

– CONSOLIDATED RESULTS HY20 –

THE STRONG PERFORMANCE OF THE VARIOUS TESSENDERLO GROUP SEGMENTS OUTWEIGHS THE NEGATIVE IMPACT OF COVID-19 ON THE GLOBAL MACHINE MARKET

1. KEY EVENTS

- In January 2020, Picanol Group fell victim to a large-scale ransomware attack which caused a disruption of the group's activities, however with a limited financial impact (less than 1 million EUR).
- In the first half of 2020, Picanol (Machines & Technologies segment) reached a new milestone with the production of its 100,000th rapier weaving machine (an OptiMax-i) in Ieper, confirming its leading role in the global market for rapier weaving machines. In Ieper, Proferro is currently investing in an automatic high-bay warehouse that will come into operation in the spring of 2021.
- Within the Agro segment, Tessenderlo Kerley International and Kemira Oyj (Kemira) have signed a long-term partnership agreement. Under the terms of this agreement, Kemira will produce premium SOP fertilizers (both standard and water-soluble grade) at its plant in Helsingborg (Sweden) and Tessenderlo Kerley International will market these products. This agreement is scheduled to become operational at the beginning of 2021.
- Within the Bio-Valorization segment, PB Leiner inaugurated a new collagen peptides line in February 2020 at its production plant in Santa Fe (Argentina). This additional production facility allows for a considerable extra production volume of SOLUGEL™ collagen peptides.
- PB Leiner and Zhejiang Shengda Ocean Co., Ltd. in Zhoushan (P.R. China) have established a joint venture in the second quarter of 2020 for the construction of a bone and marine collagen peptides plant. Under the terms of this agreement, PB Shengda (Zhejiang) Biotechnology Co., Ltd. will produce bone and marine collagen peptides based on PB Leiner's technology. PB Leiner will offer its customers an even more diversified range of high-quality collagen peptides.
- In the second quarter of 2020, DYKA Group (Industrial Solutions segment) completed the acquisition of the production plant of REHAU Tube in La Chapelle-Saint-Ursin (France) from the German REHAU Group.
- Within the Industrial Solutions segment, S8 Engineering has ceased to exist. The engineering and construction activities were integrated into Tessenderlo Kerley, Inc. during the first quarter of 2020.
- At the beginning of July 2020, Tessenderlo Group started filing the relevant applications in order to participate in the Belgian Capacity Remuneration Mechanism (CRM) tender for the construction of a second gas-fired power station in the Belgian municipality of Tessenderlo.

Update COVID-19:

- In light of the latest developments concerning the global spread of the COVID-19 disease, Picanol Group is taking all the necessary steps to ensure that it keeps its people safe and keep its plants and businesses running.

¹ The 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.

- All of the plants and activities are now running in line with expectations.
- Activities could be further impacted in the coming weeks or months if too many employees are affected by COVID-19 and/or if access to raw materials and auxiliary materials or means of transportation becomes more complicated, or if customers decide to decrease production, or if customers are no longer able to either process or resell products.

2. KEY FINANCIAL DATA

(million EUR)	HY20	HY19	% change	% change excl. fair value adjustment ²
Revenue	1,135.6	1,187.9	-4%	-4%
Adjusted EBITDA³	195.5	144.2	36%	13%
Adjusted EBIT ⁴	98.8	50.2	97%	22%
EBIT	99.3	44.4	123%	33%
Profit/(loss) for the period	72.6	26.3	176%	42%
Minority interest	36.0	5.6	543%	64%
Profit/(loss) for the period attributable to the equity holders of the company	36.6	20.7	77%	25%
Total comprehensive income attributable to the equity holders of the company	31.1	16.2	93%	26%
Capital expenditure	46.0	50.2	-8%	-8%
Cash flow from operating activities	156.2	137.7	13%	13%

(million EUR)	HY20	HY19	% change	% change excl. fair value adjustment
Revenue	1,135.6	1,187.9	-4%	-4%
Machines & Technologies	200.6	262.8	-24%	-24%
Agro	362.2	352.7	3%	3%
Bio-valorization	287.6	265.3	8%	8%
Industrial Solutions	250.6	272.3	-8%	-8%
T-Power	34.6	34.8	0%	0%
Adjusted EBITDA	195.5	144.2	36%	13%
Machines & Technologies	13.5	28.3	-52%	-52%
Agro	84.5	51.9	63%	20%
Bio-valorization	45.3	18.2	149%	80%
Industrial Solutions	24.8	21.3	16%	0%
T-Power	27.4	24.4	12%	12%
Adjusted EBIT	98.8	50.2	97%	22%
Machines & Technologies	7.8	22.8	-66%	-66%
Agro	50.7	18.2	179%	25%
Bio-valorization	26.7	0.3	10,431%	252%
Industrial Solutions	4.8	3.1	58%	2%
T-Power	8.9	5.9	51%	51%
EBIT adjusting items	0.4	-5.7	-108%	-166%
EBIT	99.3	44.4	123%	33%

² % change excluding the depreciation of the fair value adjustment which was recognized on initial consolidation of Tessenderlo Group. The HY19 results are impacted by a one-time inventory depreciation of -29,1 million EUR, next to the recurring depreciation of the revalued assets.

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 2019-2020 as it excludes EBIT adjusting items.

REVENUE

In the first half of 2020, revenue dropped slightly (-4%). Machines & Technologies experienced a sharp decline in revenue (-24%) as a result of impact of the COVID-19 pandemic on the global machine market. When excluding the foreign exchange effect, Agro revenue remained stable (+1.1%), while the revenue of Bio-valorization increased by +8.0%, mainly thanks to favorable market conditions and improved product mix. The revenue of Industrial Solutions decreased by -8.1%, mainly due to lower DYKA Group volumes impacted by the COVID-19 pandemic. T-Power contributed 34.6 million EUR to the HY20 revenue, which was in line with expectations.

ADJUSTED EBITDA

The HY20 adjusted EBITDA increased by 36% but this was impacted by the fair value adjustment on inventory (-29.1 million EUR) in the HY19 EBITDA. Excluding this one-time impact, the EBITDA increased by 13%. Adjusted EBITDA decreased in the Machines & Technologies segment (-52%), whereas the contribution of the operating segments Bio-valorization (+84.5%), Agro (+16.9%) and T-Power (+12.5%) increased while the contribution of Industrial Solutions remained stable (-0.3%).

PROFIT (+) / LOSS (-) FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The profit for the first half of 2020 amounts to 36.6 million EUR compared to 20.7 million EUR for the same period the previous year or a 77% increase. Excluding the impact of the fair value adjustment, profit increased by 25%. The strong revenue drop in the Machines & Technologies segment was more than compensated by the increased profit in the segments of Tessengerlo Group.

3. 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 2020 due to the ongoing corona pandemic, where the development of customer demand and margin is likely to be exposed to increased risk. However, based on the current situation, Picanol Group is anticipating an Adjusted EBITDA for the full financial year 2020 that will be higher than that of 2019. The current uncertain macroeconomic climate as a result of COVID-19 is causing a significant cooldown in the global machine market but this should be more than offset by the Tessengerlo Group segments.

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

4. OPERATING SEGMENTS PERFORMANCE REVIEW

MACHINES & TECHNOLOGIES			
<i>(million EUR)</i>	HY20	HY19	% change
Revenue	200.6	262.8	-24%
Adjusted EBITDA	13.5	28.3	-52%
Adjusted EBITDA – margin	7%	11%	
Adjusted EBIT	7.8	22.8	-66%
Adjusted EBIT – margin	4%	9%	

Revenue fell by 24% in the first half of 2020 as a result of a worldwide slowdown in the machine market due to the pandemic. The HY20 Adjusted EBITDA decreased by 52% compared to the previous year as fixed costs, although lower than HY19, did not decrease in line with revenue.

AGRO						
<i>(million EUR)</i>	After fair value adjustment			Excluding fair value adjustment		
	HY20	HY19	% change	HY20	HY19	% change
Revenue	362.2	352.7	3%	362.2	352.7	3%
Adjusted EBITDA	84.5	51.9	63%	84.5	70.7	20%
Adjusted EBITDA – margin	23%	15%		23%	20%	
Adjusted EBIT	50.7	18.2	179%	69.3	55.5	25%
Adjusted EBIT – margin	14%	5%		19%	16%	

HY20 revenue remained stable when excluding the foreign exchange effect (+1.1%), where Crop Vitality revenue increased thanks to higher volumes. The Adjusted EBITDA, when excluding the foreign exchange effect, increased by +16.9% compared to prior year. The Adjusted EBITDA of Crop Vitality and Tessenderlo Kerley International increased thanks to favorable market circumstances, while the Adjusted EBITDA of NovaSource remained stable.

BIO-VALORIZATION						
<i>(million EUR)</i>	After fair value adjustment			Excluding fair value adjustment		
	HY20	HY19	% change	HY20	HY19	% change
Revenue	287.6	265.3	8%	287.6	265.3	8%
Adjusted EBITDA	45.3	18.2	149%	45.3	25.2	80%
Adjusted EBITDA – margin	16%	7%		16%	9%	
Adjusted EBIT	26.7	0.3	10,431%	28.1	8.0	252%
Adjusted EBIT – margin	9%	0%		10%	3%	

Revenue increased by +8.0% when excluding the foreign exchange effect, mainly thanks to favorable market conditions and improved product mix. The Adjusted EBITDA increased to 45.3 million EUR or increased by +84.5% when excluding the foreign exchange effect, mainly thanks to favorable market circumstances and realized efficiency improvements.

INDUSTRIAL SOLUTIONS						
<i>(million EUR)</i>	After fair value adjustment			Excluding fair value adjustment		
	HY20	HY19	% change	HY20	HY19	% change
Revenue	250.6	272.3	-8%	250.6	272.3	-8%
Adjusted EBITDA	24.8	21.3	16%	24.8	24.7	0%
Adjusted EBITDA – margin	10%	8%		10%	9%	
Adjusted EBIT	4.8	3.1	58%	10.1	9.9	2%
Adjusted EBIT – margin	2%	1%		4%	4%	

HY20 Industrial Solutions revenue decreased by -8.1% when excluding the foreign exchange effect, mainly due to lower DYKA Group revenue. DYKA Group volumes were negatively impacted by the Corona pandemic in the period March-May, mainly due to the disruption of production at the French plant in Sainte-Austreberthe and the temporary closure of a number of JDP sales branches in the United Kingdom. Performance Chemicals revenue slightly decreased as sulfur derivatives volumes were negatively impacted by reduced tannery activities, while the revenue of the remaining activities included in Industrial Solutions remained stable.

The HY20 Adjusted EBITDA decreased by -0.3%, when excluding the foreign exchange effect. The Adjusted EBITDA of DYKA Group decreased as a result of lower volumes, and this was partially offset by the favorable development of input costs and cost saving measures taken to mitigate the COVID-19 impact. The Adjusted EBITDA of the other activities remained stable.

T-POWER						
<i>(million EUR)</i>	After fair value adjustment			Excluding fair value adjustment		
	HY20	HY19	% change	HY20	HY19	% change
Revenue	34.6	34.8	0%	34.6	34.8	0%
Adjusted EBITDA	27.4	24.4	12%	27.4	24.4	12%
Adjusted EBITDA – margin	79%	70%		79%	70%	
Adjusted EBIT	8.9	5.9	51%	8.9	5.9	51%
Adjusted EBIT – margin	26%	17%		26%	17%	

T-Power contributed in the first half of 2020 34.6 million EUR to the revenue and 27.4 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 Adjusted EBITDA improvement was mainly realized thanks to a continued cost optimization.

5. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS JUNE 30, 2020

The 2020 interim report can be found on www.picanolgroup.com. The half year information has been subject to a limited review by external auditors. Reference is made to the independent auditor's review report in the interim report.

CONDENSED CONSOLIDATED INCOME STATEMENT

<i>(million EUR)</i>	HY20	HY19
Revenue	1,135.6	1,187.9
Cost of sales ⁵	-855.0	-951.8
GROSS PROFIT	280.7	236.0
Distribution expenses	-59.0	-59.6
Administrative expenses	-67.5	-69.1
Sales and marketing expenses	-38.0	-40.4
Other operating income and expenses	-17.3	-16.8
Adjusted EBIT	98.8	50.2
EBIT adjusting items	0.4	-5.7
EBIT (PROFIT/(LOSS) FROM OPERATIONS)	99.3	44.4
Finance (costs)/income – net	-10.3	-9.7
Share of result of equity accounted investees, net of income tax	-1.2	0.5
PROFIT (+) / LOSS (-) BEFORE TAX	87.8	35.3
Income tax expense	-15.2	-9.0
PROFIT (+) / LOSS (-) FOR THE PERIOD	72.6	26.3
Non-controlling interest	36.0	5.6
PROFIT (+) / LOSS (-) FOR THE PERIOD, ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	36.6	20.7
Basic earnings per share (in EUR)	2.1	1.2
Diluted earnings per share (in EUR)	2.1	1.2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(million EUR)</i>	HY20	HY19
PROFIT (+) / LOSS (-) FOR THE PERIOD	72.6	26.3
Translation differences	-3.2	-3.6
Net change in fair value of derivative financial instruments, before tax	-0.2	0.0
Other movements	0.0	0.0
Income tax on other comprehensive income	0.1	0.0
Share in other comprehensive income of joint ventures accounted for using the equity method	-0.1	0.0
Items of other comprehensive income that are or may be reclassified subsequently to profit or loss	-3.4	-3.6
Remeasurements of the net defined benefit liability, before tax	-7.6	-8.8
Other movements	0.0	1.1
Income tax on other comprehensive income	0.2	0.0
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	-7.3	-7.7
Other comprehensive income, net of income tax	-10.7	-11.3
TOTAL COMPREHENSIVE INCOME	61.9	15.0
Non-controlling interest	30.7	-1.2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	31.1	16.2

⁵ As compared to the HY19 interim report, R&D expenses for an amount of 7.3 million EUR were reclassified from "Cost of sales" to "Other operating income and expenses" to be comparable to HY20 classification.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(million EUR)</i>	30/06/2020	31/12/2019
TOTAL NON-CURRENT ASSETS	1,694.5	1,738.4
Property, plant and equipment	1,067.6	1,078.4
Goodwill	42.0	42.1
Intangible assets ⁶	506.4	537.9
Investments accounted for using the equity method	19.3	18.9
Other investments	11.3	11.3
Deferred tax assets	33.8	30.8
Trade and other receivables	14.1	19.0
TOTAL CURRENT ASSETS	1,054.8	1,039.5
Inventories	352.9	380.3
Trade and other receivables	381.3	364.7
Derivative financial instruments	0.0	0.0
Cash and cash equivalents	320.0	290.3
Assets held for sale	0.6	4.1
TOTAL ASSETS	2,749.4	2,777.9
Equity attributable to equity holders of the company	801.9	773.1
Issued capital	21.7	21.7
Share premium	1.5	1.5
Reserves & retained earnings	778.6	749.9
Non-controlling interest	670.0	659.9
TOTAL EQUITY	1,471.9	1,433.0
TOTAL NON-CURRENT LIABILITIES	838.6	860.1
Loans and borrowings	408.5	426.3
Employee benefits	71.5	64.7
Provisions	132.6	132.3
Trade and other payables	12.4	10.1
Derivative financial instruments	28.3	31.5
Deferred tax liabilities	185.3	195.2
TOTAL CURRENT LIABILITIES	438.8	484.8
Bank overdrafts	0.1	0.1
Loans and borrowings	73.3	98.9
Trade and other payables	329.9	348.1
Derivative financial instruments	12.2	12.7
Current tax liabilities	6.8	4.1
Employee benefits	1.4	1.5
Provisions	15.2	19.3
TOTAL EQUITY AND LIABILITIES	2,749.4	2,777.9

⁶ Intangible assets decrease mainly due to the depreciation of the fair value adjustment on customer lists and brand names for 20.8 million EUR.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(million EUR)</i>	HY20	HY19
PROFIT (+) / LOSS (-) FOR THE PERIOD	72.6	26.3
Depreciation, amortization and impairment losses on tangible and intangible assets	97.1	94.0
Changes in provisions	-3.6	3.1
Finance costs	17.5	20.6
Finance income	-7.2	-10.9
Loss / (profit) on sale of non-current assets	-1.3	-0.1
Share of result of equity accounted investees, net of income tax	1.2	-0.5
Income tax expense	15.2	9.0
Changes in inventories	24.8	60.4
Changes in trade and other receivables	-25.5	-30.5
Changes in trade and other payables	-15.8	-13.6
Write-offs on inventories	5.4	3.8
Other cash flows from operating activities ⁷	-7.0	-1.7
Cash from operating activities	173.4	159.9
Income tax paid	-17.3	-22.2
Dividends received	0.1	0.1
Cash flow from operating activities	156.2	137.7
Acquisition of property, plant and equipment	-45.0	-50.1
Acquisition of intangible assets	-1.0	-0.1
Acquisition of subsidiaries net of cash acquired ⁸	-5.7	164.0
Acquisition of equity accounted investees	-2.0	1.1
Proceeds from the sale of property, plant and equipment	5.1	0.2
Proceeds from the sale of subsidiaries, net of cash disposed of	-0.1	
Cash flow from investing activities	-48.7	115.1
Acquisition of non-controlling interest	-19.3	-39.6
Payment of lease liabilities	-11.5	-12.1
Proceeds from new borrowings	0.3	5.0
(Reimbursement) of borrowings	-37.6	-69.7
Interest paid	-5.4	-7.8
Interest received	1.4	2.7
Dividends paid	-3.5	-3.5
Settlement interest rate swap T-Power	0.0	-8.0
Other cash flows from financing activities	-0.7	-2.4
Cash flow from financing activities	-76.4	-135.4
Net increase / (decrease) in cash and cash equivalents	31.1	117.5
Effect of exchange rate differences	-1.3	1.2
Cash position at the beginning of the period	290.2	173.0
Cash position at the end of the period	320.0	291.7

⁷ Includes change in emission rights (-1.8 million EUR), revaluation of electricity forward contract (-0.4 million EUR) and the bargain purchase recognized following the acquisition of REHAU Tube.

⁸ The 164 million EUR in HY19 represents the cash of Tessengerlo Group on January 1, 2019, acquired as a result of the initial consolidation of Tessengerlo Group.

6. FINANCIAL CALENDAR

2020 results

March 25, 2021

About Picanol Group

Picanol Group is a diversified industrial group and it is active worldwide in the fields of mechanical engineering, agriculture, food, water management, the efficient (re)use of natural resources and other industrial markets. The group's products are used in a variety of applications, industrial and consumer markets. Picanol Group realized a consolidated turnover of 2.2 billion EUR in 2019. Picanol Group has approximately 7,000 employees worldwide and it is listed on Euronext Brussels (PIC) via Picanol nv.

For further information please contact:

Frederic Dryhoel, at +32 (0)57 222 364 or by e-mail: frederic.dryhoel@picanol.be.

This press release is also available on the Picanol Group corporate website:

www.picanolgroup.com.

The Dutch version of this press release is to be considered as the reference.

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