Caring makes it work

Annual Report 2020

Disclaimer

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Comment on the pictures used in this Annual Report
The pictures shown in Etex's Annual Report 2020 are in line with the company's safety regulations, which align - or in most cases, exceed - the application of local COVID-related policies. Any pictures which do not reflect the application of such rules have been shot before March 2020.

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Weathering the storm

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Results fuelling focused growth

→ **Anna Zhuromska**,
Regional HR Manager CEE at Etex Ukraine

Our CEO engaged in a conversation with six teammates to summarise key topics of 2020 for Etex.

We care about **people**

Connect & Care is one of Etex's core values. Our strength lies in our people. Dedicated and motivated teammates working together are the essential driver of a sustainable future.

In 2020, to keep connected with our more than 11,000 employees despite the unprecedented circumstances, we organised an employee engagement survey. More than 80% of all teammates participated, and Etex recorded an increase in employee engagement compared to 2018. Our teammates felt more engaged, a sentiment that was further reinforced by Etex's response to the pandemic.

Watch the video

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Etex in 2020

Weathering the storm

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

Paul Van Oyen, Chief Executive Officer

A milestone year in the face of an unprecedented global challenge

Last year, we continued to make a tangible contribution to the world by inspiring ways of living, providing ever more smart, safe, beautiful and sustainable building solutions. The year was marked by crisis management and resilience, but also caring for our people and accelerating our strategic execution. Due to the impact of the pandemic, our top line (in like-for-like terms) is likely to be challenged this year and the next, but our performance culture, sustainability drive and customer focus are firmly in place.

Caring for our people remains our top priority

In everything that we undertook during this unprecedented year, our number one priority was – and continues to be – **to ensure the safety and well-being of our people**. We feel deeply for our teammates who have been impacted by COVID. We would also like to express our sincere condolences to the families and loved ones of teammates who have tragically passed away as a result of a contamination in their private environment.

Like the vast majority of multinational industrial organisations, our activities were affected by the coronavirus pandemic. **Etex rapidly went into crisis mode**, creating a dedicated crisis management team, implementing ambitious cost control measures and intensifying communications with our people. We immediately **strengthened local decision-making**, enabling our leaders on the field to take the right steps and inspiring the trust of our people. United in solidarity, both the Executive Committee and many teammates accepted voluntary salary cuts for a period of time.

On the manufacturing side, we rapidly closed factories and defined very strict safety rules that place clear priority on our people. This enabled us to reduce impacts as much as possible and **to restart our activities with plenty of confidence**. Teammates were inspired and reassured by Etex's response to the pandemic, which reflects in the feedback we've gathered through our 'Me & Etex' employee engagement survey.

Execution on our six-pillar strategic roadmap

Strengthening our core assets through M&A

In 2020, **we made a number of key investments** that will prove central to our futureproof strategy. Chief among them was the acquisition of the business of **Knauf Plasterboard Pty Limited in Australia**, a large player possessing important assets in the form of market reach, technology and know-how. We also purchased UK-based player **FSi Limited** to expand our passive fire-stopping reach.

Exiting the residential roofing segment

With the divestments of Marley South Africa, Creaton and our 50% stake in RBB NV, Etex **completely exited the residential roofing market** in 2020. As residential roofing is a heavy construction activity, this move is entirely in line with our strategic ambition to focus on lightweight construction methods.

Implementation of commercial excellence

Last year, we have also launched a number of initiatives **to become a truly customer-centric organisation**. Throughout all our divisions, we have better defined our market segments, developed new business models, optimised our brand architecture and harmonised our processes, in order to deliver a superior customer experience.

Investing in our offsite construction footprint and digital transformation

Our newest division, **New Ways**, dedicated to high-tech offsite modular construction solutions, experienced a tough first year due to the COVID context, but it focused on evolving from a company incubator into a growth engine as from this year. Building on acquisitions as well as increased production capacity achieved in the past year, 2021 is expected to deliver profitability.

Significant progress was made on our digital pillar across all four divisions in 2020. In addition to rolling out portals to benefit distributors and simplify ordering processes, we introduced marketing automation capabilities, a new business model for our Cedral brand as well as a world-class customer experience across all channels.

Driving sustainability in the way we do business

Corporate Social Responsibility was introduced last year as one of our six core strategic pillars. As a result, Etex became a signatory of the UN's Global Compact for sustainable and responsible business practices, and also committed to the UN's Sustainable Development Goals (SDGs). We have reached key milestones in our threefold environmental ambition: zero landfilled waste, decarbonisation and zero consumption of potable water in our industrial processes. Furthermore, our Environmental, Social and Governance (ESG) risk rating of 18.5 out of 100 indicates that we have a low risk exposure.

Later this year, Etex will release its **first-ever Sustainability Report** in line with the requirements of the Global Reporting Initiative (GRI).

To our shareholders, partners, teammates and customers: we deeply value your commitment to Etex. Thank you for your continuing trust in our organisation.

Our three-pillar agenda

ENGAGED PEOPLE

Engagement reaches new heights

In light of the results of our comprehensive 2018 survey, 'Me & Etex', **employee engagement has been high on our agenda**. In order to connect with our people and ensure their well-being, we distributed a short version of the survey last year. Based on their responses, we were very proud to see that **our teammates feel more engaged than two years ago** – a remarkable achievement, particularly given the global context.

Central to these results were our **investments in the Etex Leadership Principles**, as well as our **strong focus on communication** as the COVID-19 pandemic unfolded. Our people feel that internal communication has significantly improved, and that we faced the situation together as one unified organisation.

Globally united under the Etex corporate brand

Early 2020, we launched **'United to Inspire'**, an exercise involving teammates from around the world. The goal? Increasing customer loyalty, engagement and trust by positioning Etex as a robust corporate umbrella brand. The campaign unfolded throughout the year, with teammates participating in numerous townhall meetings and subsequent initiatives. Through these events, we encouraged them to step forward and play their active roles in this effort to deliver ever-better experiences to our customers – **as one global team**.

Instilling a feedback culture

2019 was the first year of our Etex Awards initiative, which rewards individuals and teams for their contributions to our strategic pillars at different levels. Last year, **we handed out the first Etex CEO Award**, recognising Process Engineer and Coating Supervisor Michael Orlowski for his work on the 'Zero Rejects' project at our fibre cement plant in Neubeckum, Germany. In total, we also distributed 195 Etex Excellence Awards and 1,080 Etex Impact Awards to teammates around the world.

OPERATIONAL PERFORMANCE

A record safety year

When it comes to safety, Etex recorded an outstanding achievement in 2020 after two years of unrelenting dedication. As a result, our organisation further **improved on its already low lost-time accident frequency rate**, reducing it from a level between 1.9 and 2.6 down to 1.4, a record low. The strong collaboration, resilience and unity that characterised the year for our organisation led our people to outshine themselves in safety behaviours and proactive measures.

World-class operations and processes

We consolidated our manufacturing activities, which were previously housed separately by division, allowing countries and regions to focus even more on their commercial efforts. **Manufacturing is now a separate activity** with its own Chief Manufacturing Officer, Christophe David, who joined the Executive Committee. Bringing manufacturing (and mining activities) under one central "roof" will allow us to be even more efficient and effective in the future and drive the functional excellence needed to **achieve world-class manufacturing**. Even more, it enables in-depth discussions between functional experts and business leaders, and it bridges manufacturing teams worldwide, for unified best practices and operational support of products.

A **Business Process Owners (BPO) team** has also been created to further optimise and streamline our processes and to maximise the business and customer value.

PROFITABLE GROWTH

Exceptional financial performance in trying times

Like most industrial players, Etex took a big hit at the beginning of the year due to lockdown measures which were taken in several geographies, mainly in the second quarter, resulting in market demand contraction and the temporary closure of many of our plants.

However, markets recovered well by the third quarter of 2020, mainly due to **a strong renovation upswing** around the world. This has benefitted our two largest divisions, Building Performance and Exteriors. Due to the nature of its activity, our Industry division was heavily impacted by the COVID-19 situation in almost every geography. Overall, and given the unprecedented context, Etex recorded only a slight decline in revenue on a like-for-like basis.

Lowest net debt level in history

Profitability, on the other hand, recovered very strongly at the end of 2020, mainly through improved margins and contained overheads. Even more, 2020 was Etex's **best year in terms of cash generation**, and our organisation has achieved the lowest level of net financial debt ever.

Etex is ready for the future

Although our order book for the first half of 2021 is positive, we expect our revenue to be affected by COVID-related volatility this year and the next. Despite this forecast, the performance culture that we have invested in over the last year is firmly in place and delivering results. In addition, our strategic acceleration of sustainability and customer experience initiatives will continue to bear fruit moving forward.

Today, we are equipped as an organisation to face uncertain market conditions. We are more efficient, leaner and controlled in terms of overheads and working capital, and we have made clear structural improvements in manufacturing and supply chain that will benefit us even in non-pandemic times.

The acquisitions we made in 2020 will fuel our future growth in high-potential markets. In 2021, we will continue to identify new opportunities, as we are currently in an excellent position to make significant additional investments.

Paul Van Oyen,
Chief Executive Officer

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

As announced in November 2020, at the General Shareholders' meeting of Etex on 26 May 2021, Jean-Louis de Cartier de Marchienne will reach the end of the maximum number of terms as Chairman of the Board. The Board of Directors has followed the advice of the Remuneration and Nomination Committee to nominate Johan Van Biesbroeck as his successor as Chairman. To enable a smooth transition, Johan Van Biesbroeck is serving as Vice-President of the Board since November.

I would like to warmly thank Jean-Louis for his entrepreneurial spirit, dedication and support to the executive management team. Since 2006, Jean-Louis has guided Etex through challenging times, such as the 2008 financial crisis and the current COVID-19 pandemic, and many strategic achievements, such as the acquisition of Lafarge in 2011, the divestment of our ceramics business in 2016 or our recent exit from our Residential Roofing activities. Moreover, the company has improved its governance under his guidance.

Paul Van Oyen,
Chief Executive Officer

Consolidated Key Figures

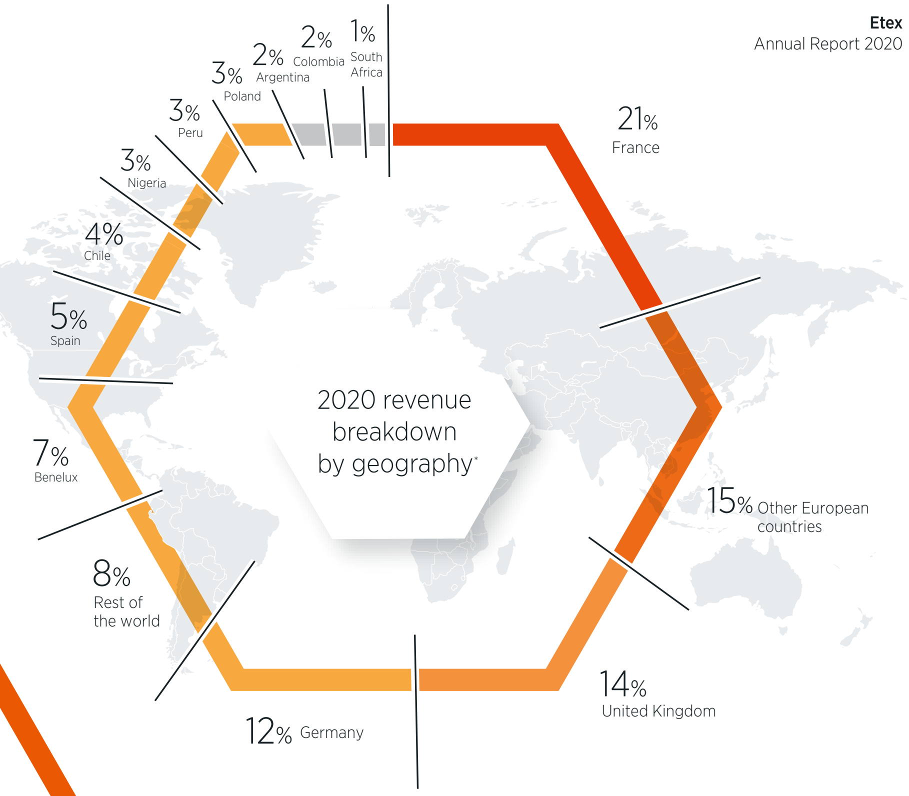
EUR MILLION	2016	2017	2018	2018 RESTATED[2]	2019	2020	VAR. 2020 VS 2019
Revenue	2,883	2,794	2,897	2,897	2,940	**2,616**	*-11.0%*
Recurring operating income (REBIT)	256	266	245	245	292	**311**	*6.5%*
Recurring operating cash flow (REBITDA)	417	420	405	433	483	**484**	*0.2%*
% of revenue	*14.5%*	*15.0%*	*14.0%*	*14.9%*	*16.4%*	***18.5%***	-
Non-recurring items	-19	3	-25	-25	-24	**-39**	-
Operating cash flow (EBITDA)	404	432	391	418	557	**468**	*-16.0%*
Operating income (EBIT)	237	269	221	221	268	**272**	*1.5%*
% of revenue	*8.2%*	*9.6%*	*7.6%*	*7.6%*	*9.1%*	***10.4%***	-
Net profit (Group share)	127	148	140	140	176	**194**	*10.2%*
Net recurring profit (Group share)	135	141	166	166	187	**215**	*15.1%*
Capital expenditure	137	148	192	192	169	**112**	*-33.7%*
Net financial debt	630	633	584	694	331	**15**	*-95.5%*
Working capital [1]	249	261	271	271	224	**137**	*-38.8%*
Capital employed [1]	2,258	2,341	2,352	2,462	2,196	**1,868**	*-14.9%*
Return on capital employed (ROCE) [1]	10.1%	12.1%	9.7%	9.5%	11.5%	**13.4%**	-

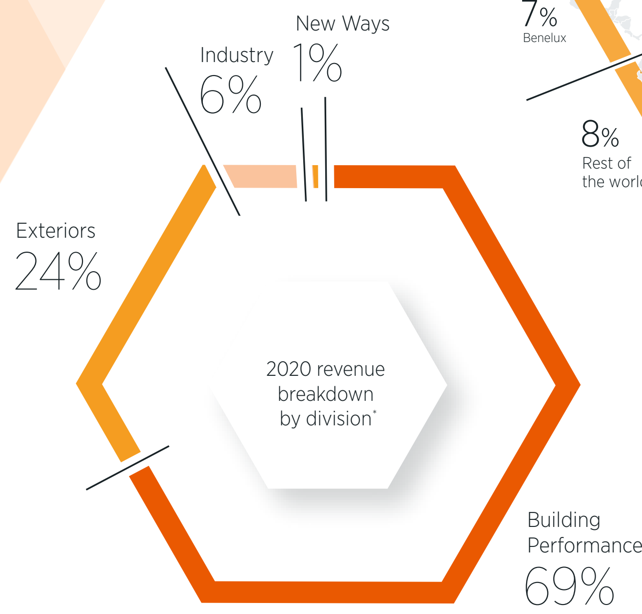
EUR PER SHARE							
Net recurring profit (Group share)	1.72	1.80	2.12	2.12	2.39	**2.75**	*15.1%*
Net profit (Group share)	1.63	1.89	1.80	1.80	2.25	**2.48**	*10.2%*
Gross dividend	0.48	0.53	0.58	0.58	0.58 [3]	**0.70** [4]	*20.7%*
Dividend growth rate	9.1%	10.4%	9.4%	9.4%	0.0%	**20.7%**	-
Recurring distribution rate	27.9%	29.4%	27.4%	27.4%	24.3%	**25.5%**	-

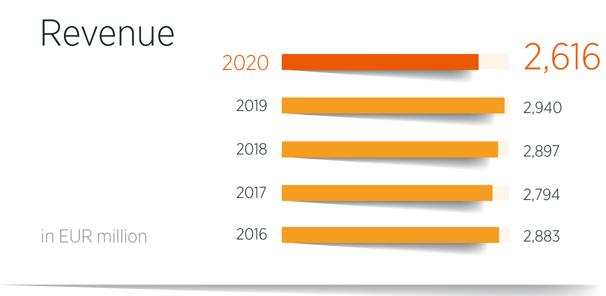
PERSONNEL							
Personnel	15,011	14,510	14,458	14,458	13,260 [5]	**11,387** [5]	-

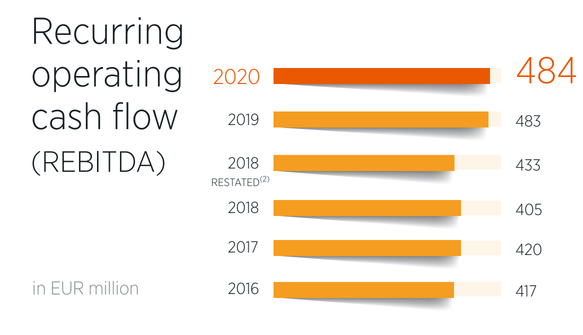
NB: Definitions of the alternative performance measures are included in the glossary at the end of this report. 2016 values include discontinued operations (i.e. the ceramics business in Peru, Colombia, Chile & Argentina).

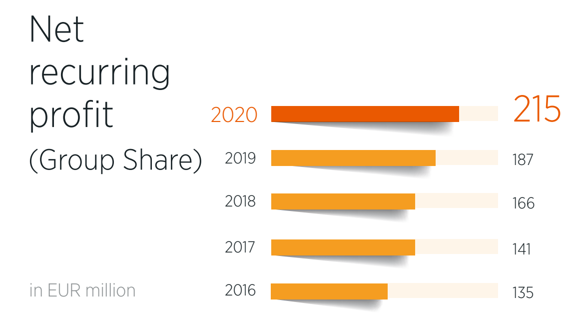
(1) These values are expressed excluding the favourable impact of the non-recourse factoring programme (note 16 of the Consolidated financial statements discloses details on non-recourse factoring); the 2017 ROCE value excludes Pladur.
(2) These values are restated for IFRS 16 (lease) impacts consistently with 2019 with respect to lease debt, leased assets and depreciation of lease assets.
(3) The dividend for 2019 (paid oud in 2020) is made up of EUR 0.29 as decided during the General Shareholders Meeting of 27 May 2020, and EUR 0.29 as decided during the Extraordinary Shareholders Meeting held on 22 October 2020.
(4) Subject to the approval of the General Shareholders Meeting of 26 May 2021.
(5) The personnel figures exclude the Residential Roofing companies which have been divested in 2019 (Marley Ltd and Umbelino Monteiro) and 2020 (Creaton, Marley (SA) (Pty) Ltd and our 50% stake in RBB NV). The 2020 figure includes the personnel of FSi Limited, which was acquired by Etex in September 2020. It excludes, however, the personnel of Knauf's former plasterboard business in Australia, as this operation was completed in February 2021.

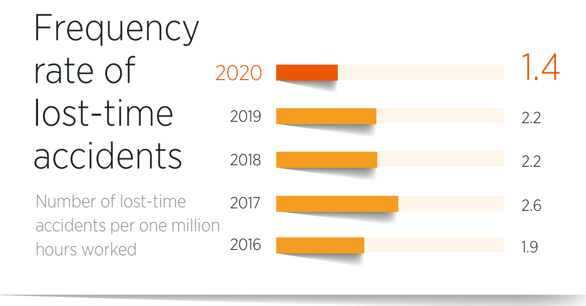


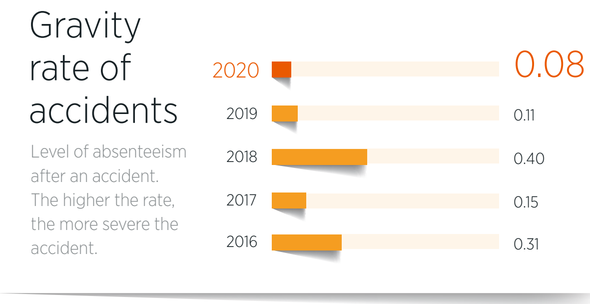












* The revenue excludes the Residential Roofing companies which have been divested in 2020.

Milestones of 2020

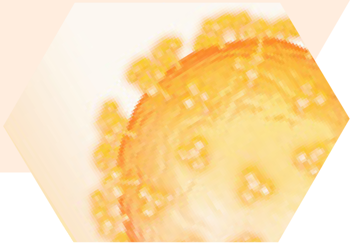
FEBRUARY
Over 8,500 Etex teammates in 38 countries attend 125 townhall meetings across our entire organisation to unite with a common purpose and **a brand-new corporate identity**.
> READ MORE ON P. 18

MARCH
E2E (an Etex-Arauco joint venture) company Tecverde, part of our New Ways division, delivers the first of **five lightweight, modular hospitals**. Built using industrialised construction techniques, they are completed in an average of 33 days each to help fight the pressure of COVID-19 in Brazil.
> READ MORE ON P. 38

MARCH
Etex becomes **a signatory of the UN Global Compact** – a global corporate sustainability initiative committed to the 10 business principles of the United Nations and their 17 Sustainable Development Goals.
> READ MORE ON P. 41

MAY
We officially introduce our **Etex Leadership Principles**: the result of a global, multi-stakeholder collaborative exercise. These future-focussed principles align with our corporate strategy and are built into the performance review cycles of Etex teammates.
> READ MORE ON P. 48

APRIL
The peak impact of the COVID-19 pandemic on Etex is this month; the activities of around **48% of our facilities are put on hold** as numerous countries roll out lockdown measures around the world.



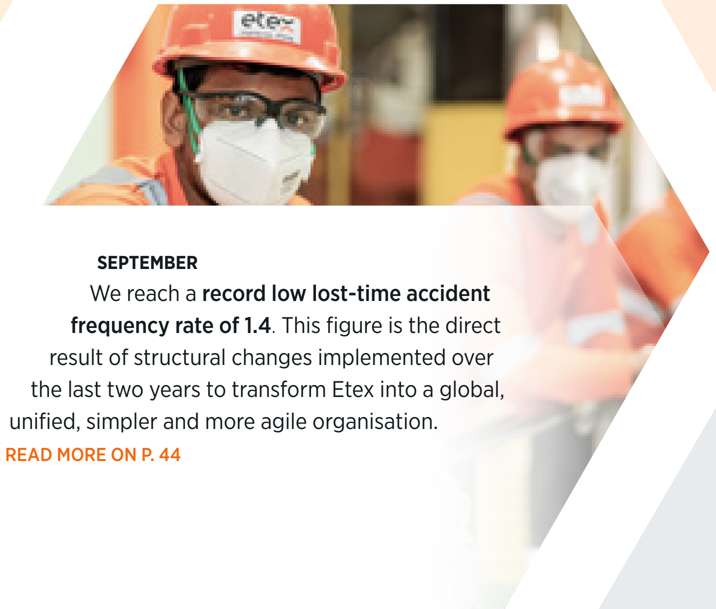
MAY
We celebrate the first **Etex CEO Award** with two individuals and three teams as nominees. Winner Michael Orlowski, based in Neubeckum, Germany, showed exemplary dedication to the Etex values within the context of the Zero Rejects project.
> READ MORE ON P. 49

MAY
During our General Meeting of Shareholders, **two new Board members** are appointed: Muriel De Lathouwer, permanent representative of SPRL MucH, and Hans Van Bylen, permanent representative of ViaBylity BV.
> READ MORE ON P. 54

JUNE
Etex is back on track following the lifting of global lockdowns; **100% of our production sites** are up and running.

SEPTEMBER
Christophe David joins Etex's Executive Committee as **Chief Manufacturing Officer**. In this role, he will drive us towards becoming a global manufacturing organisation of the future – all while staying close to our local businesses.
> READ MORE ON P. 55

JULY
Etex runs an in-house-developed **'Me & Etex' employee engagement survey** in 15 languages. An impressive 8,500 teammates respond to this completely digital initiative, and their feedback is very positive: engagement increased by 5%!
> READ MORE ON P. 49



SEPTEMBER
We reach a **record low lost-time accident frequency rate of 1.4**. This figure is the direct result of structural changes implemented over the last two years to transform Etex into a global, unified, simpler and more agile organisation.
> READ MORE ON P. 44

DECEMBER
Etex commits to **100% sustainable electricity sourcing** where achievable, certified by guarantees of origin. Etex meets this goal for all production sites in Europe and Chile, and achieves a total of 50% sustainable power globally!
> READ MORE ON P. 46

JANUARY 2021
Etex launches **PLURATECT MARINE LIGHT**, the largest lightweight fire protection board for marine applications available on the market. It combines weight-reducing technology with superior mechanical properties – and is 100% recyclable.
> READ MORE ON P. 33

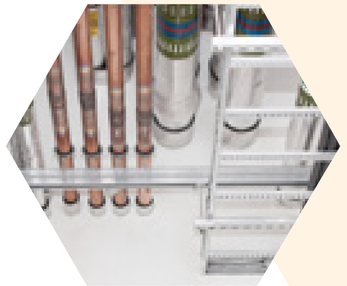
Marking Etex's exit from the residential roofing segment

On 22 October 2020, Etex signed an agreement with Terreal, a France-based roofing and building solutions pioneer, for the divestment of our Creaton roof tile business. This milestone marks the **fifth roof tile business divestment** for our organisation in the last two years, and the final step in our **complete exit from the residential roofing segment**. Since 2019, Etex has sold Umbelino Montiero, Marley Ltd, Marley South Africa, its 50% stake in RBB NV and Creaton.

Two years ago, Etex defined its goal to become a **global player in lightweight, sustainable, cost-effective and quality-focussed building technologies**. Producing clay and concrete roofing tiles is a heavy industry. As such, this activity no longer aligns with our fundamental ambition.

"Not only is there a strong strategic and cultural fit between Creaton and Terreal, but this agreement enables both of our organisations to focus even more strongly on our goals", asserts Etex CEO Paul Van Oyen.

"Etex is poised to fully dedicate our efforts to shaping the future of construction by developing and delivering industrialised, lightweight and modular building solutions."



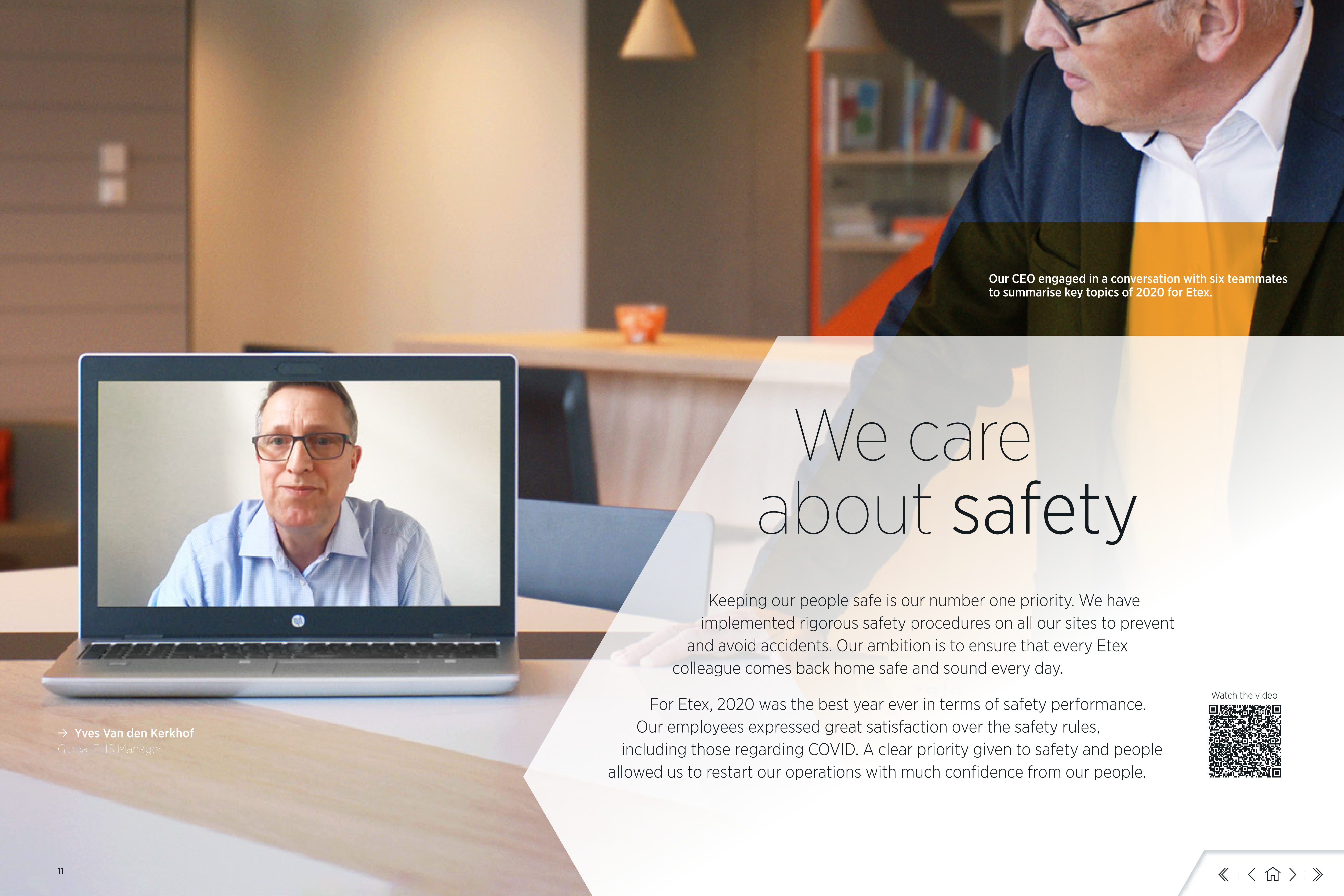
Paving the way toward a fire-stopping and lightweight future

In addition to our exit from the residential roofing segment, Etex also **completed a number of acquisitions** that will play important roles in the evolution of our business into an industry-shaping lightweight construction player. Welcoming these new businesses into the Etex group constitutes the other side of our strategic refocusing initiative, as they offer access to proven technologies, greater market reach and strong talent.

On 25 September 2020, Etex announced our acquisition of passive fire protection specialist **FSi Limited** in the UK. This new business reinforces our intent to continue to lead in passive fire protection solutions around the world, opens up new markets to FSi, and brings us even closer to our customers in the UK and Europe.

The major acquisition of top-three Australian plasterboard player **Knauf Plasterboard Pty Limited**, announced in November 2020 and completed on 26 February 2021, marks a key strategic milestone, enabling Etex to expand our footprint in this well-developed construction market. In addition to a strong cultural fit with Etex, Knauf Plasterboard offers a competitive product portfolio, experienced teammates, state-of-the-art production facilities and a broad network of partners and suppliers.

Completed on 27 January 2021, Etex purchased a majority stake in French innovative offsite construction company **e-Loft**, which is based in Brittany. The company, which operates a state-of-the-art production facility, develops a number of modular and custom timber-framed solutions for homes and multi-family residences. It is the New Ways division's first business in continental Europe and will benefit from Etex's global footprint, sales processes and operations.



Our CEO engaged in a conversation with six teammates to summarise key topics of 2020 for Etex.

We care about safety

Keeping our people safe is our number one priority. We have implemented rigorous safety procedures on all our sites to prevent and avoid accidents. Our ambition is to ensure that every Etex colleague comes back home safe and sound every day.

For Etex, 2020 was the best year ever in terms of safety performance. Our employees expressed great satisfaction over the safety rules, including those regarding COVID. A clear priority given to safety and people allowed us to restart our operations with much confidence from our people.

→ Yves Van den Kerkhof
Global EHS Manager

Watch the video

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About Etex

Our company & strategy

United to deliver inspiring ways of living

Etex inspires the world to build safe, sustainable, smart and beautiful living spaces by providing lightweight solutions to its customers, including fibre cement and plasterboard applications, offsite modular building systems, high performance insulation and fire protection.

What we do

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

Building Performance

p 23

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

Exteriors

p 27

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

Industry

p 31

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

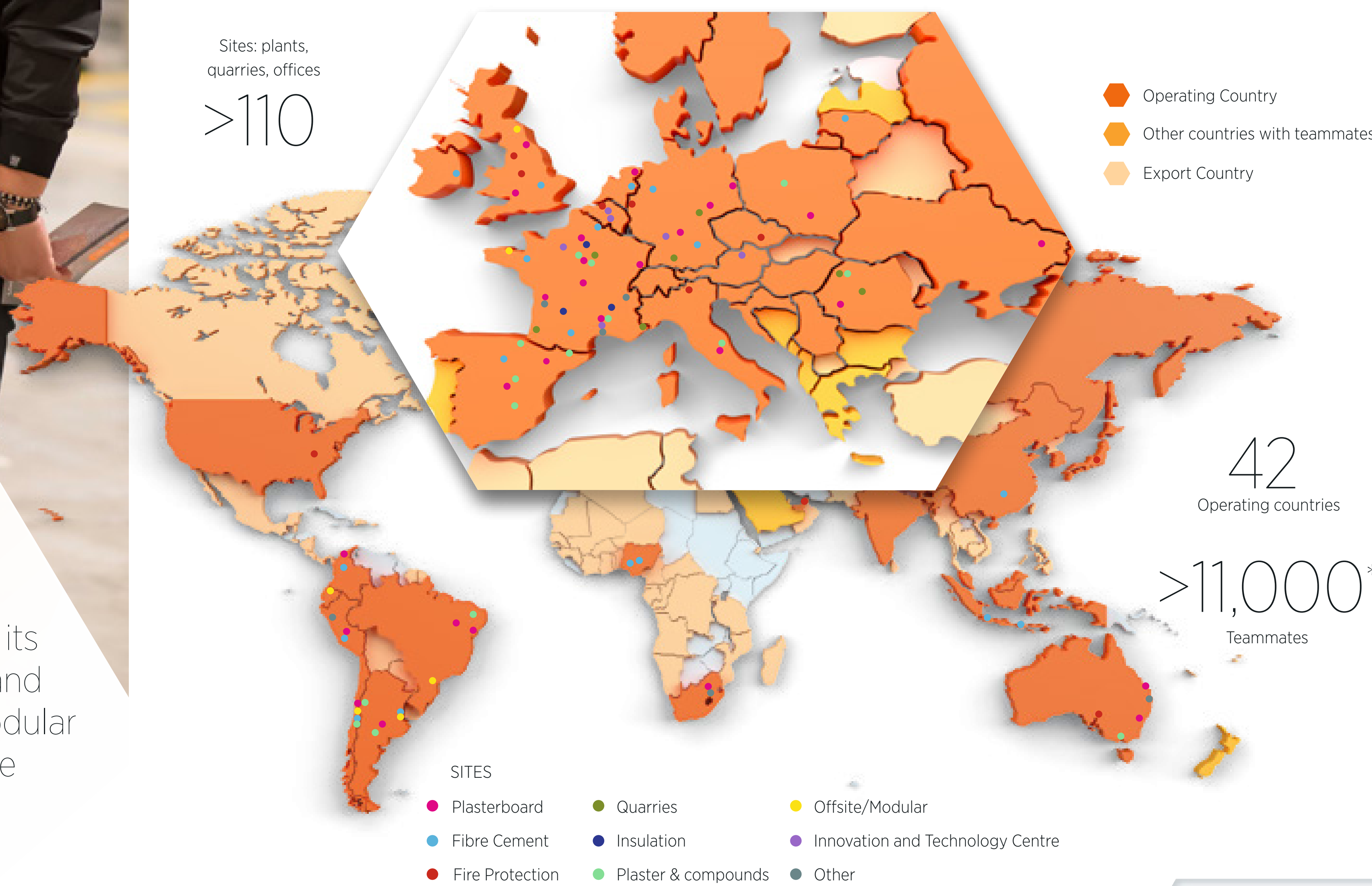
New Ways

p 35

As a new division created in January 2020, New Ways offers high-tech offsite modular solutions based on timber and steel framing.

3 values we all share

- Connect and Care
- Passion for Excellence
- Pioneer to Lead



* Excluding the Residential Roofing companies which have been divested in 2020 as well as the personnel of Knauf's former plasterboard business in Australia, as this operation was completed in February 2021. The figures includes the personnel of FSi Limited, which was acquired by Etex in September 2020.

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 solutions worldwide, including ducting, structural protection, compartmentation, insulation and fire-stopping solutions. Our products are used in a range of industries and applications, including 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, through-wall flooring and decorative systems) that simplify construction, boost occupants' quality of life and deliver customer-focussed value and services to our partners.

Exteriors

Exteriors brings aesthetically attractive and high-performing fibre cement exterior solutions to the residential, architectural and agricultural sectors through three core brands.

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

Equitone is our global brand for architectural fibre cement façade materials, specified for mid- to large-sized buildings. We work with and for architects to design smart and resilient materials that reduce environmental impacts. Our customers seek new ways of building above and beyond accepted standards – actively influencing industry-wide change.

Eternit fibre cement corrugated sheets contribute to durable and sustainable agricultural and residential structures. In Europe, we strive to be a partner to entrepreneurial farmers by helping them to protect their assets and to grow their potential. In Latin America, we offer high performance and excellent value for cost in the low-income housing sector.

Industry

Promat is the Industry division's principal brand and the benchmark for passive fire protection, fire-stopping solutions and applications requiring high-temperature and acoustic insulation. The Promat range of products is the most comprehensive of its kind on the market and includes calcium silicate, microporous and intumescent materials, fibres and textiles and cementitious sprays.

All Promat materials are designed for use in the most demanding environments and extreme temperature conditions, and are available in various forms. These include rigid and flexible boards, vacuum-insulated panels, custom-made parts, blankets, wools, sprays and intumescent strips and granules. These solutions are used worldwide in a range of applications as diverse as renewable energy, fire doors and dampers, batteries, furnaces, glass and steelmaking, industrial piping, steel and concrete structures and trains. Through our products and solutions, Promat helps make our customers' processes and end products safer, more efficient and sustainable.

New Ways

With its New Ways division, Etex aims to shape the future of construction by offering lightweight, industrialised, offsite building solutions. The division's companies (either fully-owned or in the form of various joint ventures), based in Europe and Latin America, offer an extensive portfolio of solutions through the brands **E2E**, **Tecverde** and **EOS**, featuring wood and steel framing technologies, ranging from engineered studs and tracks to fully designed and engineered houses and buildings.

Our stakeholders

Our corporate communications team can be reached at

info@etexgroup.com

Customers, employees, partners, suppliers, shareholders, investors, media, job applicants, 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 information about Etex is paramount to build a trust-based relationship and to reach a higher level of transparency.

Financial stakeholders

Shareholders, investors and financial institutions.

Our commitment

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

How we connect

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 developments** are communicated to our financial stakeholders through press releases and other documents published on our website (dedicated Investor Relations and Annual Report sections).

Internal stakeholders

Current and future employees, Senior Leaders and trade unions.

Our commitment

Maximising their safety, informing them about key decisions, connecting with each other and facilitating personal and professional development.

How we connect

Our local businesses maintain a dialogue between **more than 11,000 employees in 42 operating countries** through tailored communication channels. We engage with our employees at group level through our intranet platform Etex Core, events, webinars and various communication campaigns.

Etex's **Senior Leaders** from around the world gather annually (2020 was an exception in the context of the COVID-19 pandemic) 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.

External stakeholders

Local communities, NGOs, suppliers and the media.

Our commitment

Diligently establishing and building upon sustainable and transparent relationships.

How we connect

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

At group level, we partner with international NGO **Selavip**, which supports housing projects for underprivileged people in Africa, Asia and Latin America.

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, construction companies, distributors, contractors, installers, specifiers and homeowners.

Our commitment

Proactively meeting their needs by offering superior building solutions and empowering them to construct the most efficient, ambitious and inspiring projects.

How we connect

Etex shares information with its **customers and other commercial stakeholders** which suits their needs. On group level, our Innovation & Technology Centre in Avignon, France invites customers to co-innovate during our annual Innovation Days (2020 was an exception in the context of the COVID-19 pandemic). Our purchasing team engages with our largest suppliers at group level.

Our continuing journey towards a promising future

In 2020 we involved all Etex teammates worldwide in the launch of the #UnitedToInspire engagement campaign. The aim: to proudly unite all Etex employees and earn their support to fulfil our Etex purpose.

Meeting the needs of the world with our best strengths

At the very core of Etex is a clear purpose: inspiring ways of living. It is an invitation to **deliver our customers an outstanding experience** with lightweight building solutions that **tackle the megatrend challenges** that our world is confronted with. It guides us to leverage expertise and contribute to our unique promise of providing ever better solutions for smart, safe, sustainable and beautiful spaces.

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 plasterboard, 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 (through our Innovation and Technology Centres), digital, modular technologies and lightweight construction.

Beautiful

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

An ambition that is deep-rooted in our Etex culture

At Etex we continuously strive to contribute to the transformation of the construction industry with the same pioneering spirit that led to the research, development or improvement of fibre cement, plasterboard and fire protection solutions for over a century. **Our purpose gives direction to our strategy, guiding us to foster stronger and closer ties with customers and leveraging innovation as a driver of success**. It motivates us to enhance processes while committing to safety in the workplace. It drives us to create an inclusive environment which enables employees to grow their expertise within innovative, collaborative teams.

Our purpose gives meaning to our values. 'Connect and Care' with the world and with each other: to closely work together with teammates as well as with partners and customers, to bring out the best in each other and to care for safety and well-being. 'Passion for Excellence' to improve living conditions. 'Pioneer to Lead' to drive valuable change for the world.

Our industry faces tremendous challenges and opportunities

Our world faces enormous needs for sustainable and qualitative living spaces. In the midst of global megatrends such as population growth, resource scarcity, climate change, regulatory complexity, disruptive technologies, rapid urbanisation and housing crises, Etex is already a key player in fire protection, insulation and fibre cement solutions, and holds strong positions in all its markets and geographies.

To make a real difference for our customers we need to further join forces and focus on our true strengths. Soon we will be close to ten billion people on this planet, needing ever more quality space for better living and working. We need to work together to make full use of new technologies and possibilities, to stay close to our partners, to be ahead in our industry and to provide ever better solutions to our customers.

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**.

Strong delivery on our strategic roadmap in challenging times

Throughout 2020, despite the pandemic, Etex successfully accelerated the execution of its six-pillar strategy. Further strengthening our core businesses through mergers and acquisitions, completing the exit of the residential roofing segment as planned, and introducing sustainability as a core element of our strategy – all whilst delivering record cash flow.

PILLAR 1
Reinforcing our strong position in plasterboard

In February 2021, we completed the acquisition of a major player in the Australian plasterboard market. The business, with its state-of-the-art facilities and strong pool of talent, expands Etex's geographic footprint into a major new region with excellent potential to build a platform for future growth.

Our market landscape and customers' expectations continue to evolve at an ever-increasing pace. Our goal is to adapt to these changes and transform to become a truly customer-centric organisation.

During 2020 we made significant steps to deliver superior customer experiences by:

- reviewing **our core plasterboard segments** and identifying the best ways to meet their needs;
- **aligning our structures and processes** to take a more harmonised approach towards commercial excellence;
- **accelerating our digital transformation** in order to offer new channels to interact with our customers;
- developing **new business models** to enhance our market position and profitability.

PILLAR 2
Maximising our fibre cement position

In 2020, having successfully addressed the quality issues which we faced in 2019, we embarked on the 'House of Brands' project with the aim of refocussing our fibre cement brands around the real-life needs of our customers. Market insights formed the basis of a carefully considered and **simplified brand architecture**, which was rolled out through a series of in-depth workshops across different geographies.

Aligned with this exercise, we also made significant progress on building our digital footprint, enhancing the way customers experience our new brand architecture.

PILLAR 3
Accelerating growth in passive fire protection

Etex continues to be a global leader in the passive fire protection market. Our acquisition of **UK-based passive fire-stopping manufacturer FSi Limited** in September 2020 further strengthens our position within the fire-stopping segment. In becoming part of our business, FSi will benefit from our global reach and technological know-how in fire-stopping, whilst bringing Etex even closer to its customers in both the UK and Europe.

PILLAR 4
Driving sustainability in the way we develop business

In 2020, sustainability became one of our six core strategic pillars. We are implementing step-by-step initiatives and projects to improve our social and environmental impact. In 2020, Etex became a **signatory to the UN's global compact for sustainable and responsible business practices**, adding to our existing commitment to its Sustainable Development Goals (SDGs). Our business practices are adapted to sustainability, which also reflects in our ESG rating of 18.5 out of 100, meaning Etex ranks favourably amongst its peers in managing material risks associated with the areas of environmental, social and governance standards.

We have partnered up with leading **sustainability rating company Ecovadis** in the development of a supplier rating programme, which was launched in March 2021. 2020 saw us achieve the milestones of 50% of our worldwide electricity supplied from renewable sources and the achievement of 100% sustainable sourcing for all plants in Europe and Chile.

In terms of **decarbonisation**, we deployed continuous improvement initiatives across the organisation with concrete metrics and dashboard, launched seven photovoltaic projects in Spain, Italy, France, Belgium and Germany, and introduced **energy-saving technologies** such as pinless mixers and heat recovery equipment. During the year, our **consumption of potable water** has been reduced to 23% of total water usage, with zero being our ultimate goal.

In 2020, we reduced the proportion of our waste sent to landfill to 20%, a small but steady decrease compared to the previous year.

PILLAR 5
Embedding digital in our value chain, driving optimisation and growth

Our goal is to embed digital in the core of our company, with customer centricity at the centre of our efforts. In 2020, we reached a number of key milestones on our digital marketing, e-commerce and innovation roadmap, and further developed our digital strategy for 2021-2022.

We began rolling out My Etex, a **worldwide customer portal** which includes e-ordering capabilities to simplify order processes. **Marketing automation capabilities** were also launched, enabling us to offer the right messages at the right time to the right customers. We introduced a **brand-new business model for Cedral**. A **world-class customer experience** was unrolled across all online and offline channels, paving the way for a digitally enabled customer service organisation. New opportunities for growth have been identified through the use of digital in **industrialisation, sustainability and new services**.

PILLAR 6
Disrupting with new ways of building

The **New Ways division was launched in January 2020**, gathering our expertise, technologies and initiatives in modular and industrialised construction under a single, more agile organisational structure.

In February 2020, we completed the acquisition of a majority stake in Brazilian timber-framing and **industrialised construction pioneer Tecverde** through E2E, our 50/50 joint venture with Arauco. The addition of Tecverde to our New Ways division will enable us to broaden our offering and to achieve our ambitious business plans in South America and Europe.

During the pandemic, we devoted significant effort to **refining our modular construction strategy** and evaluating potential targets for mergers and acquisitions. Turning our focus towards our key European markets, January 2021 saw Etex purchase a majority stake in **French modular building company e-Loft**, providing our New Ways division a gateway into continental Europe.

Globally supported by engaged teammates

Early 2020 a refreshed Etex story and identity were launched with all employees worldwide. It was the culmination of a collaborative effort of many years. First Etex fine-tuned its purpose – Inspiring ways of living – to meet the urgent needs of the world and the challenges of the building industry. It refocussed the company on its strategy towards offering lightweight solutions that are ever more safe, sustainable, smart and beautiful.

Speaking in one voice as a strong global team

The next step forward is to increase the trust of customers globally by building Etex into a strong corporate brand. **The Etex umbrella brand aims to unite all employees worldwide as one team**, focused on supporting a portfolio of local, regional and global commercial brands.

To prepare the path, a task force was set up with brand specialists from every Etex division and key people from the Etex corporate brand team. Based on their insights a new Etex brand identity was developed.

"The new brand identity enables Etex teammates worldwide to speak in one voice and present themselves to the world as a united and confident team."

→ **Lionel Groetaers**,
Head of Corporate Communications

Engaging all co-workers

The first priority was to get all Etex employees on board and make them feel proud and involved as true Etex teammates. An employee guide and a corporate video explained the Etex story in an accessible way.

"We want each employee to feel proud and motivated, connected and inspiring their global teammates."

→ **Malcolm Stamper**,
Corporate Brand Coordinator

The brand engagement programme kicked off with a teaser campaign inviting all Etex teammates to take part: 'Are you ready to team up?' In the first months of 2020 a series of global town hall meetings featured the theme line **'United to Inspire'**. These team building events were set up to inform and enthuse every Etex co-worker across the world about the ambitions driven by our purpose and the refined Etex identity. The main objective was to make them feel and enjoy the drive of being one united Etex family, **a strong global team in which each teammate plays an active part**.

As the numerous shared reactions and videos from all over the world attested, the global events created much enthusiasm for the united Etex movement. This year several follow-up campaigns and initiatives are scheduled to strengthen the global team spirit and nurture employee engagement.

Teammates?

Why do we call Etex colleagues 'teammates'? True to our Etex sense of purpose and values - especially 'Connect and Care' - we are inspiring colleagues for each other and inspiring partners for our customers. We are highly ambitious to make a difference in improving quality of living for all. We can only achieve that goal if we collaborate and do good for those closest to us. Caring for our fellow teammates is key to put our joint purpose into practice. Each and every one of us can shine and should be proud to be an active member of the Etex team, across countries and cultures. Team spirit drives our collaborative culture!

Showing our colours to the world

As the refined corporate brand identity was revealed, it was gradually installed in and on Etex sites around the world. The hexagon shape refers to the logo and is inspired by the Etex lightweight solutions. With six sides and six angles, it symbolises a sense of collaboration and partnership, close to the Etex values – especially 'Connect and Care'. It is a strong and solid shape that evokes strength and excellence. Different formats of the hexagon are used to create dynamism as well as unity – in an overall warm and friendly colour palette with a caring touch and prominent Etex orange.

The refined identity is a crucial step in a journey that will allow Etex more than ever to express a close connection with its markets and customers. The shapes and colours of the refined corporate brand identity allow an easy and efficient connection with the commercial brands, thus catalysing a brand ecosystem that supports and further develops them. Simple and efficient endorsement guidelines have been introduced, enabling the corporate brand and the commercial brands to take benefit of each other. The Etex commercial brands bring Etex's promise of "Inspiring ways of living" to the market.

Short testimonials from Etex teammates around the world

"We are one family, one team"
→ **Miguel D'Eboli, Etex Munro, Argentina**

"Our great Etex family inspires us to constantly improve ourselves"
→ **Yonis Vargas Cera, Etex Cartagena, Colombia**

"Stay united to complete your work together, as a team it makes it easier"
→ **Edi Kurniawan, Etex Gresik, Indonesia**

"A close-knit team enables personal growth"
→ **Roberta Facheris, Etex Filago, Italy**

→ **Mel de Vogue**
Chief Financial Officer

Our CEO engaged in a conversation with six teammates to summarise key topics of 2020 for Etex.

We care about performance

As an organisation, Etex strives to pave the way toward a sustainable future. Good results are an important part of this future. In addition to focussing on people, safety and strategy, we also prioritise performance and profitability.

Despite the COVID-19 pandemic which challenged our top-line, Etex reports outstanding financial results. Our REBITDA is slightly up year-on-year, we recorded our best year ever in terms of cash generation, and we reached the lowest net financial debt level in our history!

Watch the video

3

Activity report

Building on a strong foundation

Message from the CFO

→ **Mel de Vogue**,
Chief Financial Officer

2020 was a challenging year from a financial performance perspective. The revenue of Etex went down by 3.1% year-on-year to EUR 2,616 million on a like-for-like basis, but the company still recorded a double-digit REBITDA improvement (+10.9% like-for-like) to reach EUR 484 million. As a result, the REBITDA margin reached 18.5% and the net recurring profit increased by 15.1% to EUR 215 million. The free cash flow before dividends, acquisitions and disposals of businesses reached, for the second year in a row, its highest historical level, at EUR 313 million. Combined with the successful disposal of non-core businesses, the net debt decreased to EUR 15 million, its lowest level ever.

A general overview of our worldwide results

The **COVID-19 pandemic impacted Etex's revenue in 2020, with a decrease of 3.1% like-for-like**. This decrease is lower than the global economic recession in 2020. The decline in revenue is due to severe lockdown measures which were taken in several geographies, mainly in the second quarter, resulting in market demand contraction and the temporary closure of several plants. Despite strong investment in brands, improved service levels and a catch-up movement in sales post lockdown, all Etex divisions recorded top-line decline except Residential Roofing. The 4.2% negative scope impact on revenue is mainly attributable to the disposal of our Residential Roofing businesses in the United Kingdom and Portugal in 2019, in South Africa in mid-2020 and, to a lesser extent, of the French polypropylene honeycomb blocks and panels producer Nidaplast, in 2019. This impact was partially offset by the acquisition of FSi Limited, a passive fire protection business in the UK, in 2020. The remaining 3.7% negative impact on revenue is due to hyperinflation accounting and foreign currency translation mainly from a weaker Argentinian and Chilean peso, Brazilian real and Nigerian naira. Including the change of scope, the currency exchange rates and hyperinflation accounting impacts, the revenue was down 11.0%.

Our **REBITDA amounted to EUR 484 million**, when compared to 2019, this represents a like-for-like increase of 10.9%. This outstanding performance in these unprecedented circumstances is mainly attributable to the combination of improved margins and contained overheads. Margins increased thanks to product mix management as well as cost reductions in external procurement and our own production processes. Overheads were strictly controlled from the beginning of the COVID-19 pandemic, with a like-for-like reduction of 5.9% to be compared to a like-for-like reduction of 3.1% in revenue. As a result, the REBITDA margin reached its highest level ever at 18.5%, compared to 16.4% in 2019, despite negative impacts of scope (6.1%), hyperinflation accounting and foreign currency translation (4.6%) compared to 2019.

Etex's net recurring profit (Group share) was up by 15.1% to EUR 215 million in 2020, another record performance. The non-recurring items relate to restructuring initiatives and consequent impairment (mainly linked to the closing of our plasterboard-paper production facility in France) and to significant gains on the disposal of non-operating assets and businesses. The company's net profit reached EUR 201 million in 2020, up 11.4% year-on-year.

Cash generation reached a record level of EUR 313 million before dividends, acquisitions and disposals of businesses, more than doubling the 2019 level. This strong cash generation is partially the result of strict capital expenditure management due to the uncertainty surrounding COVID-19, but also of a closely monitored and improved working capital and lower cash-outs related to the implementation of restructuring plans compared to 2019.

Revenue in 2020

2,616

million euro

Like-for-like decrease of 3.1% vs. 2019

2020 results in a nutshell

Total sales: EUR 2,616 million, including the impact of unfavourable exchange rates compared to 2019 (more than EUR 100 million) and the EUR 125 million negative impact related to scope changes. The COVID-19 pandemic led to a year-on-year revenue reduction of around EUR 87 million, or -3.1%, excluding the impact of currency translation and of the disposed British, Portuguese and South African clay roof tile businesses.

Gross profit: EUR 848 million or 32.4% of sales, vs 30.5% in 2019, through the efficient management of product mix, procurement and operations.

Overheads on sales ratio: stable at 20.7% (same ratio as in 2019), resulting mainly from strict cost control together with the restructuring initiatives implemented in prior years.

Operating income before non-recurring items (REBIT): EUR 311 million, up by EUR 56 million like-for-like, representing 11.9% of sales. In 2019, the REBIT amounted to EUR 292 million, or 9.9% of sales.

Net non-recurring charges: EUR 39 million, with significant one-off gains mainly with respect to the disposal of Residential Roofing businesses and non-operational assets, offset by impairment charges and further restructuring. The operating income (EBIT) reached EUR 272 million vs EUR 268 million in 2019.

Net financial charges: a sharp decrease from EUR 31 million in 2019 to EUR 25 million in 2020, resulting from de-leveraging, hyperinflation impacts and low interest charges.

Net profit (Group share): improvement from EUR 176 million to EUR 194 million.

Net recurring profit (Group share): increase from EUR 187 million to EUR 215 million.

Net financial debt: the decrease from EUR 331 million at the end of December 2019 to EUR 15 million at the end of December 2020 is due to operating cash flow generation on top of the business disposal proceeds. It also includes the positive effects of a non-recourse factoring programme set up in 2015, which amounted to EUR 159 million at the end of 2020 (vs EUR 154 million at the end of 2019). Excluding this non-recourse factoring programme, the net financial debt would have been EUR 174 million, a decrease of EUR 311 million compared to the end of 2019 (EUR 485 million).

At the end of December 2020, **Etex's net financial debt decreased to EUR 15 million**, a reduction of EUR 316 million compared to its level at the end of 2019 (EUR 331 million). This reduction reflects the strong free cash flow generation, with a free cash flow before dividends, acquisitions and disposals of EUR 313 million (compared with EUR 152 million in 2019), and, to a lesser extent, the disposal proceeds net of acquisitions. The net financial debt in 2020 includes the favourable effect of the non-recourse factoring programme, which amounted to EUR 159 million at the end of the year (vs EUR 154 million at the end of 2019). Excluding this programme, the net financial debt would have reached EUR 174 million (vs EUR 485 million at the end of 2019). The company's net financial debt/REBITDA ratio improved from 0.5x in 2019 to -0.2x in 2020. Excluding the favourable impact of the non-recourse factoring programme, this ratio improved from 1.0x to 0.4x year-on-year.

Changes in the scope of consolidation

In December 2020, Etex completed the sale of its clay and concrete roof tile businesses in Germany, Hungary, Poland and Belgium to Terreal, which followed the disposal of Marley South Africa earlier that year. These transactions are the result of the strategic plans initiated in 2019 to divest the Residential Roofing division, which contributed EUR 253 million and EUR 33 million to the revenue and REBITDA of Etex in 2020, respectively (these divested Residential Roofing businesses contributed in 2019 to EUR 379 million and EUR 47 million in revenue and REBITDA, respectively, including Marley in the United Kingdom and Umbelino Monteiro in Portugal, both disposed in 2019). In September 2020, Etex acquired FSi Limited, a passive fire protection business based in the United Kingdom.

Revenue by division

Building Performance registered a like-for-like revenue decline of -3.4% to reach EUR 1,639 million, due to the COVID-19 pandemic impacting nearly all geographies. Revenue was severely impacted from mid-March, mostly in Southwest Europe, Latin America and the UK, and was only partially offset by solid performance in Eastern Europe. The retail segment experienced little impact of the pandemic with an increase in DIY and renovation, while the project segment was heavily impacted in some geographies. Building Performance managed to improve its performance in a pandemic context thanks to the rebound of sales in the second part of the year, catching up volumes which had been heavily impacted during the second quarter, and cost savings (including in procurement) which compensated COVID-19 impacts. The innovation ratio of Building Performance in 2020 reached the same level as in 2019. Globally, nearly 30 products were launched, including innovative and exclusive technologies such as Defentex.

The revenue of our Exteriors division (EUR 569 million) was impacted by a EUR 4 million like-for-like reduction (or -0.7%), mainly attributable to The Netherlands (discontinuation of subsidies and the Dutch nitrogen crisis), Ireland, Northern Europe and Peru (corrugated sheets). In the residential segment, all European markets recovered well in the second half of the year, driven by strong activity in home repair, maintenance and improvement. The Exteriors division resisted well thanks to its sidings and slates segments, which experienced an overall increase of sales in 2020, driven by a strong renovation market. The architectural segment was impacted by a lack of new projects directly linked to the COVID-19 crisis and, like in 2019, fibre cement activities were impacted by their exposure to trends in the agricultural sector.

Residential Roofing, excluding the divested businesses in the United Kingdom and Portugal in 2019, **recorded an increase in revenue of 4.9% like-for-like in 2020, to reach EUR 253 million**. This is mainly thanks to the improved performance of the Creaton businesses in Germany and Poland. Overall volumes remained flat, but product mix improvements led to a positive impact on revenue.

In line with its strategic shift initiated two years ago, Etex completed the divestment of three businesses in its Residential Roofing division in 2020. Marley (SA) (Pty) Ltd was sold to the South African Kutana Investment Group, and Creaton businesses in Germany, Hungary, Poland and Belgium were sold to Terreal. Earlier in 2020, Etex also sold its 50% stake in RBB NV (Belgium).

Industry registered a like-for-like revenue decline of 18.9% to EUR 144 million. The division was heavily impacted by the COVID-19 pandemic in almost every geography, with Germany and Austria being less impacted. Overall, all segments suffered, with a slow recovery expected in the oil & gas and transportation segments, while other business areas showed some recovery in the second half of last year.

New Ways revenues declined by 8.9% to EUR 10 million, mainly affected by the impacts of the pandemic on the UK market. New Ways revenues exclude our non-consolidated participations in several joint ventures.

Consolidated Statement of Financial Position (Balance Sheet)

The value of Etex's **property, plants and equipment** went down from EUR 1,631 million in 2019 to EUR 1,392 million in 2020, reflecting the impact of scoped-out Residential Roofing entities during the year. **Capital expenditure** (tangible and intangible assets) reached EUR 112 million (including EUR 22 million relating to new leasing contracts recognised during the year), compared to a recurring depreciation of EUR 173 million. **Goodwill and intangible assets** went down from EUR 323 million to EUR 320 million.

Our **working capital** decreased from EUR 224 million in 2019 to EUR 137 million in 2020, a significant improvement attributable to the disposals executed during the year and strict focus on working capital performance. Working capital level in percentage of sales went down from 7.6% in 2019 to 5.8% in 2020.

REBITDA in 2020
484
million euro
Like-for-like increase of 10.9% vs. 2019

Net recurring profit (Group share) in 2020
215
million euro
Increase of 15.1% vs. 2019

Our **actual return on capital employed** increased from 11.5% in 2019 to 13.4% in 2020. Excluding the impact of non-recurring items, the **recurring return on capital employed** reached 15.3% in 2020 vs 12.6% in 2019. Both financial indicators show significant progress and demonstrate the impact of our rigorous capital allocation strategy.

Subsequent events

As the COVID-19 pandemic continues to develop and an increasing number of countries are continuously reviewing their containment measures, companies around the world remain 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. We have limited visibility when it comes to 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 closely monitor the level of spending.

In January 2021, Etex acquired a majority stake in French offsite construction company e-Loft, which has become part of New Ways, representing a new step toward our ambition to shape the future of construction.

In February 2021, Etex completed the acquisition of Knauf's plasterboard business in Australia, expanding our geographical footprint and gaining access to a market that offers significant growth opportunities.

Outlook for 2021

The outlook for the first six months of 2021 is positive, as we have currently good visibility over our order book. Demand is strong overall, both in Europe and Latin America, especially for our plasterboard products. Etex continues to benefit from a continuously expanding renovation market as customers have accumulated savings, cannot travel and spend more on home repair and improvement. The outlook is more uncertain for the second half of 2021, as the new construction market will necessarily be impacted by the 2020 recession and the COVID-19 crisis will continue to impact the economy until vaccination campaigns will significantly contribute to normalise the situation. Therefore, we expect continued COVID-related volatility to impact our revenue this year and the next. However, Etex has a very low debt and has demonstrated its ability to face a major economic crisis.

Building Performance

2020 was Neil Ash's first year as Head of Building Performance, Etex's largest division. Its activities cover innovative plasterboard and fibre cement boards, passive fire protection solutions and dry construction systems for the residential and commercial markets. Neil highlights strong performance in an extremely challenging year and discusses the division's ambitious investment strategy.

An outstanding year in a difficult context through strong cost management, commercial excellence and a decisive response to the crisis.

→ **Neil Ash**, Head of Building Performance

How would you sum up the division's 2020 performance?

It was a good year for Building Performance, even in a very difficult context that nobody could foresee. Our teams successfully managed the COVID crisis and did a fantastic job of keeping supply routes open as much as possible and our factories up and running in accordance with the highest safety standards. I must emphasise the tremendous efforts of our teams worldwide, which made it possible for us to overcome unprecedented challenges in the most impressive way.

Furthermore, we didn't stop building on our strategic ambition to further grow our plasterboard and passive fire protection businesses. The biggest example of this came in the form of two crucial acquisitions, one in Australia and one in the UK.

How do these investments fit into the division's strategic roadmap?

In Australia, we purchased the business of Knauf Plasterboard Pty Limited, making it part of the Building Performance division's footprint in an attractive market with significant opportunities for growth. This also includes the acquisition of four state-of-the-art facilities, a robust knowledge base and a rich network of distributors and suppliers.

In the UK, we acquired FSi Limited, a company specialised in passive fire protection solutions with a strong focus on fire stopping, which we will use as a growth platform for the development and distribution of a broad, competitive range of fire-stopping solutions across Europe.

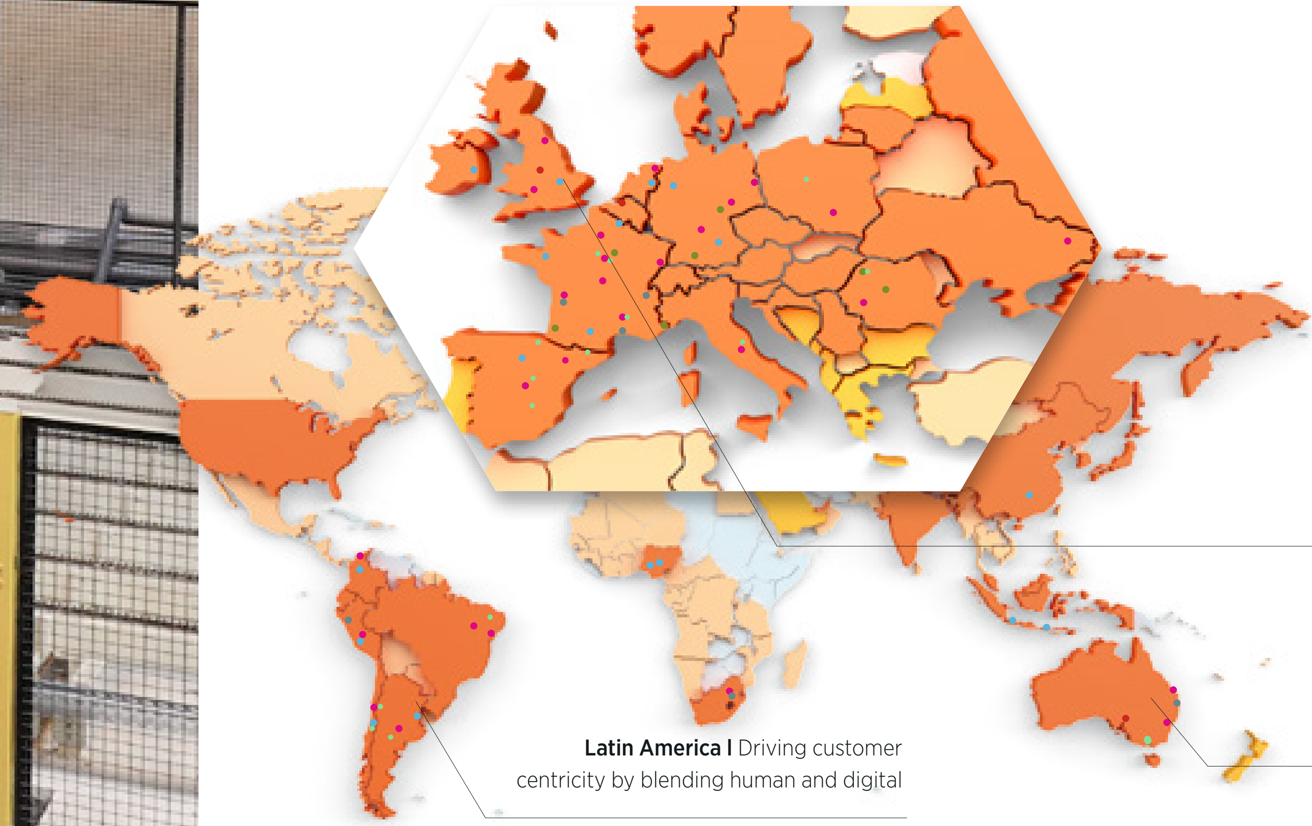
How did COVID-19 impact the division's staff and your customer relationship?

COVID was a fantastic leadership lesson for our business. It was amazing to see teams come together in solidarity on shop floors and in board rooms alike – the challenge brought out the best in everybody. During a tough second quarter, we carefully managed costs and viewed the new way of working as an opportunity to redefine the future of our interactions with customers. We worked closely with industry experts in revising our commercial structure, diving into customer personas and finding optimal ways to meet their needs and expectations to serve them even better.

Revenue of Building Performance (in EUR million)

-3.4% like-for-like

2020	**1,639**
2019	1,790



UK I Thrubuild, a pioneering end-to-end modular building solution

> READ MORE ON P. 25

Australia I Acquisition of the business of Knauf Plasterboard Pty Limited

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Latin America I Driving customer centricity by blending human and digital

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How did we perform in 2020?

Severely impacted by the COVID-19 pandemic in most of its operating countries, resulting in a negative impact on its top line, Building Performance was nevertheless able to record a stunning bottom line performance. This is due to a combination of market characteristics, ambitious cost management, dedication to commercial excellence as well as a decisive response to lockdowns and safety.

Revenue

Europe

A year-on-year decline in Northwest and Southwest Europe could only be partially offset by a good performance in Eastern Europe, which did not suffer as much from lockdowns as from mid-March. The retail segment experienced little impact of the pandemic with an increase in DIY and renovation, while the project segment was heavily impacted in some geographies. Revenue was significantly up in **Germany**, particularly for Promat, and the business met high demand. Germany and Romania are the only countries in Europe with increased revenue year-on-year. COVID had a severe impact on our activities in the **UK** and **Benelux** due to the lockdowns, putting a hold to a promising start of the year. In the UK, the business started to pick back up at the end of Q2 and the recovery accelerated over Q4 due to a Brexit anticipation effect. A dynamic plasterboard market boosted results in **The Netherlands**, and excluding 2019's exceptional Schiphol tunnel project, the business was up in 2020. In **France**, **Italy** and **Spain**, COVID paused our business for a number of weeks, with a strong market rebound (particularly in Italy) partially offsetting the revenue decline.

Latin America

The pandemic had strong impacts in the second quarter and the beginning of the third quarter of 2020, followed by a quick rebound helped by governmental support. As a result, like-for-like revenue for the full year is comparable to 2019 across the region, with an increase in Argentina attributable to high inflation offsetting volume decrease in the rest of the region. Performance in **Chile** was similar to 2019, and **Argentina** experienced a strong market rebound even in the context of continued hyperinflation. Activity was halted longer in **Colombia** and **Peru**, causing a later rebound. **Brazil** experienced a great start of the year, ensuring an overall performance at similar levels to 2019.

Asia and Africa

The business experienced a slight year-on-year decline in these regions due to COVID, particularly in **Singapore** and **Indonesia**. By contrast, new markets in **Australia** were opened, and the division launched a number of new projects there. Performance was good in **Hong Kong**, thanks to large orders of products destined to building new quarantine centres. **South Africa** was impacted by COVID lockdowns for several weeks, while **Nigeria** experienced a shorter lockdown period and benefitted from a positive price-over-cost effect.

Profitability

Factory closures caused by lockdowns in numerous countries around the globe led to significant impacts on the division's profitability due to lower volumes while associated costs were still recorded. Yet Building Performance was able to largely compensate for negative impacts in two ways: benefiting from lower raw materials and energy prices and implementing a robust cost reduction programme.

The execution of capital expenditure plans was also delayed, contributing to a sharp increase in free cash flow.

Outlook for 2021 and beyond

Needless to say, the outlook for 2021 remains uncertain, with possible austerity measures being rolled out in some economies. Government stimuli will likely be introduced, but the outcome is impossible to predict at this stage. As the world awaits the impacts of the COVID-19 vaccines, the true impacts of the 2020 global recession will become clearer.

The market is expected to return to a growth phase in 2021 versus 2020, in line with levels seen in 2019. We anticipate strong divisional performance in the first and second quarters of 2021, after which uncertainty increases due to the unpredictability of governmental support initiatives and the impacts of pent-up market demand.

Key commercial initiatives

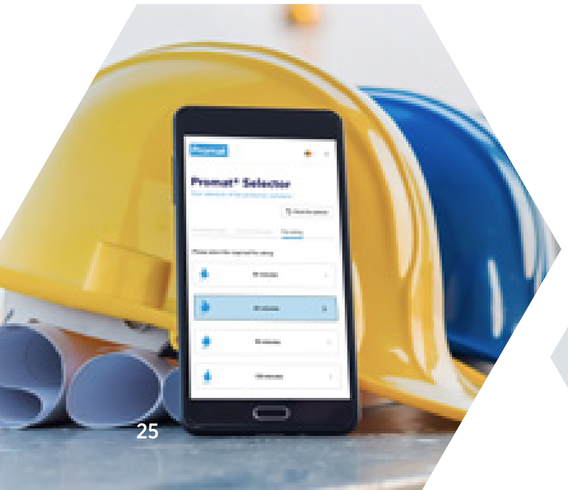
Focussed on technical expertise and customer experience, Building Performance covers a number of industry-leading plasterboard, fibre cement, fire protection products and dry construction solutions. It's challenging to choose just a handful of innovative product and commercial success stories from the many achieved by the division in 2020 – but below are a few outstanding highlights.

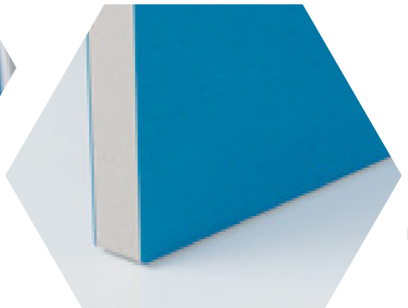
PROMATECT 100X: fully understanding our customers' requirements

In 2019, R&D began working on a next-generation building compartmentation system to keep fires in check. "What makes PROMATECT 100X unique from a technical standpoint is the fact that it has been tested in realistic conditions, with spectacular results", states **Erik Spillemaeckers**, Head of Passive Fire Protection Business Platform.

PROMATECT 100X combines fire testing and behaviour expertise with Etex's unique technologies, such as PROMAXON. "Its user-friendly installation increases productivity on job sites and offers a competitive total cost of ownership", says **Agnieszka Gajek**, Promat Global Head of Marketing and Innovation.

PROMAT Selector App





PROMATECT 100X board

Digitally elevating the world of fire protection as a whole

In 2020, the Building Performance team developed two free-to-use firestopping apps, PROMAT Selector and PROMAT Reporter, to further aid installers.

"Selector makes it easy to choose firestopping portfolio products needed to tackle a specific firestopping application in a project", says **Bettina Rothböck**, Global Product Manager Firestopping. "Reporter, on the other hand, enables installers to digitally report to the contractor or building owner and deliver all of the certificates needed to guarantee a high-quality installation and seamless maintenance."

Introduced in 2020, the new Promat.com website offers one global website structure that is then customised dynamically based on where the visitor is located, giving our local businesses the freedom to tailor the products, systems and news items shown to their specific markets.

And with a brand-new webinar series, Etex is now actively sharing our deep knowledge of fire protection with external architects, engineers, installers and fire safety consultants.

Lightweight innovations in Latin America

In 2020, Building Performance successfully boosted sales of two novel lightweight boards introduced to the residential market in Peru and Brazil in 2019. A lighter and green Gyplac plasterboard was developed for wet or humid areas, optimising installation and workability for installers and homeowners. Chapa Top, on the other hand, is a light ceiling board that is easy to work with as well as cheaper and simpler to transport.

Building Performance and New Ways join forces on Thrubuild

Two Etex divisions joined forces in the UK to pioneer a new end-to-end modular building solution, Thrubuild, designed specifically for the residential market. "With Thrubuild, we use Etex-owned technologies to create the entire building structure off site using industrialised processes, and then deliver it to the customer's premises for assembly", says **Sergio Sandoval**, Head of Strategic Initiatives Modular at New Ways.

"By partnering up, we can guarantee superior mechanical and acoustic performance, and offer a high-quality, cost effective, easy-to-install building solution for homes and schools", explains **Matt McKay**, Commercial Excellence Leader.

DEFENTEX

Collaborative innovation creates a safe, sustainable and highly technical product

What makes DEFENTEX unique

- Incorporates a racking system for use with wood framing
- Comes with a rain barrier built in
- Resists termites
- Compatible both with closed and open cladding approaches
- Outperforms competing products, even when wet

→ **Bruno Segol**
Siniat & Promat Product Manager at Etex France.

DEFENTEX is a highly technical product and completely focussed on customer needs. It was an honour working with such a highly engaged team to develop it. The journey wasn't easy: we had many challenges to overcome. But today, we offer a truly outstanding product.

Bruno Segol, Siniat & Promat Product Manager at Etex France, set out in 2017 to develop an innovative, sustainably-minded exterior plasterboard capable of standing up to multiple challenging conditions. Three years later, DEFENTEX is poised to become a rising star in the country's growing wood-framed construction market.

An Etex colleague for a staggering 27 years, Bruno Segol has participated to the launch of quite a few innovative products during his career. "I contributed to the development of AquaBoard and Weather Defence 20mm", **Bruno** explains. "These developments ensured a competitive range of plasterboards for external applications that covers the entire French market."

A renewable construction material takes the stage

Three years ago, a multidisciplinary Building Performance team made up of colleagues from innovation, product management and sales identified a new need in the market linked to the rise of wood-framed construction. "The French government has started offering strong incentives to businesses for launching wood-based construction projects, since wood is a renewable resource that actually absorbs CO_2", he continues.

After carefully investigating the real pain points of potential customers, Bruno and his team set out to develop an innovative solution to solve them. With wood-framed construction, exterior walls must have a racking system. "In addition," **Bruno** points out, "our new board had to be cost effective, incorporate a rain barrier, transfer internal humidity to the outside, stand up to termites and be compatible with many types of cladding."

Fusing two Etex plasterboard technologies

An intensive process of R&D kicked off and involved our Innovation & Technology Centre (ITC) in Avignon, France. "The European Union has strict certification requirements that we had to meet, in addition to those that are specific to France. This meant a long process involving technical validation that was successful thanks to the tireless dedication of the R&D team in Avignon and the Ottmarsheim plant."

In the end, by combining two unique Etex technologies, they developed a board that outperforms competing products even when wet. "It was tough to introduce a plasterboard for external application to the market – it seems almost like an oxymoron – but in the end, DEFENTEX ticks every single box", **Bruno** asserts. "It's simply an outstanding product."

Driving customer centricity by blending human and digital

Our digital roadmap at Etex helps us to a deliver value to our customers and put them at the centre of everything we do. As part of this ambition, the regional supply chain and customer service teams in Latin America rolled out an omnichannel platform in 2020 that will serve as the basis for delivering exceptional customer experiences worldwide.

→ Mauricio Villegas

→ Lis Rios

→ Claudia Moya

Forging the missing link between Etex and distributors

Over the last few years, Etex Colombia had been encountering communication bottlenecks with key customers: the distributors who purchase Etex products to sell to end consumers.

"We discovered that we were investing a lot of effort in end customers, while our biggest direct clients were not being acknowledged enough", explains **Mauricio Villegas**, Commercial Business Manager at Etex Colombia. "We realised we needed to enhance our connections with them – so, we set out to do just that."

Led by the regional supply chain team, all Etex businesses in Latin America shared a bold ambition: to fill this gap and better support customers' needs through an integrated customer experience transformation project covering supply chain, sales and every single functional area of the business.

"We want to deliver value to our customers' businesses by streamlining and automating every single operational and purchasing touchpoint via one central tool, but also by ensuring consistently excellent human support as needed", explains **Lis Rios**, Regional Customer Service Manager for Latin America.

The Etex Services Centre is born

A set of digital tools supported by a committed team – the Etex Services Centre – empowers each customer to enter his/her own orders and reach invoicing, credit, quality, claims, technical support, product information and more.

"Previously, sales representatives were spending significant time on these repetitive tasks. Today, with the Etex Services Centre, they can focus on sales strategies and entering new markets", **Mauricio** explains. "And all of this, while enabling us to strengthen our relationships and increase sales."

"Thanks to the centralisation of all customer data and the flexibility of the tools, the Etex Services Centre also allows us to offer the same level of service to any customer in Latin America – tuned to the unique operational, logistical and customer needs of each country", **Lis** adds.

United under the flag of customer service excellence

The regional supply chain and customer service teams in charge of the project began with rollouts in Argentina, Chile, Colombia and Ecuador back in 2019. "But it hasn't been a simple process", asserts **Claudia Moya**, Commercial Manager at Etex Chile. "We made significant investments in change management processes, both internally and externally.

The team also had to launch an ambitious training initiative for customer-facing personnel. "In addition to introducing agile ways of working and new customer service protocols, we worked hard to align everybody under the flag of customer service excellence and to ensure that they understand not only how the Etex Services Centre works – but why it is so important for Etex", **Lis** says.

Overcoming challenges – and seizing unexpected opportunities

But just as the project was gaining momentum across Latin America, COVID-19 hit. "An implementation is enough of a challenge under ordinary circumstances", **Claudia** states. But with a global pandemic, every aspect of the project went digital – from process redesign and internal training initiatives and workshops to digital tool development.

"Even more, our customer training courses also went virtual", adds **Claudia**. "As you can imagine, this caused some bottlenecks at first, but in the end, the pandemic pushed our customers to rely on new technologies. This is a good thing, not just for their businesses, but for our teams as well."

"Despite the challenges, everything came together, and we are now on the path to customer service excellence", **Lis** asserts. "Today, 2,000 different distributors are active on the platform with over 8,000 requests per month, and it is clear from their feedback that it makes a big positive difference."

"Through the Etex Services Centre, our customers can count on an experience that meets all of their needs, from the moment they place an order until they receive it – and beyond", **Mauricio** says. "Our service is now a key element of our value proposition."

The implementation and go-live in Peru and Brazil was finalised in the first quarter of 2021, thus achieving full regional harmonisation in customer service.

Born to go global

While the Etex Services Centre is based in Colombia and was co-developed regionally for customers in Latin America with the help of the central Etex digital team, it will serve as a template for customer experience transformation projects in other geographies.

"Etex teams in other countries outside Latin America are already using our portal, processes, service-level agreements and configurations as models", says **Lis**. "They serve as the starting points for a global platform that can be adapted to suit customer needs in different areas."

"We have very big ambitions with this project", **Claudia** adds. "Our dream is to be the service leader in our industry. 'Passion for Excellence' – this was and continues to be our team's driving pillar."

Exteriors

The Exteriors division was created in January 2019 to consolidate our fibre cement solutions for roofing, façades and terraces. Division Head Michael Fenlon has worked with his teams to define an innovative strategy to keep Etex top of mind for home-owners, installers, architects and more. Discover the division's achievements in 2020, in Michael's words.

→ **Michael Fenlon**,
Head of Exteriors

We used the COVID context as an accelerator to drive change.

On a high level, how would you summarise the performance of the Exteriors division in 2020?

If 2019 was a year of change, in 2020, we shifted gears and moved into strategy execution mode. We launched ambitious initiatives to implement the priorities we identified in the previous year – all of which serve to build our vision of the future of fibre cement.

Our priorities centred around three 'big moves': engaged and passionate employees, superior customer focus and a commitment to innovation driven by sustainability. Underpinning all of these pillars is, of course, our relentless focus on safety. We kicked off 2020 with concrete projects in these areas.

Revenue of Exteriors

(in EUR million)

2020	**569**
2019	591

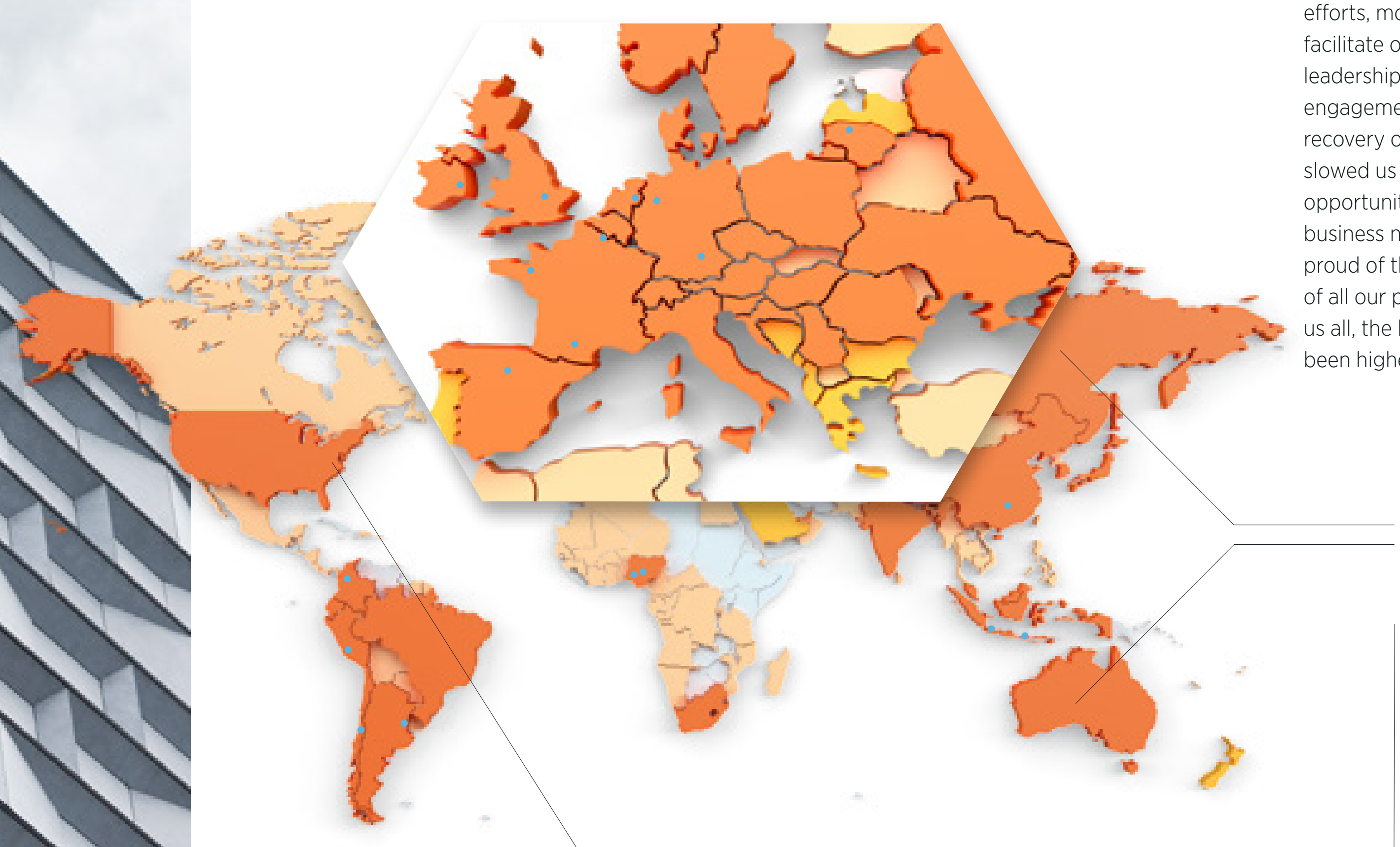
-0.7%
like-for-like

Is there one big initiative that stands out as a 2020 highlight?

Absolutely. We successfully brought our corporate brand to life and clearly positioned our commercial brands with enthusiasm and energy – and this in the middle of a pandemic! This new brand architecture helped us focus, and our teams thoroughly revamped our business models for each brand to place our customers in the centre of what we do. Our teams have already put in huge amounts of work when it comes to mapping out the customer journeys for our three core brands. Now, the Exteriors team is working across boundaries to pilot and scale up disruptive ideas, redefining ourselves to ensure that we adapt in an agile way to our customers' needs.

How did the advent of COVID impact the division?

After a short pause in our activities due to the lockdowns in several countries, we accelerated every single initiative by empowering our local leaders to take action in our facilities and sales organisations. We significantly increased the scope and rhythm of our communication efforts, moving to virtual platforms to facilitate our roadshows and to roll out our leadership principles. The result was enormous engagement, solidarity and, thankfully, a rapid recovery of our business as from Q3. COVID slowed us down, yes, but it was mostly an opportunity to accelerate the change our business needs to shape the future. I'm truly proud of this achievement, and the response of all our people. After a year that challenged us all, the level of trust in our division has never been higher.



Australia, Russia and the United States
Thriving in all corners of the world

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SITES
Fibre Cement

How did we perform in 2020?

The three core business segments of the Exteriors division were impacted by COVID-19 in different ways. Overall, revenue was slightly reduced, but profitability was significantly up year-on-year. While the year was punctuated by slowdowns in most markets due to the pandemic, most geographies and markets recovered exceptionally well, with positive trends unfolding in 2021. The division continued to invest strongly in high-potential new markets around the world in 2020.

Revenue

Agricultural

Europe*:* the impact of COVID on the agricultural segment in Europe was marginal. Sales performance in most European countries continued as expected, apart from the short, whole-market lockdown imposed by legislators. **The Netherlands** continued to be impacted by the discontinuation of subsidies (see Etex's Annual Report 2019, p. 42), as well as the Dutch nitrogen crisis, caused by a high concentration of livestock in a small area. As a result, farmers were cautious about investing. Product quality issues of 2019 in **Spain** and **Germany** have been resolved, leading to good performance.

The long-term decline affecting large animal farming is continuing.

Residential

Latin America: following a challenging COVID-19 lockdown, revenue in almost every Latin American market recovered exceptionally well. The residential market in **Chile** continued to be impacted by social unrest, exacerbated by long COVID-19 lockdowns, but recovery in both Chile and **Argentina** at the end of 2020 was very strong.

In the field of low-income residential construction (corrugated sheets), **Colombia** and **Peru** were impacted more heavily than other countries.

Europe: following a good start to the year, Q2 was significantly impacted by COVID. All European markets recovered well in Q3 and Q4 after the lockdown period, also driven by a very strong positive trend in home repair, maintenance and improvement.

Architectural

North America: significant growth was achieved in 2020 compared to 2019, and new investments continued to be made throughout the year.

Europe: ongoing projects were continued and delivered throughout the year. However, new projects were delayed until 2021 or beyond, thus the overall impact of COVID-19 was low but extended over a much greater period, with no recovery in sight for now.

Export: the division continued to invest in new markets with positive developments, although COVID impacted large investments, leading to delays in the project pipeline. The **US** showed significant growth compared to 2019. **Australia** was severely impacted by COVID but is recovering well, with a very strong pipeline. Our export business, Europanels, which serves the Middle East, Africa and Latin America, continued to grow.

Profitability

Taken as a whole, 2020 was marked by a positive evolution in profitability for Exteriors. The division's sharp segment strategy bore fruit, while input prices decreased; an ongoing trend that continued from 2019. In addition, Exteriors improved overhead costs, thanks to cost reduction initiatives implemented in 2019 and, in reaction to COVID, in Q2 2020.
The result was improved margins, lower overheads and increased performance overall.

Outlook for 2021 and beyond

In a time of continuing uncertainty, the agility of the Exteriors division will play a strong role in its ability to respond to fluctuations in supply and demand caused by COVID-19 uncertainty in 2021. Investments in digital tools, lean organisational structures, new ways of working and flexible business models made in 2020 should continue to pay off moving forward.

The residential segment is expected to continue to perform strongly in the short term with limited visibility in the mid to long term. The architectural segment will gradually recover over 2021 but will most likely not return to 2019 levels until 2022 or later.
The agricultural segment is expected to follow the same stable, slightly declining trend of the past several years.

Key commercial initiatives

The Exteriors division is known for developing premium products with high technical performance as well as visual and tactile appeal that leaves a lasting impression. Last year, the division's global strategic branding journey was initiated, which is founded completely on the real needs and demands of its customers. This journey will serve as the foundation for 2021.

'House of Brands': a powerful story three years in the making

The Exteriors global team kicked off the global 'House of Brands' project in 2017, which aims to meet customers' real-life needs and offer excellent experiences and interactions. Specific personas were identified for each Exteriors commercial brand; architects for Equitone, farmers for Eternit and installers and homeowners for Cedral.

"Our identity has been clearly defined, and we speak the language of our customers through these brands. The customer is at the core of our activities and each brand is linked to a specific value proposition targeting a specific group of customers", explains **Philippe Rubbrecht**, Division Head of Brand Management.

Then came the biggest challenge yet: getting the message across internally. "We put together a task force made up of Exteriors colleagues across functions and countries", says Philippe. "Together, we crafted a campaign to explain the House of Brands and its importance to our organisation – as our commercial brands are our most powerful connections to our customers."

"Instead of taking a top-down approach, each local organisation was involved in the rollout", describes **Neringa Veliene**, Country Manager for Etex Baltics. "Making everybody part of the conversation has turned out to be incredibly valuable in fostering a unified vision and understanding. This is exactly what Exteriors is all about, and I'm confident that our customers around the world will appreciate it."

The Exteriors business model undergoes a customer-driven evolution

Following up on the House of Brands exercise and on the basis of a customer journey mapping research project, a dedicated Exteriors team kicked off a new evolution in January 2020. Their goal? To shape the Exteriors business models entirely around customer needs.

"Today, we have truly strong brands, and deeply understand our customers' journeys", asserts **Jo Goossens**, Strategic Marketing Manager. "Now, it is time to take concrete action to deliver our brand promise at every step of that customer journey and address every customer pain point – while enhancing our performance at the same time."

50 Exteriors colleagues from a wide range of roles participated in a series of workshops held over several months to define the division's new business models, a process that was actually accelerated by COVID. " We effectively embraced new ways of working and accomplished in months what would normally take years, and participants were extremely enthusiastic about the exercise", **Johan Leo**, Commercial Finance Business Partner, enthuses.

"I'm proud to be a part of the team that is shaping the Exteriors business model to bring even more added value to our customers", says **Djamel Zeganne** from Supply Chain at Etex France. "We offer quality products and materials – but we go beyond that with end-to-end solutions and options they may not have considered."

EQUITONE [tectiva] TE 85

Continuously involving the customer, from R&D to launch – and beyond

Why EQUITONE [tectiva] TE 85 stands out

- Through-and-through coloured
- Does not require edge finishing
- Looks and feels like natural volcanic material
- Excellent mechanical performance
- Darkest fibre cement product of its kind

→ **Geert Van Kelecom**
Division Head of Product Management at Exteriors

With EQUITONE [tectiva] TE 85, we can offer architects a dark, uncoated material within the EQUITONE family to express themselves. They connect this graphite hue to nature, something that is both visual and tactile. And thanks to our rigorous commitment to quality and excellence, it's one of a kind.

Architects around the world have a deep connection to all shades of grey, prompting the Exteriors team to bring a dark colour within the colour range of EQUITONE [tectiva]: a graphite, uncoated, through-coloured fibre cement panel with a natural and mineral look and feel.

Tasked with developing the solution, **Division Head of Product Management Geert Van Kelecom** didn't hesitate for a moment. "We put our heads together – with colleagues from across Etex departments as well as with our customers – to create a new member of the EQUITONE family.

Rethinking the process

During the development process, the team went in with knowledge gained from experience. "We developed a deep, dark colour after collecting input from a wide range of architects. But consistently producing it meant rethinking the way of working and redesigning the production process with the help of a multidisciplinary task force made up of colleagues from different departments."

Fine-tuning an agile product journey

Thanks to the dedication of this task force, the way Exteriors develops, tests and launches materials has also been completely revolutionised. "Today, instead of launching products globally, we launch them in phases. This gives us the valuable ability to learn from our campaigns, adapt and make them even more effective," **Geert** asserts.

"Another important aspect of these phased pilot launches is 'hypercare' – following up closely with installers, architects and building owners to collect detailed feedback about the performance of our materials," he continues. "This feedback is highly appreciated, and it's clear from their responses that architects truly see something special in the quality, beauty and performance of EQUITONE [tectiva] TE 85."

Innovation that goes beyond R&D

However, Geert believes that the success of this product is due to much more than Etex's technical expertise.

"There was clear and dedicated project management and follow-up," he explains. "EQUITONE [tectiva] TE 85 isn't simply a novel material in a new colour. So much goes on behind the scenes – expert organisation of resource flows, a deeply collaborative way of working that transcends organisations and boundaries, and much more. The value of this approach has been proven with this project, and the progress we witnessed in just one year is truly incredible."

Thriving in all corners of the world

Etex operates over 100 facilities in 42 countries – but we also have customers in markets where we have no manufacturing footprint. To serve their needs, the Exteriors division relies on compact organisations spread across the world. We asked our colleagues in these offices to share the trials and triumphs of operating without larger fibre cement production facilities within close proximity.

→ Nicolas Macor

→ Dirk Zimmerling

→ Arkadiy Antonchik

→ Gianfranco Apicella

Excellence in exports with the global EPO organisation

Euro Panels Overseas (EPO) Business Unit Manager **Nicolas Macor** has been at Etex for over 20 years in various roles – relocating from continent to continent on his quest to break fertile new ground for Exteriors.

This commercial unit was established 20 years ago to reach markets where Exteriors has no local presence. "EPO is unlike any other Etex activity in the world", **Nicolas** asserts. "We're located everywhere and on every continent, but we don't operate production facilities. Since distributor partners act as our ambassadors to end users, it is our job to familiarise them with our brands and the added value of our solutions."

Organised by continent and region, EPO covers parts of Asia, the Middle East, Africa, Latin America, East Europe, "and the 'rest of the world'," **Nicolas** adds, "which includes Finland, Canada, the Balkans, Cyprus, Lebanon, Greece, Israel and Turkey".

"In every region, we have one Sales Manager supported by a Belgium-based team extremely specialised in export activities, complex tax rules, payment and logistics terms, etc. This export expert manages ordering and logistics processes from end to end. Our Belgian customer service team supports distributors all over the world in ten languages, helping them 24 hours a day, five days a week with technical support, installation and project realisation."

"Today, we are focusing much of our efforts on digital marketing and other digital tools, such as an e-learning platform", **Nicolas** concludes. "We strive to find innovative ways to boost EQUITONE brand awareness, market penetration and customer satisfaction."

In this together in Australia

Born and raised in Germany and now located in Melbourne after spending portions of his career in China and San Francisco, Country Manager for Etex Australia and New Zealand **Dirk Zimmerling** is new to Etex – but not to business development.

"Before I arrived", **Dirk** recounts, "the team here had put a lot of work into introducing the EQUITONE brand as premium fibre cement products to the markets in 2016 and differentiating them from other fibre cement products. That hasn't stopped, of course, but now we're well known by architects and installers across the region. However, distributors are seen more as partners in Australia, as spot-on timing and inventory levels play key roles in export within this geographically isolated location.
As a result, strengthening our relationships with these distributors is a fundamental goal for us."

Dirk is enthusiastic about the trajectory of and future plans in place for his eleven-strong team. "We introduced Cedral to New Zealand in 2020 and saw plenty of enthusiasm from potential customers, as there is nothing else like it on the market", he says. "We're looking forward to launching it in Australia in 2021. Our ambitious goal is to double the size of the business in Australia in the next five years and to build even stronger relationships with architects and distributors."

Running a tight ship in Russia

Etex Russia Country Manager **Arkadiy Antonchik**'s search for an interesting new opportunity is what inspired him to join Exteriors in 2015. "I came from a large, rigidly structured company, but after learning more about Etex's ambitions, I enthusiastically exchanged that big ship for a little boat", he recalls. "The Etex team in Moscow was much smaller, but their energy was huge. On the other hand, the rules and structures hadn't yet been developed or put in place. That was when I jumped aboard."

First, Arkadiy set out to simplify the team's market approach and define goals and priorities. "Next, we developed extremely clear proposals and committed to meeting every customer expectation in terms of quality, warranty, claims handling and technical support. Over the next two years, we put every effort into delivering on these commitments to earn the trust of the homeowners, installers, dealers and architects in our market."

But even though Arkadiy and his 42-strong team are far removed from other Etex offices, they appreciate the very short connections of an integrated global company. "This is one of Etex's standout qualities, and it's how we are able to reach markets like ours with Etex's EQUITONE and Cedral products."

'Smartening up to scale up' in the United States

Back in 2013, the United States was identified by Etex as a high-potential market for architectural façades. "The decision was made to establish an export organisation for façades, initially based in New York City", recalls **Gianfranco Apicella**, now Head of Europe at Exteriors. "After four years, we had achieved strong growth and market penetration, but we were still operating like a start-up organisation. It was clear that we needed to smarten up the organisation in order to scale up our activities, which would enable us to grasp bigger growth opportunities in the market for EQUITONE."

Today, the Exteriors commercial team is spread across five large cities – New York, Chicago, Boston, San Francisco and Los Angeles. "Our processing and marketing team is hosted at the Industry division's location in Maryville, Tennessee, but our commercial experts are out in the field", **Gianfranco** explains. "The distance between us – and from our Equitone production facilities in Belgium and Germany – does pose some challenges. For example, delivering to a customer in New York takes twelve weeks; delivering to Los Angeles takes sixteen. As a result, planning is absolutely essential, particularly for regions with short building windows, like Alaska. Crucial to the planning efforts is the communication between the supply chain experts at EPO and the factories responsible for manufacturing solutions for Exteriors customers in the US."

Hong Kong Museum of Art

Western valley, Russia

Bel Air, United States

Industry

Led by Steven Heytens, our Industry division develops and produces cutting-edge insulation products and fire protection solutions that are found in diverse buildings, industrial structures, energy storage technologies and vehicles, from the skies to the ocean floor. Steven provides a high-level overview of the division's context, performance and achievements in 2020 – and a glimpse at the future.

Despite extremely tough conditions for our markets, we never lost sight of our strategic execution.

→ **Steven Heytens**,
Head of Industry

What main messages would you like to share to describe 2020 as a whole for the Industry division?

The year was very much about executing on our 2025 strategic roadmap, which we defined in 2019. However, Industry was hit very hard by the results of the pandemic, as our business is project based. With lockdowns forcing most of our customers to postpone or cancel projects, our division suffered as well, further down the chain of business.

But there is good news to share. Due to our ongoing strategic efforts in 2020, we now have a robust commercial organisation in place that has shifted from a geographical to a segment basis, enabling intra-divisional collaboration and alignment. Today, we are rolling out an end-to-end customer experience platform for Europe. With this in place, we are preparing to further digitalise our interactions with customers, improving our service and laying the groundwork for lead generation and commercial activities to come after market conditions improve.

In terms of COVID impacts on the division's markets, is there a recovery in sight?

We immediately put a number of initiatives in place to limit and offset COVID-19's impacts on profitability. The cost containment measures we have put in place are quite impressive, and we have executed commercial restructuring as well, by rolling out a technical platform and a customer service platform. These efforts were initiated before COVID hit us, and they helped us contain its negative impact. By December 2020, our divisional pipeline for future sales was at the same level as pre-COVID, which is very encouraging, but the evolution of the situation remains uncertain. It may take us a couple of years to absorb the impact, no matter the scenario.

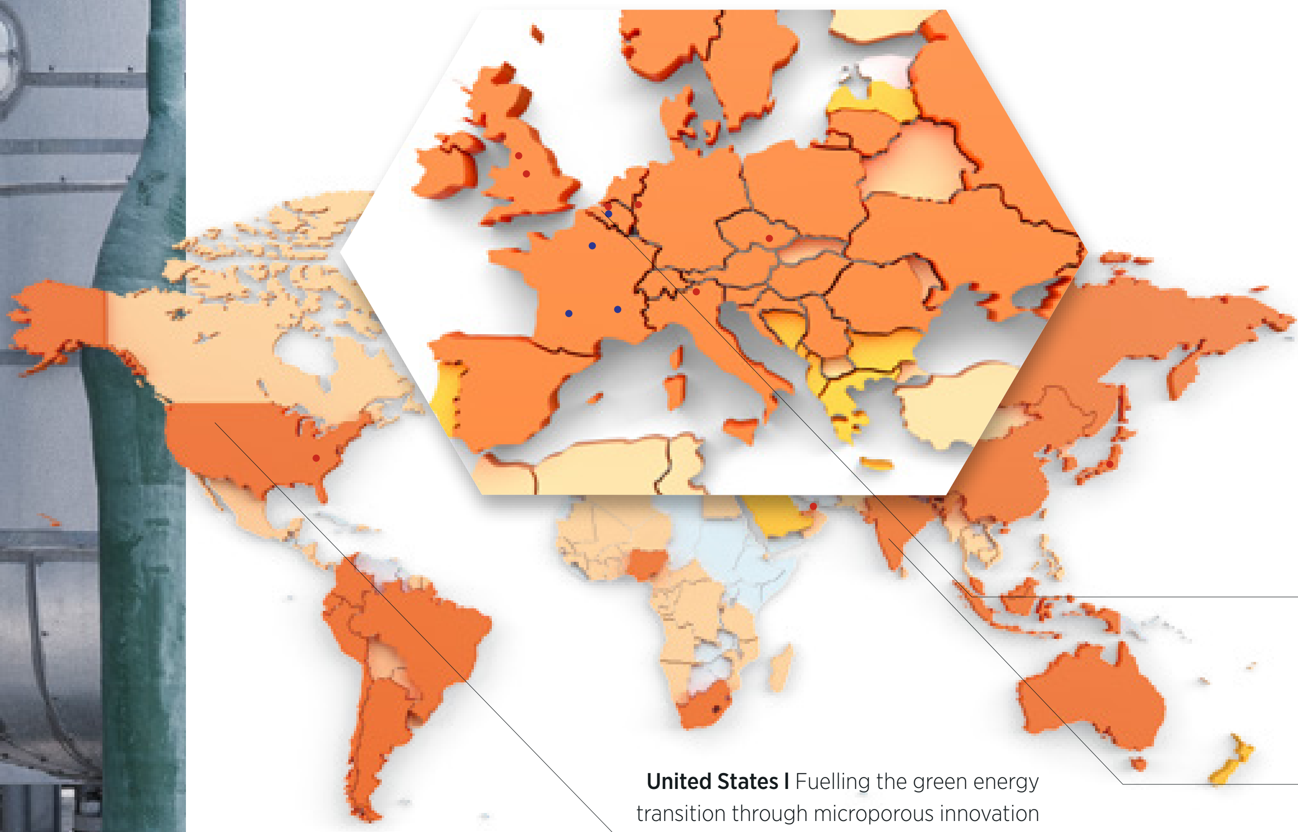
What factors will enable the division to bounce back?

Our focus on new growth segments and our strong strategic execution in 2020 will be key here. Our talented teams have shown great resilience in tough conditions, which was boosted by our performance-driven new organisational structure and commitment to global processes, knowledge-sharing and best practices.

Revenue of Industry (in EUR million)

2020	**144**
2019	179

-18.9% like-for-like



United States I Fuelling the green energy transition through microporous innovation

> READ MORE ON P. 33

Belgium I Keeping it cool while COVID-19 vaccination strategies heat up

> READ MORE ON P. 33

India I Etex India drives synergies in a dynamic market

> READ MORE ON P. 34

SITES
● Fire Protection ● Insulation

How did we perform in 2020?

The Industry division was heavily impacted by the COVID-19 pandemic in almost every geography. Partial recovery began before the end of the year, however, with certain segments experiencing significant pickups in Q3 and Q4. Other industries like transportation and oil & gas continued to evolve negatively throughout 2020, but the division's increasing focus on fire rated building components and sustainable energy solutions promises a further recovery.

Revenue by region

Europe

Our business was severely impacted by the lockdowns imposed across Europe as from mid-March, especially in **France**, which is mainly a transportation market, the **UK**, **Italy** and **Southeast Europe**. The DACH region – **Germany, Austria and Switzerland** – remained a stronghold, as it was significantly less impacted by COVID-19 measures than neighbouring countries. Business in **Germany** centres around industrial and construction activities and remained quite strong throughout the year.

Asia and the Middle East

China and **Japan** were impacted very early in the year by COVID-19, with Japan's performance strongly linked with outcomes in China. On the other hand, 2020 sales performance in **India** was stronger than it was in 2019, and new strategic partnerships in the country are beginning to deliver results. Following a year of exceptional sales driven by oil & gas projects in 2019, our activities in the Middle East and in Southeast Asia faced a severe slowdown as construction sites were locked down and new projects were put on hold.

North America

Revenue in the **United States** was only slightly lower in 2020 than in 2019, as it was impacted less by lockdowns. The US was, however, affected by COVID-related supply challenges originating in Europe. Nonetheless, the last quarter of 2020 was very strong. There are promising prospects in specific segments, such as energy in the US and Mexico.

Revenue by segment

Transportation

This segment includes rail, commercial air and marine, the latter two of which were powerfully and unilaterally impacted by COVID-19 worldwide whereas railways and automotive performed well.

Thermal process industry

The ongoing global recession continued to affect this segment worldwide in 2020. Industry is in the process of adapting its commercial strategy here. However, the segment performed better than expected, even within the context of COVID-19 (temporary closure of our facilities as well as the ones of our customers).

Oil & gas and energy

The Industry division's business in this segment continued to shift in 2020 from oil & gas projects – several of which were placed on hold due to the COVID-19 pandemic, including Dangote (see our Annual Report 2019, p. 63) – toward sustainable energy applications. The potential for these applications is expected to grow moving forward.

Fire-rated applications and appliances

COVID-19 impacted performance in this area during the second quarter of 2020, but orders increased in the third quarter, achieving positive growth by the end of the year. The outlook for fire rated and thin insulation is strong, and the appliance market is in a recovery phase, with opportunities already present on the horizon.

Profitability

From mid-March 2020, COVID had an immediate negative impact on the profitability of the Industry division due to the nature of its business. Thanks to significant efforts in cost containment and commercial restructuring, as well as the rollout of the technical and customer service platforms, the division faced the pandemic in a strong, well-prepared position.

Structural savings were delivered to contain the impacts of COVID as much as possible, with governmental support in certain countries. In November 2020, overall profitability levels were higher than they were before COVID, indicating the strength and effectiveness of the division's overhead reduction and margin management initiatives.

Outlook for 2021 and beyond

Industry has observed a clear yet fragile recovery beginning in the third quarter of 2020 and moving into 2021. Orders kept on rising at the beginning of this year, but the COVID evolution continues to colour all projections and forecasts, particularly in the commercial air and oil & gas segments. In terms of the acquisition of new customers, trends are good, and the outlook is positive.

In spite of the pandemic, the Industry division is very well positioned to tackle challenges in this new context, all the way from sales and operations. This year also features an ambitious mergers and acquisitions agenda which, combined with new growth initiatives and a leaner organisation overall, are expected to generate profit.

Key commercial initiatives

In 2020, the Industry division continued on its tradition of excellence in product innovation, strategic positioning and strong partnerships in key markets across the globe. Enhancing the year's results is Industry's fully optimised new organisational structure. Discover how we expand our contribution to the world by enabling green energy production and vaccine transportation, among other achievements.

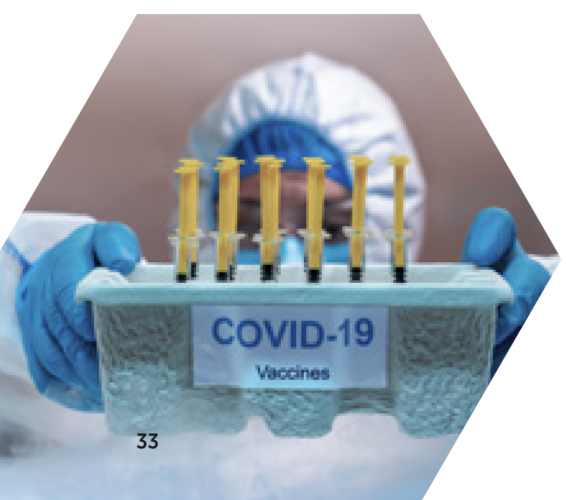
Partnering up for the future: co-development opportunities in India

Since 2019, Industry's teams in this high-growth country have been working hard to strategically grow Etex's position in the passive fire protection and high-performance insulation markets through collaborations with industrial leaders.

In partnership with Berger Paints, Etex India produces PROMAT intumescent paint for structural steel fire protection and a range of PROMAT fireproofing sprays.

Alongside German manufacturer Würth, Etex India launched a comprehensive range of fire-stopping products that are jointly branded with PROMAT. "It's a win-win situation - we gain access to Würth's market and innovate together while offering support to bridge their gap in firestopping technologies", says **Tarun Maheshwari,** General Manager of Etex India.

Narsi and Etex have teamed up to develop ground-breaking fire-resistant door solutions for large developers and construction firms. Tarun: "As a completely local innovation initiative, it's very exciting for the Indian government, which requires the use of Indian-made products." (read more on p. 34)



Fuelling the green energy transition through microporous innovation

The trend toward green energy is gaining momentum across the world – and Etex is contributing to the transition. "The Industry division develops extremely efficient microporous insulation solutions specifically for fuel cells. These cells use mainly hydrogen to generate electricity cleanly and at very high efficiency", explains **Bill Gregg**, Business Development Manager at Etex USA. "Running mainly on natural gas or even biogas, these are a nearly emission-free method of providing consistent power or back-up power in small spaces, and for critical activities such as in medical facilities and data centres. Fuel cells are also used alongside renewable energy sources and in applications where solar or wind energy isn't available."

Industry's microporous solutions are the most efficient high-temperature insulation materials on the market. "But in addition to offering superior products, we take our customers' needs into account from the very beginning of the fuel cell design cycle", Bill continues. "We ensure a perfectly tailored bespoke solution that integrates the insulation into their design – rather than adding it as an expensive afterthought."

Keeping it cool while COVID-19 vaccination strategies heat up

Responding proactively to the skyrocketing global need for high-performance passive cooling systems to support COVID-19 vaccine distribution, our Industry division fine-tuned existing technology to anticipate the needs of customers. "A huge Industry team collaborated closely with our customers to adapt our extremely thin, light, vacuum-sealed microporous insulation panel solution, SLIMVAC, specifically for vaccine shipping containers", says **Gaetan Mahias**, New Growth Business Leader.

"These containers have to keep these perishable pharmaceuticals within a range of temperature difference of a few degrees for more than three days", adds **Kris Dullaert**, Business Development Manager. "We customised our SLIMVAC panels to safely store the maximum volume of vaccines. Our solution outperforms standard foam insulation by a factor of five."

Shaping insulation standards with sustainability in mind

Etex is actively developing PROMAT solutions that support the European Green Deal, which prioritises building energy efficiency and cleaner forms of transportation. The high insulation value delivered by ultra-thin insulation panels allows significant savings in time and money on new-build and renovation projects in a way that is simply not feasible with classic mineral wool or foam insulation products.

PLURATECT MARINE LIGHT

Etex strengthens its activities in the marine market with a super product and a winning team

What makes PLURATECT innovative

- Super low density of only 500 kg/m^3
- Available in up to 3.5 m boards
- IMO-certified non-combustible, moisture-repellent board
- Fire class C and B15
- Simple, dust-free installation
- 100% recyclable

→ **Ilja Doroschenko**
Head of Product Management

The result of a committed, open-minded, creative innovation process, PLURATECT MARINE LIGHT meets every customer demand and can be flexibly and rapidly produced. We worked closely with customers to adapt our product to their needs and manufacturing processes – and we did it in just sixteen months.

One year ago, **Head of Product Management Ilja Doroschenko** jumped in the marine industry plasterboard field. "In the calcium silicate-focussed cruise ship domain, I knew it would take some wild ideas to develop a plasterboard technology based product for compartimentations, linings and fire rated applications that outperforms all other options out there," he says.

In 2018 and 2019, Etex was facing tough competition in supplying cruise ships with ultralight, high-performance, non-combustible calcium silicate boards. The biggest challenge, though? "Our production line was set up in such a way that our facilities physically couldn't manufacture a big enough product – and end customers were demanding three-metre boards," **Ilja** explains.

A 'let's do it!' mindset

In April 2019, Industry organised a sales meeting in Prague, Czech Republic. "At that time, I thought: why not use plasterboard instead of calcium silicate technology? Production is easy to scale up, the material is light and fire safe, and you can produce it in a variety of sizes", **Ilja** goes on to say. "But it would take some innovation to maximise strength while minimising weight."

Ilja and his team met up with the plasterboard innovators at our Innovation & Technology Centre in Avignon, France, to come up with the proper formulation in October 2019. "The wild ideas were flying thick!" he laughs. "There was a real 'let's do it' mindset, and everybody was on board."

From wild idea to ground-breaking product

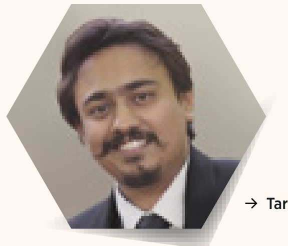
The ITC teams in Avignon and Tisselt, Belgium put their heads together to develop the material, and then worked closely with two of our plants to try new recipes and experiment with different options. "It was an extremely well-structured project supported by four separate Etex entities. After the first prototypes were ready at the end of 2019, we visited customer job sites and collected their opinions and ideas before running another production trial. Customers were impressed: the product is light, strong, easy to work with, moisture repellent and recyclable. With its smooth and slick surface it is designed to be laminated with HPL and thus used for any number of applications in ship cabins and public spaces."

After some fine-tuning, Etex launched the PLURATECT MARINE LIGHT board on the market in January 2021.

Etex India drives synergies in a dynamic market

Within the enormous construction market of India, there are many different players manufacturing a wide range of building products. But as building safety norms and standards play an increasingly vital role in new construction, the Etex team in India is proactively helping to shape the market for fire-rated doors through an innovation-minded partnership with **Narsi**, one of India's premium building solution manufacturers.

→ Raghavendra Kuma



→ Tarun Maheshwari

Collaborating to meet new expectations

As the population grows and space becomes scarcer in India, a land availability crisis is pushing real estate companies to build upward, rather than outward.

"Horizonal development is difficult in cities like Mumbai", asserts **Tarun Maheshwari**, General Manager of Etex India. "And as buildings grow taller, smoke and fire become even more dangerous – which is why passive fire protection is essential."

New laws and regulations governing high-rise structures require the use of safety elements, such as fire-rated doors. "Before the introduction of these regulations, builders and developers were not focussed on the use of fire-rated doors."

"It's a fact that we're global fire-stopping experts at Etex. This new regulatory context gave our team an interesting idea for even greater customer centricity: why not collaborate with a few big manufacturers to incorporate our fire-rated materials into their products, and work together to offer complete packages to real estate developers?"

From fire stopping niche player to market shaper

Etex India was the first company in India to test fire doors back in 2003, before passive fire protection regulations became part of the national building code in 2005.

"As a result, our brand, PROMAT, is known by both end users and companies", explains **Raghavendra Kuma**, Promat Technical Manager for Etex India. "Since the regulations came into effect, we've seen many players across the market falsely claiming to incorporate PROMAT into their products. The introduction of the new legislation was the perfect moment to develop a system to enable end users to determine if their fire-rated door actually contains PROMAT materials."

Tarun and his team focussed on creating a fire-stopping solution that is 90% ready for door manufacturers, eventually developing two solutions: PROMADOOR Core 60 and PROMADOOR Core 120, the first withstanding 60 minutes of contact with flames, and the second withstanding 120 minutes.

"In these products, innovative materials are sandwiched together into a panel that can be inserted into a door", Raghavendra continues. "We developed a production process that guarantees high quality, reduces labour costs, meets huge volumes and enables product traceability through barcodes."

"Instead of being taken advantage of by unscrupulous market players, we created the tools to shape the market and set the standards. All we needed was a manufacturing partner with the right technologies."

A perfectly timed partnership

Etex India selected building components manufacturer Narsi for two reasons: "They have state-of-the-art, automated manufacturing capabilities, and they have significant manpower", Tarun continues. "Narsi is an interior contracting expert and has strong references in commercial construction. They had been manufacturing fire-rated doors, but only on a small scale for their own projects."

Kicking off in late 2019, the partnership came at the perfect time for both Narsi and Etex. Tarun: "We had at least 25 rounds of virtual discussions after the first COVID-19 lockdown in 2020 to go over the composition of the product, define its costs, and develop a marketing and communication plan. This plan highlights that ours is a fire-rated product completely developed and produced domestically that aligns with the priorities of the central government."

"Even more," adds Raghavendra, "Narsi understands how the passive fire protection industry works. They have experienced the same market dilutions that we have. They are truly excited about this partnership and plan to launch an entirely separate division to produce our Narsi-PROMAT co-branded door – which gives Narsi the flexibility to sell PROMAT across India, as they are present in eighteen cities."

Venturing into promising markets

However, as a premium commercial player, Narsi can't reach every corner of the market. "But we have a separate route to market for that", Tarun says. "Because the big volumes will come via residential projects, we have set up an agreement with Narsi: they will manufacture our cores, we will buy them back, and then we will sell them to the manufacturers who cater to the enormous Indian residential construction market."

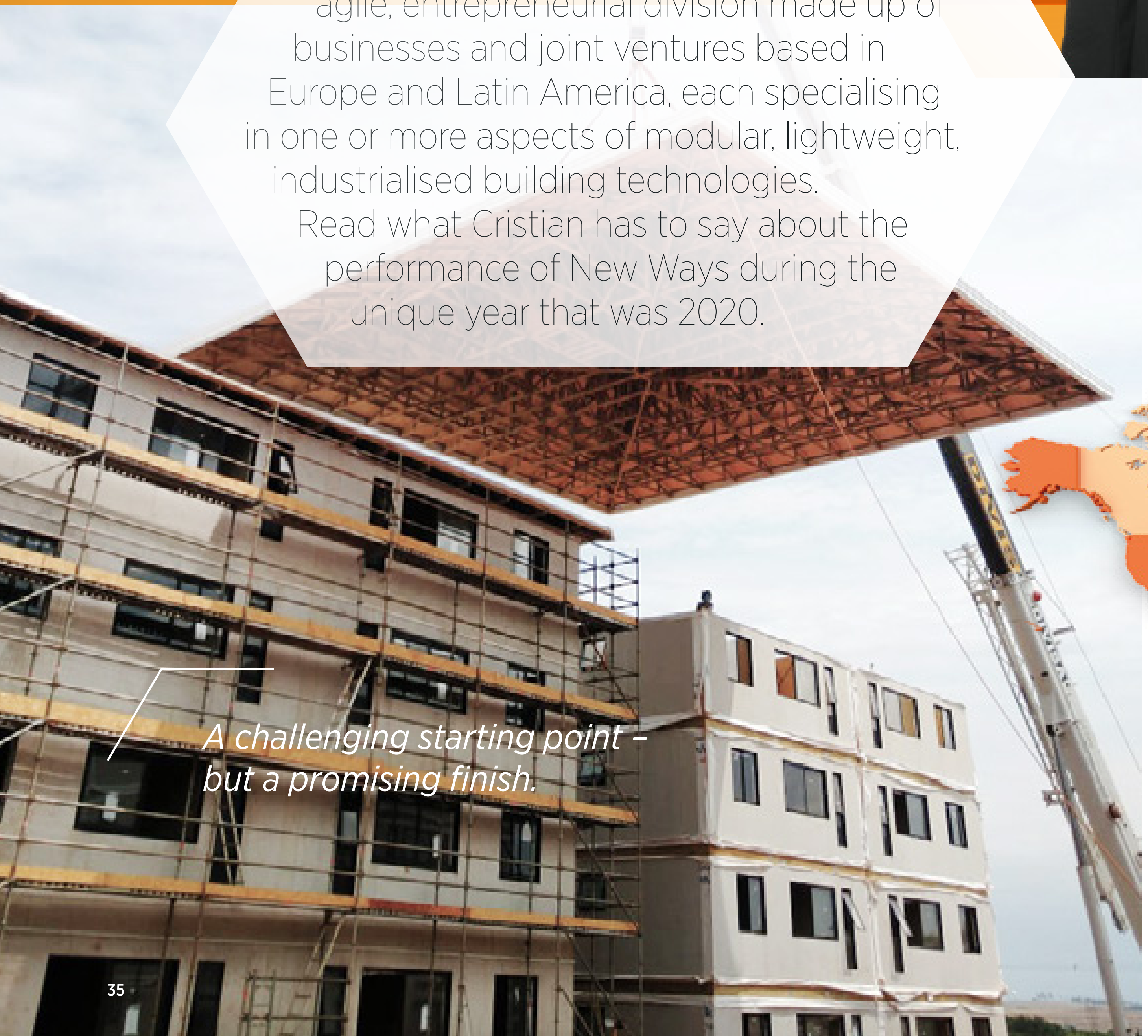
"Although the Etex global team assisted with the design of PROMADOOR Cores, the products themselves are proudly developed and manufactured in India", Raghavendra states. "As such, they fall under the 'Make in India' concept supported by the government, which makes them highly competitive."

We expect PROMADOOR Core 60 and PROMADOOR Core 120 to be fire tested and certified in the course of Q2 2021, and ready for commercialisation in the second half of the year.

New Ways

Etex's youngest division, took flight in January 2020 and is led by Cristian Montes. It is a highly agile, entrepreneurial division made up of businesses and joint ventures based in Europe and Latin America, each specialising in one or more aspects of modular, lightweight, industrialised building technologies. Read what Cristian has to say about the performance of New Ways during the unique year that was 2020.

→ **Cristian Montes**, Head of New Ways



A challenging starting point – but a promising finish.

Do you agree that 2020 was quite a tough year to launch a new division?

In hindsight, it's true that starting a new business at the beginning of 2020 wouldn't have been our first choice!
But despite the pandemic, we managed to move forward with our ambitious strategy, enter new markets and even progress with a number of acquisitions.

Especially complex was the fact that everything we did was achieved from our home offices around the world. Results varied depending on the level of maturity of each of our businesses, but I am proud to say that we were able to successfully shape our business model, and even grasp new opportunities in some markets, like Brazil. Younger, less experienced companies, such as our Chilean joint venture with Arauco, E2E, were more difficult to keep running remotely.

Was the acquisition process influenced by this context?

It was certainly a challenge, working virtually – but we never considered setting our M&A strategy aside. We had to put in a lot more effort to make progress, but we successfully completed the acquisition of Tecverde in early 2020 and, more recently, we have secured a majority stake in French offsite construction company e-Loft. These are crucial steps forward that will increase the international footprint of New Ways.

What were the overall impacts of COVID on the division's business activities?

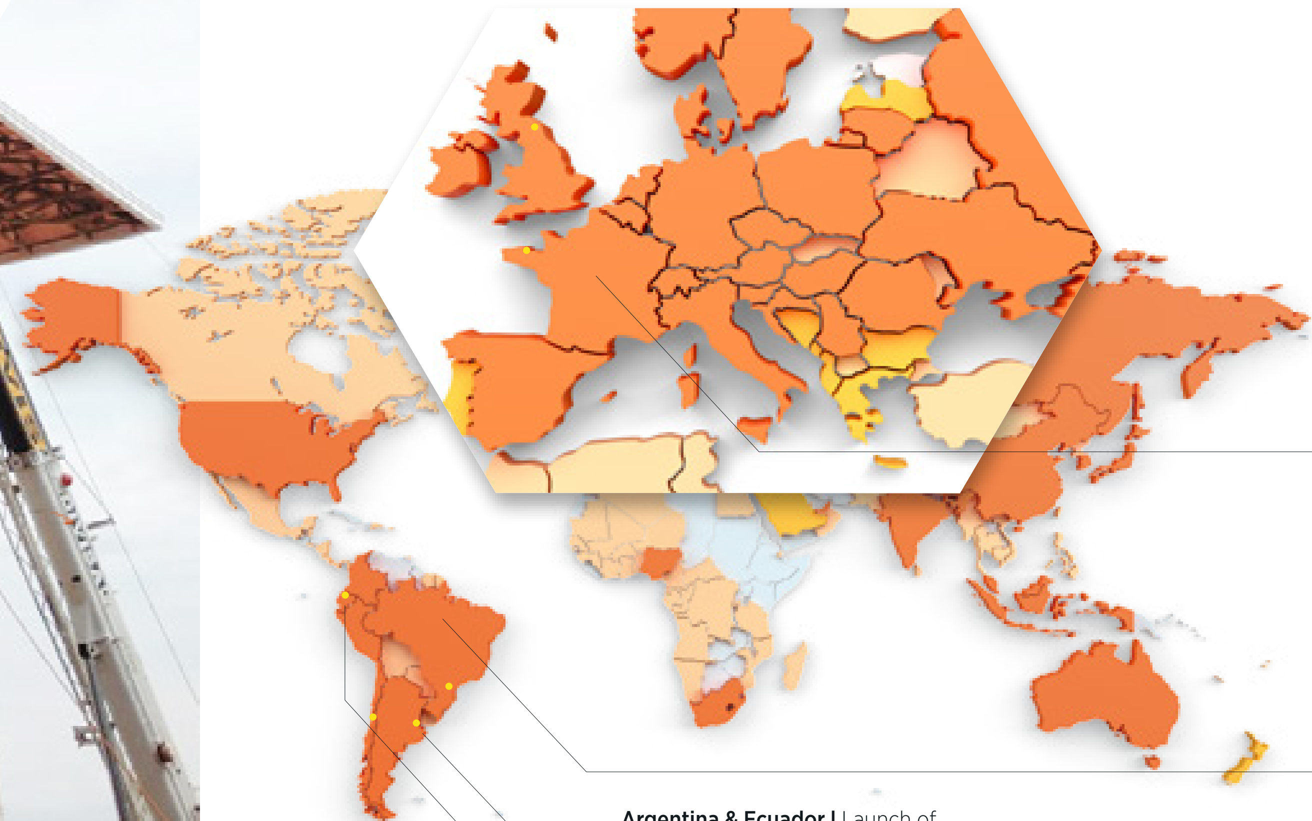
After we made big advances at the beginning of the year, COVID pressed pause on most of our project ambitions. Our customers were impacted themselves, and not in the position to consider launching the new projects that were planned before the pandemic hit.

In the fourth quarter of 2020, we successfully built up a robust pipeline of very interesting projects in all of our big markets. And of course, our customer-centric R&D efforts never stopped!

Revenue of New Ways*
(in EUR million)

2020	10

*The revenue of New Ways excludes our non-consolidated participations in several joint ventures.



France I Acquisition of offsite wood framing company e-Loft

> READ MORE ON P. 36

Brazil I Building five hospitals in record time

> READ MORE ON P. 38

Argentina & Ecuador I Launch of the new joint venture ICON+

> READ MORE ON P. 37

SITES
Offsite/Modular

How did we perform in 2020?

The first year of the New Ways division was off to a challenging start due to COVID-19. However, due to the innate adaptability, flexibility and entrepreneurial mindset of its businesses, the division successfully kept losses to a minimum, made progress on its M&A roadmap, and built up a robust pipeline of new business opportunities to pursue in markets around the world.

Revenue

Europe

Business activities in Europe centred around steel-framing technology through our EOS business in the **UK** and focussed on infield solutions.

There were fewer sales recorded in 2020 due to the impact of COVID-19, but business continued to move forward. The team successfully built up an enormous pipeline of projects in other segments with our Thrubuild solution, developed in partnership with Etex's Building Performance division (see page 37 for more details). The division was also able to engage customers for full solutions, including 50 houses developed with a planner.

Latin America

Our activities in this region are mainly based on wood-framing technology through our joint venture E2E.

Via our factory in **Chile**, we continued to deliver projects in 2020, validated our technology, connected with customers and tested our solutions in the market. At the beginning of the year, the Casablanca (394 housing units in the Valparaíso region) and Horizonte del Pacífico (five four-storey buildings in the city of Concepción) projects were completed. The COVID-19 lockdown arrived soon after, closing the plant from May until September. Following this major disruption, a new pipeline of projects was lined up but delayed due to uncertainty until the fourth quarter of the year.

In **Brazil**, E2E acquired a majority stake in Tecverde, an experienced business with ongoing projects, in February 2020. Progress continued on these projects, but at a slower pace during the lockdown period. Tecverde helped build and expand five hospitals in Brazil in record time, and business continued to accelerate in the fourth quarter of 2020. The division now has a strong pipeline of projects consisting of over 2,000 housing units in total.

New Ways also created two joint ventures with important local partners in **Ecuador** and **Argentina** in 2020, where we established a new brand, ICON+.

Outlook for 2021 and beyond

In 2021, the division will significantly increase the number of housing units delivered to the market, and begin building profitability. The new acquisitions are important milestones on our strategic roadmap, both in Europe and Latin America. Based on the boost they should provide, we anticipate 2021 to be a strong year for New Ways.

New Ways will continue to grow its foundation upon three strategic pillars: industrialisation, digitalisation and sustainability, with the latter being the very core of the division's business model.

New acquisitions grow the division's global footprint

In France, New Ways finalised a key acquisition for its global expansion plans in January 2021. **e-Loft, an offsite wood-framing company** active in the region of Brittany, holds a strong position in modular, 3D residential solutions for single-family homes, multi-family residential complexes and customised multifamily buildings.

New Ways officially took over **leading Brazilian wood technology company Tecverde Engenharia** in February 2020. This business was established in 2009 and has won a number of innovation prizes on its quest to transform civil construction in a sustainable, scalable way.

Key commercial initiatives

While 2020 was an unusual first year, the New Ways division never faltered in the face of its strategic ambition: to use technology to bring innovative, modular, future-focussed building solutions to customers around the world. While the COVID-19 pandemic delayed some projects, plenty of others came through as testaments to customer centricity during challenging times.

Partnering up with APPI Solutions for integrated housing

UK company APPI called on EOS, a New Ways business, to help develop and provide 150 modular solutions for use in easy-to-install, high-quality residential buildings. For this project, EOS assembled 2D panels fabricated and pre-fitted with outer boarding in its UK factory, for delivery throughout 2021. These solutions come with a 30-year warranty and full acoustic, thermal and fire certification for UK markets.

"The designs of these modular solutions were created especially for use with our industrialised technologies. That's what makes this project so unique", explains **Sergio Sandoval**, Head of Strategic Initiatives Modular at New Ways. "This is currently a singular approach in the market and it enables us to craft solutions that are extremely customised, easy to assemble and highly cost effective."

ICON+ is launched in Argentina and Ecuador

When it comes to steel-framing technologies, New Ways has established two new joint ventures with important local players; Azzollini Group in Argentina and Kubiec in Ecuador. "We wanted to unite all of our steel-framing business initiatives under a single, global brand that resonates with every stakeholder", asserts **Eduardo Martinez**, Business Development Manager for Latin America .

The team started with a brand identity exercise. "We defined our purpose, how we want to be seen by our customers, and how we want to be positioned in our market", continues Eduardo.

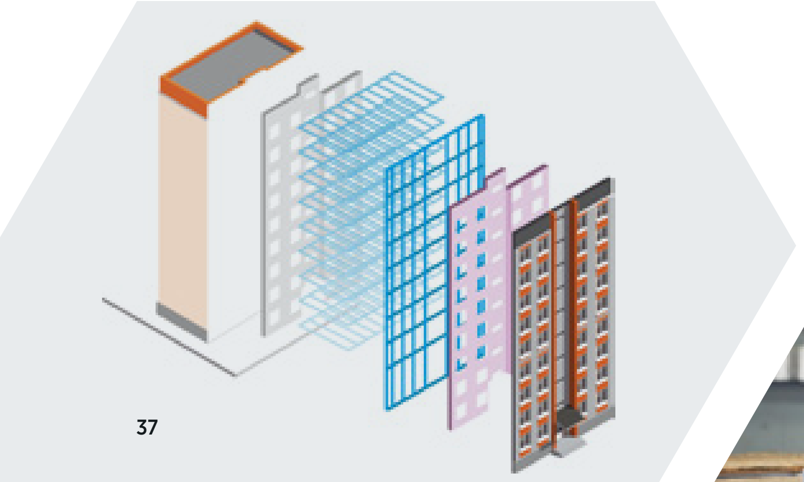
"For our name, we decided to start with 'ICON', since our solutions are long-lasting paragons of their kind, and then add 'PLUS', which adds a technological feel. The visual brand design forges an immediate connection with Etex in terms of colour and typography. We're in the process of rolling it out across Latin America and Europe."

Two divisions team up to deliver end-to-end modular structures

New Ways teamed up with Etex's Building Performance division to tackle a 21st-century challenge: uniting Etex building technologies in Thrubuild, a fully industrialised, modular solution for the UK residential market.

"Building Performance offers the high-quality materials, while New Ways provides the lightweight and modular construction expertise", says **Sergio Sandoval**. "We teamed up – not just on the technical aspects, but on the sales and marketing approach as well. Our goal: to bring a solution to the market that was designed from the outset to be built in an industrialised way and then rapidly and cost-effectively assembled on site. I'm really looking forward to our business pipeline in 2021."

ICON+



E2E's four-storey industrialised building platform

Defining the future of construction from the ground up

What makes the platform unique

- Prefabricated, fully integrated buildings produced in a matter of weeks
- Enables complete modularity of building elements, for smooth customisation
- Highly efficient, environmentally friendly packing, transport and assembly

→ Salvador Correa
Head of Engineering & Design at E2E Chile

It is clear that traditional construction methods are not capable of meeting the needs and challenges of today's society. We are taking part in the future of construction. We have the experience and the expertise to become a leading player in this rising field.

The team of **Salvador Correa, Head of Engineering & Design at E2E Chile**, accepted an ambitious challenge in 2020: developing an end-to-end industrialised construction platform that delivers real value, adheres to strict requirements – and changes minds.

With E2E's sophisticated industrialised construction technology, New Ways designs and manufactures completely integrated, closed timber-framed panels – with windows, electricity, finishings – in its factory.

"Our first mid-rise project, 'Horizonte del Pacífico', took enormous effort from the entire E2E team, from design to operations," he says. "We gained an enormous amount of experience in the design of timber buildings for seismically active areas and created over 1,000 design documents.

"However, in the process, we found that industrialised construction isn't compatible with traditional approaches to architecture, design and construction planning in Chile", **Salvador** begins. "To create an entirely industrialised building, we had to start from scratch, working with new materials and reshaping the entire construction process from the earliest design phase – with every designer around the table."

A successful first project in 1.5 month

Based on their learnings from the Horizonte del Pacífico project, E2E selected subsidised low-income housing in Chile for the first use case of their fully industrialised building. **Salvador**: "Many construction companies want to work on these projects because of the current housing shortage, but the architectural and performance requirements are strict and the design has to be cost effective."

In collaboration with a specialised architect and a structural engineer, Salvador and his team set out to create a platform for a sellable, industrialised, 32-apartment residential building that is fully compliant with the requirements – in a month and a half.

Delivering better outcomes with every new project

"However, this project is just one example of what we can achieve", he emphasises. "Our platform consists of a 'recipe' of modular 'ingredients' as well as Etex plasterboard and fibre cement products that can be smoothly reconfigured to fit any land area shape and recombined in many ways.

"Most of the hard part – the design – is complete, but it is continuously refined during each project, enabling us to deliver beautiful industrialised buildings ever faster and more efficiently. As a result, our customers can access new business projects that were previously impossible using conventional construction approaches."

Building five hospitals in record time

In March 2020, timber-framing technology specialist Tecverde, which was acquired in February 2020 by Etex-Arauco joint venture E2E, was faced with Brazil's COVID-19 lockdowns – just like every other industrial player in the country. But within hours, steel company Brasil ao Cubo got in touch with the Tecverde team, eager to collaborate on an ambitious project: building and expanding a number of hospitals in Brazil to ease the pressure of the pandemic.

→ Pedro Moreira

→ Felipe Basso

The difference a day makes

One Friday morning in March 2020, Product Engineering Director **Pedro Moreira**, Site Operations Director **Felipe Basso** and the rest of the Tecverde team were disheartened. "Lockdowns in Brazil had just been announced, which meant that we were faced with the decision to close our facility until further notice ", Pedro recalls.

Then, Pedro received a call from Brasil ao Cubo, a modular steel construction company. "They explained to us that they had accepted a government-funded initiative to build hospitals in São Paulo, and that they needed our help in designing an integrated, lightweight, timber-framed interior solution for their modular steel structures. Their deadline: seven days from design to production."

"We had started the day with our heads in our hands, and we ended it by calling everybody back to work!" Felipe enthuses.

Innovating against the clock

The Tecverde team worked nearly 24 hours a day to meet this improbable deadline. "We were incredibly motivated – both our team and our fellows at Brasil ao Cubo", Pedro explains. "Together, we offered the complementary strengths and technologies of our two businesses, and collaborated to innovate new ways of integrating, manufacturing and assembling our solutions to meet every strict requirement of the project."

"We were moving so fast that I started the production planning process as soon as the designs were finalised", adds Felipe. "Every day, I'd receive one more sheet of the project to plan. Every step was happening simultaneously. It was challenging – but so fulfilling!"

33 days from planning to "lights on"

Led by Pedro, the design team developed a basic module made up of three rooms housing a total of seven beds, plus a bathroom.

"This module could be repeated as needed, and we also created special modules for break areas, offices and other standard spaces", says Pedro. "Brasil ao Cubo would supply each module's structure in steel – floor, supports, roofing – and then we would completely finish the interior in our factory. This involved assembling the steel structure, manufacturing the walls, installing wiring, adding the ceiling, taping, waterproofing, tiling, et cetera, and then loading the ready-for-use module on a truck for shipping. The entire project, from planning and production to delivery of all 44 modules needed for the first hospital, took 11 days. In 33 days, the new wards were receiving COVID-19 patients."

To achieve this mind-boggling feat, the team set up a 24/7 production line enabling the construction of 27 modules at the same time, spread across two sites. "We brought in construction site professionals to become our manufacturing leaders, since they had plenty of finishing experience", explains Felipe. "As responsible for the production planning and execution, I had to be part of all three shifts, which meant pulling a 22-hour work day at one point."

The built-in beauty and efficiency of industrialised construction

The COVID-19 context actually made it easier for the Tecverde team. "Physical meetings take too much time", Pedro states. "And as an industrialised construction company, all of our design methods are digitised and fully integrated. We simply shared this digital information with Brasil ao Cubo to enable the optimisation of the designs."

"For the initial hospital project – which was the first of five – the team had to handle quite a bit of uncertainty, solving problems as they came up. "But we got smoother and smoother with experience – our second project was completed in 28 days", says Pedro. "We successfully standardised four of the projects, but one project involved creating a complete hospital with multiple departments, posing a new challenge that took plenty of creativity and hard work to overcome."

A mind-blowing experience

Pedro and Felipe are emphatic that this experience has altered Tecverde as a company. "We already had experience with modular construction, but this project has made us really good at it", Pedro asserts. "We can combine 2D and 3D elements, tackle design problems with ease, standardise complex production processes. In short: we can do what we do better, stronger, cheaper and more efficiently."

"This was an incredible collaboration and mind-blowing for everybody involved," Pedro concludes. "Both Tecverde and Brasil ao Cubo have brilliant people capable of overcoming obstacles under unbelievable pressure. Thinking about it today still gives me chills."

Brasil Ao Cubo, São Martinho, Brazil

M'Boi Mirim Hospital, São Paulo, Brazil

M'Boi Mirim Hospital, São Paulo, Brazil

→ **Carla Sinanian**, Chief Strategy Officer

Our CEO engaged in a conversation with six teammates to summarise key topics of 2020 for Etex.

We care about **strategy**

Our purpose is guiding our strategy. We want to inspire people around the world to build living spaces that are ever more safe, sustainable, smart and beautiful.

Therefore, in 2020, we made significant progress on our six strategic pillars by strengthening our core businesses and concluding our exit from the clay and concrete roof tiles business. We are steering a course for the future as we imagine it.

Watch the video

4

Social and environmental report

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

Our commitment to people and planet

When it comes to our dedication to the health and safety of our people and social and environmental topics, 2020 was a watershed year. In our support of the Sustainable Development Goals of the United Nations, we made big strides last year on how to best focus our efforts. We are committed to achieving concrete ambitions based on the material sustainability topics that we identified together with our stakeholders.

The context of our social and environmental efforts

As a global player in the building materials and solutions industry, Etex is committed to increasing its positive impact in the context of several **megatrends that shape the way we do business**, such as population growth, urbanisation, climate change and the scarcity of water and resources (see below).

Our definition of Corporate Social Responsibility (CSR) is our commitment to people and planet.

Etex is uniquely positioned to offer responses to these challenges based on our purpose of **'Inspiring ways of living'**. We want to enable people around the world to build living spaces that are ever more safe, sustainable, smart and beautiful. To do so, we offer comprehensive building solutions and lightweight construction technologies that are affordable, technically superior, and easy and quick to install.
As a significant consumer of energy and raw materials, we are responsible for developing a specific roadmap to bring this vision to life.

The UN Global Compact: the world's largest corporate sustainability initiative, which aims to align company strategies and operations with universal principles pertaining to human rights, labour, environment and anti-corruption, and encourages actions that advance society.

In the company of world changers

With this goal in mind, at the beginning of 2020, Etex became **a signatory of the UN Global Compact** – a global corporate sustainability initiative committed to the ten compulsory business principles of the United Nations and its 17 Sustainable Development Goals (SDGs).

Effective stakeholder engagement and a deep understanding of their expectations help us to address the most relevant issues at every step in our sustainability journey. As the first part of our 2020 CSR roadmap, 450 Etex Senior Leaders collaborated to select the **top ten most relevant SDGs for Etex** in the context of our activities and impacts on people and planet (see graphic).

3 Good health and wellbeing
4 Quality education
5 Gender equality
6 Clean water and sanitation
7 Affordable and clean energy
8 Decent work and economic growth
9 Industry, innovation and infrastructure
11 Sustainable cities and communities
12 Responsible consumption and production
13 Climate action

Climate change and resource scarcity

Productivity lag and skill gap

Changing regulations

Housing shortage

Ageing infrastructure

Technological disruption

Rapid urbanisation

Embracing what our stakeholders find important

As second part of our CSR roadmap, 650 stakeholders – internal personnel across functions and locations, connected suppliers and customers, external stakeholders, communities and our immediate neighbourhood – responded to a **survey on the importance of 20 sustainability topics**. During internal workshops with experts and senior managers from all divisions, these 20 topics have been shortlisted from a total list of more than 100. Through this process, the stakeholders shared their perspectives on which of these topics they find particularly important in relation to the impact Etex has.

The final stage of our 2020 CSR roadmap exercise was to **identify specific initiatives and actions** to pursue, and to define our organisation's ambitions for the coming three years – and in the longer term. In addition to our ambition to lead our industry in health and safety, we are focussing on decarbonisation, waste reduction, water management and promoting the circular economy.

The **materiality matrix** below will guide us to set the right priorities, actions and targets. It is also a good starting point to build on our sustainability reporting, which will help us increase the transparency of our impacts and improvements.

Materiality matrix of Etex (2020)

The figures in the table below are indicating a relative weight on a scale from 0 (low) to 5 (high).

PEOPLE

TOPIC	IMPACT ON ECOSYSTEM	IMPORTANCE TO STAKEHOLDERS	IMPACT ON ETEX	INFLUENCE ETEX HAS
1 Employee training and development	1.4	4.1	2.5	4.3
2 Employee engagement	1.0	4.1	2.8	4.5
3 Inclusion and diversity (employees)	1.0	3.9	2.6	4.0

SAFETY & WELL-BEING

TOPIC	IMPACT ON ECOSYSTEM	IMPORTANCE TO STAKEHOLDERS	IMPACT ON ETEX	INFLUENCE ETEX HAS
4 Employee work-life balance, health and wellbeing	2.6	4.0	2.8	4.2
5 Safety management	4.2	4.4	3.5	4.7

COMMUNITY RELATIONS

TOPIC	IMPACT ON ECOSYSTEM	IMPORTANCE TO STAKEHOLDERS	IMPACT ON ETEX	INFLUENCE ETEX HAS
6 Community engagement	3.0	3.6	3.8	4.2
7 Responsible economic growth	2.6	4.0	4.0	3.5
8 Customer and stakeholder relations and satisfaction	1.8	3.8	3.4	4.3

ENVIRONMENT

TOPIC	IMPACT ON ECOSYSTEM	IMPORTANCE TO STAKEHOLDERS	IMPACT ON ETEX	INFLUENCE ETEX HAS
9 Energy and emission management	4.6	4.0	3.9	4.0
10 Renewable energy sourcing	3.8	3.6	3.1	4.2
11 Impact of transport and logistics	3.0	3.6	3.6	3.3
12 Water management	3.4	3.9	2.8	4.3
13 Biodiversity and ecosystem management	3.4	3.7	3.3	4.2

FUTURE-PROOF CONSTRUCTION

TOPIC	IMPACT ON ECOSYSTEM	IMPORTANCE TO STAKEHOLDERS	IMPACT ON ETEX	INFLUENCE ETEX HAS
14 Sustainable products, services and innovation	4.6	4.0	4.1	3.7
15 Waste management	4.2	3.9	3.5	3.5
16 Circular economy	3.0	3.8	3.9	4.0
17 Responsible materials sourcing	2.6	3.8	3.7	4.2
18 Business ethics	3.0	4.2	3.2	4.2
19 Fair operating practices in the value chain	1.8	3.8	3.5	4.0
20 Pricing integrity, transparency and anti-trust	2.2	4.1	3.4	4.2

Building a group-wide CSR data foundation

To provide our stakeholders with quantitative information about our progress and manage our actions, it is imperative for us to **report on specific CSR key performance indicators**.

This consistent KPI-based data foundation, which will be detailed in our very first Sustainability Report (to be released later this year), allows us to adhere to the rigorous reporting standards of the Global Reporting Initiative. These standards are organised into three chapters: environmental, social and economic. Voluntarily adopting these leading international standards is part of Etex's ambition to go beyond legal requirements, and to offer high transparency to our stakeholders.

Objectively demonstrating an excellent risk exposure and management approach

At the end of 2019 and 2020, Etex received its first ESG rating: a figure used by financial institutions, external investors and other stakeholders **to gauge an organisation's resilience to material risks** in the areas of environment, social and governance. While we are not reliant on external investors, Etex is a peer to many companies that are, and we measure ourselves against the same criteria for the benefit of all our stakeholders.

Sustainalytics, an industry-leading ESG rating agency, used a rules-based methodology to measure Etex's exposure to risks and the effectiveness of our risk management approach against those of our peers. We received a rating of 19.9 out of a possible 100 for business risk in 2019. **In 2020, Etex further improved this score to 18.6 – a low-risk score in our industry, and in the top 10% of our peer group**.

One Etex, one planet

In addition to our CSR evolution, 2020 marked an even deeper change for Etex as a whole – a change that is essential to our ability to face the future with agility, resilience and an innovative mindset.

Over the last three years, we have carefully implemented organisational structures and tools to embed a single, unified approach in everything we do. Based on the results we have achieved in 2020, these **unified standards, technologies, cross-border ways of working and shared best practices** are bearing fruit. We are proud of this change, and of our people's belief in our values.

Our activities are not just relevant for our company – or even just our industry. In reshaping ourselves to become One Etex, we also commit to **adopting a 'one planet' mentality**. We accept the responsibility of actively contributing to a healthier, safer and more sustainable 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 included:

- Masks and other protective gear;
- Dust extraction equipment;
- Shift from dry to wet production;
- Automation of production processes;
- Exploration of alternative materials;
- Ban of 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 between the start of exposure and the development of the disease. It is the most cause-specific asbestos-related disease. This long 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 use of asbestos is prohibited in the EU, in many countries around the world it 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 company provides 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 became and still 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.

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

Prevent exposure
Etex companies constantly monitor the presence of airborne fibres and safely manage all buildings and landfills. In 2020 we started an asbestos awareness training involving 150 Site Managers, EHS Managers and Project Managers from all over the world. The training was focussed on our asbestos policy, the potential risk exposure, preventive health and safety measures, air monitoring, project management and communication. In the course of ongoing initiatives to upgrade sites and buildings, including sites from recent acquisitions, we also inventory and remove asbestos-containing materials.

Support research
Etex supports medical and scientific research. We started in 2012 to support the Foundation Against Cancer and we are committed to support their research work until 2024, with a total donation of EUR 10 million over this period. It is our sincerest hope that treatment for asbestos-related illnesses will benefit from medical and scientific research in the future.

About asbestos

Since its discovery and mainly since the industrialisation, this naturally occurring silicate mineral has been used and is still used worldwide in many sectors due to its technical characteristics. Asbestos is highly heat and chemical resistant, electrically non-conductive and rot-proof.

It became the norm to use asbestos in many industrial processes such as textile, plastic, food, automotive, railway, insulation, construction and building industries. 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.

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

Former application of cement produced by some Etex companies

EUR 10 million

In donations to the Foundation Against Cancer between 2012 and 2024

Health, safety and wellbeing

In 2020, our ongoing commitment to our zero-harm goal hasn't wavered. Etex made great strides in its health and safety engagement, standards animation efforts and risk management approach. Our organisation achieved these wins while adapting to a new way of working and the challenging conditions of the COVID-19 pandemic. Even more, our 450 Senior Leaders stated that the UN's Sustainable Development Goal 3, 'good health and wellbeing', is the most relevant one for Etex.

When challenges become opportunities for growth

As it did for most industries worldwide, the coronavirus pandemic put health and safety in the spotlight. Ensuring the safety of our employees has always been our number one priority – but in 2020, a new challenge pushed us to **collectively embrace new ways of collaborating**. We were compelled to rapidly adapt our behaviour to sustain the safest operating conditions with extended COVID-related provisions while continuing to serve our customers. We are very proud to say that Etex came through with flying colours – in fact, the President of Colombia, Iván Duque Márquez, publicly cited Etex as an exemplar of how to continue to work and grow during a pandemic.

COVID-19 has changed Etex as an organisation. We immediately deployed an agile squad to create and implement a list of preventative measures worldwide. Colleagues from across the globe and across a wide range of functions have come forward with bright ideas on how to work even more effectively in "the new normal". Etex facilities have dedicated themselves to contributing to COVID-19 relief causes (see page 51 for more details). Thanks to careful preparation, **teleworking became the norm**, and inter-divisional collaborations have never been so numerous.

Despite all the actions taken at our premises and our awareness-building and personal protective equipment distribution, several of our teammates were unfortunately infected in their private life, some of them were hospitalised, and we tragically recorded six COVID-related fatalities in Lima and Huachipa, Peru, and one in Gacki, Poland (situation at 18 March 2021). In all cases, our HR teams have been supporting the families affected.

Our Environment, Health & Safety (EHS) teams also operate in a much more aligned way. We now work cross divisionally to **develop and act on a structured roadmap** towards achieving our health and safety goals.

Historically low safety numbers

When it comes to safety in our plants, 2020 was also a turning point. After years of consistent performance, Etex has **successfully left its safety plateau behind**, moving from a lost-time accident frequency between 1.9 and 2.6 down to 1.4. These figures are the direct result of the structural changes implemented over the last two years, which aim to transform Etex into a global, unified, simpler and more agile organisation.

With collaboration much more fluid and best practices shared across divisional boundaries, Etex colleagues work more closely together as well as with the EHS community to ensure operational excellence. Because safety and health are directly linked to our new way of working, they are becoming more and more embedded in everything we do.

These best practices have been distilled from our learnings from incidents. A few days after every incident, safety alerts are communicated to the EHS and manufacturing teams to avoid repetition. Incident debriefs are held with plant management and EHS leadership teams after every lost-time accident, medical aid accident and any potentially serious near-miss or first aid response.

Our health and safety performance in 2020

Frequency rate of lost-time accidents

Number of lost-time accidents per one million hours worked

2020	1.4
2019	2.2
2018	2.2
2017	2.6
2016	1.9

Gravity rate of accidents

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

2020	0.08
2019	0.11
2018	0.40
2017	0.15
2016	0.31

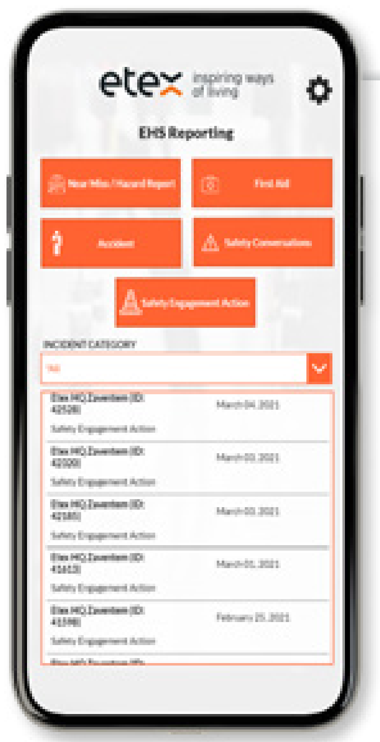
Visible leadership as a safety engagement driver

Our leaders walk the talk and engage daily in safety efforts. Several instruments are in place to assist our leaders in engaging their teams. In 2020, we introduced safety intensity as a way to measure safety engagement in all our plants. Safety conversations, near-miss reporting and safety activities are summarised in a safety intensity score for each teammate on a monthly basis. We strive to touch base on safety with every teammate as often as possible.

In 2020, the Etex EHS team transformed this structured roadmap into a concrete plan. The team is in the process of completing the identification of risks in Etex factories by fully adhering to the HIRA (hazard identification and risk assessment) standard as well as five other critical standards. All Etex facilities have committed to **implementing this concrete plan by the end of 2021**.

We will complement the implementation of these standards with our excellence tool, an app that facilities use to track progress according to critical standards. Work at height, energy isolation and machine safety are the three standards most important to reducing the gravity of accidents.

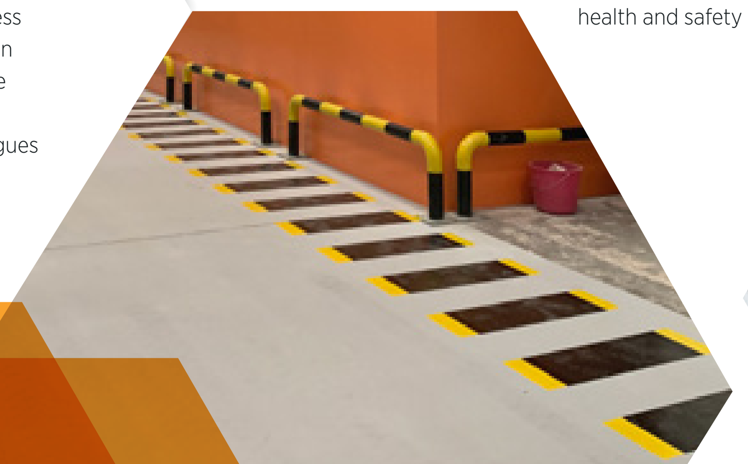
In addition to our adherence to HIRA requirements, **COVID-19 required us to reassess the risks involved in every task in our facilities** to ensure social distancing and the provision of additional personal protective equipment when required. This thorough last-minute risk assessment directly contributed to an increase in risk awareness, and indirectly to safer working environments.



The Etex EHS app: unlocking global EHS leadership

Our IT team developed a custom EHS reporting tool accessible to all our employees worldwide to track our performance on all EHS indicators.

Thanks to this tool, Etex can report progress on leading and lagging safety indicators on a monthly basis. It also enables us to share safety alerts and even exchange learnings from incidents and 'near misses' to colleagues around the world through structured incident analyses.



An introduction to critical standards at Etex

Critical standards have been developed to mitigate the risk of serious accidents and fatalities and are known as "life-saving standards". Etex has five critical standards:

1. The **machine safety standard** stipulates that risks must be managed to ensure that machines are inherently safe to operate. It also stipulates that new machinery must comply with the CE marking indicating that a product has been assessed by the manufacturer and deemed to meet EU safety, health and environmental protection requirements or equivalent directives and standards regarding safety.

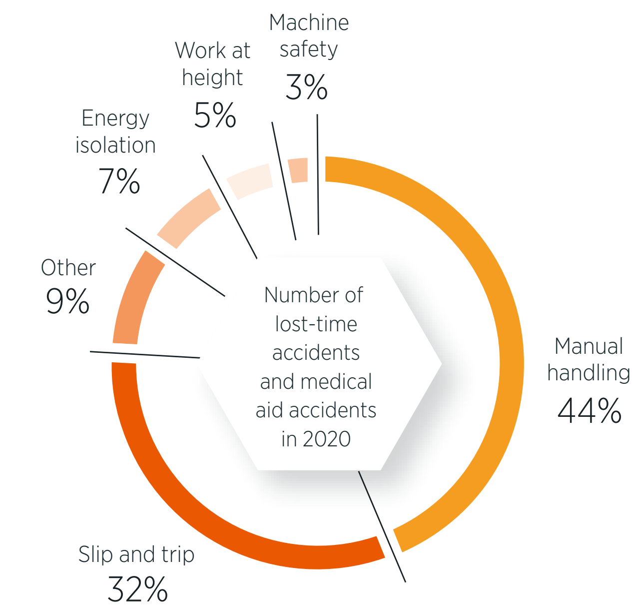
2. The **energy isolation standard** establishes a common and systematic approach intended to eliminate the risk of incidents that may arise from the unexpected energisation, start-up or release of energy when performing any tasks associated with machinery, equipment and processes (MEP).

3. The **confined spaces standard** procedure describes the process for implementing and applying safe working procedures in confined spaces at Etex.

4. The **standard for working at height** (WAH) establishes the minimum health and safety requirements for the control of risk to employees and others associated with the need to work at height. It establishes a common and systematic approach intended to eliminate the risk of injuries.

5. Interactions between people and mobile equipment also pose common hazards and risks. The **site traffic standard** was developed to prevent traffic accidents from occurring in Etex facilities. To effectively control workplace transport risks, the vehicle, the driver and the working environment must be managed appropriately.

Within the context of our critical standards, 15% of our lost-time accidents (LTA) and medical aid accidents (MAA) have the potential to be serious and thus are analysed with particular rigor.



75 LTA's and MAA's in total, from which 11 are considered as potentially serious.

Directing assistance where it is most needed

Also new in 2020 was our **focus plan programme**. We selected five Etex plants with room for improvement in lagging safety indicators, leadership or implementation of standards, and we **launched a booster initiative to elevate them rapidly** by providing coaching, resources and assistance. We are proud to note that our plant in Guangzhou (China), for instance, quickly rose to 100% implementation of the HIRA standard, a key element of the focus plant programme, in a few months' time. Plant and EHS Managers praise the focus plant programme as a booster for their own local health and safety initiatives.

Adherence to international standards

Many of our plants are preparing to make or have completed the transition from the OHSAS 18001 standard to its replacement standard, ISO 45001, which highlights an organisation's health and safety management system.

Breathing new life into SafeStart

The Executive Committee of Etex participated in a safety workshop in October 2020, committing themselves to our updated 2021 EHS plan.

Zero harm continues to be the foundation of our health and safety policy. Between 2016 and 2018, we implemented the SafeStart behavioural safety principles across Etex. In 2020, all of our plants committed to reviving these principles and achieving the consistent level of maturity needed to sustain the momentum of SafeStart group-wide.

In addition, we have chosen to transform the SafeStart curriculum, which was developed by an external occupational health and safety organisation, into an Etex initiative. This tailor-made safety programme **will be based on our organisational values and strategic pillars**, and offer a familiar Etex look and feel.

With this ambition in sight, we took steps in 2020 to pave the way for master trainer certification for nine candidates in 2021. These master trainers will be responsible for coaching additional trainers in safety matters, who will in turn train Etex colleagues across the globe moving forward.

Environment

While a crucial actor in the value chain for buildings that provide real value to people's lives, the construction materials sector is also characterised by environmental challenges such as energy-intensive production and use of raw materials. Emissions, water use and the circular economy are key environmental topics for us, which we address through data-driven decision-making, increased reliance on renewable energy and further emission reduction measures. We also invest in innovations which positively impact the environmental footprint of our products' life cycle.

Transparent environmental data through standardised reporting

To provide our stakeholders with quantitative information about our progress and to manage our actions, it is imperative for us to report on key environmental performance indicators.

In 2020, we achieved an essential milestone in our environmental data collection efforts thanks to the Etex Green Team. After an induction training session, 30 volunteers from different entities and functions all over the world defined, collected and reviewed our environmental data to ensure alignment with the Global Reporting Initiative (GRI) standards. As a result, **our now comprehensive group-wide CSR reporting capabilities unlock data-driven benchmarking and improvement**, enabling us to seize new opportunities and to keep our stakeholders informed about our progress. The environmental data, based on GRI standards, will feed into Etex's first Sustainability Report, which will be published in 2021.

Emissions and our move to renewable energy

In line with its CSR strategy, Etex set a clear ambition to decarbonise. In 2020, in collaboration with external partners, Etex decided to launch **seven photovoltaic projects** in Spain, Italy, France, Belgium and Germany. The first plant began producing electricity in December 2020. With a total capacity of 12 MWp, these projects will generate 18 GWh of renewable energy per year, reducing annual CO_2 emissions by 4,800 tonnes.

As another 2020 decarbonisation initiative, **Etex purchased 100% of the electricity consumed by all four of its divisions in Europe from certified renewable sources**. Furthermore, two Etex businesses in Chile had already received Renewable Electricity Balance Certificates for supply as early as 2018.

In 2020, we also reviewed our investment process to incorporate CO_2 impacts into financial project calculations. Doing so drives our investment decisions in a sustainable direction. For example, this led to our decision to move to fully electric forklift truck fleets across our activities.

Etex UK's pathway to net zero carbon emissions

As the United Kingdom is the first nation to put a 2050 carbon ambition into law, Etex UK found this to be a useful context for setting science-based zero-emission targets, and incorporated these national goals into its own business processes. The milestone target of 2020 was a reduction of 35% in emissions compared to a baseline set in 1990. Etex UK has a good track record of progress through improving energy efficiency and investing in modern technologies.

In recent years, the decarbonisation of the electricity grid has contributed to the downward trend in manufacturing emissions, and the central Etex purchasing team helped the UK business cross the line. It negotiated a new electricity contract that took effect in April 2020 and which supplies 100%-renewable power to all Etex UK sites.

Energy intensity (kWH/t)

2020	636.7
2019	628.7
2018	674.6

% Green electricity produced and purchased/ Total electricity consumption

2020	71.8%
2019	13.7%
2018	13.7%

% Waste recycled/Total waste treated externally

2020	78.3%
2019	69.2%
2018	62.7%

Comment on the results below

After recording good progress over the last years, we have seen an increase in our energy intensity and related emissions, as well as in water withdrawal intensity in 2020 compared with 2019. Lower volumes in most of our markets due to the global pandemic as well as our decision to close many of our plants for several weeks, have had an impact on higher energy and emission demand. We have also been impacted by a changing demand in some market segments, which influenced the previous trends. Very positive was the move to increased use of renewable electricity and the strong reduction in landfilled waste.

Energy

	Total energy consumption (kWh)	Energy intensity (kWH/t)	% Green electricity produced and purchased/Total electricity consumption
2020	4,459,923,355	636.7	71.8%
2019	4,817,606,614	628.7	13.7%
2018	4,693,996,735	674.6	13.7%

Emissions

	Greenhouse gas emission intensity - scope 1 (t/t)
2020	0.103
2019	0.102
2018	0.109

Waste

	% Waste recycled/Total waste treated externally	Weight of non-hazardous waste landfill (t)	Waste intensity (kg/t)	% Waste landfilled/ Total waste treated
2020	78.3%	62,756	49.56	18.2%
2019	69.2%	84,343	42.73	26.1%
2018	62.7%	76,376	41.39	26.8%

Water

	Total water withdrawal (m^3)	Water withdrawal intensity (m^3/t)
2020	5,762,103	0.84
2019	6,022,622	0.79
2018	5,607,124	0.81

Etex teams up for circularity

In late 2020, Etex Belgium linked up with more than ten partners to develop a circular approach for its EQUITONE brand. A jury as well as the Flemish government were convinced by the proposal and awarded a subsidy of EUR 100,000 to support the project in 2021 and 2022. A convincing factor was the fact that Etex as well as a significant number of partners across the value chain (cement producers, logistics partners, recycling companies, dealers, installers) have agreed to work together on this project.

The subsidy is intended to support action, rather than theory, which then can be analysed and learned from. It implies that for two years, several experiments will be performed to further develop a circular value chain for our EQUITONE façade solutions, which will then be valorised in sustainable customer services.

Our Bristol site: toward zero waste to landfill

The Etex team in Bristol, UK has managed to achieve and maintain a recycling rate of 100 through excellent waste segregation, increased awareness, new and improved storage, signage, and most importantly, praise where it is due. Moreover, the site team included waste management and recycling in the agenda during recent staff engagement days and the entire team received a waste awareness and management training course. Our contractors are also involved in our waste management ambitions.

Our customers are increasingly interested in the recycled content of our products. This has not gone unnoticed, and Etex is now the leading plasterboard recycler in the UK. The target at our Bristol site for 2020 was 147,000 tonnes of recycled material (+23% compared to 2019).

The Sahara Project: reducing water use through process optimisation and innovation

Launched in September 2020, the Sahara Project is funded by the Belgian government and carried out in collaboration with leading research institutions in Europe, as well as with third-party companies. This project is one of Etex's levers to improving the production of our cement-based products in terms of several environmental factors.

Our target is to produce cement-based products in a more environmentally friendly way by not only optimising the water requirements and carbon footprint of current production processes, but also by considering alternatives or emerging production techniques. We look at innovative formulations and the application of alternative new materials, including waste streams, into end products. Our success will also contribute to lower energy consumption and improve the lifecycle quality of our products. Ultimately, the sum of our actions will help reduce the carbon footprints of these industrial activities. Overall, we have set a carbon footprint reduction target of 20%.

So far, we have initiated a preliminary lab investigation to assess new technologies and the use of alternative binders to replace Portland cement in our product recipes.

Committed to the circular economy

Etex is fully committed to integrating our activities into the circular economy. We actively seek new sources of alternative raw materials, replacing primary raw materials with secondary raw materials wherever possible and through strong partnerships. These enable us to continuously optimise the products, systems and solutions we provide to our customers around the world.

In our pursuit of circularity, we aim to extend the lifetime of our products. Thus, next to improving our products' technical performance in terms of insulation, acoustics and fire resistance, we also aim for the ability to deconstruct, reuse and bring them back into our own manufacturing processes.

We also made strides regarding the **reduction of landfilled waste**. In 2020, our plants in the UK and Italy were the first to achieve the ambitious goal of zero landfilling by implementing reuse or recycling solutions for all types of waste generated on site.

Our internal motivation for and proactive initiatives towards circular value chains were also reflected in the outstanding achievements made by our fibre cement team in Neubeckum, Germany. Their actions to reduce waste along the entire manufacturing process – from raw material infeed to the loading of finished products onto trucks – were acknowledged through our Etex CEO Award 2019 (see page 49).

Innovation for sustainability

We believe that innovation is the key to achieving economic gains while reducing environmental impacts during the entire lifecycle of our product portfolio. In 2020, we stocked up our resources even further to explore how to produce solutions that are both technically superior and competitively priced, but also meet our sustainability ambitions.

For example, we reduced our water consumption in 2020 by 4.3% year-on-year. Next to our continuous efforts across the entire Etex group to further reduce the total volume of water consumed, innovation will enable us to further improve our results. As one important milestone, **we seek to avoid the use of potable water in all industrial processes**.

It is also our organisation's responsibility to ensure product liability and a full and transparent assessment of our product portfolio. **We are dedicated to assisting with product lifecycle assessment and product optimisation** in order to enable end users and architects to calculate and certify the energy performance of all materials we use in our products.

In 2020, we reinforced lifecycle assessments (LCA) and, on this basis, environmental product declarations (EPD) for all main Etex product ranges. Looking ahead, we continue to regard partnerships and collaboration as essential to accelerating our innovation journey, and will proactively search for suitable partners such as value chain players, start-ups and universities for scientific research.

Our people

We entered 2020 with a clear ambition in terms of the support, development and empowerment of our people. Focussing on people first is the core driver of performance. This makes our way of working just as important as our achievements, hence our focus on our values and leadership principles. However, COVID-19 forced us to adapt to collaborating in a new reality. In the face of this challenge, we achieved a number of truly admirable milestones that pave the way for a more agile, engaged and empowered future.

Facing the future with vision, agility and collaboration

In 2018, in collaboration with an external partner, Etex introduced **'Me & Etex'**: a comprehensive engagement survey that has formed the basis to launch numerous employee engagement initiatives around the world during the next two years.

Inspired and driven by the results of our 2018 engagement survey, Etex embarked on a journey to achieve two outcomes:

1. establishing **a simpler organisation with harmonised processes**;
2. **instilling a leadership DNA** that fosters a culture of collaboration, innovation and value creation.

As we transformed our operational processes, commercial approach and ways of working to become more agile and aligned, we also engaged in a discussion with our leaders which has led to the definition of the next steps in our cultural journey. This group exercise led to an important commitment: to take **a strategic approach to leadership development** that is tailored to our context, our values and our people.

The Etex Leadership Principles

Through a collaborative exercise we have defined our Leadership Principles and communicated them throughout our organisation in 2020.

Facing times of rapid change, disruptive technologies, dynamic market characteristics and agile competitors, **we are evolving into an organisation that is much more like a living, breathing organism** than a machine.

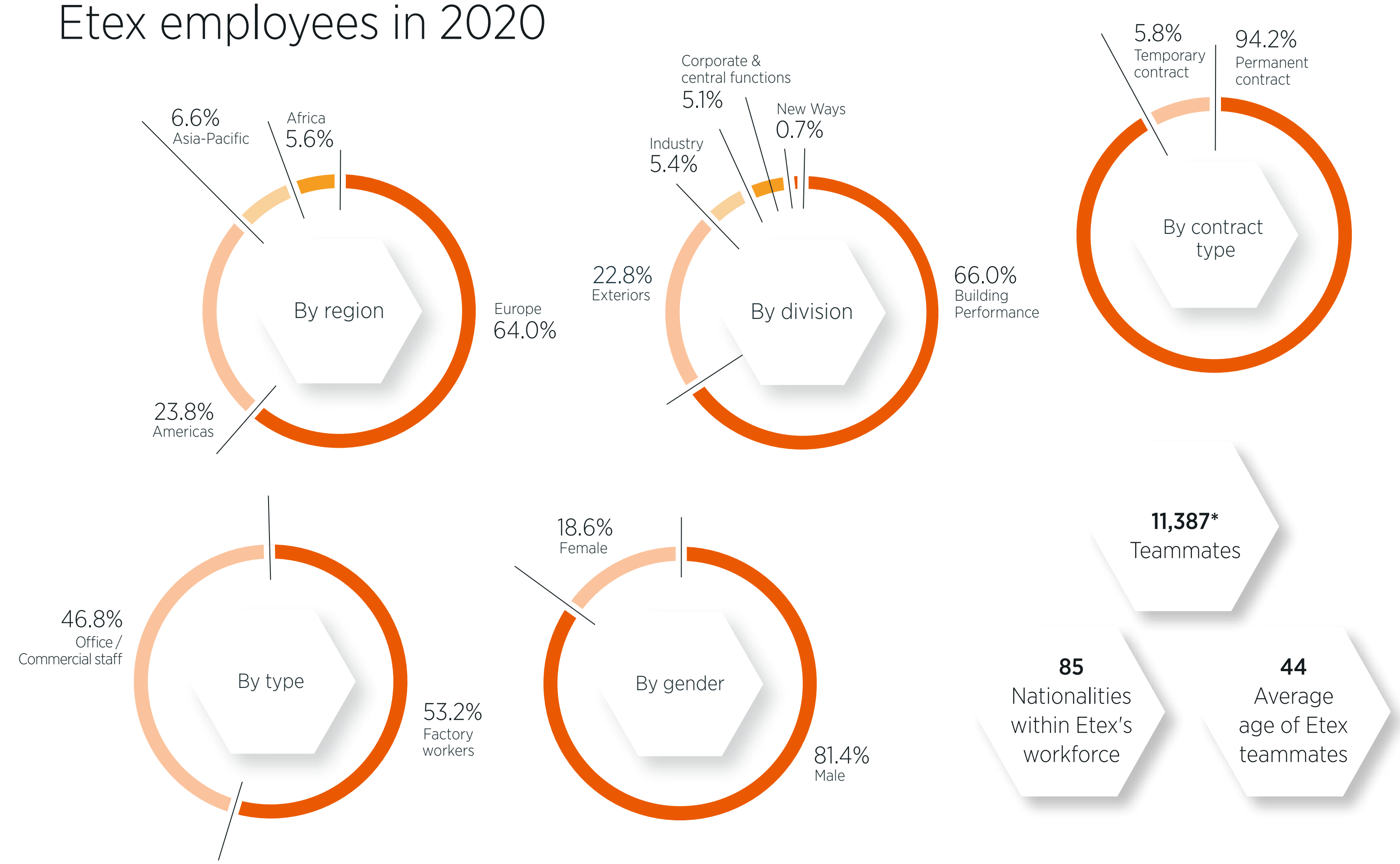
As a result, we seek to foster leaders who are the **visionaries, architects, coaches and catalysts** needed to enable the full potential of each one of us in order to grasp opportunities and overcome challenges in this new world.

This doesn't simply apply to managers and business leaders; we want to empower every single teammate to make impactful, value-adding day-to-day decisions.

Putting a well-founded plan into practice

As of the first quarter of 2021, our **Leadership Principles are incorporated into performance review cycles**, during which Etex teammates progress relating to the principles are measured and benchmarked. Based on their progress, we can craft tailored learning and development programmes to support the growth of the leadership characteristics they need to perform their responsibilities and make decisions in an agile, informed way.

Etex employees in 2020



*This figure excludes the personnel of the Residential Roofing companies which have been divested in 2020 (Creaton, Marley (SA) (Pty) Ltd and our 50% stake in RBB NV), as well as the personnel of Knauf's former plasterboard business in Australia, as this operation was finalised in February 2021. It does include, however, the personnel of FSi Limited, which was acquired by Etex in September 2020.

The Etex CEO Award 2019: honouring the achievements of the year

Playing a central role in our engagement efforts is our Etex Awards programme, which we introduced in 2019. Throughout 2019 and 2020, a number of Etex Impact Awards and Etex Excellence Awards were presented to well-deserving teammates from around the world who **demonstrated strong leadership skills, lived our values and contributed measurable business impacts**.

At the end of May 2020, the winner of the **very first Etex CEO Award** was also announced by our CEO Paul Van Oyen during a virtual ceremony gathering thousands of teammates. With this prestigious award, individuals and teams achieving exceptional or transformative results for our organisation through their projects or initiatives can be nominated by a member of the Executive Committee. Among this select group of people and teams, a winner is finally chosen.

Process Engineer, Coating Supervisor and Cladding Deputy Production Manager **Michael Orlowski** was revealed as the 2019 recipient of the Etex CEO Award for his **'Zero Rejects' project**.

With this project, Michael demonstrated all three Etex values when he brought people together across functional and organisational boundaries to achieve process improvements, reduce production line rejects and improve the overall quality of Etex solutions. As a result, his project had material impacts on Etex's performance.

→ Michael Orlowski

Adapting our engagement approach to changing times

A new edition of the 'Me & Etex' employee engagement survey was planned for distribution in 2020, but due to the difficult context of COVID-19, Etex chose instead to **connect with employees through a small-scale survey**, available to all, that was run in-house.

Staying connected and aligned with our people is one of Etex's key strategic priorities. As an organisation, we strive to measure our progress against our 2018 benchmark and **give our employees strong voices** with which to express their needs, ideas and opinions. The primary purpose of this survey was to measure our people's perceptions of Etex's response to the COVID-19 crisis.

This was a completely digital initiative and an impressive achievement, considering the agility needed to move to a new way of working in the middle of a pandemic. The survey was run in fifteen languages across the globe. An impressive 8,500 Etex teammates responded to the survey, including a very high response rate from our work floor employees.

93% of them agreed

that we successfully connected and cared as an organisation.

93% of them agreed

that proper safety precautions have been put in place.

IT tools for collaboration and learning in the time of COVID-19

Thanks to thoughtful preparation and investment in supportive IT hardware and tools, the unusual and stressful circumstances of COVID-19 brought Etex teammates even further together – digitally, of course.

The pandemic pushed our organisation to **accelerate our implementation of IT platforms** to allow teammates to keep in touch with each other and customers alike. Thanks to strong support and enthusiasm across Etex, we have successfully become more agile in the way we work, communicate and connect.

This also had an impact on our delivery of **training sessions and learning and development programmes** – which had to be converted into digital-friendly forms. In 2020 about 5,000 employees were active on our learning platform. On average they spent nine hours on learning activities (webinars not included). During the course of 2020 we have seen an increased number of logins to our learning platform, reaching between 4,000 and 5,000 per month, with a substantial increase since April.

Introducing the Plant Manager Induction Programme

One example of a high-impact digital development initiative kicked off in 2020 is our Plant Manager Induction Programme. With this programme, we commit to **developing the skills and leadership capabilities of our Plant Managers**.

In 2020, sixteen Plant Managers from all continents gathered virtually to discuss a number of topics with a group of Senior Leaders. Eighteen learning sessions were held, tackling topics ranging from strategy, EHS leadership and Industry 4.0 to operational excellence, customer centricity, feedback culture and more.

This programme is a **direct application of two of our Leadership Principles**, 'develop ourselves and others' and 'collaborate and seek win-win outcomes'. In addition to the learning sessions, participants were also paired with an experienced mentor who was responsible for offering expert advice and guidance when needed.

Our Plant Managers had great things to say about their experiences with the programme last year and committed to continuing their learning journeys.

Growing engagement where it counts the most

Etex teammates responsible for ensuring the safe, efficient flow of our production processes also have new opportunities to grow and thrive. In 2020, we introduced the **First Line Management Development Programme** for our first level Line Managers, a direct response to our 2018 employee engagement survey results.

It is a fact that high employee engagement is essential for strong business performance, and **leaders and managers have the biggest impact on engagement**. By empowering our first level Line Managers and supporting them to gain leadership skills, we do not only boost their effectiveness as leaders; we also invest in their engagement. This, in turn, leads to inspired, engaged Etex work floor teammates, and even safer, more productive facilities.

To guide this initiative, together with an external partner, we developed an interactive Etex Leadership Development Programme for our first level Line Managers, and a first group participated in it.

Throughout 2020, our teams worked hard **to lay strong foundations for learning and development**. At the end of 2020 and moving into 2021, learning initiatives have been rolled out via our digital learning platform, and other initiatives will be launched.

"It is great to see that Etex has what it takes to support the plant in every challenge; this programme helped me see my job from a different perspective, understand the areas where I can improve and meet teammates who face similar issues in other plants."

→ **Marco Aurelio Vento**
Technical Director, Etex Nigeria

Community relations and social projects

For Etex, our teammates and the communities in which they live and where they operate are key. We strive to be a long-term partner in the social and economic development of those communities. We benefit from local talent and from the supply of local goods and services. In turn, we create jobs, transfer skills and offer support to our local communities through social projects.

Being at the heart of our local communities

Our decentralised approach helps us ensure meaningful engagement with our local communities. We believe that our local teammates know their communities best, and we are proud of the numerous projects and actions initiated around the world that are based on what they know to be their communities' needs. **This helps us build trust and strong, long-lasting relationships**.

Actively embracing the Sustainable Development Goals

We take the support of the United Nations' Sustainable Development Goals 11, "Sustainable Cities and Communities", and 8, "Decent Work and Economic Growth" to heart. We combine our strengths in inspiring and supporting safe, sustainable, smart and beautiful housing solutions with the knowledge of our longstanding non-profit partner SELAVIP and its network of local NGOs. But we don't stop there; we also seek to **create value beyond our local communities by supporting particularly vulnerable people in facing social emergencies and opening up opportunities for a better future for them and their families**. While some of our engagements were temporarily slowed down due to COVID-19, this only fuelled our passion to move ahead with our social projects where possible.

A few examples of our social projects in 2020

Social engagement in Asia

Philippines

Decent housing is a basic human right that affords people dignity. In the Philippines, Etex Indonesia has already been supporting several social housing projects. In 2020, fibre cement boards were delivered to support a new housing project. The installation was completed at the end of the year.

Indonesia

In partnership with the SELAVIP foundation, Etex Indonesia sponsored the construction of 60 houses in the city of Palu on the island of Sulawesi to offer very poor families better housing conditions. In 2020, the construction materials were delivered and 40% of the project was completed. Due to COVID-19, the construction was slowed down and will now be finalised this year.

Social engagement in Africa

South Africa

In partnership with local NGO Ikhayalami, which pursues a vision of affordable homes and alternative technologies for all, Etex South Africa committed in 2019 to building seven schools in several townships of Cape Town. Based on a design tailor-made by Etex to optimise the sizes of classrooms, kitchens and sanitary facilities, construction started in 2020 and the first schools are already hosting teachers and students.

Social engagement in Europe

Lithuania

Etex's Akmenė plant helped a regional school renovate its aging building by offering consultancy services, support in the preparation of the roof works and roofing materials.

United Kingdom

Due to the impacts of COVID-19, many families in the UK have been put under financial constraints. Fortifying our community spirit, Etex UK worked together with the Trussell Trust, a charity that organises food banks and other crucial forms of support, such as the provision of warm winter clothing for children in need. Etex provided support in the form of manpower, products where premises or racking are in need of repair, and financial contributions. A donation of GBP 2,000 was given to each Trussell Trust food bank near the five Etex sites in Grangemouth, Ferrybridge, Newport, Bristol and Basildon.

Belgium

A community sports centre offers great value, enabling inhabitants to come together, enjoy exercise and a healthier lifestyle, and pursue their personal sports goals. In Kapelle-op-den-Bos, a sports centre financed and maintained by Etex allows everyone in the community to enjoy its amenities for free. One special event was the "Fit & Fun 4 Kids Week" organised by Etex in the summer of 2020, which brought many smiles to the faces of everyone involved.

Germany

Christmas is traditionally a special time for children. Together with the local charity organisation "Froschkönige gegen KinderArmut eV.", which works on the field to combat child poverty, Etex Germany invited 50 children to attach a Christmas wish to a Christmas tree that Etex teammates took upon themselves to fulfil. Etex paired every gift given by our teammates with a financial donation to the organisation to help them continue their precious work.

Social engagement in Latin America

Peru

Based on the fact that 30% of the population in Peru does not have direct access to clean potable water, and hand-washing is one of the basic World Health Organization recommendations to combat the COVID-19 pandemic, Etex donated 30 Eternit water tanks to the community of San Antonio de Huarochirí in the neighbourhood of our plasterboard plant in Huachipa.

Philippines

Ecuador

Chile

Quality education is essential to our development as well-rounded human beings. It is also one of the most powerful tools in lifting socially excluded children and adults out of poverty and helping them become part of the wider community. In 2020, Etex sponsored eight talented students and funded their college education, thereby continuing our support of the important work of "Fundación Belén Educa", an organisation that offers schooling to low-income students.

Ecuador

In partnership with the NGO "Hogar de Cristo" in Guayaquil, we started an exciting sixty-house project in 2020 to offer shelter to low-income families. Due to COVID-19, the project was forced to temporarily slow down. In 2020, Etex Colombia donated construction materials which will be used in the construction of the 60 new houses planned. The frames for the houses are based on steel framing that is easy to assemble on site, developed with our sales force in Ecuador. The prototype has been successfully completed.

Germany

Italy

Lithuania

All hands on deck to help in the fight against COVID-19

As COVID-19 posed new threats to communities worldwide, Etex rose to the challenge, supporting communities and creating positive impacts in places that were particularly affected. The following are only a few examples of compelling community spirit, initiatives and leadership displayed by our teammates in 2020.

Chile

As part of Etex's COVID-19 contingency plan, we are determined to help our direct neighbours. For example, Villa Pizarreño, a community located next to our Maipú site and home to more than 100 families – including those of our workers –, was hit hard by the lockdowns, as was the community next to our Santa Rosa facility. Etex donated more than 150 food boxes to offer some relief and contribute to food security.

Italy

Our local Italian site took immediate action to help Lombardy, one of the regions that suffered the most from COVID-19 in the first half of 2020. Our plant in Filago donated personal protective equipment to the Papa Giovanni XXIII Hospital of Bergamo. In the context of the hospital's continuous fight against the virus, Etex Italy also contributed to the hospital's COVID-19 fund. Moreover, Etex Italy delivered two trucks full of Etex plasterboard products to the hospital. This enabled the hospital to build 150 emergency spaces for patients in the first week of April. Of course, caring about our employees was also front and centre in our strategy. When face masks were difficult to obtain, we prepared a safety kit containing four reusable masks for everyone in the plant and their families.

Argentina

The COVID-19 situation meant increased demand for face masks, which was a particular challenge for people responsible for ensuring the safety of our communities. In this time of need and in a spirit of solidarity, the Etex Argentina plant in Mendoza donated more than 100 masks to members of the security forces and firefighters.

France

The neighbourly spirit was also alive and well at Etex France's Auneuil plant. In the north of France, an area highly impacted by COVID-19, the plant swiftly responded to the situation and donated masks and overalls to several hospitals. Our French teammates were touched when the hospital in Gisors responded by sending a nice picture a few days later with the message: "*Thanks for taking care of us*".

Our CEO engaged in a conversation with six teammates to summarise key topics of 2020 for Etex.

We care about lightweight construction

At Etex, we have the ambition to be a key player in the transformation of the construction industry. Through passion, innovation and adherence to the highest standards, we want to provide our partners and customers with the very best.

In 2020, we launched New Ways. With this new division specialised in lightweight and modular building technologies, we realise our ambition to bring beautiful, affordable and high-quality housing to people around the world by offering building solutions rather than standalone products.

Watch the video

→ **Eduardo Martinez**,
Business Development Manager for Latin America

5

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. Management structure and processes are designed to optimise our performance while reducing the possible risks and impact on our activities. Etex is managed by the Chief Executive Officer (CEO), the Executive Committee and the Board of Directors.

Executive Committee

The Board of Directors entrusts the day-to-day management of the group to the CEO and the Executive Committee. The members of the Executive Committee are the CEO, the Chief Financial Officer (CFO), the Heads of the Building Performance and Exteriors divisions, the Chief Strategy Officer (CSO), the Chief Manufacturing Officer (CMO), 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. 55.

For an overview of business risks assessed by the Executive Committee of Etex, we refer to p. 62 ("Risk profile" section) and to Note 16 of the Financial Report (p. 75-78).

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 2020. The Board of Directors has the following four dedicated advisory Committees to assist and advise the Board 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 2020.

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 2020, it met three times.

3. Remuneration and Nomination Committee

The Remuneration and Nomination Committee assists with selecting and proposing 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 2020, the Committee met eight times.

4. Sustainability and Corporate Social Responsibility Committee

The Sustainability and 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 2020, the Sustainability and Corporate Social Responsibility Committee met four times.

Changes to the Board of Directors

The mandates of Paul Van Oyen, Pascal Emsens (through ARGALI CAPITAL BV), Teodoro Scalmani, Christian Simonard, Caroline Thijssen (through CT IMPACT BV), Johan Van Biesbroeck (through JoVB BV) and Guillaume Voortman (through GUVO BV) will be proposed to be renewed at the General Shareholders' meeting on 26 May 2021.

Having reached the maximum number of re-elections, Jean-Louis de Cartier de Marchienne has decided not to renew his mandate as Director and Chairman of Etex. Consequently, at the first Board meeting following the General Shareholders' meeting, it will be proposed to appoint Johan Van Biesbroeck as the new Chairman of the Board of Etex. It will also be proposed to the General Shareholders' meeting to appoint Thierry Vanlancker as new Director to the Board of Directors.

Jean-Louis de Cartier de Marchienne, Chairman
- Strategy Committee (Chairman)
- Remuneration and Nomination Committee (Chairman)
- Sustainability and Corporate Social Responsibility Committee

Paul Van Oyen, CEO
- Strategy Committee
- Sustainability and Corporate Social Responsibility Committee

MucH B.V. represented by its permanent representative Muriel De Lathouwer
- Remuneration and Nomination Committee

Gustavo Oviedo, Director
- Strategy Committee

Teodoro Scalmani, Director
- Risk and Audit Committee
- Remuneration and Nomination Committee

Christian Simonard, Director
- Remuneration and Nomination Committee
- Sustainability and Corporate Social Responsibility Committee

Bernadette Spinoy, Director
- Sustainability and Corporate Social Responsibility Committee (Chairwoman)

Caroline Thijssen, Director
- Remuneration and Nomination Committee

Johan Van Biesbroeck, Director
- Risk and Audit Committee (Chairman)

ViaBylity B.V. represented by its permanent representative Hans Van Byle
- Strategy Committee

Guillaume Voortman, Director
- Risk and Audit Committee

Pascal Emsens, Director
- Strategy Committee

Virginie Lietaer, Secretary
- Board of Directors
- Strategy Committee
- Risk and Audit Committee

Louise Cail, Secretary
- Remuneration and Nomination Committee

Joerg Ertle, Secretary
- Sustainability and Corporate Social Responsibility Committee

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.

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.

Neil Ash
Head of Building Performance

Previously Head of Region Northwest Europe for Building Performance, Neil Ash became the Head of the division in January 2020. He has over 25 years of experience in sales, marketing, executive-level business development and strategy within Etex, and prior to that at Lafarge.

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 1 March 2020. She previously held leadership HR positions in global industrial firms such as Owens Corning and H.B. Fuller.

Christophe David
Chief Manufacturing Officer

Christophe David joined Etex in November 2011 as Head of R&D and Innovation for Siniat. After leading the French business and subsequently the Operations of Building Performance, he became a member of the Executive Committee on 1 September 2020. He began his career at French car manufacturer Renault and held senior management positions in several industrial firms, including Bosch and Lafarge Roofing / Monier.

Michael Fenlon
Head of Exteriors

Michael Fenlon joined Tegral, the Irish business unit of Etex, in 1998, eventually becoming Managing Director of Tegral Metal Forming. He moved to Belgium in 2010 to drive sales and marketing of our fibre cement façade range and he joined the Executive Committee in March 2016 as Head of the Façade division. In 2019 Michael led the integration of our fibre cement roofing and façade activities into one division, Exteriors.

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. As of May 2020, Carla Sinanian has been appointed as a Board member of Recticel.

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 1 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.

Mel de Vogue
Chief Financial Officer

CFO of Etex since May 2015, Mel de Vogue has held leadership positions over the last 20 years. Previously CFO and co-CEO at Tessenderlo Chemie in Belgium and group CFO of Arjowiggins in France, he also worked for 12 years for Suez Environnement in multiple countries.

→ **Eva Angeli**
Corporate Social Responsibility Specialist

Our CEO engaged in a conversation with six teammates to summarise key topics of 2020 for Etex.

We care about **the world**

As a company with a global role and a long-term vision, we care about our teammates, our customers and the planet. In 2020, we created the Green Team, a group of 30 internal experts and motivated employees who focussed on sustainability.

Thanks to their efforts in collecting and reviewing our global environmental data to ensure that it is aligned with Global Reporting Initiative standards, Etex now has group-wide CSR reporting capabilities.

Watch the video

6

Financial report

Results fuelling focused growth

Consolidated financial statements

Consolidated income statement

in thousands of EUR	Notes	2019	2020
Revenue	(1)	**2,940,083**	2,615,892
Cost of sales	(2)	-2,044,201	-1,767,505
Gross profit		**895,882**	**848,387**
Distribution expenses	(2)	-400,231	-346,947
Administrative and general expenses	(2)	-185,371	-171,256
Other operating charges	(3)	-22,819	-23,687
Other operating income	(3)	4,851	4,479
Operating income before non recurring items		**292,312**	**310,976**
Gain / (losses) on disposal of assets and businesses	(4)	137,304	38,389
Other non recurring items	(4)	-161,709	-77,015
Operating income (EBIT)		**267,907**	**272,349**
Interest income	(5)	6,402	3,026
Interest expenses	(5)	-32,464	-24,090
Other financial income	(5)	6,327	10,449
Other financial expense	(5)	-10,822	-14,566
Share of profit in equity accounted investees	(12)	1,118	-2,304
Profit before income tax		**238,468**	**244,863**
Income tax expense	(6)	-57,733	-43,604
Profit for the year		**180,735**	**201,259**
Attributable to shareholders of Etex		175,981	194,134
Attributable to non-controlling interests		4,754	7,125

Consolidated statement of comprehensive income

in thousands of EUR	2019	2020
Profit for the year	**180,735**	**201,259**
Remeasurements in employee benefit obligations	-81,527	-55,058
Income tax effect	*17,220*	*13,912*
Net other comprehensive income not to be reclassified to income statement in subsequent periods	**-64,308**	**-41,147**
Changes in cash flow hedge reserves	4,521	10,410
Income tax effect	*-1,617*	*-2,299*
Exchange differences on translation of foreign operations	-1,341	-83,672
Net other comprehensive income to be reclassified to income statement in subsequent periods	**1,563**	**-75,562**
Other comprehensive income, net of tax	**-62,744**	**-116,708**
Total comprehensive income for the period, net of tax	**117,991**	**84,550**
Attributable to shareholders of Etex	115,869	80,314
Attributable to non-controlling interests	2,121	4,237

Consolidated statement of financial position

in thousands of EUR	Notes	2019	2020
Non-current assets		**2,093,578**	**1,873,823**
Property, plant and equipment	(7)	1,631,437	1,392,373
Property, plant and equipment - owned	(7)	*1,513,450*	*1,288,177*
Property, plant and equipment - leased	(7)	*117,986*	*104,197*
Goodwill	(8)	122,411	123,447
Other intangible assets	(9)	200,392	196,784
Investment properties	(10)	14,148	13,369
Assets held for sale	(11)	3,215	5,461
Investments in equity accounted investees	(12)	9,526	18,024
Other non-current assets	(13)	3,649	3,469
Deferred tax assets	(24)	98,033	114,218
Employee benefits assets	(21)	10,768	6,677
Current assets		**914,014**	**1,024,682**
Inventories	(15)	403,419	333,094
Trade and other receivables	(14)	310,494	277,267
Other current assets	(14)	7,070	23,984
Cash and cash equivalents	(17)	193,031	390,337
TOTAL ASSETS		3,007,592	2,898,505
Total equity	(18)	**1,159,403**	**1,200,534**
Issued share capital		*2,533*	*2,533*
Share premium		*743*	*743*
Reserves and retained earnings		*1,119,234*	*1,167,101*
Attributable to the equity shareholders of Etex		1,122,510	1,170,377
Non-controlling interests		36,893	30,157
Non-current liabilities		**916,697**	**794,071**
Provisions	(19)	126,021	131,446
Employee benefits liabilities	(21) (22)	392,303	385,976
Loans and borrowings	(23)	301,871	199,017
of which leasing	(23)	*96,011*	*86,402*
Deferred tax liabilities	(24)	76,097	66,561
Other non-current liabilities	(25)	20,405	11,071
Current liabilities		**931,492**	**903,900**
Provisions	(19)	58,363	40,561
Current portion of loans and borrowings	(23)	229,484	230,123
of which leasing	(23)	*24,056*	*20,925*
Trade and other liabilities	(25)	643,645	633,216
TOTAL EQUITY AND LIABILITIES		3,007,592	2,898,505

Consolidated statement of cash flows

In thousands of EUR		Notes	2019	2020
Operating income (EBIT)			267,907	272,349
Depreciation, amortization and impairment losses - owned		(26)	260,568	168,799
Depreciation, amortization and impairment losses - leased assets		(26)	28,090	27,201
Losses (gains) on sale of intangible assets and property, plant and equipment		(26)	-3,329	-8,799
Losses (gains) on sale of businesses			-133,057	-28,865
Income tax paid		(26)	-65,348	-61,562
Changes in working capital, provisions and employee benefits		(26)	-24,343	64,233
Changes in other non currents assets/liabilities			3,119	7,089
Cash flow from operating activities			**333,607**	**440,445**
Proceeds from sale of intangible assets and property, plant and equipment		(26)	7,691	19,778
Acquisition of business			-	-17,946
Disposal of business			276,546	108,623
Capital expenditure - owned		(26)	-134,893	-90,639
Other investing activities	(a)		-1,025	-15,401
Cash flow from investing activities			**148,319**	**4,415**
Capital increase / (decrease)			16	1,169
Proceeds (repayment) of borrowings			-332,765	-108,242
Interest and dividend received		(26)	7,262	3,759
Dividend paid		(26)	-47,675	-53,949
Interest paid			-22,418	-17,687
Cash flow from financing activities			**-395,580**	**-174,950**
Net increase (decrease) in cash and cash equivalents			**86,346**	**269,910**
Cash and cash equivalents at the beginning of the year			127,183	192,510
Translation differences			7,569	-21,911
Changes in the scope of consolidation			-28,588	-50,499
Net increase (decrease) in cash and cash equivalents			86,346	269,910
Net cash and cash equivalents at the end of the year			**192,510**	**390,010**
Cash and cash equivalents			*193,031*	*390,337*
Bank overdrafts			*-521*	*-327*

(a) 'Other investing activities' mainly include the effect of capital increases and acquired activities in 'investments in equity accounted entities' (note 12)

Consolidated statement of changes in equity

	Attributable to the equity holders of Etex (Note 18)						
in thousands of EUR	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, 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
Total comprehensive income	-	-	-33,036	-80,786	194,136	4,237	84,550
Capital increase / (decrease)	-	-	-	-	-	1,169	1,169
Dividend	-	-	-	-	-45,335	-11,576	-56,911
Other equity movements	-	-	14,462	-	-1,573	-565	12,324
Treasury shares	-	-	-	-	-	-	-
At December 31, 2020	3,276	-19,988	-309,935	-373,560	1,870,585	30,157	1,200,534

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 01 April 2021.

Statement of compliance

The consolidated financial statements of Etex for the year ended 31 December 2020 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 2020.

The nature each of the following new standards, amendments and/or interpretations are described 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 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.

- **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.

- **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.

The amendments and/or interpretations do not have any significant effect on the financial statements.

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 internal forecasts 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 Argentinian 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 Argentinian 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:

		2019		2020	
		Average	End of period	Average	End of period
Argentinean peso	ARS	67.0400	67.0400	103.5297	103.5297
Chilean peso (000)	CLP	0.7875	0.8365	0.9026	0.8724
Chinese yuan	CNY	7.7367	7.8155	7.8740	8.0250
Colombian peso (000)	COP	3.6748	3.6815	4.2140	4.2120
Danish krone	DKK	7.4662	7.4715	7.4541	7.4409
Pound sterling	GBP	0.8778	0.8508	0.8899	0.8990
Hungarian forint	HUF	325.3006	330.5300	351.2878	363.8900
Indonesian rupiah (000)	IDR	15.8396	15.5956	16.6321	17.2408
Nigerian naira	NGN	343.3113	404.8980	436.1916	503.4178
Peruvian nuevo sol	PEN	3.7362	3.7238	4.0016	4.4470
Polish zloty	PLN	4.2961	4.2568	4.4418	4.5597
US dollar	USD	1.1197	1.1234	1.1432	1.2271
South African rand	ZAR	16.1746	15.7773	18.7255	18.0219

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 2020, 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 is 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 which 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 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 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.

As the COVID-19 pandemic continues to develop and an increasing number of countries are continuously reviewing their containment measures, companies around the world remain under pressure. Etex is no exception, and the impact of the virus outbreak on our business continues to evolve. We have limited visibility when it comes to 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 closely monitor the level of spending.

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 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. 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 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 and business transformations, 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 2020 financial statements, which could be applicable to the Group are listed below:

- **Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 1 January 2022)**

It affects only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The IASB has issued an exposure draft to defer the effective date to 1 January 2023. They:

- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services

- **IFRS 17 Insurance contracts (effective 1 January 2023)**

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 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (effective 01/01/2022).**

The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making.
- **Annual Improvements** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 01/01/2021).**

These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

- **Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective 01/06/2020, with early application permitted)**.

If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.

- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 01/01/2021).**

This amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

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	2019	2020
Building Performance	1,782,666	1,639,285
Exteriors	587,930	569,397
Residential Roofing	379,026	253,252
Industry	178,988	143,659
New Ways	11,473	10,299
Total	2,940,083	2,615,892

Revenue by geographical area

In thousands of EUR	2019	2020
France	522,538	488,589
Germany	386,315	412,161
United Kingdom	470,186	339,926
Benelux	190,589	171,685
Poland	133,689	125,258
Spain	124,525	115,429
Other Europe	414,391	395,039
Chile	102,391	88,725
Argentina	71,662	54,795
Peru	73,044	60,047
Colombia	64,110	51,863
Nigeria	83,536	72,083
South Africa	53,168	28,439
Rest of the World	249,939	211,853
Total	2,940,083	2,615,892

Note that the sales in the United Kingdom for 2020 (€ 339,926 thousand) should be compared to €358,828 thousand the corresponding pro forma value for 2019, excluding the sales realized by Marley in the United Kingdom, a business disposed in the course of 2019.

Note 2 – Operating charges by nature

The Group's major operating charges by function in 2020 are as follows:

In thousands of EUR	Personnel & temporary	Depreciation & impairment	Goods & materials	Energy	Transport & travel	Others	Total
Cost of sales	-316,053	-131,763	-741,083	-172,771	-250,541	-155,294	-1,767,505
Distribution expenses	-197,935	-27,412	-	-580	-11,431	-109,588	-346,947
Administrative and general expenses	-100,070	-9,291	-	-606	-2,357	-58,931	-171,256
Other operating charges	-11,708	-4,455	-	-91	-742	-6,691	-23,687
Non recurring items	-20,206	-23,079	-	-	-	4,659	-38,626
Total	-645,972	-196,000	-741,083	-174,048	-265,072	-325,846	-2,348,021

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	-348,829	-148,505	-879,740	-189,382	-279,311	-198,434	-2,044,201
Distribution expenses	-207,879	-28,106	-	-679	-20,075	-143,492	-400,231
Administrative and general expenses	-102,790	-12,523	-	-588	-6,093	-63,376	-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 total personnel expenses, are made up of the following elements:

In thousands of EUR	2019	2020
Wages and salaries	-506,688	-466,521
Social security contributions	-108,746	-103,661
Contributions to defined contribution plans	-11,662	-11,086
Charges for defined benefit plans (service cost)	-14,654	-18,586
Restructuring and termination charges	-19,116	-20,206
Other employee benefits expenses	-31,770	-25,912
Total employee benefits expenses	-692,636	-645,972

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

In thousands of EUR	2019	2020
Production	8,566	7,869
Sales and marketing	3,901	3,548
Administration and research	1,371	1,361
Average number of personnel	13,838	12,778

Note 3 – Other operating charges and income

In thousands of EUR	2019	2020
Research	-20,539	-20,434
Other operating taxes	-2,241	-2,205
Direct expenses arising from investment properties	-2	-35
Miscellaneous	-37	-1,013
Total other operating charges	-22,819	-23,687

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In thousands of EUR	2019	2020
Income from investment property	880	598
Government grant amortisation	1,461	1,497
Royalties and license income	-37	-
Miscellaneous	2,547	2,384
Total other operating income	4,851	4,479

Note 4 – Non recurring items

In thousands of EUR	2019	2020
Gains / (losses) on disposal of assets	4,247	9,524
Gains / (losses) on disposal of businesses	133,057	28,865
Total gains / (losses) on disposal of assets and businesses	**137,304**	**38,389**
Restructuring costs	-36,340	-43,039
Health claims	-9,518	-1,635
Environmental remediation	-18,100	-18,460
Asset impairment	-61,558	-8,727
Impairment on goodwill	-29,500	-
Others	-6,694	-5,154
Total other non recurring items	**-161,709**	**-77,015**
Non recurring items	**-24,405**	**-38,626**

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 and business transformation, 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 2020 gain on disposal of assets relates to disposal of non operational sites in Germany, in Mexico and in Chile. In 2019, it related mainly to additional compensation received triggered by development permit obtained by third party to which we sold, in 2005, a real property located in the United Kingdom.

In December 2020, Etex completed the disposal of the Creaton roofing business in Germany, Hungary, Poland and Belgium to the French company Terreal. Earlier in 2020, the disposal of the South African Marley Roofing business and the associated company RBB (Belgium) took place. Etex divested Marley in in the United Kingdom and Umbelino Monteiro in Portugal, two other businesses in the clay and concrete tile segment, in 2019. Following the disposals of Marley, Umbelino and Creaton businesses over 2019 and 2020, Etex completely divested its clay and concrete tile activities and its division Residential Roofing by the end of 2020. In another segment, Etex also disposed in 2020 its German fire-resistant glass business part of the Industry division to AGC Glass Europe

Out of total gain on business disposals realised in 2020 (€ 28,865 thousand), a prominent part was generated by the disposal of the Creaton business. In total, businesses sales transactions of 2020 generated a net disposal proceed of €108,623 thousand (mainly linked to the Creaton business) and a price adjustments of €10.567 thousand to be collected in 2021.

The 2019 disposal of Marley Ltd in in the United Kingdom is the most significant part of the gain that was realised on the disposal of businesses. Business disposals in 2019 in other segments related to the water-based paints joint-venture Rothenburg in Thailand and the disposal of the Nidaplast business, French polypropylene honeycomb blocks and panels producer.

In 2020, impairment loss relates to the thermal insulation powder blanket line in Belgium (€4,951 thousand), to unused gypsum concession in Cyprus (€2,264 thousand) and to some divested or poorly performing production lines in Chile, in France and in Germany (€1,512 thousand).

The impairment losses incurred in 2019 were relating to Residential Roofing division for both goodwill (€29,500 thousand) and property, plant & equipment (€60,022 thousand).

Restructuring charges in 2020 mainly relate to the following:

- the closure of the Bègles plasterboard-paper mill (charges €20,742 thousand and impairment of equipment for €13,756 thousand) and the re-location of a production line in France (charges €3,367 thousand, impairment of equipment for €596 thousand),
- the centralisation of commercial processes of Industry division, including internal customer services and technical support (€2,569 thousand),
- the re-location of shared service centre roles to Lithuania (€ 1,368 thousand),
- the remaining part of the restructuring charges include the further re-design of regional functions within the Etex Exteriors division (in Chile and in Ireland), specific restructuring measures made mainly in Central and Eastern Europe, partially offset by the reversal of some unnecessary restructuring provisions booked in prior year in the Residential Roofing division.

In 2019, following restructuring measures were implemented:

- 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.

The health claims charges decrease in 2020 compared to prior year as Etex had, in 2019, to adjust the then experienced and expected increase in future cost in specific geographies.

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

Other non recurring charges amount to €5,154 in 2020: this includes mainly one-off external advisors fees with respect to acquisition projects, to non-operational assets disposals and more, as well as specific charges incurred in order to deeply transform the IT support processes within Etex gradually as from 2021. Favourable impact of reversed post-disposal provision not deemed necessary are also included. In 2019, other non recurring (€ 6,694 thousand) charges were relating to acquisition and disposal projects mainly.

Note 5 – Finance income and expense

In thousands of EUR	2019	2020
Interest income from receivables, deposits and cash and cash equivalents (loans and receivables)	6,332	3,031
Positive impact of change in discount rate of long term provisions	48	-9
Other interest related income	22	4
Interest income	**6,402**	**3,026**
Interest expense on financial liabilities measured at amortised cost	-22,379	-17,728
Net interest expense on post-employment benefits	-5,459	-4,534
Unwinding of discount long term provisions	-433	-24
Negative impact of change in discount rate of long term provisions	-3,157	-966
Other interest related charges	-1,036	-838
Interest expense	**-32,464**	**-24,090**
Dividend income from shares in non consolidated companies	49	100
Net foreign exchange gains (loans and receivables)	6,240	10,109
Other	38	240
Other finance income	**6,327**	**10,449**
Net foreign exchange losses	-10,139	-12,198
Impairment of shares in non consolidated companies	-	-763
Hyperinflation Argentina	-378	-1,314
Other	-305	-291
Other finance expense	**-10,822**	**-14,566**
Net finance costs	**-30,557**	**-25,181**

The interest expense on financial liabilities measured at amortised cost decreased because of financing at lower cost and decreasing net financial debt position. It also includes the effect of interest rate swaps hedging the Group's interest rate risk: €7,587 thousand paid in 2020 (€7,715 thousand paid in 2019). Those interest rates swaps have all matured in December 2020.

The other interest related charges mainly include upfront fee expenses for €805 thousand (€662 thousand in 2019) 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 loss is the result of the Group's foreign exchange exposure in mainly Argentina, Indonesia, Russia, Ukraine and Nigeria on the current financial asset and liabilities in these countries.

The impact of hyperinflation in Argentina in 2020 is €-1,314 thousand (€-378 thousand in 2019).

Note 6 - Income tax expense

In thousands of EUR	2019	2020
Current income tax charge for the year	-65,753	-75,901
Adjustments to current income tax of previous years	-5,213	1,065
Current income tax expense	**-70,966**	**-74,836**
Origination and reversal of temporary differences	23,363	29,954
Net effect on deferred tax assets	-13,038	-536
Net effect of changes in tax rates on deferred tax	2,908	1,814
Deferred income tax expense	**13,233**	**31,232**
Total income tax expense	-57,733	-43,604

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	2019	2020
Profit before income tax and before share of profit in equity accounted investees	**237,350**	**247,167**
Theoretical income tax expense (nominal rates)	-40,520	-58,888
Weighted average nominal tax rate %	17.1%	23.8%
Tax impact of		
Non deductible expenses	*-9,690*	*-7,982*
Tax on profit distribution inside the Group	*-2,044*	*-3,306*
Tax-free gains/losses on investments	*26,291*	*12,004*
Other tax deductions	*4,338*	*3,700*
Unrecognised deferred tax assets on current year losses	*-15,706*	*-10,135*
Recognition of previously unrecognised deferred tax assets	*2,668*	*9,599*
Net effect of changes in tax rates on deferred tax	*2,908*	*1,814*
Adjustments to prior year income tax	*-5,213*	*1,065*
Other tax adjustments	*-20,765*	*8,525*
Income tax expense recognised in the income statement	-57,733	-43,604
Effective tax rate %	24.3%	17.6%

The recognition of previously unrecognized deferred tax assets relates mainly to the structural changes being implemented that allow the future use on tax losses carried forward.

Income tax recognised directly in equity is related to:

In thousands of EUR	2019	2020
Actuarial gains (losses) on post employment benefit plans	17,220	13,912
Gains (losses) on financial instruments - cash flow hedging	-1,617	-2,299
Total	15,603	11,613

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 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	-1,977	-114	-34	-4,397
Disposal of subsidiaries	-27,554	-26,039	-346	-	-5,266	-59,205
Transfer between captions	13,407	45,442	2,107	535	-64,373	-2,882
Depreciation for 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 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*
Additions	15,635	40,360	13,163	1,596	31,961	102,715
Disposals	-7,438	-193	-957	7	-	-8,581
Acquisition of subsidiaries	2,814	1,554	92	-	-	4,460
Disposal of subsidiaries	-36,697	-46,391	-9,777	3	-2,064	-94,926
Transfer between captions	15,307	28,663	1,335	3,306	-56,962	-8,351
Depreciation of the year	-36,853	-90,926	-20,164	-1,772	-	-149,715
Impairment loss of the year	-4,568	-16,645	-25	-	-768	-22,006
Reversal of impairment loss	1,292	3	4	-	-	1,299
Hyperinflation - impact of the year	1,014	5,090	330	-3	3,303	9,734
Translation differences	-27,304	-38,232	-1,739	1,387	-7,805	-73,693
At 31 December 2020						
Gross book value	1,005,734	2,064,355	217,226	29,232	92,203	3,408,750
Accumulated depreciation	-491,491	-1,301,746	-145,680	-23,181	-	-1,962,098
Accumulated impairment loss	-10,072	-39,962	-569	-75	-3,601	-54,279
Net book value	**504,171**	**722,647**	**70,977**	**5,976**	**88,602**	**1,392,373**
Of which leased assets	*57,578*	*25,709*	*20,636*	*274*	-	*104,197*

Despite the significant impact of COVID 19 on our investment's projects, several investments were made in capacity increase, sustainability, health & safety and in some replacements, especially in France, Germany, UK and Belgium. There are no borrowing costs capitalised in 2020 and 2019.

The disposal proceeds of property, plant and equipment in 2020 amount to €12,876 thousand, resulting in a net gain of € 4,295 thousand. In 2019, the proceeds amounted to €7,608 thousand with a net gain of €3,296 thousand.

Acquisition of subsidiaries (€4,460 thousand) represents the impact of FSi as disclosed in note 8.2.

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	2019	2020
Gross book value	253,357	204,590
Accumulated impairment losses	-51,924	-82,179
Net book value at the beginning of the year	201,433	122,411
Additions through business combinations	-	4,489
Translation differences	-77	-3,453
Changes in the scope of consolidation	-49,445	-
Impairment loss of the year	-29,500	-
Net book value at the end of the year	122,411	123,447
Gross book value	204,590	141,087
Accumulated impairment losses	-82,179	-17,640

The movements of the year are resulting from the acquisition of the FSi Limited, a UK company, in 2020 (see Note 8.2). In 2019, the movements of the year are due to disposals of Roofing businesses (Marley UK and, to a lesser extent, Nidaplast) and from the impairment recognised on the remaining part of the Etex Residential Roofing division.

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

In thousands of EUR	2019	2020
Building Performance	85,789	81,858
Exteriors	11,290	11,325
Industry	25,332	27,154
New Ways	-	3,110
Total	122,411	123,447

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

8.2. Business combinations

On 23 September 2020, Etex acquired 100% of the shares of FSi Limited, a UK company specialising in passive fire protection solutions with a strong focus on fire stopping with a production facility in Measham (East Midlands) and a distribution centre within the Greater London area, for a total consideration of €17.289 thousand (plus acquisition cost of €457 thousand).

The fair value of the identifiable assets and liabilities of the business acquired in 2020 as at the date of acquisition are disclosed in the following table:

In thousands of EUR	FSi Ltd	2020
Non-current assets	**18,209**	**18,209**
Property, plant and equipment	4,460	4,460
Property, plant and equipment - owned	*1,646*	*1,646*
Property, plant and equipment - leased	*2,814*	*2,814*
Intangible assets	13,749	13,749
Current assets	**7,845**	**7,845**
Inventories	2,103	2,103
Trade and other receivables	4,023	4,023
Cash and cash equivalents	1,719	1,719
TOTAL ASSETS	**26,054**	**26,054**
Non-current liabilities	**7,243**	**7,243**
Loans and borrowings	4,523	4,523
of which leasing	*2,885*	*2,885*
Deferred tax liabilities	2,720	2,720
Current liabilities	**6,010**	**6,010**
Trade and other liabilities	6,010	6,010
TOTAL LIABILITIES	**13,253**	**13,253**
Net identifiable assets and liabilities	**12,801**	**12,801**
Group share	12,801	12,801
Acquisition price satisfied in cash (Group share)	**17,289**	**17,289**
Goodwill generated	4,489	4,489

The goodwill generated by this acquisition is explained by the synergies expected from this transaction.

8.3 Impairment testing of goodwill and capital employed

Impairment reviews were performed in 2020, 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. It also includes a portion of the goodwill impact of the 2020 acquisition of FSi Limited (passive fire protection).

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). It also includes a portion of the goodwill impact of the 2020 acquisition of FSi Limited (passive fire protection).

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).

Etex New Ways capital employed value, to be consistently tested as one whole, include the goodwill generated by the acquisition of EOS (2016, previously part of Building Performance).

The recoverable amount of the cash-generating units Etex Building Performance, Exteriors, Industry and New Ways 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 1.0% to 3.1% per annum depending on the countries involved and their inflation (1.5 % to 4.5% in 2019)
- cash flows were discounted using the weighted average cost of capital (WACC) in a range of 5.8 % to 9.4 % depending on the countries involved (5.8 % to 8.7 % in 2019).

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 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 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
Disposal of subsidiaries	-167	-46	-3,166	-	-	-	-3,379
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
Hyperinflation - impact of the year	-	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
Additions	75	3,877	1,090	-	-	3,089	8,131
Disposals	-35	-8	-	-	-	-97	-140
Acquisition of subsidiaries	-	-	-	-	13,749	-	13,749
Disposal of subsidiaries	-	-737	-	-	-	-1,301	-2,038
Transfer between captions	762	4,567	-	78	-	-	5,407
Amortisation for the year	-643	-6,657	-6,865	-3,939	-4,704	-175	-22,983
Impairment loss of the year	-2,264	-117	-	-	-	-	-2,381
Hyperinflation - impact of the year	-	-9	-	-	-	-	-9
Translation differences	-1,585	-852	-675	-295	211	-148	-3,344
At 31 December 2020							
Gross book value	71,310	106,852	99,874	73,710	73,963	11,652	437,361
Accumulated amortisation	-7,327	-81,651	-60,916	-40,988	-33,817	-6,707	-231,406
Accumulated impairment losses	-8,078	-225	-	-	-868	-	-9,171
Net book value	**55,905**	**24,976**	**38,958**	**32,722**	**39,278**	**4,945**	196,784

Acquisition of subsidiaries (€13,749 thousand) represents the impact of FSi as disclosed in note 8.2.

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

Note 10 – Investment properties

In thousands of EUR	2019	2020
Gross book value	39,254	42,788
Accumulated depreciation	-18,136	-20,291
Accumulated impairment losses	-7,534	-8,349
Net book value at the beginning of the year	**13,584**	**14,148**
Depreciation for the year	-128	-283
Impairment losses	-815	-
Reversal of impairment losses	-	69
Additions	240	245
Transfer between captions	1,091	-
Disposals	-1	-659
Change in the scope of consolidation	-137	-
Hyperinflation - impact of the year	492	150
Translation differences	-178	-301
Net book value at the end of the year	**14,148**	**13,369**
Gross book value	42,788	34,126
Accumulated depreciation	-20,291	-12,477
Accumulated impairment losses	-8,349	-8,280

Investment properties comprise several pieces of land and buildings, mainly in France, Germany and Italy. The disposal amounting to €-539 thousand mainly related to investment properties in Germany, sold for a consideration of € 1,950 thousand.

The fair value of the investment properties is estimated at €20,446 thousand (€21,023 thousand in 2019). Where external valuations were not available, best estimates have been used.

Note 11 – Assets held for sale

In thousands of EUR	2019	2020
Gross book value	9,198	9,136
Accumulated impairment losses	-6,036	-5,921
Net book value at the beginning of the year	**3,162**	**3,215**
Disposals	-50	-1,474
Additions	-	1,092
Transfer between captions	-	2,944
Translation differences	103	-316
Net book value at the end of the year	**3,215**	**5,461**
Gross book value	9,137	11,079
Accumulated impairment losses	-5,922	-5,618

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

In 2020, a land located in Mexico was disposed. The transfer between captions for 2020 (€2,892 thousand) is the net of transferred assets which are no longer used in operations with a gross carrying amounts for €26,468 thousand and accumulated depreciation for €-23,576 thousand from ‘Property, plant and equipment’. The additions booked in 2020 relate mainly to that specific asset.

Note 12 – Investments in equity accounted entities

In thousands of EUR	2019	2020
At the beginning of the year	10,309	9,526
Result for the year	1,118	-2,304
Dividends paid	-927	-698
Acquisition	-	3,601
Disposal	-1,431	-2,079
Capital increases	397	12,127
Cumulative translation adjustments	60	-2,150
At the end of the year	9,526	18,024

In 2020, E2E (Chilean joint venture) acquired a majority stake in Tecverde Engenharia, a Brazilian innovative building company specialised in wood-frame construction systems; explaining the increase of the Group's investments at equity accounted entities of €3,601 thousand.

The 2020 disposal value represents on the one hand the sale of RBB NV (Belgium) (€-1,622 thousand) for a total consideration of €750 thousand, and on the other hand the sale of Oberlausitzer Tonbergbau GmbH (Germany) (€-456 thousand) which forms part of the divestment of the Creaton group.

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

In 2020 and 2019 the Group's share of the capital increase in E2E (Chilean joint venture) equals to respectively €6,511 thousand and €397 thousand.

In 2020 the Group's share of capital increase in Tecverde (Brazilian joint venture) equals to €5,616 thousand.

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

In thousands of EUR	2019	2020
Property plant and equipment	7,659	5,525
Other non-current assets	420	6,069
Current assets	8,094	13,729
Non-current liabilities	-2,071	-2,258
Current liabilities	-4,576	-5,041
Total net assets	9,526	18,024
Revenue	21,398	20,395
Operating income	1,095	-823
Profit after tax	1,118	-2,304

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

In thousands of EUR	2019	2020
Transactions		
Purchases from associates	4,332	2,284
Sales to associates	4,066	4,575
Dividends paid	927	698
Outstanding balances		
Trade receivables	330	38
Other current receivables	1,490	-
Trade liabilities	215	-

Note 13 – Other non-current assets

In thousands of EUR	2019	2020
Trade and other receivables	*3,754*	*3,366*
Impairment on trade and other receivables	*-1,344*	*-1,274*
Net trade and other receivables	2,410	2,092
Available-for-sale investments	*628*	*617*
Impairment on available-for-sale investments	*-128*	*-128*
Net available-for-sale investments	500	489
Loans granted	739	888
Total	3,649	3,469

The non-current available-for-sale investments include unquoted equity instruments that are measured at cost for €489 thousand as their fair value cannot be measured reliably (€500 thousand in 2019).

Note 14 – Trade and other receivables and Other current assets

Current trade and other receivables

In thousands of EUR	2019	2020
Trade receivables	*245,618*	*219,429*
Impairment on trade receivables	*-17,419*	*-16,660*
Trade receivables	228,199	202,769
Other receivables	82,295	74,498
Total	310,494	277,267

At 31 December 2020, an amount of €159.6 million (€153.7 million in 2019) 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	2019	2020
Income taxes recoverable	28,333	21,720
Other taxes recoverable	41,616	25,432
Derivative financial instruments with positive fair values	298	439
Prepaid charges and accrued income	2,966	1,851
Advances due from customers for contracts in progress	1,396	1,179
Advances to personnel	1,697	1,350
Others	5,989	22,527
Total	82,295	74,498

The other receivables of €22.527 thousand includes the price adjustment of €10.567 thousand on business disposal transactions as described in Note 4.

Exposure to credit risk – impairment losses

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

In thousands of EUR	2019	2020
Neither impaired nor past due at reporting date	395,871	382,804
Not impaired at reporting date and past due	68,306	53,455
Up to 30 days	*50,081*	*36,015*
Between 31 and 60 days	*5,505*	*9,716*
Between 61 and 90 days	*2,390*	*1,884*
Between 91 and 120 days	*2,619*	*868*
Between 121 and 150 days	*1,245*	*811*
More than 150 days	*6,466*	*4,161*
Non-recourse factoring	*-153,683*	*-158,992*
Net carrying amount at the end of the year	**310,494**	**277,267**

The Group applied the IFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses. The Group analysed the impact of IFRS 9 and concluded there is no material impact on the impairment losses booked. The Group also assessed whether the historic pattern would change materially in the future and expects no significant impacts.

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

In thousands of EUR	2019	2020
Allowances at the beginning of the year	**-24,779**	**-17,419**
Additions	-1,943	-2,839
Use	6,413	2,064
Reversal	1,859	786
Change in the scope of consolidation	1,031	748
Allowances at the end of the year	**-17,419**	**-16,660**

Other current assets

In thousands of EUR	2019	2020
Available-for-sale investments	807	3,551
Deposits	6,263	20,433
Total	**7,070**	**23,984**

Note 15 – Inventories

The different types of inventories are detailed below:

In thousands of EUR	2019	2020
Raw materials	113,843	104,279
Work in progress	28,920	24,353
Finished goods	193,087	143,641
Spare parts and consumables	84,194	71,368
Goods purchased for resale	34,623	25,304
Write-downs to net realisable value	-51,248	-35,851
Total	**403,419**	**333,094**

In 2020, the Group recognised inventory write-downs to net realisable value of €-11,426 thousand (€-7,123 thousand in 2019) as an expense, and a reversal of prior year write-downs amounting to €13,586 thousand (€7,589 thousand in 2019) as an income. Reversals of write-downs without impact on the income statement amount to €720 thousand (€-2,356 thousand in 2019), mainly due to foreign currency conversions.

The net impact of scope changes on the total inventory equals to €-37,834 thousand; with an impact on the gross carrying amount of €-50,353 thousand, and €12,519 thousand on the write downs to net realisable value.

Note 16 – Risk management and financial derivatives

16.1 Risk management

A. Market risk

Exposure to currency risk

Around 46% of the Group's revenue is generated by subsidiaries with a functional currency other than the Euro (50% in 2019). 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 2020, 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 2020	Average rate 2020	Possible volatility of rates in %	Range of possible closing rates 31 December 2020	Range of possible average rates 2020
Argentinean peso	103.5297	103.5297	22	81,188 - 125,8714	81,188 - 125,8714
Chilean peso (000)	0.8724	0.9026	14	0,7535 - 0,9913	0,7796 - 1,0256
Colombian peso (000)	4.2120	4.2140	14	3,6232 - 4,8009	3,6249 - 4,8031
Nigerian naira	503.4178	436.1916	18	411,5441 - 595,2915	356,5866 - 515,7965
Peruvian nuevo sol	4.4470	4.0016	11	3,9605 - 4,9335	3,5638 - 4,4394
Pound sterling	0.8990	0.8899	7	0,8359 - 0,9622	0,8274 - 0,9524

As a comparison, the reasonably possible change of exchange rate of these currencies against the Euro was estimated as follows for 2019:

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

If the Euro had weakened or strengthened during 2020 by the above estimated possible changes against the listed currencies with all other variables held constant, the 2020 profit would have been €9,366 thousand (12%) higher or €6,876 thousand (-10%) lower while equity would have been €63,133 thousand (5%) higher or €50,478 thousand (-4%) lower. In 2019, if the Euro had weakened or strengthened the profit would have been €21,912 thousand (8%) higher or €18,562 thousand (-6%) lower while equity would have been €53,013 thousand (4%) higher or €44,996 thousand (-4%) lower.

In thousands of EUR				2020
	If euro weakens		If euro strengthens	
	Profit	Equity	Profit	Equity
Argentinean peso	2,678	13,696	-1,727	-8,834
Chilean peso	1,010	11,613	-767	-8,826
Colombian peso	99	6,991	-75	-5,276
Nigerian naira	2,972	6,421	-2,055	-6,989
Peruvian nuevo sol	205	10,051	-165	-8,069
Pound sterling	2,402	14,361	-2,087	-12,484
Total	**9,366**	**63,133**	**-6,876**	**-50,478**

In thousands of EUR				2019
	If euro weakens		If euro strengthens	
	Profit	Equity	Profit	Equity
Argentinean peso	2,061	11,479	-1,356	-7,590
Chilean peso	846	8,440	-666	-7,353
Colombian peso	400	6,983	-313	-5,637
Nigerian naira	591	2,709	-534	-2,453
Peruvian nuevo sol	518	8,790	-433	-7,672
Pound sterling	17,496	14,612	-15,260	-14,291
Total	**21,912**	**53,013**	**-18,562**	**-44,996**

Interest rates sensitivity analysis

At the end of 2020 €128,170 thousand or 30% of the Group's interest bearing financial liabilities, before offset of any surplus cash, bear a variable interest rate (€ 206,268 thousand or 39% at the end of 2019). This floating debt portion consists of debt instruments almost exclusively denominated in Euro apart from € 17,572 thousand that is denominated in Pound sterling (€13,414 thousand in 2019), €0 that is denominated in Romanian Leu (€12,181 thousand in 2019) and € 607 thousand denominated in other currencies.

The total interest expense recognised in the 2020 income statement on the Group's variable rate debt portion, net of the effect of interest rate derivative instruments, amounts to € 10,229 thousand (€ 13,554 thousand in 2019). The total interest expense recognised on the fixed rate portion amounts to € 2,880 thousand (€ 4,205 thousand in 2019).

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 2020	Possible volatility of rates	Possible rates at 31 December 2020
Euro	-0.55%	-0,12% - 0,27%	-0,67% - -0,28%
Pound sterling	0.03%	-0,26% - 0,51%	-0,23% -0,54%
Romanian Leu	1.73%	-0,41% - 0,85%	1,32% -2,58%

			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%

Application of the reasonably possible fluctuations in the market interest rates mentioned above on the Group's floating rate debt at 31 December 2020, with all other variables held constant and net of the effect of interest rate derivative instruments, would result in a decrease of the 2020 profit by €388 thousand and an increase of € 178 thousand (a decrease of € 91 thousand and an increase of € 115 thousand in 2019). Cash and cash equivalents in Euro of € 110,950 thousand (€ 20,073 thousand in 2019), Pound sterling balances of € 143,737 thousand (€ 153,333 thousand in 2019) and Romanian Leu balances of € 9,454 thousand (€ 6,339 thousand in 2019) 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 € 21 thousand / increase by € 50 thousand against an increase / decrease of equity for that amount (decrease by € 231 thousand and increase by € 130 thousand in 2019).

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 2020 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	187,575	192,388	78,893	714	112,781	-
Other financial loans	134,238	134,874	131,874	1,087	1,513	400
Obligations under leases	107,327	129,144	23,636	21,279	32,642	51,587
Trade and other liabilities	641,050	630,441	630,441	-	-	-
Derivative financial liabilities						
Interest rates swaps	-	-	-	-	-	-
Commodity contracts	106	106	106	-	-	-
Foreign exchange contracts	3,131	3,131	3,131	-	-	-
Total	1,073,427	1,090,084	868,081	23,080	146,936	51,987

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

At 31 December 2019 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	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	7,487	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**

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 -0.21 at 31 December 2020 (0.50 at 31 December 2019), well below the lowest covenant of 3.25. The net cash interest to recurring EBITDA ratio amounts to 37.90 at 31 December 2020 (35.04 at 31 December 2019), 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:

	2019		2020	
In thousands of EUR	Fair value	Carrying amount	Fair value	Carrying amount
Foreign exchange contracts				
Assets	298	298	439	439
Liabilities	-5,995	-5,995	-3,131	-3,131
Commodity contracts				
Liabilities	-398	-398	-106	-106
Interest rate swaps				
Liabilities	-7,487	-7,487	-	-
Total	**-13,582**	**-13,582**	**-2,798**	**-2,798**

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 2020, 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	188	-	-	-	-47
Liabilities	188	-	-	-	2,677
Commodity contracts					
Liabilities	-	-	-	-	294
Interest rate swaps					
Liabilities	-	-	-	-	7,486
Total	376	-	-	-	10,410

A. Cash flow hedges

At 31 December 2020, 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 2020, 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.

During 2020, the Group had an interest rate swap agreements in place with a nominal amount of €250,000 thousand (€250,000 thousand in 2019) whereby it received 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 matured in December 2020 and were being used to hedge the exposure to interest rate risk on its floating debt. The floating rate debt and the interest rate swaps had the same critical terms.

The Group did not recognise any ineffectiveness in 2020 and 2019.

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 2020:

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	*205*	*205*	*205*	-	-	-
Liabilities	*-2,296*	*-2,296*	*-2,296*	-	-	-
Commodity						
Commodity contracts						
Assets	-	-	-	-	-	-
Liabilities	*-106*	*-106*	*-106*	-	-	-
Interest rate						
Interest rate swaps						
Assets	-	-	-	-	-	-

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 contracts						
Commodity contracts						
Assets	-	-	-	-	-	-
Liabilities	*-398*	*-398*	*-398*	-	-	-
Interest rate						
Interest rate swaps						
Assets	-	-	-	-	-	-
Liabilities	*-7,487*	*-7,487*	*-7,487*	-	-	-

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 2020.

16.3 Financial instruments – fair values

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

In thousands of EUR	2019	2020
Assets	514,244	695,057
Other non current assets	3,649	3,469
Trade and other receivables (loans and receivables)	*2,410*	*2,092*
Loans (loans and receivables)	*739*	*888*
Bonds (available-for-sale)	*4*	*3*
Other	*496*	*486*
Trade and other receivables	310,494	277,267
Trade and other receivables (loans and receivables)	*310,196*	*276,828*
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	*110*	*234*
Derivatives – used for hedging (cash flow hedging)	*188*	*205*
Other current assets	7,070	23,984
Current financial assets – deposits (loans and receivables)	*6,263*	*20,433*
Shares (available-for-sale)	*807*	*3,551*
Cash and cash equivalents (loans and receivables)	193,031	390,337
Liabilities	1,195,405	1,073,427
Financial liabilities (liabilities at amortised cost)	301,871	199,017
Other non-current liabilities	20,405	11,071
Other non-current liabilities (liabilities at amortised cost)	*20,405*	*11,071*
Current portion of financial liabilities (liabilities at amortised cost)	229,484	230,123
Trade and other liabilities	643,645	633,216
Trade and other payables (liabilities at amortised cost)	*629,765*	*629,979*
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	*833*	*835*
Derivatives – used for hedging (cash flow hedging)	*13,047*	*2,402*

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.

2020

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)	-	234	-
Derivatives – used for hedging (cash flow hedging)	-	205	-
Liabilities measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	835	-
Derivatives – used for hedging (cash flow hedging)	-	2,402	-

During 2020 and 2019 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.

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	-

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 2020 and 2019 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 2020 compared to 2019. This was mainly due to a combination of (i) a strong cash generation of the group throughout 2020 and (ii) the receipt of important proceeds from the sale of our clay and concrete tile activities in Germany, Poland, Hungary and South-Africa. Only part of the cash generated could be used to pay back some of our outstanding debt without penalties such as some local external financing in Brazil, Indonesia and Romania. The use of commercial paper was also reduced in 2020. 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	2019	2020
Cash on hand and bank deposits	177,009	385,211
Short-term deposits (less than three months)	16,022	5,126
Total	**193,031**	**390,337**

Note 18 – Equity

Ordinary shares

The issued share capital (share premium included) of Etex N.V. amounts to €3,276 thousand at 31 December 2020. It is represented by 82,837,819 fully paid ordinary shares without par value.

	2019	2020
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 2020 the Group owns 4,673,495 ordinary shares representing 5.64% of the total number of ordinary shares.

	2019	2020
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 2020 dividend will be proposed for approval at the General Shareholders' Meeting of Etex N.V. on 26 May 2021 (after issuance of the financial statements) and will amount to €0.70 per share representing a total dividend of €54,715 thousand.

In 2020, a dividend of €45,335 thousand has been paid out based on:

- the decision of the General Shareholders' Meeting of Etex N.V. on 27 May 2020 to allocate a dividend of EUR 0.29 per share;
- the resolution of the Extraordinary Shareholders' meeting of Etex N.V. on 22 October 2020 to distribute an interim dividend of EUR 0.29 per share.

	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, 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
Total comprehensive income	-	-	-	-41,147	8,111	-33,036
Other equity movements	-	-	-	14,462	-	14,462
At December 31, 2020	2,533	743	3,276	-308,357	-1,578	-309,935

Other equity movements

The 2020 Other equity movements of €12,324 thousand mainly relate to the scope out impact post employment benefits reserves, linked to the disposed companies during 2020; and the translation effects of IAS 29 (hyperinflation accounting) in Argentina impacting Other reserves and retained earnings

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.

Note 19 – Provisions

In thousands of EUR	Warranty	Health claims	Litigation	Others	Total
At 31 December 2019	43,517	72,915	14,479	53,473	184,384
Additional provisions made	5,037	1,725	1,656	33,820	42,238
Amounts utilised during the year	-5,343	-4,032	-2,344	-16,884	-28,603
Unused amounts reversed	-1,334	-1,873	-1,598	-7,210	-12,015
Changes in the scope of consolidation	-8,182	-	-15	-5,170	-13,367
Translation differences	-80	-566	-701	-282	-1,629
Discount rate adjustment	338	151	-	510	999
At 31 December 2020	33,953	68,320	11,477	58,257	172,007
Non-current at the end of the period	26,893	58,912	5,559	40,082	131,446
Current at the end of the period	7,060	9,408	5,918	18,175	40,561

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 2020 for the cost of asbestos claims comprises an amount of €25,883 thousand (€28,333 thousand in 2019) for the expected costs of settling notified claims and a discounted amount of €42,437 thousand (€44,579 thousand in 2019) 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 (the same range of rates in 2019).

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 2020 was 26 (43 in 2019), 23 cases were settled and 12 resolved without cost. The number of outstanding cases for which a provision has been made at 31 December 2020, was 147 (156 in 2019).

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 CO2 emission rights, land decontamination and site restoration. Where requested, necessary expenses are made and provision for future estimated costs are set-up. At 31 December 2020, these provisions amount to €26,693 thousand (€24,783 thousand in 2019). Restructuring provisions relate mainly to restructuring of companies in 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 2020, the Group issued the following guarantees to third parties:

In thousands of EUR	2019	2020
Guarantees issued after business disposals	322,361	328,016
Guarantees issued by the Group to cover the fulfilment of Group companies obligations	372,947	295,736
Guarantees issued by Third Parties to cover fulfilment of the Group companies obligations	606	606
Secured debt	19,051	2,586

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 (€326 million). The values disclosed in the above table are based on outstanding amounts.

Secured debt includes mortgages and pledges provided in Japan to cover local credit facilities in 2020.

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 2020 Etex had purchase commitments of €21,713 thousand (€6,214 thousand in 2019).

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 2020, the defined contribution plan expenses for the Group amounted to €11,086 thousand (€11,662 thousand in 2019).

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	2019	2020
Present value of funded obligations	*1,357,787*	*1,349,225*
Fair value of plan assets	*1,135,599*	*1,116,358*
Plan (surplus) deficit of funded obligations	222,188	232,867
Present value of unfunded obligations	131,881	121,461
Net liability from funded and unfunded plans	**354,069**	**354,328**
Other long term benefits	5,785	5,398
Termination benefits	3,108	2,817
Stock option plans	18,573	16,756
Net employee benefits liability	**381,535**	**379,299**
Employee benefit obligation	1,517,134	1,495,657
Fair value of plan assets	1,135,599	1,116,358
Net liability at the end of the year	**381,535**	**379,299**
Net employee benefits liability (assets)	**381,535**	**379,299**
Employee benefits in the statement of financial position:		
Liabilities	*392,303*	*385,976*
Assets	*10,768*	*6,677*

Funded pension plans have been established in the United Kingdom, Ireland, Germany, Belgium, 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 83% (79% in 2019) of the total Group defined benefit obligation, and 93% (92% in 2019) 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 2020 and the results showed a deficit of £11.2million (funding level 98%) for the Scheme and a deficit of £2.4 million (funding level 99%) for the Plan against the Trustees' funding objective, agreed with the UK sponsors.

During the 2017 actuarial valuation discussions, an agreement was reached with the UK Sponsors and 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. This agreement and term of the arrangement remains the same following completion of the 2020 funding valuation.

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 £842 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. This agreement and term of the arrangement remains the same following completion of the 2020 funding valuation.

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 approximately 16 years for the Scheme and 17 years for the Plan as at 31 December 2020.

The Plans hold a diversified portfolio of assets including multi-asset absolute return funds, property, private debt, infrastructure, insurance-linked securities, liability driven investments, 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 2020, and the changes introduced aim at improving risk-adjusted returns by allocating to credit market opportunities that had been particularly impacted by COVID-19.

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	2019	2020
United Kingdom	1,110,269	1,134,433
Germany	156,927	113,930
Ireland	93,710	99,797
Belgium	82,718	87,535
France	19,241	19,123
Others	54,269	40,839
Employee benefit obligation	**1,517,134**	**1,495,657**

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

In thousands of EUR	2019	2020
Employee benefit obligation at the beginning of the year	**1,342,826**	**1,517,133**
Service cost	*14,654*	*20,241*
Past service cost (gain)/loss	*-151*	*-236*
Settlements	*-188*	*-1,419*
Service cost	14,314	18,586
Interest cost	34,217	25,025
Actuarial (gains) and losses	145,685	125,626
Benefits paid	-72,622	-76,081
Plan participants contribution	1,012	1,099
Derecognized plan	-	-11,344
Disposal of subsidiaries	-773	-42,757
Translation differences	52,475	-61,630
Employee benefit obligation at the end of the year	**1,517,134**	**1,495,657**

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. / 3.75% p.a. on employer / employee contributions paid before 1 January 2016 and 1.75% p.a. on employer /employee 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	2019	2020
Fair value of plan assets at the beginning of the year	**1,037,204**	**1,135,598**
Interest income	28,758	20,491
Actuarial gains and (losses)	64,158	70,568
Employer contribution	17,083	13,141
Plan participants contribution	1,012	1,099
Administration cost (excluding management of assets)	-153	-161
Derecognized plan	-	-11,344
Disposal of subsidiaries	-	-7,802
Benefits paid	-57,550	-54,442
Translation differences	45,087	-50,790
Fair value of plan assets at the end of the year	**1,135,599**	**1,116,358**

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

In thousands of EUR	2019	2020
Service cost	-14,314	-18,586
Interest cost	-34,217	-25,025
Interest Income	28,758	20,491
Administration cost (excluding management of assets)	-153	-161
Total employee benefit expense	-19,926	-23,281
The employee benefit expense is included in the following line items of the income statement :		
Operating income	*-14,467*	*-18,747*
Financial result	*-5,459*	*-4,534*

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

	2019	2020
Discount rate	1.78%	0.92%
Future salary increases	3.53%	5.03%
Pension increase	2.54%	2.09%
Medical cost trend	5.40%	5.40%

The distribution of the plan assets is the following:

	2019	2020
Equity instruments	3%	7%
Debt instruments	35%	38%
Real estate	10%	7%
Etex shares (200,190 shares)		
Cash and fixed deposits	7%	7%
Insurance	7%	7%
Other	38%	34%
Total	100%	100%

The expected employer contributions to be paid in 2021 to defined benefit plans amount to €5,136 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 £190 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 £118 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 £46 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 €20 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 €20 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 €4.5 million.

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

Note 22 – Share based payments

On 7 July 2009 the Board introduced a stock option plan to reward executives and senior staff. The plan authorises 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).

On 22 October 2019, 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 however if less distributed over past years allocation could be higher in a certain year. In 2020 grants were made under this plan (SOP 2020).

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:

	2019	2020
Expected volatility (% pa)	20.00	20.00
Risk-free interest rate (% pa)	-0.04	-0.22
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)	29.35	28.69
Expected early exercise of options	5-6 years	5-6 years
Fair value per granted instrument determined at grant date (€)	3.50	3.53

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 €9,090 thousand during the year (an expense of €7,328 thousand in 2019). The total carrying amount of the liability related to the stock option plans amounts to €16,756 thousand (€18,573 thousand in 2019) 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 2014	20.6.2021	Once a year as from 2018, between 1.6 and 20.6	30.09	7,000
SOP 2015	20.6.2022	Once a year as from 2019, between 1.6 and 20.6	32.83	32,000
SOP 2016	20.6.2023	Once a year as from 2020, between 1.6 and 20.6	26.74	73,500
SOP 2017	20.6.2024	Once a year as from 2021, between 1.6 and 20.6	33.23	735,153
SOP 2018	20.6.2025	Once a year as from 2022, between 1.6 and 20.7	33.65	848,499
SOP 2019	20.6.2026	Once a year as from 2022, between 1.6 and 20.8	29.35	789,071
SOP 2020	20.6.2027	Once a year as from 2023, between 1.6 and 20.8	28.69	754,625

Details of the share options outstanding during the year

	2019		2020	
In thousands of EUR	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	3,947,103	30.81	3,946,688	30.83
Granted during the year	791,000	29.35	754,625	28.69
Forfeited during the year	-37,817	32.00	-13,315	31.13
Exercised during the year	-740,098	29.16	-1,440,150	28.95
Expired during the year	-13,500	24.22	-8,000	27.76
Outstanding at the end of the year	3,946,688	30.83	3,239,848	31.18
Of which exercisable at the end of the year	*800,625*	*31.02*	*112,500*	*28.68*

For share put options exercised during the period, the weighted average share price was €36.52 (€33.54 in 2019).

Note 23 – Loans and borrowings

In thousands of EUR	2019	2020
Bank loans	200,442	109,559
Other financial loans	5,418	3,056
Obligations under leases	96,011	86,402
Total non-current financial liabilities	301,871	199,017

In thousands of EUR	2019	2020
Bank loans	13,705	77,689
Bank overdrafts	521	327
Other financial loans	191,202	131,182
Obligations under leases	24,056	20,925
Total current financial liabilities	229,484	230,123

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 2020 (drawn at €0 million per end of 2019). The facility was used to a limited extent during the year to cope with any possible impact of Covid-19 in the second quarter of 2020, but the strong recovery and cash flow generation as form the third quarter enabled the Group to reimburse all outstanding amounts on this facility that same quarter.

Etex also uses a Schuldschein loan of €185 million (€185 million in 2019) and a Commercial Paper program of €200 million, drawn at €104.1 million per end of 2020 (€153 million per end of 2019). The €48.9 million decrease in commercial paper versus 2019 was also possible thanks to the strong cash flow generation, as well as by using part of the proceeds from sale of our clay and concrete tile activities in Germany, Poland, Hungary and South-Africa.

In 2020, Etex continued using its € 200 million non-recourse Factoring Program, through which customer receivables from 14 entities in 10 European countries are being sold to a pool of banks on a non-recourse basis. Per end of 2020, €184.7 million were financed through that program, out of which €159 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 2020 amounts to €2,066 thousand (€2,149 thousand at the end of 2019).

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 €8.7 million end of 2020 (€38.2 million end of 2019). Pladur Gypsum Spain is financed via Spanish state subsidised loans for €4.3 million (€6.9 million at the end of 2019); and Promat Japan has a local financing for €4.3 million (€2.8 million in 2019).

The local financing in Romania (€12.2 million at the end of 2019), Indonesia (€10.9 million at the end of 2019) and Brazil (€4.9 million at the end of 2019) have been reimbursed.

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	2019	2020
Non-current loans and borrowings	301,871	199,017
Current portion of loans and borrowings	229,484	230,123
Current financial assets	-7,070	-23,984
Cash and cash equivalents	-193,031	-390,337
Net financial debt	331,254	14,819

Lease liabilities

The Group is leasing for various items of plant, property and equipment. 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		2019			2020	
	Minimum lease payments	Interest	Present value	Minimum lease payments	Interest	Present value
Less than 1 year	27,722	-3,666	24,056	23,634	-2,709	20,925
Between 1 and 5 years	64,377	-8,744	55,633	53,923	-6,904	47,019
More than 5 years	53,540	-13,162	40,378	51,587	-12,204	39,383
Total	145,639	-25,572	120,067	129,144	-21,817	107,327

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 2020 amount to €5,318 thousand. Future committed uncapitalized lease payments are as follows:

In thousands of EUR	2019				2020			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Short-term leases	2,653	-	-	**2,653**	2,840	-	-	**2,840**
Low-value leases	375	468	154	**997**	213	277	13	**503**
Total	**3,028**	**468**	**154**	**3,650**	**3,053**	**277**	**13**	**3,343**

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 2019	**98,033**	**76,097**	**21,936**
Translation differences	-5,706	-5,266	-440
Recognised in income statement	29,032	-2,200	31,232
Recognised in equity	-	-11,613	11,613
Change in scope of consolidation	-24,430	-7,090	-17,340
Hyperinflation - Impact of the year through financial result	619	-	619
Netting	16,670	16,633	37
Net carrying amount at 31 December 2020	114,218	66,561	47,657

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

In thousands of EUR	2019		2020		2019	2020	
	Assets	Liabilities	Assets	Liabilities	Net	Net	Variance
Property, plant and equipment	5,992	138,604	1,135	114,981	-132,612	-113,846	18,766
Intangible assets	2,295	28,623	1,827	27,193	-26,328	-25,366	962
Employee benefits assets	4,043	1,346	2,096	835	2,697	1,261	-1,436
Inventories	5,432	1,315	5,000	1,066	4,117	3,934	-183
Trade & other receivables	4,755	646	3,218	586	4,109	2,632	-1,477
Other assets	7,973	1,358	13,066	1,110	6,615	11,956	5,341
Provisions	14,959	4,112	18,744	4,097	10,847	14,647	3,800
Employee benefits liabilities	50,114	382	52,427	412	49,732	52,015	2,283
Loans and borrowings	11,005	1,683	9,986	684	9,322	9,302	-20
Other non-current liabilities	261	389	-	309	-128	-309	-181
Current liabilities	17,349	1,567	10,124	2,581	15,782	7,543	-8,239
Tax losses carried forward	197,874	-	209,422	-	197,874	209,422	11,548
Unrecognised deferred tax assets	-120,091	-	-125,534	-	-120,091	-125,534	-5,443
Netting by taxable entity	-103,927	-103,927	-87,293	-87,293	-	-	-
Total	**98,034**	**76,098**	**114,218**	**66,561**	**21,936**	**47,657**	**25,721**

Deferred taxes have not been recognised in respect of tax losses carried forward for an amount of €122,973 thousand (€119,307 thousand in 2019) and net deductible temporary differences for €2,561 thousand (€784 thousand in 2019) 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
2021	1,026
2022	3,650
2023	39
2024	760
2025 or later	874
Without expiration date	203,074
Total	209,422

Note 25 – Trade and other liabilities

Non-current liabilities

In thousands of EUR	2019	2020
Deferred income - Government grants	19,864	10,610
Other liabilities	541	461
Total	**20,405**	**11,071**

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 €10,610 thousand (€19,864 thousand in 2019) and amortised over the useful life of the assets. All conditions attached to these grants have been fulfilled.

Current liabilities

In thousands of EUR	2019	2020
Trade liabilities	452,502	437,363
Other liabilities	191,143	195,853
Total	**643,645**	**633,216**

The other current liabilities include:

In thousands of EUR	2019	2020
Income taxes payable	36,271	43,598
Other taxes payable	27,920	45,280
Remuneration payable	69,922	64,819
Social security payable	22,731	21,035
Deferred income and accrued charges	12,494	10,985
Derivative financial instruments with negative fair values	13,880	3,237
Dividends payable	41	879
Amount due to customers for construction contracts in progress	-	34
Current cash guarantees received	804	931
Other	7,079	5,055
Total	**191,142**	**195,853**

Note 26 – Statement of cash flow details

(a) Depreciation, amortisation and impairment losses

2020

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	149,715	-	283	-	149,998
Amortisation	-	22,983	-	-	22,983
Impairment losses	20,707	2,381	-69	-	23,019
Total	170,422	25,364	214	-	196,000

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

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

2020

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	12,876	5	1,950	4,947	19,778
Net book value disposals	-8,581	-265	-659	-1,474	-10,979
Gains (losses) on disposal	4,295	-260	1,291	3,472	8,799
Losses on retirement	-	-	-	-	-
Total	4,295	-260	1,291	3,472	8,799

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

(c) Capital expenditure

In thousands of EUR	2019	2020
Property, plant and equipment (note 7)	163,981	102,715
Intangibles assets (note 9)	4,917	8,131
Investment properties (note10)	240	245
Assets held for sale (note 11)	-	1,092
Total	169,138	112,183
Property, plant and equipment - leased	34,245	21,544
Total Capital expenditure - leased	34,245	21,544
Property, plant and equipment - owned	129,736	81,171
Intangibles assets - owned	4,917	8,131
Investment properties - owned	240	245
Assets held for sale - owned	-	1,092
Total Capital expenditure - owned	134,893	90,639

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

In thousands of EUR	2019	2020
Inventories	12,946	12,454
Trade and other receivables, trade and other liabilities	-5,431	62,872
Provisions	-9,937	6,518
Employee benefits	-21,921	-17,610
Total	-24,343	64,233

(e) Interest and dividend received

In thousands of EUR	2019	2020
Interest received	6,286	2,961
Dividend received	49	100
Dividend Associates	927	698
Total	7,262	3,759

(f) Reconciliation Income tax expense – income tax paid

In thousands of EUR	2019	2020
Income Tax expense	-57,733	-43,604
Changes in Deferred taxes	-13,233	-31,232
Changes in income tax payables/receivables	5,617	13,274
Income Tax paid	-65,348	-61,562

(g) Dividend paid

In thousands of EUR	2019	2020
Dividend Etex N.V.	-45,335	-45,335
Minority interest	-2,039	-11,576
Changes dividend payable	-5	838
Exchange difference	-295	2,124
Total dividend paid	-47,675	-53,949

(h) Changes in liabilities arising from financial liabilities

2020

In thousands of EUR	January 01, 2020	Cash flows	Non-cash changes: Foreign exchange movements	New leases	Transfers	Disposal	Scope in	Scope out	December 31, 2020
Bank loans	200,442	-14,627	-522	-	-75,734	-	-	-	109,559
Other financial loans	5,418	-2,427	-1	-	-1,271	-	1,337	-	3,056
Non-current lease liability	96,011	-1,367	-4,777	21,544	-22,781	-1,624	3,300	-3,904	86,402
Non-current financial liabilities	**301,871**	**-18,421**	**-5,300**	**21,544**	**-99,786**	**-1,624**	**4,637**	**-3,904**	**199,017**
Bank loans	13,705	-9,785	-1,610	-	75,734	-	-355	-	77,689
Bank overdrafts	521	295	-	-	-	-	-	-489	327
Other financial loans	191,202	-60,917	-968	-	1,271	-	-	594	131,182
Current lease liability	24,056	-19,414	-4,250	-	22,781	-13	-	-2,235	20,925
Current financial liabilities	**229,484**	**-89,821**	**-6,828**	**-**	**99,786**	**-13**	**-355**	**-2,130**	**230,123**
Total loans and borrowings	**531,355**	**-108,242**	**-12,128**	**21,544**	**-**	**-1,637**	**4,282**	**-6,034**	**429,140**

2019

In thousands of EUR	January 01, 2019	Cash flows	Non-cash changes: Foreign exchange movements	New leases	Transfers	Disposal	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**

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	2019	2020
Board of Directors:		
Short term employee benefits	824	730
Executive Committee:		
Short term employee benefits	4,541	5,140
Post employment benefits	590	460
Share based payment	992	1,628
Number of stock options granted during the year	145,000	240,625

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 €2,053 thousand (€2,145 thousand in 2019). The fees paid to the statutory auditor for additional services amounted to €688 thousand (€757 thousand in 2019), of which €152 thousand Other engagements (€63 thousand in 2019) and €536 thousand tax & advisory services (€694 thousand in 2019)

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 2019	2020
Europe			
Austria	Etex Building Performance GmbH	100%	100%
Belgium	Comptoir du Bâtiment N.V.	100%	100%
	Creaton Benelux N.V.	100%	0%
	Etergyp N.V.	100%	100%
	Eternit N.V.	100%	100%
	Etex Building Performance N.V.	100%	100%
	Etex N.V.	100%	100%
	Etex Services N.V.	100%	100%
	Etexco N.V.	100%	100%
	Euro Panels Overseas N.V.	100%	100%
	Microtherm 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 S.A.S.U.	100%	100%
	Etex Building Performance International S.A.S.	100%	100%
	Etex France Building Performance S.A.	100%	100%
	Etex France Exteriors	100%	100%
	Etex Materiaux de Construction S.A.S.	100%	100%
	Papeteries de Bègles S.A.S.	100%	100%
	Pladur France S.A.S.	100%	100%

		% equity interest	
		2019	2020
Germany	Creaton GmbH	100%	0%
	Creaton Produktions GmbH	99.98%	0%
	El-Tec	51.00%	0%
	Eternit Management Holding GmbH	100%	100%
	Etex Building Performance GmbH	100%	100%
	Etex Germany Exteriors GmbH	100%	100%
	Etex Holding GmbH	100%	100%
	Promat Service GmbH	100%	100%
	Wanit Fulgurit GmbH	100%	100%
Hungary	Creaton South-East Europe Kft.	100%	0%
Italy	Edilit S.r.l.	100%	100%
	Etex Building Performance S.p.A.	100%	100%
	Etex Italia	100%	100%
	Immogit S.r.l.	100%	100%
	Promat S.p.A.	100%	100%
	Siniat Holding Italy S.r.l.	100%	100%
Ireland	Etex Ireland Limited	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%
	Merilux S.à.r.L.	100%	100%
	Poly Ré S.A.	100%	100%
Netherlands	Eternit B.V.	100%	100%
	Eternit Holding B.V.	100%	100%
	Etex Building Performance B.V.	100%	100%
	Nefibouw B.V.	100%	100%

		% equity interest	
		2019	2020
Poland	Creaton Polska Sp. z o.o.	100%	0%
	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%
Romania	Etex Building Performance S.A.	100%	100%
Russia	Etex Russia	100%	100%
Serbia	Siniat Gips Beocin Ltd	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%
	Pladur Gypsum	100%	100%
	Promat Ibérica S.A.	100%	100%
	Promat Inversiones S.L.	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%
	FSi Limited	0%	100%
	John Brash Ltd	100%	100%
	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	Centro de Servicios Compartidos SpA	99.79%	99.83%
	Empresas Pizarreño S.A.	99.83%	99.83%
	Inversiones Etex Chile Ltda.	100%	100%
	Inversiones San Lorenzo Chile S.A.	99.79%	99.83%
	Sociedad Industrial Pizarreño S.A.	99.66%	99.77%
	Sociedad Industrial Romeral S.A.	99.83%	99.87%

		% equity interest	
		2019	2020
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%	94.93%
Japan	Promat Japan	100%	100%
Malaysia	Etex Malaysia	100%	100%
Nigeria	Emenite Ltd.	56.87%	56.87%
	Eternit Ltd.	60.00%	100%
	Nigerite Ltd.	56.85%	56.85%
Singapore	Promat Building System Pte Ltd.	100%	100%
South Africa	Etex South Africa Building Systems	100%	100%
	Marley SA (Pty) Ltd.	100%	0%
United Arab Emirates	Promat Fire Protection LLC	100%	100%
United States of America	Promat Inc.	100%	100%

Equity accounted entities

		% equity interest	
		2019	2020
Belgium	RBB N.V.	50%	0%
Brazil	Tecverde Egenharia	0%	45.14%
Chili	E2E	50%	50%
Germany	Lichtensteiner Brandschutzglas GmbH & Co. KG	50%	50%
	Neuwieder Brandschutzglas GmbH	50%	50%
	Oberlausitzer Tonbergbau GmbH	49.99%	0.00%
Poland	Kopalnia Gipsu Leszcze S.A.	50%	50%
	Nida Media Sp. z o.o.	50%	50%
Switzerland	Promat AG	26%	26%

Note 30 – Subsequent events

In January 2021, Etex acquired a majority stake in the French offsite construction company e-Loft, which has become part of the New Ways, representing a new step towards our ambition to shape the future of construction.

In February 2021, Etex finalized the acquisition of Knauf's plasterboard business in Australia, expanding our geographical plasterboard footprint and gaining access to a market that offers significant growth opportunities.

The 2020 consolidated accounts are impacted by neither of these two acquisitions.

Statutory Auditor's Report

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ETEX NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

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. 23 May 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 31 December 2020. We have performed the statutory audit of the Company's consolidated accounts for 3 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 31 December 2020, 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 2,898,505 and a profit for the year of EUR'000 201,259.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2020, 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.

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 68.3 as at December 31, 2020 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 2020. 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 the UK and Ireland. 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 31 December 2020 in respect of both funded and unfunded plans consists out of defined benefit obligations (mEUR 1,471) offset by plan assets (mEUR 1,116).

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 7, 8 and 9

Description of the key audit matter

The carrying value of the Group's goodwill, intangible assets & property, plant and equipment amounts to mEUR 1,713 as at 31 December 2020.

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 recoverable amount of the Cash Generating Unit (CGU) and its specific assets to its carrying value: the CGU's were defined in compliance with the 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;

How our audit addressed the key audit matter

We evaluated management's assessment of the indicators of impairment and challenged impairment calculations by assessing the future cash flow forecasts used in the models and the process by which they were drawn up, including comparing them to the latest internal forecasts presented to the Board of Directors.

We understood and challenged:

- assumptions used in the Group's internal forecasts and the long term growth rates by comparing them to economic and industry forecasts;
- the historical accuracy of forecasts 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 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 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 2, 2021
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	2019	2020
Fixed assets	1,704,979	1,712,761
Tangible and intangible assets	4,166	1,861
Financial assets	1,700,813	1,710,900
Current assets	12,990	41,457
TOTAL ASSETS	1,717,969	1,754,218
Capital and reserves	1,096,134	1,485,538
Capital	2,533	2,533
Share premium	743	743
Reserves	1,092,858	1,482,262
Provisions	9,427	7,657
Creditors	612,408	261,023
TOTAL EQUITY AND LIABILITIES	1,717,969	1,754,218

Summarised income statement

in thousands of EUR	2019	2020
Operating income	49,189	46,528
Operating charges	-45,651	-47,044
Operating result	**3,538**	**-516**
Financial result	-272	471,758
Profit / <loss> before taxes	**3,267**	**471,242**
Income taxes	-338	172
Profit / <loss> for the year	**2,928**	**471,414**
Release of tax free reserves	-	-
Profit / <loss> for the year to be appropriated	2,928	471,414

The financial result includes non-recurring items for €5,387 thousand in 2020, and €3,785 thousand in 2019.

Profit distribution

The Board of Directors will propose at the General Shareholders' Meeting on 26 May 2021 a net dividend of €0.4900 per share. The proposed gross dividend is €0.70 per share.

Appropriation account

in thousands of EUR	2019	2020
Profit / <loss> to be appropriated	**2,928**	**471,414**
Profit / <loss> for the year to be appropriated	2,928	471,414
Appropriation of the result	**2,928**	**471,414**
Transfer to/from reserve	21,095	-413,427
Profit to be distributed	-24,023	-57,986

Statutory nominations

The director mandates of Messrs. Jean-Louis de Cartier de Marchienne, Paul Van Oyen, Teodoro Scalmani, Christian Simonard, Caroline Thijssen, Jo Van Biesbroeck, Pascal Emsens, and Guillaume Voortman will expire at the end of the Annual General Shareholders' Meeting of May 26, 2021. The Remuneration and Nomination Committee is assisting the Board in preparing the proposals for election by the Annual General Shareholders' Meeting.

The auditor mandate of PricewaterhouseCoopers Bedrijfsrevisoren B.V., represented by its permanent representative Mr. Peter Van den Eynde, will expire at the end of the Annual General Shareholders' Meeting of May 26, 2021. The Board proposes to the Annual General Shareholders' Meeting to renew the mandate for a period of three years expiring at the end of the 2024 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 and business transformations, 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 in-come 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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Caring makes it work

Annual Report 2020

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