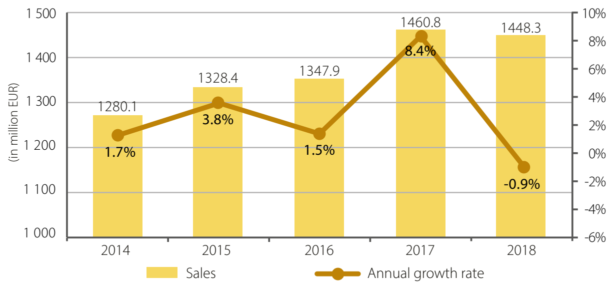
Annual report 2018

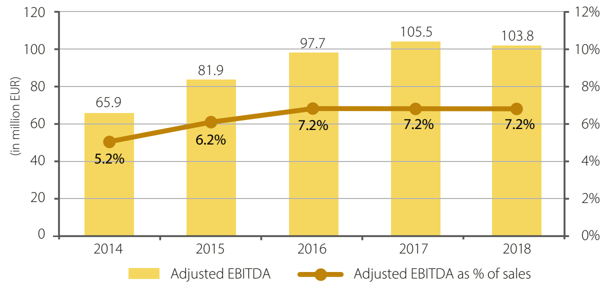
RECTICEL
The passion for comfort

Key Figures

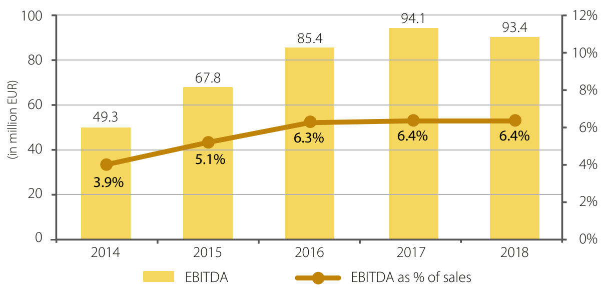
Combined sales & growth rates



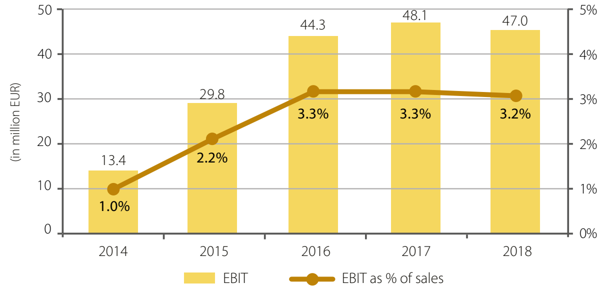
Combined Adjusted EBITDA & Adjusted EBITDA margin



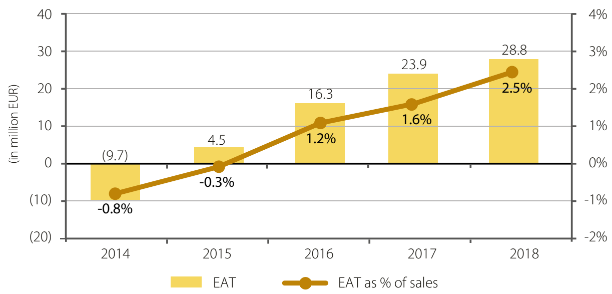
Combined EBITDA & EBITDA margin



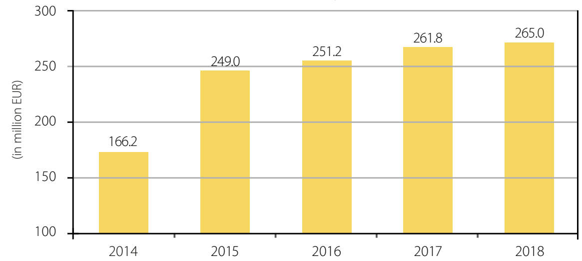
Combined EBIT & EBIT margin



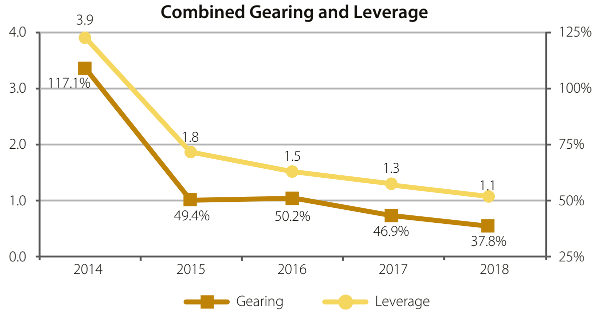
Combined earnings after taxes & EAT margin



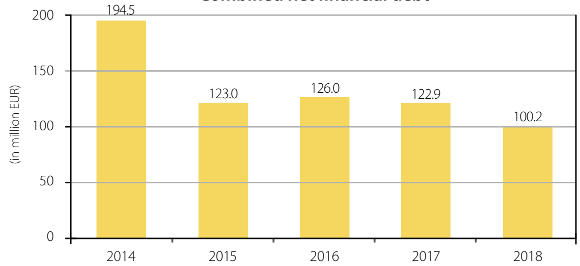
Shareholders' equity (Group share)



Combined Gearing and Leverage



Combined net financial debt



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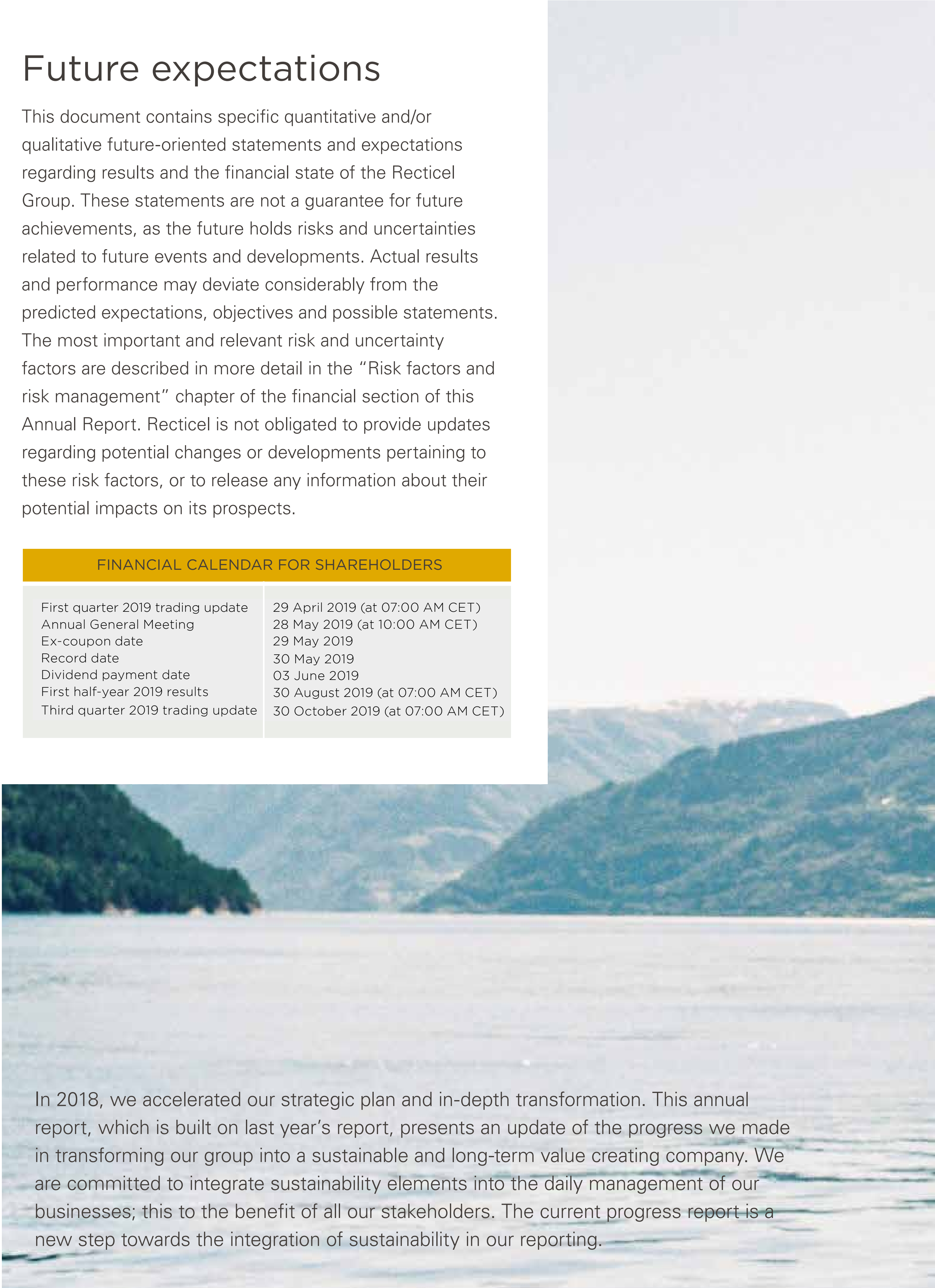
The passion for comfort

* These chapters form an essential part of the Report of the Board of Directors and contain the information required by the Belgian Company Code regarding consolidated accounts.

Future expectations

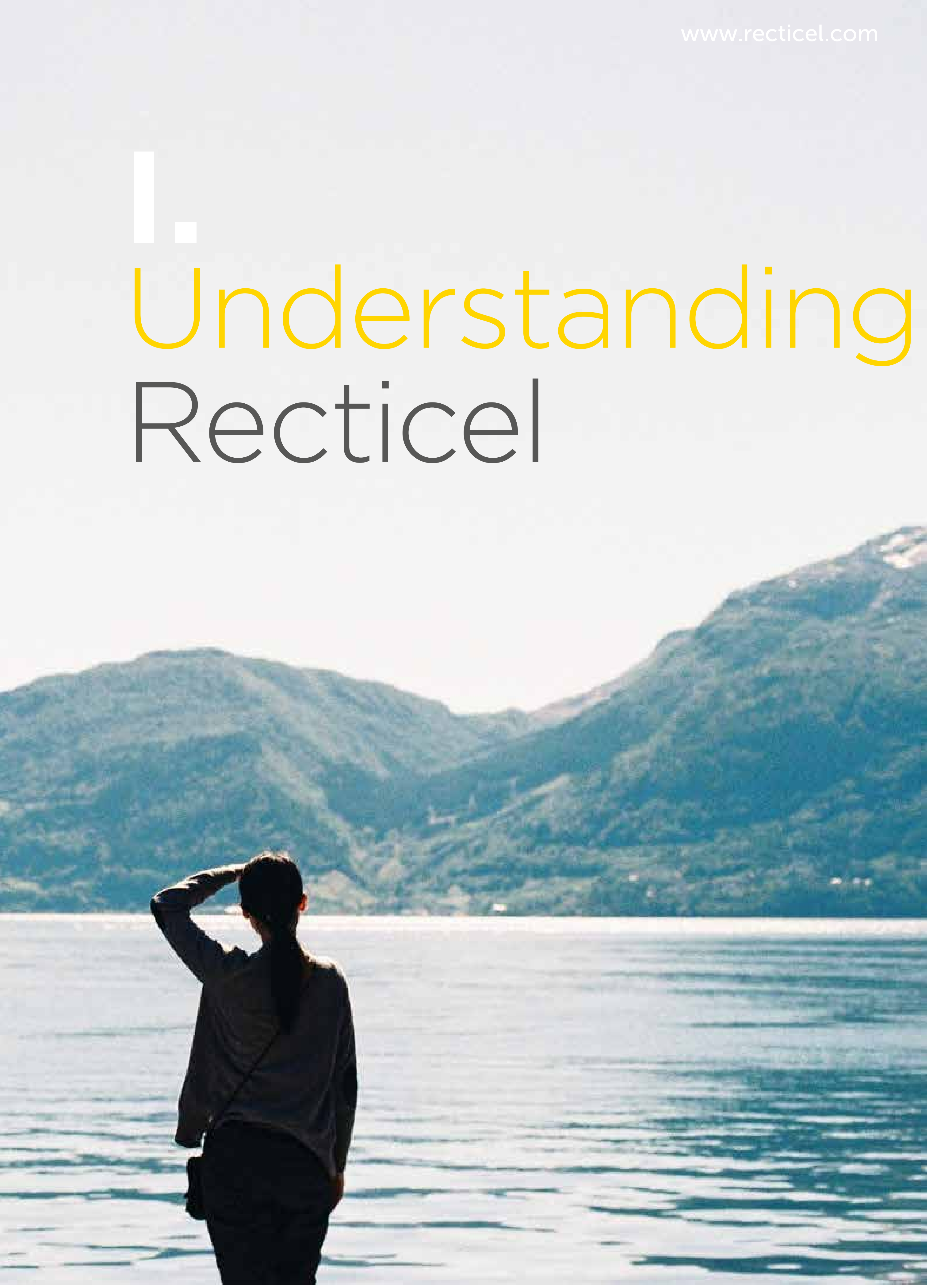
This document contains specific quantitative and/or qualitative future-oriented statements and expectations regarding results and the financial state of the Recticel Group. These statements are not a guarantee for future achievements, as the future holds risks and uncertainties related to future events and developments. Actual results and performance may deviate considerably from the predicted expectations, objectives and possible statements. The most important and relevant risk and uncertainty factors are described in more detail in the "Risk factors and risk management" chapter of the financial section of this Annual Report. Recticel is not obligated to provide updates regarding potential changes or developments pertaining to these risk factors, or to release any information about their potential impacts on its prospects.

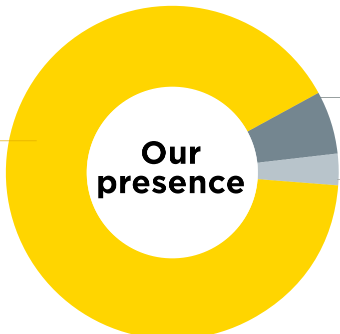
FINANCIAL CALENDAR FOR SHAREHOLDERS	
First quarter 2019 trading update	29 April 2019 (at 07:00 AM CET)
Annual General Meeting	28 May 2019 (at 10:00 AM CET)
Ex-coupon date	29 May 2019
Record date	30 May 2019
Dividend payment date	03 June 2019
First half-year 2019 results	30 August 2019 (at 07:00 AM CET)
Third quarter 2019 trading update	30 October 2019 (at 07:00 AM CET)



In 2018, we accelerated our strategic plan and in-depth transformation. This annual report, which is built on last year's report, presents an update of the progress we made in transforming our group into a sustainable and long-term value creating company. We are committed to integrate sustainability elements into the daily management of our businesses; this to the benefit of all our stakeholders. The current progress report is a new step towards the integration of sustainability in our reporting.

I. Understanding Recticel





Europe
90% of combined net sales
7,585 employees
84 sites
1 international sustainable innovation department (SID)

United States
4% of combined net sales
225 employees
4 sites

Asia
6% of combined net sales
653 employees
9 sites

I.1. Who we are

With its industrial activities, Recticel strives to **make an essential difference in the universal daily comfort experience.** To do so, we rely on our profound expertise in the transformation of polyurethane chemistry. Our overarching ambition is to create shared value for Recticel, our stakeholders and society as a whole. We seek to achieve, in an efficient, sustainable and balanced way, **steady, profitable growth** for our clients and shareholders.

We are committed to **providing responsible solutions** to the diverse challenges and dynamic needs of today's world, and in doing so, serving our customers and end consumers better than any of our competitors. We support our industrial clients around the world by implementing responsible, value-generating products and services.

As an international industrial player, Recticel is present in diverse markets. Europe accounts for 90% of our net sales, but we also operate in the United States and in Asia. We are **active in four application areas:** Insulation for the construction sector, Bedding, Flexible Foams for domestic and industrial applications and Automotive.

Although we mainly produce semi-finished products (Flexible Foams and Automotive), we also develop, manufacture and commercialise finished products and durable goods for end users (Bedding and Insulation).

Our Group is now perfectly positioned to continue further profitable growth.

REC LISTED EURONEXT

Our **INSULATION** division offers **high-quality thermal insulation products** used in construction projects and building renovations. These products are marketed under well-known brands and product names such as Eurowall®, Powerroof®, Powerdeck®, Powerwall®, Xentro® and Recticel Insulation®.

Our **BEDDING** division develops and produces **consumer-ready mattresses, slat bases and box springs,** primarily marketed under popular brand names such as Beka®, Lattoflex®, Literie Bultex®, Schlaraffia®, Sembella®, Superba®, Swissflex®, as well as ingredient brands including GELTEX inside®.

Our **FLEXIBLE FOAMS** division develops and manufactures **diverse innovative solutions** with specific product attributes, including silencing, sealing, filtering, carrying, protecting, supporting and comforting.

Our **AUTOMOTIVE** division develops **seating solutions** (via a joint venture) and **interior trim for the car industry,** prioritising innovation, technological progress, superior quality and excellent customer service.

Recticel is headquartered in Brussels (Belgium). We employ a total of (including pro rata share in joint ventures) about 8,472 people in 97 locations across 29 countries. In 2018, we generated combined sales of EUR 1.45 billion (IFRS 11 consolidated sales: EUR 1.12 billion).

Recticel (Euronext™: REC.BE – Reuters: RECTt.BR – Bloomberg: REC.BB) is listed on the Euronext™ stock exchange in Brussels and is part of the BEL Mid® index (Euronext™: BELM – Reuters: .BELM – Bloomberg: BELM; index weighting: 1.28%)

I.2. Highlights

OF 2018 AND EARLY 2019

Bedding
imm Cologne Fair

Recticel Bedding (Schlaraffia®, Superba®, Swissflex®, Ubica®) showcased its marketing and product innovations at the imm Cologne, Europe's leading furniture and bedding fair, which welcomes 80,000 trade visitors from 128 countries. Recticel presented its new box spring collection and new GELTEX® 2.0 technology.

It also successfully introduced the 'Silence' headboard, which combines technical innovation with outstanding design. The sound-blocking effect of this well-received acoustic panel was displayed through an impressive demonstration featuring a loud alarm clock. Shortly after the fair, this bed was nominated for the German Innovation Award by the expert committee of the German Design Council (Rat für Formgebung).

January 2018

Flexible Foams
Soundcoat – United States

Recticel Flexible Foams supported its customer SpaceX during the historic Falcon Heavy launch. Through its US subsidiary Soundcoat, Recticel supplies high-performing thermal acoustic insulation for the cargo compartment in the fairing of the rocket's payload area. The fairing protects satellites during delivery to destinations in low Earth orbit (LEO), geosynchronous transfer orbit (GTO) and beyond. In the case of the Falcon Heavy test launch, Soundcoat materials "protected" Elon Musk's personal red Tesla Roadster during its trip into space.

February 2018

Corporate
Sustainability Report

A new milestone in our history was reached when we published our second sustainability report, drawn up in accordance with the Global Reporting Initiative (GRI) Standard Guidelines, Core. This new report not only highlights our sustainability strategy – the result of a strategic process involving internal and external stakeholders to establish our most important sustainability aspects – but also identifies objective KPIs and clear targets for 2020.

Sustainability is now strategically embedded in our organisation as a key driver for innovation. By focussing our Research and Development efforts on climate change, conservation of natural resources, and supporting our ageing population, we seek to develop value-added solutions that benefit our customers and society.

Sustainable Innovative Development Belgium

Flemish Minister for Work, Economy, Innovation and Sport Philippe Muyters inaugurated the new pilot line for flexible foaming recycling at Recticel in Wetteren (Belgium). The pilot line is the result of the CATALISTI research project ALFIBOND, which aims to develop processing technologies for, among other things, material from discarded mattresses. The new pilot line and the new laboratories are the final part of a multi-year Research and Development investment project of over EUR 10 million that fits Recticel's Group strategy to put sustainable innovation at the centre. With this initiative, Recticel takes a new step towards a circular economy.

March 2018

Audi

Automotive Interiors

Recticel starts in Most (Czech Republic) with the production of interior trim for the new Audi A6, a first program won by Recticel Interiors for this premium OEM.

中国

Flexible Foams China

On 30 May 2018, Recticel Flexible Foams opened a new facility in Wuxi. The site – which operates a state of the art polyurethane moulding line and converting facilities – reaffirms our commitment to further investment and expand in China. This new Flexible Foams investment is part of our ambition to help our global customers grow and succeed. In a first instance we focus on technical foams such as acoustic and comfort solutions for transport applications.

May 2018

Bedding
Beka

Beka® refreshes its logo and from now on sets the course for 'The best place in the world'. A contemporary approach in which the well-being and sleep comfort of the customer are central.

Flexible Foams
Spain

Early September 2018, Recticel Iberica s.l. (Spain) announced its intention to streamline its foaming activities by closing its production site in Catarroja (Valencia). This affected 38 employees in our Flexible Foams' activities in Spain. The plant was finally closed end 2018.

Bedding
Geltex® 2.0

Recticel commercialises its new bedding collection based on the upgraded proprietary Geltex® technology. GELTEX® is a combination of elastic gel and breathable high resilience foam with proven effectiveness. It offers unmatched sleeping comfort for those seeking a restful sleep.

The new Geltex® 2.0 becomes available in the retail shops. Geltex® 2.0 will be exclusively made available under Recticel's branded sleeping collection at Beka®, Lattoflex®, Schlaraffia® and Swissflex®.

المغرب

Flexible Foams
Morocco

On 4 October 2018, Recticel inaugurated its first facility in Africa: a new foam converting plant in Tangier, Morocco. The prestigious opening event was attended by Mr Abdelouahed Rahal, Head of Morocco's Ministry of Industry, Investment, Trade and Digital Economy.

Recticel is extremely proud to extend its footprint into the Kingdom of Morocco, which presents significant strategic opportunities for the Flexible Foams business. Recticel's initial investment of EUR 1 million (10 million Moroccan dirhams) is a mark of our confidence in the country and its strong economic model, supported by positive reforms and a clear industry-focused macro-economic strategy. Twenty jobs will be created in the plant's first phase, with a second phase planned within three years.

September 2018

October 2017

Insulation
Finland

Recticel Insulation inaugurates its new state of the art greenfield manufacturing facility in Mäntsälä, in southern Finland. Total investment of this growth project amounts to EUR 26 million. With this new site, Recticel Insulation is not only seeking a decent foothold in the Nordic insulation market, but it also wants to meet the growing demand for high-performance thermal insulation materials in the Nordic region (Finland, Norway, Sweden, Denmark and the Baltic countries).

Flexible Foams
Silentium^3

At the Foam Expo Europe exhibition in Hannover (Germany), Recticel Flexible Foams reveals Silentium^3 (Silentium Triplex), the latest silencing foam innovation for applications in industrial equipment such as gensets. This cutting-edge acoustic concept for industrial equipment is developed alongside each individual customer and uses a unique combination of approaches to deliver unprecedented noise-reducing results.

Bedding
Germany

Mid-October 2018, Recticel Schlafkomfort GmbH (Germany) announced its intention to streamline its production activities by closing its production site in Hassfurt, where 79 people are employed

Insulation
Du.Panel X®

At Eurotier in Hannover (Germany), the leading international agricultural fair, Recticel Insulation presents its new generation of insulation boards for agricultural buildings. The new Du.Panel® X boards offer improved thermal insulation solutions – this in combination with a good fire resistance - and are particularly designed for stables and storage rooms.

November 2018

December 2018

Automotive
Proseat

Recticel announces that it has entered into final agreements whereby it will first acquire the remaining 49% in its Proseat joint venture from its Canadian partner Woodbridge Foam Corporation, and subsequently sell 75% in Proseat to Japanese public company Sekisui Plastics Co., Ltd.

The new joint venture between Sekisui (75%) and Recticel (25%) will allow Proseat to build on its leading position as Europe's largest independent automotive moulded seat foam manufacturer and to further expand its customer base and its product portfolio.

The agreement between Recticel and Sekisui contains a call option for Sekisui Plastics Co., Ltd. to acquire the remaining 25% in Proseat from Recticel as from 2019, and a put option for Recticel to sell its remaining 25% in Proseat to Sekisui as from 2022, at pre-agreed price calculation formulae.

Automotive
Interiors

In 2018 two new multi-year contracts were awarded to our Automotive Interiors division. These contracts govern the provision of high-quality trim parts to be used in BMW (part of G2Y platform) and Škoda Octavia cars. The new programs will be gradually rolled out over the next two years and represent estimated cumulative lifetime sales of approximately EUR 48 million. The interior trim parts, based on our patented Colo-Sense® Lite Spray technology, will be supplied by our plants in respectively Tuscaloosa (USA) and Most (Czech Republic).

In 2018, Recticel also began producing interior trim for the BMW 3-serie (Wackersdorf, Germany and Shenyang, China), the BMW 8-serie convertible (Most, Czech Republic), Peugeot 508 (Most, Czech Republic), Volvo XC40 (Ningbo, China), Volvo S/V60 (Mlada Boleslav, Czech Republic and Tuscaloosa, USA), Volkswagen Arteon (Ningbo, China) and heavy duty trucks Peterbuilt, Kenworth and Navistar (Tuscaloosa, USA) respectively.

January 2019

Sustainable innovation
PolyUrethane Recycling towards a Smart Circular Economy

Recticel is appointed to coordinate for four years the newly launched PUReSmart project, a polyurethane recycling research initiative. The project is supported by EUR 6 million in funding from the European Union Horizon 2020 Research and Innovation Programme.

The PUReSmart collaborative consortium gathers nine partners from six different countries and seeks ways of transitioning from the current linear lifecycle of polyurethane (PU) products to a circular economy model. To do so, the PUReSmart project will explore new methods, technologies and approaches in order to overcome these challenges and transform PU into a true circular material.

PUReSmart targets the recovery of over 90% of end-of-life PU with the goal of converting it into valuable inputs for new and known products. The PUReSmart consortium is an end-to-end collaboration spanning the entire polyurethane reprocessing value chain, and comprises both industrial players and dedicated research partners.

This project has received funding from the European Union's Horizon 2020 Research and Innovation programme under grant agreement N° 814543.

Turvac®
Vacuum Insulation Panels by Turna

Deck-VQ®

Insulation
Turvac

On 31 January 2019 Recticel Insulation became majority shareholder (74%) in Turvac d.o.o., the Slovenian producer of Vacuum Insulation Panels (VIP), by acquiring an additional 24% of the shares of Turvac d.o.o. held by the Slovenian joint venture partner Turna d.o.o. Since November 2016 Recticel already held 50% in the joint venture Turvac d.o.o. which operates from Šoštanj (Slovenia). Under the joint venture agreement, Recticel Insulation commercializes for the European construction market the VIPs produced by the joint venture, whereas the joint venture partner Turna d.o.o. focusses on the sale of VIPs to the household appliances sector (e.g. freezers and refrigerators).

The factory in Šoštanj (Slovenia) has been continually improving its VIP products in order to comply with the quality required for construction purposes. Today these CE certified VIP boards offer an aged lambda value of 0.006W/mK, which is the benchmark in the industry.

Currently Recticel Insulation introduced to the market Deck-VQ®, an ultra-performant thermal insulation solution with a PIR-VIP combination, for flat roofs and terraces.

By holding 74% of the shares of Turvac d.o.o., Recticel secures the know-how and production base for this high performance insulation material. This is another step forward to become the European leader in high performance insulation solutions for buildings.

proseat

Automotive
Proseat

Recticel confirms the closing of its divestment from the Proseat joint venture in two steps, as announced in December 2018. All conditions having been met and the necessary regulatory approvals being obtained the closing agreements became immediately effective. All manufacturing, operational and commercial operations continue with no changes in the existing teams in place.

February 2019

1.3. Letter from the Chairman of the Board of Directors and the Chief Executive Officer

Brussels, April 30th 2019

Dear Employee,
Dear Customer,
Dear Shareholder,
Dear Reader,

2018 has been a contrasted and challenging year for Recticel. After a robust first half, the second half of the year has seen much softer market demand. In that context, Net Sales and Adjusted EBITDA slightly decreased respectively by 0.9% and by 1.6%. Earnings after taxes reached a new historical high at EUR 28.8 million as a result of reduced financial and tax charges, and led the Board of Directors to propose a dividend increase of 9.1%.

During 2018, the Group took a series of initiatives to further build a stronger future: expansion, optimisation of our manufacturing footprint and cost structure, milestones passed in our Sustainable Innovation agenda, and a clear and actionable roadmap regarding the Digitalisation of our activities.

Last but not least, Recticel has found an agreement with Sekisui Plastics Co. to dispose in 2 steps of its 51% participation in the Proseat Joint Venture, and continues to work actively on the divestment of its Automotive Interiors division.

Mr. Johnny Thijs
Chairman of the Board of Directors

Mr. Olivier Chapelle
Chief Executive Officer

Our sales turnover decreased by 0.9% during 2018 in an increasingly volatile and uncertain economic environment, resulting from 4.0% growth in the 1st half of 2018 and 5.7% decline in the 2nd half of 2018. As from the summer, the Automotive markets have turned negative in China and Europe, while the Bedding/Furniture markets have been impacted by the unusual hot summer, low traffic in our customer's shops and continued progress of on-line players. The business environment for durable goods in the United Kingdom has remained overall subdued because of the uncertain outcome of Brexit. On the other hand, the construction markets have remained supportive, and the falling raw material prices (MDI) have enabled Recticel and the PIR insulation market players to progressively retrieve market shares lost to the competitive materials such as mineral wool during the MDI shortage and subsequent price hikes of 2017.

Our Adjusted EBITDA has decreased by 1.6% during 2018 mainly due to the under-performance of our Bedding business, while the other three divisions increased their Adjusted EBITDA. The Bedding division faced low volumes throughout the year, combined with substantial promotion and introduction costs in the 2nd half with the introduction of the new Geltex 2.0. The Automotive division continued to start up new programs, among which the new Audi A6, and has progressively returned the Most facility, burnt down in January 2017, to profitability. Flexible Foams and Insulation have managed well the progressive reduction of MDI and TDI prices following the 2017 MDI and TDI price hikes linked to the 2017 short raw material markets.

In 2018, in order to accelerate growth, we started new Technical Foams converting facilities in China and Morocco, and our new Insulation facility in Finland. In parallel, we have taken additional footprint optimisation measures with the closure of the Buren (The Netherlands) and Catarroja (Spain) Flexible Foams plants, and with the announcement of the closure of the Hassfurt (Germany) Bedding plant.

The investments in innovation of the past two years is starting to generate incremental sales with Geltex 2.0 (Bedding), Xentro® (Insulation), Simfofit® (Insulation), and we expect in 2019 the first contract to be won in Automotive with the ColoSense® X-Lite new skin technology. In parallel, subsidies have been secured, and cooperation programmes have been initiated with universities, with suppliers and with local agencies to bring durable solutions to the circular economy challenges posed to the polyurethane industry, and in particular related to end of life material: PUReSmart, Valpumat, Carbon4PUR, SweetWoods.

In 2018, we have also defined our roadmap to accelerate the digitalisation of the company, with focus on increased efficiency and enhanced customer experience. As a result, we plan to launch a B2B portal before the end of 2019 for our Insulation customers.

The economic context in the first half of 2019 is not substantially better than it has been in the second half of 2018: very uncertain geopolitical developments in the world, slow Automotive and Bedding/Furniture markets, and eroding selling prices due to competition. Despite these uncertainties and thanks to the structural actions taken to improve Recticel's competitiveness, the Group ambitions to generate results at least at the level of 2018.

Once again, we warmly thank our employees for their commitment in 2018, our customers for their business and partnership, and our shareholders for their continued trust, support and precious insights.

Olivier Chapelle
Chief Executive Officer

Johnny Thijs
Chairman of the Board of Directors

1.4. Our mission, vision & core values

Our mission

We leverage our outstanding expertise in polymer applications, particularly polyurethane. We offer competitive, high value-added solutions to our customers with the goal of increasing day-to-day comfort and generating shared value for our customers, employees and stakeholders.

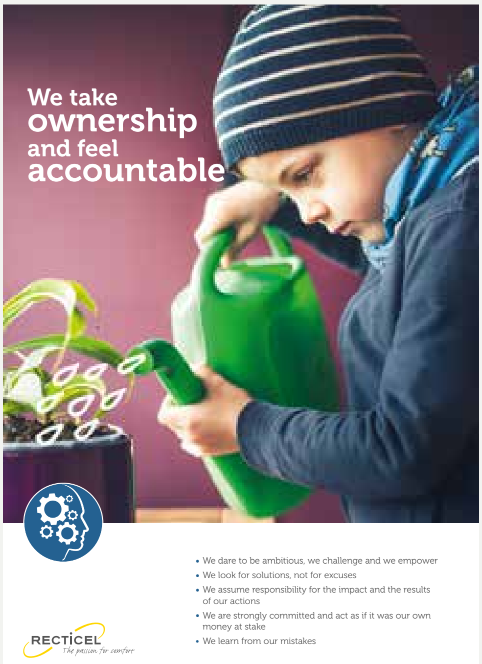
Our vision

We aim to be the leading global provider of comfort solutions in all our core markets by responding to key global challenges such as environmental protection, energy conservation, a growing and ageing population, and acoustic insulation.

Our core values

Our five core values for a promising future

Our core values, which were redefined in 2016, are each linked to clearly defined underlying behaviours. This is important as we do not consider values as hollow concepts, symbols or simple principles. It is the purpose that, on the basis of the expected individual and collective behaviours, our organisation can fully align its actions and attitudes towards internal and external stakeholders, successfully execute its strategy and ultimately realise its corporate objectives.



We believe these core values must be shared, discussed, believed in and lived by all stakeholders, particularly our own people. As active and ambitious action drivers, our core values will help teams and employees progress, create a positive corporate culture and provide our organisation with a strong stimulus for growth.

I.5. Our Group strategy & activities

Market and challenges

Market research shows that polyurethane applications in general will grow faster than the global economy on average. This statement relies on supportive megatrends such as climate change, sustainability, conservation, an expanding and ageing population, urbanisation, increasing mobility and rising standards of living.

We at Recticel believe that our products and services can bring real practical solutions to the various challenges that lie ahead. Our Group strategy is therefore specifically built around these key market drivers. By prioritising **product and process innovation, international presence and operational excellence,** we believe we can successfully differentiate ourselves from competition.

Our corporate strategy is now getting strong traction.

Group Strategy

Recticel's strategy is to position the Group in a sustainable way as the leading supplier of high value-added solutions in our defined key markets.

Our priorities over the last years and for the future can be summarised as follows:

- **sustainable innovation** in applications, products and materials in combination with high quality, service levels and end-consumer brand awareness where applicable;
- **international expansion outside Europe;** and
- **simplification** of the Group structure and clear manufacturing footprint rationalisation.

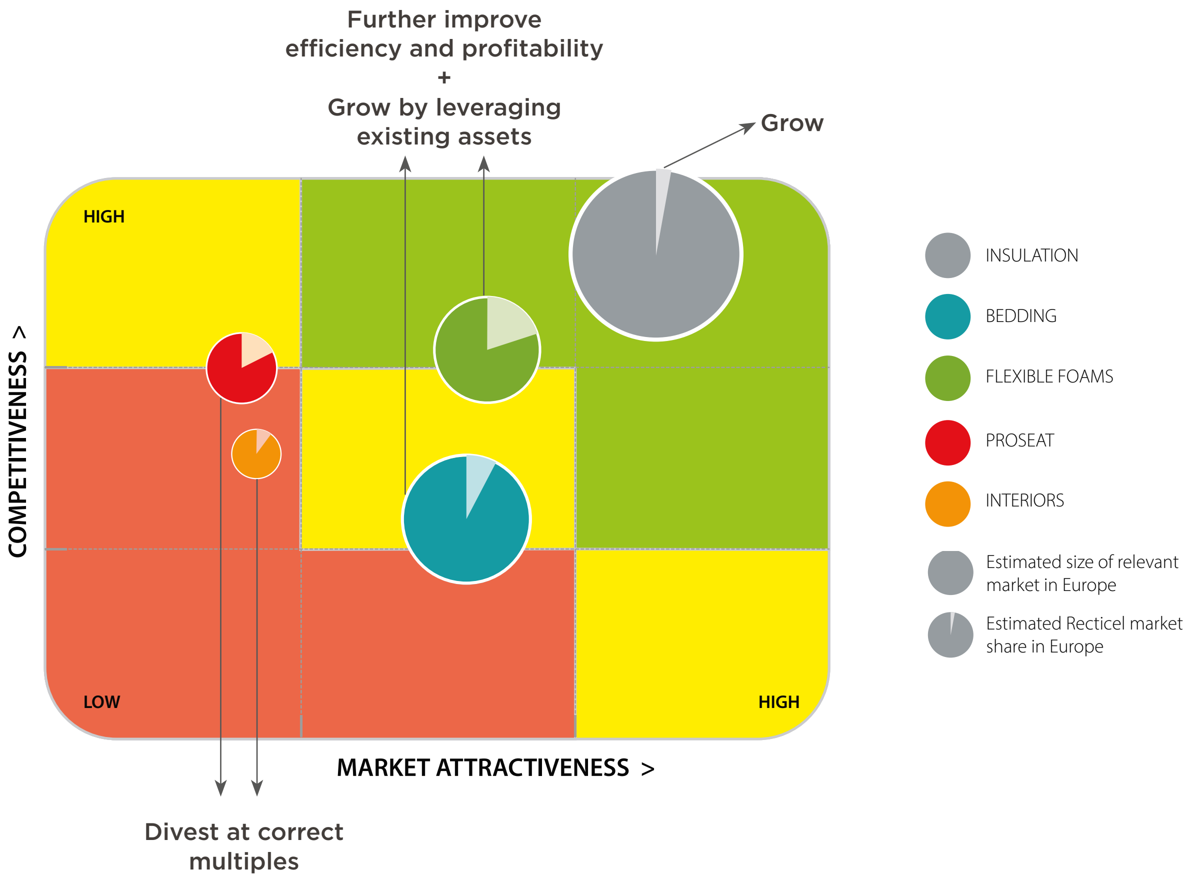
In support of these priorities we strive to continuously develop our human talent, as people and teams are crucial to remain successful in the future. Likewise, sustainable development and digitalisation have become mandatory components for long-term growth.

The building blocks of our strategy:

Business line positioning

The key idea of our Group strategic plan is to consider our relative market strengths and competencies and, on this basis, to optimally allocate resources to the different business segments.

With respect to the assessment of the attractiveness of the markets in which our businesses are active we rely on objective criteria such as size, growth, profitability and capital intensity. Likewise, we also evaluate our relative competitiveness in each of these markets. On the basis of our findings we consider that our Insulation business line holds the highest potential, followed by Bedding and Flexible Foams. At the other end, our two Automotive business lines are deemed not to offer the same prospects and have hence been qualified as non-core activities.



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Segment strategy and strategic views

Based on the strategic internal and external positioning of each business line, Group management defined specific strategic actions in order to realise in a balanced way our global corporate objectives.. Some of these action points are common to all business lines, while others are very business line-specific. Provided the specific market positioning, strength and weakness of each activity, tailor-made strategies have been developed for each individual business line. These differentiated segment strategies can be summarised as follows:

Insulation	Organically grow through geographic expansion, innovation and the introduction of new products, modules and distribution channels, and if possible, accelerate growth through acquisitions.
Bedding	Prioritise the development of branded products which should be supported by (i) a strong marketing strategy, (ii) distinctive product innovation, (iii) an online strategy, (iv) geographic expansion and (v) an optimised network of highly efficient production facilities; whereby Europe will remain the focal market.
Flexible Foams	Bolster profitability through (i) selective growth initiatives based on new products, (ii) further geographic expansion in the Technical Foams division, particularly in North America, Asia and North Africa, (iii) rationalisation and modernisation of the manufacturing footprint, and (iv) commercial and operational excellence.
Automotive	Fully capitalise on the existing production capacity and introduce new innovative products. Exit from the Seating activities, operated since February 2019 through the new joint venture Proseat (75/25 Sekisui/Recticel). Pursue a divestment of the Interiors activities.

Strategies of support

To be truly successful, we believe that each segment strategy must be supported and guided by six action drivers:

1. Sustainable innovation

We enhance our craft by sharing our knowledge throughout our company. This creates powerful intellectual synergies for particularly market-driven innovation. To successfully capture future opportunities, our Research & Development department has been organised in a way to increase the pull effect of the business lines. Moreover, the Group's **upgraded and flexible approach to resource use** supports our innovation efforts.

2. International expansion

Although we already hold strong positions in the European markets, we continue to **pursue further growth** by expanding internationally, inside as well as outside Europe.

3. Simplification

Since many years now, we have instituted a deep simplification process throughout our organisation; hereby **boosting operational efficiency and reducing fixed costs.**

In this context, the Group has executed over the last eight years a major **industrial footprint restructuring programme.** 34 plants have been closed, 5 have been sold, but 12 new facilities have also been opened or acquired, mainly outside Europe. At the same time, the workforce has been reduced by approximately 1,411 employees and the number of joint ventures has been scaled down from 22 entities to 13. In the same context, the number of subsidiaries has been reduced from 119 legal entities to 81. Further rationalisation opportunities will continue to take place in the coming years.

Besides a reduced industrial footprint, synergies are also realised through greater centralisation, standardisation and optimisation of common processes and administrative tasks.

Several high-impact innovations have been introduced:

Our **Insulation** business line introduced several new solutions, including a higher-performance product with an extremely competitive insulation factor (lambda) of 0.019 W/mK. These PIR panels, commercialised under the Xentro® brand, offer a 13% improvement in thermal insulation through improved chemistry, for energy cost savings. Also the new Du.Panel® X boards offer improved thermal insulation solutions – this in combination with a good fire resistance - and are particularly designed for stables and storage rooms. Finally fiber-bonded foams have been added to the product portfolio in order to improve the acoustic characteristics of thermal insulation panels.

Our **Bedding** business line launched the new upgraded GELTEX® 2.0 generation, which offers an improved mix of optimal pressure distribution, ideal support and maximum climate control properties.

More particularly, the new GELTEX® 2.0 adds unprecedented performance durability, as well as improved sustainability through the use of CO_2 based polyols. This key innovation effort offers Recticel a technological advance in the market.

Our **Flexible Foams** business line regularly introduces new generations of acoustic foams, leading to new contracts the Technical Foams application area. Novel acoustic insulation products and solutions for the building sector, such as Silentium[3] *(Silentium Triplex)* were also developed and marketed. For our third-party bedding customers, we developed the new comfort foam, angelpearl®.

Our **Automotive** business line began marketing and prototyping the new Colo-Sense® X-Lite, an improved version of the Colo-Sense® Lite high-performance skin for automotive interiors. Colo-Sense® X-Lite enables a further weight reduction and packaging efficiency, responding to OEMs' constant search for lighter products.

4. Sustainability

We are positioning sustainability at the heart of the Group's research and development activities. It is our ambition to help deliver new solutions that will meet the planet's sustainability challenges. For all new investments, whether it is for existing products or for new innovative projects, the element of sustainability is taken into consideration in order to boost our competitive edge and create ever more value for our stakeholders.

5. Digitalisation

The swift and disrupting technological progress and development of robotics, artificial intelligence, internet of things and 3D printing has created an explosion of new threats but also new opportunities. Industries have been, and will continue to be, deeply transformed by digitalisation. Recticel is embracing digitalisation in order to seize new growth opportunities and make the success of our company sustainable.

With this in mind, the Management Committee has developed a digital vision in support of the company's overall strategic objectives, and thereby positioned digitalisation as a key driver for innovation.

Digital technologies will enable Recticel to make a step change in creating value and differentation in the following three areas:

- Smart Manufacturing & Digital Operations: Further accelerate our use of digital in manufacturing and operations to optimize our operational efficiency by primarily focusing on: (i) labour efficiency, (ii) material efficiency, (iii) production flows and (iv) internal logistics.
- Digital Supply Chain & Customer Experience: Retrieve value from existing and new data sources through seamless interfaces and big data approach to accelerate and streamline the customer experience and create transaction efficiency.
- New digital Business Models: Increase our customer intimacy through a better understanding and anticipation of the customer and customer needs, and differenciating value propositions in a changing market place.

In all these areas, digital opportunities have been prioritised based upon their potential for the Divisions and Functions.

The renamed Information & Digitalisation Technology department (IDT) will act as a center of expertise and will work in close collaboration with the businesses to deliver on the digital roadmap which will involve the entire organisation.

Innovate to create value is one of the five core values, the foundation of our corporate culture. We passionately embrace change to make things better and to make better things. Our digital vision reflects this mindset to constantly challenge the status quo. By working together and building on everyone's talents and skills, we are confident that we will successfully implement our digital roadmap and achieve our goals.

6. Human organisation and talent

The above-mentioned strategic action drivers can only be successfully executed if they are supported by a strong human resources organisation. Our people are truly the drivers of our transformation; their understanding of our environment allows us to anticipate and address our customers' needs. We therefore recognize their talent, we empower them as much as we can, and we help them thrive and develop by offering them a wide set of training and development programs.

Our financial objectives

Throughout the transformation process we started in 2010, we continue to raise the bar for our financial performance.

As far as our financial objectives are concerned, we aim to reach the following medium-term objectives:

- Generate a 10% Adjusted EBITDA margin on sales (on a combined basis)*
- Deliver a ROCE (EBIT/average capital employed) of at least 15%*
- Keep the combined gearing ratio (net financial debt/equity) below 50%*
- Enable double-digit growth in net earnings and dividends

* Before impact of IFRS 16

"IN 2018, RECTICEL CONTINUED TO MAKE PROGRESS. OUR SOLID FINANCIAL RESULTS, PUT US ON TRACK TO FULLY REALIZING OUR MID-TERM OBJECTIVES. THIS ALLOWS US TO RECOMMEND TO THE SHAREHOLDERS MEETING AN INCREASE OF OUR DIVIDEND BY MORE THAN 9%".

1.6. Our activities

Based on its experience, expertise and passion for polyurethane, Recticel is fully committed to develop new and effective solutions.

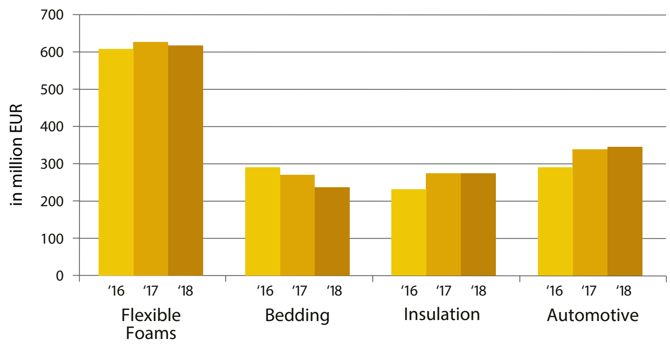
Polyurethane is an extremely versatile material made from polyols and isocyanates – both derivatives of crude oil. Polyurethane chemistry is at the core of our Group business lines.

For seven decades, Recticel's pioneering spirit and passion for comfort has driven our development of innovative applications and solutions that push the limits of polyurethane technology. We innovate to ensure our customers' expectations are met. We therefore actively seek new and improved solutions for tomorrow. This way we can provide adapted solutions for various applications and challenges.

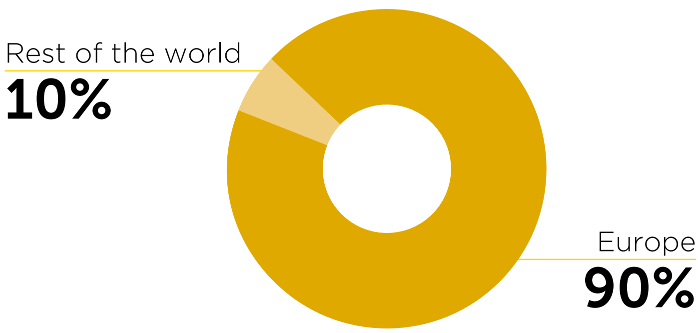
Centered around polyurethane technology, our activities are organised around four distinctive business lines, which serve very specific markets.

Our activities are broadly spread geographically, but our Group remains primarily a European player. Around 90% of our total Group sales are generated in Europe.

Combined sales per business line



Combined sales 2018 (before intra-Group sales)

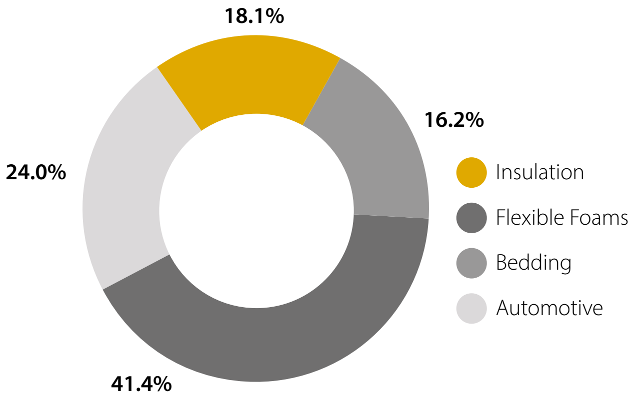



Our new plant in
Finland
will offer us a great stepping stone to the promising Scandinavian and Baltic insulation markets
VIP
vacuum insulation panels complement our Insulation product range
we focus on the
European
insulation market

I.6.1. Insulation

Fit to almost any professional insulation challenge

Combined sales 2018 (before intra-Group sales)



4

major state-of-the-art production sites, complemented by 2 transformation units

What we do

Recticel Insulation is a reliable and experienced insulation partner, providing high-performance insulation solutions for both residential and non-residential buildings, meeting occupant needs for comfort and greater energy efficiency.

Conserving energy and lowering the carbon footprint, particularly for the housing sector, is one of the key objectives of our Insulation business. Driven by a culture of innovation, technical competence and flair, we are dedicated to raising the quality standard of thermal insulation products. For the construction industry we are engaged in the manufacturing and commercialisation of high-performance and durable thermal insulation boards in rigid closed-cell polyurethane (PU/PUR) and polyisocyanurate foam (PIR).

Heavily tested during development and before launch to ensure excellence in product quality, they are today - available on an industrial scale - the best insulation materials against cold and heat.

The range of thermal insulation boards spans an extensive array of **applications across the complete building envelope**. We offer solutions for new-build and refurbishment projects. Product-wise we have solution for the thermal insulation of walls, for flat and pitched roofs, and for floors. Building-wise we supply products for residential, commercial, industrial, public, logistics as well as agricultural buildings.

In order to stay ahead of competition, we seek to continuously improve the thermal insulation performance of our products while reducing the amount of material required. Our products truly have the potential to significantly reduce energy consumption and CO_2 emissions.

Since the end of 2016, we have also added Vacuum Insulation Panels (VIP) for niche applications to our product offering. In this respect, we launched in 2018 the first ultra-high performance encapsulated VIP insulation – commercialised under the brand name Deck-VQ® - for application in flat roofs and terraces. These high-performance Deck-VQ® products are characterised by a very low lambda of 0.006 and offer today the best thermal performance in the market.

Our customers are mainly contractors, building promoters and wholesale building material stockists and distributors. In addition, sales and marketing efforts also target architects and end consumers in order to support our commercial policy.

Recticel's Insulation division operates from **4 major state of the art production sites** in Wevelgem (Belgium), Bourges (France), Mäntsälä (Finland) and in Stoke-on-Trent (United Kingdom), with local sales offices in Germany, Poland and the Netherlands. In addition, the division also operates two fiber-bonded foams activities in France and holds a 75% participation in the Slovenian joint venture company Turvac which is active in vacuum insulation panels.

The new greenfield plant in Mäntsälä (Finland) became fully operational in October 2018.

The Insulation business line is the Group's smallest in terms of industrial footprint and employment. Although it currently accounts for 18.1% of total combined sales, it brings the biggest contribution to operating results and offers the highest future growth potential.

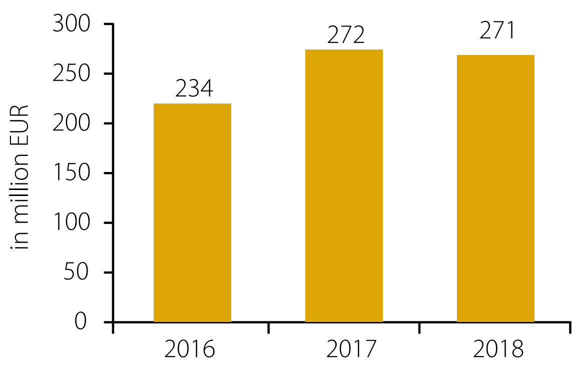
Market drivers

Supported by ever-increasing insulation standards, polyurethane insulation is gaining market share from more traditional insulation materials, such as mineral wools (glass wool, rock wool) and polystyrenes (EPS, XPS), as polyurethane thermal insulation solutions are considered to offer today the **highest-performing insulation materials on an industrial scale.** This enviable position is furthermore supported by European legislation for energy performance requirements and energy efficiency, e.g. the Energy Performance of Buildings Directive 2010/31/EU (EPBD) and the European Energy Directive (2012/27/EU) (EED).

Besides the external drivers, our Insulation business also benefits from its **lean and mean production footprint,** hereby offering a competitive cost performance.

Finally, supported by consistent Research and Development efforts, we anticipate **high development potential** through the introduction of new innovative products and solutions and continuing geographic expansion.

Combined sales Insulation



Market attractiveness

The growth of insulation solutions in the new building market has been, and continues to be, supported by EU Directives and stricter regulations. In addition several subsidy policies in different member states have driven growth in the renovation market.

Not only legislative incentives, but also underlying customer awareness of global megatrends revolving around environmental protection, sustainability and energy conservation have boosted the thermal insulation materials sector. It is expected that these concerns and initiatives will continue in the near future.

The market potential of thermal insulation products are best illustrated by the fact that the heating and cooling of buildings accounts for approximately 22% of energy consumption worldwide. In Europe, buildings use 40% of the total energy consumed.

Next to the attractiveness of the building insulation sector in general, the extremely high-performing properties of rigid polyurethane foams make them better positioned than traditional alternatives.

Competitiveness

Today Recticel is recognised in the market for its **broad and high-quality product range,** as well as for its **professional and efficient customer service.**

Despite the recent expansion in southern Finland, our industrial footprint still remains relatively limited in terms of number of sites. As a result, Recticel remains a particularly **cost-efficient operator.**

Since the end of 2016, we have added **vacuum insulation panels** (VIP) and fiber-bonded foam insulation solutions to our portfolio. This promising new technology is considered to be the most efficient building insulation solution. However, because of its product characteristics and high cost, VIP remains a complementary technology useful in specific and demanding situations or niche projects.

Strategy

Looking forward, our business line specific strategy will continue to focus on European building insulation markets. Although we expect our existing opportunities to generate further organic growth, we also aspire to accelerate our growth with **new investments in capacity** and, where appropriate, through **external acquisitions.** As innovation will continue to drive the future of our Insulation business, the introduction of novel products and the diversification of the distribution channel will remain key priorities.

in million EUR

COMBINED KEY FIGURES INSULATION	2016	2017	2018
Sales [1]	234.1	272.3	271.2
Growth rate of sales (%)	*2.1%*	*16.3%*	*-0.4%*
Adjusted EBITDA	33.1	40.3	44.7
Adjusted EBITDA margin (as % of sales)	*14.1%*	*14.8%*	*16.5%*
EBITDA	32.9	40.1	44.7
EBITDA margin (as % of sales)	*14.0%*	*14.7%*	*16.5%*
Adjusted EBIT	26.8	33.7	38.1
Adjusted EBIT margin (as % of sales)	*11.4%*	*12.4%*	*14.1%*
EBIT	26.6	33.5	38.1
EBIT margin (as % of sales)	*11.4%*	*12.3%*	*14.1%*

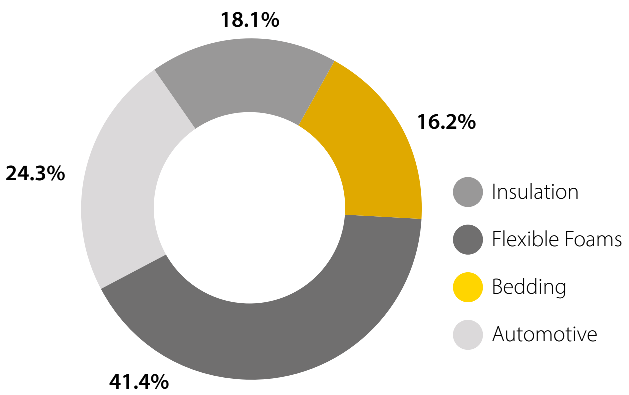
[1] before eliminations of intra-Group transactions


Innovative ingredient brands such as
Geltex®
are the drivers of our brand portfolio
11
production sites
in 8
countries

I.6.2. Bedding

We are passionate about sleeping comfort; for every night.

Combined sales 2018 (before intra-Group sales)



What we do

Our Bedding business line **develops, produces and commercialises finished mattresses, slat/bed bases and box springs** which we sell through a broad range of external distribution channels. We are passionate about sleeping comfort and we have clear distinct focus on end-consumers, In this respect. We have a comprehensive offering of products built around strong (national) brands – owned or licensed –. Our brand portfolio includes many highly recognized brands in the industry. Some of these are further supported by innovative ingredient brands such as GELTEX®. In addition, to further optimise our manufacturing footprint, we also offer private label products.

Although our offering appeals to a broad range of consumers, we are not selling directly to retail. We sell our products through a network of external distribution channels. Our customer base is broad and varied, ranging from independent bedding and furniture retailers operating between one and 30 stores, department stores, mail order and e-commerce companies, members of – mostly national – buying groups to international retail chains owning over 1,000 stores.

Currently, our Bedding division operates 11 production sites in Austria (1), Belgium (2), Germany (2), the Netherlands (1), Poland (1), Romania (1), Sweden (1) and Switzerland (2).

Our Bedding segment accounts for 16.2% of our Group's total combined sales.

Strong local bedding brands

with local stories

Market drivers

Mattresses, slat-bases and box-springs are a typically slow-moving consumer goods. It is therefore logic that bedding products only generate high levels of customer interest when the need to buy or replace a mattress or bed arises. In these situations, consumers start to become sensitive to questions such as functional sleep comfort and the perceived benefits of the various bedding technologies. Regarding functional comfort, consumer research consistently identifies body support, pressure distribution and climate comfort, i.e. breathability and moisture evacuation, as the top-ranking purchasing criteria. In mid and premium market segments, properties such as durability, anti-allergenic and anti-bacterial are added to the equation. Particularly the ageing population in Europe is highly sensitive to these arguments.

In their decision making process, customers therefore mainly have to rely on product communication and store owner advice to navigate the diverse and sometimes confusing bedding product offering, with in most cases only limited product testing opportunities. On top of this, product image and consumer brand trust are equally important in convincing the customer to make a purchase.

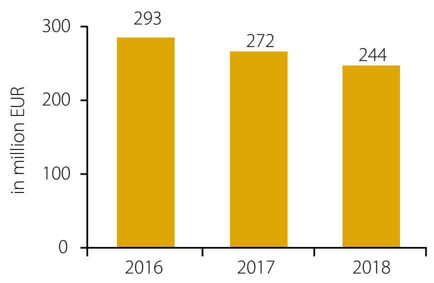
Our Bedding business line benefits optimally from these structural market drivers. Our **expertise in materials** (foam, springs, latex, etc.) and the **strength of our brands** are key to capture the opportunities of these naturally mature European markets.

Market attractiveness

Generally speaking, the European bedding market is today primarily driven by demographic evolution and the ever-increasing **need for a better, fresh, healthier and aesthetical sleeping comfort.** These trends do not only drive more frequent replacement but do also call for consumers' larger sleeping comfort budgets.

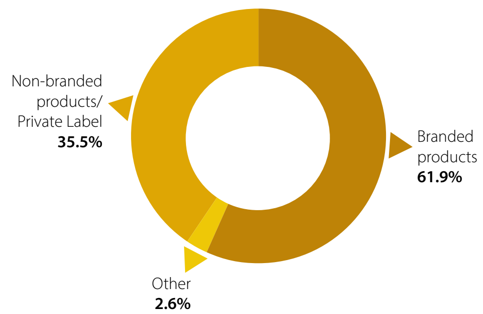
High-value branded products represent the premium market segment, while the private-label segment is growing in market share.

Combined sales Bedding

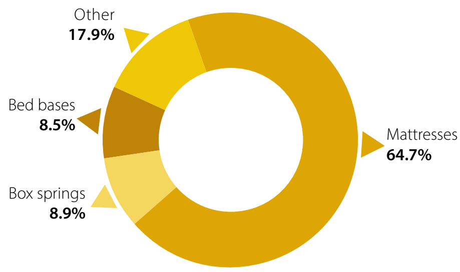


Combined 2018 sales Bedding

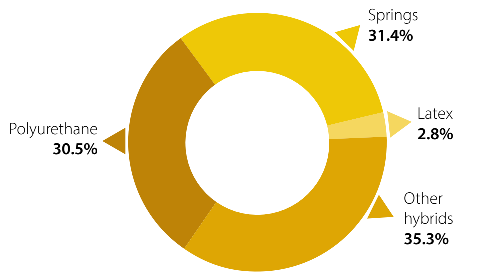
Branded & Non-branded products



Mattresses & Bed bases



By technology



Competitiveness

Choosing sleeping comfort remains very personal and subjective. There is no such thing as a one-size-fits-all perfect mattress. Personal sleeping habits, individual requirements and extras, specific bedding technologies and material qualities drive a purchase choice. The best mattress is therefore the one that offers each unique consumer the best (personal) comfort and a good price-performance ratio.

Over the last few decades, polyurethane foam mattresses have **gained substantial market share** from traditional technologies such as springs or latex. The characteristics of foam drive a broad and diverse product range, including the development of hybrid technologies. By leveraging on the closely integrated link we have with our Flexible Foams business, our Bedding business is clearly benefitting from valuable synergies that strengthen our competitiveness. The close relationship between both business lines enables us to **swiftly introduce innovations and new products** in a competitive and still fragmented market.

In addition to our technological expertise and regular new product introductions, our competitive positions in European markets are boosted by the strength of our brand portfolio. We are particularly **well-positioned in five European countries,** where we compete with primarily national brands. With our portfolio of strong local brands with local stories, each offering unique value propositions, we want to bring to customers more comfortable, aesthetically pleasing, fashionable and contemporary sleeping comfort.

Strategy

Currently the strategy of our Bedding division is focused on organic growth in our branded products while striving for optimal cost efficiency in the non-branded segment. Under the current strategy, we **focus on strong quality, local brands** and complementary **ingredient brands** such as Geltex®. The whole business is further supported by distinctive product innovation. In a continuous quest for improving cost-competitiveness, we will continue to put efforts in the rationalisation and optimisation of our manufacturing footprint.

in million EUR

COMBINED KEY FIGURES BEDDING	2016	2017	2018
Sales [1]	292.9	272.1	243.8
Growth rate of sales (%)	*-0.5%*	*-7.1%*	*-10.4%*
Adjusted EBITDA	15.7	15.1	6.8
Adjusted EBITDA margin (as % of sales)	*5.4%*	*5.6%*	*2.8%*
EBITDA	12.1	14.3	2.0
EBITDA margin (as % of sales)	*4.1%*	*5.3%*	*0.8%*
Adjusted EBIT	10.4	10.5	2.3
Adjusted EBIT margin (as % of sales)	*3.6%*	*3.9%*	*1.0%*
EBIT	5.8	9.6	-2.1
EBIT margin (as % of sales)	*2.0%*	*3.5%*	*-0.8%*

(1) before eliminations of intra-Group transactions

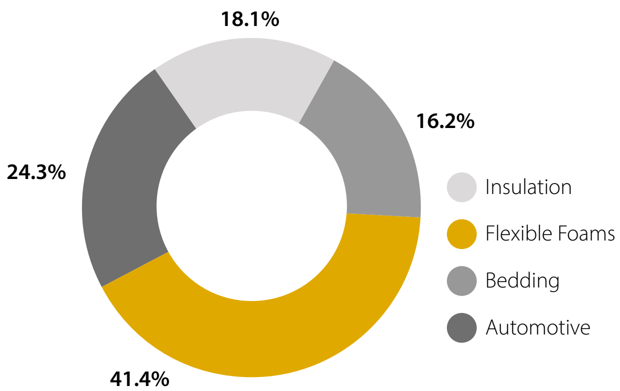
GELTEX MAKES THE DIFFERENCE
is available at:
Beka®, Lattoflex®, Schlaraffia®, Sembella®, Superba® and Swissflex®

We offer our customers
superior solutions
for their
practical comfort needs

I.6.3. Flexible Foams

Seven key product attributes
endless possibilities

Combined sales 2018 (before intra-Group sales)



What we do

Polyurethane foams are inherently endlessly versatile. This versatility explains the large success of PU foams, which are a true problem-solver in almost every industry, as they can be tailored to almost any application.

We are continuously innovating in order to extend and optimise our product offering in line with new demands. Very concretely, we provide durable solutions for a wide variety of customer needs in domains such as silencing, sealing, filtering, carrying, protecting, supporting and comforting. Our comprehensive portfolio of solutions provides practical answers to the various functionalities demanded by a wide range of different markets.

SEVEN KEY PRODUCT ATTRIBUTES – ENDLESS POSSIBILITIES.

What really drives our Flexible Foams business line is to provide the right material with the right technology to add value to our customers' products. To do so, we predominantly offer semi-finished flexible polyurethane foam products and components for B2B markets. We tailor our products using different technologies to influence their properties and behaviour. And as new demands and ideas emerge, new solutions are offered.

We organise our foam's activities around two poles.

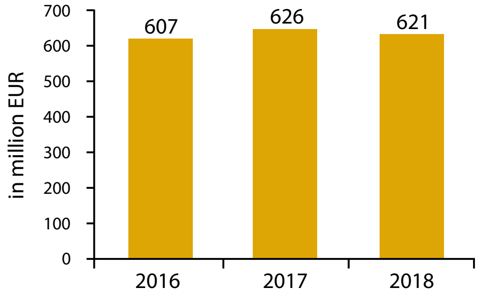
The **Technical Foams** division offers higher value-added specialty foams destined for smaller niche markets. Technical foam types are used in a wide range of applications, such as sponges, scouring pads, filters, paint rollers, seals, packaging, vibration damping and acoustic insulation.

The more commoditised **Comfort Foams** division focuses with its bulky foam products primarily on the furniture and upholstery industry. Comfort foams are in this case primarily used as supporting filling materials of furniture and bedding goods.

Currently, our Flexible Foams division operates 11 foaming plants and 22 converting plants across EMEA, Asia-Pacific and North America. Flexible foam activities in Central and Eastern Europe are managed through a joint venture with Eurofoam (50/50 with Greiner of Austria), operating 7 foaming plants and 26 converting units. Business in Italy is covered by the joint venture Orsafoam (33/67 with the Orsa Group of Italy).

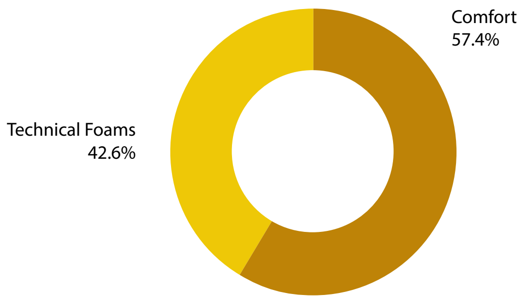
The Flexible Foams business line has historically always been our largest and currently generates 41.4% of the Group's total combined sales.

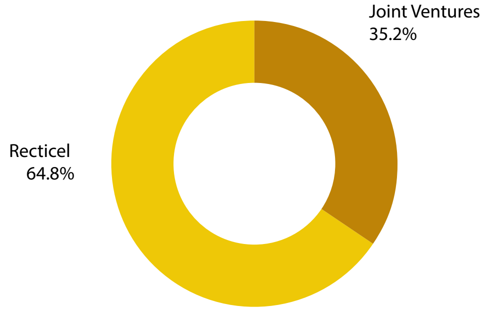
Combined sales Flexible Foams



Combined 2018 sales Flexible Foams

EUR 621.5 million





Market drivers

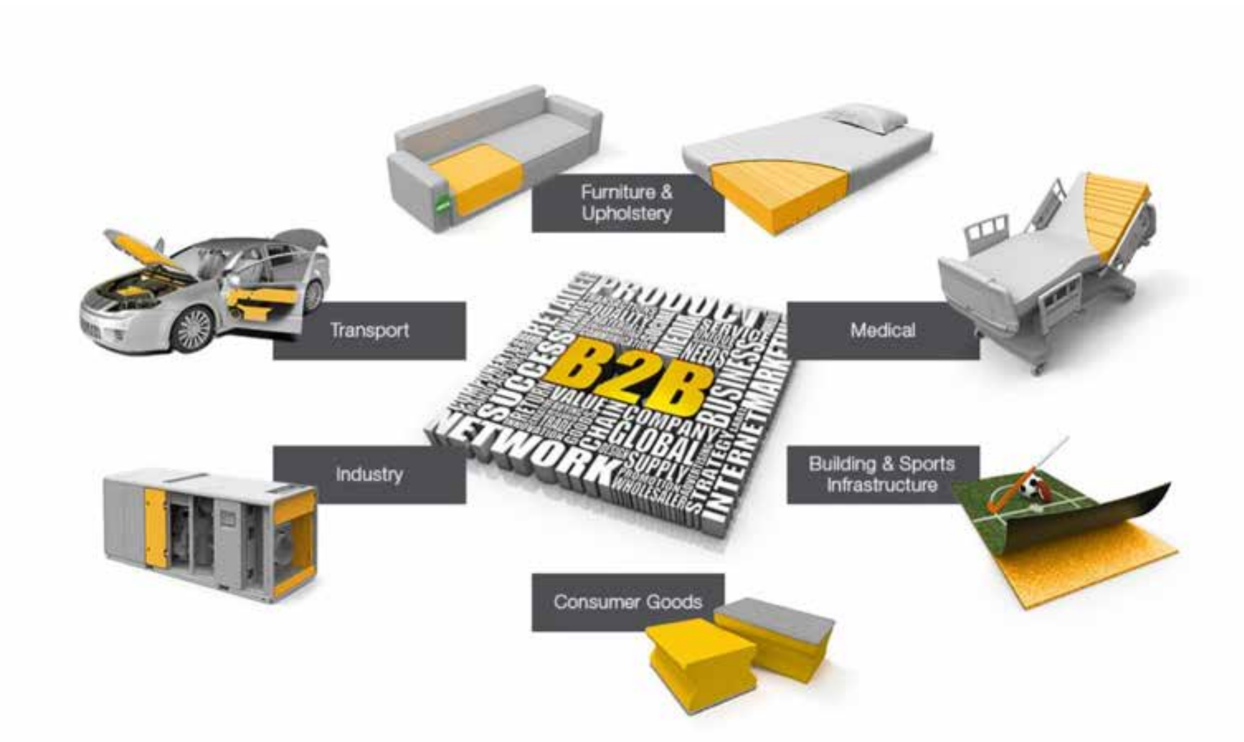
Polyurethane can be used in diverse applications (acoustic insulation, vibration dampening, shock absorption, antistatic, etc.) for diversified target markets due to its broad range of attributes. Our major markets are transport, industry, furniture & upholstery, medical, building & sports infrastructure, and consumer goods.

Rising standards of comfort are key drivers of all these markets. Examples are:

- **Transport:** Vehicle manufacturers are today particularly looking for **eco-friendly production and assembly methods** as well as **lightweight materials** that reduce fuel consumption and emissions. Higher engine temperatures and pressures also place extra demands on silencing, sealing and filtering components. Superior silencing materials are required to enhance comfort in car interiors, contributing to general well-being and safer driving. In this rapidly-evolving challenges are a hallmark of the transport industry.

- **Industry:** in almost all industrial sectors noise and vibration are major concerns, and manufacturers are forced to depend on silencing solutions to **protect employees** and **meet increasingly strict legislation.** At Recticel, we work closely with manufacturers and suppliers throughout the industrial world to bring solutions to these challenges. Industrial devices rely on effective sealing of air, gas, water and liquids for maximum efficiency. Filtering solutions protect machinery and ensure the quality of industrial output, and packaging materials protect end products

- **Furniture & upholstery:** consumers are increasingly conscious of their sleep quality and overall personal well-being. Homes are therefore seen as safe havens which demand **more comfortable seating** as well as better mattresses that **enhance the sleep experience.** As manufacturer we must offer new features and possibilities to stay ahead of competition. Our product range includes both standard foams and speciality foams with customised features.



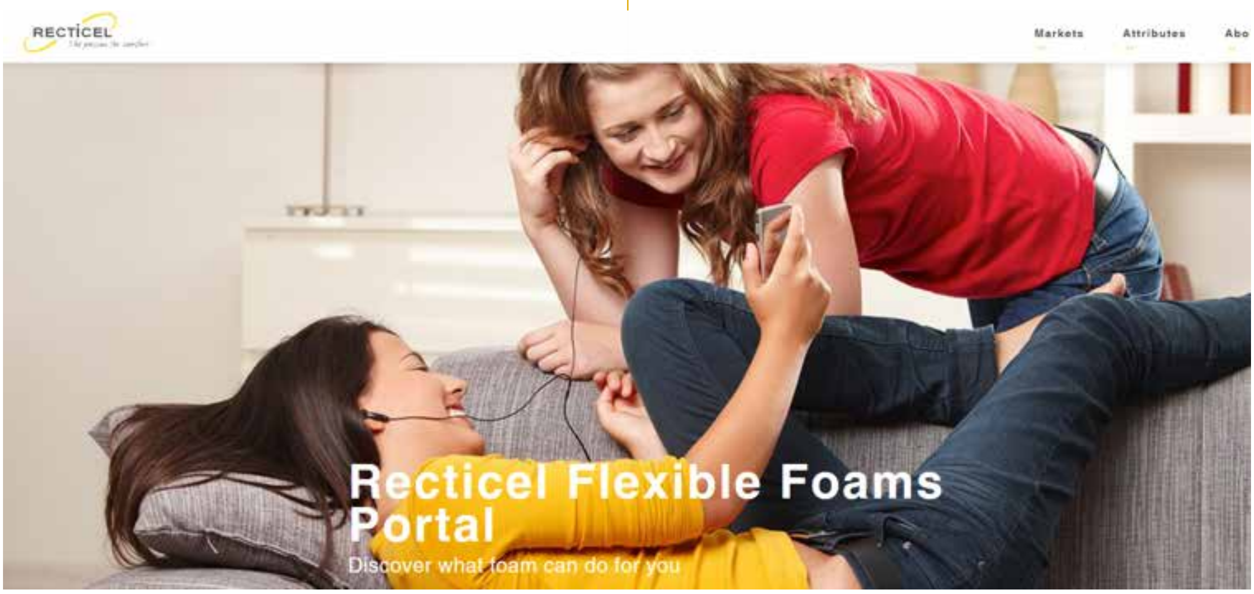
- **Medical:** it is no secret that standards of comfort, hygiene and cost-efficiency continue to rise in the medical sector. An aging population places more pressure on hospitals, while better home care possibilities can help to save resources and improve quality of life. **Safe and reliable equipment** is needed wherever patients are treated. Our foams are used in numerous medical applications ranging from mattresses and wheelchair cushions to tracheostomy filters.

- **Building & sports infrastructure:** leisure facilities and playgrounds are potentially hazardous. To reduce the risks of injuries foams can protect users and improve athletic performance. We provide various durable solutions in polyurethane foams for protection, safety, isolation, comfort and eventually increased performance.

- **Consumer goods:** generally speaking, consumers demand for **increasing variety and personalisation, cost-efficiency** and **user-friendly products.** In order to respond to these requests manufacturers need constantly to develop new solutions and products. In our sector this translates into the discovery and development of new uses for foams, or the offering of new colours, shapes and textures as well as many other qualities that are useful in home and personal care. Examples of our broad portfolio comprise solutions that are useful in diverse applications such as abrasive and cleaning sponges, polishing pads for car and shoe care, cosmetic applicators, clothing, footwear and protective accessories, etc.

Market attractiveness

Increasing daily comfort demands and the **substitution of alternative technologies** and solutions with polyurethane foams drive the foam market, which annual growth is slightly higher than GDP. Although both product portfolios are manufactured on the same production lines, the flexible foams market is split between Comfort and Technical Foams. Commodity applications are primarily found in the Comfort segment, while specialty applications are clustered in the Technical Foams segment.



Competitiveness

In Europe Recticel occupies a leading position in the flexible foams market with a wide industrial network. Our **robust Research and Development capabilities** enable us to hold strong positions in existing markets and develop new niche target markets. On the contrary, outside Europe we hold relatively smaller positions in primarily targeted niche markets for technical foams.

Our **wide geographic presence** and **well-established industrial footprint** is essential to our competitiveness, and provides us access to competitive raw material prices. In terms of differentiating priorities, our Comfort division focusses on optimal asset management and cost performance, and our Technical Foams division relies on innovation and product differentiation.

Strategy

One of the key strategic pillars of our Flexible Foams business is the **rationalisation and modernisation of our industrial footprint.** In addition to our aim to become a cost-efficient producer, we also develop and introduce new products and solutions that target growth, and pursue geographic expansion for our Technical Foams segment, especially outside Europe.

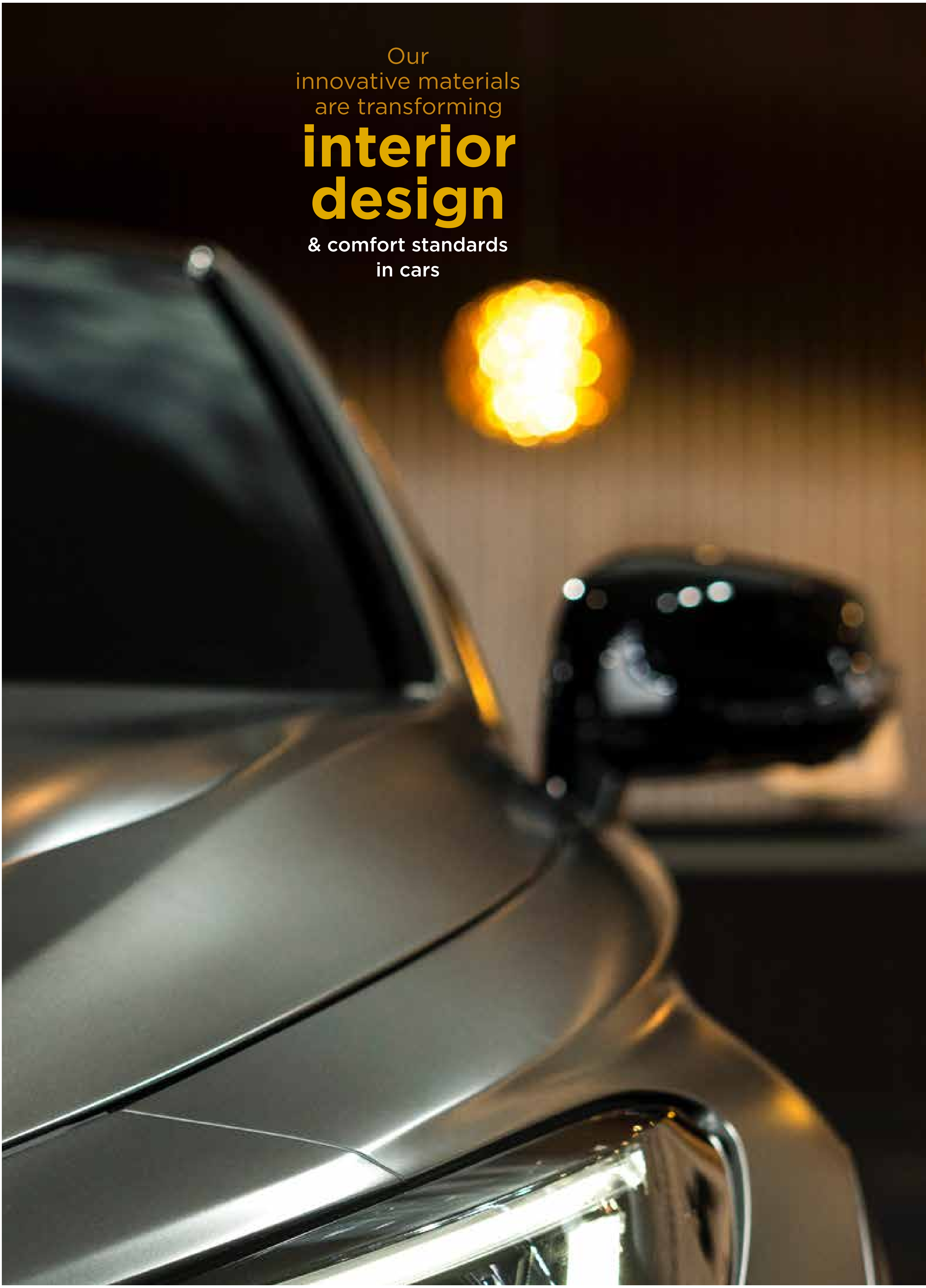
Innovation and efficiency initiatives have reduced our use of raw materials, and should be complemented by our choice of more sustainable raw materials. In partnership with Covestro, formerly Bayer MaterialScience, Recticel is the **first company worldwide to use a CO_2-based polyol** in its flexible foam production process for products such as mattresses. This helps conserve natural resources and combat climate change.

Thanks to this new technology, CO_2 can be used as a partial substitute for oil when creating PU flexible foams like KAPUA® mattress foam. When manufacturing KAPUA® foam, a minimum of one-seventh of oil content is replaced by CO_2 based chemicals.

in million EUR

COMBINED KEY FIGURES FLEXIBLE FOAMS	2016	2017	2018
Sales [1]	607.2	626.1	621.5
Growth rate of sales (%)	*0.8%*	*3.1%*	*-0.7%*
Adjusted EBITDA	46.3	40.6	41.5
Adjusted EBITDA margin (as % of sales)	*7.6%*	*6.5%*	*6.7%*
EBITDA	39.6	30.6	33.0
EBITDA margin (as % of sales)	*6.5%*	*4.9%*	*5.3%*
Adjusted EBIT	33.8	27.9	28.9
Adjusted EBIT marge (as % of sales)	*5.6%*	*4.5%*	*4.6%*
EBIT	26.5	17.7	15.6
EBIT margin (as % of sales)	*4.4%*	*2.8%*	*2.5%*

[1] before eliminations of intra-Group transactions

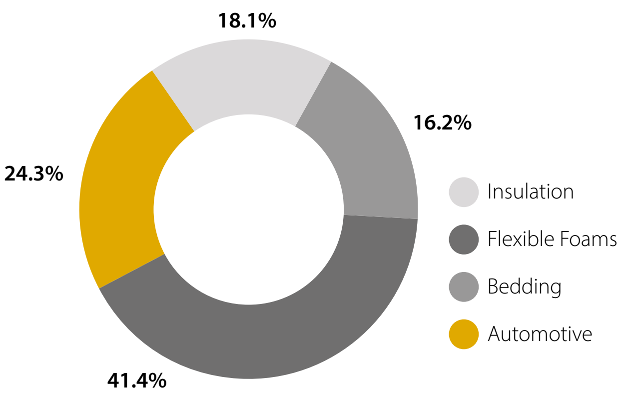

Our
innovative materials
are transforming
interior
design
& comfort standards
in cars

I.6.4. Automotive

I.1. I.2. I.3. I.4. I.5. I.6. I.7. I.8. II.1. II.2. II.3. II.4.

Patented solutions – innovative materials

Combined sales 2018 (before intra-Group sales)



What we do

Our Automotive business line is specialised in the production of Interior trim parts (Interiors) and moulded car seat pads and headrests (Seating). Both divisions operate separately and serve demanding global Tier 1 customers as well as original equipment makers (OEM) in the automotive sector.

Our **Interiors** division develops, produces and commercialises innovative elastomer interior trim solutions for cars. Our patented polyurethane-based technology – branded Colo-Fast® and Colo-Sense® Lite spray – not only offers extreme design freedom, but also weighs about 40% less than traditional thermoplastics.

Harmonious overall appearance in series

The combination of the visual impression and haptics of the surface result in a harmonious product experience. That's why we commit ourselves with great passion to the design optimization of grain surfaces – from the microscopic detail to the finished component in all its individuality.

Progressive thinking for car interiors

Innovative thought and action are the driving forces behind our product development.
As a leader in the market, we serve all areas, from lab analysis over product design up to series production. In our own development and surface centre we are continuously investing in research and development. The outcome is a long row of innovative solutions having been successfully established on the automotive market since 1990.

RECTICEL AUTOMOTIVE connects OEM and TIER 1

Our production chain follows our customers. We see ourselves as a competent partner for our customers supporting them in all areas of production and service as there are: trend analysis, product design, sales, tool engineering, production process, and logistics.

As a dynamic partner we integrate into the production chain of our customers and produce “plant in plant”. This leads to synergy effects – above all when it comes to developing new and innovative production solutions. Proximity and competence connect and create added value.

Proximity to customers as a production advantage
With approximately 1,000 employees, our Automotive Interiors business operates on three continents. Global car production is now a matter of course and quality requirements are on the same high level everywhere in the world. We produce our parts along international standards close to our customers or directly on site. This creates reliability and perfect conditions for short lines in production and logistics.

We are globally present across 11 production sites located in China (5), the Czech Republic (2), Germany (2) and the United States (2); all supported by central functions located in Belgium (1) and Germany (1).

Our **Seating** division develops, produces and commercialises moulded comfort foam pads for car seats, headrests and lightweight EPP structural car elements. These activities have in the past been managed through Proseat, a 51/49 joint venture between Recticel and Woodbridge.

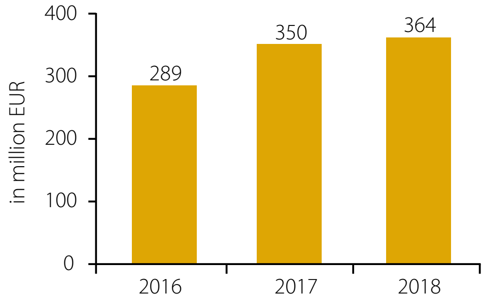
In December 2018, we entered into final agreements to reduce our stake in Proseat from 51% to 25%, by buying out the 49% held by Woodbridge Foam Corporation and www.proseat.de

subsequently selling 75% to the Japanese public company Sekisui Plastics Co. Ltd. After the closing of this transaction in February 2019, Recticel holds a put option exercisable in 2022 which allows a disposal of its remaining 25% in Proseat.

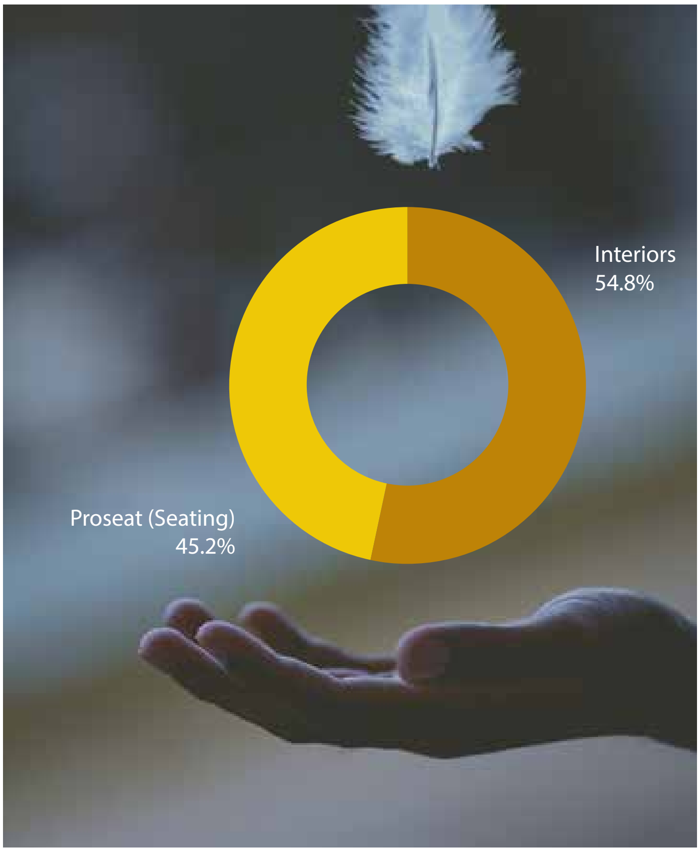
Proseat's geographic footprint is restricted to Europe. The company has 8 production sites spread across the Czech Republic (1), France (1), Germany (2), Poland (2), Spain (1) and the United Kingdom (1).

In 2018, our Automotive segment generated 24.3% of our total combined sales of the Group. It is expected that within the three coming years Recticel will fully exit from the Proseat joint venture.

Combined sales Automotive



Combined 2018 sales Automotive
EUR 363.9 million



www.recticel-automotive.com

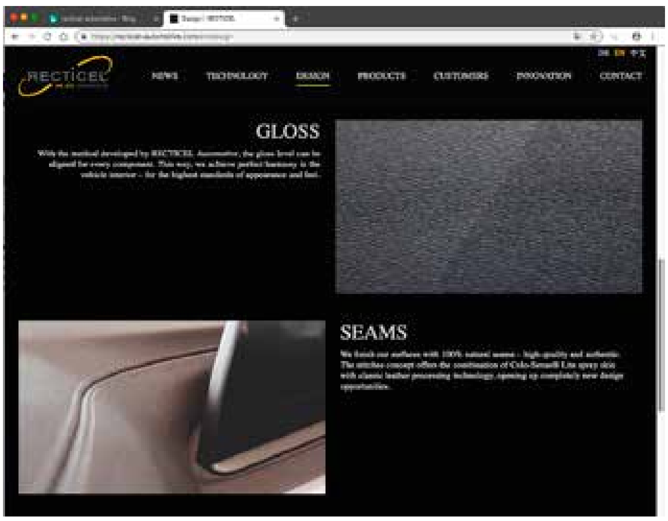
Market drivers

Today the car industry is particularly focused on cost price competitiveness and technological development. Both aspects are illustrated by the OEMs continued pressure on suppliers to reduce production costs while remaining highly demanding in terms of quality and technical specifications, such as weight and design freedom. This evolution is also felt at the level of Tier 1 suppliers, which leads to a trend of centralisation and insourcing in order to optimise capacity. This cascading pressure consequently also impacts Tier 2 suppliers.

Besides cost pressure there is a second leading trend which is linked to **sustainability** and the **reduction of CO_2** and other emissions. In the automotive interiors industry, including the seating business, this has led to increased attention on the weight reduction of products, modules and parts.

Market attractiveness

The Western European automotive markets are inherently mature, highly competitive and cyclical replacement markets. However, **new mobility needs** and **environmental challenges** offer strong innovation incentives, also at the level of practical comfort. Product innovation and differentiation are therefore key to successful answer these new challenges.



www.proseat.de

I.1. I.2. I.3. I.4. I.5. I.6. I.7. I.8. II.1. II.2. II.3. II.4.

Competitiveness

While so far our Seating activities have been a highly commoditised business, our Interiors business has acquired a leading technological role in the Tier 2 automotive suppliers market. Being particularly technology-driven, it offers clearly **price-competitive alternative solutions** to other technologies, such as for instance PVC.

Our Automotive businesses are well-positioned with Tier 1 customers and OEMs. We are recognised for our top-performing, patented products in Interiors, and for our innovative concepts in Seating. Our Interiors activity also enjoys an ideal global industrial footprint in Europe, the United States and China.

Strategy

Development of innovative solutions responding to the market's demand and deploy serial production in a cost efficient manner is the core of the Recticel strategy in Automotive. To realise this we focus on optimising our industrial footprint and capacity utilisation. Maximising the loading of our factories and the introduction of innovative products ultimately drives our competitiveness.

In line with our defined corporate strategy, it is Recticel's intention to exercise the put option on its remaining 25% stake in Proseat by 2022.

The Group is furthermore actively pursues a full divestment of its Automotive Interiors business.

in million EUR

COMBINED KEY FIGURES AUTOMOTIVE	2016	2017	2018
Sales	288.9	350.4	363.9
Growth rate in sales (%)	*3.1%*	*21.3%*	*3.9%*
Adjusted EBITDA	19.9	25.6	25.9
Adjusted EBITDA margin (as % sales)	*6.9%*	*7.3%*	*7.1%*
EBITDA	18.3	25.0	30.5
EBITDA margin (as % of sales)	*6.3%*	*7.1%*	*8.4%*
Adjusted EBIT	5.7	11.4	9.8
Adjusted EBIT margin (as % of sales)	*2.0%*	*3.3%*	*2.7%*
EBIT	4.0	4.1	12.9
EBIT margin (as % of sales)	*1.4%*	*1.2%*	*3.5%*

(1) before eliminations of intra-Group transactions

I.7. Sustainable & market-driven innovation

Five sustainable innovation programmes

Sustainability is profoundly embedded in Recticel's strategy. We are committed to finding responsible solutions for the various challenges and needs of our customers and the planet. We believe that our company's success relies on our ability to find innovative solutions for the major challenges facing society today, such as global warming, conservation of natural resources and an ageing population.

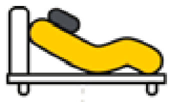
In 2016, our Group's research and development centre merged with our sustainability department. The newly created Sustainable Innovation Department (SID) ensures that sustainability and market-driven innovation guide all our research and development efforts.

We refocused our innovation efforts on five innovation programmes, four of which are aligned with the future needs of our business lines, such as developing new comfort foams for bedding or seating applications and finding solutions to fulfil the requirements of technical foams in the field of silencing. Developing new insulation solutions with lower lambda values is high on our agenda, as is further reducing the weight of our skins for automotive interiors.

The fifth, or 'corporate', programme coordinates all initiatives to prepare durable polyurethane products for the circular economy, including studying how polyurethane can be recycled and reused. Together with our stakeholders, including customers, employees, suppliers, the industry, knowledge institutes and stakeholders, we explore ways across our entire value chain to reduce waste and design products that are eco-friendly and easy to dismantle. New chemical and mechanical recycling processes will allow us to reuse our production waste and, in a future phase, end-of-life foam.

In February 2018, we published our second sustainability report. This 2017 report is the product of a journey that began in 2012. The first step of this journey was to define our strategy for sustainability, which was embedded in the Group strategy in 2015 and which resulted in our first sustainability report in 2016. With this first report, we aimed to give external and internal stakeholders insight into our sustainability journey, strategy and six material aspects.

For each of these, we selected a key performance indicator and target to measure progress.



- FIT² – NEW COMFORT FOAM FOR BEDDING AND SEATING

The Fit² programme seeks to gain a deeper scientific understanding of comfort for seating and sleeping systems. The new knowledge is reflected in the Triangle of Sleep as the guideline for the development of new, more durable and sustainable materials and systems.

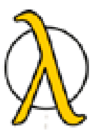
As a first result, a new generation of Geltex® foams for mattresses was launched. These foams offer excellent support, ideal pressure distribution and good climate control. Additionally, they contain CO_2-based raw materials, partially replacing traditional fossil fuel-based raw materials. At the same time, the new Geltex® foam family is more resistant to humidity, temperature changes and mechanical stress, offering a longer lifetime at the same level of comfort. The worldwide launch took place at the Cologne IMM trade fair in January 2018.

KAPUA®

Also in 2018, we introduced CO_2-based materials into the development of the Kapua® foam family, a new category of flexible foam. Mattresses made with KAPUA® foam are thoroughly tested for hardness, density and durability to ensure premium comfort over a long period of time. It meets the strictest emissions requirements and is certified for safety by OEKO-TEX® and CertiPUR®.

- SILENCING – TECHNICAL FOAMS WITH ENHANCED SILENCING PROPERTIES

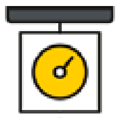
Within the Silencing programme, we established a centre of competence with state-of-the-art equipment enabling the deep understanding of sound, its propagation and different ways of minimising its impact on the surroundings. The programme concentrates on acoustics for buildings, industrial equipment and HVAC (heating, ventilation and air conditioning) systems. New materials and combinations of various materials are under investigation. The aim of this research is to develop the most efficient solutions for noise impact reduction, contributing to more comfortable and productive environments.



- LOW LAMBDA - REDUCED LAMBDA VALUES IN INSULATION

The Low Lambda programme concentrates on developing rigid foams with better insulation values. Improving the insulation value of a product has an immense positive effect on natural resource consumption. Launched in March 2017, Xentro® features a 13% lambda value reduction, achieving the lowest lambda value ever for rigid polyurethane panels. Research is on-going to push the boundaries of insulation properties even further.

In 2018, Recticel launched Du.Panel® X as an advanced thermal insulation panel for the agricultural sector. The solution combines a high insulation value with excellent fire resistance properties. Recently introduced solutions like Comfofix® combine a thermal insulation panel with a recycled flexible foam acoustic layer, enabling an easy-to-install pitched roof insulation product.



- X-LITE – LIGHTER AUTOMOTIVE INTERIOR TECHNOLOGIES

Recticel continuously advances its polyurethane technology for car interiors, such as dashboard skins. Driven by innovations in layer density reduction techniques, Recticel is preparing to launch its fourth generation of dashboard skins. The new generation Colo-Sense® X Lite automotive skins are lighter, high performing and cost effective, cutting transport costs and emissions. They combine extreme durability and excellent mechanical and design properties at the lowest possible weight, significantly reducing vehicle fuel consumption. Colo-Sense® X Lite sets the scene for a new era of car interior materials.

Corporate Sustainability

Bedding
Automotive
Flexible Foams
Insulation

• CORPORATE SUSTAINABILITY PROGRAMME

This programme steers all initiatives that aim to prepare durable polyurethane products for the circular economy. This covers the whole value chain of our products, from raw materials to the recycle and reuse of polyurethane. Partnerships with all actors in the value chain are essential to a successful transition. A variety of large projects are currently running, in collaboration with different consortia as enablers, that aim to realise our sustainability goals.

Two projects focussing on developing recycling options for polyurethanes are underway:

PUreSmart

Recticel coordinates the PUReSmart project, launched on 1 January 2019 for a duration of four years. It is supported by EUR 6 million in funding from the European Union Horizon 2020 Research and Innovation programme. The PUReSmart collaborative consortium gathers nine partners from six different countries and seeks ways of transitioning from the current linear lifecycle of polyurethane (PU) products to a circular economy model.

This project has received funding from the European Union's Horizon 2020 Research and Innovation programme under grant agreement N° 814543.

Valpumat

This project focusses on the development of new products based on end-of-life foam derived from collected mattresses in collaboration with Eco-Mobilier France. Mechanical recycling options are under investigation. At the same time, there is a need to eliminate all legal and technical constraints hindering the reuse of EOL, and to develop effective sorting methods.

Besides recycling projects, Recticel also investigates the production of polyurethane using raw materials with lower carbon footprints. Two different projects illustrate this commitment:

Carbon4PUR

Manufacturing high-value polyurethane materials using industrial waste gases produced by the steel industry (mixed CO/CO_2 streams) is the ambition of Carbon4PUR, an EU Research and Innovation programme Horizon 2020 project involving 14 partners from 7 countries. If the technology is proven feasible, Recticel will play a part in testing its use in rigid foam applications, such as the production of insulation panels.
https://www.carbon4pur.eu

This project has received funding from the European Union's Horizon 2020 Research and Innovation programme under grant agreement N° 768919.

SWEETWOODS

Nine European companies representing 6 EU member states have joined forces for the SWEETWOODS project. The goal of the project is to establish a first-of-its-kind wood fractionation flagship plant to demonstrate the successful and profitable production of high-purity lignin and sugars on an industrial level. The aim of Recticel is to incorporate lignin into rigid polyurethane foams for insulation panels.
SWEETWOODS has received funding from the Bio-Based Industries Joint Undertaking under the European Union's Horizon 2020 Research and Innovation programme, under grant agreement N° 792061.

Horizon 2020
European Union Funding
for Research & Innovation

BIO-BASED INDUSTRIES
Public-Private Partnership

Bio-based Industries
Consortium

NEW LABORATORIES

In 2010, a master plan was set up to design a new research centre for the Group and furnish it with state-of-the art infrastructure, tools and equipment in a highly energy-efficient environment. The design of the centre ensures the highest level of safety whilst offering a comfortable working space for researchers.

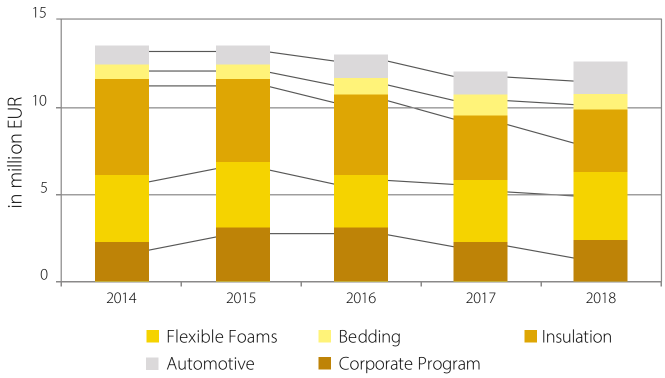
The first phase involved the construction of new chemical laboratories, which were officially opened in 2013. In the second phase, new physical laboratories and a connection to the semi-industrial lab were created and inaugurated in December 2017. The third and final phase of the master plan is now concluding, and involves the design and construction of an acoustic lab and a fire laboratory.

The new labs form an integrated, modern and low-energy facility. They foster creativity to enable the development of new materials and processes, a deep understanding of material properties and efficient up scaling toward industrial processes. The new Sustainable Innovation Department (SID) building groups and accommodates 100 researchers.

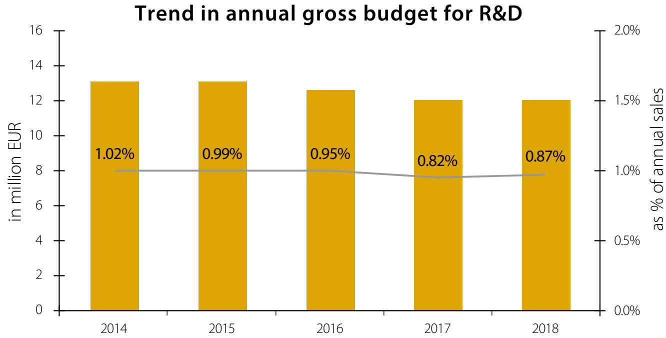
RESEARCH AND DEVELOPMENT BUDGET

The impact of aligning our innovation efforts with market expectations and sustainability priorities is reflected in the annual budget. Efficient use of human resources enables us to accomplish more with the same staff, using less financial resources. A slight decrease in the Research and Development efforts of the Automotive division reflects Recticel's intent to divest this activity. We will continue to allocate the resources needed to develop the potential of our lightweight technology.

Trend in composition of annual budget for Research & Development



Trend in annual gross budget for R&D



I.8. Human resources & major production sites

Recticel Core Values and the first Living the Values Award Winner Ceremony

Celebrating the first five LTVA winners

In 2017 we launched the first Living The Values Award campaign where employees in all locations from Recticel worldwide could nominate their colleagues for demonstrating the Core Values in their daily work. We received over 200 nominations, a clear indicator how well the Recticel Core Values were introduced and received thanks to more than 70 very active and engaged Values Ambassadors in over 20 countries. In March 2018 the Living the Values Award Ceremony, the first ever, took place. This event was clearly the highlight of the campaign where the winners together with the Group Management Committee and the Core Values project team celebrated the awards they received for their outstanding behaviour demonstrated throughout the year.

In October 2018, we launched our second LTVA campaign and received again more than 220 nominations. It is extraordinary to see so many colleagues from all over the world participate and nominate their co-workers for one of the five Living The Values Awards.

Five Recticel Core Values in a Nutshell

Five Recticel Core Values were defined by the Recticel Group Management Committee in 2016. To each value five concrete behaviours are assigned. These key behaviours describe how we interact, do business and work together at Recticel in order to grow as a company and as individuals.

In 2017 Recticel started to actively deploy the Core Values through a cross-functional and cross-divisional project team. From there over 70 Values Ambassadors in over 20 countries worked actively to support Line Managers and Employees in organizing local campaigns with special events dedicated to the Core values, information and facilitated training sessions. Ultimately every team leader discussed the Core Values and the related key behaviour with his team. Also a dedicated E-learning path in 14 languages supported by a corporate Core Values video was launched.

Today the Core Values are embedded into the leadership communication process and are an important evaluation parameter in the annual performance management discussions with each employee.

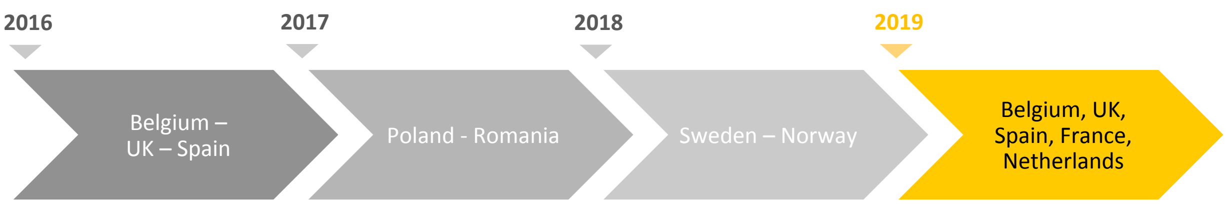
Engagement survey

An inspiring and rewarding place to work

At Recticel we are aware that only skilled and creative employees enable us to excel and achieve our sustainable growth ambitions. Success comes from being able to attract, engage and retain a talented pool of employees. The aim is to offer all employees a stimulating and rewarding place to work. This is one of the pillars of the People Priority Plan in our sustainability strategy.

We organized engagement surveys conducted by an external specialized company, in order to give our employees the opportunity to express themselves in full anonymity on topics such as working environment, leadership, cooperation, communication, career development, and employee engagement.

Enhanced Employee Engagement Through International Surveys



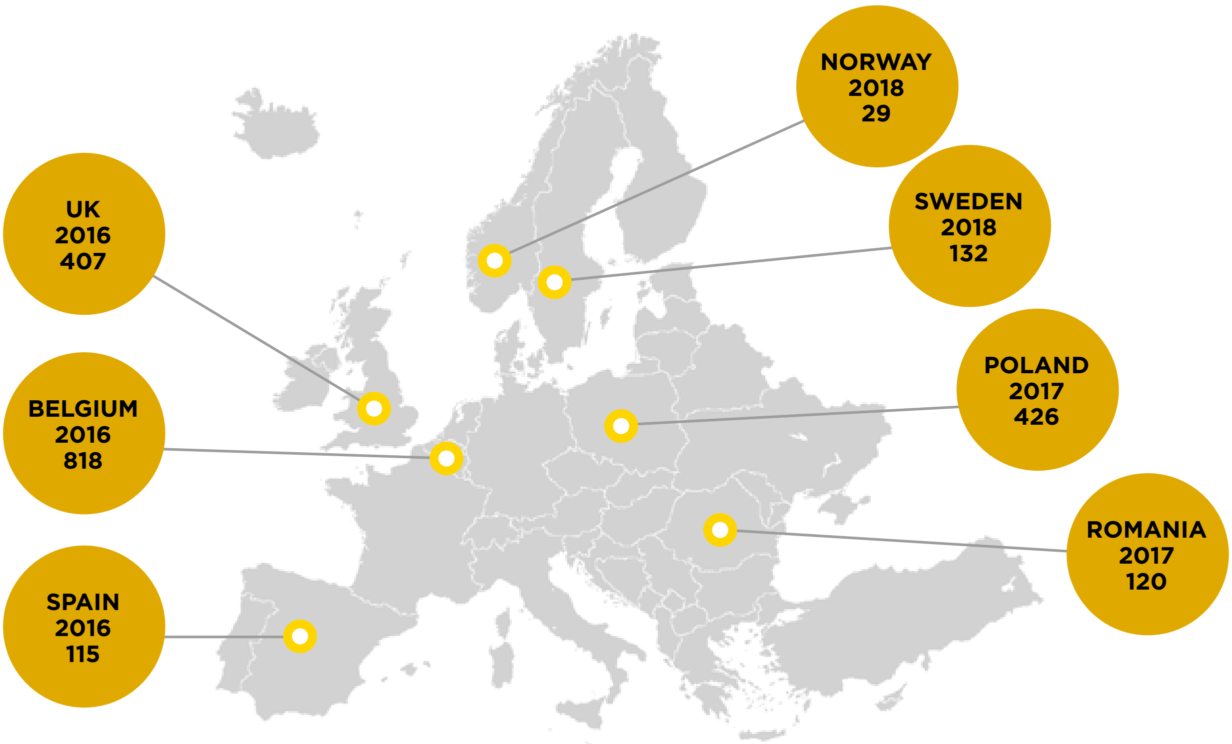
The first engagement surveys had been launched in September 2016 in Belgium, UK and Spain for both the white and blue collar population. Today more than **2,047 employees from 7 countries** took the opportunity to share their opinion on the company in general and on the various aspects of the working climate.

In 2017 the engagement surveys were conducted in two additional countries, **Poland** and **Romania**. In Poland more than 420 employees responded to the survey. It covered two sites, Lodz and Poznan, and two business lines, Bedding and Insulation. In Romania 120 white and blue collar employees from our Bedding plant participated in the survey. The results of the engagement survey were shared with the business management and the employees. Assigned project teams elaborated on the critical areas, agreed on key focal points for each country and spent time and efforts to set up dedicated action plans in direct response to the employee feedback.

Two additional countries each year

Each year the engagement survey is rolled out in two additional countries. In 2018 the surveys were extended to **Sweden and Norway**. For 2019 we will repeat the engagement surveys in **Belgium**, **Spain and UK**, and add two new countries, **France and the Netherlands.**

Engagement Surveys 2016 - 2018



Number of employees participating in the surveys

ThinkForward Summit

In September one hundred Recticel managers from all business lines and departments gathered in Rotterdam to participate in Recticel's 2018 'ThinkForward' summit under the theme *'Innovate together for sustainable value'.*

The summit focused on sustainable development and digitalization, two key drivers for innovation within our business lines and departments. In interactive workshops the participants challenged each other to explore new opportunities that are not immediately in front of us and how to transform them into competitive advantages.

The purpose of this leadership summit was in the first place to create a shared awareness and collective insights about the importance of innovation at all levels in the organization and the focus on value creation.
Facilitated group discussions provided the opportunity to identify the innovation trends with the highest impact on our business at Recticel and to get deeper insights and understanding in what way our customers and markets are changing. The panel discussions made it clear that an advanced culture of innovation and collaboration is key to explore big development opportunities. Digital technologies are a key enabler for Recticel to make the next step changes in creating value and differentiation.

Innovate Together for Sustainable Value

The event provided the participants with an exceptional boost of motivation to work together as one team, across countries, functions and business lines, to achieve the ambitious goals of growth based on solid and unifying Core Values.

New HR Backpack 18 – 20 designed and communicated

Ambitions HR Strategy for 2020

The global HR mission at Recticel is to be the strategic HR business partner at all levels, within the Group, the business lines and the countries, to foster a performance driven culture, while providing a stimulating and rewarding environment for work.

The ambitions of the HR Strategy 2018 through 2020, is defined in the HR Backpack 18 > 20. This strategy pack represents the HR goals that have been designed and communicated towards the entire global HR community and the Recticel business partners at all levels.

The ambition for HR is to ensure that people at Recticel are qualified, inspired, continuously challenged and engaged to contribute to the successful and sustainable deployment of our company's strategy. At the same time our aim is to make sure that our organizational HR structure is well positioned, and as such, actively supporting the Recticel Group strategy of simplification, international expansion and sustainable innovation. While we have only one HR strategy for Recticel globally, we give special focus to the strategic objectives of each Business Line.

The strategy formulated for 2018-2020 is building on the fundaments that were already laid down in the previous years with the Global HR Strategy 15 > 17 by adding additional focus points. Starting in 2018 through 2020 additional focus will be given to the selection and implementation of a new global HR information system, the re-thinking and optimization of the global recruitment process.

HR BACKPACK 18 > 20

1. **B**uild on the Basics
2. **A**dequately resource
3. **C**ontinue excellent collective employee relations and enhance engagement
4. **K**ey HR processes streamlining
5. **P**eople review
6. **A**ccelerate Leadership Development & Reinforce RECUN
7. **C**areer Management through Recticel Hay Grading roll-out
8. **K**ompliance towards better privacy protection and transparancy

"Our vision for HR is to become a well-integrated global HR team, managing efficiently all key HR processes, taking proactively part in the group decision making and having a visible impact on the company results."

Training For Success

Recticel is not only putting great emphasis on attracting and on boarding new skilled employees but also on continuously developing its own talents. Regular performance management discussions with more than 1,800 white collar employees are pivotal in the process for assessing the training needs and defining the development plans together with our employees. The output is also essential to enhance the reward, retention, succession and career planning process.

The program of the international Recticel University (RECUN) is tailored to the development needs identified in the performance management discussions and includes Leadership Development programs, 360 degree team assessments, change management and communication modules. The offering of training courses is responding to the business needs and aligned with the corporate strategy. Specific trainings provided at country or functional level complement the RECUN program.

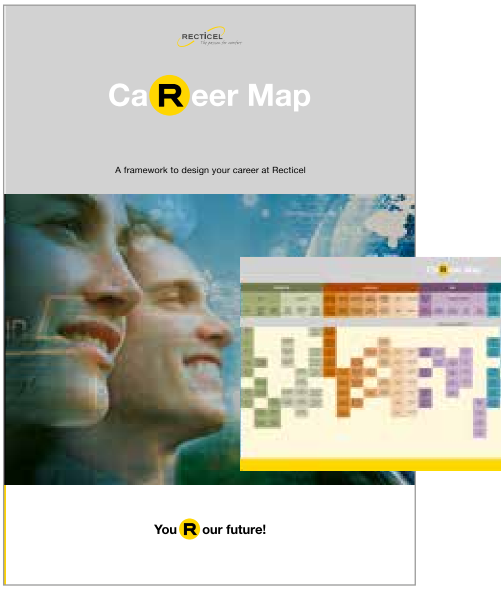
RECUN
RECTICEL UNIVERSITY

Hay Grading

Recticel continued to further streamline and professionalise its compensation and benefits management practices, with an emphasis on grading, benchmarking and benefits management. In 2018, Recticel rolled-out the Recticel Hay grading structure in the business lines Insulation, Flexible Foams and Bedding. To all of the Hay graded employees their Recticel Hay Grade was communicated once a collective information session took place.

In addition, every member of the HR community and all the managers involved in the grading of their team members received a copy of a comprehensive Career Management Toolkit, providing useful guidance to establish organisation charts, write job descriptions, slot jobs within the relevant job family to determine their grades, and benchmark individual terms and conditions.

Before rolling out the new grading structure Recticel worked with Korn Ferry Hay to identify 30 job families that were then captured in a Career Map. This map is supported by detailed descriptions that enable the jobs to be slotted and assigned to a Recticel Hay Grade. Today grades at Recticel are used to structure numerous HR programs, in both the Compensation & Benefits area and the Talent Management area.



GDPR Roll-out HR Worldwide

A dedicated work group reviewed the HR key processes to ensure a uniform level of data protection within the global HR organization. As a result new group wide policies and procedures have been elaborated and set in place, such as a Group Data Protection policy, a HR Data Protection procedure, a Data Breach procedure, a Privacy Notice for Employees and Job Applications.

Independent compliance checks of the nine HR key processes were made in each legal entity within the group by using a data mapping tool. Further practical guidance was provided through an independent HR self-assessment questionnaire.

Engagement into Extensive GDPR Training Sessions

The global HR community of Recticel, supported by the Corporate DP Counsel and external lawyers, has engaged into extensive information and training sessions, spread over a period of more than two year. This initiative included local and global GDPR awareness and information sessions, as well as specific data privacy trainings for HR specialists. These trainings have been sequenced to give first basic trainings, then trainings for all new joiners during the orientation period, and finally training up-dates covering process or legislation change.

For the HR GDPR trainings Recticel focused not only on the HR colleagues, but included also the line managers in the different countries and business lines as well as union representatives. The trainings are supported by dedicated training materials made available on the Recticel internal websites and information system.

For all Recticel white collar office employees, equipped with a personal computer, Recticel has developed and rolled out a specific E-learning module that is accessible via a globally accessible legal e-learning platform.

The General Data Protection Regulation (GDPR) is applicable as of 25 May 2018. The purpose of data protection legislation is to give individuals control over the data concerning them personally.

At Recticel we take the necessary steps to ensure that a uniform level of data protection is applied in all countries and Recticel entities and to regulate data processing requirements.

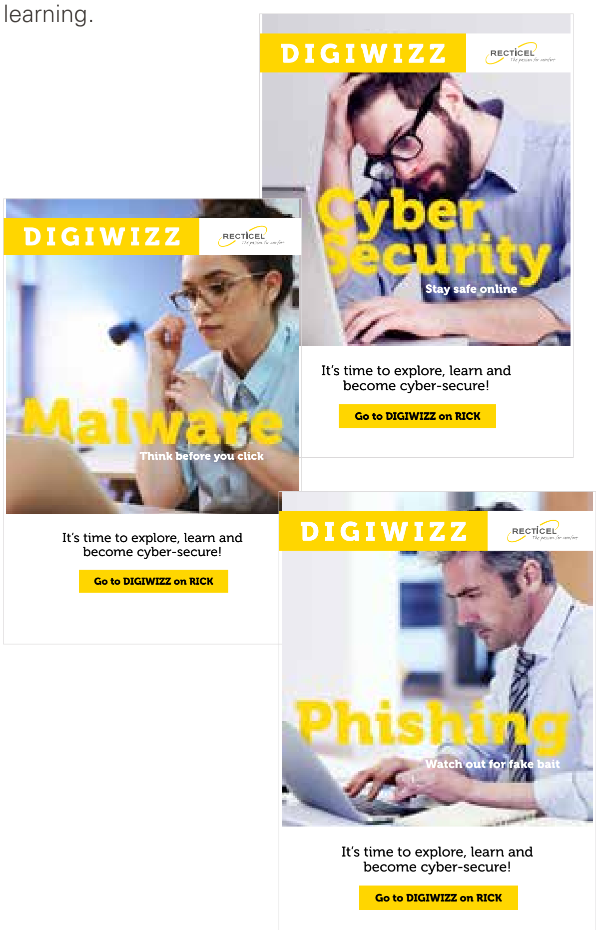
This means that any data collection, data processing and data use within the Recticel Group may only be carried out in compliance with GDPR and national data protection laws.

Online learning DIGIWIZZ

In this digital age, information has become a clear target for cybercriminals who aim to steal sensitive data from individuals or companies. Cyber security is a priority of our Group Information and Digitalisation strategy. Many actions have already been taken to reduce the risks of a cyber-attack.

In 2018 Recticel launched a companywide IT Security Awareness e-learning module for all office employees to raise awareness that the impact of cyber security breaches can be huge both in terms of financial loss and reputational damage. The name of this campaign is 'DIGIWIZZ' and focuses on three key topics: Cyber security, Malware, and Phishing.

The 'DIGIWIZZ' e-learning module included a quiz which is putting everyday habits to the test. The examples and test are providing a detailed understanding of cyber-attack techniques in order to stay vigilant, how to recognize them, and how to report them. Participating in the e-learning module is part of everyone's work and contributes to a culture of learning.



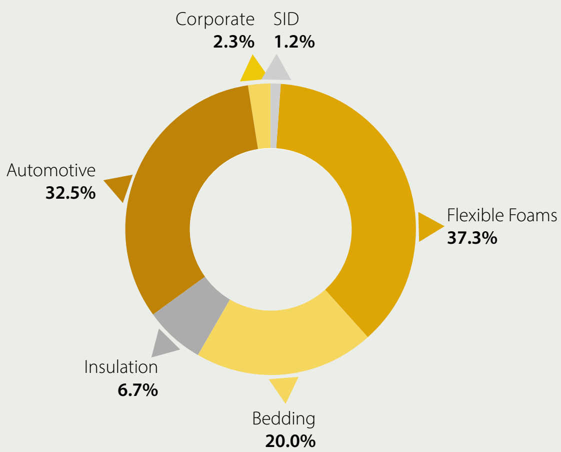
NUMBER OF STAFF[1]

	31 DEC 2017		31 DEC 2018	
Poland	1 338	15.9%	1 369	16.2%
Czech Republic	1 161	13.8%	1 107	13.1%
Belgium	1 089	12.9%	1 107	13.1%
Germany	1 019	12.1%	1 028	12.1%
France	606	7.2%	604	7.1%
United Kingdom	556	6.6%	544	6.4%
People's Republic of China	515	6.1%	523	6.2%
Romania	323	3.8%	362	4.3%
The Netherlands	320	3.8%	291	3.4%
USA	164	1.9%	225	2.7%
Austria	224	2.7%	222	2.6%
Spain	245	2.9%	213	2.5%
Sweden	169	2.0%	163	1.9%
Hungary	134	1.6%	133	1.6%
Finland	85	1.0%	110	1.3%
Estonia	95	1.1%	96	1.1%
Turkey	80	1.0%	88	1.0%
Switzerland	94	1.1%	85	1.0%
Italy	61	0.7%	59	0.7%
India	40	0.5%	42	0.5%
Norway	35	0.4%	34	0.4%
Bulgaria	20	0.2%	20	0.2%
Slovakia	11	0.1%	11	0.1%
Morocco	3	0.0%	10	0.1%
Serbia	10	0.1%	9	0.1%
Slovenia	0	0.0%	6	0.1%
Lithuania	7	0.1%	5	0.1%
Ukraine	6	0.1%	5	0.1%
Russia	5	0.1%	4	0.0%
TOTAL	**8 411**	**100%**	**8 472**	**100%**

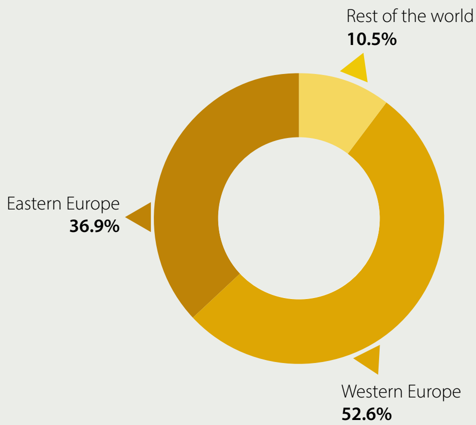
	31 DEC 2017		31 DEC 2018	
Western Europe	4 502	53.5%	4 459	52.6%
Eastern Europe	3 108	36.9%	3 126	36.9%
Rest of world	802	9.5%	888	10.5%
TOTAL	**8 411**	**100%**	**8 472**	**100%**

[1] *Full-time and part-time personnel with permanent or temporary employment contracts valid at the end of the period. Headcount information excludes external agency employees but includes the proportion of personnel of joint ventures that are managed at least 33% by Recticel (rounded figures).*

The headcount per segment (FTE - December 31, 2018)



The headcount per region (FTE - December 31, 2018)



Major production sites

Although we are most active in Europe and present in most European countries, we also maintain strong production and sales networks in Asia and the United States. Our global presence and technological support system is reinforced by our dedication to local service.

COUNTRY	FLEXIBLE FOAMS (1)	BEDDING	INSULATION	AUTOMOTIVE
AUSTRIA	Kremsmünster Linz	Timelkam		
BELGIUM	Wetteren	Geraardsbergen Hulshout	Wevelgem	
CZECH REPUBLIC				Mladá Boleslav Most
ESTONIA	Tallinn			
FINLAND	Kouvola		Mäntsälä	
FRANCE	Langeac Louviers Trilport		Bourges	Trilport
GERMANY	Burkhardtsdorf Ebersbach	Jöhstadt Wattenscheid		Espelkamp Königswinter Schönebeck Schwarzheide Wackersdorf
HUNGARY	Sajóbábony			
INDIA	Taloja, New Bombay Bangalore			
ITALY	Gorla Minore			
MOROCCO	Tanger			
NORWAY	Åndalsnes			
PEOPLE'S REPUBLIC OF CHINA	Wuxi			Changchun Langfang Ningbo Shenyang
POLAND	Zgierz	Łódz		Bielsko Biala Czechowice-Dziedzice
ROMANIA	Sibiú	Miercurea Sibiului		
SLOVENIA			Šoštanj	
SPAIN	Ciudad Rodrigo			Santpedor
SWEDEN	Gislaved	Gislaved		
SWITZERLAND		Flüh		
THE NETHERLANDS	Kesteren	Kesteren		
TURKEY	Istanbul			
UNITED KINGDOM	Alfreton Corby		Stoke-on-Trent Burntwood	Manchester
UNITED STATES	Deer Park, NY Irvine, CA			Auburn Hills, MI Tuscaloosa, Al

[1] *For Flexible Foams, only the major foams plants are listed.*

II. Management report

II.1. Report of our Board of Directors

Annual results 2018

- Combined[1] sales of EUR 1,448.3 million (-0.9%)[2]
- Combined Adjusted EBITDA[1] of EUR 103.8 million (-1.6%)
- Result of the period (share of the Group): from EUR 23.9 million to EUR 28.8 million (+20.6%)
- Combined net financial debt[1]: EUR 100.2 million (31 Dec 2017: EUR 122.9 million)
- Proposal to pay a gross dividend of EUR 0.24 per share (+9.1%)

Olivier Chapelle (CEO): "2018 has been a challenging year for Recticel, in a context of very soft European bedding and furniture demand since the spring, and of declining automotive demand in Europe and Asia since the summer. Thanks to the all-time high results of our Insulation division, the company has managed to hold the Adjusted EBITDA (-1.6%) in line with the level of last year. The record Net Result and strong cash generation have led to a substantial net debt reduction.

Meanwhile, important new steps have been taken in 2018 to support our long term profit growth potential.

The geographic expansion of our Insulation division with the start-up of the new production plant in Finland, and in January 2019 the increase of our participation to 74% in the Turvac joint venture, producing high performance vacuum insulation panels for niche applications, are key steps for further growth. As previously communicated, we continue to look for complementary external growth opportunities for that division.

Likewise, the further growth of our Technical Foam activities will be supported by the opening of two converting facilities in Morocco and China.

In 2018, we have also further worked on our industrial footprint, and streamlined our operations in The Netherlands, Spain and Germany.

On the divestment side, we have successfully closed the transactions leading to the 2-step divestment of our participation in the Proseat automotive seating joint venture. We continue to actively pursue the divestment of our Automotive Interiors division, a process which has become more challenging over the last 6 months due to the rapidly changing automotive market conditions."

Outlook

In a highly volatile economic and geopolitical environment, we are well positioned to adapt quickly to changing market conditions, and we remain focused on the execution of our plans. Anticipating an adverse market environment in the first half of 2019, we expect the 2019 Adjusted EBITDA[3] to be above the level of 2018 on a like-for-like basis.

1 For the definition of terminology used, see Glossary at the end of this press release.
2 All comparisons are made with the comparable period of 2017, unless mentioned otherwise.
3 Following the recent partial divestment from Proseat, the latter will be integrated in the combined figures of 2019 following the 'equity method', and no longer on a proportionate basis.
4 Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

1. Consolidated key figures

- **Sales:** from EUR 1,135.4 million to EUR 1,117.7 million (-1.6%), including a currency impact of -0.9%
- **EBITDA:** from EUR 82.8 million to EUR 80.5 million (-2.8%)
- **EBIT:** from EUR 44.9 million to EUR 42.9 million (-4.3%)
- **Result of the period (share of the Group):** from EUR 23.9 million to EUR 28.8 million (+20.6%)
- **Net financial debt[1]:** EUR 84.6 million (31 December 2017: EUR 87.1 million; 30 September 2018: EUR 87.0 million)

in million EUR

	2017 (a)	2018 (b)	Δ 2018/2017 (b)/(a)-1
Sales	**1 135.4**	**1 117.7**	**-1.6%**
Gross profit[3]	183.5	201.6	9.9%
as % of sales	*16.2%*	*18.0%*	
Income from joint ventures and associates	*2.4*	*10.2*	325.5%
EBITDA	**82.8**	**80.5**	**-2.8%**
as % of sales	*7.3%*	*7.2%*	
EBIT	**44.9**	**42.9**	**-4.3%**
as % of sales	4.0%	3.8%	
Financial result	-4.7	-3.9	-18.1%
Income taxes and deferred taxes	-16.2	-10.2	-37.0%
Result of the period (share of the Group)	**23.9**	**28.8**	**20.6%**
Result of the period (share of the Group) - base (per share, in EUR)	*0.44*	*0.53*	*19.4%*
Gross dividend per share (in EUR)	**0.22**	**0.24**	**9.1%**
Total Equity [4]	**261.8**	**265.0**	**1.2%**
Net financial debt [1]	87.1	84.6	-2.9%
Gearing ratio (Net financial debt1/Total Equity)	**33.3%**	**31.9%**	
Leverage ratio (Net financial debt1/EBITDA)	**1.05**	**1.05**	

[1] Excluding the drawn amounts under non-recourse factoring programs: EUR 51.3 million per 31 December 2018 (EUR 54.7 million per 31 December 2017, and EUR 69.2 million per 30 September 2018).

[2] The consolidated financial statements of 2018 include the impact of IFRS 15.

[3] The gross profit 2017 included EUR -30.0 million non-recurring costs from residual additional expenses incurred due to alternative production solutions following the fire incident in Automotive Interiors plant in Most (Czech Republic).
In addition and for consistency reasons a reclassification has been recorded in 2017 between 'Cost of sales' and 'General and administrative expenses' for an amount of EUR 12.4 million.

[4] Total equity 31 December 2018: cfr appendix 6

Consolidated Sales

from EUR 1,135.4 million to **EUR 1,117.7 million** (-1.6%)

Consolidated sales decreased by EUR 17.7 million to reach EUR 1,117.7 million, including exchange rate differences (-0.9%). More details per segment can be found in the comments on the combined figures hereafter.

Income from joint ventures and associates:

from EUR 2.4 million to **EUR 10.2 million**[1]

The increase of 'Income from joint ventures and associates' is attributed to the Flexible Foams joint venture Eurofoam. The result of Proseat was in line with 2017.

Consolidated EBITDA

from 82.8 million to **EUR 80.5 million** (-2.8%)

Consolidated EBIT

from 44.9 million to **EUR 42.9 million** (-4.3%)

Consolidated financial result

from EUR -4.7 million to **EUR -3.9 million** (-18.1%)

Net interest charges decreased from EUR -6.5 million to EUR -3.3 million as a result of a lower cost of debt and a lower average debt level.

'Other net financial income and expenses' (EUR -0.6 million compared to EUR +1.7 million in 2017) comprise mainly interest capitalisation costs under provisions for pension liabilities (EUR 0.8 million versus EUR -1.0 million in 2017) and exchange rate differences (EUR +0.1 million versus EUR +3.2 million in 2017).

Consolidated income taxes and deferred taxes

from EUR -16.2 million to **EUR -10.2 million** (-37.0%)

- Current income tax charge: EUR –3.3 million (2017: EUR -6.0 million), mainly induced by tax refunds to be received in Germany;
- Deferred tax charge: EUR –7.0 million (2017: EUR -10.2 million, induced by the corporate tax reform in Belgium which lead to a EUR -4.5 million additional deferred tax charge).

Consolidated result of the period (share of the Group):

from EUR +23.9 million to **EUR +28.8 million** (+20.6%)

[1] By application of IFRS 5, the participation in Proseat in the balance sheet has been reclassified from the item 'Investments in joint ventures and associates' to the item 'Disposal group held for sale'.

2. Combined key figures

- **Sales:** from EUR 1,460.8 million to EUR 1,448.3 million (-0.9%), including currency impact of -0.9%
- **Adjusted EBITDA:** from EUR 105.5 million to EUR 103.8 million (-1.6%)
- **EBIT:** from EUR 48.1 million to EUR 47.0 million (-2.2%)
- **Result of the period (share of the Group):** from EUR 23.9 million to EUR 28.8 million (+20.6%)
- **Net financial debt[1]:** EUR 100.2 million (31 December 2017: EUR 122.9 million; 30 September 2018: EUR 117.9 million)

in million EUR

	1H17	2H17	FY17	1H18 [2]	2H18 [2]	FY18 [2]	Δ 1H	Δ 2H	Δ FY
Sales	**726.8**	**734.0**	**1 460.8**	**755.9**	**692.4**	**1 448.3**	**4.0%**	**-5.7%**	**-0.9%**
Gross profit [3]	100.2	107.2	207.4	122.4	117.1	239.5	22.1%	9.2%	15.5%
as % of sales	*13.8%*	*14.6%*	14.2%	16.2%	16.9%	16.5%			
Adjusted EBITDA	**50.1**	**55.4**	**105.5**	**56.2**	**47.6**	**103.8**	**12.1%**	**-14.1%**	**-1.6%**
as % of sales	*6.9%*	*7.5%*	*7.2%*	*45.9%*	*6.9%*	*7.2%*			
EBITDA	**41.0**	**53.1**	**94.1**	**51.6**	**41.8**	**93.4**	**25.7%**	**-21.3%**	**-0.8%**
as % of sales	*5.6%*	*7.2%*	*6.4%*	*42.1%*	*6.0%*	*6.4%*			
Adjusted EBIT	**31.3**	**35.1**	**66.5**	**36.2**	**27.1**	**63.3**	**15.5%**	**-22.9%**	**-4.8%**
as % of sales	*4.3%*	*4.8%*	*4.6%*	*29.6%*	*3.9%*	*4.4%*			
EBIT	**22.2**	**25.9**	**48.1**	**31.0**	**16.1**	**47.0**	**39.4%**	**-37.9%**	**-2.2%**
as % of sales	*3.1%*	*3.5%*	*3.3%*	*25.3%*	*2.3%*	*3.2%*			
	30 JUN 17	**31 DEC 17**		**30 JUN 18**	**31 DEC 18**				
Total Equity [4]	**257.1**	**261.8**	**261.8**	**254.7**	**265.0**	**265.0**	**-0.9%**	**1.2%**	**1.2%**
Net financial debt [1]	151.4	122.9	122.9	138.7	100.2	100.2	-8.4%	-18.5%	-18.5%
Gearing ratio	**58.9%**	**46.9%**	**46.9%**	**54.5%**	**37.8%**	**37.8%**	**-**	**-**	**-**
Leverage ratio	**-**	**-**	**1.3**	**-**	**-**	**1.1**	**-**	**-**	**-**

1 Excluding the drawn amounts under non-recourse factoring programs: EUR 51.3 million per 31 December 2018 (EUR 54.7 million per 31 December 2017, and EUR 69.2 million per 30 September 2018).
2 The combined financial statements of 2018 include the impact of IFRS 15.
3 The gross profit 2018 includes EUR -0.7 million (2017: EUR -30.0 million) non-recurring costs from residual expenses incurred due to alternative production solutions following the fire incident in the Automotive Interiors plant in Most (Czech Republic).
4 Total equity 31 December 2018: cfr appendix 6

3. Comments on the combined Group results

Detailed comments on the sales and results of the different segments are given in chapter 5 on the basis of the combined financial data (joint ventures integrated following the proportionate consolidation method).

Combined Sales

from EUR 1,460.8 million to **EUR 1,448.3 million** (-0.9%)

The sales growth observed in the first two quarters (1Q2018: +4.6%, 2Q2018: +3.4%) reversed in the third quarter (-4.1%) and further deteriorated in 4Q2018 (-7.1%). 4Q2018 combined sales decreased from EUR 378.0 million to EUR 351.1 million including a currency impact of -0.8%. All segments reported lower 4Q sales.

Sales of the Insulation segment contracted by -2.1% during 4Q2018, as higher volumes compared to 4Q2017 did not fully compensate for the price erosion following the lowered cost for chemical raw materials.

In 4Q2018 the other business segments were affected by the overall weak market conditions in the durable consumer goods and automotive sectors.

Breakdown of the **combined sales** by segment

in million EUR

	1Q2018	2Q2018	3Q2018	4Q2018
Flexible Foams	170.9	159.7	145.5	145.4
Bedding	70.7	54.0	57.3	61.9
Insulation	60.1	72.6	69.2	69.3
Automotive	95.5	100.1	82.0	86.3
Eliminations	(15.0)	(12.6)	(12.7)	(11.7)
TOTAL COMBINED SALES	**382.0**	**373.9**	**341.3**	**351.1**
Adjustment for joint ventures by application of IFRS 11	(90.8)	(85.3)	(74.9)	(79.5)
TOTAL CONSOLIDATED SALES	**291.2**	**288.5**	**266.4**	**271.6**

in million EUR

2H2017	2H2018	Δ 2H		FY2017	FY2018	Δ FY
308.6	290.9	-5.7%	Flexible Foams	626.1	621.5	-0.7%
133.8	119.2	-10.9%	Bedding	272.1	243.8	-10.4%
143.1	138.5	-3.3%	Insulation	272.3	271.2	-0.4%
176.9	168.3	-4.9%	Automotive	350.4	363.9	3.9%
(28.4)	(24.5)	-13.8%	Eliminations	(60.1)	(52.1)	-13.4%
734.0	**692.4**	**-5.7%**	**TOTAL COMBINED SALES**	**1 460.8**	**1 448.3**	**-0.9%**

3Q2017	3Q2018	Δ 3Q		4Q2017	4Q2018	Δ 4Q
148.6	145.5	-2.1%	Flexible Foams	159.9	145.4	-9.1%
64.9	57.3	-11.7%	Bedding	68.9	61.9	-10.2%
72.4	69.2	-4.3%	Insulation	70.8	69.3	-2.1%
84.1	82.0	-2.5%	Automotive	92.8	86.3	-7.0%
(14.0)	(12.7)	-9.1%	Eliminations	(14.4)	(11.7)	-18.4%
356.0	**341.3**	**-4.1%**	**TOTAL COMBINED SALES**	**378.0**	**351.1**	**-7.1%**

Full-year 2018 combined sales, excluding a -0.9% impact from exchange rate differences, were stable. There were no changes in the scope of consolidation in 2018.

Combined Adjusted EBITDA

from EUR 105.5 million to **EUR 103.8 million** (-1.6%)

Adjusted EBITDA margin remained stable at 7.2% (2017: 7.2%).

Breakdown of the **combined Adjusted EBITDA** by segment

in million EUR

	1H17	2H17	FY17	1H18	2H18	FY18	Δ 1H	Δ 2H	Δ FY
Flexible Foams	23.3	17.3	40.6	21.6	19.8	41.5	-7.2%	14.9%	2.2%
Bedding	7.7	7.4	15.1	5.4	1.4	6.8	-29.9%	-80.6%	-54.7%
Insulation	14.2	26.1	40.3	22.8	21.9	44.7	60.5%	-16.2%	10.8%
Automotive	13.5	12.1	25.6	14.7	11.2	25.9	9.0%	-7.4%	1.2%
Corporate	(8.6)	(7.5)	(16.1)	(8.4)	(6.8)	(15.2)	-2.7%	-9.6%	-5.9%
TOTAL COMBINED ADJUSTED EBITDA	**50.1**	**55.4**	**105.5**	**56.2**	**47.6**	**103.8**	**12.1%**	**-14.1%**	**-1.6%**

All segments, except Bedding, reported a higher full-year Adjusted EBITDA.

- Flexible Foams further improved its operational efficiency and mix. In addition, the Eurofoam joint venture significantly improved performance after a difficult 2017.
- In Bedding, the weak demand due to the hot summer and increased competition from e-commerce players, as well as the costs incurred in 2H2018 to launch the new Geltex 2.0 products, explain the drop in profitability. 2018 has been a transition year.
- Insulation improved its profitability thanks to strong operational and commercial execution.
- Whereas Automotive benefited from good volumes in a supportive market environment in 1H2018, sales volumes reduced in 2H2018 due to (i) the new WLTP emission norms in Europe and (ii) the impact of trade tensions on volumes in China.

Combined Adjusted EBIT

from EUR 66.5 million to **EUR 63.3 million** (-4.8%)

Adjusted EBIT margin slightly decreased from 4.6% to 4.4%.

Breakdown of the **combined Adjusted EBIT** by segment

in million EUR

	1H17	2H17	FY17	1H18	2H18	FY18	Δ 1H	Δ 2H	Δ FY
Flexible Foams	17.1	10.7	27.9	15.4	13.5	28.9	-9.9%	25.2%	3.6%
Bedding	5.4	5.1	10.5	3.2	(0.8)	2.3	-40.9%	-116.5%	-77.8%
Insulation	11.0	22.7	33.7	19.6	18.5	38.1	79.0%	-18.6%	13.2%
Automotive	7.0	4.5	11.4	6.7	3.1	9.8	-4.2%	-29.9%	-14.3%
Corporate	(9.1)	(7.9)	(17.0)	(8.7)	(7.1)	(15.9)	-4.2%	-9.4%	-6.7%
TOTAL COMBINED ADJUSTED EBIT	**31.3**	**35.1**	**66.5**	**36.2**	**27.1**	**63.3**	**15.5%**	**-22.9%**	**-4.8%**

Adjusted EBIT excludes the following 'adjustments to EBIT' elements for a total net amount of EUR -16.2 million (compared to EUR -18.4 million in 2017).

Adjustments to EBIT(DA)

in million EUR

	2017	1H2018	2H2018	2018
Net impact of fire incident in Most	(1.1)	(0.8)	6.4	5.6
Restructuring charges and provisions	(3.7)	(0.2)	(9.9)	(10.1)
Other	(6.6)	(3.7)	(2.3)	(6.0)
TOTAL IMPACT ON EBITDA	**(11.4)**	**(4.6)**	**(5.8)**	**(10.4)**
Impairments	(7.0)	(0.6)	(5.2)	(5.8)
TOTAL IMPACT ON EBIT	**(18.4)**	**(5.2)**	**(11.0)**	**(16.2)**

In 2018 additional insurance indemnities were received following last year's fire incident in Most (Czech Republic).

Restructuring measures (EUR -10.1 million) in execution of the Group's rationalisation plan, include: (i) further restructuring costs in Flexible Foams for the closure of Catarroja (Spain) and Buren (The Netherlands) plants, (ii) in Bedding mainly the closure of the Hassfurt (Germany) plant, and (iii) some additional rationalisation efforts in Automotive.

The 'other' adjustments to EBIT (EUR -6.0 million) relate to costs and fees for legacy remediation and litigations.

Impairment charges of EUR -5.8 million (2017: EUR -7.0 million) for: (i) goodwill in the United Kingdom (Flexible Foams) (EUR -1.0 million), (ii) idle tangible assets in Flexible Foams (EUR -3.9 million) following the closure of the plant in Catarroja (Spain) and (iii) assets in Automotive Interiors in the Czech Republic (EUR -1.4 million).

Combined EBITDA

from EUR 94.1 million to **EUR 93.4 million** (-0.8%)

EBITDA margin remained stable at 6.4%.

Breakdown of **EBITDA** by segment

in million EUR

	1H17	2H17	FY17	1H18	2H18	FY18	Δ 1H	Δ 2H	Δ FY
Flexible Foams	18.7	11.9	30.6	18.8	14.1	33.0	0.9%	18.7%	7.8%
Bedding	7.6	6.8	14.3	5.5	(3.5)	2.0	-27.3%	-152.0%	-86.0%
Insulation	14.2	25.9	40.1	22.8	21.9	44.7	60.6%	-15.6%	11.4%
Automotive	9.1	15.9	25.0	13.2	17.2	30.5	45.1%	8.4%	21.8%
Corporate	(8.6)	(7.3)	(16.0)	(8.9)	(7.9)	(16.8)	3.1%	7.8%	5.3%
TOTAL COMBINED EBITDA	**41.0**	**53.1**	**94.1**	**51.6**	**41.8**	**93.4**	**25.7%**	**-21.3%**	**-0.8%**
Adjustment for joint ventures by application of IFRS 11[1]	(5.6)	(5.8)	(11.3)	(6.1)	(6.7)	(12.9)	10.5%	16.7%	13.6%
TOTAL CONSOLIDATED EBITDA	**35.4**	**47.3**	**82.8**	**45.4**	**35.1**	**80.5**	**28.1%**	**-26.0%**	**-2.8%**

[1] By application of IFRS 11 the net result after depreciation, financial and tax charges are integrated in consolidated EBITDA

Combined EBIT

from EUR 48.1 million to **EUR 47.0 million** (-2.2%)

EBIT margin slightly decreased to 3.2% (2017: 3.3%).

Breakdown of **EBIT** by segment

in million EUR

	1H17	2H17	FY17	1H18	2H18	FY18	Δ 1H	Δ 2H	Δ FY
Flexible Foams	12.5	5.2	17.7	11.6	3.9	15.6	-6.9%	-24.6%	-12.1%
Bedding	5.3	4.3	9.6	3.7	(5.8)	(2.1)	-29.3%	-233.7%	-121.6%
Insulation	11.0	22.5	33.5	19.6	18.5	38.1	79.0%	-17.9%	13.9%
Automotive	2.6	1.5	4.1	5.2	7.7	12.9	99.4%	413.5%	213.7%
Corporate	(9.1)	(7.7)	(16.8)	(9.2)	(8.3)	(17.5)	1.2%	7.1%	3.9%
TOTAL COMBINED EBIT	**22.2**	**25.9**	**48.1**	**31.0**	**16.1**	**47.0**	**39.4%**	**-37.9%**	**-2.2%**
Adjustment for joint ventures by application of IFRS 11[1]	(1.6)	(1.6)	(3.2)	(1.8)	(2.3)	(4.1)	12.2%	43.1%	27.3%
TOTAL CONSOLIDATED EBIT	**20.6**	**24.3**	**44.9**	**29.1**	**13.8**	**42.9**	**41.5%**	**-43.1%**	**-4.3%**

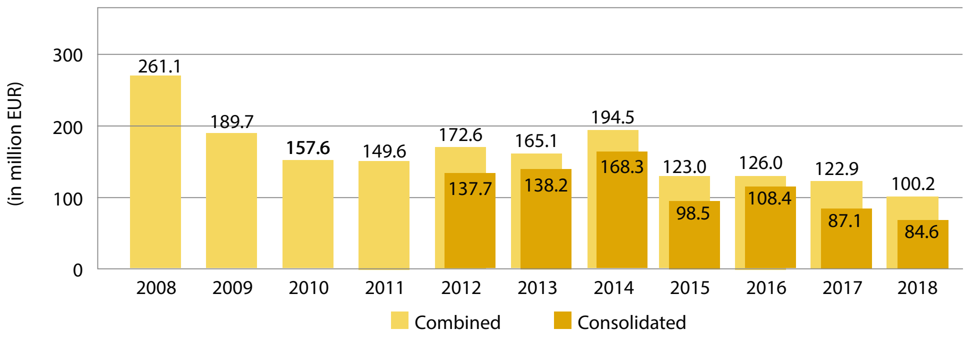
[1] By application of IFRS 11 the net result after financial and tax charges are integrated in consolidated EBIT

4. Financial position

in million EUR

		31 DEC 2017	31 MAR 2018	30 JUN 2018	31 SEP 2018	31 DEC 2018
TOTAL EQUITY	**(a)**	**261.8**	**-**	**254.7**	**-**	**265.0**
Combined debt figures						
Net financial debt on balance sheet	(b)	122.9	141.7	138.7	117.9	100.2
+ Drawn amounts under factoring programs		54.7	57.5	62.3	69.2	51.3
TOTAL COMBINED NET FINANCIAL DEBT		**177.6**	**199.2**	**201.0**	**187.1**	**151.5**
GEARING (COMBINED)	**(c)=(b)/(a)**	**46.9%**	**-**	**54.5%**	**-**	**37.8%**
Consolidated debt figures						
Net financial debt on balance sheet	(d)	87.1	106.9	104.3	87.0	84.6
+ Drawn amounts under factoring programs		54.7	57.5	62.3	69.2	51.3
TOTAL CONSOLIDATED NET FINANCIAL DEBT		**141.8**	**164.4**	**166.6**	**156.2**	**135.9**
GEARING (CONSOLIDATED)	**(e)=(d)/(a)**	**33.3%**	**-**	**41.0%**	**-**	**31.9%**

Net financial debt[1] (per 31 December)



[1] Excluding the drawn amounts under non-recourse factoring/forfeiting programmes.

The Group confirms that all conditions under the financial arrangements with its banks are respected on 31 December 2018.

5. Operating segments

IFRS 8 requires operating segments to be identified on the basis of the internal reporting structure of the Group that allows a regular performance review by the chief operating decision maker and an adequate allocation of resources to each segment. Therefore, the Group continues to comment on the development of the different segments on the basis of the combined figures, consistent with the managerial reporting and in line with IFRS 8.

5.1. FLEXIBLE FOAMS

in million EUR

	1H17	2H17	FY17	1H18	2H18	FY18	Δ 1H	Δ 2H	Δ FY
Sales	**317.5**	**308.6**	**626.1**	**330.6**	**290.9**	**621.5**	4.1%	-5.7%	**-0.7%**
Adjusted EBITDA	**23.3**	**17.3**	**40.6**	**21.6**	**19.8**	**41.5**	-7.2%	14.9%	**2.2%**
as % of sales	*7.3%*	*5.6%*	*6.5%*	*6.5%*	*6.8%*	*6.7%*			
EBITDA	**18.7**	**11.9**	**30.6**	**18.8**	**14.1**	**33.0**	0.9%	18.7%	**7.8%**
as % of sales	*5.9%*	*3.9%*	*4.9%*	*5.7%*	*4.9%*	*5.3%*			
Adjusted EBIT	**17.1**	**10.7**	**27.9**	**15.4**	**13.5**	**28.9**	-9.9%	25.2%	**3.6%**
as % of sales	*5.4%*	*3.5%*	*4.5%*	*4.7%*	*4.6%*	*4.6%*			
EBIT	**12.5**	**5.2**	**17.7**	**11.6**	**3.9**	**15.6**	-6.9%	-24.6%	**-12.1%**
as % of sales	*3.9%*	*1.7%*	*2.8%*	*3.5%*	*1.4%*	*2.5%*			

SALES

Combined sales decreased from EUR 160.0 million in 4Q2017 to **EUR 145.4 million in 4Q2018** (-9.1%), including exchange rate differences (-2.0%). Excluding intersegment sales, combined external sales decreased by -8.4% to EUR 135.5 million.

For the **full-year 2018**, combined sales slightly decreased from EUR 626.1 million to **EUR 621.5 million** (-0.7%), including exchange rate differences (-1.3%). Excluding intersegment sales, combined external sales were quasi flat (+0.3%) and amounted to EUR 577.7 million.

The Technical Foams division grew by +2.5%, compensating for a 3.0% contraction in the Comfort division which followed the soft end-demand in the furniture and mattress sector.

The expansion is pursued through new converting sites in Wuxi (China) and Tanger (Morocco) which have been started up.

PROFITABILITY

Adjusted EBITDA margin increased from 6.5% to 6.7%.

Profitability margins improved, driven by (i) an improved product-mix, (ii) lower chemical raw material costs, and (iii) the improved performance of the Eurofoam joint venture versus 2017.

Full-year EBITDA increased by EUR 2.4 million, from EUR 30.6 million to EUR 33.0 million. EBITDA includes EUR -8.5 million 'adjustments to EBIT' (2017: EUR -10.0 million) relating mainly to (i) costs related to the announced closure of the plants in Catarroja (Spain) and Buren (The Netherlands), and (ii) incurred costs and fees for legacy remediation and litigations.

Full-year EBIT includes impairments of (i) goodwill in the United Kingdom (EUR -1.0 million) and (ii) idle tangible assets following the closure of the plant in Catarroja (Spain) (EUR -3.9 million).

5.2. BEDDING

in million EUR

	1H17	2H17	FY17	1H18	2H18	FY18	Δ 1H	Δ 2H	Δ FY
Sales	**138.3**	**133.8**	**272.1**	**124.6**	**119.2**	**243.8**	-9.9%	-10.9%	**-10.4%**
Adjusted EBITDA	**7.7**	**7.4**	**15.1**	**5.4**	**1.4**	**6.8**	-29.9%	-80.6%	**-54.7%**
as % of sales	*5.6%*	*5.5%*	*5.6%*	*4.3%*	*1.2%*	*2.8%*			
EBITDA	**7.6**	**6.8**	**14.3**	**5.5**	**(3.5)**	**2.0**	-27.3%	-152.1%	**-86.0%**
as % of sales	*5.5%*	*5.0%*	*5.3%*	*4.4%*	*-2.9%*	*0.8%*			
Adjusted EBIT	**5.4**	**5.1**	**10.5**	**3.2**	**(0.8)**	**2.3**	-40.9%	-116.5%	**-77.8%**
as % of sales	*3.9%*	*3.8%*	*3.9%*	*2.6%*	*-0.7%*	*1.0%*			
EBIT	**5.3**	**4.3**	**9.6**	**3.7**	**(5.8)**	**(2.1)**	-29.3%	-233.7%	**-121.6%**
as % of sales	*3.8%*	*3.2%*	*3.5%*	*3.0%*	*-4.9%*	*-0.8%*			

SALES

The sales trend of the first nine-months (1Q: -5.8%; 2Q: -14.8% and 3Q: -11.7%) slightly improved in the last quarter. **4Q2018** combined sales decreased by -10.2% from EUR 68.9 million in 4Q2017 to **EUR 61.9 million**, including a -0.5% impact from exchange rate differences.

Excluding intersegment sales, combined external sales decreased by -10.0% to amount EUR 60.5 million in 4Q2018 in a weak market environment. Sales of the subsegment Branded Products were 4.4% lower. The subsegment Non-Branded/Private Label contracted by -18.8%.

Over the **full-year 2018**, combined sales decreased from EUR 272.1 million to **EUR 243.8 million** (-10.4%), including a -0.9% impact from exchange rate differences.

Excluding intersegment sales, combined external sales decreased by -10.1% to EUR 237.4 million. Operating in difficult market conditions with low shop traffic, especially in Germany, the decrease was more limited in the subsegment Branded Products (-7.0%), while the subsegment Non-Branded/Private Label decreased by -15.1%.

PROFITABILITY

The low sales level led to a reduction of the Adjusted EBITDA margin from 5.6% to 2.8%.

Full-year EBITDA decreased from EUR 14.3 million to EUR 2.0 million, after 'adjustments to EBIT' amounting to EUR -4.4 million (2017: EUR -0.8 million). The ' adjustments to EBIT' include mainly restructuring charges and provisions recognised after the announcement in October 2018 of the intention to close the production site in Hassfurt (Germany).

End 3Q2018, the new Geltex® 2.0 product range has been introduced in the different geographic markets in which the Group is active. This innovative new product offering is well received by our customers, and is expected to further strengthen our product assortment and boost future sales.

5.3. INSULATION

in million EUR

	1H17	2H17	FY17	1H18	2H18	FY18	Δ 1H	Δ 2H	Δ FY
Sales	**129.2**	**143.1**	**272.3**	**132.7**	**138.5**	**271.2**	2.7%	-3.3%	**-0.4%**
Adjusted EBITDA	**14.2**	**26.1**	**40.3**	**22.8**	**21.9**	**44.7**	60.5%	-16.2%	**10.8%**
as % of sales	*11.0%*	*18.2%*	*14.8%*	*17.2%*	*15.8%*	*16.5%*			
EBITDA	**14.2**	**25.9**	**40.1**	**22.8**	**21.9**	**44.7**	60.6%	-15.6%	**11.4%**
as % of sales	*11.0%*	*18.1%*	*14.7%*	*17.2%*	*15.8%*	*16.5%*			
Adjusted EBIT	**11.0**	**22.7**	**33.7**	**19.6**	**18.5**	**38.1**	79.0%	-18.6%	**13.2%**
as % of sales	*8.5%*	*15.9%*	*12.4%*	*14.8%*	*13.4%*	*14.1%*			
EBIT	**11.0**	**22.5**	**33.5**	**19.6**	**18.5**	**38.1**	79.0%	-17.9%	**13.9%**
as % of sales	*8.5%*	*15.7%*	*12.3%*	*14.8%*	*13.4%*	*14.1%*			

SALES

4Q2018 sales decreased by -2.1% from EUR 70.7 million to **EUR 69.3 million**. Higher volumes compared to 4Q2017 did not fully compensate for some price erosion following the lowered cost for chemical raw materials.

Over **full-year 2018**, sales before exchange rate differences (-0.3%; i.e. Pound Sterling) were at the same level as in 2017 and amounted to **EUR 271.2 million.**

PROFITABILITY

Adjusted EBITDA margin increased from 14.8% to 16.5%.

Profitability improved due to (i) an improved product-mix and operating efficiency and (ii) lower chemical raw materials costs.

As announced in the press release of 21 June 2018, Recticel has established a new manufacturing unit in Finland, which will enable mid-term growth in Scandinavia, the Baltics and Russia. The project has been completed on schedule and production started in October 2018. It is expected that as from 2020 onwards this new plant will start to have a positive contribution to the results.

The ramp-up costs of this new plant impacted 2H2108 results, as the additional fixed costs were not yet absorbed by additional sales.

Early 2019 Recticel Insulation increased its stake in Turvac d.o.o., the Slovenian producer of Vacuum Insulation Panels (VIP), from 50% to 74% (see below 7.2.)

5.4. AUTOMOTIVE

in million EUR

	1H17	2H17	FY17	1H18	2H18	FY18	Δ 1H	Δ 2H	Δ FY
Sales	**173.5**	**176.9**	**350.4**	**195.6**	**168.3**	**363.9**	12.8%	-4.9%	**3.9%**
Adjusted EBITDA	**13.5**	**12.1**	**25.6**	**14.7**	**11.2**	**25.9**	9.0%	-7.4%	**1.2%**
as % of sales	*7.8%*	*6.9%*	*7.3%*	*7.5%*	*6.7%*	*7.1%*			
EBITDA	**9.1**	**15.9**	**25.0**	**13.2**	**17.2**	**30.5**	45.1%	8.4%	**21.8%**
as % of sales	*5.3%*	*9.0%*	*7.1%*	*6.8%*	*10.2%*	*8.4%*			
Adjusted EBIT	**7.0**	**4.5**	**11.4**	**6.7**	**3.1**	**9.8**	-4.2%	-29.9%	**-14.3%**
as % of sales	*4.0%*	*2.5%*	*3.3%*	*3.4%*	*1.9%*	*2.7%*			
EBIT	**2.6**	**1.5**	**4.1**	**5.2**	**7.7**	**12.9**	99.4%	413.5%	**213.7%**
as % of sales	*1.5%*	*0.8%*	*1.2%*	*2.7%*	*4.6%*	*3.5%*			

SALES

The negative sales trend in the automotive end markets, which started in 3Q2018, further deteriorated in the last quarter. Combined sales decreased by 7.0% to **EUR 86.3 million in 4Q2018,** with almost no currency impact (1Q: +12.8%; 2Q: +12.7% and 3Q: -2.5%).

Sales of the subsegment Interiors contracted by 4.8%, whereas Seating decreased by 9.5%.

Over the **full-year 2018** combined sales increased from EUR 350.4 million to **EUR 363.9 million** (+3.9%), including a -0.7% impact from exchange rate differences. Both subsegments increased their sales: Interiors with +6.6% to EUR 199.4 million, and Seating with +0.7% to EUR 164.4 million.

During 2H2018, the production volumes at most Automotive OEM's substantially decreased due to (i) the introduction of the new WLTP (Worldwide harmonized Light vehicles Test Procedure) emission test cycle, replacing as of 1st September 2018 the NEDC (New European Driving Cycle), and (ii) the global trade tensions negatively impacting the Chinese and European volumes. It is expected that the volume volatility will decrease with the progressive completion of the vehicle homologations to the new norm.

PROFITABILITY

Adjusted EBITDA margin slightly decreased from 7.3% to 7.1%.

Profitability held up well in both divisions.

EBITDA includes 'adjustments to EBIT' for a total net amount of EUR +4.5 million (2017: EUR -0.6 million), which include additional insurance indemnities received in relation with last year's fire incident in Most (Czech Republic).

Full-year EBIT was impacted by the impairment of intangible and tangible assets in Automotive Interiors (EUR -1.4 million).

6. Proposed dividend

The Board of Directors will propose to the Annual General Meeting of 28 May 2019 the payment of a gross dividend of EUR 0.24 per share on 55.2 million shares or a total dividend pay-out of EUR 13.3 million (2017: respectively EUR 0.22/share and EUR 12.1 million in total).

7. Profit appropriation policy

The Annual General Meeting agrees on the appropriation of the amounts available for distribution based on a proposal from the Board of Directors.

When drawing up its proposal, the Board of Directors strives for the ideal balance between ensuring a stable dividend for shareholders and maintaining sufficient investment and self-financing opportunities to secure the company's longer-term growth.

The Board of Directors presented the following appropriation of the results to the General Meeting:

in EUR

Profit/(loss) for the financial year		12 842 215
Profit/(loss) brought forward from previous year	+	66 533 193
Profit/(loss) to be added to legal reserves	-	642 111
Profit/(loss) to be added to other reserves	-	0
Result to be appropriated	=	**78 733 297**
Gross dividend [1]	-	13 254 483
Profit to be carried forward	=	**65 478 814**

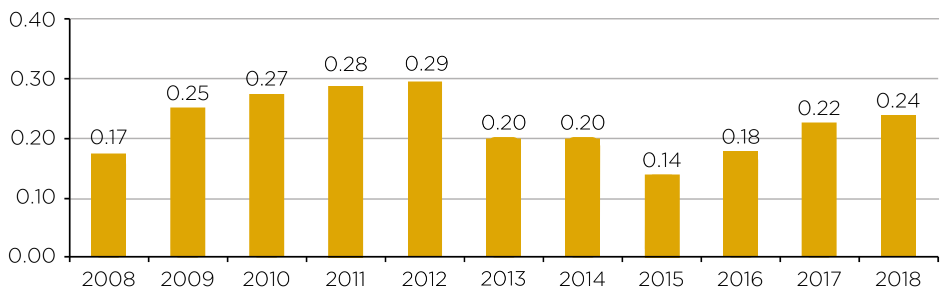
[1] Gross dividend per share of EUR 0.24, resulting in a net dividend after tax of EUR 0.168 per ordinary share.

8. Dividend payment

Subject to approval of the profit appropriation by the General Meeting of 28 May 2019, a dividend of EUR 0.24 gross will be paid per ordinary share, or EUR 0.168 net (-30% withholding tax). This dividend will be payable from 03 June 2019. KBC Bank acts as paying agent.

Payments for the registered shares will take place via bank transfer to the shareholders' bank accounts.

Gross dividend per share (in EUR)



DIVIDEND KEY DATA

Gross dividend per share	EUR 0.24
Ex-coupon date	29 May 2019
Record date	30 May 2019
Dividend payment date	03 June 2019

II.2. Corporate Governance Statement

II.2.1. Applicable rules and reference code

Recticel publishes its Corporate Governance Charter on its website (www.recticel.com) in accordance with the requirements of the Belgian Corporate Governance Code 2009. The latest version is dated 28 June 2018. Any interested party can download the Charter there, or request a copy from the company's registered office. The Charter contains a detailed description of the governance structure and the company's governance policy.

Recticel uses the Belgian Governance Code of 2009 as reference code, which can be found on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be).

As from the Ordinary General Shareholders' Meeting of 26 May 2015, Recticel complies with all recommendations contained in the reference code.

This chapter contains more factual information regarding corporate governance in general and, the application of the Code during the last financial year in particular.

In accordance with the Belgian Companies Code, the Board of Directors is authorized to undertake all necessary actions to achieve the company's objective, except those that only the general meeting is authorized to perform by law. The authority granted to the Board of Directors was not further limited in the articles of association.

The terms of reference of the Board of Directors are described in more detail in Recticel's Corporate Governance Charter.

II.2.2. Internal control and risk management

Every entity exists to create value for the stakeholders and this forms the basis of risk management for every company. The challenge that faces the Board of Directors and Executive Management is in determining how much uncertainty they wish to accept in their strive for creating value. The value is maximized if the administration is successful in creating an optimal balance between growth and turnover on the one hand and the connected risks on the other.

Identifying and quantifying the risks and setting up and maintaining an efficient control mechanism is the responsibility of Recticel Group's Board of Directors and Executive Management.

The framework for internal control and risk management applied by the Recticel Group is based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) model and is in line with the requirements imposed by the Belgian Corporate Governance Code, taking into account the Recticel Group's size and specific needs.

Since mid-2010 the Board of Directors and the Executive Management have reviewed the framework for internal control and risk management and an amended Compliance programme is implemented.

The basis is formed by the revised Code of Ethics, applicable on all Recticel directors, corporate officers and employees, and published on Recticel's website: (https://www.recticel.com/sites/default/files/who_we_are/discover_the_recticel_group/business_ethics_integrity/01_Ethics_policy_English.pdf).

Important matters like ethics, safety, health and environment, quality, conflicts of interest, anti-trust, fraud and others are being dealt with.

Corporate policies have been elaborated to cover these principles that are further explained in the Business Control Guide, which provides more concrete and detailed guidelines, for instance guidelines on the level of Tax management, Treasury management, Accounting policies, Investments, Purchases, Mergers and Takeovers, and such. The internal financial reporting and control occurs based on the Group Accounting Manual, Group Accounting Methodology and Cost Accounting Methodology.

This Business Control Guide includes the general delegation of deciding powers and responsibilities for specific areas of competence.

The Board of Directors and Executive Management regularly reviews the most important risks that the Recticel Group is exposed to and submits a list of priorities. A general description of the risks can be found in the financial part of this annual report.

One of the objectives of the internal control and risk management system is also to ensure a timely, complete and accurate communication. To this end the Business Control Guide and all other guidelines contain the necessary regulations on roles and responsibilities. Also, the necessary attention is given to ensuring the security and confidentiality of the data exchange, if and when necessary.

In the event of violation of internal or external laws and regulations, the Recticel Group has also implemented a Group Policy for the Reporting of Misconduct and the Protection of Whistle-blowers to enable anyone to report on behaviour that may represent a violation of the applicable Code of Conduct, the Group Corporate Policies or any other laws and regulations.

Finally, the Audit committee, amongst others, has the task of informing and advising the Board of Directors regarding the annual follow up of the systems of internal control and risk management.

The Internal Audit Department works based on an Internal Audit Charter and has the primary function of delivering reports with opinions and other information indicating to which extent the internal audit meets predetermined criteria. The Internal Audit aims at providing the reasonable assurance that the strategic, operational, compliance and reporting objectives of the Recticel Group can be realized in the most efficient way. To this end they seek to ensure the following objectives:

- the reliability and integrity of the information;
- compliance with policies, plans, procedures, laws and agreements;
- safeguarding of assets;
- economical and efficient use of resources;
- achieving the goals set by operations and programs.

II.2.3. External audit

The external audit of Recticel SA/NV's company and consolidated annual accounts has been entrusted by the Annual General Meeting of 2016 to the civil limited liability cooperative company "DELOITTE Bedrijfsrevisoren", represented by Mr. Kurt DEHOORNE.

The Auditor conducts its audits in accordance with the International Standards on Auditing (ISA) and delivers a report, which confirms if the company's annual accounts and the consolidated financial statements of the company reflect a true and fair view of the assets, financial condition and results of the company. The Audit committee investigates and discusses these bi-annual reports in the presence of the Auditor, and afterwards also with the Board of Directors.

The global remuneration of the Deloitte network (in its capacity as Auditor) for the audit of Recticel NV's annual and consolidated annual accounts intended in article 134,§2 of the Companies' Code, amounted to EUR 947,000 for 2018.

Details on these compensations are included in the explanatory notes on VOL 6.18.2 in the statutory annual accounts as well as in the explanatory notes in the financial part of the Consolidated Annual report.

The Auditor's mandate was renewed in 2016 and will end after the upcoming Ordinary General meeting of 2019.

Upon proposal of the Audit Committee, and after approval by the Works Council, the Board of Directors proposed the following to the General Meeting of 28 May 2019:

Renewal, upon proposal of the Audit Committee, of the mandate of the civil company under the form of a cooperative limited liability company "DELOITTE Bedrijfsrevisoren", with registered office at Gateway Building, Luchthaven Brussel Nationaal 1J, 1930 Zaventem, represented by Mr. Kurt DEHOORNE, as statutory auditor for a period of three years expiring after the Ordinary General Meeting of 2022, in order to do the audit of the financial years closed on 31 December 2019, 2020 and 2021.

The yearly remuneration of the statutory auditor amounts to EUR 291,000, including domestic expenses and excluding IBR contribution, foreign travel expenses and VAT.

II.2.4. Composition of the Board of Directors

Recticel's Board of Directors currently consists of ten members. There are nine non-executive directors, six of which are independent. OLIVIER CHAPELLE SPRL/BVBA, represented by Mr. Olivier CHAPELLE, Managing Director, is the executive director.

The Managing Director represents the management and three directors represent the reference shareholder.

With reference to the Law of 28 July 2011 setting the obligation to have at least 1/3 of the members of the Board of Directors of the opposite gender by 1 January 2017, the Board of Directors reviewed different options in order to increase the number of female members. At present, three out of the ten directors are women. As a result, the obligation of article 518bis of the Companies' Code is complied with. At the end of the mandate of Ms. Danielle SIOEN at the ordinary general meeting of 28 May 2019, a new female director will be appointed to replace her in order to further comply with the obligation of article 518bis of the Companies' Code.

The following table provides an overview of the current members of Recticel's Board of Directors.

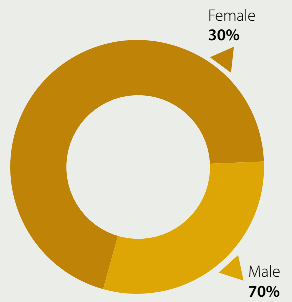
From left to right : Frédéric VAN GANSBERGHE, Pierre-Yves de Laminne de Bex, Benoit DECKERS, Danielle SIOEN, Johnny THIJS, Olivier CHAPELLE, Ingrid MERCKX, Kurt PIERLOOT, Anne DE VOS, Luc MISSORTEN

NAME	FUNCTION	TYPE	YEAR OF BIRTH	START OF MANDATE	END OF MANDATE	PRIMARY FUNCTION OUTSIDE OF RECTICEL	MEMBERSHIP COMMITTEE
Johnny THIJS [1]	Chairman	Independent	1952	2015	2021	Spadel, Corealis, Hospital Logistics, President / Essers, Ahold Delhaize, Director	AC / RC
Olivier CHAPELLE [2]	Managing Director	Executive	1964	2009	2019	Director Cofinimmo	MC
Benoit DECKERS [3]	Director	Non-executive	1964	2015	2021	CEO of Compagnie du Bois Sauvage SA	AC
Pierre-Yves de Laminne de Bex [4]	Director	Non-executive	1969	2014	2021	President at Compagnie du Bois Sauvage SA / Managing Director Entreprises et Chemins de Fer en Chine SA	
Ingrid MERCKX [5]	Director	Independent	1966	2012	2019	President Securitas Belgium and Luxembourg	AC
Luc MISSORTEN [6]	Director	Independent	1955	2015	2021	Chairman of Ontex	AC / RC
Kurt PIERLOOT	Director	Independent	1972	2015	2021	CEO of Bleckmann	RC
Anne DE VOS [7]	Director	Independent	1958	2017	2020	Symrise AG - Global Account Director Nestle	
Frédéric VAN GANSBERGHE [8]	Director	Non-executive	1958	2014	2019	GALACTIC NV - Managing Director	RC
Danielle SIOEN	Director	Independent	1966	2016	2019	Sioen Industries NV Director	

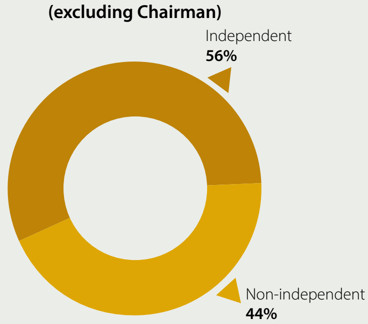
[1] in his capacity as Permanent Representative of THIJS JOHNNY BVBA
[2] in his capacity as Permanent Representative of OLIVIER CHAPELLE SPRL
[3] in his capacity as Permanent Representative of COMPAGNIE DU BOIS SAUVAGES SERVICES SA
[4] in his capacity as Permanent Representative of COMPAGNIE DU BOIS SAUVAGE SA
[5] in her capacity as Permanent Representative of IMRADA BVBA
[6] in his capacity as Permanent Representative of REVALUE BVBA
[7] in her capacity as Permanent Representative of IPGM Consulting GmbH
[8] in his capacity as Permanent Representative of ENTREPRISES ET CHEMINS DE FER EN CHINE SA

AC = Audit Committee
RC = Renumeration and Nomination Committee
MC = Management Committee

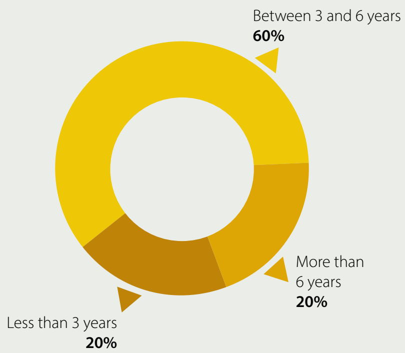
Gender breakdown of Board of Director



Breakdown of independence (excluding Chairman)



Tenure on the Board of Directors



The following table provides an overview of the members of the Board of Directors of Recticel of who the mandate expired in the course of 2018.

NAME	FUNCTION	TYPE	YEAR OF BIRTH	START OF MANDATE	END OF MANDATE	PRIMARY FUNCTION OUTSIDE OF RECTICEL	MEMBERSHIP COMMITTEE
Kurt PIERLOOT	Director	Independent	1972	2015	31/12/18	CEO of Bleckmann	RC

RC = Renumeration and Nomination Committee

II.2.4.1. Amendments since the previous annual report – statutory appointments – presentation of new directors

As proposed by the Board of Directors and based upon the recommendation made by the Remuneration and Nomination committee, the following has been decided during the Ordinary General Meeting dated 29 May 2018:

- The general meeting renewed the mandate of THIJS JOHNNY BVBA, represented by its permanent representative Mr. Johnny THIJS, as non-executive and independent director, for a new term of three years expiring after the Ordinary General Meeting of 2021.
- The general meeting renewed the mandate of COMPAGNIE DU BOIS SAUVAGE SERVICES S.A., represented by its permanent representative Mr. Benoit DECKERS, as non-executive director, for a new term of three years expiring after the Ordinary General Meeting of 2021.
- The general meeting renewed the mandate of COMPAGNIE DU BOIS SAUVAGE S.A., represented by its permanent representative Mr. Pierre-Yves de LAMINNE de BEX, as non-executive director, for a new term of three years expiring after the Ordinary General Meeting of 2021.
- The general meeting renewed the mandate of REVALUE BVBA., represented by its permanent representative Mr. Luc MISSORTEN, as non-executive and independent director, for a new term of three years expiring after the Ordinary General Meeting of 2021.
- The general meeting renewed the mandate Mr. Kurt PIERLOOT, as non-executive and independent director, for new a term of three years expiring after the Ordinary General Meeting of 2021.
- The general meeting confirmed THIJS JOHNNY BVBA represented by its permanent representative Mr. Johnny THIJS, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Mr. Johnny THIJS meets all the criteria indicated in article 526ter of the Companies Code as well as the independence criteria of the Code on Corporate Governance 2009.
- The general meeting confirmed REVALUE BVBA represented by its permanent representative Mr. Luc MISSORTEN, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Mr. MISSORTEN meets all the criteria indicated in article 526ter of the Companies Code as well as the independence criteria of the Code on Corporate Governance 2009.
- The general meeting confirmed Mr. Kurt PIERLOOT as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Mr. PIERLOOT meets all the criteria indicated in article 526ter of the Companies Code as well as the independence criteria of the Code on Corporate Governance 2009.

Taking into account the above, and upon advice of the Remuneration & Nomination Committee, the Board of Directors proposes at the Ordinary General Meeting of 28 May 2019 to approve the:

- Renewal of the mandate of OLIVIER CHAPELLE BVBA, represented by its permanent representative Mr. Olivier CHAPELLE, as managing director, for a new term of three years expiring after the Ordinary General Meeting of 2022.
- Renewal of the mandate of IMRADA BVBA, represented by its permanent representative Ms. Ingrid MERCKX, as non-executive and independent director, for a new term of three years expiring after the Ordinary General Meeting of 2022.

I.1. I.2. I.3. I.4. I.5. I.6. I.7. I.8. II.1. II.2. II.3. II.4.

- Renewal of the mandate of ENTREPRISES ET CHEMINS DE FER EN CHINE SA, represented by its permanent representative Mr. Frédéric VAN GANSBERGHE, as non-executive director, for a new term of three years expiring after the Ordinary General Meeting of 2022.

- Acceptance of the resignation of Mr. Kurt PIERLOOT as non-executive and independent director with effect as of 1 January 2019 and confirmation of the appointment of CARPE VALOREM BVBA, with registered office at Acaciadreef 29, 3140 Keerbergen, enterprise number 0712.532.009, represented by its permanent representative Mr. Kurt PIERLOOT, as non-executive and independent director, for a term starting on 1 January 2019 and expiring after the Ordinary General Meeting of 2021.

- In replacement of Ms. Danielle Sioen, appointment of MOROXCO BVBA, with registered office at Beekstraat 56, 8550 Zwevegem, enterprise number 0719.795.230, represented by its permanent representative Ms. Elisa VLERICK, as non-executive and independent director, for a term of three years expiring after the Ordinary General Meeting of 2022.

- Confirmation of IMRADA BVBA represented by its permanent representative Ms. Ingrid MERCKX, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Ms. Ingrid MERCKX meets all the criteria indicated in article 526ter of the Companies Code as well as the independence criteria of the Code on Corporate Governance 2009.

- Confirmation of CARPE VALOREM BVBA represented by its permanent representative Mr. Kurt PIERLOOT, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Mr. Kurt PIERLOOT meets all the criteria indicated in article 526ter of the Companies Code as well as the independence criteria of the Code on Corporate Governance 2009.

- Confirmation of MOROXCO BVBA, represented by its permanent representative Ms. Elisa VLERICK, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Ms. Elisa VLERICK meets all the criteria indicated in article 526ter of the Companies Code as well as the independence criteria of the Code on Corporate Governance 2009.

II.2.4.2. Functioning of the Board of Directors

The Board of Directors gathered a total of eight times in 2018. One meeting handled mainly the 2018 budget and two meetings handled the establishment of the annual accounts as per 31 December 2017 and the mid-year accounts as per 30 June 2018.

Each meeting also addressed the state of affairs per business line and the most important current acquisition and/or divestment files. Other subjects (human resources, external communication, litigations and legal issues, delegations of authority and such) are discussed as and when necessary.

The written decision procedure was not applied in 2018.

Mr. Dirk VERBRUGGEN, General Counsel and General Secretary, acts as Secretary of the Board of Directors.

The individual attendance rate of the directors at the meetings in 2018 was:

NAME	ATTENDANCE RATE IN 2018
Johnny THIJS	8/8
Olivier CHAPELLE	8/8
Benoit DECKERS	8/8
Pierre-Yves de LAMINNE de BEX	7/8
Ingrid MERCKX	8/8
Luc MISSORTEN	8/8
Kurt PIERLOOT	6/8
Frédéric VAN GANSBERGHE	8/8
Danielle SIOEN	5/8
Anne DE VOS	8/8

The Board of Directors organises a self-assessment of its functioning as well as an assessment of its interaction with the members of the Management committee on a regular basis. Such self-assessment starts through a questionnaire to be remitted to and completed by each individual director. The results of the questionnaire are then be discussed and further analysed during a subsequent meeting of the Board of Directors. The last assessment took place in the middle of the year 2017. The individual assessment of the directors is done by the Remuneration and Nomination Committee.

II.2.5. Committees set up by the Board of Directors

II.2.5.1. The Audit committee

In accordance with article 526bis,§4 of the Companies Code, the audit committee supervises amongst others the financial reporting process, the effectiveness of the internal control and risk management systems of the company, the internal audit, the statutory control of the annual accounts and the consolidated accounts, and the Auditor's independence. The Audit committee's terms of reference are included in the Corporate Governance Charter that also describes more in detail the tasks of the Audit Committee.

The Audit committee currently consists of four members. All members are non-executive directors and three members, one of which is the Chairman, are independent directors in the sense of article 526ter of the Belgian Companies Code.

Mr. Dirk VERBRUGGEN, General Counsel and General Secretary, acts as Secretary of the Audit committee.

The composition of the Audit committee complies with the stipulations of Recticel NV's articles of association and the relevant provisions of the Belgian Companies Code, and as from 26 May 2015 complies with principle 5.2. /4. of the Belgian Corporate Governance Code 2009 which provides that at least the majority of the members of the Audit committee must be independent.

In accordance with article 526bis of the Companies Code, Recticel NV declares that the Chairman of the Audit committee, Mr. Luc MISSORTEN, meets the independence requirements and that he possesses the requisite expertise in accounting and auditing. The members of the Audit committee have the collective expertise at the level of the activities of the Company.

The following table contains the members of the Audit committee during the financial year 2018 to date.

NAME	FUNCTION	ATTENDANCE RATE IN 2018
Luc MISSORTEN [1]	Chairman	4/4
Johnny THIJS [2]	Member	4/4
Ingrid MERCKX [3]	Member	4/4
Benoit DECKERS [4]	Member	4/4

[1] In his capacity as Permanent Representative of REVALUE BVBA
[2] In his capacity as Permanent Representative of THIJS JOHNNY BVBA
[3] In her capacity as Permanent Representative of IMRADA BVBA
[4] In his capacity as Permanent Representative of COMPAGNIE DU BOIS SAUVAGES SERVICES SA

The Audit committee convened four times in 2018. Two meetings were devoted primarily to the audit of the annual accounts per 31 December 2017 and the interim accounts per 30 June 2018. All meetings also focus on the internal audit program, risk management, compliance, taxation and IFRS related accounting questions.

The Audit Committee conducts regularly an informal self-assessment of its functioning during one of its meetings and reserves the necessary time to discuss and analyse the same. In the beginning of 2017, a formal assessment was conducted.

II.2.5.2. The Remuneration and Nomination Committee

The Remuneration and Nomination Committee makes proposals to the Board of Directors regarding the remuneration policy and the individual remuneration of directors and members of the Management committee and prepares and explains the remuneration report at the Ordinary General Meeting. They also make the necessary proposals regarding the evaluation and re-appointment of directors as well as the appointment and induction of new directors. The terms of reference of the Remuneration and Nomination Committee are included in Recticel's Corporate Governance Charter.

The Remuneration and Nomination Committee consists of four members, all non-executive directors, of which three are independent directors.

Mr. Dirk VERBRUGGEN, General Counsel and General Secretary, fulfils the role of secretary of the Remuneration and Nomination Committee.

The composition of the Remuneration and Nomination committee meets the requirements with respect to the Companies Code, as well as the requirements of the Belgian Corporate Governance Code.

The committee is composed as follows:

NAME	FUNCTION	ATTENDANCE RATE IN 2018
Johnny THIJS [1]	Chairman	2/2
Kurt PIERLOOT	Member	2/2
Frédéric VAN GANSBERGHE [2]	Member	1/2
Luc MISSORTEN [3]	Member	2/2

[1] In his capacity as Permanent Representative of THIJS JOHNNY BVBA
[2] In his capacity as Permanent Representative of ENTREPRISES ET CHEMINS DE FER EN CHINE SA
[3] In his capacity as Permanent Representative of REVALUE BVBA

In accordance with article 526quater of the Companies' Code, Recticel declares that the Remuneration and Nomination committee possesses the necessary expertise in the area of remuneration policy.

The Remuneration and Nomination committee convened two times in 2018.

These meetings dealt with the fixed and variable remuneration of the Executive Management as well as with the election and re-election of directors. The CEO was present at the discussion about the remuneration of the other members of the Executive Management.

The set-up and functioning of the Remuneration and Nomination Committee was thoroughly reviewed at the end of 2010 following the introduction of the Law dated 6 April 2010 amending the Belgian Companies Code and introducing an article 526quater, whereby the setting-up of a Remuneration and Nomination Committee has become mandatory for Belgian listed companies.

Consequently, the Remuneration and Nomination Committee conducts regularly an informal self-assessment of its functioning during one of its meetings and reserves the necessary time to discuss and analyse the same.

II.2.6. The Executive management

The Board of Directors has entrusted the day-to-day management of the company to its Managing Director and Chief Executive Officer, "OLIVIER CHAPELLE" SPRL/BVBA, located in 1180 Brussels, Avenue de la Sapinière 28, represented by its General Manager and permanent representative, Mr. Olivier CHAPELLE.

The Managing Director is assisted by the Management committee, of which the members (for the period 2018 to present) are indicated in the following list:

NAME	FUNCTION
Olivier CHAPELLE [1][2]	Chief Executive Officer
Ralf BECKER	Group General Manager Insulation
Betty BOGAERT	Chief Information & Digitalisation Officer
Jean-Pierre DE KESEL	Chief Sustainable Innovation Officer
François DESNE	Group General Manager Flexible Foams
Bart MASSANT	Chief Human Resources Officer
Jean-Pierre MELLEN	Chief Financial Officer
Jan MEULEMAN	Group General Manager Automotive
François PETIT	Chief Procurement Officer
Dirk VERBRUGGEN	General Counsel & General Secretary

[1] in his capacity as Permanent Representative of OLIVIER CHAPELLE SPRL
[2] as from 20/1/2017 - Group General Manager Bedding

The Management committee has an advisory role vis-à-vis the Board of Directors as a whole and is not an executive committee in the sense of article 524bis of the Belgian Companies Code.

From left to right : Jean-Pierre MELLEN, Jan MEULEMAN, Betty BOGAERT, Jean-Pierre DE KESEL, François DESNÉ, François PETIT, Olivier CHAPELLE, Bart MASSANT, Dirk VERBRUGGEN, Ralf BECKER

II.2.7. Remuneration report

II.2.7.1. Introduction

The Recticel Group's Remuneration policy can be found in the Corporate Governance Charter on the Recticel web site (www.recticel.com).

The Group Remuneration Policy was not amended during the year 2018.

The Board of Directors of the Group has determined the remuneration of the Management Committee (hereafter the "Senior Management" or the "Senior Managers") on recommendation of the Remuneration and Nomination Committee and proposes the remuneration of the directors to the General Shareholders' meeting.

In order to assist the Committee in its analysis of the competitive environment in Belgium and Europe, as well as other factors that are necessary for the evaluation of remuneration matters by the committee, the committee can call on the services of internationally acknowledged remuneration consultants.

In line with the recommendation of the Remuneration and Nomination Committee, the Board has reaffirmed the general principles of the Group Remuneration Policy for the next three years. These have been integrated in a separate Remuneration Policy that will be submitted for approval to the ordinary general meeting of 28 May 2019.

II.2.7.1.1. Remuneration of the directors

The company's directors are rewarded for their services with a fixed remuneration for the year, as well as a fixed attendance fee per attended meeting. The remuneration is determined by the Board of Directors upon proposal of the Remuneration and Nomination Committee and presented for approval to the General Meeting for the current year. The Chairman of the Board receives a remuneration of 200% of the remuneration specified for other members of the Board.

The General Meeting also proposes on the additional remuneration for Board Committee members. The Chairman of the Committees receives a remuneration of 200% of the remuneration specified for other members of the Committee. The level as well as the structure of the remuneration of the directors is reviewed on an annual basis. For 2019, the Board of Directors shall not propose modifications to the Ordinary General meeting of 28 May 2019, only a confirmation of the emoluments of 2018:

- Fixing and approval of the Directors' emoluments, i.e.:
  - A single fixed indemnity for Directors of EUR 15,000 a year and for the Chairman of the Board of Directors of EUR 30,000 a year;
  - Directors' fees of EUR 2,500 per meeting and for the Chairman of the Board of Directors of EUR 5,000 per meeting.

  - Fixing of the amount of fees for the members of the Audit Committee at EUR 2,500 per meeting and for the Chairman of the Audit Committee at EUR 5,000 per meeting.

  - Fixing of the amount of fees for the members of the Remuneration and Nomination Committee at EUR 2,500 per meeting and for the Chairman of the Remuneration and Nomination Committee at EUR 5,000 per meeting.

Non-executive directors of the Company receive no remuneration, bonus, or equity-linked, or other incentives from the Company and/or its affiliates except as remuneration for their services as Director to the Company and/or its affiliates. The company will not grant credit, nor maintain credit, nor award credit in the form of a personal loan, nor extend an existing credit, to any member of the Board of Directors.

II.2.7.1.2. Remuneration of the members of the Management committee

The remuneration of the members of the Management committee is calculated to:

- ensure that the company can attract, motivate and retain stable talent of a high calibre with great potential, with the view of measuring up to regional and international concurrent;
- motivate the achievement of board approved objectives, with the view at increasing short, medium and long term shareholder value, and
- stimulating, acknowledging and rewarding personal and team performances.

The level as well as the structure of the remuneration of the members of the Management committee is reviewed annually by the Remuneration and Nomination Committee, which consequently presents a proposal to the Board of Directors for approval.

The remuneration package for the members of the Management committee combines three integrated elements, which together form the "total direct remuneration". These integrated elements are the fixed compensation, the annual incentive bonus and the long-term incentives. The company will not grant credit, nor maintain credit, nor award credit in the form of a personal loan, nor extend an existing credit, to any member of the Management committee.

When determining the remuneration levels for the members of the Management committee, along with the internal factors, the remuneration of executives in multinational companies of similar size and/or similar activities with headquarters in Belgium and neighbouring countries are taken into account. It is the intention to establish remuneration levels that, in general, lie on or around the average market level, for as far as the results of the company allow this.

II.2.7.1.3. Evaluation criteria for the bonus remuneration of the members of the Management committee since the financial year 2016

The CEO receives a bonus remuneration based on his performance over the calendar year. This bonus remuneration can amount up to maximum 100% of the annual fixed remuneration. The evaluation criteria are based on collective targets linked to certain key performance indicators ("KPI's") in relation to REBITDA and Combined Net Cash Flow at Group level, as well as individual targets linked to the development of the company for the future (for example structure, commercial practices, new products and/or markets, M&A, human resources, compliance, etc.). Collective objectives count for 70% of the bonus. Individual objectives amount for 30%.The Remuneration and Nomination Committee makes the evaluation in a private session and discusses the evaluation with the CEO before presenting a proposal to the Board for approval.

The Group General Managers at the head of the four different business lines likewise receive a bonus remuneration based on their performance during the calendar year. Their bonus remuneration can amount up to maximum 50% of their annual fixed remuneration. The evaluation criteria are based on financial targets linked to certain KPI's in relation to the annual budget, both at Group level, as at the level of their respective business lines. Financial targets account for 70% of the bonus, the Combined Group Net Cash Flow will account for 30% of the pay-out, the business line REBITDA will account for another 30% of the pay-out and in addition, another 10% of the pay-out will consist of a business line specific objective. Individual targets account for 30% linked to the development of the business line for the future (for example structure, commercial practices, new products and/or markets, M&A, human resources, compliance, etc.).

For the support functions within the Management Committee (CFO, General Counsel, Procurement, ICT, HR and Research and Development), collective targets account for 70% of the bonus of which 30% Combined Group Net Cash Flow and 40% Group REBITDA. Individual targets account for 30% and are linked to the development of the department for the future (for example structure, new products, M&A, human resources, compliance, etc.). Their bonus remuneration can amount up to maximum 50% of their annual fixed remuneration.

Budget reached on target leads to 75% pay out on the collective financial targets. On the individual targets, pay-out is 100% if the target is reached.

The CEO performs the evaluation of the other members of the Management Committee, and discusses the results of the evaluation with the Remuneration Committee.

With regard to article 520ter of the Companies Code, relating to the need to spread variable remuneration payments over a three year period in case certain thresholds are passed, the Board of Directors had proposed to the 2018 General Shareholder meeting to approve a deviation from the said rule in line with the possibility offered by the legislation, as this principle was only applicable to the Managing Director and CEO, OLIVIER CHAPELLE SPRL/BVBA, as all other members of the Management Committee remained below the 25% threshold, since the calculation is done here on the basis of the total compensation package.

The 2018 General Shareholders' meeting approved this proposal.

The Remuneration and Nomination Committee and the Board of Directors reviewed again the various possibilities that the legislation offers for its application and have established that the principle of a spread over a period of three years of the payment of the variable remuneration would be applicable to the Managing Director and CEO, OLIVIER CHAPELLE BVBA, as well as the other members of the Management Committee. They would not stay below the 25% threshold. They were of the opinion that, considering the cyclical nature of the business, it is in the interest of the company to allow a deviation.

Taking into account the above, and since the target variable remuneration bonus pay-out for the Managing Director and CEO, as well as the other members of the Management Committee surpasses the 25% maximum threshold, the Board will hence propose to the 2019 General Shareholders' meeting to approve the said deviation from the principle of a spread over three years, and, considering the cyclical nature of the business, allow the full payment of the variable remuneration within a shorter term in favour of the Managing Director and CEO, OLIVIER CHAPELLE BVBA, as well as in favour of all other members of the Management Committee.

It shall be finally noted that there exists no right of recovery in case the variable remuneration would have been granted based on incorrect financial data.

II.2.7.2. Publication of the remunerations of the Directors and the members of the Executive Management

II.2.7.2.1. Gross remunerations of the Directors

in EUR

NAME	FIXED REMUNERATION BOARD OF DIRECTORS 2018	ATTENDENCE FEES BOARD OF DIRECTORS 2018	AUDIT COMMITTEE 2018	REMUNERATION AND NOMINATION COMMITTEE 2018	REMUNERATION FOR SPECIAL ASSIGNMENTS	TOTAL (GROSS) 2018
THIJS JOHNNY BVBA	30 000	40 000	10 000	10 000	-	90 000
OLIVIER CHAPELLE BVBA	15 000	20 000	-	-	-	35 000
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	15 000	20 000	10 000	-	-	45 000
COMPAGNIE DU BOIS SAUVAGE SA	15 000	17 500	-	-	-	32 500
ENTREPRISES ET CHEMIN DE FER EN CHINE SA	15 000	20 000	-	2 500	-	37 500
IMRADA BVBA	15 000	20 000	10 000	-	-	45 000
REVALUE BVBA	15 000	20 000	20 000	5 000	-	60 000
Kurt PIERLOOT	15 000	15 000	-	5 000	-	35 000
Danielle SIOEN	15 000	12 500	-	-	-	27 500
IPGM Consulting GmbH	15 000	20 000	-	-	-	35 000

Since 2017, a single fixed indemnity for Directors of EUR 15,000 a year and for the Chairman of the Board of Directors of EUR 30,000 a year has been granted. The members of the Audit Committee receive a fee of EUR 2,500 per meeting and for the Chairman EUR 5,000 per meeting. The members of the Renumeration and Nomination Committee receive a fee of EUR 2,500 per meeting and for the Chairman EUR 5,000 per meeting.

For the year 2019 it is proposed to the ordinary general shareholder's meeting to confirm the abovementioned amounts.

The remuneration of the executive director (Olivier Chapelle SPRL/BVBA) in his capacity as director, as included in the above overview is taken into account for its total compensation package on the basis of its management services agreement.

II.2.7.2.2. Gross remuneration of the CEO and the other members of the Management Committee

in EUR

TOTAL COST FOR THE COMPANY	OLIVIER CHAPELLE SPRL REPRESENTED BY OLIVIER CHAPELLE		OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Number of persons	1	1	9	10	10	11
Fixed remuneration	540 000	520 000	2 225 207	2 612 904	2 765 207	3 132 904
Variable remuneration	297 000	354 640	725 788	744 046	1 022 788	1 098 686
Subtotal	**837 000**	**874 640**	**2 950 995**	**3 356 950**	**3 787 995**	**4 231 590**
Pensions	0	0	354 937	280 648	354 937	280 648
Other benefits	1 130	26 128	279 631	261 030	280 761	287 158
Total	**838 130**	**900 768**	**3 585 563**	**3 898 628**	**4 423 693**	**4 799 396**

Remarks:

- The table above is established in line with the guidance provided by the Belgian Corporate Governance Committee, meaning that for members with employee status, the gross remuneration is taken, without the employer social contributions, and for members utilising a management company, total remuneration fees invoiced for the year.
- Variable remuneration means the remuneration earned for the performance over the financial year 2018, but which will only be paid out in 2019. The amount of the variable remuneration which has been paid out in the financial year 2018 can be found under the financial year 2017.
- Members of the Management Committee with an employee status also have a company vehicle (including fuel) and company mobile phone at their disposal. The costs thereof have been included in the above amount of "other benefits". Members of the Management Committee operating through a management company receive no such benefits, though certain costs may be invoiced separately, in which case they are also taken into account in the above overview. The "Other benefits" also include an insurance (death, incapacity, medical) and remuneration of training costs.
- With regard to group insurance and pension arrangements, a distinction needs to be made between members being employees, and members operating through a management company. The latter receive no group insurance or pension arrangements.
- Until 2003 the pension arrangement consisted of a defined benefit plan. As from 2003, this defined benefit plan has been replaced by a defined contribution plan. Members of the Management Committee with an employee status employed before 2003 are included in the Recticel Group Defined Benefit Plan. Members hired externally since 2003 are included in the Recticel Group Defined Contribution Plan. The service costs relating thereto have been included in the above overview.

II.2.7.2.3. Shares, stock options and other rights to acquire shares

In April 2018, a stock option plan was issued for the leading staff members of the Group.

This plan related to 460,000 stock options for a total of 32 managers. The exercise price was fixed on the average share price during the previous 30 days, namely EUR 10.21 and the exercise period runs from 1 January 2022 till 24 April 2025. The total cost for the Company for this series 2018 is EUR 1,5720 per share option or EUR 723,120 in total, spread over 4 years (issue year and three years vesting period).

Under this plan the members of the Management Committee received the following warrants:
During 2018, the following stock options were exercised by the members of the Management Committee:

NAME	NUMBER OF WARRANTS ALLOCATED	THEORETICAL VALUE OF WARRANTS AT THE MOMENT OF THE ATTRIBUTION - IN EUR
Olivier CHAPELLE	100 000	157 200
Ralf BECKER	25 000	39 300
Betty BOGAERT	25 000	39 300
François DESNE	25 000	39 300
Jean-Pierre DE KESEL	25 000	39 300
Bart MASSANT	25 000	39 300
Jean-Pierre MELLEN	25 000	39 300
Jan MEULEMAN	25 000	39 300
François PETIT	25 000	39 300
Dirk VERBRUGGEN	25 000	39 300

During 2018, the following warrants expired:

- **Stock option plan May 2007** issued by the Board of Directors on 2 May 2007, exercise period 1/1/2011 until 1/1/2013 with prolongation until 1/5/2018;
- **Stock option plan December 2007:** issued by the Board of Directors on 3 December 2007, exercise period 1/1/2011 until 2/12/2013 with prolongation until 2/12/2018;
- **Stock option plan December 2012:** issued by the Board of Directors on 20 December 2012, exercise period 1/1/2016 until 19/12/2018. All warrants of this plan were exercised.

Below an overview is provided of the non-exercised warrants under the plans of May and December 2007. Where no name is mentioned, reference is made to warrants that were not granted to members of the Management Committee.

WARRANTPLAN	NAME	NON EXERCISED WARRANTS / PRICE
May 2007		12 530 / 8.77 EUR
December 2007	Jean-Pierre DE KESEL	11 933 / 8.20 EUR
December 2007	Jan MEULEMAN	4 177 / 8.20 EUR
December 2007	Dirk VERBRUGGEN	3 580 / 8.20 EUR
December 2007		238 658 / 8.20 EUR

II.2.7.2.3.1. Shares and warrants held by the members of the Board of Directors and the members of the Management Committee

NAME	NUMBER OF WARRANTS EXERCISED	PLAN AND EXERCISE PRICE
Olivier CHAPELLE	35 799	April 2014 / 5.64 EUR
Betty BOGAERT	17 900	December 2007 / 8.20 EUR
Jan MEULEMAN	3 580	May 2007 / 8.77 EUR
Jean-Pierre MELLEN	17 900	December 2007 / 8.20 EUR
	11 814	April 2014 / 5.64 EUR
Dirk VERBRUGGEN	11 814	December 2012 / 4.15 EUR

The total number of shares and warrants held by the members of the Board of Directors as per 31 December 2018 is:

DIRECTORS	SHARES	WARRANTS
THIJS JOHNNY BVBA	0	0
Johnny THIJS (permanent representative)	31 899	0
OLIVIER CHAPELLE BVBA	242 598	235 000
Olivier CHAPELLE (permanent representative)	0	0
ENTREPRISES ET CHEMINS DE FER EN CHINE SA	0	0
Frédéric VAN GANSBERGHE (permanent representative)	0	0
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	0	0
Benoit DECKERS (permanent representative)	2 700	0
COMPAGNIE DU BOIS SAUVAGE SA	15 094 410	0
Pierre-Yves de LAMINNE de BEX(permanent representative)	540	0
IMRADA BVBA	0	0
Ingrid MERCKX(permanent representative)	0	0
IPGM Consulting GmbH	0	0
Anne DE VOS (permanent representative)	0	0
REVALUE BVBA	0	0
Luc MISSORTEN (permanent representative)	0	0
Kurt PIERLOOT	0	0
SIHOLD NV (linked to Danielle SIOEN)	1 341 189	0
Danielle SIOEN	0	0

The total number of shares and warrants held by the members of the Management Committee as per 31 December 2018 is:

MEMBERS OF THE MANAGEMENT COMMITTEE	SHARES	WARRANTS
Ralf Becker	0	75 000
Betty Bogaert	16 504	86 814
Jean-Pierre De Kesel	19 004	86 814
François Desné	6 250	50 000
Bart Massant	0	75 000
Jean-Pierre Mellen	35 997	75 000
Jan Meuleman	8 353	83 353
François Petit	11 814	61 814
Dirk Verbruggen	21 228	86 814

II.2.7.2.4. Primary contractual assessment of recruitment and departure regulation for the members of the Management committee

Most agreements with the members of the Management Committee contain no specific end of contract regulation. Consequently common labour law is decisive. Some members do have such regulation in proportion to their seniority.

Below an overview of the dismissal period and severance pay for each member of the Management Committee.

NAME	DISMISSAL PERIOD OR SEVERANCE PAY
Olivier Chapelle	12 months
Ralf Becker	12 months
Betty Bogaert	Applicable labour law
Jean-Pierre De Kesel	Applicable labour law
François Desné	12 months
Bart Massant	12 months
Jean-Pierre Mellen	15 months
Jan Meuleman	Applicable labour law
François Petit	12 months
Dirk Verbruggen	Applicable labour law

II.2.8. Transactions and other contractual ties between the Company and members of the Board of Directors or members of the Management committee

Chapter VII.1. of the Recticel Corporate Governance Charter describes Recticel NV's policy on related party transactions that are not governed by the legal conflict of interest scheme. The application of this policy is explained hereafter.

During 2018, no conflicts of interests arose between a director and the Company as referred to in Articles 523 and 524 of the Belgian Companies Code, except in the context of the stock option plan edition April 2018 whereby Mr Olivier CHAPELLE had a conflict of interest. The procedure laid down in Article 523 of the Companies Code was applied. Reference is made here to the statutory annual report, which contains an extract of the minutes of April 25, 2018 in this regard.

II.2.9. Insider trading and market manipulation

The company policy regarding the prevention of insider trading and market manipulation is further explained in chapter VII.2 of Recticel's Corporate Governance Charter.

These measures include the implementation of restrictions on the execution of transactions (« closed periods ») applicable since 2006.

Mr. Dirk VERBRUGGEN was appointed as Compliance Officer, responsible for monitoring the observance of these regulations.

II.2.10. Diversity policy

Recticel strives to create a community where everyone is included and respected, bringing people together for a better world. We believe that a diverse team improves the quality of decision making, and ultimately improves overall performance.

Recticel has currently not established a formal specific diversity policy, but is an equal employer in all aspects of recruitment and selection, and is committed to a fair and consistent approach to recruitment and selection. Recticel works actively to develop a positive employer image amongst the internal and external stakeholders. Recticel commits to hire all candidates irrespective of age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation or hours of work.

Recticel also commits to offering learning opportunities to all employees irrespective of age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation or hours of work.

Recticel is proud to be present in 19 countries, with employees of different nationalities.

Currently one woman is represented in the Management Committee. Furthermore, one third of the members of the Board of Directors is a woman, in accordance with article 518bis of the Companies Code.

The selection process of the members of the Board of Directors is described in the Corporate Governance Charter of Recticel, with the aim to come to a composition that is diverse in all its aspects, both at the level of gender, background, professional experience, competence and education.

II.2.11. Relationships with the reference shareholders and other elements related to possible public takeover bids

Here follows the overview of the shareholders who, under the statutes of the law, have addressed a notification to the company and to the FSMA:

The capital structure, with the number of shares and warrants of the company can be found in the chapter "Information on the Share" on the Recticel website (www.recticel.com).

Name	DATE OF NOTIFICATION	NUMBER OF SHARES	PERCENTAGE OF SHARES AT THE MOMENT OF NOTIFICATION (1)	PERCENTAGE OF SHARES AT BALANCE SHEET DATE	PERCENTAGE OF VOTING RIGHTS ATTACHED TO SHARES AT BALANCE SHEET DATE (2)
Compagnie du Bois Sauvage SA (3)	13/05/2015	15 094 410	28.17%	27.33%	27.49%
Own shares	13/05/2015	326 800	0.61%	0.59%	0%
Subtotal (own shares included) (3)	13/05/2015	15 421 210	28.78%	27.92%	27.49%
Capfi Delen Asset Management NV (4)	28/05/2015	2 130 992	3.99%	3.86%	3.88%
BNP Investment Partners	12/05/2016	1 615 744	3.01%	2.93%	2.94%
KBC Asset Management NV	19/05/2018	1 648 964	3.01%	2.99%	3.00%
Public	Not applicable	34 410 102		62.31%	62.68%
Total (excluding own shares)		**54 900 212**			**100.00%**
Total (including own shares)		**55 227 012**		**100.00%**	

(1) The percentage of shares is calculated based upon the number of existing shares at the moment of the notification.
(2) The percentage of voting rights is calculated based upon the 55 227 012 existing shares per 31 December 2018 based upon the information the Company has received from its shareholders per 31 December 2018, which can be different from the actual situation. The calculation has been adjusted to take into account the suspension of the voting rights of the 326,800 own shares held by the Company as foreseen by the law.
(3) The number of own shares of the company was included in the notification, given the fact that they are legally deemed to act in concert with the Company for the purposes of the applicable transparency disclosure rules. On 8 November 2018, the Financial Market Authority (FSMA) was informed (transactions by leadership) that 50,000 shares were acquired additionally.
(4) On 28 February 2019, Recticel and the FSMA were informed that the statutory threshold of 3% was passed downwards and now in total 1,626,724 shares were held or 2.95% of the total number of outstanding shares.

An amendment of the articles of association of Recticel can only be obtained, following the special majorities of article 37 of the Articles of Association.

The Board of Directors submits its proposals regarding the appointment or re-election of directors to the general meeting of the shareholders. The Remuneration and Nomination Committee recommends one or several candidates to the Board, taking into account the needs of the company and following the appointment procedure and the selection criteria drawn up by the Board for that purpose. The composition of the Board is determined based on the necessary diversity and complementary skills, experience and knowledge.

The general meeting of the shareholders appoints the directors of their choice with a simple majority of the votes cast. Directors can likewise be dismissed "ad nutum" by the general meeting with a majority of the votes cast, before the normal expiry of his or her term of office.

If a position of director becomes vacant as a result of resignation, incapacity or death, the Board may provisionally fill the vacancy, upon recommendation from the Remuneration and Nomination Committee.

There are no legal or statutory limitations on transfer of securities. There are no securities with special control rights. There are no legal or statutory restrictions on the exercise of voting rights, for as far as the shareholder is legally represented at the Ordinary General Meeting, and his/her voting rights have not been suspended for any reason.

In accordance with the powers granted at the extraordinary general meeting on 7 July 2017, and incorporated in article 6 of the Articles of Association, the Board of Directors has certain powers to issue new shares, convertible bonds, bonds or subscription rights, with or without preferential rights, and offering these to shareholders or other persons, with restriction of the preferential right, under the Companies Code. In this way the Board of Directors can, via the authorized capital, increase the subscribed capital in all possible ways. The authorization is valid for a period of three years, and can be renewed following the applicable legal rules. It may even be exercised after receipt of the notice given by FSMA that a notice of public takeover was submitted.

Under article 15 of the articles of association, the Company was entitled until 31 August 2017 to acquire or dispose of shares in the Company, without a decision by the general meeting, if this acquisition is necessary in order to avoid an imminent and serious harm to the company under article 620 or 622 of the Belgian Companies Code.

There are no agreements between the Company and its directors or employees that would provide for compensations after a public takeover bid, the directors resigning or departing without any valid reason, or the employment of the employees being terminated.

The following agreements, whereby the company is party, contain the clauses that take effect, undergo changes or end, in the event of a change of control over Recticel SA/NV:

- The "Amendment and Restatement Agreement, as agreed on 25 February 2016 between Recticel SA/NV and Recticel International Services NV on the one hand and ING Belgium SA/NV, BNP Paribas Fortis SA/NV, Commerzbank Aktiengesellschaft, Filiale Luxembourg and KBC Bank NV on the other hand, for an amount of EUR 175,000,000, whereby, in case of a change of control over the Company, or over a subsidiary that is also an obligor under the amendment and restatement agreement, each of the banks participating in the Facility will have the right to request prepayment and cancellation of their respective Facility commitment, and if banks representing a special majority of the total Facility amount request such, then the total Facility will have to be prepaid and cancelled. This agreement completes and modifies the "Facility Agreement" for an amount of EUR 175,000,000 as signed on 9 December 2011 between the aforementioned parties.

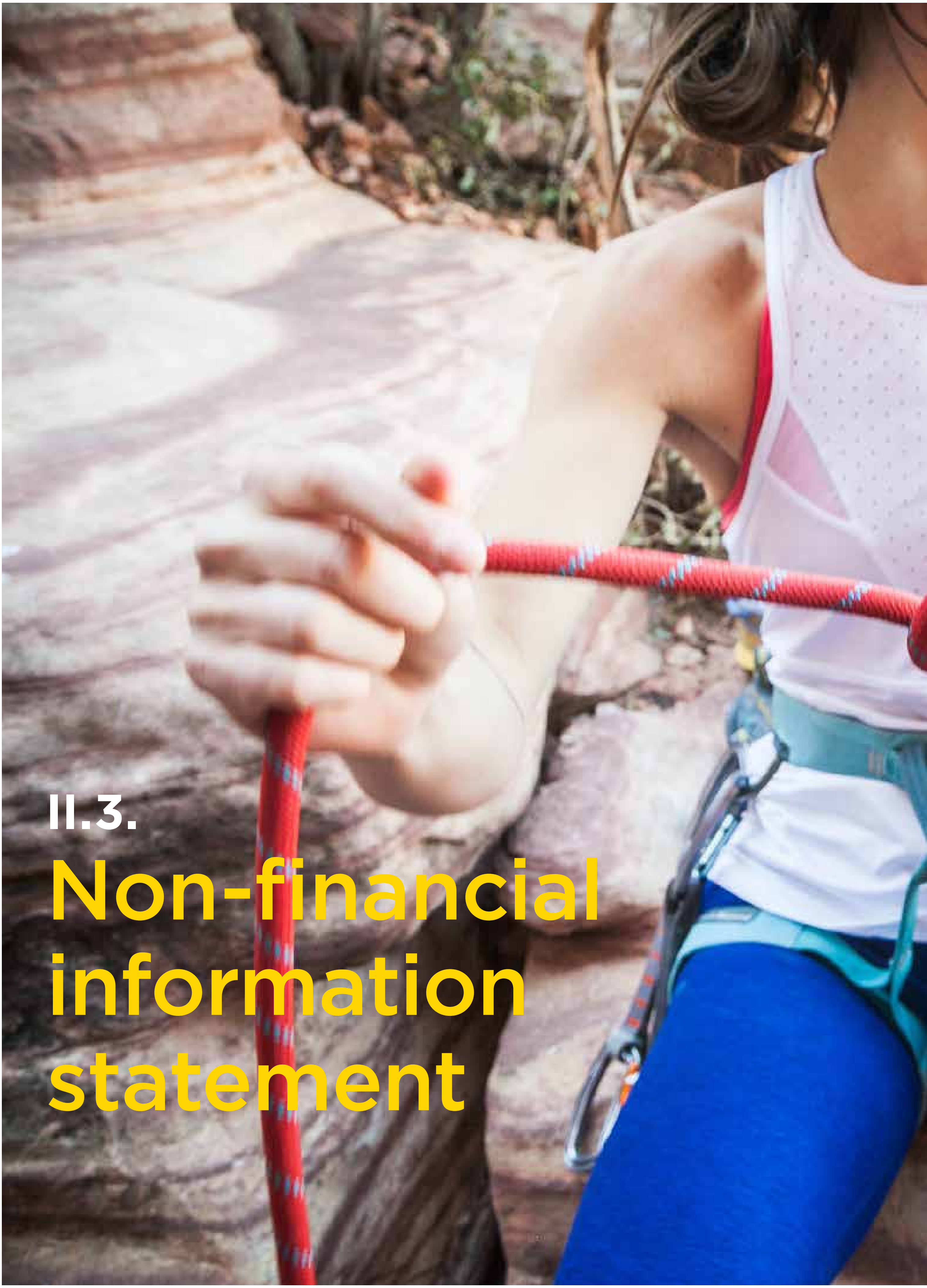
- The Recticel Group's Stock Option Plans of December 2012, April 2014, June 2015, April 2016, June 2017, April 2018 (warrant plans December 2012, April 2014, June 2015, April 2016, June 2017, April 2018) issued by the Board of Directors Administration that contain a clause 6.2. which gives the beneficiaries the right to exercise their warrants, if applicable under the conditions determined by the Board of Directors, immediately in the event of a change of control (that is, in the event of a transfer, in one or more transactions, more than fifty percent (50%) of the voting rights) or in the case of the launch of a public share purchase offer.

These clauses were specifically approved by Recticel's General Shareholder Meeting or will be submitted for approval at the General Meeting on 28 May 2019 (warrant plan April 2018).

In line with article 556 of the Belgian Companies Code, for such a clause to take effect requires the approval of the General Shareholder meeting.

II.2.12. Statement on non-financial information

The statement on non-financial information in accordance with article 96,§4 of the Companies Code has been enclosed to the statutory annual report of Recticel NV/SA and the consolidated annual report of the Recticel Group. (See hereafter II.3.)



II.3.

Non-financial information statement

II.3.1. Introduction

In 2016 we published our first separate sustainability report covering the years 2013-2015 and drawn up in accordance with the GRI G4 guidelines, a comprehensive framework known globally for its credibility, consistency and comparability and now the de facto standard for sustainability reporting. This first report provided insight in our sustainability journey, the strategy itself and the six material aspects, key performance indicators and targets to measure progress.

In September 2017, the EU Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings was transposed into Belgian national law. The Directive recommends using internationally-recognized frameworks and standards to prepare and publish sustainability reports.

Our second sustainability report was drawn up in accordance with the Global Reporting Initiative (GRI) Standard guidelines, Core. It was published in 2018 and covered the period 2016-2017 and provided transparency on progress against our 2020 targets. Limited external assurance was performed on the six material aspects covering the seven KPIs.

We integrate the reporting on non-financial information such as environmental, social, human rights, anti-bribery and anti-corruption topics covering the period 2018 in our current annual report, and provide transparency on progress against our 2020 targets. The information about diversity is available in our Corporate Governance Statement.

Limited external assurance was performed on the six material aspects, seven KPIs and targets. Over 2018, 53 fully-owned Recticel subsidiaries employing 6,113 people in 20 countries were in the scope; joint ventures being excluded.

II.3.2. Activities of the company

Recticel is an international industrial player with an ambitious goal: to take the daily experience of comfort to a new level in quality and innovation. We rely on our expertise in the transformation of polyurethane chemistry to meet customer and societal challenges responsibly, and to generate added value for our clients, shareholders, partners and employees. For a further description of the activities of Recticel and the Recticel Group, reference is made to Chapter I of the annual report of Recticel as published on the website of Recticel under https://www.recticel.com/index.php/investors/annual-half-year-reports.html.

II.3.2.1. A strategy for sustainability: Growing together towards a PUre future

II.3.2.1.1. Recticel's ambition

Recticel's ambition is to lead the transition to a circular economy and a low-carbon society. Growing together towards a *Pure future* expresses our firm commitment to reducing any negative effects of our activities and to optimising Recticel's positive impact across the value chain, from raw materials sourcing to product manufacturing, consumption and end-of-life.

Since 2013, sustainable innovation is a key driver at the heart of our Group strategy.

It was created to respond to key societal challenges, such as energy conservation, CO_2 reduction, and an aging and increasing population. Sustainability shapes our portfolio strategy and our innovation priorities, and as a result, it nourishes our long-term competitiveness. The long-term needs and challenges or our sectors and our society are our compass.

Our activities position us in a sustainable way as the leading supplier of polyurethane and polymer-based solutions in our markets for durable (consumer) goods such as insulation panels (50-year lifespan), mattresses (10-year lifespan), car dashboards and highly specialized technological applications with attributes such as silencing, sealing or carrying.

Sustainability has always been at the heart of our activities. Our thermal insulation solutions for building renovations and new constructions contribute to a low-carbon society. CO_2 emissions avoided by our insulation solutions add up to more than 30 times the carbon footprint of our activities combined.

In our Automotive business line customer demand for reduced carbon emissions drive our development of lightweight materials. Similarly, in our Flexible Foams business line, innovative lightweight solutions have been developed to speciality applications in car engine compartments that require superior silencing properties.

In other markets, the traditional focus has been on durability and providing optimal comfort during the use phase.

II.3.2.1.2. Readying polyurethane for the circular economy

Our products are predominantly, though not exclusively, based on polyurethane (PU). This versatile material allows us to develop long-lasting high-quality and durable solutions that promote comfort in our daily life such as insulation panels or mattresses. Preparing them for the transition to a circular economy is an important challenge.

Our strategic Corporate Sustainability Innovation Programme[1] focuses on discovering new ways of making polyurethane more sustainable in every phase from **raw materials**, to production, to end-of-life. This requires close collaboration with partners within our industry and with knowledge institutes.

Innovation and efficiency initiatives have reduced our use of raw materials and are complemented by our choice of more sustainable raw materials. In partnership with the company Covestro, Recticel is the first company worldwide to use a CO_2-based polyol in its flexible foam production for products such as mattresses.

Including sustainability in our **production** processes helps reduce our carbon footprint and increases operational excellence. Together with industrial partners and knowledge institutes, we explore ways to reduce production waste and design products that are eco-friendly and easy to dismantle.

[1] See chapter I.7 of annual report as published on the website of Recticel under https://www.recticel.com/investors/annual-half-year-reports.html

Sustainability is also tactical. It means less waste and greater resistance to material shortages and price fluctuations. We have developed a fiber-bonded foam technology to transform polyurethane production waste into new applications: Simfofit® acoustic insulation panels reduce sound by up to 12 dB while also helping to conserve energy. The production waste from these panels can be reused, thus closing the materials loop. We continue to explore the possibilities of fiber-bonded foam for other application areas.

Replacing production waste by **end-of-life** material is an important target to achieve resource efficiency. New chemical and mechanical recycling processes will allow us to reuse materials, paving the way for new value-added applications. We are proud to participate in and be the project leader of the PUReSmart project funded by the European Union's Horizon 2020 Innovation and Research programme to develop a complete circular product life cycle and turn polyurethane into a truly sustainable material.

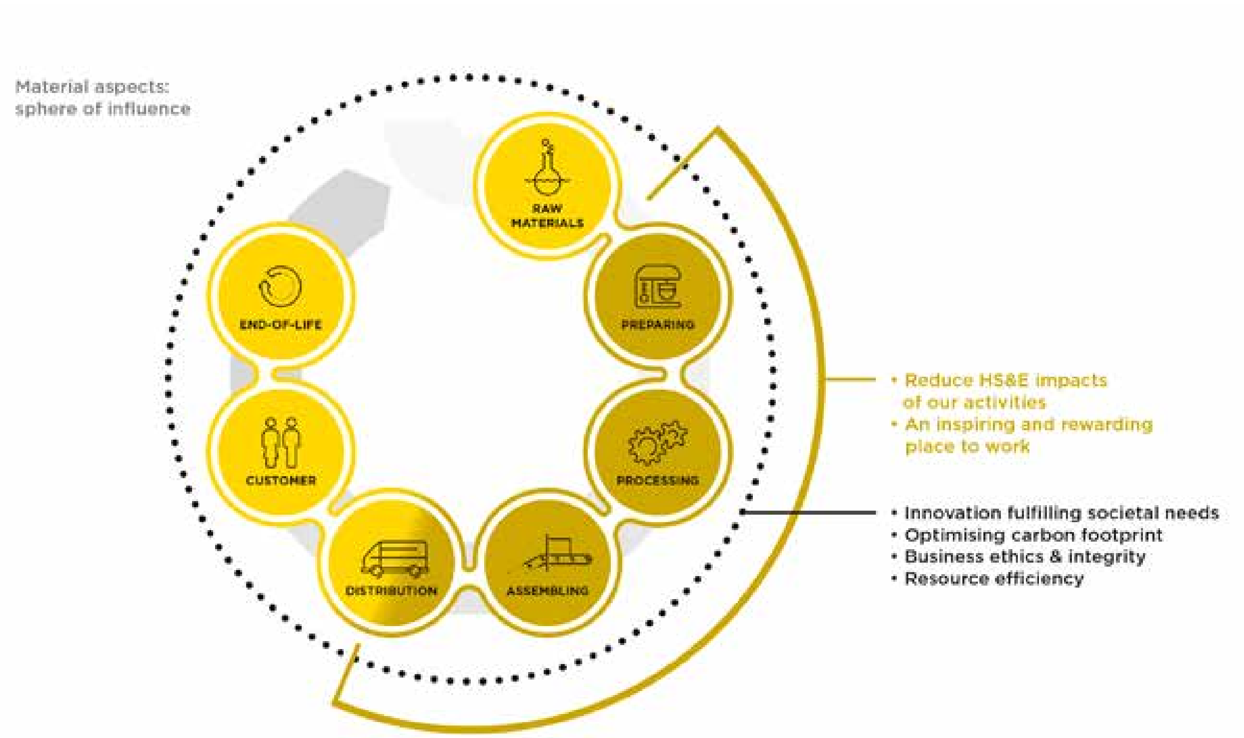
II.3.2.1.3. Focus on people and sustainable innovation – six important material aspects

Innovation and people are key in achieving our ambitions. Our business lines will create more shared value through innovation focused on societal needs and aligned with stakeholder expectation.

The parties that invest in and impact our activities to the greatest degree comprise customers (including consumers), employees, and the Board of Directors, authorities, financial analysts and suppliers.

Working closely with them, we defined the **six most important material aspects** for Recticel with the potential to turn sustainability into a keener competitive edge. These aspects form the basis of our Sustainable Innovation plan and People Priority plan.

All aspects linked to innovation have been brought together in the **sustainable innovation plan**, focusing innovative efforts on meeting the needs of society, optimizing the carbon footprint throughout the value chain and the efficient use of resources. New societal needs and the transition towards a circular economy bring with them opportunities to differentiate ourselves and create shared value. We have to seize these opportunities and further explore the possibilities for reuse and recycling our products at end-of-life stage while intensifying our focus on production waste reduction.



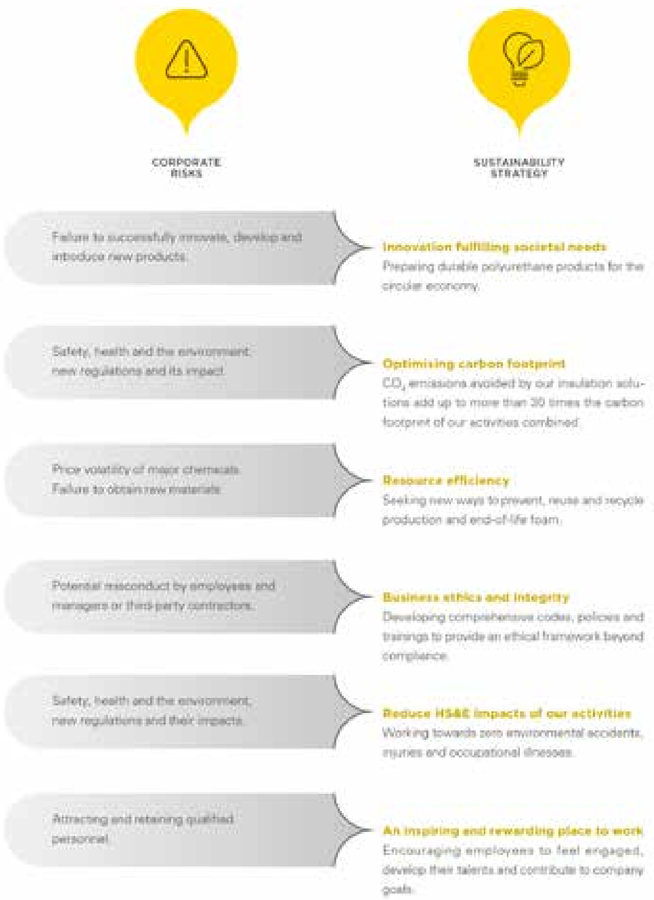
Sustainability is considered **along our entire value chain,** from raw material sourcing to product manufacturing, consumption and end-of-life. We take responsibility for our own activities and for those within our sphere of influence, upstream as well as downstream.

Recticel supports the Sustainable Development Goals (SDG) launched in 2015 by the United Nations. This universal set of targets and indicators is designed to help countries and end poverty, protect the planet and ensure global prosperity as part of a new sustainable development agenda. By upholding recognized standards and principles on human rights, labour, the environment and anti-corruption, business makes an essential contribution to the SDGs.

Recticel has identified five SDGs that are most impactful, relevant and strategically embedded in our company's sustainability strategy: Good Health and Well-Being, Decent Work and Economic Growth, Responsible Consumption and Production, Climate Action and Partnerships for the Goals.

II.3.2.1.4. Risk management

Since the beginning of our sustainability journey, we see sustainability as an opportunity to create shared value for the company and society. Our sustainability journey is closely interwoven with the Recticel Group risk management system, which enables Recticel to identify, manage and mitigate the main issues that could impact our business. Assisted by the Audit Committee, the Board of Directors defines the Group's major risks. Placing sustainability at the centre of Recticel's strategy takes these risks into account, and avoids or minimizes any adverse effects of potential risk on the company. This is how we maintain our competitive edge and generate value for our stakeholders.



II.3.2.2. Recticel targets & results

For the six material aspects described hereabove, Recticel defined different targets to be met. These targets are measured through key performance indicators (KPI).

II.3.2.2.1. Targets related to the environment

II.3.2.2.1.1. Innovation fulfilling societal needs

Target: 80% of active Research and Development projects classified as sustainable by 2020 according to the Sustainability Index.

KPI: Sustainability Index (scope: innovation pipeline Sustainable Innovation Department (hereinafter "SID"))

Result 2018: 66%

The result is completely in line with the strategic decision to embed sustainability in the innovation process. Almost all new SID projects have higher sustainability content. We still expect to fulfil the target by 2020.

Background

Our continued growth depends on our ability to respond to complex and dynamic societal needs. This is why we strive to develop innovative solutions that maximize resource efficiency, reduce carbon emissions and support sustainable, healthy lifestyles. Sustainability is at the core of Recticel's strategy, and sustainable innovation programmes, led by our Sustainable Innovation Department (SID), shape our company's future.

Sustainability index

In 2014, Recticel developed its own methodology to score all research and development projects, spearheaded by the Sustainable Innovation Department. The resulting Sustainability Index, now in its 2nd generation, is a way to measure, track and compare the sustainability performance of active Research and Development projects. It comprises criteria linked to Planet and People aspects. Projects are scored by the Programme Innovation Manager, Corporate Sustainability Innovation Manager and corporate sustainability experts.

In the **Planet** aspect, criteria such as carbon footprint, reduced by saving resources, recycling and reusing end-of-life materials, are considered. The **People** aspect concerns criteria for social responsibility, such as health, safety and environment (HS&E) as well as social impact.

Each development is rescored on an annual basis or when the project enters a new phase, with scorings reviewed when significant changes are made to a project's scope, or when important new research data have become available. People or Planet criteria can be rescored either in a positive or negative way depending on new insights or developments on the market or the product.

II.3.2.2.1.2. Optimising carbon footprint

Target 1: Reduce Recticel Carbon Footprint Indicator by 25% in 2020 and by 40% in 2030.

KPI: Recticel Carbon Footprint Indicator expressed in tonnes of CO_2 equivalent compared to the 100% activity level in 2013 (scope: production sites). The method of calculation is derived from the Cradle to Grave method.

Result 2018: 83%
There have been no fundamental changes over the last two years in footprint reduction. The impact of the new CO_2 polyol is still limited, as products have only been recently introduced to the market. We are committed to our target.

Target 2: Increase Net Recticel Impact Ratio from 20 in 2013 to 30 by 2020 and 50 in 2030.

KPI: Net Recticel Impact Ratio (whole value chain) defined as ratio of the Recticel Positive Impact to the Recticel Carbon Footprint. The Recticel Positive Impact is expressed in tonnes of avoided CO_2 equivalent in use phase (using appropriate method of calculation per type of product and using appropriate conversion factors calculated by a third party).

Result 2018: 37.
The weight of the Insulation business in the Recticel portfolio has increased slightly, leading to a somewhat higher positive impact.

Background
The aim of the 2015 United Nations COP 21 Paris Agreement is to limit the increase of the global temperature above pre-industrial as much as possible. Recticel contributes to this aim by optimizing its carbon footprint throughout the value chain, alongside its partners.

We focus on introducing raw materials with lower GWP (global warming potential) values, improving the energy efficiency of our activities, and developing more sustainable products and end-of-life solutions that support a circular economy.

We estimate that, in 2018, **the CO_2 emissions avoided by our insulation solutions total over 30 times** our carbon impact throughout the value chain, making the growth of this business a priority. Our lightweight car components reduce vehicle weight, lowering their fuel consumption and carbon emissions.

To optimize our carbon footprint, we want to reduce our negative impact and increase our positive impact in a significant way. In line with these goals, we focus on areas in our value chain where the biggest progress in carbon footprint reduction can be made: **upstream (raw materials) and downstream (usage and end-of-life phases).**

Together with our suppliers, we explore innovative solutions and investigate more sustainable raw materials such as a CO_2 polyol. Polyols and isocyanates are fossil fuel-derived raw materials used to make polyurethane. The production of these chemicals is energy-intensive. Thus, our suppliers strive to optimize energy efficiency and find alternatives to fossil fuels. Covestro developed revolutionary new polyol that replaces 20% in weight with a by-product of the CO_2 captured from a nearby facility. Recticel supported this innovative development from the beginning and was the first worldwide to implement it for the production of flexible foam used in mattresses.

Together with industry peers and knowledge institutes we investigate the impacts of closing the materials loop. Polyurethane is a thermoset material characterized by high durability and cannot be melted or reformed at the end of it use phase. Our products contain materials that can be reused or recycled for other value-added purposes. The goal of these research projects is to find economically viable solutions for waste streams that also benefit the environment.

II.3.2.2.1.3. Resource efficiency

Target: 100% increase of recycled foam produced by Recticel by 2020 compared to 2015. The increase is possible if flexible foam production waste is gradually replaced by post-consumer waste.

KPI: Tonnes of recycled flexible foam produced by Recticel.

Result 2018: -27% (vis-à-vis the 2015 basis).

Background
Recticel's market for traditional bonded foam has decreased in size. We now focus on the development of fiber-bonded foam, but a significant breakthrough can only be achieved by 2020 in combination with the use of end-of-life (EOL) foam. Although we see a negative evolution in the short term, we maintain our 2020 target while taking potential delay into account.

Recticel supports the transition from the linear 'take, make, dispose' economic model to a circular economy by seeking new ways to prevent, reuse and recycle production and end-of-life waste while minimizing demand for constrained natural resources.

Our expertise lies predominantly in polyurethane applications for durable (consumer) goods such as insulation panels (50-year lifespan), mattresses (10-year lifespan), car dashboards and highly specialized technological applications with attributes such as silencing, sealing or carrying.

Our Research and Development efforts and Corporate Sustainability Programme aim to reduce waste and enable production of end-of-life foam to be recycled in value-added new solutions.

Before we introduce end-of-life material, the implications from economic, environmental and legislative perspective must be carefully considered.

New mechanical recycling solutions
For many years, Recticel has used the production waste of polyurethane as a raw material to make bonded foam. This recycled foam is supplied to customers who utilize it in flooring, upholstery and technical applications.

In the traditional process of recycling flexible foams, foam flakes are coated with isocyanate, pressed into a block, infused with steam and then dried in an energy-intensive process.

In the new fiber-bonded foam process, foam flakes are mixed with fibers and melted in a continuous process that does not require drying. We introduced a first application based on this new technology, an acoustic thermal insulation panel and continue to explore new applications.

II.3.2.2.2. Targets related to social matters and personnel

II.3.2.2.2.1. Reduce HS&E impacts of our activities

Target: Frequency work accidents = < 3 by 2020 (number of accidents x 1,000,000 / number of hours performed).

KPI: Frequency work accidents represents the average on Group level for all our plants and offices.

Result 2018: 5,8

Background
Despite the fact that we are not yet on target, important headway has been made at Group level to increase awareness. Even more, systems have been put in place to improve the quality of risk analysis with the goal of preventing work accidents. We are confident that these multiple actions will lead to further reduction of accident frequency in the years to come. We maintain our 2020 target even if it is challenging.

Our ultimate goal is to be incident-free. We work relentlessly to eliminate the possibility of and/or potential for work-related incidents, emissions, production leaks, fires and near-misses. The Recticel Corporate Health, Safety & Environment Policy defines strategic objectives to **minimize risks for people and the planet.** Through risk assessments, mitigation initiatives and process improvements, we aim to make Recticel a safe place to work and to visit.

The Recticel Corporate HS&E Policy defines strategic objectives to **minimize all HS&E risks and environmental impacts inherent to the company's activities and products.** This is above and beyond our basic obligation to comply with all applicable health, safety and environmental regulations.

We perform root cause analyses and implement corrective and preventive actions on critical operations. Recticel foaming sites adhere to strict regulations (such as SEVESO and/or COMAH), and several plants have certified health & safety and/or environmental management systems (OHSAS 18001 and/or ISO 14001-certified). Recticel is an active member of national and European professional associations such as EUROPUR, PU Europe, Essenscia and Federplast.

The Group HS&E Manual provides guidance for the implementation of the HS&E Policy. Recticel recognizes the need for personal initiative, professional and safe behaviour, safety awareness and respect for each other and the environment to implement the HS&E policy. QHS&E managers in our business lines drive and support the change in safety culture by developing operational standards, improving working environments, raising awareness and training personnel.

Management commitment to HS&E is reinforced by our **Corporate HS&E and Sustainability Steering Committee** (CHSSC) spearheaded by our CEO. It defines Group strategies and policies regarding HS&E and sustainability, advises and assists the business lines with their implementation and follows up on progress. By sharing knowledge and unifying HS&E practices, such as standardized root cause analysis, and HS&E rules company-wide, we seek to make our processes more efficient.

In 2018, we selected an integrated Group HS&E reporting tool to support alignment, improve follow-up and reporting, underpin best practices and facilitate the monitoring of changing regulations. The pilot project will take place the course in 2019.

II.3.2.2.2.2. An inspiring and rewarding place to work

Target : Add two new countries each year where the engagement survey is rolled out

KPI: The number of countries in which engagement surveys are conducted among blue and white collars.

Result 2018: Sweden and Norway
We are on track and we will move forward with the defined programme of adding two new countries every year.

Background
Recticel's skilled and creative employees enable us to excel and achieve our sustainable growth ambitions. Success comes from being able to attract, motivate and retain a talented pool of workers. We seek to offer all our employees a stimulating and rewarding place to work, a place where they feel engaged, contribute to company goals, and where their talents can develop. We foster a collaborative and result-driven culture based on cooperation, respect, integrity and accountability. We encourage colleagues, customers and partners to innovate together to deliver winning solutions. Our human resources strategy aims to ensure the availability, engagement, motivation and continuous development of our employees.

Recticel introduced an engagement survey to gain insight in the satisfaction, loyalty, engagement and motivation of our employees. It is progressively rolled out at a rate of two new countries each year.

Recticel strives to create a community where everyone is included and respected, bringing people together for a better world. We believe that a diverse team improves the quality of decision making, and ultimately improves overall performance.

Recticel has currently not established a formal specific diversity policy but is an equal employer in all aspects of recruitment and selection, and is committed to a fair and consistent approach to recruitment and selection. Recticel works actively to develop a positive employer image amongst the internal and external stakeholders. Recticel wants to hire all candidates irrespective of age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation or hours of work.

Recticel also wants to offer learning opportunities to all employees irrespective of age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation or hours of work.

Recticel is an equal opportunity employer who offers men and women the same opportunities to develop their talents, build a career and balance work-life by offering the opportunity to work fulltime or parttime at every stage of this career[2].

[2] See also information with respect to diversity in section 10 of the Corporate Governance Declaration

Currently one woman is represented in the Management Committee. Furthermore, one third of the members of the Board of Directors is a woman, in accordance with article 518bis of the Companies Code.

The selection process of the members of the Board of Directors is described in the Corporate Governance Charter of Recticel, with the aim to come to a composition that is diverse in all its aspects, both at the level of gender, background, professional experience, competence and education.

II.3.2.2.3. Targets related to ethics and integrity

II.3.2.2.3.1. Business ethics and integrity

Target: Increase the number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed by 5% per year (cumulative) compared to 460 in 2015.

KPI: Number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed.

Result 2018: 4,631.

Background
The number of training courses attended has increased in a spectacular way through the introduction of two new e-learning courses that are compulsory for all Recticel office employees. (For *Data Protection and Ethics Policy*, the status 'completed' is only achieved if the office employee obtains a test result of minimum 80% at the end of the module).

Acting with respect and integrity is one of our core values. Respectful behaviour acknowledges the worth, dignity and uniqueness of others. We have created **codes and policies** to ensure we do business honestly, respectfully, and in full compliance with international rules and regulations.

A clear set of **values** and respectful behaviours unites our organisation. Redefined in 2016, our values align our actions and attitudes towards internal and external stakeholders. Behaviours associated with the five key values give direction to our employees and stakeholders.

Recticel highly values the importance of **legal training**, especially for those target groups who, due to the nature of their professional activities, are at a higher risk of being exposed to noncompliant situations, bribery or corruption. Our Corporate Legal Team regularly provides face-to-face training sessions and subject specific e-learning modules.

In 2018, we introduced two new compulsory legal e-learnings for all office employees on data protection and ethics policy.

Ethics and compliance as part of our DNA
Corporate compliance is embedded in all our policies. We have developed guidelines for awareness creation, templates for reporting compliance issues, whistleblowing procedures and speak-up communication channels that enable employees to address issues in a variety of ways.

Recticel is aware of corporate risks, and we apply due diligence to both our own operations and supply chain. Where specific risks or exposure to noncompliant situations, bribery or corruption have been identified, policies are implemented that provide guidelines on how to avoid or mitigate them.

II.3.2.2.4. Targets related to human rights

Regarding the respect of human rights, Recticel has, as a precautionary measure, taken over the obligation in its purchasing conditions that its suppliers do business in an ethical, correct, transparent, trustworthy and social responsible way and that they guarantee that nor their personnel or subcontractors are involved in discrimination, violation of human rights, corruption, violation of antitrust laws, child labor, forced labor, slavery or other unacceptable labor working conditions or terms. In this framework, the suppliers need to comply strictly with the 'Recticel Supplier Sustainability Requirements (RSSR)'. At first request of Recticel the suppliers need to be able to demonstrate that they respect this RSSR.

Nowadays, Recticel has not yet drafted a specific charter with respect to human rights, nor are there specific KPI's that are applied. This is related to the fact that the activities of the group are situated mainly in Europe. Such indicator is therefore less relevant for the activities of the Company.

II.3.3. Summary

The table below provided a summary of Recticel's sustainability strategy regarding its six material aspects, the seven KPIs and targets.

SUMMARY TABLE

RECTICEL'S MATERIAL TOPICS AND RELATED KPIs

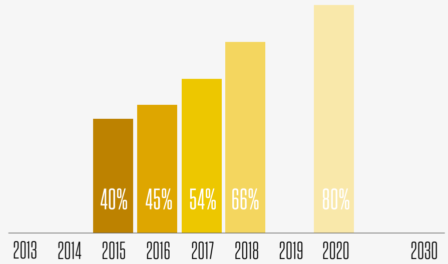
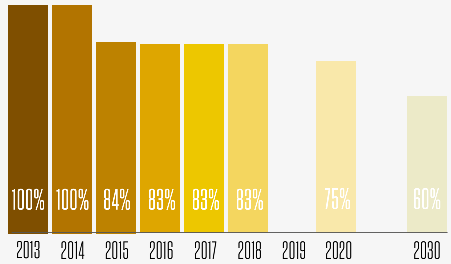
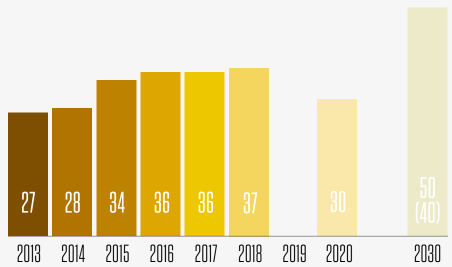
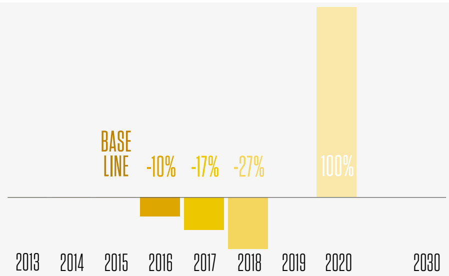
(table subject to PwC limited assurance)(*)

MATERIAL ASPECT	KPI	2016	2017	2018
INNOVATION FULFILLING SOCIETAL NEEDS	Sustainability Index (Percentage of active R&D projects classified as sustainable)	45%	54%	66%
OPTIMISING CARBON FOOTPRINT	Recticel carbon footprint (tonnes of CO_2e)	1.082.707 tonnes	1.090.548 tonnes	998.407 tonnes
	Positive impact Recticel expressed in tonnes of avoided CO_2e in use phase	38.767.116 tonnes	39.391.355 tonnes	36.898.355 tonnes
RESOURCE EFFICIENCY	Tonnes of recycled flexible foam produced by Recticel	5.567	5.129	4.534
BUSINESS ETHICS AND INTEGRITY	Number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed	425	526	4.631
REDUCING HS&E IMPACTS OF OUR ACTIVITIES	Work accident frequency rate	5,8	6	5,8
INSPIRING & REWARDING PLACE TO WORK	The number of countries in which engagement surveys are conducted among blue and white collars	3 countries	2 countries	2 countries

(*) The Independent Limited Assurance report by PwC covering 2018 can be found as an annex to the Non-Financial Information Statement of Recticel.

SUSTAINABILITY STRATEGY SUMMARY

SUSTAINABLE INNOVATION PLAN

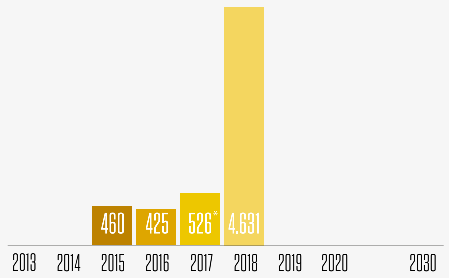
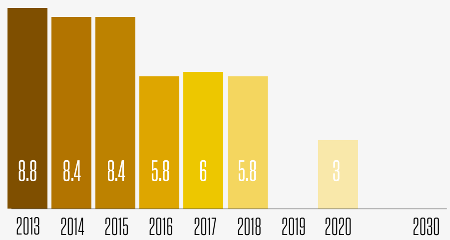
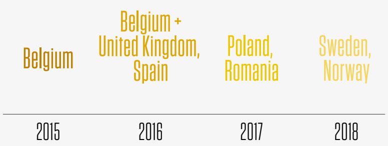
MATERIAL ASPECT	KPI	TARGET	
INNOVATION FULFILLING SOCIETAL NEEDS	Sustainability index (scope: innovation pipeline Sustainable Innovation Department)	80% of active R&D projects classified as sustainable by 2020 according to the Sustainability Index.	
OPTIMISING CARBON FOOTPRINT	Recticel Carbon footprint indicator expressed in tonnes of CO_2 equivalent compared to the 100% activity level in 2013. (scope: production sites) The method of calculation is derived from the Cradle to Grave method.	Reduce Recticel Carbon Footprint Indicator by 25% in 2020 and by 40% in 2030.	
	Net Recticel Impact Ratio (whole value chain) defined as ratio of the Recticel Positive Impact to the Recticel Carbon Footprint. The Recticel Positive Impact is expressed in tonnes of avoided CO_2 equivalent in use phase . (using appropriate method of calculation per type of product and using appropriate conversion factors calculated by a third party)	Increase Net Recticel Impact Ratio from 20* in 2013 to 30 by 2020 and 50 (40) by 2030. We have reached our 2020 target three years early and have amended our 2030 target to 50. * We have reviewed our method of calculation. The original results over 2013, 2014, 2015 were 20, 20, 26	
RESOURCE EFFICIENCY	Tonnes of recycled flexible foam produced by Recticel.	100% increase by 2020 compared to 2015. The increase is possible if flexible foam production waste is gradually replaced by post-consumer waste.	

SUSTAINABLE INNOVATION PLAN

COMMENTS	EVOLUTIONS
This result is completely in line with the strategic decision to embed sustainability in the innovation process. Almost all new SID projects have higher sustainability content. We still expect to fulfil the target by 2020.	In 2018, important EU Horizon 2020 Innovation and Research funding was granted to investigate ways of transitioning from the current linear lifecycle of polyurethane (PU) products to a circular economy model. The PUReSmart project coordinated by Recticel will start up in 2019 (see press release https://www.recticel.com/recticel-coordinates-horizon-2020-puresmart-project.html).
There have been no fundamental changes over the last two years in footprint reduction. The impact of the new CO_2 polyol is still limited, as products have only been recently introduced to the market. We are committed to our target.	In order to reach the 2020 target, a significant breakthrough in recycling end-of-life foam is imperative. Strategic decisions have been taken, but there are still some technical and legal hurdles to be cleared.
The weight of the Insulation business in the Recticel portfolio has increased slightly, leading to a somewhat higher positive impact.	In 2018, a new Insulation plant in Finland started production to serve the demand for high-performance thermal insulation materials in the Nordic region (Finland, Norway, Sweden, Denmark and the Baltic countries). In 2019, even higher volumes are expected.
Recticel's market for traditional bonded foam has decreased in size. We now focus on the development of fiber-bonded foam, but a significant breakthrough can only be achieved by 2020 in combination with the use of end-of-life (EOL) foam. Although we see a negative evolution in the short term, we maintain our 2020 target while taking potential delay into account.	We will focus further on the development of new products based on end-of-life (EOL) foam from collected mattresses in collaboration with Eco-Mobilier France. At the same time, it is also important to eliminate all technical and legal constraints hindering the use of EOL foam.

RECTICEL The passion for comfort

PEOPLE PRIORITY PLAN

MATERIAL ASPECT	KPI	TARGET	
BUSINESS ETHICS AND INTEGRITY	Number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed.	Increase the number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed by 5% per year (cumulative) compared to 460 in 2015.	
REDUCE HS&E IMPACT OF OUR ACTIVITIES	Frequency work accidents represents the average on Group level for all our plants and offices.	Frequency = < 3 by 2020 $$\frac{\text{number of accidents x 1,000,000}}{\text{number of hours performed}}$$	
AN INSPIRING AND REWARDING PLACE TO WORK	The number of countries in which engagement surveys are conducted among blue and white collars.	Two new countries each year.	

* The figures have slightly increased due to a restatement

PEOPLE PRIORITY PLAN

COMMENTS	EVOLUTIONS
The number of training courses attended has increased in a spectacular way through our introduction of two new e-learning courses[1] that are compulsory for all Recticel office employees.	We will reconsider our KPI and target for 2020, as we have surpassed our goal of a 5% increase per year (cumulative).
Despite the fact that we are not yet on target, important headway has been made at Group level to increase awareness. Even more, systems have been put in place to improve the quality of risk analysis with the goal of preventing work accidents. We are confident that these multiple actions will lead to the further reduction of accident frequency in the years to come. We maintain our 2020 target even if it is challenging.	We have harmonised reporting standards across the Group, and selected integrated HS&E software for a pilot project to take place in 2019. In addition, we rolled out a common set of 'Golden Safety Principles and Rules' during our first participation in the 2018 ILO World Day for Health and Safety at Work initiative.
We are on track and we will move forward with the defined programme of adding two new countries every year.	Analysis of our results in Norway and Sweden is ongoing. Clear action plans will be developed and key focal points for each country will be identified. In 2019, engagement surveys will be repeated in Belgium, the UK and Spain. France and the Netherlands will be added.

[1] For 'Data Protection' and 'Ethics Policy' the status 'completed' is only achieved if the office employee obtains a test result of minimum 80% at the end of the module.

RECTICEL The passion for comfort

II.3.4. Independent limited assurance on non-financial information statement

pwc

INDEPENDENT LIMITED ASSURANCE REPORT ON SELECTED SUSTAINABILITY INDICATORS OF THE NON-FINANCIAL INFORMATION STATEMENT 2018 OF RECTICEL SA AND ITS SUBSIDIARIES

This report has been prepared in accordance with the terms of our engagement contract dated 30 September 2018, whereby we have been engaged to issue an independent limited assurance report in connection with selected sustainability indicators in the non-financial information statement 2018 of Recticel SA as included in the Annual Report of Recticel SA and its subsidiaries (the "Report").

Responsibility of Board of Directors

The Board of Directors of the Recticel SA ("the Company") is responsible for the preparation of the selected sustainability indicators presented in the Summary table "Recticel's material topics and related KPI's" as included in the non-financial information statement 2018 of the Annual Report of Recticel and its subsidiaries ("the Subject Matter Information"), in accordance with the criteria disclosed in the Report.

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Board of Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained. We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether nothing has come to our attention that causes us to believe that the Subject Matter Information is not fairly stated, in all material respects, based on the Criteria.

The objective of a limited-assurance engagement is to perform the procedures we consider necessary to provide us with sufficient appropriate evidence to support the expression of a conclusion in the negative form on the Subject Matter Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

PwC Bedrijfsrevisoren cvba - PwC Reviseurs d'Entreprises scrl - Financial Assurance Services
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The selection of such procedures depends on our professional judgment, including the assessment of the risks of management's assertion being materially misstated. The scope of our work comprised the following procedures:

- assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information as of and for the year ended 31 December 2018 presented in the Report;
- conducting interviews with responsible officers;
- inspecting internal and external documents.

We have evaluated the Subject Matter Information against the Criteria. The accuracy and completeness of the Subject Matter Information are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information. Our Limited Assurance Report should therefore be read in connection with the Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our audit firm applies International Standard on Quality Control (ISQC) n° 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures performed, as described in this Independent Limited Assurance Report, and the evidence obtained, nothing has come to our attention that causes us to believe that the selected sustainability indicators presented in the Summary table "Recticel's material topics and related KPI's" for the year ended 31 December 2018, as included in the non-financial information statement of the 2018 Annual Report of Recticel and its subsidiaries, are not fairly stated, in all material respects, in accordance with the Criteria.

Restriction on Use and Distribution of our Report

Our assurance report has been made in accordance with the terms of our engagement contract. Our report is intended solely for the use of the members of board of directors of the Company, in connection with their Report as of and for the year ended 31 December 2018 and should not be used for any other purpose. We do not accept, or assume responsibility to anyone else for this report or for the conclusions that we have reached.

Sint-Stevens-Woluwe, 26 April 2019

PwC Bedrijfsrevisoren cvba
Represented by

Marc Daelman*
Registered auditor

*Marc Daelman BVBA
Board Member, represented by its fixed representative, Marc Daelman

II.4. Financial

report

II.4. Financial report

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a These sections are an integral part of the Report by the Board of Directors, and comprise the information as required by the Belgian Company Code for the annual consolidated financial statements.

a These sections are an integral part of the Report by the Board of Directors, and comprise the information as required by the Belgian Company Code for the annual consolidated financial statements.

II.4.1. Consolidated financial statements

The consolidated financial statements have been authorised for issue by the Board of Directors on 26 April 2019. They have been prepared in accordance with IFRS accounting policies, details of which are given below.

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. In accordance with the selected transition methods, comparative information is not restated.

II.4.1.1. Consolidated income statement

in thousand EUR

Group Recticel	NOTES*	2018	2017
Sales	**II.4.2.3.**	**1 117 652**	**1 135 353**
Distribution costs		(59 973)	(61 952)
Cost of sales		(856 056)	(889 866)
Gross profit	**II.4.2.4.1.**	**201 623**	**183 535**
General and administrative expenses	II.4.2.4.2.	(70 562)	(78 426)
Sales and marketing expenses	II.4.2.4.2.	(72 593)	(69 537)
Research and development expenses	II.4.2.4.2.	(11 042)	(13 724)
Impairment of goodwill	II.4.2.3.	(1 000)	0
Impairments of intangible and tangible assets	II.4.2.3.	(4 819)	(7 009)
Other operating revenues (1)		*17 900*	*55 976*
Other operating expenses (2)		*(26 730)*	*(28 344)*
Total other operating revenues/(expenses) (1) + (2)	II.4.2.4.3.	(8 830)	27 632
Income from joint ventures and associates	II.4.2.5.5.	10 170	2 390
EBIT	**II.4.2.4.4.**	**42 947**	**44 861**
Interest income		606	615
Interest expenses		(3 234)	(7 075)
Other financial income		3 602	12 585
Other financial expenses		(4 860)	(10 867)
Financial result	**II.4.2.4.5.**	**(3 886)**	**(4 742)**
Result of the period before taxes		**39 061**	**40 119**
Current income taxes	II.4.2.4.6.	(3 254)	(5 986)
Deferred taxes	II.4.2.4.6.	(6 958)	(10 220)
Result of the period after taxes		**28 849**	**23 913**
of which non-controlling interests		0	0
of which share of the Group		28 849	23 913

* The accompanying notes are an integral part of this income statement.

II.4.1.2. Earnings per share

in EUR

Group Recticel	NOTES *	2018	2017
Basic earnings per share	II.4.2.4.8.	0.53	0.44
Diluted earnings per share	II.4.2.4.9.	0.52	0.43

The basic earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period.

The diluted earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period, increased for the warrants in-the-money.

II.4.1.3. Consolidated statement of comprehensive income

in thousand EUR

Group Recticel	2018	2017
Result for the period after taxes	**28 849**	**23 913**
Other comprehensive income		
Items that will not subsequently be recycled to profit and loss		
Actuarial gains and losses on employee benefits	4 529	(4 082)
Deferred taxes on actuarial gains and losses on employee benefits	(502)	(738)
Currency translation differences	(19)	291
Joint ventures and associates	449	(383)
Total	**4 457**	**(4 912)**
Items that subsequently may be recycled to profit and loss		
Fair value gains/(losses) arising in hedging instruments during the period	303	2 212
Less: Cumulative (gains)/losses arising on hedging instruments reclassified to profit or loss	362	0
Hedging reserves	665	2 212
Currency translation differences	(1 822)	(6 509)
Deferred taxes on interest hedging reserves	(117)	(781)
Deferred taxes on retained earnings	0	1 225
Joint ventures and associates	(806)	1 154
Total	**(2 080)**	**(2 699)**
Other comprehensive income net of tax	**2 377**	**(7 611)**
Total comprehensive income for the period	**31 226**	**16 302**
Total comprehensive income for the period	**31 226**	**16 302**
of which attributable to non-controlling interests	0	0
of which attributable to the owners of the parent	31 226	16 302

For more details of other comprehensive income from Interests in Joint Ventures and Associates, see II.4.2.5.5.

II.4.1.4. Consolidated statement of financial position

in thousand EUR

Group Recticel	NOTES *	31 DEC 2018	31 DEC 2017
Intangible assets	II.4.2.5.1.	12 045	12 323
Goodwill		23 354	24 169
Property, plant & equipment	II.4.2.5.2-3.	232 541	226 783
Investment property		3 289	3 331
Interests in joint ventures and associates	II.4.2.5.4-5.	68 631	76 241
Other financial investments		791	667
Non-current receivables	II.4.2.5.6.	15 655	14 804
Other non-current contract assets [(a)]	II.4.2.5.8.	15 326	0
Deferred taxes	II.4.2.4.6.	20 468	26 241
Non-current assets		**392 099**	**384 559**
Inventories	II.4.2.5.7.	103 789	99 408
Trade receivables	II.4.2.5.9.	107 680	110 935
Other current contract assets [(a)]	II.4.2.5.8.	13 782	0
Other receivables and other financial assets	II.4.2.5.9.	55 226	73 373
Income tax receivables		5 587	1 350
Other investments		138	123
Cash and cash equivalents [(b)]	II.4.2.5.10.	39 554	57 844
Assets held for sale	II.4.2.5.11.	19 201	2 570
Current assets		**344 958**	**345 603**
TOTAL ASSETS		**737 057**	**730 162**

* The accompanying notes are an integral part of this statement of financial position.

in thousand EUR

Group Recticel	NOTES *	31 DEC 2018	31 DEC 2017
Share capital	II.4.2.5.12.	138 068	136 941
Share premium account	II.4.2.5.13.	129 941	127 982
Share capital		**268 009**	**264 923**
Treasury shares		(1 450)	(1 450)
Other reserves		(19 214)	(22 633)
Retained earnings		39 636	40 868
Hedging and translation reserves		(22 003)	(19 922)
Total equity		**264 978**	**261 786**
Pensions and similar obligations	II.4.2.5.14.	48 055	54 295
Provisions	II.4.2.5.15.	14 318	14 266
Deferred taxes	II.4.2.4.6.	9 650	9 113
Financial liabilities	*II.4.2.5.16.*	34 706	96 080
Non-current contract liabilities [(a)]	II.4.2.5.8.	24 096	0
Other amounts payable		202	230
Non-current liabilities [(1)]		**131 027**	**173 984**
Pensions and similar obligations	II.4.2.5.14.	4 720	3 978
Provisions	II.4.2.5.15.	2 573	1 155
Financial liabilities	II.4.2.5.16.	90 021	48 988
Trade payables	II.4.2.5.18.	90 756	126 584
Current contract liabilities (a)	*II.4.2.5.8.*	44 964	0
Income tax payables		3 061	2 411
Other amounts payable	II.4.2.5.18.	104 957	111 276
Current liabilities [(2)]		**341 052**	**294 392**
Total liabilities [(1)+(2)]		**472 079**	**468 376**
TOTAL EQUITY AND LIABILITIES		**737 057**	**730 162**

[(a)] The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. In accordance with the selected transition methods, comparative information is not restated.
[(b)] Unlike the presentation made in the press release of 28 February 2019, the reclassification of the bank overdrafts repayable on demand has only been applied on the the cash flow statement and not to the statement of financial position.

* The accompanying notes are an integral part of this statement of financial position.

II.4.1.5. Consolidated cash flow statement

in thousand EUR

Group Recticel	NOTES *	2018	2017
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	II.4.2.4.4.	**42 947**	**44 861**
Amortisation of intangible assets	II.4.2.5.1.	2 629	2 785
Depreciation of tangible assets	II.4.2.5.2.	27 368	26 578
Amortisation of deferred long term and upfront payment	II.4.2.4.4.	1 637	1 569
Impairment goodwill	II.4.2.3.1.	1 000	0
Impairment losses on tangible assets	II.4.2.5.2.	4 819	7 009
Write-offs/(write-backs) on assets		508	6 489
Changes in provisions		(2)	(484)
(Gains) / Losses on disposals of assets		(671)	(853)
Income from joint ventures and associates		(10 170)	(2 390)
GROSS OPERATING CASH FLOW BEFORE WORKING CAPITAL MOVEMENTS		**70 065**	**85 563**
Inventories		*(1 314)*	*(11 827)*
Contract assets		*8 782*	*0*
Trade receivables		*11 781*	*(3 921)*
Other receivables		*11 313*	*(9 601)*
Trade payables		*(29 923)*	*14 892*
Contract liabilities		*(6 112)*	*0*
Other payables		*1 333*	*7 514* [1]
Changes in working capital		**(4 138)**	**(2 943)**
Trade and other long term debts and debt maturing <1 year		(11)	(5) [1]
Tax credit (non-current) receivables		(2 548)	(1 293) [1]
Income taxes paid		(5 996)	(5 749)
NET CASH FLOW FROM OPERATING ACTIVITIES (a)		**57 372**	**75 573**
Interests received		284	1 026
Dividends received		5 500	8 800
Investments and subscription capital increase		(125)	0
Increase of loans and receivables		(123)	(501)
Decrease of loans and receivables		2 748	1 203
Investments in intangible assets	II.4.2.5.1.	(3 205)	(3 124)
Investments in property, plant and equipment	II.4.2.5.2.	(45 873)	(61 061)
Investment in associates		(2 040)	0
Disposals of intangible assets	II.4.2.5.1.	110	107
Disposals of property, plant and equipment	II.4.2.5.2.	453	12 746
(Increase) / Decrease of investments available for sale		(15)	(16)
NET CASH FLOW FROM INVESTMENT ACTIVITIES (b)		**(42 287)**	**(40 820)**
Interests paid on financial debt [1]		(4 700)	(6 913)
Interests paid on lease debt [1]		(163)	(179)
Dividends paid		(12 023)	(9 683)
Increase of capital		3 086	3 695
Increase of financial debt		55 690	34 372
Increase of lease debt		0	9 524
Decrease of financial debt		(75 722)	(44 108)
Decrease of lease debt		(1 843)	(2 079)
NET CASH FLOW FROM FINANCING ACTIVITIES (c)		**(35 676)**	**(15 369)**
Effect of exchange rate changes (d)		480	1 280
Effect of changes in scope of consolidation and of foreign currency translation reserves recycled (e)		0	5
CHANGES IN CASH AND CASH EQUIVALENTS (a)+(b)+(c)+(d)+(e)		**(20 111)**	**20 669**
Net cash position opening balance		57 844	37 174
Net cash position closing balance		37 733	57 844
CHANGES IN CASH AND CASH EQUIVALENTS		**(20 111)**	**20 669**
NET FREE CASH FLOW (a)+(b)+(1)		**10 222**	**27 662**

For the investment/disposal activities, only the cash payment and cash receipts have been reported as stipulated under IAS 7.

* The accompanying notes are an integral part of this cash flow statement.

Notes to the consolidated cash flow statement

The **gross operating cash flow before working capital movements** decreased by EUR 15.5 million, from EUR 85.6 million to EUR 70.1 million:

(i) EUR 1.9 million lower EBIT, explained by:
- lower sales volumes in all segments except Automotive which were partially compensated by higher average sales prices, negative exchange rate differences and higher average raw material costs;
- net adjustments to EBIT of EUR -16.2 million (2017: EUR -18.4)

(ii) EUR 13.6 million lower corrective non-cash items, of which:
- EUR -0.5 million for depreciation, amortisation and impairments of goodwill, intangible and tangibles assets
- EUR -6.0 million for write-offs (2017 being impacted by the fire incident in the Interiors plant in Most, Czech Republic for EUR -5.4 million)
- EUR -7.8 million relating to the higher contribution from joint ventures and associates (EUR -10.2 million versus EUR -2.4 million in 2017)
- EUR +0.5 million net for provisions for pensions, restructurings, environmental risks, legacy remediation and litigations.
- EUR +0.2 million fair value gains and losses on disposal of assets

The **net cash flow from operating activities** decreased by EUR -18.2 million from EUR +75.6 million to EUR 57.4 million; after deduction of higher net working capital needs (EUR -4.1 million) and tax elements and tax credits (EUR -8.5 million).

The main variances in working capital elements are:

(i) EUR -1.3 million from inventories
(ii) EUR +11.8 million from lower trade receivables, due to lower sales in all segments during the last quarter of the year
(iii) EUR +11.3 million from lower other receivables, mainly due to the payment of (i) a compensation received of EUR 6.4 million and (ii) the collection of VAT receivables for EUR 4.6 million.
(iv) EUR -29.9 million from lower trade payables, due to lower chemical raw material prices and lower activity levels at the end of the year
(v) EUR +1.3 million from lower other payables

The **net cash flow from investment** activities decreased from EUR -40.8 million to EUR -42.3 million, mainly due to:

(i) EUR 12.3 million lower net cash inflow from disposals of property, plant and equipment (EUR 0.4 million versus EUR 12.7 million in 2017). In 2017 the disposals included (i) a sale & lease back transaction financing the expansion of the Insulation plant in Belgium (EUR +8.8 million) and (ii) the sale of equipment in Automotive Interiors China (EUR +3.1 million).
(ii) EUR 15.2 million lower net cash outflow for investments in property, plant and equipment (EUR -45.9 million versus EUR -61.1 million in 2017)
(iii) EUR 2.0 million of investments in associates relate to a capital increase in the joint venture Proseat
(iv) EUR 0.7 million lower interests received (EUR 0.3 million versus EUR 1.0 million in 2017)
(v) EUR 3.3 million lower dividends received (EUR 5.5 million versus EUR 8.8 million in 2017)
(vi) EUR 1.9 million lower net 'other loans & receivables' which relate mainly to short-term and long-term loans to joint ventures and associated companies (EUR 2.6 million versus EUR 0.7 million in 2017).

The **cash flow from financing activities** decreased from EUR -15.4 million to EUR -35.7 million including:
- lower interest payments (from EUR -7.1 million to EUR -4.9 million in 2018)
- an increase in dividends paid (EUR -12.0 million versus EUR -9.7 million in 2017)
- a share capital increase by EUR +3.1 million following the exercise of warrants (2017: 3.7 million)
- a decrease of EUR -21.9 million in gross financial and lease debt.

At year-end the 'cash and cash equivalents' position amounted to EUR +37.7 million, a decrease of EUR -20.1 million compared to end-2017.

The **net free cash flow** resulting from (i) the net cash flow from operating activities (EUR +57.4 million) (ii) the net cash flow from investment activities (EUR -42.3 million) and (iii) the interest paid on financial and lease debt (EUR -4.9 million), amounts to EUR +10.2 million, compared to EUR +27.7 million in 2017.

Changes in interest-bearing borrowings

in thousand EUR

Group Recticel	31 DEC 2017	CASH FLOWS IN 2018	NON-CASH CHANGES						31 DEC 2018
			COST OF DEBT						
			INTERESTS ACCRUED	FAIR VALUE OF HEDGING INSTRUMENTS	ACTUALISATION	AMORTISATION OF ARRANGE-MENT FEES	TRANSFER	FOREIGN EXCHANGE MOVEMENTS	
Long term borrowings	78 002	(61 642)	0	0	0	0	840	0	17 201
Short term borrowings	44 538	41 609	852	0	0	0	(852)	713	86 861
Lease liabilities	19 855	(1 843)	0	0	132	0	0	0	18 144
Accrued interest liabilities	2 673	(4 863)	3 086	(370)	0	0	12	162	700
Total liabilities from financing activities	**145 068**	**(26 739)**	**3 938**	**(370)**	**132**	**0**	**0**	**875**	**122 905**

see note II.4.2.5.16.

II.4.1.6. Statement of changes in shareholders' equity

For the year ending 31 December 2018

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TRANSLATION DIFFERENCES AND HEDGING RESERVES	TOTAL SHAREHOLDERS' EQUITY
Balance at 31 December 2017	**136 941**	**127 982**	**(1 450)**	**(22 633)**	**40 868**	**(19 922)**	**261 786**
Effect of initial application of IFRS 15	0	0	0	0	(19 478)	0	(19 478)
Effect of initial application of IFRS 9	0	0	0	0	0	0	0
1 January 2018 Restated	**136 941**	**127 982**	**(1 450)**	**(22 633)**	**21 390**	**(19 922)**	**242 308**
Dividends	0	0	0	0	(12 019)	0	(12 019)
Stock options (IFRS 2)	0	0	0	377	0	0	377
Capital movements [1]	1 127	1 959	0	(502)	502	0	3 086
Shareholders' movements	**1 127**	**1 959**	**0**	**(125)**	**(11 517)**	**0**	**(8 556)**
Profit or loss of the period	**0**	**0**	**0**	**0**	**28 849**	**0**	**28 849**
Other comprehensive income	**0**	**0**	**0**	**3 544**	**914**	**(2 081)**	**2 377**
Balance at 31 December 2018	**138 068**	**129 941**	**(1 450)**	**(19 214)**	**39 636**	**(22 003)**	**264 978**

[1] see notes II.5.12. and II.5.13.

For the year ending 2017

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TRANSLATION DIFFERENCES AND HEDGING RESERVES	TOTAL SHAREHOLDERS' EQUITY
Balance at 31 December 2016	**135 156**	**126 071**	**(1 450)**	**(17 430)**	**24 855**	**(15 997)**	**251 205**
Dividends	0	0	0	0	(9 679)	0	(9 679)
Stock options (IFRS 2)	0	0	0	263	0	0	263
Capital movements [1]	1 785	1 911	0	(554)	554	0	3 696
Shareholders' movements	**1 785**	**1 911**	**0**	**(291)**	**(9 125)**	**0**	**(5 720)**
Profit or loss of the period	**0**	**0**	**0**	**0**	**23 913**	**0**	**23 913**
Other comprehensive income	**0**	**0**	**0**	**(4 912)**	**1 225**	**(3 925)**	**(7 612)**
Balance at 31 December 2017	**136 941**	**127 982**	**(1 450)**	**(22 633)**	**40 868**	**(19 922)**	**261 786**

[1] see notes II.4.2.5.12. and II.4.2.5.13.

II.4.2. Notes to the consolidated financial statements for the year ending 31 December 2018

II.4.2.1. Summary of significant accounting policies

II.4.2.1.1. Statement of compliance - basis of preparation

Recticel s.a./n.v. (the "Company") is a public limited liability company domiciled in Belgium and listed on Euronext Brussels. The Company's consolidated financial statements include the financial statements of the Company, its subsidiaries, interests in jointly controlled entities (joint ventures) and in associates, both accounted for under the equity method (together referred to as "the Group").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The accounting standards applied in the consolidated financial statements for the year ended 31 December 2018 are consistent with those used to prepare the consolidated financial statements for the year ended 31 December 2017, with the exception of IFRS 15 and IFRS 9.

II.4.2.1.2. Changes in accounting policies and disclosures

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial instruments* from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

The effect of initially applying IFRS 15 is mainly attributable to the recognition of revenue from mould activities in the segment Automotive.

There is no impact of initially applying IFRS 9.

II.4.2.1.2.1. IFRS 15 Revenue from Contracts with Customers, effective for annual periods beginning on or after 1 January 2018

IFRS 15 replaces the standards IAS 18 Revenue and IAS 11 Construction Contracts as well as related interpretations as from 1 January 2018.

The Group decided to adopt the new standard on the required effective date using the modified retrospective method. As such, IFRS 15 is only applied to contracts that were not completed as of the date of initial application (1 January 2018). This means that comparative figures of 2017 are not restated and that the cumulative effect of initially applying IFRS 15 is recognised as an adjustment to the opening balance of retained earnings of 2018.

General consideration

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 applies a five step model to account for revenue arising from contract with customers (cfr II.4.2.1.4. - Revenue Recognition).

Contracts with customers generally concern the sale of goods. As such, customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated and revenue is generally recognised at that point in time.

Variable consideration

The most common types of variable consideration that can be identified are:

- Volume discounts (Flexible Foams, Bedding, Insulation)
- Year-end rebates (Flexible Foams, Bedding, Insulation)
- Adjustments to cope with changes in raw material prices on a prospective basis (Flexible Foams)
- Long Term Agreement (Automotive).

It is not unusual to agree on yearly supply agreements with the customer which fixes the selling prices of the goods for the relevant year. These agreements do not include any commitments to volumes made by the customer. The amount of revenue recognised is adjusted for expected rebates and discounts. A contract liability is being recognised upon selling the goods to the customer and released when the credit note is issued.

Another type of variable consideration that can be identified for some customers are Long Term Agreements ("LTA"; prices are decreasing as from a particular moment, as the customer assumes that there should be experience gains). If sales prices are not adjusted, a contract liability is recognised upon billing the parts to the customer and released at the moment the credit note is issued (sales deduction). The LTA adjustments do not trigger a measurement issue, because selling prices are only adjusted on a prospective basis.

Quality claims

If a credit note is issued to the customer to compensate for quality claims upon delivery, this shall be recognised as a reduction of the revenues as management considers that this is directly linked to the performance obligation. This was previously reported as cost of sales.

Considerations paid to the customer

The most common types of considerations paid to the customer (in bedding and insulation) relate to:

- Participation to flyers
- Participation to advertising campaigns
- Promotional in-store activities

The considerations paid to participate in the customer's flyers shall be deducted from revenue as the services provided by the customer to the Group can generally not be considered as being distinct. These costs were previously reported as sales and marketing expenses.

For some customers, there is a consideration to be paid to a customer - the upfront payment (entrance fees). From a legal perspective, upfront payments are either specified in the contract or in a separate agreement. They are the consequence of a formal nomination from the customer ('nomination letter', 'letter of intent'). There are no compensations foreseen contractually for this payment. The amount paid to the customer is not reimbursed. An "Other contract asset - Consideration payable to a customer" is recognised upon the payment to the customer and released over time.

Specific case of Automotive

The Group serves global Tier-1 customers as well as Original Equipment Manufacturers (OEM) in the automotive sector. Parts are produced with moulds purchased on behalf of the Tier 1 / customer. These moulds are re-invoiced to the Tier 1 / customer.

Customers obtain control of the products when the goods are delivered to and have been accepted at their premises.

Moulds revenues and costs are recognised over four years (as this is average term of the production of the parts) as from the moment serial parts are delivered to the customer (=start of production), regardless of the moment when the mould costs are reimbursed by the customer. Before the start of production, an "Other contract assets – contracts in progress" is being recognised for all purchase and development costs of the moulds incurred and released as from the start of production over four years. The release is shown as cost of sales in the income statement.

A "Contract liability – contracts in progress" is recognised upon billing the mould to the customer. The contract liabilities are released to the income statement as from the start of production over four years and reported as sales.

Mould revenues were previously reported over time based on the 'percentage of completion' method (IAS 11). The conversion to IFRS 15 resulted per 1 January 2018 to a total net impact on equity including deferred tax for EUR -19.5 million and can be summarised as follows:

Group Recticel	in thousand EUR	
Total equity as per 31 December 2017	**261 786**	
Impact of application of IFRS 15 on retained earnings at 01 January 2018		
Result from mould contracts to be recognised over time	(20 725)	(1)
Deferred tax thereon	1 247	(1)
Total equity as per 01 January 2018	**242 308**	
Impact to statement of financial position at 01 January 2018		
Current and non-current contract assets	32 668	(1)
Inventories / Contracts in progress	6 972	
Trade receivables	(7 891)	
Total assets (a)	**31 749**	
Current and non-current liabilities	54 760	(1)
Trade payables	(2 286)	
Total liabilities (b)	**52 474**	
Equity impact from mould contracts' recognition over time (a)-(b)	(20 725)	

(1) Total net impact including deferred tax: EUR -19.5 million.
(2) Current and non-current contract assets relate to moulds costs to be amortised over four years as from the start of the production of the serial parts. Current and non-current liabilities relate to the deferred revenue of the moulds (recognition over time as from the start of production of the serial parts)

II.4.2.1.2.2. IFRS 9 Financial instruments (as revised in 2014), effective for annual periods beginning on or after 1 January 2018

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group elected not to restate the comparative amounts of 2017 for the impact of IFRS 9 in accordance with the transition dispositions of the standard.

Classification and measurement of financial assets
The management of the Group reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has the following impact on the Group's financial assets as regards their classification and measurement:

- The financial assets classified in the category "Loans and receivables" under IAS 39 such as non-current receivables, trade receivables, cash and cash equivalents, other receivables (except for derivatives) are classified and measured at amortised cost under IFRS 9, as the contractual terms of these financial assets are solely payments of principal and interest (SPPI test) and they are managed within a 'hold to collect' business model;
- The financial assets (non-listed equity investments) classified in the category "Available-for-sale investments" such as other financial investments, available for sale investments, other investments under IAS 39 are recognised at fair value through other comprehensive income under IFRS 9. Management has assessed that cost is an appropriate estimate of fair value for those unquoted equity investments because there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.
- Classification and measurement of financial liabilities of the Group has not been modified by the requirements of IFRS 9.
- None of these changes has any impact on the Group's financial position, other comprehensive income or total comprehensive income at the date of initial application of IFRS 9.

Impairment of financial assets
IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on 1) trade receivables; 2) loans to related parties; 3) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply; 4) cash and cash equivalents.

IFRS 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables without a significant financing component (short-term trade receivables).

For long-term loans to related parties the general impairment assessment model is applied. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit loss.

Management has concluded that it would require undue cost and effort to determine the credit risk of each long-term loan on their respective dates of initial recognition. Accordingly, the Group recognises lifetime expected credit losses for these loans until they are derecognised.

All bank balances are assessed to have a low credit risk at the date of initial application of IFRS 9 and 31 December 2018, as they are held with reputable international banking institutions.

The initial application of the expected loss model by IFRS 9 does not have material impact on the Group's financial position or total comprehensive income at the date of initial application of IFRS 9.

General hedge accounting
The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with a principle of an "economic relationship".

Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The Group applied hedge accounting under IAS 39 until February 2018. As from March 2018 the Group discontinued the application of hedge accounting to any financial instrument.

The following table reconciles the financial assets and liabilities of the Group classified in accordance with the IAS 39 categories, applied at closing 2017, and new categories in accordance with IFRS 9:

in thousand EUR

Group Recticel	According to IFRS 9		According to IAS 39	
	New measurement category under IFRS 9	New carrying amount 01 Jan 2018	Measurement category under IAS 39	Carrying amount 31 Dec 2017
Financial assets				
Transactional hedges - operational	**FVTPL**	**39**	**FVTPL**	**39**
Current trade receivables	**AC**	**110 936**	**L&A**	**110 936**
Other non-current receivables	AC	8 100	L&A	8 100
Other receivables	AC	39 330	L&A	39 330
Other receivables	**AC**	**47 430**	**L&A**	**47 430**
Loans to affiliates	AC	4 109	L&A	4 109
Other loans	AC	1 867	L&A	1 867
Non-current loans	**AC**	**5 976**	**L&A**	**5 976**
Financial receivables	AC	34 004	L&A	34 004
Loans to affiliates	**AC**	**39 980**	**L&A**	**39 980**
Cash and cash equivalents	**AC**	**57 844**	**L&A**	**57 844**
Other investments	**FVTOCI**	**725**	**AFS**	**725**
Financial liabilities				
Interest rate swaps designated as cash flow hedge relationship	**CFH**	**1 454**	**CFH**	**1 454**
Derivatives not designated in a hedge relationship	FVTPL	134	FVTPL	134
Non-current financial liabilities at amortised cost	**AC**	**96 080**	**FlaAC**	**96 080**
Current financial liabilities at amortised cost	**AC**	**47 400**	**FlaAC**	**47 400**
Trade payables	**AC**	**126 583**	**FlaAC**	**126 583**
Other non-current payables	**AC**	**230**	**FlaAC**	**230**
Other payables	AC	111 276	FlaAC	111 276
Other payables	AC	111 506	FlaAC	111 506
Other investments	**AFS**	**725**	**FVTOCI**	**725**

AC = financial assets or liabilities at amortised cost
AFS = available for sale
CFH = cash flow hedge
FlaAC = financial loan at amortised cost
FVTPL = Financial assets or liabilities at fair value through profit or loss
FVTOCI = financial assets at fair value through other comprehensive income
L&A = loans and advances

II.4.2.1.3. New standards issued but not yet applicable

• IFRS 16 *Leases*

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (<365 days) and leases of low-value items (<EUR 5,000). Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed a preliminary assessment of the impact of the initial application of the standard on its consolidated financial statements. In this respect, the Group will apply the following cumulative catch-up options upon initial application:

- Leave comparatives as previously reported
- Carry forward existing finance lease liabilities
- Calculate outstanding liabilities for existing operating lease using incremental borrowing rate at the date of transition
- Right of use is equal to lease liability

The estimated impact of the application of IFRS 16 on net financial debt amounts to about + EUR 112 million on total combined financial debt, and about + EUR 105 million on total consolidated financial debt. (see also II.4.2.6.4.)

The corresponding impact on EBITDA on a full year basis is estimated at about + EUR 25 million on combined EBITDA, and about + EUR 23 million on consolidated EBITDA.

As lease charges are reclassified from operating expenses to depreciation and interest expenses, the net impact of IFRS 16 on the result of the period after taxes is immaterial.

• **IFRIC 23 *Uncertainty over Income Tax Treatments***
All tax returns are prepared in good faith based on the available information with often the assistance of external tax advisors. There are a number of tax audits ongoing in the Group, notably in Germany. The result of these tax audits is not yet clear as the Group is still in a situation of fact finding. It is currently unclear whether any potential finding would lead to a loss of tax losses carried forward of income taxes to be paid. Until now, no material tax corrections have taken place. However, important tax corrections can never be excluded. In such case, Recticel will defend its position always in full collaboration with the tax authorities.

As such, management does not expect a significant impact of the initial application of IFRIC 23 at transition date (i.e. 1 January 2019).

Other Standards and Interpretations which are not yet applicable are deemed not to have an impact on the Group financial standards.

II.4.2.1.4. General principles

Currency of accounts

The financial statements are presented in thousand euro (EUR) (unless specified otherwise), which is the currency of the primary economic environment in which the Group operates. The financial statements of foreign operations are translated in accordance with the policies set out below under 'Foreign Currencies'.

Historical cost convention

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. Investments in equity instruments which are not quoted in an active market and whose fair value cannot be reliably measured by alternative valuation methods are carried at cost.

Foreign currencies

Foreign currency transactions - Transactions in currencies other than EUR are accounted for at the exchange rates prevailing at the date of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at closing rate. Non-monetary assets and liabilities carried at fair value and denominated in foreign currencies are translated at the exchange rates prevailing at the date the fair value was determined. Gains and losses resulting from such translations are recognised in the financial result of the income statement, except when deferred in equity.

Translation from functional currency to the presentation currency - For purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at closing rate. Income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Resulting exchange differences are recognised in other comprehensive income and accumulated in equity (attributable to non-controlling interests as appropriate). On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), exchange differences accumulated in equity are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributable to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities (joint ventures) that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Consolidation principles

Consolidated financial statements include subsidiaries and interests in jointly controlled entities (joint ventures) and associates accounted for under the equity method.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group transactions, balances, income and expenses are eliminated in consolidation.

• ***Subsidiaries***

Subsidiaries are entities that are controlled directly or indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation of subsidiaries starts from the date Recticel controls the entity until the date such control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

However, when the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

• *Jointly controlled entities*

IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement.

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share in any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Group reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the Group's investments in Eurofoam and in Proseat should be classified as a joint venture under IFRS 11 and accounted for using the equity method.

• *Joint Ventures and Associates*

The results and assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in a joint venture and an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the venture and the associate. When the Group's share of losses of a venture and an associate exceeds the Group's interest in that joint venture and associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture and associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture and associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture and an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

IAS 28.28 only permits recognition of the gain or loss from downstream transactions "to the extent of unrelated investors' interests in the associate or joint venture". However, the standard does not specifically address the treatment of revenue derived from transactions with equity-method investees (i.e. revenue from the sale of goods, or interest revenue) and whether that revenue should be eliminated from the consolidated financial statements.

In respect of the treatment of revenues derived from transactions with joint ventures and associates (i.e. sales services, interest revenue, …), the Group has opted not to eliminate its interest in these transactions. As a matter of example, Recticel receives EUR 100 interest income on a loan provided to a 50/50 joint venture. Under the accounting policy adopted by Recticel this interest income would be accounted for as EUR 100 interest income of the Group. The cost incurred by the joint venture would be accounted for on a proportional (50%) basis through "results in joint ventures and associates" without making any adjustment for the proportional interest held by Recticel.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture and an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of fair value and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a joint venture and an associate that results in the Group losing significant influence over that joint venture and associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the joint venture and associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the joint venture and associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture and associate on the same basis as would be required if that joint venture and associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture and associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that joint venture and associate.

• Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

When Recticel acquires an entity or business, the identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date, except for:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Where such a difference is negative, the excess is, after a reassessment of the values, recognised as income immediately as a bargain purchase gain.

Non-controlling interests (minority shareholders) that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If Recticel increases its interest in an entity or business over which it did not yet exercise control (in principle increasing its interest up to and including 50% to 51% or more) (a business combination achieved in stages), the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (maximum one year after acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

Goodwill is reviewed for impairment at least annually. Any impairment loss is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the related goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

An item of property, plant and equipment is recognised if it is probable that associated future economic benefits will flow to the Group and if its cost can be measured reliably. After initial recognition, all items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, except for land which is not depreciated. Cost includes all direct costs and all expenditure incurred to bring the asset to its working condition and location for its intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent expenditure related to an item of property, plant and equipment is expensed as incurred.

Depreciation is provided over the estimated useful lives of the various classes of property, plant and equipment using the straight-line method. Depreciation starts when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Project-related assets are depreciated over the production period of the project. In case of reallocation of fully depreciated assets, the latter might require a reconditioning. These reconditioning costs are amortised over the term of the new project, without additional revaluation or reversal of any impairments.

The estimated useful lives of the most significant items of property, plant and equipment are within the following ranges:

Land improvements	: 25 years
Offices	: 25 to 40 years
Industrial buildings	: 25 years
Plants	: 10 to 15 years
Machinery	
Heavy	: 11 to 15 years
Medium	: 8 to 10 years
Light	: 5 to 7 years
Pre-operating costs	: 4 years
Equipment	: 5 to 10 years
Furniture	: 5 to 10 years
Hardware	: 3 to 10 years
Vehicle fleet	
Cars	: 4 years
Trucks	: 7 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Leases – Recticel as lessee

• *Finance leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as a financial lease obligation. Lease payments are apportioned between financial charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, except if the lease does not transfer ownership of the asset, in which case the leased asset is depreciated over the shorter of its useful live and the lease term.

• *Operating leases*

Leases under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Rents under operating leases are charged to income on a straight-line basis over the lease term. Benefits received or to be received as an incentive to enter into an operating lease are also recognised on a straight-line basis over the lease term.

Impairment of tangible and intangible assets

Except for goodwill and intangible assets with an indefinite useful life which are tested for impairment at least annually, other tangible and intangible fixed assets are reviewed for impairment when there is an indication that their carrying amount will not be recoverable through use or sale. If an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell or value-in-use and the carrying amount. In assessing the fair value or value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in previous years. However, impairment losses on goodwill are never reversed.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Financial assets

Financial assets are recognised or derecognised on the trade date which is the date the Group undertakes to purchase or sell the asset. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to the fair value of the financial assets on initial recognition, except for financial assets at fair value through profit or loss, where the transaction costs are recognised immediately in profit or loss.

After initial recognition, financial asset are measured at either amortised cost or fair value, based on the classification of the financial assets.

• *Classification of financial assets*

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Debt instruments (such as loans, trade and other receivables, cash and cash equivalents) are subsequently measured at amortised cost using the effective interest method, less any impairment if they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and margin points paid or received) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial investments (equity investments) are normally measured in the consolidated statement of financial position at fair value through profit or loss. However, the Company can make an irrevocable election at initial recognition to measure the investment at fair value through other comprehensive income ("FVTOCI"), with dividend income recognised in profit or loss. Equity investments in non-listed companies previously classified as available-for-sale in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are now classified and measured as investments measured at FVTOCI. Management considers that cost is an appropriate estimate of fair value for these non-listed equity investments because there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

• *Impairment of financial assets*

IFRS 9 requires a forward-looking expected credit loss ("ECL") approach to assess impairments of financial assets. As such, the Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

IFRS 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables without a significant financing component (short-term trade receivables). These credit losses are the expected credit losses that result from all possible default events over the expected life of those trade receivables, using a provision matrix that takes into account historical information on defaults adjusted for forward-looking information.

For long-term loans to related parties the general impairment assessment model is applied. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit loss.

Management has concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. Accordingly, the Group recognises lifetime expected credit losses for these loans until they are derecognised.

IFRS 9 applies the same measurement approach to loan commitments and financial guarantee contracts (other than measured at fair value through profit or loss) where previously these were measured with reference to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

• *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On the entire derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in profit or loss.

On the partial derecognition of a financial asset other than its entirety (i.e. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Financial liabilities and equity instruments

An instrument is classified as a financial liability or as an equity instrument according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

• *Compound financial instruments*

The components of compound instruments (e.g. convertible notes) issued by the Company are classified separately as debt component and equity component in accordance with the substance of the contractual arrangements and the definitions of the debt portion and an equity portion of such instrument.

At the time the conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, such compound instrument is re-qualified as an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised costs basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The value of the conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case the balance recognised in equity will be transferred to financial liability.

When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to financial liability. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities (including interest-bearing borrowings and trade payables) are initially measured at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Subsequently, they are measured at amortised cost, except for derivative instruments.

• *Interest-bearing borrowings and payables*

Interest-bearing borrowings are recorded at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value (including premiums payable on settlement or redemption) is recognised in the income statement over the period of the borrowing.

Trade payables which are not interest-bearing are stated at cost, being the fair value of the consideration to be paid.

• *Derivative financial instruments*

Derivative instruments with a negative fair value are classified at fair value through profit and loss ("FVTPL"), unless they are designated and effective as hedges.

Hedge accounting

The Group may designate certain derivatives, in respect of interest rate risk and foreign exchange rate risk, as hedging instruments in a cash flow hedge relationship.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

• *Cash flow hedges*

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or a forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

• *Net investment hedge*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency reserve. The gain or loss to the ineffective portion is recognised immediately in profit and loss.

• *Fair value hedges*

A derivative instrument is recognised as fair value hedge when it hedges the exposure to variation of the fair value of the recognised assets or liabilities. Derivatives classified as a fair value hedge and the hedged assets or liabilities are carried at fair value. The corresponding changes of the fair value are recognised in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Pensions and similar obligations

• *Retirement benefit schemes*

In accordance with the laws and practices of each country, the affiliated companies of the Group operate "defined benefit" and/or "defined contribution" retirement benefit plans.

1. Defined contribution plans
   Payments to "defined contribution" plans are charged as expenses as they fall due. It is the Group policy to have "defined contribution" plans for new hired employees where this is possible and appropriate.

2. Defined benefit plans
   Regarding the "defined benefit" plans, the amount recognised in the statement of financial position is the present value of the "defined benefit obligation" less the fair value of any plan assets.

If the amount to be recognised in the statement of financial position is negative, the plan assets do not exceed the net total of the present value of any future refunds from the plan or reductions in future contributions to the plan.

In the income statement, current and past service costs (including curtailments), settlement costs and administration expenses are charged in "other operating income & expenses", while the net interest cost is booked in "other financial income & expenses".

The present value of the "defined benefit obligation" and the related current and past service costs are calculated by qualified actuaries using the "projected unit credit method". The discount rate is based on the prevailing yields of high quality corporate bonds (i.e. AA corporate bonds) that have maturity dates approximating to the terms of the benefit obligations.

The fair value of group insurance contracts that match the amount and timing of some or all of the benefits payable under the plan is deemed to be the present value of the related obligations.

The actuarial gains and losses, resulting from differences between previous actuarial assumptions and actual experience, as well as changes in actuarial assumptions, are determined separately for each "defined benefit plan" and recognised in other comprehensive income. The asset gains and losses and the effect of changes in the asset ceiling, excluding amounts included in the net interest, are also recognised in other comprehensive income.

Past service costs, which arise from plan amendments, are recognised immediately as an expense.

Defined contribution pension plans in Belgium and Switzerland are 'hybrid' pension plans that qualify as defined benefit plans for IFRS purposes, because they are by law subject to minimum guaranteed rates of return and have to guarantee minimum annuity conversion rates. There is hence a risk that the Company may have to pay additional contributions related to past service. Any such additional contributions will depend on the actual investment returns as well as the future evolution of the minimum guarantees.

Termination benefits

The entity shall recognise a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black & Scholes model. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note II.4.2.6.3.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that eventually will be vested.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled shared-based payments.

Provisions

- ***General***

Provisions are recognised when (i) the Group has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that the Group will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount is the present value of expenditures required to settle the obligation. Impacts of changes in discount rates are generally recognised in the financial result.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received if the Group settles the obligation.

- ***Onerous contracts***

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Present obligations arising from onerous contracts are recognised and measured as provisions.

- ***Restructurings***

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has, by starting to implement the plan or announcing its main features to those affected by it, raised a valid expectation with those affected that it will carry out the restructuring. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

- ***Environmental liabilities***

Recticel analyses twice a year all its environmental risks and the corresponding provisions. The Group measures these provisions to the best of its knowledge of applicable regulations, the nature and extent of the pollution, clean-up techniques, and other available information.

Revenue recognition

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated and revenue is recognised at that point in time.

To recognise revenue, IFRS 15 applies a "five steps" model:

- identify the contract(s) with a customer.
- identify the performance obligations in the contract.
- determine the transaction price.
- allocate the transaction price to each performance obligation.
- recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

Transaction price

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.

The most common types of variable consideration that can be identified are:

- Volume discounts (Flexible Foams, Bedding, Insulation)
- Year-end rebates (Flexible Foams, Bedding, Insulation)
- Adjustments to cope with changes in raw material prices on a prospective basis (Flexible Foams).

It is not unusual to agree on yearly supply agreements with the customer which fixes the selling prices of the goods for the relevant year. These agreements do not include any commitments to volumes made by the customer. The amount of revenue recognised is adjusted for expected rebates and discounts. A contract liability is being recognised upon selling the goods to the customer and released when the credit note is issued.

If a credit note is issued to the customer to compensate for quality claims, this shall be recognised as a reduction of the revenues.

The most common types of considerations paid to the customer (in bedding and insulation) relate to:

- Participation to flyers
- Participation to advertising campaigns
- Promotional in-store activities

The considerations paid to participate in the customer's flyers shall be deducted from revenue as the services provided by the customer to the Group can generally not be considered as being distinct.

• *Point in time or over time recognition*

A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Main part of the revenue of the Group is recognised at a point in time, i.e. at the moment the goods are transferred to the customer, except for the revenue generated by the Automotive business for the sale of moulds.

The Group serves global Tier-1 customers as well as Original Equipment Manufacturers (OEM) in the automotive sector. Parts are produced with moulds purchased on behalf of the Tier 1 / customer. These moulds are re-invoiced to the Tier 1 / customer.

Customers obtain control of the products when the goods are delivered to and have been accepted at their premises.

The parts have no alternative use and there are enforceable rights to payment, therefore revenue is recognised over time. As the production time is very short, Recticel however opted to recognise revenue in respect of the parts at a point in time for practical reasons.

The mould is not a distinct performance obligation but is to be combined with the parts to be produced.
The revenue on the moulds as it has to be combined with the delivery of the parts, is recognised over time. Recticel applies a linear recognition of revenue as this does not result in material differences of revenue recognition in the income statement compared to the revenue recognition that would have to be applied in accordance with the principles of IFRS 15:

a. the price contractually defined in respect of the mould is recognised pro rata the number of parts actually delivered in relation to Recticel's best estimate of what they believe are probable quantities to be delivered under the contract;
b. Revenue on the parts is recognised based on the actual number of parts sold multiplied by the agreed price per unit.

Moulds revenues and costs are recognised over four years (as this is average term of the production of the parts) as from the moment serial parts are delivered to the customer (i.e. start of production), regardless of the moment when the mould costs are reimbursed by the customer. Before the start of production, an "Other contract asset – contracts in progress" is recognised for all purchase and development costs of the moulds incurred and released as from the start of production over four years.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to staff training costs are recognised as income over the periods required to match them with the related costs and are deducted from the related expense.

Government grants relating to property, plant & equipment are treated by deducting the received grants from the carrying amount of the related assets. These grants are recognised as income over the useful life of the depreciable assets.

Income taxes

The tax expense represents the sum of the current tax expense and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that will never become taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liabilities have been recognised on undistributed retained earnings of subsidiaries, associates and joint ventures, as the impact is not material.

The carrying amount of deferred tax assets is reviewed at least at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

II.4.2.1.5. Critical accounting assessments and principal sources of uncertainty

Drawing up the annual accounts in accordance with IFRS requires management to make the necessary estimates and assessments. The management bases its estimates on past experience and other reasonable assessment criteria. These are reviewed periodically and the effects of such reviews are taken into account in the annual accounts of the period concerned. Future events which may have a financial impact on the Group are also included in this.

The estimated results of such possible future events may consequently diverge from the actual impact on results. Assessments and estimates were made, inter alia, regarding:

- impairments of goodwill, intangible assets and property, plant and equipment;
- determination of loss allowances for expected credit losses;
- determination of write-downs on inventories;
- determination of provisions for restructurings;
- determination of provisions for onerous contracts;
- determination of provisions for contingent liabilities, litigations and other exposures;
- valuation of post-employment defined benefit obligations, other long term employee benefits and termination benefits;
- the recoverability of deferred tax assets;
- the recognition of revenue related to the sale of moulds over a period of 4 years.

It is not excluded that future revisions of such estimates and assessments could trigger an adjustment in the value of the assets and liabilities in future financial years.

- ***Impairments on goodwill, intangible assets and property, plant and equipment***

For amortizable long term assets, an impairment assessment will in first place be made at the level of the individual asset. Only when it is not possible to estimate a recoverable value on an individual level, the evaluation will be made at the level of the cash generating unit (hereafter "CGU") to which the asset belongs. For amortizable long term assets, an impairment analysis should be performed in case of impairment indicators. If such indicators exist, an impairment analysis shall be performed at the CGU level.

For goodwill (and other not depreciated long term assets) an impairment test should be performed at least annually. The carrying amount can be allocated on a reasonable and consistent basis. The allocation of goodwill to a CGU or a group of CGUs also takes account of the synergies of the business combination expected by the decision maker. Goodwill can be allocated for impairment testing to a group of CGUs, if the chief operating decision maker considers this as the most appropriate allocation. There is a link between the level at which goodwill is tested for impairment and the level of internal reporting that reflects the way the entity manages its operations and with which the goodwill is associated (as such it cannot exceed the level of the reported segments as defined by IFRS 8).

For the segment **Flexible Foams**, the CGU level is defined following the market and production capacities. This approach leads to the determination of four CGUs:

- CGU "Flexible Foams - United Kingdom";
- CGU "Flexible Foams Continental Europe";
- CGU "Flexible Foams - Scandinavia";
- CGU "Flexible Foams - International".

An impairment analysis was performed for the CGUs "Flexible Foams - United Kingdom", "Flexible Foams - Continental Europe" and "Flexible Foams - Scandinavia" considering the goodwill allocated to these CGUs.

For the segment **Bedding**, the CGU level is defined as the Bedding segment level as a whole, considering the strong interdependence between the different markets, the shared production capacities as well as the central decision making process.

For the segment **Insulation**, the CGU level is defined following the market and production capacities. This approach leads to the determination of two CGUs:

- CGU "Insulation - United Kingdom";
- CGU "Insulation – Continental Europe".

For the segment **Automotive**, each individual project forms a separate CGU.

The net book value of the assets retained for impairment tests, as included in the below table, represents 100% of the total **goodwill**.

For **2018:**

Book value in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	INSULATION	AUTOMOTIVE	CORPORATE	TOTAL
United Kingdom	3 044	-	908	-	-	3 952
Continental Europe	1 061	-	1 619	-	-	2 680
Scandinavia	5 403	-	-	-	-	5 403
Other	0	11 318	-	0	0	11 319
Total net book value of goodwill	**9 508**	**11 318**	**2 527**	**0**	**0**	**23 354**

For **2017:**

Book value in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	INSULATION	AUTOMOTIVE	CORPORATE	TOTAL
United Kingdom	4 047	-	935	-	-	4 983
Continental Europe	1 061	-	1 514	-	-	2 575
Scandinavia	5 449	-	-	-	-	5 449
Other	0	11 161	-	0	0	11 161
Total net book value of goodwill	**10 558**	**11 161**	**2 449**	**0**	**0**	**24 168**

The net book value of the assets retained for impairment tests, as included in the below table, represents about 64.0% of the **total property, plant and equipment** and 35.4% of the total **intangible assets**. The examined assets relate to (i) the Flexible Foams' activities in the United Kingdom, Continental Europe and Scandinavia, (ii) Bedding activities at the level of the whole segment and to (iii) the Automotive-Interiors' operations of the Group.

The below table provides an overview of impairments recognised by segment:

For **2018:**

Book value in thousand EUR

Group Recticel	FLEXIBLE FOAMS			BEDDING	AUTOMOTIVE	TOTAL
	United Kingdom	**Continental Europe**	**Scandinavia**		**Interiors**	
Goodwill	3 044	1 061	5 403	11 318	0	20 827
Other intangible assets	67	843	618	1 264	1 471	4 263
Property, plant & equipment	2 727	39 633	7 626	24 924	53 541	128 450
Assets under construction	575	8 637	373	3 399	7 490	20 473
Total net book value	**6 413**	**50 174**	**14 019**	**40 905**	**62 501**	**174 012**
of which impairments recognised during the period	(1 000)	(3 849)	0	430	(1 400)	(5 819)

Footnote: Working capital is not included in the analysis.

Impairment charges relate to (i) goodwill in the United Kingdom (Flexible Foams) (EUR -1.0 million, recognised per 30 June 2018), (ii) assets in Continental Europe (Flexible Foams) (EUR -3.8 million) following the closure of the plant in Catarroja (Spain) and (iii) assets in Automotive Interiors in the Czech Republic (EUR -1.4 million, recognised per 31 December 2018).

For **2017:**

Book value in thousand EUR

Group Recticel	FLEXIBLE FOAMS			BEDDING	AUTOMOTIVE	TOTAL
	United Kingdom	**Continental Europe**	**Scandinavia**		**Interiors**	
Goodwill	4 047	1 061	5 449	11 161	0	21 718
Other intangible assets	117	540	891	1 544	2 151	5 243
Property, plant & equipment	2 992	45 163	7 936	26 754	56 480	139 325
Assets under construction	132	3 752	514	3 549	5 822	13 768
Total net book value	**7 289**	**50 515**	**14 790**	**43 007**	**64 453**	**180 054**
of which impairments recognised during the period	0	(172)	0	(141)	(6 696)	(7 009)

Footnote: Working capital is not included in the analysis.

For the impairment test of the items included in the table above, certain assumptions were made. The impairment tests have been applied on the “cash-generating units” (“CGU”) on the basis of the principles set out above. The recoverable amount of the total CGU is determined on the basis of the value-in-use model.

When determining its expected future cash flows, the Group takes into account prudent, though realistic, assumptions regarding the evolution of its markets, its sales, the raw materials prices, the impact of past restructurings and the gross margins, which all are based on (i) the past experiences of the management and/or (ii) which are in line with trustworthy external information sources. It can however not be excluded that a future reassessment of assumptions and/or market analysis induced by future developments in the economic environment might lead to the recognition of additional impairments.

For the discounting of the future cash flows, a uniform overall Group-based pre-tax discount rate of 7.2% is used for all CGUs (7.0% in 2017). This pre-tax discount rate is based on a (long-term) weighted average cost of capital based on the current market expectations of the time value of money and risks for which future cash flows must be adjusted; the risks being implicit in the cash flows.

For countries with a higher perceived risk (i.e. emerging markets), the level of investments is very limited (1.0% of total fixed assets); hence no separate pre-tax discount rate is used.

The pre-tax discount rate for impairment testing is based on the following assumptions: (EUR based)

	2018	2017
Group target ratios:	**2018**	**2017**
Gearing: net financial debt/total equity	50%	50%
% net financial debt	33%	33%
% total equity	67%	67%
Pre-tax cost of debt	**1.0%**	**3.2%**
Pre-tax cost of equity = $(R_f + E_m * \beta + S_p)/(1\text{-}T)$	**11.5%**	**11.7%**
Risk free interest rate = R_f	0.9%	2.0%
Beta = β	1.25	1.05
Market equity risk premium = E_m	5.5%	5.5%
Small cap premium = S_p	1.0%	1.0%
Corporate tax rate = T	**23.5%**	**25.0%**
Assumed inflation rate	2.0%	1.9%
Pre-tax WACC (weighted average cost of capital)	**7.2%**	**7.0%**

The discount factors are reviewed at least annually.

A. Flexible Foams

- ***Key assumptions***

The dynamics of the business model, budgets and projected cash flows are based on stable cost structures which reflect inflation rates on labour and other costs, stable fixed costs and capital expenditure (except for the CGU Flexible Foams – United Kingdom). Gross margins and operating results are sensitive to the volatility of chemical raw material costs, which are unpredictable. Therefore the budgets are based on an assumption that increases or decreases in material costs are compensated through adaptions of the sales prices.

For the CGU "Flexible Foams – United Kingdom" the value-in-use model projections are based on budgets and financial plans covering a three-year period with a sales growth rate of 5.00%, 5.00% and 3.00% respectively as we anticipate to recover volumes after a challenging year 2018. After this 3-year period, a perpetuity value is taken into account without growth rate.

For the CGU "Flexible Foams – Continental Europe", the value-in-use model projections are based on budgets and financial plans without growth covering a three-year period. After this 3-year period, a perpetuity value is taken into account without growth rate.

For the CGU "Flexible Foams – Scandinavia", the value-in-use model projections are based on budgets and financial plans without growth covering a three-year period. After this 3-year period, a perpetuity value is taken into account without growth rate.

On this basis, the value-in-use of the CGU "Flexible Foams – United Kingdom" amounts to 1.9 times (2017: 2.3 times) the net asset book value, the value-in-use of the CGU "Flexible Foams – Continental Europe" amounts to 5.4 times the net asset book value, and the value-in-use of the CGU "Flexible Foams – Scandinavia" amounts to 6.2 times (2017: 6.4 times) the net asset book value.

- ***Sensitivity analysis***

A first sensitivity analysis (A) is performed to measure the impact of a changing WACC rate (+1%) on the outcome of the impairment tests (see overview table below).

A second sensitivity analysis (B) is performed to measure the impact of a changing gross margin on sales (-1%) (which includes implicitly the sales growth rate) on the outcome of the impairment tests – applied on the business plan 2019-2021 and the perpetuity (see overview table below).

A sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin on sales (-1%) – applied on the business plan and the perpetuity- on the outcome of the impairment tests (see overview table below).

For both sensitivity analyses it is assumed that all other parameters of the underlying assumptions, such as market evolution, sales, raw materials prices, impact of past restructurings and gross margins, operating charges, working capital needs, capital expenditure, …(not exhaustive), remain unchanged.

Sensitivity	DISCOUNTED CASH FLOW / NET ASSET BASE			
	BASE CASE	1% INCREASE OF WACC (A)	1% DECREASE OF GROSS MARGIN ON SALES (B)	COMBINATION OF (A) AND (B)
Flexible Foams - United Kingdom	1.9 times book value	1.5 times book value	0.5 times book value	0.3 times book value
Flexible Foams - Continental Europe	5.4 times book value	4.5 times book value	4.8 times book value	4.0 times book value
Flexible Foams - Scandinavia	6.2 times book value	5.3 times book value	5.5 times book value	4.7 times book value

B. Bedding

- ***Key assumptions***

The dynamics of the business model, budgets and projected cash flows are based on stable cost structures which reflect inflation rates on labour and other costs, stable fixed costs and capital expenditure. Gross margins and operating results are mainly driven by the sales volumes, the product-mix and resulting average sales price, as well as the level of advertising and marketing expenses.

For the CGU "Bedding – Segment" from 2019 onwards, the value-in-use model projections are based on budgets and financial plans covering a three-year period with an anticipated average sales growth of 2.00% (2017: 4.00%) and average growth in gross margin on sales of 1.00% (2017: 1.00%). After this 3-year period, a perpetuity value is taken into account without growth rate. Management considers that 2018 has been a transitional year with exceptionally weak demand, which is expected to bottom out.

On this basis, the value-in-use of the CGU "Bedding – Segment" amounts to 3.2 times (2017: 5.4 times) the net asset book value.

- ***Sensitivity analysis***

A first sensitivity analysis (A) is performed to measure the impact of a changing WACC rate (+1%) on the outcome of the impairment tests (see overview table below).

A second sensitivity analysis (B) is performed to measure the impact of a changing gross margin (-1%) on the outcome of the impairment tests (see overview table below).

A sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin (-1%) – applied on the business plan 2019-2021 and the perpetuity- on the outcome of the impairment tests (see overview table below).

For both sensitivity analyses it is assumed that all other parameters of the underlying assumptions remain unchanged.

Sensitivity	DISCOUNTED CASH FLOW / NET ASSET BASE			
	BASE CASE	1% INCREASE OF WACC (A)	1% DECREASE OF GROSS MARGIN ON SALES (B)	COMBINATION OF (A) AND (B)
Bedding	3.2 times book value	2.6 times book value	2.0 times book value	1.6 times book value

C. Automotive

- ***Key assumptions***

Cash flows:

For the CGU "Interiors", the value-in-use model projections are based on the budgets and financial plans for the duration of each individual project/model, in combination with an overview of the entire capacity utilisation. Project assets are depreciated over the project life time.
The CGU "Interiors" uses a project approach. Impairments are booked on property, plant and equipment and intangible assets:

- if a project generates insufficient cash flow to cover the depreciation of the property, plant and equipment and intangible assets assigned to the project,
- for property, plant and equipment or intangible assets which are expected not to be reallocated to other projects. Consequently, assets which are expected to become available within 2 years and cannot be reallocated to other projects need to be impaired.

In case of reallocation of fully depreciated assets, the latter might require a reconditioning. These reconditioning costs are amortised over the term of the new project, without additional revaluation or reversal of any impairment.

In 2018 an impairment of EUR 1.4 million has been recognised due to lower volumes in two Interiors' programs.

Discount rate:

The pre-tax discount rate used amounts to 7.2% (2017: 7.0%) and is based on a weighted average cost of capital based on the current market expectations of the time value of money and the risks for which future cash flows must be adjusted.

- ***Sensitivity analysis***

With regard to the CGU "Interiors", an increase in the pre-tax discount rate to 8.2% (2017: 8.0%) or decrease of the gross margin on sales of 1% would not give rise to material impairments. For both sensitivity analyses it is assumed that all other parameters of the underlying assumptions remain unchanged.

A sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin on sales (-1%) – applied on the business plan 2019-2021 and the perpetuity - on the outcome of the impairment tests. This would not give rise to material impairments.

- **Loss allowances for expected credit losses**

A loss allowance for expected credit losses is recognised for trade debtors for which a risk of total or partial non-recovery of outstanding receivables exists due to the debtor's poor financial condition or for economic, legal or political reasons. The decision to classify a receivable as doubtful will be made by the management on the basis of all information available to them at any time. In line with the Group accounting principles, details on the amounts of the loss allowance for expected credit losses can be found in note II.4.2.5.9.

- **Provisions for restructurings and onerous contracts**

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has, by starting to implement the plan or announcing its main features to those affected by it, raised a valid expectation in those affected that it will carry out the restructuring.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

In line with the Group accounting principles, details on the amounts of provisions for restructurings and onerous contracts can be found in notes II.4.2.3.1. and II.4.2.4.4.

- **Provisions for contingent liabilities, litigations and other exposures**

Any significant litigation (tax and other, including threat of litigation) is reviewed by Recticel's in-house lawyers with the support, when appropriate, of external counsels at least every half-year. This review includes an assessment of the need to recognise provisions and/or to re-measure existing provisions together with the Finance department and the Insurance department. Further details are provided in note II.4.2.6.10.

- **Valuation of post-employment defined benefit obligations, other long term employee benefits and termination benefits**

The actuarial assumptions used in determining the defined benefit obligations at December 31, as well as the annual cost, can be found in note II.4.2.5.14. All main employee benefit plans are assessed annually by independent actuaries. Discount rates and inflation rates are defined centrally by management. The other assumptions (such as future salary increases and expected rates of medical care cost increases) are defined at a local level. All plans are supervised by the Group's central Human Resources department with the help of a central actuary to check the acceptability of the results and ensure consistency in reporting.

- **Current and deferred tax**

All tax returns are prepared in good faith based on the available information with often the assistance of external tax advisors. There are a number of tax audits ongoing in the Group, notably in Germany. The result of these tax audits is not yet clear as the Group is still in a situation of fact finding. It is currently unclear whether any potential finding would lead to a loss of tax losses carried forward or income taxes to be paid. Until now, no material tax corrections have taken place. However, important tax corrections can never be excluded. In such case, Recticel will defend its position, always in full collaboration with the tax authorities.

Deferred tax assets are mainly recognised for the unused tax losses carried forward to the extent that future taxable profits are expected to be available to offset these unused tax loss carry forwards. For this purpose, management bases recognition of deferred tax assets on its business plans (see note II.4.2.4.6).

Deferred tax assets decreased from EUR 26.2 million to EUR 20.5 million, impacting the income statement by EUR -7.0 million and equity by EUR -4.1 million. The impact of EUR -7.0 million on the income statement includes EUR -2.2 million consequential to the change in corporate tax legislation in Belgium and EUR -3.1 million from the utilisation of tax loss carry forwards.

Deferred tax assets are recognised mainly in Belgium (Recticel n.v. - EUR 13.7 million; Recticel UREPP Belgium n.v. – EUR 1.4 million), in Germany (Recticel Verwaltung GmbH & Co KG – EUR 2.6 million) and in the United Kingdom (Recticel Ltd. - EUR 0.9 million).

II.4.2.2. Changes in scope of consolidation

There were no changes in the scope of consolidation in 2018.

II.4.2.3. Business and geographical segments

II.4.2.3.1. Business segments

IFRS 8 requires operating segments to be identified on the basis of the internal reporting structure of the Group that allows a regular performance review by the chief operating decision maker and an adequate allocation of resources to each segment. Despite the application of IFRS 11, the chief operating decision makers continue to operate on the basis of financial data per segment on a "Combined" basis, i.e. including Recticel's pro rata share in the joint ventures, after intercompany eliminations, in accordance with the proportionate consolidation method.

The information reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment per segment is more specifically focussed on Sales, EBITDA, EBIT, Capital Employed and Operational Cash Flow per segment. The principal market segments for these goods are the four operating segments:

Flexible Foams, Bedding, Insulation, Automotive, and Corporate. For more details on these segments, reference is made to the first part of this annual report. Information regarding the Group's reportable segments is presented below.

Inter-segment sales are made at conditions which are applicable under the framework of the Group Transfer Pricing Policy.

Income statement for the year 2018

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
SALES								
External sales	577 688	237 421	362 018	271 137	0	**1 448 264**		
Inter-segment sales	43 796	6 369	1 862	29	(52 056)	**0**		
Total sales	**621 484**	**243 790**	**363 880**	**271 166**	**(52 056)**	**1 448 264**	**(330 612)**	**1 117 652**
EARNINGS BEFORE INTEREST AND TAXES (EBIT)								
Unallocated corporate expenses [1]						**(17 482)**	**0**	**(17 482)**
EBIT	**15 562**	**(2 070)**	**12 914**	**38 123**	**0**	**47 046**	**(4 099)**	**42 947**
Financial result								(3 886)
Result for the period before taxes								**39 061**
Income taxes								(10 212)
Result for the period after taxes								**28 849**
of which non-controlling interests								0
of which share of the Group								28 849

[1] Includes headquarters' costs (EUR 15.3 million (2017: EUR 14.5 million)) and R&D expenses (Corporate Programme) (EUR 2.2 million (2017: EUR 2.3 million)).

Other information 2018

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Depreciation and amortisation	12 605	4 505	16 144	6 588	681	**40 523**	(8 890)	**31 633**
Impairment losses recognised in profit and loss	4 814	(430)	1 400	0	0	**5 784**	35	**5 819**
EBITDA	32 981	2 004	30 458	44 711	(16 801)	**93 353**	(12 954)	**80 399**
Capital expenditure/additions	16 412	3 363	13 636	16 951	2 009	**52 371**	(7 384)	**44 987**

Impairments

In 2018, impairment charges amounted to EUR -5.8 million and relate to (i) goodwill in the United Kingdom (Flexible Foams) (EUR -1.0 million), (ii) idle tangible assets in Flexible Foams (EUR -3.9 million) following the closure of the plant in Catarroja (Spain) and (iii) assets in Automotive Interiors in the Czech Republic (EUR -1.4 million).

EBITDA

EBITDA per segment is commented in the first part of this annual report (section Report by the Board of Directors).

Statement of financial position at 31 December 2018

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
ASSETS								
Segment assets	263 773	87 932	255 872	124 475	(77 837)	**654 215**	**(143 636)**	**510 579**
Investment in associates	15 675	0	0	1 433	0	**17 108**	**51 523**	**68 631**
Unallocated assets						**109 903**	**46 123**	**156 026**
Total consolidated assets						**781 226**	**(45 990)**	**735 236**
LIABILITIES								
Segment liabilities	117 860	44 294	127 873	66 576	(77 604)	**278 999**	**(40 835)**	**238 164**
Unallocated liabilities						**237 250**	**(5 155)**	**232 095**
Total consolidated liabilities (excluding equity)						**516 249**	**(45 990)**	**470 259**

The unallocated assets, which amount to EUR 109.9 million, include the following items:

- Financial receivables for EUR 17.0 million
- Current tax receivables for EUR 6.9 million
- Other receivables (including tax credits) for EUR 13.3 million
- Deferred tax assets for EUR 21.4 million
- Cash & cash equivalent for EUR 36.8 million.

The unallocated liabilities, which amount to EUR 237.3 million (equity excluded), include mainly the following items:

- Provisions for pensions – long term for EUR 55.9 million
- Provisions for pensions – short term for EUR 4.7 million
- Provisions other – long term for EUR 15.5 million
- Provisions other – short term for EUR 2.7 million
- Deferred tax liabilities for EUR 10.2 million
- Interest-bearing borrowings long-term for EUR 29.7 million
- Interest-bearing borrowings short-term for EUR 89.7 million
- Current taxes payable for EUR 3.9 million.

The breakdown of the goodwill per business line per 31 December 2018

in thousand EUR

Group Recticel	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Eurofoam	482	(482)	0
Germany	808	0	808
The Netherlands	253	0	253
Scandinavia	5 403	0	5 403
United Kingdom	3 044	0	3 044
Total Flexible Foams	**9 990**	**(482)**	**9 508**
Total Bedding	**11 319**	**0**	**11 319**
Belgium	1 619	0	1 619
United Kingdom	908	0	908
Total Insulation	**2 527**	**0**	**2 527**
			0
Total goodwill	**23 836**	**(482)**	**23 354**

Income statement for the year 2017

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
SALES								
External sales	575 797	264 197	348 716	272 110		**1 460 820**		
Inter-segment sales	50 329	7 897	1 651	227	(60 104)	**0**		
Total sales	**626 126**	**272 094**	**350 367**	**272 337**	**(60 104)**	**1 460 820**	**(325 467)**	**1 135 353**
EARNINGS BEFORE INTEREST AND TAXES (EBIT)								
Unallocated corporate expenses [1]						**(16 821)**	**0**	**(16 821)**
EBIT	**17 704**	**9 598**	**4 117**	**33 484**	**0**	**48 082**	**(3 221)**	**44 861**
Financial result								(4 742)
Result for the period before taxes								**40 119**
Income taxes								(16 206)
Result for the period after taxes								**23 913**
of which non-controlling interests								0
of which share of the Group								23 913

[1] Includes headquarters' costs (EUR 14.5 million (2016: EUR 15,6 million)) and R&D expenses (Corporate Programme) (EUR 2.3 million (2016: EUR 3.0 million)).

Other information 2017

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Depreciation and amortisation	12 714	4 597	14 196	6 659	861	**39 027**	(8 110)	**30 917**
Impairment losses recognised in profit and loss	172	141	6 696	0	0	**7 009**	0	**7 009**
EBITDA	30 590	14 336	25 009	40 144	(15 960)	**94 119**	(11 332)	**82 787**
Capital expenditure/additions	11 968	3 182	36 100	14 096	2 928	**68 274**	(2 354)	**65 920**

Impairments

In 2017, impairment charges amounted to EUR -7.0 million and relate to (i) impairment of equipment in Automotive Interiors (EUR -6.7 million) following the fire incident in the Most plant in the Czech Republic and (ii) idle tangible assets in Flexible Foams and Bedding (EUR -0.3 million).

EBITDA

EBITDA per segment is commented in the first part of this annual report (section Report by the Board of Directors).

Statement of financial position at 31 December 2017

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
ASSETS								
Segment assets	283 945	113 990	261 917	122 047	(117 554)	**664 345**	(171 372)	**492 973**
Investment in associates	15 110	0	0	1 490	0	**16 600**	59 642	**76 241**
Unallocated assets						**140 205**	20 744	**160 948**
Total consolidated assets						**821 149**	(90 987)	**730 162**
LIABILITIES								
Segment liabilities	138 658	55 302	116 512	78 943	(117 320)	**272 096**	(60 172)	**211 924**
Unallocated liabilities						**287 267**	(30 815)	**256 452**
Total consolidated liabilities (excluding equity)						**559 363**	(90 987)	**468 376**

The unallocated assets, which amount to EUR 140.2 million, include the following items:

- Financial receivables for EUR 19.7 million
- Current tax receivables for EUR 3.3 million
- Other receivables (including tax credits) for EUR 17.2 million
- Deferred tax assets for EUR 26.7 million
- Cash & cash equivalent for EUR 73.2 million.

The unallocated liabilities, which amount to EUR 287.3 million (equity excluded), include mainly the following items:

- Provisions for pensions – long term for EUR 63.4 million
- Provisions for pensions – short term for EUR 4.0 million
- Provisions other – long term for EUR 17.1 million
- Provisions other – short term for EUR 1.4 million
- Deferred tax liabilities for EUR 10.3 million
- Interest-bearing borrowings long-term for EUR 90.5 million
- Interest-bearing borrowings short-term for EUR 81.6 million
- Current taxes payable for EUR 2.9 million.

The breakdown of the goodwill per business line per **31 December 2017**

in thousand EUR

Group Recticel	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Eurofoam	488	(488)	0
Germany	806	0	806
The Netherlands	253	0	253
Scandinavia	5 434	0	5 434
United Kingdom	4 048	0	4 048
Total Flexible Foams	**11 029**	**(488)**	**10 541**
Total Bedding	**11 073**	**0**	**11 073**
Belgium	1 619	0	1 619
United Kingdom	935	0	935
Total Insulation	**2 554**	**0**	**2 554**
Proseat (Seating)	8 978	(8 978)	0
Total Automotive	**8 978**	**(8 978)**	**0**
Total goodwill	**33 634**	**(9 466)**	**24 168**

Adjustments to EBIT (on a combined basis) per segment

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	NOT ALLOCATED	COMBINED TOTAL
2018						
Impairments	(4 814)	430	(1 400)	0	0	(5 784)
Net impact (excluding impairment) of fire incident in Interiors plant in Most (Czech Republic)	0	0	5 639	0	0	5 639
Restructuring charges	(4 339)	(4 851)	(473)	0	(441)	(10 104)
Other	(4 161)	13	(649)	0	(1 180)	(5 977)
TOTAL	**(13 314)**	**(4 408)**	**3 117**	**0**	**(1 621)**	**(16 226)**
2017						
Impairments	(172)	(141)	(6 696)	0	0	(7 009)
Net impact (excluding impairment) of fire incident in Interiors plant in Most (Czech Republic)	0	0	(1 092)	0	0	(1 092)
Restructuring charges	(3 347)	(630)	470	(194)	0	(3 701)
Other	(6 617)	(160)	10	0	172	(6 595)
TOTAL	**(10 136)**	**(931)**	**(7 308)**	**(194)**	**172**	**(18 397)**

For 2018

- Impairment charges amounted to EUR -5.8 million and relate to (i) goodwill in the United Kingdom (Flexible Foams) (EUR -1.0 million), (ii) idle tangible assets in Flexible Foams (EUR -3.9 million) following the closure of the plant in Catarroja (Spain) and (iii) assets in Automotive Interiors in the Czech Republic (EUR -1.4 million).
- The net impact of the fire incident in Most comprises additional insurance indemnities received following last year's fire incident in Most (Czech Republic).
- Restructuring measures (EUR -10 million) in execution of the Group's rationalisation plan, include: (i) further restructuring costs in Flexible Foams for the closure of Catarroja (Spain) and Buren (The Netherlands) plants, (ii) in Bedding mainly anticipated costs of the announced closure of the Hassfurt (Germany) plant, and (iii) some additional rationalisation efforts in Automotive.
- The 'other' adjustments to EBIT (EUR -6.0 million) relate to costs and fees for legacy remediation and litigations.

For 2017

- Impairment charges amounted to EUR -7.0 million and relate to (i) impairment of equipment in Automotive Interiors (EUR -6.7 million) following the fire incident in the Most plant in the Czech Republic and (ii) idle tangible assets in Flexible Foams and Bedding (EUR -0.3 million).
- The net financial impact of the fire incident in Most, excluding impairment losses, amounts to EUR -1.1 million and includes: additional expenses, inefficiencies and losses on assets induced by the fire, impairments, reinsurance costs and compensating insurance payments.
- Additional restructuring measures were implemented in execution of the Group's rationalisation plan, including the closure of the Flexible Foams plant in Buren (The Netherlands) (EUR -1.8 million), additional costs relating to the Flexible Foams plant in Noyen-sur-Sarthe (France) (EUR -1.1 million) and in Bedding (Germany and Switzerland) (EUR -0.6 million).
- Other non-recurring elements relate mainly to incurred costs and provisions for legal fees and litigation.

II.4.2.3.2. Geographical information and disaggregation of revenues

The Group's operations are mainly located in the European Union.

Sales (by destination)

The following tables provides an analysis of the Group's sales and fixed assets by geographical market and the disaggregation of its revenues over the segments.

in thousand EUR

Group Recticel	2018	2017
Belgium	134 531	149 549
France	148 018	154 826
Germany	181 119	198 472
United Kingdom	157 132	151 642
Other EU countries	318 347	307 886
European Union	**939 148**	**962 374**
Other	178 504	172 979
TOTAL	**1 117 652**	**1 135 353**

Disaggregation of combined revenues

in thousand EUR

Group Recticel	2018
Comfort foam	356 701
Technical foams	264 783
Flexible Foams	**621 484**
Branded Products	150 966
Non-branded/Private label	92 823
Bedding	243 789
Insulation	271 166
Interiors	199 449
Seating	164 431
Automotive	363 880
Eliminations	(52 056)
TOTAL COMBINED REVENUES	**1 448 264**
Adjustment for joint ventures by application of IFRS 11	(330 612)
TOTAL CONSOLIDATED REVENUES	**1 117 652**
Timing of revenue recognition	
At a point in time	1 426 046
Over time (moulds)	22 218
TOTAL COMBINED REVENUES	**1 448 264**

Revenue recognised over time (EUR 22.2 million) relates to the sale of moulds in the Automotive segment.

Reliance on major customers

The Group has no major customers that represent more than 10% of total sales. The top-10 customers of the Group represents 27.5% (2017: 25.4%) of total consolidated sales.

Intangible assets – property, plant & equipment – investment property

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017	ACQUISITIONS, INCLUDING OWN PRODUCTION 2018	ACQUISITIONS, INCLUDING OWN PRODUCTION 2017
Belgium	74 234	74 723	6 435	18 114
France	38 030	37 398	4 192	1 279
Germany	12 287	17 576	2 121	5 050
United Kingdom	9 006	9 435	1 349	278
Other EU countries	79 113	69 904	23 618	31 737
European Union	**212 670**	**209 036**	**37 714**	**56 458**
Other	35 206	33 400	7 272	8 874
TOTAL	**247 875**	**242 437**	**44 987**	**65 332**

II.4.2.4. Income statement

II.4.2.4.1. Gross profit

The gross profit increased by 9.9% from 183.5 million to EUR 201.6 million. The gross profit 2017 was negatively impacted by EUR 30.0 million non-recurring costs from additional expenses incurred due to alternative production solutions following the fire incident in Automotive Interiors plant in Most (Czech Republic).

II.4.2.4.2. General and administrative expenses - Sales and marketing expenses – Research and development expenses

General and administrative expenses decreased by EUR 7.9 million to EUR 70.6 million (cfr II.4.2.4.1. – Gross profit).
Sales and marketing expenses increased by EUR 3.1 million to EUR 72.6 million. The increase is mainly due to higher advertising and promotion expenses in the Bedding segment following the launch of the new Geltex 2.0 product range.
Research and development expenses decreased by EUR 2.7 million to EUR 11.0 million. The decrease is mainly due to received subsidies (EUR 1.4 million) and other compensations (EUR 0.8 million).

II.4.2.4.3. Other operating revenues and expenses

in thousand EUR

Group Recticel	2018	2017
Other operating revenues	17 900	55 976
Other operating expenses	(26 731)	(28 344)
TOTAL	**(8 831)**	**27 632**
Restructuring charges (including site closure, onerous contracts and clean-up costs)	(10 104)	(3 701)
Gain (Loss) on disposal of intangible and tangible assets	671	853
Amounts written-back/(-off) on affiliates investments and loss on receivables	(0)	(529)
Other revenues	16 901	55 123
Other expenses	(16 299)	(24 114)
TOTAL	**(8 831)**	**27 632**

Restructuring

During **2018**, restructuring charges are mainly related to (i) further restructuring costs in Flexible Foams for the closure of Catarroja (Spain) and Buren (The Netherlands) plants, (ii) in Bedding mainly anticipated costs for the annouced closure of the Hassfurt (Germany) plant, and (iii) some additional rationalisation efforts in Automotive.

During **2017**, restructuring charges were mainly related to Flexible Foams in France and The Netherlands, to Bedding in Germany and Switzerland, to Automotive Interiors in Germany and to Insulation in France.

Gain (loss) on disposal of tangible and intangible assets

In **2018**, this item relates mainly to the gain on disposal of equipment of Automotive in Belgium and China (EUR 0.3 million) and in Flexible Foams in The Netherlands (EUR 0.4 million).

In **2017**, this item relates mainly to the gain on disposal of equipment of Automotive Interiors in China.

Loss on receivables

In **2017**, this item resulted from the write-off of a financial receivable towards one non-consolidated subsidiary and one associated company, both in liquidation (EUR -0.5 million).

Other revenues and expenses

"Other revenues and expenses" in **2018** comprised mainly:

(i) the net impact of pension liabilities and other employee benefits (EUR -1.4 million), including a curtailment effect, additional service costs, other social costs and currency effects on pension plans.
(ii) cost from industrial damages (RAI Most: EUR -1.6 million; other: EUR -0.7 million)
(iii) additional legal fees and costs related to claims in relation with the EC investigation (Flexible Foams) (EUR -4.5 million)
(iv) royalties received (EUR +0.1 million)
(v) net revenues from insurance premiums (EUR +1.1 million)
(vi) re-invoicing of services and goods, rentals (EUR +2.3 million)
(vii) reversal of accruals for social risks (EUR +1.0 million)
(viii) indemnities received (EUR +7.7 million)
(ix) additional provisions for risks and charges (EUR -4.3 million)
(x) reversal of environmental provision (EUR +0.5 million)

"Other revenues and expenses" in **2017** comprised mainly:

(i) (The net impact of the fire in Most (EUR +28.9 million), excluding the EUR -30.0 million of additional cost recognised under 'Cost of goods sold'.
(ii) The net impact of quality issue with a raw material supplier (EUR +1.9 million)

(iii) The net impact of pension liabilities (EUR -4.0 million), including additional service costs, other social costs and currency effects on pension plans.
(iv) net revenues from insurance premiums (EUR +2.5 million)
(v) additional legal fees and costs related to claims in relation with the EC investigation (Flexible Foams) (EUR -2.3 million)
(vi) re-invoicing of services and goods, rentals (EUR +0.7 million)
(vii) additional accruals for different operational claims (EUR -0.5 million)
(viii) indemnity received for the damage costs from a leakage incident in the Flexible Foams plant in Norway (EUR +0.6 million)
(ix) reversal of environmental provision (EUR +0.5 million)
(x) income from royalties (EUR +0.6 million)
(xi) income from tax credit research grants (EUR +1.3 million).

II.4.2.4.4. Earnings before interest and taxes (EBIT)

The components (by nature) of EBIT are as follows:

in thousand EUR

Group Recticel	2018		2017	
Sales	1 117 652	100%	1 135 353	100%
Purchases and changes in inventories	(549 563)	-49.2%	(579 864)	-51.1%
Other goods and services	(216 687)	-19.4%	(244 864)	-21.6%
Labour costs	(291 647)	-26.1%	(292 802)	-25.8%
Amortisation and depreciation on non-current assets	(29 997)	-2.7%	(29 349)	-2.6%
Impairments on non-current assets	(5 819)	-0.5%	(7 009)	-0.6%
Amounts written back/(off) on affiliated investments	(0)	0.0%	0	0.0%
Amounts written back/(off) on inventories	(152)	0.0%	(2 682)	-0.2%
Amounts written back/(off) on receivables	(2)	0.0%	304	0.0%
Amortisation of deferred long term and upfront payment	(1 637)	-0.1%	(1 569)	-0.1%
Provisions	(9 428)	-0.8%	(3 467)	-0.3%
Gain/(Loss) on disposal financial assets	0	0.0%	(13)	0.0%
Own production	4 908	0.4%	8 822	0.8%
Other revenues [1]	37 104	3.3%	78 385	6.9%
Other expenses [2]	(21 956)	-2.0%	(18 773)	-1.7%
Income from associates & joint ventures	10 170	0.9%	2 390	0.2%
EBIT	**42 947**	**3.8%**	**44 861**	**4.0%**

[1] Other revenues	2018	2017
Reinvoicing of expenses	**10 406**	11 747
Insurance premiums	2 484	**2 496**
Indemnities	8 837	**48 158**
Subsidies	2 858	**1 554**
Service fees	623	**1 840**
Royalties	244	**798**
Gain on disposal of tangible assets	976	**890**
Gains on sale & lease backs	23	**39**
Operating lease income	2 168	**2 254**
Other	8 485	**8 609**
Total	**37 104**	**78 385**

[2] Other expenses		
Operating taxes	(6 301)	(6 037)
Indemnity for claims	(1 099)	(176)
Damage claims	(2 341)	(1 864)
Expenses to be reimbursed	(1 873)	0
Loss on disposal of tangible assets	(328)	0
Write-off on tangible assets a	(2 342)	(3 307)
Loss on realisation of trade receivables	(355)	(334)
Loss on realisation of financial receivables	0	(434)
Loss on sale & lease backs	0	(53)
Other	(7 317)	(6 569)
Total	**(21 956)**	**(18 773)**

[a] Relates primarily to destroyed assets from the fire incident in Most (Czech Republic)

Sales: All segments except Automotive reported lower sales due to exchange rate differences and overall weak market conditions in the durable consumer goods and automotive sectors in the second half of the year. More details per segment can be found in the comments on the combined figures in the Report of the Board of Directors.

Purchases and changes in inventories decreased as a result of lower chemical raw materials prices.

Other goods and services comprise transportation costs (EUR 52.7 million versus EUR 53.6 million in 2017), operating lease expenses (EUR 29.3 million versus EUR 31.7 million in 2017), supplies (EUR 23.8 million versus EUR 23.7 million in 2017), fees (EUR 16.2 million versus EUR 17.6 million in 2017), repair and maintenance costs (EUR 16.5 million versus EUR 18.3 million in 2017), advertising/fairs/exhibition costs (EUR 15.7 million versus EUR 13.2 million in 2017), travel expenses (EUR 8.7 million versus EUR 8.2 million in 2017), administrative expenses (EUR 9.1 million versus EUR 8.4 million in 2017), insurance expenses (EUR 5.3 million versus EUR 5.1 million in 2017), waste removal and environmental expenses (EUR 4.8 million versus EUR 4.5 million in 2017), security expenses (EUR 1.9 million versus EUR 2.0 million in 2017).

Furthermore, in 2017, this included EUR -30.0 million of non-recurring costs incurred due to alternative production solutions and operational inefficiencies following the fire incident in the Most-plant (Automotive Interiors, Czech Republic).

Labour costs slightly increased mainly due to salary inflation.

Other revenues decreased compared to 2017, the latter being mainly impacted by the indemnities received in the context of the fire incident in Most, raw material quality issues at a supplier and the leakage incident in the Flexible Foams plant in Norway.

The higher **income from joint ventures & associates** is mainly explained by an improved operational performance at Eurofoam, received compensations (EUR +0.9 million) and a reversal of provisions (EUR +1.5 million).

II.4.2.4.5. Financial result

in thousand EUR

Group Recticel	2018	2017
Interest charges on bonds & notes	(19)	(803)
Interest on financial lease	(296)	(251)
Interest on long-term bank loans	(759)	(1 213)
Interest on short-term bank loans & overdraft	(2 097)	(2 043)
Total borrowing cost	**(3 171)**	**(4 310)**
Interest income from bank deposits	72	47
Interest income from financial receivables	516	506
Interest income from financial receivables and cash	**588**	**553**
Interest charges on other debts	(95)	(419)
Interest income from other financial receivables	51	44
Total other interest	**(44)**	**(375)**
Interest income and expenses	**(2 627)**	**(4 133)**
Exchange rate differences	**71**	**3 204**
Net interest cost IAS 19	(759)	(967)
Interest actualisation revenue for receivables	19	15
Net interest charges on Interest Rate Swaps and Foreign Currency Swaps	(645)	(2 327)
Interest on provisions for employee benefits and other debt	**(1 385)**	**(3 280)**
Other financial result	**56**	**(534)**
Total other financial result	**(1 259)**	**(610)**
FINANCIAL RESULT	**(3 886)**	**(4 742)**

The lower borrowing cost results from (i) the reimbursement of a 5% convertible bond (July 2017), (ii) a commercial paper program at a lower interest rate and (iii) a lower average debt level.

II.4.2.4.6. Income taxes

1. Income tax charges

in thousand EUR

Group Recticel	2018	2017
Recognised in the income statement		
Current income tax:		
Current year	(7 788)	(5 184)
Adjustments in respect of prior year [(1)]	4 534	(802)
Total current tax	**(3 254)**	**(5 986)**
Deferred taxes:		
Origination and reversal of temporary differences	(813)	(486)
Use of tax losses previously recognised as deferred tax assets [(2)]	(3 936)	(7 489)
Use of tax losses due to the new tax reform in Belgium	(2 241)	(4 492)
Effect of changes in tax rates on deferred taxes	32	2 246
Total deferred tax	**(6 958)**	**(10 221)**
Grand total	**(10 212)**	**(16 207)**

[(1)] 2018: mainly relating to tax refunds to be received in Germany.
[(2)] The utilization of previous years' tax losses (EUR -3.9 million against EUR -7.5 million in 2017) is mainly explained by the United Kingdom (EUR -2.9 million) and Belgium (EUR -1.0 million).

in thousand EUR

Group Recticel	2018	2017
Reconciliation of effective tax rate		
Profit / (loss) before taxes	39 061	40 119
Minus income from associates	(10 170)	(2 390)
Result before tax and income from associates	**28 891**	**37 729**
Tax at domestic income tax rate	**(8 546)**	**(12 824)**
Domestic tax rate	**29,58%**	**33,99%**
Tax effect of non-deductible expenses and non-taxable income	(1 090)	(1 128)
Use of tax losses previously recognised as deferred tax assets due to the new tax reform in Belgium	(2 241)	(4 492)
Tax effect of current and deferred tax adjustments related to prior years	(1 060)	(978)
Tax effect of tax losses carried forward	1 141	0
Effect of different tax rates of subsidiaries operating in different jurisdictions	2 237	1 339
Effect of changes in tax rates on deferred taxes	32	2 246
Other	(685)	(370)
Tax expense for the year	**(10 212)**	**(16 207)**

in thousand EUR

Group Recticel	2018	2017
Deferred tax income (charge) recognised directly in equity		
Change in accounting policy (IFRS 15)	1 247	0
Impact of IAS 19R on equity	(619)	483
Impact of movements in exchange rates	19	(57)
On effective portion of changes in fair value of cash flow hedges	0	(776)
Total	**647**	**(350)**

2. Deferred tax assets and liabilities

in thousand EUR

Group Recticel	31 DEC 2018		31 DEC 2017	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Recognised deferred tax assets and liabilities				
Intangible assets	10 036	(824)	12 370	(832)
Property, plant & equipment	21 715	(15 982)	23 937	(18 333)
Investments	0	(1 213)	0	(1 197)
Inventories	952	(1 338)	698	(528)
Receivables	1 263	(998)	485	(3 031)
Cash flow hedges (equity)	0	0	117	0
Other current assets	2 640	0	628	0
Pension provisions	12 920	0	14 538	0
Other provisions	4 663	(6 262)	6 055	(5 839)
Other liabilities	1 553	(2 293)	1 248	(6 524)
Notional interest deduction	0	0	4 550	0
Tax loss carry-forwards/ Tax credits	159 886	0	162 388	0
Total	**215 628**	**(28 910)**	**227 014**	**(36 284)**
Valuation allowance (1)	(175 900)	0	(173 602)	0
Set-off (2)	(19 260)	19 260	(27 171)	27 171
Total (as provided in the statement of financial position)	**20 468**	**(9 650)**	**26 241**	**(9 113)**

(1) The variance of EUR -2.3 million (EUR 175.9 million versus EUR 173.6 million) is mainly explained by a valuation allowance of EUR +4.1 million, by an effect on tax rate changes of EUR +0.6 million, by an effect on equity of EUR -4.1 million related to the impact on the opening of IFRS 15 and equity impact of pensions, and by the effect of exchange rate differences of EUR -2.9 million.

(2) According to IAS 12 (Income Taxes), deferred tax assets and deferred tax liabilities should, under certain conditions, be offset if they relate to income taxes levied by the same taxation authority.

Tax loss carry-forwards – amounts by expiration date:

in thousand EUR

Group Recticel	2018	2017
One year	1 563	15 297
Two years	4 751	4 391
Three years	69 882	68 391
Four years	6 612	4 078
Five years and thereafter	129 763	139 760
Without time limit	350 389	360 493
Total	**562 960**	**592 410**

Deferred tax assets recognised and unrecognised by the Group apply to the following elements as at **31 December 2018:**

in thousand EUR

Group Recticel	TOTAL POTENTIAL DEFERRED TAX ASSETS	RECOGNISED DEFERRED TAX ASSETS	VALUATION ALLOWANCES
Tax losses carried forward (*)	159 886	23 752	136 134
Notional interest deductions (*)	0	0	0
Property, plant and equipment	21 715	2 430	19 285
Pension provisions	12 922	5 227	7 695
Other provisions	4 663	939	3 724
Other temporary differences	16 442	7 380	9 062
Total before set-off	**215 628**	**39 728**	**175 900**

(*) As of 31/12/2018, deferred tax assets and notional interests deductions of EUR 23.8 million (2017: EUR 32.6 million) are recognized out of EUR 563.0 million (2017: EUR 592.4 million) tax losses carryforward. These deferred tax assets represent income likely to be realisable in the foreseeable future.

Deferred tax assets recognised and unrecognised by the Group apply to the following elements as at **31 December 2017:**

in thousand EUR

Group Recticel	TOTAL POTENTIAL DEFERRED TAX ASSETS	RECOGNISED DEFERRED TAX ASSETS	VALUATION ALLOWANCES
Tax losses carried forward (*)	162 388	32 636	129 752
Notional interest deductions (*)	4 550	0	4 550
Property, plant and equipment	23 937	3 628	20 309
Pension provisions	14 538	6 830	7 708
Other provisions	6 057	2 106	3 951
Other temporary differences	15 544	8 212	7 332
Total before set-off	**227 014**	**53 412**	**173 602**

(*) As of 31/12/2017, deferred tax assets and notional interests deductions of EUR 32.6 million (2016: EUR 37.8 million) are recognized out of EUR 592.4 million (2016: EUR 617.8 million) tax losses carryforward. These deferred tax assets represent income likely to be realisable in the foreseeable future.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liabilities have been recognised on undistributed retained earnings of subsidiaries, associates and joint ventures, as the impact is not material.

II.4.2.4.7. Dividends

Amounts recognised as distributions to equity holders in the period.

Dividend for the period ending 31 December 2017 of EUR 0.22 per share.

Proposed dividend for the period ending 31 December 2018 of EUR 0.24 per share, or in total for all shares outstanding EUR 13,254,483 (2017: EUR 12,050,799), including the portion attributable to the treasury shares.

The proposed dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

II.4.2.4.8. Basic earnings per share

From continuing and discontinuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

Group Recticel	2018	2017
Net profit (loss) for the period (in thousand EUR)	**28 849**	**23 913**
Net profit (loss) from continuing operations	28 849	23 913
Net profit (loss) from discontinuing operations	0	0
Weighted average shares outstanding		
Ordinary shares on 01 January (excluding treasury shares)	54 449 557	53 735 720
Exercised warrants	450 655	713 837
Ordinary shares on 31 December (excluding treasury shares)	54 900 212	54 449 557
Weighted average shares outstanding	**54 659 774**	**54 110 396**

in EUR

Group Recticel	2018	2017
Basic earnings per share	0,53	0,44
Basic earnings per share from continuing operations	0,53	0,44
Basic earnings per share from discontinuing operations	0,00	0,00

II.4.2.4.9. Diluted earnings per share

Computation of the diluted earnings per share :

in thousand EUR

Group Recticel	2018	2017
Dilutive elements		
Net profit (loss) from continuing operations	28 849	23 913
Convertible bonds [2]	0	791
Profit (loss) attributable to ordinary equity holders of the parent entity including assumed conversions	**28 849**	**24 704**
Weighted average ordinary shares outstanding	**54 659 774**	**54 110 396**
Stock option plans - warrants [1]	433 521	318 464
Convertible bonds [2]	0	3 512 841
Weighted average shares for diluted earnings per share	**55 093 295**	**57 941 701**

Group Recticel	2018	2017
Diluted earnings per share	**0.52**	**0.43**
Diluted earnings per share from continuing operations	0.52	0.43
Diluted earnings per share from discontinuing operations	0.00	0.00

	2018	2017
Anti-dilutive elements		
Impact on net profit from continuing operations		
Convertible bonds [2]	0	0
Impact on weighted average ordinary shares outstanding		
Stock option plan - warrants - "out-of-the-money" [1]	57 256	66 691
Convertible bonds [2]	0	0

[1] Per 31 December 2018, all outstanding warrant plans as from April 2014 are in-the-money, except the plan of April 2018 which was out-of-the-money. The outstanding warrant plans which are out-of-the-money are disclosed as anti-dilutive.
[2] The convertible bonds were fully repaid on 23 July 2017.

II.4.2.5. Statement of financial position

II.4.2.5.1. Intangible assets

For the year ending 2018:

in thousand EUR

Group Recticel	DEVELOPMENT COSTS	TRADEMARKS, PATENTS & LICENCES	CLIENT PORTFOLIO GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS	TOTAL	
At the end of the preceding period							
Gross book value	14 411	48 720	9 574	260	6 716	79 682	
Accumulated amortisation	(12 920)	(36 544)	(9 574)	(241)	(249)	(59 528)	
Accumulated impairment	0	(6 300)	0	0	(1 531)	(7 831)	
Net book value at the end of the preceding period	**1 491**	**5 876**	**0**	**19**	**4 936**	**12 323**	
Movements during the year:							
Acquisitions, including own production	0	139	0	(2)	2 450	2 586	(1)
Impairments	0	0	0	0	0	0	
Expensed amortisation	(716)	(1 904)	(0)	(9)	(0)	(2 629)	
Sales and scrapped	0	0	0	19	(0)	19	(2)
Transfers from one heading to another	149	2 124	0	(16)	(2 474)	(217)	
Exchange rate differences	(4)	(32)	0	(0)	(0)	(37)	
At the end of the current period	**920**	**6 203**	**0**	**12**	**4 910**	**12 045**	
Gross book value	14 820	50 802	9 568	262	6 693	82 145	
Accumulated amortisation	(13 853)	(38 271)	(9 568)	(250)	(252)	(62 194)	
Accumulated impairment	(47)	(6 328)	0	0	(1 531)	(7 906)	
Net book value at the end of the period	**920**	**6 203**	**0**	**12**	**4 910**	**12 045**	
Useful life (in years)	3-5	3-10	5-10	5 maximum	n.a.		

Acquisitions		**Disposals**	
Cash-out on acquisitions of intangible assets	(3 205)	Cash-in from disposals of intangible assets	110
Acquisitions included in working capital	619	Disposals included in working capital	(91)
(1) Total acquisitions of intangible assets	**(2 586)**	**(2) Total disposals of intangible assets**	**19**

Reference is also made to note II.4.2.1.8. - Critical accounting assessment and principal sources of uncertainty.

In **2018**, the total acquisition of intangible assets and own production of intangible assets amounted to EUR 2.6 million, compared to EUR 3.2 million the year before. The investments in intangible assets in 2018 mainly related to "Assets under construction and advance payments" for new developments and licence costs related to the roll-out of the SAP IT platform (EUR 2.3 million) and capitalised development costs for Automotive Interiors projects (EUR 0.3 million).

For the year ending 2017:

in thousand EUR

Group Recticel	DEVELOPMENT COSTS	TRADEMARKS, PATENTS & LICENCES	CLIENT PORTFOLIO GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS	TOTAL	
At the end of the preceding period							
Gross book value	14 296	47 318	8 507	328	5 928	76 377	
Accumulated amortisation	(12 431)	(35 088)	(8 494)	(282)	(143)	(56 438)	
Accumulated impairment	0	(6 303)	0	0	(1 531)	(7 834)	
Net book value at the end of the preceding period	**1 865**	**5 927**	**13**	**47**	**4 253**	**12 105**	
Movements during the year:							
Acquisitions, including own production	19	201	(0)	0	2 960	3 180	(1)
Impairments	0	0	0	0	0	0	
Expensed amortisation	(757)	(1 883)	(16)	(19)	(109)	(2 785)	
Sales and scrapped	0	(32)	0	0	(121)	(153)	(2)
Transfers from one heading to another	318	1 705	3	(8)	(2 055)	(37)	
Exchange rate differences	47	(42)	0	0	7	13	
At the end of the current period	**1 492**	**5 876**	**0**	**19**	**4 936**	**12 323**	
Gross book value	14 411	48 720	9 574	260	6 716	79 682	
Accumulated amortisation	(12 920)	(36 544)	(9 574)	(241)	(249)	(59 528)	
Accumulated impairment	0	(6 300)	0	0	(1 531)	(7 831)	
Net book value at the end of the period	**1 491**	**5 876**	**0**	**19**	**4 936**	**12 323**	
Useful life (in years)	3-5	3-10	5-10	5 maximum	n.a.		

Acquisitions		**Disposals**	
Cash-out on acquisitions of intangible assets	(3 124)	Cash-in from disposals of intangible assets	107
Acquisitions included in working capital	(56)	Disposals included in working capital	45
(1) Total acquisitions of intangible assets	**(3 180)**	**(2) Total disposals of intangible assets**	**153**

In **2017**, the total acquisition of intangible assets and own production of intangible assets amounted to EUR 3.2 million, compared to EUR 2.1 million the year before. The investments in intangible assets in 2017 mainly related to "Assets under construction and advance payments" for new developments and licence costs related to the roll-out of the SAP IT platform (EUR 2.0 million) and capitalised development costs for Automotive Interiors projects (EUR 0.5 million).

II.4.2.5.2. Property, plant & equipment

For the year ending 2018:

in thousand EUR

Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	LEASES AND SIMILAR RIGHTS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
At the end of the preceding period							
Gross value	174 573	509 343	25 562	44 751	1 146	23 248	778 622
Accumulated depreciation	(117 173)	(381 437)	(21 422)	(16 410)	(1 060)	(240)	(537 741)
Accumulated impairments	(1 258)	(12 741)	(2)	(76)	0	(21)	(14 098)
Net book value at the end of the preceding period	**56 142**	**115 165**	**4 139**	**28 265**	**86**	**22 987**	**226 783**
Movements during the year							
Acquisitions, including own production	665	2 212	484	0	10	39 030	42 400 (1)
Impairments	(2 705)	(2 061)	(10)	0	0	0	(4 777)
Expensed depreciation	(3 628)	(21 037)	(1 758)	(925)	(21)	0	(27 368)
Sales and scrapped	0	(162)	(1)	(29)	0	(279)	(471) (2)
Transfers from one heading to another	19 422	26 194	1 334	8	(3)	(46 772)	182
Exchange rate differences	(49)	(473)	(13)	(0)	(3)	90	(448)
Reclassification to assets held for sale	(3 761)	0	0	0	0	0	(3 761)
At the end of the period	**66 086**	**119 838**	**4 174**	**27 319**	**70**	**15 055**	**232 541**
Gross value	187 887	526 968	25 945	44 698	1 112	15 315	801 925
Accumulated depreciation	(117 837)	(394 780)	(21 749)	(17 303)	(1 043)	(238)	(552 951)
Accumulated impairments	(3 964)	(12 350)	(21)	(76)	0	(22)	(16 432)
Net book value at the end of the period	**66 086**	**119 838**	**4 174**	**27 319**	**70**	**15 055**	**232 541**

Acquisitions		**Disposals**	
Cash-out on acquisitions of tangible assets	(45 873)	Cash-in from disposals of tangible assets	453
Acquisitions included in working capital	3 473	Disposals included in working capital	19
(1) Total acquisitions of tangible assets	**(42 400)**	**(2) Total disposals of tangible assets**	**471**

Reference is also made to note II.4.2.1.8. - Critical accounting assessment and principal sources of uncertainty.

For the year ending 2017:

in thousand EUR

Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	LEASES AND SIMILAR RIGHTS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
At the end of the preceding period							
Gross value	181 487	498 464	24 912	35 319	5 076	18 307	763 565
Accumulated depreciation	(114 877)	(385 022)	(20 803)	(15 805)	(1 325)	(79)	(537 910)
Accumulated impairments	(1 302)	(7 059)	(3)	(76)	(984)	(24)	(9 447)
Net book value at the end of the preceding period	**65 308**	**106 383**	**4 106**	**19 438**	**2 767**	**18 205**	**216 207**
Movements during the year							
Acquisitions, including own production	464	4 936	770	9 300	7	46 675	62 152 (1)
Impairments	0	(6 868)	0	0	0	(141)	(7 009)
Expensed depreciation	(3 771)	(20 080)	(1 846)	(701)	(22)	(158)	(26 578)
Sales and scrapped	(8 827)	(3 330)	(72)	0	0	(2 395)	(14 623) (2)
Transfers from one heading to another	2 993	35 052	1 248	228	(2 663)	(39 000)	(2 142)
Exchange rate differences	(26)	(929)	(68)	(0)	(3)	(197)	(1 222)
At the end of the period	**56 142**	**115 165**	**4 139**	**28 265**	**86**	**22 987**	**226 783**
Gross value	174 573	509 343	25 562	44 751	1 146	23 248	778 622
Accumulated depreciation	(117 173)	(381 437)	(21 422)	(16 410)	(1 060)	(240)	(537 741)
Accumulated impairments	(1 258)	(12 741)	(2)	(76)	0	(21)	(14 098)
Net book value at the end of the period	**56 142**	**115 165**	**4 139**	**28 265**	**86**	**22 987**	**226 783**

Acquisitions		**Disposals**	
Cash-out on acquisitions of tangible assets	(61 061)	Cash-in from disposals of tangible assets	12 746
Acquisitions included in working capital	(1 091)	Disposals included in working capital	1 878
(1) Total acquisitions of tangible assets	**(62 152)**	**(2) Total disposals of tangible assets**	**14 623**

Total acquisition of tangible assets amounted to EUR 42.4 million, compared to EUR 62.2 million last year. The increase is explained by the combination of new investments made in (i) the greenfield Insulation plant in Finland, (ii) the new Flexible Foams converting units in China and Morocco and (iii) Automotive Interiors plants for the development of Interiors activities in China.

At 31 December **2018**, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 10.5 million (2017: EUR 2.4 million).

In **2018**, impairment losses recognised in profit and loss are mainly related to (i) goodwill in the United Kingdom (Flexible Foams) (EUR -1.0 million), (ii) idle tangible assets in Flexible Foams (EUR -3.9 million) following the closure of the plant in Catarroja (Spain) and (iii) assets in Automotive Interiors in the Czech Republic (EUR -1.4 million).

In **2017**, impairment losses recognised in profit and loss are mainly related to the replacement of the destroyed assets in Automotive Interiors following the fire incident in the plant in Most (Czech Republic) (EUR -6.7 million).

In **2017**, 'Sales and scrapped' reflects (i) the sale and lease-back of a Insulation building in Belgium (EUR -8.8 million), (ii) the write-off of destroyed assets following the fire in the Interiors plant Most (EUR -3.3 million) and (iii) the sale of equipment in Interiors China (EUR -2.4 million).

In **2018**, 'reclassification held for sale' (EUR 3.8 million) relates to two buildings; one in Espelkamp (Germany), which is rented to the Automotive joint venture Proseat, and one in Hassfurt (Germany) (Bedding).

In **2017**, 'reclassification held for sale' (EUR 2.6 million) relates to the building (Flexible Foams) in Legutiano (Spain).

II.4.2.5.3. Assets under finance lease

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Total land and buildings	27 308	28 259
Total plant, machinery & equipment	11	0
Total furniture and vehicles	0	6
Total assets under finance lease	**27 319**	**28 265**
Fixed assets held under finance lease - Gross	44 698	44 751
Fixed assets held under finance lease - Depreciation	(17 303)	(16 410)
Fixed assets held under finance lease - Impairments	(76)	(76)
Fixed assets held under finance lease	**27 319**	**28 265**

II.4.2.5.4. Subsidiaries, joint ventures and associates

Unless otherwise indicated, the percentage shareholdings shown below are identical to the percentage voting rights.

1. SUBSIDIARIES CONSOLIDATED ACCORDING TO THE FULL CONSOLIDATION METHOD

		% shareholding in 31 DEC 2018	31 DEC 2017
Austria			
Sembella GmbH	Aderstrasse 35 - 4850 Timelkam	100.00	100.00
Belgium			
s.c. sous forme de s.a. Balim b.v. onder vorm van n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Finapal n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Recticel International Services n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Recticel UREPP Belgium n.v.	Damstraat 2 - 9230 Wetteren	100.00	100.00
China			
Ningbo Recticel Automotive Parts Co. Ltd.	525, Changxing Road, (C Area of Pioneer Park) Jiangbei District, Ningbo Municipality	100.00	100.00
Recticel Foams (Shanghai) Co Ltd	525, Kang Yi Road - Kangyiao Industrial Zone, 201315 Shanghai	100.00	100.00
Shenyang Recticel Automotive Parts Co Ltd	12, Hangtian Road - Dongling District, 110043 Shenyang City	100.00	100.00
Shenyang Recticel II Automotive Parts Co Ltd	70, Dawang Road - Dadong District, 11043 Shenyang City	100.00	100.00
Beijing Recticel Automotive parts CO Ltd	32A, Block Yi, No. 15, Jingsheng Nan Si Jie, Jingiao Science	-(a)	100.00
Langfang Recticel Automotive Parts Co Ltd	10, Anjin Road - Anci Industrial Zone, 065000 Langfang City	100.00	100.00
Changchun Recticel Automotive Parts Co Ltd.	Intersection of C19 Rd. and C43 St. in Automotive industry Development Zone; 13000 Changchun, Jilin Province	100.00	100.00
Recticel Flexible Foam (Wuxi) Co Ltd	No 30, Wanquan Road; Xishan Economic and Technological Developement Zone, Wuxi City	100.00	100.00
Czech Republic			
RAI Most s.r.o.	Moskevska 3055 - Most	100.00	100.00
Recticel Czech Automotive s.r.o.	Chuderice-Osada 144 - 418,25 Bilina	100.00	100.00
Recticel Interiors CZ s.r.o.	Plazy, 115 - PSC 293 01 Mlada Boleslav	100.00	100.00
Estonia			
Recticel ou	Pune Tee 22 - 12015 Tallin	100.00	100.00
Finland			
Recticel oy	Nevantie 2, 45100 Kouvola	100.00	100.00
Recticel Insulation oy	Nevantie 2, 45100 Kouvola	100.00	100.00
France			
Recticel s.a.s.	71, avenue de Verdun - 77470 Trilport (since 1 March 2019)	100.00	100.00
Recticel Insulation s.a.s.	1, rue Ferdinand de Lesseps - 18000 Bourges	100.00	100.00
Germany			
Recticel Automobilsysteme GmbH	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Deutschland Beteiligungs GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Recticel Grundstücksverwaltung GmbH	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Dämmsysteme Gmbh (formerly Recticel Handel GmbH)	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Schlafkomfort GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Recticel Verwaltung GmbH & Co. KG	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Luxembourg			
Recticel RE s.a.	23, Avenue Monterey, L-2163 Luxembourg	100.00	100.00
Recticel Luxembourg s.a.	23, Avenue Monterey, L-2163 Luxembourg	100.00	100.00
India			
Recticel India Private Limited	407, Kapadia Chambers, 599 JSS Road, Princess Street, Marine Lines (East), 400002 Mumbai Maharashtra	100.00	100.00
Morroco			
Recticel Mousse Maghreb s.à.r.l.	31 Avenue Prince Héritier, Tanger	100.00	100.00
Recticel Maroc s.à.r.l.a.u.	Ilot K, Module 4, Atelier 2, Zone Franche d'Exportation de Tanger	100.00	100.00
The Netherlands			
Enipur Holding B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel Holding Noord B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel International B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00

(a) Liquidated on 24 October 2018

1. SUBSIDIARIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD (continued)

		% shareholding in 31 DEC 2018	31 DEC 2017
Norway			
Recticel AS	Øysand - 7224 Mehus	100.00	100.00
Poland			
Recticel Sp. z o.o.	Ul. Graniczna 60, 93-428 Lodz	100.00	100.00
Romania			
Recticel Bedding Romania s.r.l.	Miercurea Sibiului, DN1, FN, ground floor room 2 3933 Sibiu County	100.00	100.00
Sweden			
Recticel AB	Södra Storgatan 50 b.p. 507 - 33228 Gislaved	100.00	100.00
Spain			
Recticel Iberica s.l.	Cl. Catalunya 13, Pol. Industrial Cam Ollersanta Perpetua de Mogoda 08130	100.00	100.00
Switzerland			
Recticel Bedding (Schweiz) AG	Bettenweg 12 Postfach 65 - 6233 Büron - Luzern	100.00	100.00
Turkey			
Recticel Teknik Sünger Izolasyon Sanayi ve Ticaret a.s.	Orta Mahalle, 30 - 34956 Istanbul	100.00	100.00
United Kingdom			
Gradient Insulations (UK) Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Recticel (UK) Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Recticel Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
United States of America			
Recticel North America Inc.	Metro North Technology Park - Atlantic Boulevard 1653 - MI 48326 Auburn Hills	100.00	100.00
The Soundcoat Company Inc.	Burt Drive 1 PO Box 25990 - NY 11729 Deer Park County of Suffolk	100.00	100.00

Significant restrictions to realise assets or settle liabilities

In the framework of the EUR 175 million credit facility agreement ('club deal') dated 09 December 2011, as amended on 25 February 2016, Recticel s.a./n.v. provided the following guarantees to its banks:

- a mortgage mandate on the trading fund;
- a mortgage mandate on different production sites of the Recticel Group on property located in Belgium, Germany and Sweden;
- a mortgage over property located in Kesteren (The Netherlands);
- a pledge on the shares it holds in various group companies.

On 31 January 2018 the banks participating in the EUR 175 million 2016-2021 Credit Facility consented with the discharge and release of all securities previously granted.

Recticel s.a./n.v. has provided bank guarantees for (i) an aggregate amount of EUR 2.0 million in favour of OVAM regarding the sanitation and rehabilitation projects on some of its sites and/or sites of its subsidiaries, and (ii) an aggregate amount of EUR 0.8 million in favour of the Walloon Département du Sol et des Déchets - DSD.

Recticel s.a./n.v. also provides guarantees and comfort letters (for a total amount of EUR 78.8 million) to and/or on behalf of various direct or indirect subsidiaries, of which the material (> EUR 1 million) ones are:

- on behalf of Recticel Iberica S.L.: EUR 1.75 million;
- on behalf of Recticel Bedding Romania s.r.l.: EUR 1.4 million;
- on behalf of Recticel Ltd.: EUR 18.2 million, of which an estimated EUR 5.6 million for the pension fund;
- on behalf of Recticel Verwaltung GmbH: EUR 5.0 million;
- on behalf of Recticel Insulation s.a.s. in the framework of a real estate lease: EUR 13.0 million;
- on behalf of Recticel Teknik Sünger Izolasyon Sanayi ve Ticaret a.s.: EUR 3.0 million;
- on behalf of Recticel AB: EUR 1.9 million;
- on behalf of Recticel India Private Limited: EUR 3.6 million;
- on behalf of Sembella GmbH (Austria);
- on behalf of Recticel Bedding Schweiz AG: EUR 1.9 million;
- on behalf of Ningbo Recticel Automotive Parts Co. Ltd: EUR 9.2 million; and
- on behalf of Recticel Insulation OY: EUR 15.5 million.

Moreover Recticel s.a./n.v. guarantees (i) Yanfeng Automotive Interiors group (formerly Johnson Controls) for the proper execution of the contracts under two running programs of its subsidiary Recticel North America Inc and (ii) Daimler AG for all the running Mercedes programs of the Interiors division.

Under the club deal conditions, the maximum dividend authorised for distribution, excluding the portion attributable to the treasury shares, amounts to the highest of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 12.0 million.

2. JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

		% shareholding in 31 DEC 2018	31 DEC 2017
Austria			
Eurofoam GmbH	Greinerstrasse 70 - 4550 Kremsmünster	50.00	50.00
Belgium			
s.a. Proseat n.v.	Olympiadenlaan 2 - 1140 Evere	51.00	51.00
Bulgaria			
Eurofoam-BG o.o.d.	Raiko Aleksiev Street 40, block n° 215-3 Izgrev district, Sofia	50.00	50.00
Czech			
Eurofoam Bohemia s.r.o.	Osada 144, Chuderice - 418 25 Bilina	50.00	50.00
Proseat Mlada Boleslav s.r.o.	Plazy, 115 - PSC 293 01 Mlada Boleslav	51.00	51.00
France			
Proseat s.a.s.	Avenue de Verdun, 71, 77470 Trilport	51.00	51.00
Germany			
Eurofoam Deutschland GmbH Schaumstoffe	Hagenauer Strasse 42 – 65203 Wiesbaden	50.00	50.00
KFM-Schaumstoff GmbH	Rosenauer Strasse, 28 - 96487 Dörfles-Esbach	- (b)	50.00
Proseat Gmbh & Co. KG	Hessenring 32 - 64546 Mörfelden-Walldorf	51.00	51.00
Proseat Schwarzheide GmbH	Schipkauer Strasse 1 - 01987 Schwarzheide	51.00	51.00
Proseat Verwaltung GmbH	Hessenring 32 - 64546 Mörfelden-Walldorf	51.00	51.00
Hungary			
Eurofoam Hungary Kft.	Miskolc 16 - 3792 Sajobabony	50.00	50.00
Poland			
Eurofoam Polska Sp. z o.o.	ul Szczawinska 42 - 95-100 Zgierz	50.00	50.00
Proseat Spolka. z o.o.	ul Miedzyrzecka, 16 - 43-382, Bielsko-Biala	51.00	51.00
Romania			
Eurofoam s.r.l.	Str. Garii nr. 13 Selimbar 2428 - O.P.8 C.P. 802 - Jud. Sibiu	50.00	50.00
Russian Federation			
Eurofoam Kaliningrad	Kaliningrad District, Guierwo Region , 238352 Uszakowo	50.00	50.00
Slovak Republic			
Poly	Dolné Rudiny 1 - SK-01001 Zilina	50.00	50.00
Serbia			
Eurofoam Sunder d.o.o.	Vojvodanska Str. 127 - 21242 Budisava	50.00	50.00
Slovenia			
Turvac d.o.o.	Primorska 6b, 3325 Šoštanj	50.00	50.00
Spain			
Proseat Foam Manufacturing SLU	Carretera Navarcles s/n, Poligono Industrial Santa Ana II - Santpedor (08251 Barcelona)	51.00	51.00
United Kingdom			
Proseat LLP	Unit A, Stakehill Industrial Estate, Manchester, Lancashire	51.00	51.00

(b) Merged with Eurofoam Deutschland GmbH Schaumstoffe on 01 January 2018

Following the announcement on 19 December 2018 of the transaction with Sekisui Plastics Co Ltd (see II.4.2.6.4.), 26% of Recticel's participation in the joint venture company Proseat (Automotive Seating) has been transferred to Assets held for sale; the remaining 25% stake in Proseat continued to be reported under Interests in joint ventures and associates.

Apart of having the approval from the other joint venture partners to distribute dividends, there are no specific restrictions on the ability of joint ventures to transfer funds to Recticel in the form of cash dividends, or to repay loans or advances made by Recticel.

Recticel s.a./n.v. also provides guarantees and comfort letters, for a total amount of EUR 21.6 million, to and/or on behalf of various direct or indirect joint ventures, of which the material (> EUR 1 million) ones are:

- on behalf of Eurofoam GmbH and subsidiaries: EUR 7.5 million;
- on behalf of Proseat NV and Proseat Sp.z.o.o.: EUR 5.1 million;
- on behalf of Proseat GmbH & Co KG: EUR 8.9 million.

The Group has no legal nor contractual obligations to support net asset deficiencies of a joint venture for an amount higher than its stake of interest.

3. ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

% shareholding in

		31 DEC 2018	31 DEC 2017
Czech Republic			
B.P.P. spol s.r.o.	ul. Hájecká 11 – 61800 Brno	25.68	25.68
Eurofoam TP spol.s.r.o.	ul. Hájecká 11 – 61800 Brno	40.00	40.00
Sinfo	Souhradi 84 - 391 43 Mlada Vozice	25.50	25.50
Italy			
Orsa Foam S.p.a.	Via A. Colombo, 60 21055 Gorla Minore (VA)	33.00	33.00
Lithuania			
UAB Litfoam	Radziunu Village, Alytus Region	30.00	30.00
Poland			
Caria Sp. z o.o.	ul Jagiellonska 48 - 34 - 130 Kalwaria Zebrzydowska	25.50	25.50
PPHIU Kerko Sp. z o.o.	Nr. 366 - 36-073 Strazow	25.86	25.86
Romania			
Flexi-Mob Trading s.r.l.	Interioara Street, 3 Pol. II, Inc. Federalcoop, Nr. 1, Constanta	- (c)	25.00
Ukraine			
Porolon Limited	Grodoocka 357 - 290040 - Lviv	47.50	47.50

(b) Merged with Eurofoam Deutschland GmbH Schaumstoffe on 01 January 2018

Apart of having the approval from the controlling shareholder(s) to distribute dividends, there are no specific restrictions on the ability of associates to transfer funds to Recticel in the form of cash dividends, or to repay loans or advances made by Recticel.

4. NON-CONSOLIDATED ENTITIES

Some subsidiaries more than 50% controlled are not consolidated because they are (still) non-material. As soon as they have reached a sufficient size, however, they will be included in the scope of consolidation.

% shareholding in

		31 DEC 2018	31 DEC 2017
China			
Recticel Shanghai Ltd	No. 518, Fute North Road, Waigaoqiao Free Trade Zone - 200131 Shanghai	100.00	100.00
Japan			
Inorec Japan KK	Imaika-Cho 1-36, Anjo-Shi	50.00	50.00
Luxembourg			
Recfin S.A.	412F, route d'Esch, L-2086 Luxembourg	100.00	100.00
Sweden			
Nordflex A.B.	Box 507 - 33200 Gislaved	100.00	100.00

II.4.2.5.5. Interests in joint ventures and associates

A list of the significant investments in joint ventures and associates is included in note II.4.2.5.4.

in thousand EUR

Group Recticel	31 DEC 2018		31 DEC 2017	
At the end of the preceding period	**76 241**		**82 389**	
Movements during the year				
Actuarial gains/(losses) recognized in equity	348	[1]	(236)	[7]
Outgoing entities	2		0	
Deferred tax relating to components of other comprehensive income	93		(131)	
Exchange rate differences	(798)	[2]	912	[8]
Group's share in the result of the period	10 168	[3]	2 390	[9]
Dividends distributed	(5 640)	[4]	(8 765)	[10]
Result transfer	(952)		(318)	
Capital increase	2 040	[5]	0	
Reclassification to assets held for sale	(12 870)	[6]	0	
At the end of the period	**68 631**		**76 241**	

[1] In 2018 the actuarial profit relates to the impact of the higher discount rate under IAS19 pension liabilities
[2] Exchange rate differences relates mainly to the appreciation of the PLN (Eurofoam Polska)
[3] The higher income from joint ventures & associates is attributable to the Flexible Foams joint venture Eurofoam. The result of Proseat was in line with 2017.
[4] In 2018 dividends distributed by the joint ventures relate solely to the Eurofoam group
[5] In 2018 the share capital of the Proseat group has been increased.
[6] In 2018, 26% out of Recticel's 51% participation in the joint venture company Proseat (Automotive Seating) has been transferred to 'Assets held for sale'.

[7] In 2017 the actuarial losses relate to the impact of the lower discount rate under IAS19 pension liabilities
[8] Exchange rate differences relate mainly to the appreciation of the PLN (Eurofoam Polska and Proseat Poland)
[9] The lower income from joint ventures & associates is mainly explained by higher chemical raw material costs which could not be fully passed on to the market, and from a lower performance of Proseat (Automotive Seating) which was impacted by operational issues in one of its factories.
[10] In 2017 dividends distributed by the joint ventures relate solely to the Eurofoam group.

Pro forma key figures for the **joint ventures (on a 100% basis)**

in thousand EUR

Group Recticel	EUROFOAM		PROSEAT		TURVAC		TOTAL	
	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
Aggregated figures (sum of individual company ledgers before eliminations)								
Non current assets	157 655	157 350	79 293	79 724	2 894	2 999	239 842	240 073
Cash and cash equivalents	*9 325*	*3 341*	*37 963*	*25 020*	*4*	*14*	*47 292*	*28 375*
Current assets	108 501	130 496	229 680	210 439	547	704	338 728	341 639
Total assets	**266 156**	**287 846**	**308 973**	**290 163**	**3 441**	**3 703**	**578 570**	**581 712**
Non-current interest-bearing borrowings	*(25 000)*	*(25 019)*	*(14 686)*	*(15 124)*	*0*	*0*	*(39 686)*	*(40 143)*
Non current liabilities	(40 597)	(41 653)	(47 905)	(46 707)	0	0	(88 502)	(88 360)
Current interest-bearing borrowings	*(18 154)*	*(49 461)*	*(166 232)*	*(133 223)*	*(396)*	*(492)*	*(184 782)*	*(183 176)*
Current liabilities	(73 102)	(101 555)	(215 979)	(193 828)	(575)	(723)	(289 656)	(296 106)
Total liabilities	**(113 699)**	**(143 208)**	**(263 884)**	**(240 535)**	**(575)**	**(723)**	**(378 158)**	**(384 466)**
Net equity	**152 457**	**144 638**	**45 089**	**49 628**	**2 866**	**2 980**	**200 412**	**197 246**
Net contribution at 100% in the combined figures of the Group								
Revenue	**418 717**	**410 779**	**293 293**	**291 122**	**984**	**768**	**712 994**	**702 669**
Amortization, Depreciation and Impairments	(9 987)	(9 227)	(6 318)	(6 109)	(168)	(90)	(16 472)	(15 427)
EBIT	25 468	9 231	407	(1 249)	(104)	(63)	25 772	7 919
Interest income	89	85	88	17	0	0	176	102
Interest expenses	(666)	(616)	(1 666)	(1 689)	(10)	0	(2 343)	(2 306)
Total income taxes	(3 094)	(3 169)	(1 451)	(1 266)	0	0	(4 545)	(4 435)
Profit or (loss) of the period	**21 708**	**5 446**	**(2 710)**	**(4 204)**	**(114)**	**(63)**	**18 884**	**1 179**

Footnote:
- The above figures are at 100% and are not comparable to the actual position and results of the joint venture companies on a stand-alone basis. Variances may arise due to differences in the accounting rules and scope of consolidation.
- Recticel s.a./n.v. has issued (i) a comfort letter for EUR 7.5 million on behalf of the joint venture company Eurofoam GmbH (Austria/Germany) to cover a local bank loan, (ii) a EUR 5.1 million guarantee on behalf of the joint venture Proseat s.a./n.v. and Proseat Sp.z.o.o. to cover a local bank loan, (iii) a EUR 2.9 million guarantee on behalf of the joint venture Proseat GmbH to cover two local lease agreements and (iv) a guarantee on behalf of the joint venture Proseat GmbH to cover a EUR 6.0 million credit line.
- Eurofoam delivered a higher result in 2018 due to a combination of lower chemical raw material costs and a better operational performance. Proseat delivered a lower result primarily due to weakening market conditions in the automotive sector in the second half of the year.

in thousand EUR

Group Recticel	EUROFOAM (50%)		PROSEAT (51%)		TURVAC (50%)	
	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
Net equity (Group share)	**76 229**	**72 319**	**22 997**	**25 309**	**1 433**	**1 490**
Goodwill	494	499	8 977	8 974	0	0
Intragroup eliminations	(7 109)	(5 895)	16 563	11 780	0	0
Investment in partnership/Debt as equity	0	0	15 276	15 276	0	0
Deferred taxes	892	280	(471)	(453)	0	0
IAS 19 assumptions	(507)	(527)	0	0	0	0
Other	(301)	(2 217)	0	0	0	0
Investment in affiliates	(33 250)	(33 636)	(35 343)	(32 089)	0	0
Carrying amount of interests in joint ventures	**36 447**	**30 823**	**27 999**	**28 797**	**1 433**	**1 490**

Following the announcement on 19 December 2018 regarding the transaction with Sekisui Plastics Co Ltd (which excludes Proseat N.V.) (see II.4.2.6.4.), 26% of Recticel's investment in the joint venture Proseat (Automotive Seating) has been transferred to Assets held for sale in the statement of financial position; the remaining 25% stake in Proseat continued to be reported under Interests in joint ventures and associates.

The following key figures for the **associates** are shown on a **100% basis:**

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Non current assets	39 815	38 455
Current assets	73 257	77 771
Total assets	**113 072**	**116 226**
Non current liabilities	(6 422)	(5 509)
Current liabilities	(61 305)	(63 542)
Total liabilities	**(67 727)**	**(69 051)**
Net equity	**45 345**	**47 175**
Revenues	**132 767**	**130 537**
Profit or (loss) of the period	**3 915**	**5 644**

in thousand EUR

Group Recticel	31 DEC 2018			31 DEC 2017		
	AGGREGATE COMPREHENSIVE INCOME FROM JOINT VENTURES	AGGREGATE COMPREHENSIVE INCOME FROM ASSOCIATES	TOTAL	AGGREGATE COMPREHENSIVE INCOME FROM JOINT VENTURES	AGGREGATE COMPREHENSIVE INCOME FROM ASSOCIATES	TOTAL
Result from continuing operations	8 786	1 384	10 170	758	1 632	2 390
Actuarial gains/(losses) on employee benefits	(348)	0	(348)	236	0	236
Deferred taxes on actuarial gains/(losses) on employee benefits	(93)	0	(93)	131	0	131
Foreign currency translation differences recycled in the income statement	(8)	0	(8)	16	0	16
Currency translation differences	824	(18)	805	(1 010)	(144)	(1 154)
At the end of the period	**9 160**	**1 366**	**10 526**	**131**	**1 488**	**1 619**

The Group did not incur any contingent liabilities for which the probability of loss is more than remote in respect of its interests in associates or joint ventures.

II.4.2.5.6. Non-current receivables

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Loans	5 841	5 976
Non-current financial receivables	**5 841**	**5 976**
Cash advances and deposits	738	728
Other receivables	905	1 270
Tax credits for research and development	8 171	6 831
Non-current other receivables	**9 813**	**8 829**
Total	**15 655**	**14 804**

The item 'Loans' relates mainly to a loan to Proseat s.r.o. (EUR 4.1 million; 2017: EUR 4.1 million) and to loans granted by Recticel SAS, France (EUR 1.7 million; 2017: EUR 1.8 million) to personnel.

The carrying amounts of these non-current receivables approximate the fair value since the interest rate is a variable rate in line with market conditions.

The maximum exposure to credit risk equals to the carrying amounts of these assets as recognised on the statement of financial position.

There are no due but unpaid receivables, nor impairments on the outstanding receivables. There are no specific guarantees offered for the outstanding receivables.

The item 'Cash advances and deposits' is a significant item under 'Non-current receivables', consisting of the following:

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Rent	498	470
Supplies (water, electricity, telecom, waste treatment, ...)	125	120
Other	114	137
Total	**738**	**727**

Tax credits for research and development relate mainly to research and development in Belgium and in France.

II.4.2.5.7. Inventories

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Raw materials & supplies - Gross	58 847	60 993
Raw materials & supplies - Amounts written off	(4 517)	(4 390)
Raw materials & supplies	**54 330**	**56 602**
Work in progress - Gross	9 670	9 468
Work in progress - Amounts written off	(269)	(354)
Work in progress	**9 400**	**9 114**
Finished goods - Gross	24 526	26 939
Finished goods - Amounts written off	(1 770)	(1 958)
Finished goods	**22 756**	**24 981**
Traded goods - Gross	6 622	6 343
Traded goods - Amounts written off	(701)	(401)
Traded goods	**5 921**	**5 942**
Down payments - Gross	233	269
Down payments - Amounts written off	0	0
Down payments	**233**	**269**
Contracts in progress - Gross	11 149	2 499
Contracts in progress - Amounts written off	0	0
Contracts in progress [1]	**11 149**	**2 499**
Total inventories	**103 789**	**99 408**
Amounts written-off on inventories during the period	(2 685)	(5 672)
Amounts written-back on inventories during the period	2 534	2 989

[1] Includes EUR 4.7 million of inventories contracts in progress - Moulds.

The above overview table excludes the amounts of moulds in the Automotive segment, which are reported under the headings Current contract assets and Non-current contract assets.

In 2017, the amounts written-off on inventories included an impact from the fire incident in Most for EUR -1.9 million.

II.4.2.5.8. Contract assets

in thousand EUR

Group Recticel	OPENING BALANCE	CHANGES IN ACCOUNTING POLICIES	"OPENING BALANCE RESTATED"	RELEASE TO COST OF SALES	CONSIDE-RATION PAYABLE TO CUSTOMERS	INCREASE	DECREASE	RECLASSIFI-CATION	TRANSLATION DIFFERENCES	CLOSING BALANCE AT THE END OF THE PERIOD
Non-current contract assets - Consideration payable to a customer	0	2 557	2 557	0	26	0	(804)	(349)	(9)	1 421
Non-current contract assets - Contracts in progress	0	32 569	32 569	(7 518)	0	0	0	(11 108)	(38)	13 905
Non-current contract assets	**0**	**35 126**	**35 126**	**(7 518)**	**26**	**0**	**(804)**	**(11 457)**	**(47)**	**15 326**
Current contract assets - Consideration payable to a customer	0	0	0	0	0	0	0	349	(0)	349
Current contract assets - Contracts in progress	0	8 351	8 351	(1 265)	0	0	0	11 108	(32)	18 163 [1]
Current contract assets	**0**	**8 351**	**8 351**	**(1 265)**	**0**	**0**	**0**	**11 457**	**(32)**	**18 512**
Total contract assets	**0**	**43 476**	**43 476**	**(8 782)**	**26**	**0**	**(804)**	**0**	**(78)**	**33 837**
Non-current contract liabilities - Mould revenue recognition before SOP	1 289	1 289	0	0	11 839	0	(10 751)	(1)	2 375	2 375
Non-current contract liabilities - Mould revenue recognition after SOP	53 472	53 472	0	0	0	(22 077)	(9 615)	(60)	21 720	21 720
Non-current contract liabilities	54 760	54 760	0	0	11 839	(22 077)	(20 366)	(61)	24 096	24 096
Contract liabilities - Expected rebates and volume discounts	20 359	20 359	0	0	68 289	(64 186)	0	(92)	24 369	24 369
Contract liabilities - Long term agreements	247	247	0	0	329	(241)	0	(1)	334	334
Contract liabilities - Moulds revenue recognition	0	0	0	0	0	(63)	20 366	(42)	20 262	20 262
Current contract liabilities	**20 606**	**20 606**	**0**	**0**	**68 617**	**(64 490)**	**20 366**	**(134)**	**44 964**	**44 964**
Total contract liabilities	**75 366**	**75 366**	**0**	**0**	**80 456**	**(86 567)**	**0**	**(195)**	**69 060**	**69 060**

[1] Includes EUR 4.7 million of inventories contracts in progress.

In the Automotive Interiors, Recticel developed a polyurethane-based technology for the manufacturing of interior trim components. For optimum implementation of these two applications, based on the specifications given by its customers, Recticel ensures the manufacturing of the moulds with its own suppliers during the pre-operating phase, before starting production of components. At the end of this subcontracting process, the moulds are sold to the customer.

II.4.2.5.9. Trade receivables and other receivables

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Trade receivables	112 392	115 495
Loss allowance for expected credit losses	(4 712)	(4 560)
Total trade receivables	**107 680**	**110 935**
Other receivables (1)	**26 245**	**39 330**
Derivatives (forward exchange contracts)	19	67
Loans carried at amortised cost	28 961	33 976
Other financial assets (2)	**28 981**	**34 043**
Other receivables and other financial assets (1)+(2)	**55 226**	**73 373**

Trade receivables at the reporting date **2018** comprise amounts receivable from the sale of goods and services for EUR 107.7 million (2017: EUR 110.9 million).

In **2018, other receivables** amounting to EUR 26.2 million relate to (i) VAT receivable (EUR 14.3 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 4.7 million), (iii) prepayments, tax credits and subsidies, and contractual commitments with co-contractors (EUR 7.2 million).

In **2017, other receivables** amounting to EUR 39.3 million relate to (i) VAT receivable (EUR 19.3 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 10.9 million), (iii) prepayments, tax credits and subsidies, and contractual commitments with co-contractors (EUR 9.1 million).

In **2018, other financial assets** (EUR 29.0 million) mainly consist of financial receivables on affiliated companies which are not consolidated (EUR 14.7 million), a receivable of EUR 13.8 million (2017: EUR 17.4 million) relating to the continuing involvement under non-recourse factoring programmes in Belgium, France, Germany, The Netherlands and the United Kingdom.

In **2017, other financial assets** (EUR 34.0 million) mainly consist of financial receivables on affiliated companies which are not consolidated (EUR 16.6 million), a receivable of EUR 17.4 million (2016: EUR 24.1 million) relating to the continuing involvement under non-recourse factoring programmes in Belgium, France, Germany, The Netherlands and the United Kingdom.

Factoring

In order to confine credit risks, non-recourse factoring and discounting programmes were established for a total amount of EUR 89.6 million (of which EUR 51.3 million were actually used at 31 December 2018).

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Factoring without recourse		
Gross amount	64 480	71 364
Continuing involvement	(13 806)	(17 414)
Net amount	**50 674**	**53 950**
Amount recognized in debt (bank loans - factoring without recourse) *	646	751
Total amount factoring without recourse	**51 320**	**54 701**

* included in the current interest-bearing borrowings

The average outstanding amounts from due receivables vary according to business line between 0.5% and 1.5% of total sales. The Group considers that there is no particular risk of non-recovery. A strict credit follow-up is organised through a centralised credit management organisation.

The continuing involvement consists of the part of the receivables which are non-eligible for off-balance sheet treatment and therefore could not be derecognised (default reserve, concentration, rebates and credit notes).

Movement in loss allowance for expected credit losses:

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
At the end of the preceding period	**(4 560)**	**(5 037)**
Additions	(711)	(282)
Reversal	710	585
Non-recoverable amounts	(137)	144
Reclassification	0	(76)
Exchange differences	(12)	105
Total at the end of the period	**(4 711)**	**(4 560)**

The non-recoverable amounts refer to trade receivable balances which have been written-off as the Group considers that these are not recoverable.

II.4.2.5.10. Cash and cash equivalents

Cash and cash equivalents includes cash held by the Group and short-term bank deposits with an original maturity of three months and less. The carrying amount of these assets approximates to their fair value.

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Cash at bank & in hand	39 554	57 844
Total cash and cash equivalents	**39 554**	**57 844**

II.4.2.5.11. Assets held for sale

In 2018, this item relates to (i) Recticel's 26% participation in the joint venture company Proseat (Automotive Seating), (ii) two sites held by Recticel Grundstückverwaltung GmbH and (iii) the building in Legutiano (Spain; Flexible Foams).

Following the announcement on 19 December 2018 of the transaction with Sekisui Plastics Co Ltd (see II.4.2.6.4.), 26% out of Recticel's 51% participation in the joint venture company Proseat (Automotive Seating) has been transferred to 'Assets held for sale'; the remaining 25% stake in Proseat is reported under 'Interests in joint ventures and associates'.

In 2017, this item solely related to a building in Legutiano (Spain; Flexible Foams).

II.4.2.5.12. Share capital

in thousand EUR

Group Recticel	2018	2017
Number of shares		
Number of shares issued and fully paid at 01 January	54 776 357	54 062 520
Number of shares issued and fully paid at 31 December	55 227 012	54 776 357
of which treasury shares at 31 December	326 800	326 800

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Issued and fully paid shares	138 068	136 941

The change in share capital is explained by the exercise of warrants in 2018.

Recticel manages its share capital, without any corrections or adjustments. There are no external capital restrictions applicable on the share capital, except for the 'club deal' financing facility which is subject to some financial covenants. One covenant requires a minimum absolute total equity amount. A second covenant limits the annual dividend payment to maximum 50% of the result of period after taxes.

II.4.2.5.13. Share premium account

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Opening balance	**127 982**	**126 071**
Premium arising on issue of equity during reporting period [1]	1 959	1 911
Closing balance	**129 941**	**127 982**

[1] see II.4.2.5.12. hereabove

II.4.2.5.14. Pensions and similar obligations

Retirement benefit schemes

Several Recticel companies operate defined benefit and/or defined contribution plans.

• Defined benefit plans for post-employment benefits

- Total provisions for defined benefit pension plans

Over 99% of the defined benefit obligation is concentrated in five countries: Belgium (43%), United Kingdom (24%), Switzerland (18%), Germany (8%) and France (6%).

Within these five countries Recticel operates funded and unfunded retirement plans. These defined benefit plans typically provide retirement benefits related to remuneration and period of service. The following sections describe the largest retirement plans which make up 85% of the total defined benefit obligations.

in thousand EUR

Group Recticel - 31 DEC 2018	DEFINED BENEFIT OBLIGATIONS	ASSETS	FUNDED STATUS	ADJUSTMENT DUE TO ASSET CEILING	NET LIABILITY
Belgium	67 886	(43 926)	23 960	0	23 960
United Kingdom	37 483	(30 289)	7 194	0	7 194
Switzerland	28 185	(31 300)	(3 115)	3 115	(0)
Other countries	22 731	(3 930)	18 801	0	18 801
Total	**156 285**	**(109 445)**	**46 840**	**3 115**	**49 954**

Belgium

The defined benefit and hybrid pension plans in Belgium make up 43% of the total defined benefit obligations. They are funded plans, insured through collective and/or individual group insurance contracts. Only the employer pays contributions to fund the plans. The defined benefit plans are closed for new employees since 2003. Most hybrid plans are still open to new employees. The plans function in and comply with a regulatory framework and comply with the local minimum funding requirements. The plan participants are entitled to a lump sum on retirement at age 65. The pension benefits provided by the plans are related to the employees' salary. Active members also receive a benefit on death-in-service. The assumed form of benefit payment is in all cases a lump sum, but the plans foresee the option to convert to annuity.

United Kingdom

Recticel sponsors only one defined benefit plan in the United Kingdom, which makes up 24% of the total defined benefit obligation. It is a funded pension plan which is closed for future accruals. The plan is administered via a pension fund which is legally separate from Recticel. The Board of Trustees of the fund is composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits. The plan functions in and complies with the regulatory framework and complies with the local minimum funding requirements. Under the plan, participants are entitled to annual pensions on retirement at age 65 based on the final pensionable salary and the years of service. Members also receive benefits on death.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was carried out as at 01 January 2017 and showed a deficit of GBP 7.4 million. A new recovery plan was agreed in January 2018 to eliminate the shortfall in funding by 31 December 2024. Recticel agreed to pay a total amount of GBP 8.4 million as recovery contributions during the period 1 January 2017 to 31 December 2024. The outstanding amount at 31 December 2018 is GBP 5.6 million.

Switzerland

Recticel sponsors a hybrid pension plan in Switzerland which makes up 18% of the total defined benefit obligations. Both employer and employees pay contributions to fund the plan. The plan is open to new employees. The plan is administered via a pension fund and a welfare fund which are legally separate from Recticel. The board of Trustees of the pension fund is equally composed of representatives of both the employer and employees, where the board of the welfare fund is composed of employer representatives. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets and the administration and financing of the benefits. The plan functions in and complies with a regulatory framework and complies with the local minimum funding requirements. Under the plan, participants are insured against the financial consequences of old age, disability and death.

• Risks associated to defined benefit pension plans

The most significant risks associated with Recticel's defined benefit plans are:

Asset volatility :

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The schemes hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to equities is monitored to ensure it remains appropriate given the long term obligations.

Changes in bond yields :

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be partially offset by an increase in the value of the bond holdings.

Inflation risk:

The benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in some cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy :

Many of the obligations are to provide benefits for the life of the member or take into account member mortality rates, so increases in life expectancy will result in an increase in the liabilities.

Currency risk :

The risk that arises from the change in price of the euro against other currencies.

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Evolution of the net liability during the year is as follows:		
Net liability at 1 January	**54 988**	**51 559**
Expense recognised in the income statement	5 678	6 986
Employer contributions	(6 129)	(7 216)
Amount recognised in other comprehensive income	(4 530)	4 082
Exchange differences	(53)	(423)
Net liability at 31 December	**49 954**	**54 988**

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Pension costs recognised in profit and loss and other comprehensive income:		
Service cost:		
Current service cost	5 989	6 754
Employee contributions	(358)	(440)
Past service cost (including curtailments)	(986)	(812)
Cost or gain of settlement	0	208
Administration expenses	313	364
Net interest cost:		
Interest cost	2 243	2 646
Interest income	(1 539)	(1 734)
Interest on asset ceiling	16	0
Pension expense recognised in profit and loss	**5 678**	**6 986**
Remeasurements in other comprehensive income		
Return on plan assets (in excess of)/below that recognised in net interest	4 356	(2 611)
Actuarial (gains)/losses due to changes in financial assumptions	(6 478)	6 047
Actuarial (gains)/losses due to changes in demographic assumptions	(3 341)	(920)
Actuarial (gains)/losses due to experience	447	(1 067)
Adjustments due to the asset ceiling, excluding amounts recognised in net interest cost	486	2 633
Total amount recognised in other comprehensive income	**(4 530)**	**4 082**
Total amount recognised in profit and loss and other comprehensive income	**1 148**	**11 068**

In 2018 amounts for past service costs (including curtailments) are related to a plan change in France and the estimated impact of the Guaranteed Minimum Pension equalisation ruling in the United Kingdom.

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Amounts recorded in the statement of financial position in respect of the defined benefit plans are:		
Defined benefit obligations for funded plans	149 940	156 109
Fair value of plan assets	(109 445)	(110 604)
Funded status for funded plans	**40 495**	**45 505**
Defined benefit obligations for unfunded plans	6 345	6 979
Total funded status at 31 December	**46 840**	**52 484**
Adjustment due to asset ceiling, excluding amounts recognised in net interest cost	**3 115**	**2 504**
Net liabilities at 31 December	**49 954**	**54 988**
Current liabilities	635	941
Non-current liabilities	49 319	54 047
The key actuarial assumptions used at 31 December (weighted averages) are:		
Discount rate	1.72%	1.44%
Future pension increases	0.87%	0.77%
Expected rate of salary increases	1.81%	1.76%
Inflation	1.70%	1.71%

The mortality assumptions are based on recent mortality tables and the mortality tables of the United Kingdom and Switzerland assume that life expectancies will increase in future years.

Movement of the plan assets		
Real value of plan assets at 1 January	110 604	112 560
Interest income	1 539	1 734
Employer contributions	6 129	7 216
Employee contributions	358	440
Benefits paid (direct & indirect, including taxes on contributions paid)	(5 437)	(7 241)
Return on assets, excl. interest income	(4 356)	2 611
Amounts paid in respect to any settlement	0	(2 487)
Actual administration expenses	(313)	(364)
Exchange differences	921	(3 865)
Real value of plan assets at 31 December	**109 445**	**110 604**

The funded plans' assets are invested in mixed portfolios of shares and bonds, or insurance contracts. The plan assets do not include direct investments in Recticel shares, Recticel bonds or any property used by Recticel companies.

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Plan assets portfolio mix at 31 December		
Government bonds (quoted)	13.20%	13.39%
Government bonds (non-quoted)	0.00%	0.00%
Corporate bonds (quoted)	12.57%	12.91%
Corporate bonds (non-quoted)	0.00%	0.00%
Equity (quoted)	15.09%	15.19%
Equity (non-quoted)	0.00%	0.00%
Cash (quoted)	0.64%	0.40%
Cash (non-quoted)	0.00%	0.00%
Property (quoted)	9.18%	8.56%
Property (non-quoted)	0.00%	0.00%
Derivatives (quoted)	0.00%	0.00%
Derivatives (non-quoted)	0.00%	0.00%
Asset backed securities (quoted)	0.00%	0.00%
Asset backed securities (non-quoted)	0.00%	0.00%
Structured debt (quoted)	0.00%	0.00%
Structured debt (non-quoted)	0.00%	0.00%
Other (quoted)	0.00%	0.00%
Other (non-quoted)	5.79%	5.61%
Non unit-linked Insurance contracts (quoted)	0.00%	0.00%
Non unit-linked Insurance contracts (non-quoted)	26.37%	26.00%
Unit-linked Insurance contracts (quoted)	0.00%	0.00%
Unit-linked Insurance contracts (non-quoted)	17.17%	17.94%
Where the unit-linked insurance contracts can be divided in the following asset classes:		
% bonds	60.31%	71.84%
% equity	22.45%	23.95%
% cash	17.24%	4.21%

Unit-linked insurance contracts are investments in debt, equity and cash instruments managed by an insurance company, in which Recticel holds a specific number of fund units of which the net asset value is declared on a regular basis. Non-unit-linked insurance contracts are pure insurance policies with only limited financial investment risk.

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Movement of the defined benefit obligation		
Defined benefit obligation at 1 January	163 088	164 117
Current service cost	5 631	6 314
Employee contributions	358	440
Interest cost	2 243	2 646
Benefits paid (direct & indirect, including taxes on contributions paid)	(5 437)	(7 241)
Actuarial (gains)/losses on liabilities arising from changes in financial assumptions	(6 478)	6 047
Actuarial (gains)/losses on liabilities arising from changes in demographic assumptions	(3 341)	(920)
Actuarial (gains)/losses on liabilities arising from experience	447	(1 067)
Past service cost (incl. curtailments)	(986)	(812)
Settlement (gains)/losses	0	(2 279)
Exchange differences	760	(4 157)
Defined benefit obligation at 31 December	**156 285**	**163 088**
Split of the defined benefit obligation per population		
Active members	83 858	83 979
Members with deferred benefit entitlements	29 307	32 316
Pensioners/Beneficiaries	43 120	46 793
Total defined benefit obligation at 31 December	**156 285**	**163 088**
Changes in the effect of the asset ceiling during the year		
Asset ceiling at 1 January	2 504	2
Interest on asset ceiling	16	0
Actuarial gains/(losses)	486	2 633
Exchange differences	109	(131)
Asset ceiling at 31 December	**3 115**	**2 504**
Weighted average duration of the defined benefit obligation at 31 December	**14**	**15**
Sensitivity of defined benefit obligation to key assumptions at 31 December		
Current defined benefit obligation at 31 December	156 285	163 088
% increase in defined benefit obligation following a 0.25% decrease in the discount rate	3.54%	3.69%
% decrease in defined benefit obligation following a 0.25% increase in the discount rate	-3.36%	-3.49%
% decrease in defined benefit obligation following a 0.25% decrease in the inflation rate	-1.55%	-1.68%
% increase in defined benefit obligation following a 0.25% increase in the inflation rate	1.62%	1.77%

For plans where a full valuation has been performed the sensitivity information shown above is exact and based on the results of this full valuation. For plans where results have been rolled forward from the last full actuarial valuation, the sensitivity information above is approximate and takes into account the duration of the liabilities and the overall profile of the plan membership.

in thousand EUR

Group Recticel	2019
Estimated contributions for the coming year	
Expected employer contributions for defined benefit plan	6 452

• Defined contribution plans

The total contributions paid by Recticel during the current year amount to EUR 3,371,327 compared to an amount of EUR 3,466,400 last year.

II.4.2.5.15. Provisions

For the year ending 2018

in thousand EUR

Group Recticel	EMPLOYEE BENEFITS	OTHER LITIGATION	DEFECTIVE PRODUCTS	ENVIRONMENTAL RISKS	REORGANISATION	PROVISIONS FOR ONEROUS CONTRACTS	OTHER RISKS	TOTAL
At the end of the preceding year	**58 274**	**120**	**2 681**	**3 373**	**3 530**	**1 453**	**4 265**	**73 695**
Movements during the year								
Expected returns on assets/actuarial gains (losses) recognized in equity	(4 530)	0	0	0	0	0	0	**(4 530)**
Actualisation	759	0	0	0	0	0	0	**759**
Increases	6 212	5	191	0	8 624	448	4 255	**19 735**
Utilisations	(6 635)	0	(219)	(664)	(864)	(142)	(5 837)	**(14 361)**
Write-backs	(1 253)	(50)	(939)	(472)	(2 226)	(653)	(160)	**(5 753)**
Transfer from one heading to another	0	97	0	0	0	0	68	**165**
Exchange rate differences	(52)	(1)	(1)	0	0	11	0	**(43)**
At year-end	**52 775**	**171**	**1 713**	**2 237**	**9 063**	**1 117**	**2 591**	**69 666**
Non-current provisions (more than one year)	48 055	171	1 560	2 029	7 193	775	2 591	**62 373**
Current provisions (less than one year)	4 720	0	153	208	1 870	342	0	**7 293**
Total	**52 775**	**171**	**1 713**	**2 237**	**9 063**	**1 117**	**2 591**	**69 666**

For the year ending 2017

in thousand EUR

Group Recticel	EMPLOYEE BENEFITS	OTHER LITIGATION	DEFECTIVE PRODUCTS	ENVIRONMENTAL RISKS	REORGANISATION	PROVISIONS FOR ONEROUS CONTRACTS	OTHER RISKS	TOTAL
At the end of the preceding year	**55 147**	**48**	**3 002**	**4 452**	**2 631**	**2 097**	**2 758**	**70 134**
Movements during the year								
Expected returns on assets/actuarial gains (losses) recognized in equity	4 082	0	0	0	0	0	0	**4 082**
Actualisation	967	0	0	0	0	0	0	**967**
Increases	6 277	120	411	40	2 815	420	1 736	**11 820**
Utilisations	(7 461)	(48)	(453)	(619)	(1 562)	(307)	0	**(10 450)**
Write-backs	(42)	0	(277)	(500)	(355)	(716)	(229)	**(2 118)**
Transfer from one heading to another	(274)	0	0	0			0	**(274)**
Exchange rate differences	(423)	0	(3)	0	0	(42)	0	**(468)**
At year-end	**58 274**	**120**	**2 681**	**3 373**	**3 530**	**1 453**	**4 265**	**73 695**
Non-current provisions (more than one year)	54 295	120	2 334	3 152	3 440	956	4 265	**68 561**
Current provisions (less than one year)	3 978	0	347	221	90	497	0	**5 134**
Total	**58 274**	**120**	**2 681**	**3 373**	**3 530**	**1 453**	**4 265**	**73 695**

Provisions for employee benefits decreased by EUR 5.5 million. This variance is mainly explained by (i) actuarial losses due to higher discount rates (EUR -4.5 million) and (ii) a write-back (EUR -1.3 million) resulting from a curtailment effect in the pension plan in France.

Provisions for defective products are mainly related to warranties granted for products in the bedding division. The provisions are generally calculated on the basis of 1% of yearly turnover, which corresponds to the management's best estimate of the risk under 12-month warranties. When historical data are unavailable, the level of the provisions is compared to the yearly effective rate of liabilities, and if necessary, the amount of provision is adjusted.

Provisions for environmental risks cover primarily (i) the identified risk at the Tertre (Belgium) site (see section II.4.2.6.10.1.) and (ii) other pollution risks in Belgium. EUR -0.7 million of this provision has been used in 2018 to cover clean-up costs on the site in Tertre. A reassessment of the obligations towards OVAM for the site in Wetteren (Belgium) lead to a reversal of EUR -0.5 million.

Provisions for reorganisation relate to the outstanding balance of expected expenses relating to the closure of (i) the Flexible Foams plant in respectively Catarroja (Spain) and in Buren (The Netherlands), (ii) the Bedding plant in Hassfurt (Germany) and (iii) some additional rationalisation efforts in Automotive.

Provisions for onerous contracts relate to rental and operational lease agreements. The net decrease of EUR 0.3 million is explained by (i) a new provision for The Netherlands (Flexible Foams) (EUR +0.4 million) linked to the announced closure of the site in Buren, (ii) a utilisation in Switzerland (Bedding) (EUR -0.1 million) and (iii) a reversal of provisions for an agreement in Austria (Bedding) (EUR -0.7 million).

Provisions for other risks relate mainly to legal costs and fees for legacy remediation and litigations (see II.4.6.10. – Contingent assets and liabilities).

For the major risks (i.e. environmental, reorganisation and other risks) the cash outflow is expected to occur within a two years' horizon.

II.4.2.5.16. Financial liabilities

• Financial liabilities carried at amortised cost include mainly interest-bearing borrowings:

Group Recticel	NON-CURRENT LIABILITIES		CURRENT LIABILITIES	
	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
Secured				
Finance leases	17 505	18 078	640	1 778
Bank loans	15 500	76 160	0	0
Bank loans - factoring with continuing involvement	0	0	646	751
Total secured	**33 005**	**94 238**	**1 286**	**2 529**
Unsecured				
Other loans	1 701	1 843	260	260
Current bank loans	0	0	2 945	3 103
Commercial paper	0	0	58 985	19 999
Bank overdrafts	0	0	25 780	20 195
Other financial liabilities	0	0	765	2 902
Total unsecured	**1 701**	**1 843**	**88 734**	**46 459**
Total liabilities carried at amortised cost	**34 706**	**96 080**	**90 021**	**48 988**

* On 31 January 2018 the banks participating in the EUR 175 million 2016-2021 Credit Facility consented with the discharge and release of all securities previously granted.

• Gross financial debt: interest-bearing borrowings, including continuing involvement of off-balance sheet non-recourse factoring programs

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Drawn amounts under the various available interest-bearing borrowing facilities		
Outstanding amounts under club deal facility	0	0
Outstanding amounts under finance leases	17 504	18 078
Outstanding amounts under other non-current loans	17 201	78 003
Outstanding amounts under non-current gross interest-bearing borrowings (a)	**34 705**	**96 080**
Outstanding amounts under bank overdrafts	23 959	20 195
Outstanding amounts under current bank loans	2 945	3 103
Outstanding amounts under finance leases	640	1 778
Outstanding amounts under factoring programs - continuing involvement	646	751
Outstanding amounts under commercial paper programs [1]	58 985	19 999
Outstanding amounts under other current loans	260	260
Outstanding amounts under other financial liabilities	765	2 902
Outstanding amounts under current gross interest-bearing borrowings (b)	**88 200**	**48 988**
Total outstanding amounts under gross interest-bearing borrowings (c)=(a)+(b)	**122 905**	**145 068**
Outstanding amounts under non-recourse factoring programs (d)	51 320	54 701
Total outstanding amounts under gross interest-bearing borrowings and factoring programs (e)=(c)+(d)	**174 225**	**199 769**
Weighted average lifetime of non-current interest-bearing borrowings (in years)	**7.1**	**5.0**
Weighted average interest rate of gross financial debt at fixed interest rate	2.00%	1.20%
Interest rate range of gross financial debt at fixed interest rate	1.46% - 2.62%	1.46% - 2.62%
Weighted average interest rate of gross financial debt at variable interest rate	1.00%	1.40%
Interest rate range of gross financial debt at variable interest rate	0.11% - 3.70%	0.11% - 3.70%
Weighted average interest rate of total gross financial debt	**1.31%**	**2.30%**
Percentage of gross financial debt at fixed interest rate	**31.0%**	**44.1%**
Percentage of gross financial debt at variable interest rate	**69.0%**	**55.9%**

[1] The amount drawn under the commercial paper program is to be covered at any time by the undrawn amount under the club deal facility. Therefor the reported unused amount under the EUR 175 million club deal revolving credit facility is after deduction of the issued amounts under the commercial paper program.

The fair value of floating rate borrowings is close to the nominal value.

The majority of the Group's financial debt is centrally contracted and managed through Recticel International Services n.v./s.a., which acts as the Group's internal bank.

(i) Financial leases

This item consists mainly of three leases. The first one finances the Insulation plant in Bourges (France), has an outstanding amount as of 31 December 2018 of EUR 7.6 million and is at floating rate. The second one for buildings in Belgium, has an outstanding amount as of 31 December 2018 of EUR 2.0 million in the statement of financial position and is at a fixed rate. In 2017 a new lease was taken to finance the extension of the Insulation plant in Wevelgem (Belgium). Per 31 December 2018 the outstanding amount of this new lease amounted to EUR 8.5 million. This lease is at fixed rate.

(ii) Bank loans – "club deal"

On 9 December 2011, Recticel concluded a new five-year club deal for a multi-currency loan of EUR 175 million. The tenor of this 'club deal' facility – in which 6 European banks are participating - has been extended in February 2016 for another five years. It currently will mature in February 2021.

(iii) Other bank loans

In 2018, Recticel concluded a new secured fixed rate bilateral bank loan of EUR 15.5 million for the financing of the new greenfield Insulation plant in Finland. The tenor of this amortising bank loan is 15 years, with maturity in March 2033.

(iv) Commercial paper program

In 2017, the Group started a short term commercial paper program (TCN – Titres de Créances Négociables) in France for an amount of EUR 100 million, which was increased in 2018 to EUR 150 million. This TCN-program is used to complement the financing of day-to-day working capital needs of the Group. The amount issued under the TCN-program is to be covered by the unused amount under the EUR 175 million club deal credit facility.

• **Other financial liabilities**

For interest rate swaps reference is made to II.4.2.5.19.

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Other financial debt	65	229
Interest accruals	270	1 006
Total	**336**	**1 235**

II.4.2.5.17. Obligations under finance leases

in thousand EUR

Group Recticel	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
	31 DEC 2018	31 DEC 2018	31 DEC 2017	31 DEC 2017
Lease payments - maturing within one year	793	640	2 068	1 778
Lease payments - maturing within two years	3 423	2 987	2 084	1 769
Lease payments - maturing within three years	2 150	1 828	2 138	1 795
Lease payments - maturing within four years	4 202	3 888	7 257	5 686
Lease payments - maturing within five years	2 178	1 893	2 721	2 627
Lease payments - maturing within 6 and 10 years	4 993	4 486	3 463	3 129
Lease payments - maturing within 11 and 15 years	2 479	2 422	3 167	3 072
Lease payments - maturing after 15 years	0	0	0	0
Total lease payments	**20 219**	**18 144**	**22 897**	**19 855**
Future financial expenses	(2 075)	-	(3 042)	-
Present value of lease payments	**18 144**	**18 144**	**19 855**	**19 855**
Less amounts due for settlement within 12 months	-	(640)	-	(1 778)
Amounts due for settlement after 12 months	**-**	**17 503**	**-**	**18 078**

The finance leases were contracted by the operating affiliates to finance buildings amounting to EUR 18.1 million, with a funding cost ranging from 1.43% p.a. to 3.0% p.a.

II.4.2.5.18. Trade and other payables

Trade payables principally comprise amounts outstanding for trade purchases. Lower trade payables (EUR 90.8 million compared to EUR 126.6 million in 2017) are explained by lower activity levels and raw material price decreases in the last quarter of the year.

Other current amounts payable decreased by EUR 6.3 million and is composed as follows:

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Other non current liabilities maturing within one year	155	142
VAT payable - local	12 968	11 132
Other tax payables	3 172	2 514
Payroll, social security	34 823	36 414
Dividend payable	311	283
Result transfer (fiscal unit)	12 898	13 035
Other debts	18 986	20 297
Accrued liabilities - operating	11 248	20 932
Deferred income - operating	9 873	5 983
Deferred income - gain on sale and leaseback	523	545
Total	**104 957**	**111 276**

II.4.2.5.19. Financial instruments and financial risks

The following table presents the financial instruments by category of IFRS 9 and the fair value level for the financial assets and liabilities measured at fair value:

in thousand EUR

Group Recticel	IFRS 9 CATEGORY	31 DEC 2018	31 DEC 2017	FAIR VALUE LEVEL
Other financial investments		**791**	**667**	
Equity investments	FVTOCI (1)	791	667	3
Non-current receivables		**5 841**	**5 976**	
Loans	AC	5 841	5 976	N/A
Trade receivables	**AC**	**107 680**	**110 935**	
Other receivables and other financial assets		**28 980**	**34 043**	
Derivatives - forward exchange contracts	FVTPL	0	28	2
Derivatives - Interest rate swaps	FVTPL (2018); FVTOCI (2017)	19	39	2
Loans	AC	28 961	33 976	N/A
Cash and cash equivalents	**AC**	**39 554**	**57 844**	**N/A**
Total financial assets		**182 846**	**209 465**	
Non-current financial liabilities		**34 705**	**96 217**	
Finance leases	AC	17 504	18 078	N/A
Bank loans	AC	15 500	76 160	N/A
Other loans	AC	1 701	1 843	N/A
Other financial liabilities - Derivatives - Interest rate swaps	FVTPL	0	136	2
Current financial liabilities		**90 021**	**48 852**	
Finance leases	AC	640	1 778	N/A
Bank loans	AC	2 945	3 103	N/A
Bank loans - factoring with continuing involvement	AC	646	751	N/A
Other loans	AC	260	260	N/A
Commercial paper	AC	58 985	19 999	N/A
Bank overdrafts	AC	25 780	20 195	N/A
Other financial liabilities - Loans	AC	335	1 235	N/A
Other financial liabilities - Derivatives - forward exchange contracts	FVTPL	201	213	2
Other financial liabilities - Derivatives - Interest rate swaps	FVTPL	229	1 318	2
Trade payables	**AC**	**90 756**	**126 584**	N/A
Total financial liabilities		**215 482**	**271 653**	

(1) In 2017, the equity investments were classified as available for sale financial assets in accordance with IAS 39.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ending 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial risk management

- ***Credit risk***

The Group's principal current financial assets are cash & cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of loss allowances for expected credit losses, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The risk profile of the trade receivables portfolio is segmented by business line and based on the conditions of sale observed on the market. At the same time, it is confined by the agreed limits of the general conditions of sale and the specifically agreed conditions, adapted accordingly. The latter also depend on the degree of industrial and commercial integration of the customer, as well as on the level of market competitiveness.

The trade receivables portfolio in Flexible Foams, Bedding and Insulation consists of a large number of customers distributed among various markets, for which the credit risk is assessed on an on-going basis and based on which the commercial and financial conditions are granted. In addition, the credit risks on trade receivables, with the exception of Automotive, are mostly covered by credit insurance policies which the Group manages centrally and harmonises. The credit risk management is also strengthened by a credit management organisation which to a great extent is centralised, the implementation of SAP software modules (FSCM) and best practice processes regarding the collection of receivables.

In Automotive, credit risks are concentrated and the Group relies on the solvency ratios allocated by independent rating agencies.

Credit terms granted on sales vary in function of the customer credit assessment, the business line and the country of operations.
There is a limited credit risk assessment on shareholder loans granted to the joint ventures. Shareholder loans to joint ventures are provided in accordance with rules foreseen in the joint venture agreements, which are subject to the evolution of the operational business performance.

- ***Interest rate risk management***

Recticel is hedging economically the interest rate risk linked to its interest-bearing borrowings on a global basis. The main derivative instruments used to convert floating rate debt into fixed rate debt are Interest Rate Swaps (IRS). The amount of fixed rate arrangements in relation to total financial debt is reviewed on an on-going basis by the Finance Committee and adjusted as and when deemed appropriate. In this, the Finance Committee aims at maintaining an appropriate balance between fixed and floating rate arrangements based on a philosophy of sound spreading of interest rate risks.

In an interest rate swap ("IRS") agreement, the Group undertakes to pay or receive the difference between the amounts of interest at fixed and floating rates on a nominal amount. This type of agreement enables the Group to fix the rate on a portion of its floating rate debt in order to be protected against the risk of higher interest charges on a loan at floating interest rates.

The market value of the portfolio of interest rate swaps on the reporting date is the discounted value of the future cash flows from the contract, using the interest rate curves at that date.

The current portfolio of IRS covers a portion of interest-bearing borrowings for EUR 10 million until October 2019 and for EUR 25 million until February 2021.

The weighted average tenor of the IRS portfolio is 1.75 years.

On 31 December 2018, the fair value of the interest rate swaps was estimated at EUR -0.3 million.

All financial leases (EUR 18.1 million) and the new bank loan of EUR 15.5 million are at fixed rate; most other bank debt is contracted at floating rate. The current portfolio of interest rate swaps provides a global hedge for a total of EUR 35.0 million at 31 December 2018, meaning that total fixed-rate arrangements represent 31% of the total net debt including 'off-balance' factoring.

Sensitivity to interest rates

The Group's interest rate risk exposure derives from the fact that it finances at both fixed and variable interest rates. The Group manages the risk centrally through an appropriate structure of loans at fixed and variable interest rates and through interest rate swaps (IRS). The interest rate hedges are evaluated regularly to bring them in line with the Group's view on the trend in interest rates on the financial markets, with the aim of optimising interest charges throughout the various economic cycles.

In 2018 the nominal amount of the portfolio amounted to EUR 35.0 million (2017: EUR 77.0 million).

Profit and loss impact

Had the interest rates yield curve risen by 100 basis points, with all other parameters unchanged, the Group's profit in 2018 would have decreased by EUR -0.4 million, compared to EUR -0.8 million in 2017.

Conversely, had the interest rates yield curve fallen by 100 basis points, with all other parameters unchanged, the Group's profit in 2018 would have increased by EUR +0.1 million, compared to EUR +0.8 million in 2017.

- ***Currency risk management***

It is the Group's policy to hedge foreign exchange exposures resulting from financial and operational activities via Recticel International Services s.a./n.v. (RIS), which acts as internal bank of the Group. This hedging policy is mainly implemented through forward exchange contracts. Hedge accounting under IFRS 9 is not applied for currency risk management.

In general, the Group concludes forward exchange contracts to cover currency risks on incoming and outgoing payments in foreign currency. The Group may also conclude forward exchange contracts and option contracts to cover currency risks associated with planned sales and purchases of the year, at a percentage which varies according to the predictability of the payment flows.

At reporting date, forward exchange contracts were outstanding for a nominal amount of EUR 84.8 million and with a total fair value of EUR -0.3 million.

Sensitivity analysis on currency risks

The Group deals mainly in 7 currencies outside the euro zone: GBP, USD, CHF, SEK, PLN, CNY and CZK.

in thousand EUR

Group Recticel	31 DEC 2018			31 DEC 2017		
	FIXED RATE	FLOATING RATE	TOTAL	FIXED RATE	FLOATING RATE	TOTAL
Financial debt						
CHF	0	0	0	0	32	32
CNY	0	1 156	1 156	0	0	0
CZK	0	967	967	0	0	0
EUR	15 500	12 283	27 783	0	76 260	76 260
GBP	0	0	0	0	0	0
PLN	0	0	0	0	0	0
SEK	0	3 354	3 354	0	3 048	3 048
USD	0	9 125	9 125	0	17 629	17 629
Other	0	784	784	0	2 495	2 495
Total	**15 500**	**27 669**	**43 169**	**0**	**99 464**	**99 464**
Other financial debt						
CHF	0	0	0	0	0	0
CNY	0	0	0	0	0	0
CZK	0	0	0	0	0	0
EUR	10 573	69 163	79 736	11 134	31 574	42 708
GBP	0	0	0	0	0	0
PLN	0	0	0	0	0	0
SEK	0	0	0	0	0	0
USD	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	**10 573**	**69 163**	**79 736**	**11 134**	**31 574**	**42 708**
Cash and cash equivalents						
CHF	0	287	287	0	1 043	1 043
CNY	0	16 299	16 299	0	13 991	13 991
CZK	0	1 144	1 144	0	153	153
EUR	0	18 786	18 786	0	28 953	28 953
GBP	0	(1 981)	(1 981)	0	973	973
PLN	0	2 402	2 402	0	4 612	4 612
SEK	0	242	242	0	282	282
USD	0	644	644	0	1 098	1 098
Other	0	(89)	(89)	0	1 192	1 192
Total	**0**	**37 733**	**37 733**	**0**	**52 297**	**52 297**

The following table details the sensitivity of the Group to a positive or negative variation, compared to the annual variation in the pairs of currencies during the previous financial year.

The sensitivity analysis covers only the financial amounts in foreign currency which are recognised in the statement of financial position and which are outstanding at 31 December, and determines their variations at the conversion rates based on the following assumptions: USD and GBP 10%; CZK, PLN, CHF and SEK 5%.

The following table details the Group's sensitivity in profit or loss to a respectively 10% increase (or decrease) of the US Dollar and Pound Sterling against the Euro, and 5% increase and decrease of the Czech Crown, Polish Zloty, Swedish Krona and Swiss Franc against the Euro. The percentages applied in this sensitivity analysis represent the management's assessment of the volatility of these currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10%, respectively 5%, change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. It includes also the foreign exchange derivatives (not designated as hedging instruments).

A positive number indicates an increase in profit or loss when the Euro weakens by respectively 10% against the US Dollar or the Pound Sterling, or 5% against the Czech Crown, Polish Zloty, Swedish Krona or Swiss Franc. For a respectively 10% strengthening of the Euro against the US Dollar or the Pound Sterling, or 5% against the Czech Crown, Polish Zloty, Swedish Krona or Swiss Franc, there would be a comparable opposite impact on the profit or loss (i.e. the impact would be negative).

in thousand EUR

Group Recticel	STRENGTHENING OF USD VERSUS EUR		STRENGTHENING OF GBP VERSUS EUR		STRENGTHENING OF CZK VERSUS EUR		STRENGTHENING OF SEK VERSUS EUR		STRENGTHENING OF CHF VERSUS EUR		STRENGTHENING OF PLN VERSUS EUR	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Historical average variation	10%	10%	10%	10%	5%	5%	5%	5%	5%	5%	5%	5%
Profit or (loss) recognized in the P&L account	2 221	289	2 747	3 380	173	2 476	403	180	326	196	154	554
Financial assets *	34 441	28 003	7 665	14 879	35 310	152 261	1 479	2 205	10 592	4 311	6 052	6 387
Financial liabilities *	(59 906)	(39 577)	(62 781)	(37 699)	(33 311)	(66 953)	(12 045)	(5 396)	(3 718)	(7 730)	(8 626)	(5 969)
Derivatives	3 250	8 679	27 647	(10 980)	(5 453)	(35 788)	2 496	(418)	(355)	(508)	(510)	10 666
Total net exposure	**(22 215)**	**(2 895)**	**(27 469)**	**(33 800)**	**(3 455)**	**49 520**	**(8 070)**	**(3 609)**	**6 519**	**(3 927)**	**(3 084)**	**11 084**

* includes trade and other receivables and trade and other payables.

Financial assets and liabilities represent the foreign currency exposure of the different subsidiaries of the Group in relation to their local currency.

Liquidity risk

The financing sources are well diversified and the bulk of the debt is irrevocable and long-term or backed-up by long-term commitments. It includes the 5-year club deal revolving credit facility concluded in December 2011 for an amount of EUR 175 million, which was extended in February 2016 for a new 5-year period until February 2021.

In addition to the long-term loans, the Group has a diversified range of short-term financing sources, including a commercial paper program and non-recourse factoring facilities.

The diversified financing structure and the availability of committed unused credit facilities for EUR 199.5 million guarantee the necessary liquidity to ensure the future activities and to meet the short- and medium-term financial commitments.

The Group does not enter in financial instruments that require cash deposits or other guarantees (i.e. margin calls).

The club deal financing agreement is subject to bank covenants based on an adjusted leverage ratio, an adjusted interest cover and a minimum equity requirement; all on a combined basis. At the end of 2018, Recticel complied with all its bank covenants. On the basis of the 2019 budget and the business plan management expects to be in a position to meet its bank covenants in the coming year. These bank covenants will continue to be determined on the basis of the generally accepted accounting principles that were in place at the moment of the closing of the club deal agreement ("frozen GAAP"). The adoption of IFRS 16 will not have an impact on the measurement of these covenants.

Under the club deal financing agreement, the maximum dividend authorised for distribution, excluding the portion attributable to the treasury shares, amounts to the highest of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 12.0 million.

The following table presents the unused credit facilities available to the Group:

in thousand EUR

Group Recticel	UNUSED CREDIT FACILITIES			
	LONG-TERM		SHORT-TERM	
	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
Secured				
Club deal credit facility 2016-2021	0	78 840	0	0
Total secured	**0**	**78 840**	**0**	**0**
Unsecured				
Club deal credit facility 2016-2021	116 015	0	0	0
Other bank loans	0	0	45 827	52 298
Commercial paper	0	0	91 015	80 000
Total unsecured	**116 015**	**0**	**136 842**	**132 298**
Total liabilities carried at amortised cost	**116 015**	**78 840**	**136 842**	**132 298**

in thousand EUR

Group Recticel	2018	2017
Unused amounts under non-current financing facilities		
Undrawn available commitments under the club deal facility [1]	116 015	78 841
Undrawn available under non-current commitments maturing within one year	0	2 800
Undrawn available under other non-current commitments	0	19 900
Total available under non-current facilities	**116 015**	**101 541**
Unused amounts under current financing facilities		
Undrawn under current on-balance facilities	45 827	52 298
Undrawn under off-balance factoring programs	37 627	34 500
Total available under current facilities	**83 454**	**86 798**
Total unused amounts under financing facilities	**199 469**	**188 339**

[1] The amount drawn under the commercial paper program is to be covered at any time by the undrawn amount under the club deal facility. Therefor the reported unused amount of EUR 116 million under the EUR 175 million club deal revolving credit facility is after deduction of the issued amounts under the commercial paper program.

• **Maturity analysis of financial liabilities**

For the year ending **2018**

in thousand EUR

Group Recticel	MATURING WITHIN ONE YEAR (A)	MATURING BETWEEN 1 AND 5 YEARS (B)	MATURING AFTER 5 YEARS (C)	TOTAL (A)+(B)+(C)	FUTURE FINANCIAL CHARGES	CARRYING AMOUNT
Finance leases	793	11 954	7 472	20 219	(2 074)	18 145
Bank loans	111	6 059	12 660	18 831	(3 331)	15 500
Other loans	423	1 001	823	2 247	(286)	1 961
Interest-bearing borrowings	**1 327**	**19 015**	**20 956**	**41 297**	**(5 692)**	**35 606**
Other financial liabilities - Non-derivative	**88 691**	**0**	**0**	**88 691**	**0**	**88 691**
Other financial liabilities - Derivative	**430**	**0**	**0**	**430**	**0**	**430**
Non-current financial liabilities						**34 706**
Current financial liabilities						**90 021**

For the year ending **2017**

in thousand EUR

Group Recticel	MATURING WITHIN ONE YEAR (A)	MATURING BETWEEN 1 AND 5 YEARS (B)	MATURING AFTER 5 YEARS (C)	TOTAL (A)+(B)+(C)	FUTURE FINANCIAL CHARGES	CARRYING AMOUNT
Finance leases	1 778	14 199	6 630	22 607	(3 042)	19 565
Bank loans	3 103	77 091	0	80 194	(1 022)	79 172
Other loans	260	960	1 060	2 280	(187)	2 093
Interest-bearing borrowings	**5 141**	**92 250**	**7 690**	**105 081**	**(4 251)**	**100 830**
Other financial liabilities - Non-derivative	**42 044**	**0**	**0**	**42 044**	**0**	**42 044**
Other financial liabilities - Derivative	**1 531**	**136**	**0**	**1 667**	**0**	**1 667**
Non-current financial liabilities						**95 689**
Current financial liabilities						**48 852**

II.4.2.5.20. Business combinations and disposals

There were no material business combinations during 2018, nor in 2017.

II.4.2.5.21. Capital management

The overview below defines the capital components which management considers key in order to realise its capital structure target ratio -Total net financial debt/Total equity- of less than 50%.

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Hedging liabilities	430	1 667
Non current financial liabilities	34 706	96 080
Current portion of non current financial liabilities	900	2 038
Current financial liabilities	88 421	44 242
Interest accruals	270	1 006
Gross financial debt	**124 727**	**145 032**
Cash and cash equivalents	(39 554)	(57 844)
Deferred interest	(616)	0
Hedging assets	(19)	(67)
Net financial debt	**84 538**	**87 121**
Drawn amounts under off-balance non-recourse factoring programs	51 320	54 701
Total net financial debt	135 858	141 822
Total equity	**264 978**	**261 786**
Ratios		
Net financial debt / Total equity	31.9%	33.3%
Total net financial debt / Total equity	51.3%	54.2%

II.4.2.6. Miscellaneous

II.4.2.6.1. Operating lease arrangements

Operating lease payments represent the sum of non-discounted future rental payments for certain of industrial and/or office properties and for certain production, logistic and /or administrative equipment:

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Payments due within one year	(24 007)	(23 992)
Between one and five years	(49 417)	(51 630)
Over five years	(26 726)	(32 680)
Minimal future payments	**(100 150)**	**(108 302)**

The below table only comprises the recognised operating lease payments of the financial period.

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Operating lease - land and buildings	(17 442)	(17 918)
Operating lease - plant, machinery and equipment	(4 322)	(6 482)
Operating lease - furniture	(464)	(281)
Operating lease - vehicules	(7 041)	(6 999)
Total	**(29 269)**	**(31 679)**

II.4.2.6.2. Other off-balance sheet items

in thousand EUR

Group Recticel	31 DEC 2018	31 DEC 2017
Guarantees given or irrevocably promised by Recticel SA/NV as security for debts and commitments of companies	102 916	89 278

These guarantees include mainly parental corporate guarantees and letters of comfort for commitments contracted by subsidiaries with banks (EUR 70.9 million), lessors (EUR 16.9 million), governmental institutions (EUR 3.1 million) and other third parties (EUR 12.0 million).

II.4.2.6.3. Share-based payments

The Recticel Group has implemented a warrant plan for its leading managers.

The table below gives the overview of all outstanding warrants per 31 December 2018:

ISSUE	NUMBER OF WARRANTS OUTSTANDING	EXERCISE PRICE (IN EUR)	EXERCISE PERIOD [1]
April 2014	165 693	5.64	01 Jan 18 - 28 Apr 20
June 2015	304 000	4.31	01 Jan 19 - 22 Jun 21
April 2016	317 500	5.73	29 Apr 19 - 29 Apr 25
June 2017	410 000	7.00	29 Jun 20 - 29 Jun 24
April 2018	460 000	10.21	25 Apr 21 - 25 Apr 25
Total	**1 657 193**		

[1] all warrantplans have a vesting period of 3 years.

All warrants have a vesting period of 3 years. Beneficiaries can lose the right to exercise their warrants in case of voluntary leave or dismissal for misconduct.

The expense recognised for the year for the share-based payments amounts to EUR 0.7 million (2017: EUR 0.38 million).

A more general overview showing the trend during 2018 is given below:

in units

Group Recticel	2018	2017
Total number of warrants outstanding per 31 December	1 657 193	1 965 262
Weighted average exercise price (in EUR)	7,02	6,38
Weighted average remaining contractual life (in years)	4,92	2,37
Movements in number of warrants		
Warrants outstanding at the beginning of the period	1 965 262	2 687 944
New warrants granted during the period	460 000	410 000
Warrants forfeited and expired during the period	(317 414)	(418 845)
Warrants exercised during the period	(450 655)	(713 837)
Warrants outstanding at the end of the period	1 657 193	1 965 262
Status of warrants outstanding		
Closing share price at end of period (in EUR)	6,39	7,73
Total number of warrants exercisable at the end of the period	165 693	575 650
Total number of warrants that are 'in-the-money' at the end of the period *	1 197 143	1 447 963
Total number of warrants that are exercisable and 'in-the-money' at the end of the period *	165 693	58 351

* in comparison with the average closing price over the period

The warrants outstanding at 31 December 2018 had a weighted average exercise price of EUR 7.02, and a weighted average remaining contractual life of 4.92 years.

The table below gives the overview of all warrants exercised during the period:

in units

Group Recticel	2018	2017
Total number of warrants exercised	450 655	713 837
Weighted average exercise price (in EUR)	6.85	4.38
Period during which these warrants were exercised	29 March - 18 December	31 March - 30 November
Average closing price of period during which these warrants were exercised (in EUR)	9.11	7.37
Average daily closing price for full year (in EUR)	9.08	7.31
Number of new warrants granted during the period	460 000	410 000
Serie name of new warrants granted during period	April 2018	June 2017
Exercise price of new serie warrants (in EUR)	10.21	7.00

To date, the Group has not issued share appreciation rights to any of its managers or employees, nor has it implemented any share purchase plan.

The theoretical value of the warrants at issuance is calculated by applying the Black & Scholes formula, and taking into account certain assumptions regarding dividend payment (last dividend compared to share price - dividend yield: 2.12%), interest rate (Euribor 5 years: 0.05%) and volatility (stock market data on the Recticel share: 23%). For the issue of April 2018 the fair value amounted to EUR 1.572 per warrant.

Overview of the outstanding warrants held by the members of the current Management Committee:

in units

ISSUE[a]	NUMBER OF WARRANTS HELD BY THE MEMBERS OF THE CURRENT MANAGEMENT COMMITTEE
April 2014	103 222
June 2015	110 000
April 2016	165 000
June 2017	260 000
April 2018	325 000
Total	**963 222**

[a] the conditions of the various issues are reflected in the global overview table herabove.

Members of the Management Committee received the following warrants for the 2018 series:

Name	TOTAL NUMBER OF WARRANTS	TOTAL THEORETICAL VALUE OF WARRANTS AT ISSUANCE - IN EUR (*)
Olivier Chapelle	100 000	157 200
Ralf Becker	25 000	39 300
Betty Bogaert	25 000	39 300
François Desné	25 000	39 300
Jean-Pierre De Kesel	25 000	39 300
Bart Massant	25 000	39 300
Jean-Pierre Mellen	25 000	39 300
Jan Meuleman	25 000	39 300
François Petit	25 000	39 300
Dirk Verbruggen	25 000	39 300
Total	**325 000**	**510 900**

(*) The theoretical value is calculated by using a Black & Scholes formula, and taken into account certain assumptions regarding dividend yield, interest rate and volatility.

II.4.2.6.4. Events after the reporting date

There were no material post reporting date events after 31 December 2018, except the following four:

- ***Automotive Seating – Proseat***

In its press release of 19 December 2018, Recticel announced that it had entered into final agreements whereby it first acquires the remaining 49% in its Proseat joint venture from its Canadian partner Woodbridge Foam Corporation, and subsequently sells 75% in Proseat to the Japanese public company Sekisui. Both transactions (i.e. Recticel/Woodbridge and Recticel/Sekisui) were subject to customary closing conditions, including regulatory approvals.

On 19 February 2019 Recticel announced the closing of the transactions as a result of which Sekisui Plastics Co., Ltd. acquired 75% in Proseat. Recticel maintains a 25% participation in Proseat with the option to sell this remaining participation within three years if Sekisui exercises its call option during this period, or after three years when Recticel exercises its put option.

The net proceeds of the current transactions amounted to EUR 21 million, which values the joint venture Proseat at an enterprise value of 8.5 times the average (2016-2018) EBITDA.

The transaction results in a gain of approximately EUR 2.9 million, to be recognised in the consolidated profit or loss of 2019.

- ***Insulation - Turvac***

On 31 January 2019 Recticel Insulation became majority shareholder (74%) in Turvac d.o.o., the Slovenian producer of Vacuum Insulation Panels (VIP), by acquiring an additional 24% of the shares of Turvac d.o.o. held by the Slovenian joint venture partner Turna d.o.o., representing an additional investment of EUR 0.8 million. Since November 2016 Recticel already held 50% in the joint venture Turvac d.o.o. which operates from Šoštanj (Slovenia).
The factory in Šoštanj (Slovenia) has been continually improving its VIP products in order to comply with the quality required for construction purposes. Today these CE certified VIP boards offer an aged lambda value of 0.006W/mK, which is the benchmark in the industry.

Recticel introduced recently Deck-VQ® in the market, an ultra-performant thermal insulation solution with a PIR-VIP combination, for use in flat roofs and terraces.

By holding 74% of the shares of Turvac d.o.o., Recticel secures the know-how and production base for this high performance insulation material. This is another step forward to become the European leader in high performance insulation solutions for buildings.

- ***Kingspan (in association with Greiner)***

In its press release of 16 April 2019, Recticel NV indicated that it received an unsolicited non-binding offer from Kingspan Group Plc to acquire Recticel's Insulation division and Flexible Foams division for an enterprise value of EUR 700 million on a debt-free, cash-free basis and subject to further price adjustment mechanisms.

Kingspan also indicated that it had entered into a back-to-back agreement with a third party for the disposal of all of the Flexible Foams business. Kingspan did not provide Recticel with any details, including but not limited to the identity, nature, rationale or consideration to be paid for the flexible foam business, in respect of this third party.

Kingspan's non-binding offer was subject to due diligence satisfactory to Kingspan, agreement on transaction documentation (including a material adverse change clause) and obtaining anti-trust clearance.

In its press release of 18 April 2019 Recticel announced that it has found that the Offer was lacking a number of critical information items to allow Recticel's Board of Directors to make an informed decision thereon, in line with its fiduciary duties. It has therefore submitted a number of questions and clarification requests to Kingspan Plc.

Recticel's clarification requests related in particular to the anti-trust risks associated with Kingspan's Offer and the mitigation thereof, to the details, including but not limited to the identity, rationale, (inter)conditionality, anti-trust risks and consideration in respect of the non-identified third party with whom Kingspan has entered into a back-to-back agreement in respect of its Flexible foams division, as well as to some of the implications, including tax and impact on Recticel's stakeholders, of a potential transaction with Kingspan.

Upon receipt of this information from Kingspan, Recticel's Board of Directors would further analyse the Offer in line with its fiduciary duties and update the market when appropriate.

On 19 April 2019 the Austrian group Greiner AG published a press release in which it said that if Kingspan's takeover bid for the Recticel Insulation and Flexible Foams divisions should succeed in both cases, Greiner intends to purchase the Flexible Foams division.

In its press release of 26 April 2019, Recticel announces that, after due consideration, in line with its fiduciary duties, of the unsolicited non-binding offer from Kingspan Plc to acquire Recticel's Insulation and Flexible Foams divisions dated April 16, 2019 (the "FF/I Offer"), its Board of Directors (the "Board") has unanimously decided to reject the FF/I Offer as it believes that it is not in the interest of its stakeholders to engage with Kingspan in this respect.

A sale of the Insulation and flexible foam divisions is not in line with Recticel's strategy. As a result of the FF/I Offer, Recticel would remain a listed entity with a significantly reduced business focusing on Bedding and Automotive only with a significantly lower consolidated revenue and EBITDA. The Board is of the opinion that this would be an unattractive proposition for its shareholders and employees given the lack of scale, the reduced strategic fit, financial flexibility, equity story and synergy potential between the two remaining divisions. The Board does not believe that, in the absence of a compelling rationale, such a fundamental change in strategy is in the interest of its stakeholders.

Based on the assessment of its legal advisors, the Board believes that the FF/I Offer would trigger regulatory risks, for which Kingspan has not proposed adequate solutions.

The FF/I Offer would give rise to significant negative tax consequences, both for Recticel and, in case of a capital distribution, its shareholders.

As indicated previously, the back-to-back agreement with Greiner raises a number of concerns that have not been addressed in a satisfactory way by Kingspan nor by Greiner. For example, there is no clarity on the consideration paid, (inter) conditionality with Kingspan's offer, carve-out, integration strategy and impact on Recticel's stakeholders, including but not limited to its employees and customers, in respect of the back-to-back transaction.

Finally, the Board believes that the FF/I Offer significantly underestimates the standalone value of the Insulation and Flexible Foams divisions. In addition, it believes that a number of elements have not been reflected in the FF/I Offer, including, for example, the material synergies resulting from the combination of the insulation and flexible foams divisions with Kingspan and Greiner respectively, the contribution of Recticel's state-of-the-art insulation plant in Finland which has just come on stream as well as multiples paid for similar assets in recent transactions. As such the Board believes the price offered to be inadequate.

Recticel announces that on April 23, 2019 it was approached by Kingspan to also explore a potential acquisition of all of the outstanding securities of Recticel by means of a public offer. This approach refers to an unsolicited, non-binding, conditional approach by Kingspan earlier this year with respect to a possible acquisition of all outstanding securities of Recticel through a public tender offer at EUR 10 per share (excluding the annual dividend for FY2018). At that time, after some preliminary interaction with Kingspan and careful analysis of the terms and conditions of the proposal in line with its fiduciary duties, the Board decided not to further engage with Kingspan given that it believed the combination of value, conditionality, impact on stakeholders and non-financial aspects was not sufficiently compelling to warrant further discussions.

The Board remains open to consider and engage with Kingspan to discuss a possible acquisition of all outstanding securities of Recticel, at the right terms and conditions, in line with its fiduciary duties. It is unsure at this stage whether any such discussions would result into a transaction. Recticel's Board will update the market if and when appropriate.

- ***Insulation – United Kingdom***

In January 2019 the Group exercised a purchase option for the acquisition of the previously leased plant in Stoke-on-Trent (United Kingdom). The current liabilities associated with this operating lease is included in th Group's assessed impact of the IFRS 16 implementation. It is expected that the transaction will be closed before end of June 2019.

II.4.2.6.5. Related party transactions

Transactions between Recticel s.a./n.v. and its subsidiaries, which are related parties, have been eliminated in the consolidation and are not disclosed in this note. Transactions with other related parties are disclosed below, and concern primarily commercial transactions done at prevailing market conditions. The tables below include only transactions considered to be material, i.e. exceeding a total of EUR 1 million.

Transactions with joint ventures and associates: 2018

in thousand EUR

Group Recticel	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES	REVENUES	PURCHASES
Total Proseat companies	4 078	2 885	6 260	18	8	30 157	206
Total Orsafoam companies	0	57	815	169	0	172	(40)
Total Eurofoam companies	0	1 807	42	1 266	0	29 167	(15 910)
Turvac	0	59	0	(2)	0	1	(68)
TOTAL	**4 078**	**4 808**	**7 117**	**1 451**	**8**	**59 497**	**(15 812)**

Transactions with joint ventures and associates: 2017

in thousand EUR

Group Recticel	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES	REVENUES	PURCHASES
Total Orsafoam companies	0	58	916	209	0	146	(155)
Total Eurofoam companies	0	3 013	42	3 235	0	27 600	(22 351)
Total Proseat companies	4 109	4 483	15 994	29	13 035	30 362	0
TOTAL	**4 109**	**7 554**	**16 952**	**3 473**	**13 035**	**58 108**	**(22 506)**

II.4.2.6.6. Remuneration of the Board of Directors and of the Management Committee

The remuneration of the members of the Board of Directors and of the Management Committee is included in this note. For more information, reference is made to the remuneration report in the section 'Corporate Governance' of this annual report.

Gross remuneration for the members of the Board of Directors: 2018

in EUR

NAME	DIRECTOR'S FEES 2018	ATTENDENCE FEES BOARD 2018	AUDIT COMMITTEE 2018	REMUNERATION AND NOMINATION COMMITTEE 2018	REMUNERATION FOR SPECIAL ASSIGNMENTS 2018	TOTAL (GROSS) 2018
JOHNNY THIJS BVBA	30 000.00	40 000.00	10 000.00	10 000.00	-	90 000.00
OLIVIER CHAPELLE BVBA	15 000.00	20 000.00	-	-	-	35 000.00
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	15 000.00	20 000.00	10 000.00	-	-	45 000.00
COMPAGNIE DU BOIS SAUVAGE SA	15 000.00	17 500.00	-	-	-	32 500.00
ENTREPRISES ET CHEMINS DE FER EN CHINE SA	15 000.00	20 000.00	-	2 500.00	-	37 500.00
IMRADA BVBA	15 000.00	20 000.00	10 000.00	-	-	45 000.00
REVALUE BVBA	15 000.00	20 000.00	20 000.00	5 000.00	-	60 000.00
Kurt PIERLOOT	15 000.00	15 000.00	-	5 000.00	-	35 000.00
Danielle SIOEN	15 000.00	12 500.00	-	-	-	27 500.00
IPGM CONSULTING GmbH	15 000.00	20 000.00	-	-	-	35 000.00
TOTAL	**165 000.00**	**205 000.00**	**50 000.00**	**22 500.00**	**0.00**	**442 500.00**

Gross remuneration for the members of the Board of Directors: 2017

in EUR

Name	DIRECTOR'S FEES 2017	ATTENDENCE FEES BOARD 2017	AUDIT COMMITTEE 2017	REMUNERATION AND NOMINATION COMMITTEE 2017	REMUNERATION FOR SPECIAL ASSIGNMENTS 2017	TOTAL (GROSS) 2017
JOHNNY THIJS BVBA	30 000.00	30 000.00	10 000.00	15 000.00	-	85 000.00
OLIVIER CHAPELLE BVBA	15 000.00	15 000.00	-	-	-	30 000.00
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	15 000.00	15 000.00	10 000.00	-	-	40 000.00
COMPAGNIE DU BOIS SAUVAGE SA	15 000.00	15 000.00	-	-	-	30 000.00
ENTREPRISES ET CHEMINS DE FER EN CHINE SA	15 000.00	12 500.00	-	7 500.00	-	35 000.00
IMRADA BVBA	15 000.00	15 000.00	10 000.00	-	-	40 000.00
REVAM BVBA [1]	6 222.53	7 500.00	5 000.00	-	-	18 722.53
REVALUE BVBA	15 000.00	15 000.00	20 000.00	7 500.00	-	57 500.00
Kurt PIERLOOT	15 000.00	15 000.00	-	7 500.00	-	37 500.00
Danielle SIOEN	15 000.00	10 000.00	-	-	-	25 000.00
IPGM CONSULTING GmbH [2]	8 777.47	10 000.00	-	-	-	18 777.47
TOTAL	**165 000.00**	**160 000.00**	**55 000.00**	**37 500.00**	**0.00**	**417 500.00**

[1] end mandate 30 May 2017
[2] start mandate 30 May 2017

Gross remuneration for the members of the Management Committee

in EUR

Total cost for the company	OLIVIER CHAPELLE SPRL REPRESENTED BY OLIVIER CHAPELLE		OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2018	2017	2018	2017	2018	2017
Number of persons	1	1	9	10	10	11
Fixed remuneration	540 000	520 000	2 225 207	2 612 904	2 765 207	3 132 904
Variable remuneration	297 000	354 640	725 788	744 046	1 022 788	1 098 686
Subtotal	**837 000**	**874 640**	**2 950 995**	**3 356 950**	**3 787 995**	**4 231 590**
Pensions	0	0	354 937	280 648	354 937	280 648
Other benefits	1 130	26 128	279 631	261 030	280 761	287 158
Total	**838 130**	**900 768**	**3 585 563**	**3 898 628**	**4 423 693**	**4 799 396**

II.4.2.6.7. Exchange rates

in EUR

Group Recticel		CLOSING RATE		AVERAGE RATE	
		2018	2017	2018	2017
Bulgarian Lev	BGN	0.511300	0.511300	0.511300	0.511300
Swiss Franc	CHF	0.887390	0.854555	0.865832	0.899544
Yuan Renminbi	CNY	0.126983	0.128133	0.128072	0.131079
Czech Crown	CZK	0.038874	0.039162	0.038991	0.037986
EURO	EUR	1.000000	1.000000	1.000000	1.000000
Pound Sterling	GBP	1.117905	1.127103	1.130319	1.140675
Forint	HUF	0.003115	0.003222	0.003136	0.003234
Indian Rupee	INR	0.012542	0.013054	0.012386	0.013599
Yen	JPY	0.007946	0.007407	0.007669	0.007892
Moroccan Dirham	MAD	0.091303	0.091609	0.090841	0.093577
Norwegian Krone	NOK	0.100520	0.101623	0.104194	0.107215
Polish Zloty	PLN	0.232482	0.239406	0.234660	0.234906
Romanian Leu (new)	RON	0.214431	0.214661	0.214868	0.218876
Serbian Dinar	RSD	0.008461	0.008456	0.008469	0.008268
Russian Rouble	RUB	0.012545	0.014411	0.013506	0.015166
Swedish Krona	SEK	0.097515	0.101587	0.097482	0.103787
Turkish Lira (NEW)	TRY	0.165049	0.219954	0.175203	0.242451
Ukrainian Hryvnia	UAH	0.031812	0.030434	0.031902	0.033369
US Dollar	USD	0.873362	0.833820	0.846773	0.885206

II.4.2.6.8. Staff

in units

Group Recticel	31 DEC 2018	31 DEC 2017
Management Committee	10	10
Employees	2 366	1 970
Workers	4 108	4 698
Average number of people employed (full time equivalent) on a consolidated basis (i.e. excluding joint ventures)	**6 484**	**6 678**
Average number of people employed in Belgium	1 058	1 058
Remuneration and social charges (in thousand EUR)	**291 647**	**292 802**

II.4.2.6.9. Audit and non-audit services provided by the statutory auditor

Overview of the audit fees and additional services performed for the Group by the auditor and companies related to the auditor for the year ending 31 December 2018.

in thousand EUR

Group Recticel	DELOITTE	OTHERS
Audit fees	947	512
Other legal missions	27	10
Tax services	81	119
Other services rendered related to other assurance reporting	76	0
Consulting services	22	31
Total fees in 2018	**1 153**	**672**

In the above overview the fees of the joint venture companies are included at 100%.

II.4.2.6.10. Contingent assets and liabilities

- ***Tertre (Belgium)***

1. Carbochimique, which was progressively integrated into the Recticel Group in the 1980s and early 1990s, owned an industrial site in Tertre (Belgium), where various carbochemical activities had been carried on since 1928. These activities were gradually spun off and sold to other industrial companies, including Yara and Prince Erachem (Eramet group). Finapal, a Recticel subsidiary, retained ownership of some plots on the site, chiefly old dumping sites and settling ponds that have been drained.

   In 1986, Recticel sold its "fertilizer" division, in particular the activities of the Tertre site, to Kemira, now acquired by Yara. As part of this agreement, Recticel undertook to set an old basin ("Valcke Basin"), in line with environmental regulations. This requirement was not yet performed because of the mutual dependence of the environmental conditions within the industrial site in Tertre. Yara sued Recticel for precautionary reasons pursuant to this obligation in July 2003. Both parties negotiated and signed a settlement agreement in the course of 2011, which ended the dispute.

   Under the settlement agreement Yara and Recticel committed to prepare together a recovery plan for four contaminated areas of the industrial area in Tertre, including the Valcke Bassin and a dump site of Finapal, and agreed on the cost split thereof.

   This plan was approved in December 2013 by Ministerial Order of the Walloon Government, and the specification book was likewise prepared by both parties and approved by the authorities. End December 2015 Ecoterres was appointed as contractor. The works were started in 2016 and the end of the works is expected by end 2020.

2. Following the sale of the entity Sadacem to the French group Comilog, now part of the group Eramet, Recticel committed itself to sanitise, on a shared cost basis, an old industrial waste site on the grounds of Prince Erachem. The start of the execution of this commitment was studied in consultation with the entity Prince Erachem and has been provisioned in the accounts of the Recticel Group. A proposal was submitted to the Office Wallon des Déchets in April 2009 and since been approved.

   The implementation of the restructuring plan started in 2013 and has been completed as planned. The clean-up works were completed in 2017 but are still subject to a monitoring phase during 3 years.

- ***Litigations***

The Group has been the subject of antitrust investigations at European and national level. At European level, Recticel announced on 29 January 2014 that a settlement was reached with the European Commission in the polyurethane foam investigation. The case was closed after payment of the last instalment of the effective overall fine in April 2016. At national level, the Group was involved in several appeals started by competitors after a decision of the Spanish competition authority in 2013. The last Spanish appeal procedure ended in the beginning of 2018, without impact on the position of Recticel. It cannot be excluded that other claims (including class actions claims) based on the same facts, may arise.

Various claims have been issued by one or more customers, in which these entities allege harm with regard to the conduct covered by the European Commission's cartel decision. Some procedures have been ended or concluded in the course of 2016-2018, with one procedure remaining open in Germany.

While Recticel believes there to be no harm done, and it is up to the customer to prove any damage incurred, Recticel carefully reviews and evaluates the merits for each case with its legal advisors to determine the appropriate defensive strategy and recognises, where appropriate, provisions to cover any legal costs in this regard.

Regarding the on-going litigation no considered judgment can at this stage be formed on the outcome of these procedures or on the amount of any potential loss for the company.

One of our Group entities in the United Kingdom is the subject of a HSE investigation following the accidental death of one of its employees. It cannot be excluded that further procedural steps might be taken by the authorities, leading to prosecution, legal costs and fines.

One of the Group's entities in France is implicated in a labour law case following the closure of a production site, whereby the former employees have launched a claim to obtain additional compensations, on the basis that the economic reasons for the closure were invalid.

One of the Group's entities in the Netherlands has been the object of a labour law claim by temporary workers for compensation putting in question the temporary nature of their employment. During 2018, a final judgment was rendered in this case, whereby Recticel was fully cleared of any liability.

Following the fire incident in Most (Czech Republic), the involved Group entity has been temporarily unable to supply the contractually agreed quantities of products, leading to production interruptions at the direct customers and the car manufacturers. While the Group entity involved have claimed Force Majeure in this respect, this has been put in question or even contested by a number of customers, with indication that further claims could be raised to obtain damage compensation. While the Group is insured in this regard in line with industrial standards, it cannot be excluded that such claims could lead to financial losses for the group companies involved.

Some years ago Recticel has initiated opposition proceedings against the patent application of a Swiss competitor which had been developed by and has been since many years used by the Group. Recticel has won this procedure. In March 2019 the European Patent Office confirmed the decision in appeal. This decision is final.

Following the announced closure of a production plant in Catarroja, Spain, a transport company sent a claim letter for damage compensation against Recticel's Spanish entity. Recticel refuted the claim and will defend this case in court if needed.

As of 31 December 2018, total overall provisions and accruals for other litigations, environmental risk and other risks on Recticel Group level amounted to EUR 5.0 million in the consolidated financial statement (or EUR 6.3 million in the combined financial statements). With reference to the prejudicial exemption in IAS 37 §92, the Group will not disclose any further information about the assumptions for the provision, including any details about current and the expected number of lawsuits and claims.

The disclosure of such information is believed to be detrimental to the Group in connection with the ongoing confidential negotiations and could inflict financial losses on Recticel and its shareholders.

II.4.2.6.11. Reconciliation table of Alternative Performance Measures

The Group uses and publishes a number of Alternative Performance Measures ("APM") to provide additional valuable insight to financial analysts and investors. APMs are related to the standards used by management to monitor and measure financial performance.

The overview tables below summarise the reconciliation of these APMs in respectively the income statement and the statement of financial position.

in EUR

	31 DEC 2018			31 DEC 2017		
	COMBINED	ADJUSTEMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11	CONSOLIDATED	COMBINED	ADJUSTEMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11	CONSOLIDATED
Sales	1 448 264	(330 612)	1 117 652	1 460 820	(325 467)	1 135 353
Gross profit	239 499	(37 876)	201 623	207 412	(23 877)	183 535
EBITDA	93 353	(12 853)	80 500	94 118	(11 331)	82 787
EBIT	47 046	(4 099)	42 947	48 081	(3 220)	44 861
EBIT	**47 046**	**(4 099)**	**42 947**	**48 081**	**(3 220)**	**44 861**
Amortisation intangible assets	4 167	(1 538)	2 629	3 847	(1 062)	2 785
Depreciation tangible assets	34 080	(6 712)	27 368	33 232	(6 654)	26 578
Impairments on goodwill, intangible and tangible fixed assets	5 783	36	5 819	7 009	0	7 009
Amortisation other operational assets[1]	2 276	(539)	1 737	1 949	(395)	1 554
EBITDA	**93 353**	**(12 853)**	**80 500**	**94 118**	**(11 330)**	**82 787**
[1] Mainly the release of upfront payments in Automotive to profit and loss account.						
EBITDA	**93 353**	**-**	**-**	**94 118**	**-**	**-**
Net impact of fire incident in Most	(5 639)	-	-	1 092	-	-
Restructuring charges	10 103	-	-	3 701	-	-
Costs and fees for remediation and litigation	5 977	-	-	6 639	-	-
Adjusted EBITDA	**103 794**	**-**	**-**	**105 550**	**-**	**-**
EBIT	**47 046**	**-**	**-**	**7 009**	**-**	**-**
Net impact of fire incident in Most	(5 639)	-	-	1 092	-	-
Restructuring charges	10 103	-	-	3 701	-	-
Costs and fees for remediation and litigation	5 977	-	-	6 639	-	-
Impairments	5 783	-	-	7 009	-	-
Adjusted EBIT	**63 270**	**-**	**-**	**25 450**	**-**	**-**
Total net financial debt						
Non-current interest-bearing borrowings	47 205	(12 499)	34 706	112 194	(16 114)	96 080
Current interest-bearing borrowings	90 437	(2 237)	88 200	83 989	(35 001)	48 988
Cash	(36 780)	(953)	(37 733)	(73 206)	15 362	(57 844)
Other financial assets [1]	(691)	83	(608)	(85)	(18)	(103)
Net financial debt on statement of financial position	**100 171**	**(15 606)**	**84 565**	**122 892**	**(35 771)**	**87 121**
Factoring programs	51 320	0	51 320	54 701	0	54 701
Total net financial debt	**151 491**	**(15 606)**	**135 885**	**177 593**	**(35 771)**	**141 822**
[1] Hedging instruments and interest advances						
Gearing ratio (Net financial debt / Total equity)						
Total equity	264 978	0	264 978	261 786	0	261 786
Net financial debt on statement of financial position / Total equity	37,8%	-	31,9%	46,9%	-	33,3%
Total net financial debt / Total equity	57,2%	-	51,3%	67,8%	-	54,2%

in EUR

	31 DEC 2018			31 DEC 2017		
	COMBINED	ADJUSTEMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11	CONSOLIDATED	COMBINED	ADJUSTEMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11	CONSOLIDATED
Leverage ratio (Net financial debt / EBITDA)						
EBITDA	93 353	(12 883)	80 470	94 119	(11 337)	82 782
Net financial debt on statement of financial position / EBITDA	1.1	-	1.1	1.3	-	1.1
Total net financial debt / EBITDA	1.6	-	1.7	1.9	-	1.7
Net working capital						
Inventories and contracts in progress	-	-	103 789	-	-	99 408
Trade receivables	-	-	107 680	-	-	110 935
Current contract assets	-	-	13 782	-	-	0
Other receivables	-	-	55 227	-	-	73 373
Income tax receivables	-	-	5 587	-	-	1 350
Trade payables	-	-	(90 756)	-	-	(126 584)
Current contract liabilities	-	-	44 964	-	-	0
Income tax payables	-	-	(3 061)	-	-	(2 411)
Other amounts payable	-	-	(104 957)	-	-	(111 276)
Net working capital	**-**	**-**	**132 255**	**-**	**-**	**44 795**
Current ratio (= Current assets / Current liabilities)						
Current assets	-	-	343 137	-	-	345 603
Current liabilities	-	-	339 774	-	-	294 392
Current ratio (factor)	**-**	**-**	**1.0**	**-**	**-**	**1.2**

II.4.3. Recticel s.a./n.v. - General information

Recticel s.a./n.v.

Address: Avenue des Olympiades, 2
B-1140 Brussels (Evere)

Established: on 19 June 1896 for thirty years, later extended for an unlimited duration.

Object: (article 3 of the Coordinated Articles) The object of the company is the development, production, conversion, trading, buying, selling and transportation, on its own account or on behalf of third parties, of all plastics, polymers, polyurethanes and other synthetic components, of natural substances, metal products, chemical or other products used by private individuals or by industry, commerce and transport, especially for furniture, bedding, insulation, the construction industry, the automotive sector, chemicals, petrochemicals, as well as products belonging to or necessary for their production or which may result or be derived from this process.

It may achieve its object in whole or in part, directly or indirectly, via subsidiaries, joint ventures, participations in other companies, partnerships or associations.

In order to achieve this object, it can carry out all actions in the industrial, property, financial or commercial field which are associated with its object directly or indirectly, in whole or in part, or which would be of a nature to promote, develop or facilitate its operation or its trade or that of the companies, partnerships or associations in which it has a participation or an interest; it can in particular develop, transfer, acquire, rent, hire out and exploit all movable and immovable goods and all intellectual property.

Legal form: naamloze vernnootschap / société anonyme (limited company)

Recorded in the Brussels register of legal entities
Company number: 0405 666 668

Subscribed capital: EUR 138 067 530 (per 31 December 2018)

Type and number of shares: at 31 December 2018 there was only one type of shares, namely ordinary shares; total number of shares outstanding: 55 227 012

Portion of the subscribed capital still to be paid up:
0 shares/EUR 0.

Nature of the shares not fully paid up: none.

Percentage fully paid up: 100%. The shares are all fully paid up.

The accounts were prepared in accordance with requirements specified by the Royal Decree of 30 January 2001.

These annual accounts comprise the statement of financial position, the income statement and the notes prescribed by law. They are presented hereafter in condensed form.

In accordance with Belgian law, the management report, the annual accounts of Recticel s.a./n.v. and the report of the Statutory Auditor will be filed with the Belgian National Bank.

They are available on request from:

Recticel s.a./n.v.
Corporate Communications
Avenue des Olympiades, 2
B-1140 Brussels (Evere)

Tel.: +32 (0)2 775 18 11
Fax: +32 (0)2 775 19 90
E-mail: desmedt.michel@recticel.com

The notes to the annual accounts are related to the financial situation of the company as shown in the statement of financial position. The results are also commented on in the preceding annual report.

The Statutory Auditor has delivered an unqualified opinion on the statutory annual accounts of Recticel s.a./n.v..

The statutory annual accounts of Recticel s.a./n.v., as well as the statutory report by the Board of Directors, are freely available on the company's web site https://www.recticel.com/investors/annual-half-year-reports.html.

II.4.4. Recticel s.a./n.v. - Condensed statutory accounts

in thousand EUR

Group Recticel		31 DEC 2018	31 DEC 2017
ASSETS			
FIXED ASSETS		**354 873**	**364 447**
I.	Formation expenses	951	1 622
II.	Intangible assets	29 948	30 614
III.	Tangible assets	57 091	58 838
IV.	Financial assets	266 883	273 372
CURRENT ASSETS		**214 113**	**199 810**
V.	Amounts receivable after one year	13 138	12 274
VI.	Inventories and contracts in progress	20 945	23 068
VII.	Amounts receivable within one year	176 622	160 759
VIII.	Cash investments	1 398	1 398
IX.	Cash	182	295
X.	Deferred charges and accrued income	1 828	2 016
TOTAL ASSETS		**568 986**	**564 257**
LIABILITIES			
I.	Capital	138 068	136 941
II.	Share premium account	129 941	127 982
III.	Revaluation surplus	2 551	2 551
IV.	Reserves	14 053	13 411
V.	Profits (losses) brought forward	65 479	66 533
VI.	Investment grants	0	5
VII.	A. Provisions for liabilities and charges	7 522	7 822
	B. Deferred taxes	0	0
VIII.	Amounts payable after one year	14 080	54 688
IX.	Amounts payable within one year	189 403	147 318
X.	Accrued charges and deferred income	7 889	7 005
TOTAL EQUITY AND LIABILITIES		**568 986**	**564 257**

in thousand EUR

Group Recticel		31 DEC 2018	31 DEC 2017
PROFIT AND LOSS ACCOUNT			
I.	**Operating revenues**	**341 025**	**395 982**
II.	Operating charges	(325 265)	(369 321)
III.	**Operating profit (loss)**	**15 760**	**26 660**
IV.	Financial income	21 458	12 156
V.	Financial charges	(23 465)	(12 481)
VI.	**Profit (loss) for the year before taxes**	**13 753**	**26 336**
VII.	Income taxes	(911)	(34)
VIII.	**Profit (loss) for the year after taxes**	**12 842**	**26 302**
IX.	Transfer to untaxed reserves	0	0
X.	**Profit (loss) for the period available for appropriation**	**12 842**	**26 302**

The statutory annual accounts of Recticel s.a./n.v. as well as the statutory report by the Board of Directors, is freely available on the company's web site www.recticel.com.

Profit appropriation policy

The General Shareholders Meeting decides on the appropriation of the profit available for the distribution of a dividend based upon a proposal by the Board of Directors. The Board of Directors intends to propose to pay out a stable or gradually increasing annual dividend, taking into account the following elements:

- proper compensation for the shareholders
- retention of adequate self-financing capacity to enable investment in value creation opportunities.

The Board of Directors decided to present the following appropriation of the results to the General Meeting:

in EUR

Group Recticel		
Profit/(Loss) for the financial year		12 842 215.07
Profit/(Loss) brought forward from previous year	+	66 533 192.67
Profit/(Loss) to be added to legal reserves	-	642 110.75
Profit/(Loss) to be added to other reserves	-	0.00
Result to be appropriated	**=**	**78 733 296.99**
Gross dividend [1]	-	13 254 482.88
Profit to be carried forward	**=**	**65 478 814.11**

[1] Gross dividend per share of EUR 0.24, resulting in a net dividend after tax of EUR 0.168 per ordinary share.

II.4.5. Risk factors and risk management

Assisted in its work by the Audit Committee, the Board of Directors determines the Group's risk management policy, taking the significance of the general corporate risks that it is prepared to accept into account.

Business and management imply dealing with external and internal uncertainties. These uncertainties imply that decisions intrinsically involving potential risks are constantly being taken at all levels. For this reason, and also because a company must be able to achieve its objectives, it is important to outline, assess, quantify and grade corporate risks as precisely as possible. An appropriate, adapted risk management system that can also draw on efficient monitoring mechanisms and best practices must avoid any adverse effects of potential risks on the company and its value or at least control or minimise those effects.

RISK FACTORS

The items dealt with below are the most relevant risk factors for the Recticel Group, as defined during the assessment process described above.

1. The Group's investment programs are subject to the risk of delays, cost overruns and other complications, and may not achieve the expected returns

The Group's businesses are, and will continue to be, capital-intensive. A number of its plants have operated for many years, and a large part of the Group's capital expenditures relate to the repair, maintenance and improvement of these existing facilities.

The Group's investments programs in the field of repair, maintenance and improvements of its existing equipment and facilities are subject to the risk of incorrect or inadequate evaluation. As a result, these investment programs may suffer from delays or other complications, and may not achieve the return projected at the beginning of such programs. Furthermore, the Group's actual expenditures may ultimately reveal to be higher than budgeted for various reasons beyond its control. Such cost increases may be material and may have a material adverse effect on its business, financial condition, operating results and cash flows.

2. Price volatility of major chemicals

As a producer and converter of polyurethane foam and other products, the Group is sensitive to fluctuations in the prices of chemical raw materials, in particular those chemical raw materials used for the production of polyurethane. The main chemical raw materials used by the Group are polyols and isocyanates (TDI and MDI). Although these base materials are petroleum derivatives, and hence follow the evolution of the oil price, their price evolution may differ from that of petroleum products on the global market. Excess volatility of raw materials prices or their scarcity or shortage may have a negative effect on Recticel's results and financial situation.

Chemical raw materials represent, on average, nearly 48% of the cost of sales of the Group's finished products. For certain flexible foam, seating and insulation applications, this share is even higher.

These raw materials are purchased on the open market. The Group has to date not hedged its commodity risk.

The purchase of chemical raw materials is centralised and the relevant central department negotiates the supply contracts. The centralised approach allows better negotiation power and continuous optimisation.

Although the Group monitors raw material price developments and tries to reflect price increases in its sales prices when appropriate, ultimately the extent to which such increased chemical raw material prices can be charged to customers depends on the commercial negotiations with customers and competition on the market. There may be periods of time in which the Group is not able to timely or fully recover increases in the cost of chemical raw materials due to weakness in demand for its products or the actions of its competitors. On the other hand, during periods in which market prices of Group's chemical raw materials fall, the Group may face demands from its customers to reduce its prices or experience falls in demand for its products while customers delay orders in anticipation of price reductions.

3. The Group may be subject to the risk of not identifying an M&A opportunity or not being able to afford it

Making acquisitions are an integral part of the Group's growth strategy. There can be no assurance that any of these transactions will be realised or, if realised, will be beneficial to the Group.

The Group continues to explore additional opportunities to implement its strategy which may require substantial investment and subsequent capital expenditures. To date, the Group has been able to fund its capital investment projects through cash generated from its internal operations and debt financing. If the Group's cash flows were reduced or if it were to make further acquisitions, the Group would need to seek to fund its cash requirements through additional debt and equity financing or through asset divestitures.

4. If the Group fails to identify, develop and introduce new products successfully it may lose key customers or product orders and its business could be harmed

The Group regularly introduces new products, such as Thermoflex® in its Business Line Flexible Foams, the ingredient GELTEX® inside brand in its Business Line Bedding, Lambda 19 Eurowall® Xentro® and Eurofloor Xentro® in its Business Line Insulation and Colo-Sense Lite® in its Business Line Automotive.

The Group competes in industries that are changing and becoming more complex. The Group's ability to achieve a successful evolution development of its existing products to new offerings and differentiation of its products requires that accurate predictions of the product development schedule as well as market demand are made. The process of developing new products is complex and often uncertain due to the frequent introduction of new products by competitors. The Group may anticipate demand and market acceptance that differs from the product's realisable customer demand and revenue stream. Furthermore, in the face of intense industry competition, any unanticipated delay in implementing certain product strategies or in the development, production or marketing of a new product could adversely affect the Group's revenues.

The Group invests constantly in the development of new products. These investments are subject to a number of risks, including: difficulties and delays in the development, production, testing and marketing of products; customer acceptance of products; resources to be devoted to the development of new technology; and the ability to differentiate the Group's products and compete with other companies which are active in the same markets.

The Group's ability to generate future revenue and operating income depends upon, among other factors, its ability to timely develop products that are suitable for manufacturing in a cost effective manner and that meet defined product design, technical and performance specifications.

All of these factors could have a material adverse impact on the Group's business, operations and financial results.

5. The Group may be subject to misconduct by its employees and managers or third party contractors

The Group may be subject to misconduct by its employees and managers or third party contractors, such as theft, bribery, sabotage, violation of laws or other illegal actions and may be exposed to the risk of stoppages by third parties, such as transport companies. Any such misconduct may lead to fines or other penalties, slow-downs in production, increased costs, lost revenues, increased liabilities to third parties, impairment of assets or harmed reputation, any of which may have a material adverse effect on the Group's operations, business and financial results.

The Group has developed various internal initiatives to limit the risk of misconduct of its own employees and managers. These initiatives include the reinforcement of the internal audit function, the setting up of a Compliance Committee whose role is to investigate matters reported to it, as well as the organisation, on a regular basis, of various internal training sessions for employees aimed at increasing awareness on compliance. However, there can be no assurance that such initiatives will result in effectively preventing any misconduct by its employees and managers.

Furthermore, such initiatives are not aimed at third party contractors, as a result of which the Group relies on the third party contractors' capacity to prevent misconduct by their own employees and managers.

6. Evaluation of projects and investments

The Group may be subject to the risk that an innovation project fails and that the innovation investments do not achieve the target to contribute to a sustainable revenue growth or cost effectiveness, including the risk of not having the right human resources to achieve the incremental changes needed to achieve the innovation strategy.

7. Failure to obtain the needed chemical raw materials

The Group has negotiated yearly or multi-year supply agreements with important suppliers to secure more than half of its yearly supplies of isocyanates. The supply of polyols is for a minority share secured under yearly supply agreements. The Group sources its remaining chemical raw materials essentially from suppliers with whom it has a long-term relationship, but with monthly or quarterly price and volume negotiations.

Notwithstanding the existence of long-term supply agreements for certain chemical raw materials, the risk of a delivery disruption of chemical raw materials cannot be excluded. Such delivery disruptions may result from, amongst others, a major accident or incident in a supplier's processing plant, transportation problems or any other fact or circumstance that can give rise to a force majeure situation. In such case, there can be no assurance that the Group can source alternative supplies of chemical raw materials on a timely basis and at acceptable conditions or at all, which could have a material adverse impact on the Group's business, operations and financial results. Neither can it be excluded that a decrease in volumes of raw material procurement (i.e. due to market trends) could have an impact on raw material prices or that it could incite suppliers to end their supplies to the Group, the latter scenario forcing the Group to search for other suppliers, which may not be available on a timely basis or at an acceptable conditions or at all. This could have a material adverse impact on the Group's business, operations and financial results.

8. Safety, health and the environment - new regulations and its impacts

Due to the nature of its activities, the Recticel Group is exposed to environmental risks. The Group uses potentially hazardous products (chemicals and the like) as part of its development activities and manufacturing processes. Pollution can never be ruled out. The Group prevents pollution by adopting appropriate industrial policies. Scenarios precisely outlining the modus operandi for tackling this type of crisis and managing the consequences thereof have been circulated throughout the organisation.

It goes without saying that the handling of these same products constitutes a health risk for staff, customers and any other visitor, particularly in the event of failure to comply with the safety rules issued by Recticel.

Due to new regulations, the Group may face the risk that these new regulations may have a significant negative business impact.

Failure to comply with the various laws and regulations governing the Group's activities is likely to have a negative impact on these activities and invoke its liability.

These activities are particularly subject to various environmental laws and regulations that are likely to expose the Group to major compliance costs or legal proceedings.

The Group further operates in some countries in old industrial sites, already operational at a time when no or insufficient environmental legislation was in place, potentially leading to historic pollution, for which the Group may be held liable leading to important compliance or clean-up costs.

Furthermore, the Group may incur other major costs following the non-fulfilment of its contractual obligations or also in cases where the negotiated contractual provisions in place prove to be insufficient, or even inadequate.

9. The risk that the importance of certain stakeholders is underestimated when making strategic decisions

The Group is exposed to the risk that the importance of certain stakeholders is underestimated when making important strategic decisions for the Group. This could lead to resistance and put at risk the implementation of the strategy.

10. Risks relating to not fully analysing the investment decisions

The Group may face difficulties if investment decisions have not been fully analysed and as such lead to unsuccessful investments not reaching the initial objectives, as well as the risk that investment capacity is absorbed by one business unit, not leaving sufficient investment fund for more profitable investments in other business segments.

11. Risks relating to sub-optimal execution of transactions

The Group is subject to the risk of a suboptimal execution of transactions due to the lack of preparation, communication and/or project management. Although the Group has developed M&A guidelines, there is no assurance that these risks will not materialise, and if so, this might have a material adverse effect on the Group's operations, business and financial results.

12. The Group's results may be substantially affected by general macroeconomic trends and the level of activity in its industries

The Group is exposed to the risks related to an economic recession. Economic factors outside of the Group's control (including slowing economic growth, particularly in Europe where the Group realises approximately 91% of its consolidated turnover, inflation or deflation or fluctuations in interest and foreign currency exchange rates) could affect the Group's financial results and prospects.

There is a risk that certain markets in which the Group is active will experience economic decline or a prolonged period of negligible growth in the future. The current uncertainty about economic recovery and the pace of growth may negatively affect the level of demand from existing and prospective customers. Additional factors which may influence customer demand include access to credit, budgetary constraints, unemployment rates and consumer confidence.

13. Product liability

The Group produces and sells both semi-finished and finished consumer durable goods (bedding and insulation). In both cases, the Group is exposed to any complaints relating to product liability. Recticel tries to offset or limit these risks by means of product guarantees provided for in the conditions of sale and through the application of a strict quality control system. To protect itself from the adverse effects of product liability, the Group has put in place general and product-specific insurance policies.

14. The implementation of the Group's business strategy is dependent on its ability to attract and retain qualified personnel

The Group's ability to maintain its competitive position and to implement its business strategy will largely depend on its ability to attract and retain skilled personnel and management. The loss or diminution in the services of skilled employees and management, or difficulties in recruiting or retaining them, could have a material adverse effect on the Group's operations, business and financial results. Competition for personnel with relevant expertise is intense due to the relatively small number of qualified individuals, and the Group may have difficulties in obtaining or enforcing non-compete obligations from its skilled personnel and management, all of which may seriously affect the Group's ability to retain existing skilled employees and management and attract additional qualified personnel. If the Group were to experience difficulties in recruiting or retaining qualified personnel, this could have a material adverse effect on the Group's operations, business and financial results.

15. Brexit

The turnover of the Group in the UK represents approximately 10% of the total combined sales. The products the Group sells in the UK are mainly produced locally. The direct impact of Brexit concerns (i) the import of chemical raw materials necessary for local production, as these raw materials are not available in the UK, and (ii) a currency exchange rate risk. Given the broad uncertainty surrounding the Brexit issues, it is currently not possible to provide meaningful comments and conclusions about its possible impacts.

RISK MONITORING

Operational and industrial risks are usually covered by centrally managed insurance contracts. The conditions governing these contracts are reviewed on a regular basis. Recticel owns a reinsurance subsidiary, whose principal task consists of reinsuring the Group's own risk associated with the excesses that are payable by the Group under external insurance policies.

The risks and uncertainties for which provisions have been raised in accordance with IFRS rules are explained under the heading II.4.2.5.15. of the financial section of the annual report. More precisely, these are provisions for litigation, product guarantees, environmental risks and reorganisation charges.

Recticel's Internal Audit Department is involved in implementing control procedures in the broadest sense and ensures that they are complied with. It also plays a major role in the permanent monitoring of corporate risks and contributes to the basic considerations regarding these risks in the Group.

II.4.6. Declaration by responsible officers

Mr Johnny Thijs (Chairman of the Board of Directors), Mr Olivier Chapelle (Chief Executive Officer) and Mr Jean-Pierre Mellen (Chief Financial Officer), declare that:

- the annual accounts, which have been drawn up in accordance with the applicable accounting standards, give a true and fair view of the assets, the financial situation and the results of Recticel and the consolidated companies;
- the report for the 12 months ending on 31 December 2018 gives a true and fair view of the development and the results of the company and of the position of Recticel and the consolidated companies, as well as a description of the principal risks and uncertainties confronting them.

II.4.7. Auditor's report on the consolidated financial statements for the year ending 31 December 2018

Rectiel NV | 31 December 2018

Statutory auditor's report to the shareholders' meeting of Recticel NV for the year ended 31 December 2018 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Recticel NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 31 May 2016, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2018. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of Recticel NV for at least 21 consecutive periods.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 737 057 (000) EUR and the consolidated income statement shows a consolidated profit for the year then ended of 28 849 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2018 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

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 obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

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Key audit matters	How our audit addressed the key audit matters
Impairment risk on goodwill related to the Flexible Foam UK CGU	
The group has 3 044 (000) EUR goodwill allocated to the UK flexible foam cash generating unit, after recognition of an impairment of 1 000 (000) EUR in current accounting year. Considering the historical financial performance and the substantial deviation of the expected performance from the budget, we considered the valuation of the goodwill as a key audit matter. The Group reviews the carrying amount of these non-current assets annually or more frequently when impairment indicators are present, by comparing it to the recoverable amount. Estimating the recoverable amount of the assets requires critical management judgement including estimates of future sales, gross margin, discount rate rate and the assumptions inherent in those estimates. The Group disclosed the nature and the value of the assumptions used in the impairment analyses in note II.4.2.1.5 of the consolidated financial statements.	We designed our audit procedures to be responsive to this key audit matter. We obtained understanding of the impairment assessment process and evaluated the design and implementation of the relevant key controls in place. In addition, we obtained management's impairment test, evaluated the reasonableness of estimates and judgments made by management and challenged them. Special focus was given to the key drivers of projected future cash flows, being amongst others estimated gross margin and the applied discount rate. We critically assessed the budget, taking into account the historical accuracy of the budgeting process. Auditor's valuation specialist has been involved to review the reasonableness of the discount rate. Moreover, we examined sensitivity analyses performed over changes in discount rate and gross margin and assessed the adequacy of the company's disclosure note to the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Provision for EU civil claims	
The group has been the subject of antitrust investigations at European and national level. Although the group reached and paid a settlement with the European Commission in the polyurethane foam investigation, it cannot be excluded that other claims, including class actions claims, based on the same facts may arise. Due to the complexity of the juridical procedures, the unpredictability of the outcome and the significant management's judgements included in assessing the risk of (potential) claims, we determined the completeness of the provisions for these potential litigations to be a key audit matter in our audit. We refer to note II.4.2.6.10 in the consolidated financial statements.	We obtained an understanding of the process for identification of claims with regard to this matter. We focused on the reasonableness of management's assumptions in determining any provision needed to cover the risk and challenged them. Furthermore, the design and implementation of the management review control has been tested. Moreover, lawyer confirmations have been used to test the completeness of the litigations (if any) and if management's assessment is in line with the information included in those confirmations and we assessed the adequacy of the company's disclosure note to the consolidated financial statements.
Recoverability of deferred tax assets	
Per 31 December 2018, the group has deferred tax assets, mainly on tax losses carried forward, amounting to 20 468 (000) EUR. The analysis of the recognition and recoverability of the deferred tax assets is important to our audit because the amounts are material, the assessment process is judgmental and is based on assumptions that are affected by expected future market and economic conditions. Reference is made to note II.4.2.4.6 in the consolidated financial statements.	As a part of our audit, we discussed tax planning and potential issues relating to valuation of deferred tax assets with management. We tested the design and implementation of the management review control performed on the deferred tax balance. Furthermore, we performed substantive audit procedures on the analysis of the recoverability of the deferred tax assets based on the estimated future taxable income, principally by evaluating and testing the key assumptions used to determine the amounts recognized and by challenging them. In addition to the above, we assessed the adequacy of the company's disclosure note to the consolidated financial statements.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for 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 other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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, amongst 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 we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to 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 report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (revised in 2018) to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements, i.e. chapter I, chapter III and chapter IV, are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in the the directors' report on the consolidated financial statements that is part of section II.3 of the annual report. This non-financial information has been established by the company in accordance with the GRI Standards. In accordance with article 144, § 1, 6° of the Companies Code we do not express any opinion on the question whether this non-financial information has been established in accordance with these GRI Standards.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Ghent, 29 April 2019

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Kurt Dehoorne

III. GLOSSARY

GENERAL CONCEPTS

Colo-Fast®	Aliphatic polyurethane that is distinguished by its colour fastness (light-stable)
Colo-Sense®	Variation of Colo-Fast®
Isocyanate	Highly reactive substance that easily combines with other substances (such as alcohols). The structure of these alcohols determines the hardness of the PU-foam
Lambda	Expression of the thermal conductivity of thermal insulation
MDI	Methylene diphenyl diisocyanate
PIR	Abbreviation for polyisocyanurate
Polyisocyanurate	Is an improved version of polyurethane. PIR-foam has an improved dimensional stability, excellent mechanical properties such as compressive strain and is a much stronger fire retardant. PIR is mainly used as thermal insulation
Polyol	Synonym for PU polyalcohol, which is acquired from propylene oxide
Polyurethane	Represents an important group of products within the large family of polymers or plastics. Polyurethane is a generic term for a wide range of foam types
PU or PUR	Polyurethane
SID	Is short for Sustainable Innovation Department, the department for international research and development of the Recticel Group
TDI	Toluene diphenyl diisocyanate

FINANCIAL CONCEPTS

• IFRS measures	
Consolidated (figures)	financial data following the application of IFRS 11, whereby Recticel's joint ventures are integrated on the basis of the equity method.

• Alternative Performance Measures
In addition, the Group uses alternative performance measures (Alternative Performance Measures or "APM") to express its underlying performance and to help the reader to better understand the results. APM are not defined performance indicators by IFRS. The Group does not present APM as an alternative to financial measures determined in accordance with IFRS and does not give more emphasis to APM than the defined IFRS financial measures.

Adjusted EBIT (previously labelled REBIT)	EBIT before Adjustments to EBIT
Adjusted EBITDA (previously labelled REBITDA)	EBITDA before Adjustments (to EBIT)
Adjustments to EBIT (previously "Non-recurring elements")	include operating revenues, expenses and provisions that pertain to restructuring programmes (redundancy payments, closure & clean-up costs, relocation costs,...), reorganisation charges and onerous contracts, impairments on assets ((in) tangible assets and goodwill), revaluation gains or losses on investment property, gains or losses on divestments of non-operational investment property, and on the liquidation of investments in affiliated companies, gains or losses on discontinued operations, revenues or charges due to important (inter)national legal issues.
Combined (figures)	financial data including Recticel's pro rata share in the joint ventures, after elimination of intercompany transactions, in accordance with the proportional consolidation method.
Current ratio	Current assets / Current liabilities
EBIT	Earnings before interest and tax. Earnings comprise income from joint ventures and associates
EBITDA	EBIT + depreciation, amortisation and impairment on assets.
Gearing	Net financial debt / Total equity
Leverage	Net financial debt / EBITDA
Net free cash-flow	Net free cash flow: is the sum of the (i) Net cash flow after tax from operating activities, (ii) the Net cash flow from investing activities and (iii) the Interest paid on financial liabilities; as shown in the consolidated cash flow statement.
Net financial debt	Interest bearing financial debts at more than one year + interest bearing financial debts within maximum one year + accrued interests – cash and cash equivalents + Net marked-to-market value position of hedging derivative instruments. The interest-bearing borrowings do not include the drawn amounts under non-recourse factoring/forfeiting programs
Net working capital	Inventories and contracts in progress + Trade receivables + Other receivables + Income tax receivables – Trade payables – Income tax payables – Other amounts payable
Total net financial debt	Net financial debt + the drawn amounts under off-balance sheet non-recourse factoring/forfeiting programs

IV. KEY FIGURES 2009-2018

in thousand EUR

Group Recticel	31 DEC 2018 CONSOLIDATED	31 DEC 2017 CONSOLIDATED	31 DEC 2016 CONSOLIDATED	31 DEC 2015 CONSOLIDATED	31 DEC 2014 CONSOLIDATED	31 DEC 2013 CONSOLIDATED	31 DEC 2012 CONSOLIDATED	31 DEC 2012 COMBINED	31 DEC 2011 COMBINED	31 DEC 2010 COMBINED	31 DEC 2009 COMBINED
ASSETS											
Intangible assets	12 045	12 323	12 104	13 411	12 384	11 954	11 148	13 031	12 580	13 307	14 301
Goodwill	23 354	24 169	25 073	25 888	24 949	24 610	25 113	35 003	34 688	34 365	33 311
Property, plant & equipment	232 541	226 783	216 207	209 681	202 733	204 614	219 180	270 904	255 347	270 979	286 789
Investment property	3 289	3 331	3 331	3 331	3 306	3 330	4 452	4 452	3 331	896	896
Interest in associates	68 631	76 241	82 389	73 196	73 644	72 507	69 123	13 784	12 957	15 451	15 697
Other financial investments	63	64	71	30	160	161	236	240	3 399	1 151	1 999
Available for sale investments	728	603	410	1 015	771	275	111	122	121	86	85
Non-current contract assets	15 655	0	0	0	0	0	0	0	0	0	0
Non-current receivables	15 326	14 804	13 860	13 595	13 373	10 973	10 153	7 664	8 305	10 070	9 605
Deferred tax	20 468	26 241	37 820	43 272	46 834	48 929	49 530	45 520	50 290	55 739	43 365
Non-current assets	**392 099**	**384 559**	**391 265**	**383 419**	**378 154**	**377 353**	**389 046**	**390 720**	**381 018**	**402 044**	**406 048**
Inventories and contracts in progress	103 789	99 408	91 900	93 169	96 634	94 027	91 028	116 607	116 002	113 671	105 827
Trade receivables	107 680	110 935	101 506	83 407	78 109	64 516	78 359	114 540	132 910	141 783	142 104
Current contract assets	13 782	0	0	0	0	0	0	0	0	0	0
Other receivables	55 227	73 373	69 561	55 327	49 597	46 358	56 528	48 123	39 567	62 285	58 016
Income tax receivables	5 587	1 350	1 441	2 061	504	3 851	3 736	4 345	3 847	3 552	4 367
Available for sale investments	138	123	107	91	75	60	45	45	205	181	156
Cash and cash equivalents	37 733	57 844	37 174	55 967	26 163	26 237	18 533	27 008	54 575	53 938	41 388
Disposal held for sale	19 201	2 570	0	3 209	8 569	0	0	0	0	0	0
Current assets	**343 137**	**345 603**	**301 689**	**293 231**	**259 651**	**235 049**	**248 229**	**310 668**	**347 106**	**375 410**	**351 858**
Total assets	**735 236**	**730 162**	**692 954**	**676 650**	**637 805**	**612 402**	**637 275**	**701 388**	**728 124**	**777 454**	**757 906**

in thousand EUR

Group Recticel	31 DEC 2018 CONSOLIDATED	31 DEC 2017 CONSOLIDATED	31 DEC 2016 CONSOLIDATED	31 DEC 2015 CONSOLIDATED	31 DEC 2014 CONSOLIDATED	31 DEC 2013 CONSOLIDATED	31 DEC 2012 CONSOLIDATED	31 DEC 2012 COMBINED	31 DEC 2011 COMBINED	31 DEC 2010 COMBINED	31 DEC 2009 COMBINED
LIABILITIES											
Capital	138 068	136 941	135 156	134 329	74 161	72 368	72 329	72 329	72 329	72 329	72 329
Share premium	129 941	127 982	126 071	125 688	108 568	107 042	107 013	107 013	107 013	107 013	107 013
Share capital	**268 009**	**264 923**	**261 227**	**260 017**	**182 729**	**179 410**	**179 342**	**179 342**	**179 342**	**179 342**	**179 342**
Treasury shares	(1 450)	(1 450)	(1 450)	(1 450)	(1 735)	(1 735)	0	0	0	0	0
Retained earnings	20 422	18 235	7 425	2 582	1 768	27 364	75 565	95 010	85 191	75 179	67 582
Hedging and translation reserves	(22 003)	(19 922)	(15 997)	(12 189)	(16 599)	(18 279)	(13 817)	(13 728)	(15 739)	(12 853)	(21 395)
Equity before non-controlling interests	**264 978**	**261 786**	**251 205**	**248 960**	**166 163**	**186 760**	**241 090**	**260 624**	**248 794**	**241 668**	**225 529**
Non-controlling interests	0	0	0	0	0	0	0	0	0	0	429
Total equity	**264 978**	**261 786**	**251 205**	**248 960**	**166 163**	**186 760**	**241 090**	**260 624**	**248 794**	**241 668**	**225 958**
Pensions and similar obligations	48 055	54 295	50 979	49 581	54 548	44 557	44 548	28 048	35 289	34 988	37 209
Provisions	13 775	14 266	13 208	11 505	7 301	8 149	9 439	9 798	12 964	24 452	23 008
Deferred tax	9 650	9 113	10 116	9 505	8 907	8 203	7 257	8 554	9 134	8 800	8 187
Bonds and notes	*0*	*0*	*0*	*26 631*	*26 037*	*0*	*25 023*	*45 023*	*44 546*	*39 780*	*39 368*
Financial leases	*17 505*	*18 078*	*8 683*	*11 867*	*15 057*	*18 113*	*19 941*	*20 850*	*11 024*	*13 285*	*15 986*
Bank loans	*15 500*	*76 160*	*86 589*	*0*	*99 240*	*78 850*	*73 458*	*74 595*	*79 534*	*111 977*	*128 200*
Other loans	*1 701*	*1 842*	*1 777*	*1 865*	*1 801*	*1 871*	*2 038*	*2 039*	*2 111*	*2 082*	*2 201*
Interest-bearing borrowings	**34 706**	**96 080**	**97 049**	**40 363**	**142 135**	**98 834**	**120 460**	**142 507**	**137 215**	**167 124**	**185 755**
Other amounts payable	202	230	183	226	6 810	444	704	501	353	510	359
Non-current contract liabilities	24 096	0	0	0	0	0	0	0	0	0	0
Non-current liabilities	**130 484**	**173 984**	**171 535**	**111 180**	**219 701**	**160 187**	**182 408**	**189 408**	**194 955**	**235 874**	**254 518**
Pensions and similar obligations	4 720	3 978	4 168	2 370	2 205	1 809	1 404	1 529	3 126	3 846	3 893
Provisions	3 116	1 155	1 780	4 566	4 687	6 732	1 255	1 523	6 328	14 480	8 312
Interest-bearing borrowings	88 200	48 988	50 147	114 675	52 798	66 181	36 454	57 840	67 680	45 691	47 740
Trade payables	90 756	126 584	102 929	94 276	96 373	81 720	86 066	104 980	119 274	141 887	114 208
Current contract liabilities	44 964	0	0	0	0	0	0	0	0	0	0
Income tax payables	3 061	2 411	2 291	2 463	414	3 086	2 071	2 281	3 974	7 542	4 712
Other amounts payable	104 957	111 276	108 899	98 160	95 464	105 927	86 527	83 203	83 993	86 466	98 565
Current liabilities	**339 774**	**294 392**	**270 214**	**316 510**	**251 941**	**265 455**	**213 777**	**251 356**	**284 375**	**299 912**	**277 430**
Total liabilities	**735 236**	**730 162**	**692 954**	**676 650**	**637 805**	**612 402**	**637 275**	**701 388**	**728 124**	**777 454**	**757 906**

in thousand EUR

Group Recticel	2018 CONSOLIDATED	2017 CONSOLIDATED	2016 CONSOLIDATED	2015 CONSOLIDATED	2014 CONSOLIDATED	2013 CONSOLIDATED	2012 CONSOLIDATED	2012 COMBINED	2011 COMBINED	2010 COMBINED	2009 COMBINED
INCOME STATEMENT											
Sales	**1 117 652**	**1 135 353**	**1 048 323**	**1 033 762**	**983 367**	**976 763**	**1 035 050**	**1 319 488**	**1 378 122**	**1 348 430**	**1 276 662**
Distribution costs	(59 973)	(61 952)	(57 855)	(58 039)	(54 135)	(52 934)	(54 460)	(65 838)	(65 182)	(64 768)	(62 061)
Cost of sales	(856 056)	(889 866)	(789 360)	(781 282)	(757 025)	(756 916)	(809 871)	(1 042 700)	(1 101 628)	(1 066 780)	(982 511)
Gross profit	**201 623**	**183 535**	**201 108**	**194 441**	**172 207**	**166 913**	**170 719**	**210 950**	**211 312**	**216 882**	**232 090**
General and administrative expenses	(70 562)	(78 426)	(79 395)	(76 723)	(72 299)	(74 397)	(66 772)	(83 711)	(85 059)	(80 367)	(82 166)
Sales and marketing expenses	(72 593)	(69 537)	(72 031)	(77 123)	(73 257)	(64 532)	(65 796)	(74 792)	(73 836)	(74 331)	(81 040)
Research and development expenses	(11 042)	(13 724)	(12 890)	(12 537)	(13 277)	(14 177)	(12 940)	(14 899)	(14 820)	(15 794)	(13 941)
Impairment Goodwill	(1 000)	0	0	0	0	0	0	0	0	0	0
Impairments	(4 819)	(7 009)	(1 672)	(983)	(688)	(3 365)	(1 110)	(1 555)	(5 260)	(10 800)	(10 362)
Other operating revenues (expenses)	(8 830)	27 632	(12 828)	(10 714)	(12 869)	(31 766)	2 867	3 033	8 363	(10 075)	31
Income from associates	10 170	2 390	16 927	6 874	8 964	439	6 008	711	1 741	935	1 608
Income from investments	0	0	0	0	2	0	0	0	(406)	1 164	7
EBIT	**42 947**	**44 861**	**39 219**	**23 235**	**8 783**	**(20 885)**	**32 976**	**39 737**	**42 035**	**27 614**	**46 227**
Interest income and expenses	(3 272)	(6 460)	(8 095)	(9 554)	(10 031)	(9 405)	(9 320)	(11 889)	(13 270)	(11 770)	(16 919)
Other financial income and expenses	(614)	1 718	(3 633)	(2 968)	(2 799)	(1 940)	(2 271)	(2 450)	(3 414)	(5 325)	3 125
Financial result	**(3 886)**	**(4 742)**	**(11 728)**	**(12 522)**	**(12 830)**	**(11 345)**	**(11 591)**	**(14 339)**	**(16 684)**	**(17 095)**	**(13 794)**
Result of the period before taxes	**39 061**	**40 119**	**27 491**	**10 713**	**(4 047)**	**(32 230)**	**21 385**	**25 398**	**25 351**	**10 519**	**32 433**
Income taxes	(10 212)	(16 206)	(11 161)	(6 170)	(5 702)	(3 908)	(6 035)	(7 834)	(7 933)	4 108	(12 396)
Result of the period after taxes	**28 849**	**23 913**	**16 330**	**4 543**	**(9 749)**	**(36 138)**	**15 350**	**17 564**	**17 418**	**14 627**	**20 037**
Share of minority interests	0	0	0	0	0	0	0	0	0	(188)	703
Share of the Group	**28 849**	**23 913**	**16 330**	**4 543**	**(9 749)**	**(36 138)**	**15 350**	**17 564**	**17 418**	**14 439**	**20 740**

Key Figures

in million EUR

Group Recticel	2014	2015	2016	2017	2018
Combined income statement					
Sales	1 280.1	1 328.4	1 347.9	1 460.8	1 448.3
Adjusted EBITDA	65.9	81.9	97.7	105.5	103.8
EBITDA	49.3	67.8	85.4	94.1	93.4
Adjusted EBIT	30.7	44.9	58.2	66.5	63.3
EBIT	13.4	29.8	44.3	48.1	47.0
Result of the period after taxes	(9.7)	4.5	16.3	23.9	28.8
Combined profitability ratios					
Adjusted EBITDA / Sales	5.2%	6.2%	7.2%	7.2%	7.2%
EBITDA / Sales	3.9%	5.1%	6.3%	6.4%	6.4%
Adjusted EBIT / Sales	2.4%	3.4%	4.3%	4.6%	4.4%
EBIT / Sales	1.0%	2.2%	3.3%	3.3%	3.2%
Result of the period after taxes (share of the Group) / Sales	-0.8%	0.3%	1.2%	1.6%	2.0%
Annual growth rates (combined)					
Sales	1.7%	3.8%	1.5%	8.4%	-0.9%
Adjusted EBITDA	-9.4%	24.2%	19.3%	8.0%	-1.6%
EBITDA	77.9%	37.4%	26.0%	10.2%	-0.8%
Adjusted EBIT	-7.6%	46.5%	29.6%	14.2%	-4.8%
EBIT	n.r.	122.4%	48.6%	8.6%	-2.2%
Result of the period after taxes (share of the Group)	-73.0%	-146.6%	259.5%	46.4%	20.6%
					in million EUR
Consolidated balance sheet					
Non-current assets	378.2	383.4	391.3	384.6	376.8
Current assets	259.7	293.2	301.7	345.6	329.4
TOTAL ASSETS	637.8	676.7	693.0	730.2	706.1
Total Equity	166.2	249.0	251.2	261.8	265.0
Non-current liabilities	212.9	111.0	171.4	173.8	130.3
Current liabilities	251.9	316.5	270.2	294.4	294.8
TOTAL LIABILITIES	631.0	676.4	692.8	729.9	690.1
Net working capital	32.6	39.1	50.3	44.8	73.5
Market capitalisation (December 31st)	152.8	300.9	358.4	423.4	352.9
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Combined net financial debt	194.5	123.0	126.0	122.9	100.2
ENTERPRISE VALUE	347.3	423.9	484.4	546.3	453.1
Combined Investments versus Combined Depreciation					
Investments in intangible and tangible fixed assets	35.8	46.5	53.9	68.3	52.4
Depreciation (excluding amortisation on goodwill, including impairment)	36.0	38.0	39.5	39.0	40 523.0
Investments / Sales	2.8%	3.5%	4.0%	4.7%	3.6%
Financial structure ratios					
Net financial debt / Total equity (including non-controlling interests)	117%	49%	50%	47%	38%
Total equity (including non-controlling interests) / Total assets	26%	37%	36%	36%	36%
Leverage (Combined net financial debt/Combined EBITDA)	3.9	1.8	1.5	1.3	1.1
Current ratio	1.0	0.9	1.1	1.2	1.0
Valuation ratios					
Price / Earnings (Market capitalisation (Dec 31st) / Result of the period (Group share))	n.r.	66.2	21.9	17.7	12.2
Enterprise value / EBITDA	7.0	6.3	5.7	5.8	4.9
Price / Book value (=Market capitalisation/Book value (share of the Group))	0.92	1.21	1.43	1.62	1.33

in million EUR

Group Recticel	2014	2015	2016	2017	2018
Combined sales per business line					
Flexible foams	593.0	602.3	607.2	626.1	621.5
growth rate	*1.6%*	*1.6%*	*0.8%*	*3.9%*	*2.3%*
Bedding	281.6	294.5	292.9	272.1	243.8
growth rate	*-0.5%*	*4.6%*	*-0.5%*	*-7.6%*	*-16.8%*
Insulation	227.0	229.4	234.1	272.3	271.2
growth rate	*3.2%*	*1.1%*	*2.1%*	*18.7%*	*15.8%*
Automotive	264.0	280.3	288.9	350.4	363.9
growth rate	*2.2%*	*6.2%*	*3.1%*	*25.0%*	*25.9%*
Eliminations	(85.6)	(78.1)	(75.4)	(60.1)	(52.1)
Total sales	**1 280.1**	**1 328.4**	**1 347.9**	**1 460.8**	**1 448.3**
growth rate	***1.7%***	***3.8%***	***1.5%***	***10.0%***	***7.4%***

in million EUR

Combined EBITDA per business line	2014	2015	2016	2017	2018
Flexible foams	25.1	34.0	39.6	30.6	33.0
as % of sales	*4.2%*	*5.6%*	*6.5%*	*4.9%*	*5.3%*
Bedding	2.9	9.5	12.1	14.3	2.0
as % of sales	*1.0%*	*3.2%*	*4.1%*	*5.3%*	*0.8%*
Insulation	27.1	33.4	32.9	40.1	44.7
as % of sales	*11.9%*	*14.6%*	*14.0%*	*14.7%*	*16.5%*
Automotive	12.5	9.9	18.3	25.0	30.5
as % of sales	*4.7%*	*3.5%*	*6.3%*	*7.1%*	*8.4%*
Corporate	(18.2)	(19.1)	(17.4)	(16.0)	(16.8)
Total EBITDA	**49.3**	**67.8**	**85.4**	**94.1**	**93.4**
as % of sales	***3.9%***	***5.1%***	***6.3%***	***6.4%***	***6.4%***

in million EUR

Combined EBIT per business line	2014	2015	2016	2017	2018
Flexible foams	(16.4)	13.2	21.1	26.5	17.7
as % of sales	*-2.8%*	*2.2%*	*3.5%*	*4.4%*	*2.8%*
Bedding	3.8	(3.5)	3.2	5.8	9.6
as % of sales	*1.4%*	*-1.2%*	*1.1%*	*2.0%*	*3.5%*
Insulation	21.9	21.1	27.5	26.6	33.5
as % of sales	*10.0%*	*9.3%*	*12.0%*	*11.4%*	*12.3%*
Automotive	(5.3)	1.8	(1.9)	4.0	4.1
as % of sales	*-2.1%*	*0.7%*	*-0.7%*	*1.4%*	*1.2%*
Corporate	(19.4)	(19.2)	(20.0)	(18.6)	(16.8)
Total EBIT	**(15.4)**	**13.4**	**29.8**	**44.3**	**48.1**
as % of sales	***-1.2%***	***1.0%***	***2.2%***	***3.3%***	***3.3%***

in units

Key figures per share	2014	2015	2016	2017	2018
Number of shares (31 December)	29 664 256	53 731 608	54 062 520	54 776 357	55 227 012
Weighted average number of shares outstanding (before dilution)	28 953 478	44 510 623	53 504 432	54 110 396	54 659 774
Weighted average number of shares outstanding (after dilution)	28 953 478	44 704 483	59 643 102	57 941 701	55 093 295

in EUR

	2014	2015	2016	2017	2018
Combined REBITDA	2.28	1.84	1.83	1.95	1.90
Combined EBITDA	1.70	1.52	1.60	1.74	1.71
Combined Adjusted EBIT	1.06	1.01	1.09	1.23	1.16
Combined EBIT	0.46	0.67	0.83	0.89	0.86
Result of the period (share of the Group) - Basic (1)	-0.34	0.10	0.31	0.44	0.53
Result of the period (share of the Group) - Diluted	-0.34	0.10	0.30	0.43	0.52
Gross dividend	0.20	0.14	0.18	0.22	0.24
Pay-out ratio	n.r.	137%	59%	50%	45%
Net book value (Group share)	5.60	4.63	4.65	4.78	4.80
Price / Earnings ratio (2)	n.r.	66.2	21.9	17.7	12.2

(1) calculated on the basis of the weigthed average number of shares outstanding (before dilution effect)

(2) based on the share price of 31 December. Earnings = Result of the period (share of the Group) per share

in EUR

Ordinary share	2014	2015	2016	2017	2018
share price on 31 December	5.15	5.60	6.63	7.73	6.39
lowest share price of the year	4.90	3.88	4.57	6.43	6.06
highest share price of the year	7.98	5.64	6.63	8.75	10.54
average daily volume traded (units)	43 974	83 737	51 513	70 435	65 089

Colophon

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In case of textual contradictions between the English and the Dutch version the first shall prevail.

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