

TESSENDERLO GROUP: STRONG FIRST HALF YEAR

Key events from the first half of 2022

- In February 2022, Tessenderlo Group announced its takeover of the production unit and related activities of Pipelife France. The plant, which is situated in Gaillon (Eure, France), specializes in the production of pipes for gas, water, and cable protection. The acquisition is expected to be completed by the end of September, after which the company will be integrated into the DYKA Group business unit (Industrial Solutions segment). The transaction will not materially affect the group's results.
- The second quarter of 2022 saw the completion of the acquisition of the assets of B.V. Fleuren Tankopslag, which is a tank storage and transshipment company for liquid products, located in the Port of Cuijk (the Netherlands). The activities of Fleuren Tankopslag were integrated into the Tessenderlo Kerley International business unit (Agro segment). This transaction will have no material impact on the group's results.
- Construction work on Tessenderlo Kerley International's new Thio-Sul[®] plant in Geleen (the Netherlands) is scheduled to start in the fourth quarter of 2022. The plant is expected to be operational from the first quarter of 2024.
- Tessenderlo Kerley, Inc. will start the construction of a new plant in Defiance (Ohio, USA) in the third quarter of 2022. This plant will produce the leading liquid and sulfur-based fertilizers Thio-Sul[®], KTS[®], and K-Row 23[®], as well as sulfate chemicals for industrial markets (Agro and Industrial Solutions segments). The plant is scheduled to be operational in the first half of 2024.
- The group also announced in March that Violleau will build a new production line for organic fertilizers in Vénérolles (Aisne, France). The production line will be operational from the second quarter of 2023, and it will be built on the site of the Akiolis plant in Vénérolles. From January 2022, Violleau has been included in the group's Agro segment.
- In early March 2022, Tessenderlo Group submitted another permit application to the Flemish Region for the construction of a new 900 MW combined cycle gas turbine (CCGT) power plant in Tessenderlo (Belgium). This entails an investment of approximately 500 million EUR. Tessenderlo Group expects the Flemish minister's decision on the permit by September 24, 2022, at the latest. However, the new gas plant will only be built when Tessenderlo Group can present a financially profitable project.
- In February 2022, Tessenderlo Group bought back 35.0 million EUR of its outstanding 2022 bonds at a price of 102.875%. This buyback resulted in a cash-out of 36.0 million EUR and the remaining amount of outstanding 2022 bonds, amounted to 130.5 million EUR and was repaid at maturity in July 2022.
- In February 2022, the group also concluded two term loan facilities of 30.0 million EUR each, with terms of 7 years (started in April 2022) and 5 years (starting in August 2022). These two loans, with quarterly capital repayments, have fixed interest rates of 1.17% and 0.94% and are without financial covenants. Both transactions will further reduce the group's liquidity risk and interest costs.
- The current conflict in Eastern Europe and the subsequent economic and financial sanctions imposed are negatively affecting the supply and purchase prices of raw materials as well as energy prices. This applies in particular to MOP (muriate of potash), the main raw material for SOP fertilizers (sulfate of potash) produced at Tessenderlo Kerley Ham (Belgium). Tessenderlo Group previously purchased MOP mainly in Russia and Belarus, as well as, to a lesser extent, from some other countries. Due to the high MOP inventory position at the start of the year, as well as a revision of the sourcing mix, the supply difficulties had only a limited impact on Tessenderlo Group's profitability during the first six months of 2022. A limited impact is also expected for the second half of 2022, despite the reduced availability. The increase in energy prices had a negative impact on our various activities, although this could be somewhat limited by our previously concluded forward purchase contracts, as well as by the increase in our sales prices.

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.

After the balance sheet date

- On July 8, 2022, Tessenderlo Group and Picanol Group (Picanol nv, Euronext: PIC) announced their intention to simplify and increase the transparency of the group structure of both companies, with a view to combining them into a single industrial group, with a single stock exchange listing and a single board of directors. The proposed transaction envisages the reference shareholders, Luc Tack and Patrick Steverlynck, contributing the Picanol Group shares that they hold, in the context of a voluntary public exchange offer by Tessenderlo Group. The other Picanol Group shareholders (free float: 10.66%) will also be offered the option of becoming direct shareholders of Tessenderlo Group, at the same exchange ratio of 1 Picanol Group share for 2.43 Tessenderlo Group shares. It is the intention of both parties that this integration will be effective as of January 1, 2023.
- Tessenderlo Group has access to committed bilateral agreements with 4 credit institutions for a total amount of 142.5 million EUR (of which a part can be called in USD) until 2024. These agreements were increased in July 2022 to an amount of 250.0 million EUR and the period was extended to July 2027. These facilities contain no financial covenants and ensure maximum flexibility for the various, planned activities. As of June 30, 2022, none of these credit lines had been used.
- In August 2022, Tessenderlo Kerley, Inc. acquired the product line Lannate® from Corteva Agriscience. Tessenderlo Kerley's NovaSource® business unit (Agro segment) will add the Lannate® product line to its existing, diversified portfolio of niche crop protection products to agriculture customers worldwide. This crop protection product is used to manage specific difficult to control pests in specific crops such as sweet corn, onions and garlic. The transaction will have no material impact on the results of Tessenderlo Group.

Note:

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

Million EUR	HY22	HY21	% Change excluding fx effect ²	% Change as reported
Revenue	1,339.6	1,021.0	26.8%	31.2%
Adjusted EBITDA ³	247.6	184.7	27.6%	34.0%
Adjusted EBIT ⁴	182.6	119.4	44.0%	52.8%
Profit (+) / loss (-) for the period	163.6	97.3		68.2%
Total comprehensive income	218.8	121.6		79.9%
Capital expenditure	59.3	41.1		44.1%
Cash flow from operating activities	97.3	153.9		-36.8%
Operational free cash flow ⁵	88.1	129.5		-32.0%
Operational free cash flow (excluding IFRS 16 Leases)	77.3	118.5		-34.8%
Net financial debt ⁶	48.5	117.8		-58.8%

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 HY22 result of foreign currency entities at the average exchange rate of HY21. The variance between this calculated result and the previous year result shows the effective result variance excluding any foreign exchange impact.

³ Adjusted EBITDA equals Adjusted EBIT plus depreciation and amortization.

⁴ Adjusted EBIT is considered by the group to be a relevant performance measure in order to compare results over the period 2021-2022 as it excludes adjusting items from the EBIT (Earnings Before Interests and Taxes). EBIT adjusting items principally relate to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

⁵ Operational free cash flow equals to Adjusted EBITDA minus capital expenditure minus change in trade working capital.

⁶ Net financial debt equals non-current and current loans and borrowings and bank overdrafts, minus cash and cash equivalents and short term investments.



1. REVENUE

HY22 revenue increased by +31.2% (or increased by +26.8% when excluding the foreign exchange effect) compared to the same period last year. Excluding the foreign exchange effect, the revenue of Agro increased by +38.6%, Bio-valorization revenue increased by +22.7%, the revenue of Industrial Solutions increased by +19.3%, while the T-Power revenue remained stable. This revenue increase could be mainly realized thanks to higher sales prices, implemented to offset the increase of raw material, energy and transportation costs.

2. ADJUSTED EBITDA

The HY22 Adjusted EBITDA amounts to 247.6 million EUR compared to 184.7 million EUR one year earlier (+34.0%). When excluding the impact of the foreign exchange effect, the Adjusted EBITDA increased by +50.9 million EUR (+27.6%) compared to prior year. All 4 segments contributed to this increase (Agro +49.6%, Bio-valorization +14.9%, Industrial Solutions +12.9%, T-Power +7.7%).

3. NET FINANCIAL DEBT

As per HY22, group net financial debt decreased to 48.5 million EUR, compared to 74.8 million EUR as per year-end 2021. Leverage amounts to 0.1x as per HY22 (year-end 2021: 0.2x).

Short-term borrowings for 180.3 million EUR and 205.6 million EUR long-term borrowings are almost entirely compensated for by cash and cash equivalents (337.4 million EUR). The short-term borrowings include the bond, issued in 2015 with a maturity of 7 years, for an amount of 130.5 million EUR, which matured and was reimbursed in July 2022. Excluding the IFRS 16 lease liabilities, group net cash position as per HY22 would have amounted to 5.5 million EUR compared to a net financial debt of 20.8 million EUR as per year-end 2021.

In February 2022, Tessenderlo Group repurchased 35.0 million EUR of its outstanding 2022 bonds at a price of 102.875%. This repurchase resulted in a cash-out of 36.0 million EUR. Also in February 2022, the group agreed two term loan credit facilities for 30.0 million EUR each, with a maturity of 7 years (started in April 2022) and a maturity of 5 years (starting in August 2022) respectively. These loans, with quarterly capital reimbursements, have a fixed interest rate of 1.17% and 0.94% respectively, and contain no financial covenants. Both transactions will further reduce the liquidity risk as well as the interest costs of the group.

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

The HY22 profit amounts to 163.6 million EUR compared to 97.3 million EUR in HY21. The profit 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 for HY22 would have amounted to approximately 150 million EUR, compared to a result of approximately 90 million EUR in HY21.

5. OPERATIONAL FREE CASH FLOW

The HY22 operational free cash flow amounts to 88.1 million EUR, compared to 129.5 million EUR in HY21. The decrease, despite the higher operational results, can be explained by a higher capital expenditure (-18 million EUR compared to HY21) and higher working capital needs (-100 million EUR in HY22, compared to -14 million EUR in HY21), mainly linked to higher raw material costs, which led to a higher inventory valuation, and an increase of trade receivables following higher sales prices.

Outlook

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

The group anticipates a continued high level of uncertainty in the second half of 2022, as well as in 2023, due to the current conflict in Eastern Europe, the difficult supply chain circumstances, and other challenges following the coronavirus pandemic. The development of customer demand and sales margin could therefore come under pressure. However, based on currently available information, the group expects that the 2022 Adjusted EBITDA will be 15% to 20% higher than the 2021 Adjusted EBITDA (354.2 million EUR). This revised outlook for the 2022 financial year reflects the strong first half of the year, while the result for the second half is expected to be in line with the same period in the previous year.

The group wishes to emphasize that it currently operates in a volatile geopolitical, economic, financial, and health environment.

Operating segments performance review

GROUP KEY FIGURES - FOR THE SIX MONTH PERIOD ENDED JUNE 30				
Million EUR	HY22	HY21	% Change excluding fx effect	% Change as reported
Revenue Group	1,339.6	1,021.0	26.8%	31.2%
Agro	546.0	373.5	38.6%	46.2%
Bio-valorization	376.8	297.4	22.7%	26.7%
Industrial Solutions	380.3	314.9	19.3%	20.8%
T-Power	36.5	35.2	3.8%	3.8%
Adjusted EBITDA Group	247.6	184.7	27.6%	34.0%
Agro	121.6	75.2	49.6%	61.8%
Bio-valorization	50.2	41.8	14.9%	19.9%
Industrial Solutions	48.2	42.1	12.9%	14.5%
T-Power	27.5	25.6	7.7%	7.7%
Adjusted EBIT Group	182.6	119.4	44.0%	52.8%
Agro	105.5	59.8	62.2%	76.2%
Bio-valorization	33.5	24.5	29.6%	36.5%
Industrial Solutions	35.1	28.4	22.0%	23.7%
T-Power	8.6	6.7	27.1%	27.1%
EBIT adjusting items	9.6	1.9	403.1%	402.5%
EBIT	192.1	121.3	48.7%	58.3%

AGRO				
Million EUR	HY22	HY21	% Change excluding fx effect	% Change as reported
Revenue	546.0	373.5	38.6%	46.2%
Adjusted EBITDA	121.6	75.2	49.6%	61.8%
Adjusted EBITDA margin	22.3%	20.1%		
Adjusted EBIT	105.5	59.8	62.2%	76.2%
Adjusted EBIT margin	19.3%	16.0%		

HY22 revenue increased by +38.6%, when excluding the foreign exchange effect, thanks to an increase of sales prices, implemented in 2021 and HY22 to offset the higher raw material, energy and transportation costs.

When excluding the foreign exchange effect, the Adjusted EBITDA increased by +49.6% compared to prior year. The Adjusted EBITDA of Crop Vitality, Tessenderlo Kerley International and NovaSource increased thanks to favorable market circumstances.

With effect from 2022, Violleau (organic agricultural solutions) is included in the Agro segment, however its contribution to the results is not considered to be significant.

BIO-VALORIZATION				
Million EUR	HY22	HY21	% Change excluding fx effect	% Change as reported
Revenue	376.8	297.4	22.7%	26.7%
Adjusted EBITDA	50.2	41.8	14.9%	19.9%
Adjusted EBITDA margin	13.3%	14.1%		
Adjusted EBIT	33.5	24.5	29.6%	36.5%
Adjusted EBIT margin	8.9%	8.2%		

Revenue increased by +22.7% when excluding the foreign exchange effect, mainly thanks to an improved product mix and market prices for fats and proteins that increased substantially. Sales prices for gelatin products were increased in HY22 to offset the higher raw material, energy, and transportation costs.

The HY22 Adjusted EBITDA increased compared to prior year (+14.9% when excluding the foreign exchange effect) thanks to favorable market circumstances for fats and proteins, and recovered margins of gelatin products.

INDUSTRIAL SOLUTIONS				
Million EUR	HY22	HY21	% Change excluding fx effect	% Change as reported
Revenue	380.3	314.9	19.3%	20.8%
Adjusted EBITDA	48.2	42.1	12.9%	14.5%
Adjusted EBITDA margin	12.7%	13.4%		
Adjusted EBIT	35.1	28.4	22.0%	23.7%
Adjusted EBIT margin	9.2%	9.0%		

Industrial Solutions revenue, when excluding the foreign exchange effect, increased by +19.3% in the first half of 2022, mainly thanks to DYKA Group, where revenue was positively impacted by an improved product mix and increased sales prices, implemented to offset the higher raw material, energy and transportation costs.

The Adjusted EBITDA increased by +5.4 million EUR or increased by +12.9% when excluding the foreign effect. The Adjusted EBITDA of DYKA Group was positively impacted by an improved product mix, a further increase of production efficiency based on investments made and timely pricing management to offset the significant increases of transportation expenses and raw material and energy costs (which are not yet fully reflected in the cost of goods sold).

The Adjusted EBITDA of moleko decreased, which was more than offset by an increase of the Kuhlmann Europe Adjusted EBITDA.

T-POWER				
Million EUR	HY22	HY21	% Change excluding fx effect	% Change as reported
Revenue	36.5	35.2	3.8%	3.8%
Adjusted EBITDA	27.5	25.6	7.7%	7.7%
Adjusted EBITDA margin	75.4%	72.7%		
Adjusted EBIT	8.6	6.7	27.1%	27.1%
Adjusted EBIT margin	23.5%	19.2%		

The revenue of T-Power remained stable at 36.5 million EUR, while the Adjusted EBITDA increased to 27.5 million EUR. These results were in line with expectations, as T-Power nv fulfilled all tolling agreement requirements, while HY21 also included development expenses for the intended construction of a second gas-fired power plant in Tessenderlo (Belgium).

Condensed consolidated interim financial statements at June 30, 2022

The group also published the 2022 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 report in the interim report.

Condensed consolidated income statement

Million EUR	HY22	HY21
Revenue	1,339.6	1,021.0
Cost of sales	-979.6	-747.2
Gross profit	360.0	273.8
Distribution expenses	-76.8	-60.4
Sales and marketing expenses	-33.6	-30.1
Administrative expenses	-59.2	-54.1
Other operating income and expenses	-7.9	-9.8
Adjusted EBIT	182.6	119.4
EBIT adjusting items	9.6	1.9
EBIT (Profit (+) / loss (-) from operations)	192.1	121.3
Finance (costs) / income - net	7.9	2.1
Share of result of equity accounted investees, net of income tax	2.5	0.2
Profit (+) / loss (-) before tax	202.6	123.7
Income tax expense	-39.0	-26.4
Profit (+) / loss (-) for the period	163.6	97.3
Attributable to:		
- Equity holders of the company	163.6	97.3
- Non-controlling interest	-0.0	-0.0
Basic earnings per share (EUR)	3.80	2.26
Diluted earnings per share (EUR)	3.80	2.26



Condensed consolidated statement of comprehensive income

Million EUR	HY22	HY21
Profit (+) / loss (-) for the period	163.6	97.3
Translation differences ⁷	28.3	9.4
Net change in fair value of derivative financial instruments, before tax	3.7	1.1
Other movements	-0.0	-0.0
Income tax on other comprehensive income	-0.9	-0.3
Items of other comprehensive income that are or may be reclassified subsequently to profit or loss	31.0	10.2
Remeasurements of the net defined benefit liability, before tax	28.2	15.2
Income tax on other comprehensive income	-4.1	-1.0
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	24.1	14.2
Other comprehensive income, net of income tax	55.2	24.4
Total comprehensive income	218.8	121.6
Attributable to:		
- Equity holders of the company	218.6	121.6
- Non-controlling interest	0.1	0.0

⁷ The HY22 translation differences are mainly impacted by the weakening of the EUR against the USD by -9% (HY21: -3%).

Condensed consolidated statement of financial position

Million EUR	30/06/2022	31/12/2021
ASSETS		
Total non-current assets	1,136.2	1,105.4
Property, plant and equipment	921.1	886.6
Goodwill	33.3	32.3
Intangible assets	97.9	109.2
Investments accounted for using the equity method	24.4	19.2
Other investments and guarantees	12.1	11.8
Deferred tax assets	26.3	33.5
Trade and other receivables	21.1	12.9
Total current assets	1,278.2	1,101.6
Inventories	464.9	393.4
Trade and other receivables	467.2	371.8
Current tax assets	7.2	5.5
Derivative financial instruments	1.5	0.6
Short term investments	-	10.0
Cash and cash equivalents	337.4	320.3
Total assets	2,414.4	2,207.0
EQUITY AND LIABILITIES		
Total equity	1,353.5	1,131.4
Equity attributable to equity holders of the company	1,352.0	1,130.0
Issued capital	216.2	216.2
Share premium	238.0	238.0
Reserves and retained earnings	897.8	675.8
Non-controlling interest	1.5	1.3
Total liabilities	1,060.9	1,075.6
Total non-current liabilities	458.7	477.9
Loans and borrowings	205.6	193.6
Employee benefits	37.7	55.8
Provisions	130.3	138.3
Trade and other payables	3.3	4.1
Derivative financial instruments	14.2	20.7
Deferred tax liabilities	67.4	65.4
Total current liabilities	602.2	597.7
Bank overdrafts	0.0	0.1
Loans and borrowings	180.3	211.4
Trade and other payables	394.3	365.9
Derivative financial instruments	5.0	8.6
Current tax liabilities	9.2	1.6
Employee benefits	0.5	0.7
Provisions	12.9	9.5
Total equity and liabilities	2,414.4	2,207.0

Condensed consolidated statement of cash flows

Million EUR	30/06/2022	30/06/2021
OPERATING ACTIVITIES		
Profit (+) / loss (-) for the period	163.6	97.3
Depreciation, amortization and impairment losses on tangible assets and intangible assets	65.0	65.3
Changes in provisions	-3.5	-4.6
Finance (costs) / income - net	-7.9	-2.1
Loss / (profit) on sale of non-current assets	-0.5	-1.1
Share of result of equity accounted investees, net of income tax	-2.5	-0.2
Income tax expense	39.0	26.4
Other non-cash items	0.1	-1.5
Changes in inventories	-59.8	51.8
Changes in trade and other receivables	-81.9	-76.1
Changes in trade and other payables	22.0	15.8
Change in accounting estimates - inventory write off	1.4	-1.3
Net change in emission allowances recognized within intangible assets	0.1	1.4
Revaluation electricity forward contracts	-5.1	0.1
Cash generated from operations	129.8	171.0
Income tax paid	-32.4	-17.2
Dividends received	0.0	0.1
Cash flow from operating activities	97.3	153.9
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	-59.3	-41.1
Cash deposit paid for prequalification CRM auction (T-Power)	-	-16.3
Proceeds from the sale of property, plant and equipment	0.6	0.6
Increase in short term investments	-	-40.0
Decrease in short term investments	10.0	20.0
Cash flow from investing activities	-48.7	-76.8
FINANCING ACTIVITIES		
Repurchase of own shares	-0.6	-
Payment of lease liabilities	-10.2	-10.5
Proceeds from new borrowings	30.0	-
Reimbursement of borrowings	-49.6	-33.9
Interest paid	-4.1	-4.3
Interest received	0.2	0.2
Other finance costs paid	-1.1	-0.5
Decrease/(increase) of long-term receivables	0.5	2.7
Cash flow from financing activities	-35.0	-46.3
Net increase / (decrease) in cash and cash equivalents	13.6	30.8
Effect of exchange rate differences	3.6	0.6
Cash and cash equivalents less bank overdrafts at the beginning of the period	320.2	230.0
Cash and cash equivalents less bank overdrafts at the end of the period	337.4	261.4



Financial calendar

2022 results

March 23, 2023

Agenda for August 25, 2022

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

Registration details are available on www.tessenderlo.com.

About Tessenderlo Group

Tessenderlo Group is a diversified industrial group that focuses on agriculture, valorizing bio-residuals, energy, and providing industrial solutions with a focus on water. The group employs more than 4,800 people, is a leader in most of its markets and recorded a consolidated revenue of 2.1 billion EUR in 2021. 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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This **press release** is available in **Dutch and English** on the corporate website www.tessenderlo.com.

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