

TESSENDERLO GROUP 2Q17 AND HY17 RESULTS: STABLE HALF-YEAR REBITDA DESPITE CHALLENGING MARKET CONDITIONS

1. KEY EVENTS

- Construction works at the new Thio-Sul[®] plants in East Dubuque (US) and Rouen (France), as well as the new electrolysis plant in Loos (France) are on schedule. The three plants are expected to start production in the second half of 2017.
- The Annual General Meeting of shareholders, which took place on June 6, 2017, resulted in the appointment of Management Deprez bvba (which is permanently represented by Ms. Veerle Deprez) and ANBA bvba (which is permanently represented by Ms. Anne Marie Baeyaert) as independent, non-executive directors for a period of four years, until the close of the Annual General Meeting of 2021.
- Within the Plastic Pipe Systems (PPS) business unit, which provides high quality, value-added solutions in plastic pipe systems for the utilities, agricultural, building and civil engineering markets, DYKA celebrated its 60th anniversary in the first half of 2017. Meanwhile, JDP celebrated its 45th anniversary in the same period.
- This year also marks the 70th anniversary of Tessenderlo Kerley, Inc. in the US.

2Q17	2Q16	% Change	Million EUR	HY17	HY16	% Change
477.4	444.1	7.5%	Revenue Group	924.6	855.1	8.1%
-13.8	-9.1		- Other revenue included in revenue Group ²	-29.7	-18.2	
463.6	435.0	6.6%	Revenue	894.9	836.8	6.9%
66.7	72.6	-8.1%	REBITDA Group	122.9	120.4	2.0%
-0.9	-0.3		- Other REBITDA included in REBITDA Group ²	-2.3	-0.2	
65.7	72.3	-9.1%	REBITDA	120.6	120.2	0.3%
			REBIT Group	86.6	82.9	4.5%
			- Other REBIT included in REBIT Group ²	-2.2	-0.1	
			REBIT	84.4	82.8	1.9%
			Profit (+) / loss (-) for the period³	17.1	40.3	-57.6%
			Total comprehensive income	22.9	29.1	-21.5%
			Capital expenditure	39.5	47.3	-16.5%
			Cash flow from operating activities	142.6	72.9	95.5%

Remark:

- All quarterly information included in the press release is unaudited.

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.

²The line "Other" refers to engineering and construction activities of the subsidiary Tessenderlo Kerley Services Inc., for the joint-venture Jupiter Sulphur LLC.

³Profit (+) / loss (-) for the period is impacted by exchange losses on non-hedged intercompany loans and cash and cash equivalents in USD, GBP and CNY. Excluding these exchange losses, the profit (+) / loss (-) for HY 2017 would amount to approximately 57 million EUR (HY 2016: 55 million EUR).

2. REVENUE

2Q17 revenue increased by 6.6% compared to the same period last year (or by 6.0% when excluding the foreign exchange effect). Revenue excluding foreign exchange effect increased within all 3 operating segments: Bio-valorization (+8.7%), Agro (+6.5%) and Industrial Solutions (+2.9%).

The HY17 revenue increased by 6.9% (or by 6.4% when excluding the foreign exchange effect). The revenue within Bio-valorization increased by 11.7% when excluding the foreign exchange effect, with an increase in both Akiolis and Gelatin. Industrial Solutions revenue increased by 6.5% when excluding the foreign exchange effect, mainly within Plastic Pipe Systems and Mining & Industrial. Agro revenue increased by 2.7% when excluding the foreign exchange effect, where the positive evolution in SOP Plant Nutrition was partially offset by a decrease in Crop Vitality.

3. REBITDA

The 2Q17 REBITDA decreased by -9.1% (or by -10.9% when excluding the foreign exchange effect). A reversal of inventory write-offs positively impacted the 2Q16 REBITDA by +1.4 million EUR, while the 2Q17 impact thereof was nihil. The 2Q17 REBITDA decreased within Industrial Solutions and Agro, while the Bio-valorization REBITDA remained stable.

The HY17 REBITDA increased by +0.3% (or decreased by -1.7% when excluding the foreign exchange effect). The HY17 REBITDA includes a reversal of inventory write-offs of +1.7 million EUR (while in HY16 an additional inventory write-off for -2.8 million EUR was recognized). The HY17 REBITDA increase within Bio-valorization, was more than offset by the REBITDA decrease in the operating segments Agro and Industrial Solutions.

4. NET FINANCIAL DEBT

At the end of June 2017, group net financial debt amounted to 40.8 million EUR, resulting in a leverage of 0.2x, compared to a net financial debt of 136.6 million EUR as per year-end 2016. The cash flow from operating activities amounts to 142.6 million EUR (72.9 million EUR in HY16), partially offset by capital expenditure of 39.5 million EUR (47.3 million EUR in HY16). The HY17 decrease of the working capital by 37.7 million EUR, compared to an increase by -37.4 million EUR over HY16, is the main driver of the higher operating cash flow.

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

The HY17 profit amounts to 17.1 million EUR compared to 40.3 million EUR in the same period last year. Higher net finance costs, significantly impacted by non-realized exchange losses on USD, GBP and CNY, explain the lower result for the period.

Outlook

Notwithstanding the challenging market conditions and taking into account the fact that Tessenderlo Group generates a significant share of its REBITDA in USD, and the recent currency volatility, the group anticipates that the 2017 REBITDA will be in line with the REBITDA of 198.0 million EUR in 2016.

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		HY17	HY16	% Change
Revenue Group		924.6	855.1	8.1%
	Agro	362.7	346.6	4.7%
	Bio-valorization	272.5	244.0	11.7%
	Industrial Solutions	259.7	246.3	5.4%
	Other	29.7	18.2	63.0%
REBITDA Group		122.9	120.4	2.0%
	Agro	76.4	78.9	-3.2%
	Bio-valorization	20.8	13.4	54.6%
	Industrial Solutions	23.4	27.9	-16.2%
	Other	2.3	0.2	nm
REBIT Group		86.6	82.9	4.5%
	Agro	63.9	66.7	-4.2%
	Bio-valorization	7.3	-2.4	nm
	Industrial Solutions	13.2	18.6	-29.0%
	Other	2.2	0.1	nm
Non-recurring and exceptional operating income/(expense) items		-4.4	-3.8	-15.1%
EBIT		82.2	79.1	4.0%

AGRO				
Million EUR		HY17	HY16	% Change
Revenue		362.7	346.6	4.7%
REBITDA		76.4	78.9	-3.2%
REBITDA margin		21.1%	22.8%	
REBIT		63.9	66.7	-4.2%
REBIT margin		17.6%	19.2%	

HY17 revenue increased by 4.7% (or by 2.7% when excluding the foreign exchange effect). The impact of higher sulphates volumes was only partially offset by lower selling prices in HY17 compared to HY16.

The HY17 REBITDA decreased by -3.2% compared to prior year (by -5.8% when excluding the foreign exchange effect), mainly a consequence of Crop Vitality results being negatively impacted by lower margins. The HY REBITDA of the other Agro activities remained stable compared to one year earlier.

BIO-VALORIZATION				
Million EUR		HY17	HY16	% Change
Revenue		272.5	244.0	11.7%
REBITDA		20.8	13.4	54.6%
REBITDA margin		7.6%	5.5%	
REBIT		7.3	-2.4	nm
REBIT margin		2.7%	-1.0%	

Revenue increased by 11.7% in HY17 (same increase when excluding the foreign exchange effect). The revenue increase can be explained by higher volumes within Gelatin, as well as a changed mix in the upstream and downstream Akiolis markets.

The REBITDA increased from 13.4 million EUR as per HY16 to 20.8 million EUR as per HY17 (+54.6% or +53.8% when excluding the foreign exchange effect). The HY17 result was positively impacted by an inventory write-off reversal (+2.3 million EUR), while its impact was negative in HY16 (-2.3 million EUR). Operational improvements, which are the result of continuous investments and ongoing maintenance programs in the different gelatin plants, were offset by increased raw material prices in the Americas, while Akiolis could benefit from a changed mix in the upstream and downstream markets.

INDUSTRIAL SOLUTIONS			
Million EUR	HY17	HY16	% Change
Revenue	259.7	246.3	5.4%
REBITDA	23.4	27.9	-16.2%
REBITDA margin	9.0%	11.3%	
REBIT	13.2	18.6	-29.0%
REBIT margin	5.1%	7.5%	

The HY17 revenue of the segment Industrial Solutions increased by 5.4% (or 6.5% when excluding the foreign exchange rate effect), being positively impacted by the activities Plastic Pipe Systems and Mining & Industrial.

The HY17 REBITDA decreased by -16.2% (or by -16.6% when excluding the foreign exchange rate effect). This decrease can be mainly explained by higher raw material prices within Plastic Pipe Systems, current unfavorable market conditions within Performance Chemicals and the expiration of a contract within Environmentally Clean Systems (ECS) which is currently under dispute. The solid performance of Mining & Industrial could only partially offset this decrease.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION AT JUNE 30, 2017

The group also published the 2017 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.

CONSOLIDATED INCOME STATEMENT		
Million EUR	HY17	HY16
Revenue	924.6	855.1
Cost of sales	-682.3	-629.3
Gross profit	242.3	225.8
Distribution expenses	-57.3	-49.2
Sales and marketing expenses	-31.7	-29.5
Administrative expenses	-56.7	-55.9
Other operating income and expenses	-10.0	-8.3
Profit (+) / loss (-) from operations before non-recurring and exceptional operating items (REBIT)	86.6	82.9
Non-recurring and exceptional operating income/(expense) items	-4.4	-3.8
Profit (+) / loss (-) from operations (EBIT)	82.2	79.1
Finance (costs) / income - net	-45.3	-19.3
Share of result of equity accounted investees, net of income tax	1.7	1.8
Profit (+) / loss (-) before tax	38.7	61.6
Income tax expense	-21.6	-21.4
Profit (+) / loss (-) for the period	17.1	40.3
Attributable to:		
- Equity holders of the company	17.6	40.7
- Non-controlling interest	-0.5	-0.4
Basic earnings per share (EUR)	0.41	0.95
Diluted earnings per share (EUR)	0.41	0.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Million EUR	HY17	HY16
Profit (+) / loss (-) for the period	17.1	40.3
Translation differences	-3.4	3.5
Net change in fair value of derivative financial instruments, before tax	1.3	-1.2
Other movements	-0.2	0.1
Income tax on other comprehensive income	-0.4	0.4
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-2.7	2.9
Remeasurements of the net defined benefit liability, before tax	6.0	-14.0
Income tax on other comprehensive income	2.5	0.0
Other comprehensive income not being classified to profit or loss in subsequent periods	8.5	-14.0
Other comprehensive income, net of income tax	5.8	-11.1
Total comprehensive income	22.9	29.1
Attributable to:		
- Equity holders of the company	23.6	29.5
- Non-controlling interest	-0.8	-0.4



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Million EUR	30.06.2017	31.12.2016
ASSETS		
Total non-current assets	646.7	661.4
Property, plant and equipment	497.7	508.4
Goodwill	34.4	35.6
Other intangible assets	37.6	45.7
Investments accounted for using the equity method	27.9	27.3
Other investments	1.7	1.9
Deferred tax assets	36.4	31.7
Trade and other receivables	11.0	10.9
Total current assets	767.9	697.4
Inventories	246.8	309.7
Trade and other receivables	309.2	268.0
Derivative financial instruments	0.0	0.5
Cash and cash equivalents	211.8	119.2
Total assets	1,414.6	1,358.8
EQUITY AND LIABILITIES		
Total equity	628.8	605.9
Equity attributable to equity holders of the company	628.3	604.7
Issued capital	215.8	215.8
Share premium	235.6	235.6
Reserves and retained earnings	177.0	153.3
Non-controlling interest	0.5	1.3
Total liabilities	785.8	752.9
Total non-current liabilities	476.0	482.8
Loans and borrowings	225.1	226.9
Employee benefits	57.1	61.5
Provisions	129.7	132.4
Trade and other payables	3.3	4.2
Derivative financial instruments	11.8	12.2
Deferred tax liabilities	49.0	45.5
Total current liabilities	309.7	270.1
Bank overdrafts	0.1	0.0
Loans and borrowings	27.5	28.9
Trade and other payables	260.1	221.9
Derivative financial instruments	6.2	6.0
Current tax liabilities	1.7	1.5
Employee benefits	1.0	1.8
Provisions	13.3	10.0
Total equity and liabilities	1,414.6	1,358.8



CONSOLIDATED STATEMENT OF CASH FLOWS		
Million EUR	30.06.2017	30.06.2016
OPERATING ACTIVITIES		
Profit (+) / loss (-) for the period	17.1	40.3
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	37.0	39.5
Changes in provisions	1.2	-5.4
Finance costs / (income) - net	45.3	19.3
Loss / (profit) on sale of non-current assets	-0.7	0.2
Share of result of equity accounted investees, net of income tax	-1.7	-1.8
Income tax expense	21.6	21.4
Other non-cash items	-0.3	-0.7
Changes in inventories	53.9	9.3
Changes in trade and other receivables	-55.7	-46.7
Changes in trade and other payables	39.6	-0.0
Change in accounting estimates - inventory write off	-1.7	2.8
Revaluation electricity forward contract	-0.3	1.7
Cash generated from operations	155.2	79.8
Income tax (paid)/received	-13.7	-7.2
Dividends received	1.1	0.3
Cash flow from operating activities	142.6	72.9
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-39.3	-47.3
Acquisition of other intangible assets	-0.1	-0.0
Acquisition of businesses, net of cash acquired	-	-3.3
Proceeds from the sale of property, plant and equipment and other intangible assets	1.6	1.3
Proceeds from the sale of investments accounted for using the equity method	-	-0.6
Cash flow from investing activities	-37.9	-49.8
FINANCING ACTIVITIES		
Proceeds from new borrowings	0.4	2.2
(Reimbursement) of borrowings	-3.6	-13.3
Interest paid	-0.1	-0.2
Interest received	0.3	0.3
Other finance costs paid	-0.8	-0.9
(Increase) / decrease of long term receivables	-0.2	0.6
Cash flow from financing activities	-4.1	-11.4
Net increase / (decrease) in cash and cash equivalents	100.6	11.8
Effect of exchange rate differences	-8.1	-1.1
Cash and cash equivalents less bank overdrafts at the beginning of the period	119.2	129.7
Cash and cash equivalents less bank overdrafts at the end of the period	211.7	140.4



6. FINANCIAL CALENDAR

Third quarter 2017 trading update
Full year results 2017

October 26, 2017
March 14, 2018

Agenda for August 23, 2017

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

Registration details are available at: www.tessenderlo.com

Tessenderlo Group is a diversified industrial group that focuses on agriculture, valorizing bio-residuals and providing industrial solutions. The group employs approximately 4,900 people, is a leader in most of its markets and recorded a consolidated revenue of 1.6 billion EUR in 2016. 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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