

TESSENDERLO GROUP HY19 RESULTS: TESSENDERLO GROUP IN LINE WITH EXPECTATIONS DURING HY19 DESPITE INCREASING ECONOMIC UNCERTAINTIES

1. 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.

Note: the half year information has been subject to a review by external auditors. Reference is made to their independent auditor's review in the interim report.

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 flow⁶	99.8	36.0		177.2%

2. 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.

¹The enclosed information constitutes regulated information as defined in the Royal Decree of November 14, 2007, regarding the duties of issuers of financial instruments which have been admitted for trading on a regulated market.

²As 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.

³The 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).

⁴Adjusted EBITDA equals Adjusted EBIT plus depreciation and amortization.

⁵Adjusted 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).

⁶Operational free cash flow equals to Adjusted EBITDA minus capital expenditure minus change in trade working capital.



3. ADJUSTED EBITDA

The HY19 Adjusted EBITDA amounts to 144.9 million EUR compared to 97.5 million EUR one year earlier. The HY19 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.

4. 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.

5. 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.

6. 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.

7. 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).

Outlook

The following statements are forward looking and actual results may differ materially.

The group confirms its previous forecast that in addition to the full-year contribution of T-Power, which is expected to amount to approximately 50 million EUR, and the implementation of IFRS 16 Leases, which will lead to an additional Adjusted EBITDA of around 25 million EUR, the group anticipates that the 2019 Adjusted EBITDA will be higher compared to 2018.

The group would like to emphasize that it currently operates in a volatile political, economic and financial environment.

OPERATING SEGMENTS PERFORMANCE REVIEW

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 Solutions⁷	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%
Agro	70.7	69.6	-9.5%	1.5%
Bio-valorization	25.2	13.0	49.2%	93.4%
Industrial Solutions⁷	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 Solutions⁷	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%

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.

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.

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.

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.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION AT JUNE 30, 2019

The group also published the 2019 interim report, which can be found on www.tessenderlo.com. The half year information has been subject to a review by external auditors. Reference is made to their independent auditor's review in the interim report.

CONDENSED CONSOLIDATED INCOME STATEMENT

Million EUR	HY19	HY18
Revenue	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	-5.7	-2.7
EBIT (Profit (+) / loss (-) from operations)	73.5	59.8
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
Income tax expense	-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)	1.07	1.27
Diluted earnings per share (EUR)	1.07	1.27

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Million EUR	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	-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) (see also note 18 - Financial instruments - of the interim report).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Million EUR	30/06/2019	31/12/2018
ASSETS		
Total non-current assets	1,139.3	1,083.0
Property, plant and equipment	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	269.4	303.0
Trade and other receivables	317.4	286.6
Derivative financial instruments	0.0	0.9
Cash and cash equivalents	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	433.3	464.0
Employee benefits	66.8	57.9
Provisions	137.2	128.8
Trade and other payables	3.6	2.6
Derivative financial instruments	35.6	40.8
Deferred tax liabilities	78.0	79.1
Total current liabilities	361.3	327.3
Bank overdrafts	0.0	0.1
Loans and borrowings	80.7	48.0
Trade and other payables	251.0	247.1
Derivative financial instruments	12.8	13.6
Current tax liabilities	2.7	1.1
Employee benefits	1.0	1.3
Provisions	13.1	16.0
Total equity and liabilities	1,883.6	1,837.6

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Million EUR	30/06/2019	30/06/2018
OPERATING ACTIVITIES		
Profit (+) / loss (-) for the period	47.5	54.9
Depreciation, amortization and impairment losses ⁹	53.5	35.0
Depreciation on ROU assets (IFRS 16)	12.2	-
Changes in provisions ¹⁰	5.2	-0.1
Finance (costs) / income - net	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	16.0	12.5
Other non-cash items	0.8	0.1
Changes in inventories ¹¹	33.1	9.4
Changes in trade and other receivables	-29.8	-36.4
Changes in trade and other payables	-0.8	-4.1
Change in accounting estimates - inventory write off	1.6	0.7
Revaluation electricity forward contract	0.4	-1.4
Recycling currency translation adjustments PB Gelatins Wenzhou Co., Ltd.	-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	-43.5	-32.4
Acquisition of subsidiary, net of cash acquired	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	-12.1	-
Proceeds from new borrowings	0.5	18.0
(Reimbursement) of borrowings ¹²	-68.9	-1.7
Settlement interest rate swaps T-Power nv	-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	164.0	195.3
Cash and cash equivalents less bank overdrafts at the end of the period	157.5	247.7

⁹ 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.

¹⁰ "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 - of the interim report).

¹¹ 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.

¹² "(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 - of the interim report).



8. FINANCIAL CALENDAR

Full year results 2019

March 26, 2020

Agenda for August 26, 2019

3pm CET/2pm UK - conference call and webcast for analysts and investors

Registration details are available at: www.tessenderlo.com.

About Tessenderlo Group

Tessenderlo Group is a diversified industrial group that focuses on agriculture, valorizing bio-residuals and providing industrial solutions. The group employs approximately 4,600 people, is a leader in most of its markets and recorded a consolidated revenue of 1.6 billion EUR in 2018. Tessenderlo Group is listed on Euronext Brussels and is part of Next 150 and BEL Mid indices. Financial News wires: Bloomberg: TESB BB – Reuters: TESB.BR – Datastream: B:Tes

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