ANNUAL REPORT

Tessenderlo Group
EVERY MOLECULE COUNTS

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The statement of non-financial information is included in a separate sustainability report and this is published on the company's website. This separate report constitutes the declaration of non-financial information of the group and meets the requirements of art. 96, § 4, and art. 119, § 2, of the Companies Code. This separate report will be annexed to the annual report.

COMPANY PROFILE

With a history that dates back to 1919, Tessenderlo Group has evolved over recent years from a chemical company into a diversified industrial group that focuses on agriculture, valorizing bio-residuals and providing industrial solutions. With 4,644 people working at more than one hundred locations across the globe, Tessenderlo Group is a leader in most of its markets. We primarily serve customers in agriculture, food, industry, construction and health and consumer goods end markets.

Tessenderlo Group realized a consolidated revenue of 1.6 billion EUR in 2018. The company is listed on Euronext Brussels and is part of the Next 150 and BEL Mid indices. Financial News wires: Bloomberg: TESB BB – Reuters: TesB.BR – Datastream: B:Tes.

A DIVERSIFIED INDUSTRIAL GROUP

Tessenderlo Group's activities are subdivided into four operating segments:

The **Agro** segment combines our activities in the production, trading and marketing of crop nutrients (liquid crop fertilizers and potassium sulfate fertilizers) and crop protection products.

Our activities in animal by-product processing are combined in the **Bio-valorization** segment. This consists of PB Leiner (the production, trading and sales of gelatins & collagen peptides) and Akiolis (the rendering, production and sales of proteins and fats).

The **Industrial Solutions** segment includes products, systems and solutions for handling, processing and treatment of water, including flocculation and depressants.

The **T-Power** segment includes the combined cycle gas turbine (CCGT) with a 425 MW capacity in Tessenderlo (Belgium). A tolling agreement was concluded with RWE Group until 2026 for the full capacity of the plant.

EVERY MOLECULE COUNTS

Tessenderlo Group is driven by a bold and inspiring vision: We want to ensure that life on our planet will thrive by helping to create a world that makes the most of its resources. This vision entails growing more food than ever before, using water as intelligently as possible, tackling the world's shortage of natural resources and creating value from by-products.

We aim to fully understand what is happening in the world around us and ascertain how we can build the business of tomorrow by successfully addressing those issues. In order to achieve this objective we realize that we need to do things in new ways.

Behind everything we do lies a simple philosophy: Every Molecule Counts. This tagline defines our unique attitude to sustainability and practical innovation. It encompasses the power of an idea or action, however small, to change the world.

Tessenderlo Group continually strives to find more sustainable solutions. We thereby aim to minimize our ecological footprint and to maximize the contribution of our products in the evolution towards achieving a green economy. We offer various products and environmentally friendly solutions, in which we typically reclaim and transform by-products from other industries.

Whether it is in the products and solutions we supply or the way in which we produce them, the care we show towards our planet and its resources is at the very heart of all of our businesses. This is because we believe that Every Molecule Counts.

Tessenderlo Group

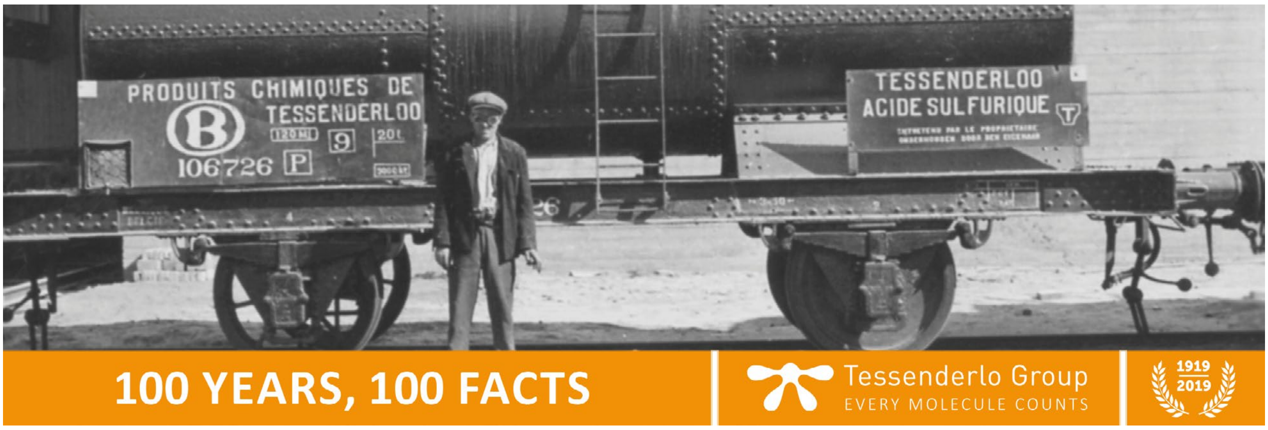
EVERY MOLECULE COUNTS

WEBSITE TO COMMEMORATE OUR 100TH ANNIVERSARY

2019 marks the 100th anniversary of Tessenderlo Group. To commemorate this impressive milestone, we are proud to announce the launch of a new website, which highlights 100 remarkable facts relating to the history of Tessenderlo Group: www.100yearstessenderlo.com

Discover more about our rich company history and the way in which it demonstrates how chemistry enables new ideas and solutions. The concepts of entrepreneurship, diversification, global presence, people and joint success, as well as sustainability, have characterized the 100 years of Tessenderlo Group. Milestones reflecting such themes and a fascinating chronological account are waiting to be explored…

During the course of 2019, we will be publishing new milestones that reflect on our rich history.



ACTIVITY REPORT 2018

2018 HIGHLIGHTS

Within the DYKA Group business unit, which provides high quality, value-added solutions in plastic pipe systems for the utilities, agricultural, building and civil engineering markets, DYKA opened new branches in Tilburg and Amsterdam (the Netherlands) and JDP opened a new branch in Bolton (UK) in the second quarter of 2018.

Tessenderlo Group received an award in April 2018, in recognition of it being one of the best Belgian investors in France. Specifically, the award for the most innovative investment related to our new electrolysis plant in Loos. The award event was organized by the Chamber of Commerce and Industry (CCI) France Belgium.

In April 2018, the Tessenderlo Innovation Center celebrated its 30th anniversary. From a history that began in pharmaceutical and organic chemistry R&D activities, the Tessenderlo Innovation Center has successfully transformed itself into an innovation facility with a broad range of capabilities and competences. In order to further drive the innovation strategy and provide customer-centric innovations, a new food and application lab was installed at our facilities in Tessenderlo (Belgium).

Based on the growth of its activities, Tessenderlo Kerley, Inc. (TKI) purchased a new headquarters building in Phoenix (Arizona, US) in Q3 2018. Tessenderlo Kerley, Inc. plans to move into its new headquarters in autumn 2019.

In September 2018, Tessenderlo Group held a ceremony to mark the inauguration of its new membrane electrolysis production facility at the site of PC Loos (Produits Chimiques de Loos, France). This marked a new milestone in the history of the group, as the new plant provides state-of-the-art technology to produce chlorine, sodium hydroxide (NaOH) and potassium hydroxide (KOH). The plant in Loos is being used by the Performance Chemicals business unit.

Within the DYKA Group business unit, BT, BTH and Nyloplast have changed their brand names to BT Nyloplast with effect from October 4, 2018, in order to further combine their knowledge and strengths. This name change will also enable us to realize its ambition of becoming an acknowledged specialized fittings supplier in the European market.

The business unit PB Gelatins/PB Leiner changed its brand name to PB Leiner with effect from mid-October 2018. The name was carefully chosen to reflect the combined 200 years of history of PB Gelatins/PB Leiner.

In October 2018, Tessenderlo Group completed the acquisition of the remaining 80% of the shares of T-Power nv, which is a gas-fired 425 MW power plant in Tessenderlo. Tessenderlo Group has invested 313 million EUR in the acquisition of the remaining shares in T-Power, including 131 million EUR that was paid out to the selling shareholders and 182 million EUR of net financial debt that was taken over.

MESSAGE FROM THE CEO AND THE CHAIRMAN TO THE SHAREHOLDERS

Dear Shareholders,

Tessenderlo Group realized a consolidated turnover of 1,620.9 million EUR in 2018, compared to 1,657.3 million EUR in 2017. Agro revenue in 2018 decreased by -1.5% (or increased by +1.1% when excluding the foreign exchange effect). Lower volumes within Tessenderlo Kerley International were compensated by the other Agro activities. The revenue of the segment Bio-valorization decreased by -3.9% in 2018 (or by -2.3% when excluding the foreign exchange effect), because of lower volumes and decreased fat prices. 2018 Industrial Solutions revenue increased by +3.0% (or increased by +3.7% when excluding the foreign exchange effect), where a revenue increase could be noted in the different segment activities. T-Power contributed 18.8 million EUR to the 2018 revenue and 13.5 million EUR to the 2018 Adjusted EBITDA of the group. These results were in line with expectations, as T-Power fulfilled all tolling agreement requirements.

Tessenderlo Group closed 2018 by recording a net profit of 92.1 million EUR, as compared to 25.8 million EUR in 2017.

In 2018 we have continued our investments with a view to strengthening our fields of competence and expertise. We have started our new electrolysis plant in Loos last year, where we have now the best available technology for the production of chlorine, sodium hydroxide or potassium hydroxide. The site in Loos is the largest production plant for water treatment coagulants in Europe. The new membrane electrolysis production facility confirms the commitment of Tessenderlo Group to the long-term continuity of supply to its customers. It also allows the group to serve both external market demand as well as internal consumption of sodium hydroxide and potassium hydroxide.

In addition, we have further diversified our activities by acquiring the remaining 80% of the shares of T-Power, which is a gas-fired 425 MW power plant in Tessenderlo (Belgium). T-Power has been operating a 425 MW CCGT (combined cycle gas turbine) plant on the premises of Tessenderlo Group in Tessenderlo (Belgium) since June 2011. A tolling agreement was concluded with RWE group for a period of 15 years (until 2026) for the full capacity of the plant. The acquisition of this modern power plant will enable Tessenderlo Group to respond to developments on the Belgian energy market as of 2026. The gas-fired power plant is very flexible and this flexibility is becoming increasingly important due to the rising share of fluctuating energy sources in the power grid, such as wind power and solar energy.

Furthermore, Tessenderlo Group continued to execute extensive maintenance programs in order to optimize operations and modernize various plants. We also remained focused on debottlenecking plants, increasing logistics efficiencies, implementing coordinated procurement and sourcing activities, realizing operational excellence, profitable growth and customer focus so as to better serve our customers. All of these initiatives, combined with a constant focus on operational excellence, will enable us to lay a solid foundation for the future development of Tessenderlo Group.

Dividend

The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of May 14, 2019, not to pay out a dividend for the 2018 financial year. The group currently believes that more shareholder value can be created through further investing available funds in the growth of the company, rather than via the distribution of dividends.

Outlook

The following statements are forward looking and actual results may differ materially.

In addition to the full-year contribution of T-Power, which is expected to amount to approximately 50 million EUR, and the implementation of IFRS 16 Leases, which will lead to an additional Adjusted EBITDA of around 20 million EUR, the group anticipates that the 2019 Adjusted EBITDA will be higher compared to 2018. The group would like to emphasize that it currently operates in a volatile political, economic and financial environment.

2019 marks the 100^{th} anniversary of Tessenderlo Group. The concepts of entrepreneurship, diversification, global presence, people and joint success, as well as sustainability, have characterized the 100 years of Tessenderlo Group. Our 100^{th} anniversary doesn't solely focus on celebrating through reflecting on our proud past. Our primary aim is to focus on our future success and that of our customers.

We would therefore like to take this opportunity to extend our thanks to our customers for the confidence they have placed in us and of course to you, our shareholders, for your loyalty.

On behalf of the Board of Directors, we would like to thank our employees for their commitment during 2018. We look forward to successfully driving our business forward in 2019 with the help of our highly motivated team.

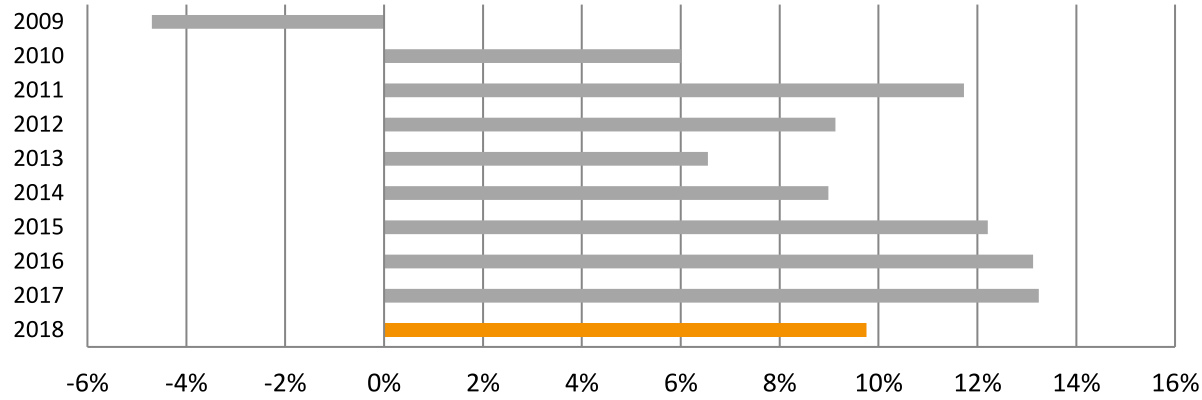
Kind regards,

Luc Tack
CEO

Stefaan Haspeslagh
Chairman of the Board of Directors

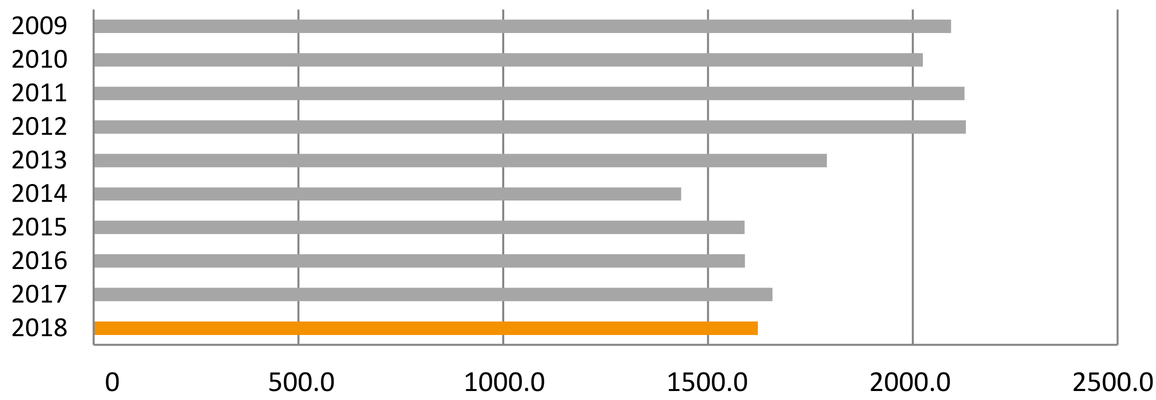
KEY FIGURES AT A GLANCE

ROCE (%)



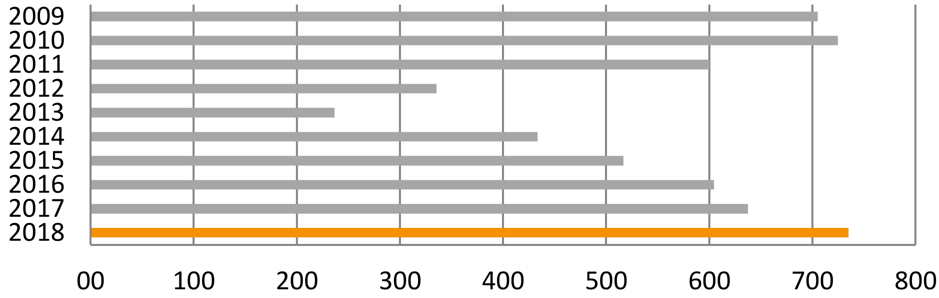
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Roce	10%	13%	13%	12%	9%	7%	9%	12%	6%	-5%

REVENUE (in million EUR)



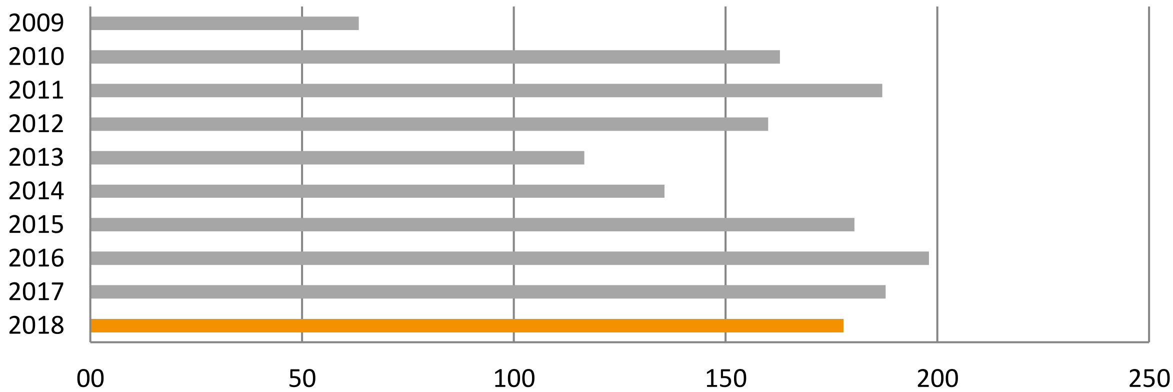
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue	1620.9	1657.3	1590.1	1589.0	1434.2	1790.1	2129.0	2126.0	2024.0	2093.0

EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP (in million EUR)



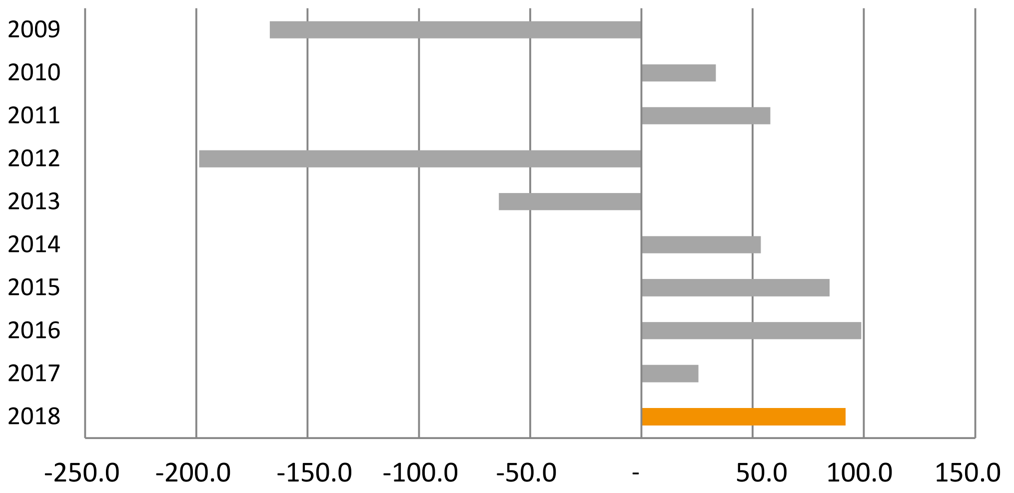
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Equity attributable to equity shareholders of the group	735	638	605	517	434	237	336	600	725	705

ADJUSTED EBITDA (in million EUR)



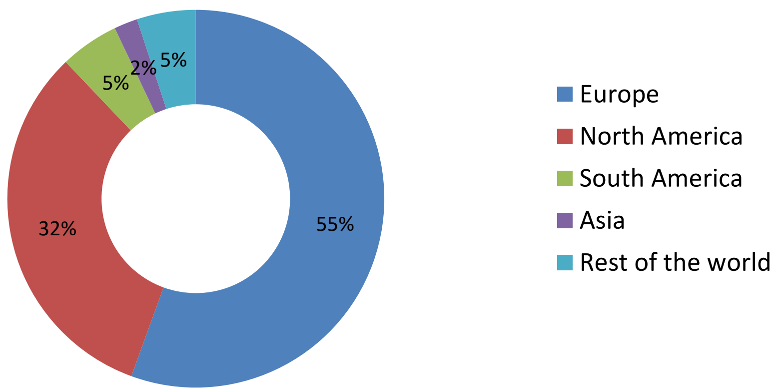
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Adjusted EBITDA	178	188	198	180	136	117	160	187	163	63

PROFIT (+) / LOSS (-) (in million EUR)

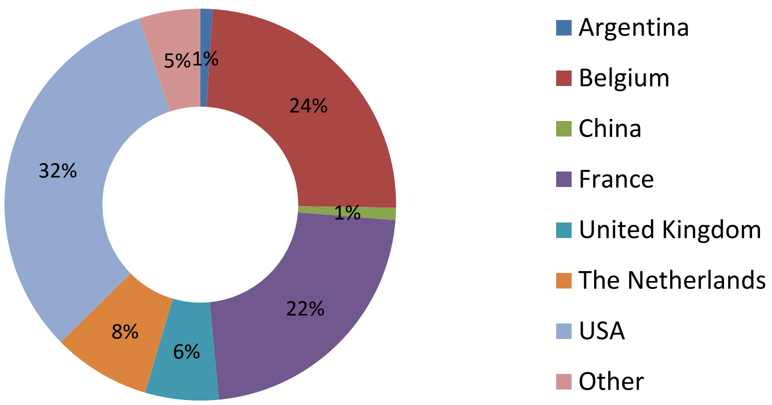


	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Profit (+) / loss (-)	91.7	25.6	98.8	84.5	53.7	-64.0	-198.7	58.0	33.5	-167.0

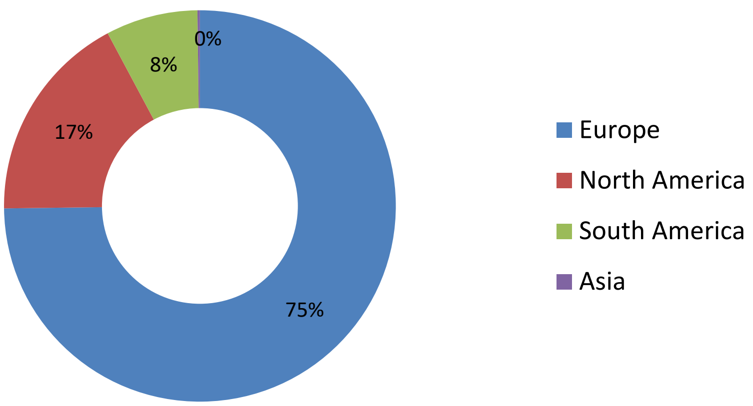
2018 REVENUE PER GEOGRAPHY (%)



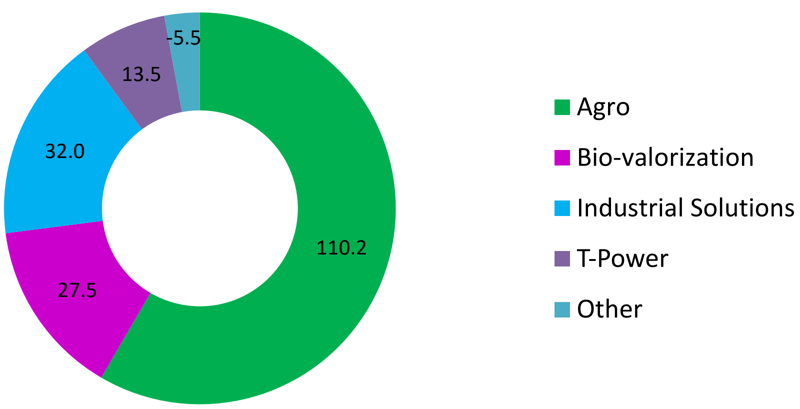
2018 REVENUE PER COUNTRY OF PRODUCTION (%)



2018 DISTRIBUTION OF CAPEX (%)



2018 ADJUSTED EBITDA PER SEGMENT (in million EUR)



OUR AGRO SEGMENT

Our Agro segment combines Tessenderlo Group's activities in the production, trading and marketing of crop nutrients (liquid crop fertilizers and potassium sulfate fertilizers) and crop protection products.

PRODUCTION LOCATIONS

15 production plants: US (12 production plants and more than 100 terminals), Belgium (1), France (1) and Turkey (1), and 20 terminals in Europe and Mexico.

CORE MARKETS

Agriculture

AREA OF ACTIVITY

Value-added specialty liquid, solid and soluble fertilizers and crop protection products with a focus on precision agriculture applications.

BUSINESS DRIVERS

- Growing population
- Increased demand for cost-effective, quality fertilizers and crop protection products for modern and sustainable precision agriculture

STRATEGIC FOCUS

Crop Vitality™/Tessenderlo Kerley International:

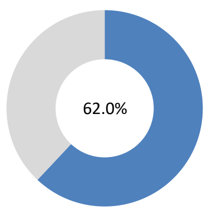
- To maintain our global leadership position in selective specialty liquid and soluble SOP fertilizers, while expanding further into key target markets in the Americas, Europe, Middle East and Australia
- To expand the product portfolio and applications offerings to strengthen our position in specialty niche markets
- To build a global network of connected technical experts
- To focus on expanding market share by providing continuous education throughout the value chain with a view to increasing food production in a sustainable manner
- To continuously improve the cost efficiency of our production processes and supporting departments while optimizing our customer-centered supply chain

NovaSource®:

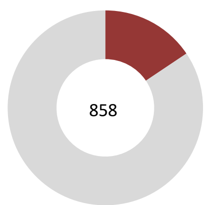
- To expand the product portfolio through acquisitions
- To maintain registration, register and market our current and acquired products in additional countries
- To identify, develop, register and market new uses of current and acquired products

KEY FIGURES

Share of Adjusted EBITDA



Headcount (FTE)



CROP VITALITY

- **Who are we?**

Crop Vitality is the world's largest and leading producer of liquid, solid and soluble sulfur-based plant nutrition products that symbolizes the longstanding and growing legacy of Tessenderlo Kerley. Our innovative principles continue to flourish today with the Crop Vitality brand family of products (fertilizers such as SoluPotasse®, K-Leaf®, Thio-Sul®, KTS®, CaTs®, etc.) representing 100 years of agronomic expertise, and an expanding network of production and distribution facilities.

Crop Vitality products enhance crop health by improving nutrient uptake and viability while upholding the highest industry standards by delivering an essential element for optimal plant and soil health – i.e. sulfur. Crop nutrients are crucial to productive soils and are fundamental to plant health. In addition to our sulfur portfolio, we offer further products that mitigate nitrogen volatilization while aligning with sustainable agricultural practices that exceed industry standards. We proudly adhere to the 4R Nutrient Stewardship Program in all that we do in order to help achieve the highest quality, environmentally friendly, sustainable products.

Our team of dedicated employees have a grower-centric mindset that enables us to develop and manufacture sustainable plant nutrients and soil amendment solutions. Growers can apply Crop Vitality products when crops need them most due to their application flexibility. Our Innovation & Learning Center located in Dinuba, California allows us to field test our existing product portfolio continuously. In addition, we are able to develop new products, tackle adverse conditions, and adjust to changing agricultural needs. These innovative solutions allow growers to enjoy sustainable, productive and profitable yields.

- **Business in 2018**

The season got underway with rumors of a trade dispute with China on the horizon. The rumors materialized in mid-summer as China and the US began exchanging tariffs. US agriculture, in particular, was significantly impacted by the 25% tariff China placed on soybeans imported from the US. 2018 was the fifth consecutive year of above-trend yields for US corn and soybeans. While fewer acres help in terms of offsetting the large yields, it brings into question when a below-trend crop will come and help push commodity prices higher.

- **Outlook**

At the core of Crop Vitality is a focus on our relationships with our customers. To assist growers with the ever-increasing challenges to our industry, we remain focused on producing and delivering high-quality crop nutrition products and we are fully committed to ensuring we uphold manufacturing processes that mitigate environmental impact. We will continue to host grower educational visits at our Innovation & Learning Center in order to assist and train growers, customers and ourselves. The Innovation & Learning Center allows us to collaborate with others to investigate and develop consistent, positive nutrition solutions for agriculture.

To help growers rise to the challenges in 2019, we will remain committed to producing and delivering the most innovative crop nutrition products with stewardship as a focal point. Commitments with customers allow us to expand our presence while maintaining our valuable relationships. We strive to assist growers and the environment alike through dedicated research and development efforts, superior product performance and agronomic expertise.

TESSENDERLO KERLEY INTERNATIONAL

- **Who are we?**

Tessenderlo Kerley International supplies value-added liquid, soluble and solid plant nutrition in order to support growers in realizing efficient and sustainable agriculture. Our global team of experts, agronomists and commercial advisers is characterized by a strong customer focus and has an outstanding heritage, as we are building on the expertise at Tessenderlo (in solid and soluble potassium based fertilizers) and the expertise at Kerley (in liquid fertilizers).

All of our fertilizer product brands are bundled under one all-encompassing brand promise: Crop Vitality™. This is because our dedication to give farmers the precise tools needed to stimulate the vitality of their crops is at the very heart of what we do – both today and in the future. Our portfolio consists of well-recognized specialty fertilizers such as SoluPotasse®, K-Leaf®, Thio-Sul®, KTS®, CaTs®, etc., in which we continuously invest in terms of innovation, product development and support. This is how we can guarantee that all of our interventions - whether by our products, our experts or our advisers – will create maximum output: i.e. a better yield for crops, more control for farmers and a healthier planet for everyone.

- **Business in 2018**

2018 marked the first full year of operating under the name Tessenderlo Kerley International, the new business unit that was created at the end of 2017, which now combines all fertilizers outside the US & Canada.

During 2018, Tessenderlo Kerley International continued to execute its long term strategy and made progress in driving top-line growth while strengthening its growth foundations. Recruiting commercial and agronomical talent, running a broad portfolio of trials with the Crop Vitality® line of fertilizers, developing new customers/applications, upgrading existing manufacturing facilities and setting up supply chains are just some examples of the strengthening of these growth foundations.

In regard to liquid fertilizers, the Thio-Sul® manufacturing plant in France celebrated its first full year of operation in 2018. The plant utilization is already ahead of business case assumptions, illustrating the widespread adoption of Thio-Sul® as a liquid fertilizer, complementing sulfur nutrition and limiting nitrogen losses for broad-acre crops.

For the sulfate of potash (SOP) or potassium sulfate product family, the market in 2018 was relatively robust with good growth and solid demand for the water soluble product range. In this range, Tessenderlo Kerley International has a leading global position that is supported by a premium quality product. We are continuing to progress in regard to even further strengthening our market position for the long-term, i.e. focusing on high quality products and services which are well-recognized in terms of global market reach and our strong local connection with different stakeholders in the chain.

- **Outlook**

In 2019, Tessenderlo Kerley International will continue to execute its strategy of profitable growth, including expanding the frontline team, strengthening our go-to-market channels, building agronomical know-how and driving excellence throughout our value chain.

As the value proposition of the liquid fertilizers is increasingly being recognized and valorized by customers in the regions where we currently operate, additional prioritized markets will be developed. With the SOP products, we are strengthening the global market leading position of our water soluble brand SoluPotasse®. While the long-term outlook clearly suggests positive growth, we have observed over the last few years that swings can occur in the agro market over the short-term. However, we are conscious that results will ultimately depend on the evolution of the agro market.

Tessenderlo Group has a clear strategy for remaining at the forefront of the specialty SOP and liquid fertilizer markets. We will continue to consistently deliver high quality products, while improving our focus on customer service and applying the group's considerable experience in these industries.

NOVASOURCE®

- **Who are we?**

NovaSource® develops, registers and markets niche crop protection products globally for high value crops. With products now being sold in over 40 countries, the focus for NovaSource is providing solid, proven chemistries to help farmers increase the quality and yield of their specialty food crops.
Two of the NovaSource principal crop protection products are LINEX®, agricultural herbicide for use on potatoes, corn, sorghum, cotton and soybeans and SEVIN®, agricultural insecticide for the broad-spectrum control of dozens of pests including beetles, weevils and worms in tree fruit, nut, vine, citrus vegetable and other crops. NovaSource products protect the growers' crops from a variety of damaging weeds, insects, and diseases, increasing the grower's yields, profitability and predictability.

- **Business in 2018**

Our NovaSource business had a good 2018. However, significantly lower prices in some berry crops decreased the demand for NovaSource weed control solutions. As larger crop protection companies consolidate and focus on the broad acre crops (e.g., corn, wheat, soybeans), NovaSource will continue to focus on and seek additional crop protection chemistries for niche fruit and vegetable crops throughout 2019.

- **Outlook**

NovaSource will continue its efforts to acquire and integrate niche, crop protection products from multinational companies that are divesting non-core products. Additional efforts to identify licensing partners and organic growth via research and development will continue in 2019.

OUR BIO-VALORIZATION SEGMENT

Our Bio-valorization segment, which covers Tessenderlo Group's activities in animal by-product processing, consists of PB Leiner (production, trading and sale of gelatins and collagen peptides), Akiolis (rendering, production and sale of animal proteins and fats) and Prossential (a dedicated product range of animal proteins & fats for the pet food and aquafeed industry).

PRODUCTION LOCATIONS

PB Leiner:
3 production plants in Europe (Belgium, Germany, UK), 1 in China and 3 in the Americas (US, Argentina, Brazil)
Akiolis:
3 production plants, 29 collection centers in France (Atemax)
8 production plants, 19 collection centers in France (Soleval)
1 production plant (Violleau)

CORE MARKETS

Food, pharma, health & beauty, pet food, agriculture, aqua feed, animal fee, energy, oleochemistry, etc.

AREA OF ACTIVITY

Bio-resources, agriculture

BUSINESS DRIVERS

- Growing demand for bio-based environmentally friendly offerings in feed, food, health & beauty, energy and pharmaceutical and technical applications
- Improved standards of living result in increased protein demand

STRATEGIC FOCUS

PB Leiner:

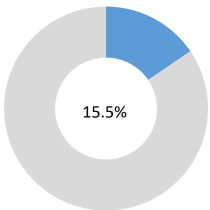
- To optimize efficiencies on existing assets
- To focus on customer relationships and new product development
- To vigorously focus on realizing manufacturing excellence and the improved valorization of access to raw materials
- To increase the focus on health & beauty (protein rich, collagen peptides) and pharma

Akiolis:

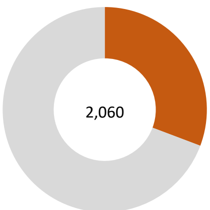
- To strengthen our position in our core business on upstream markets
- To improve the valorization of finished products in pet food and aquaculture markets
- To focus on customer relationships and new product development
- To improve efficiency in existing plants and logistics

KEY FIGURES

Share of Adjusted EBITDA



Headcount (FTE)



PB LEINER

- **Who are we?**

PB Leiner is an established global player with production sites in Asia, Europe, North America and South America. PB Leiner supplies a complete range of high quality gelatins and collagen peptides, tailoring solutions to its customers' applications. PB Leiner was the first gelatin producer to introduce cold soluble gelatin products to the market, increasing its range of specialties to offer a more convenient gelatin-based solution that provides significant advantages in terms of saving time, increasing flexibility and reducing cost-in-use. PB Leiner supplies a growing market in food, pharma, health, nutrition and technical applications. PB Leiner is one of the top three players in the world in its sector.

The gelatin process includes raw material (pre)treatment, collagen extraction and gelatin purification. The overall production processes can take up to six months for specific qualities. Some fractions of the gelatin are further processed into collagen peptides mainly for health and beauty applications.

Gelatins are used in multiple markets, including food (e.g. confectionery and dairy), pharmaceuticals (e.g. capsules) and photography (e.g. film and photography paper). In most applications, gelatins are only added in small portions to the formulation, as a functional ingredient with superior characteristics. PB Leiner produces gelatin based on pigskin, beef hide, pig bone and beef bone. Raw materials are sourced regionally and competition for raw materials is not limited to other gelatin manufacturers, but also comprises other end-uses such as direct use as human food, pet food and leather manufacturing.

Fluctuations in the supply and demand of raw materials have an important impact on gelatin prices and availability. Key to the business is securing sufficient raw material volumes.

- **Business in 2018**

In 2018, the market conditions developed differently according to the type of gelatin and the market. Whereas the market conditions for beef hide gelatin were restored after years of strong pressure on the margins, the market for pigskin gelatin remained under pressure, especially in Europe. Furthermore, the bone gelatin market conditions remained very competitive while the market for collagen peptides continued to develop.

In 2018, PB Leiner further continued the implementation of its strategy:

- Sales Excellence – by strengthening the cooperation with our key customers on supply optimization and product development.
- Operational Excellence – by the debottlenecking of plants, improving quality systems, optimizing processes and stimulating a culture of employee engagement.

Due to the strong market demand, the sales of our new range of collagen peptides SOLUGEL® Ultra BD continued its development. In 2018, we further increased our capacity as well as our marketing efforts.

Operating as a global company in an ever changing world, the business unit changed its company brand name from PB Gelatins/PB Leiner to PB Leiner in 2018. It is felt that this will enable the company to truly present itself throughout the world as one global company and the name was carefully chosen in order to reflect the combined 200 years of history of PB Gelatins/PB Leiner. PB Leiner also took advantage of this moment to freshen up its logo and define a new baseline: **The Clear Solution**. This not only reflects the quality of PB Leiner's products, but also its commitment to finding ideal solutions for its customers' needs. PB Leiner aims to achieve this through further investments in innovation and adopting an even more customer-oriented approach.

- **Outlook**

In 2019, PB Leiner will continue investing in upgrading its plants, developing specialties for the pharma and health & beauty markets, optimizing production processes to improve the quality and functionality of its products as well as further building on close relations with its customers.

The long-term outlook of the gelatin markets remains positive for several reasons: a growing middle class population, the increased consumption of medication in the developing world and greater health and nutrition awareness and habits in all markets.

AKIOLIS

- **Who are we?**

Akiolis specializes in rendering activities and the transformation of animal by-products into high value proteins and fats. Our links with upstream partners from the meat industry, butchers and retailers enable us to get access to a vast array of animal materials and our industrial processes allow us to valorize our final products in demanding downstream markets, such as pet food and animal nutrition, aqua feed and lipochemistry, fertilization, gelatins, cement plants and energy sectors (green heat and green electricity). Our targets for each market are agility and a focus on our customers' needs and business key success factors. This approach will enable us to deliver products and services featuring a very high standard of quality and innovative solutions that meet the rate of development of their own markets.

- **Business in 2018**

In 2018, Akiolis reinforced its focus on customer satisfaction, cost management and team efficiency to secure the building of long-term relationships with key accounts in strategic markets: pet food, aqua feed and biodiesel. Upstream collection enabled us to realize a good utilization rate of our industrial product lines. However, price indices on the downstream markets especially for fats linked to palm oil, dropped sharply during the first half of the year and did not show any signs of improvement during the second half of the year. This resulted in margins being impacted as the meat chain is under pressure. Rising costs for energy also eroded our profitability. In search of a better valorization of tallow, we launched a new line in Charny (France) that is dedicated to the production of beef mono species fats.

- **Outlook**

Sustainability will continue to be the keyword for Akiolis in 2019. Our partners, which include upstream key accounts as well as downstream customers, rely on Akiolis as a long term 'Best in Class' partner. Our level of investments will continue to increase in order to prepare for future developments in key markets with state-of-the-art new equipment for innovative products to be launched before the end of 2020.

OUR INDUSTRIAL SOLUTIONS SEGMENT

Our Industrial Solutions segment includes products, systems and solutions for handling, processing and treatment of water, including flocculation and depressants. This segment includes the production, trading and sale of plastic pipe systems, water treatment chemicals and other industrial activities, such as the production and sale of mining and industrial auxiliaries, the delivery of services for the treatment and disposal of produced and flowback water from oil and gas exploration, as well as the recovery of industrial process fluids.

PRODUCTION LOCATIONS

DYKA Group: 7 production plants (2 in the Netherlands, 1 in Belgium, 1 in France, 1 in Germany, 1 in Poland and 1 in Hungary) and more than 70 branches in Europe
Performance Chemicals: 4 production plants (2 in Belgium, 1 in France and 1 in Switzerland)
Mining & Industrial, MPR Services™ & ECS: 3 plants (US)

CORE MARKETS

Water, sewage, air and gas piping systems and services, water treatment, process chemicals services, refinery and mining services

AREA OF ACTIVITY

Building and installation, public infrastructure and utility works, industrial and municipal markets, industry and mining

BUSINESS DRIVERS

- Clean water demand and hygiene – industry need for the sustainable purification of process water
- Scarcity of natural resources and environmental footprint
- Global warming, storm water, energy neutral buildings
- Base chemicals supply is driven by economic activity

STRATEGIC FOCUS

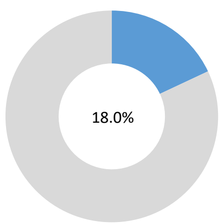
DYKA Group:
- To further grow customer intimacy, to introduce innovative systems and services, and to strengthen our position in various sectors, product ranges and key geographies.

Performance Chemicals:
- To provide long term and environmentally attractive solutions to industries and municipalities, turning by-products into value-added solutions

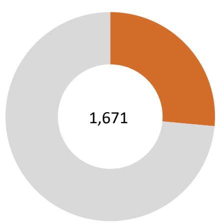
Mining & Industrial/MPR/ECS:
- To expand the Mining & Industrial business and to provide a full service water treatment and recycling model, and to enter new market segments

KEY FIGURES

Share of Adjusted EBITDA



Headcount (FTE)



DYKA GROUP

- **Who are we?**

DYKA Group (which is composed of the three companies DYKA, JDP and BT Nyloplast) provides high quality, value-added piping solutions for utilities, agricultural, building and civil engineering markets.

We focus on achieving higher levels of customer satisfaction by offering pre-assembled piping kits, project consultancy services, engineering support for ventilation solutions, sewage and rainwater solutions, and siphonic roof drainage systems. We provide our solutions via our integrated sales and support network, our manufacturing and logistics professionals, and over 70 customer-oriented branches, as well as more than 2,000 points of sale in Europe.

Attenuating or infiltrating rainwater from more frequent and heavier showers, accommodating increasing requirements to move towards more energy neutral buildings, preventing the leakage of valuable drinking water with better quality piping networks and reducing costs in complex construction value chains are just a few challenges that our customers face. These are best managed by applying the range of systems and services from DYKA Group.

In addition, increasingly more recycled material is being applied in the manufacturing of our products and systems, and thus optimizing the environmental footprint of our business. This gives new value to both post-industrial and post-consumer plastics and consequently reduces demands on finite resources.

- **Business in 2018**

In all our markets we had to deal with a very wet early spring combined with fairly strong increases in raw material costs. During 2018, the BU further gained from developments in new business and new systems and services. Our extensive offerings in ventilation solutions (DykaAir), storm water management solutions (Vacurain and Duborain), drinking water (Bi-Oroc), and pre-assembly services made good progress.

Finally, we continued to use significant amounts of recycled materials as raw materials throughout 2018. This represents a major contribution in terms of sustainability and ultimately helps our customers to reduce the environmental footprint of their buildings or infrastructural works. Being able to effectively prove such commitment to sustainability is a differentiating factor for DYKA Group in regard to engaging in business with a growing group of customers and public authorities.

The group opened new branches both in the Netherlands (Tilburg and Amsterdam) and the UK (Bolton) in order to enhance its sales and service proposition close to its customers.

In the third quarter of 2018, BT, BTH and Nyloplast consolidated their brand name into BT Nyloplast, in order to further combine knowledge and strengths. This name change will also enable BT Nyloplast to strengthen its position as an acknowledged specialized fittings supplier in the European market.

- **Outlook**

By combining forecasted market developments - in particular in continental Europe - with our European strategic alignment on customer-centered new systems and services developments, DYKA Group will focus on sustainable growth in 2019. Process improvements, either in sales and marketing, manufacturing or logistics, and in part supported by investments, together enable our customers to do more business more easily with DYKA Group or reduce the total operational costs in the value chain.

Throughout 2019, a series of investments will be completed by DYKA Group. These are aimed at realizing a broader and better customer offering with extended and therefore even more relevant product portfolios.

PERFORMANCE CHEMICALS

- **Who are we?**

Performance Chemicals provides industrial and municipal markets with coagulants and other chemicals for either the treatment of wastewater or the purification of drinking water. We also produce industrial chemicals which are used by a broad spectrum of industries such as pharmaceutical industry, oil and refinery, steel, de-icing and fertilizers. Other chemicals include bleach, acids for disinfection and household cleaning, calcium chloride for food, de-icing, oil & gas or industrial applications. Performance Chemicals is also active on the market for potassium hydroxide and sodium hydroxide, products used for the production of biofuels, de-icing agents, fertilizers and detergents.

The production processes of Performance Chemicals enable the conversion or recycling of industrial by-products (for example, from the steel industry) into attractive new products for water treatment. Performance Chemicals has four production sites and these are located in Loos (France), Tessenderlo and Ham (Belgium) and Rekingen (Switzerland). The production sites are centrally located in areas where the demand is highest. We supply some of the largest metropolitan areas in Western Europe, such as Paris, Amsterdam, Geneva and Brussels, with the chemicals required to treat their wastewater.

- **Business in 2018**

Our new membrane electrolysis plant in Loos (France) was started up successfully early in 2018.
It provides the site with the best available technology for chlorine production in order to support the largest production plant for iron chloride coagulants in Europe. Simultaneously, the first phase of the overhaul of storage and loading assets was completed. These new assets confirm the commitment of Tessenderlo Group to the long-term continuity of supply to its customers. They also allow the group to serve both external market demand as well as the internal consumption of sodium hydroxide and potassium hydroxide. In addition to securing continuity for the current activities in Loos, this investment also offers new opportunities for the further development of the site.

Coagulant demand in Western Europe increased further in 2018. However, the market experienced some instability. As a result, Performance Chemicals achieved all-time record sales of iron chloride and managed to solidify its competitive position as a leading European supplier of coagulants for wastewater and drinking water treatment. Several of our major multiyear supply contracts were also successfully renewed during the course of the year.

Pricing for hydrochloric acid in Western Europe remained flat at low levels throughout the year due to overcapacity. Nevertheless, the business unit managed to fulfill its strategic operational integration role through the captive consumption and merchant sales of hydrochloric acid streams out of Ham, in support of the production targets of SOP for the BU Tessenderlo Kerley International.

- **Outlook**

The transition of the European chlorine industry from mercury technology electrolysis to membrane technology has now been completed, and more stable market conditions are expected. However, restricted supply/demand for sodium hydroxide will keep pricing at historical high levels until significant new capacity is put into operation. A return to full capacity availability in Loos will significantly improve operational performance compared to 2018.

Raw material shortages and logistic cost increases will impact the coagulant business even more in 2019 than last year, and this will impact both pricing and potential product substitutions. Performance Chemicals is ideally well placed to mitigate the effects and even benefit from these trends.

In 2019 Performance Chemicals will raise the production capacity of its Ecoferric™ product line in order to meet increasing demand in Western Europe for coagulants for wastewater treatment and for drinking water production. By doing so, we will strengthen our position as one of Europe's leading coagulant manufacturers with our site in Loos being the largest European production plant for ferric chloride. The plan includes various projects that will be executed over a 3 year period with a focus on capacity expansions and modernization at the site in France, as well as on streamlining the diverse raw material sources used to produce the water treatment coagulants. Additional capacity will already be available in 2019. These investments represent a next step following the modernization and expansion of the new membrane electrolysis production facility at the site of PC Loos.

Performance Chemicals will start commercializing Calcium Chloride under its own name in 2019, offering an additional channel to the market besides distribution.

Finally, further investments are being made in Loos in order to enable additional barge supply by year-end, and so further reduce the environmental footprint of our business.

MINING & INDUSTRIAL

- **Who are we?**

Mining & Industrial (M&I) is one of the world's preeminent producers of sulfur-based specialty chemistries for the mining and industrial markets. The M&I product portfolio is coupled with deep technical institutional knowledge tailored to delivering improvements in health, safety and environment profiles and handling and increasing efficiencies/effectiveness in recovering base/precious metals, food processing, water and waste treatment along with other various industrial applications.

M&I enhances its customers' applications through innovative chemistry. The principal products are Thio-Gold® (thiosulfate-based lixiviants), sulfites for cyanide (CN) detoxification and sodium hydrosulfide (NaHS) for base metal depression. The M&I team is committed to providing practical, predictable solutions and service to our customers so they can obtain maximum value from their existing applications and explore new potential applications. M&I utilizes two innovation centers where a customer-centric approach guides all development aspects.

- **Business in 2018**

The gold market continued to be stable in 2018, while the base metals market began to show some softening, especially in the second half of the year, following uncertainties in the global trade environment. These conditions had a direct effect on mining companies which have been vigilant regarding costs including CAPEX/OPEX spending. Our diverse offering combined with our technical expertise allowed us to increase our market share and volumes, despite the market volatility. M&I's strategically located sodium hydrosulfide plant realized significant production and supply growth, most of which is already under contract for key customers. In order to support the growth in the cyanide (CN) detoxification market, M&I invested in several plant expansions and strategic logistical assets. Our Elko, Nevada Thio-Gold® 300 plant, which supplies Barrick's Goldstrike gold leaching plant with its novel, patented breakthrough technology continued to perform in line with customer demand and expectations, albeit at reduced optimized volumes. This near-market facility is an example of investing to serve our customer base while improving our carbon footprint via shorter transportation hauls.

- **Outlook**

M&I will leverage its deep technical institutional knowledge to ensure that we understand the needs of our partners and customers and deliver innovative solutions centered on reciprocal value creation. Our extensive manufacturing and supply chain will receive further investments and optimizations to achieve desired milestones. We will commission our new lab facility with the aim to serve new customer-centric focused product/application development. Our technical specialists will continue to be the market stewards for the safe, effective and efficient use of our products and solutions. M&I will maintain a focus on executing our growth strategy by expanding our legacy products into new markets and applications. We will continue to fuel innovations with an emphasis on continuous improvements in health, safety and the environment (HSE), handling and efficiencies.

MPR SERVICES

- **Who are we?**

MPR Services is reclaiming amines every day in permanent units at refinery locations around the world. Our business model of reclaiming amines is more environmentally sustainable and it saves significant costs for our refinery customers who typically dispose of used amine and purchase new amine, which is both a costly and non-environmentally friendly practice. We are able to provide results that rival and often surpass those of larger organizations.

- **Business in 2018**

2018 was a year of several firsts. MPR Services began the year by completing our first project in a bio-fuel complex. Meanwhile, we ended the year providing a return service in that complex. We also proved that our TDSX™ technology is among the best available control technologies for recycling the complex solvent used in the recovery of high value aromatic hydrocarbons. TDSX is a solvent (glycols and amines) solution purification technology that utilizes a wiped-film thermal evaporator system to vaporize these solvent solutions under vacuum to separate salts and other contaminants from the process stream.

- **Outlook**

MPR Service will also continue to grow the business in the new markets we opened in 2018, and identify and explore new opportunities in adjacent and new markets. We will continue to expand our influence by delivering focused, customer-centered amine hygiene services in global markets.

ENVIRONMENTALLY CLEAN SYSTEMS (ECS)

- **Who are we?**

Environmentally Clean Systems (ECS) serves the oil and gas industries, providing water reclamation and disposal options for produced, frack, black and flow back water. ECS offers high quality and environmentally safe solutions to dispose of and/or reuse wastewaters generated during oil and gas exploration activities. ECS tailors its technologies to meet individual needs and situations. The result is flexibility in regard to wastewater utilization or disposal at lower costs.

- **Business in 2018**

ECS continued to focus on improving its performance while simultaneously reducing costs. These efficiency improvements have made ECS stronger, more competitive and better prepared to provide a dedicated service for wastewater applications for the oil and gas industry.

- **Outlook**

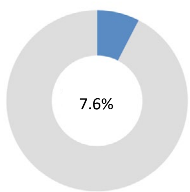
The key focus for 2019 will be to operate efficiently while retaining a focus on safety, processes and procedures to strengthen our position as a reliable company for handling produced water reclamation and disposal.

OUR T-POWER SEGMENT

Our T-Power segment covers Tessenderlo Group's activities in the production of electricity by means of a combined cycle gas turbine (CCGT) with a 425 MW capacity.

PRODUCTION LOCATIONS	1 power plant: Tessenderlo (Belgium)
CORE MARKET	Energy
AREA OF ACTIVITY	Production of electricity in gas fired power plants
BUSINESS DRIVER	Proper execution of the gas tolling agreement
STRATEGIC FOCUS	Focus on the efficiency and availability of the existing assets
KEY FIGURES	Share of Adjusted EBITDA / Headcount (FTE)

Share of Adjusted EBITDA



Headcount (FTE)

T-POWER

- **Who are we?**

T-Power was founded in 2005, with Tessenderlo Group as one of its original three shareholders. After completion of the development program, the T-Power 425 MW gas-fired combined cycle power plant (CCGT) located in Tessenderlo was built, and commissioned in 2011. Thanks to its high efficiency and flexibility, the T-Power power plant is one of the most competitive gas-fired power plants in Belgium and the broader interconnected electricity trading area. T-Power operates as a project-financed Independent Power Producer, and gets its revenues through a 15-year gas-to electricity tolling agreement with the RWE group. After several changes in shareholding over the years, Tessenderlo Group acquired 100% of T-Power in October 2018 by purchasing the shares held by the remaining shareholders.

- **Business in 2018**

The T-Power plant enjoyed a good running regime in 2018. Throughout 2018, the plan maintained its excellent availability and health and safety records.

- **Outlook**

In 2019, T-Power will focus on the efficiency and availability of the existing assets.

INFORMATION FOR SHAREHOLDERS

INVESTOR RELATIONS

Tessenderlo Group strives to provide accurate, qualitative and timely information to the global financial community. In order to discuss the group's results and future developments, Tessenderlo Group organizes conference calls to present and discuss the half-year and annual results.

ANALYST COVERAGE

At the end of 2018, Tessenderlo Group was covered by 5 sell-side analysts (for more information please visit www.tessenderlo.com). At the end of the year, 3 analysts gave a buy rating and 2 analysts gave a hold rating.

SHAREHOLDER STRUCTURE

On December 31, 2018, the shareholder structure of Tessenderlo Group was as follows:

Shareholder	Number of shares	%
Verbrugge nv (controlled by Picanol nv)	16,786,389	38.91%
Symphony Mills nv	1,832,200	4.25%
Coltrane Asset Management, L.P.	1,413,200	3.28%
Janus Henderson Group plc	1,383,360	3.21%
Norges Bank	1,287,899	2.98%
Carmignac Gestion SA	903,687	2.09%
Dimensional Fund Advisors L.P.	891,022	2.07%
Intrinsic Value Investors (IVI) L.P.	880,300	2.04%
KBC Asset Management nv	744,813	1.73%
Capfi Delen Asset Management nv	698,000	1.62%
Valarc Master Fund, Ltd.	630,402	1.46%
Sessa Capital (Master), L.P.	527,511	1.22%
Blocked shares by personnel or former personnel	30,389	0.07%
Free float	15,137,807	35.08%
Total	**43,146,979**	**100.0%**

Verbrugge nv is controlled by Picanol nv, which in turn is controlled by Artela nv. Artela nv and Symphony Mills nv are controlled by Mr. Luc Tack.

On December 31, 2018, 8,000 warrants were still exercisable. The total number of shares constituting the issued capital of Tessenderlo Group nv is 43,146,979 and entitle the shareholders to one vote per share.

TESSENDERLO GROUP SHARE

Tessenderlo Group shares are listed on the Euronext Brussels Stock Exchange under the code TESB. They are traded on the continuous market and are included in the following indexes: BEL Mid and Next 150.

SHARE PRICE PERFORMANCE

The Tessenderlo Group nv share price decreased 25.2% in 2018, while the BEL 20 index only decreased by 18.5% and the European Chemicals index SX4P by 15.6%. The share reached its year-high closing price of 39.80 EUR on January 15, 2018. The year-low closing price of 28.25 EUR was reached on December 27, 2018. The share closed at 29.10 EUR on the last trading day of the year.

DIVIDEND POLICY

The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of May 14, 2019, not to pay out a dividend for the 2018 financial year. The group currently believes that more shareholder value can be created through further investing available funds in the growth of the company, rather than via the distribution of dividends.

FINANCIAL CALENDAR

- Annual shareholder's meeting May 14, 2019
- Half-year 2019 results August 26, 2019

The Board of Directors of Tessenderlo Group has decided to stop publishing trading updates for the first quarter and the third quarter. Management will continue to interact with investors and analysts in order to address strategic themes and discuss the progress towards the group's long-term ambitions.

The sustainability report of the Tessenderlo Group will be available in a digital format on www.tessenderlo.com by early April 2019.

Full financial and non-financial information regarding Tessenderlo Group is available on the website www.tessenderlo.com. Anyone wishing to receive Tessenderlo Group press releases by e-mail may register on the mailing list on the website.

The Tessenderlo Group share price is published on www.tessenderlo.com and on the Euronext Brussels website www.euronext.com.

CONTACT FOR INVESTOR RELATIONS

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MANAGEMENT REPORT 2018

BUSINESS PROGRESS

GROUP PERFORMANCE

The 2018 revenue decreased by 2.2% to 1.6 billion EUR (or by 0.5% when excluding the foreign exchange effect[1]). When excluding the contribution of T-Power[2] and S8 Engineering[3], revenue decreased by 0.9% (or increased by 0.8% when excluding the foreign exchange effect). The revenue of Industrial Solutions increased, mainly thanks to DYKA Group, while the Agro revenue remained stable and the revenue of Bio-valorization decreased following lower volumes and decreased fat prices. T-Power, the gas-fired 425 MW power plant in Tessenderlo (Belgium) acquired on October 2, 2018, contributed 18.8 million EUR to the 2018 revenue, which was in line with expectations.

The 2018 Adjusted EBITDA decreased by -5.3% to 177.8 million EUR (or decreased by -2.3% when excluding the foreign exchange effect). When excluding the contribution of T-Power and S8 Engineering, the Adjusted EBITDA decreased by -7.4% or by -4.2% when excluding the foreign exchange effect. The 2018 Adjusted EBITDA includes additional inventory write-offs for -1.4 million EUR, while a reversal of inventory write-offs positively impacted the 2017 Adjusted EBITDA (+1.0 million EUR). The 2018 Adjusted EBITDA remained stable within Agro, while the Adjusted EBITDA decreased within Bio-valorization (-3.4%) and Industrial Solutions (-17.8%). The latter noted a decrease in all activities except for DYKA Group. T-Power, contributed 13.5 million EUR to the 2018 Adjusted EBITDA, which was in line with expectations.

The 2018 profit amounts to 92.1 million EUR compared to 25.8 million EUR in 2017. The profit (+)/loss (-) for the year was impacted by exchange gains and losses, mainly on non-hedged intercompany loans and cash and cash equivalents in USD. Excluding these exchange gains and losses, the profit (+)/loss (-) for 2018 would have amounted to approximately 79 million EUR, while the 2017 result would have amounted to approximately 89 million EUR.

The 2018 operational free cash flow amounts to 56.6 million EUR, compared to 124.9 million EUR in 2017. A lower 2018 Adjusted EBITDA (-10.0 million EUR) and a negative cash flow from changes in trade working capital (-37.8 million EUR, compared to +27.4 million EUR in 2017, the latter being impacted by the high working capital position as per year end 2016) could only be partially compensated by the lower 2018 capital expenditure compared to 2017 (+7.0 million EUR, from 90.4 million EUR in 2017 to 83.4 million EUR in 2018).

At year-end 2018, group net financial debt amounts to 348.0 million EUR, resulting in a leverage of 2.0x. When excluding the impact of the acquisition of the remaining 80% shares of T-Power, the leverage would have amounted to 0.2x. Net financial debt as per year-end 2017 amounted to 58.7 million EUR. The cash flow from operating activities amounts to 107.6 million EUR (184.2 million EUR in 2017), partially offset by capital expenditure for an amount of 83.4 million EUR (compared to 90.4 million EUR in 2017).

[1] As the group results might be impacted significantly by foreign exchange changes, the group reports some key financial indicators excluding any foreign exchange impact. The "% change excluding foreign exchange effect" is calculated by translating the 2018 result of foreign currency entities at the average exchange rate of 2017. The variance between this calculated result and the previous year result shows the effective result variance excluding any foreign exchange impact.

[2] On October 2, 2018, Tessenderlo Group closed the acquisition of the remaining 80% shares of T-Power nv, which is a gas-fired 425 MW power plant in Tessenderlo (Belgium). In order to improve the comparability with 2017 figures, T-Power nv revenue is excluded.

[3] The subsidiary S8 Engineering (former Tessenderlo Kerley Services Inc.) has executed specific engineering and construction activities for the joint-venture Jupiter Sulphur LLC. In order to improve the comparability of figures, S8 Engineering revenue is excluded for both reported periods.

REPORTED OPERATING SEGMENT PERFORMANCE

2018 Agro revenue decreased by -1.5% (or increased by +1.1% when excluding the foreign exchange effect). Lower volumes within Tessenderlo Kerley International were compensated by the other Agro activities.

The 2018 Adjusted EBITDA decreased by -3.7% compared to prior year (or remained stable when excluding the foreign exchange effect). The slight improvement of the Adjusted EBITDA of Crop Vitality and NovaSource was offset by a lower Tessenderlo Kerley International Adjusted EBITDA, where the impact of lower Tessenderlo Kerley International volumes and production issues in Ham (Belgium) and Rouen (France) could not be compensated by the contribution of the new Thio-Sul® plant (production started in Rouen in 3Q17) and lower maintenance expenses.

The revenue of the segment Bio-valorization decreased by -3.9% in 2018 (or by -2.3% when excluding the foreign exchange effect), because of lower volumes and decreased fat prices.
The Adjusted EBITDA decreased from 29.1 million EUR in 2017 to 27.5 million EUR in 2018 (-5.3% or -3.4% when excluding the foreign exchange effect). The 2018 Adjusted EBITDA was negatively impacted by an inventory write-off of -0.1 million EUR, while in 2017 a reversal of inventory write-offs was recognized for +3.2 million EUR. The Akiolis Adjusted EBITDA decreased following lower prices in the downstream markets (mainly fats), which were not compensated by the upstream markets. The 2018 PB Leiner Adjusted EBITDA increased compared to 2017, mainly thanks to increased collagen peptides volumes.

2018 Industrial Solutions revenue increased by +3.0% (or increased by +3.7% when excluding the foreign exchange effect). A revenue increase could be noted in the different segment activities.
The 2018 Adjusted EBITDA decreased by -19.6% (or by -17.8% when excluding the foreign exchange effect) as the revenue increase did not result in a higher Adjusted EBITDA. The Adjusted EBITDA of DYKA Group remained stable as the revenue increase was offset by start-up costs for new branches. Further start-up expenses for the NaOH production in Loos (new membrane electrolysis plant in France), as well as unforeseen technical issues at the production plant in Loos negatively impacted the Adjusted EBITDA of Performance Chemicals, while Mining and Industrial Adjusted EBITDA was negatively impacted by lower volumes. Furthermore, the 2017 Adjusted EBITDA of Environmentally Clean Systems was positively impacted by the outcome following the expiration of a contract.

T-Power contributed 18.8 million EUR to the 2018 revenue and 13.5 million EUR to the 2018 Adjusted EBITDA of the Group. These results were in line with expectations, as T-Power fulfilled all tolling agreement requirements.

HUMAN RESOURCES

Tessenderlo Group relies on a team of experienced professionals and this contributes towards our realization of the business and strategic objectives across all areas.

As at December 31, 2018, the total number of employees (FTE) working for the group amounted to 4,644. Out of this total, 858 employees were active in the Agro business, 2,060 employees were active in the Bio-valorization business, 1,671 employees were active in the Industrial Solutions business, 50 employees worked for S8 Engineering Inc. and 5 employees were active in the T-Power business. Meanwhile, 3,472 of the group's total personnel are employed in Europe, 950 are employed in the Americas and 222 are employed in Asia.

We strongly believe that our people are the most important factor behind our success. In a global business where knowledge and expertise are essential, we build on our experienced and motivated employees who have an in-depth knowledge and understanding of both the group and our products.
HR managers, who make up part of the different management teams, are focused on shaping the organization, defining clear roles and responsibilities, as well as attracting, retaining and developing the right people and building motivated teams that will realize the objectives of the group. They also guide each company through the changes necessary for the successful implementation of the transformation plans.

Within our annual performance cycle, clear objectives that are in line with our strategy execution are defined internally in each of the different BUs. Each BU has a communication plan to cascade these objectives down to the shop floor and to communicate them into the minds, hearts and hands of our team members.

Talent management is a key process within our organization. As our business is constantly growing, we offer challenging jobs for enthusiastic people with backgrounds in Engineering, Sales and Business Development, as well as Operations Management and General Management. Furthermore, we offer a lot of opportunities in terms of personal development. We want to have a Personal Development Plan for every employee. On-the-job training and a permanent feedback culture are key factors, but we also organize learning and training programs for all levels of employees. We build on the strength of one another and deploy our people in a complementary manner. Within our Talent Review Process we prepare career paths and carefully develop our talent for the future. Last but not least, HR is also responsible for solid reward systems and benchmarked and competitive salary packages.

INNOVATION AND R&D

In 2018, Tessenderlo Group further strengthened its innovation capabilities through a continued organizational focus on business development and the enhancement of product line management in all of its businesses. Additional progress was also made in order to embed innovation at the highest levels in the group and business units, and to make it part of the way in which we conduct our day-to-day business by adding key functions and personnel to lead and advance our innovation efforts and focus on the success of our customers.

In R&D and New Business Development, Tessenderlo Group continued to improve product, process and application technologies through a customer-centric approach, exploring new applications for existing products, as well as enhancing sustainability and environmental protection.

For product and technology platforms applied across several Business Units, Tessenderlo Group relies on its research and application development farm in Dinuba (California, US), the Phoenix Innovation Center (US) and the Tessenderlo Innovation Center (Belgium). It also relies on its R&D expertise across a broad area of organic and inorganic chemistries at lab and pilot scale, supporting several Agro, Bio-valorization and Industrial Solutions innovation projects. In 2018, cross Business Unit collaborations on innovation projects were strengthened throughout this global Innovation community for the Agro, Bio-valorization and Industrial solutions segments.

On April 25, 2018, the Tessenderlo Innovation Center celebrated its 30th anniversary. From a history that began in pharmaceutical and organic chemistry R&D activities, the Tessenderlo Innovation Center has successfully transformed itself into an innovation facility with a broad range of capabilities and competences. In order to further drive the innovation strategy and provide customer-centric innovations, a new food and application lab was installed. The event was also an opportunity for colleagues from across the world and business units to gather and exchange ideas on innovation.

Improved intellectual property awareness throughout both the business and business processes as well as the strengthening of expert personnel in IP led to an increase in intellectual property assets in the form of patents, trademarks, collaborative developments and licensing deals, which resulted in an increased customer-centric innovation and business development focus. Customers recognize Tessenderlo Group's innovative and entrepreneurial strengths. Tessenderlo Group welcomes close collaborations that will lead to unique applications and products.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

Focusing on Safety, Health, Environment and Quality (SHEQ) remains the top priority for Tessenderlo Group and its subsidiaries. During 2018, we committed to new projects and implemented many initiatives and programs aimed at improving our performance. Our clear objective is to ensure that our employees understand, participate in and engage with our commitment to the safety and health of everyone and that we preserve, conserve and protect the resources we use to conduct our business.

GROUP SAFETY PERFORMANCE

During 2018, we continued to focus on the improvement of safety and health within each Business Unit. Management has made this the number one priority and is regularly present in the workplace to conduct audits and inspections to ensure compliance and drive improvements. Safety and health performance is reviewed each month with the senior management of each Business Unit and challenging targets are set each year in terms of realizing a continued reduction in accidents and incidents. The group was particularly pleased with the extraordinary 2018 performance, as we commissioned and brought into service the electrolysis plant at Loos, France without any safety incidents. During 2018 we also overhauled our Tessenderlo Group process for crisis management and communications. We have achieved levels of SHE performance, significantly below industry benchmarks, within many of our business sectors. Despite the Tessenderlo Group Lost Time Accident Frequency Rate having reached a new low during 2018, we continue to be committed to realizing further improvements.

SHEQ ACHIEVEMENTS

Agro

Tessenderlo Kerley Inc. has a total of 10 facilities that have achieved more than 10 years without a lost time incident; 6 of those facilities have achieved more than 20 years without a lost time incident. The Ponca City, USA (Jupiter Sulphur) facility achieved 10 years without an OSHA recordable incident. Meanwhile, the Coffeyville, USA facility was awarded the inaugural TKI award for Employee Excellence, following its achievement of being in service for 20 years without ever recording a lost time accident. TKI has now introduced behavioral based safety awards programs at all operational facilities.

Tessenderlo Kerley International continued its focus on SHEQ and at the site in Ham, Belgium, we launched complementary 5 year actions plans, for occupational and process safety improvements. The new facility in Rouen, France continues to operate with an accident-free record.

Bio-valorization

PB Leiner achieved excellent results for 2018 at all its global sites. At the end of 2018 the Lost Time Incident Frequency Rate at many facilities were at historic lows and this reflected the commitment from management regarding rigorously implementing new initiatives, new procedures and behavioral safety practices. The focus on the reporting of 'near miss' incidents has also led to the ability to further eliminate unsafe conditions and behavior, thus resulting in more improvements. This core process has also been extended to cover environmental issues with a corresponding increased focus. In line with the strategy of the group, the PB Leiner business unit continued its investment in energy savings, the reduction of water consumption and improvements regarding wastewater treatment. We also worked on improving the quality of exhaust gasses and the reduction of CO_2 and waste streams.

At Akiolis, France, safety at work has remained a key area for management. Akiolis employees are faced with many challenging work environments and the number of lost time accidents in 2018 declined versus 2017 as the resources devoted to realizing further improvements were increased. Sustainable work practices are at the core of the work of Akiolis as we valorize the waste products from other industries. We continue to focus on our energy and water consumption, implementing methods and technologies in order to reduce our usage.

Industrial Solutions

Within DYKA Group, each operating site is implementing a Safety Excellence Program and made further progress in 2018 towards the completion of all of the modules. A new initiative on identifying and eradicating unsafe conditions, resulted in improvements to the work environment. Revised processes for the use of personal protective equipment, were also introduced for higher risk tasks. The conversion to electrically powered forklift trucks and the introduction of LED lighting together with improved transportation planning, are contributing to the reduction of our fuel consumption and CO_2 emissions.

Within Performance Chemicals, the commissioning of the new Electrolysis plant in Loos, France, has resulted in the reduction of electricity consumption by 30%.

RISK ANALYSIS

RISK ANALYSIS

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

Each year, all business units are requested to identify and evaluate the significant risks related to their business unit.

The risk section in the prospectus, dated June 15, 2015, issued in the context of a public offer of two series of bonds, contained a more detailed description of the most significant risks.

The results of the analysis of the major risks for the group are listed below:

- The group depends on the availability of sufficient volumes of raw materials, with the required specifications, at competitive prices.
- If the group is unable to sell, store, reuse or dispose of certain materials that it produces, it may be required to limit or reduce its overall production levels.
- The group's results are dependent on seasonal weather conditions.
- The group's current and future investments and/or constructions are subject to the risk of delays, cost overruns and other complications, and they may not achieve the expected returns.
- The group is exposed to an energy offtake agreement.
- The group is sensitive to commodity prices. As the group is a diversified specialty group that is worldwide active in many areas of agriculture, food, water management, efficient (re)use of natural resources and other industrial markets, the impact of changes of some raw material prices might have a significant impact on the results of individual activities, however is not expected to have a material impact on the results of operating segments or the group.
- The group may be exposed to product liability and warranty claims including, but not limited to, liability relating to food safety.
- The group must comply with environmental and health and safety laws and regulations, and may be subject to changing or more restrictive legislation, as well as incur significant compliance costs.
- The group may fail to obtain, maintain or renew compulsory licenses and permits, or fail to comply with their terms.
- Changes in legislation may have an adverse impact on the group's businesses.
- The group may be subject to misconduct by its employees, contractors and/or joint-venture partners.
- The group's businesses may suffer from trading sanctions and embargos.
- The group operates in competitive markets and failure to innovate may have an adverse impact on its business.
- The group may be at risk of breakdowns, inefficiencies or technical failures which may cause interruption to operations.
- The group's improvement programs are subject to the risk of delays, cost overruns and other complications, and may not achieve the expected returns.
- The group may be subject to Force Majeure events.
- Major accidents may result in substantial claims, fines or significant damage to the group's reputation and financial position.
- The group may be exposed to labor actions and employee claims or litigation.
- The group's insurance coverage may not be sufficient.
- The group may not be able to successfully carry out current business integrations, joint-ventures and/or future acquisitions.

- Due to the divestment program that was part of the general transformation which was completed in 2014, the group may also be exposed to residual liabilities and subject to a range of non-compete provisions. The group is exposed to litigation risks.
- Failure to protect trade secrets, know-how or other proprietary information may adversely affect the group's businesses.
- A change in underlying economic conditions or adverse business performance may result in impairment charges.
- The group is exposed to tax risks.
- The group is exposed to risks relating to its worldwide presence.
- The group may be affected by macroeconomic trends.
- Information technology failures and cyber risks may disrupt the group's operations.
- The group is exposed to pension plan obligations.
- The group's businesses are exposed to exchange rate fluctuations.
- The group's results may be negatively affected by fluctuating interest rates.
- The group is subject to conventions in its financing agreements that may restrict its operational and financial flexibility.
- The group may not be able to obtain the necessary funding for its future capital or refinancing needs.
- If the group does not generate positive cash flows then it will be unable to fulfill its debt obligations.
- The group entered into contracts that are subject to change of control clauses.
- The group is exposed to liquidity risk and credit risk in relation to its contractual and trading counterparts, and is also exposed to hedging and derivative counterparty risk.
- The group may not be able to recruit and retain key personnel.
- The group could be impacted by the political uncertainty caused by Brexit or any other circumstances of geo-political nature that could have an impact on the consumer trust.

ANALYSIS OF FINANCIAL RISKS[4]

Foreign currency risk

The group is exposed to fluctuations in exchange rates which may lead to profit or loss in currency transactions. The group's assets, earnings and cash flows are influenced by movements in foreign exchange rates. More in particular, the group incurs foreign currency risks on, amongst others, sales, purchases, investments and borrowings that are denominated in a currency other than the group's functional currency. The currencies giving rise to this risk are primarily USD (US dollar), GBP (British pound) and CNY (Chinese yuan). Movements in foreign currency therefore may adversely affect the group's business, results of operation or financial condition.

Subsidiaries are required to submit information on their net foreign exchange positions when invoiced (customers, suppliers) to Tessenderlo Group nv, the parent company. All the positions are netted at the level of Tessenderlo Group nv and the net positions (long/short), are then sold or bought on the market. The main management tools are the spot purchases and sales of currencies followed by currency swaps.

Group borrowings are generally carried out by the group's holding and finance companies, which make the proceeds of these borrowings available to the operating entities. In principle, operating entities are financed in their functional currency. As from March 2015, the group no longer uses currency swaps to hedge intragroup loans.

[4] For a more detailed overview of the financial risks related to the situation in 2018 and the Tessenderlo Group policy regarding the management of such risks, please see the Financial Instruments section in the Financial Report (note 26 - Financial instruments).

In emerging countries, it is not always possible to borrow in local currency because local financial markets are too narrow, funds are not available or because the financial conditions are too onerous. Those amounts are relatively small for the group.

Credit risk

The group is subject to the risk that the counterparties with whom it conducts its business (in particular its customers) and who have to make payments to the group, are unable to make such payments in a timely manner or at all. In order to manage its credit exposure, a credit committee per business unit has been created to determine a credit policy with credit limit requests, approval procedures, continuous monitoring of the credit exposure and dunning procedure in case of delays. The group has moreover globally elaborated a credit insurance program to protect accounts receivable from third party customers against non-payment. Every legal entity of the group is participating to this program and the insurance is provided by highly top rated international credit insurance companies. A large majority of the receivables (around 95%) is covered under this group credit insurance program. The contract protects the insured activities against non-payment with a deductible of 10% and foresees an indemnification cap at group level. The program foresees a pay-out of the insured claims within 6 months after declaration. The group is confident that the current level of credit insurance coverage can be sustained in the future.

The group has no significant concentration of credit risk. However, there can be no assurance that the group will be able to limit its potential loss of proceeds from counterparties who are unable to pay in a timely manner or at all. The liquidities available at year-end are deposited for very short term at highly rated international banks.

The maximum exposure to credit risk amounts to 466.0 million EUR as per December 31, 2018 (2017: 494.0 million EUR). This amount consists of current and non-current trade and other receivables (301.0 million EUR, note 16 - Trade and other receivables), current derivative financial instruments (0.9 million EUR) and cash and cash equivalents (164.1 million EUR, note 18 - Cash and cash equivalents).

Interest risk

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

At the reporting date, the group's interest-bearing financial instruments were:

(Million EUR)	2018	2017
Fixed rate instruments		
Financial assets	37.2	140.9
Loans and borrowings	232.7	227.0
Variable rate instruments		
Financial assets	126.9	54.6
Loans and borrowings	279.4	27.1

A detailed description of the outstanding loans and borrowings is provided in note 22 - Loans and borrowings of the financial report.

The loans and borrowings with a variable rate mainly relate to the T-Power syndicated facility, of which approximately 80% is hedged through a series of forward rate agreements. The remaining loans and borrowings with a variable rate relate to the commercial paper program (30.0 million EUR). Movements in interest rates would therefore not have a significant impact on the group's cash flow or result.

Liquidity Risk

Liquidity risk is defined as the risk that a company may have 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:

- the set-up of a factoring program at the end of 2009, which is put on hold since 2015.
- a capital increase of 174.8 million EUR in December 2014.
- the issuance in July 2015 of two series of bonds with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds"). The total issue amount was 250.0 million EUR, of which 192.0 million EUR for the 2022 bonds and 58.0 million EUR for the 2025 bonds.
- the replacement of the syndicated facility agreement (terminated in December 2015) by 5 year committed bi-lateral agreements for a total amount of 142.5 million EUR (of which part can be drawn in USD) with four banks. These facilities have no financial covenants and ensure maximum flexibility for the different activities.

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

The group regularly projects short and long-term forecasts in order to adapt financial means to forecasted needs.

CORPORATE GOVERNANCE STATEMENT

TRANSPARENT MANAGEMENT

Tessenderlo Group nv accepts the Belgian Corporate Governance Code 2009 as its reference code, and subscribes to the principles of corporate governance outlined in this code. In the case that the Company does not comply with any provision of this code, this is indicated in this Corporate Governance Statement, together with the reasons for such non-compliance. The Belgian Corporate Governance Code is available at: 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 and dated August 21, 2017. The Charter is available at https://www.tessenderlo.com/EN/about-tessenderlo-group/corporate-governance/corporate-governance-charter

CAPITAL & SHARES

Capital

The capital of Tessenderlo Group nv at December 31, 2018, amounts to 216,191,777.15 EUR.

Shares

The share capital is represented by 43,146,979 shares without par value, entitling the shareholder to one vote per share. All Tessenderlo Group nv's shares are admitted for listing and trading on Euronext Brussels.

Warrants

As of December 31, 2018, 8,000 outstanding warrants were exercisable. These warrants have been issued in the context of the 2012 Plan (issue of naked warrants).

The detail of the outstanding warrants on the date of this statement (December 31, 2018) is as follows:

Tranche	Exercise period	Number of warrants	Exercise price
Tranche 2012	2016-2019	8,000	20.76[5] EUR
TOTAL		**8,000**	

The maximum number of shares that can be created in the future, on the basis of the aforementioned warrants, is 8,000.

[5] *20.95 EUR for US residents*

SHAREHOLDERS & SHAREHOLDERS STRUCTURE

On the basis of the notifications provided to the Company, the shareholders of the Company at December 31, 2018, are as follows:

Shareholder	Number of shares	%
Verbrugge nv (controlled by Picanol nv)	16,786,389	38.91%
Symphony Mills nv	1,832,200	4.25%
Coltrane Asset Management, L.P.	1,413,200	3.28%
Janus Henderson Group plc	1,383,360	3.21%
Norges Bank	1,287,899	2.98%
Carmignac Gestion SA	903,687	2.09%
Dimensional Fund Advisors L.P.	891,022	2.07%
Intrinsic Value Investors (IVI) L.P.	880,300	2.04%
KBC Asset Management nv	744,813	1.73%
Capfi Delen Asset Management nv	698,000	1.62%
Valarc Master Fund, Ltd.	630,402	1.46%
Sessa Capital (Master), L.P.	527,511	1.22%
Blocked shares by personnel or former personnel	30,389	0.07%
Free float	15,137,807	35.08%
Total	**43,146,979**	**100.0%**

Verbrugge nv is controlled by Picanol nv, which in turn is controlled by Artela nv. Artela nv and Symphony Mills nv are controlled by Mr. Luc Tack. At the date of this report, the company has no knowledge of any agreements made between the shareholders.

Shareholders whose stake in Tessenderlo Group nv's capital surpasses the threshold of 1%, 3%, 5%, 7.5% and each multiple of 5%, in either direction, are required to notify the Belgian Financial Services and Markets Authority (FSMA) (TRP.Fin@fsma.be) and Tessenderlo Group nv (kurt.dejonckheere@tessenderlo.com).

BOARD OF DIRECTORS

Composition

At December 31, 2018, the composition of the Board of Directors of Tessenderlo Group nv was as follows:

	Start of initial term	End of term
Non-Executive Directors		
Mr. Karel Vinck	March 17, 2005	May 2019
Independent Non-Executive Directors[6]		
Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez	June 6, 2017	May 2021
Philium BVBA represented by its permanent representative Mr. Philippe Coens	June 2, 2015	May 2019
ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert	June 6, 2017	May 2021
Executive Directors		
Mr. Luc Tack	November 13, 2013	May 2019
Mr. Stefaan Haspeslagh – Chairman	November 13, 2013	May 2022

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

On December 31, 2018, the Board of Directors was in full compliance with the Law of July 28, 2011, requiring that as of January 1, 2017, one-third of the members of the Board of Directors should be of the opposite gender. All meetings of the Board of Directors were attended by the Secretary of the Board of Directors and the Group Controlling and Consolidation Director.

Activities

The Board of Directors convened according to a previously determined schedule. The Board of Directors met ten (10) times during 2018.

During 2018, the Board's main areas of discussion, review and decision were:

- the group's long-term strategy and 2018 budget;
- the financial statements and reports;
- proposals to the Shareholders' Meeting;
- approving the proposal to reappoint a director and to reappoint the Chairman of the Board of Directors;

[6] *Pursuant to Exhibit A of the Corporate Governance Charter of Tessenderlo group, a Director is considered to be independent if he or she at least 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 aforementioned independence criteria. No exceptions were reported to the Board.*

- the remuneration policy and the remuneration of the members of the Executive Committee;
- the review of a long-term incentive plan for members of senior management;
- the financial communication and reporting by segment;
- the effectiveness of the Entreprise Risk Management framework;
- various commercial agreements;
- various investment files;
- the approval of the transaction for the purchase of all of the shares in T-Power nv and the incorporation of a company in India;
- the decision not to publish quarterly figures from 2019 onwards;
- the approval for the refinancing of the Facilities Agreement concluded by T-Power nv;
- the budget 2019

Evaluation of the Board of Directors

Evaluations of the functioning of the Board of Directors, the Nomination and Remuneration Committee and the Audit Committee are performed periodically. In the context of such evaluations, the members can give a scoring (from 1-5) on different subjects relating to the board and committee functioning and can share their views on areas for improvement.

Such evaluations are performed through the use of a self-assessment questionnaire developed by the Secretary of the Board of Directors based on a template used by the Guberna Institute for Directors. The exercise focuses primarily on the following domains: role, responsibilities and the composition of the Board of Directors and the committees, the interactions between Directors, the conduct of the meetings and evaluation of the training and resources used by the Board of Directors and/or the committees.

Where appropriate, the individual Directors also share their view on how the Board of Directors and the committees could improve their operation. The Chairman and the Secretary of the Board of Directors share the results of the evaluation with the Directors and formulate initiatives for improvement.

Appointment of the members of the Board of Directors

In its selection process for members of the Board, the Board integrates criteria such as variety of competences and gender diversity.

Board Committees

General

On December 31, 2018, the following Committees were active within the Board of Directors of Tessenderlo Group:

- The Nomination and Remuneration Committee
- The Audit Committee

Please see the Charter for a description of the operations of the various Committees on www.tessenderlo.com.

Nomination and Remuneration Committee

On December 31, 2018, the Nomination and Remuneration Committee was constituted as follows:

- Mr. Karel Vinck (Chairman)
- Philium BVBA represented by its permanent representative Mr. Philippe Coens (Independent)
- Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez (Independent)

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

The Nomination and Remuneration Committee met three (3) times in 2018.

- Activities of the Nomination and Remuneration Committee

In 2018, the Nomination and Remuneration Committee discussed and made recommendations regarding the Executive Committee remuneration package. The Committee made recommendations regarding the reappointment of a director and the review of a new, long-term incentive plan for senior management. The Nomination and Remuneration Committee also prepared the remuneration report, as included in the 2017 annual report.

In compliance with the Corporate Governance Charter, the majority of the members of the Nomination and Remuneration Committee are independent.

- Evaluation of the Nomination and Remuneration Committee

For information on the evaluation process of the Nomination and Remuneration Committee, please refer to the section "Evaluation of the Board of Directors".

Audit Committee

At December 31, 2018, the Audit Committee was constituted as follows:

- Philium BVBA represented by its permanent representative
  Mr. Philippe Coens (Independent) (Chairman)
- ANBA BVBA represented by its permanent representative
  Mrs. Anne-Marie Baeyaert (Independent)
- Mr. Karel Vinck

The Audit Committee met according to a previously determined schedule; i.e. five (5) times during 2018.

The CEO, the COO-CFO, the Group Controlling and Consolidation Director, the Group Internal Auditor as well as the statutory auditor attended the meetings of the Audit Committee. The other Directors were invited to participate to the meetings of the Audit Committee without any voting rights.

As legally required, the Audit Committee has among its members at least one independent Director with the necessary accounting and auditing expertise.

The members of the Audit Committee fulfill the criterion of competence with their own training and by the experience gathered during their previous functions. In compliance with the Charter, the majority of the members are independent Directors.

- Evaluation of the Audit Committee

For information on the evaluation process of the Audit Committee, please refer to the section "Evaluation of the Board of Directors".

- Activities of the Audit Committee

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, closing process quality, accounting estimates, the Audit Committee heard reports from the external auditors regarding the year-end audit scope, the internal control system and the valuation and accounting treatment of certain exceptional items.

The Audit Committee also addressed specific topics such as GDPR compliance, legislative updates on IFRS and accounting law and fraud risk management. The Audit Committee also followed up on the findings and recommendations of the external auditors, reviewed their independence and approved requests for non-audit services.

The Audit Committee also heard the Group Internal Auditor on the Internal Audit program for 2018, the risk assessment analysis and the activity reports of the internal audits which had been carried out, as well as on a review of the follow-up actions taken by the Company to remedy certain weaknesses identified by the Internal Audit Department. The Audit Committee also approved the internal control plan for the year 2018 and heard reports from Internal Control on its various findings.

The Audit Committee also evaluated the effectiveness of Enterprise Risk Management and made recommendations regarding the further follow-up of improvement actions. Further, the Audit Committee reviewed the status of the ongoing litigations.

In addition, the Audit Committee considered the process of appointing or reappointing the Statutory Auditor.

Attendance rate for members of the Board of Directors meetings and members of the special committees meetings in 2018:

	Board of Directors	Audit Committee	Nomination & Remuneration Committee
Number of meetings in 2018	**10**	**5**	**3**
Philium BVBA represented by its permanent representative Mr. Philippe Coens (Independent)	10/10	5/5	3/3
Mr. Stefaan Haspeslagh	10/10		
Mr. Luc Tack	10/10		
Mr. Karel Vinck	10/10	5/5	3/3
Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez[7]	10/10		3/3
ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert[8]	10/10	5/5	

[7] *Member of Board of Directors since 6.6.2017 and of Nomination and Remuneration Committee since 21.8.2017*
[8] *Member of Board of Directors since 6.6.2017 and of Audit Committee since 21.8.2017.*

EXECUTIVE COMMITTEE (EXCOM)

Roles and responsibilities

As per December 31, 2018, the ExCom of Tessenderlo Group was constituted as follows:

- Mr. Luc Tack (CEO)
- Mr. Stefaan Haspeslagh, representative of Findar BVBA (COO-CFO)

Evaluation of the ExCom

At least once a year, the ExCom reviews its own performance.

Activities of the ExCom

The Board of Directors has empowered the ExCom to enable it to perform its responsibilities and duties. Taking into account the Company's values, its risk appetite and key policies, the ExCom shall have sufficient latitude to propose and implement the corporate strategy.

The CEO chairs the ExCom and ensures its organization and proper operation. In principle, the ExCom meets every week, and additional meetings may be convened at any time by any of its members. On a monthly basis the ExCom meets with the company' Business Units in order to review and discuss the strategic decisions and the operational performance of the Business Units. A comparable performance dialogue is organized with representatives of the supporting group functions.

The ExCom is responsible for:

- advising the CEO in the day-to-day management of the Company;
- overseeing the proper organization and operation of the Company, ensuring oversight of its activities, including the introduction of internal control processes for the identification, assessment, management and monitoring of financial and other risks;
- the appointment of senior executives of the Company and determination of the senior executives compensation policies[9];
- the main decisions and investments involving amounts under the thresholds as defined by the Board of Directors;
- preparing the proposals for decisions on those matters under the competence of the Board of Directors, including the complete, timely, reliable and accurate preparation of the Company's annual accounts, in accordance with the applicable accounting standards and policies of the Company, as well as the Company's required disclosure of the financial statements and other material financial and non-financial information;
- presenting/providing the Board of Directors a balanced and understandable assessment of the Company's financial situation;
- providing the Board of Directors in due time with all information necessary for the Board of Directors to carry out its duties;
- executing and implementing the decisions taken by the Board of Directors.

The ExCom tasks are further described in the ExCom terms of reference as set out in Exhibit G of the Corporate Governance Charter.

[9] *The Senior Executives of the Company are those executives who together with the ExCom manage and determine the strategy of the Businesses as well as the Heads of the Functional departments*

REMUNERATION REPORT: DIRECTORS

Remuneration policy

It is the responsibility of the Board of Directors of the Company to make proposals to the shareholders regarding the remuneration of the Directors.

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

- the remuneration for participating in the Board and the Board's Committees meetings;
- 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 has been performed. 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.

By decision of the General Shareholders' Meeting of June 7, 2016, each Director receives a fixed annual fee of 25,000 EUR. This remuneration covers the activities as member of the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee. Moreover, the following additional fees are granted:

a) a variable fee of 1,000 EUR per half day attendance;
b) an additional annual fee of 30,000 EUR for the chairman of the Board of Directors; and
c) an additional annual fee of 3,000 EUR for the chairman of the Audit Committee.

Remuneration is paid during the year in which the meetings were held. The variable fee of 1,000 EUR is also attributed to the directors who attend the meeting as invitee.

Remuneration received

Member	2018	Earned fees (in EUR)
Philium bvba, represented by its permanent representative Mr. Philippe Coens (independent non-executive director)	Fixed annual fee	25,000.00
	Additional fixed fee for Chairman of AC	3,000.00
	Variable fee per half day attended	16,000.00
	Total remuneration	**44,000.00**
Management Deprez bvba, represented by its permanent representative Mrs. Veerle Deprez (independent non-executive director)	Fixed annual fee	25,000.00
	Variable fee per half day attended	16,000.00
	Total remuneration	**41,000.00**
ANBA bvba, represented by its permanent representative Mrs. Anne-Marie Baeyaert (independent non-executive director)	Fixed annual fee	25,000.00
	Variable fee per half day attended	16,000.00
	Total remuneration	**41,000.00**
Stefaan Haspeslagh (executive director)	Fixed annual fee	25,000.00
	Additional fixed annual fee for Chairman Board	30,000.00
	Variable fee per half day attended	16,000.00
	Total remuneration	**71,000.00**
Luc Tack (executive director)	Fixed annual fee	25,000.00
	Variable fee per half day attended	16,000.00
	Total remuneration	**41,000.00**
Karel Vinck (non- executive director)	Fixed annual fee	25,000.00
	Variable fee per half day attended	16,000.00
	Total remuneration	**41,000.00**
GENERAL TOTAL		**279,000.00**

REMUNERATION REPORT: EXECUTIVE COMMITTEE (EXCOM)

Remuneration policy

This chapter describes the principles underlying Tessenderlo Group's remuneration policy, management remuneration, structure & philosophy. The Nomination and Remuneration Committee determines the principles of the remuneration policy for the ExCom members (the CEO & CFO/COO) and submits them to the Board of Directors. The aim is to achieve total remuneration packages that are attractive and in line with the market.

Tessenderlo Group annually reviews the positioning of the total remuneration of the ExCom members to direct competitors, quoted companies in the BELMid and other companies active in similar industries as wherein Tessenderlo Group operates. Our remuneration policy and total compensation is positioned on the market median or slightly above the market median, with a strong emphasis on variable compensation. Variable compensation is based on the (75%) financial results of the group (EBIT) and (25%) the individual performance contributing to the long term sustainable growth of Tessenderlo Group. In this respect we also refer to the "Code of Conduct" of Tessenderlo Group.

The internal and external competitive landscape of and around Tessenderlo Group is changing rapidly. In order to realize the group's ambitions in this challenging environment, the organization needs to perform strongly and focus on the implementation of a sustainable strategy. Talented managers are indispensable in terms of achieving this goal. The remuneration policy aims to link this strategy and the company's objectives to the performance and remuneration of management.

In this way, the group creates a globally consistent framework for the development, remuneration and empowerment of its people. The group considers commitment, recognition and leadership as important foundations for employee engagement. This enables the group to attract, retain and motivate the best talents to achieve both short-term and long-term objectives. This is all within the context of a globally consistent remuneration policy that rewards the contribution towards and the achievement of company objectives and the generation of shareholder value.

The Group Reward principles are:

Recognition and leadership are key for employee and team engagement.
Our compensation system will serve to attract and retain the talent that the group requires to meet its short and long term goals.
Our remuneration policy will be positioned on or just above the median, and tested annually against a selected basket of relevant industry references and industries in which the group is active.
Our base salary will drive and reward growing competencies, showing the right corporate attitudes and living according to the group's guiding principles.
Our variable remuneration policy links the success of the group to the various business units, departments, teams and individual contributions.
Our job grading and our compensation system for external/internal appointments are based on an objective methodology and measurable market data.
Our compensation system will never knowingly discriminate between employees on any grounds.

Compensation package

The ExCom remuneration package consists of the following items:

- Fixed compensation
- Variable compensation
- Other compensation items

Fixed compensation

The fixed part of the remuneration compensates individual members as per market reference and in line with their level of skill and position within the group combined with the right behavior and living according the group's guiding principles.

Variable compensation

The variable compensation of the members of the ExCom is based on short and long term objectives linked to group results and individual performance.

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 ExCom members are compensated according to the overall performance of Tessenderlo Group.
The short term variable compensation for the current ExCom members varies between a minimum of 0% and a maximum of 135% of the fixed remuneration for the CEO and between a minimum of 0% and a maximum of 120% of the fixed remuneration for the CFO/COO.

The objectives measured over the calendar year are set on the group financial and strategic objectives with a modifier for personal performance, proposed by the Nomination and Remuneration Committee. The objectives are linked for 75% to the financial results of the group (EBIT) and for 25% to individual performance contributing to the long term sustainable growth of Tessenderlo Group. In this respect we also refer to the "Code of Conduct" of Tessenderlo Group.

The personal modifier is linked to progress in strategy execution and business transformation within the group. The evaluations of the CEO target objectives against the realizations are performed by the Nomination and Remuneration Committee after the end of the financial year and submitted for approval towards the Board of Directors. The evaluation for the COO-CFO is performed after the end of the financial year by the CEO and submitted for approval to the Nomination and Remuneration Committee and Board of Directors.

II. Long-term variable compensation

Current Long Term Incentive (LTI) Performance Cash Plan

A long-term incentive plan for key personnel was approved by the Board of Directors on March 7, 2016. The intention of the LTI Performance Cash Plan is to create an incentive for senior management (including ExCom members) to further drive increased shareholder value and the sustainable growth of the company. This LTI plan covers a 3 year period (calendar years 2016-2018), with pay out in April 2019, based on pre-set performance metrics of the Tessenderlo Group.

The long term variable compensation for the current ExCom members varies between a minimum of 0% and a maximum of 135% of the fixed remuneration for the CEO and between a minimum of 0% and a maximum of 120% of the fixed remuneration for the CFO/COO.

(75%) of the LTI is linked to Tessenderlo Group's EBIT, measured over a cumulative period of the three precedent calendar years.

(25%) of the LTI is linked to "Sustainable Performance Measures", determined for each individual business unit and measured against three indicators: "Safety, Innovation and Environment" and split into Fundamental Measures (12.50%) and Improvement Measures (12.50%).

New Long Term Incentive (LTI) Plan

A new long-term incentive plan for key personnel was approved by the Board of Directors on March 12, 2019. The intention of the LTI Plan is to create an incentive for senior management (including ExCom members) to further drive increased shareholder value and the sustainable growth of the company. This LTI plan covers a 3 year period (calendar years 2019-2021), with pay out in April 2022, based on pre-set performance metrics of the Tessenderlo Group.

The long term variable compensation for the current ExCom members varies between a minimum of 0% and a maximum of 135% of the fixed remuneration for the CEO and between a minimum of 0% and a maximum of 120% of the fixed remuneration for the CFO/COO.

85% of the LTI is linked to Tessenderlo Group's Adjusted EBITDA, measured over the calendar years 2019, 2020 & 2021.

15% of the LTI is linked to Business Unit Safety, determined for each individual Business unit and measured via the Tessenderlo Group Lost Time Accident or "LTA" Frequency rate long term trend line.

III. Other compensation items

The benefits paid to the ExCom members include participation in the extra- legal pension plan from the defined contribution type, a hospitalization insurance, eco-cheques & representation allowance – all under the same conditions applicable to other members of senior management

The ExCom members also benefit from certain other benefits such as a car allowance.

Remuneration earned in 2018

Each year, the Nomination and Remuneration Committee evaluates the appropriate compensation of the ExCom. These recommendations result from objective third party market studies, to ensure the competitiveness of the compensation packages and to stay in line with market movements.

Tessenderlo Group benchmarks the ExCom's compensation against a peer group of companies of similar size with the same type of activities of Tessenderlo Group. The actual compensation level for each individual member is set according to the benchmark and takes into account the member's performance and experience in relation to the benchmark.

Compensation of the COO-CFO is reviewed on an annual basis by the Nomination and Remuneration Committee on the recommendation of the CEO, while compensation of the CEO is reviewed by the Nomination and Remuneration Committee on the recommendation of the Chairman of the Board of Directors.

Annual gross compensation earned by the ExCom[1] in 2018 is detailed below:

Component	Amount CEO	Amount COO-CFO
Fixed compensation (excluding Director fees)[2/5]	615,600 EUR	615,600 EUR
Variable compensation Short Term[2/6]	380,743 EUR	406,382 EUR
Variable compensation[2/6/7]	410,627 EUR	365,002 EUR
Pension[3]	71,547 EUR	0 EUR
Other benefits[4]	44,912 EUR	26,103 EUR
TOTAL (cost to the company)	**1,523,430 EUR**	**1,413,087 EUR**

1 The ExCom is composed of the CEO (Luc Tack) and one executive Director (the COO-CFO), Stefaan Haspeslagh/Findar BVBA, represented by Stefaan Haspeslagh.
2 Excluding social security contributions.
3 Pension Plan: annual service cost for 2018, as calculated by an actuary.
4 Other benefits include coverage for death, disability, work accident insurance, taxes (4.40%), meal vouchers, company car - all under the same conditions applicable to other members of senior management and the ruling approved by the Belgian tax authorities for representation allowance.
5 Exchange rate used: 1.00 EUR = 1.20 USD (for all conversions related to the US package).
6 Short term incentive realization as determined by Nomination and Remuneration Committee of March 12, 2019.
7 Long term incentive realization over the year 2016-2017-2018

Agreements on severance pay

The management agreement with the COO-CFO provides for a notice period of maximum 12 months.

The management agreement with the CEO does not provide for a notice period. The CEO will therefore not be entitled to termination protection.

MAIN FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK

Internal control framework

Responsibilities

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

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

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

The Internal Audit & Control department assists the Business Units and the Tessenderlo Group Headquarters functions in the implementation and assessment of the effectiveness of the Internal Control System in their organization.

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

Scope of the Internal Control Framework

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

Internal Control monitoring

The Audit Committee is in charge of monitoring the effectiveness of the internal control systems. This includes the supervision of the Internal Audit department about compliance monitoring.

The Head of Internal Audit & Control is invited to the Audit Committee meetings. He informs the Audit Committee of the planning and the results of the internal audits and the proper implementation of the recommendations. A rating is used to indicate the severity of audit recommendations as well as to give an overall appreciation of the audited entity or process.

The Internal Audit & Control department conducts a risk based compliance audit program with the objective to validate the internal control effectiveness in the various processes at entity and group level. The ultimate goal of these reviews is to provide reasonable assurance on the reliability of the financial reporting.

Preparation and Processing of Financial and Accounting Information

A centralized controlling and reporting department coordinates and controls the financial and accounting information.

Each Business Unit has a controlling department responsible for monitoring the performance of the operational units.

The Financial and Accounting Information System is based on consolidation software that allows the group to produce the required information.

Compliance

The Internal Audit & Control department is responsible for compliance testing of both the Internal Control Framework and the key control procedures on the preparation and processing of financial and accounting information and monitors compliance with internal policies and procedures as well as external laws and regulations.

Enterprise Risk Management (ERM) System

Risks are an essential and inherent aspect of conducting business. The group has developed some policies and procedures with the aim of managing and reducing risks to an acceptable level.

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

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

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

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

POLICY ON INSIDE INFORMATION AND MARKET MANIPULATION

The Company has issued a Dealing Code including a set of rules regulating the declaration and conduct obligations regarding transactions in shares or other financial instruments of the Company carried out by Directors, ExCom members and other designated persons for their own account. Such Dealing Code is included in Exhibit I. of the Charter.

According to the Market Abuse Regulation, the Company has to take all reasonable steps to ensure that any person on its insider list acknowledges in writing the obligations and its awareness of the sanctions applicable to insider trading and the unlawful disclosure of inside information.

A recent Belgian law (of 31 July 2017, with effect as of 21 August 2017) has changed the applicable sanctions. The maximum prison sentences that are possible have significantly increased:

- Abuse of inside info: 4 years (was 1 year)
- Market manipulation: 4 years (was 2 years)
- Unlawful disclosure of inside info: 2 years (was 1 year)

In accordance with the Dealing Code, the Board of Directors has appointed a Compliance Officer. The Compliance Officer is responsible for supervising compliance with the Dealing Code. He/she is also the point of contact for questions about the application of the Dealing Code. Mr. John Van Essche, Legal Counsel, holds the title of Compliance Officer.

EXTERNAL AUDIT

PwC Bedrijfsrevisoren cvba (PwC), represented by Mr. Peter Van den Eynde, was re-appointed as group statutory auditor by the shareholders meeting of the company on June 7, 2016.

The fees paid by the group to its auditor amounted to:

	2018			
(Million EUR)	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	-	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
Total	**0.8**	**-**	**0.1**	**0.9**

	2017			
(Million EUR)	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	-	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
Total	**0.8**	**-**	**0.1**	**0.9**

SUBSEQUENT EVENTS

In January 2019, Performance Chemicals lifted the force majeure on the sodium hydroxide (NaOH) production in the production plant in Loos (France), which was declared in September 2018 due to unforeseen technical issues.

APPLICATION OF ART. 523 OF THE COMPANIES CODE

Meeting of the Board of Directors dated March 12, 2018

[…]

Prior to deliberating and adopting the resolution on the remuneration of Mr. Luc Tack and Mr. Stefaan Haspeslagh, both members of the Executive Committee indicate that they have a conflict of interest regarding the decisions to be taken in compliance with article 523 of the Belgian Code of Companies. It concerns the determination of the short term incentive over 2017 as well as the remuneration package over 2018.

Both Mr. Luc Tack and Mr. Stefaan Haspeslagh declare that they will inform the company auditors of this conflict of interest of proprietary nature and they leave the meeting for this specific agenda item.

The Chairman of the Nomination and Remuneration Committee takes the floor and proposes for the members of the Executive Committee as mentioned above :

- *To fix the short term incentive pay out at EUR 345,728.00 each;*
- *To increase the fixed component of the remuneration packages with 2.60%, effective January 1, 2018.*

More details on the packages are attached to the minutes of the Nomination and Remuneration Committee.

The above proposals are approved by unanimous consent by all the directors present.

Mr. Luc Tack and Mr. Stefaan Haspeslagh re-enter the meeting room.

[…]”

In 2018 , no circumstances triggered the application of article 524 of the Companies Code.

INFORMATION REQUIRED BY ART. 34 OF THE ROYAL DECREE OF NOVEMBER 14, 2007

The share capital of the Company is represented by ordinary shares.

The extraordinary shareholders’ meeting of 6 June 2017 decided to authorize the board of directors, for a period of 5 years from the publication of the authorization in the Annex to the Belgian State Gazette, to increase the share capital, in one or more times, up to an amount of EUR 43.160.095 (forty three million one hundred and sixty thousand ninety-five euros), in accordance with the provisions set out in the Belgian Companies Code and the articles of association of the company. The board of directors is allowed to use the authorized capital to take protective measures for the company through capital increases, with or without limitation or withdrawal of preferential rights, even outside the context of a possible public takeover bid, to the extent that the company has not yet received a notification of the FSMA with respect to a public takeover bid on its securities.

Without prejudice to the possibility to realize the commitments that were validly entered into before receipt of the notification of the FSMA pursuant to article 607 paragraph 2, 1° of the Belgian Companies Code, the board of directors is authorized, for a period of 3 years form the authorization by the extraordinary general meeting of 6 June 2017, to proceed to a capital increase within the framework of authorized capital, with or without limitation or withdrawal of preferential rights as the case may be in favor of one or more persons, following receipt of a notification of the FSMA with respect to a public takeover bid on the company’s securities, in accordance with the conditions set out in article 607, paragraph 2, 2° of the Belgian Companies Code and the articles of association of the company.

The board of directors is also authorized, with right of substitution, to amend the company's articles of association in accordance with the capital increase that was decided within the scope of the authorized capital.

Each share entitles the holder to one vote. The articles of association of the Company do not contain any restriction on the transfer of the shares. Please also refer to the sections above on Shareholder structure.

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

The rules with respect to the appointment and resignation of Directors and amendments to the articles of association of the Company as set forth in the articles of association of the Company do not deviate from the applicable rules set forth in the Companies Code.

The company may, in accordance with the conditions set by law, acquire its own shares, profit-sharing certificates, or certificates relating thereto, by way of a purchase or an exchange, directly or through the intermediary of a person acting in its own name but for the account of the company, following a decision of the shareholders' meeting taken in accordance with the applicable requirements on quorum and majority. Such decision in particular determines the maximum number of shares, profit-sharing certificates or certificates relating thereto that can be acquired, the term for which the authorization is granted and which may not exceed five years, as well as the minimum and maximum value of the compensation.

Pursuant to the decision of the extraordinary general meeting of 6 June 2017, the board of directors is authorized, for a period of 5 years from the publication of the authorization in the Annex of the Belgian Official Gazette, to repurchase, in accordance with the conditions set by law, the company's shares, profit-sharing certificates or certificates relating thereto for the account of the company of which the accounting par value, including the securities previously acquired by the company and held by it, is not higher than 10% (ten per cent) of the issued capital and at a price ranging between minimum 20% (twenty per cent) below the average of the closing price of the company's share during the last 30 trading days preceding the board's resolution to acquire such securities and maximum 20% (twenty per cent) above the average of the closing price of the company's share during the last 30 trading days preceding the board's resolution to acquire such securities, it being understood that the price will never be lower than EUR 15 (fifteen euro) or exceed EUR 50 (fifty euro).

The board of directors is explicitly authorized to transfer the acquired securities that are listed, on or outside the stock exchange, without the need for a prior consent or other intervention by the general meeting, in accordance with article 622 §2, second paragraph, 1° of the Belgian Companies Code.
The aforementioned provisions equally apply to the acquisition or transfer of the company's securities by the company's directly controlled subsidiaries or through the intermediary of a person acting in its own name but for the account of these subsidiaries, in accordance with article 627 of the Belgian Companies Code.

Tessenderlo Group nv is a party to the following contracts which become effective, undergo changes or terminate in case of a change of control over Tessenderlo Group nv after a public takeover bid:

- the bilateral revolving facilities agreements entered into on December 23, 2015, for a total amount of 142.5 million EUR with the Company and Tessenderlo USA Inc. as borrowers and KBC Bank NV, ING NV, Belfius Bank NV and BNP Paribas Fortis NV as lenders: according to the terms of these agreements, a "change of control" over Tessenderlo Group nv will entitle each lender to ask for termination of the bilateral facility agreement. For purposes of the change of control clause described above, a "change of control" shall occur if a third party (i.e. any party other than Verbrugge nv or any person acting in concert with Verbrugge nv) acquires 30% or more of the voting rights of the Company (unless Verbrugge nv (alone or together with or any person acting in concert) holds more voting rights than such third party);

- the prospectus dated June 15, 2015, of Tessenderlo Group nv regarding the issue of and public offer of two series of bonds with a maturity of 7 years (the "2022 Bonds") and 10 years (the "2025 Bonds", and together with the 2022 Bonds, the "Bonds") for an expected minimum amount of 75.0 million EUR for the 2022 Bonds and an expected minimum amount of 25.0 million EUR for the 2025 Bonds and for a combined maximum amount of 250 million EUR: according to the terms and conditions of these Bonds, the Bonds will be redeemable at the option of the bondholders prior to maturity in the case of a change of control. Only the Bonds held by the bondholders who submit put option notices shall be immediately due and repayable in case of a change of control, with exception of all other bonds. If bondholders submit put option notices in respect of at least 85 percent of the aggregate nominal amount of the outstanding 2022 bonds, all (but not some only) of the 2022 bonds may be redeemed at the option of the Company prior to maturity. If bondholders submit put option notices for at least 85 percent of the aggregate nominal amount of the outstanding 2025 Bonds, all (but not some only) of the 2025 Bonds may be redeemed at the option of the issuer prior to maturity. A "change of control" shall occur if a third party (i.e. any party other than Verbrugge nv or any person acting in concert with Verbrugge nv) acquires 30% or more of the voting rights of the Company (unless Verbrugge nv (alone or together with or any person acting in concert) holds more voting rights than such third party);

- terms and conditions of the 2012 Plan of Tessenderlo Group 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 Group 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 the existing shareholders. As of December 31, 2018, 8,000 warrants were outstanding. The clauses described above have been approved by the General Shareholders' Meeting of Tessenderlo Group nv and a copy of the resolutions has been filed promptly thereafter at the register of the court of commerce.

- the purchase and supply agreement between the Company and Fujifilm Manufacturing Europe B.V. and Fujifilm Manufacturing USA provides in its clause 17.3 (2) that the agreement can be terminated with immediate effect if a third party competing with Fujifilm acquires a stake in the Company. The clause described hereabove has been approved by the General Shareholders' Meeting of Tessenderlo Group NV and a copy of the resolution has been filed promptly thereafter at the register of the court of commerce.

DIVIDEND POLICY

Tessenderlo Group nv has not declared or paid dividends for the financial year ending on December 31, 2018. The Company's dividend policy may be amended from time to time, and each dividend distribution remains subject to the Company's earnings, financial condition, share capital requirements and other important factors subject to proposal and approval by the competent corporate body of the Company and subject to the availability of distributable reserves as required by the Companies Code and the Articles of Association. Any distributable reserves of the Company have to be computed in respect of its statutory balance sheet prepared in accordance with Belgian GAAP, which may differ from the consolidated financial statements in IFRS reported by the Company.

INFORMATION REQUIRED BY ART. 96, §2, 2° COMPANIES CODE

Provision 4.7 of the Corporate Governance Code

The current Chairman of the Company was previously appointed as an executive Director. The Company has carefully considered the positive and negative aspects in favor of such a decision and has concluded that such appointment is in the best interest of the Company given his extensive experience, expertise, in-depth knowledge and proven track-record in relevant business environments. The Board of Directors furthermore clarifies that Exhibit H of the Corporate Governance Charter provides additional conflict of interest procedures in case any material transaction is being considered by the Company with a company in which Directors are also a Director or executive.

Provision 4.13 of the Corporate Governance Code

Currently, no formal evaluation procedure exists regarding 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 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 has based itself on 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.

Brussels – March 12, 2019
On behalf of the Board of Directors

Luc Tack Director and CEO	Stefaan Haspeslagh Chairman of the Board of Directors

FINANCIAL REPORT 2018

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(Million EUR)	note	For the year ended December 31 2018	2017
Revenue	3	1,620.9	1,657.3
Cost of sales		-1,235.5	-1,251.1
Gross profit		**385.5**	**406.2**
Distribution expenses		-105.1	-102.9
Sales and marketing expenses		-61.7	-62.6
Administrative expenses		-104.8	-111.9
Other operating income and expenses	5	-15.3	-12.4
Adjusted EBIT[10]	**3**	**98.5**	**116.3**
EBIT adjusting items	6	11.6	-5.0
EBIT (Profit (+) / loss (-) from operations)		**110.1**	**111.3**
Finance costs	9	-21.7	-78.3
Finance income	9	24.2	6.9
Finance (costs) / income - net	**9**	**2.5**	**-71.4**
Share of result of equity accounted investees, net of income tax		3.7	4.0
Profit (+) / loss (-) before tax		**116.3**	**44.0**
Income tax expense	10	-24.3	-18.1
Profit (+) / loss (-) for the period		**92.1**	**25.8**
Attributable to:			
- Equity holders of the company		**91.7**	**25.6**
- Non-controlling interest		**0.3**	**0.2**
Basic earnings per share (EUR)	20	2.13	0.59
Diluted earnings per share (EUR)	20	2.13	0.59

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

[10] Adjusted EBIT is considered by the group to be a relevant performance measure in order to compare results over the period 2017-2018, as it excludes adjusting items from the EBIT (Earnings before interests and taxes). EBIT adjusting items principally relate to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Million EUR)	note	For the year ended December 31	
		2018	**2017**
Profit (+) / loss (-) for the period		**92.1**	**25.8**
Translation differences		-1.7	-7.4
Net change in fair value of derivative financial instruments, before tax	26	8.1	2.1
Other movements		0.0	0.4
Income tax on other comprehensive income		-2.3	-1.3
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**4.1**	**-6.2**
Remeasurements of the net defined benefit liability, before tax	23	1.4	9.2
Income tax on other comprehensive income		-0.1	2.3
Other comprehensive income not being classified to profit or loss in subsequent periods		**1.3**	**11.4**
Other comprehensive income, net of income tax		**5.4**	**5.3**
Total comprehensive income		**97.5**	**31.1**
Attributable to:			
- Equity holders of the company		97.0	30.7
- Non-controlling interest		0.5	0.4

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

The net change in fair value of derivative financial instruments before tax can be explained by the group's part in the change in fair value of the interest rate swaps of the joint-venture Jupiter Sulphur LLC, the associate T-Power nv (till October 2, 2018) and the subsidiary T-Power nv (since October 2, 2018) (note 26 - Financial instruments). As a result of the T-Power nv step acquisition, the group recycled the change in fair value of derivative financial instruments, previously recognized in other comprehensive income for -7.6 million EUR, to the income statement for +7.6 million EUR (note 6 - EBIT adjusting items). The tax effect on this net change is included in "Income tax on other comprehensive income".

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Million EUR)	note	For the year ended December 31 2018	2017
Assets			
Total non-current assets		**1,083.0**	**650.6**
Property, plant and equipment	11	789.2	503.3
Goodwill	12	35.0	33.8
Other intangible assets	13	190.2	30.6
Investments accounted for using the equity method	14	18.5	29.1
Other investments	14	11.1	10.0
Deferred tax assets	15	24.6	31.7
Trade and other receivables	16	14.4	12.1
Total current assets		**754.6**	**761.1**
Inventories	17	303.0	279.1
Trade and other receivables	16	286.6	286.5
Derivative financial instruments	26	0.9	0.0
Cash and cash equivalents	18/22	164.1	195.5
Total assets		**1,837.6**	**1,411.7**
Equity and Liabilities			
Equity			
Equity attributable to equity holders of the company		**735.0**	**637.7**
Issued capital		216.2	216.1
Share premium		237.9	237.6
Reserves and retained earnings		281.0	184.0
Non-controlling interest		**2.2**	**1.7**
Total equity		**737.2**	**639.5**
Liabilities			
Total non-current liabilities		**773.1**	**464.5**
Loans and borrowings	22	464.0	224.7
Employee benefits	23	57.9	55.7
Provisions	24	128.8	132.4
Trade and other payables	25	2.6	6.4
Derivative financial instruments	26	40.8	11.2
Deferred tax liabilities	15	79.1	34.1
Total current liabilities		**327.3**	**307.7**
Bank overdrafts	18/22	0.1	0.1
Loans and borrowings	22	48.0	29.3
Trade and other payables	25	247.1	255.2
Derivative financial instruments	26	13.6	6.1
Current tax liabilities		1.1	1.3
Employee benefits	23	1.3	1.5
Provisions	24	16.0	14.1
Total liabilities		**1,100.4**	**772.2**
Total equity and liabilities		**1,837.6**	**1,411.7**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Million EUR)	note	Issued capital	Share premium	Legal reserves	Translation reserves	Hedging reserves	Retained earnings	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at January 1, 2018		**216.1**	**237.6**	**21.6**	**-84.4**	**-6.0**	**252.9**	**637.7**	**1.7**	**639.5**
Profit (+) / loss (-) for the period		-	-	-	-	-	91.7	91.7	0.3	92.1
Other comprehensive income										
- Translation differences		-	-	-	-1.8	-	-	-1.8	0.1	-1.7
- Remeasurements of the net defined benefit liability, net of tax		-	-	-	-	-	1.3	1.3	-	1.3
- Net change in fair value of derivative financial instruments, net of tax		-	-	-	-	5.8	-	5.8	-	5.8
- Other movements		-	-	-	-	-	-	0.0	0.0	0.0
Comprehensive income, net of income taxes		**0.0**	**0.0**	**0.0**	**-1.8**	**5.8**	**93.0**	**97.0**	**0.5**	**97.5**
Transactions with owners, recorded directly in equity										
- Shares issued	19	0.1	0.2	-	-	-	-	0.3	-	0.3
Total contributions by and distributions to owners		**0.1**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.0**	**0.3**
Balance at December 31, 2018		**216.2**	**237.9**	**21.6**	**-86.2**	**-0.2**	**345.9**	**735.0**	**2.2**	**737.2**

(Million EUR)	note	Issued capital	Share premium	Legal reserves	Translation reserves	Hedging reserves	Retained earnings	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at January 1, 2017		**215.8**	**235.6**	**18.4**	**-77.2**	**-6.8**	**219.0**	**604.7**	**1.3**	**605.9**
Profit (+) / loss (-) for the period		-	-	-	-	-	25.6	25.6	0.2	25.8
Other comprehensive income										
- Translation differences		-	-	-	-7.2	-	-	-7.2	-0.2	-7.4
- Remeasurements of the net defined benefit liability, net of tax		-	-	-	-	-	11.4	11.4	-	11.4
- Net change in fair value of derivative financial instruments, net of tax		-	-	-	-	0.8	-	0.8	-	0.8
- Other movements		-	-	-	-	-	-	0.0	0.4	0.4
Comprehensive income, net of income taxes		**0.0**	**0.0**	**0.0**	**-7.2**	**0.8**	**37.1**	**30.7**	**0.4**	**31.1**
Transactions with owners, recorded directly in equity										
- Shares issued		0.3	2.1	-	-	-	-	2.4	-	2.4
Total contributions by and distributions to owners		**0.3**	**2.1**	**0.0**	**0.0**	**0.0**	**0.0**	**2.4**	**0.0**	**2.4**
Other movements		-	-	3.2	-	-	-3.2	0.0	-	0.0
Balance at December 31, 2017		**216.1**	**237.6**	**21.6**	**-84.4**	**-6.0**	**252.9**	**637.7**	**1.7**	**639.5**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(Million EUR)	note	For the year ended December 31 2018	2017
Operating activities			
Profit (+) / loss (-) for the period		92.1	25.8
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	8	79.3	72.3
Changes in provisions		-1.8	-2.5
Finance costs	9	21.7	78.3
Finance income	9	-24.2	-6.9
Loss / (profit) on sale of non-current assets		-0.4	-2.7
Share of result of equity accounted investees, net of income tax		-3.7	-4.0
Income tax expense	10	24.3	18.1
Other non-cash items		-1.5	-1.3
Changes in inventories		-24.4	12.8
Changes in trade and other receivables		-6.6	-25.4
Changes in trade and other payables		-15.2	44.2
Change in accounting estimates - inventory write off	3/17	1.4	-1.0
Revaluation electricity forward contracts		-2.6	-0.9
Impact step-up acquisition T-Power nv		-12.1	-
Cash generated from operations		**126.0**	**206.9**
Income tax (paid)/received		-21.7	-23.8
Dividends received	30	3.3	1.1
Cash flow from operating activities		**107.6**	**184.2**
Investing activities			
Acquisition of property, plant and equipment	11	-82.3	-89.2
Acquisition of other intangible assets	13	-1.0	-1.1
Acquisition of investments, net of cash acquired	4	-50.5	-
Proceeds from the sale of property, plant and equipment		10.2	10.0
Cash flow from investing activities		**-123.7**	**-80.3**
Financing activities			
Increase of issued capital - conversion of warrants	19	0.3	2.4
Proceeds from new borrowings		11.5	0.3
(Reimbursement) of borrowings		-16.4	-2.1
Interest paid		-13.7	-6.9
Interest received		2.2	1.2
Other finance costs paid		-1.2	-1.4
(Increase) of long term receivables		-0.8	-8.5
Cash flow from financing activities		**-18.2**	**-14.9**
Net increase / (decrease) in cash and cash equivalents		**-34.3**	**89.0**
Effect of exchange rate differences		2.9	-12.8
Cash and cash eq. less bank overdrafts at the beginning of the period	18/22	195.3	119.2
Cash and cash eq. less bank overdrafts at the end of the period	18/22	164.0	195.3

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

The 2017 changes in inventories, trade and other receivables and trade and other payables were impacted by the high 2016 trade working capital, which normalized in 2017. The increase of the 2018 trade working capital is mainly explained by an increase of inventories (a combination of higher volumes and increased raw material prices, mainly within the Agro and Bio-valorization operating segments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tessenderlo Group nv (hereafter referred to as the "company"), the parent company, is domiciled in Belgium. The consolidated financial statements for the year ended December 31, 2018 comprise the company and its subsidiaries (together referred to as the "group") and the group's interests in associates and jointly controlled entities.

The IFRS financial statements were authorized for issue by the Board of Directors of Tessenderlo Group nv on Tuesday March 12, 2019.

(A) Statement of compliance

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

(B) Basis of preparation

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

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

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

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

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34 - Critical accounting estimates and judgments.

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

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

(C) Principles of consolidation

Subsidiaries are entities controlled by the group. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If the group no longer has control over a subsidiary all assets and liabilities of the subsidiary, any non-controlling interests and other equity components with regard to the subsidiary are derecognized. The gains or losses arising on the loss of control are recognized in the income statement.

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

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

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

Investments in associates are included in the consolidated financial statements using the equity method. The investments in associates are those in which the group has significant influence over the financial and operating policies, but which it does not control. In general, it is the case when the group holds between 20% and 50% of the voting rights. The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint-ventures depending on the contractual rights and obligations of each investor. All joint arrangements are determined to be joint-ventures, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The equity method is used as from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations in respect of the associate.

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

(D) Foreign currency

Foreign currency transactions

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

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

Foreign currency translation

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

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

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

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

Exchange rates

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

	Closing rate		Average rate	
1 EUR equals:	2018	2017	2018	2017
Argentine peso	43.1452	22.3054	32.9322	18.7418
Brazilian real	4.4440	3.9729	4.3085	3.6054
Chinese yuan	7.8751	7.8044	7.8081	7.6290
Czech crown	25.7240	25.5350	25.6470	26.3258
Hungarian forint	320.9800	310.3300	318.8897	309.1933
Polish zloty	4.3014	4.1770	4.2615	4.2570
Pound sterling	0.8945	0.8872	0.8847	0.8767
US dollar	1.1450	1.1993	1.1810	1.1297

(E) Other intangible assets

Research and development

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

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

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

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

Borrowing costs

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

Emission allowances

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

The fair value of forward purchase and sale contracts of emission allowance certificates is based on quoted market prices for futures of EU allowances (EUAs) and Certified Emission Reductions (CERs)[11].

Other intangible assets

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

Subsequent expenditure

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

[11] *The group did not have any such contracts during 2017 and 2018.*

Amortization

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

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

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

Useful lives and residual values, if significant, are re-assessed annually and adjusted if appropriate.

(F) Goodwill

Business combination

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

The group measures goodwill at the acquisition date as:

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

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

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

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

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

Subsequent measurement of goodwill

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

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

(G) Property, plant and equipment

Owned assets

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

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

Subsequent expenditure

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

Depreciation

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

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

Land infrastructure[12]	10 to 20 years
Buildings	20 to 40 years
Building improvements	10 to 20 years
Plant installations	6 to 20 years
Machinery and equipment	5 to 15 years
Furniture and office equipment	4 to 10 years
Extrusion and tooling equipment	3 to 7 years
Laboratory and research – infrastructure	3 to 5 years
Vehicles	4 to 10 years
Computer equipment	3 to 5 years

Land is not depreciated as it is deemed to have an indefinite life.
Useful lives and residual values, if significant, are re-assessed annually and adjusted if appropriate.

[12] *Land infrastructure mainly includes access roads, fencing and lighting*

Government grants

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

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

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

(H) Leased assets

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

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

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

(I) Other investments

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

Investments in equity securities

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

Other investments

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

(J) Impairment

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

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

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

Calculation of recoverable amount

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

If an impairment is a consequence of classifying the assets as non-current assets classified as held for sale, then management's best estimate is used as a basis for the determination of the fair value of the assets (also based on knowledge of previous transactions with similar assets).

Reversal of impairment

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

An impairment loss in respect of goodwill cannot be reversed.

Financial assets

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

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

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

(K) Inventories

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

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

(L) Trade and other receivables

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

(M) Cash and cash equivalents

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

(N) Issued capital

Ordinary shares

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

Dividends

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

(O) Financial liabilities

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

(P) Provisions

Provisions are recognized in the balance sheet when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is presented as a component of finance costs.

Restructuring

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

Environmental obligations and dismantlement obligations

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

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Such provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognizes an impairment loss on the assets associated with that contract.

(Q) Employee benefits

Post-employment benefits

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

- Defined contribution plans:

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

- Defined benefit plans:

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

For defined benefit plans, the pension accounting costs are assessed separately for each plan using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement in order to spread the regular cost over the service lives of employees in accordance with the advice of qualified independent actuaries who carry out annually a full valuation of the plans.

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

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

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

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

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

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

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

Share-based payment plans[13]

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

[13] The last allocation of warrants to senior management took place in January 2013.

Short-term benefits

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

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

(R) Income tax

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

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

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

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

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

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

(S) Trade and other payables

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

(T) Income

Revenue

The five-step model to account for revenue arising from contracts with customers is used. Revenue is recognized at an amount that reflects the consideration to which the group expects to be entitled in exchange for transferring goods or services to a customer.

(1) Sale of goods

The majority of the group's revenue consists of the sale of goods. Products are generally sold directly or through distributors to the customers. Revenue is recognized based on the transfer of control of ownership. The point of recognition is dependent on the contract sales terms, known as the International Commercial terms (Incoterms). The timing of the revenue recognition is not significantly different from the transfer from risk and rewards. The sale of goods qualifies as a separate performance obligation, while the transportation of goods is not qualified as a distinct service. The related costs of transportation are incurred as part of the performance obligation to transfer goods to the customer.

(2) Rendering of services

The amount of revenue from services is not presented separately in the income statement because it represents currently an insignificant portion of total revenue for the group.
The sale of services qualifies as a separate performance obligation, where revenue is recognized over time. Revenue is recognized when a customer obtains control of the services, which can be at a point in time or over time. For each performance obligation satisfied over time, revenue is recognized by measuring the progress towards complete satisfaction of that performance obligation at the end of each reporting period.

(3) Projects

For revenue out of projects, the percentage of completion method is used, provided that the outcome of the project can be assessed with reasonable certainty. These projects generally have a lifetime of less than one year.

Customer contracts might include trade discounts or volume rebates, which are granted to the customer if the delivered quantities exceed a certain threshold. In these cases, the transaction price includes a variable consideration. The effect of the variable consideration on the transaction price is taken into account in revenue recognition by estimating the probability of the realization of the discount or rebate for each contract.

Customer contracts might contain consignment arrangements. The products are shipped and stored in owned or rented tanks at the customer's premises. The revenue is only recognized at the moment the product is actually withdrawn by the customer. The sales price will be the applicable market price at that moment.

Finance income

Finance income comprises interest receivable on funds invested, dividend income, foreign exchange gains and gains on derivative financial instruments.
Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset.

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

(U) Expenses

Finance costs

Finance costs comprise interest payable on loans and borrowings, unwinding of the discount on provisions, foreign exchange losses and losses on derivative financial instruments.
Interest expense is recognized in the income statement as it accrues, taking into account the effective interest rate.
The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

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

(V) Derivative financial instruments

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

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

Cash flow hedges

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

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

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

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

(W) Earnings per share

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

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

(X) Segment reporting

Operating segments are components of the group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. Discrete financial information is available and evaluated regularly by the Executive Committee in deciding how to allocate resources and in assessing performance. The Executive Committee has been identified as the chief operating decision maker.

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

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

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

(Y) Changes in accounting policy and disclosures

The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning January 1, 2018 and have been endorsed by the European Union. These did not have a significant impact on the financial statements of the group:

- IFRS 9 *Financial instruments* determines the recognition and measurement requirements of financial assets and financial liabilities. IFRS 9 replaces the IFRS standard IAS 39 *Financial Instruments: recognition and measurement*. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The group has adopted IFRS 9 at the date of initial application (January 1, 2018), except for hedge accounting where the group chose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39. The application of IFRS 9 did not have a significant impact on the group's statement of financial position and equity. IFRS 9 introduces an impairment model that is based on expected credit losses and no longer incurred credit losses. Due to the group's existing credit policy procedures and payment terms with its customers, the application of IFRS 9's impairment requirements at January 1, 2018 did not result in any additional impairment allowance. The information presented for 2017 has not been restated and is presented under IAS 39 *Financial Instruments: recognition and measurement*.

- IFRS 15 (and amendments) *Revenue from contracts with customers.* IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The adoption of IFRS 15 did not have a significant influence on the timing and amount of revenue recognition of the group. The group adopted the new standard on the required effective date using the modified retrospective method. Under this method, IFRS 15 is only applied to contracts that are not completed as of the date of initial application (January 1, 2018). The comparative figures of 2017 are not restated and there is no significant impact on the opening balance of retained earnings of 2018.
- Amendments to IFRS 4 Applying IFRS 9 *Financial Instruments with IFRS 4 Insurance Contracts*
- IFRIC 22 *Foreign currency transactions and advance consideration*
- *Annual improvements 2014-2016* applicable to three standards of which changes on IFRS 1 and IAS 28 are applicable as of January 1, 2018 and changes on IFRS 12 are applicable as of January 1, 2017.
- Amendments to IFRS 2 *Share-based payments*
- Amendments to IAS 40 *Investment property relating to transfers of investment property*

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning January 1, 2018 and have been endorsed by the European Union:

- IFRS 16 *Leases* will replace the current standards IAS 17 Leases and IFRIC 4 *Determining whether an arrangement contains a lease*. IFRS 16 introduces a single lease accounting model for lessees, resulting in the recognition of a right-of-use asset and a lease liability. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard, which classifies leases into finance and operating leases. The group has executed a detailed assessment of the existing lease agreements during 2018. The current application of IAS 17 Leases results in the recognition of a significant number of operating lease agreements. The non-cancellable operating lease amounts to 77.6 million EUR (note 27 - Operating leases). Of these commitments, short-term leases and low value leases will be excluded, as well as lease agreements which do not meet the IFRS 16 lease definition requirements. For the remaining lease commitments the group expects to recognize right-of-use assets and lease liabilities of around 70 million EUR on January 1, 2019. It is expected that the profit (+)/loss (-) for the period will not be impacted in a significant way when adopting IFRS 16. The Adjusted EBITDA of the group, used to measure segment results, is expected to increase by around 20 million EUR, as the operating lease payments were previously deducted from the Adjusted EBITDA, while the amortization of the right-of-use assets and interest on the lease liabilities will be excluded. As the reimbursement of the lease liabilities will be classified as cash flow from financing activities, it is expected that the cashflow from operating activities will increase by around 20 million EUR. The main leases consist of land and buildings, mainly sales branches within Industrial Solutions and the Brussels headquarters offices, a large number of trucks and railcars, mainly within Agro and Bio-valorization, as well as company cars. The group's activities as lessor are not material and therefore the group expects the impact on the financial statements not to be significant. The group plans to adopt IFRS 16 on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of the initial IFRS 16 application will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information. The group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. The group plans also to apply the recognition exemptions for short term leases and low-value items. For the majority of the operating leases, the group will measure the right-of-use asset at its carrying amount since the start date of the lease, but discounted at the incremental borrowing rate as per January 1, 2019. For leases, with similar characteristics, a single discount rate will be applied. The amount of initial direct costs, which is not significant, will be excluded from the measurement of the right-of-use asset.

- Amendments to IFRS 9, ‘Prepayment features with negative compensation’ (effective January 1, 2019). The group has not applied this amended standard in preparing the 2018 consolidated financial statements. The group however does not expect that this amendment will have a significant impact on the financial statements of the group.
- IFRIC 23 *Uncertainty over income tax treatments* (effective January 1, 2019). The group has not applied this interpretation in preparing the 2018 consolidated financial statements. The group however does not expect that this interpretation will have a significant impact on the financial statements of the group.

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning January 1, 2018 and have not been endorsed by the European Union:

- IFRS 17 *Insurance contracts* (effective January 1, 2021)
- Amendments to IAS 28 *Long term interests in associates and joint ventures* (effective January 1, 2019)
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (effective January 1, 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective January 1, 2020)
- Amendments to the guidance of IFRS 3 *Business Combinations*, that revises the definition of a business (effective January 1, 2020)
- Amendments to the definition of material in IAS 1 and IAS 8 (effective January 1, 2020).
- Annual improvements to IFRS Standards 2015-2017 cycle, applicable as of January 1, 2019 and containing amendments to the following IFRSs:

    - IFRS 3 *Business Combinations and IFRS 11 Joint Arrangements*
    - IAS 12 *Income Taxes*
    - IAS 23 *Borrowing Costs*

The group has not applied these new standards or amended standards in preparing the 2018 consolidated financial statements. The group is currently assessing the new rules, and at this stage, is not expecting any of these new rules to have a significant impact on the financial statements of the group.

The following standard is mandatory since the financial year beginning January 1, 2016 (however not yet subjected to EU endorsement). The European Commission has decided not to launch the endorsement process of this interim standard but to wait for the final standard:
- IFRS 14 *Regulatory deferral accounts*

This new standard is only applicable to first time adopters and therefore had no impact on the financial statements of the group.

2. DETERMINATION OF FAIR VALUES

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in note 11 - Property, plant and equipment, note 12 - Goodwill and note 26 - Financial instruments.

Property, plant and equipment

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

Other intangible assets

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets and on valuation studies performed internally.

Derivative financial instruments

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

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

Other financial instruments

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

3. SEGMENT REPORTING

The group has 4 operating segments based on the principal business activities, economic environments and value chains in which they operate, as defined under IFRS 8 Operating Segments, and relate to agriculture, animal by-product valorization, products, systems and solutions for handling, processing and treatment of water including flocculation and depressants. The customers and main markets of these segments are different. The 4 operating segments fulfill the quantitative thresholds and are reported separately. The information provided below is consistent with the information that is available and evaluated regularly by the Chief Operating Decision Maker (the Executive Committee).

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

- "Agro" – includes manufacturing and distribution of fertilizers and crop protection products (including the following businesses: Crop Vitality, Tessenderlo Kerley International and NovaSource).
- "Bio-valorization" – includes collecting and processing of animal by-products; manufacturing and distribution of high quality collagen proteins (gelatin) (including the following businesses: PB Leiner[14] and Akiolis).
- "Industrial Solutions" – includes products, systems and solutions for handling, processing and treatment of water including flocculation and depressants through the production, trading and sale of plastic pipe systems, water treatment chemicals, mining and industrial auxiliaries, the delivery of services for the treatment and disposal of produced and flowback water from oil and gas exploration, as well as the recovery of industrial process fluids. (including the following businesses: DYKA Group[15], Mining and Industrial, Performance Chemicals and MPR/ECS).
- "T-Power" – includes a gas-fired 425 MW power plant in Tessenderlo (Belgium). A tolling agreement was concluded with RWE group for a period of 15 years (until 2026) for the full capacity of the plant, with an optional 5-year extension thereafter.

The engineering and construction activities of the subsidiary Tessenderlo Kerley Services Inc. have been formalized into a new business unit, called S8 Engineering. The new business unit will be part of the Industrial Solutions segment and will focus on design, engineering, procurement and construction projects for internal and external customers in the refining, oil and gas, general chemical, mining and sulfur specialties markets.

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[14] *The business unit Gelatin changed its brand name to PB Leiner as from mid-October 2018.*
[15] *The business Plastic Pipe Systems changed its name to DYKA Group in the first quarter of 2019. DYKA Group is composed of the following three brands: DYKA, JDP and BT Nyloplast.*

The subsidiary has executed a material contract for the joint-venture Jupiter Sulphur LLC, which impacted, the 2017 revenue and Adjusted EBIT/EBITDA in a significant way. The execution of this contract had no significant impact on the 2018 revenue and Adjusted EBIT/EBITDA. The 2018 Adjusted EBIT/EBITDA was mainly negatively impacted by the start-up costs of the new businesses unit. In order to increase the comparability of results, the entire subsidiary's results (for 2018 and 2017) are currently excluded from the Industrial Solutions segment and are presented separately within "Other". No other activities are included in "Other".

The costs included within Adjusted EBIT, related to the corporate activities, are allocated to the different operating segments they support.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The measure of segment profit/loss is Adjusted EBIT, which is consistent with information that is monitored by the chief operating decision maker.

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

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

(Million EUR)	note	Agro		Bio-valorization		Industrial Solutions		T-Power		Other		Non-allocated		Tessenderlo Group	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue (internal and external)		590.4	599.6	496.9	517.0	510.6	495.5	18.8	-	7.6	46.0	-	-	1,624.2	1,658.2
Revenue (internal)		0.6	0.7	-	-	0.1	0.2	-	-	2.5	0.0	-	-	3.2	0.9
Revenue		**589.8**	**598.9**	**496.9**	**517.0**	**510.4**	**495.3**	**18.8**	**-**	**5.1**	**46.0**	**-**	**-**	**1,620.9**	**1,657.3**
Of which:															
- At a point in time		589.8	598.9	496.9	517.0	510.4	495.3	18.8	-	-	-	-	-	1,615.8	1,611.3
- Over time		-	-	-	-	-	-	-	-	5.1	46.0	-	-	5.1	46.0
Adjusted EBIT		**86.3**	**89.9**	**2.4**	**2.2**	**11.2**	**20.0**	**4.3**	**-**	**-5.6**	**4.3**	**-**	**-**	**98.5**	**116.3**
Adjusted EBITDA		**110.2**	**114.4**	**27.5**	**29.1**	**32.0**	**39.8**	**13.5**	**-**	**-5.5**	**4.5**	**-**	**-**	**177.8**	**187.8**
Return on revenue (Adjusted EBITDA/ revenue)		**18.7%**	**19.1%**	**5.5%**	**5.6%**	**6.3%**	**8.0%**	**72.2%**	**-**	**nm**	**9.8%**	**-**	**-**	**11.0%**	**11.3%**
Segment assets		482.2	451.5	385.9	377.8	285.8	278.6	429.5	-	2.1	4.2	32.9	33.4	1,618.4	1,145.5
Derivative financial instruments	26	-	-	-	-	-	-	-	-	-	-	0.9	0.0	0.9	0.0
Investments accounted for using the equity method	14	17.8	15.3	0.7	0.7	-	-	-	-	-	-	-	13.0	18.5	29.1
Other investments	14	-	-	-	-	-	-	-	-	-	-	11.1	10.0	11.1	10.0
Deferred tax assets	15	-	-	-	-	-	-	-	-	-	-	24.6	31.7	24.6	31.7
Cash and cash equivalents	18	-	-	-	-	-	-	-	-	-	-	164.1	195.5	164.1	195.5
Total assets		**500.0**	**466.8**	**386.6**	**378.5**	**285.8**	**278.6**	**429.5**	**-**	**2.1**	**4.2**	**233.6**	**283.6**	**1,837.6**	**1,411.7**
Segment liabilities[16]		83.4	81.5	139.9	147.1	73.9	76.0	4.8	-	1.0	2.4	151.9	159.5	454.9	466.6
Derivative financial instruments	26	-	-	-	-	-	-	-	-	-	-	54.4	17.4	54.4	17.4
Loans and borrowings	22	-	-	-	-	-	-	-	-	-	-	512.0	254.0	512.0	254.0
Bank overdrafts	18/22	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Deferred tax liabilities	15	-	-	-	-	-	-	-	-	-	-	79.1	34.1	79.1	34.1
Total equity		-	-	-	-	-	-	-	-	-	-	737.2	639.5	737.2	639.5
Total Equity and Liabilities		**83.4**	**81.5**	**139.9**	**147.1**	**73.9**	**76.0**	**4.8**	**-**	**1.0**	**2.4**	**1,534.6**	**1,104.6**	**1,837.6**	**1,411.7**
Capital expenditures: property, plant and equipment and other intangible assets	11/13	22.8	17.2	34.2	27.6	25.2	44.6	-	-	-	0.0	1.2	1.0	83.4	90.4
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	8	-23.9	-24.6	-25.2	-27.4	-20.8	-20.1	-9.2	-	-0.1	-0.2	-	-	-79.3	-72.3
Reversal/(additional) inventory write-offs	17	-0.4	-0.5	-0.1	3.2	-0.8	-1.6	-	-	-	-	-	-	-1.4	1.0

No material inventory write-offs or reversal of inventory write-offs occurred in 2018. The reversal of inventory write-offs within Bio-valorization in 2017 (+3.2 million EUR) could be recognized thanks to product reprocessing and new market opportunities.

[16] *Non-allocated segment liabilities mainly include environmental provisions recognized for the Ham (Belgium), Tessenderlo (Belgium) and Loos (France) sites, as well as derivative financial instruments.*

The reconciliation of the profit before tax is as follows:

(Million EUR)	2018	2017
Adjusted EBITDA of reportable segments	183.3	183.3
"Other" Adjusted EBITDA	-5.5	4.5
Adjusted EBITDA	**177.8**	**187.8**
Depreciation and amortization	-79.3	-71.5
EBIT adjusting items	11.6	-5.0
Finance costs - net	2.5	-71.4
Share of result of equity accounted investees, net of income tax	3.7	4.0
Profit (+) / loss (-) before tax	**116.3**	**44.0**

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

	Revenue by market		Non-current segment assets	
(Million EUR)	2018	2017	2018	2017
Belgium	117.7	94.8	537.0	102.5
The Netherlands	167.9	168.7	25.3	21.6
France	295.4	279.1	190.6	182.6
Germany	43.3	45.3	12.8	10.9
Spain	57.8	58.5	-	-
United Kingdom	83.2	86.7	11.9	11.6
Other European countries	124.2	131.0	11.1	11.2
US	470.6	505.1	190.3	191.3
Rest of the world	260.9	288.1	35.4	36.0
Tessenderlo Group	**1,620.9**	**1,657.3**	**1,014.4**	**567.8**

The increase of the non-current segment assets in Belgium (537.0 million EUR in 2018 compared to 102.5 million EUR in 2017) is related to T-Power nv following the acquisition of the remaining 80% shares (carrying amount of 425.4 million EUR as per December 31, 2018).

The contribution by T-Power nv to the 2018 group revenue amounts to 18.8 million EUR and is included in "Belgium". The decrease of revenue with US customers is mainly explained by the lower level of activity by S8 Engineering (revenue of 5.1 million EUR in 2018 compared to 46.0 million EUR in 2017).

4. ACQUISITIONS AND DISPOSALS

Acquisitions

On October 2, 2018, the group announced the completion of the acquisition of the remaining 80% of the shares of T-Power nv, which is a gas-fired 425 MW power plant in Tessenderlo (Belgium). T-Power has been operating a 425 MW CCGT (combined cycle gas turbine) plant on the premises of Tessenderlo Group in Tessenderlo (Belgium) since June 2011. A tolling agreement was concluded with RWE group for a period of 15 years (until 2026) for the full capacity of the plant with an optional 5-year extension thereafter.

As from October 2, 2018, the group owns 100% of the shares and voting rights in T-Power nv. T-Power nv is accounted for by the full consolidation method as from that date, while it was previously consolidated as an investment accounted for using the equity method.

The purchase consideration paid in cash amounted to 131.1 million EUR, while the transaction-related costs were not significant and were included in EBIT adjusting items.

T-Power nv was a joint venture of four shareholders, each having a non-controlling interest between 20% and 33.33%. As a result of the acquisition of the remaining 80% of the shares of T-Power nv, the group obtained 100% control in T-Power nv. In accordance with IFRS 3 Business combinations, the original 20% share was remeasured at fair value. For this remeasurement, the same share valuation was applied as for each individual selling shareholder. The remeasurement resulted in a gain of 19.7 million EUR. The recycling of the fair value of the interest rate swaps held by T-Power nv, previously accounted for in other comprehensive income, resulted in a loss of -7.6 million EUR. Both impacts were recognized in EBIT adjusting items (note 6 - EBIT adjusting items).

As of acquisition date, the group recognized, separately from goodwill, the fair value of the identifiable assets acquired and the liabilities assumed. The main fair value adjustments, on which deferred tax assets and liabilities were recognized, relate to:

- The valuation of the tolling agreement with RWE (June 2011 - June 2026) for an amount of 163.7 million EUR, taking into account the present value of the future net cash flows estimated to be generated during the remaining contract period. The after-tax weighted Average Cost of Capital used in the valuation was 7.0%.
- The fair value of property, plant and equipment and spare parts, which was determined based on market prices for similar items when they were available or on the depreciated replacement cost taking into account economic obsolescence.
- The interest rate due on the syndicated facility is the 6 months EURIBOR plus a spread. The 6 months EURIBOR was fixed at 4.0% for 80% of the outstanding loan through a series of forward rate agreements, which are yearly settled in June and December (till 2026). The fair value of these interest rate swaps, confirmed by financial institutions as well as calculated internally, amounts to -38.1 million EUR at acquisition date.

At acquisition date, the fair value of the long and short term borrowings (246.1 and 16.6 million EUR) as well as the cash and cash equivalents (80.6 million EUR) approximate their carrying amount.

The resulting goodwill (0.6 million EUR) is mainly attributable to the skills and technical talent of T-Power’s work force.

Provisions, other payables and current tax liabilities have been measured on a provisional basis. If new information, obtained within one year of the date of acquisition, about facts and circumstances that existed at the date of acquisition, identifies adjustments to the above amounts, the acquisition accounting will be revised.

The table below summarizes the impact of the acquisition of T-Power nv on the financial position of the group in 2018:

(Million EUR)	Pre-acquisition carrying amounts (Belgian Gaap)	Fair value adjustments	Recognized values on acquisition
Property, plant and equipment	217.2	47.1	264.3
Goodwill	-	0.6	0.6
Other intangible assets	6.1	163.7	169.8
Other investments	0.0	-	0.0
Deferred tax assets	-	12.1	12.1
Non-current assets	**223.3**	**223.5**	**446.8**
Inventories	7.7	-7.7	0.0
Trade and other receivables	2.7	-	2.7
Current assets	**10.4**	**-7.7**	**2.7**
Loans and borrowings	246.1	-	246.1
Provisions	6.0	-5.0	1.0
Derivative financial instruments	-	31.7	31.7
Deferred tax liabilities	-	54.7	54.7
Non-current liabilities	**252.0**	**81.4**	**333.4**
Loans and borrowings	16.6	-	16.6
Trade and other payables	7.1	1.0	8.1
Derivative financial instruments	-	6.4	6.4
Current tax liabilities	1.6	-	1.6
Current liabilities	**25.4**	**7.4**	**32.8**
Net assets	**-43.7**	**127.0**	**83.3**
Valuation original 20% share in T-Power nv			-32.8
Consideration (paid)/received, satisfied in cash			-131.1
Cash acquired/(disposed) of			80.6
Net assets			**-83.3**
Consideration (paid)/received, satisfied in cash			-131.1
Cash acquired/(disposed) of			80.6
Net cash (outflow)/inflow			**-50.5**

As from closing date October 2, 2018, T-Power nv contributed 18.8 million EUR to the group's 2018 revenue and 1.2 million EUR to the result of 2018. If the acquisition had occurred on January 1, 2018, management estimates that T-Power nv would have contributed 71.6 million EUR to the group's revenue and 3.4 million EUR to the group's result.

Disposals

There were no disposals in 2018.

5. OTHER OPERATING INCOME AND EXPENSES

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

(Million EUR)	2018	2017
Additions to provisions	-1.0	-0.5
Research and development cost	-10.5	-9.8
Grants	0.1	0.1
Depreciation	-0.1	-0.1
Gains on disposal of property, plant and equipment and other intangible assets	0.3	0.5
Reversal/(recognition) of impairment losses on trade receivables	-0.5	1.0
Other	-3.5	-3.6
Total	**-15.3**	**-12.4**

Costs arising from the research phase of an internal project are expensed as incurred. The major part of research and development costs relates to salaries paid for an amount of 5.4 million EUR (2017: 6.1 million EUR) and depreciation charges for an amount of 0.5 million EUR (2017: 0.5 million EUR). In 2018 and 2017, no significant development costs were capitalized.

The impairment losses on trade receivables in 2018 amount to -0.5 million EUR. The net reversal of impairment losses on trade receivables in 2017 amounted to +1.0 million EUR, and included the reversal of an impairment loss which was the result of the positive outcome following the expiration of a contract within the Environmentally Clean Systems (ECS) business unit.

The other operating income and expenses (-3.5 million EUR) are mainly explained by the tax charges other than income taxes, such as withholding taxes and regional taxes and several, individually insignificant items within several subsidiaries of the group.

6. EBIT ADJUSTING ITEMS

The EBIT adjusting items for 2018 show a net gain of +11.6 million EUR (2017: -5.0 million EUR).

(Million EUR)	2018	2017
Gains and losses on disposals	12.1	0.8
Restructuring	0.9	-1.5
Impairment losses	-	-0.8
Provisions and claims	-0.9	-0.0
Other income and expenses	-0.5	-3.4
Total	**11.6**	**-5.0**

As a result of the acquisition of the remaining 80% of the shares of T-Power nv, the group obtained 100% control in T-Power nv. In accordance with IFRS 3 Business combinations, the original 20% share was remeasured at fair value which resulted in a gain of 12.1 million EUR (note 4 - Acquisitions and disposals).

Adjustments to ongoing restructuring programs and claims and provisions did not have a significant impact on the group's result.

Other income and expenses mainly relate to the impact of an electricity purchase agreement, for which the own-use exemption under IAS 39 is not applicable anymore, and several other individually insignificant items.

7. PAYROLL AND RELATED BENEFITS

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

(Million EUR)	note	2018	2017
Wages and salaries		-222.3	-219.2
Employer's social security contributions		-51.0	-52.0
Other personnel costs		-16.9	-16.3
Contributions to defined contribution plans		-8.2	-8.5
Expenses related to defined benefit plans	23	-6.7	-6.0
Total		**-305.1**	**-302.1**

The number of FTE's at year-end 2018 amounts to 4,644 (2017: 4,547). The 2018 increase in payroll and related benefit costs due to a higher number of FTE's was partially offset by exchange rate effects.

8. ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

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

		Depreciation on PPE		Amortization on other intangible assets		Total	
(Million EUR)	note	2018	2017	2018	2017	2018	2017
Cost of sales		-61.9	-57.1	-7.3	-2.0	-69.1	-59.1
Administrative expenses		-2.3	-2.6	-1.7	-2.2	-4.1	-4.8
Sales and marketing expenses		-0.1	-0.1	-5.4	-7.0	-5.5	-7.1
Other operating income and expenses		-0.6	-0.6	-	-	-0.6	-0.6
Total	**11/13**	**-64.9**	**-60.3**	**-14.4**	**-11.2**	**-79.3**	**-71.5**

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

		Impairment losses on PPE		Impairment losses on other intangible assets		Impairment losses on goodwill		Total	
(Million EUR)	note	2018	2017	2018	2017	2018	2017	2018	2017
Impairment losses		-	-0.8	-	-	-	-	-	-0.8
Total	**11/13**	**0.0**	**-0.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.8**

Total depreciation, amortization and impairment losses in 2018 amount to -79.3 million EUR compared to -72.3 million EUR in 2017 (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets). The increase in depreciation and amortization charges is mainly explained by the fourth quarter 2018 impact of T-power nv, for 3.8 million EUR and 5.5 million EUR respectively.

9. FINANCE COSTS AND INCOME

Net finance costs and income amount to +2.5 million EUR as per December 31, 2018, compared to -71.4 million EUR as per December 31, 2017 and are detailed below:

(Million EUR)	2018			2017		
	Finance costs	Finance income	Total	Finance costs	Finance income	Total
Interest expense on loans and borrowings measured at amortized cost	-10.3	-	-10.3	-6.9	-	-6.9
Commitment fee on unused portion of the credit facility	-0.2	-	-0.2	-0.2	-	-0.2
Factoring expense	-0.0	-	-0.0	-0.0	-	-0.0
Dividend income from other investments	-	0.1	0.1	-	0.1	0.1
Interest income from cash and cash equivalents	-	2.2	2.2	-	1.3	1.3
Expense for the unwinding of discounted provisions	-1.0	-	-1.0	-1.0	-	-1.0
Net interest (expense)/income on pension asset/(liability)	-0.5	-	-0.5	-0.6	-	-0.6
Net foreign exchange gains and losses (including revaluation to fair value and realization of derivative financial instruments)	-9.0	21.7	12.7	-68.8	5.3	-63.5
Net other finance (costs)/income	-0.7	0.2	-0.5	-0.7	0.2	-0.5
Total	**-21.7**	**24.2**	**2.5**	**-78.3**	**6.9**	**-71.4**

The interest expenses on loans and borrowings amount to -10.3 million EUR (2017: -6.9 million EUR) and mainly consist of the interest charges on the outstanding bonds, which were issued in 2015. The increase is related to the acquisition of T-Power nv, of which the financial liabilities amounted to 262.7 million EUR at acquisition date, and were reduced to 249.3 million EUR at year end 2018. The interest expenses, related to T-Power nv and expensed in the fourth quarter of 2018, amount to -3.3 million EUR.

The net foreign exchange gains can be explained by the unrealized foreign exchange gains on intercompany loans and cash and cash equivalents (mainly in USD), which are not hedged. The strengthening of the USD against the euro (+4.5%) impacted this result. We refer to note 26 - Financial instruments for more information of the group's exposure to foreign currency risk.

10. INCOME TAX EXPENSE

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

(Million EUR)	2018	2017
Recognized in the income statement		
Current tax expense	-17.5	-25.5
Adjustment current tax expense previous periods	-1.6	1.0
Deferred tax income / (expense)	-5.1	6.3
Total income tax expense in the income statement	**-24.3**	**-18.1**
Profit (+) / loss (-) before tax	116.3	44.0
Less share of result of equity accounted investees, net of income tax	3.7	4.0
Profit (+) / loss (-) before tax and before result from equity accounted investees	**112.6**	**39.9**
Effective tax rate	**21.5%**	**45.4%**
Reconciliation of effective tax rate		
Profit (+) / loss (-) before tax and before result from equity accounted investees	**112.6**	**39.9**
Theoretical tax rate[17]	28.2%	49.3%
Expected income tax at the theoretical tax rate	**-31.7**	**-19.7**
Difference between theoretical and effective tax expenses	**7.5**	**1.6**
Adjustment on deferred taxes	**-3.8**	**5.4**
Change in tax rates	0.3	4.7
Recognition (+) / derecognition (-) of previously recognized tax losses	-4.2	0.7
Adjustment on tax expenses	**11.3**	**-3.8**
Expenses not deductible for tax purposes	-1.0	-1.4
Non taxable income	4.9	2.4
Capital gains and losses on participations	-	-0.4
Tax incentives	1.5	2.1
Use or recognition of tax losses / tax credits not previously recognized	4.6	5.1
Tax losses / temporary differences for which no deferred tax asset has been recorded	-5.7	-14.3
Adjustment current tax expense previous periods	-1.6	1.0
Other	8.7	1.7

[17] *Theoretical aggregated weighted tax rate of all group companies. The theoretical aggregated weighted tax rate amounted to 28.2% in 2018 compared to 49.3% in 2017. The decrease of this rate can be explained by:*

- *Tax reforms, mainly in Belgium, France and the United States, which lowered their respective corporate income tax rate.*
- *Changes in the relative weight of the result of each subsidiary, with different individual theoretical tax rates, in the total group result.*

The 2017 changes in tax rates were mainly explained by different corporate income tax reforms, which were substantively enacted in December 2017, and which were taken into account for the calculation of deferred tax assets and liabilities as per December 31, 2017. The most significant impacts of these corporate income tax reforms, which also impacted the 2018 current tax expense, were the following:

- The Belgian Parliament approved a tax reform bill in December 2017. The standard corporate income tax rate of 33.99% was lowered to 29.58% in 2018 and will be lowered to 25% as from 2020. Moreover a minimum basis has been introduced whereby most tax credits can only partially be offset against the taxable basis (limitation of the use of credits to 1 million EUR and 70% of the taxable result exceeding 1 million EUR).
- The French Parliament enacted the finance bill for 2018 in December 2017, resulting in a progressive decrease of the income tax rate from 33.33% to 25%. For 2018 a corporate income tax of 28% is applied on taxable income below 0.5 million EUR and 33.33% on taxable income exceeding 0.5 million EUR. For 2019 the corporate income tax of 28% will be applied on taxable income below 0.5 million EUR and 31% on taxable income exceeding 0.5 million EUR. For 2020, 2021 and 2022 a corporate income tax of 28%, 26.5% and 25% respectively will apply.
- The enactment of the US corporate income tax reform in December 2017 reduces the federal corporate tax rate from 35% to 21% as from 2018, while tax incentives for business performing manufacturing or other production activities are cancelled.

The derecognition of previously recognized tax losses in 2018 (-4.2 million EUR) is the result of a year-end 2018 review of the future taxable profits.

The expenses not deductible for tax purposes include permanent differences such as expenses which are non-deductible under local tax laws (e.g. car expenses and meal expenses).

Non-taxable income includes credits for competitiveness, employment and research as well as differences due to the translation from local to functional currency.

Tax incentives in 2018 include the notional interest deduction, deductions claimed for research and development expenses, as well the foreign-derived intangible income (FDII) deduction in the United States of America.

The 2018 use or recognition of tax losses/tax credits not previously recognized mainly relates to the recognition of fiscal losses carried forward in Belgium, while in 2017 it mainly concerned the recognition of additional deferred tax assets on Belgian and French fiscal losses carried forward and on German temporary differences.

The tax losses and temporary differences for which no deferred tax asset was recognized in 2018 mainly relate to tax losses within the UK, France, China and Brazil, while in 2017 these were mainly related to the parent company.

The 2018 items included in Other (8.7 million EUR) mainly relate to the non-taxable gain, which was recognized following the remeasurement at fair value of the original 20% share in T-Power nv (note 4 - Acquisitions and disposals).

11. PROPERTY, PLANT AND EQUIPMENT

(Million EUR)	2018				
	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At January 1, 2018	**431.2**	**1,149.1**	**72.8**	**41.9**	**1,695.1**
- acquisitions through business combinations	11.3	252.7	0.2	-	264.3
- dismantlement provision	0.1	0.7	-	-	0.7
- capital expenditure	4.3	13.0	0.8	64.3	82.3
- sales and disposals	-2.2	-34.8	-6.8	-	-43.7
- transfers	15.0	40.3	2.9	-58.3	-0.1
- translation differences	4.1	3.9	0.3	-0.7	7.6
At December 31, 2018	**463.7**	**1,424.9**	**70.3**	**47.3**	**2,006.2**
Depreciation and impairment losses					
At January 1, 2018	**-234.9**	**-891.4**	**-65.4**	**0.0**	**-1,191.8**
- depreciation	-17.0	-44.7	-3.2	-	-64.9
- impairment losses	-	-	-	-	-
- sales and disposals	1.9	33.4	6.7	-	42.1
- translation differences	-1.3	-0.9	-0.2	-	-2.4
At December 31, 2018	**-251.3**	**-903.5**	**-62.2**	**0.0**	**-1,217.0**
Carrying amounts					
At January 1, 2018	**196.3**	**257.7**	**7.4**	**41.9**	**503.3**
At December 31, 2018	**212.4**	**521.4**	**8.1**	**47.3**	**789.2**

(Million EUR)	2017				
	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At January 1, 2017	**427.6**	**1,123.7**	**77.0**	**68.4**	**1,696.7**
- dismantlement provision	0.1	0.9	-	-	1.1
- capital expenditure	0.4	7.7	0.9	80.3	89.2
- sales and disposals	-4.6	-25.7	-5.4	-	-35.7
- transfers	26.6	76.4	1.8	-105.2	-0.5
- translation differences	-18.8	-33.9	-1.5	-1.6	-55.7
At December 31, 2017	**431.2**	**1,149.1**	**72.8**	**41.9**	**1,695.1**
Depreciation and impairment losses					
At January 1, 2017	**-225.8**	**-893.5**	**-69.1**	**0.0**	**-1,188.3**
- depreciation	-16.8	-40.6	-3.0	-	-60.3
- impairment losses	-0.5	-0.3	-	-	-0.8
- sales and disposals	2.6	22.2	5.4	-	30.2
- translation differences	5.4	20.8	1.2	-	27.4
At December 31, 2017	**-234.9**	**-891.4**	**-65.4**	**0.0**	**-1,191.8**
Carrying amounts					
At January 1, 2017	**201.8**	**230.2**	**8.0**	**68.4**	**508.4**
At December 31, 2017	**196.3**	**257.7**	**7.4**	**41.9**	**503.3**

The capital expenditure on property, plant and equipment amounts to 82.3 million EUR (2017: 89.2 million EUR) and is presented per operating segment in note 3 - Segment reporting.

The majority of the capital expenditure relates to:

- The acquisition of a new Kerley headquarters in Phoenix (Arizona, US), which resulted in the investment of approximately 10 million USD.
- Investments in the upgrade of plant infrastructure (mainly within the operating segment Agro).
- Debottlenecking of production plants, investments in equipment and infrastructure to facilitate an improved valorization of animal by-products (operating segment Bio-valorization).
- The purchase of vehicles for the Akiolis activity, which were previously leased (operating segment Bio-valorization).
- New branches and production lines within DYKA Group (operating segment Industrial Solutions).
- The finalization of the construction of the new electrolysis plant based on membrane technology and storage infrastructure in the Produits Chimiques de Loos site (France, operating segment Industrial Solutions).

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

No amounts of borrowing costs were capitalized in 2018 and 2017.

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

The property, plant and equipment of T-Power nv (Tessenderlo, Belgium), as well as the new Kerley headquarters in Phoenix (Arizona, US), are pledged as securities for liabilities.

12. GOODWILL

Goodwill accounts for approximately 1.9% of the group's total assets as per December 31, 2018, or 35.0 million EUR (2017: 2.4% or 33.8 million EUR).

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

		2018			2017		
(Million EUR)	note	Cost	Impairment/ Amortization*	Carrying amounts	Cost	Impairment/ Amortization*	Carrying amounts
Agro		**4.7**	**-4.1**	**0.6**	**4.5**	**-3.9**	**0.6**
Bio-valorization		**28.3**	**-2.7**	**25.6**	**29.1**	**-4.0**	**25.1**
Group Akiolis		17.2	-2.2	15.0	18.4	-3.4	15.0
PB Leiner America		11.1	-0.5	10.6	10.6	-0.6	10.1
Industrial Solutions		**10.2**	**-2.0**	**8.2**	**10.1**	**-2.0**	**8.1**
John Davidson Pipes		3.2	-1.0	2.2	3.3	-1.0	2.2
Nyloplast		3.0	-	3.0	3.0	-	3.0
Group BT Bautechnik		0.7	-	0.7	0.7	-	0.7
MPR		3.2	-0.9	2.3	3.1	-0.9	2.2
T-Power	**4**	**0.6**	**-**	**0.6**	**-**	**-**	**-**
Total		**43.8**	**-8.8**	**35.0**	**43.6**	**-9.8**	**33.8**

* *Goodwill has been amortized till January 1, 2004.*

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

- Group Akiolis (part of the operating segment Bio-valorization); 15.0 million EUR (2017: 15.0 million EUR).
- PB Leiner America (part of the operating segment Bio-valorization); 10.6 million EUR (2017: 10.1 million EUR).

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

(Million EUR)	2018	2017
Cost		
At January 1	**43.6**	**46.1**
- acquisitions through business combinations	0.6	-
- other movements	-1.2	-
- translation differences	0.8	-2.5
At December 31	**43.8**	**43.6**
Impairment losses		
At January 1	**-9.8**	**-10.6**
- other movements	1.2	-
- translation differences	-0.2	0.8
At December 31	**-8.8**	**-9.8**
Carrying amounts		
At January 1	**33.8**	**35.6**
At December 31	**35.0**	**33.8**

The acquisition of the remaining 80% of the shares of T-Power nv, on October 2, 2018, led to the recognition of goodwill for an amount of 0.6 million EUR (note 4 - Acquisitions and disposals).

During the fourth quarter of 2018, the group completed its annual impairment test for goodwill. No impairment charges were deemed necessary.

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

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

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

- The cash flow projection of the first year is based on the current year financial budget approved by the Board of Directors (2019). The forecasted cash flows are based on the following expectations, taking into account internal and external sources.
    - Estimated revenue is derived from estimated sales volumes and estimated sales prices. Sales volumes are based on past performance and management's expectation of market development. New product lines or product developments are only included when it is technically feasible to produce with the current assets. Sales prices are based on current market trends, also taking into account inflation and pricing power in the market.

- Gross profit margins are based on current sales margin levels, future product mix and estimated evolution of the main raw material prices.
- Indirect costs, which do not vary significantly with sales volumes or prices, are based on the current cost structure, including long term inflation forecasts and excluding unrealized future restructuring or cost saving measures.
- Capital expenditures only include the cash outflows required to keep the assets in their current condition and do not include future capital expenditures significantly improving or enhancing the assets in excess of their originally assessed standard performance.

• In order to calculate the terminal value, the data of the fifth year are extrapolated by using simplified assumptions such as constant volumes, combined with constant costs. The growth rate is assumed to be 1%.

• Projections are made in the functional currency of the cash-generating unit and are discounted at the after-tax Weighted Average Cost of Capital (WACC) at the level of the cash-generating unit. The latter ranged between 6.3% and 8.8%. Since after-tax cash flows are incorporated into the calculation of the "value in use" of the cash-generating units, a post-tax discount rate is used in order to remain consistent.

For Group Akiolis and PB Leiner America the WACC used in the impairment test was respectively 6.3% (2017: 6.3%) and 8.2% (2017: 8.2%).
An increase of these WACC's by 1% and a simultaneous reduction of total projected future cash flow by 10% would not have resulted in the carrying amounts of these significant cash-generating units exceeding their recoverable amount.

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

13. OTHER INTANGIBLE ASSETS

(Million EUR)	2018 Useful life Finite				
	Concessions, patents, licenses	Software	Customer lists	Other intangible assets	Total
Cost					
At January 1, 2018	**68.0**	**15.6**	**37.0**	**21.2**	**141.8**
- acquisitions through business combinations	1.3	-	163.7	4.8	169.8
- capital expenditure	0.2	0.8	-	0.0	1.0
- purchase of emission rights	-	-	-	2.7	2.7
- sales and disposals	-0.0	-	-	-0.6	-0.6
- transfers	0.0	0.1	-	-	0.1
- translation differences	2.3	-0.3	0.7	1.0	3.8
At December 31, 2018	**71.8**	**16.2**	**201.5**	**29.0**	**318.5**
Amortization and impairment losses					
At January 1, 2018	**-48.1**	**-12.6**	**-33.2**	**-17.3**	**-111.2**
- amortization	-5.0	-1.3	-7.1	-0.9	-14.4
- sales and disposals	0.0	-	-	-	0.0
- translation differences	-1.6	0.3	-0.7	-0.8	-2.8
At December 31, 2018	**-54.7**	**-13.6**	**-41.0**	**-19.0**	**-128.3**
Carrying amounts					
At January 1, 2018	**19.8**	**3.1**	**3.8**	**3.9**	**30.6**
At December 31, 2018	**17.1**	**2.6**	**160.5**	**10.0**	**190.2**

(Million EUR)	2017 Useful life Finite				
	Concessions, patents, licenses	Software	Customer lists	Other intangible assets	Total
Cost					
At January 1, 2017	**76.2**	**15.3**	**39.2**	**25.7**	**156.4**
- capital expenditure	0.2	0.5	-	0.4	1.1
- sales and disposals	-1.9	-0.0	-	-2.1	-4.0
- transfers	0.3	0.1	-	-	0.5
- translation differences	-6.8	-0.3	-2.1	-2.9	-12.1
At December 31, 2017	**68.0**	**15.6**	**37.0**	**21.2**	**141.8**
Amortization and impairment losses					
At January 1, 2017	**-48.5**	**-11.2**	**-33.1**	**-18.0**	**-110.7**
- amortization	-5.5	-1.6	-2.0	-2.0	-11.2
- sales and disposals	1.9	0.0	-	0.5	2.5
- translation differences	3.9	0.3	1.9	2.2	8.2
At December 31, 2017	**-48.1**	**-12.6**	**-33.2**	**-17.3**	**-111.2**
Carrying amounts					
At January 1, 2017	**27.7**	**4.1**	**6.1**	**7.7**	**45.7**
At December 31, 2017	**19.8**	**3.1**	**3.8**	**3.9**	**30.6**

The capital expenditure on other intangible assets amounts to 1.0 million EUR (2017: 1.1 million EUR) and is presented per operating segment in note 3 - Segment reporting.

The acquisitions through business combinations can be explained by the acquisition of T-Power nv (note 4 - Acquisitions and disposals). The purchase price allocation resulted in the recognition of a customer list for an amount of 163.7 million EUR and represents the fair value of a tolling agreement which was concluded with RWE group for a period of 15 years (until June 2026) for the full capacity of the plant. This customer list will be amortized over the remaining duration of the tolling agreement.

No borrowing costs were capitalized during 2018 and 2017.

The “other” intangible assets with finite useful lives mainly consist of emission allowances purchased for own use, non-compete agreements, know-how, product labels, trademarks and land-use rights. The non-compete agreements, the product labels and the know-how are amortized on a straight-line basis over 10 to 20 years.

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

The RWE tolling agreement has been pledged as security for liabilities.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

The joint-ventures of the group are:

		Ownership	
	Country	2018	2017
Établissements Michel SAS	France	50%	50%
Jupiter Sulphur LLC	US	50%	50%

Jupiter Sulphur LLC is a joint venture between Phillips 66 Inc. and Tessenderlo Kerley Inc.. The joint-venture performs sulfur recovery and manufactures sulfur-based products, which are sold to Tessenderlo Kerley Inc.. Currently Jupiter Sulphur LLC owns and manages two facilities in the United States, located in Ponca City (Oklahoma) and Billings (Montana).

Until October 2, 2018, T-Power nv was an associate accounted for using the equity method (20% ownership). As from that date T-Power nv is fully consolidated (see also note 4 - Acquisitions and disposals).

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

(Million EUR)	2018	2017
Jupiter Sulphur LLC	17.8	15.3
T-Power nv	-	13.0
Établissements Michel SAS	0.7	0.7
Total	**18.5**	**29.1**

Tessenderlo Kerley Inc. has granted a 11.0 million USD loan (9.6 million EUR) to the joint-venture Jupiter Sulphur LLC. The loan is interest bearing (3.0%) and is reimbursable to Tessenderlo Kerley Inc. in the period 2020-2023. Jupiter Sulphur LLC obtained the same amount from the other joint-venture partner. The granted loan is included in "Other investments" in the group's consolidated statement of financial position. The related interest income is considered to be insignificant and is not eliminated.

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

Summary of financial information on investments accounted for using the equity method at 100% at December 31:

(Million EUR)	2018	2017
Non-current assets	116.4	427.6
Current assets	15.5	97.5
Total assets	**131.9**	**525.0**
Equity	37.0	97.3
Non-current liabilities	48.6	375.1
Current liabilities	46.3	52.6
Total equity and liabilities	**131.9**	**525.0**
Revenue	47.0	106.7
Cost of sales	-41.6	-35.5
Gross profit	5.4	71.2
Adjusted EBIT	5.3	35.5
EBIT (Profit (+) / loss (-) from operations)	5.3	35.5
Finance (costs) / income - net	-1.8	-15.9
Profit (+) / loss (-) before tax	3.5	19.7
Profit (+) / loss (-) for the period	2.5	19.5
Total comprehensive income for the period	2.5	23.0

At the end of 2017, T-Power nv was an associate and therefore included in the 2017 financial information above. T-Power nv is fully consolidated as per December 31, 2018 and is consequently no longer included in the 2018 financial information above, which explains the variance between 2017 and 2018.

15. DEFERRED TAX ASSETS AND LIABILITIES

(Million EUR)	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment	1.5	2.1	-43.0	-29.7	-41.5	-27.6
Other intangible assets	6.0	5.7	-44.2	-3.3	-38.2	2.4
Inventories	7.5	5.5	-0.3	-0.9	7.3	4.6
Employee benefits	8.8	7.6	-0.7	-1.4	8.1	6.2
Derivative financial instruments	10.1	-	-	-	10.1	-
Provisions	11.6	11.5	-16.7	-20.1	-5.0	-8.6
Other items	4.8	5.5	-16.8	-8.8	-12.0	-3.3
Losses carried forward	16.8	23.8	-	-	16.8	23.8
Gross deferred tax assets / (liabilities)	**67.2**	**61.6**	**-121.6**	**-64.1**	**-54.4**	**-2.5**
Set-off of tax	**-42.5**	**-30.0**	**42.5**	**30.0**		
Net deferred tax assets / (liabilities)	**24.6**	**31.7**	**-79.1**	**-34.1**	**-54.4**	**-2.5**

The increase of the net deferred tax liability on Property, plant and equipment and other intangible assets and the increase of the net deferred tax asset on derivative financial instruments are mainly a consequence of the deferred taxes recognized on the fair value adjustments following the acquisition of T-Power nv (note 4 - Acquisitions and disposals).

Deferred tax assets on fiscal losses carried forward recognized on the Belgian parent company, Tessenderlo Group nv, amount to 9.1 million EUR (total tax losses and tax credits carried forward in Tessenderlo Group nv amount to 168 million EUR) as per year-end 2018. The other deferred tax assets on fiscal losses carried forward recognized amount to 7.7 million EUR and mainly relate to French fiscal losses carried forward (total tax losses and tax credits carried forward in France amount to 67 million EUR). These were recognized following a review of the future taxable profits as per year-end 2018. Although the French fiscal result was negative in 2018, mainly negatively impacted by the results of Produits Chimiques de Loos (further start-up expenses for the new membrane electrolysis plant, as well as the impact of the fourth quarter unforeseen technical issue), the probability assessment whether future taxable profits will be available in France remained positive.

A deferred tax liability relating to undistributed reserves within the subsidiaries of the group has not been recognized because management believes that this liability will not incur in the foreseeable future. The deferred tax liability is not significant as dividends received by the company (Tessenderlo Group nv) are tax exempt.

Tax losses and tax credits carried forward, including notional interest deduction, on which no deferred tax asset is recognized amount to 305.8 million EUR (2017: 289.1 million EUR). Of these tax credits, 37.1 million EUR have a finite life (they expire in the period 2019-2025). Deferred tax assets are only recognized based on the probability assessment whether future taxable profits (within the next 5 years) will be available, against which the unused tax losses and credits can be utilized.

The movements in the deferred tax balances during the year can be summarized as follows[18]:

(Million EUR)	Balance at January 1, 2018	Recognized in the income statement	Recognized in other comprehensive income	Change in consolidation scope	Translation differences	Balance at December 31, 2018
Property, plant and equipment	-27.6	-0.2	-	-12.7	-1.0	-41.5
Other intangible assets	2.4	1.5	-	-42.1	0.1	-38.2
Inventories	4.6	0.6	-	1.9	0.1	7.3
Employee benefits	6.2	2.0	-0.1	-	0.1	8.1
Derivative financial instruments	-	-	0.1	10.0	-	10.1
Provisions	-8.6	3.5	-	-	0.0	-5.0
Other items	-3.3	-7.9	-	0.3	-1.0	-12.0
Losses carried forward	23.8	-6.5	-	-	-0.5	16.8
Total	**-2.5**	**-7.1**	**0.0**	**-42.6**	**-2.2**	**-54.4**

The table above mentions an impact of -7.1 million EUR as recognized in the income statement, while total deferred tax expenses amount to -5.1 million EUR (note 10 - Income tax expense). The difference is a consequence of the recycling of the fair value of the interest rate swaps held by T-Power nv at the acquisition date, which resulted in a deferred tax income of 2.0 million EUR. As T-Power nv was previously accounted for using the equity method, this balance was not included in the consolidated statement of financial position and is therefore not included in the table above.

The table above also mentions an impact of 0.0 million EUR as recognized in the other comprehensive income, while an amount of -2.3 million EUR is included in the statement of comprehensive income. The difference is a consequence of the deferred taxes recognized in other comprehensive income for investments accounted for using the equity method. Jupiter Sulphur LLC and T-Power nv (until acquisition date) both recognized deferred taxes on fair value changes of interest rate swaps (-0.3 million EUR). Also the deferred taxes previously recognized through other comprehensive income (-2.0 million EUR) have been recognized in the income statement as a result of the acquisition of T-Power nv.

The “Other items” included in the income statement (-7.9 million EUR) mainly relate to temporary differences caused by the non-recognition of unrealized foreign exchange gains on non-hedged USD intragroup loans within Tessenderlo Group nv.

[18] *Deferred tax liabilities and deferred tax expenses are presented as negative amounts; deferred tax assets and deferred tax income are presented as positive amounts.*

16. TRADE AND OTHER RECEIVABLES

(Million EUR)	2018	2017
Non-current trade and other receivables		
Trade receivables	0.0	0.0
- Gross trade receivables	0.0	0.0
- Amounts written off	-	-
Other receivables	10.9	10.3
Receivables from related parties	0.4	-
Assets related to employee benefit schemes	3.1	1.8
Total	**14.4**	**12.1**

(Million EUR)	2018	2017
Current trade and other receivables		
Trade receivables	249.0	236.2
- Gross trade receivables	253.4	240.6
- Amounts written off	-4.4	-4.3
Other receivables	36.8	46.7
Prepayments	0.3	0.6
Receivables from related parties	0.5	3.0
Total	**286.6**	**286.5**

Receivables from related parties concern receivables from joint-ventures (note 30 - Related parties).

The ageing of the gross trade receivables and amounts written off is disclosed in the section “Credit risk” of note 26 - Financial instruments.

The non-current other receivables mainly relate to a French tax receivable of 6.8 million EUR (2017: 6.2 million EUR), related to tax credits for competitiveness, employment and research.

The assets related to employee benefit schemes concern the net pension asset of the UK pension fund where the pension assets are higher than the pension liabilities.

The current other receivables mainly include a net income tax receivable in the US and Belgium, other tax and VAT receivables.

The non-recourse factoring program is suspended since 2015. There was no cash received under non-recourse factoring agreements, whereby trade receivables were sold at their nominal value minus a discount in exchange for cash.

17. INVENTORIES

(Million EUR)	2018	2017
Consumables	47.4	49.3
Work in progress	9.6	9.4
Finished goods	204.7	176.4
Goods purchased for resale	30.5	32.5
Spare parts	10.7	11.5
Total	**303.0**	**279.1**

The increase of finished goods is explained by a combination of higher volumes, increased raw material prices and exchange rate effects, mainly within the Agro and Bio-valorization operating segments.

There are no inventories pledged as security.

In 2018 inventories for 1,194.3 million EUR (2017: 1,203.4 million EUR) were recognized as an expense during the year and included in the line item cost of sales within the income statement.

An additional inventory write-off of -1.4 million EUR has been recognized in 2018, while in 2017 inventory write-offs were reversed for 1.0 million EUR.

The group expects to recover or settle the inventory, available as per December 31, 2018, within the next twelve months, except for the inventory of non-strategic spare parts. These spare parts will be used whenever deemed necessary.

18. CASH AND CASH EQUIVALENTS

(Million EUR)	2018	2017
Term accounts	37.2	140.9
Current accounts	126.9	54.6
Cash and cash equivalents	**164.1**	**195.5**
Bank overdrafts	-0.1	-0.1
Cash and cash equivalents in the statement of cash flows	**164.0**	**195.3**

The term accounts have a maximum maturity of 1 month. As per December 31, 2018, the cash and cash equivalents include 29.6 million USD or 25.9 million EUR (2017: 160.3 million USD or 133.7 million EUR). About 214 million USD was sold and converted into approximately 182 million EUR in 2018.

19. EQUITY

Issued capital and share premium

	Shares	
	2018	2017
On issue at January 1	43,136,779	43,068,884
Issued for cash at July 19, 2017	-	7,340
Issued for cash at August 25, 2017	-	15,680
Issued for cash at October 27, 2017	-	2,375
Issued for cash at December 19, 2017	-	42,500
Issued for cash at December 18, 2018	10,200	-
On issue at December 31 - fully paid	**43,146,979**	**43,136,779**

The number of shares comprised 18,095,422 registered shares (2017: 13,797,777) and 25,051,557 ordinary shares (2017: 29,339,002). The shares are without nominal value. The holders of Tessenderlo Group nv shares are entitled to receive dividends as declared and are also entitled to one vote per share at shareholders' meetings of the company.

Following the conversion of warrants, ordinary shares were included for trading on Eurolist on NYSE Euronext Brussels on:

- December 18, 2018: 10,200 ordinary shares, leading to an increase of issued capital and share premium by 0.3 million EUR.

On the annual shareholders' meeting of Tessenderlo Group nv on May 8, 2018, the shareholders of Tessenderlo Group nv approved the proposal of the Board of Directors not to pay out a dividend for the 2017 financial year.

No new offering of shares to be subscribed by staff took place in 2018.

Authorized capital

According to the decision of the extraordinary general meeting of June 6, 2017, the Board of Directors was granted the authority, for a period of 5 years from the publication of the authorization in the Annex to the Belgian State Gazette, to increase the share capital, in one or more times, up to an amount of 43,160,095 EUR, in accordance with the provisions set out in the Belgian Companies Code and the articles of association of the company. The Board of Directors is allowed to use the authorized capital to take protective measures for the company through capital increases, with or without limitation or withdrawal of preferential rights, even outside the context of a possible public takeover bid, to the extent that the company has not yet received a notification of the FSMA with respect to a public takeover bid on its securities. Without prejudice to the possibility to realize the commitments that were validly entered into before receipt of the notification of the FSMA pursuant to article 607 paragraph 2, 1° of the Belgian Companies Code, the Board of Directors is authorized, for a period of 3 years from the authorization by the extraordinary general meeting of June 6, 2017, to proceed to a capital increase within the framework of authorized capital, with or without limitation or withdrawal of preferential rights as the case may be in favor of one or more persons, following receipt of a notification of the FSMA with respect to a public takeover bid on the company's securities, in accordance with the conditions set out in article 607, paragraph 2, 2° of the Belgian Companies Code and the articles of association of the company.
The Board of Directors is also authorized, with right of substitution, to amend the company's articles of association in accordance with the capital increase that was decided within the scope of the authorized capital.

The authority to increase the capital by the Board of Directors will expire on June 25, 2022.

Legal reserves

According to Belgian law, 5% of the statutory net income of a Belgian company must be transferred each year to a legal reserve until the legal reserve reaches 10% of the issued capital. At balance sheet date, the legal reserve of the company amounts to 21.6 million EUR. Generally, this reserve cannot be distributed to the shareholders other than upon liquidation.

The amount of dividends payable to Tessenderlo Group nv by its operating subsidiaries is subject to general limitations imposed by the corporate laws, capital transfer restrictions and exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate. There are no other significant restrictions. Dividends paid to the company by certain of its subsidiaries are also subject to withholding taxes.

Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Hedging reserves

The hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedges to the extent the hedged risk has not yet impacted the income statement.

Dividends

The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of May 14, 2019, not to pay out a dividend for the 2018 financial year.

Capital Management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the issued capital, share premium and reserves. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with borrowings and the advantages and security afforded by a strong capital position. The gearing ratio at the end of 2018 is 32.1% (2017: 8.4%). The gearing is calculated as the net financial debt divided by the sum of the net financial debt and equity attributable to equity holders of the company. The increase of the gearing ratio can be explained by the acquisition of the 80% remaining shares of T-Power nv (note 4- Acquisitions and disposals).

20. EARNINGS PER SHARE

Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares and the earnings per share are calculated as follows:

	2018	2017
Adjusted weighted average number of ordinary shares at December 31*	**43,137,142**	**43,080,173**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	91.7	25.6
Basic earnings per share (in EUR)	**2.13**	**0.59**

* *Takes into account the effect of shares issued, which is based on the weighted average number of issued shares during the accounting period.*

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the diluted weighted average number of ordinary shares outstanding during the year.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

The weighted average number of ordinary shares (diluted) and the diluted earnings per share are calculated as follows:

	2018	2017
Adjusted weighted average number of ordinary shares at December 31	43,137,142	43,080,173
Effect of warrants issued*	3,059	6,564
Diluted weighted average number of ordinary shares at December 31	**43,140,201**	**43,086,737**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	91.7	25.6
Diluted earnings per share (in EUR)	**2.13**	**0.59**

* *The average share price used in the calculation of the earnings per share is based on the daily average closing share price of Tessenderlo Group quoted on the stock market.*

As per December 31, 2018, 8,000 warrants are outstanding that were granted to senior management, of which all were dilutive and were included in the calculation of the diluted earnings per share (the effect of warrants issued amounted to 3,059).

21. NON-CONTROLLING INTEREST

The detail of the non-controlling interest in subsidiaries of the group is as follows:

		Non-controlling interest percentage	
	Country	2018	2017
Environmentally Clean Systems LLC	US	30.99%	30.99%
ECS Myton, LLC	US	49.00%	49.00%
PB Gelatins (Wenzhou) Co. Ltd	China	20.00%	20.00%

Summary financial information of subsidiaries with a non-controlling interest at 100% as per December 31:

(Million EUR)	2018	2017
Non-current assets	2.1	2.4
Current assets	13.0	28.6
Total assets	**15.2**	**31.0**
Equity	3.4	1.8
Non-current liabilities	-	0.6
Current liabilities	11.8	28.6
Total equity and liabilities	**15.2**	**31.0**
Revenue	3.9	9.6
Cost of sales	-3.4	-9.6
Gross profit	0.6	0.0
Adjusted EBIT	0.3	-0.3
EBIT (Profit (+) / loss (-) from operations)	1.6	0.4
Finance (costs) / income - net	-0.0	-0.6
Profit (+) / loss (-) before tax	1.5	-0.2
Profit (+) / loss (-) for the period	1.5	-1.1

The decrease of the current assets and current liabilities is the result of the continued liquidation process of PB Gelatins Wenzhou Co., Ltd. which was started in December 2017. The group expects PB Gelatins Wenzhou Co., Ltd to be liquidated in 2019, which will lead to the recycling of the translation reserves included in equity to the income statement. As per December 31, 2018 these translation reserves amounted to +2.3 million EUR.

22. LOANS AND BORROWINGS

(Million EUR)	2018	2017
Non-current loans and borrowings	464.0	224.7
Current loans and borrowings	48.0	29.3
Total loans and borrowings	**512.0**	**254.0**
Cash and cash equivalents	-164.1	-195.5
Bank overdrafts	0.1	0.1
Net loans and borrowings	**348.0**	**58.7**

As per year-end 2018, the group net financial debt stood at 348.0 million EUR, implying a leverage of 2.0x. The net debt at year-end 2017 amounted to 58.7 million EUR. The increase of the net debt can be explained by the acquisition of the 80% remaining shares in T-Power nv on October 2, 2018. The group invested 313.2 million EUR in the acquisition, including 131.1 million EUR paid out to the selling shareholders and 182.1 million EUR of net financial debt that was taken over.

Reconciliation of changes in net loans and borrowings arising from cash flows and non-cash changes:

	note	Bank overdrafts	Cash and cash equivalents	Lease payable within 1 year	Lease payable more than 1 year	Current loans and borrowings	Non-current loans and borrowings	Total
Net financial debt as per January 1, 2017		**0.0**	**119.2**	**-0.1**	**-0.1**	**-28.8**	**-226.8**	**-136.6**
Cash flows		-0.1	89.1	0.0	0.1	-0.5	2.2	90.8
Effect of exchange rate differences		-0.0	-12.8	-0.0	-0.0	0.0	-0.0	-12.8
Net financial debt as per December 31, 2017		**-0.1**	**195.5**	**-0.1**	**-0.1**	**-29.3**	**-224.6**	**-58.7**
Net financial debt as per January 1, 2018		**-0.1**	**195.5**	**-0.1**	**-0.1**	**-29.3**	**-224.6**	**-58.7**
Cash flows		0.0	-34.3	0.0	0.0	-2.1	6.9	-29.3
Acquisitions through business combinations	3	-	-	-	-	-16.6	-246.1	-262.7
Effect of exchange rate differences		-0.0	2.9	0.0	0.0	-0.0	-0.2	2.7
Net financial debt as per December 31, 2018		**-0.1**	**164.1**	**0.0**	**0.0**	**-48.0**	**-463.9**	**-348.0**

Non-current and current loans and borrowings

(Million EUR)	2018	2017
Non-current loans and borrowings		
Lease payables	0.0	0.1
Bonds (maturity date in 2022 and 2025)	223.6	223.6
Syndicated credit facility T-Power nv	232.5	-
Credit institutions	7.9	1.0
Total	**464.0**	**224.7**
Current loans and borrowings		
Lease payable within 1 year	0.0	0.1
Current portion syndicated facility T-Power nv	16.8	-
Current portion long term loans and borrowings	1.2	1.9
Credit institutions and commercial paper	30.0	27.3
Total	**48.0**	**29.3**

The non-current loans and borrowings include two series of bonds, issued in July 2015, with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds"), both with a fixed rate of 2.875% and 3.375% respectively.

The syndicated credit facility of T-Power nv is a ring fenced financing without any recourse to Tessenderlo Group nv. The facility has half yearly capital reimbursements in June and December (till 2028). If the 5-year extension option of the tolling agreement with RWE group would be exercised, the reimbursement period of this credit facility would be prolonged till 2031. The interest rate due is the 6 months EURIBOR plus a spread. For 80% of the outstanding loan, the 6 months EURIBOR was fixed at 4.0% through a series of forward rate agreements (note 26 - Financial instruments). The assets are serving as guarantee for the loan. The syndicated credit facility contains a covenant stating a minimum required debt service cover ratio (based on the last 12 months). This covenant has been complied with as per December 31, 2018.

Tessenderlo Kerley, Inc. purchased a new headquarters in Phoenix (Arizona, US) in 2018. The acquisition was financed with a USD loan, of which 7.2 million EUR was included in non-current loans and borrowings and 0.9 million EUR in current loans and borrowings as per year-end 2018. The loan has a maturity of 10 years at a fix rate of 3.95%. The building is serving as guarantee for the loan.

The group has access to a Belgian commercial paper program of 200.0 million EUR of which 30.0 million EUR was used at the end of December 2018 and is included in current loans and borrowings (December 31, 2017: 27.0 million EUR). These are issued by Tessenderlo Group nv, the parent company.

There has been no drawdown as per December 31, 2018 on the 5 year committed bi-lateral credit lines. The committed bi-lateral credit lines amount to 142.5 million EUR (of which part can be drawn in USD).

Non-current and current loans and borrowings by currency

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2018):

(Million EUR)	EUR	USD	Other	Total
Current loans and borrowings	47.1	0.9	0.0	**48.0**
Non-current loans and borrowings	456.7	7.2	0.0	**464.0**
Total loans and borrowings	**503.8**	**8.1**	**0.1**	**512.0**
In percentage of total loans and borrowings	**98.4%**	**1.6%**	**0.0%**	**100.0%**

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2017):

(Million EUR)	EUR	Other	Total
Current loans and borrowings	28.9	0.4	**29.3**
Non-current loans and borrowings	224.6	0.1	**224.7**
Total loans and borrowings	**253.6**	**0.4**	**254.0**
In percentage of total loans and borrowings	**99.8%**	**0.2%**	**100.0%**

Finance leasing

There are no individual significant finance lease contracts for 2018 and 2017.

23. EMPLOYEE BENEFITS

The provisions for employee benefits recognized in the balance sheet as of December 31 are as follows:

	2018				2017			
(Million EUR)	Early retirement provision	Defined benefit liability	Other employee benefits	Total	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Non-current	3.0	50.0	5.0	57.9	4.3	46.5	5.0	55.7
Current	1.1	-	0.2	1.3	1.4	-	0.1	1.5
Total	**4.1**	**50.0**	**5.1**	**59.2**	**5.7**	**46.5**	**5.1**	**57.2**

	2018			
(Million EUR)	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Balance at January 1, 2018	**5.7**	**46.5**	**5.1**	**57.2**
Additions	0.1	4.6	0.4	5.1
Use of provision	-1.4	-0.3	-0.2	-2.0
Reversal of provisions	-0.3	-0.8	-0.2	-1.3
Translation differences	-	0.0	0.0	0.0
Balance at December 31, 2018	**4.1**	**50.0**	**5.1**	**59.2**

The early retirement provision amounts to 4.1 million EUR as per December 31, 2018, of which 3.5 million EUR relates to the closure of the phosphate production in 2013 (recognized in accordance with the guidance in IAS 19 for termination benefits).

The provisions for other employee benefits include long-service benefits (e.g. medal of honor of labor, jubilee premiums,…).

General description of the type of plan

Employee Benefits

These liabilities are recorded to cover the post-employment benefits and cover the pension plans and other benefits in accordance with local practices and conditions, following an actuarial calculation taking into account the financing of insurance companies and other pension funds. The most important pension plans are located in Belgium, the Netherlands, the United Kingdom and Germany.

Defined contribution pension plans

Defined contribution pension plans are plans for which the group pays pre-determined contributions to a legal entity or a separate fund, in accordance with the settings of the plan. The group's legal or constructive obligation is limited to the amount contributed. The contributions are recognized as an expense in the income statement as incurred and are included in note 7 - Payroll and related benefits.

Defined benefit pension plans

The defined benefit pension plans provide benefits related to the level of salaries and the years of service. These plans are financed externally by pension funds or insurance companies. Independent actuaries perform an actuarial valuation on an annual basis.

The defined benefit pension plans in Belgium are all final salary pension plans which provide benefits to members in the form of a guaranteed pension capital (payable either as capital or pension for life). These plans are covered by a trustee administered pension fund and group insurance contracts. The level of benefits provided depends on members' length of service and the average salary in the final 3 years leading up to retirement, or the average salary of the best 3 consecutive years, if higher.

The defined contribution plans in Belgium are legally subject to a minimum guaranteed return (the legal minimum guaranteed return as from January 1, 2016 is 1.75%, while before it was 3.25% for employer contributions). If the legal minimum guaranteed return is sufficiently covered, the group has no obligation to pay further contributions than those that are recognized as an expense in the income statement as the related service is provided. The Belgian defined contribution pension plans are to be treated as defined benefit pension plans under IAS 19 as they do not meet all criteria to be accounted for as pure defined contribution pension plans under IFRS. The group follows the prescribed methodology for measurement and accounting for defined benefit pension plans in line with IAS 19 § 57.(a), meaning the projected unit credit method. In the context of a defined contribution pension plan with guaranteed return, this means that the defined benefit obligation is the present value of the projected total expected benefit (ultimate cost) for a full career using accumulated rights at date of calculation and adding expected future contributions (projected using salary increase assumption) which relates to the service rendered at the date of calculation and reporting. The future contributions are accumulated with the legal minimum return. The group recognizes the difference between the defined benefit obligation and the fair value of plan assets (IAS 19 § 57.(a) (iii)) on the balance sheet.

The plan assets of the Belgian defined contribution plans are included in the Belgian pension fund "OFP Pensioenfonds" or are insured externally through insurance contracts. For the plans financed with insurance contracts, several rates are guaranteed by insurance companies on the reserves and on different levels of the premiums depending on the levels reached at certain dates:

- For the contributions paid until January 1, 2001, the guaranteed interest rate equals 4.75%;
- For the contributions paid during the period from January 1, 2001 until January 1, 2013, the guaranteed interest rate equals 3.25%;

- For the contributions paid as from January 1, 2013 until April 1, 2015, the guaranteed interest rate equals 1.75%;
- For the contributions paid during the period from April 1, 2015 until October 1, 2015, the guaranteed interest rate equals 0.75%;
- For the contributions paid as from October 1, 2015 until October 1, 2016, the guaranteed interest rate equals 0.50%;
- For the contributions paid as from October 1, 2016, the guaranteed interest rate equals 0.10%.

The UK and German pension plans are final salary pension plans providing a guaranteed pension payable for life. The UK plan is covered by a trustee administered pension fund and the German plan is covered by recognized provisions in the consolidated statement of financial position.

For the UK and Belgian plans covered by trustee administered pension funds, the board of trustees must consist of representatives of the company and plan participants in accordance with the plan regulations. The governance responsibility for these plans rests with the board of trustees.

Through its defined benefit pension plans, the group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility: The group performs on a regular basis asset-liability studies for the trustee administered pension funds to ensure an accurate match between plan assets and liabilities. The plans hold significant investments in investment funds, which include quoted equity shares, and are thus exposed to equity market risks.
- Inflation, interest rate and life expectancy: The pensions in most of the plans are linked to inflation, therefore the pension plans are exposed to risks linked to inflation, interest rate and life expectancy of pensioners.

The group considers all defined benefit pension plans as having similar characteristics and risks.

Defined benefit pension plans

The amounts recognized in the statement of financial position are as follows:

(Million EUR)	note	2018	2017
Present value of wholly funded obligations		-41.2	-46.1
Present value of partially funded obligations		-91.7	-88.7
Present value of wholly unfunded obligations		-26.4	-25.6
Total present value of obligations		**-159.2**	**-160.5**
Fair value of plan assets		**112.3**	**115.8**
Net defined benefit (liability)/asset		**-46.9**	**-44.6**
Amounts in the statement of financial position:			
Liabilities		-50.0	-46.5
Assets	16	3.1	1.8
Net defined benefit (liability)/asset		**-46.9**	**-44.6**

The following table shows a reconciliation of the net defined benefit (liability)/asset and its components:

(Million EUR)	2018			2017		
	Present value of obligations	Fair value of plan assets	Net defined benefit (liability)/ asset	Present value of obligations	Fair value of plan assets	Net defined benefit (liability)/ asset
Balance at January 1	**-160.5**	**115.8**	**-44.6**	**-163.7**	**112.6**	**-51.1**
Included in profit or loss						
Current service cost	-5.4	-	-5.4	-5.3	-	-5.3
Past service (cost)/benefit	-0.8	-	-0.8	-	-	-
Current service cost - Employee contribution	-	0.3	0.3	-	0.3	0.3
Interest (cost) / income	-2.5	2.0	-0.5	-2.7	2.1	-0.6
Administrative expenses	-	-0.3	-0.3	-	-0.3	-0.3
Total included in profit or loss	**-8.7**	**2.0**	**-6.7**	**-8.0**	**2.0**	**-6.0**
Included in other comprehensive income						
Remeasurements:						
- Gain/(loss) from change in demographic assumptions	0.6	-	0.6	0.7	-	0.7
- Gain/(loss) from change in financial assumptions	5.5	-	5.5	-1.8	-	-1.8
- Experience gains/(losses)	-2.0	-2.8	-4.8	4.0	6.4	10.4
Total included in other comprehensive income	**4.2**	**-2.8**	**1.4**	**2.8**	**6.4**	**9.2**
Other						
Exchange differences on foreign plans	0.1	-0.1	-0.1	2.4	-2.3	0.2
Contributions by employer	-	3.2	3.2	-	3.1	3.1
Benefits paid	5.7	-5.7	0.0	6.0	-6.0	0.0
Total other	**5.8**	**-2.7**	**3.1**	**8.5**	**-5.2**	**3.3**
Balance at December 31	**-159.2**	**112.3**	**-46.9**	**-160.5**	**115.8**	**-44.6**

The past service cost is related to the UK defined benefit pension plan. Following a High Court ruling in October 2018, it was decided that UK pension schemes with Guaranteed Minimum Pensions (GMPs) built up from 17 May 1990 to 5 April 1997 must equalize benefits for the different effects of these GMPs between men and women. A first assessment of the impact of the GMP equalization led to an increase of the pension liability by 0.7 million GBP.

The 2018 gain from change in financial assumptions, included in other comprehensive income, is mainly the result of the increase of the discount rate used to calculate the present value of the defined benefit obligations (2018 weighted average discount rate of 1.8%, compared to 1.6% in 2017).

The 2018 experience losses, included in other comprehensive income, are the result of higher than expected payroll costs and a lower than expected 2018 return on plan assets.

The net periodic pension cost is included in the following line items of the income statement:

(Million EUR)	note	2018	2017
Cost of sales		-0.8	-0.8
Distribution expenses		-0.1	-0.2
Sales and marketing expenses		-0.1	-0.1
Administrative expenses		-3.2	-2.9
Other operating income and expenses		-1.3	-1.3
EBIT adjusting items		-0.8	-
Finance (costs) / income - net	9	-0.5	-0.6
Total		**-6.7**	**-6.0**

The actual return on plan assets in 2018 was -0.8 million EUR (2017: 8.5 million EUR).

The group expects to contribute 2.8 million EUR to its defined benefit pension plans in 2019.

The fair value of the major categories of plan assets is as follows:

(Million EUR)	2018				2017			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Property	-	4.0	4.0	3.6%	-	4.0	4.0	3.5%
Qualifying insurance policies	-	20.6	20.6	18.4%	-	18.5	18.5	16.0%
Cash and cash equivalents	-	7.6	7.6	6.7%	-	5.6	5.6	4.8%
Investment funds	78.0	-	78.0	69.4%	85.6	-	85.6	73.9%
Tessenderlo Group bond with maturity date July 15, 2022	2.1	-	2.1	1.9%	2.1	-	2.1	1.8%
Total	**80.1**	**32.3**	**112.3**	**100.0%**	**87.7**	**28.1**	**115.8**	**100.0%**

The plan assets include no property occupied by the group and no shares of the parent company nor of subsidiaries.

The investment funds include a portfolio of investments in equity, fixed interest investments and other financial assets. This diversification reduces the portfolio risk to a minimum.

The principal actuarial assumptions used in determining pension benefit obligations for the group's plans at the balance sheet date (expressed as weighted averages) are:

	2018	2017
Discount rate at 31 December	1.8%	1.6%
Future salary increases	1.0%	1.0%
Inflation	2.2%	2.2%

Assumptions regarding future mortality are based on published statistics and mortality tables, and are the following:

Mortality table	
Belgium	MR/FR - 3
United Kingdom	Non Pensioners: 100% S2PMA / 100% S2PFA YOB CMI 2017 [1.5% M / 1.25% F] from 2007 Pensioners: 93% S2PMA / 89% S2PFA YOB CMI 2017 [1.5% M / 1.25% F] from 2016
Germany	© RICHTTAFELN 2018 G von Klaus Heubeck - Lizenz Heubeck-Richttafeln-GmbH, Köln

For the UK and Belgian plans covered by trustee administered pension funds, an asset-liability matching exercise is performed at least every 3 years, in line with the Statements of Investment Principles (SIP) of the funds. The trustees ensure that the investment strategy as outlined in the SIP is in line with the assets and liabilities management (ALM) strategy and is closely followed by the investment managers.

For the UK plan the next triennial funding valuation will be completed as at January 1, 2020. For the Belgian plan a funding valuation is completed every year. The group doesn't expect the regular contributions to increase significantly.

The weighted average duration of the defined benefit obligation is 10 years for the pension plans in the euro zone. The duration of the UK pension plan is 18 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions, as per December 31, 2018, is:

	Change in assumption	Impact on defined benefit obligation	Change in assumption	Impact on defined benefit obligation
Discount rate	+0.5%	-6.4%	-0.5%	7.2%
Salary growth rate	+0.5%	1.5%	-0.5%	-1.3%
Pension growth/inflation rate	+0.5%	4.4%	-0.5%	-3.6%
Life expectancy	+ 1 year	1.7%	- 1 year	-1.6%

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions stable. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Share-based payments

In the past warrant plans were created in order to increase the loyalty and motivation of the group's senior management. The plans gave senior management the opportunity to accept warrants which gave them the right to subscribe to shares. The Board of Directors determined annually the list of beneficiaries. There existed no conditions on the number of years of service, however the beneficiaries could not have resigned or been dismissed (and were serving their notice). The Appointment and Remuneration Committee allocated the warrants granted to the beneficiaries based on performance.

The exercise price of the warrant equaled the lower of the average market price of the underlying shares in the 30 trading days preceding the offer date or the market price on the last day preceding the offer date. For American residents, the exercise price equaled the price of the normal shares of Tessenderlo Group nv at the stock exchange closing on the day itself of the offer.

The table below gives an overview of the granted warrants at December 31, 2018:

Allocation date	Last exercise date	Average exercise price	Number of outstanding warrants
January '13	December '19	20.81	8,000
Total			**8,000**

IFRS 2 *Share-based payment* requires share based payments made to employees to be recognized in the financial statements based on the fair value of the warrants measured at grant date.

No new offering of warrants to the group's senior management took place in 2017 and 2018.

The number and weighted average exercise price of share warrants is as follows:

	2018		2017	
	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
Outstanding at the beginning of the period	24.06	18,200	35.21	117,345
Forfeited during the period	-	-	40.48	31,250
Exercised during the period	26.61	10,200	35.77	67,895
Granted during the period	-	-	-	-
Outstanding at the end of the period	20.81	8,000	24.06	18,200
Exercisable at the end of the period	20.81	8,000	24.06	18,200

10,200 warrants were exercised in 2018 at a weighted average exercise price of 26.61 EUR. The actual weighted average share price at the exercise dates was 33.23 EUR.

As per year-end 2018, 8,000 warrants are exercisable at an average exercise price of 20.81 EUR (the actual exercise price being between 20.76 EUR and 20.95 EUR).

The weighted average remaining contractual life of the warrants outstanding as per December 31, 2018 is 0.9 years (2017: 1.3 years).

24. PROVISIONS

	2018			2017		
(Million EUR)	Current	Non-Current	Total	Current	Non-Current	Total
Environment	9.2	99.0	108.1	5.9	103.2	109.0
Dismantlement	-	20.6	20.6	-	20.7	20.7
Restructuring	0.5	2.6	3.1	2.5	2.4	4.9
Other	6.3	6.6	13.0	5.8	6.0	11.9
Total	**16.0**	**128.8**	**144.8**	**14.1**	**132.4**	**146.5**

	Environment	Dismantlement	Restructuring	Other	Total
Balance at January 1, 2018	**109.0**	**20.7**	**4.9**	**11.9**	**146.5**
Acquisitions through business combinations	-	-	-	1.0	1.0
Additions	1.8	0.2	0.5	1.2	3.7
Use of provisions	-3.0	-0.4	-1.7	-0.4	-5.6
Reversal of provisions	-	-	-0.6	-0.6	-1.1
Effect of discounting	0.2	-	-	-	0.2
Translation differences	-0.0	0.1	-0.0	-0.0	0.1
Balance at December 31, 2018	**108.1**	**20.6**	**3.1**	**13.0**	**144.8**

The environmental provisions amount to 108.1 million EUR and mainly relate to environmental provisions to cover the cost for the remediation of historical soil and ground contamination of the factory sites in Ham (Belgium), Tessenderlo (Belgium), Vilvoorde (Belgium) and Loos (France). A reliable estimate of the amount of outflow of resources to settle this obligation was made and there were no significant changes in assumptions in 2018. The outstanding environmental provisions reflect the discounted value of the expected future cash out, spread over the period 2019-2054. The discount rate, derived from the yield curve of Belgian and French government bonds, varied between 0% and 2%. An increase of the discount rate by 1% would lower the environmental provisions by -13.2 million EUR.

The use of environmental provisions amounts to -3.0 million EUR in 2018 (2017: -3.8 million EUR), while the effect of unwinding the discount amounts to -1.0 million EUR in 2018 (2017: -1.0 million EUR), which is included in finance costs (note 9 - Finance costs and income). The impact on environmental provisions, following an adjustment of the timing and discounting of future cash outs, amounts to +0.7 million EUR and was recognized in EBIT adjusting items.

The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date and are based on the current knowledge on the potential exposure. These provisions are reviewed periodically and will be adjusted, if necessary, when additional information would become available. These provisions could change in the future due to the emergence of additional information on the nature or extent of the contamination, a change in legislation or other factors of a similar nature.

In France, some facilities are subject to regulations pertaining to environmentally regulated facilities (Classified Facilities for the Protection of the Environment "ICPE"). This legislation requires to dismantle the classified facilities. The dismantlement provision is included in the cost basis of the related property, plant and equipment, which cost is depreciated accordingly. The total provision recognized on those French facilities amounts to 17.6 million EUR as per December 31, 2018 (2017: 17.9 million EUR). The amounts recognized are based on an internal assessment and on the gross book value of the related assets. They reflect management's best estimate of the expected expenditures. The expected timing of the cash outflow is not yet known. However, no significant cash outflow is expected to take place within the foreseeable future.

The restructuring provisions amount to 3.1 million EUR and mainly relate to the recognition of restructuring provisions within the operating segment Bio-valorization, following an announced reorganization of the Akiolis activities at the Pontivy plant (France). The recognized restructuring provisions reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date.

The other provisions include provisions for onerous lease contracts, tax contingencies, pending commercial disputes and product liability claims, and several, individually less significant amounts.

No assets have been recognized as all expected reimbursements, if any, are deemed immaterial (e.g. resulting from the execution of environmental and dismantlement plans).

25. TRADE AND OTHER PAYABLES

(Million EUR)	2018	2017
Non-current trade and other payables		
Accrued charges and deferred income	1.3	2.0
Other amounts payable	1.3	4.4
Total	**2.6**	**6.4**
Current trade and other payables		
Trade payables	164.2	169.1
Remuneration and social security	59.9	57.0
VAT and other taxes	9.9	12.0
Accrued charges and deferred income	6.1	7.0
Trade and other payables from related parties	1.7	1.6
Other amounts payable	5.2	8.5
Total	**247.1**	**255.2**

26. FINANCIAL INSTRUMENTS

Foreign currency risk

The group is exposed to fluctuations in exchange rates which may lead to profit or loss in currency transactions. The group's assets, earnings and cash flows are influenced by movements in foreign exchange rates. More in particular, the group incurs foreign currency risks on, amongst others, sales, purchases, investments and borrowings that are denominated in a currency other than the group's functional currency. The currencies giving rise to this risk are primarily USD (US dollar), GBP (British pound) and CNY (Chinese yuan). Movements in foreign currency therefore may adversely affect the group's business, results of operation or financial condition.

Subsidiaries are required to submit information on their net foreign exchange positions when invoiced (customers, suppliers) to Tessenderlo Group nv, the parent company. All the positions are netted at the level of Tessenderlo Group nv and the net positions (long/short), are then sold or bought on the market. The main management tools are the spot purchases and sales of currencies followed by currency swaps.

Group borrowings are generally carried out by the group's holding and finance companies, which make the proceeds of these borrowings available to the operating entities. In principle, operating entities are financed in their functional currency. As from March 2015, the group no longer uses currency swaps to hedge intragroup loans.

In emerging countries, it is not always possible to borrow in local currency because local financial markets are too narrow, funds are not available or because the financial conditions are too onerous. Those amounts are relatively small for the group.

The group's exposure to foreign currency risk was as follows based on nominal amounts (for the exchange rates used, please refer to note 1 - Summary of significant accounting policies):

	2018				2017			
(Million EUR)	EUR*	CNY	USD	GBP	EUR*	CNY	USD	GBP
Assets	11.6	275.1	409.3	53.5	8.8	325.8	566.1	37.7
Liabilities	-17.3	-0.0	-131.0	-0.6	-15.3	-0.0	-88.7	-0.0
Gross exposure	**-5.7**	**275.1**	**278.3**	**52.9**	**-6.5**	**325.8**	**477.4**	**37.6**
Foreign currency swaps	-4.0	-	-	-2.3	-3.4	-	-	-1.0
Net exposure	**-9.7**	**275.1**	**278.3**	**50.6**	**-9.9**	**325.8**	**477.4**	**36.6**
Net exposure (in EUR)	**-9.7**	**34.9**	**243.1**	**56.6**	**-9.9**	**41.8**	**398.1**	**41.3**

* *EUR includes the exposure to foreign currency risk in EUR and several, individual insignificant foreign currencies expressed in EUR.*

The USD, CNY and GBP exposure is mainly due to intragroup loans which are no longer hedged since March 2015.

The decrease in net USD exposure is mainly explained by the conversion of USD cash into EUR (note 18 - Cash and cash equivalents).

If the euro had strengthened or weakened by 10% against following currencies with all other variables being held constant, the impact on equity and post-tax profit for the year would have been as follows:

(Million EUR)	Change in rate	Impact on the income statement: loss(-)/gain(+)	Impact on equity: loss(-)/gain(+)
At December 31, 2018			
USD	+10%	-29.5	-41.8
	-10%	36.1	51.1
GBP	+10%	-3.7	-2.1
	-10%	4.5	2.6
CNY	+10%	-2.6	-2.1
	-10%	3.2	2.6
At December 31, 2017			
USD	+10%	-44.0	-50.1
	-10%	53.8	61.3
GBP	+10%	-3.2	-2.3
	-10%	3.9	2.8
CNY	+10%	-2.6	-2.2
	-10%	3.2	2.7

The potential impact on equity and post-tax profit as a consequence of a change in USD, GBP or CNY is mainly caused by non-hedged intragroup loans, and would therefore not impact the cash flow generated by the group.

Credit risk

The group is subject to the risk that the counterparties with whom it conducts its business (in particular its customers) and who have to make payments to the group, are unable to make such payments in a timely manner or at all. In order to manage its credit exposure, a credit committee per business unit has been created to determine a credit policy with credit limit requests, approval procedures, continuous monitoring of the credit exposure and dunning procedure in case of delays. The group has moreover globally elaborated a credit insurance program to protect accounts receivable from third party customers against non-payment.

Every legal entity of the group is participating to this program and the insurance is provided by highly top rated international credit insurance companies. A large majority of the receivables (around 95%) is covered under this group credit insurance program. The contract protects the insured activities against non-payment with a deductible of 10% and foresees an indemnification cap at group level. The program foresees a pay-out of the insured claims within 6 months after declaration.

The group has no significant concentration of credit risk. However, there can be no assurance that the group will be able to limit its potential loss of proceeds from counterparties who are unable to pay in a timely manner or at all. The liquidities available at year-end are deposited for very short term at highly rated international banks.

The maximum exposure to credit risk amounts to 466.0 million EUR as per December 31, 2018 (2017: 494.0 million EUR). This amount consists of current and non-current trade and other receivables (301.0 million EUR, note 16 - Trade and other receivables), current derivative financial instruments (0.9 million EUR) and cash and cash equivalents (164.1 million EUR, note 18 - Cash and cash equivalents).

The maximum exposure to credit risk for trade receivables at the reporting date by operating segment was (note 16 - Trade and other receivables):

(Million EUR)	2018	2017
Agro	103.6	90.0
Bio-valorization	76.2	73.0
Industrial Solutions	66.6	68.0
T-Power	0.2	-
Other	0.1	2.4
Non-allocated	2.3	2.8
Total	**249.0**	**236.2**

The ageing of trade receivables at the reporting date was:

	2018		2017	
(Million EUR)	Gross	Amounts written off	Gross	Amounts written off
Not past due	209.8	-	194.6	-
Past due 0-30 days	33.7	-0.1	35.2	-0.0
Past due 31-120 days	4.8	-0.1	5.6	-0.1
Past due 121-365 days	0.6	-0.3	0.6	-0.2
More than one year	4.5	-3.8	4.7	-4.0
Total	**253.4**	**-4.4**	**240.6**	**-4.3**

The group estimates that the un-impaired amounts that are past due are still collectible, based on historic payment behavior and extensive analysis of customer credit risk.

Based on the group's monitoring of customer credit risk, the group estimates that, except for the amounts mentioned in the table above, no impairment allowance is necessary in respect of trade receivables not past due.

The movement in the allowance for impairment in respect to trade receivables during the year was as follows:

(Million EUR)	note	2018	2017
Balance at January 1		**-4.3**	**-6.6**
Use of impairment loss		0.8	1.2
Reversal / (recognition) of impairment losses	5	-0.5	1.0
Other movements		-0.3	0.1
Balance at December 31	**16**	**-4.4**	**-4.3**

Interest risk

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

At the reporting date, the group's interest-bearing financial instruments were:

(Million EUR)	note	2018	2017
Fixed rate instruments			
Financial assets	18	37.2	140.9
Loans and borrowings	22	232.7	227.0
Variable rate instruments			
Financial assets	18	126.9	54.6
Loans and borrowings	22	279.4	27.1

A detailed description of the outstanding loans and borrowings is provided in note 22 - Loans and borrowings.

The loans and borrowings with a variable rate mainly relate to the T-Power nv syndicated facility, of which approximately 80% is hedged through a series of forward rate agreements. The remaining loans and borrowings with a variable rate relate to the commercial paper program (30.0 million EUR). Movements in interest rates would therefore not have a significant impact on the group's cash flow or result.

Liquidity Risk

Liquidity risk is defined as the risk that a company may have 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:

- the set-up of a factoring program at the end of 2009, which is put on hold since 2015.
- a capital increase of 174.8 million EUR in December 2014.
- the issuance in July 2015 of two series of bonds with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds"). The total issue amount was 250.0 million EUR, of which 192.0 million EUR for the 2022 bonds and 58.0 million EUR for the 2025 bonds.
- the replacement of the syndicated facility agreement (terminated in December 2015) by 5 year committed bi-lateral agreements for a total amount of 142.5 million EUR (of which part can be drawn in USD) with four banks. These facilities have no financial covenants and ensure maximum flexibility for the different activities.

In addition, the group uses a commercial paper program of maximum 200.0 million EUR.
The group regularly projects short and long-term forecasts in order to adapt financial means to forecasted needs.

The following are the contractual maturities of loans and borrowings, including interest payments:

(Million EUR)	2018 Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
Non-derivative loans and borrowings					
Bond with maturity date July 15, 2022	165.6	182.5	4.8	177.7	-
Bond with maturity date July 15, 2025	58.0	70.8	2.0	7.8	61.0
Syndicated credit facility T-Power nv	249.3	281.8	20.7	106.6	154.5
Credit institutions (commercial paper)	30.0	30.0	30.0	-	-
Credit institutions	9.0	11.0	1.5	4.5	4.9
Bank overdrafts	0.1	0.1	0.1	-	-
Finance lease liabilities	0.1	0.1	0.0	0.0	-
Total	**512.1**	**576.2**	**59.0**	**296.7**	**220.5**
Derivatives					
Foreign currency swaps	-0.0				
Inflow		6.7	6.7	-	-
Outflow		-6.7	-6.7	-	-
Interest rate swaps	-38.7				
Inflow		4.5	-	1.9	2.7
Outflow		-43.4	-8.4	-26.0	-9.0
Total	**-38.7**	**-38.9**	**-8.4**	**-24.1**	**-6.4**

(Million EUR)	2017 Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
Non-derivative loans and borrowings					
Bond with maturity date July 15, 2022	165.6	187.2	4.8	182.5	-
Bond with maturity date July 15, 2025	58.0	72.8	2.0	7.8	63.0
Credit institutions (commercial paper)	27.0	27.0	27.0	-	-
Credit institutions	3.3	3.7	2.4	0.5	0.8
Bank overdrafts	0.1	0.1	0.1	-	-
Finance lease liabilities	0.1	0.1	0.1	0.1	-
Total	**254.1**	**291.0**	**36.3**	**190.9**	**63.8**
Derivatives					
Foreign currency swaps	0.0				
Inflow		4.5	4.5	-	-
Outflow		-4.5	-4.5	-	-
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimation of fair value of financial assets and liabilities

The fair value of non-derivative loans and borrowings is calculated based on the net present value of future principal and interest cash flows discounted at market rate. These are based on market inputs from reliable financial information providers. Therefore, the fair value of the fixed interest-bearing loans and borrowings is within level 2 of the fair value hierarchy.

The fair value of the non-current loans and borrowings at fixed interest rate, measured at amortized cost in the statement of financial position as per December 31 is presented below:

(Million EUR)	2018 Carrying amount	2018 Fair value	2017 Carrying amount	2017 Fair value
Non-current loans and borrowings				
Leasing payables	0.0	0.0	-0.1	-0.1
Credit institutions	-7.9	-8.2	-1.0	-1.2
Bonds (maturity date in 2022 and 2025)	-223.6	-235.1	-223.6	-237.4

The bonds issued in 2015 with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds") were respectively quoted at 105.1% and 105.3% as per December 31, 2018.

The fair value of the following financial assets and liabilities approximates their carrying amount:

- Trade and other receivables
- Other investments
- Cash and cash equivalents
- Current loans and borrowings
- Trade and other payables

Fair value of derivative financial instruments

The following table shows the carrying amounts of derivative financial instruments measured at fair value in the statement of financial position including their levels in the fair value hierarchy:

	2018							
	Carrying amount balance sheet				Fair value hierarchy			
(Million EUR)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Level 1	Level 2	Level 3	Total
Foreign currency swaps	0.0	-	-0.0	-	-	0.0	-	0.0
Interest rate swaps	-	-	-8.4	-30.3	-	-38.7	-	-38.7
Electricity and gas forward contracts	0.9	-	-5.2	-10.4	-	0.9	-15.7	-14.7
Total	**0.9**	**-**	**-13.6**	**-40.8**	**0.0**	**-37.8**	**-15.7**	**-53.5**

	2017							
	Carrying amount balance sheet				Fair value hierarchy			
(Million EUR)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Level 1	Level 2	Level 3	Total
Foreign currency swaps	0.0	-	-0.0	-	-	0.0	-	0.0
Electricity forward contracts	-	-	-6.1	-11.2	-	-	-17.4	-17.4
Total	**0.0**	**0.0**	**-6.1**	**-11.2**	**-**	**0.0**	**-17.4**	**-17.4**

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

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

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

The following table indicates the fair values of all outstanding derivative and other financial instruments at year-end:

(Million EUR)	2018		2017	
	Contractual amount	Fair value	Contractual amount	Fair value
Foreign currency swaps	6.7	-0.0	4.5	0.0
Interest rate swaps	-38.8	-38.7	-	-
Electricity and gas forward contracts	N/A	-14.7	N/A	-17.4
Total	**-32.2**	**-53.5**	**4.5**	**-17.4**

The contractual amount indicates the volume of outstanding derivatives at the balance sheet date and therefore does not reflect the group's exposure to risks from such transactions.

The total fair value of the derivative financial instruments at December 31, 2018 amounts to -53.5 million EUR (2017: -17.4 million EUR) and consists of :

- a series of forward interest rate agreements, with maturity date in the period 2019-2026
- foreign currency swaps, with maturity date in January 2019
- an electricity forward contract, with maturity date in June 2026
- electricity and gas forward contracts, with maturity date in the first quarter of 2019.

The interest rate due on the syndicated credit facility of T-Power nv is the 6 months EURIBOR plus a spread. At inception of the loan (in 2008), the interest on 80% of the loan was fixed at a rate of 4.0% per annum (plus applicable fixed spreads) through a series of forward rate agreements for the period 2008-2026. Per December 31, 2018, the fair value of these instruments amounts to -38.7 million EUR. In agreement with the requirements of IAS 39, these derivatives have been designated as hedging instruments in a cash flow relationship. The change in fair value is therefore recognized in the hedging reserves (Other comprehensive income).

The table below indicates the underlying contractual amount of the outstanding foreign currency contracts per currency at year-end (selling of foreign currencies):

(Million EUR)	2018		2017	
	Amount in foreign currency	Amount in EUR	Amount in foreign currency	Amount in EUR
GBP	2.3	2.5	1.0	1.1
JPY	385.0	3.0	281.7	2.1
Other		1.1		1.3
Total		**6.7**		**4.5**

The group sold the majority of its PVC/Chlor-Alkali activities in the third quarter of 2011. The electricity purchase agreement relating to that activity was not part of the sale transaction and therefore the group is still under an obligation to purchase certain quantities of electricity. As the group no longer needs the electricity for its own use, it needs to sell the electricity on the market until the end of the contract.

Because of significant unobservable inputs, a level 3 fair value measurement is applied for the fair value measurement of the electricity purchase agreement ('PPA' – Purchase Power Agreement), for which the own-use exemption under IAS 39 is not applicable anymore. The value of the contract is depending on the current and future difference between market electricity prices and the generation cost based on market gas prices (the "spark spread"), and on the effect of the hourly pricing optimization as foreseen in the contract. Forward prices are only available for a 3-year period and for a base load product. The uncertainty beyond that period is higher on different important parameters (including also the regulatory environment), however based on more favorable market and regulatory condition assumptions, the fair value of the PPA contract is set to zero beyond the initial 3 years. The used base load future prices are calculated based on the 2018 average daily Zeebrugge Gas Yearly forward prices and on the 2018 average daily Endex Yearly forward electricity prices for Belgium. The future hourly optimization effect is calculated as an extrapolation of the trend since the start of the contract.

As per December 31, 2018 the inputs above lead to a net fair value of -15.7 million EUR compared to a net fair value of -17.4 million EUR as per December 31, 2017. The change in net fair value for an amount of +1.7 million EUR has been recognized as an EBIT adjusting item (note 6 - EBIT adjusting items).

The key assumptions used in the valuation as per December 31, 2018 are:

		2019	2020	2021
Gas forward price	EUR/MWh	20.8	19.3	18.4
Electricity forward price	EUR/MWh	51.0	45.7	44.1
Discount rate	5.5%			

The key assumptions used in the valuation as per December 31, 2017 are:

		2018	2019	2020
Gas forward price	EUR/MWh	17.1	16.8	16.5
Electricity forward price	EUR/MWh	37.3	35.0	35.1
Discount rate	5.5%			

The sensitivity of the valuation to changes in the principal assumptions is the following:

Change in assumption		Impact fair value (Million EUR)	
		2018	2017
Gas price	+1 EUR/MWh	-2.3	-2.3
Electricity price	+1 EUR/MWh	1.2	1.2
Spark spread optimization	+1 EUR/MWh	1.2	1.2
Discount rate	+1%	0.3	0.3
Running hours T-Power	+10%	-0.4	-0.1

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions stable. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. If the key assumptions of 2021 would also have been applied for the period 2022-June 2026, a period for which no market data is available, the fair value of the contract (2019-June 2026) would have amounted to -35.3 million EUR.

In the fourth quarter of 2018, the group also concluded some additional electricity and gas forward agreements with maturity date in the first quarter of 2019. These agreements have been concluded in order to partially fix the market electricity prices and the generation cost based on market gas prices (the "spark spread") of the purchase power agreement for the first quarter of 2019. The fair value of these instruments amounts to +0.9 million EUR as per December 31, 2018 and has been recognized as an EBIT adjusting item (note 6 - EBIT adjusting items).

The net change in fair value of derivative financial instruments before tax, as included in the other comprehensive income, amounts to +8.1 million EUR, and can be explained by the group's part in the change in fair value of the interest rate swaps of the joint-venture Jupiter Sulphur LLC, the associate T-Power nv (till October 2, 2018) and the subsidiary T-Power nv (since October 2, 2018). As a result of the T-Power nv step acquisition, the group recycled the change in fair value of derivative financial instruments, previously recognized in other comprehensive income for -7.6 million EUR, to the income statement for +7.6 million EUR (within EBIT adjusting items).

27. OPERATING LEASES

Leases as lessee

The non-cancellable operating leases are payable as follows:

(Million EUR)	2018	2017
Less than one year	22.7	24.0
Between 1 and 5 years	42.8	46.9
More than 5 years	12.1	7.7
Total	**77.6**	**78.6**

During the current year, 29.4 million EUR was recognized as an expense in the income statement in respect of operating leases as lessee (2017: 26.6 million EUR). Certain leases provide for additional payments that are contingent on volume. Contingent rents recognized in the income statement under operating leases amount to 3.6 million EUR (2017: 3.2 million EUR).

The non-cancellable operating leases mainly consist of land and buildings (29.7 million EUR), plant, machinery and equipment (16.8 million EUR) and furniture and vehicles (30.8 million EUR).

There are no significant leased properties which have been sublet by the group.

Some lease arrangements contain renewal options at normal market conditions. No restrictions are imposed by lease arrangements.

Leases as lessor

There are no significant assets leased out under operating leases.

28. GUARANTEES AND COMMITMENTS

(Million EUR)	2018	2017
Guarantees given by third parties on behalf of the group	25.5	25.5
Guarantees given on behalf of third parties	1.8	1.8
Guarantees received from third parties	4.1	2.7
Commitments related to capital expenditures	29.8	9.7

Guarantees given by third parties on behalf of the group mainly relate to the fulfillment of environmental obligations for 19.9 million EUR (2017: 19.9 million EUR) of Tessenderlo Group nv. The remaining balance consists of numerous other guarantees to secure financing, custom and other obligations.

Guarantees given on behalf of third parties mainly relate to guarantees given for the fulfillment of lease obligations.

The guarantees received from third parties concern guarantees, which suppliers grant to the group as guarantee for the proper execution of investment projects.

Capital expenditure contracted for at the end of the reporting period, but not yet incurred, amounts to 29.8 million EUR (2017: 9.7 million EUR). These commitments can be mainly explained by capital expenditure within Bio-valorization to grow gelatin specialties, ongoing capital expenditure to debottleneck production plants, investments in equipment and infrastructure to facilitate an improved valorization of animal by-products and the purchase of vehicles which were previously leased.

The shares of T-Power nv are pledged in first degree to guarantee the liabilities in respect of a “facility agreement” of 440.0 million EUR signed on December 18, 2008 between T-Power nv and a syndicate of banks. The T-Power nv shares are pledged in second degree to guarantee the ”tolling agreement” for the entire 425 MW capacity signed on August 13, 2008 between T-Power nv and RWE group. The tolling agreement has a 15 years duration with an optional 5-year extension thereafter.

The group and its subsidiaries have certain other contingent liabilities relating to long-term purchase obligations and commitments. The agreements typically concern strategic raw materials and goods and services, such as electricity and gas.

29. CONTINGENCIES

The group is confronted with a number of claims or potential claims and disputes, which are a consequence of the daily operational activities. To the extent such claims and disputes are such that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation, suitable provisions have been made.

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

These provisions are reviewed periodically and adjusted, if necessary, as assessments and work proceeds and additional information becomes available. Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation or other factors of a similar nature.

As stated in note 24 - Provisions, the environmental provisions in accordance with the above policies aggregated to 108.1 million EUR at December 31, 2018 (December 31, 2017: 109.0 million EUR).

While it is not feasible to predict the outcome of all pending environmental exposures, it cannot be excluded that there will be a need for future provisions for environmental costs. In management's opinion, based on information currently available, such provisions would not have a material effect on the group's financial position, taking into account the current financial structure of the group. However it cannot be excluded that such provisions could have a material impact on the income statement of a specific accounting period.

Acquisition, investment and joint-venture agreements as well as divestments may contain habitual provisions leading to price adjustments. In addition, for divestments, proper consideration has been given to provisions for possible indemnifications payable to the acquirer, if any, including matters in the area of health, environment, tax, product liability, restructuring, competition, pensions and share incentives. Based on information currently available, the possibility of any significant cash outflow is considered to be remote.

The group has been allocated emission allowances for the period 2013-2020, that are yearly granted free of charge to cover operational emissions for products exposed to carbon leakage. Additional emission allowances will be purchased in case of any deficit. The cost of additional emission allowances purchased during 2018 was insignificant. The surplus or deficit of emission allowances over the next years may vary, depending on several factors such as future production volumes, process optimization and energy efficiency improvements, however management expects that the impact of any surplus or deficit of emission allowances over the next years will not significantly impact the group's consolidated financial statements.

The carrying amount of emission allowances included in other intangible assets amounts to 4.5 million EUR as per December 31, 2018 (2017: 0.4 million EUR). The emission allowances, which T-Power nv held at acquisition date October 2, 2018, were recognized at fair value at acquisition date (2.1 million EUR). Moreover the group purchased in 2018 emission allowances for a value of 2.5 million EUR in order to cover, mainly, expected future emissions.

30. RELATED PARTIES

The company, which has no controlling shareholder, has a related party relationship with its subsidiaries, associates, joint-ventures and with its main shareholder (Verbrugge nv, controlled by Picanol nv, and its affiliated company Symphony Mills), directors and its Executive Committee. The Belgian pension fund "OFP Pensioenfonds", which covers the post-employment benefit obligation of the employees of some Belgian subsidiaries, is also considered to be a related party.

As per December 31, 2018, Verbrugge nv, controlled by Picanol nv, is holding 16,786,389 shares (38.91 % of the company). Its affiliated company Symphony Mills nv holds 1,832,200 shares (4.25%). Picanol Group is a listed Belgian industrial company and specialized in the development, production and sale of weaving machines, engineered casting solutions and custom-made controllers. Picanol Group is represented in the Board of Directors through two members: Mr. Stefaan Haspeslagh (Chairman Picanol Group) and Mr. Luc Tack (Managing Director Picanol Group).

The group purchased and sold goods and services to various related parties in which the group holds a 50% or less equity interest (note 14 - Investments accounted for using the equity method). Such transactions were conducted at arm's length with terms comparable to transactions with third parties.

Premiums for an amount of 1.5 million EUR were paid to the Belgian pension fund, "OFP Pensioenfonds" (2017: 1.5 million EUR). Liabilities related to employee benefit schemes as per December 31, 2018 include 14.2 million EUR related to the "OFP Pensioenfonds" (2017: 10.6 million EUR).

Transactions only have taken place with the main shareholder, joint-ventures, associates, the members of the Executive Committee and the Board of Directors.

Transactions with the main shareholder:

(Million EUR)	2018	2017
Other operating income	0.1	0.0
Trade and other receivables	0.1	0.0

The transactions relate to legal and ICT services which are provided by the group through a service level agreement.

Transactions with joint-ventures[19]:

(Million EUR)	2018	2017
Transactions with joint-ventures - Sales	4.7	45.9
Transactions with joint-ventures - Purchases	-24.8	-19.1
Non-current assets	10.0	8.3
Current assets	0.5	3.0
Current liabilities	1.7	1.6

The 2017 and 2018 revenue with joint-ventures can mainly be explained by sales of S8 Engineering Inc. (former Tessenderlo Kerley Services Inc.), which has executed engineering and construction activities for the joint-venture Jupiter Sulphur LLC. The project was finalized in 2018.

[19] *We refer to note 14 - Investments accounted for using the equity method for more information on the group's joint-ventures.*

The non-current assets (10.0 million EUR) mainly refer to a 11.0 million USD loan, given by Tessenderlo Kerley Inc. to the joint-venture Jupiter Sulphur LLC (10.0 million USD as per December 31, 2017). The loan is interest bearing (3.0%) and is reimbursable in the period 2020-2023. Jupiter Sulphur LLC obtained the same amount from the other joint-venture partner. The funds were used to finance the current ongoing capital expenditure. The granted loan is included in "Other investments" in the group's consolidated statement of financial position.

Transactions with associates:

T-Power nv was an associate till October 2, 2018 when the group acquired the remaining 80% of the shares.

(Million EUR)	2018	2017
Other operating income	0.0	0.1

Dividends were received from joint-ventures and associates for an amount of 3.3 million EUR (2017: 1.0 million EUR), while dividends received from other investments amounted to 0.1 million EUR (2017: 0.1 million EUR).

Transactions with the members of the Executive Committee[20]:

(Million EUR)	2018	2017
Short-term employee benefits	2.9	2.0
Post-employment benefits	0.1	0.0
Total	**2.9**	**2.0**

Short-term employee benefits include salaries and accrued bonuses over 2018 (including social security contributions), car leases and other allowances where applicable.

The short term employee benefits include 1.3 million EUR fix and 1.6 million EUR variable employee benefits (2017: 1.3 million EUR and 0.7 million EUR respectively). The variable employee benefits consist of 0.8 million EUR short term variable compensation (2017: 0.7 million EUR) and 0.8 million EUR long term variable compensation which covers the period 2016-2018, both payable within twelve months after the end of the period.

The post-employment benefits include the periodic pension costs of the pension plan, calculated by an actuary.

There was no new emission of warrants in 2018 and no warrants were exercised by members of the Executive Committee during 2018.

No transactions, except for those mentioned above, have occurred with the members of the Executive Committee.

[20] *As per December 31, 2018, the Executive Committee consists of Luc Tack (CEO) and Stefaan Haspeslagh (COO/CFO) and did not change compared to one year earlier.*

Transactions with the members of the Board of Directors:

Members	Remuneration in EUR	2018	2017
Véronique Bolland (independent non-executive director). Member of the Board of Directors until June 6, 2017	Fixed annual fee	-	12,500
	Variable fee per half day attended	-	6,000
	Total remuneration	**-**	**18,500**
Philium bvba, represented by its permanent representative Mr. Phillippe Coens (independent non-executive director)	Fixed annual fee	25,000	25,000
	Additional fixed fee for chairman of Audit Committee	3,000	3,000
	Variable fee per half day attended	16,000	10,000
	Total remuneration	**44,000**	**38,000**
Dominique Zakovitch-Damon (independent non-executive director). Member of the Board of Directors until June 6, 2017	Fixed annual fee	-	12,500
	Variable fee per half day attended	-	5,000
	Travel fee	-	1,000
	Total remuneration	**-**	**18,500**
Management Deprez bvba, represented by its permanent representative Ms. Veerle Deprez (independent non-executive director). Member of the Board of Directors since June 6, 2017	Fixed annual fee	25,000	12,500
	Variable fee per half day attended	16,000	2,000
	Total remuneration	**41,000**	**14,500**
ANBA bvba, represented by its permanent representative Ms. Anne-Marie Baeyaert (independent non-executive director). Member of the Board of Directors since June 6, 2017	Fixed annual fee	25,000	12,500
	Variable fee per half day attended	16,000	4,000
	Total remuneration	**41,000**	**16,500**
Stefaan Haspeslagh (executive director)	Fixed annual fee	25,000	25,000
	Additional fixed fee for chairman of Board of Directors	30,000	30,000
	Variable fee per half day attended	16,000	10,000
	Total remuneration	**71,000**	**65,000**
Luc Tack (executive director)	Fixed annual fee	25,000	25,000
	Variable fee per half day attended	16,000	10,000
	Total remuneration	**41,000**	**35,000**
Karel Vinck (non-executive director)	Fixed annual fee	25,000	25,000
	Variable fee per half day attended	16,000	9,000
	Total remuneration	**41,000**	**34,000**
Total		**279,000**	**240,000**

31. AUDITOR'S FEES

PwC Bedrijfsrevisoren bcvba (PwC), represented by Peter Van den Eynde, was re-appointed as group statutory auditor by the shareholders meeting of the company on June 7, 2016.

The fees paid by the group to its auditor amounted to:

	2018			
(Million EUR)	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	-	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
Total	**0.8**	**-**	**0.1**	**0.9**

	2017			
(Million EUR)	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	-	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
Total	**0.8**	**-**	**0.1**	**0.9**

32. SUBSEQUENT EVENTS

In January 2019, Performance Chemicals lifted the force majeure on the sodium hydroxide (NaOH) production in the production plant in Loos (France), which was declared in September 2018 due to unforeseen technical issues.

33. GROUP COMPANIES

Listed below are all the group companies.

The total number of consolidated companies is 57[21].

List of the consolidated companies on December 31, 2018, accounted for by the full consolidation method:

	Entity	Address	Belgian company number	Ownership
Europe				
Belgium	Dyka Plastics nv	3900 Pelt	0414467340	100%
Belgium	Limburgse Rubber Produkten nv	1050 Brussels	0415296392	100%
Belgium	Tessenderlo Chemie International nv	1050 Brussels	0407247372	100%
Belgium	Tessenderlo Group nv	1050 Brussels	0412101728	Parent company
Belgium	Tessenderlo Finance nv	1050 Brussels	0878995984	100%
Belgium	T-Power nv	1200 Brussels	0875650771	100%
Czech Republic	Dyka s.r.o.	27361 Velka Dobra		100%
France	Akiolis Group SAS	72000 Le Mans		100%
France	Atemax France SAS	72000 Le Mans		100%
France	Etablissements Charvet Père et Fils SAS	91490 Milly-La-Forêt		100%
France	Produits Chimiques de Loos SAS	59120 Loos		100%
France	Tessenderlo Kerley France SAS	59120 Loos		100%
France	Soleval France SAS	72000 Le Mans		100%
France	Dyka SAS	62140 Sainte Austreberthe		100%
France	Tefipar SAS	59120 Loos		100%
France	Tessenderlo Services SARL	59120 Loos		100%
France	Etablissements Violleau SAS	79380 La Forêt sur Sèvre		100%
Germany	BT Nyloplast GmbH	86551 Aichach		100%
Germany	PB Gelatins GmbH	31582 Nienburg		100%
Hungary	BT Nyloplast Kft	3636 Vadna		100%
Italy	Tessenderlo Cologna Veneta S.r.l.	20122 Milano		100%
Luxembourg	Terelux SA	2163 Luxembourg		100%
Poland	Dyka Sp.z.o.o.	55-221 Jelcz-Laskowice		100%
Romania	Dyka Plastic Pipe Systems S.R.L.	76100 Bucarest, sector 1		100%
Slovakia	Dyka SK s.r.o.	82109 Bratislava		100%
The Netherlands	Dyka B.V.	8331 LJ Steenwijk		100%
The Netherlands	BT Nyloplast B.V.	3295 KG 's Gravendeel		100%
The Netherlands	Tessenderlo NL Holding B.V.	4825 AV Breda		100%
United Kingdom	Dyka UK Ltd.	Longtown-Carlisle Cumbria CA6 5LY		100%
United Kingdom	John Davidson Holdings Ltd.	Edinburgh EH3 8UL		100%
United Kingdom	John Davidson Pipes Ltd.	Edinburgh EH3 8UL		100%
United Kingdom	PB Gelatins UK Ltd.	Pontypridd CF 375 SQ		100%
United Kingdom	Tessenderlo Holding UK Ltd.	Pontypridd CF 375 SQ		100%

[21] Tessenderlo Kerley India Private Ltd. Is a new created company in 2018. T-Power nv is fully consolidated as from October 2, 2018.

US			
US	Environmentally Clean Systems LLC	Dover, Delaware 19904	69,01%
US	ECS Myton, LLC	Dover, Delaware 19904	51,00%
US	Kerley Trading Inc.	Dover, Delaware 19904	100%
US	MPR Services Inc.	Dover, Delaware 19904	100%
US	PB Leiner USA Corporation	Davenport, Iowa 52806	100%
US	Tessenderlo Kerley Inc.	Dover, Delaware 19904	100%
US	S8 Engineering Inc.	Dover, Delaware 19904	100%
US	Tessenderlo USA Inc.	Dover, Delaware 19904	100%
Rest of the world			
Argentina	PB Leiner Argentina SA	Sarmiento 1230, piso 4° - Ciudad Autónoma de Buenos Aires	100%
Australia	Tessenderlo Kerley Australia PTY LTD	Level 14, 440 Collins Street, Melbourne VIC 3000	100%
Brazil	PB Brasil Industria e Comercio de Gelatinas Ltda	Acorizal, Mato Grosso CEP 78480-000	100%
Chile	Kerley Latinoamericana Comercializadora Limitada	9358 Santiago	100%
China	PB Gelatins (Heilongjiang) Co. Ltd.	Kongguo County - Heilongjiang Province	100%
China	PB Gelatins (Wenzhou) Co. Ltd.	Ping Yang County - 325401 Zhejiang Province	80,00%
China	Tessenderlo Trading (Shanghai) Co. Ltd.	China R.P. - 200021 Shanghai	100%
Costa Rica	Tessenderlo Kerley Costa Rica SA	La Union Tres Rios - Cartago	100%
India	Tessenderlo Kerley India Private Ltd.	First Floor, The Great Eastern Centre, 70 Nehru Place, New Delhi, South Delhi, 11019	100%
Japan	TKI Japan KK	Tokyo - Chiyoda-ku	100%
Mexico	Tessenderlo Kerley Mexico SA de CV	Navojoa, Sonora	100%
Paraguay	Maramba S.R.L.	Chacoi Villa Hayes - Asuncion del Paraguay	100%
Peru	TKP Peru S.A.C.	Ciudad de Lima - Provincia de Lima	100%
Turkey	Tessenderlo Agrochem Tarim Ve Kimya San. Ve Tic. Ltd. Sti.	35730 Kemalpasa - Izmir	100%

List of the consolidated companies on December 31, 2018 accounted for by the equity method:

	Entity	Address	Ownership
Europe			
France	Etablissements Michel SAS	31800 Villeneuve de Rivière	50,00%
Rest of the world			
US	Jupiter Sulphur LLC	Dover, Delaware 19904	50,00%

List of the non-consolidated companies on December 31, 2018 due to their insignificant impact on the consolidated figures[22]:

	Entity	Address	Ownership
Europe			
Switzerland	Tessenderlo Schweiz AG	5332 Rekingen	100%

[22] *Britphos Ltd. was liquidated in 2018, which led to a insignificant result.*

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS as adopted for use by the European Union requires management to make judgments, estimates and assumptions that affect the application of the accounting policies, the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results could differ from those estimates.

Estimates and assumptions are reviewed periodically and the effects of revisions, if needed, are reflected in the financial statements.

The judgments, estimates and assumptions used in preparing the consolidated financial statements as per December 31, 2018 are the same as those applied and disclosed in the consolidated financial statements at December 31, 2017.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below:

- Impairments. The carrying amount of financial assets, property, plant and equipment, goodwill and other intangible assets is reviewed at each balance sheet date to determine whether an indication of impairment exits. If any such indication exists, the asset's recoverable amount is estimated (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets).
- Inventory obsolescence and lower of cost of net realizable value adjustments, which are determined based on experience and the assessment of market circumstances (note 17 - Inventories).
- Employee benefits. The calculation of defined benefit obligations is based on actuarial assumptions such as future salary increases, inflation and through the use of a discount rate (note 23 - Employee benefits).
- Deferred taxes. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. In making its judgment, management takes into account the long term business strategy (note 15 - Deferred tax assets and liabilities).
- Provisions and contingencies. The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows. Provisions can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation, a change in best practices for sanitation, a change in timing of cash outflows, a change in agreement with authorities on the treatment of the polluted site or other factors of a similar nature (note 24 - Provisions).
- Financial instruments (note 26 - Financial instruments). These are measured at fair value in the statement of financial position based on:

    - inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices) or
    - inputs for the asset or liability that are not based on observable market data.

STATEMENT ON THE TRUE AND FAIR VIEW OF THE CONSOLIDATED FINANCIAL STATEMENT AND THE FAIR OVERVIEW OF THE MANAGEMENT REPORT

Mr. Luc Tack (CEO) and Mr. Stefaan Haspeslagh, representative of Findar BVBA (COO/CFO), certify, on behalf and for the account of the company, that, to his/their knowledge,

a) the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and the income statement of the company, and the entities included in the consolidation as a whole,

b) the consolidated management report includes a fair overview of the development and performance of the business and the position of the company, and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.

AUDITOR'S REPORT

TESSENDERLO GROUP NV

Statutory auditor's report to the general shareholders' meeting on the consolidated financial statements for the year ended 31 December 2018

29 March 2019

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY TESSENDERLO GROUP NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

We have been appointed as statutory auditor by the general meeting d.d. 7 June 2016, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual financial statements for the year ended 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Tessenderlo Group NV for 6 consecutive years.

Report on the consolidated financial statements

Unqualified opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 1.837,6 million and a profit for the period of EUR 92,1 million.

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

Basis for unqualified opinion

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

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

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

PwC Bedrijfsrevisoren cvba - PwC Reviseurs d'Entreprises scrl - Financial Assurance Services
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BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

Key audit matters

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

Impairment testing of goodwill, intangible assets & property, plant and equipment - Note 11, 12 and 13

Description of the key audit matter

The carrying value of the Group's goodwill, intangible assets & property, plant and equipment amounts to EUR 1.014,4 million as at 31 December 2018.

We consider this as most significant to our audit because the determination of whether or not an impairment charge for fixed assets is necessary involves significant judgement by the directors about the future results of the business and assessment of future plans for the Group's property portfolio in a number of territories.

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

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

How our audit addressed the key audit matter

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

We understood and challenged:

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

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

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

Whilst recognizing that cash flow forecasting, impairment modelling and property valuations are all inherently judgmental, we found that the assumptions used by management were within an acceptable range of reasonable estimates.

Environmental provisions - Note 24

Description of the key audit matter

As described in Note 24, environmental provisions totalling EUR 108,1 million as at 31 December 2018 have been reported in the consolidated financial statements of Tessenderlo Group. Those environmental provisions are mainly set up to cover the cost for the remediation of historical soil and ground contamination of the plants in Ham (Belgium), Vilvoorde (Belgium) and Loos (France). The environmental provisions reflect the discounted value of the expected future cash outflows, spread over the period 2019-2054.

The matter is of most significance to our audit because the assessment process is complex and involves significant management judgement. Assumptions and estimates used in valuing the environmental provisions are, amongst others, related to:

- expected outflow of resources to settle the obligations;
- discount rate and time horizon to be applied in calculating the present value of the obligations at balance sheet date.

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

How our audit addressed the key audit matter

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

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

- meetings with the environmental manager of the Group;
- review of communication with external parties (including reports of the regulators and supplier quotations for the work to be performed);
- review of consistency in assumptions and accounting estimates applied;
- testing of accounting estimates made in prior periods by tracing to corroborative evidence of amount spent;
- analysis of the cash outflow projections made by management.

Additionally, we also evaluated the discount rate used for accuracy and were able to reconcile to observable marketplace assumptions.

Finally, we focused on the adequacy of the company's disclosures in Note 24 of the consolidated financial statements.

We found that management's estimates are reasonable and company's disclosures of environmental provisions are appropriate.

Post-retirement benefit provisions - Note 23

Description of the key audit matter

As described in Note 23, the Group has defined benefit pension plans in Belgium, Germany and the UK. Through its defined benefit pension plans, the Group is exposed to a number of risks, mainly being:

- asset volatility: the pension plans hold significant investments in investment funds (69,4% of the total plan assets), which include quoted equity shares, and are as a consequence exposed to equity market risks;
- actuarial assumptions including expected inflation, discount rate, future salary increases and mortality tables/life expectancy.

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

The post-retirement benefit provision as per 31 December 2018 consists out of defined benefit obligations (EUR 159,2 million) offset by plan assets (EUR 112,3 million). The largest pension plans are the Tessenderlo Group NV Pension plan (Belgium), the PB Gelatins GmbH Pension Scheme (Germany) and the pension plan in the UK which together account for 74% of the total net defined benefit obligations.

How our audit addressed the key audit matter

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

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

We tested the participant census data as included in the actuarial reports obtained by the company and we obtained the valuation reports of the plan assets from the investment managers.
We found the assumptions and data used to be reasonable and in line with our expectations.

We found that management's assumptions and estimates are reasonable and company's disclosures of post-retirement benefit provisions are appropriate.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

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

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

Statutory auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the separate report on non-financial information and the other information included in the annual report.

Statutory auditor's responsibilities

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

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

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

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

The non-financial information is included in a separate report, being the Sustainability Report 2018 of Tessenderlo Group. The report of non-financial information contains the information required by virtue of article 119, §2 of the Companies' Code, and agrees with the consolidated financial statements for the same year. The Company has prepared the non-financial information, based on the Global Reporting Initiative (GRI) framework. However, in accordance with article 148, §1, 5° of the Companies' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the GRI-framework as disclosed in the consolidated accounts.

Statement related to independence

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

Other statements

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Antwerp, 29 March 2019

The statutory auditor
PwC Bedrijfsrevisoren cvba
Represented by

Peter Van den Eynde
Réviseur d'Entreprises / Bedrijfsrevisor

STATUTORY FINANCIAL REPORT

BALANCE SHEET OF TESSENDERLO GROUP NV

(Million EUR)	2018	2017
Total assets		
Non-current assets	**933.6**	**967.7**
Other intangible assets	0.0	0.2
Property, plant and equipment	100.1	93.1
Financial assets	833.5	874.5
Current assets	**575.6**	**458.4**
Non-current trade and other receivables	0.7	0.7
Inventories	79.2	74.8
Current trade and other receivables	403.8	196.7
Other investments	24.8	125.1
Cash and cash equivalents	41.6	47.2
Prepaid expenses and accrued income	25.5	13.9
Total assets	**1,509.3**	**1,426.1**
Total liabilities		
Shareholders' equity	**794.8**	**790.3**
Issued capital	216.2	216.1
Share premium	237.9	237.6
Reserves	25.7	25.9
Retained earnings	314.5	310.3
Capital grants	0.6	0.3
Provisions and deferred taxes	**123.8**	**126.8**
Provisions	123.2	126.2
Deferred taxes	0.6	0.7
Liabilities	**590.6**	**509.0**
Liabilities due in more than one year	260.5	261.3
Liabilities due within one year	310.0	241.9
Accrued expenses and deferred income	20.1	5.8
Total liabilities	**1,509.3**	**1,426.1**

PROFIT AND LOSS STATEMENT OF TESSENDERLO GROUP NV

(Million EUR)	2018	2017
Total operating income	**438.6**	**425.5**
Sales	374.6	381.5
Change in work in progress, finished goods and orders in progress (increase+/decrease-)	6.9	-4.7
Production capitalized	0.8	1.0
Other operating income	52.0	42.7
Non-recurring operating income	4.2	5.1
Total operating charges	**-450.1**	**-423.0**
Raw materials and goods purchased for resale	-216.4	-203.4
Services and other goods	-155.3	-147.3
Wages, salaries, social charges and pensions	-64.0	-62.0
Depreciations and amortizations on formation expenses, tangible and intangible assets	-9.8	-10.1
Amounts written-off stocks and trade receivable (charges (-) / write-back (+))	-0.1	-0.5
Provision for liabilities and charges (utilisations and write-backs less charges)	3.0	5.9
Other operating charges	-7.4	-5.1
Non-recurring operating charges	0.0	-0.6
Operating result	**-11.5**	**2.6**
Finance income	73.6	73.2
Finance costs	-56.9	-89.7
Profit before taxes	**5.2**	**-13.9**
Income taxes	-1.3	0.0
Deferred taxes	0.1	0.3
Profit (+) / losses (-)	**4.0**	**-13.6**
Untaxed reserves	0.2	-0.2
Profit (+) / losses (-) for the year to be allocated	**4.2**	**-13.4**

ALLOCATIONS AND DISTRIBUTIONS

(Million EUR)	2018	2017
The Tessenderlo Group nv Board of Directors proposes to allocate the		
- Profits, being	4.2	-13.4
- Increased by prior years' retained earnings	310.3	323.7
Totalling:	**314.6**	**310.3**
In the following manner:		
- Reserves	0.0	-
- Dividends	-	-
- Retained earnings	314.5	310.3
Totalling:	**314.6**	**310.3**

EXTRACT FROM THE TESSENDERLO GROUP NV SEPARATE (NON-CONSOLIDATED) FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH BELGIAN GAAP

The preceding information is extracted from the separate Belgian GAAP financial statements of Tessenderlo Group nv. These separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request at Tessenderlo Group nv, Troonstraat 130, 1050 Brussel.

It should be noted that only the consolidated financial statements present a true and fair view of the financial position and performance of the group.

Since Tessenderlo Group nv is essentially a holding company, which recognizes its investments at cost in its non-consolidated financial statements, these separate financial statements present no more than a limited view of the financial position of Tessenderlo Group nv. For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at, and for the year ended December 31, 2018.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Tessenderlo Group nv prepared in accordance with Belgian GAAP for the year ended December 31, 2018 give a true and fair view of the financial position and results of Tessenderlo Group nv in accordance with all legal and regulatory dispositions.

FINANCIAL GLOSSARY

Adjusted EBIT
Earnings before interests, taxes and EBIT adjusting items.

Adjusted EBITDA
Earnings before interests, taxes and EBIT adjusting items plus depreciation and amortization.

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
Profit(+)/loss(-) from operations.

EBIT adjusting items
EBIT adjusting items are those items that in management's judgment need to be disclosed by virtue of their size or incidence. Such items are disclosed in the notes to the financial statements. Transactions which may be recognized as EBIT adjusting items are principally related to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

Gearing
Net financial debt divided by the sum of net financial debt and equity attributable to equity holders of the company.

Leverage
Net financial debt divided by Adjusted EBITDA over the last 12 months.

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 financial debt
Non-current and current loans and borrowings minus cash and cash equivalents and bank overdrafts.

Payout ratio
Gross dividend divided by profit for the period attributable to equity holders of the company.

Return on capital employed (ROCE)
Adjusted EBIT (last 12 months) divided by the average capital employed (last 4 quarters).

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.

Trade working capital
The sum of inventories and trade receivables minus trade payables.

Weighted average number of ordinary shares
Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

Working capital
The sum of inventories, trade and other receivables minus trade and other payables.

Tessenderlo Group
EVERY MOLECULE COUNTS

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