United in lightweight solutions

Annual Report 2019

etex inspiring ways of living

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United in lightweight solutions.

Our world is changing: rapid urbanisation, climate change, resource scarcity and new technologies impact the way people live, work, build and do business. Our sense of purpose, Inspiring ways of living, guides us to meet those challenges with ever better solutions for our customers.

It's no coincidence that 'New Ways' is the name of our new division. It confirms our ambition to be leaders in lightweight construction solutions. We want to be pioneers in modular building, digital integration and maximised efficiency.

Inspiring ways of living is all about customer centricity. It is about how we, as true partners, enable our customers to make a difference for the world.

We are happy to present to you the full story of Etex in 2019, together with four inspiring case stories.

Our main commercial brands

Building Performance

Spanning our Industry and Building Performance divisions, **Promat** is our global brand for passive fire protection, high-temperature applications and intumescent seals. We supply a range of products worldwide, including ducting, structural protection, compartmentation, insulation and fire-stopping solutions. These products are used in applications as diverse as residential, sports and leisure, healthcare, hospitality, offices, education and tunnels.

Durlock, Gyplac, Kalsi, Siniat and **Superboard**, our lightweight dry construction brands, supply gypsum-based building materials and fibre cement boards. They offer interior and exterior systems (partitions, ceilings, throughwall flooring and decorative systems) that simplify construction, boost occupants' quality of life and deliver customer-focussed value and services to our partners.

Exteriors

We bring aesthetically attractive and high-performing fibre cement exterior solutions to the residential, architectural and agricultural sectors.

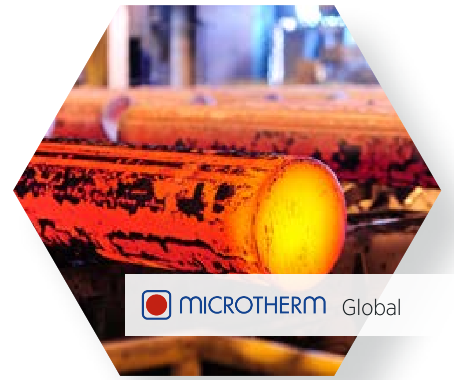
Cedral offers beautiful solutions tailored to each personality and living space, enabling true personalisation. For roofs, facades, and terraces, Cedral offers unique, attractive and high-performing products. Our fibre cement slates shelter and protect homes, our sidings bring creative visions to life and our terraces offer a unique tactile experience.

Equitone is our global brand for architectural fibre cement façade materials. We work with and for architects to design smart and resilient materials to reduce environmental impact. Our customers are all architects who seek new ways to build beyond accepted standards – actively influencing positive change. Equitone is specified for mid-to-large size buildings.

Eternit corrugated sheets offer strength and resilience, bringing good value for money to agricultural buildings, low-income houses and industrial applications around the world.

Residential Roofing

Creaton blends Etex's strong heritage with in-depth expertise and offers an innovative range of roofing components and concrete and clay tiles. Our tiles are featured in family homes, historical restoration projects and pioneering architectural constructions.



Industry

Microtherm is our global specialist in ultra-thin and lightweight microporous insulation materials, used in a wide range of industrial applications. As the industry benchmark since 1961, it is designed for extreme temperature conditions and is available in various delivery forms: rigid, flexible and vacuum-insulated panels, machined parts, and mouldable and pourable products.

Spanning our Industry and Building Performance divisions, **Promat** is our global brand for passive fire protection high-temperature applications and intumescent seals. We supply a range of products worldwide, including ducting, structural protection, compartmentation, insulation and fire-stopping solutions. These products are used in applications as diverse as fire doors, fire dampers, furnaces, industrial piping, structural steel and cruise ships.

About Etex

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Consolidated Key Figures

EUR MILLION	2015	2016	2017	2018	2018 RESTATED (2)	2019	VAR. 2019 VS 2018 RESTATED (2)
Revenue	3,054	2,883	2,794	2,897	2,897	**2,940**	*1.5%*
Recurring operating income (REBIT)	241	256	266	245	245	**292**	*19.2%*
Recurring operating cash flow (REBITDA)	409	417	420	405	433	**483**	*11.5%*
% of revenue	*13.4%*	*14.5%*	*15.0%*	*14.0%*	*14.9%*	***16.4%***	-
Non-recurring items	-112	-19	3	-25	-25	**-24**	-
Operating cash flow (EBITDA)	366	404	432	391	418	**557**	*33.3%*
Operating income (EBIT)	129	237	269	221	221	**268**	*21.3%*
% of revenue	*4.2%*	*8.2%*	*9.6%*	*7.6%*	*7.6%*	***9.1%***	-
Net profit (Group share)	36	127	148	140	140	**176**	*25.7%*
Net recurring profit (Group share)	126	135	141	166	166	**187**	*12.7%*
Capital expenditure	187	137	148	192	192	**169**	*-12.0%*
Net financial debt	833	630	633	584	694	**331**	*-52.3%*
Working capital (1)	312	249	261	271	271	**224**	*-17.3%*
Capital employed (1)	2,451	2,258	2,341	2,352	2,462	**2,196**	*-10.8%*
Return on capital employed (ROCE) (1)	5.2%	10.1%	12.1%	9.7%	9.5%	**11.5%**	-

EUR PER SHARE							
Net recurring profit (Group share)	1.61	1.72	1.80	2.12	2.12	**2.39**	*12.7%*
Net profit (Group share)	0.46	1.63	1.89	1.80	1.80	**2.25**	*26.7%*
Gross dividend	0.44	0.48	0.53	0.58	0.58	**0.29 (3)**	*-50.0% (3)*
Dividend growth rate	10.0%	9.1%	10.4%	9.4%	9.4%	**-50.0% (3)**	-
Recurring distribution rate	27.3%	27.9%	29.4%	27.4%	27.4%	**12.1% (3)**	-

PERSONNEL							
Personnel	17,229	15,011	14,510	14,458	14,458	**13,260 (4)**	-

NB: Definitions of the alternative performance measures are included in the glossary at the end of this report. 2016 values include discontinued operations (i.e. the ceramics business in Peru, Colombia, Chile and Argentina)

(1) These values are expressed excluding the favourable impact of the non recourse factoring programme (note 16 discloses details on non recourse factoring); the 2017 ROCE value excludes Pladur.
(2) These values are restated for IFRS 16 (lease) impacts consistently with 2019 with respect to lease debt, leased assets and depreciation of lease assets.
(3) Subject to the approval of the General Shareholders' Meeting of 27 May 2020.
(4) The decrease in staff numbers between 2018 and 2019 mainly reflects the disposal of two Residential Roofing businesses, Umbelino Monteiro and Marley Ltd, in 2019.

Revenue
in EUR million

2019	2,940
2018	2,897
2017	2,794
2016	2,883
2015	3,054

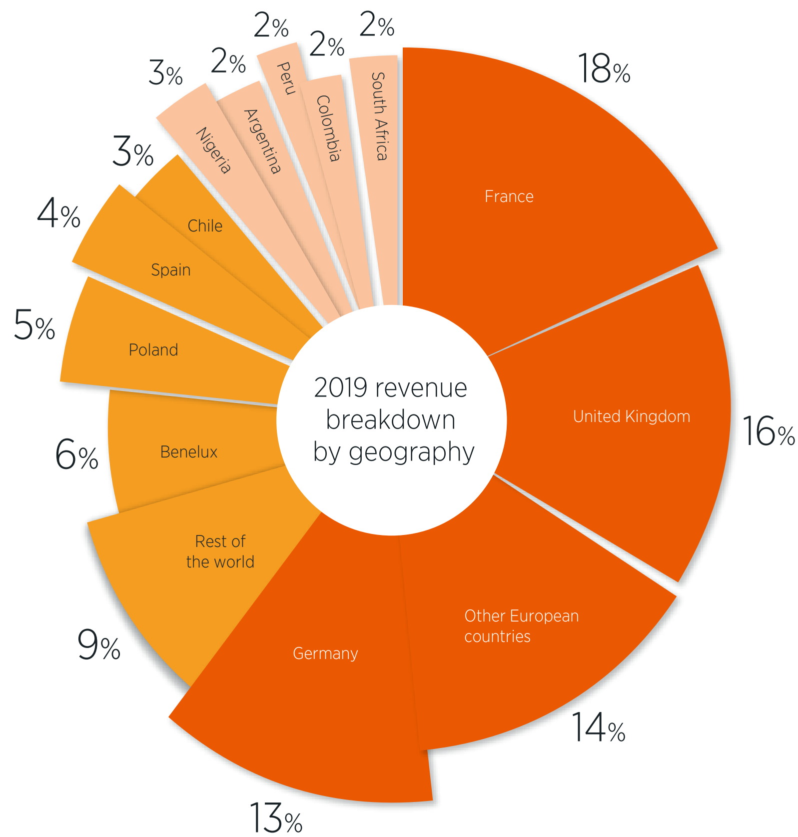
Recurring operating cash flow (REBITDA)
in EUR million

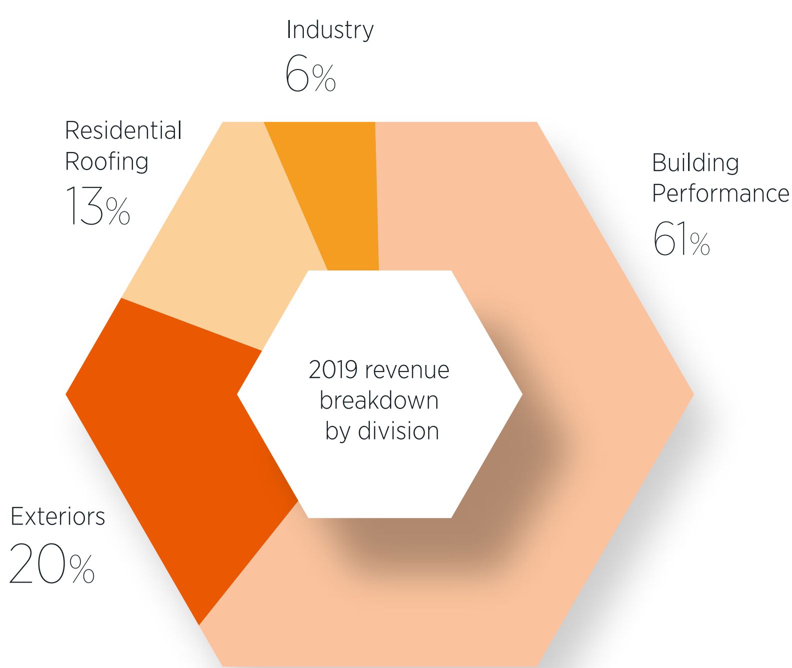
2019	483
2018 PRO FORMA*	433
2018	405
2017	420
2016	417
2015	409

*These values are restated for IFRS 16 (lease) impacts consistently with 2019 with respect to lease debt, leased assets and depreciation of lease assets.

Net recurring profit (Group share)
in EUR million

2019	187
2018	166
2017	141
2016	135
2015	126





Frequency rate of accidents
Number of accidents per one million hours worked

2019	2.2
2018	2.2
2017	2.6
2016	1.9
2015	3.0

Gravity rate of accidents
Level of absenteeism after an accident. The higher the rate, the more severe the accident.

2019	0.11
2018	0.40
2017	0.15
2016	0.31
2015	0.15

One globally united team focused on inspiring ways of living

In 1905 we pioneered in lightweight building solutions to meet the vital needs of a rapidly evolving world. This focus powered our worldwide expansion. Globally united under the Etex flag, we remain a Belgian-based family company with a customer-centric purpose: to inspire people around the world to build living spaces that are ever more safe, sustainable, smart and beautiful.

What we do

Through our four divisions, we strive to lead within well-defined business segments.

Building Performance

p 30

Leader in plasterboards and fibre cement boards, and the global reference in fire protection solutions for the residential and commercial segments.

Exteriors

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Provider of innovative, durable, high performance and beautiful fibre cement exterior materials for architectural and residential projects.

Residential Roofing

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Residential roofing systems make Etex a key player on its operating markets.

Industry

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Front runner of engineering expertise to drive the future of high performance thermal and acoustic insulation and fire protection in the industrial, aerospace and energy sectors.

New Ways

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As a new division created in January 2020, New Ways is further developing new construction methods in line with our 6th strategic initiative. It develops solutions that meet the needs of a changing world.

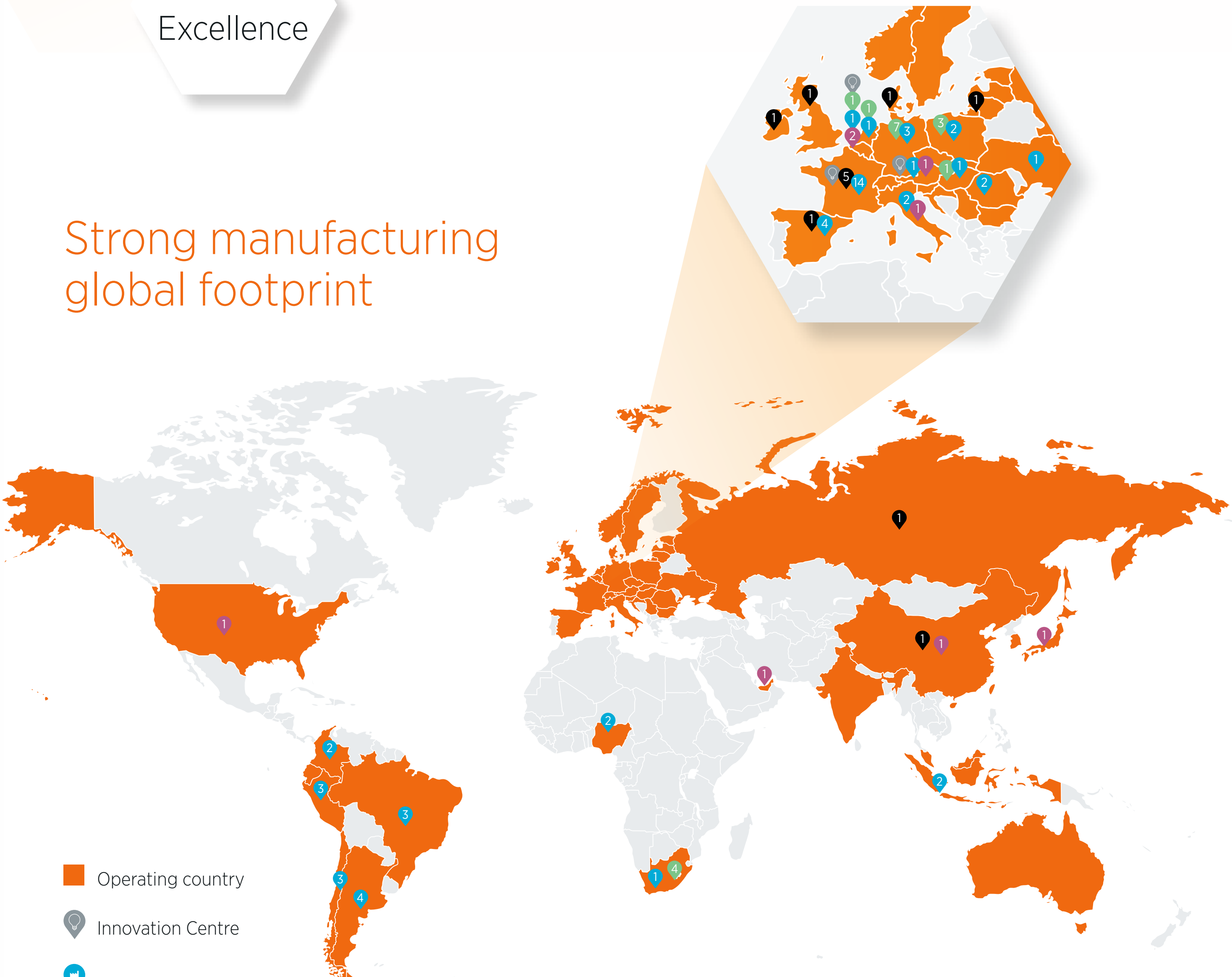
3 values we all share

Connect and Care

Pioneer to Lead

Passion for Excellence

Strong manufacturing global footprint



- Operating country
- Innovation Centre
- Building Performance
- Exteriors
- Residential Roofing
- Industry

Countries
42

Plants
101

Major employer
13,260
Colleagues worldwide

55% Factory workers

45% Office/ commercial staff

A collaborative, agile and customer-focused company, aimed at **inspiring ways of living.**

1 About Etex

Our company & strategy

In 2019, we have delivered on all of our strategic priorities

Through relentless strategic execution and group-wide commitment to our three-pillar agenda, Etex made significant strides forward in 2019 toward its ambition: to establish ourselves as a lightweight construction specialist in order to meet global challenges and be a key player in the transformation of the construction industry.

Advancing on our three-pillar agenda

The future success of our company hinges on three priorities defined in 2018: **profitable growth, operational performance** and **engaged people**. All of our concrete strategic initiatives and decisions are both driven and enabled by this three-pillar agenda, which requires the dedication of every single Etex colleague around the world.

Profitable growth

Financial results

We recorded **remarkable financial results** in 2019 as a group, with mixed divisional results adding up to record top-line growth. Our Building Performance, Residential Roofing and Industry divisions delivered strong growth, while Exteriors was down in the context of a transitional year. Both the REBITDA and net recurring profit (Group share) of Etex have recorded double digit growth, while the net financial debt has decreased with more than EUR 360 million year-on-year, to reach its lowest level since 2011 (read more on p. 15).

Progress on our six strategic pillars

Last year, Etex made notable achievements related to the six key strategic pillars defined by our leadership team. The group's GBP 140-million investment – the largest in its history – on **a new plasterboard factory** in Bristol (UK) underlines our confidence in the strong potential of the British market and the commitment to our customers. This new, state-of-the-art plant will feature energy- and resource-efficient production technologies.

In order to **maximise our position in fibre cement**, the Exteriors division was launched in January 2019. It centralises the production capabilities, resources and technologies of all our fibre cement activities, achieving greater agility, alignment and customer centricity. While 2019 was a transitional year, robust foundations in quality, innovation and branding were laid, paving the way for a promising future.

In Residential Roofing, we have **divested two large businesses last year**, Marley Ltd (UK) and Umbelino Monteiro (Portugal). This decision is fully aligned with our strategy, as roofing tiles and components fall outside the scope of our ambition to become a global player in lightweight and modular construction. In Germany and Eastern Europe, we have successfully strengthened our Creaton brand.

Our **Promat** passive fire protection and thermal insulation solutions are world leaders in quality, innovation and performance. Last year, we launched a comprehensive brand awareness campaign with clear segmentation and positioning, accelerated our innovation strategy in all business segments and unrolled a digital knowledge centre to share know-how and best practices.

We have also reached four important **digital milestones** in 2019: the creation of a dedicated digital team, the launch of communication platform Hubster, the introduction of a Building Information Modelling (BIM) automation tool, and the fast rollout of Salesforce.

Last but not least, we have decided to create a new division dedicated to lightweight, dry and modular building technologies. Operational since January 2020, **New Ways** combines our expertise in fibre cement and plasterboard solutions with new methods of construction that are faster, more sustainable, resource friendly and affordable than traditional approaches. The division specialises in two core modular building technologies, wood and steel framing.

Jean-Louis de Cartier de Marchienne, Chairman of the Board of Directors

Paul Van Oyen, Chief Executive Officer

Our deepest gratitude

When it comes to embracing a dynamic global environment, harnessing its opportunities and transforming the world in the process, we cannot do this without our people. We extend our deep appreciation to all of our employees for their commitment to our ambitions and willingness to adopt new ways of working, thinking and acting to transform Etex into the building materials company of the future.

Our heartfelt gratitude also goes to our shareholders, partners and customers for their continuing trust in Etex.

The currently ongoing coronavirus crisis will obviously have a major impact on our performance in 2020, although it is currently impossible to accurately determine it. We are confident that our financial position, strong balance sheet at the end of 2019 and available financial resources will allow us to face the situation. We are determined to take all the necessary measures to protect our employees, to support our customers by keeping our business running, and to continue to Inspire ways of living.

Operational performance

New organisational structure

Etex's new structure was discussed in the 2018 annual report and continues to be highly relevant to our 2019 results. A common theme throughout this year's report is the **increasing unity, alignment, agility and focus** that this new structure has given us. The creation of the New Ways division is a huge achievement on this front.

As part of our transformation journey towards a customer-centric organisation, a **Supply Chain** function has been created at group level, with the appointment of a Head of Supply Chain in July 2019. Subsequently, a Supply Chain Center of Excellence is being implemented to harmonise and improve processes to world class levels. By driving these processes we will improve both our efficiency and our ability to partner with customers, as well as delight them.

One Etex: a movement in motion

In 2018, we introduced One Etex: a global movement that aims to **align processes, activities and collaboration** within our organisation to take performance and customer focus to new heights. After launching the project at our annual Senior Leaders Meeting, we reached several milestones last year:

- **Kick-off of the seven workstreams:** manufacturing, supply chain, finance, human resources, SAP, CRM and master data
- **Simplification of strategic and forecasting processes**
- **Opening of a Shared Services Centre in Vilnius, Lithuania**
- **Go-live of first robot** for process automation
- **Redesign of the performance management process**

Relentlessly committed to zero accidents

Safety was, is and will continue to be our top priority, as illustrated by our **"Safety is key, it's up to you and me"** slogan. Etex facilities around the world set new records for accident-free days – with nine sites celebrating at least ten years of accident-free operations in 2019.

19.73 safety training hours and 5.8 safety conversations per employee were recorded, and corrective actions were taken following 86% of accidents, serious event reports and near misses. The gravity rate of accidents decreased from 0.40 in 2018 to 0.11 last year, while the number and frequency of accidents remained steady. Moving forward, we remain **committed to becoming a zero-accident organisation**.

Building a sustainable, socially responsible organisation founded on integrity

Our new global code of conduct, 'The Etex Way', was launched in 2019. It clarifies Etex's commitment to safety, ethics, integrity and its enhanced focus on compliance. It sets out the minimum standard to which all colleagues must adhere so that Etex can maintain its high ethical standards in all countries in which it operates. Our new code is supplemented by an e-learning module guiding employees through the key principles that everyone should follow at all times. Completing this module is now an integral part of the performance review cycle of all white-collar employees.

Sustainalytics issued a report granting Etex an environmental, social and governance (ESG) rating score of 19.9. Etex ranks 9th out of 118 peers in Building Products (Industry Group). The report states that Etex is at **low risk of experiencing material financial impacts from ESG factors**, due to its low exposure and average management of material ESG issues.

Targeting excellence in purchasing

Last year, Etex continued its journey towards **purchasing excellence**, strengthening category management and harmonising purchasing processes. These measures led to material savings of EUR 47 million and will be amplified in 2020.

How did our businesses perform in 2019?

On a like-for-like basis, Etex's revenue grew by 4.9% to EUR 2,940 million.

Building Performance recorded significant like-for-like revenue growth of 8.0%, with strong performance in almost all geographies. Excluding the two businesses divested in 2019, **Residential Roofing** recorded a like-for-like revenue increase of 3.9%, mainly thanks to the strong performance of the Creaton brand in Eastern Europe. The **Exteriors** division experienced a transitional first year, with a 3.1% like-for-like reduction of revenue attributable to Northern Europe, Germany, Latin America and the United States. The revenue of the **Industry** division grew by 4.3% like-for-like, with strong revenue growth recorded for the third year running.

Like-for-like, Etex achieved a 15.6% REBITDA improvement over 2018, reaching EUR 483 million. This performance is mainly attributable to the combination of the increase in volumes and an improved gross profit. Overheads have been contained following the execution of restructuring measures decided at the end of 2018.

2019 was a record year in terms of **Etex's net recurring profit (Group share), which increased by 12.7% to EUR 187 million**. This strong performance was achieved even in the face of increased net financial charges primarily due to the newly recognised lease debt. Cash generation reached EUR 152 million before dividends, acquisitions and business disposals – also a performance milestone.

Etex's net financial debt decreased strongly to EUR 331 million at the end of December 2019, despite the impact of additional lease debt caused by compliance with new lease accounting rules. The reduction can be attributed mainly to proceeds from the sale of Residential Roofing businesses in the UK and Portugal and the continuing favourable effects of the non-recourse factoring programme set up in 2015.

More details on our 2019 performance on p. 26.

Engaged people

Introducing the Etex Awards

Responding to the results of our first global employee engagement survey in 2018, we introduced the Etex Awards in 2019: **three levels of recognition for individuals and teams** that deliver exceptional performance, significant financial impact or breakthroughs on Etex's strategic goals. 405 Etex Impact Awards and 66 Etex Excellence Awards were presented in 2019. Due to the outbreak of the COVID-19 sanitary crisis, the presentation of the first Etex CEO Award has been postponed until Q2 this year.

Acting on our sense of purpose

Last year, Etex partnered with non-profit organisation **Techo**, a Latin American housing initiative fighting poverty in countries across the region, to build safe, beautiful, affordable and resilient modular homes for families in Peru. Our call for Etex volunteers generated a tremendous response, with over 400 candidates applying to participate. Together with Techo experts, the Etex volunteers demonstrated our **shared commitment to 'Connect and Care'** by improving the living conditions of nine families in the Ventanilla district near Lima. Moving forward, we will continue to build on our collaboration with Techo and set up new projects embodying our "Inspiring ways of living" purpose.

Fostering talent for the future

The young talent today will be the Etex leaders of the future. To **shape, develop and inspire our emerging talent**, we organised the second edition of the Etex Explorer programme in 2019 in collaboration with Vlerick Management School (Belgium). Through this intensive week-long programme, our most promising young colleagues have learned more about themselves, our organisation and the path to sustainable profitable growth.

Paul Van Oyen,
Chief Executive Officer

Jean-Louis de Cartier de Marchienne,
Chairman of the Board of Directors

Milestones of an inspiring year

FEBRUARY | Etex launches **Cedral Terrace**, a new application for fibre cement boards for beautiful, durable and easy to install and maintain terrace planks. With this innovation Etex carves out its own niche on the European terrace plank market.

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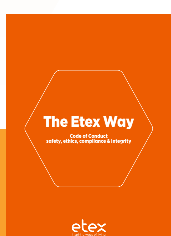
MARCH | Etex partners with **Techo**, an international NGO, to help local communities build homes for vulnerable families. Sixteen volunteers from all over the world help construct several houses near Lima, Peru, contributing to our first global corporate social responsibility (CSR) initiative.

Read more / p. 88

APRIL | On the occasion of the **World Safety Day** 2019, Etex takes its safety insights beyond factory walls. Facilities worldwide invite family members, partners, installers and dealers to participate to local activities around safety.

Read more / p. 78



APRIL | Etex publishes its new code of conduct, **The Etex Way**, with the goal of developing and maintaining a strong safety, ethics and compliance culture. The Etex Way provides guidance in identifying risky situations and key recommendations on how to deal with them.

JULY | Etex launches the **Etex Awards**, a global reward and recognition programme promoting ownership of line management to stimulate our culture of people management and feedback. Etex employees, managers and Executive Committee members can nominate their colleagues and teams.

Read more / p. 84

AUGUST | Etex sells **Umbelino Monteiro**, its clay tile business in Portugal, to roofing specialist Edilians as part of its strategy to focus on its lightweight construction core business areas in the context of the ongoing residential roofing market consolidation across Europe.

Read more / p. 53

AUGUST | Etex announces the sale of **Marley Ltd**, our subsidiary and the leading UK manufacturer and supplier of roofing tiles and components, to Inflexion. This transaction is fully in line with the strategy of Etex focused on lightweight construction and enables us to concentrate on our core businesses: plasterboards, fibre cement and passive fire protection solutions.

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SEPTEMBER | 80 customers from 9 countries gather in our Innovation & Technology Centre in Avignon, France, for the **Innovation Days**, an international, cross-border discussion about innovation.

Read more / p. 34

OCTOBER | Thanks to a strong focus on sales excellence, Etex signs an agreement with the **Dangote Group** refinery in Nigeria. As part of this strategic initiative, the Industry division will supply Promat Fendolite fire protection and thermal insulation solutions.

Read more / p. 63

NOVEMBER | E2E, the Chile-based joint venture founded by Etex and Arauco, signs a share purchase agreement to acquire a majority stake in **Tecverde Engenharia**, a Brazilian innovative building company specialised in wood-frame construction systems.

Read more / p. 70

DECEMBER | Three members of the Executive Committee are leaving the company: Joëlle Boxus, Chief Human Resources Officer, Alexander Carnevale, Chief Performance Officer, and Per-Olof Algotsson, Head of Building Performance. Their successors are respectively **Louise Cail, Didier Staquet** and **Neil Ash**. All three of them are former Etex executives.

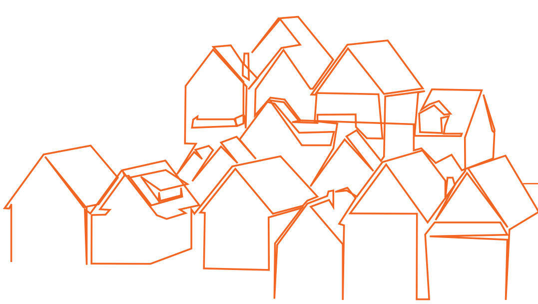
Read more / p. 96

JANUARY 2020 | To respond to global macro trends like rapid urbanisation, shortage of skilled labour and large housing deficits, Etex creates a new division dedicated to new ways of construction and specialised in modular construction. **New Ways** will shape the building industry of tomorrow by further developing new construction methods.

Read more / p. 70

Our stakeholders

Customers, employees, partners, suppliers, shareholders, investors, local communities... Our stakeholders are the drivers of what we do. They help us determine the steps towards the future, not only when it comes to product and commercial excellence, but also in terms of sustainability and positive global impact. Providing them with relevant and accurate information about Etex is paramount to build a trust-based relationship and to reach a higher level of transparency.



Our corporate communications team can be reached at

info@etexgroup.com

Financial stakeholders

Shareholders, investors and financial institutions.

Our commitment

Optimally balancing sustainable growth and profit while guaranteeing transparent communication about our performance and outlook.

How we connect and collaborate

Etex's shareholders are presented with relevant information about our business during our annual shareholders' meeting. **Full-year and half-year results** as well as **strategic decisions** are communicated to our financial stakeholders through press releases and other documents published on our website.

Internal stakeholders

Current and future employees, Senior Leaders and trade unions.

Our commitment

Maximising their safety, collaborating openly and transparently, and facilitating personal and professional development.

How we connect and collaborate

Our local businesses maintain a dialogue between **more than 13,000 employees in 42 countries** through tailored communication channels. We engage with our employees at group level through our new intranet platform Etex Core, events, webinars and various communication campaigns.

Etex's **Senior Leaders** from around the world gather annually and attend webinars hosted by the Executive Committee every two months. These events encourage our leaders to ensure that every single one of our employees is informed.

In 2019 a **Business Council** was established, bringing together the Executive Committee and various Senior Leaders. The Business Council meets each quarter.

External stakeholders

Local communities, NGOs, suppliers and the media.

Our commitment

Diligently establishing and building upon sustainable and transparent relationships.

How we connect and collaborate

As specialists within their geographies, our local businesses design and implement optimal communication channels with their surrounding **communities**.

At group level, we partner with international NGO **Selavip**, which supports housing projects for underprivileged people in Africa, Asia and Latin America. We also launched our first group-wide corporate social responsibility initiative in collaboration with **Techo**, a community-building non-profit organisation. In March 2019, 16 Etex volunteers from various countries, divisions and levels have worked together with their Peruvian colleagues as well as with Techo. Together, they have successfully built 10 lightweight construction houses in just a couple of days (see p. 88).

Press relationships are nurtured at a local level. Belgian and foreign journalists are also in direct contact with Etex's corporate communications team.

Commercial stakeholders

Architects, builders, construction firms, distributors, contractors, installers, specifiers and homeowners.

Our commitment

Proactively meeting their needs by offering superior products in form and function, and empowering them to construct the most efficient, ambitious and inspiring projects.

How we connect and collaborate

Each of our local businesses shares information with its **customers, suppliers and other commercial stakeholders** which suits their needs. On group level, our Innovation & Technology Centre in Avignon, France, invited some 80 customers from nine countries to co-innovate during our annual Innovation Days event, last year. Our purchasing team engages with our largest suppliers at group level.

Our continuing journey towards a promising future

In last year's annual report, we presented an overview of the megatrends driving our industry, the Etex purpose, our shared values and our six strategic pillars. This year, we discuss the progress we have made throughout 2019 on these six pillars as we solidify Etex's role as a focussed, global player in the building materials and solutions industry.

Revisiting our purpose, challenges, opportunities and strengths

At the very core of the Etex essence is a single purpose: **inspiring ways of living**. By leveraging our expertise and global presence and by working as one to put our customers at the centre of everything we do, we strive to inspire people worldwide to build living spaces that are **safe, sustainable, smart** and **beautiful**.

Safe
Etex's innovative fire protection, plasterboard, fibre cement and insulation solutions protect buildings, infrastructure, home appliances and even vehicles from damage.

Sustainable
Our world-leading insulation, lightweight and thermally efficient products, and modular building technologies optimise resource use. We strive to reduce waste and boost efficiency in our own factories as well.

Smart
Etex products and solutions bring affordable, efficient, and resource-saving benefits to the entire supply chain via innovation, modular technologies and lightweight construction.

Beautiful
Our unique drylining, siding, façade and terrace solutions offer aesthetic appeal, personalisation and architectural freedom.

In achieving our purpose, we face challenges as well as opportunities. In the midst of global megatrends such as population growth, resource scarcity, regulatory complexity, disruptive technologies and housing crises, Etex is already the leader in fire protection, insulation and fibre-cement solutions, and holds strong positions in all of our markets and geographies.

By building on our strengths, we believe that **we are fully equipped with the resources, focus, talent and drive to harness industry disruption**, paving the way for agility, partnerships and ever-more-effective solutions. As part of this approach, we are convinced that **lightweight and modular building technologies** hold critical keys to a safer, smarter, more beautiful and sustainable world.

Our 3 values

Connect and Care

Developing people and meaningful relationships

Passion for Excellence

Doing the right thing and enjoying outperformance

Pioneer to Lead

Driving valuable change

Engaged people

Empowering colleagues through unity and shared values

Operational performance

Continuously improving processes and committing to safety

Our 3 strategic priorities

Profitable growth

Innovation through close collaboration with our customers

6 pillars of focussed growth: summarising our progress in 2019

In order to become a more focussed player in our industry that is prepared to meet the challenges of today's dynamic world, we have defined **six initiatives for strategic execution**. In the following section, we highlight our key advancements in 2019.

1. Managing our strong position in plasterboard

In 2019, we committed to the **biggest investment in the history of Etex** in the UK, Europe's largest plasterboard market. This new plasterboard factory in Bristol – a GBP 140-million investment – will bring us even closer to our customers and empower us to harness a growing lightweight construction and plasterboard market (see p. 33 for more details).

Moving forward, our strategy is to build on our existing stronghold markets in Europe and Latin America, **strengthening our position** there. Managing our margins efficiently will be crucial here, as illustrated by the favourable global results of the Building Performance division last year (see p. 32 for more details).

2. Maximising our fibre cement position

As a result of the January 2019 launch of the new Exteriors division, all Etex activities related to fibre cement now share the same production capabilities, resources, network and technologies. As our fibre cement activities cover both façade and roofing applications for architectural, residential and agricultural customers, the goal of this new division is to **optimise synergies in production and go-to-market strategies**, unlocking greater agility, alignment and customer centricity (see p. 40 for more details).

As innovation is also part of our history since day one, **we extended our activities into decking** with Cedral Terrace: a beautiful, durable material that offers a unique experience (see p. 45 for more details). In 2020, we will focus on fully commercialising this residential product.

In the building boards segment, we have successfully maintained our position in markets where we are the leader. In the other markets, we have improved our profitability through added value applications.

3. Strengthening our Promat brand

Promat is Etex's **world-leading brand** for passive fire protection and thermal insulation, offering expertise and solutions to help make the world a safer place. These solutions can be found in hospitals, schools,

high rise buildings, airports, tunnels and commercial projects all over the world. Last year we delivered the single largest order of fire boards in our history for the Gaasperdammertunnel in Amsterdam, the Netherlands. Our passive fire protection solutions were installed in the new Deloitte Office building in Luxembourg as well as in the new Montlégia hospital in Liège, Belgium.

Through the Promat brand, Etex actively contributes to European fire safety organisations and construction industry safety standards. We have been selected as technical partner for the European Research Project EQUFIRE (Multi-hazard performance assessment of structural and non-structural

components subjected to seismic and fire following earthquake).
Following a comprehensive brand survey and under the new tagline 'Together, creating a safe and sustainable future', the Industry division launched a **brand awareness campaign** and new website last year. The goal was to sharpen the way Promat is commercialised worldwide. There is now clear segmentation and brand positioning which is shared throughout the entire Promat sales organisation (see p. 64 for more details).

We are **accelerating the execution of our innovation strategy** in all core business segments, reducing project cycles where possible and prioritising most promising innovations. We have launched the PROMETECT TF-X fire board for tunnels and PROMASTOP FC-MD for fire stopping applications.

In order to share fire safety expertise and best practices within Etex, the Minerva knowledge centre was launched in 2019. Moving forward **Promat will intensify investments in digital solutions**, bringing new value to our customers and improving their experience with fire protection. New initiatives will focus on improving efficiency, high quality and uncompromised safety.

4. Continuing to develop our roofing position

In line with our strategic decision to become a world-leading player in lightweight and modular construction, we have **divested two large Residential Roofing businesses** last year.

Marley Ltd, our leading UK business for the production of roofing tiles and components, was sold to Inflexion in August. The same month, our Portuguese clay tile business Umbelino Monteiro was acquired by roofing expert Edilians. Both are strong parent companies and will provide new opportunities to these companies (see p. 53 for more details). Etex will continue to seek win-win opportunities in line with its strategy.

5. Developing digital capabilities in key areas of the value chain

2019 was a capstone year for Etex in terms of digital capabilities development. Four important milestones were reached:

1. **Introducing a dedicated digital team**
   Beginning with a digital strategy rooted in the Etex purpose, we formed a cross-divisional, cross-functional digital team.

2. **Hubster launch**
   This new digital platform will be the foundation for everything we do at Etex. It centralises information, content, apps and tools and interconnects both processes and people. In May 2020, a Hubster-based customer portal will be launched, empowering our customers through self-service and fostering deeper relationships.

3. **Building Information Modelling (BIM)**
   Etex's new BIM factory project kicked off last year. This powerful tool will automate BIM creation anywhere in the world, enabling Etex to respond to local needs as they emerge. In rethinking the value chain, BIM will offer Etex a significant strategic advantage.

4. **Fast rollout of Salesforce**
   Salesforce was successfully launched to 34% system users, ten months after the project started.

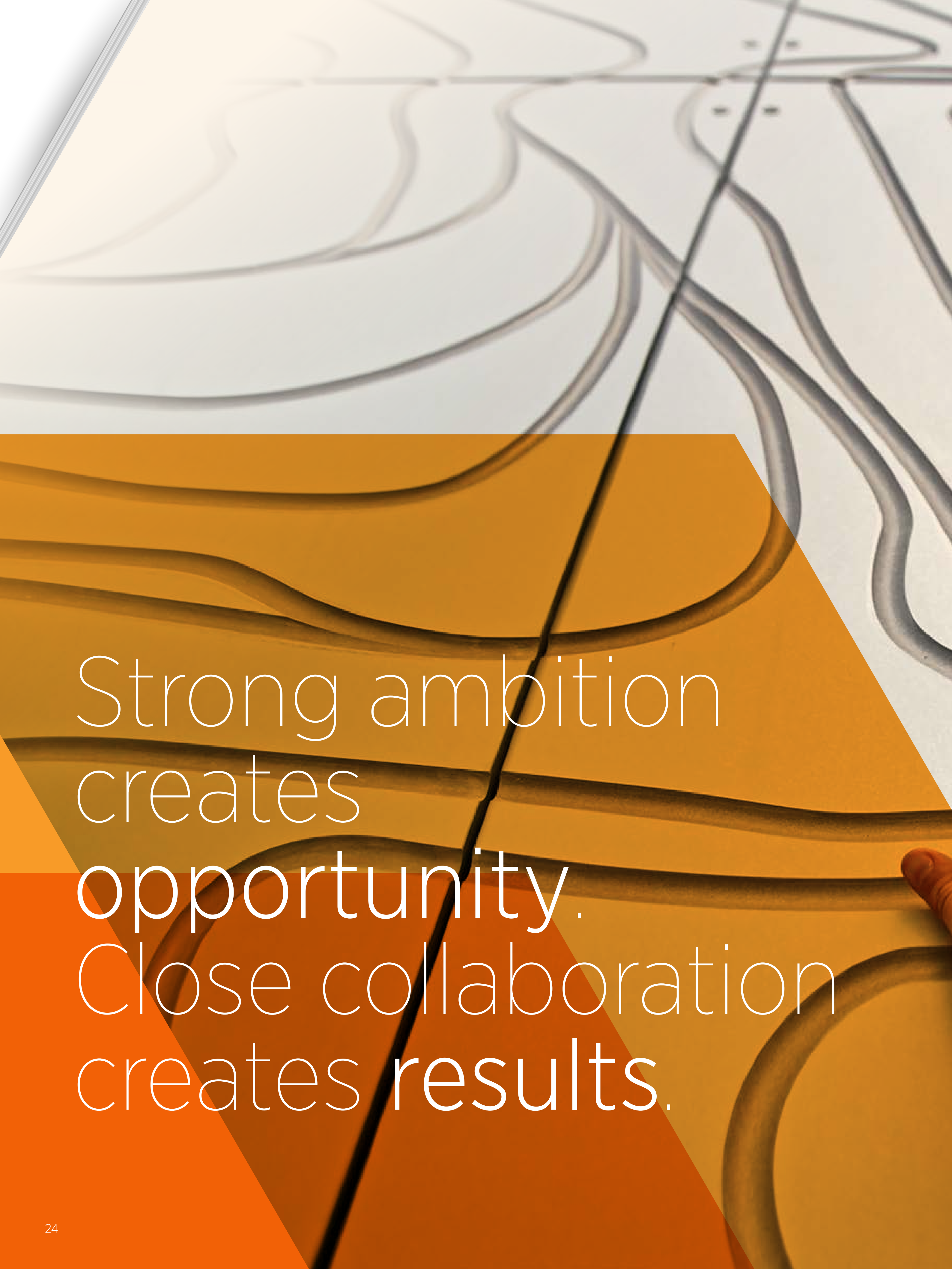
6. Making targeted investments in lightweight and modular construction methods

Etex's future lies in **lightweight, dry and modular construction techniques**. Not only do these industrialised building technologies and approaches optimise the use of water and raw materials, they are also faster, cleaner, more affordable, high performing and easily customisable.

As of January 2020, Etex's participation in E2E, the Etex-Arauco joint venture that develops and manufactures wood-framing end-to-end building solutions, and EOS, a steel framing business acquired by Etex in 2016, are now the domain of **our brand new division, New Ways**. Further underlining Etex's commitment to lightweight and modular, E2E also finalised the acquisition of Brazilian wood-based framing technology pioneer Tecverde in early 2020.

In gathering the expertise and technologies of these important modular and lightweight building businesses, we solidify our goal of **shaping the future of construction** – first in Europe and Latin America, and then across the globe.

See p. 70 for more details on the New Ways division.



Strong ambition creates **opportunity**. Close collaboration creates **results**.

2 Activity report

Building on a strong foundation

Message from the CFO

2019 was an outstanding year from a financial performance perspective, as all key indicators reached record levels. The revenue of Etex grew by 4.9% in 2019 to EUR 2,940 million on a like-for-like basis, generating a double-digit REBITDA improvement (+15.6% like-for-like) to reach EUR 483 million. As a result, the REBITDA margin reached 16.4% and the net recurring profit increased by 12.7% to EUR 187 million. The free cash flow before dividends, acquisitions and disposals of businesses reached its highest historical level at EUR 152 million. Combined with the successful disposal of non-core businesses, the net debt decreased to EUR 331 million, its lowest level since 2011.

→ Mel de Vogue, Chief Financial Officer

A general overview of our worldwide results

The **significant organic revenue growth (+4.9%)** achieved by Etex in 2019 is the result of our positioning as a manufacturer of lightweight building materials, solid market fundamentals on which the group operates, a structured innovation strategy and a strengthened sales excellence approach. The growth in revenue benefitted from our geographical diversification, complementary routes to market, a good mix of project-based business and our wide product range. In 2019, Etex continued to invest in its strong brands and improved its service levels. With the exception of Exteriors, all our divisions recorded top-line growth. The 2.4% negative scope impact is mainly attributable to the disposal of two tile roofing businesses in the UK and Portugal and of French polypropylene honeycomb blocks and panels producer Nidaplast. The 1.0% negative currency translation impact is mainly due to a weaker Argentine peso and British pound.

Our **REBITDA amounted to EUR 483 million**, including the EUR 28 million impact of additional depreciation linked to the new lease accounting rule. When compared to the comparable REBITDA in 2018, including leasing depreciation, this performance represents a like-for-like increase of 15.6%. This performance is mainly attributable to the combination of the increase in volumes and an improved gross profit, thanks to the focus on our product mix and the benefits reaped from a fully centralised procurement strategy. In addition, overheads have been contained, despite the strong top-line progression, thanks to restructuring measures decided upon at the end of 2018. The REBITDA margin reached its highest level ever at 16.4%, compared to 14.9% (*pro forma*: including restatement for depreciation of leasing) in 2018.

Revenue in 2019

2,940

million euro

Like-for-like increase of 4.9% vs. 2018

Despite an increase of net financial charges primarily related to the newly recognised lease debt, **Etex's net recurring profit (Group share) was up by 12.7% to EUR 187 million**, another record performance. The non-recurring items mainly relate to impairment with respect to the Residential Roofing division, with significant gains on the disposal of businesses and impairments on the remaining businesses, as well as some restructuring costs. The company's net profit reached EUR 181 million in 2019, up 24.9% year-on-year.

Cash generation reached a record level of EUR 152 million before dividends, acquisitions and disposals of businesses. This strong cash generation is partially the result of a new, focussed approach related to free cash flow generation that was set up two years ago and based on internal cross-divisional and cross-functional free cash flow 'champions'. The strong improvement in revenue and REBITDA was combined with a strict approach to working capital and capital expenditure management.

At the end of December 2019, **Etex's net financial debt decreased to EUR 331 million**, a strong reduction despite the additional lease debt seen from 2019 due to compliance with the new lease accounting rules (EUR 120 million at year end, of which EUR 110 million in debt and assets was newly recognised from the beginning of 2019 after application of the new rules). At the end of 2018, the

2019 results in a nutshell

Total sales: EUR 2,940 million, including the impact of unfavourable exchange rates compared to 2018 (around EUR 22 million) and the EUR 71-million negative impact related to scope changes. Organic growth led to a year-on-year revenue increase of around EUR 136 million, or 4.9% when comparing to 2018, excluding the disposed of British and Portuguese clay roofing tile businesses.

Gross profit: EUR 896 million or 30.5% of sales, vs 29.4% in 2018, through managing our margins efficiently.

Overhead on sales ratio: 20.7% vs 21.0% in 2018, resulting mainly from the restructuring initiatives taken in 2018 and despite one-off product liability charges exceeding those incurred in 2018.

Operating income before non-recurring items (REBIT): EUR 292 million, up by EUR 47 million, representing 9.9% of sales. In 2018, the REBIT amounted to EUR 245 million, or 8.5% of sales.

Net non-recurring charges: EUR 24 million, with significant one-off gains mainly with respect to disposals of Residential Roofing businesses offset by Residential Roofing impairment charges and further restructuring. The operating income (EBIT) reached EUR 268 million vs EUR 221 million in 2018.

Net financial charges: slight increase from EUR 27 million in 2018 to EUR 31 million in 2019, mainly resulting from the impact and accounting treatment of the newly recognised lease debt and the discounting of long-term provisions offsetting the lower interest charges resulting from deleveraging.

Net profit (Group share): improvement from EUR 140 million to EUR 176 million.

Net recurring profit (Group share): increase from EUR 166 million to EUR 187 million.

Net financial debt: the decrease from EUR 584 million at the end of 2018 to EUR 331 million is due to operating cash flow generation on top of the business disposal proceeds, offset by the newly included lease liability (EUR 110-million impact on opening balance). It also includes the positive effects of a non-recourse factoring programme set up in 2015, which amounted to EUR 154 million at the end of 2019 (vs EUR 159 million at the end of 2018). Excluding this non-recourse factoring programme, the net debt would have been EUR 485 million, a decrease of EUR 368 million compared to EUR 853 million at the end of 2018 when restated for leasing.

REBITDA in 2019

483

million euro

Like-for-like increase of 15.6% vs. 2018

net financial debt reached EUR 584 million (EUR 694 million including new leasing debt). In addition to strong free cash flow generation, the net debt reduction was achieved through the significant proceeds from the sale of our UK and Portuguese clay tile roofing businesses. The net debt in 2019 includes the favourable effect of the non-recourse factoring programme set up in 2015, which amounted to EUR 154 million at the end of the year (vs EUR 159 million at the end of 2018). Excluding this programme, the net financial debt would have reached EUR 485 million (vs EUR 743 million at the end of 2018). The company's net financial debt/REBITDA ratio decreased from 1.4x in 2018 to 0.5x in 2019. Excluding the favourable impact of the non-recourse factoring programme, this ratio decreased from 1.8x to 1.0x year-on-year.

Changes in the scope of consolidation

In August 2019, Etex sold its clay tile roofing business in the United Kingdom (Marley Ltd) to Inflexion and its Portuguese clay tile roofing business (Umbelino Monteiro S.A.) to Edilians (formerly Imerys Toiture). Earlier in 2019, in January, the French polypropylene honeycomb blocks and panels producer Nidaplast was disposed. The contribution of the three disposed businesses to the revenue amounted to EUR 186 million in 2018. Their contribution to the REBITDA amounted to EUR 33 million in 2018 (including leasing depreciation restatement).

Revenue by division

Building Performance registered a like-for-like revenue growth of 8.0% to reach EUR 1,790 million, thanks to strong growth registered in nearly all geographies. This reflects a combination of higher volumes and improved margins in plasterboard and associated products, especially but not exclusively in Europe, important projects in passive fire protection and volume growth in our fibre cement business in Africa and in Asia.

This performance clearly illustrates the strategy developed by Building Performance to deliver first-class service to its customers, thanks to a reinforced supply chain with the commissioning of our new plant in Spain, the launch of new products such as the ultralow-density plasterboards Solidtex in Italy and Solidroc in France, and the highest-performing fire-stopping board Promatect XS, as well as increased brand awareness in Europe.

The revenue of our Exteriors division (EUR 592 million) was impacted by a EUR 19 million like-for-like sales reduction (or 3.1%), mainly attributable to Northern Europe, Germany (corrugated sheets), Latin America and the United States. 2019 was a year of transition, as this new division, which centralises our fibre cement activities, was set up at the beginning of the year.

The facade business continued to benefit from its strong reputation in the architectural segment and sidings while the fibre cement roofing activities were impacted by their exposure to the European agricultural sector. In 2020, the Exteriors division is expected to benefit from the efforts and investments made in quality, people and brands last year.

Residential Roofing, excluding the disposed businesses in the United Kingdom and in Portugal, **recorded an increase in revenue of 3.9% like-for-like in 2019 to reach EUR 261 million**. This is mainly thanks to our high-performing Creaton businesses in Eastern Europe. The German market for Creaton remained difficult, with declining volumes in line with the market evolution, but some price initiatives have been successfully implemented to limit the impact on revenue.

2019 was a turning point for Creaton. The investment in new products, the brand and the quality of service have started to pay off in Poland, Hungary and South East Europe, and should also benefit our German activities in 2020.

Revenue in South Africa was flat.

Finally, **Industry registered a like-for-like revenue growth of 4.3% to EUR 179 million**, with a strong performance in mass transportation and fire-rated appliances. 2019 was the third consecutive year of strong organic growth as well as a record year in terms of revenues. The division benefits from its geographical diversification, the increased demand for fire protection solutions requiring highly rated certificates, and the approach by segment.

Net recurring profit (Group share) in 2019

187

million euro

Increase of 12.7% vs. 2018

Consolidated Statement of Financial Position (Balance Sheet)

The value of Etex's **property, plants, and equipment** remained stable at EUR 1,631 million vs EUR 1,642 million in 2018, but this is the outcome of newly recognised past leased assets from the beginning of 2019 (EUR 110 million) offsetting the impact of scoped-out residential roofing entities during the year. **Capital expenditure** (tangible and intangible assets) reached EUR 169 million (including EUR 34 million relating to new leasing contracts recognised during the year), compared to a recurring depreciation of EUR 190 million. **Goodwill and intangible assets** went down from EUR 422 million to EUR 323 million, mainly due to the impairment of goodwill with respect to the remaining residential roofing business.

Our **working capital** decreased from EUR 271 million in 2018 to EUR 224 million in 2019, a significant improvement attributable to the disposals occurring during the year and to specific one-off amounts collected from authorities and insurers in 2019, as well as a disciplined approach implemented across Etex. As a result, the working capital level is improving compared to 2018 in percentage of sales.

Our **actual return on capital employed** increased from 9.7% in 2018 to 11.5% in 2019. Excluding the impact of non-recurring items, the **recurring return on capital employed** reached 12.6% in 2019 vs 10.8% in 2018. Both financial indicators show significant progression and demonstrate the pertinence of our rigorous capital allocation strategy.

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.

Outlook for 2020

The coronavirus crisis will obviously have a major impact on our performance in 2020, although it is currently impossible to accurately determine it. 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.

Building Performance

Led by **Neil Ash** since January 2020, Building Performance is Etex's largest division. It is responsible for developing, producing and marketing high-performing plasterboards and fibre cement boards as well as passive fire protection products and dry construction systems. France, Germany and the UK are its largest markets, and it continues to pioneer dry construction in Latin America. We asked Neil to share his insights on the division's performance in 2019 and his vision of the future.

→ Neil Ash, Head of Building Performance

What key words would you use to describe 2019 for the division?

Performance and profitable growth, definitely. Most of our global regions grew and significantly boosted their margins. Building on our 2018 investments in business transformation, we succeeded this year in enhancing our commercial execution. We have closed 2019 with excellent results versus last year, mainly driven by smart pricing initiatives and a strong market overall. 2019 was definitely a great year for us.

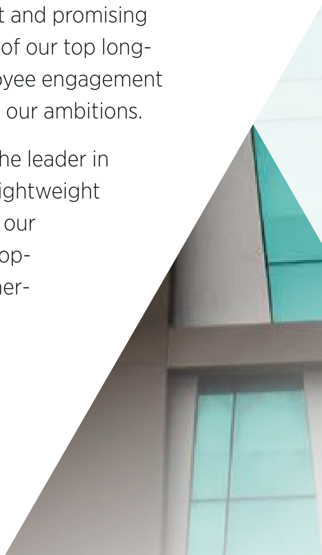
Early November 2019, Etex announced the largest investment in its history. Can you elaborate?

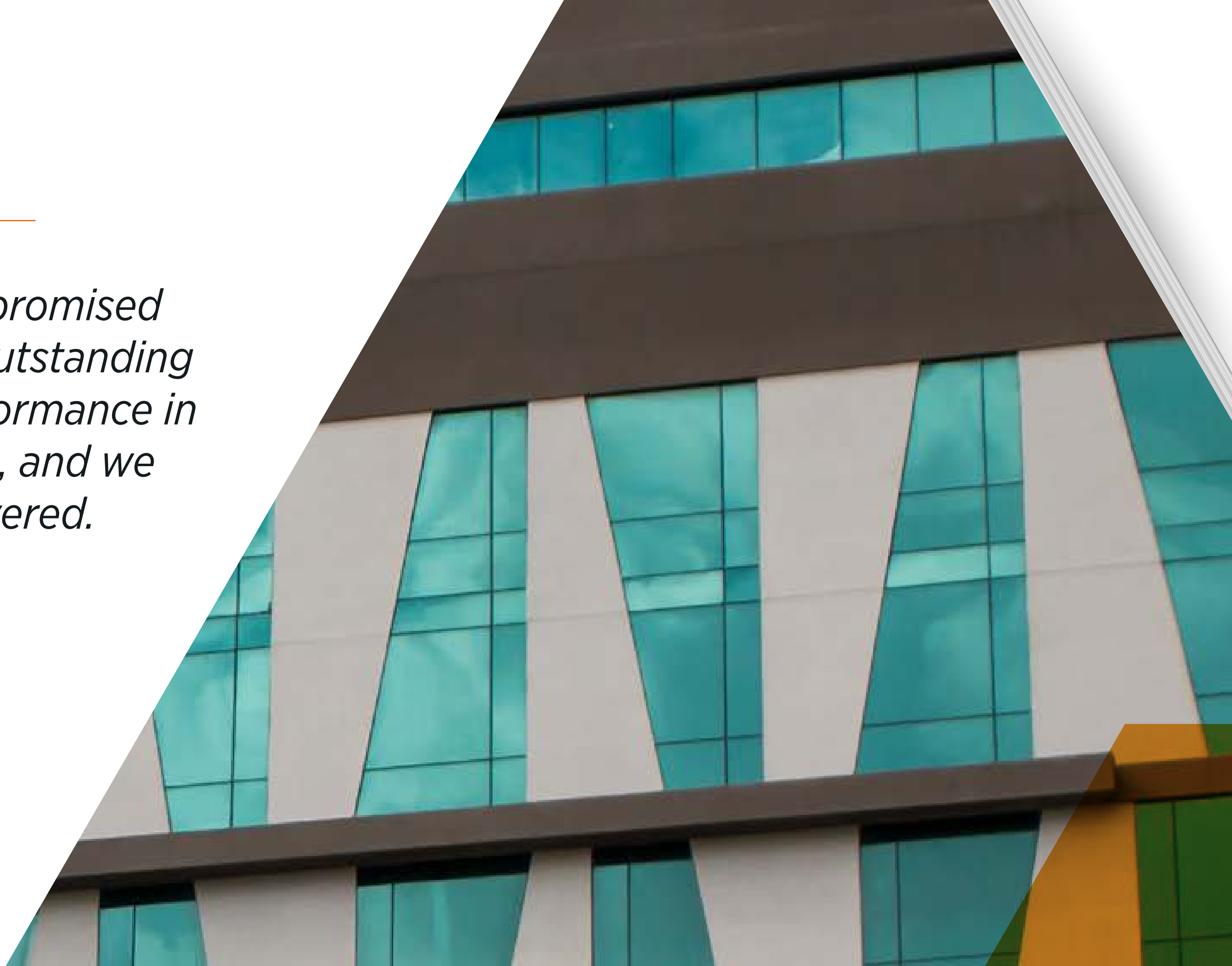
This is indeed the most important strategic decision we've taken last year. We will be constructing a completely new facility at the Royal Portbury dock, in the port of Bristol (UK) – well connected and next to our existing plant there. This GBP 140 million capital expenditure is proof of our belief in the long-term strength of the UK construction market – Europe's largest plasterboard market. Through this investment, we will not only provide our customers with even better service and reliability of supply. We will also capitalise on a growing plasterboard market as clients recognise the productivity benefits that lightweight construction offers. Investing in the added capacity also strengthens our ability to develop superior building material systems for our customers, helping to create high performing buildings to meet the needs of the people who use them (read more on p. 33).

You are the new Head of the division since early this year. What will be your strategic priorities for 2020 and beyond?

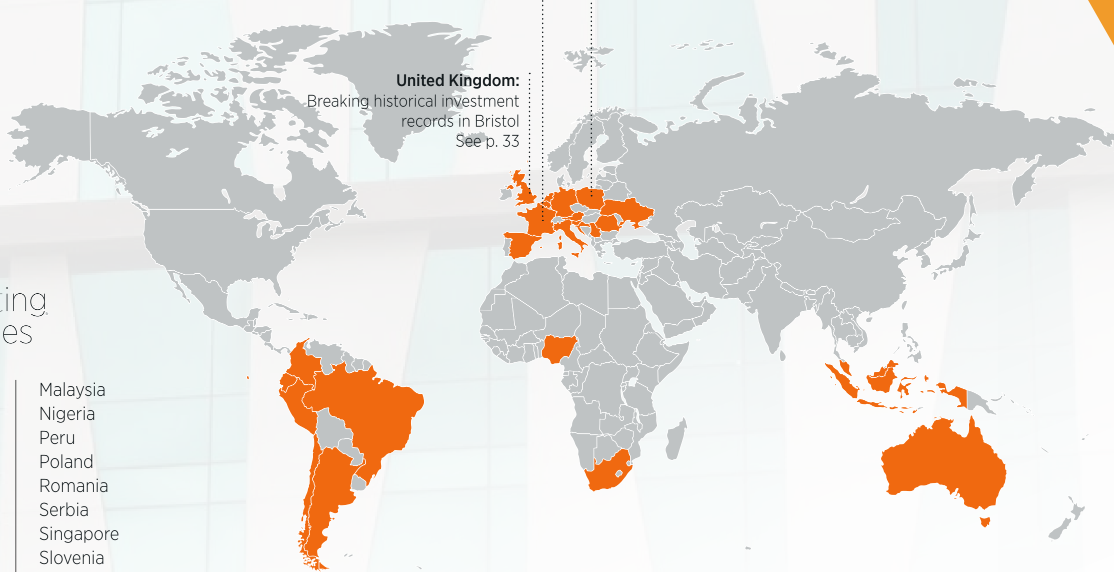
Sustainable growth, within the framework of the Etex strategic initiatives, continues to shape all of the division's activities. Building on last year's success, we will continue to focus on customer engagement, innovation in lightweight construction and collaboration across boundaries. The attraction, retention and development of top talent and promising young leaders is also one of our top long-term priorities, and employee engagement is crucial for us to achieve our ambitions.

Ultimately, we aim to be the leader in high-quality, sustainable lightweight building solutions in all of our core markets by being a top-level player with a customer-centric approach.





We promised an outstanding performance in 2019, and we delivered.



Operating countries

Argentina
Australia
Austria
Belgium
Brazil
Chile
Colombia
Croatia
Ecuador
France
Germany
Hong Kong
Indonesia
Italy
Malaysia
Nigeria
Peru
Poland
Romania
Serbia
Singapore
Slovenia
South Africa
Spain
The Netherlands
UK
Ukraine

Revenue of Building Performance

(in EUR million)

Comparatives have been restated to reflect the new divisional structure of Etex as from 1 January 2019.

How did we perform in 2019?

In 2019, the Building Performance division of Etex grew in all of its key markets around the world. A combination of factors influenced these positive results, including strong demand in plasterboard, improved margins, commercial excellence and the impact of the restructuring decisions that were taken in 2018.

Revenue

Europe

Sales grew strongly year-on-year throughout most of the countries. This is mainly attributable to a significant increase in plasterboard volumes, driven by a strong market in several countries; and improved margins.

France: an ongoing trend of decreasing sales was reversed in 2019, with the division strengthening its position in line with trends in other European countries, thanks in particular to a strengthen position in DIY.

UK: for the fourth year running, the division recorded excellent results in the UK, where it was decided to build a new, state-of-the-art production facility (see next page).

Spain: the division recorded great results and successfully increased its production capacity in several factories. A new factory in Gelsa was commissioned, on time and within budget, in early 2019 and it recorded a remarkable first year.

Latin America

Sales grew strongly in this region, but these results are also the effect of extreme inflation in Argentina. The division's activities in Brazil have also recorded growth thanks to a robust upswing in the market.

Argentina: 2019 was a politically and economically challenging year in this country. Hyperinflation caused mechanical growth in sales figures but overall volumes declined.

Brazil: after the negative impact caused by economic crises over the last few years, the Building Performance division demonstrated profitable growth again in this growing market.

Africa and Asia

Sales growth in Asia approached the double digits in 2019, with new export markets identified and successfully harnessed. However, the political unrest in Hong Kong and a weakened economic environment in Singapore have had an impact on Promat sales. While Building Performance markets in Africa are small, the division performed well, especially in Nigeria where unique products such as KalsiKraft remained popular in 2019.

Profitability

Building Performance has recorded a strong increase overall, also in percentage of sale, thanks to higher volumes and improved margins, as well as to the positive impact, mainly in Europe and Latin America, of the restructuring plan that was implemented in 2018 and which successfully streamlined the organisation and made it more agile. This favourable impact will also carry over this year.

→ Royal Portbury dock, port of Bristol, United Kingdom

Breaking historical investment records in Bristol

Last year, the Board of Directors of Etex approved a capital expenditure of over GBP 140 million for the construction of a new plasterboard production facility near the Port of Bristol in South West England.

“This is the fifth new plant that Etex has commissioned since 2015”, explains **Christophe David**, Head of Operations at Building Performance. “It is also the largest investment that Etex has made in the history of the group. We have made it clear to the UK and the world that we believe in our customers and markets and that we have a long-term commitment to enabling growth in the construction industry.”

The new facility unlocks extra production capacity to address key challenges in the region, including housing shortage and growing renovation demands. Even more, the plant will feature state-of-the-art and eco-friendly technologies. “The production line will be highly energy-efficient”, Christophe goes on to say. “We will also implement a rainwater harvesting system and use recycled gypsum in production processes.”

Key commercial initiatives

2019 was a year of continuing commercial successes with the introduction of next-generation versions of the division's most popular and high-performing products. From ultra-lightweight fire protection solutions to patented fibre cement boards and plasterboards, Building Performance solutions continue to lead in their markets and offer excellence in insulation, mechanical strength, durability and more.

Promat's reign as commercial and innovation star continues

As Etex's best and widest-known brand for passive fire protection, Promat continues to strengthen its portfolio of fire-resistant materials and systems for the construction industry. Promat offers the best performing fire resistance solutions for compartmentation, structural protection and ducting systems, completed with efficient fire stopping products which help our customers to reach the highest quality in fire safety.

Building Performance's most successful latest innovation PROMATECT®-XS – the thinnest and highest-performing fire-stopping board on the market – was introduced in 2019. This is a completely new generation of Promatect developed using a production technology created by our R&D centre in Tisselt, Belgium. Read more about this launch in the product spotlight on the next page.

Other Promat successes in 2019 include the launch of Promatect®-100, a compartmentation solution, and of the fire stopping collar Promastop®-FC MD, the latter being the result of an intensive three-year research and development process. Promastop®-FC MD is easy to install and

offers a very high level of productivity and performance.

The sky is the limit for fibre cement and plasterboard launches

2019 was marked by strong innovation successes such as ultra-light density plasterboards with Solidtex in Italy or Solidroc in France. These boards feature exceptional mechanical performance, enabling them to compete with masonry solutions.

We also launched the WAB Sanitised solution with an anti-bacterial function. This new range confirmed our leadership position in the Extreme wet & weather resistant boards field, used for indoor and outdoor applications.

In addition, some optimised solutions were launched with an easier installation procedure. In Latin America, we have distributed the Simplissima decorative systems, and in Romania we have expanded our 'smart' lightweight plasterboard offer and introduced the moisture-resistant AH offer.

'Cross-border' was the keyword at Innovation Days 2019

Held in the prestigious Innovation & Technology Centre in Avignon, France, the 2019 Building Performance Innovation Days event welcomed in September 80 customers from nine countries in Europe, Africa and South America. But instead of hosting groups from different countries on different days, all participants gathered at once – for an international, cross-border discussion about innovation.

"The goal last year was to foster exchange between different countries", explains **Eric Bertrand**, Head of Innovation, Technology and Marketing at Building Performance. "When customers collaborate to innovate and drive growth, the entire market ecosystem benefits from it."

Next-gen Promatect XS

The perfect blend of innovative excellence and customer focus

Why Promatect XS excels

- A1 Reaction to fire
- Thinnest for every fire rate of steel protection
- Competitive pricing of final installed product
- Wide scope of application
- Covers all critical temperatures
- Fire rating up to four hours
- 25-year lifespan
- CE-marked
- Backed by European Technical Assessment

In 2017, the Building Performance sales team was still riding the wave of success generated by the original Promatect steel insulation board in Central and Eastern Europe. “But it’s a highly demanding market”, asserts **Elzbieta Mazur, Technical Director CEE at Building Performance Poland**. “Promatect had a strong reputation, but it wasn’t enough to make itself heard to be successful in this segment”.

Along with sales and technical colleagues, **Elzbieta** and her team decided to bring Etex back to the top in steel insulation. “We knew we had the innovative strength and customer engagement in Poland (and then the entire CEE region) to take a completely new approach to Promatect XS.”

The R&D team worked throughout 2017 to develop an A1-class reaction to fire protection board that is also the thinnest for every fire rate of steel protection. **Elzbieta**: “Even more, the product covers all fire rates for widest scope of critical temperature, thinnest thicknesses of needed protection, fixes directly onto steel profiles, lasts for 25 years and is CE marked. There is nothing like it on the market.”

However, a great product is only one element of success. “Our sales team is extremely skilled, I can’t praise them enough”, she continues. Other critical contributions include the masterful preparation of the fire tests, as well as the creation of the European Technical Assessment (ETA) and technical documentation. “It was a collaborative, cross-border effort,” **Elzbieta** goes on to say. “We relied heavily on the team in France for the production of demanding deliveries while we prepared our product launch strategy in Poland, which we then adapted for Central and Eastern Europe. This year, we sold circa 150,000 m^2 of the new generation of Promatect XS in a single project.”

→ Elzbieta Mazur, Technical Director CEE at Building Performance Poland

Thanks to our completely novel product development approach, every feature of this steel insulation board stands out. With Promatect XS, we can proudly state that we are – once again – the best in the market.

Project Casablanca

Passion and local expertise join forces with new ways of construction

With rental costs in the Chilean neighbourhood of Casablanca (Valparaíso region) skyrocketing, Santiago-based housing developer Inmobiliaria Gestión Urbana united with lightweight construction pioneer and Etex-Arauco joint venture E2E to bring affordable, high-quality living spaces to hundreds of low-income families.

Jacqueline Gálvez,
General Manager,
Inmobiliaria Gestión Urbana

Nicolás Pérez,
General Manager,
Eprefa Constructora

Watch
the video

What
A modular housing partnership between E2E and local developer Inmobiliaria Gestión Urbana

Where
Casablanca, Valparaíso region, Chile

Why
To boost quality of life and reduce housing market entry costs using new technologies and fewer resources

Who
400 houses, covering 10 hectares, for ± 1,600 residents

Introducing a dedicated local player in housing improvement

"Inmobiliaria Gestión Urbana develops integrated housing projects in urban locations with up to 80,000 inhabitants", explains **General Manager Jacqueline Gálvez**, who is also a member of the Chilean Chamber of Construction and VP of the National Housing Group of Chile. In these influential roles, she dedicates her life to improving housing conditions as well as the public policies governing the local building industry.

"In Chile, we have the challenge of improving the building standards and technical specifications", she continues. She founded her company 15 years ago in order to take local building standards to the next level in quality and performance. Today, Inmobiliaria Gestión Urbana employs 200 people.

Social benefits are the number one priority

The integrated housing solutions built by Inmobiliaria Gestión Urbana are shaped to meet the specific cultural and practical needs of the communities they are part of. "We strive to generate positive social impacts with our projects", Jacqueline goes on to say. In fact, if a proposed project offers commercial advantages but no social benefits, her team won't build it.

"We have developed around 5,000 housing solutions and built approximately 1,000."

Future-focussed building approaches

Seven years ago, Jacqueline began exploring international building methods, visiting Germany, Singapore, Denmark and beyond for inspiration and attending building industry fairs and events.

Modular housing and lightweight construction were key discoveries during her travels. She was also impressed to find that building specifications in Europe are consistent on all levels.

Jacqueline brought these insights back to Chile, sharing information with industry players and policymakers. That is when she met Felipe Montes, General Manager of Chile-based Etex-Arauco joint venture E2E, recognising a kindred spirit. He invited her to visit the E2E facility – which pioneers lightweight and modular construction.

A match made in modular

Recognising the huge potential of a collaboration between E2E and Inmobiliaria Gestión Urbana, Jacqueline proposed a joint, large-scale housing project in Casablanca.

Home to 25,000 people, the area is faced with very high rental prices due to a long-term lack of new houses. Jacqueline and Felipe were both convinced that modular construction technologies offered a huge opportunity to reduce waste, cut costs and provide residents with

The success of this joint project highlights how modular construction can transform lives in many different ways. Moving forward, we must continue to foster industrialisation in Chile by offering incentives to use new construction methods.

Jacqueline Gálvez, General Manager, Inmobiliaria Gestión Urbana

One crane, five personnel and one manager can build the second floors of four houses in a single day. This is why I believe in lightweight, modular solutions as the future of construction in Chile.

Nicolás Pérez, General Manager, Eprefa Constructora

affordable, high-performing, customisable housing – all at the same time.

To prepare for Project Casablanca, Inmobiliaria Gestión Urbana and E2E launched a four-house pilot project in the Chilean town of Santa Cruz. It was a big success, establishing a strong, trust-based relationship between both companies.

Complete solutions, smart logistics

To scale up in Casablanca, the duo called in the help of local construction company Eprefa Constructora. "The first floors of the houses are constructed by another company using concrete panels", explains Eprefa **General Manager Nicolás Pérez**. "Then, E2E provides the complete, prefabricated, timber-framed modular elements of the second floor, which my team was responsible for assembling."

As an installer, Nicolás appreciates the holistic approach to delivery and assembly that modular construction offers. "Everything is thought of during the offsite manufacturing and loading processes", he states. "E2E's highly organised delivery system provides significant logistics advantages, and all the parts and pieces come built into the solution and pre-organised for rapid, intelligent installation."

"Each day, E2E delivers 24 wall and roofing panels by truck, arranged on a metal rack. One crane, five personnel and one manager can build the second floors of four houses in a single day. This is why I believe in lightweight, modular solutions as the future of construction in Chile."

Enabling smart resource use – from the ground up

As the project evolved, Jacqueline measured the impact of waste on the building process and brainstormed ways to reduce it even further. With this goal in mind, she ensured that every worker on the project received training in waste-reducing construction methods.

Thanks to the teamwork of all three partners, the new houses generated almost zero waste and reduce water and heating costs by 50% and electricity by 70%.

Even more, each house is built to fit the needs of each family. They are also customisable: families can choose materials in different colours and express themselves through their living spaces. This avoids the negative stigmatisation of social housing as one-size-fits-all projects.

As of January 2020, 70% of the project has been completed. By the end of the project, 400 houses will be constructed for approximately 1,600 residents, covering near 10 hectares of land.

Inspiring new ways of thinking about construction

The future of modular construction in Chile still faces some hurdles when it comes to policymaking and support.

"As most of the modular construction process is industrialised, it happens within the plant rather than on site", Nicolás goes on to say. "This is a game changer for construction companies because in addition to being faster and cheaper, modular projects are simpler to manage."

Jacqueline: "While these benefits are clear to all Casablanca Project partners, industrialised construction is very different from traditional building approaches. To generate buy in, educating supporting industries about the modular construction process will be an important focus. In addition, it is important for the local building workforce to understand that industrialisation doesn't threaten their jobs. On the contrary, it enables them to learn new tools and skills that will be crucial to the future of their communities, and of the world."

Exteriors

Created on 1 January 2019, the Exteriors division is led by **Michael Fenlon** and is active on a global scale. This division combines the fibre cement exteriors activities of the former Roofing and Facade divisions, in line with Etex's focussed strategic plan. Michael tells us more about the division's challenging debut year.

→ Michael Fenlon, Head of Exteriors

Is there a word that sums up 2019 for Exteriors?

First years are always transitional periods for any organisation. The key word in 2019 was 'transformation', as we blended our fibre cement roofing activities with our newer, faster-growing facade business. As part of this transformation, we spent part of 2019 responding to challenges, upgrading quality and streamlining our processes.

It sounds like 2019 was a year of mixed results. What were the drivers behind the challenges?

We made tough, rigorous decisions in 2019 to really put quality, commercial excellence and customer focus in the spotlight. We tackled quality issues relating to several products, which of course had a negative impact on the performance of the division but these actions were in the interest of our customers and our long term commitment to our markets. We evolve in a competitive market place and in certain markets (particularly in Latin America), we faced economic and political instability. We were only partially able to offset this instability in 2019 through our pricing strategy and lower input costs.

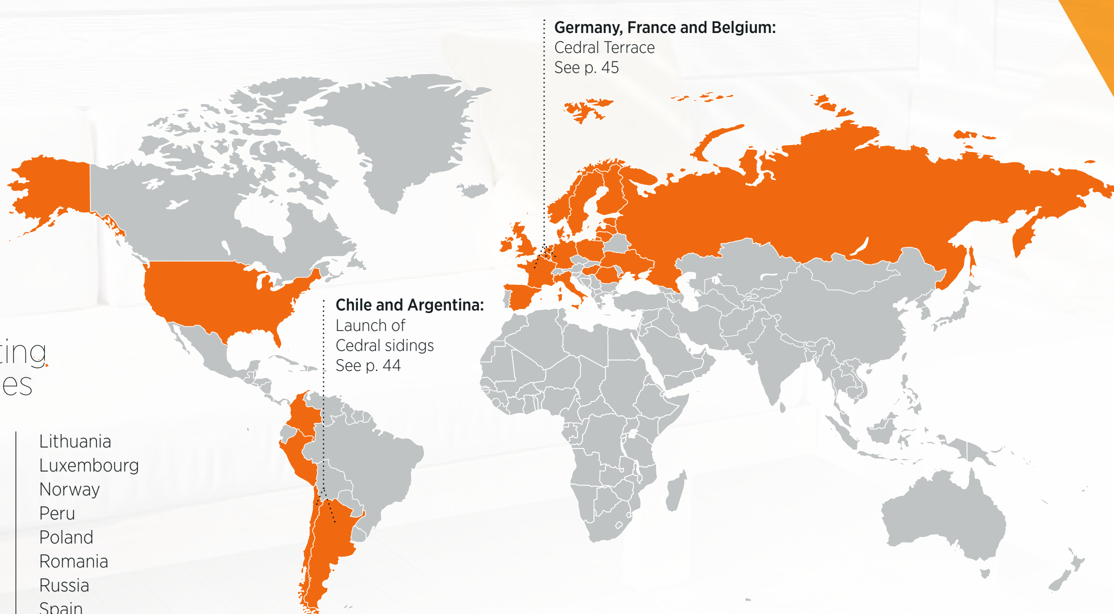
It's important to emphasise that while the present situation requires a careful approach, the future of Exteriors is very promising. We have an exciting innovation pipeline, a crystal-clear strategy and a sharp focus on sustainable growth, which will translate into results in the coming years. More importantly, fibre cement products are both our historical activity and completely in line with Etex's focus on lightweight materials. This will be key in our strategy going forward and offers a lot of opportunities.

Can you reveal more information about the projects in the division's 2020 pipeline?

We have four big moves planned in the next months. Safety and employee engagement are critical. On those fronts, we have developed concrete initiatives to educate our talent, bring people together and establish intra-Etex communities.

We will also take customer experience to new levels through customer journey analyses and completely renewed brand stories for our core products. Finally, innovation is our biggest project pillar. Just like the debut of our remarkable Cedral Terrace product in 2019, you can expect to see innovative products emerge in 2020, as well as a new innovation business model in the agricultural segment.

We're looking at a challenging present, but a very promising future.

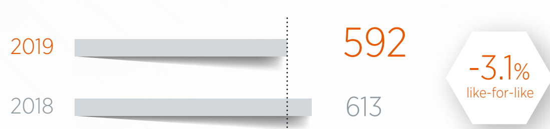


Operating countries

Argentina
Australia
Belgium
Chile
Colombia
Denmark
Estonia
Finland
France
Germany
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Norway
Peru
Poland
Romania
Russia
Spain
Sweden
The Netherlands
UK
Ukraine
USA

Revenue of Exteriors

(in EUR million)



Comparatives have been restated to reflect the new divisional structure of Etex as from 1 January 2019.

How did we perform in 2019?

While the new division focussed heavily on boosting product quality, innovation and customer engagement, the team had to manage a new organisational structure and the impact of product recalls and unusual circumstances from past years. This made 2019 a singular year for the division, but the result is a strong, unified organisation with a well-planned growth trajectory.

Revenue

Corrugated sheets

Latin America: while performance was good in our key markets of Chile and Peru, political and economic uncertainty led to fewer government-backed projects overall in 2019.

Europe: the regional market for this product is flat, but Exteriors aims to make gains by innovating in services. After the government discontinued a subsidy covering the replacement of corrugated sheets in 2019, sales in the Netherlands returned to normal after a two-year boost, causing the largest adverse impact on the division's results in Europe. Focus on quality in Germany also had effects on supply.

Equitone architectural facade products

Europe: the largest market for Equitone products, Germany performed well in 2019. Growth was in the double digits in France, while the rest of Europe remained flat. Sales in the UK were affected by Brexit uncertainty and project delays caused by the governmental investigation of products unrelated to Etex.

North America and Asia-Pacific: after a temporary drop in leads in the US in 2018, performance improved significantly, with the US remaining a strong, high-potential market. Equitone volumes in Australia grew significantly in 2019 and we expect this trend to continue.

Sidings

Europe: changes to our organisation which resulted in combining slates with sidings clearly had a short term effect on our growth in sidings, especially in Belgium and France, with Brexit affecting the entire UK market. Germany grew significantly, thanks to the efforts and focus of the commercial team. The division's business in the Nordics – another large market – was influenced by strong competition from other fibre cement producers.

Latin America: in Chile, we faced strong competitive pressure but were able to remain stable in 2019. The region as a whole continues to be influenced by unfavourable market and political conditions impacting all players.

Slates

Europe: performance in this segment was regionally strong in 2019, with especially robust growth figures in France, the UK and Ireland. A new factory was opened at the end of 2018 in Ireland, which gradually ramped up over the course of 2019. The outlook for slates is positive.

Profitability

The profitability of the Exteriors division was negatively impacted by three elements in 2019. Revenues were down due to lower volumes, mainly in corrugated sheets, while pricing levels were correctly maintained thanks to improved margins, and currency exchange rates were favourable. The performance of some factories was also lower than expected, and the division booked extra provisions to face quality claims. Additionally, Exteriors achieved overall savings in administrative expenses throughout the year.

Key commercial initiatives

From product launches to intensive customer experience initiatives, a wide range of commercial initiatives were kicked off by Exteriors in 2019 in multiple locations around the world. Supported by four pillars – safety, employee engagement, customer experience and innovation – the division set projects into motion that will prove crucial to a future of sustainable growth.

Orienting Cedral around customer needs

A great product, a beautiful logo and impressive visuals form a strong foundation for a customer-centric marketing strategy. "Cedral has this foundation, but we had to be even more ambitious to deliver seamless, responsive, proactive customer experiences", explains **Philippe Rubbrecht**, Division Head of Brand Management at Exteriors.

Four types of customers, or 'personas', each with their own emotions and behaviours, were identified. "Following this exercise, we mapped out the customer journey – which is every single step a customer takes, from becoming aware of the Cedral brand all the way to post-sales service", says Philippe.

An excellent marketing strategy is no longer about putting your brand and logo everywhere. Philippe: "Customer centricity hinges on a company's ability to know who each customer is, what their needs are and how best to meet them. If you succeed at doing this, you gain their loyalty – and they will want to share their experiences."

Cedral sidings debut in Latin America

The Cedral brand of sidings was launched in South America, specifically in Chile (April) and Argentina (October), in 2019. This is a significant milestone for the Exteriors division in South America, as sidings was previously perceived as a specification material suitable only for architects and installers.

→ Launch of Cedral sidings in Chile with customers and the local sales team

The marketing team came up with a strong, customer-centric strategy, featuring the homeowner as the purchasing decision-maker and installers and architects as sponsors. As part of this strategy, 50 supplier stores were Cedral branded throughout Argentina and Chile.

Natura White: tailored completely for architects, with architects

The September 2019 launch of Equitone Natura White NF 164 marks a key achievement for Etex as a market leader in architectural facades: the end-to-end development of a completely novel product in response to real market needs. "Our customers, mainly architects, had requested a unique fibre cement facade material in both very dark and very light shades", explains **Thierry Halsberge**, Brand Manager Equitone at Exteriors. "Architects are both very consistent and very specific: they wanted to be able to see a warm white, through-coloured fibre cement mix through a translucent surface, which is very different from your everyday coated facade material."

It took eight years for Exteriors to develop Natura White, a material that ticks all the boxes in terms of aesthetics and performance – and the processes and technologies to support its manufacturer.

Cedral Terrace

Beauty that inspires an emotional connection

What makes Cedral Terrace unique

- Soft touch
- Natural colours
- Durable
- Easy to install and maintain
- Anti slip

There is high demand in Europe for beautiful, durable terrace planks, however, there were no ideal nor long-lasting solutions so far. "Traditionally, homeowners choose products made of wood or wood-plastic composite", says **Michiel De Potter, Project Manager Cedral Terrace & Contemporary** at the Exteriors Division. "But with a little creativity, we came up with a completely new application for fibre cement boards and carved out our own niche in the European terrace plank market."

This project kicked off in 2014 with a comprehensive market research assessment. "After identifying this market gap, a team was brought together with colleagues from R&D, Engineering, Operations, and Sales & Marketing. They explored the possible production technologies to fill the market gap. All resulting prototypes were then evaluated by homeowners and landscape architects, with their feedback serving as input for the further product innovation."

Creating Cedral Terrace took time, effort and dedication. "After almost five years of development, we chose a progressive market launch in 2019 in order to use continuous market feedback to adapt the material in an agile way," **Michiel** explains. "This approach enabled us to tweak our production process and realign our communication strategy."

The result is the first patented fibre cement product ever produced, allowing us to enter a yet unserved segment. **Michiel**: "Cedral Terrace is unique because it speaks to the heart in a tactile way".

In light of its success, it's hard to imagine that Cedral Terrace was originally considered a longshot. "We knew where we wanted to go, but not how to get there. Many people have contributed – and continue to contribute – to perfect this differentiating product. Thanks to their dedication, Cedral Terrace is considered one of Etex's most compelling innovation success stories." Cedral Terrace is the perfect illustration that fibre cement is a key solution for lightweight construction in the 21st century.

→ Michiel De Potter, Project Manager Cedral Terrace & Contemporary

Reactions to Cedral Terrace are usually strong and immediate. You can read about it, but once you hold it in your hands, there's a 'click'. People engage with it and are instantly convinced and even inspired by it. With Cedral Terrace, feeling is believing.

Bristol Business School

At the crossroads of academics, communities, sustainability and product excellence

Responsible for design and execution of the building that houses the Bristol Business School, Stride Treglown architects Nicholas Morris and Andrew Kingdon sought the most beautiful, versatile and resilient facade cladding. Equitone was their solution of choice – for plenty of reasons.

Andrew Kingdon
Senior Associate Architect,
Stride Treglown Bath

Nicholas Morris
Senior Associate Architect,
Stride Treglown Plymouth

Watch
the video

What
A state-of-the-art, GBP 55 million, 17,200 m^2 business school containing 148 offices over seven floors

Where
University of the West of England (UWE), Stoke Gifford, Bristol, UK

Why
To create an inspiring, professional, community-building structure using versatile and beautiful materials

Who
5,500 students and hundreds of faculty, corporate partners and community members

Wanted: building materials that meet the needs of educational institutes

Established in 1953, the Stride Treglown architecture and design practice is fully employee-owned and manages offices across the UK.

“We were one of the six architectural firms invited by the University of the West of England to bid on their Bristol Business School project back in 2013”, explains **Andrew Kingdon, Senior Associate Architect** at Stride Treglown’s Bath premises.

Specialising in higher education architecture, Andrew collaborates with universities across the UK to design functional, accessible, beautiful buildings that serve unique purposes.

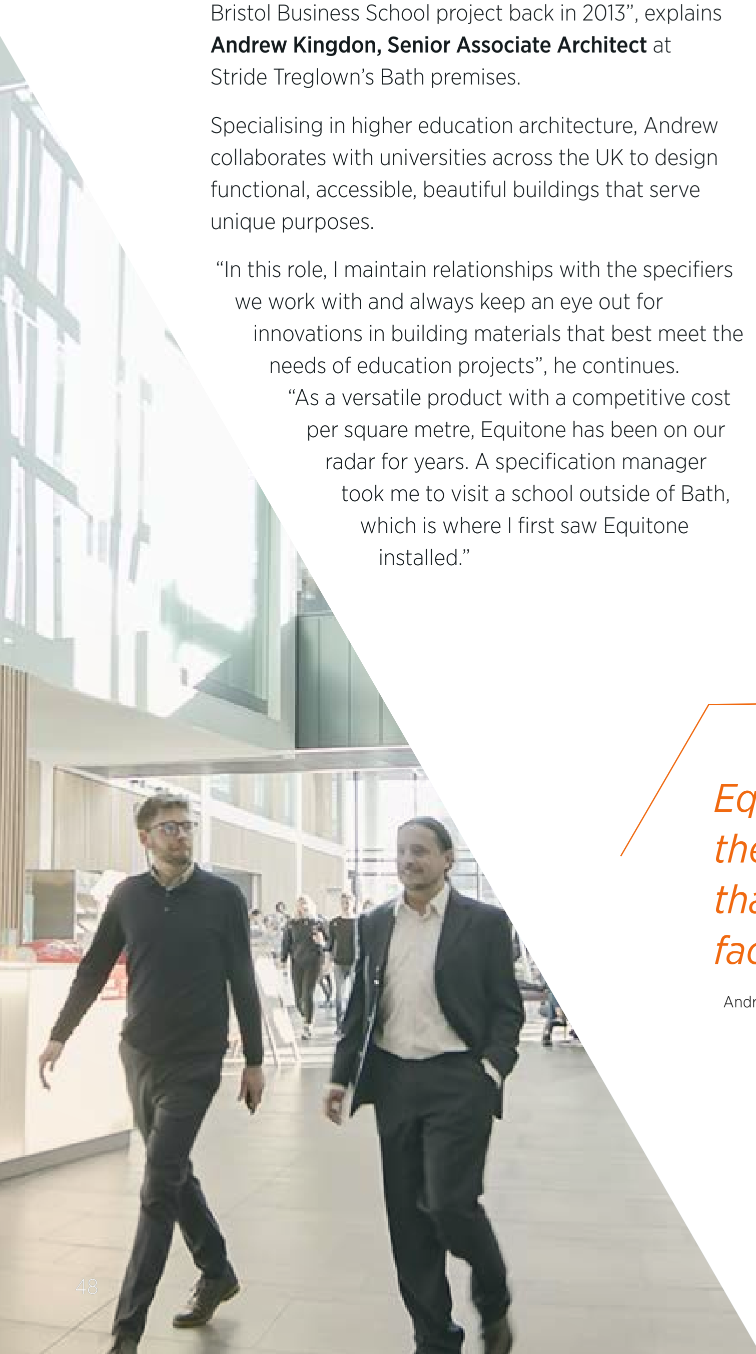
“In this role, I maintain relationships with the specifiers we work with and always keep an eye out for innovations in building materials that best meet the needs of education projects”, he continues. “As a versatile product with a competitive cost per square metre, Equitone has been on our radar for years. A specification manager took me to visit a school outside of Bath, which is where I first saw Equitone installed.”

Developed with architects, for architects

This experience gave Andrew and his team confidence that Equitone would be a great material for Bristol Business School.

“Equitone is a very large panel – three by two metres – that can be cut into any shape and installed in a variety of patterns”, continues Andrew. “The fact that Equitone panels are through-coloured is also important. The product is lightweight, it has a great texture, grain and finish that breaks down the solidity of large facades. People love the appearance.”

Nicholas Morris, a fellow **Senior Associate Architect** at Stride Treglown and co-chair of the Plymouth branch of the Royal Institute of British Architects (RIBA), agrees. “Equitone’s range of colours and textures gives us a wide selection of materials to choose from when designing a project. I especially appreciate Etex’s drive to engage with architects and ask for their input regarding future products – it’s very valuable and encouraging.”



Equitone panels are lightweight, they have a great texture, grain and finish that breaks down the solidity of large facades. People love the appearance.

Andrew Kingdon, Senior Associate Architect, Stride Treglown Bath

As a business, Stride Treglown addresses sustainability not just in our projects, but in educating our clients and encouraging the wider spread of sustainability standards and requirements. In Etex, we see a shared mindset – which will become increasingly important to the building industry in the future.

Nicholas Morris, Senior Associate Architect, Stride Treglown Plymouth

Equitone puts the finishing touches on a community hub

For the cladding of Bristol Business School, Andrew chose two colours of Equitone panels – Pebble and Calico – in a large format tile: one colour for the teaching wing and the other to define the academic and research space.

Andrew: "As a business school, Bristol seeks to attract external companies and has strong links to the local business community that collaborates with the university. The building had to look professional and on par with high-end offices within the local context. When considering cladding options, quality was a priority."

It was the first major academic building to be developed as part of the university's new master plan and represents an investment of GBP 55 million. The 17,000 m^2 school incorporates specialised teaching spaces, mock courts and city trading rooms as well as a team entrepreneurship zone. There are social learning spaces and even a café, since the campus is open to the wider community.

The school is also the first building in the UK to incorporate new ultra-thin Equitone panels with hidden mechanical fixings. "This enables an optimal use of resources because there is no panel overlap: we used less material to clad the building", Andrew asserts. "Even more, it looks really slick and continues to weather perfectly three years on."

Building sustainability into every project – as an industry

Nicholas: "Speaking of sustainability topics like the optimal use of resources, I recently had the opportunity to visit the Etex plant in Kapelle-op-den-Bos, Belgium alongside architects from around the world and participate in an interactive workshop. There, I discovered more about what Etex does as a business. I was impressed by the innovative emphasis that Etex places on the manufacture, reuse and recyclability of its products."

"As co-chair of RIBA Plymouth, I strive to promote a sustainable agenda by encouraging peers to consider climate and sustainability in architecture. As a business, Stride Treglown addresses these concerns not just in our projects, but in educating our clients and encouraging the wider spread of sustainability standards and requirements. In Etex, we see a shared mindset – which will become increasingly important to the building industry in the future."

"Indeed, sustainability is high on the agenda at universities, who want to be innovative with their new buildings", Andrew agrees. "The fact that Etex pushes sustainability credentials is a very positive evolution, for us, our customers and the world."

Residential Roofing

The Residential Roofing division was defined on 1 January 2019 and gathers the group's clay and concrete tile roofing activities (as well as components and accessories). In 2019 it focussed on its performance while delivering on the divestment strategy in place to enable the smoothest, most streamlined transition possible. **Paul Van Oyen**, CEO of Etex and Interim Head of the Residential Roofing division until October 2019[1], tells us more about the past, present and future of the business.

→ Paul Van Oyen, CEO & Interim Head of Residential Roofing[1]

Can you sum up 2019 in a few words?

'Steady' would be one defining word of the year in terms of performance, with challenging conditions in some areas being balanced by significant successes in others. Our activities have evolved in a particularly positive way in Eastern Europe, while we have been able to compensate for adverse conditions in Germany. The other word, paradoxically, is 'evolving', as we have continued to deliver on the strategic shift of the group initiated two years ago.

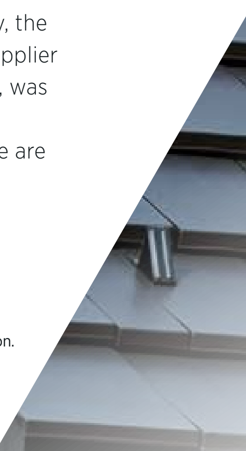
What is the rationale behind the strategic shift?

The 2011 acquisition of the European and Latin American activities of Lafarge Gypsum was a major strategic step for Etex. It took us a few years to truly assess how this milestone would redefine the future of the group. Two years ago, we decided to execute a strategic shift by focussing Etex on lightweight and modular construction. Our goal is to become a world-leading player in the sustainable, cost-effective, quality-focussed building technologies of the future.

In this context, residential roofing, which is a heavy construction materials business, doesn't quite match our vision of the future anymore. This is a fact especially since the roofing market is being consolidated, which led us to make important decisions. Participating in this consolidation would indeed require a lot of investment. We decided instead to make these in lightweight construction, an equally capital-intensive business, but one that is in line with our purpose. 2019 was a turning point in the realisation of our ambitions. On the one hand, we created the New Ways division, which is dedicated to modular construction methods. On the other, we have divested two major businesses in our Residential Roofing division.

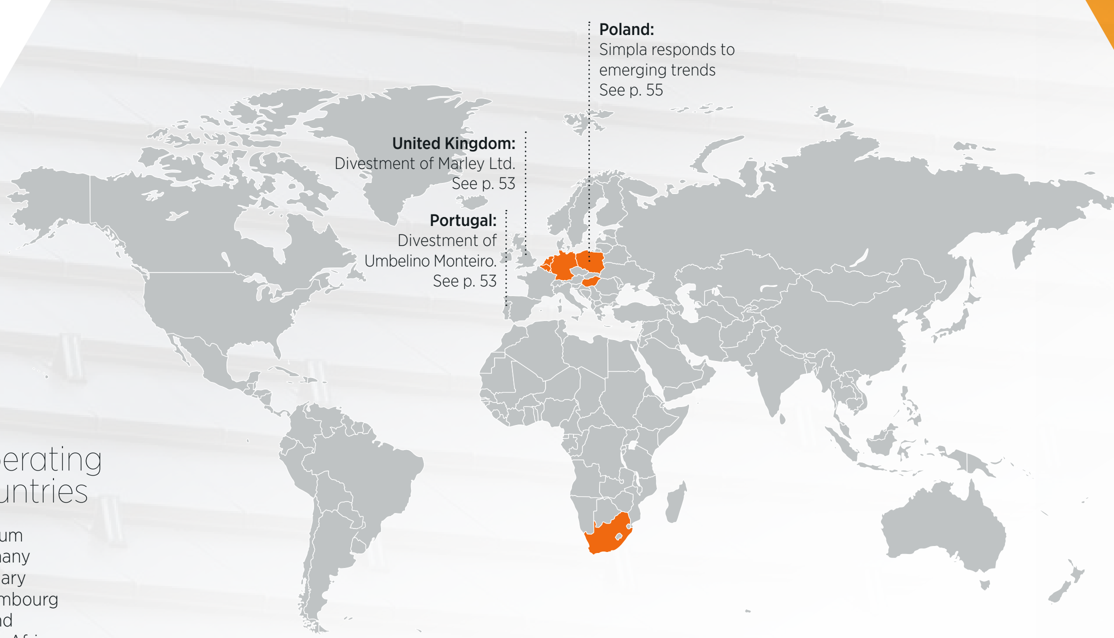
Can you tell us a bit more about these divestments?

The first step was taken in August, when we sold our Portuguese clay tiles business Umbelino Monteiro to roofing solutions provider Edilians. An even bigger decision was taken at the end of the same month, when Marley, the leading UK manufacturer and supplier of roofing tiles and components, was sold to Inflexion. I would like to emphasise that in both cases, we are convinced that the new parent companies will offer many new opportunities to Umbelino Monteiro and Marley.



[1] On 21 October 2019, Christoph von Nitzsch succeeded Paul Van Oyen as Head of the Residential Roofing division.

We made targeted divestments and focussed on commercial and operational performance.

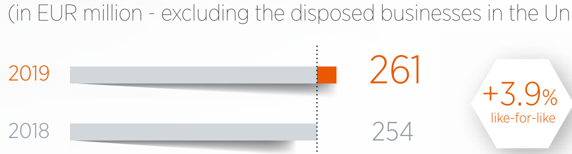


Operating countries

Belgium
Germany
Hungary
Luxembourg
Poland
South Africa
The Netherlands

Revenue of Residential Roofing

(in EUR million - excluding the disposed businesses in the United Kingdom and Portugal)



Comparatives have been restated to reflect the new divisional structure of Etex as from 1 January 2019.

How did we perform in 2019?

For the Residential Roofing division, 2019 was a year of focus. After moving fibre cement roofing activities to the Exteriors division in the beginning of the year, the Residential Roofing division started 2019 with a coherent foundation that is fully integrated and operational. Two businesses were sold, the closing of the clay tile factory in Malsch was finalised, and greater emphasis was placed on the strong Creaton brand.

Revenue

Europe

2019 was a positive year, with leading performance recorded in Eastern Europe and a slightly improved top line in Germany despite difficult market conditions. It was also the first full year of activity of the new entity Creaton Benelux.

Poland: 2019 was the division's best year ever in Poland, thanks to a thriving market in both the clay and concrete tile segments, and to Creaton's leadership position. The new Simpla tile was launched last year, which already has a very favourable outlook (read more on p. 55).

Hungary: the business had a very good year, as the division's sole facility in this country operated near full capacity throughout the year.

Germany: the German pitched roofs market declined further in 2019, impacting Creaton's volumes. The business was able to offset this market impact, resulting in a slightly increasing top line year-on-year. Residential Roofing's facility in Malsch, Baden-Württemberg, was closed at the end of the year without causing any business disruption.

El-Tec: this joint venture (51% held by Creaton) specialising in the production of abutments and ridge rolls using innovative materials, became a supplier to our competitors thanks to the quality of its products.

Africa

As the corrugated sheets activity in Nigeria is within the scope of our Exteriors division since 1 January 2019, Marley South Africa is the only remaining activity of Residential Roofing on the continent – and outside of Europe. The company performed well last year despite challenging political and economic conditions as well as competitive pressure. Sales are nearly flat, yet margins improved over 2018.

Profitability

Thanks to good market conditions and improved margins as well as a better utilisation of production capacity, the division's profitability significantly improved in 2019, particularly in Germany and Eastern Europe.

Strategic divestments in 2019

Marley Ltd., UK

The division's largest divestment of 2019 took place at the end of August. Marley Ltd, an Etex subsidiary and the leading UK manufacturer and supplier of roofing tiles and components, was sold to Inflexion. Marley has some 600 employees and operates five manufacturing sites and two distribution centres. The divestment comes after 20 years of operation within Etex.

This divestment is in line with the group's wider strategy of building on our strengths, and we are certain that Inflexion will continue to add value to Marley.

Umbelino Monteiro, Portugal

Umbelino Monteiro specialises in the production of unique clay tiles for niche projects and restorations. As part of its strategy, Etex closed the sale of this business in early August 2019 to French based group Edilians. Umbelino Monteiro employs around 100 people and operates three production lines. The divestment comes after 12 years of operation within Etex. With a network of twelve clay tile manufacturing sites, Edilians – formerly Imerys Toiture – is a leading provider of roofing solutions in Europe and brings close to 180 years of know-how and heritage.

All activities of Umbelino Monteiro related to fibre cement building materials, a core technology of Etex, remain with Etex.

Key commercial initiatives

Highlights of 2019 for Residential Roofing include product launches and commercial successes in Poland and Hungary as well as unique partnerships. The division continues to focus on its well-performing brands and markets where it leads the industry.

Creaton Germany honours influencers

The 2020 Dach+Holz International trade fair for the roofing and timber construction sector was the perfect setting for Creaton Germany to issue the very first Creaton Influencer Award.

This award recognised social media influencers in the roofing domain. During a two-stage competition, online users selected five favourites from a pool of eleven nominees. Next, an external panel of judges chose the winners during a livestreamed event. The competition gathered 500 visitors at the Creaton stand.

Creaton Poland puts roofers in the lead

To establish even closer relationships with installers, Creaton Poland created the TOPDekarze ('TOP Roofers') online platform in 2019. Via this platform, roofing companies can browse articles on roofing products, installation tips and expert advice. There is even a competition where roofers can accumulate points by logging into the platform regularly, by taking quizzes and performing tasks online, and by building roofs with Creaton products. The 50 roofers earning the most points between September 2019 and April 2020 will win participation in an automotive event.

First year of Creaton Benelux

2019 saw the creation of Creaton Benelux. Throughout the year, its team organised and participated in several events, roadshows and fairs to strengthen relationships with roofers, distributors, turnkey companies and architects. As such, the team's various Roof Top events invited around 650 people leading to 200 Creaton ambassadors. In May 2019, the team also participated in Architect@Work, a unique platform that introduces innovative products to architects in Belgium and beyond. In November, Creaton Benelux took part in the Belgian Roof Day. There, the team underlined their commitment to be a reliable partner offering attractive, high-quality clay and concrete pitched roof solutions.

Introducing customised, end-to-end roofing systems

With the goal of broadening its roof system portfolio, Creaton Hungary launched a brand-new steel and aluminium rain gutter system in Southeast Europe in 2019. The breadth of this range offers customers fully integrated gutters and accessories in the same colour variations as Creaton roof tiles. The team developed a proprietary coating, ROBUST, to ensure that the metal surface of the rain gutter systems are optimally protected against mechanical damage. The coating also fulfils every requirement of the highest UV resistance class (RUV4).

Simpla

Responding to emerging trends with a market-leading product

Why Simpla is on track to become a leading product on the Polish roof tile market

- Ultra flat, tough, large format
- Watertight, resistant to challenging weather conditions
- Easy to install
- Available in market-specific colours

After the continuing success of flat-style roof tiles on the European market, the Residential Roofing team in Poland saw a fruitful opportunity. **Sławomir Sobota, Regional Sales Director**: "Demand for this type of tiles was just emerging in Poland, and we wanted to lead the market with something truly unique. We made full use of the internal Etex network during the design phase, working closely with the competence center in Belgium and experts in Germany and Hungary."

"As a result, Simpla is – simply – an excellent product. We funnelled so much effort into creating the simplest, most beautiful, flattest product, mixing highly refined clay from two different sources and stabilising the tile with engineered ribs. There's nothing else like it in Poland."

When it comes to residential construction in Poland, flat roof tiles are trending. Homeowners building modern new houses want to incorporate flat, wide-format roof tiles in dark colours into their designs. The Residential Roofing team performed intensive market research to discover exactly what local residents look for in a roof tile. "Because of this laser-sharp customer-centric approach, Simpla took off", **Sławomir** continues.

The main differentiating features of Simpla are its modern and extremely flat shape, its durability and its ease of installation. "Roofers in Poland are big believers in Simpla, thanks to our multi-channel marketing campaign and the training sessions we offered them via our academy", **Sławomir** explains. "Because homeowners construct homes only once or twice in a lifetime, we knew we had to convince installers that Simpla is the perfect product – and we succeeded."

→ Sławomir Sobota, Regional Sales Director at Residential Roofing Poland

Simpla is one of the most modern, highest-quality and best-made roofing products of its kind. So many people have confidence in Simpla, from roofers and homeowners to engineers.

Our partnership with Terhalle

Supporting a growing business partner and long-time Etex ambassador

Established over three decades ago in Germany, the Terhalle construction firm has championed Creaton roofing solutions almost from the start. From the beauty and durability of the product range to the quality of the collaboration with the Etex team: it is clear why this partnership works so well.

Ludger Wittland
Managing Director and
Head of Marketing,
Sales & Procurement,
Terhalle Holding

Watch
the video

What
A growing Germany-based firm specialising in roofing solutions and timber construction

Where
Germany and the Netherlands

Why
The breadth, quality and exceptional experiences enabled by Creaton roofing solutions

Who
Bringing world-class roofing solutions to homeowners and architects across the region

A star in the German construction industry firmament

Established in 1986 as a carpentry company, Terhalle has since grown enormously, with expansion after expansion. "We started to build our first timber homes in 1992", explains **Managing Director and Head of Marketing, Sales & Procurement, Ludger Wittland**. "In fact, we pioneered this approach in the region, moving on to end-to-end construction in 1995."

After acquisitions in 2007, 2010 and 2019, Terhalle Holding now employs 400 people in four departments: timber construction, turnkey construction, interior fittings and windows & facades. "We have also set up a brand-new company in the Netherlands focussed on installing windows, facades and doors", Ludger continues.

"At our headquarters in Ahaus, Germany, we have a 65,000 m² facility, with 100 of our employees working offsite for our subsidiaries in the domains of metal construction and roofing."

A strong proponent for Creaton roofing components

After 30 years of experience in the residential construction industry, the Terhalle team has strong feelings about the products they recommend to their customers.

"We've worked with Etex Creaton clay tiles and roofing systems for many, many years, and have incorporated Creaton solutions into countless projects", Ludger asserts. "Whenever we have the opportunity to advise a customer, we recommend Creaton. Over 90% of the buildings that we have roofed are fitted with Creaton tiles."

Creaton is the key clay and concrete roofing tiles and components brand of Etex's Residential Roofing division. From historically accurate renovations to cutting-edge architectural builds, Creaton features in diverse residential and commercial projects all over Europe. The range includes tiles for pitched and flat roofs and matching components in many colours, glazes, shapes and profiles. "There is a Creaton option for almost any project", says Ludger.

Never change a winning team

As Terhalle relies so heavily on Creaton solutions, a unique collaboration with Etex is key to their success – and success benefits both parties.

"Because we are so focussed on Creaton products, we work very closely with Etex", Ludger goes on to say. "We treat each other as equals and we can count on a

Our customers trust us to recommend the best products and solutions. With Creaton, we can offer a full solution that includes roof tiles and all needed accessories - we lack nothing. It is because of this that we always recommend Creaton products.

Ludger Wittland, Managing Director and Head of Marketing, Sales & Procurement, Terhalle Holding

Creaton's assortment is great, the accessories are high quality and the support is fantastic. 90% of our roof tile sales are linked to Creaton products, and – just like in football – we'd never change a winning team.

Ludger Wittland, Managing Director and Head of Marketing, Sales & Procurement, Terhalle Holding

dedicated Creaton sales team. They are very engaged and advise us on approaches to construction issues – another reason why we send large orders Creaton's way."

Terhalle customers include homeowners, architects and even public organisations. In Germany, the public sector – often in the form of housing associations – is responsible for large residential construction projects and works with architects to complete them. Architects specify materials and services needed in a bill of requirements, which is published publicly on a portal for construction firms like Terhalle to bid on.

Ludger: "It was through this process that we were able to recently win two large public contracts, recommending Creaton roof tiles in both cases. For the Emscher housing association, we processed and installed over 2,000 m² of Creaton tiles for a single project. In this case, we advised the customer to choose Creaton over the roof tile requested in the public announcement. In Münster, we built a kindergarten that also features Creaton tiles."

"When it comes down to it, Creaton is our only choice in roof tiles. We don't need to work with any other supplier, because the relationship we have with Etex works so well. It's like in football: never change a winning team."

Creaton travels to East Asia

The Terhalle leadership team has even taken Creaton roof tiles to the other side of the world to star in a unique project.

"During an exhibition in Germany, we met with three South Korean peers that requested our help with a show house with the theme of 'Made in Germany'. Two years ago, we finished the construction of a beautiful family home in South Korea, constructed completely out of German-made products – including Creaton roof tiles."

"This is a great opportunity to bring modern building trends to new markets, and we look forward to broadening our collaboration with international peer companies – alongside Creaton."

Industry

Since 2016, the Industry division has pioneered in the domains of structural fire protection and high-performance insulation in thermal process industries, construction, transportation, energy and beyond. Head of Division **Steven Heytens** describes the 2019 performance of this globally active division, highlighting its robust progress along its sustainable growth trajectory.

→ Steven Heytens, Head of Industry

Can you sum up the 2019 results of Industry in a few words?

Right in line with our business ambitions and strategic plans, we registered growth for the third year running. We also dedicated plenty of effort to developing our new strategy, 'Industry 2025'. This new growth strategy succeeds the one we outlined in 2016, which we have successfully achieved.

What are the factors behind the division's achievements?

There are four key factors here, the first being a strong focus on our unique customer segments, as co-creating solutions together with our customers and partners is truly at the heart of our activity. The second has to do with the flexibility of the division in terms of services, sales, operations, logistics, etc. – which is a competitive advantage unlocked by our global scale. Finally, there is the strong brand legacy of our high-quality products and the remarkable talent of our people.

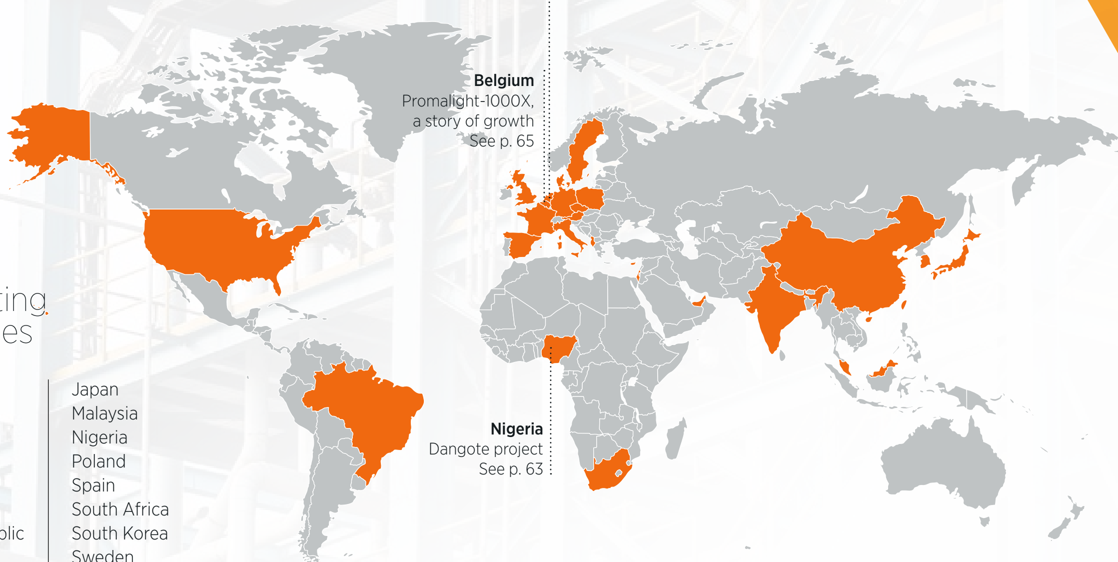
And the 2025 strategic roadmap you mentioned – could you provide more details?

We have four concrete goals: to double our current revenue, to be the global leader in passive fire protection and high-performance insulation, to offer an end-to-end, segment-driven customer experience and to add significant new business through innovation and acquisitions.

In order to achieve these goals, we centre our activities around safety and sustainability, customer experience, high-value partnerships and sustainable profitable growth – not to mention providing a great place to work for our talent.

We have reached key milestones in each of these areas in the last three years and learned some valuable lessons. For instance, we have a strong reputation, fantastic products, great flexibility and dedicated people. But we have also identified some important opportunities to enhance support and scalability, and to bring our customers the innovative solutions they need to meet the energy and productivity challenges of tomorrow. Moving forward, these opportunities will take centre stage.

Revenue and profitability kept rising in 2019 - we're right on track.

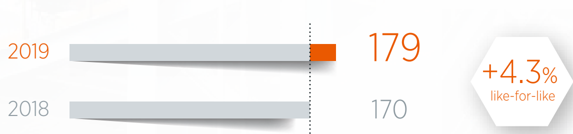


Operating countries

- Albania
- Austria
- Belgium
- Brazil
- China
- Cyprus
- Czech Republic
- Denmark
- France
- Germany
- India
- Israel
- Italy
- Japan
- Malaysia
- Nigeria
- Poland
- Spain
- South Africa
- South Korea
- Sweden
- The Netherlands
- UAE
- UK
- USA

Revenue of Industry

(in EUR million)



How did we perform in 2019?

Our Industry division continued to make waves in its role of technology leader in 2019. Nearly every business segment and every geography performed well last year, with particularly strong growth in Europe. The division also won and delivered a remarkable series of projects in the oil & gas sector, with more to come in 2020.

Revenue highlights by region

Europe

Thanks to the region's macroeconomic conditions, Industry recorded strong organic growth in Europe, thriving on the successful results of developing solutions in close collaboration with partners and customers. The division realised significant project-based business in France and the Czech Republic. In the UK, microporous solutions grew, while calcium silicate volumes increased in Italy. The revenue was nearly flat in Germany.

Asia, Middle East and Africa (AMEA)

The division's performance in AMEA was a mixed story. Industry booked record sales in Japan and reaped the rewards of a strong commercial strategy in India. However, markets in China were less attractive in 2019, and there were fewer oil & gas projects in the Middle East and Asia-Pacific. Overall, the region slowed down compared to 2018.

United States

Continuing investments in the North American team and production facilities translated into steady growth in 2019.

Performance by segment

Fire-rated assemblies & applications

Industry supported the original equipment manufacturing (OEM) market in 2019 to boost our customers' initiatives, increasing green energy use in electric heating appliances and improving their fire and smoke protection systems.

Heavy industry

2019 featured steady performance. However, this segment was challenged by an economic slowdown in European steel markets.

Oil & gas

Industry experienced a record year for offshore pipe insulation projects in this segment, signing an important thermal insulation and fire protection supply agreement in Nigeria (see next page).

Mass transportation

Historically strong performance continued in 2019, with Industry recording global successes in the support of smart solutions for aerospace and automotive industrial players.

Energy

This segment recorded stable performance overall, with solid growth in sustainable energy applications.

Marine

Stable positioning in Europe and growing activities in the US contribute to a solid outlook for this segment, with further development planned.

Profitability

The profitability of the Industry division reflects its growing revenues in combination with the outcome of a continuous focus on commercial excellence. Operating cash flow levels continued to improve, also in relation to sales levels, strengthening the division's financial health and supporting its strategic growth roadmap.

Commercial and operational excellence

The division strives to put the customer at the centre of its activities. On this front, the Salesforce customer relationship management (CRM) solution was rolled out last year. By mid-2020, Industry will use this tool to connect with its customers in an entirely new way, with commercial teams organised around customer segments instead of regions. A single customer support platform for EU customers is also in development.

Industry signs multi-million USD deal with Dangote Group

Back in early 2018, **Charles Taylor**, Global Segment Manager Oil & Gas (O&G) at Industry, identified a completely new opportunity for Industry: the potential fire protection supply to the new Dangote Group refinery in Nigeria. The Industry O&G team kicked off the relationship with a promising visit to the refinery project site and the offices of Dangote's India-based materials specifier, EIL.

The division employed a local sales engineer to connect regularly with the client and take the lead on the ground by giving presentations and technical clarifications to decision makers and monitoring on-site activities. Thanks to the team's constant customer focus, all parties were kept up to speed on Dangote's plans, needs and requirements.

Through tireless engagement efforts, expert price alignment and transparency, the Industry team made the winning bid on the Dangote refinery project.

Key commercial initiatives

From the skies to the ocean floors, Industry products can be found in structures, vehicles and facilities worldwide. In 2019, the division recorded remarkable achievements in several product areas, geographies and customer segments. Below are just a few of these success stories.

Promat: successfully aligning commercialisation with product performance

During 2019, the Industry division worked hard to promote Promat as the leading brand for passive fire protection and high-performance insulation in industrial applications. A milestone in this journey was the launch of the new corporate Promat website for industrial customers providing a brand-new experience based on the brand and range of products.

"We have clarified our brand strategy and ambition, by positioning Promat as the umbrella brand for our target of industrial customers. It is our ambition to collaborate and co-develop with our customers", explains **Pieter Morisse**, Head of Marketing & Innovation at Industry. "The new tagline says it all: 'Together, creating a safe and sustainable world'."

In addition to sharpening the brand's positioning, the Industry sales team also developed its route-to-market strategy in 2019. "Every sales colleague will be responsible for a specific customer target group. This committed approach empowers our experts to better understand the challenges our customers face and identify the best solutions – in close collaboration with them", says Pieter.

Industry teams up with Building Performance to safeguard Benelux tunnel

When our divisions collaborate, share expertise and unite to achieve a goal, great things happen, as demonstrated by the results of a unique tunnel project in Rotterdam, the Netherlands.

The two teams deviated from the standard solution with Promat Fendolite MII to enable the contractor to keep the tunnel operative during the installation. Together, they came up with a solution by using 10,000 m^2 Microtherm Overstitched, tested and approved by Rijkswaterstaat, the Dutch Ministry of Infrastructure and Water Management. Additionally, the disruption of the tunnel traffic was kept to a bare minimum – an important achievement for the contractor.

This project illustrates the power of inter-divisional teamwork in delivering high-performance products that meet the highest technical standards.

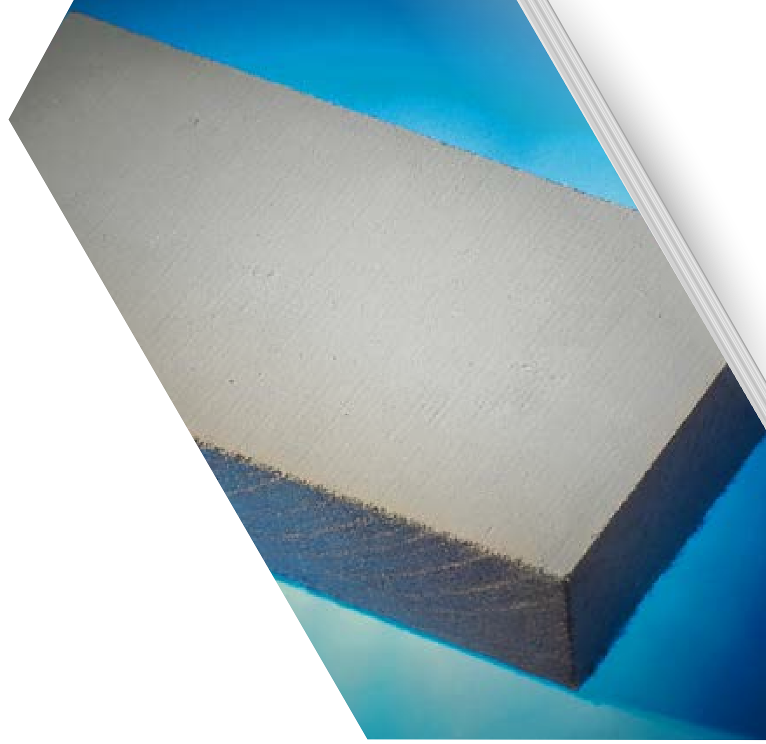
Co-developing thermal insulation technology in Germany

The Industry Germany team recorded several important success stories in the domain of thermal insulation and fire protection solutions for a range of applications. These include modular underfloor heating, product line insulation and fire protection technologies for the transportation of dangerous materials.

An example of a solution co-developed with one of our customers is the underfloor heating we specified and delivered in 2019: Hydropanel, a fibre cement board for dry construction applications. This exceptionally thin board offers high load capacity and excellent stability.

Taking a high-performance product to new heights

Working with leading airplane manufacturing companies, Industry is developing solutions that enable aircrafts to consume less fuel and reduce their CO_2 emissions. In 2019, the Industry team developed a customised, lighter version of Aeroguard: Aeroguard 96, a flexible, ultra-thin insulation panel designed to offer high performance solutions for the most demanding aeronautics and aerospace applications. Etex is a leader in pushing the product technology boundaries.



Promalight-1000X

A story of growth through collaboration and operational excellence

Highlights of Promalight's success story

- High-quality microporous board for the Thermal Process Industry
- Extremely low thermal conductivity, withstands temperatures up to 1,000° C
- High global demand
- Improved quality by production technology investment
- Driven by a business development collaboration between Etex and Evonik

Our Industry division produces insulation products in many shapes and forms. "The four core technologies we produce (microporous, calcium silicate, intumescents and cementicious sprays) are designed to insulate or protect a wide range of applications, structures and/or buildings against heat or fire", explains **Tom Martens, Product Manager Microporous**.

Microporous is the best-performing high temperature insulation material that exists – and Promalight microporous boards are at the top of their game. "Promalight is used in markets like furnace-building, steel & aluminium as well as the glass & ceramics industry, to name a few. Promalight boards have an extremely low thermal conductivity and therefore have a high thermal resistance. Combined with a low density, we can offer thin and light (back-up) insulation linings, resisting temperatures up to 1,000°C", **Tom** continues. "But since it has become a kind of commodity product, it was necessary for us to find creative ways to make Promalight stand out."

Inspired by a commitment to operational excellence, Microtherm invested in a highly efficient automated production line which was commissioned in April 2019. This new press clearly unlocks operational advantages – producing a higher quality board with improved strength at a lower density and at a faster pace, ultimately resulting in a lower cost of production. Moreover, in collaboration with raw material supplier Evonik, this investment will enable us to capture market share in the existing markets, but also develop business in new segments all around the world.

Tom: "There is global demand for the product and huge market potential. By investing in both technology and business development together with future-focussed partners, we are opening up a new world for Promalight."

→ Tom Martens, Product Manager Microporous

We are starting to grow our market share in existing markets and we are expanding into new project areas – all thanks to our willingness to continuously improve and listen to and collaborate with our customers and partners.

Lapinus Application Development Centre

A win-win through mutual commitment, customer centricity and product excellence

When two specialists with complementary products join forces, the sky is the limit. Developing brake pads for automotive manufacturers, Lapinus also tests, sells and markets PROMAXON-D – a brake pad solution developed by Etex. This partnership demonstrates how two companies can accomplish so much more when they work together.

Mike Palmen
Automotive Area
Sales Manager,
Lapinus

Watch
the video

What
A collaborative R&D facility specialising in PROMAXON-D applications

Where
Roermond, the Netherlands

Why
To enable a safe and comfortable braking experience of passenger cars

Who
Millions of people worldwide to travel safely

A company created to meet exceptional standards

A 45-employee subsidiary of the 12,000-strong ROCKWOOL GROUP, Lapinus develops raw materials for automotive brake pads and supplies them to manufacturers across the globe.

“Lapinus was founded in the early 1990s to respond to the very specific and extremely high standards of the automotive industry”, explains **Mike Palmen, Automotive Area Sales Manager**. “My background is in automotive engineering, and I handle the sales of our product to customers in the United States, Canada and Mexico by maintaining a strong network of distributors and agents.”

Among its customers, Lapinus has a reputation for innovation. “Whenever ROCKWOOL comes up with a new product idea, we are often responsible for bringing it to the market”, Mike continues. “It is through this role that we established a partnership with Etex in 2012, as Etex also prioritises the development and manufacture of innovative, smart and safe technologies.”

An unlikely combination? Think again!

At that time, Etex was already supplying brake pad manufacturers with PROMAXON-D, which is applied to ensure performance under high temperatures.

Lapinus has supplied raw materials to the brake pad industry for more than 30 years.

As a result, the company boasts a large network and deep expertise in braking technologies. “Etex decided to collaborate with us because we have those strong customer connections as well as the knowledge of how to apply PROMAXON-D in automotive.”

At Lapinus’ Application Development Centre, engineers develop and manufacture new products on a small scale. “But we don’t do this to supply the market”, Mike asserts. “The testing we perform in the centre is to demonstrate to customers, academically and scientifically, how they can use products from Etex, Lapinus and other companies in a brake pad to meet their performance goals. This capability is deeply important to high-end automotive customers supplying the OEM industry.”

The Etex facility developing PROMAXON-D specialises in product excellence – not multi-vendor R&D.
Mike: “This is where we come in. Etex engineers and manufactures an extremely consistent, customer-centric product, while Lapinus excels in the application and combination of materials. It’s a success story for both of us: together, we’ve doubled sales of PROMAXON-D.”

As an Etex partner, part of our job is being close to the market and to understand what drives customers. Together with Etex we align product development and quality management processes with the dynamic needs of the automotive industry.

Mike Palmen, Automotive Area Sales Manager, Lapinus

Etex engineers and manufactures an extremely consistent, customer-centric product, while Lapinus excels in the application and combination of materials. It's a success story for both of us.

Mike Palmen, Automotive Area Sales Manager, Lapinus

Two complementary roles

Etex and Lapinus aren't simply two separate elements of a supply chain. "As an Etex partner, part of our job is to be close to the market, visiting customers to understand what drives them in the short, medium and long term. We bring this information back to Etex, assisting them in aligning product development and quality management processes with the dynamic needs of the automotive industry", Mike goes on to say.

"At Lapinus, we really appreciate Etex's willingness and flexibility in understanding our input and making high-impact changes to product and processes. In addition, we sell our own mineral fibre product as well as PROMAXON-D, and we have observed that these two materials perform even better when used together."

Enabling millions to brake safely around the world

Via Lapinus, Etex supplies PROMAXON-D to companies that together produce hundreds of millions of brake pads. "When drivers brake, the pads connect with the wheel rotor to create friction – decelerating the vehicle and generating heat. In fact, temperatures can exceed 500 degrees Celsius. For this reason, brake pads must be able to both withstand high temperatures and perform well under them."

This is one of the key features of PROMAXON-D. Mike: "Millions of people every day rely on their brake pads, and millions of brake pads rely on PROMAXON-D. This product literally enables people around the world to brake safely."

Another key technical aspect of this product is its noise-reducing properties. "The number one reason why new car buyers return to the garage for service is brake noise", says Mike. "PROMAXON-D contributes to driver comfort and prevents expensive and unnecessary maintenance."

The importance of consistency in high-risk applications

As one can imagine, automotive companies demand safe, high-performing products in high-risk applications such as braking elements.

Mike: "Etex offers this safety and quality, but even more, it offers consistency. The consequences of inconsistency in brake pads could be very serious, as it is a safety item. After working with PROMAXON-D for over eight years, I can state that the quality and consistency of this product is excellent. Customers are very happy and confident in the production process."

To illustrate the laser-sharp focus on quality that some manufacturers have, Mike recounts a memorable experience with a high-end Japanese client.

"Japanese industrial players are extremely precise, and their reliability standards are some of the highest in the world. This particular customer had ordered samples of PROMAXON-D on a quarterly basis for over four years, continuously testing the consistency of the product. Then, they visited the production facility in Tisselt, Belgium and audited its operational processes, quality management systems and even natural disaster plans!"

"In the end, they were impressed and chose to use PROMAXON-D in their brake design. It's important to note that the same materials must be used for the entire five- to seven-year lifecycle of the car to guarantee reliability, with no substitutions allowed. Their choice is a huge commitment, and in my opinion, one of the biggest compliments Etex could get."

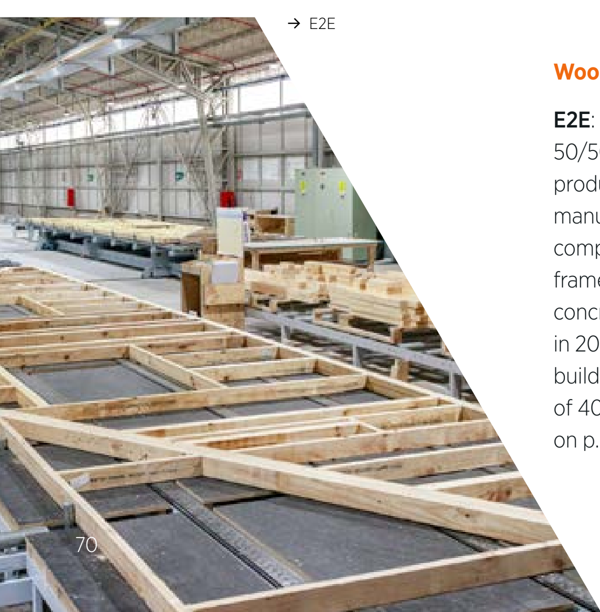
Introducing New Ways

Launched at the beginning of 2020, New Ways is the fifth division of Etex. It embodies our ambition to be a key player in the transformation of the construction industry. We believe that the emerging market for offsite lightweight and modular building solutions can fulfil many global needs. Specialised in these technologies, New Ways will bring high-quality, beautiful and affordable living spaces to people around the world.

Driven by modern challenges

The world is faced with several megatrends that impact almost every business activity: resource scarcity, rapid urbanisation, housing shortage, ageing infrastructure, new technologies, etc. We believe that Etex can address a number of these trends by transforming the way we think about construction.

Built from the ground up to be agile, scalable and technology-driven, New Ways represents a unique shift in the building materials and construction industry.



→ E2E

Founded on partnerships

The division specialises in two core modular building technologies, wood and steel framing. By combining these technologies with Etex's expertise in high-performance fibre cement and plasterboards, New Ways offers its customers strong, fire-resistant, lightweight wall panels and other building elements containing built-in utilities infrastructure and insulation. These modular elements are then delivered to the building site and connected together. The result: smoother logistics flow, less waste, streamlined operational processes, rapid construction, lower costs... and optimal comfort for the end users.

Wood framing

E2E: this joint venture based in Chile is 50/50-owned by Etex and sustainable timber product specialist Arauco. E2E develops and manufactures end-to-end building solutions composed of panels, wood-based interior frameworks and external fibre cement and concrete boards. Two projects were launched in 2019: 'Horizonte del Pacifico' (5 four-storey buildings) and 'Casablanca' (first floors of 400 units). Read more about the latter on p. 36.

→ Tecverde

Tecverde: this Brazilian wood-based framing technology pioneer is majority owned by E2E since early 2020. The firm is an established regional player in industrialised lightweight building solutions for the residential and corporate markets in Latin America. To this day, Tecverde has already delivered some 5,000 houses to its customers.

Cristian Montes, Head of New Ways

We invited the Head of New Ways, **Cristian Montes**, to tell us more about the mindset, mission and objectives of the division.

What is the vision of New Ways?

New Ways activates our ambition to bring beautiful, affordable and high-quality housing to people by offering building *solutions* rather than standalone products. Our success hinges on our ability to support and empower our customers and to be a bold, technically skilled player in our industry.

Do you feel that this unique beginning – through targeted joint ventures – has positive impacts on the way the division operates?

Definitely. New Ways is like a start-up within Etex. Our mandate is to build this new business with a pioneering mindset, as it is something different, challenging and new. It's great motivation for all of us – and our flexible mindset will positively impact our company, partners and the people we help.

What achievements and milestones do you see in the future of the division?

In 2020 and 2021, we will expand our presence in the Americas and Europe. We plan to partner with or acquire at least one factory for the steel framing technology. As for wood framing, we will continue to develop our partnership with Arauco in each of our countries of operation.

In the midterm, I see plenty of opportunity for growth. While we are currently focusing on large-scale housing in Latin America, the same demand for modular exists in markets around the world. As an established global company, Etex offers robust links to these markets. We have already gathered a significant knowledge of regulations and construction systems. The next step is to strengthen the connections between our many locations and companies to create a pool of modular and lightweight construction expertise that is unique in the world.

Steel framing

EOS: based in Newton Aycliffe, UK and acquired by Etex in 2016, EOS specialises in the design, engineering and manufacture of lightweight, fully integrated steel framing systems such as ThruBuild® used in modular building elements. This year, EOS is planning to expand its activities in Latin America and Europe through joint ventures.

EOS

Benefits of modular construction

50% faster construction

90% less water consumed

85% less energy consumed

80% lower CO_2 emissions

85% less construction waste

We aim to create a safe and nurturing environment to unlock **people's** full potential.

3 Social and environmental report

How we relate to our people, our communities and the world

Carefully managing our asbestos past

Asbestos is part of our past and we continue to manage our history with the material carefully. Our group-wide policy enforces this commitment.

Asbestos through the years

In the past, some of our companies used asbestos as a raw material in production.

Preventive measures

Starting in the 1970s, Etex companies took measures to reduce asbestos concentration levels in the air in their factories. These include:

- Masks and other protective gear
- Dust extraction equipment
- A shift from dry to wet production
- Automating production processes
- Exploring alternative materials
- Banning blue, brown and later white asbestos.

These measures were aligned with the legislation and based on scientific knowledge available at the time, and were considered effective ways to prevent health risks. However, scientific and medical knowledge further evolved, indicating later that this was not sufficient and that some risks persisted. Asbestos-related diseases such as mesothelioma can take an average of 45 years from the start of exposure to the development of the disease. It is the most cause-specific asbestos-related disease. This significant average latency period has slowed down or influenced the progression of scientific understanding of these diseases.

Stringent regulations

Throughout the 1980s and 1990s, the use of asbestos was more strictly regulated and in 2005, the European Union completely prohibited its use. Etex entirely banned asbestos from the production processes of all its companies in 2002, thus prior to the European Union ban.

The global picture

The name Eternit is used to patent the technology which was sold worldwide to multiple companies, several of which adopted and retained the name for their company as well as it being the name of the product. As a consequence, some companies today bear and/or sell products under the name Eternit while not being part of Etex.

It should also be noted that although the EU prohibits the use of asbestos, in many countries around the world, asbestos can still be legally used and sold.

Health provisions

Since asbestos-related diseases have a long latency period, Etex companies may still receive claims related to former asbestos exposure. As part of our commitment to compensate victims, our companies provide settlement costs for past and future claims.

Several variables affect how compensation is calculated, and these may change over time. We therefore regularly review our approach to take into consideration any new information that may become available.

Group-wide policy

We cannot undo the past and we deeply regret that people become seriously ill due to asbestos exposure. To put adequate support systems in place, we established a mandatory policy that enables our companies to manage their past vigilantly. The policy is based on a three way approach: compensate victims, prevent exposure and support research. It is our sincerest hope that treatment for asbestos-related illnesses will benefit from medical and scientific research in the future.

EUR 10 million
In donations to the Foundation Against Cancer between 2012 and 2024

1 policy, 3 principles

1. Compensate victims
Etex companies have to ensure that those who become seriously ill due to the use of asbestos in their factories receive a fair financial compensation.

2. Prevent exposure
Etex companies constantly monitor the presence of airborne fibres and safely manage all buildings and landfills.

3. Support research
Etex supports medical and scientific research into asbestos-related diseases.

About asbestos

Key facts

Since its discovery, this naturally occurring, industrially relevant mineral has been used, and is still used, around the globe by various sectors.

It became the norm to use asbestos in many industrial processes and products. However all the health implications of inhaling asbestos fibres were not yet known. Unfortunately, it has taken the world decades to fully understand the risks associated with asbestos exposure.

A set of naturally occurring minerals which are bundles of fibres that can separate into threads.

Numerous industrially relevant properties

- Heat and fire resistant
- Mechanical strength
- Resistant to chemicals
- Non-conductive
- Affordable
- Rot-proof

Asbestos use in various industrial applications

- Railroad vehicles
- Power plants
- Automotive industry
- Home appliances
- Insulation
- Construction & building
- Textile
- Shipbuilding
- Plastics
- Food industry

Former application of cement produced by some Etex companies

Safety and well-being

Our mission to drive excellence in environment, health and safety (EHS) touches every single thing we do at Etex, in line with our value 'Connect and Care'. All of our 2019 EHS initiatives aim at helping our people – and our customers and partners – carry out their responsibilities at the very highest level of safety performance. This means giving them the tools, knowledge and motivation they need to demonstrate safe behaviours at work and beyond.

Leading indicators in 2019

Training Hours

19.73

per employee

Safety Conversations

5.8

per employee

During site visits or upon any occasion that staff observe an unsafe situation or behaviour, company leaders and EHS colleagues engage in a safety conversation with the people involved.

Corrective Actions

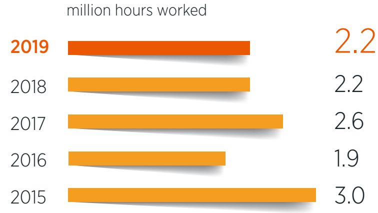
86%

Number of actions following accidents, incidents, serious event reports and near misses that have been implemented; expressed in % and over a period of one year. The percentage is the number of corrective actions implemented in 2019 divided by the total number of corrective actions following accidents, SERs and near misses.

Number of accidents

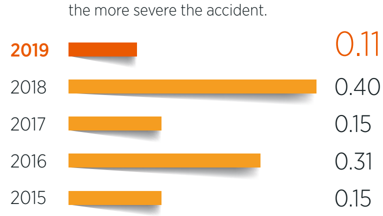
Frequency rate

Number of accidents per one million hours worked



Gravity rate

Level of absenteeism after an accident. The higher the rate, the more severe the accident.



Uniting as one global Etex EHS task force

As always, our zero-accident ambition continues to be the top priority at every Etex facility around the world. Three EHS pillars guide our path:

- **Minimising** our impact on the environment
- **Protecting** our people from danger, risks and injuries
- **Safeguarding** the health and well-being of all our external stakeholders

Becoming a zero-accident organisation through these three pillars means aligning our efforts, empowering our EHS teams and enabling a single, centralised view of all concrete goals, risks, compliance efforts and remediation plans.

Local achievements paving the way to a zero-harm organisation

In 2019, many Etex entities around the world celebrated the achievement of important safety milestones, illustrating the fact that strong safety commitments lead to tangible results. Etex teams themselves describe the efforts behind their inspiring achievements in the following stories.

2,000 days without accidents in San Justo, Argentina

In 2018, we rolled out SafeStart, a world class awareness training programme focusing on safe employee conduct. Crediting a strong focus on SafeStart principles, Production Manager **Fernando Cervino** at Etex Argentina explains that awareness and responsibility for the welfare of others were key in this October 2019 achievement. "Continuous SafeStart training, boosted awareness and even better processes were the perfect combination", **Fernando** explains. "This record is a team effort, the result of our tireless drive to improve health and safety conditions in the workplace", adds plant EHS Manager **Carolina Caunedo**.

2,555 days – 7 years – of completely safe days in Malargüe, Argentina

Etex colleagues in the Argentinian town of Malargüe also had reason to celebrate in March 2019: seven years without lost-time accidents. "True safety comes from knowing that, every day, we perfect ourselves a little more by caring for ourselves, our colleagues and our families", explains **Nicolás Lineros**, Head of Safety and Hygiene. Plant Manager **Miguel Suppicich** adds: "It is a constant challenge to lead changes that add value and consolidate a safety culture in all our activities."

6 zero-accident years in Portillo, Spain

The Etex team in Portillo (Valladolid) celebrated six years without a single lost-time accident in June 2019. Following up on the achievement, the facility held a Safety Day event, inviting the entire workforce to participate in several workshops and training sessions on first aid, SafeStart, safety at the wheel, 3D vision, mindfulness and firefighting.

Etex Australia marks 5 years without a lost-time accident

In Adelaide, Etex colleagues came together during a special event in May 2019 to celebrate the achievement of five zero-accident years. Thanks to the ambitious efforts of the facility management team and workfloor colleagues, the excellent design, implementation, management and execution of the plant's safety systems continue to deliver results.

SafeStart enables 1 year of accident-free operations in Cartagena, Colombia

Through the commitment of all employees to SafeStart principles, the Etex facility in Cartagena, Colombia celebrated a motivating one year without accidents in November 2019. "We are very proud of this milestone", asserts **Eylin Mendoza Quevedo**, Interim Technical Manager at the plant. "However, we must continue to promote our safety culture not only in our plants and offices, but also in our homes."

Etex Brazil sets a record with 14 accident-free years

An integrated team, a culture of trust and committed compliance with Etex's EHS standards enabled Etex's facility in Araripina (Brazil) to reach a whopping 14 accident-free years of operation in December 2019. To highlight this occasion, the local team gathered to review key topics including firefighting techniques, hearing and respiratory protection, traffic education, first aid and personal protective equipment.

Mission: possible – Etex sites exceeding 10 years of accident-free operations

In addition to these safety achievement stories, a number of Etex sites also celebrated a decade or more of safe operations.

Number of accident-free years	Location
16	Torre de Passeri - Italy
14	Araripina - Brazil
13	Konin - Poland
12	Olkusz - Poland
11	Colombe - France
11	Chojnice - Poland
10	Mañeru - Spain
10	General Roca - Argentina

Revisiting Etex's safety initiatives in 2019

In addition to our continuing commitment to SafeStart in every Etex facility, we broadened our safety scope in 2019 to include players across our value chain, as well as our own families. We strongly believe that safety is everyone's responsibility, and with this in mind, we shared our knowledge with those around us.

Etex's first Global EHS congress takes place in Amsterdam

In 2018, the corporate Etex EHS team performed a stakeholder analysis to identify which topics to prioritise in 2019. "Our stakeholders were very interested in holding an international EHS congress", explains **Eva Angeli**, EHS Manager-Environment. "Responding to their needs, we gathered 65 Etex EHS professionals from around the world on 24 and 25 October in Amsterdam, the Netherlands. Our goal? To establish a robust, multinational, singular EHS community at Etex."

During the congress, the EHS team focussed on motivating and inspiring Etex EHS professionals, explaining the new EHS roadmap, giving them context and training on the topics of physical and mental resilience, and offering opportunities to connect and network. External speakers were also invited, and a teambuilding exercise took place on the second day.

"In addition to sharing best practices, we wanted all of our EHS colleagues to feel close to one another", adds **Yves Van den Kerkhof**, Corporate EHS Manager. "After one-and-a-half day of interaction, everybody went home with a clear understanding of each other's passions and strengths, in addition to Etex's EHS ambitions."

Customers and partners star on World Safety Day

Since 2017, we invite Etex sites around the world to organise interactive and insightful safety-themed events, training courses and gatherings in the context of the **World Safety Day**. For the first time in 2019, we took our safety insights beyond factory walls, inviting family members, partners, installers and dealers to participate.

"This idea was actually suggested by some of our leaders", explains Eva Angeli. "These bright minds suggested linking Etex's sense of purpose with safety, and then bring it to our stakeholders on a local level."

→ Didier Staquet,
Chief Performance Officer

In 2019 we intensified our efforts towards our goal of zero accident. Corporate, divisional and local teams united to further improve the safety and wellbeing of all Etex employees.

Children get a taste of SafeStart at Etex Italy

Plant colleagues from all departments as well as contractors and family members participated in aerial tests of agility and plenty of **SafeStart**-themed activities at a local adventure park. It was a creative way to link behaviours with SafeStart and get everybody involved to bring safe behaviours back home. The entire day was plastic free as well!

Etex Colombia 'connects and cares' for key customer groups

Factory floor colleagues had the chance to bring Etex safety best practices to major customers during the Etex Colombia World Safety Day event. The goal was not only to reinforce our safety efforts at the plant, but to boost safety behaviours **across our entire value chain**. It also gave the team a chance to interact with, listen to and learn from customers.

Introducing safety visits with big impacts

Although they offer some insights, traditional audits are highly structured and formal, often placing heavy burdens on factories without delivering significant value.

"We noticed that our classic approach to the audit process was no longer delivering the level of impact we wanted to achieve", Yves Van den Kerkhof says. "To identify a new, more effective way of working, we asked colleagues at 15 plants what kind of EHS safety support they valued most. When we visited their premises, instead of pointing out issues and filling out long forms, we actually helped them solve their challenges in concrete ways."

For example, the EHS audit team assisted local plants in developing a site traffic safety plan, training courses and programmes that the local teams could roll out immediately.

"In 2020, we are taking an even more targeted approach. We plan to focus on five of our plants facing the biggest risks and those that can benefit the most from our help", Yves asserts. "Our ambition is to provide these plants with safety tools, knowledge and programmes that are customised to their specific needs."

EHS roadmap 2020: ensuring measurable progress

We will continue to make strong strides forward in our safety enablers, including EHS leadership skill development, digital tools, training and SafeStart. However, we are eager to do even more in order to ultimately achieve our harm-free goal and reduce the number of lost-time accidents, which has reached a plateau in recent years.

Yves Van den Kerkhof: "In 2020, we will be following up on the action plans put in place in 2019 to ensure that our efforts are truly keeping our people safe, empowering our teams, building our EHS community, changing behaviours and growing our safety leadership. The key concept here is continuous improvement."

Targeted action points for EHS excellence

Our 2020 EHS efforts and initiatives at group level will revolve around three well-defined activities:

- We will further reduce the risks in our factories and concentrate on machine safety and the animation of critical standards.
- We will strenghten our support and assistance to our plants.
- We will join with our Human Resources colleagues to work on EHS leadership and keep SafeStart alive and thriving.

Teaming up for sustainability

Present in many diverse locations around the world and performing a wide range of activities, Etex holds great responsibility when it comes to ensuring health and well-being – not only of people and communities, but also of our natural resources. As in previous years, 2019 featured many different projects that further reduced the impacts of our activities on the environment. We also actively worked to make positive contributions to the planet.

Preventing emissions and pollution

Cutting the CO_2 emissions and environmental impacts of our activities means healthier, cleaner ecosystems. There are a variety of different ways to achieve lower levels of pollution, and local Etex plants find creative ways each year to improve the quality of air and water.

Investing in air-friendly technologies

Etex Italy took big strides towards lower CO_2 emissions by replacing old boilers with new burners. The results speak for themselves: the site achieved a 50% reduction in NOx emissions, for a final figure well below the limit stipulated by Italian legislation.

In Poissy, **Etex France** colleagues shifted their company car policy in 2019, taking CO_2 emissions into account during the car selection process. Hybrid cars were included in the catalogue extended to commercial professionals.

Shrinking footprints through ambitious goals

In Manizales, the **Etex Colombia** team implemented a very important initiative aiming to reduce the facility's carbon footprint, with the target of becoming carbon neutral. To do so, the team calculated their 2019 carbon footprint. With the help of external contractors, they are establishing a carbon footprint baseline and developing a reduction plan, which adheres to ISO 14064.

Keeping chlorides out of sensitive biomes

Chloride – salt – is a common by-product of many different processes that can be toxic to plants and animals on land and in the water, if present in unusual amounts. With this in mind, colleagues at **Etex Italy** modified the osmotic method used to treat water for production boilers, resulting in a remarkable 100% reduction of chlorides in wastewater.

Prevention is better than cure

In 2019, **Etex Colombia** established two new indicators related to environmental near misses and follow-ups on actions taken. This allows them to track environmental events and their own remediation efforts, with the goal of mitigating or even preventing impacts.

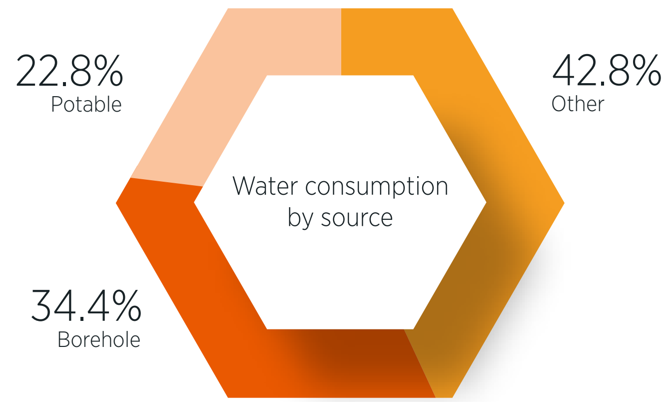
Enter the Green Team: Etex's sustainability champions

As part of the central EHS roadmap and with the contribution of Joerg Ertle, Head of Corporate CSR, we have created the Green Team. This team of 30 internal experts and motivated Etex employees will focus on the sustainability reporting, starting with four material aspects for Etex: **water & effluent, waste, energy & emissions, and materials**.

The Green Team has three main goals for 2020:

- Review: to **review the reporting framework** for environment based on the GRI (Global Reporting Initiative) guidelines
- Analyse: to collect and **analyse the data that will lay the groundwork** for targets and projects that will reduce our environmental impact
- Create: to **create the first sustainability report** based on the GRI framework

Responsible use of resources



Ensuring the best use of energy, water and other resources is not only the goal of Etex operations; we also seek to enable these benefits for our customers. Here are a few examples of projects which our local teams implemented to improve efficiency in and awareness of resource consumption.

Boreholes: anything but boring

Water use was on the environmental agenda at **Etex UK**, where borehole water supplies were reinstated in Bristol in 2019 to reduce the consumption of potable water. Their target was 10% by the end of 2019, but they had already cut use by 11% in the third quarter of 2019 – a savings of about GBP 350,000 per year.

Bright ideas to save electricity

As part of its 4-initiative 2019 environmental roadmap, **Etex Italy** reduced the consumption of electricity at the Filago facility by replacing old lamps with new LED lighting fixtures in production areas. Similarly, **Etex US** sought simple ways to reduce electricity consumption. By turning off equipment and lighting when not in use and reducing lighting to meet minimal US Occupational Safety and Health Administration (OSHA) requirements, the US team decreased consumption by 14%, with plans for further cuts.

Etex Colombia goes the extra mile to achieve ISO certification

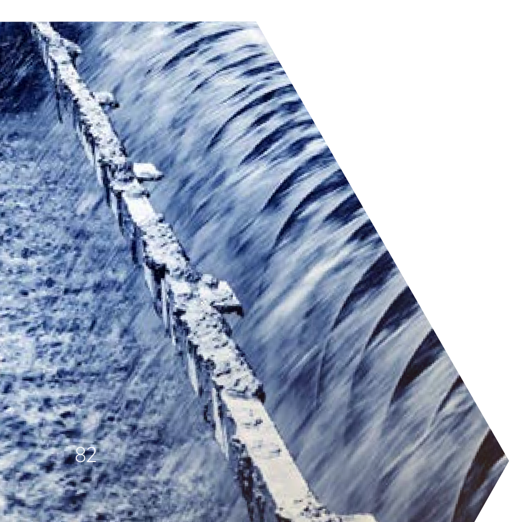
In 2019, **Etex Colombia** colleagues began implementing the ISO 50001 programme for energy efficiency and expect certification in the near future. The plant is currently working on setting energy efficiency targets translating into less energy consumed per unit produced.

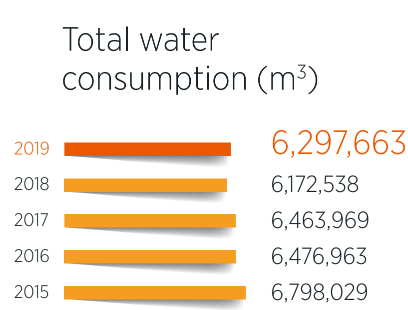
Developing standardised water management plans

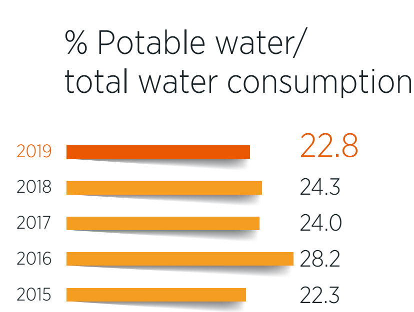
The **Etex Colombia** team also initiated their zero wastewater discharge plan in 2019. In this context, they created a new industrial wastewater treatment plan with the local environmental authority, optimised their treatment approach and developed a new method to technically validate their water treatment system.

Using sensors to optimise water consumption

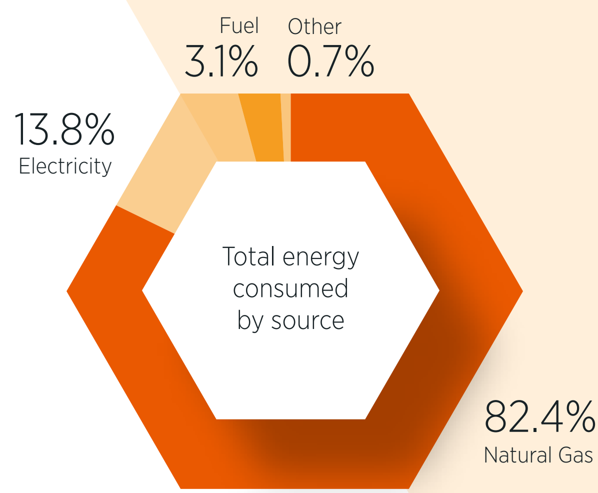
In Maryville, **Etex US** found ways to reduce water consumption without any impacts on activities, with the goal of reducing use by 25%. Landscape irrigation proved to be the largest source of wastewater, leading the team to install a rain sensor, a soil moisture sensor and a timer to prevent unnecessary watering and water loss through evaporation. The result? A 39% reduction in potable water use!







Pioneering waste management and recycling



More and more of our products are designed with reuse and recycling in mind. Every year, we strive to identify new ways to limit production waste and reinsert the materials we do discard into new supply chains.

Supporting the circular economy

As part of its ongoing sustainability strategy, **Etex Colombia** is making significant progress in putting an end to waste landfilling. The team now negotiates wood waste disposal with external contractors who can use it as a raw material for their activities. Even more, they optimised a waste disposal site, dividing it by waste type and adapting it for waste pickup, reuse or internal recycling.

Multi-material recycling efforts for ‘zero landfill’

The **Etex US** team focussed on boosting their recycling efforts in 2019 by finding service providers capable of recycling all of the plant’s waste material, beginning with paper, plastic and cardboard. Initial results have boosted the amount of recycled material by 62% since 2018 – with ‘zero landfill’ as the ultimate ambition.

Partnering up for better waste segregation

Etex UAE joined forces in 2019 with a waste management partner, aiming to establish an efficient waste organisation approach. The team kicked off the partnership with a comprehensive review of the Dubai plant’s environmental waste streams. Thanks to this plan, waste is now separated into four types, and the facility recycles 70% of its total waste – including paper, cardboard, plastic and dry materials.

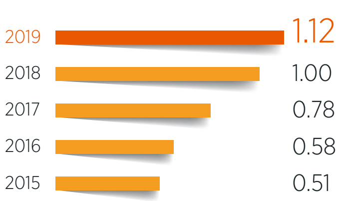
Secondary raw material use pays off

As the second prong of their 2019 environmental strategy, **Etex UK** sought to recycle waste in order to substitute it for primary raw materials in the production process. By using recycled gypsum derived from plant process waste and post-consumer gypsum from construction sites, the team achieved an average dosing of 18% in the use of recycled material – the highest on the UK market. This initiative has already saved the plant approximately EUR 380,000 in raw material!

Small steps lead to big changes

With the plastic crisis in mind, **Etex Italy** launched initiatives to prevent the unnecessary consumption of bottled water in 2019. The Italy team installed drinking fountains throughout the factory, while **Etex France** colleagues now carefully separate different everday waste materials to keep recycling top of mind.

Dumped production waste per metric tonne of raw materials (%)



Total energy consumption per metric tonne of raw material (kWh)

CO_2 emission/ tonne produced (kg/t)

Our people

In the previous Annual Report, we highlighted Etex's new three-pillar agenda – profitable growth, operational performance and engaged people – and how employee engagement is critical to the achievement of our ambitions. Building on this strong start, in 2019 we further sharpened our approach to the development, support and empowerment of our people. Even more, we implemented exciting new ways to celebrate their importance to our shared future.

405
Etex Impact Awards handed out worldwide in 2019

66
Etex Excellence Awards handed out worldwide in 2019

1st
Etex CEO Award will be handed out in Q2 2020

From insights to action: Etex reward and recognition programme

Following up on the results of our first global employee engagement survey in 2018, we have implemented many actions in 2019 to encourage, recognise and motivate our people to grow, achieve and believe in Etex as a company.

Etex Awards: giving back to our people

Our largest initiative on this front are the Etex Awards. This project offers instant recognition of achievements, promotes the leadership of line management and stimulates a reward and recognition culture, all to boost the level of engagement among Etex colleagues.

- **Etex Impact Award:** recognises individuals or teams who embody our values through their actions, consistently contribute to our growth or continually deliver very high performance.

- **Etex Excellence Award:** presented to an Etex colleague or team who made a significant financial impact through business development, product improvement and more.
- **Etex CEO Award:** given annually by the CEO during our Senior Leadership Meeting to recognise a person or team who has achieved a breakthrough on one of our strategic goals.

Developing, supporting and empowering our talent

2019 marked the continuation of our successful leadership development initiatives, as well as the introduction of some new ones.

Investing in an Etex-specific agile leadership framework

In order to make the most of our dynamic environment, gain key competitive advantages, capture new opportunities and shift from a reactive to a creative approach, it is key for us to identify and invest in the right leadership behaviours. On that front, we defined eight leadership principles this year, linking each one with our Etex values: 'Passion for Excellence', 'Pioneer to Lead' and 'Connect and Care'.

Second edition of our Etex Explorer Programme

For the second year in a row, Etex's high-potential young talent had the chance to participate in our Explorer Programme, delivered in collaboration with Vlerick Management School (Belgium).

This programme strikes a balance between leadership theory, social learning and our unique Etex framework. During this intense, week-long programme, participants were encouraged to learn more about themselves, dive deeper into our organisation and help pave the way to sustainable growth. Topics such as finance, strategy, marketing and innovation, and team dynamics were covered.

→ Eric Lox, Purchasing Business Owner (Etex Luxembourg)

What a gold mine of talent we have at Etex, and in so many areas! It was a real treat to meet them and get inspired by our own development strategy.

In taking part in the Explorer Programme, young Etex talent also had the opportunity to connect with senior leadership and network with peers from around the world.

Global introduction of our Personal Development Booster

Created in-house by our Building Performance division last year, the Personal Development Booster initiative was such a big success that it was rolled out Etex-wide in 2019. This four-day programme will take place every year.

During their personal development programme, participants reflect on their own growth ambitions and career development potential. The goal is to empower them to steer their own development journey by providing them with the right tools and opportunities. At the end of the programme, each participant leaves with a personal development action plan, a support network and a mentor that aids him/her on the path forward.

People cycle and process revamp

Etex as a company is currently in the global process of aligning, simplifying and harmonising all processes across every business activity. Within the context of HR, we continued our efforts to make the HR processes and performance cycles as streamlined as possible.

For the third year, our teams around the world continued to conduct talent reviews and regular follow-ups according to our revised processes. One of our goals is to identify our high potentials and continue to steadfastly support their development.

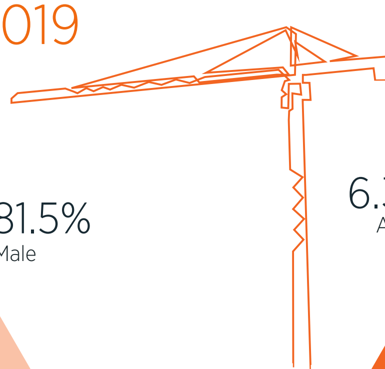
Talent Day: Etex executives plan for the future

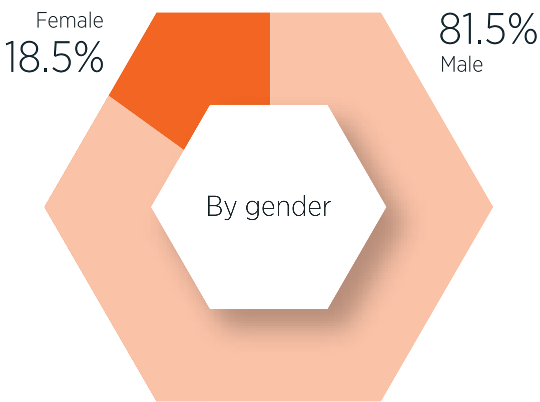
At least once a year and sometimes more frequently, the Talent Day offers an opportunity for the Etex Executive Committee to discuss talent reviews of direct reports. Even more, they also explore ways of developing our leaders and shape the succession pipeline for the company's leadership in alignment with our strategic goals and values.

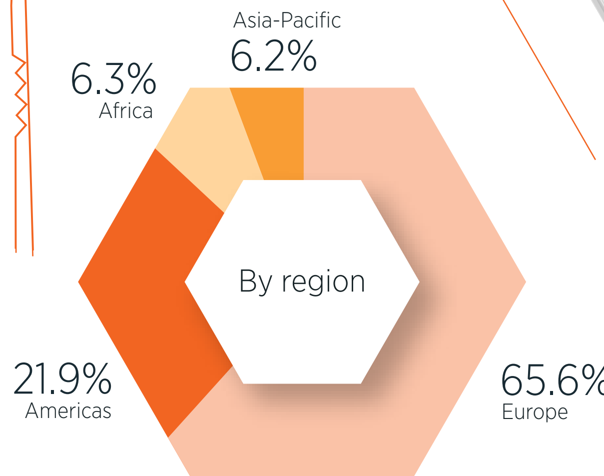
Ensuring ever-better performance reviews

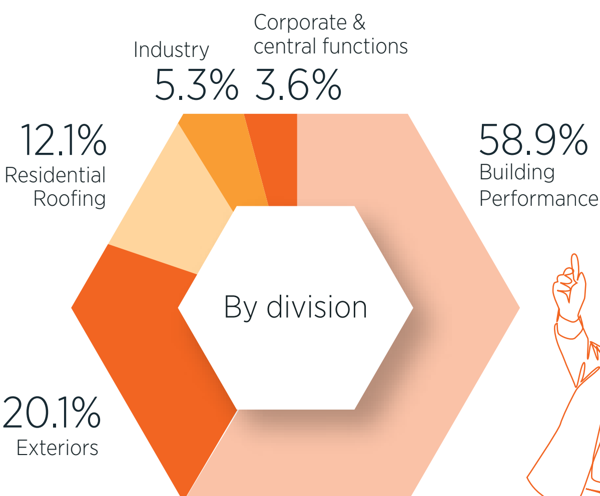
Within the context of our HR process review, we have also taken the performance review cycle at Etex to the next level. During reviews, objectives and day-to-day performance will only form part of the discussion. Managers and leaders will discuss with their people how they have shown the behaviours we need to reach our objectives as defined by our new leadership principles.

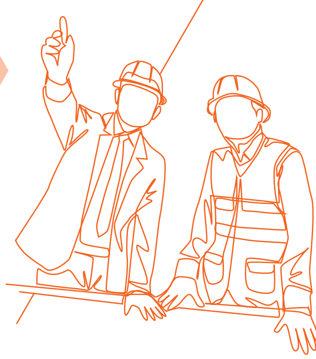
Our employees in 2019

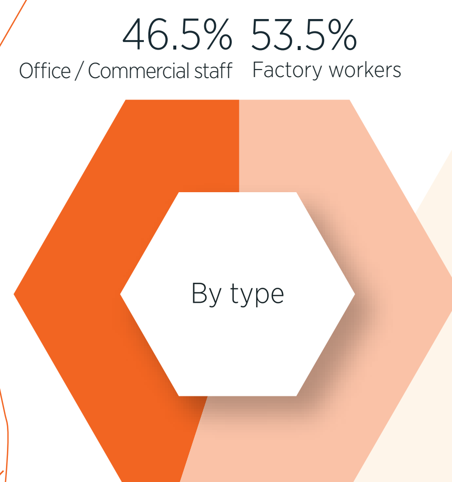








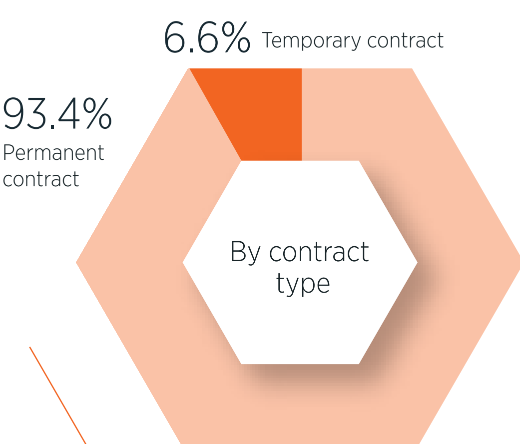


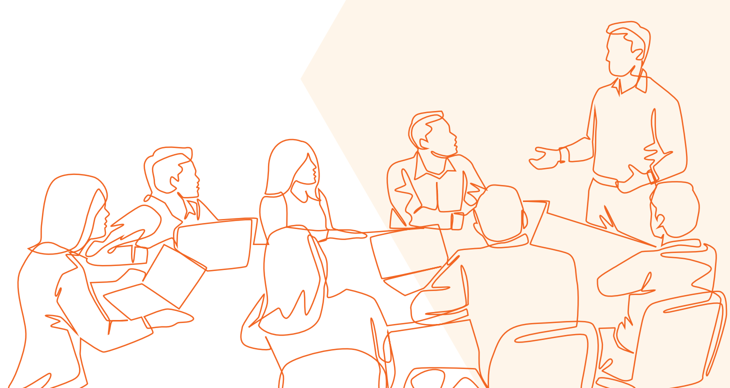


13,260
Employees at the end of 2019

85
Nationalities within Etex's workforce

43.17
Average age of Etex employees





Enabling the growth of our communities

Etex is present in diverse communities worldwide, from large metropolises to small villages. No matter where we are active, we always strive to solve global challenges on a local level where our strengths meet the needs of our communities, that give us purpose and motivate us to achieve our ambition of 'inspiring ways of living'. Following are a few highlights of our community-building initiatives launched in 2019.

Etex and Techo join forces to improve living conditions of Peruvian families

Watch the Techo project video

Taking our promise to offer better construction solutions, Etex partnered with non-profit organisation Techo in 2019. This Latin American housing initiative fights poverty in countries across the region, and collaborated with Etex to build safe, beautiful, affordable and resilient modular homes for families in Peru.

Etex called for internal volunteers in all countries where it is present, asking colleagues to contribute to this important corporate social responsibility initiative. The response was enormous – over 400 colleagues applied to participate, out of which 16 volunteers were selected.

"This is an incredible project. By connecting and caring, Etex gives the world new hope and a new future."

Clara Alverina, HR Legal Staff at Building Performance Indonesia

Together with Techo experts and international Etex volunteers, local volunteers from Etex Peru demonstrated our shared commitment to 'Connect and Care' by improving the living conditions of nine families in the Hijos de Terrazas, Ampliación Terrazas and Los Humedales communities in the Ventanilla district located north of Lima.

On 9 and 10 March 2019, the team worked together to develop a proposal for a modular residential solution of 16 m^2 in surface area, made up of three separate spaces that can be used as bedrooms or dining rooms. All nine homes were constructed entirely of Etex products, demonstrating the high quality and simple installation of our modular construction systems. These new homes are lightweight, highly weather resistant and provide excellent ventilation. This project is just one example of how our shared purpose mobilises talent and enthusiasm across borders, languages and positions to change the world for the better.

"I'm so grateful to have had this experience to contribute to society through the Etex team. It is a great experience to see our products helping and changing lives – and demonstrating our Etex values in the process."

David Lai, HR Manager
at Building Performance China

"This is a great initiative that combines social commitment with the opportunity to team up with Etex colleagues from every part of the world."

José Antonio Gutierrez,
Process Operator at Exteriors Spain

"There are no words to describe it – because it has been a life-changing experience for me and for the families we have helped. I've met a lot of people and I'm returning home with more than good memories – with new friends. My colleagues have become my family."

Catalin Ciocan, Forklift Operator
at Building Performance Romania

Etex constructs seven new primary schools in South Africa

Etex South Africa joined forces with Ikhayalami, a non-profit organisation with technical construction expertise. Together, they constructed seven primary schools of different sizes (up to 70 m^2 in surface area), benefiting over 150 children. All of these schools feature Siniat plasterboards and KalsiClad fibre cement boards.

For the design of the schools, Etex developed a modular structure with excellent technical performance and a high fire protection rating to fulfil the standards required by local legislation.

Four locations in the Western Cape benefit from these new educational spaces:

Kosovo: one school for 30 children.

Philipi: one school for 16 orphans.

Nyanga: one school for 15 disabled and mentally ill children.

Delft: four schools for 110 children.

Construction at two sites was completed by the end of 2019, with the remaining schools to be built this year.

Etex Argentina brings better quality of life to over 200 children and their families

Since August 2019, Etex Argentina in association with Selavip and in collaboration with the Madre Tierra Civil Association and the Healthy Children Project, contributes to improve the living conditions of over 200 inhabitants of Moreno and José C. Paz, villages located in the province of Buenos Aires, by providing 50 biodigesters.

Prior to this project, children and their families had no access to an adequate drainage system and were exposed to health risks. Along with experts, the beneficiaries installed the devices after a training provided by Etex Argentina. The Eternit biodigesters are maintenance-free, mechanised disposal systems that decompose human waste using unique bacteria. The waste is converted into water and biogas that can be used as fuel.

Even more, these systems do not require the presence of a sewage system, making them ideal for remote and underdeveloped areas where people and environments are most vulnerable.

In working together with local initiatives like these, Etex is able to identify the most impactful ways to support communities.

Employee-driven CSR initiatives shine at Etex Poland

The Etex value of 'Connect and Care' extends beyond our offices and plants around the world. Illustrating this fact, in early 2019 a dedicated CSR work group at Building Performance Poland created a unified CSR strategy.

As part of their roadmap, they invited all employees from three facilities to submit their own ideas on how to boost health and safety, protect the environment, offer educational opportunities and support local communities.

Demonstrating their commitment, engagement and collaborative spirit, the Polish team successfully launched and completed seven projects in 2019.

Safety vests for children in the cities of Gacki and Konin

Six colleagues distributed more than 200 safety vests to kindergarten and elementary school students and gave short training courses on the importance of wearing the vests in low light and when riding bicycles.

Keeping children safe between home and school

Thanks to a learning kit provided by Etex Konin, 20 students at the Pentilczek kindergarten in Konin explored the importance of safe pedestrian crossing behaviours and traffic sign reading.

City youths receive Christmas surprises

In partnership with the Konin Motorcycle Group, Etex Konin delivered festive packages full of gifts and sweets to over 200 children across the city.

25 elementary school students get life-saving training

Two Etex colleagues from the Konin facility used dummies to teach 25 children how to keep an unresponsive person alive through cardiopulmonary resuscitation (CPR).

New equipment means better meals for children

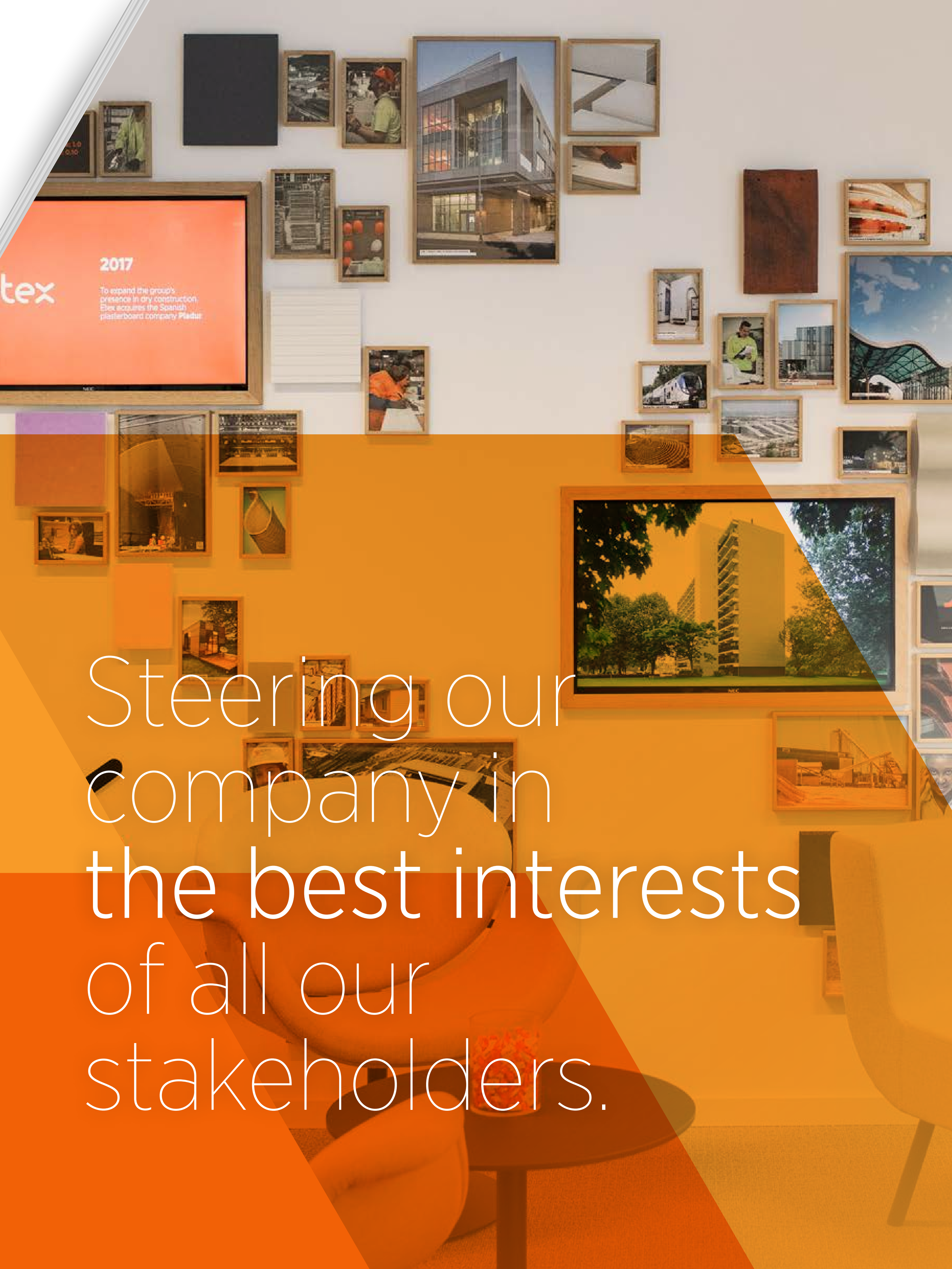
Aligned with the theme of supporting local communities, the Etex facility in Gacki donated brand-new equipment to a local school, enabling it to provide meals to more than 180 students.

Expanding a local dog shelter

Etex colleagues helped construct new paddocks for a dog shelter in Konin, improving the animals' quality of life and offering them more room for exercise and socialisation.

Continuing a tradition with a local technical school

As part of a yearly partnership with Eugeniusz Kwiatkowski Building School Complex in Konin, Etex colleagues trained students in the use of Etex products in diverse construction applications. Samples of plasterboards, metal profiles, compounds and drywall accessories were also provided.



Steering our company in **the best interests** of all our stakeholders.

4 Governance report

Leadership aimed at value creation

Corporate governance

Etex is committed to the principles of corporate governance and employs a sound approach to managing and steering our company in line with the best interests of our internal and external stakeholders. The latest version of Etex's corporate governance charter is available at *https://www.etexgroup.com/board*. Our management structure and processes are designed to optimise our performance while reducing the possible risks and impact of our activities. Etex is managed by the Chief Executive Officer (CEO), the Executive Committee and the Board of Directors.

Executive Committee

Our day-to-day management is entrusted to the CEO and the Executive Committee. The members of the Executive Committee are the CEO, the Heads of the Building Performance, Exteriors and Residential Roofing divisions, the Chief Strategy Officer (CSO), the Chief Financial Officer (CFO), the Chief Performance Officer (CPO) and the Chief Human Resources Officer (CHRO). Virginie Lietaer, Chief Legal Officer (CLO), is the Secretary of the Executive Committee (since 3 February 2020).

More information on the Executive Committee can be found on p. 96-97.

For an overview of business risks assessed by the Executive Committee of Etex, we refer to p. 110 ("Risk profile" section) and to Note 16 of the Financial Report (p. 134 to 140).

Board of Directors

Etex's Board of Directors sets the overall group strategy, decides on major investments and monitors all corporate activities. Its composition is carefully balanced and includes representatives of Etex's shareholders and management as well as independent Directors. The Board of Directors met eight times through the course of 2019. The Board of Directors has the following four dedicated Committees to assist and advise on specific matters:

1. Strategy Committee

The Strategy Committee evaluates the Executive Committee's strategic proposals and makes recommendations to the Board of Directors. It also reviews the Executive Committee's proposals for acquisitions, divestments and geographic diversification. The Strategy Committee met four times in 2019.

2. Risk and Audit Committee

The Risk and Audit Committee reviews Etex's financial reporting processes and the statutory audit of the group's annual accounts. Above all, it ensures the consistency and reliability of accounts and all other financial information submitted to the Board. Moreover, the Committee monitors Etex's risk and internal control management systems. All its members have accounting and audit experience. In 2019, it met three times.

3. Remuneration and Nomination Committee

The Remuneration and Nomination Committee selects potential Board members. It also determines the remuneration and benefits structure for Executive Committee members. Its job is to ensure incentives reflect market practices and are optimally designed to support Etex's strategic goals. In 2019, the Committee met six times.

4. Sustainability & Corporate Social Responsibility Committee

The Sustainability & Corporate Social Responsibility Committee ensures that Etex effectively addresses the economic and societal challenges associated with its mission to offer construction solutions that contribute to a better world. It considers the impact of the group's businesses, operations and programmes from a social responsibility perspective, taking into consideration the legal framework and the interests of all stakeholders. In 2019, the Sustainability & Corporate Social Responsibility Committee met three times.

Changes to the Board of Directors

Pierre Vareille left the Board of Directors on 29 October 2019. The mandates of Gustavo Oviedo and Philippe Vlerick will expire at the next general shareholders' meeting on 27 May 2020.

Board of Directors

Jean-Louis de Cartier de Marchienne, Chairman

- Strategy Committee (Chairman)
- Remuneration and Nomination Committee (Chairman)
- Sustainability & Corporate Social Responsibility Committee

Paul Van Oyen, CEO

- Strategy Committee
- Sustainability & Corporate Social Responsibility Committee

Bernadette Spinoy, Director

- Sustainability & Corporate Social Responsibility Committee (Chairman)

Christian Simonard, Director

- Sustainability & Corporate Social Responsibility Committee
- Remuneration and Nomination Committee

Philippe Vlerick, Director

- Strategy Committee

Caroline Thijssen, Director

- Remuneration and Nomination Committee

Gustavo Oviedo, Director

- Strategy Committee

Teodoro Scalmani, Director

- Risk and Audit Committee

Johan Van Biesbroeck, Director

- Risk and Audit Committee (Chairman)

Guillaume Voortman, Director

- Risk and Audit Committee

Pascal Emsens, Director

- Strategy Committee

Olivier van der Rest

Member of the Strategy Committee

Virginie Lietaer, Secretary

- Board of Directors
- Strategy Committee
- Risk and Audit Committee

Joerg Ertle, Secretary

- Sustainability & Corporate Social Responsibility Committee

Louise Cail, Secretary

- Remuneration and Nomination Committee

Mel de Vogue
Chief Financial Officer

CFO of Etex since May 2015, Mel de Vogue has held key leadership positions at Tessenderlo Chimie, Arjowiggins and Suez Environnement in multiple countries.

Michael Fenlon
Head of Exteriors

Head of the Façade division since March 2016 (and of the Exteriors division as from January 2019). Michael Fenlon joined Etex in 1998 as Factory Manager, then became the Managing Director of Etex's cladding business and expanding it into Asia, Latin America and the US.

Louise Cail
Chief Human Resources Officer

Louise Cail joined Etex in 2018 as Head of Human Resources and Communication for Building Performance. She became Chief Human Resources Officer of Etex on 1st March 2020. She previously held leadership HR positions in global industrial firms such as Owens Corning and H.B. Fuller.

Neil Ash
Head of Building Performance

Previously Head of Region North-West Europe for Building Performance, Neil Ash became the Head of the division at the start of this year. He has over 20 years of experience in product management and executive-level business development and strategy within Etex and Etex acquisition Lafarge/Siniat.

Our management

Etex's Executive Committee members handle our day-to-day business. Their comprehensive knowledge, diverse experience and hands-on approach to leadership ensure a strong operational focus on our values and strategic pillars.

Didier Staquet
Chief Performance Officer

Working for Etex since 2012, Didier Staquet was Global Head of Shared Services and then Global Head of Purchasing. On 1st March 2020, he became Etex's Chief Performance Officer. Previously, he held multiple executive and leadership roles in finance, strategy and performance over a 15-year career with Deutsche Post DHL.

Paul Van Oyen
*Chief Executive Officer**

CEO of Etex since January 2015, Paul Van Oyen joined the company in 1990 as Project Manager, moving into business development and directorship roles over the following decades.

**Paul Van Oyen was also Interim Head of the Residential Roofing division until 21 October 2019, when Christoph von Nitzsch succeeded him in this role.*

Carla Sinanian
Chief Strategy Officer

Carla Sinanian joined Etex in September 2017 as Chief Strategy Officer. She has held various strategic, leadership and general management roles at Philips, Medtronic, NXP Semiconductors and AkzoNobel.

Our solid results are built on people-driven performance.

5 Financial report

Results fuelling focused growth

Consolidated financial statements

Consolidated income statement

in thousands of EUR	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

in thousands of EUR	2018	2019
Profit for the year	144,734	180,735
Remeasurements in employee benefit obligations	-10,915	-81,527
Income tax effect	*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
Income tax effect	*-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

in thousands of EUR	Notes	2018	2019
Non-current assets		**2,186,959**	**2,093,578**
Property, plant and equipment	(7)	1,641,827	1,631,437
Property, plant and equipment - owned	(7)	*1,637,947*	*1,513,450*
Property, plant and equipment - leased	(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**
Issued share capital		*2,533*	*2,533*
Share premium		*743*	*743*
Reserves and retained earnings		*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
of which leasing	(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
of which leasing	(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

In thousands of EUR	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 currents 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**
Cash and cash equivalents	*134,164*	*193,031*
Bank overdrafts	*-6,981*	*-521*

Consolidated statement of changes in equity

in thousands of EUR	Attributable to the equity holders of Etex (Note 18)						
	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

Accounting policies

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 data 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 are 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): *nil*
- Lands with mineral reserves: *exploitation lifetime*
- Lands improvements and buildings: *10 - 40 years*
- Plant, machinery and equipment: *5 - 30 years*
- Furniture and vehicles: *3 - 10 years*

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: *Indefinite*
- Software ERP: *10 years*
- Other software: *5 years*
- Development costs: *15 years*
- Customer lists: *3 - 15 years*
- Brands: *15 years*
- Technology and design: *15 years*
- Rights to exploit and extract mineral resources: *usage*

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 CO^2 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

In thousands of EUR	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

In thousands of EUR	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:

In thousands of EUR	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:

In thousands of EUR	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:

In thousands of EUR	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:

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	**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

In thousands of EUR	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

In thousands of EUR	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:

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	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):

In thousands of EUR	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:

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	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:

In thousands of EUR	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:

In thousands of EUR	**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:

In thousands of EUR	**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

In thousands of EUR	**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
	If euro weakens		If euro strengthens	
	Profit	Equity	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
	If euro weakens		If euro strengthens	
	Profit	Equity	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:

In thousands of EUR	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:

In thousands of EUR	**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:

		2018		2019
In thousands of EUR	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:

	Profit for the year				
In thousands of EUR	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:

In thousands of EUR	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:

In thousands of EUR	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.

In thousands of EUR	2018	2019
Assets	479,659	514,244
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	1,421,000	1,195,405
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

In thousands of EUR	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

In thousands of EUR	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:

In thousands of EUR	**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

in thousands of EUR	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

In thousands of EUR	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:

In thousands of EUR	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:

In thousands of EUR	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**
Employee benefits in the statement of financial position:		
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:

In thousands of EUR	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:

In thousands of EUR	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:

In thousands of EUR	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:

In thousands of EUR	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
The employee benefit expense is included in the following line items of the income statement :		
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

In thousands of EUR	2018 Number of share options	2018 Weighted average exercise price	2019 Number of share options	2019 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
Of which exercisable at the end of the year	*754,000*	*27.15*	*800,625*	*31.02*

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

In thousands of EUR	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

In thousands of EUR	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:

In thousands of EUR	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:

In thousands of EUR			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:

In thousands of EUR				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

In thousands of EUR	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:

In thousands of EUR	2018		2019		2018	2019	
	Assets	Liabilities	Assets	Liabilities	Net	Net	Variance
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

In thousands of EUR	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

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

The other current liabilities include:

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	2018	2019
Property, plant and equipment (note 7)	154,478	163,981
Intangibles assets (note 9)	37,840	4,917
Investment properties (note10)	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

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	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

In thousands of EUR	January 01, 2019	Cash flows	Non-cash changes: Foreign exchange movements	New leases	Transfers	First Adop IFRS16	Scope out	December 31, 2019
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

In thousands of EUR	January 01, 2018	Cash flows	Non-cash changes: Foreign exchange movements	New leases	Transfers	Scope in	Scope out	December 31, 2018
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:

In thousands of EUR	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 Materiaux 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
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
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 Uruguaya 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 Shangai 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 Leszcze 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
Réviseur 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

in thousands of EUR	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

in thousands of EUR	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

in thousands of EUR	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.

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p. 46-47 > UK, photo by Kris Goubert

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p. 75 > Shutterstock.

p. 77 > Photo by Tim Coppens.

p. 78 > Above: photo by Tim Coppens. Portrait: photo by Greg Smolders.

p. 79 > Photo by Tim Coppens

p. 80 > Shutterstock.

p. 81 > Above: shutterstock. Below: picture provided by Etex.

p. 82 > Above: picture provided by Etex Colombia. Below: Shutterstock.

p. 84 > Belgium, photo by Greg Smolders

p. 85 > Photo by Tim Coppens

p. 88-89 > Pictures provided by Etex Peru. Right: picture provided by Etex South-Africa.

p. 90 > Pictures provided by Etex Argentina

p. 91 > Pictures provided by Etex.

p. 92 > Photo by Tim Coppens

p. 94-94 > Belgium, photos by Greg Smolders

p. 96-97 > Belgium, photo by Greg Smolders.

p. 98 > Belgium, photo by Tim Coppens.

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