Financial report 2017

Chapter 05

Financial report

LETTER TO THE **STAKEHOLDERS**

Dear stakeholders,
Sioen has succeeded in increasing sales by 30% in 2017. We achieved this, on the one hand, thanks to the organic growth of our existing businesses, which benefits from the introduction of new products and solutions. On the other hand, our latest acquisitions provide us with additional turnover, but they also bring new perspectives to our company through their presence in fast-growing regions of the world or in new market segments.

STRATEGIC INNOVATIONS AND ACQUISITIONS

We want to grow and that is where our strategy is built on. Our strategy consists of a number of important elements: R & D and innovation, technical expertise, vertical integration, market leadership and customer orientation. On top of a nice organic growth of 5.7%, we succeeded again in 2017 to realise a number of large acquisitions and to successfully integrate recently acquired companies into the group.

- James Dewhurst is a British manufacturer of open-structure fabrics (laid scrims) for the reinforcement and support of many different products, such as roofing, packaging, geotextiles, etcetera. The acquisition of James Dewhurst is for Sioen the largest in its history. The company not only has increased its annual turnover by 48 million euro, but has also strengthened its presence in the United Kingdom and the United States. James Dewhurst has production facilities in both these countries.
- After several acquisitions in 2016 the integration of these companies followed in the course of 2017. As a result of the combination of the two brands Mullion and Ursuit, Sioen is now able to supply a specialized range of protective clothing for all people working on, near or under water. Another example of integration at Sioen is that we merged the activities of Verseidag Ballistics, a specialist in bulletproof vests with those of S.A.T. (Sioen Armour Technologies). Now Sioen is one of the biggest players in the armour technology market, accounting for annual sales of 22 million in 2017. The acquisition of UV Curable Systems (UCS) provides us with a new perspective in the chemicals division. The synergies between the acquired Dimension-Polyant and the group are now fully noticeable.
- We launched a range of new products in 2017 and our existing products also performed well in 2017. In our spinning mills we produced 30% more yarns for the geotextile market. Our product range for architectural textiles for the tensile architecture market is very advanced and we have put together a full team of experts. In the maritime world, we launched a revolutionary textile for fish farms that prevents mortality from sea lice. Employees working at assembly lines in automotive wear special clothing to protect them when handling the high-voltage batteries. Sip Protection launched the ultra-light W-Air range of protective clothing for chainsaw workers. And there are many examples just like this.

This is just a selection of the long list of Sioen's achievements in 2017, which will have an ongoing effect on the performance of our company in the future.

RESULTING IN GREAT AWARDS

The efforts of all our employees resulted in a number prestigious national and international awards in 2017 (and early 2018).

- My mother, Ms. Jacqueline Sioen, received the award for **Woman of the Year 2017** and the **Lifetime Achievement Award** from the leading international clothing magazine Director-E. The awards are a recognition for her life-long commitment to the company Sioen.

- At the international fair Inprint, Sioen received the **innovation award** for UV Curable inks, the varnishes that provide the red colour and the varnish on all new car registration plates in Belgium.

- We also received awards for our services. Coatex received the **“Supplier Award”** and the **“Leadership Award for Customer Satisfaction”** from one of the largest automotive suppliers in the world.

- Sioen’s subsidiary Veranneman received the **“Factory of the Future 2017 Award”** for the innovative way in which it communicates with its employees. At the centre of this is the Coolbox: a quiet place for all employees to communicate about production, planning, training and all aspects related to their work.

- I received an award as **Manager of the Year 2017**. The jury pointed out that Sioen carried out six acquisitions over the past period, resulting in either a further strengthening of our market position or market leadership in various niches of technical textiles. In addition, the jury took into account my broad commitment, which resulted in the chairmanship of the Federation of Enterprises in Belgium and my role in the textile federation Fedustria. Above all, this is an award for all employees. They make a difference!

We did very well in 2017 and we want to continue on that road. We continue to grow and are approaching the milestone of a turnover of half a billion euro. It is our ambition to exceed that milestone in 2018. We are the market leader and want to honour this title.

Michèle Sioen

CEO Sioen Industries

On page 74 of this annual report, in the report of the Board of Directors, you’ll find an explanation of all financial indicators.

GROUP STRUCTURE

SIOEN INDUSTRIES NV | SHARED SERVICE CENTER

Coating

	Company	
	Sioen Industries NV[1] Spinning, weaving, direct coating, online coating, Belgium	
100.0%	**Saint Frères SAS** Direct coating, France	
100.0%	**Sioen Shanghai**[2] Direct coating sales office, China	
100.0%	**Sioen Fabrics SA** Transfer coating, Calendering, Belgium	
100.0%	**Siofab SA** Transfer coating, Portugal	
100.0%	**Pennel Automotive SAS** France	
100.0%	**Coatex NV** Processing of coated fabrics and films, Belgium	
100.0%	**Saint Frères Confection SAS** Heavy-duty manufacturing, France	
100.0%	**Sioen Felt & Filtration SA** Felt and filter production, Belgium	
100.0%	**Dynatex NV**[5] Direct coating, Belgium	
100.0%	**Manifattura Fontana S.p.A.**[6] Geotextile non-wovens, Italy	
52.0%	**Fontana International GmbH** Geotextile non-wovens sales office, Austria	48·0%
100.0%	**Dimension-Polyant GmbH** Sailcloth, Germany	
	Dimension-Polyant Inc. Sailcloth, USA	100.0%
	Dimension-Polyant Sailcloth PTY Ltd. Sailcloth, Australia	100.0%
	Dimension-Polyant (UK) Ltd. Sailcloth, UK	100.0%
	Dimension-Polyant SAS Sailcloth, France	100.0%
100.0%	**James Dewhurst Ltd.**[8] Open construction laid scrims, UK	
	Dewtex Inc.[7] Open construction laid scrims, USA	100.0%
	James Dewhurst Trustees Ltd.[7] UK (dormant)	100.0%

Apparel

	Company		
99.9%	**Sioen NV** Belgium		
10.5%	**Confection Tunisienne de Sécurité SARL** Tunisia		89.5%
	Sioen Ireland[3] Ireland		100.0%
100.0%	**Mullion Survival Technology Ltd.** Sales office, UK		
95.0%	**PT. Sioen Indonesia** Indonesia		5.0%
95.0%	**PT. Sungin Tex** Indonesia		5.0%
	Sioen France SAS Sales office, France		99.8%
99.7%	**Sioen Tunisie SARL** Sales office, Tunisia		0.2%
99.9%	**Sioen Zaghouan SA** Tunisia		0.1%
5.0%	**Siorom SRL** Romania		95.0%
	Sioen Nederland BV The Netherlands		100.0%
	Sioen Asia Pacific PTE. Ltd. Singapore		100.0%
	Sioen Myanmar Ltd. Myanmar	99.0%	1.0%
5.0%	**PT. Sioen Semarang Asia** Semarang	95.0%	
	Ursuk OY[12] Finland		100.0%
	SG Balticum AS[11] Estonia	100.0%	
	Ursuk AB[13] Sweden	100.0%	
	Sioen Ballistics OY[7][9] Finland		100.0%
	Sioen Deutschland GmbH[10] Germany		100.0%

Chemicals		
100.0%	**European Master Batch NV**[14] Production pastes, inks, varnishes, Belgium	
	Richard SAS[15] Paste production, France	99.9%

Other			
100.0%	**Roltrans Tegelen BV**[4] The Netherlands (real estate)		
	Roltrans Group America Inc. USA (dormant)		100.0%
	Roland Planen GmbH i.L. Germany (dormant)		100.0%
	Roland Real Estate Sp.z.o.o Poland (real estate)		100.0%
	Roland Ukrain llc. Ukraine (dormant)	14.5%	85.5%

(1) Merger Holding company Sioen Industries (Shared Service Center) and Belgian direct coating companies at July 1st 2009

(2) Official name: Sioen Coated Fabrics (Shanghai) Trading Co. Ltd.

(3) Official name: Gairmeidi Caomhnaithe Dhun na nGall Teoranta

(4) Respectively through Monal SA and Roltrans Group BV

(5) Acquisition in 2015 - still 10.5% to acquire by means of deferred payments

(6) Acquisition in 2016 - still 10.0% to acquire by means of deferred payment

(7) New acquisition in 2017

(8) New acquisition in 2017, via holding companies Jade Equity Ltd., Emerald Bond Ltd. (liquidation pending) and Jade Mezzanine Ltd. (liquidation pending)

(9) Former Verseidag Ballistic Protection OY, name change with effect as from 9 August 2017

(10) Newly established in 2017

(11) SG Investments OÜ merged into SG Balticum AS

(12) Kiinteistö Oy Turun Teijonkatu 3 merged into Ursuk OY

(13) Former Arctic Diving AB, name change with effect as from 14 November 2017

(14) UV Curable Systems BVBA merged into European Master Batch NV

(15) Le Comptoir Zouloo SAS merged into Richard SAS

REPORT OF THE **BOARD OF DIRECTORS**

1. COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Net sales:

Total Group sales have evolved from EUR 363.4 million in 2016 to EUR 473.1 million in 2017, or an increase with 30.2% when compared to the EUR 363.4 million of sales realized over 2016. This figure can be split in 5.7% organic and 24.5% growth through acquisitions.

We consider the following as acquisitions:

- Fontana, accounted for as of 1 April 2016
- Dimension-Polyant, accounted for as of 1 August 2016
- Ursuit, accounted for as of 31 December 2016
- Verseidag Ballistic Protection, accounted for as of 1 January 2017
- UCS, accounted for as of 1 January 2017
- James Dewhurst Group, accounted for as of 1 June 2017

All acquisitions are performing in line with the expectations.

Gross margin:

Gross margin evolved from 52.25% over sales last year to 49.14% over sales in 2017.

This evolution was driven by a change in sales mix on the one hand and the upward trend in the prices of raw materials on the other hand.

Operating result:

The operating result has evolved from EUR 44.7 million last year to EUR 41.5 million over 2017 or a decrease with 7.2%.

The operating result has evolved in analogy with the evolution of the gross margin, but was also affected by costs related to the acquisitions, for a total amount of EUR 6.1 million (fair value adjustments, higher depreciations due to the recognition of intangible assets and lower service costs).

Financial result:

Financial result of the Group amounted to EUR -7.9 million over the year 2017 against EUR -6.6 million in 2016. Main drivers are an increase in the debt position related to the recent acquisitions and a negative market value on our forward exchange position (USD has devaluated versus EUR) and on our interest rate swaps.

Income tax:

Income tax amounts to EUR 11.6 million over the year 2017 against EUR 12.1 million over 2016.

Group profit (loss):

The company recorded EUR 21.9 million profit over the year 2017 against EUR 26.0 million over 2016 or a decrease with 15.8%.

Balance sheet:

At the end of the year Group equity amounted to EUR 199.5 million or 45.4% of the balance sheet total.

Net financial debt of the Group, at year end, is EUR 116.7 million or 1.8 times the current year EBITDA.

Dividend:

The Board of Directors will propose to the General Shareholders' Meeting to pay out a dividend of 0.56 Euro per share.

COATING DIVISION

The coating division specializes in the coating (applying a protective layer) of textiles. This division is fully vertically integrated. Everything starts with the extrusion of technical yarns (polyester), which are woven into technical fabric and then coated with various polymers (PVC, PU, silicons, etc.). The Group is the only player in the world with full competence in various coating technologies, each with its own specific products and markets. In 2017, the coating division achieved external sales of EUR 297.0 million versus EUR 227.6 million over the same period last year, or an increase of 30.5%. The increase can be split in 24.9% growth through acquisitions (changes in the consolidation scope) and 5.6% organic growth. The organic growth is driven by strong demand in all markets in which the company operates.

APPAREL DIVISION

This division stands for 'technical protective clothing'. The apparel division is an innovative producer of a wide range of high-quality technical protective garments that meet all European standards. Sioen Apparel is active in various sectors where attention to safety is a priority. Attention to customer needs, strong quality consciousness and continuing research and development, combined with technically advanced products, are the basis of the successful development of this division. In 2017, the apparel division achieved sales of EUR 132.3 million versus EUR 94.9 million over the same period last year, or a growth ratio of 39.5%. Of this 39.5%, 6.0% is organic growth and 33.5% growth through acquisitions (Ursuit and Verseidag Ballistic Protection). Safety in both, work and the public environment, is becoming increasingly important and has stimulated the market demand in the past year.

CHEMICALS DIVISION

Sioen Chemicals processes basic raw materials (PVC powders, pigments, etc.) into high quality technical semi-finished products (pigment pastes and inks) for a wide range of applications. In 2017, the chemicals division achieved external sales of EUR 43.8 million versus EUR 40.9 million in 2016, or an increase with 7.1%. Also in this division, a split can be made in 1.2% growth through the acquisition of UCS and 5.9% organic growth. Like in the coating division, growth is driven by strong demand in all markets.

DIVISION OTHER

This division consists of the real estate activities.

2. FINANCIAL AND OTHER RISKS

We refer to capture 3.5.24. Financial risk management, 3.5.25. Capital structure management and part 4. “Corporate governance statement” in this “Report of the Board of Directors”.

3. OUTLOOK

Overall, the outlook for 2018 is quite positive. Market demand is on the rise and looks promising, but this economic revival also boosts overall demand for raw materials and their pricing. In this challenging environment sales pricing strategies need to be aligned with raw materials pricing.

Sioen Industries will continue to pursue growth through the development of new complementary business lines in technical textiles.

Sioen core values: a strong focus on innovation, customer intimacy, an extensive product portfolio, a strong focus on added value products and sustained cost efficiency are the foundations upon we build our future.

4. CORPORATE GOVERNANCE STATEMENT

4.1. Governance

The Sioen family has been supported by external, independent Directors since 1986. Their expertise and experience contribute to the proper and effective management of the company. On 22 March 2005, the Board of Directors adopted a Corporate Governance Charter, in accordance with the Belgian Corporate Governance Code. The Corporate Governance Charter has been in force since the General Shareholders’ Meeting of 2005 and can be consulted on the Sioen Industries website (www.sioen.com, last version dated 27/02/2018). Since the Corporate Governance Charter came into effect, a number of minor amendments have been made to it, reflecting changes to the environment, such as the dematerialization of shares, or a small change in the shareholder structure. A new Belgian corporate governance code has been issued since 2009 (which can be consulted on www.corporategovernancecommittee.be). The company applies the Corporate Governance principles laid down in the Corporate Governance Charter. In addition, and except as explained in the Corporate Governance Charter or in the Corporate Governance Statement of this annual report, the company complies with the Corporate Governance Code.

Pursuant to new article 96 § 4 of the Companies Code, a declaration in respect of non-financial information is included in chapter 4, Corporate Social Responsibility, of this annual report. This will facilitate the understanding of the development, the results and the position of the company as well as the effects of its activities relating to the social, employee and environmental matters, the respect of human rights and the fight against corruption and bribery. Also some information regarding the diversity policy of the company, in accordance with article 96 § 2 6° of the Companies Code, is given in chapter 4, Corporate Social Responsibility, of this annual report.

4.1.1. The Board of Directors

Chairman

Mr. M. Delbaere: President of the Board of Directors.

After his studies in law at the KU Leuven and economics at the UCL he started his career with Morgan Guaranty Trust Company of New York (J.P. Morgan). In 1978 he founded his company Crop's NV active in the food industry and is Managing Director. He holds various other mandates in companies and organizations.

His mandate expires at the 2018 General Shareholders' meeting

Managing Director

Mrs. M. Sioen (permanent representative of M.J.S. consulting BVBA): Managing Director.

Mrs. M. Sioen holds a master degree in economics. She started her career at Sioen Industries in 1990. She worked in different divisions of the company and became General Manager of one of the three divisions (Coating division). In 2005, she was appointed CEO of the group.

She is also Director in several other companies and organisations a.o. D'ieteren, Sofina and Guberna.

She is the honorary president of FEB (Federation of Belgian enterprises).

Her mandate expires at the 2020 General Shareholders' Meeting.

Directors

Mrs. J.N. Sioen-Zoete: Non-executive Director.

Mrs. J.N. Sioen-Zoete founded together with her husband, the late Mr. J.J. Sioen, the company in the early sixties. They grew the company from a local small and mid-size company into a stock quoted multinational company with a world-wide presence. Mrs. J.N. Sioen acts on an ad-hoc basis as a consultant for the group and manages the Sioen family office and their interests in other activities.

Her mandate expires at the 2020 General Shareholders' Meeting.

Mrs. D. Parein-Sioen (permanent representative of D-Lance BVBA): Non-executive Director.

Mrs. D. Sioen, obtained her Master degree in Business Management from ICHEC Brussels Management School.

She has an extensive experience in sales and marketing of the fashion- and leisure wear garments-industry and founded of her own company MACC JEWEL.

She holds mandates on the Board of Directors of Creamoda and Recticel.

Her mandate expires at the 2020 General Shareholders' Meeting.

Mrs. P. Sioen (permanent representative of P. Company BVBA): Executive Director.

Mrs. P. Sioen has extensive experience as CEO of the Chemicals segment. She has developed this activity into a full-fledged division of the Group. Mrs. P. Sioen holds also other mandates in private ventures.

Her mandate expires at the 2020 General Shareholders' Meeting.

Mr. L. Vandewalle : Non-executive Director.

Mr. Vandewalle obtained a degree in economics and has spent his entire professional career with ING. Mr Vandewalle was President of the Board of Directors of ING Belgium and member of the Board of Directors of ING Nederland.

His mandate expires at the 2018 General Shareholders' Meeting.

Mr. J. Noten (permanent representative of Lemon Comm. V.): Non-executive Independent Director.

Mr. Noten studied at the KU Leuven and Vlekho Brussels. Later, he followed several courses at the Kellogg Business School (Northwestern University) and Harvard Business School. He established an international career at Unilever for 18 years. Afterwards, as Chairman of Unilever Belgium, he joined Massive. Under his leadership, the lighting company realised a strong internal growth complemented by acquisitions. Since 2012, Mr. Noten is CEO of Vandemoortele Group. Vandemoortele has a leading position in bakery products and margarine.

His mandate expires at the 2018 General Shareholders' Meeting.

Mr. P. Macharis : Non-executive independent Director.

Mr. Macharis holds a masters' degree in commercial and financial sciences and is an industrial engineer in automation. He is acting CEO of the VPK Packaging Group and holds various other mandates in companies and organizations.

His mandate expires at the 2020 General Shareholders' Meeting.

Mr. D. Meeus (permanent representative of Dirk Meeus Burgerlijke Vennootschap acting as a BVBA): Non-executive independent Director.

Mr. Meeus holds a master degree in law and is acting managing partner of Allen & Overy (Belgium) LLP and Global Co-head of Corporate. He also holds other mandates in various companies.

His mandate expires at the 2020 General Shareholders' Meeting.

Secretary of the Board of Directors

Mr. G. Asselman(permanent representative of Asceca Consulting BVBA.): Secretary

Statutory auditor

Deloitte Bedrijfsrevisoren CVBA, represented by Mr. K. Dehoorne

4.1.2. The Board of Directors and how it works

In accordance with the articles of association, the Board of Directors regularly meets depending on the needs and the interests of the company. In 2017, the Board held five meetings. The number of meetings attended by Directors individually in 2017 is as follows:

Mr. Michel Delbaere, Chairman	5/5
M.J.S. Consulting BVBA (represented by Mrs. Michèle Sioen)	5/5
Mrs. Jacqueline Sioen-Zoete	5/5
D-Lance BVBA (represented by Mrs. Danielle Parein-Sioen)	5/5
P. Company BVBA (represented by Mrs. Pascale Sioen)	4/5
Mr. Luc Vandewalle	5/5
Lemon Comm. V (represented by Mr. Jules Noten)	4/5
Mr. Pierre Macharis	5/5
Dirk Meeus Burgerlijke Vennootschap acting as a BVBA (represented by Mr. Dirk Meeus)	5/5

In addition to its statutory powers and powers under the articles of association the Board of Directors' permanent agenda includes the discussion and decision on:

- the divisional results,
- the consolidated results,
- current investments and projects,
- new projects and presentation of investment opportunities.

Besides the regular items, the strategic development of the company is regularly discussed and guidance is provided to the R&D projects. The Board also deals with specific items in terms of concrete issues and current events such as the new "Market abuse regime.

4.1.3. Working committees

The Sioen Industries Group has the following working committees:

Audit Committee

In 2017 the Audit Committee consisted of one non-executive Director, Mr. Vandewalle (Chairman) and two independent Directors, being Lemon Comm. V (represented by Mr. J. Noten) and Dirk Meeus Burgerlijke Vennootschap acting as a BVBA (represented by Mr. D. Meeus). The duration of the mandate of members of the Committee coincides with their term as Director.

In 2017 the Audit Committee met four times. The external auditor attended two meetings. The number of meetings attended by individual members of the Audit Committee in 2017 is as follows:

Mr. Luc Vandewalle	4/4

Mr. Luc Vandewalle is President of the Audit Committee. Conform with the provisions of the Companies Code Sioen opted for a president with an extensive experience and proficiency in financial matters. Mr. Vandewalle obtained a degree in economics and has spent his entire professional career with ING. Mr. Vandewalle was President of the Board of Directors of ING Belgium and member of the Board of Directors of ING Nederland.

Lemon Comm. V (represented by Mr. Jules Noten)	3/4
Dirk Meeus Burgerlijke Vennootschap acting as a BVBA (represented by Mr. Dirk Meeus)	4/4

In accordance with Article 526 bis of the Companies Code, the company declares that at least one of the members of the Audit Committee complies with the requirements of independence and possesses the necessary expertise in accounting and auditing. The members have a collective expertise in respect of the activities of the company. In 2017, the Audit Committee assisted the Board in discharging its responsibilities for monitoring control in the broadest sense.

This included the following tasks:

- Analysis of the consolidated financial statements of the company, both for annual and half-yearly and quarterly consolidated results,
- Analysis of possible impairments,
- Evaluation of systems of internal control,

Review of the content of the annual financial report as far as following matters are concerned:

- financial information,
- comments on internal control and risk management.
- Supervision and monitoring of the auditor's independence,
- Renewal process of the mandate of the statutory auditor.


Dirk Meeus is not present in this picture

Remuneration and Nomination Committee

The Remuneration and Nomination Committee in 2017 was composed of three Directors: Mr. M. Delbaere (chairman and independent Director), Lemon Comm. V (represented by Mr. J. Noten, independent Director) and Mr. Dirk Meeus (independent Director). The Committee advises the Board on the following items:

- the remuneration policy in general and on the remuneration of the members of the Board of Directors and the Executive Committee in particular
- stock option plans. Currently there are no stock options for shares of Sioen Industries.
- appointment or dismissal of Directors

The Board of Directors presents the above mentioned items, enclosed in the remuneration report, to the General Meeting.

The Committee discussed, amongst others, the functioning of the members of the Management Committee, the principles and parameters of the variable part of the remuneration, performed benchmarks as to the remunerations of the members of the Management Committee and Board of Directors and formulates proposals to the Board of Directors.

Nominations have not been discussed during 2017.

The Committee met twice in 2017. The number of meetings attended by individual members of the Committee and the CEO in 2017 is as follows:

Mr. Michel Delbaere	2/2
Lemon Comm. V (represented by Mr. Jules Noten)	2/2
Dirk Meeus Burgerlijke Vennootschap acting as a BVBA (represented by Mr. Dirk Meeus)	2/2

The term as members of the Committee coincides with their term as Director.

As long as Sihold holds more than 35% of the shares of the company it is their prerogative to appoint the majority of the Directors. Until now Sihold has waived this right.

4.1.4. *Management Committee*

The members of the Management Committee (per 31 December 2017):

- M.J.S. Consulting BVBA, represented by Mrs. Michèle Sioen
- P. Company BVBA, represented by Mrs. Pascale Sioen
- Asceca Consulting BVBA, represented by Mr. Geert Asselman
- Devos Trading Company BVBA, represented by Mr. Michel Devos
- Flexcor NV, represented by Mr. Frank Veranneman
- Almelior BVBA, represented by Mr. Bart Vervaecke
- GPW Lobbestael BVBA, represented by Mr. Grisja Lobbestael
- O.V.S. Consulting BVBA, represented by Mr. Orwig Speltdoorn
- Mr. Uwe Stein

Secretary: Mr. Robrecht Maesen.

4.1.5. Remuneration report

Remuneration policy for the CEO, the Directors and the members of the Management Committee

(1) General principles of the remuneration policy

The company compensates the CEO, the Directors and the executive management fairly.

The level and structure of the remuneration is such that qualified and expert professionals can be attracted, retained and motivated, taking into account the nature and scope of their individual responsibilities.

For non-executive Directors, any form of variable compensation is explicitly excluded.

To align the interests of the CEO and the executive management to those of the company and its shareholders, a portion of the remuneration package is linked to the performance of the company and individual performance.

On the advice of the Remuneration and Nomination Committee the Board approves contracts for the appointment of the CEO and other members of the executive management.

Contracts of the CEO or the executive management signed on or after 1 July 2009 incorporate no specific provisions relating to early termination.

The Remuneration and Nomination Committee monitors the market conformity of the fees. This assessment is based on the practical experience of the members in other companies.

The Remuneration and Nomination Committee wishes, through a stable and long term policy, to contribute to a sustainable business climate. Consequently, the above-stated principles will be sustained on the long term, and in particular, for the next two financial years.

Contractual relationships between the company, including related companies, and its Directors and members of the executive management.

All contracts, whether a conflict of interest rule is applicable or not, shall be submitted to the Remuneration and Nomination Committee, that makes a recommendation. A guideline has been incorporated in the Corporate Governance Charter (conflict of interests).

Through the internal control and reporting systems, reporting to the Remuneration and Nomination Committee is done at regular intervals. The Remuneration and Nomination Committee in turn reports to the Board of Directors. If the conflict of interest rule (article 523 Companies Code) plays , this is signaled and the procedure described in law enters into force.

On 27/02/2018 the Board of Directors was informed about a direct conflict of interest with Jack Projects BVBA (legally represented by Ms. J. Sioen-Zoete, non-executive Director). The Board of Directors deems the advice of Jack Projects BVBA, taking into account the rich and long standing experience and know-how, to be indispensable. As a consequence the Board of Directors has approved with this consulting arrangement.

Transactions between the company, including related companies, and its Directors and members of the executive management.

The Sioen Corporate Governance Charter contains conduct guidelines with respect to direct and indirect conflicts of interest of members of the Board of Directors and the executive management team that fall outside the scope of article 523 of the Companies Code. Those members are deemed to be related parties to Sioen Industries and have to report, on an annual basis, their direct or indirect transactions with Sioen Industries or its subsidiaries. The Audit Committee ensures that these transactions occur according to the “arms length” principle.

(2) Determination of the individual remuneration level of the CEO, the non-executive Directors and the executive management

The Board of Directors decides on the remuneration policy for the CEO based on a proposal by the Remuneration and Nomination Committee. The remuneration is a competitive and motivating package consisting of:

- A basic compensation component
- A variable compensation determined by the Group results from the previous year, of up to 25% of the basic compensation. This compensation is paid in cash.
- No compensation is paid for insurances or pensions
- There is currently no provision for a long-term performance related remuneration

On the advice of the Remuneration and Nomination Committee, the Board of Directors approves the remuneration of the executive management, as proposed by the CEO. The remuneration is a competitive and motivating package consisting of:

- A basic compensation component
- A variable compensation determined by the Group results on the one hand and the contribution of the various executives within their respective areas of responsibility on the other hand. This variable compensation is up to 20% of the basic compensation and is paid in cash.
- No compensation is paid for insurances or pensions
- There is currently no provision for a long-term performance related remuneration

The General Shareholders' Meeting determines the remuneration of the members of the Board of Directors. The remuneration of the members of the Board of Directors and the various Committees is split into a base fee and attendance fees, each representing approximately 50% of the total remuneration if all meetings are attended.

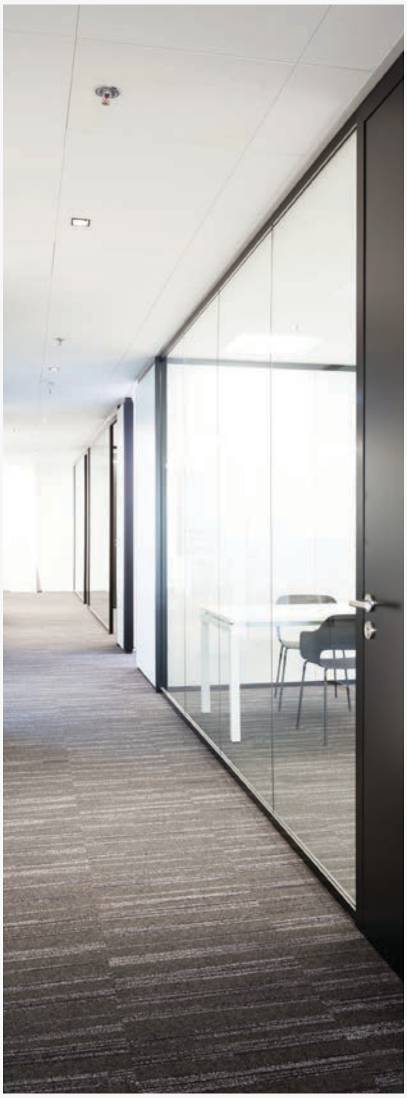
Departure fees

The departure fee in case of an early termination of the contract shall not exceed 12 months (basic remuneration).

On the advice of the Remuneration Committee, the Board can approve a higher severance pay. This shall not exceed 18 months (basic remuneration).

There are no specific individual agreements with Directors, the CEO and the executive management with respect to departure fees.

There are no specific recruitment agreements, or agreements on a golden parachute with the executive management.



(3) The principles with respect to determining the amount of the variable part of the remuneration

The variable part of the remuneration will always consist of two or more components.

The first part of the variable compensation will always relate to the results of the Group. This is to strengthen the Group cohesion and to prevent counter-productive internal competition.

The second part of the variable part of the remuneration will cover the individual areas of responsibility of the member.

The variable remuneration of the CEO and CFO will only be dependent on the Group results.

The variable remuneration is based on the following principles:

- Turnover (the achievement of certain annual revenue targets and/or growth rates)
- Profitability (return on sales targets and/or investment projects)
- Debt level (the debt of the company is key. In order to ensure future growth, it must be within certain limits.)
- Personal objectives (depending on the function). These mainly relate to qualitative objectives. (For example initiate the development of a long term strategy.)

Depending on the needs, the CEO can propose to the Remuneration Committee to adjust the significance of some parameters annually.

The personal objectives are set annually through individual interviews and the variable remuneration linked to this is up to 30% of the total variable remuneration.

Contracts signed on or after 1 July 2009 refer specifically to the criteria (as stated in the Belgian Corporate Governance Code) to be taken into account in determining the variable portion of compensation.

(4) Recovery right

There is no provision for recovery right in favor of the company in case variable remuneration was granted on the basis of incorrect financial information.

(5) Evaluation of the remuneration

The remuneration of the CEO and each executive manager is evaluated on an annual basis (by the Remuneration and Nomination Committee) as follows:

- The basic compensation is determined by the job responsibilities
- The variable compensation is determined by formal and informal objectives determined at the beginning of the year and evaluated at the end of the year. The Remuneration and Nomination Committee advises the Board of Directors on the variable compensation that is agreed by the members of the Committee.

4.1.6. Remuneration of the members of the Board of Directors

In 2017 following remunerations were paid to the members of the Board of Directors and executive management in their capacity as Director (no performance related remunerations are paid to the non-executive Directors):

Name	Represented by	Board of Directors		Audit Committee		Remuneration and Nomination Committee		Total
		Fixed remuneration	Pro rata	Fixed remuneration	Pro rata	Fixed remuneration	Pro rata	
	Mr. M. Delbaere *President of the Board*	22 000	22 000			1 500	1 500	47 000
	Mrs. J. Sioen-Zoete *Member*	11 000	11 000					22 000
M.J.S. Consulting BVBA	Mrs. M. Sioen *Managing Director*	11 000	11 000					22 000
D-Lance BVBA	Mrs. D. Sioen *Member*	11 000	11 000					22 000
P. Company BVBA	Mrs. P. Sioen *Member*	11 000	8 800					19 800
Dirk Meeus Burg. ven. acting as a BVBA	Mr. D. Meeus *Member*	11 000	11 000	4 000	4 000	750	750	31 500
Lemon Comm. V	Mr. J. Noten *Member*	11 000	11 000	4 000	3 000	750	750	30 500
	Mr. P. Macharis *Member*	11 000	11 000					22 000
	Mr. L. Vandewalle *Member*	11 000	11 000	6 000	6 000			34 000
Total		110 000	107 800	14 000	13 000	3 000	3 000	250 800

M.J.S. Consulting, represented by Mrs. Michèle Sioen, received in 2017, in her capacity of CEO and next to her remuneration as a member of the Board of Directors, a fixed remuneration of EUR 575 000, a variable remuneration of 120 434 EUR and a compensation for other expenses (mainly car expenses) amounting to EUR 32 618 .

Jack Projects, represented by Mrs. Jacqueline Sioen-Zoete, received in 2017 , additionally, in the context of a service agreement, a remuneration of EUR 120 000 and a compensation for other expenses (mainly car expenses) amounting to EUR 22 600.

The other members of the executive management[1], including Directors in their capacity as member of executive management, received in 2017 a fixed remuneration of EUR 3 018 693 (excluding CEO), a variable remuneration of EUR 354 645 and a compensation for other expenses (mainly car expenses) amounting to EUR 186 145.

(1) The executive management consists of executive Directors and members of the Management Committee.

Other

In 2017 there were no shares, share options or other rights to acquire shares of Sioen Industries attributed to the CEO nor the other members of the executive management.

There are no retirement benefit plans.

4.1.7. *Evaluation of the Board of Directors, Working Committees, Directors and interaction with the executive management*

Periodically, and at least every two years, the Board evaluates its overall performance (including the Working Committees). In the Board's view, this is best accomplished by the entire Board under the leadership of the Chairman, with the assistance of the Remuneration and Nomination Committee and of an external specialist when deemed appropriate.

The Chairman is in charge of organizing periodic performance appraisals through an extensive questionnaire that addresses the following items:

- the functioning of the Board or Committee.
- the effective preparation and discussion of important items
- the individual contribution of each Director.
- the present composition of the Board or Committee against its desired composition.

Once a year, the Board also evaluates the interaction with the executive management.

4.1.8. *External audit*

Within the Sioen Industries Group, external audits are mainly performed by Deloitte Bedrijfsrevisoren. They include the audit of the statutory annual accounts and consolidated accounts of Sioen Industries NV and its subsidiaries. To the extent that the audit of a number of subsidiaries are carried out by other auditors, Deloitte Bedrijfsrevisoren makes use of their work in certain instances. During the past financial year the Statutory Auditor and its network received EUR 415 890 from Sioen Industries and its subsidiaries in respect of statutory auditor mandates. In addition, the Statutory Auditor and its network received EUR 402 056 for other assignments outside the madate. The mandate of Deloitte Bedrijfsrevisoren as Statutory Auditors of Sioen Industries NV expires at the General Shareholders' Meeting of 2020. Deloitte Bedrijfsrevisoren is represented by Mr. K. Dehoorne.

4.1.9. Internal control and risk management systems

The Board of Directors of Sioen Industries is responsible for the assessment of the risks inherent to the company and for evaluating the effectiveness of control. The internal control of the Group is based on five principles (COSO methodology):

(1) Control environment
(2) Risk analysis
(3) Control activities
(4) Information and communication
(5) Supervision and monitoring

(1) Control environment

The control environment is the basis of the internal control and risk management system. The control environment is defined by a mix of formal and informal rules and corporate culture on which the operation of the business relies.

Integrity and ethics

Within the Group the goal is to create an open corporate culture where communication with and respect for customers, employees and suppliers is key, without any distinction. All employees are expected to deal with the company assets with the necessary common sense and manage them as a good family man.

These informal rules / corporate culture, where appropriate, are sustained by more formal rules such as the Protocol to prevent abuse of inside information and the Corporate Governance Charter.

Competences

The Sioen family surrounds itself since 1986 with external independent Directors. Their expertise and experience contribute to effective and proper management of the company. The aim is to attract Directors with different skills and experiences in order to create a momentum that enables the group to develop further.

A stimulating working environment, an "open door" policy and the ability to develop itself are the principles of the human resources policy. This enables the group to attract, to motivate and to retain qualified staff.

Governing Bodies

According to existing guidelines, the Group has the following administrative and operating committees:

- Board of Directors,
- Audit Committee,
- Remuneration and Nomination Committee,
- Executive Management Committee.

The operation of these governing bodies and their responsibilities are included above in this annual report in the chapter Corporate governance.

Company structure and delegation of powers

The Sioen Industries Group is divided into divisions each with an operational activity. Supporting administrative services are centralized within a "Shared Services Center". This structure allows the Group to centralize delegated authorizations as much as possible.

(2) Risk analysis

The Board of Directors decides on the strategy of the Group, key policies and risk appetite. The role of the Board of Directors consists of pursuing the long-term success of the company and ensuring that risks are assessed and managed.

The executive management is responsible for developing systems to identify, assess, manage and monitor the risks.

Targets within the risk management process

The process of risk management contributes to the achievement of operational and strategic objectives. It forms the basis of reliable internal and external information and should also guarantee the compliance with laws, regulations and internal instructions of the company.

External factors

External factors may result from technological changes, regulatory changes, competition, product trends and many more.

Internal factors

Internal factors are closely linked to the internal organization of the company and can have different causes (IT problems, human resources,…).

Risk analysis (internal and external)

Sioen Industries has analyzed the risks associated with its activities. Based on that analysis, the following risks were identified:

Risks relating to the activities of the Group

Sioen Industries is, especially in terms of income, affected by the economic performance of its divisions. Currently the activities of Sioen Industries are concentrated in 3 divisions:

- The coating division
- The apparel division
- The chemicals division

The coating division is active in various industry sectors as a supplier of semi-finished products. Past experience shows the development of this activity is closely related with the industrial economic trend. As such sales cyclicity coincides with the general economic cycles. In this division approximately 75% of the raw materials used are petrochemicals. (PVC, Polyprop, PET, solvent,..)

Pricing cycles of these raw materials are, to a certain extent, subject to the price of crude oil and the laws of supply and demand on a world wide scale. Pricing cyclicity does not show close correlation with the price index of crude, as a consequence there is currently no possibility to hedge on these raw materials. Raw materials account for approximately 50% of the sales price resulting in a gross margin of also approximately 50%.

Given the volatility of the price of crude oil, prices of those raw materials will vary also to a certain extent. A price increase of 10% of all of these raw materials at the same time, and without mitigating this effect, will cause an effect of 3.75% on the gross margin. Sioen Industries will always try to pass these effects gradually through to the end users with a delay between 6 to 9 months.

In the Apparel division pricing mechanics are quite different. Summarized we can distinguish between items held in catalogue and customer specific garments. Customer specific garments are considered as projects. Each and every project is specifically costed and sales prices are quoted based on the competitive environment. Garments held in inventory are continuously costed and re-costed whereas sales prices are subject to the competitive environment.

The chemicals division has to a large extent the same cyclicity and sensitivity as the coating division.

The Group is continuously looking for new applications, new products and new markets to stay ahead of competitors and to increase production and sales activities. If we fail to be innovative, to introduce new ideas, products, services and processes, this can have a negative impact on the operational and financial results of the Group.

Risks relating to customer commitment

The Group has no customers who represent more than 10.0% of the total balance of trade receivables (see note 3.5.8. Trade receivables) and as a consequence there is no major risk related to customer commitment.

Risks associated with seasonal activities

The consolidated income statement of the Group reflects the seasonal nature of the activities, more than half of the annual results are generated in the first half of the year. Future results will depend on developments in the market for technical textiles. Adverse changes in the economic environment, customer investment cycles, major developments in production and market acceptance of new applications in this market can influence this market and as a consequence the results of the Group.

Risks related to new emerging markets

The most important part of the sales of the Group, some 85%, is realized in Europe. The activities in these markets have a low risk in terms of crime, government decisions, foreign exchange rates, political and economic uncertainty, issues that could adversely impact the results of the Group. Also, financial risks such as liquidity problems, inflation, devaluation, price, payment risks related to new emerging markets, are limited.

Risks related to recruiting and retaining staff in key positions

To develop new applications, to support and sell new products, the Group must recruit and retain the best staff with a good knowledge and the best skills. The strategy of the Group may be affected if the Group fails to recruit and retain employees related to important positions.

Credit risk management

In view of the relative concentration of credit risk (see note 3.5.8. Trade receivables), the company covers credit risk on trade receivables via an Excess of Loss credit insurance with an own risk exposure of EUR 400 thousand. In addition, credit control strategies and procedures have been elaborated in order to monitor individual customers' credit risks.

Capital structure management

The equity structure of the Sioen Group is managed with the main objectives of:

- protecting the equity structure to ensure continuous business operations, resulting in the creation of shareholder value and benefits for other stakeholders,
- the payment of an appropriate dividend to shareholders.
- The Group's capital is formed in accordance with the risk, which changes with economic developments and the risk profile of the underlying assets. The Sioen Group can change the dividend to shareholders, issue new shares or sell assets in order to maintain or change the capital structure.

Interest rate risk management

The Group's interest risk is relatively limited, in view of the loan agreements and related interest rate swaps. To hedge its interest rate risks and to take advantage of the current market interest rates, the group entered into new interest rate derivatives together with the new loan agreements: see also paragraph 3.5.15. Financial instruments for more information.

Foreign currency risk management

The purpose of the Group policy is to hedge against exchange risks arising mainly from financial and operational activities.

The risks are limited by offsetting transactions in the same currency ("natural hedging") or by hedging exchange rates through forward contracts or options.

Liquidity risk management

To ensure liquidity and financial flexibility, the Sioen Group has credit lines available to meet current and future financial needs.

Budget risk management

Executive management makes its risk assessment based on different realistic estimated parameters such as market expectations, the growth of the sector, industry studies, economic realities, budgets and long-range plans, profitability studies, etc. The key elements within the Group that are subject to this include: impairments, provisions and deferred taxes.

Risk management on delegation of authorities

Not respecting the existing signing authorizations may result in commitments relating to operations not authorized by the company.

Fraud risk management

Collective or individual fraud of employees can lead to financial loss and damage the image of the Group.

Risk associated with financial statements (information policy, consolidation)

The production of complete, reliable and effective information is essential for management and governance.

IT risk management

This risk concerns the general computing environment, data security system and the use of and access to the software systems.

(3) Control activities

In order to properly manage the principal risks identified, the Sioen Industries Group took the following control measures:

Formal rules and systems

An authorization cascade system in the computer system,

Grant of approval limits:

- Definition of signing authorities (authorization contract, payment authority, authority to representation…),
- Access and monitoring systemsin the buildings,

Physical controls:

- Cycle counts of inventories,
- Physical inventory of machinery and equipment.

Reporting, analysis and monitoring

The Sioen Industries Group has established an internal reporting system by means of which both financial data and operational data (Key Performance Indicators) are reported on a regular basis (daily, weekly, monthly and quarterly). All deviations against budgets and against the previous reference period are carefully analyzed and explained. Besides the regular reports and analysis, there is a control matrix. In this matrix all processes of each Group company are analyzed and weak spots in the process are monitored in detail.

Data protection

Sioen attaches great importance to the security of all data stored in various computer systems and has developed specific measures. To ensure continuity and availability of critical data, they are stored in two data centers. The data centers are obviously not generally accessible and are specifically adapted to accommodate IT equipment.

(4) Information and communication

To provide reliable financial information Sioen Industries makes use of a global standardized chart of accounts and has a global application of IFRS accounting standards.

The controlling team is responsible for checking the consistency of the reported figures by the various subsidiaries. Regarding information systems, there is a daily backup and a cascade system to limit access to crucial information.

(5) Supervision and monitoring

Currently the nature , limited complexity, size and deeply centralized organization of the company limit the need for an independent internal audit function, contrary to principle 5.2/17 and 5.2/29 of the Corporate Governance Code. Supervision and monitoring is mainly performed by the Board of Directors. As no formal internal audit department is in place the Board executes this supervision and monitoring through the work of the Audit Committee and the Management Committee. Risks are monitored by a group of "business controllers" who report, monitor and analyze both financial and non-financial KPI's on a monthly basis. They visit on a regular basis the subsidiaries and report to the group CEO and CFO about their findings. In order to facilitate these reports and controls the group is rolling out a uniform SAP platform combined with a BI reporting tool. Moreover the Board of Directors also uses the external audit reporting to the Audit Committee on their review of internal controls and risk management systems. Given the recent accelerated growth of the Group and its global presence the Management Committee is contemplating on introducing an independent internal audit function.

4.1.10. Code of conduct regarding the prevention of abuse of inside information

In order to prevent that privileged information would be used in an unlawful manner by Directors, shareholders, members of management and employees (i.e. "insiders"), or even that such an understanding could be raised, the Board of Directors of Sioen Industries NV has developed a protocol to prevent abuse of inside information ("1997 Protocol"). Following the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation), a new code of conduct regarding the prevention of abuse of inside information ("2016 Code") was approved by the Board of Directors on 16 December 2016. The Code is primarily aimed to protect the market as such, to ensure compliance with the law and to maintain the reputation of the Group. Besides a number of prohibitions on trading in financial instruments of Sioen Industries NV, where insiders have privileged information which is not (yet) available to the public, it does include a number of preventive measures and guidelines to preserve the confidentiality of privileged information. Any insider eligible, has signed this Code. To verify compliance with the Code a Compliance Officer was appointed.


SIOEN INDUSTRIES

4.2. General information

4.2.1. Registered office and name

The registered office of Sioen Industries, a public limited liability company under Belgian law, is established at Fabriekstraat 23, B-8850 Ardooie. The company is listed in the register of legal persons Gent, division Brugge, under enterprise number 0441.642.780.

4.2.2. Incorporation and publication

Sioen Industries was incorporated under the name 'Sihold' by deed executed before notary-public Ludovic du Faux at Moeskroen on 3 September 1990, published in the annexes to the Belgian Official Gazette of 28 September 1990, under no. 900928-197.

4.2.3. Financial year

The financial year begins on 1 January and ends on 31 December of each year.

4.2.4. Term

The company is established for an indefinite period.

4.2.5. Object of the company

The company's objects consist of the following activities, to be performed in Belgium or abroad, on its own behalf or on behalf of third parties, for its own account or for the account of third parties:

- spinning yarns and threads of all kinds, weaving threads of all kinds, coating and printing fabric and any other material, manufacturing plastic and plastic-coated materials, manufacturing, purchasing and selling, both in Belgium and abroad, materials that are useful for or relate to the above mentioned products and raw materials, and producing chemicals and pigments,
- manufacturing ready-to-wear outer clothing made of woven fabric, manufacturing all types of tailor made garments and embroidery, manufacturing outer clothing made of knitted fabrics, as well as household linen and upholstery materials, manufacturing wall-covering materials, printing and finishing all fabrics, manufacturing ready-made articles and outfits for men and women, knitwear, embroidery, household and table linen, children's clothing. Manufacturing safety and signposting materials. Wholesale and retail trade in all of the above products,
- investing in, subscribing for, taking over, issuing, buying, selling and trading in shares, share certificates, bonds, depositary receipts, claims, funds and other securities issued by Belgian or foreign companies, either or not being commercial companies, administrative offices, institutions or associations and either or not (semi-)governed by public law,
- managing investments and participating interests in subsidiaries, holding managerial positions, providing advice, management and other services to or in line with the activities performed by the company itself. These services can be provided pursuant to a contractual appointment or an appointment in accordance with the provisions of the articles of association, as well as in the capacity of external advisor or body of the client.

The company can realize these objects provided that it meets the legal requirements.

The company can perform, both in Belgium and abroad, all industrial, commercial, financial, movable and immovable activities which may either directly or indirectly extend or promote its business. It can acquire all movable and immovable goods, even if they are not related to the company's objects, neither directly nor indirectly.

The company can in any manner whatsoever acquire interests in all associations, businesses, undertakings or companies that have the same, similar or related objects or that may promote the company's business or facilitate the sale of its products or services; the company can cooperate or merge with such associations, businesses, undertakings or companies.

4.2.6. Consultation of documents

The statutory and consolidated accounts of the company and additional reports are filed with the National Bank of Belgium. The articles of association and special reports required by the Companies Code, as well as annual and semi-annual reports to shareholders and all published information, can be requested by shareholders at the registered office of the company. The articles of association, the annual and semi-annual reports can also be downloaded from the website www.sioen.com.

4.2.7. Voting right

Article 33 of the articles of association states that each share gives the right to one vote at the General Meeting. However nobody can participate in the vote at the General Meeting for more than thirty-five percent of the votes attached to the total number of shares issued by the company. The holders of bonds can attend the General Meeting, but only have an advisory vote.

Article 14, sub 2 of the articles of association stipulates that a majority of the Directors are appointed among the candidates nominated by Sihold NV, as long as Sihold NV possesses either directly or indirectly at least thirty-five percent of the shares of the company. Until now Sihold has waived this right.

4.2.8. Modifications to the articles of association

Any modifications to the articles of association have to be approved by the General Meeting of Shareholders, in accordance with article 558 of the Companies Code.

4.2.9. Authorized capital

The Board of Directors is authorized, during a period of five years counting from the date of publication in the annexes to the Belgian Official Gazette of the deed containing the amendment of the articles of association of 26 April 2013 (BOG of 24 May 2013), to increase the subscribed capital in one or several parts, by a maximum amount of forty-six million euros. This renewable authority is valid for capital increases in cash, in kind or by conversion of reserves. At the moment this amount is still wholly available.

Within the framework of the authorized capital, the Board of Directors is authorized, in the interest of the company and provided that the conditions referred to in articles 535 and 592 to 599 of the Companies Code are met, to cancel or restrict the preferential subscription right that is granted to the shareholders by law. The Board of Directors is authorized to restrict or cancel the preferential subscription right in favor of one or more particular persons, even if these are not staff members of the company or its subsidiaries.

In the event of an increase of the subscribed capital, carried out within the limits of the authorized capital, the Board of Directors is authorized to ask for an issue premium. If the Board of Directors decides to do so, this issue premium should be allocated to an unavailable reserve account that can only be reduced or written off by resolution of the General Meeting passed in the manner required for the amendment of the articles of association.

In the absence of an explicit authorization granted by the General Meeting to the Board of Directors, the authorization of the Board of Directors to increase the subscribed capital through a contribution in cash with cancellation or restriction of the preferential subscription right of the existing shareholders or through a contribution in kind will be suspended as from the date of notification to the company by the Financial Services and Markets Authority of a public take-over bid on the shares of the company. This authorization will apply again immediately after the take-over bid is concluded. The General Meeting of 28 April 2017 explicitly authorized the Board of Directors to increase the subscribed capital in one or several parts through a contribution in cash with cancellation or restriction of the preferential subscription right of the existing shareholders or through a contribution in kind, pursuant to articles 557 and 607 of the Companies Code, as from the date of notification to the company by the Financial Services and Markets Authority of a public take-over bid on the shares of the company. This authorization was granted for a period of three years from 28 April 2017 and is renewable.

4.2.10. Acquisition by the company of shares in its own capital

The General Meeting of 29 April 2016 expressly authorized the Board of Directors, under the provisions of the Companies Code, to acquire or dispose of its own shares, if the acquisition is necessary to prevent imminent serious harm to the company. This authorization is valid for a period of three years from the publication of the aforementioned resolution in the annexes to the Belgian Official Gazette (BOG of 23 May 2016).

The General Meeting of 28 April 2017 authorized the Board of Directors to acquire its own shares through purchase or exchange, in accordance with the Companies Code, for the maximum number allowed by law and at a price per share that cannot be lower than the last closing price at Euronext Brussels prior to the date of acquisition, less ten per cent (10%), and that cannot be higher than the same closing price increased by ten per cent (10%), and to sell or cancel these shares. The Board of Directors is entitled to use this authorization one or several times, whenever he seems fit. The Board is further authorized to determine through a notarial deed the amended number of shares and to adapt the articles of association accordingly, the amount of the subscribed capital cannot be reduced and the unavailable reserve, accrued for the cancelled shares, has to be written off. The Board of Directors can empower one director to appear before the notary to pass the notarial deed. This authorization also applies to the acquisition of shares of the company by one or several of its direct subsidiaries within the meaning of the law, during a period of five years starting on 28 April 2017, and can be extended.

4.2.11. Change of control clauses

The company is a party to a number of significant agreements that take effect, alter or terminate upon a change of control of the company following a public takeover bid or otherwise. It only concerns bilateral credit agreements with KBC, ING and BNP Paribas Fortis that make funds available to the company or its subsidiaries. Each of these agreements contains clauses which, in the event of a change of control of the company, give the counterparty the right to terminate the agreement early and require the early repayment of the funds made available.

4.3. Share information

4.3.1. Listing

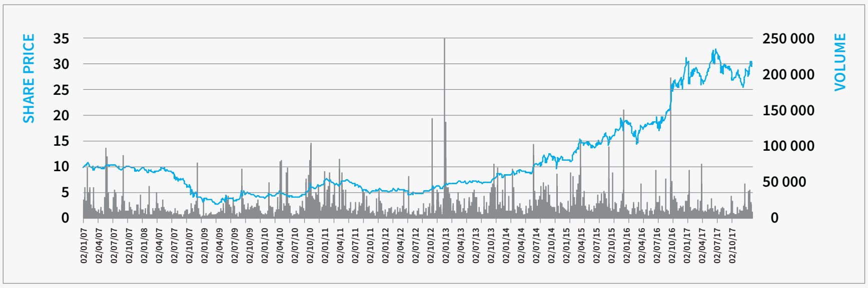
In order to be able to continue following and ensuring the company's fast growth, and in the conviction that a transparent policy would further strengthen the Group's growth possibilities, the Sioen Industries share was introduced on the cash market, double fixing, of the Brussels Stock Exchange, on 18 October 1996. A year later the share was listed on the semi-continuous segment of the forward market and then, as of 11 March 1998, has been quoted on the continuous segment of the Brussels forward market, which has become Euronext Brussels. As per 31 December 2017, the total number of shares amounts to 19 779 933 (issued and fully paid), of which 12 906 212 shares, or 65.25%, are owned by the Sioen family, a.o. through the holding company Sihold NV. The remaining number of shares, 6 873 721 or 34.75%, are spread among the public. Sioen has no preferential shares. Shares do not have a par value.

4.3.2. Notice pursuant to the law on public takeover bids

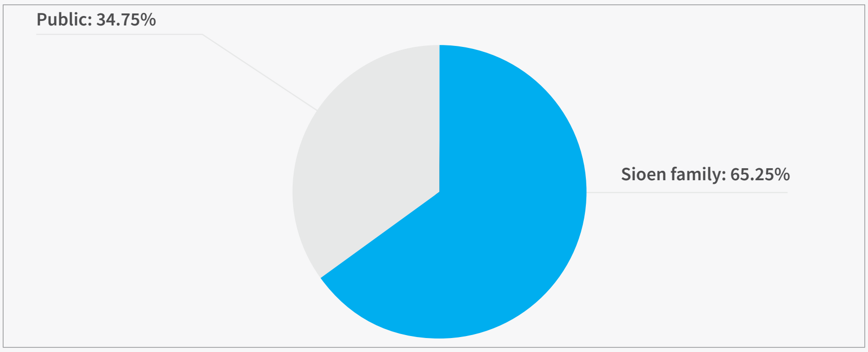
By letters of 15 February 2008 , Sihold NV, Sinvest NV and Mr. Jean-Jacques Sioen sent a notification to the company, drawn up in accordance with article 74 § 7 of the law of 1 April 2007 on public takeover bids. From this notification it appears that the notifier holds more than 30% of the shares with voting rights in Sioen Industries NV and that Stichting Administratiekantoor Midapa exercises ultimate control over Sioen Industries NV.

4.3.3. Evolution of the share in 2017

The share was quoted at its highest price on 29 May 2017, at EUR 32.88, at its lowest price on 10 November 2017 (EUR 25.50) and quoted EUR 30.37 on 31 December 2017. Market capitalization amounted to EUR 600.62 million on 31 December 2017.



4.3.4. Shareholders' structure



4.3.5. 2017: financial communication policy

The Sioen Industries share was included on Euronext Brussels in Compartment B (Mid Cap).

4.3.6. Dividend policy

Generally, the Board of Directors wishes to strive for a pay-out ratio of more than 15%. In order to link the dividend to the cash flow expectations on the one hand and to reward the shareholders on the other hand, the Board strives to increase the dividend year after year. For the year 2017, the Board of Directors proposed the pay out of a dividend amounting to EUR 0.56 gross (EUR 0.392 net) that will be made payable at the counters of Belfius Bank, ING Bank, BNP Paribas Fortis Bank, Bank Degroof Petercam and KBC Bank as from 16 May 2018, if approved by the General Shareholders' Meeting.

4.3.7. Share codes and classification

ISIN: BE0003743573
Euronext code: BE0003743573 **Mnemo:** SIOE
Type Stock: Ordinary stock - Continuous
Market Euronext Brussels: Euronext -
Local securities
Compartment B: (Mid Cap)
ICB sectorial classification:
3000, Consumer Goods
3700, Personal & Household Goods
3760, Personal Goods
3763, Clothing & Accessories
Reuters: SIOE.BR
Bloomberg: SIOE.BB

DECLARATION BY THE RESPONSIBLE PERSONS REGARDING THE TRUE AND FAIR VIEW

DECLARATION REGARDING THE INFORMATION GIVEN IN THIS ANNUAL REPORT 2017

The undersigned declare that :

- The annual accounts, which are in line with the standards applicable for annual accounts, give a true and fair view of the capital, the financial situation and the results of the issuer and the consolidated companies,
- The annual report gives a true and fair view of the development and the results of the company and of the position of the issuer and the consolidated companies, as well as a description of the main risks and uncertainties they are faced with.

M.J.S. Consulting BVBA,
represented by Mrs. M. Sioen, CEO

Asceca Consulting BVBA,
represented by Mr. G. Asselman, CFO

FINANCIAL **OVERVIEW**

1. COMMENTS

Net sales:

Total Group sales have evolved from EUR 363.4 million in 2016 to EUR 473.1 million in 2017, or an increase with 30.2% when compared to the EUR 363.4 million of sales realized over 2016. This figure can be split in 5.7% organic and 24.5% growth through acquisitions.

We consider the following as acquisitions:

- Fontana, accounted for as of 1 April 2016
- Dimension-Polyant, accounted for as of 1 August 2016
- Ursuit, accounted for as of 31 December 2016
- Verseidag Ballistic Protection, accounted for as of 1 January 2017
- UCS, accounted for as of 1 January 2017
- James Dewhurst Group, accounted for as of 1 June 2017

All acquisitions are performing in line with the expectations.

Gross margin:

Gross margin evolved from 52.25% over sales last year to 49.14% over sales in 2017.

This evolution was driven by a change in sales mix on the one hand and the upward trend in the prices of raw materials on the other hand.

Operating result:

The operating result has evolved from EUR 44.7 million last year to EUR 41.5 million over 2017 or a decrease with 7.2%.

The operating result has evolved in analogy with the evolution of the gross margin, but was also affected by costs related to the acquisitions, for a total amount of EUR 6.1 million (fair value adjustments, higher depreciations due to the recognition of intangible assets and lower service costs).

Financial result:

Financial result of the Group amounted to EUR -7.9 million over the year 2017 against EUR -6.6 million in 2016. Main drivers are an increase in the debt position related to the recent acquisitions and a negative market value on our forward exchange position (USD has devaluated versus EUR) and on our interest rate swaps.

Income tax:

Income tax amounts to EUR 11.6 million over the year 2017 against EUR 12.1 million over 2016.

Group profit (loss):

The company recorded EUR 21.9 million profit over the year 2017 against EUR 26.0 million over 2016 or a decrease with 15.8%.

Balance sheet:

At the end of the year Group equity amounted to EUR 199.5 million or 45.4% of the balance sheet total.

Net financial debt of the Group, at year end, is EUR 116.7 million or 1.8 times the current year EBITDA.

Dividend:

The Board of Directors will propose to the General Shareholders' Meeting to pay out a dividend of 0.56 Euro per share.

COATING DIVISION

The coating division specializes in the coating (applying a protective layer) of textiles. This division is fully vertically integrated. Everything starts with the extrusion of technical yarns (polyester), which are woven into technical fabric and then coated with various polymers (PVC, PU, silicons, etc.). The Group is the only player in the world with full competence in various coating technologies, each with its own specific products and markets. In 2017, the coating division achieved external sales of EUR 297.0 million versus EUR 227.6 million over the same period last year, or an increase of 30.5%. The increase can be split in 24.9% growth through acquisitions (changes in the consolidation scope) and 5.6% organic growth. The organic growth is driven by strong demand in all markets in which the company operates.

APPAREL DIVISION

This division stands for 'technical protective clothing'. The apparel division is an innovative producer of a wide range of high-quality technical protective garments that meet all European standards. Sioen Apparel is active in various sectors where attention to safety is a priority. Attention to customer needs, strong quality consciousness and continuing research and development, combined with technically advanced products, are the basis of the successful development of this division. In 2017, the apparel division achieved sales of EUR 132.3 million versus EUR 94.9 million over the same period last year, or a growth ratio of 39.5%. Of this 39.5%, 6.0% is organic growth and 33.5% growth through acquisitions (Ursuit and Verseidag Ballistic Protection). Safety in both, work and the public environment, is becoming increasingly important and has stimulated the market demand in the past year.

CHEMICALS DIVISION

Sioen Chemicals processes basic raw materials (PVC powders, pigments, etc.) into high quality technical semi-finished products (pigment pastes and inks) for a wide range of applications. In 2017, the chemicals division achieved external sales of EUR 43.8 million versus EUR 40.9 million in 2016, or an increase with 7.1%. Also in this division, a split can be made in 1.2% growth through the acquisition of UCS and 5.9% organic growth. Like in the coating division, growth is driven by strong demand in all markets.

DIVISION OTHER

This division consists of the real estate activities.

2. CONSOLIDATED FINANCIAL STATEMENTS

2.1. Consolidated statement of financial position at 31 December 2017 | In thousands of euros

Assets	Note	2017	2016
Non-current assets			
Intangible assets	3.5.1	51 013	11 519
Goodwill	3.5.2	43 308	39 372
Property, plant and equipment	3.5.3	123 986	110 412
Investment property	3.5.4	4 427	5 425
Interests in associates		73	286
Other long term assets	3.5.6	593	1 600
Deferred tax assets	3.5.16	1 658	4 002
Total non-current assets		225 058	172 616
Current assets			
Inventories	3.5.7	118 991	114 473
Trade receivables	3.5.8	66 155	57 273
Other receivables	3.5.9	6 257	4 966
Cash and cash equivalents	3.5.9	21 413	16 596
Derivatives fair value		754	1 400
Deferred charges and accrued income	3.5.9	1 339	1 082
Total current assets		214 909	195 790
Total assets		439 967	368 406

Equity & liabilities	Note	2017	2016
Equity			
Share capital		46 000	46 000
Retained earnings		163 088	151 708
Other reserves		-9 545	-8 522
Equity attributable to the owners of the company	2.4	199 543	189 186
Non-controlling interest		0	0
Total equity	2.4	199 543	189 186
Non-current liabilities			
Borrowings	3.5.10	63 160	66 531
Provisions	3.5.12	1 105	2 231
Retirement benefit obligations	3.5.13	4 670	4 743
Deferred tax liabilities	3.5.16	21 610	18 457
Obligations under finance leases	3.5.11	4 215	4 911
Other amounts payable		1 415	120
Total non-current liabilities		96 175	96 993
Current liabilities			
Trade and other payables	3.5.14	41 844	31 135
Borrowings	3.5.10	70 097	23 655
Provisions	3.5.12	198	190
Retirement benefit obligations	3.5.13	62	61
Current income tax liabilities		7 426	3 031
Social debts		12 766	11 402
Other amounts payable		5 241	5 383
Obligations under finance leases	3.5.11	637	735
Derivatives fair value		1 362	1 225
Accrued charges and deferred income		4 616	5 410
Total current liabilities		144 249	82 227
Total equity and liabilities		439 967	368 406

2.2. Consolidated income statement for the year ended 31 December 2017

2.2.1. By nature | In thousands of euros

	Note	2017	2016
Net sales		473 122	363 367
Changes in stocks and WIP (work in progress)		-7 428	8 803
Other operating income(1)		6 867	6 570
Raw materials and consumables used		-233 208	-182 299
Gross margin		49.14%	52.25%
Services and other goods(2)		-70 752	-57 644
Remuneration, social security and pensions		-99 489	-75 203
Depreciations		-22 138	-16 417
Write off inventories and receivables		-1 795	1 952
Provisions for liabilities and charges		1 035	13
Other operating charges(3)		-4 719	-4 446
Operating result		41 496	44 697
Financial result		-7 909	-6 648
• Financial income		510	1 695
• Financial charges		-8 418	-8 343
Profit (loss) before taxes		33 587	38 049
Income tax	3.4.2	-11 556	-12 054
Profit (loss) after taxes		22 031	25 996
Share in the results of associates		- 168	- 37
Group profit (loss)		21 863	25 958
Group profit (loss) attributable to shareholders of Sioen Industries		21 863	25 958
Group profit (loss) attributable to non-controlling interest		0	0
EBITDA		64 393	59 149
Net cash flow		44 928	40 448

In order to compare the actual operational performance of the Group with last year, excluding the expenses related to the acquisitions and the reorganization in Indonesia, the then restated EBITDA would be EUR 67.4 million or 14.2% on sales, compared to EUR 59.9 million last year on the same basis, or an increase with 12.6%.

Summary

	2017	2016	Var (%)
Restated EBITDA	67 387	59 850	+12.6%
% on sales	14.2%	16.5%	
Restated EBIT	43 385	45 525	-4.7%
% on sales	9.2%	12.5%	

Definitions and reconciliations for non-GAAP measures can be found on pages 188 & 189 of this annual report.

(1) Other operating income mainly consists of exemption withholding tax, rental income, indemnities, R&D subventions, gains on sale of assets, transport recharges and other recharges. In the consolidated income statement by function (2.2.2), transport recharges and other recharges are not included in 'Other income' but spread by function.

(2) Services and other goods mainly consist of energy costs, transport costs, maintenance and repair costs, fees, interim personnel costs, sales and marketing costs and renting costs.

(3) Other operating charges cover a number of general expenses, mostly non-profit related taxes (such as property tax, 'taxe foncière' in France and similar), but also loss on sale of assets, loss on debtors, fines & penalties and banking costs. In the consolidated income statement by function (2.2.2), property taxes, banking costs and loss on debtors are not included in 'Other expenses' but spread by function. On the other hand, provisions for liabilities and charges are included in 'Other expenses', while they are shown separately here.

Earnings per share | In euro

	2017	2016
Basic earnings per share		
Net earnings for the period	21 863 160	25 958 334
Weighted average ordinary shares outstanding	19 779 933	19 779 933
Ordinary shares per 01 January	*19 779 933*	*19 779 933*
Ordinary shares per 31 December	*19 779 933*	*19 779 933*
Basic earnings per share	1.11	1.31
Diluted earnings per share		
Net earnings for the period	21 863 160	25 958 334
Weighted average ordinary shares outstanding	19 779 933	19 779 933
Ordinary shares per 01 January	*19 779 933*	*19 779 933*
Ordinary shares per 31 December	*19 779 933*	*19 779 933*
Diluted earnings per share	1.11	1.31

2.2.2. *By function | In thousands of euros*

	Note	2017	2016
Net sales		473 122	363 367
Cost of sales	3.4.1	- 367 977	- 270 770
Manufacturing contribution		105 145	92 598
Sales and marketing expenses	3.4.1	- 26 362	- 20 960
Research and development expenses	3.4.1	- 9 481	- 7 530
Administrative expenses	3.4.1	- 34 302	- 24 878
Financial income		510	1 695
Financial charges		- 8 418	- 8 343
Other income	3.4.1	6 853	6 544
Other expenses	3.4.1	- 358	- 1 076
Profit (loss) before taxes		33 587	38 049
Income tax	3.4.2	- 11 556	- 12 054
Profit (loss) after taxes		22 031	25 996
Share in the results of associates		- 168	- 37
Group profit (loss)		21 863	25 958
Group profit (loss) attributable to shareholders of Sioen Industries		21 863	25 958
Group profit (loss) attributable to minority interests		0	0
EBITDA		64 393	59 149
Net cash flow		44 928	40 448

Definitions and reconciliations for non-GAAP measures can be found on pages 188 & 189 of this annual report.

2.2.3. Consolidated statement of total comprehensive income | In thousands of euros

	Note	**2017**	**2016**
Group profit (loss)	**2.2.1**	21 863	25 958
Exchange differences on translating foreign operations			
• Exchange difference arising during the period	2.4	- 1 740	50
Cash flow hedges			
• Gains (losses) arising during the period			- 2 308
• Reclassification to income statement of fair value changes previously recognized in other comprehensive income		1 377	602
• Income tax		- 468	580
Net other comprehensive income (loss) potentially to be reclassified to profit or loss in subsequent periods		*- 832*	*- 1 076*
Remeasurement of defined benefit obligation			
• Gains (losses) arising during the period	2.4	- 161	- 230
• Income tax		- 30	71
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		*- 191*	*- 160*
Other comprehensive income (loss) after tax impact		- 1 023	- 1 236
Total comprehensive income (loss) for the period	**2.4**	20 841	24 722
Attributable to shareholders of Sioen Industries		20 841	24 722
Attributable to non-controlling interests		0	0

2.3. Consolidated statement of cash flows for the year ended 31 December 2017 | In thousands of euros

	Note	2017	2016[1]
Group profit (loss)	2.2.1	21 863	25 958
Income tax		11 556	12 054
Financial charges		8 418	8 343
Financial income		- 510	-1 695
Share in the result of associates		168	37
Operating result		41 496	44 697
Depreciation and amortisation of non-current assets		22 138	16 417
Write off inventories and receivables		1 795	-1 952
Provisions		-1 035	- 13
Movements in working capital:			
• Inventories		6 266	-8 661
• Trade receivables		1 712	163
• Other long term assets, other receivables & deferred charges and accrued income		15	1
• Trade and other payables		4 959	2 111
• Current income tax liabilities, social debts, other amounts payable & accrued charges and deferred income		- 519	-2 730
• Amounts written off inventories and receivables		379	52
Cash flow from operating activities		*77 206*	*50 086*
Income taxes paid		-11 055	-6 140
Net cash flow from operating activities		66 151	43 946
Interest received		87	488
Decrease in deposits			19 030
Acquisitions of subsidiaries[2]		-27 712	-62 996
Investments in intangibles, property, plant and equipment and investment property		-18 000	-8 537
Disposal and sale of intangibles, property, plant and equipment and investment property		1 474	72
Net cash flow from investing activities		-44 152	-51 944
Net cash flow before financing activities		*21 999*	*-7 998*
Interest paid		-1 599	-1 895
Disbursed dividend		-10 483	-9 494
Increase in borrowings		41 584	
Decrease in borrowings			-24 908
Loan repayments in the framework of business combinations[3]		-42 152	-3 250
Increase/(decrease) obligations under finance leases		- 794	-1 534
Other[4]		- 45	-18 080
Currency result		-3 066	-4 105
Net cash flow from financing activities		-16 556	-63 265
Impact of cumulative translation adjustments and hedging		- 627	-1 402
Change in cash and cash equivalents		4 817	-72 665
Cash and cash equivalents at the beginning of the year		16 596	89 261
Cash and cash equivalents at the end of the year	2.1	21 413	16 596

(1) 2016 consolidated statement of cash flows is restated: repayments of loans in the framework of business combinations (to previous shareholders or to previous financial institutions of the acquired entity) are shown on a separate line (see also footnote 2)

(2) These amounts are net of cash acquired (EUR 1 224 thousand cash acquired in 2017, EUR 6 331 thousand cash acquired in 2016)

(3) 2017 amount is related to the acquisition of James Dewhurst Group: next to the price of the shares (included in the line 'Acquisitions of subsidiaries'), the previous shareholder loan and loan facility were repaid. 2016 amount is related to the acquisition of Dimension-Polyant: next to the price of the shares, the previous shareholder loan was repaid.

(4) 2016 amount relates to the cash settlement of the interest rate collar

Reconciliation in view of IAS 7 Disclosure Initiative Project

	2016	cash flows		non-cash changes			2017
		(1)	(2)	acquisitions	FX	fair value	
Borrowings (non-current)	66 531	-3 719		348			63 160
Borrowings (current)	23 655	45 302	-42 152	43 295	-3		70 097
Total borrowings	90 185	41 584	-42 152	43 643	-3		133 257

(1) line 'Increase in borrowings' in statement of cash flows

(2) line 'Loan repayments in the framework of business combinations' in statement of cash flows

2.4. Consolidated statement of changes in equity for the year ended 31 December 2017 | In thousands of euros

			Other reserves								
	Share capital	Reserves	Foreign currency translation reserve	Revaluation surplus	Pension reserves	Treasury shares	Hedging reserves	Equity before non-controlling interest	Non-controlling interest	Equity	Note
Balance at 1 January 2017	46 000	151 708	2 344	76	- 334		-10 609	189 186		189 186	2.1
Group profit (loss)		21 863						21 863		21 863	2.2.1
Hedging							1 377	1 377		1 377	
Currency translation adjust-ments			-1 740					-1 740		-1 740	2.2.3
Remeasurement of defined benefit obligation					- 161			- 161		- 161	2.2.3
Deferred tax					- 30		- 468	- 498		- 498	
Total comprehensive income for the period		21 863	-1 740		- 191		909	20 841		20 841	2.2.3
Payment of dividends		-10 483						-10 483		-10 483	
Cancellation of treasury shares purchased											
Balance at 31 December 2017	46 000	163 088	603	76	- 525		-9 700	199 543		199 543	2.1

			Other reserves								
	Share capital	Reserves	Foreign currency translation reserve	Revaluation surplus	Pension reserves	Treasury shares	Hedging reserves	Equity before non-controlling interest	Non-controlling interest	Equity	Note
Balance at 1 January 2016	46 000	135 825	2 294	76	-174	-581	-9 483	173 957		173 957	
Group profit (loss)		25 958						25 958		25 958	2.2.1
Hedging							-1 706	-1 706		-1 706	
Currency translation adjustments			50					50		50	2.2.3
Remeasurement of defined benefit obligation					-230			-230		-230	2.2.3
Deferred tax					71		580	650		650	
Total comprehensive income for the period		25 958	50		-160		-1 126	24 722		24 722	2.2.3
Payment of dividends		-9 494						-9 494		-9 494	
Cancellation of treasury shares purchased		-581				581					
Balance at 31 December 2016	46 000	151 708	2 344	76	-334		-10 609	189 186		189 186	2.1

3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3.1. Summary of significant accounting policies

3.1.1. Statement of compliance

The consolidated financial statements are drawn up in conformity with the International Financial Reporting Standards (IFRSs), as adopted within the European Union.

3.1.2. Basis of preparation

The consolidated annual financial statements of Sioen Industries NV (the 'Company') include the annual financial statements of the Company and its subsidiaries (together referred to below as the 'Group').

The consolidated annual financial statements give a general overview of the Group's activities and the results obtained. They give an accurate picture of the entity's financial position, financial performance and cash flow, and are drawn up on a going concern basis.

The annual financial statements are stated in thousands of euros, unless stated otherwise, as the euro is the currency of the primary economic environment in which the Group is active. The annual financial statements of foreign participations are converted in accordance with the principles described in the section 'Foreign currencies'.

The consolidated financial statements are presented on the basis of the historical cost method, unless otherwise stipulated in the accounting principles set out below.

3.1.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Company controls an entity if and only if the Company has all of the following elements:

- power over the entity, i.e. the Company has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the entity's returns) ;
- exposure, or rights, to variable returns from its involvement with the entity ;
- the ability to use its power over the entity to affect the amount of the Company's returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. These companies are accounted for by the full consolidation method. All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity herein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquired identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to an acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interest share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries' annual financial statements are drawn up for the same financial year as those of the parent company and on the basis of uniform financial reporting principles for comparable transactions and other events in similar circumstances.

Foreign currencies

On the basis of the Group's relevant economic environment and its transactions, the Euro has been chosen as the reporting currency.

Transactions in foreign currencies are converted at the exchange rate which is applicable on the date of the transaction. On each balance sheet date, monetary assets and liabilities expressed in foreign currency are converted at the closing rate. Gains and losses arising from such conversions are recorded in the income statement. Non-monetary assets and liabilities expressed in foreign currency are converted using the historical exchange rate.

In the consolidated accounts, assets and liabilities from the Group's foreign subsidiaries are converted at the closing rate. The income statement of the Group's foreign subsidiaries is converted at the average exchange rate over the period, unless exchange rates have fluctuated significantly. The components of equity are converted at their historical exchange rate. The resulting exchange differences are recorded in other comprehensive income, under the heading 'Exchange differences on translating foreign operations'.

In the consolidated accounts, exchange differences arising on a monetary items that form part of the Company's net investment in foreign subsidiaries (intra-group loans), are recorded as other comprehensive income, under the heading 'Exchange differences on translating foreign operations'.

If a foreign subsidiary is disposed of, the cumulative amount of the exchange rate differences that was recognized in equity, is recorded in the income statement.

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

Business combinations

If the Group takes over an entity or business activity, the identifiable assets, liabilities and contingent liabilities of the party which has been taken over are adopted at their fair value. Subsidiaries' financial statements are included in the scope of consolidation from the date of acquisition until control ceases. Goodwill is measured as the difference between the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquire, and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3). If this difference is negative, the surplus, after reassessment of the fair values, is accounted for directly in the income statement.

If the Group increases its interest in an investment in which it did not yet have control, the surplus or deficit compared with the net asset, after adjustment to the fair value that was acquired, is processed as if it were a new acquisition according to the methodology explained in the section above. If the Group increases its interest in an investment in which it already had control, the greater or lesser price that was paid vis-à-vis the share in the net assets that was acquired, is included directly in the company's own equity.

3.1.4. Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2017, all of which were endorsed by the European Union.

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

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

The mandatory application of all amendments to or improvements of standards and interpretations listed above did not give rise to any major effects on the Group's financial position and financial performance.

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

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

IFRS 9 Financial instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements/changes of IFRS 9 relate to:

- Subsequent measurement of all recognized financial assets that are within the scope of IFRS 9 at amortised cost or fair value.
- Measurement of financial liabilities designated as "at fair value through profit or loss"
- Impairment of financial assets where IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.
- New general hedge accounting requirements
- Changed disclosure requirements

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the impact of IFRS 9 to the Group's consolidated financial statements was assessed to be very limited.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfled, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

During 2017, the company did a detailed assessment of the impact of IFRS 15. Based on a top-down risk assessment the impact of this new standard was concluded to be very limited for the Sioen Industries Group, as the Sioen Industries Group is an industrial Group whose performance obligations according to IFRS 15 are mainly limited to the delivery of goods. As such there is no major impact as compared to the current IAS 18 standard on revenues.

The Group recognises revenue from the following major sources:

- industry/distributors
- retail and business to government
- tender business

For each of these different sources we have identified IFRS 15 attention points during the assessment process. Even within the tender and government businesses the impact is very limited as the performance obligation is in most cases also limited to the one-time delivery of goods. There are some multi-year governmental contracts but the impact on the Group's consolidated financial statements is very limited.

Apart from more extensive disclosure requirements the IFRS 15 standard will not have a signficant impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The Group is currently in the process of assessing the impact of on Group's consolidated financial statements and it is too early to determine this potential impact. We refer to note 3.5.19. in which an overview is provided of operating lease arrangements that could potentially classify as lease under IFRS 16.

It is expected that the other standards and interpretations, not yet applicable, will have no significant impact on the Group's consolidated financial result or position.

3.1.5. *Balance sheet and income statement Intangible assets*

Intangible assets are valued at cost price. Intangible assets are recognized if it is likely that the Group will receive the associated future economic benefits and if the asset's cost price can be reliably determined. After their initial recognition in the accounts, all intangible assets are valued at cost price, less any accumulated depreciation or impairments. Intangible assets are depreciated on a straight-line basis over the best estimate of their economic life.

The remaining economic life and the depreciation method used are reassessed at the closing of every financial year. Any change in the economic life of an intangible asset is treated as a revaluation.

Internally generated intangible assets are only recognized if all the following conditions are satisfied:

- an identifiable asset has been generated ;
- it is likely that the generated asset will yield future economic benefits and ;
- the asset's cost price can be reliably determined.

Subsequent expenditure on capitalized intangible assets is only included in the balance sheet if it increases the likely future economic benefits associated with the asset concerned. All other expenditure is recorded in the income statement at the time it is incurred.

Licences, patents and similar rights

Expenditure on purchased licences, patents, trademarks and similar rights is capitalized and depreciated on a straight-line basis over the contractual term, where applicable, or over the estimate economic life, which is deemed to be no more than five years.

Computer software

Expenditure relating to the development or maintenance of computer software is normally offset against the result of the period in which it is incurred. Only external expenditure which is directly related to the purchase and implementation of purchased software is recorded as an intangible asset and depreciated on a straight-line basis over three years. Purchased ERP software and the associated implementation costs are depreciated on a straight-line basis over seven years.

Research and development

Research expenditure with a view to the acquisition of new scientific or technological insights or knowledge is included as a cost in the income statement as it arises. Development expenditure in which research results are used in a plan or design for the production of new or substantially improved products and processes prior to commercial production or implementation is only recognized in the balance sheet if all the following conditions are satisfied:

- the product or process is precisely defined and the expenditure is individually identifiable and reliably measurable;
- the product's technical feasibility has been sufficiently demonstrated;
- the product or process will be commercialized or used within the company;
- the assets will generate future economic benefits (e.g. a potential market exists for the product or its internal usefulness has been sufficiently proven);
- the appropriate technical, financial and other resources are available to finalize the project.

If the above criteria are not satisfied, the development costs are taken to the income statement as they arise. Capitalized development costs are depreciated on a straight-line basis over the expected duration of the generated benefits from the start of commercial production or the implementation of the product or process.

Goodwill

Goodwill is measured as the difference between the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquire, and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3). If this difference is negative, the surplus, after reassessment of the fair values, is accounted for directly in the income statement.

Goodwill is recorded as an asset and subjected to an impairment test at least once a year. Any impairment loss is immediately recorded in the profit and loss account and is not subsequently written back.

On the disposal of a subsidiary, associated undertaking or entity over which joint control is exercised, the related goodwill is included in the calculation of the gain or loss on disposal.

Property, plant and equipment

Tangible assets are valued at cost price less accumulated depreciation and impairments. A tangible asset is recognized if it is likely that the Group will receive the associated future economic benefits and if the asset's cost price can be reliably determined.

The cost price includes all direct costs and all directly attributable costs incurred in order to bring the asset to the location and condition necessary for it to function in the intended way.

Subsequent expenditure associated with a tangible asset is usually recorded in the income statement as it is incurred. Such expenditure is only capitalized if it can be clearly shown to result in an increase in the expected future economic benefits from the use of the tangible asset compared with the original estimate.

Repair and maintenance costs which do not increase the likely future economic benefits are recorded as costs as they are incurred.

The different categories of tangible assets are depreciated by the straight-line method over their estimated economic life. Depreciation commences once the assets are ready for their intended use.

The estimated economic life of the main tangible assets lies within the following ranges:

Buildings: 20 years
Machines: 5 to 15 years
Equipment: 10 years
Furniture: 5 years
Hardware: 5 years
Vehicles: 5 years

If an asset's book value is higher than the estimated realizable value, it is immediately written down to the realizable value.

The gain or loss on the sale or disposal of an asset is determined as the difference between the net income on disposal and the asset's book value. This difference is recorded in the income statement.

Impairment of tangible and intangible assets

As goodwill, which is subjected to an impairment test every year, intangible assets and tangible assets also are subject to an evaluation when there is an indication that their book value may be lower than their realizable value. If an asset does not generate a cash inflow which is independent of other assets, the Group estimates the realizable value of the division to which the asset belongs.

The realizable value is the highest value of the fair value minus sales costs and the value to the business.

The method of the going concern value uses cash flow forecasts based on the financial budget that is approved by the management. Cash flows after this period are extrapolated by making use of the most justified percentage growth over the long term for the sector in which the division is active. The management bases its assumptions (prices, volumes, return) on past performances and on its expectations with regard to the development of the market. The weighted average growth percentages are in conformity with the forecasts included in the sector reports. The discount rate used is the estimated weighted average equity cost of the Group before taxes, and takes account of the current market evaluations of the time value of money and the risks for which the future cash flows are adapted.

If the realizable value of an asset (or division) is estimated to be lower than its book value, the asset's (or division's) book value is reduced to its realizable value. An impairment loss is immediately recorded in the income statement.

If an impairment loss is subsequently written back, the asset's (or division's) book value is increased to the revised estimate of its realizable value, but only to the extent that the increased book value is no higher than the book value that would have been recorded if no impairment loss had been recorded for the asset (or division) in previous years. However, impairment losses on goodwill are never written back.

Borrowing costs

The borrowing costs that are directly attributable to the acquisition or construction of the capital assets are capitalized. Other borrowing costs are recognized as an expense in the year in which they are incurred. In 2017 no borrowing costs were capitalized.

Lease agreements

Financial leasing

Lease agreements which assign to the Group all the main risks and benefits associated with ownership are regarded as financial leasing. The assets acquired under financial leasing arrangements are stated in the balance sheet at their fair value at the start of the lease agreement, or, if this is lower, at the present value of the minimum lease payments, less accumulated depreciation and impairments.

The discount rate used in the calculation of the present value of the minimum lease payments is the interest rate implicit in the lease agreement, where this can be determined, or otherwise the company's marginal borrowing rate. Initial direct costs are included in the capitalized amount. Lease payments are broken down into interest charges and repayments of the principal. The interest charges are spread over the duration of the lease agreement such that a constant periodic interest rate is obtained on the outstanding balance for each period. A financial lease agreement results in the recording of both a depreciation amount and an interest charge in each period. The depreciation rules for assets acquired under financial leasing arrangements are consistent with those for assets over which full ownership is acquired.

Operational leasing

Lease agreements in which all the main risks and benefits associated with ownership reside with the lessor are regarded as operational leasing. In operational leasing, the lease payments are recorded as costs and spread on a straight-line basis over the lease period. The total value of discounts or benefits granted by the lessor is offset against the leasing costs and spread on a straight-line basis over the lease period.

Investment property

A property investment, i.e. one which is maintained in order to generate rental income, an appreciation of value or both, is shown at amortized cost on the balance sheet date. The estimated economic life of the investment property is between 10 and 20 years.

Financial investments

Investments are recorded in/removed from the accounts on the transaction date, i.e. the date on which an entity undertakes to buy or sell the asset in question. Financial investments are valued at the fair value of the price paid, plus the transaction costs. Investments held for trading or available for sale are recorded at their fair value. If investments are maintained for trading purposes, the gains and losses arising from changes in the fair value are taken to the profit and loss account for the period in question. In the case of investments which are available for sale, gains and losses arising from changes in the fair value are immediately recognized in equity until the financial asset is sold or subject to impairment.

In this case, the cumulative gain or loss which had previously been recognized in equity is included in the income statement for the period. Participations which are classified as available for sale, which are not listed on an active market and whose fair value cannot reliably be determined using alternative valuation rules are valued at cost price. Financial investments which are held until they mature are valued at their amortized cost price, using the effective interest method.

Investment grants

Investment grants relating to the purchase of tangible fixed assets are offset against the purchase price or manufacturing cost of the assets in question. The expected amount is recorded in the balance sheet at the time of initial approval, and, if necessary, corrected subsequently at the time of definitive allocation of the grant. The grant is recorded in the income statement in proportion with the depreciation of the tangible assets for which it was obtained.

Inventories

Inventories are valued at the lower of cost price or realizable value. The cost price includes all direct and indirect costs incurred to bring the goods to the stage of completion they have reached on the balance sheet date. The cost price is calculated using the weighted average cost price method. The realizable value is the estimated sale price minus the estimated finishing costs and costs associated with marketing, sale and distribution.

Receivables

Short-term receivables are stated at nominal value, less suitable provisions for any receivables regarded as doubtful. Long-term receivables are valued at amortized cost price.

Cash and cash equivalents

Cash and short-term investments which are maintained until the end of the period are stated at their cost price. Cash equivalents are short-term, extremely liquid investments which can be converted immediately into cash of a known amount, and which do not carry any material risk of change of value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified on the basis of the economic reality of the contractual agreement. An equity instrument is a contract which includes the residual right to a share in the Group's assets, after the deduction of all liabilities. Equity instruments issued by the Company are recorded to the amount of the received consideration, less the direct costs of issue.

Income tax

Income tax expense represents the sum of the tax due for the reporting period and deferred taxes. The tax due for the reporting period is based on the taxable profit for the period. Taxable profit differs from the net profit in the income statement, because it excludes certain items of income or expenditure which are taxable or deductible in subsequent years, or which will never be taxable or deductible. The current tax liability is calculated on the basis of the tax rates for which the legislative process has been (substantially) completed by the balance sheet date.

Deferred taxes are taxes which are expected to be paid or recovered on the basis of differences between the book value of assets or liabilities in the annual accounts and their taxable value used for the calculation of the taxable profit. They are accounted for using the balance sheet liability method. Deferred tax liabilities are usually recognized for all taxable temporary differences and deferred tax receivables are recognized to the extent that it is likely that a taxable profit will be available against which the recoverable temporary difference can be offset. Such assets and liabilities are not recorded if the temporary differences arise from goodwill or from the initial recognition (other than in connection with a business combination) of other assets and liabilities in a transaction which has no effect on the taxable profit or the profit before tax.

Deferred tax liabilities are recognized for taxable temporary differences which relate to investments in subsidiaries, associated undertakings and enterprises accounted for by the equity method unless the Group can determine the time when the temporary difference will be resolved or if it is likely that the temporary difference will not be resolved in the near future.

The book value of deferred tax receivable is assessed at every balance sheet date and reduced if it is no longer likely that sufficient taxable profit will be available to make it possible to use all or some of the benefit of the deferred tax receivable.

Deferred taxes are valued on the basis of the tax rates which are expected to apply in the period in which the tax recovery is realized or the liability is settled. Deferred taxes are recorded as income or expenses in the income statement for the period, unless the taxation arises from a transaction or event that has been directly included in equity. In this case, the deferred tax is also accounted for in equity.

Retirement benefit obligation

In accordance with laws and practices of each country, some entities have either defined benefit plans or defined contribution plans.

Defined contribution plans

Contributions to defined contribution plans are recorded as an expense as they fall due.

Defined benefit plans

In defined benefit plans, the amount on the balance sheet (the 'net liability') corresponds to the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in the income statement at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized.

Provisions

Provisions are established in the balance sheet if the Group has a legally enforceable or de facto liability on the balance sheet date as a result of an event in the past, for which it is likely that an outlay will be required of resources which contain economic benefits, and if this outlay can be reliably estimated. The amount recorded as a provision is the best estimate on the balance sheet date of the outlay required to satisfy the existing liability, if necessary discounted if the time value of money is relevant.

Provisions for reorganization costs are recorded if the Group has a detailed formal plan for the reorganization that has already been communicated to the parties concerned before the balance sheet date

Interest-bearing financing

Interest-bearing financing is recorded at the value of the income received less transaction costs incurred. It is then valued at amortized cost price using the effective interest rate method. Any difference between the income (after deduction of transaction costs) and the redemption value (including premiums payable on redemption) is recorded in the income statement over the period of the financing.

Trading accounts payable and other payables

Non-interest-bearing trade liabilities are valued at their cost price, which represents the fair value of the amount payable.

Derivative financial instruments

The Group uses various derivatives to hedge against currency risks arising from its operating activities, financing and investment activities. The net risk of all Group subsidiaries is managed centrally in line with the objectives and rules established by the Group management. It is the Group's policy to avoid engaging in speculative transactions or transactions with a leverage effect and not to engage in trading in financial instruments under any circumstances.

Derivative financial instruments are treated as follows:

Cash flow hedging

Changes in the fair value of derivative financial instruments which are ascertained to provide effective hedging for future cash flows are recorded directly in equity, while the non-effective element of the gain or loss on the hedging instrument is recorded in the profit and loss account. If the cash flow hedging of a fixed commitment or a highly likely future transaction results in the recognition of a non-financial asset or liability, then the associated profits and losses on the derivative instrument which were formerly recorded in equity are now included in the initial valuation of the non-financial asset or liability at the time of recognition. For hedges which do not result in the recognition of a non-financial asset or liability, amounts which were deferred in equity are recorded in the profit and loss account for the period during which the hedged item affects the gain or loss.

Fair value hedging

A derivative instrument is recorded as a fair value hedge if the instrument hedges against the risk that the fair value of the recorded assets and liabilities may change. Derivatives accounted for as fair value hedges and hedged assets and liabilities are recorded at their fair value. The corresponding changes in the fair value are recorded in the income statement.

Non-hedging derivatives

Changes in the fair value of derivative financial instruments which do not qualify as hedging transactions are recorded in the income statement when they arise. Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated or exercised or when the hedging no longer satisfies the criteria for hedge accounting. In this case the cumulative gain or loss on the hedging instrument which is accounted for directly in equity continues to be recorded separately in equity until the expected future transaction takes place. If an expected future transaction is not expected to take place any more, the cumulative gain or loss shown in the equity is transferred to the income statement for the period.

Revenue

Revenue is recorded if it is likely that the company will receive the economic benefits associated with the transaction and the amount of the revenue can be measured reliably. Turnover is recorded after the deduction of turnover tax and discounts. Revenue from the sale of goods is recorded when the delivery and the complete transfer of risks and benefits have taken place. Interest revenue is recorded on a time basis that reflects the actual return on the asset. Royalties are included on an accrual basis in accordance with the conditions of the agreement. Dividends are recorded when the shareholder's right to receive them has arisen.

3.1.6. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources (for example useful life of property, plant and equipment, assessment recoverability of deferred tax assets, estimates in measuring defined benefit obligations, credit risk). The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

3.1.7. Goodwill impairment analysis

Impairment analysis 2017

We assessed the recoverable amount of each of the cash-generating units to which goodwill is allocated. Because of the strong (vertical) integration and interdependency of the Group's activities, the cash-generating units generally correspond with the segments identified in accordance with IFRS 8 (see also paragraph 3.2. on Segment Information). However, the main acquisitions of 2017 and 2016 (James Dewhurst Group and Dimension-Polyant) were considered as separate cash-generating units for the 2017 impairment analysis. Over time, after further integration James Dewhurst Group and Dimension-Polyant are expected to become part of the 'coating' cash-generating unit.

In 2017, there were no cash-generating units for which there was an indicator of impairment.

Key assumptions impairment analysis 2017

The recoverable amount of the different cash-generating units has been determined on the basis of a value-in-use approach. Calculations of the value in use cover a five-year period (2018 – 2022) and a perpetual value.

Cash flow estimates are prepared based on:

- The 2018 budget, approved by the Board of Directors,
- The strategic plan (2019 – 2022) on the long-term development of the business environment, approved by the Board of Directors
- A perpetual value

- The most important key assumptions are future growth rates, profitability levels (gross margin and EBITDA), capital expenditures, and working capital evolutions. The following assumptions apply for the cash flow estimates of these three time horizons:
- 2018 budget: the growth rate of our global business for 2018 is estimated at 7% (partly due to the 'full-year-effect' of 2017 acquisitions). The growth of the different cash-generating units is based on detailed forecasts on product and market level. Profitability levels are based on the estimated raw material prices for 2018 and planned cost structures. Capital expenditures are based on detailed capital expenditure plans for each production unit. Working capital requirements evolutions are based on the 2018 goals for each working capital component.
- Strategic plan 2019 – 2022: the average growth rate in this time horizon of our different cash-generating units is based on GDP + 2%/3%. This growth rate is a combination of inflation, nominal growth of the economy, and the ambition of Sioen to enforce its position in existing and new markets. Profitability levels are based on normalized gross margins and planned improvements on the cost structure in this time horizon. Capital expenditures are based on normal replacement capital expenditures and planned projects to improve the cost structure. Working capital evolutions are calculated as a percentage of incremental sales based on the past performance of the different cash-generating units.
- The perpetual value for each individual cash-generating unit is based on a terminal 2% growth rate (which is mainly based on a conservative industrial GDP evolution assumption) and normal capital expenditure replacements.
- The post-tax discount rate applied to the cash flow is based on the Group's weighted average cost of capital, in view of the business risks and is estimated at 8.07% for the apparel division, 8.38% for the chemicals division, 10.45% for James Dewhurst Group CGU, 7.14% for Dimension-Polyant and 7.44% for the remaining coating division.

The main assumptions in the WACC calculations are

- a risk free rate of 0.64%,
- a beta of 1.25 for Apparel, 1.13 for Chemicals, 1.65 for James Dewhurst Group, 1.18 for Dimension-Polyant and 1.13 for the remaining coating division,
- a market risk premium of 6 – 7.6% (depending on the geographical area of the business activities of the respective cash-generating unit),
- a benchmarked capital structure of respectively 76.3% equity/23.7% debt for the James Dewhurst Group CGU, the Dimension-Polyant CGU and the remaining coating division, 77.1%/22.9% for the Apparel CGU and 88.6%/11.4% for the Chemicals CGU,
- a post-tax cost of debt of 1.53%

Key assumptions impairment analysis 2016

We refer to the 2016 annual report for the assumptions of the 2016 impairment analysis.

Results impairment testing

The amount by which the division's recoverable amount exceeds its carrying amount has been assessed as follows:
- 0-20% exceeds moderately
- 20-50% exceeds clearly
- Over 50% exceeds significantly

2017	Carrying amount in relation to recoverable amount of cash-generating units with significant carrying amounts of assets	Excess discounted cash flow(1)
Apparel division	exceeds significantly	46 894
Chemicals division	exceeds significantly	45 544
Dimension-Polyant CGU	exceeds clearly	8 336
James Dewhurst Group CGU	exceeds clearly	12 031
Remaining coating division (excluding Dimension-Polyant CGU and James Dewhurst Group CGU)	exceeds significantly	322 014

2016	Carrying amount in relation to recoverable amount of cash-generating units with significant carrying amounts of assets	Excess discounted cash flow(1)
Apparel division	exceeds significantly	82 192
Chemicals division	exceeds significantly	79 110
Coating division	exceeds significantly	337 664

(1) The excess discounted cash flow equals the discounted cash flow, minus the carrying value. The carrying value equals the invested capital: intangible assets + goodwill + property, plant and equipment + investment property + working capital.

Sensitivities

The Group's impairment review is sensitive to a change in key assumptions used.
The following sensitivity scenarios were prepared:

1. A 1% decrease of the nominal EBIT amount both in the forecast period (2018-2022) and in the perpetual value

2. A 1 p.p. decrease in the growth rate and a 1% decrease of the derived nominal EBIT both in the forecast period (2018-2022) and in the perpetual value

3. A 1 p.p. increase in the discount rate

4. A 1 p.p. decrease in the discount rate

5. A 1 p.p. decrease in the perpetual growth rate only

6. The effect of a general 10% raw material price increase in the coating (excluding Dimension-Polyant CGU and James Dewhurst Group CGU) & chemicals division, in 2019 and 2021, with a recovery of the gross margin with a delay of one year

The first column in the table below reflects the excess discounted cash flow (= discounted cash flow – carrying value), as a percentage of the carrying value (the carrying value equals the invested capital: intangible assets + goodwill + property, plant and equipment + working capital). The next 6 columns reflect the change in excess discounted value for each of the 6 above described scenarios.

2017	Excess discounted cash flow (DCF) versus carrying value (%)	Sensitivity scenario 1	Sensitivity scenario 2	Sensitivity scenario 3	Sensitivity scenario 4	Sensitivity scenario 5	Sensitivity scenario 6
Apparel division	48.3%	-14.6%	-39.7%	-45.5%	63.5%	-36.1%	not applicable
Chemicals division	216.6%	-1.7%	-21.8%	-21.7%	29.8%	-17.1%	-9.0%
Dimension-Polyant CGU	20.0%	-6.4%	-68.2%	-90.9%	134.3%	-73.6%	not applicable
James Dewhurst Group CGU	23.2%	-83.9%	-127.2%	-54.3%	68.6%	-38.8%	not applicable
Remaining Coating division	246.2%	-1.5%	-22.5%	-22.9%	33.2%	-18.6%	-5.5%

2016	Excess discounted cash flow (DCF) versus carrying value (%)	Sensitivity scenario 1	Sensitivity scenario 2	Sensitivity scenario 3	Sensitivity scenario 4	Sensitivity scenario 5	Sensitivity scenario 6
Apparel division	89.9%	- 5.3%	- 64.8%	- 37.0%	57.6%	- 31.0%	not applicable
Chemicals division	387.3%	- 2.0%	- 32.2%	- 22.8%	35.5%	- 19.2%	not applicable
Coating division	196.3%	- 2.3%	- 43.2%	- 27.5%	42.8%	- 23.0%	not applicable

3.2. Segment information

3.2.1. Adoption of IFRS 8 operating segments / in thousands of euros

Operating segments are reported in a way consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

Divisions

For the purposes of management reporting to the chief operating decision maker, the Group is organized into three reportable operating divisions - coating, apparel and chemicals. The principal products and services of each of these operating divisions are described in the first part of this annual report.

The Group's three principal activities are:

- the production of a wide variety of technical textiles, coated with various polymers and marketed in different markets. The **coating operations** are fully integrated and interdependent. The main area of activity within this division, with a centralized R&D, marketing and sales department, is the polymer know how. This approach allows the coating division to explore different end-user markets with a wide variety of products.
- the production of technical protective apparel. With a central R&D, sales and marketing department, the main area of activity of the **apparel division** is the innovation and production of high-quality technical protective garments that meets all European standards. This operating division is active in various sectors (industry, leisure wear, specialized markets) where attention to safety is a priority.
- the processing of basic raw materials into high quality technical semi-finished products. An intensive cooperation of central R&D and sales department, within the **chemicals division**, is the key driver for the development of high quality pigment pastes, decorative inks, varnishes and inks for digital printing for various markets.

These principal activities coincide with the main product groups.

Segment revenues and results

	Coating	Apparel	Chemicals	Other	Total	Note
Year ended 31 December 2017						
Revenue from external customers	297 006	132 315	43 801		**473 122**	2.2.1
Intersegment revenues	4 182	36	10 604			
Segment operating result	30 143	6 452	5 898	894	**43 387**	
Year ended 31 December 2016						
Revenue from external customers	227 609	94 851	40 907		**363 367**	2.2.1
Intersegment revenues	4 049	213	9 600			
Segment operating result	27 693	10 111	7 208	1 352	**46 364**	

Intersegment sales are undertaken at prevailing market conditions.

	Note	2017	2016
Segment operating result		**43 387**	**46 364**
Reconciling items:			
• Elimination of intersegment results		-1 892	-1 666
Operating result	2.2.1	**41 496**	**44 697**
• Financial charges	2.2.1	-8 418	-8 343
• Financial income	2.2.1	510	1 695
Profit (loss) before tax	2.2.1	**33 587**	**38 049**

Segment assets and liabilities

	Coating	Apparel	Chemicals	Other	Unallocated/ eliminations	Total	Note
Year ended 31 December 2017							
Segment assets	287 729	122 737	30 991	5 640	-7 130	**439 967**	2.1
Segment liabilities	251 765	96 417	17 131	38 337	-163 227	**240 424**	
Year ended 31 December 2016							
Segment assets	228 030	112 560	28 810	6 977	-7 971	**368 406**	2.1
Segment liabilities	167 799	86 654	16 786	40 551	-132 570	**179 221**	

The segment liabilities, including the centrally contracted financial debt, have been allocated according to the capital employed by the segment. The assets and liabilities of the head office (Group) have been allocated to the segments as good as possible. Unallocated assets or liabilities are head office assets/liabilities which have not been allocated to the segments.

Information about major customers

There is no reliance on a limited number of customers and there are no revenues from transactions with a single external customer amounting to 10% or more of the total Group revenues. We refer to note 3.5.8. Trade receivables.

Other segment information

	Coating	Apparel	Chemicals	Other	Head office	Total	Note
Year ended 31 December 2017							
Depreciation and amortisation	15 888	4 167	980	183	919	**22 138**	2.2.1
Additions to non-current assets	17 035	11 951	371		1 401	**30 758**	
Year ended 31 December 2016							
Depreciation and amortisation	12 341	1 570	1 248	204	1 054	**16 417**	2.2.1
Additions to non-current assets	8 284	19 252	495		985	**29 015**	

3.2.2. Geographical information | in thousands of euros

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below. The geographical revenue split is based on the country invoiced. The non-current assets are excluding interests in associates, other long term assets and deferred tax assets.

2017	Note	Gross sales		Non-current assets	Additions to non-current assets
France		77 522	*16.3%*	6 336	449
Germany		76 393	*16.0%*	25 708	1 125
Eastern Europe		47 401	*10.0%*	2 288	100
Belgium		47 280	*9.9%*	80 496	5 808
Scandinavia		33 194	*7.0%*	36 621	11 179
The Netherlands		31 881	*6.7%*	4 868	
UK		30 711	*6.4%*	37 746	2 809
Italy		25 137	*5.3%*	16 477	8 356
US		20 041	*4.2%*	7 879	299
Austria		13 431	*2.8%*	3	1
Spain		10 226	*2.1%*		
Switzerland		9 602	*2.0%*		
China		8 628	*1.8%*	29	2
Portugal		4 616	*1.0%*	277	5
Ireland		4 537	*1.0%*	122	
Australia		4 504	*0.9%*	15	8
Other		31 214	*6.6%*	3 869	616
Subtotal		476 318	*100.0%*	222 734	30 758
Discounts		- 3 196			
Net sales		473 122			

2016	Note	Gross sales		Non-current assets	Additions to non-current assets
France		63 821	*17.4%*	7 182	288
Germany		61 411	*16.8%*	27 056	3 080
Eastern Europe		42 163	*11.5%*	2 594	179
Belgium		39 229	*10.7%*	83 597	6 199
Scandinavia		10 487	*2.9%*	22 014	17 725
The Netherlands		28 491	*7.8%*	5 953	3
UK		27 930	*7.6%*	20	2
Italy		17 884	*4.9%*	9 302	356
US		8 221	*2.2%*	3 924	- 37
Austria		13 534	*3.7%*	13	11
Spain		9 622	*2.6%*		
Switzerland		8 505	*2.3%*		
China		5 477	*1.5%*	35	1
Portugal		4 925	*1.3%*	305	17
Ireland		3 939	*1.1%*	152	104
Australia		1 793	*0.5%*	24	7
Other		18 413	*5.0%*	4 556	1 080
Subtotal		365 844	*100 .0%*	166 727	29 015
Discounts		- 2 477			
Net sales	2.2.1	363 367			

3.3. Exchange rates

Code	Rate	2017	2016
EUR	average	1.0000	1.0000
	closing	1.0000	1.0000
USD	average	1.1370	1.1032
	closing	1.1993	1.0541
GBP	average	0.8757	0.8227
	closing	0.8872	0.8561
RMB	average	7.6558	7.3416
	closing	7.8046	7.3201
PLN	average	4.2427	4.3745
	closing	4.1769	4.4103
TND	average	2.7459	2.3824
	closing	2.9478	2.4301
UAH	average	30.4044	28.4010
	closing	33.9559	28.5470
AUD	average	1.4795	1.4852
	closing	1.5346	1.4596
SEK	average	9.6460	9.4715
	closing	9.8435	9.5529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3.4. Detailed consolidated income statement

3.4.1. By function | In thousands of euros

	Note	2017	2016
Net sales			
Sales of goods		481 159	369 448
Subcontracting		347	157
Commissions and discounts		- 8 384	- 6 238
Net sales	2.2.1	473 122	363 367
Cost of sales			
Purchases		- 225 957	- 175 623
Transport cost goods purchased		- 2 537	- 2 094
Stock variation		- 4 796	9 263
Subcontracting		- 7 353	- 5 067
Remuneration, social security and pensions		- 62 908	- 47 145
Depreciations		- 14 488	- 13 007
Other, services and goods		- 48 069	- 38 942
Write off inventories and receivables		- 1 870	1 846
Cost of sales	2.2.2	- 367 977	- 270 770
Sales and marketing expenses			
Subcontracting		4	
Remuneration, social security and pensions		- 17 384	- 13 415
Depreciations		- 132	- 132
Other, services and goods		- 8 926	- 7 518
Write off inventories and receivables		76	105
Sales and marketing expenses	2.2.2	- 26 362	- 20 960
Research and development expenses			
Stock variation		- 2	- 3
Remuneration, social security and pensions		- 6 452	- 5 266
Depreciations		- 192	- 172
Other, services and goods		- 2 835	- 2 088
Research and development expenses	2.2.2	- 9 481	- 7 530
Administrative expenses			
Remuneration, social security and pensions		- 12 745	- 9 376
Depreciations		- 7 326	- 3 106
Other, services and goods		- 14 230	- 12 396
Write off inventories and receivables		- 1	
Administrative expenses	2.2.2	- 34 302	- 24 878
Other income			
Gains on disposal on items of PPE		86	77
Received indemnities		188	355
Received rent		1 457	1 387
Other		5 121	4 724
Other income	2.2.2	6 853	6 544
Other expenses			
Losses on disposal of items of PPE		- 240	- 47
Provisions for liabilities and charges(1)		1 035	13
Local taxes		- 706	- 818
Other		- 446	- 224
Other expenses	2.2.2	- 358	- 1 076

	Note	2017	2016
Financial result			
Interests received		14	335
Interests paid		- 3 158	- 3 069
Interest result		- 3 144	- 2 734
Currency income trade receivables			139
Currency income trade payables		1	33
Currency expenses trade receivables		- 573	- 866
Currency expenses trade payables		- 69	- 462
Currency result other[(2)]		- 723	- 3 124
Realized currency result		- 1 364	- 4 280
Revaluation income trade receivables			287
Revaluation income trade payables		1	7
Revaluation expenses trade receivables		- 254	
Revaluation expenses trade payables		- 660	- 113
Fair value hedging instruments[(3)]		- 783	344
Gain (loss) arising from cash flow hedges			- 35
Revaluation other[(4)]		- 1 665	- 274
Unrealized currency result		- 3 361	215
Other		- 39	150
Financial result	2.2.1	- 7 909	- 6 648
Income tax			
Current tax		- 15 566	- 6 602
Deferred tax		4 010	- 5 452
Income tax	3.4.2	- 11 556	- 12 054
Profit (loss) after taxes		22 031	25 996
Share in the results of associates		- 168	- 37
Group profit (loss)		21 863	25 958

(1) Mainly use reorganization provision in Indonesia

(2) Mainly due to currency result on GBP

(3) 2017: negative market value on forward exchange position (USD) and on interest rate swaps, 2016: positive market value on forward exchange position (USD), negative market value on interest rate swaps

(4) Mainly due to revaluation of USD

3.4.2. *Income tax / In thousands of euros*

	Note	2017		2016	
Profit (loss) before taxes	2.2.1	33 587		38 049	
Income tax as calculated at theoretical tax rate(1)		-11 047	-32,9%	- 12 689	- 33.3%
Tax impact of:					
effect of expenses that are not deductible in determining taxable profit(2)		- 663	-2.0%	- 519	-1.4%
effect of revenue under favourable tax regime(3)		205	0,6%	124	0.3%
withholding taxes		- 200	- 0.6%	- 173	- 0.5%
movement on deferred tax assets not recognized		- 164	- 0.5%	408	1.1%
deferred tax assets recognized on previously not recognized losses				40	0.1%
adjustments recognized in current year in relation to the tax of prior years(4)		-1 189	- 3.5%	482	1.3%
notional interest deduction		16	0.0%	246	0.6%
changes in tax rate(5)		2 425	7.2%	27	0.1%
new valuation allowance on previously recognized deferred tax assets(6)		- 939	- 2.8%		
Income tax as recognized in the income statement	2.2.1	-11 556	- 34.4%	- 12 054	- 31.7%
Current tax		- 15 566		- 6 602	
Deferred tax		4 010		- 5 452	

(1) Weighted average of the tax rates per country the Group is active in

(2) Mainly disallowed expenses in Belgium

(3) Corporate income tax rates of 10% or lower are considered as favorable tax regimes

(4) Negative tax effect in 2017 due to a partial reversal of historical write-off intercompany loans in the stand alone financial statements. As the loss was considered as irrevocable, no deferred tax offset was recorded at the moment of write-off. However, the Group made a reassessment of the write-offs based on the current situation. The reversal of the write-off itself has no impact on the consolidation as the intercompany loans are eliminated in full. The reversal of the write-off results in a negative current tax effect, which is reflected in the consolidated figures.

(5) Mainly related to recalculations of deferred taxes due to the tax reform in Belgium

(6) Deferred tax assets not recognized because assessment shows it is not probable that they can be utilized in the near future, mainly related to a closure in Indonesia

3.4.3. *Dividends*

The proposed gross dividend for the period ending 31 December 2017 is EUR 0.56 per share or EUR 11 076 762 in total. The proposed dividend awaits shareholders' approval at the General Shareholders' Meeting and is not shown as a liability in these financial statements.

The gross dividend for the period ending 31 December 2016 amounted to EUR 0.53 per share or EUR 10 483 365 in total.

3.5. Notes to the consolidated statement of financial position

3.5.1. Intangible assets / In thousands of euros

Total additions of intangible assets amount to EUR 1.2 million in 2017 compared with EUR 0.9 million in 2016. Additions in 2017 and 2016 mainly related to software in the shared service center.

Amortization expenses of intangible assets amount to EUR 6.5 million in 2017 (2016: EUR 2.5 million). Amortization expenses have been included in the line item 'depreciations' in the income statement by nature and are shown mainly in administrative expenses in the income statement by function.

2017	Formation expenses	Development expenses	Concessions, patents, licences etc.	Software	Customer portfolio	Total	Note
Acquisition							
Opening balance	**9**	**21**	**20 353**	**17 975**	**8 355**	**46 714**	
Additions		17	22	1 198		1 237	
Disposals	- 8			- 23		- 31	
Sales				- 23		- 23	
Transfers(1)		18	-4 975	5 167	- 248	- 38	
Effect of foreign currency exchange differences			- 378	- 52		- 430	
Acquired through business combinations(2)			41 434		3 681	45 115	
Closing balance	**1**	**56**	**56 456**	**24 242**	**11 788**	**92 544**	
Depreciation							
Opening balance	**- 1**	**- 11**	**- 12 023**	**- 15 625**	**- 7 535**	**- 35 196**	
Disposals				23		23	
Sales				23		23	
Transfers(1)			542	- 551	9		
Effect of foreign currency exchange differences			30	51		81	
Amortization expenses		- 14	- 4 525	- 1 379	- 545	- 6 463	
Closing balance	**- 1**	**- 25**	**- 15 977**	**- 17 458**	**- 8 070**	**- 41 531**	
Net book value							
Opening balance	**8**	**11**	**8 330**	**2 349**	**820**	**11 519**	**2.1**
Closing balance		**31**	**40 479**	**6 784**	**3 718**	**51 013**	**2.1**

(1) The amounts on 'transfers' relate to a misclassification in one of the acquired companies.

(2) The amounts on 'acquired through business combinations' mainly relate to technologies, brand assets, backlog and product portfolio's.

2016	Formation expenses	Development expenses	Concessions, patents, licences etc.	Software	Customer portfolio	Total	Note
Acquisition							
Opening balance	**- 4**	**30**	**12 889**	**17 184**	**8 107**	**38 207**	
Additions	8		61	785		854	
Disposals	5	- 9	- 5	- 31		- 40	
Sales							
Transfers							
Effect of foreign currency exchange differences			- 26	10		- 16	
Acquired through business combinations			7 434	26	248	7 708	
Closing balance	**9**	**21**	**20 353**	**17 975**	**8 355**	**46 714**	
Depreciation							
Opening balance	**4**	**- 14**	**- 10 801**	**- 14 577**	**- 7 333**	**- 32 721**	
Disposals	- 5	9	- 17	- 2		- 16	
Sales							
Transfers							
Effect of foreign currency exchange differences			26	- 10		16	
Amortization expenses		- 5	- 1 232	- 1 036	- 202	- 2 475	
Closing balance	**- 1**	**- 11**	**- 12 023**	**- 15 625**	**- 7 535**	**- 35 196**	
Net book value							
Opening balance		**16**	**2 090**	**2 607**	**774**	**5 487**	
Closing balance	**8**	**11**	**8 330**	**2 349**	**820**	**11 519**	**2.1**

3.5.2. Goodwill / In thousands of euros

	Note	2017	2016
Opening balance		**39 372**	**18 618**
Increase		13 608	20 393
Decrease		- 9 639	
Effect of foreign currency exchange differences		- 32	11
Acquired through business combinations			350
Closing balance	**2.1**	**43 308**	**39 372**

Allocation to segments 2017:	
Coating	16 494
Apparel	22 204
Chemicals	4 610
Allocation to segments 2016:	
Coating	13 879
Apparel	20 882
Chemicals	4 610

Goodwill has been allocated for impairment testing purposes to the following divisions:

- Coating division
- Apparel division
- Chemicals division

The carrying amount of goodwill acquired in a business combination is allocated on a reasonable and consistent basis to each division, in conformity with IAS 36. For the discount factors used, applied in the value in use model, we refer to 3.1.7., Goodwill impairment analysis 2017. Management bases its assumptions on past performances and on its expectations over the coming years. An impairment analysis has been done at the end of 2017. No impairments losses have been recognized in the year.

For more information regarding the increase and decrease of goodwill, we refer to 3.5.18. Business combinations and disposal of subsidiaries.

3.5.3. Property, plant and equipment

During 2017 the total additions of property, plant and equipment amounted to EUR 15.9 million.

The main additions in 2017 were:

- EUR 14.3 million in the coating division (mainly machinery and land and buildings).
- EUR 1.0 million in the apparel division (mainly machinery).
- EUR 0.4 million in the chemicals division (mainly machinery).
- EUR 0.3 million in the shared service center (mainly hardware).

During 2016, the total additions of property, plant and equipment amounted to EUR 7.8 million.

The main additions in 2016 were:

- EUR 5.5 million in the coating division (mainly machinery).
- EUR 1.5 million in the apparel division (mainly machinery).
- EUR 0.5 million in the chemicals division (mainly machinery).
- EUR 0.2 million in the shared service center (mainly hardware).

Buildings for rent are classified as investment property (see note 3.5.4.).

The different categories of property, plant and equipment are depreciated by the straight-line method over their estimated useful life. Depreciation commences once the assets are ready for their intended use.

The following economic lifecycles are used in the calculation of depreciation:
- Buildings: 20 years
- Machines: 5 to 15 years
- Equipment: 10 years
- Furniture: 5 years
- Hardware: 5 years
- Vehicles: 5 years

3.5.3. Property, plant and equipment (continued)

2017	Land	Buildings	Plant, machinery and equipment	Furniture, vehicles and hardware	Leasing and other similar obligations	Assets under construction	Total	Note
Acquisition								
Opening balance	**19 895**	**83 329**	**203 532**	**13 995**	**30 445**	**392**	**351 588**	
Additions	690	3 078	5 152	966	- 655	6 682	15 913	
Disposals		- 209	-4 763	-2 678			-7 650	
Sales			- 806	- 149			- 954	
Transfers	615	2 404	- 200	3	-2 718	- 66	38	
Effect of foreign currency exchange differences	- 77	-1 193	-1 515	- 494		- 17	-3 297	
Acquired through business combinations		6 293	8 060	122		176	14 650	
Closing balance	**21 123**	**93 700**	**209 460**	**11 765**	**27 072**	**7 168**	**370 288**	
Impairment								
Opening balance		**- 9**	**- 1 500**				**- 1 509**	
Disposals								
Sales								
Transfers								
Effect of foreign currency exchange differences								
Impairment losses recognized in profit or loss								
Closing balance		**- 9**	**- 1 500**				**- 1 509**	
Depreciation								
Opening balance	**- 165**	**- 54 094**	**- 154 193**	**- 12 188**	**- 19 027**		**- 239 666**	
Disposals		91	4 644	2 640			7 376	
Sales			778	149			927	
Transfers		- 2 481	- 13	13	2 481			
Effect of foreign currency exchange differences	22	657	943	440			2 063	
Depreciation	- 45	- 3 381	- 10 099	- 723	- 1 243		- 15 491	
Closing balance	**- 187**	**- 59 207**	**- 157 939**	**- 9 670**	**- 17 789**		**- 244 791**	
Net book value								
Opening balance	**19 730**	**29 226**	**47 838**	**1 807**	**11 419**	**392**	**110 412**	**2.1**
Closing balance	**20 936**	**34 485**	**50 021**	**2 095**	**9 283**	**7 168**	**123 986**	**2.1**

2016	Land	Buildings	Plant, machinery and equipment	Furniture, vehicles and hardware	Leasing and other similar obligations	Assets under construction	Total	Note
Acquisition								
Opening balance	**17 154**	**65 934**	**184 062**	**13 410**	**30 441**	**177**	**311 177**	
Additions	81	1 047	5 646	847		148	7 769	
Disposals		- 111	- 2 581	- 396	4	- 4	-3 088	
Sales			- 634	- 99		- 2	- 735	
Transfers	- 63	206	521			- 664		
Effect of foreign currency exchange differences	23	288	159	104		- 2	573	
Acquired through business combinations	2 700	15 965	16 359	129		739	35 891	
Closing balance	**19 895**	**83 329**	**203 532**	**13 995**	**30 445**	**392**	**351 588**	
Impairment								
Opening balance		**- 9**	**- 1 548**				**- 1 557**	
Disposals								
Sales								
Transfers								
Effect of foreign currency exchange differences								
Impairment losses recognized in profit or loss			48				48	
Closing balance		**- 9**	**- 1 500**				**- 1 509**	
Depreciation								
Opening balance	**- 113**	**- 51 002**	**- 148 834**	**- 11 996**	**- 17 396**		**- 229 340**	
Disposals		109	2 554	359	- 4		3 017	
Sales			635	90			725	
Transfers								
Effect of foreign currency exchange differences	- 6	- 165	- 46	- 93			- 309	
Depreciation	- 46	- 3 036	- 8 503	- 547	- 1 626		- 13 759	
Closing balance	**- 165**	**- 54 094**	**- 154 193**	**- 12 188**	**- 19 027**		**- 239 666**	
Net book value								
Opening balance	**17 041**	**14 923**	**33 678**	**1 414**	**13 046**	**177**	**80 279**	
Closing balance	**19 730**	**29 226**	**47 838**	**1 807**	**11 419**	**392**	**110 412**	**2.1**

(1) Assets pledged as security

There are no mortgages secured on the property, plant and equipment, except for a pledge of EUR 4.0 million on the building of Ursuk OY (acquisition end of 2016). The Group's obligations under finance leases (see note 3.5.11) are secured by the lessor's title to the leased assets.

(2) Contractual commitments

At 31 December 2017, the Group had contractual commitments for the acquisition of property, plant & equipment for a total amount of EUR 14.8 million.

3.5.4. Investment property / In thousands of euros

Investment property relates to industrial buildings in the Netherlands and Poland, which are kept for rental income.

	Note	2017	2016
Acquisition			
Opening balance		**6 374**	**6 545**
Sales		- 1 394	
Effect of foreign currency exchange differences		279	- 171
Closing balance		**5 258**	**6 374**
Depreciation			
Opening balance		**- 949**	**- 899**
Sales		528	
Effect of foreign currency exchange differences		- 227	133
Depreciation		-183	- 183
Closing balance		**- 831**	**- 949**
Net book value			
Opening balance		**5 425**	**5 647**
Closing balance	**2.1**	**4 427**	**5 425**

In 2017, a part of the buildings in the Netherlands has been sold. In 2016, there were no significant movements.

In 2017 total rental income amounted to EUR 1.2 million. Direct operational expenses relative to those industrial buildings amounted to EUR 0.7 million.

In 2016 total rental income amounted to EUR 1.1 million. Direct operational expenses relative to those industrial buildings amounted to EUR 0.7 million.

The fair value of investment property amounts to approximately EUR 10.8 million (EUR 10.4 million in 2016). This fair value is determined by the company by calculating the income method fair value based on actual rental prices. This exercise did not reveal any overstatements of the investment property amounts as disclosed above.

3.5.5. *Consolidated companies*

			% holding	
			2017	2016
List of consolidated companies on 31 December 2017:				
Coating	Coatex NV	Belgium	100.00%	100.00%
	Dynatex NV	Belgium	100.00%	100.00%
	Fontana International GmbH	Austria	100.00%	100.00%
	Manifattura Fontana S.p.A.	Italy	100.00%	100.00%
	Pennel Automotive SAS	France	100.00%	100.00%
	Saint Frères Confection SAS	France	100.00%	100.00%
	Saint Frères SAS	France	99.97%	99.97%
	Sioen Coated Fabrics (Shanghai) Trading Co. Ltd	China	100.00%	100.00%
	Sioen Fabrics SA	Belgium	100.00%	100.00%
	Sioen Felt & Filtration SA	Belgium	100.00%	100.00%
	Sioen Industries NV	Belgium	100.00%	100.00%
	Dimension-Polyant GmbH	Germany	100.00%	100.00%
	Dimension-Polyant Inc.	USA	100.00%	100.00%
	Dimension-Polyant Sailcloth PTY Ltd.	Australia	100.00%	100.00%
	Dimension-Polyant SAS	France	100.00%	100.00%
	Dimension-Polyant (UK) Ltd.	UK	100.00%	100.00%
	Siofab Indústria de Revestimentos Têxteis SA	Portugal	100.00%	100.00%
	James Dewhurst Ltd.	UK	100.00%	n.a.
	Dewtex Inc.	USA	100.00%	n.a.
	Jade Mezzanine Ltd.	UK	100.00%	n.a.
	Emerald Bond Ltd.	UK	100.00%	n.a.
	Jade Equity Ltd.	UK	100.00%	n.a.
	James Dewhurst Trustees Ltd.	UK	100.00%	n.a.
Apparel	Confection Tunisienne de Sécurité SARL	Tunisia	100.00%	100.00%
	Gairmeidi Caomhnaithe Dhun Na nGall Teoranta Ltd.	Ireland	100.00%	100.00%
	Mullion Survival Technology Ltd.	UK	100.00%	100.00%
	PT. Sioen Indonesia	Indonesia	100.00%	100.00%
	PT. Sungin Tex	Indonesia	100.00%	100.00%
	Sioen Asia Pacific PTE. Ltd.	Singapore	100.00%	100.00%
	Sioen France SAS	France	99.83%	99.83%
	Sioen Myanmar Ltd.	Myanmar	100.00%	99.00%
	Sioen NV	Belgium	99.87%	99.87%
	Sioen Tunisie SARL	Tunisia	99.84%	99.83%
	Sioen Zaghouan SA	Tunisia	99.95%	99.95%
	Siorom SRL	Romania	100.00%	100.00%
	Sioen Nederland BV	the Netherlands	100.00%	100.00%
	Ursuk OY	Finland	100.00%	100.00%
	PT. Sioen Semarang Asia	Indonesia	100.00%	100.00%
	SG Balticum AS	Estonia	100.00%	100.00%
	Ursuk AB	Sweden	100.00%	100.00%
	Sioen Ballistics OY	Finland	100.00%	n.a.
	Sioen Deutschland GmbH	Germany	100.00%	n.a.
Chemicals	European Master Batch NV	Belgium	100.00%	100.00%
	Richard SAS	France	99.91%	99.91%
Other	Monal SA	Luxemburg	100.00%	100.00%
	Roland Planen GmbH i.L.	Germany	100.00%	100.00%
	Roland Real Estate Sp.z.o.o.	Poland	100.00%	100.00%
	Roland Ukraine llc.	Ukraine	100.00%	100.00%
	Roltrans Group America Inc.	US	100.00%	100.00%
	Roltrans Group BV	the Netherlands	100.00%	100.00%
	Roltrans Tegelen BV	the Netherlands	100.00%	100.00%
List of equity accounted companies on 31 December 2017 (all associates):				
	At Sea Technologies NV	Belgium	27.36%	27.36%
	Tampereen sukelluskeskus OY	Finland	30.00%	30.00%
	Oulun sukelluskeskus OY[1]	Finland	70.00%	70.00%

(1) In view of the limited organisational structure of this company, Sioen decided to consolidate this company via the equity method. The impact on the consolidated financial statements is immaterial.

Changes with respect to 2016:

- In January 2017, Verseidag Ballistic Protection OY has been acquired. In August 2017, the name has been changed to Sioen Ballistics OY.

- In January 2017, UV Curable Systems BVBA has been acquired. This company has been merged into European Master Batch NV.

- In 2017, the company Sioen Deutschland GmbH was incorporated.

- In 2017, the James Dewhurst Group, consisting of James Dewhurst Ltd., Dewtex Inc., holding companies Jade Equity Ltd., Emerald Bond Ltd. and Jade Mezzanine Ltd. and dormant company James Dewhurst Trustees Ltd.,has been acquired.

- In 2017, the company SG Investments OÜ has been merged into SG Balticum AS.

- In 2017, the company Kiinteistö Oy Turun Teijonkatu 3 has been merged into Ursuk OY.

- In 2017, the name of company Arctic Diving AB has been changed to Ursuk AB.

- In 2017, the company Le Comptoir Zouloo SAS has been merged into Richard SAS.

There are no restrictions on the ability to access or use assets, and settle liabilities, of the Group.

3.5.6. Other long term assets / In thousands of euros

2017	Opening balance	Increase	Decrease	Acquired through business combinations	Effect of foreign currency exchange differences	(Other) movements or adjustments	Closing balance	Note
Other shares	650	21	- 318				354	
Guarantees and deposits	229	16	- 1		- 15		229	
Other amounts receivable LT	722		- 711				11	
Other long term assets	1 600	37	-1 030		- 15		593	2.1

2016	Opening balance	Increase	Decrease	Acquired through business combinations	Effect of foreign currency exchange differences	(Other) movements or adjustments	Closing balance	Note
Other shares	172	105		373	- 1	1	650	
Guarantees and deposits	216	11	- 15	15	3		229	
Other amounts receivable LT		722	- 2	2			722	
Other long term assets	388	837	- 18	390	2	1	1 600	2.1

The decrease in other long term assets in 2017 is explained by the reclass of an earn out (related to the Roland business) to short term (decrease other amounts receivable LT) and by a sale of other shares.

The increase in other long term assets in 2016 is explained by the recognition of an earn-out (increase other amounts receivable LT) and a participation in an innovation fund (other shares).

3.5.7. Inventories / In thousands of euros

	Note	2017	2016
Gross inventory			
Raw materials		31 329	21 248
Consumables		330	251
Work in progress		6 016	5 406
Finished goods		84 333	88 063
Goods in transit		4 241	5 035
		126 250	**120 003**
Amounts written off			
Amounts written off raw materials		- 1 821	- 2 527
Amounts written off consumables			
Amounts written off work in progress			
Amounts written off finished goods		- 5 438	- 3 003
Amounts written off goods in transit			
		- 7 259	**- 5 530**
Net inventory			
Raw materials		29 508	18 721
Consumables		330	251
Work in progress		6 016	5 406
Finished goods		78 896	85 060
Goods in transit		4 241	5 035
	2.1	**118 991**	**114 473**

	2016	Write down(1)	Reversal(1)	Effect of foreign currency exchange differences	Acquired through business combinations	2017
Amounts written off inventory	**- 5 530**	- 3 027	1 158	141		**- 7 259**

	2015	Write down(1)	Reversal(1)	Effect of foreign currency exchange differences	Acquired through business combina-tions	2016
Amounts written off inventory	**- 6 726**	- 578	2 425	- 8	- 642	**- 5 530**

(1) Sum of 'Write down' and 'Reversal' corresponds with 'Write off inventories', part of the line item 'Write off inventories and receivables' in the income statement

Gross inventories (excluding amounts written off) increased by EUR 6.3 million compared with 2016, mainly due to the acquisitions.

Amounts written off inventory increased by EUR 1.7 million and amounted to EUR 7.3 million at the end of 2017 compared with EUR 5.5 million at the end of 2016. During 2016 the apparel division focused on the clean up of slowly rotating inventory, this resulted in the reversal of amounts written off in 2016.

Amounts written off inventory are recorded on the basis of a detailed ageing and rotation analysis per unit.

The average stock rotation is around 90 days. It is expected that inventory will be realised no more than twelve months after the reporting period.

3.5.8. Trade receivables/ In thousands of euros

	Note	2017
Gross trade receivables		70 051
Subtotal trade receivables		**70 051**
Impairment trade receivables doubtful		- 3 896
Total financial instrument 'trade receivables'	2.1	66 155

2017	Outstanding		Sales	
Customer 1	4 512	6.4%	11 418	2.4%
Customer 2	1 690	2.4%	6 859	1.4%
Customer 3	1 571	2.2%	12 288	2.6%
Customer 4	1 239	1.8%	4 741	1.0%
Customer 5	1 177	1.7%	4 978	1.1%
Other	59 862	85.5%	432 837	91.5%
Total	70 051	100.0%	473 122	100.0%

Ageing	1-15 days	16-30 days	31-60 days	61-90 days	91-120 days	> 120 days
Subtotal gross trade receivables	6 148	3 215	2 321	815	675	1 408

Impairment trade receivables doubtful	Opening balance	Increase (1)	Decrease (1)	Reversal due to permanent loss (1)	Effect of foreign currency exchange differences	Acquired through business combinations	Closing balance
	- 3 401	- 753	811	16	27	- 597	**- 3 896**

(1) Sum of 'Increase', 'Decrease' and 'Reversal due to permanent loss' corresponds with 'Write off receivables', part of the line item 'Write off inventories and receivables' in the income statement

Trade receivables include outstanding amounts from the sale of goods.

Approximately 10% of the total outstanding is expressed in foreign currency. The main foreign currencies are USD and GBP.

An impairment is accounted for the amounts due that are defined as doubtful, amounting to EUR 3.9 million. An impairment for overdue trade receivables is recorded progressively in relation to the age of the receivables. An impairment is also recorded for trade receivables that exceed the internal credit limit. The impairment is recorded in 'sales & marketing expenses' in the consolidated income statement by function.

As of 1 April 2005 the Group decided to cover itself for credit risk by concluding an excess of loss credit insurance. The average credit period on sales of goods is about 57.8 days (last year 59.4 days). Generally no interest is charged on the overdue trade receivables except when legal procedures are started.

Before accepting any new customer, the Group uses an internal credit scoring system, based on internal and external information, to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed continuously. There are no customers who represent more than 10.0% of the total balance of trade receivables.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period but against which the Group has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	Note	2016
Gross trade receivables		60 674
Subtotal trade receivables		**60 674**
Impairment trade receivables doubtful		- 3 401
Total financial instrument 'trade receivables'	2.1	57 273

2016	Outstanding		Sales	
Customer 1	4 226	7.0%	11 132	3.1%
Customer 2	2 106	3.5%	10 578	2.9%
Customer 3	1 071	1.8%	6 185	1.7%
Customer 4	1 025	1.7%	4 693	1.3%
Customer 5	965	1.6%	5 792	1.6%
Other	51 280	84.5%	324 987	89.4%
Total	60 674	100.0%	363 367	100.0%

Ageing	1-15 days	16-30 days	31-60 days	61-90 days	91-120 days	> 120 days
Subtotal gross trade receivables	5 998	2 461	1 987	444	554	891

Impairment trade receivables doubtful	Opening balance	Increase (1)	Decrease (1)	Reversal due to permanent loss (1)	Effect of foreign currency exchange differences	Acquired through business combinations	Closing balance
	-1 942	- 596	492	210	- 1	- 1 563	**- 3 401**

(1) Sum of 'Increase', 'Decrease' and 'Reversal due to permanent loss' corresponds with 'Write off receivables', part of the line item 'Write off inventories and receivables' in the income statement

3.5.9. Other current assets / In thousands of euros

Other receivables

	Note	2017	2016
Financial assets			
Advances		173	118
Insurance premiums receivable			
Non-financial assets			
VAT receivable		3 604	2 962
Tax prepayment		1 040	1 156
Capital grants receivable		2	
Other		1 438	730
Total other receivables	2.1	6 257	4 966

Other receivables consist primarily of VAT to be reclaimed amounting to EUR 3.6 million, pre-paid taxes amounting to EUR 1.0 million and EUR 1.4 million 'other', explained by an earn out related to the Roland business and other various receivables.

Cash and cash equivalents

	Note	2017	2016
Cash at bank		21 337	16 552
At hand		75	43
Total cash and cash equivalents	2.1	21 413	16 596

Deferred charges and accrued income

	Note	2017	2016
Deferred charges		1 167	965
Accrued income		159	117
Other		13	
Total deferred charges and accrued income	2.1	1 339	1 082

Deferred charges amounting to EUR 1.2 million consist primarily of pre-paid rent, insurance policies and IT maintenance contracts.


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3.5.10. Borrowings / In thousands of euros

	Note	2017
Bank loans		63 160
Other loans		
Total borrowings long term	2.1	63 160
Current portion of amounts payable after one year		2 758
Credit institutions short term		67 340
Bank loans		70 097
Other loans		
Total borrowings short term	2.1	70 097

Loan payments due	**Capital**	**Interests**
within one year	70 097	536
in two years	2 041	507
in three years	1 782	496
in four years	1 723	487
in and after five years	57 614	2 090
Total	133 257	4 116

	Note	2016
Bank loans		66 531
Other loans		
Total borrowings long term	2.1	66 531
Current portion of amounts payable after one year		*3 754*
Credit institutions short term		*19 265*
Bank loans		23 019
Other loans		636
Total borrowings short term	2.1	23 655

Loan payments due	**Capital**	**Interests**
within one year	23 655	559
in two years	3 369	524
in three years	2 043	507
in four years	1 782	496
in and after five years	59 337	2 577
Total	90 185	4 663

Long-term

The long-term financing position of the Sioen industries Group currently consists out of 3 categories of loans:

- A EUR 50.0 million bullet loan which is due on 20 April 2026 with a fixed interest rate of 0.882%.

- A EUR 15.5 million installment loan, which has to be repaid via twenty bi-annual installments (10 year loan obtained on 29 March 2016 with last installment on 29 March 2026) with a EURIBOR based variable interest rate (with a floor of 0%). The non-current part of this loan at 31 December 2017 is EUR 11.6 million.

- Multiple long term loans that originate from the Manifattura Fontana acquisition in 2016 with an average (fixed) interest rate of 2.06% and an average lifetime of 6.8 years. The non-current part of these loans is EUR 1.6 million at 31 December 2017. The Group intends to phase out these local loans.

- The Group is subject to financial covenants: the total net leverage (ratio of the Net Financial Debt at the end of a period to the EBITDA on continuing operations over that period) may not exceed 3.50. As per year end 2017, there is no covenant breach. In case there would be a breach of the financial covenants, a twelve month remediation period is applicable. Apart from these financial covenants, no other material covenants apply, except for general terms and conditions applicable to general finance agreements in Belgium.

Short-term

As per 31 December 2017, short-term loans amounted to EUR 70.1 million:

- Straight loans in USD and EUR amounted to USD 1.5 million and EUR 4.0 million respectively, with a weighted average interest rate of 0.72%.

- A draw down on a loan facility of EUR 62.0 million (with an interest rate of 0.35%), which can be converted to a long installment loan at 30 June 2018

- EUR 1.2 million of short term loans or the current part of long term loans originating from the Fontana and Ursuit business combinations in 2016 with an average interest rate of 1.43%. The Group intends to phase out these local loans.

- The current part of the EUR 15.5 million installment loan: EUR 1.55 million

As per 31 December 2016, short term loans amounted to EUR 23.7 million. The increase in short term loans from 2016 to 2017 is mainly the result of the financing of the 2017 acquisitions.

3.5.11. Obligations under finance leases/ In thousands of euros

2017	Note	Value at the end of the year	Within one year	2 years	3 years	4 years	5 years	after 5 years
Leasing and other similar obligations LT	2.1	4 215		735	782	803	846	1 049
Current portion of leasing	2.1	637	637					
Leasing short term								
Obligations under finance leases		**4 852**	**637**	**735**	**782**	**803**	**846**	**1 049**

2017	Minimum lease payments	Present value of lease payments
Lease payments due within one year	913	637
In two years	913	735
In three years	913	782
In four years	913	803
In and after five years	2 013	1 895
Total lease payments	**5 666**	**4 852**
Future financial charges	- 814	
Present value of lease payments	4 852	

2016	Note	Value at the end of the year	Within one year	2 years	3 years	4 years	5 years	after 5 years
Leasing and other similar obligations LT	2.1	4 911		685	721	759	799	1 946
Current portion of leasing	2.1	735	735					
Leasing short term								
Obligations under finance leases		**5 646**	**735**	**685**	**721**	**759**	**799**	**1 946**

2016	Minimum lease payments	Present value of lease payments
Lease payments due within one year	998	735
In two years	914	685
In three years	913	721
In four years	913	759
In and after five years	2 926	2 746
Total lease payments	**6 665**	**5 646**
Future financial charges	- 1 019	
Present value of lease payments	5 646	

The Group leases some of its buildings (Ardooie and Poperinge). There were no new financial leases in 2017.

The interest inherent in the leases is fixed for the entire lease term. The average effective interest rate contracted is approximately 4.94% (2016 4.92%).

3.5.12. Provisions / In thousands of euros

2017	Opening balance	Additional provision recognized	Reductions arising from payments	Reversal	Exchange rate differences	Acquired via business combination	Closing balance	Note
Provisions for environmental issues	269		- 35	- 4			230	
Provisions for other liabilities and charges	2 152	104	-1 065	- 35	- 83		1 073	
Total provisions	**2 421**	**104**	**-1 099**	**- 40**	**- 83**		**1 303**	

	More than one year	Within one year	Note
Provisions for environmental issues	109	121	
Provisions for other liabilities and charges	995	78	
Total provisions	**1 105**	**198**	**2.1**

2016	Opening balance	Additional provision recognized	Reductions arising from payments	Reversal	Exchange rate differ-ences	Acquired via busi-ness combination	Closing balance	Note
Provisions for environmental issues	353	81	- 164	- 1			269	
Provisions for other liabilities and charges	2 063	1 095	- 521	- 504	2	16	2 152	
Total provisions	**2 416**	**1 176**	**- 685**	**- 506**	**2**	**16**	**2 421**	
	More than one year		**Within one year**					
Provisions for environmental issues		188		81				
Provisions for other liabilities and charges		2 043		109				
Total provisions		**2 231**		**190**				**2.1**

The provisions for environmental issues in 2017 and 2016 consist of a provision relating to the sanitation of land in the coating division. The risks were identified during the periodical environmental check-up of the sites.

The provisions for other liabilities and charges at the end of 2017 mainly consist of a provision for property taxes (set up in 2014). The provisions for other liabilities and charges at the end of 2016 mainly consist of a provision for property taxes and reorganization provisions. The main movements (reductions arising from payments in 2017 and additional provision recognized in 2016) relate to reorganization provisions.

3.5.13. Retirement benefit plans / In thousands of euros

In accordance with law and practice in each country, different retirement benefit systems are provided for the employees of the Group. Pension obligations in the Group relate to both, defined benefit and defined contribution plans.

Most defined benefit plans are unfunded (26% of net liability in Indonesia, 24% in France, 20% in Germany and 19% in Italy).

The Group has group insurance plans based on defined contributions in Belgium (8% of net liability). For these plans, the insurance company guarantees an interest until retirement (type 'branche 21/tak 21'). The contributions vary between 1% and 12% of the salary, paid by the employer. By law, the employer has to guarantee a minimum rate of return on the contributions under those plans, therefore, they qualify as defined benefit plans. These are the only funded defined benefit plans within the Group, plan assets consist of insurance contracts.

	Note	2017	2016
Post-employment benefits (defined benefit plans)		4 651	4 696
Other long term benefits (termination benefits)		80	108
Total		4 732	4 804
Long term	2.1	4 670	4 743
Short term	2.1	62	61

The movement of the net liability is as follows:	**Present value of defined benefit obligation**	**Fair value of plan assets**	**Net liability**
At 1 January 2017	9 704	-5 008	4 696
Current service cost	734		734
Past service cost[1]	- 251		- 251
Net interest expense (income)	223	- 71	151
Total defined benefit cost charged to profit and loss	705	- 71	634
Remeasurements:			
• Return on plan assets (excluding amount included in net interest expense (income))		- 8	- 8
• Actuarial (gain) loss from experience adjustment	- 57		- 57
• Actuarial (gain) loss from change in financial assumptions	226		226
Total defined benefit cost (income) charged to other comprehensive income	169	- 8	161
Benefits paid	- 325	312	- 13
Contribution - employer		- 643	- 643
Acquired through business combinations			
Currency	- 184		- 184
At 31 December 2017	10 069	-5 418	4 651

The movement of the net liability is as follows:	Present value of defined benefit obligation	Fair value of plan assets	Net liability
At 1 January 2016	8 175	-4 571	3 604
Current service cost	781		781
Past service cost[(1)]	-1 378		-1 378
Net interest expense (income)	316	- 91	225
Total defined benefit cost charged to profit and loss	- 281	- 91	- 372
Remeasurements:			
• Return on plan assets (excluding amount included in net interest expense (income))		71	71
• Actuarial (gain) loss from experience adjustment	- 576		- 576
• Actuarial (gain) loss from change in financial assumptions	736		736
Total defined benefit cost (income) charged to other comprehensive income	159	71	230
Benefits paid	- 199	195	- 4
Contribution - employer		- 612	- 612
Acquired through business combinations	1 770		1 770
Currency	79		79
At 31 December 2016	9 704	-5 008	4 696

(1) Relates to a reorganization in Indonesia

The significant actuarial assumptions were as follows:	2017		2016	
	Eurozone	Indonesia	Eurozone	Indonesia
Discount rate	1.30% - 1.60%	7.25%	1.31% - 1.60%	8.50%
Rate of compensation increase	0.00% - 1.50%	8.00%	0.00% - 1.50%	8.00%

For the Eurozone, a range is used, because different discount rates are used in different countries within the Eurozone.

3.5.13. Retirement benefit plans / In thousands of euros (continued)

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

2017		
Discount rate	+0.5pp.	-0.5pp.
Eurozone	-7%	+7%
Indonesia	-6%	+6%
2016		
Discount rate	+0.5pp.	-0.5pp.
Eurozone	-7%	+7%
Discount rate	+1pp.	-1pp.
Indonesia	-11%	+13%
The weighted average durations are:		
	2017	**2016**
Eurozone	14 years	14 years
Indonesia	13 years	14 years

Expected contributions for the year ending 31 December 2018 are EUR 583 thousand.

Defined benefit plans

Regarding the defined benefit pension plans, the Group is mainly exposed to a discount rate risk (i.e. a decrease of the discount rates will increase the benefit obligations) and an inflation risk (i.e. the benefits are calculated based on final salaries).

Current and past service costs are recognized under 'Remuneration, social security and pensions' in the income statement by nature and are allocated by function (cost of sales, sales and marketing expenses, R&D expenses and administrative expenses) in the income statement by function. The interest component is recognized in the financial result.

Defined contribution plans

The company contributed to its defined contribution plans for a total amount of EUR 905 thousand. These contributions are recognized under 'Remuneration, social security and pensions' in the income statement by nature and are allocated by function (cost of sales, sales and marketing expenses, R&D expenses and administrative expenses) in the income statement by function.

Termination benefits

Early retirement plans are recognized as liability and expense when the company is committed to terminate the employment of the employees affected before the normal retirement date.

3.5.14. Trade and other payables/ In thousands of euros

	Note	2017	2016
Trade payables		39 534	30 682
Credit notes to receive		- 648	- 662
Advances		2 958	1 115
Total trade and other payables	**2.1**	**41 844**	**31 135**

Trade and other payables include outstanding amounts for trade purchases and current charges. The trade payables are payable within a range of 30 to 60 days. The Group has no major overdue positions. Foreign currencies in trade payables relate mainly to USD and GBP and represent less than 10% of the total trade payables.

3.5.15. *Financial instruments / In thousands of euros*

	2017		2016		Fair value hierarchy
	Nominal value	**Fair value**	**Nominal value**	**Fair value**	
FX derivatives	7 669[1]	- 262	30 947[1]	394	2
Interest rate swaps	63 175	- 472	65 500	- 69	2
Floor	13 175	95	15 500	166	2
Floor	50 000	- 628	50 000	-1 237	2
Cap	50 000	659	50 000	920	2
	Nominal value	**Fair value**	**Nominal value**	**Fair value**	**Fair value hierarchy**
Finance leases	4 852	5 772	5 646	6 690	3
Bank loans	133 257	132 246	90 185	90 122	3
Total	138 109	138 018	95 832	96 812	

(1) FX forward/swap contracts, nominal value equals foreign currency amount * contract rate

Financial risk management

The Group manages a portfolio of derivatives to hedge against risks relating to exchange rate and interest rate positions arising as a result of operating and financial activities. It is the Group's policy to avoid engaging in speculative transactions or transactions with a leverage effect and not to hold derivatives for trading purposes.

3.5.15. Financial instruments / In thousands of euros (continued)

Fair value

Financial instruments are recognized at fair value. The fair value is determined based on one of the following levels of the fair value hierarchy:

- Level 1: measurement is based on quoted market prices in active markets
- Level 2: measurement is based on (externally) observable information, either directly or indirectly
- Level 3: measurement is based either fully or partially on not (externally) observable information

Non-derivative financial liabilities

The fair value of non-derivate financial liabilities is calculated based on commonly-used valuation techniques (i.e. net present value of future principal amounts and interest charges discounted at market rate). These are based on market inputs from reliable financial information providers. Fair values determined by reference to prices provided by reliable financial information providers are periodically checked for consistency against other pricing sources.

Interest risk management

On 21 April 2011, the Group entered into a cash flow hedge to hedge, within certain limits, the interest rate risk on highly probable future debt to be issued in March 2016 for a term of 10 years, for a principal amount of EUR 50 million. For this purpose, the Group entered into a forward starting interest rate collar for a nominal amount of EUR 50 million. A collar is a derivative financial instrument by which the buyer of the instrument receives / executes payments at the end of the reference period in which the interest rate evolves out of the agreed upon borders (upper and lower border / tunnel). The forward starting interest rate collar was settled in cash on 14 March 2016 (EUR 18.1 million, which represents the fair value of the forward starting interest rate collar on that date). The effective part of the loss on the derivative will be amortized to profit or loss over the term of the hedged debt (ie. over a term of 10 years).

On the settlement date (14 March 2016) the total effective part of the loss on the derivative (recognized in other comprehensive income) was EUR 11.2 million (net of taxes):

- EUR 17.0 million gross of taxes
- EUR - 5.8 million tax effect

The amount gross of taxes will be expensed via financial charges over the term of the hedged debt (i.e. over a 10 year period starting from 20 April 2016, the starting date of the new EUR 50 million loan). The amount of financial charges which was transferred from other comprehensive income to the income statement during 2017 was EUR 1.4 million (cost).

To hedge its interest rate risks and to take advantage of the current market interest rates, the group entered into new interest rate derivatives together with the new loan agreements:

- Interest Rate Swap (IRS) on the new EUR 50 million bullet loan to change the contractual fixed interest rate to a variable interest rate with a floor of 0% and a cap of 2.5%

- Interest Rate Swap (IRS) on the new EUR 15.5 million installment loan to change the contractual variable interest rate to a fixed interest rate. The nominal amount of the IRS is decreasing in line with the loan agreement.

At 31 December 2017, the fair value of the interest rate swaps and related floors and caps was EUR -346 thousand (fair value through profit & loss). This fair value is determined by Sioen on a quarterly basis, based on market value reports delivered by the issuing financial institute.

Exchange rate risk management

Sioen Industries is a net USD buyer (see also refer to paragraph 3.5.24). To hedge the impact of changes in the EUR/USD exchange rate, Sioen Industries performs forward USD purchases to level off the impact of this exchange rate on the income statement. At 31 December 2017, the nominal value of the USD forward contracts was EUR 7.7 million, with a negative fair value of EUR -262 thousand (fair value through profit and loss).

This fair value of the FX derivatives is determined by Sioen on a quarterly basis, based on market value reports delivered by the issuing financial institute.

Maturity of derivatives

The open FX derivatives on 31 December 2017 have a maturity of less than one year.

The maturity of the Interest Rate Swaps and the related caps and floors, corresponds with the loans (see also note 3.5.10. Borrowings).

3.5.16. Deferred taxes/ In thousands of euros

		Deferred tax asset		Deferred tax liability	
	Note	**2017**	**2016**	**2017**	**2016**
Intangible assets		1 806	1 629	11 320	4 429
Property, plant and equipment		2 370	2 652	14 031	17 721
Inventories		791	1 114		111
Trade receivables		24	38	6	3
Retirement benefit obligations		848	1 008		14
Provisions		94	422		
Other amounts payable		164	190	76	
Exchange difference				995	1 015
Tax losses carried forward		5 640	6 875		
Total		11 737	13 928	26 428	23 294
Non recognition of deferred tax receivable		- 5 261	- 5 088		
Netting		- 4 818	- 4 838	- 4 818	- 4 838
Total	2.1	1 658	4 002	21 610	18 457
The total value of carried forward tax losses arranged by expiry date					
One year		1 350	3 969		
Two years			1 350		
Three years					
Four years					
Five years and later		861	1 160		
No expiry date		16 205	14 916		
Total		18 416	21 394		
Of which:					
Unrecognized carried forward tax losses		15 037	16 194		
Reconciliation of movement of deferred tax					
Net tax liability at the beginning of the period		14 455	2 266		
Net tax liability at the end of the period		19 951	14 455		
Difference		*- 5 497*	*- 12 189*		
Deferred tax as shown in the income statement		4 010	- 5 452		
Deferred tax effect through equity	2.4	- 498	650		
Deferred tax acquired via business combinations		- 8 957	- 7 419		
Deferred tax currency translation effect		- 53	33		

Deferred tax assets which do not appear to be collectable in the near future are not recognized. In this assessment, management takes account of budgets and multi-year planning. Major unrecognized deferred tax assets on carried forward tax losses are relative to the Roland Group and Pennel as there is no taxable result over the foreseeable future (5 years).

The decrease in deferred tax assets compared to 2016 mainly relates to the use of tax losses carried forward. The increase in deferred tax liabilities compared to 2016 relates to the acquisitions of 2017. We refer to note 3.5.18 Business combinations and disposal of subsidiaries.

3.5.17. Related party transactions

1) Transactions with shareholders

A complete overview of the shareholder structure can be found in section 4.3. Share information.

The family Sioen holds 12 906 212 shares or 65.25% of the total number of shares of Sioen Industries NV via Sihold NV. Sihold NV is controlled by Sicorp NV, which is controlled in turn by the Dutch Stichting Administratiekantoor Midapa. This foundation is controlled by Mrs. Jacqueline Sioen-Zoete.

Other companies that are also controlled by Sihold NV, Sicorp NV or Stichting Administatiekantoor Midapa or the family Sioen are considered as related parties of Sioen Industries NV.

- Loans

There are no loans between Sioen Industries NV and its shareholders.

- Commercial transactions

3 types of commercial transactions can be distinguished:

- Sales of goods to Inch SA: the Sioen Industries Group delivered EUR 396 thousand of goods to Inch SA in 2017. In 2016 this was EUR 250 thousand. At year-end 2017, the Sioen Industries Group had EUR 94 thousand outstanding trade receivables. The commercial transactions with Inch SA are done at an arm's length basis (sales prices comparable with other customers).
- Delivery of services: Sioen Industries NV has a shared service center where a.o. the IT infrastructure and services are centralized for efficiency reasons. Sioen Industries NV charged in 2017 EUR 23 thousand of IT material and services to companies also controlled by Sihold NV, Sicorp NV or Stichting Administatiekantoor Midapa or the family Sioen. In 2016 this was EUR 22 thousand. At year-end 2017, the Sioen Industries Group had EUR 2 thousand outstanding trade receivables. These transactions are at an arm's length basis.
- Purchase of wine from Chateau La Marzelle: the family Sioen holds a winery in the Bordeaux Region in France. The Sioen Industries Group purchased EUR 70 thousand of wine from La Marzelle (for events and publicity purposes). In 2016 this was EUR 54 thousand. At year-end 2017, the Sioen Industries Group had EUR 29 thousand outstanding trade and other payables. The commercial transactions with La Marzelle are done at an arm's length basis (sales prices comparable with other customers).

2) Transactions with subsidiaries, joint ventures and associated companies

Transactions and outstanding balances between Sioen Industries and the different subsidiaries are eliminated in full in the consolidation of the Sioen Industries Group and are not further explained.

Sioen Industries has no joint ventures.

Sioen Industries holds a 27.36% participation in Atsea Technologies NV. Atsea Technologies is a spin-off that exploits turnkey seaweed farms together with other partners.

During 2017 Sioen Industries NV sold EUR 9 thousand of trading goods to Atsea Technologies NV and recharged EUR 36 thousand of costs initially borne by Sioen Industries NV.

No loans were granted to Atsea Technologies NV.

3) Transactions with executive management

Executive management consists out of the Board of Directors and the Management Committee. We also refer to the corporate governance statement for more information.

- Remuneration

In 2017 following remunerations were paid to the members of the Board of Directors and executive management in their capacity as Director (no performance related remunerations are paid to the non-executive Directors):

Name	Represented by	Board of Directors		Audit Committee		Remuneration and Nomination Committee		Total
		Fixed remuneration	Pro rata	Fixed remuneration	Pro rata	Fixed remuneration	Pro rata	
	Mr. M. Delbaere *President of the Board*	22 000	22 000			1 500	1 500	47 000
	Mrs. J. Sioen-Zoete *Member*	11 000	11 000					22 000
M.J.S. Consulting BVBA	Mrs. M. Sioen *Managing Director*	11 000	11 000					22 000
D-Lance BVBA	Mrs. D. Sioen *Member*	11 000	11 000					22 000
P. Company BVBA	Mrs. P. Sioen *Member*	11 000	8 800					19 800
Dirk Meeus Burg. ven. acting as a BVBA	Mr. D. Meeus *Member*	11 000	11 000	4 000	4 000	750	750	31 500
Lemon Comm. V	Mr. J. Noten *Member*	11 000	11 000	4 000	3 000	750	750	30 500
	Mr. P. Macharis *Member*	11 000	11 000					22 000
	Mr. L. Vandewalle *Member*	11 000	11 000	6 000	6 000			34 000
Total		110 000	107 800	14 000	13 000	3 000	3 000	250 800

M.J.S. Consulting, represented by Mrs. Michèle Sioen, received in 2017, in her capacity of CEO and next to her remuneration as a member of the Board of Directors, a fixed remuneration of EUR 575 000, a variable remuneration of EUR 120 434 and a compensation for other expenses (mainly car expenses) amounting to EUR 32 618 .

The other members of the executive management[(1)], including Directors in their capacity as member of executive management, received in 2017 a fixed remuneration of EUR 3 018 693 (excluding CEO), a variable remuneration of EUR 354 645 and a compensation for other expenses (mainly car expenses) amounting to EUR 186 145.

(1) The executive management consists of executive Directors and members of the Management Committee

3.5.17. Related party transactions (continued)

In 2016 following remunerations were paid:

Name	Represented by	Board of Directors		Audit Committee		Remuneration and Nomination Committee		Total
		Fixed remuneration	Pro rata	Fixed remuneration	Pro rata	Fixed remuneration	Pro rata	
	Mr. M. Delbaere *President of the Board*	22 000	22 000			1 500	750	46 250
	Mrs. J. Sioen-Zoete *Member*	11 000	11 000					22 000
M.J.S. Consulting BVBA	Mrs. M. Sioen *Managing Director*	11 000	11 000					22 000
D-Lance BVBA	Mrs. D. Sioen *Member*	11 000	11 000					22 000
P. Company BVBA	Mrs. P. Sioen *Member*	11 000	11 000					22 000
Dirk Meeus Burg. ven. acting as a BVBA	Mr. D. Meeus *Member*	11 000	6 600	4 000	1 500	750	750	24 225
Lemon Comm. V	Mr. J. Noten *Member*	11 000	8 800	4 000	3 000	750	750	27 925
	Mr. P. Macharis *Member*	11 000	6 600					17 600
	Mr. L. Vandewalle *Member*	11 000	8 800	6 000	6 000			31 800
Total		110 000	96 800	14 000	10 500	3 000	1 500	235 800

M.J.S. Consulting, represented by Mrs. Michèle Sioen, received in 2016, in her capacity of CEO and next to her remuneration as a member of the Board of Directors, a fixed remuneration of EUR 575 500, a variable remuneration of EUR 88 634 and a compensation for other expenses (mainly car expenses) amounting to EUR 33 890.

The other members of the executive management[1], including Directors in their capacity as member of executive management, received in 2016 a fixed remuneration of EUR 2 512 086 (excluding CEO), a variable remuneration of EUR 372 633 and a compensation for other expenses (mainly car expenses) amounting to EUR 189 921.

(1) The executive management consists of executive Directors and members of the Management Committee

Other

In 2017 and 2016 there were no shares, share options or other rights to acquire shares of Sioen Industries attributed to the CEO nor the other members of the executive management.

There are no retirement benefit plans.

- Other transactions

Jack Projects, represented by Mrs. Jacqueline Sioen, received in 2017, additionally, in the context of a service agreement, a remuneration of EUR 120 000 and a compensation for other expenses (mainly car expenses) amounting to EUR 22 600. In 2016, a remuneration of EUR 195 000 and a compensation for other expenses (mainly car expenses) amounting to EUR 27 369 was received. Article 523 of the Belgian company law was applied (we also refer to the corporate governance section for more information).

3.5.18. Business combinations and disposal of subsidiaries / In thousands of euros

2017

Business combinations

Verseidag Ballistic Protection

On 19 December 2016, the Group announced the acquisition of Verseidag Ballistic Protection OY, a Finnish manufacturer of ballistic protection.

Sioen Industries acquired 100% of the shares in Verseidag Ballistic Protection OY.

Operating under the motto “Life-saving design” Verseidag Ballistic Protection is a fully integrated manufacturer of armour products (a full range of vests, both overt and covert, tactical vests, EOD suits and shields). Verseidag Ballistic Protection OY has manufacturing facilities in Finland and sales forces in Finland, Germany and the UK. The key to their success and good reputation is based on continuous product development, adoption of the highest quality standards and customized solutions. Through this acquisition Sioen Armour Technology and Verseidag Ballistic Protection will become one of the leading companies on the European market offering a wide range of ballistic solutions to their customers.

Control over this entity was only acquired as from 1 January 2017 based on the underlying contract. As a consequence, the Verseidag figures are included in the figures of the Sioen Group as from 1 January 2017 onwards.

The following table summarizes the consideration paid and the amounts of assets and liabilities recognized at the acquisition date:

Verseidag Ballistic Protection

Intangible assets	2 836
Property, plant and equipment	215
Total non-current assets	3 051
Inventories	4 153
Trade receivables	3 478
Other current assets	181
Cash and cash equivalents	54
Total current assets	7 866
Borrowings	333
Deferred tax liabilities	659
Total non-current liabilities	992
Trade and other payables	1 780
Borrowings	337
Other current liabilities	766
Total current liabilities	2 884
Total net assets acquired	**7 041**
Consideration (paid in cash)	18 000
Total acquisition cost	**18 000**
Goodwill	10 959

Direct costs attributable to the acquisition amount to EUR 36 thousand. They have been included in the line item services and other goods in the income statement by nature and in administrative expenses in the income statement by function. Accounting for the acquisition is complete.

Until December 2017, Verseidag Ballistic Protection has contributed 12 months of net sales and EBITDA: EUR 18.5 million to the total net sales of the Group, contributing to the net result (EUR +2.5 million EBITDA).

3.5.18. Business combinations and disposal of subsidiaries / In thousands of euros (continued)

UCS

On 9 January 2017, the Group announced the acquisition of U.V. Curable Systems BVBA, a company active in the development, production and sale of radiation curing primers, inks and varnishes for industrial applications. Radiation curing is a process of chemical 'drying' under the influence of light. This is a promising and future oriented technology as the markets evolve more and more to inks, primers and varnishes without solvents.

Sioen Industries acquired 100% of the shares in U.V. Curable Systems BVBA.

The final share purchase agreement was signed on 9 January 2017 (date on which effective control was transferred). As a consequence, the UCS figures are included in the figures of the Sioen Group as from 1 January 2017 onwards.

The following table summarizes the consideration paid and the amounts of assets and liabilities recognized at the acquisition date:

UCS

Intangible assets	1 161
Property, plant and equipment	29
Total non-current assets	**1 191**
Inventories	191
Trade receivables	114
Other current assets	5
Cash and cash equivalents	38
Total current assets	**346**
Borrowings	15
Deferred tax liabilities	395
Total non-current liabilities	**409**
Trade and other payables	88
Borrowings	131
Other current liabilities	16
Total current liabilities	**236**
Total net assets acquired	**892**
Upfront consideration (paid in cash)	642
Fair value variable deferred consideration	250
Total acquisition cost	**892**

The variable deferred consideration depends on the realization of sales targets on growth projects over 2018-2019, in a range between EUR 0 and EUR 250 thousand. We have estimated it at a fair value of EUR 250 thousand.

There were no direct costs attributable to this acquisition. Accounting for the acquisition is complete.

Until December 2017, UCS has contributed 12 months of net sales and EBITDA: EUR 0.5 million to the total net sales of the Group, EUR -0.2 million EBITDA.

3.5.18. Business combinations and disposal of subsidiaries / In thousands of euros (continued)

James Dewhurst Group

On 23 May 2017, the Group announced the acquisition of the James Dewhurst Group. James Dewhurst is a leading manufacturer of technical textiles and Europe's largest producer of open construction laid scrims with production facilities both in the UK and the US.

Sioen Industries acquired 100% of the shares of the James Dewhurst Group. The activities of the James Dewhurst Group are concentrated in two operating companies: James Dewhurst Ltd. in the UK and Dewtex in the US(1).

James Dewhurst Group has successfully developed a proprietary manufacturing technology that allowed it to establish a market leading position in the supply of open construction laid scrims. With this acquisition Veranneman Technical Textiles, a division of Sioen Industries, reinforces its position in the market of the reinforcement textiles and completes its product range. The new configuration can offer a full range of woven, laid and laminate scrims and fabrics.

The James Dewhurst Group figures are included in the figures of the Sioen Group as from 1 June 2017 onwards.

(1) Sioen Industries holds the shares in James Dewhurst Ltd. via holding companies Jade Equity Ltd., Emerald Bond Ltd. and Jade Mezzanine Ltd. There is also one dormant subsidiary: James Dewhurst Trustees Ltd.

The following table summarizes the consideration paid and the amounts of assets and liabilities recognized at the acquisition date:

James Dewhurst Group

Intangible assets	28 668
Property, plant and equipment	14 495
Total non-current assets	43 163
Inventories	7 871
Trade receivables	7 639
Other current assets	782
Cash and cash equivalents	1 171
Total current assets	17 463
Borrowings	34 738
Deferred tax liabilities	5 449
Total non-current liabilities	40 187
Trade and other payables	3 315
Borrowings	8 085
Other current liabilities	2 021
Total current liabilities	13 422
Total net assets acquired	**7 018**
Consideration (paid in cash)	9 702
Total acquisition cost	**9 702**
Goodwill	2 684

Part of theJames Dewhurst Group companies have the GBP as functional currency. In the figures shown above, the GBP amounts have been converted at the closing rate of 31 May 2017.

Direct costs attributable to the acquisition amount to EUR 0.3 million. They have been included in the line item services and other goods in the income statement by nature and in administrative expenses in the income statement by function. Accounting for the acquisition is complete.

Until December 2017, James Dewhurst Group has contributed 7 months of net sales and EBITDA: EUR 26.6 million to the total net sales of the Group, contributing to the net result (EUR +2.3 million EBITDA).

If the acquisition had taken place at the beginning of the year, the total net sales would have been EUR 46.5 million and the EBITDA for the period would have been EUR 5.8 million.

Disposals

There were no disposals of subsidiaries in 2017.

3.5.18. Business combinations and disposal of subsidiaries / In thousands of euros (continued)

2016

Business combinations

Ursuit

In view of the short time period between the acquisition and the publication of the annual report, the fair value assessment was still in process at the end of 2016 and a provisional opening balance sheet was accounted for. In the course of 2017, the fair value assessment was finalized.

The following table summarizes the consideration paid and the amounts of assets and liabilities recognized at the acquisition date:

Ursuit	**Provisional amounts disclosed per 31/12/2016**	**Adjustments 2017**	**Total**
Intangible assets	120	12 518	12 638
Goodwill	350		350
Property, plant and equipment	4 328		4 328
Interests in associates	63		63
Other long term assets	78		78
Total non-current assets	4 939	12 518	17 457
Inventories	3 487	248	3 735
Trade receivables	2 485		2 485
Other current assets	239		239
Cash and cash equivalents	817		817
Total current assets	7 028	248	7 276
Borrowings	1 210		1 210
Other non-current liabilities	117		117
Deferred tax liabilities	292	2 553	2 845
Total non-current liabilities	1 620	2 553	4 173
Trade and other payables	592		592
Borrowings	1 106		1 106
Other current liabilities	925	167	1 091
Total current liabilities	2 623	167	2 790
Total net assets acquired	**7 724**	**10 046**	**17 770**
Consideration (paid in cash)	25 448	407	25 855
Total acquisition cost	**25 448**	**407**	**25 855**
Goodwill	17 724	-9 639	8 085

Given the fact that the Ursuit figures were included in the figures of the Sioen Group as from 31 December 2016 onwards, the fair value adjustments didn't have an impact on the consolidated income statement as per 31 December 2016. As the fair value adjustments only resulted in reclasses in the statement of the financial position, no restatement of the comparative figures of 2016 has been done.

Direct costs attributable to the acquisition amount to EUR 49 thousand (recognized in 2017). They have been included in the line item services and other goods in the income statement by nature and in administrative expenses in the income statement by function. Accounting for the acquisition is complete.

3.5.19. Operating lease arrangements / In thousands of euros

	2017	2016
Amounts recognized in income	1 777	1 975
Payments due within one year	1 133	1 087
Between one and five years	1 550	1 523
Over five years	245	19
Minimal future payments	2 928	2 630

Operating lease arrangements mainly relate to leased assets used in operations (vehicles).

3.5.20. Contingent assets and liabilities

There were no contingent assets at the end of 2017. Contingent assets were estimated at EUR 0.7 million at the end of 2016 and related to the divisions coating and apparel. Contingent liabilities at the end of 2017 and 2016 were EUR 0.5 million and related to the coating division.

3.5.21. Events after reporting period

On 21 March 2018, the Group announced the management buy-out from Sioen Filtration (business unit of Sioen Felt & Filtration, part of the coating division). It concerns an asset deal for 100% of Sioen Filtration. Strategic considerations within the Sioen Industries Group and an even more intense focus on the core activities have led to the conclusion that Sioen Filtration no longer belongs to the core activities of the Group. Sioen Filtration specializes in the development, production and sales of a wide range of industrial filters with applications in various sectors and production processes. The effective transfer of this business unit is planned for 1 April 2018. In 2017, this business unit realized EUR 6.2 million sales with an operational cash flow of approximately 4% on sales. The purchase price was agreed at EUR 1 065 000, to be adjusted to the value of the stock per 1 April 2018. No major surplus of less value compared to book value is expected.

There were no other material events subsequent to the end of the period that have not been reflected in the financial statements for the period.

3.5.22. Staff / Year end position

Country	2017	2016
Indonesia	1 090	1 090
Belgium	910	892
Myanmar	705	256
Tunisia	456	438
Romania	281	300
UK	192	9
France	165	169
Finland	119	71
US	112	38
Germany	106	106
Estonia	96	102
Italy	49	44
Portugal	16	16
China	15	14
Ireland	13	14
Austria	4	3
Australia	3	5
The Netherlands	3	4
Dubai	3	4
Spain	1	1
Sweden	1	1
Ukraine	1	1
Total	4 341	3 578
Blue collar	3 366	2 400
White collar	975	1 178
Total	4 341	3 578

The increase is mainly due to the acquisitions and recently established companies.

3.5.23. Audit and non-audit services

Deloitte	2017
Audit fees	415 890
Non audit fees by the auditor	
Other	138 256
Non audit services by companies linked to the Deloitte network	
Tax advice	44 271
Other	219 529

3.5.24. Financial risk management

The Group is exposed to risks related to interest rate, exchange rate and market price fluctuations, having an impact on the Group's assets and liabilities. The goal of the Group's financial risk management is to limit the impact of these risks related to its operational and financial activities.

Interest rate risk

The Group's interest risk is relatively limited, in view of the loan agreements and related interest rate swaps. To hedge its interest rate risks and to take advantage of the current market interest rates, the group entered into interest rate derivatives. See also paragraph 3.5.15. Financial instruments for more information.

Sensitivity analysis of the fluctuation of the interest rate by 5%:

- As per 31 December 2017, there was EUR 67.3 million of short term debt with an average variable interest rate of 0.38%. A 5% increase in interest rates, to an average of 0.40%, would impact the financial result with EUR 12.8 thousand more interest costs on an annual basis.
- The fixed interest rate of the EUR 50 million bullet loan was swapped to a variable interest rate to take advantage of the current market conditions. As the interest rate swaps foresees in a floor of 0%, a 5% interest rate increase (applied on a negative EURIBOR rate) would not result in an increased interest cost.

Exchange rate risk

It is the Group's policy to hedge against exchange risks arising from financial and operating activities centrally. The risks are limited by compensating for transactions in the same currency ('natural hedging'), or by fixing exchange rates via forward contracts or options.

The main currencies for the Sioen Group are GBP and USD.

- GBP: in 2017 there was an exceptional GBP outflow of EUR 35.6 million (GBP 31.2 million) because of the James Dewhurst acquisition which was mainly paid in GBP. On a recurring basis, the exposure to GBP has decreased: James Dewhurst is short in GBP (costs in GBP, turnover mainly in EUR), which has resulted in a natural GBP hedge for the Sioen Industries Group. In view of the decreased GBP dependency going forward, there is no hedging of the GBP flows. In 2016 there was a net GBP inflow of EUR 20.6 million (GBP 17.0 million).
- USD: the Group has a net USD outflow of EUR 22.7 million (USD 25.8 million). In 2016 this was a USD net outflow EUR 29.3 million (USD 32.3 million). USD 14.4 million of the total outflow of USD 25.8 million was covered by forward purchases (56%).

Sensitivity analysis of the fluctuation of the exchange rate by 1%:

Based on the Group's sensitivity analysis, an adverse change in the GBP/EUR and USD/EUR exchange rate by 1% would decrease the Group's result by EUR 589 thousand (based on the unhedged net flows of 2017 mentioned above).

Brexit

The Group has important activities in the United Kingdom: both the Coating and Apparel division sell part of their products to the United Kingdom (see also disclosure 3.2.2). Via the 2017 James Dewhurst acquisition, the Group has also a production facility in the United Kingdom. There is a natural GBP hedge, see also above.

The impact on the daily operations (customs, …) will depend on a soft or hard Brexit scenario. The Group is continuously monitoring the latest evolutions in the Brexit negotiations in order to react timely and properly to the outcome.

Liquidity risk

In order to guarantee liquidity and financial flexibility, the Sioen Group has credit lines available to meet current and future financial needs. At the end of 2017, the Sioen Group has total credit lines available of EUR 156.4 million (EUR 54.2 million for 2016). At 31 December 2017, EUR 78.8 million of the available credit lines was used for straight loans (EUR 67.3 million) and bank guarantees (EUR 11.5 million). For the maturity analysis in view of liquidity risk we refer to note 3.5.10. Borrowings.

Financial risk

The management determines its assessment on the basis of different realistically assessed parameters, such as future market expectations, sector growth rates, industry studies, economic realities, budgets and multi-year plans, expected profitability studies, etc. The most important elements within the Group that are subject to this are: impairments, provisions and deferred tax items.

Credit risk

In view of the relative concentration of credit risk (see note 3.5.8. Trade receivables), the company covers credit risk on trade receivables via an excess of loss credit insurance with an own risk exposure of EUR 400 thousand. In addition, credit control strategies and procedures have been elaborated in order to monitor individual customers' credit risk.

3.5.25. Capital structure management

The equity structure of the Sioen Group is managed with the main objectives of:

- protecting the equity structure so as to ensure continuous business operations, resulting in the creation of shareholder value and benefits for other stakeholders,
- the payment of an appropriate dividend to shareholders.

The Group's capital is formed in accordance with the risk, which changes with economic developments and the risk profile of the underlying assets. The Sioen Group can change the dividend to shareholders, issue new shares or sell assets in order to maintain or change the capital structure.

3.5.26. Approval of financial statements

The consolidated financial statements for 2017 were approved by the Board of Directors for publication on 23 March 2018.

4. STATUTORY AUDITOR'S REPORT

Statutory auditor's report to the Shareholders' Meeting of Sioen Industries NV for the year ended 31 December 2017

The original text of this report is in Dutch

In the context of the statutory audit of the consolidated financial statements of Sioen Industries NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 28 April 2017, in accordance with the proposal of the Board of Directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting approving the consolidated financial statements for the year ending 31 December 2019. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the consolidated financial statements of Sioen Industries NV for at least 21 consecutive periods.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of total comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 439.967 (000) EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 21.863 (000) EUR.

In our opinion, the consolidated financial statements of Sioen Industries NV give a true and fair view of the group's net equity and financial position as of 31 December 2017, its consolidated results and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the Board of Directors and the company's officials the explanations and information necessary for performing our audit.

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

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
Valuation of goodwill and other intangible assets The Group has significant goodwill and intangible assets allocated to different Cash Generating Units (CGU's). The intangible assets mainly relate to client portfolios acquired through business combinations. At December 31, 2017 goodwill amounts to 43.308 (000) EUR and intangible assets to 51.013 (000) EUR. The Group reviews the carrying amounts of non-current assets annually, or more frequently when impairment indicators are present, by comparing it to the recoverable amount. Sioen Industries assesses the recoverable amount by calculating the value in use of the assets per cash generating unit, using a discounted cash flow method ("DCF"). This method is complex and requires significant judgement in making estimates of cash flow projections, growth rates, gross margin and discount rates. Due to the inherent uncertainty involved in forecasting and discounting cash flows, we consider this assessment as a key audit matter. The Group disclosed the nature and the value of the assumptions used in the impairment analysis in note 3.1.7 to the Consolidated Financial Statements.	In our audit we assessed and challenged, with the assistance of our valuation experts, management's assumptions used in the discounted cash flow model set up to determine the recoverable amount. We obtained the discounted cash flow models per cash generating unit as prepared by management and we evaluated the reasonableness of estimates and judgments made by management in preparing these. Special focus was given to the key drivers of projected future cash flows, being amongst others, estimated volumes, estimated gross margin and the applied discount rate. We critically assessed the budgets, taking into account the historical accuracy of the budgeting process. Moreover, we examined sensitivity analyses performed over changes in discount rates, growth rates and gross margin and assessed the adequacy of the Company's disclosure note to the Consolidated Financial Statements.
Inventory Reserves (Work in Progress & Finished Goods) The total net book value of the inventory as per 31 December 2017 amounts to 118.991 (000) EUR of which 84.912 (000) EUR relates to Work in Progress & Finished Goods. Amounts written off for these types of inventory amount to 5.438 (000) EUR. Inventories are valued at lower of cost or realizable value. The cost price, calculated by using the weighted average cost price method, includes all direct and indirect costs incurred to bring manufactured products to the stage of completion. The realizable value is the estimated price minus the estimated finishing cost and costs estimated with marketing, sale and distribution. Valuation of inventory is considered a key audit matter as inventory represents a significant part of the Group's total assets and significant judgement is applied in determining the appropriate provisions for obsolete inventory. The Group disclosed inventory in note 3.5.7 to the Consolidated Financial Statements.	In order to assess whether the necessary corrections to realizable value are recorded, we performed test of details on actual margins realized per product and valuation of obsolete inventories. We assessed whether there were inventories not being sold for a certain period in time and/or inventories that were sold with a negative margin by evaluating a sample of recent sales invoices from January 2018 to challenge management's assessment and decision whether inventories should or should not be provided for. We furthermore attended a selection of inventory counts around year end at locations with significant inventory values and reviewed procedures to identify obsolete, slow moving or damaged inventory.

Key audit matter	How our audit addressed the matter
Business Combinations - Fair Value Remeasurements In 2017, Sioen Industries N.V. acquired three companies (James Dewhurst Group, Verseidag Balistics Protection and UV Curable systems), for a total purchase consideration of 28.594 (000) EUR. The company furthermore finalized, in the course of 2017, the fair value remeasurement and goodwill determination of Ursuit and Dimension Polyant, both acquired in 2016. The different acquisitions described classify as business combinations in accordance with IFRS 3. The accounting for business combinations is considered a key audit matter as it is material to the Consolidated Financial Statements and requires significant judgement in relation to the determination of the fair value of the acquired net assets. The fair value of the acquired net assets typically differs from the net book value of those net assets resulting in either remeasurements or eventually goodwill. To determine the fair value of the acquired net assets, management used, besides own calculations, also external valuation specialists. These external experts based their valuation, amongst others, on future cash flow estimates and revenue derived from the future sale of the goods in inventory.	The business combinations and fair value remeasurements are disclosed in note 3.5.18 to the Consolidated Financial Statements. In our audit of the accounting for Business Combinations, we assessed the fair value remeasurements and tested the payment of the purchase price to the sellers. An important element of our audit relates to the identification of the acquired assets (e.g. valuation of customers and relations, trade names and technology) and liabilities (provisions, other liabilities). We tested this identification based on our understanding of the business of the acquired companies and the explanations and plans of management that supported this acquisition. Subsequently, we tested the fair values of the acquired assets and liabilities, and the resulting goodwill and critically assessed the assumptions used by management in the fair value determination. We involved our internal valuation specialists to evaluate the valuation methodologies used by management and tested the main assumptions. Our procedures furthermore include the evaluation of the design and implementation of controls over the process of fair value remeasurement determination. Furthermore, we assessed the appropriateness of the disclosures to the consolidated financial statements regarding the acquisitions.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements the Board of Directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report, i.e. chapter 1 to 3 of this annual report, is free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement. We do not express any kind of assurance on the annual report.

The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in a separate chapter of the annual report (chapter 4), attached to the directors' report on the consolidated financial statements. This statement on non-financial information includes all the information required by article 119, § 2 of the Companies Code and is in accordance with the consolidated financial statements for the financial year then ended. The non-financial information has been established by the company in accordance with the GRI Standards. We do however not express any opinion on the question whether this non-financial information has been established, in all material respects, in accordance with these GRI Standards. Furthermore, we do not express any assurance on individual elements that have been disclosed in this non-financial information.

Statements regarding independence

- No prohibited non-audit services, as referred to by the law, have been performed and our audit firm and, if applicable, our network of audit firms, remained independent from the company during the performance of our mandate.

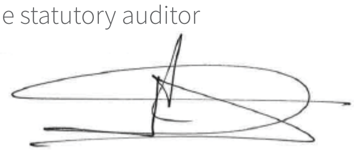
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Ghent, 26 March 2018

The statutory auditor



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

5. STATUTORY ANNUAL ACCOUNTS OF SIOEN INDUSTRIES NV

The statutory annual accounts of the parent company Sioen Industries NV are shown below in condensed form. In June 2018, the annual report and annual accounts of Sioen Industries NV and the auditor's report will be filed with the National Bank of Belgium in accordance with Articles 98-102 of the Companies Act.

These reports are available on request at the following address: Sioen Industries NV – Fabriekstraat 23 – 8850 Ardooie. The statutory auditor has issued an unqualified opinion.

Condensed balance sheet of Sioen Industries NV after appropriation of profit

December 31 [000] EUR	**2017**	**2016**
Fixed assets	**231 599**	**176 332**
Intangible fixed assets	4 152	4 387
Tangible fixed assets	23 102	23 088
Financial fixed assets	204 345	148 857
Current assets	**81 042**	**74 314**
Amounts receivable after one year		
Stocks and contracts in progress	27 176	26 063
Amounts receivable within one year	47 250	43 444
Investments		
Cash at hand and in bank	6 251	4 741
Deferred charges and accrued income	366	66
Total assets	312 641	250 646
Equity	**104 410**	**97 560**
Capital	46 000	46 000
Revaluation surpluses	9	9
Reserves	5 989	6 033
Accumulated profits (losses)	52 073	45 166
Investment grants	339	352
Provisions and deferred taxes	**1 247**	**1 288**
Provisions for liabilities and charges	1 221	1 254
Deferred taxes	27	33
Amounts payable	**206 984**	**151 798**
Amounts payable after one year	66 395	67 255
Amounts payable within one year	139 685	82 147
Accrued charges and deferred income	903	2 396
Total liabilities	312 641	250 646

Condensed income statement of Sioen Industries NV

December 31 [000] EUR	2017	2016
Operating income	**181 979**	**170 113**
Turnover	169 507	159 353
Increase (decrease) in stocks of finished goods, work and contracts in progress	1 279	912
Fixed assets - own construction	417	334
Other operating income	10 776	9 514
Operating charges	**-160 263**	**-146 841**
Raw materials, consumables and goods for resale	-102 599	-89 435
Services and other goods	-27 064	-26 056
Remuneration, social security costs and pensions	-24 385	-22 876
Depreciation and amounts written off	-4 793	-6 104
Provisions for liabilities and charges - appropriations	34	82
Other operating charges	-1 456	-2 453
Operating profit (loss)	**21 716**	**23 272**
Financial income	9 046	11 266
Financial charges	-4 697	-24 197
Financial result	**4 349**	**-12 931**
Profit (loss) for the period before taxes	26 065	10 340
Transfer from postponed taxes	7	8
Income taxes	-7 881	- 932
Profit (loss) for the period	18 191	9 416
Transfer from untaxed reserves	44	154
Transfer to untaxed reserves		
Profit (loss) for the period available for appropriation	18 234	9 571

Activity of Sioen Industries

Next to the Belgian coating operating activities, the function of Sioen Industries is essentially to outline the strategy of the divisions. It also appoints the management of the Group companies and supports the Group companies in the areas of personnel management, financial and treasury management, budgeting and controlling, MIS and IT, and legal affairs.

Comments

The turnover of Sioen Industries increased with 6.4% from EUR 159.4 million in 2016 to EUR 169.5 million in 2017. In 2017 the operating profit amounted to EUR 21.7 million, compared with an operating profit of EUR 23.3 million in 2016. Financial result increased from EUR -12.9 million in 2016 to EUR 4.3 million in 2017, mainly due to lower non-recurring financial charges.

Accounting principles

The accounting principles and translation rules applied to the statutory annual accounts of Sioen Industries are in accordance with Belgian Generally Accepted Accounting Principles.

Transparency disclosure

Pursuant to articles 6 to 18 of the Act of 2 May 2007 (Transparency Law) on the disclosure of significant participations in listed companies, the applicable quotas were set at, on the one hand, 5 percent or a multiple thereof and on the other hand at 3 percent and 7.5 percent (article 8 of the articles of association).

In accordance with articles 6 to 18 of the Act of 2 May 2007, following notifications of shareholdings exceeding the applicable quota's in Sioen Industries NV were received:

Notifying party	Date of notification	Number of shares	Percentage of total number of shares
Sihold NV(1) and companies/parties under the influence of the family Sioen	7 March 2014	12 906 212	65.25%
Total		12 906 212	65.25%

(1) Sihold NV is controlled by Sicorp NV, which is controlled in turn by the Dutch foundation Stichting Administratiekantoor Midapa. This foundation is controlled by Mrs. Sioen.

6. PROPOSALS TO THE GENERAL SHAREHOLDERS’ MEETING

Proposals to the General Shareholders’ Meeting of Sioen Industries NV of 27 April 2018

The Board of Directors of Sioen Industries proposes to the General Shareholders’ Meeting to approve the annual accounts at 31 December 2017 and to consent to the appropriation of profit.

The profit for the financial year ended is EUR 18 234 180, compared to a profit of EUR 9 570 548 for the financial year 2016.

The profit brought forward from the previous financial year is EUR 45 166 126. The profit available for appropriation is consequently EUR 63 400 307.

The Board of Directors proposes to appropriate the profit available for appropriation of EUR 63 400 307 as follows:

(in EUR)

Addition to other reserves	
Gross dividends for the 19 779 933 shares	-11 076 762
Directors' fees	- 250 800
Profit to be carried forward	52 072 744

The proposed net dividend per share is calculated as follows:

(in EUR)

Gross dividend per share	0.560
Withholding tax 30/70	0.168
Net dividend per share	0.392
Pay-out ratio[1]	50.66%

(1) Gross dividend in relation to the share of the Group in the consolidated result

If this proposal is accepted, the net dividend of EUR 0.392 per share will be made payable as from 16 May 2018 onwards.

DEFINITIONS

Gross margin %	(Net sales ± changes in stocks and WIP – raw materials and consumables used)/Net sales
EBT	Earnings Before Taxes = Profit (loss) before taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization = Operating result + depreciations + write off inventories and receivables + provisions for liabilities and charges
EBIT	Earnings Before Interest and Taxes = Operating result
Net cash flow	Profit (loss) after taxes + depreciations + write off inventories and receivables + provisions for liabilities and charges
Net financial debt	Borrowings (non-current and current) + obligations under finance leases (non-current and current) - other financial assets - cash and cash equivalents

Alternative performance measures (APM's, non-GAAP measures) do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

APM's are used to improve the comparability of the actual operational performance of the Group in 2017 against 2016.

RECONCILIATIONS

		Reorganization components included in 'Remuneration, social security and pensions'	Reorganization components included in 'Provisions for liabilities and charges'	Acquisition costs included in 'Services and other goods'	Stock movements resulting from fair value corrections on acquisitions , included in 'Gross margin'	Loss on sale of building included in 'Other operating charges'	
	2017						
EBIT → Restated EBIT	41 496	1 113	-1 104	461	1 257	162	43 385
Depreciations	22 138						22 138
Write off inventories and receivables	1 795						1 795
Provisions for liabilities and charges	-1 035		1 104				69
EBITDA → Restated EBITDA	64 393	1 113		461	1 257	162	67 387
	2016						
EBIT → Restated EBIT	44 697	701	127				45 525
Depreciations	16 417						16 417
Write off inventories and receivables	-1 952						-1 952
Provisions for liabilities and charges	-13		-127				-141
EBITDA → Restated EBITDA	59 149	701					59 850

ADDRESSES

Coating division		
Company	**Address (registered office)**	**Country**
Coatex NV	Industriezone Sappenleen, Sappenleenstraat 3-4, B-8970 Poperinge	Belgium
Dimension-Polyant (UK) Ltd.	22 St John Street, Manchester, M3 4EB	UK
Dimension-Polyant GmbH	Speefeld 7, 47906 Kempen	Germany
Dimension-Polyant Inc.	78, Highland Drive Putnam CT 06260	USA
Dimension-Polyant Sailcloth PTY LTD	Level 29, 66-84 Goulburn Street, Sydney,NSW, 2000	Australia
Dimension-Polyant SAS	Rue Newton - Les Minimes - Parc Technologique, 17000 La Rochelle	France
Dynatex NV	Fabriekstraat 23, B-8850 Ardooie	Belgium
Fontana International GmbH	Stifterstrasse 29, 4020 Linz	Austria
Manifattura Fontana S.p.A.	Via Fontoli 10, 36020 Valstagna (VI)	Italy
Pennel Automotive SAS	4 Route de Ville, BP 80201, F-80420 Flixecourt	France
Saint Frères Confection SAS	2 Route de Ville, BP 80237, F - 80420 Flixecourt	France
Saint Freres SAS	4 Route de Ville, BP 80201, F-80420 Flixecourt	France
Sioen Coated Fabrics (Shanghai) Trading Co. Ltd	Wai Gao Qiao Free Trading Zone 168 Mei Sheng Road - Guo Lian Mansion 1st Floor 200131 Shanghai/Pudong	China
Sioen Fabrics SA	Z.I. du Blanc Ballot, Avenue Urbino 6, B-7700 Mouscron	Belgium
Sioen Felt & Filtration SA	Rue Ernest Solvay 181, B - 4000 Liège	Belgium
Sioen Industries NV	Fabriekstraat 23, B-8850 Ardooie	Belgium
Siofab Indústria de Revestimentos Têxteis SA	Rua da Indústria, PT-4795-074 Vila das Aves	Portugal
James Dewhurst Ltd.		
Dewtex Inc.	Route 2, 1903 Clary Connector, Eastanollee, GA 30538	USA
James Dewhurst Trustees Ltd.	Altham Lane, Altham, Accrington, Lancashire, BB5 5YA	UK

Coating division

Offices	VAT	Company registration	T	F	Mail
	BE 0434 140 425	RPR Gent, afdeling Ieper 0434 140 425	T +32 57 346 160	F +32 57 333 523	coatex@sioen.com
Unit 8, Kingdom Close, Kingdom Business Park, Segensworth East, Fareham Hampshire PO15 5TJ	GB 458 5288 06	02047962	T +44 1489 570 551	F +44 1489 570 451	uk@dimension-polyant.com
	DE 811141675	Krefeld HRB 4588	T +49 215 289 10	F +49 215 2891 149	info@dimension-polyant.com
	ID 06-1310091	ID 06-1310091	T +1 860 928 8300	F +1 860 928 8330	info@us.dimension-polyant.com
PO Box 7143, Warringah Mall NSW 2100, Unit 7/9 Powells Rd., Brookvale N.S.W. 2100	82 082 190 823	42 107 103	T +61 2 9905 9565	F +61 2 9905 9569	dp-aus@dimension-polyant.com
	FR 43602030090	602 030 090	T +33 546 282 201	F +546 412 840	larochelle@dimension-polyant.com
	BE 0861 537 865	RPR Gent, afdeling Brugge 0861 537 865	T +32 51 740 900		info@dynatex.be
	ATU64352907	LG Linz Nr. 314404i	T +43 732 908 001	F +43 732 908 014	office@fontana-international.com
	00239330244	00239330244	T +39 424 998 27	F +39 424 998 96	
		RCS Amiens 448 273 615			
	FR 44408449098	RCS Amiens 408 449 098	T +33 322 51 51 70	F +33 322 51 51 79	sfc@sioen.com
	FR 76408448850	RCS Amiens 408 448 850	T +33 322 515 145	F +33 322 515 149	sfe@sioen.com
	310141607413450	P.R. of China 310115400065706	T +86 21 63 84 25 21	F +86 21 63 84 27 39	sioen@online.sh.cn
	BE 0458 801 684	RPM Mons-Charleroi, division Tournai 0458 801 684	T +32 56 856 880	F +32 56 346 131	sioenfabrics@sioen.com
	BE 0474 276 154	RPM Liège, division Liège 0474 276 154	T +32 4 252 21 50	F +32 4 253 04 25	felt@sioen.be filtration@sioen.be
	BE 0441 642 780	RPR Gent, afdeling Brugge 0441 642 780	T +32 51 740 900	F +32 51 740 964	sioline@sioen.com
	PT 505046644	4641/000907	T +351 252 87 47 14	F +351 252 94 29 68	siofab@mail.telepac.pt
	N/A	0410038			
	N/A	05608143			

Apparel division

Company	Address (registered office)	Country
Confection Tunisienne de Sécurité SARL	5 Impasse N° 2 Rue de l'Energie Solaire - (Z.I.) La Charguia TN-2035 Tunis	Tunisia
Gairmeidi Caomhnaithe Dhun Na nGall Teoranta Ltd	Industrial Estate Bunbeg Co. Donegal	Ireland
Mullion Survival Technology Ltd.	2 Hebden Road Sunthorpe North Lincolnshire DN15 8DT	UK
PT. Sioen Indonesia	Kawasan Berikat Nusantara (KBN) Marunda Jl. Pontianak Blok C2-03 Cilincing Jakarta Utara 14120	Indonesia
PT. Sungin Tex	Jalan Raya Narogong Km 12,5, Pangkalan IV, Desa Cikiwul, Kec. Bantar Gebang, Bekasi Barat 17152	Indonesia
Sioen Asia Pacific PTE. Ltd.	4 Battery Road, #25-01, Bank of China Building, Singapore (049908)	Singapore
Sioen France SAS	Pavillon Hermès 110 Avenue Gustave Eiffel ZI La Coupe, F-11100 Narbonne	France
Sioen Myanmar Ltd.	Plot No.75 and Plot No.102, Mah Kha Yar Min Thar Gyi Mg Pyoe Street, Hlaing Tharyar Industrial Zone-2, Hlaing Tharyar Township, Yangon	Myanmar
Sioen Nederland BV	Kasteellaan 33 NL-5932 AE Tegelen	the Netherlands
Sioen NV	Fabriekstraat 23, B-8850 Ardooie	Belgium
Sioen Tunisie SARL	7 Impasse N° 2 Rue de l'Energie Solaire - (Z.I.) La Charguia TN-2035 Tunis	Tunisia
Sioen Zaghouan SA	Rue Ismaïl Sabri - Zone Industrielle TN-1100 Zaghouan	Tunisia
Siorom SRL	Calea Chisinaului n° 43, Jud. Iasi, 700179 Iasi	Romania
Ursuk OY	Teijonkatu 3, 20750 Turku	Finland
Kiinteistö Oy Turun Teijonkatu 3	c/o Ursuk Oy, Teijonkatu 3, 20750 Turku	Finland
PT. Sioen Semarang Asia	Kawasan Industri Wijayakusuma (KIW) Jl. Tugu Industri Raya No. 2A Kel. Randu Garut, Kec. Tugu Kota Semarang Jawa Tengah Indonesia 50153	Indonesia
SG Balticum AS	Kooli 7, Valga maakond, 68604 Tõrva linn	Estonia
Ursuk AB	Flottiljgatan 85, 72131 Västerås	Sweden
Sioen Ballistics OY	Ensimmäinen savu, 01510 Vantaa	Finland
Sioen Deutschland GmbH	Lederstrasse 78, 72764 Reutlingen	Germany

Apparel division

Offices	VAT	Company registration	T	F	Mail
	03030 V/A/M/000	RC B 133171996	T +216 717 734 77	F +216 717 840 47	cts@sioen.com
	IE 4621355M	78212	T +353 749 531 169	F +353 749 531 591	ireland@sioen.ie
	GB 365 1873 34	1871440			mullion@sioen.com
		NPWP 01.068.001.5-057.000	T +62 21 448 53 222	F +62 21 448 53 444	info.marunda@sioenasia.com
		NPWP 01.068.012.2-057.000	T +62 21 825 22 22	F +62 21 825 44 44	indonesia@sioen.com
		201511418N			
	FR 49300774767	RCS Narbonne 300 774 767	T +33 468 423 515	F +33 468 422 743	sioen.france@sioen.com
		372 FC/2015-2016 (YGN)			
	NL 806030227B01	KVK 20086133	T +31 76 541 68 88	F +31 76 541 94 10	info@vanochten.nl
	BE 0478 652 141	RPR Gent, afdeling Brugge 0478 652 141	T +32 51 740 800	F +32 51 740 962	info@sioen.com
	614715 S/A/M/000	RC B 19711998	T +216 718 075 47	F +216 718 092 62	sioen.tunisie@sioen.com
	747023 F/A/M/000	RC B 177132000	T +216 726 806 60	F +216 726 826 60	sioen.zaghouan@sioen.com
	RO 30626899	J22/1504/2012			siorom@sioen.com
	FI04888860	0488886-0	T +358 20 7798 850	F +358 20 7798 859	info@ursuit.com
	FI21146869	2114686-9	T +358 20 7798 850	F +358 20 7798 859	info@ursuit.com
		11.01.1.14.11151	T +62 24 866 08 95	F +62 24 866 08 96	
	EE100497704	10301033	T +372 76 68350		sami@sg.ee
	SE556381281601	556381-2816	T +46 705 594 2474		mattias.vendlegard@ursuit.com
	FI18445710	1844571-02	T +358 9 825501	F +358 9 8255 0200	
	DE 314258385	Stuttgart HRB 762475	T +49 7121 159 500	F +49 7121 159 5099	germany@sioen.com

Chemicals division

Company	Address (registered office)	Country
European Master Batch NV	Rijksweg 15, B-2880 Bornem	Belgium
Le Comptoir Zouloo SAS	Zac Novo, Rue Lavoisier, BP 90422, F-59160 Lomme	France
Richard SAS	Zac Novo, Rue Lavoisier, BP 90422, F-59160 Lomme	France

Other

Company	Address (registered office)	Country
Roland Planen GmbH	Am Zirkel 8, D-49757 Werlte	Germany
Roland Real Estate Sp.z.o.o.	ul. Nadbrzezna 1, PL-62500 Konin	Poland
Roland Ukraine Llc	6-A Industrialna str. 35350 Kvasyliv, Rivnenska obl.	Ukraine
Roltrans Group America Inc.	3212 Pinewood Drive Arlington, Texas TX 76010, USA Corporation # 2044811	USA
Roltrans Tegelen BV	Kasteellaan 33 NL-5932 AE Tegelen	the Netherlands

Chemicals division

Offices	VAT	Company registration	T	F	Mail
	BE 0421 485 289	RPR Antwerpen, afdeling Mechelen 0421 485 289	T +32 3 890 64 00	F +32 3 899 26 03	emb@sioen.com
	FR 91394580377	RCS Lille Métropole 394 580 377	T +33 320 001 888	F +33 320 001 888	
	FR 22460501166	RCS Lille Métropole 460 501 166	T +33 320 001 888	F +33 320 001 888	sa.richard@colorants-richard.com

Other

Offices	VAT	Company registration	T	F	Mail
	DE 812873033	Osnabrück HR B 1222 96			
	PL 665-100-18-19	KRS nr. 0000108087			
	TX 76010	2044811			
	NL 001569338B01	KvK Venlo 12011983			

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