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 a focus on water. With more than 4,700 people working at over 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 1.7 billion EUR in 2019. 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, trading, production and sales of proteins and fats).

The **Industrial Solutions** segment includes products, systems and solutions for the 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).

2019

2019 HIGHLIGHTS

2019 marked the 100th anniversary of Tessenderlo Group. To commemorate this impressive milestone, the group published a book and created a special website, highlighting 100 remarkable facts relating to the history of Tessenderlo Group (www.100yearstessenderlo.com). In September 2019, the group also organized a 'Family Day' which attracted more than 2,000 participants.

In the first half of 2019, Tessenderlo Group also introduced Claro™. This is a range of revolutionary tissue-engineering products for 3D applications (part of the operating segment Bio-valorization).

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 Anderlecht (Belgium) and Třeboň (Czech Republic) during the first half of 2019.

On July 10, 2019, an Extraordinary General Meeting approved a number of amendments to the articles of association and the introduction of loyalty voting rights.

In June 2019, Tessenderlo Group acquired NAES Belgium bvba from the American group NAES Corporation, which is a subsidiary of Itochu Corporation. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant, which is a 100% subsidiary of Tessenderlo Group.

In the fourth quarter of 2019, Tessenderlo Kerley, Inc. moved to its new headquarters in Phoenix, Arizona, USA.

At the end of December 2019, Tessenderlo Group agreed to acquire the production plant of REHAU Tube in La Chapelle-Saint-Ursin (France) from the German REHAU Group. The plant specializes in the manufacturing of sewer, soil & waste, storm water management, and telecom pipes and fittings.

MESSAGE FROM THE CEO AND THE CHAIRMAN TO THE SHAREHOLDERS

Dear Shareholders,

We can look back on 2019 as having been a busy year, which was marked by the 100th anniversary of Tessenderlo Group.

Tessenderlo Group realized a consolidated turnover of 1,742.9 million EUR in 2019, compared to 1,620.9 million EUR in 2018. 2019 revenue, when excluding the contribution of T-Power, increased by +4.3%. Agro revenue remained stable, while the revenue of Bio-valorization increased (+7.5% when excluding the foreign exchange effect) thanks to the performance of PB Leiner. The revenue of Industrial Solutions increased (+1.2% when excluding the foreign exchange effect), mainly thanks to the contribution of DYKA Group. T-Power, only fully acquired in 4Q18, contributed 71.1 million EUR to the 2019 revenue, which was in line with expectations. Tessenderlo Group closed 2018 by recording a net profit of 97.6 million EUR, as compared to 92.1 million EUR in 2018.

Despite challenging conditions in various markets, 2019 proved to be another year of continued transformation toward realizing growth and good progress was made on many fronts.

In 2019, we continued our investments with a view to strengthening our fields of competence and expertise. In June 2019, we acquired NAES Belgium bvba from the American group NAES Corporation, which is a subsidiary of Itochu Corporation. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant, a 100% subsidiary of Tessenderlo Group. With the acquisition of NAES Belgium and the fact that it is locally based, we now also have the technological knowledge and the team to completely manage T-Power internally. Meanwhile, in December 2019, we announced the acquisition of the production plant of REHAU Tube in France from the German REHAU Group. This strategically important acquisition will further improve the position of DYKA on the French market for wastewater plastic pipe systems, as our activities in France play an important role in the future plans of the DYKA Group business unit.

In 2019, Tessenderlo Group continued on the path of further strengthening our innovation capabilities through a sustained organizational focus on business development and innovation portfolio management in all of our businesses. To this end, in 2019, we further developed and improved the standards of healthy collagen ingredients for humans, as well as protein-based and gelatin-based products for food and pet food applications. Furthermore, in 2019, Tessenderlo Group announced a breakthrough in bioprinting with the release of our first gelatin bio-ink in the Claro™ series of tissue-engineering products. We also launched TEXTURA™ last year, which is a next generation texturizer for food applications that boasts previously unseen ease of use and time-saving. These new PB Leiner product launches reflect our commitment to finding the ideal solutions for our customers' needs.

In 2019, Tessenderlo Group also remained focused on increasing logistics efficiencies, debottlenecking plants, implementing coordinated procurement and sourcing activities, realizing operational excellence, profitable growth and customer focus in order to better serve the markets in which we operate. 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
At the annual shareholders' meeting of May 12, 2020, the Board of Directors will propose to the shareholders not to pay out a dividend for the 2019 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.

The group anticipates that the 2020 Adjusted EBITDA will be higher compared to 2019. This guidance for 2020 does not include any potential impact from COVID-19 (Coronavirus). This disease is a new factor of uncertainty, which is expected to have a significant negative economic impact worldwide, and its effect on the 2020 Adjusted EBITDA is currently difficult to estimate. At this stage and given the evolving landscape, it is too early to determine the full impact of COVID-19 on the 2020 financial results. The group would like to emphasize further that it currently operates in a volatile political, economic, financial and health environment.

2019 marked the 100th anniversary of Tessenderlo Group. Over the past 100 years, our group has grown from a chemical company into a diversified industrial group, thanks to the commitment of all of our stakeholders. On behalf of the Board of Directors, we would like to extend our thanks to our customers for the confidence they have placed in us throughout our history and of course to you, our shareholders, for your loyalty. We would also like to thank our employees for their commitment. It has only been through the drive and motivation of our employees that Tessenderlo Group has been able to grow into the global player it is today.

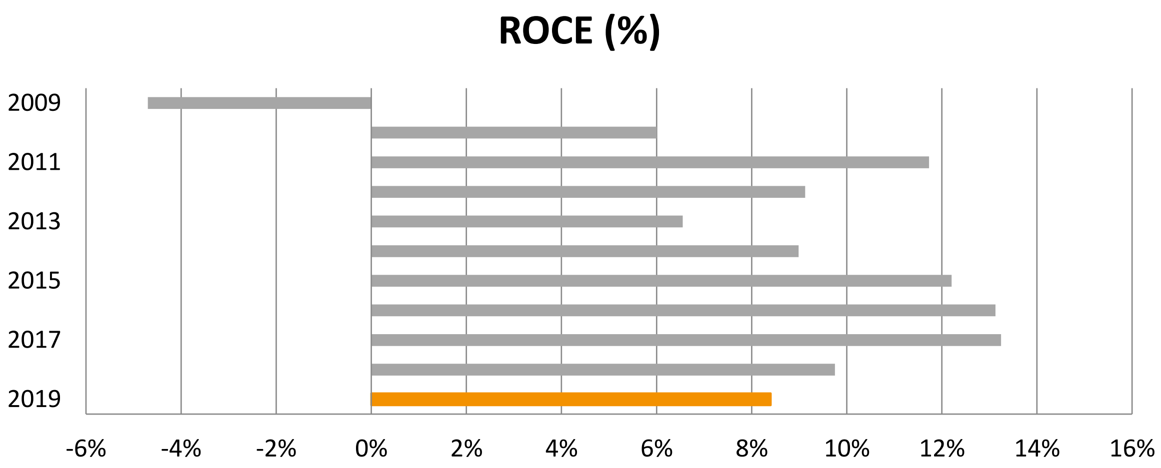
However, our story will not end after one century: Tessenderlo Group will continue to grow, thanks to our nearly 5,000 employees, who give their very best on a daily basis. Every Molecule Counts is and remains our fundamental contribution to a sustainable and better society. This is what we keep aiming for every single day, even as centenarians.

We look forward to successfully driving our business forward in 2020 with the help of our highly motivated team.

Kind regards,

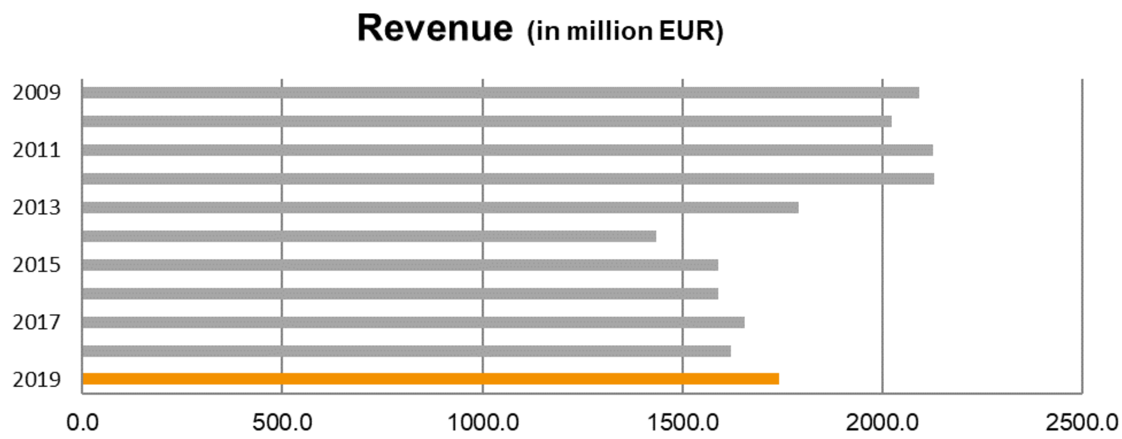
Luc Tack	Stefaan Haspeslagh
CEO	Chairman of the Board of Directors

KEY FIGURES AT A GLANCE



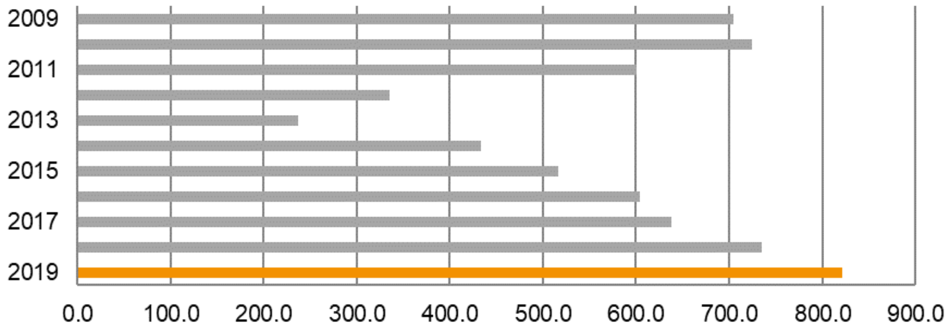
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Roce	8%	10%	13%	13%	12%	9%	7%	9%	12%	6%	-5%

For more details on the calculation of the ROCE, we refer to the section Alternative Performance Measures of the financial report 2019.



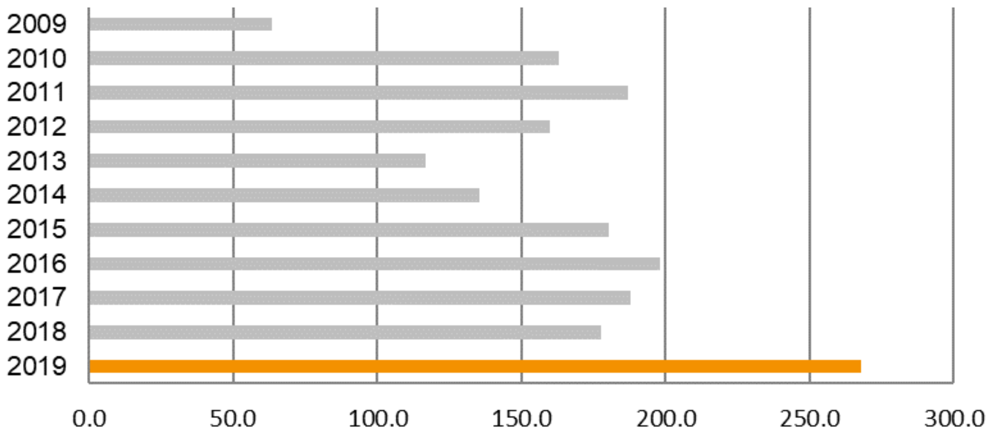
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue	1742.9	1620.9	1657.3	1590.1	1589.0	1434.2	1790.1	2129.0	2126.0	2024.0	2093.0

Equity attributable to equity shareholders of the group



	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Equity attributable to equity shareholders of the group	821.7	735.0	637.7	604.7	516.8	433.5	236.6	335.5	600.3	724.8	705.2

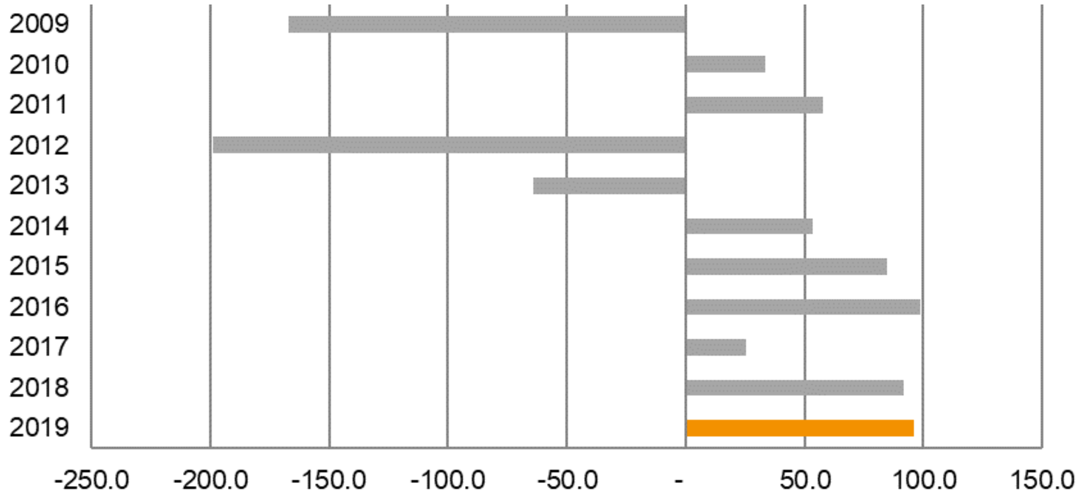
Adjusted Ebitda (in million EUR)



	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Adjusted ebitda	267.7	177.8	187.8	198.0	180.4	135.6	116.6	160.0	187.0	162.8	63.4

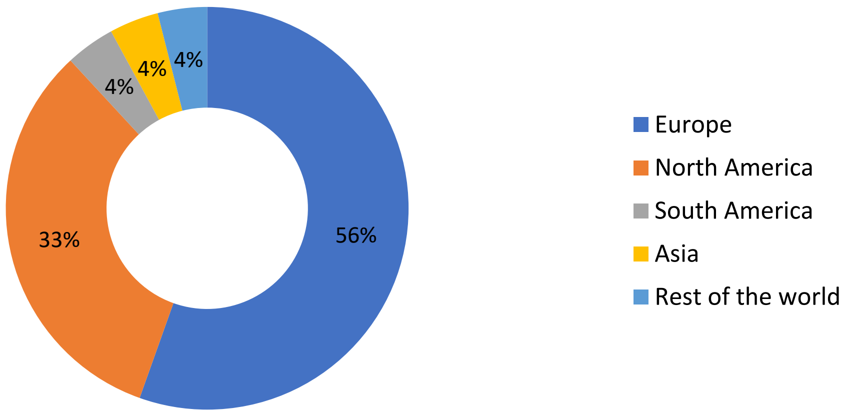
For more details on the calculation of the Adjusted EBITDA, we refer to the section Alternative Performance Measures of the financial report 2019.

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

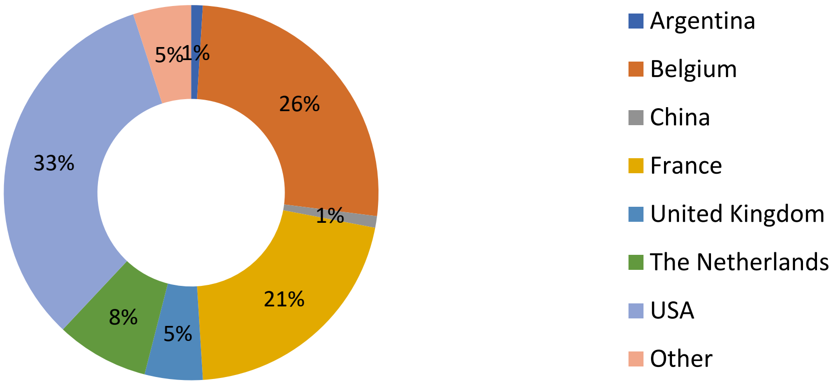


	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Profit (+) / loss (-)	96.1	91.7	25.6	98.8	84.5	53.7	-64.0	-198.7	58.0	33.5	-167.0

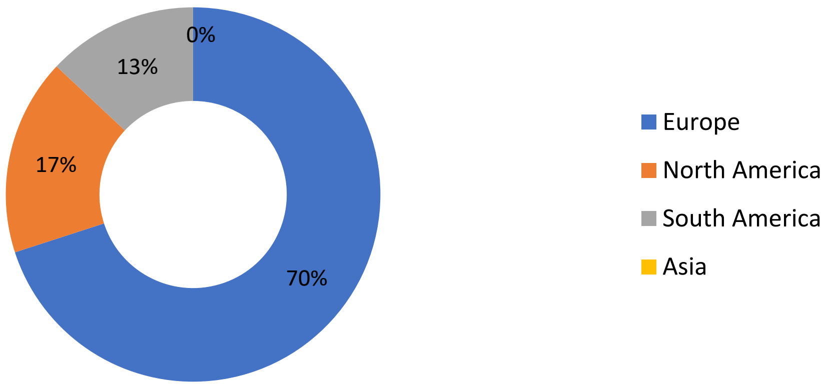
2019 REVENUE PER GEOGRAPHY (%)



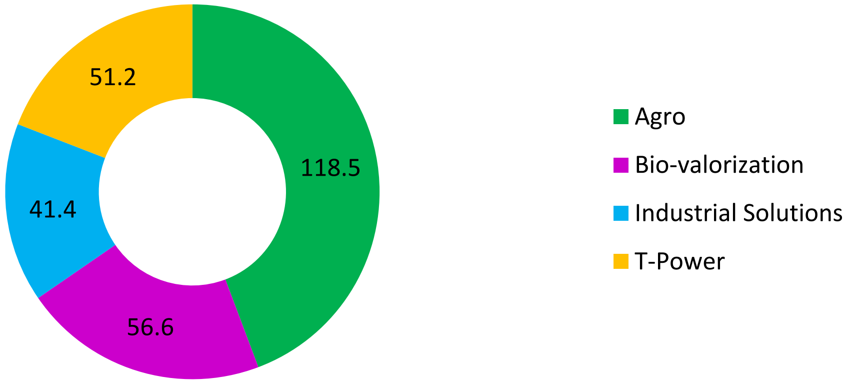
2019 REVENUE PER COUNTRY OF PRODUCTION (%)



2019 DISTRIBUTION OF CAPEX (%)



2019 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, based on sulfur) 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:

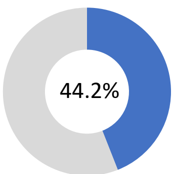
- To maintain our global leadership position in selective specialty liquid and soluble SOP fertilizers, while expanding further into key target markets in the Americas, Europe, Middle East and Australia
- To expand the product portfolio and applications offerings to strengthen our position in specialty 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®:

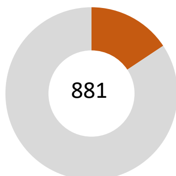
- To expand the product portfolio through acquisitions
- To maintain product registrations, register and market our current and acquired products in additional countries
- To identify, develop, register and market new uses of current and acquired products

KEY FIGURES

Share of Adjusted EBITDA



Headcount (FTE)



CROP VITALITY

- **Who are we?**

Crop Vitality is the leading producer of liquid, solid and soluble sulfur-based plant nutrition products that symbolizes the longstanding and growing legacy of Tessenderlo Kerley. The Crop Vitality family of products (which includes fertilizers such as, Thio-Sul®, KTS®, K-Row 23® CaTs®, GranuPotasse®, SoluPotasse®, etc.) represents 100 years of agronomic expertise, and an expanding network of production and distribution facilities. The Crop Vitality Business unit is focusing on the US and Canadian markets.

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. We focus on the grower, delivering sustainable plant nutrients and soil amendment solutions. In our Innovation & Learning Center located in Dinuba, California, we test our products, discovering when and where crops need them. We are also able to develop new products, tackle adverse conditions, work towards just in time delivery and service, and adjust to changing agricultural needs. This helps growers to enjoy sustainable, productive and profitable yields.

- **Business in 2019**

In 2019, US and Canadian growers were greatly affected by weather extremes. Heavy rains in the spring led to flooding, which affected planting, harvest and transportation. Along with the wet weather, a colder than average early season led to delayed planting across most of the US. As this was a challenging year for growers, and subsequently for the Crop Vitality Business Unit, we looked to internal resources and technologies in order to support the business. Through internal strategic assessments, we adjusted our supply chain tactics to support the unique agricultural challenges of 2019.

- **Outlook**

At the core of our business is a focus on the relationships we have 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. We will remain stewards in the agriculture sector; committing ourselves to building relationships with our customers, and understanding the needs of the market. Our industry expertise will continue to benefit growers through dedicated research and development efforts, superior product performance and a global focus on sustainability.

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. All of our fertilizer product brands are also bundled under one brand promise: Crop Vitality. Our global team of experts, agronomists and commercial advisers is characterized by a strong customer focus and has an outstanding heritage, as we are able to build on the nearly 100 years of expertise at Tessenderlo (in solid and soluble potassium-based fertilizers) and the 70 years of expertise at Kerley (in liquid fertilizers). The Tessenderlo Kerley International Business Unit is focusing on markets outside the US and Canada.

- **Business in 2019**

During 2019, Tessenderlo Kerley International continued to execute its long-term strategy and made progress in driving top-line growth, while further strengthening the 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 second full year of operation in 2019. This clearly illustrates 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 2019 was relatively robust with 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 over the long-term, i.e. by 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 supply chain.

- **Outlook**

In 2020, Tessenderlo Kerley International will continue to execute the strategy towards profitable growth, including expanding the frontline team, strengthening our go-to-market channels, building agronomical know-how and driving excellence throughout our value chain. This will enable Tessenderlo Kerley International to remain 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 growers' yields, profitability and predictability.

- **Business in 2019**

Due to low agricultural commodity prices, adverse weather in North America, increased import tariffs, and an increased cost of goods, 2019 had its challenges. NovaSource experienced lower volumes for a number of products due to these adverse market factors. Nevertheless, we were able to maintain our market share and minimize overall impacts on our business through the unique strength of our portfolio and demand from growers for NovaSource weed, disease and insect control solutions.

- **Outlook**

NovaSource will continue efforts to acquire and integrate niche, crop protection products from multinational companies that are divesting non-core products. We will also continue to expand our labels and the global footprint of our existing portfolio. Additional efforts to identify licensing partners and organic growth via research and development will also continue in 2020.

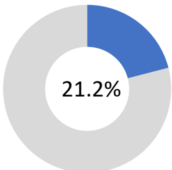
OUR BIO-VALORIZATION SEGMENT

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) and Akiolis (rendering, production and sale of proteins and fats) with three entities (Atemax, Soleval and Violleau).

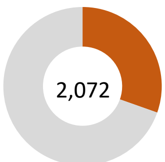
PRODUCTION LOCATIONS	**PB Leiner**: 3 production plants in Europe (Belgium, Germany, UK), 1 in China and 3 in the Americas (US, Argentina, Brazil) **Akiolis**: 3 production plants, 28 collection centers in France (Atemax) 8 production plants, 20 collection centers in France (Soleval) 1 production plant in France (Violleau)
CORE MARKETS	Food, pharma, health & beauty, pet food, agriculture, aqua feed, animal feed, energy, biodiesel, 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 improve the valorization of finished products in organic fertilization, pet food and aquaculture markets ▪ To strengthen our position in our core business on upstream markets by pushing long-term and quality-based contracts ▪ 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 supplies a complete range of high quality gelatins and collagen peptides, tailoring solutions to our customers' 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 for health and nutrition 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 and bone. Raw materials are mainly 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 2019**

2019 was marked by instability on the raw materials market; specifically, speculation turbulence relating to pigskin, and uncertainty regarding the availability of beef hide and beef bones. The gelatin market conditions remained competitive, while the market for collagen peptides continued to develop.

In 2019, PB Leiner further continued the implementation of our strategy by focusing on Sales Excellence (by strengthening the cooperation with our key customers on supply optimization and product development) and 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 range of collagen peptides, SOLUGEL® Ultra BD, continued its development. In 2019, we not only further increased our capacity, but we also continued our marketing efforts. In December 2019, we launched TEXTURA™, a next generation texturizer for food applications, which boasts previously unseen ease of use and time-saving. This new product launch reflects our commitment to finding ideal solutions for our customers' needs.

- **Outlook**

In 2020, we will continue to ensure quality and delivery reliability for our customers, as well as invest in upgrading our plants. We will also continue to build close relationships with our customers and we will keep developing specialties in order to meet the demands and challenges of the food, pharma, and health & nutrition sectors. The long-term outlook for the gelatin and collagen markets remains positive for several reasons: the growing middle class population, the increased consumption of medication in the developing world, and greater health and nutrition awareness and habits in all markets. However, we also foresee a continued instability and scarcity in the supply of raw materials in the coming year. This instability is, among other things, linked to the evolution of African swine flu.

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 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 products in 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 2019**

In 2019, Akiolis continued to reinforce its focus on customer satisfaction, product quality, service excellence and innovation in order to maintain profitability in the context of globally declining volumes, especially in the pork sector. African swine flu resulted in mass slaughtering in China. As a consequence, Chinese demand for and imports of pork carcasses from all over the world increased, which reduced the volumes of pork by-products to be valorized in France. However, a favorable context with unexpected volumes of collection in the rendering activities due to the heat wave episodes in the summer, helped to maintain the margins. In parallel, in-house performance in logistics and production contributed to secure the building of sustainable relationships with key customers in strategic markets: breeders, pet food, aqua feed, biofertilization and biodiesel.

- **Outlook**

Sustainability and customer satisfaction will continue to be the keywords for Akiolis in 2020 with a new organization in logistics and production in order to improve both service and product quality. A higher level of valorization in key markets such as pet food and aqua feed will be realized with investments and innovative new processes for feather and blood meals starting in Javené and Rion (France) before mid-2020, while extended production capacities will be implemented at Violleau.

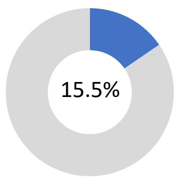
OUR INDUSTRIAL SOLUTIONS SEGMENT

Our Industrial Solutions segment includes products, systems and solutions for the 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.

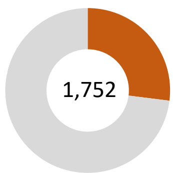
PRODUCTION LOCATIONS	**DYKA Group:** 8 production plants (2 in the Netherlands, 1 in Belgium, 2 in France, 1 in Germany, 1 in Poland and 1 in Hungary) and more than 70 branches in Europe **Performance Chemicals:** 4 production plants (2 in Belgium, 1 in France and 1 in Switzerland) **Mining & Industrial, 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 entities DYKA, BT Nyloplast and JDP) 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 2019**

The DYKA Group business unit had a good 2019 with construction markets proving to be positive. We grew our customer base and realized a further growth in our new business and new systems and services. Our prefab and ventilation solutions (DYKA Air) developed in a positive manner. In addition, we continued to increase the amount of recycled materials we use in 2019. This represents a major contribution in terms of sustainability and ultimately helps our customers to reduce the environmental footprint of their buildings and/or infrastructural works. Being able to effectively prove such commitment to sustainability is a differentiating factor for DYKA Group, which allows us to collaborate with a growing group of customers and public authorities.

In the first half of 2019, DYKA opened new branches in Anderlecht (Belgium) and Třeboň (Czech Republic), bringing the number of branches in Belgium to 9 and in the Czech Republic to 4. In December 2019, DYKA Group announced that it had agreed to acquire the production plant of REHAU Tube in La Chapelle-Saint-Ursin (France) from the German REHAU Group.

- **Outlook**

DYKA Group will focus on realizing further sustainable growth in 2020. New systems and services, 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. Meanwhile, the aforementioned acquisition of REHAU Tube (expected to be completed by May 1, 2020) will further strengthen our position in the French Market.

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 sodium hydroxide (NaOH), which is used for, among other things, paper 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 2019**

In 2019, we were able to further develop our iron chloride coagulant business and reconfirm our 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. Furthermore, Performance Chemicals raised the production capacity of our Ecoferric™ product line at our site in Loos in order to meet increasing demand in Western Europe for coagulants for wastewater treatment and for drinking water production.

Our new membrane electrolysis plant in Loos (France) was started up successfully in early 2018 and it has enabled us to grow our position in the markets of bleach and sodium hydroxide. However, technical problems significantly reversed this trend for most of the second half of 2019. Unforeseen technical issues at the plant in Loos negatively influenced production volumes in the second half of 2019. Performance Chemicals ceased the production of zinc chloride at its Loos plant in 2019 due to the continuing limited availability of raw materials and the required investments in asset continuity and safety.

- **Outlook**

Raw material shortages and logistic cost increases will continue to impact the coagulant business, and this could impact both pricing and potential product substitutions. Performance Chemicals is ideally well placed to mitigate the effects and even benefit from these trends. A return to full capacity availability in Loos will significantly improve operational performance as compared to 2019. In 2020, Performance Chemicals will further strengthen our position as one of Europe’s leading coagulant manufacturers with the site in Loos being the largest European production plant for ferric chloride. The plan includes various projects that will be executed 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.

MINING & INDUSTRIAL

- **Who are we?**

Mining & Industrial (M&I) is one of the world's leading producers of sulfur-based specialty chemistries for a wide range of markets. The M&I product portfolio is coupled with deep technical institutional knowledge tailored to delivering improvements in health, safety, handling and environmental profiles, while increasing efficiencies and effectiveness in recovering base/precious metals, food processing, water and waste treatment along with other various industrial applications. M&I enhances our customers' applications through innovative chemistry and solutions. The principal products are Thio-Gold® (thiosulfate-based lixiviants), Cyntrol® (sulfites/sulfides for cyanide (CN) detoxification and control) and depressants (such as sodium hydrosulfide 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 operations and explore new potential applications. M&I utilizes two innovation centers where a customer-centric approach guides all development aspects.

- **Business in 2019**

The gold market continued to be stable in 2019, while the base metals market showed 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. In order to support the growth in our sulfites product offering, M&I expanded both plant capabilities and strategic logistical assets. Our Elko, Nevada Thio-Gold® 300 plant, which supplies the Nevada Gold Mines-Goldstrike gold leaching plant with its patented breakthrough technology, continued to perform in line with customer demand and expectations.

- **Outlook**

M&I will leverage our expertise to ensure that we understand the needs of our partners, 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. 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, handling and efficiencies, in order to create the next generation of offerings.

MPR SERVICES

- **Who are we?**

MPR Services is a world leader in high value solvent reclamation at refinery and gas processing locations. Our business model is built on sustainability and by reclaiming what matters (amines, glycols, etc.), we effectively reduce waste generated by the disposal and replenishment of such solvents. We are able to deploy solutions across the globe that ensure significant cost savings for our customers, while also enabling them to maximize the effectiveness of their operations.

- **Business in 2019**

In 2019, MPR Services validated our strategic plan, which further directed the focus on our niche offering to the refinery and gas processing markets. In doing so, a record year for mobile processing days was realized, with significant expansion in gas processing and the LNG market space. In addition, we were able to see the first permanent installation of our innovative TDSX™ technology, which is supporting customers in reclaiming/recycling a high-value complex solvent for the removal of aromatic hydrocarbons. MPR Services focused additional efforts on strengthening established relationships with our permanent unit customers, which has already resulted in the extension of multiple long-term contracts.

- **Outlook**

MPR Services will continue to execute our strategy by cementing our existing market position and growing the business into new/peripheral markets with a focus on our core offerings. We will further educate the market on sustainable solvent hygiene services, which support their cost, environmental, and efficiency profiles. This will be coupled with MPR Services' extensive technical expertise for delivering tailored process solutions to specific solvent reclamation needs.

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 beneficially reuse wastewaters generated during oil and gas exploration activities. ECS tailors our technologies to meet individual needs and situations. The result is flexibility in regard to wastewater utilization or disposal at lower costs.

- **Business in 2019**

In 2019, we continued to focus on improving our 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**

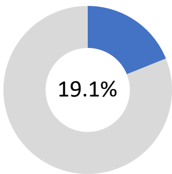
The key focus for 2020 will be to operate efficiently while retaining a focus on safety, processes and procedures to maintain our strong position as a reliable company for handling produced water reclamation and disposal.

OUR T-POWER SEGMENT

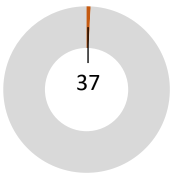
Our T-Power segment covers Tessenderlo Group's activities in the production of electricity by means of a combined cycle gas turbine (CCGT) with a 425 MW capacity.

PRODUCTION LOCATIONS	1 power plant: Tessenderlo (Belgium)
CORE MARKET	Energy
AREA OF ACTIVITY	Production of electricity in gas fired power plants
BUSINESS DRIVERS	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)



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 2019**

The T-Power plant enjoyed a good running regime in 2019. Throughout the year, the plant maintained its excellent availability and health and safety records.

In June 2019, Tessenderlo Group acquired NAES Belgium bvba in its entirety from the American group NAES Corporation, which is a subsidiary of Itochu Corporation. Since 2012, NAES Belgium had been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant situated on the Tessenderlo Group sites in the Belgian municipality of Tessenderlo. With the acquisition of NAES Belgium and the fact that it is locally based, Tessenderlo Group now also has the technological knowledge and the team to completely manage T-Power internally.

- **Outlook**

In 2020, T-Power will further focus on the efficiency, flexibility 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 2019, 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, 1 analyst gave an accumulate rating, while 1 gave a hold rating.

SHAREHOLDER STRUCTURE

On December 31, 2019 the shareholder structure of Tessenderlo Group was as follows:

Shareholder	Voting rights	%
Verbrugge nv (controlled by Picanol nv)	32,366,144	56.89%
Symphony Mills nv	1,832,200	3.22%
Coltrane Asset Management, L.P.	2,163,000	3.80%
Janus Henderson Group plc	1.,561,002	2.74%
Norges Bank	1,287,899	2.26%
Carmignac Gestion SA	903,687	1.59%
Dimensional Fund Advisors L.P.	891,022	1.57%
Valarc Master Fund, Ltd.	630,402	1.11%
Other	15,253,349	26.81%
Total	**56,888,705**	**100.00%**

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, 2019, there were no warrants outstanding. The total number of shares constituting the issued capital of Tessenderlo Group nv is 43,154,979. In accordance with article 7:53 of the Belgian Code of Companies and Associations, the extraordinary meeting of shareholders of July 10, 2019 has decided to introduce a loyalty voting right for each fully paid-up share that has continuously been registered in the share register on the name of the same shareholder for at least two years. As per December 31, 2019, there were 56,888,705 voting rights outstanding.

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 increased by 8.1% in 2019, while the BEL 20 index increased by 22.0% and the European Chemicals index SX4P increased by 28.5%. The share reached its year-high closing price of 32.65 EUR on November 21, 2019. The year-low closing price of 25.65 EUR was reached on August 15, 2019. The share closed at 31.45 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 12, 2020, not to pay out a dividend for the 2019 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 12, 2020
- Half-year 2020 results August 27, 2020

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 2020.

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.

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MANAGEMENT REPORT
2019

BUSINESS PROGRESS

GROUP PERFORMANCE

2019 revenue, when excluding the contribution of T-Power, increased by +4.3% (or increased by +2.4% when excluding the foreign exchange effect). Agro revenue remained stable, while the revenue of Bio-valorization increased (+7.5%, when excluding the foreign exchange effect) thanks to PB Leiner. The revenue of Industrial Solutions increased (+1.2%, when excluding the foreign exchange effect), mainly thanks to the contribution of DYKA Group. T-Power, only fully acquired in 4Q18, contributed 71.1 million EUR to the 2019 revenue, which was in line with expectations.

The 2019 Adjusted EBITDA amounts to 267.7 million EUR, compared to 177.8 million EUR in 2018. When excluding the impact of T-Power (37.7 million EUR), the impact of IFRS 16 Leases (25.4 million EUR) as well as the foreign exchange effect, the Adjusted EBITDA would have increased by 18.8 million EUR compared to 2018 (+11.5%). The Adjusted EBITDA of Bio-valorization, when excluding the IFRS 16 impact as well as the foreign exchange effect, increased by 18.3 million EUR, while the increase of Industrial Solutions (+4.8 million EUR) was able to compensate the decrease within Agro (-4.3 million EUR).

The 2019 operational free cash flow amounts to 145.7 million EUR, compared to 56.6 million EUR in 2018. This increase can be explained by the increase of the Adjusted EBITDA (+89.9 million EUR), including the first full year contribution of T-Power (+37.7 million EUR) and the IFRS 16 Leases impact (+25.5 million EUR), and by the movement of trade working capital, which only increased by 17.7 million EUR in 2019, while the increase amounted to 37.8 million EUR in 2018. Capital expenditure amounted to 104.3 million EUR in 2019 compared to 83.4 million EUR in 2018.

As per year end 2019, group net financial debt amounts to 347.5 million EUR, including 63.7 million EUR IFRS 16 lease liabilities, which implies a leverage of 1.3x. Excluding the IFRS 16 lease liabilities, group net financial debt would have amounted to 283.8 million EUR compared to 348.0 million EUR as per year-end 2018.

The 2019 profit amounts to 97.6 million EUR compared to 92.1 million EUR in 2018. The profit (+)/loss (-) 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 2019 would have amounted to approximately 90 million EUR, while the 2018 result would have amounted to approximately 79 million EUR.

REPORTED OPERATING SEGMENT PERFORMANCE

2019 Agro revenue decreased by -1.0% when excluding the foreign exchange effect. Crop Vitality revenue slightly increased as the extension of the Agro season in the United States positively impacted the 2H19 volumes. NovaSource revenue remained stable in 2H19 and could therefore not compensate the lower 1H19 revenue, which was due to weather conditions. Tessenderlo Kerley International 2019 revenue decreased as, in contrast with the first six months of 2019, an increase of the SOP sales price in 2H19 was not able to offset the SOP volume decline.

The Adjusted EBITDA of Agro decreased by -3.9% compared to prior year, when excluding the impact of IFRS 16 and the foreign exchange effect. Crop Vitality Adjusted EBITDA decreased in 2019, although in 2H19 the continued margin pressure was offset by higher volumes. Stable NovaSource results in 2H19 could not offset the lower 1H19 results, when NovaSource was impacted by weather conditions.

The Adjusted EBITDA of Tessenderlo Kerley International increased as the impact of lower SOP volumes could be offset by increased margins, while 2H18 was negatively impacted by significant production issues in Ham (Belgium) and Rouen (France).

Bio-valorization revenue increased by +7.5% when excluding the foreign exchange effect, thanks to increased PB Leiner volumes in 2019. Akiolis volumes decreased in 2019, although this decline was more outspoken in 1H19 compared to 2H19, when volumes were positively impacted by a heat wave in France.
The 2019 Adjusted EBITDA of Bio-valorization increased by 18.3 million EUR (or 66.5%) compared to one year earlier, when excluding the foreign exchange and IFRS 16 impact. While Akiolis was impacted by lower volumes, PB Leiner results improved thanks to increased volumes, combined with a better product mix and lower raw material prices.

2019 Industrial Solutions revenue increased by +1.2% thanks to DYKA Group, which benefited from favorable market circumstances.

The Adjusted EBITDA of Industrial Solutions increased by 4.8 million EUR in 2019, when excluding the foreign exchange effect and the impact of IFRS 16, mainly thanks to DYKA Group that realized higher volumes and increased production efficiency as a result of investments previously made. The Adjusted EBITDA of Performance Chemicals remained stable compared to 2018, as the 1H19 result improvement was offset by technical issues in Loos (France) in 2H19. The Adjusted EBITDA of S8 Engineering improved compared to 2018, although remaining negative, following additional internal projects and a further reduction of costs. The 2019 Adjusted EBITDA of Mining & Industrial remained stable.

In 2019 T-Power contributed 71.1 million EUR to the revenue and 51.2 million EUR to the Adjusted EBITDA of the group. These results were in line with expectations, as T-Power fulfilled all tolling agreement requirements.

During 2019 the group has reviewed the T-Power financing structure, as well as the ongoing long term maintenance program. Furthermore the group acquired NAES Belgium bvba in its entirety from the American group NAES Corporation, a subsidiary of Itochu Corporation, in June 2019. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant. With the acquisition of NAES Belgium and the fact that it is locally based, Tessenderlo Group now also has the technological knowledge and the team to completely manage T-Power internally. Meanwhile, the name of the company was changed to T-Power Energy Services bv.

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, 2019, the total number of employees (FTE) working for the group amounted to 4,742. Out of this total, 881 employees were active in the Agro business, 2,072 employees were active in the Bio-valorization business, 1,752 employees were active in the Industrial Solutions Segment and 37 employees were active in the T-Power business. Meanwhile, 3,535 of the group's total personnel are employed in Europe, 965 are employed in the Americas and 242 are employed in Asia, Africa and Australia.

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 the deployment of the updated business strategies by 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 cultural changes that are 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. For our top executives, we focused on Strategy and Leadership in 2019. We also launched a central training program for our global sales force on Commercial Excellence. Within our Talent Review Process we prepare career paths and carefully develop our talent for the future. Furthermore, we have invested in platforms to facilitate these processes. Last but not least, HR is also responsible for solid reward systems and benchmarked and competitive salary packages. Pay for performance is the aim behind our Reward Strategy because we want to stimulate the entrepreneurial spirit of our employees.

INNOVATION AND R&D

In 2019, Tessenderlo Group continued on the path of further strengthening our innovation capabilities through a sustained organizational focus on business development and innovation portfolio management in all of our businesses. Additional progress was also made in order to embed innovation at the highest levels in the group and business units. Our innovation choices are driven by the belief that 'Every Molecule Counts' and these are prioritized in alignment with our business strategies.

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.

We are passionate about improving the lives and wellbeing of humans and animals and - in that context - our product innovations focus on the valorizing and 'upcycling' of by-products from other industries or making the most out of our natural resources. To this end, in 2019, we further developed and improved the standards of healthy collagen ingredients for humans, as well as protein-based and gelatin-based products for food and pet food applications. Furthermore, in 2019, Tessenderlo Group announced a breakthrough in bioprinting with the release of our first gelatin bio-ink in the Claro™ series of tissue-engineering products. ClaroBGI600 has been created to combine gelatin and flow, at previously unheard-of levels. The proprietary Claro™ technology enables printing with lower pressure and excellent shape fidelity, without affecting the biocompatibility and final gel strength of the construct. This makes it the perfect material for 3D printing tissue engineering application.

For product and technology platforms applied across several business units, Tessenderlo Group relies on our Innovation & Learning Center in Dinuba (California, US), the Phoenix Innovation Center (US) and the Tessenderlo Innovation Center (Belgium). We also rely on our 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 2019, cross-business unit collaborations on innovation projects were strengthened throughout this global Innovation community.

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. To this end, in 2019 we organized a global distributor event in the Tessenderlo Innovation Center to enable our customers to become more familiar with the versatility of our latest innovative ingredients.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

The focus on continuously improving Safety, Health, Environment and Quality (SHEQ) remains the top priority for Tessenderlo Group and our subsidiaries. During 2019, we implemented many initiatives and programs aimed at further improving our performance. The 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. Our fundamental belief remains that 'Every Molecule Counts.'

GROUP SAFETY PERFORMANCE

During 2019, 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 in order to ensure compliance and drive improvements. Safety and health performance is reviewed every 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. During 2019, we completed the introduction of the Tessenderlo Group process for crisis management and communications, ensuring that we are even better prepared to effectively manage unplanned events. A number of business units regularly achieve levels of SHE performance significantly below industry benchmarks, whilst other business units continue to make progress towards meeting such levels. Despite the historically low Tessenderlo Group Lost Time Accident Frequency Rate achieved in 2018 not being repeated in 2019, it was only marginally missed. We continue to realize further improvements as we commit to the principle that 'The Safety and Health of everyone in our business is more important than any other subject.'

SHEQ ACHIEVEMENTS

Agro

Tessenderlo Kerley Inc. has a total of 10 facilities that have achieved more than 10 years without a lost time incident; six of those facilities have achieved more than 20 years without a lost time incident. Meanwhile, the Ponca City (Jupiter), USA facility was awarded the TKI award for Employee Excellence in Safety and Health, 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 and more than 70% of all employees are actively participating.

Tessenderlo Kerley International continued its focus on SHEQ and at the site in Ham, Belgium, we launched complementary 5 year action 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 continued to make long-term improvements at the majority of its global sites. At the end of 2019, 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. Four of the seven PB Leiner sites have now gone more than one year without a lost time incident. The focus on the reporting of 'near miss incidents' has also led to the ability to further eliminate unsafe conditions and reduce the number of first aid injuries by 15%. 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 2019 increased slightly. In spite of this, six sites have gone more than 1,000 days without an incident and eighteen sites have gone more than one year without an incident. Akiolis continues to devote additional resources to realizing further improvements and all employees underwent training in safe operations during the year. 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 continues to implement a Safety Excellence Program and further progress was made in 2019 towards the completion of all of the designated modules. A new initiative on identifying and eradicating unsafe conditions resulted in improvements to the work environment. Revised employee requirements regarding the use of personal protective equipment were also introduced for higher risk tasks. The result has been encouraging and a number of sites achieved a year of operations without any lost time incidents. DYKA Group is transferring those best practices and management standards to the sites where further improvements are still required. The ongoing conversion to more sustainable practices, including an increased use of recycled materials in the products, the use of 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.

The Performance Chemicals site in Loos, France achieved a historically low level of lost time accidents in 2019.

RISK ANALYSIS

ANALYSIS OF THE MAJOR RISKS FOR TESSENDERLO GROUP NV

The Company analyzes on a regular basis the risks related to its activities worldwide 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 units.

Security
A security event which impacts the employees, sites, assets, environment, critical information or IT operating systems could have negative consequences for the group companies. In order to manage and prevent risks, Tessenderlo Group has a strict safety policy in order to protect the employees. In order to guarantee a limitation of the security risks there are various initiatives on local and site level, and on group level there is a Group Safety Working Group which primarily aims to evaluate and coordinate the various actions within the group. The group has a data protection policy in order to protect sensitive and confidential information within the group and programs are set up in order to enhance cyber security within the group.

Ethics and Compliance
Risks can arise from potential failure to comply with the Code of Conduct of Tessenderlo Group NV and the supporting internal procedures, as well as from changes to and application of the laws and regulations in the various jurisdictions in which Tessenderlo Group NV operates. In order to monitor the risk, training courses are organized on a worldwide basis with regard to the application of the code of conduct and anti-trust code, together with a possibility to report non-compliance of the rules to a hierarchical superior and, if required, to the Compliance Officer. Within the company there is also a Compliance Committee which focuses on the coordination of the compliance activities within the group and defines the various training programs organized for the group.

Industrial safety
A major accident such as fire, explosion or release of harmful substances may result in possible fatalities, life-altering injuries, harm to the environment or local communities.
Within the group occupational safety is a top priority.

Transport accidents
An accident with chemical substances may result in risk of injuries to neighbors or the public. Within the Company there are various transport safety programs in order to reinforce prevention and safety.

Climate and Climate-related Risks
Particularly in the Agro and the Industrial Solutions Segments, exceptional environmental conditions, such as sustained heat waves, flooding or natural disasters can have an important impact on the operational results. Also the regulations and measures to limit the CO2-emissions, such as the increase of the price of greenhouse gas emissions may have an influence on the activities.

Usage of the Tessenderlo Group products
The usage risk stems from the possibility of third parties being injured, suffering an adverse health impact or property damage caused by the use of a Tessenderlo Group product as well as the resulting litigations or the inappropriate use of some Tessenderlo Group products for applications and/or markets for which the product is not designed or not in accordance with Tessenderlo Group's instructions for use.

Possible consequences are exposure to liability for injury or damage and product recalls. Product liability risk is the highest for products used in crop protection, food and healthcare applications.
Apart from the various measures taken in order to inform third parties on the specifications and use of the product, the group has an insurance program in order to limit the financial impact of product liability risk.

Volatility of certain raw materials
The group is particularly sensitive to the availability of or the fluctuations of the following raw materials: ammonia, potassium chloride and sulfur for the production of fertilizers, polyvinyl chloride for the production of plastic piping systems and pig and beef bones and hides for the gelatin production. The group's most important purchase contracts are centralized at group or the activities level. This method allows the group companies to strengthen their negotiating position. To the extent possible, price fluctuations are, where possible, translated into its sales prices of the products.

Evaluation of projects and investments
The group can be subject to the risk that investment projects fail or do not meet expectations: the intended contribution to growth or cost efficiencies. A further thorough analysis of the investments, the processes and the follow-up of the investments in the various activities should lead to better decision-making.

Risk of an outbreak of an epidemic with a regional spread or pandemic
Due to its global presence, the group may be subject to the consequences of the local or worldwide spread of viruses that pose a risk to public health and may be serious and unexpected. Such outbreaks can have an impact on social life as well as on the economy. The Company considers that it is difficult to estimate the impact that the regional spread of viruses or a pandemic could have a significant impact on the economies where we are active, and hence the impact these factors might have on our financial results.

As part of the COVID 19 outbreak in 2020, the group has taken some specific health , travel and safety measures in order to protect the employees and others from the disease in accordance with the guidelines imposed by the WHO and local authorities.

The Company is often active in markets and activities that are highly regulated by, among other things, strict rules and environmental provisions.
The Company cannot guarantee that in the future there will be no sudden or significant changes to, on the one hand, existing laws or regulations or, on the other hand, to trends where environmental awareness and sustainability requirements are central. Our Stakeholders could determine that the responsiveness of the Company and their affiliates to these trends has not been sufficient and as a consequence this could have an impact on our activities and financial results. Furthermore, the required changes and the related transformation costs could also have a significant impact on our activities. The company ensures that, in the case of new investments or expansions, it always takes into account the impact on the environment and the sustainability of the solution in its long term decision.

Brexit
Tessenderlo Group has assessed and mapped the risks associated with the Brexit. Tessenderlo Group has a number of customers and suppliers in the United Kingdom and there are inter-company deliveries between the United Kingdom and the European subsidiaries of the group. Because the number of customers and suppliers is rather limited, it is expected that the impact of the Brexit on the results of the Group will be rather limited. Tessenderlo Group has taken a number of actions to prepare itself with regard to the Brexit, such as setting up customs procedures, adapting the ICT systems and reviewing contractual provisions to ensure that deliveries to and from the United Kingdom continue to run smoothly.

ANALYSIS OF THE FINANCIAL RISKS[1]

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 the 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.

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.

[1] For a more detailed overview of the financial risks related to the situation in 2019 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).

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 457.9 million EUR as per December 31, 2019 (2018: 466.0 million EUR). This amount consists of current and non-current trade and other receivables (303.4 million EUR, note 16 - Trade and other receivables), current derivative financial instruments (0.0 million EUR) and cash and cash equivalents (154.5 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)	note	2019	2018
Fixed rate instruments			
Financial assets	18	92.4	37.2
Loans and borrowings	22	294.8	232.7
Variable rate instruments			
Financial assets	18	62.1	126.9
Loans and borrowings	22	207.2	279.4

The increase of loans and borrowings with a fixed rate is mainly related to lease liabilities (63.7 million EUR) recognized in accordance with IFRS 16 Leases.

The loans and borrowings with a variable rate mainly relate to the long term facility loan of T-Power nv. The decrease compared to prior year can be explained by the 55.4 million EUR prepayment of capital following the refinancing of the loan and the two half-yearly reimbursements (25.7 million EUR). The remaining outstanding capital of the T-Power nv long term facility loan amounts to 167.3 million EUR as per December 31, 2019 (2018: 249.3 million EUR). Approximately 80% of the loan is hedged through a series of forward rate agreements. The remaining loans and borrowings with a variable rate can be mainly explained by the commercial paper program of 39.0 million EUR (2018: 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 Company 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 refinancing of T-Power nv in 2019, bringing the new term loan facility to 193.0 million EUR reimbursable in the period June 2019-June 2026.
- 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 were renewed for 5 years in December 2019, 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 follows the Belgian legislation as reference code for Corporate Governance. In case that the Company does not comply with one or more provisions of this code, it shall indicate with which provision it is not complying and give justified reasons for this deviation. 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").The Charter is available at
https://www.tessenderlo.com/EN/about-tessenderlo-group/corporate-governance/corporate-governance-charter

On 22 October 2019 the Board of Directors of the Company adapted its Corporate Governance Charter to the new Corporate Governance Code 2020.

Through the extraordinary general meeting of shareholders of May 14, 2019 the Company has approved the opt-in, by which the new Belgian Code of Companies and Associations ('BCCA') is applied to the Company at an early stage. The new BCCA offers the Company the possibility of a significant simplification, a far-reaching flexibility, with more attention to the protection of the various stakeholders, linked with more transparency.

CAPITAL & SHARES

Capital

The capital of Tessenderlo Group nv at December 31, 2019, amounts to 216,231,862.15 EUR.

Shares

The share capital is represented by 43,154,979 shares without par value, entitling the shareholder to one vote per share.

By decision of the extraordinary general meeting of shareholders of July 10, 2019 the loyalty voting right has been introduced. As a consequence, each share which has been fully paid up and which is registered in the name of the same shareholder in the register of registered shares since at least two uninterrupted years, gives right to a double vote in accordance with the BCCA.

All Tessenderlo Group nv's shares are admitted for listing and trading on Euronext Brussels.

Warrants

As of December 31, 2019, there are no outstanding warrants. The 8,000 outstanding warrants issued in the context of the 2012 Plan (issue of naked warrants) were exercised in 2019.

SHAREHOLDERS & SHAREHOLDERS STRUCTURE

On the basis of the notifications provided to the Company, the status of the voting rights of the Company at December 31, 2019, is as follows:

Shareholder	Voting rights	%
Verbrugge nv (controlled by Picanol nv)	32,366,144	56.89%
Symphony Mills nv	1,832,200	3.22%
Coltrane Asset Management, L.P.	2,163,000	3.80%
Janus Henderson Group plc	1,561,002	2.74%
Norges Bank	1,287,899	2.26%
Carmignac Gestion SA	903,687	1.59%
Dimensional Fund Advisors L.P.	891,022	1.57%
Valarc Master Fund, Ltd.	630,402	1.11%
Other	15,253,349	26.81%
Total	**56,888,705**	**100.00%**

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).

GOVERNANCE STRUCTURE

The Company has opted for the monistic structure with a Board of Directors authorized to carry out all acts necessary or useful for the realisation of the Company's objective, with the exception of those reserved by law to the general shareholders' meeting.

BOARD OF DIRECTORS

Composition

At December 31, 2019, 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 2023
Independent Non-Executive Directors		
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 2023
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 2023
Mr. Stefaan Haspeslagh – Chairman	November 13, 2013	May 2022

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

On December 31, 2019, 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 Vice President Finance and Investor Relations.

Activities

The Board of Directors convened according to a previously determined schedule. The Board of Directors met six (6) times during 2019.

During 2019, the Board's main areas of discussion, review and decision were:

- the group's long-term strategy;
- the financial statements and reports;
- the 2019 budget;
- proposals to the general and extraordinary shareholders' meetings;

- approving the proposal to reappoint directors and to reappoint a member of the Audit Committee;
- the approval of the special proxy to Mr. Luc Tack and Mr. Stefaan Haspeslagh with regard to real estate transactions;
- the remuneration policy and the remuneration of the members of the Executive Committee;
- the review of a long-term incentive plan for members of the ExCom and of senior management;
- the financial communication and reporting by segment;
- the effectiveness of the Enterprise Risk Management and Compliance framework;
- the approval of various commercial agreements;
- the approval of various investment files and the incorporation of a new affiliated company in Brazil;
- the approval of the modified Corporate Governance Charter of the Company.

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. 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. In 2019 the Directors were invited to complete a self-assessment questionnaire for the evaluation of the Board of Directors. The results will be discussed during a meeting of the Board of Directors in 2020. The evaluation of the Audit Committee and the Nomination and Remuneration Committee has been postponed until 2020 due to the appointment of a new statutory auditor in 2019.

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, age and gender diversity.

Board Committees

General

On December 31, 2019, 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, 2019, 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 meets the independence criteria set forth by Article 7:87 §1 of the BCCA and the Corporate Governance Charter and the committee demonstrates the skills and the expertise requested in matters of remuneration policies as required by Article 7:100 of the BCCA.

The Nomination and Remuneration Committee met two (2) times in 2019.

- Activities of the Nomination and Remuneration Committee

In 2019, the Nomination and Remuneration Committee discussed and made recommendations regarding the Executive Committee remuneration package. The Committee made recommendations regarding the reappointment of directors and the review of the long-term incentive plan for the ExCom and senior management. The Nomination and Remuneration Committee also prepared the remuneration report, as included in the 2018 annual report.
The Committee also discussed the changes in the Corporate Governance Code 2020 and more especially the changes with respect to the remuneration policy and the remuneration 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, 2019, 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 2019.

The CEO, the COO-CFO, the VP Finance and Investor Relations, 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 fulfil 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 financial results press releases per semester, including disclosures, consistent application of the valuation and accounting principles, consolidation scope, closing process quality and accounting estimates, the Audit Committee heard reports from the external auditors regarding the year-end audit scope, the internal control system, the key audit matters and the valuation and accounting treatment of certain exceptional items.

The Audit Committee also addressed specific topics such as monitoring the effectiveness of the Enterprise Risk and Compliance Management systems and made recommendations regarding the further follow-up of improvement actions. Further, the Audit Committee reviewed the status of the major pending litigations.

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 2019, the risk assessment analysis and the activity reports of the internal audits which had been carried out, as well as on the 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 2019 and heard reports from Internal Control on its various findings.
In addition, the Audit Committee made recommendations with regard to the appointment of a new statutory auditor.

Attendance rate for members of the Board of Directors meetings and members of the special committees meetings in 2019:

	Board of Directors	Audit Committee	Nomination & Remuneration Committee
Number of meetings in 2019	**6**	**5**	**2**
Philium BVBA represented by its permanent representative Mr. Philippe Coens	6/6	5/5	2/2
Mr. Stefaan Haspeslagh	6/6		
Mr. Luc Tack	6/6		
Mr. Karel Vinck	6/6	5/5	2/2
Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez	6/6		2/2
ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert	6/6	5/5	

EXECUTIVE COMMITTEE (EXCOM)

Roles and responsibilities

As per December 31, 2019, 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's 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:

- running 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*;
- 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 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.

*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:

- an attendance fee of 1,000 EUR per half day attendance;
- an additional annual fee of 30,000 EUR for the chairman of the Board of Directors; and
- 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 attendance fee of 1,000 EUR is also attributed to the directors who attend the meeting as invitee.

Remuneration received

Member	2019	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
	Attendance fee per half day attended	8,000.00
	Total remuneration	**36,000.00**
Management Deprez bvba, represented by its permanent representative Mrs. Veerle Deprez (independent non-executive director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	8,000.00
	Total remuneration	**33,000.00**
ANBA bvba, represented by its permanent representative Mrs. Anne-Marie Baeyaert (independent non-executive director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	8,000.00
	Total remuneration	**33,000.00**
Stefaan Haspeslagh (executive director)	Fixed annual fee	25,000.00
	Additional fixed annual fee for Chairman Board	30,000.00
	Attendance fee per half day attended	8,000.00
	Total remuneration	**63,000.00**
Luc Tack (executive director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	8,000.00
	Total remuneration	**33,000.00**
Karel Vinck (non- executive director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	8,000.00
	Total remuneration	**33,000.00**
GENERAL TOTAL		**231,000.00**

REMUNERATION REPORT: EXECUTIVE COMMITTEE (EXCOM)

Remuneration policy

This chapter describes the principles underlying Tessenderlo Group's remuneration policy, management remuneration, structure and 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 for 75% on the financial results of the group (EBIT) and for 25% on the individual performance contributing to the long term sustainable growth of Tessenderlo Group. The individual performance will be assessed based on achieving individual targets as defined by the Nomination and Remuneration Committee and the Board of Directors. In this respect we also refer to the "Code of Conduct" of Tessenderlo Group, which lists the guiding principles and key values.

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 behaviour and living according to 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. The addition of the necessary documentation and provisions in the agreements with the ExCom members, which enable the company to reclaim variable remuneration, or withhold payment of variable remuneration, in the event of financial misconduct, fraud, deceit, non-compliance with a non-compete obligation and/or gross negligence, will be submitted for approval to the Board of Directors in the first quarter of 2020.

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 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 variable compensation is 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

Long Term Incentive (LTI) Plan

A long-term incentive plan 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 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 safety targets, determined for each individual Business unit and measured via the "Tessenderlo Group Lost Time Incident" 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 of the defined contribution type, a hospitalization insurance, eco-cheques and 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 2019

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 2019 is detailed below:

Component	Amount CEO	Amount COO-CFO
Fixed compensation (excluding Director fees)[2]	632,221 EUR	632,221 EUR
Variable compensation Short Term[2/5]	300,858 EUR	334,287 EUR
Variable compensation Long Term[6]	0 EUR	0 EUR
Pension[3]	87,029 EUR	0 EUR
Other benefits[4]	44,471 EUR	26,103 EUR
TOTAL (cost to the company)	**1,064,579 EUR**	**992,611 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 2019, 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 Short term incentive realization as proposed by the Nomination and Remuneration Committee of March 24, 2020.
6 No long term incentive pay-out in 2020.

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 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.

The Group Audit Director 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.

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.

The group has a Compliance Coordination Committee. This committee, composed of representatives of several headquarter functions, is responsible for the internal and external compliance program of Tessenderlo Group. The committee periodically reports to the Audit Committee.

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 harmonized 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.

The 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

The mandate of PwC Bedrijfsrevisoren cvba (PwC), represented by Mr. Peter Van den Eynde, ended after the ordinary general shareholders' meeting of the Company of May 14, 2019.

Upon decision of the ordinary general shareholders' meeting of May 14, 2019 KPMG Bedrijfsrevisoren CVBA, with Mr. Patrick De Schutter as authorized representative, has been appointed as statutory auditor of the group.

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

	2019			
(Million EUR)	Audit	Audit related	Other	Total
KPMG (Belgium)	0.2	0.0	0.0	0.3
KPMG (Outside Belgium)	0.6	-	0.3	0.9
Total	**0.9**	**0.0**	**0.3**	**1.2**

	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**

SUBSEQUENT EVENTS

- In December 2019, DYKA Group announced that it had agreed to acquire the production plant of REHAU Tube in La Chapelle-Saint-Ursin (France) from the German REHAU Group. The transaction is scheduled to be completed by May 1, 2020.
- Within the Bio-Valorization segment, PB Leiner inaugurated a new collagen peptides line in February 2020 at its production plant in Santa Fe (Argentina). This additional production facility will allow for a considerable extra production volume of SOLUGEL™ collagen peptides.
- Within the Industrial Solutions segment, S8 Engineering has ceased to exist as a separate Business Unit. The engineering and construction activities were integrated into Tessenderlo Kerley, Inc. during the first quarter of 2020.
- Flooding from Storm Dennis caused disruption at PB Leiner's plant in Treforest (United Kingdom) in February 2020. However, based on the current information, this event is not expected to have a material impact on the results of Tessenderlo Group.
- Tessenderlo Group is currently studying options for the construction of a new gas power plant in the Belgian municipality of Tessenderlo. As the outcome of the study is currently unpredictable, no further details can be disclosed at this stage.

Update COVID-19:

- In light of the latest developments concerning the global spread of the COVID-19 (Coronavirus) disease, Tessenderlo Group is taking all the necessary steps to ensure that it keeps its people safe and keep its plants and businesses running. This is because the group provides support for vital services and the flow of crucial goods. Tessenderlo Group supplies the basic chemicals for the production of drinking water based on side streams in the form of hydrochloric acid from the production of sulfate of potash (SOP). In addition, the group produces gelatin for medical and food applications, crop nutrition and crop protection products for agriculture (for which the season is just starting in the northern hemisphere), and plastic pipe systems for maintaining drinking water supply systems and polluted water evacuation, while Akiolis protects the meat chain (in France).
- All of the plants and activities are running in line with expectations at the moment, except for the current disruption of production at DYKA Group's French plant in Sainte-Austreberthe (segment Industrial Solutions). In February 2020, the COVID-19 disease also disrupted production at the Chinese plant in Nehe (PB Leiner – segment Bio-valorization), which restarted production in early March. Based on current information, the impact of these events on the financial results is expected to be limited.
- Activities could be further impacted in the coming weeks or months if too many employees are impacted by COVID-19 and/or if access to raw materials and auxiliary materials or means of transportation becomes more complicated, or if our customers are no longer able to process our products.

APPLICATION OF ART. 7:96 OF THE BELGIAN CODE OF COMPANIES AND ASSOCIATIONS (BCCA) (PREVIOUSLY ART. 523 OF THE BELGIAN CODE OF COMPANIES)

Meeting of the Board of Directors dated March 12, 2019

[…]

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 2018, the remuneration package over 2019 and the Long Term Incentive plan.

The Chairman of the Nomination and Remuneration Committee Mr Karel Vinck takes the floor and explains to the members of the nomination and remuneration the proposals for Short term incentive pay out/service fee for the year 2018 as well as the proposals for short term incentive pay out for the year 2019.

After debate the Board approves with unanimous consent the following resolutions:

- *To fix the short term incentive pay out at EUR 380,743 for Luc Tack*
- *To fix the short term incentive pay out/ service fee at EUR 406,362 for Findar BVBA, represented by Stefaan Haspeslagh*
- *To increase the fixed component of the remuneration packages with 2.70%, effective 1 January 2019.*

The 2019 short term incentive/service fees will be based on the following drivers:

1. *75% based on EBIT*
2. *25% on the individual performance linked to progress realised with respect to the sustainable long term growth of the Company.*

The Short term Incentive can vary between 0-135% of the fixed remuneration for the CEO and between 0 and 120% of the fixed service fee for the COO/CFO.
Also for exceptional performances, the Board can attribute an exceptional bonus.

….

The Chairman of the Nomination and Remuneration Committee explains the details of the Long Term Incentive plan. After debate the members of the Board agree to fix the Long Term Incentive Target for the ExCom members at:

- *45% of Base Remuneration for the CEO and*
- *40% of the Base remuneration for the COO/CFO*

Based on the following performance criteria
Group Adjusted EBITDA (85%)
BU Safety performance (15%).
The actual Long Term Incentive Target realisation may vary in a pay out between 0% and 200%.

[…]

Meeting of the Board of Directors dated May 14, 2019

[…]
Mr Jan Peeters, partner at Stibbe, is invited into the meeting in order to comment on the various agenda items of the EGM to be convened on July 10, 2019 after the changed articles of association of the Company are published following the early adoption of the New Belgian Code of companies and associations (New BCCA) by the EGM of May 14th 2019.

On the agenda of the EGM of July 10, 2019, the Board proposes to the shareholders to adopt (i) an additional change of the bye-laws in order align the articles of association with some new mandatory and optional changes of the new BCCA as well as (ii) the introduction of the double voting right for shareholders that are registered for an uninterrupted period of two years in the nominative shareholders' register of the Company. The first resolution has to be approved with 75% of the votes whilst the second resolution with 2/3 of the votes.

The directors of the Company who are present or validly represented state that they have neither a direct nor indirect conflict of financial interest with the decisions to be taken in accordance with article 7:96 BCCA except for those decisions summarized in agenda points 4 of the agenda where Mr Luc Tack and Mr Stefaan Haspeslagh declare that they have a conflict of interest in the sense of article 7:96 BCCA.

The following prior statements of the directors are made:
Mr Luc Tack states that he has an indirect conflict of interest in respect of the resolutions proposed to the EGM. Although strictly spoken article 7:96 of the Belgian Code of companies and associations does not apply on the case at hand, Mr Luc Tack will not participate in the deliberation and vote in respect to the agenda. Mr Luc Tack is the ultimate beneficial owner of the shareholding of Verbrugge NV and Symphony Mills NV in the Company, as Mr Luc Tack is the controlling shareholder of Artela NV and Symphony Mills NV, which are the controlling shareholders of Picanol NV. Furthermore, Mr Luc Tack is managing director (gedelegeerd bestuurder) of Picanol NV. The actual use of the authorizations in the proposed resolutions to the shareholders may have an effect on the existing voting rights of Verbrugge NV and Symphony Mills NV in the Company. Mr Luc Tack has requested that the auditor is informed of this conflict of interest.

Mr Stefaan Haspeslagh states that he has an indirect conflict of interest in respect of the resolutions proposed to the EGM. Further to Exhibit H of the Corporate Governance Charter, a member of the Board of Directors shall be considered to have a conflict of interest of the Belgian Companies Code in case "he […] is a member of the Board of Directors or ExCom or holds a similar office with a company with which the Company intends to enter into a material transaction."
Mr Stefaan Haspeslagh has requested that the auditor is informed of this conflict of interest. Mr Stefaan Haspeslagh will not participate in the resolution on the the deliberation and vote in respect to the agenda.
The financial consequences of the decisions taken in the proposed resolutions are at this stage limited to the fees of the advisors Stibbe incurred to date and which are estimated to be lower than 25 K€.

Mr Luc Tack and Mr Stefaan Haspeslagh leave the meeting.

Mr Jan Peeters explains the rationale of the Belgian legislator for the introduction of the double voting right into the BCCA, the main features of the new article 7:53 of the Belgian Code of companies and associations and the impact on the governance of the Company.

Following questions of board members, Mr Jan Peeters points out that the introduction of the measure could continue to serve the long-term interest of the Company to have a long term stable reference shareholder when it would consider future possible opportunities on capital operations in view of the *definition and execution of the long term company strategy.*

After debate, the Board of Directors approves with unanimous consent the agenda and proposed resolutions of the Extraordinary General Meeting of July 10, 2019. Long term share ownership is to considered as the platform required to build stable companies.
[…]

In 2019, no circumstances triggered the application of article 7:97 of the new BCCA.

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 BCCA 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 7:202, paragraph 2, 1° of the BCCA, 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 7:202, paragraph 2, 2° of the BCCA 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.

By decision of the extraordinary general meeting of shareholders of July 10, 2019 the loyalty voting right has been introduced. As a consequence, each share which has been fully paid up and which is registered in the name of the same shareholder in the register of registered shares since at least two uninterrupted years, gives right to a double vote in accordance with the BCCA.
Each other share gives right to one vote at the general meeting.

The articles of association of the Company do not contain any restriction on the transfer 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 BCCA.

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 according to the resolution of the extraordinary general meeting of 6 June 2017 to dispose of 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, without prejudice to the fact that the disposal possibilities of the Board of Directors are further mandatory organized under the new BCCA and these shall thus have to be respected in parallel by the Company for the remaining period of the authorization granted by the general meeting within the framework of the acquisition of own securities.
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 articles 7:221 and 7:222 of the BCCA.

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 4, 2019, 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 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 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, 2019, there are no outstanding warrants.

DIVIDEND POLICY

Tessenderlo Group nv has not declared or paid dividends for the financial year ending on December 31, 2019. 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 BCCA 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. 3:6 BELGIAN CODE OF COMPANIES AND ASSOCIATIONS

Provision 3.12 of the Corporate Governance Code 2020

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 Director.

Provision 7.6 of the Corporate Governance Code 2020 with respect to remuneration of Non-Executive Directors

The Company does not grant any remuneration in the form of shares to the Non-Executive Directors for 2019, as it is of the opinion that a payment in shares does not have a positive impact on decisions of these Directors that support the long term vision of the Company, given the presence of a reference shareholder who aims to create sustainable value within the Company.

Provision 7.9 of the Corporate Governance Code 2020 with respect to remuneration of Executive Directors

The Company does not grant any minimum threshold of remuneration in the form of shares to the ExCom in 2019, as it is of the opinion that a payment in shares does not have a positive impact on decisions of the ExCom that support the long term vision of the Company, given the presence of a reference shareholder who aims to create sustainable value within the Company. It was also decided not to modify the remuneration policy as already approved, during the course of the year.

Provision 7.12 of the Corporate Governance Code 2020 with respect to remuneration of Executive Directors

In 2020 the ExCom contracts will be submitted for approval to the Board of Directors, which will include specific provisions with respect to the claw-back of variable remunerations.

Provision 9.2 of the Corporate Governance Code 2020

Each three years the Board of Directors has to evaluate its operation, as well as the functioning of its committees. The last evaluation of the Board of Directors and the committees was carried out in 2016. In 2019 a questionnaire was submitted to the Board of Directors, which will be discussed by the Board in 2020. In 2020 the evaluation of the Nomination and Remuneration Committee will also take place. Taking into account the appointment of a new statutory auditor in 2019, the Company considered it useful to postpone the evaluation of the Audit Committee until 2020.

Brussels, March 24, 2020
On behalf of the Board of Directors

Luc Tack
Director and CEO

Stefaan Haspeslagh
Chairman of the Board of Directors

FINANCIAL REPORT 2019

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(Million EUR)	note	For the year ended December 31 2019	2018
Revenue	3	1,742.9	1,620.9
Cost of sales		-1,306.2	-1,235.5
Gross profit		**436.8**	**385.5**
Distribution expenses		-107.2	-105.1
Sales and marketing expenses		-63.2	-61.7
Administrative expenses		-112.7	-104.8
Other operating income and expenses	5	-18.8	-15.3
Adjusted EBIT[2]	**3**	**134.9**	**98.5**
EBIT adjusting items	6	-11.6	11.6
EBIT (Profit (+) / loss (-) from operations)		**123.4**	**110.1**
Finance costs	9	-23.3	-21.7
Finance income	9	16.1	24.2
Finance (costs) / income - net	**9**	**-7.2**	**2.5**
Share of result of equity accounted investees, net of income tax	14	0.3	3.7
Profit (+) / loss (-) before tax		**116.5**	**116.3**
Income tax expense	10	-18.9	-24.3
Profit (+) / loss (-) for the period		**97.6**	**92.1**
Attributable to:			
- Equity holders of the company		**96.1**	**91.7**
- Non-controlling interest		**1.5**	**0.3**
Basic earnings per share (EUR)	20	2.23	2.13
Diluted earnings per share (EUR)	20	2.23	2.13

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

[2] Adjusted EBIT is considered by the group to be a relevant performance measure in order to compare results over the period 2018-2019, 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 2019	2018
Profit (+) / loss (-) for the period		**97.6**	**92.1**
Translation differences		-2.7	-1.7
Net change in fair value of derivative financial instruments, before tax	26	-3.2	7.0
Share in other comprehensive income of associates and joint-ventures accounted for using the equity method		-0.3	0.8
Other movements		0.0	0.0
Income tax on other comprehensive income		0.8	-2.0
Items of other comprehensive income that are or may be reclassified subsequently to profit or loss		**-5.2**	**4.1**
Remeasurements of the net defined benefit liability, before tax	23	-2.4	1.4
Income tax on other comprehensive income		0.7	-0.1
Items of other comprehensive income that will not be reclassified subsequently to profit or loss		**-1.7**	**1.3**
Other comprehensive income, net of income tax		**-6.9**	**5.4**
Total comprehensive income		**90.7**	**97.5**
Attributable to:			
- Equity holders of the company		89.6	97.0
- Non-controlling interest		1.0	0.5

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Million EUR)	note	For the year ended December 31 2019	2018
Assets			
Total non-current assets		**1,146.2**	**1, 083.0**
Property, plant and equipment	11	872.9	789.2
Goodwill	12	34.6	35.0
Other intangible assets	13	162.1	190.2
Investments accounted for using the equity method	14	18.9	18.5
Other investments	14	11.3	11.1
Deferred tax assets	15	29.8	24.6
Trade and other receivables	16	16.5	14.4
Total current assets		**765.2**	**754.6**
Inventories	17	323.8	303.0
Trade and other receivables	16	286.9	286.6
Derivative financial instruments	26	0.0	0.9
Cash and cash equivalents	18/22	154.5	164.1
Total assets		**1,911.3**	**1,837.6**
Equity and Liabilities			
Equity			
Equity attributable to equity holders of the company		**821.7**	**735.0**
Issued capital		216.2	216.2
Share premium		238.0	237.9
Reserves and retained earnings		367.4	281.0
Non-controlling interest		**1.9**	**2.2**
Total equity		**823.6**	**737.2**
Liabilities			
Total non-current liabilities		**726.2**	**773.1**
Loans and borrowings	22	415.1	464.0
Employee benefits	23	61.3	57.9
Provisions	24	132.3	128.8
Trade and other payables	25	10.1	2.6
Derivative financial instruments	26	31.5	40.8
Deferred tax liabilities	15	76.0	79.1
Total current liabilities		**361.5**	**327.3**
Bank overdrafts	18/22	0.1	0.1
Loans and borrowings	22	86.8	48.0
Trade and other payables	25	245.3	247.1
Derivative financial instruments	26	12.7	13.6
Current tax liabilities		3.3	1.1
Employee benefits	23	0.9	1.3
Provisions	24	12.4	16.0
Total liabilities		**1,087.7**	**1,100.4**
Total equity and liabilities		**1,911.3**	**1,837.6**

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, 2019		**216.2**	**237.9**	**21.6**	**-86.2**	**-0.2**	**345.9**	**735.0**	**2.2**	**737.2**
- Adjustment on initial application of IFRS 16 Leases, net of tax	1	-	-	-	-	-	-3.2	-3.2	-	-3.2
Adjusted Balance at January 1, 2019		**216.2**	**237.9**	**21.6**	**-86.2**	**-0.2**	**342.7**	**731.9**	**2.2**	**734.0**
Profit (+) / loss (-) for the period		-	-	-	-	-	96.1	96.1	1.5	97.6
Other comprehensive income										
- Translation differences		-	-	-	-2.2	-	-	-2.2	-0.5	-2.7
- Remeasurements of the net defined benefit liability, net of tax		-	-	-	-	-	-1.7	-1.7	-	-1.7
- Net change in fair value of derivative financial instruments, net of tax		-	-	-	-	-2.3	-	-2.3	-	-2.3
- Share in other comprehensive income of associates and joint-ventures accounted for using the equity method		-	-	-	-	-0.3	-	-0.3	-	-0.3
- Other movements		-	-	-	-	-	-	0.0	0.0	0.0
Comprehensive income, net of income taxes		**0.0**	**0.0**	**0.0**	**-2.2**	**-2.6**	**94.4**	**89.6**	**1.0**	**90.7**
Transactions with owners, recorded directly in equity										
- Shares issued	19	0.0	0.1	-	-	-	-	0.2	-	0.2
- Other movements	21	-	-	-	-	-	-	0.0	-1.2	-1.2
Total contributions by and distributions to owners		**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**-1.2**	**-1.1**
Balance at December 31, 2019		**216.2**	**238.0**	**21.6**	**-88.4**	**-2.8**	**437.1**	**821.7**	**1.9**	**823.6**

(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		-	-	-	-	5.1	-	5.1	-	5.1
- Share in other comprehensive income of joint-ventures accounted for using the equity method		-	-	-	-	0.8	-	0.8	-	0.8
- 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		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**

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 2019	2018
Operating activities			
Profit (+) / loss (-) for the period		97.6	92.1
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	8	112.1	79.3
Depreciation on ROU assets (IFRS 16 *Leases*)	8/11	23.7	-
Changes in provisions		-0.2	-1.8
Finance costs	9	23.3	21.7
Finance income	9	-16.1	-24.2
Loss / (profit) on sale of non-current assets		-1.4	-0.4
Share of result of equity accounted investees, net of income tax		-0.3	-3.7
Income tax expense	10	18.9	24.3
Other non-cash items		1.3	-1.5
Changes in inventories		-21.0	-24.4
Changes in trade and other receivables*		10.0	-6.6
Changes in trade and other payables		2.1	-15.2
Change in accounting estimates - inventory write off	3/17	3.9	1.4
Revaluation electricity forward contracts		0.8	-2.6
Recycling currency translation adjustments PB Gelatins Wenzhou Co., Ltd.		-3.0	-
Impact step-up acquisition T-Power nv		-	-12.1
Cash generated from operations		**251.8**	**126.0**
Income tax paid		-32.1	-21.7
Dividends received	29	0.1	3.3
Cash flow from operating activities		**219.7**	**107.6**
Investing activities			
Acquisition of property, plant and equipment	11	-102.8	-82.3
Acquisition of other intangible assets	13	-1.5	-1.0
Acquisition of investments, net of cash acquired	4	-	-50.5
Acquisition of subsidiary, net of cash acquired	4	1.1	-
Proceeds from the sale of property, plant and equipment		3.5	10.2
Cash flow from investing activities		**-99.7**	**-123.7**
Financing activities			
Increase of issued capital - conversion of warrants	19	0.2	0.3
Payment of lease liabilities	22	-24.1	-
Proceeds from new borrowings		9.0	11.5
(Reimbursement) of borrowings		-83.0	-16.4
Settlement interest rate swaps T-Power nv	26	-8.0	-
Interest paid	9	-17.7	-13.7
Interest paid (IFRS 16 *Leases*)	9	-1.4	-
Interest received		1.2	2.2
Other finance costs paid		-2.1	-1.2
(Increase) of long term receivables		-2.9	-0.8
Reimbursement to non-controlling interest	14	-1.1	-
Dividends paid to non-controlling interest	14	-0.2	-
Cash flow from financing activities		**-130.1**	**-18.2**
Net increase / (decrease) in cash and cash equivalents		**-10.0**	**-34.3**
Effect of exchange rate differences		0.4	2.9
Cash and cash eq. less bank overdrafts at the beginning of the period	18/22	164.0	195.3
Cash and cash eq. less bank overdrafts at the end of the period	18/22	154.4	164.0

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

*The current trade and other receivables in the consolidated statement of financial position remain stable in 2019 (286.9 million EUR compared to 286.6 million EUR in 2018), while the changes in trade and other receivables in the consolidated statement of cash flows amount to +10.0 million EUR. This difference can be mainly explained by an increase of the net income tax receivable by 8.1 million EUR, which is recognized in the trade and other receivables in the consolidated statement of financial position (see note 16 - Trade and other receivables), while the related cash outflow was included within "Income tax paid" in the consolidated statement of cash flows.

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, 2019 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 24, 2020.

(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 net defined benefit (liabilities)/assets, which are stated at fair value.

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 33 - 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, except for IFRS 16 *Leases*, only applied as from January 1, 2019 through the modified retrospective approach.

(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.

Non-controlling interests are presented separately from equity attributable to equity holders of the company. 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.

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

Investments in associates and joint-ventures are included in the consolidated financial statements using the equity method. The investments in associates are those in which the group has significant influence over the financial and operating policies, but which it does not control. In general, it is the case when the group holds between 20% and 50% of the voting rights. The 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 or joint control commences until the date that significant influence or joint control ceases. When the group’s share of losses exceeds its interest in an associate or joint venture, 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 or joint venture.

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.

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 differences are recognized in profit or loss and presented within finance costs.

- 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, 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 :	2019	2018	2019	2018
Brazilian real	4.5157	4.4440	4.4134	4.3085
Chinese yuan	7.8205	7.8751	7.7355	7.8081
Czech crown	25.4080	25.7240	25.6705	25.6470
Hungarian forint	330.5300	320.9800	325.2967	318.8897
Indian rupee	80.1870	79.7298	78.8361	80.7332
Polish zloty	4.2568	4.3014	4.2976	4.2615
Pound sterling	0.8508	0.8945	0.8778	0.8847
Turkish lira	6.6843	6.0588	6.3578	5.7077
US dollar	1.1234	1.1450	1.1195	1.1810

(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.

Other development expenditure is recognized in the income statement as an expense as incurred.

The capitalized expenditure includes the cost of materials and direct labor. 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, or production of an intangible asset, requiring a long preparation, are included in the cost of the intangible asset.

- 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)[3].

- Other intangible assets

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

- Subsequent expenditure

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

- Amortization

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

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

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

Useful lives and residual values, if 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 the group obtained control.

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 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.

[3] The group did not have any such contracts during 2018 and 2019.

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.

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 other directly attributable expenses. 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[4]	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.

[4] 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

Policy applicable as from January 1, 2019

The Group has applied IFRS 16 *Leases* using the modified retrospective approach, under which comparative information is not restated.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Assets, representing the rights to use the underlying leased asset, are capitalized as property, plant and equipment at cost, comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs.

The corresponding lease liabilities, representing the net present value of the lease payments, are recognized as long-term or current liabilities depending on the period in which they are due.
The lease payments are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the group uses its incremental borrowing rate as the discount rate.

Leased assets and liabilities are not recognized for low-value items and short term leases. Short-term leases are leases with an initial lease term of 12 months or less. The lease payments associated with these low-value items and short term leases are recognized on a straight-line basis as an expense over the lease term.

Lease interest is charged to the income statement as an interest expense.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has applied judgement in evaluating whether it is reasonably certain to exercise the option to renew by considering all relevant factors that create an economic incentive for it to exercise the renewal.

Policy applicable until December 31, 2018

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 equity investments at fair value through other comprehensive income and are recorded at their fair value on the balance sheet, 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. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. If other investments are disposed, the cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income and is never reclassified to profit or loss.

- 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. 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. 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. 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

In accordance with IFRS 9, the group recognizes expected credit losses on trade receivables following the simplified approach. Lifetime expected losses are recognized for the trade receivables, excluding recoverable VAT amounts. A provision matrix is used in order to calculate the lifetime expected credit losses for trade receivables, which is based on the overdue amounts at the reporting date and uses historical information on defaults. The group considers a financial asset in default when contractual payments are 60 days past due. For all receivables in excess of 60 days past due, the provision matrix calculates an allowance between 20% and 100%. However, in specific cases, the group may also consider a financial asset in default when specific objective evidence of an impairment is obtained as a result of one or more events, which 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 of impairment 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. Impairment losses are recognized in the consolidated 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 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) Non-derivative financial liabilities

Non-derivative 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[5]

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

- Short-term benefits

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

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

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

(R) Income tax

Income tax expense 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 or other comprehensive income, in which case it is recognized in equity or other comprehensive income or it relates to a business combination, in which case it is recognized against goodwill.

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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: taxable temporary differences arising on 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, and reflects uncertainty related to income taxes, if any.

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, including transportation, qualifies as a separate performance obligation. 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, of which 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 amount of revenue is measured by reference to the progress made towards complete satisfaction of the performance obligation. 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, recognized at fair value, 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 as it accrues, taking into account the effective interest rate.

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

(V) Derivative financial instruments

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational 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. 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 amendment is mandatory for the first time for the financial year beginning January 1, 2019 and has been endorsed by the European Union. It has a significant impact on the financial statements of the group.

The group had adopted IFRS 16 *Leases* at the date of initial application (January 1, 2019). The impact of the adoption of this new standard, as well as the new accounting policy is disclosed below.

IFRS 16 *Leases* replaces the existing standards regarding the processing of lease agreements including IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. A lessee recognizes right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies, classifying leases into finance and operating leases.

The group has applied the modified retrospective approach. The cumulative effect of the initial IFRS 16 application (net impact of -3.2 million EUR) was recognized as an adjustment to the opening balance of retained earnings as per January 1, 2019, with no restatement of comparative information. The group applied the practical expedient to grandfather the definition of a lease on transition. IFRS 16 is applied on all contracts entered into before January 1, 2019, which are identified as leases in accordance with IAS 17 and IFRIC 4. Contracts, which were not identified as leases under IAS 17 and IFRIC 4, were not reassessed. The group chose not to recognize right-of-use assets and lease liabilities for low-value items and short term leases. Low-value assets mainly consist of IT-equipment and small items of office furniture. Short-term leases are leases with a lease term of 12 months or less. The lease payments associated with these low-value items and short term leases are recognized on a straight-line basis as an expense over the lease term.

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has applied judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the group considered all relevant factors that create an economic incentive for it to exercise the renewal.

On adoption of IFRS 16, right-of-use assets were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The incremental borrowing rate applied to the lease liabilities on January 1, 2019 is between 0.6% and 4.6%, taking into account the term and condition of the lease, the nature of the leased asset and the location of the lessee.

The change in accounting policy affected the following items on the balance sheet on January 1, 2019:

Million EUR	January 1, 2019
ASSETS	
Total non-current assets	**69.2**
Property, plant and equipment	68.7
Deferred tax assets	0.5
Total assets	**69.2**
EQUITY AND LIABILITIES	
Equity attributable to equity holders of the company	**-3.2**
Reserves and retained earnings	-3.2
Total liabilities	**72.5**
Total non-current liabilities	**49.1**
Loans and borrowings	49.1
Total current liabilities	**23.4**
Loans and borrowings	23.4
Total equity and liabilities	**69.2**

The lease liabilities as of January 1, 2019 can be reconciled to the non-cancellable operating lease commitments as of December 31, 2018 as follows:

Million EUR	
Operating lease commitments disclosed as of December 31, 2018	**77.6**
Add: finance lease liabilities recognized as at December 31, 2018	0.1
(Less) leases recognized on a straight-line basis as expense	-1.4
Discounted using the group's incremental borrowing rate	-4.6
Add: lease extensions considered reasonably certain	0.8
Lease liability recognized as of January 1, 2019	**72.5**

As from January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability, at the date at which a leased asset is available for use by the company. Each lease payment is allocated between this liability and a related finance cost. The finance cost is charged to income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and its lease term.

The Adjusted EBIT, the Adjusted EBITDA and the segment assets as per December 31, 2019 all increased as a result of this accounting policy change. The impact was the following:

Million EUR	Adjusted EBIT	Adjusted EBITDA	Segment assets
Agro	0.7	7.1	11.4
Bio-valorization	0.3	9.1	18.0
Industrial Solutions	0.7	9.3	25.3
T-Power	0.0	0.1	0.0
Non-allocated	-	-	5.7
Tessenderlo Group	**1.8**	**25.5**	**60.5**

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

The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning January 1, 2019 and have been endorsed by the European Union. These did not have a significant impact on the financial statements of the group:

- Amendments to IAS 19: Plan amendment, curtailment or settlement
- Annual improvements to IFRS Standards 2015-2017 cycle, containing amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 28: Long term interests in associates and joint ventures
- IFRIC 23: Uncertainty over income tax treatments
- Amendments to IFRS 9: Prepayment features with negative compensation

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, 2019 and have been endorsed by the European Union:

- Amendments to IFRS 3 Business Combinations (effective January 1, 2020)
- Amendments to the definition of material in IAS 1 and IAS 8 (effective January 1, 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective January 1, 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 (interest rate benchmark reform) (effective January 1, 2020)

The group has not applied the above mentioned amendments in preparing the 2019 consolidated financial statements. The group however does not expect that these amendments 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, 2019 and have not been endorsed by the European Union:

- IFRS 17 Insurance Contracts (effective January 1, 2021)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on January 23, 2020)

The group has not applied these new standards or amended standards in preparing the 2019 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.

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 26 - Financial instruments.

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, as well as energy. 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 production, trading and distribution of crop nutrients 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; production and distribution of gelatins and collagen peptides and rendering, production and sales of proteins and fats (gelatin) (including the following businesses: PB Leiner 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, Mining & Industrial, Performance Chemicals, S8 Engineering 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.

In 2018, the engineering and construction activities of the subsidiary Tessenderlo Kerley Services Inc. were formalized into a new business unit, called S8 Engineering. This business unit became part of the Industrial Solutions segment and focuses 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. The subsidiary executed a material contract for the joint-venture Jupiter Sulphur LLC, which impacted the 2017 revenue and Adjusted EBIT/EBITDA in a significant way. Although the execution of this contract had no significant impact on the 2018 revenue and Adjusted EBIT/EBITDA, the entire subsidiary's results (for 2018 and 2017) were excluded from the Industrial Solutions segment and were presented separately within 'Other' in order to increase the comparability of results (no other activities were included in 'Other'). As from 2019, S8 Engineering is included within the Industrial Solutions segment, while the 2018 comparable figures also have been included in this segment.

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 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 therefore recognized when the goods are delivered to the customers, where the point of recognition is dependent on the contract sales terms, known as the International Commercial terms (Incoterms). The group also recognizes revenue from the sale of services. These mainly relate to the collection of organic materials within Akiolis (operating segment Bio-valorization), and water treatment services at industrial mining, refinery and oil and gas exploration water treatment locations within MPR and ECS (operating segment Industrial Solutions). In this case, the revenue is recognized when the customers obtain control of the services, predominantly at a point in time. The group has executed engineering and construction activities through its subsidiary S8 Engineering Inc.. For revenue out of projects, the amount of revenue is measured by reference to the progress made towards complete satisfaction of the performance obligation. These projects generally have a lifetime of less than one year.

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		Non-allocated		Tessenderlo Group	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue (internal and external)		603.5	590.4	543.1	496.9	531.4	517.6	71.1	18.8	-	-	1,749.2	1,623.7
Revenue (internal)		0.8	0.6	-	-	5.5	2.1	-	-	-	-	6.3	2.8
Revenue		**602.8**	**589.8**	**543.1**	**496.9**	**526.0**	**515.5**	**71.1**	**18.8**	**-**	**-**	**1,742.9**	**1,620.9**
Of which:													
- At a point in time		602.8	589.8	543.1	496.9	520.3	510.4	71.1	18.8	-	-	1,737.3	1,615.8
- Over time		-	-	-	-	5.6	5.1	-	-	-	-	5.6	5.1
Adjusted EBIT		**88.4**	**86.3**	**22.7**	**2.4**	**11.9**	**5.6**	**12.0**	**4.3**	-	-	**134.9**	**98.5**
Adjusted EBITDA		**118.5**	**110.2**	**56.6**	**27.5**	**41.4**	**26.5**	**51.2**	**13.5**	-	-	**267.7**	**177.8**
Return on revenue (Adjusted EBITDA/revenue)		**19.7%**	**18.7%**	**10.4%**	**5.5%**	**7.9%**	**5.1%**	**72.1%**	**72.2%**	-	-	**15.4%**	**11.0%**
Segment assets		506.9	482.2	439.2	385.9	313.3	287.9	390.7	429.5	46.7	32.9	1,696.8	1,618.4
Derivative financial instruments	26	-	-	-	-	-	-	-	-	0.0	0.9	0.0	0.9
Investments accounted for using the equity method	14	18.2	17.8	0.7	0.7	-	-	-	-	-	-	18.9	18.5
Other investments	14	-	-	-	-	-	-	-	-	11.3	11.1	11.3	11.1
Deferred tax assets	15	-	-	-	-	-	-	-	-	29.8	24.6	29.8	24.6
Cash and cash equivalents	18	-	-	-	-	-	-	-	-	154.5	164.1	154.5	164.1
Total assets		**525.1**	**500.0**	**439.9**	**386.6**	**313.3**	**287.9**	**390.7**	**429.5**	**242.3**	**233.6**	**1,911.3**	**1,837.6**
Segment liabilities		77.6	83.4	143.8	139.9	72.4	74.9	8.4	4.8	163.4	151.9	465.5	454.9
Derivative financial instruments	26	-	-	-	-	-	-	-	-	44.2	54.4	44.2	54.4
Loans and borrowings	22	-	-	-	-	-	-	-	-	501.9	512.0	501.9	512.0
Bank overdrafts	18/22	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Deferred tax liabilities	15	-	-	-	-	-	-	-	-	76.0	79.1	76.0	79.1
Total equity		-	-	-	-	-	-	-	-	823.6	737.2	823.6	737.2
Total Equity and Liabilities		**77.6**	**83.4**	**143.8**	**139.9**	**72.4**	**74.9**	**8.4**	**4.8**	**1,609.2**	**1,534.6**	**1,911.3**	**1,837.6**
Capital expenditures: property, plant and equipment and other intangible assets	11/13	28.9	22.8	55.6	34.2	18.6	25.2	-	-	1.1	1.2	104.3	83.4
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	8	-23.7	-23.9	-25.2	-25.2	-24.0	-20.9	-39.2	-9.2	-	-	-112.1	-79.3
Depreciation on Right-of-use assets (IFRS 16 *Leases*)	8/11	-6.4	-	-8.7	-	-8.6	-	-0.1	-	-	-	-23.7	-
Reversal/(additional) inventory write-offs	17	-1.7	-0.4	-2.2	-0.1	0.0	-0.8	-	-	-	-	-3.9	-1.4

The 2019 segment assets are impacted by the recognition of right-of-use assets as per December 31, 2019 for an amount of 60.5 million EUR (note 11 - Property, plant and equipment). Agro segments assets are impacted by 11.4 million EUR, Bio-valorization by 18.0 million EUR, Industrial solutions by 25.3 million EUR and Non-allocated by 5.7 million EUR.

Non-allocated segment liabilities mainly include environmental provisions recognized for the plants in Belgium (Ham, Tessenderlo, Vilvoorde) and France (Loos).

Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets of T-Power increase from -9.2 million EUR in 2018 to -39.2 million EUR in 2019 as T-Power nv was only acquired in October 2018 and consequently charges were only recognized for one quarter in 2018.

The reconciliation of the profit before tax is as follows:

(Million EUR)	2019	2018
Adjusted EBIT	**134.9**	**98.5**
EBIT adjusting items	-11.6	11.6
Finance (costs) / income - net	-7.2	2.5
Share of result of equity accounted investees, net of income tax	0.3	3.7
Profit (+) / loss (-) before tax	**116.5**	**116.3**

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)	2019	2018	2019	2018
Belgium	176.3	117.7	526.9	537.0
The Netherlands	171.3	167.9	33.7	25.3
France	294.4	295.4	218.3	190.6
Germany	44.3	43.3	17.8	12.8
Spain	59.3	57.8	-	-
United Kingdom	83.4	83.2	20.1	11.9
Poland	21.8	21.9	5.2	4.7
Other European countries	122.5	102.3	4.9	6.3
United States	518.3	470.6	198.1	190.3
Mexico	35.3	37.7	1.4	0.6
China	19.4	20.4	9.0	11.0
Rest of the world	196.6	202.8	34.0	23.9
Tessenderlo Group	**1,742.9**	**1,620.9**	**1,069.6**	**1,014.4**

The contribution of T-Power nv to the 2019 group revenue amounts to 71.1 million EUR and is included in "Belgium" (compared to only 18.8 million EUR in 2018, as T-Power nv is only accounted for by the full consolidation method as from October 2018).
The increase of the revenue in the United States (+10%) can be mainly explained by the strengthening of the USD against the EUR in 2019. When excluding the foreign exchange effect, the revenue increase in the United States amounts to +4% and can be mainly explained by growth within PB Leiner (operating segment Bio-valorization).

Non-current segment assets were impacted in 2019 by the implementation of IFRS 16 *Leases*, which lead to the recognition of right-of-use assets for 60.5 million EUR. These assets are mainly located in France (17.4 million EUR), Belgium (13.6 million EUR), the United States (13.3 M EUR), the United Kingdom (8.5 million EUR) and the Netherlands (5.3 million EUR).

4. ACQUISITIONS AND DISPOSALS

Acquisitions

In June 2019, the group acquired 100% of the shares and voting rights of NAES Belgium bvba from NAES Corporation, a subsidiary of Itochu Corporation. Since 2012, NAES Belgium has been responsible for the operation of the T-Power 425 MW CCGT (Combined Cycle Gas Turbine) plant (Tessenderlo, Belgium), a 100% subsidiary of Tessenderlo Group. The company employs 30 members of staff. At the date of the acquisition, the company's name was changed into T-Power Energy Services bv. The purchase consideration paid in cash and the transaction-related costs were insignificant. The fair value of the acquired assets and liabilities assumed at acquisition date approximated their carrying amount and therefore no significant fair value adjustments were recognized. The transaction did not result in the recognition of any goodwill. Other payables and current tax liabilities have been measured on a provisional basis. If new information, obtained within one year of the 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 contribution of T-Power Energy Services bv to the groups 2019 results was insignificant.

The table below summarizes the impact of the acquisition of T-Power Energy Services bv on the financial position of the group in 2019:

(Million EUR)	Pre-acquisition carrying amounts (Belgian Gaap)	Fair value adjustments	Recognized values on acquisition
Non-current assets	0.0	0.1	0.1
Current assets	0.9	0.0	0.9
Non-current liabilities	1.3	0.0	1.4
Current liabilities	0.8	-	0.8
Net assets	**-1.2**	**0.1**	**-1.1**
Consideration (paid)/received, satisfied in cash			-0.7
Cash acquired/(disposed) of			1.8
Net cash (outflow)/inflow			**1.1**

If the acquisition had occurred on January 1, 2019, the contribution of T-Power Energy Services bv to the group's revenue would have been nihil, as services are only provided to the subsidiary T-Power nv, and the result would have been insignificant.

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). The purchase consideration paid in cash amounted to 131.1 million EUR, while the cash and cash equivalents acquired amounted to 80.6 million EUR, resulting in a net cash-out of -50.5 million EUR. No new information has been obtained in 2019, about facts and circumstances that existed at the date of acquisition, which would have resulted in a revision of the acquisition accounting.

Disposals

There were no disposals in 2019.

5. OTHER OPERATING INCOME AND EXPENSES

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

(Million EUR)	2019	2018
Additions to provisions	-1.2	-1.0
Research and development cost	-11.8	-10.5
Grants	0.0	0.1
Depreciation	-0.2	-0.1
Gains on disposal of property, plant and equipment and other intangible assets	0.2	0.3
Reversal/(recognition) of impairment losses on trade receivables	-0.3	-0.5
Other	-5.4	-3.5
Total	**-18.8**	**-15.3**

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 -6.3 million EUR (2018: -5.4 million EUR) and depreciation charges for an amount of -0.5 million EUR (2018: -0.5 million EUR). In 2019 and 2018, no significant development costs were capitalized.

The other operating income and expenses (-5.4 million EUR) are mainly explained by the tax charges other than income taxes, such as withholding taxes and regional taxes, the cost of emission allowances consumed and several individually insignificant items within several subsidiaries of the group.

6. EBIT ADJUSTING ITEMS

The EBIT adjusting items for 2019 show a net loss of -11.6 million EUR (2018: +11.6 million EUR).

(Million EUR)	2019	2018
Gains and losses on disposals	4.2	12.1
Restructuring	0.3	0.9
Impairment losses	-3.1	-
Provisions and claims	-5.9	-0.9
Other income and expenses	-7.1	-0.5
Total	**-11.6**	**11.6**

Gains and losses on disposals mainly include the recycling of currency translation reserves following the completion of the liquidation process of PB Gelatins Wenzhou Co., Ltd. (China) for +3.0 million EUR, as well as the gain on the sale of some non-strategic assets (mainly land, which is not used in the current activities). The 2018 gains and losses were the result of the acquisition of the remaining 80% of the shares of 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.

Adjustments to ongoing restructuring programs did not have a significant impact on the group's result (+0.3 million EUR).

Impairment losses relate to assets, which will not be used anymore following changes in market conditions (within the operating segment Industrial solutions) and to the impairment of the Group BT Bautechnik goodwill (note 12 - Goodwill).

Provisions and claims mainly include the -5.6 million EUR impact of the decrease of the discount rate applied to the environmental provisions to cover the cost, over the period 2020-2054, for the remediation of historical soil and ground contamination of the factory sites in Belgium (Ham, Tessenderlo and Vilvoorde) and France (Loos). The discount rate as per December 31, 2019 varied between 0% and 1% (between 0% and 2% at year-end 2018).

Other income and expenses mainly relate to the impact of an electricity purchase agreement (-6.3 million EUR in 2019), 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	2019	2018
Wages and salaries		-234.7	-222.3
Employer's social security contributions		-52.6	-51.0
Other personnel costs		-18.4	-16.9
Contributions to defined contribution plans		-8.8	-8.2
Expenses related to defined benefit plans	23	-6.2	-6.7
Total		**-320.7**	**-305.1**

The number of FTE's at year-end 2019 amounts to 4,742 (2018: 4,644). This increase is mainly explained by the employees of T-Power Energy Services bv, a subsidiary which was acquired in June 2019 (note 4 - Acquisitions and disposals) and an increase of FTE's within DYKA Group and Tessenderlo Kerley International, mainly to reinforce the production, logistic and sales teams.

8. ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

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

(Million EUR)	note	Depreciation on PPE		Amortization on other intangible assets		Total	
		2019	2018	2019	2018	2019	2018
Cost of sales		-96.7	-61.9	-23.0	-7.3	-119.7	-69.1
Administrative expenses		-5.8	-2.3	-1.2	-1.7	-7.0	-4.1
Sales and marketing expenses		-0.8	-0.1	-4.6	-5.4	-5.5	-5.5
Other operating income and expenses		-0.7	-0.6	-	-	-0.7	-0.6
Total	**11/13**	**-104.0**	**-64.9**	**-28.7**	**-14.4**	**-132.8**	**-79.3**

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

(Million EUR)	note	Property, plant and equipment		Other intangible assets		Goodwill		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
Impairment losses	6/12	-2.3	-	-	-	-0.7	-	-3.1	-
Total	**11/13**	**-2.3**	**0.0**	**0.0**	**0.0**	**-0.7**	**0.0**	**-3.1**	**0.0**

Total depreciation, amortization and impairment losses in 2019 amount to -135.8 million EUR compared to -79.3 million EUR in 2018 (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets.

The increase of the depreciation and amortization charges is mainly due to:

- depreciation charges recognized on the right-of-use assets, in accordance with IFRS 16 *Leases* applicable as from January 1st, 2019, for an amount of -23.7 million EUR, included in the following line items: Cost of sales (-19.2 million EUR), Administrative expenses (-3.7 million EUR) and Sales and Marketing expenses (-0.8 million EUR).
- the full year impact of the depreciation and amortization charges of T-Power nv, only fully acquired in October 2018, for an amount of -17.3 million EUR (2018: -3.8 million EUR) and -21.8 million EUR (2018: -5.5 million EUR) respectively.

9. FINANCE COSTS AND INCOME

Net finance costs and income amount to -7.2 million EUR in 2019, compared to +2.5 million EUR in 2018 and are detailed below:

(Million EUR)	2019			2018		
	Finance costs	Finance income	Total	Finance costs	Finance income	Total
Interest expense on loans and borrowings measured at amortized cost	-11.2	-	-11.2	-10.3	-	-10.3
Commitment fee on unused portion of the credit facility	-0.3	-	-0.3	-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	-	1.0	1.0	-	2.2	2.2
Expense for the unwinding of discounted provisions	-0.7	-	-0.7	-1.0	-	-1.0
Net interest (expense)/income on pension asset/(liability)	-0.6	0.1	-0.5	-0.5	-	-0.5
Net foreign exchange gains and losses (including revaluation to fair value and realization of derivative financial instruments)	-7.3	14.9	7.6	-9.0	21.7	12.7
Net other finance (costs)/income	-3.1	0.0	-3.1	-0.7	0.2	-0.5
Total	**-23.3**	**16.1**	**-7.2**	**-21.7**	**24.2**	**2.5**

The interest expenses on loans and borrowings amount to -11.2 million EUR (2018: -10.3 million EUR) and mainly consist of:

- The interest charges on the bonds (-6.7 million EUR), issued in 2015, with a maturity of 7 years (the “2022 bonds”) and 10 years (the “2025 bonds”) with a fixed rate of 2.875% and 3.375% respectively.
- The interest expenses on the loan of T-Power nv, which was only acquired in the fourth quarter of 2018. The financing structure of T-Power nv was reviewed during the first half of 2019. The new term loan facility agreement amounted to 193.0 million EUR of which the remaining outstanding loan as per December 31, 2019 amounts to 167.3 million EUR. The interest rate due is the EURIBOR plus a spread. For 80% of the outstanding loan, the EURIBOR was fixed at 5.6% per annum through a series of reshaped forward agreements. The fair value of these forward agreements amounted to -38.1 million EUR at acquisition date (recognized as derivative financial instruments in the statement of financial position, see also note 26 - Financial instruments). The 2019 interest paid for this long term facility loan resulted in a cash out of -10.6 million EUR, of which -2.6 million EUR was recognized as interest expenses, while the remaining amount of -8.0 million EUR relate to the half yearly payments for forward rate agreements reaching their maturity date.
- The interest expenses following the application of IFRS 16 *Leases* for -1.4 million EUR.

Total cash-out related to interest payments therefore amounts to -19.2 million EUR (interest expenses for -11.2 million EUR and payments for forward rate agreements reaching their maturity date for -8.0 million EUR).

The net foreign exchange gains (+7.6 million EUR) can mainly be explained by 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 (+1.9%) impacted this result. We refer to note 26 - Financial instruments for more information of the group’s exposure to foreign currency risk.

The increase of the other finance costs (-3.1 million EUR in 2019 compared to only -0.5 million EUR in 2018) is mainly related to one-off expenses following the refinancing of T-Power nv in the first half of 2019 (see also note 22 - Loans and borrowings).

The table below provides the reconciliation between the interest expense recognized in the consolidated income statement and the interest paid in the consolidated statement of cash flows:

Million EUR	2019	2018
Interest expense on lease liabilities	-1.4	-
Interest expense on other loans and borrowings	-9.7	-10.3
Interest expense on loans and borrowings measured at amortized cost	**-11.2**	**-10.3**
Reconciliation with consolidated statement of cash flows		
Interest paid (IFRS 16 *Leases*)	**-1.4**	-
Interest expense on other loans and borrowings	-9.7	-10.3
Changes in accrued interest charges	0.0	-3.4
Payments for forward rate agreements at maturity date (recognized at T-Power nv acquisition date)	-8.0	-0.0
Interest paid	**-17.7**	**-13.7**

The 2018 changes in accrued interest charges (-3.4 million EUR) mainly relate to the accrued interest recognized by T-Power nv on the acquisition date (October 2018).

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)	2019	2018
Recognized in the income statement		
Current tax expense	-28.6	-17.5
Adjustment current tax expense previous periods	3.0	-1.6
Deferred tax - due to changes in temporary differences	7.1	-1.3
Deferred tax - due to changes in tax rate	0.8	0.3
Deferred taxes - recognition (derecognition) of previously unrecognized tax losses	-1.1	-4.2
Total income tax expense in the income statement	**-18.9**	**-24.3**
Profit (+) / loss (-) before tax	116.5	116.3
Less share of result of equity accounted investees, net of income tax	0.3	3.7
Profit (+) / loss (-) before tax and before result from equity accounted investees	**116.2**	**112.6**
Effective tax rate	**16.3%**	**21.5%**
Reconciliation of effective tax rate		
Profit (+) / loss (-) before tax and before result from equity accounted investees	**116.2**	**112.6**
Theoretical tax rate	27.4%	28.2%
Expected income tax at the theoretical tax rate	**-31.9**	**-31.7**
Difference between theoretical and effective tax expenses	**12.9**	**7.5**
Adjustment on deferred taxes	**-0.3**	**-3.8**
Change in tax rates	0.8	0.3
Recognition (+) / derecognition (-) of previously recognized tax losses	-1.1	-4.2
Adjustment on tax expenses	**13.2**	**11.3**
Expenses not deductible for tax purposes	-1.9	-1.0
Non taxable income	2.3	4.9
Capital gains and losses on participations	0.8	-
Tax incentives	1.4	1.5
Use or recognition of tax losses / tax credits not previously recognized	3.7	4.6
Tax losses / temporary differences for which no deferred tax asset has been recorded	-4.2	-5.7
Adjustment current tax expense previous periods	3.0	-1.6
Other	8.2	8.7

The theoretical aggregated weighted tax rate amounted to 27.4% in 2019 compared to 28.2% in 2018. This variance of the tax rate can be explained by changes in the relative weight of the result of each subsidiary, with different individual theoretical tax rates, in the total group result.

The following corporate income tax reform impacted the 2019 income tax expense:

- In April 2019, the Luxembourg parliament approved the 2019 budget law including a reduction of the corporate tax rate from 18% to 17% for 2019. There are no changes to the rate of the solidarity surtax or to the rate of municipal business tax. Consequently, this change to the rate results in an overall income tax rate of 24.94% for companies as from 2019 (compared to 26.01% in 2018).

The derecognition of previously recognized tax losses in 2019 (-1.1 million EUR) is the result of a year-end 2019 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 2019 include deductions claimed for research and development expenses, as well the foreign-derived intangible income (FDII) deduction in the United States of America.

The 2019 and 2018 use or recognition of tax losses/tax credits not previously recognized mainly relates to the recognition of fiscal losses carried forward in Belgium.

The tax losses and temporary differences for which no deferred tax asset was recognized in 2019 mainly relate to tax losses within the United Kingdom and China, while in 2018 these were mainly related to tax losses within the United Kingdom, France, China and Brazil.

The 2019 items included in “Other” (8.2 million EUR) mainly relate to statutory results on intragroup transactions within Tessenderlo Group nv, which were eliminated for consolidation purposes. The 2018 “Other” (8.7 million EUR) mainly related to the non-taxable gain, which was recognized following the remeasurement at fair value of the original 20% share in T-Power nv.

11. PROPERTY, PLANT AND EQUIPMENT

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At January 1, 2019	**463.7**	**1,424.9**	**70.3**	**47.3**	**2,006.2**
- recognition of right-of-use asset on initial application of IFRS 16 *Leases*	49.7	8.6	107.4	-	165.7
Adjusted Balance at January 1, 2019	**513.4**	**1,433.5**	**177.7**	**47.3**	**2,171.9**
- dismantlement provision	0.3	0.5	-	-	0.7
- capital expenditure	0.3	23.1	1.0	78.4	102.8
- IFRS 16 new leases and lease modifications	4.0	3.1	9.7	-	16.8
- sales and disposals	-16.6	-62.5	-18.6	-	-97.7
- transfers	13.4	44.9	13.1	-71.8	-0.4
- translation differences	2.6	4.1	0.1	0.1	6.9
At December 31, 2019	**517.5**	**1,446.6**	**183.0**	**54.1**	**2,201.1**
Depreciation and impairment losses					
At January 1, 2019	**-251.3**	**-903.5**	**-62.2**	**0.0**	**-1,217.0**
- recognition of accumulated depreciation on right-of-use asset on initial application of IFRS 16 *Leases*	-27.0	-5.2	-64.7	-	-97.0
Adjusted Balance at January 1, 2019	**-278.3**	**-908.7**	**-126.9**	**0.0**	**-1,314.0**
- depreciation	-23.5	-61.5	-19.1	-	-104.0
- impairment losses	-	-2.3	-	-	-2.3
- sales and disposals	16.2	62.0	17.0	-	95.2
- transfers	-0.1	0.3	-0.0	-	0.1
- translation differences	-1.1	-1.8	-0.1	-	-3.1
At December 31, 2019	**-286.9**	**-912.1**	**-129.2**	**0.0**	**-1,328.2**
Carrying amounts					
Adjusted balance at January 1, 2019	**235.1**	**524.8**	**50.7**	**47.3**	**857.9**
At December 31, 2019	**230.6**	**534.4**	**53.8**	**54.1**	**872.9**

(Million EUR)	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**

The capital expenditure on property, plant and equipment amounts to 102.8 million EUR (2018: 82.3 million EUR) and is presented per operating segment in note 3 - Segment reporting.

The majority of the capital expenditure relates to:

- investments in (the upgrade of) plant infrastructure (mainly within the operating segment Agro);
- investments in the expansion of the SOLUGEL® collagen peptides production capacity and in the optimization of the valorization of animal by-products (operating segment Bio-valorization);
- investments in production lines within DYKA Group (operating segment Industrial Solutions);
- investments for the refurbishment of the new Kerley headquarters in Phoenix (Arizona, United States);
- the replacement of equipment and vehicles, which were previously leased, through acquisition.

The cost of the 2019 "sales and disposals" amounts to -97.7 million EUR, and mainly includes the gross book value of lease contracts which expired in 2019, recognized in accordance with IFRS 16 *Leases*, and the disposal of assets without any remaining net book value in Ham (Belgium) following the further decommissioning of the former phosphates activity.

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 2019 and 2018.

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.

The carrying amount of the Right-of-use assets per operating segment is shown in table below:

	2019	Initial application of IFRS 16 ROU assets*
Agro	11.4	12.0
Bio-valorization	18.0	22.7
Industrial Solutions	25.3	27.1
T-Power	0.0	0.0
Non-allocated	5.7	6.9
Tessenderlo Group	**60.5**	**68.7**

*The group has applied the modified retrospective approach. The cumulative effect of the initial IFRS 16 application was recognized as an adjustment to the opening balance of retained earnings as per January 1, 2019, with no restatement of comparative information.

The leases consist mainly of land and buildings (mostly sales branches within Industrial Solutions and the Brussels headquarters office within Non-allocated), a large number of trucks and railcars (mainly within Agro and Bio-valorization), as well as company cars.

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has applied judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the group considered all relevant factors that create an economic incentive for it to exercise the renewal. The main leases with an estimated remaining lease term of more than 5 years mainly relate to the sales branches within Industrial Solutions (a weighted average lease term of 12 years) and the Brussels headquarters office (lease term of 9 years). See note 26 - Financial instruments for the contractual maturities of the lease liabilities, including interest payments. Gross lease payments in 2019 amount to -25.5 million EUR, which include interest charges for -1.4 million EUR.

The depreciation charges recognized, on a straight-line basis over the shorter of the asset's useful life and its lease term, amount to -23.7 million EUR (note 8 - additional information operating expenses by nature).

The group chose not to recognize right-of-use assets and lease liabilities for low value items, mainly IT equipment and small items of office furniture, and short-term liabilities. The expense of these low value items and short-term leases is not significant.

12. GOODWILL

Goodwill accounts for approximately 1.8% of the group's total assets as per December 31, 2019, or 34.6 million EUR (2018: 1.9% or 35.0 million EUR).

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

(Million EUR)	2019			2018		
	Cost	Impairment/ Amortization*	Carrying amounts	Cost	Impairment/ Amortization*	Carrying amounts
Agro	**4.8**	**-4.1**	**0.7**	**4.7**	**-4.1**	**0.6**
Bio-valorization	**28.5**	**-2.7**	**25.8**	**28.3**	**-2.7**	**25.6**
Group Akiolis	17.2	-2.2	15.0	17.2	-2.2	15.0
PB Leiner America	11.3	-0.5	10.8	11.1	-0.5	10.6
Industrial Solutions	**10.4**	**-2.8**	**7.6**	**10.2**	**-2.0**	**8.2**
John Davidson Pipes	3.4	-1.1	2.3	3.2	-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	3.3	-1.0	2.3	3.2	-0.9	2.3
T-Power	**0.6**	**-**	**0.6**	**0.6**	**-**	**0.6**
Total	**44.3**	**-9.6**	**34.6**	**43.8**	**-8.8**	**35.0**

* 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 (2018: 15.0 million EUR).
- PB Leiner America (part of the operating segment Bio-valorization): 10.8 million EUR (2018: 10.6 million EUR).

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

(Million EUR)	note	2019	2018
Cost			
At January 1		**43,8**	**43,6**
- acquisitions through business combinations		-	0,6
- other movements		-	-1,2
- translation differences		0,5	0,8
At December 31		**44,3**	**43,8**
Impairment losses			
At January 1		**-8,8**	**-9,8**
- other movements		-	1,2
- impairment losses	6/8	-0,7	-
- translation differences		-0,1	-0,2
At December 31		**-9,6**	**-8,8**
Carrying amounts			
At January 1		**35,0**	**33,8**
At December 31		**34,6**	**35,0**

An impairment loss of -0.7 million EUR was recognized on the goodwill of Group BT Bautechnik, acquired in 2011, and is represented in the EBIT adjusting items (note 6 - EBIT adjusting items). Management decided to fully write-off the amount of goodwill, historically assigned to this cash-generating unit, as the factors and circumstances that resulted in the initial recognition of the goodwill were no longer valid.

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 2020 financial budget approved by the Board of Directors. 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 5.6% and 8.4%. 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 5.6% (2018: 6.3%) and 7.2% (2018: 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

	2019				
	Useful life				
	Finite				
(Million EUR)	Concessions, patents, licenses	Software	Customer lists	Other intangible assets	Total
Cost					
At January 1, 2019	**71.8**	**16.2**	**201.5**	**29.0**	**318.5**
- acquisitions through business combinations (note 4)	-	-	-	0.1	0.1
- capital expenditure	-	0.9	-	0.5	1.5
- sales and disposals	-0.5	-0.2	-	-1.6	-2.3
- transfers	0.0	0.1	-	0.0	0.2
- translation differences	1.0	0.0	0.3	0.4	1.7
At December 31, 2019	**72.3**	**17.1**	**201.8**	**28.5**	**319.7**
Amortization and impairment losses					
At January 1, 2019	**-54.7**	**-13.6**	**-41.0**	**-19.0**	**-128.3**
- amortization	-4.4	-1.2	-22.1	-1.0	-28.7
- sales and disposals	0.5	0.2	-	-0.0	0.7
- translation differences	-0.7	0.0	-0.3	-0.4	-1.3
At December 31, 2019	**-59.3**	**-14.6**	**-63.4**	**-20.3**	**-157.7**
Carrying amounts					
At January 1, 2019	**17.1**	**2.6**	**160.5**	**10.0**	**190.2**
At December 31, 2019	**13.0**	**2.5**	**138.4**	**8.2**	**162.1**

(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**

The capital expenditure on other intangible assets amounts to 1.5 million EUR (2018: 1.0 million EUR) and is presented per operating segment in note 3 - Segment reporting.

The 2019 sales and disposals of "Other" for -1.6 million EUR mainly related to the use of previously acquired emission allowances to cover operational emissions for products exposed to carbon leakage (2018: -0.6 million EUR).

The group acquired in 2019 T-Power Energy Services bv, which resulted in an insignificant fair value adjustment within the line item "Other intangible assets" which is amortized over a period of 5 years.
The acquisitions through business combinations of 2018 related to the acquisition of T-Power nv. The purchase price allocation resulted in the recognition of a customer list for an amount of 163.7 million EUR and represented 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 is being amortized over the remaining duration of the tolling agreement. The amortization charge of this customer list in 2019 amounted to -21.1 million EUR (2018: only -5.3 million EUR, as amortization expenses were only recognized as from the acquisition date of the remaining 80% shares in October 2018).

No borrowing costs were capitalized during 2019 and 2018.
The "other" intangible assets with finite useful lives mainly consist of emission allowances purchased for own use, know-how, product labels, trademarks and land-use rights. 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	2019	2018
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).

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

(Million EUR)	2019	2018
Jupiter Sulphur LLC	18.2	17.8
Établissements Michel SAS	0.7	0.7
Total	**18.9**	**18.5**

Tessenderlo Kerley Inc. has granted a 11.0 million USD loan (9.8 million EUR) to the joint-venture Jupiter Sulphur LLC, which was fully drawn in the period over 2017 and 2018. The loan is interest bearing (3.0%). The loan was originally reimbursable to Tessenderlo Kerley Inc. in the period 2020-2023, however the reimbursement period is currently under review following the ongoing capital expenditure investments and related cash needs in Jupiter Sulphur LLC. 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)	2019	2018
Non-current assets	114.6	116.4
Current assets	16.4	15.5
Total assets	**131.0**	**131.9**
Equity	37.8	37.0
Non-current liabilities	32.7	48.6
Current liabilities	60.5	46.3
Total equity and liabilities	**131.0**	**131.9**
Revenue	36.9	47.0
Cost of sales	-34.9	-41.6
Gross profit	2.0	5.4
EBIT (Profit (+) / loss (-) from operations)	1.9	5.3
Finance (costs) / income - net	-1.1	-1.8
Profit (+) / loss (-) before tax	0.9	3.5
Profit (+) / loss (-) for the period	0.7	2.5
Total comprehensive income for the period	0.1	2.5

The decrease of the share of result of equity accounted investees, net of income tax, from 3.7 million EUR in 2018 to 0.3 million EUR in 2019 is related to the contribution of T-Power nv. Until September 2018, T-Power nv was consolidated as an investment accounted for using the equity method. As from October 2018, the group owns 100% of the shares and voting rights in T-Power nv and is, as from that date, accounted for by the full consolidation method.

15. DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
(Million EUR)	2019	2018	2019	2018	2019	2018
Property, plant and equipment	2.8	1.5	-42.5	-43.0	-39.8	-41.5
Other intangible assets	5.8	6.0	-37.7	-44.2	-32.0	-38.2
Inventories	5.5	7.5	-0.4	-0.3	5.1	7.3
Employee benefits	10.1	8.8	-0.9	-0.7	9.2	8.1
Derivative financial instruments	6.9	10.1	-	-	6.9	10.1
Provisions	10.2	11.6	-15.6	-16.7	-5.4	-5.0
Other items	3.7	4.8	-15.8	-16.8	-12.0	-12.0
Losses carried forward	21.7	16.8	-	-	21.7	16.8
Gross deferred tax assets / (liabilities)	**66.7**	**67.2**	**-112.8**	**-121.6**	**-46.2**	**-54.4**
Set-off of tax	**-36.9**	**-42.5**	**36.9**	**42.5**		
Net deferred tax assets / (liabilities)	**29.8**	**24.6**	**-76.0**	**-79.1**	**-46.2**	**-54.4**

The net deferred tax liability on Other intangible assets is mainly related to the customer list (operating segment T-Power), representing the fair value of the tolling agreement which was concluded with RWE group for a period of 15 years (until June 2026). The yearly amortization of this customer list resulted in a decrease of the recognized deferred tax liability by 6.2 million EUR.

The decrease of net deferred tax assets on derivative financial instruments is a consequence of the partial settlement of forward rate agreements within T-Power nv, a consequence of the 2019 review of the T-Power nv financing structure, and the half yearly payments for forward rate agreements reaching their maturity date, partially offset by the negative evolution of the fair value of these forward rate agreements in 2019 (see also note 22 - Loans and borrowings).

Deferred tax assets on fiscal losses carried forward recognized on the Belgian parent company, Tessenderlo Group nv, amount to 14.1 million EUR (total tax losses and tax credits carried forward in Tessenderlo Group nv amount to 163 million EUR) as per year-end 2019. The other deferred tax assets on fiscal losses carried forward recognized amount to 7.6 million EUR and mainly relate to French fiscal losses carried forward (total tax losses and tax credits carried forward in France amount to 66 million EUR). These were recognized following a review of the future taxable profits as per year-end 2019. The 2019 fiscal results of the subsidiaries, for which deferred tax assets on fiscal losses carried forward were recognized, were 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 the majority of dividends received by the company (Tessenderlo Group nv) is tax exempt.

Tax losses and tax credits carried forward on which no deferred tax asset is recognized amount to 244.9 million EUR (2018: 305.8 million EUR). Of these tax credits, 29.4 million EUR have a finite life (they expire in the period 2020-2026). The 2019 losses carried forward decreased as the losses of Tessenderlo Finance nv are no longer included, as this subsidiary was liquidated in 2019. Deferred tax assets are only recognized based on the probability assessment whether future taxable profits (within the next 5 years) will be available, against which the unused tax losses and credits can be utilized.

The movements in the deferred tax balances during the year can be summarized as follows[6]:

(Million EUR)	Balance at January 1, 2019	Adjustment on initial application IFRS 16 *Leases*	Recognized in the income statement	Recognized in other comprehensive income	Acquisitions through business combinations	Translation differences	Balance at December 31, 2019
Property, plant and equipment	-41.5	-	2.2	-	-	-0.5	-39.8
Other intangible assets	-38.2	-	6.3	-	-0.0	0.0	-32.0
Inventories	7.3	-	-2.3	-	-	0.1	5.1
Employee benefits	8.1	-	0.3	0.7	-	0.0	9.2
Derivative financial instruments	10.1	-	-4.0	0.8	-	0.0	6.9
Provisions	-5.0	-	-0.3	-	-	0.0	-5.4
Other items	-12.0	0.5	-0.4	-	-	-0.2	-12.0
Losses carried forward	16.8	-	4.8	-	-	0.0	21.7
Total	**-54.4**	**0.5**	**6.8**	**1.6**	**-0.0**	**-0.5**	**-46.2**

16. TRADE AND OTHER RECEIVABLES

(Million EUR)	2019	2018
Non-current trade and other receivables		
Trade receivables	-	0.0
- Gross trade receivables	-	0.0
- Amounts written off	-	-
Other receivables	13.5	10.9
Receivables from related parties	0.7	0.4
Assets related to employee benefit schemes (note 23)	2.3	3.1
Total	**16.5**	**14.4**

(Million EUR)	2019	2018
Current trade and other receivables		
Trade receivables	245.6	249.0
- Gross trade receivables	249.4	253.4
- Amounts written off	-3.7	-4.4
Other receivables	40.2	36.8
Prepayments	0.3	0.3
Receivables from related parties	0.7	0.5
Total	**286.9**	**286.6**

Receivables from related parties concern receivables from joint-ventures (note 29 - 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 5.6 million EUR (2018: 6.8 million EUR), related to tax credits for competitiveness, employment and research, as well as to a Brazilian VAT receivable of 4.2 million EUR (2018: nihil), which is not yet expected to be recovered in 2020.

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.

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

The current other receivables mainly include net income tax receivables (12.9 million EUR in 2019 compared to 4.8 million EUR in 2018), mainly in the US and Belgium, as well as 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)	2019	2018
Raw materials	49.8	47.4
Work in progress	10.2	9.6
Finished goods	216.1	204.7
Goods purchased for resale	35.1	30.5
Spare parts	12.5	10.7
Total	**323.8**	**303.0**

The increase of finished goods can be explained by higher volumes, mainly within the Agro segment.

There are no inventories pledged as security.

In 2019 inventories for 1,263.4 million EUR (2018: 1,194.3 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 -3.9 million EUR was recognized in 2019 (2018: -1.4 million EUR).

The group expects to recover or settle the inventory, available as per December 31, 2019, 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)	2019	2018
Term accounts	92.4	37.2
Current accounts	62.1	126.9
Cash and cash equivalents	**154.5**	**164.1**
Bank overdrafts	-0.1	-0.1
Cash and cash equivalents in the statement of cash flows	**154.4**	**164.0**

The term accounts have a maximum maturity of 1 month. As per December 31, 2019, the cash and cash equivalents include 20.1 million USD or 17.9 million EUR (2018: 29.6 million USD or 25.9 million EUR).

19. EQUITY

Issued capital and share premium

	Shares	
	2019	2018
On issue at January 1	43,146,979	43,136,779
Issued for cash at December 18, 2018	-	10,200
Issued for cash at December 13, 2019	8,000	-
On issue at December 31 - fully paid	**43,154,979**	**43,146,979**

The number of shares comprised 20,164,720 registered shares (2018: 18,095,422) and 22,990,259 ordinary shares (2018: 25,051,557). The shares are without nominal value. The holders of Tessenderlo Group nv shares are entitled to receive dividends as declared. In accordance with article 7:53 of the Belgian Code of Companies and Associations, the extraordinary meeting of shareholders of July 10, 2019 has decided to introduce a loyalty voting right for each fully paid-up share that has continuously been registered in the share register on the name of the same shareholder for at least two years. The number of voting rights amounted to 56,888,705 as per December 31, 2019.

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

- December 13, 2019: 8,000 ordinary shares, leading to an increase of issued capital and share premium by 0.2 million EUR.

On the annual shareholders' meeting of Tessenderlo Group nv on May 14, 2019, the shareholders of Tessenderlo Group nv approved the proposal of the Board of Directors not to pay out a dividend for the 2018 financial year.

No new offering of shares to be subscribed by staff took place in 2019.

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 7:202, paragraph 2, 1° of the Belgian Code on Companies and Associations, the Board of Directors was 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 favour 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 7:202, paragraph 2, 2° of the Belgian Code on Companies and Associations 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 12, 2020, not to pay out a dividend for the 2019 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 2019 is 29.7% (2018: 32.1%). The gearing is calculated as the net financial debt (including lease liabilities as from 2019) divided by the sum of the net financial debt (including lease liabilities as from 2019) and equity attributable to equity holders of the company.

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:

	2019	2018
Adjusted weighted average number of ordinary shares at December 31*	**43,147,395**	**43,137,142**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	96.1	91.7
Basic earnings per share (in EUR)	**2.23**	**2.13**

* 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:

	2019	2018
Adjusted weighted average number of ordinary shares at December 31	43,147,395	43,137,142
Effect of warrants issued*	-	3,059
Diluted weighted average number of ordinary shares at December 31	**43,147,395**	**43,140,201**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	96.1	91.7
Diluted earnings per share (in EUR)	**2.23**	**2.13**

* 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, 2019, there are no warrants outstanding.

21. NON-CONTROLLING INTEREST

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

		Non-controlling interest percentage	
	Country	2019	2018
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%

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

(Million EUR)	2019	2018
Non-current assets	1.7	2.1
Current assets	7.9	13.0
Total assets	**9.6**	**15.2**
Equity	2.2	3.4
Non-current liabilities	-	-
Current liabilities	7.4	11.8
Total equity and liabilities	**9.6**	**15.2**
Revenue	1.9	3.9
Cost of sales	-1.3	-3.4
Gross profit	0.7	0.6
Adjusted EBIT	0.5	0.3
EBIT (Profit (+) / loss (-) from operations)	3.5	1.6
Finance (costs) / income - net	0.0	-0.0
Profit (+) / loss (-) before tax	3.5	1.5
Profit (+) / loss (-) for the period	3.4	1.5

The decrease of the current assets and current liabilities is the result of the liquidation process of PB Gelatins Wenzhou Co., Ltd. which was completed in 2019. Following the liquidation of PB Gelatins (Wenzhou) Co. Ltd., the remaining net asset value was distributed to the shareholders of PB Gelatins Wenzhou Co., Ltd., of which -1.1 million EUR was paid in 2019 to the non-controlling interest holder. ECS Myton, LLC distributed dividends in 2019, of which 0.2 million EUR was paid to the non-controlling interest holder. Both transactions are presented as other movements within transactions with owners recorded directly in equity in the consolidated statement of changes in equity.

22. LOANS AND BORROWINGS

(Million EUR)	2019	2018
Non-current loans and borrowings	415.1	464.0
Current loans and borrowings	86.8	48.0
Total loans and borrowings	**501.9**	**512.0**
Cash and cash equivalents	-154.5	-164.1
Bank overdrafts*	0.1	0.1
Net loans and borrowings	**347.5**	**348.0**

*A bank overdraft is a flexible borrowing facility on a bank current account, which is repayable on demand.

As per year-end 2019, the group net financial debt stood at 347.5 million EUR, implying a leverage of 1.3x, and included a lease liability, in accordance with IFRS 16 leases, for an amount of 63.7 million EUR. Excluding the impact of IFRS 16 Leases, initially applied as of January 1, 2019, the net financial debt would have amounted to 283.8 million EUR as per year-end 2019, compared to 348.0 million EUR as per year-end 2018.

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

	note	Bank overdrafts	Cash and cash equivalents	Current lease liabilities	Non-current lease liabilities	Other current loans and borrowings	Other non-current loans and borrowings	Total
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		-	-	-	-	-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**
Net financial debt as per January 1, 2019		**-0.1**	**164.1**	**-0.0**	**-0.0**	**-48.0**	**-463.9**	**-348.0**
Initial application IFRS 16		-	-	-23.4	-49.1	-	-	-72.5
Adjusted Balance at January 1, 2019		**-0.1**	**164.1**	**-23.4**	**-49.1**	**-48.0**	**-463.9**	**-420.5**
Cash flows		-0.0	-11.1	24.1	0.0	-9.0	83.0	86.9
Acquisitions through business combinations	4	-	1.1	-	-	-	-	1.1
IFRS 16 new leases and lease modifications		-	-	-0.6	-14.4	-	-	-15.0
Transfers		-	-	-21.1	21.1	-8.6	8.6	-
Effect of exchange rate differences		0.0	0.4	-0.0	-0.2	-0.0	-0.1	-0.0
Net financial debt as per December 31, 2019		**-0.1**	**154.5**	**-21.1**	**-42.6**	**-65.7**	**-372.5**	**-347.5**

Non-current and current loans and borrowings:

(Million EUR)	2019	2018
Non-current loans and borrowings		
Non-current lease liabilities	42.6	0.0
Bonds (maturity date in 2022 and 2025)	223.6	223.6
Credit facility T-Power nv	141.5	232.5
Credit institutions	7.4	7.9
Total	**415.1**	**464.0**
Current loans and borrowings		
Current lease liabilities	21.1	0.0
Current portion credit facility T-Power nv	25.7	16.8
Credit institutions	0.9	1.2
Commercial paper	39.0	30.0
Total	**86.8**	**48.0**

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 financing structure of T-Power nv was reviewed during the first half of 2019. T-Power nv prepaid capital for 55.4 million EUR, bringing the amount of the new term loan facility agreement to 193.0 million EUR. The facility is to be reimbursed in the period June 2019 - June 2026 and has fixed half yearly capital reimbursements (12.9 million EUR) and interest payments (in June and December). The interest rate due is the EURIBOR plus a spread. For 80% of the outstanding loan, the EURIBOR was fixed at 5.6% per annum through a series of reshaped forward agreements. The outstanding loan as per December 31, 2019 amounts to 167.3 million EUR. The T-Power nv assets and shares are serving as guarantee for the loan. The term loan credit facility contains a covenant stating a minimum required debt service cover ratio (based on the last 12 months cash flow available for debt service). This covenant has been complied with as per December 31, 2019.

Tessenderlo Kerley, Inc., has a loan outstanding of 7.4 million EUR, of which 0.9 million EUR is current. The loan has a maturity of 10 years (2018-2028) at a fixed rate of 3.95%. The financed Phoenix headquarters building (Arizona, US) is serving as guarantee for the loan.

The lease liability, in accordance with IFRS 16 leases, amounts to 63.7 million EUR (December 31, 2018: nihil, as IFRS 16 Leases was only applied in 2019 according to the modified retrospective approach), of which 42.6 million EUR is included in non-current and 21.1 million EUR in current loans and borrowings (Note 11 - Property, plant and equipment).

The weighted average borrowing rate applied to lease liabilities was 2.1% in 2019. See note 26 - Financial instruments for the contractual maturities of the lease liabilities, including interest payments.

The group has access to a Belgian commercial paper program of 200.0 million EUR of which 39.0 million EUR was used at the end of December 2019 and is included in current loans and borrowings (December 31, 2018: 30.0 million EUR). These are issued by Tessenderlo Group nv, the parent company.

There has been no drawdown as per December 31, 2019 on the 5 year committed bi-lateral credit lines, which were renewed for 5 years in December 2019. 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 (2019):

(Million EUR)	EUR	USD	Other	Total
Current lease liabilities	12.5	6.1	2.5	**21.1**
Other current loans and borrowings	64.8	0.9	0.0	**65.7**
Non-current lease liabilities	25.3	9.0	8.3	**42.6**
Other non-current loans and borrowings	366.0	6.5	0.0	**372.5**
Total loans and borrowings	**468.6**	**22.5**	**10.8**	**501.9**
In percentage of total loans and borrowings	**93.4%**	**4.5%**	**2.2%**	**100.0%**

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

(Million EUR)	EUR	USD	Other	Total
Current lease liabilities	0.0	-	0.0	**0.0**
Other current loans and borrowings	47.1	0.9	0.0	**48.0**
Non-current lease liabilities	0.0	-	0.0	**0.0**
Other non-current loans and borrowings	456.7	7.2	0.0	**463.9**
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%**

23. EMPLOYEE BENEFITS

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

	2019				2018			
(Million EUR)	Early retirement provision	Defined benefit liability	Other employee benefits	Total	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Non-current	1.8	54.0	5.5	61.3	3.0	50.0	5.0	57.9
Current	0.7	-	0.2	0.9	1.1	-	0.2	1.3
Total	**2.5**	**54.0**	**5.6**	**62.2**	**4.1**	**50.0**	**5.1**	**59.2**

	2019			
(Million EUR)	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Balance at January 1, 2019	**4.1**	**50.0**	**5.1**	**59.2**
Additions	0.0	4.2	0.7	4.9
Use of provision	-1.0	-0.1	-0.1	-1.3
Reversal of provisions	-0.6	-	-	-0.6
Translation differences	-	0.0	-0.0	-0.0
Balance at December 31, 2019	**2.5**	**54.0**	**5.6**	**62.2**

The early retirement provision amounts to 2.5 million EUR as per December 31, 2019, of which 2.2 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

- Post-employment 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 the definition of a defined contribution pension plan 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, without adding expected future contributions. 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	2019	2018
Present value of wholly funded obligations		-49.4	-41.2
Present value of partially funded obligations		-101.3	-91.7
Present value of wholly unfunded obligations		-28.1	-26.4
Total present value of obligations		**-178.7**	**-159.2**
Fair value of plan assets		**127.0**	**112.3**
Net defined benefit (liability)/asset		**-51.7**	**-46.9**
Amounts in the statement of financial position:			
Liabilities		-54.0	-50.0
Assets	16	2.3	3.1
Net defined benefit (liability)/asset		**-51.7**	**-46.9**

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

(Million EUR)	2019			2018		
	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	**-159.2**	**112.3**	**-46.9**	**-160.5**	**115.8**	**-44.6**
Included in profit or loss						
Current service cost	-5.6	-	-5.6	-5.4	-	-5.4
Past service (cost)/benefit	-0.1	-	-0.1	-0.8	-	-0.8
Current service cost - Employee contribution	-	0.3	0.3	-	0.3	0.3
Interest (cost) / income	-2.9	2.3	-0.5	-2.5	2.0	-0.5
Administrative expenses	-	-0.3	-0.3	-	-0.3	-0.3
Total included in profit or loss (note 7)	**-8.5**	**2.3**	**-6.2**	**-8.7**	**2.0**	**-6.7**
Included in other comprehensive income						
Remeasurements:						
- Gain/(loss) from change in demographic assumptions	0.2	-	0.2	0.6	-	0.6
- Gain/(loss) from change in financial assumptions	-15.4	-	-15.4	5.5	-	5.5
- Experience gains/(losses)	2.8	10.0	12.8	-2.0	-2.8	-4.8
Total included in other comprehensive income that will not be reclassified subsequently to profit or loss in subsequent periods	**-12.4**	**10.0**	**-2.4**	**4.2**	**-2.8**	**1.4**
Other						
Exchange differences on foreign plans	-2.4	2.5	0.1	0.1	-0.1	-0.1
Contributions by employer	-	3.6	3.6	-	3.2	3.2
Benefits paid	3.8	-3.8	0.0	5.7	-5.7	0.0
Total other	**1.4**	**2.3**	**3.7**	**5.8**	**-2.7**	**3.1**
Balance at December 31	**-178.7**	**127.0**	**-51.7**	**-159.2**	**112.3**	**-46.9**

The 2019 loss from change in financial assumptions, included in other comprehensive income that will not be reclassified subsequently to profit or loss in subsequent periods, is mainly the result of the decrease of the discount rate used to calculate the present value of the defined benefit obligations (2019 weighted average discount rate of 1.0%, compared to 1.8% in 2018).

The 2019 experience gains, included in other comprehensive income that will not be reclassified subsequently to profit or loss in subsequent periods, are mainly the result of higher than expected return on plan assets.

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

(Million EUR)	note	2019	2018
Cost of sales		-1.0	-0.8
Distribution expenses		-0.1	-0.1
Sales and marketing expenses		-0.2	-0.1
Administrative expenses		-3.0	-3.2
Other operating income and expenses		-1.3	-1.3
EBIT adjusting items		-	-0.8
Finance (costs) / income - net	9	-0.5	-0.5
Total		**-6.2**	**-6.7**

The actual return on plan assets in 2019 was 12.4 million EUR (2018: -0.8 million EUR).

The group expects to contribute 4.1 million EUR to its defined benefit pension plans in 2020.

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

	2019				2018			
(Million EUR)	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Property	-	4.0	4.0	3.2%	-	4.0	4.0	3.6%
Qualifying insurance policies	-	21.9	21.9	17.3%	-	20.6	20.6	18.4%
Cash and cash equivalents	-	5.9	5.9	4.6%	-	7.6	7.6	6.7%
Investment funds	93.1	-	93.1	73.3%	78.0	-	78.0	69.4%
Tessenderlo Group bond with maturity date July 15, 2022	2.1	-	2.1	1.7%	2.1	-	2.1	1.9%
Total	**95.2**	**31.8**	**127.0**	**100.0%**	**80.1**	**32.3**	**112.3**	**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:

	2019	2018
Discount rate at 31 December	1.0%	1.8%
Future salary increases	1.0%	1.0%
Inflation	2.1%	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% S2PXA YOB CMI 2018 [1.5% M / 1.25% F] from 2007 Pensioners: 93% S2PMA / 89% S2PFA YOB CMI 2018 [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 as at January 1, 2020 will be completed in 2020. For the Belgian plan a funding valuation is completed every year. The group does not 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, 2019, is:

	Change in assumption	Impact on defined benefit obligation	Change in assumption	Impact on defined benefit obligation
Discount rate	+0.5%	-6.6%	-0.5%	6.8%
Salary growth rate	+0.5%	1.2%	-0.5%	-1.1%
Pension growth/inflation rate	+0.5%	4.4%	-0.5%	-4.2%
Life expectancy	+ 1 year	2.1%	- 1 year	-2.1%

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.

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.

In 2019 all warrants have been exercised and there are no warrants outstanding as per December 31, 2019.

No new offering of warrants to the group's senior management took place in 2018 and 2019.

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

	2019		2018	
	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
Outstanding at the beginning of the period	20.81	8,000	24.06	18,200
Forfeited during the period	-	-	-	-
Exercised during the period	20.81	8,000	26.61	10,200
Granted during the period	-	-	-	-
Outstanding at the end of the period	-	-	20.81	8,000
Exercisable at the end of the period	-	-	20.81	8,000

8,000 warrants were exercised in 2019 at a weighted average exercise price of 20.81 EUR. The actual weighted average share price at the exercise dates was 30.29 EUR.

24. PROVISIONS

(Million EUR)	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Environment	8.0	102.9	110.9	9.2	99.0	108.1
Dismantlement	-	21.2	21.2	-	20.6	20.6
Restructuring	2.2	0.4	2.6	0.5	2.6	3.1
Other	2.2	7.8	10.0	6.3	6.6	13.0
Total	**12.4**	**132.3**	**144.7**	**16.0**	**128.8**	**144.8**

	Environment	Dismantlement	Restructuring	Other	Total
Balance at January 1, 2019	**108.1**	**20.6**	**3.1**	**13.0**	**144.8**
Additions	-	0.7	0.1	2.5	3.3
Use of provisions	-3.5	-0.2	-0.3	-3.0	-7.0
Reversal of provisions	-	-	-0.4	-2.5	-2.8
Effect of discounting	6.3	-	-	-	6.3
Translation differences	0.0	0.0	-	-0.0	0.0
Balance at December 31, 2019	**110.9**	**21.2**	**2.6**	**10.0**	**144.7**

The environmental provisions amount to 110.9 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 Belgium (Ham, Tessenderlo and Vilvoorde) and France (Loos). A reliable estimate of the amount of outflow of resources to settle this obligation was made, but a change in assumptions was made by decreasing the discount rate applied. The outstanding environmental provisions reflect the discounted value of the expected future cash out, spread over the period 2020-2054. The discount rate, derived from the yield curve of Belgian and French government bonds, varied between 0% and 1% in 2019 (between 0% and 2% at year-end 2018). An increase of the discount rate by 1% would lower the environmental provisions by -5.7 million EUR.

The use of environmental provisions amounts to -3.5 million EUR in 2019 (2018: -3.0 million EUR), while the effect of unwinding the discount amounts to -0.7 million EUR in 2019 (2018: -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 -5.6 million EUR (2018: +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 18.0 million EUR as per December 31, 2019 (2018: 17.6 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 2.6 million EUR and mainly relate to a restructuring within the operating segment Bio-valorization, which was announced in 2017 and is expected to be settled in 2020. 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 contracts and several, individually less significant amounts. The additions in 2019 for 2.5 million EUR mainly relate to provisions for onerous contracts and several other less significant amounts. The reversal of other provisions for -2.5 million EUR mainly relates to provisions, which were no longer deemed necessary following changing circumstances, or relates to claims, which are settled for an amount lower than the previously recognized provision.

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)	2019	2018
Non-current trade and other payables		
Accrued charges and deferred income	4.7	1.3
Remuneration and social security	2.4	-
Other amounts payable	3.0	1.3
Total	**10.1**	**2.6**
Current trade and other payables		
Trade payables	160.7	164.2
Remuneration and social security	61.7	59.9
VAT and other taxes	9.4	9.9
Accrued charges and deferred income	6.5	6.1
Trade and other payables from related parties	1.2	1.7
Other amounts payable	5.9	5.2
Total	**245.3**	**247.1**

The non-current remuneration and social security mainly relates to the accrued charges for a long-term incentive plan for members of senior management. This long-term incentive plan covers a 3 year period (calendar years 2019-2021), with pay-out in April 2022, based on pre-set performance metrics of the group.

The non-current other payables mainly relate to prepayments made in the execution of a long-term third party maintenance contract (within the operating segment T-Power).

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):

(Million EUR)	2019				2018			
	EUR*	CNY	USD	GBP	EUR*	CNY	USD	GBP
Assets	16.0	0.0	383.9	58.3	11.6	275.1	409.3	53.5
Liabilities	-18.8	-	-24.1	-0.2	-17.3	-0.0	-131.0	-0.6
Gross exposure	**-2.8**	**0.0**	**359.8**	**58.1**	**-5.7**	**275.1**	**278.3**	**52.9**
Foreign currency swaps	-4.7			-0.9	-4.0	-	-	-2.3
Net exposure	**-7.5**	**0.0**	**359.8**	**57.2**	**-9.7**	**275.1**	**278.3**	**50.6**
Net exposure (in EUR)	**-7.5**	**0.0**	**320.3**	**67.2**	**-9.7**	**34.9**	**243.1**	**56.6**

*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 the net CNY exposure is explained by the conversion of intragroup loans, granted by Tessenderlo Group nv to PB Gelatins (Heilongjiang) Co. Ltd, into equity.

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, 2019			
USD	+10%	-25.6	-32.7
	-10%	31.3	40.0
GBP	+10%	-5.0	-2.0
	-10%	6.1	2.5
CNY	+10%	-2.7	-4.5
	-10%	3.3	5.6
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

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 457.9 million EUR as per December 31, 2019 (2018: 466.0 million EUR). This amount consists of current and non-current trade and other receivables (303.4 million EUR, note 16 - Trade and other receivables), current derivative financial instruments (0.0 million EUR) and cash and cash equivalents (154.5 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)	2019	2018
Agro	97.1	103.6
Bio-valorization	80.3	76.2
Industrial Solutions	63.8	66.6
T-Power	2.7	0.2
Non-allocated	1.7	2.3
Total	**245.6**	**249.0**

The ageing of trade receivables at the reporting date was:

(Million EUR)	2019		2018	
	Gross	Amounts written off	Gross	Amounts written off
Not past due	210.1	-	209.8	-
Past due 0-30 days	29.2	-0.0	33.7	-0.1
Past due 31-120 days	5.5	-0.1	4.8	-0.1
Past due 121-365 days	1.0	-0.2	0.6	-0.3
More than one year	3.7	-3.4	4.5	-3.8
Total	**249.4**	**-3.7**	**253.4**	**-4.4**

The group estimates that the amounts that are past due are still collectible, following an expected credit loss assessment 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	2019	2018
Balance at January 1		**-4.4**	**-4.3**
Use of impairment loss		0.9	0.8
Reversal / (recognition) of impairment losses	5	-0.3	-0.5
Other movements		0.0	-0.3
Balance at December 31	**16**	**-3.7**	**-4.4**

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	2019	2018
Fixed rate instruments			
Financial assets	18	92.4	37.2
Loans and borrowings	22	294.8	232.7
Variable rate instruments			
Financial assets	18	62.1	126.9
Loans and borrowings	22	207.2	279.4

The increase of loans and borrowings with a fixed rate is mainly related to lease liabilities (63.7 million EUR) recognized in accordance with IFRS 16 *Leases*.

The loans and borrowings with a variable rate mainly relate to the long term facility loan of T-Power nv. The decrease compared to prior year can be explained by the 55.4 million EUR prepayment of capital following the refinancing of the loan and the two half-yearly reimbursements (25.7 million EUR). The remaining outstanding capital of the T-Power nv long term facility loan amounts to 167.3 million EUR as per December 31, 2019 (2018: 249.3 million EUR). Approximately 80% of the loan is hedged through a series of forward rate agreements. The remaining loans and borrowings with a variable rate can be mainly explained by the commercial paper program of 39.0 million EUR (2018: 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.
- refinancing of T-Power nv in 2019, bringing the new term loan facility to 193.0 million EUR reimbursable in the period June 2019-June 2026.
- 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 were renewed for 5 years in December 2019, and 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:

	2019				
(Million EUR)	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	177.7	4.8	173.0	-
Bond with maturity date July 15, 2025	58.0	68.9	2.0	7.8	59.1
Credit facility T-Power nv	167.3	170.3	26.3	105.0	39.0
Commercial paper	39.0	39.0	39.0	-	-
Credit institutions	8.3	9.6	1.2	4.3	4.1
Bank overdrafts*	0.1	0.1	0.1	-	-
Lease liabilities	63.7	69.1	21.7	36.0	11.3
Total	**502.0**	**534.7**	**95.1**	**326.1**	**113.4**
Derivatives					
Foreign currency swaps	-0.0				
Inflow		5.8	5.8	-	-
Outflow		-5.8	-5.8	-	-
Interest rate swaps	-27.7				
Inflow		0.3	0.0	0.3	0.1
Outflow		-27.8	-7.7	-18.3	-1.8
Total	**-27.7**	**-27.5**	**-7.7**	**-18.1**	**-1.8**

(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
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**

*A bank overdraft is a flexible borrowing facility on a bank current account, which is repayable on demand.

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)	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans and borrowings				
Leasing liabilities	-42.6	-43.9	0.0	0.0
Credit institutions	-6.5	-6.6	-7.9	-8.2
Bonds (maturity date in 2022 and 2025)	-223.6	-234.4	-223.6	-235.1

The bonds issued in 2015 with a maturity of 7 years (the “2022 bonds”) and 10 years (the “2025 bonds”) were respectively quoted at 104.0% and 107.2% as per December 31, 2019.

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:

(Million EUR)	2019							
	Carrying amount balance sheet				Fair value hierarchy			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Level 1	Level 2	Level 3	Total
Foreign currency swaps	0.0	-	-0.0	-	-	-0.0	-	-0.0
Interest rate swaps	-	-	-7.7	-20.0	-	-27.7	-	-27.7
Electricity forward contracts	-	-	-5.0	-11.5	-	-	-16.5	-16.5
Total	**0.0**	**-**	**-12.7**	**-31.5**	**-**	**-27.7**	**-16.5**	**-44.2**

(Million EUR)	2018							
	Carrying amount balance sheet				Fair value hierarchy			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Level 1	Level 2	Level 3	Total
Foreign currency swaps	0.0	-	-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**	**-**	**-37.8**	**-15.7**	**-53.5**

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)	2019		2018	
	Contractual amount	Fair value	Contractual amount	Fair value
Foreign currency swaps	5.8	-0.0	6.7	-0.0
Interest rate swaps	-27.5	-27.7	-38.8	-38.7
Electricity and gas forward contracts	N/A	-16.5	N/A	-14.7
Total	**-21.7**	**-44.2**	**-32.2**	**-53.5**

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, 2019 amounts to -44.2 million EUR (2018: -53.5 million EUR) and consists of:

- forward interest rate agreements at T-Power nv, with maturity date in the period 2020-2026
- foreign currency swaps, with maturity date in January 2020
- an electricity forward contract, with maturity date in June 2026

Following the renegotiation of the finance structure of T-Power nv in 2019 (see also note 22 - Loans and borrowings), 20% of the interest rate swaps of T-Power nv outstanding as per December 31, 2018 (which fixed the 6 months EURIBOR at 4.0% per annum for approximately 80% of the outstanding loan with maturity dates till 2026) were settled, while the others were reshaped to the new term loan credit facility (at a fix rate of 5.6% per annum). The partial settlement of the agreements resulted in a cash out of -8.0 million EUR. The amount reclassified from other comprehensive income to finance costs, following this settlement, was insignificant. In accordance with the requirements of IFRS 9, the remaining reshaped interest rate swaps are still designated as hedging instruments in a cash flow relationship. The effective portion of the change in fair value is therefore recognized in the hedging reserves (Other comprehensive income). A level 2 fair value measurement is applied for the fair value measurement of these agreements.

The table below indicates the underlying contractual amount of the outstanding foreign currency contracts per currency at year-end (selling of foreign currencies):

(Million)	2019		2018	
	Amount in foreign currency	Amount in EUR	Amount in foreign currency	Amount in EUR
GBP	0.9	1.1	2.3	2.5
JPY	416.6	3.4	385.0	3.0
Other		1.3		1.1
Total		**5.8**		**6.7**

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 IFRS 9 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 2019 average daily Zeebrugge Gas Yearly forward prices and on the 2019 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, 2019 the inputs above lead to a net fair value of -16.5 million EUR compared to a net fair value of -15.7 million EUR as per December 31, 2018. The change in net fair value for an amount of -0.8 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, 2019 are:

		2020	2021	2022
Gas forward price	EUR/MWh	18.3	18.6	18.3
Electricity forward price	EUR/MWh	51.0	48.3	48.7
Discount rate	0.0%			

Following decreasing market interest rates, the discount rate was set at 0.0% in 2019 (2018: 5.5%). If the discount rate used would have been 5.5%, the fair value of the contract would have amounted to -14.8 million EUR as per December 31, 2019.

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 sensitivity of the valuation to changes in the principal assumptions is the following:

Change in assumption		Impact fair value (Million EUR)	
		2019	2018
Gas price	+1 EUR/MWh	-2.6	-2.3
Electricity price	+1 EUR/MWh	1.3	1.2
Spark spread optimization	+1 EUR/MWh	1.3	1.2
Discount rate	+1%	0.3	0.3
Running hours T-Power	+10%	-0.7	-0.4

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 2022 would also have been applied for the period 2023-June 2026, a period for which no market data is available, the fair value of the contract (2020-June 2026) would have amounted to -36.1 million EUR.

The net change in fair value of derivative financial instruments before tax, as included in the other comprehensive income, amounts to -3.2 million EUR, and can be explained by the change in fair value of the interest rate swaps of the subsidiary T-Power nv.

27. GUARANTEES AND COMMITMENTS

(Million EUR)	2019	2018
Guarantees given by third parties on behalf of the group	27.0	25.5
Guarantees given on behalf of third parties	1.7	1.8
Guarantees received from third parties	2.3	4.1
Commitments related to capital expenditures	25.7	29.8

Guarantees given by third parties on behalf of the group mainly relate to the fulfillment of environmental obligations for 20.6 million EUR (2018: 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 25.7 million EUR (2018: 29.8 million EUR). These commitments can be mainly explained by capital expenditure in equipment and infrastructure to increase storage capacity (Agro), to facilitate an improved valorization of animal by-products (Bio-valorization) and also for the purchase of trucks 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 as amended and restated for the last time pursuant to an amendment and restatement deed on March 25, 2019 (with one remaining bank). 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.

28. 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 110.9 million EUR at December 31, 2019 (December 31, 2018: 108.1 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 2019 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 2.9 million EUR as per December 31, 2019 (2018: 4.5 million EUR).

29. RELATED PARTIES

The company has a related party relationship with its subsidiaries, associates, joint-ventures and with its controlling 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 Tessenderlo Group nv and Tessenderlo Chemie International nv, is also considered to be a related party.

As per last transparency notification, received on November 7, 2019, Verbrugge nv, controlled by Picanol nv, is holding 18,883,332 shares (43.76% 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).
In accordance with article 7:53 of the Belgian Code of Companies and Associations, the extraordinary meeting of shareholders of July 10, 2019 has decided to introduce a loyalty voting right for each fully paid-up share that has continuously been registered in the share register on the name of the same shareholder for at least two years. As per December 31, 2019 Verbrugge nv was holding 32,366,144 voting rights (56.89% of the total voting rights), while Symphony Mills nv was holding 1,832,200 voting rights (3.22% of the total voting rights).

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 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" (2018: 1.1 million EUR). Liabilities related to employee benefit schemes as per December 31, 2019 include 11.9 million EUR related to the "OFP Pensioenfonds" (2018: 12.2 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)	2019	2018
Other operating income	0.1	0.1
Trade and other receivables	0.0	0.1

The transactions relate to legal and ICT services which are provided by the group through a service level agreement.

Transactions with joint-ventures[7]:

(Million EUR)	2019	2018
Transactions with joint-ventures - Sales	4.1	4.7
Transactions with joint-ventures - Purchases	-25.5	-24.8
Non-current assets	10.5	10.0
Current assets	0.7	0.5
Current liabilities	1.2	1.7

The 2018 and 2019 revenue with joint-ventures can be explained by sales of S8 Engineering Inc. to the joint-venture Jupiter Sulphur LLC. The revenue is considered to be insignificant and is therefore not eliminated.

Tessenderlo Kerley Inc. has granted a 11.0 million USD loan (9.8 million EUR) to the joint-venture Jupiter Sulphur LLC, which was fully drawn in the period over 2017 and 2018. The loan is interest bearing (3.0%). The loan was originally reimbursable to Tessenderlo Kerley Inc. in the period 2020-2023, however the reimbursement period is currently under review following the ongoing capital expenditure investments and related cash needs in Jupiter Sulphur LLC. 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.

Transactions with associates:

T-Power nv was an associate till October 2, 2018 when the group acquired the remaining 80% of the shares. As from that date T-Power nv is fully consolidated. A dividend was received in 2018 for an amount of 3.3 million EUR.

Dividends received from other investments amounted to 0.1 million EUR in 2019 (2018: 0.1 million EUR).

Transactions with the members of the Executive Committee[8]:

(Million EUR)	2019	2018
Short-term employee benefits	2.0	2.9
Post-employment benefits	0.1	0.1
Total	**2.1**	**2.9**

Short-term employee benefits include salaries and accrued bonuses over 2019 (including social security contributions), car leases and other allowances where applicable.

The short term employee benefits include 1.3 million EUR fix and 0.6 million EUR variable employee benefits (2018: 1.3 million EUR and 1.6 million EUR respectively). The variable employee benefits consist of 0.6 million EUR short term variable compensation (2018: 0.8 million EUR), payable within 12 months after the end of the period, while there is no long term variable compensation (2018: 0.8 million EUR).

[7] We refer to note 14 - Investments accounted for using the equity method for more information on the group's joint-ventures.
[8] As per December 31, 2019, the Executive Committee consists of Luc Tack (CEO) and Stefaan Haspeslagh (COO/CFO) and did not change compared to last year.

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 2019 and no warrants were exercised by members of the Executive Committee during 2019.

No transactions, except for those mentioned above, have occurred with the members of the Executive Committee.

Transactions with the members of the Board of Directors:

Members	Remuneration in EUR	2019	2018
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	8,000	16,000
	Total remuneration	**36,000**	**44,000**
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	25,000
	Variable fee per half day attended	8,000	16,000
	Total remuneration	**33,000**	**41,000**
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	25,000
	Variable fee per half day attended	8,000	16,000
	Total remuneration	**33,000**	**41,000**
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	8,000	16,000
	Total remuneration	**63,000**	**71,000**
Luc Tack (executive director)	Fixed annual fee	25,000	25,000
	Variable fee per half day attended	8,000	16,000
	Total remuneration	**33,000**	**41,000**
Karel Vinck (non-executive director)	Fixed annual fee	25,000	25,000
	Variable fee per half day attended	8,000	16,000
	Total remuneration	**33,000**	**41,000**
Total		**231,000**	**279,000**

30. AUDITOR'S FEES

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren CVBA/SCRL represented by Patrick De Schutter was appointed as group statutory auditor by the shareholders meeting of the company on May 14, 2019, following an audit tender.

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

(Million EUR)	2019			
	Audit	Audit related	Other	Total
KPMG (Belgium)	0.2	0.0	0.0	0.3
KPMG (Outside Belgium)	0.6	-	0.3	0.9
Total	**0.9**	**0.0**	**0.3**	**1.2**

(Million EUR)	2018			
	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**

31. SUBSEQUENT EVENTS

- In December 2019, DYKA Group announced that it had agreed to acquire the production plant of REHAU Tube in La Chapelle-Saint-Ursin (France) from the German REHAU Group. The transaction is scheduled to be completed by May 1, 2020.
- Within the Bio-Valorization segment, PB Leiner inaugurated a new collagen peptides line in February 2020 at its production plant in Santa Fe (Argentina). This additional production facility will allow for a considerable extra production volume of SOLUGEL™ collagen peptides.
- Within the Industrial Solutions segment, S8 Engineering has ceased to exist as a separate Business Unit. The engineering and construction activities were integrated into Tessenderlo Kerley, Inc. during the first quarter of 2020.
- Flooding from Storm Dennis caused disruption at PB Leiner's plant in Treforest (United Kingdom) in February 2020. However, based on the current information, this event is not expected to have a material impact on the results of Tessenderlo Group.
- Tessenderlo Group is currently studying options for the construction of a new gas power plant in the Belgian municipality of Tessenderlo. As the outcome of the study is currently unpredictable, no further details can be disclosed at this stage.

Update COVID-19:

- In light of the latest developments concerning the global spread of the COVID-19 (Coronavirus) disease, Tessenderlo Group is taking all the necessary steps to ensure that it keeps its people safe and keep its plants and businesses running. This is because the group provides support for vital services and the flow of crucial goods. Tessenderlo Group supplies the basic chemicals for the production of drinking water based on side streams in the form of hydrochloric acid from the production of sulfate of potash (SOP). In addition, the group produces gelatin for medical and food applications, crop nutrition and crop protection products for agriculture (for which the season is just starting in the northern hemisphere), and plastic pipe systems for maintaining drinking water supply systems and polluted water evacuation, while Akiolis protects the meat chain (in France).
- All of the plants and activities are running in line with expectations at the moment, except for the current disruption of production at DYKA Group's French plant in Sainte-Austreberthe (segment Industrial Solutions). In February 2020, the COVID-19 disease also disrupted production at the Chinese plant in Nehe (PB Leiner – segment Bio-valorization), which restarted production in early March. Based on current information, the impact of these events on the financial results is expected to be limited.

- Activities could be further impacted in the coming weeks or months if too many employees are impacted by COVID-19 and/or if access to raw materials and auxiliary materials or means of transportation becomes more complicated, or if our customers are no longer able to process our products.

32. GROUP COMPANIES

Listed below are all the group companies.

The total number of consolidated companies is 56[9].

List of the consolidated companies on December 31, 2019, 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	T-Power nv	1050 Brussels	0875650771	100%
Belgium	Tessenderlo Development Services nv	1050 Brussels	0724619989	100%
Belgium	T-Power Energy Services bv	1050 Brussels	0838489378	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%
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%

[9] Tessenderlo Development Services nv is a new created company in 2019. T-Power Energy Services bv was acquired in June 2019 (refer to note 4 - Acquisitions and disposals). Tessenderlo Finance nv, Tessenderlo Cologna Veneta S.r.l. and PB Gelatins (Wenzhou) Co. Ltd. were liquidated in 2019.

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	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 Kerley Turkey Tarim Ve Kimya Sanayi Ve Ticaret Ltd. Sirketi	35730 Kemalpasa - Izmir	100%

List of the consolidated companies on December 31, 2019 accounted for by the equity method:

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, 2019 due to their insignificant impact on the consolidated figures:

Europe			
Switzerland	Tessenderlo Schweiz AG	5332 Rekingen	100%

33. 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, 2019 are the same as those applied and disclosed in the consolidated financial statements at December 31, 2018.

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 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).
- Leases. The company leases various items of Property, plant and equipment, mainly including real estate and vehicles. Some leases contain extension options, allowing operational flexibility, exercisable by the group. The carrying amount of the right-of-use assets, when applying IFRS 16 Leases, is based on the group assessment at lease commencement date whether it is reasonably certain to exercise extension options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.
- 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,

- 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,
- 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 meeting of Tessenderlo Group NV on the consolidated financial statements as of and for the year ended December 31, 2019

March 24, 2020

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF TESSENDERLO GROUP NV ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019

In the context of the statutory audit of the consolidated financial statements of Tessenderlo Group NV ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2019, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 14 May 2019, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ending 31 December 2021. This is the first year we performed the statutory audit of the consolidated financial statements of Tessenderlo group NV.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of Tessenderlo Group NV as of and for the year ended 31 December 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2019, 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, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 1,911.3 million and the consolidated income statement shows a profit for the year of EUR 97.6 million.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2019 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 our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

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

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

Other matter

The consolidated financial statements of Tessenderlo Group NV for the year ended 31 December 2018 were audited by another statutory auditor who expressed an unqualified audit opinion on 29 March 2019 on those consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 of goodwill, other intangible assets and property, plant and equipment

We refer to note 11, 12 and 13 section 'property, plant and equipment; goodwill; other intangible assets' of the consolidated financial statements.

Description

Other intangible assets, goodwill and property plant and equipment amount to EUR 1,069.6 million as at 31 December 2019 and represent 56% of the Group's total assets as at 31 December 2019.

The Group performs a yearly impairment assessment over goodwill and in case of triggering events the Group performs an impairment assessment over other intangible assets and property, plant and equipment ('PPE'). This assessment is performed for each smallest group of assets that generate largely independent cash flows (the cash generating unit or 'CGU'). Management prepares a recoverable amount assessment by discounting future cash flow projections to determine whether these assets are impaired at the reporting date as well as the level of impairment charge to be recognized.

Impairment of goodwill, other intangible assets and property, plant and equipment is identified as a key audit matter due its significance to the balance sheet total (56%) and the level of judgement required by management and potential management bias in the assessment of impairment, which principally related to the inputs used in both forecasting and discounting future cash flows to determine the recoverable amount.

Our audit procedures

Our audit procedures included among others:

- Challenging management's assessment of potential indicators of impairment based on our own expectations developed from our knowledge of the Group and our understanding of internal and external factors relevant to the Group;
- Challenging management's identification of CGUs with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;
- Evaluating the process by which management's cash flow forecasts were prepared, including testing the underlying calculations and reconciling them to the latest Board of Directors approved financial targets;
- Analyzing the Group's previous ability to forecast cash flows accurately by comparing key assumptions to historical results. We also challenged key inputs and data used to develop the forecasted cash flows based on our knowledge of the business;
- Assessing the appropriateness of the Group's valuation methodology and its determination of discount rates by involving our own valuation specialists;
- Testing the mathematical accuracy of the discounted cash flow models;
- Performing sensitivity analyses around the key assumptions used for the determination and discounting of cash flow forecasts, in particular EBIT, weighted average cost of capital and growth rates used by the Group; and
- Assessing the appropriateness of the Group's disclosures in respect of impairment of goodwill, other intangible assets and Property Plant and Equipment as included in Note 11, 12 and 13 to the consolidated financial statements.

Measurement of environmental provisions

We refer to note 24 section ‘Provisions’ of the consolidated financial statements.

Description

As set out in Note 24 ‘Provisions’, environmental provisions amounted to EUR 110.9 million as at 31 December 2019. Those environmental provisions are mainly accounted to cover the cost of remediation of historical soil and ground contamination of the plants in Ham (Belgium), Vilvoorde (Belgium) and Loos (France). The environmental provision reflects the value of the expected future cash outflows spread over the period 2020-2054, discounted at a pre-tax discount rate.

Assumptions and estimates used in determining the environmental provisions are, amongst others, related to:

- expected outflow of resources to settle the legal and contractual obligations and the timing thereof.
- discount rate to be applied in calculating the present value of the obligations at balance sheet date.

Due to the significance of the balance as well as the judgement involved in the estimations described above, the measurement of the environmental provision is a key audit matter for our audit.

Our audit procedures

- As part of our audit procedures, we have assessed management’s process to identify changes in existing obligations and to develop an accounting estimate for the costs associated with environmental remediation obligations in compliance with IAS 37 requirements.
- We assessed the valuation and completeness of the environmental provisions as per 31 December 2019.
- This assessment included:

    - Reviewing the expert reports obtained by the Group’s management;
    - We assessed the competence, objectivity and capabilities of the external actuarial experts engaged by management;
    - Making inquiries with the Group’s environmental manager;
    - Reviewing communications with external parties (including reports of the regulators and supplier quotations for the work performed;
    - Reviewing the consistency in assumptions, including cash outflow projections, compared to the assumptions used in prior year;
    - Assessing the reliability of forecasts made in prior periods by agreeing the amount and timing of the forecasted cash outflows to actual amounts spent.

Evaluating the appropriateness of the discount rate by involving our financial risk specialist.

Finally, we assessed the appropriateness of the Group’s disclosures in Note 24 of the consolidated financial statements.

Post-employment benefit provisions

We refer to note 23 section ‘Employee benefits’ of the consolidated financial statements.

Description

The Group provides retirement benefits predominantly in Belgium, Germany and the UK. Retirement benefits are organized through defined contributions plans as well as defined benefit plans. As described in Note 23, the Group sponsors defined benefit pension plans in Belgium, Germany and the UK and defined contribution plans in Belgium.

Post – employment benefits are considered as a key audit matter due to the complexity and judgment involved in determining the key assumptions used in the determination of the Group’s obligations as well as the assumptions used in determining the fair value of the plan assets. In addition, small changes in key assumptions used to determine the obligations and fair value of the Group's pension plans.

Our audit procedures

- We obtained an understanding of the Group's valuation process;
- We assessed the competence, objectivity and capabilities of the external actuarial experts engaged by management;
- We challenged management's key actuarial assumptions, being the discount rates, inflation rates, mortality expectations, future salary increases and personnel turnover underlying the valuation of the Group's post-employment benefit obligations with the assistance of our actuarial specialists. This includes a comparison of key assumptions used against externally derived data;
- With the assistance of our own financial instrument specialist, we reconciled the fair value of the plan assets with direct external confirmations and verified the correctness of the fair value of the plan assets, most of which are Level 1 fair values;
- We assessed overall reasonableness of the valuation outcome; and
- We assessed the appropriateness of the Group's disclosures in respect of employee benefits, which are included in note 23 to the consolidated financial statements.

Board of directors' responsibilities for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these 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 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 as to 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 the users taken on the basis of these consolidated financial statements.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Company nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Company.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- 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 controls 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 auditors’ 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 auditors’ 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; and
- Obtain sufficient 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.

For 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 board of directors’ annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors’ annual report on the consolidated financial statements 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 which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors’ annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors’ annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

Aspects concerning the board of directors’ annual report on the consolidated financial statements and other information included in the annual report

Based on specific work performed on the board of directors’ annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 3:32 of the Companies’ and Associations’ Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report:

- Activity report 2019
- Management report 2019

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements contains material misstatements, that is information incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:32 §2 of the Companies' and Associations' Code has been included in a separate report, being the Sustainability Report 2019 of Tessenderlo Group NV. This report on the non-financial information contains the information required by article 3:32 §2 of the Companies' and Associations' Code and is consistent with the consolidated financial statements for the same period. The Company has prepared this non-financial information based on the Global Reporting Initiative (GRI) framework. In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations', we do not comment on whether this non-financial information has been prepared in accordance with the GRI framework mentioned in the sustainability report on the consolidated financial statements.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

Other aspect

- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Zaventem, 24 March 2020

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Patrick De Schutter
Réviseur d'Entreprises / Bedrijfsrevisor

STATUTORY FINANCIAL REPORT

Balance sheet of Tessenderlo Group nv

(Million EUR)	2019	2018
Total assets		
Non-current assets	**1,051.4**	**933.6**
Other intangible assets	0.0	0.0
Property, plant and equipment	114.5	100.1
Financial assets	936.8	833.5
Current assets	**483.7**	**575.6**
Non-current trade and other receivables	0.7	0.7
Inventories	91.1	79.2
Current trade and other receivables	267.1	403.8
Other investments	85.4	24.8
Cash and cash equivalents	33.7	41.6
Prepaid expenses and accrued income	5.6	25.5
Total assets	**1,535.1**	**1,509.3**
Total liabilities		
Shareholders' equity	**959.2**	**794.8**
Issued capital	216.2	216.2
Share premium	238.0	237.9
Reserves	24.9	25.7
Retained earnings	479.6	314.5
Capital grants	0.5	0.6
Provisions and deferred taxes	**118.8**	**123.8**
Provisions	118.6	123.2
Deferred taxes	0.2	0.6
Liabilities	**457.1**	**590.6**
Liabilities due in more than one year	261.5	260.5
Liabilities due within one year	179.6	310.0
Accrued expenses and deferred income	16.0	20.1
Total liabilities	**1,535.1**	**1,509.3**

Profit and loss statement of Tessenderlo Group nv

(Million EUR)	2019	2018
Total operating income	**437.2**	**438.6**
Sales	380.1	374.6
Change in work in progress, finished goods and orders in progress (increase+/decrease-)	8.9	6.9
Production capitalized	1.5	0.8
Other operating income	42.6	52.0
Non-recurring operating income	4.1	4.2
Total operating charges	**-444.5**	**-450.1**
Raw materials and goods purchased for resale	-214.3	-216.4
Services and other goods	-148.6	-155.3
Wages, salaries, social charges and pensions	-68.3	-64.0
Depreciations and amortizations on formation expenses, tangible and intangible assets	-10.4	-9.8
Amounts written-off stocks and trade receivable (charges (-) / write-back (+))	-0.5	-0.1
Provision for liabilities and charges (utilisations and write-backs less charges)	4.6	3.0
Other operating charges	-5.2	-7.4
Non-recurring operating charges	-1.8	0.0
Operating result	**-7.3**	**-11.5**
Finance income	230.8	73.6
Finance costs	-59.1	-56.9
Profit before taxes	**164.5**	**5.2**
Income taxes	-0.7	-1.3
Deferred taxes	0.5	0.1
Profit (+) / losses (-)	**164.2**	**4.0**
Untaxed reserves	0.8	0.2
Profit (+) / losses (-) for the year to be allocated	**165.1**	**4.2**

Allocations and distributions

(Million EUR)	2019	2018
The Tessenderlo Group nv Board of Directors proposes to allocate the		
- Profits, being	165.1	4.2
- Increased by prior years' retained earnings	314.5	310.3
Totalling:	**479.6**	**314.6**
In the following manner:		
- Reserves	**0.0**	**0.0**
- Dividends	**-**	**-**
- Retained earnings	**479.6**	**314.5**
Totalling:	**479.6**	**314.6**

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, 2019.

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, 2019 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 trade 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.

Return on capital employed (ROCE)
Adjusted EBIT (last 12 months) divided by the average capital employed (last 12 months).

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.

ALTERNATIVE PERFORMANCE MEASURES

The following alternative performance measures are considered to be relevant in order to compare the results over the period 2018 - 2019 and can be reconciled to the consolidated financial statements as follows:

Reconciliation from Adjusted EBIT to EBIT

(Million EUR)	2019	2018
Adjusted EBIT	**134.9**	**98.5**
Gains and losses on disposals	4.2	12.1
Restructuring	0.3	0.9
Impairment losses	-3.1	-
Provisions and claims	-5.9	-0.9
Other income and expenses	-7.1	-0.5
EBIT (Profit (+) / loss (-) from operations)	**123.4**	**110.1**

Reconciliation from Adjusted EBITDA to EBIT

(Million EUR)	2019	2018
Adjusted EBITDA	**267.7**	**177.8**
Gains and losses on disposals	4.2	12.1
Restructuring	0.3	0.9
Provisions and claims	-5.9	-0.9
Other income and expenses	-7.1	-0.5
EBITDA	**259.2**	**189.4**
Depreciation	-132.8	-79.3
Impairment losses	-3.1	-
EBIT (Profit (+) / loss (-) from operations)	**123.4**	**110.1**

Reconciliation gearing

(Million EUR)	2019	2018
Non-current loans and borrowings	415.1	464.0
Bank overdrafts	0.1	0.1
Current loans and borrowings	86.8	48.0
Cash and cash equivalents	-154.5	-164.1
Net financial debt	**347.5**	**348.0**
Equity attributable to equity holders of the company	821.7	735.0
Gearing (net financial debt / (equity + net financial debt))	**29.7%**	**32.1%**

Reconciliation leverage

(Million EUR)	December 31	
	2019	2018
Non-current loans and borrowings	415.1	464.0
Bank overdrafts	0.1	0.1
Current loans and borrowings	86.8	48.0
Cash and cash equivalents	-154.5	-164.1
Net financial debt	**347.5**	**348.0**
Adjusted EBITDA	267.7	177.8
Leverage (net financial debt / Adjusted EBITDA last 12 months)	**1.3**	**2.0**

Reconciliation capital employed

(Million EUR)	December 31	
	2019	2018
Inventories	323.8	303.0
Trade receivables - 1 year	249.4	253.4
Trade receivables - 1 year: amounts written off	-3.7	-4.4
Trade receivables from related parties	0.7	0.5
Trade payables -1 year	-160.7	-164.2
Trade payables from related parties	-1.2	-1.7
Trade working capital	**408.4**	**386.5**
Property, plant and equipment	872.9	789.2
Goodwill	34.6	35.0
Intangible assets	162.1	190.2
Net assets	**1,069.6**	**1,014.4**
Capital employed	**1,478.0**	**1,400.9**

Reconciliation return on capital employed (ROCE)

(Million EUR)	2019	2018
EBIT last 12 months	123.4	110.1
Average capital employed last 12 months	1,472.1	1,062.0
ROCE (return on capital employed)	**8.4%**	**10.4%**

The increase of the average capital employed last 12 months, in 2019 compared to 2018, can mainly be explained by the acquisition of T-Power nv, which took place in October 2018. Consequently, in 2018, T-Power nv only impacted the average capital employed in the fourth quarter.

Tessenderlo Group

EVERY MOLECULE COUNTS

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