Consolidated financial statement

Consolidated income statement

in thousands of EUR	Notes	2021	2022
Revenue	(1)	**2,971,939**	**3,713,897**
Cost of sales	(3)	-2,021,232	-2,635,027
Gross profit		**950,706**	**1,078,871**
Distribution expenses	(3)	-337,653	-405,749
Administrative and general expenses	(3)	-197,055	-227,593
Other operating charges & income	(4)	-18,490	-14,307
Operating income before non-recurring items		**397,509**	**431,222**
Gain / (losses) on disposal of assets and businesses	(5)	10,112	8,804
Other non-recurring items	(5)	-93,053	-79,032
Operating income (EBIT)		**314,565**	**360,990**
Interest income	(6)	2,961	11,406
Interest expenses	(6)	-14,419	-33,863
Other financial income	(6)	14,284	27,930
Other financial expense	(6)	-18,346	-42,042
Share of profit from companies held for sale	(12)	-	6,635
Share of profit in equity accounted investees	(13)	-7,024	-1,682
Non-recurring items specific to equity accounted investees	(13)	-3,985	-8,565
Profit before income tax		**288,036**	**320,809**
Income tax expense	(7)	-89,618	-102,406
Profit for the year		**198,418**	**218,403**
Attributable to shareholders of Etex		194,138	210,308
Attributable to non-controlling interests		4,280	8,095
Earnings per (group) share (in euro)		2.48	2.69
Diluted earnings per (group) share (in euro)		2.48	2.69

Consolidated statement of comprehensive income

in thousands of EUR	2021	2022
Profit for the year	**198,418**	**218,403**
Remeasurements in employee benefit obligations	64,417	214,668
Income tax effect	*-1,734*	*-53,776*
Net other comprehensive income not to be reclassified to income statement in subsequent periods	**62,683**	**160,892**
Changes in cash flow hedge reserves	744	127,821
Income tax effect	*-241*	*-31,548*
Exchange differences on translation of foreign operations	-4,661	-62,781
Net other comprehensive income to be reclassified to income statement in subsequent periods	**-4,158**	**33,492**
Other comprehensive income, net of tax	**58,525**	**194,384**
Total comprehensive income for the period, net of tax	**256,943**	**412,787**
Attributable to shareholders of Etex	251,140	405,682
Attributable to non-controlling interests	5,803	7,105

Consolidated statement of financial position

in thousands of EUR	Notes	2021	2022
Non-current assets		**2,216,630**	**3,278,181**
Property, plant and equipment	(8)	1,588,051	1,929,127
Property, plant and equipment - owned	(8)	*1,431,355*	*1,781,514*
Property, plant and equipment - leased	(8)	*156,696*	*147,613*
Goodwill	(9)	198,228	662,632
Other intangible assets	(10)	270,535	411,263
Investment properties	(11)	10,526	12,234
Assets held for sale	(12)	6,509	5,213
Investments in equity accounted investees	(13)	11,105	6,140
Other non-current assets	(14)	5,111	114,268
Deferred tax assets	(25)	112,025	98,403
Employee benefits assets	(22)	14,540	38,901
Current assets		**1,009,032**	**1,334,601**
Inventories	(16)	425,219	514,031
Trade and other receivables	(15)	339,995	430,953
Other current assets	(15)	41,318	81,452
Assets held for sale	(12)	-	102,127
Cash and cash equivalents	(18)	202,500	206,038
TOTAL ASSETS		**3,225,662**	**4,612,782**
Total equity	(19)	**1,414,102**	**1,807,110**
Issued share capital		*2,533*	*2,533*
Share premium		*743*	*743*
Reserves and retained earnings		*1,382,275*	*1,768,502*
Attributable to the equity shareholders of Etex		1,385,551	1,771,778
Non-controlling interests		28,551	35,332
Non-current liabilities		**827,320**	**1,573,979**
Provisions	(20)	118,308	120,052
Employee benefits liabilities	(22) (23)	356,343	159,858
Loans and borrowings	(24)	256,851	1,072,297
of which leasing	(24)	*136,403*	*124,900*
Deferred tax liabilities	(25)	83,701	208,680
Other non-current liabilities	(26)	12,117	13,092
Current liabilities		**984,240**	**1,231,693**
Provisions	(20)	43,508	39,337
Current portion of loans and borrowings	(24)	200,762	246,617
of which leasing	(24)	*22,702*	*26,525*
Trade and other liabilities	(26)	739,970	936,845
Liabilities held for sale	(12)	-	8,894
TOTAL EQUITY AND LIABILITIES		**3,225,662**	**4,612,782**

Consolidated statement of cash flows

In thousands of EUR	Notes	2021	2022
Operating income (EBIT)		314,565	360,990
Depreciation, amortization and impairment losses - owned	(27)	180,235	200,766
Depreciation, amortization and impairment losses - leased assets	(27)	27,208	29,796
Losses (gains) on sale of intangible assets and property, plant and equipment	(27)	-11,574	7,219
Losses (gains) on sale of businesses		5,722	1,369
Income tax paid	(27)	-93,574	-97,810
Changes in working capital, provisions and employee benefits	(27)	-65,576	-89,242
Changes in other non-currents assets/liabilities		-81	-3,195
Cash flow from operating activities		**356,925**	**409,893**
Proceeds from sale of intangible assets and property, plant and equipment	(27)	22,717	13,188
Acquisition of business	(9)	-297,891	-675,894
Cash and cash equivalent scope-in impact of acquired business		27,778	70,481
Disposal of business		10,875	196
Cash and cash equivalent scope-out impact of divested business		-153	-256
Capital expenditure - owned	(27)	-136,898	-286,302
Other investing activities	(a)	-3,822	-4,814
Cash flow from investing activities		**-377,394**	**-883,401**
Capital increase / (decrease)		765	530
Proceeds of borrowings	(27)	32,882	864,391
Repayment of borrowings	(27)	-150,398	-317,736
Interest and dividend received	(27)	3,305	8,587
Dividend paid	(27)	-63,923	-69,983
Interest paid		-8,990	-24,836
Cash flow from financing activities		**-186,359**	**460,953**
Net increase (decrease) in cash and cash equivalents		**-206,828**	**-12,555**
Cash and cash equivalents at the beginning of the year		390,010	201,110
Translation differences		17,929	12,744
Net increase (decrease) in cash and cash equivalents		-206,828	-12,555
Net cash and cash equivalents at the end of the year		**201,110**	**201,300**
Cash and cash equivalents		*202,500*	*206,038*
Bank overdrafts		*-1,390*	*-4,738*

(a) 'Other investing activities' mainly include the effect of capital increases (2022 and 2021) in 'investments in equity accounted entities' (note 13)

Consolidated statement of changes in equity

	Attributable to the equity holders of Etex (Note 19)						
in thousands of EUR	Issued share capital and share premiums	Treasury shares	Post employment benefits reserves and financial instruments	Cumulative translation adjustments	Other reserves and retained earnings	Non-controlling interests	Total Equity
At December 31 2020	**3,276**	**-19,988**	**-309,935**	**-373,560**	**1,870,585**	**30,157**	**1,200,534**
Total comprehensive income	-	-	63,186	-6,184	194,138	5,803	256,943
Capital increase / (decrease)	-	-	-	-	-	765	765
Dividend	-	-	-	-	-54,715	-9,054	-63,769
Other equity movements	-	-	-	-	18,749	880	19,629
Treasury shares	-	-	-	-	-	-	-
At December 31 2021	**3,276**	**-19,988**	**-246,749**	**-379,744**	**2,028,757**	**28,551**	**1,414,102**
Total comprehensive income	-	-	256,907	-61,534	210,309	7,105	412,787
Capital increase / (decrease)	-	-	-	-	-	530	530
Dividend	-	-	-	-	-65,658	-5,368	-71,027
Other equity movements	-	-	-	-	46,203	4,515	50,718
Treasury shares	-	-	-	-	-	-	-
At December 31 2022	**3,276**	**-19,988**	**10,158**	**-441,278**	**2,219,610**	**35,332**	**1,807,110**

Accounting policies

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

The financial statements have been authorised for issue by the Board of Directors on 31 March 2023.

Statement of compliance

The consolidated financial statements of Etex for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU).

The Group applied the same IFRSs as those adopted in the previous years, except for the new IFRSs and interpretations the entity adopted as of 1st January 2022. The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2022 and have been endorsed by the European Union:

- **Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (effective 1 January 2022).** The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.
    - **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
    - **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
    - **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making.
    - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

- **Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions beyond 30 June 2021 (effective 01/04/2021, with early application permitted).** The amendments extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. In particular, the amendment permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021). The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued).

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

Basis of preparation

A - Functional and presentation currency

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

B - Basis of measurement

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

C - Use of judgement, estimates and assumptions

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

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

Impairment of non-financial assets

The recoverable amount of the cash-generating units tested for impairment is the higher of its fair value less costs to sell and its value in use. Both calculations are based on a discounted cash-flow model. The cash flows are derived from the internal forecasts for the next three to ten years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units, including a sensitivity analysis, are further explained in Note 9.

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 20.

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 22.

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 forecasts existing at reporting date. Actual results could differ from these forecasts 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 23.

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 17.

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 are recognised at fair value at the point in time when control is transferred to the Group. Such a change in the carrying value of the investment is recognised in the income statement.

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

Hyperinflation

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

- Hyperinflation accounting was applied as of 1 January 2018;
- Non-monetary assets and liabilities stated at historical cost (e.g. property plant and equipment, intangible assets, goodwill, etc.) and equity of Argentina were restated using an inflation index. The hyperinflation impacts resulting from changes in the general purchasing power until 31 December 2017 were reported in retained earnings and the impacts of changes in the general purchasing power from 1 January 2018 are reported through the income statement on a dedicated account for hyperinflation monetary adjustments in the finance line (see also Note 6);
- The income statement is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies), thereby restating the year to date income statement account both for inflation index and currency conversion.

D - Basis of consolidation

Subsidiaries

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

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

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

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

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

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

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

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

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

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

Investments in associates and joint ventures

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

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

E - Foreign operations

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

F - Transactions in foreign currencies

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

G - Exchange rates

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

		2021		**2022**	
		Average	**End of period**	**Average**	**End of period**
Argentinean peso	ARS	116.3715	116.3715	189.9155	189.9155
Australian dollar	AUD	1.5750	1.5615	1.5167	1.5693
Brazilian real	BRL	6.3798	6.3083	5.4396	5.5694
Chilean peso (000)	CLP	0.8984	0.9556	0.9177	0.9160
Chinese yuan	CNY	7.6288	7.2197	7.0791	7.4229
Colombian peso (000)	COP	4.4286	4.6328	4.4751	5.1306
Danish krone	DKK	7.4370	7.4364	7.4396	7.4365
Hungarian forint	HUF	358.5220	369.1900	391.3390	400.2500
Indonesian rupiah (000)	IDR	16.9207	16.1004	15.6249	16.5198
Nigerian naira	NGN	484.1108	480.3470	449.3027	493.4692
Peruvian nuevo sol	PEN	4.5914	4.8460	4.0374	4.3600
Polish zloty	PLN	4.5652	4.5969	4.6863	4.6899
Pound sterling	GBP	0.8597	0.8403	0.8529	0.8869
South African rand	ZAR	17.4820	18.0625	17.2119	18.0986
US dollar	USD	1.1829	1.1326	1.0529	1.0666

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.

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 2022, the Group continued to follow our well-thought-out policies for addressing these risks.

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

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

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

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

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

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

Significant accounting policies

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

A - Property, plant and equipment

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

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

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

Subsequent expenditures

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

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

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

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

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

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

Depreciation

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

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

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

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

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

B - Intangible assets

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

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: Estimated legal / economical life
- Software ERP: 10 years
- Other software: 5 years
- Development costs: 15 years
- Customer lists: 3 - 15 years
- Brands: 15 years
- Technology and design: 15 years
- Rights to exploit and extract mineral resources: usage

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

C - Goodwill

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

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 A – Property, plant and equipment).

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 post-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, including inter-plant transportation charges. For manufactured inventories, cost means full cost including all direct and indirect production costs required to bring the inventory items to the stage of completion at the reporting date. Allocation of indirect production costs is based on normal operating capacity. Borrowing costs are expensed as incurred. The costs of inventories may also include transfers from equity of any gain or loss on qualifying cash flow hedges on foreign currency purchases of inventory.

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

I - Trade and other receivables

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

J - Cash and cash equivalents

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

K - Share capital

Ordinary shares

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

Treasury shares

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

Dividends

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

L - Provisions

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

Warranty provisions

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

Restructuring provisions

Restructuring provisions are recognised when the following conditions are met:

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

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

Emission rights

The initial allocation of emission rights granted is recognised at nominal amount (nil value) and is subsequently carried at cost. Where the Group has emitted CO^2 in excess of the emission rights granted, it will recognise a provision for the shortfall based on the market price at that date. The emission rights are held for compliance purposes only and therefore the Group does not actively trade these in the market.

Other provisions

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

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

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

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

M - Contingencies

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

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

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

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

Defined benefits plans

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

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

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

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

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

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

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

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

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

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

Defined contributions plans

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

Other long term benefits plans

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

Short term benefits

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

Termination benefits

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

O - Employee benefits – Share based payment transactions

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

P - Financial liabilities

Bank loans and other borrowings

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

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

Lease liabilities

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

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

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

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

Liabilities related to put options granted to non-controlling interests

When the Group granted put options to third parties with non-controlling interests in a subsidiary, these options are giving the holders the right to sell part or all of their investment in the subsidiary. These financial liabilities do not bear interest. In accordance with IAS 32, when non-controlling interests hold put options enabling them to sell their investment in the Group, a financial liability is recognised in an amount corresponding to the present value of the estimated exercise price. This financial liability is included in the non-current liabilities. The counterpart of this liability is a write-down of the value of the non-controlling interest underlying the option or a reduction of parent equity (based on the conditions of the put-option). The difference between the value of the non-controlling interest and the fair value of the liability is allocated to the retained earnings (Group share), which are included in shareholders' equity. This item is adjusted at the end of each reporting period to reflect changes in the estimated exercise price of the option and the carrying amount of non-controlling interests. If the option matures without exercising, the liability is written off against non-controlling interests and retained earnings.

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. The Group has supplier finance arrangements in place. The arrangements contemplate the transfer of receivables (outstanding Group's payables) by suppliers to predefined banks. The group has determined that the terms (amount, nature, function and timing) of the trade payables are otherwise substantially unchanged and that it is therefore appropriate to continue presenting the relevant amounts within trade payable in the balance sheet.

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. 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 assets valued at fair value through OCI. In general, the Group does not acquire any shares or options on shares or other equity products, which are not directly related to the business of the Group.

b. Credit risk

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

To manage the risk of customer default, the Group periodically assesses the financial reliability of customers, and establishes purchase limits for each customer. The Group applies the simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses. The main components of these allowances are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

c. Funding and long term liquidity risk

Funding risk is the risk that the Group will be unable to access the funds that it needs when it comes to refinance its debt or through the failure to meet the terms of its main syndicated credit facility. A summary of the terms of the facility are to be found in Note 24 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 15).

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. In 2022, the Group changed from IAS 39 towards IFRS 9. This change doesn't have a significant impact on the 2022 financial information.

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 probable 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 to 5 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. The Group recognizes revenue from the following major sources:

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

Contract revenue is recognized progressively on the most appropriate output or input method, to measure progress towards completion. Judgement is required when determining if a contract meets the criteria for recognition over time and the proportion of revenue to recognise. When the outcome can be assessed reliably, contract revenue is recognised by reference to the stage of completion of the contract activity at the reporting date. A construction contract's stage of completion is assessed by management by comparing costs incurred to date with the total costs estimated for the contract. Contract costs are recognised in the period in which they are incurred. The majority of contracts have payment terms based on contractual milestones, which are not always aligned to when revenue is recognised. The Group recognises contract liabilities for consideration received in respect of unsatisfied contractual obligations and reports these amounts as a contract liability in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, then it will recognise either a contract asset or a receivable in its statement of financial position. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract expenses that are recoverable. In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the estimated ultimate loss is charged to the income statement.

Rental income

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

Interest income

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

Dividends

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

V - Expenses

Finance income and expenses

Finance costs comprise:

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

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

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

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

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

X – Non-recurring items

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

Y - Hyperinflation

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

Z - Future changes in accounting policies

New or amended standards and interpretations issued up to the date of issuance of the Group's financial statements, but not yet effective for 2022 financial statements, which could be applicable to the Group are listed below.

The following new standard and amendments have been issued, are not mandatory for the first time for the financial year beginning 1 January 2022 but have been endorsed by the European Union:

- **IFRS 17 'Insurance contracts' (effective 1 January 2023)**.
  This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. On 17 March 2020, IASB decided to defer pop effective date to annual reporting periods beginning on or after 1 January 2023. The endorsement includes the amendments issued by the Board in June 2020, which are aimed at helping companies implement the Standard and making it easier for them to explain their financial performance.

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023)**.
  The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. Further, the amendment

to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023)**.
  The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)**.
  The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change in the amendments is an exemption from the initial recognition exemption of IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

- **Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective 1 January 2023)**.
  The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The following amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2022 and have not been endorsed by the European Union:

- **Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 01/01/2023)**
  It affects only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:
    - Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
    - Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services;
    - Clarify how conditions with which an entity must comply within 12 months after the reporting period, such as covenants, affect the corresponding liability's classification.

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective 1 January 2024)**.
  The amendments explain how an entity accounts for a sale and leaseback after the date of the transaction, specifically where some or all the lease payments are variable lease payments that do not depend on an index or rate. They state that, in subsequently measuring the lease liability; the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains. Any gain and losses relating to the full or partial termination of a lease continue to be recognised when they occur as these relate to the right of use terminated and not to the right of use retained.

These amendments are expected to not have any significant impact on the financial statements.

Explanatory notes

Note 1 – Revenue

Revenue by activity

In thousands of EUR	2021	2022
Building Performance	2,099,365	2,433,598
Exteriors	648,074	682,586
Insulation	-	311,972
Industry	173,884	203,135
New Ways	50,616	82,606
Total	**2,971,939**	**3,713,897**

At the end of May 2022, Etex completed the acquisition of the thermal and acoustic insulation expert URSA. The company is a European leader in extruded polystyrene and among the top 3 for glass mineral wool; it offers an extensive range of insulation applications for buildings' envelope as well as internal partitions and ceilings. URSA is present in more than 20 countries. The company operates 13 production sites and covers most countries where Etex is already operating. Headquartered in Madrid, URSA brings a reliable European supply chain network and a team of over 1,700 dedicated employees.

Revenue by geographical area

In thousands of EUR	2021	2022
France	599,285	720,200
United Kingdom	433,263	512,303
Germany	292,298	381,889
Benelux	175,375	222,826
Spain	132,997	186,579
Italy	87,097	134,925
Poland	88,711	122,351
Ireland	63,762	78,480
Romania	42,531	54,919
Other Europe	222,359	279,040
Australia	147,920	207,265
Nigeria	88,743	119,697
Chile	126,788	118,669
Argentina	90,067	113,068
Peru	74,151	86,756
Colombia	72,896	89,553
Brazil	49,626	71,931
Rest of the World	184,070	213,446
Total	**2,971,939**	**3,713,897**

Note 2 – Operating segments

The Group has the following 5 strategic operating segments:

- Europe
- Latin America
- Australia
- Asia
- Africa

These operating segments are managed separately because they require different marketing strategies. The Group's chief operating decision maker reviews the internal management report of each operating segment at least quarterly. Transactions between various segments are carried out at arm's length in a manner similar to transactions with third parties. Other segments include minor business, none that met the quantitative thresholds of reportable segments in 2022 and 2021. Information related to each reportable segment is set out below.

In thousands of EUR	Europe		Latin America		Australia		Asia	
	2021	2022	2021	2022	2021	2022	2021	2022
Revenue	2,158,501	2,718,682	428,056	496,966	149,811	209,827	101,913	114,843
Operating income before non-recurring items (REBIT)	268,493	289,114	67,866	58,328	14,307	25,377	10,188	10,787
Depreciations, amortizations and impairment losses	125,290	156,580	18,844	23,351	10,675	14,266	7,632	8,526
Recurring operating cash flow (REBITDA)	**393,783**	**445,695**	**86,710**	**81,679**	**24,982**	**39,643**	**17,820**	**19,314**
Non-recurring items	-53,196	-47,396	-3,066	-4,420	-6,654	-106	-227	-757
Operating segment income (EBIT)	**215,297**	**241,719**	**64,800**	**53,909**	**7,653**	**25,271**	**9,961**	**10,031**
Capital expenditures	95,049	203,929	14,356	26,596	4,586	3,369	5,043	5,580

In thousands of EUR	Europe		Latin America		Australia		Asia	
	2021	2022	2021	2022	2021	2022	2021	2022
Segment assets	2,146,461	3,318,573	388,925	453,603	265,344	257,784	139,330	138,559
Segment Liabilities	1,167,253	1,381,507	112,736	110,024	52,950	49,564	29,076	26,013
Capital employed	1,603,705	2,511,136	224,464	261,685	217,084	222,376	108,420	99,644

In thousands of EUR	Africa		Rest of world		Not allocated to operating segments		Total Etex	
	2021	2022	2021	2022	2021	2022	2021	2022
Revenue	114,078	145,904	19,580	27,675	-	-	2,971,939	3,713,897
Operating income before non-recurring items (REBIT)	35,911	44,940	1,457	2,960	-714	-285	397,509	431,222
Depreciations, amortizations and impairment losses	4,286	4,612	632	744	4,999	5,624	172,358	213,704
Recurring operating cash flow (REBITDA)	**40,197**	**49,552**	**2,090**	**3,704**	**4,282**	**5,335**	**569,864**	**644,922**
Non-recurring items	-2,629	-2,633	-	-	-17,169	-14,916	-82,941	-70,228
Operating segment income (EBIT)	**33,283**	**42,307**	**1,457**	**2,960**	**-17,886**	**-15,205**	**314,565**	**360,990**
Capital expenditures	11,101	37,357	62	1,049	6,703	8,424	136,898	286,302

In thousands of EUR	Africa		Rest of world		Not allocated to operating segments		Total Etex	
	2021	2022	2021	2022	2021	2022	2021	2022
Segment assets	93,606	147,787	12,053	14,462	179,943	282,014	3,225,662	4,612,782
Segment Liabilities	25,920	82,122	3,101	1,744	420,524	1,154,698	1,811,560	2,805,672
Capital employed	44,462	63,837	5,565	9,906	62,760	120,021	2,266,459	3,288,605

The unallocated assets mainly relate to other assets and cash and cash equivalents. The unallocated liabilities mainly relate to financial debts and employee benefit liabilities.

Note 3 – Operating charges by nature

The Group's major operating charges by function in 2022 are as follows:

In thousands of EUR	Personnel & temporary	Depreciation & impairment	Goods & materials	Energy	Transport & travel	Others	**Total**
Cost of sales	-376,045	-151,566	-1,238,955	-312,812	-373,354	-182,296	-2,635,027
Distribution expenses	-225,435	-38,066	-	-649	-15,781	-125,818	-405,749
Administrative and general expenses	-131,181	-21,656	-	-793	-7,038	-66,925	-227,593
Other operating items	-15,204	-2,416	-	-94	-534	3,941	-14,307
Non-recurring items	-11,980	-16,858	-2,613	-	-	-38,776	-70,228
Total	**-759,845**	**-230,562**	**-1,241,568**	**-314,348**	**-396,707**	**-409,874**	**-3,352,903**

The Group's major operating charges by function in 2021 are as follows:

In thousands of EUR	Personnel & temporary	Depreciation & impairment	Goods & materials	Energy	Transport & travel	Others	**Total**
Cost of sales	-317,619	-122,990	-950,281	-194,248	-270,069	-166,025	-2,021,232
Distribution expenses	-194,827	-34,030	-	-529	-8,809	-99,456	-337,652
Administrative and general expenses	-129,740	-13,072	-	-884	-1,897	-51,463	-197,055
Other operating items	-14,655	-2,266	-	-189	-797	-582	-18,490
Non-recurring items	-18,208	-35,085	-	-	-	-29,648	-82,941
Total	**-675,049**	**-207,443**	**-950,281**	**-195,850**	**-281,573**	**-347,174**	**-2,657,371**

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

In thousands of EUR	**2021**	**2022**
Wages and salaries	-473,621	-545,986
Social security contributions	-103,695	-120,425
Contributions to defined contribution plans	-13,468	-14,072
Charges for defined benefit plans (service cost)	-37,673	-28,458
Restructuring and termination charges	-18,208	-11,980
Other employee benefits expenses	-28,384	-38,924
Total employee benefits expenses	**-675,049**	**-759,845**

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

	2021	**2022**
Production	7,705	8,576
Sales and marketing	3,265	3,744
Administration and research	1,244	1,392
Average number of personnel	**12,214**	**13,712**

Note 4 – Other operating charges and income

In thousands of EUR	**2021**	**2022**
Research	-18,950	-18,848
Other operating taxes	-842	-1,003
Government grant amortisation	475	567
Miscellaneous	827	4,977
Total other operating charges & income	**-18,490**	**-14,307**

Note 5 – Non-recurring items

In thousands of EUR	**2021**	**2022**
Gains / (losses) on disposal of assets	15,834	10,173
Gains / (losses) on disposal of businesses	-5,722	-1,369
Total gains / (losses) on disposal of assets and businesses	**10,112**	**8,804**
Restructuring costs	-18,208	-11,980
Health claims	-2,692	-776
Environmental remediation	-23,763	-24,266
Asset impairment	-8,604	-16,858
Impairment on goodwill	-26,481	-
Others	-13,307	-25,151
Total other non-recurring items	**-93,053**	**-79,032**
Non-recurring items	**-82,941**	**-70,228**

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

The 2022 gain on disposal of assets relates to additional disposal of non-operational sites in Germany and a paint production site in France, mainly. In 2021, it related mainly to disposal of non-operational sites in Germany and unused equipment in Belgium.

In December 2022, the Group completed the disposal of Icon Plus in both Argentina and Ecuador, generating a total loss of €1,369 thousand. In 2021, the loss on disposal of business related to a business disposal in Cyprus, with Turkish lira as entity currency, and generated by recycling of cumulated transaction adjustments from currency devaluation since the entity entered into the consolidation scope in 2011.

The asset impairment losses incurred in 2022 relate to impacted assets in Ukraine (€4,926 thousand) and Russia (€1,933 thousand) because of the Russian invasion of Ukraine, due to the bombing of the Etex plant in Bakhmut (Ukraine) and to the impact of the war on the Russian activities of Russia. The other assets impaired in 2022 are mainly: a dryer machine in France (€2,699 thousand) being replaced by a more energy-efficient one, to some poorly performing production lines/assets in the United Kingdom (€1,279 thousand), for underperforming business of New Ways in France (€4,873 thousand) and idle equipment in France (€1,053 thousand), predominantly from the closed paint facility in Vernon.

In 2021, impairment losses were relating to New Ways division on goodwill (€26,481 thousand) and intangible assets (€7,005 thousand), both due to expected performance lower than initial plans in one specific segment and geography; other impairment impacts are due to idle equipment in the United Kingdom and in France (€2,127 thousand).

Restructuring charges in 2022 mainly relate to the following:

- additional provisions regarding the closure of the Bègles plasterboard-paper mill (€3,875 thousand), closed in 2021,
- site clean-up provisions related to the closed paint facility in Vernon (€1,174 thousand) prior to disposal,
- dismantling provisions related to the closure of the gypsum tile line in Mazan site in France (€1,396 thousand),
- the remaining restructuring amount (€5,535 thousand) relates to multiple countries where measures to reduce cost base have been initiated in 2022, mainly in Germany (€1,467 thousand), in Belgium (€1,087 thousand) and in Chile (€969 thousand).

In 2021, following restructuring measures were implemented:

- the transfer of the underloaded paint facility in Vernon to another Etex paint production site in Germany (€8,275 thousand),
- provisions regarding the closure of the Bègles plasterboard-paper mill (€5,020 thousand),
- various and coordinated measures to reduce overheads costs that imply re-design of commercial processes and regional functions, transformation of support functions (further re-location of shared service centre roles to Lithuania, among others) and leaner R&D and manufacturing processes (€4,913 thousand).

The health claims charges reflect marginal adjustment to the experienced and expected increase in future cost in specific geographies.

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

Other non-recurring charges amount to €25,151 thousand in 2022, and mainly include:

- one-off charges incurred with the acquisition of URSA (€13,353 thousand),
- impact of ongoing re-shaping the 3D business of New Ways in France (€5,230 thousand),
- preparation works on non-operating site in Germany, realised with the intention to dispose (€2,949 thousand),
- inventory write-off in Ukraine after bombing Etex' operations in Bakhmut (€2,613 thousand),
- donation of modular houses towards area in Belgium impacted by the floods in 2021 (€1,623 thousand),
- partially offset by e-Loft compensation to reduce the net acquisition price paid in 2021, following and agreement between Etex and previous shareholders.

In 2021, other non-recurring (€13,307 thousand) charges were resulting from one-off external advisors fees and stamp duties with respect to acquisitions in the year 2021, expenses on non-operational assets to be disposed, from charges incurred to transform the IT support processes within Etex and from favourable and unfavourable adjustment to litigation and post-disposal provisions, mainly.

Note 6 – Finance income and expense

In thousands of EUR	**2021**	**2022**
Interest income from receivables, deposits and cash and cash equivalents (loans and receivables)	2,210	8,491
Positive impact of change in discount rate of long term provisions	-8	2,267
Other interest related income	759	648
Interest income	**2,961**	**11,406**
Interest expense on financial liabilities measured at amortised cost	-9,003	-24,794
Net interest expense on post-employment benefits	-3,888	-4,324
Unwinding of discount long term provisions	-2	-
Negative impact of change in discount rate of long term provisions	12	-35
Other interest related charges	-1,538	-4,710
Interest expense	**-14,419**	**-33,863**
Dividend income from shares in non-consolidated companies	-	1
Net foreign exchange gains (loans and receivables)	13,862	27,496
Other	422	433
Other finance income	**14,284**	**27,930**
Net foreign exchange losses	-8,936	-16,797
Impairment of shares in non-consolidated companies	-58	-74
Hyperinflation Argentina	-9,054	-24,328
Other	-298	-843
Other finance expense	**-18,346**	**-42,042**
Net finance costs	**-15,520**	**-36,569**

The interest income from receivables, deposits and cash and cash equivalents increased mainly because of rising interest rates across all currencies in 2022.

The interest expense on financial liabilities measured at amortised cost increased because of an increasing net financial debt position due to the URSA acquisition.

The effect of the interest rate swaps hedging the Group's interest rate risk in 2022 amounts to €-453 thousand (€0 thousand paid in 2021).

The other interest related charges mainly include upfront fee expenses for €1,170 thousand (€862 thousand in 2021) 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 in 2022 is the result of the Group's foreign exchange exposure in mainly Argentina and Nigeria on the current financial asset and liabilities in these countries, and the Pound Sterling financial assets / liabilities in European companies.

The impact of hyperinflation in Argentina in 2022 is €-24,328 thousand (€-9,054 thousand in 2021).

Note 7 - Income tax expense

In thousands of EUR	2021	2022
Current income tax charge for the year	-93,199	-94,841
Adjustments to current income tax of previous years	-1,162	-2,222
Current income tax expense	**-94,361**	**-97,063**
Origination and reversal of temporary differences	16,004	3,299
Net effect on deferred tax assets	3,232	-9,393
Net effect of changes in tax rates on deferred tax	-14,493	751
Deferred income tax expense	**4,743**	**-5,343**
Total income tax expense	**-89,618**	**-102,406**

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

In thousands of EUR	2021	2022
Profit before income tax, before share of profit in equity accounted investees and before share of profit from companies held for sale	**299,045**	**324,421**
Theoretical income tax expense (nominal rates)	-80,183	-87,595
Weighted average nominal tax rate %	26.8%	27.0%
Tax impact of		
Non deductible expenses	*-9,069*	*-14,003*
Tax on profit distribution inside the Group	*-3,569*	*-4,251*
Tax-free gains/losses on investments	*1,140*	*-*
Other tax deductions	*6,196*	*16,517*
Unrecognised deferred tax assets on current year losses	*-14,118*	*-12,373*
Recognition of previously unrecognised deferred tax assets	*17,893*	*7,595*
Derecognition of previously recognised deferred tax assets	*-543*	*-4,615*
Net effect of changes in tax rates on deferred tax	*-14,493*	*751*
Adjustments to prior year income tax	*-1,162*	*-2,222*
Other tax adjustments	*8,290*	*-2,210*
Income tax expense recognised in the income statement	**-89,618**	**-102,406**
Effective tax rate %	30.0%	31.6%

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

Income tax recognised directly in equity is related to:

In thousands of EUR	2021	2022
Actuarial gains (losses) on post-employment benefit plans	-1,734	-53,776
Gains (losses) on financial instruments - cash flow hedging	-241	-31,548
Total	**-1,974**	**-85,324**

Note 8 - Property, plant and equipment

In thousands of EUR	Land and buildings	Plant, machinery, equipment	Furniture, vehicles	Other property, plant, equipment	Under construction	Total
At 31 December 2020						
Gross book value	1,005,734	2,064,355	217,226	29,232	92,203	3,408,750
Accumulated depreciation	-491,491	-1,301,746	-145,680	-23,181	-	-1,962,098
Accumulated impairment loss	-10,072	-39,962	-569	-75	-3,601	-54,279
Net book value	**504,171**	**722,647**	**70,977**	**5,976**	**88,602**	**1,392,373**
Of which leased assets	57,578	*25,709*	*20,636*	*274*	-	*104,197*
Additions	52,431	27,308	12,448	1,304	88,309	181,800
Disposals	-1,937	-616	-758	-9	-	-3,320
Acquisition of subsidiaries	82,938	55,772	3,190	517	466	142,883
Transfer between captions	16,632	15,833	568	296	-34,937	-1,608
Depreciation for the year	-36,043	-87,216	-20,354	-2,271	-	-145,884
Impairment loss of the year	-1,155	-3,134	-43	-	-59	-4,391
Reversal impairment loss	2,770	169	-	-	-	2,939
Hyperinflation - impact of the year	3,950	5,697	629	233	6,277	16,786
Translation differences	4,344	2,885	-10	-32	-714	6,473
At 31 December 2021						
Gross book value	1,174,560	2,206,267	231,130	30,938	150,782	3,793,677
Accumulated depreciation	-537,177	-1,423,502	-163,825	-24,848	-	-2,149,352
Accumulated impairment loss	-9,282	-43,420	-658	-76	-2,836	-56,272
Net book value	**628,101**	**739,345**	**66,647**	**6,014**	**147,946**	**1,588,053**
Of which leased assets	*113,346*	*24,005*	*18,896*	*449*	-	*156,696*
Additions	12,789	67,711	11,557	2,784	185,596	280,437
Disposals	-3,335	-342	-352	-173	-	-4,202
Acquisition of subsidiaries	89,628	142,719	7,943	4,085	15,259	259,634
Disposal of subsidiaries	-	-515	-1	1	-	-515
Transfer between captions	16,985	44,016	942	1,165	-67,939	-4,831
Depreciation of the year	-43,885	-107,109	-21,298	-3,357	-	-175,649
Impairment loss of the year	-4,436	-9,701	-317	-267	-522	-15,243
Reversal of impairment loss	53	-	-15	-	-	38
Hyperinflation - impact of the year	6,959	8,303	939	1	12,818	29,020
Translation differences	-8,137	-10,623	-627	7	-8,235	-27,615
At 31 December 2022						
Gross book value	1,345,912	2,717,364	259,637	45,917	288,216	4,657,046
Accumulated depreciation	-634,650	-1,801,184	-193,283	-35,330	-	-2,664,447
Accumulated impairment loss	-16,540	-42,376	-936	-327	-3,293	-63,472
Net book value	**694,722**	**873,804**	**65,418**	**10,260**	**284,923**	**1,929,127**
Of which leased assets	*102,637*	*25,522*	*19,084*	*370*	-	*147,613*

During the year several investments were made in capacity increase, productivity and in sustainability, especially in United Kingdom, France, Nigeria, Peru and Belgium. There are some borrowing costs capitalised in 2022 for an amount of €3,975 thousand in Nigeria. No borrowing costs were capitalized in 2021.

The disposal proceeds of property, plant and equipment in 2022 amount to €4,669 thousand, resulting in a net gain of € 468 thousand. In 2021, the proceeds amounted to €4,615 thousand with a net gain of €1,296 thousand.

Acquisition of subsidiaries (€259,634 thousand) represents the impact of the acquisition projects done in 2022 as disclosed in note 9.2 – Business combinations.

We refer to note 9.3 for the impairment testing of capital employed.

Note 9 – Goodwill and business combinations

9.1. Reconciliation of the carrying amount of goodwill

In thousands of EUR	2021	2022
Gross book value	141,087	231,329
Accumulated impairment losses	-17,640	-33,101
Net book value at the beginning of the year	**123,447**	**198,228**
Additions through business combinations	104,410	467,296
Translation differences	-3,148	-2,892
Impairment loss of the year	-26,481	-
Net book value at the end of the year	**198,228**	**662,632**
Gross book value	231,329	696,001
Accumulated impairment losses	-33,101	-33,369

The 2022 movements are resulting on the one hand by the increase of the goodwill by €467,296 thousand coming from the URSA acquisition (see Note 9.2) and on the other hand from the change in translation differences (€-2,892 thousand).

In 2021, the movements were resulting on the one hand by an increase of the goodwill by €104,410 thousand from the different acquisition projects completed in 2021 in division Building Performance and New Ways (see Note 9.2) and on the other hand there was the impairment cost of €-26,481 thousand on the e-Loft goodwill (see also Note 5 and Note 9.3). The remaining is the result of translation (€-3,148 thousand), on the Australian goodwill mainly.

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

In thousands of EUR	2021	2022
Building Performance	117,459	118,223
Exteriors	11,330	11,330
Industry	27,282	27,179
Insulation	-	465,680
New Ways	42,157	40,220
Total	**198,228**	**662,632**

9.2. Business combinations

In June 2022, Etex acquired 100% of the shares of URSA, a European leader in glass mineral wool and extruded polystyrene (XPS), present in more than 20 countries based on a network of 13 production operations, for a total consideration of €675,894 thousand.

In January 2021, Etex acquired 69.40% of the shares of e-Loft, a French offsite construction company offering innovative B2C and B2B solutions in three domains: modular single-family homes, modular multi-family residential complexes and custom-designed buildings using "3D wood" technology; for a total consideration of €26,263 thousand.

In February 2021, Etex acquired 100% of the shares of Knauf Plasterboard Pty Limited, a leading player in Australia's plasterboard market, and produces plasterboards, metal profiles, plasters, compounds and more at four state-of-the-art production facilities (plasterboard plants ins Victoria, New South Wales and Queensland (the last one also hosts a profile production facility); for a total consideration of €231,492 thousand.

In April 2021, Etex acquired 60% of the shares of Evolusion Innovation Group, an international multi-disciplinary engineering consultancy specialised in offsite construction with headquarters in Cork (Ireland); for a total consideration of €3,996 thousand.

In July 2021, Etex acquired 100% of the shares of Horizon Offsite, specialised in lightweight steel framing for buildings of up to five storeys, including residential structures, schools and hospitals, based in Cahir (Ireland); for a total consideration of €6,334 thousand.

In August 2021, Etex acquired 100% of the shares of Sigmat Group Ltd, the leading provider of light gauge steel framing (LGSF) in the UK, as well as one of the country's first fully integrated offsite construction companies; for a total consideration of €29,825 thousand.

The acquisition cost (including duties) for the 2022 acquisition project amount to €9,032 thousand (€11,703 thousand in 2021).

The fair value of the identifiable assets and liabilities of the business acquired in 2022 and 2021 as at the date of acquisition are disclosed in the following table:

In thousands of EUR	Australian plasterboard business	e-Loft	Evolusion Innovation Group	Horizon	Sigmat Group	2021	2022 URSA
Non-current assets	**181,468**	**13,847**	**853**	**2,878**	**41,432**	**240,478**	**452,726**
Property, plant and equipment	127,154	5,998	456	654	8,621	142,883	260,209
Property, plant and equipment - owned	120,398	1,586	169	555	4,043	126,751	249,273
Property, plant and equipment - leased	6,756	4,412	287	99	4,578	16,132	10,936
Assets held for sale	-	-	-	-	-	-	56
Intangible assets	49,184	7,826	397	2,207	32,811	92,425	174,886
Other non-current assets	-	23	-	-	-	23	604
Deferred tax assets	5,130	-	-	17	-	5,147	16,960
Employee benefits assets	-	-	-	-	-	-	11
Current assets	**55,336**	**7,777**	**2,687**	**4,214**	**13,075**	**83,089**	**287,017**
Inventories	16,598	1,424	227	1,313	1,798	21,360	66,202
Trade and other receivables	19,170	5,818	1,041	1,009	6,749	33,787	38,490
Current financial assets	164	-	-	-	-	164	597
Assets held for sale	-	-	-	-	-	-	110,994
Cash and cash equivalents	19,404	535	1,419	1,892	4,528	27,778	70,734
TOTAL ASSETS	**236,804**	**21,624**	**3,540**	**7,092**	**54,507**	**323,567**	**739,743**
Non-current liabilities	**26,745**	**12,355**	**386**	**552**	**48,908**	**88,946**	**378,988**
Provisions	1,598	7	-	-	-	1,605	5,690
Employee benefits liabilities	1,800	-	-	-	-	1,800	4,453
Loans and borrowings	6,894	10,442	336	272	40,417	58,361	298,281
of which leasing	*6,893*	*4,412*	*287*	*272*	*3,716*	*15,580*	*10,936*
Deferred tax liabilities	16,453	1,906	50	263	8,491	27,163	67,579
Other non-current liabilities	-	-	-	17	-	17	2,985
Current liabilities	**18,135**	**9,581**	**796**	**2,667**	**8,794**	**39,973**	**152,157**
Current portion of loans and borrowings	-	-	-	-	-	-	15,144
Trade and other liabilities	18,135	9,581	796	2,667	8,794	39,973	125,313
Liabilities held for sale	-	-	-	-	-	-	11,700
TOTAL LIABILITIES	**44,880**	**21,936**	**1,182**	**3,219**	**57,702**	**128,919**	**531,145**
Net identifiable assets and liabilities	**191,924**	**-312**	**2,358**	**3,873**	**-3,195**	**194,648**	**208,598**
Group share	191,924	-217	1,415	3,873	-3,195	193,800	208,598
Non-controlling interests	-	-95	943	-	-	848	-
Acquisition price satisfied in cash (Group share)	**231,492**	**26,263**	**3,996**	**6,634**	**29,825**	**298,210**	**675,894**
Goodwill generated	39,568	26,481	2,580	2,761	33,021	104,410	467,296

The goodwill generated by this acquisition is explained by the synergies expected from this transaction. As a part of the net asset valuation was not finalised, the disclosed goodwill is only provisional.

The revenue and net result group share contribution to the 2022 consolidated income statement of the acquired URSA businesses amount to respectively €311,972 thousand and €16,023 thousand.

The revenue and net result of the period (group share) of the combined entities acquired during 2022 as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period amount to respectively €553,731 thousand and €51,007 thousand.

9.3 Acquisitions on non-controlling interests

Within the share purchase agreements of the acquisitions project Evolusion Innovation Group (2021) a call/put option clause was integrated to acquire the remaining shares. At year-end 2022 the call/put option is measured at fair value and qualified as financial liability amounting to €3,791 thousand. We also refer to Note 24 – Loans and borrowings.

9.4 Impairment testing of goodwill and capital employed

Impairment reviews were performed in 2022, by comparing the carrying value of capital employed including goodwill with the recoverable amount of the cash-generating unit to which goodwill has been allocated.

The capital employed and goodwill values tested in the global cash-generating unit Building Performance include the goodwill generated by the acquisition of the plasterboard business in Europe and in Brazil in 2011, of Pladur in 2017 and of the technical construction business, at the time part of the Fire Protection and Insulation business, generated by the acquisition of Comais (1996, calcium silicate boards), Intumex (2000, intumescent products) and Cafco (2007, paint and spray) as allocated in 2017 between the Etex Building Performance and the Etex Industry divisions. It also includes a portion of the goodwill impact of the 2020 acquisition of FSi Limited (passive fire protection) and the goodwill generated by the acquisition of Knauf Plasterboard Pty Limited in Australia (2021).

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

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

Etex New Ways capital employed value, to be consistently tested as one whole, include the goodwill generated by the acquisition of EOS (2016) and the acquisition of Evolusion Innovation Group, Horizon Offsite and the Sigmat Group (all in 2021). Within Etex New Ways, the specific capital employed of e-Loft was tested separately due to the lack of integration, for the time being, with the New Ways business in the United Kingdom and in Ireland, predominantly 2-dimensions steel, while e-Loft is active on the French market specifically in 3-dimensions wood offering. In 2021, the company e-Loft required an impairment with respect to goodwill value and most of the value of its intangible assets (€33,486 thousand out of which €26,481 thousand relates to goodwill). In 2022, based on most recent estimates of future cash flows, an additional impairment on fixed assets was booked that amounts to €4,873 thousand.

The capital employed and goodwill values tested in the global cash-generating unit Insulation include the goodwill generated by the acquisition of the URSA insulation business in 2022.

The recoverable amount of the cash-generating units Etex Building Performance, Exteriors, Industry, New Ways and Insulation was based on its value in use and exceeds the values of their respective capital employed, except on the e-Loft business within New Ways in 2021, as described above. 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 3.0% per annum (1.3 % to 3.0% in 2021, depending on the countries involved and their inflation),
- cash flows were discounted using the weighted average cost of capital (WACC) in a range of 8.83% to 13.08% depending on the countries involved (6.79% to 10.25% in 2021).

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

Etex management will closely monitor the impact of macro-economic evolution, including the potential impact of raw material and energy prices, the current war between Russia and Ukraine and potential disruptions linked to new COVID-19 variants.

Note 10 – Intangible assets other than goodwill

In thousands of EUR	Concessions	Software	Brands	Technology	Customer list	Others	Total
At 31 December 2020							
Gross book value	71,310	106,852	99,874	73,710	73,963	11,652	437,361
Accumulated amortisation	-7,327	-81,651	-60,916	-40,988	-33,817	-6,707	-231,406
Accumulated impairment losses	-8,078	-225	-	-	-868	-	-9,171
Net book value	**55,905**	**24,976**	**38,958**	**32,722**	**39,278**	**4,945**	**196,784**
Additions	252	2,708	-	487	-	12,125	15,572
Disposals	-1,860	322	-	-	-2	-3,299	-4,839
Acquisition of subsidiaries	742	573	16,143	7,710	63,082	4,175	92,425
Disposal of subsidiaries	-156	-	-	-	-	-1	-157
Transfer between captions	409	1,608	-	-409	-	-	1,608
Amortisation for the year	-199	-6,853	-6,565	-4,646	-7,959	-505	-26,727
Impairment loss of the year	-	28	-7,005	-	-	-	-6,977
Hyperinflation - impact of the year	-	3	-	-	-	-	3
Translation differences	191	55	753	370	1,199	275	2,843
At 31 December 2021							
Gross book value	77,313	111,698	117,717	82,624	138,649	25,628	553,629
Accumulated amortisation	-15,956	-88,077	-68,428	-46,390	-42,114	-7,913	-268,878
Accumulated impairment losses	-6,073	-201	-7,005	-	-937	-	-14,216
Net book value	**55,284**	**23,420**	**42,284**	**36,234**	**95,598**	**17,715**	**270,535**
Additions	-	1,276	-	36	-	19,570	20,882
Disposals	-	-3	2	-	-2	-14,902	-14,905
Acquisition of subsidiaries	74	957	84,018	-	78,278	11,175	174,502
Disposal of subsidiaries	-	-8	-	-	-	-5	-13
Transfer between captions	4	3,169	-	20	-	175	3,368
Amortisation for the year	-237	-7,466	-9,852	-4,772	-12,217	-2,770	-37,314
Impairment loss of the year	-81	-2,389	-	-	-	-15	-2,485
Translation differences	51	57	-882	-497	-1,651	-385	-3,307
At 31 December 2022							
Gross book value	80,431	120,605	199,885	81,788	215,111	59,929	757,749
Accumulated amortisation	-19,182	-99,450	-77,310	-50,767	-54,064	-29,356	-330,129
Accumulated impairment losses	-6,154	-2,142	-7,005	-	-1,041	-15	-16,357
Net book value	**55,095**	**19,013**	**115,570**	**31,021**	**160,006**	**30,558**	**411,263**

The other additions amounting to €19,570 thousand mainly relate to the acquisition of emission rights (€18,111 thousand).

Acquisition of subsidiaries (€174,502 thousand) represents the impact of the acquisition projects done in 2022 as disclosed in note 9.2 – Business combinations.

We refer to note 9.4 for the impairment testing of capital employed.

Note 11 – Investment properties

In thousands of EUR	2021	2022
Gross book value	34,126	25,720
Accumulated depreciation	-12,477	-9,352
Accumulated impairment losses	-8,280	-5,842
Net book value at the beginning of the year	**13,369**	**10,526**
Depreciation for the year	-113	-39
Reversal of impairment losses	191	144
Transfer between captions	-683	1,463
Disposals	-2,426	-
Hyperinflation - impact of the year	250	677
Translation differences	-62	-537
Net book value at the end of the year	**10,526**	**12,234**
Gross book value	25,720	27,608
Accumulated depreciation	-9,352	-9,676
Accumulated impairment losses	-5,842	-5,698

Investment properties comprise several pieces of land and buildings, mainly in France, Italy, Germany and Nigeria. In 2022 the transfer between captions concerns Nigerian assets, previously shown as 'property, plant & equipment' (gross carrying amount of €1,498 thousand and accumulated depreciations for € -36 thousand). In 2021 the disposal amounting to €-2,426 thousand mainly related to investment properties in Germany, sold for a consideration of € 16,486 thousand.

The fair value of the investment properties is estimated at €18,583 thousand (€18,420 thousand in 2021). Where external valuations were not available, best estimates have been used.

Note 12 – Assets and liabilities held for sale

	2021		2022	
In thousands of EUR	Assets	Liabilities	Assets	Liabilities
Gross book value	11,078	-	11,485	-
Accumulated impairment losses	-5,617	-	-4,975	-
Net book value at the beginning of the year	**5,461**	**-**	**6,510**	**-**
Result of the year	-	-	6,635	-
Impairment losses	-	-	-14	-
Disposals	-443	-	-1,346	-
Additions	842	-	13	-
Acquisition of subsidiaries	-	-	111,050	11,700
Transfer between captions	683	-	-	-
Translation differences	-34	-	-15,507	-2,806
Net book value at the end of the year	**6,509**	**-**	**107,340**	**8,894**
Gross book value	11,485	-	111,568	8,894
Accumulated impairment losses	-4,976	-	-4,228	-
Non-current at the end of the period	**6,509**	**-**	**5,213**	**-**
Current at the end of the period	**-**	**-**	**102,127**	**8,894**

For 2022 and 2021 the non-current assets held for sale are mainly lands, buildings and machines that are not used in operations and for which the Group is actively looking for a buyer. Most of these assets are located in Spain and Germany.

In 2022, some non-current assets held for sale located in Germany and Spain have been disposed for a total consideration paid of €8,218 thousand, resulting in a gain on disposal of €6,861 thousand.

For 2022 the current assets and liabilities held for sale, and the acquisition of subsidiaries, are linked to acquired assets and liabilities of URSA Eurasia within the total acquisition of the URSA insulation activities. We also refer to Note 9.

The transfer between captions for 2021 (€683 thousand) is the net of transferred assets with a gross carrying amounts of €727 thousand and accumulated depreciation for €-44 thousand from 'Investment property'.

Note 13 – Investments in equity accounted entities

In thousands of EUR	2021	2022
At the beginning of the year	**18,024**	**11,105**
Result for the year	-11,009	-10,247
Dividends paid	-1,222	-887
Disposal	-	-887
Capital increases	3,245	5,565
Cumulative translation adjustments	2,067	1,490
At the end of the year	**11,105**	**6,140**

In 2022 and 2021 the Group's share of the capital increase in E2E (Chilean joint venture) equals to respectively €5,565 thousand and €4,814 thousand. In 2022, the net equities of E2E and Tecverde have been impaired (€-5,717 thousand) which is embedded in the result of the year amounting to €-10,247 thousand.

In 2021 a portion of the Tecverde (Brazilian joint venture) goodwill has been impaired (€-3,985 thousand) which is embedded in the result of the year amounting to €-11,009 thousand.

The 2022 disposal value represents the sale of EBS Argentina (€-887 thousand) for a total consideration of €93 thousand.

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

In thousands of EUR	2021	2022
Property plant and equipment	5,639	5,257
Other non-current assets	763	1,446
Current assets	18,722	9,612
Non-current liabilities	-2,958	-3,263
Current liabilities	-11,061	-6,912
Total net assets	**11,105**	**6,140**
Revenue	18,910	27,366
Operating income	-3,775	-4,169
Profit after tax	-11,009	-10,247

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

In thousands of EUR	2021	2022
Transactions		
Sales to associates	4,999	5,288
Dividends paid	1,222	887
Outstanding balances		
Trade receivables	885	-
Other current receivables	-	1,183
Trade liabilities	6	-

Note 14 – Other non-current assets

In thousands of EUR	**2021**	**2022**
Trade and other receivables	*3,495*	*4,206*
Impairment on trade and other receivables	*-1,196*	*-1,494*
Net trade and other receivables	2,299	2,712
Derivative financial instruments with positive fair value	-	107,374
Available-for-sale investments	*648*	*675*
Impairment on available-for-sale investments	*-126*	*-128*
Net available-for-sale investments	522	547
Loans granted	2,290	3,635
Total	**5,111**	**114,268**

The non-current available-for-sale investments include unquoted equity instruments that are measured at cost for €547 thousand as their fair value cannot be measured reliably (€522 thousand in 2021).

The derivative financial instruments are mainly comprised of the interest rate swap hedge contracts in view of the Group's interest risk exposure. We also refer to Note 17.

Note 15 – Trade and other receivables and Other current assets

Current trade and other receivables

In thousands of EUR	**2021**	**2022**
Trade receivables	*267,312*	*327,183*
Impairment on trade receivables	*-15,152*	*-17,226*
Trade receivables	252,160	309,957
Other receivables	87,835	120,996
Total	**339,995**	**430,953**

At 31 December 2022, an amount of €258.5 million (€167.3 million in 2021) has been received in cash under various non-recourse factoring and credit insurance programs, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. Continuing involvement for late payment risk is not significant. The net amount of sold trade receivables is derecognized from the balance sheet.

Other receivables are mainly composed of:

In thousands of EUR	**2021**	**2022**
Income taxes recoverable	23,732	22,758
Other taxes recoverable	36,861	40,659
Derivative financial instruments with positive fair values	476	19,505
Prepaid charges and accrued income	4,832	5,327
Advances due from customers for contracts in progress	7,937	9,035
Advances to personnel	3,596	2,790
Others	10,401	20,922
Total	**87,835**	**120,996**

The derivative financial instrument amounts to €19,505 thousand, and represent the change in the fair value of the hedge contracts.

The 'advances due from customers for contracts in progress' increased because of the construction contracts in division New Ways. The amount of revenue recognised from construction contracts over time are in the range of 2% of total sales. Revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date amounts to €37,448 thousand; out of which €35,129 thousand is expected to be recognised during 2023, while the remaining amount of €2,319 thousand is expected to be recognised during the periods from 2024 and onwards based on open contracts as per 31 December 2022 for which revenue recognition started during 2022 or prior periods.

Exposure to credit risk – impairment losses

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

In thousands of EUR	**2021**	**2022**
Neither impaired nor past due at reporting date	432,499	611,395
Not impaired at reporting date and past due	74,821	78,071
Up to 30 days	*53,427*	*55,176*
Between 31 and 60 days	*15,405*	*11,093*
Between 61 and 90 days	*-735*	*2,031*
Between 91 and 120 days	*1,484*	*2,156*
Between 121 and 150 days	*448*	*3,435*
More than 150 days	*4,792*	*4,180*
Non-recourse factoring	*-167,325*	*-258,513*
Net carrying amount at the end of the year	**339,995**	**430,953**

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

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

In thousands of EUR	**2021**	**2022**
Allowances at the beginning of the year	**-16,660**	**-15,152**
Additions	-2,812	-303
Use	2,403	143
Reversal	2,755	1,687
Change in the scope of consolidation	-838	-3,601
Allowances at the end of the year	**-15,152**	**-17,226**

Other current assets

In thousands of EUR	**2021**	**2022**
Available-for-sale investments	775	2,200
Deposits and debt linked investments	40,543	79,252
Total	**41,318**	**81,452**

Deposits and debt linked investments include mainly investments in dollar linked bonds in Argentina for a total amount of €63,463 thousand in 2022 (€39,344 thousand in 2021).

Note 16 – Inventories

The different types of inventories are detailed below:

In thousands of EUR	**2021**	**2022**
Raw materials	149,645	193,425
Work in progress	30,734	36,458
Finished goods	174,614	207,224
Spare parts and consumables	72,574	77,772
Goods purchased for resale	28,057	34,479
Write-downs to net realisable value	-30,405	-35,327
Total	**425,219**	**514,031**

In 2022, the Group recognised inventory write-downs to net realisable value of €-13,193 thousand (€-9,730 thousand in 2021) as an expense, and a reversal of prior year write-downs amounting to €10,078 thousand (€15,098 thousand in 2021) as an income. Reversals of write-downs without impact on the income statement amount to €371 thousand (€218 thousand in 2021), mainly due to foreign currency conversions.

The 2022 net impact of scope changes on the total inventory equals to €65,893 thousand; with an impact on the gross carrying amount of €68,071 thousand, and €-2,178 thousand on the write downs to net realisable value.

Note 17 – Risk management and financial derivatives

17.1 Risk management

A. Market risk

Exposure to currency risk

Around 49% of the Group's revenue is generated by subsidiaries with a functional currency other than the Euro (51% in 2021). The Group has its main foreign exchange exposure in the following foreign currencies: Argentinean peso, Australian dollar, 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 2022, the reasonably possible change of the exchange rate of these currencies against the Euro is estimated as follows:

			Rates used for sensitivity analysis		
	Closing rate 31 December 2022	**Average rate 2022**	**Possible volatility of rates in %**	**Range of possible closing rates 31 December 2022**	**Range of possible average rates 2022**
Argentinean peso	189.9155	189.9155	22	147.7524 - 232.0786	147.7524 - 232.0786
Australian dollar	1.5693	1.5167	10	1.418 - 1.7206	1.3705 - 1.6629
Chilean peso (000)	0.9160	0.9177	18	0.7512 - 1.0807	0.7527 - 1.0827
Colombian peso (000)	5.1306	4.4751	19	4.144 - 6.1171	3.6146 - 5.3355
Nigerian naira	493.4692	449.3027	6	462.9185 - 524.0199	421.4863 - 477.119
Peruvian nuevo sol	4.3600	4.0374	11	3.8883 - 4.8317	3.6006 - 4.4742
Pound sterling	0.8869	0.8529	7	0.8217 - 0.9522	0.7901 - 0.9157

As a comparison, the reasonably possible change of exchange rate of these currencies against the Euro was estimated as follows for 2021:

			Rates used for sensitivity analysis		
	Closing rate 31 December 2021	**Average rate 2021**	**Possible volatility of rates in %**	**Range of possible closing rates 31 December 2021**	**Range of possible average rates 2021**
Argentinean peso	116.3715	116.3715	22	90.9909 - 141.7521	90.9909 - 141.7521
Australian dollar	1.5615	1.5750	9	1.4233 - 1.6997	1.4356 - 1.7143
Chilean peso (000)	0.9556	0.8984	14	0.8213 - 1.09	0.7721 - 1.0247
Colombian peso (000)	4.6328	4.4286	15	3.9346 - 5.3309	3.7612 - 5.096
Nigerian naira	480.3470	484.1108	7	445.9061 - 514.7879	449.4001 - 518.8216
Peruvian nuevo sol	4.8460	4.5914	10	4.3692 - 5.3228	4.1396 - 5.0432
Pound sterling	0.8403	0.8597	6	0.7911 - 0.8894	0.8094 - 0.91

If the Euro had weakened or strengthened during 2022 by the above estimated possible changes against the listed currencies with all other variables held constant, the 2022 profit would have been €11,819 thousand (5%) higher or €9,314 thousand (-4%) lower while equity would have been €144,034 thousand (8%) higher or €110,264 thousand (-6%) lower. In 2021, if the Euro had weakened or strengthened the profit would have been €12,232 thousand (6%) higher or €9,440 thousand (-4%) lower while equity would have been €101,432 thousand (7%) higher or €79,704 thousand (-6%) lower.

In thousands of EUR				**2022**
	If euro weakens		**If euro strengthens**	
	Profit	**Equity**	**Profit**	**Equity**
Argentinean peso	1,476	27,681	-939	-17,622
Australian dollar	1,739	26,097	-1,433	-21,507
Chilean peso	1,719	26,501	-1,195	-18,421
Colombian peso	1,016	9,213	-688	-6,241
Nigerian naira	1,176	2,813	-1,039	-2,485
Peruvian nuevo sol	528	11,568	-425	-9,309
Pound sterling	4,165	40,161	-3,595	-34,679
Total	**11,819**	**144,034**	**-9,314**	**-110,264**

In thousands of EUR				**2021**
	If euro weakens		**If euro strengthens**	
	Profit	**Equity**	**Profit**	**Equity**
Argentinean peso	3,168	21,672	-2,034	-13,911
Australian dollar	-5	22,330	5	-18,699
Chilean peso	3,356	16,340	-2,529	-12,314
Colombian peso	718	6,873	-530	-5,073
Nigerian naira	1,393	3,051	-1,207	-2,643
Peruvian nuevo sol	859	9,218	-705	-7,567
Pound sterling	2,743	21,948	-2,440	-19,497
Total	**12,232**	**101,432**	**-9,440**	**-79,704**

Interest rates sensitivity analysis

At the end of 2022 € 842,215 thousand or 64% of the Group's interest bearing financial liabilities, before offset of any surplus cash, bear a variable interest rate (€ 176,808 thousand or 39% at the end of 2021). This floating debt portion consists of debt instruments almost exclusively denominated in Euro apart from € 31,667 thousand that is denominated in Pound sterling (€21,976 thousand in 2021) and € 2,017 thousand denominated in other currencies (predominantly Polish Zloty).

The total interest expense recognised in the 2022 income statement on the Group's variable rate debt portion, net of the effect of interest rate derivative instruments, amounts to € 15,039 thousand (€ 2,140 thousand in 2021). The total interest expense recognised on the fixed rate portion amounts to € 4,162 thousand (€ 2,641 thousand in 2021).

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 2022	Possible volatility of rates	Possible rates at 31 December 2022
Australian dollar	3.37%	-1.89% - 2.26%	1.48% -5.63%
Euro	2.13%	-0.92% - 1.86%	1.21% - 3.99%
Pound sterling	3.87%	-2.01% - 1.87%	1.86% -5.74%
Polish Zloty	6.82%	-3.48% - 1.38%	3.34% -8.2%

			Rates used for sensitivity analysis
	Rates at 31 December 2021	Possible volatility of rates	Possible rates at 31 December 2021
Australian dollar	-0.04%	-0.19% - 0.37%	-0.23% -0.33%
Euro	-0.57%	-0.06% - 0.02%	-0.63% - -0.55%
Pound sterling	0.26%	-0.06% - 0.17%	0.2% -0.43%
Polish Zloty	2.34%	-0.34% - 1.99%	2% -4.33%

Application of the reasonably possible fluctuations in the market interest rates mentioned above on the Group's floating rate debt at 31 December 2022, with all other variables held constant and net of the effect of interest rate derivative instruments, would result in a decrease of the 2022 profit by € 5,228 thousand and an increase of € 2,963 thousand (a decrease of € 68 thousand and an increase of € 106 thousand in 2021).

Cash and cash equivalents in Euro of € 71,531 thousand (€ 32,018 thousand in 2021), Pound sterling balances of € 127,576 thousand (€ 118,211 thousand in 2021), US dollar € 111,281 thousand (€ 100,798 thousand in 2021) and Australian dollar balances of € 40,898 thousand (€ 32,122 thousand in 2021) generate interest that would partially offset any variations in interest payable. The cash pool balances are monthly netted (in euro).

For 2022, the fair value volatility of the Group's interest rate hedging contracts determined by:

- The 'dollar value' method shows that if the euro yield curve makes a parallel shift upward with 0.01%, then the fair value of the Group's interest rate hedging contracts would increase in value by approximately €517 thousand.
- The 'historical value at risk' method shows that based on historical volatility over the last year, the fair value of the Group's interest rate hedging contracts could suffer a maximum potential value decrease (95% confidence interval) of €6.5 million in one day, €35.8 million in 1 month and €62.7 million in 3 months.

There was no interest rate hedging in 2021.

The Group assessed the impact of the Interest Benchmark Reform and concluded that there is not any significant impact on historical, current and looking forward financial information.

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 11 for investments, note 15 for trade and other receivables, and note 18 for cash and cash equivalents).

C. Funding and long term liquidity risk

Maturity schedule

At 31 December 2022 the contractual maturities of financial liabilities, including interest payments, are the following:

In thousands of EUR	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Bank loans	974,871	1,282,650	163,130	45,568	560,008	513,944
Other financial loans	192,618	195,213	187,515	1,879	5,586	233
Obligations under leases	151,425	219,946	30,159	24,185	32,574	133,028
Trade and other liabilities	949,287	936,275	936,195	69	11	-
Derivative financial liabilities						
Interest rates swaps	-	-	-	-	-	-
Foreign exchange contracts	650	650	650	-	-	-
Total	**2,268,851**	**2,634,734**	**1,317,649**	**71,701**	**598,179**	**647,205**

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

At 31 December 2021 the contractual maturities of financial liabilities, including interest payments, were the following:

In thousands of EUR	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Bank loans	118,968	121,801	5,413	115,937	451	-
Other financial loans	179,540	180,983	169,709	4,096	7,153	25
Obligations under leases	159,105	234,891	26,828	24,853	41,103	142,107
Trade and other liabilities	749,755	736,752	736,733	19	-	-
Derivative financial liabilities						
Interest rates swaps	-	-	-	-	-	-
Foreign exchange contracts	2,332	2,332	2,332	-	-	-
Total	1,209,700	1,276,759	941,015	144,905	48,707	142,132

D. Capital risk

The Group monitors capital using the debt covenant specifications as outlined in the syndicated credit facility loan agreements and the Schuldschein loans (more details in Note 24). 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 1.32 at 31 December 2022 (0.10 at 31 December 2021), well below the lowest covenant of 3.25. The net cash interest to recurring EBITDA ratio amounts to 54.89 at 31 December 2022 (155.88 at 31 December 2021), well above the covenant of 4.

17.2 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, except when own use exemption is applied.

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

	2021		2022	
In thousands of EUR	Fair value	Carrying amount	Fair value	Carrying amount
Foreign exchange contracts				
Assets	365	365	1,514	1,514
Liabilities	-2,332	-2,332	-650	-650
Commodity contracts				
Assets	111	111	-	-
Liabilities	-	-	-	-
Interest rate swaps				
Assets	-	-	125,365	125,365
Liabilities	-	-	-	-
Total	**-1,856**	**-1,856**	**126,228**	**126,228**

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 2022, have been recognised:

	Profit for the year				
In thousands of EUR	Cost of sales	Interest expense	Other financial income	Other financial charges	Other comprehensive income
Foreign exchange contracts					
Assets	-42	-	-	-	1,191
Liabilities	306	-	-	-	1,376
Commodity contracts					
Assets	-	-	-	-	-111
Liabilities	-	-	-	-	-
Interest rate swaps					
Assets	-	-	-	-	125,365
Liabilities	-	-	-	-	-
Total	**264**	**-**	**-**	**-**	**127,821**

A. Cash flow hedges

At 31 December 2022, 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.

During 2022, the Group had interest rate swap agreements in place with a total nominal amount of €1,061,000 thousand whereby it received a variable interest rate based on Euribor three or six months, as the case may be, and pays a fixed rate on the notional amount. The swaps are being used to hedge the exposure to interest rate risk on its existing floating debt and any highly probable future debt issuance. The floating rate debt and the interest rate swaps had similar critical terms. In 2021 the group had no interest rate swap agreement in place.

The Group did not recognise any ineffectiveness in 2022 and 2021.

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 2022:

In thousands of EUR	**Carrying amount**	**Total expected cash flows**	**1 year or less**	**1-2 years**	**2-5 years**	**More than 5 years**
Foreign currency						
Foreign exchange contracts						
Assets	*1,205*	*1,205*	*619*	*586*	-	-
Liabilities	*-333*	*-333*	*-333*	-	-	-
Interest rate						
Interest rate swaps						
Assets	*125,365*	*138,974*	*18,954*	*26,272*	*59,177*	*34,571*
Liabilities	-	-	-	-	-	-

At 31 December 2021:

In thousands of EUR	**Carrying amount**	**Total expected cash flows**	**1 year or less**	**1-2 years**	**2-5 years**	**More than 5 years**
Foreign currency						
Foreign exchange contracts						
Assets	*67*	*67*	*67*	-	-	-
Liabilities	*-1,734*	*-1,734*	*-1,734*	-	-	-
Commodity contracts						
Commodity contracts						
Assets	*111*	*111*	*111*	-	-	-
Liabilities	-	-	-	-	-	-

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 2022.

17.3 Financial instruments – fair values

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

In thousands of EUR	**2021**	**2022**
Assets	**588,924**	**832,711**
Other non-current assets	5,111	114,268
Trade and other receivables (loans and receivables)	*2,299*	*2,712*
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	*64*
Derivatives – used for hedging (cash flow hedging)	-	*107,310*
Loans (loans and receivables)	*2,290*	*3,635*
Bonds (available-for-sale)	*519*	*544*
Other	*3*	*3*
Trade and other receivables	339,995	430,953
Trade and other receivables (loans and receivables)	*339,519*	*411,448*
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	*298*	*245*
Derivatives – used for hedging (cash flow hedging)	*178*	*19,260*
Other current assets	41,318	81,452
Current financial assets – deposits (loans and receivables)	*40,543*	*79,252*
Shares (available-for-sale)	*775*	*2,200*
Cash and cash equivalents (loans and receivables)	202,500	206,038
Liabilities	**1,209,700**	**2,268,851**
Financial liabilities (liabilities at amortised cost)	256,851	1,072,297
Other non-current liabilities	12,117	13,092
Other non-current liabilities (liabilities at amortised cost)	*12,117*	*13,092*
Current portion of financial liabilities (liabilities at amortised cost)	200,762	246,617
Trade and other liabilities	739,970	936,845
Trade and other payables (liabilities at amortised cost)	*737,638*	*936,195*
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	*598*	*317*
Derivatives – used for hedging (cash flow hedging)	*1,734*	*333*

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.

2022

In thousands of EUR	Level 1	Level 2	Level 3
Assets measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	309	-
Derivatives – used for hedging (cash flow hedging)	-	126,570	-
Liabilities measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	317	-
Derivatives – used for hedging (cash flow hedging)	-	333	-

During 2022 and 2021 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.

2021

In thousands of EUR	Level 1	Level 2	Level 3
Assets measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	298	-
Derivatives – used for hedging (cash flow hedging)	-	178	-
Liabilities measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	598	-
Derivatives – used for hedging (cash flow hedging)	-	1,734	-

As stated in note 12, assets held for sale are measured at the lower of carrying amount and fair value less costs to sell in 2022 and 2021 since no observable fair value could be obtained. The investment properties are measured at amortised cost, we refer to note 11.

Note 18 – Cash and cash equivalents

Cash and cash equivalents per end of the year remains flat with prior year. We also refer to the Consolidated statement of cash flows, Note 9 'Goodwill and Business Combinations' and Note 24 'Loans & borrowings' for further explanation. The different types of cash and cash equivalents are detailed below:

In thousands of EUR	2021	2022
Cash on hand and bank deposits	198,167	203,791
Short-term deposits (less than three months)	4,333	2,247
Total	202,500	206,038

Note 19 – Equity

Ordinary shares

The issued share capital (share premium included) of Etex N.V. amounts to €3,276 thousand at 31 December 2022. It is represented by 82,837,819 fully paid ordinary shares without par value.

	2021	2022
At the beginning of the year	82,837,819	82,837,819
Movement of the year	-	-
At the end of the year	82,837,819	82,837,819

Treasury shares

At 31 December 2022 the Group owns 4,673,495 ordinary shares representing 5.64% of the total number of ordinary shares.

	2021	2022
At the beginning of the year	4,673,495	4,673,495
Movement of the year	-	-
At the end of the year	4,673,495	4,673,495

Dividend

The 2022 dividend will be proposed for approval at the General Shareholders' Meeting of Etex N.V. on 24 May 2023 (after issuance of the financial statements) and will amount to €0.93 per share representing a total dividend of €72,693 thousand.

In 2022, a dividend of €65,658 thousand has been paid out based on the decision of the General Shareholders' Meeting of Etex N.V. on 25 May 2022 to allocate a dividend of €0.84 per share.

	Number of shares	EUR/share	Dividend in EUR
Ordinary shares	82,837,819	0.84	69,583,768
Treasury shares	-4,673,495	0.84	-3,925,736
Dividend paid out	78,164,324		65,658,032

Details changes in equity

in thousands of EUR	Issued share capital	Share premiums	Issued share capital and share premiums	Post employment benefits reserves	Financial instruments	Post employment benefits reserves and financial instruments
At December 31, 2020	2,533	743	3,276	-308,357	-1,578	-309,935
Total comprehensive income	-	-	-	62,683	503	63,186
At December 31, 2021	2,533	743	3,276	-245,674	-1,075	-246,749
Total comprehensive income	-	-	-	160,750	96,158	256,907
At December 31, 2022	2,533	743	3,276	-84,924	95,083	10,158

Other equity movements

The 2022 Other equity movements of €50,718 thousand mainly relate to the translation effects of IAS 29 (hyperinflation accounting) in Argentina impacting Other reserves and retained earnings; and changes in non-controlling interest in France.

The 2021 Other equity movements of €19,629 thousand mainly relate to the translation effects of IAS 29 (hyperinflation accounting) in Argentina impacting Other reserves and retained earnings.

Note 20 – Provisions

In thousands of EUR	Warranty	Health claims	Litigation	Others	Total
At 31 December 2021	**32,012**	**63,842**	**9,032**	**56,930**	**161,816**
Additional provisions made	3,787	1,641	2,171	33,035	40,634
Amounts utilised during the year	-2,989	-5,035	-1,946	-25,411	-35,381
Unused amounts reversed	-1,772	-2,883	-740	-5,319	-10,714
Changes in the scope of consolidation	-	-	1,541	4,138	5,679
Translation differences	-25	-24	-34	-336	-419
Transfer between captions	-	-	-	6	6
Discount rate adjustment	-1	-2,218	-	-13	-2,232
At 31 December 2022	**31,012**	**55,323**	**10,024**	**63,030**	**159,389**
Non-current at the end of the period	26,689	50,400	8,349	34,614	120,052
Current at the end of the period	4,323	4,923	1,675	28,416	39,337

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. Additions made to 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 2022 for the cost of asbestos claims comprises an amount of €20,868 thousand (€22,488 thousand in 2021) for the expected costs of settling notified claims and a discounted amount of €34,447 thousand (€41,349 thousand in 2021) in respect of losses arising from claims which have not yet been notified but which are both probable and can be reliably estimated. These future claims are discounted at different rates from 0.00 % to 8.75 % depending on the country (0.00 % to 6.37 % in 2021).

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 2022 was 31 (28 in 2021), 41 cases were settled and 17 resolved without cost. The number of outstanding cases for which a provision has been made at 31 December 2022, was 123 (150 in 2021).

Litigation provisions

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

Other provisions

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

The Group meets all obligations imposed by relevant laws with respect to CO2 emission rights, land decontamination and site restoration. Where requested, necessary expenses are made and provision for future estimated costs are set-up. At 31 December 2022, these provisions amount to €44,489 thousand (€32,946 thousand in 2021).

Restructuring provisions relate mainly to restructuring of companies in France. Further information is disclosed under note 5.

Note 21 – 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 20 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 2022, the Group issued the following guarantees to third parties:

In thousands of EUR	2021	2022
Guarantees issued after business disposals	324,783	316,432
Guarantees issued by the Group to cover the fulfilment of Group companies obligations	249,492	1,060,018
Guarantees issued by Third Parties to cover fulfilment of the Group companies obligations	19,404	20,666
Secured debt	866	347

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 (€900 million), commercial paper program (€300 million), Schuldschein loan (€824 million), as well as securities issued to guarantee other commitments (€192 million). The values disclosed in the above table are based on outstanding amounts.

Secured debt includes mortgages and pledges provided in Japan to cover local credit facilities in 2022.

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 2022 Etex had purchase commitments of €142,278 thousand (€90,396 thousand in 2021), mainly due to a significant project in UK in addition to commitments to acquire CO2 emission rights.

Commitments relating to uncapitalized lease payments are disclosed in Note 24.

Note 22 – 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 2022, the defined contribution plan expenses for the Group amounted to €14,072 thousand (€13,468 thousand in 2021).

Defined benefit plans

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

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

In thousands of EUR	2021	2022
Present value of funded obligations	*1,359,426*	*883,019*
Fair value of plan assets	*1,181,269*	*905,591*
Plan (surplus) deficit of funded obligations	178,157	-22,572
Present value of unfunded obligations	114,166	91,822
Net liability from funded and unfunded plans	**292,323**	**69,250**
Other long term benefits	7,357	8,327
Termination benefits	2,644	1,963
Stock option plans	39,479	41,417
Net employee benefits liability	**341,803**	**120,957**
Employee benefit obligation	1,523,072	1,026,548
Fair value of plan assets	1,181,269	905,591
Net liability at the end of the year	**341,803**	**120,957**
Net employee benefits liability (assets)	**341,803**	**120,957**
Employee benefits in the statement of financial position:		
Liabilities	*356,343*	*159,858*
Assets	*14,540*	*38,901*

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

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

Other post employment benefits such as medical plans, early retirement plans and gratuity plans are granted mainly in Belgium, the United Kingdom, France, Germany, Australia, 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 23.

The largest individual plans are in UK and Ireland. Together they account for 77% (82% in 2021) of the total Group defined benefit obligation, and 90% (92% in 2021) of its plan assets.

UK Pension Plans

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

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

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

UK legislation requires the Trustees to carry out valuations according to local funding requirements at least every three years and to target full funding against a basis that prudently reflects the Plans' risk exposure. The most recent valuations were carried out as at 31 March 2020 and the results showed a deficit of £11.2million (funding level 98%) for the Scheme and a deficit of £2.4 million (funding level 99%) for the Plan against the Trustees' funding objective, agreed with the UK sponsors.

During the 2017 actuarial valuation discussions, an agreement was reached with the UK Sponsors and the Trustees of the Plan agreed to take a £43,975 thousand interest in an asset backed contribution (ABC) arrangement – the EPP ABC Limited Partnership ("the EPP ABC"), following receipt of a contribution of the same amount from Eternit UK Limited on 28 March 2018. The agreement provides additional covenant support for the Plan. The EPP ABC releases cash each quarter to the Plan of £1,025 thousand no later than 5 business days following 31 March, 30 June, 30 September, 31 December each year starting on 30 June 2018 for a 14 year 6-month period with the last payment made no later than 5 business days following 31 December 2032. This agreement and term of the arrangement remains the same following completion of the 2020 funding valuation.

The UK sponsors also agreed a similar agreement for the Scheme to take a £36,157 thousand interest in an asset backed contribution (ABC) arrangement – the MPS ABC Limited Partnership ("the MPS ABC"), following receipt of a contribution of the same amount from Marley Eternit Limited on 28 March 2018. The agreement provides additional covenant support for the Scheme. As with the EPP ABC, the MPS ABC releases cash to the Scheme of £842 thousand each quarter no later than 5 business days following 31 March, 30 June, 30 September, 31 December each year starting on 30 June 2018 for a 14 year 6-month period with the last payment made no later than 5 business days following 31 December 2032. This agreement and term of the arrangement remains the same following completion of the 2020 funding valuation.

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

The approximate weighted average duration of the defined benefit obligation is approximately 12 years for the Scheme and 13 years for the Plan as at 31 December 2022.

The Plans hold a diversified portfolio of assets including multi-asset absolute return funds, property, private debt, infrastructure, insurance-linked securities, liability driven investments, buy and hold credit funds, and cash. The investment strategy is reviewed regularly by the Trustees in conjunction with the UK sponsors. The last review for both the Scheme and Plan was in 2021, when the Trustees agreed to adopt a strategic asset mix that was expected to evolve over time as the Plans mature. In addition, in 2022 the Plans' funding position improved significantly due to rising bond yields, and hence the allocations to multi-asset absolute return funds and insurance-linked securities were reduced with a view to protecting some of these gains and reducing risk, whilst also supporting the LDI collateral position. The Trustees will continue to review the investment strategy over 2023, including in the context of the 2023 actuarial valuation.

41% of the total asset portfolio consists of complex pooled investment vehicles (PIVs) for which the year-end fair values have been estimated based on 30 September 2022 valuation adjusted for capital movements during the last quarter of 2022 and up to the year-end date.

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

In order to mitigate risk and working together with the Trustees, the UK sponsors have carried out two risk management exercises since the closure of the Plans. The first of these was a pension increase exchange exercise whereby members of the Plans were offered the opportunity to exchange non-statutory inflation linked pension increases for a higher initial pension, but one which did not then increase in payment thereby reducing the inflation exposure of the Plans. A flexible pension option exercise took place at the end of 2013/start of 2014 in which preserved pensioners aged 55 or over were reminded of their option to retire early or transfer out of the Plans with the offer of independent financial advice. To the extent members decide to transfer out of the Plans some of the risks described are reduced.

Ireland Pension Plans

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

The Plans target a pension paid for life. The amount of pension depends on how long employees were active members of the Plans

and their salary when they left the Plans, revalued on a statutory basis until retirement.
The Plans are governed by boards of Trustees (the "Trustees") that have control over the operation, funding and investment strategy.

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

Irish legislation requires the Trustees to carry out valuations according to local funding requirements at least every three years. The most recent valuations were carried out as at 1 January 2021 and the next formal actuarial valuation of the Plans will be as of 1 January 2024.

The results of the 1 January 2021 valuations showed that both schemes satisfied the statutory minimum funding standard and there was a small combined surplus (funding level 100%) against the Trustees' funding objectives. The Irish sponsors and Trustees have agreed to a pause in employer contributions over the period to the next formal valuations at 1 January 2024;

The combined approximate weighted average duration of the defined benefit obligation is 14 years for the Plans.

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

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

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

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

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

In thousands of EUR	2021	2022
United Kingdom	1,141,258	711,163
Germany	104,417	72,576
Ireland	102,314	74,527
Belgium	90,176	82,222
France	19,057	16,218
Others	65,850	69,842
Employee benefit obligation	**1,523,072**	**1,026,548**

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

In thousands of EUR	2021	2022
Employee benefit obligation at the beginning of the year	**1,495,656**	**1,523,072**
Service cost	*37,014*	*29,087*
Past service cost (gain)/loss	*326*	*-408*
Settlements	*333*	*-221*
Service cost	37,673	28,458
Interest cost	18,437	24,087
Actuarial (gains) and losses	-47,597	-427,705
Benefits paid	-63,512	-81,894
Plan participants contribution	959	992
Acquisition of subsidiaries	4,865	4,453
Disposal of subsidiaries	-	-133
Translation differences	76,591	-44,782
Employee benefit obligation at the end of year	**1,523,072**	**1,026,548**

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

Belgian plans subject to minimum guaranteed rate of return

Etex offers defined contribution pension plans funded through group insurance to employees of its Belgian affiliates. The Belgian defined contribution plans are subject to the Law of 28 April 2003 on occupational pensions.
According to article 24 of this Law, the employer has to guarantee a minimum return (3.25% p.a. / 3.75% p.a. on employer / employee contributions paid before 1 January 2016 and 1.75% p.a. on employer /employee contributions paid as from 1 January 2016), therefore these plans are considered to be defined benefit plans under IAS 19. They induce a financial risk for the group during periods of declining market interest rates when the returns guaranteed by the insurance companies are lower than the minimum legal returns. The assets of these plans are entirely managed by external insurance companies referred to as "qualifying parties" which do not have any link with the group.

Other plan costs and income

Past service gains of €408 thousand relate mainly to the change of the estimates of the funded plan in Indonesia, in accordance with the new IFRIC recommendation. Settlements of €221 thousand relate to a medical plan in France.

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

In thousands of EUR	2021	2022
Fair value of plan assets at the beginning of the year	**1,116,357**	**1,181,269**
Interest income	14,549	19,763
Actuarial gains and (losses)	16,820	-213,037
Employer contribution	14,206	12,959
Plan participants contribution	940	995
Administration cost (excluding management of assets)	-144	-175
Newly recognized plan	3,064	11
Benefits paid	-49,115	-53,021
Transfer	-16	-
Translation differences	64,608	-43,173
Fair value of plan assets at the end of the year	**1,181,269**	**905,591**

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

In thousands of EUR	2021	2022
Service cost	-37,673	-28,458
Interest cost	-18,437	-24,087
Interest Income	14,549	19,763
Administration cost (excluding management of assets)	-145	-175
Total employee benefit expense	**-41,706**	**-32,957**
The employee benefit expense is included in the following line items of the income statement :		
Operating income	*-37,818*	*-28,633*
Financial result	*-3,888*	*-4,324*

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

	2021	2022
Discount rate	1.27%	4.60%
Future salary increases	5.08%	4.87%
Pension increase	2.41%	2.82%
Medical cost trend	5.40%	5.40%

The distribution of the plan assets is the following:

	2021	2022
Equity instruments	8%	3%
Debt instruments	57%	44%
Real estate	8%	9%
Etex shares (200,190 shares)		
Cash and fixed deposits	4%	6%
Insurance	10%	13%
Other	12%	25%
Total	**100%**	**100%**

The expected employer contributions to be paid in 2023 to defined benefit plans amount to €4,690 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 £77 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 £51 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 £22 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 €12 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 €12 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 €3.3 million.

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

Note 23 – Share based payments

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

On 22 October 2019, the Board introduced a new stock option plan on similar terms: the plan authorises the issuance of a maximum of 5,000,000 options to be granted annually over a 5-year period with an annual maximum of 1,000,000 options however if less distributed over past years allocation could be higher in a certain year. In 2020, 2021 and 2022 grants were made under this plan (SOP 2020, SOP 2021 and SOP 2022).

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:

	2021	2022
Expected volatility (% pa)	20.00	20.00
Risk-free interest rate (% pa)	-0.18	0.05
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)	50.42	48.91
Expected early exercise of options	5-6 years	5-6 years
Fair value per granted instrument determined at grant date (€)	5.61	5.75

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 €21,387 thousand during the year (an expense of €28,636 thousand in 2021). The total carrying amount of the liability related to the stock option plans amounts to €41,417 thousand (€39,479 thousand in 2021) and is disclosed under "Employee benefits liabilities" as described under note 22.

Stock option plans granted by the company

Plan	Contractual life of an option	Exercise period	Exercise (call) price	Number of options still to be exercised
SOP 2016	20.6.2023	Once a year as from 2020, between 1.6 and 20.6	26.74	22,900
SOP 2017	20.6.2024	Once a year as from 2021, between 1.6 and 20.6	33.23	47,000
SOP 2018	20.6.2025	Once a year as from 2022, between 1.6 and 20.6	33.65	108,000
SOP 2019	20.6.2026	Once a year as from 2023, between 1.6 and 20.6	29.35	733,563
SOP 2020	20.6.2027	Once a year as from 2024, between 1.6 and 20.6	28.69	686,125
SOP 2021	20.6.2028	Once a year as from 2025, between 1.6 and 20.6	50.41	1,027,425
SOP 2022	20.6.2029	Once a year as from 2026, between 1.6 and 20.6	48.91	1,008,475

Details of the share options outstanding during the year

	2021		2022	
In thousands of EUR	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**3,239,848**	**31.18**	**3,660,469**	**31.18**
Granted during the year	1,103,925	50.41	1,047,400	48.91
Forfeited during the year	-112,256	30.97	-173,141	43.02
Exercised during the year	-561,148	32.88	-897,240	33.36
Expired during the year	-9,900	32.28	-4,000	32.83
Outstanding at the end of the year	**3,660,469**	**31.18**	**3,633,488**	**40.77**
Of which exercisable at the end of the year	*273,200*	*32.11*	*177,900*	*32.65*

For share put options exercised during the period, the weighted average share price was €54.80 (€43.42 in 2021).

Note 24 – Loans and borrowings

In thousands of EUR	2021	2022
Bank loans	113,243	941,495
Other financial loans	7,205	5,902
Obligations under leases	136,403	124,900
Total non-current financial liabilities	**256,851**	**1,072,297**

In thousands of EUR	2021	2022
Bank loans	4,335	28,638
Bank overdrafts	1,390	4,738
Other financial loans	172,335	186,716
Obligations under leases	22,702	26,525
Total current financial liabilities	**200,762**	**246,617**

In October 2018, Etex signed the documentation for the refinancing of a €600 million Syndicated Credit Facility for a period of 5 years (extendable to 7 years) with a pool of 12 core banks. In 2020, the Syndicated Credit Facility was extended for an amount of €535 million till October 2025. That Syndicated Facility was drawn at €100 million per end of 2022 (drawn at €0 million per end of 2021). Etex also uses Schuldschein loans (outstanding from 2016 and a new issue in 2022) for a total amount of €824 million (€110 million in 2021) and a Commercial Paper program of €300 million, drawn at €134 million per end of 2022 (€137,3 million per end of 2021). The increase of these 3 loan facilities is the result of the URSA acquisition made in 2022.

In December 2022, Etex signed the documentation for an additional Syndicated Credit Facility of €300 million, maturing in October 2025, with a pool of 9 banks. Objective of this additional financing was to increase the group liquidity in view of the geopolitical developments. That new, additional Syndicated Credit Facility was drawn at €0 million per end of 2022.

In 2022, Etex continued using its €275 million non-recourse Factoring Program (increase of €75 million versus 2021), through which customer receivables from 14 entities in 10 European countries are being sold to a pool of banks on a non-recourse basis. Per end of 2022, €251.1 million were financed through that program, out of which €206.0 million was eligible for trade receivables derecognition. Within the URSA scope of acquired companies, a total non-recourse factoring program is running for an additional non-recourse factoring financing of €52,5 million, derecognized from the trade receivables.

The utilisations of the Syndicated Loan Facilities may be in Euro or other freely available currencies, as agreed. The interest payable is calculated at the relevant interbank rate for the period of the utilisation that has been chosen by the borrower, floored at 0%, plus the applicable margin. The Credit Facilities 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 17.

Transaction costs on the Syndicated Loans of 2018 and 2022, and on the new 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 2022 amounts to €3,735 thousand (€1,204 thousand at the end of 2021).

Within the share purchase agreements of the acquisition project of Evolusion Innovation Group (2021) a call/put option clause was integrated to acquire the remaining shares. At year-end 2022 the call/put option is measured at fair value and qualified as financial liability amounting to €3,791 thousand.

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 €59.7 million end of 2022 (€12.4 million end of 2021), for which the increase is mainly located in Nigeria (€44.6 million) through local financing of an investment project.

The management of interest rate risk is described in Note 17.

Net financial debt

The net financial debt position is calculated as follows:

In thousands of EUR	2021	2022
Non-current loans and borrowings	256,851	1,072,297
Current portion of loans and borrowings	200,762	246,617
Current financial assets	-41,316	-81,451
Cash and cash equivalents	-202,500	-206,038
Net financial debt	**213,797**	**1,031,425**

Lease liabilities

The Group is leasing for various items of plant, property and equipment. At commencement date of the lease, the Group recognises the right-of-use assets (refer to Note 8 – Property, plant and equipment) and the lease liability measured at the present value of lease payments to be made over the lease term. The Group presents interest paid on its lease liabilities as financing activities in the cash flow statement (refer to Consolidated statement of cash flows) and as interest expense on financial liabilities measured at amortised cost in the income statement (refer to Note 6 – Finance income and expenses).

The future minimum lease payments, interest payments and present value of payments are as follows:

In thousands of EUR	2021			2022		
	Minimum lease payments	Interest	Present value	Minimum lease payments	Interest	Present value
Less than 1 year	26,826	-4,124	22,702	30,161	-3,636	26,525
Between 1 and 5 years	65,956	-12,801	53,155	56,757	-10,778	45,979
More than 5 years	142,107	-58,859	83,248	133,029	-54,108	78,921
Total	**234,889**	**-75,784**	**159,105**	**219,947**	**-68,522**	**151,425**

Uncapitalized lease payments

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term lease and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The variable lease payments that do not depend on an index or rate are recognised as expense in the period on which the event or condition that triggers the payment occur. The total expenses for uncapitalized lease payments recognised in the consolidated income statement for 2022 amount to €7,345 thousand.

Future committed uncapitalized lease payments are as follows:

In thousands of EUR	2021				2022		
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total	Less than 1 year	Between 1 and 5 years	Total
Short-term leases	2,017	12	-	**2,029**	6,212	-	**6,212**
Low-value leases	23	12	-	**35**	624	483	**1,107**
Variable lease payments	4	-	-	**4**	55	61	**116**
Total	**2,044**	**24**	**-**	**2,068**	**6,891**	**544**	**7,435**

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

Note 25 – Deferred tax

In thousands of EUR	Assets	Liabilities	Net
Net carrying amount at 31 December 2021	**112,025**	**83,701**	**28,324**
Translation differences	-1,912	-4,520	2,608
Recognised in income statement	-43,364	-38,021	-5,343
Recognised in equity	-	85,324	-85,324
Change in scope of consolidation	16,933	67,469	-50,536
Netting	14,721	14,727	-6
Net carrying amount at 31 December 2022	**98,403**	**208,680**	**-110,277**

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

In thousands of EUR	2021		2022		2021	2022	
	Assets	Liabilities	Assets	Liabilities	Net	Net	Variance
Property, plant and equipment	3,475	125,012	4,320	138,876	-121,537	-134,556	-13,019
Intangible assets	3,187	46,057	3,039	79,313	-42,870	-76,274	-33,404
Employee benefits assets	10	1,818	116	8,844	-1,808	-8,728	-6,920
Inventories	5,542	939	5,178	1,639	4,603	3,539	-1,064
Trade & other receivables	5,682	446	4,831	877	5,236	3,954	-1,282
Other assets	11,365	3,351	9,683	39,105	8,015	-29,422	-37,437
Provisions	21,443	7,676	19,384	9,141	13,767	10,243	-3,524
Employee benefits liabilities	47,003	595	12,818	13,543	46,408	-725	-47,133
Loans and borrowings	11,988	318	10,118	1,224	11,670	8,894	-2,776
Other non-current liabilities	-	333	-	315	-333	-315	18
Current liabilities	15,337	1,108	19,213	4,989	14,229	14,224	-5
Tax losses carried forward	203,094	-	245,748	-	203,094	245,748	42,654
Unrecognised deferred tax assets	-112,152	-	-146,859	-	-112,152	-146,859	-34,707
Netting by taxable entity	-103,951	-103,951	-89,186	-89,186	-	-	-
Total	**112,025**	**83,701**	**98,403**	**208,680**	**28,322**	**-110,277**	**-138,599**

Deferred taxes have not been recognised in respect of tax losses carried forward for an amount of €144,197 thousand (€109,429 thousand in 2021) and net deductible temporary differences for €2,250 thousand (€2,724 thousand in 2021) 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
2023	920
2024	-
2025	918
2026	-
Without expiration date	243,909
Total	**245,748**

Note 26 – Trade and other liabilities

Non-current liabilities

In thousands of EUR	2021	2022
Deferred income - Government grants	12,098	12,905
Other liabilities	19	187
Total	**12,117**	**13,092**

The Group has been awarded a number of government grants related to investments in property, plant and equipment. These government grants are recognised in the statement of financial position as deferred income for €12,905 thousand (€12,098 thousand in 2021) and amortised over the useful life of the assets. All conditions attached to these grants have been fulfilled.

Current liabilities

In thousands of EUR	2021	2022
Trade liabilities	533,252	677,105
Other liabilities	206,718	259,740
Total	**739,970**	**936,845**

At 31 December 2022 an amount of €26,756 thousand, out of a total credit line of €115 million, has been utilized by suppliers as part of a supplier finance arrangement. The arrangement contemplates the transfer of receivables (outstanding Group's payables) by suppliers to predefined banks. The group has determined that the terms (amount, nature, function and timing) of the trade payables are otherwise substantially unchanged and that it is therefore appropriate to continue presenting the relevant amounts within trade payable in the balance sheet.

The other current liabilities include:

In thousands of EUR	2021	2022
Income taxes payable	49,533	55,548
Other taxes payable	32,465	48,317
Remuneration payable	72,424	82,949
Social security payable	23,159	24,806
Deferred income and accrued charges	9,181	21,679
Derivative financial instruments with negative fair values	2,332	650
Dividends payable	41	1,482
Amount due to customers for construction contracts in progress	1,245	1,737
Advances received on construction contracts not started yet	87	1,530
Current cash guarantees received	708	796
Other	15,543	20,246
Total	**206,718**	**259,740**

Note 27 – Statement of cash flow details

(a) Depreciation, amortisation and impairment losses

2022

In thousands of EUR	Property,plant, equipment (note 8)	Intangible assets (note 9, 10)	Investment properties (note 11)	Assets held for sale (note 12)	Total
Depreciation	175,649	-	39	-	175,688
Amortisation	-	37,314	-	-	37,314
Impairment losses	15,205	2,485	-144	14	17,560
Total	**190,854**	**39,799**	**-105**	**14**	**230,562**

2021

In thousands of EUR	Property,plant, equipment (note 8)	Intangible assets (note 9, 10)	Investment properties (note 11)	Assets held for sale (note 12)	Total
Depreciation	145,884	-	113	-	145,997
Amortisation	-	26,727	-	-	26,727
Impairment losses	1,452	33,458	-191	-	34,719
Total	**147,336**	**60,185**	**-78**	**-**	**207,443**

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

2022

In thousands of EUR	Property,plant, equipment (note 8)	Intangible assets (note 10)	Investment properties (note 11)	Assets held for sale (note 12)	Total
Disposal proceeds	4,669	302	-	8,217	13,188
Net book value disposals	-4,202	-14,859	-	-1,346	-20,407
Gains (losses) on disposal	**467**	**-14,557**	**-**	**6,871**	**-7,219**
Losses on retirement	-	-	-	-	-
Total	**467**	**-14,557**	**-**	**6,871**	**-7,219**

2021

In thousands of EUR	Property,plant, equipment (note 8)	Intangible assets (note 10)	Investment properties (note 11)	Assets held for sale (note 12)	Total
Disposal proceeds	4,615	1,289	16,486	327	22,717
Net book value disposals	-3,320	-4,954	-2,426	-443	-11,143
Gains (losses) on disposal	**1,295**	**-3,665**	**14,060**	**-116**	**11,574**
Losses on retirement	-	-	-	-	-
Total	**1,295**	**-3,665**	**14,060**	**-116**	**11,574**

(c) Capital expenditure

In thousands of EUR	2021	2022
Property, plant and equipment (note 8)	181,800	280,437
Intangibles assets (note 10)	15,572	20,882
Assets held for sale (note 12)	842	13
Total	**198,214**	**301,332**
Property, plant and equipment - leased	61,316	15,030
Total Capital expenditure - leased	**61,316**	**15,030**
Property, plant and equipment - owned	120,484	265,407
Intangibles assets - owned	15,572	20,882
Assets held for sale - owned	842	13
Total Capital expenditure - owned	**136,898**	**286,302**

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

In thousands of EUR	2021	2022
Inventories	-70,530	-29,671
Trade and other receivables, trade and other liabilities	8,473	-52,846
Provisions	-11,933	8,459
Employee benefits	8,414	-15,184
Total	**-65,576**	**-89,242**

(e) Interest and dividend received

In thousands of EUR	2021	2022
Interest received	2,083	7,700
Dividend Associates	1,222	887
Total	**3,305**	**8,587**

(f) Reconciliation Income tax expense – income tax paid

In thousands of EUR	2021	2022
Income Tax expense	-89,618	-102,406
Changes in Deferred taxes	-4,743	5,343
Changes in income tax payables/receivables	787	-747
Income Tax paid	**-93,574**	**-97,810**

(g) Dividend paid

In thousands of EUR	2021	2022
Dividend Etex N.V.	-54,715	-65,658
Minority interest	-9,054	-5,368
Changes dividend payable	-838	1,441
Exchange difference	684	-397
Total dividend paid	**-63,923**	**-69,983**

(h) Changes in liabilities arising from financial liabilities

2022

In thousands of EUR	January 01 2022	Cash flows	Non-cash changes: Foreign exchange movements	Non-cash changes: New leases	Non-cash changes: Transfers	Non-cash changes: Scope in	Non-cash changes: Scope out	December 31 2022
Bank loans	113,243	858,045	-4,262	-	-25,531	-	-	941,495
Other financial loans	7,205	-287,283	-	-	-1,426	287,406	-	5,902
Non-current lease liability	136,403	-6,143	-4,101	15,030	-27,241	10,961	-9	124,900
Non-current financial liabilities	**256,851**	**564,619**	**-8,363**	**15,030**	**-54,198**	**298,367**	**-9**	**1,072,297**
Bank loans	4,335	-651	-577	-	25,531	-	-	28,638
Bank overdrafts	1,390	3,396	-48	-	-	-	-	4,738
Other financial loans	172,335	2,441	-4,544	-	1,426	15,058	-	186,716
Current lease liability	22,702	-23,150	-169	-	27,241	-	-99	26,525
Current financial liabilities	**200,762**	**-17,964**	**-5,338**	**-**	**54,198**	**15,058**	**-99**	**246,617**
Total loans and borrowings	**457,613**	**546,655**	**-13,701**	**15,030**	**-**	**313,425**	**-108**	**1,318,914**

2021

In thousands of EUR	January 01 2021	Cash flows	Non-cash changes: Foreign exchange movements	Non-cash changes: New leases	Non-cash changes: Transfers	Non-cash changes: Disposal	Non-cash changes: Scope in	Non-cash changes: Scope out	December 31 2021
Bank loans	109,559	-6,197	-46	-	-1,203	-	11,130	-	113,243
Other financial loans	3,056	-31,962	3	-	-885	-	36,993	-	7,205
Non-current lease liability	86,402	-17,648	9,170	61,316	-18,417	-	15,580	-	136,403
Non-current financial liabilities	**199,017**	**-55,807**	**9,127**	**61,316**	**-20,505**	**-**	**63,703**	**-**	**256,851**
Bank loans	77,689	-74,470	-87	-	1,203	-	-	-	4,335
Bank overdrafts	327	1,058	5	-	-	-	-	-	1,390
Other financial loans	131,182	39,487	781	-	885	-	-	-	172,335
Current lease liability	20,925	-27,784	10,211	-	18,417	-	933	-	22,702
Current financial liabilities	**230,123**	**-61,709**	**10,910**	**-**	**20,505**	**-**	**933**	**-**	**200,762**
Total loans and borrowings	**429,140**	**-117,516**	**20,037**	**61,316**	**-**	**-**	**64,636**	**-**	**457,613**

Note 28 – 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 13.

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

In thousands of EUR	2021	2022
Board of Directors:		
Short term employee benefits	*958*	*1,060*
Executive Committee:		
Short term employee benefits	*11,698*	*9,501*
Post employment benefits	*485*	*497*
Share based payment	*7,573*	*8,210*
Number of stock options granted during the year	*464,375*	*538,300*

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

Note 29 – Remuneration of statutory auditor

The world-wide audit remuneration for the statutory auditor totalled €2,944 thousand (€2,245 thousand in 2021). The fees paid to the statutory auditor for additional services amounted to €1,720 thousand (€940 thousand in 2021), of which €1,070 thousand Other engagements (€143 thousand in 2021) and €650 thousand tax & advisory services (€797 thousand in 2021).

Note 30 – 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 2021	% equity interest 2022
Europe			
Austria	Etex Building Performance GmbH	100%	100%
	URSA Dämmsysteme Austria GmbH	0%	100%
Belgium	Comptoir du Bâtiment N.V.	100%	100%
	Etergyp N.V.	100%	100%
	Eternit N.V.	100%	100%
	Etex Building Performance N.V.	100%	100%
	Etex N.V.	100%	100%
	Etex New Ways N.V.	100%	100%
	Etex Services N.V.	100%	100%
	Etexco N.V.	100%	100%
	Euro Panels Overseas N.V.	100%	100%
	Microtherm N.V.	100%	100%
	Promat Research and Technology Center N.V.	100%	100%
	URSA Benelux B.V.	0%	100%
Bosnia	Siniat Adria Gips LLC	100%	100%
Croatia	URSA Zagreb D.O.O.	0%	100%
Czech Republic	Promat s.r.o.	100%	100%
	URSA CZ s.r.o.	0%	100%
Denmark	Etex Nordic A/S	100%	100%
Estonia	OÜ URSA Baltic	0%	100%
France	Etermat S.A.S.U.	100%	100%
	Eternit S.A.S.U.	100%	100%
	Etex Building Performance International S.A.S.	100%	100%
	Etex France Building Performance S.A.	100%	100%
	Etex France Exteriors	100%	100%
	Etex Materiaux de Construction S.A.S.	100%	100%
	Papeteries de Bègles S.A.S.	100%	100%
	Pincemin S.A.S.	69.40%	100%
	Pladur France S.A.S.	100%	100%
	URSA France S.A.S.	0%	100%
	URSA INSMAT France S.A.S.	0%	100%
Germany	Etex Building Performance GmbH	100%	100%
	Etex Germany Exteriors GmbH	100%	100%
	Etex Holding GmbH	100%	100%
	Promat Service GmbH	100%	100%
	URSA Deutschland GmbH	0%	100%
	URSA (INSMAT) Holdings GmbH	0%	100%
	URSA INSMAT GmbH	0%	100%
	Wanit Fulgurit GmbH	100%	100%
Hungary	URSA Salgótarján Zrt	0%	100%

		% equity interest 2021	% equity interest 2022
Italy	Edilit S.r.l.	100%	100%
	Etex Building Performance S.p.A.	100%	100%
	Etex Italia	100%	100%
	Immogit S.r.l.	100%	100%
	Promat S.p.A.	100%	100%
	Siniat Holding Italy S.r.l.	100%	100%
	URSA Italia S.r.l.	0%	100%
Ireland	Etex Ireland Limited	100%	100%
	Evolusion Innovation Int'l Ltd	60.00%	60.00%
	Evolusion Innovation Ltd	60.00%	60.00%
	Horizon Offsite Limited	100%	100%
	Tegral Holding Limited	100%	100%
Lithuania	UAB Eternit Baltic	100%	100%
Luxemburg	Eternit Investment S.à.r.l.	100%	100%
	Etex Asia S.A.	100%	100%
	Etex Finance S.A.	100%	100%
	Etex Luxembourg S.A.	100%	100%
	Maretex S.A.	100%	100%
	Merilux S.à.r.L.	100%	100%
	Poly Ré S.A.	100%	100%
Netherlands	Eternit B.V.	100%	100%
	Eternit Holdings B.V.	100%	100%
	Etex Building Performance B.V.	100%	100%
	Nefibouw B.V.	100%	100%
	Uralita Holding B.V.	0%	100%
Poland	Promat TOP Sp. z o.o.	100%	100%
	Siniat Polska Sp. z o.o.	100%	100%
	Siniat Sp. z o.o.	100%	100%
	URSA Polska Sp.Z.o.o	0%	100%
Portugal	EPISA SL	100%	100%
Romania	Etex Building Performance S.A.	100%	100%
	URSA Romania S.R.L.	0%	100%
Russia	Etex Russia	100%	100%
	URSA Eurasia LLC	0%	100%
Serbia	Etex Building Performance doo	100%	100%
	URSA Beograd doo	0%	100%
Slovakia	URSA SK S.R.O.	0%	100%
Slovenia	Promat d.o.o.	100%	100%
	URSA Slovenija d.o.o.	0%	100%
Spain	Almería Gypsum S.A.	100%	100%
	Euronit Fachadas y Cubiertas S.L.	100%	100%
	Pladur Gypsum	100%	100%
	Promat Ibérica S.A.	100%	100%
	Promat Inversiones S.L.	100%	100%
	URSA Ibérica Aislantes S.A.	0%	100%
	URSA Insulation S.A.	0%	100%
Switzerland	Etex Switzerland & Austria GmbH	100%	100%
Ukraine	Siniat Gips ALC	100%	100%
	Siniat Gips Ukraine LLC	100%	100%

		% equity interest	
		2021	2022
United Kingdom	Crucible Gypsum Recycling Ltd	100%	100%
	EM Holdings UK Ltd.	100%	100%
	Evolusion Innovation UK Ltd	60.00%	60.00%
	EOS Framing Limited	100%	100%
	EOS Offsite Solutions Limited	100%	100%
	Eternit UK Ltd.	100%	100%
	Etex (Exteriors) UK Limited	100%	100%
	Etex (U.K.) Limited	100%	100%
	Etex Building Performance UK Ltd.	100%	100%
	FSi Limited	100%	100%
	John Brash Ltd	100%	100%
	ML UK Holding Limited	100%	100%
	Promat Glasgow Ltd.	100%	100%
	Promat UK Ltd.	100%	100%
	Sigmat Ltd	100%	100%
	Sigmat Group Ltd.	100%	100%
	URSA UK Ltd.	0%	100%
Latin America			
Argentina	Durlock S.A.	100%	100%
	Eternit Argentina S.A.	99.44%	99.44%
	Siniat Holding Argentina S.A.	100%	100%
Brazil	Siniat Holding Brazil S.A.	100%	100%
	Siniat S.A. Mineração Indústria e Comércio	100%	100%
Chile	Centro de Servicios Compartidos SpA	99.83%	99.83%
	Empresas Pizarreño S.A.	99.83%	99.83%
	Inversiones Etex Chile Ltda.	100%	100%
	Inversiones San Lorenzo Chile S.A.	99.83%	99.83%
	New Ways Americas SpA	100%	100%
	Sociedad Industrial Pizarreño S.A.	99.77%	99.77%
	Sociedad Industrial Romeral S.A.	99.87%	99.87%
Colombia	Etex Colombia S.A.	99.95%	99.95%
	Gyplac S.A.	100%	100%
	Shared Services Colombia S.A.S	100%	100%
Ecuador	EBM Ecuador SA	100%	100%
	Icon Plus	51.00%	0.00%
Mexico	Servicios de Gestion S.A. de C.V.	100%	100%
	Servicios Atacama S.A. de C.V.	99.79%	99.79%
Peru	Etex Peru S.A.C.	100%	100%
	Fabrica Peruana Eternit S.A.	89.16%	89.16%
Uruguay	Eternit Uruguaya S.A.	97.50%	97.50%
Africa, Asia, Oceania, North America			
Australia	Promat Australia Pty Ltd.	100%	100%
	Etex Australia Pty Ltd	100%	100%
China	Eternit Guangzhou Building Systems Ltd.	66.65%	66.65%
	Promat International (Asia Pacific) Ltd.	100%	100%
	Promat Shangai Ltd.	100%	100%
India	Promat India	100%	100%
Indonesia	Etex BP Indonesia	94.93%	94.93%
Japan	Promat Japan	100%	100%

		% equity interest	
		2021	2022
Malaysia	Etex Malaysia	100%	100%
Nigeria	Emenite Ltd.	56.87%	56.87%
	Eternit Ltd.	100%	100%
	Nigerite Ltd.	56.85%	56.85%
Singapore	Promat Building System Pte Ltd.	100%	100%
South Africa	Etex South Africa Building Systems	100%	100%
United Arab Emirates	Etex Middle East LLC	100%	100%
United States of America	Promat Inc.	100%	100%

Equity accounted entities

		% equity interest	
		2021	2022
Argentina	EBS S.A.	50.00%	0.00%
Brazil	Tecverde Egenharia	45.14%	46.00%
Chili	E2E	50.00%	50.00%
Germany	Lichtensteiner Brandschutzglas GmbH & Co. KG	50.00%	50.00%
	Neuwieder Brandschutzglas GmbH	50.00%	50.00%
Poland	Kopalnia Gipsu Leszcze S.A.	50.00%	50.00%
	Nida Media Sp. z o.o.	50.00%	50.00%
Switzerland	Promat AG	26.00%	26.00%

Note 31 – Subsequent events

In March 2023, Etex finalised the divestment of its stakes in its main joint ventures in Latin America part of New Ways offsite division: E2E in Chile and Tecverde in Brazil. Next to divestment of Icon Plus in both Argentina and Ecuador (the latter being fully consolidated), this decision to exit was made as the region appeared not to show as much offsite construction potential as Europe and is not helped by current economical context.

inspiring ways of living

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ANNUAL REPORT BY THE BOARD OF DIRECTORS

TO THE ORDINARY SHAREHOLDERS' MEETING OF 24 MAY 2023

ON THE CONSOLIDATED ACCOUNTS (EX ARTICLE 3:32 BELGIAN CODE OF COMPANIES AND ASSOCIATIONS ("BCCA"))

Introduction

Etex recorded again a strong financial performance in 2022, with a revenue increase of 25.0% at EUR 3,714 million compared to 2021, and a REBITDA increase of 13.2%; the REBITDA amounts to EUR 645 million, another record value. When comparing our performance with 2021 like-for like, the increase stands at 13.3% for revenue and 2.8% for REBITDA. In 2022, the REBITDA margin reached 17.4% and the net recurring profit increased by 2.9% to EUR 275 million. The free cash flow before dividends, acquisitions and disposals of businesses reached EUR 142 million. The net debt at the end of the year amounted to EUR 1,031 million, impacted by the acquisition of URSA.

2022 was again a year of growth for Etex, with revenue up by 13.3% like-for-like compared to 2021, as a result both of volumes stability and increased average selling prices. On top of this, a 11.5% net positive scope impact compared with 2021 is mainly attributable to the acquisition of URSA in June 2022 but also the full year contribution of the businesses acquired in 2021 (plasterboard business in Australia, French offsite construction company e-Loft, Irish steel framing company Horizon Offsite, design and engineering consultancy company Evolusion Innovation, and UK light gauge steel framing Sigmat) partially offset by reduced sales on Ukrainian and Russian businesses due to the war and sanctions context. The remaining positive impact on revenue (+0.2%) is due to foreign currency translation and hyperinflation accounting in Argentina.

Our REBITDA amounted to EUR 645 million, another record in Etex history. This represents a like-for-like increase of 2.8% compared to 2021 a performance mainly attributable to proactive price-to-cost management and contained overheads charges in proportion to sales despite general cost inflation. Compared to 2021, the REBITDA was pushed by scope changes (+9.9%) and slightly positively impacted by foreign currency translation and hyperinflation (+0.5%). The REBITDA expressed in percentage of sales amounts to 17.4%, compared to 19.2% in 2021, an evolution resulting from significant selling price increase to counterbalance, in absolute values, the impact of inflation on cost of goods sold but insufficient to keep gross margins percentages as high as in 2021. This was partially offset by overheads ratio which improved in 2022 at 17.4% of sales, compared to 18.6% in 2021.

Etex's net recurring profit (Group share) was up by 2.9% to EUR 275 million in 2022, another record performance. Non-recurring items include mainly gains on disposal of assets, environmental remediation charges to renovate asbestos-containing sites, impairment of assets (in Ukraine, in Russia and - on top of provisions - for specific underperforming New Ways business in Europe) and one-off charges relating to acquisition and integration of URSA. The company's net profit reached EUR 218 million in 2022, up 10.1% year-on-year.

Free cash flow generation amounts EUR 142 million before dividends, acquisitions and disposals of businesses in 2022 (to compare to EUR 182 million in 2021): cash generation is built on positive REBITDA evolution (EUR +75 million), with a limited negative impact from working capital variation evolving in line with the revenue increase and capital expenditure increased by about 100 m€ (including leased assets) due to growth projects, such as plasterboard plant in Bristol (United Kingdom), and fibre-cement capacity increase in Nigeria, as well as an energy savings investment in France, mainly. Also, higher interest charges, mainly relating to Ursa acquisitions, have impacted the cash generation in 2022 (EUR -11 million), as well as limited additional tax payments (EUR -4 million).

At the end of December 2022, Etex's net financial debt reached EUR 1,031 million, an increase of EUR 817 million compared to its level at the end of 2021 (EUR 214 million). The main driver of this increase in net debt is linked to the acquisition of URSA, which represented an impact of EUR 918 million (enterprise value). A substantial part of this acquisition was financed by an ESG-linked Schuldschein debt (EUR 800 million raised). This operation was properly and favourably hedged by mean of interest rates swap agreements entered into during the first quarter of 2022. As in prior years, the net debt 2022 includes the favourable effect of the non-recourse factoring programme, which amounted to EUR 259 million at the end of the year (vs EUR 167 million at the end of 2021). Excluding this programme, the net financial debt would have reached EUR 1,290 million (vs EUR 381 million at the end of 2021). The company's net financial debt/REBITDA ratio increased from 0.1x in 2021 to 1.5x in 2022, or from 0.7x to 1.9x year-on-year excluding the favourable impact of the non-recourse factoring programme (2022 ratios based on REBITDA pro-forma, incl. 12-months URSA values).

Changes in the scope of consolidation

At the end of May 2022, the acquisition of URSA was completed. The company is a European leader in glass mineral wool and extruded polystyrene (XPS), present in more than 20 countries based on a network of 13 production operations, both businesses integrated as a separate division. Demand for insulation materials is being driven by EU regulations to tackle global warming.

Consolidated Results

Income Statement

Total sales: EUR 3,714 million, the revenue increased with around EUR 742 million, or +25.0% compared to 2021 year-on-year, including the impact of the newly acquired businesses, being URSA in 2022 (EUR +312 million) and, only partially contributing in 2021, the Australian plasterboard businesses (EUR +53 million) and New Ways in the United Kingdom, Ireland and France (EUR +32 million), and of the war-related drop in Russia and Ukraine (EUR -26 million).

Gross profit: EUR 1,079 million, an increase by EUR 128 million, or 29.0% of sales, vs 32.0% in 2021, this despite proactive price-to-cost management due to selling price increase able to offset, in absolute values, the impact of inflation on cost of goods sold but insufficient, to keep margins as high as in 2021.

Overheads on sales ratio: down at 17.4% (vs 18.6% in 2021), an improvement resulting from top line growth and contained overhead increase.

Operating income before non-recurring items (REBIT): EUR 431 million, up by EUR 33 million like-for-like, representing 11.6% of sales. In 2021, the REBIT amounted to EUR 398 million, or 13.4% of sales.

Net non-recurring charges: EUR 70 million, including one-off costs relating to New Ways companies not performing as expected, to impairment of assets in Ukraine and in Russia, to acquisition and integration of URSA and asbestos-containing material removal projects partially offset by gains on disposal of assets. The operating income (EBIT) reached EUR 361 million vs EUR 315 million in 2021.

Net financial charges: the increase from EUR 16 million in 2021 to EUR 37 million in 2022, resulting from higher leverage following major URSA acquisition during the year, mainly, as well as the impact of hyperinflation in Argentina.

Net profit (Group share): increase from EUR 194 million to EUR 210 million.

Net recurring profit (Group share): increase from EUR 268 million to EUR 275 million.

Net financial debt: the increase from EUR 214 million at the end of 2021 to EUR 1,031 million at the end of December 2022 is mainly due to the acquisition of Ursa and which have offset the free cash flow generation. It also includes the favourable effect of the non-recourse factoring programme, which amounted to EUR 259 million at the end of 2022 (vs EUR 167 million at the end of 2021). Excluding this programme, the net financial debt would have reached EUR 1,290 million compared to EUR 381 million at the end of 2021.

Etex Building Performance

Building Performance registered a like-for-like revenue increase of 15.5% to reach EUR 2,434 million, a strong performance achieved by managing the necessary price increase to offset raw material and energy inflation, with limited negative impact on volumes. Plasterboard business in Australia, acquired in 2021, delivered solid growth, so did the Spanish business Pladur. More challenging markets were France and the Netherlands, and Chile that returned to normal market conditions after the strong economic stimuli provided by authorities in 2021.

Etex Exteriors

Exteriors registered a like-for-like revenue increase of 6.1% at EUR 683 million, also driving price management efficiently and faced contrasted performance in volumes with growth during first semester and slowdown in second semester. The division registered double-digit growth in North America and Australia vs. decline on Chilian market compared to 2021, volume increase for architectural façade products (Equitone), for sidings (Cedral) on main European markets and declining corrugated sheet.

Etex Industry

Industry's revenue amounted to EUR 203 million, up by 14.8% like-for-like, with all segments growing (transportation, thermal process industry, energy and fire-rated applications and appliances) thanks to a combination of inflated prices and volumes increase all year long.

Etex New Ways

New Ways revenues amounted to EUR 83 million, including the sales recorded by businesses acquired in the course of 2021 in France, Ireland, and the United Kingdom, with full year contributions in 2022. The revenue of the light steel framing company EOS in the United Kingdom, within Etex since 2016, went up by 10.3% like-for-like, with market welcoming to offsite construction and backed by a government push.

Balance Sheet

The value of Etex's property, plants, and equipment increased at EUR 1,929 million vs EUR 1,588 million in 2021, reflecting the impact of recently acquired URSA. Capital expenditure (tangible and intangible assets, including leasing) reached EUR 302 million, exceeding recurring depreciation of EUR 214 million due to significant growth project on-going in Bristol (plasterboard, United Kingdom) and Nigeria (fiber-cement). Goodwill and intangible assets went up from EUR 198 million to EUR 663 million and up from EUR 271 million to EUR 411 million respectively, both increases mainly from URSA business combinations during the year.

The working capital increased from EUR 193 million in 2021 to EUR 268 million in 2022. Focus on working capital evolution remained in 2022 as in prior years: the value of inventory and customers less supplier balances, expressed in percentage of sales, slightly below prior year at 10.2% vs 10.4% in 2021 (2022 ratios based on sales pro-forma, incl. 12-months URSA values). The total working capital level in percentage of sales went up from 6.5% in 2021 to 6.8% in 2022, slightly higher due to the short-term portion of interest rates swaps assets.

Our actual return on capital employed decreased from 15.2% in 2021 to 13.0% in 2022. Excluding the impact of non-recurring items, the recurring return on capital employed reached 15.5% in 2022 vs 19.2% in 2021.

Risk and uncertainties

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.

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 2022, the Group continued to follow our well-thought-out policies for addressing these risks.

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

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

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

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

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

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. To manage its interest costs, the Group has entered into interest rate swaps. The hedges ensure that the major part of the Group's interest rate cost on borrowings is on a fixed rate basis. The timing of such hedges is managed so as to lock interest rates whenever possible.

Equities and securities risk

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

b. Credit risk

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

To manage the risk of customer default, the Group periodically assesses the financial reliability of customers, and establishes purchase limits for each customer. The Group applies the simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses. The main components of these allowances are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

c. Funding and long term liquidity risk
Funding risk is the risk that the Group will be unable to access the funds that it needs when it comes to refinance its debt or through the failure to meet the terms of its main syndicated credit facility. A summary of the terms of the facility are to be found in Note 24 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 15).

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.

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.

The Risk and Audit Committee

The Risk and Audit committee of ETEX consists of the following members:

- Ines Kolmsee (non-executive independent director and Chairwoman),
- Teodoro Scalmani (non-executive director),
- JoVB BV represented by its permanent representative Johan Van Biesbroeck (non-executive independent director and Chairman of the Board of Directors) and
- GUVO SRL, represented by its permanent representative Guillaume Voortman (non-executive director).

The Risk and Audit Committee reviews Etex's financial reporting processes and monitors the statutory audit of its consolidated financial statements. The Committee shall ensure the consistency and reliability of the accounts and any other financial information submitted to the Board of Directors. In addition, the Committee oversees Etex's internal risk management and control systems. All members have experience in accounting and audit.

Research and development activities

Etex invested in Research and Development (R&D) through its 5 R&D centers in Avignon (France), Kapelle-op-den-Bos (Belgium), Tisselt (Belgium), Heidelberg (Germany) and Linz (Austria).
In 2022, following the set-up of the Etex new "Road to sustainability 2030" ambition, more than 42% of R&D efforts were dedicated to projects with sustainability impact. In particular with the development of circular solutions for our fiber cement, gypsum and calcium silicate material, in order to allow increased recycled content. Amongst other, a technology was developed to allow the reuse of fiber cement waste into our production process, which will be implemented from 2023 onwards.
In regard of CO_2 impact reduction, several projects were also initiated with our cement and alternative binder suppliers to identify and test possible alternatives to the current CEM I material used in our product, cement being the largest CO_2 contributor in our fiber cement product.
Several projects addressing the development of new technologies to allow the production of our product with less CO_2 impact were created. A R&D pilot line for plasterboard production was erected

in Carpentras (France), that will allow to test several of these technologies. In 2022, the Etex Intellectual Property Service Center submitted 12 new patent applications.

Information to stakeholders

Our local businesses maintain a dialogue between more than 13,500 employees in 45 operating countries through tailored communication channels. We engage with our employees at group level through our intranet platform Etex Core, events, webinars and various communication campaigns. Etex's shareholders are presented with relevant information about our business during our annual Shareholders' Meeting(s). Full-year and half-year results as well as strategic developments are communicated to our financial stakeholders through press releases and other documents published on our website (dedicated Investor Relations and Annual Report sections).

Major events that occurred after the closing of the financial year

In March 2023, Etex finalised the divestment of its stakes in its main joint ventures in Latin America part of New Ways offsite division: E2E in Chile and Tecverde in Brazil. Next to divestment of Icon Plus in both Argentina and Ecuador (the latter being fully consolidated), this decision to exit was made as the region appeared not to show as much offsite construction potential as Europe and is not helped by current economical context.

Outlook for 2023

Demand for Etex products and solutions should remain solid in 2023 based on needs in renovation and new build but volatility and uncertainty are expected to remain, particularly for energy and raw material prices. Etex will stay extremely attentive, agile and responsive on a month-per-month, country-by-country and product-by-product basis to navigate this uncertainty, with potential opportunities to grow across technologies and keep REBITDA margin strong in 2023.

Remuneration of the auditors

In accordance with article 3:65 of the BCCA, we inform you that during the 2022 financial year, PwC, ETEX's auditor, and its associated auditor companies received fees amounting to EUR 2,944 million for audit works.

Zaventem, 30 March 2023

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BCCONSEIL SRL Represented by its permanent representative B. Delvaux Chief Executive Officer	JoVB BV Represented by its permanent representative J. Van Biesbroeck Chairman of the Board of Directors

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF ETEX NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.* 25 May 2021, following the proposal formulated by the board of directors and following the recommendation by the risk and audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2023. We have performed the statutory audit of the Company's consolidated accounts for 5 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR'000 4,612,782 and a profit for the year, attributable to shareholders of Etex, of EUR'000 210,308.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

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

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

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

Key audit matters

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

Health claims - Note 20

Description of the Key Audit Matter

As described in the Note 20, health claim provisions totalling mEUR 55.3 as at 31 December 2022 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 2022. This assessment included:

- meetings with Group management;
- inquiries of in-house legal counsel;
- review of litigation reports;
- evaluation of 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 and management’s methodology and estimates to be reasonable and the related company’s disclosures appropriate.

Post-employment benefit obligations - Note 22

Description of the key audit matter

As described in Note 22, the Group has defined benefit pension plans of which the most significant are in the UK and Ireland. Through its defined benefit pension plans, the Group is exposed to a number of risks, mainly being:

- asset volatility: the pension plans hold significant investments in equities, bonds, cash, property and funds;
- actuarial assumptions including expected inflation, discount rate, future salary increases, mortality rates and 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 2022 in respect of both funded and unfunded plans consists out of defined benefit obligations (mEUR 975) offset by plan assets (mEUR 906).

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 utilised our internal specialists’ knowledge to assess the reasonableness of the assumptions used by management.

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

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

Impairment testing of goodwill, other intangible assets and property, plant and equipment - Note 8, 9 and 10

Description of the key audit matter

The carrying value of the Group's goodwill, other intangible assets & property, plant and equipment amounts to mEUR 3,003 as at 31 December 2022.

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

The impairment assessment holds a comparison of the recoverable amount of the Cash Generating Unit (CGU) and its specific assets to its carrying value: the CGU's were defined in compliance with the organisational structure as described in Note 9.

In particular, the key assumptions include:

- cash flow forecasts derived from internal forecasts and the assumptions around the future performance;
- the discount rate and the long term growth rate including assessment of risk factors and growth expectations of the relevant territory.

How our audit addressed the key audit matter

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

We understood and challenged:

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

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

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

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

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

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

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

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

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

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors' are described below.

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

- identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;

- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the board of directors and the risk and audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors and the risk and audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

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

Statutory auditor's responsibilities

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

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

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

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Statement related to independence

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

Antwerp, 5 April 2023

The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
represented by

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Peter Van den Eynde
Réviseur d'Entreprises / Bedrijfsrevisor