

# Every molecule counts

Annual Report 2012



# “Every molecule counts”

We believe “Every molecule counts”.

For life to continue to thrive on earth we simply must make the most of our resources. There are no half measures. No compromises.

These challenges are like none we have faced before. Yet this is exactly what inspires us. Our success would mean fresh, potentially limitless, possibilities for life on our planet.

Because we know that even in the tiniest of thoughts lies that spark of hope, that germ of invention, that seed of an idea that can change how we look at the world.

So we strive to be practical innovators, making the most of everything at hand. Whether people’s talents, our clients’ time, or the planet’s resources. This means staying alert to ever-better ways of doing things. Leading in thought, and action.

Constantly finding new ways to conserve, and to give new purpose to material that would otherwise be wasted.

And therein lies the true value of what we do. As an innovator, helping life to thrive. And as a business, seeking ever smarter growth.

Because behind everything we do, lies a simple philosophy: that “every molecule counts”.

# Who we are

We are an **international specialty group** with a worldwide presence **that provides solutions for global needs** in food, agriculture, water management and efficient use and re-use of natural resources. Our **7,005 people** are working at more than **100 locations** across **21 countries**. Our group is a **leader** in most of its markets, primarily serving customers in agriculture, industry, construction, and health and consumer goods end markets.



— Revenue

**2,130** million  
EUR

— Capital  
Expenditures

**118** million  
EUR

— Headcount

**7,005**  
people



# Our dream

We want to ensure that life on our planet can thrive by creating **a world that makes the most of its resources**.

That is why we are driven to find new and more sustainable ways to address the mega-challenges : food production, water management, responsible stewardship of limited natural resources, and creating new value from bio-residuals. We aim to understand intimately what's happening in the world around us and how can we build the business of tomorrow by addressing those issues.

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## Summary of the Financial Report

# Highlights of 2012

## Expanding capacity, product range and application

Tessenderlo Kerley (TKI) closes a long term agreement to supply its thiosulfates products to one of Barrick Gold's US mining operations. Kerley's new Wynnewood (US) facility became operational, expanding the company's capacity for liquid sulfur-based fertilizers and adding to its nationwide fertilizer market coverage in the US. To meet future demand we announced the construction of a new plant in Hanford (US).

NovaSource®, TKI's crop protection business unit expanded its activities with the acquisition of the global Carbaryl product line from Bayer Cropscience.



## Expansion and innovation at AKIOLIS

AKIOLIS introduced new products, including Delifeed®, derived from bakery residues, and Vio+® for sustainable agriculture. It also expanded its Oleovia® cooking oil collection network.



## Strategic divestments

Tessenderlo Group boosted the company's focus, selling off the Chinese organic chlorine derivatives activities and its pharmaceutical ingredients activities, and announcing its intention to divest its continental European profiles activities, a deal that was successfully closed in January 2013.



## Focus on sustainability and innovation

Tessenderlo Group's increased focus on sustainability and innovation was translated into the creation of a new role of Chief Growth Officer within the Group Management Committee. Also in 2012, the group strengthened its management structures in line with its ongoing transformation towards a strategic group.

## First Capital Markets Day

In June the group held its first Capital Markets Day, reflecting our commitment to increasing transparency for all stakeholders.



### New plant for automotive specialty compounds

Tessenderlo Group's subsidiary CTS inaugurated its new plant for automotive specialty compounds in China.



### Major investments in Water Treatment

Tessenderlo Group announced plans for a major investment to modernize and expand its water treatment activities in Loos, France.



### Sustainable Eurocell wins awards

Eurocell was a multi-award winner for sustainable building solutions.

### PPS exploring the Chinese market

Plastic Pipe Systems took its first steps into the Chinese market and achieved a high ranking in its CSR commitments.



### New focus in Inorganics

In Feed Phosphates, Tessenderlo Group initiated a new focus on aquaculture. In Sulphates, a new foliar grade specialty fertilizer for broad acre crops was launched.



# Focusing on what's **essential**

The transformation journey of Tessengerlo Group reached another crucial milestone in 2012.

We had continued momentum in strategy execution, expanding activities in our core activities and divesting non-core businesses. These actions bring a sharper focus on our selected priorities, and will enable building a more profitable future.

Today, we are poised to develop further in the agro-food value chain, valorizing bio-residuals, water, and a careful choice of specialty industrial applications that allow us to deploy our skills in improved use of resources.

Above all, we are adapting the attitudes and culture of the organization, so that everyone can see how they have a role in developing the group's future.

Our progress in 2012 confirmed that we are on track towards our strategic goals. We are optimistic that the foundations we have put in place position the group well and that we will be ahead of the wave as recovery gradually emerges from the current difficulties faced by economies around the world.





•——• Frank Coenen, CEO ——— right

•——• Gérard Marchand, Chairman ——— left

## **“We are optimistic about our value creation options in this new era for food, energy, and recycling.”**

At the end of a crucial year in the evolution of Tessenderlo Group, CEO Frank Coenen and Chairman of the Board of Directors Gérard Marchand look back at the achievements and forward to the challenges.

### **How far has the evolution of the group progressed in 2012?**

The transformation continued throughout 2012. In line with our strategy, we made further divestments, reducing the number of activities and allowing us to focus our attention and efforts on those businesses we want to continue to develop. Although these actions lead to a temporary decrease of our revenue, it will position us as a stronger company with an improved profitable growth profile. For phase one of our strategy, portfolio optimization, we have already completed about two-thirds of what we set out to do.

We continued making choices as to where to focus our attention and resources. Where businesses no longer fit with our strategic vision, we seek to find a better owner who has the intention of developing them. Following the significant progress made in 2011, in 2012 we sold our organic chlorine derivatives in China, the pharmaceutical ingredients activities in France and Italy, and part of the power plant operations in Belgium. We also agreed to sell our continental European Profiles “Profialis” in 2012, and this was completed at the end of January 2013. These moves provide new futures in a new context for these activities: one in which the divested businesses are now part of organizations where they will be better supported.

Equally, these divestments allow us to concentrate investments in our core growth activities. Even in the current difficult economic climate, we are well on track in reshaping the group.

We made selected investments during the past year to grow in our chosen areas of strength and expertise. For example, in Novasource, our crop protection business, we added carbaryl to our product portfolio, increasing our global reach. We also announce an expansion of our specialty liquid fertilizers in the United States. And we disclosed a long term production and supply agreement with Barrick Gold Corporation, the gold industry leader, with our thiosulfate products for one of their mining operations, an innovative application for the mining industry.

Now we are gearing up for phase two of our strategy, to secure new growth. Our transformation process is on track.

### **What is the logic behind the adjustment of the portfolio?**

We are aiming at developing our businesses that have attractive markets around the world, with good profitability and good growth drivers, where the top three position has been attained or is attainable, and where we help bring solutions to mega-challenges. We are therefore building our group with a clear focus on agriculture and food, water management, giving new life to bio-residuals, and a careful choice of specialty industrial applications where our expertise allows us to make improved use of resources. We are optimistic about our value creation options in this new era for food, energy, and recycling.



### **What are the underlying dynamics of your strategy?**

As stated, we look to build leading positions in attractive markets worldwide, based on our assessment of growth and profitability prospects in a few selected industries. For those businesses which are in such industries, we will allocate our resources – financial but also people – accordingly. On the other hand, in the case that businesses do not meet this criteria, we will look for a better owner, one who will be in a better position to support their further development.

Looking back not only at 2012 but over the past 3 years, one can see that we have consistently followed this strategy in spite of the difficult economic context.

## What would you highlight as the key achievements?

Since the divestment of our PVC/Chlor-alkali activities, we have created real momentum in moving from a rather complex group with a number of commodity businesses - which could not be competitive on their own - to a more focused specialty group with stronger positions in attractive end markets. With these businesses, we have delivered real growth and combined margins and returns above 15% through the



last five years, despite facing high levels of uncertainty and a real crisis around much of the world. This performance demonstrates the resilience of these businesses and confirms that we have made the right strategic choices. It also shows what can be done with a commitment to a green economy that is accompanied by new business models, and secured through intelligently planned step-by-step improvements.

Crucially, in 2012 we started to work on ensuring new, higher levels of engagement and motivation for our people. We are focusing on underlying attitudes of our employees and creating a culture which aims to show everyone how they have a role in developing the future of our group.

# 15%

Return in our core business  
through the last 5 years

Given the challenging backdrop in world markets, we made effective operational efforts to improve the top line and carefully managed costs to ensure the business remains in good shape in difficult times. We have been very selective on capital expenditure while still focusing on growth, and have invested more than in 2011. Our investments are increasingly concentrated on our core businesses amounting to nearly 60% of the group total in 2012, up from 40% in 2009.



## What are the plans for 2013?

In 2013, we will continue the optimization of our portfolio, with further selected investments and divestments. In our core businesses, we will work hard to ensure they capture the profitable growth opportunities available to them.

2013 will also be a year in which we make new steps in operating with the new management structures that we have put in place in 2012. Greater consolidation of the group will confirm that not only do we possess vigorous businesses, but that the whole is greater than the sum of its parts.

The year should also bring contributions from some of the investments we have been making, in China, in the US, and in Brazil.

But there is no hiding from the fact that 2013 will be a difficult year for the global economy. With early signs of recovery apparent in the US, partly on the back of lower energy costs for the industry as a result of shale gas availability, restored investment confidence and a trend for manufacturing to relocate back to the US shores, we expect business in the US will rebound quicker. In Europe the economic recovery is expected to be slower, although we also have growth potential there, because we are well-established in our niche operations. In emerging markets, we are growing through our investments in Brazil and China. Our strategy of progressive internationalization of the business means that the proportion of our business in Europe will approach 60% of revenue, down from nearly 80% two years ago, and from about 70% in 2012. Already today, we generate half of our operational cash flow in the United States.

**“Greater consolidation of the group will confirm that not only do we possess vigorous businesses, but that the whole is greater than the sum of its parts.”**

**“We’re always looking for ways in which we can remake ourselves, carefully manage costs, and drive up our margins.”**

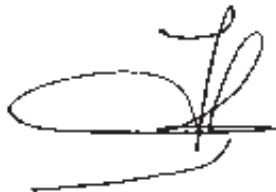
**What about the longer term opportunities and plans?**

The need for higher food production will continue to increase, in line with a larger world population and changing patterns of food consumption as average incomes rise around the world. As a result, the challenge and the resulting opportunity is to grow more food with less land, fertilizers and water. Equally, the need to handle by-products from the meat processing industry in accordance with the strictest hygienic norms, and supply high quality proteins and fats will only increase. And serving customers in growing industrial markets such as water treatment and mining with innovative solutions offer important opportunities to the group.

We are creating stronger positions in developing markets and widening our geographical presence. Operational excellence and understanding our customers’ needs will remain high on the agenda. We will leverage our distribution networks and closer links with suppliers and customers upstream and downstream to ensure that we are well positioned along the entire value chain. We’re always looking for ways in which we can remake ourselves, carefully manage costs, and drive up our margins. But our principal objective is to build a group that is successful for the long term, sustainable, and delivering on our commitments to help improve the quality of life on the planet. And we are confident we are heading in the right direction.

**G rard Marchand**  
Chairman of the Board  
of Directors

**Frank Coenen**  
Chief Executive Officer



# Satisfactory results in difficult conditions

Against a difficult economic background, the group achieved fair results in 2012.

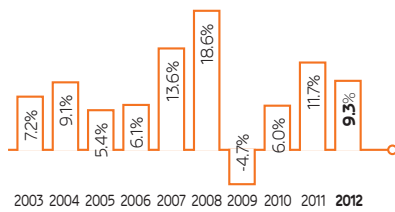
Group figures in general fell. At the same time, our growth businesses, Tessenderlo Kerley, Gelatin and Akiolis demonstrated a good level of resilience, and account for the majority of the group Rebitda. In line with our

announced strategy, we continue to allocate our financial resources to further develop these activities.

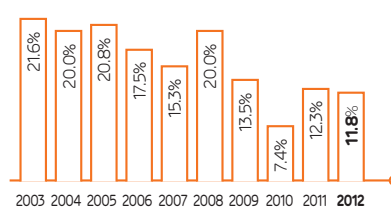
Although not yet achieved for all businesses, we remain committed to the

12% overall ROCE target for the group. We also continue to manage our balance sheet prudently, and to optimize our cash position by working on our working capital.

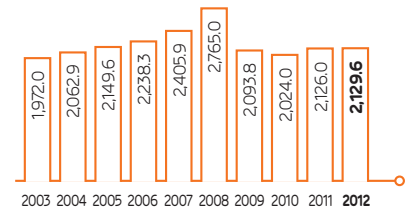
**ROCE (%)**



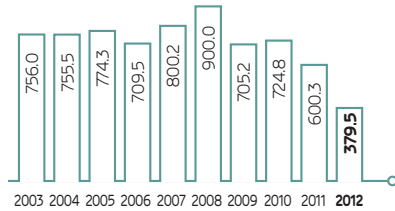
**Working capital / Revenue (%)**



**Revenue (in million EUR)**



**Equity attributable to equity shareholders of the company (in million EUR)**



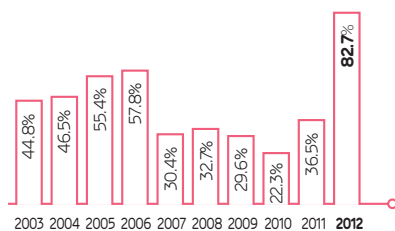
**Return on equity (%)**



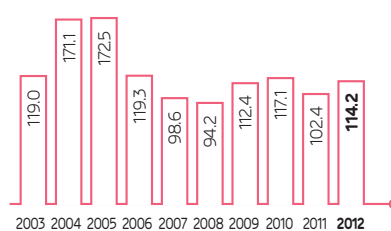
**REBITDA (in million EUR)**



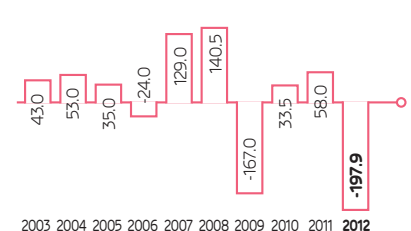
**Net financial liabilities / equity (%)**



**Capital expenditure (PP&E) (in million EUR)**



**Profit (+) / loss (-) (in million EUR)**





**Mel de Vogue**  
Chief Financial Officer

"Transparency and discipline continue to guide us in the execution of our strategy and the reporting of our results."

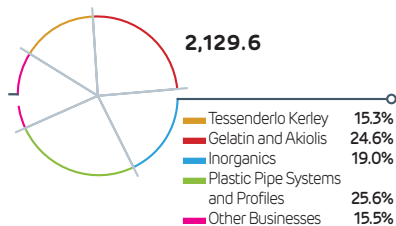
**18.8%**

ROCE generated by the Tessenderlo Kerley, Gelatin and AKIOLIS operating segments combined, demonstrate the strength of our growth businesses and validate our strategic choices.

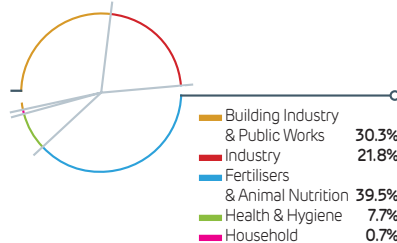
**58%**

of group capital expenditures in 2012 was aimed at developing our growth businesses Tessenderlo Kerley, Gelatin and AKIOLIS.

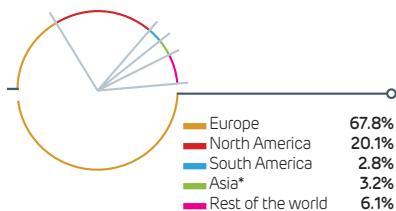
**Revenue per operating segment**  
(in million EUR)



**Revenue per end market**

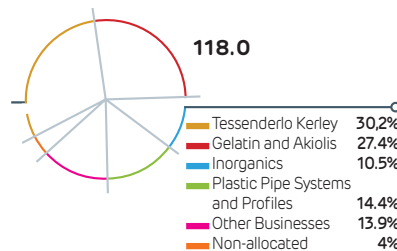


**Revenue per geography**

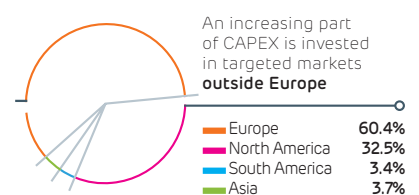


\* Includes China and Japan

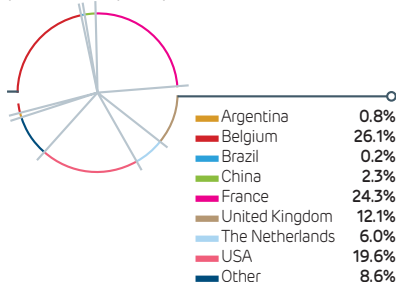
**Capital expenditures (PP&E and other intangible assets)**  
(in million EUR)



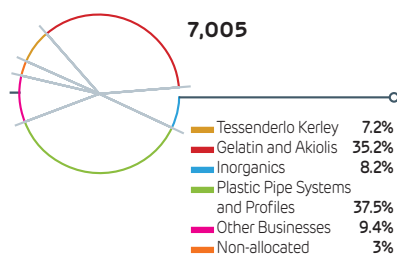
**Distribution of the CAPEX 2012**



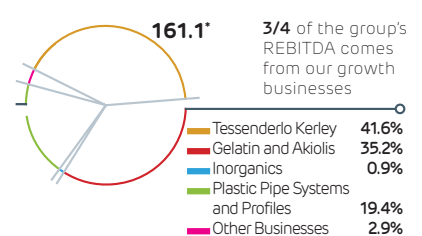
**Revenue per country of production**



**Headcount**



**REBITDA**  
(in million EUR)



\* Excluding non allocated costs

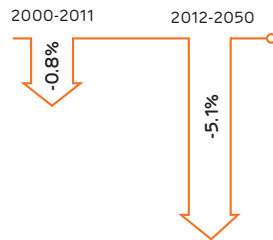
# Creating opportunities in challenging markets

The challenges that the world faces - from climate change and population growth to food shortages and economic crisis - form the background to our search for products and processes that create value for all our stakeholders.

## Climate change

Decarbonisation rates of the global economy need to increase from 0.8%/year (2000-2011) to 5.1%/year (2012-2050). Industry has a role and responsibility as actor to minimise its impact and that of the value chains it is active in.

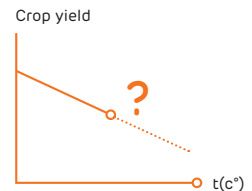
### Yearly reduction of carbon intensity (in %/year)



Source: PwC, "Too late for two degrees?", Nov 2012.

## Climate change

Grain yields decrease approximately 8% per degree C° temperature rise.



Source: worldbank "Turn down the heat", Nov 2012.

## Water use

70% of all fresh water withdrawals is used in agriculture. With world population growth, comes food production growth and thus increased water consumption. Reducing water use whilst increasing food production is a challenge and an opportunity.

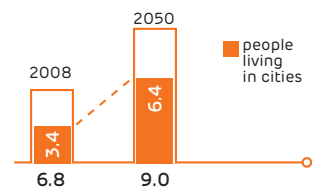
**70%**  
of all fresh water withdrawals is used in agriculture

Source: FAO, aquastat 2013.

## Rising food demand

In 2008, 50% of global population lived in cities. By 2050 this is projected to rise to 70% or 6.4 billion people. Urbanisation means that food production and consumption increasingly take place in different places. As a result, this has an immediate impact on food production systems and their scale.

### World population (in billion people)



Source: UN Habitat, "global report on human settlements 2009", Oct 2009.



## Climate change

Our planet is undeniably warming up: since the onset of the industrial revolution in the mid 18<sup>th</sup> century, Earth's average surface temperature has increased by about 0.8 °C. There is overwhelming scientific consensus that humans are causing this warming through the emission of greenhouse gasses, mostly from burning fossil fuels. Current scientific projections indicate that we are on a track that would lead to increasing the average global temperature by at least 4° C by the end of this century, unless we urgently and rapidly make a significant cut in our greenhouse gas emissions.

A hotter planet translates to changing weather patterns. These changes have an impact on fresh water availability, so dry regions become drier, and wet regions receive more rain. Climate change also affects our ability to produce enough food reliably. It influences our ecosystems and biodiversity and the spread of diseases. Overall, severely changing weather patterns are increasingly having a profound effect on our lives, our economies and our societies. This is the single most important element that will define our future market environment.

## Growing population

We live on an ever more crowded planet. World population passed the 7 billion mark in 2011, and is growing by approximately 74 million people per year. Current projections are that world population will continue to grow until at least 2050, when it is expected to reach around 9 billion people. Catering for the needs of 9 billion people is an opportunity, but it is also a challenge in view of the impact it could have on climate change and our natural resources, ecosystems, raw materials and land availability.

## Improving standards of living.

The global population is not only growing in numbers. Global affluence is also increasing as an average. Not all regions of the world are benefiting from this development, but China, Brazil and India are making big strides forward. While wider affluence has many positive aspects, it will create a market environment with more people consuming more goods, in which it will be harder for supply to keep up with demand. Improved standards of living are also linked to increasing urbanization: more people are now living in cities than ever before.



## The macro-economic environment.

The crisis of the euro and sovereign debt in the EU, the large difference in energy costs between North-America and Europe as a result of the shale gas revolution in North-America, the rise of economies in the east and in Latin America are changing many of the assumptions of recent decades. This environment influences our markets, our energy needs and the availability and costs of our raw materials.

These elements represent major challenges, but they are also major drivers for many forms of innovation and change. For instance, reduced water availability for farming creates both challenges and opportunities for our soluble and liquid fertilizer businesses. As a company, they force us to be agile and aware of our changing environment. How we react to these changes will determine our future.

# Our dream

We want to ensure that life on our planet can thrive by creating a world that makes the most of its resources. That is why we are driven to find **new and more sustainable ways to address the mega-challenges:**



Maximizing food production



Optimizing use of water

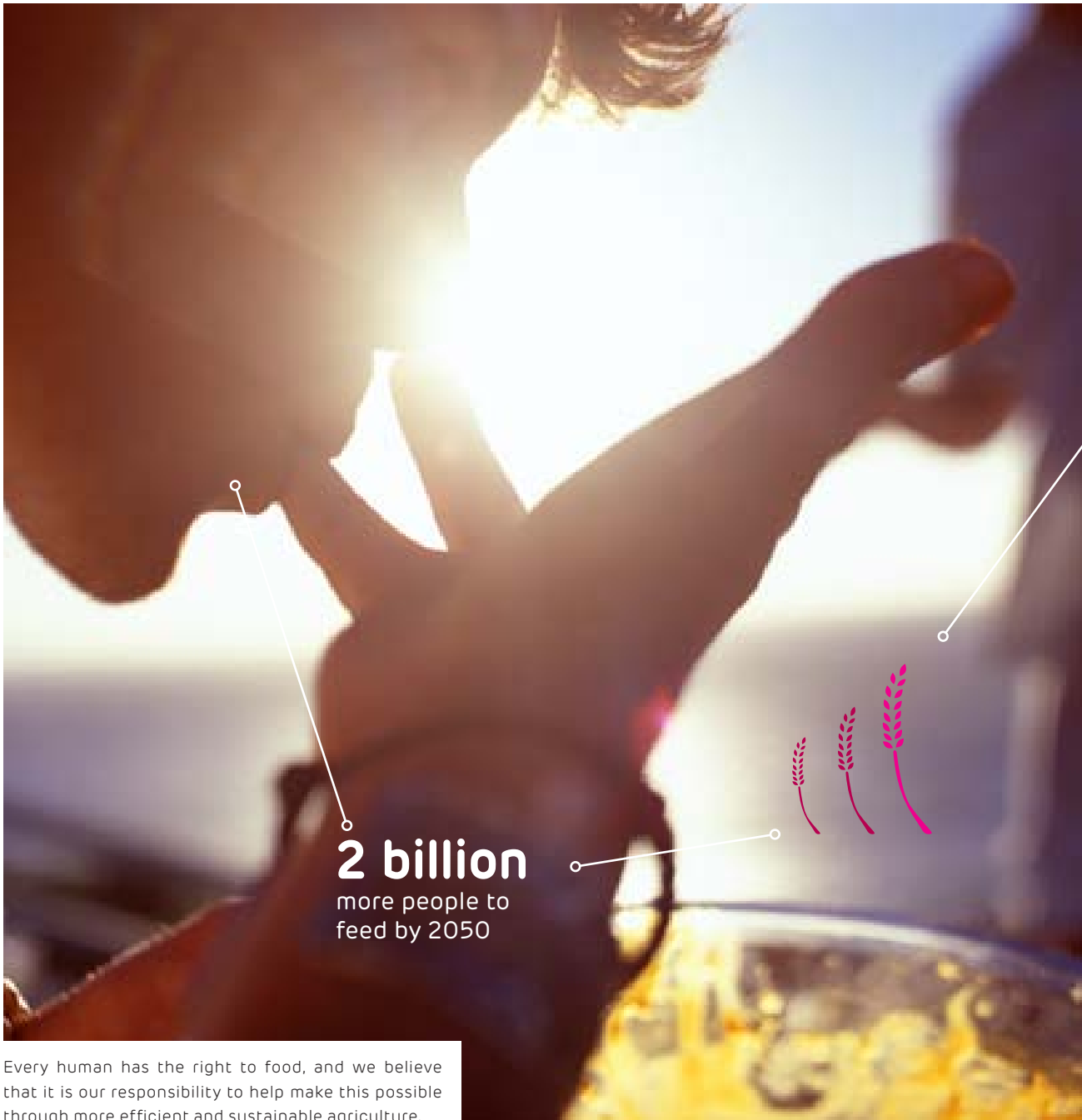


Using our resources more responsibly



Making better use of bio-residuals

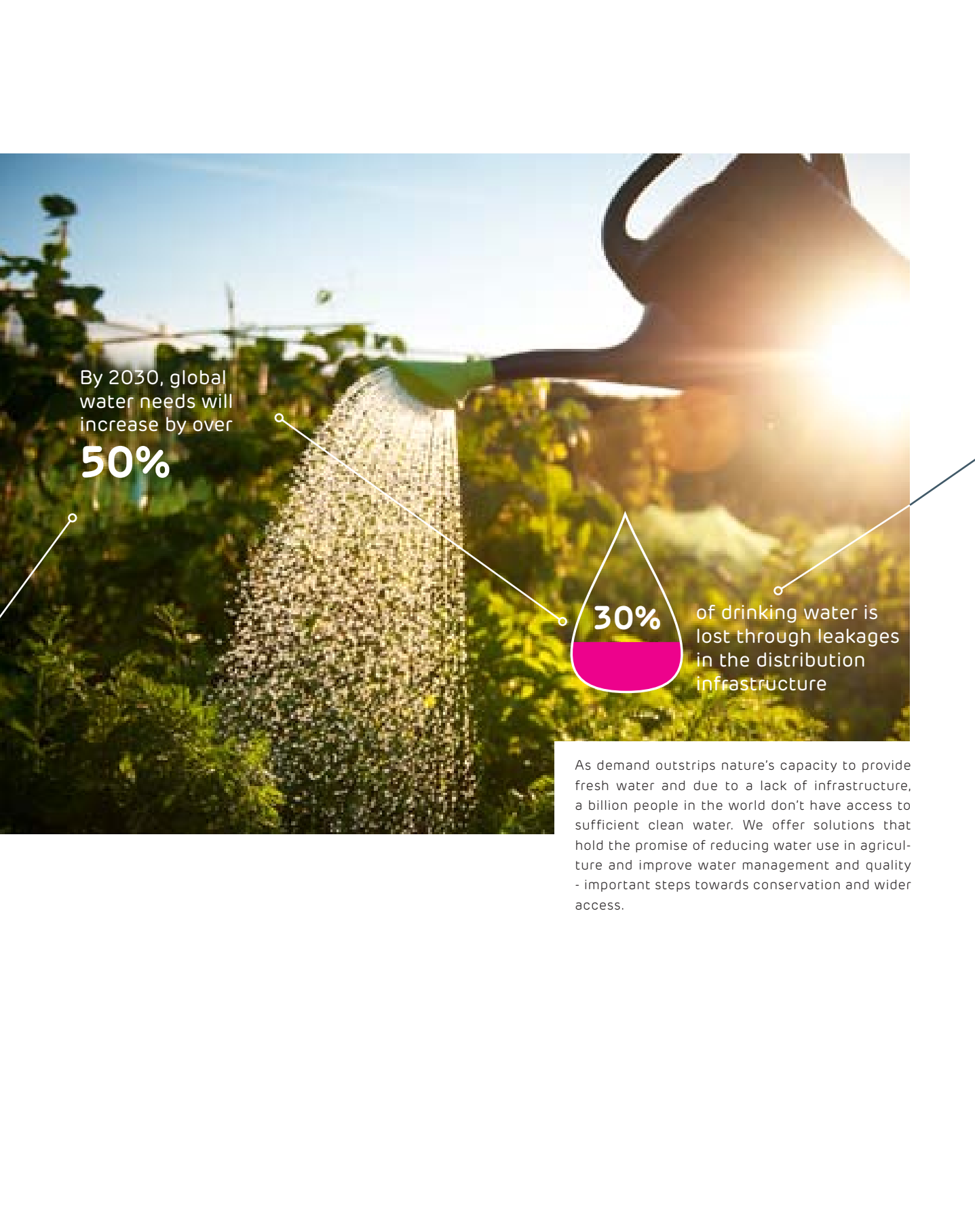
# Every molecule counts



**2 billion**  
more people to  
feed by 2050



Every human has the right to food, and we believe that it is our responsibility to help make this possible through more efficient and sustainable agriculture.

A hand watering plants in a greenhouse with a watering can. The scene is brightly lit by sunlight, creating a lens flare effect. The background shows rows of green plants in a greenhouse setting.

By 2030, global  
water needs will  
increase by over

**50%**

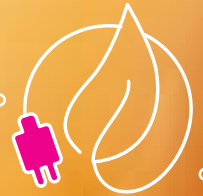
**30%**

of drinking water is  
lost through leakages  
in the distribution  
infrastructure

As demand outstrips nature's capacity to provide fresh water and due to a lack of infrastructure, a billion people in the world don't have access to sufficient clean water. We offer solutions that hold the promise of reducing water use in agriculture and improve water management and quality - important steps towards conservation and wider access.

**12 times**

Fossil fuel use  
increased 12 times  
the last 100 years



Globally, the last 100 years, population increased 4 fold, whilst the economic output grew 23 times. At the same time fossil fuel use increased 12 times and extraction of ores and minerals 23 times

The earth's natural resources are being squandered as if there is an endless supply of them - with many being burned or dumped as waste after use. But these resources can never be replenished. To avoid depleting resources that should be available to future generations as well as our own, we offer solutions to further reuse and recycle materials, adding value to them.

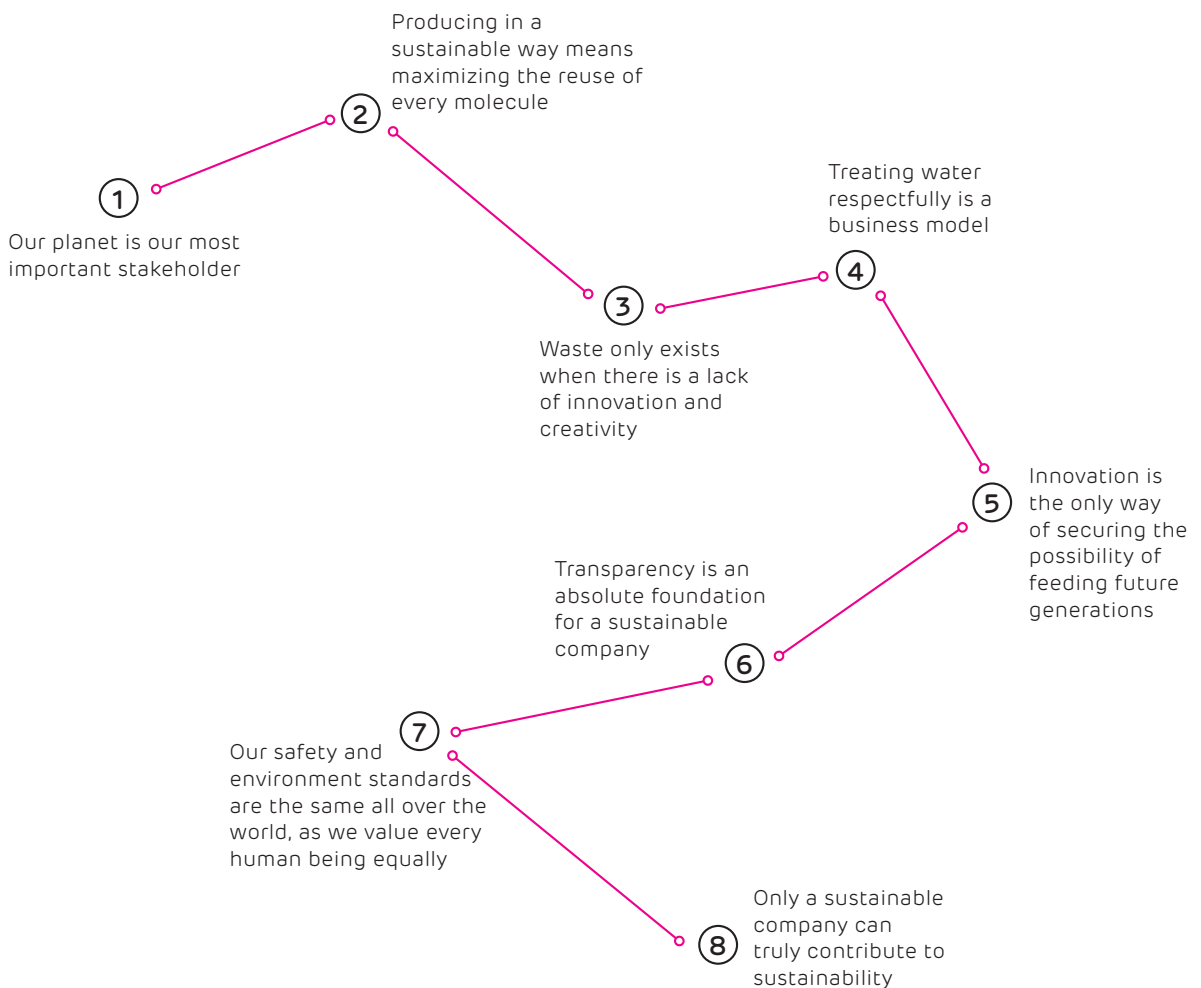


## 1 million tons

Yearly, AKIOLIS collects 1 million tons of bio-residuals to give it new value as nutrient and energy

Our challenge is to contribute to a significant improvement in efficient use of raw materials, especially residuals or by-products from natural origin. This way we make the most of resources.

# Our mantras



# Transforming now to build a better future

We already bring solutions to some of the problems the world faces. Our aim is to seek constantly for more sustainable solutions in a changing world.





## Bringing solutions to mega-challenges

Tessenderlo Group functions in a fast changing world. As the population grows and enjoys greater wealth and higher consumption, our resources become increasingly scarce and climate change accelerates. The group aims to contribute to some of the solutions to these challenges: we are helping to maximize food production, make better use of bio-residuals, optimize the use of water, and address resource scarcity. We aim to translate global mega-challenges into solutions that will lead to profitable business growth.

## Strengthening our position in targeted markets

Tessenderlo Group is in the process of transforming, but while this process is underway we already have significant potential for growth in areas where we already have well-established expertise. There is wide choice for us for expanding into attractive extensions of our existing technologies and markets – assured growth with high potential.

To extend and accelerate this process, we are optimizing our organization through targeted investments and divestments and a reconfiguration of our business units and the group management committee, constantly upgrading our ability to create and deliver solutions for our customers.

In addition, our engagement in innovation will enable us to go even further.

## Sustainability and innovation

We have a clear vision of our future as a sustainable group, and of how we can contribute to the future sustainability of the planet. To get there, we focus on innovation, aligned with global megatrends. This should put us in a strong position in growing markets, where our expertise assures us of a competitive edge.

Innovation is the engine for the drive towards greater sustainability of our business. The essence of sustainability is to do the right things in the right way to ensure we are still successful five and ten years - and even one hundred years - down the road. It means aligning our business with the needs of our stakeholders. We put sustainability and innovation at the core of our strategy, by operating in a sustainable way, searching for solutions to the mega-challenges, turning resource constraints into opportunities through innovation, and engaging stakeholders.

To support this, we are developing an innovation culture, and a climate and a structure. The evident changes in the group over recent years, the divestments of the commodity-based activities, tell only half the story. Because at the same time we are shifting our focus to giving our innovative activities full attention at the core of our business. And our strategy is to nurture these, to build a new organic group from them, so that these activities go forward as the core of the group.

This is not just a question of money. Growth through innovation comes from a combination of investment in innovation in all aspects of the business, and creating a culture in which it can flourish. If it is to continue over the long run, to be more than a growth spurt that stops as abruptly as it starts, it must take place in a climate geared to innovation, supported by management, and delivering clear sustainability benefits.

Because solutions do not arrive by accident, we have initiated development centers in 2012 – one in Belgium focused on enzymes, and on process technology to improve the use of animal protein for AKIOLIS and Gelatin, and another in the US, in Phoenix, bringing people together to work on sulfur chemistry.

We have innovated in human resources too. Based on the conviction that implementing a new business strategy demands also a new human capital strategy, we have defined what we need to put in place in terms of governance, competence, leadership qualities, career development opportunities, and the group culture that will promote engagement. Together we are developing attitudes and behaviors that will stimulate innovative growth.

The essence of innovation for us is to understand what tomorrow's needs and mega-challenges are going to be in our chosen areas of specialization, and to successfully implement elements of solutions for those needs and challenges.

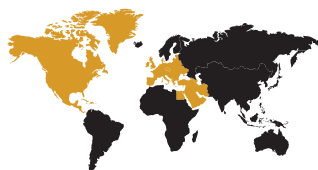
We are focusing on sustainability and innovation because we must, we can, and we want to!

# A focus on an **international presence** close to the market

## Production locations

### Tessengerlo Kerley

North America, Europe, Middle East



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

### Gelatin and AKIOLIS

Asia, Europe, North and South America



-- Gelatin: Plants in Argentina, Belgium, Brazil, Germany, UK, USA and China  
-- AKIOLIS: 14 production sites, 50 collection centers, 4 Treatment Units all in France

## Core Markets

Agriculture, Refinery & Mining Services, Water Treatment, Industrial Process Chemicals Services

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

## Area of Activity Business Drivers

Agriculture, Industry

Bio-resources, Agriculture

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

Growing demand for bio-based environmentally friendly offerings in feed, food, energy and pharmaceutical and technical applications - Increased standards of living results in growing meat consumption and protein demand

## Strategic Focus

- Tessengerlo Kerley Core:
  - Continue to 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 producer
  - Optimize supply chain
- Crop Protection (Novasource®):
  - Expand and add value to crop protection product portfolio
- Mining, MPR/ECS:
  - Expand mining and industrial pillar
  - New markets and segments

- Gelatin:
  - Targeted geographic expansion
  - Strengthen our position in growth markets in Asia and South-America
- AKIOLIS:
  - Expand downstream market by seeking opportunities in nutrition, agriculture and energy
  - Diversify and enlarge organic by-products portfolio
  - Targeted geographic expansion

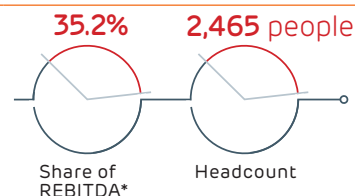
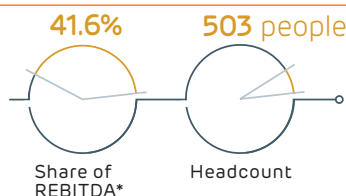
## Achievements 2012

- Expansion Crop protection portfolio
- Fertilizer capacity build up
- Launch of services to the mining industry

- Gelatin:
  - Inauguration of 2 new gelatin plants
- AKIOLIS:
  - Increase number of collection centres in France
  - Launch of VIO+® and Delifeed® product range

## Key figures

\* Percentage of total REBITDA before non-allocated costs



## Inorganics

Europe



-- 2 Plants in Belgium, The Netherlands

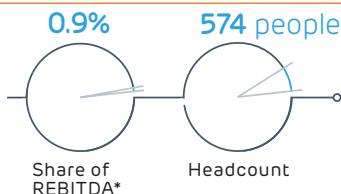
Agriculture

Agriculture

Increasing demand for cost effective quality fertilizers for modern and more sustainable precision agriculture - growing market for alternative feed ingredients in aquaculture

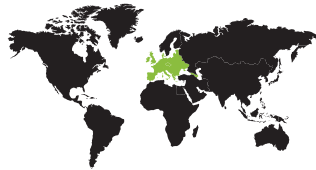
- Sulphates:
  - Focus on premium soluble and foliar grade potassium sulphate fertilizers
- Phosphates:
  - Operational efficiency and strategic partnerships

- Sulphates:
  - Successful launch of K-Leaf® fertilizer for foliar applications
- Phosphates:
  - Launch of Green Line and Bleu Line Feed Phosphate product lines



## Plastic Pipe Systems and Profiles

Europe



-- PPS: 8 production sites (The Netherlands, UK, Germany, Belgium, France, Poland and Hungary) and over 50 branches  
 -- Profiles: 2 plants, 1 recycle plant and 126 branches in the UK

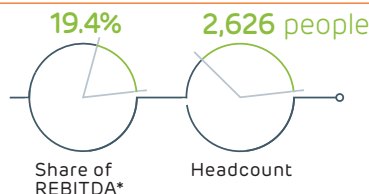
Construction and Public Works

Industry

Energy friendly housing - Reduction of landfill - Climate change - Urbanisation - Correct water supply

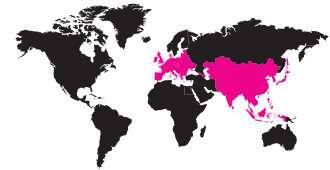
- PPS:
  - Focus on customer intimacy
  - Growth of product portfolio especially in storm water management
  - Limited geographical development in faster growing markets, such as Central Europe
- Profiles:
  - Expansion of branche network and product range

- PPS:
  - First steps into Asian market
  - Introduction of DYKA AIR®, a plastic air-duct system and Flow Control for storm water management
- Profiles:
  - Eurocell multi award winner for its sustainability performances



## Other Business

Europe, Asia



-- Plants in France, Belgium, Poland, China and Italy

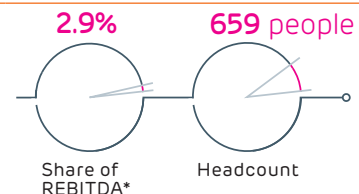
Water Treatment, Automotive, Consumer goods, Industry

Industry

Need for clean drinking water and efficient waste water treatment - Reduction of CO<sub>2</sub> emissions in the automotive industry - Sustainable light weight compounds

- Water Treatment:
  - Build and protect strong multi-local market positions with efficient production footprint
  - Secure access to low cost and sustainable raw materials
  - Expand geographical presence in Europe

- Water Treatment: Launch turnaround project of the Loos plant to fully focus on the production of water treatment chemicals
- Compounds: Inauguration of the compounds plant in China, the successful introduction of sales of the slush compound Marvyflo in the US and proven growth potential of compounds for sealing systems





326.8  
million EUR

revenue in 2012 or an increase of 20.7% as a result of robust demand in agriculture

## Efficient agriculture, cleaner water, and much more

- Tessenderlo Kerley (Core)
- MPR/ECS
- NovaSource®
- Mining

### •——. who we are

- Tessenderlo Kerley supplies liquid fertilizers to support growers in efficient agriculture
- Environmentally Clean Systems provides treatment methods for cleaning and recovery of contaminated water
- NovaSource® offers a bundling of crops protections solutions

### •——. how we contribute

- We help to boost the world's food production with our fertilizer business
- Our electro-coagulation processes in water treatment reduces reclamation costs and widens options for disposal
- We offer innovations that help our suppliers reduce costs and expand applications

1/3

of group capital expenditures is invested in Tessenderlo Kerley

+19.1%

Rebitda was up 19.1% to 79.2 million EUR

## 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 wastes from petroleum and gas refineries, and transforming them so they find an agricultural use with new value.

Our plants in the US take tail gasses from oil refineries, and turn them into liquid fertilizers, which improve production of corn, wheat, vegetables, cotton and hay. Our principal products are ammonium thiosulfate and potassium thiosulfate. We have large market shares in North America, and we export to Europe.

Keys to our operation include our extensive distribution network and our close links both to our refinery customers upstream and our distributor and farmer customers downstream. Much of our market is focused on sales that peak in just a few weeks in the year, but refineries want sulfur processing 365 days a year - and part of our strength is in bridging these two processes.

We also put our expertise in sulfur into other innovative techniques in refineries, mining, and water treatment, and exploit our knowledge of agriculture through our engagement in crop protection.

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.

**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 fruits, nuts and vegetables. Our team maintains a vigilant dialogue with multinational crop protection producers seeking to divest mature products and with industry stakeholders such as farming groups who are seeking to preserve the availability of products important to the production of their specialty food crops.



### Read more

about our markets and applications on [www.tessenderlogroup.com](http://www.tessenderlogroup.com)



## — Helping to feed 9 billion people by 2050 —

Almost 70 percent of all fresh water is used in agriculture. Globally, overall water demand will continue to increase. At the same time, climate change is turning water into a scarce good in many parts of the world. With an estimated 9 billion people to feed by the year 2050, and the need for fresh water to produce food, the world has to find sustainable solutions. Tessenderlo Kerley Inc offers an element of such a solution. By combining water and nutrient management through drip irrigation systems, premium liquid fertilizers can significantly reduce water consumption in agriculture, and increase crop yield at the same time.



Our **ECS** water treatment technology operates via electro-coagulation processes, which allow for the reduction and elimination of the reagents and equipment required by chemical systems, resulting in lower reclamation costs and greater flexibility in disposal.

### Trends in 2012

With the **core business of TKI**, we delivered resilient sales performances in agricultural products throughout the year, despite an intense drought that affected growers in much of the United States. Core business unit activities continue to deliver strong returns.

We continued a more than 50 years story of providing reliable solutions to agriculture by completing the construction of a new ammonium thiosulfate plant in Wynnewood, Oklahoma that provides essential environmental services for sulfur processing of off-gasses.

And new projects demonstrated the group vision to expand strategically in industry and refining. Work started on a new potassium thiosulfate production plant and storage in Hanford, California. This will allow us to meet fertilizer demand better in an area which represents some two-thirds of our market, without the need for bulky fertilizer shipments in jumbo railcars from the central United States. The target for completion, which should result in a doubling of current capacity for potassium thiosulfate, is 2014.

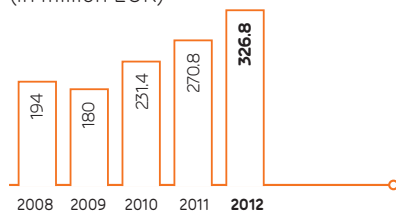
Also in 2012, we established a business unit to serve the **mining industry**, and signed a long-term agreement to supply Barrick Gold Corporation with our thiosulfate solution, which will replace the

### Tessenderlo Kerley (in million EUR)

	2011	2012
Revenue	270.8	326.8
REBITDA	66.5	79.2
REBIT	56.2	65.7
Capital expenditures*	17.2	35.6

\*(PP&E and other intangible assets)

### Revenue (in million EUR)



### How we make a difference

Developing smarter agriculture processes is key to boosting the world's food production. Our **fertilizer business** is industrial ecology in action: we recuperate tail gases and energy from refineries in order to produce liquid specialty fertilizers, maximizing the value of by-products. Through our fertilizer and crop-protection businesses, we are a valued player in the agro-food industry, helping to boost output while minimizing inputs - including water.

The world's environment is becoming contaminated from imprecise agricultural methods and from industrial pollution. At a time of increasingly stringent emission standards, many of our innovative applications help our suppliers to reduce pollution.

# “Making technology work for farmers”

Tessenderlo Kerley Inc's New Wynnewood, Oklahoma Plant started operations in December, 2012 after 12 months of planning, construction, and training. TKI is making every molecule count by upgrading off-gasses into high quality, value-added products. The technology and expertise in TKI environmental services takes the off-gasses (H<sub>2</sub>S and sour water stripper gasses) and process them into

environmentally friendly chemicals, with a sulfur recovery process that typically achieves recovery levels of 99.95%. These recovered materials are used in Wynnewood to create Thio-Sul, an ammonium thiosulfate plant nutrient solution that is instrumental in unlocking the full potential in agricultural crops.



## Thio-Sul

Unlocking the full potential in agricultural crops





### — Improving the water footprint of oil extraction —

The ECS water treatment facility near Myton, Utah receives process water from oil field production, separates out the oil and the water, and treats the water to environmentally safe standards so that it can be reused in other processes. Water consumption during oil extraction can be significant – up to 10 times the amount of oil extracted, and reuse greatly improves the water footprint of oil extraction. This is even more relevant when oil extraction takes place in rain-poor regions.

use of cyanide in leaching ore at one of its mines, in Goldstrike, Nevada. We will construct, own and operate a new environmentally-safe production facility there, utilizing patented TKI technology. Work started in November, and startup is targeted for the end of 2013, beginning 2014.

**Environmentally Clean Systems** continued to expand its services and capabilities. The Uinta Basin water processing plant in Utah updated and extended its servicing contract with Newfield Exploration. Construction started on a second ECS plant, located at a major shale oil formation in North Dakota, for which completion is scheduled in the second quarter 2013. MPR successfully completed an equity purchase agreement with Jet Oil Solutions, its partner in ECS, which expands MPR's ownership interest in future projects to 65%.

**NovaSource®** delivered record results during 2012. The business expanded significantly with the acquisition from Bayer of the Sevin crop protection business, which is registered in 30 countries.



## “Expectations for 2013 are high for Kerley fertilizers, since much of the market is resilient.”

### Looking ahead

Expectations for 2013 are high for Kerley **fertilizers**, since much of the market is resilient, even among customers that suffered from last year’s drought in the US, as insurance covers their input costs. Prospects are enhanced further by high commodity prices.

We plan more capital expenditure for 2013 and the following years, and we have already announced a capacity increase. We are expanding, but judiciously, exploring the potential for development in the Americas, both north and south, and beyond. And we are always looking for new sulfur compounds that we can market, because some of the by-products have applications in industrial refining as a cyanide scavenger, to react with orphan cyanide in ponds of mining effluent, or in the food industry for caramelization.

**ECS** is further defining its footprint in the oil and gas exploration water management market. New markets and segments are being systematically explored for potential developments in North America. The ECS pilot trailer is targeted for deployment in several shale gas and oil plays as part of the market expansion efforts. New opportunities for ECS will grow as we find customized solutions for customers in 2013.

**MPR** will continue its focus on permanent reclamation units through demonstrations of its different technologies. New opportunities will be explored within the glycol reclaiming market. Geographical focus will be on North America, Europe, Middle East and South East Asia, leading to a more focused deployment of our assets.

Expectations for the **NovaSource®** business remain high in 2013 as the business unit completes the integration of the Sevin product line. The business unit continues to search for acquisitions that fit its screen, and considerable effort will be made in that regard in 2013 to assure steady growth in future years.



**Jordan Burns**  
EVP Tesserderlo  
Kerley

“ Our focus to improve has developed through years of hard work. With the combined efforts of very dedicated people we continue to produce positive results.”



# Gelatin and AKIOLIS



**10%**  
revenue increase  
in 2012 up to  
524 million EUR



## Smart transformation making **high-quality** ingredients

- Gelatin
- AKIOLIS

### ——. who we are

- Our Gelatin business produces high quality gelatins and hydrolysates to supply growing markets in food and pharma
- AKIOLIS processes organic by-products from the meat and food industry into high quality ingredients for various markets

### ——. how we contribute

- We extract collagen from discarded materials in the food chain to produce high value products
- We collect organic by-products from upstream customers and transform them so they acquire a new value downstream



1/3

The Gelatin and AKIOLIS operations generate 1/3 of the group's 2012 Rebitda

1 mio ton

AKIOLIS collects and transforms 1 million ton of bio-residuals yearly



**Read more**  
about our markets and applications on  
[www.tessenderlogroup.com](http://www.tessenderlogroup.com)

## Who we are

### Gelatin and AKIOLIS

We collect and repurpose bio-residuals and by-products from upstream customers in the food chain, and we meet downstream demand for high-quality proteins and fats, 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** processes organic by-products from the meat and the food industry - breeders, slaughterhouses, supermar-

kets and even restaurants - into high quality ingredients for use in petfood, animal feed, fertilizers, lipochemistry and bio-fuel.

### How we make a difference

Too much valuable organic material is discarded in the food chain. This is throwing away potential resources. Our **gelatin** operations create new value by extracting the collagen out of the bones and skins of mammals. The result is a variety of gelatins, hydrolysates and intermediates for downstream customers producing high-value products.

**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 intended for consumption are transformed through sophisticated processes to deliver high-value proteins and fats. These ingredients are used in petfood, 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 and pork.

AKIOLIS also produces animal fats and meat meals from risk organic material. These fats and meals can be considered as renewable bio-fuels and are used as an alternative to fossil fuels to generate energy.

It is also active in methanization and composting of fermentable waste from the food and distribution industries.

# “three times the amount of protein”

Protein, one of the essential nutrients for humans, is much in demand, and high-protein food is increasingly popular as people seek to promote their natural beauty and healthy joints and bones. The gelatin content of the traditional gummy bear contains about 5-6g of protein per 100g, and conventional formulations have been unable to increase this level without encountering problems of taste, colour or texture in the product. But the PB Application Lab,

a collaboration between the Vilvoorde, Santa Fe and Davenport sites, has developed a gummy that contains three times the amount of protein, yet that looks and tastes like any other normal gelatin gummy. As a result of using Solugel® collagen hydrolysates in addition to gelatins, the final product contains as much as 21% of proteins in total - qualifying it to claim “Fortified or Enriched in Proteins” for standard gummy serving sizes in the USA.



21%  
of proteins in gummies



### From cooking oils to bio-fuel

Following its acquisitions in January in the Paris region, Oleovia®, a brand of AKIOLIS, recently took over SAR Ferrari, a specialist in the collection of used cooking oils in the south east of France. In its two treatment plants, Oleovia purifies the used cooking oils, which are then used as raw material for the production of bio-fuel. With this 25<sup>th</sup> collection center located in the Provence - Cote d'Azur - Alpes area, Oleovia® is strengthening its country wide presence and increasing its market share.

## Trends in 2012

In **Gelatin**, two new plants were added to our global network – Nehe in China and Acorizal in Brazil. These both improve our footprint in places where raw materials are available, so as to assure reliable supply for our global customers and to enhance our competitive position in emerging markets.

We developed a reputation in the China market as a quality supplier, against the background of concerns over quality issues in 2012 in the Chinese pharma market supplied by local gelatin producers.

We continued to improve our operational excellence and we pursued our approach of seeking consistently higher value from our transformation processes – with a trend away from commodity products and towards specialty proteins that have a higher return.

We innovated in our processes, too. We worked on reducing our processing cost through techniques that require less time and energy, and the energy consumption reduction also reduced

our impact on the environment too. And we maximised the value of each molecule of the by-products we use to produce gelatins.

In **AKIOLIS**, the emphasis increased on developing new businesses from our expertise in transformation. We have set up new customer service departments and reinforced our technical services with new research facilities, so that we can be closer to our downstream customers. The aim is that we will do more than just supply them better with basic products; proteins or fats. We are setting up co-development partnerships for products that meet our downstream customers' specific needs, for which we supply specialty nutritional products.

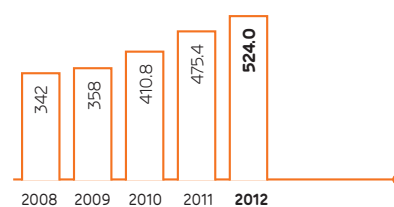
We explored new opportunities that emerged in our downstream markets. The aquaculture market is opening more widely as a result of changing regulation in Europe, and this offers excellent prospects for players with the record of reliability that we can demonstrate. Biodiesel options are also appearing in the use of fat from animal carcasses.

### Gelatin and AKIOLIS (in million EUR)

	2011	2012
Revenue	475.4	524.0
REBITDA	66.4	67.0
REBIT	37.3	35.6
Capital expenditures*	45.9	32.3

\*(PP&E and other intangible assets)

### Revenue (in million EUR)



Upstream, we continued to explore new sources for accessing dedicated raw materials. This included the strengthening of three new businesses transforming used cooking oils for bio-fuel, cereal by-products from bakeries for feed for piglets, and organic waste from the food chain for use as energy and bio-fertilizers. We also examined opportunities for less traditional sources, such as supermarkets and restaurant chains.

In our sanitary business line that deals with the collection and processing of

risk organic material and dead animals, we improved our services to farmers by introducing new mobile technologies for their collection demands.

In the same business, we also continued to increase the efficiency of our intensive servicing of the many points where we collect our raw materials on tight schedules every day. Geo-tagging of farms and computerization of route-planning permitted smoother logistics, as well as reduced fuel consumption and exhaust emissions from our fleets of collection vehicles.



## — Innovation —

AKIOLIS launched two new products, VIO+® and Delifeed®. These two brands, respectively manufactured and marketed through the Violleau and Apéval activities, build on AKIOLIS' expertise of valorizing by-products as valuable, safe and sustainable products. VIO+® is a range of fertilizers to meet the needs of large scale, environmentally friendly agriculture. These granulated organo-mineral fertilizers are generated through composting of organic material, and they feed crops at the same as nourishing the soil. To keep up with market demand, AKIOLIS is increasing its production capacity with a dedicated site in France.

Delifeed® is a secure and sustainable solution for animal nutrition, produced from by-products of the bakery and biscuit industry and sold to feed blenders, mainly for the pork sector. Construction started of a new industrial site near Nantes, to be close to the raw material suppliers and the producers of animal feed. The plant will be a first of this type in France.

**“Through innovation we’ll seek to develop new specialty products for animal nutrition.”**



**Pol Deturck**  
EVP Chemicals and  
Organic Specialties

“We are part of a chain, making downstream customers successful, and helping customers upstream solve their needs to dispose of by-products.”

### Looking ahead

in **Gelatin**, we will maintain our attention on geographic expansion, leveraging our recent investments to strengthen our position in growing markets (Asia, South America) while further improving our cost effectiveness through operational excellence. In addition, we will increase customer and market insight, and use this more effectively, which will assist in value creation.

Innovation in new products, processes and services will help us to capture value from the market. This is a significant change from previous years, and is possible because of our new organization, and our new multi-disciplinary processes, with a renewed management team, new systems and tools for IT, new cross-functional processes, a global organization of R&D and sales and operation planning, management review, and talent resource plans.

**AKIOLIS** will increasingly focus on seeking growth opportunities in nutrition, agriculture and energy.

We will set up partnerships with other Tessenlerlo Group businesses servicing the agricultural end markets to co-market our bio-fertilizers. We will develop our pole that transforms cereal by-products from the food industry into animal feed and continue to explore feed solutions for aquaculture.

Through innovation we’ll seek to develop new specialty products for animal nutrition.

But also, new possibilities in renewable energy based on used cooking oils and animal fats, methanization and meat meal will be further examined.

We will look for growth opportunities in Europe and increase synergies with the Gelatin business unit in terms of raw materials, processes and end products in order to position AKIOLIS even more as a reliable partner in the areas in which it currently operates and in new attractive ones where we can build on our expertise to create a competitive advantage.

### — A purified product —

**Gelatin** is a purified protein, produced by the selective hydrolysis of collagen. It is widely used in the food industry, to gel, thicken, stabilize, emulsify, bind and aerate, particularly in confectionery, dairy products and desserts and savory products. Collagen hydrolysates, rich in protein and without any cholesterol, fat or carbohydrates, are used in food supplements, nutritional and sports food and drinks, and in special foods with a low glycemic index or for people with diabetes. Gelatin is also widely used in the pharmaceutical industry, for hard or soft capsules, tablets, emulsions and other pharmaceutical and medical applications. It is also used in various technical applications, such as high-quality printing papers for ink-jet printers and photographic films.



# Inorganics



## Precision **support** for growing crops, for livestock and aquaculture

- Sulfates
- Phosphates

### ——. **who we are**

- Inorganics produces potassium sulfate fertilizers and inorganic feed phosphates
- Our soluble potassium sulfate is the market reference

### ——. **how we contribute**

- We reduce pollution by allowing a more precise application of nutrients
- Our feed phosphates play a major role in the development and maintenance of skeletal tissue and energy utilization





# 405 million EUR

Inorganics generated  
405 million EUR revenue in  
2012

# 80

Our potassium sulfate  
fertilizer is exported to  
80 countries

## Who we are

Within the inorganics segment, we operate two main businesses – potassium sulfate fertilizers and inorganic feed phosphates – primarily serving the agricultural end markets.

**Sulfate of potash**, or SOP, is mainly used as a fertilizer for specialty crops such as flowers, fruits, and vegetables. With production in Europe, and exports to 80 countries, we are the third largest producer in a four million ton market, focusing on the high-end crops with less volatility, and specializing in the soluble market. Our soluble potassium sulfate is the market reference.

We are the market leader in Europe for the production and marketing of **inorganic phosphates** as ingredients for the animal feed industry - including for cattle, pigs, poultry and aquaculture. Our output offers a consistent, precise nutritional value and high product purity. Our production units in Europe deliver a complete range for feed producers in Europe, Africa, Asia and Latin America.

Besides the phosphates we produce ourselves, we offer our customers a complete range of mineral raw materials and additives as feed ingredients, produced by reliable partners and guar-

anteeing the highest quality. We also provide the necessary technical support, so that our customers can work with safe, environmentally friendly and highly sustainable products.

## How we make a difference

Many of our applications reduce pollution, by allowing a more precise application of nutrients, reducing both the volume of **fertilizer** and water required, and the run-off of excess fertilizer into water courses.



**Read more**  
about our markets and applications on  
[www.tessenderlogroup.com](http://www.tessenderlogroup.com)

# “Improving yield and quality at a modest cost”

A new grade of soluble potassium fertilizer, K-Leaf®, was launched in 2012, offering farmers an additional means to help meet the world’s growing demand for more food. This specialty SOP fertilizer for foliar application is a further complement to application of fertilizers to the soil. The product creates the possibility of gaining market share in the production of broad-acre crops such as maize, wheat, rice and potatoes.

Field trials prove that these broad-acre crops such as cereals and potatoes benefit from foliar sprays of sulfate of potash to increase both yield and quality. K-Leaf®, with its enhanced properties, is ideal for modern spraying equipment.

“Already widely used in fruits and vegetables, foliar SOP sprays can also offer growers of broad-acre crops significant improvements in yield and quality, at a modest cost”, explains Michel Marchand, Senior Technical Manager-Fertilizers. “The equipment used for foliar application requires high quality products that dissolve extremely quickly and completely. This is why we have developed K-Leaf®”. “We have always been at the forefront when it comes to producing high quality water soluble SOP. K-Leaf® is another leap forward”, adds Nicolas White, Marketing Director-Fertilizers. “It dissolves three times as fast as other water-soluble SOP products, which means that growers can be confident that K-Leaf® will dissolve rapidly and completely. K-Leaf®’s development has been a real team effort both within Tessenderlo Group and with our customers, and the feedback received has been very positive and confirms that growers really can benefit from foliar applications of K-Leaf®!”.



**K-Leaf®**

was launched as first foliar grade sulfate of potash fertilizer





**Frank Coenen**  
CEO Tessenderlo  
Group

"No-one can have overnight solutions for every challenge, but we strive step-by-step to make improvements."



### Sustainable deliveries

A new rail connection is bringing liquid sulfur to the Ham plant in Belgium, for our production of sulfuric acid, potassium sulfate and thiosulfate fertilizers. 600-ton trains will increasingly replace delivery by truck and barge from Belgium, France and the Netherlands with a flexible, safe and sustainable system allowing us to increase the number of suppliers and broaden our sourcing perimeter to Germany and Poland.

Our **feed phosphates** reduce the environmental burden in livestock breeding while contributing to food production. Inorganic feed phosphates play a major metabolic role, promoting development and maintenance of skeletal tissue, as well as energy utilization and transfer. An adequate supply of phosphorus in the feed is crucial to the health and optimal production of livestock.

### Trends in 2012

We maintained our strong relationship with our key suppliers in raw materials for our **sulfate fertilizer**, and our factory close to the harbor of Antwerp gave us access to a worldwide distribution network.

In our established sulfate markets - Western and Southern Europe, North Africa, Middle East - demand suffered from the economic crisis in Europe and the political instability in the Middle East. Meanwhile we further grew our soluble fertilizer Solupotasse®, especially in Latin America.

Last year saw the pilot phase of the foliar grade K-Leaf®, which permits precise spraying of droplets of water with

the potassium sulfate nutrient onto the leaf of the plant. This offers us a bigger market, because the product has been developed to target broad acre crops such as corn, wheat, and rice.

We maintained premium prices in markets where we have more than a 50% share. However, there was a disappointing further drop in volumes, because 50% of production is exported from Europe to Middle East and the Mediterranean basin, where demand fell temporarily because of turmoil in Egypt Iran and Syria, and because of economic conditions in Southern Europe. Profitability was also negatively affected by a number of incidents – such as the shutdown of our Ham sulfuric acid plant for several weeks and a fire in a wax storage tank. The decline in volume and higher input material costs that could not be passed on to customers led to a decline in profitability.

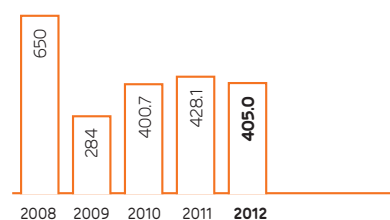
The performance of our **inorganic feed phosphates** reverted to normal after an exceptionally good 2011. Demand for these products in 2012 in Europe stabilized at the level of the year before. European demand for feed for pork production continued to be low,

### Inorganics (in million EUR)

	2011	2012
Revenue	428.1	405.0
REBITDA	28.6	1.8
REBIT	22.9	-4.0
Capital expenditures*	9.8	12.4

\* PP&E and other intangible assets

### Revenue (in million EUR)





### — A sustainable alternative —

One in three species of our ocean's fish stocks are being overfished. As more and more people are eating more and more fish, we need to obtain the necessary fish volumes in a sustainable way. In the past, farmed carnivorous fish like salmon and trout were being fed mainly wild fish. In fact, to produce 1kg of salmon, fish farms typically needed between 1 and 2 kg of wild fish. This way, the aquaculture business was further depleting our wild fish stocks.

Can fish farming be made more sustainable?

For sure. Our Windmill® Monamphos is a phosphate based ingredient in fish feed. Combined with proteins of vegetable origin, it reduces the need to catch wild fish for fish feed by providing an alternative source of a key nutrient, i.e. phosphate. Our business of premium products not only grows in line with a growing aquaculture market, it also reduces the depletion of global wild fish stocks.

## “We consolidated our market share in West and South Europe, and maintained sales volumes in South Europe despite the economic crises there.”

but was largely offset by increasing demand for feed ingredients for poultry, dairy cattle and aquaculture. Volumes developed in line with the overall market. We consolidated our market share in West and South Europe, and maintained sales volumes in South Europe despite the economic crises there. We had lower market shares in Central and East Europe, in the face of tough competition from producers integrated in raw materials. However, this was compensated for by higher volume sales in North Africa, the Middle East and Latin America, and increased sales, helped by considerable market share gains in North Europe and in Latin America in the aquafeed sector.

We increasingly focused on new markets (Africa, Asia and Latin America) as well as on new developments in feed phosphate production such as for aquaculture (Aliphos® Blue Line), and on introducing new products focused on sustainable livestock breeding (Aliphos® Green Line), developed in collaboration with partners.

### Looking ahead

in **sulphates** we will further develop our leading position in soluble and foliar grades of SOP fertilizers that meet the needs of modern and sustainable agriculture.

In line with earlier announced permit conditions, we will prepare the stop of the production process based on phosphoric rock at the Ham plant in Belgium. For the remaining **phosphate activity**, we will secure our market position and customer base through operational efficiency and strategic partnerships.

### — A reliable product with a dependable market —

Combining potassium and sulfur, SOP offers a high concentration of nutrients readily available to plants. SOP 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, making plants more resistant to drought, frost, insects and disease. Not only does potassium sulfate improve the crop's nutritional value, taste and appearance, but also its resistance to deterioration during transport and storage, and its suitability for industrial processing.



# Plastic Pipe Systems and Profiles



**12,000**

Merritt Plastics, part of Eurocell, can process up to 12,000 end-of-life PVC-U frames per week

## Sustainable water management and building components

- Plastic Pipe Systems
- Profiles

### •——• who we are

- Plastic Pipe Systems provides high quality piping and fittings for water management
- Profiles produces components for energy-efficient windows, doors and other building materials

### •——• how we contribute

- Our long life plastic pipe systems reduce water leakages in the supply network
- Incorporating recycled materials into our building product reduces the need for finited resources and landfill
- Our profile systems maximize the thermal efficiency of windows, which allows a reduction of energy consumption

# 19.4%

of the group's 2012 Rebitda was generated by PPS and Profiles



## Read more

about our markets and applications on [www.tessengerlogroup.com](http://www.tessengerlogroup.com)

## Who we are

Tessengerlo Group's **Plastic Pipe Systems** business (PPS) provides high-quality piping and fittings for water supply and drainage systems, and pipe systems for gas, telecommunications and other applications.

Our **Profiles** unit produces frame components used to manufacture market-leading energy-efficient windows and doors, conservatories and roofline profiles for the new build and refurbishment housing markets.

## How we make a difference

Too much clean water goes to waste: even in the developed world, poor quality pipework 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.

Climate-change related events have increased over recent years. Unpredictable rainfall frequently overwhelms retention capacities, creates flood

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

The treatment of waste water is often inadequate and inefficient, posing risks to the environment and to health, and generating unnecessary costs. By taking wastewater to water treatment units, and keeping it separate from rainwater, the treatment load is reduced, allowing greater efficiency.

Our pipes increasingly incorporate recycled material, giving new value to waste and reducing demands on finite resources whilst maintaining high quality levels, replacing piping made from



We designed and installed a soak-away system for Charleroi Airport, Belgium, providing 243 m<sup>3</sup> capacity under a parking lot for 2,300 cars.



### — Recycling PVC-U window frames —

End-of-life PVC-U window frames which have been replaced with new energy-efficient versions are often sent to landfill sites or are incinerated. Recycling them not only reduces raw materials usage, but also cuts waste and creates more value for our customers and our company.

less reliable or more resource-intensive materials, such as concrete, metal and clay.

In our **Profiles** business we recycle end-of-life window frames and use the material to produce new finished products, so the need for raw material consumption is reduced.

Our profile systems are designed to maximize the thermal efficiency of windows, thereby reducing energy consumption. Combined with responsible use of materials, this offers a double sustainability benefit.

## Trends in 2012

Overall, businesses linked to building and thus to **Plastic Pipe Systems** suffered in 2012 because of the problems in the wider economy, and more specifically because of the greatly reduced construction activity in the Netherlands. Rising raw material costs also hit our margins, although these eased later in the year, and our better market presence, mainly in the UK, allowed us to regain a more acceptable unit margin. We did well to limit the damage in a difficult market, through ongoing strong cost management and the implementation of a personnel reduction program launched at the end of the year at Dyka BV in the Netherlands.

Nevertheless, we extended our product range. In the growing market of storm and road water management, the systems we designed permitted maximal retention of water for use - and avoided treatment units having to meet greater demand than necessary as a result of rainwater getting contaminated with wastewater. Our proven roof drainage system, Vacurain®, has been installed in several European countries for many years and has helped us open up emerging markets, notably in China, where we established a sales organization.

We installed a new corrugated line at our production site in Belgium for the production of Ultra Kyma® twin wall PP pipe, and introduced a plastic air-duct system, DYKA AIR®, in the Netherlands for residential housing. This is superior to traditional systems, with lower noise and energy levels and better air flow.

We enhanced our close links with customers, through a dense distribution network, and through our production and technical consultancy. Our business model of customer intimacy gives us a commercial advantage and profitability. Our Netherlands operation achieved a top-level CSR certification as a sustainable company.

The integration of BT Bautechnik Group (Germany and Hungary) an

activity we acquired in 2011, with its fittings specialization, and its activities contributed positively to the results, complementing our product line and allowing cross-fertilization of marketing. And we gained and maintained market share by providing products that are easier to install than the competition, and by assuring rapid delivery.

We continued to develop our range of PVC-U **profiles** for windows, doors and conservatories, plus fascias, soffits, guttering and ancillaries. In the UK, which is our main market, our operation is a leading manufacturer and distributor of these products, offering complete building plastics solutions with a unique color-match guarantee across a wide range of product categories.



# “Eurocell award winner”

Eurocell's innovative closed-loop recycling solution – taking end-of-life PVC-U window frames and turning them into new finished products – won the company the Materials Recycler of the Year (Large) award at the 2012 National Recycling Awards. Emma Maier from the National Recycling Awards and editor of Materials Recycling World said: “Eurocell thoroughly deserves to win Materials Recycler of the Year for the work it has done in advancing post-consumer recycling within the building sector. There are few companies in the industry prepared to invest at this level in creating a sustainable future for us all.”



Eurocell, our UK operation, was named Manufacturer of the Year in the prestigious Building magazine awards in recognition of its work in recycling, product innovation and for its record of continued growth over the past ten years throughout the recessionary period.



**Albert Vasseur**  
EVP Plastics  
Converting

"What is remarkable is that we did well to limit the impact of a difficult market."

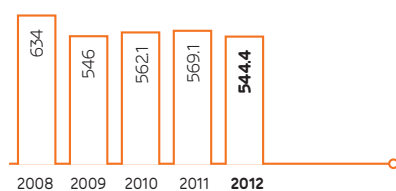
The highly successful Aspect® bi-fold door system became the first and only bi-fold door system of any material type in the UK to achieve BBA product certification, making specification easier for architects and building contractors. Aspect® was also Highly Commended for Best Product in the Housebuilder Awards 2012. "Becoming the first ever company in the UK to gain BBA Accreditation on a bi-fold door system will enhance Aspect®'s market-leading position," said Ian Kernaghan, Product Manager at Eurocell. "Aspect® already offers many unique features and this important accreditation by a UKAS recognised body provides yet another reason why customers should choose Eurocell."

## “Efforts will continue to reduce production costs, and 2013 will see further strengthening of our market position.”

Our UK operation increased its sales in both new build and social housing sectors, despite the forecast fall in construction industry output. The manufacturing arm designs and produces PVC-U window, door and conservatory roof products and supplies them directly to trade fabricators. It also recycles up to 12,000 end-of-life PVC-U window frames per week, and the 20,000 tonnes annual capacity of its plant reduces the need for landfill as well as minimizing raw material consumption. It won awards for innovation and recycling, and obtained industry-first certification for one of its leading products. The distribution arm offers more than 4,000 products through 126 branches nationwide, with free delivery to any UK site within 24 hours. It also owns a premium-quality brand of PVC-U roof-line products.

As part of the continued refinement of our own group focus, we announced on February 1<sup>st</sup>, 2013, the divestment of our continental European Profiles activity to a global investment company. The activities sold, known under the brand name Profialis, include production facilities in France and Belgium and distribution centers in Hungary and Poland.

**Revenue**  
(in million EUR)



### Looking ahead

Construction markets in our areas of operation are expected to further decrease in volume, particularly in the Netherlands. Further development of sales in storm water management, through market demand and new products, will partially ease the impact. In the face of this difficult market we will increase our efforts to reduce cost to maintain profitability of our PPS business unit.

In **Profiles**, industry output in the UK - our principal market - is predicted to fall by 1.4% in 2013, but no further degradation of demand is expected, and revenue should show some small growth through further extension of our branch network and our product range. Efforts will continue to reduce production costs, and 2013 will see further strengthening of our market position with the launch of a significant new product with industry-leading specifications and technical performance.

**Plastic Pipe Systems and Profiles**  
(in million EUR)

	2011	2012
Revenue	569.1	544.4
REBITDA	44.1	36.9
REBIT	17.7	14.6
Capital expenditures*	18.0	17.0

\* PP&E and other intangible assets

### — Flow Control —

To improve storm and rainwater management, Plastic Pipe System launched Flow Control in January - a system that avoids water overflow in sewers and flood tunnels, and prevents contaminated water finding its way to surface waters such as creeks, rivers and ponds. It features a vortex valve over a drain or sewer opening, in which pressure from water building up around it creates a swirling vortex, reducing the speed of the water's exit. This both maintains the maximum amount of water within the sewer system and prevents overflow.



## Other businesses



3<sup>rd</sup>

We are Europe's 3<sup>rd</sup> largest producer of water treatment coagulants

# A focus on **high performance** and sustainability

- Pharma
- Compounds
- Water Treatment
- Organic Chlorine Derivatives

### •——. **who we are**

- Our Pharma business unit develops active pharmaceutical ingredients and organic intermediates
- Tessenderlo Group's compounds business produces PVC and TPE compounds for different usages
- Our water treatment business is the number three European supplier of coagulants for waste water and drinking water treatment

### •——. **how we contribute**

- We treat and recycle dirty water with quick, cheap, and sustainable processes
- Our lightweight compounds allow our clients to reduce fuel consumptions and emissions
- We use sustainable raw materials of natural origin or recycled resources whenever possible

# 75 million EUR

Major investments in the Loos site in France to boost our water treatment activities

# 30%

Car-window sealing systems in TEFABLOC® TPE offer weight reductions of up to 30%

Dashboard skins in MARVYFLO® light slush molding offer weight reductions of 10%.



## Who we are

The group's other businesses segment covers smaller activities for reporting purposes, and includes production of high performance PVC and Thermoplastic Elastomer compounds used in, for instance, molding of airbag covers and dashboard skins for cars, coagulants for water treatment, and chemistries used in cosmetics, and the agro and pharmaceutical industry.

In the **water treatment** market, we are the number three supplier in Europe of inorganic chemicals that act as coagulants for customers in municipal or industrial waste and drinking water plants. We serve some of the major cities in Europe, including Paris and Brussels.

Tessenderlo Group's **pharma** business unit, which we sold in December 2012, develops active pharmaceutical ingredients and organic intermediates for both new pharmaceutical molecules and for the generic market.

Our **compounds** business has evolved from making components for all-

weather shoes, and now holds a leading position in the automotive market with compounds for airbag covers, glazing seals and dashboard skins. Most of our materials being recyclable.

We supply **organic chlorine derivatives** to the agrochemicals and pharmaceuticals markets.

## How we make a difference

Contaminated waste **water** from industrial processes is too often simply thrown away, and many decontamination methods employ finite raw materials, creating additional waste and environmental problems. We take dirty water, and deliver clean water by the use of recycled chemicals that coagulate phosphates and other contaminants quickly and cheaply. We use sustainable raw materials for the process, and wherever possible we use recuperated by-products from the steel industry.

Our **compounds** allow our clients to manufacture goods with low environmental impact. Our lightweight

thermoplastics for sealing and moldings reduce vehicle weight and consequently reduce fuel consumption and emissions. And in many cases we use renewable resources instead of relying unnecessarily on finite resources.

Wherever possible, we make use of raw materials of natural origin, the product of green chemistry, or recycled resources - such as the use of oyster-shell powder instead of chalk from quarries in some of our compounds, or sourcing a chlorine by-product from our own operations for water treatment. Some of our formulations now have as much as two-thirds of the raw materials either rapidly renewable or recycled.



### Read more

about our markets and applications on [www.tessenderlogroup.com](http://www.tessenderlogroup.com)



#### — Shell powder recycled in greener elastomer compound —

Quarried chalk takes several lifetimes to generate. But oyster shells regenerate in a few years - and can be used as a substitute. We developed oyster shell powder from disused shells that would be thrown back into the sea because of imperfections, and this natural waste makes a greener elastomer compound with unimpaired quality. Local recycling of the shells helps to further limit the logistic impact and reduce our carbon footprint, and our customers'.

## Trends in 2012

We found a new home for our **pharmaceutical ingredients** activities and the two production sites in France and Italy, selling them to a private industrial holding company that already operates 17 manufacturing sites in Europe and the US. The status of preferred supplier that our activities enjoyed among major pharmaceutical companies will thus be maintained and developed. Chemilyl (France) will cease manufacturing as part of the turnaround of the Loos site. The laboratories and pilot plant in Tessenderlo (Belgium) will be gradually converted into a development center focusing on enzymes and proteins for Gelatin and AKIOLIS.

We achieved growth with the **Compounds** business in 2012, despite a difficult market environment.

The growth potential of our compounds for sealing profiles in France, Poland, Romania, Brazil and China was confirmed. We successfully launched slush molding in the USA, and provoked increased interest in this technology among new manufacturers - opening up our partnerships with clients in the efficient creation of environmentally friendly products and equipment.

We started up a new plant in China, which is a major step in the globalization of our activities in order to serve our customers worldwide. The new plant will produce high-performance thermoplastic elastomers and slush molding compounds for automotive applications. This gives us a foothold in China, the largest automotive market in the world, and in the growing auto-

## “Increase efficiency, reduce electricity consumption and totally eradicate mercury emissions.”

motive market in Asia, where all major global car producers and producers of automotive parts are also present.

We maintained our top three position in Europe’s market for **water treatment** coagulants. We continued to supply cities and utilities providing drinking water and waste water treatment, as well as industrial players who treat waste water internally, in France, Benelux, Switzerland, Germany and the UK.

A 75 million EUR investment in our Loos production platform in France was approved, to devote its activity exclusively to water treatment with sophisticated environmentally-friendly methods, and to manage historical soil pollution at the site.

The group’s Chinese **organic chlorine derivatives** activities were sold in August 2012. The organic chlorinated products from the Italian plant in Pieve Vergonte maintained their market share.

### Looking ahead

In **compounds** we expect significant revenue growth despite the difficult market conditions in both the automotive and construction industries in Europe. Growth will be driven principally by further penetration of the automotive market to replace traditional materials, and by sales outside of Western Europe. Our solutions will become standard in waterproofing sealing systems for several new cars to be launched in 2013.

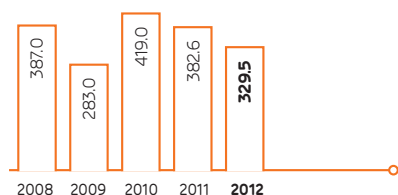
Over coming years, the switch from mercury cell based electrolysis to a modern membrane plant at Loos will increase efficiency, reduce electricity consumption and totally eradicate mercury emissions. This will also increase our capacity in the growing segment of **water treatment** chemicals, and secure our position as a top three player in this segment in Western Europe.

### Other businesses (in million EUR)

	2011	2012
Revenue	382.6	329.5
REBITDA	12.9	5.5
REBIT	2.2	-5.4
Capital expenditures*	17.1	16.4

\* PP&E and other intangible assets

### Revenue (in million EUR)



We are continually refining the processes in treating waste water. Ferric chloride is increasingly being used, both in drinking water where it allows coagulation and flocculation, and in wastewater, where it lowers the phosphate content due to precipitation, by dehydration and by reducing the sulphur content.

# Management Report

This section contains (i) the full consolidated Management Report for the financial year ended on December 31, 2012, prepared in accordance with art. 119 of the Belgian Companies Code; and (ii) all information from the statutory Management Report for the financial year ended on December 31, 2012, 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 Management Report and the statutory Management Report have been approved by the Board of Directors on March 26, 2013. A copy of the full statutory Management Report can be obtained at no cost upon request to the company, or can be downloaded from the company website.

## 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 during 2012.

### Group performance

Group revenue for the full year 2012 (FY12) was 2.1 billion EUR, 3.1% higher than 2011, or +0.5% when eliminating the currency translation impact. The full year profile featured double digit increases for Tessenderlo Kerley and Gelatin & Akiolis, while Other Businesses was nearly unchanged, and the segments PPS & Profiles and Inorganics had lower revenue than in 2011.

FY12 REBITDA amounted to 161.1 million EUR, a decrease of 13.6% compared to 2011 (-18.6% eliminating the currency translation impact). Tessenderlo Kerley had a solid performance for the year, and Gelatin & Akiolis was marginally above last year. The segment Other Businesses was below the strong 2011 result, and Inorganics had a material decrease compared to the

strong 2011 result. PPS and Profiles moved lower on weak construction activity in its key markets.

Cash flow from operating activities for 2012, including -28.3 million EUR for the third and final payment of an EU fine, was +49.2 million EUR (FY11: -29.2 million EUR). Trade working capital was 17.0% of revenue at the end of December 2012 (end December 2011: 19.8%). On a proforma basis, adjusting for the impact of transactions, trade working capital is 19.8% at the end of December 2012 (proforma end December 2011: 20.2%).

Group net financial debt stood at 314.0 million EUR at the end of December 2012, versus 219.4 million EUR at the end of December 2011. The change in net financial debt was mainly due to capital expenditures, and the third and final payment of an EU fine mentioned in the paragraph above, while the balance of the



cash flow from operating activities and proceeds from the sale of non-strategic assets were the main compensating elements.

At the end of December 2012, leverage amounted to 1.9x (2.4 based on notional net debt). Gearing was 45.3% at the end of December 2012 (50.9% based on notional net debt).

### Reported operating segment performance

For the full year 2012, TKI delivered another solid performance. Revenue increased to 326.8 million EUR, 20.7% above 2011 (+11.4% in US dollar terms). The agriculture sector responded to market signals prevailing during the year: robust demand and attractive economics for crops, albeit somewhat tempered by extremely dry weather conditions in parts of the US from late June onwards. Against this positive backdrop, TKI worked to ensure availability of its specialty liquid fertilizers. Together with incremental revenue from the addition of carbaryl to the NovaSource portfolio, this led to higher segment revenue. FY12 REBITDA for the segment ended up 19.1% at 79.2 million EUR, mostly due to growth in NovaSource, while the liquid fertilizer business achieved a similar level of profitability to match its record performance in 2011. In US dollar terms, total TKI REBITDA rose 9.9%.

Full year 2012 revenue for Gelatin and Akiolis grew 10.2% to 524.0 million EUR, supported by higher pricing partly offset by a decline in volumes. Segment REBITDA of 67.0 million EUR was broadly unchanged year on year, as a higher fourth quarter compensated a weaker first quarter result.

Inorganics segment revenue for the full year 2012 was 405.0 million EUR, 5.4% down compared to FY 2011. Phosphates were virtually unchanged year on year, while sulfates revenue decreased below the same period of last year, based on lower volumes. REBITDA ended the year at 1.8 million EUR, 93.7% down on the solid result of 2011 which featured a strong contribution from phosphates.

Revenue for PPS and Profiles for the full year 2012 decreased 3.6% to 544.4 million EUR, as both PPS and Profiles experienced weak demand for most of the year. Segment REBITDA fell by 17.7% to 36.9 million EUR, principally due to PPS, while Profiles was marginally below last year. In December, the Dutch PPS activity informed the relevant social partners and staff of its intention to adjust its cost base to the lower level of construction activity, which gives no indication of improvement. The intention is foreseen to result in the reduction of about 55 full-time positions. As

warranted, the group will continue to take measures to ensure that it has an appropriate cost structure.

Full year 2012 revenue of other businesses was 329.5 million EUR, essentially unchanged at 0.4% above 2011. Compounds and OCD both generated higher revenue, while Pharma was marginally higher. Water Treatment and Sulfur Derivatives were slightly lower. Reporting segment REBITDA totaled 5.5 million EUR, which represents a 52.8% decline versus the solid result of last year. Compounds was the only business in the reporting segment to improve upon 2011, due to higher volumes and better margins.

The recently divested Pharma activities had lower REBITDA due to lower volumes and higher energy costs. The fall of REBITDA for OCD was mostly related to the Chinese activity divested at the end of August 2012, which had unusually strong results for 2011 and much lower margins in 2012. Lower volumes and margins were nearly offset by decreased costs for Sulfur Derivatives, leading to a decrease of REBITDA mainly due to lower volumes, and Water Treatment margins were negatively impacted by increased raw material costs.

# Focusing on our human capital and Group identity

The Tessenderlo Group journey is not just the implementation of a business plan. It can be successful only if it takes 'human capital' fully into account and shapes its 'human resources strategy' accordingly.

For this reason, human resources was at the top of the management agenda in 2012.

A huge shift in culture is involved in the transformation from a 'financial holding' model with a dozen separate, sometimes commodity, activities to a strategic group focused on a set of speciality businesses with a global presence and an ambition to grow through innovation. And to allow that shift to happen, we have put in place a human capital strategy that defines how the business strategy is to be supported in terms of organization and governance, leadership and talent, and climate and attitudes.

At its simplest, this has meant the development of a global HR information platform. More sophisticated, it has meant an evolution towards an organisation that can combine the advantages of a group approach with stimulating the entrepreneurial spirit in business units.



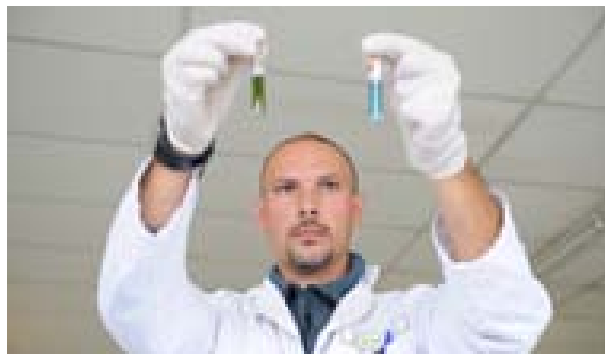
## Defining the required organization and governance

We removed the governance level comprising the four business groups (Chemicals, Plastics Converting, Tessenderlo Kerley and Specialities), so that the Business Units and Growth Units acquired a direct reporting line to the Group Management Committee, providing a lighter structure and more direct access.

At the heart of our Growth & Innovation Strategy, we made senior appointments to group functions for growth and intellectual property, as well as for Latin-America, because of its importance as an emerging region for many of our growth businesses.

To increase two-way interaction between BU Teams and the GMC we increased the frequency of meetings, from the previous routine of once or twice a year, mainly on strategy and budget, to as much as once a month, and looking not only at strategy, but also at important operational matters. This improves decision making, ensures closer links between senior managers and the GMC, and enhances understanding of all the Group's business activities amongst the GMC members.

We also created a Group Management Council to discuss major cross-company topics or challenges two or three times a year.





**CONNECTED**  
**COURAGEOUS**  
**CURIOUS**  
**POSITIVE**

### Defining the necessary talent, competences, leadership

To provide the competence, the people to make the re-modeled organization live, we started by making changes in the Group's leadership team.

We brought in new blood, with 21 internal promotions and 15 external recruits. And we made many changes in responsibility: of the top 120 executives in the organization, only 35% are still in the same job as in January 2011.

We also ensured that our Leadership and Talent Development does not take place in a vacuum: it is intimately linked to the Group strategy, and executed in that context.

All BUs worked out a talent resource plan in 2012, to match talent to the Group strategy.

We have started to look at creating support in the area of Project Management and the development of a Strategic Market Perspective, two areas that are in high demand with the businesses.

### Defining the appropriate climate and values to support the business strategy

We knew from a survey in late 2011 that three-quarters of our managerial staff declared themselves proud to work in the Group, and feel committed to it and its transformation.

But because we have set our ambitions on innovation-based growth, we need to do more than reinforce a sense of engagement. We need to stimulate courage. The courage to innovate and change. The **courage** to challenge.

We promote an attitude that does not accept the status quo, and that dares to ask questions, to express **curiosity** about new methods, new customer needs, new possibilities of service.

This curiosity is often shown in the way people not only focus on their own specific tasks, but are also alert to what is going on in the world around them, through being **connected** to a wide range of networks.

And because meeting the challenge and innovation will sometimes fail, we promote a **positive** approach, that sees incidental failure as momentum to learn and innovate.

From this we derived our four values: courageous, positive, curious, connected.



**Rudi Nerinckx**  
Chief HR Officer

"Positive, courageous, curious and connected... 4 attitudes to support our ambition to grow!"

# We are committed to **innovation**

Sustainability is at the heart of our strategy and practical innovation underlies our daily activities. Innovation is about creating a culture and a climate. Innovation is not limited to the walls of the research & development department. It can be found everywhere - in marketing, logistics, systems, processes.

Innovation is often about capturing the needs of customers. It is not enough to ask a customer what he needs. Innovation is about being smarter, going beyond evident needs, detecting what more can be done. It is through understanding underlying need that innovation thrives.



And we have innovated

## Tessenderlo Kerley

### Mining and Industrial

We explored new markets and applications for our existing products. As a result we established a new business unit specifically to serve the mining industry, and signed a long-term agreement to supply Barrick Gold Corporation with thiosulfate, which will replace the use of cyanide in leaching ore at one of its mines, in Goldstrike, Nevada.

We are developing new applications and markets for our sulfur compounds. Some of the by-products have applications in industrial refining, heavy metal removal, cyanide destruction and replacement, corrosion inhibition, and drinking water treatments.

## Inorganics

A new grade of the soluble **potassium sulphate** for foliar application was launched in 2012, under the brand name K-Leaf®, offering farmers an additional means to help meet the world's growing demand for more food. It is a further move away from application of fertilizers to the soil. The product creates the possibility of gaining market share in the production of broad-acre crops such as maize, wheat, rice and potatoes.

Our Windmill® Monamphos is a **phosphate**-based ingredient in fish feed. Combined with proteins of vegetable origin, it reduces the need to catch wild fish as fish feed, providing an alternative source of a key nutrient, i.e. phosphate, to farmed fish.

## Gelatins and AKIOLIS

We innovated in our processes. We worked on reducing our processing costs through techniques that require less time and energy, and the energy consumption reduction also reduced our impact on the environment. And we maximised the value of each molecule of the by-products we use to produce **gelatins**.

Protein, one of the essential nutrients for humans, is much in demand, and high-protein food is increasingly popular as people seek to promote their natural beauty and healthy joints and bones. The gelatin content of the traditional gummy bear contains about 5-6g of protein per 100g, and conventional formulations have been unable to increase this level without encountering problems of taste, colour or texture in the product. But the PB Application Lab, a collaboration between the Vilvoorde, Santa Fe and Davenport plants, has developed a gummy that contains three times the amount of protein, yet that looks and tastes like any other normal gelatin gummy. As a result of using Solugel® collagen hydrolysates in addition to gelatins, the final product contains as much as 21% of proteins in total - qualifying it to claim "Fortified or Enriched in Proteins" for standard gummy serving sizes in the USA.

In **AKIOLIS**, we continued to increase efficiencies to our intensive servicing of the many points where we collect our raw materials on tight schedules every day. Geo-tagging of farms and computerization of route-planning permitted smoother logistics, as well as reduced fuel consumption and exhaust emissions from our fleets of collection vehicles.

We launched two new products, VIO+® and Delifeed®. These two brands, respectively manufactured and marketed through the Violleau and Apéval activities, build on AKIOLIS' expertise of valorizing by-products as valuable, safe and sustainable products. VIO+® is a range of fertilizers to meet the needs of large scale, environmentally friendly agriculture. These granulated organo-mineral fertilizers are generated through composting of organic material, and they feed crops at the same as nourishing the soil.

We continued to explore new sources for accessing dedicated raw materials. This included the strengthening of three new businesses transforming used cooking oils, cereal by-products from bakeries, and organic waste from the food chain for use as oils for bio-diesel, feed for piglets, and bio-fertilizers. We also examined opportunities for less traditional sources, such as supermarkets and restaurant chains.

## Plastic Pipe Systems and Profiles

To improve storm and rainwater management, **Plastic Pipe Systems** launched Flow Control in January - a system that avoids water overflow in sewers and flood tunnels, and prevents contaminated water finding its way to surface waters such as creeks, rivers and ponds.

We installed a new corrugated line at our production site in Belgium for the production of Ultra Kyma® twin wall PP pipe, and introduced a plastic air-duct system, DYKA AIR®, in the Netherlands for residential housing. This is superior to traditional systems, with lower noise and energy levels and better air flow.

Eurocell, our UK **Profiles** operation, was named Manufacturer of the Year in the prestigious Building magazine awards in recognition of its work in recycling, product innovation and for its record of continued growth over the past ten years throughout the recessionary period.

The highly successful Aspect® bi-fold door system became the first and only bi-fold door system of any material type in the UK to achieve BBA product certification, making specification easier for architects and building contractors.

Eurocell's innovative closed-loop recycling solution – taking end-of-life PVC-U window frames and turning them into new finished products – won the company the Materials Recycler of the Year (Large) award at the 2012 National Recycling Awards.

## Other businesses

We have explored possibilities to employ new alternative iron sources from the steel industry as sustainable raw material input into our production process for our **water treatment** chemicals.

A 75 million EUR investment in our Loos production platform was approved, to devote its activity exclusively to water treatment with sophisticated environmentally-friendly methods.

### And we did more...

Innovation extended to our business and to our approach to our people. During the year we broke into new markets (mining and shale oil water treatment...), new territories (Brazil (gelatin) and China (car components)...), new areas of investment (Carbaryl crop protection, BT Fittings), and adopted new plans (the Hanford plant, Loos...).

We have innovated with a sustainable working capital management approach.

We have innovated with continued research into better technology and more eco-efficient production methods that help us to achieve our corporate objective of continually reducing the environmental impact and to improve the working conditions of our employees.

And we have innovated in our HR strategy in promoting creativity among our employees. Based on the conviction that implementing a new business strategy demands also a new human capital strategy, we have defined what we need to put in place in terms of governance, competence, leadership qualities, career development opportunities, and the group culture that will promote engagement. Together we are developing attitudes and behaviors that will stimulate innovative growth.



**Jan Vandendriessche**  
Chief Growth Officer

"There is wide choice for us to expand into attractive extensions of our existing technologies and markets."

We are developing an innovation culture, and a climate and a structure to support it. The evident changes in the group over recent years, the divestments of the commodity-based activities, tell only half the story. Because at the same time we have shifted our focus to giving our innovative activities full attention at the core of our business. And our strategy is to nurture these, to build a new organic group from them, so that these activities go forward as the core of the group. This is not just a question of money. Real sustainable growth does not flow uniquely from investment, classic R&D, and technical advances. If it is to continue over the long run, to be more than a spurt that stops as abruptly as it starts, it must take place in a culture and climate that is geared to innovation, and it must be supported by adequate management arrangements.

Because solutions do not arrive by accident, we have initiated development centers in 2012 – one in Belgium focused on enzymes, and process technology to improve the use of animal protein for AKIOLIS and Gelatin; the other in US in Phoenix bringing people together to work on sulfur chemistry.



# Health, Safety, Environment and Quality – HSEQ

## Tools

As in previous years, Tessengerlo Group companies have continued to implement Quality, Health and Safety, Environment and Food Safety management systems. These management systems are useful tools to further improve our HSEQ performance. Therefore, we will continue to place emphasis on having the appropriate management systems in place.

## Group Safety performance

The promising safety performance progress that was achieved in 2011 was only partly extended into 2012 where the Group Safety performance showed some mixed results. Despite the many safety initiatives undertaken by Business units, accident severity rate – compiled at group level- deteriorated. At the same time, the frequency and total recordable injury rates showed a minor improvement compared to the previous year. Whilst an improved awareness of safety issues can lead to more and a better quality of safety accident recording, it does indicate that improving safety performance requires prolonged efforts of all employees. The many training initiatives that were launched last year by the businesses aim to address some of the key cultural aspects that define safety attitudes.

## Achievements

Dyka Steenwijk (The Netherlands) applied the ISO 26000 guidelines on Corporate Social Responsibility (CSR) and obtained a level 4 certification on the CSR Performance Ladder from Kiwa, the independent international quality certification organization. With this result, Dyka Steenwijk joins a small elite group of companies that have achieved this level of CSR certification in The Netherlands. The ISO 26000 guidelines provide an organization a framework to consistently add the stakeholder view to every aspect of their activities. As a result, it has allowed Dyka to further strengthen the relationship with a number of like-minded key customers. Applying the ISO 26000 guidelines demonstrates the responsibility and willingness of an actor to improve social and ecological aspects of the value chain, ultimately resulting in an improved financial performance for the parties concerned.

The production of gelatin requires substantial amounts of process water. Returning this water in a clean state to the local surface water is of paramount importance for this type of activity. Across the global Gelatin Business Unit, several initiatives were executed in the course of 2012 that all contributed to lowering the environmental impact, mostly linked to water quality.

The Gelatin Nienburg plant in Germany invested in a grease recuperation unit, thus reducing the amount of animal fat in the waste water stream going to the waste water treatment. The Argentinean operation in Santa Fe invested in improvements of the waste water and odor treatment facilities, whilst the Chinese plant Heilongjiang built a brand new waste water treatment facility. In addition, the Gelatin Treforest plant in the United Kingdom installed an odor filter, thus addressing local community concerns.

During 2012, Eurocell significantly improved its safety performance. For instance, the total recordable injury rate was halved within a year. In order to achieve such results, Eurocell organized intensive safety training, provided by the Institute of Occupational Safety and Health (IOSH). This accredited training also included elements of risk management and contributed to a better overall awareness of risk and safety throughout the organization.

The Inorganics business unit launched a holistic program on safety behavior, called zero17, in Ham (Belgium) in order to achieve a step change in the safety culture at the site. Over time, this approach is expected to deliver a significant improvement in safety performance.



Similar to many companies which have or had activities in the chemicals sector, Tessenderlo Group has a number of historical environmental issues, which are gradually being addressed.

The remediation of historical soil and groundwater contamination in Ham (Belgium) continues unabated. In 2012, work commenced on the remediation of a historical sludge basin in Ham. The remediation will result in the creation of newly available industrial land, adjacent to the Albert canal. In addition, an existing sludge storage facility, equally along the Albert canal, is being reorganized, also resulting in the creation of a new industrial zone. Upgrading industrial land, adjacent to a major shipping canal, unlocks many potential benefits in terms of more sustainable logistics.

In 2012, an important industrial plan was approved for the Loos site (France), the most important production site of our business unit Water Treatment. The industrial plan encompasses both the investment to switch from old mercury based technology to a new membrane based electrolysis; and to address the historical soil contamination. A multi-year commitment has been made to put right a historic legacy at one of the oldest chemical sites in France. The full project is estimated at 75 million EUR, of which approximately one third has been earmarked for the depollution.

The environmental impact of the existing activities at the Loos site has been significantly reduced in the course of 2012. Emissions of heavy metals to both air and water have more than halved in 2012. This was achieved by investing in filtering installations, improving operating procedures and strengthening management focus.

In addition, an important safety program was launched on the site, which led in 2012 to a reduction of the total injury rate of more than 40%.

In order to improve the safety performance at Akiolis, specific training was provided to the managerial staff. In addition, risk assessments, rigorous accident evaluations and a relentless focus on accident prevention have all been elements of the safety management at Akiolis.

A significant investment was carried out in an oxidization unit at the site of St Langis, resulting in an improved odor management.

Safety at work is a priority in the compounds business unit. The safety performance improvement across the business

unit is good, even though further progress is to be made at the site of Tiffauges. Therefore, at the beginning of 2012, it was decided to put in place a 3-year safety program with a main focus on safety behavior of the employees. Two training courses were put in place: «safety culture» and «motivating the wearing of personal protective equipment». In addition, a monthly safety audit was implemented. Every month, 2 managers plus the safety manager execute a safety audit based on the observation of colleagues at work.

Today, it's too early to say if these actions are contributing to the reduction of the number of accidents but they have most certainly helped raise awareness amongst employees that safety concerns everyone. Therefore, it is seen as the first step towards continuously improving the safety performance across the organization.

In 2012, as in previous years, TKI Core Business Unit in the United States continued to provide employees the opportunity to go through a comprehensive medical check-up. The test results were subsequently confidentially shared by the health care provider with the employee. In cases where the outcome of the medical testing would point to potential health concerns, the employee was informed and could subsequently contact their doctor for follow-up. This proactive approach to employee health is offered to TKI's employees on an annual basis.

# Analysis of the main risks

The main risks and uncertainties identified for Tessengerlo Group are classified into four categories: strategic, operational, financial and external risks. The order of the risk factors described below is not an indicator of their probability of occurrence nor the extent of their financial implications.

## Strategic risks

Risks relating to the strategy are linked to the choice of the product portfolio, markets and business models. The strategic choices of the business units can strongly influence the results of the group.

Tessengerlo Group seeks to manage these risks through:

- a careful analysis of the attractiveness of the market(s), the competitive position of its business units, and the conformity with the group strategy when drawing up the strategy of each business unit;
- a continuous, careful review (due diligence) of acquisitions and joint ventures, depending on the needs and strategy of the group, and to limit potential liabilities (via 'representations and warranties');
- the geographic spread of operations.

## Operational risks

### Risks relating to safety, health and environment

Certain Tessengerlo Group activities can significantly impact people or the environment.

These risks are reduced as much as possible by:

- a system for the management of process risks. Concrete measures such as preventive maintenance, critical spare parts inventory and strict operating procedures further contribute to managing production risks;
- safety audits by the Risk Management department, including some in cooperation with the insurers;
- constant attention to - and awareness of - various safety aspects and the associated best practices.

### Risks relating to the adherence to guidelines

These risks involve failure to comply in full with laws, regulations, internal or external policies or instructions. They can have a significant impact on our financial position, and give rise to potential lawsuits.

Tessengerlo Group monitors the proper compliance with internal policies and guidelines through an internal audit system. The Audit Committee monitors this system.

## Risks relating to Human Resources (HR)

Ongoing challenges are ensuring there is sufficiently motivated and qualified staff in the right places, and meeting financial obligations with respect to the pension plans.

The capacity of the group to achieve its long-term strategy, including operating results, depends on attracting, retaining, developing and motivating its employees. Failure to do so could be a decisive factor for the performance of the group and its success in achieving its strategy.

As part of the group strategy, it is important to increase the global presence and activities of the organization. The group's portfolio is also shifting. Specialty products and services will be an ever-increasing part of the group results. These developments require significant change at HR level. Not having sufficient change management skills and/or career succession planning may be a significant risk to the achievement of the objectives of the group.

To ensure the attraction as well as the retention of talent within the company, the group continues to take significant actions to improve its HR management through further progress in talent management, training and development. In addition, the group is adjusting its compensation programs covering both short-term and long-term incentives; a new long term Incentive plan has been launched for the Leadership Team.

Pension plans have assets invested in stocks and bonds, which are subject to volatility in financial markets. If Tessenderlo Group is obliged to pay increased contributions to pension plans, either due to the volatility of the financial markets or because of increased regulations, this could lead to less capital being available for other group objectives.

The group has taken measures to reduce this risk by replacing existing defined benefit by defined contribution pension schemes.

## Risks related to Information Technology (IT)

Tessenderlo Group's operations make extensive use of IT systems and networks and are therefore reliant upon these. Should these systems and networks be disrupted, the functioning of the group can be compromised.

Tessenderlo Group takes the necessary measures to ensure the security of IT systems and provides the required back-ups. Disaster recovery plans ensure that the impact of any malfunction is minimized, and that operational activities are not compromised.

## 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 for up to 200 million EUR at the end of 2009;
- sign up in February 2010 of a 500 million EUR syndicated credit facility to provide liquidity to the group (167 million EUR with a maturity of 18 months, 333 million EUR with a maturity of 3 years);
- the launch of a private placement with a maturity of 5 years in October 2010 (150 million EUR);
- the set up of a Brazilian loan with a duration of 12 years for 55.8 million BRL (20.6 million EUR at closing date December 31, 2012), in October 2010;
- amendment in April 2011 of the syndicated credit facility in order to increase the maturity to 5 years, with more flexibility for the businesses (total amount of 450 million EUR).

In addition, the group uses a commercial paper program of maximum 200 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.

1. For a more detailed overview of the financial risks relating to the situation in 2012, and the policy of Tessenderlo Group relating to the management of such risks, please see the section Financial Instruments in the Financial Report, Note 28 Financial instruments.

## 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.

## 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)	2012	2011
<b>Fixed rate instruments</b>		
Financial assets	2.0	4.3
Loans and borrowings	184.3	195.6
<b>Variable rate instruments</b>		
Financial assets	32.7	30.6
Loans and borrowings	170.6	66.7

## External risks

### Risks relating to changing legislation

The group's activities are subject to strict laws and regulations, including those related to health, safety and the environment. These can change over time. If they would not be fully complied with, legal problems can arise.

The group follows the relevant legislation proactively, and implements new guidelines at its sites to further compliance.

### Risks relating to economic conditions and financial markets

The group is exposed to the risk of deterioration in the global economy, which can lead to a global recession or a recession in one or several of the major geographic markets. It is also exposed to credit and capital market volatility and economic and financial crises, which can have a negative influence on the results, given that some of the operating segments are closely linked to general economic conditions.

This risk is monitored closely.

Additional risks of which Tessengerlo Group is not aware may possibly exist. There may also be risks that Tessengerlo Group currently believes to be unimportant, but which could still have an adverse effect.

# 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 the relevant section of 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 on November 10, 2005. As a result of a change in the management structure of the company whereby the functions of Chairman of the Board and CEO were split, the Charter was adapted by decision of the Board of January 7, 2010. It was further amended by decision of the Board of December 22, 2010 to bring it in line with the law of April 6, 2010, particularly with respect to the role and responsibility of the Appointment and Remuneration Committee, and by decision of the Board of December 21, 2011, a.o. to bring it in line with the law of December 20, 2010 (shareholders' rights) and amend the delegation of powers to the CEO. The Charter can be consulted on the website of Tessenderlo 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 Tessenderlo Chemie NV at December 31, 2012 amounts to 153,702,506.38 EUR.

By decision of the Extraordinary General Meeting 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 4, 2012, the Board of Directors has decided to offer to pay the 2011 dividend in shares and/or in cash. As a result of the choices made by shareholders, 1,085,455 new ordinary shares were issued out of the authorized capital. In its meeting of November 14, 2012, the Board of Directors has decided to issue warrants in the context of Plan 2012 (see in this respect, section Warrants). In the context of this warrant issue, the right of preference of the shareholders has been annulled. The main conditions of the warrant issue are reflected in section "Application of art. 523 of the Companies Code".

The issue of the warrants can lead to a maximum financial dilution of 0.07%, dilution of dividend and voting rights of 0.49% and dilution of equity of 1.16%.

### Shares

The share capital is represented by 30,662,300 shares without par value, entitling the shareholder to one vote per share<sup>1</sup>.

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

### Warrants

Per December 31, 2012, there were in total 1,143,469 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) and the Plan 2011 (issue of naked warrants).

On November 14, 2012, Tessenderlo Chemie NV issued 150,000 warrants under the Plan 2012 under the condition precedent of their acceptance on or prior to January 12, 2013. The exercise price is 22.1 EUR (22.3 EUR for US beneficiaries). 150,000 warrants were accepted.

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 €
Tranche 3 (2004)*	2008-2016	30,200	31.69 €
Tranche 4 (2005)*	2009-2017	30,200	27.11 €
Tranche 5 (2006)*	2010-2018	57,120	30.02 €
Tranche 1 (2007)*	2011-2017	85,825	43.10 €
Tranche 2 (2008)	2012-2013	121,750	23.08 € <sup>1</sup>
Tranche 3 (2009)	2013-2014	192,542	21.96 € <sup>2</sup>
Tranche 4 (2010)	2014-2015	279,499	24.01 € <sup>3</sup>
Tranche 2011	2015-2016	337,733	21.72 € <sup>4</sup>
Tranche 2012		150,000	22.1 € <sup>5</sup>
<b>TOTAL</b>		<b>1,293,469</b>	

\* Exercise period prolonged by 5 years.

1. 22.07 EUR for FR residents and 22.09 EUR for US residents.

2. 22 EUR for US residents.

3. 24.72 EUR for US residents.

4. 22.29 EUR for US residents.

5. 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 1,293,469.

### 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 is 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 meeting 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 meeting; (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 buys and sells Tessenderlo Chemie NV shares. To ensure full transparency to the financial markets, Tessenderlo Chemie NV issues 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 2012, the total number of shares acquired amounted to 193,558 representing 0.63% of the capital<sup>2</sup>. The total number of shares sold in 2012 amounted to 163,776 representing 0.53% 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

1. In order to rectify a non-resolved reconciliation difference, the extraordinary general meeting of 5 June 2012 has decided to increase the amount of the shares mentioned in said article with the amount of the reconciliation difference, under the suspensive condition that the amount of the reconciliation difference is established by the board of directors in consultation with Euroclear. On 27 February 2013, the Board of Directors has, in consultation with Euroclear, established the amount of the reconciliation difference at 25.366. The amount of the shares mentioned in the articles of association has been amended accordingly.

2. 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, 2012.

3. 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.

and for the account of Tessenderlo Chemie NV at any given time in 2012, amounted to 42,442, 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 22.04 EUR per share and the average sale price amounted to 22.25 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:

[http://www.tessenderlo.com/investors/share\\_information/liquidity\\_contract/](http://www.tessenderlo.com/investors/share_information/liquidity_contract/)

As at December 31, 2012, Exane BNP Paribas held (in the name and for the account of Tessenderlo Chemie NV) 29,782 Tessenderlo Chemie NV shares, representing 0.10 of the capital.

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.

## Shareholders and shareholders structure

Tessenderlo Chemie NV's main shareholder is the French company Société Nationale des Poudres et Explosifs (SNPE), 99.9% owned by the French state. On October 30, 2008, SNPE made a transparency declaration in accordance with the Law of May 2, 2007<sup>1</sup>. On a voluntary basis, SNPE informed Tessenderlo Chemie NV that at the end of August 2012, it held 8,283,855 shares, resulting in a shareholding of 27.0%.

No other transparency notifications have been received.

On the basis of this information, the distribution of the shares at December 31, 2012 in Tessenderlo Chemie NV is as follows:

SNPE	27.0%	8,283,855 shares
Not negotiable shares (held by personnel or former personnel)	0.9%	285,871 shares
Free Float	72.1%	22,092,574 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. The final listing of these shares will only occur at the end of the said five year period.

1. At that time it informed Tessenderlo Chemie NV that SNPE held 7,186,689 shares in Tessenderlo Chemie NV

## Board of Directors

### Composition

At December 31, 2012, the composition of the Board of Directors of Tessenderlo Chemie NV was as follows:

Non-Executive Directors	Mandate until
Gérard Marchand - Chairman	(June 2014)
Valère Croes	(June 2013)
Antoine Gendry	(June 2013)
Michel Nicolas	(June 2014)
Guy de Gaulmyn	(June 2015)

Independent Non-Executive Directors <sup>1</sup>	Mandate until
Philippe Coens	(June 2015)
Dominique Damon	(June 2015)
Baudouin Michiels	(June 2015)
Thierry Piessevaux	(June 2015)
Alain Siaens	(June 2014)
Karel Vinck	(June 2015)

Executive Director	Mandate until
Frank Coenen – CEO	(June 2013)

1. 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.

All Board of Directors meetings were attended by the Chief Financial Officer and the Chief Legal Officer; other members of the management attended certain meetings.

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

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 seven times during 2012.

During 2012, 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 new funding strategy;
- the implementation of a liquidity contract;
- a new financing structure for the Group;
- the implementation of a securitization program;
- a number of investment and divestment projects including the new long term contract in mining, the investment in the water treatment activities at PC Loos, the sale of the pharmaceutical ingredients activities, the sale of the Chinese organic chlorine derivatives and of the continental European Profiles division and of the disposal of a stake in T-Power NV and the intended sale of the operating segment "Compounds";
- the reports of the Audit Committee, Strategy Committee and Appointment and Remuneration Committee;
- resolution proposals to the General Meetings of shareholders;
- the appointment of a new Board member;
- 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;
- the implementation and effectiveness of the internal control framework and Enterprise Risk management;
- the group's new organisation structure including the new composition of the Group Management Committee and new responsibilities of the Group Management Committee members.

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 2012, the Board of Directors pursued an induction program for its new Director (Mr de Gaulmyn) 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 will be given to the implementation of this rule.

## Evaluation of the Board of Directors

In 2011, the Board of Directors conducted an assessment of its functioning. The next formal evaluation of the Board of Directors is scheduled for 2013.

## Board Committees

### General

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

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The Appointment and Remuneration Committee

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The Audit Committee

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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/)

### Appointment and Remuneration Committee

At December 31, 2012, the Appointment and Remuneration Committee was constituted as follows:

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Karel Vinck (Chairman)(Independent)

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Antoine Gendry

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Valère Croes

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Thierry Piessevaux (Independent)

---

Alain Siaens (Independent)

---

Philippe Coens (Independent)\*

\* Appointment as of August 28, 2012 on the basis of his specific competences and expertise in matter of remuneration.

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 six times during 2012.

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.

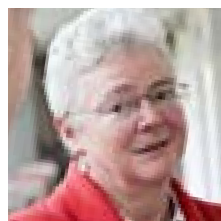
## Activities

In 2012, the Appointment and Remuneration Committee discussed a new organisation structure of the businesses within and of the Group Management Committee of Tessenenderlo Group and more in particular the governance structure. The committee made a recommendation for the cooptation of a new Board member, of a new member in the Strategy Committee and in the Appointment and Remuneration Committee. It also reviewed the Long Term Incentive Plan 2013-2015 and advised the Board on the grant of stock options to be awarded to the members of the Group Management Committee and some members of the Leadership Team. The Appointment and Remuneration Committee also prepared the remuneration report, as included in the 2011 annual report.

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

## Evaluation of the Appointment and Remuneration Committee

In November 2012, the Appointment and Remuneration Committee reviewed and evaluated its functioning. The Appointment and Remuneration Committee agreed to pursue this evaluation with the completion of a self-assessment questionnaire and the results have been gathered by the secretary of the Appointment and Remuneration Committee. The results of the self-assessment exercise and the areas where the functioning of the Appointment and Remuneration Committee could be improved, will be submitted to the Appointment and Remuneration Committee in 2013.



**Jettie Van Caenegem**  
Chief Legal Officer

"We strive to comply with all laws and regulations and thus to limit our risk exposure."

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

At December 31, 2012, the Audit Committee was constituted as follows:

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Valère Croes (Chairman)

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Baudouin Michiels (Independent)

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Thierry Piessevaux (Independent)

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Michel Nicolas \*

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François Schwartz \*\*

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Alain Siaens (Independent)

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\* Appointment by the Board of Directors on March 28, 2012.

\*\* Resignation as of February 15, 2012.

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

The Audit Committee met five times during 2012.

The CFO, the Group Director Controlling, Consolidation & Accounting, the Director Group Risk Management, Internal Audit and Internal Control as well as the statutory auditor attend the meetings of the Audit Committee. The internal auditor attended the meetings dealing with internal audit and the internal controller attended the meetings dealing with internal control matters. 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 fulfill 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; Mr. Alain Siaens is Chairman of a financial institution and Emeritus professor of Economics, and Honorary Chairman of the Belgian Association of Financial Analysts). In compliance with the Charter, the majority of the members are independent Directors.

## Evaluation of Audit Committee

In 2011, the Audit Committee reviewed and evaluated its functioning. The next formal evaluation is scheduled for 2013.

## Activities

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 centralization of the finance function, the efficiency and effectiveness of the internal control framework including the IT controls and the benchmarking-reporting deadlines. The Audit Committee also monitored the findings and recommendations of the external auditors as well as their independence. The Audit Committee also heard the Internal Auditor on the Internal Audit program for 2012, 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 an Enterprise Risk Management system based on Tessengerlo Group risk mapping, prioritization of risk and mitigation actions. The Audit Committee also reviewed the implementation of the internal control framework within the company based on the COSO framework. The Committee approved the implementation program of internal control systems and reviewed the status of the work performed.

The Audit Committee monitored the procedure for non-audit services from the Company's external auditor, which was introduced in order to increase transparency and avoid conflicts of interest.

The Audit Committee also reviewed the strategy of the finance department, the tender for the appointment of the external auditor in 2013, the IT strategy, the anti-trust programme and major changes with respect to IFRS.

## Strategy Committee

G rard Marchand (Chairman)

Antoine Gendry

Baudouin Michiels (Independent)

Karel Vinck (Independent)

Dominique Damon \* (Mrs) (Independent)

\* Appointment as of August 28, 2012.

The Strategy Committee met four times in 2012.

## 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 2012

	Board of Directors	Audit Committee	Strategy Committee	Appointment & Remuneration Committee
<b>Number of meetings in 2012</b>	<b>7</b>	<b>5</b>	<b>4</b>	<b>6</b>
G�rard Marchand	7/7		4/4	
Frank Coenen	7/7			
Philippe Coens <sup>1</sup>	7/7			1/1
Val�re Croes	7/7	5/5		6/6
Dominique Damon <sup>2</sup> (Ms)	7/7			
Guy de Gaulmyn <sup>3</sup>	5/5			
Antoine Gendry	7/7		4/4	6/6
Baudouin Michiels	7/7	5/5	4/4	
Michel Nicolas <sup>4</sup>	7/7	3/3		
Thierry Piessevaux	7/7	5/5		6/6
Fran�ois Schwartz <sup>5</sup>	1/1	1/1		
Alain Siaens	7/7	4/5		4/6
Karel Vinck	6/7		4/4	5/6

1. Philippe Coens was appointed as member of the Appointment and Remuneration Committee as of August 28, 2012.

2. Dominique Damon was appointed as member of the Strategy Committee as of August 28, 2012.

3. Mandate as from June 5, 2012 (Annual General Meeting).

4. Michel Nicolas was appointed as a member of the Audit Committee as of March 28, 2012.

5. Resignation as of February 15, 2012.

## Group Management Committee (GMC)

### Roles and responsibilities

#### Composition

As per December 31, 2012, the GMC of Tessenderlo Chemie NV was constituted as follows:

<b>Frank Coenen</b>	Chief Executive Officer
<b>Mel de Vogue</b>	Chief Financial Officer
<b>Rudi Nerinckx</b>	Chief HR Officer
<b>Jettie Van Caenegem</b>	Chief Legal Officer
<b>Jordan Burns</b>	Director Tessenderlo Kerley business group*/Executive VP
<b>Pol Deturck</b>	Director Chemicals business group*/Executive VP
<b>Jan Vandendriessche</b>	Director Organic Specialties business group*/Chief Growth Officer
<b>Albert Vasseur</b>	Director Plastics Converting business group*/Executive VP

\*As of April 1, 2012 the Business unit and Growth unit directors report directly to the GMC and the function of Business group director has been abolished. As of the same date the function of Chief Growth Officer was created.

#### 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

Historically the GMC has been meeting once a month. As of May 2012 this frequency was increased to twice a month in order to allow the GMC to be more closely involved in operational issues of the Business Units and to ensure an improved alignment of the Business Unit activities to the overall group strategy. The meetings of the GMC were also attended by the Strategic Planner Geert Gyselinck, secretary to the GMC. Members of the group support services were invited to present various topics. As of May 2012, 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 17 times during 2012. The attendance rate was 99.6%.

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.



Frank Coenen



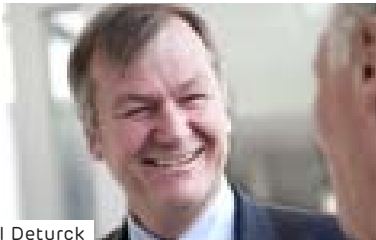
Jordan Burns



Rudi Nerinckx



Mel de Vogue



Pol Deturck



Jettie Van Caenegem



Jan Vandendriessche



Albert Vasseur

## Remuneration report

### Non-Executive Directors (and the CEO in his capacity 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.

There is currently no intention to change the remuneration policy in the next two years. However, the 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 2012 in respect of remuneration

No changes were brought to the remuneration policy for Directors.

#### 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.

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

Member	2012	Earned Fees (in EUR)
Gérard Marchand (Chairman) (non-executive director)	Fixed annual fee <sup>1</sup>	140,000.00
Frank Coenen (executive director)	Fixed annual fee	53,679.00
Philippe Coens (independent non-executive director)	Fixed annual fee	53,679.00
	Travel fee	3,472.00
	Appoint. & rem. Ctee. - attendance fee	1,860.00
Valère Croes (non-executive director) Chairman audit committee	Fixed annual fee	53,679.00
	Travel fee	3,472.00
	Audit Ctee - attendance fee	22,500.00
	Appoint. & rem. Ctee. - attendance fee	11,160.00
Dominique Damon-Zakovitch (independent non-executive director)	Fixed annual fee	53,679.00
	Travel fee	3,472.00
	Strategy Ctee - attendance fee	0.00
Guy de Gaulmyn (non-executive director)	Fixed annual fee	44,701.50
	Travel fee	2,480.00
Antoine Gendry (non-executive director)	Fixed annual fee	53,679.00
	Travel fee	3,472.00
	Appoint. & rem. Ctee. - attendance fee	9,300.00
	Strategy Ctee - attendance fee	7,440.00
Baudouin Michiels (independent non-executive director)	Fixed annual fee	53,679.00
	Travel fee	3,472.00
	Audit Ctee - attendance fee	15,000.00
	Strategy Ctee - attendance fee	7,440.00
Michel Nicolas (non-executive director)	Fixed annual fee	53,679.00
	Travel fee	3,472.00
	Audit Ctee - attendance fee	9,000.00
Thierry Piessevaux (independent non-executive director)	Fixed annual fee	53,679.00
	Travel fee	3,472.00
	Audit Ctee - attendance fee	15,000.00
	Appoint. & rem. Ctee. - attendance fee	11,160.00
François Schwartz <sup>2</sup>	Fixed annual fee	8,977.50
	Travel fee	496.00
	Audit Ctee - attendance fee	3,000.00
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	7,440.00
Karel Vinck (independent non-executive director)	Fixed annual fee	53,679.00
	Travel fee	2,976.00
	Strategy Ctee - attendance fee	7,440.00
	Appoint. & rem. Ctee. - attendance fee	7,440.00

1. Excluding company car.

2. Resignation as of February 15, 2012.

## 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:

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Focus on business strategy execution and linkage with the corporate attitudes

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Creation of a pay for performance culture

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Internal fairness and external competitiveness in order to enable the group to attract, retain & motivate talent

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Overall business affordability

---

For the executive compensation, the group not only envisages short-term company performance, but puts the emphasis as well on sustainable performance reflected by strategy execution. Each year, the Appointment and Remuneration Committee considers the appropriate compensation to be offered for the GMC based on recommendations from the HR department (Group Reward). These recommendations result from a regular market study conducted by Towers Watson, and Hay for a second reference for non-Belgian functions, to ensure the competitiveness of the compensation packages and to stay in line with market movements.

During 2012, Tessenderlo Group benchmarked 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:

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Base salary

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Variable salary (including short and long-term incentive plans)

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Other compensation items

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Details on the contents of each of these items are provided hereafter.

#### 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

Tessenderlo 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 Tessenderlo Group as well as in relation to their individual performance in the year preceding the year in which the Incentive is paid out.

The short term incentive for the CEO varies between 0% and 100% of the base salary. The objectives measured over the calendar year are set on predetermined group financial objectives (60%) and personal objectives (40%), established by the Appointment and Remuneration Committee. For 2012, the financial objectives of the group were set at ROCE, REBITDA and net result on equity levels. The personal objectives were linked to further progress in strategy execution and talent management within the group. The evaluation of the CEO target objectives against the realizations is done after the end of the financial year by the Appointment and Remuneration Committee and submitted for approval towards the Board of Directors.



For the other GMC members, the target short term incentive is set at a percentage between 25% and maximum 50% of salary depending on the function, geography and market practice. Pay out of the target short term incentive can vary between 0% and 200% based on performance. During 2012, the short term incentive was based on four performance components; one element linked to the group's financial performance (50%). The other objectives linked to strategy execution (15%), talent management within the group (15%) and other individual objectives (20%). The individual objectives of the GMC members are set by the CEO and are cascaded from the group strategy. Objectives take into account specific circumstances in the field of activities or business units that each member coaches. The GMC target objectives are evaluated on a calendar year basis; the evaluations are done after the end of the financial year by the CEO and submitted for approval to the Appointment and Remuneration Committee and Board of Directors.

## **II. Long-term variable compensation**

In 2012, a one-year share option (warrant) plan was developed for 19 Executives including the Group Management Committee members as well as the Group Management Council (composed in majority of Business Unit directors). The total number of options was determined on the basis of financial performance of the company (Q4 2011 till end of Q3 2012). Different numbers of options were granted to the CEO, the functional directors (CFO/IT, HR, CLO) and the Profit Centre Heads (i.e. the members of the GMC other than the CEO and the functional directors) within the GMC based on performance and contributions.

Subscription rights can only be exercised after three years and only for four consecutive years, except if extended by Board decision. The list of beneficiaries and the allocation of the warrants to the beneficiaries is determined by the Board of Directors. Subscription rights are registered and non-transferable, except in case of death. The exercise price of options issued by the Board of Directors on November 14, 2012, with acceptance period until January 12, 2013, has been set at 22.10 EUR, and at 22.30 EUR for the sub plan in place for the United States.

End of 2012, a new long term cash plan was developed next to the share option plan for both GMC members as all other Leadership Team members. The new long term cash plan will allow senior management to drive strategy execution through in line of sight targets, indirectly impacting sustainable business performance and share price evolution. Equally to the share option plan, a cash long term Incentive award is not a vested right but remains a discretionary decision of the Board of Directors. The long term cash plan should enable executing the major strategic turnaround and the attraction/retention of top talent by a market aligned offering.

The long term cash plan is a one-time individual selective grant of a deferred cash bonus covering a 4 year period (2012-2015). The pay-out will happen early 2016 based on Tessenlerlo Group 2015 target realization, being the combination of specific Business Unit targets set for each Executive. There is a performance differentiation between 0% and 150% at grant (based on performance, potential and impact on business results) and between 0% and 200% at vesting (based on Group/Business Unit Results). Additionally, the pay-out is subject to an employment condition (to be in service end of 2015). A pro rata will be applied for new entrants in the Leadership Team.

For GMC members, including CEO, the target is set based on the long term Group strategy with key performance indicators based on ROCE and REBITDA. The target grant of the long term cash bonus is set at 200,000 EUR for the CEO, at 100,000 EUR for the non US GMC members and at 400,000 USD for the US GMC member, covering a 4 year period (2012-2015).

## **Other compensation items**

Members of the GMC (including the CEO) are 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 CEO 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 2012"). The US GMC member participates in a 401K plan in the United States.

## **Changes in reward policy**

The Appointment and Remuneration Committee of June 4, 2012 advised to issue a one year share option plan, whereby the number of warrants granted was linked to performance conditions (REBITDA) with a target allocation of 210,000 options (warrants) to improve the long-term vision as per the Corporate Governance law of April 6, 2010. On November 14, 2012, the Board of Directors, following the advice of the Appointment and Remuneration Committee, decided to issue options under such a one year share option plan.

The plan provides in a four year exercise period versus a two year exercise period in the previous plan (Plan 2011).

End 2012, a new long-term performance Cash plan for the GMC and Leadership Team (2013-2015) was proposed for approval by the Board upon recommendation of the Appointment and Remuneration Committee.

Finally, as the group is becoming more global, an international benchmark study on total direct compensation (base salary + short-term variable compensation + long-term variable compensation) for the CEO and GMC members was initiated end 2012, by defining an international peer group of companies acting as reference for the international benchmark study on total direct compensation. Early 2013 the Appointment and Remuneration Committee will be informed of the results and discuss possible next steps.

At the moment of publication, no other changes are expected in the next two years<sup>1</sup>.

## Remuneration earned in 2012

### CEO

Annual gross compensation earned by the CEO in 2012 is detailed below:

Component	Amount
Fixed compensation (excluding Director fees) <sup>2</sup>	543,746 €
Variable compensation (excluding options) <sup>5</sup>	245,562 €
<b>TOTAL (in cash)</b>	<b>789,308 €</b>
Pension <sup>3</sup>	74,913 €
Other benefits <sup>4</sup>	25,017 €

GMC (excluding CEO) gross compensation earned in 2012

Component	Amount
Fixed compensation <sup>2/6</sup>	2,032,802 €
Variable compensation (excluding Tessengerlo options) <sup>5/6</sup>	707,161 € <sup>7</sup>
<b>TOTAL<sup>9</sup></b>	<b>2,739,963 €</b>
Pension <sup>8</sup>	213,046 €
Other benefits <sup>4</sup>	147,927 €

1. Information in accordance with art. 96, §3, 2° d) Companies Code.

2. Total 2012 salary mass (including impact legal adjustment mechanisms) - excluding employer social security contributions.

3. Defined benefit plan: annual estimate service cost for 2012, as calculated by an actuary.

4. Other benefits include insurance coverage for death, disability, work accident insurance, taxes (4.40%) on an additional personal 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 allowances.

5. Excluding employer social security contributions - excluding holiday pay.

6. Exchange rate used: 1 USD = 0.7579 EUR (for all conversions related to the US compensation package for Jordan Burns) - (2012 impact legal adjustment mechanisms included).

7. Some members convert variable compensation in fund options resulting in a deferral of payment for one year - value included.

8. For the type of pension plan, see in this respect section Other compensation items, last paragraph.

9. Eddy Vandenberghe being Group Director Risk Management, Internal Audit & Internal Control is not longer part of the GMC for independence reasons and reports directly to the CEO.

## Stock options (warrants) granted to GMC members

Stock options are awarded to GMC members after the Board of Directors' approval upon the recommendation of the Appointment and Remuneration Committee. The following table shows the respective number of options that were allocated to each member of the GMC during 2012, the number of options lost during 2012 (as the term for exercise elapsed) and the number of shares exercised during 2012.

Name	2012 grant	Exercise price	Value at grant*	Options time period elapsed in 2012	Options exercised in 2012
Frank Coenen	34,000	22.10 €	142,120 €	0	0
Pol Deturck	13,000	22.10 €	54,340 €	0	0
Jan Vandendriessche	13,000	22.10 €	54,340 €	0	0
Albert Vasseur	13,000	22.10 €	54,340 €	0	0
Jordan Burns	17,000	22.30 €	71,060 €	0	0
Mel de Vogue	17,000	22.10 €	71,060 €	0	0
Jettie Van Caenegem	9,000	22.10 €	37,620 €	0	0
Rudi Nerinckx	9,000	22.10 €	37,620 €	0	0

\* Value of 4.18 EUR per option according to the Black&Scholes methodology at November 6, 2012. IFRS reporting takes into account Black&Scholes methodology at the final date of acceptance (i.e. January 12, 2013).

## Agreements on severance pay

The employment contracts of the European members of the GMC contain provisions recognizing part of the seniority built up with previous employers for purposes of calculating any termination indemnity. The employment contract of the American member of the GMC contains a termination indemnity equal to 1 ½ year's salary, in line with usual practice for this level of function.

## Main features of the Internal Control and Risk Management framework.

### Internal Control framework

#### Responsibilities

The Board of Directors reviews and approves the implementation of the Internal Control framework and delegates to the Audit Committee the task to monitor the effectiveness of the Internal Control System.

The Audit Committee is accountable for the implementation of an effective Internal Control System and monitors the achievement of this objective.

The ultimate responsibility for the Internal Control System implementation is delegated to the GMC. A Director reporting to the CEO is accountable for Internal Control, as well as Risk Management and Internal Audit.

The management of the Business Units is accountable for the implementation of the Internal Control System through-

out the Business Unit and has full authority to delegate this process to the local management of the various entities.

The Internal Control Steering Committee that was created in 2012 and approved by the Board of Directors and the GMC, acts as a facilitator that reviews the progress and removes or reports to the GMC any obstacles that prevent the implementation of an effective Internal Control System.

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

#### Scope of the Internal Control framework

Tessenderlo Group based its Internal Control System on the COSO Internal Control – Integrated Framework with a main focus on the internal control over the financial reporting. This process is designed to provide reasonable assurance on the reliability of 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 System approach

The logical steps in the approach of an Internal Control System are the scoping exercise, the development of risk and control matrixes tailored to the activities of the business, the documentation of the processes, the assessment of the control activities, the evaluation of the control weaknesses and the reporting to both local and corporate management and the Audit Committee.

## Deliverables of the Internal Control System

Written documentation of all the processes (for larger entities also flow charts), detailed description of all risks and controls, analysis of the control gaps and remediation plans are available at both local and group level.

Documentation of the IT general controls and of issues on segregation of duties, as well as an Internal Control System Manual are available at group level.

## Monitoring and compliance

Compliance is tested by the Internal Audit department in the course of their reviews of selected processes and reported to the local management, the GMC and the Audit Committee.

## Internal Control activities in 2012

The internal control reviews started at the end of 2011 were completed in 2012 on both entity level and group level.

New reviews in 2012 included certain processes of major core activities and other group level processes.

Other activities included segregation of duties reviews on existing and recently converted IT systems, evaluation and implementation of internal control considerations on new management systems.

A scoping exercise based on the half year 2012 consolidated financial statements gave guidance to the 2013 planning of the internal control reviews.

Throughout 2012 Internal Control continued obtaining quarterly compliance questionnaires signed by the Business Units Management. In these questionnaires the BU Directors and Finance Directors certify that their financial reporting gives a reliable view of their Business Unit's net worth and financial position and that all necessary disclosures were made. This certification includes a statement on Internal Control confirming their responsibility for the design, documentation, implementation and maintaining of an effective system of Internal Control.

## Internal Control procedures for the preparation and processing of financial and accounting information

### Control environment

The finance function consists of centralized functional departments and each business unit's controlling department. The operating units are responsible for the content of their financial statements and for their own Internal Control procedures.

### Information and communication

The internal information system is based on a state of the art consolidation software that allows the group to produce the financial information required to manage and control the operating unit's activities. All procedures related to the security and applications of this consolidation tool are documented. All financial managers have access to the group's policies and procedures including accounting policies through the intranet portal.

### Control activities

Each business unit has a finance and controlling department responsible for the monitoring of the performance of the operating units. On top of that, a central finance and controlling department coordinates and controls the entire financial function within the group. The principal components of the performance review process are combined in a financial planning process that includes a strategic plan, a budget process, quarterly updated forecasts and monthly closings. In this context, each operating unit prepares a monthly detailed financial report and twice a year an exhaustive consolidation package.

### Continuous monitoring

Internal audits are conducted on the key control procedures in the preparation of the financial information both in the subsidiaries and in the group's headquarters.

The aim of these internal audits amongst others is to verify the effective application of the key control procedures and the quality of the accounting and financial information.

## Enterprise Risk Management (ERM) system

Risks are an important and unavoidable aspect of conducting business. In recent years, the group has already developed and implemented a number of procedures in order to manage and reduce risks as much as possible.

To reduce the effects of credit risk, the group has defined a credit policy with regard to requests for credit limits, approval procedures and ongoing credit risk monitoring. Furthermore, the collection of a part of the outstanding debts is outsourced (factoring).

The group prepares short and long-term forecasts on a regular basis in order to match the financial resources with the predefined needs. In addition, the group has a number of credit lines.

The group anticipates fluctuations in energy prices through a centralized purchasing policy.

The group hedges transactions in foreign currency. Its subsidiaries are also required to communicate their net foreign currency positions for invoiced amounts (customers, suppliers) to the Group Treasury Department. All positions are aggregated at group level. The net balances are then purchased or sold on the market. This is done primarily through spot buying and selling of currencies, or currency swaps.

Operational, health and safety risks are being controlled with a system for managing the production process risks, with an evaluation of the risks related to safety, the environment, production and quality. Measures were taken with regard to risk control, such as preventive maintenance, stocks of critical spare parts and operational procedures. The risk aspect is considered a priority for any new construction or modifications to existing facilities, which means that the limitation of risks and/or reduction of existing risks is an essential part of any project. Several subsidiaries are audited every year by an external insurance company, in collaboration with the Risk Management department. During these visits, preventive actions are recommended and implemented by Risk Management in order to help them maintaining risk awareness. Moreover, there is an optimum insurance cover for operational risks, damage to property (including all aspects related to the business interruption at all sites), operational and other liabilities.

An extensive strategic planning process has been implemented to allow even better control of the group's strategic risks, by thoroughly analyzing the strategy, development and content of each business unit and how these aspects dovetail with the group's strategy.

The observance of laws and regulations and in particular anti-trust legislation is ensured by means of an anti-trust compliance program in which the anti-trust compliance officer provides the necessary training and oversees the implementation of the program.

An Enterprise Risk Management policy is applicable to the entire group and all its affiliates worldwide. The policy describes the organization and goals of the ERM system, as well as its responsibilities. Tessenderlo Group has opted for a double approach to risk management: (i) on the one hand, a periodic in-depth mapping of risk and mitigating actions is performed to get a comprehensive summary of existing risks in a business unit at a certain point in time; (ii) on the other hand, there is a continuous identification of new and augmented risks, via the inclusion of a risk chapter at decision points in different business processes, whereby identified risks are then included in the business unit risk mapping.

In order for risk management to become an inherent part of daily operations, a risk management structure has been rolled out, both on group level and on business unit level. The higher in the risk management organization, the more aggregated a view on risk is used and the more emphasis is put on effectiveness of systems to manage risks. The lower in the organiza-

tion, the more risk management will be focused on individual risks with actions designed to mitigate a specific risk. The risk management structure is developed around three different roles: (i) the risk owners (manager - business unit management - Group Management Committee - Board of Directors); (ii) multidisciplinary groups of experts which judge risks and provide advice to risk owners on how to manage risks (risk councils at business unit and group level, and the Audit Committee); (iii) risk coordinators which organize the ERM activities, and provide process support to the risk owners and the risk experts (risk coordinators at business unit level and at group level). Once the existing risks have been identified in various business units and supporting departments, several projects are launched to allow the evaluation of these risks to be improved as well as the implementation of risk optimization. The status of these projects is reported to the GMC and the Audit Committee on a regular basis.

The implementation of a "Group Crisis Management Policy" has the objective to harmonize crisis management across all business units. The Risk Management department is responsible for coordinating this policy at group level and for providing guidance to the various entities in drafting a harmonized crisis plan and clarifying the responsibilities and reporting channels.

Risk Management, Internal Control and Internal Audit are headed by one director which means these departments can make their checks and audits much more responsive to existing risks.

## 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.

As from 12 January 2012, Mr John Van Essche, legal counsel, was appointed as Compliance Officer. Prior to January 12, 2012, the function of Compliance Officer was assumed by the Chief Legal Officer.

## External audit

Klynveld, Peat Marwick Goerdeler Bedrijfsrevisoren (KPMG), represented by Ludo Ruysen was reappointed as the group's statutory auditor by the shareholders meeting of June 1, 2010, following an audit tender.

The fees paid by Tessengerlo Group to its auditors in 2012 amounted to:

(Million EUR)	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>

## Subsequent events

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"), to OpenGate Capital, a global private investment company. The transaction resulted in the sale of 100% of the shares of the following companies: Profialis NV (Belgium), Profialis SAS (France), Profialis Kft (Hungary), Profialis Sp.zo.o. (Poland) Wymar Nederland BV (The Netherlands) and Wymar Ukraine (Ukraine). 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, 2012 (note 21- Non-current assets classified as held for sale). The impact of the completion of this disposal on the income statement of 2013 will not be significant.

On February 27, 2013, the group announced its intention to sell the operating segment "Compounds" (within "Other Businesses") to Mitsubishi Chemical Corporation. The transaction would result in the shares of the legal entities Thermoplastiques Cousin Tessier SAS, CTS-Maryvflo SAS and Technicom-pound SAS (France), T.C.T. Polska Sp.zo.o. (Poland) and CTS Automotive Compounds (Changsu) Co. Ltd. (China) being sold. 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 held for sale as per December 31, 2012 (note 21- Non-current assets classified as held for sale).

## Application of art. 523 of the Companies Code

### A. The 2012 warrant plan

Excerpt from the minutes of the Board of Directors held on March 28, 2012.

Mr 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 approval of the main principles of the 2012 warrant plan. The conflict of interest consists in the following:

Mr Coenen as a member of the Group Management Committee is beneficiary of such warrant plan. The statutory auditor will be informed of this conflicting interest. In accordance with art. 523 BCC, the aforementioned director does not participate in the deliberation of the Board of Directors with respect to the approval of the main principles of the 2012 warrant plan nor in the voting in this respect.

The Board of Directors describes the nature of the decision as follows: the decision relates to the approval of the main principles of the 2012 warrant plan (which principles will be submitted to the general meeting of shareholders for approval), which can be summarized as follows:

For the year 2012 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 would be maximum 350.000 warrants.

The allotment will be done in the framework of the authorised capital.

The Board of Directors will determine the number of warrants to be allocated in the framework of the authorised capital taking into account criteria of performance of Tessengerlo Group. Such criteria will be proposed by the Appointment and Remuneration Committee to the Board.

The Board of Directors decides to approve the main principles of the 2012 warrant plan, as set forth above (and as further detailed in the document - att. 8 - submitted to the board, to the extent not contrary to the principles set forth above) 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 (estimated at around 15.000 EUR) will be borne by the company. The minutes of this decision will be published in their entirety in the annual report.

Excerpt from the minutes of the Board of Directors held on June 4, 2012.

Mr Coenen has indicated to the other directors that that he has a conflict of interest (within the meaning of art. 523 BCC) with respect to the following decision: the determination of the performance criteria with respect to the number of warrants to be issued. The conflict of interest consists in the fact that he is beneficiary of the warrant plan. The statutory auditor will be informed of this conflict of interest. In accordance with art. 523 BCC, Mr Frank Coenen does not participate in the deliberation of the Board of directors with respect to this decision or in the voting in this respect.

Mr Frank Coenen and Mr de Vogüé leave the meeting.

First excerpt from the minutes of the Board of Directors held on November 14, 2012.

Warrant Plan 2012 - Report Board of directors regarding the issuance of warrants with cancellation of right of preference (art. 583 & 596 Jo 693 Belgian Companies Code) - Art. 523 BCC – conflict of interest.

Mr Coenen indicates to the other directors that he has a conflict of interest (within the meaning of art. 523 BCC) with respect to the approval of the 2012 warrant plan. The conflict of interest consists in the fact that this resolution relates to Mr Coenen's remuneration package. The statutory auditor has been informed of this conflicting interest. In accordance with art. 523 BCC, Mr Coenen does not participate in the deliberation of the Board of directors with respect to the approval of such warrant plan nor in the voting in this respect.

Mr Coenen as well as Mr de Vogüé and Mrs Van Caenegem leave the meeting. The statutory auditor has been informed of the conflict of interest of Mr Coenen.

The president of the Appointment and Remuneration Committee reports on the debate which has taken place in this committee on the subject matter and he explains the main features and conditions of such a plan:

The plan covers the issuance of 150,000 stock options with the right to subscribe to newly issued shares of Tessenderlo Chemie SA.

The newly issued shares are emitted within the powers of the Board to take such a decision within the authorized share capital.

The price of the stock option is determined at 22.10 EUR.

The list of beneficiaries as well as the allocation per beneficiary.

The secretary of the Board receives the proxy to determine the strike price for the stock option plan for the US beneficiaries.

The Board is of the opinion that such an incentive plan links the top management's remuneration package directly to the future financial performances of the group and that therefore, the adoption of the warrant plan 2012 is justified.

The cost of the warrant plan is estimated to have a P/L impact on the group results: the cost for the company of the warrants of Tranche 2012 must be booked, in accordance with IFRS 2, paragraphs 14 and 15 over the vesting period of the warrants. As there is no vesting period, the cost, calculated in accordance with the Black & Scholes method, is booked on the date on which the warrants are accepted by the beneficiaries.

In view of the foregoing, the Board decides to adopt a special report on the issue of warrants in the context of Plan 2012 (report in accordance with art. 583 and 596 jo. 603 of the Companies' Code).

The notary is invited to the meeting in order to establish by notarial deed the decisions of the Board regarding warrant plan 2012. A full copy of the notarial deed is attached to the minutes of this meeting.

An extract of the minutes of this decision will be published in its entirety in the annual report.

Second excerpt from the minutes of the Board of Directors held on November 14, 2012

## B. The 2012 warrant plan and variable compensation

Excerpt from the minutes of the Board of Directors held on November 14, 2012

(Excerpt minutes :)

[...]

-\* Preliminary declaration \*

-The Chairman states that:

### 1. Agenda

The agenda items to be discussed in the presence of the notary are the following:

- Decision to issue one hundred and fifty thousand (150,000) warrants, each entitling to subscription to one (1) new share of the company.
- Decision to annul, in application of art. 596 in conjunction with art. 603 of the Companies Code, the preferential right of subscription of the shareholders in connection with this issue of warrants.
- The establishment of the conditions of the warrants issue.
- Decision to increase, under the suspensive condition of the exercise of the warrants, the share capital through the issuance of up to a maximum amount of one hundred and fifty thousand (150,000) new shares. These new shares will be of the same type and will enjoy the same rights as the existing shares, and subscription rights thereto will be exclusively reserved for warrant holders.
- Determination of the list of the beneficiaries and allocation of the warrants to the beneficiaries.
- Powers to be granted to ensure the implementation of the decisions taken.

## 2. Call to meeting

The call to the meeting, including the agenda, was sent to the Directors on November 5, 2012.

## 3. Quorum

The Chairman notes that given the majority of the members of the Board are present or represented, it may validly deliberate on the agenda.

## 4. Authorized capital

The Chairman reminded the Board of the powers granted to him by the Extraordinary General Meeting of shareholders of June 7, 2011, as these are set out in art. 7, paragraph 4, of the Articles of Association, namely to increase the share capital in one or more times, up to a maximum amount of forty million (40,000,000) EUR, exclusively within the framework of (i) capital increases reserved for the personnel of the company or of its affiliates, (ii) capital increases within 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 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 a convenient rounded amount.

The Chairman also pointed to the content of art. 8, last paragraph, of the Articles of Association, which states that, within the frame of the authorized capital and in the interest of the company, the Board of Directors may also decide to limit or cancel the existing shareholders' preference rights, even if that limitation or cancellation is carried out in favour of one or more specific persons other than the personnel of the company or the personnel of one of the company's subsidiaries, insofar legally permitted.

The Chairman also reminded the Board of the contents of the report drawn up in execution of art. 604, third paragraph, of the Companies Code in order to obtain aforesaid permission to increase the capital, the report indicating according to which specific conditions the authorized capital may be used and for which purpose.

### Reports

The Chairman submits to be attached to this deed to the undersigned notary, the special report by the Board of Directors prescribed by art. 583, 596 in conjunction with art. 603 of the Companies Code.

A report was prepared by the auditors in pursuance of the same decisions; the report is submitted to the undersigned notary.

### Article 523

The Chairman states to the Board that Frank Coenen, Director, has informed him that he has a financial interest in the stated decisions regarding the stock option plan, as he is also a recipient of Allotment 2012 of the aforementioned warrant plan.

Under art. 523 of the Companies Code, this Director abstains from attending and participating in the vote on the deliberations of the Board concerning these issues.

### Decisions

This being explained and using the powers granted to them by art.7 of the Articles of Association, the Board of Directors takes, acting unanimously, the following decisions:

#### First decision

The Board decides to approve the adoption of a stock option plan whereby a maximum of one hundred and fifty thousand (150,000) warrants is offered to top managers of Tessenderlo Chemie NV and its subsidiaries, entitling to subscribe to new Tessenderlo Chemie NV shares.

The plan includes only one (1) allotment, being the Allotment 2012.

With application of art. 596 in conjunction with art. 603 of the Companies Code, the Board decided to annul the preferential subscription right of the shareholders in the context of the recent decision to issue warrants to the benefit of the beneficiaries of the issue appearing on the list submitted to the Board for consideration and to be approved by them.

The Board decided to issue the warrants subject to the conditions described in the report of the Board and in the information brochure, and in particular the following conditions:

#### a. Allocation

The warrants are granted for free.

The beneficiaries are persons employed under an employment contract with Tessenderlo Chemie NV or one of its subsidiaries. They can only subscribe to this allotment if they, at the time of the offer, have not left Tessenderlo Group for any reason whatsoever.

A nominative list of the persons listed above who can participate in the subscription to the Allotment 2012 warrants and the allocation of a quota of warrants to these beneficiaries has to be approved by the Board of Directors, on the advice of the Appointment and Remuneration Committee.

#### b. Offering

The offer is valid from November 14, 2012 (hereinafter the "offer"). Beneficiaries must confirm that they accept the offer and for which number of warrants the acceptance applies by January 12, 2013, at the latest.

The warrants not accepted within the offering period will be considered as not existing.



### c. Nature of the warrants

The warrants are nominative and may not be transferred *inter vivos*.

### d. Exercise price of the warrants

The warrants entitle the holder to subscribe to new shares to be issued by the company at the price which will be calculated according to the following calculation method to the lower value of:

- either the average closing price of the Tessenderlo Chemie NV stock on NSYE Euronext Brussels during the thirty days preceding the offer.
- or the last closing price for the Tessenderlo Chemie NV share on NYSE Euronext Brussels preceding the date of the offer.

The actual exercise price of the warrants amounts to twenty two EUR and ten cents (22.10 EUR).

The exercise price of the warrants will, for some participants who are not Belgian residents, be equal to such an exercise price as is applicable under the current legislation for stock option plans in the respective countries of different participants, provided that such exercise price matches as closely as possible the exercise price pursuant to the current plan.

For U.S. residents, the exercise price is equal to the price of the Tessenderlo Chemie NV stock at the close of business on the day of the offer.

The actual exercise price of the warrants for US residents, calculated as defined above, will be established on November 14, 2012 (after hours trading) by the Secretary of the Board of Directors.

Where the operations referred to in paragraph 3.4 of the information brochure negatively impact the Exercise Price of the warrants, this price will be adjusted to the extent necessary in order to safeguard the interests of the holders of these warrants, in the manner customary in such circumstances.

Any changes in the conditions and arrangements for the exercise of the warrants will be communicated in an appropriate way to the Beneficiaries involved. No adjustment will, however, be made to the Exercise Price when such adjustment would be under 1% of the prevailing Exercise Price.

At any adjustment, the resulting Exercise Price will be rounded to the nearest multiple of EUR 0.10.

The difference between the subscription price and the par value of the issued share represents an issue premium, which will be consigned as provided in art. 7, third paragraph, of the Articles of Association.

### e. Exercise term of the warrants

In order for the offer to be made in a way that allows the benefit in kind, related to the acceptance of the warrants, to be taxed at a reduced rate of 10% (for participants resident in Belgium) (instead of 20%), the warrants may not be exercised before the end of the third calendar year following the year in which the offer has taken place. Consequently they can

only be exercised during the 4<sup>th</sup> till and including the 7<sup>th</sup> year following the year of the offer, i.e. from 2016 till and including 2019. However, the exercise period of the warrants shall during these years only be open from the 5<sup>th</sup> bank working day following the approval of the annual accounts by the general shareholders' meeting until the 15<sup>th</sup> bank working day before the end of each of the calendar years involved (the maximum duration of the warrants should always be considered – when necessary). Even during these exercise periods, the warrants may not be exercised during closed periods and, as the case may be, occasional prohibited periods (cf. Corporate Governance Charter of Tessenderlo Chemie). Such interdiction is amongst others valid during the period of 30 calendar days preceding the publication of the results of the group and the day of the publication itself.

### f. Modalities for the exercise of warrants

The written request relating to the exercise of warrants should be directed to the company during the exercise periods of the warrants. The payment of the price of the shares must be made to the bank account opened for that purpose.

### g. New shares

The creation and provision of new shares will take place after the adoption of the capital increase by notarial deed, depending on the request of the subscriber and within the limits provided by law in the form of dematerialized securities.

The new shares will be entitled to the dividends for the accounting year during which the warrant is exercised.

### h. Suspensive condition

The issuance of warrants must be subject to the suspensive condition of their acceptance by the beneficiaries.

### i. Taxes, fees and contributions

The taxes, fees and contributions that would be payable in connection with this operation or operations that directly or indirectly result therefrom, are borne by the beneficiary.

### Second decision

Under the condition precedent of the exercise of the warrants of which the issue has just been decided, the Board decided to increase the share capital by maximum (751,912.80 EUR) through the issuing of a maximum of one hundred and fifty thousand (150,000) new shares. These new shares will be of the same type and will enjoy the same rights as the existing shares, and subscription rights thereto will be exclusively reserved for warrant holders.

### Third decision

The Board establishes the list of beneficiaries and allocates the warrants to the beneficiaries as listed in the document attached to this act.

#### Fourth decision

The Board decides to grant all powers to the Secretary of the Board of Directors to determine the exercise price of these warrants for the US residents on the basis of the criteria established by the Board.

The Board decides to grant full powers to any current or future Director of the company and/or the Secretary of the Board of Directors of the company, with the right to act jointly or separately and the right to transfer this power in order to:

- a) implement the resolutions passed, including the execution of the capital increase and determine that the conditions required by the Board for the completion have been met;
- b) under art. 591 of the Companies Code, record the number of new shares issued, their full paid status, the corresponding realization of the capital increase and the subsequent amendment of the Articles of Association.

[...]

(Report Excerpt :)

[...]

During the plan the full exercise of the warrants of the Tranche 2012 may result in a maximum financial dilution for existing shareholders of 0,07%, to a dilution in terms of profits and voting rights of 0,49% and a dilution of 1,16% on equity, taking into account the number of securities in circulation on 14 November 2012. [...]

#### **C. The remuneration of the CEO for his performance 2011**

Excerpt from the minutes of the Board of Directors held on February 15, 2012.

Frank Coenen indicates that he has a direct conflict of interest of a proprietary nature in the implementation of the decisions taken by the Board relating to his remuneration packages.

Mr Frank Coenen as well as Mr Rudi Nerinckx leave the meeting and do not take part in the debate on the subject matter.

After discussion and after debate, the AR committee formulates the following recommendation to the Board:

- a) to approve a bonus equal to 150,30% to be applied on the variable part of the fixed part of the remuneration (50%) or a bonus equal to 403,042 EUR;
- b) not to increase the total fixed remuneration except for indexation adjustment in accordance with Belgian labour law.

The above resolution has been taken by unanimous consent.

[...]

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

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

Art. 34 of the Royal Decree of November 14, 2007 requires Tessenlerlo 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 Tessenlerlo 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 Meeting of May 11, 2011, shares, profit-sharing certificates, or certificates relating thereto, of Tessenlerlo Chemie NV, without the prior decision of the General Meeting, 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.

Tessenlerlo 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 Tessenlerlo 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, Tessenlerlo Chemie NV as company, guarantor and borrower, Tessenlerlo Finance NV and Tessenlerlo NL Holding BV as guarantors and borrowers, certain subsidiaries of Tessenlerlo 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 Tessenlerlo Chemie NV can lead to partial or full cancellation of the facilities and hence, the obligation for Tessenlerlo 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 Tessenlerlo 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 Meeting of shareholders of Tessenlerlo 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 Meeting 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 and under the Plan 2011 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, 2012, 1,293,469 warrants were outstanding. The clauses described above have been approved by the General Meeting of shareholders of Tessenderlo Chemie NV and a copy of this resolution has been filed at the registry of the court of commerce promptly thereafter.

## Dividend policy

The dividends policy remains unchanged: Tessenderlo Group aims to maintain a stable gross dividend per share, independent of the result of any single financial year, while taking into account the financial position of the group.

A gross dividend per share for the financial year 2012 in the amount of 1.3333 EUR, in line with last year, will be proposed at the General Meeting of June 2013.

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

(Deviations from the Belgian Corporate Governance Code 2009)

The composition of the Board of Directors fulfills 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 present, in view of the fact that a strategic re-alignment was in progress, continuity was the more important factor. 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 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.

# Information for shareholders

- Tessenderlo Chemie NV share price gained 21% in 2012
- Proposed stable dividend of 1.3333 EUR gross per share
- Tessenderlo Group successfully staged its first-ever capital markets day

## Investor Relations

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

The group regularly meets with current and potential shareholders, by participating in roadshows and conferences, as well as organizing company visits and meetings with management. During 2012, the group organized its first-ever Capital Markets Day. This full day event involved all members of the Group Management Committee, presenting on the group's strategy and progress to date. Tessenderlo Group is also an active and regular participant in events dedicated to individual shareholders, such as those organized by Euronext Brussels and the Flemish Association of Investor Clubs and Investors (VFB).

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.

During 2011, Tessenderlo Group underwent a tri-annual review of stringent criteria and practices in terms of business ethics, and social and environmental performance by Kempen/SNS SRI Universe. This successfully concluded in keeping the group's shares as part of the 'Kempen/SNS Social Responsibility Index'.

## Analyst coverage

At the end of 2012, Tessenderlo Group was covered by 7 sell-side analysts ([http://www.tessenderlo.com/investors/share\\_information/analyst\\_coverage/](http://www.tessenderlo.com/investors/share_information/analyst_coverage/)), compared to 8 analysts at the end of 2011. The reduction resulted when two brokerages merged during the year. At the end of the year, 5 analysts had a positive rating on the group's shares (compared with 4 at end 2011), while 1 analyst had a neutral rating (compared with 4 at end 2011) and 1 analyst had a negative rating (compared with none at end 2011).

Shareholder structure on December 31, 2012:

SNPE SA (FR)	27.0%
Not negotiable shares (held by personnel or former personnel)	0.9%
Free float	72.1%

At December 31, 2012, there were in total 1,293,469 warrants (for which the acceptance 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 30,662,300, entitling the shareholders to 1 vote per share.

## Tessenderlo Chemie NV Share

Tessenderlo 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

Tessenderlo Chemie NV's share price increased by 20.9% in 2012, outperforming the BEL20 index (18.8% increase) but underperforming the SX4P (European Chemicals index) which rose 29.5%. The share reached its year-high closing price of 26.99 on February 1, 2012, moving lower in the second quarter and hitting its year-low closing price of 18.90 on June 27, 2012. From then, the share moved upwards in a similar pattern to the chemicals index, closing at 24.84 EUR on the last trading day of the year.

### Financial data per share as of December 31, 2012 (consolidated figures)

	2008	2009	2010	2011	2012
<b>Data per share (EUR)</b>					
Value of shareholders' equity	32.55	25.45	25.37	20.47	12.53
Profit (+) / Loss (-)	5.08	-6.01	0.72	-3.23	-6.45
Net cash flow	10.11	1.65	3.67	5.02	1.88
Net dividend per ordinary share	1.00	1.00	1.00	1.00	1.00
<b>Capital (millions EUR)</b>					
	138.00	139.00	143.70	147.90	153.70
<b>Capitalisation at the end of year (millions EUR)</b>					
	599.44	640.75	780.78	606.57	761.65

### Stock market data

	2008	2009	2010	2011	2012
Number of shares	27,713,288	27,798,255	28,715,584	29,531,058	30,662,300
<b>Minimum/maximum closing prices</b>					
Fixed ordinary share (EUR)	20.05 / 38.21	20.73 / 28.17	20.77 / 27.39	19.53 / 32.39	18.90 / 26.99
<b>Market continuous</b>					
Closing price on December 31 (EUR)	21.63	23.05	27.19	20.54	24.84
Volume*	26,446,820	20,845,534	14,883,517	13,202,614	13,698,882
Average daily volume*	103,308	81,747	57,688	51,372	53,511
Velocity (in %)**	95.43	76.05	53.87	46.41	47.71

\* Number of shares traded on the Electronic Order Book only.

\*\* Calculated based on the sum of the daily velocity using total regulated market number of shares.

### Dividend policy

The dividend policy of Tessenderlo Chemie NV is to maintain stable dividend growth. On average, one-third of the net consolidated profit is paid out as dividends. However, this policy can be adjusted in order to ensure that the dividend grows or at least remains stable.

On June 5, 2012, the Annual General Meeting approved a gross dividend for the 2011 financial year of 1.3333 EUR (coupon n°75). This corresponds to a net dividend of 1.0000 EUR. The net dividend for shares with VVPR strips attached will be 1.1333 EUR.

On June 4, 2012, the Board of Directors of Tessenderlo Chemie NV decided to offer to shareholders a choice of payment for the dividend related to the financial year 2011. The choices comprise:

- The possibility to subscribe to newly created ordinary shares of Tessenderlo Chemie NV;
- Payment in cash;
- Or a combination of both new ordinary shares and cash.

The dividend in cash, new shares or a combination of both was payable as of July 16, 2012.

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

## Financial calendar

<b>Financial year 2012</b>	Results announcement	February 28, 2013
	General Meeting	June 4, 2013
<b>First quarter 2013</b>	Results announcement	May 16, 2013
<b>First half year 2013</b>	Results announcement	August 29, 2013
<b>Third quarter 2013</b>	Results announcement	November 14, 2013

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

Providers of Tessenderlo Chemie NV financial information publish under the following codes:

- **Bloomberg:** TESB:BB
- **Reuters:** TESB.BR
- **Datastream:** B:TES
- **BM:** 23IT081
- **ISIN:** BE 000 3 555 639
- **Markit:** TESB
- **SEDOL:** 4-884-006
- **vwd group:** 23IT081

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

## Contact

### Philip Ludwig

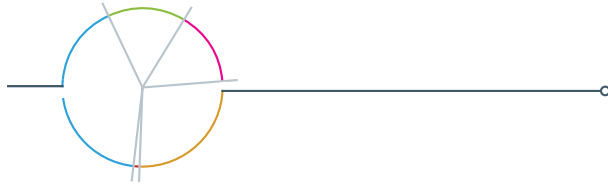
Group Investor Relations Director

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E-mail: [philip.ludwig@tessenderlo.com](mailto:philip.ludwig@tessenderlo.com)

## Share ownership

### Shares



	Shares	% of total
SNPE	8,283,855	27.0%
Employees*	289,910	0.9%
Institutional investors	12,686,300	41.4%
Retail position	4,728,300	15.4%
Other Investors	4,673,935	15.2%
<b>Total</b>	<b>30,662,300</b>	<b>100.0%</b>

\* not negotiable shares (held by employees or former employees)

### Institutional investors



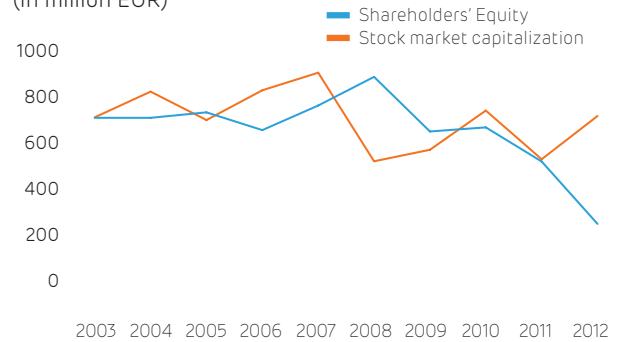
	Shares	% of total
Belgium	4,832,900	38.1%
United Kingdom	3,406,500	26.9%
United States	2,030,400	16.0%
Denmark	941,500	7.4%
France	770,500	6.1%
Other	704,500	5.6%
<b>Total</b>	<b>12,686,300</b>	<b>100.0%</b>

### Evolution of the TESB share price in 2012 (EUR)



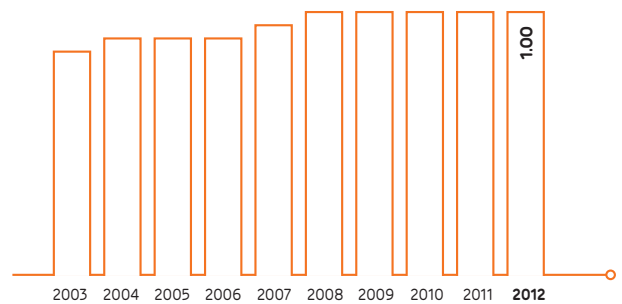
## Stock market capitalization

(In million EUR)



## Net dividend per share

(In EUR)



## Return on dividends reinvested



# 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.

## 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.



**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.

# Summary of the **Financial Report**

# Summary overview of the consolidated financial statements

## Consolidated income statement

For the year ended December 31

(Million EUR)	note	2012	2011 <sup>1</sup>
<b>Continuing operations</b>			
Revenue		2,129.6	2,126.0
Cost of sales		-1,709.6	-1,690.1
<b>Gross profit</b>		<b>420.0</b>	<b>435.9</b>
Distribution expenses		-101.1	-98.9
Sales and marketing expenses		-71.5	-69.2
Administrative expenses		-156.7	-152.8
Other operating income and expenses	6	-14.9	-10.1
<b>Profit (+) / loss (-) from operations before non-recurring items (REBIT)</b>		<b>75.9</b>	<b>104.9</b>
Gains and losses on disposals	7	15.4	11.2
Restructuring	7	-15.1	-5.6
Losses on disposal groups classified as held for sale	7	-115.7	-
Impairment losses	7	-20.6	-0.7
Provisions and claims	7	-88.0	2.1
Other income and expenses	7	-14.4	-6.0
<b>Profit (+) / loss (-) from operations (EBIT)</b>		<b>-162.5</b>	<b>105.9</b>
Finance costs		-48.6	-45.9
Finance income		24.2	20.4
<b>Finance costs - net</b>	10	<b>-24.3</b>	<b>-25.6</b>
Share of result of equity accounted investees, net of income tax	15	7.3	5.9
<b>Profit (+) / loss (-) before tax</b>		<b>-179.5</b>	<b>86.2</b>
Income tax expense	11	-18.0	-28.3
<b>Profit (+) / loss (-) for the period from continuing operations</b>		<b>-197.5</b>	<b>57.9</b>
<b>Discontinued operations</b>			
<b>Profit (+) / loss (-) for the period from discontinued operations, net of income tax</b>	5	<b>-</b>	<b>-153.6</b>
<b>Profit (+) / loss (-) for the period</b>		<b>-197.5</b>	<b>-95.6</b>
Attributable to:			
<b>- Equity holders of the company</b>		<b>-197.9</b>	<b>-95.5</b>
<b>- Non-controlling interest</b>		<b>0.4</b>	<b>-0.1</b>
Basic earnings per share (EUR)	23	-6.46	-3.13
Diluted earnings per share (EUR)	23	-6.46	-3.13
Basic earnings per share (EUR) - Continuing operations	23	-6.46	1.90
Diluted earnings per share (EUR) - Continuing operations	23	-6.46	1.89

1. In June 2011, the group sold the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities to Kerling (through Ineos ChlorVinyls). In accordance with IFRS 5 Non-current assets held for sale and discontinued operations, a distinction was made in the 2011 income statement between continuing and discontinued operations. This distinction applied to the PVC/Chlor-Alkali activities for the 2011 figures. The sold Organic Chlorine Derivatives activities were considered to be a disposal group.

For the accompanying notes which are an integral part of these consolidated financial statements, we refer to the Financial Report 2012.

## Consolidated statement of comprehensive income

For the year ended December 31

(Million EUR)	note	2012	2011
<b>Profit (+) / loss (-) for the period</b>		<b>-197.5</b>	<b>-95.6</b>
Translation differences	22	-2.9	-8.6
Net change in fair value of derivative financial instruments, before tax	28	-6.0	-5.7
Change in consolidation scope, before tax	4	7.7	-
Income tax on other comprehensive income		-0.5	1.9
Other movements		0.2	-
<b>Other comprehensive income for the period, net of income tax</b>		<b>-1.7</b>	<b>-12.4</b>
<b>Total comprehensive income for the period</b>		<b>-199.2</b>	<b>-108.0</b>
Attributable to:			
- Equity holders of the company		-199.7	-108.2
- Non-controlling interest		0.5	0.2
<b>Total comprehensive income for the period</b>		<b>-199.2</b>	<b>-108.0</b>

For the accompanying notes which are an integral part of these consolidated financial statements, we refer to the Financial Report 2012.

## Consolidated statement of financial position

As at December 31

(Million EUR)	note	2012	2011
<b>Assets</b>			
<b>Total non-current assets</b>		<b>647.2</b>	<b>695.3</b>
Property, plant and equipment	12	471.8	518.8
Goodwill	13	37.2	55.0
Other intangible assets	14	60.0	58.1
Investments accounted for using the equity method	15	21.4	20.8
Other investments	16	4.8	5.7
Deferred tax assets	17	4.3	7.4
Trade and other receivables	18	47.6	29.5
<b>Total current assets</b>		<b>576.7</b>	<b>676.6</b>
Inventories	19	303.3	350.8
Trade and other receivables	18	237.9	290.9
Derivative financial instruments	28	0.9	0.0
Cash and cash equivalents	20	34.7	34.9
<b>Non-current assets classified as held for sale</b>	21	<b>64.4</b>	<b>7.8</b>
<b>Total assets</b>		<b>1,288.2</b>	<b>1,379.7</b>

(Million EUR)	note	2012	2011
<b>Equity and Liabilities</b>			
<b>Equity</b>			
<b>Equity attributable to equity holders of the company</b>	22	<b>379.5</b>	<b>600.3</b>
Issued capital	22	153.7	147.9
Share premium	22	88.0	73.5
Reserves and retained earnings	22	137.1	382.4
Amounts recognized in other comprehensive income and accumulated in equity relating to non-current assets held for sale	22	0.6	-3.6
<b>Non-controlling interest</b>	22	<b>4.5</b>	<b>4.3</b>
<b>Total equity</b>		<b>384.0</b>	<b>604.6</b>
<b>Liabilities</b>			
<b>Total non-current liabilities</b>		<b>474.0</b>	<b>309.0</b>
Loans and borrowings	24	275.5	180.5
Employee benefits	25	25.6	30.6
Provisions	26	129.7	56.1
Trade and other payables	27	1.8	2.4
Derivative financial instruments	28	6.5	8.8
Deferred tax liabilities	17	34.9	30.6
<b>Total current liabilities</b>		<b>389.5</b>	<b>466.1</b>
Bank overdrafts	20/24	5.2	0.7
Loans and borrowings	24	68.0	73.2
Trade and other payables	27	290.6	379.3
Derivative financial instruments	28	0.0	1.6
Current tax liabilities		2.7	3.0
Provisions	26	23.1	8.4
<b>Liabilities associated with assets classified as held for sale</b>	21	<b>40.6</b>	<b>-</b>
<b>Total liabilities</b>		<b>904.2</b>	<b>775.1</b>
<b>Total equity and liabilities</b>		<b>1,288.2</b>	<b>1,379.7</b>

For the accompanying notes which are an integral part of these consolidated financial statements, we refer to the Financial Report 2012.

## Consolidated statement of changes in equity

(Million EUR)

	note	Issued capital	Share premium	Legal reserves
<b>Balance at January 1, 2012</b>		<b>147.9</b>	<b>73.5</b>	<b>14.4</b>
Profit (+) / loss (-) for the period		-	-	-
Other comprehensive income for the period				
- Translation differences		-	-	-
- Net change in fair value of derivative financial instruments, net of tax		-	-	-
- Change in consolidation scope		-	-	-
- Other movements		-	-	-
Comprehensive income for the period, net of income taxes		0.0	0.0	0.0
Transactions with owners, recorded directly in equity				
- Shares issued	22	0.3	0.5	-
- Shares issued (stock dividend)	22	5.5	14.0	-
- Dividends paid to shareholders	22	-	-	-
- Warrants and capital increase		-	-	-
- Treasury shares		-	-	-
Total contributions by and distributions to owners		5.8	14.5	0.0
Other movements		-	-	0.4
Acquisition of non-controlling interests without a change in control	4	-	-	-
<b>Balance at December 31, 2012</b>		<b>153.7</b>	<b>88.0</b>	<b>14.8</b>

For the accompanying notes which are an integral part of these consolidated financial statements, we refer to the Financial Report 2012.

	Translation reserves	Revaluation reserves	Hedging reserves	Treasury shares	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
	-23.4	10.7	-2.8	0.0	-3.6	383.5	600.3	4.3	604.6
	-	-	-	-	-	-197.9	-197.9	0.4	-197.5
	-2.9	-	-	-	-	-	-2.9	0.0	-2.9
	-	-	-2.5	-	-1.5	-	-4.0	-	-4.0
	-	-	-	-	5.1	-	5.1	-	5.1
	-	-	-	-	-	-	0.0	0.2	0.2
	-2.9	0.0	-2.5	0.0	3.6	-197.9	-199.7	0.5	-199.2
	-	-	-	-	-	-	0.8	0.4	1.1
	-	-	-	-	-	-	19.5	-	19.5
	-	-	-	-	-	-39.4	-39.4	-0.6	-40.0
	-	-	-	-	-	-	0.0	-	0.0
	-	-	-	-0.6	-	-	-0.6	-	-0.6
	0.0	0.0	0.0	-0.6	0.0	-39.4	-19.7	-0.3	-19.9
	-0.6	-	-	-	0.6	-0.4	0.0	-	0.0
	-	-	-	-	-	-1.4	-1.4	-	-1.4
	-26.9	10.7	-5.3	-0.6	0.6	144.4	379.5	4.5	384.0

## Consolidated statement of cash flows

For the year ended December 31

(Million EUR)	note	2012	2011
<b>Operating activities</b>			
Profit (+) / loss (-) for the period		-197.5	-95.6
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets <sup>1</sup>	9/12/13/14	104.7	96.7
Impairment losses on disposal groups classified as held for sale <sup>1</sup>	21/5	106.6	151.0
Changes in provisions		86.2	-3.8
Finance costs	10	48.6	47.2
Finance income	10	-24.2	-20.9
Loss / (profit) on sale of non-current assets		-7.2	-9.5
Impact capital increase expense, purchase treasury shares and warrant plan <sup>2</sup>		-0.6	1.7
Share of result of equity accounted investees, net of income tax		-7.3	-5.9
Income tax expense	11	18.0	28.9
Other non-cash items		-4.1	-6.7
Changes in inventories		-13.1	-58.2
Changes in trade and other receivables		8.3	-96.1
Changes in trade and other payables		-48.3	-39.1
<b>Cash generated from operations</b>		<b>70.1</b>	<b>-10.3</b>
Income tax paid		-27.4	-27.7
Dividends received from investments accounted for using the equity method	32	7.1	8.8
Dividends paid to non-controlling interests		-0.6	-
<b>Cash flow from operating activities<sup>3</sup></b>		<b>49.2</b>	<b>-29.2</b>

1. As from 2012 onwards, a split is made between "Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets" and "Impairment losses on disposal groups classified as held for sale". The 2011 figures were restated.

2. As from 2012 onwards, the line item "Impact capital increase expense, purchase treasury shares and warrant plan" was added to the consolidated statement of cash flows. The 2011 figures were restated.

3. As from 2012 onwards, "interests received", "interests paid" and "other finance costs paid" are no longer classified as cash flow items from operating activities, but as cash flow items from financing activities. The 2011 figures were restated.

For the accompanying notes which are an integral part of these consolidated financial statements, we refer to the Financial Report 2012.



(Million EUR)	note	2012	2011
<b>Investing activities</b>			
Acquisition of property, plant and equipment	12	-114.2	-106.5
Acquisition of other intangible assets	14	-3.7	-7.1
Acquisition of investments accounted for using the equity method		-0.9	-3.0
Acquisition of businesses, net of cash acquired	4	-15.6	-7.6
Proceeds from sale of property, plant and equipment		3.1	6.1
Proceeds from sale of other intangible assets		-	0.1
Proceeds from sale of subsidiaries, net of cash disposed of	4	-1.7	143.7
Further settlement of the PVC/Chlor-Alkali sales transaction	5	11.1	-
Proceeds from sale of investments accounted for using the equity method	4	20.9	-
<b>Cash flow from investing activities</b>		<b>-101.0</b>	<b>25.7</b>
<b>Financing activities</b>			
Increase / (decrease) of issued capital and share premium	22	0.8	2.2
Increase of financial liabilities <sup>4</sup>		115.8	29.1
Decrease of financial liabilities <sup>4</sup>		-24.8	-87.1
Payment of transaction costs related to loans and borrowings		-	-3.7
Interest paid		-14.6	-12.6
Interest received		0.3	1.2
Other finance costs paid		-5.1	-8.0
(Increase)/decrease of long term receivables		-5.1	-6.5
Dividends paid to shareholders	22	-19.8	-20.2
<b>Cash flow from financing activities<sup>3</sup></b>		<b>47.4</b>	<b>-105.7</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Effect of exchange rate differences		-0.3	0.1
Cash and cash equivalents less bank overdrafts at the beginning of the period	20/24	34.2	143.4
Cash and cash equivalents less bank overdrafts at the end of the period	20/24	29.5	34.2

4. As from 2012 onwards, a split is made between "Increase of financial liabilities" and "Decrease of financial liabilities". The 2011 figures were restated.

For the accompanying notes which are an integral part of these consolidated financial statements, we refer to the Financial Report 2012.

**Key figures \***  
(in million EUR)

		2012**
Revenue		2,129.6
REBITDA		161.1
REBIT		75.9
Non-recurring income/(expense) items		- 238.3
EBIT		- 162.5
Profit (+) / loss (-) for the period		- 197.5
Net cash flow		57.8
Profit (+) / loss (-) /Revenue	(%)	- 9.3
REBIT/Revenue	(%)	3.6
Net cash flow/Revenue	(%)	2.7
Enterprise Value		1,075.7
Capital Employed (CE)		819.5
Working Capital		250.5
ROCE	(%)	9.3
Capital expenditure (PP&E)		114.2
Equity attributable to equity shareholders of the company		379.5
Return On Equity (ROE)	(%)	- 40.3
Net financial liabilities		314.0
Net financial liabilities/Equity	(%)	82.7
Net financial liabilities/REBITDA		1.9
Interest coverage		- 9.7
Dividend paid		40.9
Payout ratio	(%)	N/A
Headcount		7,005

\* A financial glossary is available on pg 86

\*\* Continuing operations

2011**	2010**	2009	2008	2007	2006	2005	2004	2003
2,126.0	2,024.0	2,093.8	2,765.0	2,405.9	2,238.3	2,149.6	2,062.9	1,972.0
187.0	162.8	63.4	344.7	261.6	188.4	191.8	220.8	204.0
104.9	73.0	- 51.4	239.1	152.3	72.3	67.4	106.2	82.0
1.0	3.0	- 99.8	- 26.9	35.1	- 76.9	- 8.2	- 25.0	
105.9	76.0	- 151.2	212.2	187.4	- 4.6	59.2	81.2	
57.9	33.0	- 166.7	140.4	128.7	- 24.3	35.1	53.6	43.0
135.6	83.0	45.9	280.1	248.1	142.8	161.0	195.6	162.0
2.7	1.6	-8.0	5.1	5.3	-1.1	1.6	2.6	2.2
4.9	3.6	-2.5	8.6	6.3	3.2	3.1	5.1	4.2
6.4	4.1	2.2	10.1	10.3	6.4	7.5	9.5	8.2
826.0	942.8	849.7	894.0	1,161.0	1,296.7	1,175.0	1,197.4	1,096.8
894.3	976.5	1,099.4	1,282.7	1,118.9	1,181.3	1,258.0	1,166.0	1,136.0
262.4	179.6	283.7	552.5	367.0	392.7	447.0	413.2	425.0
11.7	6.0	-4.7	18.6	13.6	6.1	5.4	9.1	7.2
102.4	117.1	112.4	94.2	98.6	119.3	172.5	171.1	119.0
600.3	724.8	705.2	900.0	800.2	709.5	774.3	755.5	756.0
8.7	2.8	- 20.8	16.5	17.0	- 3.3	4.6	7.2	5.7
219.4	162.0	209.0	294.6	243.8	411.0	428.9	351.4	339.0
36.5	22.3	29.6	32.7	30.4	57.8	55.4	46.5	44.8
1.2	0.9	3.3	0.9	0.9	2.2	2.2	1.6	1.7
6.4	2.8	- 17.3	14.3	10.9	0.5	3.9	5.2	5.0
39.4	38.3	37.1	36.9	35.0	33.3	32.7	32.7	30.7
68.0	188.7	N/A	26.3	27.2	N/A	94.4	58.0	71.5
7,457	8,262	8,317	8,237	8,121	8,124	8,123	8,181	8,223

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