



Our solid results are  
built on people-driven  
performance.

A man with a shaved head, wearing a bright yellow high-visibility jacket, is shown in profile, pointing his right hand towards the left. He is in a factory or industrial setting, with white cabinets and a bulletin board visible in the background. The right side of the image is overlaid with a large orange triangle containing text.

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# Financial report

Results fuelling focused growth

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# Consolidated financial statements

## Consolidated income statement

<i>In thousands of EUR</i>	Notes	2017	2018
<b>Revenue</b>	(1)	<b>2,793,738</b>	<b>2,896,938</b>
Cost of sales	(2)	-1,932,062	-2,046,164
<b>Gross profit</b>		<b>861,676</b>	<b>850,774</b>
Distribution expenses	(2)	-389,309	-407,654
Administrative and general expenses	(2)	-185,842	-179,172
Other operating charges	(3)	-28,777	-22,617
Other operating income	(3)	7,914	3,979
<b>Operating income before non recurring items</b>		<b>265,662</b>	<b>245,310</b>
Gain and losses on disposal of assets and businesses	(4)	38,114	29,792
Other non recurring items	(4)	-35,153	-54,424
<b>Operating income (EBIT)</b>		<b>268,623</b>	<b>220,678</b>
Interest income	(5)	4,687	4,715
Interest expenses	(5)	-47,150	-30,265
Other financial income	(5)	8,786	11,501
Other financial expense	(5)	-19,922	-13,278
Share of profit in equity accounted investees	(12)	1,220	1,018
<b>Profit before income tax</b>		<b>216,243</b>	<b>194,369</b>
Income tax expense	(6)	-62,909	-49,635
<b>Profit for the year</b>		<b>153,334</b>	<b>144,734</b>
Attributable to shareholders of Etex		148,036	140,426
Attributable to non-controlling interests		5,298	4,308

## Consolidated statement of comprehensive income

<i>In thousands of EUR</i>	2017	2018
<b>Profit for the year</b>	<b>153,334</b>	<b>144,734</b>
Remeasurements in employee benefit obligations	80,674	-10,915
<i>Income tax effect</i>	-14,247	225
<b>Net other comprehensive income not to be reclassified to income statement in subsequent periods</b>	<b>66,427</b>	<b>-10,689</b>
Changes in cash flow hedge reserves	2,519	5,976
<i>Income tax effect</i>	-3,353	-1,260
Exchange differences on translation of foreign operations	-52,945	-49,126
<b>Net other comprehensive income to be reclassified to income statement in subsequent periods</b>	<b>-53,779</b>	<b>-44,409</b>
<b>Other comprehensive income, net of tax</b>	<b>12,648</b>	<b>-55,099</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>165,981</b>	<b>89,635</b>
Attributable to shareholders of Etex	163,786	84,789
Attributable to non-controlling interests	2,196	4,846

## Consolidated statement of financial position

<i>In thousands of EUR</i>	Notes	2017	2018
<b>Non-current assets</b>		<b>2,216,151</b>	<b>2,186,959</b>
Property, plant and equipment	(7)	1,640,978	1,641,827
Goodwill	(8)	202,975	201,433
Other intangible assets	(9)	208,761	220,842
Investment properties	(10)	23,376	13,584
Assets held for sale	(11)	3,406	3,162
Investments in equity accounted investees	(12)	8,186	10,309
Other non-current assets	(13)	8,033	5,349
Deferred tax assets	(24)	115,093	83,996
Employee benefits assets	(21)	5,343	6,457
<b>Current assets</b>		<b>898,081</b>	<b>921,146</b>
Inventories	(15)	468,279	446,836
Trade and other receivables	(14)	319,652	338,343
Other current assets	(14)	3,137	1,803
Cash and cash equivalents	(17)	107,013	134,164
<b>TOTAL ASSETS</b>		<b>3,114,232</b>	<b>3,108,105</b>
<b>Total equity</b>	(18)	<b>1,010,833</b>	<b>1,081,740</b>
<i>Issued share capital</i>		2,533	2,533
<i>Share premium</i>		743	743
<i>Reserves and retained earnings</i>		979,769	1,041,692
Attributable to the equity shareholders of Etex		983,045	1,044,968
Non-controlling interests		27,788	36,772
<b>Non-current liabilities</b>		<b>1,141,217</b>	<b>1,081,381</b>
Provisions	(19)	137,827	121,985
Employee benefits liabilities	(21) (22)	310,731	312,080
Loans and borrowings	(23)	529,735	522,839
Deferred tax liabilities	(24)	127,129	95,924
Other non-current liabilities	(25)	35,795	28,553
<b>Current liabilities</b>		<b>962,182</b>	<b>944,984</b>
Provisions	(19)	55,330	75,376
Current portion of loans and borrowings	(23)	213,169	196,926
Trade and other liabilities	(25)	693,683	672,682
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,114,232</b>	<b>3,108,105</b>

## Consolidated statement of cash flows

<i>In thousands of EUR</i>	Notes	2017	2018
Operating income (EBIT)		268,623	220,678
Depreciation, amortisation and impairment losses	(26)	163,425	169,836
Losses (gains) on sale of intangible assets and property, plant and equipment	(26)	-3,272	-29,882
Losses (gains) on sale of businesses		-34,387	194
Income tax paid	(26)	-61,734	-56,115
Changes in working capital, provisions and employee benefits	(26)	-48,012	-40,212
Changes in other non-current assets/liabilities		5,408	7,176
<b>Cash flow from operating activities</b>		<b>290,051</b>	<b>271,675</b>
Proceeds from sale of intangible assets and property, plant and equipment	(26)	9,950	37,045
Acquisition of business		-49,547	-
Disposal of business		11,931	979
Capital expenditure	(26)	-147,746	-192,345
Other		83	-1,326
<b>Cash flow from investing activities</b>		<b>-175,329</b>	<b>-155,647</b>
Capital increase / (decrease)		-4,660	2,898
Proceeds (repayment) of borrowings		-189,502	-23,170
Interest and dividend received	(26)	4,988	5,414
Dividend paid	(26)	-39,351	-43,862
Interest paid		-50,554	-27,649
<b>Cash flow from financing activities</b>		<b>-279,079</b>	<b>-86,369</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>-164,357</b>	<b>29,659</b>
Cash and cash equivalents at the beginning of the year		279,432	103,968
Translation differences		-9,444	-6,316
Changes in the scope of consolidation		-1,663	-128
Net increase (decrease) in cash and cash equivalents		-164,357	29,659
<b>Net cash and cash equivalents at the end of the year</b>		<b>103,968</b>	<b>127,183</b>
<i>Cash and cash equivalents</i>		107,013	134,164
<i>Bank overdrafts</i>		-3,045	-6,981

## Consolidated statement of changes in equity

### Attributable to the equity holders of Etex (Note 18)

<i>In thousands of EUR</i>	Issued share capital and share premiums	Treasury shares	Post employment benefits reserves and financial instruments	Cumulative translation adjustments	Other reserves and retained earnings	Non-controlling interests	Total Equity
<b>At December 31, 2016</b>	<b>8,216</b>	<b>-19,988</b>	<b>-289,850</b>	<b>-196,099</b>	<b>1,357,869</b>	<b>28,433</b>	<b>888,581</b>
Total comprehensive income	-	-	65,605	-48,061	146,241	2,196	165,981
Capital increase / (decrease)	-4,940	-	-	-	280	-	-4,660
Dividend	-	-	-	-	-37,519	-1,550	-39,069
Other equity movements	-	-	-	-	1,290	-1,290	-
Treasury shares	-	-	-	-	-	-	-
<b>At December 31, 2017</b>	<b>3,276</b>	<b>-19,988</b>	<b>-224,245</b>	<b>-244,159</b>	<b>1,468,162</b>	<b>27,788</b>	<b>1,010,833</b>
Total comprehensive income	-	-	-5,882	-49,735	140,407	4,846	89,636
Capital increase / (decrease)	-	-	-	-	-	2,898	2,898
Dividend	-	-	-	-	-41,427	-2,307	-43,734
Other equity movements	-	-	-	-	18,560	3,547	22,108
Treasury shares	-	-	-	-	-	-	-
<b>At December 31, 2018</b>	<b>3,276</b>	<b>-19,988</b>	<b>-230,127</b>	<b>-293,894</b>	<b>1,585,702</b>	<b>36,772</b>	<b>1,081,740</b>

# Accounting policies

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

The financial statements have been authorised for issue by the Board of Directors on 3 April 2019.

## Statement of compliance

The consolidated financial statements of Etex for the year ended 31 December 2018 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 1<sup>st</sup> January 2018.

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

### **IFRS 9 Financial Instruments**, effective 1 January 2018

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group has adopted the new standard on the required effective date and did not have a significant impact on its balance sheet and equity.

#### (a) Classification and measurement

The Group did not have a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It continues to measure at fair value all financial assets currently held at fair value.

The equity shares in non-listed companies are intended to be held for the foreseeable future, which have been decided to present fair value changes through profit and loss and thereafter for every new acquisition the decision will be made on an instrument by instrument basis.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group continues to measure these at amortised cost under IFRS 9. Following the assessment of the contractual cash flow characteristics of its debt instruments the Group concluded that the loans and trade receivables can be classified at amortised cost measurement under IFRS9.

#### (b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group has applied the simplified approach and records lifetime expected losses on all trade receivables. The application of the expected credit loss did not have a significant impact on equity due to the secured nature of its loans and receivables.

#### (c) Hedge accounting

All existing hedge relationships that are currently designated in effective hedging relationships still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group did not have a significant impact as a result of applying IFRS 9.

**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, effective 1 January 2018.



IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted the new standard on the required effective date using the full retrospective method. The standard did not have a significant impact on revenues, and no restatement of comparative periods have been performed. There is no change in timing (Point in Time or Over Time) of the revenues. We refer to our accounting principles on revenue recognition for further information.

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

- Amendments to IFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment transactions, effective 1 January 2018
- Amendments to IAS 40 Investment Property – Transfers of Investment Property, effective 1 January 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration, effective 1 January 2018
- Annual Improvements to IFRSs 2014-2016 Cycle (issued December 2016), effective 1 January 2018

## Basis of preparation

### A - Functional and presentation currency

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

### B - Basis of measurement

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

### C - Use of judgement, estimates and assumptions

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

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

#### Impairment of non-financial assets

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

#### Provisions

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

#### Employee benefits

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

### Recognition of deferred tax assets on tax losses carried forward

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

### Cash-settled share-based payment transaction

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

### Financial instruments

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

The Group adopted IFRS 9 as from 1 January 2018. The transition to IFRS 9 has not had a significant impact.

### Business Combinations

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

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

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

Transaction costs are recognised in the income statement when incurred.

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

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

### Hyperinflation

In May 2018, the Argentinean peso underwent a severe devaluation resulting in the three-year cumulative inflation of Argentina to exceed 100% in 2018, thereby triggering the requirement to transition to hyperinflation accounting as prescribed by IAS 29 Financial Reporting in Hyperinflationary Economies as of 1 January 2018. The main principle in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy must be stated in terms of the measuring unit current at the end of the reporting period. Therefore, the non-monetary assets and liabilities stated at historical cost, the equity and the income statement of subsidiaries operating in hyperinflationary economies are restated for changes in the general purchasing power of the local currency applying a general price index. Monetary items that are already stated at the measuring unit at the end of the reporting period are not restated. These re-measured accounts are used for conversion into Euro at the period closing exchange rate. Consequently, the company has applied hyperinflation accounting for its Argentinean subsidiaries for the first time in these consolidated financial statements applying the IAS 29 rules as follows:

- Hyperinflation accounting was applied as of 1 January 2018;
- Non-monetary assets and liabilities stated at historical cost (e.g. property plant and equipment, intangible assets, goodwill, etc.) and equity of Argentina were restated using an inflation index. The hyperinflation impacts resulting from changes in the general purchasing power until 31 December 2017 were reported in retained earnings and the impacts of changes in the general

purchasing power from 1 January 2018 are reported through the income statement on a dedicated account for hyperinflation monetary adjustments in the finance line (see also Note 5 Finance income and expense;

- The income statement is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies), thereby restating the year to date income statement account both for inflation index and currency conversion;
- The prior year income statement and balance sheet of the Argentinean subsidiaries were not restated.

## D - Basis of consolidation

### Subsidiaries

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

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

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

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

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

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

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

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

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

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

### Investments in associates and joint ventures

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

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

## E - Foreign operations

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

## F - Transactions in foreign currencies

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

## G - Exchange rates

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

		2017		2018	
		Average	End of period	Average	End of period
Argentinean peso	ARS	18.7749	22.3663	43.1627	43.1627
Chilean peso (000)	CLP	0.7330	0.7373	0.7565	0.7955
Chinese yuan	CNY	7.6338	7.8023	7.8053	7.8473
Colombian peso (000)	COP	3.3384	3.5787	3.4838	3.7210
Danish krone	DKK	7.4387	7.4449	7.4530	7.4673
Pound sterling	GBP	0.8769	0.8872	0.8845	0.8945
Hungarian forint	HUF	309.1892	310.3300	318.8582	320.9800
Indonesian rupiah (000)	IDR	15.1328	16.2391	16.8039	16.5000
Nigerian naira	NGN	351.2407	367.0460	360.9992	350.9430
Peruvian nuevo sol	PEN	3.6854	3.9180	3.8803	4.1500
Polish zloty	PLN	4.2547	4.1770	4.2614	4.3014
US dollar	USD	1.1308	1.1993	1.1813	1.1450
South African rand	ZAR	15.0475	14.8054	15.6097	16.4594

## Risk profile

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

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

The Group is active around the world. As such, the group is exposed to the impact of currency fluctuations on revenues, costs, assets, and liabilities arising outside the Eurozone. In 2017, the Group continued to follow our well-thought-out policies for addressing these risks.

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

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

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

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

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

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

## Significant accounting policies

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

### A - Property, plant and equipment

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

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

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

#### Subsequent expenditures

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

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

Mineral reserves, which are presented as "lands" of property, plant and equipment, are valued at cost and are depreciated based on the

physical unit-of-production method over the estimated tons of raw materials to be extracted from the reserves.

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

## B - Intangible assets

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

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

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

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

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

## C - Goodwill

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

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

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

## D - Investment property

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

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

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

## E - Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset, other than inventories and deferred taxes, may be impaired. If any such indication exists, the recoverable amount of the asset (being the higher of its fair value less costs to sell and its

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

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

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

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

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

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

## F - Investments in debt and equity securities

All purchases and sales of investments are recognised on trade date, which is the date that the Group commits to purchase or sell the asset.

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

## G - Government grants

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

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

## H - Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned by using the weighted average cost method. The cost of inventories comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. For manufactured inventories, cost means full cost including all direct and indirect production costs required to

bring the inventory items to the stage of completion at the reporting date. Allocation of indirect production costs is based on normal operating capacity. Borrowing costs are expensed as incurred. The costs of inventories may also include transfers from equity of any gain or loss on qualifying cash flow hedges on foreign currency purchases of inventory.

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

## I - Trade and other receivables

Trade and other receivables are initially recognised at fair value which generally corresponds with the nominal value. Trade and other receivables are subsequently carried at amortised cost using the effective interest rate method. An impairment allowance is recognised for any uncollectible amounts when there is objective evidence that the Group will not be able to collect the outstanding amounts.

## J - Cash and cash equivalents

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

## K - Share capital

### Ordinary shares

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

### Treasury shares

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

### Dividends

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

## L - Provisions

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

### Warranty provisions

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

### Restructuring provisions

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

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

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

### Emission rights

The initial allocation of emission rights granted is recognised at nominal amount (nil value) and is subsequently carried at cost. Where the Group has emitted CO<sup>2</sup> 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 financial asset valued at fair value through OCI. In general, the Group does not acquire any shares or options on shares or other equity products, which are not directly related to the business of the Group.

#### **b. Credit risk**

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

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

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

#### **c. Funding and long term liquidity risk**

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

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

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

#### **d. Capital risk**

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

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

## **S - Derivative financial instruments**

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

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

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

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

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

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

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

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

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

#### **Cash flow hedge**

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

#### **Net investment hedge**

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

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

## T - Income taxes

Income taxes include current and deferred income taxes.

### Current income taxes

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

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

### Deferred income taxes

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

Deferred tax liabilities are recognised, except:

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

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

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

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

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

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

## U - Revenue

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

### Sales of goods

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

### Project - Construction contracts

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

### Rental income

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

### Interest income

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

### Dividends

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

The Group adopted IFRS 15 as from 1 January 2018. The transition to IFRS 15 has not had a significant impact.

## 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 – Non recurring items

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

## Y - Hyperinflation

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

## Z - Future changes in accounting policies

New or amended standards and interpretations issued up to the date of issuance of the Group's financial statements, but not yet effective for 2018 financial statements, which could be applicable to the Group are listed below:

### - IFRS 16 Leases, effective 1 January 2019

IFRS 16 Leases was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low value leases.

The standard will affect primarily the accounting for the group's operating leases. At the reporting date, the group has non-cancellable operating lease commitments of €112 million, see note 23. Of these commitments, those relating to short-term leases and low value

leases will both be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the group expects to recognize right-of-use assets and lease liabilities of in the range of €100 million on 1 January 2019 (after adjustments for prepayments and accrued lease payments recognized at 31 December 2018); impact on deferred taxes will be immaterial. The group expects that net profit after tax will not change materially for 2019 because of adopting the new rules. The EBITDA is expected to increase in the range of €25 million, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure. Operating cash flows will increase, and financing cash flows decrease in the range of €25 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group will apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

- **IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019)**

Uncertainty over income tax treatments was issued in June 2017 and becomes applicable as from 1 January 2019. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The group has reviewed their tax positions taken in the financial statements and in the tax filings and how these are supported. In addition, the group has assessed how the taxation authorities might make their examinations and how issues that might arise from that examinations could be resolved. The Group is currently assessing the impact of this new standard. The determination of the expected value (the sum of the probability-weighted amounts in a range of possible outcomes), where appropriate, is pending.

- **Amendments to IFRS 9, 'Prepayment features with negative compensation' (effective 1 January 2019)**

The amendments to IFRS 9, 'Prepayment features with negative compensation' will be effective from 1 January 2019. The amendments are not expected to have a significant effect on the Group.

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

# Explanatory notes

## Note 1 – Revenue

### Revenue by activity

<i>In thousands of EUR</i>	2017	2018
Etex Building Performance	1,526,266	1,649,906
Etex Roofing	836,074	814,330
Etex Façade	267,123	262,988
Etex Industry	163,534	169,714
Others	741	-
<b>Total</b>	<b>2,793,738</b>	<b>2,896,938</b>

### Revenue by geographical area

<i>In thousands of EUR</i>	2017	2018
France	475,873	510,494
Germany	384,171	384,466
United Kingdom	485,393	489,897
Benelux	172,544	186,528
Poland	115,165	120,599
Spain	41,058	115,072
Other Europe	388,049	406,358
Chile	111,624	106,990
Argentina	97,872	72,253
Peru	78,172	67,104
Colombia	68,862	63,272
Nigeria	73,428	74,176
South Africa	53,758	55,536
Rest of the World	247,769	244,193
<b>Total</b>	<b>2,793,738</b>	<b>2,896,938</b>



## Note 2 – Operating charges by nature

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

<i>In thousands of EUR</i>	Personnel & temporary	Depreciation & impairment	Goods & materials	Energy	Transport & travel	Others	Total
Cost of sales	-359,366	-129,411	-870,590	-185,309	-264,012	-237,477	-2,046,164
Distribution expenses	-218,953	-18,200	-	-756	-22,309	-147,436	-407,654
Administrative and general expenses	-101,872	-10,090	-	-693	-5,615	-60,902	-179,172
Other operating charges	-19,155	-1,854	-	-311	-3,053	1,756	-22,617
Non recurring items	-40,480	-10,282	-	-	-	26,130	-24,632
<b>Total</b>	<b>-739,826</b>	<b>-169,836</b>	<b>-870,590</b>	<b>-187,070</b>	<b>-294,989</b>	<b>-417,928</b>	<b>-2,680,239</b>

The Group's major operating charges by function in 2017 are as follows:

<i>In thousands of EUR</i>	Personnel & temporary	Depreciation & impairment	Goods & materials	Energy	Transport & travel	Others	Total
Cost of sales	-342,110	-125,571	-784,345	-165,031	-249,230	-265,775	-1,932,062
Distribution expenses	-223,021	-16,331	-	-801	-19,874	-129,281	-389,309
Administrative and general expenses	-106,984	-10,113	-	-757	-5,296	-62,692	-185,842
Other operating charges	-23,751	-1,896	-	-146	-2,756	-227	-28,777
Non recurring items	-9,587	-9,514	-	-	-	22,062	2,961
<b>Total</b>	<b>-705,453</b>	<b>-163,425</b>	<b>-784,345</b>	<b>-166,736</b>	<b>-277,156</b>	<b>-435,913</b>	<b>-2,533,029</b>

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

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

<i>In thousands of EUR</i>	2017	2018
Wages and salaries	-520,098	-511,262
Social security contributions	-108,573	-110,632
Contributions to defined contribution plans	-13,727	-13,650
Charges for defined benefit plans (service cost)	-14,799	-12,027
Restructuring and termination charges	-7,281	-40,480
Other employee benefits expenses	-40,975	-51,774
<b>Total employee benefits expenses</b>	<b>-705,453</b>	<b>-739,826</b>

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

	2017	2018
Production	8,824	8,749
Sales and marketing	4,097	4,109
Administration and research	1,589	1,600
<b>Average number of personnel</b>	<b>14,510</b>	<b>14,458</b>

### Note 3 – Other operating charges and income

<i>In thousands of EUR</i>	2017	2018
Research	-20,588	-19,998
Other operating taxes	-2,471	-2,439
Direct expenses arising from investment properties	-378	-83
Miscellaneous	-5,340	-97
<b>Total other operating charges</b>	<b>-28,777</b>	<b>-22,617</b>

<i>In thousands of EUR</i>	2017	2018
Income from investment property	749	207
Government grant amortisation	1,534	1,546
Miscellaneous	5,631	2,226
<b>Total other operating income</b>	<b>7,914</b>	<b>3,979</b>

### Note 4 – Non recurring items

<i>In thousands of EUR</i>	2017	2018
Gain on disposal of assets	3,809	29,986
Gains / Losses on disposal of businesses	34,305	-194
<b>Total gains and losses on disposal of assets and businesses</b>	<b>38,114</b>	<b>29,792</b>
Restructuring costs	-19,235	-44,850
Health claims	-313	3,603
Environmental remediation	-6,972	-10,916
Asset impairment	-2,575	-6,278
Past service gain / Settlements	-	-6,170
Others	-6,058	10,187
<b>Total other non recurring items</b>	<b>-35,153</b>	<b>-54,424</b>
<b>Non recurring items</b>	<b>2,961</b>	<b>-24,632</b>

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

The 2018 gain on disposal of assets relates to non operational sites in France, in the United Kingdom and in Germany. In 2017, the most significant gain on disposal of assets related to disposal of an office building in Luxembourg and to a French site

In April 2018, Etex disposed the company Fibrolith Dämmstoffe, a German producer wood wool cement boards, with a net loss of €194 thousand.

The 2017 result on businesses disposal are the gain recognised as a result of the step up acquisition of the non controlling interest in Pladur (€37,123 thousand), the gain realised on the disposal of Industria Princesa (Chile) a Chilean bricks and brick veneers manufacturer (€1,538 thousand) and the loss on disposal of the Tonality ceramic tile business in Germany (€4,357 thousand).

Restructuring plans initiated in 2018 mainly relate to the following:

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

In 2017, following restructuring plans were initiated:

- the closure of the concrete plant in Heidelberg, Germany (charges €3,800 thousand and impairment of equipment for €835 thousand),
- the adaptation of clay tile capacity to market demand, with impact our premises in Malsh and Autenried (Germany), by stopping production on several lines (charges €7,000 thousand and impairment of equipment for €5,269 thousand),
- the further integration of the fire protection technical construction business into the building board division (€2,850 thousand),
- the manufacturing operations in Chile (charges €1,062 thousand and impairment of equipment for €835 thousand),
- the discontinued scaffolding activities in the United Kingdom (€ 542 thousand),
- other elimination of roles in sales forces and administration in France and South Africa (€ 1,057 thousand).

Net health claims impacts are €313 thousand charges in 2017 and €3,603 thousand income in 2018 due to reversal of provisions with respect to statistical model which appeared to be too conservative for 2018 compared to the actual figures; other conservative assumptions in the past also explain this favourable impact, among others relating to insurance coverage in specific countries.

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

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

In 2017 impairment losses relate mainly office building in Brussels and to raw material preparation in the United Kingdom; partially offset by reversal of impairment on equipment in Spain.

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

Other non recurring items in 2018 mainly include compensation recognised with respect to asbestos legacy charges which are partially offset by property tax impacts resulting from mergers in Germany and charges relating to acquisition and disposal projects.

In 2017, the main other non recurring items charges relating to acquisition projects and other costs relating to minority shareholders in the German entity Creaton AG.

## Note 5 – Finance income and expense

<i>In thousands of EUR</i>	2017	2018
Interest income from receivables, deposits and cash and cash equivalents (loans and receivables)	4,141	4,589
Positive impact of change in discount rate of long term provisions	526	108
Other interest related income	20	18
<b>Interest income</b>	<b>4,687</b>	<b>4,715</b>
Interest expense on financial liabilities measured at amortised cost	-35,190	-22,599
Net interest expense on post-employment benefits	-8,383	-4,581
Unwinding of discount long term provisions	-210	-549
Negative impact of change in discount rate of long term provisions	-428	-652
Negative fair value adjustments of interest rate contracts (held for trading at fair value through profit and loss)	-1	-
Other interest related charges	-2,938	-1,884
<b>Interest expense</b>	<b>-47,150</b>	<b>-30,265</b>
Dividend income from shares in non consolidated companies (FVTOCI financial assets)	136	76
Net foreign exchange gains (loans and receivables)	8,592	11,121
Other	58	304
<b>Other finance income</b>	<b>8,786</b>	<b>11,501</b>
Net foreign exchange losses (liabilities at amortised cost)	-18,919	-9,953
Hyperinflation Argentina	-	-1,345
Other	-1,003	-1,980
<b>Other finance expense</b>	<b>-19,922</b>	<b>-13,278</b>
<b>Net finance costs</b>	<b>-53,599</b>	<b>-27,327</b>

The lower interest expense on financial liabilities measured at amortised cost is mainly explained by the refinancing at a lower cost, and the evolution of loan reimbursements. It includes the effect of interest rate swaps hedging the Group's interest rate risk: €7,656 thousand paid in 2018 (€7,666 thousand paid in 2017).

The other interest related charges mainly include upfront fee expenses for €1,533 thousand (€2,607 thousand in 2017) in connection with external financial debt which are amortised over the duration of the loan.

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

The impact of hyperinflation in Argentina in 2018 is €-1,345 thousand.

## Note 6 - Income tax expense

<i>In thousands of EUR</i>	2017	2018
Current income tax charge for the year	-64,238	-53,953
Adjustments to current income tax of previous years	1,902	-3,403
<b>Current income tax expense</b>	<b>-62,336</b>	<b>-57,356</b>
Origination and reversal of temporary differences	11,024	18,184
Net effect on deferred tax assets	-13,112	-10,897
Net effect of changes in tax rates on deferred tax	1,515	434
<b>Deferred income tax expense</b>	<b>-573</b>	<b>7,721</b>
<b>Total income tax expense</b>	<b>-62,909</b>	<b>-49,635</b>

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.

<i>In thousands of EUR</i>	2017	2018
<b>Profit before income tax and before share of profit in equity accounted investees</b>	<b>215,023</b>	<b>193,351</b>
Theoretical income tax expense (nominal rates)	-56,859	-42,769
Weighted average nominal tax rate %	26.4%	22.1%
Tax impact of		
<i>Non deductible expenses</i>	-11,284	-10,637
<i>Tax on profit distribution inside the Group</i>	-3,647	-3,253
<i>Tax-free gains/losses on investments</i>	12,856	6,727
<i>Other tax deductions</i>	7,493	13,126
<i>Unrecognised deferred tax assets on current year losses</i>	-17,190	-12,640
<i>Recognition of previously unrecognised deferred tax assets</i>	14,913	2,678
<i>Derecognition of previously recognised deferred tax assets</i>	-10,835	-935
<i>Net effect of changes in tax rates on deferred tax</i>	1,515	434
<i>Adjustments to prior year income tax</i>	1,902	-3,403
<i>Other tax adjustments</i>	-1,773	1,037
<b>Income tax expense recognised in the income statement</b>	<b>-62,909</b>	<b>-49,635</b>
Effective tax rate %	29.3%	25.7%

In 2018 and 2017, the unrecognised deferred tax assets on current year losses are mainly impacted by restructuring.

Income tax recognised directly in equity is related to:

<i>In thousands of EUR</i>	2017	2018
Actuarial gains (losses) on post employment benefit plans	-14,247	225
Gains (losses) on financial instruments - cash flow hedging	-3,353	-1,260
<b>Total</b>	<b>-17,600</b>	<b>-1,034</b>

## Note 7 - Property, plant and equipment

<i>In thousands of EUR</i>	Land and buildings	Plant, machinery, equipment	Furniture, vehicles	Other property, plant, equipment	Under construction	Total
<b>At 31 December 2016</b>						
Gross book value	1,086,057	2,354,550	239,440	26,146	67,475	3,773,668
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
<b>Net book value</b>	<b>571,824</b>	<b>858,252</b>	<b>79,741</b>	<b>8,527</b>	<b>62,671</b>	<b>1,581,015</b>
<i>Of which leased assets</i>	-	1,723	141	-	-	1,864
Additions	11,801	40,203	3,906	1,740	84,040	141,690
Disposals	-474	-2,071	-185	-	1,103	-1,627
Acquisitions through business combinations	26,045	31,606	33	65	48,058	105,807
Transfer between captions	7,621	28,092	1,545	-2,224	-34,496	538
Depreciation for the year	-29,805	-90,377	-10,944	-1,689	-	-132,815
Impairment loss of the year	-1,265	-11,374	-343	-	-	-12,982
Reversal impairment loss	57	3,476	-	-	-	3,533
Translation differences	-16,642	-21,989	-231	-184	-5,135	-44,181
<b>At 31 December 2017</b>						
Gross book value	1,116,789	2,414,690	230,652	25,696	161,037	3,948,864
Accumulated depreciation	-539,023	-1,514,127	-156,216	-19,381	-	-2,228,747
Accumulated impairment loss	-8,604	-64,745	-914	-80	-4,796	-79,139
<b>Net book value</b>	<b>569,162</b>	<b>835,818</b>	<b>73,522</b>	<b>6,235</b>	<b>156,241</b>	<b>1,640,978</b>
<i>Of which leased assets</i>	-	4,314	21	-	-	4,335
Additions	14,476	50,175	5,032	994	83,801	154,478
Disposals	-879	-981	-79	-2	-	-1,941
Changes in the scope of consolidation	-944	-398	-	-310	-	-1,652
Transfer between captions	28,691	98,416	-3,879	154	-124,064	-682
Depreciation of the year	-32,108	-91,917	-10,624	-1,699	-	-136,348
Impairment loss of the year	-853	-3,828	-239	-	-213	-5,133
Reversal of impairment loss	-	958	-	-	-	958
Hyperinflation - opening balance restatement through equity	3,384	2,294	95	-4,562	1,997	3,208
Hyperinflation - impact of the year	4,948	10,193	843	-2,317	3,624	17,291
Translation differences	-9,590	-12,693	-673	-66	-6,305	-29,327
<b>At 31 December 2018</b>						
Gross book value	1,144,799	2,511,616	223,868	25,287	118,151	4,023,721
Accumulated depreciation	-560,231	-1,563,378	-158,732	-26,782	-	-2,309,123
Accumulated impairment loss	-8,285	-60,201	-1,138	-78	-3,069	-72,771
<b>Net book value</b>	<b>576,283</b>	<b>888,037</b>	<b>63,998</b>	<b>-1,573</b>	<b>115,082</b>	<b>1,641,827</b>
<i>Of which leased assets</i>	-	3,869	10	-	-	3,879

During the year several investments were made in capacity increase especially in the UK, Spain and Belgium. In Ireland investment were made to revamp a Fiber Cement line. There are no borrowing costs capitalised in 2017 and 2018.

The disposal proceeds of property, plant and equipment in 2018 amount to € 2,869 thousand, resulting in a net gain of € 930 thousand. In 2017, the proceeds amounted to €5,077 thousand with a net gain of €3,450 thousand.

We refer to note 8.4 for the impairment testing of capital employed.

## Note 8 – Goodwill and business combinations

### 8.1. Reconciliation of the carrying amount of goodwill

<i>In thousands of EUR</i>	2017	2018
Gross book value	255,214	255,330
Accumulated impairment losses	-52,043	-52,355
<b>Net book value at the beginning of the year</b>	<b>203,171</b>	<b>202,975</b>
Additions through business combinations	2,113	-
Translation differences	-2,309	-1,542
<b>Net book value at the end of the year</b>	<b>202,975</b>	<b>201,433</b>
Gross book value	255,330	253,357
Accumulated impairment losses	-52,355	-51,924

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

<i>In thousands of EUR</i>	2017	2018
Roofing	83,685	83,666
Building Performance	85,289	83,793
Industry	25,332	25,332
Etex Nordic	8,539	8,512
Others	130	130
<b>Total</b>	<b>202,975</b>	<b>201,433</b>

## 8.2. Business combinations

The Group did not acquire new business in 2018.

On 22 December 2017, Etex acquired the remaining 59% shares of the Spanish Pladur, a leading Spanish manufacturer of gypsum products with a strong brand reputation on its domestic market, for a total contribution of €112,239 thousand, of which €45,712 thousand in cash (plus acquisition cost for €1,140 thousands). The remainder is made up of the historical value of the company previously equity accounted €29,403 thousand (see Note 12) and the gain recognised on the transaction: the company was previously accounted for as equity accounted investee and the transaction generated a gain of €37,123 thousand (see Note 4). In 2017, Pladur did not contribute to any significant sales or REBITDA given the timing of the transaction completion; the pro-forma REBITDA contribution would they have been consolidated from the beginning of the year amounts to €8,895 thousand.

The fair value of the identifiable assets and liabilities of the businesses acquired in 2017 as at the date of acquisition are disclosed in the following table.

<i>In thousands of EUR</i>	<b>Pladur</b>	<b>2017</b>
<b>Non-current assets</b>	<b>149,456</b>	<b>149,456</b>
Property, plant and equipment	113,485	113,485
Assets held for sale	691	691
Intangible assets	32,111	32,111
Other non-current assets	27	27
Deferred tax assets	3,143	3,143
<b>Current assets</b>	<b>30,210</b>	<b>30,210</b>
Inventories	8,902	8,902
Trade and other receivables	19,196	19,196
Current financial assets	962	962
Cash and cash equivalents	1,151	1,151
<b>TOTAL ASSETS</b>	<b>179,667</b>	<b>179,667</b>
<b>Non-current liabilities</b>	<b>27,274</b>	<b>27,274</b>
Provisions	6,498	6,498
Loans and borrowings	12,949	12,949
Deferred tax liabilities	7,827	7,827
<b>Current liabilities</b>	<b>42,266</b>	<b>42,266</b>
Current portion of loans and borrowings	15,421	15,421
Trade and other liabilities	26,845	26,845
<b>TOTAL LIABILITIES</b>	<b>69,540</b>	<b>69,540</b>
<b>Net identifiable assets and liabilities</b>	<b>110,126</b>	<b>110,126</b>
Group share	110,126	110,126
<b>Acquisition price satisfied in cash (Group share)</b>	<b>112,239</b>	<b>112,239</b>
Goodwill generated	2,113	2,113

The goodwill above did not change from the provisional valuation.



### 8.3 Acquisitions of non-controlling interests

The domination agreement between Creaton AG and its majority shareholder Etex Holding GmbH in Germany (August 2007) stipulated 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 2017, Etex Holding GmbH acquired all remaining shares (235.738) for a price of €7.629 thousand. Hence, at year-end 2017 there is no longer any financial liability (€6.814 thousand in 2017). It is disclosed in note 23.

### 8.4 Impairment testing of goodwill and capital employed

Impairment reviews were performed in 2018, by comparing the carrying value of capital employed including goodwill with the recoverable amount of the cash-generating unit to which goodwill has been allocated.

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

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

Similarly, the new global Etex Roofing Residential division includes, as from 2019, the capital employed for the residential clay and concrete roofing business of Etex in Europe and in South Africa and the goodwill values generated by the acquisition of Creaton (2005, clay business in Germany, Austria, Hungary and Poland) and Brash (2016, timber roofing battens).

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

No impairment would have been required, should these goodwill values with respect to Roofing Residential and Exteriors been tested differently, as it was done till the end of 2017 based on the organization design then.

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,
- cash flows for further periods were extrapolated using a constant growth rate of 1% to 5% per annum depending on the countries involved and their inflation (1% to 3% in 2017)
- cash flows were discounted using the weighted average cost of capital (WACC) in a range of 5.7 % to 10.0 % depending on the countries involved (7.0 % to 9.4 % in 2017).

In connection with the impairment testing process on the capital employed including goodwill, the future cash flows were subjected to stress tests that included changes in individual macroeconomic parameters as part of a sensitivity analysis. Goodwill values are not sensitive to reasonable changes in assumptions (such as an increase of WACC by 1%) except Roofing Residential where, in case of an increase of discounting rates by 0.1% in combination with a reduction of the perpetual growth rate by 0.5%, the need for impairment would crystalize.

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

## Note 9 – Intangible assets other than goodwill

<i>In thousands of EUR</i>	Concessions	Software	Brands	Technology	Customer list	Others	Total
<b>At 31 December 2016</b>							
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
<b>Net book value</b>	<b>22,684</b>	<b>30,617</b>	<b>59,354</b>	<b>49,839</b>	<b>29,938</b>	<b>1,954</b>	<b>194,386</b>
Additions	98	4,240	-	-	-	-	4,338
Acquisitions through business combinations	12,122	112	7,726	-	14,380	353	34,693
Transfer between captions	-1,520	386	-9	-	-	605	-538
Amortisation for the year	-548	-6,275	-5,860	-4,340	-3,595	-111	-20,729
Impairment loss of the year	-3	-89	-	-	-	-	-92
Translation differences	-1,886	-538	-528	-95	-146	-104	-3,297
<b>At 31 December 2017</b>							
Gross book value	53,349	104,177	104,567	74,688	60,744	15,050	412,575
Accumulated amortisation	-17,862	-75,332	-43,884	-29,284	-20,167	-12,353	-198,882
Accumulated impairment losses	-4,540	-392	-	-	-	-	-4,932
<b>Net book value</b>	<b>30,947</b>	<b>28,453</b>	<b>60,683</b>	<b>45,404</b>	<b>40,577</b>	<b>2,697</b>	<b>208,761</b>
Additions	32,893	2,679	-	-	-	2,268	37,840
Disposals	-	-3	-186	-	-	-	-189
Acquisitions through business combinations	-	-	-	2,051	-	-2,051	-
Transfer between captions	24	756	-16	44	-	-126	682
Amortisation for the year	-288	-6,649	-6,249	-4,359	-4,946	-132	-22,623
Impairment loss of the year	-	-	-	-	-1,064	-61	-1,125
Changes in the scope of consolidation	-	-43	21	-	-	-	-22
Hyperinflation - opening balance restatement through equity	-	53	-	-	-	3	56
Hyperinflation - impact of the year	-	14	-	-	-	-	14
Translation differences	-1,441	-378	-186	-87	-98	-362	-2,552
<b>At 31 December 2018</b>							
Gross book value	85,474	104,026	103,814	75,885	60,339	14,683	444,221
Accumulated amortisation	-18,799	-78,763	-49,747	-32,832	-24,879	-12,389	-217,409
Accumulated impairment losses	-4,540	-381	-	-	-991	-58	-5,970
<b>Net book value</b>	<b>62,135</b>	<b>24,882</b>	<b>54,067</b>	<b>43,053</b>	<b>34,469</b>	<b>2,236</b>	<b>220,842</b>

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

We refer to note 8.4 for the impairment testing of capital employed.

## Note 10 – Investment properties

<i>In thousands of EUR</i>	2017	2018
Gross book value	41,988	41,814
Accumulated depreciation	-16,085	-16,192
Accumulated impairment losses	-2,246	-2,246
<b>Net book value at the beginning of the year</b>	<b>23,657</b>	<b>23,376</b>
Depreciation for the year	-340	-322
Impairment losses	-	-5,289
Additions	125	27
Transfer between captions	-	-295
Disposals	-19	-4,388
Hyperinflation - opening balance restatement through equity	-	343
Hyperinflation - impact of the year	-	140
Translation differences	-47	-8
<b>Net book value at the end of the year</b>	<b>23,376</b>	<b>13,584</b>
Gross book value	41,814	39,254
Accumulated depreciation	-16,192	-18,136
Accumulated impairment losses	-2,246	-7,534

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 €24,759 thousand (€35,635 thousand in 2017). Where external valuations were not available, best estimates have been used.

## Note 11 – Assets held for sale

<i>In thousands of EUR</i>	2017	2018
Gross book value	6,899	4,155
Accumulated impairment losses	-524	-749
<b>Net book value at the beginning of the year</b>	<b>6,375</b>	<b>3,406</b>
Impairment losses	-	-33
Reversal of impairment losses	-	79
Disposals	-4,996	-644
Additions	1,593	-
Scope in	691	-
Transfer between captions	-	295
Translation differences	-257	59
<b>Net book value at the end of the year</b>	<b>3,406</b>	<b>3,162</b>
Gross book value	4,155	9,198
Accumulated impairment losses	-749	-6,036

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

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

In 2017, a land located in Widnes was disposed; we have also integrated assets held for sale owned by Pladur as a result of its full consolidation.

## Note 12 – Investments in equity accounted entities

<i>In thousands of EUR</i>	2017	2018
<b>At the beginning of the year</b>	<b>37,197</b>	<b>8,186</b>
Result for the year	1,220	1,018
Dividends paid	-712	-761
Disposal	-29,501	-
Capital increases	-	1,911
Cumulative translation adjustments	-18	-45
<b>At the end of the year</b>	<b>8,186</b>	<b>10,309</b>

The 2017 disposal value represents on the one hand the derecognition of Pladur as equity accounted entity (€29,403 thousand) since Etex obtained control via the acquisition of the remaining shares (59.31%), and on the other hand the sale of OTE Surface Protection GmbH (€98 thousand).

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

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

<i>In thousands of EUR</i>	2017	2018
Property plant and equipment	5,460	6,544
Other non-current assets	245	251
Current assets	8,352	9,330
Non-current liabilities	-667	-780
Current liabilities	-5,204	-5,036
<b>Total net assets</b>	<b>8,186</b>	<b>10,309</b>
Revenue	16,949	19,760
Operating income	1,383	1,403
Profit after tax	1,220	1,018

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

<i>In thousands of EUR</i>	2017	2018
<b>Transactions</b>		
Purchases from equity accounted entities	4,679	4,435
Sales to equity accounted entities	3,417	3,830
Dividends paid	712	761
<b>Outstanding balances</b>		
Trade receivables	668	552
Other current receivables	642	711
Trade liabilities	9	285

## Note 13 – Other non-current assets

<i>In thousands of EUR</i>	2017	2018
<i>Trade and other receivables</i>	10,069	4,968
<i>Impairment on trade and other receivables</i>	-2,863	-1,126
Net trade and other receivables	7,206	3,842
Derivative financial instruments with positive fair value	-	427
<i>Available-for-sale investments</i>	949	854
<i>Impairment on available-for-sale investments</i>	-127	-128
Net available-for-sale investments	822	726
Deposits	5	354
<b>Total</b>	<b>8,033</b>	<b>5,349</b>

The non-current available-for-sale investments include unquoted equity instruments that are measured at cost for €726 thousand as their fair value cannot be measured reliably (€822 thousand in 2017).

## Note 14 – Trade and other receivables

### Current trade and other receivables

<i>In thousands of EUR</i>	2017	2018
<i>Trade receivables</i>	249,592	250,443
<i>Impairment on trade receivables</i>	-27,258	-24,779
Trade receivables	222,334	225,664
Other receivables	97,318	112,679
<b>Total</b>	<b>319,652</b>	<b>338,343</b>

At 31 December 2018, an amount of €159 million (2017 €167 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:

<i>In thousands of EUR</i>	2017	2018
Income taxes recoverable	33,382	25,224
Other taxes recoverable	40,167	45,284
Derivative financial instruments with positive fair values	1,494	1,818
Prepaid charges and accrued income	6,342	2,539
Advances due from customers for contracts in progress	4,669	1,597
Advances to personnel	1,635	1,658
Others	9,629	34,559
<b>Total</b>	<b>97,318</b>	<b>112,679</b>

## Exposure to credit risk – impairment losses

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

<i>In thousands of EUR</i>	2017	2018
Neither impaired nor past due at reporting date	433,727	446,683
Not impaired at reporting date and past due	52,873	50,252
Up to 30 days	34,229	32,616
Between 31 and 60 days	8,062	5,258
Between 61 and 90 days	2,418	2,451
Between 91 and 120 days	1,824	1,912
Between 121 and 150 days	781	664
More than 150 days	5,559	7,351
Non-recourse factoring	-166,948	-158,592
<b>Net carrying amount at the end of the year</b>	<b>319,652</b>	<b>338,343</b>

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

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

<i>In thousands of EUR</i>	2017	2018
<b>Allowances at the beginning of the year</b>	<b>-21,473</b>	<b>-27,258</b>
Additions	-3,420	-3,197
Use	3,710	1,767
Reversal	3,558	3,901
Change in the scope of consolidation	-9,633	8
<b>Allowances at the end of the year</b>	<b>-27,258</b>	<b>-24,779</b>

## Other current assets

<i>In thousands of EUR</i>	2017	2018
Available-for-sale investments	112	-
Deposits	3,025	1,803
<b>Total</b>	<b>3,137</b>	<b>1,803</b>

## Note 15 – Inventories

The different types of inventories are detailed below:

<i>In thousands of EUR</i>	2017	2018
Raw materials	127,835	132,466
Work in progress	35,062	29,443
Finished goods	231,604	213,625
Spare parts and consumables	84,211	86,051
Goods purchased for resale	36,942	35,177
Write-downs to net realisable value	-47,375	-49,926
<b>Total</b>	<b>468,279</b>	<b>446,836</b>

In 2018, the Group recognised inventory write-downs to net realisable value of €2,131 thousand (€1 thousand in 2017) as an expense, including reversal of prior year write-downs amounting to €8,501 thousand (€7,257 thousand in 2017). Reversals of write-downs without impact on the income statement amount to €-420 thousand (€1,308 thousand in 2017).

## Note 16 – Risk management and financial derivatives

### 16.1 Risk management

#### A. Market risk

##### Exposure to currency risk

Around 51% of the Group's revenue is generated by subsidiaries with a functional currency other than the Euro (54% in 2017). 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 2018, the reasonably possible change of the exchange rate of these currencies against the Euro is estimated as follows:

	Closing rate 1 December 2018	Average rate 2018	Possible volatility of rates in %	Rates used for sensitivity analysis	
				Range of possible closing rates 31 December 2018	Range of possible average rates 2018
Argentinean peso	43.1627	43.1627	21	34.029 - 52.2964	34.029 - 52.2964
Chilean peso (000)	0.7955	0.7565	11	0.7059 - 0.8852	0.6713 - 0.8418
Colombian peso (000)	3.7210	3.4838	13	3.2208 - 4.2211	3.0155 - 3.9521
Nigerian naira	350.9430	360.9992	20	280.7544 - 421.1316	288.7994 - 433.1991
Peruvian nuevo sol	4.1500	3.8803	9	3.7675 - 4.5325	3.5226 - 4.2379
Pound sterling	0.8945	0.8845	10	0.8063 - 0.9828	0.7973 - 0.9717

As a comparison, the reasonably possible change of exchange rate of these currencies against the Euro was estimated as follows for 2017:

	Closing rate 1 December 2017	Average rate 2017	Possible volatility of rates in %	Rates used for sensitivity analysis	
				Range of possible closing rates 31 December 2017	Range of possible average rates 2017
Argentinean peso	22.3663	18.7749	21	17.7575 - 26.9751	14.9062 - 22.6437
Chilean peso (000)	0.7373	0.7330	11	0.6572 - 0.8173	0.6534 - 0.8126
Colombian peso (000)	3.5787	3.3384	14	3.07 - 4.0874	2.8638 - 3.8129
Nigerian naira	367.0460	351.2407	35	239.5159 - 494.5761	229.2021 - 473.2793
Peruvian nuevo sol	3.9180	3.6854	11	3.4702 - 4.3658	3.2642 - 4.1066
Pound sterling	0.8872	0.8769	8	0.8174 - 0.9571	0.8079 - 0.9459

If the Euro had weakened or strengthened during 2018 by the above estimated possible changes against the listed currencies with all other variables held constant, the 2018 profit would have been €17,121 thousand (12%) higher or €13,397 thousand (-9%) lower while equity would have been €50,295 thousand (5%) higher or €32,012 thousand (-3%) lower. In 2017, if the Euro had weakened or strengthened the profit would have been €16,522 thousand (11%) higher or €10,873 thousand (-7%) lower while equity would have been €60,492 thousand (6%) higher or €32,553 thousand (-3%) lower.

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

<i>In thousands of EUR</i>	2017			
	If euro weakens		If euro strengthens	
	Profit	Equity	Profit	Equity
Argentinean peso	4,462	9,837	-2,937	-6,475
Chilean peso	-663	12,715	533	-3,545
Colombian peso	446	7,142	-335	-5,364
Nigerian naira	5,432	26,247	-2,631	-12,711
Peruvian nuevo sol	1,033	10,167	-821	-8,081
Pound sterling	5,812	-5,616	-4,682	3,623
<b>Total</b>	<b>16,522</b>	<b>60,492</b>	<b>-10,873</b>	<b>-32,553</b>

### Interest rates sensitivity analysis

At the end of 2018 € 489,477 thousand or 68% of the Group's interest bearing financial liabilities, before offset of any surplus cash, bear a variable interest rate (€ 503,675 thousand or 68% at the end of 2017). This floating debt portion consists of debt instruments almost exclusively denominated in Euro apart from € 24,220 thousand that is denominated in Pound sterling (€21,012 thousand in 2017), € 14,928 thousand that is denominated in Romanian Leu (€16,840 thousand in 2017) and € 4,452 thousand denominated in other currencies.

The total interest expense recognised in the 2018 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 € 16,423 thousand (€ 16,865 thousand in 2017). The total interest expense recognised on the fixed rate portion amounts to € 5,123 thousand (€ 10,313 thousand in 2017).

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 2018	Possible volatility of rates	Possible rates at 31 December 2018
	Euro	-0.31%	-0.01% - 0.01%
Pound sterling	0.91%	-0.21% - 0.19%	0.7% -1.1%
Romanian Leu	1.66%	-0.33% - 1.02%	1.33% -2.68%

	Rates used for sensitivity analysis		
	Rates at 31 December 2017	Possible volatility of rates	Possible rates at 31 December 2017
	Euro	-0.33%	-0,00% - 0,01%
Pound sterling	0.52%	-0,08% - 0,17%	0,44% -0,69%
Romanian Leu	1.66%	-0,33% - 1,02%	1,33% -2,68%



Application of the reasonably possible fluctuations in the market interest rates mentioned above on the Group's floating rate debt at 31 December 2018, with all other variables held constant and net of the effect of interest rate derivative instruments, would result in a decrease of the 2018 profit by € 218 thousand and an increase of € 120 thousand (a decrease of € 337 thousand and an increase of € 163 thousand in 2017).

Cash and cash equivalents in Euro of € 34,079 thousand (€ 24,672 thousand in 2017), Pound sterling balances of € 166,478 thousand (€ 154,080 thousand in 2017) and Romanian Leu balances of € 3,765 thousand (€ 9,347 thousand in 2017) generate interest that would partially offset any variations in interest payable. The cash pool balances are monthly netted (in euro). The fair value of the Group's interest rate hedging contracts would, on basis of the above possible change in interest rates, decrease by € 35 thousand / increase by € 66 thousand against an increase / decrease of equity for that amount (decrease by € 23 thousand and increase by € 84 thousand in 2017).

## 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 2018 the contractual maturities of financial liabilities, including interest payments, are the following:

<i>In thousands of EUR</i>	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Bank loans	539,023	549,818	27,232	15,671	352,743	154,172
Other financial loans	176,709	177,850	170,968	1,467	3,444	1,971
Obligations under finance leases	4,033	5,110	480	586	1,513	2,531
Trade and other liabilities	682,245	661,295	661,291	4	-	-
<b>Derivative financial liabilities</b>						
Interest rates swaps	14,607	14,606	7,008	7,599	-	-
Commodity contracts	3,621	3,621	3,621	-	-	-
Foreign exchange contracts	762	762	762	-	-	-
<b>Total</b>	<b>1,421,000</b>	<b>1,413,062</b>	<b>871,362</b>	<b>25,327</b>	<b>357,700</b>	<b>158,674</b>

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

At 31 December 2017 the contractual maturities of financial liabilities, including interest payments, were the following:

<i>In thousands of EUR</i>	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Bank loans	537,041	551,812	22,792	191,234	177,078	160,708
Other financial loans	201,484	203,139	32,744	170,183	102	110
Obligations under finance leases	4,379	5,692	515	623	1,540	3,014
Trade and other liabilities	703,444	677,630	677,625	5	-	-
<b>Derivative financial liabilities</b>						
Interest rates swaps	21,600	22,675	7,356	7,650	7,671	-
Foreign exchange contracts	4,434	4,434	4,434	-	-	-
<b>Total</b>	<b>1,472,382</b>	<b>1,465,382</b>	<b>745,466</b>	<b>369,695</b>	<b>186,391</b>	<b>163,832</b>

## D. Capital risk

The Group monitors capital using the debt covenant specifications as outlined in the latest syndicated loan agreement signed on 11 October 2018 and the Schuldschein loan. The Group targets to maintain a debt covenant ratio between 1.5 and 2.5 on the long term. The adjusted net financial debt (for covenant purposes) to recurring EBITDA ratio amounts to 1.45 at 31 December 2018 (1.51 at 31 December 2017), well below the lowest covenant of 3.25. The net cash interest to recurring EBITDA ratio amounts to 22.53 at 31 December 2018 (13.80 at 31 December 2017), well above the covenant of 4.

### 16.2 Financial derivatives

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

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

<i>In thousands of EUR</i>	2017		2018	
	Fair value	Carrying amount	Fair value	Carrying amount
<b>Foreign exchange contracts</b>				
Assets	1,494	1,494	2,203	2,203
Liabilities	-4,434	-4,434	-762	-762
<b>Commodity contracts</b>				
Liabilities	-	-	-3,621	-3,621
<b>Interest rate swaps</b>				
Liabilities	-21,600	-21,600	-14,607	-14,607
<b>Total</b>	<b>-24,540</b>	<b>-24,540</b>	<b>-16,787</b>	<b>-16,787</b>

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 2018, have been recognised:

<i>In thousands of EUR</i>	Profit for the year				
	Cost of sales	Interest expense	Other financial income	Other financial charges	Other comprehensive income
<b>Foreign exchange contracts</b>					
Assets	115	-	-	-	594
Liabilities	1,661	-	-	-	2,012
<b>Commodity contracts</b>					
Liabilities	-	-	-	-	-3,621
<b>Interest rate swaps</b>					
Liabilities	-	-	-	-	6,991
<b>Total</b>	<b>1,776</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,976</b>

## A. Cash flow hedges

At 31 December 2018, 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 2018, the Group holds commodity swap agreements designated as hedges to cover a portion of the exposure of future price changes on mainly fuel and other raw material.

At 31 December 2018, the Group had interest rate swap agreements in place with a notional amount of €250,000 thousand (€250,000 thousand in 2017) 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 2018 and 2017.

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

At 31 December 2018:

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

At 31 December 2017:

<i>In thousands of EUR</i>	Carrying amount	Total expected cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
<b>Foreign currency</b>						
Foreign exchange contracts						
<i>Assets</i>	1,155	1,155	1,155	-	-	-
<i>Liabilities</i>	-2,742	-2,743	-2,743	-	-	-
<b>Interest rate</b>						
Interest rate swaps						
<i>Assets</i>	-	-	-	-	-	-
<i>Liabilities</i>	-21,600	-22,677	-7,356	-7,650	-7,671	-

## 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 2018.

## 16.3 Financial instruments – fair values

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

<i>In thousands of EUR</i>	2017	2018
<b>Assets</b>	<b>437,834</b>	<b>479,659</b>
Other non current assets	8,032	5,349
<i>Trade and other receivables (loans and receivables)</i>	7,206	3,842
<i>Derivatives – used for hedging (cash flow hedging)</i>	-	427
<i>Loans (loans and receivables)</i>	5	354
<i>Bonds (available-for-sale)</i>	74	4
<i>Other</i>	747	722
Trade and other receivables	319,652	338,343
<i>Trade and other receivables (loans and receivables)</i>	318,159	336,525
<i>Derivatives – not used for hedging (held for trading at fair value through profit and loss)</i>	338	460
<i>Derivatives – used for hedging (cash flow hedging)</i>	1,155	1,358
Other current assets	3,137	1,803
<i>Current financial assets – deposits (loans and receivables)</i>	3,025	1,803
<i>Shares (available-for-sale)</i>	112	-
Cash and cash equivalents (loans and receivables)	107,013	134,164
<b>Liabilities</b>	<b>1,472,382</b>	<b>1,421,000</b>
Financial liabilities (liabilities at amortised cost)	529,735	522,839
Other non-current liabilities	35,795	28,553
<i>Other non-current liabilities (liabilities at amortised cost)</i>	21,551	20,954
<i>Derivatives – used for hedging (cash flow hedging)</i>	14,244	7,599
Current portion of financial liabilities (liabilities at amortised cost)	213,169	196,926
Trade and other liabilities	693,683	672,682
<i>Trade and other payables (liabilities at amortised cost)</i>	681,893	661,292
<i>Derivatives – not used for hedging (held for trading at fair value through profit and loss)</i>	1,692	39
<i>Derivatives – used for hedging (cash flow hedging)</i>	10,098	11,351

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

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

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

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

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

### Fair value hierarchy

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

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

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

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

## 2018

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

During 2018 and 2017 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.

## 2017

<i>In thousands of EUR</i>	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	339	-
Derivatives – used for hedging (cash flow hedging)	-	1,155	-
<b>Liabilities measured at fair value</b>			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	1,692	-
Derivatives – used for hedging (cash flow hedging)	-	24,342	-

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 2018 and 2017 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 different types of cash and cash equivalents are detailed below:

<i>In thousands of EUR</i>	2017	2018
Cash on hand and bank deposits	95,138	122,617
Short-term deposits (less than three months)	11,875	11,547
<b>Total</b>	<b>107,013</b>	<b>134,164</b>

## Note 18 – Equity Ordinary shares

In December 2017, the Extraordinary General Shareholders' Meeting of Etex N.V. decided to reduce its capital, without reduction of the number of shares, by €4,940 thousands: as a result, at 31 December 2017, the share capital of Etex amounts to €3,276 thousands (share premium included).

	2017	2018
<b>At the beginning of the year</b>	<b>82,837,819</b>	<b>82,837,819</b>
Movement of the year	-	-
<b>At the end of the year</b>	<b>82,837,819</b>	<b>82,837,819</b>

## Treasury shares

At 31 December 2018 the Group owns 4,673,495 ordinary shares representing 5.64% of the total number of ordinary shares.

	2017	2018
<b>At the beginning of the year</b>	<b>4,673,495</b>	<b>4,673,495</b>
<b>At the end of the year</b>	<b>4,673,495</b>	<b>4,673,495</b>

## Dividend

The 2018 dividend will be proposed for approval at the General Shareholders' Meeting of Etex N.V. on 22 May 2019 (after issuance of the financial statements) and will amount to €0.58 per share representing a total dividend of €45,335 thousand.

In 2018, a dividend of €41,427 thousand has been paid out based on the decision of the General Shareholders' Meeting of Etex N.V. on 23 May 2018.

	Number of shares	EUR/share	Dividend in EUR
Ordinary shares	82,837,819	0.53	43,904,044
Treasury shares	-4,673,495	0.53	-2,476,952
Dividend paid out	78,164,324		41,427,092

## Details changes in equity

<i>In thousands of EUR</i>	Issued share capital	Share premiums	Issued share capital and share premiums	Post employment benefits reserves	Financial instruments	Post employment benefits reserves and financial instruments
<b>At December 31, 2016</b>	<b>4,491</b>	<b>3,725</b>	<b>8,216</b>	<b>-273,375</b>	<b>-16,476</b>	<b>-289,850</b>
Total comprehensive income	-	-	-	66,439	-834	65,605
Capital increase / (decrease)	-1,958	-2,982	-4,940	-	-	-
<b>At December 31, 2017</b>	<b>2,533</b>	<b>743</b>	<b>3,276</b>	<b>-206,936</b>	<b>-17,310</b>	<b>-224,245</b>
Total comprehensive income	-	-	-	-10,598	4,716	-5,882
<b>At December 31, 2018</b>	<b>2,533</b>	<b>743</b>	<b>3,276</b>	<b>-217,534</b>	<b>-12,593</b>	<b>-230,127</b>

## Other equity movements

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

## Note 19 – Provisions

<i>In thousands of EUR</i>	Warranty	Health claims	Litigation	Others	Total
<b>At 31 December 2017</b>	<b>35,042</b>	<b>77,223</b>	<b>23,495</b>	<b>57,397</b>	<b>193,157</b>
Additional provisions made	9,809	3,263	6,577	41,040	60,689
Amounts utilised during the year	-7,918	-6,295	-2,952	-23,382	-40,547
Unused amounts reversed	-2,652	-6,287	-2,800	-3,505	-15,244
Changes in the scope of consolidation	-13	-	-	-2	-15
Translation differences	-19	-566	-913	-274	-1,772
Discount rate adjustment	-9	566	-	536	1,093
<b>At 31 December 2018</b>	<b>34,240</b>	<b>67,904</b>	<b>23,407</b>	<b>71,810</b>	<b>197,361</b>
Non-current at the end of the period	22,780	60,326	11,745	27,134	121,985
Current at the end of the period	11,460	7,578	11,662	44,676	75,376

### 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 2018 for the cost of asbestos claims comprises an amount of €27,269 thousand (€32,900 thousand in 2017) for the expected costs of settling notified claims and a discounted amount of €40,635 thousand (€44,322 thousand in 2017) 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 0.39 % to 4.0 % depending on the country (0.53 % to 4.0% in 2017).

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 2018 was 47 (50 in 2017), 35 cases were settled and 17 resolved without cost. The number of outstanding cases for which a provision has been made at 31 December 2018, was 159 (164 in 2017).



## Litigation provisions

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

## Other provisions

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

The Group meets all obligations imposed by relevant laws with respect to land decontamination and site restoration. Where requested, necessary expenses are made and provision for future estimated costs are set-up. At 31 December 2018, these provisions amount to €27,396 thousand (€26,734 thousand in 2017).

Restructuring provisions relate mainly to restructuring of companies in Germany, France and the Netherlands. Further information is disclosed under note 4.

## Note 20 – Commitments and contingencies

### Health claims

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

### Legal claims

In the ordinary course of business, the Group is involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environment and health and safety matters, etc. The Group operates in countries where political, economic, social and legal developments could have an impact on the Group's operations. The Group is required to assess the likelihood of any adverse judgements or outcomes to these matters, as well as potential ranges of probable losses. The effects of such risks which arise in the normal course of business are not foreseeable and are therefore not included in the accompanying consolidated financial statements.

## Guarantees

At 31 December 2018, the Group issued the following guarantees to third parties:

<i>In thousands of EUR</i>	2017	2018
Guarantees issued after business disposals	119,201	121,913
Guarantees issued by the Group to cover the fulfilment of Group companies obligations	684,517	670,028
Guarantees issued by Third Parties to cover fulfilment of the Group companies obligations	556	624
Secured debt	50,508	30,739

Guarantees issued by the Group to cover the fulfilment of Group companies' obligations consists mainly of the joint and several cross guarantees provided by the group and its affiliates relating to our outstanding syndicated credit facility (€600 million), commercial paper program (€200 million), Schuldschein loan (€300 million), as well as securities issued to guarantee other commitments (€420 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 2018.

## 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 2018 Etex had purchase commitments of €7,471 thousand (€11,632 thousand in 2017). Commitments are mainly related to new machines in Indonesia and a land in Spain.

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 2018, the defined contribution plan expenses for the Group amounted to €13,650 thousand (€13,727 thousand in 2017).

### Defined benefit plans

Some Group companies provide defined benefit pension plans to their employees as well as defined benefit medical plans and early retirement plans.

The following tables reconcile the funded and unfunded status of defined benefit plans to the amounts recognised in the statement of financial position:

<i>In thousands of EUR</i>	2017	2018
<i>Present value of funded obligations</i>	1,280,032	1,192,542
<i>Fair value of plan assets</i>	1,128,347	1,037,205
Plan (surplus) deficit of funded obligations	151,685	155,337
Present value of unfunded obligations	128,700	127,215
<b>Net liability from funded and unfunded plans</b>	<b>280,385</b>	<b>282,552</b>
Other long term benefits	5,534	5,294
Termination benefits	4,502	3,288
Stock option plans	14,966	14,489
<b>Net employee benefits liability</b>	<b>305,387</b>	<b>305,623</b>
Employee benefit obligation	1,433,735	1,342,828
Fair value of plan assets	1,128,347	1,037,205
<b>Net liability at the end of the year</b>	<b>305,388</b>	<b>305,623</b>
<b>Net employee benefits liability (assets)</b>	<b>305,388</b>	<b>305,623</b>
<i>Employee benefits in the statement of financial position:</i>		
<i>Liabilities</i>	310,731	312,080
<i>Assets</i>	5,343	6,457

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

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

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

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

Stock options plans are detailed in note 22.

The largest individual plans are in UK and Ireland. Together they account for 79% (80% in 2017) of the total Group defined benefit obligation, and 92% (92% in 2017) 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 2017 and the results showed a deficit of £37 million (funding level 95%) for the Scheme and a deficit of £45 million (funding level 77%) for the Plan against the Trustees' funding objective, agreed with the UK sponsors.

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

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

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

The approximate weighted average duration of the defined benefit obligation is 16 years for the Scheme and 17 years for the Plan as at 31 December 2018.

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. The last review for both the Scheme and Plan was in 2017 and the changes introduced aim at increasing the expected return without any material increase in the investment risk being taken.

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. Other risks such as actions taken by the local regulators 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 2018 and the next formal actuarial valuation of the Plans will be as of 1 January 2021.

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

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

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

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

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

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

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

<i>In thousands of EUR</i>	2017	2018
United Kingdom	1,056,077	977,007
Germany	139,018	139,995
Ireland	97,994	90,119
Belgium	73,341	71,804
France	16,491	16,620
Others	50,814	47,283
<b>Employee benefit obligation</b>	<b>1,433,735</b>	<b>1,342,828</b>

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

<i>In thousands of EUR</i>	2017	2018
<b>Employee benefit obligation at the beginning of the year</b>	<b>1,552,688</b>	<b>1,433,734</b>
Service cost	14,799	12,027
Past service cost (gain)/loss	166	5,920
Settlements	-130	-122
Service cost	14,834	17,824
Interest cost	36,561	32,418
Actuarial (gains) and losses	-49,793	-57,555
Benefits paid	-79,977	-75,370
Plan participants contribution	812	888
Newly recognized plan	-413	1
Translation differences	-40,977	-9,112
<b>Employee benefit obligation at the end of year</b>	<b>1,433,735</b>	<b>1,342,828</b>

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

#### Belgian plans subject to minimum guaranteed rate of return

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

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

#### Other plan costs and income

Past service costs of € 5,920 thousand mainly relate to the Guaranteed Minimum Pensions "GMP equalisation" in UK (€6.170 thousand) and past service gains of €250 thousand relate to plans in France. Settlements of €112 thousand relate to Belgium.

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

<i>In thousands of EUR</i>	2017	2018
<b>Fair value of plan assets at the beginning of the year</b>	<b>1,153,409</b>	<b>1,128,346</b>
Interest income	28,178	27,837
Actuarial gains and (losses)	30,880	-68,470
Employer contribution	11,678	14,775
Plan participants contribution	812	888
Administration cost (excluding management of assets)	-1,697	-972
Benefits paid	-60,787	-58,353
Transfer	-	-10
Translation differences	-34,126	-6,836
<b>Fair value of plan assets at the end of the year</b>	<b>1,128,347</b>	<b>1,037,205</b>

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

<i>In thousands of EUR</i>	2017	2018
Service cost	-14,834	-17,824
Interest cost	-36,561	-32,418
Interest Income	28,178	27,837
Administration cost (excluding management of assets)	-1,697	-972
<b>Total employee benefit expense</b>	<b>-24,914</b>	<b>-23,377</b>
<i>The employee benefit expense is included in the following line items of the income statement :</i>		
Operating income	-16,531	-18,796
Financial result	-8,383	-4,581

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

	2017	2018
Discount rate	2.35%	2.58%
Future salary increases	2.90%	2.87%
Pension increase	2.59%	2.61%
Medical cost trend	5.40%	5.40%

The distribution of the plan assets is the following:

	2017	2018
Equity instruments	12%	5%
Debt instruments	54%	42%
Real estate	3%	3%
Cash and fixed deposits	12%	18%
Insurance	7%	7%
Other	12%	25%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The expected employer contributions to be paid in 2019 to defined benefit plans amount to €6,331 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 £153 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 £93 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 £30 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 €18 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 €18 million increase in the present value of the defined benefit obligation of the Plans (which is likely to be mitigated in part by an increase in asset values). The increase in the present value of the defined benefit obligation due to a member living one year longer would be approximately €4 million.

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

## Note 22 – Share based payments

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

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

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

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

### Fair value of the options granted during the period

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

	2017	2018
Expected volatility (% pa)	20.00	20.00
Risk-free interest rate (% pa)	0.28	0.33
Expected dividend increase (% pa)	10.00	10.00
Rate of pre-vesting forfeiture (% pa)	-	-
Rate of post-vesting leaving (% pa)	1.00	1.00
Share Price (as estimated)	33.23	33.65
Expected early exercise of options	5-6 years	5-6 years
Fair value per granted instrument determined at grant date (€)	4.84	4.83

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 €5,211 thousand during the year (an expense of €8,167 thousand in 2017). The total carrying amount of the liability related to the stock option plans amounts to €14,489 thousand (€14,966 thousand in 2017) 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 2012	20.6.2019	Once a year as from 2016, between 1.6 and 20.6	18.45	122,500
SOP 2013	20.6.2020	Once a year as from 2017, between 1.6 and 20.6	27.76	340,000
SOP 2014	20.6.2021	Once a year as from 2018, between 1.6 and 20.6	30.09	291,500
SOP 2015	20.6.2022	Once a year as from 2019, between 1.6 and 20.6	32.83	802,163
SOP 2016	20.6.2023	Once a year as from 2020, between 1.6 and 20.6	26.74	774,144
SOP 2017	20.6.2024	Once a year as from 2021, between 1.6 and 20.6	33.23	751,440
SOP 2018	20.6.2025	Once a year as from 2022, between 1.6 and 20.7	33.65	865,356

## Details of the share options outstanding during the year

<i>In thousands of EUR</i>	2017		2018	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
<b>Outstanding at the beginning of the year</b>	<b>4,500,745</b>	<b>26.41</b>	<b>4,795,531</b>	<b>27.95</b>
Granted during the year	781,000	33.32	870,000	33.65
Forfeited during the year	-8,130	28.02	-90,666	30.43
Exercised during the year	-478,084	22.06	-1,144,762	26.65
Expired during the year	-	-	-483,000	17.54
<b>Outstanding at the end of the year</b>	<b>4,795,531</b>	<b>27.95</b>	<b>3,947,103</b>	<b>30.81</b>
<i>Of which exercisable at the end of the year</i>	<i>1,537,982</i>	<i>22.12</i>	<i>754,000</i>	<i>27.15</i>

For share put options exercised during the period, the weighted average share price was €31.62 (€25.72 in 2017).



## Note 23 – Loans and borrowings

<i>In thousands of EUR</i>	2017	2018
Bank loans	514,363	512,095
Other financial loans	11,213	6,892
Obligations under finance leases	4,159	3,852
<b>Total non-current financial liabilities</b>	<b>529,735</b>	<b>522,839</b>

<i>In thousands of EUR</i>	2017	2018
Bank loans	19,633	19,947
Bank overdrafts	3,045	6,981
Other financial loans	190,271	169,817
Obligations under finance leases	220	181
<b>Total current financial liabilities</b>	<b>213,169</b>	<b>196,926</b>

The Syndicated Facility of €600 million, as amended and restated in 2014, was expected to mature in January 2019. As a result, on October 11, 2018, Etex signed the documentation for the refinancing of this facility for the same amount for a period of 5 years with a pool of 12 core banks. The facility includes some particularities such as the possibility to increase the line from EUR 600 million up to EUR 900 million, as well as to extend its maturity with 2 years up to 7 year, thus allowing Etex to increase or extend its available credit lines at the same attractive conditions. The syndicated Facility was drawn at €185 million per end of 2018 (drawn at €160 million per end of 2017). It is being used for general corporate purposes.

Etex also makes use of a Schuldschein loan of € 300 million (€ 300 million in 2017) and a Commercial Paper program of €200 million, drawn at €127.2 million per end of 2018 (€157.6 million per end of 2017).

In 2018, Etex continued to roll-out its € 200 million non-recourse Factoring Program, through which customer receivables from 16 entities in 10 European countries are being sold to a pool of banks on a non-recourse basis. Per end of 2018, €200 million were financed through that program, out of which €158.6 million was eligible for trade receivables derecognition.

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

Transaction costs on the new Syndicated Loan and on the Schuldschein Loan of 2016 have been deducted from the loan at initial recognition and are being amortised over the life of the extended loan. The amount still to be amortized at the end of 2018 amounts to €2,811 thousand (€2.198 thousand at the end of 2017).

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 €57.9 million end of 2018.

In Latin America, the only country with material local financing is Brazil. Brazil has a total drawn amount of €14.3 million borrowed in Brazilian real (€25 million at the end of 2017) with a maturity in 2020. It is used to finance part of the new Santa Cruz plant.

Romania has an external loan for a total amount of €14.7 million borrowed in Romanian Leu with ING Romania, the loan is used to finance part of the new Turceni plant.

Indonesia, has contracted a loan of €16.3 million with BNP Brussels maturing in 2020. The loan is used to finance part of the investment in the new West Java plant.

Pladur Gypsum Spain is financed via Spanish state subsidised loans for €8.1 million

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

## Net financial debt

The net financial debt position is calculated as follows:

<i>In thousands of EUR</i>	2017	2018
Non-current loans and borrowings	529,735	522,839
Current portion of loans and borrowings	213,169	196,926
Current financial assets	-3,137	-1,803
Cash and cash equivalents	-107,013	-134,164
<b>Net financial debt</b>	<b>632,754</b>	<b>583,798</b>

## 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:

<i>In thousands of EUR</i>	2017			2018		
	Minimum lease payments	Interest	Present value	Minimum lease payments	Interest	Present value
Less than 1 year	431	-211	220	391	-210	181
Between 1 and 5 years	2,651	-1,109	1,542	2,586	-1,080	1,506
More than 5 years	3,329	-712	2,617	2,779	-433	2,346
<b>Total</b>	<b>6,411</b>	<b>-2,032</b>	<b>4,379</b>	<b>5,756</b>	<b>-1,723</b>	<b>4,033</b>

## Operating leases

The total expenses for operating leases recognised in the consolidated income statement for 2018 amount to €41,027 thousand (€38,391 thousand in 2017). Future committed operating lease payments are as follows:

<i>In thousands of EUR</i>	2017				2018			
	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
Vehicles	11,381	16,865	760	29,005	12,540	18,583	837	31,960
Buildings	9,125	14,891	14,084	38,100	6,681	18,244	29,941	54,866
Equipment	7,184	12,441	1,203	20,828	4,720	14,482	6,252	25,454
<b>Total</b>	<b>27,690</b>	<b>44,197</b>	<b>16,047</b>	<b>87,933</b>	<b>23,941</b>	<b>51,309</b>	<b>37,030</b>	<b>112,280</b>

## Note 24 – Deferred tax

<i>In thousands of EUR</i>	Assets	Liabilities	Net
<b>Net carrying amount at 31 December 2017</b>	<b>115,093</b>	<b>127,129</b>	<b>-12,036</b>
Translation differences	-2,469	-1,073	-1,396
Recognised in income statement	-21	-7,742	7,721
Recognised in equity	-	1,034	-1,034
Change in scope of consolidation	-368	-	-368
Hyperinflation - Impact of the year through financial result	-	2,567	-2,567
Hyperinflation - Opening balance restatement through equity	165	2,413	-2,248
Netting	-28,404	-28,404	-
<b>Net carrying amount at 31 December 2018</b>	<b>83,996</b>	<b>95,924</b>	<b>-11,928</b>

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

In thousands of EUR	2017		2018		2017	2018	Variance
	Assets	Liabilities	Assets	Liabilities	Net	Net	
Property, plant and equipment	12,301	143,258	10,974	147,184	-130,957	-136,210	-5,253
Intangible assets	3,730	40,057	1,774	34,300	-36,327	-32,526	3,801
Employee benefits assets	40	668	5,943	807	-628	5,136	5,764
Inventories	7,560	856	7,398	1,066	6,704	6,332	-372
Trade & other receivables	4,296	663	4,461	623	3,633	3,838	205
Other assets	5,980	1,465	7,212	758	4,515	6,454	1,939
Provisions	15,660	2,830	17,996	2,799	12,830	15,197	2,367
Employee benefits liabilities	48,207	121	34,180	97	48,086	34,083	-14,003
Loans and borrowings	1,220	594	-64	201	626	-265	-891
Other non-current liabilities	291	517	310	463	-226	-153	73
Current liabilities	15,607	1,381	13,411	1,295	14,226	12,116	-2,110
Tax losses carried forward	170,572	-	182,488	-	170,572	182,488	11,916
Unrecognised deferred tax assets	-105,094	-	-108,419	-	-105,094	-108,419	-3,325
Netting by taxable entity	-65,277	-65,281	-93,669	-93,669	-	-	-
<b>Total</b>	<b>115,093</b>	<b>127,129</b>	<b>83,996</b>	<b>95,924</b>	<b>-12,040</b>	<b>-11,929</b>	<b>111</b>

Deferred taxes have not been recognised in respect of tax losses carried forward for an amount of €106,185 thousand (€101,800 thousand in 2017) and net deductible temporary differences for €2,234 thousand (€3,294 thousand in 2017) 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
2019	3,082
2020	77
2021	398
2022	2,184
2023 or later	7,188
Without expiration date	169,559
<b>Total</b>	<b>182,488</b>

## Note 25 – Trade and other liabilities

### Non-current liabilities

<i>In thousands of EUR</i>	2017	2018
Deferred income - Government grants	21,546	20,950
Other liabilities	14,249	7,603
<b>Total</b>	<b>35,795</b>	<b>28,553</b>

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 €20,950 thousand (€21,546 thousand in 2017) and amortised over the useful life of the assets. All conditions attached to these grants have been fulfilled.

### Current liabilities

<i>In thousands of EUR</i>	2017	2018
Trade liabilities	503,412	486,817
Other liabilities	190,271	185,865
<b>Total</b>	<b>693,683</b>	<b>672,682</b>

The other current liabilities include:

<i>In thousands of EUR</i>	2017	2018
Income taxes payable	33,566	25,495
Other taxes payable	34,731	37,339
Remuneration payable	64,786	63,311
Social security payable	27,352	26,759
Deferred income and accrued charges	12,318	12,133
Derivative financial instruments with negative fair values	11,790	11,391
Dividends payable	46	46
Amount due to customers for construction contracts in progress	-	43
Advances received on construction contracts not started yet	2	-
Current cash guarantees received	753	1,424
Other	4,927	7,924
<b>Total</b>	<b>190,271</b>	<b>185,865</b>

## Note 26 – Statement of cash flow details

### (a) Depreciation, amortisation and impairment losses

#### 2018

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

#### 2017

<i>In thousands of EUR</i>	Property, plant, equipment (note 7)	Intangible assets (note 8, 9)	Investment properties (note 10)	Assets held for sale (note 11)	Total
Depreciation	132,815	-	340	-	133,155
Amortisation	-	20,729	-	-	20,729
Impairment losses	9,449	92	-	-	9,541
<b>Total</b>	<b>142,264</b>	<b>20,821</b>	<b>340</b>	<b>-</b>	<b>163,425</b>

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

**2018**

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

**2017**

<i>In thousands of EUR</i>	Property, plant, equipment (note 7)	Intangible assets (note 9)	Investment properties (note 10)	Assets held for sale (note 11)	Total
Disposal proceeds	5,077	43	3	4,827	9,950
Net book value disposals	-1,627	-36	-19	-4,996	-6,678
<b>Gains (losses) on disposal</b>	<b>3,450</b>	<b>7</b>	<b>-16</b>	<b>-169</b>	<b>3,272</b>
Losses on retirement	-	-	-	-	-
<b>Subtotal - continued operations</b>	<b>3,450</b>	<b>7</b>	<b>-16</b>	<b>-169</b>	<b>3,272</b>
Losses on retirement	-	-	-	-	-
Disposal proceeds	5,077	43	3	4,827	9,950
Net book value disposals	-1,627	-36	-19	-4,996	-6,678
<b>Gains (losses) on disposal</b>	<b>3,450</b>	<b>7</b>	<b>-16</b>	<b>-169</b>	<b>3,272</b>
Losses on retirement	-	-	-	-	-
<b>Total</b>	<b>3,450</b>	<b>7</b>	<b>-16</b>	<b>-169</b>	<b>3,272</b>

**(c) Capital expenditure**

<i>In thousands of EUR</i>	2017	2018
Property, plant and equipment (note 7)	141,690	154,478
Intangibles assets (note 9)	4,338	37,840
Investment properties (note 10)	125	27
Assets held for sale (note 11)	1,593	-
<b>Total</b>	<b>147,746</b>	<b>192,345</b>

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

<i>In thousands of EUR</i>	2017	2018
Inventories	-47,216	10,592
Trade and other receivables, trade and other liabilities	48,623	-40,829
Provisions	-24,589	5,988
Employee benefits	-24,830	-15,963
<b>Total</b>	<b>-48,012</b>	<b>-40,212</b>

**(e) Interest and dividend received**

<i>In thousands of EUR</i>	2017	2018
Interest received	4,141	4,577
Dividend received	135	76
Dividend Associates	712	761
<b>Total</b>	<b>4,988</b>	<b>5,414</b>

**(f) Reconciliation Income tax expense – income tax paid**

<i>In thousands of EUR</i>	2017	2018
Income Tax expense	-62,909	-49,635
Changes in Deferred taxes	573	-7,721
Changes in income tax payables/receivables	602	1,242
<b>Income Tax paid</b>	<b>-61,734</b>	<b>-56,115</b>

**(g) Dividend paid**

<i>In thousands of EUR</i>	2017	2018
Dividend Etex N.V.	-37,519	-41,427
Minority interest	-1,550	-2,307
Changes dividend payable	-164	-
Exchange difference	-118	-128
<b>Total dividend paid</b>	<b>-39,351</b>	<b>-43,862</b>



**(h) Changes in liabilities arising from financial liabilities**

2018

<i>In thousands of EUR</i>	January 01, 2018	Cash flows	Foreign exchange movements	New leases	Transfers	December 31, 2018
Bank loans	514,363	16,969	-1,177	-	-18,060	512,095
Other financial loans	11,213	-3,118	-2	-	-1,201	6,892
<b>Non-current financial liabilities (excluding leasing)</b>	<b>525,576</b>	<b>13,851</b>	<b>-1,179</b>	<b>-</b>	<b>-19,261</b>	<b>518,987</b>
<b>Non-current financial lease liability</b>	<b>4,159</b>	<b>-157</b>	<b>-</b>	<b>31</b>	<b>-181</b>	<b>3,852</b>
Bank loans	19,633	-17,059	-687	-	18,060	19,947
Bank overdrafts	3,045	3,939	-3	-	-	6,981
Other financial loans	190,271	-21,406	-249	-	1,201	169,817
<b>Current financial liabilities (excluding leasing)</b>	<b>212,949</b>	<b>-34,526</b>	<b>-939</b>	<b>-</b>	<b>19,261</b>	<b>196,745</b>
<b>Current financial lease liability</b>	<b>220</b>	<b>-220</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>181</b>
<b>Total loans and borrowings</b>	<b>742,904</b>	<b>-21,052</b>	<b>-2,118</b>	<b>31</b>	<b>-</b>	<b>719,765</b>

2017

<i>In thousands of EUR</i>	January 01, 2017	Cash flows	Foreign exchange movements	New leases	Transfers	Disposal	Scope in	Scope out	December 31, 2017
Bank loans	393,258	140,420	-7,665	-	-13,158	-	1,906	-398	514,363
Other financial loans	524	-31	-3	-	-223	-	10,946	-	11,213
Redeemable preference shares	3,407	-3,407	-	-	-	-	-	-	-
<b>Non-current financial liabilities (excluding leasing)</b>	<b>397,189</b>	<b>136,982</b>	<b>-7,668</b>	<b>-</b>	<b>-13,381</b>	<b>-</b>	<b>12,852</b>	<b>-398</b>	<b>525,576</b>
<b>Non-current financial lease liability</b>	<b>1,745</b>	<b>-79</b>	<b>-</b>	<b>2,620</b>	<b>-200</b>	<b>-</b>	<b>73</b>	<b>-</b>	<b>4,159</b>
Bank loans	86,216	-75,373	-4,368	-	13,158	-	-	-	19,633
Retail bond	399,692	-399,692	-	-	-	-	-	-	-
Bank overdrafts	3,803	-713	-45	-	-	-	-	-	3,045
Other financial loans	29,778	160,955	-685	-	223	-	-	-	190,271
Redeemable preference shares	3,407	-3,407	-	-	-	-	-	-	-
<b>Current financial liabilities (excluding leasing)</b>	<b>522,896</b>	<b>-318,230</b>	<b>-5,098</b>	<b>-</b>	<b>13,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>212,949</b>
<b>Current financial lease liability</b>	<b>112</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>200</b>	<b>-96</b>	<b>-</b>	<b>-</b>	<b>220</b>
<b>Total loans and borrowings</b>	<b>921,942</b>	<b>-181,327</b>	<b>-12,762</b>	<b>2,620</b>	<b>-</b>	<b>-96</b>	<b>12,925</b>	<b>-398</b>	<b>742,904</b>

## Note 27 – Transactions with related parties

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

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

<i>In thousands of EUR</i>	2017	2018
<b>Board of Directors:</b>		
<i>Short term employee benefits</i>	746	762
<b>Executive Committee:</b>		
<i>Short term employee benefits</i>	5,855	5,955
<i>Post employment benefits</i>	505	429
<i>Share based payment</i>	786	707
<i>Number of stock options granted during the year</i>	137,000	162,500

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 €2,070 thousand (€2,209 thousand in 2017). The fees paid to the statutory auditor for assistance and advice amounted to €138 thousand (€284 thousand in 2017).

## 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	
		2017	2018
<b>Europe</b>			
Austria	Etex Building Performance GmbH	100%	100%
Belgium	Comptoir du Bâtiment N.V.	100%	100%
	Creaton Benelux N.V.	0%	100%
	Etergyp S.A.	100%	100%
	Eternit N.V.	100%	100%
	Etex Services N.V.	100%	100%
	Etex N.V.	100%	100%
	Etexco N.V.	100%	100%
	Euro Panels Overseas N.V.	100%	100%
	Microtherm N.V.	100%	100%
	Etex Building Performance NV	100%	100%
	Promat Research and Technology Center N.V.	100%	100%
Bosnia	Siniat Adria Gips LLC	100%	100%
Cyprus	Asmad Alci Ltd STI	100%	100%
Czech Republic	Promat s.r.o.	100%	100%
Denmark	Etex Nordic A/S	100%	100%
France	Etermat S.A.S.	100%	100%
	Eternit France	100%	100%
	Eternit S.A.S.U.	100%	100%
	Etex Matériaux de Construction S.A.S.	100%	100%
	Nidaplast-Honeycombs S.A.S.	100%	100%
	Papeteries de Bègles S.A.S.	100%	100%
	Pladur France SAS	100%	100%
	Promat S.A.S.	100%	100%
	Siniat France S.A.	100%	100%
	Etex Building Performance International S.A.S.	100%	100%

		% equity interest	
		2017	2018
Germany	Promat Service GmbH	100%	100%
	Creaton GmbH	99.98%	99.98%
	Creaton Produktions GmbH	99.98%	99.98%
	El-Tec	0%	51%
	Eternit GmbH	100%	100%
	Eternit Management Holding GmbH	100%	100%
	Etex Holding GmbH	100%	100%
	Promat Holding GmbH	100%	100%
	Fibrolith Dämmstoffe GmbH	100%	0%
	Etex Building Performance GmbH	100%	100%
	Wanit Fulgurit GmbH	100%	100%
Hungary	Creaton South-East Europe Kft.	100%	100%
Italy	Edilit S.r.l.	100%	100%
	Immogit S.r.l.	100%	100%
	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%
	Eternit Investment S.à.r.l.	100%	100%
	Etex Asia S.A.	100%	100%
	Etex Finance S.A.	100%	100%
	Maretex S.A.	100%	100%
	Marley Tile S.A.	100%	100%
	Merilux S.à.r.L.	100%	100%
	Poly Ré S.A.	100%	100%
Netherlands	Eternit Holding B.V.	100%	100%
	Eternit B.V.	100%	100%
	Nefibouw B.V.	100%	100%
	Etex Building Performance BV	100%	100%

		% equity interest	
		2017	2018
Poland	Etex Building Materials Polska Sp. z o.o.	100%	100%
	Promat TOP Sp. z o.o.	100%	100%
	Siniat Polska Sp. z o.o.	100%	100%
	Siniat Sp. z o.o.	100%	100%
Portugal	EPISA SL	100%	100%
	Umbelino Monteiro S.A.	100%	100%
Romania	Etex Building Performance S.A.	100%	100%
Russia	Etex Russia	100%	100%
Serbia	Siniat Gips Beocin Ltd	100%	100%
Slovakia	EBM Co s.r.o.	100%	100%
Slovenia	Promat d.o.o.	100%	100%
Spain	Almería Gypsum S.A.	100%	100%
	Escayolas Marin SL	100%	100%
	Euronit Fachadas y Cubiertas S.L.	100%	100%
	Promat Ibérica S.A.	100%	100%
	Promat Inversiones S.L.	100%	100%
	Pladur Gypsum	100%	100%
Switzerland	Etex Switzerland & Austria GmbH	0%	100%
	Polyfibre S.A.	100%	100%
Ukraine	Creaton Ukraine	100%	100%
	A+B Ukraine	100%	100%
	Siniat Gips ALC	100%	100%
	Siniat Gips Ukraine LLC	100%	100%
United Kingdom	Crucible Gypsum Recycling Ltd	100%	100%
	EM Holdings UK Ltd.	100%	100%
	Eternit UK Ltd.	100%	100%
	Etex Building Performance UK Ltd.	100%	100%
	Etex (Exteriors) UK Limited	100%	100%
	Etex (U.K.) Limited	100%	100%
	EOS Facades Limited	100%	100%
	EOS Offsite Solutions Limited	0%	100%
	John Brash Ltd	100%	100%
	Marley Limited	0%	100%
	ML UK Holding Limited	100%	100%
	Promat Glasgow Ltd.	100%	100%
Promat UK Ltd.	100%	100%	
<b>Latin America</b>			
Argentina	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	Empresas Pizarreño S.A.	99.83%	99.83%
	Centro de Servicios Compartidos SpA	99.79%	99.79%
	Inversiones Etex Chile Ltda.	100%	100%
	Inversiones San Lorenzo Chile S.A.	99.79%	99.79%
	Sociedad Industrial Pizarreño S.A.	99.66%	99.66%
	Sociedad Industrial Romeral S.A.	99.83%	99.83%

		% equity interest	
		2017	2018
Colombia	Etex Colombia	99.95%	99.95%
	Gyplac S.A.	100%	100%
	Shared Services Colombia S.A.S	100%	100%
Mexico	Servicios de Gestion S.A. de C.V.	100%	100%
	Servicios Atacama S.A. de C.V.	99.79%	99.79%
Peru	Etex Peru S.A.C.	100%	100%
	Fabrica Peruana Eternit S.A.	89.16%	89.16%
Uruguay	Eternit Uruguay S.A.	97.50%	97.50%
<b>Africa, Asia, Oceania, North America</b>			
Australia	Promat Australia Pty Ltd.	100%	100%
China	Eternit Guangzhou Building Systems Ltd.	66.65%	66.65%
	Promat International (Asia Pacific) Ltd.	100%	100%
	Promat Shanghai Ltd.	100%	100%
India	Promat India	100%	100%
Indonesia	Etex BP Indonesia	82.43%	92.62%
Japan	Promat Japan	100%	100%
Malaysia	Promat (Malaysia) Sdn. Bhd.	100%	100%
Nigeria	Emenite Ltd.	56.87%	56.87%
	Eternit Ltd.	60.00%	60.00%
	Nigerite Ltd.	56.85%	56.85%
Singapore	Promat Building System Pte Ltd.	100%	100%
South Africa	Marley SA (Pty) Ltd.	100%	100%
	Marley Building Systems	100%	100%
United Arab Emirates	Promat Fire Protection LLC	100%	100%
United States of America	Promat Inc.	100%	100%

## Equity accounted entities

		% equity interest	
		2017	2018
Belgium	RBB N.V.	50%	50%
Chili	E2E	50%	50%
Germany	Lichtensteiner Brandschutzglas GmbH & Co. KG	50%	50%
	Oberlausitzer Tonbergbau GmbH	49.99%	49.99%
	Neuwieder Brandschutzglas GmbH	50%	50%
Poland	Kopalnia Gipsu Leszcze S.A.	50%	50%
	Nida Media Sp. z o.o.	50%	50%
Switzerland	Promat AG	26%	26%
Thailand	Rothenburg FAR Company LTd.	50%	50%

# Statutory Auditor's Report

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## STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ETEX NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

### Report on the consolidated accounts

#### Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of income statement and of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR'000 3,108,105 and a profit for the year of EUR'000 144,734.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

#### Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from December 31, 2018, which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Key Audit Matters

### Health Claims – Note 19

#### *Description of the key audit matter*

As described in the Note 19, health claim provisions totalling 67.9 mEUR as at 31 December 2018 have been reported in the consolidated financial statements of Etex Group. In the past, various Etex subsidiaries used asbestos as a raw material in their industrial process. Even though we understand the use of asbestos has been banned in the entire Group, some companies may still receive claims relating to past exposure to asbestos. The provisions reflect the costs of the settlement of claims which are both probable and can be reliably estimated.

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

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

Changes in assumptions and estimates used to value the environmental provisions may have a significant effect on the Group's financial position.

#### *How our audit addressed the key audit matter*

As part of our audit procedures, we have assessed management's process to identify asbestos obligations and changes in existing obligations in compliance with IAS 37 requirements.

We assessed the accuracy, valuation and completeness of health claim provisions as per 31 December 2018. This assessment included:

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

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

## Post-employment benefit obligations – Note 21

### *Description of the key audit matter*

As described in Note 21, the Group has defined benefit pension plans of which the most significant are in Ireland and the UK. Through its defined benefit pension plans, the Group is exposed to a number of risks, mainly being:

- asset volatility, the pension plans hold significant investments in equities, bonds, cash, property and funds;
- actuarial assumptions including expected inflation, discount rate, future salary increases and mortality rates life expectancy.

The procedures over the post-employment benefit provisions were of most significance to our audit because the assessment process is complex and involves significant management judgement. Actuarial assumptions are used in valuing the Group's post-employment benefit plans. Small changes in assumptions and estimates used to value the Group's net post-employment benefit liability may have a significant effect on the Group's financial position. Technical expertise is required to determine these amounts.

The post-employment benefit provision as per 31 December 2018 in respect of both funded and unfunded plans consists out of defined benefit obligations (1,286 mEUR) offset by plan assets (1,037 mEUR).

### *How our audit addressed the key audit matter*

We evaluated and challenged management's key actuarial assumptions (both financial and demographic) by performing independent testing of those assumptions supporting the Group's post-employment benefit obligation.

In performing the evaluation of the assumptions (being discount, inflation and salary increase rates and mortality / life expectancies), we utilized our internal specialists' knowledge to assess the reasonableness of the assumptions used by management.

We tested the participant census data as included in the actuarial reports obtained by the company and we obtained the valuation reports of the plan assets from the investment managers.

We found the assumptions and data used to be reasonable and in line with our expectations, management's methodology and estimates to be reasonable and disclosures of post-employment benefit provisions appropriate.

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

### *Description of the key audit matter*

The carrying value of the Group's goodwill, intangible assets and property, plant and equipment amounts to 2,063 mEUR as at 31 December 2018.

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

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

In particular, we focused on the reasonableness and impact of key assumptions including:

- cash flow forecasts derived from internal forecasts and the assumptions around the future performance;
- the discount rate and the long-term growth rate including assessment of risk factors and growth expectations of the relevant territory;
- assumptions used in the valuations prepared to support the fair value of certain assets.

### *How our audit addressed the key audit matter*

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

We understood and challenged:

- assumptions used in the Group's budget and internal forecasts and the long term growth rates by comparing them to economic and industry forecasts;
- the historical accuracy of budgets to actual results to determine whether cash flow forecasts are reliable based on past experience;
- the discount rate by assessing the cost of capital and other inputs including benchmarking with comparable organizations;
- the mathematical accuracy of the underlying calculations.

In performing the above work, we utilized our internal valuation experts to provide challenge and external market data to assess the reasonableness of the assumptions used by management.

We performed sensitivity analysis around the key drivers within the cash flow forecasts to ascertain the extent of change in those assumptions and also considered the likelihood of such a movement in those key assumptions arising.

Whilst recognizing that cash flow forecasting and impairment modelling are both inherently judgmental, we found that the assumptions used by management are within an acceptable range of reasonable estimates and the disclosures of impairment assessment appropriate.

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

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Statutory auditor's responsibilities for the audit of the consolidated accounts

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

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors and risk and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Other legal and regulatory requirements

### Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts.

## **Statutory auditor's responsibilities**

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and to report on these matters.

## **Aspects related to the directors' report on the consolidated accounts**

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this report is consistent with the consolidated accounts for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

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

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

is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

### Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 134 of the Companies' Code are correctly disclosed in the notes to the consolidated accounts.

Sint-Stevens-Woluwe, April 4, 2019

The statutory auditor

PwC Bedrijfsrevisoren cvba

Represented by

Peter Van den Eynde

Réviseur d'Entreprises / Bedrijfsrevisor

# Non-consolidated accounts of Etex N.V.

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

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

These documents are also available upon request at:

**Etex N.V.**

Group Finance Department  
Passport Building | Luchthaven Brussel Nationaal | Gebouw 1K  
1930 Zaventem

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

## Summarised balance sheet

<i>In thousands of EUR</i>	2017	2018
<b>Fixed assets</b>	<b>1,336,065</b>	<b>1,337,235</b>
Tangible and intangible assets	3,237	4,359
Financial assets	1,332,828	1,332,876
<b>Current assets</b>	<b>129,457</b>	<b>150,788</b>
<b>TOTAL ASSETS</b>	<b>1,465,522</b>	<b>1,488,023</b>
<b>Capital and reserves</b>	<b>1,101,673</b>	<b>1,117,228</b>
Capital	2,533	2,533
Share premium	743	743
Reserves	1,098,397	1,098,397
Profit carried forward		15,555
<b>Provisions</b>	<b>10,455</b>	<b>10,081</b>
<b>Creditors</b>	<b>353,394</b>	<b>360,714</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,465,522</b>	<b>1,488,023</b>

## Summarised income statement

<i>In thousands of EUR</i>	2017	2018
Operating income	25,367	28,369
Operating charges	-27,451	-35,637
<b>Operating loss</b>	<b>-2,084</b>	<b>-7,268</b>
Financial result	-27	70,891
<b>Profit / &lt;loss&gt; before taxes</b>	<b>-2,112</b>	<b>63,623</b>
Income taxes	-5	-22
<b>Profit / &lt;loss&gt; for the year</b>	<b>-2,116</b>	<b>63,601</b>
Release of tax free reserves	-	-
Profit / <loss> for the year to be appropriated	-2,116	63,601

The financial result includes non-recurring items for € -22 thousand in 2018, and € 3.986 thousand in 2017.

## Profit distribution

The Board of Directors will propose at the General Shareholders' Meeting on 22 May 2019 a net dividend of €0.4060 per share. The proposed gross dividend is €0.58 per share.

The dividend will be paid on 1 July 2019.

## Appropriation account

<i>In thousands of EUR</i>	2017	2018
<b>Profit / &lt;loss&gt; to be appropriated</b>	<b>-2,116</b>	<b>63,797</b>
Profit / <loss> for the year to be appropriated	-2,116	63,601
Profit brought forward	-	196
<b>Appropriation of the result</b>	<b>-2,116</b>	<b>63,797</b>
Transfer to/from reserve	46,216	-196
Profit carried forward	-196	-15,555
Profit to be distributed	-43,904	-48,046

## Statutory nominations

The mandate of Mrs. Bernadette Spinoy will expire at the end of the Annual General Shareholders' Meeting of May 22, 2019. The Board proposes the shareholders to renew her mandate for a period of three years expiring at the end of the 2022 Annual General Shareholders' Meeting.