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TESSENDERLO GROUP NV

**Statutory auditor's report to the general shareholders'
meeting on the annual accounts for the year ended 31
December 2018**

29 March 2019



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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY TESSENDERLO GROUP NV ON THE ANNUAL ACCOUNTS 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 annual accounts of Tessengerlo Group NV (the "Company"). This report includes our report on the annual accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 7 June 2016, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2018. We have performed the statutory audit of the annual accounts of Tessengerlo Group NV for 6 consecutive years.

Report on the annual accounts

Unqualified opinion

We have performed the statutory audit of the annual accounts of the Company, which comprise the balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and the notes to the annual accounts, characterised by a balance sheet total of EUR 1.509.261.039 and a profit and loss account showing a profit for the year of EUR 4.020.632.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2018, and of its results for the year then ended, in accordance with the financial-reporting framework 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 annual accounts*" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the requirements related to independence.

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

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

Key audit matters

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

Impairment testing on participations and long-term receivables on affiliated companies

Description of the key audit matter

Balance sheet account 280/1 of Tessengerlo Group NV as at 31 December 2018 includes investments in subsidiaries and long term receivables on affiliated companies for an amount of EUR 450,9 million and EUR 381,8 million respectively.

We consider the impairment testing on participations and long-term receivables on affiliated companies as most significant to our audit because of the fact that they represent a substantial amount of the total assets. Additionally, such impairment assessment involves significant judgement by management, in case of a permanent reduction in value, with respect to the future results and cash flow generation of the underlying entities.

How our audit addressed the key audit matter

For the evaluation of the impairment testing on participations and long-term receivables on affiliated companies, we have obtained management's assessment whereby the net asset value or the value in use has been considered.

In evaluating management's impairment assessment, we focused on the reasonableness and impact of key assumptions including cash flow forecasts, discount rate, long-term growth rate and company specific forecasts.

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

Additionally, we have assessed whether the valuation models used have been consistently applied as part of the overall financial closing process.

Whilst recognizing that cash flow forecasting and impairment assessment are all inherently judgmental, we found that the assumptions used by management, in evaluating whether a permanent reduction in value exists, are reasonable.

Environmental provisions

Description of the key audit matter

Balance sheet account 164/5 of Tessengerlo Group NV as at 31 December 2018 includes environmental provisions totalling EUR 115,5 million.

These environmental provisions are mainly set up to cover the cost for the remediation of historical soil and ground contamination of the plants in Ham and Vilvoorde. The environmental provisions reflect the 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 judgment. Assumptions and estimates used in valuing the environmental provisions are, amongst others, mainly related to the expected outflow of resources to settle the obligations.

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

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.

We further 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 Company;
- 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 (e.g. invoices);
- analysis of the cash outflow projections made by management.

We found that management's estimates are reasonable and company's disclosures of the environmental provisions are appropriate.

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

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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 annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the director's report, the separate report on non-financial information and the other information included in the annual report, of the documents required to be deposited by virtue of the legal and regulatory requirements as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies' Code and with the Company's articles of association.

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, the separate report on non-financial information and the other information included in the annual report, certain documents required to be deposited by virtue of legal and regulatory requirements, as well as compliance with the articles of association and certain requirements of the Companies' Code and to report on these matters.

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

In our opinion, after having performed specific procedures in relation to the directors' report, this report is consistent with the annual accounts for the year under audit, and it is prepared in accordance with the articles 95 and 96 of the Companies' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report and the other information included in the annual report 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. This report of non-financial information contains the information required by virtue of article 96, §4 of the Companies' Code, and agrees with the annual accounts 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 144, §1, 6° 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 annual accounts.

Statement related to the social balance sheet

The social balance sheet, to be deposited in accordance with article 100, § 1, 6°/2 of the Companies' Code, includes, both in terms of form and content, the information required by virtue of the Companies' Code and does not present any material inconsistencies with the information we have at our disposition in our engagement.

Statement related to independence

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

Other statements

- without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium;
- the appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association;
- there are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' Code that we have to report to you;
- this report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014;
- as explained in the directors' report, the procedure in respect of a conflict of interests (in the context of section 523 of the Belgian Companies Code) has been applied one time in 2018. The decisions and consequences of a financial nature can be summarized as follows:

Approval of the short term incentive of the CEO and the CFO-COO for their performance in 2017 as well as the remuneration package over 2018 (Board of Directors held on 12 March 2018)

The amount determined and approved for their performance in 2017, is the pay-out of a short-term incentive of EUR 345.728 each in 2018. In addition, it was decided to increase the fixed component of the remuneration packages with 2,60%, effective January 1, 2018.

Antwerp, 29 March 2019

The statutory auditor
PwC Bedrijfsrevisoren cvba
Represented by



Peter Van den Eynde
Réviseur d'Entreprises / Bedrijfsrevisor