Annual Report 2016

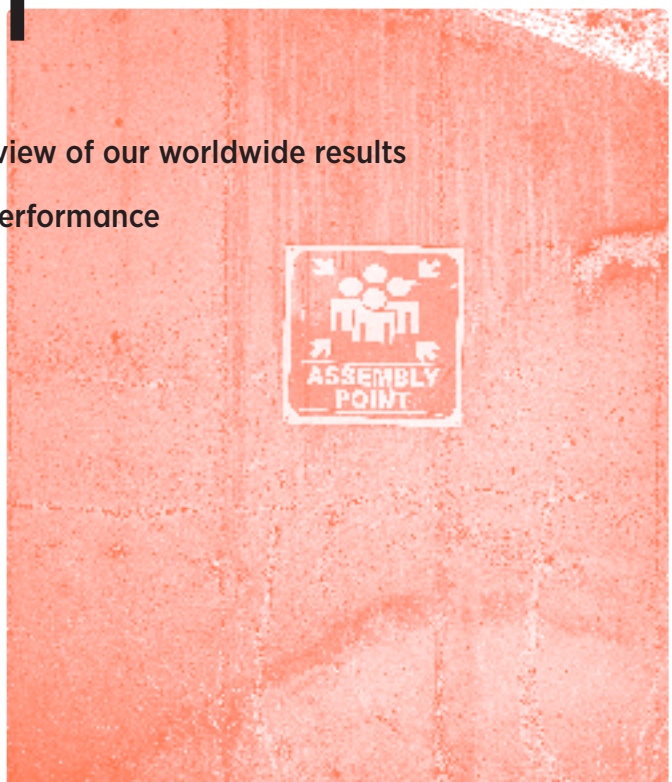
etex
inspiring ways of living

6—21

ABOUT ETEX

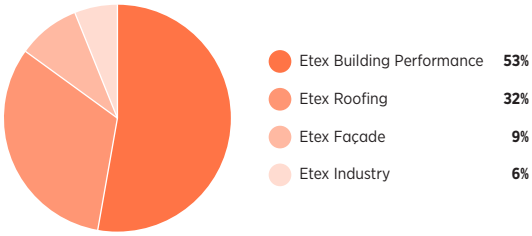
ACTIVITY REPORT

22—51

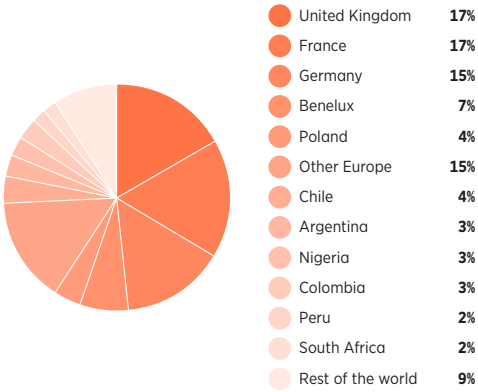


Key figures

Revenue by activity



Revenue by geographical area



IN MILLION EURO	2012	2013	2014	2015 (2)	2016 (2)	%
Revenue	3,168	3,046	2,987	3,054	2,883	-5.6%
Recurring operating income (Rebit)	288	250	249	241	256	6.5%
Recurring operating cash flow (Rebitda)	453	415	413	409	417	1.8%
% of revenue	14.3%	13.6%	13.8%	13.4%	14.5%	-
Non-recurring items	2	-13	-67	-112	-19	-
Operating cash flow (Ebitda)	464	412	365	366	404	10.4%
Operating income (Ebit)	290	237	182	129	237	83.8%
% of revenue	9.2%	7.8%	6.1%	4.2%	8.2%	-
Net profit (group share)	146	124	92	36	127	250.4%
Capital expenditure	204	212	198	187	137	-26.5%
Net financial debt	1,137	977	904	833	630	-24.4%
Working capital (1)	294	284	260	312	249	-20.0%
Capital employed (1)	2,574	2,507	2,485	2,451	2,258	-7.9%
Return on capital employed (ROCE)	11.3%	9.3%	7.3%	5.2%	10.1%	-

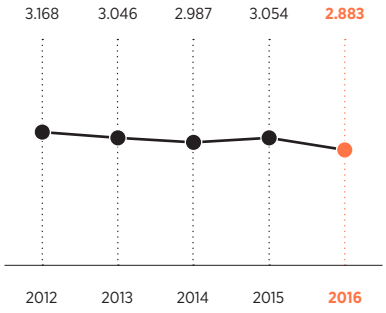
IN EURO PER SHARE	2012	2013	2014	2015	2016	%
Net recurring profit (Group share)	1.75	1.67	1.69	1.61	1.72	6.8%
Net profit (Group share)	1.85	1.59	1.17	0.46	1.63	250.4%
Gross dividend	0.36	0.36	0.40	0.44	0.48	9.1%
Growth rate of dividend	12.5%	0.0%	11.1%	10.0%	9.1%	-
Recurring distribution rate	20.5%	21.6%	23.6%	27.3%	27.9%	-
Personnel	18,071	17,442	17,067	17,229	15,011	-

(1) excluding the favourable impact of 154 million euro of the non-recourse factoring programme.

(2) 2015 and 2016 values here are expressed before reclassification and include discontinued operations disclosed separately in financial report i.e. the ceramics business in Peru, Colombia, Chile and Argentina.

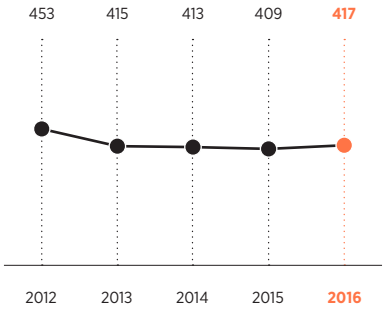
Revenue
in billion euro

2.883



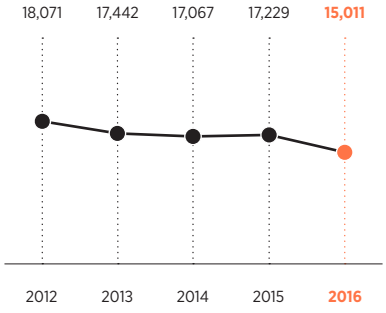
Recurring operating cash flow
in million euro

417



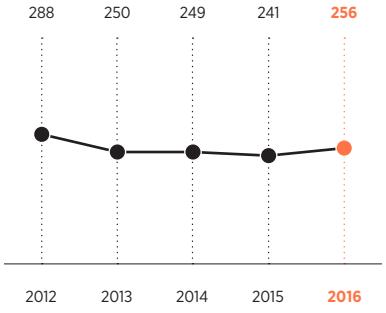
Personnel evolution

15,011



Recurring operating income
in million euro

256



Jo Goossens
Creative Marketing Manager
Etex façade, Belgium

Jo excels at establishing close relationships with key decision-makers in order to understand their ambitions and solve their challenges. He presents his customers with inspiring, innovative materials and ideas tailored to their needs, all while creating value for Etex.

Opposite: Equitone [linea]

Our company and strategy

Message to our stakeholders

In 2016, we revised our organisational structure, optimised our portfolio, reinforced our financial structure and took steps to enhance our corporate culture. All of this was done with the purpose of bringing Etex closer to customers and cultivating our market position.

Our efforts paid off. Our recurring operating cash flow (Rebitda) went from 409 million euro in 2015 to 417 million euro in 2016.

Sales for 2016 came in at 2.883 billion euro, compared to 3.054 billion euro in 2015. We recorded lower revenue due to the sale of our ceramic floor and wall tile business in Latin America and negative foreign currency impact. On a like-for-like basis our sales grew 1.5%.

Fluctuating global marketplace

In **Europe**, the building industry presented a varied picture. While construction in the UK and eastern Europe was quite active, other markets, like the Benelux, remained flat. France and Germany stabilised and showed the first signs of recovery. The agricultural segment remained under pressure. The Brexit announcement added some economic uncertainty, though without impacting business.

In **Latin America**, our revenue was impacted by the sale of our ceramics business. The positive impact of inflation in Argentina and good performance in Chile, were partially offset by a poor market in Brazil and price competition for plasterboard in Colombia.

While Indonesia is facing a tougher market, we increased our sales in **Asia Pacific** in the face of challenging conditions in the oil and gas market.

In **Africa,** Etex enjoyed strong organic growth, even though Nigeria suffered from political unrest, inflation and lower oil prices, and South Africa continued to deal with an unstable political situation.

New structure targeting specific segments

To enhance our customer and market intimacy, we defined a new structure with four divisions centred on targeted market activities.

Etex Building Performance yielded mixed but steady results with bottom line growth. Etex Façade booked progress in various markets, particularly for Equitone. Etex Industry was impacted by a regressing oil and gas market, but able to build up its pipeline. Etex Roofing experienced less demand for pitched residential roofs and a decrease in agricultural investments.

Strategic portfolio adjustments

This new structure is part of a strategy to focus on core activities. On this basis, we decided to sell our Latin American ceramic tile business to Grupo Lamosa.

We acquired two companies in the UK. John Brash & Co. supplies roofing accessories and completes our roofing portfolio. EOS Facades strengthens our dry construction offering. Likewise, by finalising the acquisition of Lafarge Gypsum South Africa, we can now offer a full dry construction range to southern African markets.

We finalised the closure of our factory in Dorfen and announced a production line closure in Heidelberg. We streamlined our industrial network in Nigeria, closing a factory in Sapele to channel investment into our two other factories in the country. In China, closure of the Shanghai production was initiated. These closures ensure optimised capacity and competitive operations.

Reinforced financial structure

Throughout 2016, we took a major step in refinancing our company by completing the placement of a Schuldschein loan to replace our expiring retail bond.

In parallel, we lowered our debt to 630 million euro, resulting in a net financial debt/Rebitda ratio of 1.6.

Toward our full potential

We continue to enhance our support to our companies around the globe. A new leadership model, sales excellence projects and an enhanced R&D approach are three examples of how we foster this lateral value.

We captured our company's essence in three Etex values. We will continue to share these to reinforce our identify and work together as one team.

Looking ahead

Despite ongoing market volatility, recovery is noticeable in advanced economies. The Brexit announcement has not yet shown a negative impact. Growth is projected to continue for our business in emerging markets.

Following actions taken throughout 2016 to optimise Etex internally, we are primed to reap the rewards of a recovering international market.

Our heartfelt gratitude

Our 15,011 dedicated employees help Etex reach new heights. They are the driving force behind our company, and we would like to thank them for their commitment.

We also thank our board of directors and shareholders for their steadfast support. Their trust is what enables us to work toward sustainable growth.

Jean-Louis de Cartier de Marchienne, Chairman
Paul Van Oyen, CEO

Our stakeholders

Having an organisation that makes a difference means building strong relationships with the many people who walk alongside Etex on our path toward sustainable growth.

Shareholders and employees, customers and suppliers, neighbours and trade unions: we exist because of our stakeholders and they in turn help define Etex's future goals. In return, our promise is to give them comprehensive, relevant and trustworthy insight into what we do and how we do it.

Our commitment to our stakeholders

Etex plays a part in the lives of many serving a variety of interests. Striving to meet in the middle, we have in place a clear set of commitments to our various stakeholders.

On a **financial** level, we aim for a steady balance between sustainable growth and profit. We make sure to build reliable bonds with our shareholders, investors and financial institutions that fulfil their expectations.

Internally, our priority is to keep our employees safe and help them hone their skills to grow professionally and personally, by offering leadership and development possibilities. We focus on having an open dialogue with everyone — from our senior management, current and retired colleagues around the globe, to trade unions and job seekers.

From a **commercial** perspective, we strive to foster strong and inspiring ties with our suppliers and customers. We tailor our services, products and advice to our customers' needs with technically and aesthetically superior building solutions. Whether they are builders, distributors and building companies, specifiers, architects or homeowners, our objective is to empower them to create the shelter most fitting for their needs.

Beyond this, we value the importance of sustaining our local communities in the most diligent way. In addition to the communities where Etex is present, we build and nurture relationships with our other external stakeholders. These include NGOs and national media.

→ Etex has been sharing stories via our internal printed magazine Etex World for over 25 years. Today, it informs our 15,011 employees in 42 countries about what is happening in the Etex universe. The magazine is published twice a year in 12 languages.

How we inform our stakeholders

Engaging with our stakeholders relies on transparent and meaningful communication and facilitating an open dialogue. Etex's communication channels are well-thought-out to ensure we target the right information to the relevant audiences.

Keeping our employees up-to-date

Our companies around the globe have established local communication channels that update our employees on the ins and outs of their organisations. Local employee representation structures are in place and at European level, the European Works Council organises annual meetings.

At group level, we maintain a connection with our employees through our internal printed magazine, Etex World, and our intranet platform, espresso.

Communicating with our financial stakeholders

Every year, our shareholders are invited to an Etex shareholders' meeting. As long as we have retail bonds, our retail bond investors are welcome to join as well. Our banking partners are invited to our information forum, which is held twice a year.

Aligning our senior managers

Once a year, our senior management team comes together to align on business strategy and priorities. Outside this yearly gathering, regular online meetings ensure they work towards a shared mission and rally around the same goals at the same pace.

Getting in touch with our customers

Interactive and tailored communication benefits our business and our customers around the world. They are kept informed by Etex companies. The same is true for our suppliers. The exception is our biggest global suppliers, which are informed by our corporate purchasing team.

Nurturing bonds with our communities

Local Etex companies act with due diligence and work to communicate openly and transparently in the communities where they are present. They engage in charitable actions and housing projects to back local NGOs.

To give just two examples:

- Etex is an official partner of Selavip. This international NGO funds housing projects for poor families in Africa, Asia and Latin America. In 2016, our Eternit Peru company worked with local Selavip organisation Cenca to provide housing for families living in the impoverished settlement of José Carlos Mariátegui in Lima.
- Also in 2016, our companies EBM Ecuador and Skinco Colombia supplied modular housing packs to give temporary housing to earthquake victims in Ecuador.

Talking to the press

While our worldwide companies manage local media relations, Etex corporate communications provides Belgian journalists with information.

Communicating around the globe

Our corporate website www.etexgroup.com and electronic newsletter keep stakeholders up-to-date with our worldwide activities.

We address questions and feedback during meetings and events, and via e-mail at info@etexgroup.com.

Our strategy

For over a century, Etex has been providing building materials that respond to one of life's basic needs: safe and adequate shelter. In today's volatile and ever-changing world, we endeavour to reach beyond this basic requirement to help and inspire people to live better. Our aspiration is to go further than satisfying the needs our customers and stakeholders have today. Our promise is to provide them with materials that stand the test of time and remain relevant and innovative in the world of tomorrow.

Shaping Etex to meet the needs of a changing world

Demand for construction will always exist with cultural, social and economic factors across the globe shaping the requirements for our products. People look for faster, more flexible and sustainably engineered solutions. Digitisation is increasingly driving our way of life.

To meet these complex and fast-changing needs, we find ways to refine our approach to meet customer demands, optimise our offering of quality and sustainable products, and improve our processes to deliver them.

Our three priorities

2016 therefore, was a time of internal reflection resulting in a year of good progress, driven by our three priorities.

Accelerate profitable growth — foster stronger and closer ties with customers and leverage innovation in line with customer needs as a driver of success.

Operational excellence — enhance our processes, continuously improve and remain committed to safety in the workplace.

Engage our people — enable our employees to grow their expertise and build innovative teams, while implementing shared values.

Building a culture for success

To empower our employees to strive for our goals as one worldwide team we look to our values — **Connect and Care**, **Pioneer to Lead** and **Passion for Excellence**. These values aim to inspire employees to work together to build an Etex culture that will help carry out our strategy successfully.

A streamlined and targeted market proposition

In 2016, we reorganised our market approach and created four global divisions. The structure now clearly reflects our segments and is aligned with our support functions. Our divisions Etex Building Performance, Etex Façade, Etex Industry and Etex Roofing have clear growth paths and targeted business strategies.

← A colleague in our Marley Building Systems factory in South Africa transfers a hip starter from the production line to the finishing area, before it goes for a final quality check.

Profitable growth

In 2016, we implemented major upgrades of our innovation roadmap, pipeline, processes and culture. Innovation in the construction industry is slow by nature. Thus, we focus our efforts on finding synergies and pooling resources and know-how to build upon existing innovations and solutions. Doing so helps save time and costs, creating more value for our customers.

At the same time, we focus on fostering strong customer-focused relationships to increase our market intimacy and ensure our innovation efforts meet customer and market needs.

Throughout 2016, we continued to develop our commercial teams with the goal of becoming a high-performing growth engine. We took steps to reshape and develop sales competences through various sales excellence projects. Additionally, we put in place processes to streamline and improve our routes-to-market.

↓ The laboratory in our Marley Building Systems facility in South Africa tests new products and formulations before they are integrated into production processes. The lab also carries out quality checks on products to ensure they meet our high standards before being shipped to customers.

Concentrating on developing our core business in 2016, we sold our ceramic floor and wall tile business in Latin America. Furthermore, we acquired two complementary companies in the UK. John Brash & Co. supplies the materials to which roofing products are secured. EOS Facades supplies steel framing systems for dry construction solutions.

Operational performance

Our commitment to operational excellence is constant. From optimising our production facilities to standardising IT, it applies to every level and person in the company.

Enhancing our operations

We set up a systematic approach to operations, placing touch points across our manufacturing sites to improve internal communication, benchmarking efforts and sharing of best practices. The result is better visibility on how we allocate resources, people and materials. It also ensures a systematic approach for proactive analysis and follow-up on our improvements.

A new purchasing organisation

Throughout 2016, we made significant changes to optimise our purchasing organisation. As a first step, we established a centralised approach to create clear divisional and regional structures. Doing so has enabled better coordination between our divisions and central functions, generating visibility across processes and procedures.

The new purchasing organisation has also led to more opportunities for better communications and best practice sharing. We believe this will lead to overall cost savings, and we will continue to streamline in the years to come.

Shared services

Our shared services centres continue to provide vital transactional services for finance, IT, human resources and procurement. We see real value in working to increasingly automate and streamline processes.

In 2016, we centralised our shared services footprint even more. We closed centres in Spain and Portugal and transferred these services to our centre in Belgium. The services provided by our centre in Peru were transferred to Colombia. In 2017, we will open a new centre in South Africa.

A common IT platform

We continue to consolidate and enhance our IT platforms. 2016 saw the first wave roll out of Microsoft Office 365. The roll out is anticipated to complete in 2018. It will be the first time that all Etex users will work on the same platform in the same IT environment, ensuring faster and easier collaboration than ever before.

Making headway with digital

Operating in a digitally driven world we made inroads to develop our digital tools and platforms. Some examples include e-learning portals and project management tools for employees. Online marketing and sales tools contribute to better market intimacy for our commercial teams. We've also taken strides to develop online customer tools and services, such as mobile applications to source materials and find distributors.

Finance and tax

Our financial structure enhances how we manage our financial operations at company, division and corporate levels. It provides our business with relevant, up-to-date financial insights to support our three strategic priorities. By partnering Etex's corporate entity with the divisions, our reporting structure is further streamlined.

This structure also aligns our finance and tax processes with Etex's global divisional structure. Overall, Etex's tax strategy is in line with our global strategy to combine profitable growth with a transparent role as a responsible citizen. The key principles governing our tax strategy are:

- well-defined policies for tax risk management.
- thorough risk assessments before entering into any tax planning strategy.
- full compliance with all statutory obligations.
- good relations with tax authorities.

We proactively manage our tax affairs and seek to maximise shareholder value in accordance with applicable law.

Engaged people

Our employees are our most valuable resource and we strive to provide an environment to inspire them, while at the same time encourage and develop their potential. They serve as the foundation for our competitive advantage and make up the heart of Etex.

To help guide our people to work toward our goals as one worldwide team, build and reinforce our identity and culture, in 2016 we introduced Etex values.

Connect and Care is about developing people and building meaningful relationships and networks.

Passion for Excellence promotes doing the right things and enjoying outperformance.

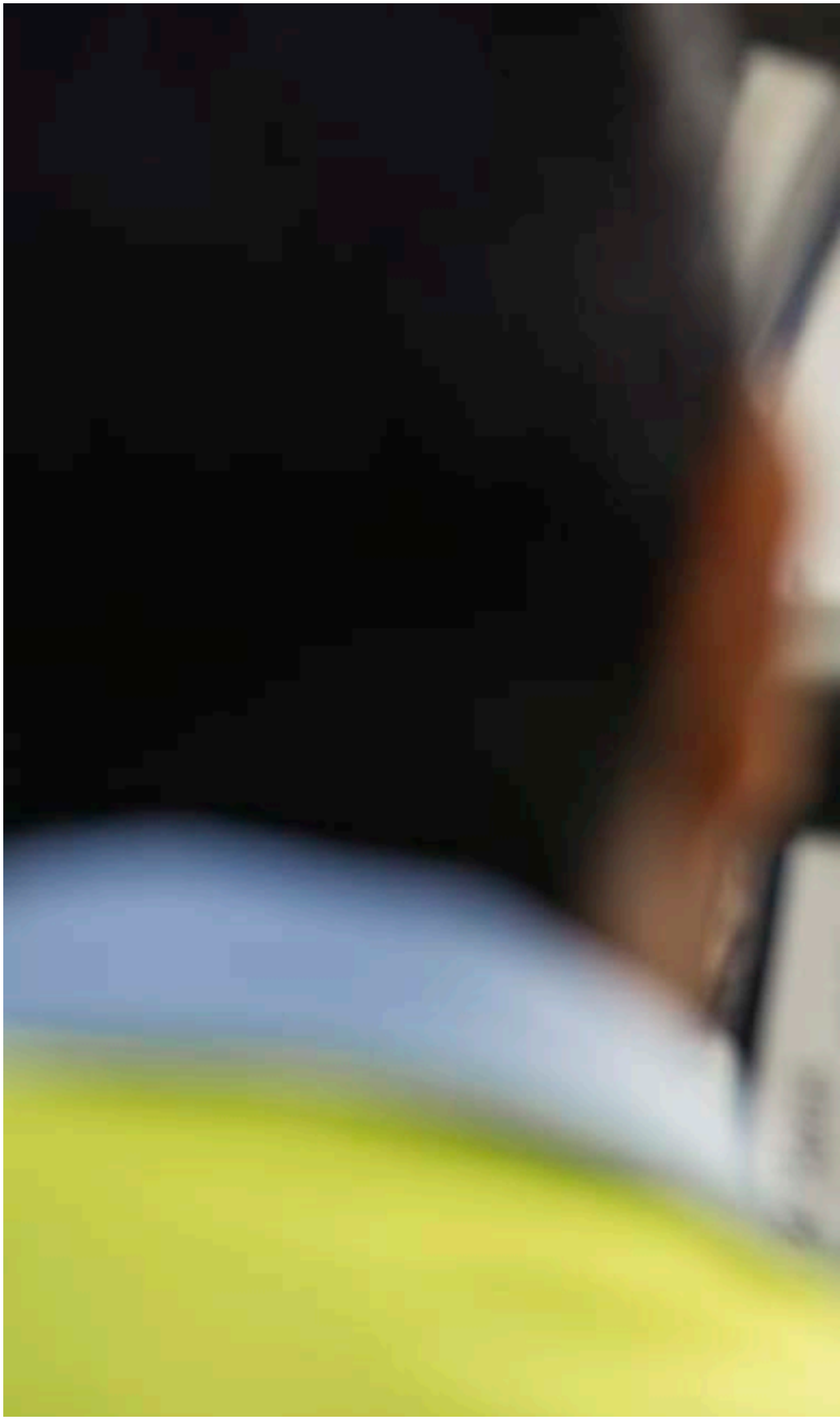
Pioneer to Lead pushes us to drive valuable change.

These values inspire us to be enthusiastic about who we are and about working for Etex, and help us carry out our strategy successfully.

Striving for an exceptional safety culture

It goes without saying that the health and safety of our employees is paramount. It's also essential for our success. Our zero accident goal means working to ensure that the right information, processes and practices are in place, and more importantly, that they are sustained in the long term.

We do our utmost to make sure that every employee at Etex goes home safely at the end of each day. To ensure a robust safety culture, we continually reinforce the importance of safe machines, safe procedures and safe behaviour.



→ Maintaining an open dialogue and actively listening to feedback is one way we promote developing people and building meaningful relationships and networks. One of our human resources colleagues at Skinco, Colombia.


Gyplac
La Seguridad Aquí
Depende de ti y de mí
MARGARITA CARRASQUILLA

About Etex

Since its establishment in 1905, Etex has grown from a Belgian family business into an international industrial group that manufactures and sells building materials.

The story of Etex is one of geographic expansion and product and technological diversification. Over the decades, our footprint has spread from Europe to Latin America, followed by Africa and Asia, to form the worldwide network we know today. And through this network, we manufacture and commercialise building materials that provide shelter and inspire better ways of living.

Etex leverages the unique combination of our companies' market know-how and expertise with the resources afforded by our global structure. This is a business model that ensures long-term profitable future.

Our materials are used for a myriad of applications, from modern city centre apartments to farm buildings, historic buildings to family homes, and oil and gas refineries to airplanes. We cater to a wide range of people such as architects, homeowners, installers, distributors and to those in need.

Etex positions its strategy on three pillars: achieving sustainable growth, enhancing our operational performance and empowering our people.

Present in 42 countries and operating 107 production sites, Etex relies on our 15,011 dedicated employees who put our customers at the centre of everything we do and how we do it. Customer centricity and market intimacy are the cornerstones of our company structure, which is organised into four global divisions that optimally reflect the markets in which we are active.

Etex Building Performance: a comprehensive offering of plasterboards, plasters and formulated products, fibre cement boards, passive fire protection and associated products and dry construction solutions.

Etex Façade: fibre cement façade boards for residential and commercial applications.

Etex Industry: high-performance insulation and fire protection products and systems for specific niche industries such as oil and gas, marine, railway, aerospace and energy.

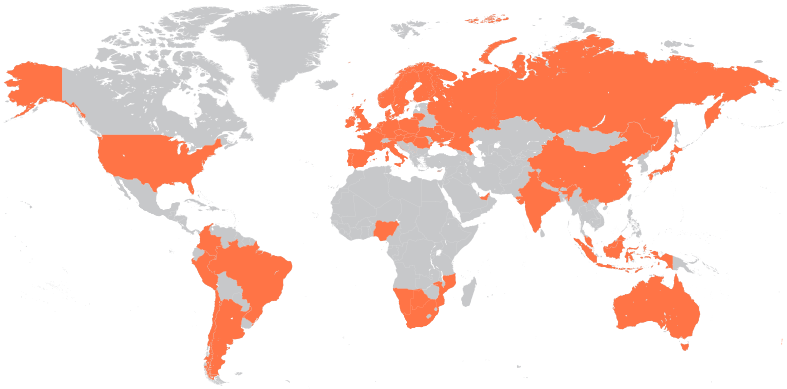
Etex Roofing: fully fledged, comprehensive roofing solutions for the residential and agricultural sectors.

↓ A colleague at our Marley Building Systems factory in South Africa checks the planning to ensure production runs safely and smoothly.

Worldwide network with locally anchored presence

42 countries

102 companies



Strong manufacturing footprint

13 Americas

81 Europe

6 Asia

7 Africa

Family owned Belgian group

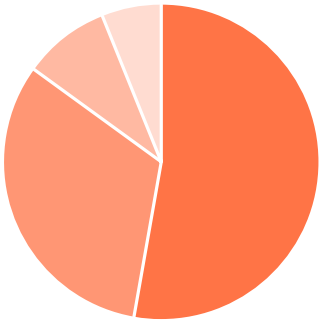
Business savvy CEO

Paul Van Oyen

Major employer

× **15,011**

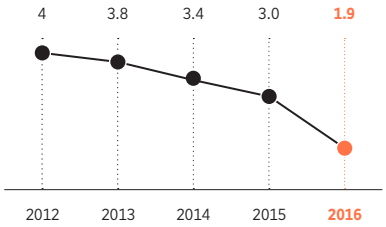
Four global divisions



- **53%** Etex Building Performance
- **32%** Etex Roofing
- **9%** Etex Façade
- **6%** Etex Industry

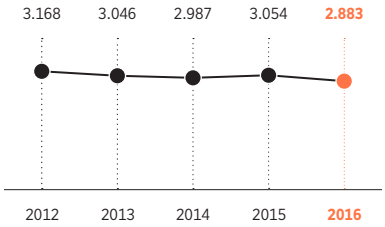
Safety is key

frequency rate of accidents



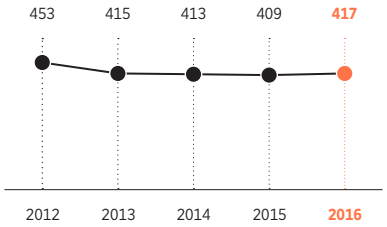
Solid revenue

in billion euro



Healthy rebitda

in million euro

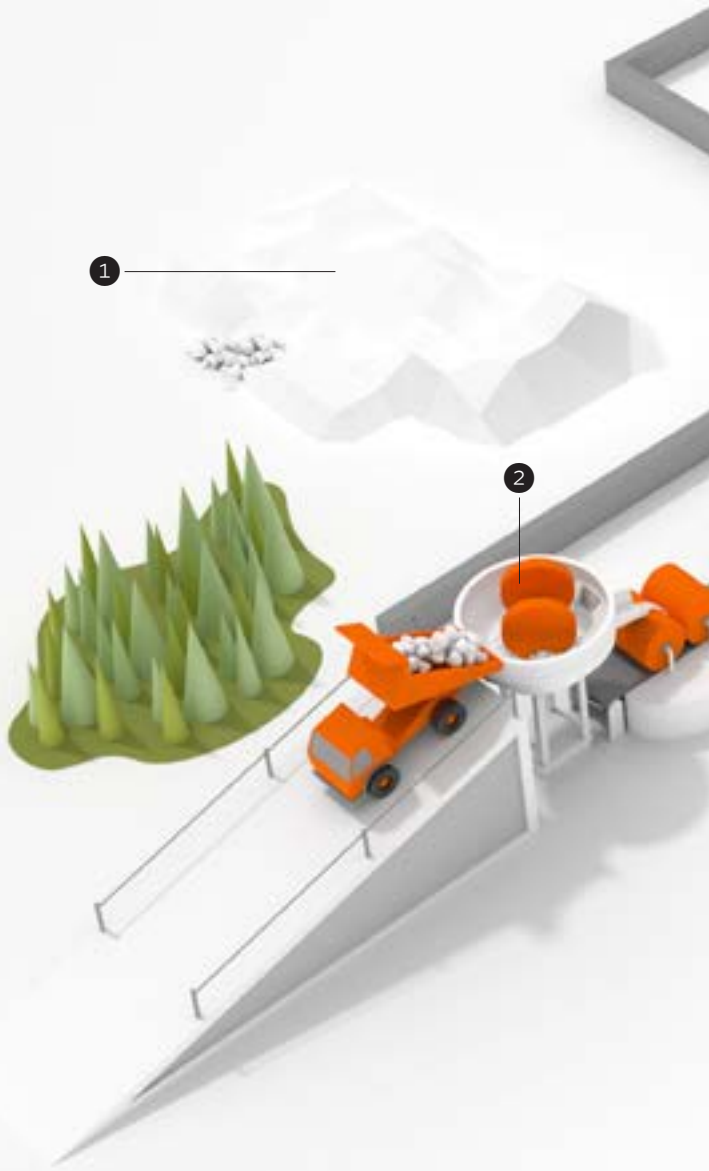


Excellent track record

- **1905** – Foundation of Eternit by Belgian Alphonse Emsens near Brussels.
- **1937–1950** – Geographical expansion. 1937: Europe & Latin America. 1949: Africa. 1950: Asia.
- **1981** – Promat, a German company producing passive fire protection solutions, was acquired.
- **1993** – Ceramic floor and wall tiles manufactured in Latin America, became a new business segment.
- **2011** – Etex bought the gypsum activities of Lafarge. This led to the creation of Siniat, producer of plasterboards and compounds.
- **2016** – Etex sold the Latin America ceramic floor and wall tile business. It acquired two companies in the UK: John Brash & Co. supplies roofing accessories and EOS Facades provides steel frames for dry construction.

Production process: making clay roof tiles

From quarry to roof, Etex's clay tiles are the result of an elaborate production process that involves four natural elements: earth, fire, air and water.



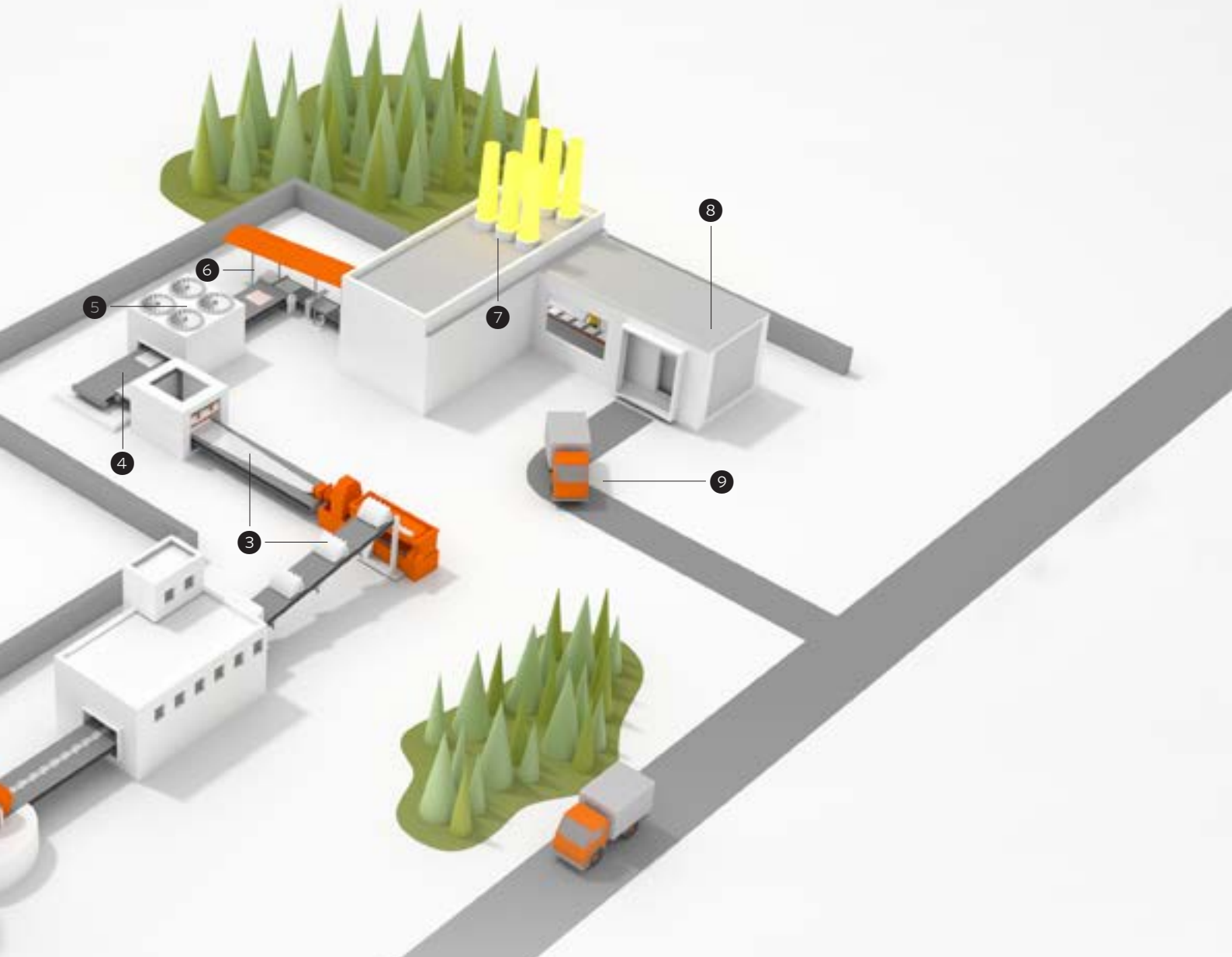
Our production process step by step

❶ Clay and loam are extracted from the quarry and pre-mixed.

❷ A truck or conveyer belt transports the natural mixture to our production site. Here, it is crushed into fine particles and passed through two roller mills.

❸ After approximately four weeks lying in storage, the prepared mixture goes to the shaping area. It is mixed again and fed through a vacuum extruder, which presses a constant stream of clay onto a conveyer belt.

❹ The flattened clay is cut into pieces and pressed in gypsum moulds into shaped tiles. Some special tiles such as the beaver-shaped tiles are formed and cut to shape by the extruder.



❺ The tiles are left to dry for up to approximately 36 hours in a tunnel dryer or special drying chambers.

❻ To produce different finishes, special coatings and glazes are sprayed onto the tiles' surfaces.

❼ Once the coatings are dry, the tiles are fired in a kiln for 10 to 20 hours, at up to 1,100 degrees Celsius.

❽ In the warehouse, the newly-formed tiles are quality controlled for cracks, correct sizing, colour and water content.

❾ Stacked on pallets, the tiles are shipped to construction or renovation sites.

Ignacio Rattagan
Marketing Director
Eternit and Durlock Argentina

An integral part of the team that developed and introduced innovative CIEL ceiling plasterboards to the Argentinian market, Ignacio and his colleagues are leading the way in addressing unmet market and customer needs.

Opposite: CIEL Durlock

Building on from a strong foundation

A general overview of our worldwide results

In 2016, Etex posted sales of 2.883 billion euro. On a like-for-like basis, this represents a 1.5% increase compared to 2015. Owing to unfavourable exchange rates and scope changes, this growth translates into a 5.6% decline of our published sales.

In Europe, the markets in France and Germany remained weak and we scaled back our manufacturing capacity. The United Kingdom confirmed strong growth despite the Brexit announcement, and central and eastern European markets continued their solid expansion.

In Latin American, growth was driven by Argentina and Chile, while Brazil continued to be affected by the economic and political crisis. In Peru, our top line declined as expected as the exceptional "El Nino effect" did not repeat. Colombia was affected by a long transport strike across the country during the summer.

In Nigeria, Etex enjoyed strong organic growth, even though the country suffered from political unrest, inflation and lower oil prices. South Africa continued to deal with an unstable political situation.

Our increase in Rebitda and margin improvements were driven primarily by lower energy costs in Europe.

At the end of December, Etex's net financial debt was 630 million euro, compared to 833 million euro the year before. This figure includes the favourable effect of the ceramics business sale proceeds and the non-recourse factoring programme, which was set up in 2015 and rolled out through the year. The latter amounted to 154 million euro at the end of 2016, compared to 129 million euro at the end of 2015.

Without the non-recourse factoring programme, the net financial debt would have been 784 million euro. Etex continued to lower its net financial debt/Rebitda ratio, going from 2.0 in 2015 to 1.6 in 2016. Without the favourable impact of the non recourse factoring programme, this ratio would have declined from 2.3 to 1.9.

Changes in the scope of consolidation

2016 was a year of considerable transformation of the Etex portfolio.

In the first part of the year, Etex acquired British companies John Brash & Co. and EOS Facades. John Brash & Co. supplies materials to which our roofing products are secured. EOS Facades supplies steel framing systems for dry construction solutions. Both companies complete our offering to provide comprehensive roofing and dry construction solutions. Furthermore, Etex sold its UK-based Bracknell Roofing contractor.

In September 2016, Etex sold its ceramic wall and floor tile business, based in Latin America (Argentina, Chile, Colombia and Peru). The sale amounted to 235 million dollars.

Revenue
2.883
billion euro

Net financial debt
630
million euro

Net financial debt/ rebitda ratio
1.6

Income statement

After a year of mixed results in 2015, Etex's profit after tax rebounded in 2016 at 130 million euro versus 38 million euro in 2015.

Etex Building Performance

In 2016, Etex Building Performance, our largest global division, faced mixed market conditions.

Activity in Europe progressed well. Strong performance in the United Kingdom and central and eastern European markets contributed to the division's performance. France and Germany stabilised after several years of competition on prices and volumes.

In the meantime, southern Europe and the Benelux continued their paths towards recovery.

In Latin America, the new plasterboard plant in Brazil is facing a challenging economic and political environment. Similarly, our new fibre cement board plant in Indonesia is facing tough local competition.

In Africa, our performance in Nigeria rebounded strongly. This was mainly due to stabilising oil prices on the country's local economy and the successful deployment of our Kalsi brand.

Etex Building Performance generated sales of 1.437 billion euro in 2016, compared to 1.432 billion euro in 2015. This amounts to a like-for-like growth of 4.2%.

Etex Roofing

Etex Roofing sales continued to be impacted by deteriorating agricultural markets in Europe, particularly in France and Germany. We also experienced structural overcapacity on the German roof tiles market.

Following the closure of our Vitry factory in France in late 2015, and our Dorfen factory in Germany during 2016, we announced our intention to close a production line in Heidelberg.

To boost our position on the challenging German roofing market, our Creaton and Eternit companies joined forces and streamlined commercial operations.

Despite the Brexit announcement, our roofing activities continued to perform well in the United Kingdom. The successful acquisition of John Brash & Co., a local producer of roofing components (timber battens) to which we fix our products, further supports this.

Our sales in the roofing segment amounted to 888 million euro versus 940 million euro in 2015. This amounts to a like-for-like decrease of 1.5%

Etex Façade

The Etex Façade division grew in 2016. Sales reached 247 million euro, compared to 244 million euro in 2015, a like-for-like growth of 3.8%. Growth was driven mainly by the successful performance of our architectural façade materials on almost all markets.

Etex Industry

Etex Industry division was impacted by a decrease in energy-related projects in 2016. Sales reached 158 million euro, compared to 165 million euro in 2015, a like-for-like decrease of 3.1%.

Ceramic floor and wall tiles

This business line was sold in September 2016. The contribution of its sale is included in discontinued operations in the financial report.

Total Etex sales came in at 2.883 billion euro.

The decline in revenue is mainly the result of unfavourable exchange rates, which decreased our sales figures by around 143 million euro and the negative scope impact amounting to 72 million euro. This was partly offset by Etex's positive evolution of organic growth, which represents an increase of around 44 million euro. On a like-for-like basis, our revenue went up by 1.5%.

The gross profit on sales ratio amounts to 29.9%, compared to 28.0% in 2015. The total gross profit amounts to 861 million euro.

The overhead on sales ratio amounted to 21.0% versus 20.1% the previous year.

The operating income before non-recurring items (Rebit) totalled 256 million euro, representing 8.9% of sales. In 2015, our Rebit was 241 million euro or 7.9% of sales.

Net non-recurring items account for -19 million euro, generating an operating income (**Ebit**) of 237 million euro compared to 129 million euro in 2015.

The group's net profit (group share) increased from 36 million euro to 127 million euro.

The **recurring group net profit** increased from 126 million euro to 135 million euro.

The group's net financial debt amounts to 630 million euro, down from 833 million euro the year before.

The net debt evolution was positively impacted by the sale of our ceramic business.

The net debt includes the positive effect of a non-recourse factoring programme. Set up in 2015, it amounts to 154 million euro in 2016 versus 129 million euro in 2015. Without the non-recourse factoring programme, the net debt would have been 784 million euro, a decrease of 178 million euro.

Etex marked an important refinancing step in 2016 by successfully placing a 300 million euro Schuldschein loan with a mix of five and seven year maturities which combine fixed and variable rate tranches. This Schuldschein transaction was designed to refinance the 400 million euro retail bond, which expired March 2017.

Consolidated statement of financial position (balance sheet)

The value of Etex's **property**, **plants**, and **equipment** decreased slightly to 1.581 million euro, versus 1.716 million euro in 2015 or 1.622 million euro excluding the disposed ceramics activity.

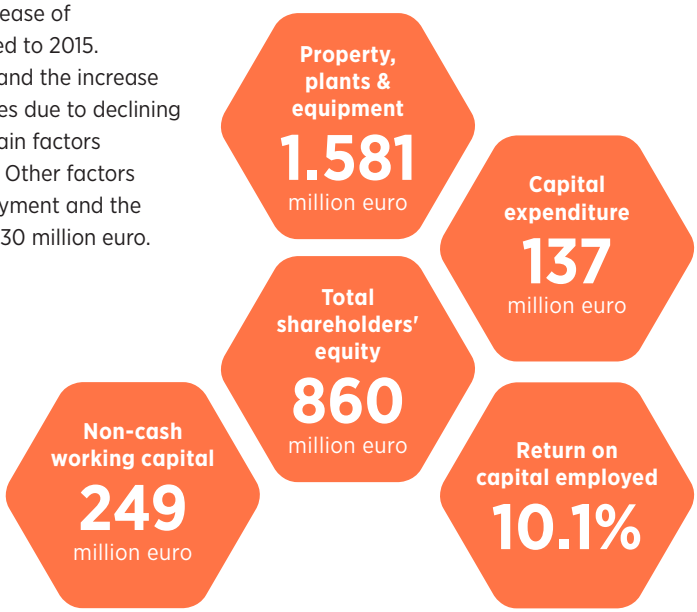
Capital expenditure (including intangible assets) reached 137 million euro, compared to a recurring depreciation of 161 million euro. In Lithuania, we completed the construction of a new production line to support our growing façade activity.

Goodwill and intangible assets came to 398 million euro after regular amortisation.

In nominal terms, our **non-cash working capital** decreased from 312 million euro in 2015 (272 million euro excluding the disposed ceramics activity) to 249 million euro in 2016, excluding the favourable impact of the non-recourse factoring programme (154 million euro).

Our **actual return on capital employed** went from 5.2% to 10.1%. Excluding the impact of non-recurring items, the **recurring return on capital employed** would have increased to 10.9% in 2016, compared to 9.8% in 2015.

The total shareholders' equity was 860 million euro, a decrease of 23 million euro compared to 2015. Translation differences and the increase of net employee liabilities due to declining interest rates are the main factors influencing this change. Other factors include the dividend payment and the year profit after tax of 130 million euro.



Risk profile

Etex is exposed to the normal range of general business risks. We take measures to cover these risks through insurance and internal policies. Fully operational since 2011, our 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.

Etex is active around the world. As such, the company is exposed to the impact of currency fluctuations on revenue, costs, assets and liabilities arising outside the Eurozone. In 2016, we 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.

We achieve **risk diversification** through our geographic spread and diversified portfolio. An additional element contributing to this diversification is Etex's broad involvement in residential, commercial, and industrial building, as well as renovation and new housing developments.

Etex 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 we use to reinforce some of our products are sourced from a limited number of Japanese and Chinese companies. Etex 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 Etex companies regrettably used asbestos as a raw material. These businesses are exposed to claims from people who have developed asbestos-related diseases. Our companies are committed to ensuring fair compensation for those suffering from an illness caused by our former asbestos use. 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.

Subsequent events

No significant event took place after the balance sheet date that would have affected the financial position of Etex.

Prospects for 2017

Based on today's market conditions, we expect modest revenue growth, recurring profit before tax and free cash flow in 2017.

European construction markets seem to either be stabilising or progressively rebounding. This is particularly true for the Benelux, France and central Europe. The United Kingdom continues to benefit from a good economic environment, despite the Brexit announcement.

The Latin American countries where we are active seem to confirm the recovery that started in the second half of 2015. Brazil continues to be the only notable exception to this trend.

In the current fragile economic landscape, Etex's balanced and diversified portfolio — in terms of markets as well as applications — remains our biggest proven strength.

Etex Building Performance

Etex Building Performance is a leading reference for plasterboards, plasters and formulated products, fibre cement boards and passive fire protection around the globe. Representing Etex's largest division, in 2016, Etex Building Performance posted sales of 1.437 billion euro.

← This brand-new shopping centre in Sabaneta, Antioquia in Colombia is an excellent showcase for Etex Building Performance's unique offering of expertise and building board solutions. Supplied by Skinco Colombia, acoustic gypsum boards were used to construct the ceilings, while fibre cement Superboard panels form the partition walls. Not forgetting passive fire protection, Promat materials were used to safeguard the ceilings and evacuation ladders.

Since 2016, Etex Building Performance brings together several of Etex's activities through increased synergy between our building board companies. The result is a unique combination of expertise in plasterboards, fire protection, technical construction and dry construction.

A comprehensive offering

Etex's **plasterboards** and **fibre cement boards** are used in a variety of internal applications, such as finishing and partition walls and ceilings. Known for having excellent acoustic properties, structural and humidity performance, these boards are also ideal for the construction of external walls. Some of our brands include Siniat in Europe and Gyplac and Durlock in Latin America.

Our cutting-edge **fire protection products** and **systems** are designed to safeguard the critical structures of a building. These high-end passive fire protection boards, sold under the brand name Promat, are found mainly in non-residential projects such as hospitals, schools, high-rises, airports and tunnels. The structural stability they provide adds precious time for evacuation in case of a fire.

Combining technical know-how in these fields of expertise, Etex Building Performance also offers an extensive range of **dry construction solutions** for prefabrication and modular buildings. Faster, lighter and more cost-effective than traditional building methods, dry construction combines interior building boards and exterior cladding boards on timber or steel frames. This rules out the need for wet trades, such as concrete, to develop building structures.

Altogether, Etex Building Performance has developed and commercialised a comprehensive offering that ties in optimally with customer demand in construction markets, such as residential and industrial buildings, hotels and healthcare facilities, offices, sports and leisure complexes, and tunnels.

Leveraging a unique market position in Europe

In Europe, Etex Building Performance produced solid results in 2016. Despite facing significant differences in various markets and segments, residential construction recorded steady growth. The market for commercial construction remained at a similar level as in previous years.

Throughout 2016, we consolidated our comprehensive offering of plaster and fibre cement boards with fire protection solutions. Optimising our organisational structure for our Siniat and Promat companies enabled them to work closely together to deliver single-source solutions and foster closer ties with customers.

Business performance varied in line with local market conditions. Some notable evolutions:

Etex Building Performance yielded growth in the **United Kingdom**. Despite concerns over the Brexit announcement, we capitalised on positive market conditions. We completed our dry construction offering through the acquisition of EOS Facades, a British company specialising in light steel framing systems.

The construction industry in **France** faced another tough year. For the first time in years, the market is showing signs of revival, particularly in the residential segment.

Seeing an overlap in market behaviour in **eastern Europe**, we consolidated our teams into a single business unit with one approach. The first results of this renewed focus are positive.

→ The Second World War Museum in Gdańsk is scheduled for completion in early 2017. This contemporary building was commissioned to present wartime experiences in Poland and other central and eastern European countries. Our Polish Promat and Siniat companies supplied fire resistant, acoustic and insulation plasterboards for the construction of this modern building's interior walls.

Taking innovation higher

In 2016, we did a full review of our innovation process and defined an integrated approach to increase the number of combined research and development projects among our companies. We also identified a number of priority innovation fields to continue commercialising novel applications.

2016 introduced a variety of building performance innovations in Europe. To mention a few examples:

Prégy XL from Siniat France is a one-of-a-kind, high-span ceiling plasterboard that requires fewer fixing points, leading to savings of up to 30% in installation costs.

Siniat Romania began to commercialise **Adera Fybro**, a novel type of fibre-reinforced plaster for easier application and preparation.

The patented **Resilient Acoustic Stud (RAS)** by Siniat UK prevents airborne and impact sound from passing through acoustic partitions.

A collaborative effort by Siniat, our IT department, our innovation centre in Avignon and the University of Naples Frederico II, produced a range of innovative **seismic-certified solutions** for partition, lining and ceilings.

Etex Building Performance is a unique combination of expertise in plasterboards, fire protection, technical construction and dry construction.

← The North Atlantic Treaty Organisation's (NATO) impressive headquarters, in Brussels, Belgium was completed in 2016. To help protect this state-of-the-art building's 500 daily visitors, its numerous employees and the environment as well, Etex company Promat International supplied fire protection materials.

Solidifying a worldwide reach

While Europe makes up the majority of Etex Building Performance's sales activity, the division has quite a presence in the markets of Latin America, Africa and the Asia Pacific region.

Uniform approach in Latin America

In Latin America, we made significant headway to strengthen our business. We streamlined our companies under a single management for each country where we are active.

We initiated sales excellence projects and revamped our route-to-market. We continued to capitalise on our comprehensive offering of plasterboards and fibre cement boards, which is a unique combination in the Latin American marketplace.

In addition, our innovation efforts realised in 2015 for our Simplísima decorative fibre cement boards and our Ciel ceiling applications, are performing strongly and we continue work to improve these.

The plasterboard production line installed in **Peru** in 2015 has shown satisfactory results. The poor economic climate in **Brazil** has stabilised at an all-time low and we do not expect it to pick up until 2018. The projected results from our plasterboard factory commissioned in 2015 have yet to be fully realised.

Despite a similarly poor economic climate in **Argentina**, Etex Building Performance delivered results in line with expectations. In Brazil and Argentina, exchange rate effects further impacted our sales results.

→ The Idiomas EAFIT language school in Medellín, Colombia, used gypsum acoustic boards for the ceilings and Superboard partition boards supplied by Skinco Colombia to soundproof classrooms for an optimal learning environment.

↑ Using materials supplied by Skinco Colombia, this multi-story apartment block named the Towers of Heaven, in Pastro, Nariño in Colombia, was built using gypsum boards for the interior partition walls and finished with Superboard fibre cement façade boards on the exterior walls.

Bolstering business in Africa

The business environment in our African markets proved challenging, but offers a positive outlook overall.

In **South Africa**, political uncertainty weighed on the local currency throughout 2016. Prospects point towards increased political stability, with local elections taking place throughout 2017.

In early 2016, we completed the acquisition of Lafarge Gypsum South Africa. The business was integrated during the year. This enables us to offer a full scope of building solutions that meet changing demand in southern Africa from traditional to dry construction.

The economy in **Nigeria** faced dropping prices in the oil industry and currency devaluation. We gained market share in the first half of 2016, but the economic hurdles in the latter half of the year eventually had a negative impact on our overall sales.

Our efforts to improve our industrial network in the country sadly saw the closure of our factory in Sapele. We focus on channelling remaining resources into our other two production facilities.

To prepare our Nigerian business for the future, we are establishing an effective and custom route-to-market in the country, and strengthening our teams of sales professionals.

A mixed picture in Asia Pacific

The results of Etex Building Performance in the Asia Pacific region vary depending on the underlying market conditions.

The strong construction market in **Australia** had a favourable impact on our business. Lifting our sales figures considerably, this trend is expected to continue in the coming year.

In **China**, our sales remained flat. Technical construction gained momentum, but due to an increase in local competition, general building activities in the country lagged. We announced our intention to close our factory in Shanghai. Preparations and negotiations for this transition were ongoing around the time of writing the annual report.

We grew our sales substantially in **Singapore**. This increase was mainly driven by a rise in modular building projects.

In **Indonesia**, poor market conditions and local competition impacted sales. We expect the local building market to pick up — at which point our newly commissioned fibre cement factory in Karawang is poised to accommodate future growth.

Etex Façade

Etex Façade is an established player in the architectural market worldwide, and claims pole position in the residential market in Europe. In 2016, Etex's façade business generated sales of 247 million euro.

← Taylor's International School in Puchong, Malaysia offers state-of-the-art facilities to provide a world-class learning environment for students. The school's auditorium features Equitone fibre cement panel cut-outs that are joined to the wall by steel brackets, supported by cables to create the illusion of a floating exterior.

Etex Façade offers **architectural** and **residential** fibre cement façade materials. These range from sidings to large format façade panels and come in numerous textures, colours and styles. To effectively target the global façade market, Etex fibre cement façade materials are sold under distinct brands designed to appeal to two different markets in very different ways.

Inspirational and appealing materials

Aimed specifically to inspire architects, our architectural fibre cement materials offer unparalleled design potential and flexibility. They are used mainly for mid- to large-sized buildings such as multi-dwelling, public and commercial buildings and we notice a recent trend towards residential houses. Our main brand in this market segment is **Equitone**.

For the residential market, Etex supplies façade materials for construction and renovation of family homes and apartments. These fibre cement siding panels provide homeowners with durable, appealing and easy-to-install materials. **Cedral** sidings constitute our pivotal brand in Europe. **Kalsi** is our brand in Africa, and Asia.

A frontrunner in Europe

Europe is Etex's largest and most developed marketplace for our Equitone architectural façade materials. Our residential siding, branded Cedral, claims a sizable market share in a select number of countries, including the Benelux, France, Germany, Scandinavia and the UK.

In the **United Kingdom** and **Ireland**, our architectural façade business posted excellent results in 2016 — reaping the rewards of major recovery in local building industries and capitalising on a structural demand for housing. For our sidings business, the UK generated double-digit growth and increased market share.

For the **Benelux**, **Germany** and **Scandinavia**, where the construction industry is relatively stable, our architectural façade business posted flat to good results throughout the year. Our siding business had better results, except in the Benelux, where the market was more challenging.

The construction industry in **France** showed its first signs of recovery — resulting in stable performance for our façade business. In **Italy** and **Portugal**, and even more so in **Spain**, a similar recovery took shape in 2016.

Etex's architectural façade business booked strong progress in eastern Europe, especially in **Poland**. In addition, we set up a new sales team in **south-east Europe** to give additional momentum to our business in **Croatia**, **Hungary**, **Lithuania**, **Romania**, **Serbia**, and **Slovakia**.

In **Russia**, 2016 proved to be an excellent year for our architectural façade business, as well as continued strong demand for fibre cement sidings. As this residential market is expected to boom even further, we continued to invest in building a strong market position for our Cedral brand.

↓ Using Cedral siding has helped to create a range of multi-coloured retro beach huts at the popular Osea Leisure Park, situated on the Blackwater Estuary in Essex, England. The stylish huts sit just above the water at high tide on galvanised steel stilts. Cedral Lap external fibre cement weatherboard cladding material was used for the exterior, giving each hut a traditional aesthetic while keeping maintenance to a minimum.

→ Our Cedral weatherboard siding was used to create new homes at a development in Essex, UK. Cedral siding was chosen to create stand out architecture, for unique homes that would both attract buyers and complement the inspiring landscape.

Setting the pace for the future

In 2016, we set up projects and investments aimed to further capitalise on Etex's leading position in Europe for fibre cement façade materials.

Etex added production capacity with a new line for Cedral siding in **Lithuania**. The new production facility will help support growth ambitions in the Nordics and in central and eastern Europe.

We expanded our product offering in 2016 by launching our new product Equitone [materia].

Our passion is to lead the global façade market with beautiful, durable materials.

Fibre cement façade materials around the world

→ The Ciudad Empresarial Sarmiento Angulo office building in Bogotá, Cundinamarca, Colombia was designed to bring together characteristics of an urban setting with nature. The building uses Equitone tectiva fibre cement façade materials for the interior walls of this stunning atrium to create a sense of the outdoors, inside.

Outside Europe, Etex Façade supplies architectural and residential fibre cement materials in North America, Latin America and Asia Pacific.

Faster and stronger in the US

In the **United States**, Etex's architectural façade sales are mainly generated in the northeast — where we initially kicked off our activities — and are now spreading to the west coast. Seeing opportunities for future expansion in this market, we boosted our commercial activities in the country and will continue to do so.

As such, we are poised to benefit from the accelerating economy and recovering construction market in the US — especially in the residential segment. Following the 2016 presidential election, public spending on infrastructure projects is expected to grow as well.

Going steady in Latin America

In Latin America, we have a long and successful history in residential sidings, particularly in **Chile** and **Argentina,** with 2016 a record year for sales in Chile. It is only in recent years that we began introducing architectural applications to the region.

To build Equitone sales in Latin America, Etex set up dedicated sales teams in Chile, Peru, Argentina and Colombia.

Equitone's success was most apparent in **Chile** as a result of our participation in a government project to bring kindergartens to all communities.

We are only beginning to establish the Equitone brand in other Latin American markets. Today, economic conditions in the main markets of this region continue to be very challenging.

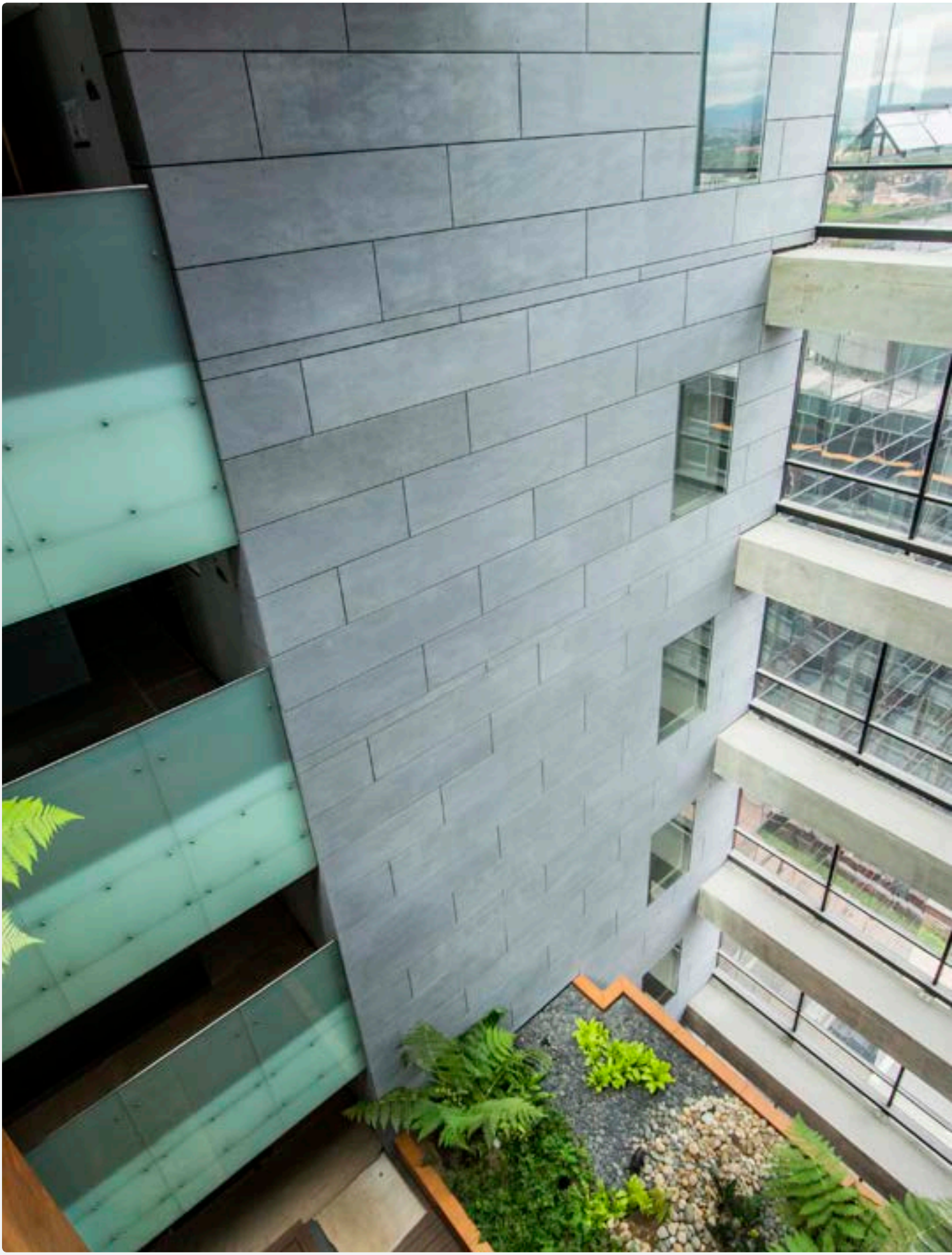
Solid fundamentals in Asia Pacific

Our architectural façade business in **Australia** gained additional momentum in 2016. The country represents our largest market for Equitone in sales volume outside of Europe. We expanded our sales teams in Melbourne and Sydney to further sustain our business in a market where the prognosis for 2017 is accelerated growth.

In **Indonesia**, we leveraged our increased capacity for the production of Kalsi fibre cement sheets in Karawang. In spite of the local construction market slowing down, our siding sales performed well in 2016.

Our architectural façade business in **China** generated positive sales results in a somewhat slower construction market. In addition to our locally produced **JiaMei** branded fibre cement material, in 2016 we launched **JiaLai**, an innovative fibre cement material with a polished surface. This material has already gained great popularity and boosted our figures in this market segment. When it comes to siding, our sales were flat in China.

← The Lanshan Cultural Centre in the Rizhao, Shandong Province, in China is a vivid expression of Chinese traditional culture. 25,000 square metres of Eternit Jiamei facade boards were used on the buildings eaves, ceilings and exterior façade.



Etex Industry

Etex Industry is distinct from other Etex divisions due to the technologies used to develop its high-performance insulation and fireproofing portfolio, as well as the select industrial markets it caters to. In 2016, Etex Industry generated total sales of 158 million euro.

← Our Microtherm factory in Saint-Niklaas Belgium produces advanced thermal insulation solutions for applications at all temperatures.

A selective business model

A carefully focused approach paired with a deep understanding of technical specifications enables Etex Industry to offer solutions to fit customers' precise requirements.

The core technologies that make up our thermal insulation fireproofing and acoustic solutions consist of calcium silicate, microporous silica and aerogel materials, as well as spray technology.

Sold predominantly under the brand names Promat and Microtherm, our **thermal insulation** products are perfect for those applications and sectors where temperature management is essential, but where space is limited. These range from thermal blankets wrapped around pipe systems in oil and gas refineries, backup and hot face insulation of industrial furnaces, to thermal battery insulation cases in high-speed passenger trains.

Our **fireproofing solutions** have physical and mechanical properties designed to reinforce and protect steel structures from fire and moisture. These show up in applications such as luxury yachts, power plants and a wide range of original equipment manufacturer (OEM) applications.

Etex Industry advises and delivers complete products and solutions from a single source to customers' exacting needs. The result has positioned Etex Industry as a major reference among renewable energy, oil and gas, marine, railway and aerospace applications and sectors.

Etex Industry is a leading reference in selected fields of industrial business, including oil and gas, renewable energy, marine, railway and aerospace.

Strengthening our worldwide presence

In 2016, we set up a regional sales structure. We reinforced sales organisations in North America and streamlined in Europe. Expanding our commercial footprint, we set up our first sales teams in India and South Africa.

An enhanced customer relationship management (CRM) system and newly deployed sales and digital marketing tools supported commercial teams, giving a boost to our sales figures.

↑ Our Microtherm factory in Sint-Niklaas Belgium.

Competitive and innovative production

In 2016, we further consolidated and enhanced the operational excellence and innovation-readiness of our factories and finishing shops — the workshops where our products are individually tailored to specific shapes and sizes. Making these improvements is necessary to assure our operations remain competitive in the years to come.

Two projects stand out in this regard. At our Microtherm factory in Sint-Niklaas, Belgium, we entered the final stage of completing a manufacturing line for a new generation of thermal blankets based on aerogel technology.

Furthermore, we carried out an extensive optimisation project to boost both the quality and cost performance of our calcium silicate factory in Filago, Italy. Our Italian plant is now top-of-the-line in Europe in terms of cost-effectiveness.

A global network

Operating five manufacturing plants — two in Belgium and one each in Italy, Japan and the United States — and 17 finishing shops, we supply our thermal insulation and fireproofing solutions to select markets in Europe, North America and to the Middle East and Asia.

Our industrial business in **Europe** faced some challenges in 2016. For a short period, we were unable to appropriately supply our customers with some of the products manufactured in Belgium. We are working hard to correct the situation through additional investments and expect an improvement in the course of 2017.

In **North America**, 2016 was a year of decreasing price levels and tough competition. One factor impacting our business was the strong recession in the oil and gas market, as oil prices took a deep dive. With 2016 an election year in the US, there was also a decline in military spending and public spending on infrastructure.

Etex Industry delivered steady results in the niche markets where we are active in the **Middle East** and **Asia**, but experienced, as in other regions, pressure in the oil and gas segment.

← Our newly improved Promaxon compound is being used to reduce disk rotor corrosion in electrical handbrake systems in passenger cars.

New products, new projects, new markets

Despite global economic and market-related challenges, Etex Industry's sales teams closed major deals in 2016, which will be delivered next year. These include new-build projects in the oil and gas, energy and heavy industry sectors. We also finalised substantial supply agreements in the automotive and transport industries.

We expect to continue developing new markets for Etex Industry, especially in the field of industrial OEM. These customers manufacture large-scale machinery to original specifications and so benefit from our ability to advise and supply bespoke solutions. They represent the types of projects our customised portfolio is designed to deliver to, and we see future growth potential in this market.

We will be extending our global **line of fire-spray products** in the second half of 2017.

Also in 2017, we will further prepare for the launch of **Promasphere**, a new generation of thin and easy-to-install thermal insulation blankets, ideal for pipe insulation in the oil and gas and energy sectors.

We believe that aerogel is a technology of the future, innovating our industry portfolio and potentially enabling access to new markets.

↓ Our Promat UK company is supplying Microtherm mircoprous materials to Hitachi Rail Europe for a new series of AT200 commuter trains for Abellio ScotRail. Microtherm quilted panels form part of the fire protection system fitted in the drivers' cabs. The new trains are due in service in late 2017.

Etex Roofing

Our roofing business has evolved significantly since Etex produced its very first slate. Today, Etex Roofing enjoys an established global presence, with sales reaching 888 million euro in 2016.

← The homes in Knock Russen housing development on the Isle of Man in the UK are constantly exposed to the harsh coastal weather. To ensure that roofs withstand the force of natural elements and blend in with the surrounding environment, Rivendale slates provided by Marley Eternit UK were used on many of these houses.

To shape the future of roofing across the globe, Etex Roofing offers fully fledged, comprehensive roofing solutions that target two specific segments: **residential** and **agricultural**. Some of our most well-known brands include Creaton, Eternit and Marley.

Our twofold approach

Through our specialised, country-specific sales teams, Etex delivers complete roofing solutions for **residential** pitched roofs from a portfolio comprised of tiles, slates, corrugated sheets and roofing components.

To serve the **agricultural** market, we have dedicated national and international sales forces, skilled in providing agricultural building solutions.

Using a holistic approach to provide roofing solutions to both markets, Etex Roofing is able to advise and adapt to the specific needs of a diverse range of customers, from homeowners to farmers, architects and installers.

Cultivating the European marketplace

Roofing in Europe is a mature market. The countries where we commercialise our residential roofing portfolio reveal a diverse marketplace — with Etex's results varying in line with the underlining market conditions of each economy.

When it comes to agricultural roofing and building, 2016 marked another year of decreasing investments from farmers across Europe, with the exceptions of the Netherlands and Spain.

While the sector is showing the first signs of improvement, we will leverage our leading position and put in place a novel business model. As such, we focus on commercialising an offering that covers the full building envelope for specific agricultural segments.

Good conditions for success in the UK

2016 was a good year for our residential roofing business in the United Kingdom, thanks to structural demand for housing and favourable financial conditions. Low interest rates increased lending for new-build and renovation projects, generating additional momentum for our business.

Further capitalising on the favourable market conditions, we invested in the construction of new factory buildings and equipment at our Marley Eternit factory in Beenham.

To strengthen our product portfolio in the UK and complete our offer of a comprehensive roofing system, Etex acquired John Brash & Co. in 2016. This company has a long-standing reputation for supplying timber products to the roofing market, including cedar shingles and market-leading roofing battens.

↓ Our Creaton Domino roof tiles were used to renovate the roof of the Hotel Viktoria in Braunlage Germany. Operating since 1927, the hotel underwent extensive renovations in 2015 and now boasts a classic exterior with modern finishings inside.

Steady in Ireland

The housing market showed signs of recovery in Ireland and Etex increased its market share in residential roofing throughout the year. Some of the main drivers behind this included a complete revamp of our market presence, business model and route-to-market.

Frontrunner in the Netherlands

As the definitive leader in the agricultural market segment, our roofing business in the Netherlands posted double-digit growth in 2016.

Effective partnerships with building companies and a robust team have enabled us to respond to the growing agricultural renovation market in the country.

Stable in Belgium

Urbanisation in Belgium — and across much of Europe — is gearing the new-build market toward the construction of multi-dwelling buildings and flat roofs. Yet, Etex's residential roofing business continued to post solid results in the renovation segment in 2016, which comprises the bulk of the market in Belgium.

The residential roofing market in Belgium has been stable for decades. This makes the country an ideal test market for digital innovations and novel routes-to-market and we deepened our know-how and broadened our offering throughout 2016.

← This pork farm in Berbinzana, Navarra, in Spain is home to over 6,000 pigs and contributes to the rapidly growing Spanish pork industry. These animals are very susceptible to thermal stress and must be housed in a place where they are kept at a constant temperature. Euronit Spain developed and commercialised a tailored roofing solution to meet this farmer and his pigs' specific needs.

Resilient in France

In France, Etex dominates the agricultural roofing market. In the residential new-build and renovation segment, we did not grow.

Overall, the French building industry remained under pressure in 2016, both in the residential and agricultural markets. To adjust to these difficult market conditions, Etex Roofing closed one of three corrugated sheets plants and launched new, improved and segmented customer service and logistics solutions.

In 2017, we are planning the launch of a new range of high-quality slates, which will first target the French renovation market, before serving other slates markets across Europe.

Resourceful in southern Europe

With a small footprint in residential roofing in **Spain**, Etex consolidated promising initiatives to secure our position in agricultural roofing. The Spanish pork sector is growing thanks to successful export activities. Etex Roofing has benefited from the development and commercialisation of tailored roofing solutions for this specific segment.

In **Portugal**, Etex is mainly active in residential roofing — with exports making up around half of our business activity in the country. While the oil crisis in Angola did initially have an impact, our Portuguese sales teams deftly redirected our export activities toward other destinations in Africa and the Middle East. 2017 will see continued export market diversification efforts.

← Nicknamed the Egg-house, the unusual roof shape of this single-family home in Willebadessen, Germany was a perfect candidate for our Melodie roof tile. Produced by Creaton Germany, this lightweight and flexible tile is ideal for steep pitched roof projects.

↑ Thanks to a clever production process, Creaton Germany was able to provide 630,000 roof tiles that look authentic and time worn to replace the roof of the 1,000-year-old Göttweig Abbey in Austria — all while meeting stringent UNESCO Heritage regulations.

Future-proof in Germany

In Germany, Etex capitalised on its market share in residential renovation, where pitched roofs are the norm. While the country's new-build industry is booming, the market is increasingly geared toward multi-dwelling housing and flat roofs.

Proceedings initiated the prior year to close our factory in Dorfen, including negotiations with workforce representatives and efforts to develop an employee support plan, were completed in 2016.

In late 2016, we announced our intention to close a production line in our Heidelberg-based factory and consolidate production volumes in our more modern plants in France, Lithuania and the Netherlands.

Our German companies Creaton and Eternit joined forces and streamlined commercial operations. Joined sales forces target the agricultural and residential segments in Germany, in line with our approach in other countries.

We expect the new-build market to cool down in the coming years, at which point German roofing professionals and companies will refocus on the renovation market.

Strong in Austria

Etex has a firm presence in Austria, where we consolidated our market position by merging all active sales forces for our different companies into a single team.

Booming in eastern Europe

The renovation construction markets in **Croatia**, **Hungary**, **Poland**, **Romania**, and **Serbia** are on the rise. Etex's roofing business capitalised on this trend throughout 2016.

To address the structural needs of the residential segment in those and other high-potential countries in eastern Europe, we offer a full-range roofing portfolio and related roofing products. We enhanced our commercial approach via a digital sales application.

In addition, we continued to reap the rewards of our Creaton South East Europe unit, launched in 2015. This Hungary-based business enables us to serve growing markets in **Bosnia**, **Croatia** and **Serbia**.

Roofing around the globe

While Europe is Etex Roofing's biggest marketplace in terms of sales volume, our roofing business has a steady position in markets in Africa, Asia and Latin America. In these regions, our agricultural and residential offerings often intertwine — with corrugated sheets being popular for residential construction and renovation projects.

In **South Africa**, we reorganised our residential roofing business so that we are best positioned to capture a market leadership position in the future. The strong position of our local Marley brand gives us a positive outlook for the years to come.

The economy in **Nigeria** was impacted by political unrest, inflation and plummeting oil prices throughout the year. We improved our route-to-market and reinforced our brand presence, all while educating our local sales and operational personnel. This refocused approach has already shown results.

We have a strong brand presence in the low– to mid-end roofing markets in **Peru**. In **Colombia**, where we observe signs of economic recovery, we see large potential in the social housing segment, as well as in mid-high end markets. Efforts to implement a solid roofing platform continue into 2017.

To shape the future of roofing across the globe, Etex Roofing offers fully fledged, comprehensive roofing solutions to satisfy our customers' needs in both residential and agricultural segments.

← This private family home in Facatativa, Cundinamarca, Colombia used corrugated sheets — usually used in agricultural projects in Europe — for its roof. A true demonstration of how tastes and trends differ from continent to continent.

Patricia Harding
Human Resources Manager
Promat USA

With safety always in mind, Patricia ensures that her colleagues at Promat USA undergo the necessary training to help the site maintain its zero accident record. Helping those in need, in 2016 she organised the company's participation in a food drive to provide food to fire victims in Tennessee.

Opposite: Microtherm 1000X Quilted Panel

Protecting our planet

Protecting our planet

As a global manufacturing company, we strive to limit our impact on the environment as much as possible. We have procedures in place aimed to minimise the effects our operations have on air, land and water. Maintaining and respecting the environment is an integral part of how we work.

Two pillars form the basis of our initiatives:

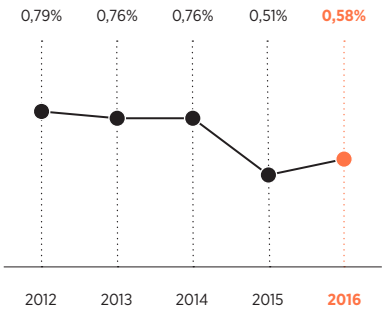
- Efficient production to limit our use of natural resources and energy.
- Continuing to develop sustainable products and solutions that can help our customers reduce their carbon footprints.

Striving towards zero production waste

Our ambition is to eliminate production waste completely by 2020. While the total hard waste dumped per tonne increased slightly from 0.51% in 2015 to 0.58% in 2016, we increased the total amount of production waste recycled.

We try to recycle waste as much as possible. Doing so not only conserves resources, it also has a positive impact on our processes, as it requires us to have efficient recycling systems in place. In 2016, the amount of production waste recycled increased to more than 90%.

Production waste dumped per tonne of raw materials



Many of the waste materials that are generated by our manufacturing processes, such as paper, cement and water, can be recovered and reused or recycled. Every Etex factory employs a recycling programme to recycle as much waste as possible by funnelling it back into our own production process or supplying it to external partners.

To name one example, our Tegral company in Ireland has made inroads to enable the recycling of hard fibre cement. This is a by-product of its fibre cement production process that can be reused as raw material to manufacture cement. Providing fibre cement waste to the factory of a local cement supplier, Tegral has already been able to achieve a closed loop for 2,500 tonnes of the material. As a result, the supplier's consumption of limestone has dropped by the same amount.

Our use of water

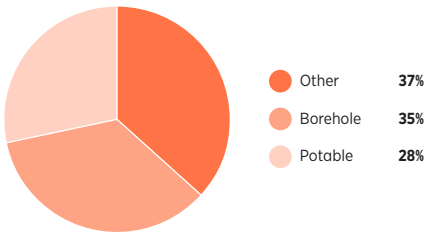
Water is a precious resource and a critical part of our production processes. How and how much water is used depends on the production activity, and every Etex factory is different.

One of our overarching goals is to decrease the amount of water we use across all processes. In 2016, Etex's water consumption amounted to 6,476,963 m^3, a decrease of 4.7% compared to 6,798,029 m^3 in 2015.

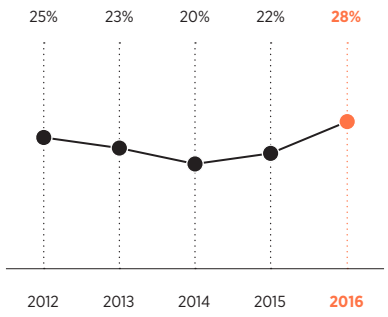
Our water use in m^3 per tonne of raw material was 0.65%, a slight decrease from 0.67% in 2015. The amount of potable water used in production went up from 22% in 2015 to 28% this year. Eliminating potable water from our production processes is a goal we continue to work toward.

← A clean workplace ensures the health and safety of our employees and visitors. One of our colleagues at Skinco, Colombia.

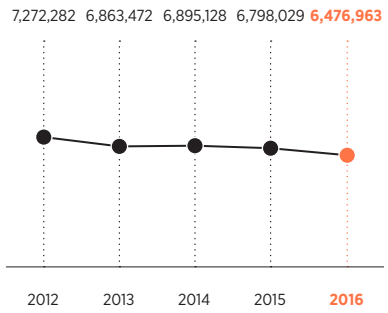
Water consumption by source



Percentage of potable water in relation to total water consumption



Total water consumption (in m^3)



Making headway in energy management

Reducing the amount of energy we use is a cost-effective business practice consistent with our pledge to continually enhance our energy management. Through our efforts to reduce our energy consumption and our carbon footprint in 2016, we made significant progress.

This resulted in 587 kWh of energy consumed per tonne of raw material in 2016, compared to 640 kWh per tonne in 2015. Our CO_2 emissions per tonne produced decreased from 112 kg in 2015 to 100 kg in 2016.

The decrease in energy use and CO_2 produced can be partly attributed to the sale of our ceramics business in 2016. The firing process required to produce ceramic tiles requires large quantities of energy. The impact of operating nine fewer energy-consuming factories lowered our total energy consumption for the year.

Our direct energy consumption spread came in the same as the previous year. Of the total amount of direct energy used, 81% was gas and 14% was electricity.

In addition to managing the amount of energy used, we look for alternative ways to harness and use it efficiently, always with the least amount of impact on the environment.

In this regard, our Eternit Guangzhou factory in China reuses waste heat coming from a nearby combined-cycle power plant to power its autoclave production process. As a result, the factory no longer needs to use boilers, eliminating the use of natural gas and thus cutting the plant's carbon footprint by 6,600 tonnes per year.

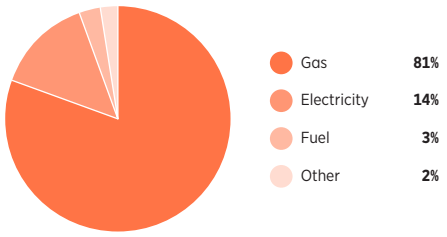
Low environmental impact and sustainable solutions for customers

In addition to our efforts to reduce the environmental impact of our production, we also strive to provide sustainable and long-lasting solutions to our customers.

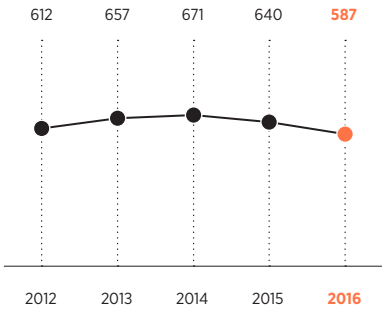
In Colombia, our Superboard siding is used by architectural firm Colectivo Creativo to create eco-friendly dwellings. The fibre cement board is one of the building blocks of VIMOBs, modular homes that are prefabricated in a workshop and shipped directly to the building site. In this way, fewer natural resources and raw materials need to be used, while the environmental impact of transportation is reduced to the absolute minimum as well.

→ The VIMOB concept was designed to provide housing that is quick to assemble. The packs create less waste from raw materials, have reduced environmental transport costs, and limited impact on the environment where it is placed. Our Superboard fibre cement panels supplied by Skinco Colombia are used for the exterior walls of these unique structures.

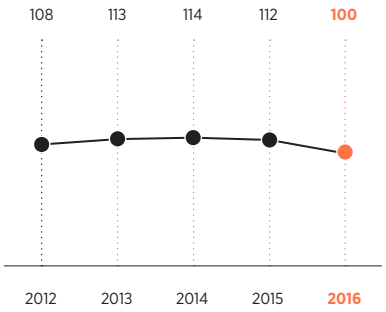
Direct energy consumption



Energy consumed per tonne of raw material (in kWh)



CO_2 emission per tonne procuded (in kg)



Ximena Vásquez
Payroll Leader and Human Resources
Shared Services Colombia

Enthusiastic about laying strong foundations for our Etex corporate culture, Ximena was an active supporter in the roll out of the Etex values to the shared services centre and to all other Etex Colombian entities.

Opposite: Superboard Madera

Empowering our people

Human resources

In 2016, Etex introduced a set of values developed around people, execution and innovation: Connect and Care, Passion for Excellence, and Pioneer to Lead. These form a vital part of our identity, pinpointing what it means to be part of Etex and to 'do things the Etex way'. They are at the core of how we empower our employees, boost their resourcefulness and bolster their talent.

In 2016, Etex further honed its activities in the marketplace. This gave rise to a global divisional structure that has sustainable growth, operational performance and people as the pillars of its success. To tie our companies and people together to effectively support these strategic priorities, human resources at Etex focuses on three goals:

1. help build and reinforce an inclusive Etex identity and stimulate an agile, results-driven mindset.
2. enable employees to grow and develop in their jobs and strive for excellence.
3. further enhance the competences of our HR professionals worldwide.

Our new values guide our behaviours toward growth, excellence and personal development.

Values shared around the world

In March 2016, we began introducing our Etex values. Our values were designed to inspire our employees and help them to fulfil personal and professional goals. All while working together as one team towards our strategic priorities for profitable growth, operational excellence and engaged people.

In a first phase, we launched a series of workshops — all tailored around the Etex Values Box game — to familiarise senior management and HR with the new values. This encouraged them to become ambassadors of the values, take ownership and share the values with their teams.

In the latter half of 2016, the Etex Value Game embarked on a world tour and was extended to a second layer of employees. The game gives every day work scenarios where employees apply the values to make the right decision. Using this tool, they gain a deeper understanding of the essential role every Etex colleague plays.

A total of 3,484 employees from a broad range of functions and 26 countries took part in the value workshops in 2016. A second version of the Etex Value Game was developed for non-managers in 12 languages and will be rolled out around the world in 2017 to the rest of our employees.

→ Colleagues at our headquarters offices in Brussels discovered our values by playing the Etex Values Box game.

Cultivating our talent

Nurturing talent benefits our employees' personal development and supports our ambitions for performance-driven growth. Talent management, therefore remained an HR priority during 2016.

'Leadership can come from anywhere'

Underlining our hands-on approach to employee development across the organisation, in 2016 we worked on different aspects.

We enriched our leadership model to help employees hone their skills.

We enhanced the objectives and approach of our individual performance review conversations. These now embed the Etex values and provide a foundation for leadership competences.

We completed our fifth career development session with the international Vlerick School in Brussels. Future potential leaders from different nationalities and professional backgrounds followed the programme.

Also in 2016, we launched a senior leadership programme with Insead. Two separate sessions hosted senior managers from across Etex to foster talent and further develop their leadership skills.

In addition, our new divisional structure positively impacted internal mobility at our company, enabling employees to pursue career opportunities at other Etex companies across different domains, divisions and countries.

Learning opportunities

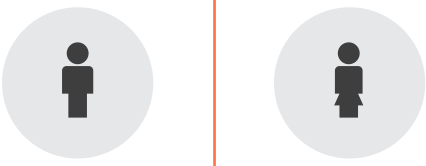
As part of Etex's learning culture and to support our global talent approach, we continued to expand the reach and content of Talent2Grow, our digital platform and community resource portal. Available to about 10,000 employees, it offers a range of courses to develop a multitude of skills.

HR excellence

From operational to strategic roles, boosting the competences of our HR professionals remains an intrinsic part of creating a high-performance culture at Etex. It is an objective that will be continuously developed in the years to come.

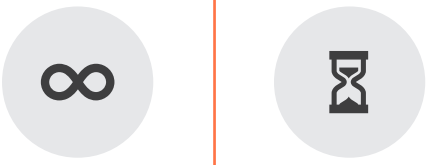
↓ Safety is key at Etex. Wearing the right protective clothing is an important part of our safety culture. One of our colleagues at our Marley Buildings System factory in South Africa.

15,011 employees



male | female

84% | 16%



permanent employment contracts | temporary or interim contracts

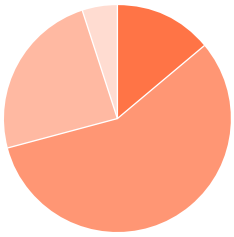
88% | 12%

white collar | blue collar

40% | 60%

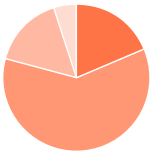
18.5 hours hours of training/year **16.2 hours**

Employees by age (global)



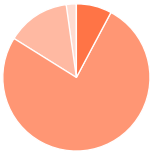
-30 years	14%
30–49 years	57%
50–59 years	24%
+59 years	5%

Americas



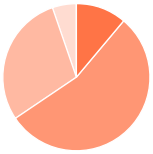
-30 years	19%
30–49 years	61%
50–59 years	16%
+60 years	5%

Africa



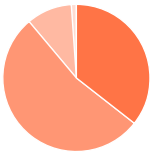
-30 years	8%
30–49 years	76%
50–59 years	14%
+60 years	2%

Europe



-30 years	11%
30–49 years	54%
50–59 years	29%
+60 years	5%

Asia & Oceania



-30 years	36%
30–49 years	54%
50–59 years	10%
+60 years	1%

62%

of employees are covered by collective bargaining agreements

3%

overall absenteeism

the overall absenteeism rate was 4.11% for blue collars and 2.40% for white collars in 2016

14%

employee turnover

includes retirements, the end of temporary contracts, dismissals and resignations

No incidents of child labour or discrimination were reported

Health and safety

Safe machines, safe procedures and safe behaviours: we continuously work to enhance performance in these three areas to make Etex an even safer place to work. Following this three-pronged strategy, last year, we made further progress toward our goal of zero accidents.

We strive to have a global safety mindset and commitment aimed to prevent accidents altogether. A robust safety culture demands constant and consistent effort, now and in the years to come.

To bring us closer to achieving our zero accident target, in 2016 we introduced initiatives that further promote preventative safety. These include placing a stronger emphasis on measuring leading indicators — pre-incident metrics — and enhancing our approach to behavioural safety.

72% of our factories were accident-free

← Using the LoToTo system - lock out, tag out, try out - when working with machines is an essential part of our safety procedures. This group lockout box helps colleagues at our Marley Building Systems factory in South Africa ensure large machines are safely switched off before any work is carried out.

Making headway on the road to zero accidents

In 2016, the number of lost-time accidents dropped from 105 to 65. Consequently, we lowered our accident frequency rate from 3.0 to 1.9. Our gravity rate, which measures the severity of accidents, however, increased from 0.15 to 0.31.

Around 72% of our factories were accident-free in 2016, compared to 68% in the year before.

Despite our efforts, we sadly regret that in 2016, we recorded one fatality. A third-party contractor fell from a roof while working for us. The accident was thoroughly analysed by an external party and we are doing everything in our power to prevent such an event from occurring again.

To provide a more comprehensive picture of our safety metrics and at the same time boost safety performance, in 2016 we set targets for **leading indicators** as part of our safety measurement. These input-oriented metrics identify and aim to prevent potential incidents before they occur. To name just a few examples of actions our sites employ.

safety conversations: managers and employees openly discuss safety on the shop floor.

near miss reporting: reporting incidents that were avoided before they happened, as well as dangerous situations.

corrective actions: taking measures to prevent unsafe situations.

→ Floor marking is an important part of maintaining a safe workplace. The lines and stripes painted on our SEA (Société d'Exploitation des Adhésifs) facility floors helps to create order and keep colleagues away from dangerous areas.

Safe machines

Proper and regular maintenance of machines and equipment ensures safe and healthy conditions for the operators who use them, and reduces risks to others. Continuously striving for safer machines, in 2016 we defined a company-wide policy for new and existing equipment. It stipulates how machine design should comply with European directives and other standards, including those from the International Organisation for Standardisation (ISO).

Globally recognised certifications

Since the end of 2016, 69 companies and production sites hold the international occupational health and safety management system certificate OHSAS 18001.

This globally recognised certificate assures regulators, customers, suppliers and other stakeholders that health and safety requirements have been met. It is our objective that all Etex sites achieve this certification, a goal that we are continuing to work towards in 2017.

Safe procedures

Implementing well-defined procedures across our companies enables our employees to work in the same optimal and safe way around the world. These also safeguard against unexpected events.

In 2016, to give just two examples, we implemented standards for:

- reducing the risks involved in working in **confined spaces**.
- environment, health and safety **training** for employees, contractors and visitors at all our sites.

5S going global

We initiated the global and uniform implementation of 5S in 2016. This internationally recognised approach to workplace organisation centres on five Ss: sort, set in order, shine, standardise and sustain. The 5S method encompasses a comprehensive system for standardised auditing and scoring.

Safe behaviours

Encouraging everyone at Etex to observe and assess their behaviour, promotes the proactive approach to safety and wellbeing needed for a successful and sustainable safety culture.

Fostering safe behaviour with SafeStart

In 2016, we started work with external expert DuPont to roll out the behaviour-based safety training SafeStart. This programme uses common-sense techniques to address and avoid habitual and unintentional risky behaviours at work, at home and on the road.

SafeStart was introduced at nine Etex sites at the end of 2016. Over the next two years, all our employees across the globe will attend the workshops.

Safety milestones in every corner of the world

Last year, the combined efforts of everyone at Etex enabled some excellent safety results. While progress in Latin America was particularly remarkable, our success stories originate from every corner of the world. The list below only mentions a few.

In 2016, our **Araripina** factory in **Brazil** celebrated an impressive 4,380 days or 12 years without lost-time accidents. A strong focus on procedures, safety education and team spirit contributed to this achievement.

Our **Promat** company in **Australia** reached 1,000 days without a lost-time accident. Some of the measures and projects behind this result include internal audits to promote a shared understanding of safety, the 5S methodology and a wide-ranging risk management programme.

In **Nigeria**, our **Nigerite** colleagues reached two safety milestones: one year without accidents in fibre cement production, and 1,300 lost-time accident free days in the concrete tile manufacturing plant. Nigerite put a strong emphasis on preventative safety.

Our **Siniat** business in **Poland** celebrated 3,200 days without lost-time accidents. The company launched numerous projects, including annual training for forklift operators, regular safety conversations, internal audits, and a project to separate pedestrian and vehicle routes as much as possible.

In **Germany**, our **Fibrolith** factory in Kempenich marked three years without a lost-time accident. A clearly defined safety action plan and annual health and safety training programmes tailored to every employee contributed to this achievement.

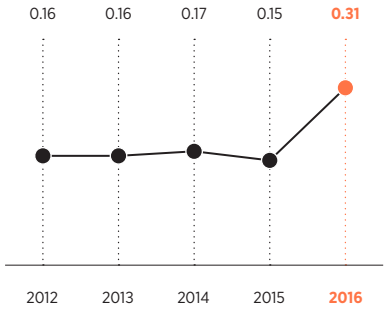
Marley Eternit, Burton-on-Trent, **UK** celebrated three years without a lost-time accident. All employees are encouraged to sign the Marley Eternit Safety Vision to show their commitment to maintaining a safe workplace, where the only acceptable target is zero accidents. The site places a high importance on behavioural safety.

↑ To highlight safety achievements and share best practices, Etex factories around the globe celebrate lost-time accident milestones. Some of those celebrated in 2016 from top to bottom: Marley Eternit Burton-on-Trent celebrated two years without a lost-time accident, Nigerite celebrated two lost-time accident milestones and Eternit Argentina celebrated 1,000 days lost-time accident free.

→ Forklifts play a big role in everyday work life at our factories. Correct forklift training helps to prevent accidents from happening on the job site. One of our colleagues at Marley Building Systems South Africa.

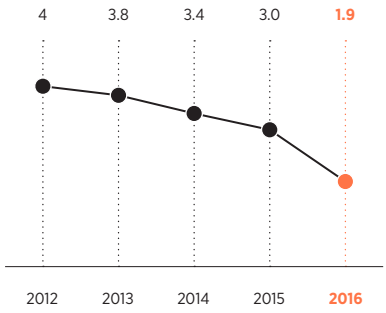
Gravity rate

This gives an indication of absenteeism after an accident. The higher the rate, the more severe the incidents.

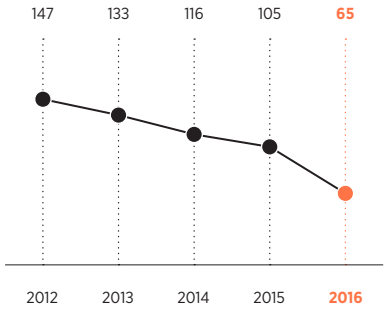


Frequency rate

This refers to the number of accidents per one million worked hours.



Number of accidents



Managing our asbestos past with care

Our pledge to redress our asbestos legacy is steadfast. Though we cannot change the past, we can work to carefully manage our history with asbestos. Our asbestos policy makes these efforts explicit.

Some facts about asbestos

Asbestos is a naturally occurring mineral. Because of its numerous relevant properties, it was — and is — used for a wide range of industrial processes and products.

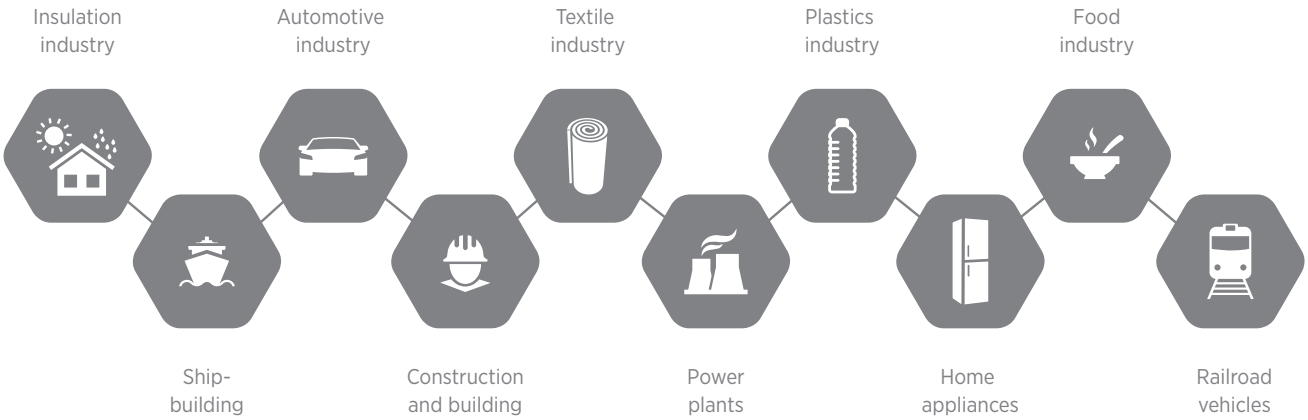
Unfortunately, health implications from asbestos inhalation were unknown until after the substance was already deeply entrenched in many of the world's industrial processes and products. Sadly, it has taken decades for the health risks associated with asbestos exposure to be fully understood.

Asbestos occurs in nature

a set of minerals
that occur naturally
as bundles of fibres
that can be separated into threads

Asbestos has numerous industrially relevant properties

Asbestos has been used in various industries and applications since the late 1800s



From prevention measures to a complete ban at Etex

Until Etex banned it in 2002, asbestos was used as a raw material fibre in some of our companies' production processes.

Beginning in the 1970s, acting on consensus from the scientific community and legislation, Etex introduced a series of measures to minimise asbestos exposure in the workplace. These included:

- dust extraction equipment
- protective equipment such as masks
- automated production processes
- transitioning from dry to wet processes
- looking for alternative materials
- banning the use of blue, brown and later, white asbestos.

At the time, these measures were thought to be effective at preventing the risk of disease. Unfortunately, an average latency period of 45 years before the development of symptoms consistent with past asbestos exposure indicates otherwise.

Medical research throughout the 1900s led certain governments to adopt more stringent legislation. The European Union banned use of the material in 2005. Despite these prohibitive efforts in Europe, asbestos continues to be used across the globe. Some companies bearing the Eternit name that are not part of Etex also maintain their use of the material.

Health provisions

Given the long latency period, Etex companies may still receive claims related to former asbestos exposure. To deliver on our commitment to compensation, we provide for the settlements costs for past and future claims. There are a number of variables that may affect the way compensation is calculated. As these may change over time, we regularly review our approach to accommodate any additional information that may become available.

Our policy

Our companies adhere to our four-pillar policy and are committed to managing their pasts as carefully as possible.

We cannot undo the past. We regret any single victim of asbestos exposure and work to ensure that we have in place proper support systems. It is our sincerest hope that research initiatives will improve the treatment of asbestos-related disease and ease the pain of those who suffer from its effects.

How does Etex commit to managing its past through a group-wide policy

- Mandatory for all Etex companies
- Based on 4 principles

Compensate victims

People who become seriously ill due to Etex companies' related asbestos exposures receive fair financial compensation.

Manage landfills

Landfill sites owned by Etex companies are managed professionally and responsibly to avoid possible exposure.

Prevent exposure

Etex companies regularly monitor the presence of fibres in the air and ensure that all buildings are managed safely.

Support research

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

SUPPORT GIVEN TO THE FOUNDATION AGAINST CANCER FROM 2012 TO 2020

€ 6 MILLION

Community relations

Fostering strong bonds with the local communities where we are present is the essential fabric of a global business. We believe in supporting good causes and direct our initiatives toward the field of affordable, safe and comfortable housing, where we can make a profound and positive impact. By tapping into our innovative and versatile portfolio of building materials, our aspirations to support those in need go beyond offering a place to shelter. We want to make possible better ways of living.

Etex is an official partner of international NGO Selavip. Through our local companies, we support their initiatives to provide housing to impoverished families living in Africa, Asia, and Latin America.

Our companies are also empowered to implement their own community projects. Their proximity and know-how enable them to effectively provide support for good causes and build strong ties with local neighbourhoods.

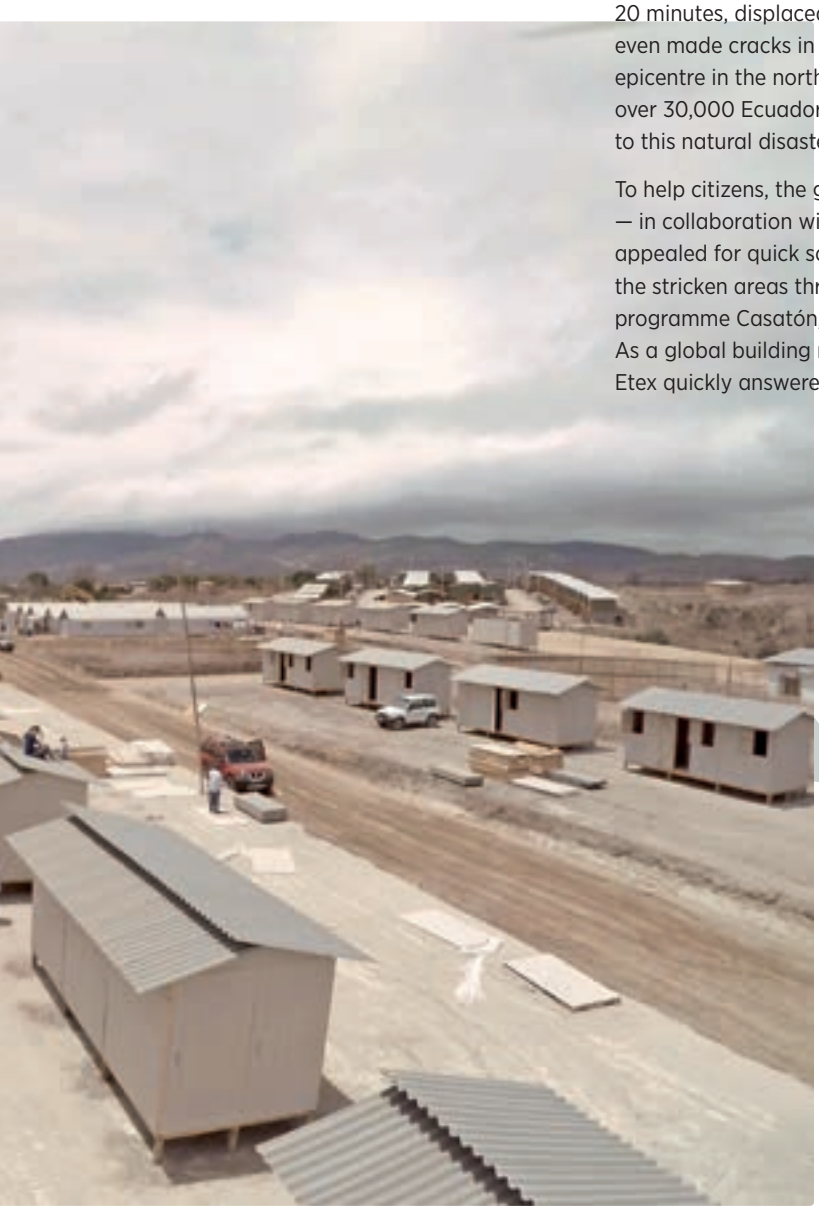
One such initiative was our work for the local aid programme Casatón, Houses for Ecuador. This project was initiated in the wake of a devastating earthquake that hit the northwest of Ecuador in April 2016.

→ To help the Ecuadorians in their time of need, Etex company EBM Ecuador worked with local authorities and donated 20 Moduplak dry construction modular housing packages. These packages, supplied by neighbouring company Skinco Colombia, provide an easy-to-construct, temporary housing solution.

Earthquake relief: rebuilding homes in Ecuador

The earthquake that impacted Ecuador in 2016 had a force of 7.8 on the Richter scale. Striking with an intensity equivalent to 20 billion kilograms of dynamite, it lasted for 20 minutes, displaced foundations and even made cracks in the earth. With the epicentre in the northwest of the country, over 30,000 Ecuadorians lost their homes to this natural disaster.

To help citizens, the government of Ecuador — in collaboration with relief agencies — appealed for quick solutions to rebuild the stricken areas through the support programme Casatón, Houses for Ecuador. As a global building materials company, Etex quickly answered the call.



Modular construction packs in times of need

As a fast building method, dry construction and pre-fabrication solutions were identified as one of the best means to support the aid programme. Specialising in just that, Etex company EBM Ecuador, alongside neighbouring company Skinco Colombia, joined forces with local authorities. They donated 20 Moduplak packs: dry construction modular housing packages.

These dry construction packs are designed for easy assembly. Built using wooden frames and finished with corrugated fibre cement roofs and fibre cement boards, the houses can be put together without the assistance of professional installers. The Moduplak packs were supplied by Etex company Skinco Colombia and installed by our company EBM Ecuador.

Following the donation, EBM Ecuador participated in a TV fundraiser to generate additional funds to provide more of these modular houses. By the end of June, the Etex company had raised enough funds for the construction of 100 housing units. In July 2016, with the help of local volunteers, assembly of these houses began.

↓ Dry construction and pre-fabricated solutions are the go-to means for quick construction. The Moduplak packages include wooden frames that are finished with corrugated sheet roofs and fibre cement boards. Thanks to these houses, the earthquake victims have a place to call home.

Partnering with Selavip and Cenca to provide shelter

In 2016, our Peruvian Eternit company teamed up with Cenca, the local Institute of Urban Development linked with Selavip. The project provided housing for families living in the impoverished settlement of José Carlos Mariátegui in Lima. Using gypsum building boards for interior walls and fibre cement boards for the façades, we built twenty new homes for families in need. Unlike their previous shelters, these houses will keep them safe from the elements.

↑ Twenty families received new homes through the community project coordinated by Cenca and Eternit Peru.

Inspiring young minds

Providing powerful role models for our youth is one way to prepare them for the future. That is why senior Etex executives from our Princesca, Romeral and Promat companies took to the classroom in Pudahuel, near the Chilean capital of Santiago.

Sharing their personal and professional stories to inspire local students, our local colleagues gave advice on decision-making, career-building and employment.

↑ Students at San Alberto Hurtado high school in Pudahuel, near Santiago in Chile had the opportunity to learn about working in a global manufacturing company from Etex executives.

Our shared responsibility

Present in 42 countries around the world, we continually assess and take responsibility for the impact we have on the local communities where we operate. Where possible, we enable a better quality of life.

Our global code of conduct requires all our companies to operate in a responsible, sustainable and ethical way towards our stakeholders and the communities where we are present.

All Etex companies must comply with the conventions of the International Labour Organisation (ILO). We do not engage child labour and we respect freedom of association. A stringent anti-discrimination policy ensures no discrimination based on ethnicity, gender, sexual orientation, disability, or age is tolerated.

Alejandro Harriague
Industrial Director
Eternit Argentina

Believing that success is achieved only with hard work and a relentless effort to do things better than the day before, Alejandro's passion for excellence inspires his colleagues and helps them deliver the highest level of service in everything they do.

Opposite: Durlock Exsound

Governance Report

Corporate governance

Managing Etex in the best interests of our internal and external stakeholders is at the heart of what we do. In doing so, Etex commits to the principles of corporate governance.

Etex's management structure enables us to optimise our business performance and reduce potential risks. Etex's overall management is shared between:

- the Chief Executive Officer (CEO)
- the Executive Committee and
- the Board of Directors.

Executive Committee

Our day-to-day management is entrusted to the CEO and the Executive Committee. The members of the Executive Committee are the CEO, the Heads of the Etex Building Performance, Etex Façade and Etex Roofing Divisions, the Chief Financial Officer (CFO), the Chief Performance Officer (CPO) and the Chief Human Resources Officer (CHRO).

Board of Directors

Setting the group strategy, our Board of Directors decides on major investments, while closely monitoring all corporate activities. The Board includes representatives from Etex's shareholders and management, as well as independent directors.

The Board of Directors has three dedicated committees to assist and advise on specific matters: the Strategy Committee, the Selection and Remuneration Committee, and the Risk and Audit Committee.

The 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 Selection and Remuneration Committee

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

The Risk and Audit Committee

This committee reviews Etex's financial reporting processes and the statutory audit of the group's annual accounts. Above all, the Risk and Audit Committee ensures the consistency and reliability of accounts and all other financial information submitted to the Board. Moreover, the Risk and Audit Committee monitors Etex's risk and internal control management systems.

etex
inspiring ways of living

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Phone: +32 2 778 12 11
Fax: +32 2 778 12 12
E-mail: info@etexgroup.com
Website: www.etexgroup.com

Auditors
EY represented by Eric Golenvaux, for both the non-consolidated and consolidated accounts.

Board of Directors

The Board of Directors

The Board of Directors met five times in plenary sessions throughout 2016.

Its members are

- Jean-Louis de Cartier de Marchienne, chairman
- Paul Van Oyen, managing director
- Walter Emsens, director
- Regnier Haegelsteen, director
- Gustavo Oviedo, director
- J. Alfons Peeters, director
- Teodoro Scalmani, director
- Christian Simonard, director
- Bernadette Spinoy, director as of May 25 2016
- Caroline Thijssen, director
- Philippe Vlerick, director
- Guillaume Voortman, director
- secretary: Karel De Wilde until the end of July 2016. An Winters as of August 2016

The Strategy Committee

The Strategy Committee met four times in 2016.

Its members are

- Jean-Louis de Cartier de Marchienne, chairman
- Walter Emsens
- J. Alfons Peeters
- Paul Van Oyen
- Philippe Vlerick
- secretary: Karel De Wilde until the end of July 2016. An Winters as of August 2016

The Selection and Remuneration Committee

In 2016, the Selection and Remuneration Committee met four times.

Its members are

- Christian Simonard, chairman
- Jean-Louis de Cartier de Marchienne
- Caroline Thijssen
- Paul Van Oyen
- Philippe Vlerick
- secretary: Myriam Macharis

The Risk and Audit Committee

In 2016, the Risk and Audit Committee met three times.

Its members are

- Regnier Haegelsteen, chairman
- Teodoro Scalmani
- Guillaume Voortman
- secretary: Karel De Wilde until the end of July 2016. An Winters as of August 2016

Our management

On 1 April 2017, Etex's Executive Committee members are

Jean-Pierre Hanin
Head of Etex Building Performance Division
At Etex since 2013

Michel Klein
Head of Etex Roofing Division
At Etex since 2016

Michael Fenlon
Head of Etex Façade Division
At Etex since 1998

Mel de Vogue
Chief Financial Officer
At Etex since 2015

Alexander Carnevale
Chief Performance Officer
At Etex since 2015

Myriam Macharis
Chief Human Resources Officer
At Etex since 1983

Paul Van Oyen
CEO
At Etex since 1990

Hélène Degaudinne
Financial Controller
Etex Roofing

A high-performing organisation relies on colleagues like Hélène to provide the vital link that partners our global divisions with our support functions to increase agility and efficiency all while holding ourselves to the highest standards.

Opposite: Creaton Premion

Financial Report

Consolidated financial statements

Consolidated income statement

IN THOUSANDS OF EUR	NOTES	2015	2016
Revenue	(1)	**2,798,787**	**2,736,817**
Cost of sales	(2)	-1,986,161	-1,902,330
Gross profit		**812,626**	**834,487**
Distribution expenses	(2)	-399,328	-395,444
Administrative and general expenses	(2)	-171,802	-171,075
Other operating charges	(3)	-25,767	-28,392
Other operating income	(3)	10,079	8,774
Operating income before non recurring items		**225,808**	**248,350**
Gain and losses on disposal of assets and businesses	(4)	13,437	-2,198
Other non recurring items	(4)	-98,037	-69,762
Operating income (EBIT)		**141,208**	**176,390**
Interest income	(5)	3,052	3,462
Interest expenses	(5)	-60,272	-63,599
Other financial income	(5)	9,116	441
Other financial expense	(5)	-9,288	-11,815
Share of profit in equity accounted investees	(12)	1,027	1,250
Profit before income tax		**84,844**	**106,129**
Income tax expense	(6)	-22,548	-17,027
Profit for the year from continuing operations		**62,296**	**89,102**
Attributable to shareholders of Etex		61,061	86,337
Attributable to non-controlling interests		1,235	2,765
Profit from discontinued operations	(30)	-24,758	40,861
Profit for the year		**37,538**	**129,963**
Attributable to shareholders of Etex		36,303	127,198
Attributable to non-controlling interests		1,235	2,765

Certain amounts shown here do not correspond to the 2015 financial statements and reflect reclassifications made with respect to the discontinued operations. Refer to note 30.

Consolidated statement of comprehensive income

IN THOUSANDS OF EUR	2015	2016
Profit for the year	**37,538**	**129,963**
Changes in employee benefits reserves	5,467	-122,895
Income tax effect	-4,172	21,187
Net other comprehensive income not to be reclassified to income statement in subsequent periods	**1,295**	**-101,709**
Changes in cash flow hedge reserves	10,574	1,351
Income tax effect	-3,026	-316
Changes in translation differences	-20,566	-23,232
Others	3	-
Net other comprehensive income to be reclassified to income statement in subsequent periods	**-13,015**	**-22,197**
Other comprehensive income, net of tax	**-11,720**	**-123,905**
Total comprehensive income for the period, net of tax	**25,820**	**6,057**
Attributable to shareholders of Etex	23,663	11,113
Attributable to non-controlling interests	2,157	-5,056

Consolidated statement of financial position

IN THOUSANDS OF EUR	NOTES	2015	2016
Non-current assets		**2,312,227**	**2,210,172**
Property, plant and equipment	(7)	1,716,118	1,581,014
Goodwill and other intangible assets	(8) (9)	402,184	397,557
Investment properties	(10)	17,183	23,657
Assets held for sale	(11)	4,162	6,375
Investments in equity accounted investees	(12)	37,348	37,197
Other non-current assets	(13)	13,973	14,110
Deferred tax assets	(24)	113,284	150,262
Employee benefits assets	(21)	7,975	-
Current assets		**1,021,143**	**1,041,507**
Inventories	(15)	488,339	431,876
Trade and other receivables	(14)	348,112	317,665
Other current assets	(14)	17,540	8,731
Cash and cash equivalents	(17)	167,152	283,235
TOTAL ASSETS		**3,333,370**	**3,251,679**
Total equity		**918,971**	**888,581**
Issued share capital		4,492	4,492
Share premium		3,724	3,724
Reserves and retained earnings		875,226	851,932
Attributable to the equity shareholders of Etex		883,442	860,148
Non-controlling interests		35,529	28,433
Non-current liabilities		**1,478,422**	**1,134,221**
Provisions	(19)	148,263	162,696
Employee benefits liabilities	(21) (22)	309,188	399,278
Loans and borrowings	(23)	809,386	398,934
Deferred tax liabilities	(24)	172,663	139,545
Other non-current liabilities	(25)	38,922	33,768
Current liabilities		**935,977**	**1,228,877**
Provisions	(19)	73,538	51,029
Current portion of loans and borrowings	(23)	208,449	523,008
Trade and other liabilities	(25)	653,990	654,840
TOTAL EQUITY AND LIABILITIES		**3,333,370**	**3,251,679**

Consolidated statement of cash flows

IN THOUSANDS OF EUR	NOTES	2015	2016
Operating income (EBIT)		141,208	176,390
Depreciation, amortisation and impairment losses	(26)	225,451	160,868
Losses (gains) on sale of intangible assets and property, plant and equipment	(26)	-3,804	-1,597
Losses (gains) on sale of businesses		-10,560	2,979
Income tax paid	(26)	-60,263	-51,028
Changes in working capital, provisions and employee benefits	(26)	-12,231	26,130
Changes in other non-current assets/liabilities		-2,503	-1,341
Discontinued operations: cash flow from operating activities	(30)	26,740	-22,090
Cash flow from operating activities		**304,037**	**290,312**
Proceeds from sale of intangible assets and property, plant and equipment	(26)	6,226	5,668
Acquisition of business		-19,506	-20,753
Disposal of business		14,553	1,328
Capital expenditure	(26)	-184,554	-136,990
Interest and dividend received	(26)	3,991	4,668
Other		57	-1
Discontinued operations: cash flow from investing activities	(30)	16,940	173,228
Cash flow from investing activities		**-162,293**	**27,148**
Capital increase		1	-11,423
Proceeds (repayment) of borrowings		37,250	-35,968
Dividend paid	(26)	-31,504	-36,153
Interest paid		-46,465	-46,199
Discontinued operations: cash flow from financing activities	(30)	-36,775	-39,135
Cash flow from financing activities		**-77,493**	**-168,879**
Net increase (decrease) in cash and cash equivalents		**64,251**	**148,581**
Cash and cash equivalents at the beginning of the year		102,231	161,829
Translation differences		-1,096	-19,443
Changes in the scope of consolidation		-3,557	-11,535
Net increase (decrease) in cash and cash equivalents		64,251	148,581
Cash and cash equivalents at the end of the year		**161,829**	**279,432**
Cash and cash equivalents		167,153	283,235
Bank overdrafts		-5,324	-3,803

Certain amounts shown here do not correspond to the 2015 financial statements and reflect reclassifications made with respect to the discontinued operations. Refer to note 30.

Consolidated statement of changes in equity

	ATTRIBUTABLE TO THE EQUITY HOLDERS OF ETEX						
IN THOUSANDS OF EUR	ISSUED SHARE CAPITAL AND SHARE PREMIUMS	TREASURY SHARES	POST EMPLOYMENT BENEFITS RESERVES AND FINANCIAL INSTRUMENTS	TRANSLATION	OTHER RESERVES AND RETAINED EARNINGS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
At December 31, 2014	**8,216**	**-19,988**	**-198,162**	**-159,227**	**1,260,225**	**33,420**	**924,484**
Total comprehensive income	-	-	8,756	-21,469	36,376	2,157	25,820
Capital increase	-	-	-	-	-23	149	126
Dividend	-	-	-	-	-31,266	-195	-31,461
Other transactions with owners	-	-	-	-	3	-2	1
At December 31, 2015	**8,216**	**-19,988**	**-189,405**	**-180,696**	**1,265,315**	**35,529**	**918,971**
Total comprehensive income	-	-	-100,674	-15,410	127,198	-5,056	6,058
Capital increase	-	-	-	-	-23	-11	-34
Dividend	-	-	-	-	-34,392	-2,030	-36,422
Other transactions with owners	-	-	229	7	-228	-	8
Treasury shares	-	-	-	-	-	-	-
At December 31, 2016	**8,216**	**-19,988**	**-289,850**	**-196,099**	**1,357,870**	**28,433**	**888,581**

Accounting policies

Etex S.A. (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 investees (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 24 May 2017.

Statement of compliance

The consolidated financial statements of Etex for the year ended 31 December 2016 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 2016.

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

- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception, effective 1 January 2016
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations, effective 1 January 2016
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative, effective 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation, effective 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants, effective 1 January 2016
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements, effective 1 January 2016
- Annual Improvements to IFRSs 2012-2014 Cycle (issued September 2014), effective 1 January 2016

Basis of preparation

A – Functional and presentation currency

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

B – Basis of measurement

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

C – Use of judgement, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets,

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

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

Impairment of non-financial assets The recoverable amount of the cash-generating units tested for impairment is the higher of its fair value less costs to sell and its value in use. Both calculations are based on a discounted cash-flow model. The cash flows are derived from the budget for the next three to ten years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units, including a sensitivity analysis, are further explained in Note 8.

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

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

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

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

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

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 investees 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 investees 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 investees. 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 investees 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:

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 finance lease Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired through a finance lease is recognised at the commencement of the lease term at the lower of the fair value of

		2015		2016	
		AVERAGE	END OF PERIOD	AVERAGE	END OF PERIOD
Argentinean peso	ARS	10.2426	14.0972	16.3206	16.6978
Chilean peso (000)	CLP	0.7246	0.7732	0.7491	0.7057
Chinese yuan	CNY	6.9712	7.0952	7.3476	7.2710
Colombian peso (000)	COP	3.0360	3.4288	3.3817	3.1631
Danish krone	DKK	7.4586	7.4626	7.4456	7.4344
Pound sterling	GBP	0.7257	0.7340	0.8178	0.8562
Hungarian forint	HUF	309.9065	315.9800	311.4570	309.8300
Indonesian rupiah (000)	IDR	14.8654	15.0400	14.7272	14.1734
Nigerian naira	NGN	219.6391	216.7030	283.4324	332.3050
Peruvian nuevo sol	PEN	3.5289	3.7168	3.7365	3.5376
Polish zloty	PLN	4.1812	4.2639	4.3648	4.4103
US dollar	USD	1.1099	1.0887	1.1066	1.0541
South African rand	ZAR	14.1247	16.9530	16.2938	14.4570

the leased asset and the present value of minimum lease payments, each determined at the date of inception of the lease. Subsequently, such assets are measured consistently with owned property, plant and equipment, except that the useful life is limited by the lease term if the transfer of ownership at the end of the lease term is not reasonably certain. 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

investees 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 an available-for-sale financial asset 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 available-

for-sale, following an event occurring after the recognition of the impairment loss, is performed in comprehensive income. In the case of equity investments classified as available-for-sale, 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 available-for-sale 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.

J – Cash and cash equivalents

Cash and cash equivalents are readily convertible into known amounts of cash. Cash and cash equivalents comprise cash at banks and on hand and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are not included in cash and

cash equivalents but classified as current financial liabilities. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are carried in the statement of financial position at amortised cost.

K – Share capital

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

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

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

L – Provisions

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

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

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

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

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

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

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

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

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

M – Contingencies

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

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

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

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

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

Discount rates are determined by reference to the market yields at the reporting date

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

Re-measurements, comprising of actuarial gains and losses (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

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

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

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

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

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

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

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

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

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

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

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

O – Employee benefits – Share based payment transactions

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

expensed over the period until vesting. The fair value of the liability is re-measured at each reporting date up to and including the settlement. Any changes in fair value of the liability are recognised in the income statement.

P – Financial liabilities

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

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

Finance lease liabilities Financial liabilities resulting from a finance lease are recognised, along with the related assets, at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The lease payments due within twelve months are included in current financial liabilities.

Q – Trade and other payables

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

R – Risk Management

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

- A. Market risk
- B. Credit risk
- C. Liquidity risk
- D. Capital risk

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

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

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

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

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

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

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

Equities and securities risk
Equity price risk arises from available-for-sale equity securities. In general, the Group does not acquire any shares or options on shares or other equity products, which are not directly related to the business of the Group.

B. Credit risk Credit risk is the risk of financial loss to the Group if a customer or finance counterparty to a deposit, lending or derivative instrument fails to meet its contractual obligations. It arises principally from the Group's receivables from customers and from bank deposits and investment securities. It also includes the risk that a financial counterparty

may fail to meet its obligation under a financial liability. The Group constantly monitors credit risk, and ensures that it has no excessive concentration of credit risk with any single counterparty or group of connected counterparties.

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

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

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

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

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

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

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

S – Derivative financial instruments

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

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

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

interest rate swap contracts is determined by reference to market values for similar instruments.

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

Gains or losses on re-measurement to fair value are recognised immediately in the income statement unless the derivative qualifies for hedge accounting whereby recognition is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives either as:

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

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

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

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

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

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

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

T – Income taxes

Income taxes include current and deferred income taxes.

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

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

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

Deferred tax liabilities are recognised, except:

- where the temporary differences arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit on that date.
- in respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investees 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 investees 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 is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Sales of products Revenue from sales of goods is recognised in the income statement net of sales taxes and discounts when delivery has taken place and the transfer of risks and rewards of ownership has been completed.

Construction contracts A limited number of activities of the Group 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

Operating lease payments Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance income and expenses
Finance costs comprise:

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

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

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the

lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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

X – 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 2015 financial statements, which we could be applicable to the Group are listed below:

- Amendments to IFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions[1], effective 1 January 2018
- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial instruments with IFRS 41[1], effective 1 January 2018
- IFRS 9 Financial Instruments, effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers[2], effective 1 January 2018
- IFRS 16 Leases[1], effective 1 January 2019
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative[1], effective 1 January 2017
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses[1], effective 1 January 2017
- Amendments to IAS 40 Investment Property – Transfers of Investment Property[1], effective 1 January 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration[1], effective 1 January 2018
- Annual Improvements to IFRSs 2014-2016 Cycle (issued December 2016)[1], effective 1 January 2017 and 1 January 2018

The Group is currently assessing the impact of these new standards and amendments on the consolidated financial statements.

[1] Not yet endorsed by the EU as at 14 December 2016.

[2] IFRS 15 including amendments to IFRS 15: *Effective date of IFRS 15* has been endorsed by the EU. The Clarifications to IFRS 15 have not yet been endorsed by the EU as at 14 December 2016.

Explanatory notes

Note 1 – Revenue

Revenue by activity

IN THOUSANDS OF EUR	2015	2016
Etex Building Performance	1,431,840	1,437,121
Etex Roofing	940,119	888,492
Etex Façade	243,665	246,960
Etex Industry	164,767	158,112
Others	18,396	6,132
Total	**2,798,787**	**2,736,817**

Revenue by geographical area

IN THOUSANDS OF EUR	2015	2016
France	480,603	460,957
Germany	425,125	402,964
United Kingdom	485,977	477,065
Benelux	174,626	179,581
Poland	102,458	105,419
Other Europe	395,133	403,575
Chile	112,013	117,178
Argentina	107,172	86,670
Peru	71,572	61,875
Colombia	80,015	70,210
Nigeria	82,807	82,268
South Africa	34,363	53,906
Rest of the World	246,923	235,149
Total	**2,798,787**	**2,736,817**

Note 2 – Operating charges by nature

The Group's major operating charges by function in 2016 are as follows:

IN THOUSANDS OF EUR	PERSONNEL & TEMPORARY	DEPRECIATION & IMPAIRMENT	GOODS & MATERIALS	ENERGY	TRANSPORT & TRAVEL	OTHERS	TOTAL
Cost of sales	-333,266	-120,549	-718,340	-167,992	-240,871	-321,312	-1,902,330
Distribution expenses	-217,414	-6,779	-	-890	-19,874	-150,487	-395,444
Administrative and general expenses	-93,665	-7,681	-	-766	-5,279	-63,684	-171,075
Other operating charges	-32,522	-19,836	-	-105	-2,433	26,503	-28,392
Non recurring items	-42,228	-6,024	-	-	-	-23,708	-71,960
Total	**-719,096**	**-160,869**	**-718,340**	**-169,752**	**-268,457**	**-532,688**	**-2,569,201**

The Group's major operating charges by function in 2015 are as follows:

IN THOUSANDS OF EUR	PERSONNEL & TEMPORARY	DEPRECIATION & IMPAIRMENT	GOODS & MATERIALS	ENERGY	TRANSPORT & TRAVEL	OTHERS	TOTAL
Cost of sales	-337,326	-134,602	-785,641	-192,790	-245,255	-290,547	-1,986,161
Distribution expenses	-217,514	-7,204	-	-1,001	-21,921	-151,687	-399,328
Administrative and general expenses	-97,147	-8,564	-	-639	-6,057	-59,394	-171,802
Other operating charges	-31,906	-9,135	-	-115	-2,222	17,611	-25,767
Non recurring items	-17,606	-65,946	-	-	-	-1,048	-84,600
Total	**-701,500**	**-225,451**	**-785,641**	**-194,545**	**-275,455**	**-485,064**	**-2,667,657**

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

IN THOUSANDS OF EUR	2015	2016
Wages and salaries	-513,552	-513,709
Social security contributions	-112,501	-109,814
Contributions to defined contribution plans	-12,013	-10,354
Charges for defined benefit plans (service cost)	-10,597	-7,565
Restructuring and termination charges	-2,986	-25,226
Other employee benefits expenses	-49,851	-52,428
Total employee benefits expenses	**-701,500**	**-719,096**

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

	2015	2016
Production	9,045	8,906
Sales and marketing	4,158	4,124
Administration and research	2,051	1,981
Average number of personnel	**15,254**	**15,011**

Note 3 – Other operating charges and income

IN THOUSANDS OF EUR	2015	2016
Research	-17,285	-17,802
Other operating taxes	-2,365	-1,924
Direct expenses arising from investment properties	-232	-490
Miscellaneous	-5,885	-8,176
Total other operating charges	**-25,767**	**-28,392**

IN THOUSANDS OF EUR	2015	2016
Income from investment property	733	785
Government grant amortisation	2,443	1,642
Royalties and license income	28	-
Miscellaneous	6,875	6,347
Total other operating income	**10,079**	**8,774**

Note 4 – Non recurring items

IN THOUSANDS OF EUR	2015	2016
Gain on disposal of assets	2,850	782
Gains / Losses on disposal of businesses	10,587	-2,980
Total gains and losses on disposal of assets and businesses	**13,437**	**-2,198**
Restructuring costs	-37,386	-55,589
Health claims	-429	-2,081
Environmental remediation	-7,278	-6,412
Asset impairment	-26,746	-2,293
Impairment on goodwill	-30,096	-
Price adjustment on disposed and acquired businesses	5,000	500
Others	-1,102	-3,887
Total other non recurring items	**-98,037**	**-69,762**
Non recurring items	**-84,600**	**-71,960**

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

The 2016 gain on disposal of assets relates to sites not in operations anymore, in France (€782 thousand). The gain in 2015 was also realised on disposal of a site in France (€2,270 thousand) as well as a piece of land in Uruguay (€580 thousand).

The 2016 businesses disposal are Bracknell Roofing, a company active in the United Kingdom in roofing contracting, which was sold in July 2016 for €978 thousand, with a loss of €2,710 thousand, and the Fiber Spray business in France (loss of €270 thousand).

In 2015, a gain of €10,587 thousand was realised on the disposal of Flachdach, a German company active in flat roof components (disposal proceeds of €14,553 thousand).

Restructuring plans initiated in 2016 relate to the following:

- the corrugated sheets plant in Heidelberg (Germany) which stops production to further align to the European market demand (charges €17,331 thousand and impairment of assets for €1,849 thousand),
- the integration of the German roofing businesses, clay, concrete and fibre cement into one, with impacts on sales organization and administration (€13,573 thousand),
- the integration of the fire protection technical construction business into the building board division (€3,620 thousand),
- the elimination of management roles in Europe within the roofing division (€1,320 thousand) and in Latin America (€1,194 thousand),
- the elimination of key management personnel roles (severance payments of €4,012 thousand),
- the relocation and closure of sites within the fire protection business in the United Kingdom (€3,437 thousand) and in France (€599 thousand),
- the decision to discontinue businesses in Shangai (China) and Sapele (Nigeria) with restructuring charges of €828 thousand and €3,148 thousand respectively, and impairment of assets for €2,127 thousand.
- additional charges were incurred in 2016 relating to the closure of the plants in Dorfen (Germany) and in Vitry (France) decided in 2015 (€1,472 thousand, net of impairment reversal for €668 thousand),
- other elimination of roles in sales forces and administration in France, Brazil and the United Kingdom mainly (€1,081 thousand).

In 2015, several restructuring plans were implemented affecting following businesses and locations:

- the corrugated sheets plant in Vitry (France) which stops production to align to the European market demand (charges €10,864 thousand and impairment of assets for €3,978 thousand),

- the clay tile plant located in Dorfen (Germany) for which closure was needed in order to right-size our capacity with the difficult market conditions (charges €7,205 thousand and impairment of assets for €5,126 thousand),
- the plasterboard factory in Bucharest which was closed and replaced by the new plant in Turceni where production started in 2015 (€1,756 thousand),
- the Siniat business in France, with further restructuring charges resulting from past restructuring decisions (€1,431 thousand)
- the fire protection and insulation business which reduced the number of support and management roles (€2,156 thousand),
- re-shaping of other departments and operations in Germany for €2,332 thousand,
- re-shaping of global shared services and management roles (€2,683 thousand),

Health claims impacts are €429 thousand in 2015 and €2,081 thousand in 2016.

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

In 2016 impairment losses relate mainly to finishing lines in Germany, Poland and in Russia (€1,542 thousand) and to equipment in a quarry that cannot be exploited (€470 thousand).

In 2015, an impairment loss of €26,746 thousand was recognised on the following assets:

- the Polish concrete plants, as a result of poor performance persisting in 2015, the slow market response to the latest product development and low prices (€9,628 thousand),
- the brick business in Latin America due to the deterioration of the profitability and the lack of improvement perspective (€4,110 thousand),
- some unused gypsum reserves in Europe where the values in use is impacted by disputes with respect to their future operations (€4,108 thousand),
- assets located in Russia and France and to be impaired on top of goodwill for the same reasons as goodwill (see below) for €1,767 thousand in total,
- other idle assets for which the intention to bring them back into operation again has been re-assessed on the basis of the latest market development and strategic options, for €7,133 thousand in total. These assets are production equipment located on the British islands, in Chile and in France.

Goodwill impaired in 2015 are those in relation to:

- Creaton AG, following the German market deterioration in 2015 (partial impairment of €16,393 thousand),
- Projiso, a company acquired mainly for its fibre spray business which Etex decided to discontinue (€11,196 thousand),
- A+B, active in paints and sprays for passive fire protection, which is heavily affected by the situation in Russia with respect to the international sanctions and oil price (€2,507 thousand).

In 2016, the €500 thousand favourable price adjustment on acquired business have been realised on the acquisition of Russian producer paints and sprays for passive fire protection, A+B, acquired in 2013.

The €5,000 thousand favourable price adjustment of 2015 was a compensation from Lafarge pursuant a mechanism agreed for the acquisition in 2014 of Lafarge's 20% stake in Siniat International SAS and Sociedad Industrial Romeral.

In 2016, the main other non recurring items are legal and consulting costs relating to associate participations (€1,874 thousand), acquisitions charges (€624 thousand) and doubtful debtors on non operational assets (€1,125 thousand).

The most significant other non recurring items of 2015 related to the final settlement of the cartel case between the German competition authority and our German subsidiary Creaton, for which the final fine paid amounts to €39,900 thousand (to be compared to the €20,000 thousand provided in prior years) and to the reassessment of the provisions relating to a commercial litigation in Latin America (€17,968 thousand) and relating to a dispute around the disposal of Gyproc in 2003 (€2,176 thousand).

Note 5 – Finance income and expense

IN THOUSANDS OF EUR	2015	2016
Interest income from receivables, deposits and cash and cash equivalents (loans and receivables)	2,230	3,356
Positive impact of change in discount rate of long term provisions	572	-
Other interest related income	250	106
Interest income	**3,052**	**3,462**
Interest expense on financial liabilities measured at amortised cost	-45,779	-47,735
Net interest expense on employee benefits	-8,933	-8,175
Unwinding of discount long term provisions	-514	-133
Negative impact of change in discount rate of long term provisions	-1,555	-3,731
Negative fair value adjustments of interest rate contracts (held for trading at fair value through profit and loss)	-	-1
Other interest related charges	-3,491	-3,824
Interest expense	**-60,272**	**-63,599**
Dividend income from shares in non consolidated companies (available-for-sale)	77	85
Net foreign exchange gains (loans and receivables)	8,300	46
Other	739	310
Other finance income	**9,116**	**441**
Net foreign exchange losses (liabilities at amortised cost)	-8,009	-10,533
Other	-1,279	-1,282
Other finance expense	**-9,288**	**-11,815**
Net finance costs	**-57,392**	**-71,511**

The higher interest expense on financial liabilities measured at amortised cost is mainly explained by an higher average net debt position in Brazil compared to last year. It includes the effect of interest rate swaps hedging the Group's interest rate risk: €7,462 thousand paid in 2016 (€7,605 thousand paid in 2015).

The other interest related charges mainly include upfront fee expenses for €3,416 thousand (€3,370 thousand in 2015) in connection with external financial debt which are amortised over the duration of the loan or bond.

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 on the Chilean peso, Peruvian nuevo sol and the Nigerian naira mainly, on the current financial asset and liabilities in these countries.

Note 6 – Income tax expense

IN THOUSANDS OF EUR	2015	2016
Current income tax charge for the year	-54,590	-59,264
Adjustments to current income tax of previous years	-373	-1,261
Current income tax expense	**-54,963**	**-60,525**
Origination and reversal of temporary differences	29,120	37,765
Net effect on deferred tax assets	-9,151	-5,941
Net effect of changes in tax rates on deferred tax	12,445	11,674
Deferred income tax expense	**32,414**	**43,498**
Total income tax expense	**-22,549**	**-17,027**

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	2015	2016
Profit before income tax and before share of profit in equity accounted investees	**83,819**	**104,879**
Theoretical income tax expense (nominal rates)	-16,467	-22,218
Weighted average nominal tax rate %	19.6%	21.2%
Tax impact of		
Non deductible expenses	-18,598	-11,750
Tax on profit distribution inside the Group	-1,462	-2,566
Other tax deductions	11,500	8,712
Unrecognised deferred tax assets on current year losses	-16,119	-19,404
Recognition of previously unrecognised deferred tax assets	7,870	23,985
Derecognition of previously recognised deferred tax assets	-902	-4,088
Net effect of changes in tax rates on deferred tax	12,445	11,674
Adjustments to prior year income tax	-373	-1,261
Other tax adjustments	-443	-111
Income tax expense recognised in the income statement	**-22,549**	**-17,027**
Effective tax rate %	26.9%	16.2%

Non-deductible expenses included, in 2015, significant non deductible goodwill impairment charges and monetary corrections for Chile. In 2016 and 2015, the unrecognised deferred tax assets on current year losses are mainly impacted by restructuring. In 2015 these were also impacted by the fine related to the cartel case in Germany. The increase in recognition of previously unrecognised deferred tax assets relates mainly to improved profitability expectation in some companies.

Net effect of changes in tax rates is mainly impacted by the decrease in tax rate applied to most of the French deferred tax liability.

Income tax recognised directly in equity is related to:

IN THOUSANDS OF EUR	2015	2016
Actuarial gains (losses) on post employment benefit plans	-4,172	21,187
Gains (losses) on financial instruments - cash flow hedging	-3,026	-316
Total	**-7,198**	**20,871**

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 2014						
Gross book value	1,069,271	2,361,902	269,975	23,334	162,149	3,886,631
Accumulated depreciation	-488,035	-1,405,609	-165,360	-16,065	-	-2,075,069
Accumulated impairment loss	-6,518	-58,180	-461	-73	-1,311	-66,543
Net book value	**574,718**	**898,113**	**104,154**	**7,196**	**160,838**	**1,745,019**
Of which leased assets	786	24,393	481	-	-	25,660
Additions	15,926	45,943	4,939	688	113,127	180,623
Disposals	-241	-548	-171	-	15	-945
Changes in the scope of consolidation	1,123	-3,130	-63	51	-351	-2,370
Transfer between captions	36,294	72,473	-1,632	89	-107,901	-677
Depreciation for the year	-31,539	-95,898	-16,725	-1,567	-	-145,729
Impairment loss of the year	-6,673	-23,329	-224	-1	-3,897	-34,124
Reversal impairment loss	-	63	-	-	-	63
Translation differences	-6,699	-6,932	-199	-24	-11,888	-25,742
At 31 December 2015						
Gross book value	1,104,052	2,397,639	258,327	22,819	155,116	3,937,953
Accumulated depreciation	-510,724	-1,444,271	-167,695	-16,313	-	-2,139,003
Accumulated impairment loss	-10,418	-66,613	-553	-74	-5,174	-82,832
Net book value	**582,910**	**886,755**	**90,079**	**6,432**	**149,942**	**1,716,118**
Of which leased assets	378	40	307	-	-	725
Additions	15,227	60,107	3,368	1,241	50,689	130,632
Disposals	-1,059	-1,121	-932	-	208	-2,904
Changes in the scope of consolidation	-32,175	-51,122	-376	-	-584	-84,257
Transfer between captions	42,047	85,813	1,041	2,200	-143,215	-12,114
Depreciation of the year	-29,759	-93,985	-12,526	-1,557	-	-137,827
Impairment loss of the year	-409	-5,752	-174	-9	-90	-6,434
Reversal of impairment loss	-	805	38	-	-	843
Translation differences	-4,957	-23,247	-776	221	5,721	-23,038
At 31 December 2016						
Gross book value	1,086,057	2,354,550	239,440	26,145	67,475	3,773,667
Accumulated depreciation	-507,542	-1,432,230	-159,113	-17,541	-	-2,116,426
Accumulated impairment loss	-6,691	-64,068	-586	-78	-4,804	-76,227
Net book value	**571,824**	**858,252**	**79,741**	**8,526**	**62,671**	**1,581,014**
Of which leased assets	-	1,723	141	-	-	1,864

The year 2016 has seen the successful completion of a new Cedral line in Lithuania, the aerogel line in Belgium and investments in curing chambers in Beenham, UK.

The disposal proceeds of property, plant and equipment in 2016 amount to €4,335 thousand, resulting in a net gain of €1,432 thousand. In 2015, the proceeds amounted to €4,133 thousand with a net gain of €3,186 thousand.

Impairment testing

In December 2016, impairment reviews were performed for a certain number of assets where impairment indicators arose. The carrying value of capital employed has been compared with the recoverable amount of the cash-generating unit. This review did not result in any impairment.

The recoverable amount of the cash-generating units was based on its value in use. 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 (extended to 10 years when the financial projections of a long-term strategy development is available for the cash-generating unit),
- cash flows for further periods were extrapolated using a constant growth rate in a range of 1 % to 3 % depending on the countries involved and their respective inflation rates,
- cash flows are discounted using the weighted average cost of capital (WACC) in a range of 7.3 % to 11.8 % depending on the countries involved (a range of 8.0 % to 11.6 % in 2015).

In connection with the impairment testing process, the future cash flows were subjected to stress tests that included changes in individual macroeconomic parameters as part of a sensitivity analysis. More specifically, on those assets that were previously impaired an increase of 100 basis points in the WACC indicated a potential need for an impairment charge of €4.9 million.

Note 8 – Goodwill and business combinations

8.1 Reconciliation of the carrying amount of goodwill

IN THOUSANDS OF EUR	2015	2016
Gross book value	251,119	247,322
Accumulated impairment losses	-22,527	-52,700
Net book value at the beginning of the year	**228,592**	**194,622**
Additions through business combinations	-	5,903
Translation differences	-3,874	2,646
Impairment loss of the year	-30,096	-
Net book value at the end of the year	**194,622**	**203,171**
Gross book value	247,322	255,214
Accumulated impairment losses	-52,700	-52,043

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

IN THOUSANDS OF EUR	2015	2016
Creaton, Germany (2005)	76,500	76,500
Gypsum (2011)	64,111	66,989
Cafco (2007)	16,199	16,199
Microtherm (2010)	14,832	14,832
Ivarsson, Denmark (2005)	8,519	8,552
Intumex (2000)	8,504	8,504
Brash (2016)	-	2,373
EOS (2016)	-	3,265
Others	5,957	5,957
Total	**194,622**	**203,171**

8.2 Business combinations

In April 2016, Etex acquired two companies in the United Kingdom:

- John Brash & Co., an established supplier of timber roofing battens and other roofing materials, for a price of €15,770 thousand, that will allow Etex to provide comprehensive roofing systems to its UK customers;
- EOS Façades, a major manufacturer and supplier of steel framing systems with an excellent reputation both in terms of technical knowhow and customer service, for a price of €4,983 thousand, which further enhances the dry construction offering of the Etex Building Performance division on the UK market.

These business contributed for 2016 to €33,450 and €5,960 thousand respectively in sales and to €2,504 and €765 thousand respectively in EBITDA.

In November 2015, Etex completed the acquisition of the South African gypsum business of French building materials concern Lafarge, including Namibia, Botswana and Mozambique, for a price of €19,506 thousand.

The fair value of the identifiable assets and liabilities of the businesses acquired in 2015 and in 2016 as at the date of acquisition are disclosed in the following table.

IN THOUSANDS OF EUR	GYPSUM SOUTH AFRICA (2015)	BRASH	EOS	2016
Non-current assets	**12,113**	**8,599**	**514**	**9,113**
Property, plant and equipment	11,830	3,282	514	3,797
Intangible assets	-	5,317	-	5,317
Deferred tax assets	283	-	-	-
Current assets	**13,678**	**16,730**	**3,051**	**19,781**
Inventories	6,202	5,447	323	5,770
Trade and other receivables	6,045	10,960	2,217	13,177
Cash and cash equivalents	1,431	323	511	834
TOTAL ASSETS	**25,791**	**25,329**	**3,565**	**28,895**
Non-current liabilities	**-**	**3,524**	**54**	**3,578**
Provisions	-	317	-	317
Loans and borrowings	-	2,202	-	2,202
Deferred tax liabilities	-	1,005	54	1,059
Current liabilities	**6,263**	**8,519**	**1,946**	**10,464**
Trade and other liabilities	6,263	8,519	1,946	10,464
TOTAL LIABILITIES	**6,263**	**12,043**	**2,000**	**14,043**
Net identifiable assets and liabilities	**19,527**	**13,286**	**1,565**	**14,852**
Group share	19,527	13,286	1,565	14,851
Non-controlling interests	-	-	-	1
Acquisition price satisfied in cash (Group share)	**19,506**	**15,770**	**4,983**	**20,752**
Goodwill generated	-	2,484	3,418	5,901
Badwill generated	21	-	-	-

8.3 Acquisitions of non-controlling interests

The domination agreement between Creaton AG and its majority shareholder Etex Holding GmbH in Germany (August 2007) stipulates that the preference shareholders, which have no voting rights, are entitled to either sell their shares at a fixed price of €28.17 or receive a guaranteed fixed dividend of €1.27 per share. In the course of 2016, 2.532 of these shares have been acquired by Etex Holding GmbH. The long term financial liabilities for the remaining redeemable preference shares which result from the domination agreement amounts to €6,814 thousand at the end of 2016 (2015: €6,886 thousand). It is disclosed in note 23.

8.4 Impairment testing of goodwill

Impairment reviews were performed in 2016, 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 goodwill generated by the acquisition of the plasterboard business in Europe and in Brazil have been tested separately since 2011 and were tested jointly as from year-end 2016, including the plasterboard business in Latin America (outside Brazil) and in South Africa. The reason for this change in cash generating unit is the new divisional structure of Etex which is effective as from January 2017. The new Etex Building Performance division, which also includes the technical construction business of the previous Fire Protection and Insulation division, will manage businesses across continents under a single management structure which will coordinate operations, cost savings initiatives, optimization and follow-up of performances. Should the European and Brazilian gypsum business be tested separately, an impairment would have been recognized for an amount of €13 million.

Similarly, the cash generating unit used for goodwill impairment testing of the Creaton acquisition was adapted further to the integration of the roofing businesses, clay, concrete and fibre cement, in Germany into one.

The recoverable amount of the cash-generating units was based on its value in use. 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 (extended to 10 years when the financial projections of a long-term strategy development is available for the cash-generating unit),
- cash flows for further periods were extrapolated using a constant growth rate of 1% to 6% per annum depending on the countries involved and including the inflation component of the discount factor in one particular instance (1% to 6% in 2015) .
- cash flows were discounted using the weighted average cost of capital (WACC) in a range of 6.4 % to 17.2 % depending on the countries involved (6.8 % to 17.0 % in 2015).

In connection with the impairment testing process on the goodwill, the future cash flows were subjected to stress tests that included changes in individual macroeconomic parameters as part of a sensitivity analysis. No goodwill exceeding €10 million is sensitive to changes in assumptions. More specifically, an increase of WACC of 100 basis point would not lead to an impairment charge. Other goodwill items offer significant headroom and reasonable discount rate evolution would not result in a material impairment charge.

Etex management will closely monitor the impact of macro-economic evolution.

Note 9 – Intangible assets other than goodwill

IN THOUSANDS OF EUR	CONCESSIONS	SOFTWARE	BRANDS	TECHNOLOGY	CUSTOMER LIST	OTHERS	TOTAL
At 31 December 2014							
Gross book value	42,964	95,902	95,081	75,032	46,514	15,083	370,576
Accumulated amortisation	-16,565	-61,778	-25,534	-15,778	-9,556	-12,751	-141,962
Accumulated impairment losses	-122	-354	-	-	-	-	-476
Net book value	**26,277**	**33,770**	**69,547**	**59,254**	**36,958**	**2,332**	**228,138**
Additions	144	5,784	-	-	-	16	5,944
Transfer between captions	-	799	-	-	-	-79	720
Amortisation for the year	-472	-6,801	-6,688	-4,444	-3,653	-235	-22,293
Impairment loss of the year	-4,114	-90	-	-	-	-	-4,204
Changes in the scope of consolidation	-7	-31	-	-	-	-	-38
Translation differences	-1,865	-553	1,266	478	-105	74	-705
At 31 December 2015							
Gross book value	40,798	99,775	96,637	75,615	46,349	14,784	373,958
Accumulated amortisation	-16,606	-66,487	-32,512	-20,327	-13,149	-12,676	-161,757
Accumulated impairment losses	-4,229	-410	-	-	-	-	-4,639
Net book value	**19,963**	**32,878**	**64,125**	**55,288**	**33,200**	**2,108**	**207,562**
Additions	-	3,864	1	-	-	-	3,865
Transfer between captions	3,660	340	-	-	-	-17	3,983
Amortisation for the year	-304	-6,785	-6,885	-4,360	-3,565	-145	-22,044
Impairment loss of the year	-431	-90	-	-	-	-	-521
Changes in the scope of consolidation	-201	-19	-	-	-	-2	-222
Translation differences	-3	384	-3,022	-1,090	302	11	-3,418
At 31 December 2016							
Gross book value	43,870	98,846	97,583	74,091	46,676	14,809	375,875
Accumulated amortisation	-16,648	-67,834	-38,229	-24,252	-16,738	-12,855	-176,556
Accumulated impairment losses	-4,538	-395	-	-	-	-	-4,933
Net book value	**22,684**	**30,617**	**59,354**	**49,839**	**29,938**	**1,954**	**194,386**

Note 10 – Investment properties

IN THOUSANDS OF EUR	2015	2016
Gross book value	41,533	41,885
Accumulated depreciation	-11,009	-12,631
Accumulated impairment losses	-12,263	-12,071
Net book value at the beginning of the year	**18,261**	**17,183**
Depreciation for the year	-62	-434
Additions	150	200
Transfer between captions	-	8,131
Disposals	-1,059	-1,042
Translation differences	-107	-381
Net book value at the end of the year	**17,183**	**23,657**
Gross book value	41,885	41,988
Accumulated depreciation	-12,631	-16,085
Accumulated impairment losses	-12,071	-2,246

Investment properties comprise several pieces of land and buildings, mainly in France, Germany and Italy.

The fair value of the investment properties is estimated at €37,140 thousand (€33,100 thousand in 2015). Where external valuations were not available, best estimates have been used.

Note 11 – Assets held for sale

IN THOUSANDS OF EUR	2015	2016
Gross book value	7,889	6,762
Accumulated impairment losses	-3,300	-2,600
Net book value at the beginning of the year	**4,589**	**4,162**
Reversal of impairment losses	-	-42
Disposals	-425	-
Additions	-	2,919
Transfer between captions	-43	-
Translation differences	41	-664
Net book value at the end of the year	**4,162**	**6,375**
Gross book value	6,762	6,899
Accumulated impairment losses	-2,600	-524

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

Note 12 – Investments in equity accounted investees

IN THOUSANDS OF EUR	2015	2016
At the beginning of the year	**36,943**	**37,348**
Result for the year	1,027	1,250
Dividends paid	-733	-1,224
Disposal	-	-30
Translation differences	111	-147
At the end of the year	**37,348**	**37,197**

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

IN THOUSANDS OF EUR	2015	2016
Property plant and equipment	33,554	33,326
Other non-current assets	5,194	5,137
Current assets	20,023	20,300
Non-current liabilities	-4,724	-4,348
Current liabilities	-16,699	-17,218
Total net assets	**37,348**	**37,197**
Revenue	45,277	46,435
Operating income	7,956	8,553
Profit after tax	1,027	1,250

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

IN THOUSANDS OF EUR	2015	2016
Transactions		
Purchases from associates	6,553	4,983
Sales to associates	3,742	3,728
Dividends paid	733	1,224
Outstanding balances		
Trade receivables	753	694
Other current receivables	505	300
Trade liabilities	228	51

Note 13 – Other non-current assets

IN THOUSANDS OF EUR	2015	2016
Trade and other receivables	14,824	18,553
Impairment on trade and other receivables	-1,703	-5,216
Net trade and other receivables	13,121	13,337
Available-for-sale investments	2,962	902
Impairment on available-for-sale investments	-2,110	-129
Net available-for-sale investments	852	773
Total	**13,973**	**14,110**

The non-current available-for-sale investments include unquoted equity instruments that are measured at cost for €773 thousand as their fair value cannot be measured reliably (€852 thousand in 2015).

Note 14 – Trade and other receivables

Current trade and other receivables

IN THOUSANDS OF EUR	2015	2016
Trade receivables	266,663	237,210
Impairment on trade receivables	-23,994	-21,473
Trade receivables	242,669	215,737
Other receivables	105,443	101,928
Total	**348,112**	**317,665**

At 31 December 2016, an amount of €154 million (2015 €129 million) 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	2015	2016
Income taxes recoverable	43,274	39,565
Other taxes recoverable	39,341	41,583
Derivative financial instruments with positive fair values	5,323	4,514
Prepaid charges and accrued income	6,644	6,343
Advances due from customers for contracts in progress	1,631	2,076
Advances to personnel	2,748	2,359
Others	6,482	5,488
Total	**105,443**	**101,928**

Exposure to credit risk – impairment losses

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

IN THOUSANDS OF EUR	2015	2016
Neither impaired nor past due at reporting date	405,859	413,750
Not impaired at reporting date and past due	71,215	58,273
Up to 30 days	44,433	32,032
Between 31 and 60 days	11,968	12,930
Between 61 and 90 days	5,746	3,297
Between 91 and 120 days	2,512	2,791
Between 121 and 150 days	1,368	1,707
More than 150 days	5,188	5,516
Non-recourse factoring	-128,962	-154,360
Net carrying amount at the end of the year	**348,112**	**317,663**

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

IN THOUSANDS OF EUR	2015	2016
Allowances at the beginning of the year	**-21,242**	**-23,994**
Additions	-6,896	-3,645
Use	2,268	3,120
Reversal	1,878	1,799
Change in the scope of consolidation	-2	1,247
Allowances at the end of the year	**-23,994**	**-21,473**

Other current assets

IN THOUSANDS OF EUR	2015	2016
Deposits	17,540	8,731
Total	**17,540**	**8,731**

Note 15 – Inventories

The different types of inventories are detailed below:

IN THOUSANDS OF EUR	2015	2016
Raw materials	132,023	120,269
Work in progress	33,346	31,537
Finished goods	246,439	214,600
Spare parts and consumables	89,252	79,599
Goods purchased for resale	32,982	33,448
Write-downs to net realisable value	-45,703	-47,577
Total	**488,339**	**431,876**

In 2016, the Group recognised inventory write-downs to net realisable value of €9,118 thousand (€6,552 thousand in 2015) as an expense, including reversal of prior year write-downs amounting to €5,614 thousand (€7,365 thousand in 2015). Reversals of write-downs without impact on the income statement amount to €4,688 thousand (€1,605 thousand in 2015).

Note 16 – Risk management and financial derivatives

16.1 Risk management

A. Market risk

Exposure to currency risk

Around 54% of the Group's revenue is generated by subsidiaries with a functional currency other than the Euro (55% in 2015). 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 2016, 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 2016	AVERAGE RATE 2016	POSSIBLE VOLATILITY OF RATES IN %	RANGE OF POSSIBLE CLOSING RATES 31 DECEMBER 2016	RANGE OF POSSIBLE AVERAGE RATES 2016
Argentinean peso	16.6978	16.3206	22	12.9416 - 20.454	12.6492 - 19.9919
Chilean peso (000)	0.7057	0.7491	13	0.615 - 0.7964	0.6528 - 0.8453
Colombian peso (000)	3.1631	3.3817	18	2.6021 - 3.724	2.782 - 3.9815
Nigerian naira	332.3050	283.4324	47	177.0455 - 487.5645	151.0071 - 415.8577
Peruvian nuevo sol	3.5376	3.7365	14	3.0287 - 4.0464	3.199 - 4.2739
Pound sterling	0.8562	0.8178	11	0.7639 - 0.9484	0.7297 - 0.9059

As a comparison, the reasonably possible change of exchange rate of these currencies against the Euro was estimated as follows for 2015:

				RATES USED FOR SENSITIVITY ANALYSIS	
	CLOSING RATE 31 DECEMBER 2015	AVERAGE RATE 2015	POSSIBLE VOLATILITY OF RATES IN %	RANGE OF POSSIBLE CLOSING RATES 31 DECEMBER 2015	RANGE OF POSSIBLE AVERAGE RATES 2015
Argentinean peso	14.0972	10.2426	39	8.6672 - 19.5272	6.2973 - 14.1878
Chilean peso (000)	0.7732	0.7246	17	0.6435 - 0.9028	0.6031 - 0.8461
Colombian peso (000)	3.4288	3.0360	20	2.7333 - 4.1244	2.4202 - 3.6519
Nigerian naira	216.7030	219.6391	8	200.2682 - 233.1378	202.9816 - 236.2965
Peruvian nuevo sol	3.7168	3.5289	13	3.2185 - 4.2151	3.0558 - 4.0021
Pound sterling	0.7340	0.7257	12	0.6495 - 0.8184	0.6423 - 0.8092

If the Euro had weakened or strengthened during 2016 by the above estimated possible changes against the listed currencies with all other variables held constant, the 2016 profit would have been €18,543 thousand (14%) higher or €13,651 thousand (-11%) lower while equity would have been €66,008 thousand (7%) higher or €34,275 thousand (-4%) lower. In 2015, if the Euro had weakened or strengthened the profit would have been €650 thousand (2%) higher or €3,112 thousand (-8%) lower while equity would have been €56,751 thousand (6%) higher or €38,354 thousand (-4%) lower.

IN THOUSANDS OF EUR	2016			
	IF EURO WEAKENS		IF EURO STRENGTHENS	
	PROFIT	EQUITY	PROFIT	EQUITY
Argentinean peso	-2,706	9,137	1,712	-5,781
Chilean peso	3,544	11,767	-2,736	-9,089
Colombian peso	1,770	9,899	-1,237	-6,917
Nigerian naira	2,348	35,820	-853	-13,007
Peruvian nuevo sol	7,149	13,257	-5,351	-9,923
Pound sterling	6,438	-13,872	-5,186	10,442
Total	**18,543**	**66,008**	**-13,651**	**-34,275**

IN THOUSANDS OF EUR	2015			
	IF EURO WEAKENS		IF EURO STRENGTHENS	
	PROFIT	EQUITY	PROFIT	EQUITY
Argentinean peso	-7,398	14,036	3,284	-6,229
Chilean peso	-578	4,162	412	-2,967
Colombian peso	-132	10,074	88	-6,677
Nigerian naira	-68	4,909	58	-4,219
Peruvian nuevo sol	1,715	14,726	-1,310	-11,243
Pound sterling	7,111	8,844	-5,644	-7,019
Total	**650**	**56,751**	**-3,112**	**-38,354**

Interest rates sensitivity analysis

At the end of 2016 €173,196 thousand or 19% of the Group's interest bearing financial liabilities, before offset of any surplus cash, bear a variable interest rate (€454,311 thousand or 45% at the end of 2015). This floating debt portion consists of debt instruments almost exclusively denominated in Euro apart from €18,951 thousand that is denominated in Pound sterling (€28,860 thousand in 2015), €17,837 thousand that is denominated in Romanian Leu (€17,903 thousand in 2015) and €15,836 thousand denominated in other currencies. In 2015 the Group's interest bearing financial liabilities denominated in Chilean peso (€51,614 thousand) and in Colombian peso (€21,208 thousand).

The total interest expense recognised in the 2016 income statement on the Group's variable rate debt portion (continued and discontinued operations), net of the effect of interest rate derivative instruments, amounts to €25,766 thousand (€25,355 thousand in 2015). The total interest expense recognised on the fixed rate portion amounts to €27,368 thousand (€27,694 thousand in 2015).

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 2016	POSSIBLE VOLATILITY OF RATES	POSSIBLE RATES AT 31 DECEMBER 2016
Euro	-0.32%	-0.05% - 0.13%	-0.37% - -0.19%
Pound sterling	0.37%	-0.5% - 0.09%	-0.13% -0.46%
Romanian Leu	0.46%	-0.07% - 0.21%	0.39% -0.67%

		RATES USED FOR SENSITIVITY ANALYSIS	
	RATES AT 31 DECEMBER 2015	POSSIBLE VOLATILITY OF RATES	POSSIBLE RATES AT 31 DECEMBER 2015
Euro	-0.13%	-0,11% + 0,10%	-0,244% - -0,04%
Chilean peso	4.49%	-0,39% + 0,65%	4,10% - 5,14%
Colombian peso	5.85%	-0,36% + 1,27%	5,49% - 7,13%
Pound sterling	0.59%	-0,56% + 0,59%	0,03% - 1,18%
Romanian Leu	0.59%	-0,28% + 0,32%	0,31% - 0,92%

Application of the reasonably possible fluctuations in the market interest rates mentioned above on the Group's floating rate debt at 31 December 2016, with all other variables held constant and net of the effect of interest rate derivative instruments, would result in a decrease of the 2016 profit by €173 thousand and an increase of €223 thousand (a decrease of €633 thousand and an increase of €438 thousand in 2015). Cash and cash equivalents in Euro of €50,944 thousand (€40,283 thousand in 2015), Pound sterling balances of €123,471 thousand (€119,710 thousand in 2015) and Romanian Leu balances of €3,532 thousand (€1,449 thousand in 2015) generate interest that would partially offset any variations in interest payable. The fair value of the Group's interest rate hedging contracts would, on basis of the above possible change in interest rates, decrease by €728 thousand/increase by €1,107 thousand against an increase/decrease of equity for that amount (decrease by €1,268 thousand and increase by €1,395 thousand in 2015).

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 2016 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	483,277	502,612	93,722	22,565	225,692	160,633
Redeemable preference shares	6,814	6,814	3,407	3,407	-	-
Retail bond	399,692	420,000	420,000	-	-	-
Other financial loans	30,301	30,158	29,632	526	-	-
Obligations under finance leases	1,857	1,940	194	182	285	1,279
Trade and other liabilities	658,307	646,011	645,435	-	4	572
Derivative financial liabilities						
Interest rates swaps	28,488	30,430	7,602	7,644	15,184	-
Foreign exchange contracts	1,814	1,814	1,814	-	-	-
Total	**1,610,550**	**1,639,779**	**1,201,806**	**34,324**	**241,165**	**162,484**

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

At 31 December 2015 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	482,022	537,118	92,073	105,960	305,441	33,644
Redeemable preference shares	6,886	6,886	3,443	3,443	-	-
Retail bond	398,427	440,000	20,000	420,000	-	-
Other financial loans	130,132	130,199	129,612	347	240	-
Obligations under finance leases	368	393	237	156	-	-
Trade and other liabilities	662,305	648,312	648,236	16	5	55
Derivative financial liabilities						
Interest rates swaps	29,701	34,222	6,856	6,837	20,530	-
Foreign exchange contracts	906	906	906	-	-	-
Total	**1,710,747**	**1,798,036**	**901,363**	**536,759**	**326,216**	**33,699**

D. Capital risk

The Group monitors capital using the debt covenant specifications as outlined in the latest syndicated loan agreement signed on 24 January 2014. The Group targets to maintain a debt covenant ratio between 1.5 and 2.5 on the long term. For example, the adjusted net financial debt (for bank covenant purposes) to recurring EBITDA ratio amounts to 1.6 at 31 December 2016 (2.0 at 31 December 2015), well below the bank covenant of 3.25.

16.2 Financial derivatives

The Group uses derivative financial instruments to hedge its exposure to currency 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:

	2015		2016	
IN THOUSANDS OF EUR	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
Foreign exchange contracts				
Assets	5,323	5,323	4,514	4,514
Liabilities	-906	-906	-1,814	-1,814
Interest rate swaps				
Liabilities	-29,701	-29,701	-28,488	-28,488
Total	**-25,284**	**-25,284**	**-25,788**	**-25,788**

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 2016, 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	-1,619	-	-	-	810
Liabilities	-236	-	-	-	-672
Interest rate swaps					
Liabilities	-	-	-	-	1,213
Total	**-1,855**	**-**	**-**	**-**	**1,351**

A. Cash flow hedges

At 31 December 2016, 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 2016, the Group had interest rate swap agreements in place with a notional amount of €250,000 thousand (€250,000 thousand in 2015) whereby it receives a variable interest rate based on Euribor three or six months, as the case may be, and pays a fixed rate on the notional amount. The swaps are being used to hedge the exposure to interest rate risk on its floating debt. The floating rate debt and the interest rate swaps have the same critical terms.

The Group did not recognise any ineffectiveness in 2016. Ineffectiveness resulting from cash flow hedges on the foreign currency forward contracts was incurred in 2015: €696 thousand in other financial income.

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 interest expense if concerning interest rate swaps):

At 31 December 2016

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	4,140	4,140	4,140	-	-	-
Liabilities	-1,318	-1,318	-1,318	-	-	-
Interest rate						
Interest rate swaps						
Assets	-	-	-	-	-	-
Liabilities	-28,488	-30,430	-7,602	-7,644	-15,184	-

At 31 December 2015

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	3,591	3,591	3,591	-	-	-
Liabilities	-842	-842	-842	-	-	-
Interest rate						
Interest rate swaps						
Assets	-	-	-	-	-	-
Liabilities	-29,701	-34,223	-6,856	-6,837	-20,530	-

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 2016.

16.3 Financial instruments – fair values

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

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 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.

2016

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)	-	374	-
Derivatives – used for hedging (cash flow hedging)	-	4,140	-
Liabilities measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	496	-
Derivatives – used for hedging (cash flow hedging)	-	29,806	-

During 2016 and 2015 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.

2015

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)	-	1,731	-
Derivatives – used for hedging (cash flow hedging)	-	3,592	-
Liabilities measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	64	-
Derivatives – used for hedging (cash flow hedging)	-	30,543	-

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 2016 and 2015 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

The cash and cash equivalents increase compared to prior year is temporary and relates to the proceeds of the sale of our Ceramics business in Latin America as well as the refinancing completed in October 2016, altogether to be used for the retail bond repayment and remaining old Schuldschein maturity in March 2017.

The several measures undertaken by the group to avoid this temporary situation could only partly limit this excess cash. We also refer to Note 23 for further explanation. The different types of cash and cash equivalents are detailed below:

IN THOUSANDS OF EUR	2015	2016
Cash on hand and bank deposits	154,421	272,560
Short-term deposits (less than three months)	12,731	10,675
Total	**167,152**	**283,235**

Note 18 – Equity

Ordinary shares

The issued share capital of Etex SA amounts to €4,491,277 and is represented by 82,837,819 fully paid ordinary shares without par value at 31 December 2016.

	2015	2016
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 2016 the Group owns 4,673,495 ordinary shares representing 5.64% of the total number of ordinary shares.

	2015	2016
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 2016 dividend will be proposed for approval at the General Shareholders' Meeting of Etex SA on 24 May 2017 (after issuance of the financial statements) and will amount to €0.48 per share representing a total dividend of €37,519 thousand.

In 2016, a dividend of €34,392 thousand has been paid out based on the decision of the General Shareholders' Meeting of Etex SA on 25 May 2016.

	NUMBER OF SHARES	EUR/SHARE	DIVIDEND IN EUR
Ordinary shares	82,837,819	0.44	36,448,640
Treasury shares	-4,673,495	0.44	-2,056,338
Dividend paid out	78,164,324		34,392,302

Note 19 – Provisions

IN THOUSANDS OF EUR	WARRANTY	HEALTH CLAIMS	LITIGATION	OTHERS	TOTAL
At 31 December 2015	**44,532**	**82,589**	**19,750**	**74,930**	**221,801**
Additional provisions made	9,393	4,338	11,775	37,630	63,136
Amounts utilised during the year	-10,443	-6,664	-7,313	-37,791	-62,211
Unused amounts reversed	-2,079	-519	-749	-2,548	-5,895
Changes in the scope of consolidation	317	-	-3,358	-1,058	-4,099
Translation differences	-648	-863	324	-1,684	-2,871
Discount rate adjustment	590	1,725	-	1,549	3,864
At 31 December 2016	**41,662**	**80,606**	**20,429**	**71,028**	**213,725**
Non-current at the end of the period	32,297	77,318	16,200	36,881	162,696
Current at the end of the period	9,365	3,288	4,229	34,147	51,029

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 2016 for the cost of asbestos claims comprises an amount of €34,344 thousand (€32,413 thousand in 2015) for the expected costs of settling notified claims and a discounted amount of €46,654 thousand (€50,184 thousand in 2015) 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 0.35 % to 4.0 % depending on the country (0.79 % to 4.0% in 2015).

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 2016 was 60 (70 in 2015), 33 cases were settled and 17 resolved without cost. The number of outstanding cases for which a provision has been made at 31 December 2016, was 195 (200 in 2015).

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.

Our German clay tiles subsidiaries, Creaton AG and Pfleiderer GmbH (merged with Etex Holding GmbH in 2012), received in December 2008 a notification from the German Bundeskartellamt imposing fines totalling €94,000 thousand in relation to an alleged price fixing arrangement in 2006. The procedure was part of a sector wide investigation against various clay tile manufacturers in Germany. In 2015, Creaton reached a settlement with the Bundeskartellamt and the Public Prosecutor and the provision has been utilised.

Internal Group guidelines expressly forbid behaviour which is contrary to competition law. Compliance with these guidelines is a constant point of attention for the Group's management.

Other provisions

Other provisions include mainly estimated future outflows for environmental obligations and restructuring.

The Group meets all obligations imposed by relevant laws with respect to land decontamination and site restoration. Where requested, necessary expenses are made and provision for future estimated costs are set-up. At 31 December 2016, these provisions amount to €24,705 thousand (€24,475 thousand in 2015).

Restructuring provisions relate mainly to restructuring of companies in France and Germany. 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.

In August 2007, Etex Holding GmbH and Creaton AG entered in a domination and profit sharing agreement. As part of that agreement, the minority shareholders of Creaton had a right to either sell their shares at a fixed price or be guaranteed a fixed annual dividend per share. Some minority shareholders did not accept the values determined by the auditors and started legal action. In first instance, the Court confirmed the fixed price for the shares offered by Etex Holding GmbH, but decided to increase the annual guaranteed dividend. The decision has been appealed against by some minority shareholders. In 2014, Etex Holding GmbH took a specific provision to cover the plaintiffs' legal costs. The provision does not cover the increase of the annual guaranteed dividend, as the decision has been appealed against and its final financial impact, if any, is not known.

Guarantees

At 31 December 2016, the Group issued the following guarantees to third parties:

IN THOUSANDS OF EUR	2015	2016
Guarantees issued after business disposals	200,617	123,540
Guarantees issued by the Group to cover the fulfilment of Group companies obligations	830,705	873,530
Guarantees issued by Third Parties to cover fulfilment of the Group companies obligations	132	457
Secured debt	3,292	55,038

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), retail bond (€400 million), commercial paper program (€150 million), Schuldschein loan (€326 million), as well as securities issued to guarantee other commitments (€273 million). The values disclosed in the above table are based on outstanding amounts.

Secured debt includes mortgages and pledges provided in Japan, Brazil and Romania to cover local credit facilities in 2016.

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 2016 Etex had purchase commitments of €4,298 thousand (€19,499 thousand in 2015). Commitments are mainly related to a new machine in Colombia and a new production line in Argentina.

Commitments relating to operating leases 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 2016, the defined contribution plan expenses for the Group amounted to €10,354 thousand (12,013 thousand in 2015).

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	2015	2016
Present value of funded obligations	1,333,223	1,392,280
Fair value of plan assets	1,185,354	1,153,411
Plan (surplus) deficit of funded obligations	147,869	238,869
Present value of unfunded obligations	135,752	142,721
Net liability from funded and unfunded plans	**283,621**	**381,590**
Other long term benefits	7,220	6,103
Termination benefits	1,463	3,038
Stock option plans	8,909	8,547
Net employee benefits liability	**301,213**	**399,278**
Defined benefit obligation	1,486,567	1,552,689
Fair value of plan assets	1,185,354	1,153,411
Net liability at the end of the year	**301,213**	**399,278**
Net employee benefits liability (assets)	**301,213**	**399,278**
Employee benefits in the statement of financial position:		
Liabilities	309,188	399,278
Assets	7,975	-

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

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

Other post employment benefits such as medical plans, early retirement plans and gratuity plans are granted mainly in Belgium, the United Kingdom, the Netherlands, 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.

Stock options plans are detailed in note 22.

The largest individual plans are in UK and Ireland. Together they account for 82% (84% in 2015) of the total Group defined benefit obligation, and 93% (95% in 2015) of its plan assets.

UK Pension Plans

In the UK, the Group sponsors two defined benefit pension plans – the Marley 1986 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 2014 and the results showed a deficit of £35.4 million (funding level 94%) for the Scheme and a deficit of £53.4 million (funding level 70%) for the Plan against the Trustees' funding objective, agreed with the UK sponsors. The UK sponsors agreed to pay contributions of £5.07 million per annum (increasing annually broadly in line with inflation) to remove the shortfall in the Plan by 31 March 2025. No contributions are currently being paid in respect of the deficit in the Scheme as this deficit is expected to be eliminated by the Scheme achieving

investment returns in excess of the discount rate used to set the liabilities.

The next formal actuarial valuation of the Plans is in progress and will be dated 31 March 2017.

The approximate weighted average duration of the defined benefit obligation is 17 years for the Scheme and 18 years for the Plan.

The Plans hold a diversified portfolio of assets including equities, absolute return funds, emerging market debt, property, buy and hold credit funds and cash. The investment strategy is reviewed regularly by the Trustees in conjunction with the UK sponsors.

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. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

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

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 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 2015 and the results showed a deficit of €5.5 million (funding level 94%) for the Main Plan and a surplus of €0.2 million (funding level 103%) for the Exec Plan against the Trustees' funding objective, agreed with the Irish sponsors. The Irish sponsors agreed to pay fixed contributions of €1.32 million per annum to remove the shortfall in the Main Plan by 31 December 2019.

The next formal actuarial valuation of the Plans will be as of 1 January 2018.

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, or changes to European legislation, 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 defined benefit liability per country, at the end of the year is as follows:

IN THOUSANDS OF EUR	2015	2016
United Kingdom	1,156,832	1,168,827
Germany	141,752	150,312
Ireland	89,743	100,689
Belgium	41,517	67,698
France	17,857	20,165
Others	38,866	44,998
Defined benefit obligation	**1,486,567**	**1,552,689**

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

IN THOUSANDS OF EUR	2015	2016
Defined benefit obligation at the beginning of the year	**1,482,613**	**1,486,567**
Service cost	10,597	7,565
Past service cost (gain)/loss	-2,878	3,417
Settlements	-61	-18
Service cost	7,658	10,963
Interest cost	50,606	46,591
Actuarial (gains) and losses	-41,560	229,254
Benefits paid	-78,940	-70,755
Plan participants contribution	99	796
Newly recognized plan	-	21,371
Others	-3,928	-88
Translation differences	70,019	-172,010
Defined benefit obligation at the end of year	**1,486,567**	**1,552,689**

Belgian plans subject to minimum guaranteed rate of return (Newly recognized plan)

Etex offers defined contribution pension plans funded through group insurance to employees of its Belgian affiliates with a minimum guaranteed return. 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 an average minimum return (1.75% as from 1/1/2016), therefor these plans are considered as defined benefit plan under IAS19. 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 said "qualifying this party" which do not have any link with the group.

Past service costs of €3,417 thousand relate to the newly recognized plan in Belgium (€1,333 thousand) and €2,091 thousand related to anticipated retirements in Chile; settlement gains of €18 thousand relate to the Netherlands.

In 2015, settlement gains of €61 thousand relate to a restructuring operation in Siniat France. Past service gains of €2,729 thousand also relate to the restructuring operation in Siniat France, while €149 thousand relate to benefit reduction in the Tegral Pension Fund (Ireland).

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

IN THOUSANDS OF EUR	2015	2016
Fair value of plan assets at the beginning of the year	**1,169,536**	**1,185,354**
Interest income	41,673	38,416
Actuarial gains and (losses)	-36,093	106,359
Employer contribution	11,121	12,875
Plan participants contribution	99	796
Administration cost (excluding management of assets)	-2,012	-1,810
Newly recognized plan	-	21,371
Benefits paid	-62,297	-58,633
Translation differences	63,327	-151,317
Fair value of plan assets at the end of the year	**1,185,354**	**1,153,411**

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

IN THOUSANDS OF EUR	2015	2016
Service cost	-7,658	-10,963
Interest cost	-50,606	-46,591
Interest Income	41,673	38,416
Administration cost (excluding management of assets)	-2,012	-1,810
Total employee benefit expense	**-18,603**	**-20,948**
The employee benefit expense is included in the following line items of the income statement:		
Operating income	-9,670	-12,773
Financial result	-8,933	-8,175

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

	2015	2016
Discount rate	3.35%	2.45%
Future salary increases	1.62%	2.19%
Pension increase	2.81%	2.78%
Medical cost trend	5.40%	5.40%

The distribution of the plan assets is the following:

	2015	2016
Equity instruments	13%	10%
Debt instruments	64%	59%
Real estate	6%	5%
Cash and fixed deposits	5%	9%
Insurance	4%	6%
Other	9%	10%
Total	**100%**	**100%**

The expected employer contributions to be paid in 2017 to defined benefit plans amount to €10,138 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 £107 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 £33 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 €21 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 €21 million increase in the present value of the defined benefit obligation of the Plans (which is likely to be mitigated in part by an increase in asset values). The increase in the present value of the defined benefit obligation due to a member living one year longer would be approximately €4 million.

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

Note 22 – Share based payments

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

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

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

Each option gives the beneficiary the right to buy one Etex SA 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:

	2015	2016
Expected volatility (% pa)	20.00	20.00
Risk-free interest rate (% pa)	0.43	0.02
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)	32.83	26.74
Expected early exercise of options	5-6 years	5-6 years
Fair value per granted instrument determined at grant date (€)	5.00	3.59

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 €1,166 thousand during the year (an expense of €3,653 thousand in 2015). The total carrying amount of the liability related to the stock option plans amounts to €8,547 thousand (€8,909 thousand in 2015) 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 2007	20.6.2017	Once a year as from 2011, between 1.6 and 20.6	20.89	125,500
SOP 2008	20.6.2018	Once a year as from 2012, between 1.6 and 20.6	17.32	473,000
SOP 2010	20.6.2017	Once a year as from 2014, between 1.6 and 20.6	17.96	54,500
SOP 2011	20.6.2018	Once a year as from 2015, between 1.6 and 20.6	24.01	134,500
SOP 2012	20.6.2019	Once a year as from 2016, between 1.6 and 20.6	18.45	490,054
SOP 2013	20.6.2020	Once a year as from 2017, between 1.6 and 20.6	27.76	738,512
SOP 2014	20.6.2021	Once a year as from 2018, between 1.6 and 20.6	30.09	864,536
SOP 2015	20.6.2022	Once a year as from 2019, between 1.6 and 20.6	32.83	817,143
SOP 2016	20.6.2023	Once a year as from 2020, between 1.6 and 20.6	26.74	803,000

Details of the share options outstanding during the year

	2015		2016	
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	**4,266,505**	**22.15**	**4,462,651**	**24.54**
Granted during the year	821,000	32.83	803,000	26.74
Forfeited during the year	-48,011	26.48	-	
Exercised during the year	-547,700	18.59	-748,906	15.81
Expired during the year	-29,143	17.32	-16,000	16.02
Outstanding at the end of the year	**4,462,651**	**24.54**	**4,500,745**	**26.41**
Of which exercisable at the end of the year	1,340,000	17.31	1,277,554	18.84

For share put options exercised during the period, the weighted average share price was €17.85 (€23.45 in 2015).

Note 23 – Loans and borrowings

IN THOUSANDS OF EUR	2015	2016
Bank loans	406,854	393,258
Retail bond	398,427	-
Other financial loans	522	524
Obligations under finance leases	140	1,745
Redeemable preference shares	3,443	3,407
Total non-current financial liabilities	**809,386**	**398,934**

IN THOUSANDS OF EUR	2015	2016
Bank loans	69,844	86,216
Retail bond	-	399,692
Bank overdrafts	5,324	3,803
Other financial loans	129,610	29,778
Obligations under finance leases	228	112
Redeemable preference shares	3,443	3,407
Total current financial liabilities	**208,449**	**523,008**

In January 2016, Etex did a voluntary cancellation for €50 million of the Term Loan of the 2014 Syndicated Credit Facility. In December 2016 Etex did a voluntary cancellation of the remaining €150 million credit line under this Term Loan. This was possible due to the receipt of the proceeds of the sale of Etex's Ceramics business in Latin America, the issuance of a new Schuldschein in October (see below), and Etex own cash flow generation. As a result, the Syndicated Facility now consists only of a €600 million Revolving Credit Facility (drawn at €0 per end of 2016) that will mature in January 2019. It is being used for general corporate purposes.

In addition to this facility, the group could still rely on the Retail Bond of €400 million that was issued by its affiliate Etexco in 2012 (maturing in March 2017), as well as on the Etex Holding GmbH Schuldschein loan of €36 million, of which €10 million was reimbursed in August 2016, which will be maturing in 2017 for the balance (€26 million).

On top of these facilities, Etex also makes use of a Commercial Paper program of €150 million, drawn at €4 million per end of 2016 (€99.4 million per end of 2015).

In 2016, Etex continued to roll-out its €200 million non-recourse Factoring Program, through which customer receivables from 16 entities in 8 European countries are being sold to a pool of banks on a non-recourse basis. Per end of 2016, €180.1 million were financed through that program, out of which €154.4 million was eligible for trade receivables derecognition.

In October 2016, Etex successfully issued a new Schuldschein Program of €300 million that was placed with investors at attractive prices. This issuance, increased with available committed credit lines, will allow the reimbursement of the €400 million Retail Bond that will mature at the end of March 2017, as well as the remainder of the old Schuldschein Program (€26 million) maturing in 2017. The maturities of this new Schuldschein Program have been split in 2 equal parts of €150 million, the first one coming to maturity in 2021 (5 year) and the second one in 2023 (7 year). Approximately 62% of the issuance has a fixed rate with a higher weighting on the 7 year.

The utilisations of the Syndicated Loan Facilities 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, Retail Bond 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 include in particular required ratios of consolidated net debt to consolidated EBITDA of the Group and operating profit interest coverage.

Transaction costs on the Syndicated Loan of 2011 amounting to €13,921 thousand, on the restructuring of the Syndicated Loan in 2014 amounting to €4,233 thousand, on the Retail Bond of 2012 amounting to €5,700 thousand and on the new Schuldschein Loan

of 2016 amounting to €1,200 thousand 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 2016 amounts to €4.804 thousand (€7.021 thousand at the end of 2015).

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 €157 million end of 2016.

In Latin America, the main countries with local financing are Brazil, Colombia and Peru. In 2016, thanks to the cash received from the sale of Etex's Ceramics business in the region, most of our Latin American affiliates have been able to reimburse parts or total of their external debt.

Chile has reimbursed all is external debt.

Brazil has a total drawn amount of €69.2 million borrowed in Brazilian real (€45,5 million at the end of 2015). This drawn amount is split over 3 external loan, one of €32,1 million with a maturity in 2020 and 2 loans of €37,1 million with a maturity in 2017.

Colombia has a total drawn amount of €7,9 million in Colombian pesos (€50,4 million in 2015).

- Skinco has reimbursed is long term loan of COP 20 million and rely now on a €1,6 million short term loan ending in November 2017.
- Gyplac has a short-term loan of €6,3million ending in July 2017.
- Ceramica San Lorenzo Industrial de Colombia SA has been sold in the proceeds of our Ceramic activities in Colombia.

Peru has a total drawn amount of €26,4 million in Peruvian nuevo sol. This drawn amount is split over 3 external loans. One has a total amount of €20,4 million and has a maturity in 2022. And the 2 other loans are respectively €1,4 million and €4,6 million and have their maturities respectively in July and June 2017.

To end this overview, the Group has 2 other countries using external financing, Romania and Indonesia.

Romania has an external loan for a total amount of €17,8 million borrowed in Romanian Leu with ING Romania, the loan is available for use for general corporate purposes.

Indonesia, has contracted a loan of €27,1 million with BNP Brussels maturing in 2020. The loan is available for use for general corporate purposes.

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	2015	2016
Non-current loans and borrowings	809,386	398,934
Current portion of loans and borrowings	208,449	523,008
Current financial assets	-17,540	-8,731
Cash and cash equivalents	-167,152	-283,235
Net financial debt	**833,143**	**629,976**

Finance lease liabilities

The Group has finance leases for various items of plant, property and equipment. Future minimum lease payments, interest payments and present value of payments are as follows:

	2015			2016		
IN THOUSANDS OF EUR	MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE	MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE
Less than 1 year	237	-9	228	116	-4	112
Between 1 and 5 years	156	-16	140	921	-455	466
More than 5 years	-	-	-	1,668	-389	1,279
Total	**393**	**-25**	**368**	**2,705**	**-848**	**1,857**

Operating leases

The total expenses for operating leases recognised in the consolidated income statement for 2016 amount to €39,609 thousand (€38,813 thousand in 2015). Future committed operating lease payments are as follows:

	2015				2016			
IN THOUSANDS OF EUR	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
Buildings	10,601	23,912	23,115	57,628	11,251	21,358	18,291	50,900
Equipment	5,983	12,772	2,715	21,470	7,296	9,575	1,897	18,768
Total	**16,584**	**36,684**	**25,830**	**79,098**	**18,547**	**30,933**	**20,188**	**69,668**

Note 24 – Deferred tax

IN THOUSANDS OF EUR	ASSETS	LIABILITIES	NET
Net carrying amount at 31 December 2015	**113,284**	**172,663**	**-59,379**
Translation differences	-4,313	-7,381	3,068
Recognised in income statement	35,225	-8,273	43,498
Recognised in equity	20,871	-	20,871
Change in scope of consolidation	-2,123	-4,782	2,659
Netting	-12,682	-12,682	-
Net carrying amount at 31 December 2016	**150,262**	**139,545**	**10,717**

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

	2015		2016		2015	2016	
IN THOUSANDS OF EUR	ASSETS	LIABILITIES	ASSETS	LIABILITIES	NET	NET	VARIANCE
Property, plant and equipment	9,674	186,104	9,572	156,565	-176,430	-146,993	29,437
Intangible assets	1,508	47,650	1,533	38,476	-46,142	-36,943	9,199
Employee benefits assets	43	997	34	1	-954	34	988
Inventories	8,417	1,333	8,648	808	7,084	7,840	756
Trade & other receivables	5,205	466	6,051	820	4,739	5,231	492
Other assets	3,562	354	3,359	984	3,208	2,375	-833
Provisions	23,410	2,793	19,645	2,509	20,617	17,136	-3,481
Employee benefits liabilities	51,970	113	67,194	97	51,857	67,097	15,240
Loans and borrowings	25	1,777	499	1,479	-1,752	-980	772
Other non-current liabilities	2	1,308	-2	567	-1,306	-569	737
Current liabilities	18,793	798	19,502	558	17,995	18,944	949
Tax losses carried forward	190,756	-	185,186	-	190,756	185,186	-5,570
Unrecognised deferred tax assets	-129,049	-	-107,639	-	-129,049	-107,639	21,410
Netting by taxable entity	-71,030	-71,030	-63,318	-63,318	-	-	-
Total	**113,284**	**172,663**	**150,262**	**139,545**	**-59,377**	**10,719**	**70,096**

Deferred taxes have not been recognised in respect of tax losses carried forward for an amount of €103,072 thousand (€125,833 thousand in 2015) and net deductible temporary differences for €4,567 thousand (€3,216 thousand in 2015) 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
2017	1,449
2018	3,147
2019	1,726
2020	-136
2021 or later	14,965
Without expiration date	164,035
Total	**185,186**

Note 25 – Trade and other liabilities

Non-current liabilities

IN THOUSANDS OF EUR	2015	2016
Deferred income - Government grants	13,991	12,295
Other liabilities	24,931	21,473
Total	**38,922**	**33,768**

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 €12,295 thousand (€13,991 thousand in 2015) and amortised over the useful life of the assets. All conditions attached to these grants have been fulfilled.

Current liabilities

IN THOUSANDS OF EUR	2015	2016
Trade liabilities	456,762	445,678
Other liabilities	197,228	209,162
Total	**653,990**	**654,840**

The other current liabilities include:

IN THOUSANDS OF EUR	2015	2016
Income taxes payable	29,375	41,309
Other taxes payable	31,530	31,570
Remuneration payable	66,282	63,146
Social security payable	27,162	25,696
Deferred income and accrued charges	26,534	28,231
Derivative financial instruments with negative fair values	7,762	9,416
Dividends payable	259	210
Amount due to customers for construction contracts in progress	5	4
Advances received on construction contracts not started yet	641	2
Current cash guarantees received	1,592	1,483
Other	6,086	8,095
Total	**197,228**	**209,162**

Note 26 – Statement of cash flow details

A. Depreciation, amortisation and impairment losses

2016

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	132,303	-	434	-	132,737
Amortisation	-	22,019	-	-	22,019
Impairment losses	5,591	521	-	-	6,112
Subtotal - continued operations	**137,894**	**22,540**	**434**	**-**	**160,868**
Depreciation	5,524	-	-	-	5,524
Amortisation	-	25	-	-	25
Subtotal - discontinued operations	**5,524**	**25**	**-**	**-**	**5,549**
Depreciation	137,827	-	434	-	138,261
Amortisation	-	22,044	-	-	22,044
Impairment losses	5,591	521	-	-	6,112
Total	**143,418**	**22,565**	**434**	**-**	**166,417**

2015

IN THOUSANDS OF EUR	PROPERTY, PLANT, EQUIPMENT (NOTE 7)	INTANGIBLE ASSETS (NOTE 8, 9)	INVESTMENT PROPERTIES (NOTE 10)	ASSETS HELD FOR SALE (NOTE 11)	TOTAL
Depreciation	136,798	-	62	-	136,860
Amortisation	-	22,211	-	-	22,211
Impairment losses	32,080	34,300	-	-	66,380
Subtotal - continued operations	**168,878**	**56,511**	**62**	**-**	**225,451**
Depreciation	8,931	-	-	-	8,931
Amortisation	-	82	-	-	82
Impairment losses	1,981	-	-	-	1,981
Subtotal - discontinued operations	**10,912**	**82**	**-**	**-**	**10,994**
Depreciation	145,729	-	62	-	145,791
Amortisation	-	22,293	-	-	22,293
Impairment losses	34,061	34,300	-	-	68,361
Total	**179,790**	**56,593**	**62**	**-**	**236,445**

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

2016

IN THOUSANDS OF EUR	PROPERTY, PLANT, EQUIPMENT (NOTE 7)	INTANGIBLE ASSETS (NOTE 9)	INVESTMENT PROPERTIES (NOTE 10)	TOTAL
Disposal proceeds	4,287	-	1,381	5,668
Net book value disposals	-2,892	-137	-1,042	-4,071
Gains (losses) on disposal	**1,395**	**-137**	**339**	**1,597**
Losses on retirement	-	-	-	-
Subtotal - continued operations	**1,395**	**-137**	**339**	**1,597**
Disposal proceeds	48	-	-	48
Net book value disposals	-12	-	-	-12
Gains (losses) on disposal	**36**	**-**	**-**	**36**
Losses on retirement	-	-	-	-
Subtotal - discontinued operations	**36**	**-**	**-**	**36**
Disposal proceeds	4,335	-	1,381	5,716
Net book value disposals	-2,904	-137	-1,042	-4,083
Gains (losses) on disposal	**1,431**	**-137**	**339**	**1,633**
Losses on retirement	-	-	-	-
Total	**1,431**	**-137**	**339**	**1,633**

2015

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	4,116	-	1,639	471	6,226
Net book value disposals	-938	-	-1,059	-425	-2,422
Gains (losses) on disposal	**3,178**	**-**	**581**	**46**	**3,805**
Losses on retirement	-	-	-	-	-
Subtotal - continued operations	**3,178**	**-**	**581**	**46**	**3,805**
Disposal proceeds	17	-	-	-	17
Net book value disposals	-7	-	-	-	-7
Gains (losses) on disposal	**10**	**-**	**-**	**-**	**10**
Losses on retirement	-	-	-	-	-
Subtotal - discontinued operations	**10**	**-**	**-**	**-**	**10**
Disposal proceeds	4,133	-	1,639	471	6,243
Net book value disposals	-945	-	-1,059	-425	-2,429
Gains (losses) on disposal	**3,188**	**-**	**581**	**46**	**3,815**
Losses on retirement	-	-	-	-	-
Total	**3,188**	**-**	**581**	**46**	**3,815**

C. Capital expenditure

IN THOUSANDS OF EUR	2015	2016
Property, plant and equipment (note 7)	178,512	130,006
Intangibles assets (note 9)	5,892	3,865
Investment properties (note10)	150	200
Assets held for sale (note 11)	-	2,919
Subtotal - continued operations	**184,554**	**136,990**
Property, plant and equipment (note 7)	2,111	626
Intangibles assets (note 9)	52	-
Subtotal - discontinued operations	**2,163**	**626**
Property, plant and equipment (note 7)	180,623	130,632
Intangibles assets (note 9)	5,944	3,865
Investment properties (note10)	150	200
Assets held for sale (note 11)	-	2,919
Total	**186,717**	**137,616**

D. Changes in working capital, provisions and employee benefits

IN THOUSANDS OF EUR	2015	2016
Inventories	-13,786	5,928
Trade and other receivables, trade and other liabilities	62,718	35,293
Provisions	-39,418	4,752
Employee benefits	-21,745	-19,842
Subtotal - continued operations	**-12,231**	**26,130**
Inventories	-592	-12,802
Trade and other receivables, trade and other liabilities	9,524	-2,371
Provisions	14,354	-11,104
Employee benefits	-8	-180
Subtotal - discontinued operations	**23,279**	**-26,457**
Inventories	-14,378	-6,874
Trade and other receivables, trade and other liabilities	72,242	32,921
Provisions	-25,064	-6,351
Employee benefits	-21,752	-20,023
Total	**11,048**	**-327**

E. Interest and dividend received

IN THOUSANDS OF EUR	2015	2016
Interest received	3,180	3,359
Dividend received	77	85
Dividend Associates	733	1,224
Subtotal - continued operations	**3,990**	**4,668**
Interest received	208	51
Subtotal - discontinued operations	**208**	**51**
Interest received	3,389	3,410
Dividend received	77	85
Dividend Associates	733	1,224
Total	**4,199**	**4,719**

F. Reconciliation Income tax expense – income tax paid

IN THOUSANDS OF EUR	2015	2016
Income Tax expense	-22,549	-26,241
Changes in Deferred taxes	-32,414	-43,498
Changes in income tax payables/receivables	-5,299	18,711
Subtotal - continued operations	**-60,263**	**-51,028**
Income Tax expense	-6,057	-4,634
Changes in Deferred taxes	-515	2
Changes in income tax payables/receivables	4,304	-2,337
Subtotal - discontinued operations	**-2,268**	**-6,969**
Income Tax expense	-28,606	-30,875
Changes in Deferred taxes	-32,929	-43,496
Changes in income tax payables/receivables	-996	16,374
Income Tax paid	**-62,531**	**-57,997**

G. Dividend paid

IN THOUSANDS OF EUR	2015	2016
Dividend Etex SA	-31,266	-34,392
Minority interest	-195	-2,030
Changes dividend payable	-9	-49
Exchange difference	-35	318
Subtotal - continued operations	**-31,504**	**-36,153**
Dividend Etex SA	-31,266	-34,392
Minority interest	-195	-2,030
Changes dividend payable	-9	-49
Exchange difference	-34	318
Total dividend paid	**-31,504**	**-36,153**

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	2015	2016
Board of Directors:		
Short term employee benefits	550	569
Executive Committee:		
Short term employee benefits	4,667	4,988
Post employment benefits	327	322
Share based payment	515	192
Number of stock options granted during the year	150,000	120,000

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

Note 28 – Remuneration of statutory auditor

The world-wide audit remuneration for the statutory auditor totalled €2,214 thousand (€2,436 thousand in 2015). The fees paid to the statutory auditor for assistance and advice amounted to €281 thousand (€180 thousand in 2015).

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	
		2015	2016
Europe			
Austria	Promat GmbH	100%	100%
Belgium	Comptoir du Bâtiment N.V.	100%	100%
	Etergyp S.A.	100%	100%
	Eternit N.V.	100%	100%
	Etex Services N.V.	100%	100%
	Etex S.A.	100%	100%
	Etexco S.A.	100%	100%
	Euro Panels Overseas N.V.	100%	100%
	Manasco N.V.	100%	100%
	Microtherm N.V.	100%	100%
	Promat International N.V.	100%	100%
	Promat Research and Technology Center N.V.	100%	100%
	Redco N.V.	100%	100%
	Siniat 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%
	Promat servis s.r.o.	100%	100%
Denmark	Ivarsson A/S	100%	100%

		% EQUITY INTEREST	
		2015	2016
France	Ciments Renforcés Industries S.A.S.U.	100%	100%
	Etermat S.A.S.	100%	100%
	Eternit Commercial S.A.S.U.	100%	100%
	Eternit S.A.S.U.	100%	100%
	Etex Materiaux de Construction S.A.S.	100%	100%
	Nidaplast-Honeycombs S.A.S.	100%	100%
	Papeteries de Bègles S.A.S.	100%	100%
	Promat S.A.S.	100%	100%
	Siniat France S.A.	100%	100%
	Etex Building Performance International S.A.S.	100%	100%
	Société d'Exploitation des Adhésifs S.A.S.	100%	100%
Germany	Baupro GmbH	100%	100%
	Creaton AG	99.98%	99.98%
	Creaton Kera-Dach GmbH & Co. KG	99.98%	99.98%
	Eternit GmbH	100%	100%
	Eternit Management Holding GmbH	100%	100%
	Etex Holding GmbH	100%	100%
	Promat Holding GmbH	100%	100%
	Fibrolith Dämmstoffe GmbH	100%	100%
	Promat GmbH	100%	100%
	Siniat GmbH	100%	100%
	Wanit Fulgurit GmbH	100%	100%
Hungary	Creaton South-East Europe Kft.	100%	100%
Italy	Edilit S.r.l.	100%	100%
	Immogit S.r.l.	100%	100%
	Creaton Italy	100%	100%
	Promat S.p.A.	100%	100%
	Etex Building Performance S.p.A.	100%	100%
	Siniat Holding Italy S.r.l.	100%	100%
Ireland	Tegral Building Products Ltd.	100%	100%
	Tegral Holdings Ltd.	100%	100%
Lithuania	UAB Eternit Baltic	100%	100%
Luxemburg	EASA S.A.	100%	100%
	Eterlux S.A.	100%	100%
	Eternit Investment S.à.r.l.	100%	100%
	Eternit Services S.A.	100%	100%
	Etex Asia S.A.	100%	100%
	Etex Finance S.A.	100%	100%
	Maretex S.A.	100%	100%
	Marley Tile S.A.	100%	100%
	Merilux S.à.r.L.	100%	100%
	Poly Ré S.A.	100%	100%
Netherlands	Eternit Holding B.V.	100%	100%
	Eternit B.V.	100%	100%
	Nefibouw B.V.	100%	100%
	Preventieve Brandbeveiliging Nederland B.V.	100%	100%
	Promat B.V.	100%	100%
	Siniat B.V.	100%	100%
Poland	Creaton Polska Sp. z o.o.	100%	100%
	Promat TOP Sp. z o.o.	100%	100%
	Siniat Polska Sp. z o.o.	100%	100%
	Siniat Sp. z o.o.	100%	100%

		% EQUITY INTEREST	
		2015	2016
Portugal	Umbelino Monteiro S.A.	100%	100%
Romania	Creaton & Eternit S.R.L.	100%	100%
	Etex Building Performance S.A.	100%	100%
Russia	A+B Russia	100%	100%
	Eternit Russia	100%	100%
Serbia	Siniat Gips Beocin Ltd	100%	100%
Slovakia	EBM Co s.r.o.	100%	100%
Slovenia	Promat d.o.o.	100%	100%
Spain	Almería Gypsum S.A.	100%	100%
	Euronit Fachadas y Cubiertas S.L.	100%	100%
	Promat Ibérica S.A.	100%	100%
	Promat Inversiones S.L.	100%	100%
Switzerland	Polyfibre S.A.	50%	50%
Ukraine	Creaton Ukraine	100%	100%
	A+B Ukraine	100%	100%
	Siniat Gips ALC	100%	100%
	Siniat Gips Ukraine LLC	100%	100%
United Kingdom	Bracknell Roofing Ltd.	100%	0%
	EM Holdings UK Ltd.	100%	100%
	Eternit UK Ltd.	100%	100%
	EOS Facades Limited	0%	100%
	John Brash Ltd	0%	100%
	Marley (UK) Ltd.	100%	100%
	Marley Eternit Ltd.	100%	100%
	Marley Ltd.	100%	100%
	Promat Glasgow Ltd.	100%	100%
	Promat UK Ltd.	100%	100%
	Etex Building Performance UK Ltd.	100%	100%
Latin America			
Argentina	Ceramica San Lorenzo I.C.S.A	99.80%	0%
	Durlock S.A.	100%	100%
	Eternit Argentina S.A.	99.44%	99.44%
	Siniat Holding Argentina S.A.	100%	100%
Brazil	Siniat Holding S.A.	100%	100%
	Siniat S.A. Mineração Indústria e Comércio	100%	100%
Chile	Ceramica Cordillera Commercial S.A.	99.66%	0%
	Empresas Pizarreño S.A.	99.83%	99.83%
	Inmobiliaria y Comercial El Bosque S.A	99.72%	99.72%
	Etex Latinamerica S.A.	100%	100%
	Industrias Princesa Ltda.	99.79%	99.79%
	Centro de Servicios Compartidos SpA	99.79%	99.79%
	Inversiones Etex Chile Ltda.	100%	100%
	Inversiones San Lorenzo Chile S.A.	99.79%	99.79%
	Inversiones San Lorenzo S.A.	99.79%	0%
	Sociedad Industrial Pizarreño S.A.	99.66%	99.66%
	Sociedad Industrial Romeral S.A.	99.83%	99.83%
	Sociedad Industrial Tejas de Chena S.A.	99.79%	99.79%

		% EQUITY INTEREST	
		2015	2016
Colombia	Ceramica San Lorenzo Colombia S.A.	99.98%	0%
	Ceramica San Lorenzo Industrial de Colombia S.A.	99.99%	0%
	Skinco Colombit S.A.	99.95%	99.95%
	Gyplac Commercial de Colombia S.A.S.	100%	100%
	Gyplac S.A.	100%	100%
	Shared Services Colombia S.A.S	100%	100%
	Pulverizar SA	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	Ceramica San Lorenzo S.A.C.	99.89%	0%
	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%
Indonesia	Eternit Gresik	82.43%	82.43%
Japan	Promat Japan	100%	100%
Malaysia	Promat (Malaysia) Sdn. Bhd.	100%	100%
Nigeria	Emenite Ltd.	56.87%	56.87%
	Eternit Ltd.	60.00%	60.00%
	Giwarite Ltd.	98.00%	98.00%
	Nigerite Ltd.	56.85%	56.85%
Singapore	Promat Building System Pte Ltd.	100%	100%
South Africa	Marley SA (Pty) Ltd.	100%	100%
	Eternit Building Systems	100%	100%
United Arab Emirates	Promat Fire Protection LLC	100%	100%
United States of America	Promat Inc.	100%	100%

Equity accounted investees

		% EQUITY INTEREST	
		2015	2016
Belgium	RBB N.V.	50%	50%
Germany	Lichtensteiner Brandschutzglas GmbH & Co. KG	50%	50%
	Oberlausitzer Tonbergbau GmbH	49.99%	49.99%
	OTE Surface Protection GmbH	50%	50%
	Neuwieder Brandschutzglas GmbH	50%	50%
Poland	Kopalnia Gipsu Leszcze S.A.	50%	50%
	Nida Media Sp. z o.o.	50%	50%
	A+B Poland	50%	0%
Spain	Yesos Ibéricos S.A.	40.69%	40.69%
Switzerland	Promat AG	26%	26%
Thailand	Rothenburg FAR Company LTd.	50%	50%

Note 30 – Discontinued operations

In July 2016 Etex reached an agreement with the Mexican company Grupo Lamosa on the disposal of the Ceramica San Lorenzo entities.

Below income statement of the discontinued operations gives a detail of the line 'net income from discontinued operations' as presented in the income statement of Etex group per 31 December 2016 and 31 December 2015.

IN THOUSANDS OF EUR	2015	2016
Revenue	**255,453**	**146,209**
Cost of sales	-213,215	-120,001
Gross profit	**42,238**	**26,208**
Distribution expenses	-13,822	-10,532
Administrative and general expenses	-11,491	-7,773
Other operating charges	-2,643	-1,043
Other operating income	603	1,164
Operating income before non recurring items	**14,885**	**8,024**
Gain and losses on disposal of assets and businesses	-5,518	-
Other on recurring items	-21,434	52,929
Operating income (EBIT)	**-12,067**	**60,953**
Interest income	208	58
Interest expenses	-6,380	-6,274
Other financial income	34	489
Other financial expense	-496	-516
Profit before income tax	**-18,700**	**54,709**
Income tax expense	-6,058	-13,848
Profit for the year from discontinued operations	**-24,758**	**40,861**

The 'net income from discontinued operations' per 31 December 2016 includes the results of the Ceramics divisions until disposals (pre-tax result of €-332 thousand), the results realized upon closing of the transaction (pre-tax result of €55.041 thousand), the tax impact on the disposal deal (€-8.995 thousand) and the tax impact on the Ceramics operations until disposal (€-4.853 thousand).

The net cash flow attributable to the operations, investing and financing of the discontinued operations in the cash flow statement of the group includes the cash flow until disposal, and is presented in more detail below.

IN THOUSANDS OF EUR	2015	2016
Operating income (EBIT)	-12,067	60,953
Depreciation, amortisation and impairment losses	10,994	5,549
Losses (gains) on sale of intangible assets and property, plant and equipment	-10	-36
Losses (gains) on sale of businesses	5,518	-55,041
Income tax paid	-2,268	-6,969
Changes in working capital, provisions and employee benefits	23,279	-26,457
Changes in other non-current assets/liabilities	1,293	-88
Discontinued operations: cash flow from operating activities	**26,740**	**-22,090**
Proceeds from sale of intangible assets and property, plant and equipment	17	48
Disposal of business	18,878	173,755
Capital expenditure	-2,163	-626
Interest and dividend received	208	51
Discontinued operations: cash flow from investing activities	**16,940**	**173,228**
Capital increase	-	11,423
Proceeds (repayment) of borrowings	-28,949	-43,010
Interest paid	-7,826	-7,549
Discontinued operations: cash flow from financing activities	**-36,775**	**-39,135**
Discontinued operations: Net increase (decrease) in cash and cash equivalents	**6,905**	**112,002**

Statutory auditor's report

Statutory auditor's report to the general meeting of shareholders of Etex SA on the consolidated financial statements as of and for the year ended 31 December 2016

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated statement of the financial position as at 31 December 2016, the consolidated statement of the realized and non-realized results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2016 and the notes (all elements together "the Consolidated Financial Statements"), and includes as well our report on other legal and regulatory requirements.

Report on the Consolidated Financial Statements - Unqualified opinion

We have audited the Consolidated Financial Statements of Etex SA ("the Company") and its subsidiaries (together "the Group") as of and for the year ended 31 December 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated balance sheet total of €3.251.679 ('000) and of which the consolidated income statement shows a profit for the year of €127.198 ('000) attributable to the shareholders of the group.

Responsibility of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and presentation of the Consolidated Financial Statements that give a true and fair view, 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. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We have obtained from the Board of Directors and the Company's officials the explanations and information necessary for performing our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Group as at 31 December 2016 give a true and fair view of the consolidated net equity and financial position, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Consolidated Financial Statements, in accordance with article 119 of the Belgian Company Code.

In the context of our mandate and in accordance with the additional standard issued by the 'Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises' as published in the Belgian Gazette on 28 August 2013 (the "Additional Standard"), it is our responsibility to perform certain procedures to verify, in all material respects, compliance with certain legal and regulatory requirements, as defined in the Additional Standard. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

- The Board of Director's report to the Consolidated Financial Statements includes the information required by law, is consistent with the Consolidated Financial Statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Ernst & Young
Reviseurs d'Entreprises
Bedrijfsrevisoren
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B-1831 Diegem
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Fax: +32 (0)2 774 90 90
www.ey.com/be

Diegem, 24 March 2017

Ernst & Young Reviseurs d'Entreprises SCCRL
Statutory auditor
represented by

Eric Golenvaux
Partner (Acting on behalf of a BVBA/SPRL)
Ref: 17/EG/0052

Non consolidated accounts of Etex S.A.

The annual accounts of Etex S.A. are presented below in a summarised form.

In accordance with the Belgian Company Code, the annual accounts of Etex S.A., 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 S.A.
Group Finance Department
Avenue de Tervueren 361
1150 Brussels

The auditors have expressed an unqualified opinion on the annual statutory accounts of Etex S.A.

Summarised balance sheet

IN THOUSANDS OF EUR	2015	2016
Fixed assets	**1,232,400**	**1,331,791**
Tangible and intangible assets	3,660	3,426
Financial assets	1,228,740	1,328,365
Current assets	**9,721**	**197,172**
TOTAL ASSETS	**1,242,121**	**1,528,963**
Capital and reserves	**1,158,572**	**1,152,632**
Capital	4,491	4,491
Share premium	3,724	3,724
Reserves	1,150,357	1,144,417
Provisions	**4,911**	**8,639**
Creditors	**78,638**	**367,692**
TOTAL EQUITY AND LIABILITIES	**1,242,121**	**1,528,963**

Summarised income statement

IN THOUSANDS OF EUR	2015	2016
Operating income	19,410	19,792
Operating charges	-21,869	-34,353
Operating loss	**-2,459**	**-14,561**
Financial result	1,620	48,385
Profit / <loss> before taxes	**-839**	**33,824**
Income taxes	-5	-2
Profit / <loss> for the year	**-844**	**33,822**
Release of tax free reserves	-	-
Profit / <loss> for the year to be appropriated	-844	33,822

The financial result includes non-recurring items for €-8.683 thousand in 2016, and €2.176 thousand in 2015.

Profit distribution

The Board of Directors will propose at the General Shareholders' Meeting on 24 May 2017 a net dividend of €0.3360 per share. The proposed gross dividend is €0.48 per share.

The dividend will be paid on 3 July 2017.

Appropriation account

IN THOUSANDS OF EUR	2015	2016
Profit / <loss> to be appropriated	**-844**	**33,822**
Profit / <loss> for the year to be appropriated	-844	33,822
Appropriation of the result	**-844**	**33,822**
Transfer to/from reserve	37,293	5,940
Profit to be distributed	-36,449	-39,762

Statutory nominations

The mandates of Messrs. Gustavo D. Oviedo and Philippe Vlerick as directors will expire at the end of the Annual General Shareholders' Meeting of May 24, 2017. The Board proposes the shareholders to renew their mandates for a period of three years expiring at the end of the 2020 Annual General Shareholders' Meeting.

The mandate of Mr. J. Alfons Peeters will also expire at the end of the Annual General Shareholders' Meeting of May 24, 2017. Considering that Mr. Peeters will reach the age limit as provided for in the Corporate Governance Charter of the Company, he will not stand for re-election. The Board of Directors wishes to sincerely thank Mr. Peeters for his valuable advice as director of the Company. The Board proposes to appoint a new director for a period of three years expiring at the end of the 2020 Annual General Shareholders' Meeting. The name of this new director will be announced in due course.

Mr. Guillaume Voortman will resign as director as of the date of the Annual General Shareholders' Meeting of May 24, 2017. The Board proposes the shareholders to appoint GUVO SPRL, having its registered seat at 73 avenue des Touristes, B-1150 Brussels, and registered with the Register of Legal Entities (Brussels) under number 0642.538.787, with Mr. Voortman acting as its permanent representative, as a director for a period of one year expiring at the end of the 2018 Annual General Shareholders' Meeting, which is corresponding to the remaining term of the director mandate of Mr. Voortman in his personal capacity.

Glossary

Definitions below relate to non-IFRS performance indicators

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, 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 restructuring measures, health claims and environmental remediation, major litigation, significant 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.

Photographs

Page 2 › (top) Changzhou, Jiangsu Province, China, picture provided by Eternit China. (bottom) Marley Building Systems, Gauten, South Africa, Tim Coppens.

Page 3 › (top) Skinco, Manizales, Colombia, Tim Coppens (middle & bottom) Marley Building Systems, Gauten, South Africa, Tim Coppens.

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Page 28 › Sabaneta, Antioquia, Colombia, Installer: J.C. Drywall, picture provided by Skinco Colombia.

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Page 50 › (top) Dunkelstein Forest - Wachau, Krems an der Donau, Austria, Architect: Peter Griebaum, Vienna, picture provided by Creaton Germany.

Page 50 › (bottom) Facatativa, Cundinamarca, Colombia, Builder: Triada Installer: KB+, picture provided by Skinco Colombia.

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Page 65 › SEA, Vernon, France, picture provided by SEA France.

Page 66 › Marley Eternit Burton-on-Trent, Nigerite Nigeria and Eternit Argentina.

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Page 70 › Musine, Ecuador, picture provided by EBM Ecuador.

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Page 72 › (bottom) Lima, Peru, picture provided by Eternit Peru.

Page 73 › Pudahuel, Santiago, Chile, picture provided by Eternit Chile.