



Statutory auditor's report to the general meeting of Tessengerlo Group NV on the annual accounts as of and for the year ended December 31, 2019

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN DUTCH

In the context of the statutory audit of the annual accounts of Tessengerlo Group NV ("the Company"), we provide you with our statutory auditor's report. This includes our report on the annual accounts for the year ended December 31, 2019, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of May 14, 2019, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended December 31, 2021. This is the first year we performed the statutory audit of the annual accounts of Tessengerlo Group NV.

Report on the annual accounts

Unqualified opinion

We have audited the annual accounts of the Company as of and for the year ended December 31, 2019, prepared in accordance with the financial reporting framework applicable in Belgium. These annual accounts comprise the balance sheet as at December 31, 2019, the income statement for the year then ended and notes. The balance sheet total amounts to EUR 1.535.059.707,45 and the income statement shows a profit for the year of EUR 164.249.979,94.

In our opinion, the annual accounts give a true and fair view of the Company's equity and financial position as at December 31, 2019 and of its financial performance for the year then ended in accordance with the financial reporting framework applicable in Belgium.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the annual accounts" section of our report. We have complied with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the independence requirements.

We have obtained from the supervisory board and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other matter

The annual accounts of Tessengerlo Group NV for the year ended 31 December 2018 were audited by another statutory auditor who expressed an unqualified audit opinion on 29 March 2019 on those annual accounts.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment on investments in subsidiaries and receivables from subsidiaries

We refer to C.6.4.1 and C.6.15 section of the annual accounts.

— Description

The Company holds directly and indirectly investments in subsidiaries and has receivables from subsidiaries.

Investments in subsidiaries are valued at historical cost price, unless management has determined that a longstanding impairment exists. Related party receivables are valued at nominal value unless management has determined that collectability is uncertain.

An annual impairment assessment for investments in and receivables from subsidiaries is performed in the context of the preparation of the annual accounts and accordance with the Belgian accounting standards.

Management has adopted the following approach in order to determine whether the assets are subject to an impairment. The net book value of each investment is compared with the share in the equity of the subsidiary held by the Company. An impairment loss is recognized when the recoverable amount is lower than the net book value. The recoverable amount is based on the value in use. The value in use is the net present value of the future cash flows that are expected to be generated.

Impairment of investments in subsidiaries and receivables from subsidiaries is identified as a key audit matter due to:

- Its significance to the balance sheet total (61% of total assets); and
- The determination of the value in use which requires numerous judgements and assessments made by management of the Company, in particular, the assessment of the competitive, economic and financial environment in which the subsidiary operates, the ability to generate operational cash flows from strategic plans, the level of required capital expenditures and the discount rates and growth rates used in calculating the recoverable amount.

— *Our audit procedures*

Our audit procedures included among others:

- We compared the most important data used by management with underlying evidence, in particular the net asset value of the investments, the equity value of the subsidiaries, the shareholders percentage, the net book value of the related party receivables and other financial information with respect to the related parties.
- In case of permanent impairment indicators, we challenged the key assumptions and data (weighted average cost of capital, result before interest and taxes, and growth rates) which are used by management in the valuation model of the forecasted cash flows based on our knowledge of the subsidiary and by involving our own valuation specialists in the determination of discount rates;
- We evaluated the process used by management in preparing cash flow forecasts, including testing the underlying calculations and reconciling the projections with the latest financial targets as approved by the Board of Directors;
- We verified the mathematical accuracy of the calculations performed by management;
- We analyzed the ability of the Company to forecast cash flows accurately and assessed the reasonableness of the current forecasts by comparing key assumptions with historical results.
- Furthermore, we performed sensitivity analyses relating to the key assumptions used for the determination and discounting of cash flow forecasts, in particular the weighted average cost of capital, the result before interest and taxes and the growth rates used by the Company.

Valuation of environmental provisions

We refer to C 6.8 of the annual accounts.

— Description

Environmental provisions amount to EUR 114,7 million as at 31 December 2019. Those environmental provisions are mainly established in order to cover the cost of remediation of historical soil and ground contamination of the plants in Ham and Vilvoorde. The environmental provision reflects the value of the expected future cash outflows spread over the period 2020-2054.

Assumptions and estimates used in determining the environmental provisions are, amongst others, related to the expected outflow of resources to settle the legal and contractual obligations and the timing thereof.

The valuation of the environmental provision is a key audit matter for our audit due to the significance of this balance sheet position as well as the judgement made by management with respect to assumptions and assessments.

— Our audit procedures

- As part of our audit procedures, we have assessed management's process to identify changes in existing obligations and to make an

estimate for the costs associated with environmental remediation obligations.

- We assessed the accuracy, the valuation and completeness of the environmental provisions as per 31 December 2019.

This assessment included:

- Making inquiries with the Group's environmental manager;
- Review the expert reports and communications with external parties (including reports of the regulators and quotations for work to be performed);
- Assessment of the competence, objectivity and capabilities of the external experts;
- Reviewing the consistency and the reason for adjusting the assumptions as used, including the projections of future cash outflow, compared with the assumptions used in the prior year;
- Assessing the reliability of the future cash outflows made in prior periods by comparing the amount and timing of the originally forecasted cash outflows with the actual amounts spent.

Board of directors' responsibilities for the preparation of the annual accounts

The board of directors is responsible for the preparation of these annual accounts that give a true and fair view in accordance with the financial reporting framework applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance as to whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these annual accounts.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the annual accounts in Belgium. The scope of the statutory audit of the annual accounts does not extend to providing



assurance on the future viability of the Company nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Company.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these



matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the Board of Directors

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the annual accounts, the statement of the non-financial information attached to the board of directors' annual report on the annual accounts and the other information included in the annual report, of the documents required to be filed in accordance with the legal and regulatory requirements, for maintaining the Company's accounting records in compliance with the applicable legal and regulatory requirements, as well as for the Company's compliance with the Companies' Code or, as from May 17, 2019, date of the early opt-in, the Companies' and Associations' Code and the Company's articles of association.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the annual accounts, the statement of the non-financial information attached to the board of directors' annual report on the annual accounts and the other information included in the annual report, certain documents to be filed in accordance with legal and regulatory requirements and compliance with certain requirements of the Companies' Code or, as from May 17, 2019, date of the early opt-in, the Companies' and Associations' Code and with the Company's articles of association, and to report on these matters.

Aspects concerning the board of directors' annual report and other information included in the annual report

Based on specific work performed on the board of directors' annual report on the annual accounts, we are of the opinion that this report is consistent with the annual accounts for the same period and has been prepared in accordance with articles 3:5 and 3:6 of the Companies' and Associations' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the annual accounts and other information included in the annual report:

- Activity report
- Management report

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:6 §4 of the Companies' and Associations' Code has been included in a separate report attached to the board of directors' annual report on the consolidated annual accounts. This report on the non-financial information contains the information required by article 3:6 §4

of the Companies' and Associations' Code and is consistent with the annual accounts for the same period. The Company has prepared this non-financial information based on GRI. In accordance with art 3:75 §1, 1st paragraph, 6° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with GRI mentioned in board of directors' annual report on the annual accounts.

Information regarding the social balance sheet

The social balance sheet, which is to be filed with the National Bank of Belgium in accordance with article 3:12 §1 8° of the Companies' and Associations' Code, includes, with respect to form and content, the information required by law and does not present any material inconsistencies with the information that we became aware of during the performance of our engagement.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the annual accounts and our audit firm remained independent of the Company during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit of the annual accounts referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the annual accounts.

Other aspects

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- We do not have to inform you of any transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' Code or, as from May 17, 2019, date of the early opt-in, the Companies' and Associations' Code.
- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.
- As disclosed in the board of directors' annual report, the procedure for conflict of interest (in accordance with article 7:96 of the Belgian Companies and Associations Code, previously article 523 of the Belgian Company Code) has been implemented twice. The decision of the board of directors and the financial consequences can be summarized as follows:
 - The determination of the short term incentive over 2018, the remuneration package over 2019 and the Long Term Incentive plan for Mr. Luc Tack (CEO) and Mr. Stefaan Haspeslagh (CFO) (board of directors meeting dated March 12, 2019)

The Board of Directors fixed the short term incentive pay out at EUR 380.743 for Luc Tack and at EUR 406.362 for Findar BVBA,



represented by Stefaan Haspeslagh. The board of directors decided to increase the fixed component of the remuneration packages with 2.70%, effective 1 January 2019.

- The decision to introduce the double voting right for shareholders (Board of directors meeting dated May 14, 2019). Mr. Luc Tack and Stefaan Haspeslagh state to have an indirect conflict of interest although article 7:97 of the Belgian Companies and Association Code is not applicable.

The financial consequences of the decisions taken with respect to the proposed resolutions are at this stage limited to the fees incurred for the advisors Stibbe and which are estimated to be lower than EUR 25.000.

Zaventem, 24 March 2020

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Patrick De Schutter
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