

5 Financial report

Results fuelling
focused growth

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Our solid results
are built on
people-driven
performance.

Consolidated financial statements

Consolidated income statement

<i>in thousands of EUR</i>	Notes	2018	2019
Revenue	(1)	2,896,938	2,940,083
Cost of sales	(2)	-2,046,164	-2,044,201
Gross profit		850,774	895,882
Distribution expenses	(2)	-407,654	-400,231
Administrative and general expenses	(2)	-179,172	-185,371
Other operating charges	(3)	-22,617	-22,819
Other operating income	(3)	3,979	4,851
Operating income before non recurring items		245,310	292,312
Gain / (losses) on disposal of assets and businesses	(4)	29,792	137,304
Other non recurring items	(4)	-54,424	-161,709
Operating income (EBIT)		220,678	267,907
Interest income	(5)	4,715	6,402
Interest expenses	(5)	-30,265	-32,464
Other financial income	(5)	11,501	6,327
Other financial expense	(5)	-13,278	-10,822
Share of profit in equity accounted investees	(12)	1,018	1,118
Profit before income tax		194,369	238,468
Income tax expense	(6)	-49,635	-57,733
Profit for the year		144,734	180,735
Attributable to shareholders of Etex		140,426	175,981
Attributable to non-controlling interests		4,308	4,754

Consolidated statement of comprehensive income

<i>in thousands of EUR</i>	2018	2019
Profit for the year	144,734	180,735
Remeasurements in employee benefit obligations	-10,915	-81,527
<i>Income tax effect</i>	225	17,220
Net other comprehensive income not to be reclassified to income statement in subsequent periods	-10,689	-64,308
Changes in cash flow hedge reserves	5,976	4,521
<i>Income tax effect</i>	-1,260	-1,617
Exchange differences on translation of foreign operations	-47,880	-1,341
Net other comprehensive income to be reclassified to income statement in subsequent periods	-43,163	1,563
Other comprehensive income, net of tax	-53,853	-62,744
Total comprehensive income for the period, net of tax	90,882	117,991
Attributable to shareholders of Etex	86,036	115,869
Attributable to non-controlling interests	4,846	2,121

Consolidated statement of financial position

<i>in thousands of EUR</i>	Notes	2018	2019
Non-current assets		2,186,959	2,093,578
Property, plant and equipment	(7)	1,641,827	1,631,437
<i>Property, plant and equipment - owned</i>	(7)	1,637,947	1,513,450
<i>Property, plant and equipment - leased</i>	(7)	3,879	117,986
Goodwill	(8)	201,433	122,411
Other intangible assets	(9)	220,842	200,392
Investment properties	(10)	13,584	14,148
Assets held for sale	(11)	3,162	3,215
Investments in equity accounted investees	(12)	10,309	9,526
Other non-current assets	(13)	5,349	3,649
Deferred tax assets	(24)	83,996	98,033
Employee benefits assets	(21)	6,457	10,768
Current assets		921,146	914,014
Inventories	(15)	446,836	403,419
Trade and other receivables	(14)	338,343	310,494
Other current assets	(14)	1,803	7,070
Cash and cash equivalents	(17)	134,164	193,031
TOTAL ASSETS		3,108,105	3,007,592
Total equity	(18)	1,081,740	1,159,403
<i>Issued share capital</i>		2,533	2,533
<i>Share premium</i>		743	743
<i>Reserves and retained earnings</i>		1,041,692	1,119,234
Attributable to the equity shareholders of Etex		1,044,968	1,122,510
Non-controlling interests		36,772	36,893
Non-current liabilities		1,081,381	916,697
Provisions	(19)	121,985	126,021
Employee benefits liabilities	(21) (22)	312,080	392,303
Loans and borrowings	(23)	522,839	301,871
<i>of which leasing</i>	(23)	3,852	96,011
Deferred tax liabilities	(24)	95,924	76,097
Other non-current liabilities	(25)	28,553	20,405
Current liabilities		944,984	931,492
Provisions	(19)	75,376	58,363
Current portion of loans and borrowings	(23)	196,926	229,484
<i>of which leasing</i>	(25)	181	24,056
Trade and other liabilities	(25)	672,682	643,645
TOTAL EQUITY AND LIABILITIES		3,108,105	3,007,592

Consolidated statement of cash flows

<i>In thousands of EUR</i>	Notes	2018	2019
Operating income (EBIT)		220,678	267,907
Depreciation, amortization and impairment losses - owned	(26)	169,479	260,568
Depreciation, amortization and impairment losses - leased assets	(26)	357	28,090
Losses (gains) on sale of intangible assets and property, plant and equipment	(26)	-29,882	-3,329
Losses (gains) on sale of businesses		194	-133,057
Income tax paid	(26)	-56,115	-65,348
Changes in working capital, provisions and employee benefits	(26)	-40,212	-24,343
Changes in other non current assets/liabilities		7,176	3,119
Cash flow from operating activities		271,675	333,607
Proceeds from sale of intangible assets and property, plant and equipment	(26)	37,045	7,691
Disposal of business		979	276,546
Capital expenditure - owned	(26)	-192,345	-134,893
Other		-1,326	-1,025
Cash flow from investing activities		-155,647	148,319
Capital increase / (decrease)		2,898	16
Proceeds (repayment) of borrowings		-23,170	-332,765
Interest and dividend received	(26)	5,414	7,262
Dividend paid	(26)	-43,862	-47,675
Interest paid		-27,649	-22,418
Cash flow from financing activities		-86,369	-395,580
Net increase (decrease) in cash and cash equivalents		29,659	86,346
Cash and cash equivalents at the beginning of the year		103,968	127,183
Translation differences		-6,316	7,569
Changes in the scope of consolidation		-128	-28,588
Net increase (decrease) in cash and cash equivalents		29,659	86,346
Net cash and cash equivalents at the end of the year		127,183	192,510
<i>Cash and cash equivalents</i>		134,164	193,031
<i>Bank overdrafts</i>		-6,981	-521

Accounting policies

Consolidated statement of changes in equity

Attributable to the equity holders of Etex (Note 18)

<i>in thousands of EUR</i>	Issued share capital and share premiums	Treasury shares	Post employment benefits reserves and financial instruments	Cumulative translation adjustments	Other reserves and retained earnings	Non-controlling interests	Total Equity
At December 31, 2017	3,276	-19,988	-224,245	-244,159	1,468,162	27,788	1,010,833
Total comprehensive income	-	-	-5,882	-49,735	140,407	4,846	89,636
Capital increase / (decrease)	-	-	-	-	-	2,898	2,898
Dividend	-	-	-	-	-41,427	-2,307	-43,734
Other equity movements	-	-	-	-	18,560	3,547	22,108
Treasury shares	-	-	-	-	-	-	-
At December 31, 2018	3,276	-19,988	-230,127	-293,894	1,585,702	36,772	1,081,740
Total comprehensive income	-	-	-61,234	1,120	175,983	2,121	117,991
Capital increase / (decrease)	-	-	-	-	-	16	16
Dividend	-	-	-	-	-45,335	-2,039	-47,375
Other equity movements	-	-	-	-	7,008	23	7,031
Treasury shares	-	-	-	-	-	-	-
At December 31, 2019	3,276	-19,988	-291,361	-292,774	1,723,358	36,893	1,159,403

Etex N.V. (the "Company") is a company domiciled in Belgium. The consolidated financial statements comprise the Company and its subsidiaries, interests in jointly controlled entities and equity accounted entities (together referred to as "the Group") as at 31 December each year.

The financial statements have been authorised for issue by the Board of Directors on 2 April 2020.

Statement of compliance

The consolidated financial statements of Etex for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU).

The Group applied the same IFRSs as those adopted in the previous years, except for the new IFRSs and interpretations the entity adopted as of 1st January 2019.

The nature and the impact of each of the following new standards, amendments and/or interpretations are described below:
IFRS 16 - leases, effective 1 January 2019

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has adopted the new standard on the required effective date as followed:

(a) Nature of the effect of adoption IFRS16

Leases where the Group is acting as a lessee under contracts that were previously classified as operating lease contracts

The Group mainly acts as a lessee under lease contract for land, buildings, furnitures & vehicles and plant, machinery & equipment.

The Group adopted IFRS 16 on 1 January 2019, in accordance with the transitional provisions of IFRS 16, using the modified retrospective approach. Therefore, the Group has chosen to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to these leases recognized in the balance sheet immediately before the date of initial application. Consequently, the cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of the comparative figures.

The Group has applied the following practical expedients, as permitted by IFRS 16, on the transition date:

- No reassessment whether a contract is, or contains, a lease at the date of initial application. Instead, the Group applied IFRS 16 to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review; and
- The accounting for operating leases with a remaining lease term of less than 12 months as at short-term leases.
- Not to recognize a right of use asset and a lease liability for low value leases.

Impact of IFRS 16 upon transition and as per 31 December 2019

Implementing IFRS 16 affected the following items on the balance sheet on January 1, 2019:

Upon transition, the lease liabilities were measured at the present value of the remaining lease payments (for building: intention to stay), discounting using the lessee's incremental borrowing rate as of January 1, 2019. Our weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3,49%. The average lease term of equals to 55 months. The leases are recognized as a right-of-use asset and a corresponding liability. The right-of-use asset is depreciated over the asset's useful life on a straight-line basis.

The following amounts were recognized as per 1 January 2019:

Fixed assets – Right of use assets: + EUR 109,927 thousand
Buildings: + EUR 28,078 thousand
Land: + EUR 33,989 thousand
Furniture and vehicles: + EUR 33,590 thousand
Plant, machinery and equipment: +EUR 14,090 thousand
Other PP&E: + EUR 180 thousand

Lease liabilities: + EUR 109,927 thousand

The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognised lease liabilities as of January 1, 2019:

In thousands of EUR

Off balance sheet obligations as of 31.12.2018	112.280
Additional off balance lease obligations as of 31.12.2018 *	8.847
- current short-term or low value leases	-3.577
- payment for service charges and other not qualifying as lease payments	-2.570
Operating lease obligations as of 01.01.2019, gross, undiscounted	114.980
- variances resulting in changes in expected lease term	5.042
- discount effect	-10.095
Operating lease obligations as of 01.01.2019, net, discounted	109.927
Lease liability due to initial application IFRS 16 as of 01.01.2019	109.927
Lease liability from finance leases as of 01.01.2019	4.033
Total lease liabilities as of 01.01.2019	113.960

* During 2019 the Company identified and recognised some additional contracts as IFRS 16 opening balance sheet transition adjustment

Implementing IFRS 16 affected consolidated statement of comprehensive income on December 31, 2019. The impact as per 31 December 2019 is as follows:

Impact on the EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation): + EUR 28,090 thousand

Impact on Financial Result: - EUR 3,855 thousand

Impact on net result: - EUR 2,779 thousand

(b) Change in accounting policies with effect from 1 January 2019 as a result of adoption IFRS 16

Since 1 January 2019, the Group applies the following accounting policy regarding IFRS 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occur.

The Group presents interests paid on its lease liabilities as financing activities in the cash-flow statement. Variable payments as well as amounts paid for short-term and low-value leases are presented as operating activities.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(c) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

In addition, the following amendments and/or interpretations also does not have any significant effect on the financial statements.

- Amendments to IFRS 9 – Prepayments features with negative compensation, effective 1 January 2019
- IFRIC 23 – Uncertainty over income tax treatments, effective 1 January 2019
- Amendments to IAS 28 – Long term interests in associates and joint ventures, effective 1 January 2019
- Amendments to IAS 19 – Plan amendment, curtailment or settlement, effective 1 January 2019
- Annual Improvements to IFRSs 2015-2017 Cycle, effective 1 January 2019

Basis of preparation

A - Functional and presentation currency

The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

B - Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets are stated at their fair value: derivative financial instruments. Also, the liabilities for cash-settled share based payment arrangements are measured at fair value. The consolidated financial statements have been prepared using the accrual basis for accounting, except for cash flow information.

C - Use of judgement, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and related disclosures at the date of the financial statements. These judgements, estimates and associated assumptions are based on management's best knowledge at reporting date of current events and actions that the Group may undertake in the future. However, actual results could differ from those estimates, and could require adjustments to the carrying amount of the asset or liability affected in the future. The estimates and underlying assumptions are reviewed on an ongoing basis.

The significant estimates made by management concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The recoverable amount of the cash-generating units tested for impairment is the higher of its fair value less costs to sell and its value in use. Both calculations are based on a discounted cash-flow model. The cash flows are derived from the budget for the next three to ten years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows

and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units, including a sensitivity analysis, are further explained in Note 8.

Provisions

The assumptions that have significant influence on the amount of the provisions are the estimated costs, the timing of the cash outflows and the discount rate. These assumptions are determined based on the most appropriate available information at reporting date. Further details about the assumptions used are given in Note 19.

Employee benefits

The measurement of the employee benefits is based on actuarial assumptions. Management believes that the assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases used for these actuarial valuations are appropriate and justified. They are reviewed at each balance-sheet date. However, given the long-term nature of these benefits, any change in certain of these assumptions could have a significant impact on the measurement of the related obligations. Further details about assumptions used are given in Note 21.

Recognition of deferred tax assets on tax losses carried forward

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of the deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The potential utilisation of tax losses carried forward is based on budgets and forecasts existing at reporting date. Actual results could differ from these budgets with an impact on the utilisation of tax losses carried forward.

Cash-settled share-based payment transaction

The Group measures the cost of cash-settled transactions with employees by reference to the fair value of the equity instruments at each reporting date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 22.

Financial instruments

To measure the fair value of financial assets that cannot be derived from active markets, management uses a valuation technique based on discounted future expected cash flows. The inputs of this model require determining a certain number of assumptions, including discount rate, liquidity risk and volatility, subject to uncertainty. Changes in these assumptions could have an impact on the measurement of the fair value. Further details are given in Note 16.

Business Combinations

The acquisition method is applied in business combinations. The consideration is measured at fair value on the transaction date, which is also the date when fair value of identifiable assets, liabilities and contingent liabilities acquired in the transaction are measured. If the accounting of a business combination is incomplete at the end of the reporting period, in which the transaction occurred, the Group will report preliminary values for the assets and liabilities. Preliminary values are adjusted throughout the measuring period of maximum one year in order to reflect new information obtained about circumstances that existed as of the acquisition date, that if known, would have affected the valuation on that date. Correspondingly, new assets and liabilities can be recognised. The transaction date is when risk and control has been transferred and normally coincides with the closing date.

Non-controlling interests are recognised either at fair value or the proportionate share of the identifiable net assets and liabilities. The assessment is done for each transaction.

Any differences between cost and fair value for acquired assets, liabilities and contingent liabilities are recognised as goodwill or recognised in the income statement when the cost is lower. No provisions are recognised for deferred tax on goodwill.

Transaction costs are recognised in the income statement when incurred.

If business combinations are achieved in stages, the existing ownership interests is recognised at fair value at the point in time when control is transferred to the Group. Such a change in the carrying value of the investment is recognised in the income statement.

The principles applied to the recognition of acquisition of associated companies and joint ventures are in general the same as those applied to the acquisition of subsidiaries.

Hyperinflation

In May 2018, the Argentinean peso underwent a severe devaluation resulting in the three-year cumulative inflation of Argentina to exceed 100% in 2018, thereby triggering the requirement to transition to hyperinflation accounting as prescribed by IAS 29 Financial Reporting in

Hyperinflationary Economies as of 1 January 2018. The main principle in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy must be stated in terms of the measuring unit current at the end of the reporting period. Therefore, the non-monetary assets and liabilities stated at historical cost, the equity and the income statement of subsidiaries operating in hyperinflationary economies are restated for changes in the general purchasing power of the local currency applying a general price index. Monetary items that are already stated at the measuring unit at the end of the reporting period are not restated. These re-measured accounts are used for conversion into Euro at the period closing exchange rate. Consequently, the company has applied hyperinflation accounting for its Argentinean subsidiaries applying the IAS 29 rules as follows:

- Hyperinflation accounting was applied as of 1 January 2018;
- Non-monetary assets and liabilities stated at historical cost (e.g. property plant and equipment, intangible assets, goodwill, etc.) and equity of Argentina were restated using an inflation index. The hyperinflation impacts resulting from changes in the general purchasing power until 31 December 2017 were reported in retained earnings and the impacts of changes in the general purchasing power from 1 January 2018 are reported through the income statement on a dedicated account for hyperinflation monetary adjustments in the finance line (see also Note 5 Finance income and expense);
- The income statement is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies), thereby restating the year to date income statement account both for inflation index and currency conversion;

D - Basis of consolidation

Subsidiaries

Subsidiaries are entities that are controlled, directly or indirectly, by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Investments in associates and joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Equity accounted entities are companies over which the Group generally holds between 20 per cent and 50 per cent of the voting rights. The Group's interest in joint ventures or equity accounted entities is consolidated using the equity method.

Equity accounting starts when joint control or significant influence is established until the date it ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of any further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the companies. The financial statements of these companies are prepared for the same reporting year as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Unrealised gains arising from transactions with joint ventures and equity accounted entities are eliminated to the extent of the Group's interest. Unrealised losses are eliminated the same way as unrealised gain but only to the extent that there is no evidence of impairment. The investments accounted for using the equity method include the carrying amount of any related goodwill.

E - Foreign operations

The individual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Income statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the year. Assets and liabilities, including goodwill and fair value adjustments arising on consolidation are translated at exchange rates ruling on 31 December. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a non euro entity, the cumulative amount recognised in equity relating to that particular foreign operation is released to the income statement.

F - Transactions in foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates on 31 December are recognised in the income statement. Non-monetary assets and liabilities in a foreign currency are translated using the exchange rate at the date of the transaction.

G - Exchange rates

The following exchange rates against € have been used in preparing the financial statements:

		2018		2019	
		Average	End of period	Average	End of period
Argentinean peso	ARS	43.1627	43.1627	53.7915	67.0400
Chilean peso (000)	CLP	0.7565	0.7955	0.7875	0.8365
Chinese yuan	CNY	7.8053	7.8473	7.7367	7.8155
Colombian peso (000)	COP	3.4838	3.7210	3.6748	3.6815
Danish krone	DKK	7.4530	7.4673	7.4662	7.4715
Pound sterling	GBP	0.8845	0.8945	0.8778	0.8508
Hungarian forint	HUF	318.8582	320.9800	325.3006	330.5300
Indonesian rupiah (000)	IDR	16.8039	16.5000	15.8396	15.5956
Nigerian naira	NGN	360.9992	350.9430	343.3113	404.8980
Peruvian nuevo sol	PEN	3.8803	4.1500	3.7362	3.7238
Polish zloty	PLN	4.2614	4.3014	4.2961	4.2568
US dollar	USD	1.1813	1.1450	1.1197	1.1234
South African rand	ZAR	15.6097	16.4594	16.1746	15.7773

Risk profile

The Group is exposed to the normal range of general business risks. The Group takes measures to cover these risks through insurance and internal policies. Fully operational since 2011, the internal audit department reviews our companies in a three-year cycle.

Typical risks include third-party and product liability, property damage, business interruption, employer's liability, and, in certain instances, credit risk.

The Group is active around the world. As such, the group is exposed to the impact of currency fluctuations on revenues, costs, assets, and liabilities arising outside the Eurozone. In 2019, the Group continued to follow our well-thought-out policies for addressing these risks.

Demand for building materials is mainly driven by growing populations and increasing prosperity. Another important factor are changing macroeconomic parameters, including GDP growth, public spending, interest rates and government policies.

The Group achieves risk diversification through our geographic spread and diversified portfolio. An additional element contributing to this

diversification is the Group's broad involvement in residential, commercial, and industrial building, as well as renovation and new housing developments.

The Group uses a variety of raw materials to manufacture its products. Cement, for instance is a key ingredient. It is usually broadly available from several suppliers. Furthermore, the fibres used to reinforce some of our products are sourced from a limited number of Japanese and Chinese companies. The Group has built long-term relationships and contracts with each of these businesses. For natural resources such as clay and gypsum, we either own raw material supplies or we secure them by means of long-term contracts.

Our energy costs are significant. This is true for the production of specific products (ceramic tiles in particular) as much as for the manufacturing of the raw materials we receive from our suppliers. That is why we constantly review measures to reduce our energy consumption.

In the past, some Group companies regrettably used asbestos as a raw material. These businesses are exposed to claims from people having developed asbestos-related diseases. The Group is committed to ensuring fair compensation for those suffering from an illness caused by our former use of asbestos. The compensation costs are covered by state social security schemes, insurance companies and our own resources. Given the long latency of some of these diseases, we will remain exposed to this risk in the medium term.

For the Group's risks from business activities and the use of financial instruments, we refer to section 'R- Risk management.

Significant accounting policies

The accounting policies have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by all entities. Certain comparatives have been reclassified to conform to current year's presentation.

A - Property, plant and equipment

Property, plant and equipment are measured at acquisition or construction costs less accumulated depreciation and impairment loss (see Note E). The cost of property, plant and equipment acquired in a business combination is the fair value as at the date of acquisition. After recognition, the items of property, plant and equipment are carried at cost and not revaluated.

Costs include expenditures that are directly attributable to the acquisition of the asset; e.g. costs incurred to bring the asset to its working condition and location for its intended use. It includes the estimated costs of dismantling and removing the assets and restoring the sites, to the extent that the liability is also recognised as a provision. The costs of self-constructed assets include the cost of material, direct labour and an appropriate proportion of production overheads. Borrowing costs incurred and directly attributable to the acquisition or construction of an asset that takes a substantial period of time to get ready for its intended use, are capitalised as incurred. When all the activities necessary to prepare this asset are completed, borrowing costs cease to be capitalised.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the operating income in the year the asset is derecognised.

Subsequent expenditures

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the costs of the item can be measured reliably. The carrying amount of the parts replaced is derecognised. All other costs are recognised in the income statement as an expense as incurred.

Assets held under lease (right-of-use assets)

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The corresponding lease liabilities are included in non-current and current financial liabilities.

Depreciation

Depreciation starts when an asset is available for use and is charged to the income statement on a straight-line basis over the estimated useful life. The depreciable amount of each part of property, plant and equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately over its useful life on a straight-line basis. Costs of major inspections are depreciated separately over the period until the next major inspection. Temporarily idle assets continue to be depreciated.

Estimated useful lives of the major components of property, plant and equipment are as follows:

– Lands (excluding lands with mineral reserves):	<i>nil</i>
– Lands with mineral reserves:	<i>exploitation lifetime</i>
– Lands improvements and buildings:	<i>10 - 40 years</i>
– Plant, machinery and equipment:	<i>5 - 30 years</i>
– Furniture and vehicles:	<i>3 - 10 years</i>

Mineral reserves, which are presented as “lands” of property, plant and equipment, are valued at cost and are depreciated based on the physical unit-of-production method over the estimated tons of raw materials to be extracted from the reserves.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

B - Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (see Note E).

Internally generated intangible assets are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. Expenditure capitalised include the costs of materials, direct labour and an appropriate portion of overheads.

The useful lives of intangible assets are assessed to be either finite or indefinite on the following bases:

– Patents, trademarks and similar rights:	<i>Indefinite</i>
– Software ERP:	<i>10 years</i>
– Other software:	<i>5 years</i>
– Development costs:	<i>15 years</i>
– Customer lists:	<i>3 - 15 years</i>
– Brands:	<i>15 years</i>
– Technology and design:	<i>15 years</i>
– Rights to exploit and extract mineral resources:	<i>usage</i>

Intangible assets with finite lives are amortised over the useful economic life using the straight-line method. The estimated useful lives are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates by changing the amortisation charge for the current and future periods. The amortisation expense is recognised in the income statement in the expense category consistent with the function of the asset.

C - Goodwill

Goodwill represents the excess of the cost of a business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, equity accounted entities or joint venture at the date of acquisition. Goodwill on acquisitions of equity accounted investee or joint ventures is included in the carrying amount of the investments. Goodwill on the acquisition of subsidiaries is presented separately, and is stated at cost less accumulated impairment losses (see Note E).

If the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, this excess (frequently referred to as negative goodwill or badwill) is immediately recognised in the profit and loss statement, after a reassessment of the fair values.

Additional investments in subsidiaries in which the Company already has control are accounted for as equity transactions; any premium or discount on subsequent purchases of shares from minority interest are recognised directly in the Company’s shareholders equity.

D - Investment property

Investment property is property held to earn rental income or for capital appreciation or for both and is valued at acquisition cost less accumulated depreciation and impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Investment property is depreciated similar to owned property (see Note A).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation.

E - Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset, other than inventories and deferred taxes, may be impaired. If any such indication exists, the recoverable amount of the asset (being the higher of its fair value less costs to sell and its value in use) is estimated. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised in the income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for that asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised immediately in the income statement apart from goodwill for which no such reversal is allowed.

Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be adequate. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Financial assets: When a decline in the fair value of a financial asset valued at fair value over OCI (FVOCI) has been recognised directly in comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in comprehensive income is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. The reversal of an impairment loss in respect of an investment in an equity instrument classified as financial asset FVOCI, following an event occurring after the recognition of the impairment loss, is performed in comprehensive income. In the case of equity investments classified as financial asset FVOCI, objective evidence would include a significant or prolonged decline in fair value of the investment below its cost.

F - Investments in debt and equity securities

All purchases and sales of investments are recognised on trade date, which is the date that the Group commits to purchase or sell the asset. Investments in equity securities are undertakings in which the Group does not have significant influence or control. These investments are designated as fair value through OCI financial assets, as they are not held for trading purposes. At initial recognition they are measured at fair value unless the fair value cannot be measured reliably in which case they are measured at cost. The fair value is determined by reference to their quoted bid price at reporting date. Subsequent changes in fair value, except those related to impairment losses which are recognised in the income statement, are recognised directly in comprehensive income. On disposal of an investment, the cumulative gain or loss previously recognised in comprehensive income is recognised in the income statement.

G - Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an asset, the grant value is recognised as a deferred income and is released to the income statement as a reduction of the depreciation charge over the expected useful life of the relevant asset by equal annual instalments. When the grant relates to a compensation of an expense, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs incurred.

Government grants that are expected to be released within twelve months after the reporting date are classified as other current liabilities. The other government grants are classified as non-current liabilities.

H - Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned by using the weighted average cost method. The cost of inventories comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. For manufactured inventories, cost means full cost including all direct and indirect production costs required to bring the inventory items to the stage of completion at the reporting date. Allocation of indirect production costs is based on normal operating capacity. Borrowing costs are expensed as incurred. The costs of inventories may also include transfers from equity of any gain or loss on qualifying cash flow hedges on foreign currency purchases of inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

I - Trade and other receivables

Trade and other receivables are initially recognised at fair value which generally corresponds with the nominal value. Trade and other receivables are subsequently carried at amortised cost using the effective interest rate method. An impairment allowance is recognised for any uncollectible amounts when there is objective evidence that the Group will not be able to collect the outstanding amounts. The Group applies the simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses.

J - Cash and cash equivalents

Cash and cash equivalents are readily convertible into known amounts of cash. Cash and cash equivalents comprise cash at banks and on hand and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are not included in cash and cash equivalents but classified as current financial liabilities. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are carried in the statement of financial position at amortised cost.

K - Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares or share options are recognised as a deduction of equity, net of tax effects.

Treasury shares

Own equity instruments (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Dividends

Dividends are recognised as liabilities in the period in which they are declared.

L - Provisions

A provision is recognised when the Group has a legal or constructive obligation arising from past events for which it is probable the settlement will require an outflow of resources embodying economic benefits and a reliable estimate can be made on the amount of the obligation. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. The result of the yearly discounting of the provision, if any, is accounted for as financial result.

Warranty provisions

The Group recognises a provision to cover the costs arising from contractual obligation or established practice of repairing or replacing faulty or defective products sold on or before the reporting date. The estimate of warranty provision is based on past experience on the level of repairs, applied to past period sales that are still under warranty.

Restructuring provisions

Restructuring provisions are recognised when one of the following conditions is met:

- the decision to restructure is based on a detailed formal plan identifying at least: the business and the employees concerned, the expected expenditures and the expected date of implementation,
- there is a valid expectation that the plan will be carried out to those affected by it by the reporting date,
- the restructuring has either commenced or has been announced publicly.

Any restructuring provision only includes the direct expenditure arising from the restructuring which is necessarily incurred and is not associated with the ongoing activities of the Group.

Emission rights

The initial allocation of emission rights granted is recognised at nominal amount (nil value) and is subsequently carried at cost. Where the Group has emitted CO² in excess of the emission rights granted, it will recognise a provision for the shortfall based on the market price at that date. The emission rights are held for compliance purposes only and therefore the Group does not actively trade these in the market.

Other provisions

These captions include provisions for claims and litigation with customers, suppliers, personnel, tax authorities and other third parties. It also includes provisions for onerous contracts, for guarantees given to secure debt and commitment of third parties when they will not fulfil their obligation and for site restoration costs.

A provision for onerous contracts is recognised 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.

A provision for site restoration costs in respect of contaminated land is recognised whenever the Group has a legal obligation to clean the land or where there is an intention to sell the land.

Provisions that are expected to be settled within twelve months after the reporting date are classified as other current liabilities. The other provisions are classified as non-current liabilities.

M - Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation,
- or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the statement of financial position. They are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed if the inflow of economic benefits is probable.

N - Post employment benefits and other long-term employee benefits

Defined benefits plans

Some Group companies provide pension or medical plans for their employees which qualify as defined benefits plans. The net obligation resulting from these plans, which represents the amount of future benefits that employees have earned in return of their service in the current and prior periods, are determined separately for each plan by a qualified actuary using the projected unit credit method. The calculations are based on actuarial assumptions relating to mortality rates, rates of employee turnover, future salary levels and medical costs increase which reflect the economic conditions in each country or entity.

Discount rates are determined by reference to the market yields at the reporting date on high quality corporate bonds or to the interest rates at the reporting date on government bonds where the currency and terms of the bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Re-measurements, comprising of actuarial gains and losses (excluding net interest), are recognized immediately in the statement of financial

position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit obligation under :

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in operating income before non-recurring items
- Net interest expense in interest expenses.

The defined benefit liability is the aggregate of the present value of the defined benefits obligation reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, a net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan and any unrecognised past service costs.

Defined contributions plans

In addition to the defined benefits plans described above, some Group companies sponsor defined contributions plans based on local practices and regulations. The Group's contributions to defined contributions plans are charged to the income statement in the period in which the contributions are due.

Other long term benefits plans

Other long term obligations include the estimated costs of early retirement for which a constructive obligation exists at reporting date.

Short term benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short term cash-bonus plans if the Group has a present and constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

O - Employee benefits – Share based payment transactions

The Group operates various share-based compensation plans which qualify as equity-settled transactions with a cash alternative. In addition to the shares options, beneficiaries receive put options which entitle them to a cash payment, and as management assumes that most of these put options will be exercised, the Company accounts for the grants as a cash-settled transaction. The services received and the liability incurred are measured initially at fair value at the grant date using the Black and Scholes method taking into account the terms and conditions upon which the instruments were granted. The initial fair value is expensed over the period until vesting. The fair value of the liability is re-measured at each reporting date up to and including the settlement. Any changes in fair value of the liability are recognised in the income statement.

P - Financial liabilities

Bank loans and other borrowings

Bank loans and other borrowings are recognised initially at the fair value of the consideration received, net of transaction costs incurred. In subsequent periods, bank loans and other borrowings are stated at amortised cost, with any difference between costs and redemption value being recognised in the income statement, using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

These liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable,

variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Lease payments do not include payments allocated to non-lease components of a contract. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occur.

The Group presents interests paid on its lease liabilities as financing activities in the cash-flow statement. Variable payments as well as amounts paid for short-term and low-value leases are presented as operating activities.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset

The lease payments due within twelve months are included in current financial liabilities.

Q - Trade and other payables

Trade and other payables are initially recognised at fair value which generally corresponds with the nominal value. They are subsequently carried at amortised cost using the effective interest rate method.

R - Risk Management

The Group has exposure to the following risks from its business activities and use of financial instruments in running and managing its business:

- a. Market risk
- b. Credit risk
- c. Liquidity risk
- d. Capital risk

The Group's risk management policies have been established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly in the light of market conditions and changes in the Group's activities.

a. Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices, will (positively or negatively) affect the Group's income or expenses or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group creates financial assets and incurs financial liabilities in the ordinary course of business. It buys and sells derivatives in order to manage market risk. Generally, the Group seeks to apply hedge accounting to allow it to offset, at maturity, the gains or losses on the hedging contracts against the value of costs and revenue. Hedge accounting enables it to manage volatility in the income statement.

Currency risk

In its operations, the Group is exposed to currency risk on sales, purchases and borrowings.

The translation of local statements of financial position and income statements into the Group reporting currency leads to currency translation effects. If the Group hedges net investments in foreign entities with foreign currency borrowings or other instruments, the hedges of net investments are accounted for similarly to cash flow hedges. All foreign exchange gains or losses arising on translation are recognised in equity and included in cumulative translation differences.

Due to the nature of the Group's business, a high proportion of revenues and costs is in local currency, thus transaction risk is limited. Where Group entities have expenditures and receipts in different foreign currencies, they enter into derivative contracts themselves or through the Group's treasury centre to hedge their foreign currency exposure over the following months (based on forecasted purchases and sales). These derivatives are designated either as cash flow hedges, fair value hedges or non hedging derivatives.

Interest rate risk

The Group's primary source of funding is floating rate bank debt. Therefore it is exposed to the risk of changes, beneficial or adverse, in market interest rates. The Group's long-term borrowings have been raised by companies in Belgium, Chile, and Germany. To manage its interest costs, the Group has entered into interest rate swaps. The hedges ensure that the major part of the Group's interest rate cost on borrowings is on a fixed rate basis. The timing of such hedges is managed so as to lock interest rates whenever possible.

Equities and securities risk

Equity price risk arises from financial asset valued at fair value through OCI. In general, the Group does not acquire any shares or options on shares or other equity products, which are not directly related to the business of the Group.

b. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or finance counterparty to a deposit, lending or derivative instrument fails to meet its contractual obligations. It arises principally from the Group's receivables from customers and from bank deposits and investment securities. It also includes the risk that a financial counterparty may fail to meet its obligation under a financial liability. The Group constantly monitors credit risk, and ensures that it has no excessive concentration of credit risk with any single counterparty or group of connected counterparties.

To manage the risk of customer default, the Group periodically assesses the financial reliability of customers, and establishes purchase limits for each customer. The Group establishes allowances for impairment that represent its estimate of incurred losses in respect of trade and other receivables and investments. The main components of these allowances are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Finance counterparties consist of a number of major financial institutions. The Group does not expect any counterparties to fail to meet their obligations, including their lending obligations, given their high credit risk ratings. Nevertheless, the Group seeks to spread its interactions with the banking world on a sufficient number of market players to mitigate the risk of a potential default.

c. Funding and long term liquidity risk

Funding risk is the risk that the Group will be unable to access the funds that it needs when it comes to refinance its debt or through the failure to meet the terms of its main syndicated credit facility. A summary of the terms of the facility are to be found in note 23 on financial debts. Refinancing risk is managed through developing and maintaining strong bank relationships with a group of financial institutions and through maintaining a strong and prudent financial position over time.

Long term liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, and so avoid incurring unacceptable losses or risking damage to the Group's reputation.

Short term liquidity risk is managed on a daily basis with funding needs being fully covered through the availability of credit lines. Cash is maintained, where necessary, to guarantee the solvency and financial flexibility of the Group at all times. In 2015 a factoring and credit insurance plan is set up for trade receivables (refer to note 14).

d. Capital risk

The Group's primary objective when managing capital is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic situations.

S - Derivative financial instruments

The Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risk associated with foreign currency and interest rate fluctuations. In accordance with its treasury policy, the Group does not hold derivative financial instruments for trading purposes. Derivative financial instruments that do not qualify for hedge accounting are accounted for as financial assets and liabilities at fair value through profit and loss.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into. The fair value of derivative financial instruments is either the quoted market price or is calculated using pricing models taking into account current market rates and current creditworthiness of the counterparties.

Subsequently to initial recognition, derivative financial instruments are stated at fair value at the reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Derivative financial instruments are stated at cost if their fair value cannot be measured reliably.

Gains or losses on re-measurement to fair value are recognised immediately in the income statement unless the derivative qualifies for hedge accounting whereby recognition is dependent on the nature of the item being hedged.

On the date a derivative contract is entered into, the Group designates certain derivatives either as:

- a hedge of a particular risk associated with a recognised asset or liability or highly probable forecasted transaction, such as variability in cash flows of future interest payments on a floating rate debt (cash flow hedge), or
- a hedge of a net investment in a foreign entity.

A derivative instrument is accounted for as a hedge, when:

- The hedging relationship is documented as of its inception.
- The hedging is highly effective in achieving its objective.
- The effectiveness can be reliably measured.

For a cash flow hedge, the forecasted transaction which is the subject of the hedge must be highly probable.

Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are effective are recognised in equity. Where the firm commitment results in the recognition of a non-financial asset, for example property, plant equipment or inventory, or a non-financial liability, the gains or losses previously recognised in equity are transferred from equity and included in the initial measurement of the non-financial asset or liability. Otherwise, amounts recognised in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the cash flows, such as interest payments, or hedged firm commitments, affect the income statement. Any ineffective portion is reported immediately in the income statement. When a hedging instrument is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed transaction ultimately is recognised in the income statement. However, if a committed transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedge

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation that are effective, are recognised in equity and included in cumulative translation differences. The amounts deferred in equity are transferred to the income statement on disposal of the foreign entity.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, may not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement. The changes in fair value that are recognised in profit and loss of the period are classified in operating result if the derivative relates to a non-financial asset and in financial result if the derivative relates to a financing transaction.

T - Income taxes

Income taxes include current and deferred income taxes.

Current income taxes

Current tax is the expected tax payable on taxable income for the year, and any adjustment to tax payable in respect of previous years. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred income taxes

Deferred income taxes are calculated, using the balance sheet liability method, on all temporary differences arising between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax base. The amount of deferred tax provided is based on the expected manner of realisation of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the reporting date.

Deferred tax liabilities are recognised, except:

- where the temporary differences arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit on that date.
- in respect of taxable temporary differences associated with investments in subsidiaries, equity accounted entities and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised only when it is probable that taxable profits will be available in the coming 3 years, against which the deductible temporary difference or the tax loss to be carried forward can be utilised, except:

- where the temporary differences arise from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit on that date.
- in respect of deductible temporary differences associated with investments in subsidiaries, equity accounted entities and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date to assess the probability that sufficient taxable profit will be available to allow deferred taxes to be utilised.

Deferred tax is recognised in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is treated accordingly.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

U - Revenue

Revenue arising from contracts with customers is recognised applying the five-step model. Revenue is recognized at an amount that reflects the consideration to which Group expect to be entitled in exchange for transferring goods or services to a customer.

Sales of goods

Contracts with customers to sell goods has only performance obligation. Revenue recognition (net of sales tax and discounts) occurs at a point in time, when control of the asset is transferred to the customer.

Project - Construction contracts

A limited number of activities of the Group (representing less than 1% of total revenues) are construction contract driven. Consequently contract revenue and contract costs are recognised in the income statement on the percentage-of-completion method, with the stage of completion being measured by reference to actual work performed to date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract expenses that are recoverable. In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the estimated ultimate loss is charged to the income statement.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases.

Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

Dividends

Dividends are recognised when the Group's right to receive payment is established.

V - Expenses

Finance income and expenses

Finance costs comprise:

- interest payable on borrowings calculated using the effective interest rate method;
- foreign exchange gains and losses on financial assets and liabilities;
- gains and losses on hedging instruments that are recognised in the income statement;
- the expected return on plan assets; and
- interest costs with respect to defined benefit obligations.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

W - Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

A discontinued operation is a component of the Group business that represents a separate major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operations meet the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

X - Non recurring items

Income statement items that relate to significant restructuring measures, health claims and environmental remediation, major litigation, and goodwill impairment, income or expenses arising from disposal of businesses or non productive assets and other significant one-off impacts such as those relating to long term employee benefits settlement.

Y - Hyperinflation

Following the categorization of Argentina as a country with a three-year cumulative inflation rate greater than 100%, the country is considered highly inflationary in accordance with IFRS thereby triggering the requirement to transition to hyperinflation accounting as prescribed by IAS 29 Financial Reporting in Hyperinflationary Economies.

Z - Future changes in accounting policies

New or amended standards and interpretations issued up to the date of issuance of the Group's financial statements, but not yet effective for 2019 financial statements, which could be applicable to the Group are listed below:

- **Amendments to references to the conceptual framework in IFRS standards (effective 1 January 2020)**
The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- **Amendments to IFRS 3 Business combinations (effective 1 January 2020)**
The change revises the definition of a business. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.
- **Amendments to IAS 1 and IAS 8 (effective 1 January 2020)**
The amendments clarify the definition of material and make IFRSs more consistent. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments are not expected to have a significant impact on the preparation of financial statement.
- **IFRS 17 Insurance contracts (effective 1 January 2020)**
This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 (effective 1 January 2020)**
These amendments provide certain reliefs in connection with the interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

Explanatory notes

Note 1 – Revenue

Revenue by activity

<i>In thousands of EUR</i>	2018	2019
Etex Building Performance	1,676,537	1,790,075
Etex Exteriors	613,329	591,994
Etex Residential Roofing	419,403	379,026
Etex Industry	169,714	178,988
Others	17,955	-
Total	2,896,938	2,940,083

Certain comparatives have been reclassified to conform to current year's presentation in line with current organisational structure.

Revenue by geographical area

<i>In thousands of EUR</i>	2018	2019
France	510,494	522,538
Germany	384,466	386,315
United Kingdom	489,897	470,186
Benelux	186,528	190,589
Poland	120,599	133,689
Spain	115,072	124,525
Other Europe	406,358	414,391
Chile	106,990	102,391
Argentina	72,253	71,662
Peru	67,104	73,044
Colombia	63,272	64,110
Nigeria	74,176	83,536
South Africa	55,536	53,168
Rest of the World	244,193	249,939
Total	2,896,938	2,940,083

Note 2 – Operating charges by nature

The Group's major operating charges by function in 2019 are as follows:

<i>In thousands of EUR</i>	Personnel & temporary	Depreciation & impairment	Goods & materials	Energy	Transport & travel	Others	Total
Cost of sales	-347,117	-148,505	-879,740	-189,382	-279,311	-200,146	-2,044,201
Distribution expenses	-207,879	-28,106	-	-679	-20,075	-143,492	-400,231
Administrative and general expenses	-104,503	-12,523	-	-588	-6,093	-61,664	-185,371
Other operating charges	-14,021	-1,334	-	-83	-1,934	-5,447	-22,819
Non recurring items	-19,116	-98,192	-	-	-	92,903	-24,405
Total	-692,636	-288,658	-879,740	-190,733	-307,414	-317,846	-2,677,027

The Group's major operating charges by function in 2018 are as follows:

<i>In thousands of EUR</i>	Personnel & temporary	Depreciation & impairment	Goods & materials	Energy	Transport & travel	Others	Total
Cost of sales	-359,366	-129,411	-870,590	-185,309	-264,012	-237,477	-2,046,164
Distribution expenses	-218,953	-18,200	-	-756	-22,309	-147,436	-407,654
Administrative and general expenses	-101,872	-10,090	-	-693	-5,615	-60,902	-179,172
Other operating charges	-19,155	-1,854	-	-311	-3,053	1,756	-22,617
Non recurring items	-40,480	-10,282	-	-	-	26,130	-24,632
Total	-739,826	-169,836	-870,590	-187,070	-294,989	-417,929	-2,680,239

The Group's total personnel expenses, are made up of the following elements:

<i>In thousands of EUR</i>	2018	2019
Wages and salaries	-511,262	-506,688
Social security contributions	-110,632	-108,746
Contributions to defined contribution plans	-13,650	-11,662
Charges for defined benefit plans (service cost)	-12,027	-14,654
Restructuring and termination charges	-40,480	-19,116
Other employee benefits expenses	-51,774	-31,770
Total employee benefits expenses	-739,826	-692,636

The number of the Group's employees is split into the following categories:

<i>In thousands of EUR</i>	2018	2019
Production	8,749	8,566
Sales and marketing	4,109	3,901
Administration and research	1,600	1,371
Average number of personnel	14,458	13,838

Note 3 – Other operating charges and income

<i>In thousands of EUR</i>	2018	2019
Research	-19,998	-20,539
Other operating taxes	-2,439	-2,241
Direct expenses arising from investment properties	-83	-2
Miscellaneous	-97	-37
Total other operating charges	-22,617	-22,819

<i>In thousands of EUR</i>	2018	2019
Income from investment property	207	880
Government grant amortisation	1,546	1,461
Royalties and license income	-	-37
Miscellaneous	2,226	2,547
Total other operating income	3,979	4,851

Note 4 – Non recurring items

<i>In thousands of EUR</i>	2018	2019
Gains / (losses) on disposal of assets	29,986	4,247
Gains / (losses) on disposal of businesses	-194	133,057
Total gains / (losses) on disposal of assets and businesses	29,792	137,304
Restructuring costs	-44,850	-36,340
Health claims	3,603	-9,518
Environmental remediation	-10,916	-18,100
Asset impairment	-6,278	-61,558
Impairment on goodwill	-	-29,500
Past service gain / Settlements	-6,170	-
Others	10,187	-6,694
Total other non recurring items	-54,424	-161,709
Non recurring items	-24,632	-24,405

Etex has opted for a non recurring classification of significant one-off impacts on the income statement, both positive and negative impacts relating to significant restructuring measures, gain and losses on disposal of assets or businesses and goodwill impairments, settlements relating to post-employment liabilities or litigation not relating to current activities. Non recurring items also include the impact of health claims and environmental remediation, as these health claims and environmental remediation impacts can fluctuate from one year to another and relate to the asbestos legacy of Etex.

The 2019 gain on disposal of assets relates mainly to additional compensation received (development claw back) triggered by development permit obtained by third party to which we sold, in 2005, a real property located in the United Kingdom. In 2018, gains on disposal of assets related to disposal of non operational sites in France, in the United Kingdom and in Germany.

In August 2019, Etex disposed its roofing business in the United Kingdom (Marley Ltd) to Inflexion Private Equity Partners LLP. Other impacts from disposal of businesses are generated by the disposal of the Portuguese roofing producer Umbelino Monteiro S.A, the disposal of the water-based paints joint-venture Rothenburg in Thailand and the disposal of the Nidaplast business, French polypropylene honeycomb blocks and panels producer. The net proceeds of the disposed businesses equal to €276,546 thousand generating a gain of €133,057 thousand; both mainly relate to the disposal of Marley Ltd.

The 2018 result on businesses disposal was the loss incurred on disposal of the company Fibrolith Dämmstoffe, a German producer of wood wool cement boards.

In 2019, the most significant recognised impairment loss relates to the Residential Roofing division for both goodwill (€29,500 thousand) and property, plant & equipment (€60,022 thousand) for which the carrying amounts exceeds today's recoverable amounts.

The impairment losses incurred in 2018 are relating to non operational assets in France and Romania.

Restructuring charges in 2019 mainly relate to the following:

- the closure of the clay tile plant in Malsch, Germany (charges €16,475 thousand and impairment of equipment for €4,474 thousand) and the re-location of a production line in France (charges €2,092 thousand, impairment of equipment for €2,660 thousand),

- the re-design and centralisation of regional functions within the Etex Exteriors division as well as down-sizing sales and operations roles in France, Denmark, Italy and Switzerland (€4,377 thousand),
- the restructuring with Etex Residential Roofing management roles in disposed entities which took place prior to disposal of businesses (€2,880 thousand),
- other streamlining and centralisation of support roles (€ 3,381 thousand), in Belgium and in Germany.

In 2018, following restructuring plans were initiated:

- the integration, re-design and centralisation of functions within the Etex Business Performance division in Germany, France and the Netherlands (€15,479 thousand),
- the set-up of a regional structure and resulting restructurings within Etex divisions in Africa, in Latin America and in Europe (€12,371 thousand),
- in France, Russia, Nigeria and in the United Kingdom, specific business lines are stopped with a total cost of €6,328 thousand plus associated impairment of equipment for €1,761 thousand,
- the further employment reduction program in the Roofing division in Germany (charges €3,115 thousand and impairment of equipment for €938 thousand),
- other right-sizing decisions by elimination of support roles (€ 4,898 thousand).

In 2019, health claims charges are reflecting the experienced and expected increase in future cost in specific geographies.

Net health claims impacts were €3,603 thousand income in 2018 due to reversal of provisions with respect to statistical model adaptation and insurance coverage assumption in specific countries.

Environmental remediation charges cover various projects which costs were exposed to renovate asbestos-containing sites and properties.

Past service cost charges for 2018 are the outcome of immediate recognition of employee benefits provision for past services in the United Kingdom as a result of the High Court ruling on 26 October 2018 with respect to guaranteed minimum pension ("GMP") equalisation between men and women.

Other non recurring charges in 2019 are relating to acquisition and disposal projects.

In 2018, the main other non recurring items were compensation recognised with respect to asbestos legacy charges, on the one hand, and charges with respect to property tax due to mergers of German entities and charges relating to acquisition and disposal projects, on the other hand.

Note 5 – Finance income and expense

<i>In thousands of EUR</i>	2018	2019
Interest income from receivables, deposits and cash and cash equivalents (loans and receivables)	4,589	6,332
Positive impact of change in discount rate of long term provisions	108	48
Other interest related income	18	22
Interest income	4,715	6,402
Interest expense on financial liabilities measured at amortised cost	-22,599	-22,379
Net interest expense on post-employment benefits	-4,581	-5,459
Unwinding of discount long term provisions	-549	-433
Negative impact of change in discount rate of long term provisions	-652	-3,157
Other interest related charges	-1,884	-1,036
Interest expense	-30,265	-32,464
Dividend income from shares in non consolidated companies (FVTOCI financial assets)	76	49
Net foreign exchange gains (loans and receivables)	11,121	6,240
Other	304	38
Other finance income	11,501	6,327
Net foreign exchange losses (liabilities at amortised cost)	-9,953	-10,139
Hyperinflation Argentina	-1,345	-378
Other	-1,980	-305
Other finance expense	-13,278	-10,822
Net finance costs	-27,327	-30,557

The interest expense on financial liabilities measured at amortised cost remained stable although the financing at lower cost and the evolution of loan reimbursements, this because of the third party financial lease charges of €3,855 thousand (€44 thousand in 2018). It also includes

the effect of interest rate swaps hedging the Group's interest rate risk: €7,715 thousand paid in 2019 (€7,656 thousand paid in 2018).

The other interest related charges mainly include upfront fee expenses for €662 thousand (€1,533 thousand in 2018) in connection with external financial debt which are amortised over the duration of the loan.

Foreign exchange gains and losses are presented net of the effect of foreign exchange derivative instruments. The net exchange gain is the result of the Group's foreign exchange exposure in mainly Argentina, Indonesia and Nigeria on the current financial asset and liabilities in these countries.

The impact of hyperinflation in Argentina in 2019 is €-378 thousand (€-1,345 thousand in 2018).

Note 6 - Income tax expense

In thousands of EUR	2018	2019
Current income tax charge for the year	-53,953	-65,753
Adjustments to current income tax of previous years	-3,403	-5,213
Current income tax expense	-57,356	-70,966
Origination and reversal of temporary differences	18,184	23,363
Net effect on deferred tax assets	-10,897	-13,038
Net effect of changes in tax rates on deferred tax	434	2,908
Deferred income tax expense	7,721	13,233
Total income tax expense	-49,635	-57,733

The reconciliation between the effective income tax expense and the theoretical income tax expense is summarised below. The theoretical income tax expense is calculated by applying the domestic nominal tax rate of each Group entity to their contribution to the Group profit before income tax and before share of the profit in equity accounted investees.

In thousands of EUR	2018	2019
Profit before income tax and before share of profit in equity accounted investees	193,351	237,350
Theoretical income tax expense (nominal rates)	-42,769	-40,520
Weighted average nominal tax rate %	22.1%	17.1%
Tax impact of		
Non deductible expenses	-10,637	-9,690
Tax on profit distribution inside the Group	-3,253	-2,044
Tax-free gains/losses on investments	6,727	26,291
Other tax deductions	13,126	4,338
Unrecognised deferred tax assets on current year losses	-12,640	-15,706
Recognition of previously unrecognised deferred tax assets	2,678	2,668
Derecognition of previously recognised deferred tax assets	-935	-
Net effect of changes in tax rates on deferred tax	434	2,908
Adjustments to prior year income tax	-3,403	-5,213
Other tax adjustments	1,037	-20,765
Income tax expense recognised in the income statement	-49,635	-57,733
Effective tax rate %	25.7%	24.3%

In 2019 and 2018, the unrecognised deferred tax assets on current year losses are mainly impacted by restructuring.

Income tax recognised directly in equity is related to:

In thousands of EUR	2018	2019
Actuarial gains (losses) on post employment benefit plans	225	17,220
Gains (losses) on financial instruments - cash flow hedging	-1,260	-1,617
Total	-1,034	15,603

Note 7 - Property, plant and equipment

In thousands of EUR	Land and buildings	Plant, machinery, equipment	Furniture, vehicles	Other property, plant, equipment	Under construction	Total
At 31 December 2017						
Gross book value	1,116,789	2,414,690	230,783	25,697	161,037	3,948,996
Accumulated depreciation	-539,023	-1,514,127	-156,347	-19,381	-	-2,228,878
Accumulated impairment loss	-8,604	-64,745	-914	-80	-4,796	-79,139
Net book value	569,162	835,818	73,522	6,236	156,241	1,640,979
Of which leased assets	-	4,314	21	-	-	4,335
Additions	14,476	50,175	5,032	994	83,801	154,478
Disposals	-879	-981	-79	-2	-	-1,941
Changes in the scope of consolidation	-944	-398	-	-310	-	-1,652
Transfer between captions	28,691	98,416	-3,879	154	-124,064	-682
Depreciation for the year	-32,108	-91,917	-10,624	-1,699	-	-136,348
Impairment loss of the year	-853	-3,828	-239	-	-213	-5,133
Reversal impairment loss	-	958	-	-	-	958
Hyperinflation - opening balance restatement through equity	3,384	2,294	95	-4,562	1,997	3,208
Hyperinflation - impact of the year	4,948	10,193	843	-2,317	3,624	17,291
Translation differences	-9,590	-12,663	-673	-66	-6,305	-29,297
At 31 December 2018						
Gross book value	1,144,799	2,511,616	223,868	25,287	118,151	4,023,721
Accumulated depreciation	-560,231	-1,563,378	-158,732	-26,782	-	-2,309,123
Accumulated impairment loss	-8,285	-60,201	-1,138	-78	-3,069	-72,771
Net book value	576,283	888,037	63,998	-1,573	115,082	1,641,827
Of which leased assets	-	3,869	10	-	-	3,879
IFRS 16 - opening balance correction	62,067	14,090	33,590	180	-	109,927
Additions	23,102	47,604	17,808	1,801	73,666	163,981
Disposals	-1,470	-802	-1,891	-114	-34	-4,311
Changes in the scope of consolidation	-27,554	-26,039	-346	-	-5,266	-59,205
Transfer between captions	13,407	45,442	2,107	535	-64,373	-2,882
Depreciation of the year	-40,469	-101,248	-24,803	-1,858	-	-168,378
Impairment loss of the year	-30,510	-32,475	-1,565	-57	-450	-65,057
Reversal of impairment loss	26	1	1	-	-	28
Hyperinflation - opening balance restatement through equity	25	-	-25	-	-	-
Hyperinflation - impact of the year	3,646	5,741	484	72	4,886	14,829
Translation differences	2,416	-987	-643	2,466	-2,574	678
At 31 December 2019						
Gross book value	1,187,244	2,462,129	265,077	27,652	124,234	4,066,336
Accumulated depreciation	-567,529	-1,534,685	-173,880	-26,063	-	-2,302,157
Accumulated impairment loss	-38,746	-88,080	-2,482	-137	-3,297	-132,742
Net book value	580,969	839,364	88,715	1,452	120,937	1,631,437
Of which leased assets	62,365	26,364	29,030	227	-	117,986

The year 2019 has seen the completion of a Fibecop line in Belgium next to other several investments made especially in France, Germany, UK and Spain. There are no borrowing costs capitalised in 2019 and 2018.

The disposal proceeds of property, plant and equipment in 2019 amount to €7,608 thousand, resulting in a net gain of € 3,296 thousand. In 2018, the proceeds amounted to €2,869 thousand with a net gain of €930 thousand.

We refer to note 8.3 for the impairment testing of capital employed.

Note 8 – Goodwill and business combinations

8.1. Reconciliation of the carrying amount of goodwill

<i>In thousands of EUR</i>	2018	2019
Gross book value	255,330	253,357
Accumulated impairment losses	-52,355	-51,924
Net book value at the beginning of the year	202,975	201,433
Translation differences	-1,542	-77
Changes in the scope of consolidation	-	-49,445
Impairment loss of the year	-	-29,500
Net book value at the end of the year	201,433	122,411
Gross book value	253,357	204,590
Accumulated impairment losses	-51,924	-82,179

The movements of the year are resulting from the disposals of businesses in 2019 (scope out from Marley UK and, to a lesser extent, Nidaplast) and from the impairment recognised on the remaining part of the Etex Residential Roofing division (see Note 8.3).

The main components of the carrying amount of goodwill are the following:

<i>In thousands of EUR</i>	2018	2019
Building Performance	85,732	85,789
Exteriors	11,294	11,290
Industry	25,332	25,332
Residential Roofing	78,945	-
Others	130	-
Total	201,433	122,411

Certain comparatives have been reclassified to conform to current year's presentation in line with current organisational structure.

8.2. Business combinations

The Group did no acquire new business in 2019 and 2018.

8.3 Impairment testing of goodwill and capital employed

Impairment reviews were performed in 2019, by comparing the carrying value of capital employed including goodwill with the recoverable amount of the cash-generating unit to which goodwill has been allocated.

The capital employed and goodwill values tested in the global cash-generating unit Building Performance include the goodwill generated by the acquisition of the plasterboard business in Europe and in Brazil in 2011, of Pladur in 2017 and of the technical construction business, at the time part of the Fire Protection and Insulation business, generated by the acquisition of Comais (1996, calcium silicate boards), Intumex (2000, intumescent products) and Cafco (2007, paint and spray) as allocated in 2017 between the Etex Building Performance and the Etex Industry divisions.

Etex Industry capital employed value, consistently tested as one whole, include the above-mentioned goodwill values and the impact of the acquisition of Microtherm (2011, high performance insulation).

The global cash-generating unit for Etex Exteriors was tested: it covers fibre-cement façade and roofing business in Europe, and in Americas and was tested for impairment on its capital employed including goodwill, mainly relating to the acquisition of business in Nordic countries (2008).

Finally, the Etex Roofing Residential division includes, as from 2019, the capital employed for the residential clay and concrete roofing business of Etex in Europe and in South Africa and the goodwill values generated by the acquisition of Creaton (2005, clay business in Germany, Austria, Hungary and Poland).

The latter required an impairment with respect to both goodwill value and partially to the value of its property, plant and equipment, both in South Africa and in Europe. This conclusion is based on comparison of carrying amounts and historical values of the cash-generating unit with today's estimated recoverable amounts which is determined based on valuation technique using market approach (multiple, market sounding), qualifying as level 2 valuation. This impairment recognised in 2019 is resulting from the disposal of the UK and Portuguese part of the Etex Roofing Residential division, in August 2019, and from the persisting difficult market conditions, for the remaining clay and concrete tiles businesses, mainly in Germany and in South Africa. The impairment booked as a result of this testing amounts to €29,500 thousand, goodwill related, and €60,022 thousand with respect to other assets, both reported as non recurring impairment charges.

The recoverable amount of the cash-generating units Etex Building Performance, Exteriors and Industry was based on its value in use and exceeds by far the values of their respective capital employed. The value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- cash flows were projected based on actual operating results and the 3 year business plan,
- cash flows for further periods were extrapolated using a constant growth rate of 1.5% to 4.5% per annum depending on the countries involved and their inflation (1.0 % to 5.0% in 2018)
- cash flows were discounted using the weighted average cost of capital (WACC) in a range of 5.8 % to 8.7 % depending on the countries involved (5.7 % to 10.0 % in 2018).

In connection with the impairment testing process on the capital employed including goodwill, the future cash flows were subjected to stress tests that included changes in individual macroeconomic parameters as part of a sensitivity analysis. Goodwill values are not sensitive to reasonable changes in assumptions (such as an increase of WACC by 1%).

Etex management will closely monitor the impact of macro-economic evolution, including the potential impact of Brexit and the Covid 19 virus.

Note 9 – Intangible assets other than goodwill

<i>In thousands of EUR</i>	Concessions	Software	Brands	Technology	Customer list	Others	Total
At 31 December 2017							
Gross book value	53,349	104,177	104,567	74,688	60,744	15,050	412,575
Accumulated amortisation	-17,862	-75,332	-43,884	-29,284	-20,167	-12,353	-198,882
Accumulated impairment losses	-4,540	-392	-	-	-	-	-4,932
Net book value	30,947	28,453	60,683	45,404	40,577	2,697	208,761
Additions	32,893	2,679	-	-	-	2,268	37,840
Disposals	-	-3	-186	-	-	-	-189
Acquisitions through business combinations	-	-	-	2,051	-	-2,051	-
Transfer between captions	24	756	-16	44	-	-126	682
Amortisation for the year	-288	-6,649	-6,249	-4,359	-4,946	-132	-22,623
Impairment loss of the year	-	-	-	-	-1,064	-61	-1,125
Changes in the scope of consolidation	-	-43	21	-	-	-	-22
Hyperinflation - impact of the year	-	14	-	-	-	-	14
Hyperinflation - Opening Balance impact	-	53	-	-	-	3	56
Translation differences	-1,441	-378	-186	-87	-98	-362	-2,552
At 31 December 2018							
Gross book value	85,474	104,026	103,814	75,885	60,339	14,683	444,221
Accumulated amortisation	-18,799	-78,763	-49,747	-32,832	-24,879	-12,389	-217,409
Accumulated impairment losses	-4,540	-381	-	-	-991	-58	-5,970
Net book value	62,135	24,882	54,067	43,053	34,469	2,236	220,842
Additions	182	3,688	-	-	-	1,047	4,917
Transfer between captions	-641	2,413	-	-129	-	148	1,791
Amortisation for the year	-264	-6,011	-6,127	-4,346	-4,445	-154	-21,347
Impairment loss of the year	-1,535	-4	-	-1,922	-	-	-3,461
Changes in the scope of consolidation	-167	-46	-3,166	-	-	-	-3,379
Hyperinflation - opening balance restatement through equity	-	5	-	-	-	-	5
Translation differences	-115	-15	634	222	-2	300	1,024
At 31 December 2019							
Gross book value	85,255	106,661	100,291	76,208	60,821	16,188	445,424
Accumulated amortisation	-19,584	-81,602	-54,883	-37,408	-29,663	-12,611	-235,751
Accumulated impairment losses	-6,076	-147	-	-1,922	-1,136	-	-9,281
Net book value	59,595	24,912	45,408	36,878	30,022	3,577	200,392

In 2018 the Group completed a strategic investment in a concession for raw material reserves.

We refer to note 8.3 for the impairment testing of capital employed.

Note 10 – Investment properties

<i>In thousands of EUR</i>	2018	2019
Gross book value	41,814	39,254
Accumulated depreciation	-16,192	-18,136
Accumulated impairment losses	-2,246	-7,534
Net book value at the beginning of the year	23,376	13,584
Depreciation for the year	-322	-128
Impairment losses	-5,289	-815
Additions	27	240
Transfer between captions	-295	1,091
Disposals	-4,388	-1
Change in the scope of consolidation	-	-137
Hyperinflation - opening balance restatement through equity	343	-
Hyperinflation - impact of the year	140	492
Translation differences	-8	-178
Net book value at the end of the year	13,584	14,148
Gross book value	39,254	42,788
Accumulated depreciation	-18,136	-20,291
Accumulated impairment losses	-7,534	-8,349

Investment properties comprise several pieces of land and buildings, mainly in France, Germany and Italy. The transfer between captions for 2019 (€1,091 thousand) is the net of transferred assets with a gross carrying amounts for €3,328 thousand and accumulated impairments for €-2,237 thousand.

The fair value of the investment properties is estimated at €21,023 thousand (€24,759 thousand in 2018). Where external valuations were not available, best estimates have been used.

Note 11 – Assets held for sale

<i>In thousands of EUR</i>	2018	2019
Gross book value	4,155	9,198
Accumulated impairment losses	-749	-6,036
Net book value at the beginning of the year	3,406	3,162
Impairment losses	-33	-
Reversal of impairment losses	79	-
Disposals	-644	-50
Transfer between captions	295	-
Translation differences	59	103
Net book value at the end of the year	3,162	3,215
Gross book value	9,198	9,137
Accumulated impairment losses	-6,036	-5,922

Assets held for sale are mainly lands that are not used in operations anymore and for which the Group is actively looking for a buyer. Most of these assets are located in Mexico, the United Kingdom and Spain.

The transfer between captions for 2018 (€295 thousand) is the net of transferred assets with a gross carrying amounts for €5,627 thousand and accumulated impairments for €-5,333 thousand.

Note 12 – Investments in equity accounted entities

<i>In thousands of EUR</i>	2018	2019
At the beginning of the year	8,186	10,309
Result for the year	1,018	1,118
Dividends paid	-761	-927
Disposal	-	-1,431
Capital increases	1,911	397
Cumulative translation adjustments	-45	60
At the end of the year	10,309	9,526

The 2019 disposal value represents the sale of Rothenburg FAR Company Ltd. (€1,431 thousand) for a total consideration of €810 thousand.

In 2019 and 2018 the Group's share of the capital increase in E2E (Chilean joint venture) equals to respectively €397 thousand and €1,911 thousand.

Summarised financial information of investments in equity accounted entities (Group's share):

<i>In thousands of EUR</i>	2018	2019
Property plant and equipment	6,544	7,659
Other non-current assets	251	420
Current assets	9,330	8,094
Non-current liabilities	-780	-2,071
Current liabilities	-5,036	-4,576
Total net assets	10,309	9,526
Revenue	19,760	21,398
Operating income	1,403	1,095
Profit after tax	1,018	1,118

Transactions between the Group and equity accounted entities can be summarised as follows:

<i>In thousands of EUR</i>	2018	2019
Transactions		
Purchases from associates	4,435	4,332
Sales to associates	3,830	4,066
Dividends paid	761	927
Outstanding balances		
Trade receivables	552	330
Other current receivables	711	1,490
Trade liabilities	285	215

Note 13 – Other non-current assets

<i>In thousands of EUR</i>	2018	2019
Trade and other receivables	4,968	3,754
Impairment on trade and other receivables	-1,126	-1,344
Net trade and other receivables	3,842	2,410
Derivative financial instruments with positive fair value	427	-
Available-for-sale investments	854	628
Impairment on available-for-sale investments	-128	-128
Net available-for-sale investments	726	500
Deposits	354	739
Total	5,349	3,649

The non-current available-for-sale investments include unquoted equity instruments that are measured at cost for €500 thousand as their fair value cannot be measured reliably (€726 thousand in 2018).

Note 14 – Trade and other receivables

Current trade and other receivables

<i>In thousands of EUR</i>	2018	2019
Trade receivables	250,443	245,618
Impairment on trade receivables	-24,779	-17,419
Trade receivables	225,664	228,199
Other receivables	112,679	82,295
Total	338,343	310,494

At 31 December 2019, an amount of €153.7 million (€159 million in 2018) has been received in cash under various non-recourse factoring and credit insurance programs, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. Continuing involvement for late payment risk is not significant. The net amount of sold trade receivables is derecognized from the balance sheet.

Other receivables are mainly composed of:

<i>In thousands of EUR</i>	2018	2019
Income taxes recoverable	25,224	28,333
Other taxes recoverable	45,284	41,616
Derivative financial instruments with positive fair values	1,818	298
Prepaid charges and accrued income	2,539	2,966
Advances due from customers for contracts in progress	1,597	1,396
Advances to personnel	1,658	1,697
Others	34,559	5,989
Total	112,679	82,295

Exposure to credit risk – impairment losses

The ageing of trade and other receivables at reporting date was as follows:

<i>In thousands of EUR</i>	2018	2019
Neither impaired nor past due at reporting date	446,683	395,871
Not impaired at reporting date and past due	50,252	68,306
Up to 30 days	32,616	50,081
Between 31 and 60 days	5,258	5,505
Between 61 and 90 days	2,451	2,390
Between 91 and 120 days	1,912	2,619
Between 121 and 150 days	664	1,245
More than 150 days	7,351	6,466
Non-recourse factoring	-158,592	-153,683
Net carrying amount at the end of the year	338,343	310,494

The movement in the allowance for impairment of current trade and other receivables was as follows:

<i>In thousands of EUR</i>	2018	2019
Allowances at the beginning of the year	-27,258	-24,779
Additions	-3,197	-1,943
Use	1,767	6,413
Reversal	3,901	1,859
Change in the scope of consolidation	8	1,031
Allowances at the end of the year	-24,779	-17,419

Other current assets

<i>In thousands of EUR</i>	2018	2019
Available-for-sale investments	-	807
Deposits	1,803	6,263
Total	1,803	7,070

Note 15 – Inventories

The different types of inventories are detailed below:

In thousands of EUR	2018	2019
Raw materials	132,466	113,843
Work in progress	29,443	28,920
Finished goods	213,625	193,087
Spare parts and consumables	86,051	84,194
Goods purchased for resale	35,177	34,623
Write-downs to net realisable value	-49,926	-51,248
Total	446,836	403,419

In 2019, the Group recognised inventory write-downs to net realisable value of €-466 thousand (€2,131 thousand in 2018) as an income, including reversal of prior year write-downs amounting to €7,589 thousand (€8,501 thousand in 2018). Reversals of write-downs without impact on the income statement amount to €-2,356 thousand (€-420 thousand in 2018).

Note 16 – Risk management and financial derivatives

16.1 Risk management

A. Market risk

Exposure to currency risk

Around 50% of the Group's revenue is generated by subsidiaries with a functional currency other than the Euro (51% in 2018). The Group has its main foreign exchange exposure in the following foreign currencies: Argentinean peso, Chilean peso, Colombian peso, Nigerian naira, Peruvian nuevo sol and Pound sterling.

Translation currency sensitivity analysis

On the basis of the volatility of these currencies against the Euro in 2019, the reasonably possible change of the exchange rate of these currencies against the Euro is estimated as follows:

Rates used for sensitivity analysis

	Closing rate 31 December 2019	Average rate 2019	Possible volatility of rates in %	Range of possible closing rates 31 December 2019	Range of possible average rates 2019
Argentinean peso	67.0400	67.0400	21	53,2036 - 80,8764	53,2036 - 80,8764
Chilean peso (000)	0.8365	0.7875	12	0,7372 - 0,9359	0,694 - 0,8811
Colombian peso (000)	3.6815	3.6748	12	3,2344 - 4,1287	3,2285 - 4,1211
Nigerian naira	404.8980	343.3113	5	384,6531 - 425,1429	326,1457 - 360,4769
Peruvian nuevo sol	3.7238	3.7362	9	3,3913 - 4,0564	3,4026 - 4,0699
Pound sterling	0.8508	0.8778	7	0,7927 - 0,9089	0,8178 - 0,9377

As a comparison, the reasonably possible change of exchange rate of these currencies against the Euro was estimated as follows for 2018:

Rates used for sensitivity analysis

	Closing rate 31 December 2018	Average rate 2018	Possible volatility of rates in %	Range of possible closing rates 31 December 2018	Range of possible average rates 2018
Argentinean peso	43.1627	43.1627	21	34,029 - 52,2964	34,029 - 52,2964
Chilean peso (000)	0.7955	0.7565	11	0,7059 - 0,8852	0,6713 - 0,8418
Colombian peso (000)	3.7210	3.4838	13	3,2208 - 4,2211	3,0155 - 3,9521
Nigerian naira	350.9430	360.9992	20	280,7544 - 421,1316	288,7994 - 433,1991
Peruvian nuevo sol	4.1500	3.8803	9	3,7675 - 4,5325	3,5226 - 4,2379
Pound sterling	0.8945	0.8845	10	0,8063 - 0,9828	0,7973 - 0,9717

If the Euro had weakened or strengthened during 2019 by the above estimated possible changes against the listed currencies with all other variables held constant, the 2019 profit would have been €21,912 thousand (12%) higher or €18,562 thousand (-10%) lower while equity would have been €54,358 thousand (5%) higher or €43,652 thousand (-4%) lower. In 2018, if the Euro had weakened or strengthened the profit would have been €17,121 thousand (12%) higher or €13,397 thousand (-9%) lower while equity would have been €50,295 thousand (5%) higher or €32,012 thousand (-3%) lower.

In thousands of EUR	2019		2019	
	If euro weakens	If euro strengthens	Profit	Equity
Argentinean peso	2,061	11,502	-1,356	-7,567
Chilean peso	846	8,665	-666	-7,129
Colombian peso	400	7,076	-313	-5,544
Nigerian naira	591	2,710	-534	-2,452
Peruvian nuevo sol	518	8,966	-433	-7,496
Pound sterling	17,496	15,439	-15,260	-13,464
Total	21,912	54,358	-18,562	-43,652

In thousands of EUR	2018		2018	
	If euro weakens	If euro strengthens	Profit	Equity
Argentinean peso	1,739	9,814	-1,132	-6,386
Chilean peso	-250	7,771	199	-6,653
Colombian peso	490	7,794	-374	-5,947
Nigerian naira	2,213	13,690	-1,475	-9,127
Peruvian nuevo sol	574	8,088	-477	-6,723
Pound sterling	12,355	3,138	-10,138	2,824
Total	17,121	50,295	-13,397	-32,012

Interest rates sensitivity analysis

At the end of 2019 €206,268 thousand or 39% of the Group's interest bearing financial liabilities, before offset of any surplus cash, bear a variable interest rate (€ 489,477 thousand or 68% at the end of 2018). This floating debt portion consists of debt instruments almost exclusively denominated in Euro apart from € 13,414 thousand that is denominated in Pound sterling (€24,220 thousand in 2018), € 12,181 thousand that is denominated in Romanian Leu (€14,928 thousand in 2018) and € 7,229 thousand denominated in other currencies.

The total interest expense recognised in the 2019 income statement on the Group's variable rate debt portion, net of the effect of interest rate derivative instruments, amounts to € 13,554 thousand (€ 16,423 thousand in 2018). The total interest expense recognised on the fixed rate portion amounts to € 4,205 thousand (€ 5,123 thousand in 2018).

The reasonably possible change of the market interest rates applicable to the Group's floating rate debt after hedging is as follows:

Rates used for sensitivity analysis

	Rates at 31 December 2019	Possible volatility of rates	Possible rates at 31 December 2019
Euro	-0.38%	-0,09% - 0,05%	-0,47% --0,33%
Pound sterling	0.79%	-0,05% - 0,12%	0,74% -0,91%
Romanian Leu	2.86%	-0,26% - 0,27%	2,6% -3,13%

Rates used for sensitivity analysis

	Rates at 31 December 2018	Possible volatility of rates	Possible rates at 31 December 2018
Euro	-0.31%	-0,01% - 0,01%	-0,32% --0,30%
Pound sterling	0.91%	-0,21% - 0,19%	0,7% -1,1%
Romanian Leu	1.66%	-0,33% - 1,02%	1,33% -2,68%

Application of the reasonably possible fluctuations in the market interest rates mentioned above on the Group's floating rate debt at 31 December 2019, with all other variables held constant and net of the effect of interest rate derivative instruments, would result in a decrease of the 2019 profit by €91 thousand and an increase of € 115 thousand (a decrease of € 218 thousand and an increase of € 120 thousand in 2018). Cash and cash equivalents in Euro of € 20,073 thousand (€ 34,079 thousand in 2018), Pound sterling balances of € 153,333 thousand (€ 166,478 thousand in 2018) and Romanian Leu balances of € 6,339 thousand (€ 3,765 thousand in 2018) generate interest that would partially offset any variations in interest payable. The cash pool balances are monthly netted (in euro). The fair value of the Group's interest rate hedging contracts would, on basis of the above possible change in interest rates, decrease by € 231 thousand / increase by € 130 thousand against an increase / decrease of equity for that amount (decrease by € 35 thousand and increase by € 66 thousand in 2018).

B. Credit risk

At the reporting date the exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position (refer to note 13 for investments, note 14 for trade and other receivables, and note 17 for cash and cash equivalents).

C. Funding and long term liquidity risk

Maturity schedule

At 31 December 2019 the contractual maturities of financial liabilities, including interest payments, are the following:

<i>In thousands of EUR</i>	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Bank loans	214,668	221,718	14,358	84,728	122,423	209
Other financial loans	196,620	197,172	191,756	2,931	1,931	554
Obligations under leases	120,067	145,637	27,722	23,648	40,727	53,540
Trade and other liabilities	650,170	630,226	630,226	-	-	-
Derivative financial liabilities						
Interest rates swaps	7,487	7,486	7,487	-	-	-
Commodity contracts	398	398	398	-	-	-
Foreign exchange contracts	5,995	5,995	5,995	-	-	-
Total	1,195,405	1,208,633	877,942	111,307	165,081	54,303

Bank loans are shown according to their contractual maturity date, rather than their interest and roll-over date.

At 31 December 2018 the contractual maturities of financial liabilities, including interest payments, were the following:

<i>In thousands of EUR</i>	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Bank loans	539,023	549,818	27,232	15,671	352,743	154,172
Other financial loans	176,709	177,850	170,968	1,467	3,444	1,971
Obligations under leases	4,033	5,110	480	586	1,513	2,531
Trade and other liabilities	682,245	661,295	661,291	4	-	-
Derivative financial liabilities						
Interest rates swaps	14,607	14,607	7,008	7,599	-	-
Cross currency interest rate swaps	3,621	3,621	3,621	-	-	-
Foreign exchange contracts	762	762	762	-	-	-
Total	1,421,000	1,413,063	871,362	25,327	357,700	158,674

D. Capital risk

The Group monitors capital using the debt covenant specifications as outlined in the latest syndicated loan agreement signed on 11 October 2018 (which was amended and restated into a sustainability linked loan in November 2019, without any impact on the debt covenant) and the

Schuldschein loan. The Group targets to maintain a debt covenant ratio between 1.5 and 2.5 on the long term. The adjusted net financial debt (for covenant purposes) to recurring EBITDA ratio amounts to 0.50 at 31 December 2019 (1.45 at 31 December 2018), well below the lowest covenant of 3.25. The net cash interest to recurring EBITDA ratio amounts to 35.04 at 31 December 2019 (22.53 at 31 December 2018), well above the covenant of 4.

16.2 Financial derivatives

The Group uses derivative financial instruments to hedge its exposure to currency risk, commodity prices and interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. All derivatives are measured at fair value.

The following table provides an overview of the outstanding derivative financial instruments at 31 December:

<i>In thousands of EUR</i>	2018		2019	
	Fair value	Carrying amount	Fair value	Carrying amount
Foreign exchange contracts				
Assets	2,203	2,203	298	298
Liabilities	-762	-762	-5,995	-5,995
Commodity contracts				
Liabilities	-3,621	-3,621	-398	-398
Interest rate swaps				
Liabilities	-14,607	-14,607	-7,487	-7,487
Total	-16,787	-16,787	-13,582	-13,582

The following table indicates in which caption of total comprehensive income, the changes in fair value of the derivative financial instruments outstanding at 31 December 2019, have been recognised:

<i>In thousands of EUR</i>	Profit for the year				
	Cost of sales	Interest expense	Other financial income	Other financial charges	Other comprehensive income
Foreign exchange contracts					
Assets	-333	-	-	-	-1,497
Liabilities	-931	-	-	-	-4,325
Commodity contracts					
Liabilities	-	-	-	-	3,224
Interest rate swaps					
Liabilities	-	-	-	-	7,119
Total	-1,264	-	-	-	4,521

A. Cash flow hedges

At 31 December 2019, the Group holds forward exchange contracts designated as hedges of expected future raw material purchases from suppliers for purchases denominated in US Dollar and Japanese Yen, of expected future sales denominated in Polish Zloty, and of expected future purchases denominated in Euro by companies whose functional currency is the British Pound and Polish Zloty.

At 31 December 2019, the Group holds commodity swap agreements designated as hedges to cover a portion of the exposure of future price changes on mainly fuel and other raw material.

At 31 December 2019, the Group had interest rate swap agreements in place with a notional amount of €250,000 thousand (€250,000 thousand in 2018) whereby it receives a variable interest rate based on Euribor three or six months, as the case may be, and pays a fixed rate on the notional amount. The swaps are being used to hedge the exposure to interest rate risk on its floating debt. The floating rate debt and the interest rate swaps have the same critical terms.

The Group did not recognise any ineffectiveness in 2019 and 2018.

The following tables indicate the period in which the undiscounted cash flows are or were expected to occur. This is the same period as the period in which the cash flows are expected to impact the income statement (cost of sales if relating to forward exchange contracts covering sales and purchases in foreign currencies and the commodity swap agreements, and interest expense if concerning interest rate swaps).

At 31 December 2019:

<i>In thousands of EUR</i>	Carrying amount	Total expected cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
Foreign currency						
Foreign exchange contracts						
Assets	188	188	188	-	-	-
Liabilities	-5,162	-5,162	-5,162	-	-	-
Commodity						
Commodity contracts						
Assets	-	-	-	-	-	-
Liabilities	-398	-398	-398	-	-	-
Interest rate						
Interest rate swaps						
Assets	-	-	-	-	-	-
Liabilities	-7,487	-7,487	-7,487	-	-	-

At 31 December 2018:

<i>In thousands of EUR</i>	Carrying amount	Total expected cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
Foreign currency						
Foreign exchange contracts						
Assets	1,744	1,744	1,358	386	-	-
Liabilities	-722	-722	-722	-	-	-
Commodity contracts						
Commodity contracts						
Assets	-	-	-	-	-	-
Liabilities	-3,621	-3,621	-3,621	-	-	-
Interest rate						
Interest rate swaps						
Assets	-	-	-	-	-	-
Liabilities	-14,607	-14,607	-7,008	-7,599	-	-

B. Derivatives without hedging relationship

Certain derivative transactions, while providing effective hedges under the Group's risk management policy, may not qualify for hedge accounting due to the complexity of the instruments. There are no such derivative transactions in 2019.

16.3 Financial instruments – fair values

Fair values of the financial assets and liabilities approximate their carrying amounts.

<i>In thousands of EUR</i>	2018	2019
Assets		
Other non current assets	5,349	3,649
Trade and other receivables (loans and receivables)	3,842	2,410
Derivatives – used for hedging (cash flow hedging)	427	-
Loans (loans and receivables)	354	739
Bonds (available-for-sale)	4	4
Other	722	496
Trade and other receivables	338,343	310,494
Trade and other receivables (loans and receivables)	336,525	310,196
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	460	110
Derivatives – used for hedging (cash flow hedging)	1,358	188
Other current assets	1,803	7,070
Current financial assets – deposits (loans and receivables)	1,803	6,263
Shares (available-for-sale)	-	807
Cash and cash equivalents (loans and receivables)	134,164	193,031
Liabilities		
Financial liabilities (liabilities at amortised cost)	522,839	301,871
Other non-current liabilities	28,553	20,405
Other non-current liabilities (liabilities at amortised cost)	20,954	20,405
Derivatives – used for hedging (cash flow hedging)	7,599	-
Current portion of financial liabilities (liabilities at amortised cost)	196,926	229,484
Trade and other liabilities	672,682	643,645
Trade and other payables (liabilities at amortised cost)	661,292	629,765
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	39	833
Derivatives – used for hedging (cash flow hedging)	11,351	13,047

Unquoted equity instruments are measured either at fair value using a valuation technique or at cost. Further explanation is provided in note 13.

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market interest rate at reporting date.

The fair value of forward exchange contracts and the commodity swap agreements is based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate (based on government bonds).

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on terms and maturity of each contract and using market interest rates for a similar instrument at reporting date.

The fair value of interest bearing loans and borrowings has been calculated by discounting the expected future cash flows (principal and interest cash flows) at prevailing interest rates at reporting date.

Fair value hierarchy

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant impact on the recorded fair value that are not based on observable market data.

2019

<i>In thousands of EUR</i>	Level 1	Level 2	Level 3
Assets measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	110	-
Derivatives – used for hedging (cash flow hedging)	-	188	-
Liabilities measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	833	-
Derivatives – used for hedging (cash flow hedging)	-	13,047	-

During 2019 and 2018 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

2018

<i>In thousands of EUR</i>	Level 1	Level 2	Level 3
Assets measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	460	-
Derivatives – used for hedging (cash flow hedging)	-	1,785	-
Liabilities measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	39	-
Derivatives – used for hedging (cash flow hedging)	-	18,950	-

As stated in note 11, assets held for sale are measured at the lower of carrying amount and fair value less costs to sell in 2019 and 2018 since no observable fair value could be obtained.

The investment properties are measured at amortised cost, we refer to note 10.

Note 17 – Cash and cash equivalents

Cash and cash equivalents per end of the year increased in 2019 compared to 2018. This was mainly due to a combination of (i) a strong cash generation of the group throughout 2019 and (ii) the receipt of important proceeds from the sale of our clay and concrete tile activities in the UK (Marley UK) and Portugal (Umbelino Monteiro). Only part of the cash generated could be used to pay back some of our outstanding debt without penalties. As such, the remaining balance of our Syndicated Credit Facility was reimbursed (EUR 185 million), as well as the variable tranches of our 5 and 7 year outstanding Schuldschein (EUR 115 million). We also refer to Note 23 'Loans & borrowings' for further explanation. The different types of cash and cash equivalents are detailed below:

<i>In thousands of EUR</i>	2018	2019
Cash on hand and bank deposits	122,617	177,009
Short-term deposits (less than three months)	11,547	16,022
Total	134,164	193,031

Note 18 – Equity

Ordinary shares

The issued share capital (share premium included) of Etex N.V. amounts to €3,276 thousand at 31 December 2019. It is represented by 82,837,819 fully paid ordinary shares without par value.

	2018	2019
At the beginning of the year	82,837,819	82,837,819
Movement of the year	-	-
At the end of the year	82,837,819	82,837,819

Treasury shares

At 31 December 2019 the Group owns 4,673,495 ordinary shares representing 5.64% of the total number of ordinary shares.

	2018	2019
At the beginning of the year	4,673,495	4,673,495
At the end of the year	4,673,495	4,673,495

Dividend

The 2019 dividend will be proposed for approval at the General Shareholders' Meeting of Etex N.V. on 27 May 2020 (after issuance of the financial statements) and will amount to €0.29 per share representing a total dividend of €22,668 thousand.

In 2019, a dividend of €45,335 thousand has been paid out based on the decision of the General Shareholders' Meeting of Etex N.V. on 22 May 2019.

	Number of shares	EUR/share	Dividend in EUR
Ordinary shares	82,837,819	0.58	48,045,935
Treasury shares	-4,673,495	0.58	-2,710,627
Dividend paid out	78,164,324		45,335,308

Details changes in equity

<i>in thousands of EUR</i>	Issued share capital	Share premiums	Issued share capital and share premiums	Post employment benefits reserves	Financial instruments	Post employment benefits reserves and financial instruments
At December 31, 2017	2,533	743	3,276	-206,936	-17,310	-224,245
Total comprehensive income	-	-	-	-10,598	4,716	-5,882
At December 31, 2018	2,533	743	3,276	-217,534	-12,593	-230,127
Total comprehensive income	-	-	-	-64,138	2,904	-61,234
At December 31, 2019	2,533	743	3,276	-281,672	-9,689	-291,361

Other equity movements

The 2019 Other equity movements of €7,031 thousand mainly relate to the translation effects of IAS 29 (hyperinflation accounting) in Argentina impacting Other reserves and retained earnings.

The 2018 Other equity movements of €22,108 thousand mainly relate to the translation effects of IAS 29 (hyperinflation accounting) in Argentina impacting Other reserves and retained earnings (of which €8,902 relating to opening balances); and changes in non-controlling interest in Indonesia and Germany.

Note 19 – Provisions

<i>In thousands of EUR</i>	Warranty	Health claims	Litigation	Others	Total
At 31 December 2018	34,240	67,904	23,407	71,810	197,361
Additional provisions made	17,442	11,693	2,138	23,196	54,469
Amounts utilised during the year	-4,294	-3,797	-4,717	-30,835	-43,643
Unused amounts reversed	-4,367	-4,565	-6,302	-5,570	-20,804
Changes in the scope of consolidation	-52	-	-27	-6,555	-6,634
Translation differences	26	-94	-20	181	93
Discount rate adjustment	522	1,774	-	1,246	3,542
At 31 December 2019	43,517	72,915	14,479	53,473	184,384
Non-current at the end of the period	29,318	62,849	6,480	27,374	126,021
Current at the end of the period	14,199	10,066	7,999	26,099	58,363

Warranty provisions

The provisions for warranty costs are estimates of future payments for claims relating to sales of goods based on historical data; they cover mainly roofing products in Europe for which a long warranty period is granted to customers. Increases of the provision during the year are based on an estimate of the probability of future product claims applied to the sales figures of the year and specific claims exceeding statistical estimates.

Health claims provision

In the past, various Etex subsidiaries used asbestos as a raw material in their industrial process. The use of asbestos has been banned in the entire Group for many years now, but some companies may still receive claims relating to past exposure to asbestos. The potential risk varies depending on the legal situation in the relevant country, its national social security system and the insurance cover of the relevant company.

The accounting approach is to provide for the costs of the settlement of claims which are both probable and can be reliably estimated. The provision at 31 December 2019 for the cost of asbestos claims comprises an amount of €28,333 thousand (€27,269 thousand in 2018) for the expected costs of settling notified claims and a discounted amount of €44,579 thousand (€40,635 thousand in 2018) in respect of losses arising from claims which have not yet been notified but which are both probable and can be reliably estimated. These future claims are discounted at different rates from 0.00 % to 4.0 % depending on the country (0.39 % to 4.0% in 2018).

Most of the Etex's subsidiaries work with external counsels and, if applicable, insurance companies to review the asbestos claims. If a compensatory disease is proven and the causation can be established, the settlement is provided for an amount that reflects the type of disease, the seriousness of the injury, the age of the claimant and the particular jurisdiction of the claim.

The estimation of future claims is based on an up to 25-year cost estimate which takes into account the current level of claims as well as a reduction of claims over time as the number of diseases is expected to decline. Whilst further claims are likely to arise after this up to 25-year-period, the associated costs of resolution cannot be reliably estimated and no provision has been made to cover these possible liabilities. The estimate of future liabilities takes into account a large number of variables such as the number of employees exposed, the likely incidence, the disease mix, the mortality rates, the legislative environment and the expected insurance coverage. As these assumptions may change over time, there can be no guarantee that the provision for asbestos liabilities is an accurate prediction of the actual future costs. As a consequence, the provision may have to be revised in the future as additional information becomes available or trends change. The provision is reviewed at least once a year.

The number of new claims received during 2019 was 43 (47 in 2018), 19 cases were settled and 27 resolved without cost. The number of outstanding cases for which a provision has been made at 31 December 2019, was 156 (159 in 2018).

Litigation provisions

Litigation provisions mainly include estimated future outflows relating to, various direct and indirect tax litigations, litigations with customers, former employees, suppliers and other parties.

Other provisions

Other provisions include mainly estimated future outflows for environmental obligations and restructuring. The Group meets all obligations imposed by relevant laws with respect to land decontamination and site restoration. Where requested, necessary expenses are made and provision for future estimated costs are set-up. At 31 December 2019, these provisions amount to €24,783 thousand (€27,396 thousand in 2018). Restructuring provisions relate mainly to restructuring of companies in Germany and France. Further information is disclosed under note 4.

Note 20 – Commitments and contingencies

Health claims

There has been a history of bodily injury claims resulting from exposure to asbestos being lodged against subsidiaries of the Group for a number of years. The Group's approach is to provide for the costs of resolution which are both probable and reliably estimable (refer to note 19 on provisions). At present the provision for the costs which are both probable and can be reliably estimated cover up to 25 years of estimated gross costs. Whilst further claims are likely to be resolved beyond this timeframe, the associated costs of resolution are not able to be reliably estimated and no provision has been made to cover these possible liabilities, which are considered contingent.

Legal claims

In the ordinary course of business, the Group is involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environment and health and safety matters, etc. The Group operates in countries where political, economic, social and legal

developments could have an impact on the Group's operations. The Group is required to assess the likelihood of any adverse judgements or outcomes to these matters, as well as potential ranges of probable losses. The effects of such risks which arise in the normal course of business are not foreseeable and are therefore not included in the accompanying consolidated financial statements.

Guarantees

At 31 December 2019, the Group issued the following guarantees to third parties:

<i>In thousands of EUR</i>	2018	2019
Guarantees issued after business disposals	121,913	322,361
Guarantees issued by the Group to cover the fulfilment of Group companies obligations	670,028	372,947
Guarantees issued by Third Parties to cover fulfilment of the Group companies obligations	624	606
Secured debt	30,739	19,051

Guarantees issued by the Group to cover the fulfilment of Group companies' obligations consists mainly of the joint and several cross guarantees provided by the group and its affiliates relating to our outstanding syndicated credit facility (€600 million), commercial paper program (€200 million), Schuldschein loan (€185 million), as well as securities issued to guarantee other commitments (€288 million). The values disclosed in the above table are based on outstanding amounts. Secured debt includes mortgages and pledges provided in Romania, Brazil and Japan to cover local credit facilities in 2019.

Commitments

In the ordinary course of business, the Group enters into purchase commitments for goods and services and capital expenditures, buys and sells investments and Group companies or portions thereof. At 31 December 2019 Etex had purchase commitments of €6,214 thousand (€7,471 thousand in 2018). Commitments relating to uncapitalized lease payments are disclosed in Note 23.

Note 21 – Employee benefits

Defined contribution plans

For defined contribution plans Group companies pay contributions to pensions funds or insurance companies. Once contributions have been paid, the Group companies have no further significant payment obligation. Contributions constitute an expense for the year in which they are due. In 2019, the defined contribution plan expenses for the Group amounted to €11,662 thousand (€13,650 thousand in 2018).

Defined benefit plans

Some Group companies provide defined benefit pension plans to their employees as well as defined benefit medical plans and early retirement plans. The following tables reconcile the funded and unfunded status of defined benefit plans to the amounts recognised in the statement of financial position:

<i>In thousands of EUR</i>	2018	2019
Present value of funded obligations	1,192,542	1,357,787
Fair value of plan assets	1,037,205	1,135,599
Plan (surplus) deficit of funded obligations	155,337	222,188
Present value of unfunded obligations	127,215	131,881
Net liability from funded and unfunded plans	282,552	354,069
Other long term benefits	5,294	5,785
Termination benefits	3,288	3,108
Stock option plans	14,489	18,573
Net employee benefits liability	305,623	381,535
Employee benefit obligation	1,342,828	1,517,134
Fair value of plan assets	1,037,205	1,135,599
Net liability at the end of the year	305,623	381,535
Net employee benefits liability (assets)	305,623	381,535
<i>Employee benefits in the statement of financial position:</i>		
Liabilities	312,080	392,303
Assets	6,457	10,768

Funded pension plans have been established in the United Kingdom, Ireland, Germany, Belgium, the Netherlands, Indonesia and Brazil. They are all closed for new employees.

Unfunded pension plans exist mainly in Germany and Chile, but also in Japan and Lithuania.

Other post employment benefits such as medical plans, early retirement plans and gratuity plans are granted mainly in Belgium, the United Kingdom, France, Germany, Austria and Italy. Other long term benefits consist mainly of "Jubileum" premiums in Germany and Poland. In France it relates to long term profit sharing and "Medailles du travail".

Termination benefit plans consist of specific early retirement plans, mainly in Germany and Chile.

Stock options plans are detailed in note 22.

The largest individual plans are in UK and Ireland. Together they account for 79% (79% in 2018) of the total Group defined benefit obligation, and 92% (92% in 2018) of its plan assets.

UK Pension Plans

In the UK, the Group sponsors two defined benefit pension plans – the ML Pension Scheme (the "Scheme") and the Eternit Pension Plan (the "Plan", together "the Plans"). The Plans were closed to future accrual on 31 December 2009 at which point all active members were granted preserved benefits in the Plans with ongoing pension provision via a separate company sponsored defined contribution pension scheme.

The Plans target a pension paid for life. The amount of pension depends on how long employees were active members of the Plans and their salary when they left the Plans, revalued on a statutory basis until retirement.

The Plans are governed by boards of Trustees (the "Trustees") that have control over the operation, funding and investment strategy. The Trustees are comprised of nominees of the sponsoring employers and elected members of the Plans. The Trustees work together with the UK sponsoring employers of the Plans (the UK sponsors).

UK legislation requires the Trustees to carry out valuations according to local funding requirements at least every three years and to target full funding against a basis that prudently reflects the Plans' risk exposure. The most recent valuations were carried out as at 31 March 2017 and the results showed a deficit of £37 million (funding level 95%) for the Scheme and a deficit of £45 million (funding level 77%) for the Plan against the Trustees' funding objective, agreed with the UK sponsors.

As part of the valuation agreement with the UK Sponsors, the Trustees of the Plan agreed to take a £43,975 thousand interest in an asset backed contribution (ABC) arrangement – the EPP ABC Limited Partnership ("the EPP ABC"), following receipt of a contribution of the same amount from Eternit UK Limited on 28 March 2018. The agreement provides additional covenant support for the Plan. The EPP ABC releases cash each quarter to the Plan of £1,025 thousand no later than 5 business days following 31 March, 30 June, 30 September, 31 December each year starting on 30 June 2018 for a 14 year 6-month period with the last payment made no later than 5 business days following 31 December 2032.

The UK sponsors also agreed a similar agreement for the Scheme to take a £36,157 thousand interest in an asset backed contribution (ABC) arrangement – the MPS ABC Limited Partnership ("the MPS ABC"), following receipt of a contribution of the same amount from Marley Eternit Limited on 28 March 2018. The agreement provides additional covenant support for the Scheme. As with the EPP ABC, the MPS ABC releases cash to the Scheme of £843 thousand each quarter no later than 5 business days following 31 March, 30 June, 30 September, 31 December each year starting on 30 June 2018 for a 14 year 6-month period with the last payment made no later than 5 business days following 31 December 2032.

In addition, the UK Sponsors agreed to meet all expenses going forward for both the Plan and the Scheme.

The approximate weighted average duration of the defined benefit obligation is 16 years for the Scheme and 17 years for the Plan as at 31 December 2019.

The Plans hold a diversified portfolio of assets including multi-asset absolute return funds, property, private debt, infrastructure, insurance-linked securities, liability driven investment buy and hold credit funds, and cash. The investment strategy is reviewed regularly by the Trustees in conjunction with the UK sponsors. The last review for both the Scheme and Plan was in 2018 and the changes introduced aim at increasing the returns and income generation to help meet benefit outgo.

There is a risk that changes in the assumptions for investment return, price inflation or life expectancy could result in deterioration in the funding level of the Plans both on an accounting basis and the local funding basis. Other assumptions used to value the defined benefit obligation are also uncertain. Other risks such as actions taken by the local regulators could result in stronger local funding standards, which could affect cash flow.

In order to mitigate risk and working together with the Trustees, the UK sponsors have carried out two risk management exercises since the closure of the Plans. The first of these was a pension increase exchange exercise whereby members of the Plans were offered the opportunity to

exchange non-statutory inflation linked pension increases for a higher initial pension, but one which did not then increase in payment thereby reducing the inflation exposure of the Plans. A flexible pension option exercise took place at the end of 2013/start of 2014 in which preserved pensioners aged 55 or over were reminded of their option to retire early or transfer out of the Plans with the offer of independent financial advice. To the extent members decide to transfer out of the Plans some of the risks described are reduced.

Ireland Pension Plans

In Ireland, the Group sponsors two defined benefit pension plans – The Tegral Group Pension Plan (the "Main Plan") and the Tegral Group Executives Pension Plan (the "Exec Plan") together ("the Plans"). The Plans were closed to future accrual on 31 December 2010 at which point all active members were granted preserved benefits in the Plans with ongoing pension provision via a separate company sponsored defined contribution pension scheme (the DC Scheme).

The Plans target a pension paid for life. The amount of pension depends on how long employees were active members of the Plans and their salary when they left the Plans, revalued on a statutory basis until retirement.

The Plans are governed by boards of Trustees (the "Trustees") that have control over the operation, funding and investment strategy.

The Trustees are comprised of nominees of the sponsoring employers and elected members of the Plans. The Trustees work together with the Irish sponsoring employer of the Plans (the Irish sponsors).

Irish legislation requires the Trustees to carry out valuations according to local funding requirements at least every three years. The most recent valuations were carried out as at 1 January 2018 and the next formal actuarial valuation of the Plans will be as of 1 January 2021.

The results of the 1 January 2018 valuations showed that both schemes satisfied the statutory minimum funding standard but there was a combined deficit of €5.3 million (funding level 95%) against the Trustees' funding objectives. The Irish sponsors have agreed to pay fixed contributions of €1.32 million per annum over the period to the next formal valuations at 1 January 2021.

The combined approximate weighted average duration of the defined benefit obligation is 18 years for the Plans.

The Plans hold a diversified portfolio of assets including equities, bonds, property, cash and absolute return funds. The investment strategy is reviewed regularly by the Trustees in conjunction with the Irish sponsors.

There is a risk that experience being different to the assumptions for investment return, price inflation or life expectancy could result in deterioration in the funding level of the Plans. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

Other risk such as actions taken by the local regulators could result in stronger local funding standards, which could affect cash flow. However, because the sponsor has a right to a refund of any surplus assets, there would be no further balance sheet effect.

In order to mitigate this risk and working together with the Trustees, the Irish sponsors have controlled risk by closing the Plans to future accrual and reducing the investment risk of the Plans.

The distribution of the employee benefit obligation per country, at the end of the year is as follows:

<i>In thousands of EUR</i>	2018	2019
United Kingdom	977,007	1,110,269
Germany	139,995	156,927
Ireland	90,119	93,710
Belgium	71,804	82,718
France	16,620	19,241
Others	47,283	54,269
Employee benefit obligation	1,342,828	1,517,134

The changes in the present value of the employee benefit obligations are as follows:

<i>In thousands of EUR</i>	2018	2019
Employee benefit obligation at the beginning of the year	1,433,734	1,342,826
Service cost	12,027	14,654
Past service cost (gain)/loss	5,920	-151
Settlements	-122	-188
Service cost	17,824	14,314
Interest cost	32,418	34,217
Actuarial (gains) and losses	-57,555	145,685
Benefits paid	-75,370	-72,622
Plan participants contribution	888	1,012
Newly recognized plan	1	-
Others	-	-773
Translation differences	-9,112	52,475
Employee benefit obligation at the end of year	1,342,828	1,517,134

The table above includes the changes for the defined benefit obligations, stock option plans, termination benefits and other long term benefits.

Belgian plans subject to minimum guaranteed rate of return

Etex offers defined contribution pension plans funded through group insurance to employees of its Belgian affiliates. The Belgian defined contribution plans are subject to the Law of 28 April 2003 on occupational pensions.

According to article 24 of this Law, the employer has to guarantee a minimum return (3.25% p.a. on employer contributions paid before 1 January 2016 and 1.75% p.a. on employer contributions paid as from 1 January 2016), therefore these plans are considered to be defined benefit plans under IAS 19. They induce a financial risk for the group during periods of declining market interest rates when the returns guaranteed by the insurance companies are lower than the minimum legal returns. The assets of these plans are entirely managed by external insurance companies referred to as "qualifying parties" which do not have any link with the group.

Other plan costs and income

Past service costs of € 54 thousand relate to plans in Germany and Netherlands. Past service gains of €205 thousand mainly relate to plans in France. Settlements of €187 thousand relate to Belgium.

The changes in the fair value of the plan assets are as follows:

<i>In thousands of EUR</i>	2018	2019
Fair value of plan assets at the beginning of the year	1,128,346	1,037,204
Interest income	27,837	28,758
Actuarial gains and (losses)	-68,470	64,158
Employer contribution	14,775	17,083
Plan participants contribution	888	1,012
Administration cost (excluding management of assets)	-972	-153
Benefits paid	-58,353	-57,550
Transfer	-10	-
Translation differences	-6,836	45,087
Fair value of plan assets at the end of the year	1,037,205	1,135,599

The expense recognised in the income statement is detailed as follows:

<i>In thousands of EUR</i>	2018	2019
Service cost	-17,824	-14,314
Interest cost	-32,418	-34,217
Interest Income	27,837	28,758
Administration cost (excluding management of assets)	-972	-153
Total employee benefit expense	-23,377	-19,926
<i>The employee benefit expense is included in the following line items of the income statement :</i>		
Operating income	-18,796	-14,467
Financial result	-4,581	-5,459

The main weighted assumptions used in measuring the employee benefit liabilities are the following:

	2018	2019
Discount rate	2.58%	1.78%
Future salary increases	2.87%	3.53%
Pension increase	2.61%	2.54%
Medical cost trend	5.40%	5.40%

The distribution of the plan assets is the following:

	2018	2019
Equity instruments	5%	3%
Debt instruments	42%	35%
Real estate	3%	10%
Cash and fixed deposits	18%	7%
Insurance	7%	7%
Other	25%	38%
Total	100%	100%

The expected employer contributions to be paid in 2020 to defined benefit plans amount to €5,738 thousand.

Sensitivity analysis

UK

The measurement of the defined benefit obligation for the Plans in UK is particularly sensitive to changes in key assumptions, as described below:

The discount rate has been selected following actuarial advice and taking into account the duration of the liabilities. A decrease in the discount rate of 1.0% would result in a £168 million increase in the present value of the defined benefit obligations of the Plans (which is likely to be mitigated in part by an increase in asset values). The inflation assumption adopted is consistent with the discount rate used. It is used to set the assumptions for pension increases and deferred revaluations used for preserved members' benefits. An increase in the inflation rate of 1.0% would result in a £110 million increase in the present value of the defined benefit obligation of the Plans (which is likely to be mitigated in part by an increase in asset values). The increase in the present value of the defined benefit obligation due to a member living one year longer would be approximately £40 million.

There is also a risk of asset volatility leading to lower funding levels in the Plans.

Ireland

The measurement of the defined benefit obligation for the Plans in Ireland is particularly sensitive to changes in key assumptions, as described below:

The discount rate has been selected following actuarial advice and taking into account the duration of the liabilities. A decrease in the discount rate of 1.0% would result in a €19 million increase in the present value of the defined benefit obligations of the Plans (which is likely to be mitigated in part by an increase in asset values). The inflation assumption adopted is consistent with the discount rate used. It is used to set the assumptions for pension increases and deferred revaluations used for preserved members' benefits. An increase in the inflation rate of 1.0% would result in a €19 million increase in the present value of the defined benefit obligation of the Plans (which is likely to be mitigated in

part by an increase in asset values). The increase in the present value of the defined benefit obligation due to a member living one year longer would be approximately €4 million.

There is also a risk of asset volatility leading to lower funding levels in the Plans.

Note 22 – Share based payments

On 23 June 2004 the Board introduced a stock option plan to reward executives and senior staff. The plan authorises the issuance of a maximum of 3,500,000 options to be granted annually over a 5-year period. In each of the years 2004 to 2008 grants were made under this plan (SOP 2004, SOP 2005, SOP 2006, SOP 2007 and SOP 2008). The options granted in 2004 to 2008 were extended by 3 year by decision of the Board on April 21, 2009.

On 7 July 2009 the Board introduced a new stock option plan on similar terms, authorizing the issuance of a maximum of 3,000,000 options over 5 year (SOP 2009, SOP 2010, SOP 2011, SOP 2012 and SOP 2013). On 18 December 2013 the Board extended this plan by one year (SOP 2014) and authorised a maximum of 1,000,000 options to be granted.

On 19 December 2014, the Board introduced a new stock option plan on similar terms: the plan authorises the issuance of a maximum of 5,000,000 options to be granted annually over a 5-year period with an annual maximum of 1,000,000 options. In 2015, 2016, 2017, 2018 and in 2019 grants were made under this plan (SOP 2015, SOP 2016, SOP 2017, SOP 2018 and SOP 2019).

Each option gives the beneficiary the right to buy one Etex N.V. share at an exercise price determined at grant date and is vested on a monthly basis over 4 years. Each beneficiary of an option is also granted a put option whereby the shares acquired under the stock option plan can be sold back to the Group at a price determined at each put exercise period, which is similar to the stock option plan exercise period.

Fair value of the options granted during the period

The fair value of the services received in return for share options is based on the fair value of the share options granted, measured using the Black & Scholes model with the following inputs:

	2018	2019
Expected volatility (% pa)	20.00	20.00
Risk-free interest rate (% pa)	0.33	-0.04
Expected dividend increase (% pa)	10.00	10.00
Rate of pre-vesting forfeiture (% pa)	-	-
Rate of post-vesting leaving (% pa)	1.00	1.00
Share Price (as estimated)	33.65	29.35
Expected early exercise of options	5-6 years	5-6 years
Fair value per granted instrument determined at grant date (€)	4.83	3.50

The expected volatility is slightly lower than the industrial Belgian listed companies (25%), because the market ratios are fixed for the entire exercise period of the option.

Due to newly granted stock options in current year and due to the increase of the fair value of the options granted in the past and not exercised yet, Etex recognised a share-based payment expense of €7,328 thousand during the year (an expense of €5,211 thousand in 2018). The total carrying amount of the liability related to the stock option plans amounts to €18,573 thousand (€14,489 thousand in 2018) and is disclosed under "Employee benefits liabilities" as described under note 21.

Stock option plans granted by the company

Plan	Contractual life of an option	Exercise period	Exercise price	Number of options still to be exercised
SOP 2013	20.6.2020	Once a year as from 2017, between 1.6 and 20.6	27.76	188,500
SOP 2014	20.6.2021	Once a year as from 2018, between 1.6 and 20.6	30.09	181,500
SOP 2015	20.6.2022	Once a year as from 2019, between 1.6 and 20.6	32.83	430,625
SOP 2016	20.6.2023	Once a year as from 2020, between 1.6 and 20.6	26.74	767,340
SOP 2017	20.6.2024	Once a year as from 2021, between 1.6 and 20.6	33.23	738,153
SOP 2018	20.6.2025	Once a year as from 2022, between 1.6 and 20.7	33.65	851,499
SOP 2019	20.6.2026	Once a year as from 2022, between 1.6 and 20.8	29.35	789,071

Details of the share options outstanding during the year

<i>In thousands of EUR</i>	2018		2019	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	4,795,531	27.95	3,947,103	30.81
Granted during the year	870,000	33.65	791,000	29.35
Forfeited during the year	-90,666	30.43	-37,817	32.00
Exercised during the year	-1,144,762	26.65	-740,098	29.16
Expired during the year	-483,000	17.54	-13,500	24.22
Outstanding at the end of the year	3,947,103	30.81	3,946,688	30.83
<i>Of which exercisable at the end of the year</i>	<i>754,000</i>	<i>27.15</i>	<i>800,625</i>	<i>31.02</i>

For share put options exercised during the period, the weighted average share price was €33.54 (€31.62 in 2018).

Note 23 – Loans and borrowings

<i>In thousands of EUR</i>	2018	2019
Bank loans	512,095	200,442
Other financial loans	6,892	5,418
Obligations under leases	3,852	96,011
Total non-current financial liabilities	522,839	301,871

<i>In thousands of EUR</i>	2018	2019
Bank loans	19,947	13,705
Bank overdrafts	6,981	521
Other financial loans	169,817	191,202
Obligations under leases	181	24,056
Total current financial liabilities	196,926	229,484

In October 2018, Etex signed the documentation for the refinancing of a €600 million Syndicated Credit Facility for a period of 5 years (extendable to 7 years) with a pool of 12 core banks. That Syndicated Facility was drawn at €0 million per end of 2019 (drawn at €185 million per end of 2018). The decrease in the use of this facility is explained by the strong cash flow generation at Etex in 2019, as well as by the receipt of proceeds from the sale of Marley UK, Etex' clay and concrete tile activities in the UK, in September 2019.

Etex also uses a Schuldschein loan of €185 million (€ 300 million in 2018) and a Commercial Paper program of €200 million, drawn at €153.0 million per end of 2019 (€127.2 million per end of 2018). The €115 million decrease in Schuldschein amount versus 2018 was realised through the early repayment of the 5- and 7-year variable rate tranches of the Schuldschein that were foreseen to mature in 2021 and 2023. This early payment was possible with the proceeds of the sale of Marley UK, as mentioned earlier.

In 2019, Etex continued using its € 200 million non-recourse Factoring Program, through which customer receivables from 15 entities in 10 European countries are being sold to a pool of banks on a non-recourse basis. Per end of 2019, €190.6 million were financed through that program, out of which €153.7 million was eligible for trade receivables derecognition.

The utilisations of the Syndicated Loan Facility may be in Euro or other freely available currencies, as agreed. The interest payable is calculated at the relevant interbank rate for the period of the utilisation that has been chosen by the borrower, floored at 0%, plus the applicable margin. The Credit Facility and Schuldschein contain a number of operating covenants, including restrictions on giving security to lenders, on the amount of external subsidiary borrowings and restrictions on the acquisition and the disposal of material assets. They also contain financial covenants which includes in particular a required ratio of consolidated net debt to consolidated EBITDA of the Group. We also refer to Note 16.

Transaction costs on the Syndicated Loan of 2018 and on the Schuldschein Loan of 2016 have been deducted from the loan at initial recognition and are being amortised over the life of the extended loan. The amount still to be amortized at the end of 2019 amounts to €2.149 thousand (€2.811 thousand at the end of 2018).

Finally, for its local funding, the Group is relying on some long-term and short-term facilities with local banks for a total amount of €38.2

million end of 2019 (€57.9 million end of 2018). In Latin America, the only country with material local financing is Brazil. Brazil has a total drawn amount of €4.9 million borrowed in Brazilian real (€14.3 million at the end of 2018) with a maturity in 2020. It is used to finance part of the Santa Cruz plant. Romania has an external loan for a total amount of €12.2 million borrowed in Romanian Leu with ING Romania (€14.7 million at the end of 2018), the loan is used to finance part of the Turceni plant. Indonesia has contracted a loan of €10.9 million with BNPPF Brussels maturing in 2021 (€16.3 million at the end of 2018). The loan is used to finance part of the investment in the West Java plant. Pladur Gypsum Spain is financed via Spanish state subsidised loans for €6.9 million (€8.1 million at the end of 2018).

The management of interest rate risk is described in Note 16.

Net financial debt

The net financial debt position is calculated as follows:

<i>In thousands of EUR</i>	2018	2019
Non-current loans and borrowings	522,839	301,871
Current portion of loans and borrowings	196,926	229,484
Current financial assets	-1,803	-7,070
Cash and cash equivalents	-134,164	-193,031
Net financial debt	583,798	331,254

Lease liabilities

The Group is leasing for various items of plant, property and equipment. Due to the adoption of IFRS 16 – leases, the future minimum lease payments increased by EUR 109,927 thousand on 01.01.2019. At commencement date of the lease, the Group recognises the right-of-use assets (refer to Note 7 – Property, plant and equipment) and the lease liability measured at the present value of lease payments to be made over the lease term. The Group presents interest paid on its lease liabilities as financing activities in the cash flow statement (refer to Consolidated statement of cash flows) and as interest expense on financial liabilities measured at amortised cost in the income statement (refer to Note 5 – Finance income and expenses). The future minimum lease payments, interest payments and present value of payments are as follows:

<i>In thousands of EUR</i>	2018			2019		
	Minimum lease payments	Interest	Present value	Minimum lease payments	Interest	Present value
Less than 1 year	391	-210	181	27,722	-3,666	24,056
Between 1 and 5 years	2,586	-1,080	1,506	64,377	-8,744	55,633
More than 5 years	2,779	-433	2,346	53,540	-13,162	40,378
Total	5,756	-1,723	4,033	145,639	-25,572	120,067

Uncapitalized lease payments

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term lease and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The variable lease payments that do not depend on an index or rate are recognised as expense in the period on which the event or condition that triggers the payment occur. The total expenses for uncapitalized lease payments recognised in the consolidated income statement for 2019 amount to €6,272 thousand. Future committed uncapitalized lease payments are as follows:

<i>In thousands of EUR</i>	2019			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Short-term leases	2,653	-	-	2,653
Low-value leases	375	468	154	997
Total	3,028	468	154	3,650

Variable lease payments that do not depend on an index or a rate are not material.

Note 24 – Deferred tax

<i>In thousands of EUR</i>	Assets	Liabilities	Net
Net carrying amount at 31 December 2018	83,996	95,924	-11,928
Translation differences	372	-2,009	2,381
Recognised in income statement	23,773	10,540	13,233
Recognised in equity	-	-15,603	15,603
Change in scope of consolidation	188	-3,780	3,968
Hyperinflation - Impact of the year through financial result	-	1,321	-1,321
Netting	-10,296	-10,296	-
Net carrying amount at 31 December 2019	98,033	76,097	21,936

The amount of deferred tax assets and liabilities are attributable to the following items:

<i>In thousands of EUR</i>	2018		2019		2018	2019	Variance
	Assets	Liabilities	Assets	Liabilities	Net	Net	
Property, plant and equipment	10,974	147,184	5,992	138,604	-136,210	-132,612	3,598
Intangible assets	1,774	34,300	2,295	28,623	-32,526	-26,328	6,198
Employee benefits assets	5,943	807	4,043	1,346	5,136	2,697	-2,439
Inventories	7,398	1,066	5,432	1,315	6,332	4,117	-2,215
Trade & other receivables	4,461	623	4,755	646	3,838	4,109	271
Other assets	7,212	758	7,973	1,358	6,454	6,615	161
Provisions	17,996	2,799	14,959	4,112	15,197	10,847	-4,350
Employee benefits liabilities	34,180	97	50,114	382	34,083	49,732	15,649
Loans and borrowings	-64	201	11,005	1,683	-265	9,322	9,587
Other non-current liabilities	310	463	261	389	-153	-128	25
Current liabilities	13,411	1,295	17,349	1,567	12,116	15,782	3,666
Tax losses carried forward	182,488	-	197,874	-	182,488	197,874	15,386
Unrecognised deferred tax assets	-108,419	-	-120,091	-	-108,419	-120,091	-11,672
Netting by taxable entity	-93,669	-93,669	-103,927	-103,927	-	-	-
Total	83,996	95,924	98,033	76,097	-11,929	21,936	33,865

Deferred taxes have not been recognised in respect of tax losses carried forward for an amount of €119,307 thousand (€106,185 thousand in 2018) and net deductible temporary differences for €784 thousand (€2,234 thousand in 2018) when it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

The amount of deferred tax assets computed on tax losses carried forward is detailed below, before deduction of unrecognised deferred tax assets, by year in which tax losses will expire:

Expiration year	Deferred Tax Asset
2020	88
2021	1,276
2022	2,652
2023	42
2024 or later	5,430
Without expiration date	188,385
Total	197,874

Note 25 – Trade and other liabilities

Non-current liabilities

<i>In thousands of EUR</i>	2018	2019
Deferred income - Government grants	20,950	19,864
Other liabilities	7,603	541
Total	28,553	20,405

The Group has been awarded a number of government grants related to investments in property, plant and equipment. These government grants are recognised in the statement of financial position as deferred income for €19,864 thousand (€20,950 thousand in 2018) and amortised over the useful life of the assets. All conditions attached to these grants have been fulfilled.

Current liabilities

<i>In thousands of EUR</i>	2018	2019
Trade liabilities	486,817	452,502
Other liabilities	185,865	191,143
Total	672,682	643,645

The other current liabilities include:

<i>In thousands of EUR</i>	2018	2019
Income taxes payable	25,495	36,271
Other taxes payable	37,339	27,920
Remuneration payable	63,311	69,922
Social security payable	26,759	22,731
Deferred income and accrued charges	12,133	12,494
Derivative financial instruments with negative fair values	11,391	13,880
Dividends payable	46	41
Amount due to customers for construction contracts in progress	43	-
Current cash guarantees received	1,424	804
Other	7,924	7,079
Total	185,865	191,142

Note 26 – Statement of cash flow details

(a) Depreciation, amortisation and impairment losses

2019

<i>In thousands of EUR</i>	Property, plant, equipment (note 7)	Intangible assets (note 8, 9)	Investment properties (note 10)	Assets held for sale (note 11)	Total
Depreciation	168,378	-	128	-	168,506
Amortisation	-	21,347	-	-	21,347
Impairment losses	65,029	32,961	815	-	98,805
Total	233,407	54,308	943	-	288,658

2018

<i>In thousands of EUR</i>	Property, plant, equipment (note 7)	Intangible assets (note 8, 9)	Investment properties (note 10)	Assets held for sale (note 11)	Total
Depreciation	136,348	-	322	-	136,670
Amortisation	-	22,623	-	-	22,623
Impairment losses	4,175	1,125	5,289	-46	10,543
Total	140,523	23,748	5,611	-46	169,836

(b) Gains (losses) on sale and retirement of intangible assets and property, plant and equipment

2019

<i>In thousands of EUR</i>	Property, plant, equipment (note 7)	Intangible assets (note 9)	Investment properties (note 10)	Assets held for sale (note 11)	Total
Disposal proceeds	7,608	-	1	82	7,691
Net book value disposals	-4,311	-	-1	-50	-4,362
Gains (losses) on disposal	3,297	-	-	32	3,329
Losses on retirement	-	-	-	-	-
Total	3,297	-	-	32	3,329

2018

<i>In thousands of EUR</i>	Property, plant, equipment (note 7)	Intangible assets (note 9)	Investment properties (note 10)	Assets held for sale (note 11)	Total
Disposal proceeds	2,869	189	32,881	1,106	37,045
Net book value disposals	-1,941	-189	-4,388	-644	-7,162
Gains (losses) on disposal	928	-	28,493	461	29,882
Losses on retirement	-	-	-	-	-
Total	928	-	28,493	461	29,882

(c) Capital expenditure

<i>In thousands of EUR</i>	2018	2019
Property, plant and equipment (note 7)	154,478	163,981
Intangibles assets (note 9)	37,840	4,917
Investment properties (note 10)	27	240
Total	192,345	169,138

Property, plant and equipment - leased	-	34,245
Total Capital expenditure - leased	-	34,245

Property, plant and equipment - owned	154,478	129,736
Intangibles assets - owned	37,840	4,917
Investment properties - owned	27	240
Total Capital expenditure - owned	192,345	134,893

(d) Changes in working capital, provisions and employee benefits

<i>In thousands of EUR</i>	2018	2019
Inventories	10,592	12,946
Trade and other receivables, trade and other liabilities	-40,829	-5,431
Provisions	5,988	-9,937
Employee benefits	-15,963	-21,921
Total	-40,212	-24,343

(e) Interest and dividend received

<i>In thousands of EUR</i>	2018	2019
Interest received	4,577	6,286
Dividend received	76	49
Dividend Associates	761	927
Total	5,414	7,262

(f) Reconciliation Income tax expense - income tax paid

<i>In thousands of EUR</i>	2018	2019
Income Tax expense	-49,635	-57,733
Changes in Deferred taxes	-7,721	-13,233
Changes in income tax payables/receivables	1,242	5,617
Income Tax paid	-56,115	-65,348

(g) Dividend paid

<i>In thousands of EUR</i>	2018	2019
Dividend Etex N.V.	-41,427	-45,335
Minority interest	-2,307	-2,039
Changes dividend payable	-	-5
Exchange difference	-128	-295
Total dividend paid	-43,862	-47,675

(h) Changes in liabilities arising from financial liabilities

2019

<i>In thousands of EUR</i>	January 01, 2019	Cash flows	Non-cash changes					December 31, 2019
			Foreign exchange movements	New leases	Transfers	First Adop IFRS16	Scope out	
Bank loans	512,095	-303,556	-211	-	-7,886	-	-	200,442
Other financial loans	6,892	6	1	-	-1,481	-	-	5,418
Non-current lease liability	3,852	-5,300	1,111	34,245	-24,078	86,823	-642	96,011
Non-current financial liabilities	522,839	-308,850	901	34,245	-33,445	86,823	-642	301,871
Bank loans	19,947	-13,408	-720	-	7,886	-	-	13,705
Bank overdrafts	6,981	-6,458	-2	-	-	-	-	521
Other financial loans	169,817	19,110	795	-	1,481	-	-1	191,202
Current lease liability	181	-23,159	142	-	24,078	23,104	-290	24,056
Current financial liabilities	196,926	-23,915	215	-	33,445	23,104	-291	229,484
Total loans and borrowings	719,765	-332,765	1,116	34,245	-	109,927	-933	531,355

2018

<i>In thousands of EUR</i>	January 01, 2018	Cash flows	Non-cash changes					December 31, 2018
			Foreign exchange movements	New leases	Transfers	Scope in	Scope out	
Bank loans	514,363	16,969	-1,177	-	-18,060	-	-	512,095
Other financial loans	11,213	-3,118	-2	-	-1,201	-	-	6,892
Non-current lease liability	4,159	-157	-	31	-181	-	-	3,852
Non-current financial liabilities	529,735	13,694	-1,179	31	-19,442	-	-	522,839
Bank loans	19,633	-17,059	-687	-	18,060	-	-	19,947
Bank overdrafts	3,045	3,939	-3	-	-	-	-	6,981
Other financial loans	190,271	-21,406	-249	-	1,201	-	-	169,817
Current lease liability	220	-220	-	-	181	-	-	181
Current financial liabilities	213,169	-34,746	-939	-	19,442	-	-	196,926
Total loans and borrowings	742,904	-21,052	-2,118	31	-	-	-	719,765

Note 27 – Transactions with related parties

Transactions between Etex and its subsidiaries, which are related parties, have been eliminated in the consolidation and are accordingly not included in the notes. Transactions with equity accounted investees and joint ventures are included in note 12.

Transactions with members of the Board of Directors and Executive Committee:

<i>In thousands of EUR</i>	2018	2019
Board of Directors:		
Short term employee benefits	762	824
Executive Committee:		
Short term employee benefits	5,955	4,541
Post employment benefits	429	590
Share based payment	707	992
Number of stock options granted during the year	162,500	145,000

Transactions with companies in which members of the Board of Directors are active, reflect third party conditions and are immaterial in scope.

Note 28 – Remuneration of statutory auditor

The world-wide audit remuneration for the statutory auditor totalled €2,145 thousand (€2,070 thousand in 2018). The fees paid to the statutory auditor for assistance and advice amounted to €757 thousand (€138 thousand in 2018), of which €63 thousand Other engagements linked to the auditor's mandate and €694 thousand tax & advisory services.

Note 29 – Etex companies

The major companies included in the consolidated financial statements are listed below. An exhaustive list of the Group companies with their registered office will be filed at the Belgian National Bank together with the consolidated financial statements.

		% equity interest	
		2018	2019
Europe			
Austria	Etex Building Performance GmbH	100%	100%
Belgium	Comptoir du Bâtiment N.V.	100%	100%
	Creaton Benelux N.V.	100%	100%
	Etergyp N.V.	100%	100%
	Eternit N.V.	100%	100%
	Etex Services N.V.	100%	100%
	Etex N.V.	100%	100%
	Etexco N.V.	100%	100%
	Euro Panels Overseas N.V.	100%	100%
	Microtherm N.V.	100%	100%
	Etex Building Performance N.V.	100%	100%
	Promat Research and Technology Center N.V.	100%	100%
Bosnia	Siniat Adria Gips LLC	100%	100%
Cyprus	Asmad Alci Ltd STI	100%	100%
Czech Republic	Promat s.r.o.	100%	100%
Denmark	Etex Nordic A/S	100%	100%
France	Etermat S.A.S.U.	100%	100%
	Eternit France S.A.S.U.	100%	100%
	Eternit S.A.S.U.	100%	100%
	Etex Matériaux de Construction S.A.S.	100%	100%
	Nidaplast-Honeycombs S.A.S.	100%	0%
	Papeteries de Bègles S.A.S.	100%	100%
	Pladur France SAS	100%	100%
	Promat S.A.S.	100%	100%
	Etex France Building Performance S.A.	100%	100%
	Etex Building Performance International S.A.S.	100%	100%

% equity interest

2018 2019

		2018	2019
Germany	Promat Service GmbH	100%	100%
	Creaton GmbH	99.98%	99.98%
	Creaton Produktions GmbH	99.98%	99.98%
	El-Tec	51%	51%
	Eternit GmbH	100%	100%
	Eternit Management Holding GmbH	100%	100%
	Etex Holding GmbH	100%	100%
	Promat Holding GmbH	100%	100%
	Etex Building Performance GmbH	100%	100%
	Wanit Fulgurit GmbH	100%	100%
Hungary	Creaton South-East Europe Kft.	100%	100%
Italy	Edilit S.r.l.	100%	100%
	Immogit S.r.l.	100%	100%
	Etex Italia	100%	100%
	Promat S.p.A.	100%	100%
	Etex Building Performance S.p.A.	100%	100%
	Siniat Holding Italy S.r.l.	100%	100%
Ireland	Tegral Building Products Ltd.	100%	100%
	Tegral Holdings Ltd.	100%	100%
Lithuania	UAB Eternit Baltic	100%	100%
Luxemburg	EASA S.A.	100%	100%
	Eternit Investment S.à.r.l.	100%	100%
	Etex Asia S.A.	100%	100%
	Etex Finance S.A.	100%	100%
	Maretex S.A.	100%	100%
	Marley Tile S.A.	100%	100%
	Merilux S.à.r.l.	100%	100%
Poly Ré S.A.	100%	100%	
Netherlands	Eternit Holding B.V.	100%	100%
	Eternit B.V.	100%	100%
	Nefibouw B.V.	100%	100%
	Etex Building Performance B.V.	100%	100%

% equity interest

2018 2019

		2018	2019
Poland	Etex Building Materials Polska Sp. z o.o.	100%	100%
	Promat TOP Sp. z o.o.	100%	100%
	Siniat Polska Sp. z o.o.	100%	100%
	Siniat Sp. z o.o.	100%	100%
Portugal	EPISA SL	100%	100%
	Umbelino Monteiro S.A.	100%	0%
Romania	Etex Building Performance S.A.	100%	100%
Russia	Etex Russia	100%	100%
Serbia	Siniat Gips Beocin Ltd	100%	100%
Slovakia	EBM Co s.r.o.	100%	100%
Slovenia	Promat d.o.o.	100%	100%
Spain	Almería Gypsum S.A.	100%	100%
	Escayolas Marin SL	100%	100%
	Euronit Fachadas y Cubiertas S.L.	100%	100%
	Promat Ibérica S.A.	100%	100%
	Promat Inversiones S.L.	100%	100%
	Pladur Gypsum	100%	100%
Switzerland	Etex Switzerland & Austria GmbH	100%	100%
	Polyfibre S.A.	100%	100%
Ukraine	Promat Ukraine	100%	100%
	Siniat Gips ALC	100%	100%
	Siniat Gips Ukraine LLC	100%	100%
United Kingdom	Crucible Gypsum Recycling Ltd	100%	100%
	EM Holdings UK Ltd.	100%	100%
	EOS Framing Limited	100%	100%
	EOS Offsite Solutions Limited	100%	100%
	Eternit UK Ltd.	100%	100%
	Etex (Exteriors) UK Limited	100%	100%
	Etex (U.K.) Limited	100%	100%
	Etex Building Performance UK Ltd.	100%	100%
	John Brash Ltd	100%	100%
	Marley Limited	100%	0%
	ML UK Holding Limited	100%	100%
	Promat Glasgow Ltd.	100%	100%
Promat UK Ltd.	100%	100%	
Latin America			
Argentina	Durlock S.A.	100%	100%
	Eternit Argentina S.A.	99.44%	99.44%
	Siniat Holding Argentina S.A.	100%	100%
Brazil	Siniat Holding Brazil S.A.	100%	100%
	Siniat S.A. Mineração Indústria e Comércio	100%	100%
Chile	Empresas Pizarreño S.A.	99.83%	99.83%
	Centro de Servicios Compartidos SpA	99.79%	99.79%
	Inversiones Etex Chile Ltda.	100%	100%
	Inversiones San Lorenzo Chile S.A.	99.79%	99.79%
	Sociedad Industrial Pizarreño S.A.	99.66%	99.66%
Sociedad Industrial Romeral S.A.	99.83%	99.83%	

		% equity interest	
		2018	2019
Colombia	Etex Colombia S.A.	99.95%	99.95%
	Gyplac S.A.	100%	100%
	Shared Services Colombia S.A.S	100%	100%
Mexico	Servicios de Gestion S.A. de C.V.	100%	100%
	Servicios Atacama S.A. de C.V.	99.79%	99.79%
Peru	Etex Peru S.A.C.	100%	100%
	Fabrica Peruana Eternit S.A.	89.16%	89.16%
Uruguay	Eternit Uruguay S.A.	97.50%	97.50%
Africa, Asia, Oceania, North America			
Australia	Promat Australia Pty Ltd.	100%	100%
China	Eternit Guangzhou Building Systems Ltd.	66.65%	66.65%
	Promat International (Asia Pacific) Ltd.	100%	100%
	Promat Shanghai Ltd.	100%	100%
India	Promat India	100%	100%
Indonesia	Etex BP Indonesia	92.62%	92.62%
Japan	Promat Japan	100%	100%
Malaysia	Promat (Malaysia) Sdn. Bhd.	100%	100%
Nigeria	Emenite Ltd.	56.87%	56.87%
	Eternit Ltd.	60.00%	60.00%
	Nigerite Ltd.	56.85%	56.85%
Singapore	Promat Building System Pte Ltd.	100%	100%
South Africa	Marley SA (Pty) Ltd.	100%	100%
	Marley Building Systems	100%	100%
United Arab Emirates	Promat Fire Protection LLC	100%	100%
United States of America	Promat Inc.	100%	100%

Equity accounted entities

		% equity interest	
		2018	2019
Belgium	RBB N.V.	50%	50%
Chili	E2E	50%	50%
Germany	Lichtensteiner Brandschutzglas GmbH & Co. KG	50%	50%
	Oberlausitzer Tonbergbau GmbH	49.99%	49.99%
	Neuwieder Brandschutzglas GmbH	50%	50%
Poland	Kopalnia Gipsu Lesznye S.A.	50%	50%
	Nida Media Sp. z o.o.	50%	50%
Switzerland	Promat AG	26%	26%
Thailand	Rothenburg FAR Company LTD.	50%	0%

Note 30 – Subsequent events

As the coronavirus pandemic (COVID-19) continues to develop and an increasing number of countries are announcing stringent containment measures, companies around the world are under pressure. Etex is no exception, and the impact of the virus outbreak on our business continues to evolve. Moreover, a number of Etex colleagues have been infected with the virus. Continuing sanitary containment measures could adversely affect the results of our operations, financial position and net assets in 2020. So far, some of our production sites had to stop or significantly slow down their operations, while on specific markets we are experiencing a significant slowdown in demand. We have limited visibility on the potential impact of the virus on our markets in the coming months. Any disruption is uncertain, but we have robust governance and management tools in place to mitigate any potential impact and to monitor closely the level of spending. At this stage we are not in a position to estimate the impact of this world-wide crisis on our financial performance in general. Nevertheless, we are confident that our tight control on costs will secure the present and future of Etex considering our strong financial position, strong balance sheet at the end of 2019, available financial resources and a careful management of our cash position.

Statutory Auditor's Report



STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ETEX NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Etex NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. May 23, 2018, following the proposal formulated by the board of directors, following the recommendation by the risk and audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended December 31, 2020. We have performed the statutory audit of the Company's consolidated accounts for 2 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at December 31, 2019, 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 explanatory 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 '000 3,007,592 and a profit for the year of EUR '000 180,735.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at December 31, 2019, 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) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" 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 accounts 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.

Emphasis of matter - subsequent events

As far as the outbreak of COVID 19 is concerned, we draw your attention to section 'Activity report – our performance – message from the CFO' of the directors' report and Note 30 ("Subsequent events") of the consolidated accounts in which the board of directors expresses their view that, although the consequences thereof may have a significant impact on the Group's operations in 2020, such consequences do not have a material impact on the Group's financial position for the year ended 31 December 2019. Our opinion is not qualified in respect of this matter.

Key Audit Matters

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

Health Claims – Note 19

Description of the key audit matter

As described in the Note 19, health claim provisions totalling mEUR 72,9 as at December 31, 2019 have been reported in the consolidated financial statements of Etex Group. In the past, various Etex subsidiaries used asbestos as a raw material in their industrial process. Even though we understand the use of asbestos has been banned in the entire Group, some companies may still receive claims relating to past exposure to asbestos. The provisions reflect the costs of the settlement of claims which are both probable and can be reliably estimated.

The matter is of most significance to our audit because the assessment process is complex, the potential risk varies depending on the legal situation in the relevant country, its national social security system and the insurance cover of the relevant company and involves significant management judgement. Assumptions and estimates used in valuing these provisions are, amongst others, related to:

- the number of employees involved;
- the likely incidence, the disease mix and the mortality rates;
- expected insurance cover;
- legislative environment.

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 asbestos obligations and changes in existing obligations in compliance with IAS 37 requirements.

We assessed the accuracy, valuation and completeness of health claim provisions as per 31 December 2019. This assessment included:

- meetings with Group management;
- inquiries of in-house legal counsel;
- review of litigation reports;
- evaluate management's assessment including consistency in assumptions;
- analysis and back testing of the cash outflow projections;
- tracing of corroborative evidence of the amounts spent.

We found the assumptions and data used to be reasonable and in line with our expectations, management's methodology and estimates to be reasonable and the related disclosures appropriate.

Post-employment benefit obligations – Note 21

Description of the key audit matter

As described in Note 21, the Group has defined benefit pension plans of which the most significant are in Ireland 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 equities, bonds, cash, property and funds;
- actuarial assumptions including expected inflation, discount rate, future salary increases and mortality rates life expectancy.

The procedures over the post-employment 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-employment benefit plans. Small changes in assumptions and estimates used to value the Group's net post-employment benefit liability may have a significant effect on the Group's financial position. Technical expertise is required to determine these amounts.

The post-employment benefit provision as per December 31, 2019 in respect of both funded and unfunded plans consists out of defined benefit obligations (mEUR 1.490) offset by plan assets (mEUR 1.136).

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-employment 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, management's methodology and estimates to be reasonable and company's disclosures of post-employment benefit provisions appropriate.

Impairment testing of goodwill, intangible assets and property, plant and equipment – Note 8

Description of the key audit matter

The carrying value of the Group's goodwill, intangible assets & property, plant and equipment amounts to mEUR 1.954 as at December 31, 2019.

We consider this as most significant to our audit because the determination of whether or not an impairment charge for these assets is necessary involves significant judgement by the Directors and management about the future results of the business.

The impairment assessment holds a comparison of the estimated fair value of the cash generating unit (CGU) and its specific assets to its carrying value: the CGU were defined in compliance with the new organizational structure as described in Note 8.

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 or fair value calculations prepared by management and the process by which they were drawn up, including comparing them to the latest approved budget by the Board of Directors, business plans 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;
- the multiples used by comparing them to available market data;
- the mathematical accuracy 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 and impairment modelling are both inherently judgmental, we found that the assumptions used by management were within an acceptable range of reasonable estimates and company's disclosures of impairment assessment appropriate.

Responsibilities of the board of directors for the preparation of consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts 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 determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, 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 accounts

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

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level.

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 accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal 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 accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 accounts, including the disclosures, and whether the consolidated accounts 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 board of directors and the risk and 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 board of directors and the risk and 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 board of directors and the risk and audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts, and the other information included in the annual report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report (referred to as the Activity Report, Chapter 2) on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing:

- Consolidated Key Figures and information 'About Etex' (Chapter 1);
- Social and environmental report (Chapter 3);
- Governance report (Chapter 4);

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.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Sint-Stevens-Woluwe, April 3, 2020

The statutory auditor

PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV

Represented by

Peter Van den Eynde

Révisieur d'Entreprises / Bedrijfsrevisor

Non-consolidated accounts of Etex N.V.

The annual accounts of Etex N.V. are presented below in a summarised form.

In accordance with the Belgian Company Code, the annual accounts of Etex N.V., together with the management report and the auditor's report, will be registered at the National Bank of Belgium.

These documents are also available upon request at:

Etex N.V.

Group Finance Department

Passport Building | Luchthaven Brussel Nationaal | Gebouw 1K

1930 Zaventem

The auditors have expressed an unqualified opinion on the annual statutory accounts of Etex N.V.

Summarised balance sheet

<i>in thousands of EUR</i>	2018	2019
Fixed assets	1,337,235	1,704,979
Tangible and intangible assets	4,359	4,166
Financial assets	1,332,876	1,700,813
Current assets	150,788	12,990
TOTAL ASSETS	1,488,023	1,717,969
Capital and reserves	1,117,228	1,096,134
Capital	2,533	2,533
Share premium	743	743
Reserves	1,113,952	1,092,858
Provisions	10,081	9,427
Creditors	360,714	612,408
TOTAL EQUITY AND LIABILITIES	1,488,023	1,717,969

Summarised income statement

<i>in thousands of EUR</i>	2018	2019
Operating income	28,369	49,189
Operating charges	-35,637	-45,651
Operating result	-7,268	3,538
Financial result	70,891	-272
Profit / <loss> before taxes	63,623	3,267
Income taxes	-22	-338
Profit / <loss> for the year	63,601	2,928
Release of tax free reserves	-	-
Profit / <loss> for the year to be appropriated	63,601	2,928

The financial result includes non-recurring items for €3,785 thousand in 2019, and €-22 thousand in 2018.

Profit distribution

The Board of Directors will propose at the General Shareholders' Meeting on 27 May 2020 a net dividend of €0.2030 per share. The proposed gross dividend is €0.29 per share.

Appropriation account

<i>in thousands of EUR</i>	2018	2019
Profit / <loss> to be appropriated	63,797	2,928
Profit / <loss> for the year to be appropriated	63,601	2,928
Profit brought forward	196	-
Appropriation of the result	63,797	2,928
Transfer to/from reserve	-196	21,095
Profit carried forward	-15,555	-
Profit to be distributed	-48,046	-24,023

Statutory nominations

The mandate of Mr. Gustavo Oviedo will expire at the end of the Annual General Shareholders' Meeting of May 27, 2020. Taking into account the advice from the Selection and Remuneration Committee, the Board proposes to the Annual General Shareholders' Meeting to renew his mandate for a period of three years expiring at the end of the 2023 Annual General Shareholders' Meeting.

The mandate of Mr. Philippe Vlerick will also expire at the end of the Annual General Shareholders' Meeting of May 27, 2020. He will not stand re-election.

The mandate of Mr. Pierre Vareille ended on 29 October 2019 upon his resignation.

The Board wishes to sincerely thank Messrs. Philippe Vlerick and Pierre Vareille for their valuable advice as director of the Company.

The Selection and Remuneration Committee is in the process of searching two candidates that will be proposed for election by the Annual General Shareholders' Meeting.

Glossary

Definitions below relate to alternative performance measures.

Capital employed

Non-cash working capital plus property, plant and equipment, goodwill and intangible assets, investment properties and non-current assets held for sale.

Capital expenditure

Acquisition of property, plant and equipment, intangible assets and investment properties, excluding acquisitions through business combination.

Effective income tax rate

Income tax expense divided by the profit before income tax and before share of result in investments accounted for using the equity method, expressed as a percentage.

Free Cash Flow

Free cash flow is the sum of the cash flow from operating activities, interest paid and received, dividend received less capital expenditure.

Net financial debt

Current and non-current financial liabilities, including capital leases, less current financial assets and cash or cash equivalents.

Net recurring profit (Group Share)

Net profit for the year before non-recurring items, net of tax impact and attributable to the shareholders of the Group.

Revenue

Includes the goods delivered and services provided by the Group during the period, invoiced or to be invoiced, net of discounts, rebates and allowances.

Non recurring items

Income statement items that relate to significant restructuring measures, health claims and environmental remediation, major litigation, and goodwill impairment, income or expenses arising from disposal of businesses or non-productive assets and other significant one-off impacts such as those relating to long term employee benefits settlement.

Operating income or EBIT (earnings before interest and taxes)

Income from operations, before financial charges and income, share of result in investments accounted for using the equity method and income tax expenses.

Operating cash flow or EBITDA (earnings before interest, taxes, depreciation and amortisation)

Operating income before charges of depreciation, impairment or amortisation on tangible and intangible fixed assets.

Net profit (Group share)

Profit for the year attributable to the shareholders of the Group.

Recurring distribution rate

Gross dividend per share divided by the net recurring profit (Group share) per share, expressed as a percentage.

Recurring operating income (REBIT)

Income from operations, before non-recurring items and before financial charges and income, share of result in investments accounted for using the equity method and income tax expenses.

Recurring operating cash flow (REBITDA)

Recurring operating income before charges of depreciations, impairment or amortization on tangible and intangible fixed assets.

Return on capital employed (ROCE)

Operating income divided by the average capital employed (at the beginning of the year plus at the end of the year divided by two), expressed as a percentage.

Theoretical income tax expenses

Country-based nominal tax rate applied to the profit before taxes of each entity.

Weighted average nominal tax rate

Country-based nominal tax rate applied to the profit before taxes of each entity divided by the Group's profit before income tax and before share of result in investments accounted for using the equity method, expressed as a percentage.

Weighted average number of shares

Number of issued shares at the beginning of the period adjusted for the number of shares cancelled or issued during the period multiplied by a time-weighting factor.