

ANNUAL REPORT 2015



COMPANY PROFILE

The Picanol Group is an international, customer-oriented group specialized in development, production and sale of high-tech weaving machines, cast iron parts and controllers.

Division Weaving Machines:

Picanol develops, manufactures and sells high-tech weaving machines based on air (airjet) or rapier technology. Picanol supplies weaving machines to weaving mills worldwide, and also offers to its customers products and services such as weaving frames & reeds, training, upgrade kits and spare parts. For eighty years, Picanol has played a pioneering role in the industry worldwide, and is one of the current world leading weaving machine manufacturers.

Division Industries:

Proferro comprises all foundry activities and the group's machining activities. It produces cast iron parts for e.g. compressors and agricultural machinery, and parts for Picanol weaving machines. PsiControl designs, develops, manufactures and supports among other things controllers in various industries such as textile machinery, compressors and fleet management. In addition to the manufacture of high-precision metal parts, mold making and the revision of dies, Melotte has been engaged in the 3D printing of parts for several years.

The Picanol Group employees operate all over the world to serve their customers. More than 2,000 employees together cover a wide range of high-tech products, systems and services, giving customers a lead over their competitors and creating added value.

In addition to the head office in Ypres (Belgium), the Picanol Group has production facilities in Asia and Europe, linked to its own worldwide sales and service network.

The Picanol Group was founded in 1936 and is celebrating its 80th anniversary in 2016.

The Picanol Group in 2015:

Consolidated turnover:	529.34 million euro
Employment:	2,062
Euronext Brussels:	PIC
Web:	www.picanolgroup.com

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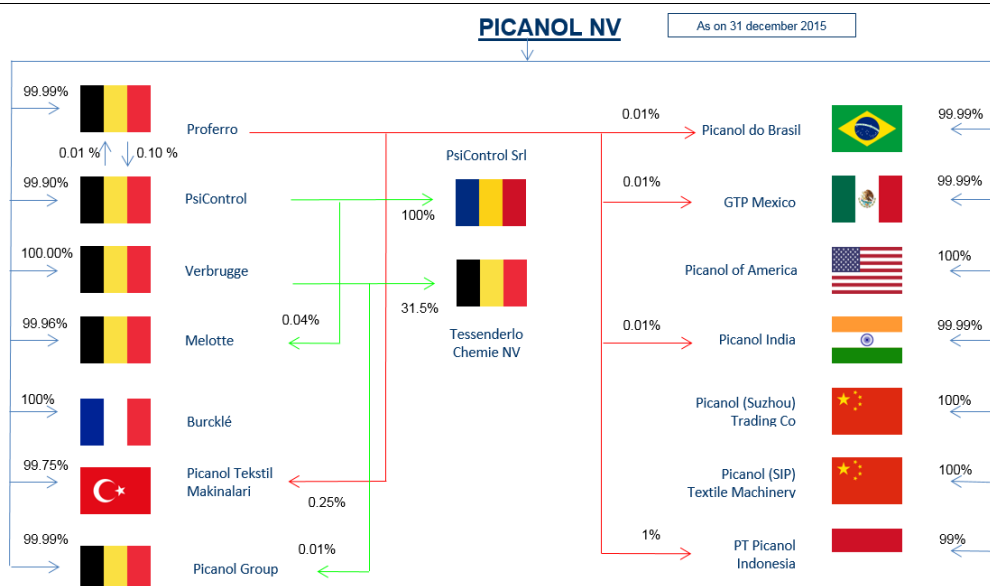
PRESENTATION OF THE PICANOL GROUP

AT THE SERVICE OF CUSTOMERS WORLDWIDE



The Picanol Group sells its weaving machines to customers worldwide and aims to be present in all important markets at the service of customers. For this purpose the group has a worldwide service and sales network. Through its highly trained, specialized and results-oriented employees and agents, the Picanol Group aims to create value for its customers all over the world. A number of crucial functions that depend on the know-how of the headquarters in Belgium are managed centrally. Matters specifically related to products made in the foreign production plants are dealt with locally. This ensures not only uniform implementation of the strategy and consistency of sales and marketing policy in the various markets, but also faster exchange of information between customers and personnel all over the world.

ORGANIZATIONAL CHART



Changes during the financial year:
 Picanol Group NV: founded
 Tessenderlo Chemie: from 30.2% to 31.5%

PROFILE WEAVING MACHINES

ACTIVITIES

Within the Picanol Group the division Weaving Machines (Picanol) covers all activities regarding development, production and sale of high-tech weaving machines and supplementary products, spare parts and services. Picanol sells high-tech weaving machines based on airjet or rapier technology. The division Weaving Machines consists of three parts:

- Marketing, Sales & Services markets weaving machines to customers all over the world, and is in charge of spare parts sales and aftermarket services. In Brazil, China, India, Indonesia, Mexico, Turkey and the US, this is organized through own local organizations.
- Product Development comprises all integrated R&D activities.
- Operations comprises all activities concerning sourcing, logistics, quality and assembly.

Weaving

In the weaving process, yarns are stretched on a weaving machine at right angles to each other. These stretched threads are known as warp (on the warp). Other yarns are then inserted one by one at right angles, interlacing with the warp. These yarns are called wefts and they are tightly pressed against each other. A fabric is formed by the interweaving of warp threads with successive wefts. Vertical metal rods with an eye (heddles) are placed in the weaving frames. Each warp thread is passed through the eye of a heddle. By bringing a portion of the weaving frames up and the other portion down, a shed (opening) of warp threads is created through which the weft is inserted. The weft thread is bound by alternating the weaving frames. Each new weft is beat against the already formed fabric by a weaving reed. The reed is made up of fine iron strips (slats) that keep the warp threads mutually parallel. Modern weaving machines use air, rapier, projectile or water technology. The type of weaving machine and the technology used to weave the wefts depend on the fabric that one wants to weave. The Picanol Group manufactures airjet and rapier weaving machines.

AIRJET WEAVING MACHINES

In the case of airjet weaving machines, the weft into the shed is propelled by a (compressed) airjet. A rewinder supplies the correct thread length.

RAPIER WEAVING MACHINES

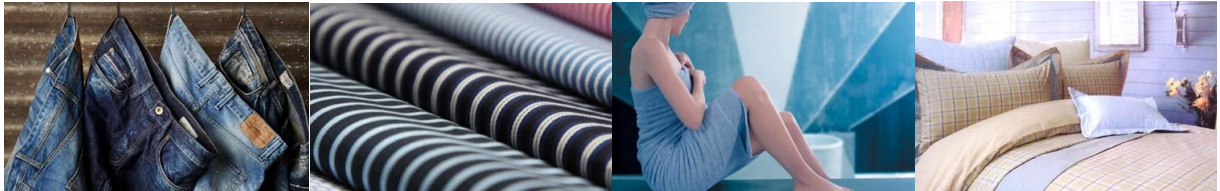
Rapier weaving machines have a rapier tape carrying a gripper on both sides. The left gripper takes the weft and guides it through the shed to the center of the fabric, where the right gripper takes over its task.



MARKET REVIEW

Picanol has served for many decades the entire world market, both for rapier and for airjet technology. The high-tech Picanol weaving machines and supplementary products and services are sold through its own branches and through a network of agents worldwide. Picanol weaving machines are sold worldwide in more than 100 countries. Over 90% of all weaving machines go to customers located outside of Europe. Currently, some 2,600 weaving mills across the world are using Picanol machines, in total accounting for approximately 175,000 weaving machines. To date, Picanol has already manufactured more than 350,000 weaving machines.

Picanol supplies **weaving machines for general textile applications**, such as denim (jeans), shirting fabric, terry or household and interior textiles.



In addition, Picanol also supplies **weaving machines for niche applications** in technical textiles, such as airbags, medical textiles, parachutes or tire cord.



Due to a continued focus on achieving a maximum production rate and versatility in combination with a minimum consumption of raw materials and energy, Picanol has managed to build a solid market share in the apparel segment. Within the household segment, Picanol has established a strong position among weavers of interior textiles, especially with its OptiMax-*i* and GTMax-*i* weaving machines, and in sheeting, in which Picanol has already maintained a very good reputation since the OMNI. Picanol's growing presence in the technical textiles segment offers attractive growth niches, thanks to significant investments in the development of customized machines.

PRODUCTS & SERVICES

WEAVING MACHINES

RAPIER WEAVING MACHINES

OptiMax-i

The latest rapier weaving machine for the higher segments and niche applications.



GT-Max / GTMax-i

Rapier weaving machine with universal application for the (upper) middle segment of the market.



TerryMax-i

Rapier weaving machine specially designed for weaving of terry cloth, based on the OptiMax-i series.



AIRJET WEAVING MACHINES

OMNIplus Summum

The latest airjet weaving machine for the higher market segments.



OMNIplus-X

Airjet weaving machine for the upper middle segment of the market.



TERRYplus Summum

Airjet weaving machine specially designed for weaving of terry cloth, based on the OMNIplus Summum series.



OMNIplus 800 TC

Airjet machine specially equipped for weaving tire cord, a technical fabric used for making vehicle tires. This machine is based on the OMNIplus 800 series.



Picanol also offers its customers upgrade kits and spare parts. In addition, it also brings a number of weaving accessories on the market such as reeds (Burcklé) and frames (GTP). The production of these accessories takes place in Belgium, France and Mexico under the brand names Burcklé and GTP.

PROFILE INDUSTRIES

Industries comprises all companies that develop and produce industrial products for original equipment manufacturers and other segments.

PROFERRO

ACTIVITIES

Proferro comprises the foundry and the machining activities of the Picanol Group. Proferro offers engineered casting solutions for medium sized series (500 to 20,000 pieces) in a long-term partnership. Proferro aims to be the preferred partner for applications in which the customer focuses on modules and components with high added value.



PRODUCTS & SERVICES

Proferro produces parts in grey lamellar and ductile cast iron ranging from 5 to 500 kg. When it comes to mechanical finishing, the group has various facilities both for prototyping and for series production using a very wide range of technologies including CNC machining, gear cutting, grinding, thermal treatment and welding.

MARKET REVIEW

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

PSICONTROL

ACTIVITIES

With locations in Ypres (Belgium) and Rasnov (Romania), PsiControl concentrates on design, development, production and support for custom-made controllers.



PRODUCTS & SERVICES

PsiControl offers custom solutions engineered around real-time controllers, power electronics and electronically-controlled motors. By using its own platforms it is able to reduce development times and permit high-performance, cost-effective solutions. For this purpose PsiControl has R&D and prototyping departments in Ypres and procurement, production and service activities in its branches in Ypres and Rasnov.

MARKET REVIEW

PsiControl concentrates mainly on industrial customers where reliability is crucial. It currently acts as a supplier to various sectors such as textile machinery, compressors, HVAC and fleet management.



MELOTTE

ACTIVITIES

Melotte in Zonhoven (Belgium) specializes in manufacturing parts with high precision, complex shapes, in special materials and small numbers. Both classical methods (turning, milling, grinding and spark erosion) and modern 3D printing techniques are used during the production process. Melotte specializes in *Selective Laser Melting* (SLM) in which metal powder is melted by a laser, thereby creating a part layer by layer. The classic processes combined with the modern 3D technologies and high-end finishing all under one roof make Melotte rather unique.

PRODUCTS & SERVICES

Melotte supports its customers from the concept phase and its engineers consider dialogue and cooperation to be an essential part of their job. For 3D processes, Melotte guarantees that it will introduce its customers to the vital methods required to create parts using the SLM technology. Melotte offers a wide range of materials, such as titanium, inconel, cobalt-chromium tool steel, aluminum and others. Customers can also have their materials tested and validated by Melotte. The range is completed by related support services such as reverse engineering and modeling, laser scanning, optical measurement and thermodynamic analysis.

MARKET REVIEW

Melotte supplies a highly diversified international market, including the petrochemical industry, construction of specialist medical equipment, chemicals and pharmaceuticals. Thanks to the introduction of new production processes, Melotte is also tapping into new markets besides the existing customer segments, thereby primarily focusing on industrial customers requiring the manufacture of complex prototypes.

HUMAN RESOURCES

The Picanol Group's position as market leader and its technological leadership - in various areas with so many products - are due entirely to its members of personnel. The employees in the Picanol Group work together over a wide range of high-tech products and services, giving customers a lead over competitors and creating added value. At the end of 2015 the Picanol Group worldwide employed 2,062 people.

The Picanol Group is convinced that its employees make the difference and are crucial for the group's competitiveness. Its committed Human Resources policy is therefore designed to develop the Picanol Group into an organization in which all employees can develop themselves for the benefit of the Picanol Group and their personal skills.

ENVIRONMENT, HEALTH AND SAFETY

Care for the environment forms an essential part of the corporate policy. The Picanol Group systematically takes account of the environment in its operating processes, and tries to minimize the impact of its activities on the environment by constantly paying close attention to among other things energy consumption and waste management.

The health and safety of employees are also of great concern to the Picanol Group, including such aspects as ergonomics, accident prevention and protection on the work floor. Numerous safety questions are examined and dealt with each year in collaboration with the Committee for Prevention and Protection at Work. One important part of the policy is the voluntary participation of many members of personnel, including first aiders, the internal firefighting team and the safety monitors who ensure that the necessary training courses are given annually in each department.

QUALITY & WORLD CLASS MANUFACTURING

Quality is a priority for all subsidiaries and employees worldwide. The group has a team of internal ISO 9001 auditors who form a crucial link in the quality process. Every year various internal audits are carried out in order to continually fine-tuning the quality system. In addition the Picanol Group focuses worldwide on world class manufacturing (WCM). World class manufacturing or WCM stands for constantly striving to eliminate losses, with the involvement of all employees, so as to become a world class company. Currently it focuses on the themes of cost development, continuous improvement, self-management, planned maintenance, total quality, training, health and safety and the environment. Various management audits are held on an annual basis, with the management of the different departments following the implementation of WCM. The Picanol Group also has a suggestion system that enables employees to put forward proposals for work-related improvements. In recent years, further steps have been taken in the implementation of self-managing teams within the Picanol Group.

REPORT BY THE BOARD OF DIRECTORS

LETTER TO THE SHAREHOLDERS

Dear shareholder,

As previously announced, the Picanol Group realized a consolidated turnover of 529.34 million euros over the full 2015 financial year, which represents an increase in turnover of 26.6% compared to the 418.2 million euros in 2014. The group closed 2015 with a net profit of 85.69 million euros, compared with 52.4 million euros in 2014.

In 2015, the Weaving Machines division experienced a persistent high global demand for Picanol weaving machines, in which it had to focus strongly on flexibility in order to handle production peaks. In 2015, Picanol brought a number of new weaving machines to the market: the OptiMax-*i*, the TerryMax-*i* and the TERRY*plus* Summum, which allowed it once more to profile itself as the technological market leader in rapier and airjet weaving machines. In November 2015, Picanol successfully participated in the 17th edition of ITMA in Milan, the most important four-yearly textile machinery exhibition in the world, where the new machines were received with considerable acclaim.



Higher demand from the Weaving Machines division also translated into an increase in turnover for the Industries division in 2015. The turnover for other customers remained stable in 2015. The Industries division continues to successfully focus on its engineered casting solutions (Proferro) and its controller capacities (PsiControl) to attract new projects and customers.

Picanol Group + Tessenderlo Group

On 16 December 2015, Tessenderlo Group (Tessenderlo Chemie NV, Euronext: TESB) and Picanol Group announced their intention to combine the industrial operations of both companies into one larger industrial group, Picanol Tessenderlo Group NV. To this end, Picanol's current industrial activities would be merged with Tessenderlo. During an Extraordinary General Meeting, the board of directors of Tessenderlo would ask the shareholders for the issuance of 25,765,286 new Tessenderlo shares at 31.50 euros, to compensate Picanol NV for the proposed transaction, based on a valuation of the Picanol activities of 811.6 million euros.*

Dividend

The board of directors will propose to the Annual General Meeting on 20 April 2016 to pay a gross dividend of 0.1 euros per share, for a total of 1.77 million euros.

Outlook

The order book for the first half of 2016 is also strong due to the increasing demand for quality and technology. This is partly supported by the success of the new weaving machines and the favorable exchange rate of the euro. Based on the outlook of the Weaving Machines division, the Industries division also aims at further growth in 2016, albeit differentiated across the various markets.

For the full financial year of 2016, the Picanol Group expects to achieve a turnover in line with that of 2013, the best year in the history of the group. In 2016, the Picanol Group will celebrate its 80th anniversary.

The Picanol Group remains cautious since it is an export-oriented company operating in a volatile world economy. Due to the cyclical nature of the textile market, strict cost-control remains an absolute necessity.

2016 will see the Picanol Group celebrate its 80th anniversary. This promises to be another challenging year that we and our employees will truly relish. All over the world, our employees are working for the success of our customers in a professional, passionate and enthusiastic manner. In doing so, they are continuing to build the future of the group. On behalf of the entire board of directors, we would like to sincerely thank our employees.

Luc Tack
Managing Director

Stefaan Haspeslagh
Chairman

Note: For some explanations on the consolidated financial statement of Picanol NV, please refer to page 70 of this Annual Report.

Events after the balance date

*After it was announced by Tessenderlo Group and Picanol Group on 25 January 2016 that the proposal would not meet with the approval of the Extraordinary General Meeting of Tessenderlo Chemie NV with certainty, the board of directors of Tessenderlo Group proceeded to cancel the meeting of 29 January 2016 as well as the convocation of the second meeting of 23 February 2016. In parallel, the boards of directors of Picanol Group (and the subsidiary Verbrugge NV) and Tessenderlo Group engaged in talks to determine whether and in what way, taking into account the concerns formulated by the shareholders, the terms of the proposed transaction could be adapted to ensure its approval by the Extraordinary General Meeting of Tessenderlo Chemie NV.

On 7 March 2016, Picanol Group and Tessenderlo Group announced that they would definitely cease in their attempt to merge the industrial activities of Picanol Group with Tessenderlo Chemie as insufficient support was expressed by the shareholders of Tessenderlo Chemie NV for a transaction on terms that were acceptable to Picanol and its shareholders.

WEAVING MACHINES

The Weaving Machines division experienced a strong start to 2015 thanks to the high demand for quality and technology, which was partly supported by the favorable exchange rate of the euro. The first half of 2015 was characterized by a persistent high global demand for Picanol weaving machines, with an increased focus on the handling of the various production peaks. The sale of parts and accessories followed the positive trend of the weaving machines. The demand for Picanol weaving machines remained high during the second half of 2015.

In 2015, the Picanol Group continued to target its efforts on product development and innovation to further expand its high-tech activities. Last year, for instance, Picanol celebrated the 40th anniversary of the production of rapier weaving machines with the global launch of its new OptiMax-*i* rapier machine, the fastest industrially produced rapier weaving machine in the world. Picanol also launched two new weaving machines for the weaving of terry cloth: the TerryMax-*i* (rapier) and the TERRYplus Summum (airjet). Picanol is the only machine manufacturer to offer both rapier and airjet technology for terry cloth weaving.

In November 2015, Picanol successfully participated in the 17th edition of ITMA in Milan, the most important four-yearly textile machinery exhibition in the world. The new Picanol machines were received with considerable acclaim. In the run-up to the ITMA Milan event, Picanol also launched a new marketing campaign entitled 'Let's grow together'. The aim was to make it clear that Picanol wants to grow with its customers by offering the best mix of machines, features, services and knowledge (www.letsgrowtogether.be).

In addition, Picanol successfully participated in a number of international trade fairs in 2015, where it profiled itself as the technological market leader in rapier and airjet weaving machines. The participations included the Dhaka International Textile & Garment Machinery Exhibition (Bangladesh), Techtexil Frankfurt (Germany), Inlegmash (Russia), Saigontex (Vietnam), Techtexil USA, Techtexil India and Rubbertech Shanghai (PR China).

In 2015, Picanol further invested in the renovation and modernization of its production facilities, which included the purchase of new automated guided vehicles in the assembly lines. In combination with further productivity and quality improvements, Picanol Group wants to improve its competitiveness with these targeted investments in Ypres.

Outlook

The order book is well-filled for the first half of 2016 thanks to the increasing demand for quality and technology, and this is supported by the success of new weaving machines and the favorable exchange rate of the euro. The lower activity in the Chinese market is compensated by growth in other markets.

In 2016, Picanol will continue to increase its role as the technological market leader by further expanding the product range of its weaving machines and by offering applications for new market segments. The main challenge thereby remains the further strengthening of the (weaving) performance, quality and cost competitiveness of the customer.

In terms of product development, sourcing and assembly, Picanol will step up its efforts to further improve both productivity and process efficiency, combined with a number of targeted investments, including investments in logistics systems.

For more detailed information on the financial results of the Weaving Machines division, please refer to chapter III.5 of this annual report.

ACTIVITIES REPORT INDUSTRIES

The higher demand from Weaving Machines resulted in a turnover increase for Industries in 2015. The turnover for other customers remained stable in 2015. Last year, the Industries division was commercially successful with new customers and new orders from existing customers, although it was also confronted with less favorable economic conditions in the agricultural and mining sectors, among others.

Proferro

In 2015, Proferro once again strongly focused on its engineered casting solutions. The three pillar strategy of casting-finishing-assembly and the HWS molding line are increasingly valued by the market. This has allowed Proferro to expand its customer portfolio further in 2015 both in terms of casting and in the finishing of castings.

In 2015, Proferro further invested in the renovation and modernization of its production facilities. It invested in various CNC machines for the foundry and the finishing department. This included putting a new wire EDM machine, deburring robot and new machines for the finishing of frames for weaving machines into use. This enables Proferro to offer the customer a total solution - from development to ready-to-assemble parts for other machine manufacturers. In 2015, Proferro also launched an internal campaign on safety in the foundry (Safety First).

PsiControl

During the past year, PsiControl once again strongly focused on its custom-made controllers for the medium series and its expertise in Electronic Manufacturing Services (EMS). This resulted in several new customer projects, including projects in the engineering industry and the healthcare sector. The tandem between the production sites in Ypres and Rasnov is an important asset for PsiControl. In 2015, a new plant manager was also appointed for the branch in Romania.

In 2015, PsiControl once again participated in several trade fairs to further roll out its SwipeStat platform. The SwipeStat platform combines swipe and touch technology with the expertise of PsiControl in controllers and user interfaces. SwipeStat was presented at ISH 2015 (Germany) and EU'Vend & coffeena (Germany). The investments of PsiControl in 2015 included a fully automated screen printer and a new 3D Automated Optical Inspection (AOI) installation.

Melotte

The turnover of Melotte increased slightly in 2015, both in conventional and in 3D printed parts. The range of Melotte parts for compressors used in the low density PE process received its first order from China. The Von Karman Institute chose Melotte to create a chassis made of titanium for the Cube Satellite project. Meanwhile, several mold makers opted for Melotte's 3D conformal cooling solutions. By investing in 3D measurement technology, a service model could be developed that allows customers to have their own parts scanned and measured at Melotte. In 2015, Melotte invested in a milling machine with high dynamics and a spindle speed of 30,000 rev/min, thus increasing the speed and accuracy of the production of high-precision components.

Outlook

Based on the outlook of the Weaving Machines division, the Industries division also aims at achieving further growth in 2016, although this will be differentiated across the various markets. For 2016, Proferro once again anticipates overcapacity in the European foundry sector and a weaker agricultural and mining sector, which will make it increasingly difficult to secure new projects. However, the outlook for PsiControl in the different customer segments is positive. At various trade fairs throughout 2016, PsiControl will be focusing on the deployment of the SwipeStat XL, an extension of the existing SwipeStat platform. In addition, in 2016 the Industries division will also further automate and robotize its activities with targeted investments.

For more detailed information on the financial results of the Industries division, please refer to chapter III.5 of this annual report.

CORPORATE GOVERNANCE DECLARATION

The Picanol Group applies the Belgian Corporate Governance code 2009 as reference code. This chapter presents the application of this policy in 2015. In 2015, Picanol Group deviated from the provisions of the Belgian Corporate Governance Code on a number of points, which will be explained in more detail in this chapter.

For the general operations of the board of directors, the subcommittees of the board of directors and the management committee as far as they relate to corporate governance policy, readers are referred to the Corporate Governance Charter on the website www.picanolgroup.com.

I. BOARD OF DIRECTORS

I.1. Composition of the board of directors

		Appointed until the GM in
Mr. Stefaan Haspeslagh (1)	Chairman	2018
Mr. Luc Tack (1)	Managing Director	2016
Baron Hugo Vandamme <i>permanent representative of HRV NV (2)</i>	Chairman of the nomination & remuneration committee Member of the audit committee	2016
Mr. Frank Meysman, <i>permanent representative of M.O.S.T. BVBA (2)</i>	Chairman of the audit committee (until 26 October 2015) Member of the audit committee Member of the nomination & remuneration committee	2016
Mr. Jean Pierre Dejaeghere <i>permanent representative of NV Kantoer Torrimmo (2)</i>	Member of the audit committee Chairman of the audit committee (since 26 October 2015) Member of the nomination & remuneration committee	2019
Mr. Patrick Steverlynck (3), permanent representative of Pasma NV	Director	2016

(1) executive director (2) non-executive independent director (3) non-executive director

Company secretary & compliance officer:

Mss. Karen D'Hondt, Group Controller

The board of directors comprises six members, of whom the majority (four) are non-executive directors and half (three) are directors who are not employed by, or associated with, Picanol Group or its shareholders. As a result, the decision-making of the Board is not dominated by a group of directors and at least half of them are non-executive, in compliance with the Corporate Governance Code.

The board of directors has three independent directors, namely Mr. Frank Meysman (as permanent representative of M.O.S.T. BVBA), Hugo Vandamme (as permanent representative of HRV NV) and Jean-Pierre Dejaeghere (as permanent representative of Office Torrimmo NV).

The three directors meet all of the criteria set out in Article 526ter of the Company Code, the Belgian Corporate Governance Code and the Corporate Governance Charter of Picanol Group. One of these criteria is that a director may only be independent for a maximum period of 12 years, with a maximum of three reappointments. Since Picanol uses shorter appointment periods, Messrs. Frank Meysman (as permanent representative of M.O.S.T. BVBA) and Hugo Vandamme (as permanent representative of HRV NV) have been reappointed four times, although both have served less than the maximum term of 12 years.

From a technical point of view, they no longer comply with one of the sub-criteria set out in Article 526ter of the Company Code, the Belgian Corporate Governance Code and the Corporate Governance Charter of Picanol Group.

However, Messrs. Frank Meysman (as permanent representative of M.O.S.T. BVBA) and Hugo Vandamme (as permanent representative of HRV NV) offer Picanol Group the expertise it needs as a B2B company of such an international scale and with such growth. For this reason and due to the fact that the majority of similar companies on the stock market apply a 12 year maximum (and adapt the duration of their mandates accordingly), Picanol Group has decided to continue to take advantage of their added value as directors and it will study their succession in the interest of the company. Thereby, it will give priority to the members of the board of directors constituting the remuneration committee, since the provisions of Article 526ter of the Company Code and the equivalent provision in the Corporate Governance Code, according to which a majority of independent directors is needed to meet the technical requirements of Article 526ter of the Belgian Companies Code, are technically not met at present.

Under the guidance of the chairman the directors assessed the operation of the board of directors and the collaboration with the management committee, in order to ensure that it functions efficiently.

As regards the inclusion of women in the board of directors, with the required competencies according to our Corporate Governance-rules, the Picanol Group will comply with the statutory regulations and deadlines and will therefore undertake the necessary steps. The nomination & remuneration committee will identify and nominate candidates at the general meeting in 2016 for approval by the board of directors.

I.2. Activities of the board of directors during the past financial year

The board of directors held ten meetings in 2015. On one occasion, Mr. Frank Meysman was unable to attend.

In 2015 the board of directors dealt with among others the following matters:

- the monthly reporting, the quarterly and half-year figures, the annual accounts, the annual report and the agenda for the general meetings;
- the five-year plan for 2016-2020;
- the reports of the audit committee and the nomination & remuneration committee;
- transactions with related parties;
- investment and disinvestment projects;
- the proposed merger of Picanol Group's activities with Tessengerlo Chemie NV.

I.3. Evaluation of the board

The board of directors, led by the chairman, regularly makes a self-assessment to determine the efficient operating of the board and its committees. The evaluation has following objectives:

- to assess the operation of the board;
- to examine whether the topics are thoroughly prepared;
- to assess the actual contribution, commitment and efficiency of each director;
- to examine the current composition of the board in the light of the desired composition;
- to examine whether the composition of the board of directors fulfills the objective of assembling complementary skills in terms of competencies, experience and business knowledge.

The nomination and remuneration committee receives notes from the directors and annually reports to the board of directors with an assessment of the operating of the board.

II. SUBCOMMITTEES OF THE BOARD OF DIRECTORS

II.1. Audit committee

Composition of the audit committee

The members of the audit committee are Frank Meysman (as permanent representative of M.O.S.T. BVBA), Baron Hugo Vandamme (as permanent representative of HRV NV) and Jean Pierre Dejaeghere (as permanent representative of NV Kantoor Torrimmo).

On 26 October 2015, Mr. Jean Pierre Dejaeghere was appointed as chairman of the audit committee as the successor to Mr. Frank Meysman. In accordance with art. 526 bis of the Company Code, the Picanol Group declares that the chairman of the audit committee, Mr. Jean Pierre Dejaeghere, meets the requirements of independence and has the necessary expert skills in accounting and auditing.

Contrary to most Belgian listed companies, which have a reference shareholder, none of the three members of the audit committee are employed by or associated with Picanol Group or its shareholders.

Since Messrs. Frank Meysman (as permanent representative of M.O.S.T. BVBA) and Baron Hugo Vandamme (as permanent representative of HRV NV) technically do not meet one sub-criterion of Article 526ter of the Belgian Company Code (see above, in particular, that they, although without having exceeded the maximum period of 12 years, have already been appointed four times), this implies a deviation from the provisions of the Belgian Corporate Governance Code applicable to the audit committee, which requires a majority of independent directors, according to the definition of the term "independent" in Article 526ter of the Belgian companies Code. However, the Belgian Corporate Governance Code is stricter than the legal requirements applicable to the audit committee and the composition of the audit committee is in accordance with the Companies Code.

Meetings of the audit committee

The committee held four meetings in 2015. On one occasion, Mr. Frank Meysman was unable to attend.

Special attention was paid to:

- the half-yearly and annual results, with the auditor's report;
- the internal audit report;
- management letter of the auditor;
- procedures and risk evaluations.

After each meeting the audit committee reported through its chairman to the board of directors about the above mentioned matters, and gave its advice on decisions by the board.

Evaluation of the audit committee

On a regular basis, the chairman of the committee reports to the board of directors on the operation of the audit committee, which is checked against the Corporate Governance Charter and other relevant criteria approved by the board of directors.

II.2. Nomination & remuneration committee

Composition of the nomination & remuneration committee

The members of the nomination & remuneration committee are Mr. Frank Meysman (as permanent representative of M.O.S.T. BVBA), Baron Hugo Vandamme (as permanent representative of HRV NV) and Mr. Jean Pierre Dejaeghere (as permanent representative of NV Kantoor Torrimmo).

Contrary to most Belgian listed companies, which have a reference shareholder, none of the three members of the nomination and remuneration committee are employed by or associated with Picanol Group or its shareholders.

Since Messrs. Frank Meysman (as permanent representative of M.O.S.T. BVBA) and Baron Hugo Vandamme (as permanent representative of HRV NV) technically do not meet one sub-criterion of Article 526ter of the Belgian Company Code (see above, in particular, that despite not exceeding the maximum period of 12 years they have already been appointed four times), this implies a deviation from the provisions of the Company Code and the Belgian Corporate Governance Code applicable to the nomination and remuneration committee, which requires a majority of independent directors, according to the definition of the term "independent" in Article 526ter of the Belgian Company Code.

Picanol Group will appoint new independent directors during the General Meeting of 20 April 2016 to once again meet the statutory provisions.

Meetings of the nomination & remuneration committee

The committee met one time during the report year under the full presence of its members. The following subjects were discussed, among others:

- remuneration of the management committee and the executive directors;

- explanation on the HR policy;
- appointment of the directors.

The managing director and chairman were invited to this meeting. The chairman of the nomination & remuneration committee reported on these matters to the board of directors after the meetings, and gave its advice with a view to decisions by the board. The number of meetings of the nomination and remuneration committee deviates from Article 526quarter W.Venn. of the Company Code and the Corporate Governance Charter in that it held only one meeting in 2015, while the Company Code requires two meetings to be held.

Evaluation of the nomination & remuneration committee

On a regular basis, the chairman of the committee reports to the board of directors on the operation of the nomination & remuneration committee, which is checked against the Corporate Governance Charter and other relevant criteria approved by the board of directors.

III. MANAGEMENT AND DAY-TO-DAY MANAGEMENT

The management committee is made up as follows:

- Luc Tack, managing director;
- Findar BVBA, represented by Mr. Stefaan Haspeslagh, CFO;
- Cathy Defoor, Vice-President Industries;
- Geert Ostyn, Vice-President Weaving Machines;
- Johan Verstraete, Vice-President Weaving Machines - Marketing, Sales & Service;
- VOF Pretium Plus, represented by Mr. Philip De Bie, Vice-President Accessories & IT.

The management committee meets weekly to determine the day-to-day management of the company. The management committee is not a board committee within the meaning of Art. 524bis W. Venn.

IV. REMUNERATION REPORT

IV.1. Procedure for the development of a remuneration policy and establishment of the remuneration levels for the board of directors and executive managers

The procedure for developing a remuneration policy and establishment of the remuneration levels for the members of the board of directors and the management committee is defined by the board at the proposal of the nomination & remuneration committee.

At the proposal of the nomination and remuneration committee, the remunerations of the members of the executive management were approved by the board of directors in so far as they involved changes to the running contracts.

IV.2. Remuneration policy

The remuneration of non-executive directors comprises a fixed annual fee plus fees for attendance at committee and board meetings. The fixed remuneration is 15,000 euros a year and the attendance fee is 2,000 euros per attendance. The remuneration of the non-executive directors remained unchanged in 2015 compared to 2014. The remuneration of executive directors consists of a fixed fee only. Executive directors receive neither a variable remuneration nor performance awards in shares.

The remuneration of the management committee consists of a fixed fee plus a variable fee based on company results. The variable fee for 'on target' performance lies between 25% and a maximum 50% of the fixed fee. Based on the annual analysis, the nomination & remuneration committee may decide to deviate from this range. The management committee does not receive performance awards in shares. Currently, no recovery right has been determined through which the company may reclaim variable fees that have been awarded on the basis of inaccurate financial data.

We do not expect any material changes in the remuneration policy in the next two years.

IV.3. Remuneration of the directors

In EUR		Fixed remuneration as director	Attendance fees (board of directors and committees)	Ad hoc*	Total 2015
Stefaan Haspeslagh	executive	60,000	-		60,000
Luc Tack	executive	25,000	-		25,000
Patrick Steverlynck, as representative of Pasma NV	non-executive	15,000	8,000		23,000
Frank Meysman, as representative of M.O.S.T. BVBA	non-executive	15,000	6,000	12,000	33,000
Hugo Vandamme, as representative of HRV NV	non-executive	15,000	8,000	12,000	35,000
Jean Pierre Dejaeghere, as representative of NV Kantoor Torrimmo	non-executive	15,000	8,000	12,000	35,000

*Ad hoc committee regarding the proposed merger of Picanol Group's activities with Tessengerlo Chemie NV

Since 1 January 2015, the managing director receives a fixed director's fee as approved by the General Meeting of 15 April 2015.

IV.4. Evaluation criteria of the performance-based fees of the management committees

The management committee, with the exception of executive directors, receives a variable fee based on company results. The criteria for the 2015 variable fee are laid down in a contract and are based on:

- the group's performance (EBITDA): 65%;
- divisional and individual results: 35%.

The criteria are established and evaluated annually, whereby the performance-related criteria are based on the group budget. The evaluation of the performance criteria is carried out by the managing director in consultation with the nomination & remuneration committee.

IV.5. Remuneration of the managing director

In EUR	2015
Name	Luc Tack
Fixed remuneration	100,000
Variable remuneration	0
Total	100,000
Pension	0
Other benefits	0

Since 1 January 2015, the managing director has received a fixed remuneration as approved by the board of directors.

The managing director does not receive long-term cash incentive plans.

IV.6. Remuneration of the other members of the executive management

In EUR	2015
Fixed remuneration	964,122
Variable remuneration	325,657
Total	1,289,779
Pension	Fixed contributions: 63,000
Other benefits *	13,365

* remuneration using car

The level and structure of the remuneration of other members of the management committee seeks to enable the company to attract and motivate qualified managers. The remuneration is regularly checked to ensure that it corresponds with market trends.

The other members of the executive management do not receive long term cash incentive plans.

The members of the management committee do not receive directors' fees for the companies where they fulfill a director's position.

IV.7. Shares awarded to the management committee

Neither the managing director nor the members of the management committee are awarded shares or share options. No share option plans for the managing director or the other executive managers exist at present.

IV.8. Termination compensation

No termination fees exist for the managing director or the other executive managers. A notice period of twelve to eighteen months applies for the other executive managers.

IV.9. Deviation

At the general meeting of shareholders on 15 April 2015, the shareholders approved the board of directors to deviate from the Corporate Governance stipulations in relation to the distribution of bonuses in time. The bonuses of the other members of the executive management were therefore paid out in one sum. This will be put forward for approval again at the general meeting in 2016.

V. AUDITOR'S REMUNERATION

The auditor received an amount of 154,200 euros for performance of his audit task in 2015. In the course of 2015, the auditor and the auditor related parties invoiced 273,052 euros, mainly within the framework of the proposed merger of Picanol activities with Tessenderlo. All other assignments except auditors' assignments were submitted to the audit committee for approval.

VI. RISK MANAGEMENT & INTERNAL CONTROL

The Picanol Group internal control system aims at safeguarding:

- achievement of the company goals;
- reliability of the company's financial and non-financial information;
- compliance with the rules and regulations.

Internal control is built on five pillars: the control environment, risk analysis and control activities, information and communication and finally, supervision and corrective action.

VI.1. Control environment

Organization of internal control:

The audit committee is charged with monitoring the efficacy of the internal control and risk management systems. The responsibilities of the audit committee as regards financial reporting, internal control and risk management are detailed in the Corporate Governance Charter (available on the website www.picanolgroup.com).

The audit committee also supervises the activities of the internal auditor. The latter prepares an annual planning based on a risk analysis and carries out specific audit assignments at the request of the management committee or the board of directors. He reports his findings and recommendations directly to the audit committee. Management information control is the competence of the controlling team. The compliance function is performed by the company secretary.

For each position, the company has defined a clear competence framework as well as distinct management responsibilities.

Company ethics:

The company has defined a Corporate Governance Charter and a code of good practice.

VI.2. Risk analysis

Picanol performs regular analyses of the risks involved in its activities. In 2015, the risk analysis was reassessed. All of the key employees were asked to review their risk assessment and the evolution of several risk factors was determined. An assessment of the risks according to their impact and company vulnerability subsequently resulted in action plans that are regularly monitored by the management committee. The entire set of risk factors and action plans were evaluated by the audit committee.

This analysis ultimately led to the identification of risks and definition of measures described below:

Risks associated with the company's activities

The company faces heavy competition and is subject to technological developments, and this will remain so in the future. If the company fails to keep up with these technological developments, this could limit the market opportunities for its products or potential products, with a negative impact on its operating and financial results. The market for Picanol's products is highly competitive. Competitors include established companies with possibly greater financial, R&D, sales, marketing and personnel resources than Picanol, and which may also have more experience in developing, producing, marketing and supporting new technologies and products. The fields in which the company operates are characterized by technological development and innovations. There can be no guarantee that competitors are not already developing technologies and products that are just as efficient and/or as cheap – or even more so – than anything the company has now or may develop in future. Competing products may be accepted more readily by the market than the company's own products, and technological progress by competitors may lead to the company's products becoming uncompetitive or obsolescent before the company is able to recover its R&D and marketing costs. If the company is not able to compete effectively, then its activities may suffer considerably.

Picanol may not be able to protect its intellectual property rights

The company's future success depends to a large extent on its ability to protect its existing and future brands and products, and similarly to protect its intellectual property rights, including trademarks, patents, domain names, trade secrets and know-how. Picanol has managed to register various trademarks and patents to cover its brands and products, and it has applied to register other trademarks and patents to cover its newly developed brands and products, and expects to apply for further brand names and patents in future. However, Picanol cannot be certain of obtaining registration of the trademarks and patents applied for. There is also the risk of Picanol failing to renew a trade mark or patent in time, or competitors being able to invalidate or circumvent any existing or future trademarks or patents granted to Picanol or licensed by it. Picanol cannot be certain that the steps taken by it to protect its portfolio of intellectual property rights (including trade mark registrations and domain names) will be sufficient, or that third parties will not violate these property rights or illegally appropriate them. Furthermore, some countries in which Picanol operates offer less protection for intellectual property rights than in Europe. If Picanol is unable to protect its property rights against violation or misappropriation, this could have a significant negative impact on its activities, operating results, cash flows or financial situation, and in particular Picanol's ability to further develop its activities.

Picanol's operating results are influenced by exchange rate fluctuations

In 2015 Picanol earned the majority of its income from countries that use currency other than the euro. Also the competitors of Picanol use a different currency than the Euro. In addition, since Picanol presents its consolidated results in euros, any fluctuation in the exchange rates between the operating currencies of its subsidiaries and the euro has an impact on its consolidated income statement and balance sheet when the results of these operating companies are converted into euros for reporting purposes. In addition to the exchange rate risk, Picanol is exposed to currency transaction risks whenever one of its operating companies carries out transactions in a currency other than its own operating currency; this includes sale and purchase operations, as well as the issuing or creation of debt. In particular, part of Picanol's operating costs (including raw materials costs) are expressed in or linked to the US dollar. Falls in the value of the operating currencies used by Picanol's operating companies, against the currencies in which their costs and expenditure are expressed, generally result in higher costs and expenditures for these operating companies and have a negative effect on their operating margins. The company manages a portfolio of derivatives in order to hedge against exchange rate-

related risks arising from operational and financial activities. Currency risks are hedged to the extent that they affect the company's cash flows. However, the company cannot guarantee that this policy will offer effective cover against the effects of exchange rates, especially in the longer term. Risks arising from the translation of the assets and obligations of foreign activities into the company's reporting currency are not hedged against.

Risks associated with dependency on particular customers

Picanol does not have any customers that account for more than 5% of its turnover, and so is not exposed to specific customer risk. Moreover, the activity of Picanol mainly concerns investment goods, which has resulted in a highly diversified customer portfolio over the years.

Risks associated with the state of the economy and business cycles

Picanol mainly operates in the weaving machine sector, offering products used for the production activities of companies in the textile industry. Accordingly, the company's future results are strongly dependent on developments in the textile industry. Unexpected changes in the economic climate, the investment cycles of customers, significant developments in the field of technology and its acceptance by the market can all have an influence on this industry, and consequently on the company's results. Following the reduced demand for weaving machines in 2014, Picanol was able to record significant growth once again in 2015. Picanol cannot rule out the possibility that the global demand for weaving machines could once again decrease in the coming years.

Picanol is exposed to risks associated with growth economies

A substantial part of the activities of Picanol, which represented approximately 75% of sales in 2015, can be attributed to emerging markets such as Brazil, China, India, Indonesia, Pakistan, Turkey and other emerging South American and Asian markets. Picanol's activities in these markets are subject to the usual risks associated with doing business in developing economies, such as political and economic uncertainties, currency controls, nationalization or expropriation, crime and disorder, political unrest, external intervention, exchange rate fluctuations and shifts in government policy. Such factors can influence Picanol's results by disrupting its activities or raising its operating costs in these countries, or by limiting Picanol's ability to repatriate its profits. The financial risks in growth economies also include risks associated with liquidity, inflation, devaluation, price volatility, non-convertibility of currency and failure to meet payment obligations. These various factors can negatively impact Picanol's activities, operating results and financial situation. As a result of Picanol's specific exposure, these factors may influence its position more than that of competitors with lower exposure to developing economies, and any dip in the growth economies as a whole may have a relatively greater impact on Picanol than on its competitors.

Picanol may not be able to attract or retain personnel for key positions

To develop, support and sell its products Picanol must be able to attract and retain skilled employees with specialist know-how. Picanol's strategy could be undermined by the company's inability to attract or retain employees in key positions, or by the unexpected loss of experienced employees. Picanol's success also depends on its ability to maintain good relations with its members of personnel. A significant majority of Picanol employees in various of its activities are members of labor unions. Walkouts or strikes – which tend to occur during renegotiation of collective labor agreements – could impair Picanol's ability to carry out its activities. No guarantees can be given against an increase in labor costs negatively impacting Picanol's activities, operating results or financial results.

Picanol's activities are also subject to environmental regulations, compliance with which could bring substantial costs, and which could also lead to disputes in environmental matters

The Picanol activities are subject to the environmental regulations of national, federal and local authorities, which in some cases may even impose no-fault liability. Consequent liability on the part of Picanol could negatively impact its activities. The environmental regulations in the markets where Picanol operates are becoming ever stricter, with growing emphasis on compliance. Although Picanol has set aside a budget for compliance with environmental legislation in its future capital expenditure and operating expenditure, no guarantees can be given against Picanol incurring significant environmental liability, or against the relevant environmental legislation or regulations changing or becoming even stricter in future.

Picanol's insurance cover may not be sufficient

The cost of some of Picanol's insurance policies may increase in the future. Furthermore, certain types of loss e.g. due to war, terrorist attack or natural disasters are usually not insured, because insurance to cover them is either unobtainable or economically unfeasible. Indeed, insurance companies are increasingly unwilling to cover these types of events. If an uninsured loss occurs, or if the amount of the loss is greater than the cover, then this may negatively impact the activities, operating results and financial situation of Picanol.

The company depends on outsourcing arrangements

The company depends on outsourcing arrangements for certain activities, mainly in IT. Although the company always strives to contract out its activities only to reputable companies with the relevant specialist experience, it has no or only limited control over such third parties, and so cannot guarantee that they will meet their obligations in full and in good time. Should such third parties fail to meet their obligations, then this could have a significant negative impact on Picanol's activities.

Picanol may not be able to obtain the necessary financing to meet its future capital and refinancing requirements

Picanol may be obliged to raise additional financing to meet its future capital needs or to refinance its present debt burden, by means of public or private financing, strategic relationships or other agreements. There is no guarantee that the financing – should it be necessary – will be available at attractive conditions, or even available at all. Furthermore, any debt financing – if available – may result in restrictive conditions being imposed. Should Picanol be unable to carry out a capital increase or to finance its debt whenever necessary, this could negatively impact its activities, operating results and financial situation.

Risks involved in supplying products and services

The solutions offered by Picanol incorporate various products (hardware and/or software), technologies and services (hardware and/or software) which may contain hidden production defects. Since these products, technologies and services represent substantial investments and changes to operating activities on the part of customers, any serious defects or faults could damage the company's reputation. Furthermore, the company might be required to carry out expensive, timeconsuming repairs. Product defects or malfunctions could also lead to losses being suffered by customers, in which case the customers could demand compensation from Picanol. Defending against such claims could be time-consuming and expensive, as well as generating adverse publicity, causing the company to lose customers. Although the company's sales & service agreements generally contain clauses intended to limit its exposure to product liability claims, certain laws or unfavorable court decisions could impair the effectiveness of such liability limitation. The company has product liability insurance which it considers to commensurate with practice in the industry, but it cannot guarantee that its present coverage is sufficient to meet potential product liability claims against it, or that it will be able to obtain or maintain sufficient insurance at acceptable conditions in the future. The company currently does not have any outstanding substantial claims against it for the supply of goods and services. During the past 3 years no claims were pronounced at the expense of the company.

Risks associated with suppliers

Picanol's products are made up of materials and components from various suppliers. To be able to produce, sell and deliver its products, Picanol has to rely on correct and timely delivery by third parties. Should the company's suppliers fail to supply correctly, in time or indeed at all, this could lead to Picanol's deliveries in turn being delayed or incomplete, which could lead to lower turnover. For some key components Picanol is dependent on a single supplier, but in all such cases the supplier is an established company that can be relied upon not to stop production of the products concerned or to make changes to its product range. The company has fully charted all these key components and evaluated their criticality. For the most critical of these it tries to line up a second supplier, so as to limit the company's dependence on suppliers. Although the company has identified alternative suppliers, there is no guarantee against these suppliers stopping production of the products concerned or making changes to their product range, or against Picanol being able to obtain alternative products at acceptable conditions. The group is dependent on its three largest suppliers for 14% of its turnover.

Risks associated with exposure to credit risks on trade accounts receivable

Picanol is exposed to credit risks on trade accounts receivable from certain co-contractors. Should one of the present or future large co-contractors not be able to meet its trade debts, then the company could suffer loss as a result. There is no certainty of the company being able to limit its potential losses of income from customers who are not able to pay in time.

Risks associated with disputes, court cases and/or other procedures

The company is involved in several ongoing disputes.

These relate to the execution of a sales contract, a dispute concerning the termination of an employment contract and the termination of an agent contract. A more detailed explanation on the provisions made can be found in section III.7.14. of this annual report.

VI.3. Control activities

An important factor in control activities is the annual budgeting process that involves a check of the company's strategy, risk factors, business plans and targeted results. The realization of set targets is being monitored by the controlling team on a monthly basis and thoroughly discussed with the individual business units during dashboard meetings.

Operational risks are safeguarded through periodic audits carried out by an Internal Auditor, who also monitors compliance with processes and procedures. Special attention is given to the security of IT systems, segregation of duties, clear job descriptions for all employees and the existence of distinct procedures and guidelines.

VI.4. Information & communication

In order to provide reliable financial information, Picanol uses a globally standardized reporting structure as well as globally applied IFRS valuation rules (which are published in the annual report). The controlling team is responsible for checking the coherence of the reported figures submitted by the subsidiary firms. The information system for financial data management is backed up on a daily basis and access to the system is limited.

VI.5. Supervision and control

Supervising authority is vested in the board of directors and executed through the audit committee via control of the quarterly reports, validation of the internal audit program and evaluation of the risk factors and related action plans.

VII. SHAREHOLDER STRUCTURE AND AGREEMENTS, CERTIFICATE HOLDER AGREEMENTS

HOLDERS OF VOTING RIGHTS	2015		2014	
	NUMBER OF VOTES	% OF VOTES	NUMBER OF VOTES	% OF VOTES
Artela NV	11,480,246	64.86%	11,480,246	64.86%
Symphony Mills NV	4,269,597	24.12%	4,269,597	24.12%
Other registered shares	63,861	0.36%	89,165	0.50%
Free float	1,886,296	10.66%	1,860,992	10.51%
TOTAL	17,700,000	100.00%	17,700,000	100.00%

Mr. Luc Tack controls Symphony Mills NV and Artela NV.

VIII. INSIDER TRADING AND MARKET RIGGING

The Trading Regulations lay down the conditions under which shares in the company can be acquired or disposed of by directors and key employees, in compliance with the relevant legislation. The Trading Regulations are being explained in the Corporate Governance Charter available on the website www.picanolgroup.com.

IX. a. APPLICATION OF ART. 523 OF THE COMPANY CODE

Extract from the board minutes of June 8th 2015:

[...]

Conflict of interest:

Statement Mr. Luc Tack:

Mr. Luc Tack informs the Board, in accordance with article 523 Belgian Companies Code (BCC) that he might have a potential conflict of interest regarding the second point on the agenda where the Board decides on the acquisition of additional shares in Tessenderlo Chemie. This potential conflict of interest derives from the fact that Mr. Luc Tack is the controlling shareholder of Symphony Mills NV, who in turn is shareholder of both Picanol NV as well as Tessenderlo Chemie. Mr. Luc Tack states that he will not participate in, and will leave the meeting during, the deliberations and decisions regarding the second point on the agenda. Mr. Luc Tack requests that the statutory auditor would be informed of this potential conflict of interest.

Statement Mr. Stefaan Haspeslagh:

Mr. Stefaan Haspeslagh informs the Board, in accordance with article 523 BCC that he might have a potential conflict of interest regarding the second point on the agenda where the Board decides on the acquisition of additional shares in Tessenderlo Chemie. This potential conflict of interest derives from the fact that Findar BVBA, represented by Mr. Stefaan Haspeslagh, who is also shareholder of the company, in his function as member of the Excom of Tessenderlo Chemie, receives a remuneration which is linked to the results of the company. Mr. Stefaan Haspeslagh states that he will not participate in, and will leave the meeting during, the deliberations and decisions regarding the second point on the agenda. Mr. Stefaan Haspeslagh requests that the statutory auditor would be informed of this potential conflict of interest.

Acquisition of additional shares Tessenderlo Chemie

[...]

Deliberation and decisions:

Before proceeding to the decision on this agenda point, Mr. Luc Tack and Mr. Stefaan Haspeslagh leave the meeting.

The directors decide that the transaction is in the interest of Picanol. In view of the parallel decision process at the board of Verbrugge NV where, due to the potential conflict of interest of Mr. Luc Tack and Mr. Stefaan Haspeslagh, this board has transferred the decision to its shareholder, this decision will also be valid for Verbrugge NV. The independent directors grant Mr. Luc Tack and Stefaan Haspeslagh, acting together or alone, the authority to acquire up to 700.000 shares at day price between today and the end of 2015, in execution of the decision made in this meeting."

Extract from the board minutes of October 26th 2015:

[...]

Conflict of interest:

Mr. Luc Tack informed the Board that he holds 1,291,076 shares of Tessenderlo through Symphony Mills NV, representing approx. 3.0% of Tessenderlo.

Even though Mr. Luc Tack's shareholding of Tessenderlo is low relative to his shareholding of Picanol, Mr. Luc Tack wishes to avoid any appearance of a potential conflicting interest in respect of the Business Combination. Therefore, Mr. Luc Tack informed the Board that he will apply the procedure set forth in article 523 BCC to the extent necessary or applicable in connection with the deliberations and resolutions to be taken in respect of the items on the agenda relating to the Business Combination. Mr. Luc Tack further informed the Board that he will inform the statutory auditor of the fact that he has applied the procedure set forth in article 523 of the Company Code to the extent applicable.

Other directors:

The other directors then discussed their respective situations, and none of the other directors then reported to have any financial interest that would be of a nature or weight to conflict with any decision taken in respect of the Business Combination.

3.1. Business Combination Tessenderlo Chemie (project Pilates)

[...]

Deliberations and decisions:

Mr. Luc Tack then left the meeting room and did not participate in the deliberations and resolutions of the Board on the items of the agenda relating to the Business Combination. [...]

The members of the Board unanimously approved that the management may further analyze and start negotiating the Business Combination, applying due process in terms of diligence, valuation, negotiation, compliance and expert advice, such as to identify risks for Picanol and its shareholders.

[...]

3.3. Formation of an ad hoc committee and corporate governance

Deliberation and decisions:

The members of the Board then unanimously approved to form an Ad Hoc Committee that would be chaired by Mr. Jean-Pierre Dejaeghere (as representative of Kantoor Torimmo NV) and consist of the following other two members: Baron Hugo Vandamme (as representative of HRV NV) and Mr. Frank Meysman (as representative of M.O.S.T. BVBA).

Extract from the board minutes of November 9th 2015:

[...]

Conflict of interest:

The Chairman asked each of the members of the Board whether he had a conflicting interest that would trigger the application of article 523 Belgian Companies Code (BCC). Mr. Luc Tack referred to the Board meeting of 26 October 2015 and reiterated to the Board that he is also CEO of Tessenderlo Chemie NV and holds 1.291.076 shares through Symphony Mills NV, representing approx. 3% of Tessenderlo. Even though Mr. Luc Tack's shareholding of Tessenderlo is relatively low compared to his shareholding of the Company, Mr. Luc Tack wishes to avoid any appearance of a potential conflict of interest in respect of Project Pilates. Therefore, Mr. Luc Tack informed the Board that he will apply article 523 BCC to the extent applicable in connection with the deliberations and resolutions to be taken in respect of the items on the agenda relating to the Project Pilates. Mr. Luc Tack further confirmed to the Board that he will inform the statutory auditor accordingly, in accordance with article 523 of the Company Code. Mr. Luc Tack then left the conference call and did not participate in the deliberations and resolutions of the Board on this item of the agenda.

[...]

2.1. Overview - Project Pilates

The Chairman informed the members of the Board with the updates on Project Pilates as set forth in the PowerPoint presentation.

[...]

2.3. Approval of statement of assets and liabilities as of 31 October 2015

The Chairman explained that in order to prepare the reports and proposals required under the BCC, the Company must provide a statement of assets and liabilities as of 31 October 2015.

Decisions:

After deliberation, the Board resolved to grant to Mr. Stefaan Haspeslagh the authority to perform all actions to finalize and the authority to approve the statement of assets and liabilities as of 31 October 2015.

Extract from the board minutes of November 16th 2015:

[...]

Conflict of interest:

The Chairman asked each of the members of the Board whether any of them has a conflicting interest that would trigger the application of article 523 BCC.

Mr. Luc Tack referred to the Board meetings of 26 October 2015 and 9 November 2015 and reiterated to the Board that he is also CEO of Tessenderlo Chemie NV and holds 1.291.076 shares through Symphony Mills NV, representing approx. 3% of Tessenderlo. Even though Mr. Luc Tack's shareholding of Tessenderlo is relatively low compared to his shareholding of the Company, Mr. Luc Tack wishes to avoid any appearance of a potential conflict of interest in respect of Project Pilates. Therefore, Mr. Luc Tack informed the Board that he will apply article 523 BCC to the extent applicable in connection with the deliberations and resolutions to be taken in respect of the items on the agenda relating to the Project Pilates. Mr. Luc Tack further confirmed to the Board that he will inform the statutory auditor of the conflict of interest pursuant to article 523 of the Company Code. Mr. Luc Tack then left the call and did not participate in the deliberations and resolutions of the Board on this item of the agenda.

2.1 Overview - Project Pilates

The Chairman informed the members of the Board on the progress made in Project Pilates.

[...]

2.2 ING Valuation Report

[...]

Decisions:

After deliberation, the Board further acknowledged, in accordance with article 523 BCC, that the valuation range proposed by ING (between 54.6% and 61.1%) of Tessenderlo post-Project Pilates would be in the best interest of the Company and is a good basis to proceed. In addition, the Board discussed that a communication plan should be prepared. The Board approved the decision to propose to Tessenderlo a valuation around the mid-point. In addition, the Board approved the preparation of a communication plan.

[...]

2.5. Authority to implement the decisions of the Board

The Board resolved to grant to each of Mr. Jean-Pierre Dejaeghere and Mr. Stefaan Haspeslagh, each with authority to act alone and to substitute, the authority to propose a valuation for Project Pilates at the mid-point (i.e., approx. 57.7% of Tessenderlo) and to negotiate the merger agreement and any other document necessary or useful in order to implement such resolutions.

Extract from the board minutes of November 30th 2015:

[...]

Conflict of interest:

The Chairman asked each of the members of the Board whether he had a conflicting interest that would trigger the application of article 523 Belgian Companies Code (BCC).

Mr. Luc Tack referred to the Board meeting of 26 October 2015 and reiterated to the Board that he is also CEO of Tessenderlo Chemie NV (Tessenderlo) and holds 1.291.076 shares through Symphony Mills NV, representing approx. 3% of Tessenderlo. Even though Mr. Luc Tack's shareholding of Tessenderlo is low relative to his shareholding of the Company, Mr. Luc Tack wishes to avoid any appearance of a potential conflict of interest in respect of Project Pilates. Therefore, Mr. Luc Tack informed the Board that he will apply article 523 BCC to the extent applicable in connection with the deliberations and resolutions to be taken in respect of the items on the agenda relating to the Project Pilates. Mr. Luc Tack further confirmed to the Board that he will inform the statutory auditor accordingly, in accordance with article 523 of the Company Code. Mr. Luc Tack then left the conference call and did not participate in the deliberations and resolutions of the Board on this item of the agenda.

2.1 Overview - Project Pilates

[...]

The Chairman further informed the Board members on the proposed valuations and exchange ratio that have been agreed between Mr. Jean Pierre Dejaeghere (representing the Company) and Mr. Karel Vinck (representing Tessenderlo) subject to confirmation of the board of directors of the Company and Tessenderlo. The Contribution by the Company and Verbrugge NV have been valued at EUR 811,545,000 in the aggregate.

[...]

Decisions:

After deliberation, the Board further acknowledged, in accordance with article 523 BCC, that Project Pilates as currently being proposed would be in the best interest of the Company and expressed its wish to continue the project as currently planned and to remain fully informed.

Extract from the board minutes of December 10th 2015:

[...]

Conflict of interest:

The Chairman asked each of the members of the Board whether he had a conflicting interest that would trigger the application of article 523 Belgian Companies Code (BCC).

Mr. Luc Tack referred to the Board meetings of 26 October 2015 and 30 November 2015 and reiterated to the Board that he is also CEO of Tessenderlo Chemie NV and holds 1,291,076 shares through Symphony Mills NV, representing approx. 3% of Tessenderlo. Even though Mr. Luc Tack's shareholding of Tessenderlo is low relative to his shareholding of the Company, Mr. Luc Tack wishes to avoid any appearance of a potential conflict of interest in respect of Project Pilates.

The Board resolved that, given that the purpose of this call is to provide a status update in relation to Project Pilates (which was approved by the Board at its previous meetings in accordance with article 523 BCC), no formal decisions have to be taken on the date hereof in relation to Project Pilates which could fall within the scope of article 523 BCC. The Board therefore resolved that Mr. Luc Tack could participate in the deliberations on this item of the agenda, where Mr. Luc Tack would be available to provide information and respond to questions in respect of the second item of the agenda but would not take part in the deliberation and decision.

2.1 Overview - Project Pilates:

The Chairman referred to the PowerPoint presentation named "Project Pilates (Update)" attached as Schedule 1 and discussed each of the updates included in the slides in detail.

[...]

Decisions:

After deliberation, the Board further acknowledged that Project Pilates as currently being proposed would be in the best interest of the Company and expressed its wish to continue the project as currently planned and to be remained fully informed.

Extract from the board minutes of December 14th 2015:

[...]

Conflict of interest:

The Chairman asked each of the members of the Board whether he had a conflicting interest that would trigger the application of article 523 Belgian Companies Code (BCC).

Mr. Luc Tack referred to the Board meetings of 26 October 2015, 9 November 2015 and 16 November 2015 and reiterated to the Board that he is also CEO of Tessenderlo Chemie NV and holds 1.291.076 shares through Symphony Mills NV, representing approx. 3% of Tessenderlo. Even though Mr. Luc Tack's shareholding of Tessenderlo is low relative to his shareholding of the Company, Mr. Luc Tack wishes to avoid any appearance of a potential conflict of interest in respect of Project Pilates. Therefore, Mr. Luc Tack informed the Board that he will apply article 523 BCC to the extent applicable in connection with the deliberations and resolutions to be taken in respect of the items on the agenda relating to the Project Pilates. Mr. Luc Tack further confirmed to the Board that he will inform the statutory auditor accordingly, in accordance with article 523 of the Company Code. Mr. Luc Tack then left the conference call and did not participate in the deliberations and resolutions of the Board on this item of the agenda. The other directors then declared not to have a conflict of interest pursuant to article 523 BCC. The board acknowledged that Mr. Tack's shareholding in Tessenderlo (outside of Picanol) as well as his position as CEO of Tessenderlo could lead to a potential conflict of interest, or at least the appearance thereof, according to article 523 BCC.

3.1. Approval of the contribution of branch proposal

The directors have proposed the contribution of the company in Picanol Group NV, by applying the procedure set out in the Companies code and more specifically in articles 760 to 762 and 764 to 767 in a contribution of branch proposal, attached as Annex 1 to these minutes. The directors hereby approve the proposal and grant a proxy to each director, acting individually or with the power of substitution, to finalize and execute the proposal on behalf of the company and to execute all other agreements, letters, notifications, certificates, requests or documents that the director deems necessary to implement the above resolutions.

3.2 Approval of the contribution agreement

The directors hereby approve the contribution agreement, draft proposal of which is attached to these minutes as Annex 2, and grant a proxy to each director, acting individually or with the power of substitution, to negotiate and execute the proposal on behalf of the company and to execute all agreements, letters, notifications, certificates, requests or documents that the director deems necessary to execute the contribution agreement. The directors hereby also grant a proxy to Mrs. Deborah Janssens, Mr. Matthias De Witte, and Mr. Olivier Van Wouwe, and each other lawyer of Freshfields Bruckhaus Deringer LLP, each acting individually, to initial the contribution agreement in name and on behalf of the company.

3.3 Approval of the Picanol Group contribution

The directors hereby approve the Picanol Group contribution and grant a proxy to each director, acting individually or with the power of substitution, to execute the Picanol Group contribution on behalf of the company and to execute all other agreements, letters, notifications, certificates, requests or documents that the director deems necessary to implement the Picanol Group contribution.

Extract from the board minutes of March 5th 2016:

[...]

Conflict of interest:

The Chairman inquired whether any of the members of the Board has a conflict of interest within the meaning of article 523 Belgian Companies Code (BCC) in respect of any decision or transaction that would relate to Tessenderlo Chemie NV. The Chairman explained that pursuant to article 523 BCC each director is required to inform the Board of any personal direct or indirect financial interest that conflicts with the interest of the Company in respect of any decision to be taken by the Board. Such notification must be made prior to any deliberation or resolution on the matter. In addition, the director who declares a conflicting interest within the meaning of article 523 BCC must inform the statutory auditor

accordingly. The Chairman further clarified that each director must consider whether his conflicting interest is sufficiently important for him to influence his decision in order to trigger the procedure in article 523 BCC.

Mr. Luc Tack:

Mr. Luc Tack then informed the Board that he holds 1,291,076 shares of Tessenderlo through Symphony Mills NV, representing approx. 3% of Tessenderlo.

Even though Mr. Luc Tack's shareholding of Tessenderlo is low relative to his shareholding of the Company, Mr. Luc Tack wishes to avoid any appearance of a potential conflicting interest in respect of the Business Combination. Therefore, Mr. Luc Tack informed the Board that he will apply the procedure set forth in article 523 BCC to the extent necessary or applicable in connection with the deliberations and resolutions to be taken in respect of the items on the agenda relating to the Business Combination. Mr. Luc Tack further informed the Board that he will inform the statutory auditor of the fact that he has applied the procedure set forth in article 523 BCC to the extent applicable.

Other directors:

The other directors then discussed their respective situations, and none of the other directors then reported to have any financial interest that would be of a nature or weight to conflict with any decision taken in respect of the Business Combination.

[...]

Deliberations and decisions:

Mr. Luc Tack then left the meeting room and did not participate in the deliberations and resolutions of the Board on the items of the agenda relating to the Business Combination.

The Board deliberated and considered that there appeared to be currently insufficient Tessenderlo market support at terms reasonable for Picanol and its shareholders to complete the Business Combination successfully. In light thereof and considering the current volatility in the market, the board of directors of Picanol decided not to endorse any changes to the terms of the Business Combination or its structure, also considering the consistently positive recent results of both the Company and Tessenderlo. The members of the Board further acknowledged that given the strong results of the Company over FY 2015 and the guidance for 2016, the Company is in a strong position to continue on a stand-alone basis.

The Board then unanimously approved to terminate the discussions with the board of directors of Tessenderlo regarding a possible combination of the Company and Tessenderlo.

The Board discussed the terms of a letter to be addressed to the board of directors of Tessenderlo to inform it of the decision taken, attached as Annex 1. The Board approved such letter and instructed it to be delivered forthwith to Tessenderlo, giving a power of attorney to Kantoor Torimmo NV (represented by its permanent representative Mr. Jean Pierre Dejaeghere), acting alone, to finalize and sign the letter. The Board then discussed immediate communication to the market, and expressed the view that it should be made clear by way of a joint statement that the combination was aborted such that there was no further speculation. The Board then discussed the draft press release in detail, attached as Annex 2. The Board approved such draft of joint press release and mandated Mr. Stefaan Haspeslagh to agree on the final wording with the board of directors of Tessenderlo and to then proceed with its publication. The Board further approved any steps necessary to unwind the preparatory steps taken in relation to Pilates, including, without limitation, (i) termination of the contribution agreement dated 15 December 2015 by and between the Company, Verbrugge NV, Tessenderlo and Picanol Group NV, (ii) termination of the non-disclosure agreement by and between the Company and Tessenderlo in accordance with the terms thereof (including the return or destruction of any confidential information), (iii) confirmation that the published and court-filed contribution proposals and reports will not be actioned upon and are considered to be withdrawn and the preparation of a notice to that extent to be filed with the griffie of the competent court with a view to publication, and (iv) communication to employees.

The Board resolved to grant a proxy to each director, as well as each of Ms. Karen D'Hondt and Mr. Frank Verplancke, acting individually, and with power of substitution, to negotiate, prepare, amend, finalize, execute, sign and deliver all documents set forth above and to give all necessary and useful instructions and to do all acts and things necessary or advisable to implement the above resolutions.

X. INFORMATION REQUIRED UNDER ARTICLE 34 OF THE ROYAL DECREE OF 14 NOVEMBER 2007

Article 34 of the Royal Decree of 14 November 2007 requires Picanol NV to provide an explanation on certain elements in the annual report, insofar as they have consequences in the event of a public takeover bid. The main provisions are summarized below:

- There are no holders of securities with special control rights.
- There are no statutory restrictions on the exercise of voting rights.
- In the event of a public takeover bid on the securities of the company, the board of directors is expressly authorized to increase the share capital under the conditions specified in Article 607 of the Companies Code, after the company was notified by the Financial Services and Markets Authority (FSMA) of a public takeover bid for securities of the company. This authorization is granted for a period of three (3) years from the date of the extraordinary general meeting of the fifteenth of April two thousand and fifteen, on which the authorization was granted.
- The company is managed by a board of at least six directors - members or not - who are appointed by the general meeting. The mandate of a director may be revoked at any time. If a directorship becomes vacant as a result of death, resignation or any other reason, the remaining directors may tentatively fill a vacancy in a general council. In that situation, the general assembly will proceed to the final appointment at its next meeting.
- In compliance with the laws concerning attendance and majority, the general meeting may amend the articles of association.

XI. DEMATERIALIZATION OF BEARER SECURITIES

Picanol NV confirms that the company has complied with the requirements set out in Article 11 of the Legislation adopted on 14 December 2015 regarding the dematerialization of bearer securities and that it received the corresponding confirmation of the statutory auditor.

XII. DECLARATION CONCERNING THE INFORMATION GIVEN IN THIS ANNUAL REPORT FOR THE 12 MONTHS ENDING ON THE 31 DECEMBER 2015

The undersigned declare that:

- The yearly accounts drawn up as per the standards applying to annual accounts give a true picture of the assets, the financial situation and the results of Picanol NV and of the enterprises included in the consolidation;
- The report gives a true picture of the results, developments and position of Picanol NV and of the enterprises included in the consolidation, along with a true description of the main risks and uncertainties facing them.

Luc Tack, managing director

Stefaan Haspeslagh, chairman of the board of directors

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I. DEFINITIONS

Associated companies	Companies in which Picanol has a significant influence and which are accounted for under the equity method.
Shareholders' equity	Shareholders' equity, including minority interests, for the calculation of ratios.
Joint ventures	Entities under joint control and which are proportionally consolidated.
EBIT	Operating result.
EBITDA	EBIT + depreciation and impairment of assets + adjustments of write-offs on inventories and trade receivables + adjustments of other provisions.
Subsidiaries	Entities under the control of Picanol and which are fully consolidated.
Working capital	+ Non-current receivables + Inventories and contracts in progress + Trade receivables + Other receivables - Trade payables - Other current liabilities
Gross margin	Sales – cost of sales.
Export finance	Bank loans to refinance credit granted to our customers, secured by bills of exchange accepted by our customers.

II. FINANCIAL STATEMENTS

The consolidated financial statements were approved for publication by the board of directors on 5 March 2016.

II.1. CONSOLIDATED INCOME STATEMENT

<i>(in '000 euros)</i>	NOTES *	2015	2014
Sales	III.5.	529,344	418,165
Cost of sales		-412,295	-331,793
GROSS PROFIT		117,049	86,372
<i>Gross profit % on sales</i>		<i>22%</i>	<i>21%</i>
General and administrative expenses		-15,802	-16,216
Selling and marketing expenses		-17,621	-16,294
Other operating income	III.6.1.	113	502
Other operating expenses	III.6.1.	-162	-183
OPERATING RESULT	III.6.2.	83,578	54,180
Total interest income	III.6.3.	2,802	2,180
Total interest expenses	III.6.3.	-1,540	-738
Other financial income	III.6.3.	730	1,245
Other financial expenses	III.6.3.	-888	-1,125
RESULT BEFORE TAXES		84,682	55,742
Income taxes	III.6.4.	-24,080	-15,075
RESULT AFTER TAXES (CONSOLIDATED COMPANIES)		60,603	40,667
Share in the results of associated companies	III.7.5	25,089	11,735
PROFIT (LOSS) OF THE PERIOD		85,692	52,402
SHARE OF THE GROUP IN PROFIT (LOSS)		85,692	52,402

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

EARNINGS PER SHARE

<i>(in '000 euros)</i>	NOTES	2015	2014
Basic earnings per share	III.6.6.	4.84	2.96
Diluted earnings per share	III.6.6.	4.84	2.96

CONSOLIDATED INCOME STATEMENT

<i>(in '000 euros)</i>	2015	2014
SHARE OF THE GROUP IN PROFIT OR LOSS	85,692	52,402
Items that will not be subsequently transferred to profit and loss:	3,689	-3,653
Actuarial gains / (losses)		-38
Actuarial gains / (losses) at associated companies	3,689	-3,615
Items that will subsequently be transferred to profit and loss if specific conditions are met:	-4,705	-873
Exchange rate differences as a result of the conversion of foreign operations	2,832	4,370
Exchange rate differences as a result of the conversion of foreign operations at associated companies	-7,465	-3,811
Share of other comprehensive income of associated companies	-72	-1,432
Total other comprehensive income after taxes	-1,016	-4,526
TOTAL RESULT	84,676	47,876

II.2. CONSOLIDATED BALANCE SHEET

<i>(in '000 euros)</i>	NOTES *	2015	2014
FIXED ASSETS		371,361	326,913
Intangible assets	III.7.1.	1,659	2,801
Goodwill	III.7.2.	0	0
Tangible fixed assets	III.7.3.	60,163	59,003
Participation in associated companies	III.7.5.	308,101	263,743
Other financial investments	III.7.5.	44	58
Non-current receivables	III.7.6.	617	493
Deferred tax assets	III.7.7.	777	815
CURRENT ASSETS		193,529	133,091
Inventories and contracts in progress	III.7.8.	53,063	45,613
Trade receivables	III.7.9.	49,220	39,465
Other receivables	III.7.9.	13,895	18,504
Cash and cash equivalents	III.7.10.	77,351	29,509
TOTAL ASSETS		564,890	460,004
SHAREHOLDERS' EQUITY	II.4.	419,249	336,343
Equity attributable to the shareholders of the group		419,249	336,343
Share capital	III.7.11.	21,720	21,720
Share premiums	III.7.12.	1,518	1,518
Reserves		385,648	305,574
Translation differences		10,363	7,531
Minority interests		0	0
NON-CURRENT LIABILITIES		15,099	18,009
Employee benefit obligations	III.7.13.	5,888	7,721
Provisions	III.7.14.	109	1,501
Deferred tax liabilities	III.7.7.	9,102	8,787
Interest-bearing debt	III.7.15.	0	0
Other liabilities		0	0
CURRENT LIABILITIES		130,542	105,651
Employee benefit obligations	III.7.13.	1,362	1,603
Provisions	III.7.14.	6,651	7,118
Interest-bearing debt	III.7.15.	5,165	11,640
Trade payables	III.7.17.	63,666	46,459
Income taxes payable	III.7.17.	2,208	2,044
Other current liabilities	III.7.17.	51,490	36,787
TOTAL LIABILITIES		564,890	460,004

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

II.3. CONSOLIDATED CASH FLOW STATEMENT

<i>(in '000 euros)</i>	NOTES	2015	2014
Operating result		83,578	54,180
Depreciation on intangible and tangible fixed assets	III.7.1, III.7.3	8,527	8,713
Impairment of assets		287	
Write-offs on current assets		77	2,098
Changes in provisions	III.7.13, III.7.14	-3,933	611
Profit/(loss) on the disposal of fixed assets		0	61
Gross cash flow from operating activities		88,536	65,664
Changes in working capital *		19,111	21,104
Paid income taxes		-23,574	-15,898
Interest received		2,802	2,180
Net cash flow from operating activities		86,875	73,049
Investment in an associated company		-23,117	-71,870
Acquisitions of intangible fixed assets	III.7.1.	-191	-315
Acquisitions of tangible fixed assets	III.7.3.	-7,918	-12,491
Net cash flow from investment activities		-31,226	-84,676
Interest paid		-1,540	-738
Dividends paid		-1,770	0
Increase/(decrease) of export financing		1,517	-7,475
Increase of interest-bearing financial debt		500	7,000
Repayments of interest-bearing financial debt		-8,492	-1,476
Cash flow from finance activities		-9,784	-2,689
Effect of exchange rate fluctuations		1,977	3,354
Adjustments to cash and cash equivalents		47,842	-10,962
Net cash position – opening balance		29,509	40,471
Net cash position – closing balance		77,351	29,509
		47,842	-10,962

* Changes in the working capital: working capital current period – working capital previous period – write-offs on current assets

II.4. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Per 31 Dec 2015

	Share capital	Share premiums	Reserves	Translation differences	Total before minority interests	Minority interests	Total after minority interests
<i>(in '000 euros)</i>							
At the end of the preceding period	21,720	1,518	305,574	7,531	336,344	0	336,343
Changes in scope of consolidation	0	0	0	0	0	0	0
Result over the reporting period	0	0	85,692	0	85,692	0	85,692
Translation differences	0	0	0	2,832	2,832	0	2,832
Actuarial gains (losses)							
Share of other comprehensive income of associated companies			-3,848		-3,848		-3,848
Total recognized profits and losses	0	0	81,844	2,832	84,676	0	84,676
Dividends	0	0	-1,770	0	-1,770	0	-1,770
At the end of the reporting period	21,720	1,518	385,648	10,363	419,249	0	419,249

Per 31 Dec 2014

	Share capital	Share premiums	Reserves	Translation differences	Total before minority interests	Minority interests	Total after minority interests
<i>(in '000 euros)</i>							
At the end of the preceding period	21,720	1,518	262,068	3,161	288,467	0	288,467
Changes in scope of consolidation	0	0	0	0	0	0	0
Result over the reporting period	0	0	52,402	0	52,402	0	52,402
Translation differences	0	0	0	4,370	4,370	0	4,370
Actuarial gains (losses)			-38	0	-38		-38
Share of other comprehensive income of associated companies			-8,860		-8,860		-8,860
Total recognized profits and losses	0	0	43,506	4,370	47,876	0	47,876
Dividends	0	0	0	0	0	0	0
At the end of the reporting period	21,720	1,518	305,574	7,531	336,343	0	336,343

The positive impact of the translation differences is due to the appreciation of most of the functional currencies of the subsidiaries against the euro during the financial year. The other comprehensive income of associates mainly concerns actuarial losses and translation differences.

III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE YEAR ENDING 31 DECEMBER 2015

III.1. SUMMARY OF THE VALUATION RULES

STATEMENT OF COMPLIANCE – PRINCIPLES FOR THE COMPILATION OF THE FINANCIAL STATEMENTS

Since 1 January 2005, the consolidated financial statements of the Picanol Group have been compiled in accordance with the International Financial Reporting Standards (IFRS), as drawn up by the International Accounting Standards Board (IASB) and approved by the European Union.

III.1.2. GENERAL PRINCIPLES

Basis of presentation

The consolidated financial statements are expressed in thousands of euros. They have been compiled on the basis of the historical cost convention.

The application of the above-mentioned standards has an impact on the presentation of the financial statements in terms of the accounting principles, but has not led to any significant changes.

The valuation rules have consistently been applied to the year 2015, and also to the previous financial year and the opening balance on the IFRS transition date, except for the following standards that came into application in 2015:

Standards and interpretations applicable for the annual period beginning on 1 January 2015:

- Improvements to IFRS (2011-2013) (applicable to financial periods as of 1 January 2015)
- IFRIC 21 Levies (applicable to financial periods as of 17 June 2014)

Standards and interpretations applicable for the annual period beginning on 1 January 2015:

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018 but not yet endorsed in the EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in EU)
- IFRS 16 Lease agreements (applicable to financial periods as of 1 January 2019, but not yet approved within the European Union)
- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been postponed indefinitely, as a result of which the approval within the European Union was also postponed)
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016)
- Amendment to IAS 7 Cash Flow Statement - Initiative regarding disclosure (applicable to financial periods as of 1 January 2017 but not yet approved within the European Union)
- Amendment to IAS 12 Income Taxes - Recognition of deferred tax assets for unrealized losses (applicable to financial periods as of 1 January 2017, but not yet approved within the European Union)
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual periods beginning on or after 1 January 2016)

- Amendments to IAS 19 Employee Benefits - Employee Contributions (applicable for annual periods beginning on or after 1 February 2015)

The application of the standards published, but not yet of use for the beginning of the financial year on 1 January 2015, will not have any material impact on the annual accounts. With regard to the application of the published standards, but not yet effective for the year beginning on 1 January 2015, an analysis by the management of the potential impact on initial adoption of these standards and interpretations is in progress.

Foreign currency

The presentation currency of the Picanol Group is EUR.

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transaction. At each balance sheet date, any monetary assets and liabilities that are expressed in foreign currency are translated at the closing rate. Any non-monetary assets and liabilities carried at fair value and denominated in a foreign currency are translated at the rate of exchange applicable at the time when their fair value was determined. Any profits and losses which result from these transactions are recognized in the income statement as part of the financial result.

Assets and liabilities of the group's foreign operations are translated at the closing rate. Profits and losses are translated at the average exchange rate over the period. Any currency exchange differences resulting from this will be recognized in shareholders' equity, under 'translation differences'. Upon disposal of the foreign operation, the accumulated exchange rate differences as recorded in equity, will be recognized in the income statement.

Consolidation principles

Subsidiaries

The consolidated financial statements include all subsidiaries of which the group has acquired control. Picanol NV has control of a participation when Picanol NV is exposed to, or has rights to variable income from its involvement in the participations and has the possibility to influence these proceeds through its power over the participation. Such control is supposed to exist when Picanol NV holds, either directly or indirectly, over 50% of the voting rights of the entity. In assessing control, an investor takes his or her potential voting rights as the potential voting rights held by other parties into account to determine whether he has power. Potential voting rights are rights to acquire voting rights in an entity, such as rights deriving from convertible instruments or options, including forward contracts. These potential voting rights are only taken into account if it concerns substantive rights.

The following factors are also taken into account in the determination of power:

- the purpose and set-up of the participation;
- what the relevant activities are and how decisions on these activities are made;
- whether the rights of the investor offer him the continuous opportunity to control the relevant activities;
- whether the investor is exposed to, or has rights to variable income from his or her involvement in the participations; and
- whether the investor has the possibility to use his power over the participation to influence the amount of the proceeds of the investor.

Acquisition of subsidiaries is accounted for according to the acquisition method.

The transferred remuneration of a business combination is valued at the total fair value on the date of the acquisition, of transferred assets, liabilities entered into or taken over, and the equity interests issued by the acquirer. As of 2010, the transfer related costs are being charged to the results. The identifiable assets, liabilities and contingent liabilities of the acquirer that meet the conditions for recognition under IFRS 3 Business combinations are recognized at the fair value on the purchase date with the exception of the fixed assets (or groups of assets disposed of) classified as held for sale in accordance with IFRS 5 Fixed assets held for resale and discontinued operations. Each interest Annual report 2014 Picanol Group 41/78 without controlling interest in the acquire is stated at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities.

The financial statements of the subsidiaries are recognized in the consolidation scope from the moment that Picanol NV acquires control until the date on which this control ceases. The financial statements of the subsidiaries bear the same reporting date as that of the parent company. These financial statements are compiled on the basis of uniform principles for financial reporting for comparable transactions and other events in similar circumstances. Balances and transactions, profits and losses within the group are totally eliminated.

Associated companies

Associated companies are companies in which the group has significant influence and which are neither a subsidiary nor a joint venture. This is assumed when the company holds 20% or more of the voting rights of the company. The financial information regarding these companies has been prepared in accordance with the accounting policies of the group. If the group acquires significant influence in an associate, the share of the acquired assets, liabilities and contingent liabilities must initially be revalued at fair value at the acquisition date and accounted for under the equity method. If the acquisition consideration exceeds the fair value of the acquired share in the assets, liabilities and contingent liabilities, this difference must be recorded as goodwill. If this calculated goodwill is negative, the difference must immediately be recognized in income. The group's share of the profit of the associated companies will be included in the consolidated financial statements in accordance with the equity method until the day that this significant influence ceases to exist. IFRS do not provide specific rules on how to proceed with the acquisition of an additional stake in an associated company. Therefore, the management has applied the following accounting policy: the equity method has been adjusted by the 'fair value' of the additional interest. The nominal value of the goodwill related to the interest in the associated company has been adjusted by the difference between the 'fair value' of the additional interest and the book value of the additional proportionate share of the net assets acquired. The investments in associates on the balance sheet include the book value of related goodwill. The share of profit of associates is included in the result of the group for the period.

III.1.3. BALANCE SHEET

Intangible assets

Intangible assets are valued at cost less accumulated depreciation and any impairment losses.

Internally generated intangible assets

Research expenditure is charged to the income statement when incurred.

Internal generated development expenses are only recognized as intangible assets if they meet the following criteria:

- an identifiable asset has been created;
- it is probable that the created asset will generate economic benefits that will flow to the entity;
- the development cost of the asset can be measured reliably;
- it is technically possible for internally-generated intangible fixed assets to be produced in such a way that they are available at a later date for use or sale;
- the intention – and the ability – exists to use or sell these intangible assets;
- the necessary technical, financial and other resources are available to complete their development and to assist in their use or sale.

Capitalized development costs are depreciated on a straight-line basis over a period of 5 years, from the moment a weaving machine is launched onto the market. This is in line with the average lifecycle of a weaving machine.

Separately acquired intangible assets

Patents and licences

The costs of acquired patents and licenses are depreciated on a straight-line basis over their useful life, with a maximum useful life of 5 years.

Computer software

External and internal costs directly linked to the purchase or to the installation of business software applications for ERP, Supply Chain, CRM, etc. are capitalized as intangible assets. These are depreciated on a straight-line basis over their useful life, which is equivalent to 5 years.

Goodwill

The acquirer shall recognize goodwill as of the acquisition date measured as the excess of the aggregate of the consideration transferred, which generally requires acquisition-date fair value, the amount of any non-controlling interest in the acquiree and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is measured at cost less any accumulated impairment losses.

The cash generating unit to which goodwill is allocated is checked every year for impairment, and whenever there is an indication that the unit has experienced impairment. The impairment test is performed by comparing the book value of a unit with the realizable value. If the realizable value is lower than the book value, the impairment is first imputed against the goodwill allocated to the unit, and then to the other assets of the unit in direct proportion to the book value of each asset in the unit. An impairment loss recorded for goodwill cannot be reversed at a later date.

If the interest of the Picanol Group in the recognized net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, then:

- (a) the identification and the valuation of the identifiable assets, liabilities and contingent liabilities of the acquired party and the cost valuation of the business combination will be assessed; and
- (b) any surplus remaining after that assessment will immediately be recognized in the income statement.

Tangible fixed assets

Tangible fixed assets are recognized in the balance sheet at the historical cost of acquisition less accumulated depreciation and any impairment. The historical cost of acquisition includes the actual purchase price plus any incidental costs incurred to bring the asset to its working condition and location for its intended use. Borrowing costs are not capitalized.

Any subsequent costs associated with tangible fixed assets are generally immediately expensed within the period in which they occur. Such costs are only capitalized if it can be demonstrated that the economic benefits generated by this expenditure will be higher than their initial estimated performance standard, and that the cost of the asset can be measured reliably. The costs of dismantling and removing tangible fixed assets and the costs of regular maintenance are viewed as later expenditures that do not generate any additional economic benefits for these assets. As laid down in the accounting principles, these costs are immediately charged to the result for the period in which they arise. If there are material dismantling costs or major overhauls, then these are treated in accordance with IAS 16.13-14.

Depreciation is calculated on a straight-line basis as follows:

▪ Buildings	20 years
▪ Equipment, plant & machinery	10 years
▪ Melting furnace	15 years
▪ Tooling, molds	5 years
▪ Office furniture	10 years
▪ Office and computer equipment	4 years
▪ Vehicles	5 years
▪ Internal transport equipment	10 years

The residual value and the useful life of an asset are reviewed at least at the end of each financial year and if the expectations differ from previous estimates, adjustments are processed as an adjustment in estimate in accordance with *IAS 8 Principles of financial reporting, changes in estimates and errors*.

Lease agreements

Financial leases

Lease agreements are classified as financial leases if the group substantially bears all the risks and rewards associated with the agreement. Tangible fixed assets acquired by means of a financial lease are recognized in the balance sheet at:

- the fair value of the leased asset; or if lower,

- the discounted value of the minimum lease payments, as stipulated at the start of the lease agreement. The corresponding liability to the lessor is presented in the balance sheet as a financial liability.

Lease payments are partly presented as financial expenses and partly as settlement of the outstanding liability, so that a constant interest charge in comparison with the outstanding capital is created over the full term.

The depreciation rules for assets acquired in form of a financial lease are consistent with those for assets acquired as property. If there is any uncertainty as to whether the company will own the asset at the end of the lease, then the asset must be written off in full over the lease period or over the useful life should this be shorter.

Operating leases

All lease agreements not classified as financial leases are operating leases. Payments made under an operating lease contract are expensed on a straight-line basis over the term of the agreement. Benefits received or which will be received upon termination or at the renewal of an operating lease will also be recognized on a straight-line basis as a reduction of the rental costs over the lease term.

Export financing

The company does not act as lessor. On the other hand it permits long-term repayment of trade debts. These debts are financed by means of export financing and are guaranteed by Delcredere.

Accounting processing of the export financing:

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

Impairment of tangible and intangible assets with the exception of goodwill

The assets of the Picanol Group, other than inventories, deferred tax assets, employee benefits and financial instruments, are reviewed for impairment whenever if there are indications that the carrying amount of an asset or a cash generating unit is possibly no longer recoverable. These indicators are at least yearly revised.

If the carrying amount of an asset or a cash generating unit exceeds its realizable value, an impairment loss will be recognized in the income statement. The realizable value of an asset or of a cash generating unit is equal to the higher of the fair value minus the costs to sell and the value in use of the asset or a cash generating unit, whereby the fair value is equal to the amount that can be obtained from its sale in a transaction between knowledgeable, willing, and independent parties, and of which the value in use corresponds to the discounted value of the estimated future cash flows which would be expected to flow from the asset or a cash generating unit.

Impairment losses recognized in previous financial years are reversed in the income statement if there are any indications that a previously recognized impairment of an asset no longer exists or has decreased. Impairment losses on goodwill are not reversed.

Available-for-sale fixed assets

Fixed assets or groups of assets that are being disposed of are classified as available for sale if their carrying amount will primarily be realized in a sale transaction and not through its continued use. This only applies when the assets (or the group of assets being disposed of) are immediately available for sale in their present condition and if the sale is highly probable. A sale is only considered as highly probable if the appropriate management level has committed itself to a plan to sell the asset.

Fixed assets (or group of assets which are being disposed of) are valued at the lower of carrying amount or fair value minus the selling costs.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

Inventories

Inventories are valued at the lower of cost or net realizable value. The net realizable value is the estimated sale price within the normal course of business less the estimated costs for completion of the sales transaction.

The Picanol Group uses an inventory valuation method which approaches the FIFO method. This approach involves a method in which the stock is valued at regular intervals at the most recent purchase price. In view of the rapid stock rotation of raw materials on the one hand, and the strict application of write-downs of slow-rotating stock items on the other, this valuation method is a reasonable approximation of the FIFO method. Furthermore, write-downs are being recognized depending on the age of the items. This method ensures that there is no over-valuation of stock.

The cost of the inventory includes all the purchase costs, conversion costs, and any other costs necessary to bring the inventory to its present location and condition.

Minority interests

Minority interests are a share in the profit or the loss and the net assets of a subsidiary which are attributable to the equity interests that are not held directly or via subsidiaries by the parent company.

At the time of acquisition, the minority interest is initially recognized as the minority share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired party. This will later also include the minority share of the profits or losses.

Employee benefit obligations

The group has primarily defined contribution plans, as well as defined benefit plans in Picanol NV, Proferro NV, PsiControl NV and Verbrugge NV.

Defined contribution plans

There are a number of 'defined contribution schemes' in place within the group. In Belgium, however, these plans are legally subject to minimum guaranteed returns. This way, they would, strictly speaking, correspond to the defined benefit plans, which would require the use of the "projected unit credit" (PUC) method for determining the obligations. Since the risk on these minimum returns is, in essence, supported by external insurance companies, the contributions of the group are charged to the income statement in the period to which they relate.

Defined benefit plans

For defined benefit plans the pension liability of the financial year has to be calculated on the basis of the 'projected unit method'.

The amount recognized as a net liability of a defined benefit plan is the net total of the following amounts:

- (a) the current value at the balance sheet date of the defined benefit obligations (calculated applying a discount rate based on market yields of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability);
- (b) less the fair value at the balance sheet date of any investment funds, from which the liabilities must be directly settled.

A provision for current early retirements is recognized as a liability and as a charge at the earliest of the following dates:

- (a) when the entity can no longer withdraw the offer of the termination benefit; or
- (b) when the entity recognizes the costs of restructuring which provides for the payment of termination benefit.

Where termination benefits fall due more than 12 months after the balance sheet date they shall be discounted.

The Picanol Group does not have any constructive liability for future early retirement, as a result of which no provision is made for such obligation.

In the income statement, pension costs for the year in respect of past service are included in 'cost of sales' and 'general and administrative expenses', while the interest cost is recognized under 'total interest expenses'.

Provisions

Provisions are recognized at the balance sheet date if the group has a present obligation (legal or constructive) due to a past event, if it is probable that this liability will require a future outflow of resources embodying economic benefits in order to settle the obligation and if a reliable estimate can be made of the amount of the obligation.

Provisions are recognized at the best estimate of the expenditure required to settle the existing obligation at the balance sheet date.

Provision for warranty costs

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

Provision for restructuring

A provision for restructuring will only be made if the group has drawn up a detailed and formal restructuring program and if the expectation is being created with the relevant parties that the group will be implementing the restructuring program, either by the group already having started its implementation, or by having informed the relevant parties of its main features prior to the balance sheet date.

Financial instruments

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

After the initial valuation, these are valued at cost less any incidental impairment losses.

The company applies write-downs to accounts receivable if there is any sign of them not being collectable, either wholly or partly. The company considers each claim on a case-by-case basis, using specific information about the claim concerned as well as general historic information. It also takes into account its own share of risk for the claim concerned when setting the write-down.

Available-for-sale financial assets

Available-for-sale financial assets are initially recognized at fair value plus any transaction costs directly attributable to their acquisition. Following their initial recognition, these assets are valued at fair value without any deduction of incidental transaction costs incurred by the sale or any other form of disposal. Any profit or loss generated by these assets is immediately recognized in shareholders' equity with the exception of impairment losses and foreign currency gains or losses until the financial asset is derecognized, and with any cumulative gain or loss previously recognized through shareholders' equity transferred to profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group are classified in accordance with the economic reality of the contractual agreement and with the definitions of a financial liability and shareholders' equity instruments.

Equity instruments

Equity instruments issued by the company are recognized in accordance with the amounts received, minus any direct issue costs.

Interest-bearing loans

Interest-bearing bank loans and fixed advances are recognized on the basis of the amounts received, less any direct issue costs. Financial charges, including premiums payable upon settlement or redemption and direct issue costs, are recognized proportionally through the income statement in accordance with the effective interest method and are added to the recognized amount of the instrument to the degree that they are not settled in the relevant period.

Derivatives

The Picanol Group does not apply hedge accounting to derivatives. These are recognized in the income statement at fair value.

Should hedge accounting be applied in the future, the following rules would be applied:

- (a) Cash flow hedges protect against the effect of foreign currency fluctuations on the fair value of recognized assets and liabilities. The profit and loss from both the revaluation of the hedging instrument (e.g. forward contracts) and the revaluation of the hedged assets and liabilities are immediately recognized through the income statement.
- (b) Cash flow hedges protect against any variation in cash flow which (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable expected future transaction and (ii) could have an impact on the profit or loss. The share of profit or loss on the hedge instrument which has been established as an effective hedge is recognized directly in shareholders' equity and the non-effective share of the profit or loss on the hedge instrument will be recognized through the income statement.
- (c) If the hedge of an expected future transaction leads to the recognition of a non-financial asset or a non-financial liability, or if an expected future transaction concerning a non-financial asset or non-financial liability becomes a firm undertaking for which administrative processing of fair value hedge transactions is applied, then the entity will take the following action:
 - The entity transfers the associated profits or losses recognized in the shareholders' equity to the income statement in the same period or periods in which the acquired asset or the liability entered into has an impact on the profit and loss. However, if an entity expects that (part of) the loss which is directly recognized in the shareholders' equity will no longer be feasible in one or several future periods, then the entity must transfer the expected nonrealizable amount to profit and loss.
 - The entity transfers the associated profits and losses which are recognized in the shareholders' equity in order to recognize these in initial cost or any other book value of the asset or liability.

Financial instruments are not used at all for speculative purposes. The Picanol Group does not hold other derivatives in any form.

III.1.4. REVENUE

General

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognized when all the following criteria are met:

- (a) the company has transferred all the substantial risks and rewards associated with ownership of the goods to the buyer;
- (b) the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the company; and

- (e) the costs already incurred or still to be incurred relating to the transaction can be measured reliably.

In many cases the group sells its weaving machines including installation costs. The cost component for these services can be reliably estimated, and is limited in relation to the sales price of the machine (1 to 2% of sales price). The installation component is not viewed as an essential part of the sales transaction, so that revenue is recognized on the basis of delivery of the weaving machines. At the time of revenue recognition, the installation costs are charged against the income statement under 'loss of sales'. These accrued charges are included under 'other liabilities' on the liabilities side of the balance sheet.

Delivery of services

If the result of a transaction involving the rendering of services can be measured reliably, the revenue associated with those services has to be recognized in direct proportion to the services rendered at the balance sheet date. The services provided are mainly for the installation of weaving machines. The costs of the service and the turnover generated by it are recognized at the time when the service is provided. The turnover from services associated with installation of weaving machines is recognized when the machines are delivered. This turnover is insignificant compared with the company's total turnover. In the case of services unconnected with installing weaving machines, the turnover is recognized at the time when the service is provided. These are short projects lasting a few days, and are insignificant compared with the company's total turnover. Services which have been invoiced but not yet provided, or provided but not yet invoiced, are recorded as trade receivables.

Interest income from loans and export finance

Interest is recognized in accordance with the effective interest method (IAS39).

Dividend income

Dividend income is recognized when the shareholders' right to receive payment is established.

Income taxes

The tax expense of the period represents the sum of the current tax expense and deferred tax expense. The current tax expense is based on the taxable profit of the financial year. Taxable profit differs from the net profit as stated in the income statement because it excludes income or expenditure that is taxable or deductible in other years, and it further excludes components which will never be taxable or deductible. The Picanol Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date. Deferred taxes are taxes payable or recoverable on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit, and these are recognized on the basis of the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized when the temporary differences originate from goodwill (or negative goodwill) or from the initial recognition of an asset or of a liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss (taxable loss).

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, interests in joint ventures and associated companies, except when the Picanol Group is able to control the timing of the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of the deferred tax assets is reviewed at each balance sheet and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the tax assets to be recovered. Deferred taxes are calculated at the tax rates which will probably be applied to the period in which the liability is settled or the assets are realized.

Deferred taxes will be debited or credited in the income statement, except if it relates to components which are directly debited or credited in shareholders' equity, in which case the deferred taxes will also be recognized in shareholders' equity.

Deferred tax assets and liabilities are netted if they relate to income tax levied by the same tax authority and if the group has the intention to settle its current tax assets and liabilities on a net basis.

III.2. ASSESSMENT CRITERIA AND ESTIMATES IN THE APPLICATION OF VALUATION RULES

In some cases, the application of valuation rules requires an accounting assessment. With regard to the current financial year, the Group has ruled that based on the facts and circumstances as at 31 December 2015, there are still insufficient elements to conclude that Picanol has control over Tessenderlo Chemie NV in accordance with *IFRS 10 Consolidated Financial Statements*. Consequently, Picanol NV does not control Tessenderlo Chemie NV as referred to in the International Financial Reporting Standards. As a result, Tessenderlo Chemie NV is still considered an associated company over which Picanol NV has a significant influence pursuant to *IAS 28 Investments in Associates*.

Under IFRS, for preparation of the group's consolidated financial statements, the group must use estimates and suppositions that may affect the amounts of the assets and liabilities, the amounts of the contingent assets and liabilities, and the amounts of costs and revenues. The actual results may deviate from these estimates. Estimates are particularly important for, but not restricted to the determination of the obligations regarding stipulated pension schemes, impairments, provisions and deferred taxes.

III.3. CHANGES IN ACCOUNTING PRINCIPLES APPLIED

There were no changes in accounting principles applied in the financial year 2015 in comparison with the financial year 2014.

III.4. CHANGES IN SCOPE OF CONSOLIDATION

In 2015, the stake in the associated company Tessenderlo Chemie was increased from 30.2% to 31.4%.

III.5. SEGMENT INFORMATION

III.5.1. BUSINESS SEGMENTS

The two divisions - Weaving Machines and Industries – make up the primary segmentation of the group. More information on these divisions can be found in the first part of this report. Sales between segments are carried out at arm's length. The supporting Corporate, Finance, IT and HR activities are allocated to the business segments on the basis of various factors (activity, contribution to turnover %, etc.), in accordance with the management reporting.

<i>(in '000 euros)</i>	Weaving Machines		Industries		Non-segment/ (eliminations)		Picanol Group	
	2015	2014	2015	2014	2015	2014	2015	2014
External sales	457,943	346,414	71,401	71,751			529,344	418,165
Inter-segment sales	1,063	837	70,445	50,732	-71,508	-51,569	0	0
Total sales	459,006	347,251	141,846	122,482	-71,508	-51,569	529,344	418,165
Operating profit	74,529	51,025	9,049	3,155			83,578	54,180
Other segment information:								
Financial income	2,794	2,149	8	31			2,802	2,180
Financial expenses	-1,343	-498	-197	-240			-1,540	-738
Depreciation	4,955	4,869	3,572	3,844			8,527	8,713
Investments	1,983	8,696	6,126	4,110			8,109	12,805
Total assets	118,282	110,217	86,998	77,344	359,610	272,444	564,890	460,004
Total liabilities	103,527	78,405	54,404	44,750	406,958	336,849	564,890	460,004

The consolidated group turnover increased by 27% in 2015 compared to the previous year. Earnings from operations increased by 54% due to the higher gross profit margin (from 21% to 22%) and as the fixed costs included in the cost of sales did not increase linearly with the turnover. The administrative and sales expenses increased slightly due to the exchange rate impact (in the conversion of the costs of local sales offices into euros), due to higher costs for trade fairs and a decrease in subsidies received.

In the Weaving Machines segment, annual turnover rose by 32% due to a higher global demand for Picanol weaving machines, which allowed Picanol to further strengthen its market position. The sale of parts and accessories is also evolving positively. The profit ratio increased from 15% to 16% (due to the non-linear increase in fixed costs) and operating profit amounted to 74.5 million euros (compared to 51.0 million euros in 2014).

Turnover of the Industries segment rose by 16%. Revenue from external customers remained broadly stable, which was mainly due to the poorer economic situation in the agricultural and mining sectors, and in spite of the fact that many new projects were completed. By exercising a thorough control over the fixed costs of production, the profit margin rose from 3% in 2014 to 6% in 2015 while the operating profit increased from 3.2 million to 9.0 million euros.

The non-segment assets mainly comprise the participation in Tessengerlo Chemie and cash.

III.5.2. GEOGRAPHICAL SEGMENTS

The group's activities can mainly be divided between Europe, America & Africa on the one hand, and Far & Middle East on the other. It is impossible to have a further geographical breakdown based on the current report structure. The tables below show the sales and fixed assets of the Picanol Group by geographical market.

SALES

<i>(in '000 euros)</i>	2015	2014
Europe, America and Africa	191,194	185,429
Far & Middle East	338,150	232,736
TOTAL	529,344	418,165

The company has a large customer portfolio which helps them realize their turnover without depending on a small group of customers.

INTANGIBLE ASSETS – TANGIBLE FIXED ASSETS

<i>(in '000 euros)</i>	Net carrying value		Acquisitions	
	2015	2014	2015	2014
Europe, America and Africa	52,627	52,267	7,959	12,570
Far & Middle East	9,195	9,537	150	235
TOTAL	61,822	61,804	8,109	12,805

III.6. INCOME STATEMENT

III.6.1. OTHER OPERATING INCOME

<i>(in '000 euros)</i>	2015	2014
Other operating income:	113	502
Gain on the sale of assets	49	408
Other	65	94
Other operating expenses:	-162	-183
Loss on the sale of assets	-112	0
Other	-50	-183
TOTAL	-49	319

III.6.2. OPERATING RESULT

<i>(in '000 euros)</i>	2015	2014
Sales	529,344	418,165
Purchases of goods and changes in inventories	-276,159	-208,743
Amortization, depreciation and impairment	-8,814	-8,713
Amounts written off on inventories and receivables	-77	-2,098
Other goods and services	-70,266	-55,970
Personnel costs	-94,334	-88,168
Provisions	3,933	-611
Other operating income	113	502
Other operating expenses	-162	-183
TOTAL OPERATING RESULT	83,578	54,180

The turnover increased by 27% compared to 2014. The ratio of purchases and changes in inventory versus turnover increased from 50% to 52% due to pressure on sales margins. Personnel costs, mainly those related to the production departments, increased due to the volume (the average number of employees rose from 1,936 in 2014 to 1,997 in 2015). Miscellaneous goods and services that are part of the sales cost (such as transportation costs, installation costs etc.) increased due to the higher turnover. The reversal of provisions mainly relates to pensions and environmental provisions.

III.6.3. FINANCIAL RESULT

<i>(in '000 euros)</i>	2015	2014
Interest income from bank deposits	331	544
Interest income from financial receivables	2,471	1,636
Total financial income	2,802	2,180
Interest on export finance	-1,329	-435
Interest on other loans	-18	-22
Interest on financial leases	-192	-281
Total financial expenses	-1,540	-738
Exchange rate differences	708	1,245
Profit on revaluation of derivatives	22	0
Total other financial income	730	1,245
Exchange rate differences	-888	-1,086
Loss on revaluation of derivatives	0	-39
Total other financial expenses	-888	-1,125
FINANCIAL RESULT	1,104	1,562

The interest expense on export financing on the one hand, and the interest income from financial receivables on the other hand, are rising due to the increasing sales volume.

III.6.4. INCOME TAXES

Recognized in the income statement:

<i>(in '000 euros)</i>	2015	2014
(a) Current tax	-23,738	-15,372
(b) Adjustments for tax payable in respect of previous years	0	0
(c) Postponed tax relating to the recognition and reversal of temporary differences	-266	384
(e) The benefit from a previously unrecognized tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense	-76	0
(f) The benefit from a previously unrecognized tax loss, credit or temporary difference of a prior period that is used to reduce deferred tax expenses	0	3
(g) Deferred tax expense arising from the write-down, or reversal of a previous write-down, of a deferred tax asset	0	-91
TOTAL INCOME TAXES	-24,080	-15,075

Effective tax rate reconciliation:

<i>(in '000 euros)</i>	2015	%	2014	%
Profit before tax and before income from associates	84,682		55,742	
Tax at the domestic tax rate of 33.99%	-28,784	33.99%	-18,946	33.99%
Tax effects of non-deductible expenses				
Non-tax-deductible expenses	-799	-0.94%	-776	-1.39%
Other non-deductible expenses	-1,292	-1.53%	-1,095	-1.96%
Tax effects of tax-exempt revenues				
Non-taxable financial and other income	3,982	4.70%	2,856	5.12%
Notional interest deduction	1,160	1.37%	1,620	2.91%
Effects of different tax rates of group entities in other jurisdictions	1,651	1.95%	1,469	2.63%
Tax effect of utilization of tax losses not previously recognized	0	0.00%	0	0.00%
Influence of including temporary differences not recognized in previous periods	0	0.00%	0	0.00%
Valuation allowance on deferred tax assets	0	0.00%	-202	-0.36%
Tax expense and effective tax rate for the period	-24,080	-28.44%	-15,075	-27.05%

The "other non-deductible expenses" relate to taxes on dividends received. The "non-taxable financial and other income" rose due to the increase in the deduction for patent income (due to the higher sales). The notional interest deduction reduced due to the decrease in the interest rate from 2.63% to 1.63%.

Deferred tax income/(expenses) recognized directly in shareholders' equity

In 2015 no deferred tax credits were directly included in the equity.

III.6.5. DIVIDENDS

A gross dividend of 0.10 euros per share was paid in 2015 for the 2014 financial year, which amounted to a total of 1.77 million euros. The board of directors will propose the payment of a gross dividend of 0.1 euros at the annual general meeting on 20 April 2016, for a total amount of 1.77 million euros.

III.6.6. EARNINGS PER SHARE

Basic earnings per share:

<i>(in '000 euros)</i>	2015	2014
Net profit or loss over the period	85,692	52,402
Net profit or loss from continuing operations	85,692	52,402
Number of shares:		
Ordinary shares per 01/01	17,700,000	17,700,000
Ordinary shares per 31/12	17,700,000	17,700,000
Weighted average number of outstanding ordinary shares	17,700,000	17,700,000
In euros:		
Basic earnings per share	4.84	2.96
Basic earnings per share from continuing operations	4.84	2.96

Diluted earnings per share:

The diluted earnings per share of the Picanol Group are equivalent to the basic earnings per share, for both 2015 and 2014.

<i>(in '000 euros)</i>	2015	2014
Net profit or loss over the period	85,692	52,402
Profit or loss attributable to the ordinary shareholders of the company	85,692	52,402
Number of shares:		
Weighted average number of outstanding ordinary shares	17,700,000	17,700,000
Weighted average number of shares for the diluted earnings per share	17,700,000	17,700,000
In euros:		
Diluted earnings per share	4.84	2.96
Diluted earnings per share from continuing operations	4.84	2.96

III.7. BALANCE SHEET

III.7.1. INTANGIBLE ASSETS

	Development expenses	Concessions, Patents And Licenses	Total
<i>(in '000 EUR)</i>			
Acquisitions:			
On 1 January 2014	10,054	12,760	22,814
Acquisitions	52	263	315
Disposals	-	-3,107	-3,107
Exchange rate profits and losses (-)	-	74	74
On 31 December 2014	10,106	9,990	20,096
Acquisitions	-	191	191
Disposals	-	-619	-619
Exchange rate profits and losses (-)	-	48	48
On 31 December 2015	10,106	9,610	19,716

Depreciation and impairment losses:

On 1 January 2014	-7,464	-11,694	-19,158
Depreciation of the financial year	-959	-253	-1,212
Disposals	-	3,100	3,100
Exchange rate profits and losses (-)	-	-24	-24
On 31 December 2014	-8,423	-8,872	-17,295
Depreciation of the financial year	-937	-201	-1,137
Disposals	-	389	389
Exchange rate profits and losses (-)	-	-14	-14
On 31 December 2015	-9,359	-8,698	-18,057

Net book value:

On 1 January 2015	1,683	1,118	2,801
On 31 December 2015	746	913	1,659

Acquisitions of intangible fixed assets in 2015 include capitalized software licenses, mainly within Picanol NV. The acquisitions include no own production.

The amount for research & development and engineering posted as costs in the income statement was 12.0 million euros in 2015 (11.6 million euros in 2014).

The total net book value of 1.7 million euros of the intangible assets as at 31 December 2015 consists primarily of the following components:

- Capitalized development expenses of Picanol NV with a net book value of 0.6 million euros. These development costs are being depreciated over 5 years.
- Capitalized software licenses for all companies of the group.

The depreciation of the intangible assets is recognized under the depreciation heading, partly as a component of the cost of sales (which concerns capitalized development costs) and partly under general and administrative costs (which concerns capitalized software), whereas the impairment losses are recognized in other operating income/expenses.

At the end of 2015 there are no contractual commitments for the purchase of intangible assets.

III.7.2. GOODWILL

No goodwill is recognized in the consolidated financial statements on 31 December 2015 or in 2014.

III.7.3. TANGIBLE FIXED ASSETS

(in '000 euros)

	Land and buildings	Plant, equipment and machinery	Furniture and vehicles	Other tangible fixed assets	Assets under construc- tion	Total
Acquisitions:						
On 1 January 2014	35,993	178,748	12,347	1,156	2,946	231,191
Acquisitions	4,208	4,536	900	3	2,844	12,491
Disposals	-480	-10,259	-1,562	-19	-2	-12,321
Transfers	829	2,930	60	-	-3,819	-
Exchange rate profits and losses (-)	1,087	403	267	83	-	1,840
On 1 January 2015	41,637	176,359	12,012	1,223	1,969	233,200
Acquisitions	29	5,927	179	61	1,722	7,918
Disposals	-	-18,626	-208	-3	-1	-18,838
Transfers	-	1,947	-	-	-1,947	-
Exchange rate profits and losses (-)	779	238	160	47	-5	1,219
On 31 December 2015	42,444	165,846	12,143	1,329	1,739	223,500
Depreciation and impairment losses:						
On 1 January 2014	-16,136	-151,523	-9,823	-659		-178,141
Depreciation of the financial year	-1,335	-5,158	-926	-81		-7,501
Disposals	451	10,236	1,561	19		12,267
Transfers	-	-	-	-		-
Exchange rate profits and losses (-)	-296	-247	-210	-69		-822
On 1 January 2015	-17,317	-146,692	-9,398	-790		-174,196
Depreciation of the financial year	-1,120	-5,203	-978	-88		-7,390
Disposals	-	18,576	202	3		18,781
Transfers	-	-	-	-		-
Exchange rate profits and losses (-)	-210	-156	-124	-42		-532
On 31 December 2015	-18,647	-133,475	-10,298	-917		-163,337
Net book value:						
On 1 January 2015	24,320	29,667	2,614	433	1,969	59,003
On 31 December 2015	23,797	32,371	1,845	412	1,739	60,163

The total acquisitions of tangible fixed assets amounted to 7.9 million euros compared to 12.5 million euros during the previous reporting period. Acquisitions of installations and equipment were primarily related to investments in new production machines for Proferro NV, Picanol NV and PsiControl Romania. Finally, the acquisitions of assets under construction and advanced prepayments include a new logistics system for assembly in Ypres and a new production machine for PsiControl.

The sales and disposals include the disposals of miscellaneous unused assets mainly at Picanol NV and Proferro NV for a purchase price of 18.8 million euros. The net book value of the sold and decommissioned assets amounted to 57 KEUR.

ASSETS UNDER FINANCIAL LEASE:

	2015	2014
<i>(in '000 euros)</i>		
Plant, equipment and machinery – Gross value	13,843	13,843
Plant, equipment and machinery – Accumulated depreciation	-7,139	-6,336
Total assets under financial lease	6,704	7,507

The assets under financial leasing reported in 'plant, equipment and machinery' include a molding line and a machining center at Proferro NV. During the financial year 2015, no new financial lease contracts were concluded.

III.7.4. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

		Shareholding %	
		2015	2014
1. FULLY CONSOLIDATED ENTITIES (*)			
Belgium			
Proferro NV	Steverlyncklaan 15 , 8900 Ypres	100.00%	100.00%
PsiControl NV	Steverlyncklaan 15, 8900 Ypres	100.00%	100.00%
Verbrugge NV	Steverlyncklaan 15, 8900 Ypres	100.00%	100.00%
Melotte NV	Industrieweg 2019 , 3520 Zonhoven	100.00%	100.00%
Picanol Group NV	Steverlyncklaan 15, 8900 Ypres	100.00%	100.00%
France			
Burcklé ET CIE SAS	Rue de Bourbach-le-haut 9, 68290 Bourbach-Le-Bas	100.00%	100.00%
Turkey			
Picanol Tekstil Makinalari	Merkez Mah., Yildirim Beyazid Cad. 179/2	100.00%	100.00%
Romania			
PsiControl Srl	Campului Street 1A, 505400 Rasnov, Brasov County	100.00%	100.00%
People's Republic of China			
Picanol (Suzhou Ind. Park) Textile Machinery Co. Ltd.	Fengting Avenue/ Songzhuan Road, SIP, Suzhou	100.00%	100.00%
Picanol (Suzhou) Trading Co. Ltd.	Fengting Avenue/ Songzhuan Road, SIP, Suzhou	100.00%	100.00%
Indonesia			
PT Picanol Indonesia	Jl. Moh. Toha KM 5.3 , 56 40261 Bandung	100.00%	100.00%
United States			
Picanol of America	Kitty Hawk Road 65, Greenville S.C. 29605	100.00%	100.00%
Mexico			
GTP Mexico SA DE CV	Avena 475 Col. Granjas, Iztacalco, 08400, Mexico D.F.	100.00%	100.00%
Brazil			
Picanol Do Brasil	Rua Treze de Maio,164, CEP13471-030 Americana/SP	100.00%	100.00%
India			
Picanol India Private Limited	Block B-1, Janak Puri, Community Centre, New Delhi 110058	100.00%	100.00%
2. ASSOCIATED COMPANIES (**)			
Belgium			
Tessengerlo Chemie NV	Troonstraat, 130, 1050 Brussels	31.43%	30.20%
3. OTHER NON-CONSOLIDATED ENTITIES			
Belgium			
Syndicaat van Belgische textielmachinebouwers (Symatex)	A. Reyerslaan 80 , 1030 Brussels	34.00%	34.00%
Bedrijvencentrum Westhoek	Albert Dehemlaan 31, 8900 Ypres	0%	12.82%

*There are no restrictions on the transfer of funds from the subsidiaries to the investor, nor on the access to assets and the settlement of the obligations of the subsidiaries.

**There are no restrictions on the transfer of funds from the associated subsidiaries to the investor so long as the banking covenants of the associated company are observed. The company has no knowledge of a breach of banking covenants as at 31 December 2015.

III.7.5. PARTICIPATIONS IN ASSOCIATED COMPANIES AND OTHER FINANCIAL ASSETS

PARTICIPATIONS IN ASSOCIATED COMPANIES

Overview of the participations in associated companies:

Name	Activity	Place of business	Percentage of participation	
			2015	2014
Tessenderlo Chemie NV	Chemicals	Belgium	31.43%	30.20%

In 2013, Picanol acquired, through its subsidiary Verbrugge NV, 27.52% of the shares of Tessenderlo Chemie for the sum of 192.4 million euros. In 2014 Picanol increased its stake to 30.20% through the acquisition of additional shares following the capital increase of Tessenderlo Chemie (for an amount of 71.9 million euros). In 2015, interest was further increased through share purchases on the financial markets (for an amount of 23.1 million euros). In 2013 and 2014, a fair value adjustment was made on the opening balance of Tessenderlo Chemie following the acquisition of 27.52% of the shares on 6 November 2013. Following the additional share purchases in 2014 and 2015, no new fair value adjustments were made. Given the rate of participation in Tessenderlo Chemie of 31.43%, this participation was recognized in the consolidated financial statements as an associated company according to the equity method. Based on the facts and circumstances on which decisions were taken in 2015 on the relevant activities in the board of directors and the management committee, it was also decided that Picanol does not exercise control over Tessenderlo Chemie in accordance with the provisions of IFRS 10.

<i>(in '000 euros)</i>	2015	2014
At the end of the previous reporting period	263,743	188,996
First consolidation		
Increased participation	23,117	71,871
Result of the financial year	25,089	11,735
Dividends		
Other comprehensive income	-3,847	-8,860
At the end of the reporting period	308,101	263,743

The assets, liabilities and results of the associated company are summarized below:

Balance sheet on 31 December 2015

<i>(in '000 euros)</i>	Before the fair value adjustment	The fair value adjustment	After the fair value adjustment	Group share
Fixed assets	628,940	85,226	714,166	224,437
Current assets	673,251		673,251	211,579
Non-current liabilities	-468,153	-23,727	-491,880	-154,581
Current liabilities	-317,233		-317,233	-99,695
Net assets held for sale	1,440		1,440	453
Total net assets	518,245	61,499	579,744	182,193

Balance sheet on 31 December 2014

<i>(in '000 euros)</i>	Before the fair value adjustment	The fair value adjustment	After the fair value adjustment	Group share
Fixed assets	596,259	90,624	686,883	207,439
Current assets	586,860		586,860	177,232
Non-current liabilities	-260,797	-25,805	-286,602	-86,554
Current liabilities	-487,707		-487,707	-147,288
Net assets held for sale	2,328		2,328	703
Total net assets	436,943	64,819	501,762	151,532

Period 2015:

<i>(in '000 euros)</i>	Before the fair value adjustment	The fair value adjustment	After the fair value adjustment	Group share
Revenue	1,589,003		1,589,003	491,087
Operating profit (EBIT)	77,084	-5,398	71,686	22,155
Result for the period	84,499	-3,320	81,179	25,089
Other comprehensive income	-12,447		-12,447	-3,847
Overall result for the period	72,052	-3,320	68,732	21,242

Period 2014:

<i>(in '000 euros)</i>	Before the fair value adjustment	The fair value adjustment	After the fair value adjustment	Group share
Revenue	1,434,169		1,434,169	395,947
Operating profit (EBIT)	51,203	-17,349	33,854	9,346
Result for the period	53,714	-11,207	42,507	11,735
Other comprehensive income	-32,091		-32,091	-8,860
Overall result for the period	21,623	-11,207	10,415	2,875

In 2015, the result for the period of Tessenderlo Chemie NV was +84.5 million euros. The impact of fair value adjustments on the result for the period (100% value) amounted to -3.3 million euros (depreciation on revalued fixed assets). For the determination of the group share, an average participation rate was calculated of 30.91%. As a result, the share of profit of associates for 2015 amounts to +25.1 million euros. The other elements of the result of Tessenderlo Chemie amount to -12.5 million euros at 100% value or -3.8 million euros (group share).

For more information about the annual results of Tessenderlo Chemie we refer to the annual report of Tessenderlo Chemie on www.tessenderlo.com.

Related goodwill:

	2015	2014
Share of the net assets of the associated companies	182,193	151,532
Net book value of associated companies	308,101	263,743
Net book value of the related goodwill	125,908	112,211

There are no restrictions regarding the transfer of funds from the associated company to the investor, as long as the bank covenants of the associated company are respected. The company has no knowledge of a breach of banking covenants on 31 December 2015.

No contingent liabilities have been incurred by the investor with respect to the associated company.

OTHER FINANCIAL ASSETS

Other financial assets (amounting to 44 thousand euros) are investments in unlisted entities. These investments are carried at cost, less any impairment losses.

III.7.6. NON-CURRENT RECEIVABLES

Non-current receivables are broken down below into interest-bearing trade receivables and guarantees:

<i>(in '000 euros)</i>	2015		2014	
	Trade receivables	Guarantees	Trade receivables	Guarantees
At the beginning of the period:				
Gross value	439	54	433	48
Accumulated amounts written off				
Net book value	439	54	433	48
Changes during the period:				
Acquisitions	445	0	403	6
Reimbursement				
Transfers	-321		-397	
At the end of the period:				
Gross value	563	54	439	54
Accumulated amounts written off	0	0	0	0
Net book value	563	54	439	54

The interest-bearing trade receivables consist entirely of the export financings accorded by Picanol NV. The non-current interest-bearing trade receivables are all amounts in EUR. The non-current interestbearing trade receivables are insured for a total of 0.5 million euros, resulting in a total outstanding risk from 0.06 million euros at 31 December 2015 or 10% of the total outstanding amount of interestbearing trade receivables. None of the non-current interest-bearing trade receivables are past due.

III.7.7. DEFERRED TAX AND DEBTS

Recognized deferred tax

<i>(in '000 euros)</i>	2015		2014	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Intangible assets	0	-210	0	-500
Tangible fixed assets	0	-4,885	0	-4,670
Inventories	1,341	0	926	0
Other assets	15	-561	20	-50
Employee benefit obligations	32	0	43	0
Other provisions	144	-624	108	-718
Other liabilities	18	-1,819	21	-1,448
Tax loss carryforwards/tax credits	0	0	76	0
Other adjustments	0	-1,595	0	-1,595
TOTAL	1,549	-9,694	1,193	-8,981
Valuation allowance	-181		-186	
Offset*	-592	592	-193	193
TOTAL (as reported in the balance sheet)	777	-9,102	815	-8,787

(*) IAS 12 (Income Tax) requires that deferred tax assets and deferred tax liabilities should, under certain conditions, be offset against each other.

The increase in deferred tax liabilities is mainly due to the increase in temporary differences in the subsidiary PST.

Deferred tax assets that cannot be recovered over a period of 5 years are not recognized or are subject to a valuation adjustment. The expected tax results are based on the business plan as explained under III.2.

There were no material unrecognized fiscal losses in 2015 and 2014.

DEFERRED TAX LIABILITIES NOT RECOGNIZED BY THE GROUP AND RELATING TO THE FOLLOWING ELEMENTS AT 31 DECEMBER 2015:

No liabilities or assets were recognized for temporary differences relating to non-distributed earnings of subsidiaries and joint ventures controlled by the group as the group determines itself the timing of the dividend distribution. Undistributed reserves of subsidiaries and the related unrecognized deferred tax liability amount to 39.0 million euros and 0.8 million euros respectively at 31 December 2015. As at 31 December 2014, these figures were 39.8 million euros and 1.1 million euros respectively.

III.7.8. INVENTORIES

<i>(in '000 euros)</i>		2015	2014
Raw materials and auxiliaries	Gross value	53,540	48,546
Raw materials and auxiliaries	Amounts written off	-23,826	-23,685
Raw materials and auxiliaries		29,714	24,862
Goods in progress	Gross value	10,651	8,982
Goods in progress	Amounts written off	-154	-117
Goods in progress		10,498	8,865
Finished goods	Gross value	17,009	16,098
Finished goods	Amounts written off	-4,312	-4,296
Finished goods		12,697	11,802
Downpayments	Gross value	154	84
Downpayments	Amounts written off	0	0
Downpayments		154	84
Total	Gross value	81,354	73,710
Total	Amounts written off	-28,292	-28,098
Total inventories		53,063	45,613

As a result of the higher production volumes in 2015, both the raw materials and consumables (+5 million euros) and the goods in process (+1.6 million euros) increased. The increase was mainly concentrated in Picanol NV and PsiControl Ypres and Romania. The finished product stock rose slightly. The impairment of the stock in the balance sheet remained broadly stable at 28.3 million euros (35% of the gross stock value).

At 31 December 2015, no inventory was pledged for any obligations. Other than in the usual course of business, the Picanol Group has no contractual commitments with regard to inventory at the end of 2015.

III.7.9. TRADE AND OTHER RECEIVABLES

Trade and other receivables can be broken down into the following categories:

<i>(in '000 EUR)</i>	2015	2014
Trade receivables	49,220	39,465
Other receivables		
Recoverable VAT	4,014	2,665
Prepaid taxes	1,042	1,828
Deferred expenses	789	635
Other receivables	8,051	13,375

The increase in trade receivables is due to the increased activity, particularly at Picanol NV.

The categories of trade receivables and marked-to-market derivatives are considered as financial instruments, the other headings aren't.

Trade receivables at the balance sheet date consist of the amounts receivable from the sale of goods and the supply of services to the value of 51.2 million euros (2014: 43.2 million euros). An allowance has been booked for irrecoverable amounts from the sale of goods to the value of 2.0 million euros (2014: 3.8 million euros). This allowance has been determined based on historical data concerning non-payments, applying group valuation rules and individual assessment. Movements in the provision for doubtful debtors are included in the income statement under 'selling and marketing expenses'. Movements in the provision for doubtful debtors during the reporting period can be summarized as follows:

<i>(in '000 EUR)</i>	2015	2014
At the beginning of the period:	3,769	4,187
Write-downs recorded	399	215
Utilizations or reversals of write-downs	-2,202	-644
Translation differences	-10	12
At the end of the period:	1,957	3,769

The outstanding short-term trade receivables on 31 December 2015 before impairment are interestbearing for a total of 4.2 million euros (4.4 million euros in 2014), which represents 8% of the total outstanding gross short-term trade receivables.

The ageing analysis of the carrying amount of trade receivables can be summarized as follows:

<i>(in '000 EUR)</i>	2015	2014
Not yet due	42,197	29,402
Due < 1 year	7,023	6,094
Due > 1 year	0	0
Net book value	49,220	39,465

Other receivables comprise 6.5 million euros for bank notes of subsidiary PST (11.8 million euros in 2014). The bank notes are claims against financial institutions with a maturity of more than 3 months and are interest-bearing and include only non-due receivables at the end of December 2015, and at the end of December 2014. The other receivables decreased due to reduced activity at PST. The deferred expenses mainly consist of prepaid expenses.

Credit risk

General information on the credit risk can be found under III.8.8.

Picanol NV's credit policy is continuously monitored. A credit assessment is carried out on any counterparty requesting major credit amounts. The credit risk is also covered by credit insurance policies concluded with credit insurance companies and by the systematic use, where possible, of trade

financing instruments. The other group companies also apply credit policies, but according to their own needs, as their trade receivables are of minor importance. Since the large majority of trade receivables are covered by a credit insurance, the credit risk is only limited to outstanding trade receivables not covered by such insurance.

The gross, short and long-term trade receivables of Picanol NV represent 70% (55% in 2014) of the consolidated gross trade receivables, or 36.1 million euros. Of these, 4.4 million euros (4.3 million euros in 2014) or 9% of the gross trade receivables are not covered through credit insurance. The gross trade receivables of P(SIP)T represent 1% (5% in 2014) of consolidated trade receivables, which are not exposed to any risk, given the general rule of delivery against payment. A provision of 1.6 million euros (3.8 million euros in 2014) has been provided against the total uninsured consolidated open risk. The uncovered long-term credit risk is discussed in III.7.6. The credit risk on cash is limited, being linked to traditional bank deposits placed with banks.

III.7.10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the group and short-term bank deposits with an original maturity of up to 3 months. The carrying amount of these assets is approximately equivalent to their fair value:

<i>(in '000 euros)</i>	2015	2014
Cash in bank and in hand	77,351	29,509
Total cash and cash equivalents	77,351	29,509

In addition to the profit for the period, the decrease in working capital is the main cause of the increase of funds (see II.3. Consolidated cash flow statement).

III.7.11. SHARE CAPITAL

<i>(in '000 euros)</i>	2015	2014
Issued shares		
17,700,000 ordinary shares without nominal value	21,720	21,720
Fully paid-up shares		
17,700,000 ordinary shares without nominal value	21,720	21,720

III.7.12. SHARE PREMIUM

<i>(in '000 euros)</i>	2015	2014
Begin balance	1,518	1,518
Premium on the issue of shareholders' equity	0	0
Expenses on the issue of shareholders' equity	0	0
End balance	1,518	1,518

III.7.13. EMPLOYEE BENEFIT OBLIGATIONS

Various entities within the Picanol Group have defined benefit plans and/or defined contribution plans. Defined benefit plans which typically provide retirement benefits in proportion with the remuneration level and service time exist only in the Belgian entities. These plans are insured.

DEFINED CONTRIBUTION PLANS

The defined contribution schemes primarily comprise Belgian defined contribution plans that are subject to a statutory minimum return requirement. These schemes are fully funded by the group. For the contributions paid up until the end of 2015, the minimum guaranteed return is 3.25%. As of 2016, the statutory minimum return on new deposits is linked to the return on Belgian linear bonds with a

maturity of 10 years, with a minimum return of 1.75% and a maximum return of 3.75%. The minimum return requirement is calculated as an average over the entire career of the individual. These plans are funded through insurance companies and have been treated as defined contribution plans for accounting purposes, whereby the group charges the contribution requirements to the income statement in the period to which they relate. No provision was included in the balance sheet on 31 December 2015 because the statutory minimum return guarantees are sufficiently covered by the guaranteed returns on accumulated reserves by insurers (since the average of the latter amounts to 3.5%). The total accumulated reserves amount to 6.9 million euros.

<i>(in '000 euros)</i>	2015	2014
Paid contributions	1,083	1,076

In 2015 and 2014, premium payments consist only of recurrent amounts.

Reconciliation between the recorded provision for “Pensions and similar obligations” and net liability for defined benefit plans:

<i>(in '000 euros)</i>	2015	2014
Balance:		
Provisions – employee benefits – long term	5,888	7,721
Provisions – employee benefits – short term	1,362	1,603
Total balance	7,250	9,324
Of which:		
Early retirement pensions	4,868	5,684
Other long-term employee benefits	1,248	1,246
Immaterial provisions at other branches	684	681
Defined benefit plans	450	1,713

The early retirement provision is recognized the moment an employee signs an early retirement agreement for all future obligations on the part of the employer, and this is calculated on an actuarial basis. The other long-term employee benefits consist of provisions for end of employment premiums and seniority premiums, calculated for all active employees on an actuarial basis, and calculated in proportion to the period of service.

DEFINED BENEFIT PLANS

The defined benefit plans include "defined benefit" group insurance plans for management and expatriates that are externally funded by insurers. Both plans are closed and all of the new group insurance plans are defined contribution plans. The net liability recognized for these group insurance plans amounts to 0.1 million euros.

In addition, the defined benefit plans also include the small STEP plan, which was decided in 2013 would be gradually terminated in phases over a five year period. This plan provides for the lifetime payout of a fixed annual premium depending on the years of service upon retirement. The provision for all active employees was withdrawn in 2013. The net liability recognized for the small STEP plan amounts to 0.3 million euros. The decrease in this provision in 2015 relates to (early) retirements that are no longer subject to an obligation as of 2017. The main risks to the defined benefit plans relate to the discount rate, inflation rate and mortality tables. The income and expenses that are charged to the profit and loss account are included in the cost of sales and general and administrative expenses.

	2015			2014		
	Retirement benefit obligations	Fair value of plan assets	Net liability	Retirement benefit obligations	Fair value of plan assets	Net liability
<i>(in '000 euros)</i>						
On 1 January	2,636	-923	1,713	2,914	-1,080	1,834
Charged to the profit and loss account:	-891	-69	-960	64	-64	0
Current service costs	35	-35	0	24	-24	0
Interest costs (income)	34	-34	0	40	-40	0
Plan changes	-960		-960	0	0	0
Charged to shareholders' equity:	-151	0	-151	38		38
Actuarial (profits)/losses	-151		-151	38		38
(Profits)/losses due to demographic assumptions						
Return on plan assets						
Other:	-153	0	-153	-380	221	-159
Paid benefit obligations	-153	0	-153	-380	221	-159
On 31 December	1,440	-992	450	2,635	-923	1,713
Funded obligations	1,123	-992	132	1,209	-923	286
Unfunded obligations	317		317	1,426		1,426
Total	1,440	-992	450	2,636	-923	1,713

The changes in the plan that were charged to the result in 2015 are due to the phased closure of the small STEP plan. The underlying assets relate to insurance contracts with underlying assets that primarily consist of fixed-income securities.

The main actuarial assumptions used at the balance sheet data (weighted averages):

	2015	2014
Discount rate	2.0%	1.50%
Estimated rate of salary increases	2.0%	1.50%

The discount rate is based on the yield of high quality corporate bonds with a maturity of 10 years, which corresponds to the duration of the retirement benefit obligations.

Sensitivity analysis regarding changes in actuarial assumptions:

Sensitivity regarding a change in the discount rate

<i>(In '000 EUR)</i>	1% increase	1% decrease
Gross liability	-15	15

III.7.14. PROVISIONS

<i>(in '000 euros)</i>	2015			2014		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Product warranties	6,341	29	6,371	5,133	0	5,133
Environment		79	79		1,501	1,501
Restructuring			0			0
Other risks	310	0	310	1,986	0	1,986
Total	6,651	109	6,760	7,118	1,501	8,619

<i>(in '000 euros)</i>	Product warranties	Environmental risks	Other risks	Total
On 1 January 2015	5,133	1,501	1,986	8,619
Additions	1,667	0	0	1,667
Utilizations	-11	0	-900	-911
Reversals	-350	-1,422	-775	-2,547
Exchange rate differences	-97	0	0	-97
On 31 December 2015	6,371	79	310	6,760
More than 1 year	29	79	0	109
Up to 1 year	6,341	0	310	6,651
Total	6,371	79	310	6,760

The provisions for product warranties primarily relate to warranties associated with the sale of weaving machines. The provisions are calculated on the basis of historical costs of product warranties related to the supply of goods and services. They are recalculated annually on the basis of actual costs incurred in the previous financial year. The increase in this provision in 2015 relates to performance guarantees for a number of major sales contracts. The provision for environmental risks was largely reversed in 2015 since the underlying dispute regarding certain sites in Belgium was pronounced in favor of Picanol. The other risks and charges in 2015 only include a provision for a pending dispute regarding a redundancy scheme. The provision for other obligations regarding taxes and the environment under the sales agreement of the Steel Heddle activities of GTP Greenville was reversed in 2015.

III.7.15. INTEREST-BEARING DEBT

<i>(in '000 euros)</i>	2015			2014		
	Expiry day < 1 year	Expiry day > 1 year	Total	Expiry day < 1 year	Expiry day > 1 year	Total
Financial leases	1,252	0	1,252	2,744	0	2,744
Export finance	3,413	0	3,413	1,896	0	1,896
Total more than a year	4,665	0	4,665	4,640	0	4,640
Loan	500		500	7,000	0	7,000
Total up to 1 year	500		500	7,000	0	7,000
Total	5,165	0	5,165	11,640	0	11,640

The total future financial charges on interest-bearing liabilities are due within the following periods:

	2015			2014		
	Expiry day < 1 year	Expiry day > 1 year	Total	Expiry day < 1 year	Expiry day > 1 year	Total
Financial leases	26	0	26	83	0	83
Export finance	20	0	20	1	0	1
Total	46	0	46	84	0	84

The table of due dates together with the list of due dates for future interest charges represent the total future cash flows for the existing financial obligations.

The consolidated financial leases primarily relate to the plant and equipment of Proferro NV. The total interest charges are 4% per annum. The fair value of the underlying assets amounted to 6.7 million euros at the end of 2015 compared with 7.5 million euros on 31 December 2014.

The export financing increased due to increased volumes and is highly dependent on the regional distribution of sales. It is a mirror of the interest-bearing trade receivables and since the interest rates are similar, the net market value of this position is zero. The export financing includes obligations for

which the corresponding trade receivable has already been discounted by Delcredere but the risk of which has not yet been fully transferred.

In 2015, the loan of 7 million euros which was contracted in connection with the participation in the capital increase of Tessenderlo Chemie was paid back in full. The majority of the financial liabilities of the group are centrally contracted and managed by Picanol NV. The financial liabilities do not include loans that are subject to 'debt covenants'.

III.7.16. DERIVATIVE FINANCIAL INSTRUMENTS

The various categories of financial assets and obligations that apply to the company are limited to loans and accounts receivable, financial obligations valued at the amortized cost price and financial assets/liabilities entered at their real value in the income statement. As regards the financial assets/liabilities valued at their real value in the income statement, their inclusion is shown separately under the section 'trade and other accounts receivable,' with further explanations under the section 'financial derivatives.' The other categories are discussed in the respective explanations for each section.

The Picanol Group does not apply hedge accounting to derivative financial instruments.

The Picanol Group manages a portfolio of derivatives in order to cover risks relating to exchange rate fluctuations resulting from operating and financial activities. Currency risks are hedged in so far as they influence the group's cash flows. Risks resulting from the conversion of assets and liabilities of the foreign activities into the presentation currency of the Picanol Group are not hedged. It is the company policy not to engage in speculative or leveraged transactions or to hold or issue derivatives for trading purposes.

Picanol NV has occasionally foreign currency hedges in the form of forward contracts. These primarily concern forward sales contracts related to expected cash inflows, whereby the USD is sold forward. The change in market value is recognized in the income statement. The marked-to-market value of these forward contracts for which no underlying assets or liabilities exist is justified by orders placed but not yet invoiced.

The valuation method is based on the valuation models as defined by the banks with which the forward contracts are placed. The marked-to-market value of the derivative financial instruments is presented on the liabilities side of the balance sheet 'other current liabilities'.

Overview of forward exchange contracts:

	2015		2014	
	Notional amount	Marked-to-market	Notional amount	Marked-to-market
<i>(in '000 euros)</i>				
Forward sales contracts < 6 months	-892	22	959	-33
Forward sales contracts > 6 months	0	0	0	0
Subtotal forward sales contracts	-892	22	959	-33
Interest rate swaps (IRS)	0	0	0	0
Subtotal interest rate swaps	0	0	0	0
TOTAL	-892	22	959	-33

The adjustment to the marked-to-market value of the financial instruments is recognized in the income statement under 'other financial income and expenses'.

III.7.17. TRADE AND OTHER PAYABLES

<i>(in '000 euros)</i>	2015	2014
Trade payables	63,666	46,459
Income taxes payable	2,208	2,044
Other payables	51,490	36,787
Down payments received	26,464	15,298
Remuneration & social security	17,871	15,502
Accrued expenses and deferred income	6,887	5,677
Marked-to market derivatives	0	33
Other liabilities	268	277

'Trade payables' and 'other liabilities' in the above table are regarded as financial instruments. The remaining liabilities are regarded as non-financial liabilities.

The increase in trade payables and received down payments are due to the increase in production volumes.

Both short-term trade and other payables are non-interest-bearing liabilities both at 31 December 2015, and at the end of 2014.

III.8. MISCELLANEOUS

III.8.1. OPERATING LEASE AGREEMENTS

<i>(in '000 euros)</i>	2015	2014
Payments due within the year	650	670
Between 1 and 5 years	867	807
Minimum future lease payments	1,517	1,477

Operating lease payments represent rentals payable by the group for commercial vehicles. An amount of 0.7 million euros was recognized as a rental cost in the income statement in 2015, as well as in 2014.

III.8.2. EVENTS AFTER THE BALANCE SHEET DATE

On 7 March 2016, Picanol Group and Tessenderlo Group announced they would definitely cease their attempt to merge the industrial activities of Picanol Group with Tessenderlo Chemie as insufficient support was expressed by the shareholders of Tessenderlo Chemie NV for a transaction on terms acceptable to Picanol and its shareholders.

III.8.3. RELATED PARTY TRANSACTIONS

Remuneration and other fees of directors

<i>(in '000 euros)</i>		Fixed remuneration as director	Attendance fees (board of directors and committees)	Ad hoc*	Total 2015	Total 2014
Stefaan Haspeslagh	executive	60,000	-		60,000	60,000
Luc Tack	executive	25,000	-		25,000	-
Patrick Steverlynck, as representative of Pasma NV	non-executive	15,000	8,000		23,000	25,000

Frank Meysman, as representative of M.O.S.T. BVBA	non-executive	15,000	6,000	12,000	33,000	33,000
Hugo Vandamme, as representative of HRV NV	non-executive	15,000	8,000	12,000	35,000	33,000
Jean Pierre Dejaeghere, as representative of NV Kantoor Torrimmo	non-executive	15,000	8,000	12,000	35,000	33,000

* Fee as a member of the ad hoc committee regarding the proposed merger of Picanol Group's activities with Tessenderlo Chemie.

There are no severance pays determined for the managing director, nor for the other executive directors. There is a notice term provided for the other executive managers with a term between 1 year and 18 months.

Services and various commercial transactions with shareholders

<i>(in KEUR)</i>	2015	2014
Trade receivables	51	2
Interest-bearing debt	0	7,000
Sales	2,185	648
Costs of sales	-61	-14
General & administration costs	-32	-49
Financing costs	-14	0

The aforementioned amounts comprise the revenues and expenses of Picanol Group for services and various commercial transactions at market conditions. The amounts above include amongst other remunerations that are also covered in the Corporate Governance section.

Remuneration of the managing director

<i>(in '000 euros)</i>	2015	2014
Name	Luc Tack	Luc Tack
Fixed remuneration	100,000	-
Variable remuneration	-	-
Total	100,000	-
Pension	-	-
Other benefits	-	-

The managing director does not receive long-term cash incentive plans.

Remuneration of the other members of the executive management

<i>In EUR</i>	2015	2014
Fixed remuneration	964,122	946,845
Variable remuneration	325,657	477,565
Total	1,289,779	1,424,410
Pension (fixed contribution)	63,000	60,792
Other benefits*	13,375	13,365

* remuneration usage car

The level and structure of the remuneration of other members of the management committee seek to enable the company to attract and motivate qualified managers. The remuneration is regularly checked to ensure that it corresponds with market trends.

The other members of the management committee do not receive long-term cash incentive plans. The members of the management committee do not receive directors' fees for the companies where they fulfill a director's position.

At the general meeting of shareholders of 15 April 2015, the shareholders approved the board of directors' proposal to deviate from the provisions of the Corporate Governance in relation to provisions on the distribution of bonuses in time. The bonuses of the other members of the executive management were therefore paid out in one sum.

III.8.4. EXCHANGE RATES

	ISO	Average exchange rates		Closing exchange rates	
		2015	2014	2015	2014
Brazilian Real	BRL	0.2713	0.3211	0.2319	0.3105
Chinese Yuan (Renminbi)	CNY	0.1438	0.1230	0.1416	0.1327
Indonesian Rupee (1000)	IDR	0.0673	0.0637	0.0655	0.0663
Indian Rupee	INR	0.0141	0.0124	0.0139	0.0130
Mexican Peso	MXN	0.0568	0.0568	0.0529	0.0560
Romanian Leu	RON	0.2250	0.2253	0.2210	0.2231
Turkish Lira	TRY	0.3304	0.3451	0.3148	0.3531
US Dollar	USD	0.9051	0.7580	0.9185	0.8237

III.8.5. PERSONNEL

In units	31/12/2015			31/12/2014		
	Fully consolidated	Proportionally consolidated	Total	Fully consolidated	Proportionally consolidated	Total
Management	6	0	6	6	0	6
White collars	632	0	632	612	0	612
Blue collars	1,424	0	1,424	1,320	0	1,320
Average number of personnel employed	1,997	0	1,997	1,936	0	1,936
Average number of personnel employed in Belgium	1,428	0	1,428	1,380	0	1,380
Remuneration and social charges (in '000 euros)	94,334		94,334	88,168		88,168

III.8.6. AUDIT AND NON-AUDIT SERVICES PROVIDED BY THE AUDITOR

The auditor received an amount of 154,200 euros for performance of his audit task in 2015. In the course of 2015, the auditor and the auditor related parties charged 273,052 euros, mainly within the framework of the proposed merger of Picanol activities with Tessenderlo. All other assignments except auditors' assignments were submitted to the audit committee for approval.

III.8.7. CONTINGENT ASSETS AND LIABILITIES

The Picanol Group has no material contingent assets and liabilities on 31 December 2015.

III.8.8. FINANCIAL RISK MANAGEMENT

The Picanol Group is exposed to risks deriving from movements in exchange rates, interest rates and market prices that affect its assets and liabilities. These are the main market risks to which the group is exposed. Picanol Group's financial risk management seeks to limit the effects of these market risks from its operating and financial activities. The group is also confronted with interest and liquidity risks, for which it applies the necessary means to control.

Currency risk

The Picanol Group incurs currency risks mainly on sales and purchase and, to a lesser degree, on financial debt that is expressed in a currency other than the subsidiary's functional currency.

The Picanol Group manages a portfolio of derivatives covering the currency risks deriving from business and financial activities. These are discussed in III.7.16.

The currencies in which the main Picanol Group subsidiaries operate are the US dollar and the Chinese renminbi. Based on the volatility of these currencies against the euro in 2015, we give below the sensitivity of a 5% positive/negative fluctuation of the US dollar and Chinese renminbi exchange rates.

<i>(in '000 EUR)</i>					
Company	Balance sheet position	Amount in local		Effect +	
		currency	Currency	5%	Effect - 5%
GTP Greenville (USD)	Trade payables	1,080	EUR	54.0	-54.0
P(Sip)T (RMB)	Trade receivables	1,975	EUR	-98.8	98.8
	Trade payables	473	EUR	23.7	-23.7
GTP Istanbul (YTL)	Trade receivables	233	EUR	-11.7	11.7
	Trade payables	28	EUR	1.4	-1.4
				-31.4	31.4

Changes in the euro exchange rate during 2015 within the above-mentioned volatilities would have given an 31 thousand euros higher/lower consolidated profit.

Interest rate risk

By the end of 2015, interest-bearing debt consisted solely of finance leases (fixed rate), export financing and a short term loan.

Picanol has a general policy of discounting the long-term receivables immediately to avoid interest rate risks. The export financing by the end of 2015 comprised only obligations of which the trade receivable was already discounted by Delcredere but the risk of which has not yet been completely transferred.

Credit risk

The group's most important current financial assets are its cash and cash equivalents and its trade and other receivables. These represent the group's maximum exposure to the credit risk of financial assets.

The group's credit risk lies primarily in its trade receivables. The amounts shown in the balance sheet are presented including the provisions for doubtful debtors. These are estimated by group management based upon historical data and estimates of the current economic environment. The maximum exposure to credit risk is equal to the book value of all financial assets. For a detailed discussion of this risk the reader is referred to III.7.9.

Liquidity risk

In order to guarantee its liquidity and financial flexibility at all times, the Picanol Group has various uncommitted credit lines in euros in amounts that are considered adequate to current and future financial needs. The Picanol Group has total credit lines excluding bank guarantees available for 57.1 million euros (2014: 54.6 million euros) of which export financing is representing 20.0 million euros and 37.1 million euros straight loans. At balance sheet date the credit lines were used for an amount of 0.5 million euros excluding bank guarantees.

The credit line for bank guarantees amounts to 12 million euros (2014: 14.5 million euros), with 8.4 million euros of bank guarantees outstanding at 31 December 2015. The Picanol Group uses these bank guarantees primarily for commercial purposes (tender process delivery guarantee).

III.8.9. MISCELLANEOUS

Capital management

The capital management of the Picanol Group aims essentially at:

- Protecting the capital to ensure continuous business operations resulting in a continuous shareholder value, and benefits for other stakeholders;
- The dividend policy of the Picanol Group is based on an annual judgment concerning the return for shareholders, maintaining a free cash flow and opportunities for financing further growth.

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

STATUTORY FINANCIAL STATEMENTS OF PICANOL NV

PICANOL NV (in '000 euros)	2015	2014
FIXED ASSETS	123,816	123,816
Intangible assets	311	484
Tangible fixed assets	13,466	15,377
Financial fixed assets	110,038	107,956
CURRENT ASSETS	337,167	248,628
TOTAL ASSETS	460,983	372,444
SHAREHOLDERS' EQUITY	336,897	275,740
Share capital	22,200	22,200
Share premium account	1,518	1,518
Reserves	45,136	45,136
Profit/(loss) carried forward	268,042	206,885
Investment grants	0	0
PROVISIONS AND DEFERRED TAXES	12,136	14,600
LIABILITIES	111,951	82,104
Amounts payable after one year	0	0
Amounts payable within one year plus accrued expenses and deferred income	111,951	82,104
TOTAL LIABILITIES	460,983	372,444
SALES	409,770	305,612
OPERATING RESULT	59,515	42,466
FINANCIAL RESULTS	22,183	17,730
EXTRAORDINARY RESULTS	48	24
TAXES	-17,050	-11,647
PROFIT FOR THE FINANCIAL YEAR	64,696	48,573

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

Notes to the balance sheet and income statements of the parent company Picanol NV

The total assets of Picanol NV increased by 88.5 million euros from 372.4 million euros as at the end of 2014 to 461.0 million euros as at 31 December 2015. This rise was mainly due to the increase in cash funds (as a result of the good operating cash flow) and the increase in working capital due to higher sales.

In 2015, the turnover of Picanol NV increased by 34% compared to 2014, from 305.6 million euros to 409.8 million euros, due to the increasing demand for Picanol weaving machines. The gross margin (operating revenues less the value of trade goods, raw materials and consumables, services and other goods) rose from 83.1 million in 2014 to 100.7 million euros at the end of 2015. The gross margin relative to sales decreased from 27.2% in 2014 to 24.6% in 2015. The operating result rose by 17.0 million euros to 59.5 million euros at the end of 2015.

The net financial result increased by 4.5 million euros, mainly due to more dividends paid out by several subsidiaries.

The net book value of participations in associated companies and the receivables on the relevant companies were valued and ratified by the board of directors.

As a world player, the Picanol Group is faced with the geopolitical situations that its customers are coping with. In addition, the financial competitiveness is highly dependent on structural exchange rate fluctuations. Permanent technological development is also vital to safeguard Picanol's position as world player in the sector.

See paragraph III.2 on the assessment of the risks of going concern and asset valuation.

A full version of the statutory summary annual account, as well as the corresponding reports, is available on the website: www.picanolgroup.com.

Financial instruments

Picanol NV practices foreign currency hedges through forward contracts. Under no circumstances derivative instruments are used for speculative purposes. The company otherwise uses no other form of financial instruments whatsoever.

Branch offices

The company has no branch offices.

Conflicts of interest

See chapter 'Corporate Governance' in this annual report.

Report of the auditor

The statutory auditor has issued an unreserved opinion on the statutory financial statements of Picanol NV.

STATUTORY AUDITOR'S REPORT

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2015

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated balance as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Picanol NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

The consolidated balance shows total assets of 565 million EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 86 million EUR.

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

The board of directors is responsible for the preparation and fair presentation of 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.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

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

Unqualified opinion

In our opinion, the consolidated financial statements of Picanol NV give a true and fair view of the group's net equity and financial position as of 31 December 2015, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Gent, 7 March 2016

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Kurt Dehoorne

INFORMATION FOR SHAREHOLDERS

SHARES AND LISTING

Euronext Brussels code: BE0003807246
Mnemo: PIC

ICB Sector classification:

Industry: 2000, Industrials
Sector (raw): 2700, Industrial Goods & Services
Sector: 2750, Industrial Engineering
Subsector: 2757, Industrial Machinery

The Picanol Group has been listed on the Brussels stock exchange since 1966. After the merger of the Amsterdam, Brussels and Paris stock exchanges in September 2000, it has been listed on Euronext Brussels under the abbreviation PIC. Euronext Brussels has included the Picanol Group in the continuous market, compartment B (Mid Cap). The Picanol Group is part of the BEL Small Index.

On 31 December 2015, the share capital was represented by 17,700,000 Picanol shares. During the course of 2015 no changes occurred in Picanol's share capital.

As regards the present capital structure there were no outstanding share options, warrants or convertible bonds as at 31 December 2015.

The stock exchange capitalization on 31 December 2015 amounted to 819.51 million euros.

Shareholder structure

The shareholder structure is shown on page 24.

Financial calendar

Annual general meeting	20/04/2016
Announcement of half-yearly results	24/08/2016 (before opening of the stock exchange)
Announcement of annual results 2016	08/03/2017 (before opening of the stock exchange)
Annual general meeting	19/04/2017

DIVIDEND

The board of directors will propose the payment of a gross dividend of 0.1 euros at the annual general meeting on 20 April 2016, for a total amount of 1.77 million euros.

GLOSSARY

Airjet	Airjet weaving machine
CNC	Computer Numerical Control. This refers to the computer controlled system of the machine tool.
Heddle	Each warp runs through a heddle. The heddles are mounted in groups on the weaving frame.
HWS	Heinrich Wagner Sinto molding line for large casting.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards.
Frame	<i>See weaving frame.</i>
Lamellar or grey cast iron	An alloy based on iron and carbon with at least 2.0% but usually more than 3.0% carbon. It is the most common sort of cast iron.
Nodular cast iron	Grey cast iron where the graphite is in the form of spherical nodules. Nodular cast iron has much better mechanical properties than lamellar cast iron, it is tougher and very resistant to cracking.
R&D	Research & Development
Rapier	Rapier weaving machine
Reed	Comb-like device through which the warp ends are threaded. Each time a pick is inserted, the reed pushes it up against the material already woven, a process known as 'beating up'.
Tire cord	Fabric used as reinforcement in vehicle tires.
User interface	A user environment or user interface between man and machine.
WCM	World Class Manufacturing
Weaving machine	Machine on which a fabric is made using two groups of threads. The threads running lengthwise are known as warp threads, those running perpendicular to the warp threads are the weft threads.
Weaving frame	The weaving frame or frame moves a warp thread up and down in a weaving machine.

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Investor Relations

General and financial information on the Picanol Group (press releases, annual reports, annual accounts, financial calendar, corporate governance charter etc.) can be found on the corporate website www.picanolgroup.com, in English and in Dutch. For more information, please contact the department Corporate Communication.

The annual report is available in Dutch and English on the website of the Picanol Group www.picanolgroup.com.

The Dutch version of this annual report is to be considered as the reference.

Responsible editor:

Luc Tack

Managing director

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