REGULATED INFORMATION
Ieper, August 26, 2019, 8:00 am CET

PICANOL GROUP
INTERIM REPORT
FOR THE 6 MONTH PERIOD
ENDING ON JUNE 30, 2019

INDEX

1. CONSOLIDATION OF TESSENDERLO GROUP AS OF JANUARI 1, 2019

For a complete justification for January 1, 2019, as the starting date for the inclusion of Tessenderlo Group in the consolidated accounts of Picanol Group, we refer to note 4, p. 15-16 (*Critical accounting estimates and judgments*).

2. MANAGEMENT REPORT

2.1. GROUP KEY EVENTS

Additional information on the published figures used in the full report:

- **HY18***: for the sake of comparability, the HY18 profit and loss account has been prepared pro forma and unaudited in the full half-year report as if a full consolidation of Tessenderlo Group had already taken place over the first half of 2018 on the basis of the same valuation of the net assets as used in the HY18 report, as a result of which the profit attributable to the company's shareholders corresponds to the reported figures on HY18.
- **01/01/2019*:** for the sake of comparability, the balance sheet as at 01/01/2019 has been drawn up pro forma and unaudited in the full half-year report as if a full consolidation of Tessenderlo Group had already taken place and including the revaluation of the net assets carried out on the occasion of the acquisition of control. These figures do not take into account the IFRS 16 initial application.
- **HY19:** in order to reconcile with Tessenderlo Group's financial reporting, the figures per business segment are also presented below without the impact of the fair value adjustment made on the acquisition of control (amortization of tangible and intangible assets and inventories). For more details, we refer you to note 7 – *Acquisitions and disposals*.
- **Segment information**: as a result of the acquisition of control of Tessenderlo Group, Picanol Group will report on five segments: Machines & Technologies, Agro, Bio-valorization, Industrial Solutions and T-Power. The ‘Machines & Technologies’ segment replaces the previously reported ‘Weaving Machines’ and ‘Industries’ segments. As a result of the significant change within the group, it was decided to merge these into the ‘Machines & Technologies’ segment. The comparative figures have been drawn up accordingly.

(in million euros)	HY19			HY18	HY18*	% change	
	Before fair value adjustment	Fair value adjustment	After fair value adjustment			Before fair value adjustment	After fair value adjustment
Revenue	**1,187.9**		**1,187.9**	**357.4**	**1,202.3**	**-1%**	**-1%**
Adjusted EBITDA	**173.3**	**-29.1**	**144.2**	**67.1**	**164.6**	**5%**	**-12%**
Adjusted EBIT[1]	102.0	-51.9	50.2	62.6	122.4	-17%	-59%
EBIT	96.3	-51.9	44.4	62.5	119.6	-19%	-63%
Profit/(loss) for the period	65.3	-39.1	26.3	67.1	100.7	-35%	-74%
Non-controlling interest	28.8	-23.2	5.6	0.0	33.5	-14%	-83%
Profit/(loss) for the period attributable to the equity holders of the company	**36.5**	**-15.8**	**20.7**	**67.1**	**67.1**	**-46%**	**-69%**
Total comprehensive income attributable to the equity holders of the company	32.0	-15.8	16.2	66.6	66.6	-52%	-76%
Capital expenditure	50.2		50.2	5.3	37.7	33%	33%
Cash flow from operating activities	137.7		137.7	40.2	96.5	43%	43%

(in million euros)	HY19			HY18 *	% change	
	Before fair value adjustment	Fair value adjustment	After fair value adjustment		Before fair value adjustment	After fair value adjustment
Revenue	**1,187.9**		**1,187.9**	**1,202.3**	**-1%**	**-1%**
Machines & Technologies	262.8		262.8	357.4	-26%	-26%
Agro	352.7		352.7	333.3	6%	6%
Bio-valorization	265.3		265.3	247.9	7%	7%
Industrial Solutions	272.3		272.3	263.8	3%	3%
T-Power	34.8		34.8	0.0		
Adjusted EBITDA	**173.2**	**-29.1**	**144.1**	**164.6**	**5%**	**-12%**
Machines & Technologies	28.3	0.0	28.3	67.1	-58%	-58%
Agro	70.7	-18.8	51.9	69.6	1%	-25%
Bio-valorization	25.2	-7.0	18.2	13.0	93%	40%
Industrial Solutions	24.7	-3.4	21.3	14.8	66%	44%
T-Power	24.4	0.0	24.4	0.0		
Adjusted EBIT	**102.0**	**-51.9**	**50.2**	**122.4**	**-17%**	**-59%**
Machines & Technologies	22.8	0.0	22.8	62.6	-64%	-64%
Agro[2]	55.5	-37.3	18.2	55.0	1%	-67%
Bio-valorization	8.0	-7.7	0.3	0.7	-	-61%
Industrial Solutions	9.9	-6.8	3.1	4.2	138%	-26%
T-Power	5.9	0.0	5.9	0.0		
EBIT adjusting items	-5.7	0.0	-5.7	-2.8	107%	107%
EBIT	**96.3**	**-51.9**	**44.4**	**119.6**	**-19%**	**-63%**

[1] Adjusted EBIT is considered by the group to be a relevant performance measure in order to compare results over the period 2018-2019 as it excludes adjusting items from the EBIT.
[2]The HY18* Adjusted EBIT of the Agro segment includes an adjustment of -2.7 million euros under the equity method in 2018 compared to the Agro EBIT reported by Tessenderlo Group for HY18 of 57.7 million euros.

REVENUE

Revenue on a comparable basis (HY19 versus HY18*) remained roughly stable (-1%). Machines & Technologies experienced a sharp decline in revenue (-26%) as a result of the global slowdown in the machine market, which was driven by the uncertain macroeconomic climate. Revenue of the Agro segment increased by 6% (or 1.3% excluding exchange rate effects), while Bio-valorization revenue increased due to higher PB Leiner volumes. The revenue of Industrial Solutions also increased, mainly thanks to the contribution of DYKA Group. T-Power, only fully (from 20% to 100%) acquired in 4Q18, contributed 34.8 million euros to the group's revenue, which was in line with expectations.

ADJUSTED EBITDA

The HY19 Adjusted EBITDA after fair value adjustment decreased by 12%. The impact on the HY19 Adjusted EBITDA of the fair value adjustment on inventory amounts to -29.1 million euros. The Adjusted EBITDA before fair value adjustment increased by 5% or +8.6 million euros. The application of IFRS 16 had a total impact of +13.3 million euros as the lease payments were previously deducted from the Adjusted EBITDA as opposed to depreciation. Adjusted EBITDA (excluding the impact of IFRS 16 *Leases and exchange rate effects*) decreased in the Machines & Technologies (-59%) and Agro (-9.5%) segments and this was only partially offset by the increases in Bio-valorization and Industrial Solutions. The contribution of T-Power, only fully acquired in 4Q18, amounted to +24.4 million euros.

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

The profit for the first half of 2019 after fair value adjustment amounts to 20.7 million euros compared to 67.1 million euros for the same period the previous year or a decrease of 46.4 million euros. This is mainly due to the decrease in revenue in the Machines & Technologies segment, which was not followed by a proportional decrease in fixed costs (net profit impact -29.9 million euros). The impact of the fair value adjustment on the profit attributable to the shareholders amounts to -15.8 million euros.

2.2. OPERATING SEGMENTS PERFORMANCE REVIEW

Machines & Technologies			
(in million euros)	**HY19**	**HY18**	**% change**
Revenue	262.8	357.4	-26%
Adjusted EBITDA	28.3	67.1	-58%
Adjusted EBITDA margin	11%	19%	
Adjusted EBIT	22.8	62.6	-64%
Adjusted EBIT - margin	9%	18%	

Revenue fell by 26% in the first half of 2019 as a result of a worldwide slowdown in the machine market, which was driven by the uncertain macroeconomic climate. The HY19 Adjusted EBITDA decreased by 58% compared to the previous year due to the fact that fixed costs did not decrease in line with revenue and due to the impact of project costs linked to digitization and automation, mainly in Ypres. In addition, the difficult market situation had a negative impact on sales margins. No fair value adjustment has been implemented for the Machines & Technologies segment as it is not part of Tessenderlo Group.

Agro						
(in million euros)	**HY19**			**HY18***	**% change**	
	Before fair value adjustment	Fair value adjustment	After fair value adjustment		Before fair value adjustment	After fair value adjustment
Revenue	352.7		352.7	333.3	6%	6%
Adjusted EBITDA	70.7	-18.8	51.9	69.6	1%	-25%
Adjusted EBITDA margin	20%		15%	21%		
Adjusted EBIT[3]	55.5	-37.3	18.2	55.0	1%	-67%
Adjusted EBIT - margin	16%		5%	17%		

[3] The HY18* Adjusted EBIT of the Agro segment includes an adjustment of -2.7 million euros under the equity method in 2018 compared to the Agro EBIT reported by Tessenderlo Group for HY18 of 57.7 million euros.

HY19 revenue slightly increased when excluding the foreign exchange effect (+1.3%). Crop Vitality revenue remained stable when excluding the foreign exchange effect. NovaSource revenue decreased, impacted by weather conditions. Tessenderlo Kerley International revenue increased thanks to higher liquid fertilizer volumes and an increase of the sales price of sulphates, which was able to offset its volume decline.

The Adjusted EBITDA decreased by -9.5% compared to prior year when excluding the impact of IFRS 16 (+3.4 million euros) and the foreign exchange effect. The slight improvement of the Adjusted EBITDA of Tessenderlo Kerley International could not offset the lower Adjusted EBITDA of NovaSource and Crop Vitality, the latter being impacted by lower margins.

The fair value adjustment in HY19 relates to inventories (-18.8 million euros) and depreciation of tangible and intangible fixed assets (-18.6 million euros).

Bio-valorization						
(in million euros)	**HY19**			**HY18***	**% change**	
	Before fair value adjustment	Fair value adjustment	After fair value adjustment		Before fair value adjustment	After fair value adjustment
Revenue	265.3		265.3	247.9	7%	7%
Adjusted EBITDA	25.2	-7.0	18.2	13.0	93%	40%
Adjusted EBITDA margin	9%		7%	5%		
Adjusted EBIT	8.0	-7.7	0.3	0.7	--	-61%
Adjusted EBIT - margin	3%		0%	0%		

Revenue increased by +4.9% when excluding the foreign exchange effect, as higher PB Leiner volumes were only partially offset by the decrease of volumes within Akiolis.

The Adjusted EBITDA increased to 25.2 million EUR or increased by 49.2% when excluding the IFRS 16 impact (+4.6 million euros) and the foreign exchange effect. While Akiolis was impacted by lower volumes, PB Leiner results were able to increase thanks to an increase of volumes, combined with an improved product mix and lower raw material prices.

The fair value adjustment in HY19 relates to inventories (-7.0 million euros) and depreciation of tangible and intangible fixed assets (-0.7 million euros).

Industrial Solutions						
(in million euros)	**HY19**			**HY18***	**% change**	
	Before fair value adjustment	Fair value adjustment	After fair value adjustment		Before fair value adjustment	After fair value adjustment
Revenue	272.3		272.3	263.8	3%	3%
Adjusted EBITDA	24.7	-3.4	21.3	14.8	66%	44%
Adjusted EBITDA margin	9%		8%	6%		
Adjusted EBIT	9.9	-6.8	3.1	4.2	138%	-26%
Adjusted EBIT - margin	4%		1%	2%		

HY19 Industrial Solutions revenue increased by +2.4% when excluding the foreign exchange effect, mainly positively impacted by an increase of the DYKA Group revenue who benefited from favorable market circumstances.

The HY19 Adjusted EBITDA increased by 33.3%, when excluding the IFRS 16 impact (+4.6 million euros) and the foreign exchange effect. The Adjusted EBITDA of DYKA Group increased thanks to higher volumes and an increase of production efficiency based on investments made. Performance Chemicals Adjusted EBITDA increased compared to prior year, as the HY18 Adjusted EBITDA of Performance Chemicals was negatively impacted by further start-up expenses for the NaOH production in Loos (new membrane electrolysis plant in France). A further increase of the Adjusted EBITDA of Performance Chemicals in the second half of 2019 compared to prior year is not expected as 3Q19 unforeseen technical issues at the plant in Loos negatively influence current production volumes.

The fair value adjustment in HY19 relates to inventories (-3.4 million euros) and depreciation of tangible and intangible fixed assets (-3.5 million euros).

T-Power						
(in million euros)	**HY19**			**HY18***	**% change**	
	Before fair value adjustment	Fair value adjustment	After fair value adjustment		Before fair value adjustment	After fair value adjustment
Revenue	34.8		34.8	-		
Adjusted EBITDA	24.4	0.0	24.4	-		
Adjusted EBITDA margin	70%		70%	-		
Adjusted EBIT	5.9	0.0	5.9	-		
Adjusted EBIT - margin	17%		17%	-		

T-Power contributed in the first half of 2019 34.8 million euros to the revenue and 24.4 million euros to the Adjusted EBITDA of the group. These results were in line with expectations, as T-Power fulfilled all tolling agreement requirements. The group has reviewed the T-Power financing structure during the first half of 2019 (see also note 16 – *Loans and borrowings*). The group acquired NAES Belgium bvba in its entirety from the American group NAES Corporation, a subsidiary of Itochu Corporation, in June 2019. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant. The company employs 30 members of staff. The name of the company was changed to T-Power Energy Services bv. With the acquisition of NAES Belgium and the fact that it is locally based, Tessenderlo Group now also has the technological knowledge and the team to completely manage T-Power internally.

3. STATEMENT ON THE TRUE AND FAIR VIEW OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND THE FAIR OVERVIEW OF THE MANAGEMENT REPORT

Mr. Stefaan Haspeslagh (Chairman) and Mr. Luc Tack (Managing Director) certify, on behalf and for the account of Picanol Group, that, to their knowledge,

a) the condensed consolidated half-yearly financial statements, which have been prepared in accordance with IAS 34 "*Interim Financial Reporting*" as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the issuer and the undertakings included in the consolidation;

b) the interim report on the condensed consolidated half-yearly financial statements 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.

4. CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION AT JUNE 30, 2019

Additional information on the published figures used in the full report:

- **HY18***: for the sake of comparability, the HY18 profit and loss account has been prepared pro forma and unaudited in the full half-year report as if a full consolidation of Tessenderlo Group had already taken place over the first half of 2018 on the basis of the same valuation of the net assets as used in the HY18 report, as a result of which the profit attributable to the company's shareholders corresponds to the reported figures on HY18.
- **01/01/2019*:** for the sake of comparability, the balance sheet as at 01/01/2019 has been drawn up pro forma and unaudited in the full half-year report as if a full consolidation of Tessenderlo Group had already taken place and including the revaluation of the net assets carried out on the occasion of the acquisition of control. These figures do not take into account the IFRS 16 initial application.

4.1. CONDENSED CONSOLIDATED INCOME STATEMENT

(in million euros)	NOTES	HY19	HY18	HY18*
Revenue	6	1,187.9	357.4	1,202.3
Cost of sales[4]		-959.1	-270.0	-906.9
GROSS PROFIT		**228.7**	**87.4**	**295.4**
Distribution expenses[5]		-59.6	-5.0	-60.1
Administrative expenses		-69.1	-11.1	-64.3
Sales and marketing expenses		-40.4	-8.7	-39.6
Other operating income and expenses		-9.5	0.0	-9.1
Adjusted EBIT	6	**50.2**	**62.6**	**122.4**
EBIT adjusting items	8	-5.7	0.0	-2.8
EBIT (PROFIT/(LOSS) FROM OPERATIONS)		**44.4**	**62.5**	**119.6**
Finance (costs)/income - net	9	-9.7	1.2	6.5
PROFIT (+) / LOSS (-) BEFORE TAX		**34.7**	**63.7**	**126.1**
Income tax expense	10	-9.0	-16.0	-27.8
PROFIT (+) / LOSS (-) AFTER TAX		**25.8**	**47.8**	**98.3**
Share of result of equity accounted investees, net of income tax		0.5	19.4	2.4
PROFIT (+) / LOSS (-) FOR THE PERIOD		**26.3**	**67.1**	**100.7**
Non-controlling interest		5.6	0.0	33.5
PROFIT (+) / LOSS (-) FOR THE PERIOD, ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**20.7**	**67.1**	**67.1**
Basic earnings per share (in euros)	15	1.2	3.8	3.8
Diluted earnings per share (in euros)	15	1.2	3.8	3.8

[4] The cost of sales in HY19 includes depreciation on revalued assets and inventory for -51.9 million euros.
[5] Compared to last year, the distribution costs of Picanol Group for an amount of 2.9 million euros for HY19 (and 5.0 million euros for HY18) were shown separately. These were reclassified from cost of sales.

4.2. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in million euros)	NOTES	HY19	HY18	HY18*
PROFIT (+) / LOSS (-) FOR THE PERIOD		**26.3**	**67.1**	**100.7**
Items of other comprehensive income that are or may be reclassified subsequently to profit or loss:		**-3.6**	**-1.7**	**-4.6**
Translation differences		-3.6	0.1	-5.1
Translation differences of equity accounted investees			-1.9	
Other movements		0.0	0.1	0.5
Items of other comprehensive income that will not be reclassified subsequently to profit or loss:		**-7.7**	**1.2**	**3.1**
Actuarial gains/(losses)	17	-8.8	0.0	3.2
Actuarial gains/(losses) of equity accounted investees			1.2	
Other movements		1.1	0.0	-0.1
Other comprehensive income, net of income tax		**-11.3**	**-0.5**	**-1.5**
TOTAL COMPREHENSIVE INCOME		**15.0**	**66.6**	**99.2**
Non-controlling interest		-1.2	0.0	32.6
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**16.2**	**66.6**	**66.6**

4.3. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million euros)	NOTES	30/06/2019	31/12/2018	01/01/2019*
TOTAL NON-CURRENT ASSETS		**1,757.2**	**553.2**	**1,718.5**
Goodwill	7	43.8	0.0	43.7
Intangible assets	12	571.7	1.1	607.7
Property, plant and equipment	12	1,068.3	64.7	993.6
Investments accounted for using the equity method		19.1	482.3	18.5
Other investments		11.1	0.0	11.1
Trade and other receivables		16.8	4.0	18.4
Deferred tax assets	10	26.5	0.9	25.5
TOTAL CURRENT ASSETS		**1,021.8**	**315.1**	**1,098.8**
Inventories	13	331.8	62.8	394.9
Trade and other receivables	13	398.2	79.3	365.9
Derivative financial instruments		0.0	0.0	0.9
Cash and cash equivalents	14/16	291.8	173.0	337.1
TOTAL ASSETS		**2,779.0**	**868.3**	**2,817.4**
TOTAL EQUITY		**1,409.8**	**738.9**	**1,443.5**
Equity attributable to equity holders of the company		**751.0**	**738.9**	**745.0**
Issued capital		21.7	21.7	21.7
Share premium		1.5	1.5	1.5
Reserves		722.0	710.0	716.2
Translation differences		5.7	5.6	5.6
Non-controlling interest	7	658.9	0.0	698.4
TOTAL NON-CURRENT LIABILITIES		**897.2**	**9.0**	**926.2**
Employee benefits	17	70.4	4.1	62.0
Provisions		137.2	0.0	128.9
Derivative financial instruments		202.7	4.6	216.3
Loans and borrowings	16	447.7	0.3	475.8
Trade and other payables		3.6	0.0	2.6
Derivative financial instruments	18	35.6	0.0	40.8
TOTAL CURRENT LIABILITIES		**471.9**	**120.4**	**447.7**
Employee benefits	17	1.9	0.9	2.1
Provisions		18.9	7.4	23.4
Loans and borrowings	16	87.7	1.2	49.3
Trade and other payables	13	348.0	109.9	357.0
Current tax liabilities		2.7	1.1	2.2
Derivative financial instruments	18	12.8	0.0	13.6
TOTAL EQUITY AND LIABILITIES		**2,779.0**	**868.3**	**2,817.4**

4.4. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in million euros)	Issued Capital	Share premium	Reserves	Translation differences	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
At 31/12/2018	**21.7**	**1.5**	**710.0**	**5.6**	**739.9**		**739.9**
Adjustment opening balacnce sheet on initial consolidation of Tessenderlo Group			6.1		6.1	698.4	704.6
At 01/01/2019*	**21.7**	**1.5**	**716.2**	**5.6**	**745.0**	**698.4**	**1,443.5**
Adjustment on initial application of IFRS16, net of tax			-1.8		-1.8	-2.6	-4.4
Adjusted balance at 1 januari 2019	**21.7**	**1.5**	**714.4**	**5.6**	**743.2**	**695.8**	**1,439.1**
PROFIT (+) / LOSS (-) FOR THE PERIOD			20.7		20.7	5.6	26.3
Other comprehensive income:							
Translation differences			-1.5	0.1	-1.4	-2.2	-3.6
Actuarial gains (losses)			-3.6		-3.6	-5.3	-8.8
Other movements			0.5		0.5	0.7	1.1
Comprehensive income, net of taxes	**0.0**	**0.0**	**16.0**	**0.1**	**16.2**	**-1.2**	**15.0**
Dividends			-3.5		-3.5		-3.5
Change in non-controlling interest[6]			-5.0		-5.0	-35.7	-40.7
At 30/06/2019	**21.7**	**1.5**	**722.0**	**5.7**	**751.0**	**658.9**	**1,409.9**

[6] The change in non-controlling interest includes the purchase of Tessenderlo Group shares for 39.6 million euros and the distribution of 1.1 million euros to the non-controlling interest holders of PB Gelatins (Wenzhou) Co. Ltd following the liquidation of this entity.

4.5. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in million euros)	NOTES	HY19	HY18	HY18*
PROFIT (+) / LOSS (-) FOR THE PERIOD		**26.3**	**67.1**	**100.7**
Depreciation, amortization and impairment losses[7]		94.0	4.6	42.3
Loss / (profit) on sale of non-current assets		-0.1	0.0	-0.4
Changes in provisions		3.1	-1.6	-1.7
Write-offs on current assets		4.3	0.9	1.6
Finance costs / (income) - net	9	9.7	-1.2	-6.5
Income tax expense	10	9.0	16.0	27.8
Share of result of equity accounted investees, net of income tax		-0.5	-19.4	-2.4
Changes in working capital:	13	15.9	-9.5	-40.7
Inventories[8]		60.4	-6.7	2.6
Trade and other receivables		-31.0	-5.4	-41.8
Trade and other payables		-13.6	2.7	-1.5
Income tax paid		-22.2	-16.7	-24.5
Dividends received		0.1	0.0	1.6
Other cash flows from operating activities	18	-1.7	0.0	-1.3
Cash flow from operating activities		**137.7**	**40.2**	**96.5**
Acquisition of equity accounted investees	7	1.1	-8.3	-8.3
Acquisition of intangible assets	12	-0.1	-0.1	-0.1
Acquisition of property, plant and equipment	12	-50.1	-5.3	-37.7
Proceeds from the sale of property, plant and equipment		0.2	0.0	9.3
Cash flow from investing activities		**-48.9**	**-13.6**	**-36.7**
Acquisition of non-controlling interest		-39.6		
Interest paid		-7.8	-0.9	-1.0
Interest received		2.7	2.3	3.2
Dividends paid		-3.5	-3.5	-3.5
Increase of interest bearing financial debt		5.0	1.8	18.0
Reimbursement of borrowings[9]		-81.7	-0.1	-0.1
Settlement interest rate swap T-Power		-8.0		
Other cash flows from financing activities		-2.4	0.0	-1.8
Cash flow from financing activities		**-135.4**	**-0.5**	**14.8**
Effect of exchange rate differences		1.2	0.0	3.8
Net increase / (decrease) in cash and cash equivalents		**-45.3**	**26.1**	**78.4**
Cash position at the beginning of the period (01/01)		**337.0**	**133.4**	**328.7**
Cash position at the end of the period (30/06)		**291.7**	**159.4**	**407.1**

[7] Depreciation increased due to the impact of IFRS 16 (+13.3 million euros), depreciation on revalued assets (+22.8 million euros) and the higher depreciation resulting from the acquisition of T-Power in 4Q18.
[8] The decrease in inventories is influenced by the depreciation of the revalued inventories for 29.1 million euros.
[9] "(Reimbursement) of borrowings" in 2019 mainly relates to the prepaid capital of the syndicated credit facility of T-Power nv (see note 16 – *Loans and borrowings*).

4.6. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. REPORTING ENTITY

Picanol nv (hereafter referred to as 'the company'), the parent company, is a company domiciled in Belgium. The condensed consolidated financial information for the six month period ended June 30, 2019, comprises the company and its subsidiaries (together referred to as 'the group') and the group's interests in jointly controlled entities.

2. STATEMENT OF COMPLIANCE

This condensed consolidated financial information for the six month period ended June 30, 2019, 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, 2018 which have been prepared in accordance with IFRS. The condensed consolidated financial information is denominated in euros, the functional currency of the group, and rounded in million euros.

This condensed consolidated financial information was approved by the Board of Directors on August 23, 2019. 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, 2018 and are in accordance with IAS 34 *Interim Financial Reporting*. As a result of the acquisition of control of Tessenderlo Group, a number of valuation rules have become applicable that were previously not relevant within Picanol Group. This relates mainly to goodwill, emission allowances and derivative financial instruments. For a description of these valuation rules, we refer you to the 2018 consolidated financial statements of Tessenderlo Group. After analysis, there were no further adjustments to be made to the existing valuation rules.

The group had adopted IFRS 16 *Leases* at the date of initial application (January 1, 2019). The impact of the adoption of this new standard, as well as the new accounting policy is disclosed below. There are no other 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, 2019, that had a significant impact on the consolidated financial statements. For the six month period ended June 30, 2019, the group has not early adopted any standard, interpretation or amendment, which was issued, but is not yet effective.

IFRS 16 *Leases* replaces the existing standards regarding the processing of lease agreements including IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. A lessee recognizes right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies, classifying leases into finance and operating leases.

The main leases consist of land and buildings, mainly a production facility in Romania within the Machines & Technologies segment, sales branches within Industrial Solutions and the Brussels headquarters offices, a large number of trucks and railcars, mainly within Agro and Bio-valorization, as well as company cars.

The group has applied the modified retrospective approach. On the date of first-time application, it is determined for each lease agreement whether the right of use asset is measured at its carrying amount as if the standard had been applied since its inception but discounted using the lessee's marginal interest rate on the date of first-time application (Tessenderlo Group) or an amount equal to the lease obligation, adjusted for the amount of any prepaid or receivable lease payments relating to the lease and included in the statement of financial position of the company immediately before the date of first application (Picanol Group). The group applied the practical expedient to grandfather the definition of a lease on transition. IFRS 16 is applied on all contracts entered into before January 1, 2019, which are identified as leases in accordance with IAS 17 and IFRIC 4. Contracts, which were not identified as leases under IAS 17 and IFRIC 4, were not reassessed. The group chose not to recognize right-of-use assets and lease liabilities for low-value items and short term leases. Low-value assets mainly consist of IT-equipment and small items of office furniture. Short-term leases are leases with a lease term of 12 months or less. The lease payments associated with these low-value items and short term leases are recognized on a straight-line basis as an expense over the lease term.

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has applied judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the group considered all relevant factors that create an economic incentive for it to exercise the renewal.

On adoption of IFRS 16, right-of-use assets were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The incremental borrowing rate applied to the lease liabilities on January 1, 2019, is between 0.6% and 4.6%, taking into account the term and condition of the lease, the nature of the leased asset and the location of the lessee.

The change in accounting policy affected the following items on the balance sheet on January 1, 2019:

(in million euros)	01/01/2019
Property, plant and equipment	73.4
Deferred tax assets	0.5
Total assets	**73.9**
Equity	-4.4
Loans and borrowings > 1 year	53.5
Loans and borrowings < 1 jaar	24.7
Total liabilities	**73.9**

As from January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability, at the date at which a leased asset is available for use by the company. Each lease payment is allocated between this liability and a related finance cost. The finance cost is charged to income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and its lease term.

The Adjusted EBIT, the Adjusted EBITDA and the segment assets as per June 2019 all increased as a result of this accounting policy change. The impact was the following:

(in million euros)	Adjusted EBIT	Adjusted EBITDA	Segment assets
Machines & Technologies		0.7	3.9
Agro	0.1	3.4	13.1
Bio-valorization	0.2	4.6	20.7
Industrial Solutions	0.1	4.6	25.5
T-Power	0	0	0
Non-allocated			6.3
Total	**0.4**	**13.3**	**69.5**

The impact on the finance costs amounts to -0.5 million euros as per June 30, 2019. The weighted average incremental borrowing rate applied to the lease liabilities as per June 30, 2019, was 1.5%.

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

Exchange rates				
	Closing rate		**Average rate**	
	30/06/2019	**31/12/2018**	**30/06/2019**	**30/06/2018**
Argentine peso	48.28	43.15	46.78	26.09
Brazilian real	4.35	4.44	4.34	4.14
Chinese yuan	7.82	7.88	7.65	7.71
Czech crown	25.45	25.72	25.68	25.50
Hungarian forint	323.39	320.98	320.42	314.11
Polish zloty	4.25	4.30	4.29	4.22
Pound sterling	0.90	0.89	0.87	0.88
US dollar	1.14	1.15	1.13	1.21
Indonesian Rupiah	16.08	16.50	15.99	16.68
Indian Rupee	78.52	79.73	79.04	79.58
Mexican Peso	21.82	22.49	21.72	22.89
Romanian Leu	4.73	4.66	4.74	4.66
Turkish Lira	6.57	6.06	6.34	4.94

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 most important change with respect to the estimates and assumptions used in the 2018 annual report relates to the estimation of control over Tessenderlo Group under IFRS 10. We refer also to note 7 – *Acquisitions and disposals*.

Justification for using January 1, 2019, as the starting date for the inclusion of Tessenderlo Group in the consolidated accounts of Picanol Group

The FSMA published the following warning on August 6, 2019:

[“Warning from the FSMA regarding the consolidation of Tessenderlo by Picanol

The FSMA publishes the following warning[10] regarding Picanol, a company whose shares are admitted to trading on Euronext Brussels.

As part of its a posteriori supervision of the financial information provided by Picanol, the FSMA has concluded that Picanol has controlled Tessenderlo Group (hereinafter referred to as Tessenderlo) since 2017 and that it should have fully consolidated Tessenderlo instead of using the equity method[11]. The FSMA reached this conclusion taking into account the size of Picanol's voting rights in Tessenderlo[12] in relation to the size and very

[10] This warning is made public in accordance with Article 43, § 1, second paragraph, of the Royal Decree of November 14, 2007, on the obligations of issuers of financial instruments admitted to trading on a regulated market.
[11] In case of a full consolidation, the full revenues, costs, cash flows, assets and liabilities of Tessenderlo Group would have been fully included (consolidated) in the consolidated accounts of Picanol Group. Under the equity method, only the share in the result of Tessenderlo Group, the share in equity and the cash flow from Tessenderlo Group to Picanol Group are presented in a single line item in the consolidated accounts of Picanol Group.
[12] At the beginning of 2017, 36.3% of Tessenderlo Group's existing voting rights were held by Picanol Group (through a 100% subsidiary) and 40.2% by Picanol Group together with Symphony Mills, a party related to Picanol Group.

wide distribution of the voting rights of the other shareholders as well as the fact that Picanol[13] has the majority of the votes present at the general meetings of Tessenderlo.

Picanol is of the opinion that it only acquired control over Tessenderlo on March 19, 2019, following the acquisition on that date of 2.04% of additional voting rights in the company. The FSMA does not share this view and has asked Picanol to correct its accounts.

According to Picanol, confirmed by its statutory auditor, it is practically infeasible to carry out the full consolidation retroactively for 2017 and 2018. In this hypothesis, the applicable standards[14] require that the earliest possible moment in time be taken into account. According to Picanol, that is January 1, 2019.

With the publication of this warning, the FSMA wishes to inform the market that the consolidation as of January 1, 2019 is based on an incorrect application of IFRS since 2017."]

The determination of control under IFRS 10 is relatively complex and requires judgment to determine who controls in circumstances where no party holds the majority of the voting rights.

After thorough analysis and interpretation of the guidelines on the application of IFRS 10 and taking into account the corporate governance charter in force within Tessenderlo Group, the composition of the shareholding and of the board of directors both prior to the first acquisition of shares by Picanol Group (Picanol nv) in 2014 and the evolution of that shareholding and each of the other previous factors since that date, having been questioned by the FSMA in the context of the a posteriori supervision of the financial information for the financial year 2017, Picanol Group has maintained its previous analysis and considered that it had no control over Tessenderlo Group within the meaning of IFRS 10 in 2017 and 2018. Following the acquisition on March 19, 2019, of an additional 2.04% stake in Tessenderlo Group[15], Picanol Group informed the FSMA that it assumed that it had acquired control over Tessenderlo Group as of that date, and that it would proceed with consolidation in the future.

The FSMA disagreed with Picanol's view and took the position that control had been exercised since 2017. It also informed Picanol Group that, in accordance with IAS 8, retrospective consolidation should be applied from the earliest period in which retrospective restatement is practicable.

Picanol Group thereupon indicated that it was prepared to use the date of January 1, 2019, as the date for the inclusion of Tessenderlo Group in the consolidated accounts of Picanol Group with appropriate notes in the annual report, without prejudice to the difference of opinion that Picanol Group continues to have in regard to the date of the acquisition of control.

In the opinion of Picanol Group, January 1, 2019, is the earliest period for which retrospective adjustments to the opening balance of assets, liabilities and equity can be made at this moment in time. A correct retrospective fair value determination of the assets for the financial years 2017 and 2018 is no longer feasible. These fair value values could not even be determined accurately at that time. The provisions of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* also recognize that there are situations where a full retrospective restatement is impracticable, which can be overcome by adjusting the opening equity.

In this way, Picanol Group wishes to continue to demonstrate its intention to inform the market as fully and correctly as possible at all times.

5. RISKS AND UNCERTAINTIES

The main risks to which the company is exposed for the remaining financial year are briefly explained below. The annual report provides a complete overview.

- **Risk related to the development of the economic and business cycle.**
  The future results of the company are highly dependent on the evolution of the textile industry. Unexpected changes in the economic climate, customers' investment cycles, important developments in production and market acceptance of technologies may affect these industries and, consequently, the company's results.

[13] Through its wholly owned subsidiary.
[14] IAS 8 *Accounting policies, changes in accounting estimates and errors*.
[15] See also the transparency notification of March 22, 2019.

- **The group is exposed to risks associated with growth economies.**
  A substantial part of the activities of Picanol can be attributed to emerging markets in Asia and South America. Picanol's activities in these markets are subject to the usual risks associated with doing business in developing economies, such as political and economic uncertainties, currency controls, exchange rate fluctuations and shifts in government policy.

- **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, 2019 (-16.1 million euros).

- **The group's results are sensitive to commodity prices.**
  The group is sensitive to commodity prices. As 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 impact of changes of some raw material prices might have a significant impact on the results of individual activities, however is not expected to have a material impact on the results of operating segments or the group.

- **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 the risk of information technology failures.**

  The group increasingly makes use of information technology systems to process, transmit and store electronic information and as such, to operate efficiently and interface. A significant portion of the communication between the group's personnel, customers and suppliers depends on information technology. The group is dependent on information systems to manage inventory, accounting, purchasing and sales applications and to maintain cost efficient operations. As with all large systems, the group's information systems may be vulnerable to a variety of interruptions due to events beyond its control, including, but not limited to, natural disasters, terrorist attacks, telecommunication failures, computer viruses, hackers or other security issues. These or other similar interruptions may disrupt the group's business, results of operation of financial condition.

- **The group may not be able to recruit and retain key personnel.**

  The group may not be able to recruit and retain competent personnel for key roles. The group's success depends to a significant extent upon its ability to attract and retain qualified management, scientific, technical, marketing and sales personnel and upon the continued contributions of such personnel. The group's employees may voluntarily terminate their employment at any time. There is no guarantee that the group will be successful in attracting and/or retaining qualified employees to replace existing employees or to further support its growth strategy. The loss of the services of key personnel or the inability to attract additional qualified personnel may have a material adverse effect on the business and its expertise, results of operation or financial condition. Potential impacts might include: loss of knowledge of key systems and specialized skills resulting in a skills and competency gap, high staff turnover, customer dissatisfaction, failure to meet business objectives, increased re-hiring costs, loss of customers because of the customer-employee relationships. Although the group believes that it is well positioned to attract and retain skilled and experienced personnel, there can be no assurance that it will be able to do so. The inability to do so could have a material adverse effect on the group's business, results of operation or financial condition.

- **The group may be exposed to circumstances of geo-political nature.**

  The group could be impacted by the political uncertainty caused by Brexit or any other circumstances of geo-political nature that could have an impact on the consumer trust.

- **The group is exposed to a variety of financial risks such as credit risk, liquidity risk, currency risk and interest risk.**

  - **Credit risk**

    The maximum exposure to credit risk amounts to 706.8 million euros as of June 30, 2019. This amount mainly consists of current and non-current trade and other receivables (415.0 million euros), derivative financial instruments (0.0 million euros) and cash and cash equivalents (291.8 million euros).

  - **Liquidity risk**

    Tessenderlo 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 euros 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 euros, of which 192.0 million euros for the 2022 bonds and 58.0 million euros 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 euros (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 euros.

In addition, Picanol nv has non-committed credit lines for 57.1 million euros excluding bank guarantees or 64.1 million euros including bank guarantees.

- **Currency risk**

  The currencies given rise to this risk are primarily USD (US Dollar), Pound sterling (GBP) and Chinese yuan (CNY). This exposure is mainly due to intragroup loans and cash and cash equivalents which are not hedged.

- **Interest risk**

  The financial debt position is funded by fixed and variable interest rate instruments. The variable interest rate instruments are, for the majority, hedged through forward rate agreements. The bonds, issued in July 2015 for an amount of 192.0 million euros with a maturity of 7 years and 58.0 million euros with a maturity of 10 years, are the main fixed interest rate instruments with an interest rate of 2.875% and 3.375% respectively. The T-Power nv loan (180.1 million euros as per June 30, 2019) is a variable interest rate instrument, for approximately 80% hedged through a series of interest rate swaps.

6. SEGMENT REPORTING

The following five operating segments meet the quantitative criteria and are reported separately:

- 'Machines & Technologies': covers the production, development and sale of high-tech weaving machines and other "*original equipment manufacturers*" industrial products. This segment includes the Weaving Machines (Picanol), Foundry and Mechanical Finishing (Proferro), and Electronics Development and Production (PsiControl) activities. The 'Machines & Industries' segment replaces the previously reported 'Weaving Machines' and 'Industries' segments. As a result of the significant change within the group, it was decided to merge these into the 'Machines & Technologies' segment. The comparative figures have been drawn up accordingly.
- 'Agro': includes production and distribution of crop nutrients and crop protection products (including the following businesses: Crop Vitality, Tessenderlo Kerley International and NovaSource).
- 'Bio-valorization': includes collecting and processing of animal by-products; production and distribution of gelatins and collagen peptides and rendering, production and sales of proteins and fats (gelatin) (including the following businesses: PB Leiner and Akiolis).
- 'Industrial Solutions': includes products, systems and solutions for handling, processing and treatment of water including flocculation and depressants through the production, trading and sale of plastic pipe systems, water treatment chemicals, mining and industrial auxiliaries, the delivery of services for the treatment and disposal of produced and flowback water from oil and gas exploration, as well as the recovery of industrial process fluids (including the following businesses: DYKA Group, Mining and Industrial, Performance Chemicals, S8 Engineering and MPR/ECS).
- 'T-Power': includes a gas-fired 425 MW power plant in Tessenderlo (Belgium). A tolling agreement was concluded with RWE group for a period of 15 years (until 2026) for the full capacity of the plant, with an optional 5-year extension thereafter.

The costs included within Adjusted EBIT, 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 measure of segment profit/loss is Adjusted EBIT, 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 mechanical engineering, agriculture, food, water management, efficient re(use) of natural resources and other industrial markets. The products of the group are used in various applications, industrial 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, 2018, figures.

(in million euros)	**Machines & Technologies**		**Agro**		**Bio-valorization**		**Industrial Solutions**		**T-Power**		**Non-allocated**		**Picanol Group**	
	2019	**2018**	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***
Revenue total	262.8	357.4	353.0	333.8	265.3	247.9	272.6	263.8	34.8	0.0			1,188.5	1,202.9
Less: revenue internal	0.0	0.0	0.3	0.5	0.0	0.0	0.3	0.0	0.0	0.0			0.6	0.5
Revenue:	**262.8**	**357.4**	**352.7**	**333.3**	**265.3**	**247.9**	**272.3**	**263.8**	**34.8**	**0.0**			**1,187.9**	**1,202.3**
at a point in time	262.8	357.4	352.7	333.3	265.3	247.9	269.2	259.0	34.8	0.0			1,184.4	1,197.5
over time							3.1	4.8					3.1	4.8
Adjusted EBITDA	**28.3**	**67.1**	**51.9**	**69.6**	**18.2**	**13.0**	**21.3**	**14.8**	**24.4**	**0.0**			**144.2**	**164.6**
Adjusted EBITDA/revenue %	*10.8%*	*18.8%*	*14.7%*	*20.9%*	*6.8%*	*5.2%*	*7.8%*	*5.6%*	*70.1%*				*12.1%*	*13.7%*
Adjusted EBIT	**22.8**	**62.6**	**18.2**	**55.0**	**0.3**	**0.7**	**3.1**	**4.2**	**5.9**	**0.0**			**50.2**	**122.4**
Adjusted EBIT/revenue %	8.7%	17.5%	5.2%	16.5%	0.1%	0.3%	1.1%	1.6%	16.9%				4.2%	10.2%
Segment assets[16]	218.0	212.0	872.5	922.4	439.3	417.5	417.4	382.9	421.7	438.9	61.5	50.5	2,440.8	2,415.5
Derivative financial instruments											0.0	0.9	0.0	0.9
Investments accounted for using the equity method	0.0	0.0	18.3	17.8	0.7	0.7							19.1	18.5
Other investments											11.1	11.1	11.1	11.1
Deferred tax assets											26.5	25.5	26.5	25.5
Cash and cash equivalents											291.8	337.1	291.8	337.1
Total assets	**218.0**	**212.0**	**890.8**	**940.2**	**440.0**	**418.2**	**417.4**	**382.9**	**421.7**	**438.9**	**390.9**	**425.2**	**2,779.0**	**2,817.4**
Segment liabilities[17]	107.2	123.3	73.6	83.4	146.6	139.9	78.7	74.9	6.9	4.8	169.5	151.9	582.6	578.2
Derivative financial instruments											48.4	54.4	48.4	54.4
Loans and borrowings											535.4	525.0	535.4	525.0
Deferred tax liabilities											202.7	216.3	202.7	216.3
Total equity											1,409.8	1,443.5	1,409.8	1,443.5
Total liabilities	**107.2**	**123.3**	**73.6**	**83.4**	**146.6**	**139.9**	**78.7**	**74.9**	**6.9**	**4.8**	**2,365.9**	**2,391.1**	**2,779.0**	**2,817.4**
Capital expenditure	6.7	5.3	10.1	5.9	24.3	13.7	9.0	12.6			0.1	0.2	50.2	37.7
Depreciation, amortization and impairment losses on property, plant and equipment, goodwill and other intangible assets	5.5	4.6	33.7	14.6	17.9	12.4	18.4	10.7	18.5				94.0	42.3

[16] The impact of the revaluation on the segment assets amounts to: Agro +402.9 million euros (+440.2 million euros in 2018), Bio-valorization +23.9 million euros (+31.6 million euros in 2018), Industrial Solutions +88.2 million euros (+95.0 million euros in 2018), T-Power +9.4 million euros in 2019 en 2018 en non-allocated +17.6 million euros in 2018 en 2019.

[17] Non-allocated segment liabilities include environmental provisions recognized for the for the factory sites in Belgium (Ham, Tessenderlo and Vilvoorde) and France (Loos).

7. ACQUISITIONS AND DISPOSALS

Picanol Group has fully consolidated the results of Tessenderlo Group as of January 1, 2019. This corresponds to the earliest possible period for which a retroactive correction following IAS 8 *Accounting Policies, Changes in Accounting Estimates, Errors* is practicable according to Picanol Group. For a full justification of January 1, 2019, as the first date of inclusion of Tessenderlo Group in the consolidated accounts of Picanol Group, we refer to note 4 of this report. The interest held at January 1, 2019, was revalued to fair value. This revaluation took place at the share price of January 1, i.e. 29.1 euros and it was corrected on the opening balance sheet 2019 which resulted in an increase in equity of 6.1 million euros and brought the fair value of the participation to 488.5 million euros. At the time of the initial consolidation, Picanol Group held 38.9% of the shares of Tessenderlo Group for a total purchase value of 482.4 million euros.

The group has recognized the fair value of the identifiable assets and liabilities at the date of initial consolidation. The main fair value adjustments relate to:

- Valuation of tangible fixed assets on the basis of market prices (where available) or on the basis of depreciated replacement cost, taking into account economic obsolescence: 139.7 million euros.
- Valuation of the customer lists of Crop Vitality, NovaSource, DYKA and Solugel: +391.3 million euros.
- Valuation of the brand names of Crop Vitality, NovaSource, DYKA and Solugel: +25.2 million euros.
- Valuation of stocks at market value: +29.1 million euros.
- Valuation of the financial debts (bond) on the basis of the market price on the initial consolidation date: -11.5 million euros.
- Recognition of deferred tax liabilities on the above-mentioned revaluations except for those entities where the deferred tax asset on losses carried forward could not be fully recognized: -132.6 million euros.

The remaining goodwill amounts to 112.4 million euros (at 100% value) or 43.7 million euros for the Picanol Group share (as included in the opening balance at January 1, 2019). The remaining goodwill is mainly attributable to the expertise and technical qualities of Tessenderlo Group employees and it is not tax-deductible.

The fair value of the acquired assets and liabilities is provisional. If, within one year of the initial consolidation date, new information should arise about the facts and circumstances existing at the initial consolidation date that would justify adjustments to the above amounts, these will be revised. Items with potential for change include goodwill, intangible and tangible assets, provisions and deferred taxes. The depreciation of the fair value adjustments takes place in accordance with the valuation rules of the group.

The table below summarizes the impact of the acquisition of control over Tessenderlo Group on Tessenderlo Group's financial position on January 1, 2019, at 100% value:

(in millon euros)	Before acquisition	Fair value adjustments	Values recognized at acquisition
FIXED ASSETS	**1,083.0**	**521.0**	**1,604.0**
Goodwill	35.0	-35.0	0
Intangible fixed assets	190.2	416.3	606.5
Tangible fixed assets	789.2	139.7	928.9
Other fixed assets	68.6	0.0	68.6
CURRENT ASSETS	**754.6**	**29.1**	**783.7**
Inventories	303.0	29.1	332.1
Other current assets	451.6	0.0	451.6
NON CURRENT LIABILITIES	**773.1**	**144.1**	**917.2**
Deferred tax liabilities	79.1	132.6	211.6
Loans and borrowings	464.0	11.5	475.5
Overige verplichtingen > 1 jaar	230.1	0.0	230.1
CURRENT LIABILITIES	**327.2**	**0.0**	**327.2**
Net assets	**737.2**	**406.0**	**1,143.2**
Fair value at share price (29.1)			**1,255.6**
Goodwill (100%)			**112.4**
Picanol Group share goodwill (38.9%)			**43.7**

Calculation of non-controlling interest:

(in million euros)	**01/01/2019***
Net assets before revaluation	**737.2**
Revaluation	+406.0
Net assets after revaluation	**1,143.2**
Minority %	61.1%
Non-controlling interest	**698.4**

In June 2019, the group acquired 100% of the shares and voting rights of NAES Belgium bvba from NAES Corporation, a subsidiary of Itochu Corporation. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant (Tessenderlo, Belgium), a 100% subsidiary of Tessenderlo Group. The company employs 30 members of staff. At the date of the acquisition, the company's name was changed into T-Power Energy Services bv. The purchase consideration paid in cash and the transaction-related costs were insignificant. The fair value of the acquired assets and liabilities assumed at acquisition date approximated their carrying amount and therefore no significant fair value adjustments were recognized. The transaction did not result in the recognition of any goodwill. Other payables and current tax liabilities have been measured on a provisional basis. If new information, obtained within one year of the acquisition, about facts and circumstances that existed at the date of acquisition, identifies adjustments to the above amounts, the acquisition accounting will be revised. The contribution of T-Power Energy Services bv to the groups 2019 half-year results was insignificant.

8. EBIT ADJUSTING ITEMS

The net non-recurring and extraordinary operating income/(expense) amounts to -5.7 million euros and includes:

- The recycling of currency translation reserves following the completion of the liquidation process of PB Gelatins Wenzhou Co., Ltd. (China) for +3.0 million euros.
- The impact (-4.9 million euros) of the decrease of the discount rate applied to the environmental provisions to cover the cost, over the period 2019-2054, for the remediation of historical soil and ground contamination of the factory sites in Belgium (Ham, Tessenderlo and Vilvoorde) and France (Loos). The discount rate as per June 30, 2019, varied between 0% and 1% (between 0% and 2% at year-end 2018).
- The impact and revaluation of an electricity purchase agreement, for which the own-use exemption under IAS 39 is not applicable anymore; and
- Several other individually less significant items (mainly changes in provisions).

9. FINANCE COSTS AND INCOME

Net finance costs and income amount to -9.7 million euros as per June 30, 2019, compared to +6.5 million euros as per June 30, 2018.

Finance costs and income		
(in million euros)	**HY19**	**HY18***
Total borrowing costs	-11.3	-4.5
Total income from investments, cash and cash equivalents	2.8	3.4
Net other finance (costs)/income	-1.1	7.5
Total	**-9.7**	**6.5**

The borrowing costs amount to -11.3 million euros in HY19 (HY18: -4.5 million euros) and mainly consist of:

- The accrued interest charges (-3.3 million euros) on the bonds, issued in 2015, with a maturity of 7 years (the '2022 bonds') and 10 years (the '2025 bonds') with a fixed rate of 2.875% and 3.375% respectively (HY18: -3.3 million euros).
- The borrowing costs of T-Power nv, which was only acquired in the fourth quarter of 2018. The interest expense, related to T-Power nv and expensed in the first semester of 2019, amounts to -5.9 million euros. The financing structure of T-Power nv has been modified in the first half of 2019 (see also note 16 – *Loans and borrowings*).

The decrease of the HY19 net other finance (costs)/income can mainly be explained by lower unrealized foreign exchange gains on USD intercompany loans and cash and cash equivalents, which are not hedged. The weakening of the EUR against the USD by -0.6% in the first semester of 2019, compared to -2.8% in the first semester of 2018, impacted this result. We refer to the 2018 financial report for more information on the group's exposure to foreign currency risk.

10. INCOME TAX EXPENSE

Income taxes amounted to -9.0 million euros in the first half of 2019, compared with -27.8 million euros in tax charges in the same period last year on a comparable basis. These taxes mainly relate to the activities of the Machines & Technologies segment in Belgium and of the Agro and Bio-valorization segments in the United States.

Deferred tax assets on fiscal losses carried forward are recognized for 16.5 million euros. These are mainly recognized on Tessenderlo Group nv for an amount of 8.4 million euros (December 2018: 9.1 million euros). The other deferred tax assets on fiscal losses carried forward recognized amount to 8.1 million euros (December 2018: 7.7 million EUR). As per June 2019, total tax losses and tax credits carried forward in Tessenderlo Group nv amount to approximately 162 million euros, while these amount to approximately 65 million euros in France.

The decrease in deferred taks liabilities is the result of the depreciation of the fair value adjustments since the initial consolidation.

11. SEASONALITY OF OPERATIONS

Picanol Group demonstrates a limited seasonality pattern at group level for revenue. Seasonality at operating profitability level (as expressed by Adjusted EBITDA) is more pronounced. 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 the sales of Crop Vitality – 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, 2019, the group's capital expenditure amounted to 50.2 million euros (HY18*: 37.7 million euros). The investments in tangible fixed assets and other intangible assets per operating segment are explained in note 6 – *Segment reporting*.

The majority of the capital expenditure relates to:

- Investments in the expansion and modernization of the production capacity of the 'Machines & Technologies' segment in Ypres;
- Investments in the upgrade of plant infrastructure (mainly within the operating segment Agro);
- Investments in the expansion of the SOLUGEL® collagen peptides production capacity and in the optimization of the valorization of animal by-products (operating segment Bio-valorization);
- Investments in new branches and production lines within DYKA Group (operating segment Industrial Solutions);
- The replacement of equipment and vehicles, which were previously leased, through acquisition.

13. WORKING CAPITAL

Working capital		
(in million euros)	**30/06/2019**	**01/01/2019***
Inventories	331.8	394.9
Current trade and other receivables	398.2	365.9
Current trade and other payables	-348.0	-357.0
Working capital	**382.0**	**403.8**

The decrease in working capital is due to the depreciation of the revalued inventory (impact 29.1 million euros). Excluding revaluation, there was a slight increase in working capital (+7.3 million euros).

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to 291.8 million euros as per June 30, 2019 (compared to 337.1 million euros as per 01/01/2019*). These include amounts in USD equaling 36.7 million euros (compared to 26.6 million euros on December 31, 2018).

15. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share			
	HY19		**HY18**
	Prior to revaluation	**After revaluation**	
Weighted average number of ordinary shares on June 30	17,700,000	17,700,000	17,700,000
Profit (+) / loss (-) attributable to shareholders of the company (in millions of euros)	36.5	20.7	67.1
Basic earnings (+) / loss (-) per share (in euro)	2.1	1.2	3.8

Diluted earnings per share
The diluted earnings per share of Picanol Group is equal to the basic earnings per share, both for HY19 and for HY18.

16. LOANS AND BORROWINGS

Loans and borrowings		
(in million euros)	**30/06/2019**	**01/01/2019***
Non-current loans and borrowings	447.7	475.8
Current loans and borrowings	87.7	49.3
Total loans and borrowings	**535.4**	**525.0**
Cash and cash equivalents	-291.8	-337.1
Net financial debt	**243.6**	**187.9**

As per June 30, 2019, the group net financial debt stood at 243.6 million euros, compared to 187.9 million euros by the end of 2018.

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. These bonds do not contain any covenants.

The financing structure of T-Power nv has been reviewed during the first half of 2019. T-Power nv prepaid capital for 55.4 million euros, bringing the amount of the new term loan facility agreement to 193.0 million euros. The facility is to be reimbursed in the period June 2019 - June 2026 and has fixed half yearly capital reimbursements (12.9 million euros) and interest payments (in June and December). The interest rate due is the EURIBOR plus a spread. For 80% of the outstanding loan, the EURIBOR was fixed at 5.6% per annum through a series of reshaped forward agreements. The outstanding loan as per June 30, 2019, amounts to 180.1 million euros. The T-Power nv assets and shares are serving as guarantee for the loan. The term loan credit facility contains a covenant stating a minimum required debt service cover ratio (based on the last 12 months cash flow available for debt service). This covenant has been complied with as per June 30, 2019.

The lease liability, in accordance with IFRS 16 *Leases*, amounts to 74.3 million euros (December 31, 2018: nihil), of which 49.4 million euros is included in non-current and 24.9 million euros in current loans and borrowings.

Tessenderlo Kerley, Inc. has a loan outstanding of 7.7 million euros, of which 0.9 million EUR is included in current loans and borrowings. The financed Phoenix headquarters building (Arizona, US) is serving as guarantee for the loan.

The group has access to a Belgian commercial paper program of 200.0 million euros of which 30.5 million euros was used at the end of June 2019 and is included in current loans and borrowings (December 31, 2018: 30.0 million euros). These are issued by Tessenderlo Group nv.

There has been no drawdown as per June 30, 2019 on the 5 year committed bi-lateral credit lines. The amount of the committed credit lines amounts to 142.5 million euros (of which part can be drawn in USD).

17. EMPLOYEE BENEFITS

The application of IAS 19 *Employee benefits* as per June 30, 2019, led to a decrease of equity, before tax, by -8.8 million euros. A decrease of the rate used to discount the obligations could not be compensated by a higher than estimated return on the UK and Belgian plan assets, which resulted in a higher net defined benefit obligation.

18. FINANCIAL INSTRUMENTS

The derivative financial instruments as per June 30, 2019, mainly relate to:

- the interest rate swaps of T-power nv for an amount of -32.3 million euros (December 31, 2018: -38.7 million euros);
- an electricity forward contract, with maturity date in June 2026, for an amount of -16.1 million euros (December 31, 2018: -15.7 million euros).

Following the renegotiation of the finance structure of T-Power nv (see also note 16 – *Loans and borrowings*), 20% of the interest rate swaps of T-Power nv (which fixed the 6 months EURIBOR at 4.0% per annum for 80% of the outstanding loan with maturity date in the period 2019-2026) were settled, while the others were reshaped to the new term loan credit facility (at a fix rate of 5.6% per annum). The partial settlement of the agreements resulted in a cash out of -8.0 million euros. The amount reclassified from other comprehensive income to finance costs, following this settlement, was insignificant.

In accordance with the requirements of IAS 39, the remaining reshaped interest rate swaps are still designated as hedging instruments in a cash flow relationship. The effective portion of the change in fair value is therefore recognized in the hedging reserves (Other comprehensive income). A level 2 fair value measurement is applied for the fair value measurement of these agreements.

The fair value of the electricity forward contract is calculated as per June 30, 2019 based on a valuation model, leading to a net fair value of -16.1 million euros compared to a net fair value of -15.7 million euros as per December 31, 2018. 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 IFRS 9 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 ‘sparkspread’), and on the effect of the hourly pricing optimization as foreseen in the contract. If the 2022 key assumptions would also have been applied for the remaining period till June 2026, a period for which no market data is available, the fair value of the contract (2019-June 2026) would have amounted to -39.9 million euros. We refer to the 2018 financial report for more information on the fair value calculation of the electricity forward contract.

The net change in fair value of derivative financial instruments before tax, as included in the other comprehensive income, amounts to -0.1 million euros, and can be explained by the group’s part in the change in fair value of the interest rate swaps of the joint-venture Jupiter Sulphur LLC (-0.3 million euros) and the subsidiary T-Power nv (+0.2 million euros).

19. CONTINGENCIES

Since the consolidation of Tessenderlo Group, 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. Based on information currently available, the possibility of any significant cash outflow is considered to be remote.

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. Additional emission allowances will be purchased in case of any deficit. The cost of additional emission allowances purchased during the first semester of 2019 was insignificant. The surplus or deficit of emission allowances over the next years may vary, depending of several factors such as future production volumes, process optimization and energy efficiency improvements, however management expects that the impact of any surplus or deficit of emission allowances over the next years will not significantly impact the group’s consolidated financial statements. The carrying amount of emission allowances included in other intangible assets amounts to 3.5 million euros as per June 30, 2019 (December 31, 2018: 4.5 million euros).

20. RELATED PARTIES

The company has a related party relationship with its subsidiaries, associates, joint-ventures and its main shareholder, directors and its management committee. With the acquisition of control over Tessenderlo Group, the related parties of Tessenderlo Group also become related parties of Picanol Group. There are no material changes in the total amount of related party transactions compared to the situation on December 31, 2018 as disclosed in the 2018 consolidated annual statements of Picanol Group and Tessenderlo Group.

21. SUBSEQUENT EVENTS

On July 10, in accordance with Article 7:53 of the Belgian Company Code, the Extraordinary General Meeting of Tessenderlo Group decided to introduce double voting rights for all shares that have been registered with the Company for at least two years. On July 29, 2019, Verbrugge nv issued a transparency notification stating that, acting jointly with Symphony Mills nv, they hold 59.08% of the voting rights.

22. APPLICATION OF ARTICLE 523 OF THE BELGIAN COMPANY CODE

Extract from the minutes of the Board of Directors of May 8, 2019:

[…]

Conflicts of interest: Statement by Mr. Luc Tack:

In accordance with Article 523 of the Belgian Company Code, Mr. Luc Tack declares that he may have a financial interest that could be in conflict with the decision on the acquisition of additional Tessenderlo Group shares. This potential conflict of interest follows from the fact that Mr. Luc Tack is the controlling shareholder of Symphony Mills nv, which is not only a shareholder of Picanol nv but also a direct shareholder of Tessenderlo Group. Although the personal interest of Mr. Luc Tack and the interest of Picanol nv as shareholder of Tessenderlo Group nv are similar, Mr. Luc Tack has decided to avoid any semblance of a conflict of interest and to apply the procedure provided for in Article 523. Mr. Luc Tack therefore stated that he would not participate in (and leave the meeting during) the decision-making process. Mr. Luc Tack requests that the statutory auditor of Picanol nv be informed of this potential conflict of interest.

Mr. Luc Tack left the meeting before proceeding with the deliberation.

Mr. Stefaan Haspeslagh explains that within the mandate of 10 million euros granted by the board of directors via e-mail on March 20, 2019, 2.1 million euros of shares have been purchased to date. In order to be able to take advantage of possible opportunities that might arise in the future, the Chairman asks for a new mandate, for 60 million euros, which would replace the current mandate. The directors ask to ensure that the group's cash resources would at all times comply with the minimum cash reserve. The directors then decide that a further development of the interest in Tessenderlo Group is in the interest of Picanol Group if this is done at an interesting rate and given that other opportunities are also weighed up. The Board of Directors grants a special power of attorney to Mr. Luc Tack and Mr. Stefaan Haspeslagh, together or alone, to acquire additional shares up to an amount of 60 million euros. […]

5. INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION AS PER JUNE 30, 2019

Statutory auditor's report to the board of directors of Picanol nv on the review of the condensed consolidated interim financial information as at June 30th 2019 and for the six-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Picanol nv as at June 30th 2019, the condensed consolidated income statement, the condensed statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six-month period then ended, and notes to the interim financial information ("*the condensed consolidated interim financial information*"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "*Interim Financial Reporting*" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 interim financial information as at June 30th 2019 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "*Interim Financial Reporting*" as adopted by the European Union.

Emphasis of matter

We draw attention to item 4 of note 4.6 of the condensed consolidated interim financial information which describes the rationale for the date of initial consolidation (January 1, 2019) of Tessenderlo group in the condensed consolidated interim financial information of Picanol Group.

Our conclusion is not modified in respect of this matter.

Zaventem, August 23 2019

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Patrick De Schutter
Réviseur d'Entreprises / Bedrijfsrevisor

6. FINANCIAL GLOSSARY

Adjusted EBIT
Earnings before interests, taxes and EBIT adjusting items.

Adjusted EBITDA
Earnings before interests, taxes and EBIT adjusting items plus depreciation and amortization.

Capital expenditure
Amount of money spent to upgrade, acquire or maintain property, plant and equipment (PP&E) and other intangible assets.

EBIT
Profit(+)/loss(-) from operations.

EBIT adjusting items
EBIT adjusting items are those items that in management's judgment need to be disclosed by virtue of their size or incidence. Such items are disclosed in the notes to the financial statements. Transactions which may be recognized as EBIT adjusting items are principally related to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

Weighted average number of ordinary shares
Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

Diluted earnings per share (Diluted EPS)
Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the fully diluted weighted average number of ordinary shares outstanding during the period.

Capital expenditure
Amount of money spent to upgrade, acquire or maintain property, plant and equipment (PP&E) and other intangible assets.

Net financial debt
Non-current and current loans and borrowings minus cash and cash equivalents and bank overdrafts.

Working capital
The sum of inventories, trade and other receivables minus trade and other payables.

The Dutch version of this interim report is to be considered as the reference.