED EARNINGS PER SHARE		
	30.06.2019	**30/06/2018**
Adjusted weighted average number of ordinary shares at June 30	43,146,979	43,136,779
Effect of warrants issued[1]	2,526	5,872
Adjusted diluted weighted average number of ordinary shares at June 30	**43,149,505**	**43,142,651**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	46.1	54.6
Diluted earnings per share (in EUR)	**1.07**	**1.27**

[1]The average share price used in the calculation of the earnings per share is based on the daily average closing share price of Tessenderlo Group quoted on the stock market.

As per June 30, 2019, 8,000 warrants are outstanding that were granted to senior management. These were all dilutive and included in the calculation of diluted earnings per share (the effect of the warrants issued amounted to 2,526).

16. LOANS AND BORROWINGS

LOANS AND BORROWINGS		
Million EUR	**30/06/2019**	**31/12/2018**
Non-current loans and borrowings	433.3	464.0
Current loans and borrowings	80.7	48.0
Total loans and borrowings	**514.0**	**512.0**
Cash and cash equivalents	-157.5	-164.1
Bank overdrafts	0.0	0.1
Net financial debt	**356.5**	**348.0**

As per June 30, 2019 the group net financial debt stood at 356.5 million EUR, implying a leverage of 1.6x (the net debt at year-end 2018 amounted to 348.0 million EUR).

The non-current loans and borrowings include two series of bonds (223.6 million EUR), issued in July 2015, with a maturity of 7 years (the ‘2022 bonds’) and 10 years (the ‘2025 bonds’), both with a fixed rate of 2.875% and 3.375% respectively. These bonds do not contain any covenants.

The financing structure of T-Power nv has been reviewed during the first half of 2019. T-Power nv prepaid capital for 55.4 million EUR, bringing the amount of the new term loan facility agreement to 193.0 million EUR. The facility is to be reimbursed in the period June 2019 - June 2026 and has fixed half yearly capital reimbursements (12.9 million EUR) and interest payments (in June and December). The interest rate due is the EURIBOR plus a spread. For 80% of the outstanding loan, the EURIBOR was fixed at 5.6% per annum through a series of reshaped forward agreements. The outstanding loan as per June 30, 2019 amounts to 180.1 million EUR. The T-Power nv assets and shares are serving as guarantee for the loan. The term loan credit facility contains a covenant stating a minimum required debt service cover ratio (based on the last 12 months cash flow available for debt service). This covenant has been complied with as per June 30, 2019.

The lease liability, in accordance with IFRS 16 leases, amounts to 70.4 million EUR (December 31, 2018: nihil), of which 47.0 million EUR is included in non-current and 23.4 million EUR in current loans and borrowings.

Tessenderlo Kerley, Inc., has a loan outstanding of 7.7 million EUR, of which 0.9 million EUR is included in current loans and borrowings. The financed Phoenix headquarters building (Arizona, US) is serving as guarantee for the loan.

The group has access to a Belgian commercial paper program of 200.0 million EUR of which 30.5 million EUR was used at the end of June 2019 and is included in current loans and borrowings (December 31, 2018: 30.0 million EUR). These are issued by Tessenderlo Group nv, the parent company.

There has been no drawdown as per June 30, 2019 on the 5 year committed bi-lateral credit lines. The amount of the committed credit lines amounts to 142.5 million EUR (of which part can be drawn in USD).

17. EMPLOYEE BENEFITS

The application of IAS 19 *Employee benefits* as per June 30, 2019 led to a decrease of equity, before tax, by -8.8 million EUR. A decrease of the rate used to discount the obligations (weighted average discount rate of 1.2% as per June 30, 2019 compared to 1.8% at year-end 2018), could not be compensated by a higher than estimated return on the UK and Belgian plan assets , which resulted in a higher net defined benefit obligation.

18. FINANCIAL INSTRUMENTS

The derivative financial instruments as per June 30, 2019 mainly relate to:

- the interest rate swaps of T-power nv for an amount of -32.3 million EUR (December 31, 2018: -38.7 million EUR);
- an electricity forward contract, with maturity date in June 2026, for an amount of -16.1 million EUR (December 31, 2018: -15.7 million EUR).

Following the renegotiation of the finance structure of T-Power nv (see also note 16 - Loans and borrowings), 20% of the interest rate swaps of T-Power nv (which fixed the 6 months EURIBOR at 4.0% per annum for 80% of the outstanding loan with maturity date in the period 2019-2026) were settled, while the others were reshaped to the new term loan credit facility (at a fix rate of 5.6% per annum). The partial settlement of the agreements resulted in a cash out of -8.0 million EUR. The amount reclassified from other comprehensive income to finance costs, following this settlement, was insignificant.
In accordance with the requirements of IAS 39, the remaining reshaped interest rate swaps are still designated as hedging instruments in a cash flow relationship. The effective portion of the change in fair value is therefore recognized in the hedging reserves (Other comprehensive income). A level 2 fair value measurement is applied for the fair value measurement of these agreements.

The fair value of the electricity forward contract is calculated as per June 30, 2019 based on a valuation model, leading to a net fair value of -16.1 million EUR compared to a net fair value of -15.7 million EUR as per December 31, 2018. Because of significant unobservable inputs, a level 3 fair value measurement is applied for the fair value measurement of the electricity purchase agreement ('PPA' - Purchase Power Agreement), for which the own-use exemption under IFRS 9 is not applicable anymore. The value of the contract is depending on the future difference between market electricity prices and the generation cost based on market gas prices (the 'sparkspread'), and on the effect of the hourly pricing optimization as foreseen in the contract. If the 2022 key assumptions would also have been applied for the remaining period till June 2026, a period for which no market data is available, the fair value of the contract (2019-June 2026) would have amounted to -39.9 million EUR. We refer to the 2018 financial report for more information on the fair value calculation of the electricity forward contract.

The net change in fair value of derivative financial instruments before tax, as included in the other comprehensive income, amounts to -0.1 million EUR, and can be explained by the group's part in the change in fair value of the interest rate swaps of the joint-venture Jupiter Sulphur LLC (-0.3 million EUR) and the subsidiary T-Power nv (+0.2 million EUR).

19. CONTINGENCIES

The group is confronted with a number of claims or potential claims and disputes, which are a consequence of the daily operational activities. To the extent such claims and disputes are such that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation, suitable provisions have been made.

It is the group's policy to recognize environmental provisions in the balance sheet, when the group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

These provisions are reviewed periodically and adjusted, if necessary, as assessments and work proceeds and additional information becomes available. Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation or other factors of a similar nature.

While it is not feasible to predict the outcome of all pending environmental exposures, it cannot be excluded that there will be a need for future provisions for environmental costs which, in management's opinion, based on information currently available, would not have a material effect on the group's financial position, but could be material to the group's results in any one accounting period.

Acquisition, investment and joint-venture agreements as well as divestments may contain habitual provisions leading to price adjustments. In addition, for divestments, proper consideration has been given to provisions for possible indemnifications payable to the acquirer, if any, including matters in the area of health, environment, tax, product liability, restructuring, competition, pensions and share incentives. Based on information currently available, the possibility of any significant cash outflow is considered to be remote.

The group has been allocated emission allowances for the period 2013-2020, that are yearly granted free of charge to cover operational emissions for products exposed to carbon leakage. Additional emission allowances will be purchased in case of any deficit. The cost of additional emission allowances purchased during the first semester of 2019 was insignificant. The surplus or deficit of emission allowances over the next years may vary, depending of several factors such as future production volumes, process optimization and energy efficiency improvements, however management expects that the impact of any surplus or deficit of emission allowances over the next years will not significantly impact the group’s consolidated financial statements. The carrying amount of emission allowances included in other intangible assets amounts to 3.5 million EUR as per June 30, 2019 (December 31, 2018: 4.5 million EUR).

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20. RELATED PARTIES

The company has a related party relationship with its subsidiaries, associates, joint-ventures and with its controlling shareholder (Verbrugge nv, controlled by Picanol nv, and its affiliated company Symphony Mills), directors and its Executive Committee. The Belgian pension fund 'OFP Pensioenfonds', which covers the post-employment benefit obligation of the employees of Tessenderlo Group nv and a Belgian subsidiary, is also considered to be a related party.

As per June 30, 2019, Verbrugge nv, controlled by Picanol nv, is holding 18,093,982 shares (41.94% of the company). Its affiliated company Symphony Mills nv holds 1,832,200 shares (4.25%). Picanol Group is a listed Belgian industrial company and specialized in the development, production and sale of weaving machines, engineered casting solutions and custom-made controllers. Picanol Group is represented in the Board of Directors through two members: Mr. Stefaan Haspeslagh (Chairman Picanol Group) and Mr. Luc Tack (Managing Director Picanol Group).
In accordance with article 7:53 of the Belgian Code of Companies and Associations, the extraordinary meeting of shareholders of July 10, 2019 has decided to introduce a loyalty voting right for each fully paid-up share that has continuously been registered in the share register on the name of the same shareholder for at least two years. The group received a transparency notification on July 29, 2019, indicating that Verbrugge nv was holding 31,752,695 voting rights (55.86% of the total voting rights), while Symphony Mills nv was holding 1,832,200 voting rights (3.22% of the total voting rights) on July 22, 2019.

The group purchased and sold goods and services to various related parties in which the group holds a 50% equity interest (investment in joint-ventures). Such transactions were conducted at arm's length with terms comparable to transactions with third parties.

Premiums for an amount of 0.6 million EUR were paid to the Belgian pension fund, 'OFP Pensioenfonds'. Liabilities related to employee benefits schemes as per June 30, 2019 include 19.5 million EUR related to the 'OFP Pensioenfonds' (December 31, 2018: 14.2 million EUR).

The following transactions have taken place with the joint-ventures, associates, the controlling shareholder, the members of the Executive Committee and the Board of Directors:

Transactions with joint ventures:

TRANSACTIONS WITH JOINT VENTURES (FOR THE SIX MONTH PERIOD ENDED JUNE 30, EXCEPT FOR BALANCE SHEET COMPARATIVES AT DECEMBER 31)		
Million EUR	**2019**	**2018**
Transactions with Joint Ventures - Sales	0.3	9.4
Transactions with Joint Ventures - Purchases	12.7	12.2
Non-current assets	9.7	10.0
Current assets	1.4	0.5
Current liabilities	1.7	1.7

The 2018 revenue with joint-ventures can mainly be explained by sales of S8 Engineering Inc., which has executed engineering and construction activities for the joint-venture Jupiter Sulphur LLC. The project was finalized in 2018.

The non-current assets (9.7 million EUR) refer to a 11.0 million USD loan, given by Tessenderlo Kerley Inc. to the joint-venture Jupiter Sulphur LLC. The loan is interest bearing (3.0%) and is reimbursable to Tessenderlo Kerley Inc. in the period 2020-2023. Jupiter Sulphur LLC obtained the same amount from the other joint-venture partner. The granted loan is included in 'Other investments' in the group's consolidated statement of financial position. The related interest income is considered to be insignificant and is not eliminated.

There have been no dividends received from joint-ventures in the first half of 2019 and 2018.

Transactions with associates:
T-Power nv was an associate till October 2, 2018 when the group acquired the remaining 80% of the shares. In the first half of 2018, dividends received from T-Power nv amounted to 1.5 million EUR. Dividends received from other investments amounted to 0.1 million EUR as per June 30, 2019 (June 30, 2018: 0.1 million EUR). There were no other significant transactions with associates in the first half of 2019.

Transactions with the controlling shareholder:
The transactions with the controlling shareholder relate to legal and ICT services which are provided by the group through a service level agreement. These transactions were not significant in the first half of 2019 and 2018.

Transactions with the members of the Executive Committee:
The Executive Committee is composed by the CEO, Luc Tack, the Executive Directors (currently Findar BVBA, represented by Stefaan Haspeslagh) as well as any other member appointed by the Board of Directors (no one at this stage).

TRANSACTIONS WITH THE MEMBERS OF THE EXECUTIVE COMMITTEE		
Million EUR	**30/06/2019**	**30/06/2018**
Short-term employee benefits	1.5	1.2
Post-employee benefits	0.0	0.0
Total	**1.5**	**1.2**

Short-term employee benefits include salaries and bonuses estimated for the period (both including social security contributions), car leases and other allowances where applicable.

There was no new emission of warrants in HY19 and no warrants were exercised by members of the current Executive Committee.

Transactions with the members of the Board of Directors:
On the general annual meeting of May 14, 2019 the mandate of the following Directors have been renewed until the conclusion of the general meeting in 2023:

- Mr. Luc Tack as an executive director,
- Mr. Karel Vinck as a non-executive director and;
- Philium BVBA (with Mr. Philippe Coens as its permanent representative) as an independent, non-executive director.

There have been no other changes to the composition or remuneration policy of the Board of Directors, compared to the disclosures made in the 2018 annual report.

21. SUBSEQUENT EVENTS
No significant subsequent events occurred after the balance sheet date.

4. INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION AS PER JUNE 30, 2019

Statutory auditor's report to the board of directors of Tessenderlo Group NV on the review of the condensed consolidated interim financial information as at June 30, 2019 and for the six-month period then ended

Introduction
We have reviewed the accompanying condensed consolidated statement of financial position of Tessenderlo Group NV as at June 30, 2019, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2019 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Zaventem, August 22, 2019

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Patrick De Schutter
Réviseur d'Entreprises / Bedrijfsrevisor

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5. FINANCIAL GLOSSARY

Adjusted EBIT
Earnings before interests, taxes and EBIT adjusting items.

Adjusted EBITDA
Earnings before interests, taxes and EBIT adjusting items plus depreciation and amortization.

Basic earnings per share (Basic EPS)
Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the weighted average number of ordinary shares outstanding during the period.

Capital expenditure
Amount of money spent to upgrade, acquire or maintain property, plant and equipment (PP&E) and other intangible assets.

Diluted earnings per share (Diluted EPS)
Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the fully diluted weighted average number of ordinary shares outstanding during the period.

Diluted weighted average number of ordinary shares
Weighted average number of ordinary shares, adjusted by the effect of warrants on issue.

EBIT
Profit(+)/loss(-) from operations.

EBIT adjusting items
EBIT adjusting items are those items that in management's judgment need to be disclosed by virtue of their size or incidence. Such items are disclosed in the notes to the financial statements. Transactions which may be recognized as EBIT adjusting items are principally related to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

Leverage
Net financial debt divided by Adjusted EBITDA over the last 12 months.

Net financial debt
Non-current and current loans and borrowings minus cash and cash equivalents and bank overdrafts.

Trade working capital
The sum of inventories and trade receivables minus trade payables.

Weighted average number of ordinary shares
Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

Working capital
The sum of inventories, trade and other receivables minus trade and other payables.