Bringing Chemistry to Life

Brussels, August 24, 2016

Regulated information

Tessenderlo Group

Interim report for the 6 month period ended 30 June 2016[1]

[1] Note that Tessenderlo Group publishes, in addition to this interim report, also a press release on the June 30, 2016 results, which contains limited additional quarterly figures. This press release can be consulted on our website www.tessenderlo.com.

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Note to the reader:

- 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 figures

Million EUR	HY16	HY15	% Change
Revenue Group	**855.1**	**850.1**	**0.6%**
- Other revenue included in revenue Group[2]	-18.2	-3.9	
Revenue	**836.8**	**846.2**	**-1.1%**
REBITDA Group	120.4	102.8	17.1%
- Other REBITDA included in REBITDA Group[2]	-0.2	1.7	
REBITDA	**120.2**	**104.5**	**15.1%**
REBIT Group	82.9	66.6	24.5%
- Other REBIT included in REBIT Group[2]	-0.1	1.8	
REBIT	**82.8**	**68.4**	**21.2%**
Profit (+) / loss (-) for the period	**40.3**	**40.4**	**-0.3%**
Total comprehensive income for the period	**29.1**	**39.8**	**-26.8%**
Capital expenditure	**47.3**	**20.6**	**129.7%**
Cash flow from operating activities minus capital expenditure	**25.6**	**95.6**	**-73.2%**
Net debt	**124.9**	**65.3**	
Notional net debt	**124.9**	**87.5**	

GROUP KEY FIGURES - YEAR TO DATE			
Million EUR	**HY16**	**HY15**	**% change**
Revenue	**855.1**	**850.1**	**0.6%**
Agro	346.6	368.8	-6.0%
Bio-valorization	244.0	249.0	-2.0%
Industrial Solutions	246.3	228.3	7.9%
Other	18.2	3.9	364.6%
REBITDA	**120.4**	**102.8**	**17.1%**
Agro	78.9	89.1	-11.5%
Bio-valorization	13.4	-7.5	nm
Industrial Solutions	27.9	22.9	22.0%
Other	0.2	-1.7	nm
REBIT	**82.9**	**66.6**	**24.5%**
Agro	66.7	78.8	-15.3%
Bio-valorization	-2.4	-21.7	88.8%
Industrial Solutions	18.6	11.3	64.8%
Other	0.1	-1.8	nm
Non-recurring and non-operating income/(expense) items	-3.8	-20.0	80.9%
EBIT	79.1	46.6	69.7%

[2] The line "Other" refers to engineering and construction activities of the subsidiary Tessenderlo Kerley Services Inc., for the joint venture Jupiter Sulphur LLC, which were reported previously within the Agro segment. The line "Other" has been created for 2016 reporting as a material contract is under execution. The HY15 comparable figures for the similar activity are also provided.

Revenue

The HY16 revenue decreased by -1.1% or increased by 0.2% when excluding the foreign exchange effect. Industrial Solutions revenue increased by 9.0% when excluding the foreign exchange effect, mainly within Plastic Pipe Systems and Performance Chemicals[3]. The revenue within Bio-valorization increased by 1.3% when excluding the foreign exchange effect, where a slight decrease in Akiolis could be offset by a Gelatin increase. Agro revenue decreased by -6.0% when excluding the foreign exchange effect, mainly being negatively impacted by the decrease of SOP Plant Nutrition.

REBITDA

The HY16 REBITDA increased by 15.1% or by 15.6% when excluding the foreign exchange effect. The HY16 REBITDA includes a write-off for inventory obsolescence for -2.8 million EUR (-12.1 million EUR in HY15).

The HY REBITDA increase can be explained by the better performance of Bio-valorization and Industrial Solutions, while the Agro REBITDA decreased, the latter being impacted by the decrease within SOP Plant Nutrition.

Net financial debt

At the end of June 2016, group net financial debt amounted to 124.9 million EUR, resulting in a leverage of 0.6x. Net financial debt as per year-end 2015 amounted to 145.3 million EUR. The cash flow from operating activities amounts to 72.9 million EUR (116.2 million EUR in HY15), partially offset by the capital expenditure of 47.3 million EUR (20.6 million EUR in HY15). The increase of the capital expenditure in HY16 compared to HY15 can be explained by the further execution of previously announced growth projects.

Profit (+) / loss (-) for the period

The HY16 profit amounts to 40.3 million EUR compared to 40.4 million EUR in the same period last year. The increase of the operational results and the decrease of the non-recurring and non-operating items were offset by higher net finance costs (negatively impacted by unrealized exchange losses on non-hedged intercompany loans) and increased income tax expenses.

[3] As from 2016, the businesses Water Treatment and Sulfur Derivatives are combined within Performance Chemicals.

1.2. Operating segments performance review

AGRO			
Million EUR	**HY16**	**HY15**	**% change**
Revenue	346.6	368.8	-6.0%
REBITDA	78.9	89.1	-11.5%
REBITDA margin	22.8%	24.2%	
REBIT	66.7	78.8	-15.3%
REBIT margin	19.2%	21.4%	

HY16 revenue decreased by -6.0% (equal impact when excluding the foreign exchange effect), mainly a consequence of the decrease of revenue within SOP Plant Nutrition.

The HY16 REBITDA decreased by -11.5% compared to prior year (equal impact when excluding the foreign exchange effect). The decrease of the SOP Plant nutrition REBITDA could not be compensated by the other Agro businesses.

BIO-VALORIZATION			
Million EUR	**HY16**	**HY15**	**% change**
Revenue	244.0	249.0	-2.0%
REBITDA	13.4	-7.5	nm
REBITDA margin	5.5%	-3.0%	
REBIT	-2.4	-21.7	88.8%
REBIT margin	-1.0%	-8.7%	

Revenue decreased by -2.0% in HY16 or increased by +1.3% when excluding the foreign exchange effect.

The REBITDA increased from -7.5 million EUR as per HY15 to 13.4 million EUR as per HY16. The HY15 result was negatively impacted by an inventory write-off, which was a consequence of changed accounting estimates concerning inventory obsolescence. Better operational performance and the impact of cost reduction measures further improved the HY16 REBITDA.

INDUSTRIAL SOLUTIONS			
Million EUR	**HY16**	**HY15**	**% change**
Revenue	246.3	228.3	7.9%
REBITDA	27.9	22.9	22.0%
REBITDA margin	11.3%	10.0%	
REBIT	18.6	11.3	64.8%
REBIT margin	7.5%	4.9%	

The HY16 revenue of the segment Industrial Solutions increased by 7.9% (or 9.0% when excluding the foreign exchange rate effect), being positively impacted by the businesses Plastic Pipe Systems and Performance Chemicals.

The HY16 REBITDA increased by 22.0% or by 22.6% when excluding the foreign exchange rate effect. This evolution is mainly supported by the improved performance of Plastic Pipe Systems.

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, 2016

3.1 CONSOLIDATED INCOME STATEMENT

Million EUR	note	HY16	HY15
Revenue	6	**855.1**	**850.1**
Cost of sales		-629.3	-640.0
Gross profit		**225.8**	**210.1**
Distribution expenses		-49.2	-49.6
Sales and marketing expenses		-29.5	-26.6
Administrative expenses		-55.9	-57.9
Other operating income and expenses		-8.3	-9.4
Profit (+) / loss (-) from operations before non-recurring and non-operating items (REBIT)		**82.9**	**66.6**
Non-recurring and non-operating income/(expense) items	8	-3.8	-20.0
Profit (+) / loss (-) from operations (EBIT)		**79.1**	**46.6**
Finance (costs) / income - net		-19.3	6.0
Share of result of equity accounted investees, net of income tax		1.8	2.3
Profit (+) / loss (-) before tax		**61.6**	**54.9**
Income tax expense	10	-21.4	-14.5
Profit (+) / loss (-) for the period		**40.3**	**40.4**
Attributable to:			
- Equity holders of the company		**40.7**	**41.5**
- Non-controlling interest		**-0.4**	**-1.1**
Basic earnings per share (EUR)	15	0.95	0.98
Diluted earnings per share (EUR)	15	0.95	0.98

3.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Million EUR	Note	HY16	HY15
Profit (+) / loss (-) for the period		**40.3**	**40.4**
Translation differences		3.5	-10.4
Net change in fair value of derivative financial instruments, before tax		-1.2	0.1
Other movements		0.1	-0.0
Income tax on other comprehensive income		0.4	-0.0
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**2.9**	**-10.4**
Remeasurements of the net defined benefit liability, before tax	18	-14.0	10.9
Income tax on other comprehensive income		0.0	-1.1
Other comprehensive income not being classified to profit or loss in subsequent periods		**-14.0**	**9.8**
Other comprehensive income for the period, net of income tax		**-11.1**	**-0.6**
Total comprehensive income for the period		**29.1**	**39.8**
Attributable to:			
- Equity holders of the company		29.5	40.7
- Non-controlling interest		-0.4	-0.9

3.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Million EUR	note	30.06.2016	31.12.2015
ASSETS			
Total non-current assets		**633.8**	**628.9**
Property, plant and equipment	12	482.5	462.3
Goodwill		34.9	35.3
Other intangible assets	12	49.5	59.3
Investments accounted for using the equity method		24.4	25.1
Other investments		1.9	2.0
Deferred tax assets		30.7	30.0
Trade and other receivables	14	10.0	14.9
Total current assets		**698.5**	**673.3**
Inventories	13	272.0	288.9
Trade and other receivables	14	285.9	253.2
Derivative financial instruments	17	0.1	1.0
Cash and cash equivalents	16	140.5	130.2
Non-current assets classified as held for sale		**0.1**	**1.4**
Total assets		**1,332.5**	**1,303.6**
EQUITY AND LIABILITIES			
Total equity		**546.3**	**518.2**
Equity attributable to equity holders of the company		**544.8**	**516.8**
Issued capital		215.0	215.0
Share premium		232.9	232.9
Reserves and retained earnings		97.0	69.0
Non-controlling interest		**1.5**	**1.5**
Total liabilities		**786.2**	**785.4**
Total non-current liabilities		**471.2**	**468.2**
Loans and borrowings	16	227.4	226.7
Employee benefits		59.8	48.3
Provisions		130.1	135.0
Trade and other payables		3.9	4.3
Derivative financial instruments	17	11.8	11.1
Deferred tax liabilities		38.3	42.7
Total current liabilities		**315.0**	**317.2**
Bank overdrafts	16	0.1	0.5
Loans and borrowings	16	37.9	48.3
Trade and other payables		244.0	243.4
Derivative financial instruments	17	6.4	6.3
Current tax liabilities		9.7	0.7
Employee benefits		1.0	1.7
Provisions		15.8	16.3
Total equity and liabilities		**1,332.5**	**1,303.6**

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3.4 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, 2016		**215.0**	**232.9**	**18.4**	**-79.9**	**-7.3**	**137.8**	**516.8**	**1.5**	**518.2**
Profit (+) / loss (-) for the period		**-**	**-**	**-**	**-**	**-**	**40.7**	**40.7**	**-0.4**	**40.3**
Other comprehensive income for the period										
Translation differences		-	-	-	3.6	-	-	3.6	-0.1	3.5
- Remeasurements of the net defined benefit liability, net of tax	18	-	-	-	-	-	-14.0	-14.0	-	-14.0
- Net change in fair value of derivative financial instruments, net of tax		-	-	-	-	-0.8	-	-0.8	-	-0.8
Other movements		-	-	-	-	-	-	0.0	0.1	0.1
Total comprehensive income for the period		**0.0**	**0.0**	**0.0**	**3.6**	**-0.8**	**26.7**	**29.5**	**-0.4**	**29.1**
Transactions with owners, recorded directly in equity										
- Changes in non-controlling interest		-	-	-	-	-	-1.5	-1.5	0.4	-1.1
Total contributions by and distributions to owners		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-1.5**	**-1.5**	**0.4**	**-1.1**
Balance at June 30, 2016		**215.0**	**232.9**	**18.4**	**-76.3**	**-8.0**	**163.0**	**544.8**	**1.5**	**546.3**

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3.5 CONSOLIDATED STATEMENT OF CASH FLOWS

Million EUR	Note	30.06.2016	30.06.2015
OPERATING ACTIVITIES			
Profit (+) / loss (-) for the period		**40.3**	**40.4**
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets		39.5	39.8
Changes in provisions		-5.4	4.7
Finance costs / (income) - net	9	19.3	-6.0
Loss / (profit) on sale of non-current assets		0.2	-6.3
Share of result of equity accounted investees, net of income tax		-1.8	-2.3
Income tax expense	10	21.4	14.5
Other non-cash items		-0.7	-0.7
Changes in inventories		9.3	30.6
Changes in trade and other receivables		-46.7	-29.8
Changes in trade and other payables		-0.0	10.8
Change in accounting estimates - inventory write off		2.8	21.6
Revaluation electricity forward contract		1.7	0.0
Cash generated from operations		***79.8***	***117.4***
Income tax (paid)/received		-7.2	-1.9
Dividends received		0.3	0.7
Dividends received from other investments		0.1	0.0
Cash flow from operating activities		**72.9**	**116.2**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	12	-47.3	-20.3
Acquisition of other intangible assets	12	-0.0	-0.3
Acquisition of businesses, net of cash acquired		-3.3	-2.1
Proceeds from the sale of property, plant and equipment		1.3	3.1
Proceeds from the sale of subsidiaries, net of cash disposed of		-0.6	-
Proceeds from the sale of other investments		-	6.7
Cash flow from investing activities		**-49.8**	**-12.8**
FINANCING ACTIVITIES			
Capital increase from non-controlling interests		-	0.6
Change in non-recourse factoring and securitization		-	-76.0
Proceeds from new borrowings		2.2	7.3
(Reimbursement) of borrowings		-13.3	-14.8
Cash movement resulting from settlement financial instruments		-	-31.6
Interest paid		-0.2	-2.9
Interest received		0.3	0.3
Other finance costs paid		-0.9	-2.2
Decrease of long term receivables		0.6	0.1
Cash flow from financing activities		**-11.4**	**-119.2**
Net increase / (decrease) in cash and cash equivalents		**11.8**	**-15.8**
Effect of exchange rate differences		-1.1	1.0
Cash and cash equivalents less bank overdrafts at the beginning of the period		129.7	156.5
Cash and cash equivalents less bank overdrafts at the end of the period		140.4	141.7

3.6. Notes to the consolidated financial information

1. Reporting entity

Tessenderlo Chemie NV (hereafter referred to as “the company”) is a company domiciled in Belgium. The condensed consolidated financial information for the six month period ended June 30, 2016 comprises the company and its subsidiaries (together referred to as “the group”) and the group’s interests in associates and jointly controlled entities.

2. Statement of compliance

This condensed consolidated financial information for the six month period ended June 30, 2016 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, 2015[4] which have been prepared in accordance with IFRS.

This condensed consolidated financial information was approved by the Board of Directors on August 22, 2016. 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, 2015 and in accordance with IAS 34 *Interim Financial Reporting*.

There are no 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, 2016 that had a significant impact on the consolidated financial statements. For the six month period ended June 30, 2016, the group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The group is currently assessing the impact of IFRS 15 “*Revenue from contracts with customers*” and IFRS 16 “*Leases*”, which have been issued but are not mandatory for the first time for the financial year beginning January 1, 2016 and have not been endorsed by the European Union. At this stage management is not able to estimate the impact of these new standards on the group financial statements. The group will gather all relevant information per operating segment and a further detailed analysis will be made in the next 12 months.

[4] The 2015 consolidated financial statements can be consulted on the group’s website www.tessenderlo.com.

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

EXCHANGE RATES					
	Closing rate			Average rate	
1 EUR equals:	30.06.2016	31.12.2015	30.06.2015	30.06.2016	30.06.2015
Argentine peso	16.6838	14.0484	10.1292	15.9992	9.8458
Brazilian real	3.5898	4.3117	3.4699	4.1295	3.3101
Chinese yuan	7.3755	7.0608	6.9366	7.2965	6.9408
Czech crown	27.1310	27.0230	27.2530	27.0396	27.5021
Hungarian forint	317.0600	315.9800	314.9300	312.7135	307.5057
Polish zloty	4.4362	4.2639	4.1911	4.3688	4.1409
Pound sterling	0.8265	0.7340	0.7114	0.7788	0.7323
US dollar	1.1102	1.0887	1.1189	1.1159	1.1158

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, 2016 are the same as those applied and disclosed in the consolidated financial statements at December 31, 2015. 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 2016 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 2015 annual report additional risks were included. For a more detailed overview of the major risks for the group, we refer to our 2015 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, 2016 (-18.2 million EUR).

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

Market factors largely beyond the group's control, such as the actual or perceived changes in level of supply and demand, the availability and cost of substitute materials and inventory levels maintained by producers, all influence product prices. In certain of the group's segments, the prices of the group's products are correlated to the prices of major commodity products, such as KCl, soy, palm oil and polymers. As such, the group may not be able to implement or preserve its pricing policy.

- **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 a variety of financial risks such as credit risk, liquidity risk, currency risk and interest risk.**

We refer to note 28 - Financial instruments of the 2015 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 436.6 million EUR as of June 30, 2016. This amount mainly consists of current and non-current trade and other receivables (295.9 million EUR), derivative financial instruments (0.1 million EUR) and cash and cash equivalents (140.5 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), Chinese yuan (CNY), Brazilian real (BRL) and Argentina peso (ARS).

The USD, CNY and GBP exposure is mainly due to intragroup loans which are no longer hedged as from March 2015.

  - Interest risk

The financial debt position was mainly funded by fixed interest rate instruments. The interest rate of 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, is fixed at 2.875% and 3.375% respectively.

6. Segment reporting

The following 3 operating segments fulfill the quantitative thresholds and are reported separately:

- "Agro" - includes manufacturing and distribution of fertilizers and crop protection products (including the following businesses: Tessenderlo Kerley Core, Tessenderlo Kerley International, NovaSource and SOP Plant Nutrition).
- "Bio-valorization" - includes collecting and processing of animal by-products; manufacturing and distribution of gelatins (including the following businesses: Gelatin and Akiolis).
- "Industrial Solutions" - includes manufacturing and distribution of solutions for industrial applications, including water management and solutions for the mining industry (including the following businesses: Plastic Pipe Systems, Mining and Industrial, Performance Chemicals[5] and MPR/ECS).

The engineering and construction activities of the subsidiary Tessenderlo Kerley Services Inc. were previously reported within the Agro segment. The subsidiary is however currently executing a material contract for the joint venture Jupiter Sulphur LLC and therefore impacts in a significant way the revenue of the Agro segment. Although the activities of this subsidiary are not considered to form a separate segment, the subsidiary's results have been excluded from Agro and are presented separately within "Other". The HY15 figures have also been represented.

The recurring costs (costs included within REBIT), 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 Executive Committee has been identified as the chief operating decision maker. The measure of segment profit/loss is REBIT, 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 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, 2015 figures.

[5] As from 2016, the businesses Water Treatment and Sulfur Derivatives are combined within Performance Chemicals.

SEGMENT REPORTING												
	Agro		Bio-valorization		Industrial Solutions		Other		Non-allocated		Tessenderlo Group	
Million EUR	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue (internal and external)	346.9	369.2	244.0	249.1	246.3	228.3	18.2	3.9	-	-	855.4	850.5
Revenue (internal)	0.3	0.4	-	0.1	-	-	-	-	-	-	0.3	0.4
Revenue	**346.6**	**368.8**	**244.0**	**249.0**	**246.3**	**228.3**	**18.2**	**3.9**	-	-	**855.1**	**850.1**
REBIT	**66.7**	**78.8**	**-2.4**	**-21.7**	**18.6**	**11.3**	**0.1**	**-1.8**	-	-	**82.9**	**66.6**
REBITDA	**78.9**	**89.1**	**13.4**	**-7.5**	**27.9**	**22.9**	**0.2**	**-1.7**	-	-	**120.4**	**102.8**
Return on revenue (REBITDA/revenue)	**22.8%**	**24.2%**	**5.5%**	**-3.0%**	**11.3%**	**10.0%**	**1.0%**	**-42.4%**	-	-	**14.1%**	**12.1%**
Segment assets	465.7	462.9	378.5	366.9	249.7	227.9	6.8	9.5	34.2	49.1	1,135.0	1,116.3
Investments accounted for using the equity method	15.7	14.5	0.7	2.8	-	-	-	-	8.0	7.8	24.4	25.1
Other investments	-	-	-	-	-	-	-	-	1.9	2.0	1.9	2.0
Deferred tax assets	-	-	-	-	-	-	-	-	30.7	30.0	30.7	30.0
Cash and cash equivalents	-	-	-	-	-	-	-	-	140.5	130.2	140.5	130.2
Total assets	**481.5**	**477.4**	**379.2**	**369.6**	**249.7**	**227.9**	**6.8**	**9.5**	**215.3**	**219.2**	**1,332.5**	**1,303.6**
Segment liabilities	82.0	86.3	128.7	130.7	76.5	63.9	3.8	3.9	191.6	182.3	482.5	467.1
Loans and borrowings	-	-	-	-	-	-	-	-	265.3	275.0	265.3	275.0
Bank overdrafts	-	-	-	-	-	-	-	-	0.1	0.5	0.1	0.5
Deferred tax liabilities	-	-	-	-	-	-	-	-	38.3	42.7	38.3	42.7
Total equity	-	-	-	-	-	-	-	-	546.3	518.2	546.3	518.2
Total equity and liabilities	**82.0**	**86.3**	**128.7**	**130.7**	**76.5**	**63.9**	**3.8**	**3.9**	**1,041.5**	**1,018.8**	**1,332.5**	**1,303.6**
Capital expenditures: property, plant and equipment and other intangible assets	27.4	14.2	11.3	3.4	8.5	2.3	-	-	0.1	0.6	47.3	20.6
Depreciation, amortization and impairment losses on property, plant and equipment, goodwill and other intangible assets	12.2	10.5	15.9	17.3	10.0	11.8	0.1	0.1	1.3	-	39.5	39.8

The reconciliation of the profit before tax is as follows:

RECONCILIATION PROFIT BEFORE TAX		
Million EUR	**30.06.2016**	**30.06.2015**
REBITDA of reportable segments	120.2	104.5
Other REBITDA included in REBITDA Group	0.2	-1.7
REBITDA	**120.4**	**102.8**
Depreciation, amortization and provisions	-37.5	-36.2
Non-recurring and non-operating income/(expense) items	-3.8	-20.0
Finance (costs) / income - net	-19.3	6.0
Share of result of equity accounted investees, net of income tax	1.8	2.3
Profit (+) / loss (-) before tax	**61.6**	**54.9**

7. Acquisitions and disposals

In February 2016, the group exercised the call option to acquire the remaining 13.8% equity interest in the subsidiary PB Gelatins Heilongjiang Co. Ltd, a Chinese subsidiary within the operating segment Bio-valorization. Following this transaction, the groups now holds 100% of the shares of PB Gelatins Heilongjiang Co. Ltd. The insignificant impact of this transaction was directly recognized within equity in accordance with IFRS 3 "*Business Combinations*".

The remaining 50% share of the joint venture Établissements Violleau SAS, a French entity within the operating segment Bio-valorization, was acquired as per March 2016. Following this transaction, the group now holds 100% of the shares of Établissements Violleau SAS. The impact of the remeasurement of the initial 50% share in Établissements Violleau SAS at fair value at acquisition date was not significant. The total acquisition cost could be attributed fully to the acquired assets and liabilities and therefore this acquisition did not result in the recognition of any goodwill. The contribution of this acquisition to the result of the year is not considered to be significant.

The 50% share of the joint venture Apeval SAS, a French entity within the operating segment Bio-valorization, was sold as per March 2016. The contribution of this activity and the result of the sale did not have a significant impact on the financial statements.

8. Non-recurring and non-operating income/(expense) items

For the first half of 2016, the net non-recurring and non-operating income/(expense) items amount to -3.8 million EUR (HY15: -20.0 million EUR).

The non-recurring items mainly relate to the impact of an electricity purchase agreement, for which the own-use exemption under IAS 39 is not applicable anymore, and several other individually insignificant items.

9. Finance costs and income

Net finance costs and income amount to -19.3 million EUR as per June 30, 2016, compared to 6.0 million EUR as per June 30, 2015.

FINANCE COSTS AND INCOME - YTD		
Million EUR	**HY16**	**HY15**
Total borrowing costs	-3.7	-7.4
Total income from investments, cash and cash equivalents	0.3	0.3
Net other finance (costs)/income	-15.9	13.2
Total	**-19.3**	**6.0**

Total borrowing costs decreased from -7.4 million EUR to -3.7 million EUR. This decrease is a consequence of the lower interest rates due on the financial debt following its 2015 refinancing. Also in HY15 transaction costs relating to the previous syndicated credit facility and private placement were still to be amortized, while this was no longer the case in HY16.

The net other finance costs can mainly be explained by the unrealized foreign exchange loss on USD and GBP intercompany loans, which are not hedged.

10. Income tax expense

Tax expenses amount to -21.4 million EUR in HY16, versus a tax expense of -14.5 million EUR in the same period last year. The income tax expenses mainly relate to the operations in the United States within the operating segment Agro.

11. Seasonality of operations

Tessenderlo Group demonstrates a limited seasonality pattern at group level for revenue (first half of 2015: 53%), while seasonality at operating profitability level (as expressed by REBITDA) is more pronounced (first half of 2015: 57%). 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 Tessenderlo Kerley Core's sales - 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, 2016, the group's capital expenditure amounted to 47.3 million EUR (HY15: 20.6 million EUR).

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

During the six month period ended June 30, 2016 the group entered into contracts to purchase property, plant and equipment for 34.9 million EUR, the majority of which is expected to be delivered in 2016 and 2017. The majority of the commitments relate to the construction of a new Thio-Sul® production facility in East-Dubuque, Illinois (United States), the construction of a Thio-Sul® production plant in Rouen (France) and the construction of a membrane technology based production plant in the Produits Chimiques de Loos site (France).

13. Inventories

Inventory decreased by 16.9 million EUR from 288.9 million EUR as per December 31, 2015 to 272.0 million EUR as per June 30, 2016, and can mainly be explained by the seasonality effect in the operating segment Agro.

14. Trade and other receivables

The non-current trade and other receivables decreased from 14.9 million EUR as per December 31, 2015 to 10.0 million EUR as per June 30, 2016. The change in financial assumptions (decrease of the discount rate used to discount the obligations) resulted in a higher UK pension liability, exceeding the pension assets of the UK pension fund.

The current trade and other receivables increased from 253.2 million EUR as per December 31, 2015 to 285.9 million EUR as per June 30, 2016 and can mainly be explained by the seasonality effect in the operating segments Agro and Industrial Solutions.

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, adjusted for stock dividends.

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

BASIC EARNINGS PER SHARE		
	30.06.2016	**30.06.2015**
Number of ordinary shares at January 1	42,902,722	42,396,563
Adjusted weighted average number of ordinary shares at June 30	**42,902,722**	**42,396,563**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	40.7	41.5
Basic earnings per share (in EUR)	**0.95**	**0.98**

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		
	30.06.2016	**30.06.2015**
Adjusted weighted average number of ordinary shares at June 30	42,902,722	42,396,563
Effect of warrants issued[1]	67,902	82,339
Adjusted diluted weighted average number of ordinary shares at June 30	**42,970,624**	**42,478,902**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	40.7	41.5
Diluted earnings per share (in EUR)	**0.95**	**0.98**

[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.

16. Loans and borrowings

LOANS AND BORROWINGS		
Million EUR	**30.06.2016**	**31.12.2015**
Non-current loans and borrowings	227.4	226.7
Current loans and borrowings	37.9	48.3
Total loans and borrowings	**265.3**	**275.0**
Cash and cash equivalents	-140.5	-130.2
Bank overdrafts	0.1	0.5
Net loans and borrowings	**124.9**	**145.3**

As per June 2016, the group net financial debt stood at 124.9 million EUR, implying a leverage of 0.6x. The net debt at year end 2015 amounted to 145.3 million EUR.

The non-current loans and borrowings include two series of bonds, 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.

The group has access to a Belgian commercial paper program of 200.0 million EUR of which 30.0 million EUR was used at the end of June 2016 and is included in current loans and borrowings (December 31, 2015: 43.0 million EUR). These are issued by Tessenderlo Chemie NV, the parent company.

There has been no drawdown as per June 30, 2016 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).

As per June 2016, there are no significant pledges securing the loans and borrowings, nor any covenants significantly different from those disclosed in the bond documentation.

17. Financial instruments

The derivative financial instruments as per June 30, 2016 mainly relate to an electricity forward contract. The fair value of the contract is calculated as per June 30, 2016 based on a valuation model, leading to a net fair value of -18.2 million EUR compared to a net fair value of -16.5 million EUR as per December 31, 2015.

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 IAS 39 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 “spark spread”), and on the effect of the hourly pricing optimization as foreseen in the contract. We refer to the 2015 financial report for more information on the fair value calculation of the electricity forward contract.

18. Employee benefits

The application of IAS 19 *Employee benefits* as per June 30, 2016 led to a decrease of equity, net of taxes, of -14.0 million EUR. The decrease of the rate used to discount the obligations (weighted average discount rate of 1.7% as per June 30, 2016 compared to 2.5% at year-end 2015) was the main driver leading to a higher net defined benefit obligation.

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.

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. Management estimates that any surplus or deficit of emission allowances over the next years will not significantly impact the group's consolidated financial statements.

In the third quarter of 2014 the group was informed by the local Chinese authorities of their intention to expropriate the gelatin plant in the Zhejiang Province in order to build a new public infrastructure. The group started negotiations with the government for obtaining compensation for such expropriation. Management estimates to recover the carrying amount of the assets involved and therefore no impairment loss has been recognized as per June 30, 2016.

20. Related parties

The company has a related party relationship with its subsidiaries, associates, joint ventures and with its main shareholder, directors and its Group Management Committee/Executive Committee. The Belgian pension fund "OFP Pensioenfonds", which covers the post-employment benefit obligation of the employees of some Belgian subsidiaries, is also considered to be a related party.

As per June 30, 2016, Verbrugge NV, controlled by Picanol NV, is holding 13 958 384 shares (32.5% of the company). Its affiliated company Symphony Mills NV holds 1 664 774 shares (3.9%). Picanol Group is a listed Belgian industrial company and a worldwide supplier of total solutions for the textile industry and other industries. 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).

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

Premiums for an amount of 0.5 million EUR were paid to the Belgian pension fund, "OFP Pensioenfonds". Liabilities related to employee benefits schemes as per June 30, 2016 include 13.1 million EUR related to the "OFP Pensioenfonds" (December 31, 2015: 6.9 million EUR).

TRANSACTIONS WITH JOINT VENTURES (FOR THE SIX MONTH PERIOD ENDED JUNE 30, EXCEPT FOR BALANCE SHEET COMPARATIVES AT DECEMBER 31)

Million EUR	2016	2015
Revenue	5.2	7.1
Cost of sales	11.7	15.9
Current assets	0.4	1.1
Current liabilities	2.3	1.9

There have been no significant transactions with associates.

Dividends were received from joint ventures and associates for an amount of 0.3 million EUR (June 30, 2015: 0.7 million EUR), while dividends received from other investments amounted to 0.1 million EUR (June 30, 2015: 0.0 million EUR).

TRANSACTIONS WITH THE MEMBERS OF THE GROUP MANAGEMENT COMMITTEE/EXECUTIVE COMMITTEE		
Million EUR	**30.06.2016**	**30.06.2015**
Short-term employee benefits	0.6	0.7
Post-employee benefits	0.0	0.0
Total	**0.6**	**0.7**

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 HY16 and no warrants were exercised by members of the current Executive Committee.

The employee benefits of the Group Management Committee are included until January 14, 2015. The Board of Directors decided on January 14, 2015 to replace the Group Management Committee by an Executive Committee, which was composed by the co-CEO's (Luc Tack/Melchior de Vogüé), 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). On April 30, 2015 Melchior de Vogüé left the group.

21. Subsequent events

On July 20, 2016, 61 236 ordinary shares were included for trading on Eurolist on Euronext Brussels following the conversion of warrants. The transaction led to an increase of issued capital and share premium by 1.3 million EUR. Following this capital increase, the number of warrants outstanding reduced to 277 362 warrants, which were all exercisable as per June 30, 2016.

4. Independent auditors' report on the review of the condensed consolidated financial information as per June 30, 2016

To the Board of Directors of
TESSENDERLO CHEMIE NV

Statutory auditor's report on review of condensed consolidated financial information for the period ended 30 June 2016

Introduction

We have reviewed the accompanying condensed consolidated financial information, consisting of the consolidated statement of financial position of Tessenderlo Chemie NV and its subsidiaries (the "Group") as of 30 June 2016 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, as well as the notes to the condensed consolidated financial information. The board of directors is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with IAS 34 as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with 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 financial information is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Antwerp, 23 August 2016

The statutory auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Peter Van den Eynde
Partner

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