# Annual Report **2017**

Tessenderlo Group

EVERY MOLECULE COUNTS

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# Company profile

With a history that dates back to 1919, Tessenderlo Group has evolved over recent years from a chemical company into a diversified industrial group that focuses on agriculture, valorizing bio-residuals and providing industrial solutions.

With 4,547 people working at more than one hundred locations across the globe, Tessenderlo Group is a leader in most of its markets. We primarily serve customers in agriculture, industry, construction and health and consumer goods end markets.

Tessenderlo Group realized a consolidated revenue of 1.7 billion EUR in 2017. The company is listed on Euronext Brussels and is part of the Next 150 and BEL Mid indices. Financial News wires: Bloomberg: TESB BB – Reuters: TesB.BR – Datastream: B:Tes.

## A diversified industrial group

Tessenderlo Group's activities are subdivided into three operating segments:

The **Agro** segment combines our activities in the production, trading and marketing of crop nutrients (liquid crop fertilizers and potassium sulfate fertilizers) and crop protection products.

Our activities in animal by-product processing are combined in the **Bio-valorization** segment. This consists of PB Gelatins/PB Leiner (the production, trading and sales of gelatins) and Akiolis (the rendering, production and sales of proteins and fats).

The **Industrial Solutions** segment includes the production, trading and sales of plastic pipe systems, water treatment chemicals and other activities such as the production, trading and sales of mining and industrial auxiliaries, services for the treatment and disposal of produced and flow-back water from oil and gas exploration, as well as the recovery of industrial process fluids.

# Every molecule counts

Tessenderlo Group is driven by a bold and inspiring vision: We want to ensure that life on our planet will thrive by helping to create a world that makes the most of its resources. This vision entails growing more food than ever before, using water as intelligently as possible, tackling the world's shortage of natural resources and creating value from bio-residuals.

We aim to fully understand what is happening in the world around us and ascertain how we can build the business of tomorrow by successfully addressing those issues. In order to achieve this objective we realize that we need to do things in new ways.

Behind everything we do lies a simple philosophy: Every Molecule Counts. This tagline defines our unique attitude to sustainability and practical innovation. It encompasses the power of an idea or action, however small, to change the world.

Tessenderlo Group continually strives to find more sustainable solutions. We thereby aim to minimize our ecological footprint and to maximize the contribution of our products in the evolution towards achieving a green economy. We offer various products and environmentally friendly solutions, in which we typically reclaim and transform by-products from other industries.

Whether it is in the products and solutions we supply or the way in which we produce them, the care we show towards our planet and its resources is at the very heart of all of our businesses. This is because we believe that Every Molecule Counts.

# **ACTIVITY** REPORT 2017

# 2017 Highlights

In order to take full advantage of the opportunities of the collagen protein markets, PB Gelatins/PB Leiner expanded its collagen peptides production unit in Santa Fe (Argentina) in 2017.

In January 2017, Steve Azzarello joined Tessenderlo Kerley, Inc. (TKI) as CEO. He took over from Luc Tack, who became Executive President of TKI. The year 2017 also marked the 70th anniversary of Tessenderlo Kerley, Inc. in the US.


On 6 June 2017, the Annual General Meeting appointed Management Deprez bvba (permanently represented by Ms. Veerle Deprez) and ANBA bvba (permanently represented by Ms. Anne Marie Baeyaert) as independent, non-executive directors for a period of four years, until the close of the Annual General Meeting of 2021. At an Extraordinary General Meeting held that same day, it was decided to change the name of the company to Tessenderlo Group.

In September 2017, Tessenderlo Group successfully started the production of Thio-Sul® at its new liquid fertilizer plant in Rouen, France. The liquid fertilizer Thio-Sul® (ammonium thiosulfate) is used for broad-acre crops as well as arboricultural and vegetable crop cultivation.


Tessenderlo Group opened its new Thio-Sul® manufacturing plant in East Dubuque (Illinois, US) in October 2017. This new manufacturing facility of Tessenderlo Group's business unit Crop Vitality® will enable the more efficient delivery of the product to the Midwest agriculture community.

The engineering and construction activities of Tessenderlo Kerley Services have been formalized into a new business unit, called S8 Engineering. The new business unit (within Industrial Solutions) will focus on design, engineering, procurement and construction projects for internal and external customers in the refining, oil and gas, general chemical, mining and sulfur specialties markets.

Construction works at the new membrane technology based production plant in Loos (France) were completed in 2017. The plant started production in the first quarter of 2018. The plant will start with the production of sodium hydroxide in order to respond to new market developments.

SOTRA SEPEREF, a plastic pipe systems producer in France, began operating under the new trading name DYKA France in October 2017. At the same time, the company unveiled new growth investment plans, which include the expansion of its production hall and the purchase of a new extrusion line for plastic pipes.

Within the Plastic Pipe Systems (PPS) business unit, which provides high quality, value-added solutions in plastic pipe systems for the utilities, agricultural, building and civil engineering markets, DYKA celebrated its 60th anniversary during the first half of 2017.


JDP, which is one of the leading distributors of civils and drainage products in the UK, celebrated its 45th anniversary in 2017. JDP opened new branches in Cambridge and Norwich in 2017, which are the newest additions to a growing network.

In November 2017, the business units SOP Plant Nutrition and Kerley International joined forces in order to create one business unit: Tessenderlo Kerley International. This new business unit will bring together all of the experts, agronomists and commercial advisers from both previous business units into one global team that is characterized by a dedicated customer focus and which possesses an outstanding heritage.

# MESSAGE FROM THE CEO AND THE CHAIRMAN TO THE SHAREHOLDERS

Dear Shareholders,

Tessenderlo Group realized a consolidated turnover of 1,657.3 million EUR in 2017, compared to 1,590.1 million EUR in 2016. Agro revenue increased by 6.1%, when excluding the foreign exchange effect, mainly impacted by the positive volume evolution in SOP fertilizers only partially compensated by lower selling prices. The revenue within Bio-valorization increased by 6.1% when excluding the foreign exchange effect, with an increase realized at both Akiolis and PB Leiner/PB Gelatins. Meanwhile, the revenue of Industrial Solutions increased by 5.1% when excluding the foreign exchange effect, mainly within Plastic Pipe Systems and Mining & Industrial. Tessenderlo Group closed 2017 by recording a net profit of 25.8 million EUR, as compared to 98.2 million EUR in 2016.

Despite challenging market conditions, 2017 proved to be another year of continued transformation towards realizing sustainable growth at Tessenderlo Group and progress was made on many different fronts.

We have continued our investments in new plants with a view to strengthening our fields of competence and expertise. In 2017, we announced the startups of our new liquid fertilizer plants in Rouen (France) and in East Dubuque (US). Both new plants are producing the liquid fertilizer Thio-Sul® that is used for broad-acre crops as well as arboricultural and vegetable crop cultivation. The plant in France marks a new milestone in the history of Tessenderlo Group as it is the group's first Thio-Sul® plant located outside the United States. With the new factory, we are further expanding our local presence in the market of liquid fertilizer solutions for precision agriculture.

Also, in our Agro business, the business units SOP Plant Nutrition and Kerley International joined forces in order to create one business unit: Tessenderlo Kerley International. This new business unit will bring together all of the experts, agronomists and commercial advisers from both previous business units into one global team that is characterized by a dedicated customer focus and which possesses an outstanding heritage. This exciting merger of these two business units will enable us to provide the best possible levels of support and the finest products from our combined portfolio based on the specific requirements of our many customers throughout the world. To articulate this global market approach, all of our fertilizer product brands will also be bundled under one all-encompassing brand promise: Crop Vitality®. This is because our dedication to provide farmers with the precise tools they need to stimulate the vitality of their crops is at the very heart of everything we do – both today and in the future.

We also completed the construction works at our new membrane electrolysis production facility at the site of PC Loos (Produits Chimiques de Loos, France) in 2017. The new plant provides Tessenderlo Group with state-of-the-art technology to produce chlorine, sodium hydroxide ($NaOH$) and potassium hydroxide ($KOH$). With the new plant, Tessenderlo Group is re-entering the market for sodium hydroxide ($NaOH$) as a response to new market developments.

In addition, we also continued to work on the optimization of our existing product portfolio and new products. For example, PB Gelatins/PB Leiner launched SOLUGEL® Ultra BD in 2017 to take full advantage of the opportunities of the collagen protein markets. This is a collagen with a very neutral odor and taste, and with excellent solubility. We are pleased to confirm that this product was very well received by the market.

We hired new people throughout 2017 to strengthen our management, operational and sales teams in all business segments. Furthermore, Tessenderlo Group continued to execute extensive maintenance programs in order to optimize operations and modernize various plants. We also remained focused on debottlenecking plants, increasing logistics efficiencies, implementing coordinated procurement and sourcing activities, realizing operational excellence, profitable growth and customer focus so as to better serve our customers.

All of these initiatives, combined with a constant focus on operational excellence, will enable us to lay a solid foundation for the future development of Tessenderlo Group.

**Dividend**
At the Annual Shareholders' Meeting of May 8, 2018, the Board of Directors will propose to the shareholders not to pay out a dividend for the 2017 financial year.

**Outlook**
The group anticipates the 2018 REBITDA to be in line with the 2017 REBITDA, although this is dependent on the evolution of the USD/EURO exchange rate and raw material prices. The group would like to emphasize that it currently operates in a volatile political, economic and financial environment.

This year, Tessenderlo Group will launch a sustainability report for the first time, which marks a new step towards making its sustainability efforts more visible to all stakeholders. The sustainability report of the Tessenderlo Group will be available in a digital version on www.tessenderlo.com.

We would like to take this opportunity to extend our thanks to our customers for the confidence they have placed in us and of course to you, our shareholders, for your loyalty.

On behalf of the Board of Directors, we would like to thank our employees for their commitment during 2017. We look forward to successfully driving our business forward in 2018 with the help of our highly motivated team.

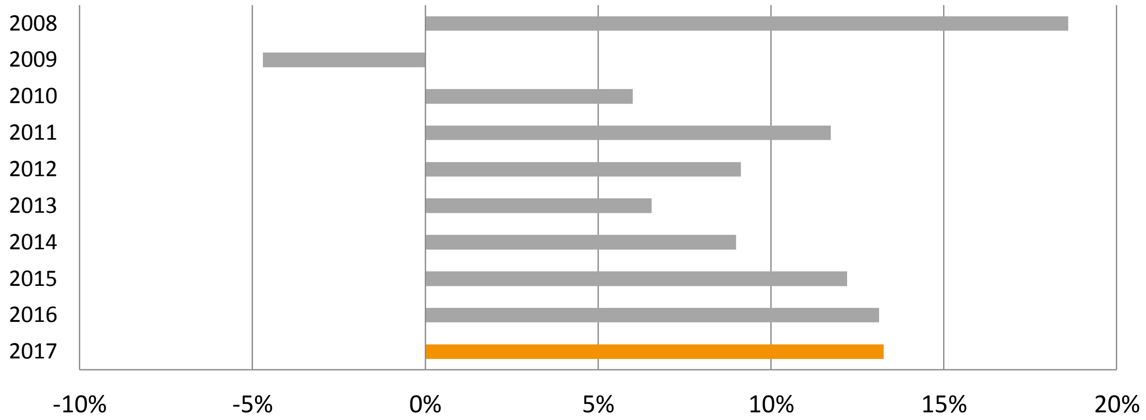
Kind regards,

Luc Tack
CEO

Stefaan Haspeslagh
Chairman of the Board of Directors

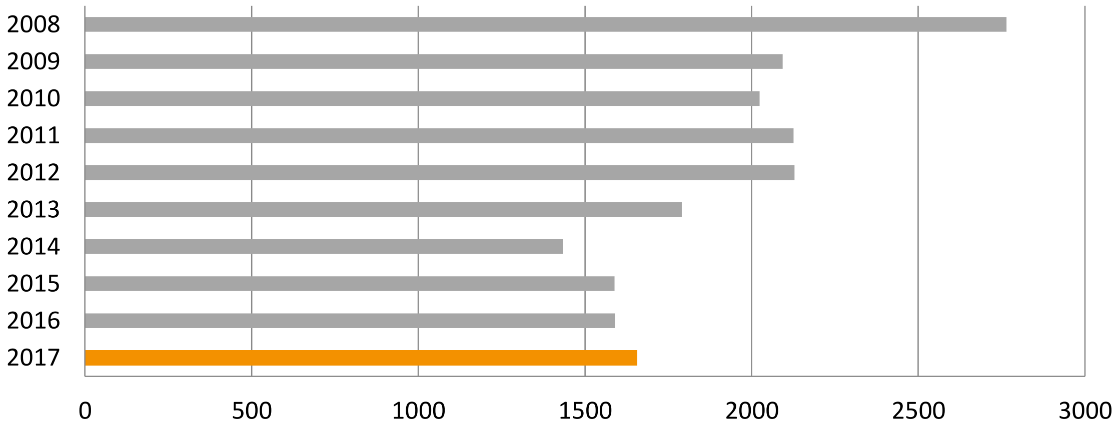
# KEY FIGURES AT A GLANCE

## ROCE (%)



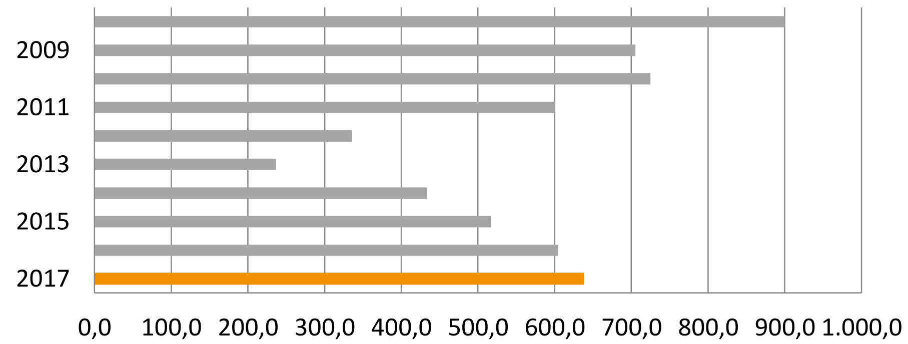

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Roce | 13% | 13% | 12% | 9% | 7% | 9% | 12% | 6% | -5% | 19% |

## REVENUE GROUP (in million EUR)



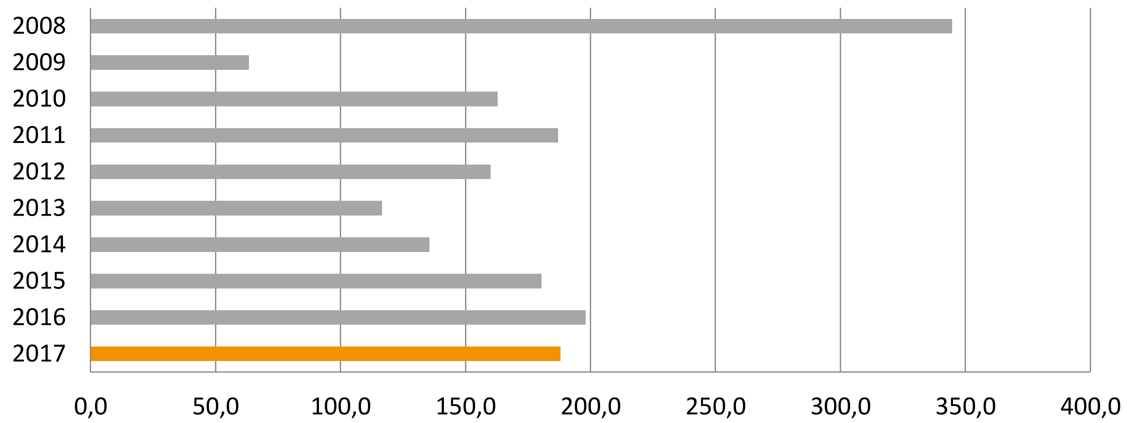

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 1.657 | 1.590 | 1.589 | 1.434 | 1.790 | 2.129 | 2.126 | 2.024 | 2.093 | 2.765 |

## EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP (in million EUR)



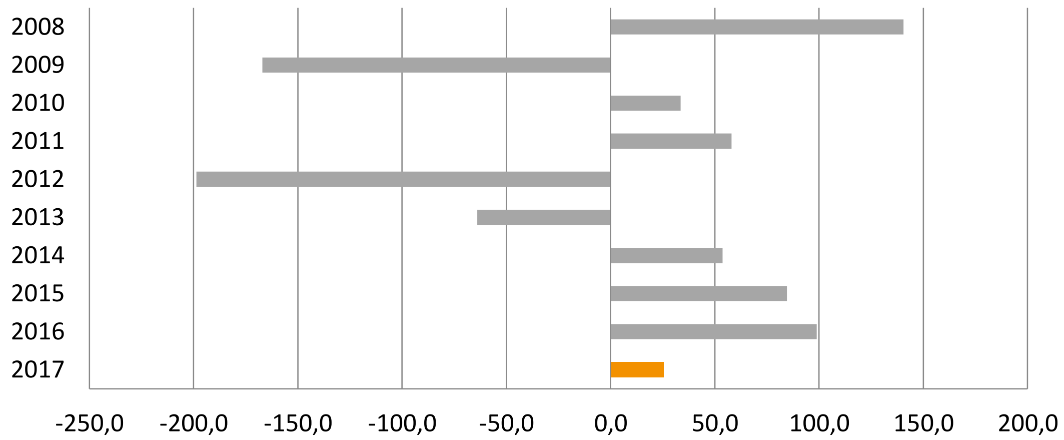

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Equity attributable to equity shareholders of the group | 638 | 605 | 517 | 434 | 237 | 336 | 600 | 725 | 705 | 900 |

## REBITDA GROUP (in million EUR)



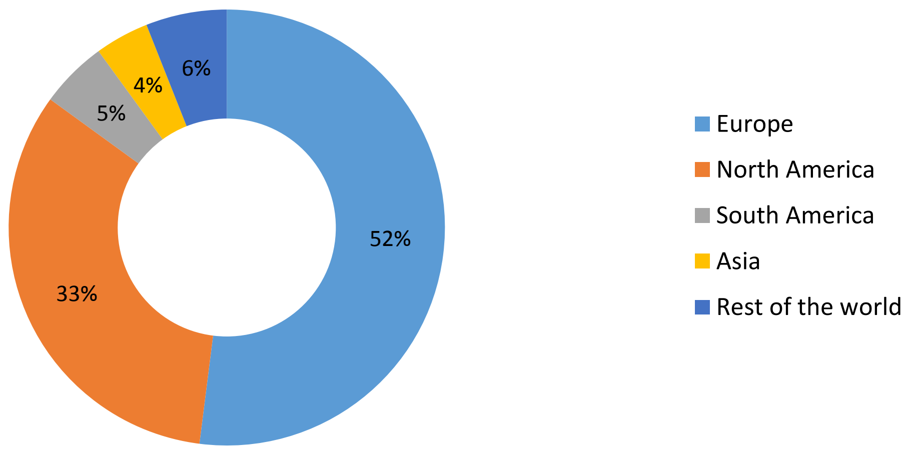

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Rebitda | 188 | 198 | 180 | 136 | 117 | 160 | 187 | 163 | 63 | 345 |

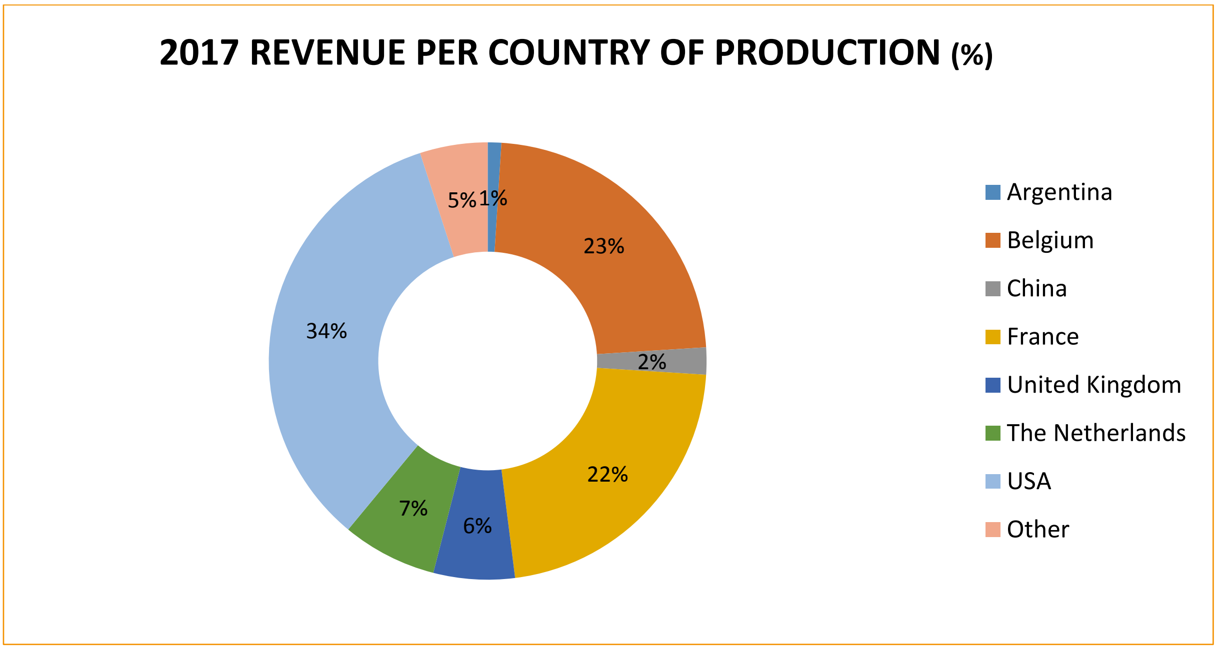
## PROFIT (+) / LOSS (-) (in million EUR)

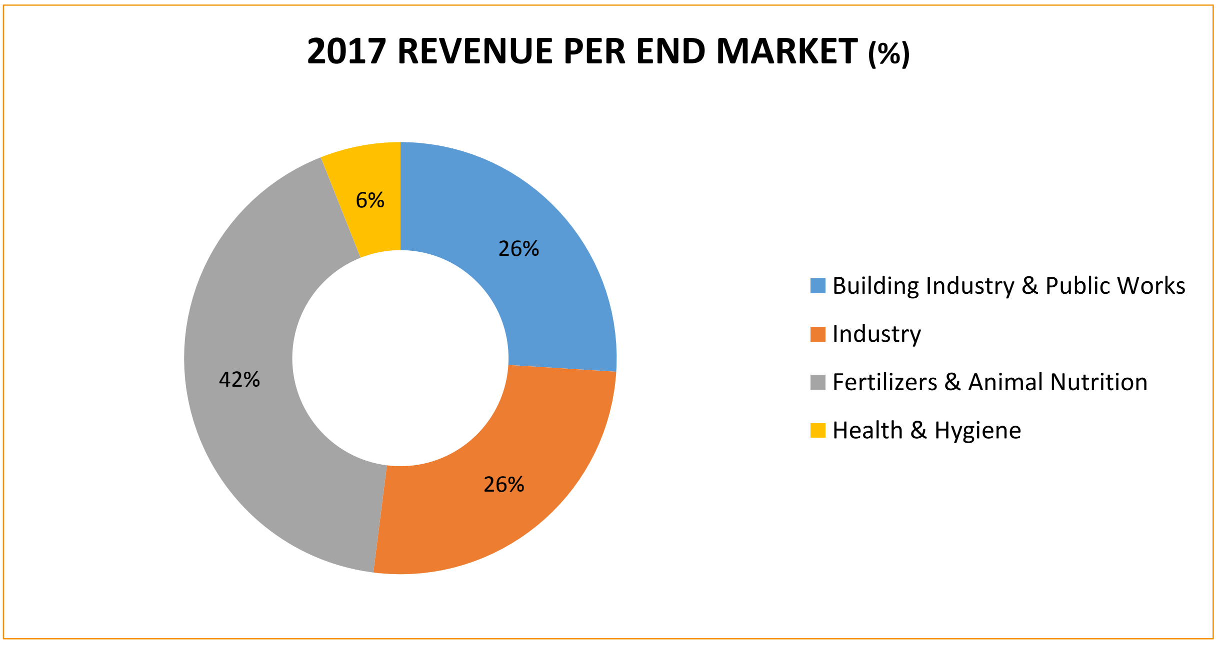



| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit (+) / loss (-) | 26 | 99 | 84 | 54 | -64 | -199 | 58 | 34 | -167 | 141 |

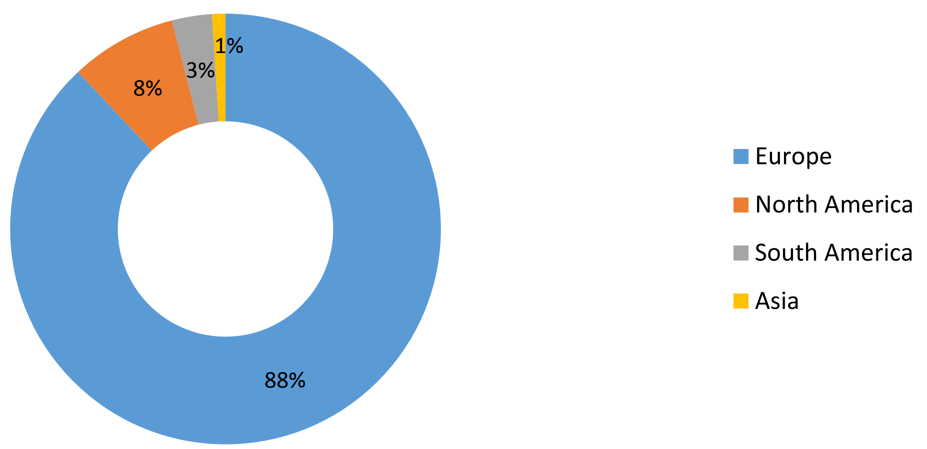
## 2017 REVENUE PER GEOGRAPHY (%)




2017 REVENUE PER COUNTRY OF PRODUCTION (%)
5%
1%
23%
34%
2%
22%
7%
6%
Argentina
Belgium
China
France
United Kingdom
The Netherlands
USA
Other


2017 REVENUE PER END MARKET (%)
6%
26%
42%
26%
Building Industry & Public Works
Industry
Fertilizers & Animal Nutrition
Health & Hygiene

**2017 DISTRIBUTION OF CAPEX (%)**




**2017 REBITDA PER SEGMENT (in million EUR)**

# OUR AGRO SEGMENT

Our Agro segment combines Tessenderlo Group's activities in the production, trading and marketing of crop nutrients (liquid crop fertilizers and potassium sulfate fertilizers) and crop protection products.

**PRODUCTION LOCATIONS**

15 production plants: US (12 production plants and more than 100 terminals), Belgium (1), France (1) and Turkey (1), and 20 terminals in Europe and Mexico.

**CORE MARKETS**

Agriculture

**AREA OF ACTIVITY**

Value-added specialty liquid, solid and soluble fertilizers and crop protection products

**BUSINESS DRIVERS**

- Growing population
- Increased demand for cost-effective, quality fertilizers and crop protection products for modern and sustainable precision agriculture

**STRATEGIC FOCUS**

**Crop Vitality/Tessenderlo Kerley International:**

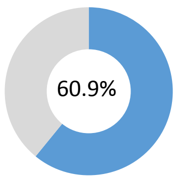
- To continue focusing on the Americas and expand into Europe, the Middle East and Australia, with selective local presence
- To expand the product portfolio and application offering in order to strengthen our position in the specialty niche markets
- To build a global network of connected technical experts
- To focus on expanding market share through the continued education of the market up to farmer level
- To continuously improve our cost efficiency of our production processes and supporting departments, and to optimize the customer-centered supply chain

**NovaSource:**

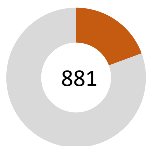
- To expand the product portfolio

**KEY FIGURES**

**Share of REBITDA**




**Headcount (FTE)**



## CROP VITALITY

- **Who are we?**

Crop Vitality® is a premier producer of sulfur-based and value-added fertilizers that precisely nurture crop life for the agriculture community. Our combination of advanced fertilizer production and manufacturing, an extensive distribution network, world class agronomy and knowledgeable sales staff makes us the growers' number one choice for crop nutrition solutions. These grower-centric attributes allow us to achieve higher operating rates, leverage our scale with suppliers, capture significant logistics and distribution synergies, and grow market share. The principal fertilizers for Crop Vitality® are Thio-Sul® (ammonium thiosulfate) and KTS® (potassium thiosulfate). Our full line of fertilizers and soil amendment products feed crops like corn, soybeans, canola, wheat, fruits and vegetables. Crop Vitality® continues to develop and enhance fertilizers and soil amendment solutions that enable growers to enjoy sustainable, productive and profitable yields.

- **Business in 2017**

Many changes and consolidations in the agriculture industry have prevented net farm income, commodity prices and budgets from significantly improving. In North America, input prices were near historical lows and market volatility is expected to continue into 2018. Crop Vitality® was able to manage these major hurdles. Our ability to deliver cost-efficient products allows our customers to become more profitable and reduce both energy costs and emissions. Meanwhile, our strategic plant locations assist in regard to reducing our environmental exposure. In 2017, our specifically tailored dealer and grower training seminars and programs helped to educate a large proportion of our dealers and growers. Crop Vitality® continuously works in order to mitigate environmental effects through creating precise crop nutrition products that improve the way in which food is grown.

- **Outlook**

At the forefront of every Crop Vitality® relationship is our dedicated focus on the customer. Our Crop Vitality® specialists are well-positioned to educate the next generation of agricultural and fertility specialists on best practices. In order to help farmers rise to the challenges they face in 2018, we will remain diligent in terms of producing and delivering the most innovative, high quality crop nutrition products and product stewardship that is currently available.

Developing and implementing value-added services such as process safety management and responsible customer assistance ensured positive growth for the business in 2017 and should deliver similar levels of growth in 2018. We will continue to help people and the planet through dedicated research and development efforts, superior product performance and agronomic expertise.

## TESSENDERLO KERLEY INTERNATIONAL

- **Who are we?**

Tessenderlo Kerley International is a newly created business unit which is comprised of the former business units Kerley International and SOP Plant Nutrition. Tessenderlo Kerley International supplies value-added liquid, soluble and solid plant nutrition in order to support growers in realizing efficient and sustainable agriculture. Our global team of experts, agronomists and commercial advisers is characterized by a strong customer focus and has an outstanding heritage, as we are able to build on the nearly 100 years of expertise at Tessenderlo (in solid and soluble potassium based fertilizers) and the 70 years of expertise at Kerley (in liquid fertilizers).

All of our fertilizer product brands are bundled under one all-encompassing brand promise: Crop Vitality®. This is because our dedication to give farmers the precise tools needed to stimulate the vitality of their crops is at the very heart of what we do – both today and in the future. Our portfolio consists of well-recognized specialty fertilizers such as SoluPotasse®, K-Leaf®, Thio-Sul®, KTS®, CaTs®, etc., in which we continuously invest in terms of innovation, product development and support. This is how we can guarantee that all of our interventions - whether by our products, our experts or our advisers – will create maximal output: i.e. a better yield for crops, more control for farmers and a healthier planet for everyone.

- **Business in 2017**

During 2017, Tessenderlo Kerley International continued to execute its long term strategy and made considerable progress in driving top-line growth while strengthening its growth foundations. Recruiting commercial and agronomical talent, running a broad portfolio of trials with the Crop Vitality® line of fertilizers, developing new customers/applications, upgrading existing manufacturing facilities and setting up supply chains are just some examples of the strengthening of these growth foundations.

On liquid fertilizers, the Thio-Sul® manufacturing plant in France successfully started operations in September 2017, just one year after ground was broken. The plant will service both European and overseas markets and enhance Tessenderlo Kerley International's leading position in the broad-acre crops market, which will allow growers to complement sulfur nutrition and limit nitrogen losses.

For the Sulfate of potash (SOP) or potassium sulfate product family, the market context from 2016 continued in 2017, with stable overall global SOP demand, additional SOP capacity coming on-stream, increased competition in the soluble segment and the resulting continued erosion of prices.

We are confident that we are continuing to progress in regard to the strengthening of our market position for the long term, i.e. we are focusing on high quality products and services, we are very well-recognized in terms of global market reach and we have a strong local connection with different stakeholders in the chain.

- **Outlook**

In 2018, Tessenderlo Kerley International will continue to execute its strategy of profitable growth. In fact, the recent combination of the heritage business units SOP Plant Nutrition and Kerley International has enabled us to accelerate this strategy execution and capture synergies, e.g. by integrating the frontline team, strengthening/sharing our go-to-market channels, building agronomical know-how and driving excellence throughout our value chain.

As the value proposition of the liquid fertilizers is increasingly being recognized and valorized by customers in the regions where we currently operate, additional prioritized markets will be developed. With the SOP products, we are strengthening the global market leading position of our water soluble brand SoluPotasse®. We are continually working on adding service value wherever we are in the market by explaining the optimal use of SOP. While the long term outlook clearly suggests positive growth, we have observed over the last few years that swings can occur in the agro market over the short term. However, we are conscious that results will ultimately depend on the evolution of the agro market.

Tessenderlo Group has a clear strategy for remaining at the forefront of the specialty SOP and liquid fertilizer markets. We will continue to consistently deliver high quality products, while improving our focus on customer service and applying the group's considerable experience in these industries.

## NOVASOURCE

- **Who are we?**

NovaSource® develops, registers and markets niche crop protection products globally for high value crops. With products now being sold in over 40 countries, the focus for NovaSource® is providing solid, proven chemistries to help farmers increase the quality and yield of their specialty food crops.
Two of the NovaSource® principal crop protection products are Linex®, an agricultural herbicide for use on potatoes, corn, sorghum, cotton and soybeans and Sevin®, an agricultural insecticide for the broad-spectrum control of dozens of pests, including beetles, weevils and worms in tree fruit, nut, vine, citrus vegetable and other crops.

The NovaSource® products protect the growers' crops from a variety of damaging weeds, insects and diseases, while simultaneously increasing the growers' yields, profitability and predictability.

- **Business in 2017**

Our NovaSource® business had a good 2017 in spite of the ongoing low commodity crop prices, which adversely affects the crop protection sector. Specialty crops (fruits, nuts and vegetables), where NovaSource® products are primarily sold, typically do not experience as much of the downward pricing pressures that are applied to some commodity food staples. However, significantly lower prices in some berry crops reduced the demand for NovaSource® weed control solutions. A wet and cooler than normal spring season adversely impacted growers' plantings and decreased the demand for certain NovaSource® products. The acquisitions we made in 2015, such as the Solicam® and Velpar® agricultural herbicides, did contribute to our success in 2017.

- **Outlook**

NovaSource® will maintain its efforts to acquire and integrate niche crop protection products from multinational companies that are divesting non-core products. As larger crop protection companies consolidate and focus on the broad-acre crops (e.g. corn, wheat and soybeans), NovaSource® will continue to focus on crop protection chemistries for niche fruit and vegetable crops throughout 2018.

# OUR BIO-VALORIZATION SEGMENT

Our Bio-valorization segment, which covers Tessenderlo Group's activities in animal by-product processing, consists of PB Gelatins/PB Leiner (production, trading and sale of gelatins), Akiolis (rendering, production and sale of proteins and fats) and Prossential (a dedicated sales organization representing PB Gelatins/PB Leiner and Akiolis products towards the pet food & aqua feed market).

**PRODUCTION LOCATIONS**

**PB Gelatins/PB Leiner:**
3 production plants in Europe (Belgium, Germany, UK), 1 in China and 3 in the Americas (US, Argentina, Brazil)

**Akiolis:**
3 production plants, 29 collection centers in France (Atemax)
8 production plants, 19 collection centers in France (Soleval)
1 production plant (Violleau)

**CORE MARKETS**

Food, pharma, pet food, agriculture, aqua feed, animal fee, energy, lipochemistry etc.

**AREA OF ACTIVITY**

Bio-resources, agriculture

**BUSINESS DRIVERS**

- Growing demand for bio-based environmentally friendly offerings in feed, food, energy and pharmaceutical and technical applications
- Improved standards of living result in increased protein demand

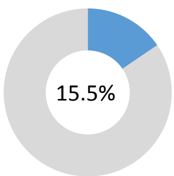
**STRATEGIC FOCUS**

**PB Gelatins/PB Leiner:**
- To optimize efficiencies on existing assets
- To focus on customer relationships and new product development
- To vigorously focus on realizing manufacturing excellence and the improved valorization of access to raw materials
- To increase the focus on healthy foods (protein rich, collagen peptides) and pharma

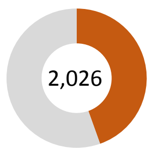
**Akiolis:**
- To strengthen our position in our core business on upstream markets
- To improve the valorization of finished products on pet food and aquaculture markets
- To focus on customer relationships and new product development
- To improve efficiency in existing plants

**KEY FIGURES**

**Share of REBITDA**




**Headcount (FTE)**



## PB GELATINS/PB LEINER

- **Who are we?**

The PB Gelatins/PB Leiner Business Unit provides a complete range of high quality collagen proteins (gelatin). PB Gelatins/PB Leiner supplies a growing market in food, pharma, health, nutrition and technical applications from seven production sites that are located in Asia, Europe, North and South America. PB Gelatins/PB Leiner is one of the top three players in the world in its sector.

The gelatin process includes raw material (pre)treatment, collagen extraction and gelatin purification. The overall production processes can take up to six months for specific qualities. Some fractions of the gelatin are further processed into collagen peptides.

Gelatins are used in multiple markets, including food (e.g. confectionery and dairy), pharmaceuticals (e.g. capsules) and photography (e.g. film and photography paper). In most applications, gelatins are only added in small amounts to the formulation, as a functional ingredient with superior characteristics. PB Gelatins/PB Leiner produces gelatin based on pigskin, beef hide, pig bone and beef bone. Raw materials are sourced regionally and competition for raw materials is not limited to other gelatin manufacturers, but also comprises other end-uses such as direct use as human food, pet food and leather manufacturing.

Fluctuations in the supply and demand of raw materials have an important impact on gelatin prices and availability. Key to the business is securing sufficient raw material volumes.

- **Business in 2017**

In 2017, the market conditions were highly volatile for PB Gelatins/PB Leiner. Market demand for gelatin in Europe and the US was good thanks to a moderate growth. For collagen proteins this was even more pronounced. The major volatility came from the raw material markets. The difficult market circumstances for the tanneries, several (meat) scandals in Brazil and an unexpected shortage of pig skins in the US (especially in the first half of the year) and Europe (in the second half of the year), made that the margins were under pressure.

In 2017, PB Gelatins/PB Leiner continued to work on the implementation of its strategy of:

- Sales Excellence – by optimization of the portfolio, improving reliability, reducing customer complaints and closer partnerships with our customers
- Operational Excellence – by strengthening the technology team, the debottlenecking of plants, improving quality systems, further improving process control and implementing a culture of employee engagement

- Purchasing Excellence – by strengthening relationships with our raw material suppliers (especially in the bone gelatin chain) to support our future growth

In order to take full advantage of the opportunities of the collagen protein markets, PB Gelatins/PB Leiner launched SOLUGEL® Ultra BD in 2017. This is a collagen with a very neutral odor and taste, and with excellent solubility. This product was very well received by the market.

- **Outlook**

PB Gelatins/PB Leiner will also continue in 2018 to focus on the further implementation of its strategy with a continued debottlenecking and upgrading of its plants combined with growth in collagen proteins, cold soluble gelatin and pharma quality gelatin. A program of key account management to strengthen the relationship with our customers is in progress.

At the end of 2017, PB Gelatins/PB Leiner announced that it had decided to start the liquidation process of its plant in Wenzhou, P.R. China (PB Gelatins Wenzhou Co., Ltd.).

The long term outlook of the gelatin markets remains positive for several reasons: a growing middle class population, the increased consumption of medication in the developing world and greater health and nutrition awareness and habits in the developed countries.

# AKIOLIS GROUP

- **Who are we?**

Akiolis specializes in rendering activities and the transformation of animal by-products into high value proteins and fats. Our links with upstream partners from the meat industry, butchers and retailers enable us to get access to a vast array of organic materials  and our industrial processes allow us to valorize our final products in different downstream markets, such as pet food and animal nutrition, aqua feed and lipochemistry, fertilization, gelatins, cement plants and energy sectors (green heat and green electricity).

- **Business in 2017**

Akiolis maintained its focus on customer satisfaction, cost management and team efficiency in 2017. Upstream collection proved to be in line with targets, which enabled us to realize a good utilization rate of our industrial product lines. Meanwhile, downstream markets were rather stable during the first half of the year but showed bearish signals during the second part of the year. Our efforts in quality management and customer intimacy have resulted in the building of long-term relationships with key accounts in strategic markets: pet food, aqua feed and biodiesel.

- **Outlook**

Sustainability will continue to be the keyword for Akiolis in 2018. Our partners, which include upstream key accounts as well as downstream customers, rely on Akiolis as a long term ‘Best In Class’ partner. Our industrial footprint will be adapted to the evolution of upstream volume collection, with the relocalization of our pork lines from Brittany to our plant in Javené. Our level of investments will significantly increase in order to introduce state-of-the-art new equipment at our factories for innovative products.

# OUR INDUSTRIAL SOLUTIONS SEGMENT

Our Industrial Solutions segment consists of activities that provide products and solutions to industrial end markets. This segment includes the production, trading and sale of plastic pipe systems, water treatment chemicals and other industrial activities, such as the production and sale of 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.

**PRODUCTION LOCATIONS**

- **PPS:** 7 production plants (2 in the Netherlands, 1 in Belgium, 1 in France, 1 in Germany, 1 in Poland and 1 in Hungary) and more than 70 branches in Europe
- **Performance Chemicals:** 4 production plants (2 in Belgium, 1 in France and 1 in Switzerland)
- **Mining & Industrial, MPR & ECS:** 3 plants (US)

**CORE MARKETS**

Water, sewage, air and gas piping systems and services, water treatment, process chemicals services, refinery and mining services

**AREA OF ACTIVITY**

Building and installation, public infrastructure and utility works, industrial and municipal markets, industry and mining

**BUSINESS DRIVERS**

- Clean water demand and hygiene – industry need for the sustainable purification of process water
- Scarcity of natural resources and environmental footprint
- Global warming, storm water, energy neutral buildings
- Base chemicals supply is driven by economic activity

**STRATEGIC FOCUS**

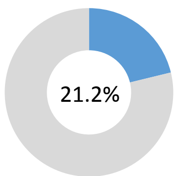
**PPS:**
- To further grow customer intimacy, to introduce innovative systems and services, and to strengthen our position in various sectors and key geographies

**Performance Chemicals:**
- To provide long term and environmentally attractive solutions to industries and municipalities

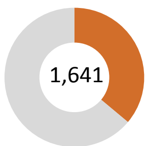
**Mining & Industrial/MPR/ECS:**
- To expand the Mining & Industrial business and to provide a full service water treatment and recycling model, and to enter new market segments

**KEY FIGURES**

**Share of REBITDA**




**Headcount (FTE)**



# PLASTIC PIPE SYSTEMS (PPS)

- **Who are we?**

The Plastic Pipe Systems (PPS) Business Unit provides high quality, value-added piping solutions for utilities, agricultural, building and civil engineering markets.

We focus on achieving higher levels of customer satisfaction by offering pre-assembled piping kits, project consultancy services, engineering support for ventilation solutions, sewage and rainwater solutions, and syphonic roof drainage systems. We provide our solutions via our integrated sales and support network, our manufacturing and logistics professionals, and over 70 customer-oriented branches, as well as more than 2,000 points of sale in Europe.

Attenuating or infiltrating rainwater from more frequent and heavier showers, accommodating increasing requirements to move towards more energy neutral buildings, stopping the leakage of valuable drinking water with better quality piping networks and reducing costs in complex construction value chains are just a few challenges that our customers face. These are best managed by applying the range of systems and services from PPS.

In addition, increasingly more recycled material is being applied in the manufacturing of our products and systems, and thus optimizing the environmental footprint of our business. This gives new value to both post-industrial and post-consumer plastics and consequently reduces demands on finite resources.

- **Business in 2017**

Our PPS markets developed in different ways during 2017. The continental European construction markets mostly developed favorably, whereas the UK market started to become affected by the growing uncertainty regarding the consequences of ‘Brexit’. In all of our markets we benefited from mild winter conditions both at the beginning and at the end of 2017.

During 2017, the BU further gained from improved focus and better execution, in particular with respect to new business and new systems and services developments. Our extensive offerings in ventilation solutions (DykaAir), storm water management solutions (Vacurain and Duborain), drinking water (Bi-Oroc) and irrigation portfolios (Irri-roc) made solid progress. Whereas indirect costs were well under control, contribution margins were impacted to some extent by increasing polymer raw material prices, which could not all be passed on to the market.

Finally, we continued to use significant amounts of recycled materials as raw materials. This represents a major contribution in terms of sustainability and ultimately helps our customers to reduce the environmental footprint of their buildings or infrastructural works. Being able to effectively prove such commitment to sustainability is a differentiating factor for PPS in regard to engaging in business with a growing group of customers and public authorities.

- **Outlook**

By combining forecasted market developments - in particular in continental Europe - with our European strategic alignment on customer-centered new systems and services developments, PPS will focus on sustainable growth in 2018. Process improvements, either in sales and marketing, manufacturing or logistics, and in part supported by investments, together enable our customers to do more business more easily with PPS or reduce the total operational costs in the value chain.

Fairly well spread over 2018, a series of investments will be completed at PPS, which will aim at a broader and better customer offering with extended and therefore even more relevant product portfolios, lower costs by building further on front running extrusion technologies and enhanced levels of service through an extended omnichannel approach, including e-commerce and a growing branch network.

## PERFORMANCE CHEMICALS

- **Who are we?**

The Performance Chemicals Business Unit provides industrial and municipal markets with coagulants and other chemicals for either the treatment of wastewater or the purification of drinking water. We also produce industrial chemicals which are used by a broad spectrum of industries such as pharmaceutical industry, oil and refinery, steel, de-icing and fertilizers. For example, our sodium sulfide and sodium hydrogen sulfide are used in the tanning and mining industry and as precipitating agents for metals in waste treatment. Other chemicals include bleach, acids for disinfection and household cleaning. In 2015, Performance Chemicals re-entered the market for potassium hydroxide. This is a product that is used for the production of biofuels, de-icing agents, fertilizers and detergents.

The production processes of Performance Chemicals enable the conversion or recycling of industrial by-products (for example, from the steel industry) into attractive new products for water treatment. Performance Chemicals has four production sites and these are located in Loos (France), Tessenderlo and Ham (Belgium) and Rekingen (Switzerland). The production sites are centrally located in areas where the demand is highest. Our Business Unit supplies some of the largest metropolitan areas in Western Europe, such as Paris, Amsterdam, Geneva and Brussels, with the chemicals required to treat their wastewater.

- **Business in 2017**

At the end of 2017, we completed the construction of a new membrane electrolysis plant in Loos (France). This investment project provides the Loos site with the best available technology for chlorine production in order to support the largest production plant for iron chloride coagulants in Europe. In addition, the logistics assets in Loos are experiencing a complete overhaul so as to provide state-of-the art storage and loading for transport by both road and barge.

Coagulant demand continued to increase in 2017 in Western Europe, which confirmed the trend seen in 2016 following several years of stagnation. Performance Chemicals preserved its competitive position as a leading European supplier of coagulants for wastewater and drinking water treatment.

Throughout the year, the new barge in operation since the end of 2016 for the transportation of ferric chloride from the French production site of Produits Chimiques de Loos to Paris has fully delivered on its promise to take 650,000 km of truck traffic off the roads of northern France.

The market for potassium hydroxide experienced a challenging year throughout 2017. Volume demand went according to plan and Performance Chemicals successfully returned to the flake market. However, pricing for liquid KOH suffered significantly as a result of competitive repositioning. Pricing also remained under pressure for hydrochloric acid in Western Europe throughout the year as more by-product acid from various sources was offered to merchant buyers. Nevertheless, the Business Unit managed to fulfill its strategic operational integration role through the captive consumption and merchant sales of hydrochloric acid streams out of Ham, in support of the production targets of SOP Plant Nutrition.

- **Outlook**

As the European chlorine industry completes its transition from mercury technology electrolysis to membrane technology, it will require some time to offset the net overall reduction of capacity that has taken place during the transition.

## MINING & INDUSTRIAL

- **Who are we?**

Mining & Industrial (M&I) is one of the world's preeminent producers of sulfur-based specialty chemistries for the mining and industrial markets. The M&I product portfolio is coupled with a deep technical and institutional knowledge that is tailored to delivering improvements in health, safety and environment (HSE) profiles and handling and increasing efficiencies/effectiveness in terms of recovering base/precious metals, food processing, water and waste treatment along with other various industrial applications. M&I enhances its customers' applications through innovative chemistry. The principal products are Thio-Gold® (thiosulfate-based lixiviants), sulfites for cyanide (CN) detoxification and sodium hydrosulfide (NaHS) for base metal depression.

- **Business in 2017**

While the gold market continued to be stable in 2017, the base metals market began to stabilize after reaching what appeared to be the trough of the preceding cycle. These conditions had a direct effect on mining companies which have been vigilant on costs, including Capex/Opex spending.
M&I's new strategically located sodium hydrosulfide plant realized significant production, most of which is already under contract for key customers. In order to support the growth in the cyanide (CN) detoxification market, M&I invested in several plant expansions and strategic logistical assets. Our Elko, Nevada Thio-Gold® 300 plant, which supplies Barrick's Goldstrike gold leaching plant with its novel, patented breakthrough technology, continued to perform in line with customer demand and expectations. This near-market facility is an example of investing to serve our customer base while improving our carbon footprint via shorter transportation hauls.

- **Outlook**

M&I will leverage its deep technical and institutional knowledge to ensure that we understand the needs of our partners and customers, and that we deliver innovative solutions which are centered on reciprocal value creation. Our extensive manufacturing and supply chain will receive further investments and optimizations in order to realize desired milestones. Our technical specialists will continue to be the market stewards for the safe, effective and efficient use of our products and solutions. M&I will maintain its focus on executing our growth strategy by expanding our legacy products into new markets and applications, while continuing to fuel innovations with an emphasis on continuous improvements in health, safety and the environment (HSE), handling and efficiencies.

# MPR

- **Who are we?**

MPR Services Inc. is a service provider deploying outstanding technology to clean, recycle and enable the reuse of chemicals that are specifically designed to remove atmospheric pollutants. The service we provide in terms of maintaining good system hygiene within our customers' emission control equipment enhances both product quality and environmental performance for our clients. We are also deeply involved in cyanide corrosion control within the oil refining arena.

- **Business in 2017**

2017 began as a challenge as several of our largest customers entered the year in "total turnaround" mode. The central locations of the US oil industry faced three major hurricanes, which disrupted normal production levels. However, despite these unique circumstances, MPR Services was able to end the year with strong results by continuing our focus on assisting our customers.

- **Outlook**

MPR Services is the volume leader in the markets we serve and will grow the business by identifying and exploring new opportunities in both adjacent and new markets. We will continue to expand our influence by delivering focused customer education seminars on our total amine hygiene services to customers around the globe, while ensuring we fully explain our value proposition to current and prospective customers.

## ECS

- **Who are we?**

Environmentally Clean Systems (ECS) serves the oil and gas industries, providing water reclamation and disposal options for produced, frack, black and flow back water. ECS offers high quality and environmentally safe solutions to dispose of and/or reuse wastewaters generated during oil and gas exploration activities. ECS tailors its technologies to meet individual needs and situations. The result is flexibility in regard to wastewater utilization or disposal at lower costs.

- **Business in 2017**

Following the downturn in the oil market at the end of 2015, ECS has focused on improving its performance while simultaneously decreasing costs. These efficiency improvements have made ECS stronger, more competitive and ready to face the future.

- **Outlook**

Whilst oil prices are expected to slightly increase in 2018 this is not anticipated to have a significant impact on the exploration in the applications, markets and industries where ECS is active. The key focus for 2018 will be to operate efficiently while retaining our focus on safety, processes and procedures in order to strengthen our position as a leading company in produced water reclamation and disposal.

# INFORMATION FOR SHAREHOLDERS

## Investor Relations

Tessenderlo Group strives to provide accurate, qualitative and timely information to the global financial community. In order to discuss the group's results and future developments, Tessenderlo Group organizes conference calls to present and discuss the quarterly, half-year and annual results.

## Analyst coverage

At the end of 2017, Tessenderlo Group was covered by 4 sell-side analysts (more information on www.tessenderlo.com). At the end of the year, 2 analysts gave a positive rating and 2 analysts gave a neutral rating.

## Shareholder structure

On December 31, 2017, the shareholder structure of Tessenderlo Group was as follows:

| Shareholder | Number of shares | % |
|---|---|---|
| Verbrugge nv (controlled by Picanol nv) | 15,841,547 | 36.7% |
| Symphony Mills nv | 1,694,774 | 3.9% |
| Coltrane Asset Management, L.P. | 1,413,200 | 3.3% |
| Norges Bank | 1,411,579 | 3.3% |
| Carmignac Gestion SA | 903,687 | 2.1% |
| Dimensional Fund Advisors L.P. | 891,022 | 2.1% |
| Intrinsic Value Investors (IVI) L.P. | 880,300 | 2.0% |
| KBC Asset Management nv | 744,813 | 1.7% |
| Capfi Delen Asset Management nv | 698,000 | 1.6% |
| Janus Henderson Group PLC | 679,312 | 1.6% |
| Valarc Master Fund, Ltd. | 630,402 | 1.5% |
| Goldman Sachs Group, Inc. | 571,752 | 1.3% |
| Sessa Capital (Master), L.P. | 527,511 | 1.2% |
| Blocked shares by personnel or former personnel | 30,389 | 0.1% |
| Free float | 16,218,491 | 37.6% |
| **Total** | **43,136,779** | **100.0%** |

Verbrugge nv is controlled by Picanol nv, which in turn is controlled by Artela nv. Artela nv and Symphony Mills nv are controlled by Mr. Luc Tack.

On December 31, 2017, 18,200 warrants were exercisable. The total number of shares constituting the issued capital of Tessenderlo Group nv is 43,136,779 and entitle the shareholders to one vote per share.

## Tessenderlo Group share

Tessenderlo Group shares are listed on the Euronext Brussels Stock Exchange under the code TESB. They are traded on the continuous market and are included in the following indexes: BEL Mid and Next 150.

## Share price performance

Tessenderlo Group nv share price increased 11.64% in 2017, outperforming the BEL 20 index (10.35% increase) and the European Chemicals index SX4P (10.7% increase). The share reached its year-high closing price of 41.79 EUR on October 3, 2017. The year-low closing price of 33.52 EUR was reached on January 23, 2017. The share closed at 38.89 EUR on the last trading day of the year.

## Dividend policy

The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of May 8, 2018, not to pay out a dividend for the 2017 financial year. The group currently believes that more shareholder value can be created through further investing available funds in the growth of the company, rather than via the distribution of dividends.

## Financial calendar

| | |
|---|---|
| ▪ First quarter 2018 trading update | May 7, 2018 |
| ▪ Annual shareholder's meeting | May 8, 2018 |
| ▪ Half-year 2018 results | August 22, 2018 |
| ▪ Third quarter 2018 trading update | October 25, 2018 |

This year, Tessenderlo Group will launch a sustainability report for the first time, which marks a new step towards making its sustainability efforts more visible to all stakeholders. The sustainability report of the Tessenderlo Group will be available in a digital version on www.tessenderlo.com by the end of March 2018.

Full financial and non-financial information regarding Tessenderlo Group is available on the website www.tessenderlo.com. Anyone wishing to receive Tessenderlo Group press releases by e-mail may register on the mailing list on the website.

The Tessenderlo Group share price is published on www.tessenderlo.com and on the Euronext Brussels website www.euronext.com.

## Contact for Investor Relations

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# **MANAGEMENT** REPORT 2017

# BUSINESS PROGRESS

Comments on revenue and REBITDA included in the Business Progress section are, unless otherwise indicated, based on Tessenderlo Group's performance excluding Other, which includes the engineering and construction activities of the subsidiary Tessenderlo Kerley Services Inc., that is currently executing a material contract for the joint-venture Jupiter Sulphur LLC.

## Group performance

The 2017 revenue increased by 4.5% to 1.7 billion EUR (or by 5.8% when excluding the foreign exchange effect). Agro revenue increased by 6.1%, when excluding the foreign exchange effect, mainly impacted by the positive volume evolution in SOP Plant Nutrition. The revenue within Bio-valorization increased by 6.1% when excluding the foreign exchange effect, with mainly an increase in Gelatin. Industrial Solutions revenue increased by 5.1% when excluding the foreign exchange effect, mainly within Plastic Pipe Systems and Mining & Industrial.

The 2017 REBITDA decreased by -6.2% to 183.3 million EUR (or decreased by -4.9% when excluding the foreign exchange effect). The 2017 REBITDA includes a reversal of inventory write-offs of +1.0 million EUR (while in 2016 an additional inventory write-off for -1.0 million EUR was recognized).

2017 profit amounts to 25.8 million EUR compared to 98.2 million EUR in the same period last year. Profit (+) / loss (-) for the period is negatively impacted by unrealized foreign exchange losses on non-hedged intercompany loans and cash and cash equivalents in USD, GBP and CNY. Excluding foreign exchange losses, the profit (+) / loss (-) for 2017 would have amounted to approximately 89 million EUR (compared to approximately 89 million EUR as well in 2016).

The 2017 operational free cash flow amounts to 124.9 million EUR, compared to 45.6 million EUR in 2016. While the 2017 REBITDA and capital expenditure were in line with 2016 figures, a lower trade working capital generated a cash flow of +27.4 million EUR in 2017 compared to a cash flow of -58.4 million EUR in 2016 when trade working capital increased.

At the end of December 2017, group net financial debt amounted to 58.7 million EUR, resulting in a leverage of 0.3x. Net financial debt as per year-end 2016 amounted to 136.6 million EUR. The decrease of debt in 2017 can be explained by the operational results, partially offset by capital expenditure. Capital expenditure amounted to 90.4 million EUR in 2017 (2016: 94.0 million EUR).

## Reported operating segment performance

2017 Agro revenue increased by 4.8% to 598.9 million EUR (or by 6.1% when excluding the foreign exchange effect). The impact of higher sulfates volumes was only partially offset by lower selling prices in 2017 compared to 2016.

2017 Agro REBITDA decreased by -3.6% compared to prior year and amounted to 114.4 million EUR (or decreased of -1.8% when excluding the foreign exchange effect), with the different activities only showing minor fluctuations year-on-year. The segment was impacted by start-up costs for the new Thio-Sul® plants in East Dubuque (United States) and Rouen (France) for -3.3 million EUR (2016: -1.8 million EUR).

The revenue of the segment Bio-valorization increased by 4.6% in 2017 (or by 6.1% when excluding the foreign exchange effect) to 517.0 million EUR. The revenue increase can be explained by higher volumes within Gelatin.

The Bio-valorization REBITDA decreased from 31.6 million EUR in 2016 to 29.1 million EUR in 2017 (-7.8% or -8.0% when excluding the foreign exchange effect). The 2017 result was positively impacted by an inventory write-off reversal (+3.2 million EUR), while its impact was negative in 2016 (-0.5 million EUR). Operational improvements, which are the result of continuous investments and ongoing maintenance programs in the different gelatin plants, were offset by increased raw material prices in the Americas.

The 2017 revenue of the segment Industrial Solutions increased by 3.9% (or 5.1% when excluding the foreign exchange rate effect) to 495.3 million EUR, being positively impacted by the activities Plastic Pipe Systems and Mining & Industrial.

The 2017 REBITDA decreased by -12.1% (or by -10.9% when excluding the foreign exchange rate effect) to 39.8 million EUR. This decrease can be mainly explained by higher raw material prices within Plastic Pipe Systems and unfavorable market conditions within Performance Chemicals (in the Sulphur as well as in the KOH markets). Start-up costs for the new electrolysis in Loos (France) are included for -1.4 million EUR (2016: nihil). The solid performance of Mining & Industrial and the positive outcome following the expiration of a contract within Environmentally Clean Systems (ECS) could only partially offset these negative evolutions.

# HUMAN RESOURCES

Tessenderlo Group relies on a team of experienced professionals and this contributes towards our realization of the business and strategic objectives across all areas.

As at December 31, 2017, the total number of employees (FTE) working for the group amounted to 4,547. Out of this total, 881 employees were active in the Agro business, 2,026 employees were active in the Bio-valorization business and 1,641 employees were active in the Industrial Solutions business. Meanwhile, 3,383 of the group's total personnel are employed in Europe, 945 are employed in the Americas and 219 are employed in Asia.

We strongly believe that our people are our greatest asset. In a global business where knowledge and expertise are essential, we build on our experienced and motivated employees who have an in-depth knowledge and understanding of both the group and our products.

HR managers, who make up part of the different management teams, are focused on shaping the organization, defining clear roles and responsibilities, as well as attracting, retaining and developing the right people and building motivated teams that will realize the objectives of the group. They also guide each company through the changes necessary for the successful implementation of the transformation plans.

Within our annual performance cycle, clear objectives that are in line with our strategy execution are defined internally in each of the different BUs. Each BU has a communication plan to cascade these objectives down to the shop floor and to communicate them into the minds, hearts and hands of our team members.

Talent management is a key process within our organization. As our business is constantly growing, we offer challenging jobs for enthusiastic people with backgrounds in Engineering, Sales and Business Development, as well as Operations and General Management. Furthermore, we offer a lot of opportunities in terms of personal development. We want to have a Personal Development Plan for every employee. On-the-job training and a permanent feedback culture are key factors, but we also organize learning and training programs for all levels of employees. We build on the strength of one another and deploy our people in a complementary manner. Within our Talent Review Process we prepare career paths and carefully develop our talent for the future. Last but not least, HR is also responsible for solid reward systems and benchmarked and competitive salary packages.

# INNOVATION AND R&D

In 2017, Tessenderlo Group further strengthened its innovation capabilities through a continued organizational focus on business development and the enhancement of product line management in all of its businesses. Additional progress was also made in order to embed innovation at the highest levels in the group and Business Units, and to make it part of the way in which we conduct our day-to-day business by adding key functions and personnel to lead and advance our innovation efforts and focus on the success of our customers.

Moreover, Tessenderlo Group utilized the 2016 acquisition of a research farm in Dinuba, California (US) and significantly increased its agro development and testing capabilities as well as state-of-the-art demonstration and education facilities, which led to new developments in agricultural nutrient innovation and customer collaborative partnerships.

In R&D and New Business Development, Tessenderlo Group continued to improve product, process and application technologies, exploring new applications for existing products, as well as enhancing sustainability and environmental protection.

For product and technology platforms applied across several Business Units, Tessenderlo Group relies on its research and application development farm in Dinuba (US), the Innovation Center in Phoenix (US) and the Tessenderlo Innovation Center (Belgium). It also relies on its R&D expertise across a broad area of organic and inorganic chemistries at lab and pilot scale, supporting several Agro and Industrial Solutions innovation projects.

Improved intellectual property awareness throughout both the business and business processes led to an increase in intellectual property assets in the form of patents, trademarks, collaborative developments and licensing deals, which resulted in an increased customer-centric innovation and business development focus.

Customers recognize Tessenderlo Group's innovative and entrepreneurial strengths. Tessenderlo Group welcomes close collaborations that will lead to unique applications and products.

# SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

Focusing on Safety, Health, Environment and Quality (SHEQ) remains the top priority for Tessenderlo Group and its subsidiaries. During 2017, we persisted with many initiatives and programs aimed at continuously improving our performance. Our objective is to ensure that our employees understand, participate in and engage with our commitment to the safety and health of everyone and that we preserve, conserve and protect the resources that we use in order to conduct our business.

## Group Safety Performance

During 2017, we continued to focus on the improvement of safety and health within each Business Unit. Management has made this the number one priority and is regularly present in the workplace to conduct audits and inspections to ensure compliance and drive improvements. Safety and health performance is reviewed each month with the senior management of each Business Unit and challenging targets are set each year in terms of realizing a continued reduction in accidents and incidents. We have achieved significant reductions in lost time incidents across the group as a result of this vigorous focus. The group is also especially pleased with the exceptional 2017 SHE record during the construction and commissioning of new operating facilities in East Dubuque (US), Billings (US), Rouen (France) and in Loos (France). In this respect we have achieved levels of SHE performance that are significantly below industry benchmarks.

## SHEQ Achievements

### Agro

The Tessenderlo Kerley Safety Department supports programs and practices at more than 20 plants and terminals. 2017 saw no less than 10 company facilities realize the achievement of operating for over 10 years without a lost time incident and now more than 50% of all the TKI facilities have operated for over 20 years without a lost time incident. The Coffeyville (Kansas, US) facility was the latest to reach this milestone. The Tessenderlo Kerley, Inc. plant in Burley, Idaho (US) has maintained its Star status in the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP) for over 10 years now. The Star status in the OSHA VPP is the highest level of achievement within the program and it is indicative of excellence in safety performance based on the program standards.

## Bio-valorization

Our Gelatin Business Unit achieved excellent results for 2017 at the majority of its worldwide sites. At the end of 2017, the Lost Time Incident Frequency Rate at many facilities was at historic lows and reflected the commitment from management regarding rigorously implementing new initiatives, new procedures and behavioral safety practices. The focus on the reporting of 'near miss' incidents has also led to the ability to further eliminate unsafe conditions and behavior, thus resulting in more improvements. In line with the strategy of the group, the Gelatin Business Unit continued its investment in energy savings, the reduction of water consumption and improvements regarding wastewater treatment. The BU also worked on improving the quality of exhaust gasses and the reduction of $CO_2$ and waste streams. In 2018, the BU will continue these efforts as well as realize a further reduction of the odor impact on our neighboring communities.

At Akiolis, safety at work has remained a key area for management. Akiolis employees are faced with many challenging work environments and the number of lost time accidents in 2017 significantly declined as compared to 2016. This is because the resources devoted to further improvement were increased. Sustainable work practices are at the core of the work of Akiolis as it valorizes the waste products from other industries. Akiolis continues to focus on its energy and water consumption, as well as implementing methods and technology in order to reduce our usage.

## Industrial Solutions

Within the Plastic Pipe Systems Business Unit, each operating site is implementing a Safety Excellence Program and made great progress in 2017 towards realizing the completion of all of the modules. Driver compliance, safety and effectiveness training programs, together with improved transportation planning, are contributing to reducing the fuel consumption and $CO_2$ emissions.

Within the Performance Chemicals Business Unit, the barge Margot La Fileuse has been developed exclusively for the transport of FeCl3. This barge launched and put into service in September 2016, has realized it objective of reducing road based journeys by 650,000 kilometers per year.

# RISK ANALYSIS

## Risk analysis

Tessenderlo Group analyzes the risks related to its activities on a regular basis and reports the results to the Audit Committee.

Each year, all Business units are requested to identify and evaluate the significant risks related to their Business unit.

The risk section in the prospectus, dated June 15, 2015, issued in the context of a public offer of two series of bonds, contained a more detailed description of the most significant risks.

The results of the analysis of the major risks for the group are listed below:

- The group depends on the availability of sufficient volumes of raw materials, with the required specifications, at competitive prices.
- If the group is unable to sell, store, reuse or dispose of certain materials that it produces, it may be required to limit or reduce its overall production levels.
- The group's results are dependent on seasonal 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 they may not achieve the expected returns.
- The group is exposed to an energy offtake agreement.
- The group's results are highly sensitive to commodity prices.
- The group may be exposed to product liability and warranty claims including, but not limited to, liability relating to food safety.
- The group must comply with environmental and health and safety laws and regulations, and may be subject to changing or more restrictive legislation, as well as incur significant compliance costs.
- The group may fail to obtain, maintain or renew compulsory licenses and permits, or fail to comply with their terms.
- Changes in legislation may have an adverse impact on the group's businesses.
- The group may be subject to misconduct by its employees, contractors and/or joint-venture partners.
- The group's businesses may suffer from trading sanctions and embargos.
- The group operates in competitive markets and failure to innovate may have an adverse impact on its business.
- The group may be at risk of breakdowns, inefficiencies or technical failures which may cause interruption to operations.
- The group's improvement programs are subject to the risk of delays, cost overruns and other complications, and may not achieve the expected returns.
- The group may be subject to Force Majeure events.
- Major accidents may result in substantial claims, fines or significant damage to the group's reputation and financial position.
- The group may be exposed to labor actions and employee claims or litigation.
- The group's insurance coverage may not be sufficient.

- The group may not be able to successfully carry out current business integrations, joint-ventures and/or future acquisitions.
- The group has incurred significant important losses in recent years as a result of its transformation, which was completed in 2014. Due to the divestment program that was part of the general transformation, the group may also be exposed to residual liabilities and subject to a range of non-compete provisions.
- The group is exposed to litigation risks.
- Failure to protect trade secrets, know-how or other proprietary information may adversely affect the group's businesses.
- A change in underlying economic conditions or adverse business performance may result in impairment charges.
- The group is exposed to tax risks.
- The group is exposed to risks relating to its worldwide presence.
- The group may be affected by macroeconomic trends.
- Information technology failures may disrupt the group's operations.
- The group is exposed to pension plan obligations.
- The group's businesses are exposed to exchange rate fluctuations.
- The group's results may be negatively affected by fluctuating interest rates.
- The group is subject to conventions in its financing agreements that may restrict its operational and financial flexibility.
- The group may not be able to obtain the necessary funding for its future capital or refinancing needs.
- If the group does not generate positive cash flows then it will be unable to fulfill its debt obligations.
- The group entered into contracts that are subject to change of control clauses.
- The group is exposed to liquidity risk and credit risk in relation to its contractual and trading counterparts, and is also exposed to hedging and derivative counterparty risk.
- The group may not be able to recruit and retain key personnel.

## Analysis of financial risks[1]

### Credit risk

The group is subject to the risk that the counterparties with whom it conducts its business (in particular its customers) and who have to make payments to the group, are unable to make such payment in a timely manner or at all. A large majority of the receivables is covered under a group credit insurance program. The group is confident that the current level of credit insurance coverage can be sustained in the future.

The group has no significant concentration of credit risk. However, there can be no assurance that the group will be able to limit its potential loss of proceeds from counterparties who are unable to pay in a timely manner or at all. The liquidities available at the end of the year are deposited for very short term at highly rated international banks.

[1] *For a more detailed overview of the financial risks related to the situation in 2017 and the Tessenderlo Group policy regarding the management of such risks, please see the Financial Instruments section in the Financial Report (note 26 - Financial instruments).*

The maximum exposure to credit risk amounts to 494.0 million EUR as per December 31, 2017 (2016: 398.6 million EUR). This amount consists of current and non-current trade and other receivables (298.6 million EUR), current derivative financial instruments (0.0 million EUR) and cash and cash equivalents (195.5 million EUR).

**Liquidity risk**

Liquidity risk is defined as the risk that a company may have insufficient resources to fulfill its financial obligations at any time. Failure to meet financial obligations can result in significantly higher costs, and it can negatively affect reputation.

In order to limit this risk, the group took a series of actions:

- the set-up of a factoring program at the end of 2009, which is put on hold since 2015;
- a capital increase of 174.8 million EUR in December 2014;
- the issuance in July 2015 of two series of bonds with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds"). The total issue amount was 250.0 million EUR, of which 192.0 million EUR for the 2022 bonds and 58.0 million EUR for the 2025 bonds;
- the replacement of the syndicated facility agreement (terminated in December 2015) by 5 year committed bilateral agreements for a total amount of 142.5 million EUR (of which part can be drawn in USD) with four banks. These facilities have no financial covenants and ensure maximum flexibility for the different activities.

In addition, the group uses a commercial paper program of maximum 200.0 million EUR.

The group regularly projects short and long-term forecasts in order to adapt financial means to forecasted needs.

**Foreign currency risk**

The group is exposed to fluctuations in exchange rates which may lead to profit or loss in currency transactions. The group's assets, earnings and cash flows are influenced by movements in foreign exchange rates. More in particular, the group incurs foreign currency risks on, amongst others, sales, purchases, investments and borrowings that are denominated in a currency other than the group's functional currency. The currencies giving rise to this risk are primarily USD (US dollar), GBP (British pound), CNY (Chinese yuan), ARS (Argentine peso) and BRL (Brazilian real). Movements in foreign currency therefore may adversely affect the group's business, results of operation or financial condition.

Subsidiaries are required to submit information on their net foreign exchange positions when invoiced (customers, suppliers) to Tessenderlo Group nv, the parent company. All the positions are netted at the level of Tessenderlo Group nv and the net positions (long/short) are then sold or bought on the market. The main management tools are the spot purchases and sales of currencies followed by currency swaps.

Group borrowings are generally carried out by the group's holding and finance companies, which make the proceeds of these borrowings available to the operating entities. In principle, operating entities are financed in their functional currency. As from March 2015, the group no longer uses currency swaps to hedge intragroup loans.

In emerging countries, it is not always possible to borrow in local currency because local financial markets are too narrow, funds are not available or because the financial conditions are too onerous. Those amounts are relatively small for the group.

## Interest risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they may affect the market value of certain financial assets, liabilities and instruments.

At the reporting date, the group's interest-bearing financial instruments were:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 140.9 | 15.0 |
| Loans and borrowings | 227.0 | 227.8 |
| | | |
| **Variable rate instruments** | | |
| Financial assets | 54.6 | 104.2 |
| Loans and borrowings | 27.1 | 28.0 |

The outstanding loans and borrowings amount to 254.0 million EUR, of which 227.0 million EUR has a long term fixed interest rate. The fixed interest rate loans and borrowings mainly include the 2022 and 2025 bonds, with a fixed rate of 2.875% and 3.375% respectively. The loans and borrowings with a variable rate mainly relate to the commercial paper program. As such, movements in interest rates would not have a significant impact on the group's cash flow or result.

# CORPORATE GOVERNANCE STATEMENT

## Transparent Management

Tessenderlo Group nv accepts the Belgian Corporate Governance Code 2009 as its reference code, and subscribes to the principles of corporate governance outlined in this code. In the case that the Company does not comply with any provision of this code, this is indicated in this Corporate Governance Statement, together with the reasons for such non-compliance. The Belgian Corporate Governance Code is available at: www.corporategovernancecommittee.be/en/home

The Company's adherence to the principles of Corporate Governance is reflected in the Corporate Governance Charter (hereinafter referred to as the "Charter") adopted by the Board of Directors and dated August 21, 2017. The Charter is available at:
http://www.tessenderlo.com/EN/about-tessenderlo-group/corporate-governance

## Capital & shares

### Capital

The capital of Tessenderlo Group nv at December 31, 2017 amounts to 216,140,669.14 EUR.

### Shares

The share capital is represented by 43,136,779 shares without par value, entitling the shareholder to one vote per share. All Tessenderlo Group nv's shares are admitted for listing and trading on Euronext Brussels.

### Warrants

As of December 31, 2017, 18,200 outstanding warrants were exercisable. These warrants have been issued in the context of the 2002-2006 Plan (issue of bonds cum warrant) and the 2012 Plan (issue of naked warrants).

The detail of the outstanding warrants on the date of this statement (December 31, 2017) is as follows:

| Tranche | Exercise period | Number of warrants | Exercise price |
|---|---|---|---|
| Tranche 5 (2006)* | 2010-2018 | 8,000 | 28.20 EUR |
| Tranche 2012 | 2016-2019 | 10,200 | 20.76[2] EUR |
| TOTAL | | 18,200 | |
| * Exercise period prolonged by 5 years | | | |

The maximum number of shares that can be created in the future, on the basis of the aforementioned warrants, is 18,200.

[2] *20.95 EUR for US residents*

## Shareholders & shareholders structure

On the basis of the notifications provided to the Company, the shareholders of the Company at December 31, 2017, are as follows:

| Shareholder | Number of shares | % |
|---|---|---|
| Verbrugge nv (controlled by Picanol nv) | 15,841,547 | 36.7% |
| Symphony Mills nv | 1,694,774 | 3.9% |
| Coltrane Asset Management, L.P. | 1,413,200 | 3.3% |
| Norges Bank | 1,411,579 | 3.3% |
| Carmignac Gestion SA | 903,687 | 2.1% |
| Dimensional Fund Advisors L.P. | 891,022 | 2.1% |
| Intrinsic Value Investors (IVI) L.P. | 880,300 | 2.0% |
| KBC Asset Management nv | 744,813 | 1.7% |
| Capfi Delen Asset Management nv | 698,000 | 1.6% |
| Janus Henderson Group PLC | 679,312 | 1.6% |
| Valarc Master Fund, Ltd. | 630,402 | 1.5% |
| Goldman Sachs Group, Inc. | 571,752 | 1.3% |
| Sessa Capital (Master), L.P. | 527,511 | 1.2% |
| Blocked shares by personnel or former personnel | 30,389 | 0.1% |
| Free float | 16,218,491 | 37.6% |
| **Total** | **43,136,779** | **100.0%** |

Verbrugge NV is controlled by Picanol NV, which in turn is controlled by Artela NV. Artela NV and Symphony Mills NV are controlled by Mr. Luc Tack. At the date of this report, the company has no knowledge of any agreements made between the shareholders.

Shareholders whose stake in Tessenderlo Group nv's capital surpasses the threshold of 1%, 3%, 5 %, 7.5% and each multiple of 5 %, in either direction, are required to notify the Belgian Financial Services and Markets Authority (FSMA) (TRP.Fin@fsma.be) and Tessenderlo Group nv (kurt.dejonckheere@tessenderlo.com).

## Board of Directors

### Composition

At December 31, 2017, the composition of the Board of Directors of Tessenderlo Group nv was as follows:

| **Non-Executive Directors** | **Start of initial term** | **End of term** |
|---|---|---|
| Karel Vinck (Mr.) | March 17, 2005 | May 2019 |
| **Independent Non-Executive Directors**[3] | | |
| Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez | June 6, 2017 | May 2021 |
| Philium BVBA represented by its permanent representative Mr. Philippe Coens (Mr.) | June 2, 2015 | May 2019 |
| ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert | June 6, 2017 | May 2021 |
| **Executive Directors** | | |
| Luc Tack (Mr.) | November 13, 2013 | May 2019 |
| Stefaan Haspeslagh (Mr.) – Chairman | November 13, 2013 | May 2018 |

The composition of the Board of Directors fulfills the objective of assembling complementary skills in terms of competencies, experience, and business knowledge.

On December 31, 2017, the Board of Directors is in full compliance with the Law of July 28, 2011, requiring that as of January 1, 2017, one-third of the members of the Board of Directors should be of the opposite gender. In the Board selection process, the necessary attention will further be given to the implementation of this rule.

All meetings of the Board of Directors were attended by the Secretary of the Board of Directors and the Group Controlling and Consolidation Director.

For the newly appointed directors, an induction program has been executed whereby Company governance, strategy, operational and financial insights and knowledge have been shared.

### Activities

The Board of Directors convened according to a previously determined schedule. The Board of Directors met seven (7) times during 2017.

During 2017, the Board's main areas of discussion, review and decision were:

- the group's long-term strategy and 2017 budget;
- the financial statements and reports;
- proposals to the Shareholders' Meetings,

*3 Pursuant to Exhitbit A of the Corporate Governance Charter of Tessenderlo group, a Director is considered to be independent if he or she at least complies with the independence criteria provided for under art. 526ter of the Companies' Code. When assessing the independence of a Director, the requirements set out under appendix A of the Belgian Corporate Governance Code are also taken into account. According to the information available to the Board of Directors, the independent Directors of Tessenderlo Group all comply with the aforementioned independence criteria. No exceptions were reported to the Board.*

- proposals to the Extraordinary Shareholders' meeting with respect to the name change of the Company, the date and hour of the General Meeting, the decrease of the transparency thresholds, the authorized share capital and acquisition of own shares of the Company;
- the approval of the update of the corporate governance charter;
- approval of new members in the Audit Committee and Nomination and Remuneration Committee;
- the remuneration policies and packages for the Directors and Executive Committee members;
- the financial communication and segment reporting;
- the effectiveness of the enterprise risk management framework;
- various commercial supply and distribution agreements;
- various investment files ;
- change of accounting principles of the Company with respect to unrealized exchange gains;

## Evaluation of the Board of Directors

Evaluations of the functioning of the Board of Directors, the Nomination and Remuneration Committee and the Audit Committee are performed periodically. In the context of such evaluations, the members can give a scoring (from 1-5) on different subjects relating to the board and committee functioning and can share their views on areas for improvement.

Such evaluations are performed through the use of a self-assessment questionnaire developed by the Secretary of the Board of Directors based on a template used by the Guberna Institute for Directors. The exercise focuses primarily on the following domains: role, responsibilities and the composition of the Board of Directors and the committees, the interactions between Directors, the conduct of the meetings and evaluation of the training and resources used by the Board of Directors and/or the committees.

Where appropriate, the individual Directors also share their view on how the Board of Directors and the committees could improve their operation. The Chairman and the Secretary of the Board of Directors share the results of the evaluation with the Directors and formulate initiatives for improvement.

## Board Committees

### *General*

On December 31, 2017, the following Committees are active within the Board of Directors of Tessenderlo Group nv :

- The Nomination and Remuneration Committee
- The Audit Committee

Please see the Charter for a description of the operations of the various Committees on http://www.tessenderlo.com/EN/about-tessenderlo-group/corporate-governance

### *Nomination and Remuneration Committee*

On December 31, 2017, the Nomination and Remuneration Committee was constituted as follows:

- Mr. Karel Vinck (Chairman)
- Philium BVBA represented by its permanent representative Mr. Philippe Coens (Independent)
- Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez (Independent)

A majority of the members of the Nomination and Remuneration Committee meet the independence criteria set forth by Article 526ter of the Belgian Companies Code and the committee demonstrates the skills and the expertise required in matters of remuneration policies as required by Article 526 quater §2 of the Belgian Companies Code.

The Nomination and Remuneration Committee met four (4) times in 2017.

- Activities of the Nomination and Remuneration Committee

In 2017, the Nomination and Remuneration Committee discussed and made recommendations regarding the Executive Committee remuneration package. The committee made recommendations for the appointment of new Directors and new members of the Nomination and Remuneration Committee and of the Audit Committee, and for the Directors fees. The Nomination and Remuneration Committee also prepared the remuneration report, as included in the 2016 annual report. Based on the results of the self-assessment questionnaire regarding the valuation of the functioning of the Board and Committees, the Nomination and Remuneration Committee has agreed to undertake additional efforts and actions in order to improve the effectiveness of the Board and Committees' meetings.

In compliance with the Corporate Governance Charter, the majority of the members of the Nomination and Remuneration Committee are independent.

- Evaluation of the Nomination and Remuneration Committee

For information on the evaluation process of the Nomination and Remuneration Committee, please refer to the section "Evaluation of the Board of Directors".

*Audit Committee*

At December 31, 2017, the Audit Committee was constituted as follows:

- Philium BVBA represented by its permanent representative Mr. Philippe Coens (Independent) (Chairman)
- ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert (Independent)
- Mr. Karel Vinck

The Audit Committee met according to a previously determined schedule; i.e. five (5) times during 2017.

The CEO, the COO-CFO, the Group Controlling and Consolidation Director, the Group Internal Auditor as well as the statutory auditor attended the meetings of the Audit Committee. The other Directors were invited to participate to the meetings of the Audit Committee without any voting rights.

As legally required, the Audit Committee has among its members at least one independent Director with the necessary accounting and auditing expertise.

The members of the Audit Committee fulfill the criterion of competence with their own training and by the experience gathered during their previous functions. In compliance with the Charter, the majority of the members are independent Directors.

- Evaluation of the Audit Committee

For information on the evaluation process of the Audit Committee, please refer to the section "Evaluation of the Board of Directors".

- Activities of the Audit Committee

In addition to monitoring the integrity of the quarterly financial statements and quarterly financial results press releases, including disclosures, consistent application of the valuation and accounting principles, consolidation scope, closing process quality, accounting estimates, the Audit Committee heard reports from the external auditors regarding the year-end audit scope, the internal control system and the valuation and accounting treatment of certain exceptional items.

The Audit Committee also addressed specific topics such as GDPR compliance, legislative updates on IFRS and accounting law and cybersecurity. The Audit Committee also followed up on the findings and recommendations of the external auditors, reviewed their independence and approved requests for non-audit services.

The Audit Committee also heard the Group Internal Auditor on the Internal Audit program for 2017, the risk assessment analysis and the activity reports of the internal audits which had been carried out, as well as on a review of the follow-up actions taken by the Company to remedy certain weaknesses identified by the Internal Audit Department.

The Audit Committee also approved the internal control plan for the year 2017 and heard reports from Internal Control on its various findings. Further, the Audit Committee reviewed the status of the ongoing litigations. Other activities of the Audit Committee include the quality review of the services rendered by the external auditor.

Attendance rate for the Board of Directors meetings and the special committees meetings in 2017:

| | **Board of Directors** | **Audit Committee** | **Nomination & Remuneration Committee** |
|---|---|---|---|
| **Number of meetings in 2017** | **7** | **5** | **4** |
| Ms. Véronique Bolland[4] | 5/7 | 3/5 | |
| Philium BVBA represented by its permanent representative Mr. Philippe Coens (Independent) (as of June 2, 2015) | 7/7 | 5/5 | 4/4 |
| Ms. Dominique Zakovitch-Damon[5] | 4/7 | | 2/4 |
| Mr. Stefaan Haspeslagh | 7/7 | | |
| Mr. Luc Tack | 7/7 | | |
| Mr. Karel Vinck | 6/7 | 5/5 | 4/4 |
| Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez[6] | 1/7 | | |

[4] *Member of the Board of Directors and of Audit Committee until 6.6.2017*
[5] *Member of the Board of Directors and of the Nomination and Remuneration Committee until 6.6.2017*
[6] *Member of Board of Directors since 6.6.2017 and of Nomination and Remuneration Committee since 21.8.2017*

| | | | |
|---|---|---|---|
| ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert[7] | 2/7 | 2/5 | |

## Executive Committee (ExCom)

### Roles and responsibilities

As per December 31, 2017, the ExCom of Tessenderlo Group nv was constituted as follows:

- Mr. Luc Tack (CEO)
- Stefaan Haspeslagh, representative of Findar BVBA

### Evaluation of the ExCom

At least once a year, the ExCom reviews its own performance.

### Activities of the ExCom

The Board of Directors has empowered the ExCom to enable it to perform its responsibilities and duties. Taking into account the Company's values, its risk appetite and key policies, the ExCom shall have sufficient latitude to propose and implement the corporate strategy.

The CEO chairs the ExCom and ensures its organization and proper operation. In principle, the ExCom meets every week, and additional meetings may be convened at any time by any of its members. On a (bi-)monthly basis the ExCom meets with the company' Business Units in order to review and discuss the strategic decisions and the operational performance of the Business Unit. A comparable performance dialogue is organized with representatives of the supporting group functions.

The ExCom is responsible for:

- advising the CEO in the day-to-day management of the Company;
- overseeing the proper organization and operation of the Company, ensuring oversight of its activities, including the introduction of internal control processes for the identification, assessment, management and monitoring of financial and other risks;
- the appointment of senior executives of the Company and determination of the senior executives compensation policies;
- the main decisions and investments involving amounts under the thresholds as defined by the Board of Directors;
- preparing the proposals for decisions on those matters under the competence of the Board of Directors, including the complete, timely, reliable and accurate preparation of the Company's annual accounts, in accordance with the applicable accounting standards and policies of the Company, as well as the Company's required disclosure of the financial statements and other material financial and non-financial information;
- presenting/providing the Board of Directors a balanced and understandable assessment of the Company's financial situation;
- providing the Board of Directors in due time with all information necessary for the Board of Directors to carry out its duties;
- executing and implementing the decisions taken by the Board of Directors.

The ExCom tasks are further described in the ExCom terms of reference as set out in Exhibit G of the Corporate Governance Charter.

[7] *Member of Board of Directors since 6.6.2017 and of Audit Committee since 21.8.2017.*

# Remuneration Report Directors

## Remuneration policy

It is the responsibility of the Board of Directors of the Company to make proposals to the shareholders regarding the remuneration of the Directors.

The Nomination and Remuneration Committee makes proposals to the Board of Directors concerning:

- the remuneration for participating in the Board and the Board's Committees meetings;
- the remuneration awarded for assignments related to special mandates.

In order to determine the remuneration of the Directors, a benchmarking exercise of similar Belgian companies has been performed. Membership of Committees entitles the participants to an attendance fee in line with the benchmark. Finally, the Chairman receives an additional fee for his responsibility as Chairman in line with the benchmark.

By decision of the General Shareholders' Meeting of June 7, 2016, each Director receives a fixed annual fee of 25,000 EUR. This remuneration covers the activities as member of the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee. Moreover, the following additional fees are granted:

a) a variable fee of 1,000 EUR per half day attendance;
b) an additional annual fee of 30,000 EUR for the chairman of the Board of Directors; and
c) an additional annual fee of 3,000 EUR for the chairman of the Audit Committee.

The non-Belgian Directors receive a 500 EUR reimbursement of travel expenses per attended meeting. Remuneration is paid during the year in which the meetings were held.

## Remuneration received

| Member | 2017 | Earned fees (in EUR) |
|---|---|---|
| Véronique Bolland[8] (independent non-executive director) | Fixed annual fee | 12,500.00 |
| | Variable fee per half day attended | 6,000.00 |
| | **Total remuneration** | **18,500.00** |
| Philium bvba, represented by its permanent representative Mr. Philippe Coens (independent non-executive director) | Fixed annual fee | 25,000.00 |
| | Additional fixed fee for Chairman of AC | 3,000.00 |
| | Variable fee per half day attended | 10,000.00 |
| | **Total remuneration** | **38,000.00** |
| Dominique Zakovitch-Damon[9] (independent non-executive director) | Fixed annual fee | 12,500.00 |
| | Variable fee per half day attended | 5,000.00 |
| | Travel fee | 1,000.00 |
| | **Total remuneration** | **18,500.00** |
| Management Deprez bvba, represented by its permanent | Fixed annual fee | 12,500.00 |
| | Variable fee per half day attended | 2,000.00 |

[8] *Member of the Board of Directors and of Audit Committee until 6.6.2017*
[9] *Member of the Board of Directors and of the Nomination and Remuneration Committee until 6.6.2017*

| | | |
|---|---|---|
| representative Ms. Veerle Deprez[10] (independent non-executive director) | **Total remuneration** | **14,500.00** |
| ANBA bvba, represented by its permanent representative Ms. Anne-Marie Baeyaert[11] (independent non-executive director) | Fixed annual fee<br>Variable fee per half day attended<br>**Total remuneration** | 12,500.00<br>4,000.00<br>**16,500.00** |
| Stefaan Haspeslagh (executive director) | Fixed annual fee<br>Additional fixed annual fee for Chairman BoD<br>Variable fee per half day attended<br>**Total remuneration** | 25,000.00<br>30,000.00<br>10,000.00<br>**65,000.00** |
| Luc Tack (executive director) | Fixed annual fee<br>Variable fee per half day attended<br>**Total remuneration** | 25,000.00<br>10,000.00<br>**35,000.00** |
| Karel Vinck (non- executive director) | Fixed annual fee<br>Variable fee per half day attended<br>**Total remuneration** | 25,000.00<br>9,000.00<br>**34,000.00** |
| **GENERAL TOTAL** | | **240,000.00** |

[10] *Member of the Board of Directors since 6.6.2017 and of the Nomination and Remuneration Committee since 21.8.2017*
[11] *Member of the Board of Directors since 6.6.2017 and of the Audit Committee since 21.8.2017*

# Remuneration Report Executive Committee (ExCom)

## Remuneration policy

This section describes the guiding principles of the group reward policies relating to executive compensation. It aims to provide an overview of the executive compensation structure. The Nomination and Remuneration Committee defines the remuneration policy principles of the ExCom members and submits them to the Board of Directors. The principle is to target remuneration in line with market practice in order to provide an attractive reward program.

Tessenderlo Group's competitive internal and external landscape is changing fast. For the group to achieve its ambitions in such a challenging environment, it needs to be a high performance organization focused on strategy execution, resulting in a need for talented executives. The reward is designed to align performance of the individual members with the business goals of Tessenderlo Group. By doing this, the group creates a globally consistent framework for developing, rewarding and empowering its people. The Group sees involvement, recognition and leadership as the key foundation for employee engagement. Our compensation system allows the group to attract, retain and motivate the best talent to meet its short and long term goals, while operating a globally consistent reward framework that rewards the achievement of business objectives and that encourages the delivery of shareholder value.

The Group Reward principles are:

| |
|---|
| Recognition and leadership are key for employee and team engagement. |
| Our compensation system will serve to attract and retain the talent that the group requires to meet its short and long term goals. |
| Our compensation system will be positioned at the appropriate and defined local reference point, where the group combines market competitiveness with an affordable employee cost structure. |
| Our base salary will drive and reward growing competencies, showing the right corporate attitudes and living according to the group's guiding principles. |
| Our variable pay will link the success of the enterprise to the rewards enjoyed by employees, as a team, taking into account the individual contributions to the Company's success. |
| Our job grading and our compensation system for external/internal appointments are based on an objective methodology and measurable market data. |
| Our compensation system will never knowingly discriminate between employees on any grounds. |
| Our benefits plans are designed to provide a safety net for our employees and their families. In many cases, they are a key element of deferred compensation. |

**Compensation package**

The ExCom compensation packages consist of the following items:

- Fixed compensation
- Variable compensation
- Other compensation items

*Fixed compensation*

The fixed part of the remuneration compensates individual members as per market reference and in line with their level of skill/experience and position within the group combined with the right behavior and living according the group's guiding principles.

*Variable compensation*

The variable compensation of the members of the ExCom is set at 45% (CEO) and 40% (COO-CFO) of the overall yearly compensation based upon annual objectives entirely linked to group results and individual objectives. As such, the variable compensation of the ExCom members is considered through the obligation set forward in the Company Code (article 520ter).
The incentive plans do not explicitly provide any "claw-back" provisions entitling the Company to reclaim the compensation paid on the basis of incorrect financial data.

*I. Short-term variable compensation*

Tessenderlo Group has developed a short-term variable compensation plan in order to ensure that all ExCom members are compensated according to the overall performance of Tessenderlo Group.
The short term variable compensation for all current ExCom members varies between 0% and 90% of the base salary. The objectives measured over the calendar year are set on the group financial objectives and individual objectives with a modifier for personal performance, proposed by the Nomination and Remuneration Committee.

The personal modifier is linked to progress in strategy execution and business transformation within the group. The evaluations of the CEO target objectives against the realizations are performed by the Nomination and Remuneration Committee after the end of the financial year and submitted for approval towards the Board of Directors. The evaluation for the COO-CFO is performed after the end of the financial year by the CEO and submitted for approval to the Nomination and Remuneration Committee and Board of Directors.

*II. Long-term variable compensation*

*Share Options (Warrants)*

The Board of Directors decided not to allocate share options (warrants) for 2017 nor any other long-term incentive.

*Long Term Incentive (LTI) Performance Cash Plan*

A long-term incentive plan for (some) key personnel was approved by the Board of Directors on March 7, 2016. The intention of the LTI Performance Cash Plan is to create an incentive for senior management (including ExCom members) to further drive increased shareholder value and the sustainable growth of the company.
This LTI plan covers a 3 year period (2016-2018), with an expected pay out in April 2019, based on pre-set performance metrics of the Tessenderlo Group.

### *Other compensation items*

The benefits paid to the ExCom members include participation in the extra- legal pension plan from the defined contribution type, a hospitalization insurance, eco-cheques & representation allowance – all under the same conditions applicable to other members of senior management

The ExCom members also benefit from certain other benefits such as a company car or car allowance.

## Remuneration earned in 2017

Each year, the Nomination and Remuneration Committee considers the appropriate compensation to be offered to the ExCom. These recommendations result from objective third party market studies, to ensure the competitiveness of the compensation packages and to stay in line with market movements.

Tessenderlo Group benchmarks the ExCom's compensation against a peer group of companies of similar size with the same type of activities of Tessenderlo Group. The actual compensation level for each individual member is set according to the benchmark and takes into account the member's performance and experience in relation to the benchmark.

Compensation of the COO-CFO is reviewed on an annual basis by the Nomination and Remuneration Committee on the recommendation of the CEO, while compensation of the CEO is reviewed by the Nomination and Remuneration Committee on the recommendation of the Chairman of the Board of Directors.

Annual gross compensation earned by the ExCom[1] in 2017 is detailed below:

| Component | Amount CEO | Amount COO-CFO |
|---|---|---|
| Fixed compensation (excluding Director fees)[2/5] | 600,000 EUR | 600,000 EUR |
| Variable compensation[2/6] | 345,728 EUR | 345,728 EUR |
| Pension[3] | 47,072 EUR | 0 EUR |
| Other benefits[4] | 38,193 EUR | 26,223 EUR |
| TOTAL (cost to the company) | 1,030,993 EUR | 971,951 EUR |

*(1) The ExCom is composed of the CEO (Luc Tack) and one executive Director (the COO-CFO), Stefaan Haspeslagh/Findar BVBA, represented by Stefaan Haspeslagh.*
*(2) Excluding social security contributions.*
*(3) Pension Plan: annual service cost for 2017, as calculated by an actuary.*
*(4) Other benefits include coverage for death, disability, work accident insurance, taxes (4.40%), meal vouchers, company car - all under the same conditions applicable to other members of senior management and the ruling approved by the Belgian tax authorities for representation allowance.*
*(5) Exchange rate used: 1.00 EUR = 1.20 USD (for all conversions related to the US package).*
*(6) Short term incentive realization as determined by Nomination and Remuneration Committee of March 12, 2018*

### *Stock options (warrants) granted to ExCom members*[12]

During 2017, no stock options were awarded to ExCom members.

[12] Findar bvba, represented by Stefaan Haspeslagh, and Luc Tack, have never received stock options of Tessenderlo Group nv.

*Agreements on severance pay*
The management agreement with the COO-CFO provides for a notice period of maximum 12 months.

The management agreement with the CEO does not provide for a notice period. The CEO will therefore not be entitled to termination protection.

## Main features of the group's Internal Control and Risk Management Framework

### Internal control framework

*Responsibilities*
The Board of Directors delegated the task of monitoring the effectiveness of the Internal Control System to the Audit Committee.

The ultimate responsibility for the implementation of the Internal Control System is delegated to the ExCom.

The daily management of each Business Unit is accountable for the implementation and maintenance of a reliable Internal Control System.

The Internal Audit & Control department assists the Business Units and the Tessenderlo Group Headquarters functions in the implementation and assessment of the effectiveness of the Internal Control System in their organization.

The levels of internal control are tailored to the residual risk that is acceptable to the management. The ultimate objective is to reduce possible misstatements of the financial statements as published by the group.

*Scope of the Internal Control Framework*
The Internal Control System is based on the COSO Internal Control – Integrated Framework with the main focus on the internal control over the financial reporting by mitigating risks through group level controls, entity level controls, process level controls, general IT controls and segregation of duties.

### Internal Control monitoring

The Audit Committee is in charge of monitoring the effectiveness of the internal control systems. This includes the supervision of the Internal Audit department about compliance monitoring.

The Head of Internal Audit & Control is invited to the Audit Committee meetings. He informs the Audit Committee of the planning and the results of the internal audits and the proper implementation of the recommendations. A rating is used to indicate the severity of audit recommendations as well as to give an overall appreciation of the audited entity or process.

The Internal Audit & Control department conducts a risk based compliance audit program with the objective to validate the internal control effectiveness in the various processes at entity and group level. The ultimate goal of these reviews is to provide reasonable assurance on the reliability of the financial reporting.

### Preparation and Processing of Financial and Accounting Information

A centralized controlling and reporting department coordinates and controls the financial and accounting information.

Each Business Unit has a controlling department responsible for monitoring the performance of the operational units.
The Financial and Accounting Information System is based on consolidation software that allows the group to produce the required information.

### Compliance

The Internal Audit & Control department is responsible for compliance testing of both the Internal Control Framework and the key control procedures on the preparation and processing of financial and accounting information and monitors compliance with internal policies and procedures as well as external laws and regulations.

### Enterprise Risk Management (ERM) System

Risks are an essential and inherent aspect of conducting business. The group has developed some policies and procedures with the aim of managing and reducing risks to an acceptable level.

The Enterprise Risk Management policy applies to the entire group and all of its affiliates worldwide. This policy describes the organization and goals of the ERM system including the responsibilities at all levels of management.

A risk management structure has been rolled out, both on group and on Business Unit levels in order for risk management to become an inherent part of daily operations.

Identified risks in various Business Units or general supporting services are evaluated and followed in order to implement risk optimization. The status of these efforts is reported to the ExCom and to the Audit Committee at regular intervals.

The aim of the implemented "Group Crisis Management policy" is to standardize crisis management across the group and all affiliates. The Risk Management department is the owner of this policy and responsible for the coordination at group level and providing assistance and guidance to the various entities in the development of a crisis plan, clarifying the responsibilities at all levels and establishing the reporting channels.

## Policy on Inside Information and Market Manipulation

The Company has issued a Dealing Code including a set of rules regulating the declaration and conduct obligations regarding transactions in shares or other financial instruments of the Company carried out by Directors, ExCom members and other designated persons for their own account. Such Dealing Code is included in Exhibit I. of the Charter.

According to the Market Abuse Regulation, the Company has to take all reasonable steps to ensure that any person on its insider list acknowledges in writing the obligations and its awareness of the sanctions applicable to insider trading and the unlawful disclosure of inside information.

A recent Belgian law (of 31 July, with effect as of 21 August 2017) has changed the applicable sanctions. The maximum prison sentences that are possible have significantly increased:

- Abuse of inside info: 4 years (was 1 year)
- Market manipulation: 4 years (was 2 years)
- Unlawful disclosure of inside info: 2 years (was 1 year)

In accordance with the Dealing Code, the Board of Directors has appointed a Compliance Officer. The Compliance Officer is responsible for supervising compliance with the Dealing Code. He/she is also the point of contact for questions about the application of the Dealing Code. Mr. John Van Essche, Legal Counsel, holds the title of Compliance Officer.

## External audit

PwC Bedrijfsrevisoren bcvba (PwC), represented by Peter Van den Eynde, was re-appointed as group statutory auditor by the shareholders meeting of the company on June 7, 2016.

The fees paid by the group to its auditor amounted to:

| (Million EUR) | 2017 | | | |
|---|---|---|---|---|
| | Audit | Audit related | Other | Total |
| PwC (Belgium) | 0.3 | - | - | 0.3 |
| PwC (Outside Belgium) | 0.5 | - | 0.1 | 0.6 |
| **Total** | **0.8** | **-** | **0.1** | **0.9** |

| (Million EUR) | 2016 | | | |
|---|---|---|---|---|
| | Audit | Audit related | Other | Total |
| PwC (Belgium) | 0.3 | - | - | 0.3 |
| PwC (Outside Belgium) | 0.5 | - | 0.1 | 0.6 |
| **Total** | **0.8** | **-** | **0.1** | **0.9** |

## Subsequent Events

No significant subsequent events occurred after the balance sheet date.

# Application of Art. 523 of the Companies Code

## Meeting of the Board of Directors dated 27 February 2017

*[…]*
*Prior to deliberating and adopting the resolution on the 2016 short term incentive/success fee of the Executive Committee, both Mr. Luc Tack and Mr. Stefaan Haspeslagh indicate that they have a conflict of interest regarding the decisions to be taken in compliance with article 523 of the Belgian Companies' Code since it concerns the determination of the short term incentive 2016 (for Luc Tack) and the service/success fee with Findar BVBA, a company in which Stefaan Haspeslagh is also managing director.*

*Mr. Stefaan Haspeslagh and Mr. Luc Tack declare that they will inform the company auditors of this conflict of interest of a proprietary nature and they leave the meeting for this specific agenda item.*

*After hearing the proposal and recommendation of the Nomination and Remuneration Committee presented by its chairman Mr. Karel Vinck and upon recommendation of the Nomination and Remuneration Committee, the Board members present approve with unanimous consent the 2016 short incentive pay-out for Mr. Luc Tack at EUR 232,830 and the success fee for Findar BVBA, represented by Mr. Stefaan Haspeslagh, at EUR 221,156.*

*Mr. Luc Tack and Mr. Stefaan Haspeslagh re-enter the meeting.*
*[…]"*

## Meeting of the Board of Directors dated 26 April 2017

*[…]*
*The directors of the Company who are present or validly represented state that they have neither a direct nor indirect conflict of financial interest with the decisions to be taken in accordance with article 523 BCC except for those decisions summarized in agenda points 4 and 6 of the agenda where Mr. Luc Tack and Mr. Stefaan Haspeslagh declare that they have a conflict of interest in the sense of article 523 BC.*

*The following prior statements of the directors are made:*
*Mr. Luc Tack states that he has an indirect conflict of interest in respect of resolutions proposed to the EGM. Although strictly spoken article 523 of the Companies Code does not apply on the case at hand, Mr. Luc Tack will not participate in the deliberation and vote in respect to the agenda.*
*Mr. Luc Tack is the ultimate beneficial owner of the shareholding of Verbrugge NV and Symphony Mills NV in the Company, as Mr. Luc Tack is the controlling shareholder of Artela NV and Symphony Mills NV, which are the controlling shareholders of Picanol NV. Furthermore, Mr. Luc Tack is managing director (gedelegeerd bestuurder) of Picanol NV.*
*The actual use of the authorizations in the proposed resolutions to the shareholders may have an effect on the existing shareholding of Verbrugge NV and Symphony Mills NV in the Company.*
*Mr. Luc Tack has requested that the auditor is informed of this conflict of interest.*
*Mr. Stefaan Haspeslagh states that he has an indirect conflict of interest in respect of the resolutions to the EGM.*
*Further to Exhibit H of the corporate governance charter, a member of the Board of Directors shall be considered to have a conflict of interest of the Belgian Companies Code in case "he […] is a member of the Board of Directors or ExCom or holds a similar office with a company with which the Company intends to enter into a material transaction."*
*Mr. Stefaan Haspeslagh has requested that the auditor is informed of this conflict of interest. Mr. Stefaan Haspeslagh will not participate in the call for the deliberation and vote in respect to the agenda.*
*The financial consequences of the decisions taken in the proposed resolutions are at this stage limited to the fees of the advisors Stibbe incurred to date and which are estimated to be lower than 35 K€.*
*Before deliberating, Mr. Stefaan Haspeslagh and Mr. Luc Tack do no longer participate in the meeting.*
*The members of the Board debate on the rationale, the agenda and various proposals to the EGM of June 6th 2017.*
*The Board agrees that various proposals are made in the long term interest of the Company. The various techniques allow the Company to act quickly in case any of the events as mentioned in the special report would occur.*

*After debate, the Board agrees with unanimous consent with the special report of the board of directors to the EGM with respect to the authorized share capital, the agenda of the EGM and the proposed resolutions to the EGM.*
*….*

*Prior to deliberating and adopting the resolution on the salary package of Mr. Luc Tack and on the service fee with Findar BVBA, Mr. Luc Tack and Mr. Stefaan Haspeslagh indicate that they have a conflict of interest regarding the decisions to be taken in compliance with article 523 of the Belgian Code of Companies since it concerns the determination of the remuneration for 2017 of Mr. Luc Tack and remuneration and/or service fee with Findar BVBA, a company in which Mr. Stefaan Haspeslagh is also managing director.*
*Both Mr. Luc Tack and Mr. Stefaan Haspeslagh leave the meeting.*
*The Chairman of the nomination and remuneration committee takes the floor and proposes to fix the salary package for each of the CEO and COO at 600,000 euros. The package can be attributed to the various salary components and the Short Term Incentive Bonus and Long Term Incentive Bonus will be adjusted accordingly.*
*Full details on the packages are detailed in the attachment of the meeting of the nomination and remuneration committee.*
*The proposal is accepted by unanimous consent by all the directors present.*
*Both Mr. Luc Tack and Mr. Stefaan Haspeslagh re-enter the meeting room.*
*[…]*

## Information Required by Art. 34 of the Royal Decree of November 14, 2007

The share capital of the Company is represented by ordinary shares.

The extraordinary shareholders' meeting of 6 June 2017 decided to authorize the board of directors, for a period of 5 years from the publication of the authorization in the Annex to the Belgian State Gazette, to increase the share capital, in one or more times, up to an amount of EUR 43.160.095 (forty three million one hundred and sixty thousand ninety-five euros), in accordance with the provisions set out in the Belgian Companies Code and the articles of association of the company. The board of directors is allowed to use the authorized capital to take protective measures for the company through capital increases, with or without limitation or withdrawal of preferential rights, even outside the context of a possible public takeover bid, to the extent that the company has not yet received a notification of the FSMA with respect to a public takeover bid on its securities.

Without prejudice to the possibility to realize the commitments that were validly entered into before receipt of the notification of the FSMA pursuant to article 607 paragraph 2, 1° of the Belgian Companies Code, the board of directors is authorized, for a period of 3 years form the authorization by the extraordinary general meeting of 6 June 2017, to proceed to a capital increase within the framework of authorized capital, with or without limitation or withdrawal of preferential rights as the case may be in favor of one or more persons, following receipt of a notification of the FSMA with respect to a public takeover bid on the company's securities, in accordance with the conditions set out in article 607, paragraph 2, 2° of the Belgian Companies Code and the articles of association of the company.

The board of directors is also authorized, with right of substitution, to amend the company's articles of association in accordance with the capital increase that was decided within the scope of the authorized capital.

Each share entitles the holder to one vote. The articles of association of the Company do not contain any restriction on the transfer of the shares. Please also refer to the sections above on Shareholder structure.

In accordance with the applicable provision of the Companies Code, the shares issued for the benefit of the personnel of Tessenderlo Group cannot be transferred during a period of five years from the date of subscription of the shares.

The rules with respect to the appointment and resignation of Directors and amendments to the articles of association of the Company as set forth in the articles of association of the Company do not deviate from the applicable rules set forth in the Companies Code.

The company may, in accordance with the conditions set by law, acquire its own shares, profit-sharing certificates, or certificates relating thereto, by way of a purchase or an exchange, directly or through the intermediary of a person acting in its own name but for the account of the company, following a decision of the shareholders' meeting taken in accordance with the applicable requirements on quorum and majority. Such decision in particular determines the maximum number of shares, profit-sharing certificates or certificates that can be acquired, the term for which the authorization is granted and which may not exceed five years, as well as the minimum and maximum value of the compensation.

Pursuant to the decision of the extraordinary general meeting of 6 June 2017, the board of directors is authorized, for a period of 5 years from the publication of the authorization in the Annex of the Belgian Official Gazette, to repurchase, in accordance with the conditions set by law, the company's shares, profit-sharing certificates or certificates relating thereto for the account of the company of which the accounting par value, including the securities previously acquired by the company and held by it, are not higher than 10% (ten per cent) of the issued capital and at a price ranging between minimum 20% (twenty per cent) below the average of the closing price of the company's share during the last 30 trading days preceding the board's resolution to acquire such securities and maximum 20% (twenty per cent) above the average of the closing price of the company's share during the last 30 trading days preceding the board's resolution to acquire such securities, it being understood that the price will never be lower than EUR 15 (fifteen euro) or exceed EUR 50 (fifty euro).

The board of directors is explicitly authorized to transfer the acquired securities that are listed, on or outside the stock exchange, without the need for a prior consent or other intervention by the general meeting, in accordance with article 622 §2, second paragraph, 1° of the Belgian Companies Code.
The aforementioned provisions equally apply to the acquisition or transfer of the company's securities by the company's directly controlled subsidiaries or through the intermediary of a person acting in its own name but for the account of these subsidiaries, in accordance with article 627 of the Belgian Companies Code.

Tessenderlo Group nv is a party to the following contracts which become effective, undergo changes or terminate in case of a change of control over Tessenderlo Group nv after a public takeover bid:

- the bilateral revolving facilities agreements entered into on December 23, 2015, for a total amount of 142.5 million EUR with the Company and Tessenderlo USA, Inc. as borrowers and KBC Bank NV, ING NV, Belfius Bank NV and BNP Paribas Fortis NV as lenders: according to the terms of these agreements, a "change of "control" over Tessenderlo Group nv will entitle each lender to ask for termination of the bilateral facility agreement. For purposes of the change of control clause described above, a "change of control" shall occur if a third party (i.e. any party other than Verbrugge nv or any person acting in concert with Verbrugge nv) acquires 30% or more of the voting rights of the Company (unless Verbrugge nv (alone or together with or any person acting in concert) holds more voting rights than such third party);

- the prospectus dated June 15, 2015, of Tessenderlo Group nv regarding the issue of and public offer of two series of bonds with a maturity of 7 years (the "2022 Bonds") and 10 years (the "2025 Bonds", and together with the 2022 Bonds, the "Bonds") for an expected minimum amount of 75.0 million EUR for the 2022 Bonds and an expected minimum amount of 25.0 million EUR for the 2025 Bonds and for a combined maximum amount of 250 million EUR including: according to the terms and conditions of these Bonds, the Bonds will be redeemable at the option of the bondholders prior to maturity in the case of a change of control. Only the Bonds held by the bondholders who submit put option notices shall be immediately due and repayable in case of a change of control, with exception of all other bonds. If bondholders submit put option notices in respect of at least 85 percent of the aggregate nominal amount of the outstanding 2022 bonds, all (but not some only) of the 2022 bonds may be redeemed at the option of the Company prior to maturity. If bondholders submit put option notices for at least 85 percent of the aggregate nominal amount of the outstanding 2025 Bonds, all (but not some only) of the 2025 Bonds may be redeemed at the option of the issuer prior to maturity. A "change of control" shall occur if a third party (i.e. any party other than Verbrugge nv or any person acting in concert with Verbrugge nv) acquires 30% or more of the voting rights of the Company (unless Verbrugge nv (alone or together with or any person acting in concert) holds more voting rights than such third party);

- terms and conditions of the bond loan with warrants issued under the 2002-2006 Plan, and the 2012 Plan of Tessenderlo Group nv: according to the terms and conditions mentioned above, the warrant holders will be entitled to exercise their warrants prior to the date on which they normally become exercisable, in the event of any operation that significantly impacts the shareholder structure. This paragraph also relates to any public takeover bid on the Tessenderlo Group nv shares or any other form of taking control or any merger involving a redistribution of the securities. Such early exercise allows the warrant holders to take part in the above mentioned operations at the same conditions as existing shareholders. As of December 31, 2017, 18,200 warrants were outstanding. The clauses described above have been approved by the General Shareholders' Meeting of Tessenderlo Group nv and a copy of the resolutions has been filed promptly thereafter at the registry of the court of commerce.

- the purchase and supply agreement between the Company and Fujifilm Manufacturing Europe B.V. and Fujifilm Manufacturing USA provides in its clause 17.3 (2) that the agreement can be terminated with immediate effect if a third party competing with Fujifilm acquires a stake in the Company. The clause described hereabove has been approved by the General Shareholder's Meeting of Tessenderlo Group NV and a copy of the resolution has been filed promptly thereafter at the register of the court of commerce.

## Dividend Policy

Tessenderlo Group nv has not declared or paid dividends for the financial year ending on December 31, 2017. The Company's dividend policy may be amended from time to time, and each dividend distribution remains subject to the Company's earnings, financial condition, share capital requirements and other important factors subject to proposal and approval by the competent corporate body of the Company and subject to the availability of distributable reserves as required by the Company Code and the Articles of Association. Any distributable reserves of the Company have to be computed in respect of its statutory balance sheet prepared in accordance with Belgian GAAP, which may differ from the consolidated financial statements in IFRS reported by the Company.

## Information required by Art. 96, §2, 2° Companies Code

### Provision 4.7 of the Corporate Governance Code

The current Chairman of the Company was previously appointed as an executive Director. The Company has carefully considered the positive and negative aspects in favor of such a decision and has concluded that such appointment is in the best interest of the Company given his extensive experience, expertise, in-depth knowledge and proven track-record in relevant business environments. The Board of Directors furthermore clarifies that Exhibit H of the Corporate Governance Charter provides additional conflict of interest procedures in case any material transaction is being considered by the Company with a company in which Directors are also a Director or executive.

### Provision 4.13 of the Corporate Governance Code

Currently, no formal evaluation procedure exists regarding individual Directors (deviation from 4.13 Corporate Governance Code). The Company is of the opinion that the individual evaluation of the Directors is only feasible to the extent that the evaluation process is entrusted to an external company, an option which is not retained by the Company. However, the Company is convinced that the formal evaluation of the Board of Directors, for which the Company uses a standard questionnaire as developed by Guberna (Belgian Institute of Directors) as described under section Activities of Board of Directors is sufficient in order to ensure the active and proper contribution of each member of the Board.

Brussels – March 12, 2018
On behalf of the Board of Directors

| | |
|---|---|
| Luc Tack | Stefaan Haspeslagh |
| Director and CEO | Chairman of the Board of Directors |

# FINANCIAL REPORT 2017

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

| (Million EUR) | note | For the year ended December 31 2017 | 2016 |
|---|---|---|---|
| | | | |
| Revenue | 3 | 1,657.3 | 1,590.1 |
| Cost of sales | | -1,251.1 | -1,196.0 |
| | | | |
| **Gross profit** | | **406.2** | **394.1** |
| | | | |
| Distribution expenses | | -102.9 | -89.5 |
| Sales and marketing expenses | | -62.6 | -57.7 |
| Administrative expenses | | -111.9 | -109.0 |
| Other operating income and expenses | 5 | -12.4 | -13.7 |
| **Profit (+) / loss (-) from operations before non-recurring and exceptional operating items (REBIT)** | | **116.3** | **124.1** |
| | | | |
| Gains and losses on disposals | 6 | 0.8 | 0.3 |
| Restructuring | 6 | -1.5 | -0.7 |
| Gains on disposal groups | 6 | - | 1.4 |
| Impairment losses | 6 | -0.8 | -2.3 |
| Provisions and claims | 6 | -0.0 | -2.3 |
| Other income and expenses | 6 | -3.4 | -2.3 |
| **Profit (+) / loss (-) from operations (EBIT)** | | **111.3** | **118.1** |
| | | | |
| Finance costs | 9 | -78.3 | -26.0 |
| Finance income | 9 | 6.9 | 26.3 |
| **Finance (costs) / income - net** | **9** | **-71.4** | **0.2** |
| | | | |
| Share of result of equity accounted investees, net of income tax | | 4.0 | 3.4 |
| | | | |
| **Profit (+) / loss (-) before tax** | | **44.0** | **121.8** |
| | | | |
| Income tax expense | 10 | -18.1 | -23.6 |
| | | | |
| **Profit (+) / loss (-) for the period** | | **25.8** | **98.2** |
| | | | |
| Attributable to: | | | |
| **- Equity holders of the company** | | **25.6** | **98.8** |
| **- Non-controlling interest** | | **0.2** | **-0.7** |
| | | | |
| Basic earnings per share (EUR) | 20 | 0.59 | 2.30 |
| Diluted earnings per share (EUR) | 20 | 0.59 | 2.30 |

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (Million EUR) | note | For the year ended December 31 2017 | 2016 |
|---|---|---|---|
| | | | |
| **Profit (+) / loss (-) for the period** | | **25.8** | **98.2** |
| | | | |
| Translation differences | | -7.4 | 2.6 |
| Net change in fair value of derivative financial instruments, before tax | 26 | 2.1 | 0.7 |
| Other movements | | 0.4 | 0.1 |
| Income tax on other comprehensive income | | -1.3 | -0.3 |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods** | | **-6.2** | **3.2** |
| | | | |
| Remeasurements of the net defined benefit liability, before tax | 23 | 9.2 | -14.9 |
| Income tax on other comprehensive income | | 2.3 | -1.2 |
| **Other comprehensive income not being classified to profit or loss in subsequent periods** | | **11.4** | **-16.1** |
| | | | |
| **Other comprehensive income, net of income tax** | | **5.3** | **-12.9** |
| | | | |
| **Total comprehensive income** | | **31.1** | **85.3** |
| | | | |
| Attributable to: | | | |
| - Equity holders of the company | | 30.7 | 85.8 |
| - Non-controlling interest | | 0.4 | -0.6 |

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (Million EUR) | note | For the year ended December 31 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| **Total non-current assets** | | **650.6** | **661.4** |
| Property, plant and equipment | 11 | 503.3 | 508.4 |
| Goodwill | 12 | 33.8 | 35.6 |
| Other intangible assets | 13 | 30.6 | 45.7 |
| Investments accounted for using the equity method | 14 | 29.1 | 27.3 |
| Other investments | 14 | 10.0 | 1.9 |
| Deferred tax assets | 15 | 31.7 | 31.7 |
| Trade and other receivables | 16 | 12.1 | 10.9 |
| **Total current assets** | | **761.1** | **697.4** |
| Inventories | 17 | 279.1 | 309.7 |
| Trade and other receivables | 16 | 286.5 | 268.0 |
| Derivative financial instruments | 26 | 0.0 | 0.5 |
| Cash and cash equivalents | 18/22 | 195.5 | 119.2 |
| | | | |
| **Total assets** | | **1,411.7** | **1,358.8** |
| | | | |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| **Equity attributable to equity holders of the company** | | **637.7** | **604.7** |
| Issued capital | | 216.1 | 215.8 |
| Share premium | | 237.6 | 235.6 |
| Reserves and retained earnings | | 184.0 | 153.3 |
| **Non-controlling interest** | | **1.7** | **1.3** |
| **Total equity** | | **639.5** | **605.9** |
| | | | |
| **Liabilities** | | | |
| **Total non-current liabilities** | | **464.5** | **482.8** |
| Loans and borrowings | 22 | 224.7 | 226.9 |
| Employee benefits | 23 | 55.7 | 61.5 |
| Provisions | 24 | 132.4 | 132.4 |
| Trade and other payables | 25 | 6.4 | 4.2 |
| Derivative financial instruments | 26 | 11.2 | 12.2 |
| Deferred tax liabilities | 15 | 34.1 | 45.5 |
| **Total current liabilities** | | **307.7** | **270.1** |
| Bank overdrafts | 18/22 | 0.1 | 0.0 |
| Loans and borrowings | 22 | 29.3 | 28.9 |
| Trade and other payables | 25 | 255.2 | 221.9 |
| Derivative financial instruments | 26 | 6.1 | 6.0 |
| Current tax liabilities | | 1.3 | 1.5 |
| Employee benefits | 23 | 1.5 | 1.8 |
| Provisions | 24 | 14.1 | 10.0 |
| **Total liabilities** | | **772.2** | **752.9** |
| | | | |
| **Total equity and liabilities** | | **1,411.7** | **1,358.8** |

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (Million EUR) | note | Issued capital | Share premium | Legal reserves | Translation reserves | Hedging reserves | Retained earnings | Equity attributable to equity holders of the company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2017** | | **215.8** | **235.6** | **18.4** | **-77.2** | **-6.8** | **219.0** | **604.7** | **1.3** | **605.9** |
| Profit (+) / loss (-) for the period | | - | - | - | - | - | 25.6 | 25.6 | 0.2 | 25.8 |
| Other comprehensive income | | | | | | | | | | |
| - Translation differences | | - | - | - | -7.2 | - | - | -7.2 | -0.2 | -7.4 |
| - Remeasurements of the net defined benefit liability, net of tax | | - | - | - | - | - | 11.4 | 11.4 | - | 11.4 |
| - Net change in fair value of derivative financial instruments, net of tax | | - | - | - | - | 0.8 | - | 0.8 | - | 0.8 |
| - Other movements | | - | - | - | - | - | - | 0.0 | 0.4 | 0.4 |
| **Comprehensive income, net of income taxes** | | **0.0** | **0.0** | **0.0** | **-7.2** | **0.8** | **37.1** | **30.7** | **0.4** | **31.1** |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| - Shares issued | 19 | 0.3 | 2.1 | - | - | - | - | 2.4 | - | 2.4 |
| **Total contributions by and distributions to owners** | | **0.3** | **2.1** | **0.0** | **0.0** | **0.0** | **0.0** | **2.4** | **0.0** | **2.4** |
| Other movements | | - | - | 3.2 | - | - | -3.2 | 0.0 | - | 0.0 |
| **Balance at December 31, 2017** | | **216.1** | **237.6** | **21.6** | **-84.4** | **-6.0** | **252.9** | **637.7** | **1.7** | **639.5** |

The accompanying notes are an integral part of these consolidated financial statements.

| (Million EUR) | note | Issued capital | Share premium | Legal reserves | Translation reserves | Hedging reserves | Retained earnings | Equity attributable to equity holders of the company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2016** | | **215.0** | **232.9** | **18.4** | **-79.9** | **-7.3** | **137.8** | **516.8** | **1.5** | **518.2** |
| Profit (+) / loss (-) for the period | | - | - | - | - | - | 98.8 | 98.8 | -0.7 | 98.2 |
| Other comprehensive income | | | | | | | | | | |
| - Translation differences | | - | - | - | 2.7 | - | - | 2.7 | 0.0 | 2.6 |
| - Remeasurements of the net defined benefit liability, net of tax | | - | - | - | - | - | -16.1 | -16.1 | - | -16.1 |
| - Net change in fair value of derivative financial instruments, net of tax | | - | - | - | - | 0.4 | - | 0.4 | - | 0.4 |
| - Other movements | | - | - | - | - | - | - | 0.0 | 0.1 | 0.1 |
| **Comprehensive income, net of income taxes** | | **0.0** | **0.0** | **0.0** | **2.7** | **0.4** | **82.7** | **85.8** | **-0.6** | **85.3** |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| - Shares issued | | 0.8 | 2.7 | - | - | - | - | 3.5 | - | 3.5 |
| - Changes in non-controlling interest | | - | - | - | - | - | -1.5 | -1.5 | 0.4 | -1.1 |
| **Total contributions by and distributions to owners** | | **0.8** | **2.7** | **0.0** | **0.0** | **0.0** | **-1.5** | **2.0** | **0.4** | **2.4** |
| **Balance at December 31, 2016** | | **215.8** | **235.6** | **18.4** | **-77.2** | **-6.8** | **219.0** | **604.7** | **1.3** | **605.9** |

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| (Million EUR) | note | For the year ended December 31 2017 | 2016 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit (+) / loss (-) for the period | | 25.8 | 98.2 |
| Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets | 8 | 72.3 | 76.1 |
| Changes in provisions | | -2.5 | -8.8 |
| Finance costs | 9 | 78.3 | 26.0 |
| Finance income | 9 | -6.9 | -26.3 |
| Loss / (profit) on sale of non-current assets | | -2.7 | -0.7 |
| Share of result of equity accounted investees, net of income tax | | -4.0 | -3.4 |
| Income tax expense | 10 | 18.1 | 23.6 |
| Other non-cash items | | -1.3 | 1.2 |
| Changes in inventories | | 12.8 | -20.2 |
| Changes in trade and other receivables | | -25.4 | -19.1 |
| Changes in trade and other payables | | 44.2 | -21.5 |
| Change in accounting estimates - inventory write off | | -1.0 | 1.0 |
| Revaluation electricity forward contracts | | -0.9 | 1.8 |
| **Cash generated from operations** | | **206.9** | **128.0** |
| Income tax (paid)/received | | -23.8 | -19.7 |
| Dividends received | 30 | 1.1 | 1.2 |
| **Cash flow from operating activities** | | **184.2** | **109.4** |
| | | | |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | 11 | -89.2 | -93.6 |
| Acquisition of other intangible assets | 13 | -1.1 | -0.4 |
| Acquisition of businesses, net of cash acquired | 4 | - | -3.3 |
| Proceeds from the sale of property, plant and equipment and other intangible assets | | 10.0 | 3.3 |
| Proc. from the sale of investments accounted for using the eq. method | | - | -0.6 |
| **Cash flow from investing activities** | | **-80.3** | **-94.5** |
| | | | |
| **Financing activities** | | | |
| Increase of issued capital - conversion of warrants | 19 | 2.4 | 3.5 |
| Proceeds from new borrowings | | 0.3 | 0.0 |
| (Reimbursement) of borrowings | | -2.1 | -20.7 |
| Interest paid | | -6.9 | -7.1 |
| Interest received | | 1.2 | 0.5 |
| Other finance costs paid | | -1.4 | -1.4 |
| (Increase) of long term receivables | | -8.5 | -0.2 |
| **Cash flow from financing activities** | | **-14.9** | **-25.4** |
| | | | |
| **Net increase / (decrease) in cash and cash equivalents** | | **89.0** | **-10.5** |
| Effect of exchange rate differences | | -12.8 | -0.0 |
| Cash and cash eq. less bank overdrafts at the beginning of the period | 18/22 | 119.2 | 129.7 |
| Cash and cash eq. less bank overdrafts at the end of the period | 18/22 | 195.3 | 119.2 |

The accompanying notes are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tessenderlo Group nv (hereafter referred to as the "company"), the parent company, is domiciled in Belgium. The consolidated financial statements for the year ended December 31, 2017 comprise the company and its subsidiaries (together referred to as the "group") and the group's interests in associates and jointly controlled entities.

The IFRS financial statements were authorized for issue by the Board of Directors of Tessenderlo Group nv on Monday March 12, 2018.

(A) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

(B) Basis of preparation

The financial statements are presented in euro, which is the company's functional currency, rounded to the nearest million which may not add up due to rounding. They are prepared on the historical cost basis except for derivative financial instruments and investments available-for-sale, which are stated at fair value.

Assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised (if the revision affects only that period) or in the period of the revision and future periods (if the revision affects both current and future periods).

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34 - Critical accounting estimates and judgments.

The consolidated financial statements are presented before the effect of the profit appropriation of the company proposed to the General Assembly of shareholders.

The accounting policies set out below have been applied consistently by the company and all consolidated companies to all periods presented in these consolidated financial statements.

(C) Principles of consolidation

Subsidiaries are entities controlled by the group. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If the group no longer has control over a subsidiary all assets and liabilities of the subsidiary, any non-controlling interests and other equity components with regard to the subsidiary are derecognized. The gains or losses arising on the loss of control are recognized in the income statement.

Any remaining interest in the former subsidiary is measured at fair value at the date that control is lost. Subsequently the investment is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Separate disclosure is made of non-controlling interests. Losses realized by subsidiaries with non-controlling interests are proportionally allocated to the non-controlling interests in these subsidiaries, even if this means that the non-controlling interests display a negative balance.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity of owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in the income statement.

Investments in associates are included in the consolidated financial statements using the equity method. The investments in associates are those in which the group has significant influence over the financial and operating policies, but which it does not control. In general, it is the case when the group holds between 20% and 50% of the voting rights. The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint-ventures depending on the contractual rights and obligations of each investor. All joint arrangements are determined to be joint-ventures, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The equity method is used as from the date that significant influence commences until the date that significant influence ceases. When the group’s share of losses exceeds its interest in an associate, the group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations in respect of the associate.

All intercompany transactions, balances and unrealized gains and losses on transactions between group companies have been eliminated. Unrealized gains arising from transactions with associates and joint arrangements are eliminated to the extent of the group’s interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(D) Foreign currency

• Foreign currency transactions

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate. The resulting gains and losses of these transactions are recognized in the income statement of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at foreign exchange rates of the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. For available-for-sale non-monetary assets, foreign exchange gains and losses are not separated from the total fair value changes.

• Foreign currency translation

Assets and liabilities of foreign entities included in the consolidation are translated to euro at the foreign exchange rates applicable at the balance sheet date. The income statement of foreign entities is translated to euro at the annual average foreign exchange rates (approximating the foreign exchange rates prevailing at the dates of the transactions). The components of equity attributable to equity holders of the company are translated at historical rates.

Exchange differences arising from the translation of the equity attributable to the equity holders of the company to euro at year-end exchange rates are recognized in other comprehensive income and presented within “Translation reserves” in Equity. In case of non-wholly owned subsidiaries, only the relevant proportion of the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserves related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal of the foreign operation.

When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount in the translation reserves is reattributed to non-controlling interests. When the group disposes of only part of its investment in an associate or joint-venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

• Exchange rates
The following exchange rates have been used in preparing the financial statements:

| | Closing rate | | Average rate | |
|---|---|---|---|---|
| 1 EUR equals: | 2017 | 2016 | 2017 | 2016 |
| Argentine peso | 22.3054 | 16.6673 | 18.7418 | 16.3312 |
| Brazilian real | 3.9729 | 3.4305 | 3.6054 | 3.8561 |
| Chinese yuan | 7.8044 | 7.3202 | 7.6290 | 7.3522 |
| Czech crown | 25.5350 | 27.0210 | 26.3258 | 27.0343 |
| Hungarian forint | 310.3300 | 309.8300 | 309.1933 | 311.4379 |
| Polish zloty | 4.1770 | 4.4103 | 4.2570 | 4.3632 |
| Pound sterling | 0.8872 | 0.8562 | 0.8767 | 0.8195 |
| US dollar | 1.1993 | 1.0541 | 1.1297 | 1.1069 |

(E) Other intangible assets

• Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure resulting from development activities, whereby research findings are applied to a plan or design for production of new or substantially improved products and processes, is capitalized if all of the following conditions are met:
• It is technically feasible to complete the asset so that it will be available for sale or use;
• Management intends to complete the development of the asset;
• It is demonstrated how the asset will generate probable future economic benefits. The market potential or the usefulness of the intangible asset have been clearly demonstrated;
• Adequate technical, financial and other resources to complete the development are available; and
• The expenditures related to the process or product can be clearly identified and reliably measured.

The capitalized expenditure includes the cost of materials and direct labor. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development is stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy J).

• Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of another intangible asset, requiring a long preparation, are included in the cost of the other intangible asset. All other borrowing costs are expensed as incurred and are recognized as finance costs. Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of the funds.

• Emission allowances
The cost of acquiring emission allowances is recognized as other intangible asset, whether they have been purchased or received free of charge (in the latter case the acquisition cost is zero). Emission allowances are not amortized but subject to impairment testing. A provision is set up to cover obligations to refund allowances depending on emissions if, during a given period, the number of allowances required exceeds the total number of allowances acquired. This provision is measured at the estimated amount of the expenditure required to settle the obligation.

The fair value of forward purchase and sale contracts of emission allowance certificates is based on quoted market prices for futures of EU allowances (EUAs) and Certified Emission Reductions (CERs)[13].

• Other intangible assets
Other intangible assets, acquired by the group, are stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy J).

• Subsequent expenditure
Subsequent expenditure on capitalized other intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

• Amortization
Other intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of the respective asset categories are as follows:

| | |
|---|---|
| Development | 5 years |
| Software | 3 to 5 years |
| Customer list | 3 to 10 years |
| Concessions, licenses, patents and other | 10 to 20 years |

Useful lives and residual values, if significant, are re-assessed annually and adjusted if appropriate.

Other intangible assets with indefinite life are not amortized, but tested for impairment on annual basis. The indefinite life is re-assessed at each year-end or at the moment plans would exist to discontinue the related activity.

(F) Goodwill

• Business combination
All business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
When the excess is negative, a bargain purchase gain is recognized immediately in the income statement after re-assessment of the fair values.

Goodwill is expressed in the currency of the subsidiary, jointly controlled entity or associate to which it relates.

[13] *The group did not have any such contracts during 2016 and 2017.*

Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the income statement.

• Subsequent measurement of goodwill

Goodwill is measured at cost less accumulated impairment losses. In respect of investments accounted for using the equity method, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is tested at least annually for impairment and whenever there is an indicator that the cash-generating unit to which the goodwill has been allocated may be impaired (see accounting policy J).

(G) Property, plant and equipment

• Owned assets

Items of property, plant and equipment (further also "PPE") are stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (e.g. non-refundable tax, transport and the costs of dismantling and removing the items and restoring the site on which they are located, if applicable). The cost of a self-constructed asset is determined using the same principles as for an acquired asset and includes the cost of materials, direct labor and an appropriate proportion of indirect costs. Borrowing costs directly attributable to the acquisition, construction or production of an asset, requiring a long preparation, are included in the cost of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

• Subsequent expenditure

Subsequent expenditure incurred in replacing or renewing components of some items of property, plant and equipment is accounted for as the acquisition of a separate asset and the replaced asset is written off. Capitalization of subsequent expenditure is only done when it increases the future economic benefits embodied in the item of property, plant and equipment and significantly increases production capacity. Repair and maintenance, which do not increase the future economic benefits of the asset to which they relate, are expensed as incurred.

• Depreciation

Depreciation is charged to the income statement as from the date the asset is available for use, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives of the respective asset categories are as follows:

| | |
|---|---|
| Improvements to land | 10 to 20 years |
| Buildings | 20 to 40 years |
| Building improvements | 10 to 20 years |
| Plant installations | 6 to 20 years |
| Machinery and equipment | 5 to 15 years |
| Furniture and office equipment | 4 to 10 years |
| Extrusion and tooling equipment | 3 to 7 years |
| Laboratory and research – infrastructure | 3 to 5 years |
| Vehicles | 4 to 10 years |
| Computer equipment | 3 to 5 years |

Land is not depreciated as it is deemed to have an indefinite life.
Useful lives and residual values, if significant, are re-assessed annually and adjusted if appropriate.

• Government grants

Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of the related asset when there is reasonable assurance that they will be received and the group will comply with the conditions attached to it. They are deducted in the income statement from the related depreciation charges on a straight-line basis over the estimated useful life of the related asset.

Grants that compensate the group for expenses incurred are recognized as deduction of the related expense on a systematic basis in the same periods in which the expenses are incurred.

The accounting policy for emission allowances is discussed in section (E) Other intangible assets.

(H) Leased assets

Leases of property, plant and equipment where the group assumes substantially all the risks and rewards of ownership are classified as finance leases at the moment of the commencement of the lease term. Finance leases are capitalized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see accounting policy G) and impairment losses (see accounting policy J).

Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the outstanding finance balance. The corresponding obligations, net of finance charges, are included in loans and borrowings. The interest element is charged to the income statement as a finance charge over the lease period. Property, plant and equipment acquired under a finance lease contract is depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the group will obtain ownership by the end of the lease term (see accounting policy G).

Leases of assets under which the lessor substantially retains all the risks and rewards of ownership are classified as operating leases. The payments made under operating leases are charged to the income statement over the term of the lease.

(I) Other investments

Each category of other investments is accounted for at trade date.

• Investments in equity securities

Investments in equity securities are undertakings in which the group does not have significant influence or control. This is generally evidenced by ownership of less than 20% of the voting rights. Such investments are designated as available for sale financial assets and are recorded at their fair value unless the fair value cannot be reliably determined in which case they are carried at cost less impairment losses. The fair value is the quoted bid price at balance sheet date. Changes in fair value are directly recognized in other comprehensive income, except for impairment losses. On disposal of other investment, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the income statement.

• Other investments

Other investments mainly include cash guarantees. They are initially measured at fair value. Subsequently other investments are measured at amortized cost.

(J) Impairment

The carrying amounts of property, plant and equipment, and other intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated for an individual asset or for a cash-generating unit. An impairment loss is recognized whenever the carrying amount of an asset or the related cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Goodwill, other intangible assets with indefinite useful life and other intangible assets not yet available for use are tested for impairment at least annually, and when an indication of impairment exists. An impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of other assets in the cash-generating unit on a pro rata basis.

• Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the net present value of the estimated future cash flows from the use of an asset or cash-generating unit. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, to the business etc.. In determining the fair value less costs to sell, recent market transactions are taken into account, if these are available.

If an impairment is a consequence of classifying the assets as non-current assets classified as held for sale, then management's best estimate is used as a basis for the determination of the fair value of the assets (also based on knowledge of previous transactions with similar assets).

• Reversal of impairment

An impairment loss, in respect of the group's assets other than goodwill, recognized in prior periods, is assessed at each balance sheet date for any indication that the impairment loss has decreased or no longer exists. If there has been a change in the estimates used to determine the recoverable amount on assets other than goodwill, the previously recognized impairment loss is reversed through the non-recurring and exceptional operating income/(expense) items in the income statement, to the extent that the asset's carrying amount does not exceed its recoverable amount, nor the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

An impairment loss in respect of goodwill cannot be reversed.

• Financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes debtor experiencing significant financial difficulty, default or delinquency by a debtor, indications that a debtor will enter bankruptcy, or economic conditions that correlate with defaults. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

For financial assets carried at amortized cost, the group considers evidence of impairment individually for significant assets, or collectively for non-significant assets. All individually significant assets are assessed for specific impairment. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be recognized on the reduced carrying amount.

For available-for-sale financial investments, impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in other comprehensive income to income statement. The cumulative loss that is reclassified from other comprehensive income to income statement is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in income statement.

(K) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined by the weighted average cost method.

The cost of finished goods and work in progress comprises raw materials, other production materials, direct labor, other direct costs and an allocation of fixed and variable production overhead based on normal operating capacity. Cost of inventories includes the purchase, conversion and other costs incurred to bring the inventories to their present location and condition. Net realizable value represents the estimated selling price, less all estimated costs of making the product ready for sale.

(L) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently stated at amortized cost less appropriate allowances for impairment losses (see accounting policy J).

(M) Cash and cash equivalents

Cash includes cash in hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, have a maturity date of three months or less from the acquisition date and are subject to an insignificant risk of change in value.

(N) Issued capital

• Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a reduction from equity, net of any tax effects.

• Repurchase of issued capital
When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold or re-issued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in retained earnings.

• Dividends
Dividends are recognized as a liability in the period in which they are declared.

(O) Financial liabilities

Financial liabilities are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis.

(P) Provisions

Provisions are recognized in the balance sheet when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is presented as a component of finance costs.

• Restructuring
A provision for restructuring is recognized when the group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it. Future operating costs are not provided for.

• Environmental obligations and dismantlement obligations
These provisions are based on legal and constructive obligations from past events, in accordance with applicable legal requirements.

• Onerous contracts
A provision for onerous contracts is recognized when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Such provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognizes an impairment loss on the assets associated with that contract.

(Q) Employee benefits

• Post-employment benefits
Post-employment benefits include pensions and medical benefits. The group operates a number of defined benefits and defined contribution plans throughout the world, of which the assets are generally held in separate pension funds. Separate trusts and insurers generally hold the pension plans.

- Defined contribution plans:

A defined contribution plan is a pension plan under which the group pays fixed contributions into a fund. There is no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution pension plans are recognized as an expense in the income statement as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

- Defined benefit plans:

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement.

For defined benefit plans, the pension accounting costs are assessed separately for each plan using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement in order to spread the regular cost over the service lives of employees in accordance with the advice of qualified independent actuaries who carry out annually a full valuation of the plans.

The pension obligation recognized in the balance sheet is determined as the present value of the defined benefit obligation, using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability, less the fair value of the plan assets. In countries where there is no deep market in such bonds, the market rates on government bonds are used for discounting.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, and the effect of the asset ceiling (if any), are charged or credited to equity in other comprehensive income in the period in which they arise.

Where the calculation results in a potential asset for the group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Past service costs and gain or loss on curtailment are recognized immediately in the income statement.

• Termination benefits (pre-retirement plans, other termination obligations)
These benefits arise as a result of the group's decision to terminate the employment of an employee or group of employees before the normal retirement date or of an employee's decision to accept voluntary redundancy in exchange for those benefits.

These benefits are recognized as a liability and an expense at the earlier of the following dates: when the group can no longer withdraw the offer of those benefits, or when the group recognizes costs for a restructuring that is within the scope of IAS 37 *Provisions* and involves termination benefits. If benefits are conditional on future service, they are not treated as termination benefits but as post-employment benefits.

• Share-based payment plans[14]
A warrant plan allows senior management to acquire shares of the company. The warrant's exercise price equals the lowest of the average market price of the underlying shares in the 30 trading days preceding the offer date or the market price on the last day preceding the offer date. These share-based payments are recognized in the financial statements based on the fair value of the awards measured at grant date, as an expense spread over the vesting period with a corresponding increase in equity. When the warrants are exercised, equity is increased by the amounts of the proceeds received.

• Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(R) Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, for temporary differences arising between the carrying values of assets and liabilities for financial reporting purposes and the basis used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that these will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

[14] *The last allocation of warrants to senior management took place in January 2013.*

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related benefit.

(S) Trade and other payables

Trade and other payables are stated at fair value at initial recognition and subsequently at amortized cost.

(T) Income

• Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, there are no significant uncertainties regarding recovery of the consideration due, when the associated costs and possible return of goods can be estimated reliably, when there is no continuing management involvement with the goods and when the amount of revenue can be estimated reliably.

For the sale of goods, revenue is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. For the rendering of services, revenue is recognized in the income statement by reference to the stage of completion of the transaction using one of the following methods depending on the type of service provided: specific performance method, completed performance method, percentage of completion method.
The amount of revenue from services is not presented separately in the income statement because it represents currently an insignificant portion of total revenue for the group.

• Finance income

Finance income comprises interest receivable on funds invested, dividend income, foreign exchange gains and gains on derivative financial instruments.
Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset.

Dividend income is recognized in the income statement on the date the entity's right to receive payments is established.

(U) Expenses

• Finance costs

Finance costs comprise interest payable on loans and borrowings, unwinding of the discount on provisions, foreign exchange losses and losses on derivative financial instruments.
Interest expense is recognized in the income statement as it accrues, taking into account the effective interest rate.
The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

All finance costs (borrowing costs) directly attributable to the acquisition, construction or production of a qualifying asset that form part of the cost of that asset are capitalized. All other borrowing costs are expensed as incurred and are recognized as finance costs.

(V) Derivative financial instruments

The group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized initially at fair value plus its directly related transaction costs. The determination of fair values for each type of financial and non-financial assets and liabilities are further discussed in note 2 - Determination of fair values. Subsequent to initial recognition, derivative financial instruments are stated at their fair value at balance sheet date. Depending on whether cash flow hedge accounting (see below) is applied or not, any gain or loss on this remeasurement is either recognized directly in other comprehensive income or in the income statement.

• Cash flow hedges

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect income statement, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (hedging reserves in equity). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In any other case, the amount accumulated in equity is reclassified to income statement in the same period that the hedged item affects the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, or when the hedging instrument is expired, sold or terminated, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. If the forecast transaction is no longer expected to occur, then the cumulative gain or loss recognized in other comprehensive income is reclassified immediately to finance costs and income.

(W) Non-current assets classified as held for sale and discontinued operations

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This classification occurs when the following conditions are met:

- The asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets or disposal groups; and
- The sale of the asset or disposal group must be highly probable.

The group presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from the other assets in the statement of financial position. Similarly, the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position. Statements of financial position for comparative periods are not represented. Moreover, the group presents separately any income or expense recognized directly in equity that is related to a non-current asset classified as held for sale e.g. translation differences.

An investment, or portion of an investment, in an associate or a joint-venture that meets the criteria to be classified as held for sale, is accounted for similarly.

Immediately before classification as held for sale, the remeasurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell. The assets classified as held for sale, including those within a disposal group, are no longer depreciated or amortized.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the group’s business that represents a separate major line of business or a geographical area of operations, is part of a coordinated single plan to dispose of a separate line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the date when the operation meets the criteria to be classified as held for sale or when an operation has been disposed of.

When operations are classified as discontinued, the “Profit (+) / loss (-) for the period from discontinued operations” is presented on a separate line in the income statement and in the statement of comprehensive income.

In addition to the requirements for the presentation of disposal groups in the statement of financial position, the figures of the reported comparable period in the income statement and the statement of comprehensive income are represented for the presentation of the results of discontinued operations. Furthermore, net cash flows attributable to the operating, investing and financing activities of the discontinued operations are presented separately.

(X) Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

The diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to the management.

(Y) Segment reporting

Operating segments are components of the group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group’s other components. Discrete financial information is available and evaluated regularly by the Executive

Committee in deciding how to allocate resources and in assessing performance. The Executive Committee has been identified as the chief operating decision maker.

Aggregation of segments has been done in accordance with IFRS 8 *Operating segments* and only when the segments have similar economic characteristics based upon their nature of products and services, nature of the production process, type or class of customer, methods used to distribute products or provide services and the nature of the regulatory environment.

The segment information reported to the Executive Committee (including the measurement of segment profit or loss, segment assets and liabilities) is prepared in conformity with the same accounting policies as those described in the summary of significant accounting policies.

Revenues, expenses and assets are allocated to the operating segments to the extent that items of revenue, expenses and assets can be directly attributed or reasonably allocated to the operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(Z) Changes in accounting policy and disclosures

The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning January 1, 2017 and have been endorsed by the European Union:

- Amendments to IAS 7 *Statement of cash flows*
- Amendments to IAS 12 *Income taxes*

These amendments and annual improvements to standards had no significant impact on the financial statements of the group.

The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning January 1, 2017 (however not yet subjected to European Union endorsement):

- *Annual improvements 2014-2016*

These amendments and annual improvements to standards had no significant impact on the financial statements of the group.

The following standards and amendments to standards are mandatory since the financial year beginning January 1, 2016 (however not yet subjected to European Union endorsement):

- IFRS 14 *Regulatory deferral accounts*
- Amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*

These new standards and amendments had no significant impact on the financial statements of the group.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning January 1, 2017 and have been endorsed by the European Union:

- IFRS 15 *Revenue from contracts with customers*
- IFRS 9 *Financial instruments*
- IFRS 16 *Leases*
- Amendments to IFRS 15 *Revenue from contracts with customers*
- Amendments to IFRS 4 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

The group has not applied these new standards or amended standards in preparing the 2017 consolidated financial statements.

In 2017 Tessenderlo Group completed a detailed analysis of IFRS 15 *Revenue from contracts with customers*. IFRS 15 will replace the current standards IAS 18 *Revenue*, IAS 11 *Construction contracts* and a number of revenue related interpretations. IFRS 15 specifies how and when revenue is recognized and provides more informative and relevant disclosures. The main types of commercial arrangements used with customers in each operating segment were reviewed under this model.

The majority of the group's revenue consists of the sales of goods. The products are generally sold directly or through distributors to the customers. Revenue is currently recognized when the goods are delivered to the customers, where the point of recognition is dependent on the contract sales terms, known as the International Commercial terms (Incoterms). The revenue recognition model will change under IFRS 15 from one based on the transfer of risk and reward of ownership to one based on the transfer of control of ownership. The sale of goods qualifies as a separate performance obligation, while the transportation of goods is not qualified as a distinct service. The related costs of transportation are incurred as part of the performance obligation to transfer goods to the customer.
Within the different business units, the right to return an item is limited to default products and limited in time. Based on the results of the analysis performed, IFRS 15 does not have an impact on the current accounting practice.

The group also recognizes revenue from the sale of services. These mainly relate to the collection of organic materials within Akiolis (operating segment Bio-valorization), and water treatment services at industrial mining, refinery and oil and gas exploration water treatment locations within MPR and ECS (operating segment Industrial Solutions). The sale of services qualifies as a separate performance obligation, where revenue is recognized over time in accordance with paragraph 35 of IFRS 15. Under IFRS 15, revenue will be recognized when a customer obtains control of the services, which can be at a point in time or over time. For each performance obligation satisfied over time, revenue needs to be recognized by measuring the progress towards complete satisfaction of that performance obligation at the end of each reporting period. Based on the results of the analysis performed, IFRS 15 does not have an impact on the current accounting practice.

The group is currently executing engineering and construction activities through its subsidiary Tessenderlo Kerley Services Inc. (included in "Other") for the joint-venture Jupiter Sulphur LLC. Revenue is currently recognized based on the percentage of completion. The majority of the engineering and construction activities have been completed by year-end 2017. Based on the results of the analysis performed, IFRS 15 does not have an impact on the current accounting practice.

Some of the customer contracts include trade discounts or volume rebates, which are granted to the customer if the delivered quantities exceed a certain threshold. In these cases, the transaction price includes a variable consideration. According to IFRS 15, the effect of the variable consideration on the transaction price will be taken into account in revenue recognition by estimating the probability of the realization of the discount or rebate for each contract. Based on the results of the analysis performed, IFRS 15 does not have an impact on the current accounting practice.

Some customer contracts, mainly in the operating segment Agro, contain consignment arrangements. The products are shipped and stored in owned or rented tanks at the customer's premises. The revenue is only recognized at the moment the product is actually withdrawn by the customer. The sales price will be the applicable market price at that moment. There have been no bill and hold arrangements identified in the reviewed contracts. Based on the results of the analysis performed, IFRS 15 does not have an impact on the current accounting practice.

Depending on the customer and the credit risk assessment made for this customer, the payment terms are determined conform current market conditions. There have been no customer arrangements identified in which the consideration included a financing component. Credit risk for a large majority of the receivables is covered under a group credit insurance program and payment behavior is closely monitored by the credit department.

Costs of obtaining a contract are currently expensed. Under IFRS 15, the incremental costs of obtaining a contract with a customer will be recognized as an asset if the entity expects to recover them. No material incremental costs of obtaining a contract, which would fulfill the capitalization criteria as defined by IFRS 15, have been identified in the reviewed contracts.

Based on the results of the analysis performed, IFRS 15 does not have a significant impact on the timing and amount of revenue recognition. The group will adopt the new standard on the required effective date using the modified retrospective method. Under this method, IFRS 15 will only be applied to contracts that are not completed as of the date of initial application (January 1, 2018). The comparative figures of 2017 will not be restated and there will be no impact on the opening balance of retained earnings of 2018.

IFRS 9 *Financial instruments* determines the recognition and measurement requirements of financial assets and financial liabilities. IFRS 9 will replace the IFRS standard IAS 39 *Financial Instruments: recognition and measurement*. IFRS 9 introduces an impairment model that is based on expected credit losses and no longer incurred credit losses. The group plans to adopt the new standard on the required effective date of January 1, 2018. This new standard will not have a significant impact on the financial statements of the group.

IFRS 16 *Leases* replaces the current standards IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*. IFRS 16 introduces a single lease accounting model for lessees, resulting in the recognition of a right-of-use asset and a lease liability. Lessor accounting remains similar to the current standard which classifies leases into finance and operating leases. The current application of IAS 17 *Leases* results in the recognition of a significant number of operating lease agreements. The non-cancellable operating lease amounts to 96.0 million EUR (note 27 - operating leases), and the group expects therefore that the value to be recognized as right-of-use asset and lease liability will be higher than 96.0 million EUR. The new IFRS 16 *Leases* standard is therefore expected to have a significant impact on the financial statements of the group.
Management is further analyzing the new standard. At this stage, the group is not able to estimate the impact of the new IFRS 16 standard on the financial statements of the group. An initial assessment and the impact on the financial statements of the group will be carried out in 2018. The collection of all relevant data of ongoing lease arrangements is foreseen during the first half of 2018, while management will evaluate over the next 12 months the impact of several accounting principles, such as lease renewal options, the application of recognition exemptions and practical expedients, the transition method, … . The group plans to adopt the new standard on the required effective date of January 1, 2019.

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning January 1, 2017 and have not been endorsed by the European Union:

- IFRS 17 *Insurance contracts* (effective January 1, 2021)
- Amendments to IFRS 2 *Share-based payments* (effective January 1, 2018)
- Amendments to IAS 40 *Investment property* relating to transfers of investment property (effective January 1, 2018)
- IFRIC *22 Foreign currency transactions and advance consideration* (effective January 1, 2018)
- IFRIC 23 *Uncertainty over income tax treatments* (effective January 1, 2019)
- Amendments to IFRS 9 *Prepayment features with negative compensation* (effective January 1, 2019)
- Amendments to IAS 28 *Long term interests in associates and joint ventures* (effective January 1, 2019)
- *Annual improvements 2014-2016* applicable to three standards of which changes on IFRS 1 and IAS 28 are applicable as of January 1, 2018 and changes on IFRS 12 are applicable as of January 1, 2017.
- *Annual improvements to IFRS Standards 2015-2017* cycle, applicable as of January 1, 2019 and containing the following amendments to IFRS:
    - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements
    - IAS 12 Income Taxes
    - IAS 23 Borrowing Costs

The group has not applied these new standards or amended standards in preparing the 2017 consolidated financial statements. The group is currently assessing the new rules, and at this stage, is not expecting any of these new rules to have a significant impact on the financial statements of the group.

## 2. DETERMINATION OF FAIR VALUES

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible, or valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair values is included in note 11 - Property, plant and equipment, note 12 - Goodwill and note 26 - Financial instruments.

**Property, plant and equipment**

The fair value of property, recognized as a result of a business combination or as a result of classification as held for sale or used in impairment testing, is based on the estimated amount for which a property could be exchanged on the date of valuation in an arm's length transaction. The result is benchmarked with market values, if available. If no significant and active market exists, the replacement cost is used.
The fair value of items of plant, equipment, fixtures and fittings is based on the market or cost approach using quoted market prices for similar items when available and replacement costs when appropriate. The replacement cost is the combined result of the cost of a new plant, equipment, fixtures and fittings with the same capacity and the value in use considering the business activity.
The measurement of the fair value of property, plant and equipment is based on valuation studies which are performed internally as well as outsourced to external, independent valuation companies having appropriate qualifications and experience.

**Other intangible assets**

The fair value of other intangible assets used in impairment testing or in a disposal group classified as held for sale is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.
The measurement of the fair value of other intangible assets is based on valuation studies performed internally as well as outsourced to external, independent valuation companies having appropriate qualifications and experience.

**Derivative financial instruments**

The fair value of forward contracts is calculated as the discounted value of the difference between the contract rate and the forward rate at closing date.

The fair value of these instruments generally reflects the estimated amounts that the group would receive on settlement of favorable contracts or be required to pay to terminate unfavorable contracts at the reporting date, and thereby takes into account the current unrealized gains or losses on open contracts.

**Other financial instruments**

The fair value of an electricity supply agreement has been estimated using a discounted cash flow method, making certain assumptions about the model inputs, including risk-adjusted discount rate, and commodities market price. The fair value is categorized as level 3 as it is partly based on unobservable market data.

**Share-based payment**[15]

IFRS 2 *Share-based payment* requires share based payments made to employees to be recognized in the financial statements based on the fair value of the warrants measured at grant date. The fair value of the warrants granted is determined using the Black & Scholes valuation model.

## 3. SEGMENT REPORTING

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

- "Agro" - includes manufacturing and distribution of fertilizers and crop protection products (including the following businesses: Crop Vitality, Tessenderlo Kerley International[16] and NovaSource).
- "Bio-valorization" - includes collecting and processing of animal by-products; manufacturing and distribution of high quality collagen proteins (gelatin) (including the following businesses: Gelatin and Akiolis).
- "Industrial Solutions" - includes the production, trading and sale of plastic pipe systems, water treatment chemicals and other industrial activities, such as the production and sale of 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: Plastic Pipe Systems, Mining and Industrial, Performance Chemicals and MPR/ECS).

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

The recurring costs (costs included within REBIT) related to the corporate activities are allocated to the different operating segments they support.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Executive Committee has been identified as the chief operating decision maker. The measure of segment profit/loss is REBIT, which is consistent with information that is monitored by the chief operating decision maker.

The group is a diversified specialty group that is worldwide active in many areas of agriculture, food, water management, efficient re(use) of natural resources and other industrial markets. The products of the group are used in various applications, industrial and consumption markets. Although a leadership position is occupied by

[15] *The last allocation of warrants to senior management took place in January 2013.*

[16] *Tessenderlo Kerley International is a, in 2017, newly created business unit which is comprised of the former business units Kerley International and SOP Plant Nutrition.*

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.

| | | Agro | | Bio-valorization | | Industrial Solutions | | Other | | Non-allocated | | Tessenderlo Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | note | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenue (internal and external) | | 599.6 | 572.0 | 517.0 | 494.4 | 495.5 | 476.9 | 46.0 | 47.6 | - | - | 1,658.2 | 1,590.9 |
| Revenue (internal) | | 0.7 | 0.7 | - | - | 0.2 | 0.1 | 0.0 | 0.0 | - | - | 0.9 | 0.8 |
| **Revenue** | | **598.9** | **571.4** | **517.0** | **494.4** | **495.3** | **476.8** | **46.0** | **47.6** | **-** | **-** | **1,657.3** | **1,590.1** |
| **REBIT** | | **89.9** | **94.8** | **2.2** | **1.6** | **20.0** | **25.5** | **4.3** | **2.3** | **-** | **-** | **116.3** | **124.1** |
| **REBITDA** | | **114.4** | **118.7** | **29.1** | **31.6** | **39.8** | **45.3** | **4.5** | **2.5** | **-** | **-** | **187.8** | **198.0** |
| **Return on revenue (REBITDA/revenue)** | | **19.1%** | **20.8%** | **5.6%** | **6.4%** | **8.0%** | **9.5%** | **9.8%** | **5.3%** | **-** | **-** | **11.3%** | **12.5%** |
| Segment assets | | 451.5 | 500.8 | 368.5 | 391.6 | 278.6 | 237.7 | 4.2 | 9.0 | 42.7 | 39.7 | 1,145.5 | 1,178.8 |
| Investments accounted for using the equity method | 14 | 15.3 | 17.0 | 0.7 | 0.7 | - | - | - | - | 13.0 | 9.6 | 29.1 | 27.3 |
| Other investments | 14 | - | - | - | - | - | - | - | - | 10.0 | 1.9 | 10.0 | 1.9 |
| Deferred tax assets | 15 | - | - | - | - | - | - | - | - | 31.7 | 31.7 | 31.7 | 31.7 |
| Cash and cash equivalents | 18 | - | - | - | - | - | - | - | - | 195.5 | 119.2 | 195.5 | 119.2 |
| **Total assets** | | **466.8** | **517.8** | **369.2** | **392.2** | **278.6** | **237.7** | **4.2** | **9.0** | **292.8** | **202.1** | **1,411.7** | **1,358.8** |
| Segment liabilities[17] | | 81.5 | 64.7 | 147.1 | 134.8 | 76.0 | 68.7 | 2.4 | 3.9 | 176.9 | 179.5 | 484.0 | 451.6 |
| Loans and borrowings | 22 | - | - | - | - | - | - | - | - | 254.0 | 255.8 | 254.0 | 255.8 |
| Bank overdrafts | 18/22 | - | - | - | - | - | - | - | - | 0.1 | 0.0 | 0.1 | 0.0 |
| Deferred tax liabilities | 15 | - | - | - | - | - | - | - | - | 34.1 | 45.5 | 34.1 | 45.5 |
| Total equity | | - | - | - | - | - | - | - | - | 639.5 | 605.9 | 639.5 | 605.9 |
| **Total Equity and Liabilities** | | **81.5** | **64.7** | **147.1** | **134.8** | **76.0** | **68.7** | **2.4** | **3.9** | **1,104.6** | **1,086.7** | **1,411.7** | **1,358.8** |
| Capital expenditures: property, plant and equipment and other intangible assets | 11/13 | 17.2 | 47.2 | 27.6 | 23.3 | 44.6 | 23.3 | 0.0 | 0.0 | 1.0 | 0.3 | 90.4 | 94.0 |
| Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets | 8 | -24.6 | -24.0 | -27.4 | -30.0 | -20.1 | -20.5 | -0.2 | -0.2 | - | -1.4 | -72.3 | -76.1 |

*[17] Non-allocated segment liabilities mainly include environmental provisions recognized for the Ham (Belgium), Tessenderlo (Belgium) and Loos (France) sites, as well as derivative financial instruments.*

The reconciliation of the profit before tax is as follows:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| REBITDA of reportable segments | 183.3 | 195.5 |
| Other REBITDA | 4.5 | 2.5 |
| **REBITDA** | **187.8** | **198.0** |
| Depreciation and amortization | -71.5 | -73.9 |
| Non-recurring and exceptional operating income/(expense) items | -5.0 | -6.0 |
| Finance (costs) / income - net | -71.4 | 0.2 |
| Share of result of equity accounted investees, net of income tax | 4.0 | 3.4 |
| **Profit (+) / loss (-) before tax** | **44.0** | **121.8** |

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Non-current segment assets (property, plant and equipment, goodwill and other intangible assets) are based on the geographical location of the assets.

| | Revenue by market | | Non-current segment assets | |
|---|---|---|---|---|
| (Million EUR) | 2017 | 2016 | 2017 | 2016 |
| Belgium | 94.8 | 96.0 | 102.5 | 102.3 |
| The Netherlands | 168.7 | 163.7 | 21.6 | 22.5 |
| France | 279.1 | 270.4 | 182.6 | 143.5 |
| Germany | 45.3 | 43.7 | 10.9 | 10.1 |
| Spain | 58.5 | 51.5 | - | - |
| United Kingdom | 86.7 | 86.5 | 11.6 | 10.9 |
| Other European countries | 131.0 | 116.2 | 11.2 | 11.5 |
| USA | 505.1 | 526.4 | 191.3 | 239.0 |
| Rest of the world | 288.1 | 235.7 | 36.0 | 49.9 |
| **Tessenderlo Group** | **1,657.3** | **1,590.1** | **567.8** | **589.7** |

# 4. ACQUISITIONS AND DISPOSALS

There were no acquisitions nor disposals in 2017.

## 5. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are shown in the table below:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Additions to provisions | -0.5 | -0.6 |
| Research and development cost | -9.8 | -8.3 |
| Grants | 0.1 | 0.2 |
| Depreciation | -0.1 | -0.1 |
| Gains on disposal of property, plant and equipment and other intangible assets | 0.5 | 0.4 |
| Reversal / (recognition) of impairment losses on trade receivables | 1.0 | -1.8 |
| Other | -3.6 | -3.6 |
| **Total** | **-12.4** | **-13.7** |

Costs arising from the research phase of an internal project are expensed as incurred. The major part of research and development costs relates to salaries paid for an amount of 6.1 million EUR (2016: 5.5 million EUR) and depreciation charges for an amount of 0.5 million EUR (2016: 0.4 million EUR). In 2017 and 2016, no significant development costs were capitalized.

The impairment losses on trade receivables in 2017 amount to +1.0 million EUR, and include the reversal of an impairment loss which is the result of the positive outcome following the expiration of a contract within the Environmentally Clean Systems (ECS) business unit.

The other operating income and expenses (-3.6 million EUR) are mainly explained by the tax charges other than income taxes, such as withholding taxes and regional taxes and several, individually insignificant items within several subsidiaries of the group.

## 6. NON-RECURRING AND EXCEPTIONAL OPERATING INCOME/ (EXPENSE) ITEMS

The non-recurring and exceptional operating income/(expense) items for 2017 show a net loss of -5.0 million EUR (2016: -6.0 million EUR).

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Gains and losses on disposals | 0.8 | 0.3 |
| Restructuring | -1.5 | -0.7 |
| Gains on disposal groups | - | 1.4 |
| Impairment losses | -0.8 | -2.3 |
| Provisions and claims | -0.0 | -2.3 |
| Other income and expenses | -3.4 | -2.3 |
| **Total** | **-5.0** | **-6.0** |

The gains on disposal amount to 0.8 million EUR and mainly relate to the sale of several individually insignificant non-strategic assets.

The restructuring expenses (-1.5 million EUR) mainly relate to the recognition of restructuring provisions within the operating segment Bio-valorization, following an announced reorganization of the Akiolis activities at the Pontivy plant (France) and following the announced closure of the gelatin plant of PB Gelatins Wenzhou Co., Ltd. (China). In December 2017, the decision was made to dissolve PB Gelatins Wenzhou Co., Ltd. and to start the liquidation process of the company of which the total net non-recurring result is insignificant.

Impairment losses (-0.8 million EUR) were mainly recognized on several individually insignificant assets which are no longer considered to have an economic value as they are no longer in use or for which the carrying amount of the assets exceeded the recoverable amount.

Other income and expenses (-3.4 million EUR) mainly concern the impact of an electricity purchase agreement, for which the own-use exemption under IAS 39 is not applicable anymore, and several other individually insignificant items.

## 7. PAYROLL AND RELATED BENEFITS

The payroll and related benefits costs, excluding restructuring costs, are shown in the table below:

| (Million EUR) | note | 2017 | 2016 |
|---|---|---|---|
| Wages and salaries | | -219.2 | -211.8 |
| Employer's social security contributions | | -52.0 | -52.6 |
| Other personnel costs | | -16.3 | -16.2 |
| Contributions to defined contribution plans | | -8.5 | -7.6 |
| Expenses related to defined benefit plans | 23 | -6.0 | -5.6 |
| **Total** | | **-302.1** | **-293.8** |

The number of FTE's at year-end 2017 amounts to 4,547 (2016: 4,530).

## 8. ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

Depreciation and amortization on property, plant and equipment and other intangible assets are included in the following line items in the income statement:

| (Million EUR) | note | Depreciation on PPE | | Amortization on other intangible assets | | Total | |
|---|---|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Cost of sales | | -57.1 | -54.9 | -2.0 | -4.3 | **-59.1** | **-59.2** |
| Administrative expenses | | -2.6 | -3.3 | -2.2 | -2.9 | **-4.8** | **-6.3** |
| Sales and marketing expenses | | -0.1 | -0.1 | -7.0 | -7.8 | **-7.1** | **-7.9** |
| Other operating income and expenses | | -0.6 | -0.5 | - | - | **-0.6** | **-0.5** |
| **Total** | 11/13 | **-60.3** | **-58.8** | **-11.2** | **-15.1** | **-71.5** | **-73.9** |

Impairment losses on property, plant and equipment, other intangible assets and goodwill are included in the following line items in the income statement:

| (Million EUR) | note | Impairment losses on PPE | | Impairment losses on other intangible assets | | Impairment losses on goodwill | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Impairment losses | | -0.8 | -1.0 | - | -1.3 | - | - | **-0.8** | **-2.3** |
| **Total** | 11/13 | **-0.8** | **-1.0** | **0.0** | **-1.3** | **-** | **-** | **-0.8** | **-2.3** |

Total depreciation, amortization and impairment losses in 2017 amount to -72.3 million EUR compared to -76.1 million EUR in 2016 (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets).

# 9. FINANCE COSTS AND INCOME

Net finance costs and income amount to -71.4 million EUR as per December 31, 2017, compared to +0.2 million EUR as per December 31, 2016 and are detailed below:

| (Million EUR) | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Finance costs | Finance income | Total | Finance costs | Finance income | Total |
| Interest expense on loans and borrowings measured at amortized cost | -6.9 | - | -6.9 | -7.1 | - | -7.1 |
| Commitment fee on unused portion of the credit facility | -0.2 | - | -0.2 | -0.2 | - | -0.2 |
| Factoring expense | -0.0 | - | -0.0 | -0.1 | - | -0.1 |
| **Total borrowing costs** | **-7.1** | **0.0** | **-7.1** | **-7.4** | **0.0** | **-7.4** |
| Dividend income from other investments | - | 0.1 | 0.1 | - | 0.1 | 0.1 |
| Interest income from cash and cash equivalents | - | 1.3 | 1.3 | - | 0.5 | 0.5 |
| **Total income from investments and cash & cash equivalents** | **0.0** | **1.4** | **1.4** | **0.0** | **0.6** | **0.6** |
| Expense for the unwinding of discounted provisions | -1.0 | - | -1.0 | -1.1 | - | -1.1 |
| Net interest (expense)/income on pension asset/(liability) | -0.6 | - | -0.6 | -0.7 | 0.1 | -0.6 |
| Net foreign exchange gains and losses (including revaluation to fair value and realization of derivative financial instruments) | -68.8 | 5.3 | -63.5 | -16.1 | 25.4 | 9.3 |
| Net other finance (costs)/income | -0.7 | 0.2 | -0.5 | -0.7 | 0.2 | -0.6 |
| **Total** | **-78.3** | **6.9** | **-71.4** | **-26.0** | **26.3** | **0.2** |

Total borrowing costs decreased from -7.4 million EUR to -7.1 million EUR and mainly consist of the interest charges on the outstanding bonds, which were issued in 2015.

The net foreign exchange losses can mainly be explained by the unrealized foreign exchange losses on USD, GBP and CNY intercompany loans and cash and cash equivalents, which are not hedged. The strengthening of the euro against the USD (+13.8%), GBP (+3.6%) and CNY (+6.6%) impacted this result. We refer to note 26 - Financial instruments for more information on the group's exposure to foreign currency risk.

# 10. INCOME TAX EXPENSE

The reconciliation between the theoretical tax rate and the effective tax rate for the total income tax expense is as follows:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| **Recognized in the income statement** | | |
| Current tax expense | -25.5 | -27.5 |
| Adjustment current tax expense previous periods | 1.0 | 1.4 |
| Deferred tax income / (expense) | 6.3 | 2.5 |
| **Total income tax expense in the income statement** | **-18.1** | **-23.6** |
| | | |
| Profit (+) / loss (-) before tax | 44.0 | 121.8 |
| Less share of result of equity accounted investees, net of income tax | 4.0 | 3.4 |
| **Profit (+) / loss (-) before tax and before result from equity accounted investees** | **39.9** | **118.4** |
| | | |
| **Effective tax rate** | **45.4%** | **19.9%** |
| **Reconciliation of effective tax rate** | | |
| **Profit (+) / loss (-) before tax and before result from equity accounted investees** | **39.9** | **118.4** |
| **Adjustments on taxable basis** | **-5.7** | **-14.1** |
| - Expenses not deductible for tax purposes | 4.5 | 4.7 |
| - Non-taxable income | -7.2 | -6.2 |
| - Capital gains and losses on participations | 0.9 | -2.0 |
| - Tax incentives | -5.5 | -11.3 |
| - Other | 1.5 | 0.6 |
| **Taxable result** | **34.2** | **104.2** |
| | | |
| Theoretical tax rate[1] | 52.5% | 39.3% |
| **Expected income tax at the theoretical tax rate** | **-18.0** | **-41.0** |
| | | |
| **Difference between theoretical and effective tax expenses** | **0.2** | **-17.5** |
| | | |
| **Adjustment on deferred taxes** | **5.4** | **1.8** |
| Change in tax rates | 4.7 | 1.8 |
| Recognition (+) / derecognition (-) of previously recognized tax losses | 0.7 | - |
| | | |
| **Adjustment on tax expenses** | **-5.6** | **15.6** |
| Use or recognition of tax losses / tax credits not previously recognized | 5.1 | 15.3 |
| Tax losses / temporary differences for which no deferred tax asset has been recorded | -14.3 | -5.4 |
| Adjustment current tax expense previous periods | 1.0 | 1.4 |
| Other | 2.6 | 4.3 |

[1] Theoretical aggregated weighted tax rate of all group companies.

The expenses not deductible for tax purposes include permanent differences such as expenses which are non-deductible under local tax laws (e.g. car expenses and meal expenses).

Non-taxable income includes credits for competitiveness, employment and research as well as differences due to the translation from local to functional currency.

Tax incentives include the notional interest deduction, deductions claimed for research and development expenses, as well as for businesses performing manufacturing or other production activities in the United States of America. The 2017 tax incentives only amount to -5.5 million EUR compared to -11.3 million EUR in 2016, following the evolution of the Belgian taxable results which lead to a lower amount of notional interest deduction in 2017 (the notional interest deduction is no longer transferrable to future reporting periods since 2012).

The 2017 changes in tax rates can mainly be explained by different corporate income tax reforms, which were substantively enacted in December 2017, and which have been taken into account for the calculation of deferred tax assets and liabilities as per December 31, 2017. The most significant impacts of these corporate income tax reforms are the following:

- The Belgian Parliament has approved a tax reform bill in December 2017. The standard corporate income tax rate of 33.99% will be lowered to 29.58% in 2018 and to 25% as from 2020. Moreover a minimum basis has been introduced whereby most tax credits can only partially be offset against the taxable basis (limitation of the use of credits to 1 million EUR and 70% of the taxable result exceeding 1 million EUR).
- The French Parliament enacted the finance bill for 2018 in December 2017, resulting in a progressive decrease of the income tax rate from 33.33% to 25%. For 2018 a corporate income tax of 28% will be applied on taxable income below 0.5 million EUR and 33.33% on taxable income exceeding 0.5 million EUR. For 2019 the corporate income tax of 28% will be applied on taxable income below 0.5 million EUR and 31% on taxable income exceeding 0.5 million EUR. For 2020, 2021 and 2022 a corporate income tax of 28%, 26.5% and 25% respectively will apply.
- The enactment of the US corporate income tax reform in December 2017 reduces the federal corporate tax rate from 35% to 21% as from 2018, while tax incentives for business performing manufacturing or other production activities are cancelled.

The 2017 use or recognition of tax losses/tax credits not previously recognized mainly relates to the recognition of additional deferred tax assets on fiscal losses carried forward in Belgium and France and on German temporary differences. The use or recognition of tax losses/tax credits not previously recognized in 2016 mainly relates to the use of previously non-recognized tax credits in Belgium and the recognition of additional deferred tax assets on fiscal losses carried forward in Belgium and France.

The tax losses and temporary differences for which no deferred tax asset was recognized in 2017 mainly relate to tax losses within the parent company, while in 2016 these were mainly related to tax losses within Gelatin.

## 11. PROPERTY, PLANT AND EQUIPMENT

| (Million EUR) | Land and buildings | Plant, machinery and equipment | Furniture and vehicles | Assets under construction | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At January 1, 2017** | **427.6** | **1,123.7** | **77.0** | **68.4** | **1,696.7** |
| - dismantlement provision | 0.1 | 0.9 | - | - | 1.1 |
| - capital expenditure | 0.4 | 7.7 | 0.9 | 80.3 | 89.2 |
| - sales and disposals | -4.6 | -25.7 | -5.4 | - | -35.7 |
| - transfers | 26.6 | 76.4 | 1.8 | -105.2 | -0.5 |
| - translation differences | -18.8 | -33.9 | -1.5 | -1.6 | -55.7 |
| **At December 31, 2017** | **431.2** | **1,149.1** | **72.8** | **41.9** | **1,695.1** |
| **Depreciation and impairment losses** | | | | | |
| **At January 1, 2017** | **-225.8** | **-893.5** | **-69.1** | **0.0** | **-1,188.3** |
| - depreciation | -16.8 | -40.6 | -3.0 | - | -60.3 |
| - impairment losses | -0.5 | -0.3 | - | - | -0.8 |
| - sales and disposals | 2.6 | 22.2 | 5.4 | - | 30.2 |
| - translation differences | 5.4 | 20.8 | 1.2 | - | 27.4 |
| **At December 31, 2017** | **-234.9** | **-891.4** | **-65.4** | **0.0** | **-1,191.8** |
| **Carrying amounts** | | | | | |
| **At January 1, 2017** | **201.8** | **230.2** | **8.0** | **68.4** | **508.4** |
| **At December 31, 2017** | **196.3** | **257.7** | **7.4** | **41.9** | **503.3** |

| (Million EUR) | Land and buildings | Plant, machinery | Furniture and | Assets under | Total |
|---|---|---|---|---|---|

| | | and equipment | vehicles | construction | |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At January 1, 2016** | **398.3** | **1,092.0** | **91.5** | **55.0** | **1,636.7** |
| - change in consolidation scope (acquisitions) | 2.1 | 4.1 | 0.1 | - | 6.3 |
| - dismantlement provision | 0.2 | 1.0 | - | - | 1.2 |
| - capital expenditure | 1.2 | 14.9 | 0.9 | 76.7 | 93.6 |
| - sales and disposals | -3.7 | -25.3 | -19.8 | -0.4 | -49.2 |
| - transfers | 25.6 | 32.6 | 4.2 | -63.1 | -0.7 |
| - translation differences | 3.9 | 4.4 | 0.2 | 0.2 | 8.7 |
| **At December 31, 2016** | **427.6** | **1,123.7** | **77.0** | **68.4** | **1,696.7** |
| **Depreciation and impairment losses** | | | | | |
| **At January 1, 2016** | **-214.0** | **-875.1** | **-85.3** | **0.0** | **-1,174.4** |
| - depreciation | -15.6 | -40.1 | -3.2 | - | -58.8 |
| - impairment losses | -0.3 | -0.7 | - | - | -1.0 |
| - sales and disposals | 3.6 | 24.6 | 19.5 | - | 47.8 |
| - transfers | 0.7 | -0.6 | 0.0 | - | 0.1 |
| - translation differences | -0.2 | -1.6 | -0.1 | - | -1.9 |
| **At December 31, 2016** | **-225.8** | **-893.5** | **-69.1** | **0.0** | **-1,188.3** |
| **Carrying amounts** | | | | | |
| **At January 1, 2016** | **184.2** | **216.9** | **6.2** | **55.0** | **462.3** |
| **At December 31, 2016** | **201.8** | **230.2** | **8.0** | **68.4** | **508.4** |

The capital expenditure on property, plant and equipment amounts to 89.2 million EUR (2016: 93.6 million EUR) and is presented per operating segment in note 3 - Segment reporting.

The majority of the capital expenditure relates to:

- The completion of the construction of an electrolysis plant based on membrane technology in the Produits Chimiques de Loos site (France).
- The completion of a Thio-Sul® plant in Rouen (France).
- The completion of a Thio-Sul® production facility in East Dubuque, Illinois (United States).

The sales and disposals also include the impact of the liquidation process of PB Gelatins Wenzhou Co., Ltd. (note 6 - Non-recurring and exceptional operating income/(expense) items).

For the line items of the income statement in which depreciation, impairment losses and reversal of impairment losses have been recorded, refer to note 8 - Additional information on operating expenses by nature.

No amounts of borrowing costs were capitalized in 2017 and 2016.

The group leases property, plant and equipment under a number of finance lease agreements. At the end of each of the leases, the group has the option to purchase the equipment at a beneficial price. The net carrying amount of leased property, plant and equipment is not significant.

No property, plant and equipment is pledged as security for liabilities.

# 12. GOODWILL

Goodwill accounts for approximately 2.4% of the group's total assets as per December 31, 2017, or 33.8 million EUR (2016: 2.6% or 35.6 million EUR).

The carrying amount of goodwill per operating segment and per cash-generating unit, is shown in the table below:

| (Million EUR) | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Cost | Impairment/ Amortization* | Carrying amounts | Cost | Impairment/ Amortization* | Carrying amounts |
| **Agro** | **4.5** | **-3.9** | **0.6** | **5.1** | **-4.4** | **0.7** |
| **Bio-valorization** | **29.1** | **-4.0** | **25.1** | **30.4** | **-4.0** | **26.4** |
| Group Akiolis | 18.4 | -3.4 | 15.0 | 18.4 | -3.4 | 15.0 |
| Gelatin America | 10.6 | -0.6 | 10.1 | 12.0 | -0.6 | 11.4 |
| **Industrial Solutions** | **10.1** | **-2.0** | **8.1** | **10.6** | **-2.1** | **8.5** |
| John Davidson Pipes | 3.3 | -1.0 | 2.2 | 3.4 | -1.1 | 2.3 |
| Nyloplast | 3.0 | - | 3.0 | 3.0 | - | 3.0 |
| Group BT Bautechnik | 0.7 | - | 0.7 | 0.7 | - | 0.7 |
| MPR | 3.1 | -0.9 | 2.2 | 3.5 | -1.0 | 2.4 |
| **Total** | **43.6** | **-9.8** | **33.8** | **46.1** | **-10.6** | **35.6** |

* Goodwill has been amortized till January 1, 2004.

Group Akiolis and Gelatin America have the most significant carrying amount of goodwill:

- Group Akiolis (part of the operating segment "Bio-valorization"); 15.0 million EUR (2016: 15.0 million EUR).
- Gelatin America (part of the operating segment "Bio-valorization"); 10.1 million EUR (2016: 11.4 million EUR).

All movements related to goodwill are shown in the table below:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| **Cost** | | |
| **At January 1** | **46.1** | **45.9** |
| - translation differences | -2.5 | 0.2 |
| **At December 31** | **43.6** | **46.1** |
| **Impairment losses** | | |
| **At January 1** | **-10.6** | **-10.6** |
| - translation differences | 0.8 | 0.0 |
| **At December 31** | **-9.8** | **-10.6** |
| **Carrying amounts** | | |
| **At January 1** | **35.6** | **35.3** |
| **At December 31** | **33.8** | **35.6** |

There were no events in 2017 and 2016 which resulted in the recognition of goodwill.

During the fourth quarter of 2017, the group completed its annual impairment test for goodwill. No impairment charges were deemed necessary.

The group cannot foresee whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. The group believes that all of its estimates are reasonable. They are consistent with the internal reporting and reflect management's best estimates.

The impairment testing on goodwill relies on a number of critical judgments, estimates and assumptions. Goodwill has been tested for impairment on the level of its cash-generating unit and is based on value-in-use calculations.

The key judgments, estimates and assumptions used in these calculations are as follows:

- The cash flow projection of the first year is based on the current year financial budget approved by the management (2018). The forecasted cash flows are based on the following expectations, taking into account internal and external sources.
    - Estimated revenue is derived from estimated sales volumes and estimated sales prices. Sales volumes are based on past performance and management's expectation of market development. New product lines or product developments are only included when it is technically feasible to produce with the current assets. Sales prices are based on current market trends also taking into account inflation and pricing power in the market.
    - Gross profit margins are based on current sales margin levels, future product mix and estimated evolution of the main raw material prices.
    - Indirect costs, which do not vary significantly with sales volumes or prices, are based on the current cost structure, including long term inflation forecasts and excluding unrealized future restructuring or cost saving measures.
    - Capital expenditures only include the cash outflows required to keep the assets in their current condition and do not include future capital expenditures significantly improving or enhancing the assets in excess of their originally assessed standard performance.
- In order to calculate the terminal value, the data of the fifth year are extrapolated by using simplified assumptions such as constant volumes, combined with constant costs. The growth rate is assumed to be 1%.
- Projections are made in the functional currency of the cash-generating unit and are discounted at the after-tax Weighted Average Cost of Capital (WACC) at the level of the cash-generating unit. The latter ranged between 6.3% and 8.2%. Since after-tax cash flows are incorporated into the calculation of the "value in use" of the cash-generating units, a post-tax discount rate is used in order to remain consistent.

For Group Akiolis and Gelatin America the WACC used in the impairment test was respectively 6.3% (2016: 6.6% %) and 8.2% (2016: 7.9%).
An increase of these WACC's by 1% and a simultaneous reduction of total projected future cash flow by 10% would not have resulted in the carrying amounts of these significant cash-generating units exceeding their recoverable amount.

Although the group believes that its judgments, assumptions and estimates are appropriate, actual results may differ from these estimates under different assumptions or conditions.

## 13. OTHER INTANGIBLE ASSETS

| | Useful life | | | | | |
|---|---|---|---|---|---|---|
| | Finite | | | | Indefinite | |
| (Million EUR) | Concessions, patents, licenses | Software | Customer lists | Other intangible assets | Other intangible assets | Total |
| **Cost** | | | | | | |
| **At January 1, 2017** | **76.2** | **15.3** | **39.2** | **25.7** | **0.0** | **156.4** |
| - capital expenditure | 0.2 | 0.5 | - | 0.4 | - | 1.1 |
| - sales and disposals | -1.9 | -0.0 | - | -2.1 | - | -4.0 |
| - transfers | 0.3 | 0.1 | - | - | - | 0.5 |
| - translation differences | -6.8 | -0.3 | -2.1 | -2.9 | - | -12.1 |
| **At December 31, 2017** | **68.0** | **15.6** | **37.0** | **21.2** | **0.0** | **141.8** |
| **Amortization and impairment losses** | | | | | | |

| | Concessions, patents, licenses | Software | Customer lists | Other intangible assets | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| **At January 1, 2017** | **-48.5** | **-11.2** | **-33.1** | **-18.0** | **0.0** | **-110.7** |
| - amortization | -5.5 | -1.6 | -2.0 | -2.0 | - | -11.2 |
| - sales and disposals | 1.9 | 0.0 | - | 0.5 | - | 2.5 |
| - translation differences | 3.9 | 0.3 | 1.9 | 2.2 | - | 8.2 |
| **At December 31, 2017** | **-48.1** | **-12.6** | **-33.2** | **-17.3** | **0.0** | **-111.2** |
| **Carrying amounts** | | | | | | |
| **At January 1, 2017** | **27.7** | **4.1** | **6.1** | **7.7** | **0.0** | **45.7** |
| **At December 31, 2017** | **19.8** | **3.1** | **3.8** | **3.9** | **0.0** | **30.6** |

| | Useful life | | | | | |
|---|---|---|---|---|---|---|
| | Finite | | | | Indefinite | |
| (Million EUR) | Concessions, patents, licenses | Software | Customer lists | Other intangible assets | Other intangible assets | Total |
| **Cost** | | | | | | |
| **At January 1, 2016** | **79.7** | **14.4** | **38.4** | **26.1** | **0.0** | **158.6** |
| - change in consolidation scope (acquisitions) | - | - | 0.1 | - | - | 0.1 |
| - capital expenditure | 0.0 | 0.3 | - | 0.0 | - | 0.4 |
| - sales and disposals | -6.5 | -0.4 | 0.1 | - | - | -6.8 |
| - transfers | 1.2 | 1.3 | - | -1.0 | - | 1.5 |
| - translation differences | 1.8 | -0.3 | 0.6 | 0.6 | - | 2.7 |
| **At December 31, 2016** | **76.2** | **15.3** | **39.2** | **25.7** | **0.0** | **156.4** |
| **Amortization and impairment losses** | | | | | | |
| **At January 1, 2016** | **-46.8** | **-9.7** | **-27.6** | **-15.1** | **0.0** | **-99.3** |
| - amortization | -5.8 | -2.3 | -4.8 | -2.3 | - | -15.1 |
| - impairment losses | -1.3 | - | - | - | - | -1.3 |
| - sales and disposals | 6.4 | 0.6 | -0.1 | - | - | 6.8 |
| - transfers | 0.0 | 0.0 | - | - | - | 0.0 |
| - translation differences | -1.0 | 0.2 | -0.5 | -0.6 | - | -1.9 |
| **At December 31, 2016** | **-48.5** | **-11.2** | **-33.1** | **-18.0** | **0.0** | **-110.7** |
| **Carrying amounts** | | | | | | |
| **At January 1, 2016** | **32.9** | **4.7** | **10.7** | **11.0** | **0.0** | **59.3** |
| **At December 31, 2016** | **27.7** | **4.1** | **6.1** | **7.7** | **0.0** | **45.7** |

The capital expenditure on other intangible assets amounts to 1.1 million EUR (2016: 0.4 million EUR) and is presented per operating segment in note 3 - Segment reporting.

The sales and disposals include the impact of the liquidation process of PB Gelatins Wenzhou Co., Ltd. (note 6 - Non-recurring and exceptional operating income/(expense) items).

No borrowing costs were capitalized during 2017 and 2016.

The “other” intangible assets with finite useful lives mainly consist of non-compete agreements, know-how, product labels, trademarks and land-use rights. The non-compete agreements, the product labels and the know-how are amortized on a straight-line basis over 10 to 20 years.

See note 8 - Additional information on operating expenses by nature for the line items of the income statement in which amortization, impairment losses and reversal of impairment losses have been recorded.

No intangible assets are pledged as security for liabilities.

## 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method consist of joint-ventures and associates.

The joint-ventures of the group are:

| | Country | Ownership | |
|---|---|---|---|
| | | 2017 | 2016 |
| Établissements Michel SAS | France | 50% | 50% |
| Jupiter Sulphur LLC | US | 50% | 50% |

The associate Wolf Mountain Products LLC was liquidated in 2017. The insignificant impact of this transaction, related to the recycling of the currency translation adjustments, was included within "non-recurring and exceptional operating income/(expense) items".

The associates of the group are:

| | Country | Ownership | |
|---|---|---|---|
| | | 2017 | 2016 |
| T-Power SA | Belgium | 20% | 20% |
| Wolf Mountain Products LLC | US | - | 45% |

The carrying amount of the investments accounted for using the equity method is as follows:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Jupiter Sulphur LLC | 15.3 | 17.0 |
| T-Power SA | 13.0 | 9.6 |
| Établissements Michel SAS | 0.7 | 0.7 |
| **Total** | **29.1** | **27.3** |

Tessenderlo Kerley Inc. has granted a 10.0 million USD loan (8.3 million EUR) to the joint-venture Jupiter Sulphur LLC. The loan is interest bearing (3.0%) and is reimbursable to Tessenderlo Kerley Inc. in the period 2020-2023. Jupiter Sulphur LLC obtained the same amount from the other joint-venture partner. The funds will be used to finance the current ongoing capital expenditure. The granted loan is included in "Other investments" in the group's consolidated statement of financial position.

None of the group's equity-accounted investees are publicly listed entities and consequentially they do not have published price quotations.

Summary financial information on investments accounted for using the equity method at 100%:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Non-current assets | 427.6 | 415.1 |
| Current assets | 97.5 | 99.7 |
| **Total assets** | **525.0** | **514.7** |
| Equity | 97.3 | 83.5 |
| Non-current liabilities | 375.1 | 400.0 |
| Current liabilities | 52.6 | 31.2 |
| **Total equity and liabilities** | **525.0** | **514.7** |
| Revenue | 106.7 | 107.4 |

| | | |
|---|---|---|
| Cost of sales | -35.5 | -33.9 |
| Gross profit | 71.2 | 73.5 |
| Profit (+) / loss (-) from operations before non-recurring and exceptional operating items (REBIT) | 35.5 | 38.5 |
| Profit (+) / loss (-) from operations (EBIT) | 35.5 | 38.5 |
| Finance (costs) / income - net | -15.9 | -15.8 |
| Profit (+) / loss (-) before tax | 19.7 | 22.7 |
| Profit (+) / loss (-) for the period | 19.5 | 14.7 |
| Total comprehensive income | 23.0 | 16.2 |

# 15. DEFERRED TAX ASSETS AND LIABILITIES

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| (Million EUR) | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Property, plant and equipment | 2.1 | 1.7 | -29.7 | -48.5 | -27.6 | -46.8 |
| Other intangible assets | 5.7 | 9.1 | -3.3 | -6.6 | 2.4 | 2.5 |
| Inventories | 5.5 | 8.5 | -0.9 | -0.7 | 4.6 | 7.7 |
| Employee benefits | 7.6 | 4.6 | -1.4 | -1.8 | 6.2 | 2.8 |
| Provisions | 11.5 | 17.0 | -20.1 | -24.3 | -8.6 | -7.3 |
| Other items | 5.5 | 6.6 | -8.8 | -7.7 | -3.3 | -1.0 |
| Losses carried forward | 23.8 | 28.2 | - | - | 23.8 | 28.2 |
| **Gross deferred tax assets / (liabilities)** | **61.6** | **75.7** | **-64.1** | **-89.5** | **-2.5** | **-13.8** |
| | | | | | | |
| **Set-off of tax** | **-30.0** | **-44.0** | **30.0** | **44.0** | | |
| | | | | | | |
| **Net deferred tax assets / (liabilities)** | **31.7** | **31.7** | **-34.1** | **-45.5** | **-2.5** | **-13.8** |

The decrease of the net deferred tax liability on Property, plant and equipment, is mainly a consequence of the US corporate income tax reform which reduces the federal corporate tax rate from 35% to 21%, leading to lower deferred tax liabilities on the previously fiscally recognized bonus depreciations.

Deferred tax assets on fiscal losses carried forward recognized on the Belgian parent company, Tessenderlo Group nv, amount to 12.0 million EUR (total tax losses and tax credits carried forward in Tessenderlo Group nv amount to 179.9 million EUR) as per year-end 2017. The other deferred tax assets on fiscal losses carried forward recognized amount to 11.8 million EUR and mainly relate to French fiscal losses carried forward (total tax losses and tax credits carried forward in France amount to 62.6 million EUR). These were recognized following a review of the future taxable profits as per year-end 2017, taking into account the various 2017 corporate income tax reforms (note 10 - Income tax expense).

On December 31, 2017, a deferred tax liability of 0.3 million EUR (2016: 1.7 million EUR) relating to undistributed reserves within the subsidiaries of the group has not been recognized because management believes that this liability will not incur in the foreseeable future. The decrease of the unrecognized deferred tax liability can mainly be explained by the fact that further to the Belgian corporate income tax reform, as from January 1, 2018, the dividend received deduction is increased from 95% to 100% and consequently dividends received by the company (Tessenderlo Group nv) are tax exempt whereas before 5% of the amount was taxable at the standard rate.

Tax losses and tax credits carried forward, including notional interest deduction, on which no deferred tax asset is recognized amount to 289.1 million EUR (2016: 258.1 million EUR). Of these tax credits, 38.1 million EUR have a finite life (they expire in the period 2018-2021). Deferred tax assets are only recognized based on the probability assessment whether future taxable profits (within the next 5 years) will be available, against which the unused tax losses and credits can be utilized

The movements in the deferred tax balances during the year can be summarized as follows[18]:

| (Million EUR) | Balance at January 1, 2017 | Recognized in the income statement | Recognized in other comprehensive income | Translation differences | Balance at December 31, 2017 |
|---|---|---|---|---|---|
| Property, plant and equipment | -46.8 | 15.2 | - | 4.0 | -27.6 |
| Other intangible assets | 2.5 | 0.1 | - | -0.2 | 2.4 |
| Inventories | 7.7 | -2.7 | - | -0.4 | 4.6 |
| Employee benefits | 2.8 | 1.2 | 2.3 | -0.1 | 6.2 |
| Provisions | -7.3 | -1.2 | - | -0.1 | -8.6 |
| Other items | -1.0 | -2.0 | - | -0.3 | -3.3 |
| Losses carried forward | 28.2 | -4.2 | - | -0.2 | 23.8 |
| **Total** | **-13.8** | **6.3** | **2.3** | **2.7** | **-2.5** |

# 16. TRADE AND OTHER RECEIVABLES

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| **Non-current trade and other receivables** | | |
| Trade receivables | 0.0 | 0.0 |
| Gross trade receivables | 0.0 | 0.0 |
| Amounts written off | - | - |
| Other receivables | 10.3 | 10.9 |
| Assets related to employee benefit schemes | 1.8 | - |
| **Total** | **12.1** | **10.9** |

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| **Current trade and other receivables** | | |
| Trade receivables | 236.2 | 226.3 |
| Gross trade receivables | 240.6 | 232.9 |
| Amounts written off | -4.3 | -6.6 |
| Other receivables | 46.7 | 34.2 |
| Prepayments | 0.6 | 0.4 |
| Receivables from related parties | 3.0 | 7.1 |
| **Total** | **286.5** | **268.0** |

Receivables from related parties concern receivables from joint-ventures (note 30 - Related parties). The ageing of the gross trade receivables and amounts written off is disclosed in the section “Credit risk” of note 26 - Financial instruments.

The non-current other receivables mainly relate to a French tax receivable of 6.2 million EUR (2016: 8.2 million EUR), related to tax credits for competitiveness, employment and research.

The assets related to employee benefit schemes concern the net asset of the UK pension fund where the higher than expected return on the plan assets in 2017 led to the pension assets being higher than the pension liabilities.

The current other receivables mainly include a net income tax receivable in the US, other tax and VAT receivables.

[18] *Deferred tax liabilities and deferred tax expenses are presented as negative amounts; deferred tax assets and deferred tax income are presented as positive amounts.*

The non-recourse factoring program is suspended since 2015. There was no cash received under various non-recourse factoring agreements, whereby trade receivables were sold at their nominal value minus a discount in exchange for cash.

# 17. INVENTORIES

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Consumables | 60.8 | 61.4 |
| Work in progress | 9.4 | 7.7 |
| Finished goods | 176.4 | 212.8 |
| Goods purchased for resale | 32.5 | 27.8 |
| **Total** | **279.1** | **309.7** |

There are no inventories pledged as security.

The cost of inventories recognized as cost of sales in 2017 amounts to 660.6 million EUR (2016: 615.7 million EUR).

A reversal of inventory write-offs of 1.0 million EUR has been recognized in 2017, while in 2016 an additional write-off for -1.0 million EUR was recorded.

# 18. CASH AND CASH EQUIVALENTS

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Term accounts | 140.9 | 57.7 |
| Current accounts | 54.6 | 61.5 |
| **Cash and cash equivalents** | **195.5** | **119.2** |
| Bank overdrafts | -0.1 | -0.0 |
| **Cash and cash equivalents in the statement of cash flows** | **195.3** | **119.2** |

The term accounts have a maximum maturity of 1 month. As per December 31, 2017, the cash and cash equivalents include 160.3 million USD or 133.7 million EUR (2016: 77.3 million USD or 73.3 million EUR).

# 19. EQUITY

## Issued capital and share premium

| | Ordinary shares | |
|---|---|---|
| | 2017 | 2016 |
| On issue at January 1 | 43,068,884 | 42,902,722 |
| Issued for cash at July 19, 2016 | - | 61,236 |
| Issued for cash at August 26, 2016 | - | 46,009 |
| Issued for cash at October 27, 2016 | - | 24,784 |
| Issued for cash at December 16, 2016 | - | 34,133 |
| Issued for cash at July 19, 2017 | 7,340 | - |
| Issued for cash at August 25, 2017 | 15,680 | - |
| Issued for cash at October 27, 2017 | 2,375 | - |
| Issued for cash at December 19, 2017 | 42,500 | - |
| **On issue at December 31 – fully paid** | **43,136,779** | **43,068,884** |

The number of shares comprised 13,797,777 registered shares (2016: 13,832,834) and 29,339,002 ordinary shares (2016: 29,236,050). The shares are without nominal value. The holders of Tessenderlo Group nv shares are entitled to receive dividends as declared and are also entitled to one vote per share at shareholders' meetings of the company.

Following the conversion of warrants, ordinary shares were included for trading on Eurolist on NYSE Euronext Brussels on:
- July 19, 2017: 7,340 ordinary shares, leading to an increase of issued capital and share premium by 0.2 million EUR;
- August 25, 2017: 15,680 ordinary shares, leading to an increase of issued capital and share premium by 0.4 million EUR;
- October 27, 2017: 2,375 ordinary shares, leading to an increase of issued capital and share premium by 0.1 million EUR;
- December 19, 2017: 42,500 ordinary shares, leading to an increase of issued capital and share premium by 1.7 million EUR.

On the annual shareholders' meeting of Tessenderlo Group nv on June 6, 2017, the shareholders of Tessenderlo Group nv approved the proposal of the Board of Directors not to pay out a dividend for the 2016 financial year.

No new offering of shares to be subscribed by staff took place in 2017.

**Authorized capital**
According to the decision of the extraordinary general meeting of June 6, 2017, the Board of Directors was granted the authority, for a period of 5 years from the publication of the authorization in the Annex to the Belgian State Gazette, to increase the share capital, in one or more times, up to an amount of 43,160,095 EUR, in accordance with the provisions set out in the Belgian Companies Code and the articles of association of the company. The Board of Directors is allowed to use the authorized capital to take protective measures for the company through capital increases, with or without limitation or withdrawal of preferential rights, even outside the context of a possible public takeover bid, to the extent that the company has not yet received a notification of the FSMA with respect to a public takeover bid on its securities.
Without prejudice to the possibility to realize the commitments that were validly entered into before receipt of the notification of the FSMA pursuant to article 607 paragraph 2, 1° of the Belgian Companies Code, the Board of Directors is authorized, for a period of 3 years form the authorization by the extraordinary general meeting of 6 June 2017, to proceed to a capital increase within the framework of authorized capital, with or without limitation or withdrawal of preferential rights as the case may be in favor of one or more persons, following receipt of a notification of the FSMA with respect to a public takeover bid on the company's securities, in accordance with the conditions set out in article 607, paragraph 2, 2° of the Belgian Companies Code and the articles of association of the company.
The Board of Directors is also authorized, with right of substitution, to amend the company's articles of association in accordance with the capital increase that was decided within the scope of the authorized capital.

The authority to increase the capital by the Board of Directors will expire on June 25, 2022.

**Legal reserves**
According to Belgian law, 5% of the statutory net income of a Belgian company must be transferred each year to a legal reserve until the legal reserve reaches 10% of the issued capital. At balance sheet date, the legal reserve of the company amounts to 21.6 million EUR. Generally, this reserve cannot be distributed to the shareholders other than upon liquidation.

The amount of dividends payable to Tessenderlo Group nv by its operating subsidiaries is subject to, among other restrictions, general limitations imposed by the corporate laws, capital transfer restrictions and exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate. Dividends paid to the company by certain of its subsidiaries are also subject to withholding taxes.

**Translation reserves**
The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

**Hedging reserves**
The hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedges to the extent the hedged risk has not yet impacted the income statement.

**Dividends**
The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of May 8, 2018, not to pay out a dividend for the 2017 financial year.

**Capital Management**
The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the issued capital, share premium and reserves. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with borrowings and the advantages and security afforded by a strong capital position. The gearing ratio at the end of 2017 is 8.4% (2016: 18.4%).

## 20. EARNINGS PER SHARE

**Basic earnings per share**
The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

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

| | 2017 | 2016 |
|---|---|---|
| **Adjusted weighted average number of ordinary shares at December 31**[1] | **43,080,173** | **42,952,548** |
| Profit (+) / loss (-) attributable to equity holders of the company (million EUR) | 25.6 | 98.8 |
| **Basic earnings per share (in EUR)** | **0.59** | **2.30** |

[1]Takes into account the effect of shares issued, which is based on the weighted average number of issued shares during the accounting period.

**Diluted earnings per share**
The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the diluted weighted average number of ordinary shares outstanding during the year.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

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

| | 2017 | 2016 |
|---|---|---|
| Adjusted weighted average number of ordinary shares at December 31 | 43,080,173 | 42,952,548 |
| Effect of warrants issued[1] | 6,564 | 6,386 |
| **Diluted weighted average number of ordinary shares at December 31** | **43,086,737** | **42,958,934** |
| Profit (+) / loss (-) attributable to equity holders of the company (million EUR) | 25.6 | 98.8 |
| **Diluted earnings per share (in EUR)** | **0.59** | **2.30** |

[1] The average share price used in the calculation of the earnings per share is based on the daily average closing share price of Tessenderlo Group quoted on the stock market.

As per December 31, 2017, 18,200 warrants are outstanding that were granted to senior management, of which all were dilutive and were included in the calculation of the diluted earnings per share (the effect of warrants issued amounted to 6,564).

## 21. NON-CONTROLLING INTEREST

The detail of the non-controlling interest in subsidiaries of the group is as follows:

| | Country | Non-controlling interest percentage 2017 | Non-controlling interest percentage 2016 |
|---|---|---|---|
| Environmentally Clean Systems LLC | US | 30.99% | 30.99% |
| ECS Myton, LLC | US | 49.00% | 49.00% |
| PB Gelatins (Wenzhou) Co. Ltd. | China | 20.00% | 20.00% |

Summary financial information of subsidiaries with a non-controlling interest at 100%:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Non-current assets | 2.4 | 11.8 |
| Current assets | 28.6 | 13.6 |
| **Total assets** | **31.0** | **25.4** |
| Equity | 1.8 | 2.3 |
| Non-current liabilities | 0.6 | 4.6 |
| Current liabilities | 28.6 | 18.6 |
| **Total equity and liabilities** | **31.0** | **25.4** |
| Revenue | 9.6 | 15.2 |
| Cost of sales | -9.6 | -15.4 |
| Gross profit | 0.0 | -0.2 |
| Profit (+) / loss (-) from operations before non-recurring and exceptional operating items (REBIT) | -0.3 | -3.6 |
| Profit (+) / loss (-) from operations (EBIT) | 0.4 | -3.7 |
| Finance (costs) / income - net | -0.6 | -1.0 |
| Profit (+) / loss (-) before tax | -0.2 | -4.7 |
| Profit (+) / loss (-) for the period | -1.1 | -4.9 |

The decrease of the non-current assets and increase of the current assets and current liabilities is mainly the result of the liquidation process of PB Gelatins Wenzhou Co., Ltd. (note 6 - non-recurring and exceptional operating income/(expense) items).

## 22. LOANS AND BORROWINGS

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Non-current loans and borrowings | 224.7 | 226.9 |
| Current loans and borrowings | 29.3 | 28.9 |
| **Total loans and borrowings** | **254.0** | **255.8** |
| Cash and cash equivalents | -195.5 | -119.2 |
| Bank overdrafts | 0.1 | 0.0 |
| **Net loans and borrowings** | **58.7** | **136.6** |

As per year-end 2017, the group net financial debt stood at 58.7 million EUR, implying a leverage of 0.3. The net debt at year-end 2016 amounted to 136.6 million EUR.

**Non-current and current loans and borrowings**:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| **Non-current loans and borrowings** | | |
| Lease payables | 0.1 | 0.1 |
| Bonds (maturity date in 2022 and 2025) | 223.6 | 223.6 |
| Credit institutions | 1.0 | 3.2 |
| **Total** | **224.7** | **226.9** |
| **Current loans and borrowings** | | |
| Current portion long term loans and borrowings | 1.9 | 0.0 |
| Lease payable within 1 year | 0.1 | 0.1 |
| Credit institutions and commercial paper | 27.3 | 28.8 |
| **Total** | **29.3** | **28.9** |

The non-current loans and borrowings include two series of bonds, issued in July 2015, with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds"), both with a fixed rate of 2.875% and 3.375% respectively.

The group has access to a Belgian commercial paper program of 200.0 million EUR of which 27.0 million EUR was used at the end of December 2017 and is included in current loans and borrowings (December 31, 2016: 28.0 million EUR). These are issued by Tessenderlo Group nv, the parent company.

There has been no drawdown as per December 31, 2017 on the 5 year committed bi-lateral credit lines. The committed bi-lateral credit lines amount to 142.5 million EUR (of which part can be drawn in USD).

As per year-end 2017, there are no significant pledges securing the loans and borrowings, nor any covenants significantly different from those disclosed in the 2015 bond documentation.

**Non-current and current loans and borrowings by currency**

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2017):

| (Million EUR) | EUR | Other | Total |
|---|---|---|---|
| Current loans and borrowings | 28.9 | 0.4 | **29.3** |
| Non-current loans and borrowings | 224.6 | 0.1 | **224.7** |
| **Total loans and borrowings** | **253.6** | **0.4** | **254.0** |
| **In percentage of total loans and borrowings** | **99.8%** | **0.2%** | **100.0%** |

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2016):

| (Million EUR) | EUR | Other | Total |
|---|---|---|---|
| Current loans and borrowings | 28.8 | 0.1 | **28.9** |
| Non-current loans and borrowings | 226.7 | 0.2 | **226.9** |
| **Total loans and borrowings** | **255.6** | **0.3** | **255.8** |
| **In percentage of total loans and borrowings** | **99.9%** | **0.1%** | **100.0%** |

**Finance leasing**
There are no individual significant finance lease contracts for 2017 and 2016.

## 23. EMPLOYEE BENEFITS

The provisions for employee benefits recognized in the balance sheet as of December 31 are as follows:

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| (Million EUR) | Early retirement provision | Defined benefit liability | Other employee benefits | Total | Early retirement provision | Defined benefit liability | Other employee benefits | Total |
| Non-Current | 4.3 | 46.5 | 5.0 | 55.7 | 5.6 | 51.1 | 4.8 | 61.5 |
| Current | 1.4 | - | 0.1 | 1.5 | 1.7 | - | 0.2 | 1.8 |
| **Total** | **5.7** | **46.5** | **5.1** | **57.2** | **7.3** | **51.1** | **5.0** | **63.3** |

| | 2017 | | | |
|---|---|---|---|---|
| (Million EUR) | Early retirement provision | Defined benefit liability | Other employee benefits | Total |
| **Balance at January 1, 2017** | **7.3** | **51.1** | **5.0** | **63.3** |
| Additions | 0.1 | 0.9 | 0.2 | 1.3 |
| Use of provision | -1.7 | -0.8 | -0.1 | -2.7 |
| Reversal of provisions | - | -4.5 | - | -4.5 |
| Translation differences | - | -0.2 | -0.0 | -0.2 |
| **Balance at December 31, 2017** | **5.7** | **46.5** | **5.1** | **57.2** |

The early retirement provision amounts to 5.7 million EUR as per December 31, 2017, of which 4.7 million EUR relates to the closure of the phosphate production in 2013 (recognized in accordance with the guidance in IAS 19 for termination benefits).

The provisions for other employee benefits include long-service benefits (e.g. medal of honor of labor, jubilee premiums, …).

**General description of the type of plan**

• Employee Benefits

These liabilities are recorded to cover the post-employment benefits and cover the pension plans and other benefits in accordance with local practices and conditions, following an actuarial calculation taking into account the financing of insurance companies and other pension funds. The most important pension plans are located in Belgium, the Netherlands, the United Kingdom and Germany.

• Defined contribution pension plans

Defined contribution pension plans are plans for which the group pays pre-determined contributions to a legal entity or a separate fund, in accordance with the settings of the plan. The group's legal or constructive obligation is limited to the amount contributed. The contributions are recognized as an expense in the income statement as incurred and are included in note 7 - Payroll and related benefits.

• Defined benefit pension plans

The defined benefit pension plans provide benefits related to the level of salaries and the years of service. These plans are financed externally by pension funds or insurance companies. Independent actuaries perform an actuarial valuation on an annual basis.

The defined benefit pension plans in Belgium are all final salary pension plans which provide benefits to members in the form of a guaranteed pension capital (payable either as capital or pension for life). These plans are covered by a trustee administered pension fund and group insurance contracts. The level of benefits provided depends on members' length of service and the average salary in the final 3 years leading up to retirement, or the average salary of the best 3 consecutive years, if higher.

The defined contribution plans in Belgium are legally subject to a minimum guaranteed return (the legal minimum guaranteed return as from January 1, 2016 is 1.75%, while before it was 3.25% for employer contributions). If the legal minimum guaranteed return is sufficiently covered, the group has no obligation to pay further contributions than those that are recognized as an expense in the income statement as the related service is provided. The Belgian defined contribution pension plans are to be treated as defined benefit pension plans under IAS 19 as they do not meet all criteria to be accounted for as pure defined contribution pension plans under IFRS. The group follows the prescribed methodology for measurement and accounting for defined benefit pension plans in line with IAS 19 § 57.(a), meaning the projected unit credit method. In the context of a defined contribution pension plan with guaranteed return, this means that the defined benefit obligation is the present value of the projected total expected benefit (ultimate cost) for a full career using accumulated rights at date of calculation and adding expected future contributions (projected using salary increase assumption) which relates to the service rendered at the date of calculation and reporting. The future contributions are accumulated with the legal minimum return. The group recognizes the difference between the defined benefit obligation and the fair value of plan assets (IAS 19 § 57.(a) (iii)) on the balance sheet.

The plan assets of the Belgian defined contribution plans are included in the Belgian pension fund "OFP Pensioenfonds" or are insured externally through insurance contracts. For the plans financed with insurance contracts, several rates are guaranteed by insurance companies on the reserves and on different levels of the premiums depending on the levels reached at certain dates:

- For the contributions paid until January 1, 2001, the guaranteed interest rate equals 4.75%;
- For the contributions paid during the period from January 1, 2001 until January 1, 2013, the guaranteed interest rate equals 3.25%;
- For the contributions paid as from January 1, 2013 until April 1, 2015, the guaranteed interest rate equals 1.75%;
- For the contributions paid during the period from April 1, 2015 until October 1, 2015, the guaranteed interest rate equals 0.75%;
- For the contributions paid as from October 1, 2015 until October 1, 2016, the guaranteed interest rate equals 0.50%;
- For the contributions paid as from October 1, 2016, the guaranteed interest rate equals 0.10%.

The UK and German pension plans are final salary pension plans providing a guaranteed pension payable for life. The UK plan is covered by a trustee administered pension fund and the German plan is covered by recognized provisions in the consolidated statement of financial position.

For the UK and Belgian plans covered by trustee administered pension funds, the board of trustees must consist of representatives of the company and plan participants in accordance with the plan regulations. The governance responsibility for these plans rests with the board of trustees.

Through its defined benefit pension plans, the group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility: The group performs on a regular basis asset-liability studies for the trustee administered pension funds to ensure an accurate match between plan assets and liabilities. The plans hold significant investments in investment funds, which include quoted equity shares, and are thus exposed to equity market risks.
- Inflation, interest rate and life expectancy: The pensions in most of the plans are linked to inflation, therefore the pension plans are exposed to risks linked to inflation, interest rate and life expectancy of pensioners.

The group considers all defined benefit pension plans as having similar characteristics and risks.

### Defined benefit pension plans

The amounts recognized in the statement of financial position are as follows:

| (Million EUR) | note | 2017 | 2016 |
|---|---|---|---|
| Present value of wholly funded obligations | | -46.1 | - |
| Present value of partially funded obligations | | -88.7 | -137.9 |
| Present value of wholly unfunded obligations | | -25.6 | -25.8 |
| **Total present value of obligations** | | **-160.5** | **-163.7** |
| **Fair value of plan assets** | | **115.8** | **112.6** |
| **Net defined benefit (liability)/asset** | | **-44.6** | **-51.1** |
| | | | |
| Amounts in the statement of financial position: | | | |
| Liabilities | | -46.5 | -51.1 |
| Assets | 16 | 1.8 | - |
| **Net defined benefit (liability)/asset** | | **-44.6** | **-51.1** |

The following table shows a reconciliation of the net defined benefit (liability)/asset and its components.

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| (Million EUR) | Present value of obligations | Fair value of plan assets | Net defined benefit (liability) /asset | Present value of obligations | Fair value of plan assets | Net defined benefit (liability) /asset |
| **Balance at January 1** | **-163.7** | **112.6** | **-51.1** | **-148.6** | **115.1** | **-33.6** |
| **Included in profit or loss** | | | | | | |
| Current service cost | -5.3 | - | -5.3 | -5.0 | - | -5.0 |
| Current service cost - Employee contribution | - | 0.3 | 0.3 | - | 0.3 | 0.3 |
| Interest (cost) / income | -2.7 | 2.1 | -0.6 | -3.5 | 3.0 | -0.6 |
| Administrative expenses | - | -0.3 | -0.3 | - | -0.3 | -0.3 |
| **Total included in profit or loss** | **-8.0** | **2.0** | **-6.0** | **-8.5** | **3.0** | **-5.6** |
| **Included in other comprehensive income** | | | | | | |
| Remeasurements: | | | | | | |
| - Gain/(loss) from change in demographic assumptions | 0.7 | - | 0.7 | - | - | - |
| - Gain/(loss) from change in financial assumptions | -1.8 | - | -1.8 | -19.3 | - | -19.3 |
| - Experience gains/(losses) | 4.0 | 6.4 | 10.4 | 0.5 | 3.9 | 4.4 |
| **Total included in other comprehensive income** | **2.8** | **6.4** | **9.2** | **-18.8** | **3.9** | **-14.9** |
| **Other** | | | | | | |
| Exchange differences on foreign plans | 2.4 | -2.3 | 0.2 | 7.0 | -7.4 | -0.4 |
| Contributions by employer | - | 3.1 | 3.1 | - | 3.4 | 3.4 |
| Benefits paid | 6.0 | -6.0 | 0.0 | 5.3 | -5.3 | 0.0 |
| **Total other** | **8.5** | **-5.2** | **3.3** | **12.3** | **-9.3** | **3.0** |
| **Balance at December 31** | **-160.5** | **115.8** | **-44.6** | **-163.7** | **112.6** | **-51.1** |

The 2017 gain resulting from the change in demographic assumptions, included in other comprehensive income, is mainly the result of updated assumptions regarding future mortality used for the calculation of the UK pension obligations.

The 2017 loss from change in financial assumptions, included in other comprehensive income, is mainly the result of the decrease of the discount rate used to calculate the present value of the defined benefit obligations (2017 weighted average discount rate of 1.6%, compared to 1.7% in 2016).

The experience gains in 2017 can mainly be explained by the higher than expected return of the pension plan assets, as well as by lower than expected salary increases.

The net periodic pension cost is included in the following line items of the income statement:

| (Million EUR) | note | 2017 | 2016 |
|---|---|---|---|
| Cost of sales | | -0.8 | -0.8 |
| Distribution expenses | | -0.2 | -0.1 |
| Sales and marketing expenses | | -0.1 | -0.2 |
| Administrative expenses | | -2.9 | -2.5 |
| Other operating income and expenses | | -1.3 | -1.4 |
| Finance (costs) / income - net | 9 | -0.6 | -0.6 |
| **Total** | | **-6.0** | **-5.6** |

The actual return on plan assets in 2017 was 8.5 million EUR (2016: 6.9 million EUR).

The group expects to contribute 2.8 million EUR to its defined benefit pension plans in 2018.

The fair value of the major categories of plan assets is as follows:

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| (Million EUR) | Quoted | Unquoted | Total | % | Quoted | Unquoted | Total | % |
| Property | - | 4.0 | 4.0 | 3.5% | - | 4.0 | 4.0 | 3.6% |
| Qualifying insurance policies | - | 18.5 | 18.5 | 16.0% | - | 18.7 | 18.7 | 16.6% |
| Cash and cash equivalents | - | 5.6 | 5.6 | 4.8% | - | 7.4 | 7.4 | 6.5% |
| Investment funds | 85.6 | - | 85.6 | 73.9% | 80.4 | - | 80.4 | 71.4% |
| Tessenderlo Group bond with maturity date July 15, 2022 | 2.1 | - | 2.1 | 1.8% | 2.1 | - | 2.1 | 1.9% |
| **Total** | **87.7** | **28.1** | **115.8** | **100.0%** | **82.5** | **30.1** | **112.6** | **100.0%** |

The plan assets include no property occupied by the group and no shares of the parent company nor of subsidiaries.

The investment funds consist of a portfolio of investments in equity, fixed interest investments and other financial assets. This diversification reduces the portfolio risk to a minimum.

The principal actuarial assumptions used in determining pension benefit obligations for the group's plans at the balance sheet date (expressed as weighted averages) are:

| | 2017 | 2016 |
|---|---|---|
| Discount rate at 31 December | 1.6% | 1.7% |
| Future salary increases | 1.0% | 1.0% |
| Inflation | 2.2% | 2.3% |

Assumptions regarding future mortality are based on published statistics and mortality tables, and are the following:

| | Mortality table |
|---|---|
| Belgium | MR/FR – 3 |
| United Kingdom | Non Pensioners: 100% S2PMA / 100% S2PFA YOB CMI 2016 [1.5% M / 1.25% F] from 2007.<br>Pensioners: 100% S2PMA / 81% S2PFA YOB CMI 2016 [1.5% M / 1.25% F] from 2008. |
| Germany | © RICHTTAFELN 2005 G von Klaus Heubeck - Lizenz Heubeck-Richttafeln-GmbH, Köln |

For the UK and Belgian plans covered by trustee administered pension funds, an asset-liability matching exercise is performed at least every 3 years, in line with the Statements of Investment Principles (SIP) of the funds. The trustees ensure that the investment strategy as outlined in the SIP is in line with the assets and liabilities management (ALM) strategy and is closely followed by the investment managers.

For the UK plan the next triennial funding valuation will be completed as at January 1, 2020. For the Belgian plan a funding valuation is completed every year. The group doesn't expect the regular contributions to increase significantly.

The weighted average duration of the defined benefit obligation is 10 years for the pension plans in the euro zone. The duration of the UK pension plan is 21 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions, as per December 31, 2017, is:

| | Change in assumption | Impact on defined benefit obligation | Change in assumption | Impact on defined benefit obligation |
|---|---|---|---|---|
| Discount rate | +0.5% | -7.6% | -0.5% | 8.1% |
| Salary growth rate | +0.5% | 3.3% | -0.5% | -1.5% |
| Pension growth/inflation rate | +0.5% | 4.4% | -0.5% | -4.5% |
| Life expectancy | + 1 year | 1.8% | - 1 year | -1.8% |

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions stable. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

**Share-based payments**

In the past warrant plans were created in order to increase the loyalty and motivation of the group's senior management. The plans gave senior management the opportunity to accept warrants which gave them the right to subscribe to shares. The Board of Directors determined annually the list of beneficiaries. There existed no conditions on the number of years of service, however the beneficiaries could not have resigned or been dismissed (and were serving their notice). The Appointment and Remuneration Committee allocated the warrants granted to the beneficiaries based on performance.

The exercise price of the warrant equaled the lower of the average market price of the underlying shares in the 30 trading days preceding the offer date or the market price on the last day preceding the offer date. For American residents, the exercise price equaled the price of the normal shares of Tessenderlo Group nv at the stock exchange closing on the day itself of the offer.

The table below gives an overview of the granted warrants at December 31, 2017:

| Allocation date | Last exercise date | Average exercise price | Number of outstanding warrants |
|---|---|---|---|
| November '06 | July '18 | 28.20 | 8,000 |
| January '13 | December '19 | 20.82 | 10,200 |
| **Total** | | | **18,200** |

IFRS 2 *Share-based payment* requires share based payments made to employees to be recognized in the financial statements based on the fair value of the warrants measured at grant date.

No new offering of warrants to the group's senior management took place in 2016 and 2017.

The number and weighted average exercise price of share warrants is as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Weighted average exercise price | Number of warrants | Weighted average exercise price | Number of warrants |
| Outstanding at the beginning of the period | 35.21 | 117,345 | 26.09 | 338,598 |
| Forfeited during the period | 40.48 | 31,250 | 21.26 | 55,091 |
| Exercised during the period | 35.77 | 67,895 | 21.26 | 166,162 |
| Granted during the period | - | - | - | - |
| Outstanding at the end of the period | 24.06 | 18,200 | 35.21 | 117,345 |
| Exercisable at the end of the period | 24.06 | 18,200 | 35.21 | 117,345 |

As per year-end 2017, 18,200 warrants are exercisable at an average exercise price of 24.06 EUR (the actual exercise price being between 20.76 EUR and 28.20 EUR).

The weighted average remaining contractual life of the warrants outstanding as per December 31, 2017 is 1.3 years (2016: 1.2 years).

## 24. PROVISIONS

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| (Million EUR) | Current | Non-Current | Total | Current | Non-Current | Total |
| Environment | 5.9 | 103.2 | 109.0 | 7.2 | 104.0 | 111.2 |
| Dismantlement | - | 20.7 | 20.7 | - | 20.5 | 20.5 |
| Restructuring | 2.5 | 2.4 | 4.9 | 0.3 | 1.7 | 2.1 |
| Other | 5.8 | 6.0 | 11.9 | 2.5 | 6.1 | 8.6 |
| **Total** | **14.1** | **132.4** | **146.5** | **10.0** | **132.4** | **142.4** |

| | Environment | Dismantlement | Restructuring | Other | Total |
|---|---|---|---|---|---|
| **Balance at January 1, 2017** | **111.2** | **20.5** | **2.1** | **8.6** | **142.4** |
| Additions | 0.3 | 1.2 | 4.2 | 4.5 | 10.1 |
| Use of provisions | -3.8 | -0.0 | -0.5 | -0.9 | -5.2 |
| Reversal of provisions | - | -0.6 | -0.8 | -0.3 | -1.8 |
| Effect of discounting | 1.4 | - | - | - | 1.4 |
| Translation differences | - | -0.3 | -0.0 | -0.0 | -0.3 |
| **Balance at December 31, 2017** | **109.0** | **20.7** | **4.9** | **11.9** | **146.5** |

The environmental provisions amount to 109.0 million EUR and mainly relate to environmental provisions to cover the cost for the remediation of historical soil and ground contamination of the factory sites in Ham (Belgium), Tessenderlo (Belgium), Vilvoorde (Belgium) and Loos (France). A reliable estimate of the amount of outflow of resources to settle this obligation was made and there were no significant changes in assumptions in 2017. The outstanding environmental provisions reflect the discounted value of the expected future cash out, spread over the period 2018-2053. The discount rate, derived from the yield curve of Belgian and French government bonds, varied between 0% and 2%.

The use of environmental provisions amounts to -3.8 million EUR in 2017 (2016: -4.3 million EUR), while the effect of unwinding the discount amounts to -1.0 million EUR in 2017 (2016: -1.1 million EUR), which is included in finance costs (note 9 - Finance costs and income). The impact on environmental provisions, following an adjustment of the timing and discounting of future cash outs, amounts to -0.3 million EUR and was recognized in non-recurring and exceptional operating items.

The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date.

In France, some facilities operated by the group are subject to regulations pertaining to environmentally regulated facilities (Classified Facilities for the Protection of the Environment "ICPE"). This legislation requires to dismantle the classified facilities. The dismantlement provision is included in the cost basis of the related property, plant and equipment, which cost is depreciated accordingly. The total provision recognized on those French facilities amounts to 17.9 million EUR as per December 31, 2017 (2016: 17.8 million EUR). The amounts recognized are based on an internal assessment and on the gross book value of the related assets. They reflect management's best estimate of the expected expenditures. The expected timing of the cash outflow is not yet known. However, no significant cash outflow is expected to take place within the foreseeable future.

The restructuring provisions amount to 4.9 million EUR and mainly relate to the recognition of restructuring provisions within the operating segment Bio-valorization, following an announced reorganization of the Akiolis activities at the Pontivy plant (France) and following the announced closure of the gelatin plant of PB Gelatins Wenzhou Co., Ltd. (China). In December 2017, the decision was made to dissolve PB Gelatins Wenzhou Co., Ltd. and to start the liquidation process of the company. The timing of the cash outflows is expected in 2018 and 2019. The recognized restructuring provisions reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date.

The other provisions include provisions for onerous lease contracts, tax contingencies, pending commercial disputes and product liability claims, and several, individually less significant amounts.

No assets have been recognized as all expected reimbursements, if any, are deemed immaterial (e.g. resulting from the execution of environmental and dismantlement plans).

## 25. TRADE AND OTHER PAYABLES

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| **Non-current trade and other payables** | | |
| Accrued charges and deferred income | 2.0 | 3.0 |
| Other amounts payable | 4.4 | 1.2 |
| **Total** | **6.4** | **4.2** |
| | | |
| **Current trade and other payables** | | |
| Trade payables | 169.1 | 144.5 |
| Remuneration and social security | 57.0 | 51.8 |
| VAT and other taxes | 12.0 | 10.8 |
| Accrued charges and deferred income | 7.0 | 7.1 |
| Trade and other payables from related parties | 1.6 | 1.1 |
| Other amounts payable | 8.5 | 6.6 |
| **Total** | **255.2** | **221.9** |

# 26. FINANCIAL INSTRUMENTS

**Foreign currency risk**

The group is exposed to fluctuations in exchange rates which may lead to profit or loss in currency transactions. The group's assets, earnings and cash flows are influenced by movements in foreign exchange rates. More in particular, the group incurs foreign currency risks on, amongst others, sales, purchases, investments and borrowings that are denominated in a currency other than the group's functional currency. The currencies giving rise to this risk are primarily USD (US dollar), GBP (British pound), CNY (Chinese yuan), ARS (Argentine peso) and BRL (Brazilian real). Movements in foreign currency therefore may adversely affect the group's business, results of operation or financial condition.

Subsidiaries are required to submit information on their net foreign exchange positions when invoiced (customers, suppliers) to Tessenderlo Group nv, the parent company. All the positions are netted at the level of Tessenderlo Group nv and the net positions (long/short), are then sold or bought on the market. The main management tools are the spot purchases and sales of currencies followed by currency swaps.

Group borrowings are generally carried out by the group's holding and finance companies, which make the proceeds of these borrowings available to the operating entities. In principle, operating entities are financed in their functional currency. As from March 2015, the group no longer uses currency swaps to hedge intragroup loans.

In emerging countries, it is not always possible to borrow in local currency because local financial markets are too narrow, funds are not available or because the financial conditions are too onerous. Those amounts are relatively small for the group.

The group's exposure to foreign currency risk was as follows based on nominal amounts (for the exchange rates used, please refer to note 1 - Summary of significant accounting policies):

| (Million EUR) | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | EUR* | CNY | USD | GBP | EUR* | CNY | USD | GBP |
| Assets | 8.8 | 325.8 | 566.1 | 37.7 | 7.6 | 292.7 | 548.2 | 34.3 |
| Liabilities | -15.3 | -0.0 | -88.7 | -0.0 | -13.3 | - | -48.4 | -0.5 |
| **Gross exposure** | **-6.5** | **325.8** | **477.4** | **37.6** | **-5.7** | **292.7** | **499.8** | **33.9** |
| Foreign currency swaps | -3.4 | - | - | -1.0 | -4.1 | - | 5.0 | -0.8 |
| **Net exposure** | **-9.9** | **325.8** | **477.4** | **36.6** | **-9.8** | **292.7** | **504.8** | **33.1** |
| | | | | | | | | |
| **Net exposure (in EUR)** | **-9.9** | **41.8** | **398.1** | **41.3** | **-9.8** | **40.0** | **478.9** | **38.6** |

*EUR includes the exposure to foreign currency risk in EUR and several, individual insignificant foreign currencies expressed in EUR.

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

If the euro had strengthened or weakened by 10% against following currencies with all other variables being held constant, the impact on equity and post-tax profit for the year would have been as follows:

| (Million EUR) | Change in rate | Impact on the income statement: loss(-)/gain(+) | Impact on equity: loss(-)/gain(+) |
|---|---|---|---|
| **At December 31, 2017** | | | |
| USD | +10% | -44.0 | -50.1 |
| | -10% | 53.8 | 61.3 |
| GBP | +10% | -3.2 | -2.3 |
| | -10% | 3.9 | 2.8 |
| CNY | +10% | -2.6 | -2.2 |
| | -10% | 3.2 | 2.7 |

| At December 31, 2016 | | | |
|---|---|---|---|
| USD | +10% | -48.6 | -48.1 |
| | -10% | 59.4 | 58.8 |
| GBP | +10% | -3.0 | -2.2 |
| | -10% | 3.6 | 2.6 |
| CNY | +10% | -2.7 | -2.5 |
| | -10% | 3.3 | 3.1 |

The potential impact on equity and post-tax profit as a consequence of a change in USD, GBP or CNY is mainly caused by non-hedged intragroup loans, and would therefore not impact the cash flow generated by the group.

**Credit risk**

The group is subject to the risk that the counterparties with whom it conducts its business (in particular its customers) and who have to make payments to the group, are unable to make such payment in a timely manner or at all. A large majority of the receivables is covered under a group credit insurance program. The group is confident that the current level of credit insurance coverage can be sustained in the future.

The group has no significant concentration of credit risk. However, there can be no assurance that the group will be able to limit its potential loss of proceeds from counterparties who are unable to pay in a timely manner or at all. The liquidities available at year-end are deposited for very short term at highly rated international banks.

The maximum exposure to credit risk amounts to 494.0 million EUR as per December 31, 2017 (2016: 398.6 million EUR). This amount consists of current and non-current trade and other receivables (298.6 million EUR, note 16 - Trade and other receivables), current derivative financial instruments (0.0 million EUR) and cash and cash equivalents (195.5 million EUR, note 18 - Cash and cash equivalents).

The maximum exposure to credit risk for trade receivables at the reporting date by operating segment was (note 16 - Trade and other receivables):

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Agro | 90.0 | 73.8 |
| Bio-valorization | 73.0 | 78.0 |
| Industrial Solutions | 68.0 | 62.0 |
| Other | 2.4 | 6.7 |
| Non-allocated | 2.8 | 5.7 |
| **Total** | **236.2** | **226.3** |

The ageing of trade receivables at the reporting date was:

| (Million EUR) | 2017 | | 2016 | |
|---|---|---|---|---|
| | Gross | Amounts written off | Gross | Amounts written off |
| Not past due | 194.6 | - | 189.6 | - |
| Past due 0-30 days | 35.2 | -0.0 | 29.5 | -0.0 |
| Past due 31-120 days | 5.6 | -0.1 | 6.6 | -0.3 |
| Past due 121-365 days | 0.6 | -0.2 | 2.6 | -1.8 |
| More than one year | 4.7 | -4.0 | 4.6 | -4.4 |
| **Total** | **240.6** | **-4.3** | **232.9** | **-6.6** |

The group estimates that the un-impaired amounts that are past due are still collectible, based on historic payment behavior and extensive analysis of customer credit risk.

Based on the group's monitoring of customer credit risk, the group estimates that, except for the amounts mentioned in the table above, no impairment allowance is necessary in respect of trade receivables not past due.

The movement in the allowance for impairment in respect to trade receivables during the year was as follows:

| (Million EUR) | note | 2017 | 2016 |
|---|---|---|---|
| **Balance at January 1** | | **-6.6** | **-8.1** |
| Use of impairment loss | | 1.2 | 3.2 |
| Reversal / (recognition) of impairment losses | 5 | 1.0 | -1.8 |
| Other movements | | 0.1 | 0.1 |
| **Balance at December 31** | 16 | **-4.3** | **-6.6** |

**Interest risk**

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they may affect the market value of certain financial assets, liabilities and instruments.

At the end of 2017, the financial debt position was mainly funded by fixed interest rate instruments, i.e. issued bonds.

At the reporting date, the group's interest-bearing financial instruments were:

| (Million EUR) | note | 2017 | 2016 |
|---|---|---|---|
| **Fixed rate instruments** | | | |
| Financial assets | 18 | 140.9 | 15.0 |
| Loans and borrowings | 22 | 227.0 | 227.8 |
| | | | |
| **Variable rate instruments** | | | |
| Financial assets | 18 | 54.6 | 104.2 |
| Loans and borrowings | 22 | 27.1 | 28.0 |

The outstanding loans and borrowings amount to 254.0 million EUR, of which 227.0 million EUR has a long term fixed interest rate. The fixed interest rate loans and borrowings mainly include the 2022 and 2025 bonds, with a fixed rate of 2.875% and 3.375% respectively. The loans and borrowings with a variable rate mainly relate to the commercial paper program. As such, movements in interest rates would not have a significant impact on the group's cash flow or result.

**Liquidity Risk**

Liquidity risk is defined as the risk that a company may have insufficient resources to fulfill its financial obligations at any time. Failure to meet financial obligations can result in significantly higher costs, and it can negatively affect reputation.

In order to limit this risk, the group took a series of actions:

- the set-up of a factoring program at the end of 2009, which is put on hold since 2015.
- a capital increase of 174.8 million EUR in December 2014.
- the issuance in July 2015 of two series of bonds with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds"). The total issue amount was 250.0 million EUR, of which 192.0 million EUR for the 2022 bonds and 58.0 million EUR for the 2025 bonds.
- the replacement of the syndicated facility agreement (terminated in December 2015) by 5 year committed bi-lateral agreements for a total amount of 142.5 million EUR (of which part can be drawn in USD) with four banks. These facilities have no financial covenants and ensure maximum flexibility for the different activities.

In addition, the group uses a commercial paper program of maximum 200.0 million EUR.

The group regularly projects short and long-term forecasts in order to adapt financial means to forecasted needs.

The following are the contractual maturities of loans and borrowings, including interest payments:

| (Million EUR) | 2017 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Less than one year | Between 1 and 5 years | More than 5 years |
| **Non-derivative loans and borrowings** | | | | | |
| Bond with maturity date July 15, 2022 | 165.6 | 187.2 | 4.8 | 182.5 | - |
| Bond with maturity date July 15, 2025 | 58.0 | 72.8 | 2.0 | 7.8 | 63.0 |
| Credit institutions (commercial paper) | 27.0 | 27.0 | 27.0 | - | - |
| Credit institutions | 3.3 | 3.7 | 2.4 | 0.5 | 0.8 |
| Bank overdrafts | 0.1 | 0.1 | 0.1 | - | - |
| Finance lease liabilities | 0.1 | 0.1 | 0.1 | 0.1 | - |
| **Total** | **254.1** | **291.0** | **36.3** | **190.9** | **63.8** |
| | | | | | |
| **Derivatives** | | | | | |
| Foreign currency swaps | 0.0 | | | | |
| Inflow | | 4.5 | | | |
| Outflow | | -4.5 | | | |
| **Total** | **0.0** | **0.0** | | | |

| (Million EUR) | 2016 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Less than one year | Between 1 and 5 years | More than 5 years |
| **Non-derivative loans and borrowings** | | | | | |
| Bond with maturity date July 15, 2022 | 165.6 | 192.0 | 4.8 | 19.0 | 168.2 |
| Bond with maturity date July 15, 2025 | 58.0 | 74.7 | 2.0 | 7.8 | 64.9 |
| Credit institutions (commercial paper) | 28.0 | 28.0 | 28.0 | - | - |
| Credit institutions | 4.0 | 4.6 | 1.1 | 2.6 | 0.9 |
| Bank overdrafts | 0.0 | 0.0 | 0.0 | - | - |
| Finance lease liabilities | 0.2 | 0.2 | 0.1 | 0.1 | - |
| **Total** | **255.8** | **299.5** | **35.9** | **29.6** | **234.0** |

| | | |
|---|---|---|
| **Derivatives** | | |
| Foreign currency swaps | 0.5 | |
| Inflow | | 10.3 |
| Outflow | | -9.8 |
| **Total** | **0.5** | **0.5** |

**Estimation of fair value of financial assets and liabilities**

The fair value of non-derivative loans and borrowings is calculated based on the net present value of future principal and interest cash flows discounted at market rate. These are based on market inputs from reliable financial information providers. Therefore, the fair value of the fixed interest-bearing loans and borrowings is within level 2 of the fair value hierarchy.

The fair value of the non-current loans and borrowings measured at amortized cost in the statement of financial position as per December 31 is presented below:

| (Million EUR) | 2017 | | 2016 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Non-current loans and borrowings** | | | | |
| Leasing payables | -0.1 | -0.1 | -0.1 | -0.1 |
| Credit institutions | -1.0 | -1.2 | -3.2 | -3.4 |
| Bonds (maturity date in 2022 and 2025) | -223.6 | -237.4 | -223.6 | -236.5 |

The bonds issued in 2015 with a maturity of 7 years (the “2022 bonds”) and 10 years (the “2025 bonds”) were both quoted at 106.2% as per December 31, 2017.

The fair value of the following financial assets and liabilities approximates their carrying amount:

- Trade and other receivables
- Other investments
- Cash and cash equivalents
- Current loans and borrowings
- Trade and other payables
- Assets within “Non-current assets classified as held for sale”

**Fair value of derivative financial instruments**

The following table shows the carrying amounts of derivative financial instruments measured at fair value in the statement of financial position including their levels in the fair value hierarchy:

| (Million EUR) | 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount balance sheet | | | | Fair value hierarchy | | | |
| | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Level 1 | Level 2 | Level 3 | Total |
| Foreign currency swaps | 0.0 | - | -0.0 | - | - | 0.0 | - | 0.0 |
| Electricity forward contracts | - | - | -6.1 | -11.2 | - | - | -17.4 | -17.4 |
| **Total** | **0.0** | **0.0** | **-6.1** | **-11.2** | **-** | **0.0** | **-17.4** | **-17.4** |

| (Million EUR) | 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount balance sheet | | | | Fair value hierarchy | | | |
| | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Level 1 | Level 2 | Level 3 | Total |
| Foreign currency swaps | 0.5 | - | -0.0 | - | - | 0.5 | - | 0.5 |
| Electricity forward contracts | - | - | -6.0 | -12.2 | - | - | -18.3 | -18.3 |
| **Total** | **0.5** | **0.0** | **-6.0** | **-12.2** | **-** | **0.5** | **-18.3** | **-17.8** |

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of forward contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate.

The fair value of these instruments generally reflects the estimated amounts that the group would receive on settlement of favourable contracts or be required to pay to terminate unfavourable contracts at the reporting date, and thereby taking into account the current unrealized gains or losses on open contracts.

The following table indicates the fair values of all outstanding derivative and other financial instruments at year-end:

| (Million EUR) | 2017 | | 2016 | |
|---|---|---|---|---|
| | Contractual amount | Fair value | Contractual amount | Fair value |
| Foreign currency swaps | 4.5 | 0.0 | 10.3 | 0.5 |
| Electricity forward contracts | N/A | -17.4 | N/A | -18.3 |
| **Total** | **4.5** | **-17.4** | **10.3** | **-17.8** |

The contractual amount indicates the volume of outstanding derivatives at the balance sheet date and therefore does not reflect the group's exposure to risks from such transactions.

The total fair value of the derivative financial instruments at December 31, 2017 amounts to -17.4 million EUR (2016: -17.8 million EUR) and consists of an electricity forward contract and foreign currency swaps, the latter with maturity date in January 2018.

The net change of the amount of derivative financial instruments before tax, as included in the other comprehensive income, amounts to 2.1 million EUR, and can be explained by the group's part of the change in fair value of the interest rate swaps in the associate T-Power SA and in the joint-venture Jupiter Sulphur LLC, recorded in equity in accordance with the accounting policy related to cash flow hedging.

The table below indicates the underlying contractual amount of the outstanding contracts per currency at year-end (selling of foreign currencies):

| (Million) | 2017 | | 2016 | |
|---|---|---|---|---|
| | Amount in foreign currency | Amount in EUR | Amount in foreign currency | Amount in EUR |
| GBP | 1.0 | 1.1 | 0.8 | 0.9 |
| USD | - | - | 5.0 | 4.8 |
| JPY | 281.7 | 2.1 | 445.4 | 4.1 |
| Other | | 1.3 | | 0.5 |
| **Total** | | **4.5** | | **10.3** |

Because of significant unobservable inputs, a level 3 fair value measurement is applied for the fair value measurement of an electricity purchase agreement (‘PPA’ – Purchase Power Agreement), for which the own-use exemption under IAS 39 is not applicable anymore. The value of the contract is depending on the future difference between market electricity prices and the generation cost based on market gas prices (the “spark spread”), and on the effect of the hourly pricing optimization as foreseen in the contract. Forward prices are only available for a 3-year period and for a base load product. The uncertainty beyond that period is high on different important parameters (including also the regulatory environment), however based on more favourable market and regulatory condition assumptions, the fair value of the PPA contract is set to zero beyond the initial 3 years. The used base load future prices are calculated based on the 2017 average daily Zeebrugge Gas Yearly forward prices and on the 2017 average daily Endex Yearly forward electricity prices for Belgium. The future hourly optimization effect is calculated as an extrapolation of the trend since the start of the contract.

As per December 31, 2017 the above inputs lead to a net fair value of -17.4 million EUR compared to a net fair value of -18.3 million EUR as per December 31, 2016. The change in net fair value for an amount of +0.9 million EUR has been recognized as an exceptional operating item (note 6 - Non-recurring and exceptional operating income/(expense) items).

The key assumptions used in the valuation as per December 31, 2017 are:

| | | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Gas forward price | EUR/MWh | 17.1 | 16.8 | 16.5 |
| Electricity forward price | EUR/MWh | 37.3 | 35.0 | 35.1 |
| Discount rate | 5.5% | | | |

The key assumptions used in the valuation as per December 31, 2016 are:

| | | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| Gas forward price | EUR/MWh | 17.0 | 17.5 | 17.4 |
| Electricity forward price | EUR/MWh | 36.4 | 34.8 | 33.7 |
| Discount rate | 5.5% | | | |

The sensitivity of the valuation to changes in the principal assumptions is the following:

| Change in assumption | | Impact fair value (Million EUR) | |
|---|---|---|---|
| | | 2017 | 2016 |
| Gas price | +1 EUR/MWh | -2.3 | -2.3 |
| Electricity price | +1 EUR/MWh | 1.2 | 1.2 |
| Spark spread optimization | +1 EUR/MWh | 1.2 | 1.2 |
| Discount rate | +1% | 0.3 | 0.3 |
| Running hours T-Power SA | +10% | -0.1 | -0.1 |

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions stable. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

# 27. OPERATING LEASES

**Leases as lessee**
The non-cancellable operating leases are payable as follows:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Less than one year | 27.0 | 27.3 |
| Between 1 and 5 years | 58.1 | 66.7 |
| More than 5 years | 10.8 | 9.6 |
| **Total** | **96.0** | **103.6** |

During the current year, 26.6 million EUR was recognized as an expense in the income statement in respect of operating leases as lessee (2016: 26.2 million EUR). Certain leases provide for additional payments that are contingent on volume. Contingent rents recognized in the income statement under operating leases amount to 3.2 million EUR (2016: 3.3 million EUR).

The non-cancellable operating leases mainly consist of land and buildings (20.3 million EUR), plant, machinery and equipment (24.4 million EUR) and furniture and vehicles (50.9 million EUR).

There are no significant leased properties which have been sublet by the group.

Some lease arrangements contain renewal options at normal market conditions. No restrictions are imposed by lease arrangements.

**Leases as lessor**
There are no significant assets leased out under operating leases.

## 28. GUARANTEES AND COMMITMENTS

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Guarantees given by third parties on behalf of the group | 25.5 | 27.1 |
| Guarantees given on behalf of third parties | 1.8 | 1.6 |
| Guarantees received from third parties | 2.7 | 3.0 |
| Commitments related to capital expenditures | 9.7 | 29.8 |

Guarantees given by third parties on behalf of the group mainly relate to the fulfillment of environmental obligations for 19.9 million EUR (2016: 19.5 million EUR) of Tessenderlo Group nv. The remaining balance consists of numerous other guarantees to secure financing, custom and other obligations.

Guarantees given on behalf of third parties mainly relate to guarantees given for the fulfillment of lease obligations.

The guarantees received from third parties concern guarantees, which suppliers grant to the group as guarantee for the proper execution of investment projects.

Capital expenditure contracted for at the end of the reporting period but not yet incurred amounts to 9.7 million EUR (2016: 29.8 million EUR). The decrease is mainly explained by the completion in 2017 of the construction of a Thio-Sul® production facility in East Dubuque, Illinois (United States), a membrane technology based production plant in the Produits Chimiques de Loos site (France) and a Thio-Sul® production plant in Rouen (France).

The shares of T-Power SA are pledged in first degree to guarantee the liabilities in respect of a “facility agreement” of 440.0 million EUR signed on December 18, 2008 between T-Power SA and a syndicate of banks. The T-Power SA shares are pledged in second degree to guarantee the ”tolling agreement” for the entire 425 MW capacity signed on August 13, 2008 between T-Power SA and RWE group. The tolling agreement has a 15 years duration with an optional 5-year extension thereafter.

The group and its subsidiaries have certain other contingent liabilities relating to long-term purchase obligations and commitments. The agreements typically concern strategic raw materials and goods and services, such as electricity and gas.

## 29. CONTINGENCIES

The group is confronted with a number of claims or potential claims and disputes, which are a consequence of the daily operational activities. To the extent such claims and disputes are such that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation, suitable provisions have been made.

It is the group's policy to recognize environmental provisions in the balance sheet, when the group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

These provisions are reviewed periodically and adjusted, if necessary, as assessments and work proceeds and additional information becomes available. Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation or other factors of a similar nature.

As stated in note 24 - Provisions, the environmental provisions in accordance with the above policies aggregated to 109.0 million EUR at December 31, 2017 (December 31, 2016: 111.2 million EUR).

While it is not feasible to predict the outcome of all pending environmental exposures, it cannot be excluded that there will be a need for future provisions for environmental costs which, in management's opinion, based on information currently available, would not have a material effect on the group's financial position, but could be material to the group's results in any one accounting period.

Acquisition, investment and joint-venture agreements as well as divestments may contain habitual provisions leading to price adjustments. In addition, for divestments, proper consideration has been given to provisions for possible indemnifications payable to the acquirer, if any, including matters in the area of health, environment, tax, product liability, restructuring, competition, pensions and share incentives.

The group has been allocated emission allowances for the period 2013-2020, that are yearly granted free of charge to cover operational emissions for products exposed to carbon leakage. Additional emission allowances will be purchased in case of any deficit. The cost of additional emission allowances purchased during 2017 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.

## 30. RELATED PARTIES

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

As per December 31, 2017, Verbrugge nv, controlled by Picanol nv, is holding 15,841,547 shares (36.72% of the company). Its affiliated company Symphony Mills nv holds 1,694,774 shares (3.93%). Picanol Group is a listed Belgian industrial company and specialized in the development, production and sale of weaving machines, engineered casting solutions and custom-made controllers. Picanol Group is represented in the Board of Directors through two members: Mr. Stefaan Haspeslagh (Chairman Picanol Group) and Mr. Luc Tack (Managing Director Picanol Group).

The group purchased and sold goods and services to various related parties in which the group holds a 50% or less equity interest (note 14 - Investments accounted for using the equity method). Such transactions were conducted at arm's length with terms comparable to transactions with third parties.

Premiums for an amount of 1.5 million EUR were paid to the Belgian pension fund, "OFP Pensioenfonds" (2016: 1.7 million EUR). Liabilities related to employee benefit schemes as per December 31, 2017 include 10.6 million EUR related to the "OFP Pensioenfonds" (2016: 13.5 million EUR).

### Transactions with joint-ventures:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Transactions with joint-ventures – Sales | 45.9 | 47.6 |
| Transactions with joint-ventures – Purchases | -19.1 | -20.2 |
| Non-current assets | 8.3 | - |
| Current assets | 3.0 | 7.1 |
| Current liabilities | 1.6 | 1.1 |

The revenue with joint-ventures is mainly explained by Tessenderlo Kerley Services Inc., which is currently executing engineering and construction activities for the joint-venture Jupiter Sulphur LLC.
The non-current assets (8.3 million EUR) refer to a 10.0 million USD loan, given by Tessenderlo Kerley Inc. to the joint-venture Jupiter Sulphur LLC. The loan is interest bearing (3.0%) and is reimbursable to Tessenderlo Kerley Inc. in the period 2020-2023. Jupiter Sulphur LLC obtained the same amount from the other joint-venture partner. The funds will be used to finance the current ongoing capital expenditure. The granted loan is included in “Other investments” in the group’s consolidated statement of financial position.

### Transactions with associates:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Other operating income | 0.1 | 0.1 |

Dividends were received from joint-ventures and associates for an amount of 1.0 million EUR (2016: 1.1 million EUR), while dividends received from other investments amounted to 0.1 million EUR (2016: 0.0 million EUR).

### Transactions with the members of the Executive Committee:

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| Short-term employee benefits | 2.0 | 1.3 |
| Post-employment benefits | 0.0 | 0.0 |
| **Total** | **2.0** | **1.3** |

Short-term employee benefits include salaries and accrued bonuses over 2017 (including social security contributions), car leases and other allowances where applicable.

The short term employee benefits include 1.3 million EUR fix and 0.7 million EUR variable employee benefits (2016: 0.9 million EUR and 0.5 million EUR respectively).

There was no new emission of warrants in 2017 and no warrants were exercised by members of the Executive Committee during 2017.

## 31. AUDITOR'S FEES

PwC Bedrijfsrevisoren bcvba (PwC), represented by Peter Van den Eynde, was re-appointed as group statutory auditor by the shareholders meeting of the company on June 7, 2016.

The fees paid by the group to its auditor amounted to:

| (Million EUR) | 2017 | | | |
|---|---|---|---|---|
| | Audit | Audit related | Other | Total |
| PwC (Belgium) | 0.3 | - | - | 0.3 |
| PwC (Outside Belgium) | 0.5 | - | 0.1 | 0.6 |
| **Total** | **0.8** | **-** | **0.1** | **0.9** |

| (Million EUR) | 2016 | | | |
|---|---|---|---|---|
| | Audit | Audit related | Other | Total |
| PwC (Belgium) | 0.3 | - | - | 0.3 |
| PwC (Outside Belgium) | 0.5 | - | 0.1 | 0.6 |
| **Total** | **0.8** | **-** | **0.1** | **0.9** |

## 32. SUBSEQUENT EVENTS

No significant subsequent events occurred after the balance sheet date.

# 33. GROUP COMPANIES

Listed below are all the group companies.

The total number of consolidated companies is 56[19].

List of the consolidated companies on December 31, 2017, accounted for by the full consolidation method:

| Europe | Entity | Address | Belgian company number | Ownership |
|---|---|---|---|---|
| Belgium | Dyka Plastics nv | 3900 Overpelt | 0414467340 | 100% |
| Belgium | Limburgse Rubber Produkten nv | 1050 Brussels | 0415296392 | 100% |
| Belgium | Tessenderlo Chemie International nv | 1050 Brussels | 0407247372 | 100% |
| Belgium | Tessenderlo Group nv | 1050 Brussels | 0412101728 | parent company |
| Belgium | Tessenderlo Finance nv | 1050 Brussels | 0878995984 | 100% |
| Czech Republic | Dyka s.r.o. | 27361 Velka Dobra | | 100% |
| France | Akiolis Group SAS | 72000 Le Mans | | 100% |
| France | Atemax France SAS | 72000 Le Mans | | 100% |
| France | Établissements Charvet Père et Fils SAS | 91490 Milly-La-Forêt | | 100% |
| France | Produits Chimiques de Loos SAS | 59120 Loos | | 100% |
| France | Tessenderlo Kerley France SAS | 59120 Loos | | 100% |
| France | Soleval France SAS | 72000 Le Mans | | 100% |
| France | Dyka SAS | 62140 Sainte Austreberthe | | 100% |
| France | Tefipar SAS | 59120 Loos | | 100% |
| France | Tessenderlo Services SARL | 59120 Loos | | 100% |
| France | Établissements Violleau SAS | 79380 La Forêt sur Sèvre | | 100% |
| Germany | BT Bautechnik Impex GmbH | 86551 Aichach | | 100% |
| Germany | PB Gelatins GmbH | 31582 Nienburg | | 100% |
| Hungary | BTH Fitting Kft | 3636 Vadna | | 100% |
| Italy | Tessenderlo Cologna Veneta S.r.l. | 20122 Milano | | 100% |
| Luxembourg | Térélux SA | 2163 Luxembourg | | 100% |
| Poland | Dyka Sp.z.o.o. | 55-221 Jelcz-Laskowice | | 100% |
| Romania | Dyka Plastic Pipe Systems S.R.L. | 76100 Bucarest, sector 1 | | 100% |
| Slovakia | Dyka SK s.r.o. | 82109 Bratislava | | 100% |
| The Netherlands | Dyka B.V. | 8331 LJ Steenwijk | | 100% |
| The Netherlands | Nyloplast Europe B.V. | 3295 KG 's Gravendeel | | 100% |
| The Netherlands | Tessenderlo NL Holding B.V. | 4825 AV Breda | | 100% |
| United Kingdom | Dyka UK Ltd. | Longtown-Carlisle Cumbria CA6 5LY | | 100% |
| United Kingdom | John Davidson Holdings Ltd. | Edinburgh EH3 8UL | | 100% |
| United Kingdom | John Davidson Pipes Ltd. | Edinburgh EH3 8UL | | 100% |
| United Kingdom | PB Gelatins UK Ltd. | Pontypridd CF 375 SQ | | 100% |
| United Kingdom | Tessenderlo Holding UK Ltd. | Pontypridd CF 375 SQ | | 100% |

*[19] SAR (Société Azuréenne de Récupération) SAS and Plastic Pipe Systems Holding BV merged with other subsidiaries of the group. Wolf Mountain Products LLC was liquidated. Tessenderlo Kerley Australia PTY LTD, Corporacion Aro de Fuego S.A. and TKP Peru S.A.C. are new created companies.*

| USA | | | |
|---|---|---|---|
| USA | Environmentally Clean Systems LLC | Dover, Delaware 19904 | 69,01% |
| USA | ECS Myton, LLC | Dover, Delaware 19904 | 51,00% |
| USA | Kerley Trading Inc. | Dover, Delaware 19904 | 100% |
| USA | MPR Services Inc. | Dover, Delaware 19904 | 100% |
| USA | PB Leiner USA Corporation | Davenport, Iowa 52806 | 100% |
| USA | Tessenderlo Kerley Inc. | Dover, Delaware 19904 | 100% |
| USA | Tessenderlo Kerley Services Inc. | New Mexico - 88220 Carlsbad | 100% |
| USA | Tessenderlo U.S.A. Inc. | Dover, Delaware 19904 | 100% |

| Rest of the world | | | |
|---|---|---|---|
| Argentina | PB Leiner Argentina SA | Sarmiento 1230, piso 4° - Ciudad Autónoma de Buenos Aires | 100% |
| Australia | Tessenderlo Kerley Australia PTY LTD | Level 14, 440 Collins Street, Melbourne VIC 3000 | 100% |
| Brazil | PB Brasil Industria e Commercio de Gelatinas Ltda | Acorizal, Mato Grosso CEP 78480-000 | 100% |
| Chile | Kerley Latinoamericana Comercializadora Limitada | 9358 Santiago | 100% |
| China | PB Gelatins (Heilongjiang) Co. Ltd. | Kongguo County - Heilongjiang Province | 100% |
| China | PB Gelatins (Wenzhou) Co. Ltd. | Ping Yang County - 325401 Zhejiang Province | 80,00% |
| China | Tessenderlo Trading (Shanghai) Co. Ltd. | China R.P. - 200021 Shanghai | 100% |
| Costa Rica | Corporacion Aro de Fuego S.A. | La Union Tres Rios - Cartago | 100% |
| Japan | TKI Japan KK | Tokyo - Chiyoda-ku | 100% |
| Mexico | Tessenderlo Kerley Mexico SA de CV | Novojoa, Sonora | 100% |
| Paraguay | Maramba S.R.L. | Villa Hayes - Asuncion del Paraguay | 100% |
| Peru | TKP Peru S.A.C. | Ciudad de Lima - Provincia de Lima | 100% |
| Turkey | Tessenderlo Agrochem Tarim Ve Kimya San. Ve Tic. Ltd. Sti. | 35730 Kemalpasa - Izmir | 100% |

List of the consolidated companies on December 31, 2017 accounted for by the equity method:

| Europe | | | | |
|---|---|---|---|---|
| Belgium | T-Power SA | 1200 Brussels | 0875650771 | 20,00% |
| France | Établissements Michel SAS | 31800 Villeneuve de Rivière | | 50,00% |

| Rest of the world | | | |
|---|---|---|---|
| USA | Jupiter Sulphur LLC | Dover, Delaware 19904 | 50,00% |

List of the non-consolidated companies on December 31, 2017 due to their insignificant impact on the consolidated figures:

| Europe | | | |
|---|---|---|---|
| Switzerland | Tessenderlo Schweiz AG | 5332 Rekingen | 100% |
| United Kingdom | Britphos Ltd. | Pontypridd CF 375 SQ | 100% |

# 34. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements 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 financial statements 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 financial statements.

The judgments, estimates and assumptions used in preparing the consolidated financial statements as per December 31, 2017 are the same as those applied and disclosed in the consolidated financial statements at December 31, 2016.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below:

- Impairments. The carrying amount of financial assets, property, plant and equipment, goodwill and other intangible assets is reviewed at each balance sheet date to determine whether an indication of impairment exits. If any such indication exists, the asset's recoverable amount is estimated (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets).
- Inventory obsolescence and lower of cost of net realizable value adjustments, which are determined based on experience and the assessment of market circumstances (note 17 - Inventories).
- Employee benefits. The calculation of defined benefit obligations is based on actuarial assumptions such as future salary increases, inflation and through the use of a discount rate (note 23 - Employee benefits).
- Deferred taxes. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. In making its judgment, management takes into account the long term business strategy (note 15 - Deferred tax assets and liabilities).
- Provisions and contingencies. The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows. Provisions can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation, a change in best practices for sanitation, a change in timing of cash outflows, a change in agreement with authorities on the treatment of the polluted site or other factors of a similar nature (note 24 - Provisions).
- Financial instruments (note 26 - Financial instruments). These are measured at fair value in the statement of financial position based on:
  - inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices) or
  - inputs for the asset or liability that are not based on observable market data.

# STATEMENT ON THE TRUE AND FAIR VIEW OF THE CONSOLIDATED FINANCIAL STATEMENT AND THE FAIR OVERVIEW OF THE MANAGEMENT REPORT

Mr. Luc Tack (CEO) and Mr. Stefaan Haspeslagh, representative of Findar BVBA (COO/CFO), certify, on behalf and for the account of the company, that, to his/their knowledge,

a) the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and the income statement of the company, and the entities included in the consolidation as a whole,

b) the consolidated management report includes a fair overview of the development and performance of the business and the position of the company, and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.

# AUDITOR'S REPORT

## STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF TESSENDERLO GROUP NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated financial statements of Tessenderlo Group NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the audit of the consolidated financial statements, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting of 7 June 2016, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the consolidated financial statements for the year ended 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Tessenderlo Group NV for five consecutive years.

**Report on the audit of the consolidated financial statements**

***Unqualified opinion***

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 1.411,7 million and a profit for the period of EUR 25,8 million.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

***Basis for unqualified opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the requirements related to independence.
We have obtained from the board of directors and Company 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.

***Key audit matters***

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

**Impairment testing of goodwill, intangible assets & property, plant and equipment - Note 11, 12 and 13**
**Description of the key audit matter**

The carrying value of the Group's goodwill, intangible assets & property, plant and equipment amounts to EUR 567,8 million as at 31 December 2017. We consider this as most significant to our audit because the determination of whether or not an impairment charge for fixed assets is necessary involves significant judgement by the directors about the future results of the business and assessment of future plans for the Group's property portfolio in a number of territories.

In particular, we focused on the reasonableness and impact of key assumptions including:
- cash flow forecasts derived from internal forecasts and the assumptions around the future performance;
- the discount rate and the long term growth rate including assessment of risk factors and growth expectations of the relevant territory;
- assumptions used in the valuations prepared to support the fair value of certain assets.

**How our audit addressed the key audit matter**

We evaluated management's assessment of the indicators of impairment and challenged impairment calculations by assessing the future cash flow forecasts used in the models, and the process by which they were drawn up, including comparing them to the latest approved budget by the Board of Directors and internal forecasts.
We understood and challenged:
- assumptions used in the Group's budget and internal forecasts and the long term growth rates by comparing them to economic and industry forecasts;
- the historical accuracy of budgets to actual results to determine whether cash flow forecasts are reliable based on past experience;
- the discount rate by assessing the cost of capital and other inputs including benchmarking with comparable organizations;
- assumptions used to determine the fair market value of the assets;
- the mechanics of the underlying calculations.

In performing the above work, we utilized our internal valuation experts to provide challenge and external market data to assess the reasonableness of the assumptions used by management. We performed sensitivity analysis around the key drivers within the cash flow forecasts to ascertain the extent of change in those assumptions and also considered the likelihood of such a movement in those key assumptions arising. Whilst recognizing that cash flow forecasting, impairment modelling and property valuations are all inherently judgmental, we found that the assumptions used by management were within an acceptable range of reasonable estimates.

**Environmental provisions - Note 24**
**Description of the key audit matter**

As described in Note 24, environmental provisions totalling EUR 109 million as at 31 December 2017 have been reported in the consolidated financial statements of Tessenderlo Group. Those environmental provisions are mainly set up to cover the cost for the remediation of historical soil and ground contamination of the plants in Ham (Belgium), Vilvoorde (Belgium) and Loos (France). The environmental provisions reflect the discounted value of the expected future cash outflows, spread over the period 2018-2053.

The matter is of most significance to our audit because the assessment process is complex and involves significant management judgement. Assumptions and estimates used in valuing the environmental provisions are, amongst others, related to:
- expected outflow of resources to settle the obligations;
- discount rate and time horizon to be applied in calculating the present value of the obligations at balance sheet date.

Changes in assumptions and estimates used to value the environmental provisions may have a significant effect on the Group's financial position.

**How our audit addressed the key audit matter**

As part of our audit procedures, we have assessed management's process to identify new environmental obligations and changes in existing obligations in compliance with IAS 37 requirements.
We assessed the accuracy, valuation and completeness of the environmental provisions as per 31 December 2017. This assessment included:

- meetings with the environmental manager of the Group;
- review of communication with external parties (including reports of the regulators and supplier quotations for the work to be performed);
- review of consistency in assumptions and accounting estimates applied;
- testing of accounting estimates made in prior periods by tracing to corroborative evidence of amount spent;
- analysis of the cash outflow projections made by management.

Additionally, we also evaluated the discount rate used for accuracy and were able to reconcile to observable marketplace assumptions. Finally, we focused on the adequacy of the company's disclosures in Note 24 of the consolidated financial statements. We found that management's estimates are reasonable and company's disclosures of environmental provisions are appropriate.

**Post-retirement benefit provisions - Note 23**
**Description of the key audit matter**

As described in Note 23, the Group has defined benefit pension plans in Belgium, Germany and the UK. Through its defined benefit pension plans, the Group is exposed to a number of risks, mainly being:

- asset volatility: the pension plans hold significant investments in investment funds (74% of the total plan assets), which include quoted equity shares, and are as a consequence exposed to equity market risks;
- actuarial assumptions including expected inflation, discount rate, future salary increases and mortality tables / life expectancy.

The procedures over the post-retirement benefit provisions were of most significance to our audit because the assessment process is complex and involves significant management judgement. Actuarial assumptions are used in valuing the Group's post-retirement benefit plans. Small changes in assumptions and estimates used to value the Group's net post-retirement benefit liability may have a significant effect on the Group's financial position. Technical expertise is required to determine these amounts.

The post-retirement benefit provision as per 31 December 2017 consists out of defined benefit obligations (EUR 160,5 million) offset by plan assets (EUR 115,8 million). The largest pension plans are the OFP Pension Fund (Tessenderlo Group NV, Belgium), the PB Gelatins GmbH Pension Scheme (Germany) and the pension plan in the UK which together account for 80% of the total net defined benefit obligations (DBO).

**How our audit addressed the key audit matter**

We evaluated and challenged management's key actuarial assumptions (both financial and demographic) by performing independent testing of those assumptions supporting the Group's post-retirement benefit obligation.

In performing the evaluation of the assumptions (being discount, inflation and salary increase rates and mortality / life expectancies), we utilized our internal specialists' knowledge to assess the reasonableness of the assumptions used by management. We tested the participant census data as included in the actuarial reports obtained by the company and we obtained the valuation reports of the plan assets from the investment managers. We found the assumptions and data used to be reasonable and in line with our expectations. We found that management's assumptions and estimates are reasonable and company's disclosures of post-retirement benefit provisions are appropriate.

***Responsibilities of the board of directors for the consolidated financial statements***

The board of directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

***Statutory auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, 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 control 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements 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 statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on 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 directors' report on the consolidated financial statements, the separate report on non-financial information and the other information included in the annual report.

***Statutory auditor's responsibilities***

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated financial statements and the other information included in the annual report and to report on these matters.

***Aspects related to the directors' report on the consolidated financial statements and to the other information included in the annual report***

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated financial statements and to the other information included in the annual report, this report is consistent with the consolidated financial statements for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated financial statements and the other information included in the annual report on the consolidated financial statements is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We do not express any form of assurance conclusion on this annual report.

The non-financial information is included in a separate report, being the Sustainability Report 2017 of Tessenderlo Group. The report of non-financial information contains the information required by virtue of article 119, §2 of the Companies' Code, and agrees with the consolidated financial statements for the same year. The Company has prepared the non-financial information, based on the Global Reporting Initiative (GRI) framework. However, we do not express an opinion as to whether the non-financial information has been prepared, in all material aspects, in accordance with the GRI-framework. Furthermore, we do not express assurance on individual elements included in this non-financial information.

***Statement related to independence***

- We did not provide services which are incompatible with the statutory audit of the consolidated financial statements and we remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated financial statements referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated financial statements.

***Other statements***

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Antwerp, 26 March 2018

The statutory auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Peter Van den Eynde
Réviseur d'Entreprises / Bedrijfsrevisor

# STATUTORY FINANCIAL REPORT

## Balance sheet of Tessenderlo Group nv

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| **Total assets** | | |
| **Non-current assets** | **967.7** | **963.0** |
| Other intangible assets | 0.2 | 0.4 |
| Property, plant and equipment | 93.1 | 92.1 |
| Financial assets | 874.5 | 870.5 |
| **Current assets** | **458.4** | **441.0** |
| Non-current trade and other receivables | 0.7 | 0.7 |
| Inventories | 74.8 | 74.8 |
| Current trade and other receivables | 196.7 | 275.8 |
| Other investments | 125.1 | 57.7 |
| Cash and cash equivalents | 47.2 | 21.1 |
| Prepaid expenses and accrued income | 13.9 | 10.9 |
| **Total assets** | **1,426.1** | **1,404.0** |
| | | |
| **Total liabilities** | | |
| **Shareholders' equity** | **790.3** | **801.5** |
| Issued capital | 216.1 | 215.8 |
| Share premium | 237.6 | 235.6 |
| Reserves | 25.9 | 26.1 |
| Retained earnings | 310.3 | 323.7 |
| Capital grants | 0.3 | 0.3 |
| **Provisions and deferred taxes** | **126.8** | **133.1** |
| Provisions | 126.2 | 132.1 |
| Deferred taxes | 0.7 | 1.0 |
| **Liabilities** | **509.0** | **469.4** |
| Liabilities due in more than one year | 261.3 | 262.4 |
| Liabilities due within one year | 241.9 | 200.8 |
| Accrued expenses and deferred income | 5.8 | 6.2 |
| **Total liabilities** | **1,426.1** | **1,404.0** |

## Profit and loss statement of Tessenderlo Group nv

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| | | |
| **Total operating income** | **425.5** | **403.1** |
| Sales | 381.5 | 342.1 |
| Change in work in progress, finished goods and orders in progress (increase+/decrease-) | -4.7 | 9.8 |
| Production capitalized | 1.0 | 1.5 |
| Other operating income | 42.7 | 46.2 |
| Non-recurring operating income | 5.1 | 3.5 |
| | | |
| **Total operating charges** | **-423.0** | **-401.1** |
| Raw materials and goods purchased for resale | -203.4 | -188.1 |
| Services and other goods | -147.3 | -137.8 |
| Wages, salaries, social charges and pensions | -62.0 | -60.7 |
| Depreciations and amortizations on formation expenses, tangible and intangible assets | -10.1 | -10.3 |
| Amounts written-off stocks and trade receivable ( charges (-) / write-back (+) ) | -0.5 | -0.3 |
| Provision for liabilities and charges (utilisations and write-backs less charges) | 5.9 | 8.6 |
| Other operating charges | -5.1 | -10.5 |
| Non-recurring operating charges | -0.6 | -1.9 |
| | | |
| **Operating result** | **2.6** | **2.0** |
| Finance income | 73.2 | 95.1 |
| Finance costs | -89.7 | -21.3 |
| **Profit before taxes** | **-13.9** | **75.8** |
| Income taxes | -0.0 | -0.1 |
| Deferred taxes | 0.3 | 0.1 |
| **Profit (+) / losses (-)** | **-13.6** | **75.8** |
| Untaxed reserves | -0.2 | 0.2 |
| **Profit (+) / losses (-) for the year to be allocated** | **-13.4** | **76.1** |

## Allocations and distributions

| (Million EUR) | 2017 | 2016 |
|---|---|---|
| | | |
| **The Tessenderlo Group nv Board of Directors propose to allocate the** | | |
| - Profits, being | -13.4 | 76.1 |
| - Increased by prior years' retained earnings | 323.7 | 250.9 |
| **Totaling:** | **310.3** | **326.9** |
| | | |
| **In the following manner:** | | |
| - Reserves | - | 3.2 |
| - Dividends | - | - |
| - Retained earnings | 310.3 | 323.7 |
| **Totaling:** | **310.3** | **323.7** |

# Extract from the Tessenderlo Group nv separate (non-consolidated) financial statements prepared in accordance with Belgian GAAP

The preceding information is extracted from the separate Belgian GAAP financial statements of Tessenderlo Group nv. These separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request at Tessenderlo Group nv, Troonstraat 130, 1050 Brussel.

It should be noted that only the consolidated financial statements present a true and fair view of the financial position and performance of the group.

Since Tessenderlo Group nv is essentially a holding company, which recognizes its investments at cost in its non-consolidated financial statements, these separate financial statements present no more than a limited view of the financial position of Tessenderlo Group nv. For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at, and for the year ended December 31, 2017.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Tessenderlo Group nv prepared in accordance with Belgian GAAP for the year ended December 31, 2017 give a true and fair view of the financial position and results of Tessenderlo Group nv in accordance with all legal and regulatory dispositions.

# FINANCIAL GLOSSARY

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

**Capital employed (CE)**
The carrying amount of property, plant and equipment (PP&E), other intangible assets and goodwill together with working capital.

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

**Dividend per share (gross)**
Total amount paid as dividend divided by the number of shares issued at closing date.

**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.

**Diluted weighted average number of ordinary shares**
Weighted average number of ordinary shares, adjusted by the effect of warrants on issue.

**EBIT**
Earnings before interests and taxes (Profit (+)/loss (-) from operations).

**Gearing**
Net financial debt divided by the sum of net financial debt and equity attributable to equity holders of the company.

**Leverage**
Net financial debt divided by REBITDA over the last 12 months.

**Market capitalization**
Number of shares issued (at the end of the period) multiplied by the market price per share (at the end of the period).

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

**Non-recurring and exceptional operating income/(expense) items**
Non-recurring and exceptional operating items are those items that in management's judgment need to be disclosed by virtue of their size or incidence. Such items are disclosed on the face of the consolidated income statement or separately disclosed in the notes to the financial statements. Transactions which may be recognized as non-recurring and exceptional operating 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.

**Payout ratio**
Gross dividend divided by profit for the period attributable to equity holders of the company.

**REBIT**
Recurring earnings before interests and taxes (Profit (+)/loss (-) from operations before non-recurring and exceptional operating income/(expense) items).

**REBITDA**
Recurring earnings before interests, taxes, depreciation and amortization. (Profit (+)/loss (-) from operations before non-recurring and exceptional operating items plus depreciation and amortization).

**Return on capital employed (ROCE)**
REBIT (last 12 months) divided by the average capital employed (last 4 quarters) .

**Theoretical aggregated weighted tax rate**
Calculated by applying the statutory tax rate of each country on the profit before tax of each entity and by dividing the resulting tax charge by the total profit before tax of the group.

**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.

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

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