

# TESSENDERLO GROUP

ANNUAL BROCHURE  
2013



# TESSENDERLO GROUP

ACTIVITY REPORT  
2013



# Who We Are

We are an international specialty group with a worldwide presence providing solutions for global needs in food, agriculture, water management and efficient use and re-use of natural resources.

Our 5,000 people are working at more than 100 locations across the globe.

Our group is a leader in most of its relevant markets, primarily serving customers in agriculture, industry, construction, and health and consumer goods end markets.

As individuals and as a company, we are driven to always find new and more sustainable ways to address the mega-challenges. And we do this by making the most of the world's natural resources.

As such, we are experts in reclaiming by-products from other industries and transforming them into a set of new products ranging from nutrients for food, feed and agriculture to delivering efficient and environmentally friendly water treatment solutions for several industries.

Whether it is in the products and solutions we supply, or in the way we produce them, care for our planet and its resources is at the heart of all of our businesses. Because we believe that "every molecule counts".

# Highlights of 2013

## Portfolio reshuffle concluded

2013 saw the end of several divestments that were launched as part of the transformation started in 2010 with the objective to create a group focused on providing solutions for the mega-challenges. As a result, the group is no longer involved in profiles, compounds, phosphates and OCD business. It follows the earlier exits from the PVC/Chlor-Alkali business and the pharmaceutical ingredients activities.

## Sustained development of the Tessenderlo Kerley business

In terms of investments, the focus is directed mainly on Tessenderlo Kerley, and more specifically on the construction of the Hanford fertilizer plant and storage facilities in California that enters its final stage, and the start of construction of the Barrick Goldstrike Thio-Gold<sup>TM</sup>-Ca plant.

## A new reference shareholder

On November 8, 2013, Picanol Group entered the share capital of Tessenderlo Chemie NV when it acquired the 27.52 % stake of SNPE, a French state-owned company. Picanol Group is a Belgian industrial group with a global footprint mainly in the textile industry.

Following the change in shareholdership, Luc Tack and Mel de Vogue were appointed a shared CEO role for Tessenderlo Group at the end of December, succeeding Frank Coenen.

## Expansion at Akiolis

Akiolis further developed its activities in 2013. It opened new production sites for granulated organic fertilizers and animal feed, set up a joint venture in the bio-diesel sector, and expanded its collection zone in France.

## DYKA awarded

DYKA Netherlands received the NRK Award for energy efficiency. NRK is the Dutch federation of the rubber and plastics industry. DYKA demonstrates that supply chain savings through smart use of materials and recycling efforts can improve energy and environmental performance.

## Closing of the Ham phosphates production

On December 16, after decades of phosphates production, Tessenderlo Group closed down the phosphates activity at its Ham plant in Belgium.

## JDP shows best result ever

Thanks to its relentless customer focus, John Davidson Pipes Ltd. achieved the best result in its 41-year history, despite the tough conditions in the UK construction market.

## Opening of the Brazilian Gelatin Plant

In September 2013, our new state of the art gelatin plant in Acorizal, Brazil was officially inaugurated in the presence of local authorities, the Belgian ambassador in Brazil and many of our South American customers.

# Message of the Co-CEOs and the Chairman to the stakeholders:

## Back to profitability

Following an eventful year for Tessenderlo Group, Co-CEOs Mel de Vogue and Luc Tack and Chairman of the Board Gérard Marchand look back on the highlights that marked 2013 on an operational and organizational level and share their thoughts for the future.

### What have been the key milestones for 2013?

The transformation of the Group continued throughout 2013 and culminated in the completion of the divestment program we embarked on in 2010.

At the beginning of the year, we launched a plan to improve the future performance of its Business Unit Inorganics. The BRIO-program aims at restoring the competitive position of the potassium sulfate business (SOP) in a sustainable manner and to maintain its global top-3 position. The SOP business fits within the group's strategy, focusing on agriculture and food, and is a core activity for the group.

The BRIO-program targets important financial improvements, by taking out stranded cost related to the phosphate activity and profit improvement initiatives for the remaining sulfates business.

In February 2013, we completed the sale of our continental European Profiles activities, known under the brand name Profialis, to OpenGate Capital, a global private investment company.

In May of that year, we sold Tessenderlo Partecipazioni S.p.A including its subsidiary Tessenderlo Italia Srl to International Chemical Investors Group (ICIG), a private industrial holding company. The sale concerned one production site in Pieve Vergonte (Italy), with an electrolysis and chloro-aromatics plant and two hydro-electric power stations and meant the group's withdrawal from the Organic chlorine Derivatives business.

The following month saw the completion of the sale of our Compounds activities to Mitsubishi Chemical Corporation, a global industrial company already present in the compounds industry. The sale comprises four production sites in France, Poland and China and one R&D site in Belgium, employing 360 employees.

In the fall of 2013, we continued with the divestment of our UK Profiles activities (trading under the Eurocell name) to H2 Equity Partners, a private investment firm. The sale comprises three production sites, a warehousing site, and 124 sales branches, employing 978 -people. This divestment marks the group's exit from profiles activities, following previous divestments in the US, Canada and continental Europe.

Finally, at the end of the year, we signed an agreement to sell our Aliphos feed phosphate business to Ecophos, an entrepreneurial Belgian producer and developer with feed phosphate as its core activity. The sale was concluded in February 2014 and comprises one production site in Rotterdam, Netherlands, three sales offices (Germany, Spain, Poland) and a number of commercial functions. The businesses in scope employ together 57 people. The phosphate production at the Ham site (Belgium), which has been closed down end 2013 for environmental reasons, is not part of the transaction.

We have completed our portfolio reshuffle, and now return back to focus all of our attention on the operations we have kept in the Group.

We also continued to invest in the growth of Tessenderlo Kerley, including adding KTS® storage, which is already getting ready for the 2014 season, and KTS® production capacity, which will come on stream in the course of 2015; both investments are in Hanford California, placing us in the middle of our clients so that we can better serve them.

Two other important events occurred this year: following the announcement in July, in November Picanol Group purchased SNPE's 27.5% stake in Tessenderlo Group, thereby becoming the group's largest shareholder. As a result, we now have a long-term anchor shareholder who fully supports our strategy, and brings a lot of industrial experience as well as a true entrepreneurial attitude.

Following the major change of shareholder, the Board of Directors decided to put a dual CEO structure in place. In December, Luc Tack who comes from Picanol, and Mel de Vogue were appointed as co-CEOs. In January of this year, the GMC has been adapted, and Stefaan Haspeslagh who also joins from Picanol, has been appointed Executive Director Transformation and Development. With this new GMC, we shall lead the group on the next phase of its repositioning.

Now we need to get our profitability back on track.

## How did you perform in 2013?

2013 was a year full of changes and with lots of challenges at all levels. Operationally, we had an incredibly tough year, with continuing difficult market conditions and weak performance in many of our Business Units.

Over the past years, Tessenderlo Group has transformed at an enormous speed into a different Group. This transformation has however seriously impacted our equity and profits. The historical clean-up, many divestments and a lagging contribution of some of our most important investments, have resulted in 3 consecutive years of losses.

The economic situation has unfortunately also had an impact on our profitability and demands our full attention in the coming years.

## What are the expectations for 2014?

We strongly believe that the direction the Group has taken is the right one, but we need to get our basics right so we can continue our journey and strengthen our sustainable industrial activities. 2014 will be another difficult year, but we will focus on operational excellence, sales excellence, cost control and cash generation.

We believe in adopting a true entrepreneurial attitude. We believe in Tessenderlo Group as it exists today. Every Business Unit that we have at the moment, is here to stay for the long run. We are convinced that the future will be bright, but unfortunately we have to face the difficult times before we can turn the page completely.

Based on current assumptions, which include low visibility in the fragile economic environment, we anticipate that 2014 REBITDA will be broadly in line with 2013 REBITDA at the same scope of activity. Our outlook for the year is based upon a REBITDA decline for Inorganics impacted by the project to transform the Ham (Belgium) site into being exclusively focused on sulfates. In addition, the segment Gelatin and Akiolis is anticipated to deliver REBITDA in 2014 below the level achieved in 2013. Apart from these impacts, Tessenderlo Kerley, Plastic Pipe Systems and Water Treatment are anticipated to deliver REBITDA growth in the coming year.

With respect to the dividend, the Board of Directors will propose the shareholders at the next Ordinary General Assembly of 3 June 2014 to suspend the dividend pay-out for the financial year 2013.

Overall, the focus will be to continue implementing cost reduction and commercial improvement actions, in order to recover profitability.

G rard Marchand

Mel de Vogue

Luc Tack

Chairman of the Board of Directors

Co-Chief Executive Officer

Co-Chief Executive

Officer

# Tessengerlo Group figures at a glance

The tough global economic context and challenging and exceptional market conditions in some of our markets have impacted the group's operational and financial performance.

## ROCE (%)



## Revenue (In million EUR)



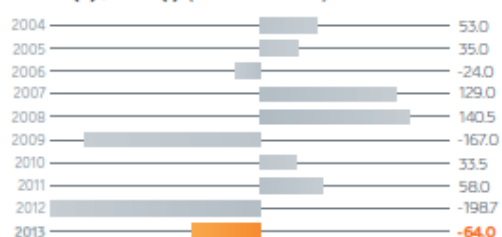
## Equity attributable to equity shareholders of the company (In million EUR)



## REBITDA (In million EUR)



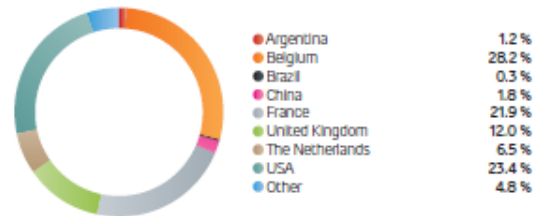
## Profit (+) / loss (-) (In million EUR)



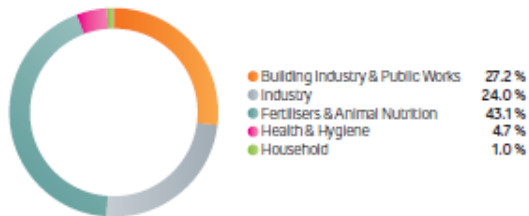
### Revenue per geography



### Revenue per country of production



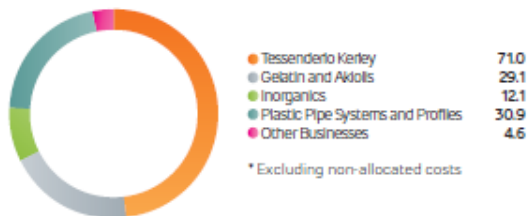
### Revenue per end market



### Distribution of the CAPEX 2013



### REBITDA per segment (in million EUR)



48%

of group REBITDA is generated by the Business Unit Tessenderlo Kerley



# Our World Wide Reach

## OTHER BUSINESSES\*

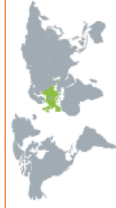
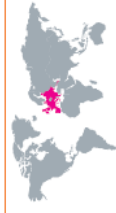
## PLASTIC PIPE SYSTEMS & PROFILES<sup>3</sup>

## INORGANICS<sup>2</sup>

## GELATIN & AKIOLIS

## TESSENDERLO KERLEY

### PRODUCTION LOCATIONS



- Plants in France, Belgium, Switzerland

- PPS: 7 production sites (The Netherlands, Germany, Belgium, France, Poland and Hungary) and 71 branches

- 1 plant in Belgium

- Gelatin: 3 plants in Europe, 3 plants in the Americas and 2 plants in China
- Akiolis: 15 production plants, 50 collection centers all in France

- 9 manufacturing plants and 65 terminals in North America, 1 production site in Belgium and 1 in Turkey

Water Treatment:

Construction and Public Works

Agriculture

Food, Medical, Pharma, Petfood, Bio fuels, Agriculture

Agriculture, Industry, Water Treatment, Industrial Process, Chemicals Services

Industry, Municipal

Industry

Agriculture

Bio-resources, Agriculture

Agriculture, Industry

Need for clean drinking water and efficient waste water treatment, Provision of sustainable outlets for by-product streams

Scarcity of natural resources & environmental footprint, global warming, water management

Increasing demand for cost effective quality fertilizers for modern and more sustainable precision agriculture

Growing demand for bio-based environmentally friendly offerings in feed, food, energy and pharmaceutical and technical applications - Increased standards for sustainable purification of process water

Growing population - Increasing demand for cost effective quality fertilizers and crop protection products for modern and more sustainable agriculture - Clean water demand - Increasing demand for sustainable purification of process water

### STRATEGIC FOCUS

- Water Treatment:
  - Profitable operations, providing long term value
  - Growth in Europe, focus on large solutions to industry and municipalities
  - Build and protect leading multi-local market positions
  - Secure access to low cost and sustainable raw materials
  - Expand geographical presence in Europe

- PPS
  - Focus on customer intimacy
  - Growth in Europe, especially in storm water management
  - Limited geographical development in faster growing markets, such as Central Europe
  - Strengthen positions in Drainage & Sewage and Soil & Waste

- Sulphates
  - Focus on premium soluble and foliar grade potassium sulphate fertilizers

- Gelatin:
  - Optimize return on existing assets
  - Focus on Europe, North America and Australia
  - Increase sales excellence and improved valorization of access to raw materials
  - Increased focus on healthy foods (protein rich, collagen hydrolysates)
  - AKIOLIS:
    - Strengthen our position in our core markets
    - Improve the valorization of finished products on petfood and aquaculture markets

- Tessenderlo Kerley Core & Kerley International:
  - Focus on the Americas and expand into Europe, Middle East and Australia
  - Expand product portfolio to broaden offering into specialty niche markets
  - Remain lowest cost-to-serve fertilizer producer
  - Optimize supply chain
  - Crop Protection (Norasource<sup>4</sup>):
    - Expand and add value to crop protection product portfolio
- Mining, MP/RECS:
  - Expand mining and industrial pillar
  - Provide a full service water treatment and recycling services
  - New markets and segments

### ACHIEVEMENTS 2013

- Sulphates: Introduction of the BRIO program to strengthen our sulphates activities
- Phosphates: Sale of the feed phosphates production line at Dyka Plastic, Overpelt by the Flemish prime minister Kris Peeters
- Introduction of Dyka Preht<sup>5</sup>

- PPS: Best results for JDP since its 41 year history
- Phosphates: Introduction of ULTRIA KYMA<sup>®</sup> compound PP pipe for soil & waste and storm water management applications. Opening of the production line at Dyka Plastic, Overpelt by the Flemish prime minister Kris Peeters
- Introduction of Dyka Preht<sup>5</sup>

- Gelatin: Official inauguration of the new plant in Belgium
- AKIOLIS: Introduction of 2 new plants in France dedicated to cereal byproducts treatment and fertilizers production
- Creation of AD Biolesiel, joint-venture for producing and commercializing biodiesel

- Integration of the Sevin<sup>®</sup> crop protection business into the ECS facility in North Dakota (US)
- Fertilizer capacity build up
- Start of the construction of the Barrick GoldStrike plant

### KEY FIGURES

1. Percentage of total REBITDA
2. Sales of non-released orders in February 2014
3. Profiles was sold in 2013
4. Profiles was sold in 2013
5. End 2013



# Tessengerlo Kerley

## Crop yield boosters, clean water solutions and industrial process enhancement services

### Who we are

The **core business of Tessenderlo Kerley** is supplying specialty liquid fertilizers to support growers in efficient agriculture. We do this through reliably removing sulfur and other by-products from petroleum and gas refineries, and transforming them into liquid fertilizers, which improve production of corn, wheat, vegetables, cotton and hay. Our principal products are ammonium thiosulfate, branded as Thio-Sul® and potassium thiosulfate, branded as KTS®. Kerley Core's full line of fertilizers and soil amendment products are regrouped under the CROP VITALITY™ branding that was launched in the US in 2013.

At the end 2012, a dedicated growth unit, **Kerley International**, was set up to fuel the growth of the Tessenderlo Kerley line of fertilizers and soil amendment products outside the US and Canada. Leveraging the success of the business model in the US, Kerley International is driving focused business development in prioritized regions, including Europe, Central and Latin America.

Within Tessenderlo Kerley, **MPR Services** provides amine and glycol management, enhancing gas treatment systems in refineries, gas plants, ammonia plants, steel manufacturing and Liquefied Natural Gas (LNG) facilities.

**Environmentally Clean Systems (ECS)** serves the oil and gas industries, providing environmentally advantageous treatment methods for cleaning and recovery of water contaminated in oil and gas exploration, mining and refinery activities.

**Mining & Industrial Chemicals (M&I)** is a new growth unit established in 2012. The business creates value for customers operating in the mining industry by globally providing competitively priced specialty chemicals and technical services, which assist in customers' ability to more effectively use existing technology and to utilize alternate technologies.

**NovaSource**®, our crop protection operation, acquires, develops, registers, and markets crop protection products globally. The focus for NovaSource® is increasing the quality and productivity of specialty food crops such as potatoes, fruit, nuts and vegetables.

### Business in 2013

Despite a delayed start, **Kerley's core business** performed better than most other companies in the agricultural sector during 2013.

Thio-Sul® (ammonium thiosulfate) under-performed expectations, as a result of a short corn planting season due to unfavorable weather conditions in the first quarter, a significant drop in corn pricing and market uncertainty with regard to agricultural input pricing. KTS® over-performed expectations, despite product allocation for an extended period of time.

In 2013, we undertook a major overhaul of the business and the structure of **MPR**. And, we achieved an important REBIT improvement for the second year in a row.

Later than projected, our second **ECS** plant, located at a major shale oil formation in North Dakota (US), was completed in October 2013. Due to this late opening and several moves that were made by the exploration and production companies in the North Dakota region, we have been challenged to break into the market as a new player and saw our ability to deliver on the 2013 business plan restricted. Yet, North Dakota remains an extremely attractive opportunity, and will be for many years to come. Our Myton, Utah plant is still meeting expectations. Moreover, our client, Newfield Exploration, for which ECS supplies and performs all the water treatment, was awarded the State of Utah Audubon Award for its water treatment measures.

**M&I** has performed very well as a “startup” growth unit and is on track with its strategy for re-entering the mining and industrial markets with several products in various applications, such as base/precious metal separation. In this context, M&I began the supply of Nokes reagent to several mine sites in April 2013 and ramped up production during the year. Also in 2013, construction of the Barrick Goldstrike plant started, based on Tessenderlo Kerley’s proprietary and patented technology.

**NovaSource**® has shown continuous growth since 2007, and once again, delivered a strong performance that mirrored that of 2012. The year was marked by the substantial completion of the integration of the worldwide Sevin® business acquired from Bayer in 2012.

## Looking ahead

Investments in infrastructure will continue in order to meet the changing market demands of more efficient supply chains. In this context, the completion of the KTS® plant and storage facility in Hanford, California is an important initiative for **Kerley’s core business** in 2014. This unit will enable us to better serve our customers in the California market and neighboring markets.

2014 will see the Barrick Goldstrike Thio-Gold™-Ca plant commissioning, with supply scheduled for the third quarter. For the long term, **M&I** anticipates substantial growth in the coming years due to anticipated new production capabilities, the depletion of “easily” attainable and less complex resources, and its competitive technical advantages.

**MPR** will stay the course and continue to look for opportunities to expand its offering to its customers..

As we move forward into future opportunities for **ECS**, it will be as a full service provider managing the complete flow of collecting, transporting and treating dirty water and the final disposition of the waste material. Ever-stricter environmental regulations regarding water and the increasing competition for water across industries makes the ECS strategy to provide full service water treatment and recycling solutions for any industry a competitive advantage to survive in this field.

**NovaSource**® will continue its operational excellence program to make the most of its existing product portfolio. We will also continue to pursue acquisitions of product lines that complement our offering.

# Gelatin and Akiolis

## Multi-purpose, prime ingredients with high nutritional and energetic potential

### Who We Are

We collect and repurpose bio-residuals and by-products from upstream customers in the food industry, and we meet downstream demand for high-quality proteins, functional foods, bio-diesel, fertilizers, pharmaceuticals.

Tessenderlo Group's **Gelatin** business unit supplies a complete range of high quality gelatins and hydrolysates through processing by-products from the meat industry. We supply a growing market in food and pharma from sites in Asia, Europe, and North and South America, including recent additions of facilities in Brazil and China. We are the number three player in the world.

**Akiolis** collects organic by-products from its upstream customers: breeders, meat processors and more recently, the food industry, supermarkets and restaurants, and transforms these raw materials so that they can find new value downstream in nutrition, agriculture, industry or energy.

By-products of healthy animals are transformed through sophisticated processes to deliver high-value proteins and fats. These ingredients are used in pet food, animal feed, aquaculture, bio-fertilizers, soaps and lipochemistry.

Cereal by-products from the bakery and biscuit industry are processed into high nutritional feed for piglets. Akiolis is also active in methanization and composting of fermentable waste from the food and distribution industries.

Akiolis also produces animal fats and meat meals from fallen stock. These fats and meals are valorized as bio-fuels and are used as an alternative to fossil fuels to generate energy.

### Business in 2013

After two years of raw materials shortage for gelatin production, the availability increased during the course of 2013. As a consequence, the worldwide supply of **gelatin** improved. Simultaneously, global demand slowed down due to the crisis in Europe and the growing success of Greek yoghurt, which contains less gelatin compared to traditional yoghurt in the US. In the second half of the year, these two factors led to an increased price competition, putting margins under pressure. On top of this, there was a decrease in value from the sale of by-products. In response, we launched a global manufacturing excellence program called Spirit, in the course of 2013, which will have its first results as of 2014.

With the Spirit program we focus on getting the most out of every molecule by focusing on yield improvement, energy savings and getting the most of our by-products. We also work on our safety performance, on respect for the environment and empowering the people in our organization.

In line with our business strategy, we maintained a stable market share in Europe and North America while we expanded our market share in the growing markets, specifically in South America and Asia. The growth of the gelatin market in South America and Southeast Asia had a positive impact on our sales volumes. We installed additional capacity in South America to serve the growing market of collagen hydrolysates for nutraceuticals/nutracosmetics. An important event in this context in 2013 was the inauguration of our new plant in Brazil, which took place in September.

Organizational issues in China slowed down our growth and prevented us from taking full profit from our earlier investments in new capacity. We recently implemented important changes in the management structure, strengthening the organization to prepare it for future growth.

Towards the end of the year, several cost reduction initiatives were put in place which will bring the first results in 2014. We further stepped up our efforts in manufacturing and sales excellence to compensate the increased margin pressure, and built long-term partnerships with the suppliers of bones.

In order to fully grasp the opportunity of our global presence in Gelatins, we moved from a regional structure to a fully global integrated organization, thus allowing us to optimize our supply chain on a global level.

For **Akiolis**, 2013 was marked by exceptional market conditions. The drop in volumes of by-products from the slaughterhouses in France has strongly increased competition between the main players in the market. Margins came under serious pressure and were reduced in an effort to secure our market position. This strategy has proven to be successful for Akiolis. For example, in the market of the collection of fallen stock, we increased market share with 6.8 %, reflecting the breeders' associations confidence in our company. However, sacrificing margins to secure market share brings new short-term challenges: additional and quick gains in productivity.

In its downstream markets, Akiolis continued to improve the valorization of the end products in the pet food and aquaculture sector, in collaboration with its customers, and in accordance with the opportunities linked to new regulations.

Two new production units were inaugurated in 2013, strengthening Akiolis' position in growing market segments.

Violleau, specializing in the production of fertilizers and natural soil conditioners obtained by composting, has inaugurated its new production plant for granulated organic fertilizers. These fertilizers are mainly used for the production of vegetables, viticulture, and arboriculture. Apeval, an expert in the collection and processing of by-products from the bakery and biscuit industry into ingredients for animal nutrition, has inaugurated the first production of its kind in France.

Together with key players in the European bio-diesel market, Akiolis participated in the creation of the joint venture AD Biodiesel. This new company specializes in the production and sale of biodiesel, based on animal fat and used cooking oils. For Akiolis, the main objective is to improve the valorization of its collected material for the benefit of the upstream customers in a closed loop economy.

Downstream, we continued exploring new market opportunities that came along with the changed European regulations for ingredients (fats and proteins) from healthy animal by-products. This allowed Soleval to further develop its position in the aquaculture and pet food markets in new regions such as the US and Southeast Asia.

Besides the industrial and commercial projects carried out in 2013, Akiolis completed the simplification of its governance structure. New decision making processes in support functions have resulted in efficiency gains that will lead to a better development of our competitive advantages.

## Looking ahead

The priority for **Gelatin** is to further serve its customers globally, by offering high quality products, supported by a manufacturing excellence programs in our 8 plants.. In R&D, we continue to focus on process innovation to increase efficiency and yield, and on technical product support to our customers.

At **Akiolis** we will create more value with each ton of collected material through an effective implementation of our Operational and Sales Excellence programs.

We will focus on strengthening our position in the traditional markets, the French market of animal by-products, while we want to improve valorization in the downstream markets, and more specifically in pet food and aquaculture. The Apeval and Violleau projects have now been completed, and we will support their further development in these growing market segments.

# Inorganics

**“Making nutrients readily available to plants, while reducing the volume of fertilizer and water required.”**

## Who We Are

After the sale of the inorganic feed phosphates business (Aliphos) to Ecophos in February 2014 and the closure of the phosphates activities in Ham (Belgium) in December 2013, the Inorganics segment only consists of the potassium sulphate fertilizers business.

### **Potassium sulphate fertilizers for the agricultural end markets**

Sulphate of potash, (SOP) or potassium sulfate is mainly used as a fertilizer for specialty crops such as flowers, fruits, and vegetables. With production in Belgium and export to more than 80 countries, we are the third largest producer in a 4,5 million ton market, focusing on high end crops and specializing in the soluble market.

The Tessenderlo Group soluble potassium sulfate product, known under the brand name SoluPotasse® is the undisputed number one soluble potassium sulfate worldwide. This premium product has a market share above 30% and an excellent reputation with regards to quality and brand recognition. SoluPotasse® enables a more precise application of nutrients, reducing both the volume of fertilizer and water required, and the runoff of excess fertilizer into water courses.

SOP is a versatile fertilizer, specially fit for use in a dry climate conditions. Combining potassium and sulfur, it delivers a high concentration of nutrients readily available to plants. It has a very low salinity index, making it the preferred potash fertilizer in areas at risk from soil salinity. SOP improves crop yield and quality and makes plants more resistant to drought, frost, insects and disease. And, potassium sulfate both improves the crop's nutritional value, taste and appearance, and enhances resistance to deterioration during transport and storage, and suitability for bulk processing.

## Business in 2013

### **Potassium sulphate fertilizers**

In our established sulphate markets—Western and Southern Europe, North Africa and the Middle East – demand continued to suffer from the economic crisis in Europe and the political instability in the Middle East. Meanwhile, we did grow our soluble fertilizer SoluPotasse®, especially in Latin America

Toward the second half of 2013, product shortage in the market generated strong demand for our product. Unfortunately, we were not able to capture the full potential of that strong demand due to social unrest in the plant at Ham (Belgium) as a result of the announced restructuring in the context of the BRIO plan.

The BRIO Reorganization Plan was launched during early 2013, aiming at adapting the Ham site and organization after the closure of the phosphate activity at the end of the year. The comprehensive plan includes efficiency improvements at all levels, including sales and operations, with the objective of preparing the potassium sulphate business for the future and to maintain its Top 3 market position.

A sales excellence program was launched in the course of 2013 as part of the program, through which we have already successfully grown our SoluPotasse® volumes and improve our margins for all grades.

Production capacity expansion for water soluble potassium sulphate is also part of the plan.

## **Aliphos feed phosphates**

Although Aliphos faced difficult market circumstances and was equally hit by the social actions at the production plant in Ham (Belgium), the business succeeded in maintaining its market share. Moreover, margins increased for most of the products. Because of limited product availability in Ham, not all export opportunities could be realized, which explains the lower sales volume compared to 2012. Nevertheless, the business succeeded in further developing its sales in the profitable aquafeed market segment.

2013 was further marked by the announced closure of the Ham phosphate production facility, the largest single production plant in Europe, and the preparation of the Rotterdam (Netherlands) site for producing and shipping additional volumes in 2014. In addition, in November 2013, Tessenderlo Group announced its intention to sell the feed phosphate business to Ecophos. Closing of this transaction has taken place at the end of February 2014.

## **Looking ahead**

We expect to see a continued strong demand in the market for potassium sulphate. While 2014 will be a transition year with temporarily lower production volumes, we will continue to invest in opportunities to expand production capacity in Ham with a particular focus on stepping up SoluPotasse® capacity.

# Plastic Pipe Systems and Profiles

**“Managing water supply and drainage in an efficient and sustainable way”**

## Who We Are

Following the sale of our UK **Profiles** activities (trading under the Eurocell name) in September 2013, this business segment now only covers Plastic Pipe Systems (PPS) activities.

**Plastic Pipe Systems (PPS)** provides high quality solutions in plastic pipe systems for water management. Our products and services are used in water supply and drainage systems, pipe systems for gas, telecommunications and other applications.

Our business unit focuses on customer intimacy by offering pre-assembled prefab kits, project calculations for sewage and rainwater management systems, and syphonic roof drainage systems via a network including 71 of our own branches and 2,400 points of sale.

Too much clean water goes to waste. Even in the developed world, poor quality pipe work results in one-third of the water in supply systems being lost through leakage. We supply high performance, long life plastic pipe systems that reduce water loss in the pressure supply network.

Unpredictable rainfall frequently overwhelms retention capacities, creates flood damage, and overruns water treatment facilities. Our Duborain® solutions for drainage, infiltration and storm water management systems mitigate the negative impacts of increasingly frequent rainstorms. This is done by reducing flooding, and by collecting, storing, and managing sudden rainfall, preventing it spilling immediately into rivers, and retaining it to maximize re-use.

Our plastic pipe systems increasingly incorporate recycled material, giving new value to rest materials and reducing demands on finite resources. While maintaining high quality levels, our products replace piping made from less reliable or more resource-intensive materials, such as concrete, metal and clay.

## Business in 2013

The **Profiles** activity, included in the results until mid-September 2013, delivered a satisfactory commercial performance, mainly as a result of the modest improvement of the UK construction market and strict cost management.

Our **PPS** business suffered in 2013 because of greatly reduced construction activity in France and the Netherlands. Through ongoing and strict cost management and a restructuring program, we limited the overall impact. We did see recovery, however, in the UK, leading to a record year for JDP, achieving their best result in its 41 year history.

Despite difficult conditions, PPS managed to extend its product range and production capability.

To improve storm and rainwater management and large size sewage systems, a new corrugated twin wall PP pipe, ULTRA KYMA®, was introduced in January. For its production, a new line was opened in the site in Overpelt, Belgium.

In the Netherlands, PPS introduced an innovative prefab sewage connection system, DYKA PreFit®, for residential housing (patent pending). DYKA PreFit® consists of a service that creates a construction plan and pipes with premounted inlets.

In the UK, we opened a workshop at JDP to collaborate with our customers to match their demands with our tailor made solutions in sewage systems.



Being in the 3rd consecutive year of downturn, PPS has prepared itself to grow its topline, and on the other side, streamlining the organization to benefit the bottom line.

## Looking ahead

Our key focus is to bring innovative products and services for our customers.

In this context, a number of products and services are in development or were recently introduced, like DYKA PreFit® and Ultra Kyma®.

Next, we will continue to roll out successful products from the PPS portfolio like DYKA AIR®, PEVEFOR®, and AXEDO. In spring 2014, Sotra-Seperef 's BI-OROC® product range of bi-orientated PVC pipes will be extended with a 25 Bar pressure pipe. These pipes are the most sustainable pipes in the world to bring water to the people according to a study conducted by The European Plastic Pipes and Fittings Association (TEPPFA) and supervised by VITO (Vlaams Instituut voor Technologische Ontwikkeling) and Denkstatt, an independent organization in the field of sustainable development.

Also, more than 30 designated projects, ranging from new product and business development, to customer intimacy initiatives, are in the pipeline to support our customers in this challenging economic climate.

# Other businesses

## “Effective and sustainable water treatment solutions”

### Who We Are

Following the sale of our Compounds and Organic Chlorine Derivatives businesses in the second quarter of 2013, the group's other businesses segment now covers the water treatment and sulphur derivatives activities.

Our **Water Treatment** business supplies industrial and municipal markets with coagulants and other chemicals to treat waste water or clean drinking water. Our production processes enable the conversion or recycling of industrial side streams from the steel industry into attractive new products used for water treatment.

Tessenderlo Group operates two world scale production sites for water treatment chemicals. Both are centrally located in the highest demand region for coagulants, and serve some of the major metropolitan areas in Western Europe including Paris and Brussels.

Tessenderlo Group's **Sulphur Derivatives**, sodium sulphide and sodium hydrosulphide, are mainly used as tanning agent in the leather industry, as flotation reagent in the mining industry, and as additive in the pulp & paper production.

### Business in 2013

In Mid-2013 we finalized the divestments of the compounds and the organic chlorine derivatives (OCD) activities, marking the group's exit from these businesses.

During the first half of the year, Compounds delivered satisfactory results while OCD activities were down compared to the same period of 2012.

In **water treatment**, we continued the transformation of our Loos (France) site, the largest production plant of Ferric Chloride in Europe, towards a facility, dedicated to the production of water treatment chemicals. We focused on projects to enhance versatility of our raw material intake and to adapt the captive integration of hydrochloric acid from the Ham site in Belgium after restructuring the activities of the latter. In addition, we have rolled out an ambitious operational excellence program, which aims at sustained effectiveness for the long term.

With performance in line with last year, our water treatment activity preserved its competitive position as a leading European supplier of coagulants for waste water and drinking water treatment. The market contraction for ferric chloride experienced during the past few years due to economical hardship and optimized dosage, bottomed out in the course of 2013.

Our **Sulfur Derivatives** activity recorded slightly lower revenues year on year, but generated a significantly higher REBITDA than the previous year.

### Looking ahead

The project to build a new membrane-based electrolysis plant in Loos is on track, and a significant milestone was reached with the filing of the related operation permit. This represents a major long-term commitment to meet our customers' needs for provision of clean water.

# Information for shareholders

## Investor Relations

Tessengerlo Group strives to provide accurate, quality and timely information to the global financial community.

The group regularly participates in events for investors, including road shows, conferences, and organizing company visits and meetings with Group Management. Tessenderlo Group meets with analysts and investors on a regular basis in order to comment on the results and future developments.

In addition, the group organizes conference calls to present and discuss the quarterly results.

## Analyst coverage

At the end of 2013, Tessenderlo Chemie NV was covered by 8 sell-side analysts ([http://www.tessengerlo.com/investors/share\\_information/analyst\\_coverage/](http://www.tessengerlo.com/investors/share_information/analyst_coverage/)) compared to 7 sell-side analysts at the end of 2012. At the end of the year, 5 analysts had a neutral rating (compared with 1 of 7 at end 2012), while 3 analysts had a negative rating (compared with 1 of 7 at end 2012).

Shareholder structure

On December 31, 2013:

	# of shares	% of total
Verbrugge NV (controlled by Picanol NV)	8,744,069	27.5%
Not negotiable shares (held by personnel or former personnel)	245,611	0.8%
Free float	22,781,783	71.7%
	<b>31,771,463</b>	<b>100.0%</b>

The Picanol Group successfully completed the acquisition of the stake held by SNPE SA and now holds 27.52% of the share capital of Tessenderlo Chemie NV or the equivalent of 8,744,069 shares.

On December 31, 2013, there were in total 1,156,516 warrants (for which the acceptable period had lapsed) which were exercisable or which will become exercisable in the future. The total number of shares constituting the issued capital of Tessenderlo Chemie NV is 31,771,463, entitling the shareholders to 1 vote per share.

## Tessengerlo Chemie NV Share

Tessengerlo Chemie NV shares are listed on the Brussels Stock Exchange with code TESB. They are traded on the continuous market and are included in the following indices: BEL Mid and Next 150.

## Share price performance

Tessengerlo Chemie NV share price declined 24.2% in 2013, underperforming the BEL 20 index (16.2% increase) and the European Chemicals index SX4P (8.1% increase). The share reached its year-high closing price of 25.99 on February 1, 2013. Since then, the share followed a downward trend hitting its year-low closing price of 16.68 EUR on December 12, 2013. The share closed at 18.99 EUR on the last trading day of the year.

## Dividend policy

In view of the financial results of the company and taking account the financial situation of the Group, the board of directors proposes to the Shareholder's meeting not to attribute any dividends over the year 2013. The future dividend policy will be determined in view of the financial position of the group.

For further information about the dividend, please check the Investor Relations section on our website.

## Financial calendar

<b>Financial year 2013</b>	Results announcement	February 26, 2014
	General meeting	June 3, 2014
<b>First quarter 2014</b>	Trading update	April 30, 2014
<b>First half year 2014</b>	Results announcement	August 27, 2014
<b>Third quarter 2014</b>	Trading update	October 29, 2014

Full financial and non-financial information about the Group is available on the website at **[www.tessengerlogroup.com](http://www.tessengerlogroup.com)**. Anyone wishing to receive Tessenderlo Group press releases by e-mail may subscribe to the mailing list at **[www.tessengerlogroup.com/investors/ir\\_mailing\\_list/index.jsp](http://www.tessengerlogroup.com/investors/ir_mailing_list/index.jsp)**

The Tessenderlo Chemie NV share price is published on **[www.tessengerlogroup.com](http://www.tessengerlogroup.com)** and on the Euronext website: **[www.euronext.com](http://www.euronext.com)**.

## Contact

**Ingvild Van Lysebetten**  
**Group Communication Director**  
Tel: +32 2 639 19 27  
E-mail: [ingvild.vanlysebetten@tessengerlo.com](mailto:ingvild.vanlysebetten@tessengerlo.com)

# TESSENDERLO GROUP

ANNUAL FINANCIAL REPORT  
2013





# TESSENDERLO GROUP

ANNUAL REPORT  
2013



This document contains (i) the full consolidated Annual Report for the financial year ended on December 31, 2013, prepared in accordance with art. 119 of the Belgian Companies Code; and (ii) all information from the statutory Annual Report for the financial year ended on December 31, 2013, prepared in accordance with art. 96 of the Belgian Companies Code, which is of particular interest to the holders of securities and the public in general. Both the consolidated Annual Report and the statutory Annual Report have been approved by the Board of Directors on March 26, 2014. A copy of the full statutory Annual Report can be obtained at no cost upon request to the company, or can be downloaded from the company website. This document, together with the financial report, constitutes the “annual financial report” in the meaning of art. 12 of the royal decree of 14 November 2007.

## BUSINESS PROGRESS

**All comments included in the Business Progress section, unless otherwise indicated, are based on Tessenderlo Group’s continuing operations at comparable scope i.e. adjusted for the impact of businesses which have been purchased or sold.**

### Group performance

FY13 revenue moved 2.9% lower than 2012 to 1.8 billion EUR (-1.2% at constant exchange rates). Tessenderlo Kerley grew revenue about 2% (+5.1% in US dollars), while Other Businesses and Gelatin and Akiolis saw revenue down by about 2%. PPS and Profiles had about 4% less revenue, while Inorganics revenue decreased by nearly 9%.

REBITDA for FY13 of 116.6 million EUR represented a decline of 24.1% year on year (-21.3% at constant exchange rates). Gelatin and Akiolis 2013 REBITDA dropped strongly and was the main driver of lower group REBITDA. Better REBITDA was recorded in Inorganics and to a lesser extent Other Businesses, whereas there was a limited decrease of PPS and Profiles, as well as solid full year Tessenderlo Kerley which did not match the record 2012 amount.

Cash flow from operating activities was 109.8 million EUR for the full year 2013 (FY12: 49.7 million EUR). Trade working capital was 16.9% of revenue at the end of December 2013 (end December 2012: 17.0%). Adjusting for the impact of transactions, the proforma trade working capital as a percentage of revenue was 19.3% at the end of December 2013 (proforma end December 2012: 19.8%).

At the end of December 2013, group net financial debt stood at 258.9 million EUR, versus 314.0 million EUR at the end of December 2012. The main driver of this reduction is the proceeds from the sale of non-strategic assets. Notional net debt was 340.8 million EUR at the end of December 2013, versus 393.9 million EUR at the end of December 2012.

At the end of December 2013, leverage was 2.2x (2.9x based on notional net debt). Gearing was 52.3% at the end of December 2013 (59.0% based on notional net debt).

### Reported operating segment performance

Segment revenue for TKI in FY13 of 332.2 million EUR represented growth of 1.7% (+5.1% in USD), driven by higher sales of fertilizers. Segment REBITDA was 71.0 million EUR, 10.3% lower (-7.3% in USD) than FY12, primarily due to volumes and margins of fertilizers ending up lower than in the record year of 2012.

Gelatin and Akiolis segment revenue for FY13 of 514.6 million EUR was 1.8% below 2012, mainly attributed to lower volumes. FY13 REBITDA for the segment totalled 29.1 million EUR or 57.0% less than a year ago, largely reflecting market conditions.

Management has implemented and continues to implement cost savings measures in Gelatin and Akiolis, which shall result in a reduction of 115 positions.



Segment revenue for Inorganics dropped 8.6% to 370.2 million EUR in FY13, due to lower volumes and prices. Segment REBITDA for the full year totalled 12.1 million EUR, well above the weak REBITDA in 2012, due mainly to improvement in margins and lower overhead costs.

FY13 segment revenue for PPS and Profiles came in at 413.2 million EUR or 3.9% below a year ago, as volume decreases in Belgium, France and the Netherlands could not be fully offset by UK growth. Segment REBITDA amounted to 30.9 million EUR for the full year, or 4.7% less than a year ago. The negative impact of depressed demand in many markets was largely compensated by ongoing cost control, as well as demand recovery in the UK.

Other Businesses FY13 revenue was down 1.8% to 154.2 million EUR. Less revenue was recorded for both OCD and Sulfur Derivatives, while revenue for both Water Treatment and Compounds were higher. Segment REBITDA moved up 82.6% to 4.6 million EUR, with higher contributions from Compounds and Sulfur Derivatives.

# HUMAN RESOURCES

## A difficult business environment

2013 was a year of great challenges at an HR level. The group finds itself in the midst of a major strategic transformation, resulting in a portfolio reshuffle. This is occurring while the economic climate is not yet stabilized and competition in some of our markets is steadily increasing. Disappointing performance in a part of our activities and a difficult financial situation for the group is the result.

While the transformation is fully ongoing, cost reduction programs are also being implemented at all levels of the company to bring down fixed costs in the short term and to make the group more agile in the long run. On an organizational level this means, for instance, creating shorter decision lines and implementing a flatter corporate structure. In all, the focus remains on the customer and on providing professional service.

## Coping with change

This period of important and numerous changes requires a lot of our people. A central role in this transformation process is attributed to our managers and supervisors at all levels. They are, in fact, the first line HR function: a permanent point of contact for employees and an antenna on the work floor. To build efficient and performing teams, it is up to them to guide and coach their teams through this whole process of change.

The managers also work closely with the social partners in a transparent and open dialogue and consider them valuable and important.

## Deploy our talents effectively

To achieve results, supervisors and managers can rely on the support of the HR group. This is initially done by nurturing talent in the organization and giving it all opportunities to develop. Building on one another's strengths and deploying them in a complementary way, is how we do this. In a business where knowledge and expertise are essential, after all, we build on our experienced and motivated employees who know the company and its products through and through. Tessengerlo Group strongly believes in a permanent feedback culture where employees, at all times, have a clear view on their contributions, as individuals and as team members, to the realization of the company's objectives. HR guides the company through the changes that are necessary to become an effective organization and provides assistance to implement the transformation plans. Often this is done by supporting line management through the development of suitable tools that will help in the selection, identification and development of talent. In addition, HR helps to develop remuneration and reward systems and to match them to the delivered performances.

# INNOVATION AND R&D

Tessengerlo's Research and Development is oriented towards improvements in product and process technology in its existing businesses. New applications for existing products are explored in the market. Special attention goes to innovative sustainable solutions allowing for reduction in energy and materials consumption along the value chain.

Tessengerlo is also recognized and chosen by customers for their needs in new process and product development. This latter approach can lead to close collaboration, novel product and process technology for the customer and Tessenderlo, and significant investments.

Total R&D expenditure for the group amounted to 13.2 million EUR in 2013.

# HEALTH, SAFETY, ENVIRONMENT AND QUALITY – HSEQ

Care for Safety, Health, Environment and Quality has always been an important priority of Tessengerlo Group and its subsidiary companies. In order to further improve our HSEQ performance, in 2013 we also continued to launch initiatives and take actions with a permanent focus on people and the environment.

## Group Safety performance

Despite promising results in some of the businesses, the group's 2013 overall safety performance only showed minor progress compared to 2012 and results have not achieved the targets set in 2011. As a result of the safety initiatives undertaken by the business units, accident severity rate – compiled at group level – improved slightly. The frequency of injury and total recordable injury rates remained flat compared to the previous year.

As the development of a safety culture does not happen overnight, we will continue our efforts to increase safety awareness at all levels in the organization and work diligently to keep everybody safe at work.

## SHEQ achievements

Due to a consistent emphasis on safety, **Tessengerlo Kerley** achieved excellent safety figures in 2013. During the year, company employees worked more than 1,178,000 man-hours with only one accident and one occupational illness resulting in lost days. Of the 22 sites monitored, 16 had zero recordable mishaps.

The Tessengerlo Kerley Safety Department tracks mishap data for more than 20 entities, including contractor operations at all locations. During 2013, five of our operational sites exceeded 20 years without a lost time incident. Six others exceeded 10 years without a lost time incident.

Five of our locations have been in operation for fewer than five years. None of these facilities have experienced a lost time mishap.

In **Gelatin**, the severity rate improved, while the frequency and the total recordable injury rate remained stable compared to 2012. Several initiatives to increase health and safety (H&S) awareness were launched within the BU.

For instance, at the Treforest site in the UK, H&S performance indicators have been built into the daily operations management, reporting also of near misses and resulting actions have been reinforced and involvement of employees at all level has been intensively promoted.

Also at environmental level our UK branch scored, improving odor control on effluents, reducing solids and sludge volumes and renewing its environmental permit.

The Acorizal plant (Brasil) performed outstandingly, as well, receiving FSSC 22000 accreditation after being operational for only 18 months.

On a quality level, the BU obtained Kosher and Halal accreditations and approved audits from some of its main customers in this context.

Also 2013, initiatives have been launched to gradually continue integration and coordination of the SHEQ-related matters in the business unit.

At **Akiolis**, risk prevention and reduction of the number of accidents at work remained one of the major concerns in 2013. In this context, we have focused on analyzing all accidents, including road accidents. Also this year, the involvement of line management has been increased in order to cascade prevention reflexes and safety attitudes

down into the organization. For instance, risk prevention has been integrated in all operational meetings, and supervisors regularly sit with their teams to pass on safety instructions and to collect feedback.

The increased data availability, the analysis of accidents and intensified safety communication, all contribute to improve feedback to the Akiolis sites, develop and deploy safety plans and implement the necessary corrective safety actions.

In terms of environmental management, all ISO 14001 certificates were renewed. We even extended the perimeter to C3 activities for the Viriat facility and 5 collection centers. For our 7 plants and 25 collections centers that are ISO14001 certified we received confirmation of conformity.

For the chemical products used in production, we improved our screening procedures before intake and our inventory management, and investigated the possibilities to replace dangerous products.

Also the Key Performance Indicators (KPIs) on water used per collection round and per ton of material processed were reviewed. In order to reduce water consumption, the truck wash was analyzed and improvement measures were taken.

In 2013, we also focused on odor monitoring and control. A Ph.D. study and pilot scale tests on bio-filter performance, allowed us to develop new skills in this area. The outcome of this research will gradually be introduced in Akiolis on an industrial scale which, in turn, could lead to a 25% operating costs reduction and an increased efficiency in odor removal.

In 2013, the **Inorganics** business started implementing a holistic program on safety, called ZERO17. This initiative, kicked off in 2012, aims to install a proactive safety culture and targets zero accidents resulting in lost work time by 2017. Several areas that need improvement to achieve higher safety levels were defined. The ZERO17 program has now been embedded into the BRIO-plan for Inorganics.

The stop of the feed phosphate production based on phosphate rock in Ham (Belgium) at the end of December 2013, sharply reduces the salt water discharge in the local rivers, as stipulated in the environmental license of 2008.

The remediation of the historical sludge basin along the Albert canal in Ham continues and refurbishments of the sludge basin are being prepared. When this project is completed, newly available industrial land can be created. Other sludge storages in the area being reorganized.

In **Water Treatment** the emissions through aqueous discharges improved and the authorized levels for atmospheric emissions of mercury were respected.

As for the permit of the new electrolysis project, the French administration requested complementary input linked to the new SEVESO Industrial Emission Directive (IED). This additional information was presented in January 2014.

During 2013, **PPS** reduced accidents resulting in work time lost by 50%. This is the result of the business units' proactive approach on safety and its aim to install a safety culture in all its entities. Safety KPIs are toughened on a yearly basis. Since 2011, PPS also introduced E-testing on safety knowledge for all its employees and a safety maturity test conducted by an external organization.

Our UK branch, John Davidson Pipes, was awarded the Investors in People (IIP) Gold Standard accreditation for its exceptional investments in its own workforce.

In the Netherlands, Dyka received the NRK Award for Energy Efficiency. NRK, the Dutch federation of the rubber and plastics industry, complimented Dyka for improving its energy and environmental performance through smart use of materials and recycling efforts.

# RISK ANALYSIS

## Analysis of the main risks

The Group analyses the risks related to its activities on a regular basis and reports the results to the Audit Committee.

The first global risk analysis was carried out in 2010 and 2011. All Business Units were requested to identify their major risks classified in four categories: strategic, operational, financial and external risks. The results of this review were included in the management report as published in the 2012 annual report.

This risk analysis review was updated in 2013 and a comprehensive risk report was presented to the Audit Committee in November 2013. New validated criteria for impact on group level, financial impact on BU and site level were presented.

The risk categories were revised as follows:

- Strategic risks;
- Preventable risks;
- External risks.

The following risks are reported to the Audit Committee:

- Strategic risks;
- Preventable and external risks with major impact and probability;
- All catastrophic risks;
- All cumulative preventable and external risks with major impact and identified in more than one business unit.

The analysis of the major risks for the group resulted in the following Group Top Risks as described below:

### Strategic cumulative risks

- Access to or dependency on continuous raw material at competitive prices.

### Strategic risks

- Health and safety issues resulting in possible major accidents and number of lost working days;
- Non-realization of business objectives due to lack of protection of company know-how;
- Loss of or inability to attract talent due to re-positioning of the company;
- Dependency on major customers;
- Cybercrime.

### Strategic external risks

- Country risks: exchange control, regulatory and government actions, loss of markets due to decrease in purchasing power.

### External cumulative risk

- Changes in weather conditions.

# Analysis of financial risks<sup>1</sup>

## Credit risk

*Credit risk is the risk of default by a counterparty in relation to the sale of goods or rendering of services. This may negatively affect cash flow.*

In order to limit this risk, Tessenderlo Group has implemented a credit policy with requests for credit limits, approval procedures and a continuous monitoring of credit risk. In addition, the collection of a part of the outstanding credit is outsourced ("non-recourse factoring").

## Liquidity risk

*Liquidity risk is the risk that a company has insufficient resources to fulfill its financial obligations at any time. Failure to meet financial obligations can result in significantly higher costs, and it can negatively affect reputation.*

In order to limit this risk, the group took a series of actions:

- set up of a factoring program at the end of 2009 and a securitization program in 2013.
- the launch of a private placement with a maturity of 5 years in October 2010 (150.0 million EUR).
- the set up of a Brazilian loan with a duration of 12 years for 55.8 million BRL in October 2010 (of which 16.6 million EUR remains outstanding as per December 31, 2013).
- amendment in April 2011 of the syndicated credit facility (signed in 2010) in order to increase the maturity of the facility from 3 to 5 years, with more flexibility for the businesses (total amount of 450.0 million EUR).

In addition, the group uses a commercial paper program of maximum 200.0 million EUR.

The group establishes forecasts on a regular base on short and longer term in order to be able to adapt financial means to forecasted needs.

## Risks relating to prices of products and raw materials

*The availability and prices of raw materials fluctuate, and thus can have a major impact on profitability. The value of the stocks of finished products can decline in price due to the supply and demand balance. In addition, energy prices are also an unpredictable factor that can affect profitability.*

The group manages these risks through:

- constantly evaluating the purchasing strategy;
- sharing the risks of impairment of stocks with suppliers;
- prioritizing the creation of a sustainable energy strategy;
- spreading the dependence on suppliers as much as possible;
- having an appropriate relationship between purchase and sales prices.

## Currency risk

*The currency risk is the risk that cash flow may be affected by fluctuations in exchange rates. The group is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the EUR, the functional currency of the group. The currencies giving rise to this risk are primarily the U.S. dollar (USD), British pound (GBP), Polish zloty (PLN), Chinese yuan (CNY), Argentine peso (ARS), Brazilian real (BRL) and Hungarian forint (HUF).*

Subsidiaries are required to submit information on their net foreign exchange positions when invoiced (customers, suppliers) to Tessenderlo Chemie NV, the parent company. All the positions are netted at the level of Tessenderlo Chemie NV and the net positions (long/short) are then sold or bought on the market.

At December 31, 2013, a remaining net USD exposure, mainly due to an intercompany loan of 200.0 million USD, was not hedged. Since the USD equity exposure is negative for a similar amount, foreign exchange gains or losses in the income statement will be compensated by an opposite movement in equity through a change in the translation reserves.

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<sup>1</sup> For a more detailed overview of the financial risks relating to the situation in 2013, and the policy of Tessenderlo Group relating to the management of such risks, please see the section Financial Instruments in the Financial Report (note 27 - Financial instruments).

## Interest rate risk

*Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets, liabilities and instruments as described in the notes to the financial statements.*

The group hedges the interest risk through different instruments such as cross currency interest rate swaps and interest rate swaps.

At the reporting date, the interest rate exposure of the group's interest-bearing financial instruments was:

(Million EUR)	note	2013	2012
<b>Fixed rate instruments</b>			
Financial assets	19	0.2	2.0
Loans and borrowings	23	173.0	184.3
<b>Variable rate instruments</b>			
Financial assets	19	48.7	32.7
Loans and borrowings	23	139.0	170.6

# CORPORATE GOVERNANCE STATEMENT

## Transparent Management

Tessengerlo Chemie NV accepts the Belgian Corporate Governance Code 2009 as its reference code, and subscribes to the principles of corporate governance outlined in this code. To the extent the company does not comply with any provision of the code, this is indicated in this Corporate Governance Statement, together with the reasons for such non-compliance. The Belgian Corporate Governance Code can be consulted at: <http://www.corporategovernancecommittee.be/en/home/>

The company's adherence to the principles of Corporate Governance is reflected in the Corporate Governance Charter (hereinafter referred to as the "Charter") adopted by the Board of Directors. The Charter can be consulted on the website of Tessengerlo Group: [http://www.tessengerlo.com/tessengerlo\\_group/governance/corporate\\_governance\\_charter/](http://www.tessengerlo.com/tessengerlo_group/governance/corporate_governance_charter/)

## Capital and Shares

### Capital

The capital of Tessengerlo Chemie NV at December 31, 2013 amounts to 159,200,000.00 EUR.

By decision of the Extraordinary General Assembly of June 7, 2011, the Board of Directors was granted the authority to increase the capital in one or more times, during a five year period, up to a maximum amount of forty million (40,000,000) EUR, exclusively for (i) capital increases reserved for the personnel of the company or of its affiliates, (ii) capital increases in the framework of the issue of warrants in favor of certain members of the personnel of the company or of its affiliates and, possibly, in favor of certain persons who are not part of the personnel of the company or of its affiliates, (iii) capital increases in the framework of an optional dividend, whether in this respect the dividend is directly distributed in the form of shares or is directly distributed in cash and afterwards the paid cash can be used to subscribe to shares, the case being by means of a surcharge and (iv) capital increases carried out by conversion of reserves or other entries of equity capital, so as to enable to round the amount of the capital to a convenient rounded amount.

In its meeting of June 3, 2013, the Board of Directors has decided to offer to pay the 2012 dividend in shares and/or in cash. As a result of the choices made by shareholders, 1,040,386 new ordinary shares were issued out of the authorized capital.

### Shares

The share capital is represented by 31,771,463 shares without par value, entitling the shareholder to one vote per share.

All Tessengerlo Chemie NV's shares are admitted for listing and trading on Euronext Brussels.

### Warrants

Per December 31, 2013, there were in total 1,156,516 warrants (for which the acceptance period had lapsed) which were exercisable or which will become exercisable in the future. These warrants have been issued in the context of the Plan 2002-2006 (issue of bonds cum warrant), the Plan 2007-2011 (issue of naked warrants), the Plan 2011 (issue of naked warrants) and the Plan 2012 (issue of naked warrants).

The detail of the outstanding warrants on the date of this statement is as follows:



Tranche	Exercise period	Number of warrants	Exercise price
Tranche 2 (2003)*	2007-2015	8,600	26.45 EUR
Tranche 3 (2004)*	2008-2016	30,200	31.69 EUR
Tranche 4 (2005)*	2009-2017	30,200	27.11 EUR
Tranche 5 (2006)*	2010-2018	57,120	30.02 EUR
Tranche 1 (2007)*	2011-2017	84,825	43.10 EUR
Tranche 3 (2009)	2013-2014	178,339	21.96 EUR <sup>1</sup>
Tranche 4 (2010)	2014-2015	279,499	24.01 EUR <sup>2</sup>
Tranche 2011	2015-2016	337,733	21.72 EUR <sup>3</sup>
Tranche 2012	2016-2019	150,000	22.1 EUR <sup>4</sup>
TOTAL		1,156,516	
* Exercise period prolonged by 5 years			

<sup>1</sup> 22 EUR for US residents

<sup>2</sup> 24.72 EUR for US residents

<sup>3</sup> 22.29 EUR for US residents

<sup>4</sup> 22.3 EUR for US residents

The maximum number of shares that can be created in the future, on the basis of the aforementioned warrants, is 1,156,516.

## Treasury shares in the context of liquidity contract

On June 15, 2012, Tessenderlo Chemie NV entered into a liquidity contract with Exane BNP Paribas. The contract foresees the buying and selling of Tessenderlo Chemie NV shares by Exane BNP Paribas, on behalf and for the account of Tessenderlo Chemie NV on NYSE Euronext Brussels. The purpose of this liquidity contract was to enhance the liquidity of the Tessenderlo Chemie NV share.

The trading of own shares requires shareholder approval and was granted at the Extraordinary General Assembly of shareholders of June 5, 2012, subject to the following conditions: (i) maximum number of shares which may be acquired: 150,000; (ii) the approval is only valid for a period of maximum 5 years with effect as from the decision of the General Assembly; (iii) the acquisition can only occur at a price which cannot be lower than 6 EUR nor higher than 50 EUR per share; (iv) the above conditions and limits are also applicable to shares acquired by a direct subsidiary in the meaning of article 627 Companies Code as well as to a person acting in its own name but for the account of such direct subsidiary or for the account of Tessenderlo Chemie NV.

Tessenderlo Chemie NV made the following resources available at the start of the contract:

- 3,000,000 EUR
- 0 (zero) Tessenderlo Chemie NV shares

Exane BNP Paribas started trading Tessenderlo Chemie NV shares under the liquidity contract as from July 16, 2012. On a regular basis, Exane BNP Paribas bought and sold Tessenderlo Chemie NV shares. To ensure full transparency to the financial markets, Tessenderlo Chemie NV issued weekly press releases, also available on the group's website, disclosing information related to the acquisitions and sales of Tessenderlo Chemie NV shares by Exane BNP Paribas during the prior week.

In 2013, the total number of shares acquired amounted to 219,017 representing 0,69 % of the capital<sup>2</sup>. The total number of shares sold in 2013 amounted to 248,194 representing 0,78 % of the capital. The accounting par value of these shares bought and sold is 5.01 EUR per share<sup>3</sup>. The maximum amount of shares held by Exane BNP Paribas in the name and for the account of Tessenderlo Chemie NV at any given time in 2013, amounted to 45,513, representing 0,14 % of the capital. The consideration for the shares bought and sold was the prevailing buy or sell price on Eurolist by Euronext. The average purchase price amounted to 22.2 EUR per share and the average sale price amounted to 21.4 EUR per share. More information on the share transactions in the context of the liquidity contract can be found on the Tessenderlo Group website at

<sup>2</sup> For purposes of calculating the percentage the relevant treasury shares represent in the total capital of Tessenderlo Chemie NV, the capital taken into account is the capital as at December 31, 2013.

<sup>3</sup> The accounting par value of the Tessenderlo Chemie share taken into account here is 5,01 EUR, being the par value of the Tessenderlo Chemie NV share as at December 31, 2012

[http://www.tessengerlo.com/investors/share\\_information/liquidiy\\_contract/](http://www.tessengerlo.com/investors/share_information/liquidiy_contract/).

As at December 31, 2013, Exane BNP Paribas held (in the name and for the account of Tessenderlo Chemie NV) zero Tessenderlo Chemie NV shares.

In accordance with art. 622, §1 of the Companies' Code, the voting rights of the shares held by Tessenderlo Chemie NV are suspended. The dividends on the shares held by the company are cancelled.

The subsidiaries of Tessenderlo Chemie NV did not hold any Tessenderlo Chemie NV shares.

The liquidity contract with Exane BNP Paribas was terminated on 11 December 2013. As from 24 December 2013, Exane BNP Paribas (acting in the name and for the account of Tessenderlo Chemie NV), no longer held any Tessenderlo Chemie NV shares.

## Shareholders and shareholders structure

On 6 November 2013, Tessenderlo Chemie NV received a transparency declaration from Verbrugge NV, Artela NV and Mr Luc Tack, relating to the acquisition by Verbrugge NV of 8,744,069 Tessenderlo Chemie NV shares, representing a shareholding of 27.52%.

On the same date, Tessenderlo Chemie NV received a transparency declaration from Société Nationale des Poudres et Explosifs SA (SNPE), until then the reference shareholder of Tessenderlo Chemie NV and a company held indirectly (via the Agence des Participations de l'Etat) by the French State, informing Tessenderlo Chemie NV that SNPE no longer held any Tessenderlo Chemie NV shares.

Consequently, as from 6 November 2013, Tessenderlo Chemie NV's main shareholder is the Belgian company Verbrugge NV, a company controlled by Picanol NV, which company is controlled by Artela NV, which in turn is controlled by Mr Luc Tack.

No other transparency notifications have been received.

On the basis of this information, the distribution of the shares at December 31, 2013 in Tessenderlo Chemie NV is as follows:

Verbrugge NV	27.52 %	8,744,069 shares
Not negotiable shares (held by personnel or former personnel )	0.83 %	265,236 shares
Free Float	71.64 %	22,762,158 shares

The shares issued to the benefit of the personnel, are not negotiable during a period of five years from the date of issue. This period can only be shortened in the case of events limitatively enumerated in the law or, in the case of modification of the legal provisions, by special decision of the Board of Directors.

## Board of Directors

### Composition

At 31 December 2013, the composition of the Board of Directors of Tessenderlo Chemie NV was as follows<sup>(1)</sup>:

<b>Non-Executive Directors</b>	<b>Mandate until</b>
Gérard Marchand - Chairman	(June 2014)
Antoine Gendry	(June 2017)
Thierry Piessevaux(*)	(June 2015)
<b>Independent Non-Executive Directors</b> <sup>(2)</sup>	<b>Mandate until</b>
Véronique Bolland (Ms) <sup>(3)</sup>	(June 2017)

Philippe Coens	(June 2015)
Dominique Zakovitch Damon (Ms)	(June 2015)
Baudouin Michiels	(June 2015)
Alain Siaens	(June 2014)
Karel Vinck	(June 2015)
<b>Executive Directors</b>	<b>Mandate until</b>
Luc Tack <sup>(4)</sup>	(June 2015)
Melchior de Vogüé <sup>(5)</sup>	(June 2017)
Stefaan Haspeslagh <sup>(6)</sup>	(June 2014)

<sup>(1)</sup> During the year 2013, the following changes have occurred:

- Valère Croes has stopped being a member of the Board of Directors as from June 4, 2013.
- Didier Trutt has been co-opted as a director by the Board of Directors of May 16, 2013. Following the changes with respect to the reference shareholder of Tessenderlo Chemie NV, Didier Trutt has resigned as member of the Board of Directors on November 6, 2013
- Following the changes with respect to the reference shareholder of Tessenderlo Chemie NV, Michel Nicolas has resigned as member of the Board of Directors on November 6, 2013

<sup>(2)</sup> Pursuant to paragraph 3.10 of the Charter, a Director is considered to be independent if he or she at a minimum complies with the independence criteria provided for under art. 526ter of the Companies' Code. When assessing the independence of a Director, the requirements set out under appendix A of the Belgian Corporate Governance Code are also taken into account. According to the information available to the Board of Directors, the independent Directors of Tessenderlo Group all comply with the aforesaid independence criteria. No exceptions were reported to the Board.

<sup>(3)</sup> Véronique Bolland has been appointed as a director of the company by the General Shareholders' Meeting of June 4, 2013.

<sup>(4)</sup> On November 13, 2013 Luc Tack has been co-opted as director of Tessenderlo Chemie NV, replacing Didier Trutt who had resigned. If confirmed by the General Assembly, the mandate of Luc Tack expires at the General Shareholders' Meeting of June 2015. Luc Tack has been appointed Co-Chief Executive Officer on December 18, 2013.

<sup>(5)</sup> On December 18, 2013, Melchior de Vogüé has been co-opted as director of Tessenderlo Chemie NV, replacing Frank Coenen who had resigned on that date. If confirmed by the General Shareholders' Meeting, the mandate of Melchior de Vogüé will expire at the General Shareholders' Meeting of June 2017. Melchior de Vogüé has been appointed Co-Chief Executive Officer on December 18, 2013.

<sup>(6)</sup> On November 13, 2013, Stefaan Haspeslagh has been co-opted as director of Tessenderlo Chemie NV, replacing Michel Nicolas who had resigned. If confirmed by the General Shareholders' Meeting, the mandate of Stefaan Haspeslagh will expire at the General Shareholders' Meeting of June 2014.

(\*) No longer independent as from June 19<sup>th</sup>, 2013

Almost all Board of Directors meetings were attended by the Chief Financial Officer and the Chief Legal Officer.

Anne Mie Vanwalleghem assisted at all Board meetings as Secretary of the Board of Directors.

The composition of the Board of Directors fulfils the objective of assembling complementary skills in terms of competencies, experience and business knowledge.

## Activities

The Board of Directors met in accordance with a previously determined schedule. The Board of Directors met eight times during 2013.

During 2013, the Board's main areas of discussion, review and decision were:

- the group's long-term strategy and budget,
- the financial statements and reports,
- the funding strategy and the financing structure of the group
- the implementation of a second phase of the securitization program,
- a number of investment and divestment projects such as the sale of the UK Profiles division, the potential divestment of the Plastic Pipes Systems division as well as the Phosphates business as well as the study of an acquisition target, the reports of the Audit Committee, Strategy Committee and Appointment and Remuneration Committee,
- resolution proposals to the General Assemblies of shareholders, including the appointment of a new statutory auditor
- the change of responsibilities in the Group Management Committee,
- the appointment of new Board members
- change of the top management and appointment of Chief Executive Officers
- the long term incentive and warrant plan,
- the remuneration policies for the CEO and Group Management Committee members,
- the evaluation of the Board of Directors and of the Remuneration and Appointment Committee
- the implementation and effectiveness of the internal control framework and Enterprise Risk management,
- the various operational excellence programs within the company including the installation of an Operational Excellence Committee (OEC). The role of the OEC is to review the existing and new cost reduction and profit improvement plan. The OEC is composed of four members of the Board of which two are independent.

No application has been made of the rules of the corporate governance charter regarding conflicts of interest between Tessenderlo Group companies and a member of the Board which are not covered by the legal rules on conflicts of interest.

During 2013, the Board of Directors pursued an induction program for its new Directors (Véronique Bolland, Didier Trutt, Luc Tack and Stefaan Haspeslagh) to cover various areas such as strategy, operational and finance matters, compliance and risk management, internal control and corporate governance.

The Board acknowledges the Law of 28 July 2011 requiring one third of its members to be of the opposite gender as from January 1, 2017. In the Board selection process, the necessary attention has and will be given to the implementation of this rule. In particular, at the General Shareholders' Meeting of June 4, 2013, Ms Véronique Bolland has been appointed member of the Board of Directors of Tessenderlo Chemie NV.

## Evaluation of the Board of Directors

Evaluations of the functioning of the Board of Directors, the nomination and remuneration committee and the audit committee are done on a periodical basis. In the context of such evaluations, the members can give a scoring (from 1-5) on different subjects relating to the board and committee functioning and can share their views on areas for improvement. Such evaluations are done through the use of a self-assessment questionnaire developed by the secretary of the group based on a template used by the Guberna Institute for Directors. The exercise focuses primarily on the following domains: role, responsibilities and the composition of the board and the committees, the interactions between board members, the conduct of the meetings and evaluation of the used training and resources by the board and/or the committees. Where appropriate, the individual board members also share their view on how the board and the committees could operate and function in a better way. The Chairman and the secretary of the board share the results of the evaluation with the board members and formulate initiatives for improvement.

## Board Committees

### General

The following Committees have been established within the Board of Tessenderlo Chemie NV:

The Appointment and Remuneration Committee
The Audit Committee
The Strategy Committee

Please refer to the Charter for a description of the operations of the various Committees on the following link:  
[www.tessenderlo.com/tessenderlo\\_group/governance/corporate\\_governance\\_charter/](http://www.tessenderlo.com/tessenderlo_group/governance/corporate_governance_charter/)

In addition to the above named committees, the Board of Directors, in its meeting of November 13, 2013, has created a temporary "Operational Excellence Committee" (OEC) composed of four directors being Luc Tack, Stefaan Haspeslagh, Philippe Coens and Véronique Bolland. The role of the OEC is to review the existing and new cost reduction and profit improvement plan. The committee has met three times in 2013 and has been operational until the end of February 2014.

### Appointment and Remuneration Committee

At December 31, 2013, the Appointment and Remuneration Committee was constituted as follows(\*):

Karel Vinck (Chairman)(Independent)
Stefaan Haspeslagh (**)
Thierry Piessevaux
Alain Siaens (Independent)
Philippe Coens (Independent)

\* Mr Luc Tack was appointed member of the Appointment and Remuneration Committee as of November 13, 2013, and resigned as of December 18, 2013.

\*\* Appointment as of December 18, 2013 on the basis of his specific competences and expertise in matter of remuneration, replacing Antoine Gendry. On January 14, 2014, Stefaan Haspeslagh has resigned as member of the Appointment and Remuneration Committee following the conclusion by Tessenderlo Chemie NV of a consultancy agreement with Findar BVBA, a company in which Stefaan Haspeslagh is managing director.

A majority of the members of the Remuneration and Nomination Committee meet the independence criteria set forth by article 526ter of the Belgian Companies Code and the committee disposes of the competencies and the expertise required in matters of remuneration policies as required by article 526quater §2 of the Belgian Companies Code.

The Appointment and Remuneration Committee met four times during 2013.

The Chairman of the Board of Directors attended, with an advisory vote, the meeting dealing with the remuneration, objectives and performance review of the CEO. The CEO attended, with advisory vote, the meeting dealing with the remuneration and objectives of the GMC members, other than himself. The Group HR Director attended the meetings dealing with remuneration issues. One of these meetings was also attended by an external consultant with specific expertise in these matters.

### Activities

In 2013, the Appointment and Remuneration Committee discussed and made recommendations with respect to the remuneration package of the Group Management Committee, including the Chief Executive Officer as well as on the grant of a 2013 warrant plan. The committee made recommendations for the appointment and cooptation of new Board members and changes in the committees. The Appointment and Remuneration Committee also prepared the remuneration report, as included in the 2012 annual report.

At the end of 2013, the Committee made recommendations on the change of the Chief Executive Officer and on his severance package, the appointment of the co-Chief Executive Officers and the composition of the Group Management Committee.

In compliance with the Charter, the majority of members of the Appointment and Remuneration Committee are independent.

#### Evaluation of the Appointment and Remuneration Committee

For information on the evaluation process of the Appointment and Remuneration Committee, please refer to the section “evaluation of the Board of Directors”.

#### **Audit Committee**

(including justification required by art. 119, 6 ° Companies law)

At December 31, 2013 the Audit Committee was constituted as follows:

Baudouin Michiels (Chairman)(*)(Independent)
Véronique Bolland (Ms) (**)(Independent)
Stefaan Haspeslagh ***
Thierry Piessevaux
Alain Siaens (Independent)

\* Baudouin Michiels replaced Valère Croes whose mandate as director came to an end at the General Assembly of June 2013.

\*\* Appointment by the Board of Directors on August 28, 2013.

\*\*\* Michel Nicolas resigned as a director of the company on November 6, 2013. He has been replaced in the Audit Committee by Stefaan Haspeslagh. Stefaan Haspeslagh has resigned as a member of the Audit Committee on January 14, 2014 following the conclusion of a consultancy agreement with Findar BVBA, a company in which Stefaan Haspeslagh is managing director.

The Audit Committee met in accordance with a previously determined schedule.

The Audit Committee met five times during 2013.

The CFO, the Director Group Controlling, Consolidation & Accounting, the Chief Legal Officer as well as the statutory auditor attend the meetings of the Audit Committee. The Group internal audit director attended the meetings dealing with internal audit, the director of internal control attended the meetings dealing with internal control matters and the group risk manager attended the meetings dealing with risk management. The company fulfils the legal requirement that its Audit Committee has at least one independent Director with the necessary accounting and audit expertise. The members of the Audit Committee fulfil the criterion of competence by their own training and by the experience gathered during their previous functions (various members of the Audit Committee are or have been also member of Audit Committees of other listed companies). In compliance with the Charter, the majority of the members are independent Directors.

#### Evaluation of Audit Committee

For information on the evaluation process of the audit committee, please refer to the section “evaluation of the Board of Directors”.

#### Activities

At the General Assembly of June 2013, PriceWaterhouseCoopers was appointed as external auditor replacing KPMG whose mandate came to an end. In the context hereof, the audit committee has made a proposal to the Board of Directors.

In addition to monitoring the integrity of the quarterly financial statements and quarterly financial results press releases, including disclosures, consistent application of the valuation and accounting principles, consolidation scope, quality of the closing process, the Audit Committee heard reports from the external auditors regarding the internal control system including the IT controls and data mining, the benchmarking study on the financial reporting deadlines, the valuation and accounting treatment of certain exceptional items. The Audit Committee also monitored the findings and recommendations of the external auditors as well as their independence. The Audit Committee also heard the Group internal audit director on the Internal Audit program for 2013, the new internal audit charter, the risk assessment analysis and the activity reports of the internal audits which had been carried out, as well as on a review of the follow-up actions taken by the company to remedy certain weaknesses

identified by the Internal Audit Department. Further, the Audit Committee reviewed the status of the Enterprise Risk Management, risk reporting, prioritization of risk and mitigation actions. The Audit Committee also heard reports from the director of internal control on the treasury management system, the authorization matrix and on the blue book presentation.

Other activities of the Audit Committee include the review of the financing of the group and the terms of reference of the Audit Committee.

**Strategy Committee**

At December 31 2013, the strategy committee was constituted as follows (\*):

Antoine Gendry
Stefaan Haspeslagh**
Baudouin Michiels (Independent)
Karel Vinck (Independent)
Dominique Zakovitch Damon (Ms) (Independent)

\* Mr Marchand, former chairman of the Strategy Committee, resigned as member of the committee as of December 18, 2013.  
\*\* Appointment of Stefaan Haspeslagh and Luc Tack as new members of the Strategy Committee as from November 13, 2013. Luc Tack resigned on December 18, 2013 as member of the Strategy Committee following his appointment as executive director. Stefaan Haspeslagh resigned on January 14, 2014 as member of the Strategy Committee following the conclusion of a consultancy agreement with Findar BVBA, a company in which Stefaan Haspeslagh is managing director.

The Strategy Committee met two times in 2013.

Activities

The Strategy Committee reviewed the strategy of the group, with a specific focus on each of the business units. It analyzed the group's long term strategy and reviewed all strategic acquisitions and divestments (as defined by the Corporate Governance Charter). The recommendations of the Strategy Committee for these matters were submitted to the Board of Directors.

The CEO and the CFO attended all of the Strategy Committee meetings.

Attendance rate to the Board of Directors meetings and the special committees meetings in 2013:

	<b>Board of Directors</b>	<b>Audit Committee</b>	<b>Strategy Committee</b>	<b>Appointment &amp; Remuneration Committee</b>
Number of meetings in 2013	8	5	2	4
Gérard Marchand	8/8		2/2	
Frank Coenen <sup>1</sup>	7/8			
Véronique Bolland <sup>2</sup>	4/4	1/1		
Philippe Coens	8/8			4/4
Valère Croes <sup>3</sup>	3/4	2/3		1/2
Dominique Damon Ms	8/8		2/2	
Melchior de Vogüé <sup>4</sup>	1/1			
Guy de Gaulmyn <sup>5</sup>	2/2			
Antoine Gendry	8/8		2/2	3/3
Stefaan Haspeslagh <sup>6</sup>	2/2			
Baudouin Michiels	8/8	5/5	2/2	
Michel Nicolas <sup>7</sup>	6/6	4/4		
Thierry Piessevaux	8/8	5/5		4/4
Didier Trutt <sup>8</sup>	1/3			
Luc Tack <sup>9</sup>	2/2			1/1
Alain Siaens	7/8	4/5		3/4
Karel Vinck	7/8		2/2	3/4

<sup>1</sup> Resignation as of December 18, 2013

<sup>2</sup> Mandate as from June 4, 2013 (Annual General Assembly) and appointment as member of the Audit Committee as of August 28, 2013

<sup>3</sup> Mandate until June 4, 2013 (Annual General Assembly)

<sup>4</sup> Cooptation as of December 18, 2013

<sup>5</sup> Resignation as of May 6, 2013

<sup>6</sup> Cooptation as of November 13, 2013

<sup>7</sup> Resignation as of November 6, 2013

<sup>8</sup> Resignation as of November 6, 2013

<sup>9</sup> Cooptation as of November 13, 2013 and appointment as member of the Appointment and Remuneration Committee as of the same date



## Group Management Committee (GMC)

### Roles and responsibilities

#### Composition

As per December 31, 2013, the GMC of Tessenderlo Chemie NV was constituted as follows:

Luc Tack	Co-Chief Executive Officer
Melchior de Vogüé	Co-Chief Executive Officer and Chief Financial Officer
Rudi Nerinckx	Chief HR Officer
Jordan Burns	Executive VP
Pol Deturck	Executive VP
Jan Vandendriessche	Chief Growth Officer

Due to their leaving the company in the course of 2013, Frank Coenen (former CEO) and Henriette Van Caenegem (former Chief Legal Officer) no longer were part of the GMC on 31 December 2013. Mr. Rudi Nerinckx has left the company on 16 January 2014.

#### Evaluation

The CEO evaluates annually the performance of each of the members of the GMC through a performance appraisal. The evaluation is done taking into account the responsibilities of the GMC members based on KPI's (Key Performance Indicators) fixed in line with the group's strategy.

#### Operation

In 2013, The GMC has been meeting twice a month. The meetings of the GMC were also attended by the Strategic Planner, secretary to the GMC. Members of the group support services were invited to present various topics. Representatives of the Business Units present an operational update and strategic initiatives to the GMC on a regular basis.

The GMC can validly deliberate only if at least half of its members are present or duly represented.

The GMC aspires to arrive at decisions by consensus. If no consensus can be found, the CEO decides.

The CEO reports to the Board of Directors about the strategic decisions taken within the GMC.

The GMC convened 20 times during 2013. The attendance rate was 95%.

No application has been made of the rules of the corporate governance charter with respect to conflicts of interest between a member of the GMC on the one hand, and the Company or any affiliated company of the Company on the other hand, with respect to matters falling within the competence of the GMC and on which the GMC must decide.

# Remuneration report

## Directors (including executive directors for their remuneration as director)

### Remuneration policy

It is the responsibility of the Board of Directors of the company to make proposals to the shareholders with regard to the remuneration awarded to the members of the Board of Directors.

The Appointment and Remuneration Committee makes proposals to the Board of Directors concerning:

- the remuneration for participating in the meetings of the Board and the Board Committees;
- the remuneration awarded for assignments related to special mandates.

In order to determine the remuneration of the Directors, a benchmarking exercise of similar Belgian companies is done with the assistance of an external consultant (Towers Watson), and a proposal is made to the Appointment and Remuneration Committee. The CEO, Executive Director, receives the same remuneration as the Non-Executive Directors for his role of Director. Membership of Committees entitles the participants to an attendance fee in line with the benchmark. Finally, the Chairman receives an additional fee for his responsibility as Chairman in line with the benchmark.

In view of the financial situation and the new size of the group, it has been proposed by the Board of March 26, 2014 to the shareholders meeting of June 2014 to reduce the board fees for the years 2014 and 2015. At the level of the Board of Directors, an annual fixed fee of 20,000 EUR for each director is proposed whilst for the Chairman, an annual fixed fee of 50,000 EUR is proposed. The attendance fees for the Appointment and Remuneration Committee, the Strategy Committee as well as for any special committee established by the Board of Directors is included in the annual fixed fee except for the Audit Committee members where the annual fixed fee is increased with 5,000 EUR (25,000 EUR). As from 2016, a benchmarking of the remuneration of the Directors will take place from time to time to reflect changes in market practices and changes in the scope of activities of the group.

### Procedures applied during 2013 in respect of remuneration

No specific procedure has been applied in 2013 to develop a remuneration policy for the directors. As mentioned above, a reduction of board fees is proposed for 2014 and 2015, after which the existing procedures (regular benchmarking) will again be applied.

### Remuneration received

The Directors receive a fixed remuneration and reimbursement of travel expenses per meeting. The total annual fixed remuneration amounted to 53,679 EUR per mandate and is paid in the next year. In addition, attendance fees were in the amount of 1,860 EUR per meeting of the Appointment and Remuneration Committee and Strategy Committee, and also for the Committee of Independent Directors set up in accordance with art. 524 of the Companies Code. The attendance fee for each meeting of the Audit Committee stood at 3,000 EUR per Director and at 4,500 EUR for the Director chairing the Audit Committee. Attendance fees for the committees are paid in the year in which the meetings are held; expense reimbursements are paid in the year in which the expenses are incurred.

The Chairman received a fixed remuneration of 140,000 EUR, and the use of a company car and of a cell phone.

A new remuneration proposal for non-executive directors will be submitted for approval at the General Assembly of June 3, 2014.

The Non-Executive Directors are not entitled to any kind of variable remuneration.

<b>Member</b>	<b>2013</b>	<b>Earned fees (in EUR)</b>
Gérard Marchand (Chairman) (non-executive director)	Fixed annual fee (1)	140,000.00
Frank Coenen (executive director)	Fixed annual fee	53,679.00
Véronique Bolland (independent non-executive director)	Fixed annual fee Travel fee Audit Ctee. - attendance fee	26,839.50 1,984.00 3,000.00
Philippe Coens (independent non-executive director)	Fixed annual fee Travel fee Appoint. & rem. Ctee. - attendance fee	53,679.00 3,968.00 7,440.00
Valère Croes (non-executive director) Chairman audit committee	Fixed annual fee Travel fee Audit Ctee - attendance fee Appoint. & rem. Ctee. - attendance fee	26,839.50 1,488.00 9,000.00 1,860.00
Dominique Damon-Zakovitch (independent non-executive director)	Fixed annual fee Travel fee Strategy Ctee - attendance fee	53,679.00 3,968.00 3,720.00
Guy de Gaulmyn (non-executive director)	Fixed annual fee Travel fee	22,397.25 992.00
Antoine Gendry (non-executive director)	Fixed annual fee Travel fee Appoint. & rem. Ctee. - attendance fee Strategy Ctee - attendance fee	53,679.00 3,968.00 5,580.00 3,720.00
Stefaan Haspeslagh	Fixed annual fee Travel fee	8,977.50 992.00
Baudouin Michiels (independent non-executive director)	Fixed annual fee Travel fee Audit Ctee - attendance fee Strategy Ctee - attendance fee	53,679.00 3,968.00 18,000.00 3,720.00
Michel Nicolas (non-executive director)	Fixed annual fee Travel fee Audit Ctee - attendance fee	44,794.50 2,976.00 12,000.00
Thierry Piessevaux (non-executive director)	Fixed annual fee Travel fee Audit Ctee - attendance fee Appoint. & rem. Ctee. - attendance fee	53,679.00 3,968.00 15,000.00 7,440.00

Alain Siaens (independent non-executive director)	Fixed annual fee	53,679.00
	Travel fee	3,472.00
	Audit Ctee - attendance fee	12,000.00
	Appoint. & rem. Ctee. - attendance fee	5,580.00
Didier Trutt	Fixed annual fee	22,211.25
	Travel fee	496.00
Luc Tack	Fixed annual fee	8,977.50
	Travel fee	992.00
	Appoint. & rem. Ctee. - attendance fee	1,860.00
Karel Vinck (independent non-executive director)	Fixed annual fee	53,679.00
	Travel fee	3,472.00
	Strategy Ctee - attendance fee	3,720.00
	Appoint. & rem. Ctee. - attendance fee	5,580.00

(1) excluding company car

# Group Management Committee (GMC)

## Remuneration policy

This section describes the guiding principles of the Group Reward policies relating to executive compensation. It aims to provide an overview of the executive compensation structure. The Appointment and Remuneration Committee defines the remuneration policy principles of the GMC members and submits them to the Board of Directors. The principle is to target a remuneration in line with market practice so as to provide an attractive short and long-term reward program.

Tessenderlo Group's competitive landscape is changing fast. In order for the group to achieve its ambitions in such a challenging environment, it needs to be a high performance organization focused on strategy execution, resulting in a need for talented executives. The reward is designed to align performance of the individual members with the short and long-term business goals of Tessenderlo Group and the business units. By doing this, the group creates a globally consistent framework for developing, rewarding and empowering its people. The reward allows the group to attract, retain and motivate the best talent, while operating a globally consistent reward framework that rewards the achievement of business objectives and that encourages the delivery of shareholder value.

The Group Reward principles are:

Focus on business strategy execution and linkage with the corporate attitudes
Creation of a pay for performance culture
Internal fairness and external competitiveness in order to enable the group to attract, retain & motivate talent
Overall business affordability

Each year, the Appointment and Remuneration Committee considers the appropriate compensation to be offered for the GMC. These recommendations result from objective third party market studies, to ensure the competitiveness of the compensation packages and to stay in line with market movements.

Tessenderlo Group benchmarks the GMC's total cash compensation against a defined peer group of Belgian companies of similar size within the span of activities of Tessenderlo Group. Non-Belgian GMC members are benchmarked with reference to their local market. The actual compensation level for each individual member is set according to the benchmark and taking into account the member's performance and experience in relation to the benchmark.

Compensation of GMC members is reviewed on an annual basis by the Appointment and Remuneration Committee on the recommendation of the CEO, while compensation of the CEO is reviewed on the recommendation of the Chairman of the Board of Directors.

## Compensation package

The GMC compensation package consists of the following items:

Base salary
Variable salary (including short and long-term incentive plans)
Other compensation items

Details on the contents of each of these items are provided hereafter. In the following paragraphs, it should be clear that Luc Tack, in his capacity of co-CEO has not received any income (short term or long term) from Tessenderlo during 2013, nor did he participate in any of the existing benefit plans.

## Base salary

The base salary compensates individual members as per market reference towards a peer group and in line with their level of competence/experience and position within the group.

## Variable compensation

The variable compensation is spread in time according to article 520ter of the Company code. The incentive plans do not explicitly provide any "claw-back" provisions entitling the company to reclaim the compensation paid on the basis of incorrect financial data.

### I. Short-term variable compensation

Tessengerlo Group has developed a short-term variable compensation plan in order to ensure that all GMC members are compensated according to the overall performance of Tessengerlo Group.

The Board of Directors decided not to allocate a short term incentive for target year 2013 towards the Group Management Committee members, in view of the financial results of the Group.

### II. Long-term variable compensation

Based on the financial results of the Group, the Board of Directors decided not to allocate share options (warrants) for 2013.

In 2012 a long term cash plan was developed next to the share option plan for both GMC members as all other Leadership Team members.

The long term cash plan is a one-time individual selective grant of a deferred cash bonus covering a 4 year period (2012-2015). Pay-out will happen early 2016 based on an employment condition as well as a mix of TG and Business Unit ROCE and REBITDA target achievement.

## Other compensation items

Members of the GMC (including both the previous CEO Frank Coenen, as the new co-CEO Melchior de Vogüé) are (were) eligible to participate in the extra-legal pension plan, a hospitalization plan, a life insurance plan, etc, which are also available to the members of the Leadership Team. Since the GMC has members of different nationalities, plans may vary according to the local legal and competitive environment.

GMC members also benefit from certain other benefits such as a company car and representation allowance.

The co-CEO, Melchior de Vogüé, and GMC members participate in either a "defined benefit" plan or a "defined contribution" plan. The "defined contribution" plan applies to GMC members that have a Belgian employment contract which took effect on or after January 1, 2008. All GMC members that have a Belgian employment contract in effect before December 31, 2007, remain affiliated to the "defined benefit" plan. All these compensation elements are included in the below tables ("Remuneration earned in 2013"). The US GMC member participates in a 401K plan in the United States.

## Changes in reward policy

In view of the change in organization structure at Group level, with the appointment of two co-CEO's (Luc Tack and Melchior de Vogüé), a review of the existing remuneration policy has been put on the agenda.

## Remuneration earned in 2013

### CEO – Frank Coenen (up to 18/12/2013) <sup>7</sup>

Annual gross compensation earned by the CEO in 2013 is detailed below:

Component	Amount (in EUR)
Fixed compensation (excluding Director fees) <sup>1</sup>	558,209
Variable compensation (excluding options) <sup>1</sup>	0
TOTAL (in cash)	558,209
Pension <sup>2</sup>	143,928
Other benefits <sup>3</sup>	124,259

### CEO (Melchior de Vogüé / Luc Tack) – 18/12 until 31/12/2013

Annual gross compensation earned by the CEO in 2013 is detailed below:

Component	Amount (in EUR) Melchior de Vogüé	Amount (in EUR) Luc Tack
Fixed compensation (excluding Director fees) <sup>1</sup>	11,310	0
Variable compensation (excluding options) <sup>1</sup>	0	0
TOTAL (in cash)	11,310	0
Pension <sup>2</sup>	1,380	0
Other benefits <sup>3</sup>	1,080	0

### GMC (excluding CEO) gross compensation earned in 2013 <sup>6</sup>

Component	Amount (in EUR)
Fixed compensation <sup>1/4</sup>	1,990,565
Variable compensation (excluding Tessenderlo options) <sup>1/4</sup>	119,003 <sup>5</sup>
TOTAL	2,109,569
Pension <sup>2</sup>	277,517
Other benefits <sup>3</sup>	276,531

## Stock options (warrants) granted to GMC members

During 2013, no stock options have been awarded to GMC members. The following table shows the respective number of options that were lost during 2013 (as the term for exercise elapsed) and the number of shares exercised during 2013:

Name	2013 grant	Options time period elapsed in 2013	Options exercised in 2013
Frank Coenen	0	7,000	0
Pol Deturck	0	2,500	0
Jan Vandendriessche	0	7,000	0
Albert Vasseur	0	7,000	0
Jordan Burns	0	2,500	0
Melchior de Vogüé	0	0	0
Jettie Van Caenegem	0	0	0
Rudi Nerinckx	0	0	0

- (1) Excluding social security contributions
- (2) Defined Benefit Plan : annual service cost for 2013, as calculated by an actuary
- (3) Other benefits include coverage for death, disability, work accident insurance, taxes (4,40%) on an additional contribution pension plan, meal vouchers, company car - all under the same conditions applicable to other Leadership Team members and the ruling approved by the Belgian Tax authorities for representation allowance.
- (4) Exchange rate used : 1USD = 0.7251 EUR (for all conversions related to the US package for Jordan Burns)
- (5) No variable part is paid for 2013, unless for Albert Vasseur who was eligible for a payment upon his retirement.
- (6) Albert Vasseur has left GMC on 30/09/2013, J. Van Caenegem has left on 30/12/2013 and R. Nerinckx has left on 16 January 2014. Melchior de Vogüé is included until 18/12/2013.
- (7) F. Coenen has left on 18/12/2013.

### Agreements on severance pay

The employment contracts of the European members of the GMC contain provisions recognizing part of the seniority build up with previous employers for purposes of calculating any termination indemnity.

The US employment contract of Mr Burns contains a termination indemnity equal to 1 ½ years salary, in line with usual practice for this level of function.

In 2013, in total 3 members of the GMC left the company. The departure packages are in line with the applicable employment law and their employment contracts.

Albert Vasseur retired at September 30, 2013. His contractual arrangement from 2002 contained a provision providing him a departure premium equal to 317.215 EUR. \*

Frank Coenen, CEO, left the company at 18 December 2013. The total departure indemnity for Frank Coenen equaled 1.265.234 EUR. \*

Jettie Van Caenegem, legal counsel, left the company at 30 December 2013. The total departure indemnity for Jettie Van Caenegem equaled 361.078 EUR. \*

\*Excluding employer social security contributions



# Main features of the company's Internal Control and Risk Management Framework.

## Internal control framework

### Responsibilities

The Board of Directors delegated the task to monitor the effectiveness of the Internal Control System to the Audit Committee.

The ultimate responsibility for the implementation of the Internal Control System is delegated to the GMC.

The daily management of each Business Unit is accountable for the implementation and maintenance of a reliable Internal Control System.

The Internal Control department assists the Business Units and the TG Headquarter functions in the implementation and assessment of the effectiveness of the Internal Control System in their organization.

The levels of internal control are tailored to the residual risk that is acceptable to the management. The ultimate objective is to reduce possible misstatements of the financial statements as published by the group.

### Scope of the Internal Control Framework

The Internal Control System is based on the COSO Internal Control – Integrated Framework with the main focus on the internal control over the financial reporting by mitigating risks through group level controls, entity level controls, process level controls, general IT controls and segregation of duties.

### Internal control activities in 2013

The Internal Control department continued reviews of certain processes on both entity and group level.

The segregation of duties reviews continued also and followed the recently completed conversion of IT systems. Other activities included the evaluation of a new procurement system and the internal control considerations on proposed new management systems.

### Preparation and processing of financial and accounting information

There is a centralized controlling and reporting department that coordinates and controls the financial and accounting information.

Each business unit has a controlling department responsible for monitoring the performance of the operational units.

The financial and accounting information system is based on a consolidation software that allows the group to produce the required information.

### Compliance

The Internal Audit department is responsible for the compliance testing of both the Internal Control Framework and the key control procedures on the preparation and processing of financial and accounting information.

## Enterprise Risk Management (ERM) System

Risks are an important and inherent aspect of conducting business. The group has developed a number of policies and procedures with the aim to manage and reduce risks to an acceptable level.

The Enterprise Risk Management policy applies to the entire group and all of its affiliates worldwide. This policy describes the organization and goals of the ERM system including the responsibilities at all levels of management.

A risk management structure has been rolled out, both on group and on business unit level in order for risk management to become an inherent part of daily operations.

Identified risks in various business units or general supporting services are evaluated and followed in order to implement risk optimization. The status of these efforts is reported to the GMC and to the Audit Committee at regular intervals.

The “Group Crisis Management policy” that was implemented has the aim to standardize crisis management across the group and all affiliates. The Risk Management department is the owner of this policy and responsible for the coordination at group level and providing assistance and guidance to the various entities in the development of a crisis plan, clarifying the responsibilities at all levels and establishing the reporting channels.

## Policy on inside information and market manipulation

Chapter 7 of the Charter sets out the corporate policy with regard to inside information and market manipulation.

The Compliance Officer is responsible for supervising compliance with the policy that the company has laid down with regard to inside information and market manipulation. He/she is also the point of contact for questions about the application of the policy.

Mr John Van Essche, legal counsel, holds the title of Compliance Officer.

## External Audit

PriceWaterhouseCoopers Bedrijfsrevisoren bcvba (PwC), represented by Peter Van den Eynde BVBA, represented by its permanent representative Peter Van den Eynde, was appointed as the statutory auditor of Tessenderlo Chemie NV by the shareholders meeting of June 4, 2013, following an audit tender.

The fees paid by Tessenderlo Group to its auditors in 2013 amounted to:

(Million EUR)	2013			
	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	0.0	0.1	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
<b>Total</b>	<b>0.8</b>	<b>0.0</b>	<b>0.1</b>	<b>0.9</b>

## Subsequent Events

In January 2014, the group announced the intention to reorganize the gelatin activity worldwide (within the operating segment “Gelatins and Akiolis”), resulting in a reduction of the headcount with 78 people over different sites. Increased competition putting pressure on volumes and margins required additional cost savings by aligning the organizational structures and further optimizing processes.

On February 28, 2014, the group completed the sale of the Aliphos phosphates activity (operating segment “Inorganics”). The transaction resulted in the sale of 100% of the shares of the following companies: Tessenderlo Chemie Rotterdam BV (the Netherlands), Tessenderlo Polska Sp.z.o.o. (Poland), Tessenderlo Chemie España TCE sa (Spain) and HGS Handelsgesellschaft für Spezialfuttermittel GmbH (Germany). In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the assets and liabilities of this disposal group were presented as assets classified as held for sale and liabilities associated with assets held for sale as per December 31, 2013.

## Application of art. 523 of the companies code

### The remuneration of the CEO for his performance 2012

Excerpt from the minutes of the Board of Directors held on March 26, 2013.

Prior to deliberating and adopting the resolution on the bonus and merit of the CEO, Mr Frank Coenen informs the Board that he has a (potential) financial conflict of interest regarding the decision in the meaning of article 523 of the Belgian Code of Companies since it concerns the determination of the variable remuneration for 2012 and a possible change in its future fixed remuneration.

The CEO declares that he will inform the company's auditor of this conflict of interest and he, together with the group CFO and CLO, leaves the meeting for this specific agenda item.

After hearing the proposal and recommendation of the proposal of the Appointment and Remuneration Committee, the Board unanimously decides:

- a) to grant a short incentive cash bonus for the CEO for 2012 equal to 245,562 EUR.
- b) to increase the base salary with 5% or to increase it from 547,043 EUR to 574,395 EUR for the year 2013. The base salary will be subject to applicable legal adjustments.
- c) to allocate a Long Term Incentive bonus equal to 200,000 EUR to be paid out in 2016 covering a four year period 2012-2016 and dependent on the realisation of the performance criteria.

The Board agrees that the fixed and variable part of the salary are in conformity with the market and that these decisions are taken in the interest of the company. The cost of the remuneration will be reflected in the accounts of the company. The minutes of this decision will be published in the annual report.

[...]

For more details on the remuneration of the CEO, please refer to the remuneration report.

### Approval of Warrant plan 2013 (conflict of interest of the CEO Frank Coenen: art. 523 BCC)

Excerpt from the minutes of the Board of March 26 2013

"The chairman asks Mr. Vinck to present the report of the Appointment and Remuneration Committee on the approval of the 2013 warrant plan. The discussions held during that committee are summarized by Mr. Karel Vinck and a report of the committee will be shared between the Board members once approved.

Frank Coenen indicates to the other directors that he has a conflict of interest (within the meaning of art. 523 BCC) with respect to the following approval of the 2013 warrant plan. The conflict of interest consists in the following: Mr. Coenen as a member of the Group Management Committee is beneficiary of such plan. The statutory auditor will be informed of this conflicting interest. In accordance with article 523 BCC, the aforementioned director does not participate in the deliberation of the Board of Directors with respect to the approval of the 2013 warrant plan nor in the voting in this respect.

The Board of Directors describes the nature of the operation as follows:

- For the year 2013 a warrant plan and a relating US sub plan will be adopted for the Group Management Committee and Leadership Team.
- This new plan is a one year plan.
- The duration of the exercise period of the plan: 7 years (with a blocking period of 3 years).
- The number of warrants created for the eligible population being the GMC/ Group Management Council and some high performers /high potentials, would be maximum 350.000 warrants.
- The allotment will be done in the framework of the authorized capital.
- The Board of Directors will determine the number of warrants to be allocated in the framework of the authorized capital taking into account criteria of performance of Tessengerlo Group.

The Board of Directors decides to approve the principles of the 2013 warrant plan with unanimous consent. The plan is justified by the fact that it enables the company to maintain the loyalty and motivation of the Group Management Committee and Leadership Team. The patrimonial consequences for the company are as follows:

the costs of the plan will be borne by the company. The minutes of this decision will be published in their entirety in the annual report.”

In view of the fact that the performance criteria have not been met, the plan has not been executed during the year 2013

## Information required by art. 34 of the Royal Decree of November 14, 2007.

Art. 34 of the Royal Decree of November 14, 2007 requires Tessenderlo Chemie NV to disclose in the management report a list of, and explanations with respect to, certain items listed in said Royal Decree, to the extent these items have consequences in the event of a public takeover bid. Said information is disclosed hereunder.

In accordance with the applicable provision of the Companies Code, the shares issued for the benefit of the personnel of Tessenderlo Group cannot be transferred during a period of five years as from the date of subscription of the shares.

The Board of Directors can acquire, for a duration which may not exceed three years as from the publication in the Belgian Official Gazette of the resolution of the General Assembly of May 11, 2011, shares, profit-sharing certificates, or certificates relating thereto, of Tessenderlo Chemie NV, without the prior decision of the General Assembly, by acquisition or exchange, directly or indirectly, when this acquisition is necessary in order to protect the company against imminent and serious damage. The Board of Directors has also been authorized to proceed to capital increases in the context of the authorized capital within the framework of an optional dividend; as such capital increases do not occur with limitation or annulment of the right of preference of the shareholders, such capital increase could - theoretically - be done during a public takeover bid and have an impact thereon.

Tessenderlo Chemie NV is a party to the following contracts which enter into force, undergo changes or terminate in case of a change of control over Tessenderlo Chemie NV after a public takeover bid:

- the Facilities Agreement executed on February 26, 2010 (as amended on December 20, 2010 and amended and restated on April 28, 2011) for a maximum amount of 450 million EUR between, amongst others, Tessenderlo Chemie NV as company, guarantor and borrower, Tessenderlo NL Holding BV as guarantor and borrower, certain subsidiaries of Tessenderlo Chemie NV as guarantors, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank SA, Fortis Bank NV/SA, ING Bank NV and KBC Bank NV as mandated lead arrangers, ING Bank NV as facility agent and swingline agent and KBC Bank NV as issuing bank (the “Facilities Agreement”): according to the terms of this agreement, a change of “control” over Tessenderlo Chemie NV can lead to partial or full cancellation of the facilities and hence, the obligation for Tessenderlo Chemie NV to repay part or all monies lent under the facility agreement and to provide full cash cover for part or all letters of credit which are at that time outstanding under the Facilities Agreement; for purposes of the Facilities Agreement, “control” of Tessenderlo Chemie NV means either the direct or indirect ownership of more than 50 percent of the voting rights in the company. The change of control clause described above has been approved by the General Assembly of shareholders of Tessenderlo Chemie NV on June 1, 2010 and again on June 7, 2011 (due to the amendment and restatement of the Facilities Agreement) and a copy of these resolutions have been filed at the registry of the Court of Commerce promptly thereafter;
- the prospectus dated October 25, 2010 of Tessenderlo Chemie NV regarding the issue of senior unsecured bonds, due October 27, 2015, for an amount of 150 million EUR: according to the terms and conditions of these bonds, a “change of control” over Tessenderlo Chemie NV will entitle each bondholder to require Tessenderlo Chemie NV to redeem their bonds by submitting a change of control put exercise notice. If as a result thereof, bondholders submit change of control put exercise notices in respect of at least 85 percent of the aggregate principal amount of the bonds for the time being outstanding, Tessenderlo Chemie NV may redeem all of the bonds then outstanding. For purposes of the change of control clause described above, a “change of control” shall occur if an offer is made by any person to all such shareholders of Tessenderlo Chemie NV other than the offerer and/or any parties acting in concert, to acquire all or a majority of the issued ordinary share capital of Tessenderlo Chemie NV and the offerer has acquired or, following the publication of the results of such offer by the offerer, is entitled to acquire as a result of such offer, post completion thereof, ordinary shares or voting rights of Tessenderlo Chemie NV so that it has either the direct or indirect ownership of more than 50 percent of the voting rights in Tessenderlo Chemie NV. The change of control clause described above has been approved by the General Assembly of shareholders of Tessenderlo Chemie NV on June 7, 2011 and a copy of this resolution has been filed at the registry of the court of commerce promptly thereafter;

- terms and conditions of the bond loan with warrants issued under the Plan 2002-2006, and terms and conditions of the warrants issued under the Plan 2007-2011, under the Plan 2011 and under Plan 2012 of Tessenderlo Chemie NV: according to the terms and conditions mentioned above, the warrant holders will be entitled to exercise their warrants prior to the date on which they normally become exercisable, in the event of any operation that significantly impacts the shareholder structure. This paragraph also relates to any public takeover bid on the Tessenderlo Chemie NV shares or any other form of taking control or any merger involving a redistribution of the securities. Such early exercise allows the warrant holders to take part in the above mentioned operations at the same conditions as existing shareholders. Per December 31, 2013, 1,156,516 warrants were outstanding. The clauses described above have been approved by the General Assembly of shareholders of Tessenderlo Chemie NV and a copy of the resolutions has been filed at the registry of the court of commerce promptly thereafter.

## Dividend Policy

In view of the financial results of the Company and taking account the financial situation of the Group, the Board of Directors proposes to the Shareholder's meeting not to attribute any dividends over the year 2013. The future dividend policy will be determined in view of the financial position of the group.

## Information required by art. 96, §2, 2° Companies Code

The composition of the Board of Directors fulfils the objective of assembling complementary skills in terms of competencies, experience and business knowledge. However, in light of the mandates currently in effect, the composition does not fully comply with the provision of the code with respect to gender diversity (deviation from 2.1 Corporate Governance Code). At the shareholders meeting of June 7, 2011, a step has been taken towards gender diversity by the appointment as independent Director of Ms Dominique Damon. The above efforts have been continued and at the shareholder's meeting of June 4, 2013, Ms Bolland has been appointed independent director.

The current Chairman of the Board of Directors is the previous CEO of the Company (deviation from 4.7 Corporate Governance Code). In view of the strategic alignment which was in progress, continuity was deemed the more important factor. Given his previous function as CEO of the company, the Chairman of the Board of Directors still receives certain benefits in kind, i.e. the use of a company car and cell phone (deviation from 7.7 Corporate Governance Code).

Currently, no formal evaluation procedure exists with respect to individual Directors (deviation from 4.13 Corporate Governance Code). The company is of the opinion that the individual evaluation of the Directors is only feasible up to the extent that the evaluation process is entrusted to an external company, an option which is not retained by the company. However, the company is convinced that the formal evaluation of the Board of Directors, for which the company uses a standard questionnaire as developed by Guberna (Belgian Institute of Directors) as described under section Activities of Board of Directors is sufficient in order to ensure the active and proper contribution of each member of the Board.



# TESSENDERLO GROUP

FINANCIAL REPORT  
2013



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# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

(Million EUR)	note	For the year ended December 31	
		2013	2012 <sup>1</sup>
Revenue		1,790.1	2,129.6
Cost of sales		-1,430.8	-1,710.1
<b>Gross profit</b>		<b>359.3</b>	<b>419.5</b>
Distribution expenses		-91.4	-101.0
Sales and marketing expenses		-69.0	-71.6
Administrative expenses		-134.0	-157.2
Other operating income and expenses	5	-19.1	-14.9
<b>Profit (+) / loss (-) from operations before non-recurring items (REBIT)</b>		<b>45.8</b>	<b>74.8</b>
Gains and losses on disposals	6	4.9	15.4
Restructuring	6	-37.6	-14.8
Losses on disposal groups classified as held for sale	6	-15.8	-115.7
Impairment losses	6	-5.6	-20.6
Provisions and claims	6	5.7	-88.0
Other income and expenses	6	-16.1	-14.4
<b>Profit (+) / loss (-) from operations (EBIT)</b>		<b>-18.7</b>	<b>-163.3</b>
Finance costs		-62.9	-49.5
Finance income		35.7	25.0
<b>Finance costs - net</b>	9	<b>-27.3</b>	<b>-24.5</b>
Share of result of equity accounted investees, net of income tax		4.2	7.3
<b>Profit (+) / loss (-) before tax</b>		<b>-41.7</b>	<b>-180.5</b>
Income tax expense	10	-23.4	-17.9
<b>Profit (+) / loss (-) for the period</b>		<b>-65.1</b>	<b>-198.4</b>
Attributable to:			
- Equity holders of the company		-64.0	-198.7
- Non-controlling interest		-1.1	0.4
Basic earnings per share (EUR)	22	-2.02	-6.28
Diluted earnings per share (EUR)	22	-2.02	-6.28

<sup>1</sup> 2012 as reported, adjusted to reflect the effects of retrospective application on the revised IAS 19 *Employee Benefits* (see also note 24 – Employee benefits).

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Million EUR)	note	For the year ended December 31	
		2013	2012 <sup>1</sup>
<b>Profit (+) / loss (-) for the period</b>		<b>-65.1</b>	<b>-198.4</b>
Translation differences		-15.8	-2.9
Net change in fair value of derivative financial instruments, before tax	27	0.7	-6.0
Other movements		-0.1	0.2
Income tax on other comprehensive income		-0.2	2.1
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>-15.4</b>	<b>-6.7</b>
Remeasurements of the net defined benefit liability, before tax		-0.3	-33.3
Change in consolidation scope, before tax		-	7.7
Income tax on other comprehensive income		0.8	3.3
<b>Other comprehensive income not being classified to profit or loss in subsequent periods</b>		<b>0.5</b>	<b>-22.4</b>
<b>Other comprehensive income for the period, net of income tax</b>		<b>-15.0</b>	<b>-29.0</b>
<b>Total comprehensive income for the period</b>		<b>-80.0</b>	<b>-227.4</b>
Attributable to:			
- Equity holders of the company		-78.8	-227.9
- Non-controlling interest		-1.3	0.5

<sup>1</sup> 2012 as reported, adjusted to reflect the effects of the retrospective application on the revised IAS 19 *Employee Benefits* (see also note 24 – Employee benefits).

The accompanying notes are an integral part of these consolidated financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Million EUR)	note	As at December 31		As at January 01
		2013	2012 <sup>1</sup>	2012 <sup>1</sup>
<b>Assets</b>				
<b>Total non-current assets</b>		<b>595.0</b>	<b>621.9</b>	<b>679.7</b>
Property, plant and equipment	11	436.7	471.8	518.8
Goodwill	12	37.1	37.2	55.0
Other intangible assets	13	49.9	60.0	58.1
Investments accounted for using the equity method	14	24.0	21.4	20.8
Other investments	15	4.3	4.8	5.7
Deferred tax assets	16	5.1	5.8	7.1
Trade and other receivables	17	34.2	20.8	14.2
Derivative financial instruments	27	3.7	-	-
<b>Total current assets</b>		<b>486.2</b>	<b>576.7</b>	<b>676.6</b>
Inventories	18	255.7	303.3	350.8
Trade and other receivables	17	177.0	237.9	290.9
Derivative financial instruments	27	4.6	0.9	-
Cash and cash equivalents	19/23	48.9	34.7	34.9
<b>Non-current assets classified as held for sale</b>	20	<b>8.8</b>	<b>64.4</b>	<b>7.8</b>
<b>Total assets</b>		<b>1,089.9</b>	<b>1,263.0</b>	<b>1,364.1</b>

(Million EUR)	note	As at December 31		As at January 01
		2013	2012 <sup>1</sup>	2012 <sup>1</sup>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
<b>Equity attributable to equity holders of the company</b>		<b>236.6</b>	<b>335.5</b>	<b>584.6</b>
Issued capital		159.2	153.7	147.9
Share premium		102.0	88.0	73.5
Reserves and retained earnings		-24.6	93.2	366.7
Amounts recognized in other comprehensive income and accumulated in equity relating to non-current assets held for sale		0.0	0.6	-3.6
<b>Non-controlling interest</b>		<b>3.3</b>	<b>4.5</b>	<b>4.3</b>
<b>Total equity</b>		<b>239.9</b>	<b>340.1</b>	<b>588.8</b>
<b>Liabilities</b>				
<b>Total non-current liabilities</b>		<b>432.4</b>	<b>492.7</b>	<b>309.1</b>
Loans and borrowings	23	199.8	275.5	180.5
Employee benefits	24	41.6	50.5	32.7
Provisions	25	147.1	129.7	56.1
Trade and other payables	26	0.5	1.8	2.4
Derivative financial instruments	27	10.9	6.5	8.8
Deferred tax liabilities	16	32.4	28.6	28.6
<b>Total current liabilities</b>		<b>409.4</b>	<b>389.5</b>	<b>466.1</b>
Bank overdrafts	19/23	4.1	5.2	0.7
Loans and borrowings	23	103.8	68.0	73.2
Trade and other payables	26	257.3	290.6	379.3
Derivative financial instruments	27	7.6	-	1.6
Current tax liabilities		8.9	2.7	3.0
Employee benefits	24	1.4	-	-
Provisions	25	26.2	23.1	8.4
<b>Liabilities associated with assets classified as held for sale</b>	20	<b>8.3</b>	<b>40.6</b>	<b>-</b>
<b>Total liabilities</b>		<b>850.0</b>	<b>922.9</b>	<b>775.2</b>
<b>Total equity and liabilities</b>		<b>1,089.9</b>	<b>1,263.0</b>	<b>1,364.1</b>

<sup>1</sup> 2012 as reported, adjusted to reflect the effects of the retrospective application on the revised IAS 19 *Employee Benefits* (see also note 24 – Employee benefits).

The accompanying notes are an integral part of these consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Million EUR)	note	Issued capital	Share premium	Legal reserves	Translation reserves	Revaluation reserves	Hedging reserves	Treasury shares	Remeasurements of the net defined benefit liability	Amounts recognized in other comprehensive income and accumulated in equity relating to non-current assets held for sale	Retained earnings	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
<b>Balance at January 1, 2012</b>		<b>147.9</b>	<b>73.5</b>	<b>14.4</b>	<b>-23.4</b>	<b>10.7</b>	<b>-2.8</b>	<b>0.0</b>	<b>0.0</b>	<b>-3.6</b>	<b>383.5</b>	<b>600.3</b>	<b>4.3</b>	<b>604.6</b>
Retrospective application of revised IAS 19		-	-	-	-	-	-	-	-15.7	-	-	-15.7	-	-15.7
<b>Balance at January 1, 2012 (restated)</b>		<b>147.9</b>	<b>73.5</b>	<b>14.4</b>	<b>-23.4</b>	<b>10.7</b>	<b>-2.8</b>	<b>0.0</b>	<b>-15.7</b>	<b>-3.6</b>	<b>383.5</b>	<b>584.6</b>	<b>4.3</b>	<b>588.8</b>
Profit (+) / loss (-) for the period		-	-	-	-	-	-	-	-	-	-198.7	-198.7	0.4	-198.4
Other comprehensive income for the period														
- Translation differences		-	-	-	-2.9	-	-	-	-	-	-	-2.9	0.0	-2.9
- Remeasurements of the net defined benefit liability, net of tax		-	-	-	-	-	-	-	-27.5	-	-	-27.5	-	-27.5
- Net change in fair value of derivative financial instruments, net of tax		-	-	-	-	-	-2.5	-	-	-1.5	-	-4.0	-	-4.0
- Change in consolidation scope		-	-	-	-	-	-	-	-	5.1	-	5.1	-	5.1
- Other movements		-	-	-	-	-	-	-	-	-	-	0.0	0.2	0.2
<b>Comprehensive income for the period, net of income taxes</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.9</b>	<b>0.0</b>	<b>-2.5</b>	<b>0.0</b>	<b>-27.5</b>	<b>3.6</b>	<b>-198.7</b>	<b>-227.9</b>	<b>0.5</b>	<b>-227.4</b>
Transactions with owners, recorded directly in equity														
- Shares issued	21	0.3	0.5	-	-	-	-	-	-	-	-	0.8	0.4	1.1
- Shares issued (stock dividend)	21	5.5	14.0	-	-	-	-	-	-	-	-	19.5	-	19.5
- Dividends paid to shareholders	21	-	-	-	-	-	-	-	-	-	-39.4	-39.4	-0.6	-40.0
- Warrants and capital increase		-	-	-	-	-	-	-	-	-	-	0.0	-	0.0
- Treasury shares		-	-	-	-	-	-0.6	-	-	-	-	-0.6	-	-0.6
<b>Total contributions by and distributions to owners</b>		<b>5.8</b>	<b>14.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.6</b>	<b>0.0</b>	<b>0.0</b>	<b>-39.4</b>	<b>-19.7</b>	<b>-0.3</b>	<b>-19.9</b>
<b>Other movements</b>		<b>-</b>	<b>-</b>	<b>0.4</b>	<b>-0.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>-0.4</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>
<b>Acquisition of non-controlling interests without a change in control</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1.4</b>	<b>-1.4</b>	<b>-</b>	<b>-1.4</b>
<b>Balance at December 31, 2012</b>		<b>153.7</b>	<b>88.0</b>	<b>14.8</b>	<b>-26.9</b>	<b>10.7</b>	<b>-5.3</b>	<b>-0.6</b>	<b>-43.2</b>	<b>0.6</b>	<b>143.6</b>	<b>335.5</b>	<b>4.5</b>	<b>340.1</b>

The accompanying notes are an integral part of these consolidated financial statements

(Million EUR)

note	Issued capital	Share premium	Legal reserves	Translation reserves	Revaluation reserves	Hedging reserves	Treasury shares	Remeasurements of the net defined benefit liability	Amounts recognized in other comprehensive income and accumulated in equity relating to non-current assets held for sale	Retained earnings	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
<b>Balance at January 1, 2013</b>	<b>153.7</b>	<b>88.0</b>	<b>14.8</b>	<b>-26.9</b>	<b>10.7</b>	<b>-5.3</b>	<b>-0.6</b>	<b>-43.2</b>	<b>0.6</b>	<b>143.6</b>	<b>335.5</b>	<b>4.5</b>	<b>340.1</b>
Profit (+) / loss (-) for the period	-	-	-	-	-	-	-	-	-	-64.0	-64.0	-1.1	-65.1
Other comprehensive income for the period													
- Translation differences	-	-	-	-15.1	-	-	-	-	-0.6	-	-15.7	0.0	-15.8
- Remeasurements of the net defined benefit liability, net of tax	-	-	-	-	-	-	-	0.5	-	-	0.5	-	0.5
- Net change in fair value of derivative financial instruments, net of tax	-	-	-	-	-	0.5	-	-	-	-	0.5	-	0.5
- Change in consolidation scope	-	-	-	-	-	-	-	0.0	-	-	0.0	-	0.0
- Other movements <sup>1</sup>	-	-	-	-	-	-	-	19.8	-	-19.8	0.0	-0.1	-0.1
<b>Comprehensive income for the period, net of income taxes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-15.1</b>	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>20.3</b>	<b>-0.6</b>	<b>-83.8</b>	<b>-78.8</b>	<b>-1.3</b>	<b>-80.0</b>
Transactions with owners, recorded directly in equity													
- Shares issued	21	0.3	0.4	-	-	-	-	-	-	-	0.7	-	0.7
- Shares issued (stock dividend)	21	5.2	13.5	-	-	-	-	-	-	-	18.7	-	18.7
- Dividends paid to shareholders	21	-	-	-	-	-	-	-	-	-40.9	-40.9	-	-40.9
- Warrants and capital increase	-	-	-	-	-	-	-	-	-	0.8	0.8	-	0.8
- Treasury shares	-	-	-	-	-	-	0.5	-	-	-	0.5	-	0.5
<b>Total contributions by and distributions to owners</b>	<b>5.5</b>	<b>13.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>-40.1</b>	<b>-20.2</b>	<b>0.0</b>	<b>-20.2</b>
<b>Other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>0.2</b>	<b>-</b>	<b>0.0</b>	<b>-0.2</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>
<b>Balance at December 31, 2013</b>	<b>159.2</b>	<b>102.0</b>	<b>14.8</b>	<b>-41.9</b>	<b>10.7</b>	<b>-4.8</b>	<b>-</b>	<b>-22.9</b>	<b>0.0</b>	<b>19.5</b>	<b>236.6</b>	<b>3.3</b>	<b>239.9</b>

1. The movement in the remeasurements of the net defined benefit liability (19.8 million EUR) is related to the Dutch pension plans which will be accounted for as defined contribution plans as from January 1st, 2014. The remeasurements previously recognized in other comprehensive income are reclassified within equity.

The accompanying notes are an integral part of these consolidated financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

	note	For the year ended December 31	
		2013	2012 <sup>1</sup>
<b>(Million EUR)</b>			
<b>Operating activities</b>			
Profit (+) / loss (-) for the period		-65.1	-198.4
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets		76.5	104.7
Impairment losses on disposal groups classified as held for sale		13.2	106.6
Changes in provisions		4.5	87.0
Finance costs	9	62.9	48.8
Finance income	9	-35.7	-24.2
Loss / (profit) on sale of non-current assets		-2.7	-7.2
Impact capital increase expense and warrant plan		0.8	0.0
Share of result of equity accounted investees, net of income tax		-4.2	-7.3
Income tax expense	10	23.4	17.9
Other non-cash items		-1.2	-4.1
Changes in inventories		16.1	-13.1
Changes in trade and other receivables		8.2	8.3
Changes in trade and other payables		15.9	-48.3
<b>Cash generated from operations</b>		<b>112.6</b>	<b>70.6</b>
Income tax paid		-8.1	-27.4
Dividends received	31	5.3	7.1
Dividends paid to non-controlling interests		-	-0.6
<b>Cash flow from operating activities</b>		<b>109.8</b>	<b>49.7</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	11	-94.8	-114.2
Acquisition of other intangible assets	13	-4.4	-3.7
Acquisition of investments accounted for using the equity method		-	-0.9
Acquisition of businesses, net of cash acquired		-	-15.6
Acquisition of investments		-0.5	-
Proceeds from sale of property, plant and equipment		8.2	3.1
Proceeds from sale of other intangible assets		0.3	-
Proceeds from sale of subsidiaries, net of cash disposed of		80.7	-1.7
Further settlement of the PVC/Chlor-Alkali sales transaction		-	11.1
Proceeds from sale of investments accounted for using the equity method		-	20.9
<b>Cash flow from investing activities</b>		<b>-10.5</b>	<b>-101.0</b>
<b>Financing activities</b>			
Increase / (decrease) of issued capital and share premium	21	0.7	0.8
Own shares		0.5	-0.6
Increase of financial liabilities		46.5	115.8
(Decrease) of financial liabilities		-84.1	-24.8
Interest paid		-13.6	-14.6
Interest received		0.4	0.3
Other finance costs paid		-8.5	-5.4
(Increase) / decrease of long term receivables		-1.4	-4.8
Dividends paid to shareholders	21	-22.2	-19.8
<b>Cash flow from financing activities</b>		<b>-81.8</b>	<b>46.8</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>17.4</b>	<b>-4.5</b>
Effect of exchange rate differences		-2.1	-0.3
Cash and cash equivalents less bank overdrafts at the beginning of the period	19/23	29.5	34.2
Cash and cash equivalents less bank overdrafts at the end of the period	19/23	44.8	29.5

<sup>1</sup> 2012 as reported, adjusted to reflect the effects of the retrospective application on the revised IAS 19 *Employee Benefits* (see also note 24 – Employee benefits).

The accompanying notes are an integral part of these consolidated financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tessengerlo Chemie NV (hereafter referred to as the "company"), the parent company, is domiciled in Belgium. The consolidated financial statements for the year ended December 31, 2013 comprise the company and its subsidiaries (together referred to as the "group") and the group's interests in associates and jointly controlled entities.

The IFRS financial statements were authorized for issue by the Board of Directors of Tessengerlo Chemie NV on Wednesday March 26, 2014.

## (A) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

## (B) Basis of preparation

The financial statements are presented in euro, which is the company's functional currency, rounded to the nearest million which may not add up due to rounding. They are prepared on the historical cost basis except for derivative financial instruments and investments available-for-sale, which are stated at fair value.

Assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 35 - Critical accounting estimates and judgments.

The consolidated financial statements are presented before the effect of the profit appropriation of the company proposed to the General Assembly of shareholders.

The accounting policies set out below have been applied consistently by the company and all consolidated companies to all periods presented in these consolidated financial statements.

## (C) Principles of consolidation

Companies controlled by the group (i.e. in which the group has, directly, or indirectly, an interest of more than one half of the voting rights or is able to exercise control over the operations, further also "subsidiaries") have been fully consolidated. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If the group no longer has control over a subsidiary all assets and liabilities of the subsidiary, any non-controlling interests and other equity components with regard to the subsidiary are derecognized. The gains or losses arising on the loss of control are recognized in the income statement.



Any remaining interest in the former subsidiary is measured at fair value at the date that control is lost. Subsequently the investment is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Separate disclosure is made of non-controlling interests. Losses realized by subsidiaries with non-controlling interests are proportionally allocated to the non-controlling interests in these subsidiaries, even if this means that the non-controlling interests display a negative balance.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity of owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in the income statement.

Investments in associates and jointly controlled entities (joint ventures) are included in the consolidated financial statements using the equity method. The investments in associates are those in which the group has significant influence over the financial and operating policies, but which it does not control. In general, it is the case when the group holds between 20% and 50% of the voting rights. The equity method is used as from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations in respect of the associate.

All intercompany transactions, balances and unrealized gains and losses on transactions between group companies have been eliminated. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

## (D) Foreign currency

### • Foreign currency transactions

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate. The resulting gains and losses of these transactions are recognized in the income statement of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at foreign exchange rates of the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. For available-for-sale non-monetary assets, foreign exchange gains and losses are not separated from the total fair value changes.

### • Foreign currency translation

Assets and liabilities of foreign entities included in the consolidation are translated to euro at the foreign exchange rates applicable at the balance sheet date. The income statement of foreign entities is translated to euro at the annual average foreign exchange rates (approximating the foreign exchange rates prevailing at the dates of the transactions). The components of equity attributable to equity holders of the company are translated at historical rates.

Exchange differences arising from the translation of the equity attributable to the equity holders of the company to euro at year-end exchange rates are recognized in other comprehensive income and presented within "Translation reserves" in Equity. In case of non-wholly owned subsidiaries, only the relevant proportion of the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserves related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal of the foreign operation.

When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount in the translation reserves is reattributed to non-controlling interests. When the group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

#### • Exchange rates

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

	Closing rate		Average rate	
	2013	2012	2013	2012
<b>1 EUR equals :</b>				
Argentine peso	8.9791	6.4870	7.2794	5.8440
Brazilian real	3.2576	2.7036	2.8687	2.5084
Chinese yuan	8.3491	8.2207	8.1646	8.1052
Czech crown	27.4270	25.1510	25.9797	25.1491
Hungarian forint	296.9100	292.3000	296.8730	289.2494
Polish zloty	4.1543	4.0740	4.1975	4.1847
Pound sterling	0.8337	0.8161	0.8493	0.8109
Swiss franc	1.2276	1.2072	1.2311	1.2053
US dollar	1.3791	1.3194	1.3281	1.2848

## (E) Other intangible assets

#### • Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure resulting from development activities, whereby research findings are applied to a plan or design for production of new or substantially improved products and processes, is capitalized if all of the following conditions are met:

- It is technically feasible to complete the asset so that it will be available for sale or use;
- Management intends to complete the development of the asset;
- It is demonstrated how the asset will generate probable future economic benefits. The market potential or the usefulness of the intangible asset have been clearly demonstrated;
- Adequate technical, financial and other resources to complete the development are available; and
- The expenditures related to the process or product can be clearly identified and reliably measured.

The capitalized expenditure includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development is stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy J).

#### • Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an other intangible asset, requiring a long preparation, are included in the cost of the other intangible asset. All other borrowing costs are expensed as incurred and are recognized as finance costs. Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of the funds.

#### • Emission allowances

The cost of acquiring emission allowances is recognized as other intangible asset, whether they have been purchased or received free of charge (in the latter case the acquisition cost is zero). Emission allowances are not amortized but subject to impairment testing. A provision is set up to cover obligations to refund allowances depending on emissions if, during a given period, the number of allowances required exceeds the total number of allowances acquired. This provision is measured at the estimated amount of the expenditure required to settle the obligation.

The fair value of forward purchase and sale contracts of emission allowance certificates is based on quoted market prices for futures of EU allowances (EUAs) and Certified Emission Reductions (CERs).

#### • Other intangible assets

Other intangible assets, acquired by the group, are stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy J).

#### • Subsequent expenditure

Subsequent expenditure on capitalized other intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### • Amortization

Other intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of the respective asset categories are as follows:

Development	5 years
Software	3 to 5 years
Customer list	3 to 10 years
Concessions, licenses, patents and other	10 to 20 years

Useful lives and residual values, if not insignificant, are reassessed annually and adjusted if appropriate.

The other intangible assets with indefinite life relate to trademarks which are considered to have an indefinite life unless plans would exist to discontinue the related activity. There are no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of the trademarks. Other intangible assets with an indefinite useful life are not amortized but are tested for impairment on an annual basis.

## (F) Goodwill

#### • Business combination

All business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the income statement after reassessment of the fair values.

Goodwill is expressed in the currency of the subsidiary, jointly controlled entity or associate to which it relates.

Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the income statement.

• Subsequent measurement of goodwill

Goodwill is measured at cost less accumulated impairment losses. In respect of investments accounted for using the equity method, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is tested at least annually for impairment and whenever there is an indicator that the cash generating unit to which the goodwill has been allocated may be impaired (see accounting policy J).

(G) Property, plant and equipment

• Owned assets

Items of property, plant and equipment (further also "PPE") are stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (e.g. non refundable tax, transport and the costs of dismantling and removing the items and restoring the site on which they are located, if applicable). The cost of a self-constructed asset is determined using the same principles as for an acquired asset and includes the cost of materials, direct labor and an appropriate proportion of indirect costs. Borrowing costs directly attributable to the acquisition, construction or production of an asset, requiring a long preparation, are included in the cost of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

• Subsequent expenditure

Subsequent expenditure incurred in replacing or renewing components of some items of property, plant and equipment is accounted for as the acquisition of a separate asset and the replaced asset is written off. Capitalization of subsequent expenditure is only done when it increases the future economic benefits embodied in the item of property, plant and equipment. Repair and maintenance, which do not increase the future economic benefits of the asset to which they relate, are expensed as incurred.

• Depreciation

Depreciation is charged to the income statement as from the date the asset is available for use, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives of the respective asset categories are as follows:

Improvements to land	10 to 20 years
Buildings	20 to 40 years
Building improvements	10 to 20 years
Plant installations	6 to 20 years
Machinery and equipment	5 to 15 years
Furniture and office equipment	4 to 10 years
Extrusion and tooling equipment	3 to 7 years
Laboratory and research – infrastructure	3 to 5 years
Vehicles	4 to 10 years

Computer equipment

3 to 5 years

Land is not depreciated as it is deemed to have an indefinite life.

Useful lives and residual values, if not insignificant, are reassessed annually and adjusted if appropriate.

- **Government grants**

Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of the related asset when there is reasonable assurance that they will be received and the group will comply with the conditions attached to it. They are deducted in the income statement from the related depreciation charges on a straight-line basis over the estimated useful life of the related asset.

Grants that compensate the group for expenses incurred are recognized as deduction of the related expense on a systematic basis in the same periods in which the expenses are incurred.

The accounting policy for emission allowances is discussed in section (E) Other intangible assets.

## (H) Leased assets

Leases of property, plant and equipment where the group assumes substantially all the risks and rewards of ownership are classified as finance leases at the moment of the commencement of the lease term. Finance leases are capitalized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see accounting policy G) and impairment losses (see accounting policy J).

Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the outstanding finance balance. The corresponding obligations, net of finance charges, are included in loans and borrowings. The interest element is charged to the income statement as a finance charge over the lease period. Property, plant and equipment acquired under a finance lease contract is depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the group will obtain ownership by the end of the lease term (see accounting policy G).

Leases of assets under which the lessor substantially retains all the risks and rewards of ownership are classified as operating leases. The payments made under operating leases are charged to the income statement over the term of the lease.

## (I) Other investments

Each category of other investments is accounted for at trade date.

- **Investments in equity securities**

Investments in equity securities are undertakings in which the group does not have significant influence or control. This is generally evidenced by ownership of less than 20% of the voting rights. Such investments are designated as available for sale financial assets and are recorded at their fair value unless the fair value cannot be reliably determined in which case they are carried at cost less impairment losses. The fair value is the quoted bid price at balance sheet date. Changes in fair value are directly recognized in other comprehensive income, except for impairment losses. On disposal of other investment, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the income statement.

- **Other investments**

Other investments mainly include cash guarantees. They are initially measured at fair value. Subsequently other investments are measured at amortized cost.

## (J) Impairment

The carrying amounts of property, plant and equipment, and other intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated for an individual asset or for a cash-generating unit. An impairment loss is recognized whenever the carrying amount of an asset or the related cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Goodwill, other intangible assets with indefinite useful life and other intangible assets not yet available for use are tested for impairment at least annually, and when an indication of impairment exists. An impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of other assets in the cash-generating unit on a pro rata basis.

### • Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the net present value of the estimated future cash flows from the use of an asset or cash generating unit. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, to the business etc. In determining the fair value less costs to sell, recent market transactions are taken into account, if these are available.

### • Reversal of impairment

An impairment loss, in respect of the group's assets other than goodwill, recognized in prior periods, is assessed at each balance sheet date for any indication that the impairment loss has decreased or no longer exists. If there has been a change in the estimates used to determine the recoverable amount on assets other than goodwill, the previously recognized impairment loss is reversed through the non-recurring income/(expense) items in the income statement, to the extent that the asset's carrying amount does not exceed its recoverable amount, nor the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

An impairment loss in respect of goodwill cannot be reversed.

### • Financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes debtor experiencing significant financial difficulty, default or delinquency by a debtor, indications that a debtor will enter bankruptcy, or economic conditions that correlate with defaults. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

For financial assets carried at amortized cost, the group considers evidence of impairment individually for significant assets, or collectively for non significant assets. All individually significant assets are assessed for specific impairment. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be recognized on the reduced carrying amount.

For available-for-sale financial investments, impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in other comprehensive income to income statement. The cumulative loss that is reclassified from other comprehensive income to income statement is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in income statement.

## (K) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined by the weighted average cost method.

The cost of finished goods and work in progress comprises raw materials, other production materials, direct labor, other direct costs and an allocation of fixed and variable production overhead based on normal operating capacity. Cost of inventories includes the purchase, conversion and other costs incurred to bring the inventories to their present location and condition. Net realizable value represents the estimated selling price, less all estimated costs of making the product ready for sale.

## (L) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently stated at amortized cost less appropriate allowances for impairment losses (see accounting policy J).

## (M) Cash and cash equivalents

Cash includes cash in hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, have a maturity date of three months or less from the acquisition date and are subject to an insignificant risk of change in value.

## (N) Issued capital

### • Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a reduction from equity, net of any tax effects.

### • Repurchase of issued capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in retained earnings.

### • Dividends

Dividends are recognized as a liability in the period in which they are declared.

## (O) Financial liabilities

Financial liabilities are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis.

## (P) Provisions

Provisions are recognized in the balance sheet when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is presented as a component of finance costs.

### • Restructuring

A provision for restructuring is recognized when the group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it. Future operating costs are not provided for.

### • Environmental obligations and Dismantlement obligations

These provisions are based on legal and constructive obligations from past events, in accordance with applicable legal requirements.

### • Onerous contracts

A provision for onerous contracts is recognized 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. Such provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognizes an impairment loss on the assets associated with that contract.

## (Q) Employee benefits

### • Post employment benefits

Post employment benefits include pensions and medical benefits. The group operates a number of defined benefits and defined contribution plans throughout the world, of which the assets are generally held in separate pension funds. Separate trusts and insurers generally hold the pension plans.

#### - Defined contribution plans:

A defined contribution plan is a pension plan under which the group pays fixed contributions into a fund. There is no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution pension plans are recognized as an expense in the income statement as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

All defined contribution plans in Belgium are legally subject to a minimum guaranteed return. If the legal minimum guaranteed return is sufficiently covered, the group has no obligation to pay further contributions than those that are recognized as an expense in the income statement as the related service is provided. In that case, these pension plans are also accounted for as defined contribution plans.

#### - Defined benefit plans:

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement.

For defined benefit plans, the pension accounting costs are assessed separately for each plan using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement in order



to spread the regular cost over the service lives of employees in accordance with the advice of qualified independent actuaries who carry out annually a full valuation of the plans.

The pension obligation recognized in the balance sheet is determined as the present value of the defined benefit obligation, using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability, less the fair value of the plan assets. In countries where there is no deep market in such bonds, the market rates on government bonds are used for discounting.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, and the effect of the asset ceiling (if any), are charged or credited to equity in other comprehensive income in the period in which they arise.

Where the calculation results in a potential asset for the group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Past service costs and gain or loss on curtailment are recognized immediately in the income statement.

- **Termination benefits (pre-retirement plans, other termination obligations)**

These benefits arise as a result of the group's decision to terminate the employment of an employee or group of employees before the normal retirement date or of an employee's decision to accept voluntary redundancy in exchange for those benefits.

These benefits are recognized as a liability and an expense at the earlier of the following dates: when the group can no longer withdraw the offer of those benefits, or when the group recognizes costs for a restructuring that is within the scope of IAS 37 and involves termination benefits. If benefits are conditional on future service, they are not treated as termination benefits but as post-employment benefits.

- **Share-based payment plans**

A warrant plan allows senior management to acquire shares of the company. The warrant's exercise price equals the lowest of the average market price of the underlying shares in the 30 trading days preceding the offer date or the market price on the last day preceding the offer date. These share-based payments are recognized in the financial statements based on the fair value of the awards measured at grant date, as an expense spread over the vesting period with a corresponding increase in equity. When the warrants are exercised, equity is increased by the amounts of the proceeds received.

- **Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## (R) Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, for temporary differences arising between the carrying values of assets and liabilities for financial reporting purposes and the basis used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that these will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

## (S) Trade and other payables

Trade and other payables are stated at fair value at initial recognition and subsequently at amortized cost.

## (T) Income

### • Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, there are no significant uncertainties regarding recovery of the consideration due, when the associated costs and possible return of goods can be estimated reliably, when there is no continuing management involvement with the goods and when the amount of revenue can be estimated reliably.

For the sale of goods, revenue is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

For the rendering of services, revenue is recognized in the income statement by reference to the stage of completion of the transaction using one of the following methods depending on the type of service provided: specific performance method, completed performance method, percentage of completion method.

The amount of revenue from services is not presented separately in the income statement because it represents currently an insignificant portion of total revenue for the group.

### • Finance income

Finance income comprises interest receivable on funds invested, dividend income, foreign exchange gains and gains on derivative financial instruments.

Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset.

Dividend income is recognized in the income statement on the date the entity's right to receive payments is established.

## (U) Expenses

### • Finance costs

Finance costs comprise interest payable on borrowings, unwinding of the discount on provisions, foreign exchange losses and losses on derivative financial instruments.

Interest expense is recognized in the income statement as it accrues, taking into account the effective interest rate.

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

All finance costs (borrowing costs) directly attributable to the acquisition, construction or production of a qualifying asset that form part of the cost of that asset are capitalized. All other borrowing costs are expensed as incurred and are recognized as finance costs.

## (V) Derivative financial instruments

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized initially at fair value plus its directly related transaction costs. The determination of fair values for each type of financial and non-financial assets and liabilities are further discussed in note 2 - Determination of fair values. Subsequent to initial recognition, derivative financial instruments are stated at their fair value at balance sheet date. Depending on whether cash flow hedge accounting (see below) is applied or not, any gain or loss on this re-measurement is either recognized directly in other comprehensive income or in the income statement.

### • Cash flow hedges

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect income statement, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (hedging reserves in equity). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In any other case, the amount accumulated in equity is reclassified to income statement in the same period that the hedged item affects the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, or when the hedging instrument is expired, sold or terminated, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. If the forecast transaction is no longer expected to occur, then the cumulative gain or loss recognized in other comprehensive income is reclassified immediately to finance costs and income.

## (W) Non-current assets classified as held for sale and discontinued operations

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This classification occurs when the following conditions are met:

- The asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets or disposal groups; and
- The sale of the asset or disposal group must be highly probable.

The group presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from the other assets in the statement of financial position. Similarly, the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position. Statements of financial position for comparative periods are not represented. Moreover, the group presents separately any income or expense recognized directly in equity that is related to a non-current asset classified as held for sale e.g. translation differences.

An investment, or portion of an investment, in an associate or a joint-venture that meets the criteria to be classified as held for sale, is accounted for similarly.

Immediately before classification as held for sale, the remeasurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell. The assets classified as held for sale, including those within a disposal group, are no longer depreciated or amortized.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the group's business that represents a separate major line of business or a geographical area of operations, is part of a co-ordinated single plan to dispose of a separate line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the date when the operation meets the criteria to be classified as held for sale or when an operation has been disposed of.

When operations are classified as discontinued, the "Profit (+) / loss (-) for the period from discontinued operations" is presented on a separate line in the income statement and in the statement of comprehensive income.

In addition to the requirements for the presentation of disposal groups in the statement of financial position, the figures of the reported comparable period in the income statement and the statement of comprehensive income are represented for the presentation of the results of discontinued operations. Furthermore, net cash flows attributable to the operating, investing and financing activities of the discontinued operations are presented separately.

## (X) Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

The diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to the management.

## (Y) Segment reporting

Operating segments are components of the group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. Discrete financial information is available and evaluated regularly by the Group Management

Committee in deciding how to allocate resources and in assessing performance. The Group Management Committee has been identified as the chief operating decision maker.

Aggregation of segments has been done in accordance with IFRS 8 *Operating segments* and only when the segments have similar economic characteristics based upon their nature of products and services, nature of the production process, type or class of customer, methods used to distribute products or provide services and the nature of the regulatory environment.

The segment information reported to the Group Management Committee (including the measurement of segment profit or loss, segment assets and liabilities) is prepared in conformity with the same accounting policies as those described in the summary of significant accounting policies.

Revenues, expenses and assets are allocated to the operating segments to the extent that items of revenue, expenses and assets can be directly attributed or reasonably allocated to the operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

## (Z) Changes in accounting policy and disclosures

### • New and amended standards adopted by the group

The group has adopted for the first time for the financial period beginning on January 1, 2013 the revised standard IAS 19 *Employee Benefits*. This change in accounting policy required the restatement of previous financial statements. The nature and the effect on the financial statements of this change are explained in note 24 - Employee Benefits.

The group has adopted IFRS 13 *Fair value measurement* for the first time in 2013. IFRS 13 explains how to measure fair value for financial reporting and sets out disclosure requirements for fair value measurements. As a result, the group has included some additional disclosures (see note 27 - Financial instruments).

As a result of the amendments to IAS 1, the group has modified the presentation of items of comprehensive income in the statement of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly. This amendment affects only presentation and has no impact on the group's financial position or performance.

The group has adopted the 'Annual improvements' with minor amendments to five standards including IFRS 1 *First time adoption of IFRS*, IAS 1 *Presentation of financial statements*, IAS 16 *Property, plant and equipment*, IAS 32 *Financial instruments: Presentation* and IAS 34 *Interim financial reporting*.

### • New standards and interpretations issued but not yet adopted

To the extent that new IFRS requirements are expected to be applicable in the future, they have been summarized hereafter.

The following new standards and amendments to standards have been endorsed by the European Union, but are not mandatory for the first time for the financial year beginning on January 1, 2013:

**IFRS 10 Consolidated Financial Statements** (and related amendments) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. IFRS 10 will become mandatory for the group's 2014 consolidated financial statements, with retrospective application and is not expected to have an impact on the group's consolidated financial statements.

**IFRS 11 Joint Arrangements** (and related amendments) focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). Proportional consolidation is no longer allowed. IFRS 11 will become mandatory for the group's 2014 consolidated financial statements, with retrospective application and is not expected to have an impact on the group's consolidated financial statements.

**IFRS 12 *Disclosure of Interests in Other Entities*** (and related amendments) contains the disclosure requirements for all forms of interests in other entities. IFRS 12 will become mandatory for the group's 2014 consolidated financial statements, with retrospective application and is not expected to have a significant impact on the group's consolidated financial statements.

**IAS 28 *Investments in Associates and Joint Ventures*** (2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendments which become mandatory for the group's 2014 consolidated financial statements are not expected to have an impact on the group's consolidated financial statements.

**Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)**: the amendments clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments which become mandatory for the group's 2014 consolidated financial statements are not expected to have an impact on the group's consolidated financial statements.

**Amendments to IAS 39 *Financial Instruments: Recognition and measurement*** provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments which become mandatory for the group's 2014 consolidated financial statements are not expected to have an impact on the group's consolidated financial statements.

The following new standard, amendments to standards and interpretation are not mandatory for the first time for the financial year beginning on January 1, 2013 and have not been endorsed by the European Union:

**IFRIC 21 *Levies***: the interpretation sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. The interpretation becomes mandatory for the group's 2014 consolidated financial statements and is not expected to have a material impact on the group's annual consolidated financial statements.

**IFRS 9 *Financial Instruments*** is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 deals with classification, measurement and derecognition of financial assets and financial liabilities. This standard will become mandatory for the group's 2018 consolidated financial statements, with retrospective application. The group does not plan to adopt this standard early and the extent of the impact has not yet been determined.

'**Annual improvements**' with minor amendments to eight standards and is effective for periods beginning on or after July 1, 2014. The amendments relate to IFRS 2 'Definition of vesting condition', IFRS 3 'Accounting for contingent consideration in a business combination', IFRS 8 'Aggregation of operating segments', IFRS 8 'Reconciliation of the total of the reportable segments' assets to the entity's assets', IFRS 13 'Short-term receivables and payables', IAS 7 'Interest paid that is capitalised', IAS 16/IAS 38 'Revaluation method-proportionate restatement of accumulated depreciation', IAS 24 'Key management personnel'. These annual improvements are not expected to have a material impact on the group's consolidated financial statements.

'**Annual improvements**' in response to four issues addressed during the 2011-2013 cycle and is effective for periods beginning on or after July 1, 2014. The amendments include IFRS 1 'Meaning of effective IFRSs', IFRS 3 'Scope exceptions for joint ventures', IFRS 13 'Scope of paragraph 52 (portfolio exception)' and IAS 40 'Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property'. These annual improvements are not expected to have a material impact on the group's consolidated financial statements.

**Amendment to IAS 19 *Defined benefit plans***, effective for periods beginning on or after July 1, 2014. The amendment seeks clarification for the accounting of employee contributions set out in the formal terms of a defined benefit plan. The amendment is not expected to have an impact on the group's consolidated financial statements.

**Amendment to IFRS 9 *Financial instruments*** on general hedge accounting, effective date to be determined. The amendment incorporates the new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge

accounting. The group does not plan to adopt this standard early and the extent of the impact has not yet been determined.

## 2. DETERMINATION OF FAIR VALUES

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible, or valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair values is included in note 11 - Property, plant and equipment, note 12 - Goodwill, note 20 - Non-current assets classified as held for sale and note 27 - Financial instruments.

### Property, plant and equipment

The fair value of property, recognized as a result of a business combination or as a result of classification as held for sale or used in impairment testing, is based on the estimated amount for which a property could be exchanged on the date of valuation in an arm's length transaction. The result is benchmarked with market values, if available. If no significant and active market exists, the replacement cost is used. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approach using quoted market prices for similar items when available and replacement costs when appropriate. The replacement cost is the combined result of the cost of a new plant, equipment, fixtures and fittings with the same capacity and the value in use considering the business activity. The measurement of the fair value of property plant and equipment is based on valuation studies performed internally as well as outsourced to external, independent valuation companies having appropriate qualifications and experience.

### Other intangible assets

The fair value of other intangible assets used in impairment testing or in a disposal group classified as held for sale is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets. The measurement of the fair value of other intangible assets is based on valuation studies performed internally as well as outsourced to external, independent valuation companies having appropriate qualifications and experience.

## Derivative financial instruments

The fair value of forward contracts is calculated as the discounted value of the difference between the contract rate and the forward rate at closing date.

The fair value of these instruments generally reflects the estimated amounts that the group would receive on settlement of favourable contracts or be required to pay to terminate unfavourable contracts at the reporting date, and thereby takes into account the current unrealized gains or losses on open contracts.

## Other financial instruments

The fair value of an electricity supply agreement has been estimated using a discounted cash flow method, making certain assumptions about the model inputs, including risk-adjusted discount rate, and commodities market price. The fair value is categorized as level 3 as it is partly based on unobservable market data.

## Share-based payment

IFRS 2 *Share-based payment* requires share based payments made to employees to be recognized in the financial statements based on the fair value of the warrants measured at grant date. The fair value of the warrants granted is determined using the Black & Scholes valuation model.

## 3. SEGMENT REPORTING

The group has nine operating segments based on the principal business activities and economic environments, as defined under IFRS 8 *Operating Segments*. The customers and main markets of these segments are different. Four operating segments (“Tessengerlo Kerley”, “Gelatin and Akiolis”, “Inorganics” and “Plastic Pipe Systems and Profiles”) fulfil the quantitative thresholds and are reported separately.

The operating segments “Pharmaceutical Intermediates”, “Compounds”, “Organic Chlorine Derivatives”, “Water Treatment” and “Sulphur Derivatives” do not fulfil the quantitative thresholds and are grouped in “Other Businesses”. The information provided below is consistent with the information that is available and evaluated regularly by the Chief Operating Decision Maker (the Group Management Committee).

The following summary describes the operations in each of the group’s reportable segments:

- “Tessengerlo Kerley” - includes manufacturing and distributing sulphur-based liquid fertilisers, crop protection products, products for the mining industry and provides water treatment services and cleaning services to recover sulphur and other residuals from the oil and gas industry.
- “Gelatin and Akiolis” - includes manufacturing and distributing gelatins; collecting and processing of organic by-products from the meat and the food industry.
- “Inorganics” - includes manufacturing and distributing potassium sulphate fertilizers and animal feed phosphates.
- “Plastic Pipe Systems and Profiles” - includes manufacturing and distribution of pipes and fittings, PVC profiles and other plastic building components.
- “Other Businesses” - includes manufacturing and distributing “Organic Chlorine Derivatives” (OCD), “Pharmaceutical Intermediates”, “Compounds”, “Water Treatment” and “Sulphur Derivatives”. None of these segments meets any of the quantitative thresholds for determining the reportable segments in 2013 and 2012.

The activities of the operating segment “Pharmaceutical Intermediates” were sold in the second half of 2012, while the remaining activities of the operating segment “Organic Chlorine Derivatives” and the activities of the operating segment “Compounds” were sold in the first half of 2013 (note 4 – Acquisitions and disposals). The financial statements of the sold subsidiaries are included in the consolidated financial statements until the date that control in those subsidiaries ceased. After the sale of these operating segments, the group has six remaining operating segments as per December 31, 2013.



“Non allocated” groups all activities related to the corporate activities which provide services to the operating segments and also includes an insurance captive, financing and holding companies.

The group is a diversified specialty group that is worldwide active in many areas of agriculture, food, water management, efficient re(use) of natural resources and other industrial markets. The products of the group are used in various applications and consumption markets. Although a leadership position is occupied by the group in a number of diverse markets, the diversification of the group’s revenue makes the group not reliant on major customers.

The measure of segment profit/loss is REBITDA, which is consistent with information that is monitored by the Chief Operating Decision Maker.

The major line items of the income statement and statement of financial position are shown per operating segment in the table below:

	note	Tessenderlo Kerley		Gelatin and Akiolis		Inorganics		Plastic Pipe Systems and Profiles		Other Businesses		Non-allocated		Tessenderlo Group	
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
		(Million EUR)													
Revenue (internal and external)		332.4	327.3	514.6	524.3	370.2	405.5	413.2	544.5	154.2	331.2	5.6	-	1,790.3	2,132.8
Revenue (internal)		0.2	0.5	-	0.4	0.0	0.6	-	0.1	0.0	1.8	-	-	0.2	3.2
<b>Revenue</b>		<b>332.2</b>	<b>326.8</b>	<b>514.6</b>	<b>524.0</b>	<b>370.2</b>	<b>405.0</b>	<b>413.2</b>	<b>544.4</b>	<b>154.2</b>	<b>329.5</b>	<b>5.6</b>	<b>-</b>	<b>1,790.1</b>	<b>2,129.6</b>
<b>REBITDA</b>		<b>71.0</b>	<b>79.2</b>	<b>29.1</b>	<b>67.7</b>	<b>12.1</b>	<b>1.7</b>	<b>30.9</b>	<b>36.0</b>	<b>4.6</b>	<b>5.5</b>	<b>-31.1</b>	<b>-30.1</b>	<b>116.6</b>	<b>160.0</b>
<b>Return on revenue (REBITDA/revenue)</b>		<b>21.4%</b>	<b>24.2%</b>	<b>5.7%</b>	<b>12.9%</b>	<b>3.3%</b>	<b>0.4%</b>	<b>7.5%</b>	<b>6.6%</b>	<b>3.0%</b>	<b>1.7%</b>	<b>-</b>	<b>-</b>	<b>6.5%</b>	<b>7.5%</b>
Segment assets		232.0	222.7	384.3	415.1	129.4	164.2	151.1	247.3	44.2	99.0	66.8	47.8	1,007.8	1,196.2
Investments accounted for using the equity method	14	7.4	8.3	4.1	4.2	-	-	-	-	-	-	12.4	8.9	24.0	21.4
Other investments	15	-	-	-	-	-	-	-	-	-	-	4.3	4.8	4.3	4.8
Deferred tax assets	16	-	-	-	-	-	-	-	-	-	-	5.1	5.8	5.1	5.8
Cash and cash equivalents	19	-	-	-	-	-	-	-	-	-	-	48.9	34.7	48.9	34.7
<b>Total assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,089.9</b>	<b>1,263.0</b>
Segment liabilities		33.2	21.6	128.8	114.6	144.9	153.7	50.2	96.0	57.0	80.6	95.7	79.2	509.8	545.8
Loans and borrowings	23	-	-	-	-	-	-	-	-	-	-	303.7	343.5	303.7	343.5
Bank overdrafts	19/23	-	-	-	-	-	-	-	-	-	-	4.1	5.2	4.1	5.2
Deferred tax liabilities	16	-	-	-	-	-	-	-	-	-	-	32.4	28.6	32.4	28.6
Total equity		-	-	-	-	-	-	-	-	-	-	239.9	340.1	239.9	340.1
<b>Total Equity and Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,089.9</b>	<b>1,263.0</b>
Capital expenditures: property, plant and equipment and other intangible assets	11/13	40.0	35.6	23.0	32.3	11.7	12.4	10.1	17.0	10.6	16.4	3.9	4.2	99.2	118.0
Amortization and depreciation	8	-14.8	-13.6	-29.2	-31.1	-5.1	-5.9	-16.8	-21.9	-3.4	-10.6	-2.0	-1.8	-71.2	-85.0
Impairment losses on goodwill, other intangible assets and property, plant and equipment	8	-	-	0.0	-	-12.9	-2.2	-0.2	-38.2	-3.7	-43.7	-0.1	-	-16.9	-84.1

The balance sheet figures of 2012 as included in the segment reporting are adjusted in order to reflect the effects of the retrospective application of revised IAS 19 (see also note 24 – Employee benefits).

The decrease of segment assets and liabilities within “Plastic Pipe Systems and Profiles” and “Other Businesses” can be mainly explained by the different sale transactions which were closed in 2013 (note 4 - Acquisitions and disposals).

The subsidiary Tessenderlo Trading (Shanghai) Co. Ltd continues to perform some trading activities for several disposed groups (“Organic Chlorine Derivatives”, “Pharmaceutical Intermediates” and “Compounds”). The revenue of these activities is included in non-allocated as from the moment of disposal.

The reconciliation of the profit before tax is as follows:

(Million EUR)	2013	2012
REBITDA of reportable segments	143.1	184.6
REBITDA of non-allocated and other businesses	-26.5	-24.5
<b>REBITDA</b>	<b>116.6</b>	<b>160.0</b>
Depreciation, amortization, impairment losses and provisions	-70.8	-85.2
Non-recurring income/(expense) items	-64.4	-238.0
Finance costs - net	-27.3	-24.5
Share of result of equity accounted investees, net of income tax	4.2	7.3
<b>Profit (+) / loss (-) before tax</b>	<b>-41.7</b>	<b>-180.5</b>

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Non-current segment assets (property, plant and equipment, goodwill and other intangible assets) are based on the geographical location of the assets.

(Million EUR)	Revenue by market		Non-current segment assets	
	2013	2012	2013	2012
Belgium	144.0	151.5	102.1	97.0
The Netherlands	148.4	183.5	31.1	44.9
France	317.4	470.3	137.0	138.9
Germany	83.6	100.4	11.2	10.6
Spain	70.9	56.3	-	-
United Kingdom	219.5	269.5	9.9	48.9
Other European countries	171.2	211.8	12.4	13.2
USA	388.3	404.8	157.9	140.4
Rest of the world	246.7	281.5	62.2	75.2
<b>Tessenderlo Group</b>	<b>1,790.1</b>	<b>2,129.6</b>	<b>523.7</b>	<b>569.0</b>

## 4. ACQUISITIONS AND DISPOSALS

### Disposals – Activities / Subsidiaries

During 2013 the group entered into several agreements that resulted in the sale of assets, liabilities and subsidiaries that have been accounted for as a disposal group under IFRS 5 *Non-current assets held for sale and discontinued operations*.

On January 31, 2013, the group completed the sale of the continental European Profiles activities, known under the brand name Profialis (operating segment “Plastic Pipe Systems and Profiles”). The sale resulted in a non-recurring loss of -1.3 million EUR in 2013. A non-recurring loss of -35.7 million EUR was recognized in 2012 (which included impairment charges for -32.2 million EUR and costs to sell and other provisions for -3.5 million

EUR). The subsidiaries of Profialis have contributed 5.8 million EUR to the group's 2013 revenue (2012: 67.0 million EUR), and 0.1 million EUR to the group's 2013 recurring result (2012: -4.8 million EUR).

On May 3, 2013, the group completed the sale of Tessenderlo Partecipazioni S.p.A including its subsidiary Tessenderlo Italia srl (operating segment "Organic Chlorine Derivatives" within "Other Businesses"). The sale resulted in a non-recurring loss of -0.9 million EUR in 2013. A non-recurring loss of -32.9 million EUR was recognized in 2012 (which included impairment charges for -31.5 million EUR and costs to sell and other provisions for -1.4 million EUR). Tessenderlo Partecipazioni S.p.A and Tessenderlo Italia srl have contributed 9.3 million EUR to the group's 2013 revenue (2012: 28.3 million EUR) and -1.9 million EUR to the group's 2013 recurring result (2012: -2.7 million EUR).

On June 18, 2013, the group completed the sale of the Compounds activities (operating segment "Compounds" within "Other Businesses"). The sale resulted in a non-recurring gain of 0.5 million EUR in 2013. A non-recurring loss of -8.8 million EUR was recognized in 2012 (which included impairment charges for -5.7 million EUR and costs to sell and other provisions for -3.1 million EUR). The subsidiaries of the Compounds activities have contributed 54.8 million EUR to the group's 2013 revenue (2012: 124.0 million EUR), and 1.4 million EUR to the group's 2013 recurring result (2012: 0.9 million EUR).

On September 11, 2013, the group completed the sale of the UK Profiles activities (known under the brand name Eurocell) (operating segment "Plastic Pipe Systems and Profiles"). The sale resulted in a non-recurring gain of 3.3 million EUR in 2013. The subsidiaries of Eurocell have contributed 125.7 million EUR to the group's 2013 revenue (2012: 172.1 million EUR), and 3.7 million EUR to the group's 2013 recurring result (2012: 1.3 million EUR).

The table below shows the major classes of disposed assets and liabilities of the subsidiaries at disposal date (at the closing rate of that date, if applicable):

(Million EUR)	Profialis	Tessenderlo Partecipazioni SpA and Tessenderlo Italia srl	Compounds	Eurocell	Total
<b>ASSETS</b>	<b>15.2</b>	<b>9.0</b>	<b>60.8</b>	<b>85.8</b>	<b>170.7</b>
<b>Non-current assets</b>	<b>-</b>	<b>0.0</b>	<b>17.2</b>	<b>39.6</b>	<b>56.8</b>
Property, plant and equipment	-	-	16.5	35.7	52.2
Other intangible assets	-	-	-	1.6	1.6
Other investments	-	0.0	0.0	-	0.1
Deferred tax assets	-	-	0.6	2.3	2.9
Trade and other receivables	-	-	0.0	-	0.0
<b>Current assets</b>	<b>15.2</b>	<b>9.0</b>	<b>43.6</b>	<b>46.2</b>	<b>114.0</b>
Inventories	1.8	-	19.3	17.0	38.1
Trade and other receivables	13.4	9.0	24.3	29.2	75.9
<b>LIABILITIES</b>	<b>12.2</b>	<b>10.6</b>	<b>21.8</b>	<b>30.0</b>	<b>74.7</b>
<b>Non-current liabilities</b>	<b>1.0</b>	<b>2.6</b>	<b>1.4</b>	<b>0.8</b>	<b>5.8</b>
Employee benefits	0.6	1.6	0.6	-	2.7
Provisions	0.2	1.0	-	0.8	2.0
Trade and other payables	-	-	0.1	-	0.1
Deferred tax liabilities	0.3	-	0.7	0.0	1.0
<b>Current liabilities</b>	<b>11.2</b>	<b>8.0</b>	<b>20.5</b>	<b>29.2</b>	<b>68.9</b>
Trade and other payables	11.0	7.9	20.0	27.4	66.3
Current tax liabilities	-	0.1	0.2	1.8	2.2
Provisions	0.2	-	0.2	-	0.4

## Disposals – Associates

In February 2013, the group sold its 49.50% participation in Alkemin S de RL de CV (operating segment "Tessenderlo Kerley"). The impact of this transaction on the 2013 consolidated income statement is not significant.

## 5. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses is shown in the table below:

(Million EUR)	2013	2012
Additions to provisions	0.7	-0.3
Research and development cost	-13.2	-12.4
Grants	0.1	0.5
Depreciation	-0.3	-0.3
Gains on disposal of property, plant and equipment and other intangible assets	0.3	0.6
Impairment losses on trade receivables	-2.4	-2.4
Other	-4.3	-0.7
<b>Total</b>	<b>-19.1</b>	<b>-14.9</b>

Costs arising from the research phase of an internal project are expensed as incurred. The major part of research and development costs relates to salaries paid for an amount of 8.3 million EUR (2012: 8.8 million EUR) and depreciation charges for an amount of 0.3 million EUR (2012: 0.2 million EUR). In 2013 and 2012, no significant development costs were capitalized. We refer to note 13 - Other intangible assets.

The other operating income and expenses (-4.3 million EUR) can be mainly explained by the following items:

- The tax charges other than income taxes, such as withholding taxes and regional taxes, for an amount of -4.6 million EUR (2012: -8.8 million EUR). The decrease is mainly explained by reclassifications from other operating income and expenses to cost of sales within the operating segment "Gelatin and Akiolis".
- The income from the sale of electricity, which is not used in own production, an electricity interruption fee and green certificates for an amount of 1.0 million EUR (2012: 3.5 million EUR). The decrease is a consequence of the sale of Tessengerlo Italia srl in May, 2013.
- The income from insurance premiums received by the insurance captive of the group is no longer included in other operating income and expenses (2012: 2.0 million EUR). In 2013, the income has been netted against the insurance fees paid by the affiliates, mainly included in cost of sales and administrative expenses.

The remaining balance of other operating income and expenses of 2013 and 2012 consists of several, individually insignificant items within several subsidiaries of the group.

## 6. NON-RECURRING INCOME/(EXPENSE) ITEMS

The non-recurring items for 2013 show a net loss of -64.4 million EUR (2012: -238.0 million EUR).

(Million EUR)	2013	2012
Gains and losses on disposals	4.9	15.4
Restructuring	-37.6	-14.8
Losses on disposal groups classified as held for sale	-15.8	-115.7
Impairment losses	-5.6	-20.6
Provisions and claims	5.7	-88.0
Other income and expenses	-16.1	-14.4
<b>Total</b>	<b>-64.4</b>	<b>-238.0</b>

The gains on disposals in 2013 amount to 4.9 million EUR and relate to the sale of some non-strategic assets, mainly land in France and in the United States of America.

The restructuring expenses in 2013 amount to -37.6 million EUR and mainly include:

- Expenses and provisions for restructuring of the site in Ham (Belgium) (operating segment "Inorganics").
- Expenses and a provision for a restructuring within Akiolis (operating segment "Gelatin and Akiolis").
- Expenses and provisions for a restructuring within Dyka BV (Netherlands) and Dyka Plastics NV

(Belgium) (operating segment "Plastic Pipe Systems and Profiles").

- Expenses related to the reorganization of group management.
- Expenses for further operational efficiency improvements, including the termination of operating agreements.

The losses on disposal groups of 2013 amount to -15.8 million EUR and are recognized as a result of following events:

- Gain, after deducting expenses related to this transaction, of 3.3 million EUR linked to the sale of the UK Profiles activities.
- On November 20, 2013, the group announced an agreement to divest the Aliphos phosphates activity (within the operating segment "Inorganics"). The divestment comprises one production site in the Netherlands (Tessenderlo Chemie Rotterdam BV) and three sales offices. In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the assets and liabilities of the disposal group were presented as assets classified as held for sale and liabilities associated with assets classified as held for sale. The current and non-current assets were recognized at the lower of their carrying amount and their fair value less cost to sell, resulting in a non-recurring loss of -13.1 million EUR (which includes impairment charges for 11.3 million EUR and costs to sell and other provisions for 1.9 million EUR).
- The settlement and subsequent expenditures related to the sale of the European continental Profiles, "Compounds", "Pharmaceutical intermediates" and "Organic Chlorine Derivatives" activities, which resulted in a non-recurring loss of -6.0 million EUR.

An impairment charge of -5.6 million EUR was recognized in 2013. The impairment losses mainly relate to property, plant and equipment impacted by the restructuring plans described above.

The provisions and claims recognized in 2013 amount to a gain of 5.7 million EUR and mainly relate to:

- The derecognition of the defined benefit pension liabilities in the Netherlands following the transfer of their pension plans to a sector pension fund. The past obligations were fully financed and therefore no further obligations were to be recognized. As a result, a non-recurring gain of 10.8 million EUR was recognized.
- A decrease of the outstanding environmental provisions by 1.5 million EUR, due to an increase of the discount rates used.
- The recognition of a provision for two onerous lease contracts and related expenses for -5.1 million EUR.

The other income and expenses of 2013 amount to -16.1 million EUR and mainly relate to:

- A reassessment of the valuation of an electricity purchase agreement, which was done in the second half of 2013, leading to the recognition of a net charge of -13.2 million EUR (see also note 27 - Financial instruments). The group signed in 2008 a 15-year, asset based electricity supply agreement with a third party to supply the Tessenderlo site. The contract became effective in the second quarter of 2011, at the moment when the T-Power power plant became operational. The electricity bought under the contract was used in the PVC production process and the contract was therefore an executory/own use contract. In the third quarter of 2011, the group sold its PVC business, while this electricity supply contract was not included in the sale. As from that moment, the group did no longer buy for own use, but sold the electricity on the open market, leading to the valuation of this contract as a financial instrument accounted for at fair value in accordance with IAS 39. The 2011 agreement for the sale of the PVC business also included clauses regarding allocation of contributions linked to the running regime of the on-site T-Power plant between the seller and the buyer. These clauses are applicable for 5 years (until mid 2016). These allocations were also to be accounted for at fair value.
- The realized loss on the above mentioned electricity contract in 2013 amounted to -4.8 million EUR.
- The dissolution of Tessenderlo UK Ltd which resulted in the reclassification of the translation reserves through the income statement. A non-recurring gain of 9.6 million EUR was recognized.
- One-off consultancy fees and other expenses related to the reorganization and optimization of several activities (-1.4 million EUR).
- Other one-off expenses (-6.4 million EUR) including mainly expenses for a potential industrial project which was discontinued and costs related to the closing of the phosphates activity (operating segment "Inorganics").

The gains on disposals in 2012 amounted to 15.4 million EUR and mainly related to:

- The sale of 13.33% of the shares in T-Power SA (+11.0 million EUR).
- The divestment of Tessenderlo Kerley Inc's aquatic herbicide business.
- The sale of non-strategic assets in Tessenderlo (Tessenderlo Chemie NV).

The non-recurring items of 2012 related to restructuring costs were -14.8 million EUR and mainly included:

- the closure of two production units at the Loos site (France).
- the reduction of the workforce in Dyka BV, a Dutch manufacturer of Plastic Pipe Systems.
- expenses for further operational efficiency improvements, also including the realignment of the R&D services, which include a laboratory and pilot plant in Tessenderlo (Belgium).

The losses on disposal groups classified as held for sale in 2012 amounted to -115.7 million EUR and were recognized as a result of following events:

- The sale of Tessenderlo Asia Holding Ltd and Lianyungang Taile Chemical Industry, Co. Ltd (-4.5 million EUR).
- The sale of Calaire Chimie SAS and Farchemia srl (operating segment "Pharmaceutical Intermediates" within "Other Businesses") (-33.9 million EUR).
- The current and non-current assets of the disposal groups of the European continental profiles (Profialis), "Compounds" and "Organic Chlorine Derivatives" activities were recognized at the lower of their carrying amount and their fair value less costs to sell as per December 31, 2012. A non-recurring loss was recognized on the disposal group of Profialis (-35.7 million EUR), "Compounds" (-8.8 million EUR) and "Organic Chlorine Derivatives" (-32.9 million EUR).

An impairment loss of -20.6 million EUR was recognized in 2012 and mainly related to:

- An impairment loss on the UK profiles activities after completion of the annual impairment tests for goodwill (-17.3 million EUR) (note 12 - Goodwill).
- The reorganization and optimization of several activities resulted in the recognition of impairment losses, mainly on items of property, plant and equipment and write-offs on inventories, totaling -3.3 million EUR.

Provisions and claims in 2012 totaled -88.0 million EUR. The group had recognized additional environmental provisions of -79.2 million EUR to cover the cost for the remediation of historical soil and ground contamination of the factory sites in Ham (Belgium), Loos (France), Tessenderlo (Belgium) and Vilvoorde (Belgium). The amount provisioned reflected the discounted value of the estimated cash out of the remediation plans spread over several years.

The other non-recurring income and expenses of 2012 amounted to -14.4 million EUR and mainly related to the realized loss on an electricity contract which is no longer for own use following the sale of the majority of the PVC/Chlor-Alkali activities in 2011 (-6.8 million EUR), the exceptional loss following an incident in the sulphuric acid plant at the site in Ham (within the operating segment "Inorganics") for -1.6 million EUR, the exceptional loss following a fire within the sulphates activity at the site in Ham (within the operating segment "Inorganics") for -1.0 million EUR, and other expenses related to the reorganization and optimization of several activities (-1.3 million EUR).

## 7. PAYROLL AND RELATED BENEFITS

The payroll and related benefits costs are shown in the table below:

(Million EUR)	note	2013	2012
Wages and salaries		-246.6	-294.3
Employer's social security contributions		-62.3	-71.4
Other personnel costs		-14.6	-19.2
Contributions to defined contribution plans		-3.9	-4.7
Expenses related to defined benefit plans	24	2.3	-4.3
<b>Total</b>		<b>-325.1</b>	<b>-393.8</b>

The decrease in cost of payroll and related benefits is mainly explained by the subsidiaries sold during 2012 and 2013, which contributed for 96.9 million EUR in the total payroll costs of 2012 and only for 35.9 million EUR in 2013.

The other personnel costs included in 2013 the cost of the shares issued in favour of the personnel for 0.2 million EUR (2012: 0.2 million EUR), and the cost of the share-based payments for 0.8 million EUR (2012: nil). Both costs are recognized in the income statement against equity.

The average number of FTEs for 2013 is 5 774 (2012: 7 130).

## 8. ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

Depreciation and amortization on property, plant and equipment and other intangible assets are included in the following line items in the income statement:

(Million EUR)	note	Depreciation on PPE		Amortization on other intangible assets		Total	
		2013	2012	2013	2012	2013	2012
Cost of sales		-53.2	-62.5	-3.1	-5.8	-56.3	-68.3
Administrative expenses		-5.8	-9.7	-2.4	-	-8.2	-9.7
Sales and marketing expenses		-0.1	-	-6.0	-6.5	-6.1	-6.5
Other operating income and expenses		-0.6	-0.5	-	-	-0.6	-0.5
<b>Total</b>	11/13	<b>-59.7</b>	<b>-72.7</b>	<b>-11.5</b>	<b>-12.2</b>	<b>-71.2</b>	<b>-85.0</b>

Impairment losses on property, plant and equipment, other intangible assets and goodwill are included in the following line items in the income statement:

(Million EUR)	note	Impairment losses on PPE		Impairment losses on other intangible assets		Impairment losses on goodwill		Total	
		2013	2012	2013	2012	2013	2012	2013	2012
Losses on disposal groups classified as held for sale		-11.1	-59.8	-0.7	-1.4	-	-3.2	-11.8	-64.4
Impairment losses		-5.1	-2.4	-	-	-	-17.3	-5.1	-19.7
<b>Total</b>	11/12/13	<b>-16.2</b>	<b>-62.2</b>	<b>-0.7</b>	<b>-1.4</b>	<b>-</b>	<b>-20.5</b>	<b>-16.9</b>	<b>-84.1</b>

Total depreciation, amortization and impairment losses in 2013 amount to 88.2 million EUR (2012: 169.1 million EUR), of which 0.9 million EUR relates to additional impairment on assets which were already presented in 2012 as non-current assets classified as held for sale (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets).



## 9. FINANCE COSTS AND INCOME

Net finance costs and income amount to -27.3 million EUR as per December 31, 2013, compared to -24.5 million EUR as per December 31, 2012.

The net finance costs and income can be detailed as follows:

(Million EUR)	2013	2012
Interest expense on loans and borrowings measured at amortized cost	-13.2	-14.6
Amortization charges of transaction costs related to loans and borrowings	-1.9	-1.9
Commitment fee on unused portion of the syndicated credit facility	-2.1	-1.7
Factoring expense	-2.4	-2.0
<b>Total borrowing costs</b>	<b>-19.6</b>	<b>-20.2</b>
Dividend income from non-consolidated companies	0.7	0.1
Interest income from cash and cash equivalents	0.4	0.1
<b>Total income from investments and cash &amp; cash equivalents</b>	<b>1.0</b>	<b>0.2</b>
Expense for the unwinding of discounted provisions	-2.0	-0.9
Net interest (expense)/income on pension asset/(liability)	-1.1	-0.2
Net foreign exchange gains and losses (including revaluation to fair value of derivative financial instruments)	-3.2	-1.9
Amortization charges related to the unwinding of derivative financial instruments	-	-0.3
Net other finance (costs) / income	-2.4	-1.3
<b>Total</b>	<b>-27.3</b>	<b>-24.5</b>

The expense for the unwinding of discounted provisions increased compared to last year due to the additional environmental provisions recognized as per year-end 2012.

The increase of the net interest expense on the pension liability is a consequence of the higher net pension liability recognized as per December 31, 2012 compared to December 31, 2011, partially compensated by a lower discount rate used.

The increase of the net foreign exchange gains and losses (including revaluation to fair value of derivative financial instruments) to -3.2 million EUR in 2013 compared to -1.9 million EUR in 2012 can mainly be explained by exchange losses in the gelatin plant in Argentina which amounted to -4.3 million EUR in 2013 (2012: -1.7 million EUR).

The increase of the net other finance costs in 2013 (-2.4 million EUR) compared to 2012 (-1.3 million EUR) can mainly be explained by the one-off expenses following the start of a securitization program in the United States of America and in France (-0.7 million EUR).

## 10. INCOME TAX EXPENSE

The reconciliation between the theoretical tax rate and the effective tax rate for the total income tax expense is as follows:

(Million EUR)	2013	2012
<b>Recognized in the income statement</b>		
Current tax expense	-18.6	-25.5
Adjustment current tax expense previous periods	0.2	-1.4
Deferred income taxes	-5.0	9.0
<b>Total income tax expense in the income statement</b>	<b>-23.4</b>	<b>-17.9</b>
Profit (+) / loss (-) before tax	-41.7	-180.5
Less share of result of equity accounted investees, net of income tax	4.2	7.3
<b>Profit (+) / loss (-) before tax and before result from equity accounted investees</b>	<b>-45.9</b>	<b>-187.8</b>
<b>Effective tax rate</b>	<b>N/A</b>	<b>N/A</b>
<b>Reconciliation of effective tax rate</b>		
<b>Profit (+) / loss (-) before tax and before result from equity accounted investees</b>	<b>-45.9</b>	<b>-187.8</b>
Theoretical tax rate <sup>1</sup>	24.9%	27.9%
<b>Expected income tax at the theoretical tax rate</b>	<b>11.4</b>	<b>52.4</b>
<b>Difference between theoretical and effective tax expenses</b>	<b>-34.8</b>	<b>-70.3</b>
<b>Adjustment on deferred taxes</b>	<b>-0.6</b>	<b>-1.2</b>
Change in tax rates	0.3	-0.3
Recognition (+) / derecognition (-) of previously recognized tax losses	-0.9	-0.9
<b>Adjustment on tax expenses</b>	<b>-34.2</b>	<b>-69.1</b>
Non deductible expenses	-7.9	-42.3
Special tax regimes	-1.8	7.4
Use or recognition of tax losses / tax credits not previously recognized	0.2	0.6
Tax losses / temporary differences for which no deferred tax asset has been recorded	-22.7	-32.9
Adjustment current tax expense previous periods	0.2	-1.4
Other	-2.3	-0.5

<sup>1</sup> Theoretical aggregated weighted tax rate of all group companies.

The 2013 non-deductible expenses mainly relate to losses recognized as a consequence of the different divestments (-3.8 million EUR), mainly the loss on the entities included in the Aliphos phosphates disposal group. Furthermore, the non-deductible expenses include the other expenses which are non-deductible under local tax laws (-4.1 million EUR).

The 2012 non-deductible expenses mainly related to the impairment losses recognized on the sold entities Tessenderlo Asia Holding Ltd, Lianyungang Taile Chemical Industry, Co. Ltd, Calaire Chimie SAS and Farchemia srl and to the impairment losses recognized on the entities included in the disposal groups Profialis, Compounds and the Italian "Organic Chlorine Derivatives" activity (-34.9 million EUR).

The tax losses and temporary differences for which no deferred tax asset has been recognized in 2013 mainly relate to tax losses in the Belgian and French activities. In 2012, these were mainly related to tax losses in the Belgian activities.

## 11. PROPERTY, PLANT AND EQUIPMENT

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
<b>Cost</b>					
At January 1, 2013	368.5	1,061.9	100.7	63.0	1,594.0
- change in consolidation scope (disposal groups)	-21.7	-78.8	-5.2	-2.3	-108.1
- dismantlement provision	0.1	1.0	-	-	1.1
- capital expenditure	3.4	28.9	1.1	60.2	93.6
- sales and disposals	-0.4	-4.4	-3.6	-0.1	-8.5
- transfers	12.6	36.3	0.9	-47.6	2.2
- transfers to non-current assets classified as held for sale	-10.2	-19.4	-0.5	-1.2	-31.3
- translation differences	-6.5	-20.5	-0.7	-2.1	-29.9
At December 31, 2013	345.8	1,004.9	92.6	69.9	1,513.2
<b>Depreciation and impairment losses</b>					
At January 1, 2013	-189.6	-844.3	-88.2	0.0	-1,122.2
- change in consolidation scope (disposal groups)	4.9	63.6	4.4	-	72.9
- depreciation	-12.0	-42.3	-5.4	-	-59.7
- impairment losses	-5.6	-8.7	-0.1	-1.2	-15.6
- sales and disposals	0.2	4.2	3.4	-	7.8
- transfers	-2.0	-1.5	0.0	-	-3.5
- transfers to non-current assets classified as held for sale	9.6	19.3	0.5	1.2	30.6
- translation differences	1.6	11.1	0.6	-	13.3
At December 31, 2013	-192.9	-798.6	-84.9	0.0	-1,076.4
<b>Carrying amounts</b>					
At January 1, 2013	178.9	217.5	12.4	63.0	471.8
At December 31, 2013	152.9	206.3	7.7	69.9	436.7

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
<b>Cost</b>					
At January 1, 2012	395.7	1,366.9	102.1	91.9	1,956.6
- change in consolidation scope (disposal groups)	-28.8	-176.2	-1.7	-2.2	-208.9
- change in consolidation scope (acquisitions)	0.1	0.1	-	-	0.1
- dismantlement provision	0.1	0.8	-	-	0.9
- capital expenditure	4.8	26.3	3.1	80.1	114.2
- sales and disposals	-6.2	-12.0	-7.4	0.0	-25.6
- transfers	38.5	51.0	9.6	-102.8	-3.8
- transfers to non-current assets classified as held for sale	-34.7	-190.9	-5.2	-2.2	-232.9
- translation differences	-1.0	-4.0	0.1	-1.8	-6.7
At December 31, 2012	368.5	1,061.9	100.7	63.0	1,594.0
<b>Depreciation and impairment losses</b>					
At January 1, 2012	-225.5	-1,125.7	-86.6	0.0	-1,437.8
- change in consolidation scope (disposal groups)	28.8	176.2	1.7	2.2	208.9
- depreciation	-11.9	-53.7	-7.2	-	-72.7
- impairment losses	-14.7	-44.0	-0.4	-3.0	-62.2
- sales and disposals	5.7	11.3	7.0	-	24.0
- transfers	-0.1	9.0	-7.4	-	1.4
- transfers to non-current assets classified as held for sale	28.0	182.1	4.7	0.8	215.7
- translation differences	0.0	0.4	0.0	-	0.5
At December 31, 2012	-189.6	-844.3	-88.2	0.0	-1,122.2
<b>Carrying amounts</b>					
At January 1, 2012	170.3	241.1	15.5	91.9	518.8
At December 31, 2012	178.9	217.5	12.4	63.0	471.8

The changes in consolidation scope in 2013 relate to the sale of the UK Profiles activities, known under the brand name Eurocell (within the operating segment "Plastic Pipe Systems and Profiles") (note 4 - Acquisitions and disposals).

The changes in consolidation scope in 2012 related to the sale of Lianyungang Taile Chemical Industry, Co. Ltd and the pharmaceutical ingredients activities in Calaire Chimie SAS (France) and Farchemia srl (Italy).

The capital expenditure on property, plant and equipment amounts to 93.6 million EUR<sup>4</sup> (2012: 114.2 million EUR) and mainly relates to:

- investments for new service offering in the mining industry and for new capacity (storage and production) for the fertilizer business in the operating segment "Tessengerlo Kerley".
- capital expenditures for the production ramp-up of two gelatin factories and for extra production lines for Akiolis.
- capital expenditures for a new operational plant setup in Ham (Belgium), after the stop of phosphates production at the end of 2013.

The capital expenditure on property, plant and equipment is presented per operating segment in note 3 - Segment reporting.

The assets classified as held for sale as per December 31, 2013 mainly include the assets of the Aliphos phosphates activity. These assets have been presented as a disposal group (note 20 - Non-current assets classified as held for sale).

The assets classified as held for sale as per December 31, 2012 included the assets of the disposal groups of the European continental profiles (known under the brand name Profialis), the "Compounds" and the Italian "Organic Chlorine Derivatives" activities.

For the line items of the income statement in which depreciation, impairment losses and reversal of impairment losses have been recorded, refer to note 8 - Additional information on operating expenses by nature.

In 2013, an impairment loss of -15.6 million EUR was recognized, mainly on:

- The assets related to the disposal group of the Aliphos phosphates activity. In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the assets have been measured at the lower of the carrying amount and fair value less cost to sell. An impairment loss of -10.5 million EUR was recognized on the items of property, plant and equipment.
- Assets which were impacted by the restructuring plans in Ham.

In 2012, an impairment loss of -62.2 million EUR was recognized, mainly on:

- The assets, which were impacted by the sale of the pharmaceutical ingredients activities.
- The assets related to the disposal groups of the European continental profiles, "Compounds" and Italian "Organic Chlorine Derivatives", which were measured at the lower of the carrying amount and fair value less cost to sell.
- The assets which were impacted by the closure of two production units at the Loos (France) site.

The impairment losses have been recorded as a non-recurring expense item in the income statement (see note 6 - Non-recurring income/(expense) items) and are based on management's best estimate of the expected sales price of the assets.

No amounts of borrowing costs were capitalized in 2013 and 2012.

Following the amended credit facility agreement (note 23 - Loans and borrowings), 13 subsidiaries are acting as guarantor and ensure the fulfillment of the obligors' payment obligations (these are as well borrowers as guarantors) in accordance with the credit facility agreement. The total property, plant and equipment of the guarantors, during the entire term of the credit agreement, should amount to a minimum of 60% of the property, plant and equipment at group level, if not, additional subsidiaries of the group will have to act as guarantor to the credit facility agreement. As per year-end 2013, the property, plant and equipment of the guarantors amounts to 77.3% (2012: 71.8%) of the total property, plant and equipment of the group.

In addition, the property, plant and equipment of the gelatin plant in Brazil is serving as guarantee for the loan with Banco Do Brasil SA (note 23 - Loans and borrowings).

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<sup>4</sup> The capital expenditures amount to 94.8 million EUR when including the capital expenditure of the disposal groups which were already recognized as assets classified as held for sale as per year end 2012.

The group leases property, plant and equipment under a number of finance lease agreements. At the end of each of the leases, the group has the option to purchase the equipment at a beneficial price. The net carrying amount of leased property, plant and equipment is not significant.

## 12. GOODWILL

Goodwill accounts for approximately 3.4% of the group's total assets as per December 31, 2013 or 37.1 million EUR (2012: 2.9% or 37.2 million EUR).

The carrying amount of goodwill per operating segment and per cash generating unit, is shown in the table below:

(Million EUR)	2013			2012		
	Cost	Impairment/ Amortization <sup>1</sup>	Carrying amounts	Cost	Impairment/ Amortization <sup>1</sup>	Carrying amounts
<b>Tessenderlo Kerley</b>	<b>6.6</b>	<b>-4.2</b>	<b>2.4</b>	<b>6.9</b>	<b>-4.3</b>	<b>2.5</b>
<b>Gelatin and Akiolis</b>	<b>30.4</b>	<b>-1.8</b>	<b>28.6</b>	<b>30.3</b>	<b>-1.8</b>	<b>28.5</b>
Group Akiolis	21.9	-1.4	20.6	21.9	-1.4	20.6
Gelatin America	8.4	-0.4	8.0	8.4	-0.4	8.0
<b>Plastic Pipe Systems and Profiles</b>	<b>7.2</b>	<b>-1.1</b>	<b>6.1</b>	<b>30.4</b>	<b>-24.2</b>	<b>6.2</b>
Group Eurocell	-	-	-	23.1	-23.1	-
John Davidson Pipes	3.5	-1.1	2.4	3.5	-1.1	2.4
Plastic Pipe Systems Benelux	3.0	-	3.0	3.0	-	3.0
Group BT Bautechnik	0.7	-	0.7	0.8	-	0.8
<b>Other Businesses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>-0.6</b>	<b>-</b>
Chemilyl SAS	-	-	-	0.6	-0.6	-
<b>Total</b>	<b>44.2</b>	<b>-7.1</b>	<b>37.1</b>	<b>68.2</b>	<b>-31.0</b>	<b>37.2</b>

<sup>1</sup> Goodwill has been amortized till January 1, 2004.

Group Akiolis and Gelatin America have the most significant carrying amount of goodwill:

- Group Akiolis (part of the operating segment "Gelatin and Akiolis"); 20.6 million EUR (2012: 20.6 million EUR).
- Gelatin America (part of the operating segment "Gelatin and Akiolis"); 8.0 million EUR (2012: 8.0 million EUR).

All movements related to goodwill are shown in the table below:

(Million EUR)	2013	2012
<b>Cost</b>		
<b>At January 1</b>	<b>68.2</b>	<b>81.4</b>
- change in consolidation scope (acquisitions)	-	2.0
- change in consolidation scope (disposal groups)	-22.2	-
- sales and disposals	-0.6	-
- transfers to non-current assets classified as held for sale (note 20)	-	-15.9
- translation differences	-1.3	0.8
<b>At December 31</b>	<b>44.2</b>	<b>68.2</b>
<b>Impairment losses</b>		
<b>At January 1</b>	<b>-31.0</b>	<b>-26.4</b>
- change in consolidation scope (disposal groups)	22.2	-
- impairment losses	-	-20.5
- sales and disposals	0.6	-
- transfers to non-current assets classified as held for sale (note 20)	-	15.9
- translation differences	1.1	-0.1
<b>At December 31</b>	<b>-7.1</b>	<b>-31.0</b>
<b>Carrying amounts</b>		
<b>At January 1</b>	<b>37.2</b>	<b>55.0</b>
<b>At December 31</b>	<b>37.1</b>	<b>37.2</b>

There were no events in 2013 which resulted in the recognition of goodwill. The following events resulted in the recognition of goodwill in 2012:

- Group Akiolis acquired 100% of the shares and voting rights of Neobiol sarl and Société Azurée de Récupération SAR. These acquisitions resulted together in the recognition of a goodwill of 1.3 million EUR.
- New information obtained within one year after the acquisition of BT Bautechnik, which was acquired on October 31, 2011, about facts and circumstances that already existed at the acquisition date resulted in non significant changes in its initial accounting and led to the recognition of goodwill for 0.7 million EUR.

In September 2013, the group completed the sale of its UK Profiles activities, known under the brand name Eurocell (within the operating segment "Plastic Pipe Systems and Profiles"), which resulted in the derecognition of goodwill (note 4 - Acquisitions and disposals). The cost of the goodwill (22.2 million EUR) was already fully impaired as per December 31, 2012 after recognizing an additional impairment loss of 17.3 million EUR in 2012.

In 2013, Chemilyl SAS does no longer have significant activities. Following the merger with Produits Chimiques de Loos SAS, the goodwill, already fully impaired, has been disposed.

The assets classified as held for sale as per December 31, 2012 included the goodwill of the European continental profiles (known under the brand name Profialis). The cost of the goodwill (15.9 million EUR) was already fully impaired after the recognition of an additional impairment loss of 3.2 million EUR in 2012.

During the fourth quarter of 2013, the group completed its annual impairment test for goodwill. No impairment charges were deemed necessary.

The group cannot foresee whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. The group believes that all of its estimates are reasonable. They are consistent with the internal reporting and reflect management's best estimates.

The impairment testing on goodwill relies on a number of critical judgments, estimates and assumptions. Goodwill has been tested for impairment on the level of its cash generating unit and is based on value-in-use calculations.

The key judgments, estimates and assumptions used in these calculations are as follows:

- The cash flow projection of the first year is based on the current year financial budget approved by the management (2014). Future free cash flows are determined taking into account the expected evolution of the market and margin on sales. The values assigned to both parameters represent management's assessment of future trends in the relevant industries and are based on historical data from both external and internal sources. The cash flow is based on the most recent financial projections and is based on the management's perception of developments in sales and cost items during the forecasted period.
- In order to calculate the terminal value, the data of the fifth year are extrapolated by using simplified assumptions such as constant volumes, combined with constant costs. The growth rate is assumed to be zero.
- Projections are made in the functional currency of the cash generating unit and are discounted at the after-tax Weighted Average Cost of Capital (WACC) at the level of the cash generating unit. The latter ranged between 7.1% and 9.0%. Since after-tax cash flows are incorporated into the calculation of the "value in use" of the cash generating units, a post-tax discount rate is used in order to remain consistent.

For Group Akiolis and Gelatin America the WACC used in the impairment test was respectively 7.1% (2012: 7.7%) and 7.4% (2012: 11.1%).

An increase of these WACC's by 1% and a simultaneous reduction of total projected future cash flow by 10% would not have resulted in the carrying amounts of these significant Cash Generating Units exceeding their recoverable amount.

Although the group believes that its judgments, assumptions and estimates are appropriate, actual results may differ from these estimates under different assumptions or conditions.

## 13. OTHER INTANGIBLE ASSETS

(Million EUR)	Useful life						Total
	Finite					Indefinite	
	Develop- ment	Conces- sions, patents, licenses	Software	Customer lists	Other intangible assets	Other intangible assets	
<b>Cost</b>							
<b>At January 1, 2013</b>	<b>0.0</b>	<b>52.3</b>	<b>16.0</b>	<b>40.4</b>	<b>17.0</b>	<b>2.0</b>	<b>127.7</b>
- change in consolidation scope (disposal groups)	-	-0.1	-4.3	-6.6	-	-	-11.0
- capital expenditure	-	1.8	1.7	0.0	0.7	-	4.3
- sales and disposals	-	-0.7	-0.3	-	-	-	-0.9
- transfers	-	-0.4	0.8	0.0	0.0	0.9	1.3
- transfers to non-current assets classified as held for sale	-	-	-	-	-0.4	-	-0.4
- translation differences	-	-1.3	-0.7	-0.8	-0.7	-0.1	-3.7
<b>At December 31, 2013</b>	<b>0.0</b>	<b>51.7</b>	<b>13.2</b>	<b>33.0</b>	<b>16.7</b>	<b>2.8</b>	<b>117.3</b>
<b>Amortization and impairment losses</b>							
<b>At January 1, 2013</b>	<b>0.0</b>	<b>-29.3</b>	<b>-9.1</b>	<b>-20.6</b>	<b>-8.7</b>	<b>0.0</b>	<b>-67.7</b>
- change in consolidation scope (disposal groups)	-	0.1	4.0	5.4	-	-	9.4
- amortization	-	-4.5	-1.7	-4.0	-1.3	-	-11.5
- impairment losses	-	0.0	0.0	-	-0.4	-	-0.4
- sales and disposals	-	0.2	0.3	-	-	-	0.5
- transfers	-	0.0	0.0	0.0	0.0	-	0.0
- transfers to non-current assets classified as held for sale	-	-	-	-	0.4	-	0.4
- translation differences	-	0.6	0.4	0.5	0.4	0.0	1.9
<b>At December 31, 2013</b>	<b>0.0</b>	<b>-33.0</b>	<b>-6.2</b>	<b>-18.6</b>	<b>-9.7</b>	<b>0.0</b>	<b>-67.5</b>
<b>Carrying amounts</b>							
<b>At January 1, 2013</b>	<b>0.0</b>	<b>22.9</b>	<b>6.9</b>	<b>19.8</b>	<b>8.3</b>	<b>2.0</b>	<b>60.0</b>
<b>At December 31, 2013</b>	<b>0.0</b>	<b>18.7</b>	<b>7.0</b>	<b>14.4</b>	<b>7.0</b>	<b>2.8</b>	<b>49.9</b>



(Million EUR)	Useful life						
	Finite					Indefinite	Total
	Develop-ment	Conces-sions, patents, licenses	Software	Customer lists	Other intangible assets	Other intangible assets	
<b>Cost</b>							
<b>At January 1, 2012</b>	<b>0.3</b>	<b>41.4</b>	<b>22.0</b>	<b>40.0</b>	<b>20.0</b>	<b>2.1</b>	<b>125.8</b>
- change in consolidation scope (acquisitions)	-	9.9	-	1.1	0.4	-	11.4
- change in consolidation scope (disposal groups)	-	-1.6	-1.2	0.0	0.0	-	-2.7
- capital expenditure	0.0	2.5	1.2	-	0.0	-	3.7
- sales and disposals	-0.1	-0.1	-0.9	-	0.0	-	-1.1
- transfers	0.0	0.5	1.3	-	-0.8	-	1.1
- transfers to non-current assets classified as held for sale	-0.2	-0.1	-6.3	-0.6	-2.4	-	-9.6
- translation differences	-	-0.3	-0.1	-0.1	-0.3	-0.1	-0.9
<b>At December 31, 2012</b>	<b>0.0</b>	<b>52.3</b>	<b>16.0</b>	<b>40.4</b>	<b>17.0</b>	<b>2.0</b>	<b>127.7</b>
<b>Amortization and impairment losses</b>							
<b>At January 1, 2012</b>	<b>-0.3</b>	<b>-26.0</b>	<b>-14.6</b>	<b>-16.8</b>	<b>-10.1</b>	<b>0.0</b>	<b>-67.7</b>
- change in consolidation scope (disposal groups)	0.0	1.6	1.2	-	0.0	-	2.7
- amortization	0.0	-4.8	-1.9	-4.3	-1.3	-	-12.2
- impairment losses	0.0	-0.5	-0.7	-0.2	0.0	-	-1.4
- sales and disposals	0.1	0.1	0.9	-	-	-	1.1
- transfers	-	-0.1	-0.1	-	0.1	-	-0.2
- transfers to non-current assets classified as held for sale	0.2	0.1	6.3	0.6	2.4	-	9.6
- translation differences	-	0.2	-0.1	0.0	0.2	0.0	0.4
<b>At December 31, 2012</b>	<b>0.0</b>	<b>-29.3</b>	<b>-9.1</b>	<b>-20.6</b>	<b>-8.7</b>	<b>0.0</b>	<b>-67.7</b>
<b>Carrying amounts</b>							
<b>At January 1, 2012</b>	<b>0.0</b>	<b>15.5</b>	<b>7.4</b>	<b>23.2</b>	<b>9.9</b>	<b>2.1</b>	<b>58.1</b>
<b>At December 31, 2012</b>	<b>0.0</b>	<b>22.9</b>	<b>6.9</b>	<b>19.8</b>	<b>8.3</b>	<b>2.0</b>	<b>60.0</b>

The changes in consolidation scope in 2013 relate to the sale of the UK Profiles activities, known under the brand name Eurocell (within the operating segment "Plastic Pipe Systems and Profiles") (note 4 - Acquisitions and disposals).

The changes in consolidation scope in 2012 related to the sale of Lianyungang Taile Chemical Industry, Co. Ltd and the pharmaceutical ingredients activities in Calaire Chimie SAS (France) and Farchemia srl (Italy).

The capital expenditure on other intangible assets amounts to 4.3 million EUR<sup>5</sup> (2012: 3.7 million EUR) and is presented per operating segment in note 3 - Segment reporting. The capital expenditure mainly relates to the acquisition of licenses and the development and implementation of a new ERP software.

The assets classified as held for sale as per December 31, 2013 include the assets of the Aliphos phosphates activity. These assets have been presented as a disposal group (note 20 - Non-current assets classified as held for sale).

The assets classified as held for sale as per December 31, 2012 included the assets of the disposal groups of the European continental profiles activities (known under the brand name Profialis), the "Compounds" activities and the Italian "Organic Chlorine Derivatives" activities.

<sup>5</sup> The capital expenditures amount to 4.4 million EUR when including the capital expenditure of the disposal groups which were already recognized as assets classified as held for sale as per year end 2012.

No borrowing costs were capitalized during 2013 and 2012.

In 2013, an impairment loss of -0.4 million EUR was recognized and relates to the assets of the Aliphos phosphates disposal group (2012: -1.4 million EUR).

The “other” intangible assets with finite useful lives consist mainly of non-compete agreements, know-how, product labels and land-use rights. The non-compete agreements, the product labels and the know-how are amortized on a straight-line basis over 5 to 15 years.

See note 8 - Additional information on operating expenses by nature for the line items of the income statement in which amortization, impairment losses and reversal of impairment losses have been recorded.

The other intangible assets with indefinite life relate to trademarks which are considered to have an indefinite life unless plans would exist to discontinue the related activity (within cash generating units Tessenderlo Kerley and Gelatin America). The other intangible assets with indefinite useful life have been tested for impairment and no impairment charge was deemed necessary.

No intangible assets are pledged as security for liabilities.

## 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method consist of joint ventures and associates.

The joint ventures of the group are:

	Country	Ownership	
		2013	2012
MPR Middle East WLL	Bahrain	50%	50%
Apeval SAS	France	50%	50%
Établissements Michel SAS	France	50%	50%
Établissements Violleau SAS	France	50%	50%
Siram SARL	France	50%	50%
Jupiter Sulphur LLC	USA	50%	50%

The associates of the group are:

	Country	Ownership	
		2013	2012
T-Power SA	Belgium	20.00%	20.00%
Meta Bio Energies SAS	France	20.46%	20.46%
Alkemin S de RL de CV	Mexico	-	49.50%
Wolf Mountain Products LLC	USA	45.00%	45.00%

The 49.5% participation in Alkemin S de RL de CV was sold in February 2013. The impact of this transaction on the 2013 consolidated income statement was not significant.

The carrying amount of the investments accounted for using the equity method is as follows:

(Million EUR)	2013	2012
Établissements Violleau SAS	2.0	1.9
Jupiter Sulphur LLC	7.5	8.4
T-Power SA	12.4	8.9
Other equity investments	2.0	2.3
<b>Total</b>	<b>24.0</b>	<b>21.4</b>

None of the group's equity-accounted investees are publicly listed entities and consequentially they do not have published price quotations.

Summary financial information on investments accounted for using the equity method at 100%:

(Million EUR)	2013	2012
Non-current assets	415.9	439.2
Current assets	83.1	65.6
<b>Total assets</b>	<b>499.0</b>	<b>504.8</b>
Equity	86.3	70.9
Non-current liabilities	379.6	403.5
Current liabilities	33.2	30.4
<b>Total equity and liabilities</b>	<b>499.0</b>	<b>504.8</b>
Revenue	129.7	130.0
Cost of sales	-50.3	-45.5
Gross profit	79.4	84.4
Profit (+) / loss (-) from operations before non-recurring items (REBIT)	40.4	51.9
Profit (+) / loss (-) from operations (EBIT)	40.4	51.9
Finance costs - net	-18.3	-20.2
Profit (+) / loss (-) before tax	22.1	31.7
Profit (+) / loss (-) for the period	14.6	20.4

## 15. OTHER INVESTMENTS

(Million EUR)	2013	2012
Investments in equity securities	3.9	4.4
Cash guarantees / deposits / others	0.3	0.4
<b>Total</b>	<b>4.3</b>	<b>4.8</b>

Investments in equity securities (Million EUR)	2013	2012
Exeltium SAS, France	0.7	0.7
GLOBE International SA, Belgium	0.5	0.5
Indaver SA, Belgium	0.6	0.6
Tessenderlo Schweiz AG, Switzerland	0.8	0.8
AD Biodiesel SAS	0.5	-
Other	0.8	1.8
<b>Total</b>	<b>3.9</b>	<b>4.4</b>

The investments in unquoted companies are measured at cost less impairment losses as their fair value can not be reliably determined.

## 16. DEFERRED TAX ASSETS AND LIABILITIES

(Million EUR)	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Property, plant and equipment	1.0	4.0	-25.7	-26.8	-24.7	-22.7
Goodwill	2.5	2.6	0.0	-0.1	2.5	2.4
Other intangible assets	4.8	4.1	-7.9	-7.5	-3.1	-3.3
Inventories	0.8	1.5	-0.9	-2.2	-0.1	-0.6
Employee benefits	4.9	4.7	-4.9	-3.5	0.0	1.2
Provisions	8.5	10.3	-16.9	-17.4	-8.4	-7.1
Other items	3.8	2.5	-4.2	-6.3	-0.4	-3.8
Losses carried forward	6.9	11.1	-	-	6.9	11.1
<b>Gross deferred tax assets / (liabilities)</b>	<b>33.1</b>	<b>40.9</b>	<b>-60.4</b>	<b>-63.7</b>	<b>-27.4</b>	<b>-22.8</b>
<b>Set-off of tax</b>	<b>-28.0</b>	<b>-35.1</b>	<b>28.0</b>	<b>35.1</b>		
<b>Net deferred tax assets / (liabilities)</b>	<b>5.1</b>	<b>5.8</b>	<b>-32.4</b>	<b>-28.6</b>	<b>-27.4</b>	<b>-22.8</b>

On December 31, 2013, a deferred tax liability of 5.1 million EUR (2012: 11.9 million EUR) relating to undistributed reserves within the subsidiaries of the group has not been recognized because management believes that this liability will not be incurred in the foreseeable future. The decrease of this potential liability is a consequence of the different divestments in 2013 and the distribution of dividends from the US subsidiaries to the mother company.

Tax losses and tax credits carried forward, including notional interest deduction, on which no deferred tax asset is recognized amount to 398.8 million EUR (2012: 239.0 million EUR). 16.9 million EUR of these tax credits have a finite life (they expire in the period 2014-2019). Deferred tax assets are only recognized based on the probability assessment whether future taxable profits (within the next 5 years) will be available, against which the unused tax losses and credits can be utilized.

The movements in the deferred tax balances during the year can be summarized as follows:

(Million EUR)	Balance at January 1, 2012	Recognized in the income statement	Recognized in other comprehensive income	Disposal groups	Other	Balance at December 31, 2012	Recognized in the income statement	Recognized in other comprehensive income	Disposal groups	Balance at December 31, 2013
Property, plant and equipment	-25.8	-0.3	-	3.4	-	-22.7	0.0	-	-2.0	-24.7
Goodwill	1.4	1.1	-	-0.1	-	2.4	0.1	-	-	2.5
Other intangible assets	-4.8	1.6	-	-0.1	-	-3.3	0.2	-	-	-3.1
Inventories	-1.1	0.8	-	-0.3	-	-0.6	-0.3	-	0.8	-0.1
Employee benefits	-3.5	-0.4	-	-0.8	5.9	1.2	-2.0	0.8	-	0.0
Provisions	-13.9	8.1	-	-1.2	-	-7.1	-1.3	-	-	-8.4
Other items	-0.8	-3.1	0.1	0.0	-	-3.8	2.5	0.9	0.0	-0.4
Losses carried forward	27.0	1.2	-	-4.7	-12.3	11.1	-4.2	-	-	6.9
<b>Total</b>	<b>-21.6</b>	<b>9.0</b>	<b>0.1</b>	<b>-3.9</b>	<b>-6.4</b>	<b>-22.8</b>	<b>-5.0</b>	<b>1.6</b>	<b>-1.2</b>	<b>-27.4</b>

The amounts in the column "Other" in 2012 refer to the restatement of the balance sheet at December 31, 2012 following the adoption of the revised IAS 19 *Employee benefits* (5.9 million EUR), and the transfer of deferred tax assets to long term receivables (-12.3 million EUR).

## 17. TRADE AND OTHER RECEIVABLES

(Million EUR)	2013	2012
<b>Non-current trade and other receivables</b>		
Trade receivables	0.6	0.7
Gross trade receivables	0.6	0.7
Amounts written off	0.0	-
Other receivables	25.5	13.9
Assets related to employee benefit schemes	8.1	6.2
<b>Total</b>	<b>34.2</b>	<b>20.8</b>

(Million EUR)	2013	2012
<b>Current trade and other receivables</b>		
Trade receivables	141.4	193.9
Gross trade receivables	149.7	202.9
Amounts written off	-8.3	-9.0
Other receivables	34.3	42.6
Prepayments	0.6	0.7
Receivables from related parties	0.6	0.6
<b>Total</b>	<b>177.0</b>	<b>237.9</b>

Receivables from related parties concern receivables from joint-ventures (note 31 - Related parties).

The ageing of the gross trade receivables and amounts written off is disclosed in the section “Credit risk” of note 27 - Financial instruments.

The non-current other receivables mainly relate to an income tax receivable of 14.5 million EUR, due to losses carried forward in France, which can be claimed on expiration date after 5 years. Furthermore a deferred payment was recognized after the sale of Eurocell for a total amount of 9.9 million EUR (of which 2.7 million EUR falls due in 2014 and 7.2 million EUR in 2015-2016).

The current trade receivables as per December 31, 2012 of the sold Eurocell subsidiaries and the disposal group Aliphos phosphates amounted to 22.8 million EUR, which partly explains the decrease of the current trade receivables from 193.9 million EUR as per year end 2012 to 141.4 million EUR as per year end 2013.

At December 31, 2013, an amount of 81.9 million EUR (2012: 79.9 million EUR) has been received in cash under various non-recourse factoring and securitization agreements, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. The net amount of the sold trade receivables is derecognized from the balance sheet.

## 18. INVENTORIES

(Million EUR)	2013	2012
Consumables	49.7	69.8
Work in progress	14.9	18.6
Finished goods	159.6	174.5
Goods purchased for resale	31.6	40.3
<b>Total</b>	<b>255.7</b>	<b>303.3</b>

The decrease in inventories is partially explained by the sale of subsidiaries during 2013 and the classification of inventories of the Aliphos phosphates disposal group as assets classified as held for sale as per December 31, 2013 (included in 2012 inventories for an amount of 27.4 million EUR).

There are no inventories pledged as security.

The cost of inventories recognized as cost of sales in 2013 amounts to 930.1 million EUR (2012: 1,103.6 million EUR).

The carrying amount of inventory, which was set at net realisable value as per year-end 2013 amounts to 18.3 million EUR (2012: 15.9 million EUR). An amount of 5.0 million EUR was expensed in 2013 (2012: 3.6 million EUR).

There have been no significant reversals of a write-off on inventories.

## 19. CASH AND CASH EQUIVALENTS

(Million EUR)	2013	2012
Term accounts	0.2	2.0
Current accounts	48.7	32.7
<b>Cash and cash equivalents</b>	<b>48.9</b>	<b>34.7</b>
Bank overdrafts	-4.1	-5.2
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>44.8</b>	<b>29.5</b>

The group entered in 2012 into a liquidity contract with Exane BNP Paribas. The contract foresaw the trade of Tessenderlo Chemie NV shares by Exane BNP Paribas, on behalf and for the account of Tessenderlo Chemie NV on NYSE Euronext Brussels. The group made 3.0 million EUR available at the start of the contract. The liquidity contract was terminated in December 2013, and 2.8 million EUR of resources remained available and are included in cash and cash equivalents.

## 20. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

(Million EUR)	2013	2012
Non-current assets classified as held for sale	8.8	64.4
Liabilities associated with assets classified as held for sale	8.3	40.6

The table below shows the major classes of assets and liabilities classified as held for sale as per December 31:

(Million EUR)	2013	2012
<b>Assets</b>	<b>8.8</b>	<b>64.4</b>
<b>Total non-current assets</b>	<b>2.0</b>	<b>19.8</b>
Property, plant and equipment	2.0	19.2
Other investments	-	0.0
Deferred tax assets	-	0.5
<b>Total current assets</b>	<b>6.7</b>	<b>44.6</b>
Inventories	5.7	20.7
Trade and other receivables	1.0	23.9
<b>Liabilities</b>	<b>8.3</b>	<b>40.6</b>
<b>Total non-current liabilities</b>	<b>1.0</b>	<b>5.3</b>
Employee benefits	-	2.7
Provisions	-	1.6
Deferred tax liabilities	1.0	1.0
<b>Total current liabilities</b>	<b>7.3</b>	<b>35.3</b>
Trade and other payables	6.5	35.0
Current tax liabilities	0.8	0.2
Provisions	-	0.2

The group announced in November 2013 the agreement to divest the Aliphos phosphates activity (within the operating segment "Inorganics"). The divestment comprises one production site in the Netherlands (Tessenderlo Chemie Rotterdam BV) and three sales offices. In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the assets of the disposal group were recognized at the lower of their carrying amount and the fair value less cost to sell, before being presented as non-current assets classified as held for sale (6.8 million EUR) and liabilities associated with assets classified as held for sale (8.3 million EUR). The fair value less

cost to sell is based on management's best estimate of the expected sales price (fair value measurement categorized as level 2). The group completed the sale on February 28, 2014 (see also note 33 - Subsequent events). No significant impact on the fair value of the assets classified as assets held for sale is expected.

The assets held for sale as per December 31, 2013 also include some other non-strategic assets, mainly land, buildings and plant machinery and equipment, for a carrying amount of 2.0 million EUR.

As per December 31, 2012, the assets held for sale mainly included the following disposal groups:

- European continental profiles activities, known under the brand name Profialis (operating segment "Plastic Pipe Systems and Profiles").
- Compounds activities (operating segment "Compounds" within "Other Businesses").
- The Italian "Organic Chlorine Derivatives" activity (operating segment "Organic Chlorine Derivatives" within "Other Businesses").

These sales have been completed in 2013 (note 4 - Acquisitions and disposals).

## 21. EQUITY

### Issued capital and share premium

	Ordinary shares	
	2013	2012
On issue at January 1	30,662,300	29,531,058
Payment of stock dividend 2011 at July 17, 2012	-	1,085,455
Issued for cash at August 23, 2012	-	45,287
Issued for cash at December 27, 2012	-	500
Adjustment following reconciliation difference as published (Belgisch Staatsblad/Moniteur Belge) on March 14, 2013	25,566	-
Payment of stock dividend 2012 at July 16, 2013	1,040,386	-
Issued for cash at August 23, 2013	43,211	-
<b>On issue at December 31 - fully paid</b>	<b>31,771,463</b>	<b>30,662,300</b>

The number of shares comprised 9 285 570 registered shares (2012: 8 841 882) and 22 485 893 ordinary shares (2012: 21 820 418). The shares are without nominal value. The holders of Tessenderlo Chemie NV shares are entitled to receive dividends as declared and are also entitled to one vote per share at shareholders' meetings of the company.

The Board of Directors' proposal to distribute a gross dividend of 1.3333 EUR per share or 40.9 million EUR for the business year 2012 was approved by the shareholders of Tessenderlo Chemie NV at their Annual General Assembly on June 4, 2013. The Board of Directors decided to offer all the shareholders a choice of payment conditions: the option of receiving a dividend in new shares (stock dividend) at a price of 18.00 EUR per share, or in cash, or a combination of both. The choice of shareholders for payment in new shares resulted in the creation of 1 040 386 additional shares. These shares were included for trading on Eurolist on NYSE Euronext Brussels on July 16, 2013 and led to an increase of issued capital and share premium by 18.7 million EUR.

On August 23, 2013, Tessenderlo Chemie NV included 43 211 additional shares in trading on Eurolist on NYSE Euronext Brussels. These are 43 211 ordinary shares subscribed by staff on 150 000 presented. No shares were emitted at the time of conversion of warrants. The transactions led to an increase of issued capital and share premium by 0.7 million EUR.

The Board of Directors' proposal to distribute a gross dividend of 1.3333 EUR per share or 39.4 million EUR for the business year 2011 was approved by the shareholders of Tessenderlo Chemie NV at their Annual General Assembly on June 5, 2012. The Board of Directors decided to offer all the shareholders a choice of payment conditions: the option of receiving a dividend in new shares (stock dividend) at a price of 18.00 EUR per share, or in cash, or a combination of both. The choice of shareholders for payment in new shares resulted in the creation



of 1 085 455 additional shares. These shares (with VVPR strip) were included for trading on Eurolist on NYSE Euronext Brussels on July 17, 2012 and led to an increase of issued capital and share premium by 19.5 million EUR.

On August 23, 2012, Tessenderlo Chemie NV included 45 287 additional shares (with VVPR strip) in trading on Eurolist on NYSE Euronext Brussels. These are 45 287 ordinary shares subscribed by staff on 150 000 presented. On December 27, 2012, 500 ordinary shares were issued at the time of the conversion of warrants. The transactions led together to an increase of issued capital and share premium by 0.8 million EUR.

### **Authorised capital**

According to the decision of the Extraordinary General Assembly of June 7, 2011, the Board of Directors was granted the authority to increase the capital in one or more times, during the period and in the manner specified, up to a maximum amount of 40.0 million EUR, exclusively within the frame of (i) capital increases reserved for the personnel of the company or of its affiliates, (ii) capital increases within the frame of the issue of warrants in favour of certain members of the personnel of the company or of its affiliates and, possibly, in favour of certain persons who are not part of the personnel of the company or of its affiliates, (iii) capital increases within the frame of an optional dividend, whether in this respect the dividend is directly distributed in the form of shares or is directly distributed in cash and afterwards the paid cash can be used to subscribe to shares, the case being by means of a surcharge and (iv) capital increases carried out by conversion of reserves or other entries of equity capital, so as to enable to round the amount of the capital to the nearest convenient rounded amount. The unused amount of the authorised capital at the balance date amounts to 22.9 million EUR.

### **Legal reserves**

According to Belgian law, 5% of the statutory net income of a Belgian company must be transferred each year to a legal reserve until the legal reserve reaches 10% of the issued capital. At balance sheet date, the legal reserve of the company amounts to 14.8 million EUR. Generally, this reserve cannot be distributed to the shareholders other than upon liquidation.

The amount of dividends payable to Tessenderlo Chemie NV by its operating subsidiaries is subject to, among other restrictions, general limitations imposed by the corporate laws, capital transfer restrictions and exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate. Dividends paid to the company by certain of its subsidiaries are also subject to withholding taxes. Withholding tax, if applicable, generally does not exceed 25%.

### **Translation reserves**

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

### **Revaluation reserves**

The revaluation reserves, in accordance with IFRS 3 (2004 edition) for business combinations achieved in stages, include the remeasurement of its previously held equity interest in the acquiree at the acquisition date fair value. The revaluation surplus is transferred to retained earnings upon disposal of the assets. The revaluation reserves of 10.7 million EUR relate to the increase in the fair value of the net assets, as per June 2009, on the previously acquired interest of 50% relating to the Group Fiso (operating segment "Gelatin and Akiolis").

### **Hedging reserves**

The hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedges to the extent the hedged risk has not yet impacted the income statement.

## Reserve for treasury shares

The reserve for the parent company's treasury shares comprises the cost of the parent company's shares held by the group. The group entered in 2012 into a liquidity contract with Exane BNP Paribas. As per December 31, 2013 there were no own shares held by the group (2012: 29,782). The group has ended the liquidity contract in December 2013.

## Dividends

The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of June 3, 2014, not to pay out a dividend for the 2013 financial year.

## Capital Management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Capital consists of the issued capital, share premium and reserves.

The Board of Directors monitors the return on capital and will propose, at the annual shareholders' meeting of June 3, 2014, to suspend the distribution of dividends.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a strong capital position. The gearing ratio (net financial debt divided by net financial debt and equity attributable to the equity holders of the company) at the end of 2013 is 52.3% (2012: 48.3%).

## 22. EARNINGS PER SHARE

### Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

In accordance with IFRS, the basic and diluted earnings per share were adjusted retrospectively for all periods presented, taking into account the issuance of 1 040 386 additional shares as a consequence of the stock dividend (note 21 - Equity).

The weighted average number of ordinary shares and the earnings per share are calculated as follows:

	2013	2012
Number of ordinary shares at January 1	30,662,300	29,531,058
Payment of stock dividend 2011 at July 17, 2012	-	1,085,455
Adjustment following reconciliation difference as published (Belgisch Staatsblad/Moniteur Belge) on March 14, 2013	25,566	-
Payment of stock dividend 2012 at July 16, 2013	1,040,386	1,040,386
<b>Adjusted number of ordinary shares at January 1</b>	<b>31,728,252</b>	<b>31,656,899</b>
Effect of shares issued	15,509	16,226
Effect of own shares <sup>1</sup>	-36,074	-9,533
<b>Adjusted weighted average number of ordinary shares at December 31</b>	<b>31,707,687</b>	<b>31,663,592</b>
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	-64.0	-198.7
<b>Basic earnings per share (in EUR)</b>	<b>-2.02</b>	<b>-6.28</b>

<sup>1</sup> Weighted average of own shares following the liquidity contract. No own shares were held as per December 31, 2013.

## Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the diluted weighted average number of ordinary shares outstanding during the year.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share. In 2013, the potential ordinary shares could not be dilutive for this reason.

The weighted average number of ordinary shares (diluted) and the diluted earnings per share are calculated as follows:

	2013	2012
Adjusted weighted average number of ordinary shares at December 31	31,707,687	31,663,592
Effect of warrants issued	-	-
<b>Diluted weighted average number of ordinary shares at December 31</b>	<b>31,707,687</b>	<b>31,663,592</b>
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	-64.0	-198.7
<b>Diluted earnings per share (in EUR)</b>	<b>-2.02</b>	<b>-6.28</b>

As per December 31, 2013 a total of 1 156 516 warrants were outstanding that were granted to senior management. These warrants could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

## 23. LOANS AND BORROWINGS

(Million EUR)	2013	2012
Non-current loans and borrowings	199.8	275.5
Current loans and borrowings	103.8	68.0
<b>Total loans and borrowings</b>	<b>303.7</b>	<b>343.5</b>
Cash and cash equivalents	-48.9	-34.7
Bank overdrafts	4.1	5.2
<b>Net loans and borrowings</b>	<b>258.9</b>	<b>314.0</b>

The loans and borrowings decreased by 55.1 million EUR to 258.9 million EUR and is mainly explained by the proceeds from sale of disposal groups and non-strategic assets (89.2 million EUR), partly offset by the cash dividend paid to shareholders (-22.2 million EUR).

## Non-current and current loans and borrowings

(Million EUR)	2013	2012
<b>Non-current loans and borrowings</b>		
Lease payables	0.1	0.9
Credit institutions	204.0	280.8
Transaction costs related to loans and borrowings	-4.3	-6.2
<b>Total</b>	<b>199.8</b>	<b>275.5</b>
<b>Current loans and borrowings</b>		
Current portion long term loans and borrowings	2.9	1.8
Lease payable within 1 year	0.5	0.2
Credit institutions and commercial paper	100.4	66.0
<b>Total</b>	<b>103.8</b>	<b>68.0</b>

Terms and debt repayment schedule 2013 of the non-current loans and borrowings:

	2013			
	Total	Rate (%)	Effective rate (%)	Maturity
Credit institutions (private placement)	150.0	5.25 (fixed)	5.72	'15
Credit institutions (syndicated loan)	35.0	1.52 (floating)	-	'16
Credit institutions (Banco Do Brasil SA)	14.7	8.5 (fixed)	-	'15-'22
Credit institutions	4.3	0-5.6 (fixed)	-	'15-'19
Lease payables	0.1	5.8 (fixed)	-	'15-'17
Transaction costs related to loans and borrowings	-4.3			'14-'16
<b>Total</b>	<b>199.8</b>			

Terms and debt repayment schedule 2012 of the non-current loans and borrowings:

	2012			
	Total	Rate (%)	Effective rate (%)	Maturity
Credit institutions (private placement)	150.0	5.25 (fixed)	5.72	'15
Credit institutions (syndicated loan)	105.0	1.44 (floating)	-	'16
Credit institutions (Banco Do Brasil SA)	20.1	8.5 (fixed)	-	'14-'22
Credit institutions	5.7	0-5.6 (fixed)	-	'14-'19
Lease payables	0.9	5.8 (fixed)	-	'14-'17
Transaction costs related to loans and borrowings	-6.2			'13-'16
<b>Total</b>	<b>275.5</b>			

The non-current loans and borrowings include a drawdown of the amended syndicated credit facility for an amount of 35.0 million EUR. The amended syndicated facility was signed in April 2011 for a total aggregate amount of 450.0 million EUR with maturity in April 2016.

The remaining transaction costs related to the original and amended syndicated facility (3.1 million EUR), together with the remaining amount of transaction costs on the private placement (1.2 million EUR) are recorded as a deduction of the non-current amount of loans and borrowings. The transaction costs are being amortized using the effective interest method and the amortization of the period is reported in the finance costs.

In 2010, a FCO loan (Fundos Constitucionais de Financiamento, a state fund) has been granted to the Brazilian subsidiary PB Brasil through Banco Do Brasil SA for the construction of a gelatin factory in Mato Grosso, Brazil. The total amount of the credit equals to 55.8 million BRL, which has been drawn completely. An interest rate of

8.5%, which is linked to the longer duration of the loan, is due on this credit. The assets to be acquired with the financing are serving as guarantee for the loan with Banco Do Brasil SA (note 11 - Property, plant and equipment). In case these assets would not be able to fulfil the liability, Tessenderlo Chemie NV and PB Leiner Argentina SA are acting as second degree guarantor. Repayments on this credit are due as from October 2013 onwards until September 2022. As per December 31, 2013, an amount of 16.6 million EUR is outstanding on the FCO loan.

The group has access to a Belgian commercial paper program of 200.0 million EUR of which 77.3 million EUR was used at the end of December 2013 and is included in current loans and borrowings (December 31, 2012: 38.0 million EUR). These are issued by Tessenderlo Chemie NV, the parent company.

#### **Non-current and current loans and borrowings by currency**

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2013):

(Million EUR)	EUR	BRL	CNY	Other	Total
Current loans and borrowings <sup>1</sup>	79.1	1.9	17.7	5.1	<b>103.8</b>
Non-current loans and borrowings	185.1	14.7	-	0.1	<b>199.8</b>
<b>Total loans and borrowings</b>	<b>264.2</b>	<b>16.6</b>	<b>17.7</b>	<b>5.2</b>	<b>303.7</b>
<b>In percentage of total loans and borrowings</b>	<b>87.01%</b>	<b>5.46%</b>	<b>5.82%</b>	<b>1.71%</b>	<b>100.00%</b>

<sup>1</sup> Part of these loans are denominated in EUR and afterwards swapped in USD (see also note 27 - Financial instruments). The original loan remains in EUR.

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2012):

(Million EUR)	EUR	BRL	CNY	Other	Total
Current loans and borrowings <sup>1</sup>	39.7	0.6	23.2	4.5	<b>68.0</b>
Non-current loans and borrowings	254.1	20.1	-	1.3	<b>275.5</b>
<b>Total loans and borrowings</b>	<b>293.8</b>	<b>20.6</b>	<b>23.2</b>	<b>5.9</b>	<b>343.5</b>
<b>In percentage of total loans and borrowings</b>	<b>85.50%</b>	<b>5.98%</b>	<b>6.76%</b>	<b>1.76%</b>	<b>100.00%</b>

<sup>1</sup> Part of these loans are denominated in EUR and afterwards swapped in GBP and USD (see also note 27 - Financial instruments). The original loan remains in EUR.

#### **Finance leasing**

There are no individual significant finance lease contracts for 2012 and 2013.

## 24. EMPLOYEE BENEFITS

### Impact of revised IAS 19 *Employee Benefits* standard as of January 1, 2013

The group has adopted the revised standard IAS 19 *Employee Benefits* (IAS 19R) as of January 1, 2013. The main changes of this standard are the following:

- actuarial gains and losses are recognized immediately in other comprehensive income; and
- expected return on plan assets recognized in the income statement is calculated based on the rate used to discount the defined benefit obligation.

The impact of IAS 19R on the 2012 consolidated financial statements can be summarized as follows:

(Million EUR)	2012		
	As restated	As reported	Variance
Deferred tax assets	5.8	4.3	1.5
Trade and other receivables	20.8	47.6	-26.8
<b>Total assets</b>	<b>1,263.0</b>	<b>1,288.2</b>	<b>-25.3</b>
Equity	335.5	379.5	-44.0
Employee benefits	50.5	25.6	25.0
Deferred tax liabilities	28.6	34.9	-6.2
<b>Total equity and liabilities</b>	<b>1,263.0</b>	<b>1,288.2</b>	<b>-25.3</b>
<b>Profit (+) / loss (-) from operations before non-recurring items (REBIT)</b>	<b>74.8</b>	<b>75.9</b>	<b>-1.1</b>
Non-recurring income/(expense) items	-238.0	-238.3	0.3
<b>Profit (+) / loss (-) from operations (EBIT)</b>	<b>-163.3</b>	<b>-162.5</b>	<b>-0.8</b>
Finance costs - net	-24.5	-24.3	-0.2
<b>Profit (+) / loss (-) before tax</b>	<b>-180.5</b>	<b>-179.5</b>	<b>-1.0</b>
Income tax expense	-17.9	-18.0	0.2
<b>Profit (+) / loss (-) for the period</b>	<b>-198.4</b>	<b>-197.5</b>	<b>-0.8</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-6.7	-6.7	-
Other comprehensive income not being classified to profit or loss in subsequent periods	-22.4	5.1	-27.5
<b>Other comprehensive income for the period, net of income tax</b>	<b>-29.0</b>	<b>-1.7</b>	<b>-27.5</b>

The impact of the IAS 19R on the 2012 basic and diluted earnings per share is an additional loss of 0.03 EUR per share.

The impact of the IAS 19R on the 2012 opening balance of assets and liabilities related to employee benefit schemes amounted to -15.3 million EUR and -2.1 million EUR respectively, excluding deferred tax effect.

### Employee benefits as of December 31, 2013

The provisions for employee benefits recognized in the balance sheet are as follows:

(Million EUR)	2013				2012			
	Early retirement provision	Defined benefit liability	Other employee benefits	Total	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Non-Current	4.7	35.7	1.2	41.6	8.0	42.6	-	50.5
Current	1.4	-	0.0	1.4	-	-	-	-
<b>Total</b>	<b>6.2</b>	<b>35.7</b>	<b>1.2</b>	<b>43.1</b>	<b>8.0</b>	<b>42.6</b>	<b>-</b>	<b>50.5</b>

(Million EUR)	2013			
	Early retirement provision	Defined benefit liability	Other employee benefits	Total
<b>Balance at January 1, 2013</b>	<b>8.0</b>	<b>42.6</b>	<b>0.0</b>	<b>50.5</b>
Additions	0.9	7.1	0.3	8.3
Use of provision	-1.8	-0.4	-0.4	-2.5
Reversal of provisions	-	-13.7	-0.2	-13.9
Transfers	-0.9	-	1.5	0.6
<b>Balance at December 31, 2013</b>	<b>6.2</b>	<b>35.7</b>	<b>1.2</b>	<b>43.1</b>

The provisions for other employee benefits include long-service benefits (e.g. medal of honor of labor, jubilee premiums, ...). The provisions represent the net present value of the obligations. These provisions were previously presented as part of other provisions and were transferred to the other employee benefits in the course of 2013.

As from January 1, 2014 the defined benefit pension plans in the Netherlands (subsidiaries Dyka BV, Nyloplast Europe BV and Tessenderlo Chemie Rotterdam BV) will form part of a sector pension fund and will, as a consequence thereof, be accounted for as defined contribution plans. The past obligation of these plans is fully financed and therefore the net liability is set equal to zero as per December 31, 2013.

## General description of the type of plan

### • Employee Benefits

These liabilities are recorded to cover the post employment benefits and cover the pension plans and other benefits in accordance with local practices and conditions, following an actuarial calculation taking into account the financing of insurance companies and other pension funds. The most important pension plans are located in Belgium, the Netherlands, the United Kingdom and Germany.

### • Defined contribution pension plans

The defined contribution pension plans are plans for which the group pays pre-determined contributions to a legal entity or a separate fund, in accordance with the settings of the plans. The group's legal or constructive obligation is limited to the amount contributed. The contributions are recognized as an expense in the income statement as incurred and are included in note 7 - Payroll and related benefits.

All defined contribution plans in Belgium are legally subject to a minimum guaranteed return. If the legal minimum guaranteed return is sufficiently covered, the group has no obligation to pay further contributions than those that are recognized as an expense in the income statement as incurred. In that case, these pension plans are also accounted for as defined contribution plans. The group determined the liability of these Belgian plans in line with IAS 19 methodology, taking into account the past contributions paid into the plan. Currently the level of the liability relating to the minimum guarantee of these plans is fully covered by the assets held for these plans (contributions in 2013 amounted to 0.8 million EUR; total assets amounted to 3.9 million EUR as per year end 2013).

### • Defined benefit pension plans

The defined benefit pension plans provide benefits related to the level of salaries and the years of service. These plans are financed externally by pension funds or insurance companies. Independent actuaries perform an actuarial valuation on a regular basis.

The defined benefit pension plans in Belgium are all final salary pension plans which provide benefits to members in the form of a guaranteed pension capital (payable either as capital or pension for life). These plans are covered

by a trustee administered pension fund and group insurance contracts. The level of benefits provided depends on members' length of service and the average salary in the final 3 years leading up to retirement, or the average salary of the best 3 consecutive years, if higher.

The death in service benefits offered under the Belgian plan, covered by a pension fund, are not included in the valuation of the pension obligation. The group considers the death in service benefits as an insured benefit, as they are reinsured externally and the pension fund pays risk premiums to the insurance company. The death in service benefits are not linked to service of the plan participants.

The UK and German pension plans are final salary pension plans providing a guaranteed pension payable for life. The UK plan is covered by a trustee administered pension fund and the German plan is covered by recognized provisions in the consolidated statement of financial position.

For the UK and Belgian plans covered by trustee administered pension funds, the board of trustees must consist of representatives of the company and plan participants in accordance with the plan regulations. The governance responsibility for these plans rests with the board of trustees.

Through its defined benefit pension plans, the group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility: The group performs on a regular basis asset-liability studies for the trustee administered pension funds to ensure an accurate match between plan assets and liabilities. The plans hold significant investments in investment funds, which include quoted equity shares, and are thus exposed to equity market risks.
- Inflation, interest rate and life expectancy: The pensions in most of the plans are linked to inflation, therefore the pension plans are exposed to risks linked to inflation, interest rate and life expectancy of pensioners.

The group considers all defined benefit pension plans as having similar characteristics and risks.

## Defined benefit pension plans

The amounts recognized in the statement of financial position are as follows:

(Million EUR)	note	2013	2012
Present value of wholly funded obligations		-139.1	-33.4
Present value of partially funded obligations		-74.6	-182.7
Present value of wholly unfunded obligations		-17.8	-20.2
Total present value of obligations		-231.5	-236.2
Fair value of plan assets		204.0	197.4
<b>Net defined benefit (liability)/asset</b>		<b>-27.6</b>	<b>-38.8</b>
Amounts in the statement of financial position:			
Liabilities		-35.7	-42.6
Liabilities associated with assets classified as held for sale		-	-2.6
Assets	17	8.1	6.2
<b>Net defined benefit (liability)/asset</b>		<b>-27.6</b>	<b>-38.8</b>



The following table shows a reconciliation of the net defined benefit (liability)/asset and its components.

(Million EUR)	2013			2012		
	Present value of obligations	Fair value of plan assets	Net defined benefit (liability)/asset	Present value of obligations	Fair value of plan assets	Net defined benefit (liability)/asset
<b>Balance at January 1</b>	<b>-236.2</b>	<b>197.4</b>	<b>-38.8</b>	<b>-181.1</b>	<b>169.5</b>	<b>-11.6</b>
<b>Included in profit or loss</b>						
Current service cost	-8.2	-	-8.2	-5.8	0.0	-5.8
Current service cost - Employee contribution	-	1.0	1.0	-	1.1	1.1
Interest (cost) / income	-8.2	7.1	-1.1	-9.1	8.8	-0.2
Curtailement (cost)/benefit	0.3	-	0.3	1.4	-	1.4
Administrative expenses	-	-0.5	-0.5	-	-0.7	-0.7
Impact transfer Dutch pension plans to sector fund	10.8	-	10.8	-	-	-
	<b>-5.3</b>	<b>7.6</b>	<b>2.3</b>	<b>-13.5</b>	<b>9.2</b>	<b>-4.3</b>
<b>Included in other comprehensive income</b>						
Remeasurements:						
- Gain/(loss) from change in demographic assumptions	-0.8	-	-0.8	-0.5	17.1	16.6
- Gain/(loss) from change in financial assumptions	-2.8	-	-2.8	-46.5	-	-46.5
- Experience gains/(losses)	3.2	0.2	3.4	-3.4	-	-3.4
	<b>-0.5</b>	<b>0.2</b>	<b>-0.3</b>	<b>-50.4</b>	<b>17.1</b>	<b>-33.3</b>
<b>Other</b>						
Exchange differences on foreign plans	0.8	-0.9	-0.1	-0.6	0.8	0.1
Contributions by employer	-	6.7	6.7	-	7.4	7.4
Benefits paid	7.0	-7.0	0.0	6.5	-6.5	0.0
Change in consolidation scope	2.6	-	2.6	2.9	-	2.9
	<b>10.5</b>	<b>-1.3</b>	<b>9.2</b>	<b>8.7</b>	<b>1.7</b>	<b>10.4</b>
<b>Balance at December 31</b>	<b>-231.5</b>	<b>204.0</b>	<b>-27.6</b>	<b>-236.2</b>	<b>197.4</b>	<b>-38.8</b>

The curtailment benefit of 2012 (1.4 million EUR) related to the gain following the restructuring within Dyka BV. The curtailment benefit of 2013 relates to the gain following the restructuring within PC Loos (0.3 million EUR).

The defined benefit pension plans in the Netherlands are accounted for as defined contributions plans as of January 1, 2014. Considering that the past obligations of these plans are fully financed, the net pension liability is set to zero (being defined benefit obligation equal to pension assets for an amount of 104.8 million EUR). This resulted in a non-recurring gain of 10.8 million EUR.

The net periodic pension cost is included in the following line items of the income statement:

(Million EUR)	2013	2012
Cost of sales	-3.2	-4.0
Distribution expenses	-0.9	0.1
Sales and marketing expenses	-0.7	-0.7
Administrative expenses	-1.9	-0.9
Other operating income/(expenses)	-1.0	-
Finance costs - net	-1.1	-0.2
Non-recurring income/(expense) items	11.1	1.3
<b>Total</b>	<b>2.3</b>	<b>-4.3</b>

The non-recurring income/(expense) items in 2013 include a curtailment benefit (0.3 million EUR) and the impact of the transfer of the Dutch pension plans to a sector fund (10.8 million EUR).

The actual return on plan assets in 2013 was 7.3 million EUR (2012: 25.9 million EUR).

The group expects to contribute 2.9 million EUR to its defined benefit pension plans in 2014.

The fair value of the major categories of plan assets is as follows:

(Million EUR)	2013				2012			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Property	-	4.1	4.1	2.0%	-	4.1	4.1	2.1%
Qualifying insurance policies	-	113.9	113.9	55.8%	-	114.7	114.7	58.1%
Cash and cash equivalents	-	4.5	4.5	2.2%	-	4.2	4.2	2.1%
Investment funds	81.5	-	81.5	39.9%	74.4	-	74.4	37.7%
<b>Total</b>	<b>81.5</b>	<b>122.5</b>	<b>204.0</b>	<b>100.0%</b>	<b>74.4</b>	<b>123.0</b>	<b>197.4</b>	<b>100.0%</b>

The plan assets include no property occupied by the group and no shares of the parent company nor of subsidiaries.

The investment funds consist of a portfolio of investments in equity, fixed interest investments and other financial assets. This diversification reduces the portfolio risk to a minimum.

The principal actuarial assumptions used in determining pension benefit obligations for the group's plans at the balance sheet date (expressed as weighted averages) are:

	2013	2012
Discount rate at December 31	3.5%	3.5%
Future salary increases	2.0%	2.5%
Inflation	2.2%	2.1%

Assumptions regarding future mortality are based on published statistics and mortality tables, and are the following:

	Mortality table
Belgium	MR/FR - 3
United Kingdom	Non Pensioners: S1PXA CMI 2011 1% trend from 2003. Pensioners: 90% S1PMA/80% S1PFA CMI 2011 1% trend from 2008
Germany	© RICHTTAFELN 2005 G von Klaus Heubeck - Lizenz Heubeck-Richttafel-GmbH, Köln

For the UK and Belgian plans covered by trustee administered pension funds, an asset-liability matching exercise is performed at least every 3 years, in line with the Statements of Investment Principles (SIP) of the funds. The trustees ensure that the investment strategy as outlined in the SIP is in line with the assets and liabilities management (ALM) strategy and is closely followed by the investment managers.

For the UK plan the next triennial funding valuation will be completed as at January 1, 2015. For the Belgian plan a funding valuation is completed every year. The group doesn't expect the regular contributions to increase significantly.

The weighted average duration of the defined benefit obligation is 12.8 years for the pension plans in the euro zone. The duration of the UK pension plan is 20.0 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions, as per December 31, 2013, is:

	Change in assumption	Impact on defined benefit obligation	Change in assumption	Impact on defined benefit obligation
Discount rate	+0.5%	-3.9%	-0.5%	4.4%
Salary growth rate	+0.5%	2.4%	-0.5%	-2.2%
Pension growth/inflation rate	+0.5%	2.8%	-0.5%	-2.7%
Life expectancy	+ 1 year	1.0%	- 1 year	-0.8%

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions stable. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Considering that the above assumptions will not have an impact anymore on the pension plans in the Netherlands, the defined benefit obligation of these plans is kept stable in the sensitivity analysis.

## Share-based payments

A warrant plan has been created in order to increase the loyalty and motivation of the group's senior management. The plan gives senior management the opportunity to accept warrants which gives them the right to subscribe to shares. The Board of Directors determines annually the list of beneficiaries. There exist no conditions on the number of years of service, however the beneficiaries may not have resigned or been dismissed (and serving their notice), except for persons who retire or take pre-retirement. The Appointment and Remuneration Committee allocates the warrants granted to the beneficiaries based on performance.

The exercise price of the warrant equals the lower of the average market price of the underlying shares in the 30 trading days preceding the offer date or the market price on the last day preceding the offer date. For American residents, the exercise price equals the price of the normal shares of Tessenderlo Chemie NV at the stock exchange closing on the day itself of the offer.

The following table gives an overview of the granted warrants at December 31, 2013.

Allocation date	Last exercise date	Average exercise price	Number of outstanding warrants
November '03	July '15	26.45	8,600
November '04	July '16	31.69	30,200
November '05	July '17	27.11	30,200
November '06	July '18	30.02	57,120
January '08	December '17	43.10	84,825
January '10	December '14	22.47	178,339
December '10	December '15	24.09	279,499
December '11	December '16	21.78	337,733
January '13	December '19	22.13	150,000
<b>Total</b>			<b>1,156,516</b>

Following the Economic Recovery law (Economische Herstelwet) of March 27, 2009, published in the Belgian Official Journal of April 7, 2009, the duration of the warrants of the allocation period 2003-2008 was prolonged with 5 years in 2009.

IFRS 2 *Share-based payment* requires share based payments made to employees to be recognized in the financial statements based on the fair value of the warrants measured at grant date.

On November 14, 2012, the Board of Directors decided to offer a new emission of warrants, which had to be accepted by their beneficiaries ultimately by January 12, 2013. On January 12, 2013, 150 000 warrants were accepted by senior management with an average exercise price of 22.13 EUR. The cost of these warrants was determined using the Black & Scholes valuation model and was recognized in 2013 (0.8 million EUR). No new offering of warrants to the group's senior management took place in 2013.

The weighted average fair value of the warrants and assumptions used in the measurement of the warrants are:

	2013
Fair value of warrants (EUR)	5.1
Share price (EUR)	24.70
Exercise price (EUR)	22.13
Expected volatility	34.03%
Expected option life (years)	5.25
Expected dividend yield	5.40%
Risk free interest rate	1.85%

The volatility is based on the 4 to 7-year weekly average volatility of Tessenderlo Chemie NV shares.

The number and weighted average exercise price of share warrants is as follows:

	2013		2012	
	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
Outstanding at the beginning of the period	25.02	1,143,469	25.13	1,174,389
Forfeited during the period	22.93	136,953	29.23	30,420
Exercised during the period	-	-	23.08	500
Granted during the period	22.13	150,000	-	-
Outstanding at the end of the period	24.89	1,156,516	25.02	1,143,469
Exercisable at the end of the period	29.24	389,284	30.57	333,695

As per year-end 2013, 389 284 warrants are exercisable at an average exercise price of 29.24 EUR (the actual exercise price being between 22.47 EUR and 43.10 EUR). As per year-end 2012, 333 695 warrants were exercisable at an average exercise price of 30.57 EUR (the actual exercise price being between 22.87 EUR and 43.10 EUR).

The weighted average remaining contractual life of the warrants outstanding as per December 31, 2013 is 3.0 years (2012: 3.2 years).

## 25. PROVISIONS

(Million EUR)	2013			2012		
	Current	Non-Current	Total	Current	Non-Current	Total
Environment	5.1	100.9	106.0	4.2	104.0	108.2
Dismantlement	-	18.9	18.9	-	17.8	17.8
Restructuring	14.2	17.7	31.8	10.4	2.7	13.1
Other	6.9	9.6	16.5	8.5	5.3	13.8
<b>Total</b>	<b>26.2</b>	<b>147.1</b>	<b>173.3</b>	<b>23.1</b>	<b>129.7</b>	<b>152.8</b>

	Environment	Dismantlement	Restructuring	Other	Total
<b>Balance at January 1, 2013</b>	<b>108.2</b>	<b>17.8</b>	<b>13.1</b>	<b>13.8</b>	<b>152.8</b>
Change in consolidation scope	-	-	-	-0.7	-0.7
Additions	0.0	1.1	28.4	12.8	42.3
Use of provisions	-2.7	0.0	-9.5	-4.9	-17.2
Reversal of provisions	0.0	-	-0.1	-3.8	-3.9
Effect of discounting	0.5	-	-	-	0.5
Other movements	-	0.0	-	-0.6	-0.6
<b>Balance at December 31, 2013</b>	<b>106.0</b>	<b>18.9</b>	<b>31.8</b>	<b>16.5</b>	<b>173.3</b>

The environmental provisions for an amount of 106.0 million EUR, mainly relate to environmental provisions to cover the cost for the remediation of historical soil and ground contamination of the factory sites in Ham (Belgium), Loos (France), Tessenderlo (Belgium) and Vilvoorde (Belgium).

- The group announced in 2012 a multi-year environmental improvement plan to manage the historical soil pollution at the Loos site in France. A reliable estimate of the outflow of resources to settle this constructive obligation was made. The total environmental provision recognized by PC Loos SAS

amounts to 23.0 million EUR as per December 31, 2013. This amount reflects the discounted value of the expected future cash out of the remediation plan spread over the period 2014-2022. The discount rate, derived from the yield curve of French government bonds at year end, varied between 0.20% and 2.10%.

- In 2012, Tessenderlo Chemie NV and OVAM (Openbare Vlaamse afvalstoffenmaatschappij; Public Waste Agency of Flanders) agreed to elaborate soil investigations and remediation for the Belgian sites in Ham, Tessenderlo and Vilvoorde. The objective of this agreement was to determine a timing for the execution of descriptive soil investigations and to create a framework to prioritize and to monitor the execution of the needed soil remediation. Based on continued analysis and progressing knowledge on the potential exposure of the company, a reliable estimate of the amount of outflow of resources to settle this obligation was made. The total environmental provision recognized by Tessenderlo Chemie NV amounts to 82.8 million EUR as per December 31, 2013. This amount reflects the discounted value of the expected future cash out of the remediation plans spread over the period 2014-2053. The discount rate, derived from the yield curve of Belgian government bonds at year end, varied between 0.19% and 3.52%.

The effect of unwinding the discount amounts to -2.0 million EUR in 2013 and is recognized in the net finance costs. This increase is partly offset due to an increase of the discount rate and resulted in a non-recurring gain of 1.5 million EUR.

The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date.

In France, some facilities operated by the group are subject to regulations pertaining to environmentally regulated facilities (Classified Facilities for the Protection of the Environment "ICPE"). This legislation requires to dismantle the classified facilities. The dismantlement provision is included in the cost basis of the related property, plant and equipment, which cost is depreciated accordingly. The total provision recognized on those French facilities amounts to 17.7 million EUR as per December 31, 2013 (2012: 16.9 million EUR). The amounts recognized are based on an internal assessment and on the gross book value of the related assets. They reflect management's best estimate of the expected expenditures. The expected timing of the cash outflow is not yet known. However, no cash outflow is expected to take place within the foreseeable future.

The addition of 28.4 million EUR to the restructuring provisions, included in the non-recurring items (note 6 - Non-recurring income/(expense) items), mainly relates to:

- The restructuring of the site in Ham (Belgium) (operating segment "Inorganics"). The phosphate production in Ham was closed at the end of 2013, mainly for environmental reasons. In addition, fundamental improvements in efficiency were required in the potassium sulfate fertilizer unit, due to sharply increased competitive pressures and rising costs. A restructuring provision was recognized to cover the costs associated with the closure, including also employee termination benefits, which were based on the terms of the relevant contracts. The timing of the estimated cash outflow is mainly expected in 2014 and 2015.
- The termination of operating agreements within "Other Businesses". A restructuring provision was recognized to cover the costs, in accordance with the termination clause of the operating agreement. The timing of the estimated cash outflow is mainly expected in 2015.
- A restructuring within Akiolis (operating segment "Gelatin and Akiolis"), which was decided upon following the lower volumes and increased competitive intensity on the French market. A restructuring provision was recognized to cover the costs associated with the closure, including also employee termination benefits, which were based on the terms of the relevant contracts. The timing of the estimated cash outflow is expected in 2014.
- A restructuring within Dyka BV, a Dutch manufacturer of Plastic Pipe Systems. As a result of a structural decline in the Dutch construction activity, further measures were taken in addition to the ongoing reorganization which was announced in December 2012. An additional restructuring provision was recognized to cover the costs, including also employee termination benefits which were based on the terms of the relevant contracts. The timing of the estimated cash outflow is expected within one year.

The use of the restructuring provisions, for which an expenditure of 9.5 million EUR was charged in 2013 against the recognized provisions, mainly relates to the reorganization in the Netherlands ("Plastic Pipe Systems and Profiles", announced in 2012), the closure of production units at the Loos site in France ("Inorganics", announced in 2012) and the restructuring within Akiolis in France ("Gelatin and Akiolis", announced in 2013).

The restructuring provisions recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date.

The other provisions include provisions for onerous lease contracts, tax contingencies, estimated future costs and indemnities related to sold subsidiaries and disposal groups classified as held for sale and several, individually less significant amounts. For the onerous lease contracts, the expected timing of the cash outflows is within the period 2014-2016, while for the other provisions this timing is unknown.

No assets have been recognized as all expected reimbursements, if any, are deemed immaterial (e.g. resulting from the execution of environmental and dismantlement plans).

## 26. TRADE AND OTHER PAYABLES

(Million EUR)	2013	2012
<b>Non-current trade and other payables</b>		
Other amounts payable	0.5	1.8
<b>Total</b>	<b>0.5</b>	<b>1.8</b>
<b>Current trade and other payables</b>		
Trade payables	173.1	196.9
Remuneration and social security	49.6	53.6
VAT and other taxes	13.3	16.8
Accrued charges and deferred income	6.6	6.8
Trade and other payables from related parties	1.7	1.8
Other amounts payable	13.1	14.8
<b>Total</b>	<b>257.3</b>	<b>290.6</b>

The 2012 figures included current trade payables (23.7 million EUR), remuneration and social security (2.6 million EUR), VAT and other taxes (3.0 million EUR), accrued charges and deferred income (1.7 million EUR), contributed by the sold subsidiaries of Eurocell and the entities included in the Aliphos phosphates disposal group.

## 27. FINANCIAL INSTRUMENTS

Exposure to foreign currency, credit and interest rate risk arises in the normal course of the group's business. Derivative financial instruments are used to reduce the exposure to fluctuations in foreign exchange rates or are used to swap floating interest rates to fixed interest rates. Derivative financial instruments which are used by the group include cross currency interest rate swaps, interest rate swaps and foreign currency swaps.

### Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group incurs foreign currency risks on sales, purchases, investments and borrowings that are denominated in a currency other than the company's functional currency. The currencies giving rise to this risk are primarily USD, GBP, PLN, HUF, CNY, ARS and BRL.

Subsidiaries are required to submit information on their net foreign exchange positions when invoiced (customers, suppliers) to Tessenderlo Chemie NV, the parent company. All the positions are netted at the level of Tessenderlo Chemie NV and the net positions (long/short), are then sold or bought on the market.

The main management tools are the spot purchases and sales of currencies followed by currency swaps.

Group borrowings are generally carried out by the group's holding and finance companies, which make the proceeds of these borrowings available to the operating entities.

In principle, operating entities are financed in their own local currency, this local currency being obtained, where appropriate, by currency swaps against the currency held by Tessengerlo Chemie NV. In that way, there is no exchange risk either in the financing companies or in the companies finally using the funds. The cost of these currency swaps is included in the finance costs.

In emerging countries, it is not always possible to borrow in local currency because local financial markets are too narrow, or funds are not available or because the financial conditions are too onerous. Those amounts are relatively small for the group.

The group's exposure to foreign currency risk was as follows based on nominal amounts (for the exchange rates used, please refer to note 1 - Summary of significant accounting policies):

(Million EUR)	2013			2012		
	EUR	USD	GBP	EUR	USD	GBP
Assets	10.3	559.3	6.2	14.2	337.2	64.5
Liabilities	-27.7	-45.7	-3.0	-24.5	-51.6	-8.9
<b>Gross exposure</b>	<b>-17.4</b>	<b>513.5</b>	<b>3.2</b>	<b>-10.3</b>	<b>285.5</b>	<b>55.6</b>
Foreign currency swaps	3.5	-318.0	-3.0	2.3	-290.5	-57.5
<b>Net exposure</b>	<b>-13.9</b>	<b>195.5</b>	<b>0.2</b>	<b>-8.0</b>	<b>-5.0</b>	<b>-1.9</b>
<b>Net exposure (in EUR)</b>	<b>-13.9</b>	<b>141.8</b>	<b>0.2</b>	<b>-8.0</b>	<b>-3.7</b>	<b>-2.3</b>

The remaining USD net exposure is mainly due to an intercompany loan of 200.0 million USD, which was not hedged. Since the USD equity exposure is negative for a similar amount, foreign exchange gains or losses in the income statement will be compensated by an opposite movement in equity through a change in the translation reserves.

If the euro had strengthened or weakened by 10% against following currencies with all other variables being held constant, the impact on equity and post-tax profit for the year (only taking into account subsidiaries having a functional currency other than EUR) would have been as follows:

(Million EUR)	Change in rate	Impact on the income statement: loss(-)/gain(+)	Impact on equity: loss(-)/ gain(+)
<b>At December 31, 2013</b>			
USD	+10%	-3.9	12.1
	-10%	4.7	-14.7
GBP	+10%	1.1	-3.3
	-10%	-1.3	4.0
<b>At December 31, 2012</b>			
USD	+10%	-4.8	-2.1
	-10%	5.9	2.6
GBP	+10%	1.6	-2.2
	-10%	-2.0	2.6

## Credit risk

The group is highly risk averse. In its strategy to increase the stakeholder value, the group aims at a dynamic corporate portfolio management to develop new markets in full confidence: group exposure, asset quality, portfolio diversification are considered together with the maximization of market shares, which requires efficient processes, cost effective payment default protection and best customer relationship management practices.



The group keeps on focusing especially on its relationships of confidence with long term partners. For large exposures with open account terms, an internal credit committee is organized, on request by group corporate finance. This committee, which is attended by the group credit manager, the business unit director and the business unit controller, assesses the risk and decides about the acceptable level of exposure. Special and legitimate attention is given to new relationships, for which, if necessary, secured payment methods are used. The credit committee minutes and decisions are signed by the business unit director and the group credit manager and audited by internal control.

A group credit policy, the use of credit insurance where possible, a quick and consistent credit decision process, appropriate payment terms guidelines, an efficient collection tool and an accurate risk mitigation tool are used to accelerate the cash flow, to minimize bad debts and to increase sales. An in-house scoring model aims at defining, with the use of sector-based benchmarks, the portfolio in term of risks through an analysis of performance indicators and the financial structure.

The group also uses factoring and securitization facilities, on a non-recourse basis, which provide additional sources of funding together with a risk mitigation tool.

When a risk cannot be assessed or when it is too high, the group resorts to prepayments or other forms of guarantees.

At December 31, 2013, no significant concentration of credit risk existed. The liquidities available at the end of the year are deposited at very short term at international high rated banks.

The maximum exposure to credit risk amounts to 268.3 million EUR as per December 31, 2013 (2012: 294.2 million EUR). This amount consists of current and non-current trade and other receivables (211.2 million EUR, note 17), derivative financial instruments (8.3 million EUR) and cash and cash equivalents (48.9 million EUR, note 19).

The maximum exposure to credit risk for trade receivables at the reporting date by operating segment was (see also note 17 - Trade and other receivables):

(Million EUR)	2013	2012
Tessengerlo Kerley	21.1	29.4
Gelatin and Akiolis	53.3	75.0
Inorganics	25.6	29.5
Plastic Pipe Systems and Profiles	25.7	44.0
Other Businesses	12.5	12.3
Non-allocated	3.8	4.4
<b>Total</b>	<b>142.0</b>	<b>194.6</b>

The ageing of trade receivables at the reporting date was:

(Million EUR)	2013		2012	
	Gross	Amounts written off	Gross	Amounts written off
Not past due	95.2	-0.8	140.3	-0.9
Past due 0-30 days	37.4	-0.1	48.7	-1.3
Past due 31-120 days	7.1	0.0	5.6	-0.4
Past due 121-365 days	4.6	-1.8	4.9	-2.5
More than one year	6.0	-5.5	4.1	-4.1
<b>Total</b>	<b>150.3</b>	<b>-8.3</b>	<b>203.6</b>	<b>-9.0</b>

The group estimates that the unimpaired amounts that are past due are still collectible, based on historic payment behaviour and extensive analysis of customer credit risk.

Based on the group's monitoring of customer credit risk, the group estimates that, except for the amounts mentioned in the table above, no impairment allowance is necessary in respect of trade receivables not past due.

The movement in the allowance for impairment in respect to trade receivables during the year was as follows:

(Million EUR)	note	2013	2012
<b>Balance at January 1</b>		<b>-9.0</b>	<b>-11.5</b>
Change in consolidation scope		1.9	1.5
Impairment loss recognized		-1.9	-1.4
Reversal of impairment loss		-	0.1
Other movements		0.7	2.3
<b>Balance at December 31</b>	17	<b>-8.3</b>	<b>-9.0</b>

## Interest risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets, liabilities and instruments.

At the reporting date, the interest rate exposure of the group's interest-bearing financial instruments was:

(Million EUR)	note	2013	2012
<b>Fixed rate instruments</b>			
Financial assets	19	0.2	2.0
Loans and borrowings	23	173.0	184.3
<b>Variable rate instruments</b>			
Financial assets	19	48.7	32.7
Loans and borrowings	23	139.0	170.6

The group uses different hedging instruments after Board of Directors approval:

- cross currency interest rate swaps (CCIRS) for USD debt hedging.
- interest rate swaps (IRS) for the interest rate risk on the USD debt hedging.

An increase (decrease) of 100 basis points in interest rates at the reporting date would have a negative (positive) impact on profit and loss of 1.2 million EUR (2012: 0.8 million EUR). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

## Liquidity Risk

The group will be able to meet its financial obligations as they fall due. The group's approach to manage liquidity is to ensure that the group will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

In order to limit this risk, the group took a series of actions:

- set up of a factoring program at the end of 2009 and a securitization program in 2013.
- the launch of a private placement with a maturity of 5 years in October 2010 (150.0 million EUR).
- the set up of a Brazilian loan with a duration of 12 years for 55.8 million BRL in October 2010 (of which 16.6 million EUR remains outstanding as per December 31, 2013).

- amendment in April 2011 of the syndicated credit facility (signed in 2010) in order to increase the maturity of the facility from 3 to 5 years, with more flexibility for the businesses (total amount of 450.0 million EUR).

In addition, the group uses a commercial paper program of maximum 200.0 million EUR.

The group establishes forecasts on a regular base on short and longer term in order to be able to adapt financial means to forecasted needs.

The following are the contractual maturities of loans and borrowings, including interest payments and excluding the impact of netting agreements.

(Million EUR)	2013				
	Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
<b>Non-derivative loans and borrowings</b>					
Credit institutions (private placement)	150.0	165.8	7.9	157.9	-
Non amortized cost (private placement)	-1.2	-	-	-	-
Credit institutions (syndicated loan)	35.0	35.0	35.0	-	-
Non amortized cost (syndicated loan)	-3.1	-	-	-	-
Credit institutions (commercial paper)	77.3	77.3	77.3	-	-
Credit institutions (Banco Do Brasil SA)	16.6	23.5	3.3	14.1	6.1
Credit institutions	28.5	31.1	25.6	5.5	-
Bank overdrafts	4.1	4.1	4.1	-	-
Finance lease liabilities	0.6	0.6	0.5	0.1	-
<b>Total</b>	<b>307.8</b>	<b>337.4</b>	<b>153.8</b>	<b>177.6</b>	<b>6.1</b>
<b>Derivatives</b>					
Foreign currency swaps	2.3				
Inflow		171.1	171.1	-	-
Outflow		-168.8	-168.8	-	-
Interest rate swaps	-0.2				
Inflow		0.0	0.0	-	-
Outflow		-0.2	-0.2	-	-
Cross currency interest rate swaps	0.8				
Inflow		76.0	3.7	72.4	-
Outflow		-75.8	-3.4	-72.3	-
<b>Total</b>	<b>2.9</b>	<b>2.3</b>	<b>2.3</b>	<b>0.1</b>	<b>0.0</b>

(Million EUR)	2012				
	Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
<b>Non-derivative loans and borrowings</b>					
Credit institutions (private placement)	150.0	173.6	7.9	165.8	-
Non amortized cost (private placement)	-1.8	-	-	-	-
Credit institutions (syndicated loan)	105.0	105.2	0.2	105.0	-
Non amortized cost (syndicated loan)	-4.4	-	-	-	-
Credit institutions (commercial paper)	38.0	38.0	38.0	-	-
Credit institutions (Banco Do Brasil SA)	20.6	30.3	2.3	14.6	13.4
Credit institutions	35.1	36.5	26.9	6.2	3.3
Bank overdrafts	5.2	5.2	5.2	-	-
Finance lease liabilities	1.1	1.2	0.2	1.0	-
<b>Total</b>	<b>348.7</b>	<b>390.0</b>	<b>80.7</b>	<b>292.6</b>	<b>16.7</b>
<b>Derivatives</b>					
Foreign currency swaps	0.9				
Inflow		157.9	157.9	-	-
Outflow		-157.1	-157.1	-	-
Interest rate swaps	-0.4				
Inflow		0.0	0.0	-	-
Outflow		-0.4	-0.4	-	-
Cross currency interest rate swaps	-6.1				
Inflow		148.3	6.8	141.4	-
Outflow		-157.0	-7.1	-149.9	-
<b>Total</b>	<b>-5.6</b>	<b>-10.0</b>	<b>-1.5</b>	<b>-8.5</b>	<b>0.0</b>

## Estimation of fair value of financial assets and liabilities

The fair value of non-derivative loans and borrowings is calculated based on the net present value of future principal and interest cash flows discounted at market rate. These are based on market inputs from reliable financial information providers. Therefore, the fair value of the fixed interest-bearing loans and borrowings is within level 2 of the fair value hierarchy.

The fair value of the non-current loans and borrowings measured at amortised cost in the statement of financial position as per December 31, 2013 is presented below:

(Million EUR)	note	2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Non-current loans and borrowings</b>					
Leasing payables	23	-0.1	-0.1	-0.9	-0.9
Credit institutions	23	-204.0	-211.5	-280.8	-283.1
Transaction costs related to loans and borrowings	23	4.3	4.3	6.2	6.2
<b>Total</b>	<b>23</b>	<b>-199.8</b>	<b>-207.3</b>	<b>-275.5</b>	<b>-277.8</b>

The fair value of the following financial assets and liabilities approximates their carrying amount:

- Trade and other receivables
- Other investments
- Cash and cash equivalents
- Current loans and borrowings
- Trade and other payables
- Assets and liabilities within “Non-current assets classified as held for sale” and “Liabilities associated with assets classified as held for sale”

## Fair value of financial assets and liabilities

The following table shows the carrying amounts of derivative financial instruments measured at fair value in the statement of financial position including their levels in the fair value hierarchy:

(Million EUR)	2013							
	Carrying amount balance sheet				Fair value hierarchy			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Level 1	Level 2	Level 3	Total
Foreign currency swaps	2.3	-	-	-	-	2.3	-	2.3
Cross currency interest rate swaps	-	0.8	-	-	-	0.8	-	0.8
Interest rate swaps	-	-	-	-0.2	-	-0.2	-	-0.2
Electricity forward contracts	2.3	2.9	-7.6	-10.7	-	-	-13.2	-13.2
<b>Total</b>	<b>4.6</b>	<b>3.7</b>	<b>-7.6</b>	<b>-10.9</b>	<b>-</b>	<b>2.9</b>	<b>-13.2</b>	<b>-10.3</b>

(Million EUR)	2012							
	Carrying amount balance sheet				Fair value hierarchy			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Level 1	Level 2	Level 3	Total
Foreign currency swaps	0.9	-	-	-	-	0.9	-	0.9
Cross currency interest rate swaps	-	-	-	-6.1	-	-6.1	-	-6.1
Interest rate swaps	-	-	-	-0.4	-	-0.4	-	-0.4
<b>Total</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	<b>-6.5</b>	<b>-</b>	<b>-5.6</b>	<b>-</b>	<b>-5.6</b>

### • Derivative financial instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of forward contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate.

The fair value of these instruments generally reflects the estimated amounts that the group would receive on settlement of favourable contracts or be required to pay to terminate unfavourable contracts at the reporting date, and thereby takes into account the current unrealized gains or losses on open contracts.

The following table indicates the fair values of all outstanding derivative financial instruments at year-end:

(Million EUR)	2013		2012	
	Contractual amount	Fair value	Contractual amount	Fair value
Foreign currency swaps	171.1	2.3	157.9	0.9
Cross currency interest rate swaps	68.7	0.8	127.8	-6.1
Interest rate swaps	54.4	-0.2	41.7	-0.4
<b>Total</b>	<b>294.2</b>	<b>2.9</b>	<b>327.4</b>	<b>-5.6</b>

The contractual amount indicates the volume of outstanding derivatives at the balance sheet date and therefore does not reflect the group's exposure to risks from such transactions.

The total fair value of the derivative financial instruments at December 31, 2013 amounts to 2.9 million EUR and consists of the following financial instruments:

- the value of foreign currency swaps, which mature during the first quarter of 2014, for 2.3 million EUR.
- a series of EUR/USD cross currency interest rate swaps were contracted in order to hedge the foreign exchange risk from intercompany loans between group entities with a different functional currency. The nominal amount of these transactions amounts to 95.0 million USD (equal to the principal amount of the intercompany loans) and they mature in October 2015 (equal to the maturity date of the loan). Under these transactions, the group receives a fixed interest rate in EUR and pays a fixed interest rate in USD (which is offset by the interest received on the intercompany loans). Per December 31, 2013, the fair value of the EUR/USD cross currency interest rate swap amounts to 0.8 million EUR (-2.0 million EUR in 2012). In accordance with IAS 39 requirements, these derivatives have been designated as hedging instruments in a cash flow hedge relationship (these are the only instruments within the group for which hedge accounting is applied). The hedged risk is the variability of the principal amount of the intercompany loans due to movements of the EUR/USD FX rates and the hedged items are the intercompany loans in USD. The effective portion of the change in fair value is recognized in the cash flow hedge reserve, while the ineffective portion is immediately reflected in the income statement. In February 2013, the EUR/GBP cross currency interest rate swaps have been unwinded for a total amount of -0.6 million EUR (fair value as per December 31, 2012: -4.1 million EUR).
- the value of the interest rate swaps entered into in order to cover the interest rate risk on the foreign currency swaps in USD. The interest rate swaps are revalued at fair value in the income statement as per December 31, 2013, and amount to -0.2 million EUR (-0.4 million EUR in 2012).

The net change of the amount of derivative financial instruments before tax, as included in the other comprehensive income, amounts to 0.7 million EUR, and can be explained as follows:

- the change in fair value of the cross currency interest rate swaps in the period amounts to -2.6 million EUR.
- the group's part of the change in fair value of the interest rate swaps in the associate T-Power SA for 3.2 million EUR, recorded in equity in accordance with the accounting policy related to cash flow hedging.

In respect of the foreign currency swaps and the cross currency interest rate swaps, the table below indicates the underlying contractual amount of the outstanding contracts per currency at year-end (selling of foreign currencies):

(Million)	2013		2012	
	Amount in foreign currency	Amount in EUR	Amount in foreign currency	Amount in EUR
GBP	3.0	3.6	57.5	65.8
USD	318.0	232.8	290.5	217.6
Other		3.5		2.3
<b>Total</b>		<b>239.8</b>		<b>285.7</b>

### • Other financial instruments

Because of significant unobservable inputs, a level 3 fair value measurement is applied for the fair value measurement of an electricity purchase agreement ('PPA' – Purchase Power Agreement), for which the own-use exemption under IAS 39 is not applicable anymore. The value of the contract is depending on the future difference between market electricity prices and the generation cost based on market gas prices (the "spark spread"), and on the effect of the hourly pricing optimization as foreseen in the contract. Forward prices are only available for a 3-year period and for a base load product. The uncertainty beyond that period is high on different important parameters (including also the regulatory environment), however based on more favourable market and regulatory condition assumptions, the fair value of the PPA contract is set to zero beyond the initial 3 years. The used base load future prices are calculated based on the 2013 average daily Zeebrugge Gas Yearly forward prices and on the 2013 average daily Endex Yearly forward electricity prices for Belgium. The future hourly optimization effect is calculated as an extrapolation of the trend since the start of the contract.

The 2011 Share Purchase Agreement for the sale of the PVC/Chlor-Alkali activity also includes clauses regarding allocation between the seller and the buyer of contributions linked to the running regime of T-Power, applicable till June 2016.

The above inputs lead to a fair value measurement of -18.3 million EUR for the PPA based on a valuation of the coming 3 years, and a fair value measurement of 5.1 million EUR for the PPA related contributions which are allocated to the group until June 2016, leading to a net fair value of -13.2 million EUR.

The key assumptions used in the valuation are:

		2014	2015	2016
Gas forward price	EUR/MWh	27.0	26.6	25.7
Electricity forward price	EUR/MWh	43.5	42.8	43.1
Discount rate	5.5%			

The sensitivity of the valuation to changes in the principal assumptions is the following:

	Change in assumption	Impact fair value (Million EUR)
Gas price	+1 EUR/MWh	-2.3
Electricity price	+1 EUR/MWh	1.2
Spark spread optimization	+1 EUR/MWh	1.2
Discount rate	+1%	0.2
Running hours T-Power	+10%	-0.2

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions stable. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

### • Interest-bearing loans and borrowings

The fair value is calculated based on discounted expected future principal and interest cash flows.

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2013	2012
Loans and borrowings	3.0% to 8.5%	5.0% to 8.5%

• Trade and other receivables/payables

For current trade and other receivables/payables, the notional amount is deemed to reflect the fair value. Non-current receivables/payables are discounted to determine the fair value.

## 28. OPERATING LEASES

### Leases as lessee

The non-cancellable operating leases are payable as follows:

(Million EUR)	2013	2012
Less than one year	23.1	32.9
Between 1 and 5 years	58.8	66.4
More than 5 years	20.4	24.6
<b>Total</b>	<b>102.3</b>	<b>123.9</b>

The decrease in non-cancellable operating lease obligations in 2013 compared to 2012 is mainly a consequence of the different disposal groups of which the sale was completed in 2013.

During the current year, 33.1 million EUR was recognized as an expense in the income statement in respect of operating leases as lessee (2012: 33.2 million EUR). Certain leases provide for additional payments that are contingent on volume. Contingent rents recognized in the income statement under operating leases amount to 3.4 million EUR (2012: 3.1 million EUR).

In 2013 some operating lease contracts became onerous and resulted in a non-recurring charge of -5.1 million EUR (note 6 - Non-recurring income/(expense) items).

The non-cancellable operating leases mainly consist of land and buildings (25.9 million EUR), plant, machinery and equipment (21.7 million EUR) and furniture and vehicles (53.3 million EUR).

There are no significant leased properties which have been sublet by the group.

Some lease arrangements contain renewal options at normal market conditions. No restrictions are imposed by lease arrangements.

### Leases as lessor

There are no significant assets leased out under operating leases.



## 29. GUARANTEES AND COMMITMENTS

(Million EUR)	2013	2012
Guarantees given by third parties on behalf of the group	36.1	33.4
Guarantees given on behalf of third parties	1.9	1.8
Guarantees received from third parties	1.1	4.8
Commitments related to capital expenditures	36.8	40.9

Guarantees given by third parties on behalf of the group mainly relate to the fulfillment of environmental obligations for 18.9 million EUR (2012: 18.7 million EUR). The remaining balance consists of numerous other guarantees to secure financing, custom and other obligations.

Guarantees given on behalf of third parties mainly relate to guarantees given for the fulfillment of lease obligations.

The guarantees received from third parties concern guarantees, which suppliers grant to the group as guarantee for the proper execution of investment projects. Several of these guarantees expired in 2013.

Capital expenditure contracted for at the end of the reporting period but not yet incurred amounts to 36.8 million EUR (2012: 40.9 million EUR).

The shares of T-Power SA are pledged in first degree to guarantee the liabilities in respect of a "facility agreement" of 440.0 million EUR signed on December 18, 2008 between T-Power SA and a syndicate of banks. The T-Power SA shares are pledged in second degree to guarantee the "tolling agreement" for the entire 425 MW capacity signed on August 13, 2008 between T-Power SA and RWE group. The tolling agreement has a 15 years duration with an optional 5-year extension thereafter.

The group and its subsidiaries have certain other contingent liabilities relating to long-term purchase obligations and commitments. The agreements typically concern strategic raw materials and goods and services, such as electricity and gas.

## 30. CONTINGENCIES

The group is confronted with a number of claims or potential claims and disputes, which are a consequence of the daily operational activities. To the extent such claims and disputes are such that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation, suitable provisions have been made.

It is the group's policy to recognize environmental provisions in the balance sheet, when the group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

These provisions are reviewed periodically and adjusted, if necessary, as assessments and work proceeds and additional information becomes available. Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation or other factors of a similar nature.

As stated in note 25 - Provisions, the environmental provisions in accordance with the above policies aggregated to 106.0 million EUR at December 31, 2013 (December 31, 2012: 108.2 million EUR).

While it is not feasible to predict the outcome of all pending environmental exposures, it cannot be excluded that there will be a need for future provisions for environmental costs which, in management's opinion, based on

information currently available, would not have a material effect on the group's financial position, but could be material to the group's results in any one accounting period.

In order to acquire the remaining stake of 50% in Établissements Violleau SAS, the group holds, as agreed with the current owners of that share, an option which may be exercised from April 1, 2014 until May 15, 2014. The exercise price is determined by a formula, which takes into account the financial figures of Établissements Violleau SAS.

In order to acquire the remaining equity interest of 13.8% in the subsidiary PB Gelatins Heilongjiang & Co Ltd, the group holds, as agreed with the current owners of that share, a call option which may be exercised at any time. The exercise price is determined by a formula, which takes into account the financial figures of PB Gelatins Heilongjiang & Co Ltd.

Acquisition, investment and joint-venture agreements as well as divestments may contain habitual provisions leading to price adjustments. In addition, for divestments, proper consideration has been given to provisions for possible indemnifications payable to the acquirer, if any, including matters in the area of health, environment, tax, product liability, restructuring, competition, pensions and share incentives.

The group has been granted emission allowances for the period 2013-2020. These granted emission allowances have been obtained free of charge. Management estimates that any surplus or deficit of emission allowances over the next years will not significantly impact the group's consolidated financial statements.

## 31. RELATED PARTIES

The company has a related party relationship with its subsidiaries, associates, joint ventures and with its main shareholder, directors and its Group Management Committee. The Belgian pension fund "OFP Pensioenfond", which covers the post employment benefit obligation of the employees of some Belgian subsidiaries, is also considered to be a related party.

As per December 31, 2012, Société Nationale des Poudres et Explosifs (SNPE), a French state owned company held 8 283 855 shares (27.0% of the company). SNPE fully subscribed the optional stock dividend related to the dividend for the financial year 2012. On November 6, 2013, Verbrugge NV controlled by Picanol NV, acquired 8 744 069 shares or 27.52% of the share capital of Tessenderlo Chemie NV from SNPE. Picanol Group is a listed Belgian industrial company and a worldwide supplier of total solutions for the textile industry and other industries. On November 13, 2013, the Board of Directors has unanimously decided to co-opt Mr. Stefaan Haspesslagh (Chairman Picanol Group) and Mr. Luc Tack (Managing Director Picanol Group) as directors of Tessenderlo Chemie NV. The Board of Directors will propose to confirm their mandates on the next General Assembly of shareholders.

The group purchased and sold goods and services to various related parties in which the group holds a 50% or less equity interest (note 14 - Investments accounted for using the equity method). Such transactions were conducted at arm's length with terms comparable to transactions with third parties.

Premiums for an amount of 2.0 million EUR were paid to the Belgian pension fund, "OFP Pensioenfond" (2012: 2.5 million EUR). Liabilities related to employee benefit schemes as per December 31, 2013 include 11.4 million EUR related to the "OFP Pensioenfond" (2012: 13.0 million EUR).

### Transactions with joint ventures:

(Million EUR)	2013	2012
Revenue	10.3	8.1
Cost of sales	-23.7	-23.8
Current assets	0.6	0.6
Current liabilities	1.7	1.8

## Transactions with associates:

(Million EUR)	2013	2012
Other operating income	0.1	0.1

Dividends were received from joint ventures and associates for an amount of 4.6 million EUR (2012: 7.0 million EUR), while dividends received from other investments amounted to 0.7 million EUR (2012: 0.1 million EUR).

## Transactions with the members of the Group Management Committee:

(Million EUR)	2013	2012
Short-term employee benefits	3.9	4.9
Post-employment benefits	0.4	0.3
Share-based payments	0.7	-
Termination benefits	2.8	-
<b>Total</b>	<b>7.7</b>	<b>5.2</b>

Short-term employee benefits include salaries and bonuses over 2013 (including social security contributions), car leases and other allowances where applicable.

The short term employee benefits include 3.7 million EUR fix and 0.2 million EUR variable employee benefits (2012: 3.5 million EUR and 1.4 million EUR respectively).

In 2013, an amount of 0.7 million EUR related to the share-based payment was recognized. No warrants were exercised by members of the GMC (note 24 - Employee benefits).

## 32. AUDITOR'S FEES

PwC Bedrijfsrevisoren bcvba (PwC), represented by Peter Van den Eynde BVBA, represented by its fixed representative Peter Van den Eynde, was appointed as group statutory auditor by the shareholders meeting of the company on June 4, 2013, following an audit tender.

The fees paid by the group to its auditor amounted to:

(Million EUR)	2013			
	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	0.0	0.1	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
<b>Total</b>	<b>0.8</b>	<b>0.0</b>	<b>0.1</b>	<b>0.9</b>

(Million EUR)	2012			
	Audit	Audit related	Other	Total
KPMG (Belgium)	0.4	0.0	0.1	0.5
KPMG (Outside Belgium)	0.6	0.0	0.4	1.0
<b>Total</b>	<b>1.0</b>	<b>0.0</b>	<b>0.5</b>	<b>1.5</b>

### 33. SUBSEQUENT EVENTS

In January 2014, the group announced the intention to reorganize the gelatin activity worldwide (within the operating segment "Gelatins and Akiolis"), resulting in a reduction of the headcount with 78 people over different sites. Increased competition putting pressure on volumes and margins required additional cost savings by aligning the organizational structures and further optimizing processes.

On February 28, 2014, the group completed the sale of the Aliphos phosphates activity (operating segment "Inorganics"). The transaction resulted in the sale of 100% of the shares of the following companies: Tessengerlo Chemie Rotterdam BV (the Netherlands), Tessengerlo Polska Sp. zo.o. (Poland), Tessengerlo Chemie España TCE sa (Spain) and HGS Handelsgesellschaft für Spezialfuttermittel GmbH (Germany). In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the assets and liabilities of this disposal group were presented as assets classified as held for sale and liabilities associated with assets classified as held for sale as per December 31, 2013 (note 20 - Non-current assets classified as held for sale).

## 34. GROUP COMPANIES

Listed below are all the group companies.

The total number of consolidated companies is 69.

List of the consolidated companies on December 31, 2013 accounted for by the full consolidation method:

Europe	Entity	Address	Belgian company number	Ownership
Belgium	Dyka Plastics NV	3900 Overpelt	0414467340	100%
Belgium	Limburgse Rubber Produkten NV	3620 Rekem-Lanaken	0415296392	100%
Belgium	Tessengerlo Chemie International NV	1050 Brussels	0407247372	100%
Belgium	Tessengerlo Chemie NV	1050 Brussels	0412101728	parent company
Belgium	Tessengerlo Finance NV	1050 Brussels	0878995984	100%
Belgium	Tessengerlo Kerley Europe NV	1050 Brussels	0419875683	100%
Czech Republic	Dyka s.r.o.	273 61 Velka Dobra		100%
France	Akiolis Group SAS	72000 Le Mans		100%
France	Atemax France SASU	72000 Le Mans		100%
France	Établissements Charvet Père et Fils SASU	91490 Milly-La-Forêt		100%
France	Ispac SAS	64130 Mauléon Licharre		100%
France	Neobiol sarl	93600 Aulnay Sous Bois		100%
France	Produits Chimiques de Loos SAS	59120 Loos		100%
France	Profex SAS	62210 Avion		100%
France	Saplast SAS	67100 Strasbourg		100%
France	Société Azuréenne de Récupération SAR	06670 Castagniers		100%
France	Soleval France SAS	72000 Le Mans		100%
France	Sotra-Seperef SAS	62140 Sainte Austreberthe		100%
France	Tefipar SAS	59120 Loos		100%
France	Tessengerlo Services SAS	59120 Loos		100%
Germany	BT Bautechnik Impex GmbH & Co. Kg	85764 Oberschleissheim		100%
Germany	Dyka GmbH	85764 Oberschleissheim		100%
Germany	Impex Wimmer GmbH	85764 Oberschleissheim		100%
Germany	PB Gelatins GmbH	31582 Nienburg/Weser		100%
Hungary	BTH Fitting Kft	3636 Vadna		100%
Italy	Aliphos Italia srl	37044 Cologna-Veneta		100%
Luxembourg	Térélux SA	2633 Luxembourg		100%
Poland	Dyka Polska Sp.zo.o.	55-221 Jelcz-Laskowice		100%
Poland	Tessengerlo Polska Sp. zo.o.	60-462 Poznan		100%
Romania	Dyka Plastic Pipe Systems s.r.l.	76100 Bucarest, sector 1		100%
Slovakia	Dyka SK s.r.o.	841 02 Bratislava		100%
The Netherlands	Dyka BV	8331 LJ Steenwijk		100%
The Netherlands	Nyloplast Europe BV	3295 KG 's Gravendeel		100%
The Netherlands	Plastic Pipe Systems Holding BV	8331 LJ Steenwijk		100%
The Netherlands	Tessengerlo Chemie Rotterdam BV	3133 CA Vlaardingen		100%
The Netherlands	Tessengerlo Nederland BV	4854 MT Bavel		100%
The Netherlands	Tessengerlo NL Holding BV	4825 AV Breda		100%
United Kingdom	Dyka UK Ltd	Longtown-Carlisle Cumbria CA6 5LY		100%
United Kingdom	John Davidson Holdings Ltd	Edinburgh EH3 9AG		100%
United Kingdom	John Davidson Pipes Ltd	Edinburgh EH3 9AG		100%
United Kingdom	PB Gelatins UK Ltd	Pontypridd CF 375 SQ		100%
United Kingdom	Tessengerlo Holding UK Ltd	Mid Glamorgan CF 37 5SU		100%

USA	Entity	Address	Ownership
USA	Environmentally Clean Systems LLC	Dover, Delaware 19904	65.00%
USA	Environmentally Clean Systems Myton LLC	Myton, Utah	51.00%
USA	Kerley Trading Inc.	Wilmington County - New Castle - Delaware 0801	100%
USA	MPR Services Inc.	Wilmington County - New Castle - Delaware 0801	100%
USA	PB Leiner USA	Davenport, Iowa 52806	100%
USA	Tessengerlo Kerley Inc.	Wilmington County - New Castle - Delaware 0801	100%
USA	Tessengerlo Kerley Services Inc.	New Mexico - 88220 Carlsbad	100%
USA	Tessengerlo U.S.A. Inc.	Wilmington County - New Castle - Delaware 0801	100%

Rest of the world	Entity	Address	Ownership
Argentina	PB Leiner Argentina SA	Santa Fe CC108-S3016WAC - Santo Tomé	100%
Brazil	PB Brasil Industria e Comercio de Gelatinas Ltda	Acorizal, Mato Grosso CEP 74480-000	100%
Chile	Tessengerlo Kerley Latino Americana SA	9358 Santiago	100%
China	PB Gelatins (Wenzhou) Co Ltd	Ping Yang County - 325401 Zhejiang Province	80.00%
China	PB Gelatins Heilongjiang Co Ltd	Kongguo County - Heilongjiang Province	86.20%
China	Tessengerlo Trading (Shanghai) Co. Ltd	China R.P. - 200021 Shanghai	100%
Japan	Tessengerlo Kerley Inc. Japan KK	Tokyo - Chiyoda-ku	100%
Mexico	Tessengerlo Kerley Mexico SA de CV	85800 Novojoa, Sonora	100%
Paraguay	Maramba srl	Villa Hayes - Asuncion del Paraguay	100%
Turkey	Tessengerlo Agrochem Tarim Ve Kimya San. Ve Tic. Ltd. Sti.	34387 Kuştepe - Şişli / İstanbul	100%

List of the consolidated companies on December 31, 2013 accounted for by the equity method:

Europe	Entity	Address	Belgian company number	Ownership
Belgium	T-Power SA	1200 Brussels	0875650771	20.00%
France	Apeval SAS	85120 La Tardière		50.00%
France	Établissements Violleau SAS	79380 La Forêt sur Sèvre		50.00%
France	Établissements Michel SAS	31800 Villeneuve de Rivière		50.00%
France	Meta Bio Energies SAS	49520 Combrée		20.46%
France	Siram SARL	50390 Saint-Sauveur-le-Vicomte		50.00%

Rest of the world	Entity	Address	Ownership
Bahrain	MPR Middle East WLL	20563 Manama	50.00%
USA	Jupiter Sulphur LLC	Wilmington County - New Castle - Delaware 0801	50.00%
USA	Wolf Mountain Products LLC	Lindon - Utah 84042	45.00%

List of the non-consolidated companies on December 31, 2013 due to their insignificant impact on the consolidated figures:

Europe	Entity	Address	Belgian company number	Ownership
Belgium	Globe International SA	1040 Brussels	0416159791	100%
Belgium	Plastival Benelux NV	3900 Overpelt	0450918950	100%
Germany	H.G.S. GmbH	22767 Hamburg		100%
Germany	LVM Kunststoffe GmbH	31582 Nienburg		100%
Spain	Tessengerlo Chemie España TCE sa	28224 Pozuelo de Alarcon (Madrid)		100%
Switzerland	Tessengerlo Schweiz AG	5330 Bad Zurzach		100%
The Netherlands	De Hoeve Kunststofrecycling BV	7772 BC Hardenberg		50.00%
United Kingdom	Britphos Ltd	Leek, Staffordshire ST13 8LD		100%
United Kingdom	LVM UK Ltd	Alfreton-Derbyshire DE55 4RF		100%

## 35. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS as adopted for use by the European Union requires management to make judgments, estimates and assumptions that affect the application of the accounting policies, the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results could differ from those estimates.

Estimates and assumptions are reviewed periodically and the effects of revisions, if needed, are reflected in the financial statements.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below:

- Impairments. The carrying amount of financial assets, property, plant and equipment, goodwill and other intangible assets is reviewed at each balance sheet date to determine whether an indication of impairment exists. If any such indication exists, the asset's recoverable amount is estimated (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets).
- Employee benefits. The calculation of defined benefit obligations is based on actuarial assumptions such as future salary increases, inflation and through the use of a discount rate (note 24 - Employee benefits).
- Deferred taxes. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. In making its judgment, management takes into account the long term business strategy (note 16 - Deferred taxes).
- Provisions and contingencies. The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows. Provisions can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation, a change in best practices for sanitation, a change in timing of cash outflows, a change in agreement with authorities on the treatment of the polluted site or other factors of a similar nature (note 25 - Provisions).
- Financial instruments (note 27 - Financial instruments). These are measured at fair value in the statement of financial position based on:
  - inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices) or
  - inputs for the asset or liability that are not based on observable market data.

## STATEMENT ON THE TRUE AND FAIR VIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE FAIR OVERVIEW OF THE MANAGEMENT REPORT

Luc Tack (co-CEO) and Mel de Vogue (co-CEO and CFO) certify, on behalf and for the account of the company, that, to his/their knowledge,

- a) the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and the income statement of the company, and the entities included in the consolidation as a whole,
- b) the consolidated management report includes a fair overview of the development and performance of the business and the position of the company, and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.





## STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

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In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Report on the consolidated financial statements - Unqualified opinion

We have audited the consolidated financial statements of Tessenderlo Chemie NV ("the Company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to 1.089,9 million EUR and the consolidated statement of comprehensive income shows a loss for the year of 65,1 million EUR.

#### *Board of directors' responsibility for the preparation of the consolidated financial statements*

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

#### *Statutory auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

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*PwC Bedrijfsrevisoren cvba, burgerlijke vennootschap met handelsvorm - PwC Reviseurs d'Entreprises scrl, société civile à forme commerciale - Financial Assurance Services  
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe  
Vestigingseenheid/Unité d'établissement: Generaal Lemanstraat 67, B-2018 Antwerpen  
T: +32 (0)9 268 82 11, F: +32 (0)9 268 82 99, www.pwc.com  
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB /  
RBS BE89 7205 4043 3185 - BIC ABNABEBR*



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

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

*Unqualified Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2013 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.

**Report on other legal and regulatory requirements**

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

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Antwerp, 26 March 2014

The Statutory Auditor  
PwC Bedrijfsrevisoren bcvba  
Represented by

A handwritten signature in blue ink, appearing to read 'P. Van den Eynde', is written over a horizontal line.

Peter Van den Eynde\*  
Partner

\*Peter Van den Eynde BVBA  
Board Member, represented by its fixed representative,  
Peter Van den Eynde

# STATUTORY FINANCIAL REPORT

## Balance sheet of Tessenderlo Chemie NV

(Million EUR)	2013	2012
<b>Total assets</b>		
<b>Non-current assets</b>	<b>790.5</b>	<b>713.7</b>
Other intangible assets	4.0	10.8
Property, plant and equipment	89.0	83.6
Financial assets	697.5	619.2
<b>Current assets</b>	<b>329.8</b>	<b>348.1</b>
Non-current trade and other receivables	3.9	1.0
Inventories	73.2	98.6
Current trade and other receivables	240.3	239.5
Other investments	-	0.7
Cash and cash equivalents	6.5	1.6
Prepaid expenses and accrued income	5.8	6.7
<b>Total assets</b>	<b>1,120.3</b>	<b>1,061.8</b>
<b>Total liabilities</b>		
<b>Shareholders' equity</b>	<b>507.3</b>	<b>417.8</b>
Issued capital	159.2	153.7
Share premium	102.0	88.0
Reserves	21.0	20.8
Retained earnings	225.0	155.2
Capital grants	0.0	0.1
<b>Provisions and deferred taxes</b>	<b>170.1</b>	<b>147.3</b>
Provisions	168.9	146.0
Deferred taxes	1.1	1.3
<b>Liabilities</b>	<b>442.9</b>	<b>496.7</b>
Liabilities due in more than one year	196.4	151.4
Liabilities due within one year	240.9	341.2
Accrued expenses and deferred income	5.6	4.0
<b>Total liabilities</b>	<b>1,120.3</b>	<b>1,061.8</b>

## Profit and loss statement of Tessenderlo Chemie NV

(Million EUR)	2013	2012
<b>Total operating income</b>	<b>544.7</b>	<b>615.4</b>
Sales	497.8	524.0
Change in work in progress, finished goods and orders in progress (increase+/decrease-)	-16.1	5.6
Production capitalized	4.2	3.5
Other operating income	58.8	82.2
<b>Total operating charges</b>	<b>-603.8</b>	<b>-651.7</b>
Raw materials and goods purchased for resale	-321.1	-370.0
Services and other goods	-165.3	-187.4
Wages, salaries, social charges and pensions	-81.7	-80.1
Depreciations and amortizations on formation expenses, tangible and intangible assets	-10.7	-11.8
Amounts written-off stocks and trade receivable ( charges (-) / write-back (+) )	-0.5	-0.4
Provision for liabilities and charges (utilisations and write-backs less charges)	-19.6	2.7
Other operating charges	-4.9	-4.6
<b>Operating result</b>	<b>-59.1</b>	<b>-36.3</b>
Finance income	253.9	116.5
Finance costs	-48.1	-36.6
<b>Ordinary profit (+) / losses (-) before taxes</b>	<b>146.8</b>	<b>43.5</b>
Extraordinary income	36.8	14.4
Extraordinary charges	-113.7	-198.5
<b>Profit before taxes</b>	<b>69.9</b>	<b>-140.6</b>
Income taxes	-	-
Deferred taxes	0.1	2.3
<b>Profit (+) / losses (-)</b>	<b>70.0</b>	<b>-138.4</b>
Untaxed reserves	0.2	4.4
<b>Profit (+) / losses (-) for the year to be allocated</b>	<b>70.2</b>	<b>-134.0</b>

## Allocations and distributions

(Million EUR)	2013	2012
<b>The Tessenderlo Chemie NV Board of Directors propose to allocate the</b>		
- Profits, being	70.2	-134.0
- Increased by prior years' retained earnings	155.2	330.8
<b>Totalling:</b>	<b>225.5</b>	<b>196.8</b>
<b>In the following manner:</b>		
- Reserves	0.4	0.7
- Dividends	-	40.9
- Retained earnings	225.0	155.2
<b>Totalling:</b>	<b>225.5</b>	<b>196.8</b>

## Extract from the Tessenderlo Chemie NV separate (non-consolidated) financial statements prepared in accordance with Belgian GAAP

The preceding information is extracted from the separate Belgian GAAP financial statements of Tessenderlo Chemie NV. These separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request at Tessenderlo Chemie NV, Troonstraat 130, 1050 Brussel.

It should be noted that only the consolidated financial statements present a true and fair view of the financial position and performance of the group.

Since Tessenderlo Chemie NV is essentially a holding company, which recognises its investments at cost in its non-consolidated financial statements, these separate financial statements present no more than a limited view of the financial position of Tessenderlo Chemie NV. For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at, and for the year ended December 31, 2013.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Tessenderlo Chemie NV prepared in accordance with Belgian GAAP for the year ended December 31, 2013 give a true and fair view of the financial position and results of Tessenderlo Chemie NV in accordance with all legal and regulatory dispositions.

# FINANCIAL GLOSSARY

## Basic earnings per share (Basic EPS)

Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the weighted average number of ordinary shares outstanding during the period.

## Capital employed (CE)

The carrying amount of property, plant and equipment (PP&E), other intangible assets and goodwill together with working capital.

## Capital expenditure

Amount of money spent to upgrade, acquire or maintain property, plant and equipment (PP&E) and other intangible assets.

## Dividend per share (gross)

Total amount paid as dividend divided by the number of shares issued at closing date.

## Diluted earnings per share (Diluted EPS)

Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the fully diluted weighted average number of ordinary shares outstanding during the period.

## Diluted weighted average number of ordinary shares

Weighted average number of ordinary shares, adjusted by the effect of warrants on issue.

## EBIT

Earnings before interests and taxes (Profit (+)/loss (-) from operations).

## EBITDA

Earnings before interests, taxes, depreciation, amortization, impairment losses and provisions.

## Gearing

Net financial debt divided by the sum of net financial debt and equity attributable to equity holders of the company.

## Interest coverage

Profit (+)/loss (-) for the period plus income tax expense and interest expense, divided by the interest expense.

## Market capitalization

Number of shares issued (at the end of the period) multiplied by the market price per share (at the end of the period).

## Net cash flow

Profit (+)/loss (-) for the period added with all non cash flow items included in the income statement (provisions, amortizations, depreciation and impairment losses).

## Net financial debt

Non-current and current loans and borrowings minus cash and cash equivalents and bank overdrafts.

## Non-recurring income/(expense) items

Items related to restructuring, impairment losses, claims and other income or expenses, which do not occur regularly as part of the normal activities of the company and for which separate disclosure is needed to assist users in understanding the financial performance achieved and in making projections of future financial performance.

## Payout ratio

Gross dividend divided by profit for the period attributable to equity holders of the company.

## REBIT

Recurring earnings before interests and taxes (Profit (+)/loss (-) from operations before non-recurring income/(expense) items).

## REBITDA

Recurring earnings before interests, taxes, depreciation, amortization and provisions (Profit (+)/loss (-) from recurring operations plus depreciation, amortization and provisions).

## Return on capital employed (ROCE)

REBIT divided by capital employed.

## Return on equity (ROE)

Profit (+)/loss (-) for the period divided by average equity attributable to equity holders of the company.

## Theoretical aggregated weighted tax rate

Calculated by applying the statutory tax rate of each country on the profit before tax of each entity and by dividing the resulting tax charge by the total profit before tax of the group.

## Weighted average number of ordinary shares

Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

## Working capital

The sum of inventories, trade and other receivables minus trade and other payables.

## **TESSENDERLO CHEMIE NV**

Registered office and administrative headquarters

Troonstraat 130

B-1050 Brussels

Belgium

Tel. +32 2 639 18 11

Fax +32 2 639 19 99

VAT BE 0 412 101 728

RLP Brussels

Website: [www.tessengerlogroup.com](http://www.tessengerlogroup.com)