2019
ANNUAL REPORT

PICANOL GROUP

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

COMPANY PROFILE

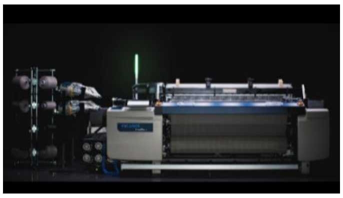
Picanol Group is a diversified industrial group and it is active worldwide in the fields of mechanical engineering, agriculture, food, water management, the efficient (re)use of natural resources and other industrial markets with a focus on water. The group's products are used in a variety of applications, industrial and consumer markets. In 2019, Picanol Group realized a consolidated turnover of 2.2 billion EUR.

Picanol Group has approximately 7,000 employees worldwide and is listed on Euronext Brussels (PIC) via Picanol nv. Picanol Group was founded in 1936. Since 2013, Picanol Group has also had a reference interest in Tessenderlo Group (Euronext: TESB).

Picanol Group in 2019:

Consolidated turnover:	2,221.4 million EUR
Number of employees:	7,000
Euronext Brussels:	PIC
Web:	www.picanolgroup.com

Picanol Group's activities are divided into five business segments:



The segment **Machines & Technologies** includes the activities Weaving Machines (Picanol), the foundry and mechanical finishing (Proferro) and the development and production of electronics (PsiControl).

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

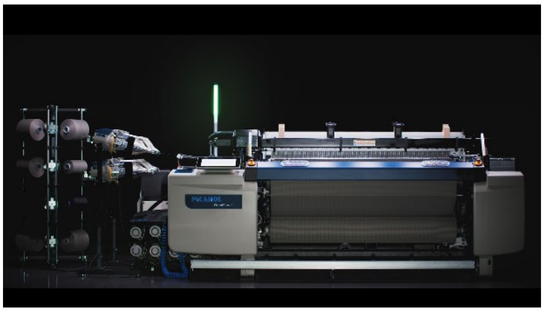
Our activities in animal by-product processing are combined in the **Bio-valorization** segment. This consists of PB Leiner (the production, trading and sales of gelatins & collagen peptides) and Akiolis (the rendering, trading, production and sales of proteins and fats).

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

The **T-Power** segment includes the combined cycle gas turbine (CCGT) with a 425 MW capacity in Tessenderlo (Belgium).

Activity report 2019

2019 HIGHLIGHTS



In June 2019, Picanol participated in the 18th edition of ITMA in Barcelona, which is the most important four-yearly textile machinery trade fair in the world. The event proved to be successful for Picanol and the new OmniPlus-*i* airjet weaving machine received a great deal of interest. Overall, Picanol once again established itself at ITMA as the technology leader in airjet and rapier weaving machines.

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

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

Within the DYKA Group business unit, which provides high quality, value-added solutions in plastic pipe systems for the utilities, agricultural, building and civil engineering markets, DYKA opened new branches in Anderlecht (Belgium) and Třeboň (Czech Republic) during the first half of 2019.

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

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

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

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

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

We can look back on 2019 as having been a busy year.

Last year, we also updated our reporting as the results of Tessenderlo Group have been fully consolidated into the financial statements of Picanol Group since January 1, 2019.

In 2019, Picanol Group realized a consolidated turnover of 2,221.4 million EUR, a decrease of 3% compared to 2,287.6 million EUR in 2018 (on a comparable basis). Machines & Technologies experienced a sharp decline in revenue (-28%) as a result of the global slowdown in the machine market, which was driven by the uncertain macroeconomic climate. Agro revenue (-1% excluding exchange rate impact) remained stable, while the revenue of Bio-valorization increased (+7.5% excluding exchange rate impact) thanks to the performance of PB Leiner. The revenue of Industrial Solutions increased (+1.2% excluding exchange rate impact), mainly thanks to the contribution of DYKA Group. T-Power, only fully acquired in 4Q18, contributed 71.1 million EUR to the 2019 revenue, which was in line with expectations. Picanol Group closed 2019 by recording a net profit of 41.7 million EUR, as compared to 110.9 million EUR in 2018.

In 2019, the Machines & Technologies activities were affected by a weakening global machine market, which was driven by the uncertain macroeconomic climate. In particular, the slowdown in the global weaving machine market that impacted Picanol was not compensated for by the activities of Proferro and PsiControl. In June 2019, Picanol successfully participated in the 18th edition of ITMA in Barcelona, which is the most important four-yearly textile machinery exhibition in the world. Our new OmniPlus-*i* airjet weaving machine was received with much acclaim at the event and we were once again able to present Picanol as a technology leader in airjet and rapier weaving machines.

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

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

In 2019, Picanol Group remained focused on the automation and robotization of our production plants, sustainability in all our activities, the digitalization of our processes, increasing logistics efficiencies, debottlenecking plants, implementing coordinated procurement and sourcing activities, profitable growth and customer focus in order to better serve the markets in which we operate. All of these initiatives, combined with a constant focus on operational excellence, will enable us to lay a solid foundation for the future development of Picanol Group.

Dividend
At the annual shareholders' meeting of May 18, 2020, the Board of Directors will propose to the shareholders to pay out a dividend of 0.2 EUR per share for the 2019 financial year.

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

Picanol Group anticipates that the 2020 Adjusted EBITDA will be higher compared to 2019 – even when excluding the negative impact on the 2019 Adjusted EBITDA of the inventory revaluation for -32.2 million EUR. This guidance for 2020 does not include any potential impact from COVID-19 (Coronavirus). This disease is a new factor of uncertainty, which is expected to have a significant negative economic impact worldwide, and its effect on the 2020 Adjusted EBITDA is currently difficult to estimate. At this stage and given the evolving landscape, it is too early to determine the full impact of COVID-19 on the 2020 financial results. The group would like to emphasize that it currently operates in a volatile political, economic and financial environment.

On behalf of the Board of Directors, we would like to thank everyone who contributed to the success of Picanol Group during 2019. This includes our employees for their loyalty and commitment, as well as our shareholders, customers and business partners for the trust that they continue to show in our group.

Kind regards,

Luc Tack	Stefaan Haspeslagh
CEO	Chairman of the Board of Directors

Note: For some explanations on the financial statements of Picanol nv, please refer to page 126 of this annual report.

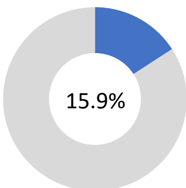
MACHINES & TECHNOLOGIES SEGMENT

Our segment Machines & Technologies of Picanol Group includes the development, production and sales of high-tech weaving machines (Picanol), the foundry and mechanical finishing (Proferro) and the development and production of electronics (PsiControl). The segment Machines & Technologies replaces the previously reported segments named 'Weaving Machines' and 'Industries'.

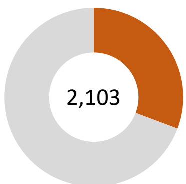
PRODUCTION SITES	Belgium (1), Romania (1) and China (1). Sales offices for weaving machines, spare parts and after-sales services are located in Brazil, China, India, Indonesia, Mexico, Turkey and the USA.
CORE MARKET	Machines and technology
AREA OF ACTIVITY	Development, production, sales and service of high-tech weaving machines (Picanol), the foundry and mechanical finishing (Proferro) and the development and production of electronics (PsiControl)
BUSINESS DRIVERS	▪ Rising demand for textiles due to global growth of the middle class ▪ The increasing demand for complex cast iron parts ▪ Rising demand for electronics as a result of the increased digitization of machines and processes
STRATEGIC FOCUS	**Picanol:** ▪ To further expand the product range of the weaving machines and offer applications for new market segments. ▪ Further strengthening of the (weaving) performance, the quality of products and services, and the cost competitiveness of the customers. **Proferro:** ▪ The three-pillar strategy of casting-finishing-assembly. **PsiControl:** ▪ Custom-made controllers for medium series and expertise in Electronic Manufacturing Services (EMS).

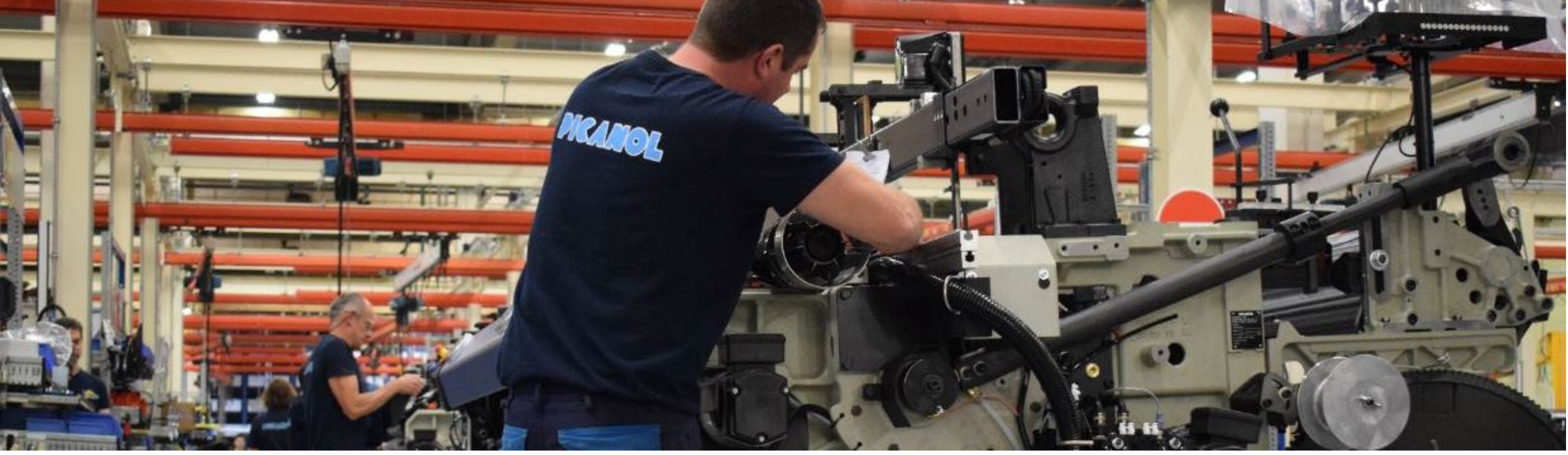
KEY FIGURES

Share of Adjusted EBITDA



Headcount (FTE)





PICANOL

- **Activities**

  Picanol develops, produces and sells high-tech weaving machines where insertion is based on airjet or rapier technology. Picanol supplies weaving machines to weaving mills worldwide in more than 100 countries, and also offers its customers products and services such as weaving frames and reeds, training courses, upgrade kits and spare parts. Picanol has been an international pioneer for more than eighty years and it ranks among the world's top weaving machine manufacturers.

  Picanol supplies weaving machines for general textile applications such as denim (jeans), shirt fabric, terry cloth, or household & interior textiles. Picanol also supplies weaving machines for niche applications in technical textiles such as airbags, medical textiles, parachutes or tire cord.

  In addition to its headquarters in Belgium (Ypres), Picanol has a production facility in China (Picanol (SIP) Textile Machinery), which is linked to its own worldwide service and sales network. Picanol's baseline 'Let's grow together' refers to the thorough customer focus, the focus on maximum performance and the continuous innovation of the machines and parts.

- **Business in 2019**

  The end of 2018 was marked by a sharp drop in demand for weaving machines. In particular the denim segment weakened sharply following several consecutive years of strong growth, which had a significant impact on the numbers of rapier weaving machines delivered. A number of uncertainties, such as the trade dispute between the US and China, meant that 2019 was a rather mediocre year for Picanol. However, over the course of the year, a gradual market recovery started and this culminated in a very strong fourth quarter for its site in Suzhou.

  In June 2019, Picanol participated in the 18th edition of ITMA in Barcelona, which is the most important four-yearly textile machinery trade fair in the world. The event proved to be successful for Picanol and the new OmniPlus-*i* airjet weaving machine received a great deal of interest. Overall, Picanol once again established itself at ITMA as the technology leader in airjet and rapier weaving machines. In 2019, Picanol also organized several customer days in India, Indonesia and Mexico, among other countries, and participated in various other trade fairs including RubberTech (China), KTM (Turkey) and ITMACH and TechTextil (India). The OmniPlus-*i* has received very positive feedback from the market and it already represents the majority of Picanol airjet production.

  In the development of its weaving machines, the following 4 principles are always central: 'Smart Performance', 'Sustainability Inside', 'Driven by Data' and 'Intuitive Control'. In 2019, the main R&D focus points were the development of weaving machines with higher performance, material efficiency, user-friendliness, easier adjustability, the extensive use of sensors, and digitization with a view to ensuring future connectivity.

  In 2019, Picanol continued to invest in the renewal and modernization of its production facilities and maintained its focus on ‘Let's Make it Together’ at its Ypres facility on the road to becoming the (manufacturing) company of and for the future. In combination with further productivity and quality improvements, the Ypres plant aims to improve its competitive position and offer its customers an even better competitive position.

- **Outlook**

  For the first half of 2020, Picanol is taking into account an improvement in the order book compared to the same period in the previous year. However, it currently remains difficult to estimate the impact that COVID-19 (Coronavirus) and some geopolitical uncertainties might have.

In 2020, Picanol will continue to build on its technological leadership by further extending the product range of its weaving machines and offering applications for new market segments. The main challenge continues to be further strengthening the (weaving) performance, the quality of products and services, and the cost competitiveness of the customers. All of this should be realized in the most sustainable way possible. At the same time, earlier initiatives undertaken in relation to connectivity and digitization will continue unabated.

In product development, sourcing and assembly, Picanol will intensify its efforts to further improve both productivity and process efficiency, and to further roll out the Let's Make it Together program with targeted investments in new machinery and training.

PROFERRO

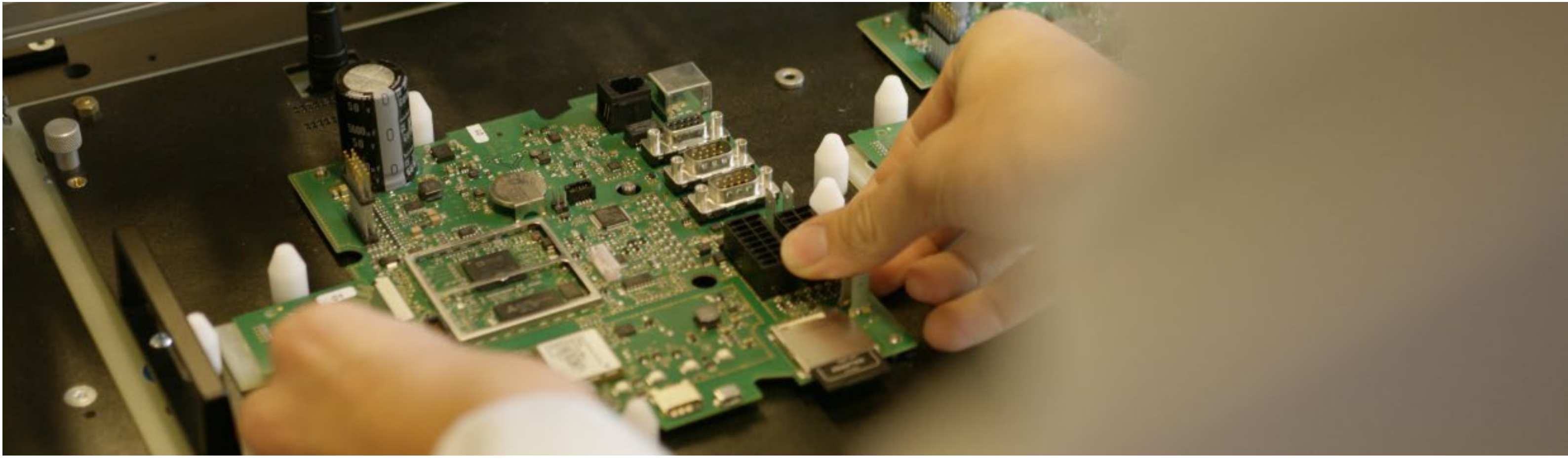
- **Activities**
  Proferro comprises the foundry and the machining activities of the Picanol Group. Proferro offers engineered casting solutions for medium sized series (500 to 20,000 pieces) in a long-term partnership. Proferro aims to be the preferred partner for applications in which the customers focus on modules and components with high added value. Proferro produces parts in grey lamellar and ductile cast iron ranging from 5 to 500 kg, with box sizes of 1600x1200x(2x400). When it comes to mechanical finishing, the group has various facilities both for prototyping and for series production using a very wide range of technologies including CNC machining, gear cutting, grinding and thermal treatment.

  Proferro supplies original equipment manufacturers in various market segments worldwide such as agricultural machinery, earthmoving equipment, compressors, textile machinery and general engineering. By combining casting, mechanical finishing, assembly and co-design, it is able to successfully cater to the growing demand for larger, more technically complex core-intensive parts.

- **Business in 2019**
  On the one hand, the lower demand from Picanol translated at Proferro into a decline of the weaving machine activities. On the other hand, the activities for external customers in market segments such as compressors, agro, etc. remained consistent. The three-pillar strategy of casting-finishing assembly and the HWS casting line are increasingly appreciated by the market. In 2019 Proferro also bid farewell to its Taccone molding and casting line. Proferro is also firmly committed to its HWS molding line for larger, finished casting parts.

  In 2019, Proferro invested in further renovation and modernization of its production facilities. This included the installation of new machining machines and new robots for the casting line and deburring operations. With these investments Proferro is investing in precision, quality, and automation.

- **Outlook**
  Despite Picanol's more positive outlook for 2020, Proferro is taking into account uncertainties in various market segments. In 2020, Proferro will continue to focus on broadening its customer portfolio, both in castings and in mechanical finishing.



PSICONTROL

- **Activities**
  With locations in Ypres (Belgium) and Rasnov (Romania), PsiControl concentrates on the design, development, production and support of custom-made controllers. PsiControl offers custom solutions that are engineered around real-time controllers. By using its own platforms, it is able to reduce development times and enable high-performance, cost-effective solutions.

  For this purpose, PsiControl has R&D and prototyping departments in Ypres and procurement, production and service activities in its branches in Ypres and Rasnov. PsiControl mainly focuses on industrial customers where reliability is crucial. Nowadays, it is a supplier in various sectors, including textile machinery, compressors, HVAC, and fleet management.

- **Business in 2019**
  PsiControl had another strong year, in which it was able to continue to focus on its custom-made controllers for medium series and its expertise in Electronic Manufacturing Services (EMS). From a technological perspective, PsiControl mainly focused in 2019 on HMI, touch, and speech control, and on connectivity.

  In 2019, PsiControl once again participated in a number of trade fairs in order to further roll out its Swipe product family. For example, it participated in ISH and Caravan Salon in Germany. Also in 2019, PsiControl invested in a plot of land in Rasnov (Romania), where it intends to build a new production facility.

- **Outlook**
  The outlook for PsiControl is positive in the various customer segments in which it operates. In 2020, PsiControl will focus on the roll-out of its technological solutions at various trade fairs, including MCE (Italy) and Caravan (Germany). With several investment projects scheduled for 2020, it will further focus on capacity, quality, safety, and the continuous improvement of its processes.

AGRO SEGMENT

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

PRODUCTION SITES	15 production plants: US (12 production plants and more than 100 terminals), Belgium (1), France (1) and Turkey (1), and 20 terminals in Europe and Mexico.
CORE MARKETS	Agriculture
AREA OF ACTIVITY	Value-added specialty liquid, solid and soluble fertilizers, and crop protection products with a focus on precision agriculture applications.
BUSINESS DRIVERS	▪ Growing population ▪ Increased demand for cost-effective, quality fertilizers and crop protection products for modern and sustainable precision agriculture

STRATEGIC FOCUS

Crop Vitality™/Tessenderlo Kerley International:

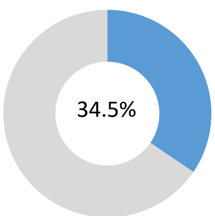
- To maintain our global leadership position in selective specialty liquid and soluble SOP fertilizers, while expanding further into key target markets in the Americas, Europe, Middle East and Australia.
- To expand the product portfolio and applications offerings to strengthen our position in specialty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

NovaSource®:

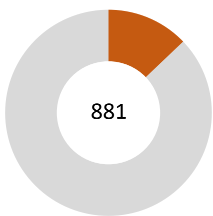
- To expand the product portfolio through acquisitions.
- To maintain product registrations, register and market our current and acquired products in additional countries.
- To identify, develop, register and market new uses of current and acquired products.

KEY FIGURES

Share of Adjusted EBITDA



Headcount (FTE)



CROP VITALITY

- **Activities**

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

  Crop Vitality products enhance crop health by improving nutrient uptake and viability while upholding the highest industry standards by delivering an essential element for optimal plant and soil health – i.e. sulfur. Crop nutrients are crucial to productive soils and are fundamental to plant health. In addition to our sulfur portfolio, we offer further products that mitigate nitrogen volatilization while aligning with sustainable agricultural practices that exceed industry standards. We proudly adhere to the 4R Nutrient Stewardship Program in all that we do in order to help achieve the highest quality, environmentally friendly, sustainable products. We focus on the grower, delivering sustainable plant nutrients and soil amendment solutions. In our Innovation & Learning Center located in Dinuba, California, we test our products, discovering when and where crops need them. We are also able to develop new products, tackle adverse conditions, work towards just in time delivery and service, and adjust to changing agricultural needs. This helps growers to enjoy sustainable, productive and profitable yields.

- **Business in 2019**

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

- **Outlook**

  At the core of our business is a focus on the relationships we have with our customers. To assist growers with the ever-increasing challenges to our industry, we remain focused on producing and delivering high-quality crop nutrition products and we are fully committed to ensuring we uphold manufacturing processes that mitigate environmental impact. We will continue to host grower educational visits at our Innovation & Learning Center in order to assist and train growers, customers and ourselves. The Innovation & Learning Center allows us to collaborate with others to investigate and develop consistent, positive nutrition solutions for agriculture. We will remain stewards in the agriculture sector; committing ourselves to building relationships with our customers, and understanding the needs of the market. Our industry expertise will continue to benefit growers through dedicated research and development efforts, superior product performance and a global focus on sustainability.

TESSENDERLO KERLEY INTERNATIONAL

- **Activities**
  Tessenderlo Kerley International supplies value-added liquid, soluble and solid plant nutrition in order to support growers in realizing efficient and sustainable agriculture. All of our fertilizer product brands are also bundled under one brand promise: Crop Vitality. Our global team of experts, agronomists and commercial advisers is characterized by a strong customer focus and has an outstanding heritage, as we are able to build on the nearly 100 years of expertise at Tessenderlo (in solid and soluble potassium-based fertilizers) and the 70 years of expertise at Kerley (in liquid fertilizers). The Tessenderlo Kerley International business unit is focusing on markets outside the US and Canada.

- **Business in 2019**
  During 2019, Tessenderlo Kerley International continued to execute its long-term strategy and made progress in driving top-line growth, while further strengthening the growth foundations. Recruiting commercial and agronomical talent, running a broad portfolio of trials with the Crop Vitality line of fertilizers, developing new customers/applications, upgrading existing manufacturing facilities and setting up supply chains are just some examples of the strengthening of these growth foundations.

  In regard to liquid fertilizers, the Thio-Sul® manufacturing plant in France celebrated its second full year of operation in 2019. This clearly illustrates the widespread adoption of Thio-Sul® as a liquid fertilizer, complementing sulfur nutrition and limiting nitrogen losses for broad-acre crops. For the sulfate of potash (SOP) or potassium sulfate product family, the market in 2019 was relatively robust with growth and solid demand for the water soluble product range. In this range, Tessenderlo Kerley International has a leading global position that is supported by a premium quality product. We are continuing to progress in regard to even further strengthening our market position over the long-term, i.e. by focusing on high quality products and services which are well-recognized in terms of global market reach and our strong local connection with different stakeholders in the supply chain.

- **Outlook**
  In 2020, Tessenderlo Kerley International will continue to execute the strategy towards profitable growth, including expanding the frontline team, strengthening our go-to-market channels, building agronomical know-how and driving excellence throughout our value chain. This will enable Tessenderlo Kerley International to remain at the forefront of the specialty SOP and liquid fertilizer markets. We will continue to consistently deliver high quality products, while improving our focus on customer service and applying the group's considerable experience in these industries.

NOVASOURCE

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

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

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

BIO-VALORIZATION SEGMENT

Our Bio-valorization segment, which covers Tessenderlo Group's activities in animal by-product processing, consists of PB Leiner (production, trading and sale of gelatins and collagen peptides) and Akiolis (rendering, production and sale of proteins and fats) with three entities (Atemax, Soleval and Violleau).

PRODUCTION SITES

PB Leiner: 3 production plants in Europe (Belgium, Germany, UK), 1 in China and 3 in the Americas (US, Argentina, Brazil)

Akiolis: 3 production plants, 28 collection centers in France (Atemax), 8 production plants, 20 collection centers in France (Soleval) and 1 production plant in France (Violleau)

CORE MARKETS

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

AREA OF ACTIVITY

Bio-resources, agriculture

BUSINESS DRIVERS

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

STRATEGIC FOCUS

PB Leiner:

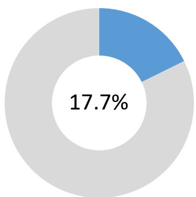
- To optimize efficiencies on existing assets.
- To focus on customer relationships and new product development.
- To vigorously focus on realizing manufacturing excellence and the improved valorization of access to raw materials.
- To increase the focus on health & beauty (protein rich, collagen peptides)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

Akiolis:

- To improve the valorization of finished products in organic fertilization, pet food and aquaculture markets.
- To strengthen our position in our core business on upstream markets by pushing long-term and quality-based contracts.
- To focus on customer relationships and new product development.
- To improve efficiency in existing plants and logistics.

KEY FIGURES

Share of Adjusted EBITDA



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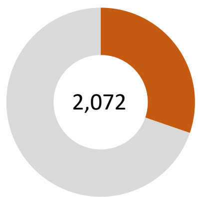


PB LEINER

- **Activities**
  PB Leiner supplies a complete range of high quality gelatins and collagen peptides, tailoring solutions to our customers' applications. PB Leiner is one of the top three players in the world in its sector. The gelatin process includes raw material (pre)treatment, collagen extraction and gelatin purification. The overall production processes can take up to six months for specific qualities. Some fractions of the gelatin are further processed into collagen peptides for health and nutrition applications. Gelatins are used in multiple markets, including food (e.g. confectionery and dairy), pharmaceuticals (e.g. capsules) and photography (e.g. film and photography paper). In most applications, gelatins are only added in small portions to the formulation, as a functional ingredient with superior characteristics. PB Leiner produces gelatin based on pigskin, beef hide and bone. Raw materials are mainly sourced regionally and competition for raw materials is not limited to other gelatin manufacturers, but also comprises other end-uses such as direct use as human food, pet food and leather manufacturing. Fluctuations in the supply and demand of raw materials have an important impact on gelatin prices and availability. Key to the business is securing sufficient raw material volumes.

- **Business in 2019**
  2019 was marked by instability on the raw materials market; specifically, speculation turbulence relating to pigskin, and uncertainty regarding the availability of beef hide and beef bones. The gelatin market conditions remained competitive, while the market for collagen peptides continued to develop. In 2019, PB Leiner further continued the implementation of our strategy by focusing on Sales Excellence (by strengthening the cooperation with our key customers on supply optimization and product development) and Operational Excellence (by the debottlenecking of plants, improving quality systems, optimizing processes and stimulating a culture of employee engagement). Due to the strong market demand, the sales of our range of collagen peptides, SOLUGEL® Ultra BD, continued its development. In 2019, we not only further increased our capacity, but we also continued our marketing efforts. In December 2019, we launched TEXTURA™, a next generation texturizer for food applications, which boasts previously unseen ease of use and time-saving. This new product launch reflects our commitment to finding ideal solutions for our customers' needs.

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

AKIOLIS

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

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

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

INDUSTRIAL SOLUTIONS SEGMENT

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

PRODUCTION SITES

DYKA Group: 8 production plants (2 in the Netherlands, 1 in Belgium, 2 in France, 1 in Germany, 1 in Poland and 1 in Hungary) and more than 70 branches in Europe
Performance Chemicals: 4 production plants (2 in Belgium, 1 in France and 1 in Switzerland)
Mining and Industrial, MPR Services & ECS: 3 plants (US)

CORE MARKETS

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

AREA OF ACTIVITY

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

BUSINESS DRIVERS

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

STRATEGIC FOCUS

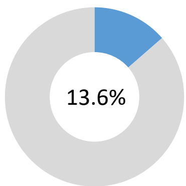
DYKA Group:
- To further grow customer intimacy, to introduce innovative systems and services, and to strengthen our position in various sectors, product ranges and key geographies.

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

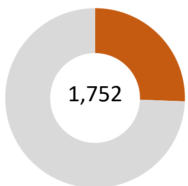
Mining and Industrial, MPR Services & ECS:
- To expand the Mining & Industrial business and to provide a full service water treatment and recycling model, and to enter new market segments.

KEY FIGURES

Share of Adjusted EBITDA



Headcount (FTE)



DYKA GROUP

- **Activities**
  DYKA Group (which is composed of the three entities DYKA, BT Nyloplast and JDP) provides high quality, value-added piping solutions for utilities, agricultural, building and civil engineering markets. We focus on achieving higher levels of customer satisfaction by offering pre-assembled piping kits, project consultancy services, engineering support for ventilation solutions, sewage and rainwater solutions, and siphonic roof drainage systems. We provide our solutions via our integrated sales and support network, our manufacturing and logistics professionals, and over 70 customer-oriented branches, as well as more than 2,000 points of sale in Europe.

  Attenuating or infiltrating rainwater from more frequent and heavier showers, accommodating increasing requirements to move towards more energy neutral buildings, preventing the leakage of valuable drinking water with better quality piping networks and reducing costs in complex construction value chains are just a few challenges that our customers face. These are best managed by applying the range of systems and services from DYKA Group. In addition, increasingly more recycled material is being applied in the manufacturing of our products and systems, and thus optimizing the environmental footprint of our business. This gives new value to both post-industrial and post-consumer plastics and consequently reduces demands on finite resources.

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

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

- **Outlook**
  DYKA Group will focus on realizing further sustainable growth in 2020. New systems and services, process improvements, either in sales and marketing, manufacturing or logistics, and in part supported by investments, together enable our customers to do more business more easily with DYKA Group or reduce the total operational costs in the value chain. Meanwhile, the aforementioned acquisition of REHAU Tube (expected to be completed by May 1, 2020) will further strengthen our position in the French Market.

PERFORMANCE CHEMICALS

- **Activities**

  Performance Chemicals provides industrial and municipal markets with coagulants and other chemicals for either the treatment of wastewater or the purification of drinking water. We also produce industrial chemicals which are used by a broad spectrum of industries such as pharmaceutical industry, oil and refinery, steel, de-icing and fertilizers. Other chemicals include bleach, acids for disinfection and household cleaning, calcium chloride for food, de-icing, oil & gas or industrial applications. Performance Chemicals is also active on the market for sodium hydroxide (NaOH), which is used for, among other things, paper and detergents. The production processes of Performance Chemicals enable the conversion or recycling of industrial by-products (for example, from the steel industry) into attractive new products for water treatment. Performance Chemicals has four production sites and these are located in Loos (France), Tessenderlo and Ham (Belgium) and Rekingen (Switzerland). The production sites are centrally located in areas where the demand is highest. We supply some of the largest metropolitan areas in Western Europe, such as Paris, Amsterdam, Geneva and Brussels, with the chemicals required to treat their wastewater.

- **Business in 2019**

  In 2019, we were able to further develop our iron chloride coagulant business and reconfirm our position as a leading European supplier of coagulants for wastewater and drinking water treatment. Several of our major multiyear supply contracts were also successfully renewed during the course of the year. Furthermore, Performance Chemicals raised the production capacity of our Ecoferric™ product line at our site in Loos in order to meet increasing demand in Western Europe for coagulants for wastewater treatment and for drinking water production.

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

- **Outlook**

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

MINING AND INDUSTRIAL

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

  The M&I team is committed to providing practical, predictable solutions and service to our customers so they can obtain maximum value from their existing operations and explore new potential applications. M&I utilizes two innovation centers where a customer-centric approach guides all development aspects.

- **Business in 2019**
  The gold market continued to be stable in 2019, while the base metals market showed some softening, especially in the second half of the year, following uncertainties in the global trade environment. These conditions had a direct effect on mining companies, which have been vigilant regarding costs including CAPEX/OPEX spending. Our diverse offering combined with our technical expertise allowed us to increase our market share and volumes, despite the market volatility. In order to support the growth in our sulfites product offering, M&I expanded both plant capabilities and strategic logistical assets. Our Elko, Nevada Thio-Gold® 300 plant, which supplies the Nevada Gold Mines-Goldstrike gold leaching plant with its patented breakthrough technology, continued to perform in line with customer demand and expectations, albeit in reduced volumes optimized for demand. In addition, our new laboratory was commissioned in 2019, focusing on the development of product and application solutions based on our customers' needs.

- **Outlook**
  M&I will leverage our expertise to ensure that we understand the needs of our partners, and deliver innovative solutions centered on reciprocal value creation. Our extensive manufacturing and supply chain will receive further investments and optimizations to achieve desired milestones. Our technical specialists will continue to be the market stewards for the safe, effective and efficient use of our products and solutions. M&I will maintain a focus on executing our growth strategy by expanding our legacy products into new markets and applications. We will continue to fuel innovations with an emphasis on continuous improvements in health, safety and the environment, handling and efficiencies, in order to create the next generation of offerings.

MPR SERVICES

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

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

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

ENVIRONMENTALLY CLEAN SYSTEMS (ECS)

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

- **Business in 2019**
  In 2019, we continued to focus on improving our performance while simultaneously reducing costs. These efficiency improvements have made ECS stronger, more competitive and better prepared to provide a dedicated service for wastewater applications for the oil and gas industry.

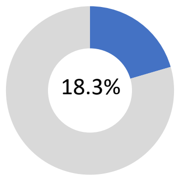
- **Outlook**
  The key focus for 2020 will be to operate efficiently while retaining a focus on safety, processes and procedures to maintain our strong position as a reliable company for handling produced water reclamation and disposal.

T-POWER SEGMENT

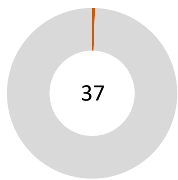
Our T-Power segment covers Tessenderlo Group's activities in the production of electricity by means of a Combined Cycle Gas Turbine (CCGT) with a 425 MW capacity.

PRODUCTION SITES	1 power plant: Tessenderlo (Belgium)
CORE MARKET	Energy
AREA OF ACTIVITY	Production of electricity in gas fired power plants
BUSINESS DRIVERS	Proper execution of the gas tolling agreement
STRATEGIC FOCUS	Focus on the efficiency and availability of the existing assets
KEY FIGURES	

Share of Adjusted EBITDA



Headcount (FTE)



T-POWER

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

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

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

- **Outlook**
  In 2020, T-Power will further focus on the efficiency, flexibility and availability of the existing assets.

CORPORATE GOVERNANCE STATEMENT 2019

TRANSPARENT MANAGEMENT

Picanol nv follows the Belgian legislation as reference code for Corporate Governance. In case that the Company does not comply with one or more provisions of this code, it shall indicate with which provision it is not complying and give justified reasons for this deviation. The Belgian Corporate Governance Code is available at: www.corporategovernancecommittee.be/en/home.

The Company's adherence to the principles of Corporate Governance is reflected in the Corporate Governance Charter (hereinafter referred to as the "Charter"). The Charter is available at www.picanolgroup.com.

On March 25, 2020, the Board of Directors of the Company adapted its Corporate Governance Charter to the new Corporate Governance Code 2020.

CAPITAL & SHARES

CAPITAL

The capital of Picanol nv at December 31, 2019, amounts to 21,720,000 EUR.

SHARES

The share capital is represented by 17,700,000 shares without par value.

By decision of the extraordinary general meeting of shareholders of March 16, 2020, the loyalty voting right has been introduced. As a consequence, each share which has been fully paid up and which is registered in the name of the same shareholder in the register of registered shares since at least two uninterrupted years, gives right to a double vote in accordance with the BCCA.

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

WARRANTS

As of December 31, 2019, there are no outstanding warrants.

SHAREHOLDERS & SHAREHOLDERS' STRUCTURE

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

	# voting rights	%
Artela NV	11,480,246	64.86%
Symphony Mills NV	4,332,134	24.48%
Other registered shares	18,854	0.11%
Free float	1,868,766	10.56%
Total	**17,700,000**	**100.00%**

Artela nv and Symphony Mills nv are controlled by Mr. Luc Tack. Following the introduction of the loyalty voting right on March 16, 2020, the share of the voting rights of Artela nv and Symphony Mills nv increased from 89.3% to 94.3%. At the date of this report, the Company has no knowledge of any agreements made between the shareholders.

Shareholders whose stake in Picanol nv's capital surpasses the threshold of 5% and each multiple of 5%, in either direction, are required to notify the Belgian Financial Services and Markets Authority (FSMA) (TRP.Fin@fsma.be) and Picanol nv (corporatecommunication@picanol.be).

GOVERNANCE STRUCTURE

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

BOARD OF DIRECTORS

COMPOSITION

At December 31, 2019, the composition of the Board of Directors of Picanol nv was as follows:

	Start of initial term	End of term
Independent Non-Executive Directors		
nv Kantoor Torrimmo, represented by its permanent representative Mr. Jean Pierre Dejaeghere	April 2010	May 2023
The Marble bvba, represented by its permanent representative Mr. Luc Van Nevel	April 2016	May 2023
7 Capital sprl, represented by its permanent representative Mrs. Chantal De Vrieze	April 2017	May 2021
Ann Vereecke bvba, represented by its permanent representative Mrs. Ann Vereecke	April 2019	May 2020
Non-Executive Directors		
Pasma nv, represented by its permanent representative Mr. Patrick Steverlynck	December 2009	May 2020
Executive Directors		
Mr. Luc Tack	July 2009	May 2020
Mr. Stefaan Haspeslagh – Chairman	April 2010	May 2022

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

On December 31, 2019, the Board of Directors was in full compliance with the Law of July 28, 2011, requiring that as of January 1, 2017, one-third of the members of the Board of Directors should be of the opposite gender. All meetings of the Board of Directors were attended by the Secretary of the Board of Directors.

ACTIVITIES

The Board of Directors convened according to a previously determined schedule. The Board of Directors met four (4) times during 2019.

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

- the group's long-term strategy and budget;
- the financial statements and reports;
- proposals to the general and extraordinary shareholders' meetings;
- the reports of the Audit Committee and the Nomination and Remuneration Committee;
- the remuneration policy and the remuneration of the members of the Executive Committee;
- the financial communication and reporting by segment;
- the approval of various investment files;
- the approval of the modified Corporate Governance Charter of the Company;
- evaluation of the existence of control over Tessenderlo Group;

- replacement of the former management committee by an Executive Committee (ExCom) as a result of the consolidation of Tessenderlo Group, based upon recommendation by the Nomination and Remuneration Committee.

EVALUATION OF THE BOARD OF DIRECTORS

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

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

Where appropriate, the individual Directors also share their view on how the Board of Directors and the committees could improve their operation. The Chairman and the Secretary of the Board of Directors share the results of the evaluation with the Directors and formulate initiatives for improvement. In 2018 the Directors were invited to complete a self-assessment questionnaire for the evaluation of the Board of Directors.

APPOINTMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS

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

BOARD COMMITTEES

On December 31, 2019, the following Committees were active within the Board of Directors of Picanol Group:

- The Nomination and Remuneration Committee
- The Audit Committee

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

NOMINATION AND REMUNERATION COMMITTEE

On December 31, 2019, the Nomination and Remuneration Committee was constituted as follows:

- The Marble bvba, represented by its permanent representative Mr. Luc Van Nevel (Chairman);
- nv Kantoor Torrimmo, represented by its permanent representative Mr. Jean Pierre Dejaeghere;
- 7 Capital sprl, represented by its permanent representative Mrs. Chantal De Vrieze;
- Ann Vereecke bvba, represented by its permanent representative Mrs. Ann Vereecke.

All members of the Nomination and Remuneration Committee meet the independence criteria set forth by Article 7:87 §1 of the BCCA and the Corporate Governance Charter and the committee demonstrates the skills and the expertise requested in matters of remuneration policies as required by Article 7:100 of the BCCA.

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

- ***Activities of the Nomination and Remuneration Committee***

In 2019, the Nomination and Remuneration Committee discussed the replacement of the up to then existing Management Committee by an Executive Committee as the former Management Committee has no responsibility over the activities of Tessenderlo Group. The Committee discussed the former Management Committee's remuneration package and made recommendations in this regard. The Nomination and Remuneration Committee also prepared the remuneration report, as included in the annual report. The Committee also discussed the changes in the Corporate Governance Code 2020 and more especially the changes with respect to the remuneration policy and the remuneration report.

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

- ***Evaluation of the Nomination and Remuneration Committee***

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

AUDIT COMMITTEE

At December 31, 2019, the Audit Committee was constituted as follows:

- nv Kantoor Torrimmo, represented by its permanent representative Mr. Jean Pierre Dejaeghere (Chairman);
- The Marble bvba, represented by its permanent representative Mr. Luc Van Nevel;
- 7 Capital sprl, represented by its permanent representative Mrs. Chantal De Vrieze;
- Ann Vereecke bvba, represented by its permanent representative Mrs. Ann Vereecke.

The Audit Committee met according to a previously determined schedule; i.e. four (4) times during 2019.

The CEO, the CFO, the Internal Auditor, the statutory auditor and the corporate secretary attended the meetings of the Audit Committee. The other Directors were invited to participate to the meetings of the Audit Committee without any voting rights.

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

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

- ***Evaluation of the Audit Committee***

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

- ***Activities of the Audit Committee***

In addition to monitoring the integrity of the quarterly financial statements and financial results press releases per semester, including disclosures, consistent application of the valuation and accounting principles, consolidation scope, closing process quality and accounting estimates, the Audit Committee heard reports from the external auditors regarding the year-end audit scope, the internal control system, the key audit matters and the valuation and accounting treatment of certain exceptional items.

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

The Audit Committee also followed up on the findings and recommendations of the external auditors, reviewed their independence and approved requests for non-audit services.

The Audit Committee also heard the Internal Auditor on the Internal Audit program for 2019, the risk assessment analysis and the activity reports of the internal audits which had been carried out, as well as on the review of the follow-up actions taken by the Company to remedy certain weaknesses identified by the Internal Audit Department. The Audit Committee also approved the internal control plan for the year 2019 and heard reports from Internal Control on its various findings.

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

	Board of Directors	Audit Committee	Nomination & Remuneration Committee
Number of meetings in 2019	**4**	**4**	**2**
nv Kantoor Torrimmo, represented by its permanent representative Mr. Jean Pierre Dejaeghere	4/4	4/4	2/2
The Marble bvba, represented by its permanent representative Mr. Luc Van Nevel	4/4	4/4	2/2
7 Capital sprl, represented by its permanent representative Mrs. Chantal De Vrieze	4/4	4/4	2/2
Ann Vereecke bvba, represented by its permanent representative Mrs. Ann Vereecke	3/4	3/4	2/2
Pasma nv, represented by its permanent representative Mr. Patrick Steverlynck	4/4		
Mr. Luc Tack	4/4		
Mr. Stefaan Haspeslagh	4/4		

EXECUTIVE COMMITTEE (EXCOM)

ROLES AND RESPONSIBILITIES

As per December 31, 2019, the ExCom of Picanol Group was constituted as follows:

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

In 2019, as a result of the decision to consolidate the activities of Tessenderlo Group, the up to then existing Management Committee was replaced by an Executive Committee as the former Management Committee has no responsibility over the activities of Tessenderlo Group.

EVALUATION OF THE EXCOM

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

ACTIVITIES OF THE EXCOM

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

The CEO chairs the ExCom and ensures its organization and proper operation. In principle, the ExCom meets every week, and additional meetings may be convened at any time by any of its members. On a bi-weekly basis the ExCom meets with the company's Business Units in order to review and discuss the strategic decisions and the operational performance of the Business Units.

The ExCom is responsible for:

- running the Company;
- overseeing the proper organization and operation of the Company, ensuring oversight of its activities, including the introduction of internal control processes for the identification, assessment, management and monitoring of financial and other risks;
- the appointment of senior executives of the Company and determination of the senior executives compensation policies[1];
- the main decisions and investments involving amounts under the thresholds as defined by the Board of Directors;
- preparing the proposals for decisions on those matters under the competence of the Board of Directors, including the complete, timely, reliable and accurate preparation of the Company's annual accounts, in accordance with the applicable accounting standards and policies of the Company, as well as the Company's required disclosure of the financial statements and other material financial and non-financial information;
- presenting the Board of Directors a balanced and understandable assessment of the Company's financial situation;
- providing the Board of Directors in due time with all information necessary for the Board of Directors to carry out its duties;
- executing and implementing the decisions taken by the Board of Directors.

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

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

REMUNERATION REPORT: DIRECTORS

REMUNERATION POLICY

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

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

- the remuneration for participating in the Board and the Board's Committees meetings;
- the remuneration awarded for assignments related to special mandates.

In order to determine the remuneration of the Directors, a benchmarking exercise of similar Belgian companies has been performed. Membership of Committees entitles the participants to an attendance fee in line with the benchmark. Finally, the Chairman receives an additional fee for his responsibility as Chairman in line with the benchmark.

Each Director receives a fixed annual fee of 15,000 EUR. This remuneration covers the activities as member of the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee. Moreover, the following additional fees are granted:

a) an attendance fee of 2,000 EUR per half day attendance;
b) an additional annual fee of 60,000 EUR for the Chairman of the Board of Directors.

Remuneration is paid during the year in which the meetings were held.

REMUNERATION RECEIVED

Member	2019	Earned fees (in EUR)
Mr. Stefaan Haspeslagh*	Fixed annual fee Attendance fee Additional fee as chairman **Total remuneration**	40,000 16,000 90,000 **146,000**
Mr. Luc Tack*	Fixed annual fee Attendance fee **Total remuneration**	40,000 16,000 **56,000**
Pasma nv, represented by its permanent representative Mr. Patrick Steverlynck	Fixed annual fee Attendance fee **Total remuneration**	15,000 8,000 **23,000**
nv Kantoor Torrimmo, represented by its permanent representative Mr. Jean Pierre Dejaeghere	Fixed annual fee Attendance fee **Total remuneration**	15,000 8,000 **23,000**
The Marble bvba, represented by its permanent representative Mr. Luc Van Nevel	Fixed annual fee Attendance fee **Total remuneration**	15,000 8,000 **23,000**
7 Capital sprl, represented by its permanent representative Mrs. Chantal De Vrieze	Fixed annual fee Attendance fee **Total remuneration**	15,000 8,000 **23,000**
Ann Vereecke bvba, represented by its permanent representative Mrs. Ann Vereecke	Fixed annual fee Attendance fee **Total remuneration**	15,000 6,000 **21,000**
GENERAL TOTAL		**315,000**

**include amounts paid in the Board of Picanol nv and Tessenderlo Group*

REMUNERATION REPORT: EXECUTIVE COMMITTEE (EXCOM)

REMUNERATION POLICY

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

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

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

The group reward principles are:

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

COMPENSATION PACKAGE

The ExCom remuneration package consists of the following items:

- Fixed compensation;
- Variable compensation;
- Other compensation items.

Fixed compensation

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

Variable compensation

The variable compensation is only applicable within subsidiary Tessenderlo Group. For a description of the variable compensation attributed to the ExCom members within Tessenderlo Group, we refer to the annual report (www.tessenderlo.com).

Other compensation items

The other compensation items are only applicable within subsidiary Tessenderlo Group and include participation in the extra-legal pension plan of the defined contribution type, a hospitalization insurance, eco-cheques, representation allowance and a car allowance.

REMUNERATION EARNED IN 2019

Each year, the Nomination and Remuneration Committee evaluates the appropriate compensation of the ExCom.

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

Annual gross compensation earned by the ExCom[1] in 2019 is detailed below:

Component	Amount CEO	Amount CFO/COO
Fixed compensation (excluding Director fees)[2/5]	715,600 EUR	695,600 EUR
Variable compensation Short Term[2/6]	380,743 EUR	406,382 EUR
Variable compensation Long Term[2/6/7]	410,627 EUR	365,002 EUR
Pension[3]	71,547 EUR	0 EUR
Other benefits[4]	44,912 EUR	26,103 EUR
TOTAL (cost to the company)	**1,623,430 EUR**	**1,493,087 EUR**

[1] The ExCom is composed of the CEO (Luc Tack) and one executive Director (the COO-CFO), Stefaan Haspeslagh/Findar BVBA, represented by Stefaan Haspeslagh.
[2] Excluding social security contributions.
[3] Pension Plan: annual service cost for 2019, as calculated by an actuary.
[4] Other benefits include coverage for death, disability, work accident insurance, taxes (4.40%), meal vouchers, company car - all under the same conditions applicable to other members of senior management and the ruling approved by the Belgian tax authorities for representation allowance.
[5] Exchange rate used: 1.00 EUR = 1.20 USD (for all conversions related to the US package).
[6] Short-term and long-term incentive realization as determined by the Nomination and Remuneration Committee of March 12, 2019.
[7] No long-term incentive pay-out in 2019.

Agreements on severance pay

Within Tessenderlo Group, the management agreement with the COO-CFO provides for a notice period of maximum 12 months. The management agreement with the CEO does not provide for a notice period. The CEO will therefore not be entitled to termination protection.

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

INTERNAL CONTROL FRAMEWORK

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

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

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

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

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

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

INTERNAL CONTROL MONITORING

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

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

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

PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

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

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

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

COMPLIANCE

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

ENTERPRISE RISK MANAGEMENT (ERM) SYSTEM

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

Every year a risk assessment exercise is performed by all Business Units. The identified risks are evaluated within the various Business Units or general supporting services and are followed-up in order to implement risk optimization. The status of these efforts is reported to the ExCom and to the Audit Committee at regular intervals.

RISK ANALYSIS

The Company analyzes on a regular basis the risks related to its activities worldwide and reports the results to the Audit Committee. Each year, all Business Units are requested to identify and evaluate the significant risks related to their Business Units.

Security

A security event which impacts the employees, sites, assets, environment, critical information or IT operating systems could have negative consequences for the Company. In order to manage and prevent risks, Picanol Group has a strict safety policy in order to protect the employees. In the Company there is a data protection policy in order to protect sensitive and confidential information within the group and programs are set up in order to enhance cyber security within the Company.

Ethics and Compliance

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

Industrial safety

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

Transport accidents

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

Climate and Climate-related Risks

Particularly in the Agro and the Industrial Solutions Segments, exceptional environmental conditions, such as sustained heat waves, flooding or natural disasters can have an important impact on the operational results. Also the regulations and measures to limit the CO_2-emissions, such as the increase of the price of greenhouse gas emissions may have an influence on the activities.

Usage of Picanol Group products

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

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

Volatility of certain raw materials

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

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

Risk of an outbreak of an epidemic with a regional spread or pandemic
Due to its global presence, the group may be subject to the consequences of the local or worldwide spread of viruses that pose a risk to public health and may be serious and unexpected. Such outbreaks can have an impact on social life as well as on the economy. As part of the COVID-19 outbreak in 2020, the Company has taken measures to prevent the further spread of the virus. The Company considers that it is difficult to estimate the impact that the regional spread of viruses or a pandemic could have on the economies where we are active, and hence the impact these factors might have on our financial results.

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

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

Risk related to the development of the economic and business cycle
The future results of segment Machines & Technologies are highly dependent on the evolution of the textile industry. Unexpected changes in the economic climate, customers' investment cycles, important developments in production and market acceptance of technologies may affect these industries and, consequently, the company's results.

The group is exposed to risks associated with growth economies
A substantial part of the activities of segment Machines & Technologies can be attributed to emerging markets in Asia and South America. Picanol's activities in these markets are subject to the usual risks associated with doing business in developing economies, such as political and economic uncertainties, currency controls, exchange rate fluctuations and shifts in government policy.

Analysis of the financial risks
For a more detailed overview of the financial risks related to the situation in 2019 and the Picanol Group policy regarding the management of such risks, please see the Financial Instruments section in the Financial Report (note 26 – Financial instruments).

POLICY ON INSIDE INFORMATION AND MARKET MANIPULATION

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

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

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

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

In accordance with the Dealing Code, the Board of Directors has appointed a Compliance Officer. The Compliance Officer is responsible for supervising compliance with the Dealing Code. He/she is also the point of contact for questions about the application of the Dealing Code. Mrs. Karen D'Hondt holds the title of Compliance Officer.

EXTERNAL AUDIT

KPMG Bedrijfsrevisoren CVBA, with Mr. Patrick De Schutter as authorized representative, has been appointed as statutory auditor for Picanol Group since fiscal year 2018 and for Tessenderlo Group since fiscal year 2019.

The fees paid by the group to its auditor as shown below include for the year 2019 the fees paid within Tessenderlo Group whereas in 2018 they don't.

(Million EUR)	**2019**			
	Audit	**Audit related**	**Other**	**Total**
KPMG (Belgium)	0.4	0.0	0.0	0.4
KPMG (Outside Belgium)	0.7	0.0	0.3	0.9
Total	**1.0**	**0.0**	**0.3**	**1.3**
(Million EUR)	**2018**			
	Audit	**Audit related**	**Other**	**Total**
KPMG (Belgium)	0.1	0.0	0.0	0.1
KPMG (Outside Belgium)	0.0	0.0	0.0	0.0
Total	**0.1**	**0.0**	**0.0**	**0.1**

SUBSEQUENT EVENTS

- On Monday January 13, 2020, the segment Machines & Technologies fell victim to a large-scale ransomware attack. Whilst the attack caused a serious disruption of the group's activities, production activities were restarted on a step-by-step basis with effect from Monday morning, January 20. The cyber attack had no material impact on the results of Picanol Group.
- Within the Machines & Technologies segment, PsiControl has bought land in Rasnov (Romania) to build a new production plant. The new plant will be constructed in 2021.
- Within the Bio-valorization segment, PB Leiner inaugurated a new collagen peptides line in February 2020 at its production plant in Santa Fe (Argentina). This additional production facility will allow for a considerable extra production volume of SOLUGEL™ collagen peptides.
- Within the Industrial Solutions segment, S8 Engineering has ceased to exist as a separate Business Unit. The engineering and construction activities were integrated into Tessenderlo Kerley, Inc. during the first quarter of 2020.
- Flooding from Storm Dennis caused disruption at PB Leiner's plant in Treforest (United Kingdom) in February 2020. However, based on the current information, this event is not expected to have a material impact on the results of Tessenderlo Group.

- The Extraordinary General Meeting of Picanol Group (Picanol nv) of March 16, 2020, approved a number of amendments to the articles of association and the introduction of loyalty voting rights.
- Tessenderlo Group is currently studying options for the construction of a new gas power plant in the Belgian municipality of Tessenderlo. As the outcome of the study is currently unpredictable, no further details can be disclosed at this stage.

Update COVID-19:

- In light of the latest developments concerning the global spread of the COVID-19 (Coronavirus) disease, Picanol Group is taking all the necessary steps to ensure that it keeps its people safe and keep its plants and businesses running.
- All of the plants and activities are running in line with expectations at the moment, except for the current disruption of production at its plant in Ieper, Belgium (segment Machines & Technologies), and at DYKA Group's plant in Sainte-Austreberthe, France (segment Industrial Solutions). In February 2020, the COVID-19 disease also disrupted production at the Chinese plants in Suzhou (Picanol - segment Machines & Technologies) and Nehe (PB Leiner – segment Bio-valorization). Both plants are now operational.
- Activities could be further impacted in the coming weeks or months if too many employees are impacted by COVID-19 and/or if access to raw materials and auxiliary materials or means of transportation becomes more complicated, or if our customers are no longer able to process our products.

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

Extract from the minutes of the Board of Directors of May 8, 2019:
[…]
Conflicts of interest: Statement by Mr. Luc Tack:
In accordance with Article 523 of the Belgian Company Code, Mr. Luc Tack declares that he may have a financial interest that could be in conflict with the decision on the acquisition of additional Tessenderlo Group shares. This potential conflict of interest follows from the fact that Mr. Luc Tack is the controlling shareholder of Symphony Mills nv, which is not only a shareholder of Picanol nv but also a direct shareholder of Tessenderlo Group. Although the personal interest of Mr. Luc Tack and the interest of Picanol nv as shareholder of Tessenderlo Group nv are similar, Mr. Luc Tack has decided to avoid any semblance of a conflict of interest and to apply the procedure provided for in Article 523. Mr. Luc Tack therefore stated that he would not participate in (and leave the meeting during) the decision-making process. Mr. Luc Tack requests that the statutory auditor of Picanol nv be informed of this potential conflict of interest.
Mr. Luc Tack left the meeting before proceeding with the deliberation.
Mr. Stefaan Haspeslagh explains that within the mandate of 10 million EUR granted by the board of directors via e-mail on March 20, 2019, 2.1 million EUR of shares have been purchased to date. In order to be able to take advantage of possible opportunities that might arise in the future, the Chairman asks for a new mandate, for 60 million EUR, which would replace the current mandate. The directors ask to ensure that the group's cash resources would at all times comply with the minimum cash reserve. The directors then decide that a further development of the interest in Tessenderlo Group is in the interest of Picanol Group if this is done at an interesting rate and given that other opportunities are also weighed up. The Board of Directors grants a special power of attorney to Mr. Luc Tack and Mr. Stefaan Haspeslagh, together or alone, to acquire additional shares up to an amount of 60 million EUR. […]

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

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

The extraordinary shareholders' meeting of March 16, 2020, decided to authorize the board of directors, for a period of 5 years from the publication of the authorization in the Annex to the Belgian State Gazette, to increase the share capital, in one or more times, up to an amount of EUR 4,440,000 (forty three million one hundred and sixty thousand ninety-five EUR), in accordance with the provisions set out in the BCCA and the articles of association of the company. The Board of Directors is allowed to use the authorized capital to take protective measures for the Company through capital increases, with or without limitation or withdrawal of preferential rights, even outside the context of a possible public takeover bid, to the extent that the Company has not yet received a notification of the FSMA with respect to a public takeover bid on its securities.

Without prejudice to the possibility to realize the commitments that were validly entered into before receipt of the notification of the FSMA pursuant to article 7:202, paragraph 2, 1° of the BCCA, the Board of Directors is authorized, for a period of 3 years form the authorization by the extraordinary general meeting of March 16, 2020, to proceed to a capital increase within the framework of authorized capital, with or without limitation or withdrawal of preferential rights as the case may be in favor of one or more persons, following receipt of a notification of the FSMA with respect to a public takeover bid on the company's securities, in accordance with the conditions set out in article 7:202, paragraph 2, 2° of the BCCA and the articles of association of the company.

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

By decision of the extraordinary general meeting of shareholders of March 16, 2020, the loyalty voting right has been introduced. As a consequence, each share which has been fully paid up and which is registered in the name of the same shareholder in the register of registered shares since at least two uninterrupted years, gives right to a double vote in accordance with the BCCA. Each other share gives right to one vote at the general meeting.

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

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

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

Pursuant to the decision of the extraordinary general meeting of March 16, 2020, the Board of Directors is authorized, for a period of 5 years from the publication of the authorization in the Annex of the Belgian Official Gazette, to repurchase, in accordance with the conditions set by law, the company's shares, profit-sharing certificates or certificates relating thereto for the account of the company of which the accounting par value, including the securities previously acquired by the company and held by it, is not higher than 25% (twenty five per cent) of the issued capital and at a price ranging between minimum 20% (twenty per cent) below the average of the closing price of the company's share during the last 30 trading days preceding the Board's resolution to acquire such securities, and maximum 20% (twenty per cent) above the average of the closing price of the company's share during the last 30 trading days preceding the Board's resolution to acquire such securities, it being understood that the price will never be lower than 50 EUR (fifty euro) or exceed 90 EUR (ninety euro).

The Board of Directors is explicitly authorized according to the resolution of the extraordinary general meeting of 16 March 2020 to dispose of the acquired securities that are listed, on or outside the stock exchange, without the need for a prior consent or other intervention by the general meeting, without prejudice to the fact that the disposal possibilities of the Board of Directors are further mandatory organized under the new BCCA and these shall thus have to be respected in parallel by the Company for the remaining period of the authorization granted by the general meeting within the framework of the acquisition of own securities.

The aforementioned provisions equally apply to the acquisition or transfer of the Company's securities by the Company's directly controlled subsidiaries or through the intermediary of a person acting in its own name but for the account of these subsidiaries, in accordance with articles 7:221 and 7:222 of the BCCA.

DIVIDEND POLICY

Picanol nv wil propose to the general assembly to pay out a dividend of 0.2 euro per share for the financial year ending on December 31, 2019. The Company's dividend policy may be amended from time to time, and each dividend distribution remains subject to the Company's earnings, financial condition, share capital requirements and other important factors subject to proposal and approval by the competent corporate body of the Company and subject to the availability of distributable reserves as required by the BCCA and the articles of association. Any distributable reserves of the Company have to be computed in respect of its statutory balance sheet prepared in accordance with Belgian GAAP, which may differ from the consolidated financial statements in IFRS reported by the Company.

INFORMATION REQUIRED BY ART. 3:6 BELGIAN CODE OF COMPANIES AND ASSOCIATIONS

PROVISION 3.12 OF THE CORPORATE GOVERNANCE CODE 2020

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

PROVISION 7.6 OF THE CORPORATE GOVERNANCE CODE 2020 WITH RESPECT TO REMUNERATION OF NON-EXECUTIVE DIRECTORS

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

PROVISION 7.9 OF THE CORPORATE GOVERNANCE CODE 2020 WITH RESPECT TO REMUNERATION OF EXECUTIVE DIRECTORS

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

PROVISION 7.12 OF THE CORPORATE GOVERNANCE CODE 2020 WITH RESPECT TO REMUNERATION OF EXECUTIVE DIRECTORS

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

PROVISION 9.2 OF THE CORPORATE GOVERNANCE CODE 2020

Each three years the Board of Directors has to evaluate its operation, as well as the functioning of its committees. The last evaluation of the Board of Directors and the committees was carried out in 2018. In 2020 the evaluation of the Nomination and Remuneration Committee will also take place.

Ieper, March 25, 2020
On behalf of the Board of Directors

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

Financial report 2019

CONSOLIDATED FINANCIAL STATEMENTS

Additional information on the published figures used in the full report:
2018: for the sake of comparability, the 2018* consolidated income statement, statement of comprehensive income and statement of cashflows have been prepared pro forma and unaudited as if a full consolidation of Tessenderlo Group had already taken place in the year 2018 on the basis of the same valuation of the net assets as used in the Picanol Group 2018 annual report, as a result of which the profit attributable to the company's shareholders corresponds to the reported figures on 2018.

The 2018* balance sheet has been drawn up pro forma and unaudited as if a full consolidation of Tessenderlo Group had already taken place on 31 December 2018 and reflects the impact of the purchase price allocation exercise carried out on the occasion of the acquisition of control as described in note 4 and note 33.

CONSOLIDATED INCOME STATEMENT

		For the year ended December 31		
(Million EUR)	**Note**	**2019**	**2018**	**2018***
Revenue	3	2,221.4	666.7	2,287.6
Cost of sales[2]		-1,765.7	-499.5	-1,740.2
Gross profit		**455.6**	**167.2**	**547.5**
Distribution expenses [3]		-113.7	-9.7	-114.8
Sales and marketing expenses		-136.3	-23.5	-128.3
Administrative expenses		-83.6	-18.0	-79.8
Other operating income and expenses [3]	5	-31.8	-13.9	-29.2
Adjusted EBIT[4]	**3**	**90.2**	**102.0**	**195.4**
EBIT adjusting items	6	-14.8	0.0	11.6
EBIT (Profit (+) / loss (-) from operations)		**75.4**	**102.0**	**207.0**
Finance income	9	23.1	4.5	28.7
Finance cost	9	-26.7	-3.0	-24.6
Finance (costs) / income - net	9	**-3.5**	**1.6**	**4.1**
Share of result of equity accounted investees, net of income tax		0.3	32.9	3.7
Profit (+) / loss (-) before tax		**72.2**	**136.5**	**214.8**
Income tax expense	10	-8.1	-25.6	-48.5
Profit (+) / loss (-) for the period		**64.0**	**110.9**	**166.2**
Non-controlling interest		22.3	0.0	55.3
Profit (+) / loss (-) for the period attributable to the equity holders of the company		**41.7**	**110.9**	**110.9**
Basic earnings per share (EUR)	20	2.4	6.3	6.3
Diluted earnings per share (EUR)	20	2.4	6.3	6.3

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

[2] The cost of sales in 2019 includes depreciation on revalued assets and the release of an inventory uplift to fair value upon sale for -74.7 million EUR. The 2018* cost of sales includes depreciation on revalued assets based on the 2013 initial equity pick-up accounting for the Tessenderlo Group shares for -5.1 million EUR.
[3] Compared to last year, the distribution costs of Picanol Group for an amount of 6.5 million EUR in 2019 (and 9.7 million EUR in 2018) were shown separately. R&D costs for an amount 13.0 million EUR in 2019 (13.9 million EUR in 2018) are shown in "other operating income and expenses". Both were reclassified from cost of sales
[4] Adjusted EBIT is considered by the group to be a relevant performance measure in order to compare results over the period 2019-2018, as it excludes adjusting items from the EBIT (Earnings before interests and taxes). EBIT adjusting items principally relate to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31		
(Million EUR)	**Note**	**2019**	**2018**	**2018***
Profit (+) / loss (-) for the period		**64.0**	**110.9**	**166.2**
Translation differences		0.1	-0.7	-2.5
Net change in fair value of derivative financial instruments, before tax	26	-3.2		7.0
Other movements		0.1		0.0
Income tax on other comprehensive income		0.8		-2.0
Other comprehensive income at equity accounted investees		-0.3	1.5	0.8
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**-2.4**	**0.8**	**3.4**
Remeasurements of the net defined benefit liability, before tax	23	-2.6	0.0	1.4
Income tax on other comprehensive income		0.7		-0.1
Other comprehensive income at equity accounted investees		0.0	0.5	
Other comprehensive income not being classified to profit or loss in subsequent periods		**-1.9**	**0.5**	**1.3**
Other comprehensive income, net of income tax		**-4.3**	**1.3**	**4.7**
Total comprehensive income		**59.7**	**112.2**	**170.9**
Non-controlling interest		19.5	0.0	58.7
Total comprehensive income attributable to the equity holders of the company		**40.3**	**112.2**	**112.2**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		For the year ended December 31		
(Million EUR)	**Note**	**2019**	**2018**	**2018***
Assets				
Total non-current assets		**1,738.4**	**553.2**	**1,717.3**
Property, plant and equipment	11	1,078.4	64.7	993.6
Goodwill	12	42.1	0.0	42.5
Other intangible assets	13	537.9	1.1	607.7
Investments accounted for using the equity method	14	18.9	482.3	18.5
Other investments	14	11.3	0.0	11.1
Deferred tax assets	15	30.8	0.9	25.5
Trade and other receivables	16	19.0	4.0	18.4
Total current assets		**1,039.5**	**315.1**	**1,102.0**
Inventories	17	380.3	62.8	398.0
Trade and other receivables	16	364.7	79.3	365.9
Derivative financial instruments	26	0.0	0.0	0.9
Cash and cash equivalents	18/22	290.3	173.0	337.1
Assets held for sale	4	4.1		
Total assets		**2,777.9**	**868.3**	**2,819.3**
Equity and Liabilities				
Equity				
Equity attributable to equity holders of the company		**773.1**	**738.9**	**745.0**
Issued capital		21.7	21.7	21.7
Share premium		1.5	1.5	1.5
Reserves and retained earnings		749.9	715.6	721.8
Non-controlling interest		**659.9**	**0.0**	**700.4**
Total equity		**1,433.0**	**738.9**	**1,445.4**
Liabilities				
Total non-current liabilities		**860.1**	**9.0**	**926.2**
Loans and borrowings	22	426.3	0.3	475.8
Employee benefits	23	64.7	4.1	62.0
Provisions	24	132.3	0.0	128.9
Trade and other payables	25	10.1	0.0	2.6
Derivative financial instruments	26	31.5	0.0	40.8
Deferred tax liabilities	15	195.2	4.6	216.3
Total current liabilities		**484.8**	**120.4**	**447.7**
Bank overdrafts	18/22	0.1	0.0	0.1
Loans and borrowings	22	98.9	1.2	49.2
Trade and other payables	25	348.1	109.9	357.0
Derivative financial instruments	26	12.7	0.0	13.6
Current tax liabilities		4.1	1.1	2.2
Employee benefits	23	1.5	0.9	2.1
Provisions	24	19.3	7.4	23.4
Total liabilities		**1,344.9**	**129.4**	**1,373.9**
Total equity and liabilities		**2,777.9**	**868.3**	**2,819.3**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Million EUR)	Note	Issued capital	Share premium	Other reserves and retained earnings	Translation differences	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance on 31 December 2018		**21.7**	**1.5**	**710.0**	**5.6**	**738.9**	**0.0**	**738.9**
Adjustment to the opening balance sheet for the initial consolidation of Tessenderlo Group				6.1		6.1	700.4	706.5
Balance on 31 December 2018*		**21.7**	**1.5**	**716.2**	**5.6**	**745.0**	**700.4**	**1,445.4**
Adjustment to the opening balance sheet for the initial application of IFRS16				-1.3		-1.3	-1.8	-3.2
Adjusted balance on 1 January 2019		**21.7**	**1.5**	**714.8**	**5.6**	**743.7**	**698.5**	**1,442.2**
Profit (+) / loss (-) for the period				41.7		41.7	22.3	64.0
Other comprehensive income :								
- Translation differences				0.1	-0.2	0.0	0.2	0.1
- Remeasurements of the net defined benefit liability, net of tax				-0.9		-0.9	-1.0	-1.9
- Net change in fair value of derivative financial instruments, net of tax				-1.0		-1.0	-1.4	-2.3
- Share in other comprehensive income of associates and joint-ventures accounted for using the equity method				-0.1		-0.1	-0.2	-0.3
- Other movements				0.6		0.6	-0.6	0.1
Comprehensive income, net of income taxes		**0.0**	**0.0**	**40.4**	**-0.2**	**40.3**	**19.5**	**59.7**
Transactions with owners, recorded directly in equity								
- Shares issued								
- Dividends				-3.5		-3.5		-3.5
- Change in non-controlling interest				-7.3		-7.3	-58.1	-65.4
Total contributions by and distributions to owners		**0.0**	**0.0**	**-10.9**	**0.0**	**-10.9**	**-58.1**	**-69.0**
Balance on 31 December 2019		**21.7**	**1.5**	**744.4**	**5.5**	**773.1**	**659.9**	**1,433.0**

(Million EUR)	Note	Issued capital	Share premium	Other reserves and retained earnings	Translation differences	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance on 1 January 2018		**21.7**	**1.5**	**600.6**	**6.3**	**630.2**	**0**	**630.2**
Profit (+) / loss (-) for the period		-	-	110.9	-	110.9	-	110.9
Other comprehensive income								
- Translation differences		-	-	-	-0.7	-	-	-0.7
- Share in the other comprehensive income of equity accounted investees		-	-	2.0	-	2.0	-	2.0
Comprehensive income, net of income taxes		**0.0**	**0.0**	**112.9**	**-0.7**	**112.2**	**0.0**	**112.2**
Transactions with owners, recorded directly in equity								
- Dividends		-	-	-3.5	-	-3.5	-	-3.5
Total contributions by and distributions to owners		**0.0**	**0.0**	**-3.5**	**0.0**	**-3.5**	**0.0**	**-3.5**
Balance on 31 December 2018		**21.7**	**1.5**	**710.0**	**5.6**	**738.9**	**0.0**	**738.9**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended December 31		
(Million EUR)	**Note**	**2019**	**2018**	**2018***
Operating activities				
Profit (+) / loss (-) for the period		64.0	110.9	166.2
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	8	192.7	9.0	93.4
Changes in provisions		-1.6	-2.0	-3.8
Finance costs	9	26.7	3.0	24.6
Finance income	9	-23.1	-4.5	-28.7
Loss / (profit) on sale of non-current assets		-3.5	0.1	-0.4
Share of result of equity accounted investees, net of income tax		-0.3	-32.9	-3.7
Income tax expense	10	8.1	25.6	48.5
Changes in inventories		16.0	-2.6	-27.1
Changes in trade and other receivables[5]		12.9	16.7	10.1
Changes in trade and other payables		-4.9	-13.9	-29.1
Change in write off on inventory	17	5.1	3.4	4.8
Other cash from operating activities		1.9	0.0	-16.2
Cash generated from operations		**294.0**	**112.7**	**238.8**
Income tax (paid)/received		-39.7	-27.4	-49.2
Dividends received	29	0.1	0.0	3.3
Cash flow from operating activities		**254.4**	**85.3**	**192.9**
Investing activities				
Acquisition of property, plant and equipment	11	-118.2	-11.5	-93.8
Acquisition of other intangible assets	13	-1.7	-0.4	-1.4
Acquisition of subsidiaries net of cash acquired	4	164.0		-50.5
Acquisition of equity accounted investees	4	1.1	-30.4	0.0
Proceeds from the sale of property, plant and equipment		6.0	0.0	10.2
Cash flow from investing activities		**51.2**	**-42.3**	**-135.5**
Financing activities				
Acquisition of non-controlling interest	21	-64.3	0.0	-30.4
Transactions with NCI - conversion of warrants	19	0.2	0.0	0.3
Payment of lease liabilities	22	-25.4		
Proceeds from new borrowings	22	18.7	1.3	12.8
(Reimbursement) of borrowings	22	-83.1	-2.1	-18.5
Interest paid		-21.9	-1.9	-15.6
Interest received		4.9	3.7	5.9
Dividends paid		-3.5	-3.5	-3.5
Settlement interst rate swap T-Power		-8.0		
Other cash flows from financing activities		-6.2	0.0	-1.9
Cash flow from financing activities		**-188.8**	**-2.5**	**-51.0**
Net increase / (decrease) in cash and cash equivalents		**116.8**	**40.6**	**6.3**
Effect of exchange rate differences		0.4	-0.9	2.0
Cash and cash eq. less bank overdrafts at the beginning of the period	18/22	**173.0**	**133.4**	**328.7**
Cash and cash eq. less bank overdrafts at the end of the period	18/22	**290.3**	**173.0**	**337.1**

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

[5] The trade and other receivables in the consolidated statement of financial position remain more or less stable in 2019 compared to 2018, while the changes in trade and other receivables in the consolidated statement of cash flows amount to +12.9 million EUR. This difference can be mainly explained by an increase of the net income tax receivable by 8.1 million EUR, which is recognized in the trade and other receivables in the consolidated statement of financial position (see note 16 - Trade and other receivables), while the related cash outflow was included within “Income tax paid” in the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Picanol nv (hereafter referred to as the "company"), the parent company, is domiciled in Belgium. The consolidated financial statements for the year ended December 31, 2019, comprise the company and its subsidiaries (together referred to as the "group") and the group's interests in associates and jointly controlled entities.

The IFRS financial statements were authorized for issue by the Board of Directors of Picanol nv on Wednesday March 25, 2020.

(A) Statement of compliance

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

(B) Basis of preparation

The financial statements are presented in euro, which is the company's functional currency, rounded to the nearest million which may not add up due to rounding. They are prepared on the historical cost basis except for derivative financial instruments, net defined benefit (liabilities)/assets and investments available-for-sale, which are stated at fair value. Assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

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

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33 - Critical accounting estimates and judgments.

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

The accounting policies set out below have been applied consistently by the company and all consolidated companies to all periods presented in these consolidated financial statement, except for IFRS 16 *Leases*, only applied as from January 1, 2019, through the modified retrospective approach.

As a result of the acquisition of Tessenderlo Group, a number of valuation rules became applicable that were previously not relevant within Picanol Group as they were not applicable. This mainly concerns goodwill, emission allowances and derivative financial instruments. After analysis, no other adjustments to existing valuation rules were required. Picanol Group ensured consistency in the presentation throughout the annual report which triggered changes in presentation as compared to the 2018 annual report.

(C) Principles of consolidation

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

Non-controlling interests are presented separately from equity attributable to equity holders of the company. Losses realized by subsidiaries with non-controlling interests are proportionally allocated to the non-controlling interests in these subsidiaries, even if this means that the non-controlling interests display a negative balance.

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

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

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

(D) Foreign currency

- ***Foreign currency transactions***

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate.

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

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

- ***Foreign currency translation***

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

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

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

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

- ***Exchange rates***

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

	Closing rate		Average rate	
1 EUR equals:	**2019**	**2018**	**2019**	**2018**
Brazilian real	4.52	4.44	4.41	4.31
Chinese yuan	7.82	7.88	7.74	7.81
Czech crown	25.41	25.72	25.67	25.65
Hungarian forint	330.53	320.98	325.30	318.90
Polish zloty	4.26	4.30	4.30	4.26
Pound sterling	0.85	0.89	0.88	0.88
US dollar	1.12	1.15	1.12	1.18
Indonesian rupee	15.60	16.50	15.80	16.78
Indian rupee	80.19	79.73	78.92	80.61
Mexican peso	21.22	22.49	21.63	22.69
Romanian lei	4.78	4.66	4.75	4.66
Turkish lira	6.68	6.06	6.36	5.55

(E) Other intangible assets

- ***Research and development***

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

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

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

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

The capitalized expenditure includes the cost of materials and direct labor. Capitalized development is stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy J).

- ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, or production of an intangible asset, requiring a long preparation, are included in the cost of the intangible asset.

- ***Emission allowances***

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

The fair value of forward purchase and sale contracts of emission allowance certificates is based on quoted market prices for futures of EU allowances (EUAs) and Certified Emission Reductions (CERs)[6].

- ***Other intangible assets***

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

- ***Subsequent expenditure***

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

- ***Amortization***

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

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

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

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

(F) Goodwill

- ***Business combination***

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

The group measures goodwill at the acquisition date as:

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

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

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

Goodwill is expressed in the currency of the subsidiary to which it relates.

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

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

- ***Subsequent measurement of goodwill***

Goodwill is measured at cost less accumulated impairment losses.

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

(G) Property, plant and equipment

- ***Owned assets***

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

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

- ***Subsequent expenditure***

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

- ***Depreciation***

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

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

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

[7] Land infrastructure mainly includes access roads, fencing and lighting.

Laboratory and research – infrastructure	3 to 5 years
Vehicles	4 to 10 years
Computer equipment	3 to 5 years

Land is not depreciated as it is deemed to have an indefinite life.

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

- ***Government grants***

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

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

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

(H) Leased assets

Policy applicable as from January 1, 2019

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

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

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

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

The corresponding lease liabilities, representing the net present value of the lease payments, are recognized as long-term or current liabilities depending on the period in which they are due.

The lease payments are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group’s incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the group uses its incremental borrowing rate as the discount rate.

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

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

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

Policy applicable until December 31, 2018
Leases of property, plant and equipment where the group assumes substantially all the risks and rewards of ownership are classified as finance leases at the moment of the commencement of the lease term. Finance leases are capitalized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see accounting policy G.) and impairment losses (see accounting policy J.).

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

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

(I) Other investments

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

- ***Investments in equity securities***

Investments in equity securities are undertakings in which the group does not have significant influence or control. This is generally evidenced by ownership of less than 20% of the voting rights. Such investments are designated as equity investments at fair value through other comprehensive income and are recorded at their fair value on the balance sheet, unless the fair value cannot be reliably determined in which case they are carried at cost less impairment losses. The fair value is the quoted bid price at balance sheet date. Changes in fair value are directly recognized in other comprehensive income. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. If other investments are disposed, the cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income and is never reclassified to profit or loss.

- ***Other investments***

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

(J) Impairment

The carrying amounts of property, plant and equipment, and other intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated for an individual asset or for a cash-generating unit. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. An impairment loss is recognized whenever the carrying amount of an asset or the related cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

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

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

- ***Calculation of recoverable amount***

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

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

- ***Reversal of impairment***

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

An impairment loss in respect of goodwill cannot be reversed.

- ***Financial assets***

In accordance with IFRS 9, the group recognizes expected credit losses on trade receivables following the simplified approach. Lifetime expected losses are recognized for the trade receivables, excluding recoverable VAT amounts. A provision matrix is used in order to calculate the lifetime expected credit losses for trade receivables, which is based on the overdue amounts at the reporting date and uses historical information on defaults. The group considers a financial asset in default when contractual payments are 60 days past due. For all receivables in excess of 60 days past due, the provision matrix calculates an allowance between 20% and 100%. However, in specific cases, the group may also consider a financial asset in default when specific objective evidence of an impairment is obtained as a result of one or more events, which occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence of impairment includes debtor experiencing significant financial difficulty, default or delinquency by a debtor, indications that a debtor will enter bankruptcy, or economic conditions that correlate with defaults. Impairment losses are recognized in the consolidated income statement.

(K) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined by the weighted average cost method for the divisions of Tessenderlo Group and according to FIFO method for the division Machines & Technologies.

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

(L) Trade and other receivables

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

(M) Cash and cash equivalents

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

(N) Issued capital

- ***Ordinary shares***

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

- ***Dividends***

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

(O) Non-derivate financial liabilities

Non-derivate financial liabilities are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis. Export financing is used within the Machines & Technologies division. The company allows long-term payment of trade receivables provided that these are financed via export financing by banks and are guaranteed by Credendo.

Accounting processing of the export financing:
When a machine contract is invoiced, the client receivable (which is spread over several years) is booked under "trade and other receivables". There are several options to finance these long-term receivables. If Picanol takes out a parallel supplier credit with a bank, this debt will be booked under "loans and borrowings". Picanol may also decide to proceed with discounting client receivables through a bank or a credit insurer. In this case, the client receivables will be settled the moment the risk of the asset is transferred. The discount costs are included in the profit and loss account under "finance costs". The income related to re-invoicing the interest costs to the customer is included in the income statement under "finance income".

(P) Provisions

Provisions are recognized in the balance sheet when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is presented as a component of finance costs.

- ***Restructuring***

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

- ***Environmental obligations and dismantlement obligations***

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

- ***Onerous contracts***

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

- ***Warranties***

A provision for warranty costs will be made for products under warranty on the basis of historical data with regard to repairs and returned goods. A provision is being made for performance warranties based on individual analysis.

(Q) Employee benefits

- ***Post-employment benefits***

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

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

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

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

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

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

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

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

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

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

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

- ***Share-based payment plans***[8]

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

- ***Short-term benefits***

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

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

(R) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income or it relates to a business combination, in which case it is recognized against goodwill.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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

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

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

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

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

(S) Trade and other payables

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

(T) Income

- ***Revenue***

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

(1) Sale of goods
The majority of the group's revenue consists of the sale of goods. Products are generally sold directly or through distributors to the customers. Revenue is recognized based on the transfer of control of ownership. The point of recognition is dependent on the contract sales terms, known as the International Commercial terms (Incoterms). The timing of the revenue recognition is not significantly different from the transfer from risk and rewards. The sale of goods, including transportation, qualifies as a separate performance obligation. The related costs of transportation are incurred as part of the performance obligation to transfer goods to the customer. In the segment Machines & Technologies, the installation of the machine at the customer is seen as a separate performance obligation since it can also be performed by the customer or by an external party. However, the turnover with regard to this installation is not material in the total turnover of the group.

(2) Rendering of services
The amount of revenue from services is not presented separately in the income statement because it represents currently an insignificant portion of total revenue for the group.

The sale of services qualifies as a separate performance obligation, of which revenue is recognized when a customer obtains control of the services, which can be at a point in time or over time. For each performance obligation satisfied over time, revenue is recognized by measuring the progress towards complete satisfaction of that performance obligation at the end of each reporting period.

(3) Projects
For revenue out of projects, the amount of revenue is measured by reference to the progress made towards complete satisfaction of the performance obligation. These projects generally have a lifetime of less than one year.

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

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

- ***Finance income***

Finance income comprises interest receivable on funds invested, dividend income, foreign exchange gains, gains on derivative financial instruments and financing costs related to weaving machines contracts which are re-invoiced to the customers.

Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset.

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

(U) Expenses

- ***Finance costs***

Finance costs comprise interest payable on loans and borrowings, unwinding of the discount on provisions, foreign exchange losses, losses on derivative financial instruments and finance costs related to weaving machines contracts.

Interest expense is recognized as it occurs, taking into account the effective interest rate.

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

(V) Derivative financial instruments

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

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

- ***Cash flow hedges***

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

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

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

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

(W) Earnings per share

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

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

(X) Segment reporting

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

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

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

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

(Y) Changes in accounting policy and disclosures

The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning January 1, 2019 and have been endorsed by the European Union.

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

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

The main leases consist of land and buildings, a large number of trucks and railcars as well as company cars.

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

De leaseperiode wordt door de groep beschouwd als de niet-opzegbare periode van de leaseovereenkomst, samen met periodes waarvoor een optie tot verlenging van de leaseovereenkomst bestaat, indien het redelijk zeker is dat deze optie zal worden uitgeoefend, of periodes waarvoor een optie tot beëindiging van de leaseovereenkomst bestaat, indien het redelijk zeker is dat deze optie niet zal worden uitgeoefend. De groep heeft gebruik gemaakt van inschattingen bij het beoordelen of het redelijk zeker is dat een optie tot verlenging uitgeoefend zal worden. Hierbij heeft de groep alle relevante factoren, die een voordeel voor de groep vormen om een optie tot verlenging uit te oefenen, in overweging genomen.

On adoption of IFRS 16, right-of-use assets were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The incremental borrowing rate applied to the lease liabilities on January 1, 2019, is between 0.0% and 4.6%, taking into account the term and condition of the lease, the nature of the leased asset and the location of the lessee.

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

(Million EUR)	**01/01/2019**
Property, plant and equipment	72.8
Deferred tax assets	0.5
Total assets	**73.3**
Equity	-3.2
Loans and borrowings > 1 year	51.9
Loans and borrowings < 1 year	24.6
Total liabilities	**73.3**

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

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

(Million EUR)	**Adjusted EBIT**	**Adjusted EBITDA**	**Segment assets**
Machines & Technologies	-	1.4	3.4
Agro	0.7	7.1	11.4

Bio-valorization	0.3	9.1	18.0
Industrial Solutions	0.7	9.3	25.3
T-Power	0.0	0.1	0.0
Non-allocated	-	-	5.7
Total	**1.7**	**27.0**	**63.8**

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

- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement;*
- Annual improvements to IFRS Standards 2015-2017 cycle, containing amendments IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements,* IAS 12 *Income Taxes and* IAS 23 *Borrowing Costs;*
- Amendments to IAS 28 Long term interests in associates and joint ventures;
- IFRIC 23 Uncertainty over income tax treatments (effective January 1, 2019);
- Amendments to IFRS 9, 'Prepayment features with negative compensation' (effective January 1, 2019).

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning January 1, 2019 and have been endorsed by the European Union:

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

The group has not applied the above-mentioned amendments in preparing the 2019 consolidated financial statements. The group however does not expect that these amendments will have a significant impact on the financial statements of the group.

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning January 1, 2019 and have not been endorsed by the European Union:

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

The group has not applied these new standards or amended standards in preparing the 2019 consolidated financial statements. The group is currently assessing the new rules, and at this stage, is not expecting any of these new rules to have a significant impact on the financial statements of the group.

2. DETERMINATION OF FAIR VALUES

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in note 26 - Financial instruments.

OTHER INTANGIBLE ASSETS

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

OTHER FINANCIAL INSTRUMENTS

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

3. SEGMENT REPORTING

The group has 5 operating segments based on the principal business activities, economic environments and value chains in which they operate, as defined under IFRS 8 *Operating Segments*. The customers and main markets of these segments are different. The 5 operating segments fulfill the quantitative thresholds and are reported separately. The information provided below is consistent with the information that is available and evaluated regularly by the Chief Operating Decision Maker (the Executive Committee).

The following five operating segments meet the quantitative criteria and are reported separately:

- 'Machines & Technologies': covers the production, development and sale of high-tech weaving machines and other "*original equipment manufacturers*" industrial products. This segment includes the Weaving Machines (Picanol), Foundry and Mechanical Finishing (Proferro), and Electronics Development and Production (PsiControl) activities. The 'Machines & Industries' segment replaces the previously reported 'Weaving Machines' and 'Industries' segments. As a result of the significant change within the group, it was decided to merge these into the 'Machines & Technologies' segment. The comparative figures have been drawn up accordingly.
- 'Agro': includes production and distribution of crop nutrients and crop protection products (including the following businesses: Crop Vitality, Tessenderlo Kerley International and NovaSource).
- 'Bio-valorization': includes collecting and processing of animal by-products; production and distribution of gelatins and collagen peptides and rendering, production and sales of proteins and fats (gelatin) (including the following businesses: PB Leiner and Akiolis).
- 'Industrial Solutions': includes products, systems and solutions for handling, processing and treatment of water including flocculation and depressants through the production, trading and sale of plastic pipe systems, water treatment chemicals, mining and industrial auxiliaries, the delivery of services for the treatment and disposal of produced and flowback water from oil and gas exploration, as well as the recovery of industrial process fluids (including the following businesses: DYKA Group, Mining and Industrial, Performance Chemicals, S8 Engineering and MPR/ECS).
- 'T-Power': includes a gas-fired 425 MW power plant in Tessenderlo (Belgium). A tolling agreement was concluded with RWE group for a period of 15 years (until 2026) for the full capacity of the plant, with an optional 5-year extension thereafter.

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

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

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

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

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

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

		Machines & Technologies		Agro		Bio-valorization		Industrial Solutions		T-Power		Non- allocated		Picanol Group	
(Million EUR)	**note**	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***	**2019**	**2018***
Revenue (internal and external)		478.4	666.7	603.5	590.4	543.1	496.9	531.4	518.1	71.1	18.8			2,227.6	2,290.9
Revenue (internal)		0.0	0.0	0.8	0.6	0.0	0.0	5.5	2.6	0.0	0.0			6.3	3.2
Revenue		**478.4**	**666.7**	**602.8**	**589.8**	**543.1**	**496.9**	**526.0**	**515.5**	**71.1**	**18.8**			**2,221.4**	**2,287.6**
Of which:															
- At a point in time		478.4	666.7	602.8	589.8	543.1	496.9	520.3	510.4	71.1	18.8	0.0	0.0	2,215.7	2,282.5
- Over time								5.6	5.1					5.6	5.1
Adjusted EBIT		**33.1**	**102.0**	**29.4**	**81.1**	**14.2**	**2.4**	**1.6**	**5.6**	**12.0**	**4.3**	**0.0**	**0.0**	**90.2**	**195.4**
Adjusted EBITDA		**44.4**	**111.0**	**96.6**	**110.2**	**49.6**	**27.5**	**38.0**	**26.5**	**51.2**	**13.5**	**0.0**	**0.0**	**279.9**	**288.8**
Return on revenue (Adjusted EBITDA/revenue)		*9.3%*	*16.6%*	*16.0%*	*18.7%*	*9.1%*	*5.5%*	*7.2%*	*5.1%*	*72.1%*	*72.2%*			*12.6%*	*12.6%*
Segment assets		211.8	212.0	890.7	925.0	462.1	417.3	397.8	382.7	399.8	438.6	64.3	50.5	2,426.6	2,426.1
Derivative financial instruments	26												0.9	0.0	0.9
Investments accounted for using the equity method	14			18.2	17.8	0.7	0.7							18.9	18.5
Other investments	14											11.3	11.1	11.3	11.1
Deferred tax assets	15											30.8	25.5	30.8	25.5
Cash and cash equivalents	18											290.3	337.1	290.3	337.1
Total assets		**211.8**	**212.0**	**908.9**	**942.8**	**463.1**	**418.2**	**398.0**	**382.9**	**400.1**	**438.9**	**396.7**	**425.2**	**2,777.9**	**2,819.3**
Segment liabilities		114.6	123.3	77.6	83.4	143.8	139.9	72.4	74.9	8.4	4.8	163.4	151.9	580.1	578.2
Derivative financial instruments	26											44.2	54.4	44.2	54.4
Loans and borrowings	22											525.4	525.0	525.4	525.0
Deferred tax liabilities	15											195.2	216.3	195.2	216.3
Total equity												1,433.0	1,445.4	1,433.0	1,445.4
Total Equity and Liabilities		**114.6**	**123.3**	**77.6**	**83.4**	**143.8**	**139.9**	**72.4**	**74.9**	**8.4**	**4.8**	**2,361.1**	**2,392.9**	**2,777.9**	**2,819.3**
Capital expenditures: property, plant and equipment and other intangible assets	11/13	15.6	11.9	28.9	22.8	55.6	34.2	18.6	25.2			1.1	1.2	119.9	95.2
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	8	11.3	9.0	67.2	29.1	35.5	25.2	39.4	20.9	39.3	9.2			192.7	93.4

The 2019 segment assets are impacted by the recognition of right-of-use assets as per December 31, 2019, for an amount of 63.8 million EUR (note 11 - Property, plant and equipment): Machines & Technologies assets are impacted by 3.4 million EUR, Agro by 11.4 million EUR, Bio-valorization by 18.0 million EUR, Industrial solutions by 25.3 million EUR and Non-allocated by 5.7 million EUR.

The impact of the revaluation of Tessenderlo Group (as a result of the acquisition of control) on the segment assets is: Agro +383.8 million EUR (+442.8 million EUR in 2018*), Bio-valorization +22.9 million EUR (+31.4 million EUR in 2018*), Industrial Solutions +84.5 million EUR (+94.8 million EUR in 2018*), T-Power +9.1 million EUR in 2019 en 2018 en non-allocated +17.6 million EUR in 2018 en 2019.

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

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

The reconciliation of the profit before tax is as follows:

(Million EUR)	2019	2018	2018*
Adjusted EBIT	**90.2**	**102.0**	**195.4**
EBIT adjusting items	-14.8	0.0	11.6
Finance costs - net	-3.5	1.6	4.1
Share of result of equity accounted investees, net of income tax	0.3	32.9	3.7
Profit (+) / loss (-) before tax	**72.2**	**136.5**	**214.8**

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

	Revenue by market			Non-current segment assets		
(Million EUR)	2019	2018	2018*	2019	2018	2018*
Europe	1,121.8	168.2	1,057.7	1,019.7	58.3	979.2
North-Amerika	592.8	11.6	538.9	562.3	0.8	594.2
South-Amerika	87.7	16.2	97.1	54.0	0.1	45.4
Asia	348.8	457.0	496.0	14.9	6.6	17.6
Other	70.1	13.7	97.8	7.5	0.0	7.5
Total	**2,221.4**	**666.7**	**2,287.6**	**1,658.4**	**65.9**	**1,643.8**

The contribution of T-Power nv to the 2019 group revenue amounts to 71.1 million EUR and is included in "Europe" (compared to only 18.8 million EUR in 2018, as T-Power nv is only accounted for by the full consolidation method as from October 2018).

The increase of the revenue in the North-America (+9%) can be mainly explained by the strengthening of the USD against the EUR in 2019. When excluding the foreign exchange effect, the revenue increase in North America amounts to +4% and can be mainly explained by growth within PB Leiner (operating segment Bio-valorization). The decrease in revenue in Asia within segment Machines & Technologies is the result of uncertain economic conditions in Asian countries such as China and Turkey.

Non-current segment assets were impacted in 2019 by the implementation of IFRS 16 *Leases*, which lead to the recognition of right-of-use assets for 63.8 million EUR. These assets are mainly located in Europe.

4. ACQUISITIONS AND DISPOSALS

ACQUISITIONS

Picanol Group has fully consolidated the results of Tessenderlo Group as of January 1, 2019. This corresponds to the earliest possible period for which a retroactive correction following IAS 8 *Accounting Policies, Changes in Accounting Estimates, Errors* is practicable according to Picanol Group. For a full justification of January 1, 2019, as the first date of inclusion of Tessenderlo Group in the consolidated accounts of Picanol Group, we refer to note 33 of this report. The interest held at January 1, 2019, was revalued to fair value. This revaluation took place at the share price of January 1, 2019, i.e. 29.1 EUR and it was corrected on the opening balance sheet 2019 which resulted in an increase in equity of 6,1 million EUR and brought the fair value of the participation to 488.5 million EUR. At the time of the initial consolidation, Picanol Group held 38.9% of the shares of Tessenderlo Group for a total purchase value of 482.4 million EUR.

The acquisition accounting of Tessenderlo Group required the use of significant estimates and judgments. These estimates have been addressed in Note 33.

The group has recognized the fair value of the identifiable assets and liabilities at the date of initial consolidation. The main fair value adjustments relate to:

- Valuation of tangible fixed assets on the basis of market prices (where available) or on the basis of depreciated replacement cost, taking into account economic obsolescence: 139.7 million EUR.
- Valuation of the customer lists of Crop Vitality, NovaSource, DYKA and Solugel: +391.3 million EUR.
- Valuation of the brand names of Crop Vitality, NovaSource, DYKA and Solugel: +25.2 million EUR.
- Valuation of stocks at market value: +32.2 million EUR.
- Valuation of the financial debts (bond) on the basis of the market price on the initial consolidation date: -11.5 million EUR.
- Recognition of a net deferred tax liability on the above-mentioned revaluations: -132.6 million EUR.

The remaining goodwill amounts to 109.2 million EUR (at 100% value) or 42.5 million EUR for the Picanol Group share (as included in the opening balance at January 1, 2019). The remaining goodwill is mainly attributable to the expertise and technical qualities of Tessenderlo Group employees and it is not tax-deductible.

The depreciation of the fair value adjustments takes place in accordance with the valuation rules of the group.

The table below summarizes the impact of the acquisition of control over Tessenderlo Group on Tessenderlo Group's financial position on January 1, 2019, at 100% value. Compared to the impact calculated per June 30 2019 the revaluation of the inventory was increased by 3.1 million EUR.

(Million EUR)	Before acquisition	Fair value adjustments	Values recognized at acquisition
FIXED ASSETS	**1,083.0**	**521.0**	**1,604.0**
Goodwill	35.0	-35.0	0.0
Intangible fixed assets	190.2	416.3	606.5
Tangible fixed assets	789.2	139.7	928.9
Other fixed assets	68.6	0.0	68.6
CURRENT ASSETS	**754.6**	**32.2**	**786.8**
Inventories	303.0	32.2	335.2
Other current assets	451.6	0.0	451.6
NON CURRENT LIABILITIES	**773.1**	**144.1**	**917.2**
Deferred tax liabilities	79.1	132.6	211.6
Loans and borrowings	464.0	11.5	475.5
Other liabilities > 1 year	230.1	0.0	230.1
CURRENT LIABILITIES	**327.2**	**0.0**	**327.2**
Net assets	**737.2**	**409.1**	**1,146.3**
Fair value at share price (29.1)			**1,255.6**
Goodwill (100%)			**109.2**
Picanol Group share goodwill (38.9%)			**42.5**

Calculation of non-controlling interest:

(Million EUR)	**Values recognized at acquisition**
Net assets before revaluation	**737.2**
Revaluation	+409.1
Net assets after revaluation	**1,146.3**
Minority %	61.1%
Non-controlling interest	**700.4**

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

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

(Million EUR)	**Before acquisition**	**Fair value adjustments**	**Values recognized at acquisition**
Non-current assets	0.0	0.1	0.1
Current assets	0.9	0.0	0.9
Non-current liabilities	1.3	0.0	1.4
Current liabilities	0.8	-	0.8
Net assets	**-1.2**	**0.1**	**-1.1**
Consideration (paid)/received, satisfied in cash			-0.7
Cash acquired/(disposed) of			1.8
Net cash (outflow)/inflow			**1.1**

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

On October 2, 2018, the group announced the completion of the acquisition of the remaining 80% of the shares of T-Power nv, which is a gas-fired 425 MW power plant in Tessenderlo (Belgium). The purchase consideration paid in cash amounted to 131.1 million EUR, while the cash and cash equivalents acquired amounted to 80.6 million EUR, resulting in a net cash-out of -50.5 million EUR. No new information has been obtained in 2019, about facts and circumstances that existed at the date of acquisition, which would have resulted in a revision of the acquisition accounting.

DISPOSALS

In 2019, subsidiary Burcklé in France stopped local operations and the assets were offered for sale. At year end December 31, 2019, the remaining assets (land & buildings and inventory) were transferred to assets held for sale as shown below.

Within Tessenderlo Group the old head-office in Phoenix is for sale. The acquisition of control of Tessenderlo Group led to a revaluation of this building to bring it in line with the fair value.

The table below shows the main categories of assets and liabilities that are presented as held for sale as at December 31.

(Million EUR)	**2019**	**2018**
Assets	**4.1**	**0.0**
Land & buildings	3.6	0.0
Inventory	0.5	0.0
Liabilities	**0.0**	**0.0**
Net assets	**4.1**	**0.0**

5. OTHER OPERATING INCOME AND EXPENSES

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

(Million EUR)	**2019**	**2018**	**2018***
Additions to provisions	-1.2	0.0	-1.0
Research and development cost	-24.9	-13.9	-24.4
Grants	0.0	0.0	0.1
Depreciation	-0.2	0.0	-0.1
Gains on disposal of property, plant and equipment and other intangible assets	0.2	0.0	0.3
Reversal/(recognition) of impairment losses on trade receivables	-0.3	0.0	-0.5
Other	-5.4	0.0	-3.5
Total	**-31.8**	**-13.9**	**-29.2**

Costs arising from the research phase of an internal project are expensed as incurred. The major part of research and development costs relates to salaries paid for an amount of -16.5 million EUR (2018*: -14.8 million EUR) and depreciation charges for an amount of -0.6 million EUR (2018*: -0.5 million EUR). In 2018 and 2019, no significant development costs were capitalized. IWT subsidies received for R&D projects are deducted from the Research and development costs.

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

6. EBIT ADJUSTING ITEMS

The EBIT adjusting items for 2019 show a net loss of -14.8 million EUR (2018*: +11.6 million EUR).

(Million EUR)	2019	2018	2018*
Gains and losses on disposals	3.4		12.1
Restructuring	-2.1		0.9
Impairment losses	-3.1		-
Provisions and claims	-5.9		-0.9
Other income and expenses	-7.1	0.0	-0.5
Total	**-14.8**	**0.0**	**11.6**

Gains and losses on disposals mainly include the gain on the sale of the machinery of Burcklé and non-strategic assets (mainly land, which is not used in the current activities). The 2018* gains and losses were the result of the acquisition of the remaining 80% of the shares of T-Power nv. In accordance with IFRS 3 *Business combinations*, the original 20% share was remeasured at fair value which resulted in a gain of +12.1 million EUR.

Restructuring includes provisions for the closing of subsidiary Burcklé.

Impairment losses relate to assets, which will not be used anymore following changes in market conditions (within the operating segment Industrial solutions).

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

Other income and expenses mainly relate to the impact of an electricity purchase agreement (-6.3 million EUR in 2019), for which the own-use exemption under IAS 39 is not applicable anymore, and several other individually insignificant items.

7. PAYROLL AND RELATED BENEFITS

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

(Million EUR)	Note	2019	2018	2018*
Wages and salaries		-315.1	-85.3	-307.6
Employer’s social security contributions		-68.7	-17.9	-68.9
Other personnel costs		-23.5	-6.8	-23.7
Contributions to defined contribution plans		-9.0	-0.3	-8.5
Expenses related to defined benefit plans	23	-6.9	-0.9	-7.6
Total		**-423.2**	**-111.2**	**-416.3**

The number of FTE’s at year-end 2019 amounts to 6,845 (2018*: 6,858). The number of FTE’s decreased in division Machines & Technologies due to the lower production volume but this was compensated by an increase in Tessenderlo Group. The latter increase is mainly explained by the employees of T-Power Energy Services bv, a subsidiary which was acquired in June 2019 (note 4 - Acquisitions and disposals) and an increase of FTE’s within DYKA Group and Tessenderlo Kerley International, mainly to reinforce the production, logistic and sales teams.

8. ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

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

(Million EUR)	Note	Depreciation on PPE			Amortization on other intangible assets			Total		
		2019	2018	2018*	2019	2018	2018*	2019	2018	2018*
Cost of sales		-109.1	-7.5	-70.9	-64.6	0.0	-11.0	-173.6	-7.5	-81.8
Administrative expenses		-8.3	-1.1	-3.4	-1.5	-0.2	-1.9	-9.8	-1.4	-5.4
Sales and marketing expenses		-1.0	-0.1	-0.2	-4.6	0.0	-5.4	-5.6	-0.1	-5.6
Other operating income and expenses		-0.7	0.0	-0.6	0.0	0.0	0.0	-0.7	0.0	-0.6
Total	11/13	**-119.0**	**-8.8**	**-75.2**	**-70.6**	**-0.2**	**-18.3**	**-189.7**	**-9.0**	**-93.4**

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

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

Total depreciation, amortization and impairment losses in 2019 amount to -192.7 million EUR compared to -93.4 million EUR in 2018* (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets).

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

- depreciation charges recognized on the right-of-use assets, in accordance with IFRS 16 *Leases* applicable as from January 1, 2019, for an amount of -25.1 million EUR, included in the following line items: cost of sales (-20.6 million EUR), administrative expenses (-3.7 million EUR) and sales and marketing expenses (-0.8 million EUR).
- the full year impact of the depreciation and amortization charges of T-Power nv, only fully acquired in October 2018, for an amount of -17.3 million EUR (2018*: -3.8 million EUR) and -21.8 million EUR (2018*: -5.5 million EUR) respectively.
- depreciation charges on the revaluated assets of Tessenderlo Group for -45.6 million EUR of which -3.9 million EUR on tangible fixed assets and -41.6 million EUR on other intangible assets.

9. FINANCE COSTS AND INCOME

Net finance costs and income amount to -3.5 million EUR as per December 31, 2019, compared to +4.1 million EUR as per December 31, 2018* and are detailed below:

(Million EUR)	2019			2018			2018*		
	Finance costs	Finance income	Total	Finance costs	Finance income	Total	Finance costs	Finance income	Total
Interest expense on loans and borrowings measured at amortized cost	-11.3	0.0	-11.3	-0.1	0.0	-0.1	-10.4	0.0	-10.4
Commitment fee on unused portion of the credit facility	-0.3	0.0	-0.3	0.0	0.0	0.0	-0.2	0.0	-0.2
Factoring expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend income from other investments	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Interest income from cash and cash equivalents	0.0	1.1	1.1	0.0	0.1	0.1	0.0	2.3	2.3
Expense for the unwinding of discounted provisions	-0.7	0.0	-0.7	0.0	0.0	0.0	-1.0	0.0	-1.0
Net interest (expense)/income on pension asset/(liability)	-0.6	0.1	-0.5	0.0	0.0	0.0	-0.5	0.0	-0.5
Net foreign exchange gains and losses (including revaluation to fair value and realization of derivative financial instruments)	-8.0	15.7	7.7	-1.1	0.8	-0.3	-10.1	22.5	12.4
Interest (costs)/income on long term trade receivables	-2.7	3.6	1.0	-1.7	3.6	1.9	-1.7	3.6	1.9
Net other finance (costs)/income	-3.0	2.5	-0.5	0.0	0.0	0.0	-0.6	0.2	-0.5
Total	**-26.7**	**23.1**	**-3.5**	**-3.0**	**4.5**	**1.6**	**-24.6**	**28.7**	**4.1**

The interest expenses on loans and borrowings amount to -11.3 million EUR (2018: -10.4 million EUR) and mainly consist of:

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

The net foreign exchange gains (+7.7 million EUR) can mainly be explained by unrealized foreign exchange gains on intercompany loans and cash and cash equivalents within Tessenderlo Group (mainly in USD), which are not hedged. The strengthening of the USD against the euro (+1.9%) impacted this result. We refer to note 26 - Financial instruments for more information of the group's exposure to foreign currency risk.

The increase of the other finance costs (-3.0 million EUR in 2019 compared to only -0.6 million EUR in 2018) is mainly related to one-off expenses following the refinancing of T-Power nv in the first half of 2019 (see also note 22 - Loans and borrowings). The increase on "other finance income" is due to the gradual depreciation of the revaluation on the Tessenderlo bonds which was booked at the acquisition of control.

10. INCOME TAX EXPENSE

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

(Million EUR)	2019	2018	2018*
Recognized in the income statement			
Current tax expense	-35.6	-25.6	-43.1
Adjustment current tax expense previous periods	2.7	-1.0	-2.6
Deferred tax income / (expense)	24.7	1.0	-2.8
Total income tax expense in the income statement	**-8.1**	**-25.6**	**-48.5**
Profit (+) / loss (-) before tax	72.2	136.5	214.8
Less share of result of equity accounted investees, net of income tax	0.3	32.9	3.7
Profit (+) / loss (-) before tax and before result from equity accounted investees	**71.9**	**103.6**	**211.0**
Effective tax rate	**11.3%**	**24.7%**	**23.0%**
Reconciliation of effective tax rate			
Profit (+) / loss (-) before tax and before result from equity accounted investees	**71.9**	**103.6**	**211.0**
Theoretical tax rate	31.5%	28.0%	28.1%
Expected income tax at the theoretical tax rate	**-22.7**	**-29.0**	**-59.4**
Difference between theoretical and effective tax expenses	**14.5**	**3.4**	**10.9**
Adjustment on deferred taxes	**-0.3**	**0.0**	**-3.9**
Change in tax rates	0.8	0.0	0.3
Recognition (+) / derecognition (-) of previously recognized tax losses	-1.1	0.0	-4.2
Adjustment on tax expenses	**14.8**	**3.4**	**14.8**
Expenses not deductible for tax purposes	-2.8	-0.8	-1.8
Non taxable income	5.1	4.4	9.3
Capital gains and losses on participations	0.8	0.0	0.0
Tax incentives	1.5	0.1	1.6
Use or recognition of tax losses / tax credits not previously recognized	3.7	0.0	4.6
Tax losses / temporary differences for which no deferred tax asset has been recorded	-4.2	0.0	-5.7
Adjustment current tax expense previous periods	3.0	0.0	-1.6
Other	7.6	-0.3	8.4

The theoretical aggregated weighted tax rate amounted to 31.5% in 2019 compared to 28.1% in 2018*. This variance of the tax rate can be explained by changes in the relative weight of the result of each subsidiary, with different individual theoretical tax rates, in the total group result.

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

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

The derecognition of previously recognized tax losses in 2019 (-1.1 million EUR) is the result of a year-end 2019 review of the future taxable profits.

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

Non-taxable income includes credits for competitiveness, employment and research as well as differences due to the translation from local to functional currency. The decrease is due to the lower sales in division Machines & Technologies which lead to lower non-taxable patent income.

Tax incentives in 2019 include deductions claimed for research and development expenses, as well the foreign-derived intangible income (FDII) deduction in the United States of America.

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

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

The 2019 items included in Other (7.6 million EUR) mainly relate to statutory results on intragroup transactions within Tessenderlo Group nv, which were eliminated for consolidation purposes. The 2018 “other” (8.4 million EUR) mainly related to the non-taxable gain, which was recognized following the remeasurement at fair value of the original 20% share in T-Power nv.

11. PROPERTY, PLANT AND EQUIPMENT

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At December 31, 2018	**43.3**	**186.8**	**13.8**	**4.6**	**248.6**
Initial consolidation Tessenderlo Group	273.4	600.1	8.1	47.3	928.9
At December 31, 2018*	**316.7**	**786.9**	**21.9**	**51.9**	**1,177.4**
- initial application of IFRS16	54.2	8.6	111.9	0.0	174.7
- dismantlement provision	0.3	0.5	0.0	0.0	0.7
- capital expenditure	1.6	31.4	2.9	82.2	118.2
- IFRS 16 new leases	4.0	3.1	10.3	0.0	17.4
- sales and disposals	-19.9	-67.2	-19.7	0.0	-106.8
- transfers	10.1	47.6	13.0	-74.5	-3.7
- translation differences	2.7	3.9	0.1	0.1	6.9
At December 31, 2019	**369.7**	**814.8**	**140.5**	**59.7**	**1,384.8**
Depreciation and impairment losses					
At December 31, 2018	**-24.0**	**-148.5**	**-11.3**	**0.0**	**-183.8**
- initial application of IFRS16	-30.3	-5.2	-66.3	0.0	-101.9
- depreciation	-25.4	-72.2	-21.4	0.0	-119.0
- impairment losses	0.0	-2.3	0.0	0.0	-2.3
- sales and disposals	19.3	66.3	18.1	0.0	103.7
- transfers	-0.2	0.3	0.0	0.0	0.1
- translation differences	-1.2	-1.8	-0.1	0.0	-3.1
At December 31, 2019	**-61.8**	**-163.5**	**-81.1**	**0.0**	**-306.4**
Carrying amounts					
At December 31, 2018	**19.3**	**38.3**	**2.5**	**4.6**	**64.7**
Initial consolidation Tessenderlo Group	273.4	600.1	8.1	47.3	928.9
At December 31, 2018*	**292.7**	**638.4**	**10.6**	**51.9**	**993.6**
At December 31, 2019	**285.9**	**647.2**	**21.7**	**59.7**	**1,078.4**

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At January 1, 2018	**43.0**	**179.9**	**12.8**	**3.1**	**238.8**
- dismantlement provision					
- capital expenditure	0.0	3.4	1.3	6.7	11.5
- sales and disposals	0.0	-1.3	-0.3	0.0	-1.6
- transfers	0.4	4.8	0.0	-5.2	0.0
- translation differences	-0.1	-0.1	0.0	0.0	-0.2
At December 31, 2018	**43.3**	**186.8**	**13.8**	**4.6**	**248.6**
Depreciation and impairment losses					
At January 1, 2018	**-22.4**	**-143.7**	**-10.6**	**0.0**	**-176.7**
- depreciation	-1.7	-6.1	-1.0	0.0	-8.7
- sales and disposals	0.0	0.0	0.0	0.0	0.0
- translation differences	0.0	0.0	0.0	0.0	0.1
At December 31, 2018	**-24.0**	**-148.5**	**-11.3**	**0.0**	**-183.8**
Carrying amounts					
At January 1, 2018	**20.6**	**36.2**	**2.2**	**3.1**	**62.1**
At December 31, 2018	**19.3**	**38.3**	**2.5**	**4.6**	**64.7**

The capital expenditure on property, plant and equipment amounts to 118.2 million EUR and is presented per operating segment in note 3 - Segment reporting (including 1.7 million EUR of capex on intangible assets).

The majority of the capital expenditure relates to:

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

The cost of the 2019 "sales and disposals" amounts to -106.8 million EUR, and mainly includes the gross book value of lease contracts which expired in 2019, recognized in accordance with IFRS 16 *Leases*, and the disposal of assets without any remaining net book value in Ham (Belgium) following the further decommissioning of the former phosphates activity.

Depreciation charges include depreciation on the revalued assets of Tessenderlo Group for 3.9 million EUR within plant, machinery and equipment.

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

No amounts of borrowing costs were capitalized in 2019 and 2018.

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

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

	2019	**Initial application of IFRS 16 ROU assets[9]**
Machines & Technologies	3.4	4.1
Agro	11.4	12.0
Bio-valorization	18.0	22.7
Industrial Solutions	25.3	27.1
T-Power	0.0	0.0
Non-allocated	5.7	6.9
Tessenderlo Group	**63.8**	**72.8**

The main leases consist of land and buildings (mainly the electronics factory of Machines & Technologies in Romania, sales branches within Industrial Solutions and the Brussels headquarters office of Tessenderlo Group within Non-allocated), a large number of trucks and railcars (mainly within Agro and Bio-valorization), as well as company cars.

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has applied judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the group considered all relevant factors that create an economic incentive for it to exercise the renewal. The main lease with an estimated remaining lease term of more than 5 years mainly relates to the sales branches within Industrial Solutions (12 year weighted average lease term) and the Brussels headquarter (9 year lease term). See note 26 - Financial instruments for the contractual maturities of the lease liabilities, including interest payments. Gross lease payments in 2019 amount to -26.8 million EUR, which include interest charges for -1.4 million EUR.

The depreciation charges recognized, on a straight-line basis over the shorter of the asset's useful life and its lease term, amount to 25.1 million EUR (note 8 - additional information operating expenses by nature).

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

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

12. GOODWILL

Goodwill accounts for approximately 1.6% of the group's total assets as per December 31, 2019, or 43.4 million EUR (2018: no goodwill).

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

		2019			2018		
(Million EUR)	**Note**	**Cost**	**Impairment/ Amortization**	**Carrying amounts**	**Cost**	**Impairment/ Amortization**	**Carrying amounts**
Agro		19.1	0.0	19.1			
Bio-valorization		6.8	0.0	6.8			
Industrial Solutions		7.0	-0.4	6.6			
T-Power		9.7	0.0	9.7			
Total		**42.5**	**-0.4**	**42.1**	**0.0**	**0.0**	**0.0**

The goodwill was booked following the initial consolidation of the Tessenderlo Group from January 1, 2019 (see note 4 "Acquisitions and sales") and was allocated to the various divisions on the basis of the respective net asset values.

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

(Million EUR)	**2019**	**2018**
Cost		
At January 1	**0.0**	**0.0**
- acquisitions through business combinations	42.5	-
- other movements	0.0	-
- translation differences	0.3	-
At December 31	**42.8**	**0.0**
Impairment losses		
At January 1	**0.0**	**0.0**
- other movements	-0.7	-
- translation differences	0.0	-
At December 31	**-0.7**	**0.0**
Carrying amounts		
At January 1	**0.0**	**0.0**
At December 31	**42.1**	**0.0**

Based on the annual impairment testing, no impairment was deemed necessary. The group cannot foresee whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. The group believes that all of its estimates are reasonable. They are consistent with the internal reporting and reflect management's best estimates.

The impairment testing on goodwill relies on a number of critical judgments, estimates and assumptions.

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

- The cash flow projection is based on the 2020 financial budget of Tessenderlo Group approved by the Board of Directors;
- To take a prudent approach, a 0% future growth rate was applied to calculate the terminal value;

- The terminal value is discounted at an after-tax Weighted Average Cost of Capital (WACC) of 7% (WACC's at the level of the cash-generating unit range between 5.6% and 8.4%);
- Capital expenditures only include the cash outflows required to keep the assets in their current condition and do not include future capital expenditures significantly improving or enhancing the assets in excess of their originally assessed standard performance.

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

13. OTHER INTANGIBLE ASSETS

	Useful life				
	Finite				
(Million EUR)	Concessions, patents, licenses	Software	Customer lists	Other intangible assets	Total
Cost					
At December 31, 2018	**0.0**	**10.4**	**0.0**	**9.6**	**20.0**
Initial consolidation Tessenderlo Group	17.1	2.6	551.6	35.2	606.5
At December 31, 2018*	**17.1**	**13.0**	**551.6**	**44.8**	**626.6**
- acquisitions through business combinations	0.0	0.0	0.0	0.1	0.1
- capital expenditure	0.0	1.2	0.0	0.6	1.7
- sales and disposals	-0.5	-0.2	0.0	-1.6	-2.3
- transfers	0.0	0.1	0.0	0.1	0.2
- translation differences	1.0	0.0	0.3	0.4	1.7
At December 31, 2019	**17.6**	**14.1**	**551.9**	**44.4**	**628.0**
Amortization and impairment losses					
At December 31, 2018	**0.0**	**-9.3**	**0.0**	**-9.6**	**-18.9**
- amortization	-4.4	-1.5	-61.2	-3.5	-70.6
- sales and disposals	0.5	0.2	0.0	0.0	0.7
- translation differences	-0.7	0.0	-0.3	-0.3	-1.3
At December 31, 2019	**-4.6**	**-10.6**	**-61.5**	**-13.4**	**-90.1**
Carrying amounts					
At December 31, 2018	**0.0**	**1.1**	**0.0**	**0.0**	**1.1**
Initial consolidation Tessenderlo Group	17.1	2.6	551.6	35.2	606.5
At December 31, 2018*	**17.1**	**3.7**	**551.6**	**35.2**	**607.7**
At December 31, 2019	**13.0**	**3.5**	**490.4**	**31.0**	**537.9**

	Useful life				
	Finite				
(Million EUR)	Concessions, patents, licenses	Software	Customer lists	Other intangible assets	Total
Cost					
At January 1, 2018		**10.1**		**9.6**	**19.7**
- capital expenditure		0.4			0.4
- sales and disposals		0.0			0.0
- translation differences		0.0			0.0
At December 31, 2018		**10.4**		**9.6**	**20.0**
Amortization and impairment losses					
At January 1, 2018		**-9.1**		**-9.6**	**-18.7**
- amortization		-0.2			-0.2
- sales and disposals		0.0			0.0
- translation differences		0.0			0.0
At December 31, 2018		**-9.3**		**-9.6**	**-18.9**
Carrying amounts					
At January 1, 2017		**1.0**		**0.0**	**1.0**
At December 31, 2017		**1.1**		**0.0**	**1.1**

The capital expenditure on other intangible assets amounts to 1.7 million EUR and is presented per operating segment in note 3 - Segment reporting.

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

The group acquired in 2019 T-Power Energy Services bv, which resulted in an insignificant fair value adjustment within the line item “Other intangible assets” which is amortized over a period of 5 years.

No borrowing costs were capitalized during 2019 and 2018.

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

The depreciation charges include depreciation on the revalued intangible assets of Tessenderlo Group for -41.6 million EUR (-29.1 million EUR in “customer lists” and -2.5 million EUR in “other intangible assets”.

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

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

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

In 2018 Tessenderlo Group was an equity accounted investment of Picanol Group. As of January 1, 2019, Tessenderlo Group is fully consolidated. For a complete justification for January 1, 2019, as the starting date for the inclusion of Tessenderlo Group in the consolidated accounts of Picanol Group, we refer to note 33 “Critical accounting estimates and judgments”.

On December 31, 2019, investments accounted for using the equity method consist solely of joint-ventures of Tessenderlo Group.

The joint-ventures of the group are:

		Ownership	
	Country	**2019**	**2018***
Établissements Michel SAS	France	50%	50%
Jupiter Sulphur LLC	US	50%	50%

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

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

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

Tessenderlo Kerley Inc. has granted a 11.0 million USD loan (9.8 million EUR) to the joint-venture Jupiter Sulphur LLC, which was fully drawn in the period over 2017 and 2018. The loan is interest bearing (3.0%). The loan was originally reimbursable to Tessenderlo Kerley Inc. in the period 2020-2023, however the reimbursement period is currently under review following the ongoing capital expenditure investments and related cash needs in Jupiter Sulphur LLC. Jupiter Sulphur LLC obtained the same amount from the other joint-venture partner. The granted loan is included in “Other investments" in the group's consolidated statement of financial position. The related interest income is considered to be insignificant and is not eliminated.

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

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

(Million EUR)	**2019**	**2018***
Non-current assets	114.6	116.4
Current assets	16.4	15.5
Total assets	**131.0**	**131.9**
Equity	37.8	37.0
Non-current liabilities	32.7	48.6
Current liabilities	60.5	46.3
Total equity and liabilities	**131.0**	**131.9**
Revenue	36.9	47.0
Cost of sales	-34.9	-41.6
Gross profit	2.0	5.4
EBIT (Profit (+) / loss (-) from operations)	1.9	5.3
Finance (costs) / income - net	-1.1	-1.8
Profit (+) / loss (-) before tax	0.9	3.5
Profit (+) / loss (-) for the period	0.7	2.5
Total comprehensive income for the period	0.1	2.5

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

15. DEFERRED TAX ASSETS AND LIABILITIES

	Assets			Liabilities			Net		
(Million EUR)	2019	2018	2018*	2019	2018	2018*	2019	2018	2018*
Property, plant and equipment	2.8	0.0	1.5	-81.8	-4.0	-81.9	-79.0	-4.0	-80.4
Other intangible assets	5.8	0.0	6.0	-132.0	0.0	-148.9	-126.2	0.0	-142.9
Inventories	6.7	1.2	8.7	-0.4	0.0	-7.4	6.3	1.2	1.3
Employee benefits	10.2	0.0	8.8	-0.9	0.0	-0.7	9.3	0.0	8.1
Derivative financial instruments	6.9	0.0	10.1	0.0	0.0	0.0	6.9	0.0	10.1
Provisions	10.9	0.7	12.3	-15.6	0.0	-16.7	-4.7	0.7	-4.4
Other items	6.0	-0.1	7.6	-16.2	-1.6	-18.4	-10.2	-1.7	-10.8
Losses carried forward	33.0	0.0	28.1	0.0	0.0	0.0	33.0	0.0	28.1
Gross deferred tax assets / (liabilities)	**82.3**	**1.8**	**83.2**	**-246.7**	**-5.6**	**-273.9**	**-164.5**	**-3.7**	**-190.7**
Set-off of tax	**-51.5**	**-0.9**	**-57.6**	**51.6**	**0.9**	**57.6**	**0.0**	**0.0**	**0.0**
Net deferred tax assets / (liabilities)	**30.8**	**0.9**	**25.5**	**-195.3**	**-4.6**	**-216.3**	**-164.5**	**-3.7**	**-190.8**

The net deferred tax position on December 31, 2019 includes deferred taxes resulting from the revaluation due to the acquisition of Tessenderlo Group on property, plant and equipment (-22.6 million EUR) and other intangible assets (-94.3 million EUR).

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

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

Deferred tax assets on fiscal losses carried forward recognized on Tessenderlo Group nv, amount to 19.3 million EUR (total tax losses and tax credits carried forward in Tessenderlo Group nv amount to 174 million EUR) as per year-end 2019. The other deferred tax assets on fiscal losses carried forward recognized amount to 13.7 million EUR and mainly relate to French fiscal losses carried forward (total tax losses and tax credits carried forward in France amount to 78.4 million EUR). These were recognized following a review of the future taxable profits as per year-end 2019. The 2019 fiscal results of the subsidiaries, for which deferred tax assets on fiscal losses carried forward were recognized, were positive.

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

Tax losses and tax credits carried forward on which no deferred tax asset is recognized amount to 233.6 million EUR (2018*: 305.8 million EUR). Of these tax credits, 29.4 million EUR have a finite life (they expire in the period 2020-2026). The 2019 losses carried forward decreased as the losses of Tessenderlo Finance nv are no longer included. This subsidiary was liquidated in 2019. Deferred tax assets are only recognized based on the probability assessment whether future taxable profits (within the next 5 years) will be available, against which the unused tax losses and credits can be utilized.

The movements in the deferred tax balances during the year can be summarized as follows[10]:

(Million EUR)	Balance at December 31, 2018	Consolidation Tessenderlo Group	Balance 2018 *	Initial application of IFRS16	Recognized in the income statement	Recognized in other comprehensive income	Translation differences	Balance at December 31, 2019
Property, plant and equipment	-4.0	-76.4	-80.4	0.0	1.8	0.0	-0.5	-79.0
Other intangible assets	0.0	-142.9	-142.9	0.0	16.8	0.0	-0.1	-126.2
Inventories	1.2	0.2	1.4	0.0	4.9	0.0	0.1	6.4
Employee benefits	0.0	8.1	8.1	0.0	0.4	0.7	0.0	9.2
Derivative financial instruments	0.0	10.1	10.1	0.0	-4.0	0.8	0.0	7.0
Provisions	0.7	-5.0	-4.3	0.0	-0.3	0.0	0.0	-4.6
Other items	-1.7	-9.1	-10.8	0.5	0.3	0.0	-0.2	-10.2
Losses carried forward	0.0	28.1	28.1	0.0	4.8	0.0	0.0	32.9
Total	**-3.7**	**-187.0**	**-190.8**	**0.5**	**24.7**	**1.6**	**-0.6**	**-164.5**

The deferred taxes recognized in the income statement for +24.7 million EUR include +17.9 million EUR due the reversal of deferred tax liabilities related to the depreciation of the revalued assets of Tessenderlo Group (mainly in property plant and equipment and other intangible assets).

16. TRADE AND OTHER RECEIVABLES

(Million EUR)		2019	2018	2018*
Non-current trade and other receivables				
Trade receivables		2.4	4.0	4.0
	Gross trade receivables	2.4	4.0	0.0
	Amounts written off	0.0	0.0	0,0
Other receivables		13.6	0.0	10.9
Receivables from related parties		0.7	0.0	0.4
Assets related to employee benefit schemes		2.3	0.0	3.1
Total		**19.0**	**4.0**	**18.4**

(Million EUR)		2019	2018	2018*
Current trade and other receivables				
Trade receivables		298.7	59.5	308.5
	Gross trade receivables	306.2	60.8	314.2
	Amounts written off	-7.5	-1.3	-5,7
Other receivables		62.8	18.8	55.6
Prepayments		2.6	1.0	1.3
Receivables from related parties		0.7	0.0	0.5
Total		**364.7**	**79.3**	**365.9**

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

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

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

The non-current other receivables mainly relate to a French tax receivable of 5.6 million EUR (2018: 6.8 million EUR), related to tax credits for competitiveness, employment and research, as well as a Brazilian VAT receivable of 4.2 million EUR (2018: nihil), which is not yet expected to be recovered in 2020.
The assets related to employee benefit schemes concern the net pension asset of the UK pension fund where the pension assets are higher than the pension liabilities.

The current other receivables mainly include net income tax receivables mainly in the US and Belgium (15.3 million EUR in 2019 compared to 8.2 million EUR in 2018*), other tax and VAT receivables and bank notes in China (these are receivables with banks with a term of more than 3 months) (12.5 million EUR in 2019 compared to 10.8 million EUR in 2018) .

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

17. INVENTORIES

(Million EUR)	2019	2018	2018*
Raw materials	74.7	32.0	79.4
Work in progress	17.9	9.0	18.6
Finished goods	234.5	16.0	252.9
Goods purchased for resale	35.1	0.0	30.5
Spare parts	18.0	5.9	16.7
Total	**380.3**	**62.8**	**398.0**

The inventory of finished goods per 2018* includes the revaluation of the inventory of Tessenderlo Group for 32.2 million EUR. Excluding the revaluation, finished goods increased due to higher volumes, mainly within the Agro segment.

There are no inventories pledged as security.

In 2019 inventories for 1,539.9 million EUR were recognized as an expense during the year and included in the line item cost of sales within the income statement.

An additional inventory write-off of -5.1 million EUR has been recognized in 2019.

The group expects to recover or settle the inventory, available as per December 31, 2019, within the next twelve months, except for the inventory of non-strategic spare parts. These spare parts will be used whenever deemed necessary.

18. CASH AND CASH EQUIVALENTS

(Million EUR)	2019	2018	2018*
Term accounts	158.0	107.7	144.9
Current accounts	132.3	65.4	192.3
Cash and cash equivalents	**290.3**	**173.0**	**337.1**
Bank overdrafts	-0.1	0.0	-0.1
Cash and cash equivalents in the statement of cash flows	**290.2**	**173.0**	**337.0**

The term accounts have a maximum maturity of 1 month. As per December 31, 2019, the cash and cash equivalents include 20.8 million USD or 18.6 million EUR (2018*: 30.4 million USD or 26.6 million EUR). The cash held within subsidiary Tessenderlo Group amounts to 154.5 million EUR (2018*:164.1 million EUR)

19. EQUITY

ISSUED CAPITAL AND SHARE PREMIUM

	Shares	
	2019	**2018**
On issue at January 1	17,700,000	17,700,000
Issued for cash	-	-
On issue at December 31 - fully paid	**17,700,000**	**17,700,000**

The number of shares comprised 15,831,234 registered shares (2018: 15,830,814) and 1,868,766 ordinary shares (2018: 1,869,186). The shares are without nominal value. The holders of Picanol nv shares are entitled to receive dividends as declared and were entitled to one vote per share at the shareholders' meetings of the company in 2019. In accordance with article 7:53 of the Belgian Code of Companies and Associations, the extraordinary meeting of shareholders of March 16, 2020, has decided to introduce a loyalty voting right for each fully paid-up share that has continuously been registered in the share register on the name of the same shareholder for at least two years. The number of voting rights at the date of the extraordinary meeting of shareholders amounted to 33,494,060.

Within subsidiary Tessenderlo Group, following the conversion of warrants, ordinary shares were included for trading on Euronext Brussels on:
- December 13, 2019: 8,000 ordinary shares, leading to an increase of issued capital and share premium by 0.2 million EUR.

On the annual shareholders' meeting of Picanol nv on April 17, 2019, the shareholders approved the proposal of the Board of Directors to pay out a dividend of 0.2 EUR per share.

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

AUTHORIZED CAPITAL

According to the decision of the extraordinary general meeting of March 16, 2020, the Board of Directors was granted the authority, for a period of 5 years from the publication of the authorization in the Annex to the Belgian State Gazette, to increase the share capital, in one or more times, up to an amount of 4,440,000 EUR, in accordance with the provisions set out in the Belgian Companies Code and the articles of association of the company. The Board of Directors is allowed to use the authorized capital to take protective measures for the company through capital increases, with or without limitation or withdrawal of preferential rights, even outside the context of a possible public takeover bid, to the extent that the company has not yet received a notification of the FSMA with respect to a public takeover bid on its securities.

Without prejudice to the possibility to realize the commitments that were validly entered into before receipt of the notification of the FSMA pursuant to article 7:202, paragraph 2, 1° of the Belgian Code on Companies and Associations,, the Board of Directors was authorized, for a period of 3 years from the authorization by the extraordinary general meeting of March 16, 2020, to proceed to a capital increase within the framework of authorized capital, with or without limitation or withdrawal of preferential rights as the case may be in favor of one or more persons, following receipt of a notification of the FSMA with respect to a public takeover bid on the company's securities, in accordance with the conditions set out in article 7:202, paragraph 2, 2° of the Belgian Code on Companies and Associations and the articles of association of the company.

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

LEGAL RESERVES

According to Belgian law, 5% of the statutory net income of a Belgian company must be transferred each year to a legal reserve until the legal reserve reaches 10% of the issued capital. At balance sheet date, the legal reserve of the company amounts to 2.2 million EUR. Generally, this reserve cannot be distributed to the shareholders other than upon liquidation.

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

TRANSLATION RESERVES

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

DIVIDENDS

The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of May 18, 2020, to pay out a dividend for the 2019 financial year of 0.2 EUR per share.

CAPITAL MANAGEMENT

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the issued capital, share premium and reserves. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with borrowings and the advantages and security afforded by a strong capital position. The gearing ratio at the end of 2019 is 23% (2018*: 20%). The gearing is calculated as the net financial debt divided by the sum of the net financial debt and equity attributable to equity holders of the company.

20. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

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

	2019	2018
Adjusted weighted average number of ordinary shares at December 31[1]	**17,700,000**	**17,700,000**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	41.7	110.9
Basic earnings per share (in EUR)	**2.4**	**6.3**

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

DILUTED EARNINGS PER SHARE

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

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

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

	2019	2018
Diluted weighted average number of ordinary shares at December 31	**17,700,000**	**17,700,000**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	41.7	110.9
Diluted earnings per share (in EUR)	**2.4**	**6.3**

21. NON-CONTROLLING INTEREST

Tessenderlo Group became a subsidiary with a non-controlling interest on January 1, 2019. On December 31, 2018 Tessenderlo Group was an equity accounted investee.

During 2019 Picanol, through its subsidiary Verbrugge nv, acquired 2,149,746 shares of Tessenderlo Group for a total value of 64.3 million EUR (at an average share price of 29.9 EUR). This resulted in a decrease of the non-controlling interest with 5% from 61.1% at acquisition date to 56.1% per December 31, 2019.

In accordance with article 7:53 of the Belgian Code of Companies and Associations, Tessenderlo Group has introduced a loyalty voting right for each fully paid-up share that has continuously been registered in the share register on the name of the same shareholder for at least two years. On December 31, 2019 Picanol nv (through its subsidiary Verbrugge nv) held 62% of the voting rights of Tessenderlo Group.

There are no restrictions on dividend distribution for example from specific debt covenants imposed on Tessenderlo Group.

		Non-controlling interest percentage		
	Country	**2019**	**2018**	**2018***
Tessenderlo Group nv	BE	56.1%	n/a	61.1%

Summary financial information of subsidiaries with a non-controlling interest at 100% as per December 31, 2019:

(Million EUR)	**As reported**	**Fair value adjustments**	**After fair value adjustment**
FIXED ASSETS	**1,146.2**	**472.5**	**1,618.6**
Goodwill	34.6	-34.6	0.0
Intangible fixed assets	162.1	374.7	536.8
Tangible fixed assets	872.9	132.4	1,005.3
Other fixed assets	76.6	0.0	76.6
CURRENT ASSETS	**765.2**	**3.3**	**768.5**
Inventories	323.8	0.0	323.8
Other current assets	441.4	3.3	444.7
NON CURRENT LIABILITIES	**726.2**	**123.6**	**849.8**
Deferred tax liabilities	76.0	114.7	190.6
Loans and borrowings	415.1	8.9	424.0
Other liabilities > 1 year	235.1	0.0	235.1
CURRENT LIABILITIES	**361.5**	**0.0**	**361.5**
Net assets	**823.6**	**352.2**	**1,175.8**
Non-controlling interest %			56%
Non-controlling interest			**659.9**

For more information on the financial statements of the Tessenderlo Group, we refer to the annual report which is published on the website: www.tessenderlogroup.com.

22. LOANS AND BORROWINGS

(Million EUR)	**2019**	**2018**	**2018***
Non-current loans and borrowings	426.3	0.3	475.8
Current loans and borrowings	98.9	1.2	49.2
Total loans and borrowings	**525.3**	**1.5**	**525.0**
Cash and cash equivalents	-290.3	-173.0	-337.1
Bank overdrafts	0.1	0.0	0.1
Net loans and borrowings	**235.1**	**-171.6**	**187.9**

As per year-end 2019, the group net financial debt stood at 235.1 million EUR, implying a leverage of 0.8 and included a lease liability, in accordance with IFRS 16 *Leases*, for an amount of 67.6 million EUR. Excluding the impact of IFRS 16 *Leases*, initially applied only as of January 1, 2019, the net financial debt would have amounted to 167.4 million EUR as per year-end 2019, compared to 187.9 million EUR as per year-end 2018*.

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

	Note	Bank overdrafts	Cash and cash equivalents	Lease payable within 1 year	Lease payable more than 1 year	Current loans and borrowings	Non-current loans and borrowings	Total
Net financial debt as per December 31, 2018		**0.0**	**173.0**	**-0.3**	**-0.3**	**-0.9**	**0.0**	**171.6**
Consolidation Tessenderlo Group		-0.1	164.1	0.0	0.0	-48.0	-475.4	-359.4
Net financial debt as per December 31, 2018*		**-0.1**	**337.1**	**-0.3**	**-0.3**	**-48.9**	**-475.4**	**-187.9**
Initial application of IFRS16		0.0	0.0	-24.7	-51.9	0.0	0.0	-76.6
Cash flows		0.0	-48.4	25.4	0.0	-18.7	83.1	41.3
Acquisitions through business combinations		0.0	1.1	0.0	0.0	0.0	0.0	1.1
IFRS 16 new leases and lease modifications		0.0	0.0	-0.8	-14.8	0.0	0.0	-15.6
Depreciate revaluation on bond		0.0	0.0	0.0	0.0	0.0	2.6	2.6
Transfers		0.0	0.0	-22.3	22.3	-8.6	8.6	0.0
Effect of exchange rate differences		0.0	0.5	0.0	-0.3	0.0	-0.1	0.0
Net financial debt as per December 31, 2019		**-0.1**	**290.3**	**-22.7**	**-44.9**	**-76.2**	**-381.4**	**-235.1**

NON-CURRENT AND CURRENT LOANS AND BORROWINGS

(Million EUR)	**2019**	**2018**	**2018***
Non-current loans and borrowings			
Lease payables	49.9	0.3	0.3
Bonds (maturity date in 2022 and 2025)	232.5	0.0	235.1
Credit facility T-Power nv	141.5	0.0	232.5
Credit institutions	7.4	0.0	7.9
Total	**426.3**	**0.3**	**475.8**
Current loans and borrowings			
Lease payable within 1 year	22.7	0.3	0.3
Current portion credit facility T-Power nv	25.7	0.0	16.8
Current portion long term loans and borrowings	11.5	0.9	2.1
Credit institutions and commercial paper	39.0	0.0	30.0
Total	**98.9**	**1.2**	**49.2**

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

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

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

Within segment Machines & Technologies, the current portion of long term loans and borrowings include export financing for 10.6 million EUR which have been discounted with the credit insurance company but for which the risk has not yet been transferred as the first installment date has not yet past.

The lease liability, in accordance with IFRS 16 *Leases*, amounts to 67.6 million EUR (December 31, 2018: nihil, as IFRS 16 *Leases* was not yet applied), of which 49.9 million EUR is included in non-current and 22.7 million EUR in current loans and borrowings (Note 11 - Property, plant and equipment).

The weighted average borrowing rate applied to lease liabilities as per December 31, 2019, was 2.1%. See note 26 - Financial instruments for the contractual maturities of the lease liabilities, including interest payment

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

There has been no drawdown as per December 31, 2019, on the 5 year committed bi-lateral credit lines, which were renewed for 5 years in December 2019. The committed bi-lateral credit lines amount to 142.5 million EUR (of which part can be drawn in USD).

NON-CURRENT AND CURRENT LOANS AND BORROWINGS BY CURRENCY

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2019):

(Million EUR)	EUR	USD	Other	Total
Current lease liabilities	14.0	6.1	2.5	**22.7**
Other current loans and borrowings	75.4	0.9	0.0	**76.2**
Non-current lease liabilities	27.6	9.0	8.3	**44.9**
Other non-current loans and borrowings	374.9	6.5	0.0	**381.4**
Total loans and borrowings	**491.9**	**22.5**	**10.8**	**525.3**
In percentage of total loans and borrowings	**93.6%**	**4.3%**	**2.1%**	**100.00%**

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

(Million EUR)	EUR	USD	Other	Total
Current loans and borrowings	48.3	0.9	0.0	**49.2**
Non-current loans and borrowings	468.5	7.2	0.0	**475.8**
Total loans and borrowings	**516.8**	**8.1**	**0.0**	**525.0**
In percentage of total loans and borrowings	**98.4%**	**1.5%**	**0.0%**	**100.0%**

23. EMPLOYEE BENEFITS

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

	2019				2018*			
(Million EUR)	Early retirement provision	Defined benefit liability	Other employee benefits	Total	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Non-current	2.8	54.3	7.6	64.7	4.9	50.2	6.9	62.0
Current	1.3	0.0	0.2	1.5	1.9	0.0	0.3	2.2
Total	**4.1**	**54.3**	**7.8**	**66.2**	**6.8**	**50.2**	**7.2**	**64.1**

	2019			
(Million EUR)	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Balance at December 31, 2018	**2.7**	**0.2**	**2.0**	**4.9**
Consolidation Tessenderlo Group	4.1	50	5.2	59.2
Balance at December 31, 2018*	**6.8**	**50.2**	**7.2**	**64.1**
Additions	0.1	4.3	0.9	5.3
Use of provision	-1.6	-0.1	-0.1	-2.0
Reversal of provisions	-1.2	0.0	0.0	-1.2
Translation differences	0.0	0.0	0.0	0.0
Balance at December 31, 2019	**4.1**	**54.4**	**7.9**	**66.2**

The early retirement provision amounts to 4.1 million EUR as per December 31, 2019, of which 2.2 million EUR relates to the closure of the phosphate production in 2013 (recognized in accordance with the guidance in IAS 19 for termination benefits).

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

GENERAL DESCRIPTION OF THE TYPE OF PLAN

- ***Post-employment benefits***

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

- ***Defined contribution pension plans***

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

- ***Defined benefit pension plans***

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

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

The defined contribution plans in Belgium are legally subject to a minimum guaranteed return (the legal minimum guaranteed return as from January 1, 2016 is 1.75%, while before it was 3.25% for employer contributions). If the legal minimum guaranteed return is sufficiently covered, the group has no obligation to pay further contributions than those that are recognized as an expense in the income statement as the related service is provided. The Belgian defined contribution pension plans are to be treated as defined benefit pension plans under IAS 19 as they do not meet the definition of a defined contribution pension plan under IFRS. The group follows the prescribed methodology for measurement and accounting for defined benefit pension plans in line with IAS 19 § 57.(a), meaning the projected unit credit method, without adding expected future contributions. The group recognizes the difference between the defined benefit obligation and the fair value of plan assets (IAS 19 § 57.(a) (iii)) on the balance sheet.

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

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

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

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

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

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

DEFINED BENEFIT PENSION PLANS

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

(Million EUR)	**Note**	**2019**	**2018**	**2018***
Present value of wholly funded obligations		-49.4	0.0	-41.2
Present value of partially funded obligations		-119.9	-16.6	-108.3
Present value of wholly unfunded obligations		-28.1		-26.4
Total present value of obligations		**-197.3**	**-16.6**	**-175.9**
Fair value of plan assets		145.3	16.4	128.7
Net defined benefit (liability)/asset		**-52.0**	**-0.2**	**-47.2**
Amounts in the statement of financial position:				
Liabilities		-54.3	-0.2	-50.2
Assets	16	2.3	0.0	3.1
Net defined benefit (liability)/asset		**-52.0**	**-0.2**	**-47.1**

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

	2019			2018*		
(Million EUR)	**Present value of obligations**	**Fair value of plan assets**	**Net defined benefit (liability)/ asset**	**Present value of obligations**	**Fair value of plan assets**	**Net defined benefit (liability)/ asset**
Balance at January 1	**-175.8**	**128.7**	**-47.1**	**-175.7**	**130.9**	**-44.9**
Included in profit or loss						
Current service cost	-6.4	0.0	-6.4	-6.4	0.0	-6.4
Past service (cost)/benefit	-0.1	0.0	-0.1	-0.8	0.0	-0.8
Current service cost - Employee contribution	0.0	0.3	0.3	0.0	0.3	0.3
Interest (cost) / income	-3.2	2.7	-0.4	-2.8	2.4	-0.4
Administrative expenses	0.0	-0.3	-0.3	0.0	-0.3	-0.3
Total included in profit or loss	**-9.6**	**2.7**	**-6.9**	**-10.0**	**2.4**	**-7.6**
Included in other comprehensive income						
Remeasurements:						
- Gain/(loss) from change in demographic assumptions	0.2	-	0.2	0.6	0.0	0.6
- Gain/(loss) from change in financial assumptions	-15.4	-	-15.4	5.5	0.0	5.5
- Experience gains/(losses)	1.7	10.9	12.6	-2.2	-2.7	-4.9
Total included in other comprehensive income	**-13.5**	**10.9**	**-2.6**	**3.9**	**-2.7**	**1.2**
Other						
Exchange differences on foreign plans	-2.4	2.5	0.1	0.1	-0.1	0.0
Contributions by employer	0.0	4.4	4.4	0.0	4.2	4.2
Benefits paid	4.0	-4.0	0.0	5.9	-5.9	0.0
Total other	**1.6**	**2.9**	**4.5**	**6.0**	**-1.8**	**4.2**
Balance at December 31	**-197.3**	**145.3**	**-52.0**	**-175.9**	**128.8**	**-47.1**

The 2019 loss from change in financial assumptions, included in other comprehensive income, is mainly the result of the decrease of the discount rate used to calculate the present value of the defined benefit obligations (2019 weighted average discount rate of 1.0%, compared to 1.8% in 2018).

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

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

(Million EUR)	**Note**	**2019**	**2018***
Cost of sales		-1.0	-0.8
Distribution expenses		-0.1	-0.1
Sales and marketing expenses		-0.2	-0.1
Administrative expenses		-3.7	-4.1
Other operating income and expenses		-1.3	-1.3
EBIT adjusting items		0.0	-0.8
Finance (costs) / income - net	9	-0.5	-0.5
Total		**-6.9**	**-7.6**

The actual return on plan assets in 2019 was +12.5 million EUR (2018: -0.7 million EUR).

The group expects to contribute 4.9 million EUR to its defined benefit pension plans in 2020.

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

	2019				2018*			
(Million EUR)	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Property	0.0	4.0	4.0	2.8%	0.0	4.0	4.0	3.1%
Qualifying insurance policies	0.0	40.2	40.2	27.7%	0.0	37.0	37.0	28.7%
Cash and cash equivalents	0.0	5.9	5.9	4.0%	0.0	7.6	7.6	5.9%
Investment funds	93.1	0.0	93.1	64.1%	78.0	0.0	78.0	60.6%
Tessenderlo Group bond with maturity date July 15, 2022	2.1	0.0	2.1	1.5%	2.1	0.0	2.1	1.6%
Total	**95.2**	**50.1**	**145.3**	**100.0%**	**80.1**	**48.6**	**128.7**	**100.0%**

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

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

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

	2019	2018	2018*
Discount rate at 31 December	1.0%	1.3%	1.8%
Future salary increases	-	-	1.0%
Inflation	2.1%	-	2.2%

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

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

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

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

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

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions, as per December 31, 2019, is:

	Change in assumption	Impact on defined benefit obligation	Change in assumption	Impact on defined benefit obligation
Discount rate	+0.5%	-6.0%	-0.5%	6.2%
Salary growth rate	+0.5%	1.2%	-0.5%	-1.1%
Pension growth/inflation rate	+0.5%	4.0%	-0.5%	-3.8%
Life expectancy	+ 1 year	2.1%	- 1 year	-2.1%

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

SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

24. PROVISIONS

	2019			2018*		
(Million EUR)	**Current**	**Non-Current**	**Total**	**Current**	**Non-Current**	**Total**
Environment	8.0	102.9	110.9	9.2	99.0	108.2
Dismantlement	0.0	21.2	21.2	0.0	20.6	20.6
Restructuring	3.6	0.4	4.0	0.5	2.6	3.1
Other	7.7	7.8	15.5	13.7	6.6	20.3
Total	**19.3**	**132.3**	**151.6**	**23.4**	**128.9**	**152.2**

	Environment	Dismantlement	Restructuring	Other	Total
Balance at December 31, 2018	**0.0**	**0.0**	**0.0**	**7.4**	**7.4**
Consolidation Tessenderlo Group	108.1	20.6	3.1	13.0	144.8
Balance at December 31, 2018*	**108.1**	**20.6**	**3.1**	**20.4**	**152.2**
Additions	0.0	0.7	1.5	5.0	7.2
Use of provisions	-3.5	-0.2	-0.3	-6.3	-10.3
Reversal of provisions	0.0	0.0	-0.4	-3.6	-3.9
Effect of discounting	6.3	0.0	0.0	0.0	6.3
Translation differences	0.1	0.0	0.0	0.0	0.1
Balance at December 31, 2019	**111.0**	**21.1**	**3.9**	**15.6**	**151.6**

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

The use of environmental provisions amounts to -3.5 million EUR in 2019 (2018: -3.0 million EUR), while the effect of unwinding the discount amounts to -0.7 million EUR in 2019 (2018: -1.0 million EUR), which is included in finance costs (note 9 - Finance costs and income). The impact on environmental provisions, following an adjustment of the timing and discounting of future cash outs, amounts to -5.6 million EUR (2018: +0.7 million EUR) and was recognized in EBIT adjusting items.

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

In France, some facilities are subject to regulations pertaining to environmentally regulated facilities (Classified Facilities for the Protection of the Environment "ICPE"). This legislation requires to dismantle the classified facilities. The dismantlement provision is included in the cost basis of the related property, plant and equipment, which cost is depreciated accordingly. The total provision recognized on those French facilities amounts to 18.0 million EUR as per December 31, 2019 (2018: 17.6 million EUR). The amounts recognized are based on an internal assessment and on the gross book value of the related assets. They reflect management's best estimate of the expected expenditures. The expected timing of the cash outflow is not yet known. However, no significant cash outflow is expected to take place within the foreseeable future.

The restructuring provisions amount to 4.0 million EUR and mainly relate to a restructuring within the operating segment Bio-valorization (announced in 2017) and Machines & Technologies (announced in 2019) which are expected to be settled in 2020. The recognized restructuring provisions reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date.

The other provisions include provisions for onerous contracts, product warranties, product liability claims and several, individually less significant amounts.

The additions in 2019 for 7.2 million EUR mainly relate to provisions for restructuring within segment Machines & Technologies, for product warranties, onerous contracts and several other less significant amounts. The reversal of other provisions for -3.6 million EUR mainly relates to provisions, which were no longer deemed necessary following changing circumstances, or relates to claims, which are settled for an amount below the previously recognized provision.

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

25. TRADE AND OTHER PAYABLES

(Million EUR)	2019	2018	2018*
Non-current trade and other payables			
Accrued charges and deferred income	4.7	0.0	1.3
Remuneration and social security	2.4		
Other amounts payable	3.0	0.0	1.3
Total	**10.1**	**0.0**	**2.6**
Current trade and other payables			
Trade payables	239.3	83.1	247.3
Remuneration and social security	78.9	18.7	78.6
VAT and other taxes	10.9	1.4	11.3
Accrued charges and deferred income	11.4	5.4	11.5
Trade and other payables from related parties	1.2	0.0	1.7
Other amounts payable	6.4	1.1	6.3
Total	**348.1**	**109.9**	**357.0**

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

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

26. FINANCIAL INSTRUMENTS

FOREIGN CURRENCY RISK

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

The main management tools to hedge foreign currency risks are the spot purchases and sales of currencies followed by currency swaps.

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

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

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

(Million)	**2019**				**2018***			
	EUR*	**CNY**	**USD**	**GBP**	**EUR***	**CNY**	**USD**	**GBP**
Assets	23.0	0.0	384.2	58.3	20.0	275.1	412.4	53.5
Liabilities	-23.2	0.0	-26.6	-0.2	-17.6	0.0	-133.6	-0.6
Gross exposure	**-0.2**	**0.0**	**357.6**	**58.1**	**2.4**	**275.1**	**278.8**	**52.9**
Foreign currency swaps	-4.7	0.0	0.0	-0.9	-4.0	0.0	-0.1	-2.3
Net exposure	**-4.9**	**0.0**	**357.6**	**57.2**	**-1.6**	**275.1**	**278.7**	**50.6**
Net exposure (in EUR)	**-4.9**	**0.0**	**318.3**	**67.2**	**-1.6**	**34.9**	**243.5**	**56.6**

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

The USD, CNY and GBP exposure is mainly due to intragroup loans which are no longer hedged since March 2015 and intra-group trade receivables and -payables.

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

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

(Million EUR)	**Change in rate**	**Impact on the income statement: loss(-)/gain(+)**	**Impact on equity: loss(-)/gain(+)**
At December 31, 2019			
USD	+10%	-25.5	-32.9
	-10%	31.2	40.2
GBP	+10%	-5.0	-2.0
	-10%	6.1	2.5
CNY	+10%	-2.9	-7.1
	-10%	3.5	8.2
At December 31, 2018*			
USD	+10%	-29.4	-41.9
	-10%	36.0	51.2
GBP	+10%	-3.7	-2.1
	-10%	4.5	2.6
CNY	+10%	-2.5	-3.8
	-10%	3.1	4.3

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

CREDIT RISK

The group is subject to the risk that the counterparties with whom it conducts its business (in particular its customers) and who have to make payments to the group, are unable to make such payments in a timely manner or at all. In order to manage its credit exposure, a credit committee or credit manager per Business Unit has been created to determine a credit policy with credit limit requests, approval procedures, continuous monitoring of the credit exposure and dunning procedure in case of delays. The group has moreover elaborated a credit insurance program to protect accounts receivable from third party customers against non-payment. The large majority of legal entities of the group is participating to this program and the insurance is provided by highly top rated international credit insurance companies. A large majority of the receivables (around 95%) is covered under this group credit insurance program. The contract protects the insured activities against non-payment with a deductible of 5 to 10% and foresees an indemnification cap at group level. The program foresees a pay-out of the insured claims within 6 months after declaration.

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

The maximum exposure to credit risk amounts to 674.1 million EUR as per December 31, 2019 (2018*: 722.3 million EUR). This amount consists of current and non-current trade and other receivables (383.8 million EUR, note 16 - Trade and other receivables) and cash and cash equivalents (290.3 million EUR, note 18 - Cash and cash equivalents).

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

(Million EUR)	2019	2018*
Machines & Technologies	55.5	63.5
Agro	97.1	103.6
Bio-valorization	80.3	76.2
Industrial Solutions	63.8	66.6
T-Power	2.7	0.2
Non-allocated	1.7	2.3
Total	**301.1**	**312.5**

The ageing of trade receivables at the reporting date was:

(Million EUR)	2019		2018		2018*	
	Gross	Amounts written off	Gross	Amounts written off	Gross	Amounts written off
Not past due	256.1	0.0	55.6	0.0	265.4	0.0
Past due 0-120 days	43.6	-0.2	5.2	-0.3	43.7	-0.5
Past due 121-365 days	4.4	-3.1	2.6	-0.4	3.2	-0.7
More than one year	4.5	-4.2	1.3	-0.6	5.8	-4.5
Total	**308.6**	**-7.5**	**64.8**	**-1.3**	**318.2**	**-5.7**

The group estimates that the amounts that are past due are still collectible, following an expected credit loss assessment based on historic payment behavior and extensive analysis of customer credit risk.

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

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

(Million EUR)	Note	2019	2018	2018*
Balance at January 1		**-5.7**	**-1.4**	**-5.7**
Use of impairment loss		1.1	0.6	1.4
Reversal / (recognition) of impairment losses	5	-3.0	-0.5	-1.0
Other movements		0.0	0.0	-0.3
Balance at December 31	16	**-7.5**	**-1.3**	**-5.7**

INTEREST RISK

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

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

(Million EUR)	Note	2019	2018	2018*
Fixed rate instruments				
Financial assets	18	162.6	65.4	102.6
Loans and borrowings	22	318.2	1.5	245.7
Variable rate instruments				
Financial assets	18	127.8	107.7	234.6
Loans and borrowings	22	207.2	0.0	279.4

The increase of loans and borrowings with a fixed rate is mainly related to lease liabilities recognized in accordance with IFRS 16 *Leases* for an amount of 67.6 million EUR.

The loans and borrowings with a variable rate mainly relate to the long-term facility loan of T-Power nv. The decrease compared to prior year can be explained by the 55.4 million EUR prepayment of capital following the refinancing of the loan and the two half-yearly reimbursements (25.7 million EUR). The remaining outstanding capital of the T-Power nv long term facility loan amounts to 167.3 million EUR as per December 31, 2019 (2018*: 249.3 million EUR). Approximately 80% of the loan is hedged through a series of forward rate agreements. The remaining loans and borrowings with a variable rate can be mainly explained by the commercial paper program of 39.0 million EUR (2018*: 30.0 million EUR). Movements in interest rates would therefore not have a significant impact on the group's cash flow or result.

LIQUIDITY RISK

Liquidity risk is defined as the risk that a company may have insufficient resources to fulfill its financial obligations at any time. Failure to meet financial obligations can result in significantly higher costs, and it can negatively affect reputation.

In order to limit this risk, the Tessenderlo group took a series of actions:

- the set-up of a factoring program at the end of 2009, which is put on hold since 2015.
- a capital increase of 174.8 million EUR in December 2014.
- the issuance in July 2015 of two series of bonds with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds"). The total issue amount was 250.0 million EUR, of which 192.0 million EUR for the 2022 bonds and 58.0 million EUR for the 2025 bonds.
- refinancing of T-Power nv in 2019, bringing the new term loan facility to 193.0 million EUR reimbursable in the period June 2019-June 2026.
- the replacement of the syndicated facility agreement (terminated in December 2015) by 5 year committed bi-lateral agreements for a total amount of 142.5 million EUR (of which part can be drawn in USD) with four banks. These facilities were renewed for 5 years in December 2019, and have no financial covenants and ensure maximum flexibility for the different activities
- a commercial paper program of maximum 200.0 million EUR.

In addition, Picanol nv has non-committed credit lines for 57.1 million EUR excluding bank guarantees or 64.1 million EUR including bank guarantees.

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

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

(Million EUR)	2019				
	Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
Non-derivative loans and borrowings					
Bond with maturity date July 15, 2022	172.2	177.7	5.0	181.2	0.0
Bond with maturity date July 15, 2025	60.3	68.9	2.0	8.2	61.7
Credit facility T-Power nv	167.3	170.3	26.3	105.0	39.0
Credit institutions (commercial paper)	49.6	39.0	49.6	0.0	0.0
Credit institutions	8.3	9.6	1.2	4.3	4.1
Bank overdrafts[11]	0.1	0.1	0.1	0.0	0.0
Finance lease liabilities	67.6	72.9	23.3	38.3	11.3
Total	**525.3**	**538.5**	**107.6**	**337.0**	**116.1**
Derivatives					
Foreign currency swaps	0.0	0.0	0.0	0.0	0.0
Inflow	0.0	5.8	5.8	0.0	0.0
Outflow	0.0	-5.8	-5.8	0.0	0.0
Interest rate swaps	-27.7	0.0	0.0	0.0	0.0
Inflow	0.0	0.3	0.0	0.3	0.1
Outflow	0.0	-27.8	-7.7	-18.3	-1.8
Total	**-27.7**	**-27.5**	**-7.7**	**-18.1**	**-1.8**

(Million EUR)	2018*				
	Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
Non-derivative loans and borrowings					
Bond with maturity date July 15, 2022	174.0	182.5	5.0	185.9	0.0
Bond with maturity date July 15, 2025	61.1	70.8	2.1	8.1	63.6
Syndicated credit facility T-Power nv	249.3	281.8	20.7	106.6	154.5
Credit institutions (commercial paper)	30.9	30.9	30.9	0.0	0.0
Credit institutions	9.0	11.0	1.5	4.5	4.9
Bank overdrafts [11]	0.1	0.1	0.1	0.0	0.0
Finance lease liabilities	0.7	0.7	0.3	0.3	0.0
Total	**525.0**	**577.8**	**60.6**	**305.4**	**223.0**
Derivatives					
Foreign currency swaps	0.0	0.0	0.0	0.0	0.0
Inflow	0.0	6.7	6.7	0.0	0.0
Outflow	0.0	-6.7	-6.7	0.0	0.0
Interest rate swaps	-38.7	0.0	0.0	0.0	0.0
Inflow	0.0	4.5	0.0	1.9	2.7
Outflow	0.0	-43.4	-8.4	-26.0	-9.0
Total	**-38.7**	**-38.9**	**-8.4**	**-24.1**	**-6.3**

ESTIMATION OF FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

(Million EUR)	2019		2018		2018*	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans and borrowings						
Leasing payables	-44.9	-46.2	-0.3	-0.3	-0.3	-0.3
Credit institutions	-6.5	-6.6	0.0	0.0	-7.9	-8.2
Bonds (maturity date in 2022 and 2025)	-232.5	-234.4	0.0	0.0	-235.1	-235.1

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

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

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

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

The following table indicates the fair values of all outstanding derivative and other financial instruments at year-end:

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

The contractual amount indicates the volume of outstanding derivatives at the balance sheet date and therefore does not reflect the group's exposure to risks from such transactions.

The total fair value of the derivative financial instruments at December 31, 2019, amounts to -44.2 million EUR (2018*: -53.5 million EUR) and consists of:

- a series of forward interest rate agreements, with maturity date in the period 2020-2026;
- foreign currency swaps, with maturity date in January 2020;
- an electricity forward contract, with maturity date in June 2026.

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

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

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

The group sold the majority of its PVC/Chlor-Alkali activities in the third quarter of 2011. The electricity purchase agreement relating to that activity was not part of the sale transaction and therefore the group is still under an obligation to purchase certain quantities of electricity. As the group no longer needs the electricity for its own use, it needs to sell the electricity on the market until the end of the contract. Because of significant unobservable inputs, a level 3 fair value measurement is applied for the fair value measurement of the electricity purchase agreement ('PPA' – Purchase Power Agreement), for which the own-use exemption under IFRS 9 is not applicable anymore. The value of the contract is depending on the current and future difference between market electricity prices and the generation cost based on market gas prices (the "spark spread"), and on the effect of the hourly pricing optimization as foreseen in the contract. Forward prices are only available for a 3-year period and for a base load product. The uncertainty beyond that period is higher on different important parameters (including also the regulatory environment), however based on more favorable market and regulatory condition assumptions, the fair value of the PPA contract is set to zero beyond the initial 3 years. The used base load future prices are calculated based on the 2019 average daily Zeebrugge Gas Yearly forward prices and on the 2019 average daily Endex Yearly forward electricity prices for Belgium. The future hourly optimization effect is calculated as an extrapolation of the trend since the start of the contract.

As per December 31, 2019, the inputs above lead to a net fair value of -16.5 million EUR compared to a net fair value of -15.7 million EUR as per December 31, 2018. The change in net fair value for an amount of -0.8 million EUR has been recognized as an EBIT adjusting item (note 6 - EBIT adjusting items).

The key assumptions used in the valuation as per December 31, 2019, are:

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

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

The key assumptions used in the valuation as per December 31, 2018 are:

		2019	2020	2021
Gas forward price	EUR/MWh	20.8	19.3	18.4
Electricity forward price	EUR/MWh	51.0	45.7	44.1
Discount rate	5.5%			

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

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

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions stable. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. If the key assumptions of 2022 would also have been applied for the period 2023-June 2026, a period for which no market data is available, the fair value of the contract (2020-June 2026) would have amounted to -36.1 million EUR.

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

27. GUARANTEES AND COMMITMENTS

(Million EUR)	2019	2018*
Guarantees given by third parties on behalf of the group	28.9	30.3
Guarantees given on behalf of third parties	1.7	1.8
Guarantees received from third parties	5.0	4.9
Commitments related to capital expenditures	33.5	18.7

Guarantees given by third parties on behalf of the group mainly relate to the fulfillment of environmental obligations for 20.6 million EUR of Tessenderlo Group nv. The remaining balance consists of bank guarantees for commercial purpose and numerous other guarantees to secure financing, custom and other obligations.

Guarantees given on behalf of third parties mainly relate to guarantees given for the fulfillment of lease obligations.

The guarantees received from third parties concern guarantees, which suppliers grant to the group as guarantee for the proper execution of investment projects.

Capital expenditure contracted for at the end of the reporting period, but not yet incurred, amounts to 33.5 million EUR (2018*: 18.7 million EUR). These commitments can be mainly explained by capital expenditure in equipment and infrastructure to modernize and automate production facilities (Machines & Technologies) to increase storage capacity (Agro), to facilitate an improved valorization of animal by-products (Bio-valorization) and also for the purchase of trucks which were previously leased.

The shares of T-Power nv are pledged in first degree to guarantee the liabilities in respect of a “facility agreement” of 440.0 million EUR signed on December 18, 2008 between T-Power nv and a syndicate of banks as amended and restated for the last time pursuant to an amendment and restatement deed on March 25, 2019 (with one remaining bank). The T-Power nv shares are pledged in second degree to guarantee the ”tolling agreement” for the entire 425 MW capacity signed on August 13, 2008 between T-Power nv and RWE group. The tolling agreement has a 15 years duration with an optional 5-year extension thereafter.

The group and its subsidiaries have certain other contingent liabilities relating to long-term purchase obligations and commitments. The agreements typically concern strategic raw materials and goods and services, such as electricity and gas.

28. CONTINGENCIES

The group is confronted with a number of claims or potential claims and disputes, which are a consequence of the daily operational activities. To the extent such claims and disputes are such that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation, suitable provisions have been made.

It is the group's policy to recognize environmental provisions in the balance sheet, when the group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

These provisions are reviewed periodically and adjusted, if necessary, as assessments and work proceeds and additional information becomes available. Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation or other factors of a similar nature.

As stated in note 24 - Provisions, the environmental provisions in accordance with the above policies aggregated to 110.9 million EUR at December 31, 2019 (December 31, 2018: 108.1 million EUR).

While it is not feasible to predict the outcome of all pending environmental exposures, it cannot be excluded that there will be a need for future provisions for environmental costs. In management's opinion, based on information currently available, such provisions would not have a material effect on the group's financial position, taking into account the current financial structure of the group. However it cannot be excluded that such provisions could have a material impact on the income statement of a specific accounting period.

Acquisition, investment and joint-venture agreements as well as divestments may contain habitual provisions leading to price adjustments. In addition, for divestments, proper consideration has been given to provisions for possible indemnifications payable to the acquirer, if any, including matters in the area of health, environment, tax, product liability, restructuring, competition, pensions and share incentives. Based on information currently available, the possibility of any significant cash outflow is considered to be remote.

The group has been allocated emission allowances for the period 2013-2020, that are yearly granted free of charge to cover operational emissions for products exposed to carbon leakage. Additional emission allowances will be purchased in case of any deficit. The cost of additional emission allowances purchased during 2019 was insignificant. The surplus or deficit of emission allowances over the next years may vary, depending on several factors such as future production volumes, process optimization and energy efficiency improvements, however management expects that the impact of any surplus or deficit of emission allowances over the next years will not significantly impact the group’s consolidated financial statements. The carrying amount of emission allowances included in other intangible assets amounts to 2.9 million EUR as per December 31, 2019 (2018*: 4.5 million EUR).

29. RELATED PARTIES

Picanol Group has a related party relationship with its subsidiaries, associates, joint-ventures, its main shareholder, directors and its Executive Committee. The Belgian pension fund "OFP Pensioenfonds", which covers the post-employment benefit obligation of the employees of Tessenderlo Group nv and Tessenderlo Chemie International nv, is also considered to be a related party

The controlling shareholder of the Picanol Group is Mr. Luc Tack through Symphony Mills nv and Artela nv (see shareholders' structure on page 29 in the Corporate Governance Statement).

The group purchased and sold goods and services to various related parties in which the group holds a 50% or less equity interest (note 14 - Investments accounted for using the equity method). Such transactions were conducted at terms comparable to transactions with third parties.

Premiums for an amount of 1.5 million EUR were paid to the Belgian pension fund, "OFP Pensioenfonds" (2018*: 1.1 million EUR). Liabilities related to employee benefit schemes as per December 31, 2019 include 11.9 million EUR related to the "OFP Pensioenfonds" (2018*: 12.2 million EUR).

Transactions only have taken place with the main shareholder, joint-ventures, associates, the members of the Executive Committee and the Board of Directors.

TRANSACTIONS WITH THE MAIN SHAREHOLDER

(Million EUR)	2019	2018
Trade and other receivables	0.0	0.0
Trade and other payables	0.0	-0.1
Revenue	1.4	0.5
Cost of goods sold	0.0	0.0

For the shareholders' structure we refer to the Corporate Governance Statement on page 29.
The transactions are commercial transactions related to the sales of weaving machines and spareparts to companies linked to the main shareholder.

TRANSACTIONS WITH JOINT-VENTURES[12]

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

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

Tessenderlo Kerley Inc. has granted a 11.0 million USD loan (9.8 million EUR) to the joint-venture Jupiter Sulphur LLC, which was fully drawn in the period over 2017 and 2018. The loan is interest bearing (3.0%). The loan was originally reimbursable to Tessenderlo Kerley Inc. in the period 2020-2023, however the reimbursement period is currently under review following the ongoing capital expenditure investments and related cash needs in Jupiter Sulphur LLC. Jupiter Sulphur LLC obtained the same amount from the other joint-venture partner. The granted loan is included in "Other investments" in the group's consolidated statement of financial position. The related interest income is considered to be insignificant and is not eliminated.

[12] We refer to note 14 - Investments accounted for using the equity method for more information on the group's joint-ventures.

TRANSACTIONS WITH ASSOCIATES

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

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

In 2018 Tessenderlo Group was an associated company of Picanol Group. The transactions in 2018 relate to legal and ICT services which are provided by the Tessenderlo group through a service level agreement.

TRANSACTIONS WITH THE MEMBERS OF THE EXECUTIVE COMMITTEE[13]

(Million EUR)	2019	2018	2018*
Short-term employee benefits	2.3	1.4	3.1
Post-employment benefits	0.1	0.1	0.1
Total	**2.4**	**1.5**	**3.2**

The Executive Committee on December 31, 2019, consists of Luc Tack (CEO) en Stefaan Haspeslagh (CFO). On December 31, 2018, the executive management consisted of a Management Comité made up of the CEO and CFO, complemented with 4 Vice Presidents. The management structure was changed as a result of the inclusion of Tessenderlo Group in the consolidation of the group since the former Management Comité of Picanol is only authorized for the division Machines & Technologies.

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

The short-term employee benefits include 1.5 million EUR fix and 0.8 million EUR variable employee benefits (2018*: 1.5 million EUR and 1.6 million EUR respectively). The variable employee benefits consist of 0.8 million EUR short term variable compensation (2018: 0.8 million EUR), payable within 12 months after the end of the period, while there is no long-term variable compensation (2018: 0.8 million EUR).

The post-employment benefits include the periodic pension costs of the pension plan, calculated by an actuary.

There was no new emission of warrants in 2019 and no warrants were exercised by members of the Executive Committee during 2019.

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

[13] The 2019 and 2018* amounts are the remuneration to the CEO and CFO, including the remuneration paid within the Tessenderlo Group. The 2018 amounts are the remuneration paid to the Management Committee in 2018 as reported in the 2018 annual report.

TRANSACTIONS WITH THE MEMBERS OF THE BOARD OF DIRECTORS

Members	Remuneration in EUR	2019	2018	2018*
Stefaan Haspeslagh (executive director)	Fixed annual fee	40,000	15,000	40,000
	Additional fixed fee for chairman of the Board	90,000	60,000	90,000
	Variable fee per half day attended	16,000	10,000	26,000
	Total remuneration	**146,000**	**85,000**	**156,000**
Luc Tack (executive director)	Fixed annual fee	40,000	15,000	40,000
	Variable fee per half day attended	16,000	10,000	26,000
	Total remuneration	**56,000**	**25,000**	**66,000**
Patrick Steverlynck, as permanent representative of Pasma nv (non-executive director)	Fixed annual fee	15,000	15,000	15,000
	Variable fee per half day attended	8,000	10,000	10,000
	Total remuneration	**23,000**	**25,000**	**25,000**
Jean Pierre Dejaeghere, as permanent representative of nv Kantoor Torrimmo (independent non-executive director)	Fixed annual fee	15,000	15,000	15,000
	Variable fee per half day attended	8,000	10,000	10,000
	Total remuneration	**23,000**	**25,000**	**25,000**
Luc Van Nevel, as permanent representative of The Marble BVBA (independent non-executive director)	Fixed annual fee	15,000	15,000	15,000
	Variable fee per half day attended	8,000	10,000	10,000
	Total remuneration	**23,000**	**25,000**	**25,000**
Chantal De Vrieze, as permanent representative of 7 Capital sprl (independent non-executive director)	Fixed annual fee	15,000	15,000	15,000
	Variable fee per half day attended	8,000	10,000	10,000
	Total remuneration	**23,000**	**25,000**	**25,000**
Ann Vereecke, as permanent representative of Ann Vereecke bvba (independent non-executive director) since February 2019	Fixed annual fee	15,000		
	Variable fee per half day attended	6,000		
	Total remuneration	**21,000**		
Total		**315,000**	**210,000**	**322,000**

30. AUDITOR'S FEES

KPMG Bedrijfsrevisoren CVBA, with Mr. Patrick De Schutter as authorized representative, has been appointed as statutory auditor for Picanol Group since fiscal year 2018 and for Tessenderlo Group since fiscal year 2019.

The fees paid by the group to its auditor in 2019 include the work done for Tessenderlo Group whereas in 2018 they did not.

(Million EUR)	2019			
	Audit	**Audit related**	**Other**	**Total**
KPMG (Belgium)	0.4	0.0	0.0	0.4
KPMG (Outside Belgium)	0.7	0.0	0.3	0.9
Total	**1.0**	**0.0**	**0.3**	**1.3**

(Million EUR)	2018			
	Audit	**Audit related**	**Other**	**Total**
KPMG (Belgium)	0.1	0.0	0.0	0.1
KPMG (Outside Belgium)	0.0	0.0	0.0	0.0
Total	**0.1**	**0.0**	**0.0**	**0.1**

31. SUBSEQUENT EVENTS

- On Monday January 13, 2020, the segment Machines & Technologies fell victim to a large-scale ransomware attack. Whilst the attack caused a serious disruption of the group's activities, production activities were restarted on a step-by-step basis with effect from Monday morning, January 20. The cyber attack had no material impact on the results of Picanol Group.
- Within the Machines & Technologies segment, PsiControl has bought land in Rasnov (Romania) to build a new production plant. The new plant will be constructed in 2021.
- Within the Bio-valorization segment, PB Leiner inaugurated a new collagen peptides line in February 2020 at its production plant in Santa Fe (Argentina). This additional production facility will allow for a considerable extra production volume of SOLUGEL™ collagen peptides.
- Within the Industrial Solutions segment, S8 Engineering has ceased to exist as a separate Business Unit. The engineering and construction activities were integrated into Tessenderlo Kerley, Inc. during the first quarter of 2020.
- Flooding from Storm Dennis caused disruption at PB Leiner's plant in Treforest (United Kingdom) in February 2020. However, based on the current information, this event is not expected to have a material impact on the results of Tessenderlo Group.
- The Extraordinary General Meeting of Picanol Group (Picanol nv) of March 16, 2020, approved a number of amendments to the articles of association and the introduction of loyalty voting rights.
- Tessenderlo Group is currently studying options for the construction of a new gas power plant in the Belgian municipality of Tessenderlo. As the outcome of the study is currently unpredictable, no further details can be disclosed at this stage.

Update COVID-19:

- In light of the latest developments concerning the global spread of the COVID-19 (Coronavirus) disease, Picanol Group is taking all the necessary steps to ensure that it keeps its people safe and keep its plants and businesses running.
- All of the plants and activities are running in line with expectations at the moment, except for the current disruption of production at its plant in Ieper, Belgium (segment Machines & Technologies), and at DYKA Group's plant in Sainte-Austreberthe, France (segment Industrial Solutions). In February 2020, the COVID-19 disease also disrupted production at the Chinese plants in Suzhou (Picanol - segment Machines & Technologies) and Nehe (PB Leiner – segment Bio-valorization). Both plants are now operational.
- Activities could be further impacted in the coming weeks or months if too many employees are impacted by COVID-19 and/or if access to raw materials and auxiliary materials or means of transportation becomes more complicated, or if our customers are no longer able to process our products.

32. GROUP COMPANIES

Listed below are all the group companies. The total number of consolidated companies is 72[14]. List of the consolidated companies on December 31, 2019, accounted for by the full consolidation method:

Country	Entity	Address	Belgian company number	Ownership
Belgium	Picanol nv	8900 Ieper	0405502362	Parent company
Belgium	Proferro nv	8900 Ieper	0438243426	100%
Belgium	PsiControl nv	8900 Ieper	0437446145	100%
Belgium	Verbrugge nv	8900 Ieper	0441554490	100%
Belgium	Melotte nv	3520 Zonhoven	0407155421	100%
Belgium	Picanol Group nv	8900 Ieper	0643795829	100%
Belgium	Tessenderlo Group *	1050 Brussels	0412101728	43.9%
France	Burcklé SAS	68290 Bourbach-le-Bas		100%
Romania	PsiControl Srl	505400 Rasnov, Brasov County		100%
US	Picanol of America	Greenville SC 29605		100%
Brasil	Picanol Do Brazil	Americana/ SP CEP 13471-030		100%
China	Picanol (Suzhou Industrial Park) Textile Machinery Co. Ltd.	Suzhou 215122		100%
China	Picanol (Suzhou) Trading Co., Ltd.	Suzhou 215122		100%
India	Picanol India	New Delhi, India, 110 015		100%
Indonesia	PT. Picanol Indonesia	Bandung 40261, West Java		100%
Mexico	Picanol de Mexico	08400, Mexico D.F.		100%
Turkey	Picanol Tekstil Makinalari	34149 Yesilkoy, Istanbul		100%

Tessenderlo Group*: since January 1, 2019, Tessenderlo Group is consolidated according to the full consolidation method. List of the consolidated companies of Tessenderlo Group by the full consolidation method where the ownership is the % held by Tessenderlo Group:

Country	Entity	Address	Belgian company number	Ownership
Belgium	Tessenderlo Group nv	1050 Brussels	0412101728	Parent company
Belgium	Dyka Plastics nv	3900 Pelt	0414467340	100%
Belgium	Limburgse Rubber Produkten nv	1050 Brussels	0415296392	100%
Belgium	Tessenderlo Chemie International nv	1050 Brussels	0407247372	100%
Belgium	T-Power nv	1050 Brussels	0875650771	100%
Belgium	Tessenderlo Development Services nv	1050 Brussels	0724619989	100%
Belgium	T-Power Energy Services bv	1050 Brussels	0838489378	100%
Czech Republic	Dyka s.r.o.	27361 Velka Dobra		100%
France	Akiolis Group SAS	72000 Le Mans		100%
France	Atemax France SAS	72000 Le Mans		100%
France	Etablissements Charvet Père et Fils SAS	91490 Milly-La-Forêt		100%
France	Produits Chimiques de Loos SAS	59120 Loos		100%
France	Tessenderlo Kerley France SAS	59120 Loos		100%
France	Soleval France SAS	72000 Le Mans		100%
France	Dyka SAS	62140 Sainte Austreberthe		100%
France	Tefipar SAS	59120 Loos		100%
France	Tessenderlo Services SARL	59120 Loos		100%
France	Etablissements Violleau SAS	79380 La Forêt sur Sèvre		100%
Germany	BT Nyloplast GmbH	86551 Aichach		100%
Germany	PB Gelatins GmbH	31582 Nienburg		100%
Hungary	BT Nyloplast Kft	3636 Vadna		100%
Luxembourg	Terelux SA	2163 Luxembourg		100%

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

Poland	Dyka Sp.z.o.o.	55-221 Jelcz-Laskowice		100%
Romania	Dyka Plastic Pipe Systems S.R.L.	76100 Bucarest, sector 1		100%
Slovakia	Dyka SK s.r.o.	82109 Bratislava		100%
The Netherlands	Dyka B.V.	8331 LJ Steenwijk		100%
The Netherlands	BT Nyloplast B.V.	3295 KG 's Gravendeel		100%
The Netherlands	Tessenderlo NL Holding B.V.	4825 AV Breda		100%
United Kingdom	Dyka UK Ltd.	Longtown-Carlisle Cumbria CA6 5LY		100%
United Kingdom	John Davidson Holdings Ltd.	Edinburgh EH3 8UL		100%
United Kingdom	John Davidson Pipes Ltd.	Edinburgh EH3 8UL		100%
United Kingdom	PB Gelatins UK Ltd.	Pontypridd CF 375 SQ		100%
United Kingdom	Tessenderlo Holding UK Ltd.	Pontypridd CF 375 SQ		100%
US	Environmentally Clean Systems LLC	Dover, Delaware 19904		69,01%
US	ECS Myton, LLC	Dover, Delaware 19904		51,00%
US	Kerley Trading Inc.	Dover, Delaware 19904		100%
US	MPR Services Inc.	Dover, Delaware 19904		100%
US	PB Leiner USA Corporation	Davenport, Iowa 52806		100%
US	Tessenderlo Kerley Inc.	Dover, Delaware 19904		100%
US	S8 Engineering Inc.	Dover, Delaware 19904		100%
US	Tessenderlo USA Inc.	Dover, Delaware 19904		100%
Argentina	PB Leiner Argentina SA	Sarmiento 1230, piso 4° - Ciudad Autónoma de Buenos Aires		100%
Australia	Tessenderlo Kerley Australia PTY LTD	Level 14, 440 Collins Street, Melbourne VIC 3000		100%
Brazil	PB Brasil Industria e Comercio de Gelatinas Ltda	Acorizal, Mato Grosso CEP 78480-000		100%
Chile	Kerley Latinoamericana Comercializadora Limitada	9358 Santiago		100%
China	PB Gelatins (Heilongjiang) Co. Ltd.	Kongguo County - Heilongjiang Province		100%
China	Tessenderlo Trading (Shanghai) Co. Ltd.	China R.P. - 200021 Shanghai		100%
Costa Rica	Tessenderlo Kerley Costa Rica SA	La Union Tres Rios - Cartago		100%
India	Tessenderlo Kerley India Private Ltd.	First Floor, The Great Eastern Centre, 70 Nehru Place, New Delhi, South Delhi, 11019		100%
Japan	TKI Japan KK	Tokyo - Chiyoda-ku		100%
Mexico	Tessenderlo Kerley Mexico SA de CV	Navojoa, Sonora		100%
Paraguay	Maramba S.R.L.	Chacoi Villa Hayes - Asuncion del Paraguay		100%
Peru	TKP Peru S.A.C.	Ciudad de Lima - Provincia de Lima		100%
Turkey	Tessenderlo Agrochem Tarim Ve Kimya San. Ve Tic. Ltd. Sti.	35730 Kemalpasa - Izmir		100%

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

Country				
France	Etablissements Michel SAS	31800 Villeneuve de Rivière		50%
US	Jupiter Sulphur LLC	Dover, Delaware 19904		50%

List of the non-consolidated companies on December 31, 2019 due to their insignificant impact on the consolidated figures[15]:

Country				
Belgium	Syndicaat van Belgische textielmachinebouwers	1030 Brussel		34%
Switzerland	Tessenderlo Schweiz AG	5332 Rekingen		100%

[15] Britphos Ltd. was liquidated in 2018, which led to an insignificant result.

33. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS as adopted for use by the European Union requires management to make judgments, estimates and assumptions that affect the application of the accounting policies, the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results could differ from those estimates.

Estimates and assumptions are reviewed periodically and the effects of revisions, if needed, are reflected in the financial statements.

The most important change with respect to the estimates and assumptions used in the 2018 annual report relates to the estimation of control over Tessenderlo Group under IFRS 10. We refer also to note 4 – *Acquisitions and disposals*.

Justification for using January 1, 2019, as the starting date for the inclusion of Tessenderlo Group in the consolidated accounts of Picanol Group

The FSMA published the following warning on August 6, 2019:

[“Warning from the FSMA regarding the consolidation of Tessenderlo by Picanol

The FSMA publishes the following warning[16] *regarding Picanol, a company whose shares are admitted to trading on Euronext Brussels.*

As part of its a posteriori supervision of the financial information provided by Picanol, the FSMA has concluded that Picanol has controlled Tessenderlo Group (hereinafter referred to as Tessenderlo) since 2017 and that it should have fully consolidated Tessenderlo instead of using the equity method[17]*. The FSMA reached this conclusion taking into account the size of Picanol's voting rights in Tessenderlo*[18] *in relation to the size and very wide distribution of the voting rights of the other shareholders as well as the fact that Picanol*[19] *has the majority of the votes present at the general meetings of Tessenderlo.*

Picanol is of the opinion that it only acquired control over Tessenderlo on March 19, 2019, following the acquisition on that date of 2.04% of additional voting rights in the company. The FSMA does not share this view and has asked Picanol to correct its accounts.

According to Picanol, confirmed by its statutory auditor, it is practically infeasible to carry out the full consolidation retroactively for 2017 and 2018. In this hypothesis, the applicable standards[20] *require that the earliest possible moment in time be taken into account. According to Picanol, that is January 1, 2019.*

With the publication of this warning, the FSMA wishes to inform the market that the consolidation as of January 1, 2019 is based on an incorrect application of IFRS since 2017.”]

The determination of control under IFRS 10 is relatively complex and requires judgment to determine who controls in circumstances where no party holds the majority of the voting rights.

After thorough analysis and interpretation of the guidelines on the application of IFRS 10 and taking into account the corporate governance charter in force within Tessenderlo Group, the composition of the shareholding and of the board of directors both prior to the first acquisition of shares by Picanol Group (Picanol nv) in 2014 and the evolution of that shareholding and each of the other previous factors since that date, having been questioned by the FSMA in the context

[16] This warning is made public in accordance with Article 43, § 1, second paragraph, of the Royal Decree of November 14, 2007, on the obligations of issuers of financial instruments admitted to trading on a regulated market.
[17] In case of a full consolidation, the full revenues, costs, cash flows, assets and liabilities of Tessenderlo Group would have been fully included (consolidated) in the consolidated accounts of Picanol Group. Under the equity method, only the share in the result of Tessenderlo Group, the share in equity and the cash flow from Tessenderlo Group to Picanol Group are presented in a single line item in the consolidated accounts of Picanol Group.
[18] At the beginning of 2017, 36.3% of Tessenderlo Group's existing voting rights were held by Picanol Group (through a 100% subsidiary) and 40.2% by Picanol Group together with Symphony Mills, a party related to Picanol Group.
[19] Through its wholly owned subsidiary.
[20] IAS 8 *Accounting policies, changes in accounting estimates and errors*.

of the a posteriori supervision of the financial information for the financial year 2017, Picanol Group has maintained its previous analysis and considered that it had no control over Tessenderlo Group within the meaning of IFRS 10 in 2017 and 2018. Following the acquisition on March 19, 2019, of an additional 2.04% stake in Tessenderlo Group[21], Picanol Group informed the FSMA that it assumed that it had acquired control over Tessenderlo Group as of that date, and that it would proceed with consolidation in the future.

The FSMA disagreed with Picanol's view and took the position that control had been exercised since 2017. It also informed Picanol Group that, in accordance with IAS 8, retrospective consolidation should be applied from the earliest period in which retrospective restatement is practicable.

Picanol Group thereupon indicated that it was prepared to use the date of January 1, 2019, as the date for the inclusion of Tessenderlo Group in the consolidated accounts of Picanol Group with appropriate notes in the annual report, without prejudice to the difference of opinion that Picanol Group continues to have in regard to the date of the acquisition of control.

In the opinion of Picanol Group, January 1, 2019, is the earliest period for which retrospective adjustments to the opening balance of assets, liabilities and equity can be made at this moment in time. A correct retrospective fair value determination of the assets for the financial years 2017 and 2018 is no longer feasible. These fair value values could not even be determined accurately at that time. The provisions of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* also recognize that there are situations where a full retrospective restatement is impracticable, which can be overcome by adjusting the opening equity.

In this way, Picanol Group wishes to continue to demonstrate its intention to inform the market as fully and correctly as possible at all times.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below:

- Impairments. The carrying amount of financial assets, property, plant and equipment, goodwill and other intangible assets is reviewed at each balance sheet date to determine whether an indication of impairment exits. If any such indication exists, the asset's recoverable amount is estimated (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets).
- Leases. The company leases various items of Property, plant and equipment, mainly including real estate and vehicles. Some leases contain extension options, allowing operational flexibility, exercisable by the group. The carrying amount of the right-of-use assets, when applying IFRS 16 Leases, is based on the group assessment at lease commencement date whether it is reasonably certain to exercise extension options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.
- Inventory obsolescence and lower of cost of net realizable value adjustments, which are determined based on experience and the assessment of market circumstances (note 17 - Inventories).
- Employee benefits. The calculation of defined benefit obligations is based on actuarial assumptions such as future salary increases, inflation and through the use of a discount rate (note 23 - Employee benefits).
- Deferred taxes. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. In making its judgment, management takes into account the long-term business strategy (note 15 - Deferred tax assets and liabilities).
- Provisions and contingencies. The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows. Provisions can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation, a change in best practices for sanitation, a change in timing of cash outflows, a change in agreement with authorities on the treatment of the polluted site or other factors of a similar nature (note 24 - Provisions).

[21] See also the transparency notification of March 22, 2019.

- Financial instruments (note 26 - Financial instruments). These are measured at fair value in the statement of financial position based on:
    - inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices) or
    - inputs for the asset or liability that are not based on observable market data.

STATEMENT ON THE TRUE AND FAIR VIEW OF THE CONSOLIDATED FINANCIAL STATEMENT AND THE FAIR OVERVIEW OF THE MANAGEMENT REPORT

Mr. Luc Tack (CEO) and Mr. Stefaan Haspeslagh, representative of Findar BVBA (CFO), certify, on behalf and for the account of the company, that, to his/their knowledge,

a) the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and the income statement of the company, and the entities included in the consolidation as a whole,
b) the consolidated management report includes a fair overview of the development and performance of the business and the position of the company, and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.

AUDITOR’S REPORT

STATUTORY AUDITOR’S REPORT TO THE GENERAL MEETING OF PICANOL NV ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

We were appointed as statutory auditor by the general meeting of April 18, 2018, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers’ council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ending December 31, 2020. We have performed the statutory audit of the consolidated financial statements of Picanol nv for two consecutive financial years.

<u>REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS</u>

Unqualified opinion

We have audited the consolidated financial statements of Picanol nv as of and for the year ended December 31, 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 2.777.900 (000) and the consolidated income statement shows a profit for the year of EUR 64.000 (000).

In our opinion, the consolidated financial statements give a true and fair view of the Group’s equity and financial position as at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Basis for our unqualified opinion

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

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

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

Emphasis of matter – Covid-19

We draw attention to note 31 ‘Subsequent events’ to the consolidated financial statements where the board of directors describes the impact of Covid-19 to the group.

Our opinion is not modified in respect of this matter.

Key audit matters

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

First time consolidation of Tessenderlo Group NV
We refer to note 4 'Acquisitions and disposals' and note 33 'Critical accounting estimates and judgments' of the consolidated financial statements, in which the group describes the first time consolidation of the Tessenderlo Group NV.

- Description
  As from January 1, 2019, Picanol nv fully consolidates the Tessenderlo Group NV, which has an effect on the net assets of EUR 1.146,3 million.

  The accounting of this transaction is a key audit matter due to:
  - The reason and size of the transaction relative to the consolidated financial statements; and
  - The level of judgement required by management for fair valuing the acquired assets and liabilities assumed.

- Our audit procedures
  With the use of our own specialists, our audit procedures included among others:
  - We took note of the warning as published by the FSMA with respect to the first time consolidation of Tessenderlo Group NV and taking into account this specific context, we assessed the appropriateness of the accounting of the transaction in relation to the accounting standards, in particular IFRS 3 Business Combinations, IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
  - Analyzed the reports of the external experts, engaged by Group's management, and used for the determination of the fair value of the acquired assets and liabilities assumed. We assessed the competence, objectivity and capabilities of the external experts engaged by management;
  - We have evaluated the acquired assets and liabilities assumed of the business combination and we assessed the appropriateness of the most significant assumptions and the applied methodology used by management and the external experts, engaged by the Group's management, for the fair value determination of the acquired assets and liabilities assumed.

We have assessed the appropriateness of the Group's disclosures in respect of the first time consolidation of Tessenderlo Group NV as included in Note 4 and 33 to the consolidated financial statements.

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

- Description
  Other intangible assets, goodwill and property plant and equipment amount to EUR 1.658,4 million as at December 31, 2019 and represent 60% of the Group's total assets as at December 31, 2019.
  The Group performs a yearly impairment assessment over goodwill and in case of triggering events the Group performs an impairment assessment over other intangible assets and property, plant and equipment ('PPE'). This assessment is performed for each smallest group of assets that generate largely independent cash flows (the cash generating unit or 'CGU'). Management prepares a recoverable amount assessment by discounting future cash flow projections to determine whether these assets are impaired at the reporting date as well as the level of impairment charge to be recognized.

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

- Our audit procedures
  Our audit procedures included among others:
  - Challenging management's assessment of potential indicators of impairment based on our own expectations developed from our knowledge of the Group and our understanding of internal and external factors relevant to the Group;
  - Challenging management's identification of CGUs with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;
  - Evaluating the process by which management's cash flow forecasts were prepared, including testing the underlying calculations and reconciling them to the latest Board of Directors approved financial targets;

- Analyzing the Group's previous ability to forecast cash flows accurately by comparing key assumptions to historical results. We also challenged key inputs and data used to develop the forecasted cash flows based on our knowledge of the business;
- Assessing the appropriateness of the Group's valuation methodology and its determination of discount rates by involving our own valuation specialists;
- Testing the mathematical accuracy of the discounted cash flow models;
- Performing sensitivity analyses around the key assumptions used for the determination and discounting of cash flow forecasts, in particular EBIT, weighted average cost of capital and growth rates used by the Group; and
- Assessing the appropriateness of the Group's disclosures in respect of impairment of goodwill, other intangible assets and Property Plant and Equipment as included in Note 11, 12 and 13 to the consolidated financial statements.

Measurement of environmental provisions
We refer to note 24 section 'Provisions' of the consolidated financial statements.

▪ Description

  Environmental provisions amounted to EUR 110,9 million as at December 31, 2019. Those environmental provisions are mainly accounted to cover the cost of remediation of historical soil and ground contamination of the plants in Ham (Belgium), Vilvoorde (Belgium) and Loos (France). The environmental provision reflects the value of the expected future cash outflows spread over the period 2020-2054, discounted at a pre-tax discount rate.

  Assumptions and estimates used in determining the environmental provisions are, amongst others, related to:
  - expected outflow of resources to settle the legal and contractual obligations and the timing thereof; and
  - discount rate and period to be applied in calculating the present value of the obligations at balance sheet date.

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

▪ Our audit procedures

  Our audit procedures included among others:
  - As part of our audit procedures, we have assessed management's process to identify changes in existing obligations and to develop an accounting estimate for the costs associated with environmental remediation obligations in compliance with IAS 37 requirements.
  - We assessed the valuation and completeness of the environmental provisions as per December 31, 2019. This assessment included:
    Reviewing the expert reports and communication obtained by the Group's management (including reports of the regulators and supplier quotations for the work performed);
    We assessed the competence, objectivity and capabilities of the external actuarial experts engaged by management;
    Making inquiries with the Group's environmental manager;
    Reviewing the consistency in assumptions, including cash outflow projections, compared to the assumptions used in prior year; and
    Assessing the reliability of forecasts made in prior periods by agreeing the amount and timing of the forecasted cash outflows to actual amounts spent.
  - Evaluating the appropriateness of the discount rate by involving our financial risk specialist.
  - Finally, we assessed the appropriateness of the Group's disclosures in Note 24 of the consolidated financial statements.

Post-employment benefit provisions
We refer to note 23 section 'Employee benefits' of the consolidated financial statements.

▪ Description

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

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

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

Board of directors' responsibilities for the preparation of the consolidated financial statements
The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of the Board of directors
The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report.

Statutory auditor's responsibilities
In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

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

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

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

- activity report
- corporate governance statement

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.
The non-financial information required by article 3:32 §2 of the Companies' and Associations' Code has been included in a separate report, being the Sustainability Report 2019 of Picanol nv. This report on the non-financial information contains the information required by article 3:32 §2 of the Companies' and Associations' Code and is consistent with the consolidated financial statements for the same period. The Company has prepared this non-financial information based on the Global Reporting Initiative (GRI) framework. In accordance with art 3:80 §1, 1st paragraph, 5° of the

Companies' and Associations', we do not comment on whether this non-financial information has been prepared in accordance with the GRI framework mentioned in the sustainability report on the consolidated financial statements.

Information about the independence

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

Other aspect

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

Zaventem, 25 March 2020

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Patrick De Schutter
Réviseur d'Entreprises / Bedrijfsrevisor

STATUTORY FINANCIAL REPORT

BALANCE SHEET OF PICANOL NV

(Million EUR)	2019	2018
Total assets		
Non-current assets	**122.4**	**123.6**
Other intangible assets	0.7	0.7
Property, plant and equipment	13.2	13.1
Financial assets	108.4	109.8
Current assets	**532.3**	**506.1**
Non-current trade and other receivables	377.9	309.8
Inventories	21.7	19.6
Current trade and other receivables	41.1	48.3
Other investments	60.0	60.0
Cash and cash equivalents	29.8	67.9
Prepaid expenses and accrued income	1.9	0.5
Total assets	**654.7**	**629.7**
Total liabilities		
Shareholders' equity	**559.5**	**531.9**
Issued capital	22.2	22.2
Share premium	1.5	1.5
Reserves	45.2	45.2
Retained earnings	490.6	463.0
Capital grants	0.0	0.0
Provisions and deferred taxes	**7.0**	**9.5**
Provisions	7.0	9.5
Deferred taxes	0.0	0.0
Liabilities	**88.2**	**88.4**
Liabilities due in more than one year	0.1	0.1
Liabilities due within one year	83.5	82.9
Accrued expenses and deferred income	4.6	5.4
Total liabilities	**654.7**	**629.7**

PROFIT AND LOSS STATEMENT OF PICANOL NV

(Million EUR)	2019	2018
Total operating income	**358.4**	**529.5**
Sales	340.5	519.4
Change in work in progress, finished goods and orders in progress (increase+/decrease-)	3.1	-2.7
Production capitalized	0.0	0.0
Other operating income	14.7	12.8
Non-recurring operating income	0.0	0.0
Total operating charges	**-337.8**	**-457.2**
Raw materials and goods purchased for resale	-233.3	-348.4
Services and other goods	-55.9	-60.6
Wages, salaries, social charges and pensions	-43.4	-45.6
Depreciations and amortizations on formation expenses, tangible and intangible assets	-3.8	-3.5
Amounts written-off stocks and trade receivable (charges (-) / write-back (+))	-3.4	0.0
Provision for liabilities and charges (utilizations and write-backs less charges)	2.5	1.5
Other operating charges	-0.5	-0.5
Non-recurring operating charges	0.0	0.0
Operating result	**20.6**	**72.3**
Finance income	19.5	12.6
Finance costs	-4.5	-2.5
Profit before taxes	**35.6**	**82.5**
Income taxes	-4.4	-19.2
Deferred taxes		
Profit (+) / losses (-)	**31.2**	**63.2**
Untaxed reserves	0.0	0.0
Profit (+) / losses (-) for the year to be allocated	**31.2**	**63.2**

ALLOCATIONS AND DISTRIBUTIONS

(Million EUR)	2019	2018
The Picanol Group Board of Directors proposes to allocate the		
- Profits, being	31.2	63.2
- Increased by prior years' retained earnings	463.0	403.3
Totaling:	**494.2**	**466.5**
In the following manner:		
- Reserves		
- Dividends	3.5	3.5
- Retained earnings	490.6	463.0
Totaling:	**494.2**	**466.5**

EXTRACT FROM THE PICANOL NV SEPARATE (NON-CONSOLIDATED) FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH BELGIAN GAAP

The preceding information is extracted from the separate Belgian GAAP financial statements of Picanol nv. These separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request at Picanol nv, Steverlyncklaan 15, 8900 Ieper.

It should be noted that only the consolidated financial statements present a true and fair view of the financial position and performance of the group.

An integral version of the statutory financial statements, including the related reports is published on the company website: www.picanolgroup.com.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Picanol nv prepared in accordance with Belgian GAAP for the year ended December 31, 2019 give a true and fair view of the financial position and results of Picanol nv in accordance with all legal and regulatory dispositions.

FINANCIAL GLOSSARY

Adjusted EBIT
Earnings before interests, taxes and EBIT adjusting items.

Adjusted EBITDA
Earnings before interests, taxes and EBIT adjusting items plus depreciation and amortization.

Basic earnings per share (Basic EPS)
Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the weighted average number of ordinary shares outstanding during the period.

Capital expenditure
Amount of money spent to upgrade, acquire or maintain property, plant and equipment (PP&E) and other intangible assets.

Dividend per share (gross)
Total amount paid as dividend divided by the number of shares issued at closing date.

Diluted earnings per share (Diluted EPS)
Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the fully diluted weighted average number of ordinary shares outstanding during the period.

Diluted weighted average number of ordinary shares
Weighted average number of ordinary shares, adjusted by the effect of warrants on issue.

EBIT
Profit(+)/loss(-) from operations.

EBIT adjusting items
EBIT adjusting items are those items that in management's judgment need to be disclosed by virtue of their size or incidence. Such items are disclosed in the notes to the financial statements. Transactions which may be recognized as EBIT adjusting items are principally related to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

Gearing
Net financial debt divided by the sum of net financial debt and equity attributable to equity holders of the company.

Leverage
Net financial debt divided by Adjusted EBITDA over the last 12 months.

Market capitalization
Number of shares issued (at the end of the period) multiplied by the market price per share (at the end of the period).

Net financial debt
Non-current and current loans and borrowings minus cash and cash equivalents and bank overdrafts.

Payout ratio
Gross dividend divided by profit for the period attributable to equity holders of the company.

Theoretical aggregated weighted tax rate
Calculated by applying the statutory tax rate of each country on the profit before tax of each entity and by dividing the resulting tax charge by the total profit before tax of the group.

Weighted average number of ordinary shares
Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

ALTERNATIVE PERFORMANCE MEASURES

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

Reconciliation from Adjusted EBIT to EBIT

(Million EUR)	2019	2018	2018*
Adjusted EBIT	**90.2**	**102.0**	**195.4**
Gains and losses on disposals	3.4	0.0	12.1
Restructuring	-2.1	0.0	0.9
Impairment losses	-3.1	0.0	0.0
Provisions and claims	-5.9	0.0	-0.9
Other income and expenses	-7.1	0.0	-0.5
EBIT (Profit (+) / loss (-) from operations)	**75.4**	**102.0**	**207.0**

Reconciliation from Adjusted EBITDA to EBIT

(Million EUR)	2019	2018	2018*
Adjusted EBITDA	**279.9**	**111.0**	**288.8**
Gains and losses on disposals	3.4	0.0	12.1
Restructuring	-2.1	0.0	0.9
Provisions and claims	-5.9	0.0	-0.9
Other income and expenses	-7.1	0.0	-0.5
EBITDA	**268.1**	**111.0**	**300.4**
Depreciation	-189.7	-9.0	-93.4
Impairment losses	-3.1	0.0	0.0
EBIT (Profit (+) / loss (-) from operations)	**75.4**	**102.0**	**207.0**

Reconciliation gearing

(Million EUR)	2019	2018	2018*
Non-current loans and borrowings	426.3	0.3	475.8
Current loans and borrowings	98.9	1.2	49.2
Cash and cash equivalents	-290.3	-173.0	-337.1
Bank overdrafts	0.1	0.0	0.1
Net financial debt	**235.1**	**-171.6**	**187.9**
Equity attributable to equity holders of the company	773.1	738.9	745.0
Gearing (net financial debt / (equity + net financial debt))	**23.3%**	**-30.2%**	**20.1%**

Reconciliation leverage

		December 31	
(Million EUR)	**2019**	**2018**	**2018***
Non-current loans and borrowings	426.3	0.3	475.8
Current loans and borrowings	98.9	1.2	49.2
Cash and cash equivalents	-290.3	-173.0	-337.1
Bank overdrafts	0.1	0.0	0.1
Net financial debt	**235.1**	**-171.6**	**187.9**
Adjusted EBITDA	279.9	111.0	288.8
Leverage (net financial debt / Adjusted EBITDA last 12 months)	**0.8**	**-1.5**	**0.7**

PICANOL GROUP

Picanol nv
Steverlynckklaan 15
8900 Ieper
Tel.: 057 222 111
E-mail: corporatecommunication@picanol.be
www.picanolgroup.com