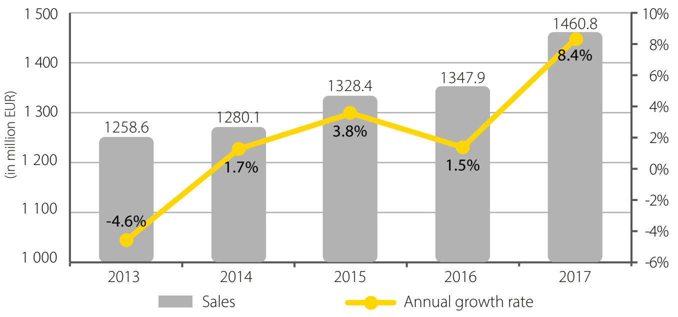
RECTICEL
The passion for comfort

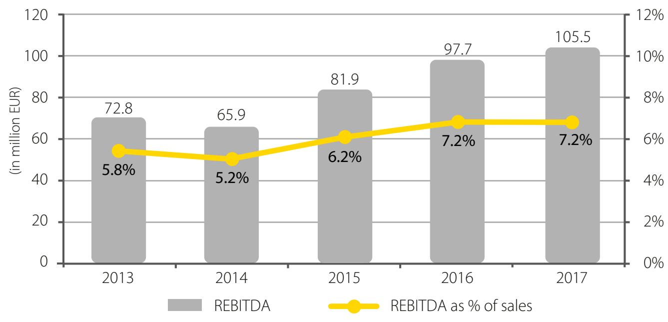
ANNUAL REPORT 2017

KEY FIGURES

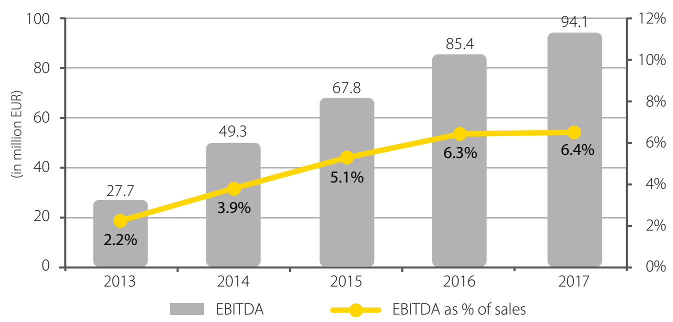
Combined sales & growth rates



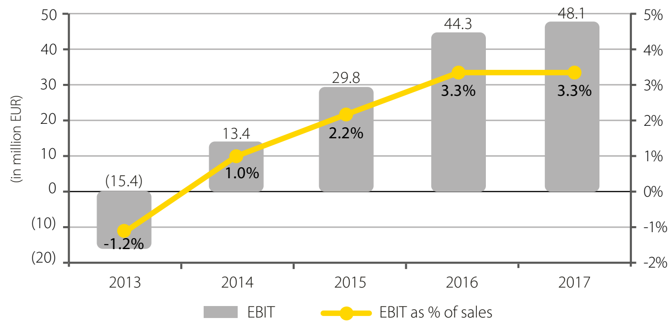
Combined REBITDA & REBITDA margin



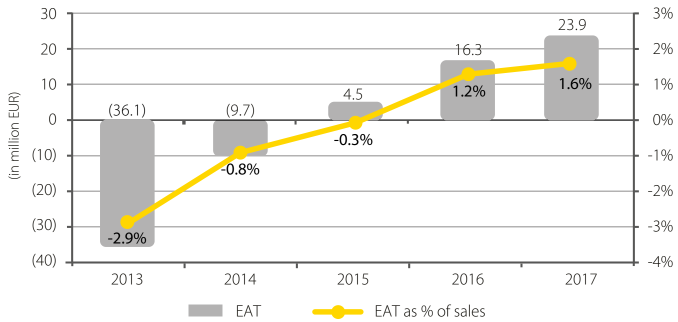
Combined EBITDA & EBITDA margin



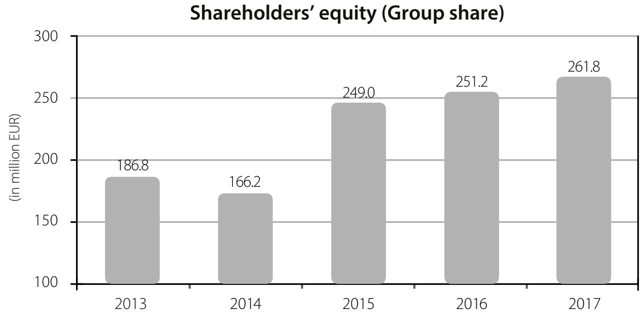
Combined EBIT & EBIT margin



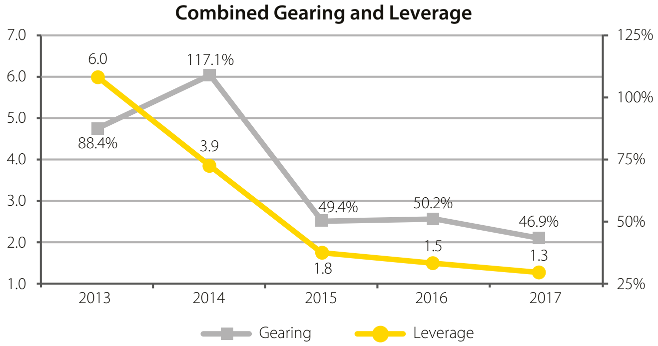
Combined earnings after taxes & EAT margin



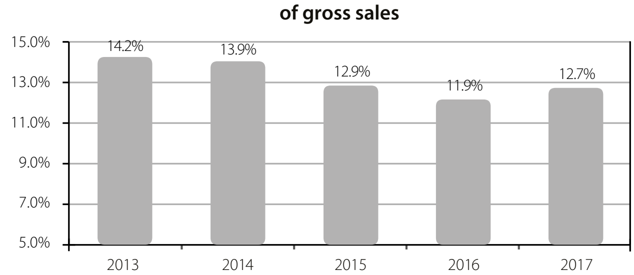
Shareholders' equity (Group share)



Combined Gearing and Leverage



Average net working capital as percentage of gross sales



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* 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.

www.recticel.com

1 THIS WAS 2017

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FINANCIAL CALENDAR FOR SHAREHOLDERS	
First quarter 2018 trading update	26 April 2018 (at 07:00 AM CET)
Annual General Meeting	29 May 2018 (at 10:00 AM CET)
Ex-coupon date	30 May 2018
Record date	31 May 2018
Dividend payment date	01 June 2018
First half-year 2018 results	29 August 2018 (at 10:00 AM CET)
Third quarter 2018 trading update	31 October 2018 (at 10:00 AM CET)


EUR
1,460.8
million
in combined
net sales
98
sites
Insulation
Automotive
Bedding
Flexible Foams
8,411
employees
presence in
28
countries

WHO WE ARE

With our 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 91% 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).

> *We focus on innovative, lightweight and sustainable polyurethane-based products to meet societal comfort needs.*

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® and Bultex®.

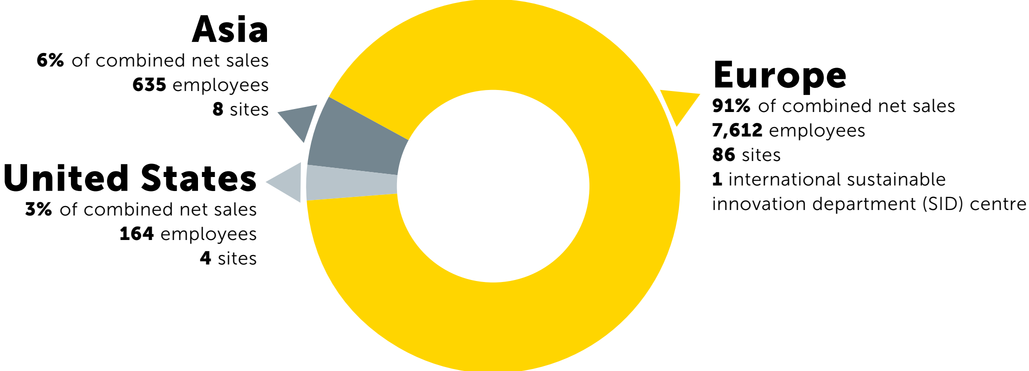
Our **FLEXIBLE FOAMS** division develops and manufactures **diverse innovative solutions** with specific product attributes, including silencing, sealing, filtering, carrying, protecting, supporting and comforting.

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 8,411 people in 98 locations across 28 countries. In 2017, we generated combined sales of EUR 1.46 billion (IFRS 11 consolidated sales: EUR 1.14 billion).

Recticel (Euronext™: REC.BE – Reuters: RECTt.BR – Bloomberg: REC.BB) is listed on the Euronext™ stock exchange in Brussels.

In 2017, we accelerated our strategic plan and in-depth transformation. This annual report presents an update of this process.

Our presence



HIGHLIGHTS
IN 2017 AND EARLY 2018

BEDDING – ORGANISATION
CEO, Mr Olivier Chapelle assumed the responsibilities of the Group General Manager of Bedding ad interim, replacing Mr Philipp Burgtorf, who left the company.

AUTOMOTIVE INTERIORS – CZECH REPUBLIC
A severe force majeure fire incident occurred in one of the production halls of our Automotive Interiors site in Most (Czech Republic).

January - 2017

INSULATION AT BATIBOUW® – BELGIUM
Recticel Insulation launched two new products at Batibouw®, Belgium's premier fair for the construction and renovation sectors. In Xentro® technology, our Insulation business line introduces thinner insulation boards with enhanced insulation performance. These Xentro® insulation boards are 13% more performant than current PUR/PIR panels, for an unmatched λ (lambda) insulation value of 0.019W/mK.

Simfofit® panels for sound isolation were also introduced at the event. Simfofit® is an acoustic material made of recycled polyurethane flakes that also offers thermal insulation properties.

February - 2017

INSULATION – UNITED KINGDOM
Recticel announced that its Insulation division plans to invest at least EUR 20 million in additional production capacity in the United Kingdom to meet market needs even better. The project is temporarily on hold due to the uncertainty surrounding Brexit.

March - 2017

2017

INSULATION – SUPPLY/PROCUREMENT

In May 2017, a *force majeure* incident at Covestro and start-up issues at Huntsman reduced the availability of MDI raw materials, leading to an unprecedented shortage of MDI. This shortage affected Recticel's Insulation business, leading to a temporary 10-15% reduction in production output until October 2017.

INSULATION – FINLAND

Recticel announced that its Insulation division plans to invest EUR 26 million in a greenfield production site in Finland to meet growing demand for high-performance thermal insulation materials in the Nordic region (Finland, Norway, Sweden, Denmark and the Baltic countries). Production start-up is expected for the fourth quarter of 2018.

May & June - 2017

CORPORATE – FINANCING

At maturity date, Recticel reimbursed all outstanding amounts under its 2007-2017 EUR 57.5 million 5% convertible bonds.

July - 2017

FLEXIBLE FOAMS – HSE ISSUE

On 05 October 2017, BASF notified Recticel and its other customers that between 25 August 2017 and 29 September 2017, polluted toluene diisocyanate ("TDI") – specifically Lupranate T80 A – was supplied by the BASF plant in Ludwigshafen (Germany). Five Recticel sites received the polluted material.

Because Recticel prioritises health and safety, production was immediately stopped at the affected sites, and all required safety measures were taken.

Mid-October 2017, Recticel confirmed that all affected sites had restarted production with conform TDI. All affected foam products still at Recticel sites were quarantined, and in close cooperation with its customers, Recticel successfully traced all affected foam deliveries.

In the meantime, BASF released a further statement saying that there is no health risk, and that they will – as a precautionary measure – collect all foam products containing non-conform BASF TDI for the bedding and upholstery industries.

October - 2017

AUTOMOTIVE – INTERIORS

In 2017, new multi-year contracts in China and the USA were awarded to our Automotive Interiors division. These contracts govern the provision of high-quality trim parts to be used in BMW, and Volvo cars, as well as in Peterbilt, Kenworth and Nevistar trucks. The new programs will be gradually rolled out over the next two years and represent estimated cumulative lifetime sales of approximately EUR 110 million. The interior trim parts, based on our patented Colo-Sense® Lite Spray technology, will be supplied by our plants in China (Shenyang) and in the USA (Tuscaloosa).

In 2017, Recticel began producing interior trim for the BMW X3 (Tuscaloosa, USA and Shenyang, China), the facelift of the 1-serie and 3-serie (Wackersdorf, Germany), Peugeot 3008/5008 (Ningbo, China), Volvo XC40 (Mlada Boleslav, Czech Republic), Volvo X60 (Mlada Boleslav, Czech Republic and Changchun, China) and Volkswagen Arteon (Mlada Boleslav, Czech Republic) respectively.

FLEXIBLE FOAMS – THE NETHERLANDS

Recticel BV announced its intention to streamline its Flexible Foams converting activities in The Netherlands, resulting in the potential closure of its foam converting factory in Buren before the end of June 2018. The activities of this site are under consideration for integration into the conversion capacities at the converting unit in Kesteren (The Netherlands).

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® 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).

December - 2017

January - 2018

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.

CORPORATE – SUSTAINABILITY REPORT

A new milestone in our history was reached when we published our second sustainability report, drawn up in accordance with the G4 Global Initiative Report (GRI) Guidelines – Core level. 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 R&D 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.

February - 2018

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 aimes 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 R & D investment project of over EUR 10 million that fits Recticel's Group strategy to put sustainable innovation at the center. With this initiative, Recticel takes a new step towards a circular economy.

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.

March - 2018

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

Brussels, April 26th, 2018

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

2017 has been another successful year for Recticel, despite significant headwinds and unforeseen impactful incidents. In that context, the Recticel organisation has displayed resolve and reactivity to improve its profitability, and generate a historically high net result.

In a supportive macro-economic environment, Recticel has indeed grown its sales by 8.4%, has increased its REBITDA by 8.0% and, generated record EUR 23.9 million earnings after taxes. But in 2017, our Group has faced adverse currency effects, unprecedented raw material price increases, an MDI supply shortage affecting our Insulation division, a serious fire incident in our Automotive factory in Most (Czech Republic), and a significant pollution issue due to TDI supplied by BASF. The potential consequences of these situations have indeed all been mitigated during the year.

That has not prevented Recticel to pursue the development of growth initiatives based upon geographic expansion projects and substantial innovations which are expected to contribute to sales growth as from 2019.

Last, Recticel has prepared the divestment case of its Automotive activity and has appointed an external advisor in order to proceed with the divestment in 2018.

The sales turnover has steadily increased by 8.4% during the full year 2017, supported by a favourable economic environment, by successful new products introductions and despite negative currency exchange effects of -0.9%. The EU 28 Automotive market has continued to grow, European construction markets have performed well, Bedding and overall Furniture markets have been slightly positive, supported by positive consumer sentiment, while industrial production output has remained strong. The only exception to that positive environment is the United Kingdom, in which we have perceived market slowdown in each segment where

MR. JOHNNY THIJS
Chairman of the Board of Directors

MR. OLIVIER CHAPELLE
Chief Executive Officer

we are present. In addition, China, India, Turkey and the USA, the non-European countries where Recticel is present, have continued to perform well. As a consequence, all divisions but Bedding have grown, with Automotive growing by +21.3%, Insulation growing by +16.3%, Flexible Foams growing by +3.1%, while Bedding contracted by -7.1% mainly due to the German market where the penetration of new online players has impacted the traditional distribution channels.

Profitability has improved in an eventful year 2017, characterised by serious and unexpected incidents. A progressively building supply-demand imbalance in the isocyanates markets has led to unprecedented MDI and TDI price increases, representing about EUR 100 million cost increase for Recticel. The strong business teams focus on passing these cost increases through to our customers has allowed to mitigate this profitability risk. But the subsequent supply shortage in MDI during the second and third quarters of 2017 has reduced our insulation boards production output, and has prevented us from supplying the quantities requested by our customers, leading them in most cases to put their construction sites to a stop. We concurred to their frustrations, and did our best efforts to minimise impacts on their business. The fire incident in our Most (Czech Republic) Automotive plant, obviously affected our customers' businesses. Thanks to the joint efforts and teamwork between our OEM & Tier 1 customers, our operation teams, our business teams and our insurers, we hope to have minimized delivery issues considerably. We seize the opportunity to thank all of them for their very constructive reactivity and support.

In 2017, we have focused our investments on growth projects: the set-up and equipment of our new Technical Foams converting facilities in China and Morocco, both expected to start up in the second quarter of 2018, the construction of our new Insulation facility in Finland, expected to start up in the fourth quarter of 2018, and the continued investment in Automotive, leading to the successful start-ups of the many projects booked in previous years.

Our Sustainable Innovation teams, in close cooperation with our business teams, have concentrated on 5 key innovation programs, all aimed at enhanced value proposition to our customers, while generating a positive societal contribution (see the 2nd edition of our Sustainability Report published in March 2018). As a result, we have introduced in February 2017 the Xentro® insulation technology allowing our insulation boards to reach a new benchmark performance level of lambda 19, a 13% improvement over the current technology. In January 2018, we have introduced our new Geltex® 2.0 foam, exclusively available with the Recticel Bedding brands, which improves on all characteristics of Geltex® while providing benchmark durability with renewable content. And last, our ColoSense® X-Lite skin technology, the successor to our currently commercialised ColoSense® Lite techonology, has passed the development gate #5 (out of 6), is currently tested at our Automotive OEM customers, and is providing an enhanced performance-to-weight ratio.

This last innovation, combined with the profitable growth demonstrated by our Automotive activity in 2017, and with the exceptional customer portfolio of the division (completed in 2018 by the notable addition of Audi with its new A6), gives us the confidence to successfully divest the activity in the course of this year. To that extent, we have appointed Ernst & Young as advisor.

The economic context of the first quarter of 2018 is a continuation of 2017: supportive economic environment, adverse currency evolution, still rising raw material prices, very unfavourable weather conditions, especially in February and March and uncertain geopolitical developments in the world. Despite these uncertainties and thanks to the confidence gained in 2017, Recticel expects to grow its sales, to leverage market opportunities and to increase its results thanks to a strengthening competitive position.

We want to thank our employees for their exceptional contributions in 2017, our customers for their business and trust, and our shareholders for their continued loyalty, support and precious insights.

Mr. Johnny Thijs Chairman of the Board of Directors	Mr. Olivier Chapelle Chief Executive Officer

REPORT BY OUR BOARD OF DIRECTORS

Annual results 2017

Recticel delivers further sales and profit growth

- Combined[a] sales grew by +8.4% to EUR 1,460.8 million
- Combined REBITDA increased by +8.0% to EUR 105.5 million
- Result of the period (share of the Group): from EUR 16.3 million to EUR 23.9 million (+46.4%)
- Combined net financial debt: EUR 122.9 million (31 Dec 2016: EUR 126.0 million)
- Proposal to pay a gross dividend of EUR 0.22 per share

The combined sales growth accelerated in 2017 to +8.4 %, leading to an 8.0% increase in combined REBITDA, achieved despite severe headwinds: the unprecedented increases in raw material prices and subsequent shortage in isocyanates, the negative currency impacts, and the unforeseeable situations created by the fire incident in our Automotive Interiors plant in Most in the Czech Republic in 1Q2017 and by the BASF TDI quality issue in 4Q2017.

The Result of the Period reached a historical high at EUR 23.9 million, while the combined net financial debt reached a low of EUR 122.9 million.

Olivier Chapelle (CEO): "We are satisfied with our sales and profit growth in 2017, achieved under a combination of very challenging market conditions and exceptional events. This growth in sales and results reflects the Group's resilience and further strengthens our confidence in our capacity to achieve our long term targets and to deliver consistent value creation.

Going forward we remain focused on growth, raising overall performance by the continued strengthening of our product portfolio, improving productivity and optimizing the operating model of the Group, as well as expanding our Insulation business line."

OUTLOOK

For the full-year 2018, the Group expects continued growth of its combined sales and REBITDA thanks to a combination of volume growth, improved mix and efficiency gains.

All comparisons are made with the comparable period of 2016, unless mentioned otherwise.
[a] For the definition of other used terminology, see glossary at the end of this annual report.

1. Key figures

1.1. CONSOLIDATED DATA

- **Sales:** from EUR 1,048.3 million to EUR 1,135.4 million (+8.3%) including a currency impact of -1.4%
- **EBITDA:** from EUR 72.7 million to EUR 82.8 million (+13.9%)
- **EBIT:** from EUR 39.2 million to EUR 44.9 million (+14.4%)
- **Result of the period (share of the Group):** from EUR 16.3 million to EUR 23.9 million (+46.4%)
- **Net financial debt[1]:** EUR 87.1 million (31 December 2016: EUR 108.4 million; 30 September 2017: EUR 114.4 million)

in million EUR

	2016 (a)	2017 (b)	Δ 2017/2016 (b)/(a)-1
Sales	**1 048.3**	**1 135.4**	**8.3%**
Gross profit [2]	201.1	183.5	-8.7%
as % of sales	*19.2%*	*16.2%*	
EBITDA	**72.7**	**82.8**	**13.9%**
as % of sales	*6.9%*	*7.3%*	
EBIT	**39.2**	**44.9**	**14.4%**
as % of sales	*3.7%*	*4.0%*	
Result of the period (share of the Group)	**16.3**	**23.9**	**46.4%**
Result of the period (share of the Group) - base (per share, in EUR)	0.31	0.44	44.8%
Gross dividend per share (in EUR)	**0.18**	**0.22**	**22.2%**
Total Equity	**251.2**	**261.8**	**4.2%**
Net financial debt [1]	108.4	87.1	-19.6%
Gearing ratio (Net financial debt[1]/Total Equity)	**43.1%**	**33.3%**	
Leverage ratio (Net financial debt[1]/EBITDA)	**1.49**	**1.05**	

[1] Excluding the drawn amounts under non-recourse factoring programs: EUR 54.7 million per 31 December 2017 (EUR 51.7 million per 31 December 2016, and EUR 66.9 million per 30 September 2017).

[2] The gross profit 2017 includes EUR -30.0 million non-recurring costs from additional expenses incurred due to alternative production solutions and operational inefficiencies following the fire incident in in the Most-plant (Automotive Interiors - Czech Republic).

1.2. COMBINED DATA

- **Sales:** from EUR 1,347.9 million to EUR 1,460.8 million (+ 8.4%), including currency impact of -0.9%
- **REBITDA:** from EUR 97.7 million to EUR 105.5 million (+8.0%)
- **REBIT:** from EUR 58.2 million to EUR 66.5 million (+14.2%)
- **Result of the period (share of the Group):** from EUR 16.3 million to EUR 23.9 million (+46.4%)
- **Net financial debt[1]:** EUR 122.9 million (31 December 2016: EUR 126.0 million; 30 September 2017: EUR 151.6 million)

in million EUR

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Sales	**686.0**	**661.9**	**1 347.9**	**726.8**	**734.0**	**1 460.8**	**5.9%**	**10.9%**	**8.4%**
Gross profit[2]	133.4	112.1	245.5	100.2	107.2	207.4	-24.9%	-4.4%	-15.5%
as % of sales	*19.4%*	*16.9%*	18.2%	13.8%	14.6%	14.2%			
REBITDA	**54.8**	**42.9**	**97.7**	**50.1**	**55.4**	**105.5**	**-8.6%**	**29.2%**	**8.0%**
as % of sales	*8.0%*	*6.5%*	*7.2%*	*6.9%*	*7.5%*	*7.2%*			
EBITDA	**47.9**	**37.6**	**85.4**	**41.0**	**53.1**	**94.1**	**-14.3%**	**41.3%**	**10.2%**
as % of sales	*7.0%*	*5.7%*	*6.3%*	*5.6%*	*7.2%*	*6.4%*			
REBIT	**35.6**	**22.6**	**58.2**	**31.3**	**35.1**	**66.5**	**-11.9%**	**55.2%**	**14.2%**
as % of sales	*5.2%*	*3.4%*	*4.3%*	*4.3%*	*4.8%*	*4.6%*			
EBIT	**27.6**	**16.6**	**44.3**	**22.2**	**25.9**	**48.1**	**-19.6%**	**55.3%**	**8.6%**
as % of sales	*4.0%*	*2.5%*	*3.3%*	*3.1%*	*3.5%*	*3.3%*			

	30 JUN 16	31 DEC 16		30 JUN 17	31 DEC 17				
Total Equity	**245.6**	**251.2**	**251.2**	**257.1**	**261.8**	**261.8**	**4.7%**	**4.2%**	**4.2%**
Net financial debt [1]	132.9	126.0	126.0	151.4	122.9	122.9	13.9%	-2.4%	-2.4%
Gearing ratio	**54.1%**	**50.1%**	**50.1%**	**58.9%**	**46.9%**	**46.9%**			
Leverage ratio			**1.5**			**1.3**			

[1] Excluding the drawn amounts under non-recourse factoring programs: EUR 54.7 million per 31 December 2017 (EUR 52.2 million per 31 December 2016, and EUR 66.9 million per 30 September 2017).

[2] The gross profit 2017 includes EUR -30.0 million non-recurring costs from additional expenses incurred due to alternative production solutions and operational inefficiencies following the fire incident in in the Most-plant (Automotive Interiors - Czech Republic).

2. Comments on the Group results

Detailed comments on the sales and results of the different segments are given in chapter 6 on the basis of the combined financial data (joint ventures integrated following the proportionate consolidation method).

COMBINED SALES:
from EUR 1,347.9 million to **EUR 1,460.8 million** (+8.4%),
including an adverse currency impact of -0.9% due to the depreciation of most currencies versus the Euro.

There were no changes in the scope of consolidation in 2017.

All segments except Bedding reported higher sales. The overall progress is the result of (i) a strong volume growth in Automotive, positively influenced by the start-up of scheduled new programs in Automotive Interiors, and (ii) increased average sales prices following the steep increase of raw material costs (i.e. isocyanates MDI and TDI).

Breakdown of the **combined sales** by segment

in million EUR

	1Q2017	2Q2017	3Q2017	4Q2017
Flexible Foams	160.6	157.0	148.6	159.9
Bedding	75.0	63.3	64.9	68.9
Insulation	61.3	67.9	72.4	70.8
Automotive	84.6	88.8	84.1	92.8
Eliminations	(16.3)	(15.4)	(14.0)	(14.4)
TOTAL COMBINED SALES	**365.3**	**361.5**	**356.0**	**378.0**
Adjustment for joint ventures by application of IFRS 11	(83.4)	(77.4)	(77.1)	(87.5)
TOTAL CONSOLIDATED SALES	**281.9**	**284.1**	**278.9**	**290.5**

in million EUR

2H2016	2H2017	Δ 2H		FY2016	FY2017	Δ FY
297.0	308.6	3.9%	Flexible Foams	607.2	626.1	3.1%
144.9	133.8	-7.7%	Bedding	292.9	272.1	-7.1%
116.0	143.1	23.4%	Insulation	234.1	272.3	16.3%
142.0	176.9	24.6%	Automotive	288.9	350.4	21.3%
(38.0)	(28.4)	-25.4%	Eliminations	(75.4)	(60.1)	-20.2%
661.9	**734.0**	**10.9%**	**TOTAL COMBINED SALES**	**1 347.9**	**1 460.8**	**8.4%**

3Q2016	3Q2017	Δ 3Q		4Q2016	4Q2017	Δ 4Q
141.3	148.6	5.2%	Flexible Foams	155.7	159.9	2.7%
70.1	64.9	-7.5%	Bedding	74.7	68.9	-7.8%
59.0	72.4	22.5%	Insulation	57.0	70.8	24.2%
64.2	84.1	30.9%	Automotive	77.8	92.8	19.3%
(16.7)	(14.0)	-16.0%	Eliminations	(21.4)	(14.4)	-32.7%
318.1	**356.0**	**11.9%**	**TOTAL COMBINED SALES**	**343.8**	**378.0**	**10.0%**

The sales growth observed in the first three quarters (1Q2017: +5.7%, 2Q2017: +6.2% and 3Q2017: +11.9%) was confirmed by a +10.0% growth in 4Q2017 with combined sales increasing from EUR 343.8 million in 4Q2016 to EUR 378.0 million in 4Q2017 including a negative currency impact of EUR -1.5 million (-0.8%).

The Insulation segment grew by +24.2% during 4Q2017, thanks to higher selling prices compensating for the higher chemical raw materials costs.

The Automotive segment grew by +19.3% during 4Q2017, thanks to the strength of the automotive market combined with the start-up of many new programs.

Sales in the Flexible Foams segment grew by +2.7% in 4Q2017, the increase being driven by the Technical Foams segment, while the Comfort segment suffered temporarily from the TDI quality issues at BASF (see press release of 19 October 2017).

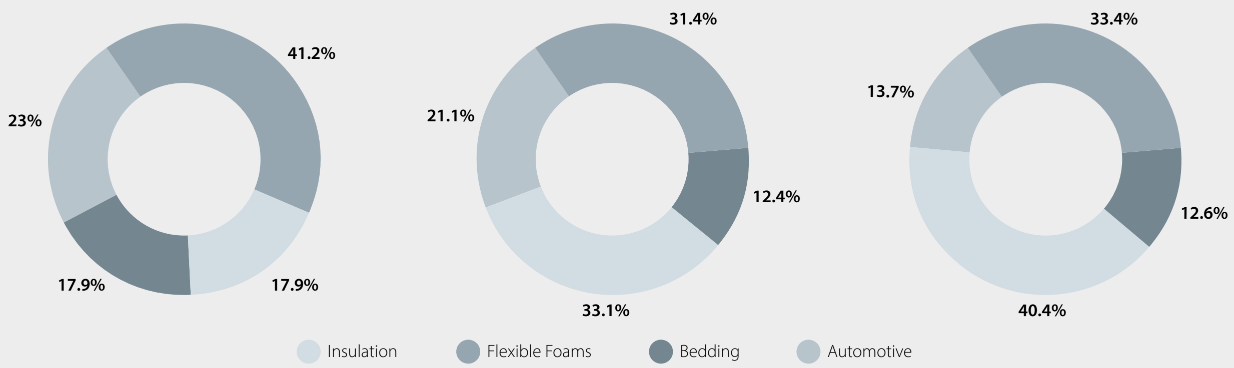
The Bedding segment further contracted in 4Q2017 as a result of the lower demand, influenced by the TDI quality issues at BASF.

COMBINED REBITDA:
from EUR 97.7 million to **EUR 105.5 million** (+8.0%)

REBITDA margin stabilized at 7.2%.

Despite the impacts of raw material price increases and adverse currency evolutions, recurrent profitability increased thanks to a combination of volume growth, selling price increases, efficiency improvements and Group operating efficiency improvements.

Combined sales 2017 (before intra-Group sales) | **Combined REBITDA 2017** (before Corporate) | **Combined REBIT 2017** (before Corporate)



Breakdown of the **combined REBITDA** by segment

in million EUR

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Flexible Foams	28.2	18.1	46.3	23.3	17.3	40.6	-17.2%	-4.9%	-12.4%
Bedding	7.9	7.8	15.7	7.7	7.4	15.1	-2.0%	-5.4%	-3.7%
Insulation	17.8	15.3	33.1	14.2	26.1	40.3	-20.2%	71.2%	21.9%
Automotive	10.5	9.4	19.9	13.5	12.1	25.6	27.9%	29.1%	28.5%
Corporate	(9.6)	(7.8)	(17.3)	(8.6)	(7.5)	(16.1)	-9.9%	-3.1%	-6.8%
TOTAL COMBINED REBITDA	**54.8**	**42.9**	**97.7**	**50.1**	**55.4**	**105.5**	**-8.6%**	**29.2%**	**8.0%**

- Flexible Foams continued to improve its operational efficiency and mix, but has been impacted by its Eurofoam joint venture which has not succeeded in fully passing through the raw material price increases to the market.
- In Bedding, the impact of lower sales – partially explained by the quality issues at BASF – could not be fully compensated by the focus on the higher margin business and the significant cost reduction measures. The supply chain issues which impacted 2H2016 and 1Q2017 results were fully resolved during 1H2017.
- Despite slightly lower volumes due to shortages in the MDI supply in 2Q2017 and 3Q2017, profitability in Insulation further improved as the higher raw material costs were passed on to the market.
- Automotive benefited from a supportive market environment with overall higher volumes; the latter induced by solid market demand and additional volumes related to the new Interiors programs.

COMBINED REBIT:
from EUR 58.2 million to **EUR 66.5 million** (+14.2%)

REBIT margin increased from 4.3% to 4.6%.

Breakdown of the **combined REBIT** by segment

in million EUR

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Flexible Foams	22.0	11.8	33.8	17.1	10.7	27.9	-22.0%	-9.1%	-17.5%
Bedding	5.1	5.3	10.4	5.4	5.1	10.5	5.3%	-3.9%	0.6%
Insulation	14.7	12.0	26.8	11.0	22.7	33.7	-25.6%	88.7%	25.8%
Automotive	3.9	1.8	5.7	7.0	4.5	11.4	80.5%	147.5%	101.8%
Corporate	(10.1)	(8.3)	(18.4)	(9.1)	(7.9)	(17.0)	-10.0%	-5.2%	-7.9%
TOTAL COMBINED REBIT	**35.6**	**22.6**	**58.2**	**31.3**	**35.1**	**66.5**	**-11.9%**	**55.2%**	**14.2%**

Non-recurring elements: (on combined basis, including pro rata share in joint ventures)

EBIT includes non-recurring elements for a total net amount of EUR -18.4 million (compared to EUR -13.9 million in 2016).

in million EUR

	2016	1H2017	2H2017	2017
Net impact of fire incident in Most	0.0	(4.9)	3.9	(1.1)
Restructuring charges and provisions	(7.8)	0.4	(4.1)	(3.7)
Other	(4.4)	(4.5)	(2.1)	(6.6)
TOTAL IMPACT ON EBITDA	**(12.2)**	**(9.1)**	**(2.3)**	**(11.4)**
Impairments linked to fire incident in Most	0.0	0.0	(6.7)	(6.7)
Impairments - other	(1.7)	0.0	(0.3)	(0.3)
TOTAL IMPACT ON EBIT	**(13.9)**	**(9.1)**	**(9.3)**	**(18.4)**

The major non-recurring event in 2017 was the fire incident in the Automotive Interiors plant in Most (Czech Republic) on 22 January 2017. At EBIT level, its net financial impact on 31 December 2017 amounts to EUR -7.8 million including: additional expenses, inefficiencies and losses on assets induced by the fire, impairments, reinsurance costs and insurance payments.

In addition, restructuring measures (EUR -3.7 million) were decided and/or implemented in execution of the Group's rationalisation plan, including (i) further reorganisations in Flexible Foams and (ii) some additional costs relating to sites closed in 2016.

The 'other' non-recurring elements (EUR – 6.6 million) relate mainly to legacy environmental and legal files and provisions for litigation.

Impairment charges amounted to EUR -7.0 million (2016: EUR -1.7 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 and intangible assets in Flexible Foams and Bedding (EUR -0.3 million).

COMBINED EBITDA:
from EUR 85.4 million to **EUR 94.1 million** (+10.2%)

EBITDA margin increased from 6.3% to 6.4%.

Breakdown of **combined EBITDA** by segment

in million EUR

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Flexible Foams	23.6	15.9	39.6	18.7	11.9	30.6	-21.0%	-25.2%	-22.7%
Bedding	6.6	5.5	12.1	7.6	6.8	14.3	15.0%	21.8%	18.1%
Insulation	17.8	15.1	32.9	14.2	25.9	40.1	-20.0%	71.4%	22.0%
Automotive	9.5	8.8	18.3	9.1	15.9	25.0	-4.4%	81.1%	36.6%
Corporate	(9.7)	(7.8)	(17.4)	(8.6)	(7.3)	(16.0)	-10.9%	-5.5%	-8.5%
TOTAL COMBINED EBITDA	**47.9**	**37.6**	**85.4**	**41.0**	**53.1**	**94.1**	**-14.3%**	**41.3%**	**10.2%**
Adjustment for joint ventures by application of IFRS 11[1]	(6.9)	(5.9)	(12.7)	(5.6)	(5.8)	(11.3)	-19.1%	-1.7%	-11.1%
TOTAL CONSOLIDATED EBITDA	**41.0**	**31.7**	**72.7**	**35.4**	**47.3**	**82.8**	**-13.5%**	**49.3%**	**13.9%**

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

COMBINED EBIT:
from EUR 44.3 million to **EUR 48.1 million** (+8.6%)

EBIT margin stabilized at 3.3%.

Breakdown of **combined EBIT** by segment

in million EUR

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Flexible Foams	17.2	9.3	26.5	12.5	5.2	17.7	-27.3%	-43.8%	-33.1%
Bedding	3.1	2.6	5.8	5.3	4.3	9.6	67.3%	65.3%	66.4%
Insulation	14.7	11.9	26.6	11.0	22.5	33.5	-25.3%	89.2%	26.0%
Automotive	2.9	1.2	4.0	2.6	1.5	4.1	-8.6%	28.8%	2.2%
Corporate	(10.2)	(8.3)	(18.6)	(9.1)	(7.7)	(16.8)	-11.0%	-7.4%	-9.4%
TOTAL COMBINED EBIT	**27.6**	**16.6**	**44.3**	**22.2**	**25.9**	**48.1**	**-19.6%**	**55.3%**	**8.6%**
Adjustment for joint ventures by application of IFRS 11[1]	(3.0)	(2.0)	(5.1)	(1.6)	(1.6)	(3.2)	-45.6%	-22.9%	-36.4%
TOTAL CONSOLIDATED EBIT	**24.6**	**14.6**	**39.2**	**20.6**	**24.3**	**44.9**	**-16.4%**	**66.3%**	**14.4%**

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

CONSOLIDATED FINANCIAL RESULT:
from EUR -11.7 million to **EUR -4.7 million**

Net interest charges decreased from EUR -8.1 million to EUR -6.5 million as a result of a lower cost of debt.

'Other net financial income and expenses' (EUR +1.7 million compared to EUR -3.6 million in 2016) comprise mainly interest capitalisation costs under provisions for pension liabilities (EUR –1.0 million versus EUR -1.1 million in 2016) and exchange rate differences (EUR +3.2 million versus EUR -2.6 million in 2016).

CONSOLIDATED INCOME TAXES AND DEFERRED TAXES:
from EUR -11.2 million to **EUR -16.2 million**

- Current income tax charge: EUR -6.0 million (2016: EUR -3.5 million);
- Deferred tax charge: EUR -10.2 million (2016: EUR -7.6 million).

The corporate tax reform in Belgium lead to a EUR -4.5 million additional deferred tax charge.

CONSOLIDATED RESULT OF THE PERIOD (SHARE OF THE GROUP):
from EUR +16.3 million to **EUR +23.9 million** (+46.4%)

3. Financial position

On 31 December 2017, the **combined net financial debt** amounted to EUR 122.9 million (31 December 2016: EUR 126.0 million; 30 September 2017: EUR 151.6 million) excluding the amount of EUR 54.7 million drawn under the factoring programs (31 December 2016: EUR 52.2 million; 30 September 2017: EUR 66.9 million).

Total combined net debt, including amounts drawn under off-balance non-recourse factoring programs, amounted to EUR 177.6 million (31 December 2016: EUR 178.2 million; 30 September 2017 EUR 218.5 million).

On 31 December 2017, the **consolidated net financial debt** amounted to EUR 87.1 million (31 December 2016: EUR 108.4 million; 30 September 2017: EUR 114.4 million) excluding the amount of EUR 54.7 million drawn under the factoring programs (31 December 2016: EUR 51.7 million; 30 September 2017: EUR 66.9 million).

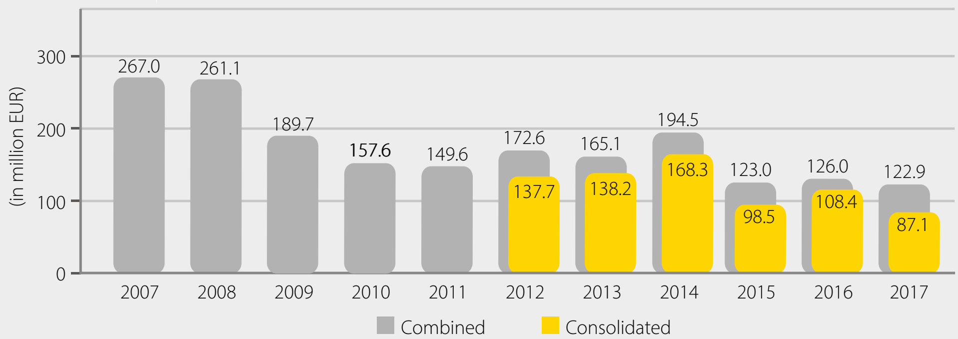
Total consolidated net debt, including amounts drawn under off-balance non-recourse factoring programs, amounted to EUR 141.8 million (31 December 2016: 160.1 million; 30 September 2017: 181.3 million).

On 31 December 2017 **total equity** amounted to EUR 261.8 million compared to EUR 251.2 million on 31 December 2016.

On a **combined** basis, '**net debt to equity'** improved to 46.9% (2016: 50.1%).

On a **consolidated** basis, '**net debt to equity**' improved to 33.3% (2016: 43.1%).

Net financial debt[1] (per 31 December)



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

On 24 July 2017 the Group fully reimbursed the outstanding amounts (EUR 27.7 million) under the 5% convertible bonds 2007-2017.

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.

The Group confirms that all conditions under the financial arrangements with its banks are respected on 31 December 2017.

4. Proposed dividend

The Board of Directors will propose to the Annual General Meeting of 29 May 2018 the payment of a gross dividend of EUR 0.22 per share on 54.8 million shares or a total dividend payout of EUR 12.1 million (2016: respectively EUR 0.18/share and EUR 9.7 million in total).

5. Miscellaneous

5.1. Automotive Interiors – Czech Republic

On 22 January 2017, a serious fire incident occurred in one of the production halls of the Automotive Interiors site in Most (Czech Republic). As a result of this, RAI Most s.r.o., a 100% subsidiary of Recticel, had to declare force majeure to its customers.

Recticel and its customers, supported by the affected OEMs PSA Peugeot Citroën, Renault, Daimler, BMW and Volkswagen, have actively cooperated since then to fully restore contractual deliveries, which happened as of September 2017.

RAI Most s.r.o. is insured according to industry standards. At the end of 2017, the net non-recurring financial impact was assessed at EUR -7.8 million, being the result of: additional expenses, inefficiencies and losses on assets induced by the fire, impairments, reinsurance costs and insurance payments. Additional non-recurring costs as well as insurance indemnity payments are still expected in 2018.

The plant in Most produces - on the basis of the patented Colo-Fast® and Colo-Sense® Lite spray technologies - elastomer interior trim parts for cars, such as skins for dashboard and door panels, which are sold to various Tier-1 automotive suppliers. In 2017, RAI Most s.r.o. realised sales of CZK 865 million (EUR 32.8 million) and employed 519 people.

5.2. BASF quality supply issues

On 10 October 2017, Recticel announced that on 5 October 2017 it received a notification from BASF stating that between 25 August 2017 and 29 September 2017, polluted toluene diisocyanate ("TDI") – more particularly Lupranate T80 A - has been supplied by the BASF plant in Ludwigshafen (Germany) to five Recticel sites, producing flexible polyurethane foams for the industry. BASF is one of the major suppliers of TDI and other BASF customers have been confronted with the same issue and received similar notifications.

On 19 October 2017, Recticel confirmed that all affected sites have restarted production with conform TDI. All affected foam products still in the Recticel sites were quarantined, and in close cooperation with its customers, Recticel completed the traceability exercise to identify all affected foam deliveries. BASF provided clarity with regard to the safety concern and risk associated with the non-conform BASF TDI, stating that there was no health risk, and offered - as a precautionary measure - to collect all foam products produced with non-conform BASF TDI for the bedding and upholstery industries.

Recticel continues to cooperate with BASF to resolve the remaining issues with customers and to deal with the collection of the affected foam products and does not expect this issue to have a material financial impact.

6. 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.

6.1. FLEXIBLE FOAMS

in million EUR

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Sales	**310.3**	**297.0**	**607.2**	**317.5**	**308.6**	**626.1**	2.3%	3.9%	**3.1%**
REBITDA	**28.2**	**18.1**	**46.3**	**23.3**	**17.3**	**40.6**	-17.2%	-4.9%	**-12.4%**
as % of sales	*9.1%*	*6.1%*	*7.6%*	*7.3%*	*5.6%*	*6.5%*			
EBITDA	**23.6**	**15.9**	**39.6**	**18.7**	**11.9**	**30.6**	-21.0%	-25.2%	**-22.7%**
as % of sales	*7.6%*	*5.4%*	*6.5%*	*5.9%*	*3.9%*	*4.9%*			
REBIT	**22.0**	**11.8**	**33.8**	**17.1**	**10.7**	**27.9**	-22.0%	-9.1%	**-17.5%**
as % of sales	*7.1%*	*4.0%*	*5.6%*	*5.4%*	*3.5%*	*4.5%*			
EBIT	**17.2**	**9.3**	**26.5**	**12.5**	**5.2**	**17.7**	-27.3%	-43.8%	**-33.1%**
as % of sales	*5.5%*	*3.1%*	*4.4%*	*3.9%*	*1.7%*	*2.8%*			

SALES

Combined sales increased from EUR 155.7 million in 4Q2016 to **EUR 160.0 million in 4Q2017** (+2.8%), including exchange rate differences (-0.8%). Excluding intersegment sales, combined external sales increased by +6.2% to EUR 147.9 million. Strong growth in Technical Foams (+10.1%) was partially offset by a limited decrease in Comfort (-1.7%).

For the **full-year 2017**, combined sales increased from EUR 607.2 million in 2016 to **EUR 626.1 million** (+3.1%), including exchange rate differences (-1.0%). Excluding intersegment sales, combined external sales increased by +4.4% to EUR 575.8 million.

The positive evolution was primarily driven by the Technical Foams division (+7.5%); whereas the Comfort division (+0.2%) temporarily suffered from the TDI quality issues at BASF, which also indirectly impacted the bedding sector.

PROFITABILITY

REBITDA margin decreased from 7.6% to 6.5%.

Profitability margins decreased as a consequence of the Eurofoam joint venture not succeeding in fully passing through the substantial raw material price increases to the market.

Full-year EBITDA decreased by EUR 9.0 million, from EUR 39.6 million to EUR 30.6 million. EBITDA includes EUR -10.0 million non-recurring elements (2016: EUR –6.8 million), which mainly relate to (i) costs relating to additional restructuring measures implemented in execution of the Group's rationalisation plan, (ii) costs related to the closure of the site in Buren (The Netherlands), and (iii) incurred costs and provisions for litigations and legal fees.

6.2. BEDDING

in million EUR

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Sales	**148.1**	**144.9**	**292.9**	**138.3**	**133.8**	**272.1**	-6.6%	-7.7%	**-7.1%**
REBITDA	**7.9**	**7.8**	**15.7**	**7.7**	**7.4**	**15.1**	-2.0%	-5.4%	**-3.7%**
as % of sales	*5.3%*	*5.4%*	*5.4%*	*5.6%*	*5.5%*	*5.6%*			
EBITDA	**6.6**	**5.5**	**12.1**	**7.6**	**6.8**	**14.3**	15.0%	21.8%	**18.1%**
as % of sales	*4.5%*	*3.8%*	*4.1%*	*5.5%*	*5.0%*	*5.3%*			
REBIT	**5.1**	**5.3**	**10.4**	**5.4**	**5.1**	**10.5**	5.3%	-3.9%	**0.6%**
as % of sales	*3.5%*	*3.7%*	*3.6%*	*3.9%*	*3.8%*	*3.9%*			
EBIT	**3.1**	**2.6**	**5.8**	**5.3**	**4.3**	**9.6**	67.3%	65.3%	**66.4%**
as % of sales	*2.1%*	*1.8%*	*2.0%*	*3.8%*	*3.2%*	*3.5%*			

SALES

The sales trend of the first nine-months (1Q: -5.0%; 2Q: -8.4% and 3Q: -7.5%) was continued in the last quarter. **4Q2017** combined sales decreased by -7.8% from EUR 74.7 million in 4Q2016 to **EUR 68.9 million**, including a -0.4% impact from exchange rate differences.

Excluding intersegment sales, combined external sales decreased by -4.1% to amount EUR 67.2 million in 4Q2017. In difficult market conditions, due to the quality issues of the TDI supplied by BASF in October 2017, the sub-segment Branded Products was broadly flat, while the sub-segment Non-Branded/ Private Label declined by -7.7%, including a continued rationalisation of the mix.

Over the **full-year 2017**, combined sales decreased from EUR 292.9 million to **EUR 272.1 million** (-7.1%), with a minor impact from exchange rate differences (-0.2%).

Excluding intersegment sales, combined external sales decreased by -3.7% to EUR 264.2 million. Operating in difficult market conditions, especially in Germany, the decrease was limited in the sub-segment Branded Products (-1.6%), while the sub-segment Non-Branded/Private Label decreased by -7.2%.

PROFITABILITY

Despite lower sales, REBITDA margin improved from 5.4% to 5.6%.

Profitability margins improved as a result of a better product-mix and the much improved supply chain performance.

Full-year EBITDA increased from EUR 12.1 million to EUR 14.3 million. EBITDA was marginally impacted by non-recurring restructuring measures amounting to EUR -0.8 million (2016: EUR -3.6 million).

6.3. INSULATION

in million EUR

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Sales	**118.1**	**116.0**	**234.1**	**129.2**	**143.1**	**272.3**	9.4%	23.4%	**16.3%**
REBITDA	**17.8**	**15.3**	**33.1**	**14.2**	**26.1**	**40.3**	-20.2%	71.2%	**21.9%**
as % of sales	*15.1%*	*13.2%*	*14.1%*	*11.0%*	*18.2%*	*14.8%*			
EBITDA	**17.8**	**15.1**	**32.9**	**14.2**	**25.9**	**40.1**	-20.0%	71.4%	**22.0%**
as % of sales	*15.0%*	*13.0%*	*14.0%*	*11.0%*	*18.1%*	*14.7%*			
REBIT	**14.7**	**12.0**	**26.8**	**11.0**	**22.7**	**33.7**	-25.6%	88.7%	**25.8%**
as % of sales	*12.5%*	*10.4%*	*11.4%*	*8.5%*	*15.9%*	*12.4%*			
EBIT	**14.7**	**11.9**	**26.6**	**11.0**	**22.5**	**33.5**	-25.3%	89.2%	**26.0%**
as % of sales	*12.4%*	*10.3%*	*11.4%*	*8.5%*	*15.7%*	*12.3%*			

SALES

The strong sales trend observed in the first nine months (1Q: +10.5%; 2Q: +8.4% and 3Q: +22.5%) was extended in the last quarter of the year. **4Q2017** sales increased by +24.2% from EUR 57.0 million to **EUR 70.7 million**, including a negative currency impact of the Pound Sterling (-0.7%). The higher sales figure is primarily explained by higher selling prices to reflect the higher chemical raw materials costs and the postponement of some volumes from 3Q2017 into 4Q2017 due to the supply shortage during the summer months.

Over **full-year 2017**, sales increased by +16.3% from EUR 234.1 million to **EUR 272.3 million**, including exchange rate differences (-2.3%; i.e. Pound Sterling). Volumes were broadly flat, compared to 2016, not due to weaker demand, but as a consequence of the supply shortage of MDI in 2Q and 3Q2017. The lower volumes and the negative impact of the Pound Sterling have been offset by a better product-mix in combination with significantly higher selling prices which had to be implemented following the substantial rise in chemical raw material prices (MDI).

As announced in the press release of 21 June 2017, Recticel will establish a new manufacturing unit in Finland. The project is on schedule to start production in the course of 4Q2018, and is expected to generate growth in Scandinavia, the Baltics and Russia as from 2019.

PROFITABILITY

REBITDA margin increased from 14.1% to 14.8%.

Despite the temporarily limited market availability of MDI volumes in 2Q and 3Q2017 (cfr press release of 12 May 2017), and the consequently higher chemical raw material costs, profitability margins increased. Substantially increased selling prices, combined with a better product-mix, and the spread of the volumes over a longer building season explains this favourable evolution. Although the MDI market supply gradually normalised towards the end of the year, raw material prices still remain at a high level.

6.4. AUTOMOTIVE

in million EUR

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Sales	**146.9**	**142.1**	**288.9**	**173.5**	**176.9**	**350.4**	18.1%	24.5%	**21.3%**
REBITDA	**10.5**	**9.4**	**19.9**	**13.5**	**12.1**	**25.6**	27.9%	29.1%	**28.5%**
as % of sales	*7.2%*	*6.6%*	*6.9%*	*7.8%*	*6.9%*	*7.3%*			
EBITDA	**9.5**	**8.8**	**18.3**	**9.1**	**15.9**	**25.0**	-4.4%	81.1%	**36.6%**
as % of sales	*6.5%*	*6.2%*	*6.3%*	*5.3%*	*9.0%*	*7.1%*			
REBIT	**3.9**	**1.8**	**5.7**	**7.0**	**4.5**	**11.4**	80.5%	147.5%	**101.8%**
as % of sales	*2.6%*	*1.3%*	*2.0%*	*4.0%*	*2.5%*	*3.3%*			
EBIT	**2.9**	**1.2**	**4.0**	**2.6**	**1.5**	**4.1**	-8.6%	28.8%	**2.2%**
as % of sales	*2.0%*	*0.8%*	*1.4%*	*1.5%*	*0.8%*	*1.2%*			

SALES

The sales trend observed during the first nine months (1Q: +14.5%; 2Q: +21.7% and 3Q: +30.9%) was further extended in the last quarter. Combined sales increased from EUR 77.8 million in 4Q2016 to **EUR 92.8 million** (+19.3%) **in 4Q2017**, including a currency impact of -0.9%. The Automotive segment continued to benefit from strong volumes on running programs as well as the successful new program start-ups. Both sub-segments, Interiors and Seating, reported higher sales.

The sub-segment Interiors grew by +22.2%. As in the previous quarters, this growth was driven by the gradual start-up of scheduled new programs, as well as strong market demand for several car models.

The sub-segment Seating (i.e. Proseat, the 51/49 joint venture between Recticel and Woodbridge) reported +16.1% higher sales, also benefiting from strong market demand.

Over the **full-year 2017** combined sales increased from EUR 288.9 million to **EUR 350.4 million** (+21.3%), with a minor impact from exchange rate differences (-0.2%). Both sub-segments increased their sales significantly: Interiors with +30.4% to EUR 187.1 million, and Seating with +12.2% to EUR 163.3 million.

The growth in Interiors was realised despite the severe impact of the fire incident in the Most plant (Czech Republic), following which Recticel had to declare earlier in the year a force majeure to its customers.

PROFITABILITY

REBITDA margin increased from 6.9% to 7.3%.

More programs in combination with higher volumes - despite some temporary setback related to the fire incident in the Interiors plant in Most - explain the improvement, particularly in Interiors. Higher chemical raw material costs (i.e. TDI) had an adverse impact on the profit margins of the Seating sub-segment as these costs could not sufficiently be passed on to the market.

EBITDA includes non-recurring elements for a total net amount of EUR -0.6 million (2016: EUR -1.6 million), which relate mainly to the net impact, including the insurance coverage and reinsurance costs, of the fire accident in the Interiors plant in Most (Czech Republic).

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:

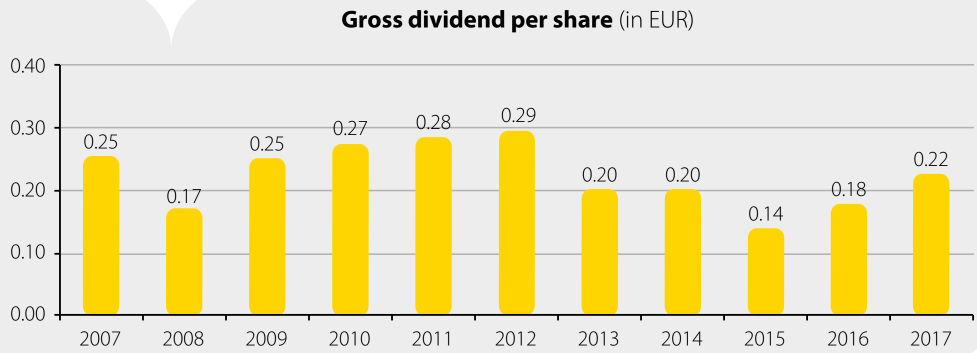
		in EUR
Profit/(loss) for the financial year		26 302 493
Profit/(loss) brought forward from previous year	+	53 596 623
Profit/(loss) to be added to legal reserves	-	1 315 125
Profit/(loss) to be added to other reserves	-	0
Result to be appropriated	=	**78 583 991**
Gross dividend [1]	-	12 050 799
Profit to be carried forward	=	**66 533 193**

[1] Gross dividend per share of EUR 0.22, resulting in a net dividend after tax of EUR 0.154 per ordinary share.

8. Dividend payment

Subject to approval of the profit appropriation by the General Meeting of 29 May 2018, a dividend of EUR 0.22 gross will be paid per ordinary share, or EUR 0.154 net (-30% withholding tax). This dividend will be payable from 01 June 2018. KBC Bank acts as paying agent.

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



DIVIDEND KEY DATA

Gross dividend per share	EUR 0.22
Ex-coupon date	30 May 2018
Record date	31 May 2018
Dividend payment date	01 June 2018

2 OUR MISSION, VISION AND 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

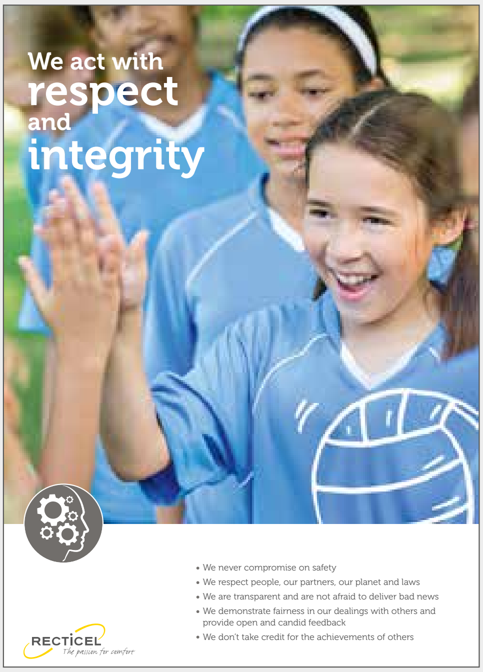
we aim to be the leading global provider of comfort solutions in all our core markets by responding to key global challenges such as environmental protection, energy conservation, an ageing and increasing population, and water management.

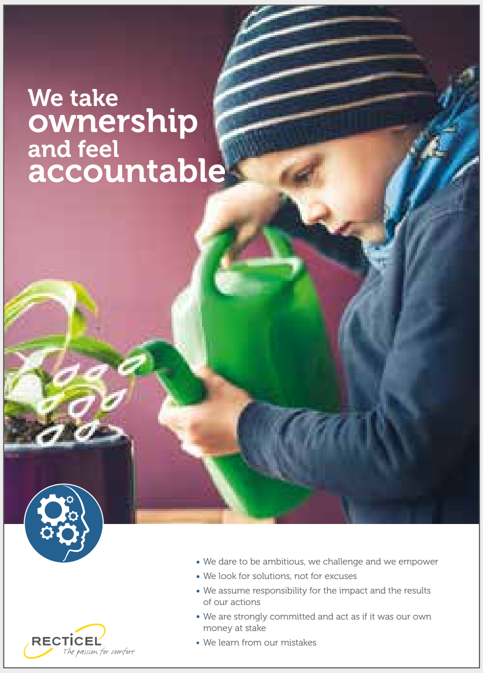
OUR CORE VALUES

Our five core values for a promising future

In early 2016, we redefined our Group core values to enable our organisation to fully align its actions and attitudes towards internal and external stakeholders.

Today, our core values, which are each linked to clearly defined underlying behaviours, can be summarised by the following five statements:





Living the core values

At Recticel, we believe that core values must be more than hollow slogans visualised on fancy posters. They must be **shared, discussed, believed in and lived** by all stakeholders, particularly our 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.

OUR GROUP STRATEGY AND ACTIVITIES

The polyurethane sector is expected to grow faster than the global economy on average, as it is driven by supportive megatrends such as climate change, sustainability, conservation, an expanding and ageing population, urbanisation, increasing mobility and rising standards of living. Our products and services pose solutions to the challenges that lie ahead. Our Group strategy is specifically built around these key market drivers. Through **product and process innovation, international presence and operational excellence,** we are poised to differentiate ourselves from our competitors.

We are facing the future with confidence and gearing up for continuing sustainable and profitable growth.

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 are:
- **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.

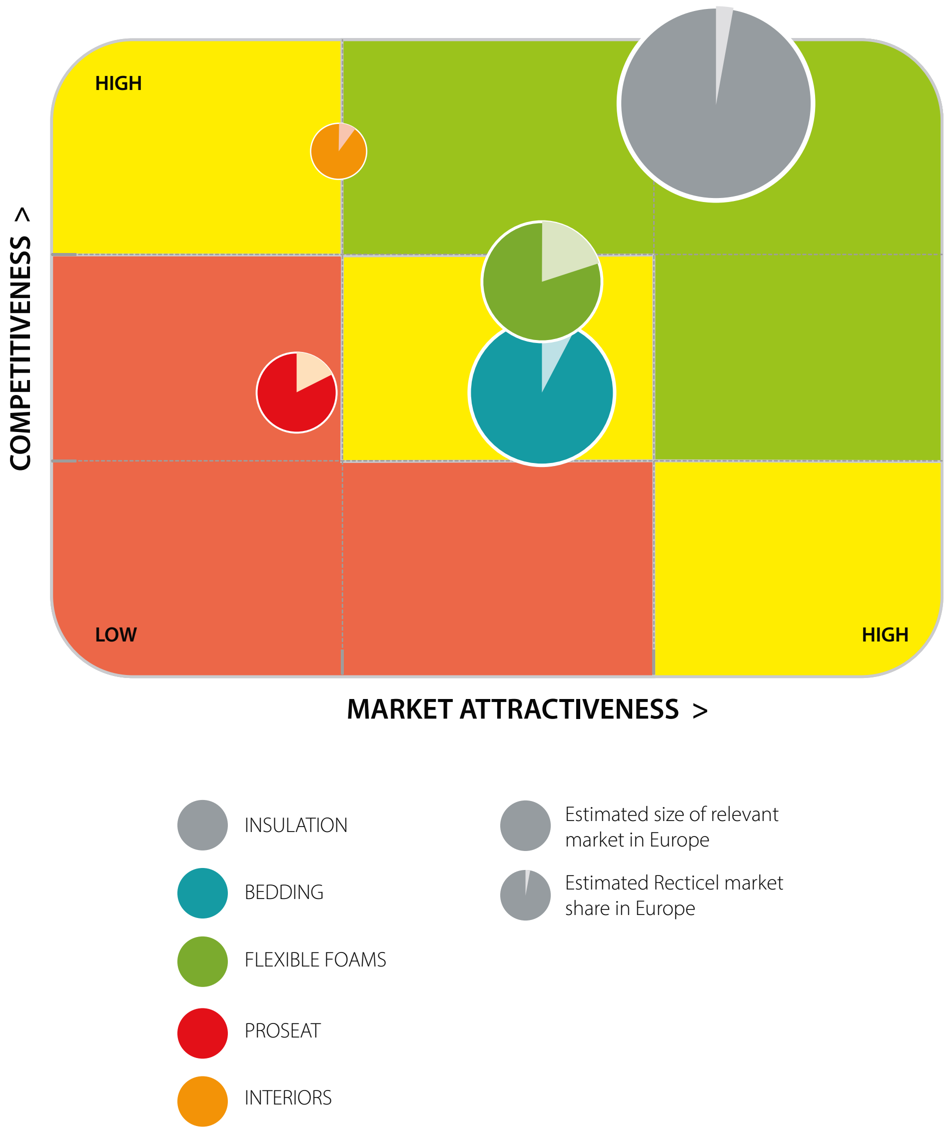
We strive to continuously **develop our human talent**, as people and teams are crucial to our successful future. Likewise, **meeting sustainable development criteria** is a mandatory contribution to long-term growth. In this context, we published our second Sustainability Report in early 2018.

The building blocks of our strategy:

Segment strategy: business line positioning and strategic views

The Group strategic plan allocates resources to our business segments based on our market strengths and competencies.

To develop it, we assessed the attractiveness of the markets in which our business lines are active according to specific criteria such as size, growth, profitability and capital intensity. We also evaluated our competitiveness in each of these markets. We concluded that our Insulation business line has the highest potential, followed by Bedding and Flexible Foams. Both activities of our Automotive business line are non-core.



Going forward, Group management has defined specific strategic actions based on our business line positioning. Some actions are common to all business lines, while others are business line-specific. As a result, each business line has its own strategy:

Insulation	Grow through geographic expansion, innovation and the introduction of new products, modules and distribution channels. In addition, accelerate growth through acquisitions.
Bedding:	Prioritise branded products supported by (i) a strong marketing strategy, (ii) product innovation, (iii) an online sales channel, (iv) geographic expansion and (v) an optimised network of highly efficient production facilities. Europe will remain the focal market for this business line.
Flexible Foams	Boost profitability through (i) selective growth initiatives based on new products and further geographic expansion in the Technical Foams division, particularly in North America, Asia and North Africa, (ii) manufacturing footprint rationalisation and modernisation, and (iii) commercial and operational excellence.
Automotive	Fully capitalise on existing production capacity and the introduction of innovative products.

Supporting Strategies

For our business line strategies to be successful, they must be supported and guided by three action drivers:

1. Simplification
   To quickly react to market evolutions, increase profitability and better manage our people and processes, the Group will further simplify its structure and processes, **boosting operational efficiency and reducing fixed costs.**

   A major **industrial footprint restructuring programme** has been implemented over the last seven years. 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 to approximately 8,411 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 materialise in the coming years.

   Internally, Group management will foster synergies through **greater centralisation, standardisation and optimisation** of common processes and administrative tasks.

2. International Expansion
   With already strong positions in European markets, we will pursue further growth by expanding internationally, inside as well as outside Europe.

3. Sustainable innovation
   Market-driven innovation is at the heart of Recticel's success. To successfully capture future opportunities, our Research & Development department has been reorganised to increase the pull effect of the business lines. Moreover, the Group's **upgraded and flexible approach to resource use** supports our innovation efforts.

   Several high-impact innovations have been launched:

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

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. As mentioned earlier in this document, this new generation of PIR panels, commercialised under the Xentro® brand, offers a 13% improvement in thermal insulation through improved chemistry, for energy cost savings.

Our **Bedding** business line launched the new GELTEX® generation. In addition to the combination of optimal pressure distribution, ideal support and maximum climate control properties, the new GELTEX® adds unprecedented performance durability, as well as improved sustainability through the use of CO_2 based polyols. This key innovation effort will further support Recticel's technological advance and generate increased sales.

Our **Flexible Foams** business line introduced a new generation of acoustic foams, leading to new contracts with SpaceX in the Technical Foams application area. Novel acoustic insulation products and solutions for the building sector were also developed and marketed. For our third-party bedding customers, we developed a 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 introduced in 2013. Colo-Sense® X-Lite enables a further weight reduction and packaging efficiency, responding to OEMs' constant search for lighter products.

- Human Organisation
  Next to these three strategic action drivers, a professional, forward-thinking approach to human resources is essential to the strategy's success.

  In today's dynamic business environment, the ability to learn quickly and to swiftly acquire new competencies is a critical competitive advantage for the future growth of our Group. It is important for us to present our employees with regular and relevant development opportunities. As such, we have implemented a wide set of policies, programmes and actions related to talent development and continuing education.

- Sustainability
  Sustainability will be the compass of the Group's actions in the future. For all new investments, the element of sustainability will be taken into consideration in order to boost our competitive edge and create ever more value for our stakeholders.

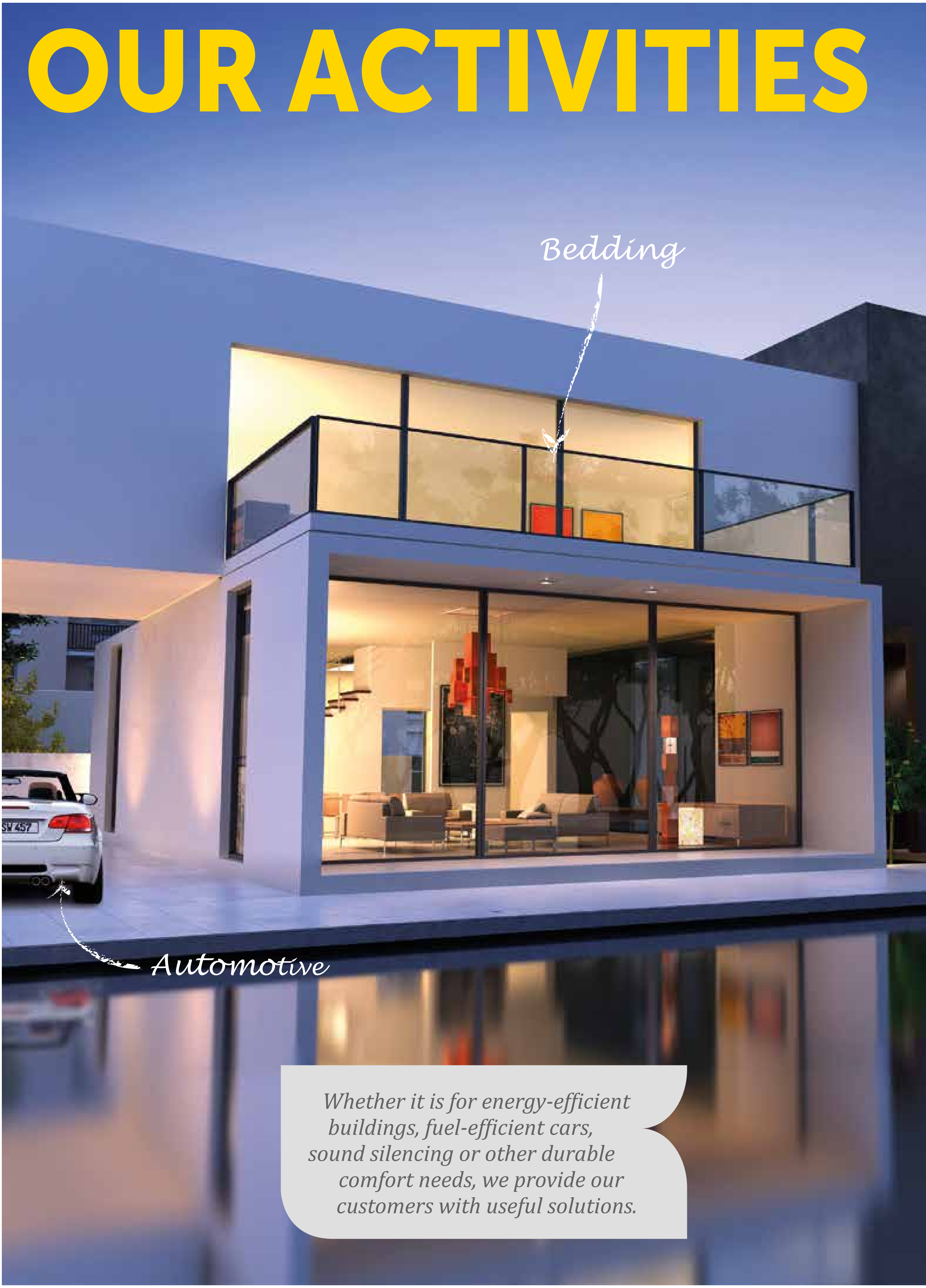
Our financial objectives

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 for the following medium-term (by 2020) objectives:

- **Generate a 10% REBITDA 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**

OUR ACTIVITIES



Whether it is for energy-efficient buildings, fuel-efficient cars, sound silencing or other durable comfort needs, we provide our customers with useful solutions.

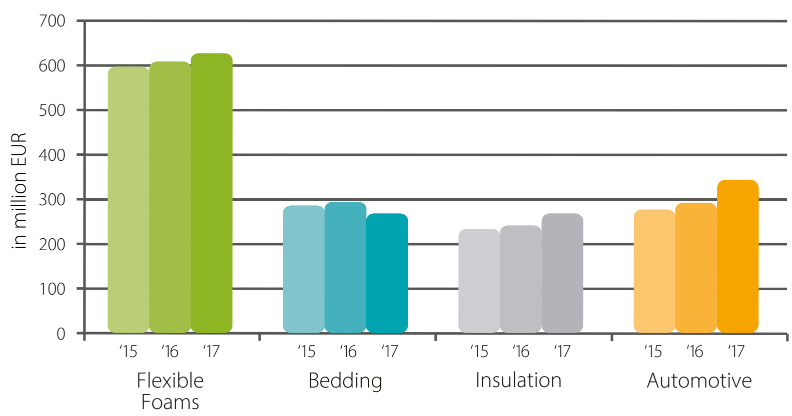
Polyurethane is an extremely versatile material made from polyols and isocyanates – both derivatives of crude oil. Polyurethane chemistry is at the core of our Group business lines.

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.

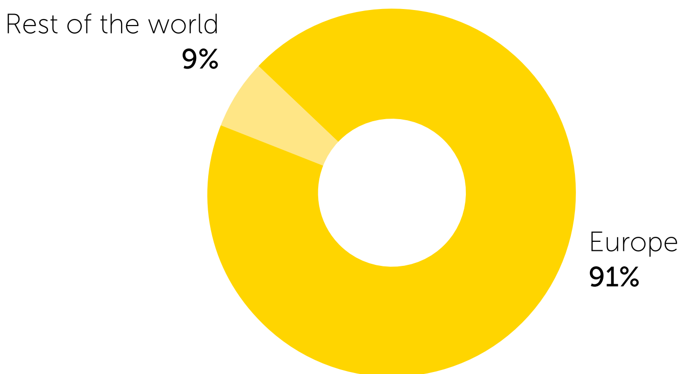
Our portfolio is organised around four distinctive business lines, which all are well-positioned in their respective markets. Although our activities are unmistakably linked with polyurethane technology, they each serve specific market sectors.

Around 91% of our total Group sales are generated in Europe.

Combined sales per business line



Combined sales 2017 (before intra-Group sales)

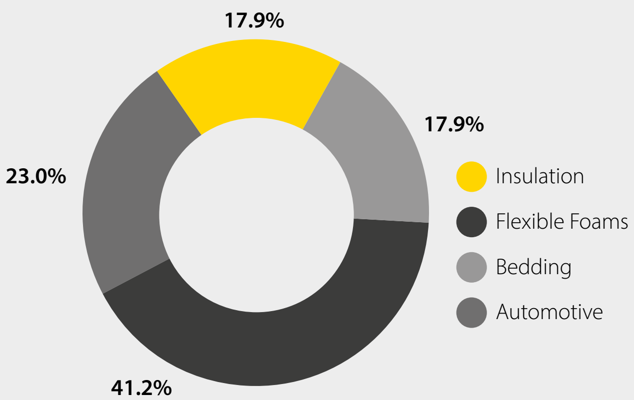



Our new plant in
Finland
will offer us a great stepping stone to the promising Scandinavian and Baltic insulation markets
VIP
vacuum insulation panels complement our Insulation product range

INSULATION

Our customers expect our products to display superior appearance and thermal performance.

Combined sales 2017 (before intra-Group sales)



What we do

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. Our Insulation business line concentrates on the **production and commercialisation of high-performance and durable thermal insulation boards** in rigid closed-cell polyurethane (PU/PUR) and polyisocyanurate foam (PIR).

All our PIR insulation boards are heavily tested during development and before launch to ensure excellence in product quality. Today, they are the best insulation materials against cold and heat available on an industrial scale. Since the end of 2016, we have also added Vacuum Insulation Panels (VIP) for niche applications to our product offering.

Our range of thermal insulation boards spans an extensive array of **applications across the complete building envelope**. For flat and pitched roofs, walls and floors, we offer solutions for new-build and refurbishment projects, including residential, commercial, industrial, public, logistics and agricultural buildings. We seek to continuously improve the thermal insulation performance of our products while reducing the amount of material required. Our products have the potential to significantly reduce energy consumption and CO_2 emissions.

we focus on the **European** insulation market

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

Recticel's Insulation division operates from **3 major state-of-the-art production sites** in Wevelgem (Belgium), Bourges (France) and in Stoke-on-Trent (United Kingdom), with local sales offices in Germany, Poland and the Netherlands. In 2016, two smaller activities in France (bonded foams) and Slovenia (vacuum insulation panels) were added to the footprint, and a greenfield production plant is currently under construction in Finland to serve the Scandinavian and Baltic markets. This plant will become operational in the fourth quarter of 2018.

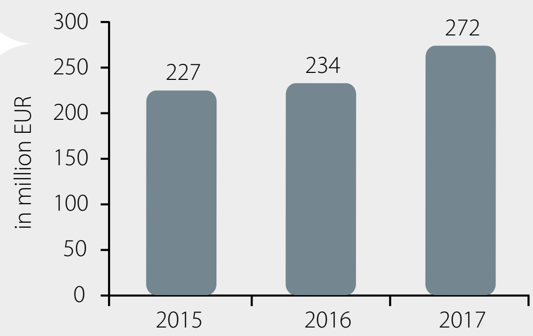
Insulation customers are mainly contractors, building promoters and wholesale building material stockists and distributors. To support our commercial policy, sales and marketing efforts also target architects and end consumers.

The Insulation business line is the Group's smallest. Although it currently accounts for 17.9% of total combined sales, it offers the highest future growth potential.

In addition, our Insulation business line benefits from a **lean and clean production footprint** in strategic locations, for an ever-better cost performance.

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

Combined sales Insulation



Market drivers

Polyurethane thermal insulation solutions are the **highest-performing insulative materials on an industrial scale.** 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). 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), is a key supporting pillar of the insulation sector.

PUR/ PIR high performance insulation plays a leading role in the market's transition towards more energy-friendly buildings

FEEL GOOD INSIDE

Market attractiveness

Global megatrends revolving around environmental protection, sustainability and energy conservation drive the thermal insulation materials sector. As a result, the sector will continue to **benefit from stricter building and insulation norms** and standards, particularly in Europe. 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.

The growth of insulation solutions in the new building market is supported by EU Directives and regulations, and subsidy policies in different member states drive growth in the renovation market.

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

Competitiveness

In addition to the superior technical features of our rigid polyurethane foam solutions, Recticel is recognised in the market for its **broad and high-quality product range,** as well as for its **professional and efficient customer service.**

Even in view of the planned expansion in Finland, our industrial footprint remains relatively limited in terms of number of sites. As a result, Recticel is a particularly cost-efficient operator.

Since the end of 2016, we have added vacuum insulation panels (VIP), a promising new technology considered the most efficient building insulation solution, to our portfolio. 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 seek to accelerate our growth path through **new investments in capacity** and/or through **external acquisitions**. In addition, as innovation will drive the future of our Insulation business, new product introductions and distribution channel diversification are key priorities.

in million EUR

COMBINED KEY FIGURES INSULATION	2015	2016	2017
Sales [1]	229.4	234.1	272.3
Growth rate of sales (%)	*8.4%*	*2.1%*	*16.3%*
REBITDA	32.3	33.1	40.3
REBITDA margin (as % of sales)	*14.1%*	*14.1%*	*14.8%*
EBITDA	33.4	32.9	40.1
EBITDA margin (as % of sales)	*14.6%*	*14.0%*	*14.7%*
REBIT	26.4	26.8	33.7
REBIT margin (as % of sales)	*11.5%*	*11.4%*	*12.4%*
EBIT	27.5	26.6	33.5
EBIT margin (as % of sales)	*12.0%*	*11.4%*	*12.3%*

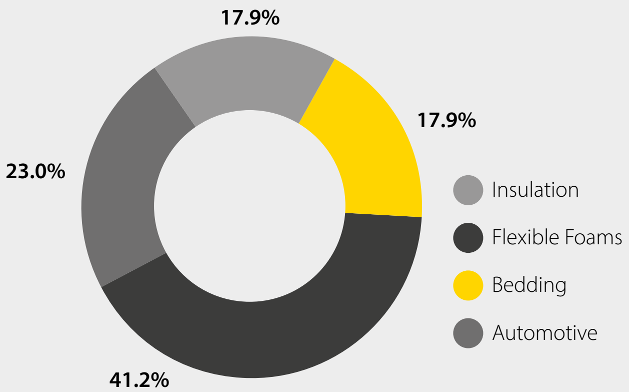
[1] before eliminations of intra-Group transactions


Innovative ingredient brands such as
Geltex®
are the drivers of our brand portfolio

BEDDING

Strong Brands with a unique value proposition creating more comfortable, aesthetic, fashionable and contemporary sleeping comfort.

Combined sales 2017 (before intra-Group sales)



What we do

Our Bedding business line, which has a distinct focus on end consumers, **develops, produces and commercialises finished mattresses, slat bases and bed bases.** Our strategy revolves around strong (national) brands – owned or licensed – which may be further supported by innovative ingredient brands such as GELTEX® inside. In addition, to further optimise our manufacturing footprint, we also offer private label products.

The Bedding division sells to end users through a network of external distribution channels, and our customer base is broad and varied. It encompasses more than **1,000 customers with over 5,000 points-of-sale** across Europe. Our clients are diverse, ranging from independent bedding and furniture specialists operating between one and 30 stores, department store chains, mail order and e-commerce companies and members of – mostly national – buying groups to international retail chains owning over 1,000 stores.

Currently, our Bedding division operates 12 main production sites in Austria (1), Belgium (2), Germany (3), the Netherlands (1), Poland (1), Romania (1), Sweden (1) and Switzerland (2).

Our Bedding segment accounts for 17.9% of our Group's total combined sales.

Strong local bedding brands with local stories

12 production sites in **8** countries

Market drivers

Bedding is a slow-moving consumer goods market. As a result, 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 are sensitive to the comfort aspects of the products and the perceived benefits of available bedding technologies.

Customers rely mainly on product communication and storeowner advice to navigate the diverse and sometimes confusing bedding product offering, with limited product testing opportunities. In the end, product image and consumer brand trust are equally important in convincing the customer to make a purchase.

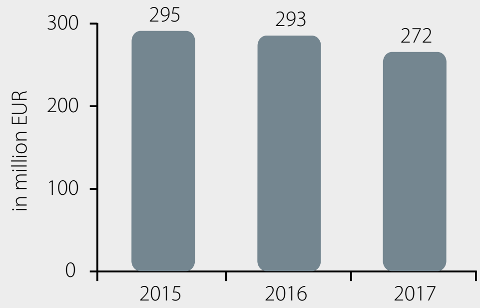
We respond to and benefit optimally from these structural market drivers by relying on our **expertise in materials** (foam, springs, latex, etc.) and the **strength of our brands**. Our Geltex® ingredient brand, one of our differentiators, is a key example of this strategy in action. Regarding functional comfort, consumer research consistently identifies body support, pressure distribution and climate comfort, i.e. breathability and moisture evacuation, as the top-ranking purchasing criteria. This is in addition to industry standard criteria in mid and premium market segments, which are durability, anti-allergenic and anti-bacterial properties.

Market attractiveness

The European bedding market is primarily driven by demographic evolution and the ever-increasing **need for a better and healthier sleeping comfort.** These trends drive more frequent replacement and consumers' larger sleeping comfort budgets.

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

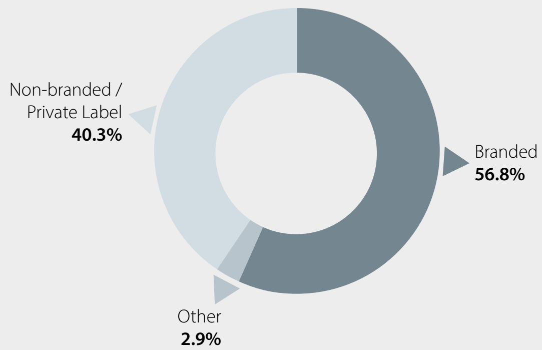
Combined sales Bedding



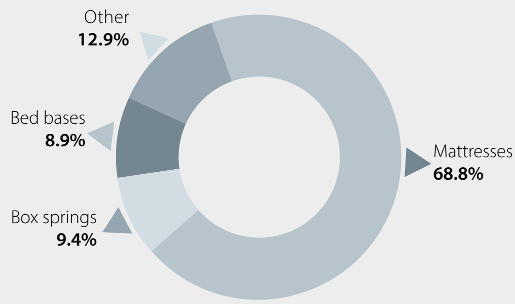
Combined 2017 sales Bedding

EUR 272.1 million

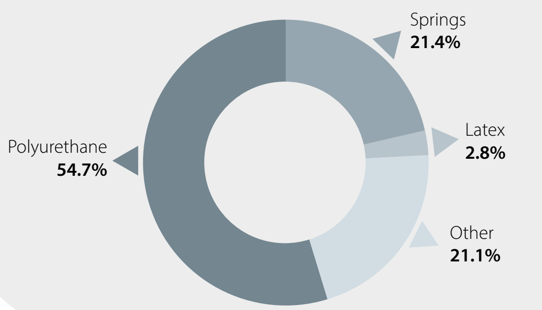
Branded & Non-branded products



Mattresses & Bed bases



By technology



Competitiveness

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

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 hybrid technologies. Our Bedding business is closely integrated with the Flexible Foams segment, offering synergies that strengthen our competitiveness. This close relationship enables Recticel to **swiftly introduce innovations and new products** in a competitive and fragmented market.

In addition to our technological expertise, 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.

Strategy

Although we do not exclude external growth opportunities, the strategy of our Bedding division relies mainly on organic growth. To support this strategy, we will continue to **focus on strong product and ingredient brands** such as Geltex® and Bultex®, supported by distinctive product innovation. We plan to continue to rationalise and optimise our manufacturing footprint

in million EUR

COMBINED KEY FIGURES BEDDING	2015	2016	2017
Sales [1]	294.5	292.9	272.1
Growth rate of sales (%)	*4.6%*	*-0.5%*	*-7.1%*
REBITDA	14.1	15.7	15.1
REBITDA margin (as % of sales)	*4.8%*	*5.4%*	*5.6%*
EBITDA	9.5	12.1	14.3
EBITDA margin (as % of sales)	*3.2%*	*4.1%*	*5.3%*
REBIT	7.7	10.4	10.5
REBIT margin (as % of sales)	*2.6%*	*3.6%*	*3.9%*
EBIT	3.2	5.8	9.6
EBIT margin (as % of sales)	*1.1%*	*2.0%*	*3.5%*

[1] before eliminations of intra-Group transactions

GELTEX® inside is available at:
Beka®, Lattoflex®, Schlaraffia®, Sembella®, Superba®, Swissflex®, and Ubica®

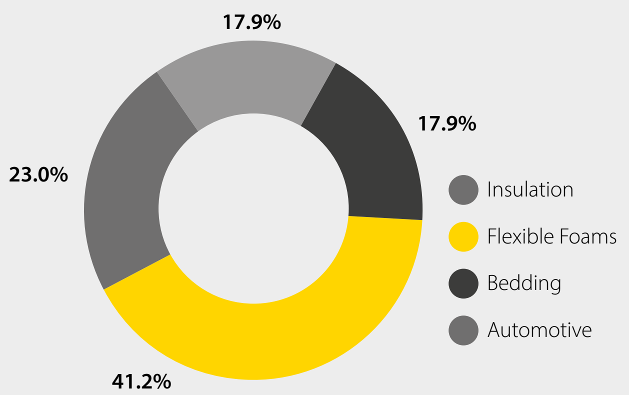
We offer our customers **superior solutions** for their **practical comfort needs**

Seven **key product attributes** – endless possibilities

FLEXIBLE FOAMS

Due to its extreme versatility, foam is a true problem-solver in almost every industry.

Combined sales 2017 (before intra-Group sales)



What we do

The key to the success of PU foams is their seemingly endless versatility. They can be **tailored to almost any application** and we are continually innovating to optimise our product range in line with new demands and ideas. Our comprehensive portfolio of solutions offers the functionalities demanded by every market we serve, and is organised around seven product attributes: **silencing, sealing, filtering, carrying, protecting, supporting** and **comforting**.

Providing the right material using the right technology so that we can add value to our customers' products: that is what drives our Flexible Foams business line. 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.

Our foam activities fall into two categories: **Comfort**, which comprises mainly bulky commodities for upholstered furniture and mattresses, and **Technical Foams**, which are higher-value specialty foams 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.

Today, our Flexible Foams division operates 11 foaming plants and 23 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). Business in Italy is covered by a joint venture with Orsafoam (33/67 with the Orsa Group of Italy).

A leading local presence with **61** production sites in **27** countries

Our Flexible Foams business line has historically always been our largest and currently generates 41.2% of the Group's total combined sales.

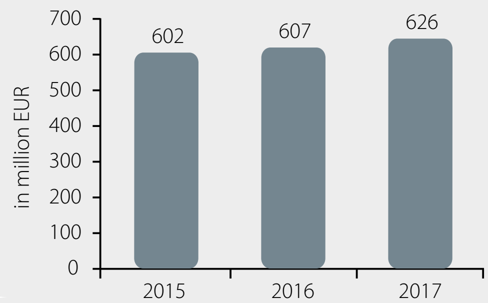
Market drivers

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. For example:

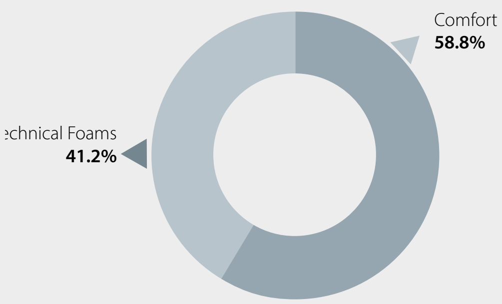
- **Transport:** rapidly-evolving challenges are a hallmark of the transport industry. Today's vehicle manufacturers seek **eco-friendly production and assembly methods** as well as **lightweight materials** that reduce fuel consumption and emissions. Higher engine temperatures and pressures place extra demands on silencing, sealing and filtering components. Superior silencing materials are also required to enhance comfort in car interiors, contributing to general well-being and safer driving.
- **Industry:** noise and vibration are concerns in all industrial sectors, and manufacturers depend on silencing solutions to **protect employees** and **meet increasingly strict legislation.** 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. We work with manufacturers and suppliers throughout the industrial world to meet these challenges and more.
- **Furniture & upholstery:** consumers are increasingly conscious of their personal well-being and sleep quality. They see their homes as safe havens and demand **more comfortable seating** as well as mattresses that **enhance the sleep experience.** Manufacturers must offer new features and possibilities to stay ahead. Our range includes both standard foams and speciality foams with customised features.
- **Medical:** 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.

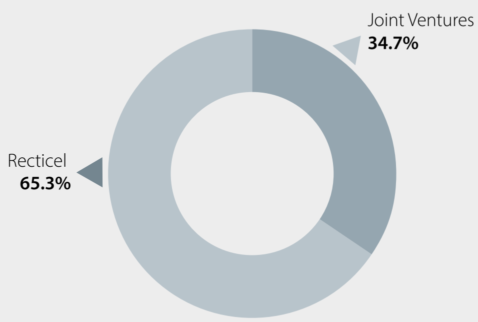
Combined sales Flexible Foams



Combined 2017 sales Flexible Foams

EUR 626.1 million





- **Building & sports infrastructure:** foams **protect users** and **improve athletic performance** in leisure facilities and playgrounds. We provide engineering professionals with foams for improved silencing and sealing performance to meet their goals in a growing construction industry driven by rising standards in comfort, safety and sustainability.
- **Consumer goods:** today's consumers demand **increasing variety and personalisation, cost-efficiency** and **user-friendly products.** Manufacturers are constantly discovering new uses for foams, which offer a huge palette of colours, shapes and textures as well as many qualities that are useful in home and personal care. A broad portfolio of solutions 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

In the foam market, growth is slightly higher than GDP due to **increasing daily comfort demands** and the **substitution of alternative technologies** and solutions with polyurethane foams. 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

As major European player, our **robust R&D capabilities** enable us to hold strong positions in existing markets and develop new niche target markets.

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 key strategic focus 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.

in million EUR

COMBINED KEY FIGURES FLEXIBLE FOAMS	2015	2016	2017
Sales [1]	602.3	607.2	626.1
Growth rate of sales (%)	*1.6%*	*0.8%*	*3.1%*
REBITDA	38.0	46.3	40.6
REBITDA margin (as % of sales)	*6.3%*	*7.6%*	*6.5%*
EBITDA	34.0	39.6	30.6
EBITDA margin (as % of sales)	*5.6%*	*6.5%*	*4.9%*
REBIT	26.1	33.8	27.9
REBIT marge (as % of sales)	*4.3%*	*5.6%*	*4.5%*
EBIT	21.1	26.5	17.7
EBIT margin (as % of sales)	*3.5%*	*4.4%*	*2.8%*

[1] before eliminations of intra-Group transactions

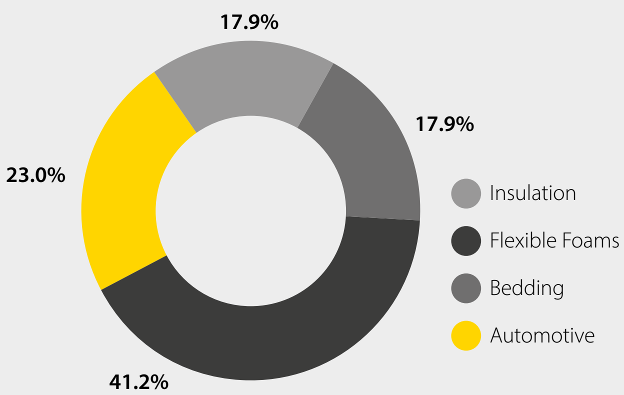
1 2 3 4 5 6 7 8


Our innovative materials are transforming interior design and comfort standards in cars
A global presence with 22 production sites in 8 countries

AUTOMOTIVE

1 2 3 4 5 6 7 8

Combined sales 2017 (before intra-Group sales)



What we do

Our Automotive business line is built around two activities: interior trim (Interiors) and moulded car seat pads and headrests (Seating). Both divisions 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.

Our renowned pigmented light-stable PU compounds, dashboard skins, cockpit and door panel trim parts are manufactured across 11 production sites located in China (5), the Czech Republic (2), Germany (2) and the United States (2).

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

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).

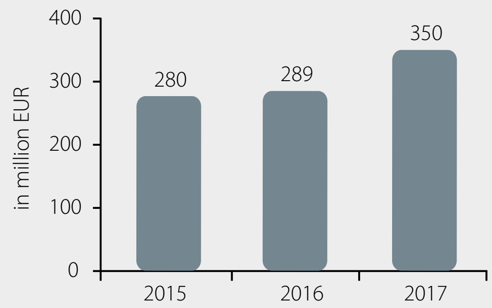
Our Automotive segment generates 23.0% of our Group's total combined sales.

Market drivers

Despite the car industry's supportive market environment, most OEM customers still focus on **cost competitiveness**. OEMs continue to pressure suppliers to reduce their costs while remaining highly demanding in terms of quality and technical specifications, such as weight and design freedom. This evolution puts further pressure on Tier 1 suppliers, leading to a trend of centralisation and insourcing to optimise capacity, which in turn impacts Tier 2 suppliers.

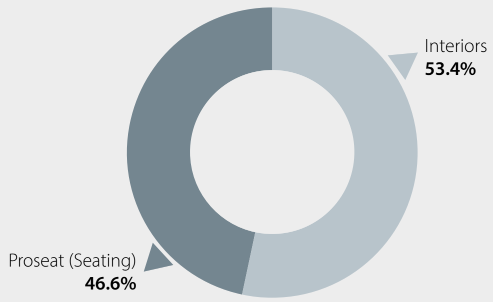
Sustainability and the **reduction of CO_2** and other emissions are also important trends. In the automotive interiors industry, including the seating business, this has led to increased attention on the weight reduction of products and parts.

Combined sales Automotive



Combined 2017 sales Automotive

EUR 350.4 million



Our **lightweight materials** contribute significantly to better fuel-efficiency in modern vehicles

Market attractiveness

The mature automotive sectors of Western Europe are mainly highly competitive, cyclical replacement markets. However, **new mobility needs** and **environmental challenges** offer strong innovation incentives.

Product innovation and differentiation provide key approaches to these new challenges.

Competitiveness

While our Seating activity is highly commoditised, our Interiors business is poised to play a leading role in the Tier 2 automotive suppliers market. Being particularly technology-driven, it offers **price-competitive alternative solutions** to those based on traditional materials, such as 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

Gradual **improvement and stabilisation of operating results** form the core of Automotive segment strategy. To do so, we focus on optimising our industrial footprint and capacity utilisation. The introduction of innovative products drives our competitiveness.

in million EUR

COMBINED KEY FIGURES AUTOMOTIVE	2015	2016	2017
Sales	280.3	288.9	350.4
Growth rate in sales (%)	*6.2%*	*3.1%*	*21.3%*
REBITDA	15.4	19.9	25.6
REBITDA margin (as % sales)	*5.5%*	*6.9%*	*7.3%*
EBITDA	9.9	18.3	25.0
EBITDA margin (as % of sales)	*3.5%*	*6.3%*	*7.1%*
REBIT	3.6	5.7	11.4
REBIT margin (as % of sales)	*1.3%*	*2.0%*	*3.3%*
EBIT	-1.9	4.0	4.1
EBIT margin (as % of sales)	*-0.7%*	*1.4%*	*1.2%*

[1] before eliminations of intra-Group transactions

3 SUSTAINABLE INNOVATION

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Sustainability through technological advances

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.

Two years after launching our sustainability strategy, it is clear that focussing on innovation was the right approach for recticel. stakeholder feedback confirmed that we have selected relevant priorities in our sustainable innovation plan.

Our second sustainability report **quantifies our progress towards our targets** and the obstacles we have encountered on this continuous journey. Limited external assurance was performed by PwC on the six material aspects covering the seven key performance indicators (KPIs) identified in the report.

In September 2017, the EU Directive 2014/95/EU on non-financial and diversity information reporting was enacted into Belgian national law. We now not only cover corporate governance and risk management statements in our annual report (as required by the Belgian Company Code), but also report on **environmental, social, human rights & anti-corruption and bribery topics** in our sustainability report.

The Directive recommends using internationally recognised frameworks and standards to structure and publish our responses. Hence, our second sustainability report was drawn up **in accordance with the Global Reporting Initiative (GRI) Standard** guidelines. This comprehensive framework is known globally for its credibility, consistency and comparability, and is now the de facto standard for sustainability reporting.

Recticel sustainability reports are available on our corporate website, www.recticel.com.

Strategy

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 throughout the value chain. We continue to seek innovative solutions to society's major challenges, such as global warming, an ageing population and conservation of natural resources.

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. They cut the emission of 20 times more CO_2 than the carbon footprint of Recticel's combined activities. Sustainability is also an important element of our Automotive business line, where customer demand for reduced carbon emissions drives our development of lightweight materials. Similarly, in our Flexible Foams business line, innovative lightweight solutions have been developed for 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. We are now preparing our durable, polyurethane-based products for the transition to a waste-free circular economy.

Together with our stakeholders, including customers, employees, suppliers, the industry, knowledge institutes and authorities, we explore ways 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 materials, paving the way for more advanced value-added applications. Our Simfofit® insulation panels are a perfect example of how production waste and end-of-life material (currently in development) can be transformed into an innovative acoustic insulation product that reduces noise by 60%.

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.

Key societal sustainability challenges will continue to drive our future innovations.

We cannot risk becoming obsolete because we missed the turn. the circular economy is a real challenge, and we are dedicated to closing the loop.

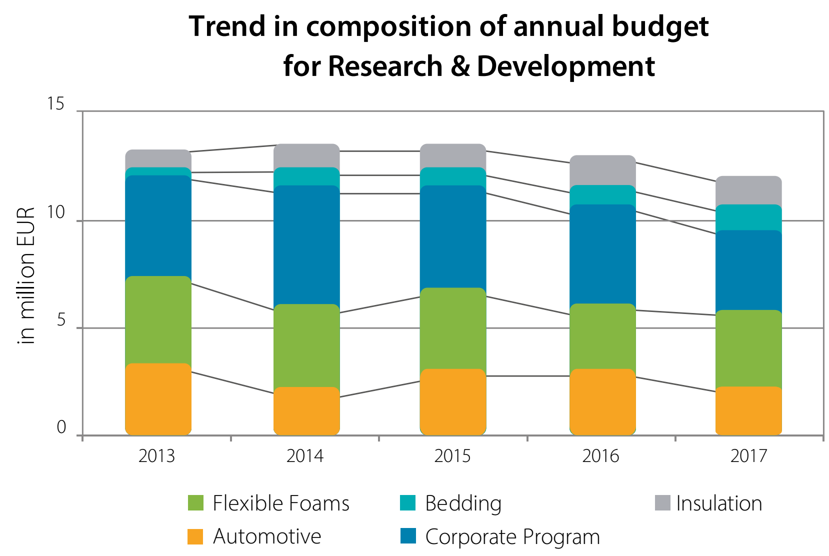
Targets

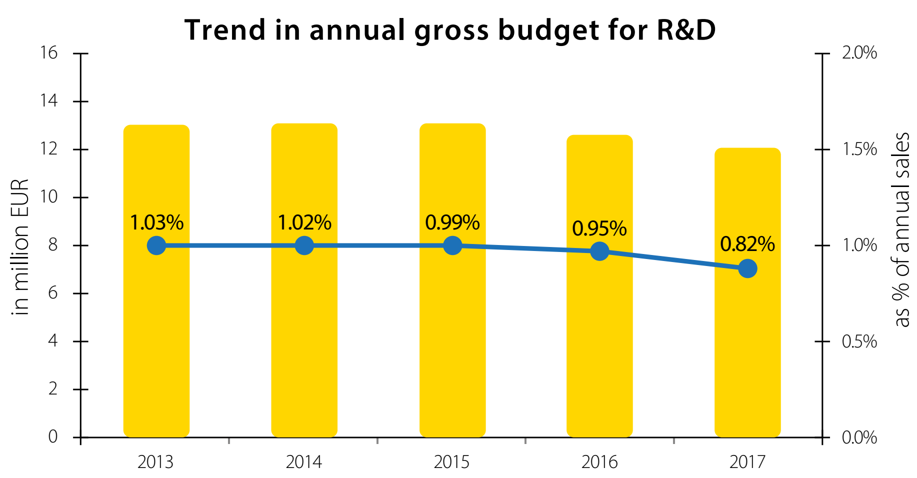
Innovation and people are key in achieving our sustainability strategy. Through a stakeholder consultation process, we defined the six most important aspects for Recticel and clustered them in a Sustainable Innovation Plan and a People Priority Plan. We then selected a key performance indicator and target for each aspect.

We support the United Nations Sustainable Development Goals, particularly those to which Recticel's expertise and activities are most relevant, such as: 'Climate Action', 'Responsible Consumption and Production' and 'Decent Work and Economic Growth'.

Five sustainable innovation programmes

With the goal of **leading the transition to a circular economy** and a low-carbon society and promoting well-being at every age, Recticel's SID R&D efforts are centred around five innovation programmes, each led by an Innovation Manager. Developed through permanent collaboration between product development teams and SID innovation teams, four of the programmes are aligned with market expectations and will make our Automotive, Bedding, Flexible Foams and Insulation divisions more sustainable.





The fifth programme covers projects impacting all four divisions and coordinates all initiatives to prepare durable polyurethane products for the circular economy. This covers the entire product value chain, from raw materials purchasing to polyurethane recycling and reuse.

These programmes underpin our sustainability strategy, differentiate Recticel from its competitors and generate shared value for all stakeholders. Some specific examples of progress made in 2016 and 2017:

- *New comfort foam for bedding and seating*
  In developing the new Geltex® foam with CO_2 polyol, we support the introduction of **new sustainable technologies** into our bedding product portfolio. At the same time, Geltex® mattresses are more durable. The worldwide launch took place at the Cologne IMM trade fair in January 2018.

- *Technical foams with enhanced silencing properties*
  Research projects are ongoing to find **solutions that help reduce noise** caused by industrial appliances, contributing to a more comfortable and productive working environment.

- *Reduced lambda values in insulation*
  Launched in March 2017, Xentro® achieves **high insulation values with less material** and lower volume, as well as lower thermal conductivity and a 13% reduction in lambda value over its market reference material.

- *Lighter automotive interior technologies*
  Through innovations in layer density reduction techniques, Colo-Sense® X Lite automotive skins are even **lighter, high-performing and cost-effective**, cutting transport costs and emissions.

- *Corporate sustainability programme*
  This programme steers all initiatives to **prepare durable polyurethane products for the circular economy.** This covers the whole value chain of our products, from raw materials to studying how polyurethane can be recycled and reused.

An October 2016 acquisition in France enabled us to scale up the go-to-market process of an advanced technology that **transforms our flexible foam production waste into high-performance acoustic insulation.** The first results are Simfofit®, an acoustic insulation panel for the do-it-yourself market, which reduces sound by up to 12 dB and Silentpart®, an acoustic insulation panel for use in systems or lightweight partition walls.

In 2018, Recticel will continue to participate in international multi-actor research and development projects connected to one or more of our 5 innovation programmes, two of which are described below.

Low-lambda

Manufacturing **high-value polyurethane materials from CO_2 by-products** of the steel industry is the ambition of Carbon4PUR, an EU Research and Innovation programme Horizon2020 project involving 14 partners from 8 countries. If the technology is proven feasible, Recticel will play a part in testing it in rigid foam applications such as insulation panels.

Corporate sustainability

Recticel will proactively participate in international R&D partnerships with knowledge institutes and actors across the value chain to prepare durable polyurethane products for the circular economy.

4 HUMAN RESOURCES

Core values

in 2017, Recticel continued to actively deploy the core values project by launching a core values e-learning path and the 'CEO's Core Values' video in 14 languages. The latter was also launched externally via LinkedIn and the Recticel corporate website.

Core values team discussions started in the beginning of the year and continued throughout the year. Team discussions helped our employees familiarise themselves with each of the five values and key behaviours, and linked each value with individual and team performance. Team discussions made the core values more real, placing them within the context of work-life situations.

Over 70 core values ambassadors worked actively throughout the year to support line managers and employees in organising different core values-related events, information and training sessions and internal campaigns. They also facilitated team discussions.

In May 2017, we launched our global Living The Values Award campaign. We were very pleased to receive 203 Living The Values Award nominations from our sites around the world, demonstrating the Recticel community's dedication to the five core values. A cross-functional, cross-cultural Living The Values Award Selection Committee was nominated in October 2017 with the goal of selecting the five final individual or team winners from these excellent nominees. The five final winners were announced in December 2017, and the first-ever Living The Values Award Ceremony was held end March 2018.

Assess and train for success

Recticel continued to actively develop its talent and concentrated on attracting new, skilled employees. We continued to assess and train our employees in a structured way. Regular performance management discussions were crucial to this strategy, and these discussions took place with all white-collar employees globally (approximately 1,800 people). During performance management discussions, employees had the opportunity to talk about their career development ambitions, working conditions and work-life balance. The output was used not just to optimise training and development, but also to enhance reward, retention, succession and career planning processes.

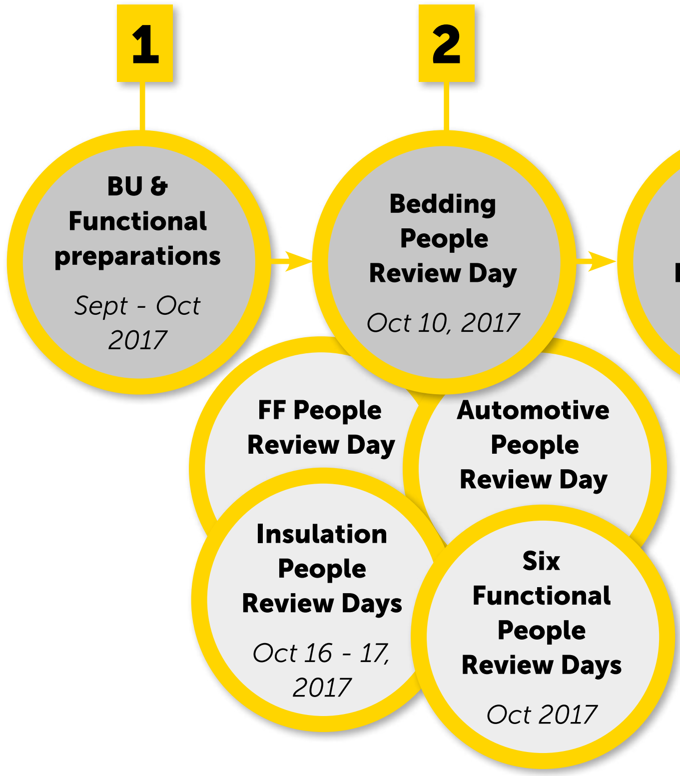
In 2017, Recticel University put specific emphasis on lean management, project management, leadership, presentation, communication and negotiation skills. Of 1,000 Recticel University training days – a record high –, almost 50% were tailored to business line or functional needs and concentrated on improving concrete impacts on the business.

RECUN
RECTICEL UNIVERSITY

YEAR	STANDARD COURSES	TAILOR MADE COURSES	# OF PARTICIPANTS	# OF TRAINING DAYS
2014	24	1	302	691
2015	29	12	556	984
2016	21	8	352	808
2017	**29**	**16**	**516**	**1 024**

In 2017, we continued our People Review Process and raised the bar by putting more emphasis on action plans and follow-up. Facilitated by the Group HR team, business line and functional management teams dedicated an entire day to discussing topics such as succession planning, people SWOT analysis, high-potential identification, future recruitment and retirement planning, including knowledge transfer plans. After these meetings, the Group Management Committee spent two half-days participating in the same exercise and defining action plans for identified high potentials.

The company developed a career path development plan for these high potentials. The People Review Process will be closely monitored in 2018 through quarterly action plan reviews performed by each business, and a semi-annual review with the CEO. This approach helps us anticipate internal succession needs and boost employee motivation, engagement, knowledge transfer and business performance.



Engagement survey

In September 2016, Recticel launched an engagement survey for all employees in Belgium, UK and Spain, covering approximately **1,700 employees. 1,340 employees shared their opinions** on the company in general, and on various aspects of the working climate.

This high **response rate of 79%** gave us insight into employee engagement and satisfaction topics in these three countries, including leadership, job content, compensation, personal development, communication, cooperation, physical work environment and impact on society and well-being. The survey was set up in cooperation with external provider ICMA Group.

The results of the engagement survey were shared with management and employees in multiple informational sessions. Assigned project teams tackled critical areas, set clear action plans and agreed on key focal points for each country:

Belgium: improving **leadership and communication skills** in operations, especially at the first level of management; **improving communication** (through active supervision boards, info meetings, the 'Communication' workgroup, communication standardisation via informational meetings, development of an internal communication plan); facilitating **access to training,** etc.

UK: improving **management** (especially training and personal development), well-being (including working morale and working environment) and communication (communicating the strategy and the role of each employee).

Focus groups were conducted in all plants by August 2017. A three-day foundation programme in essential people management skills for all managers was established, focussing on 110 managers (to be completed in April 2018). A performance review program for blue collar employees was established and a cycle-to-work program was launched.

Spain: a cross-functional collaboration was initiated to prepare and follow up on action plans, and involve the blue collar employees and employee representatives.

The country action plan was finalised and consists of four main pillars; **management, personal development, communication and working conditions.**

Supported by an external consultant, the Group Management Committee dedicated one day to discussing the results of the survey, and agreed on concrete, corporate-level actions to increase employee engagement and maintain and strengthen key areas.

In 2017, engagement surveys were conducted in two additional countries, **Poland and Romania**, with the support of ICMA Group. The survey was conducted in Poland at two sites and covered both Bedding and Insulation business lines (520 employees). In Romania, the survey covered one Bedding business line site (175 employees). Both white and blue-collar employees were included in the engagement surveys.

Each year, the engagement survey will be rolled out in two new countries. In 2018, we will conduct it in **Sweden and Norway**, covering three sites and 204 employees.

Compensation and benefits

in 2017, Recticel continued to further streamline and professionalise its compensation and benefits management practices worldwide.

Group design and governance principles were implemented to administer local bonus plans aligned with the new Group Bonus Plan policy. This function is enabled by an IT solution developed in-house as part of the overall performance management process. Managers and employees can discuss and validate their bonus objectives and achievements, and the online Employee Performance Management Discussion (EPMD) platform automatically processes pay-out calculations.

The Recticel Career Map describes 30 families of jobs. On this front, Recticel made progress on implementing the newly established Hay grading structure across its European operations, concentrating initially on the Insulation division. The outcome will be analysed in light of Hay PayNet, which provides up-to-date insights into remuneration best practices in our markets and supports informed compensation and benefits decision-making.

NUMBER OF STAFF[1]

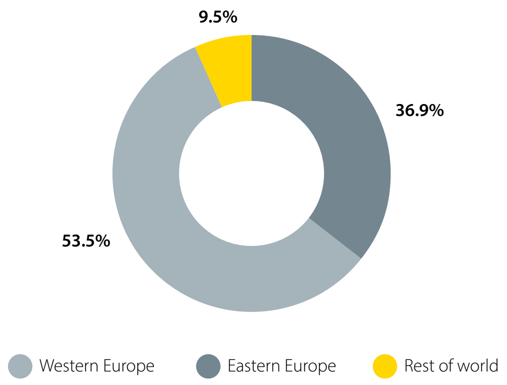
	31 DEC 2016		31 DEC 2017	
Poland	1 270	16.0%	1 338	15.9%
Czech Republic	972	12.3%	1 161	13.8%
Belgium	1 110	14.0%	1 089	12.9%
Germany	1 011	12.8%	1 019	12.1%
France	655	8.3%	606	7.2%
United Kingdom	542	6.8%	556	6.6%
People's Republic of China	236	3.0%	515	6.1%
Romania	308	3.9%	323	3.8%
The Netherlands	308	3.9%	320	3.8%
Spain	243	3.1%	245	2.9%
Austria	233	2.9%	224	2.7%
Sweden	169	2.1%	169	2.0%
USA	152	1.9%	164	1.9%
Hungary	135	1.7%	134	1.6%
Estonia	95	1.2%	95	1.1%
Switzerland	112	1.4%	94	1.1%
Finland	91	1.1%	85	1.0%
Turkey	87	1.1%	80	1.0%
Italy	61	0.8%	61	0.7%
India	42	0.5%	40	0.5%
Norway	36	0.5%	35	0.4%
Bulgaria	19	0.2%	20	0.2%
Slovakia	11	0.1%	11	0.1%
Serbia	11	0.1%	10	0.1%
Lithuania	7	0.1%	7	0.1%
Ukraine	7	0.1%	6	0.1%
Russia	5	0.1%	5	0.1%
Morocco	2	0.0%	3	0.0%
TOTAL	**7 925**	**100%**	**8 411**	**100%**

	31 DEC 2016		31 DEC 2017	
Western Europe	4 569	57.7%	4 502	53.5%
Eastern Europe	2 832	35.7%	3 108	36.9%
Rest of world	524	6.6%	802	9.5%
TOTAL	**7 925**	**100%**	**8 411**	**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).*

Total headcount per region

(FTE - December 31, 2017)



5 CORPORATE GOVERNANCE STATEMENT

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 25 April 2017. 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.

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 Conduct, applicable on all Recticel directors, corporate officers and employees, and published on Recticel's website (www.recticel.com).

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 objectives opinions about the internal control in place in the Recticel Group. 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.

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 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, amounts to EUR 867,000 for 2017.

The global amount of the remunerations for additional services of the Auditor and parties related to the Auditor, amounts to EUR 234,000 at the level of the Recticel Group. This amount consists of an amount of EUR 33,000 for additional audit related work and EUR 201,000 for other consulting assignments (consisting of an amount of EUR 169,000 for additional tax services and an amount of EUR 32,000 for other consulting assignments).

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.

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, Chief Executive Officer, is the executive director.

The Chief Executive Officer 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. The mandate of REVAM BVBA, permanently represented by Mr. Wilfried VANDEPOEL came to an end at the Ordinary General Meeting of 30 May 2017. At the Ordinary General Meeting of 30 May 2017, IPGM Consulting GmbH, represented by Ms. Anne De Vos, was appointed as a director resulting in three out of ten directors being women. As a result, the obligation of article 518bis of the Companies' Code is complied with.

The following table provides an overview of the current members of Recticel's Board of Directors (as from 30 May 2017).

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	2018	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	2018	CEO of Compagnie du Bois Sauvage SA	AC
Pierre-Yves de Laminne de Bex (4)	Director	Non-executive	1969	2014	2018	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	Agfa Healthcare (Fr-Belux), Managing director	AC
Luc MISSORTEN (6)	Director	Independent	1955	2015	2018	Chairman of Ontex	AC / RC
Kurt PIERLOOT	Director	Independent	1972	2015	2018	Member of the Executive Committee of bpost- Domestic & International	RC
Anne DE VOS (7)	Director	Independent	1958	30/05/17	2020	Sigma - Aldrich Corporation - Director, Sales & Tactical Marking	
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

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 2017.

NAME	FUNCTION	TYPE	YEAR OF BIRTH	START OF MANDATE	END OF MANDATE	PRIMARY FUNCTION OUTSIDE OF RECTICEL	MEMBERSHIP COMMITTEE
Wilfried VANDEPOEL (1)	Director	Non-executive	1945	1999	30/05/17	Van Rooy NV, Director	AC

(1) in his capacity as Permanent Representative of REVAM BVBA

AC = Audit Committee

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 30 May 2017 :

- The general meeting established that the mandate of REVAM BVBA, represented by Mr. Wilfried VANDEPOEL, as non-executive director, would end after the Ordinary General Meeting of 30 May 2017. It was not available for a renewal of the mandate. The meeting decided to foresee a replacement.

- The general meeting accepted in replacement of REVAM BVBA, represented by Mr. Wilfried VANDEPOEL, the appointment of IPGM Consulting GmbH, represented by Ms. Anne De Vos, as non-executive and independent director, for a term of three years expiring after the Ordinary General Meeting of 2020.

- The general meeting elected IPGM Consulting GmbH, represented by Ms. Anne De Vos, as independent director in the sense of articles 524 §2 and 526bis §2 of the Companies Code. She 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. Ms. Anne De Vos obtained an MBA in international marketing and a Master in Chemical Engineering and gained experience amongst others with Givaudan and Sigma Aldrich Corporation.

Taking into account the above, and upon advice of the Remuneration & Nomination Committee, the Board of Directors proposes at the Ordinary General Meeting of 29 May 2018 to approve the:

- Renewal of 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.

- Renewal of the mandate of COMPAGNIE DU BOIS SAUVAGE SERVICES SA, 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.

- Renewal of the mandate of COMPAGNIE DU BOIS SAUVAGE SA, 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.

- Renewal of 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.

- Renewal of 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.

- Confirmation of 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.

- Confirmation of 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.

- Confirmation of 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.

Functioning of the Board of Directors

The Board of Directors gathered a total of six times in 2017. One meeting handled mainly the 2017 budget and two meetings handled the establishment of the annual accounts as per 31 December 2016 and the mid-year accounts as per 30 June 2017.

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 2017.

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 2017 was:

NAME	ATTENDANCE RATE IN 2017
Johnny THIJS	6/6
Olivier CHAPELLE	6/6
Benoit DECKERS	6/6
Pierre-Yves de LAMINNE de BEX	6/6
Ingrid MERCKX	6/6
Luc MISSORTEN	6/6
Kurt PIERLOOT	6/6
Wilfried VANDEPOEL (1)	2/2
Frédéric VAN GANSBERGHE	5/6
Danielle SIOEN	4/6
Anne DE VOS (2)	4/4

(1) end of mandate 30/05/2017
(2) start of mandate 30/05/2017

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.

5. Committees set up by the Board of Directors

a) The Audit committee

In view of the modification of article 526bis of the Companies' Code, the mission and tasks of the Audit Committee for the financial year 2017 were subject to a review of the board of directors, in order to align them with the modified legislation.

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 2017 to date.

NAME	FUNCTION	ATTENDANCE RATE IN 2017
Luc MISSORTEN [(1)]	Chairman	4/4
Johnny THIJS [(2)]	Member	4/4
Ingrid MERCKX [(3)]	Member	4/4
Benoit DECKERS [(4)]	Member	4/4
Wilfried VANDEPOEL [(5)] [(6)]	Member	2/2

[(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
[(5)] In his capacity as Permanent Representative of REVAM BVBA
[(6)] End of mandate 30/05/2017

The Audit committee convened four times in 2017. Two meetings were devoted primarily to the audit of the annual accounts per 31 December 2016 and the interim accounts per 30 June 2017. 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.

b) 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 2017
Johnny THIJS [(1)]	Chairman	3/3
Kurt PIERLOOT	Member	3/3
Frédéric VAN GANSBERGHE [(2)]	Member	3/3
Luc MISSORTEN [(3)]	Member	3/3

[(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 three times in 2017.

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 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.

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 Chief Executive Officer is assisted by the Management committee, of which the members (for the period 2017 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 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.

7. Remuneration report

I. 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 2017.

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.

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*

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, except as mentioned below.

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 2018, the Board of Directors shall not propose modifications to the Ordinary General meeting of 29 May 2018, only a confirmation of the emoluments of 2017:

- 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.

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 competition;
- 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.

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 R&D), 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 defer variable remuneration payments over a three year period in case certain thresholds are passed, the Board of Directors had proposed to the 2017 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 2017 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 finally decided that it would remain in the best interest of the company to keep the variable remuneration payment structure at the same level for all Management Committee members. As the target variable remuneration bonus pay-out for the Managing Director and CEO surpasses the 25% maximum threshold, the Board will hence propose to the 2018 General Shareholders' meeting to approve, as for last year, the said deviation from the principle of a deferral over three years, and hence to allow the full payment of the variable remuneration within one year.

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. Publication of the remuneration of the directors and the members of the executive management

II.1. Gross remuneration of the directors

in EUR

NAME	ATTENDENCE FEES BOARD OF DIRECTORS 2017	FIXED REMUNERATION BOARD OF DIRECTORS 2017	AUDIT COMMITTEE 2017	REMUNERATION AND NOMINATION COMMITTEE 2017	REMUNERATION FOR SPECIAL ASSIGNMENTS	TOTAL (GROSS) 2017
THIJS JOHNNY BVBA	30 000	30 000	10 000	15 000	-	85 000
OLIVIER CHAPELLE BVBA	15 000	15 000	-	-	-	30 000
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	15 000	15 000	10 000	-	-	40 000
COMPAGNIE DU BOIS SAUVAGE SA	15 000	15 000	-	-	-	30 000
ENTREPRISES ET CHEMIN DE FER EN CHINE SA	15 000	12 500	-	7 500	-	35 000
IMRADA BVBA	15 000	15 000	10 000	-	-	40 000
REVAM BVBA (1)	6 223	7 500	5 000	-	-	18 723
REVALUE BVBA	15 000	15 000	20 000	7 500	-	57 500
Kurt PIERLOOT	15 000	15 000	-	7 500	-	37 500
Danielle SIOEN	15 000	10 000	-	-	-	25 000
IPGM Consulting GmbH (2)	8 777	10 000	-	-	-	18 777

(1) End of mandate 30/05/2017
(2) Start of mandate 30/05/2017

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 2018 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. 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	
	2017	2016	2017	2016	2017	2016
Number of persons	1	1	10	11	11	12
Fixed remuneration	520 000	500 000	2 612 904	2 295 700	3 132 904	2 795 700
Variable remuneration	354 640	497 250	744 046	1 101 548	1 098 686	1 598 798
Subtotal	**874 640**	**997 250**	**3 356 950**	**3 397 248**	**4 231 590**	**4 394 498**
Pensions	0	0	280 649	192 254	280 649	192 254
Other benefits	26 128	38 328	261 030	230 979	287 158	269 307
Total	**900 768**	**1 035 578**	**3 898 629**	**3 820 481**	**4 799 397**	**4 856 059**

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 2017, but which will only be paid out in 2018. The amount of the variable remuneration which has been paid out in the financial year 2017 can be found under the financial year 2016.
- 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 2001 are included in the Recticel Group Defined Benefit Plan. Members hired externally since 2001 are included in the Recticel Group Defined Contribution Plan. The service costs relating thereto have been included in the above overview.
- The employment contract with Mr. Philipp Burgtorf, member of the Management Committee, has been ended by mutual consent in the beginning of 2017. The departure compensation granted to him has been calculated according to the legal provisions.

II.3. Shares, stock options and other rights to acquire shares

In June 2017, a stock option plan was issued for the leading staff members of the Group.

This plan related to 410,000 stock options for a total of 30 managers. The exercise price was fixed on the average share price during the previous 30 days, namely EUR 7.00 and the exercise period runs from 1 January 2021 till 29 June 2024. The total cost for the Company for this series 2017 is EUR 0.928 per share option or EUR 380,480 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:

NAME	NUMBER OF WARRANTS ALLOCATED	THEORETICAL VALUE OF WARRANTS AT THE MOMENT OF THE ATTRIBUTION - IN EUR
Olivier CHAPELLE	60 000	55 680
Ralf BECKER	25 000	23 200
Betty BOGAERT	25 000	23 200
François DESNE	25 000	23 200
Jean-Pierre DE KESEL	25 000	23 200
Bart MASSANT	25 000	23 200
Jean-Pierre MELLEN	25 000	23 200
Jan MEULEMAN	25 000	23 200
François PETIT	25 000	23 200
Dirk VERBRUGGEN	25 000	23 200

During 2017, the following warrants expired:

- Stock option plan December 2006: issued by the Board of Directors on 22 December 2006, exercise period 1/1/2010 until 21/12/2012 with prolongation until 21/12/2017;
- Stock option plan May 2011: issued by the Board of Directors on 31 May 2011, exercise period 1/1/2015 until 29/05/2017;
- Stock option plan December 2011: issued by the Board of Directors on 22 November 2011, exercise period 1/1/2015 until 21/12/2017.

During 2017, the following stock options were exercised by the members of the Management Committee:

NAME	NUMBER OF WARRANTS EXERCISED	PLAN
Olivier CHAPELLE	59 665	May 2011
	59 665	December 2011
	35 799	December 2012
Betty BOGAERT	19 690	May 2011
	9 690	December 2011
	11 814	December 2012
François PETIT	11 814	December 2012
Jan MEULEMAN	8 353	May 2011
	8 353	December 2012
Jean-Pierre DE KESEL	19 690	May 2011
	11 814	December 2012
Jean-Pierre MELLEN	19 690	May 2011
	11 814	December 2012
Dirk VERBRUGGEN	8 353	May 2011

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

The total number of shares and warrants held by the members of the Board of Directors as per 31 December 2017 is:

DIRECTORS	SHARES	WARRANTS
THIJS JOHNNY BVBA	0	0
Johnny THIJS (permanent representative)	28 950	0
OLIVIER CHAPELLE BVBA	206 799	170 799
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	15 044 410	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 2017 is:

MEMBERS OF THE MANAGEMENT COMMITTEE	SHARES	WARRANTS
Ralf Becker	0	50 000
Betty Bogaert	16 504	79 714
Jean-Pierre De Kesel	21 004	73 714
François Desné	6 250	25 000
Bart Massant	0	50 000
Jean-Pierre Mellen	14 004	79 714
Jan Meuleman	8 353	66 110
François Petit	11 814	61 814
Dirk Verbruggen	9 414	77 208

II.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/ SEVERANCE PAY	COMMENTS
Olivier Chapelle	12 months	
Ralf Becker	12 months	
Betty Bogaert	12 months	Legal minimum - Claeys formula applies until 31/12/2013 - Then new legislation
Jean-Pierre De Kesel	18 months	Legal minimum - Claeys formula applies until 31/12/2013 - Then new legislation
François Desné	6 months	12 months as from October 2017
Bart Massant	12 months	
Jean-Pierre Mellen	15 months	
Jan Meuleman	15 months	Legal minimum - Claeys formula applies until 31/12/2013 - Then new legislation
François Petit	12 months	
Dirk Verbruggen	12 months	Legal minimum

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 2017, 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 June 2017 whereby Mr 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 June 30, 2017 in this regard.

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.

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.

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:

Name	DATE OF NOTIFICATION	NUMBER OF SHARES [2]	% OF VOTING RIGHTS ATTACHED TO SHARES (EXCLUDING SHARES HELD BY RECTICEL) [1] [4]	% OF VOTING RIGHTS ATTACHED TO SHARES (INCLUDING SHARES HELD BY RECTICEL) [1] [4]
Compagnie du Bois Sauvage SA [2] [3]	13/05/2015	15 044 410	27,63%	27,47%
Entreprises Chemins de Fer en Chine SA [2] [3]	26/05/2015	0	0,00%	0,00%
Total Compagnie du Bois Sauvage SA		**15 044 410**	**27,63%**	**27,47%**
Capfi Delen Asset Management NV	28/05/2015	2 130 992	3,91%	3,89%
BNP Investment Partners	12/05/2016	1 615 744	2,97%	2,95%
Dimensional Holdings Inc/Dimensional Fund Advisors LP [5]	10/05/2017	1 628 985	2,99%	2,97%
Public	N/A	34 029 426	62,50%	62,12%
Total (excluding treasury Shares)		**54 449 557**	**100,00%**	**99,40%**
Treasury Shares	N/A	326 800		0,60%
Total (including treasury Shares)		**54 776 357**		**100,00%**

[1] The percentage of voting rights is calculated on the basis of the 54,776,357 existing Shares as at 31 December 2017. The calculation is adjusted to take into account that the voting rights attached to the 326,800 own Shares held by the Company are suspended by operation of law.
[2] The percentage of voting rights is calculated on the basis of the 54,776,357 existing Shares as at 31 December 2017 (including the own Shares held by the Company), based upon the information received by the Company from its shareholders as per 31 December 2017- which may be different from the actual situation
[3] For the purposes of their transparency declaration dated 13 and 26 May 2015, Compagnie du Bois Sauvage SA and Entreprises et Chemins de Fer en Chine SA included the 326,800 own Shares held by the Company in the number of Shares controlled by them, given that they are deemed to be acting in concert with the Company for the purposes of the applicable transparency disclosure rules.
[4] Due to rounding, the sum of the percentages of voting rights included in this table may not exactly amount to 100%

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).

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 175,000,000 EUR 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 and June 2017 (warrant plans December 2012, April 2014, June 2015, April 2016, June 2017) 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. Approval hereof shall be proposed to the General meeting of 29 May 2018 in accordance with article 556 of the Companies Code.

These clauses were specifically approved by Recticel's General Shareholder Meeting or will be submitted for approval at the General Meeting on 29 May 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.

6 GLOSSARY

GENERAL CONCEPTS

Blowing agent	Carbon dioxide is produced from the reaction of isocyanate and water. This gas functions as blowing agent in the production of flexible foam.
Catalyst	Accelerates the reaction process and ensures the balance in the polymerization and the blowing. Catalysts determine the foaming speed of the process.
Dodecahedron	A regular dodecahedron or a spatial figure with 12 pentagonal faces, 20 end points and 30 edges. This is one of the five regular polyhedra in three dimensions.
Colo-Fast®	Aliphatic polyurethane that is distinguished by its colour fastness (light-stable).
Colo-Sense®	Variation of Colo-Fast®.
Frequency rate of industrial accidents	Time cost of industrial accidents per million working hours.
IDC	Is short for International Development Centre, the department for international research and development of the Recticel Group.
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	Is short for 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.
REACH	Is a system for Registration, Evaluation and Authorization of Chemical substances that are produced or imported in the European Union. This regulation came into force on 01 June 2007.
Stabilizers	Provides the homogeneous structure and the stabilization of the cellular network up to the complete rise of the foam in the reaction process.
Severity index of accidents	Number of calendar days lost per thousand working hours.
TDI	Toluene diphenyl diisocyanate.

FINANCIAL CONCEPTS

• IFRS MEASURES

Associated companies	Entities in which Recticel has a significant influence and that are processed using the equity-method.
CGU	Is short for Cash Generating Unit or cash flow generating unit.
Combined figures	Figures including Recticel's pro rata share in the joint ventures, after elimination of intercompany transactions, in accordance with the proportional consolidation method.
Consolidated figures	Figures following the application of IFRS 11, whereby Recticel's joint ventures are integrated on the basis of the equity method.
Earnings per share, base	Net result for the period (Group share) / Average outstanding shares over the period.
Earnings per share, diluted	Net result for the period (Group share) / [Average number of outstanding shares over the period – own shares + (number of possible new shares that have to be issued within the framework of the existing outstanding stock option plans x dilution effect of the stock option plans)].
EBIT	Operating results + profit or loss from equities.
EBITDA	EBIT + depreciation and additional impairments/increases on assets.
Equity capital	Total equity, including minority interests.
Investments	Capitalized investments in tangible and intangible assets.
Joint ventures	Entities that are controlled jointly and that are consolidated proportionately. Following the early adaption of IFRS 11 since 2013, these participations are consolidated following the equity method.
Net financial debt	Interest bearing financial debts at more than one year + interest bearing financial debts within maximum one year – cash and cash equivalents - Available for sale investments + Net marked-to-market value position of hedging derivative instruments.
Subsidiaries	Fully consolidated entities under Recticel control.

• ALTERNATIVE PERFORMANCE MEASURES

Appropriated capital	Net intangible fixed assets + goodwill + tangible fixed assets + working capital. Average = [Appropriated capital at the end of last year + Appropriated capital at the end of the last period] / 2.
Appropriated capital, Average	Half yearly: average appropriated capital at the beginning and at the end of the period. Average = [Appropriated capital at the end of last year + Appropriated capital at the end of the last period] / 2. For the full year: average of the half yearly averages.
Gearing ratio	Net financial debt / Total equity (including shares of external parties).
Leverage	Net financial debt/EBITDA
Market capitalization	Closing price x total number of outstanding shares.
Non-recurring elements	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 onereous 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.
Recurring EBIT(DA) or REBIT(DA)	EBIT(DA) before non-recurring elements.
Return on Capital Employed	EBIT / average appropriated capital.
Return on Equity (ROE)	Net result for the period (share of the Group) / Average total equity over the period (the Group's share).
ROCE	Represents Return on Capital Employed.
Total net financial debt	= Net financial debt + the drawn amounts under off-balance sheet non-recourse factoring/ forfeiting programs.
Working capital	Inventories + trade receivables + other receivables + recoverable taxes - trade payables - payable taxes - other commitments.

7 FINANCIAL REPORT

Financial Report 2017

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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.

I. Consolidated financial statements

The consolidated financial statements have been authorised for issue by the Board of Directors on 23 February 2018.

I.1. Consolidated income statement

in thousand EUR

Group Recticel	NOTES*	2017	2016
Sales	**II.3.**	**1 135 353**	**1 048 323**
Distribution costs		(61 952)	(57 855)
Cost of sales		(889 866)	(789 360)
Gross profit[1]		**183 535**	**201 108**
General and administrative expenses	II.4.1.	(78 426)	(79 395)
Sales and marketing expenses	II.4.1.	(69 537)	(72 031)
Research and development expenses		(13 724)	(12 890)
Impairments of intangible and tangible assets	II.3.1.	(7 009)	(1 672)
Other operating revenues (1)		*55 976*	*6 907*
Other operating expenses (2)		*(28 344)*	*(19 735)*
Total other operating revenues/(expenses) (1) + (2)	II.4.2.	27 632	(12 828)
Income from joint ventures and associates	II.5.5.	2 390	16 927
EBIT	**II.4.3.**	**44 861**	**39 219**
Interest income		615	689
Interest expenses		(7 075)	(8 784)
Other financial income		12 585	7 116
Other financial expenses		(10 867)	(10 749)
Financial result	**II.4.4.**	**(4 742)**	**(11 728)**
Result of the period before taxes		**40 119**	**27 491**
Current income taxes	II.4.5.	(5 986)	(3 539)
Deferred taxes	II.4.5.	(10 220)	(7 622)
Result of the period after taxes		**23 913**	**16 330**
of which non-controlling interests		0	0
of which share of the Group		23 913	16 330

[1] The gross profit 2017 includes EUR -30.0 million non-recurring costs from additional expenses incurred due to alternative production solutions and operational inefficiencies following the fire incident in in the Most-plant (Automotive Interiors - Czech Republic).

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

I.2. Earnings per share

in EUR

Group Recticel	NOTES *	2017	2016
Basic earnings per share	II.4.7.	0,44	0,31
Diluted earnings per share	II.4.8.	0,43	0,30

I.3. Consolidated statement of comprehensive income

in thousand EUR

Group Recticel	2017	2016
Result for the period after taxes	**23 913**	**16 330**
Other comprehensive income		
Items that will not subsequently be recycled to profit and loss		
Actuarial gains and losses on employee benefits	(4 082)	(7 971)
Deferred taxes on actuarial gains and losses on employee benefits	(738)	2 656
Currency translation differences	291	886
Joint ventures and associates	(383)	296
Total	**(4 912)**	**(4 133)**
Items that subsequently may be recycled to profit and loss		
Hedging reserves	2 212	1 857
Currency translation differences	(6 509)	(5 057)
Foreign currency translation reserve difference recycled in the income statement	0	(332)
Deferred taxes on interest hedging reserves	(781)	(631)
Deferred taxes on retained earnings	1 225	0
Joint ventures and associates	1 154	355
Total	**(2 699)**	**(3 808)**
Other comprehensive income net of tax	**(7 611)**	**(7 941)**
Total comprehensive income for the period	**16 302**	**8 389**
Total comprehensive income for the period	**16 302**	**8 389**
of which attributable to non-controlling interests	0	0
of which attributable to the owners of the parent	16 302	8 389

For more details of other comprehensive income from Interests in Joint Ventures and Associates, see II.5.5.

I.4. Consolidated balance sheet

in thousand EUR

Group Recticel	NOTES *	31 DEC 2017	31 DEC 2016
Intangible assets	II.5.1.	12 323	12 104
Goodwill		24 169	25 073
Property, plant & equipment	II.5.2.& II.5.3.	226 783	216 207
Investment property		3 331	3 331
Interests in joint ventures and associates	II.5.4. & II.5.5.	76 241	82 389
Other financial investments		64	71
Available for sale investments		603	410
Non-current receivables	II.5.6.	14 804	13 860
Deferred taxes	II.4.5.	26 241	37 820
Non-current assets		**384 559**	**391 265**
Inventories and contracts in progress	II.5.7. & II.5.8.	99 408	91 900
Trade receivables	II.5.9.	110 935	101 506
Other receivables	II.5.9.	73 373	69 561
Income tax receivables		1 350	1 441
Other investments		123	107
Cash and cash equivalents	II.5.10.	57 844	37 174
Assets held for sale	II.5.11.	2 570	0
Current assets		**345 603**	**301 689**
TOTAL ASSETS		**730 162**	**692 954**

* The accompanying notes are an integral part of this balance sheet.

in thousand EUR

Group Recticel	NOTES *	31 DEC 2017	31 DEC 2016
Share capital	II.5.12.	136 941	135 156
Share premium account	II.5.13.	127 982	126 071
Share capital		**264 923**	**261 227**
Treasury shares		(1 450)	(1 450)
Other reserves		(22 633)	(17 430)
Retained earnings		40 868	24 855
Hedging and translation reserves		(19 922)	(15 997)
Equity - share of the Group		**261 786**	**251 205**
Non-controlling interests		0	0
Total equity		**261 786**	**251 205**
Pensions and similar obligations	II.5.14.	54 295	50 979
Provisions	II.5.15.	14 266	13 208
Deferred taxes	II.4.5.	9 113	10 116
Financial leases	*II.5.16 & II.5.17.*	*18 078*	*8 683*
Bank loans	*II.5.16.*	*76 160*	*86 589*
Other loans		*1 842*	*1 777*
Interest-bearing borrowings	II.5.16.	96 080	97 049
Other amounts payable		230	183
Non-current liabilities [(1)]		**173 984**	**171 535**
Pensions and similar obligations	II.5.14.	3 978	4 168
Provisions	II.5.15.	1 155	1 780
Bonds and notes		*0*	*27 269*
Other loans	*II.5.16.*	*48 988*	*22 878*
Interest-bearing borrowings	II.5.16.	48 988	50 147
Trade payables	II.5.19.	126 584	102 929
Income tax payables		2 411	2 291
Other amounts payable	II.5.19.	111 276	108 899
Current liabilities [(2)]		**294 392**	**270 214**
Total liabilities [(1)+(2)]		**468 376**	**441 749**
TOTAL LIABILITIES + TOTAL EQUITY		**730 162**	**692 954**

* The accompanying notes are an integral part of this balance sheet.

I.5. Consolidated cash flow statement

in thousand EUR

Group Recticel	NOTES *	2017	2016
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	II.4.3.	**44 861**	**39 219**
Amortisation of intangible assets	II.5.1.	2 785	2 896
Depreciation of tangible assets	II.5.2.	26 578	27 582
Amortisation of deferred long term and upfront payment	II.4.3.	1 569	1 338
Impairment losses on intangible assets		0	700
Impairment losses on tangible assets	II.5.2.	7 009	972
Write-offs/(write-backs) on assets		6 489	(1 557)
Changes in provisions		(484)	(3 577)
(Gains) / Losses on disposals of assets		(853)	292
Income from joint ventures and associates		(2 390)	(16 927)
GROSS OPERATING CASH FLOW BEFORE WORKING CAPITAL MOVEMENTS		**85 563**	**50 938**
Inventories		*(11 827)*	*137*
Trade receivables		*(3 921)*	*(20 704)*
Other receivables		*(9 601)*	*(5 799)*
Trade payables		*14 892*	*8 122*
Other payables		*7 514*	*19 224* [1]
Changes in working capital		**(2 943)**	**980**
Trade and other long term debts and debt maturing <1 year		*(5)*	*(6 915)* [1]
Tax credit non-current receivables		*(1 293)*	*0* [1]
Income taxes paid		(5 749)	(2 539)
NET CASH FLOW FROM OPERATING ACTIVITIES [(a)]		**75 573**	**42 465**
Interests received		1 026	1 052
Dividends received		8 800	7 350
Increase of loans and receivables		(501)	(11 096)
Decrease of loans and receivables		1 203	2 751
Investments in intangible assets	II.5.1.	(3 124)	(3 060)
Investments in property, plant and equipment	II.5.3.	(61 061)	(40 552)
Investment in associates		0	(1 513)
Disposals of intangible assets	II.5.1.	107	95
Disposals of property, plant and equipment	II.5.3.	12 746	7 506
Disposals of investments in joint ventures		0	503
(Increase) / Decrease of investments available for sale		(16)	(16)
NET CASH FLOW FROM INVESTMENT ACTIVITIES [(b)]		**(40 820)**	**(36 980)**
Interests paid on financial debt [(1)]		(6 913)	(7 225)
Interests paid on lease debt [(1)]		(179)	(334)
Dividends paid		(9 683)	(7 492)
Increase of capital		3 695	1 210
Increase of financial debt		34 372	85 326
Increase of lease debt		9 524	506
Decrease of financial debt		(44 108)	(90 932)
Decrease of lease debt		(2 079)	(3 236)
NET CASH FLOW FROM FINANCING ACTIVITIES [(c)]		**(15 369)**	**(22 176)**
Effect of exchange rate changes [(d)]		1 280	(2 101)
Effect of changes in scope of consolidation and of foreign currency translation reserves recycled [(e)]		5	0
CHANGES IN CASH AND CASH EQUIVALENTS [(a)+(b)+(c)+(d)+(e)]		**20 669**	**(18 792)**
Net cash position opening balance		37 174	55 967
Net cash position closing balance		57 844	37 174
CHANGES IN CASH AND CASH EQUIVALENTS		**20 669**	**(18 792)**
NET FREE CASH FLOW [(a)+(b)+(1)]		**27 662**	**(2 074)**

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** increased from EUR 50.9 million to EUR 85.6 million, or +68.0% compared to 2016. The variance of EUR 34.6 million is primarily the result of:

(i) EUR 5.6 million higher EBIT, explained by:
- a combination of higher sales prices, positive product/market-mix and operational efficiency
- a higher impact from net non-recurring elements (EUR -18.4 million compared to EUR -13.9 in 2016)

(ii) higher corrective non-cash items of EUR 29.0 million, of which:
- EUR -4.5 million for depreciation, amortization and impairments
- EUR +14.5 million relating to the lower contribution from joint ventures and associates (EUR 2.4 million versus EUR 16.9 million in 2016)
- EUR +3.1 million net for provisions for pensions, restructurings, environmental risks and civil claims.
- EUR +8.0 million for write-offs (of which EUR 5.4 million on assets of the Interiors plant in Most, Czech Republic that were destroyed by the fire incident)
- EUR -1.1 million fair value gains and losses on disposal of assets

The **net cash flow from operating activities** increased by EUR +33.1 million from EUR +42.5 million to EUR 75.6 million; after deduction of higher net working capital needs (EUR -2.9 million) - following the higher activity levels and increased raw material prices -, and taxes elements (EUR -7.0 million)

The main variance in working capital elements are:

(i) EUR -11.8 million from higher inventories as a result of higher raw material prices
(ii) EUR -3.9 million from higher trade receivables, particularly in Automotive Interiors due to the business expansion in China, mitigated by a higher utilisation of factoring programs
(iii) EUR -9.6 million from higher other receivables
(iv) EUR +14.9 million from higher trade payables
(v) EUR +7.5 million from higher other payables

In addition, the net cash flow from operating activities was impacted by:

(i) EUR -1.3 million from long term tax credits
(ii) EUR -5.7 million income taxes paid.

The **net cash flow from investment activities** increased from EUR -37.0 million to EUR -40.8 million.

The increase mainly results from EUR 20.6 million higher net cash outlays for investments in intangible assets (EUR -3.1 million) and property, plant & equipment (EUR -61.1 million) compared to previous year. The increase in capital expenditures relates mainly to the investments in the Interiors plant in Most (Czech Republic) after the fire incident, the finalisation of the investment programs in Automotive Interiors (i.e. China) and the lease back (EUR -9.3 million) of the expansion of the Insulation plant in Wevelgem (Belgium).

EUR +12.7 million has been generated from the disposal of property, plant & equipment (EUR +7.5 million in 2016). The disposals relate mainly to (i) the sale & lease back transaction of the Insulation plant in Belgium (EUR +8.8 million) and (ii) the sale of equipment in Automotive Interiors in China (EUR +3.1 million).

Other loans & receivables decreased by EUR 0.7 million (EUR -8.3 million in 2016) and relate mainly to short-term and long-term loans to affiliates.

The **cash flow from financing activities** decreased from EUR -22.2 million to EUR -15.4 million. It includes:

- interest payments on financial and lease debt, which slightly decreased from EUR –7.6 million to EUR -7.1 million
- dividends paid (EUR -9.7 million versus EUR -7.5 million in 2016)
- a share capital increase by EUR +3.7 million following the exercise of warrants
- a net decrease of EUR -2.3 million in gross financial and lease debt.

At year-end the 'cash and cash equivalents' position amounted to EUR +57.8 million, an increase of EUR +20.7 million compared to end-2016.

The **net free cash flow** resulting from (i) the net cash flow from operating activities (EUR +75.6 million) (ii) the net cash flow from investment activities (EUR -40.8 million) and (iii) the interest paid on financial and lease debt (EUR -7.1 million), amounts to EUR +27.7 million, compared to EUR -2.1 million in 2016.

Changes in liabilities arising from financing activities

in thousand EUR

Group Recticel	31 DEC 2016	CASH FLOWS	NON-CASH CHANGES						31 DEC 2017
					COST OF DEBT				
			INTERESTS ACCRUED	FAIR VALUE OF HEDGING INSTRUMENTS	ACTUALISATION	AMORTISATION OF ARRANGEMENT FEES	TRANSFER	FOREIGN EXCHANGE MOVEMENTS	
Long term borrowings	88 366	(10 907)	0	0	0	279	264	0	78 002
Short term borrowings	39 647	1 172	11	0	331	0	10	3 367	44 538
Lease liabilities	12 335	7 445	0	0	23	0	52	0	19 855
Accrued interest liabilities	6 848	(7 092)	6 403	(2 212)	0	0	(49)	(1 225)	2 673
Total liabilities from financing activities	**147 196**	**(9 382)**	**6 414**	**(2 212)**	**354**	**279**	**277**	**2 142**	**145 068**

I.6. Statement of changes in shareholders' equity

For the year ending 2017

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TRANSLATION DIFFERENCES RESERVES	HEDGING RESERVES	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY, NON-CONTROLLING INTERESTS INCLUDED
At the end of the preceding period (31 December 2016)	**135 156**	**126 071**	**(1 450)**	**(17 430)**	**24 855**	**(11 043)**	**(4 954)**	**251 205**	**0**	**251 205**
Dividends	0	0	0	0	(9 679)	0	0	(9 679)	0	(9 679)
Stock options (IFRS 2)	0	0	0	263	0	0	0	263	0	263
Capital movements (1)	1 785	1 911	0	(554)	554	0	0	3 696	0	3 696
Shareholders' movements	**1 785**	**1 911**	**0**	**(291)**	**(9 125)**	**0**	**0**	**(5 720)**	**0**	**(5 720)**
Profit or loss of the period	**0**	**0**	**0**	**0**	**23 913**	**0**	**0**	**23 913**	**0**	**23 913**
Other comprehensive income	**0**	**0**	**0**	**(4 912)**	**1 225**	**(5 356)**	**1 431**	**(7 612)**	**0**	**(7 612)**
At the end of the current period (31 December 2017)	**136 941**	**127 982**	**(1 450)**	**(22 633)**	**40 868**	**(16 399)**	**(3 523)**	**261 786**	**0**	**261 786**

(1) see notes II.5.12. and II.5.13.

For the year ending 2016

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	TREASURY SHARES	OTHER RESERVES	RETAINED EARNINGS	TRANSLATION DIFFERENCES RESERVES	HEDGING RESERVES	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY, NON-CONTROLLING INTERESTS INCLUDED
At the end of the preceding period (31 December 2015)	**134 329**	**125 688**	**(1 450)**	**(12 324)**	**14 906**	**(5 986)**	**(6 203)**	**248 960**	**0**	**248 960**
Dividends	0	0	0	0	(7 522)	0	0	(7 522)	0	(7 522)
Stock options (IFRS 2)	0	0	0	(430)	598	0	0	168	0	168
Capital movements (1)	827	383	0	(146)	146	0	0	1 210	0	1 210
Reclassification	0	0	0	(396)	396	0	0	0	0	0
Income tax relating to components of shareholders' movements	0	0	0	0	0	0	0	0	0	0
Shareholders' movements	**827**	**383**	**0**	**(972)**	**(6 382)**	**0**	**0**	**(6 144)**	**0**	**(6 144)**
Profit or loss of the period	**0**	**0**	**0**	**0**	**16 330**	**0**	**0**	**16 330**	**0**	**16 330**
Other comprehensive income	**0**	**0**	**0**	**(4 134)**	**1**	**(5 057)**	**1 249**	**(7 941)**	**0**	**(7 941)**
At the end of the current period (31 December 2016)	**135 156**	**126 071**	**(1 450)**	**(17 430)**	**24 855**	**(11 043)**	**(4 954)**	**251 205**	**0**	**251 205**

(1) see notes II.5.12. and II.5.13.

II. Notes to the consolidated financial statements for the year ending 31 December 2017

II.1. Summary of significant accounting policies

II.1.1. Statement of compliance - basis of preparation

Recticel s.a./n.v. (the "Company") is a limited company domiciled in Belgium. 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.

II.1.2. Changes in accounting policies and disclosures

Standards and interpretations applicable for the annual period beginning on 1 January 2017

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 12 (applicable for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual periods beginning on or after 1 January 2017)

Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2017

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 1 and IAS 28 (applicable for annual periods beginning on or after 1 January 2018)
- Annual improvements to IFRS Standards 2015-2017 Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)

The above standards do not have a material impact on the financials.

Potential impact of new standards and of new standards which are yet not applicable

- IFRS 15 Revenue from Contracts with Customers, applicable as from 1 January 2018

IFRS 15 was issued in May 2014 and Clarifications to IFRS 15 in April 2016 as part of a convergence project with the FASB. The standard is to be applied for reporting periods beginning on 1 January 2018 or later. The standard replaces the current standards IAS 18 and IAS 11 as well as their interpretations.

Either a full retrospective application or a modified retrospective application is required. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. Under this method, IFRS 15 will only be applied to contracts that are not completed as of the date of initial application (1 January 2018). This would mean that comparative figures of 2017 will not be restated and that the cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings of 2018.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expect to be entitled in exchange for those goods or services. The new standard establishes a five-step approach to revenue recognition:

- Step 1: Identifying contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, revenue is recognized when a customer obtains control of an asset or service, i.e., when it has both the ability to direct the use and obtain the benefits of the asset or service. The customer obtains control at a specific moment in time or over time. IFRS 15 includes new guidance in order to determine whether revenue should be recognized over time or at a point in time. Under the current standard IAS 18, "transfer or risks and rewards" was the main element as to the timing of revenue recognition in respect of sale of goods.

During 2016, the Group performed a preliminary assessment of IFRS 15 at the level of the parent entity and its subsidiaries, which is subject to changes arising from a more detailed on-going analysis.

At this stage, no detailed review of some major contracts was actually performed. The preliminary findings discussed below are based on discussions with controllers of the different operating segments of the Group, personnel involved in contract negotiations and business line leaders.

As explained in its annual report 2016, the Group has preliminary concluded that under IFRS 15 some moulds in Automotive are not capable of being distinct and are therefore to be combined with the specific parts to be delivered which are produced using the specific mould. This would defer the recognition of revenue in respect of these moulds over a longer period compared to current practice where revenue is recognized over the construction period of the mould by applying the percentage of completion. The Group estimates the impact of the related restatement on total equity to fall within a range of EUR -19 million to EUR -21 million before tax.

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

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

The Group elected not to restate the comparative amounts of 2017 for the impact of IFRS 9.

Classification and measurement of financial assets

The date of initial application (i. e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group applies the requirements of IFRS 9 to instruments that have not been derecognized as at 1 January 2018 and does not apply the requirements of IFRS 9 to instruments that have already been derecognized as at 1 January 2018.

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" such as non-current receivables, trade receivables, cash and cash equivalents, other receivables (except for derivatives) under IAS 39 are classified and measured at amortised cost under IFRS 9;
- The financial assets (unquoted 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 designated as at fair value through other comprehensive income. The 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 applicable of IFRS 9.

Impairment of financial assets

In relation to the 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 recognize 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.

The 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. These loans are also assessed to have credit risk other than low. Accordingly, the Group recognizes lifetime ECL for these loans until they are derecognized.

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.

All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

The introduction of 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 applicable 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.

In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Group's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018.

As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

The application of the IFRS 9 hedge accounting requirements has no impact on the Group's financial position or total comprehensive income at the date of initial applicable of IFRS 9.

- IFRS 16 Leases (effective from annual periods beginning on or after 1 January 2019).

IFRS 16 replaces the existing lease accounting requirements and represents a significant change in the accounting and reporting of leases that were previously classified as operating leases, with significant increase of assets resulting from the recognition of the right-of-use assets and corresponding liabilities related to thse leases to be reported on the balance sheet as well as a different recognition of contractual lease costs. The Group is in process of assessing the potential impact of IFRS 16 on the amounts recognized in the Group's consolidated financial statements. It is not practicable to provide a reasonable estimate of the impact until the review has been completed.

Operating lease agreements are further disclosed in note II.6.1.

II.1.3. 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

Transactions in currencies other than EUR are accounted for at the exchange rates prevailing at the date of the transactions. At each balance sheet 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.

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 (attributed 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-attributed 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 recognized 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 recognized 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 IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

• *Jointly controlled entities*

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011). 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. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

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, which were classified as a jointly controlled entity under IAS 31 and was accounted for using the proportionate consolidation method, 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 (e.g. 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 (e.g. 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 39 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 IAS 39. 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 recognized 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.

II.1.4. Balance sheet items

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.

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	: 5 years maximum
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

• *Financial leases*

Leases are classified as financial 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 financial 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 balance sheet 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 financial 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 balance sheet 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 investments

Investments are recognised or derecognised on the trade date which is the date the Group undertakes to purchase or sell the asset. Financial investments are initially measured at the fair value of the consideration given, including transaction costs.

Investments held for trading or available for sale are subsequently carried at their fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period.

For investments available for sale, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is deemed to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Equity participations classified as 'available for sale', which are not quoted on an active market and for which the fair value cannot be measured reliably by alternative valuation methods, are measured at cost.

Financial investments which are 'held to maturity' are carried at amortised cost, using the effective interest rate method, except for short-term deposits, which are carried at cost.

• *Impairment of financial assets*

The impairment loss of a financial asset measured at amortised cost is equal to the difference between the carrying amount and the estimated future cash flows, discounted at the initial effective rate. The impairment of an available-for-sale financial asset is calculated with reference to its current fair value.

An impairment test is performed, on an individual basis, for each material financial asset. Other assets are tested as groups of financial assets with similar credit risk characteristics.

Impairment losses are recognised in profit and loss. With respect to available-for- sale assets, in the event of an impairment loss, the cumulative negative changes in fair value previously recognised in equity are transferred to profit and loss.

The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment was recognised.

For financial assets measured at amortised cost and available-for-sale financial assets, the reversal is recognised in profit and loss. For available-for-sale financial assets which represent equity instruments, the reversal is recognised directly in equity. Impairment losses relating to assets recognised at cost cannot be reversed.

• *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 and loss.

On the partial derecognition of a financial asset other than its entirety (e.g. 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.

Receivables

Short-term receivables are recognised at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

Interest-bearing borrowings and equity instruments

Interest-bearing borrowings and equity instruments are classified 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 (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 including in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

• Interest-bearing borrowings at fair value through profit and loss

Interest-bearing borrowings are classified at fair value through profit and loss ("FVTPL") if they are held for trading. Interest-bearing borrowings at FVTPL are stated at fair value with any resultant gains or losses recognised in profit and loss. A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as FVTPL unless they are designated and effective as hedges.

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 contributions" plans are charged as expenses as they fall due. It is the Group policy to have "defined contributions" 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 balance sheet 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 balance sheet is negative, the asset does 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 obligations" 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 recognized 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 recognize 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 recognizes 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 the notes.

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 will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 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

Provisions are recognised in the balance sheet when the Group has a present obligation (legal or constructive) resulting from a past event and which is expected to result in a future outflow of resources which can be reliably estimated.

Provisions for warranty costs are recognised at the date of sale of the relevant products based on the best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for restructuring that has been communicated to affected parties before the balance sheet date.

Interest-bearing borrowings

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.

Non-interest-bearing payables

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 financial instruments are accounted for as follows:

- ***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.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

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.

II.1.5. Revenue recognition

General

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 from investments is recognised when the shareholders' rights to receive payment have been established.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date.

This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Variations in contract work, claims and incentive payments are recognised when it is probable that these will be accepted by the customer and the amounts can be measured reliably.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that the contract costs incurred will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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 balance sheet 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 balance sheet 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.1.6. Critical accounting assessment 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:

- additional impairments in respect of fixed assets, including Goodwill;
- determination of provisions for restructuring, contingent liabilities and other exposures;
- determination of provisions for irrecoverable receivables;
- determination of write-downs on inventories;
- valuation of post-employment defined benefit obligations, other long term employee benefits and termination benefits;
- the recoverability of deferred tax assets.

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.

II.1.6.1. Impairments on goodwill, intangible assets and property, plant and equipment

For amortized 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. Goodwill can be allocated for impairment testing to a group of cash generating units (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 capacity. This approach leads to the determination of four CGUs:

- CGU “Flexible Foams - United Kingdom”;
- CGU “Flexible Foams - Continental”;
- CGU “Flexible Foams - Scandinavia”;
- CGU “Flexible Foams - International”.

An impairment analysis was performed for the CGUs “Flexible Foams - United Kingdom” and “Flexible Foams - Scandinavia” considering the goodwill allocated to these CGUs. For the other CGUs of the Flexible Foams division, there is no goodwill and there are no impairment indicators for the long term assets, hence no impairment review is required in accordance with IAS36.

For the segment **Bedding**, the CGU level is defined globally at the Bedding segment level as a whole, considering the strong interdependence between the different markets and production capacity and the central decision making process.

The net book value of the assets retained for impairment tests, as included in the below table, represents about 85.5% of the total goodwill, 45.2% of the total property, plant and equipment and 38.2% of the total intangible assets. The examined assets relate to (i) the Flexible Foams’ activities in the United Kingdom and Scandinavia, (ii) Bedding activities at the level of the whole segment and to (iii) the Automotive-Interiors’ operations of the Group.

The most relevant results of these tests are listed below:

For **2017:**

Book value in thousand EUR

Group Recticel	FLEXIBLE FOAMS		BEDDING	AUTOMOTIVE	TOTAL
	United Kingdom	**Scandinavia**		**Interiors**	
Goodwill	4 048	5 449	11 160	0	20 657
Other intangible assets	117	891	1 544	2 149	4 701
Property, plant & equipment	3 123	8 450	30 303	60 725	102 601
Total	**7 288**	**14 790**	**43 007**	**62 874**	**127 959**
Impairments	0	0	(141)	(6 696)	(6 837)
Net book value	**7 288**	**14 790**	**42 866**	**56 178**	**121 122**

Footnote: Working capital is not included in the analysis.

For **2016:**

Book value in thousand EUR

Group Recticel	FLEXIBLE FOAMS		BEDDING	AUTOMOTIVE	TOTAL
	United Kingdom	**Scandinavia**		**Interiors**	
Goodwill	4 194	5 583	11 647	0	21 424
Other intangible assets	154	253	2 692	2 525	5 624
Property, plant & equipment	4 084	7 277	32 368	51 466	95 195
Total	**8 432**	**13 113**	**46 707**	**53 991**	**122 243**
Impairments	(284)	0	(1 130)	0	(1 414) [1]
Net book value	**8 148**	**13 113**	**45 577**	**53 991**	**120 829**

Footnote: Working capital is not included in the analysis.
[1] excluding an additional impairment (EUR 0.258 million) resulting from the restructuring of the Flexible Foams plant in Noyen-sur-Sarthe (France) in 2016; hence the total amount of impairments recognised in 2016 amounts to EUR 1.672 million.

For the impairment test of the balance sheet items included in the table above, certain assumptions were made. The recoverable amount of the total "cash-generating unit" ("CGU") is determined on the basis of the value-in-use model.

An impairment has been recognised due to (i) idle equipment resulting from the rationalisation of the industrial footprint in Flexible Foams (The Netherlands) (EUR 0.2 million) and in Bedding (Germany) (EUR 0.1 million).

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 7.0% is used for all CGUs (6.4% in 2016). 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 relatively limited (1.4% 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)

Group target ratios:	**2017**	**2016**
Gearing: net financial debt/total equity	50%	50%
% net financial debt	33%	33%
% total equity	67%	67%
Pre-tax cost of debt	**3.2%**	**3.6%**
Pre-tax cost of equity = $(R_f + E_m * \beta + S_p)/(1\text{-}T)$	**11.7%**	**9.3%**
Risk free interest rate = R_f	2.0%	0.77%
Beta = β	1.05	0.80
Market equity risk premium = E_m	5.5%	6.5%
Small cap premium = S_p	1.0%	1.0%
Corporate tax rate = T	**25.0%**	**25.0%**
Assumed inflation rate	1.9%	1.0%
Pre-tax WACC (weighted average cost of capital)	**7.0%**	**6.4%**

The discount factors are reviewed at least annually.

II.1.6.1.1. Flexible Foams

II.1.6.1.1.1. Key assumptions

For the CGU "Flexible Foams – United Kingdom" the value-in-use model projections are based on budgets and financial plans covering a two-year period without any anticipated average growth in sales. After this 2-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 2.3 times (2016: 9.4 times) the net asset book value, and the value-in-use of the CGU "Flexible Foams – Scandinavia" amounts to 6.4 times (2016: 5.6 times) the net asset book value.

II.1.6.1.1.2. 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 tabel below).

A second sensitivity analysis (B) is performed to measure the impact of a changing gross margin on sales (-1%) on the outcome of the impairment tests – applied on the business plan 2018-2020 and the perpetuity (see overview tabel 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 2018-2020 and the perpetuity- on the outcome of the impairment tests (see overview tabel below). Considering the uncertainty and volatility of the environment in the United Kingdom, a sensitivity analysis has been completed with a discount rate of 8.45% in combination with a reduction of the gross margin of 1%, which leads to a value in use equal to the net book value.

Sensitivity	CURRENT HEADROOM	1% INCREASE OF WACC (A)	1% DECREASE OF GROSS MARGIN ON SALES (B)	COMBINATION OF (A) AND (B)
Flexible Foams -UK	2.3 times book value	1.9 times book value	1.2 times book value	1.2 times book value
Flexible Foams - Scandinavia	6.4 times book value	5.6 times book value	5.9 times book value	5.1 times book value

II.1.6.1.2. Bedding

II.1.6.1.2.1. Key assumptions

For the CGU "Bedding – Segment" from 2017 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 4.00% and average growth in gross margin on sales of 1%. 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 "Bedding – Segment" amounts to 5.4 times (2016: 6.2 times) the net asset book value.

II.1.6.1.2.2. 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 tabel 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 tabel 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 2018-2020 and the perpetuity- on the outcome of the impairment tests (see overview tabel below).

Sensitivity	CURRENT HEADROOM	1% INCREASE OF WACC (A)	1% DECREASE OF GROSS MARGIN ON SALES (B)	COMBINATION OF (A) AND (B)
Bedding	5.4 times book value	4.7 times book value	4.2 times book value	3.6 times book value

II.1.6.1.3. Automotive

II.1.6.1.3.1. 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 project/model, in combination with an overview of the entire capacity utilisation. Project assets are depreciated over the project life time. Except for RAI Most (Czech Republic) (see below), there will be no residual book value of specific project related assets at the end of the project production 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.

No impairments have been recognized in 2017, except for RAI Most.

Discount rate:

The pre-tax discount rate used amounts to 7.00% (2016: 6.40%) 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.

II.1.6.1.3.2. Sensitivity analysis

With regard to the CGU "Interiors", an increase in the pre-tax discount rate to 8.00% (2016: 7.40%) or decrease of the gross margin on sales of 1% would not give rise to material impairments.

Except for RAI Most (Czech Republic) (see 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 2018-2020 and the perpetuity - on the outcome of the impairment tests. This would not give rise to material impairments.

Situation RAI Most s.r.o. (Czech Republic)

Following the replacement of the destroyed assets as a result of the fire incident, the net book value of the assets exceeded the value of the discounted cash flows. Moreover, management is of the opinion that the residual value at the end of the lifetime of the projects needs to be impaired considering the specific nature of the assets and business contractual obligations toward the clients. The impairment test related to the assets of replacement, lead to the recognition of EUR -6.7 million in adjustment value.

II.1.6.2. Deferred tax

Deferred tax assets are recognised for the unused tax loss carried forward and unused tax credits, to the extent that it is expected that future taxable profits will be available against which these unused tax loss carried forward and unused tax credits can be offset. For this purpose, Management bases recognition of deferred tax assets on its business plans (see note II.4.5.).

The deferred tax assets decreased from EUR 37.8 million to EUR 26.2 million, impacting the profit and loss account by EUR -10.2 million and equity by EUR -1.4 million. Management assessed and booked the impact of the Belgian corporate tax reform. EUR -10.2 million deferred taxes in the profit and loss account includes a EUR -4.5 million impact resulting from the change in corporate tax legislation in Belgium. The Belgian corporate income tax reform also generated a negative impact of EUR -1.8 million in equity, resulting from the change in corporate tax computed on the pensions IAS19 reserve for actuarial gains and losses. Next to Recticel NV, other deferred tax assets contributions are recognised mainly in Germany (EUR 2.6 million) and the United Kingdom (EUR 2.8 million), which are supported by structural future taxable profits.

II.2. Changes in scope of consolidation

There were no changes in the scope of consolidation in 2017.

II.3. Business and geographical segments

II.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 prevailing market conditions.

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 mainly 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).

Balance sheet 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
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**
			0
Total goodwill	**33 634**	**(9 466)**	**24 168**

Income statement for the year 2016

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	551 273	274 455	288 041	234 131		**1 347 900**		
Inter-segment sales	55 975	18 473	905	3	(75 356)	**0**		
Total sales	**607 248**	**292 928**	**288 946**	**234 134**	**(75 356)**	**1 347 900**	**(299 577)**	**1 048 323**
EARNINGS BEFORE INTEREST AND TAXES (EBIT)								
Unallocated corporate expenses [1]						**(18 568)**	**0**	**(18 568)**
EBIT	**26 473**	**5 768**	**4 028**	**26 583**	**0**	**44 284**	**(5 065)**	**39 219**
Financial result								(11 728)
Result for the period before taxes								**27 491**
Income taxes								(11 161)
Result for the period after taxes								**16 330**
of which non-controlling interests								0
of which share of the Group								16 330

[1] Includes mainly headquarters' costs (EUR 12.0 million (2015: EUR 15.6 million)) and R&D expenses (Corporate Programme) (EUR 3.0 million (2015: EUR 2.7 million)).

Other information 2016

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	12 535	5 238	14 281	6 312	1 122	**39 488**	(7 672)	**31 816**
Impairment losses recognised in profit and loss	542	1 130	0	0	0	**1 672**	0	**1 672**
EBITDA	39 550	12 136	18 309	32 895	(17 446)	**85 444**	(12 737)	**72 707**
Capital expenditure/additions	13 150	2 550	22 030	13 243	2 885	**53 858**	(9 471)	**44 387**

Impairments

In 2016, impairment losses recognized in profit and loss are mainly related to idle equipment in Flexible Foams (France and United Kingdom) (EUR 0.54 million) and to a building improvement (EUR 0.43 million) and intangible assets (EUR 0.70 million) in Bedding.

EBITDA

EBITDA per segment is commented in the first part of this annual report (section Report by the Board of Directors).

Balance sheet at 31 December 2016

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	281 172	131 468	260 939	107 879	(183 568)	**597 890**	(148 725)	**449 165**
Investment in associates	14 246	0	0	1 521	0	**15 767**	66 622	**82 389**
Unallocated assets						**145 394**	16 006	**161 400**
Total consolidated assets						**759 051**	(66 097)	**692 954**
LIABILITIES								
Segment liabilities	155 610	67 611	125 784	64 415	(183 368)	**230 052**	(51 068)	**178 984**
Unallocated liabilities						**277 794**	(15 029)	**262 765**
Total consolidated liabilities (excluding equity)						**507 846**	(66 097)	**441 749**

The unallocated assets, which amount to EUR 145.4 million, include the following items:

- Financial receivables for EUR 28.8 million
- Current tax receivables for EUR 1.9 million
- Other receivables for EUR 15.7 million
- Deferred tax assets for EUR 38.7 million
- Cash & cash equivalent for EUR 51.7 million.

The unallocated liabilities, which amount to EUR 277.8 million (equity excluded), include mainly the following items:

- Provisions for pensions – long term for EUR 60.0 million
- Provisions for pensions – short term for EUR 4.2 million
- Provisions other – long term for EUR 15.5 million
- Provisions other – short term for EUR 2.1 million
- Deferred tax liabilities for EUR 10.8 million
- Interest-bearing borrowings long-term for EUR 100.9 million
- Interest-bearing borrowings short-term for EUR 61.3 million
- Current taxes payable for EUR 3.9 million.

The breakdown of the goodwill per business line per 31 December 2016

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
Netherlands	253	0	253
Scandinavia	5 583	0	5 583
United Kingdom	4 195	0	4 195
Total Flexible Foams	**11 325**	**(488)**	**10 837**
Total Bedding	**11 648**	**0**	**11 648**
Belgium	1 619	0	1 619
United Kingdom	969	0	969
Total Insulation	**2 588**	**0**	**2 588**
Proseat (Seating)	8 978	(8 978)	0
Total Automotive	**8 978**	**(8 978)**	**0**
			0
Total goodwill	**34 539**	**(9 466)**	**25 073**

Non-recurring elements (on a combined basis) in the EBIT per segment

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	NOT ALLOCATED	COMBINED TOTAL
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)**
2016						
Impairments	(542)	(1 130)	0	0	0	(1 672)
Restructuring charges	(2 461)	(3 542)	(1 549)	(191)	0	(7 743)
Capital gain on divestment	0	0	0	0	0	0
Other	(4 287)	(3)	(85)	0	(127)	(4 502)
TOTAL	**(7 290)**	**(4 675)**	**(1 634)**	**(191)**	**(127)**	**(13 917)**

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, 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.

For **2016**

- Impairment losses recognized in profit and loss are mainly related to idle equipment in Flexible Foams (France and United Kingdom) (EUR 0.54 million) and to a building in Bedding (Austria, EUR 0.43 million) and intangible assets (IT development costs, EUR 0.70 million) in Bedding.
- Additional restructuring measures were implemented in execution of the Group's rationalisation plan, including the closure of the Flexible Foams plant in Noyen-sur-Sarthe (France) and additional costs relating to Bedding (Austria and Switzerland) and Automotive Interiors (Germany and USA).
- Other non-recurring elements relate mainly to incurred costs and provisions for legal fees and litigation.

II.3.2. Geographical information

The Group's operations are mainly located in the European Union.

The following table provides an analysis of the Group's sales and fixed assets by geographical market.

Sales (by destination)

in thousand EUR

Group Recticel	2017	2016
Belgium	149 549	133 925
France	154 826	135 190
Germany	198 472	194 285
United Kingdom	151 642	145 292
Other EU countries	307 886	293 800
European Union	**962 374**	**902 491**
Other	172 979	145 832
TOTAL	**1 135 353**	**1 048 323**

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 25.4% of total consolidated sales.

Intangible assets – property, plant & equipment – investment property

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016	ACQUISITIONS, INCLUDING OWN PRODUCTION	
			2017	2016
Belgium	74 723	73 468	18 114	16 341
France	37 398	40 156	1 279	3 140
Germany	17 576	19 229	5 050	7 525
United Kingdom	9 435	11 585	278	1 239
Other EU countries	69 904	55 878	31 737	9 111
European Union	**209 036**	**200 316**	**56 458**	**37 356**
Other	33 400	31 325	8 874	7 031
TOTAL	**242 437**	**231 641**	**65 332**	**44 387**

II.4. Income statement

II.4.1. General and administrative expenses - Sales and marketing expenses

General and administrative expenses slightly decreased by EUR -1.0 million to EUR 78.4 million, following cost control measures offsetting salary inflation.

Sales and marketing expenses decreased by EUR -2.5 million to EUR 69.5 million. The decrease is mainly due to lower advertising and promotion expenses in the Bedding segment.

II.4.2. Other operating revenues and expenses

in thousand EUR

Group Recticel	2017	2016
Other operating revenues	55 976	6 907
Other operating expenses	(28 344)	(19 735)
TOTAL	**27 632**	**(12 828)**
Restructuring charges (including site closure, onerous contracts and clean-up costs)	(3 701)	(6 004)
Gain (Loss) on disposal of intangible and tangible assets	853	(117)
Gain (Loss) on disposal of joint ventures and other financial investments	0	(88)
Amounts written-back/(-off) on affiliates investments and loss on receivables	(529)	28
Other expenses	(24 114)	(13 302)
Other revenues	55 123	6 655
TOTAL	**27 632**	**(12 828)**

Restructuring

During **2017**, restructuring charges are 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.

During **2016**, restructuring charges are mainly related to Flexible Foams in France, Scandinavia and Spain; to Bedding in Austria, Germany and Switzerland and to Automotive Interiors in Germany and the USA.

Gain (loss) on disposal of tangible and intangible assets

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 relates mainly resulting from the write-off of a financial receivable towards two affiliated companies in liquidation (EUR -0.5 million).

Other revenues and expenses

"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 settlement 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).

"Other revenues and expenses" in **2016** comprised mainly:

(i) The net impact of pension liabilities (EUR -2.0 million), including additional service costs, other social costs and currency effects on pension plans. These current effects on pension plans were partly offset by a positive impact resulting from a reduction of liabilities in Belgium due to the application of the law restricting the retirement conditions.
(ii) additional legal fees and settlement costs related to claims in relation with the EC investigation (Flexible Foams) (EUR -3.1 million)
(iii) net revenues from insurance premiums (EUR +2.3 million)
(iv) re-invoicing of services and goods, rentals (EUR +0.7 million)
(v) additional accruals for different operational claims (EUR -3.8 million)
(vi) damage costs from a leakage incident in a Flexible Foams plant in Norway (EUR -0.5 million)

II.4.3. Earnings before interest and taxes (EBIT)

The components (by nature) of EBIT are as follows:

in thousand EUR

Group Recticel	2017		2016	
Sales	1 135 353	*100%*	1 048 323	*100%*
Purchases and changes in inventories	(579 864)	*-51,1%*	(511 522)	*-48,8%*
Other goods and services	(244 864)	*-21,6%*	(214 009)	*-20,4%*
Labour costs	(292 802)	*-25,8%*	(276 263)	*-26,4%*
Amortisation and depreciation on non-current assets	(29 349)	*-2,6%*	(30 389)	*-2,9%*
Impairments on non-current assets	(7 009)	*-0,6%*	(1 672)	*-0,2%*
Amounts written back/(off) on affiliated investments	0	*0,0%*	28	*0,0%*
Amounts written back/(off) on inventories	(2 682)	*-0,2%*	913	*0,1%*
Amounts written back/(off) on receivables	304	*0,0%*	1 316	*0,1%*
Amortisation of deferred long term and upfront payment	(1 569)	*-0,1%*	(1 338)	*-0,1%*
Provisions	(3 467)	*-0,3%*	(6 647)	*-0,6%*
Gain/(Loss) on disposal financial assets	(13)	*0,0%*	(88)	*0,0%*
Own production	8 822	*0,8%*	7 194	*0,7%*
Other revenues [1]	78 385	*6,9%*	27 356	*2,6%*
Other expenses [2]	(18 773)	*-1,7%*	(20 910)	*-2,0%*
Income from associates & joint ventures	2 390	*0,2%*	16 927	*1,6%*
EBIT	**44 861**	***4,0%***	**39 219**	***3,7%***

	2017	2016
[1] **Other revenues**		
Reinvoicing of expenses	11 747	11 332
Insurance premiums	2 496	2 810
Indemnities	48 158	932
Subsidies	1 554	2 778
Service fees	1 840	1 083
Royalties	798	1 067
Gain on disposal of tangible assets	890	97
Gains on sale & lease backs	39	472
Operating lease income	2 254	1 930
Other	8 609	4 855
Total	**78 385**	**27 356**
[2] **Other expenses**		
Operating taxes	(6 037)	(6 143)
Indemnity for claims	(176)	(2 101)
Damage claims	(1 864)	(491)
Expenses to be reimbursed	0	(984)
Loss on disposal of tangible assets	0	(102)
Write-off on tangible assets [(a)]	(3 307)	0
Loss on realisation of trade receivables	(334)	(551)
Loss on realisation of financial receivables	(434)	0
Loss on sale & lease backs	(53)	(671)
Repair costs	0	(1 622)
Other	(6 569)	(8 245)
Total	**(18 773)**	**(20 910)**

[(a)] Relates to destroyed assets from the fire incident in Most (Czech Republic)

Sales: All segments except Bedding reported higher sales. The overall progress is the result of (i) a strong volume growth in Automotive, positively influenced by the start-up of scheduled new programs in Automotive Interiors, and (ii) increased average sales prices following the steep increase of raw material costs (i.e. isocyanates MDI and TDI).

Purchases and changes in inventories primarily increased as a result of higher chemical raw materials prices.

Other goods and services comprise transportation costs (EUR 53.6 million versus EUR 50.1 million in 2016), operating leases (EUR 31.7 million versus EUR 28.2 million in 2016), supplies (EUR 23.7 million versus EUR 24.9 million in 2016), fees (EUR 17.6 million versus EUR 16.5 million in 2016), repair and maintenance costs (EUR 18.3 million versus EUR 14.5 million in 2016), advertising/fairs/exhibition costs (EUR 13.2 million versus EUR 16.8 million in 2016), travel expenses (EUR 8.2 million versus EUR 8.8 million in 2016) and administrative expenses (EUR 8.4 million versus EUR 6.5 million in 2016). In 2017, the increase of other goods and services is mainly explained by EUR -30.0 million of non-recurring costs incurred due to alternative production solutions and operational inefficiencies following the fire incident in in the Most-plant (Automotive Interiors, Czech Republic).

Labour costs increased mainly due to salary inflation and the start-up of new programs in Automotive Interiors.

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. In addition, Proseat (Automotive Seating) was impacted by operational issues in one of its factories.

Other revenues were mainly impacted by the indemnities received in the context of the fire incident in Most, the raw material quality issues at a supplier and the leakage incident in the Flexible Foams plant in Norway.

II.4.4. Financial result

in thousand EUR

Group Recticel	2017	2016
Interest charges on bonds & notes	(803)	(1 440)
Interest on financial lease	(251)	(334)
Interest on long-term bank loans	(1 213)	(2 329)
Interest on short-term bank loans & overdraft	(2 043)	(1 177)
Net interest charges on Interest Rate Swaps	(2 390)	(2 405)
Net interest charges on foreign currency swaps	63	(552)
Total borrowing cost	**(6 638)**	**(8 236)**
Interest income from bank deposits	47	29
Interest income from financial receivables	506	660
Interest income from financial receivables and cash	**553**	**689**
Interest charges on other debts	(419)	(720)
Interest income from other financial receivables	44	172
Total other interest	**(375)**	**(548)**
Interest income and expenses	**(6 460)**	**(8 095)**
Exchange rate differences	**3 204**	**(2 554)**
Net interest cost IAS 19	(967)	(1 102)
Interest actualisation revenue for receivables	15	10
Interest on provisions for employee benefits and other debt	**(952)**	**(1 092)**
Other financial result	**(534)**	**12**
Total other financial result	**1 717**	**(3 633)**
FINANCIAL RESULT	**(4 742)**	**(11 728)**

II.4.5. Income taxes

1. Income tax expense

in thousand EUR

Group Recticel	2017	2016
Recognised in the income statement		
Current income tax:		
Current year	(5 184)	(4 741)
Prior year	(802)	1 202
Total current tax (1)	**(5 986)**	**(3 539)**
Deferred taxes:		
Tax effect on deferred tax adjustments related to previous years (2.a.)	(5 351)	(5 673)
Movements of temporary differences (2.b.)	849	2 695
Utilisation of previous years' losses (2.c.)	(7 489)	(8 618)
Utilisation of previous years' losses due to the new tax reform in Belgium (2.d.)	(4 492)	0
Deferred tax effect resulting from a change in tax rates (2.e.)	2 246	(306)
Deferred tax on current year's losses (2.f.)	4 016	4 281
Total deferred tax (2)	**(10 221)**	**(7 621)**
Grand total (A)	**(16 207)**	**(11 160)**

in thousand EUR

Group Recticel	2017	2016
Reconciliation of effective tax rate		
Profit / (loss) before taxes	40 119	27 490
Minus income from associates	(2 390)	(16 927)
Result before tax and income from associates	**37 729**	**10 563**
Tax at domestic income tax rate of 33.99% (B)	**(12 824)**	**(3 590)**
Tax effect of non-deductible expenses:		
Expenses not deductible for tax purposes (2.A.a.)	(4 667)	(5 567)
Other	(2 050)	(4 807)
Tax effect of tax-exempt revenues:		
Tax deductible expenses and non-taxable financial and other income	3 539	2 916
Other	1 680	555
Deferred tax effect resulting from a change in tax rates	2 246	(306)
Deferred tax effect resulting from the new tax reform in Belgium	(4 492)	0
Tax effect of current and deferred tax adjustments related to prior years (2.A.b.)	(3 732)	(4 778)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1 339	(150)
Tax effect of notional interest deduction	29	538
Reversal of valuation allowance on deferred tax assets and tax assets not recognised (2.A.c.)	2 725	4 029
Tax expense and effective tax rate for the year (A)	**(16 207)**	**(11 160)**

in thousand EUR

Group Recticel	2017	2016
Deferred tax income (expense) recognised directly in equity		
Impact of IAS 19R on equity	483	2 160
Impact of movements in exchange rates	(57)	30
On effective portion of changes in fair value of cash flow hedges	(776)	631
Total	**(350)**	**2 821**

The global income tax charges amount to EUR -16.2 million and are composed of two elements:

1. The current tax charge recognized in the profit and loss account amounts to EUR -6.0 million against a tax charge of EUR -3.6 million in 2016.
   The tax mentioned in the cash flow statement of EUR -5.7 million represents the amount of tax effectively paid during the exercise.
2. A deferred tax charge recognized in the profit and loss account of EUR -10.2 million against EUR –7.6 million in 2016.

The deferred taxes of EUR -10.2 million is mainly explained by:

a) A tax effect on deferred tax adjustment related to previous years (EUR -5.4 million against EUR -5.7 million) resulting from regularizations between the first corporate tax estimates prepared at closing and the actual corporate tax charge which is determined with an average delay of 12-24 months after the year-end closing.
b) Movements of temporary differences (EUR +0.8 million against EUR +2.7 million in 2016) resulting mainly from the net impact of valuation allowances of deferred tax assets recognised in the past. The main impact in 2017 results from (i) adjustments of notional interest deductions in RIS n.v. due to the expiration date in the utilisation of deferred tax losses in the past for EUR -4.6 million, (ii) adjustments of tax losses due to the expiration date in The Netherlands for EUR -1.6 million and (iii) a positive correction in Recticel n.v. due to the adjustments on the consumption of deferred tax assets related to the final outcome with the central purchase organisation (for chemicals) in Germany regarding transfer pricing regularisations with the tax authorities initiated in 2016 for EUR 2.7 million.
c) The increase in the utilization of previous years' tax losses (EUR -7.5 million against EUR -8.6 million in 2016) is mainly explained by the consumption of deferred tax assets recognised in the past for companies which became taxable in the current tax year; mainly the United Kingdom (EUR -3.5 million), Belgium (EUR -2.7 million) and Germany (EUR -1.0 million).
d) The effect of the new tax reform in Belgium (EUR -4.5 million).
e) The effect of changes in tax rates on deferred taxes amounts to EUR 2.2 million.
f) The level of the deferred tax of current year resulting from tax losses which have been generated for EUR 4.0 million. The level of deferred tax expenses of the current year is comparable to that of the previous year.

2.A. The difference of EUR -3.4 million between the effective tax expenses for the year (EUR -16.2 million) and the theoretical tax calculation (EUR -12.8 million), is mainly explained by the following factors:

a) non-deductible expenses: EUR -4.6 million, mainly related to taxable differences for EUR -1.0 million and non-deductible expenses of EUR -3.6 million.;
b) EUR -3.7 million are resulting from the combined effect of:
   The expiration date in the utilisation of deferred tax assets recognised in the past:
   - Belgium: Notional interest deductions carryforward of prior years of RIS n.v. for EUR -4.6 million
   - The Netherlands: Tax loss carryforward for EUR -1.6 million.

   Adjustments of previous years:
   - Belgium: Adjustments on consumption of deferred tax assets related to the final outcome with the central purchase organisation (for chemicals) in Germany of the transfer pricing regularisations with the tax authorities initiated in 2016 for EUR 2.7 million.
   - Germany: correction of the tax losses related to the previous year for EUR 0.4 million.

c) The net reversal of valuation allowances : EUR 2.7 million resulting from status update of deferred tax assets situation (defined limit of time for use or reassessment of potential use) mainly in RIS nv related to the corrections of NID expiration date for EUR 4.6 million, in Germany (EUR 1.5 million), Czech Republic (EUR -0.8 million), in France (EUR -0.7 million), in The Netherlands (EUR -0.4 million), Austria (EUR -0.8 million) and Spain (EUR -0.3 million).

2. Deferred tax

in thousand EUR

Group Recticel	31 DEC 2017		31 DEC 2016	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Recognised deferred tax assets and liabilities				
Intangible assets	12 370	(832)	12 406	(889)
Property, plant & equipment	23 937	(18 433)	25 094	(19 145)
Investments	0	(1 197)	0	(1 152)
Inventories	698	(528)	654	(719)
Receivables	485	(3 031)	1 237	(1 201)
Cash flow hedges (equity)	117	0	897	0
Other current assets	628	0	764	0
Pension provisions	14 538	0	14 090	(102)
Other provisions	6 055	(5 839)	6 412	(5 896)
Other liabilities	1 248	(6 524)	2 053	(4 322)
Notional interest deduction	4 550	0	9 182	0
Tax loss carry-forwards/ Tax credits	162 388	0	171 347	0
Total	**227 014**	**(36 384)**	**244 136**	**(33 426)**
Valuation allowance [1]	(173 602)	0	(183 006)	0
Set-off [2]	(27 171)	27 171	(23 310)	23 310
Total (as provided on the balance sheet)	**26 241**	**(9 213)**	**37 820**	**(10 116)**

[1] The variation of EUR +9.4 million (EUR 173.6 million versus EUR 183.0 million) is mainly explained by a valuation allowance of EUR +2,7 million, by an effect on tax rate changes of EUR +6.0 million and by an effect on equity of EUR +0.7 million related to pensions under IAS19R.
[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-forward by expiration date:

in thousand EUR

Group Recticel	2017	2016
One year	15 297	15 439
Two years	4 391	16 930
Three years	68 391	8 077
Four years	4 078	3 645
Five years and thereafter	139 760	207 041
Without time limit	360 493	366 662
Total	**592 410**	**617 794**

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	UNRECOGNISED DEFERRED TAX ASSETS	GROSS AMOUNT OF UNRECOGNISED TAX LOSSES
Tax losses carried forward (*)	162 388	32 636	129 752	460 142
Notional interest deductions (*)	4 550	0	4 550	13 386
Property, plant and equipment	23 937	3 628	20 309	63 128
Pension provisions	14 538	6 830	7 708	24 635
Other provisions	6 057	2 106	3 951	12 906
Other temporary differences	15 544	8 212	7 332	26 462
Total	**227 014**	**53 412**	**173 602**	**600 659**

(*) 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 assets recognised and unrecognised by the Group apply to the following elements as at **31 December 2016:**

in thousand EUR

Group Recticel	TOTAL POTENTIAL DEFERRED TAX ASSETS	RECOGNISED DEFERRED TAX ASSETS	UNRECOGNISED DEFERRED TAX ASSETS	GROSS AMOUNT OF UNRECOGNISED TAX LOSSES
Tax losses carried forward (*)	171 346	37 819	133 527	460 904
Notional interest deductions (*)	9 182	0	9 182	27 013
Property, plant and equipment	25 094	3 995	21 099	64 358
Pension provisions	14 090	7 059	7 031	21 463
Other provisions	6 412	2 385	4 027	12 301
Other temporary differences	18 012	9 872	8 140	27 422
Total	**244 136**	**61 130**	**183 006**	**613 461**

(*) As of 31/12/2016, deferred tax assets and notional interests deductions of EUR 37.8 million (2015: EUR 46.7 million) are recognized out of EUR 617.8 million (2015: EUR 649.8 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.4.6. Dividends

Amounts recognised as distributions to equity holders in the period.

Dividend for the period ending 31 December 2016 of EUR 0.18 (2015: EUR 0.14) per share.

Proposed dividend for the period ending 31 December 2017 of EUR 0.22 per share, or in total for all shares outstanding EUR 12,050,799 (2016: EUR 9,731,253.60), 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.4.7. 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	2017	2016
Net profit (loss) for the period (in thousand EUR)	**23 913**	**16 330**
Net profit (loss) from continuing operations	23 913	16 330
Net profit (loss) from discontinuing operations	0	0
Weighted average shares outstanding		
Ordinary shares on 01 January (excluding own shares bought back)	53 735 720	53 404 808
Exercise of warrants	713 837	330 912
Ordinary shares on 31 December (excluding own shares bought back)	54 449 557	53 735 720
Weighted average ordinary shares outstanding	**54 110 396**	**53 504 432**

in EUR

Group Recticel	2017	2016
Basic earnings per share	0.44	0.31
Basic earnings per share from continuing operations	0.44	0.31
Basic earnings per share from discontinuing operations	0.00	0.00

II.4.8. Diluted earnings per share

in thousand EUR

Group Recticel	2017	2016
Computation of the diluted earnings per share :		
Dilutive elements		
Net profit (loss) from continuing operations	23 913	16 330
Convertible bond [2]	791	1 341
Profit (loss) attributable to ordinary equity holders of the parent entity including assumed conversions	**24 704**	**17 671**
Weighted average ordinary shares outstanding	**54 110 396**	**53 504 432**
Stock option plans - warrants [1]	318 464	116 657
Convertible bond [2]	3 512 841	6 022 013
Weighted average shares for diluted earnings per share	**57 941 701**	**59 643 102**

Group Recticel	2017	2016
Diluted earnings per share	**0.43**	**0.30**
Diluted earnings per share from continuing operations	0.43	0.30
Diluted earnings per share from discontinuing operations	0.00	0.00

	2017	2016
Anti-dilutive elements		
Impact on net profit from continuing operations		
Convertible bond [2]	0	0
Impact on weighted average ordinary shares outstanding		
Stock option plan - warrants - "out-of-the-money" [1]	66 691	897 121
Convertible bond [2]	0	0

[1] Per 31 December 2017, all warrant plans as from December 2012 were in-the-money. The remaining warrant plans were out of the money and disclosed as anti-dilutive.

[2] Per 31 December 2017, the convertible bond was no longer outstanding, therefore only a pro rata in line with guidance has been considered for the computation. The bond was fully repaid on 23 July 2017.

II.5. Balance sheet

II.5.1. Intangible assets

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
Total acquisitions of intangible assets [1]	(3 180)	Total disposals of intangible assets [2]	153

For the year ending 2016:

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	15 346	46 259	8 631	337	6 853	77 426	
Accumulated amortisation	(14 117)	(33 817)	(8 597)	(279)	0	(56 810)	
Accumulated impairment	(11)	(6 363)	0	0	(831)	(7 205)	
Net book value at the end of the preceding period	**1 218**	**6 079**	**34**	**58**	**6 022**	**13 411**	
Movements during the year:							
Acquisitions, including own production	0	157	0	13	1 958	2 128	(1)
Impairments	0	0	0	0	(700)	(700)	
Expensed amortisation	(666)	(1 955)	(21)	(24)	(143)	(2 807)	
Sales and scrapped	0	(2)	0	0	0	(2)	(2)
Transfers from one heading to another	1 312	1 745	0	0	(2 882)	176	
Exchange rate differences	0	(98)	(0)	(0)	(3)	(101)	
At the end of the current period	**1 865**	**5 927**	**13**	**47**	**4 253**	**12 104**	
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 period	**1 865**	**5 927**	**13**	**47**	**4 253**	**12 104**	
Useful life (in years)	3-5	3-10	5-10	5 maximum	n.a.		

Acquisitions		**Disposals**	
Cash-out on acquisitions of intangible assets	(3 060)	Cash-in from disposals of intangible assets	95
Acquisitions included in working capital	932	Disposals included in working capital	(93)
Total acquisitions of intangible assets (1)	(2 128)	Total disposals of intangible assets (2)	2

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).

In **2016**, the total acquisition of intangible assets and own production of intangible assets amounted to EUR 2.1 million, compared to EUR 3.4 million the year before. The investments in intangible assets in 2016 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 1.8 million) and capitalised development costs for Automotive-Interiors projects (EUR 0.3 million).

In December 2011, Recticel s.a./n.v. and Recticel International Services s.a./n.v. concluded a joint credit facility agreement ('club deal') amounting to EUR 175 million. Under this club deal, Recticel s.a./n.v. and/or its affiliates have pledged their main trademarks and patents in favour of the banks up to a maximum amount of EUR 175 million plus interest and related costs. The tenor of this 'club deal' facility has been extended in February 2016 for another five years. It currently will mature in February 2021.

II.5.2. Property, plant & equipment

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 shown in working capital	(1 091)	Disposals shown in working capital	1 878
Total acquisitions of tangible assets [1]	(62 152)	Total disposals of tangible assets [2]	14 623

For the year ending 2016:

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	185 070	519 470	24 892	35 340	5 071	20 144	789 988
Accumulated depreciation	(119 699)	(413 237)	(20 410)	(14 247)	(1 292)	(36)	(568 920)
Accumulated impairments	(697)	(9 478)	(9)	(81)	(984)	(136)	(11 386)
Net book value at the end of the preceding period	**64 673**	**96 755**	**4 473**	**21 013**	**2 795**	**19 972**	**209 681**
Movements during the year							
Acquisitions, including own production	289	4 439	670	503	76	36 282	42 259 [1]
Impairments	(682)	(287)	(3)	0	0	0	(972)
Expensed depreciation	(3 622)	(20 399)	(1 786)	(1 599)	(98)	(78)	(27 582)
Sales and scrapped	(3 921)	(285)	(14)	0	(6)	(8)	(4 233) [2]
Transfers from one heading to another	8 762	28 278	864	(479)	0	(37 616)	(191)
Exchange rate differences	(191)	(2 118)	(99)	0	(1)	(346)	(2 756)
At the end of the period	**65 308**	**106 383**	**4 106**	**19 438**	**2 767**	**18 205**	**216 207**
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 period	**65 308**	**106 383**	**4 106**	**19 438**	**2 767**	**18 205**	**216 207**

Acquisitions		**Disposals**	
Cash-out on acquisitions of tangible assets	(40 552)	Cash-in from disposals of tangible assets	7 506
Acquisitions shown in working capital	(1 707)	Disposals shown in working capital	(3 273)
Total acquisitions of tangible assets [1]	(42 259)	Total disposals of tangible assets [2]	4 233

Total acquisition of tangible assets amounted to EUR 62.2 million, compared to EUR 42.3 million last year. The increase is mainly explained by the combination of (i) new investments made following the fire incident in the Automotive Interiors plant in Most (Czech Republic) and the development of Interiors activities in China, and (ii) the impact of the sale and lease-back of a Insulation plant in Belgium (EUR +9.3 million).

At 31 December **2017**, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 2.4 million (2016: EUR 6.7 million).

In **2017**, impairment losses recognized 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 **2016**, impairment losses recognized in profit and loss are related to idle equipment in Flexible Foams (France and United Kingdom) (EUR -0.5 million) and to a building in Bedding (Austria) (EUR -0.4 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 **2017**, 'reclassification held for sale' (EUR 2.6 million) relates to the building (Flexible Foams) in Legutiano (Spain).

As already stated under Intangible Assets, in December 2011, Recticel s.a./n.v. and Recticel International Services s.a./n.v. concluded a new joint credit facility agreement ('club deal') amounting to EUR 175 million. Under this club deal, Recticel s.a./n.v. and/or its affiliates have pledged their shares and/or their production sites in Belgium, Germany, France, the Netherlands and Sweden in favour of the banks up to a maximum amount of EUR 175 million plus interest and related costs. The tenor of this 'club deal' facility has been extended in February 2016 for another five years. It currently will mature in February 2021.

II.5.3. Assets under financial lease

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Total land and buildings	28 259	19 424
Total plant, machinery & equipment	0	0
Total furniture and vehicles	6	14
Total assets under financial lease	**28 265**	**19 438**
Fixed assets held under financial lease - Gross	44 751	35 319
Fixed assets held under financial lease - Depreciation	(16 410)	(15 805)
Fixed assets held under financial lease - Impairments	(76)	(76)
Fixed assets held under financial lease	**28 265**	**19 438**

II.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 USING THE FULL CONSOLIDATION METHOD

		% shareholding in	
		31 DEC 2017	31 DEC 2016
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	-
Beijing Recticel Automotive parts CO Ltd	32A, Block Yi, No. 15, Jingsheng Nan Si Jie, Jingiao Science	100.00	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 Foam (Wuxi) Co Ltd	No 30, Wanquan Road; Xishan Economic and Technological Developement Zone, Wuxi City	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	-
France			
Recticel s.a.s.	7, rue du Fossé blanc, bâtiment C2 - 92622 Gennevilliers	100.00	100.00
Recticel Insulation s.a.s.	7, rue du Fossé blanc, bâtiment C2 - 92622 Gennevilliers	100.00	100.00
Germany			
Recticel Automobilsysteme GmbH	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Dämmsysteme Gmbh	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	- (a)	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 (b)	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	-
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) Merged with Recticel Handel GmbH on 16 June 2017
(b) Recticel Handel GmbH has been renamed Recticel Dämmsysteme GmbH as from 16 June 2017

1. SUBSIDIARIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD (continued)

		% shareholding in	
		31 DEC 2017	31 DEC 2016
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 Interiors North America Llc.	5600 Bow Point Drive - MI 48346-3155 Clarkston	- (c)	100.00
Recticel Urepp 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

(c) Recticel Interiors North America Llc has been merged with Recticel Urepp North America Inc on 01 January 2018

Significant restrictions to realize 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 these 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 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 18.4 million, of which an estimated EUR 11.7 million for the pension fund;
- on behalf of Recticel Verwaltung GmbH: EUR 5.0 million;
- on behalf of Recticel 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 3.9 million;
- on behalf of Recticel AB: EUR 1.9 million;
- on behalf of Recticel India Private Limited: EUR 1.8 million;
- on behalf of Sembella GmbH (Austria);
- on behalf of Recticel Bedding Schweiz AG: EUR 1.8 million; and
- on behalf of Ningbo Recticel Automotive Parts Co. Ltd: EUR 8.3 million.

Moreover Recticel s.a./n.v. guarantees its subsidiaries Recticel Interiors North America LLP and Recticel North America Inc., in the framework of the revised agreements with the Johnson Controls Group following the settlement by which the said subsidiaries no longer fall under the Chapter 11 procedure (April 2010).

Recticel s.a./n.v. also guarantees in favour of Daimler AG the correct execution of all running Mercedes programs of the Interiors division.

As stated in the club deal, 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 CONSOLIDATED USING THE EQUITY METHOD

		% shareholding in 31 DEC 2017	31 DEC 2016
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	50.00	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

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 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 9.9 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 CONSOLIDATED USING THE EQUITY METHOD

% shareholding in

		31 DEC 2017	31 DEC 2016
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			
Orsafoam 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	25.00	25.00
Ukraine			
Porolon Limited	Grodoocka 357 - 290040 - Lviv	47.50	47.50

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 2017	31 DEC 2016
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
Romania			
Eurofoam s.r.l. Baia Mare	Str. Margeanulin, 5 - 4800 Baia Mare	50.00	50.00
Sweden			
Nordflex A.B.	Box 507 - 33200 Gislaved	100.00	100.00

II.5.5. Interests in joint ventures and associates

A list of the significant investments in joint ventures and associates is included in note II.5.4.

in thousand EUR

Group Recticel	31 DEC 2017		31 DEC 2016	
At the end of the preceding period	**82 389**		**73 196**	
Movements during the year				
Actuarial gains/(losses) recognized in equity	(236)	(1)	(552)	(1)
Deferred tax relating to components of other comprehensive income	(131)		248	
Exchange rate differences	912	(2)	(1 231)	(2)
Group's share in the result of the period	2 390	(3)	16 927	(3)
Dividends distributed	(8 765)	(4)	(7 522)	(4)
Result transfer	(318)		(189)	
Capital increase	0		1 512	
At the end of the period	**76 241**		**82 389**	

(1) In **2017** the actuarial losses relate to the impact of the lower discount rate under IAS19 pension liabilities
(2) Exchange rate differences relates mainly to the appreciation of the PLN (Eurofoam Polska and Proseat Poland)
(3) 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.
(4) In 2017 dividends distributed by the joint ventures relate solely to the Eurofoam group.

(1) In **2016** the actuarial losses relate to the impact of the lower discount rate under IAS19 pension liabilities
(2) Exchange rate differences relates mainly to GBP (Proseat UK) and PLN (Eurofoam Polska and Proseat Poland)
(3) Income from joint ventures & associates in 2016 is mainly explained by the good operational performance of respectively Proseat (Automotive Seating), Eurofoam (Flexible Foams) and Orsafoam (Flexible Foams).
(4) In 2016 dividends distributed by the joint ventures relate solely to the Eurofoam group.

Pro forma key figures for the **joint ventures**:

in thousand EUR

Group Recticel	EUROFOAM		PROSEAT		TOTAL	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
Aggregated figures						
Non current assets	157 350	151 243	79 724	73 668	237 074	224 911
Cash and cash equivalents	*3 341*	*9 182*	*25 020*	*17 989*	*28 361*	*27 171*
Current assets	130 496	109 777	210 439	168 050	340 935	277 827
Total assets	**287 846**	**261 020**	**290 163**	**241 718**	**578 009**	**502 738**
Interest-bearing borrowings	*(25 019)*	*(25 141)*	*(15 124)*	*(15 786)*	*(40 143)*	*(40 927)*
Non current liabilities	(41 653)	(42 063)	(46 707)	(47 679)	(88 360)	(89 742)
Interest-bearing borrowings	*(49 461)*	*(17 504)*	*(133 223)*	*(99 731)*	*(182 684)*	*(117 235)*
Current liabilities	(101 555)	(70 383)	(193 828)	(143 015)	(295 383)	(213 398)
Total liabilities	**(143 208)**	**(112 446)**	**(240 535)**	**(190 694)**	**(383 743)**	**(303 140)**
Net equity	**144 638**	**148 574**	**49 628**	**51 024**	**194 266**	**199 598**
Net contribution at 100% in the combined figures of the Group						
Revenues	**410 779**	**378 218**	**291 122**	**262 751**	**701 901**	**640 969**
Amortization, Depreciation and Impairments	(9 227)	(8 071)	(6 109)	(6 358)	(15 337)	(14 428)
Total income taxes	(3 169)	(5 974)	(1 266)	(792)	(4 435)	(6 765)
Profit or (loss) of the period	**5 446**	**23 679**	**(4 204)**	**7 138**	**1 242**	**30 817**

Footnote:
- The above figures are not necessarily equal to those published by the joint venture companies. 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 3.9 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.
- Both Eurofoam and Proseat delivered a lower result primarily due to the negative impact of higher chemical raw material cost which couldn't be fully passed on to the market. In addition, Proseat encountered operational issues in one of its factories.

in thousand EUR

Group Recticel	EUROFOAM		PROSEAT	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
Net equity (Group share)	**72 319**	**74 287**	**25 309**	**26 021**
Goodwill	499	499	8 974	8 977
Intragroup eliminations	(5 895)	(5 883)	11 780	12 428
Investment in partnership	0	0	15 276	15 276
Deferred taxes	280	535	(453)	(381)
IAS 19 assumptions	(527)	(139)	0	0
Other	(2 217)	135	0	0
Investment in affiliates	(33 636)	(33 637)	(32 089)	(31 496)
Carrying amount of interests in joint ventures	**30 823**	**35 797**	**28 797**	**30 825**

The following key figures for the **associates** are shown on a 100% basis:

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Non current assets	38 455	38 259
Current assets	77 771	74 765
Total assets	**116 226**	**113 024**
Non current liabilities	(5 509)	(6 012)
Current liabilities	(63 542)	(62 354)
Total liabilities	**(69 051)**	**(68 366)**
Net equity	**47 175**	**44 658**
Revenues	130 537	117 337
Profit or (loss) of the period	**5 644**	**4 109**

in thousand EUR

Group Recticel	31 DEC 2017			31 DEC 2016		
	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	758	1 632	2 390	15 480	1 447	16 927
Actuarial gains/(losses) on employee benefits	236	0	236	552	0	552
Deferred taxes on actuarial gains/(losses) on employee benefits	131	0	131	(248)	0	(248)
Foreign currency translation differences recycled in the income statement	16	0	16	(8)	0	(8)
Currency translation differences	(1 010)	(144)	(1 154)	329	26	355
At the end of the period	**131**	**1 488**	**1 619**	**16 106**	**1 473**	**17 580**

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.5.6. Non-current receivables

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Loans	5 976	6 053
Cash advances and deposits	727	758
Other receivables	1 270	1 510
Tax credits for research and development	6 831	5 538
Total	**14 804**	**13 860**

The item 'Loans' relates mainly to a loan to joint venture Proseat s.r.o. (EUR 4.1 million; 2016: EUR 3.9 million) and to loans provided by Recticel SAS, France (EUR 1.8 million; 2016: EUR 2.0 million).

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 recognized on the balance sheet.

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 2017	31 DEC 2016
Rent	470	491
Supplies (water, electricity, telecom, waste treatment, ...)	120	223
Other	137	44
Total	**727**	**758**

II.5.7. Inventories

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Raw materials & supplies - Gross	60 993	54 521
Raw materials & supplies - Amounts written off	(4 390)	(4 567)
Raw materials & supplies	**56 602**	**49 954**
Work in progress - Gross	9 468	9 789
Work in progress - Amounts written off	(354)	(220)
Work in progress	**9 114**	**9 569**
Finished goods - Gross	26 939	24 753
Finished goods - Amounts written off	(1 958)	(1 910)
Finished goods	**24 981**	**22 843**
Traded goods - Gross	6 343	6 091
Traded goods - Amounts written off	(401)	(302)
Traded goods	**5 942**	**5 789**
Down payments - Gross	269	310
Down payments - Amounts written off	0	0
Down payments	**269**	**310**
Contracts in progress - Gross	2 499	3 435
Contracts in progress - Amounts written off	0	0
Contracts in progress	**2 499**	**3 435**
Total inventories	**99 408**	**91 900**
Amounts written-off on inventories during the period	(5 672)	(2 491)
Amounts written-back on inventories during the period	2 989	3 403

In 2017, the amounts written-off on inventories include an impact from the fire incident in Most for EUR -1.9 million.

II.5.8. Construction contracts

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Contract revenues recognised over the period	22 303	24 297
Contract costs incurred plus recognised profits less recognised losses to date	10 559	13 728
Advance payments received	710	1 412

In the automotive activity, 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.

Considered as a long-term contract, the recognition of the costs and revenues of the 'moulds' activity is reflected in the accounts by reference to the stage of completion. Under the so-called 'percentage of completion' method, contract revenue is matched with the contract costs incurred in reaching the stage of completion.

II.5.9. Trade receivables and other receivables

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Trade receivables	115 495	106 543
Accumulated amounts written-off on trade receivables	(4 560)	(5 037)
Total trade receivables	**110 935**	**101 506**
Other receivables (1)	**39 330**	**26 768**
Derivatives (FX Forward contracts)	67	1 646
Loans carried at amortised cost	33 976	41 146
Total financial assets (2)	**34 043**	**42 793**
Subtotal (1)+(2)	**73 373**	**69 560**
Total loans and receivables	**184 308**	**171 066**

Trade receivables at the balance sheet date 2017 comprise amounts receivable from the sale of goods and services for EUR 110.9 million (2016: EUR 101.5 million).

This net amount of EUR 110.9 million consists of:

(i) gross trade receivables amounting to EUR 179.2 million (2016: EUR 174.0 million), after deduction of:

- EUR 17.5 million in credit notes still to be drawn (2016: EUR 11.4 million)
- EUR 71.4 million as a result of non-recourse factoring programmes in Belgium, France, Germany, the Netherlands and the United Kingdom (2016: EUR 75.1 million)
- EUR 4.6 million write-off of estimated irrecoverable amounts from the sale of goods (2016: EUR 5.0 million),

(ii) EUR 19.8 million in bills of exchange, invoices to issue and downpayments to suppliers (2016: EUR 19.0 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 **2016, other receivables** amounting to EUR 26.8 million relate to (i) VAT receivable (EUR 10.2 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 8.3 million), (iii) prepayments, tax credits and subsidies, and contractual commitments with co-contractors (EUR 8.3 million).

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 undrawn balance under non-recourse factoring programmes in Belgium, France, Germany, The Netherlands and the United Kingdom which includes residual risks which remain with the affiliated companies involved following their continuing involvement, as well as EUR 0.1 million relating to the revaluation of derivative instruments (currency forward contracts).

In **2016, other financial assets** (EUR 42.8 million) mainly consist of financial receivables on affiliated companies which are not consolidated (EUR 17.0 million), a receivable of EUR 24.1 million (2015: EUR 21.3 million) relating to the undrawn balance under non-recourse factoring programmes in Belgium, France, Germany, The Netherlands and the United Kingdom which includes residual risks which remain with the affiliated companies involved following their continuing involvement, as well as EUR 1.7 million relating to the revaluation of derivative instruments (currency forward contracts).

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 balance sheet are net of allowances for doubtful receivables, 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 bolstered by the implementation of SAP software modules (FSCM) and best practice processes regarding the collection of receivables.

In Automotive, the credit risks are reasonably 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.

Factoring/Forfeiting

In order to confine credit risks, non-recourse factoring, forfaiting and discounting programmes were established for a total amount of EUR 89.2 million (of which EUR 71.4 million were actually used at 31 December 2017). End 2016 all forfaiting programs were stopped.

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Factoring without recourse		
Gross amount	71 364	75 098
Retention	(17 414)	(24 147)
Net amount	**53 950**	**50 952**
Amount recognized in debt *	751	701
Forfeiting - net amount	**0**	**0**
Amount recognized in debt *	0	0

* 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, although it is necessary to remain vigilant.

The retention figure 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).

Ageing balance of **trade receivables due,** for which no provision has been recognised:

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
30 days	3 636	5 899
60 days	1 095	1 678
90 days	735	476
120 days	430	190
150 days	19	370
180 days and more	2 331	156
Total overdue	**8 247**	**8 769**
Undue receivables	99 604	90 176
Total trade receivables	**107 851**	**98 945**

The aging balance of the overdue trade receivables is related to gross trade receivables of EUR 179.2 million (in 2016: EUR 174.0 million). The total trade receivables referred to hereabove exclude the trade receivables transferred under the factoring programs (EUR 71.4 million versus 2016: EUR 75.1 million).

The higher amount of overdues 180 days is explained by a deferred payment by one customer in the Automotive segment. The situation has been normalised by the payment of these overdues in January 2018.

The higher amount of undue receivables is mainly explained by higher sales resulting from sale price increases due to the higher raw material costs in the last months of 2017.

Movement in provisions for **doubtful trade receivables:**

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
At the end of the preceding period	**(5 037)**	**(7 513)**
Write off	(282)	(322)
Reversal	585	1 618
Non-recoverable amounts	144	1 052
Reclassification	(76)	37
Exchange differences	105	90
Total at the end of the period	**(4 560)**	**(5 037)**

II.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 2017	31 DEC 2016
Cash at bank & in hand	57 844	37 174
Total cash and cash equivalents	**57 844**	**37 174**

II.5.11. Assets held for sale

In 2017, this item relates to the building in Legutiano (Spain; Flexible Foams).

II.5.12. Share capital

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Issued shares		
54 776 357 ordinary shares without nominal value (2016: 54 062 520 shares)	136 941	135 156
Fully paid-up shares		
54 776 357 ordinary shares without nominal value (2016: 54 062 520 shares)	136 941	135 156

The change in share capital is explained by the exercise of warrants in 2017.

II.5.13. Share premium account

in thousand EUR

Group Recticel	
Balance at 31 December 2016	**126 071**
Premium arising on issue of equity during 2017 [1]	1 911
Balance at 31 December 2017	**127 982**

[1] see II.5.12. hereabove

II.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 (40%), United Kingdom (26%), Switzerland (18%), Germany (8%) and France (7%).

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 84% of the total defined benefit obligations.

in thousand EUR

31 DEC 2017	DEFINED BENEFIT OBLIGATIONS	ASSETS	FUNDED STATUS	ADJUSTMENT DUE TO ASSET CEILING	NET LIABILITY
Belgium	66 270	44 455	21 815	0	21 815
United Kingdom	42 663	31 215	11 448	0	11 448
Switzerland	28 251	30 755	(2 504)	2 504	0
Other countries	25 904	4 179	21 725	0	21 725
Total	**163 088**	**110 604**	**52 484**	**2 504**	**54 988**

Belgium
The defined benefit and hybrid pension plans in Belgium make up 40% 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. Most hybrid plans are still open to new employees. The plans function in and comply with a large 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 26% of the total defined benefit obligation. It is a funded pension plan which is closed to future accrual. 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 2017 is GBP 7.6 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 large 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 2017	31 DEC 2016
Evolution of the net liability during the year is as follows:		
Net liability at 1 January	**51 559**	**47 563**
Expense recognised in the income statement	6 986	5 066
Employer contributions	(7 216)	(6 782)
Transfers between accounts or internal	0	39
Reclassification of hybrid pension plans	0	600
Amount recognised in other comprehensive income	4 082	6 866
Exchange differences	(423)	(1 793)
Net liability at 31 December	**54 988**	**51 559**

The reclassification of hybrid pension plans relates to the Belgian and Swiss defined contribution pension plans which are treated as defined benefit plans as from January 1, 2016. The transfer between accounts relates to the Indian gratuity plan which is included in the IAS19 numbers as from January 1, 2016.

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Pension costs recognised in profit and loss and other comprehensive income:		
Service cost:		
Current service cost	6 754	6 743
Employee contributions	(440)	(558)
Past service cost (including curtailments)	(812)	(2 739)
Cost or gain of settlement	208	244
Administration expenses	364	346
Net interest cost:		
Interest cost	2 646	3 069
Interest income	(1 734)	(2 039)
Pension expense recognised in profit and loss	**6 986**	**5 066**
Remeasurements in other comprehensive income		
Return on plan assets (in excess of)/below that recognised in net interest	(2 611)	(11 455)
Actuarial (gains)/losses due to changes in financial assumptions	6 047	13 270
Actuarial (gains)/losses due to changes in demographic assumptions	(920)	1 638
Actuarial (gains)/losses due to experience	(1 067)	3 411
Adjustments due to the asset ceiling, excluding amounts recognised in net interest cost	2 633	2
Total amount recognised in other comprehensive income	**4 082**	**6 866**
Total amount recognised in profit and loss and other comprehensive income	**11 068**	**11 932**

Amounts for past service costs (including curtailments) and settlements in 2017 are related to the impact of the dismissal of a number of employees in Switzerland.

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Amount recorded in the balance sheet in respect of the defined benefit plans are:		
Defined benefit obligations for funded plans	156 109	157 160
Fair value of plan assets	(110 604)	(112 560)
Funded status for funded plans	**45 505**	**44 600**
Defined benefit obligations for unfunded plans	6 979	6 957
Total funded status at 31 December	**52 484**	**51 557**
Adjustment due to asset ceiling, excluding amounts recognised in net interest cost	**2 504**	**2**
Net liabilities at 31 December	**54 988**	**51 559**
Current liabilities	941	1 457
Non-current liabilities	54 047	50 102
The key actuarial assumptions used at 31 December (weighted averages) are:		
Discount rate	1.44%	1.67%
Future pension increases	0.77%	0.77%
Expected rate of salary increases	1.76%	1.71%
Inflation	1.71%	1.66%

The mortality assumptions are based on recent mortality tables and the mortality tables of the United Kingdom allow for expected future improvements in mortality rates.

Movement of the plan assets		
Real value of plan assets at 1 January	112 560	57 490
Interest income	1 734	2 039
Employer contributions	7 216	6 782
Employee contributions	440	558
Benefits paid (direct & indirect, including taxes on contributions paid)	(7 241)	(4 471)
Return on assets, excl. interest income	2 611	11 455
Amounts paid in respect to any settlement	(2 487)	(1 656)
Reclassification of hybrid pension plans	0	44 662
Actual administration expenses	(364)	(346)
Exchange differences	(3 865)	(3 953)
Real value of plan assets at 31 December	**110 604**	**112 560**

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 2017	31 DEC 2016
Plan assets portfolio mix at 31 December		
Government bonds (quoted)	13.39%	13.26%
Government bonds (non-quoted)	0.00%	0.00%
Corporate bonds (quoted)	12.91%	13.47%
Corporate bonds (non-quoted)	0.00%	0.00%
Equity (quoted)	15.19%	15.42%
Equity (non-quoted)	0.00%	0.00%
Cash (quoted)	0.40%	0.12%
Cash (non-quoted)	0.00%	0.00%
Property (quoted)	8.56%	9.04%
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)	5.61%	4.35%
Non unit-linked Insurance contracts (quoted)	0.00%	0.00%
Non unit-linked Insurance contracts (non-quoted)	26.00%	11.52%
Unit-linked Insurance contracts (quoted)	0.00%	0.00%
Unit-linked Insurance contracts (non-quoted)	17.94%	32.82%
Where the unit-linked insurance contracts can be divided in the following asset classes:		
% bonds	71.84%	73.41%
% equity	23.95%	24.47%
% cash	4.21%	2.12%

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Movement of the defined benefit obligation		
Defined benefit obligation at 1 January	164 117	105 053
Current service cost	6 314	6 185
Employee contributions	440	558
Interest cost	2 646	3 069
Benefits paid (direct & indirect, including taxes on contributions paid)	(7 241)	(4 471)
Actuarial (gains)/losses on liabilities arising from changes in financial assumptions	6 047	13 270
Actuarial (gains)/losses on liabilities arising from changes in demographic assumptions	(920)	1 638
Actuarial (gains)/losses on liabilities arising from experience	(1 067)	3 411
Reclassification of hybrid pension plans	0	45 262
Transfers between accounts or internal	0	39
Past service cost (incl. curtailments)	(812)	(2 739)
Settlement (gains)/losses	(2 279)	(1 412)
Exchange differences	(4 157)	(5 746)
Defined benefit obligation at 31 December	**163 088**	**164 117**
Split of the defined benefit obligation per population		
Active members	83 979	75 718
Members with deferred benefit entitlements	32 316	30 293
Pensioners/Beneficiaries	46 793	58 106
Total defined benefit obligation at 31 December	**163 088**	**164 117**
Changes in the effect of the asset ceiling during the year		
Asset ceiling at 1 January	2	0
Interest on asset ceiling	0	0
Effect of curtailments and settlements	0	0
Actuarial gains/(losses)	2 633	2
Exchange differences	(131)	0
Asset ceiling at 31 December	**2 504**	**2**
Weighted average duration of the defined benefit obligation at 31 December	**15**	**15**
Sensitivity of defined benefit obligation to key assumptions at 31 December		
Current defined benefit obligation at 31 December	163 088	164 117
% increase in defined benefit obligation following a 0.25% decrease in the discount rate	3.69%	3.95%
% decrease in defined benefit obligation following a 0.25% increase in the discount rate	-3.49%	-3.71%
% decrease in defined benefit obligation following a 0.25% decrease in the inflation rate	-1.68%	-1.57%
% increase in defined benefit obligation following a 0.25% increase in the inflation rate	1.77%	1.65%

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 roll forwarded 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	2018
Estimated contributions for the coming year	
Expected employer contributions	6 639

• Defined contributions plans

The total contributions paid by Recticel during the current year amount to EUR 3,466,400 compared to an amount of EUR 3,263,254 last year.

II.5.15. Provisions

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**

The **provisions for employee benefits** have increased by EUR 3.1 million. This variance is mainly explained by actuarial losses due to lower discount rates (EUR +4.1 million), which were partly offset by (i) a write-back resulting for the restructuring in Switzerland (EUR -0.6 million) and (ii) exchange rate differences in the United Kingdom (EUR -0.4 million).

The **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.6.10.1.) and (ii) other pollution risks in Belgium. EUR -0.6 million of this provision has been used in 2017 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 the Flexible Foams plants in respectively Noyen-sur-Sarthe (France) and in Buren (The Netherlands), and additional restructuring charges in Bedding (Austria, Germany and Switzerland).

Provisions for onerous contracts relate mainly to operational lease agreements. The decrease of EUR -0.5 million is explained by (i) the reversal of the provision for an agreement in Germany (Automotive Interiors) (EUR -0.6 million), (ii) a new provision for The Netherlands (Flexible Foams) (EUR +0.4 million) linked to the announced closure of the site in Buren, and (iii) a reversal of provisons for an agreement in Austria (Bedding) (EUR -0.3 million).

Provisions for other risks relate mainly to legal costs and future claim settlements.

For the major risks (i.e. environmental, reorganisation and other risks) the cash outflow is expected to occur within a two years' horizon.

For the year ending 2016

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	**51 951**	**60**	**2 177**	**5 240**	**6 747**	**434**	**1 413**	**68 022**
Movements during the year								
Expected returns on assets/actuarial gains (losses) recognized in equity	6 867	0	0	0	0	0	0	**6 867**
Actualisation	1 102	0	0	0	0	0	0	**1 102**
Increases	5 313	40	1 076	0	1 744	2 165	1 800	**12 138**
Utilisations	(7 182)	(52)	(123)	(788)	(5 997)	(91)	(400)	**(14 634)**
Write-backs	(1 071)	0	(114)	0	(10)	0	(55)	**(1 249)**
Transfer from one heading to another	(38)	0	0	0	151	(420)	0	**(307)**
Exchange rate differences	(1 796)	0	(15)	0	(4)	10	0	**(1 805)**
At year-end	**55 147**	**48**	**3 002**	**4 452**	**2 631**	**2 097**	**2 758**	**70 134**
Non-current provisions (more than one year)	50 979	48	2 652	4 202	1 948	1 600	2 758	**64 187**
Current provisions (less than one year)	4 168	0	350	250	683	497	0	**5 947**
Total	**55 147**	**48**	**3 002**	**4 452**	**2 631**	**2 097**	**2 758**	**70 134**

II.5.16. Interest-bearing borrowings

II.5.16.1. Interest-bearing borrowings carried at amortised cost

in thousand EUR

Group Recticel	NOTES	NON-CURRENT LIABILITIES		CURRENT LIABILITIES	
		31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
Secured					
Financial leases		18 078	8 683	1 778	3 652
Bank loans		76 160	86 589	0	0
Bank loans - factoring		0	0	751	701
Total secured		**94 238**	**95 272**	**2 529**	**4 353**
Unsecured					
Bonds & notes		0	0	0	27 269
Other loans		1 842	1 777	260	250
Current bank loans		0	0	3 103	860
Commercial paper		0	0	19 999	0
Bank overdraft		0	0	20 195	10 178
Other financial liabilities	II.5.16.2.	0	0	2 902	7 237
Total unsecured		**1 842**	**1 777**	**46 459**	**45 794**
Total liabilities carried at amortised cost		**96 080**	**97 049**	**48 988**	**50 147**

in thousand EUR

Group Recticel	UNUSED CREDIT FACILITIES			
	LONG-TERM		SHORT-TERM	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
Secured*				
Bank loans	78 840	89 118	0	0
Total secured	**78 840**	**89 118**	**0**	**0**
Unsecured				
Bank loans	0	0	52 298	52 808
Total unsecured	**0**	**0**	**52 298**	**52 808**
Total liabilities carried at amortised cost	**78 840**	**89 118**	**52 298**	**52 808**

* 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.

At the end of 2017, the gross interest-bearing borrowings of the Group amounted to EUR 145.1 million, compared to EUR 147.2 million at the end of 2016, i.e. a decrease of EUR 2.1 million.

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. This TCN-program is used for the financing of day-to-day working capital needs of the Group at very low interest rates.

The use of non-recourse factoring programs amounted to EUR 54.7 million, compared to EUR 51.7 million in 2016.

At the end of 2017, the weighted average lifetime of debts payable after one year was 5.0 years (2016: 4.0 years), the average lifetime increased due to the extension in 2017 of the remaining portion of the sale and lease back for buildings in Belgium and the conclusion of a new financial lease of 15 years for the extension building in Wevelgem (Belgium). The financial leases are at fixed interest rates, except the financial lease for the facility in Bourges, France.

At the end of **2017**, besides the net drawn amounts under the club deal financing agreement (EUR 76.2 million), the Group also benefited from EUR 22.7 million long term loan commitments, of which EUR 2.8 million are maturing within one year. The Group also had at its disposal EUR 78.8 million under the 'club deal' facility and EUR 86.8 million undrawn short term credit facilities ('on balance' (EUR 52.3 million) as well as available 'off balance' amounts under the factoring programs (EUR 34.5 million)).

At the end of **2016**, besides the net drawn amounts under the club deal financing agreement (EUR 86.6 million), the Group also benefited from EUR 42.3 million long term loan commitments, of which EUR 31.2 million are maturing within one year. The Group also had at its disposal EUR 89.1 million under the 'club deal' facility and EUR 84.6 million undrawn short term credit facilities ('on balance' (EUR 52.8 million) as well as available 'off balance' amounts under the factoring programs (EUR 31.8 million)).

Outstandings other than the 'club deal'

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Long term liabilities		
Financial leases	18 078	8 683
Other loans	1 843	1 777
Subtotal	**19 920**	**10 460**
Short term liabilities		
Bonds & Notes	0	27 269
Financial leases	1 778	3 652
Loans - Factoring	751	701
Commercial paper	19 999	0
Other loans	260	250
Subtotal	**22 788**	**31 872**
Total	**42 708**	**42 332**

The fair value of floating rate borrowings is close to the nominal value. The interest cost for these variable interest rate borrowings ranged from 0.05% to 3.0% p.a. in EUR.

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.

The borrowings under the 'club deal' are subject to bank covenants based on a leverage ratio, an interest cover and a minimum equity requirement. At end-2017, Recticel complied with all its bank covenants. On the basis of the budget 2018 management expects to be in a position to meet the bank covenants in the coming year.

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.

Reference to II.5.19. Liquidity risk.

(i) Convertible bonds

The convertible bonds which were issued in July 2007, for a nominal amount of EUR 57.5 million, - of which the Group bought back EUR 11.2 million during 2008, EUR 17.3 million in 2009 and EUR 1.4 million in 2011-, were at maturity (23 July 2017) and without exercising the conversion option, fully reimbursed in cash at par, together with the interest due and not yet paid.

(ii) Financial leases

This item consists mainly of three leases. The first one finances the Insulation plant in Bourges (France) and has an outstanding amount as of 31 December 2017 of EUR 8.7 million and is at floating rate. The second one for buildings in Belgium, has an outstanding amount as of 31 December 2017 of EUR 2.0 million on the balance sheet 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 2017 the outstanding amount of this new lease amounted to EUR 9.1 million.

(iii) Bank loans – "club deal"

On 09 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.

(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. This TCN-program is used to complement the financing of day-to-day working capital needs of the Group.

II.5.16.2. Other financial liabilities

For interest rate swaps reference is made to II.5.19.

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Interest rate swaps	1 454	3 690
Interests from currency swaps	1	131
Currency forward contracts - financial	79	0
Curreny swap contracts	9	316
Transactional hedges - operational	42	1 706
Economic hedges - operational	82	0
Derivatives at fair value	**1 667**	**5 843**
Other financial debt	229	389
Interest accruals	1 006	1 004
Total	**2 902**	**7 237**

II.5.17. Obligations under financial 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 2017	31 DEC 2017	31 DEC 2016	31 DEC 2016
Lease payments due within one year	2 068	1 778	3 975	3 652
Between one and five years	14 199	11 877	10 783	8 683
Over five years	6 630	6 201	0	0
Total lease payments	**22 897**	**19 855**	**14 758**	**12 335**
Future financial charges	(3 042)	-	(2 423)	-
Present value of lease obligations	**19 855**	**19 855**	**12 335**	**12 335**
Less amounts due for settlement within 12 months	-	(1 778)	-	(3 652)
Amounts due for settlement after 12 months	**-**	**18 078**	**-**	**8 683**

The financial leases were contracted by the operating affiliates to finance buildings amounting to EUR 19.9 million, with a funding cost ranging from 1.43% p.a. to 3.0% p.a.

II.5.18. Financial instruments and financial risks

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note II.1.3. to the financial statements.

Categories of financial instruments

in thousand EUR

Group Recticel	NOTES	31 DEC 2017	31 DEC 2016
Financial assets			
Interest rate swaps designated as cash flow hedge relationship	II.5.9.	0	0
Subtotal interest rate swaps designated as cash flow hedge relationship (b)		**0**	**0**
Fair value through profit or loss account ("FVTPL")			
Currency swap contracts		0	475
Transactional hedges - operational		39	1 172
Financial assets at fair value through profit & loss account (b)	II.5.9.	**39**	**1 646**
Non-current trade receivables (a)	II.5.6.	0	0
Current trade receivables	II.5.9.	110 936	101 506
Trade receivables (A)		**110 936**	**101 506**
Other non-current receivables (a)	II.5.6.	8 100	7 049
Other receivables (b)	II.5.9.	39 330	26 768
Other receivables (B)		**47 730**	**33 817**
Loans to affiliates	II.5.6.	4 109	3 883
Other loans	II.5.6.	1 867	2 170
Non current loans (a)		**5 976**	**6 053**
Financial receivables (b)	II.5.9.	34 004	41 146
Loans (C)		**39 980**	**47 199**
Cash and cash equivalents (D)	I.4. & II.5.10.	**57 844**	**37 174**
Total loans & receivables (A+B+C+D)		**256 189**	**219 696**
Other investments (available for sale investments)		725	517
Non-current receivables (sum of (a))	I.4. & II.5.6.	**14 076**	**13 102**
Other receivables (sum of (b))	I.4. & II.5.9.	**73 373**	**69 560**
Financial liabilities			
Interest rate swaps designated as cash flow hedge relationship		1 454	3 690
Subtotal interest rate swaps designated as cash flow hedge relationship (E)		**1 454**	**3 690**
Interests from currency swaps		1	131
Currency swap contracts		9	316
Transactional hedges - operational		42	1 706
Economic hedges - operational		82	0
Financial liability at fair value through profit & loss account (F)	II.5.16.	**134**	**2 153**
Non current financial liabilities at amortised cost (G)	I.4. & II.5.16.	**96 080**	**97 050**
Current financial liabilities at amortised cost (H)	II.5.16.	**47 400**	**44 303**
Current financial liabilities (E+F+H)	I.4. & II.5.16.	**48 988**	**50 147**
Trade payables (I)	II.5.19.	**126 583**	**102 930**
Other non-current payables		230	183
Other payables	II.5.19.	111 276	108 900
Other payables (J)	II.5.16.	**111 506**	**109 082**
Total financial liabilities and payables (G+H+I+J)	I.4. & II.5.16.	**381 569**	**353 365**

Footnote : Currency swap contracts are taken to hedge (1) financial currency exposure that results from current accounts balances of affiliates towards Recticel International in foreign currency and (2) financial currency exposure that results from long term loans and deposits to/from affiliates in foreign currencies. Transactional hedges are forward currency contracts taken to hedge the currency exposure resulting from the monetary assets and liabilities of affiliates booked in foreign currencies (Balance sheet exposure).

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 2017, 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.

Fair value of financial instruments per **31 December 2017**

in thousand EUR

Group Recticel	DESIGNATED IN HEDGE RELATIONSHIP	AT FAIR VALUE THROUGH PROFIT OR LOSS - HELD FOR TRADING	AVAILABLE FOR SALE	LOANS & RECEIVABLES AT AMORTISED COST	FAIR VALUE	FAIR VALUE LEVEL
Financial assets						
Interest rate swaps designated as cash flow hedge relationship	0	0	0	0	0	2
Subtotal interest rate swaps designated as cash flow hedge relationship (b)	**0**	**0**	**0**	**0**	**0**	**2**
Currency swap contracts	0	39	0	0	39	2
Transactional hedges - operational	0	0	0	0	0	2
Financial assets at fair value through profit & loss account (b)	**0**	**39**	**0**	**0**	**39**	**2**
Non-current trade receivables (a)	0	0	0	0	0	2
Current trade receivables	0	0	0	110 935	110 935	2
Trade receivables (A)	**0**	**0**	**0**	**110 935**	**110 935**	**2**
Other non-current receivables (a)	0	0	0	8 100	8 100	2
Other receivables (b)	0	0	0	39 330	39 330	2
Other receivables (B)	**0**	**0**	**0**	**47 430**	**47 430**	**2**
Loans to affiliates	0	0	0	4 109	4 109	2
Other loans	0	0	0	1 867	1 867	2
Non current loans (a)	**0**	**0**	**0**	**5 976**	**5 976**	**2**
Financial receivables (b)	0	0	0	34 004	34 004	2
Loans (C)	**0**	**0**	**0**	**39 980**	**39 980**	**2**
Cash and cash equivalents (D)	**0**	**0**	**0**	**57 844**	**57 844**	**2**
Total loans & receivables (A+B+C+D)	**0**	**0**	**0**	**256 189**	**256 189**	
Other investments (available for sale investments)	0	0	725	0	725	3
Non-current receivables (sum of (a))	**0**	**0**	**0**	**14 076**	**14 076**	
Other receivables (sum of (b))	**0**	**39**	**0**	**73 334**	**73 373**	
Financial liabilities						
Interest rate swaps designated as cash flow hedge relationship	1 454	0	0	0	1 454	2
Subtotal interest rate swaps designated as cash flow hedge relationship (E)	**1 454**	**0**	**0**	**0**	**1 454**	**2**
Interests from currency swaps	0	1	0	0	1	2
Currency swap contracts	0	9	0	0	9	2
Transactional hedges - operational	0	42	0	0	42	2
Economic hedges - operational	0	82	0	0	82	2
Financial liability at fair value through profit & loss account (F)	**0**	**134**	**0**	**0**	**134**	**2**
Non current financial liabilities at amortised cost (G)	**0**	**0**	**0**	**96 080**	**96 080**	**2**
Current financial liabilities at amortised cost (H)	**0**	**0**	**0**	**47 400**	**47 400**	**2**
Current financial liabilities (E+F+H)	**1 454**	**134**	**0**	**47 400**	**48 988**	
Trade payables (I)	0	**0**	**0**	**126 583**	**126 583**	**2**
Other non-current payables	0	0	0	230	230	2
Other payables	0	0	0	111 276	111 276	2
Other payables (J)	**0**	**0**	**0**	**111 506**	**111 506**	**2**
Total financial liabilities and payables (G+H+I+J)	**0**	**0**	**0**	**381 569**	**381 569**	

Fair value of financial instruments per **31 December 2016**

in thousand EUR

Group Recticel	DESIGNATED IN HEDGE RELATIONSHIP	AT FAIR VALUE THROUGH PROFIT OR LOSS - HELD FOR TRADING	AVAILABLE FOR SALE	LOANS & RECEIVABLES AT AMORTISED COST	FAIR VALUE	FAIR VALUE LEVEL
Financial assets						
Interest rate swaps designated as cash flow hedge relationship	0	0	0	0	0	2
Subtotal interest rate swaps designated as cash flow hedge relationship (b)	**0**	**0**	**0**	**0**	**0**	**2**
Currency swap contracts	0	475	0	0	475	2
Transactional hedges - operational	0	1 172	0	0	1 172	2
Financial assets at fair value through profit & loss account (b)	**0**	**1 646**	**0**	**0**	**1 646**	**2**
Non-current trade receivables (a)	0	0	0	0	0	2
Current trade receivables	0	0	0	101 506	101 506	2
Trade receivables (A)	**0**	**0**	**0**	**101 506**	**101 506**	**2**
Other non-current receivables (a)	0	0	0	7 049	7 049	2
Other receivables (b)	0	0	0	26 768	26 768	2
Other receivables (B)	**0**	**0**	**0**	**34 574**	**34 574**	**2**
Loans to affiliates	0	0	0	3 883	3 883	2
Other loans	0	0	0	2 170	2 170	2
Non current loans (a)	**0**	**0**	**0**	**6 053**	**6 053**	**2**
Financial receivables (b)	0	0	0	41 146	41 146	2
Loans (C)	**0**	**0**	**0**	**47 199**	**47 199**	**2**
Cash and cash equivalents (D)	**0**	**0**	**0**	**37 174**	**37 174**	**2**
Total loans & receivables (A+B+C+D)	**0**	**0**	**0**	**219 696**	**219 696**	
Other investments (available for sale investments)	0	0	517	0	517	3
Non-current receivables (sum of (a))	**0**	**0**	**0**	**13 860**	**13 860**	
Other receivables (sum of (b))	**0**	**1 646**	**0**	**67 914**	**69 560**	
Financial liabilities						
Interest rate swaps designated as cash flow hedge relationship	3 690	0	0	0	3 690	2
Subtotal interest rate swaps designated as cash flow hedge relationship (E)	**3 690**	**0**	**0**	**0**	**3 690**	**2**
Interests from currency swaps	0	131	0	0	131	2
Currency swap contracts	0	316	0	0	316	2
Transactional hedges - operational	0	1 706	0	0	1 706	2
Financial liability at fair value through profit & loss account (F)	**0**	**2 153**	**0**	**0**	**2 153**	**2**
Non current financial liabilities at amortised cost (G)	**0**	**0**	**0**	**97 050**	**97 050**	**2**
Current financial liabilities at amortised cost (H)	**0**	**0**	**0**	**44 303**	**44 303**	**2**
Current financial liabilities (E+F+H)	**3 690**	**2 153**	**0**	**44 303**	**50 147**	
Trade payables (I)	0	**0**	**0**	**102 930**	**102 930**	**2**
Other non-current payables	0	0	0	183	183	2
Other payables	0	0	0	108 900	108 900	2
Other payables (J)	**0**	**0**	**0**	**109 082**	**109 082**	**2**
Total financial liabilities and payables (G+H+I+J)	**0**	**0**	**0**	**353 365**	**353 365**	

Credit risk management

Reference is made to II.5.9. – Trade receivables and other receivables.

Financial risk management

The Group is managing a portfolio of derivative financial instruments to hedge foreign exchange and interest rate exposures resulting from operational and financial activities. It is the Group's policy not to engage in speculative or leveraged transactions nor to hold or issue derivative financial instruments for trading purposes.

Interest rate risk management

Recticel is hedging the interest rate risk linked to its interest-bearing borrowings on a global basis. The main hedging 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 balance sheet 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 until February 2018 for EUR 67 million and until October 2019 for EUR 10 million. The total IRS portfolio (EUR 77.0 million) qualifies for hedge accounting under the rules of IAS 39. In addition a deferred starting interest rate swap was concluded for EUR 25 million, starting in February 2018 and maturing in February 2021.

The weighted average life of the IRS portfolio is 0.27 years.

On 31 December 2017, the fair value of the interest rate swaps was estimated at EUR -1.5 million. The revaluation of the IRS portfolio directly impacts the Group equity (and not the profit and loss accounts) since these instruments are benefiting from a hedge accounting treatment based on periodic effectiveness testing validating the fact that those hedges perfectly match characteristics of underlying debt.

A portion of the total financial leases (i.e. EUR 2.0 million) were issued at a fixed rate; most other bank debt is contracted at floating rate. A current portfolio of derivative products provides a global hedge for a total of EUR 77.0 million at 31 December 2017, meaning that total fixed-rate arrangements represent 40% of the total net debt including 'off-balance' factoring.

For **2017**

1. Hedge accounting

in thousand EUR

Group Recticel	AT THE END OF THE PRECEDING PERIOD	PAYMENT OF INTERESTS	FAIR VALUE RECOGNIZED IN EQUITY	INTEREST RECOGNIZED IN INCOME STATEMENT	TRANSFER	AT THE END OF THE CURRENT PERIOD
Interest Rate Swaps (IRS) assets	0	0	0	0	0	0
Interest Rate Swaps (IRS) liabilities	(3 690)	2 414	2 212	(2 390)	0	(1 454)
Net position	**(3 690)**	**2 414**	**2 212**	**(2 390)**	**0**	**(1 454)**

The table does not comprise the deferred tax impact of EUR -0.781 million.

For **2016**

1. Hedge accounting

in thousand EUR

Group Recticel	AT THE END OF THE PRECEDING PERIOD	PAYMENT OF INTERESTS	FAIR VALUE RECOGNIZED IN EQUITY	INTEREST RECOGNIZED IN INCOME STATEMENT	TRANSFER	AT THE END OF THE CURRENT PERIOD
Interest Rate Swaps (IRS) assets	1	(1)	0	0	0	0
Interest Rate Swaps (IRS) liabilities	(5 464)	2 321	1 857	(2 404)	0	(3 690)
Net position	**(5 463)**	**2 320**	**1 857**	**(2 404)**	**0**	**(3 690)**

The table does not comprise the deferred tax impact of EUR -0.631 million.

in thousand EUR

Group Recticel	OUTSTANDING IRS PORTFOLIO AS OF 31 DEC 2017						
START	MATURITY	RATE	2017	2018	2019	2020	FAIR VALUE AS PER 31 DEC 2017
22/02/13	22/02/18	1.07%	7 000	0	0	0	(48)
22/02/13	22/02/18	3.96%	25 000	0	0	0	(540)
22/02/13	22/02/18	3.80%	12 500	0	0	0	(260)
22/02/13	22/02/18	3.64%	12 500	0	0	0	(250)
22/02/14	22/02/18	1.12%	10 000	0	0	0	(71)
06/10/14	06/10/19	0.48%	10 000	10 000	10 000	10 000	(136)
	Average rate	**2.60%**	**77 000**	**10 000**	**10 000**	**10 000**	**(1 306)**

Sensitivity on interest rate

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.

Equity impact

Had the interest rates yield curve risen by 100 basis points, with all other parameters unchanged, the Group's profit in 2017 would not have been impacted by the change in 'marked-to-market' value of the derivatives. However the reserves in equity would have decreased by EUR -0.1 million as a result of the change in the 'marked-to-market' value of the interest rate swaps concluded to hedge the outstanding debts (compared to EUR +1.2 million in 2016).

Conversely, had the interest rates yield curve fallen by 100 basis points, with all other parameters unchanged, the reserves in equity would have decreased by EUR -0.2 million as a result of the fall in the 'marked-to-market' value of the interest rate swaps concluded to hedge the debts (compared to EUR -1.2 million in 2016).

The sensitivity to interest rate variations decreased in 2017 compared to 2016, due to the effect of a lower modified duration. In 2017 the nominal amount of the portfolio amounted to EUR 77.0 million (2016: EUR 87.0 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 2017 would have decreased by EUR -0.8 million, compared to EUR -0.9 million in 2016.

Conversely, had the interest rates yield curve fallen by 100 basis points, with all other parameters unchanged, the Group's profit in 2017 would have increased by EUR +0.8 million, compared to EUR +0.9 million in 2016.

Exchange 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. However, hedge accounting under IAS 39 is not applied for exchange risk management.

In general, the Group concludes forward exchange contracts to cover foreign exchange risks on incoming and outgoing payments in foreign currency. The Group also concludes forward exchange contracts and option contracts to cover exchange risks associated with planned sales and purchases of the year, at a percentage which varies according to the predictability of the payment flows.

At balance sheet date, forward exchange contracts were outstanding for a notional value of EUR 91.8 million and with a total fair value of EUR -0.3 million.

Overview of forward exchange contracts

For **2017:**

in thousand EUR

Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2017	FAIR VALUE NEGATIVE AT 31 DEC 2017	NET FAIR VALUE AT 31 DEC 2017	RECOGNISED IN THE INCOME STATEMENT OF 2017	RECOGNISED IN THE INCOME STATEMENT OF PREVIOUS YEAR
Forward purchasing contracts less than 6 months	44 924	4	(358)	(355)	(10 111)	6 082
Forward purchasing contracts more than 6 months	0	0	0	0	(2 384)	3 626
Forward sale contracts less than 6 months	28 882	45	(48)	(3)	15 292	(2 092)
Forward sale contracts more than 6 months	17 961	31	(20)	11	2 895	(2 235)
Total forward exchange contracts	**91 767**	**79** [(a)]	**(426)** [(b)]	**(347)**	**5 692**	**5 381**

For **2016:**

in thousand EUR

Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2016	FAIR VALUE NEGATIVE AT 31 DEC 2016	NET FAIR VALUE AT 31 DEC 2016	RECOGNISED IN THE INCOME STATEMENT OF 2016	RECOGNISED IN THE INCOME STATEMENT OF PREVIOUS YEARS
Forward purchasing contracts less than 6 months	73 679	1 820	(316)	1 504	6 082	1 570
Forward purchasing contracts more than 6 months	21 354	98	(386)	(288)	3 626	2 930
Forward sale contracts less than 6 months	88 878	173	(1 551)	(1 378)	(2 092)	(762)
Forward sale contracts more than 6 months	25 913	84	(284)	(200)	(2 235)	48
Total forward exchange contracts	**209 824**	**2 175** [(a)]	**(2 537)** [(b)]	**(362)**	**5 381**	**3 786**

For **2017:**

Overview of currency swap contracts

in thousand EUR

Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2017	FAIR VALUE NEGATIVE AT 31 DEC 2017	FAIR VALUE NET AT 31 DEC 2017
Sales / Purchases	0	0	0	0
Purchases / Sales	0	0	0	0
Total currency swap contracts	**0**	**0** [(a)]	**0** [(b)]	**0**

For **2016:**

in thousand EUR

Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2016	FAIR VALUE NEGATIVE AT 31 DEC 2016	FAIR VALUE NET AT 31 DEC 2016
Sales / Purchases	98 429	624	(287)	337
Purchases / Sales	34 483	112	(290)	(178)
Total currency swap contracts	**132 911**	**736** [(a)]	**(577)** [(b)]	**159**

in thousand EUR

Group Recticel	2017	2016
Assets [(sum of (a))]	39	1 172
Liabilities [(sum of (b))]	(42)	(1 706)
Currency forward contracts	**(3)**	**(534)**

Sensitivity analysis on the foreign exchange risks

The Group deals mainly in 6 currencies outside the euro zone: GBP, USD, CHF, SEK, PLN and CZK.

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 balance sheet 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 or equity 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 equity 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 equity (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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Historical average variation	10%	10%	10%	10%	5%	5%	5%	5%	5%	5%	5%	5%
Profit or (loss) recognized in the P&L account	289	5 512	3 380	160	2 476	2 020	180	(471)	196	461	554	322
Profit or (loss) recognized in equity	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets *	28 003	61 150	14 879	6 538	152 261	24 171	2 205	2 255	4 311	36 326	6 387	11 623
Financial liabilities *	(39 577)	(70 342)	(37 699)	(40 296)	(66 953)	(28 962)	(5 396)	(7 950)	(7 730)	(34 913)	(5 969)	(3 688)
Derivatives	8 679	64 316	(10 980)	35 358	(35 788)	45 199	(418)	(3 735)	(508)	7 810	10 666	(1 486)
Total net exposure	**(2 895)**	**55 124**	**(33 800)**	**1 600**	**49 520**	**40 409**	**(3 609)**	**(9 429)**	**(3 927)**	**9 223**	**11 084**	**6 449**

* 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. It includes the 5-year club deal concluded on 09 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, the Group still holds EUR 12.5 million in other long-term debt.

In addition to these long-term loans, the Group has a diversified range of short-term financing sources, including non-recourse factoring programmes.

The diversified financing structure and the availability of committed unused credit facilities for EUR 86.8 million (2016: EUR 84.6 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 (e.g. 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. At the end of 2017, Recticel complied with all its bank covenants. On the basis of the 2018 budget and the business plan management expects to be in a position to meet its bank covenants in the coming year.

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.

For the year ending 2017

in thousand EUR

Group Recticel	NOTES	MATURING WITHIN ONE YEAR	MATURING BETWEEN 1 AND 5 YEARS	MATURING AFTER 5 YEARS	TOTAL LONG TERM	FUTURE FINANCIAL CHARGES	CARRYING AMOUNT	
Financial leases		2 068	14 199	6 630	**22 897**	(3 042)	**19 855**	
Bank loans		91	77 091	0	**77 182**	(1 022)	**76 160**	
Other loans		270	960	1 060	**2 290**	(187)	**2 103**	
Total Financial liabilities - long term		**2 429**	**92 250**	**7 690**	**102 369**	**(4 251)**	**98 117**	II.5.16.1.
Bank loans		3 103						
Bank loans - factoring with recourse		751						
Commercial paper		19 999						
Bank overdraft		20 195						
Other financial debt		160						
Current accounts & cash pooling		69						
Accrued liabilities - financial short term		699						
Accrued liabilities - commercial paper		1						
Total Financial liabilities - short term (a)		**44 977**						
Interest rate swaps		1 318	136	0	1 454			
Interest from currency swaps		1	0	0	1			
Currency forward contracts - financial		79	0	0	79			
Currency swap contracts		9	0	0	9			
Transactional hedge - operational		42	0	0	42			
Economic hedge - operational		82	0	0	82			
Derivative instruments at fair value (b)		**1 531**	**136**	**0**	**1 667**			

Total financial liabilities due within one year		**48 936**

Non-current financial liabilities	I.4.	96 080
Current portion of non-current financial liabilities (b)		2 038
Total		**98 117**

Total financial liabilities - short term (a)		44 977
Derivative instruments at fair value (b)		1 667
Current portion of non-current financial liabilities (c)		2 038
Interest accruals on non-current financial liabilities		307
Total current financial liabilities	**I.4.**	**48 988**

For the year ending 2016

in thousand EUR

Group Recticel	NOTES	MATURING WITHIN ONE YEAR	MATURING BETWEEN 1 AND 5 YEARS	MATURING AFTER 5 YEARS	TOTAL LONG TERM	FUTURE FINANCIAL CHARGES	CARRYING AMOUNT	
Bonds and notes		28 763	0	0	**28 763**	(1 494)	**27 269**	
Financial leases		3 975	10 783	0	**14 758**	(2 423)	**12 335**	
Bank loans		230	88 301	0	**88 531**	(1 942)	**86 589**	
Other loans		260	905	1 090	**2 255**	(228)	**2 027**	
Total Financial liabilities - long term		**33 228**	**99 990**	**1 090**	**134 307**	**(6 087)**	**128 220**	II.5.16.1.
Bank loans		860						
Bank loans - forfeiting		0						
Bank loans - factoring with recourse		701						
Bank overdraft		10 178						
Other financial debt		315						
Current accounts & cash pooling		74						
Accrued liabilities - financial short term		22						
Total Financial liabilities - short term (a)		**12 150**						
Interest rate swaps		63	3 627	0	3 690			
Interest from currency swaps		131			131			
Currency swap contracts		316			316			
Trading/economic hedge		1 706	0	0	1 706			
Derivative instruments at fair value (b)		**2 216**	**3 627**	**0**	**5 843**			

Total financial liabilities due within one year		**47 594**

Non-current financial liabilities	I.4.	97 049
Current portion of non-current financial liabilities (b)		31 171
Total		**128 220**

Total financial liabilities - short term (a)		12 150
Derivative instruments at fair value (b)		5 843
Current portion of non-current financial liabilities (c)		31 171
Interest accruals on non-current financial liabilities		982
Total current financial liabilities	**I.4.**	**50 147**

II.5.19. Trade and other payables

Trade payables principally comprise amounts outstanding for trade purchases. Higher trade payables are explained by higher activity levels and raw material price increases in the last quarter of the year.

Other current amounts payable increased by EUR 2.4 million and is composed as follows:

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Other non current liabilities maturing within one year	142	187
VAT payable - local	11 132	4 558
Other tax payables	2 514	2 834
Payroll, social security	36 414	39 762
Dividend payable	283	287
Result transfer (fiscal unit)	13 035	13 063
Other debts	20 297	19 828
Accrued liabilities - operating	20 932	24 046
Deferred income - operating	5 983	4 261
Deferred income - gain on sale and leaseback	545	73
Total	**111 276**	**108 899**

II.5.20. Business combinations and disposals

There were no material business combinations during 2017.

II.5.21. Capital structure

Level of debt

At the end of 2017, the consolidated net financial debt, excluding the amounts drawn under the off-balance non-recourse factoring programs, decreased to EUR 87.1 million (end 2016: EUR 108.4 million). Consolidated net financial debt amounted to 33.3% of equity (2016: 43.1%).

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Cash	(57 844)	(37 174)
Hedging assets	(67)	(1 646)
Hedging liabilities	1 667	5 843
Non current financial liabilities	96 080	97 049
Current portion of non current financial liabilities	2 038	31 171
Current financial liabilities	44 242	12 123
Interest accruals	1 006	1 004
Total net financial debt	**87 121**	**108 370**

II.6. Miscellaneous

II.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 2017	31 DEC 2016
Payments due within one year	(23 992)	(22 810)
Between one and five years	(51 630)	(52 006)
Over five years	(32 680)	(25 957)
Minimal future payments	**(108 302)**	**(100 772)**

The below table only comprises the recognized lease payments of the financial period.

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Operating lease - land and buildings	(17 918)	(17 168)
Operating lease - plant, machinery and equipment	(6 482)	(3 507)
Operating lease - furniture	(281)	(294)
Operating lease - vehicules	(6 999)	(7 204)
Total	**(31 679)**	**(28 173)**

II.6.2. Other off-balance sheet items

in thousand EUR

Group Recticel	31 DEC 2017	31 DEC 2016
Guarantees given or irrevocably promised by Recticel SA/NV as security for debts and commitments of companies	89 278	82 780

These guarantees include mainly parental corporate guarantees and letters of comfort for commitments contracted by subsidiaries with banks (EUR 57.3 million), lessors (EUR 16.9 million), governmental institutions (EUR 3.1 million) and other third parties (EUR 12.0 million).

In December 2011, Recticel s.a./n.v. and Recticel International Services s.a./n.v. concluded a joint credit facility agreement ('club deal') amounting to EUR 175 million, which in February 2016 has been extended for 5 years until February 2021. Under this club deal and the agreement relating to the subordinated loans, Recticel s.a./n.v. and/or its subsidiaries have granted securities (see II.5.4.) in favour of the banks up to a maximum amount of EUR 175 million plus interest and related costs. 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.

II.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 2017:

ISSUE	NUMBER OF WARRANTS OUTSTANDING	EXERCISE PRICE (IN EUR)	EXERCISE PERIOD [1]
May 2007	51 909	8.77	01 Jan 11 - 01 May 18
Dec 2007	465 390	8.20	01 Jan 11 - 02 Dec 18
Dec 2012	58 351	4.15	01 Jan 16 - 20 Dec 18
Apr 2014	358 112	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
Total	**1 965 262**		

[1] all warrant plans 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 0.380 million (2016: EUR 0.168 million).

A more general overview showing the trend during 2017 is given below:

in units

Group Recticel	2017	2016
Warrants - end of period (31 Dec)	1 965 262	2 687 944
Weighted average exercise price (in EUR)	6.38	6.15
Outstanding at the beginning of the period	2 687 944	2 701 356
Granted during the period (new)	410 000	317 500
Expired during the period	418 845	0
Exercised during the period	713 837	330 912
Outstanding at the end of the period	1 965 262	2 687 944
Total exercisable at the end of the period	575 650	1 707 752
Total 'in-the-money' at the end of the period	1 447 963	736 703
Total exercisable and 'in-the-money' at the end of the period	58 351	432 703

The warrants outstanding at 31 December 2017 had a weighted average exercise price of EUR 6.38, and a weighted average remaining contractual life of 2.37 years.

The Group follows the transitional provisions prescribed by IFRS 2 (i.e. equity instruments granted after 7 November 2002 and not yet vested on 1 January 2008).

In 2017, 713,837 warrants were exercised at a weighted average exercise price of EUR 4.38. The average closing price of period between which these warrants were exercised (between 31 March 2017 and 30 November 2017) was EUR 7.37 per share. The average daily closing price for the full year 2017 was EUR 7.31 per share. One new warrant plan (410,000 warrants with exercise price of EUR 7.00) was issued in June 2017.

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: 2.60%), interest rate (Euribor 5 years) (0.0001%) and volatility (stock market data on the Recticel share) (23%). For the issue of June 2017 the fair value amounted to EUR 0.928 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
May 2007	3 580
Dec 2007	55 490
Dec 2012	11 814
Apr 2014	103 222
Jun 2015	110 000
Apr 2016	165 000
Jun 2017	260 000
Total	**709 106**

[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 2017 series:

Name	TOTAL NUMBER OF WARRANTS	TOTAL THEORETICAL VALUE OF WARRANTS AT ISSUANCE - IN EUR (*)
Olivier Chapelle	60 000	55 680
Ralf Becker	25 000	23 200
Betty Bogaert	25 000	23 200
François Desné	25 000	23 200
Jean-Pierre De Kesel	25 000	23 200
Bart Massant	25 000	23 200
Jean-Pierre Mellen	25 000	23 200
Jan Meuleman	25 000	23 200
François Petit	25 000	23 200
Dirk Verbruggen	25 000	23 200

(*) The theoretical value is calculated by using a Black & Scholes formula, and taken into account certain hypotheses regarding dividend yield, interest rate and volatility.

II.6.4. Events after the balance sheet date

There were no material post balance sheet events after 31 December 2017, except the fact that 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.

II.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: 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)**

Transactions with joint ventures and associates: 2016

in thousand EUR

Group Recticel	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES	REVENUES	PURCHASES
Total Orsafoam companies	0	7	1 443	221	0	165	(434)
Total Eurofoam companies	0	2 587	0	3 189	0	23 951	(24 863)
Total Proseat companies	3 883	1 857	15 630	83	13 160	23 566	0
TOTAL	**3 883**	**4 451**	**17 074**	**3 492**	**13 160**	**47 682**	**(25 297)**

II.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 : 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 Board of Directors : 2016

in EUR

NAME	DIRECTOR'S FEES 2016	ATTENDENCE FEES BOARD 2016	AUDIT COMMITTEE 2016	REMUNERATION AND NOMINATION COMMITTEE 2016	REMUNERATION FOR SPECIAL ASSIGNMENTS 2016	TOTAL (GROSS) 2016
JOHNNY THIJS BVBA	25 900.00	20 000.00	5 550.00	7 400.00	-	58 850.00
OLIVIER CHAPELLE BVBA	12 950.00	10 000.00	-	-	-	22 950.00
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	12 950.00	10 000.00	5 550.00	-	-	28 500.00
COMPAGNIE DU BOIS SAUVAGE SA	11 100.00	10 000.00	1 850.00	-	-	22 950.00
ENTREPRISES ET CHEMINS DE FER EN CHINE SA	11 100.00	10 000.00	-	3 700.00	-	24 800.00
IMRADA BVBA	11 100.00	10 000.00	5 550.00	-	-	26 650.00
REVAM BVBA	12 950.00	10 000.00	7 400.00	-	-	30 350.00
REVALUE BVBA	12 950.00	10 000.00	14 800.00	1 850.00	-	39 600.00
Kurt PIERLOOT	12 950.00	10 000.00	-	3 700.00	-	26 650.00
Danielle ZOETE	7 400.00	5 824.18	-	-	-	13 224.18
MARION DEBRUYNE BVBA	3 700.00	4 175.82	1 850.00	-	-	9 725.82
Patrick VAN CRAEN	5 550.00	4 175.82	-	-	-	9 725.82
Jacqueline ZOETE	5 550.00	4 175.82	-	-	-	9 725.82
TOTAL	**146 150.00**	**118 351.64**	**42 550.00**	**16 650.00**	**0.00**	**323 701.64**

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	
	2017	2016	2017	2016	2017	2016
Number of persons	1	1	10	11	11	12
Fixed remuneration	520 000	500 000	2 612 904	2 295 700	3 132 904	2 795 700
Variable remuneration	354 640	497 250	744 046	1 101 548	1 098 686	1 598 798
Subtotal	**874 640**	**997 250**	**3 356 950**	**3 397 248**	**4 231 590**	**4 394 498**
Pensions	0	0	280 648	192 254	280 648	192 254
Other benefits	26 128	38 328	261 030	230 979	287 158	269 307
Total	**900 768**	**1 035 578**	**3 898 628**	**3 820 481**	**4 799 396**	**4 856 059**

II.6.7. Exchange rates

in EUR

Group Recticel		CLOSING RATE		AVERAGE RATE	
		2017	2016	2017	2016
Bulgarian Lev	BGN	0.511300	0.511300	0.511300	0.511300
Swiss Franc	CHF	0.854555	0.931185	0.899544	0.917301
Yuan Renminbi	CNY	0.128133	0.136608	0.131079	0.136013
Czech Crown	CZK	0.039162	0.037008	0.037986	0.036990
EURO	EUR	1.000000	1.000000	1.000000	1.000000
Pound Sterling	GBP	1.127103	1.167979	1.140675	1.220281
Forint	HUF	0.003222	0.003228	0.003234	0.003211
Indian Rupee	INR	0.013054	0.013968	0.013599	0.013446
Yen	JPY	0.007407	0.008104	0.007892	0.008320
Moroccan Dirham	MAD	0.091609	0.096544	0.093577	0.094886
Norwegian Krone	NOK	0.101623	0.110056	0.107215	0.107636
Polish Zloty	PLN	0.239406	0.226742	0.234906	0.229189
Romanian Leu (new)	RON	0.214661	0.220313	0.218876	0.222696
Serbian Dinar	RSD	0.008456	0.008104	0.008268	0.008132
Russian Rouble	RUB	0.014411	0.015552	0.015166	0.013487
Swedish Krona	SEK	0.101587	0.104685	0.103787	0.105609
Turkish Lira (NEW)	TRY	0.219954	0.269745	0.242451	0.299110
Ukrainian Hryvnia	UAH	0.030434	0.034980	0.033369	0.035230
US Dollar	USD	0.833820	0.948677	0.885206	0.903421

II.6.8. Staff

in units

Group Recticel	31 DEC 2017	31 DEC 2016
Management Committee	10	10
Employees	1 970	2 131
Workers	4 698	4 280
Average number of people employed (full time equivalent) on a consolidated basis (i.e. excluding joint ventures)	**6 678**	**6 421**
Average number of people employed in Belgium	1 058	1 068
Remuneration and social charges (in thousand EUR)	**292 802**	**276 263**

II.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 2017.

in thousand EUR

Group Recticel	DELOITTE	OTHERS
Audit fees	867	458
Other legal missions	7	0
Tax services	169	117
Other services rendered related to other assurance reporting	59	0
Total fees in 2017	**1 102**	**575**

In the above overview the fees of the joint venture companies are included at 100%.

II.6.10. Contingent assets and liabilities

II.6.10.1. Tertre (Belgium)

1. Carbochimique, which was progressively integrated into Recticel in the 1980s and early 1990s, owned industrial site in Tertre (Belgium), where various carbochemical activities in particular had been carried on since 1928. These activities were gradually spun off and sold and are now carried on by different 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 has not yet been performed because of the mutual dependence of the environmental conditions within the industrial site in Tertre. Yara has for precautionary reasons sued Recticel pursuant to this obligation in July 2003. A settlement agreement was negotiated and signed by the parties in the course of 2011, which ended the dispute definitively.

   Under the settlement agreement Yara and Recticel are committed to prepare together a recovery plan for four contaminated areas of the industrial area in Tertre, including the Valcke Bassin and a dump of Finapal, and for dividing the cost thereof.

   This plan was approved in December 2013 by Ministerial Order of the Walloon Government.

   The parties have developed in consultation a specification book, which was approved by the authorities. End of December 2015 Ecoterres was appointed as contractor. The works were started on 15 February, 2016. End of the works is expected by end 2019.

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 runs to date as planned. The clean-up works were completed last year but are still subject to a monitoring phase during 3 years.

   The expected costs for these works were provisioned in Recticel's accounts for an amount € 1.89 million as per 31 December 2017.

II.6.10.2. 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 the United Kingdom, 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 and 2017.

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 takes in the relevant cases provisions to cover any legal costs in this regard.

Regarding the on-going litigations 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.

Following the fire incident in Most, 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 certain 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's opposition was successful; the patent was revoked. The patent owner has appealed the decision. Recticel is confident that the revocation of the patent will be maintained in appeal.

As of 31 December 2017, total litigation provisions and accruals on Recticel Group level amounted to EUR 8.8 million in the combined financial statements.

III. Recticel sa/nv - 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: 405 666 668

Subscribed capital: EUR 136 940 892.50 (per 31 December 2017)

Type and number of shares: at 31 December 2017 there was only one type of shares, namely ordinary shares (number: 54 776 357)

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 balance sheet, 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 balance sheet. 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.

IV. Recticel sa/nv - Condensed statutory accounts

in thousand EUR

Group Recticel		31 DEC 2017	31 DEC 2016
ASSETS			
FIXED ASSETS		**364 447**	**360 193**
I.	Formation expenses	1 622	2 294
II.	Intangible assets	30 614	32 764
III.	Tangible assets	58 838	58 088
IV.	Financial assets	273 372	267 047
CURRENT ASSETS		**199 810**	**178 567**
V.	Amounts receivable after one year	12 274	11 778
VI.	Inventories and contracts in progress	23 068	22 951
VII.	Amounts receivable within one year	160 759	140 747
VIII.	Cash investments	1 398	1 398
IX.	Cash	295	305
X.	Deferred charges and accrued income	2 016	1 388
TOTAL ASSETS		**564 257**	**538 761**
LIABILITIES			
I.	Capital	136 941	135 156
II.	Share premium account	127 982	126 071
III.	Revaluation surplus	2 551	2 551
IV.	Reserves	13 411	12 096
V.	Profits (losses) brought forward	66 533	53 597
VI.	Investment grants	5	17
VII.	A. Provisions for liabilities and charges	7 822	7 562
	B. Deferred taxes	0	0
VIII.	Amounts payable after one year	54 688	13 883
IX.	Amounts payable within one year	147 318	180 035
X.	Accrued charges and deferred income	7 005	7 793
TOTAL LIABILITIES AND EQUITY		**564 257**	**538 761**

in thousand EUR

Group Recticel		31 DEC 2017	31 DEC 2016
PROFIT AND LOSS ACCOUNT			
I.	**Operating revenues**	**395 982**	**369 983**
II.	Operating charges	(369 321)	(348 433)
III.	**Operating profit (loss)**	**26 660**	**21 549**
IV.	Financial income	12 156	17 401
V.	Financial charges	(12 481)	(13 893)
VI.	**Profit (loss) for the year before taxes**	**26 336**	**25 057**
VII.	Income taxes	(34)	(51)
VIII.	**Profit (loss) for the year after taxes**	**26 302**	**25 006**
IX.	Transfer to untaxed reserves	0	0
X.	**Profit (loss) for the period available for appropriation**	**26 302**	**25 006**

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		26 302 493.28
Profit/(Loss) brought forward from previous year	+	53 596 622.59
Profit/(Loss) to be added to legal reserves	-	1 315 124.66
Profit/(Loss) to be added to other reserves	-	0.00
Result to be appropriated	**=**	**78 583 991.21**
Gross dividend [1]	-	12 050 798.54
Profit to be carried forward	**=**	**66 533 192.67**

[1] Gross dividend per share of EUR 0.22, resulting in a net dividend after tax of EUR 0.154 per ordinary share.

V. 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 2017 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.

VI. Auditor's report on the consolidated financial statements for the year ending 31 December 2017

Recticel NV | 31 December 2017

Statutory auditor's report to the shareholders' meeting of Recticel NV for the year ended 31 December 2017

(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 to you. This report includes our report on the consolidated financial statements together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

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 20 consecutive periods.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in 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 balance sheet shows total assets of 730 162 (000) EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 23 913 (000) EUR.

In our opinion, the consolidated financial statements of Recticel NV give a true and fair view of the group's net equity and financial position as of 31 December 2017 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). 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.

Key audit matters	How our audit addressed the key audit matters
Impairment risk of property, plant and equipment relating to the interiors business	
Due to the nature of the interiors business, significant capital expenditure is involved. Moreover, main investments are linked to a specific car model, resulting in the fact that the recoverability of the investment is depending on the success of the related car model. Due to the unpredictability and the volatility of the produced volumes, there is a risk for impairment if the projects are not generating sufficient cash flows. Total net book value of the property, plant and equipment relating to the interiors business amounts to 60 725 (000) EUR. The Group reviews the carrying amounts of these non-current assets when impairment indicators are present. Estimating the recoverable amount of the assets requires critical management judgement including estimates of future sales, gross margin, discount 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 II.1.6.1.3.1 of the consolidated financial statements.	We designed our audit procedures to be responsive to this key audit matter. We obtained an 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 tests for the plants/projects where impairment indicators exist, 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 pinpointed our audit procedures to those plants/projects that were impacted by external events or where the financial performance was substantially deviating from management's expectations. 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
Impairment risk on goodwill relating to the Flexible Foam UK CGU	
The group has 4 048 (000) EUR goodwill allocated to the UK flexible foam cash generating unit. 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 amounts 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.1.6.1.1 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.6.10.2 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 2017, the group has deferred tax assets, mainly on tax losses carried forward, amounting to 26 241 (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.1.6.2 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 focused on the deferred tax assets related to the Belgian companies, which have been impacted by of the changed legislation and we assessed the adequacy of the company's disclosure note to the consolidated financial statements.

Responsibilities of the board of directors for 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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 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 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 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 auditor's report unless law or regulation precludes any public disclosure about the matter.

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Report on other legal, regulatory and professional 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.

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), 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, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other matters disclosed

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 the period ended 31 December 2017 and it 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 annual report on the consolidated financial statements and other information disclosed in the directors' report on the consolidated financial statements, i.e. chapter 1 (with the exception of the report by the board of directors), 2, 3, 4 and 8, is 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. We do not express any kind of assurance on the annual report.

The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in a separate report that is part of chapter 3 of the annual report. This statement on non-financial information includes all the information required by article 119, § 2 of the Companies Code and is in accordance with the consolidated financial statements for the financial year then ended. The non-financial information has been established by the company in accordance with the GRI Standards. We do however not express any opinion on the question whether this non-financial information has been established, in all material respects, in accordance with this GRI Standards. Furthermore, we do not express any form of assurance conclusion on individual elements that have been disclosed in this non-financial information.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, 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, 26 April 2018

The statutory auditor

DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Kurt Dehoorne

Deloitte.

Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
Registered Office: Gateway building, Luchthaven Nationaal 1 J, B-1930 Zaventem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

VII. Comparable overview of the consolidated financial statements (2008-2017)

in thousand EUR

Group Recticel	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	31 DEC 2008 COMBINED
ASSETS											
Intangible assets	12 323	12 104	13 411	12 384	11 954	11 148	13 031	12 580	13 307	14 301	20 104
Goodwill	24 169	25 073	25 888	24 949	24 610	25 113	35 003	34 688	34 365	33 311	39 164
Property, plant & equipment	226 783	216 207	209 681	202 733	204 614	219 180	270 904	255 347	270 979	286 789	336 560
Investment property	3 331	3 331	3 331	3 306	3 330	4 452	4 452	3 331	896	896	896
Interest in associates	76 241	82 389	73 196	73 644	72 507	69 123	13 784	12 957	15 451	15 697	13 626
Other financial investments	64	71	30	160	161	236	240	3 399	1 151	1 999	11 446
Available for sale investments	603	410	1 015	771	275	111	122	121	86	85	197
Non-current receivables	14 804	13 860	13 595	13 373	10 973	10 153	7 664	8 305	10 070	9 605	5 005
Deferred tax	26 241	37 820	43 272	46 834	48 929	49 530	45 520	50 290	55 739	43 365	52 020
Non-current assets	**384 559**	**391 265**	**383 419**	**378 154**	**377 353**	**389 046**	**390 720**	**381 018**	**402 044**	**406 048**	**479 018**
Inventories and contracts in progress	99 408	91 900	93 169	96 634	94 027	91 028	116 607	116 002	113 671	105 827	120 035
Trade receivables	110 935	101 506	83 407	78 109	64 516	78 359	114 540	132 910	141 783	142 104	170 117
Other receivables	73 373	69 561	55 327	49 597	46 358	56 528	48 123	39 567	62 285	58 016	60 095
Income tax receivables	1 350	1 441	2 061	504	3 851	3 736	4 345	3 847	3 552	4 367	1 130
Available for sale investments	123	107	91	75	60	45	45	205	181	156	293
Cash and cash equivalents	57 844	37 174	55 967	26 163	26 237	18 533	27 008	54 575	53 938	41 388	68 151
Disposal held for sale	2 570	0	3 209	8 569	0	0	0	0	0	0	0
Current assets	**345 603**	**301 689**	**293 231**	**259 651**	**235 049**	**248 229**	**310 668**	**347 106**	**375 410**	**351 858**	**419 821**
Total assets	**730 162**	**692 954**	**676 650**	**637 805**	**612 402**	**637 275**	**701 388**	**728 124**	**777 454**	**757 906**	**898 839**

in thousand EUR

Group Recticel	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	31 DEC 2008 COMBINED
LIABILITIES											
Capital	136 941	135 156	134 329	74 161	72 368	72 329	72 329	72 329	72 329	72 329	72 329
Share premium	127 982	126 071	125 688	108 568	107 042	107 013	107 013	107 013	107 013	107 013	107 013
Share capital	**264 923**	**261 227**	**260 017**	**182 729**	**179 410**	**179 342**	**179 342**	**179 342**	**179 342**	**179 342**	**179 342**
Treasury shares	(1 450)	(1 450)	(1 450)	(1 735)	(1 735)	0	0	0	0	0	0
Retained earnings	18 235	7 425	2 582	1 768	27 364	75 565	95 010	85 191	75 179	67 582	51 222
Hedging and translation reserves	(19 922)	(15 997)	(12 189)	(16 599)	(18 279)	(13 817)	(13 728)	(15 739)	(12 853)	(21 395)	(19 951)
Equity before non-controlling interests	**261 786**	**251 205**	**248 960**	**166 163**	**186 760**	**241 090**	**260 624**	**248 794**	**241 668**	**225 529**	**210 613**
Non-controlling interests	0	0	0	0	0	0	0	0	0	429	23 090
Total equity	**261 786**	**251 205**	**248 960**	**166 163**	**186 760**	**241 090**	**260 624**	**248 794**	**241 668**	**225 958**	**233 703**
Pensions and similar obligations	54 295	50 979	49 581	54 548	44 557	44 548	28 048	35 289	34 988	37 209	40 155
Provisions	14 266	13 208	11 505	7 301	8 149	9 439	9 798	12 964	24 452	23 008	17 893
Deferred tax	9 113	10 116	9 505	8 907	8 203	7 257	8 554	9 134	8 800	8 187	9 429
Subordinated loans	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*89 014*
Bonds and notes	*0*	*0*	*26 631*	*26 037*	*0*	*25 023*	*45 023*	*44 546*	*39 780*	*39 368*	*14 500*
Financial leases	*18 078*	*8 683*	*11 867*	*15 057*	*18 113*	*19 941*	*20 850*	*11 024*	*13 285*	*15 986*	*19 346*
Bank loans	*76 160*	*86 589*	*0*	*99 240*	*78 850*	*73 458*	*74 595*	*79 534*	*111 977*	*128 200*	*140 161*
Other loans	*1 842*	*1 777*	*1 865*	*1 801*	*1 871*	*2 038*	*2 039*	*2 111*	*2 082*	*2 201*	*5 123*
Interest-bearing borrowings	**96 080**	**97 049**	**40 363**	**142 135**	**98 834**	**120 460**	**142 507**	**137 215**	**167 124**	**185 755**	**268 144**
Other amounts payable	230	183	226	6 810	444	704	501	353	510	359	1 782
Non-current liabilities	**173 984**	**171 535**	**111 180**	**219 701**	**160 187**	**182 408**	**189 408**	**194 955**	**235 874**	**254 518**	**337 403**
Pensions and similar obligations	3 978	4 168	2 370	2 205	1 809	1 404	1 529	3 126	3 846	3 893	4 674
Provisions	1 155	1 780	4 566	4 687	6 732	1 255	1 523	6 328	14 480	8 312	8 516
Interest-bearing borrowings	48 988	50 147	114 675	52 798	66 181	36 454	57 840	67 680	45 691	47 740	68 872
Trade payables	126 584	102 929	94 276	96 373	81 720	86 066	104 980	119 274	141 887	114 208	146 993
Income tax payables	2 411	2 291	2 463	414	3 086	2 071	2 281	3 974	7 542	4 712	3 389
Other amounts payable	111 276	108 899	98 160	95 464	105 927	86 527	83 203	83 993	86 466	98 565	95 289
Current liabilities	**294 392**	**270 214**	**316 510**	**251 941**	**265 455**	**213 777**	**251 356**	**284 375**	**299 912**	**277 430**	**327 733**
Total liabilities and total equity	**730 162**	**692 954**	**676 650**	**637 805**	**612 402**	**637 275**	**701 388**	**728 124**	**777 454**	**757 906**	**898 839**

in thousand EUR

Group Recticel	2017 CONSOLIDATED	2016 CONSOLIDATED	2015 CONSOLIDATED	2014 CONSOLIDATED	2013 CONSOLIDATED	2012 CONSOLIDATED	2012 COMBINED	2011 COMBINED	2010 COMBINED	2009 COMBINED	2008 COMBINED
INCOME STATEMENT											
Sales	**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**	**1 555 450**
Distribution costs	(61 952)	(57 855)	(58 039)	(54 135)	(52 934)	(54 460)	(65 838)	(65 182)	(64 768)	(62 061)	(74 528)
Cost of sales	(889 866)	(789 360)	(781 282)	(757 025)	(756 916)	(809 871)	(1 042 700)	(1 101 628)	(1 066 780)	(982 511)	(1 260 090)
Gross profit	**183 535**	**201 108**	**194 441**	**172 207**	**166 913**	**170 719**	**210 950**	**211 312**	**216 882**	**232 090**	**220 832**
General and administrative expenses	(78 426)	(79 395)	(76 723)	(72 299)	(74 397)	(66 772)	(83 711)	(85 059)	(80 367)	(82 166)	(90 587)
Sales and marketing expenses	(69 537)	(72 031)	(77 123)	(73 257)	(64 532)	(65 796)	(74 792)	(73 836)	(74 331)	(81 040)	(88 077)
Research and development expenses	(13 724)	(12 890)	(12 537)	(13 277)	(14 177)	(12 940)	(14 899)	(14 820)	(15 794)	(13 941)	(17 006)
Impairments	(7 009)	(1 672)	(983)	(688)	(3 365)	(1 110)	(1 555)	(5 260)	(10 800)	(10 362)	(12 280)
Other operating revenues (expenses)	27 632	(12 828)	(10 714)	(12 869)	(31 766)	2 867	3 033	8 363	(10 075)	31	26 367
Income from associates	2 390	16 927	6 874	8 964	439	6 008	711	1 741	935	1 608	1 899
Income from investments	0	0	0	2	0	0	0	(406)	1 164	7	265
EBIT	**44 861**	**39 219**	**23 235**	**8 783**	**(20 885)**	**32 976**	**39 737**	**42 035**	**27 614**	**46 227**	**41 413**
Interest income and expenses	(6 460)	(8 095)	(9 554)	(10 031)	(9 405)	(9 320)	(11 889)	(13 270)	(11 770)	(16 919)	(24 414)
Other financial income and expenses	1 718	(3 633)	(2 968)	(2 799)	(1 940)	(2 271)	(2 450)	(3 414)	(5 325)	3 125	(2 022)
Financial result	**(4 742)**	**(11 728)**	**(12 522)**	**(12 830)**	**(11 345)**	**(11 591)**	**(14 339)**	**(16 684)**	**(17 095)**	**(13 794)**	**(26 436)**
Result of the period before taxes	**40 119**	**27 491**	**10 713**	**(4 047)**	**(32 230)**	**21 385**	**25 398**	**25 351**	**10 519**	**32 433**	**14 977**
Income taxes	(16 206)	(11 161)	(6 170)	(5 702)	(3 908)	(6 035)	(7 834)	(7 933)	4 108	(12 396)	(10 378)
Result of the period after taxes	**23 913**	**16 330**	**4 543**	**(9 749)**	**(36 138)**	**15 350**	**17 564**	**17 418**	**14 627**	**20 037**	**4 599**
Share of minority interests	0	0	0	0	0	0	0	0	(188)	703	6 949
Share of the Group	**23 913**	**16 330**	**4 543**	**(9 749)**	**(36 138)**	**15 350**	**17 564**	**17 418**	**14 439**	**20 740**	**11 548**

VIII. 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 centralized 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 make a successful evolution 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 (e.g. 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 materialize, 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 realizes 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.

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.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.

8. Key Figures

in million EUR

Group Recticel	2013	2014	2015	2016	2017
Combined income statement					
Sales	1 258.6	1 280.1	1 328.4	1 347.9	1 460.8
REBITDA	72.8	65.9	81.9	97.7	105.5
EBITDA	27.7	49.3	67.8	85.4	94.1
REBIT	33.2	30.7	44.9	58.2	66.5
EBIT	(15.4)	13.4	29.8	44.3	48.1
Result of the period after taxes	(36.1)	(9.7)	4.5	16.3	23.9
Combined profitability ratios					
REBITDA / Sales	5.8%	5.2%	6.2%	7.2%	7.2%
EBITDA / Sales	2.2%	3.9%	5.1%	6.3%	6.4%
REBIT / Sales	2.6%	2.4%	3.4%	4.3%	4.6%
EBIT / Sales	-1.2%	1.0%	2.2%	3.3%	3.3%
Result of the period after taxes (share of the Group) / Sales	-2.9%	-0.8%	0.3%	1.2%	1.6%
Annual growth rates (combined)					
Sales	-4.6%	1.7%	3.8%	1.5%	8.4%
REBITDA	-17.0%	-9.4%	24.2%	19.3%	8.0%
EBITDA	-64.5%	77.9%	37.4%	26.0%	10.2%
REBIT	-30.6%	-7.6%	46.5%	29.6%	14.2%
EBIT	-141.8%	n.r.	122.4%	48.6%	8.6%
Result of the period after taxes (share of the Group)	-336.2%	-73.0%	-146.6%	259.5%	46.4%

in million EUR

	2013	2014	2015	2016	2017
Balance sheet					
Non-current assets	377.4	378.2	383.4	391.3	384.6
Current assets	235.0	259.7	293.2	301.7	345.6
TOTAL ASSETS	612.4	637.8	676.7	693.0	730.2
Total Equity	186.8	166.2	249.0	251.2	261.8
Non-current liabilities	160.2	219.7	111.2	171.5	174.0
Current liabilities	265.5	251.9	316.5	270.2	294.4
TOTAL LIABILITIES	612.4	637.8	676.7	693.0	730.2
Net working capital	18.0	32.6	39.1	50.3	44.8
Market capitalisation (December 31st)	163.0	152.8	300.9	358.4	423.4
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Combined net financial debt	165.1	194.5	123.0	126.0	122.9
ENTERPRISE VALUE	328.1	347.3	423.9	484.4	546.3
Combined Investments versus Combined Depreciation					
Investments in intangible and tangible fixed assets	30.5	35.8	46.5	53.9	68.3
Depreciation (excluding amortisation on goodwill, including impairment)	43.1	36.0	38.0	39.5	39.0
Investments / Sales	2.4%	2.8%	3.5%	4.0%	4.7%
Financial structure ratios					
Net financial debt / Total equity (including non-controlling interests)	88%	117%	49%	50%	47%
Total equity (including non-controlling interests) / Total assets	30%	26%	37%	36%	36%
Leverage (Combined net financial debt/Combined EBITDA)	6.0	3.9	1.8	1.5	1.3
Current ratio	0.9	1.0	0.9	1.1	1.2
Valuation ratios					
Price / Earnings (Market capitalisation (Dec 31st) / Result of the period (Group share))	n.r.	n.r.	66.2	21.9	17.7
Enterprise value / EBITDA	11.8	7.0	6.3	5.7	5.8
Price / Book value (=Market capitalisation/Book value (share of the Group))	0.87	0.92	1.21	1.43	1.62

in million EUR

Group Recticel	2013	2014	2015	2016	2017
Combined sales per business line					
Flexible foams	583.4	593.0	602.3	607.2	626.1
growth rate	*-0.8%*	*1.6%*	*1.6%*	*0.8%*	*3.1%*
Bedding	283.0	281.6	294.5	292.9	272.1
growth rate	*2.3%*	*-0.5%*	*4.6%*	*-0.5%*	*-7.1%*
Insulation	220.0	227.0	229.4	234.1	272.3
growth rate	*-0.3%*	*3.2%*	*1.1%*	*2.1%*	*16.3%*
Automotive	258.4	264.0	280.3	288.9	350.4
growth rate	*-10.8%*	*2.2%*	*6.2%*	*3.1%*	*21.3%*
Eliminations	(86.2)	(85.6)	(78.1)	(75.4)	(60.1)
Total sales	**1 258.6**	**1 280.1**	**1 328.4**	**1 347.9**	**1 460.8**
growth rate	***-4.6%***	***1.7%***	***3.8%***	***1.5%***	***8.4%***

in million EUR

Combined EBITDA per business line					
Flexible foams	(2.4)	25.1	34.0	39.6	30.6
as % of sales	*-0.4%*	*4.2%*	*5.6%*	*6.5%*	*4.9%*
Bedding	10.4	2.9	9.5	12.1	14.3
as % of sales	*3.7%*	*1.0%*	*3.2%*	*4.1%*	*5.3%*
Insulation	27.6	27.1	33.4	32.9	40.1
as % of sales	*12.5%*	*11.9%*	*14.6%*	*14.0%*	*14.7%*
Automotive	10.4	12.5	9.9	18.3	25.0
as % of sales	*4.0%*	*4.7%*	*3.5%*	*6.3%*	*7.1%*
Corporate	(18.3)	(18.2)	(19.1)	(17.4)	(16.0)
Total EBITDA	**27.7**	**49.3**	**67.8**	**85.4**	**94.1**
as % of sales	***2.2%***	***3.9%***	***5.1%***	***6.3%***	***6.4%***

in million EUR

Combined EBIT per business line					
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					
Number of shares (31 December)	28 947 356	29 664 256	53 731 608	54 062 520	54 776 357
Weighted average number of shares outstanding (before dilution)	28 498 521	28 953 478	44 510 623	53 504 432	54 110 396
Weighted average number of shares outstanding (after dilution)	28 498 521	28 953 478	44 704 483	59 643 102	57 941 701

in EUR

Combined REBITDA	2.55	2.28	1.84	1.83	1.95
Combined EBITDA	0.97	1.70	1.52	1.60	1.74
Combined REBIT	1.16	1.06	1.01	1.09	1.23
Combined EBIT	-0.54	0.46	0.67	0.83	0.89
Result of the period (share of the Group) - Basic (1)	-1.27	-0.34	0.10	0.31	0.44
Result of the period (share of the Group) - Diluted	-1.27	-0.34	0.10	0.30	0.43
Gross dividend	0.20	0.20	0.14	0.18	0.22
Pay-out ratio	n.r.	n.r.	137%	59%	50%
Net book value (Group share)	6.45	5.60	4.63	4.65	4.78
Price / Earnings ratio (2)	n.r.	n.r.	66.2	21.9	17.7

(1) calculated on the basis of the weigthed average number of shares outstanding (before dilution effect)

(1) calculated on the basis of the weigthed average number of shares outstanding (before dilution effect)

in EUR

Ordinary share					
on 31 December	5.63	5.15	5.60	6.63	7.73
lowest of the year	4.63	4.90	3.88	4.57	6.43
highest of the year	6.82	7.98	5.64	6.63	8.75
average daily volume traded (units)	36 049	43 974	83 737	51 513	70 435

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Dit verslag is beschikbaar in het Nederlands en het Engels.
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You can also download this Annual Report on www.recticel.com

In case of textual contradictions between the English and the Dutch version the first shall prevail.

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Thanks to all colleagues who contributed to the realisation of this Annual Report.