Annual Report **2016**

Tessenderlo Group
EVERY MOLECULE COUNTS

Table of Contents

ACTIVITY REPORT 2016

Company profile

With a history that dates back to 1919, Tessenderlo Group has evolved over recent years from a chemical company into a diversified industrial group that focuses on agriculture, valorizing bio-residuals and providing industrial solutions.

With more than 4,500 people working at more than one hundred locations across the globe, Tessenderlo Group is a leader in most of its markets. We primarily serve customers in agriculture, industry, construction and health and consumer goods end markets.

Tessenderlo Group realized a consolidated revenue of 1,590 billion EUR in 2016. The company is listed as Tessenderlo Chemie nv on Euronext Brussels and is part of the Next 150 and BEL Mid indices. Financial News wires: Bloomberg: TESB BB – Reuters: TesBt.BR – Datastream: B:Tes.

A diversified industrial group

Tessenderlo Group's activities are subdivided into three operating segments:

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

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

The **Industrial Solutions** segment includes the production, trading and sales of plastic pipe systems, water treatment chemicals and other activities such as the production, trading and sales of mining and industrial auxiliaries, services for the treatment and disposal of produced and flow-back water from oil and gas exploration, as well as the recovery of industrial process fluids.

Every molecule counts

Tessenderlo Group is driven by a bold and inspiring vision: We want to ensure that life on our planet will thrive by helping to create a world that makes the most of its resources. This vision entails growing more food than ever before, using water as intelligently as possible, tackling the world's shortage of natural resources and creating value from bio-residuals.

We aim to fully understand what is happening in the world around us and ascertain how we can build the business of tomorrow by successfully addressing those issues. In order to achieve this objective we realize that we need to do things in new ways.

Behind everything we do lies a simple philosophy: Every Molecule Counts. This tagline defines our unique attitude to sustainability and practical innovation. It encompasses the power of an idea or action, however small, to change the world.

Tessenderlo Group continually strives to find more sustainable solutions. We thereby aim to minimize our ecological footprint and to maximize the contribution of our products in the evolution towards achieving a green economy. We offer various products and environmentally friendly solutions, in which we typically reclaim and transform by-products from other industries.

Whether it is in the products and solutions we supply or the way in which we produce them, the care we show towards our planet and its resources is at the very heart of all of our businesses. This is because we believe that Every Molecule Counts.

Tessenderlo Group
EVERY MOLECULE COUNTS

2016 Highlights

AGRO

In June 2016, the Agro segment acquired a research, development and innovation farm in Dinuba, California (US). The facility will further strengthen our commitment to developing innovative crop nutrients that help growers to meet the needs of modern crop production in both a reliable and sustainable manner.

Construction works on the new Thio-Sul® plant in East Dubuque (US) remain on schedule. The completion date for the construction of the plant is expected to be in the second half of 2017.

In 2016, Tessenderlo Group commenced the supply of calcium chloride ($CaCl_2$) from its Ham plant (Belgium). Following the closure of the phosphate department in late 2013, construction subsequently started in Ham on a new factory for the production of liquid calcium chloride. This is used for a variety of purposes in the food industry as well as technical applications.

In September 2016, Tessenderlo Group held a ceremony to mark the construction work that is ongoing for its new liquid fertilizer plant in France. Its Business Unit Tessenderlo Kerley International is constructing a Thio-Sul® (ammonium thiosulfate/ATS) manufacturing plant that will be used as a fertilizer for broad-acre crops as well as arboricultural and vegetable crop cultivation.

BIO-VALORIZATION

In order to take full advantage of the opportunities of the collagen protein markets, PB Gelatins/PB Leiner expanded its collagen peptides production unit in Santa Fe (Argentina). The new facility in Santa Fe is up and running since the first quarter of 2017.

In 2016, Violleau became a 100% part of Akiolis Group. Violleau develops organic soil amendment and fertilizer formulations from biomass and co-products (composting and pellets). Furthermore, in 2016, Akiolis Group withdrew from the co-products based on the cereals business and sold its Apeval shares to Promic.

The new organization Prossential will commercialize high-end proteins from Akiolis and PB Gelatins/PB Leiner to customers worldwide active in the aqua feed, higher-end pet food and food (functional proteins) markets.

INDUSTRIAL SOLUTIONS

During the first half of 2016, Tessenderlo Kerley, Inc. (TKI) announced the startup of its newly installed Sodium Hydrosulfide (NaHS) plant at the Billings, MT (US) facility (this is a facility within our joint-venture Jupiter Sulphur LLC). The Billings NaHS plant is strategically located close to a reliable sulfur raw material supply and it is well-positioned from a logistical perspective to serve the West Coast of the US market.

In August 2016, BT Bautechnik from the Business Unit Plastic Pipe Systems (PPS) presented its new injection molding machine at its plant in Aichach (Germany). The machine has a clamping force of 2,100 tons and is the largest injection molding machine within PPS.

In March 2015, the Board of Directors approved a 50 million EUR investment at the site in Loos (France). A new membrane electrolysis plant is currently being constructed in Loos. The construction works are scheduled for completion in the second half of 2017.

In September 2016, Tessenderlo Group put a new tank barge into operation to facilitate the transport of ferric chloride from the French production site of Produits Chimiques de Loos to Paris. The new ship is being used by the Performance Chemicals Business Unit for its water treatment activities.

MESSAGE FROM THE CEO AND THE CHAIRMAN TO THE SHAREHOLDERS

Dear Shareholders,

We can look back on 2016 as being another eventful year. Tessenderlo Group realized a consolidated turnover of 1,590.1 million EUR, which compared to 1,589.0 million EUR in 2015. Reported revenue increased across the Bio-valorization (4.4%) and Industrial Solutions (6.9%) segments, when not taking into account the foreign exchange effect. Meanwhile, Agro revenue decreased by 9.0% when not taking into account the foreign exchange effect, mainly as a result of the decrease within SOP Plant Nutrition. Tessenderlo Group closed 2016 recording a net profit of 98.2 million EUR, which represents an increase of 20% as compared to 81.9 million EUR in 2015.

2016 was another challenging year for Tessenderlo Group and progress was made on many fronts in the transformation of our group towards realizing sustainable growth:

- Our customers' success is our success and as a reliable partner it is our ambition to help our customers to continue to succeed in their industries and remain ahead of their competitors. We want to be the very best in each of our activities and we constantly seek sustainable business opportunities. We also want to be the best in operations and have the best possible relationships with our customers, as well as being able to understand market trends and identify new opportunities. For example, we set up a new business organization named Prossential in 2016. This new business will commercialize high-end proteins, gelatins and collagen peptides from Akiolis and PB Gelatins/PB Leiner to customers worldwide which are active in the aqua feed, higher-end pet food and food (functional proteins) markets. The goal of Prossential is to give Tessenderlo Group a stronger position in these specific markets and to generate added value by focusing on top-line growth.

- We have continued our investments with a view to strengthening our fields of competence and expertise. In 2016, we announced the startup of our Sodium Hydrosulfide (NaHS) plant at the Billings, MT (US) facility (with our joint-venture Jupiter Sulphur LLC). The Billings NaHS plant is strategically located next to a reliable sulfur raw material supply and well-positioned from a logistical perspective to serve the West Coast of the North American market. Additional achievements in 2016 included the acquisition of a research, development and innovation farm in Dinuba, California (US). This facility will further strengthen our commitment to developing innovative crop nutrients that can help growers to meet the needs of modern crop production in both a reliable and sustainable manner. Furthermore, we commenced the supply of calcium chloride ($CaCl_2$) for technical applications and the food industry from our plant in Ham, Belgium.

- We also continued our strategic investments in new plants during 2016. This included the construction works of the Thio-Sul® liquid fertilizer plants in East Dubuque (US) and Rouen (France) as well as the electrolysis plant in Loos (France). The completion date for the construction of the three plants is expected to be during the second half of 2017.

- In 2016, Tessenderlo Group continued to execute extensive maintenance programs in order to optimize operations and modernize various plants. We also remained focused on debottlenecking plants, increasing logistics efficiencies, implementing coordinated procurement and sourcing activities, realizing operational excellence, profitable growth and customer focus in order to better serve our customers.

Dividend
At the annual shareholders' meeting on June 6, 2017, the Board of Directors will propose to the shareholders not to pay out a dividend for the 2016 financial year.

Outlook
In 2017, Tessenderlo Group will continue to execute maintenance, cost reduction and debottlenecking programs. Capital expenditure is expected to amount to 90 million EUR for the year. The completion of the three previously announced new plants is included in this amount.

The group expects a single digit growth of the 2017 REBITDA compared to the REBITDA of 198.0 million EUR in 2016, despite the current lack of visibility in the different end markets. The group wishes to emphasize that it currently operates in a volatile political, economic and financial environment.

We are putting every effort into driving forward our strategic initiatives for Tessenderlo Group's transformation towards realizing sustainable growth. We will keep investing in the innovation and the modernization of our plants, buildings, new production machines, as well as research and development. All of this is combined with a constant focus on operational excellence.

We would like to take this opportunity to extend our thanks to our customers for the confidence they have placed in us and of course to you, our shareholders, for your loyalty.

Finally, on behalf of the Board of Directors, we would like to thank our employees for their commitment during 2016. We look forward to implementing our strategy and successfully driving our business forward in 2017 with the help of our highly motivated team.

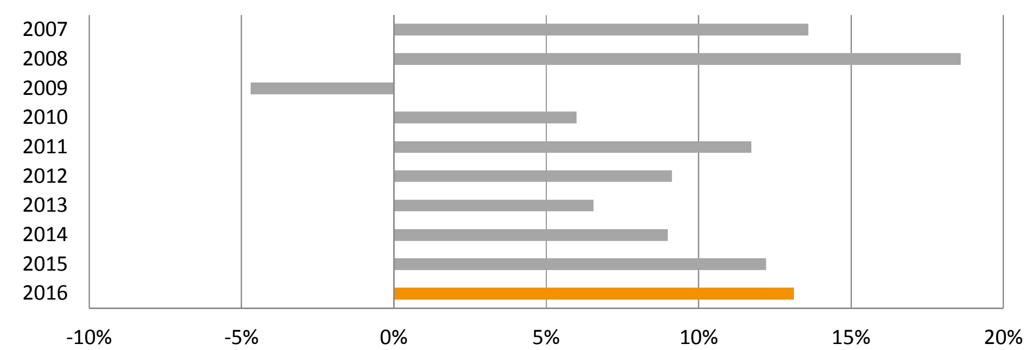
Kind regards,

Luc Tack
CEO

Stefaan Haspeslagh
Chairman of the Board of Directors

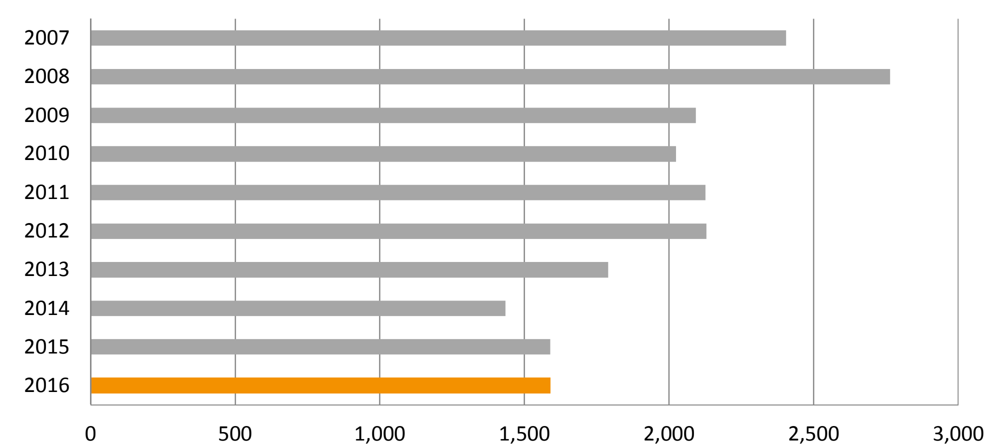
KEY FIGURES AT A GLANCE

ROCE (%)



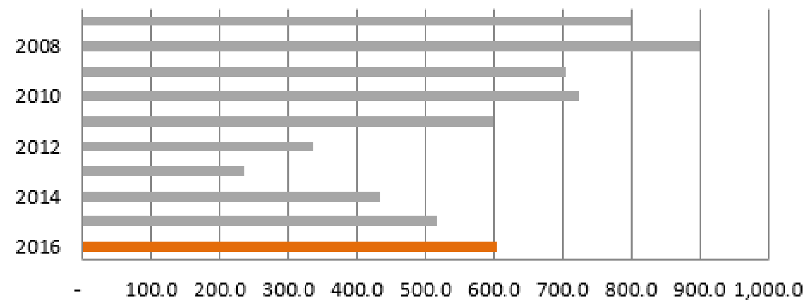
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Roce	13%	12%	9%	7%	9%	12%	6%	-5%	19%	14%

REVENUE (IN MILLION EUR)



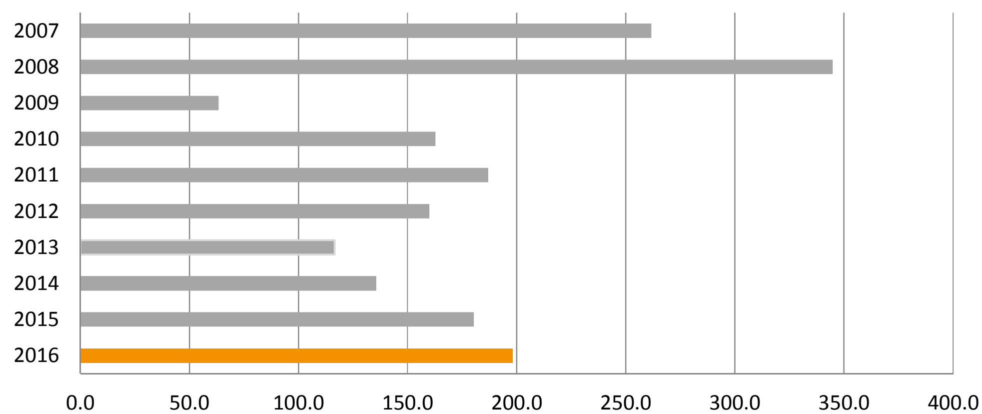
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue	1,590	1,589	1,434	1,790	2,129	2,126	2,024	2,093	2,765	2,405

EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE GROUP



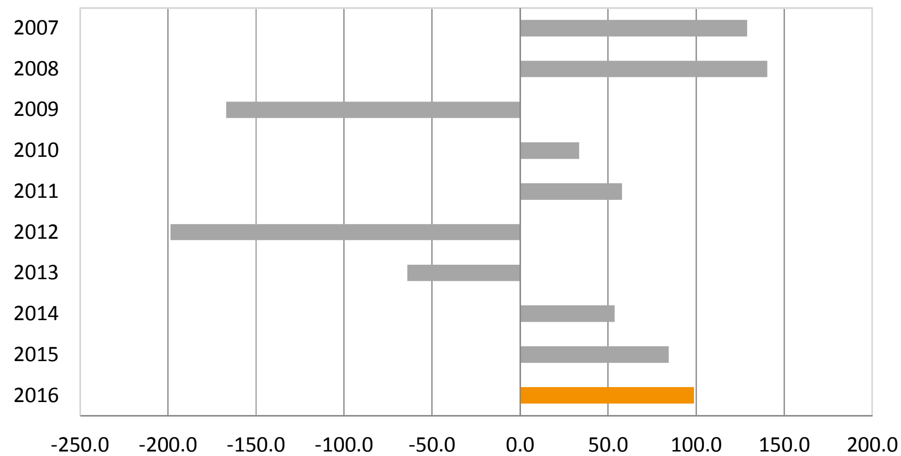
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Equity attributable to equity shareholders of the group	604.7	516.8	433.5	236.6	335.5	600.3	724.8	705.2	900.0	800.2

REBITDA (IN MILLION EUR)



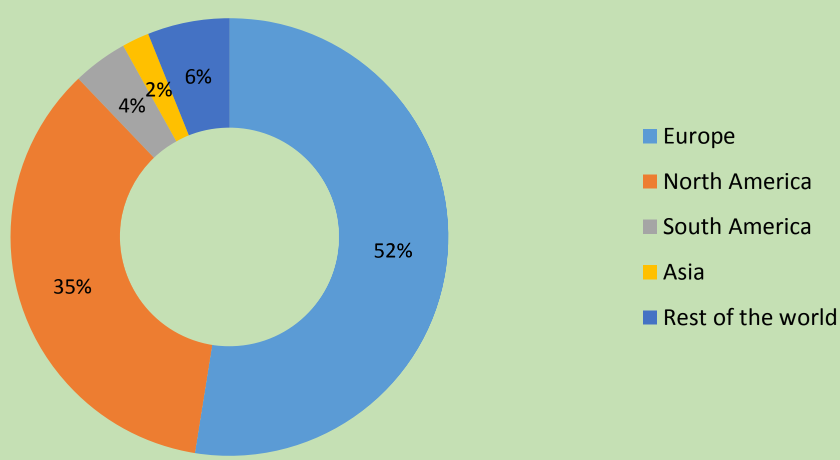
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
REBITDA	198.0	180.4	135.6	116.6	160.0	187.0	162.8	63.4	344.7	261.6

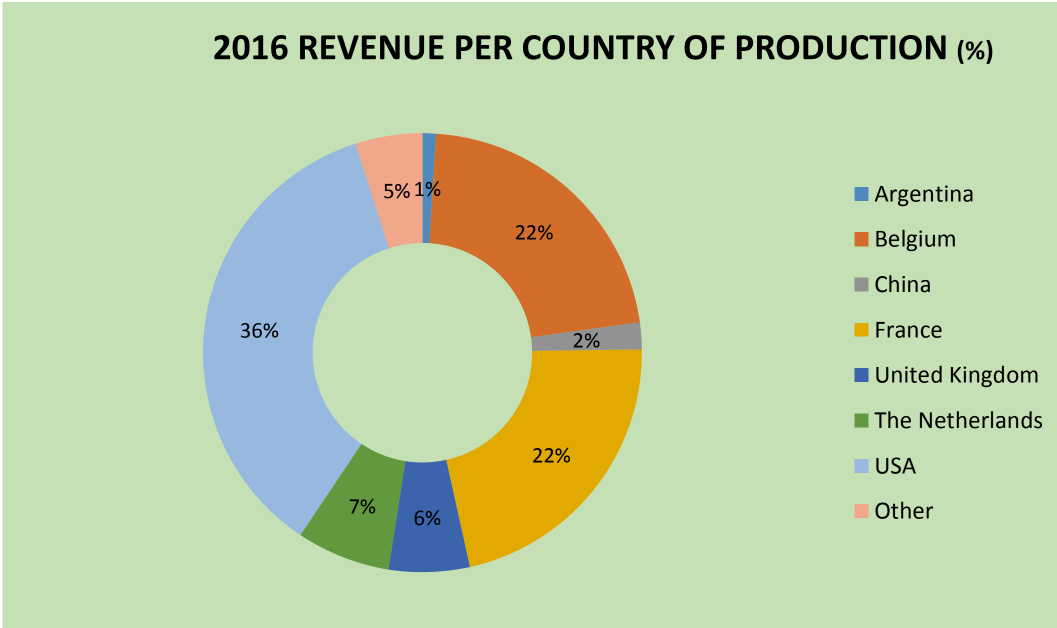
PROFIT (+) / LOSS (-) (IN MILLION EUR)

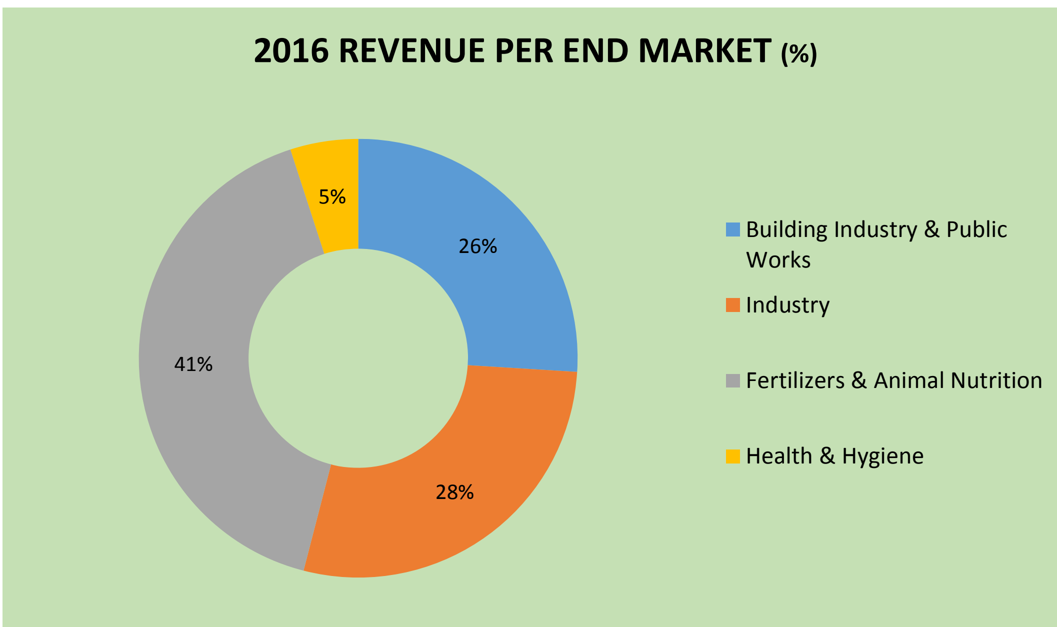


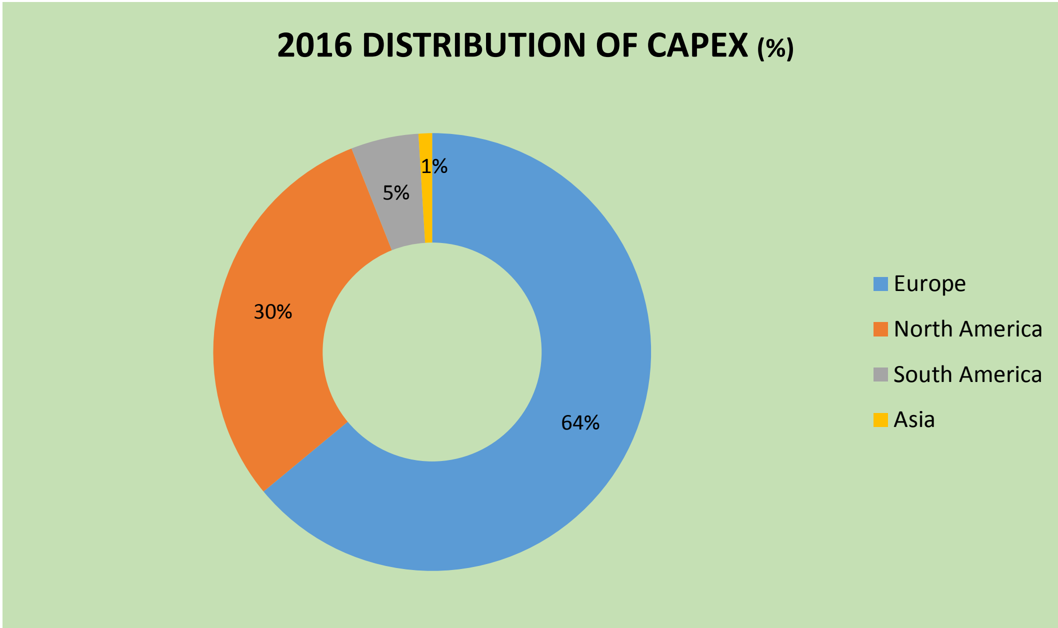
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Profit (+) / loss (-)	98.8	84.5	53.7	-64.0	-198.7	58.0	33.5	-167.0	140.5	129.0

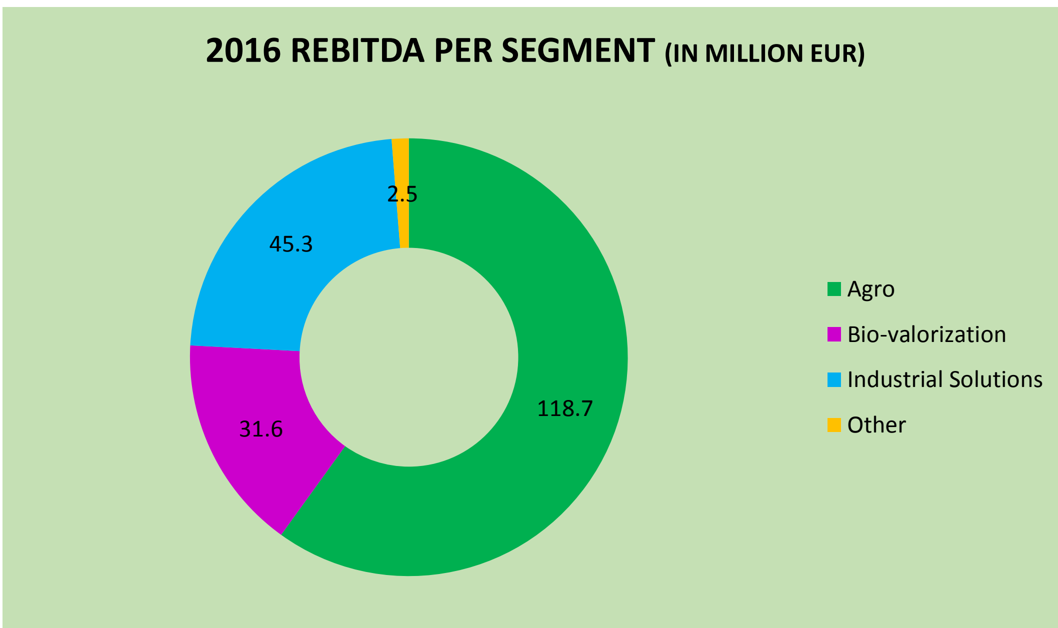
2016 REVENUE PER GEOGRAPHY (%)




2016 REVENUE PER COUNTRY OF PRODUCTION (%)
5%
1%
22%
36%
2%
22%
7%
6%
Argentina
Belgium
China
France
United Kingdom
The Netherlands
USA
Other


2016 REVENUE PER END MARKET (%)
5%
26%
41%
28%
Building Industry & Public Works
Industry
Fertilizers & Animal Nutrition
Health & Hygiene


2016 DISTRIBUTION OF CAPEX (%)
1%
5%
30%
64%
Europe
North America
South America
Asia


2016 REBITDA PER SEGMENT (IN MILLION EUR)
2.5
45.3
31.6
118.7
Agro
Bio-valorization
Industrial Solutions
Other

OUR AGRO SEGMENT

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

PRODUCTION LOCATIONS

15 production plants: US (12 production plants and more than 100 terminals), Belgium (1), France (1) and Turkey (1), of which 2 plants are under construction: East Dubuque (US) and Rouen (France)

CORE MARKETS

Agriculture

AREA OF ACTIVITY

Value-added specialty liquid fertilizers, potassium sulfate fertilizers and crop protection products

BUSINESS DRIVERS

- Growing population
- Increased demand for cost-effective, quality fertilizers and crop protection products for modern and sustainable precision agriculture

STRATEGIC FOCUS

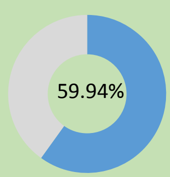
Crop Vitality/Tessenderlo Kerley International:
- To continue focusing on the Americas and expand into Europe, the Middle East and Australia
- To expand the product portfolio in order to broaden the offering into specialty niche markets
- To optimize the customer-centered supply chain
- To focus on expanding market share through the continued education of legacy products

SOP Plant Nutrition:
- To focus on premium soluble and foliar grade potassium sulfate fertilizers
- To focus on volume, value and cost reduction

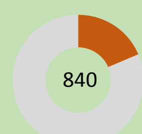
NovaSource:
- To expand the product portfolio and add value to crop protection

KEY FIGURES

Share of REBITDA



Headcount (FTE)



CROP VITALITY

- **Who are we?**

The Crop Vitality Business Unit supplies value-added specialty liquid plant nutrition to support growers in realizing efficient and sustainable agriculture. We do this by reliably removing sulfur and other by-products from petroleum and gas refineries, and transforming them into liquid plant nutrients. This improves the production of a variety of grains, vegetables, fruits and nuts.

The Crop Vitality Business Unit possesses a strong value proposition and our Crop Vitality specialists personify the brand at every touchpoint and customer interaction. They consistently represent the Crop Vitality legacy of professional service, excellence and value.

Our principal products are ammonium thiosulfate, which is branded as Thio-Sul®, and potassium thiosulfate, which is branded as KTS®. The Business Unit's full line of fertilizers and soil amendment products are grouped under the Crop Vitality® branding (www.cropvitality.com).

- **Business in 2016**

2016 proved to be a challenging year for agriculture. Farmers continue to be uncertain regarding what to plant due to falling crop prices with land rent remaining flat. Key economic drivers and a pending change in political factors led to careful purchasing decisions in Q4 2016. This attitude had a direct effect on all companies from the field to the table and crop nutrient prices declined to about 2010 levels.

- **Outlook**

Crop Vitality will optimize its customer relationships and extensive infrastructure footprint. Focus will be placed on expanding market share through the continued education of legacy products while driving embryonic stage products into the growth stage of the business cycle. Furthermore, Crop Vitality will strengthen and support agriculture through utilizing its Learning Center asset to serve as a platform for the development of new value-added products.

TESSENDERLO KERLEY INTERNATIONAL

- **Who are we?**

Tessenderlo Kerley International is a Business Unit that was created in order to fuel the growth of the Crop Vitality line of fertilizers and soil amendment products outside the US and Canada. Leveraging the success of the business model in the US, Tessenderlo Kerley International is driving focused business development in prioritized markets including Europe, the Middle East and North Africa, as well as Central America and South America.

- **Business in 2016**

During 2016, Tessenderlo Kerley International continued to execute its long term strategy and made considerable progress in driving top-line growth while strengthening its growth foundations. Recruiting commercial and agronomical talent, running a broad portfolio of trials with the Crop Vitality line of fertilizers, developing new customers/applications and setting up supply chains are just some examples of the strengthening of these growth foundations.

The construction of the Thio-Sul® manufacturing plant in France is well on track and production is scheduled to start in the second half of 2017. In September 2016, Tessenderlo Group held its first stone ceremony to mark the good progress of the construction work. Thio-Sul® will mainly be used as a fertilizer for broad-acre crops, complementing sulfur nutrition and limiting nitrogen losses.

- **Outlook**

In 2017, Tessenderlo Kerley International will continue to drive profitable growth. As the value proposition of the Crop Vitality line of fertilizers is increasingly being recognized and valorized by customers in the regions where we currently operate, a new set of regions have been prioritized for the start-up of commercial operations.

SOP PLANT NUTRITION

- **Who are we?**

The SOP Plant Nutrition Business Unit mainly produces potassium sulfate fertilizers for agricultural end markets. Sulfate of potash (SOP) or potassium sulfate is predominantly used as a fertilizer for specialty crops such as flowers, fruits and vegetables. With a production site in Ham (Belgium) and exports to more than 80 countries, we are a top 5 global producer in a global market that comprises up to 7 million tons. Our expertise in the SOP market dates back almost 100 years and has enabled us to develop clear market leadership in the soluble and foliar SOP market segments.

SOP is a versatile fertilizer that is especially well-suited for use in arid and semi-arid climates. The combination of potassium and sulfur delivers a high concentration of nutrients that are readily available to plants. It has a very low salinity index and this makes it the preferred potash fertilizer in areas at risk due to soil salinity.

SoluPotasse®, SOP Plant Nutrition's soluble potassium sulfate product, is the world's undisputed premier soluble potassium sulfate. This premium product has an excellent reputation in terms of both quality and brand recognition. SoluPotasse® enables a more precise application of nutrients in drip irrigation systems and this reduces both the volume of fertilizer and water required, while also ensuring minimal environmental impact.

Tessenderlo Group is currently the only company in the world that offers a foliar grade of SOP, under the brand name K-Leaf®, for application on broad-acre crops.

- **Business in 2016**

Whilst 2015 proved to be a year of strong growth for our Business Unit, we were confronted in 2016 with a different market context. The global SOP demand dropped - as was seen overall in the fertilizer market - and there was an erosion of prices in 2016. Many factors impact demand and these include crop prices and geopolitical and economic pressure in many countries. Unfortunately, the general lack of confidence in the market led to lower fertilizer investments and stock reduction. This all happened at a time when new SOP capacity came on the market and this in turn led to increased competition, which we especially felt in the soluble segment.

Within this context, while the financial results show a significant drop versus the record year of 2015, we are confident that we have been progressing well in regard to the strengthening of our market position for the long term.

- Our focus on high quality products and services is highly recognized in the market and we continue to inform our stakeholders about the difference it makes on both an agronomical level and on returns for the farmers.
- We are a global player and we work on ensuring that we maintain a strong local connection with different stakeholders in the chain.
- The development work continued on our innovative foliar SOP product K-leaf® and the number of countries in which we have introduced and are developing this product is further increasing.
- With the start-up of both technical grade $CaCl_2$ at the end of 2015 and food grade $CaCl_2$ in the second half of 2016, we further stabilized our HCl outlet base.
- We continued our investment program to support the reliability and competitiveness of our Ham plant in order to enable us to sustainably bring our premium products into the market.

- **Outlook**

We view the SOP market with confidence as SOP is clearly increasing in value for many crops and soils around the globe. Furthermore, we are reaching out to global markets, especially with regard to our water soluble brand SoluPotasse®. We are continually working on adding service value wherever we are in the market by explaining the optimal use of SOP - not only in terms of fertigation but also in foliar application - with our K-Leaf® product.

While the long term outlook clearly suggests positive growth, we have observed over the last few years that big swings can occur in the agro market over the short term. However, we are conscious that results will ultimately depend on the evolution of the agro market.

Tessenderlo Group has a clear strategy for remaining at the forefront of the SOP market for many years to come. We will continue to consistently deliver high quality products, while improving our focus on customer service and applying the group's considerable experience in the SOP industry.

NOVASOURCE

- **Who are we?**

NovaSource® is the crop protection Business Unit of Tessenderlo Group. We acquire, develop, register, and market niche crop protection products globally for high value crops. The focus for NovaSource® is providing the tools to farmers to aid their efforts in increasing the quality and productivity of specialty food crops such as potatoes, fruits, nuts and vegetables.

- **Business in 2016**

NovaSource®, the products of which are now being sold in over 40 countries, had another good year in 2016. This was in spite of the significant downturn in the crop protection sector. Specialty crops (fruits, nuts, vegetables), where NovaSource® products are primarily sold, did not experience as much of the downward pricing pressures that applied to some commodity food staples.

The acquisitions made in 2015 continued to contribute to the success in 2016 and the future outlook of the NovaSource® business.

- **Outlook**

NovaSource® will continue its efforts to acquire and integrate niche product lines from multinational companies that are divesting smaller product lines as they focus on their R&D products and key products.

OUR BIO-VALORIZATION SEGMENT

Our Bio-valorization segment, which covers Tessenderlo Group's activities in animal by-product processing, consists of PB Gelatins/PB Leiner (production, trading and sale of gelatins) and Akiolis (rendering, production and sale of proteins and fats).

PRODUCTION LOCATIONS

PB Gelatins/PB Leiner:
3 production plants in Europe (Belgium, Germany, UK), 2 in China and 3 in the Americas (US, Argentina, Brazil)

Akiolis:
3 production plants, 29 collection centers in France (Atemax)
8 production plants, 19 collection centers in France (Soleval)
1 production plant (Violleau)

CORE MARKETS

Food, medical, pharma, pet food, agriculture, energy, fat etc.

AREA OF ACTIVITY

Bio-resources, agriculture

BUSINESS DRIVERS

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

STRATEGIC FOCUS

PB Gelatins/PB Leiner:

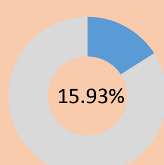
- To optimize efficiencies on existing assets
- To focus on customer relationships and product development
- To vigorously focus on realizing manufacturing excellence and improved valorization of access to raw materials
- To increase the focus on healthy foods (protein rich, collagen peptides)

Akiolis:

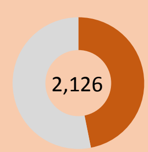
- To strengthen our position in our core business on upstream markets
- To improve the valorization of finished products on pet food and aquaculture markets
- To focus on customer relationships and product development
- To improve efficiency in existing plants

KEY FIGURES

Share of REBITDA



Headcount (FTE)



PB GELATINS/PB LEINER

- **Who are we?**

The PB Gelatins/PB Leiner Business Unit provides a complete range of high quality collagen proteins (gelatin). PB Gelatins/PB Leiner supplies a growing market in food, pharma, health, nutrition and technical applications from eight production sites that are located in Asia, Europe, North America and South America. PB Gelatins/PB Leiner is the number three player in the world in its sector.

The gelatin process includes raw material (pre)treatment, collagen extraction and gelatin purification. The overall production processes can take up to six months for specific qualities. Some fractions of the gelatin are further processed into collagen peptides.

Gelatins are used in multiple markets, including food (e.g. confectionery and dairy), pharmaceuticals (e.g. capsules) and photography (e.g. film and photography paper). In most applications, gelatins are only added in small amounts to the formulation, as a functional ingredient with superior characteristics. PB Gelatins/PB Leiner produces gelatin based on pigskin, beef hide, pig bone and beef bone. Raw materials are sourced regionally and competition for raw materials is not limited to other gelatin manufacturers, but also comprises other end-uses such as direct use as human food, pet food and leather manufacturing.

Fluctuations in the supply and demand of raw materials have an important impact on gelatin prices and availability. Key to the business is securing sufficient raw material volumes.

- **Business in 2016**

In 2016, PB Gelatins/PB Leiner continued to advance in a difficult and highly competitive environment. Competition in Europe among producers remained intense and this had an impact on the North American market. Furthermore, the market of raw materials remained volatile in 2016. This was mainly as a result of the overcapacity of beef hide in South America and the increased import of pigskin in China.

In 2016, PB Gelatins/PB Leiner remained focused on progressing in each of its three excellence programs:

- Operational Excellence – to strengthen the organization, improve safety, lower costs and increase reliability
- Sales Excellence – to further strengthen the close partnership with customers
- Purchasing Excellence – to secure the best raw materials in order to meet the increasing requirements of its customers

Several projects were undertaken to debottleneck and optimize production plants in both the US and South America.

In order to take full advantage of the opportunities of the collagen protein markets, PB Gelatins/PB Leiner also carried out various investment projects in 2016. One such project involved the expansion of its collagen peptides production unit in Santa Fe (Argentina), which was up and running in the first quarter of 2017.

- **Outlook**

PB Gelatins/PB Leiner will step up its efforts in 2017 to further improve both productivity and process efficiency, secure its sourcing of raw materials and increase its sales volumes and margins. Supplemental to further debottlenecking plants worldwide, PB Gelatins/PB Leiner will continue to invest in the innovation and the modernization of buildings, machines, as well as in Research & Development. All of this is combined with a constant focus on realizing operational excellence.

In 2014, PB Gelatins/PB Leiner was informed by the local Chinese authorities of its intention to expropriate the Wenzhou plant in order to build a new public infrastructure. PB Gelatins/PB Leiner will continue its negotiations with the Chinese government and explore production alternatives for our plant in Wenzhou.

The long term outlook of the gelatin markets remains positive for several reasons: a growing middle class population, the increased consumption of medication in the developing world and greater health and nutrition awareness and habits in the developed countries.

AKIOLIS GROUP

- **Who are we?**

Akiolis specializes in the transformation of animal by-products into high value proteins and fats. Our links with upstream partners enable us to get access to a vast array of organic materials (approximately 1 million tons) and our industrial processes allow us to valorize our final products in different downstream markets, such as pet food and animal nutrition, aquafeed and lipochemistry, cement and energy sectors.

- **Business in 2016**

Akiolis returned progressively to a positive EBIT trend in 2016. This was thanks to a systematic focus on customer satisfaction, cost management and team efficiency. A slight decrease in meat consumption was compensated by favorable non-recurring elements, such as positive growth in slaughtering for new export markets (the best example of this is pork for China). Upstream collection proved to be marginally above targets, which enabled us to realize a good utilization rate of our industrial product lines and therefore achieve a better cost control. Meanwhile, downstream markets were rather stable on proteins, but more bullish on fats. Our efforts in quality management and customer intimacy have resulted in a good valorization of our products, for example in the aquafeed and lipochemistry sectors.

- **Outlook**

Sustainability will be the keyword for Akiolis in 2017. Our partners, which include upstream key accounts as well as downstream customers, rely on Akiolis as a long term ‘Best In Class’ partner. Our level of investments will once again increase in order to introduce state-of-the-art new equipment at our factories. Links within the Bio-valorization segment will be developed, which will include commercial aspects. Last but not least, 2017 will be the year in which our innovation projects shall lead to new product launches in key strategic markets.

OUR INDUSTRIAL SOLUTIONS SEGMENT

Our Industrial Solutions segment consists of activities that provide products and solutions to industrial end markets. This segment includes the production, trading and sale of plastic pipe systems, water treatment chemicals and other industrial activities, such as the production and sale of mining and industrial auxiliaries, the delivery of services for the treatment and disposal of produced and flowback water from oil and gas exploration, as well as the recovery of industrial process fluids.

PRODUCTION LOCATIONS

- **PPS:** 7 production plants (2 in the Netherlands, 1 in Belgium, 1 in France, 1 in Germany, 1 in Poland and 1 in Hungary) and more than 70 branches in Europe
- **Performance Chemicals:** 4 production plants (2 in Belgium, 1 in France and 1 in Switzerland)
- **Mining & Industrial, MPR & ECS:** 3 plants (US)

CORE MARKETS

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

AREA OF ACTIVITY

Housebuilding and public infrastructure works, industrial and municipal markets, industry and mining

BUSINESS DRIVERS

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

STRATEGIC FOCUS

PPS:

- To further grow customer intimacy, to introduce innovative systems and services, and to strengthen our position in various sectors

Performance Chemicals:

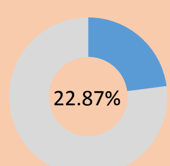
- To provide long term and environmentally attractive solutions to industries and municipalities

Mining & Industrial/MPR/ECS:

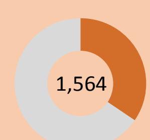
- To expand the Mining & Industrial business and to provide a full service water treatment and recycling model and to enter new market segments

KEY FIGURES

Share of REBITDA



Headcount (FTE)



PLASTIC PIPE SYSTEMS (PPS)

- **Who are we?**

The Plastic Pipe Systems (PPS) Business Unit provides high quality, value-added solutions in plastic pipe systems for utilities, agricultural, building and civil engineering markets.

We focus on achieving higher levels of customer confidence by offering pre-assembled piping kits, project consultancy services and engineering support for ventilation systems, sewage and rainwater management systems, and syphonic roof drainage systems. We provide all of this via our integrated sales and support network, our manufacturing and logistics professionals, and over 70 customer-oriented branches and more than 2,000 points of sale in Europe.

Attenuating or infiltrating rainwater from more frequent and heavier showers, accommodating increasing requirements to move towards more energy neutral buildings, stopping the leakage of valuable drinking water with better quality piping networks and reducing costs from complex construction chains are just a few challenges that our customers face. These are best managed by applying the range of systems, solutions and services from PPS.

In addition, increasingly more recycled material is being applied in the manufacturing of our products and systems. This gives new value to both post-industrial and post-consumer plastics and consequently reduces demands on finite resources.

- **Business in 2016**

Our PPS markets developed in different ways during 2016. Compared to other regions, the Western European construction markets developed favorably. We benefited in all of our markets from mild winter conditions both at the beginning and at the end of 2016.

During 2016, the BU benefited from improved focus and better execution, in particular with respect to new business and new systems and services developments. Our extensive offerings in ventilation systems (DykaAir), storm water management solutions (Vacurain and Duborain) and drinking water (Bi-Oroc), and irrigation portfolio (Irriroc) made solid progress.

Furthermore, we continued to use a significant and increased amount of external recycled material as raw materials. This represents a major contribution in terms of sustainability and ultimately helps our customers to reduce the environmental footprint of their buildings or infrastructural works. Being able to effectively prove such commitment to sustainability is a differentiating factor for PPS in regard to engaging in business with a growing group of customers and public authorities.

- **Outlook**

By combining forecasted market developments - in particular in the Western European region - with our European strategic alignment on customer focused new systems and services developments, PPS will focus on further growth in 2017. Process improvements, either in sales and marketing, manufacturing or logistics, and in part supported by investments, together enable our customers to do more business more easily with PPS or reduce the total operational costs in the value chain.

In particular, during the second half of 2017, a series of investments will be gradually completed at PPS with the aim of providing a broader and better customer offering at lower costs and with an enhanced level of service.

The growth of the UK distribution activity to building and construction industries is continuing, despite the current considerable uncertainty in the UK market.

PERFORMANCE CHEMICALS

- **Who are we?**

The Performance Chemicals Business Unit provides industrial and municipal markets with coagulants and other chemicals for either the treatment of wastewater or the purification of drinking water. We also produce industrial chemicals that are used by a broad spectrum of industries such as chemicals, oil and refinery, steel, de-icing and fertilizers. For example, our sodium sulfide and sodium hydrogen sulfide are used in the tanning and mining industry and as precipitating agents for metals in waste treatment. Other chemicals include bleach, acids and potassium hydroxide for disinfection and household cleaning, as well as iron salts, which are used as a key ingredient in drugs both for the treatment of iron deficiency anemia (IDA) and specific veterinary applications. In 2015, Performance Chemicals re-entered the market for potassium hydroxide. This is a product that is used for the production of biofuels, de-icing agents, fertilizers and detergents.

The production processes of Performance Chemicals enable the conversion or recycling of industrial by-products (for example, from the steel industry) into attractive new products for water treatment. Performance Chemicals has four production sites and these are located in Loos (France), Tessenderlo and Ham (Belgium) and Rekingen (Switzerland). The production sites are centrally located in areas where the demand is highest. Our Business Unit supplies some of the largest metropolitan areas in Western Europe, such as Paris, Amsterdam, Geneva and Brussels, with the chemicals required to treat their wastewater.

- **Business in 2016**

Throughout 2016, the engineering and construction of a new membrane electrolysis plant in Loos (France) progressed according to plan. This 50 million EUR investment project will provide the Loos site with the best available technology for chlorine production in support of the largest production plant for iron chloride coagulants in Europe. In addition, a new continuous potassium hydroxide flake production unit was put into service in Loos in August 2016. This has enabled Tessenderlo Group to successfully re-enter the global KOH flakes market.

Following several years of stagnation due to the optimization of consumption, 2016 once again saw a healthy growth in coagulant demand from both existing customers and a number of new water treatment plants. Performance Chemicals preserved its competitive position as a leading European supplier of coagulants for wastewater and drinking water treatment. In September 2016, the Performance Chemicals Business Unit put a new tank barge into operation in order to facilitate the transportation of ferric chloride from the French production site of Produits Chimiques de Loos to Paris.

The market for hydrochloric acid proved to be highly competitive in Western Europe throughout the year, as more by-product acid from various sources was offered to merchant buyers. Nevertheless, the Business Unit managed to fulfill its strategic operational integration role through the captive consumption and merchant sales of hydrochloric acid streams out of Ham, in support of the production targets of SOP Plant Nutrition.

- **Outlook**

The start-up of the new electrolysis plant in Loos, which is scheduled for the second half of 2017, will mark a crucial next milestone in the overhaul of the site. In parallel, new state-of-the-art storage and loading assets will be put into operation to support flexible logistical capabilities offered to our customers.

MINING & INDUSTRIAL

- **Who are we?**

The Mining & Industrial Business Unit was established in 2012 in order to create value for customers operating globally in the Mining and Industrial Chemicals Industries. This value is realized by providing competitively priced specialty chemicals and technical services to improve our customers' ability to use existing technologies in a more effective manner and also to make use of new alternative technologies.

- **Business in 2016**

The gold market remained stable in 2016. In contrast, base metals continued to be in flux as they appeared to hit the bottom of the preceding super cycle with signs of rebalancing in the last quarter. A recovery is expected to begin to take effect mid-2017. Meanwhile, the continued strengthening of the US dollar is still exerting some pressure on demand and we will continue to closely monitor this situation.

Irrespective of weaker market conditions, M&I performance was strong in 2016 with continued growth being achieved across all primary product lines. Furthermore, M&I progress on the execution of its strategy during 2016 has set the foundations for continuing this solid growth trajectory.

M&I's new strategically located sodium hydrosulfide plant was commissioned with significant production and supply already having been contracted to key customers. The Thio-Gold-300 plant, which supplies Barrick's Goldstrike thiosulfate gold leaching plant (instead of cyanide) near Elko (Nevada, US), continued to perform well above the forecast and reached near full capacity throughout the year. In addition, M&I's technical solutions offering and persistent efforts in 2016 paved the way for further market penetration of newly developed products and applications.

- **Outlook**

With our competitive technical advantages, M&I anticipates continued growth through new product applications and increased logistically advantageous production. Our approach remains to provide customers with competitive pricing coupled with technical support and solutions that will help to make their applications more effective. We are forward-looking and we adjust our strategy execution in line with the global trends.

MPR

- **Who are we?**

MPR Services Inc. is a service provider deploying outstanding technology to clean, recycle and enable the reuse of chemicals that are specifically designed to remove atmospheric pollutants. The service we provide in terms of maintaining good system hygiene within our customers' emission control equipment enhances both product quality and environmental performance for our clients. We are also deeply involved in cyanide corrosion control within the oil refining arena.

- **Business in 2016**

Our 2016 results showed that for the third successive year we realized improvements in every area.

- **Outlook**

2017 will see MPR roll-out the next generation mobile processing unit that has been designed to meet European standards. Permanent unit, Service Agreement and Sale activities will remain on track. Customer service will continue to improve, as will our safety record, as we have now completed eight years without experiencing a lost time accident.

ECS

- **Who are we?**

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

- **Business in 2016**

Following the downturn in the oil market at the end of 2015, ECS has focused on improving its performance while simultaneously decreasing costs. These efficiency improvements have made ECS stronger, more competitive and ready to face the future.

- **Outlook**

Whilst oil prices are expected to slightly increase in 2017, this is not expected to have a significant impact on the exploration in the areas in which ECS is active. The key focus for 2017 will be on continuing to operate in an efficient manner while increasing our focus on safety, processes and procedures in order to strengthen our position as a leading company in produced water reclamation and disposal.

INFORMATION FOR SHAREHOLDERS

Investor Relations

Tessenderlo Group strives to provide accurate, qualitative and timely information to the global financial community. In order to discuss the group's results and future developments, Tessenderlo Group organizes conference calls to present and discuss the half-year and annual results.

Analyst coverage

At the end of 2016, Tessenderlo Chemie nv was covered by 4 sell-side analysts (more information on www.tessenderlo.com). At the end of the year, 3 analysts gave a positive rating, 1 analyst gave a neutral rating and no analysts gave a negative rating.

Shareholder structure

On December 31, 2016, the shareholder structure of Tessenderlo Group was as follows:

	Number of shares	%
Verbrugge nv (controlled by Picanol nv)	15,618,653	36.3%
Symphony Mills nv	1,694,774	3.9%
Blocked shares by personnel or former personnel	56,672	0.1%
Free float[1]	25,698,785	59.7%
Total	43,068,884	100.0%

Verbrugge nv is controlled by Picanol nv, which in its turn is controlled by Artela nv. Artela nv and Symphony Mills nv are controlled by Mr Luc Tack.

On December 31, 2016, 117,345 warrants were exercisable. The total number of shares constituting the issued capital of Tessenderlo Chemie nv is 43,068,884 and entitle the shareholders to one vote per share.

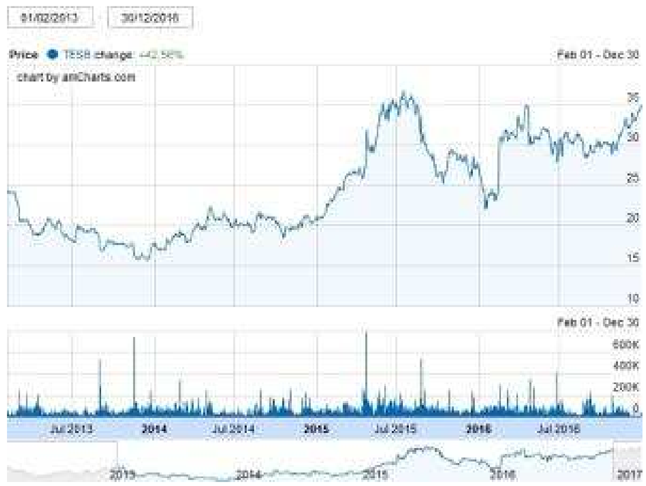
Tessenderlo Chemie nv Share

Tessenderlo Chemie nv shares are listed on the Brussels Stock Exchange under the code TESB. They are traded on the continuous market and are included in the following indexes: BEL Mid and Next 150.

[1] i.e. shareholders with a stake below 5%.

Share price performance

The Tessenderlo Chemie nv share price increased by 26.5% in 2016, outperforming the BEL 20 index (which recorded a 2.5% decrease) and the European Chemicals index SX4P (which recorded a 3.9% increase). The share reached its year high closing price of 34.9 EUR on December 29, 2016. The year-low closing price of 21.9 EUR was reached on January 18, 2016. The share closed at 34.8 EUR on the last trading day of the year.



Dividend policy

The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of June 6, 2017, not to pay out a dividend for the 2016 financial year. The group currently believes that more shareholder value can be created through further investing available funds in the growth of the company, rather than the distribution of dividends.

Financial calendar

- First quarter 2017 trading update — April 27, 2017
- Annual shareholder's meeting — June 6, 2017
- Half-year 2017 results — August 23, 2017
- Third quarter 2017 trading update — October 26, 2017

Full financial and non-financial information regarding Tessenderlo Group is available on the website www.tessenderlo.com. Anyone wishing to receive Tessenderlo Group press releases by e-mail may register on the mailing list on the website.

The Tessenderlo Chemie nv share price is published on www.tessenderlo.com and on the Euronext Brussels website www.euronext.com.

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MANAGEMENT REPORT 2016

BUSINESS PROGRESS

Comments on revenue and REBITDA included in the Business Progress section are, unless otherwise indicated, based on Tessenderlo Group's performance excluding Other, which includes the engineering and construction activities of the subsidiary Tessenderlo Kerley Services Inc., that is currently executing a material contract for the joint-venture Jupiter Sulphur LLC.

Group performance

Revenue in 2016 decreased by -1.8% (or -0.2% when excluding the foreign exchange effect) compared to 2015 and amounted to 1.5 billion EUR.

The 2016 REBITDA (195.5 million EUR) represented an increase of 7.2% year on year (or +7.8% when excluding the foreign exchange effect). The 2015 REBITDA included a write-off of -11.8 million EUR as a consequence of revised accounting estimates concerning inventory obsolescence. The 2016 REBITDA increase can be explained by the better performance of Bio-valorization and Industrial Solutions, while the Agro REBITDA decreased, the latter being impacted by the SOP Plant Nutrition decrease.

The 2016 group profit amounts to 98.2 million EUR compared to 81.9 million EUR in 2015. The increase of the operational results and the decrease of the non-recurring and exceptional operating items were only partially offset by higher net finance costs and income tax expenses.

The 2016 cash flow from operating activities amounted to 109.4 million EUR compared to 138.4 EUR million one year earlier, being impacted by an increase of working capital (60.7 million EUR). This increase is caused by timing effects, early payment of trade payables, as well as by an increase of inventory levels to optimally support the different business models of the group.

At year-end 2016, the group net financial debt stood at 136.6 million EUR, implying a leverage of 0.7x.The net debt at year-end 2015 amounted to 145.3 million EUR.

Capital expenditure of the group amounted to 94.0 million EUR in 2016, compared to 61.2 million EUR in 2015. The increase of the 2016 capital expenditure compared to 2015 can be explained by the further execution of previously announced growth projects. Construction works of the new Thio-Sul® plants in East Dubuque (US) and Rouen (France) and the new electrolysis plant in Loos (France) are on schedule. Completion date for the construction of the three plants is expected to be in the second half of 2017.

Reported operating segment performance

The 2016 Agro revenue decreased by -8.8% (or by -9.0% when excluding the foreign exchange effect), while the REBITDA decreased by -15.7% (or -15.8% when excluding the foreign exchange effect). The decrease of the SOP Plant Nutrition REBITDA could not be compensated by the other Agro businesses.

The Bio-valorization revenue increased by 1.2% in 2016 (+ 4.4% when excluding the foreign exchange effect), while the REBITDA increased from -1.2 million EUR in 2015 to 31.6 million EUR in 2016. The 2015 result was negatively impacted by an inventory write-off, which was a consequence of changed accounting estimates concerning inventory obsolescence. Better operational performance and the impact of cost reduction measures further improved the 2016 REBITDA.

The 2016 revenue of the segment Industrial Solutions increased by 4.8% (or +6.9% when excluding the foreign exchange rate effect), while the REBITDA increased by 5.8% (or by 6.8% when excluding the foreign exchange rate effect). This evolution is mainly supported by the improved performance of Plastic Pipe Systems and Mining & Industrial.

HUMAN RESOURCES

Tessenderlo Group relies on a team of experienced professionals and this contributes to our realizing the business and strategic objectives across all areas.

As at December 31, 2016, the total number of employees (FTE) working for the group amounted to 4,530. Out of this total, 840 employees were active in the Agro business, 2,126 employees were active in the Bio-valorization business and 1,564 employees were active in the Industrial Solutions business. Meanwhile, 3,280 of the group's total personnel are employed in Europe, 899 are employed in the Americas and 351 are employed in Asia.

We strongly believe that our people are our greatest asset. In a global business where knowledge and expertise are essential, we build on our experienced and motivated employees who have an in-depth knowledge and understanding of both the group and our products.

HR managers, who make up part of the different management teams, are focused on shaping the organization, defining clear roles and responsibilities, as well as attracting, retaining and developing the right people and building motivated teams that will realize the objectives of the group. They also guide each company through the changes necessary for the successful implementation of the transformation plans.

Within our annual performance cycle, clear objectives that are in line with our strategy execution are defined internally in each of the different BU's. Each BU has a communication plan to cascade these objectives down to the shop floor and communicate them into the minds, hearts and hands of our team members.

Talent management is a key process within our organization. As our business is constantly growing, we offer challenging jobs for enthusiastic people with backgrounds in Engineering, Sales and Business Development, as well as Operations and General Management. Furthermore, we offer a lot of opportunities in terms of personal development. We want to have a Personal Development Plan for every employee. On-the-job training and a permanent feedback culture are key, but we also organize learning and training programs for all levels of employees. We build on the strength of one another and deploy our people in a complementary manner. Within our Talent Review Process we prepare career paths and carefully develop our talent for the future. Last but not least, HR is also responsible for solid reward systems and benchmarked and competitive salary packages.

INNOVATION AND R&D

In 2016, Tessenderlo Group further strengthened its innovation capabilities through an organizational focus on business development and the enhancement of product line management in all of its businesses. Additional progress was made in order to embed innovation at the highest levels in the group and Business Units, and make it part of the way in which we conduct our day-to-day business.

Moreover, Tessenderlo Group acquired a research farm in Dinuba, California (US), which added significant agro development and testing capacity as well as state-of-the-art demonstration and education facilities.

In R&D and New Business Development, Tessenderlo Group aims at improving product, process and application technologies, exploring new applications for existing products, as well as enhancing sustainability and environmental protection.

For product and technology platforms applied across several Business Units, Tessenderlo Group relies on its farm in Dinuba (US) for its Agro Technology Platform, the Development Center in Phoenix (US) for its Sulfur Technology Platform and Tessenderlo (Belgium) Development Center for its Bio-residuals Technology Platform and its R&D expertise across a broad area of organic and inorganic chemistries at lab and pilot scale.

Improved intellectual property awareness throughout both the business and business processes resulted in an increase in intellectual property assets in the form of patents, trademarks and licensing deals.

Customers recognize Tessenderlo Group's innovative and entrepreneurial strengths. Tessenderlo Group welcomes close collaborations that will lead to unique applications and products.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

Focusing on Safety, Health, Environment and Quality (SHEQ) remains the top priority for Tessenderlo Group and its subsidiaries. During 2016, we carried on with our initiatives and programs aimed at continually improving our performance. Our objective is to ensure that our employees participate in and engage with our commitment to the safety and health of everyone and that we preserve, conserve and protect the resources we use to conduct our business.

Group Safety Performance

During 2016, we continued to focus on the improvement of safety and health within each Business Unit. Management has made this the number one priority and is regularly present in the workplace to conduct audits and inspections in line with this theme. Safety and health performance is reviewed each month with the management of each Business Unit and challenging targets are set each year in terms of realizing a continued reduction in accidents and incidents. Despite the Tessenderlo Group Lost Time Incident Frequency Rate having achieved new record lows during 2016, we continue to be committed to realizing further improvements.

SHEQ Achievements

Agro

The Tessenderlo Kerley Safety Department (including the NovaSource and Tessenderlo Kerley International Business Units) tracks and follows up on data from more than 20 entities, which comprise contactor operations at company facilities. 2016 saw no less than 10 company facilities realize the feat of operating for over 10 years without a lost time incident. Out of those facilities, five have operated for over 20 years without a lost time incident - a truly impressive achievement. The Tessenderlo Kerley, Inc. plant in Burley, Idaho (US), has maintained its Star status in the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP) for 10 years. The Star status in the OSHA VPP is the highest level of achievement within the program and it is indicative of excellence in safety performance based on the program standards.

The SOP Plant Nutrition Business Unit continued to implement its ZERO17 multi-year plan for safety improvement. The program focuses on instituting a proactive safety culture and remains on track.

Bio-valorization

Our Gelatin Business Unit achieved excellent results for 2016 at the majority of its worldwide sites. By the end of 2016, its Lost Time Incident Frequency Rate had achieved an all-time low number, which reflected the commitment from management regarding rigorously implementing new initiatives to introduce new procedures. A sustained increase in the reporting of 'near miss' incidents has also led to the ability to further eliminate unsafe conditions and behavior, thus resulting in more improvements. This core process has also been extended to cover environmental issues with a corresponding increased focus. In line with the strategy of the group, the Gelatin Business Unit continued its investment in energy savings, the reduction of water consumption and improvements regarding wastewater treatment. We also worked on improving the quality of exhaust gasses and the reduction of CO2 and waste streams. In 2017, we will continue these efforts as well as realizing a further reduction of the odor impact on our neighboring communities.

At Akiolis, safety at work has remained a key area for management. Akiolis employees are faced with many challenging work environments and whilst the number of lost time accidents remained similar to those of 2015, the resources devoted to further improvement were increased. Sustainable work practices are at the core of the work of Akiolis as we valorize the waste products from other industries. We continue to focus on our energy and water consumption, implementing methods and technology in order to reduce our usage.

Industrial Solutions

Within the Plastic Pipe Systems Business Unit, each operating site is implementing a Safety Excellence Program and is making satisfactory progress towards the completion of all of the modules. Driver safety and effectiveness training programs, together with improved transportation planning, are contributing to reducing our fuel consumption and CO2 emissions. Furthermore, there is an increasing focus on the Prefab business which has resulted in more services for our customers and less waste on the building sites of our customers.

Within the Performance Chemicals Business Unit, a new barge has been developed exclusively for the transport of FeCl3. This barge has been in use since September 2016 and will enable the Loos site to reduce its truck traffic by over 650,000 kilometers per year. The construction of the new membrane electrolysis plant in Loos is progressing very well in full execution. The plan is to start using this new chlorine production plant by the second half of 2017. Meanwhile, the electricity consumption per ton of chlorine will be reduced by 30%.

RISK ANALYSIS

Risk analysis

Tessenderlo Group analyzes the risks related to its activities on a regular basis and reports the results to the Audit Committee.

Each year, all Business units are requested to identify and evaluate the significant risks related to their Business unit.

The risk section in the prospectus, dated June 15, 2015, issued in the context of a public offer of two series of bonds, contained a more detailed description of the most significant risks.

The results of the analysis of the major risks for the group are listed below:

- The group depends on the availability of sufficient volumes of raw materials, with the required specifications, at competitive prices.
- If the group is unable to sell, store, reuse or dispose of certain materials that it produces, it may be required to limit or reduce its overall production levels.
- The group's results are dependent on seasonal weather conditions.
- The group's current and future investments and/or constructions are subject to the risk of delays, cost overruns and other complications, and they may not achieve the expected returns.
- The group is exposed to an energy offtake agreement.
- The group's results are highly sensitive to commodity prices.
- The group may be exposed to product liability and warranty claims including, but not limited to, liability relating to food safety.
- The group must comply with environmental and health and safety laws and regulations, and may be subject to changing or more restrictive legislation, as well as incur significant compliance costs.
- The group may fail to obtain, maintain or renew compulsory licenses and permits, or fail to comply with their terms.
- Changes in legislation may have an adverse impact on the group's businesses.
- The group may be subject to misconduct by its employees, contractors and/or joint-venture partners.
- The group's businesses may suffer from trading sanctions and embargos.
- The group operates in competitive markets and failure to innovate may have an adverse impact on its business.
- The group may be at risk of breakdowns, inefficiencies or technical failures which may cause interruption to operations.
- The group's improvement programs are subject to the risk of delays, cost overruns and other complications, and may not achieve the expected returns.
- The group may be subject to Force Majeure events.
- Major accidents may result in substantial claims, fines or significant damage to the group's reputation and financial position.
- The group may be exposed to labor actions and employee claims or litigation.
- The group's insurance coverage may not be sufficient.
- The group may not be able to successfully carry out current business integrations, joint-ventures and/or future acquisitions.
- The group has incurred significant important losses in recent years as a result of its transformation, which was completed in 2014. Due to the divestment program that was part

of the general transformation, the group may also be exposed to residual liabilities and subject to a range of non-compete provisions.
- The group is exposed to litigation risks.
- Failure to protect trade secrets, know-how or other proprietary information may adversely affect the group’s businesses.
- A change in underlying economic conditions or adverse business performance may result in impairment charges.
- The group is exposed to tax risks.
- The group is exposed to risks relating to its worldwide presence.
- The group may be affected by macroeconomic trends.
- Information technology failures may disrupt the group’s operations.
- The group is exposed to pension plan obligations.
- The group’s businesses are exposed to exchange rate fluctuations.
- The group’s results may be negatively affected by fluctuating interest rates.
- The group is subject to conventions in its financing agreements that may restrict its operational and financial flexibility.
- The group may not be able to obtain the necessary funding for its future capital or refinancing needs.
- If the group does not generate positive cash flows then it will be unable to fulfill its debt obligations.
- The group entered into contracts that are subject to change of control clauses.
- The group is exposed to liquidity risk and credit risk in relation to its contractual and trading counterparts, and is also exposed to hedging and derivative counterparty risk.
- The group may not be able to recruit and retain key personnel.

Analysis of financial risks[2]

Credit risk

The group is subject to the risk that the counterparties with whom it conducts its business (in particular its customers) and who have to make payments to the group, are unable to make such payment in a timely manner or at all. A large majority of the receivables is covered under a group credit insurance program. The group is confident that the current level of credit insurance coverage can be sustained in the future.

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

The maximum exposure to credit risk amounts to 398.6 million EUR as per December 31, 2016 (2015: 399.3 million EUR). This amount consists of current and non-current trade and other receivables (278.9 million EUR), current derivative financial instruments (0.5 million EUR) and cash and cash equivalents (119.2 million EUR).

Liquidity risk

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

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[2] For a more detailed overview of the financial risks related to the situation in 2016 and the Tessenderlo Group policy regarding the management of such risks, please see the Financial Instruments section in the Financial Report (note 26 - Financial instruments).

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

- the set-up of a factoring program at the end of 2009, which is put on hold since 2015;
- a capital increase of 174.8 million EUR in December 2014;
- the issuance in July 2015 of two series of bonds with a maturity of 7 years (the “2022 bonds”) and 10 years (the “2025 bonds”). The total issue amount was 250.0 million EUR, of which 192.0 million EUR for the 2022 bonds and 58.0 million EUR for the 2025 bonds;
- the replacement of the syndicated facility agreement (terminated in December 2015) by 5 year committed bilateral agreements for a total amount of 142.5 million EUR (of which part can be drawn in USD) with four banks. These facilities have no financial covenants and ensure maximum flexibility for the different activities.

In addition, the group uses a commercial paper program of maximum 200.0 million EUR.

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

Foreign currency risk

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

Subsidiaries are required to submit information on their net foreign exchange positions when invoiced (customers, suppliers) to Tessenderlo Chemie nv, the parent company. All the positions are netted at the level of Tessenderlo Chemie nv and the net positions (long/short) are then sold or bought on the market. The main management tools are the spot purchases and sales of currencies followed by currency swaps.

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

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

Interest risk

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

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

(Million EUR)	2016	2015
Fixed rate instruments		
Financial assets	15.0	80.0
Loans and borrowings	227.8	227.2
Variable rate instruments		
Financial assets	104.2	50.2
Loans and borrowings	28.0	48.3

The outstanding loans and borrowings amount to 255.8 million EUR, of which 227.8 million EUR has a long term fixed interest rate. The fixed interest rate loans and borrowings mainly include the 2022 and 2025 bonds, with a fixed rate of 2.875% and 3.375% respectively. The loans and borrowings with a variable rate mainly relate to the commercial paper program. As such, movements in interest rates would not have a significant impact on the group's cash flow or result.

CORPORATE GOVERNANCE STATEMENT

Transparent Management

Tessenderlo Chemie nv accepts the Belgian Corporate Governance Code 2009 as its reference code, and subscribes to the principles of corporate governance outlined in this code. In the case that the Company does not comply with any provision of this code, this is indicated in this Corporate Governance Statement, together with the reasons for such non-compliance. The Belgian Corporate Governance Code is available at: www.corporategovernancecommittee.be/en/home/.

The Company's adherence to the principles of Corporate Governance is reflected in the Corporate Governance Charter (hereinafter referred to as the "Charter") adopted by the Board of Directors and dated August 22, 2016. The Charter is available at:
www.tessenderlo.com.

Capital & shares

Capital

The capital of Tessenderlo Chemie nv at December 31, 2016 amounts to 215,800,475 EUR.

Shares

The share capital is represented by 43,068,884 shares without par value, entitling the shareholder to one vote per share. All Tessenderlo Chemie nv's shares are admitted for listing and trading on Euronext Brussels.

Warrants

As of December 31, 2016, 117,345 outstanding warrants were exercisable. These warrants have been issued in the context of the 2002-2006 Plan (issue of bonds cum warrant), the 2007-2011 Plan (issue of naked warrants) and the 2012 Plan (issue of naked warrants).

The detail of the outstanding warrants on the date of this statement (December 31, 2016) is as follows:

Tranche	Exercise period	Number of warrants	Exercise price
Tranche 4 (2005)*	2009-2017	7,400	25.46 EUR
Tranche 5 (2006)*	2010-2018	22,120	28.20 EUR
Tranche 1 (2007)*	2011-2017	75,825	40.48 EUR
Tranche 2012	2016-2019	12,000	20.76[3] EUR
TOTAL		117,345	

* Exercise period prolonged by 5 years

The maximum number of shares that can be created in the future, on the basis of the aforementioned warrants, is 117,345.

[3] 20.95 EUR for US residents

Shareholders & shareholders structure

On the basis of the notifications provided to the Company, the shareholders of the Company at December 31, 2016, are as follows:

Shareholder	Number of Shares	%
Verbrugge nv	15,618,653	36.3%
Symphony Mills nv	1,694,774	3.9%
Blocked shares (shares held by personnel or former personnel)	56,672	0.1%
Free float[4]	25,698,785	59.7%
Total	43,068,884	100%

Verbrugge nv is controlled by Picanol nv, which in its turn is controlled by Artela nv. Artela nv and Symphony Mills nv are controlled by Mr. Luc Tack. At the date of this report, the company has no knowledge of any agreements made between the shareholders.

Board of Directors

Composition

At December 31, 2016, the composition of the Board of Directors of Tessenderlo Chemie nv was as follows:

Non-Executive Directors	**Start of initial term**	**End of term**
Karel Vinck (Mr.)	March 17, 2005	June 2019
Independent Non-Executive Directors[5]		
Véronique Bolland (Ms.)	June 4, 2013	June 2017
Philium BVBA represented by its permanent representative Mr. Philippe Coens (Mr.)	June 2, 2015	June 2019
Dominique Zakovitch-Damon (Ms.)	June 7, 2011	June 2019
Executive Directors		
Luc Tack (Mr.)	November 13, 2013	June 2019
Stefaan Haspeslagh (Mr.) – Chairman	November 13, 2013	June 2018

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

On December 31, 2016, the Board of Directors is in full compliance with the Law of July 28, 2011, requiring that as of January 1, 2017, one-third of the members of the Board of Directors should be of the opposite gender. In the Board selection process, the necessary attention will further be given to the implementation of this rule.

4 i.e. shareholders with a stake below 5%

5 Pursuant to paragraph 3.10 of the Charter, a Director is considered to be independent if he or she at least complies with the independence criteria provided for under art. 526ter of the Companies' Code. When assessing the independence of a Director, the requirements set out under appendix A of the Belgian Corporate Governance Code are also taken into account. According to the information available to the Board of Directors, the independent Directors of Tessenderlo Group all comply with the aforementioned independence criteria. No exceptions were reported to the Board.

All meetings of the Board of Directors were attended by the Secretary of the Board of Directors and the Group Controlling & Consolidation Director/Investor Relations.

Activities

The Board of Directors convened according to a previously determined schedule. The Board of Directors met seven (7) times during 2016.

During 2016, the Board's main areas of discussion, review and decision were:

- the group's long-term strategy and 2016 budget;
- the financial statements and reports;
- the funding strategy and foreign exchange policy of the group;
- proposals to the Shareholders' Meetings;
- the approval of a new corporate governance charter with amended Dealing Code;
- the Code of Conduct;
- appointment of the Compliance Officer;
- proposal for re-appointment of the statutory auditor (PwC Bedrijfsrevisoren);
- the remuneration policies and packages for the Directors and Executive Committee members;
- implementation of a long-term incentive plan for the key management personnel;
- the financial communication and segment reporting;
- entering into of committed loan agreements with KBC, ING, Belfius and BNP Paribas;
- the effectiveness of the enterprise risk management framework;
- various commercial supply and distribution agreements;
- rationalization of group structure and intra-group related activities.

Ad Hoc Committee

The Ad Hoc Committee established within the frame of the contemplated transaction of a contribution in kind of all shares of Picanol Group nv into the share capital of the Company, consisting of Mr. Philippe Coens, Ms. Dominique Zakovitch-Damon, Ms. Véronique Bolland and Mr. Karel Vinck, met once in 2016 in order to advice on the terms and conditions of the contemplated transaction.

Evaluation of the Board of Directors

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

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

Where appropriate, the individual Directors also share their view on how the Board of Directors and the committees could improve their operation. The Chairman and the Secretary of the Board of Directors share the results of the evaluation with the Directors and formulate initiatives for improvement.

Board Committees

General

On December 31, 2016, the following Committees are active within the Board of Directors of Tessenderlo Chemie nv:

- The Nomination and Remuneration Committee
- The Audit Committee

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

Nomination and Remuneration Committee

On December 31, 2016, the Nomination and Remuneration Committee was constituted as follows:

- Mr. Karel Vinck (Chairman)
- Philium BVBA represented by its permanent representative Mr. Philippe Coens (Independent)
- Ms. Dominique Zakovitch-Damon (Independent)

A majority of the members of the Nomination and Remuneration Committee meet the independence criteria set forth by Article 526ter of the Belgian Companies Code and the committee demonstrates the skills and the expertise required in matters of remuneration policies as required by Article 526 quater §2 of the Belgian Companies Code.

The Nomination and Remuneration Committee met two (2) times in 2016.

- Activities of the Nomination and Remuneration Committee

In 2016, the Nomination and Remuneration Committee discussed and made recommendations regarding the Executive Committee remuneration package, as well as on the new long-term incentive plan for the L-level personnel. The committee made recommendations for the re-appointment of the Directors and for the Directors fees. The Nomination and Remuneration Committee also prepared the remuneration report, as included in the 2015 annual report. In compliance with the Corporate Governance Charter, the majority of the members of the Nomination and Remuneration Committee are independent.

- Evaluation of the Nomination and Remuneration Committee

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

Audit Committee

At December 31, 2016, the Audit Committee was constituted as follows:

- Philium BVBA represented by its permanent representative Mr. Philippe Coens (Independent)
- (Chairman)
- Ms. Véronique Bolland (Independent)
- Mr. Karel Vinck

The Audit Committee met according to a previously determined schedule; i.e. five (5) times during 2016.

The CFO, the Group Controlling & Consolidation Director/Investor Relations as well as the statutory auditor attended the meetings of the Audit Committee. The Group Internal Audit Director and the Manager Internal Control attended the meetings for the topics related to internal audit and internal control. The other Directors were invited to participate to the meetings of the Audit Committee without any voting rights.

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

The members of the Audit Committee fulfill the criterion of competence with their own training and by the experience gathered during their previous functions (various members of the Audit Committee are or have been also a member of Audit Committees of other listed companies). In compliance with the Charter, the majority of the members are independent Directors.

- Evaluation of the Audit Committee

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

- Activities of the Audit Committee

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

The Audit Committee also followed up on the findings and recommendations of the external auditors and reviewed their independence.

The Audit Committee also heard the Group Internal Audit Director on the Internal Audit program for 2016, the internal audit charter, the risk assessment analysis and the activity reports of the internal audits which had been carried out, as well as on a review of the follow-up actions taken by the Company to remedy certain weaknesses identified by the Internal Audit Department.

The Audit Committee also approved the internal control plan for the year 2016 and heard reports from the Manager Internal Control on its various findings. Further, the Audit Committee reviewed the status of the ongoing litigations.

Other activities of the Audit Committee include the quality review of the services rendered by the external auditor and the organization of the group's risk department.

Attendance rate for the Board of Directors meetings and the special committees meetings in 2016:

	Board of Directors	Audit Committee	Nomination & Remuneration Committee
Number of meetings in 2016	**7**	**5**	**2**
Ms. Véronique Bolland	7/7	5/5	
Philium BVBA represented by its permanent representative Mr. Philippe Coens (Independent) (as of June 2, 2015)	7/7	5/5	2
Ms. Dominique Zakovitch-Damon	7/7		2
Mr. Stefaan Haspeslagh	7/7		
Mr. Luc Tack	6/7		
Mr. Karel Vinck	7/7	5/5	2

Executive Committee (ExCom)

Roles and responsibilities

As per December 31, 2016, the ExCom of Tessenderlo Chemie nv was constituted as follows:

- Mr. Luc Tack (CEO)
- FINDAR BVBA, represented by Mr. Stefaan Haspeslagh (COO-CFO)

Evaluation of the ExCom

At least once a year, the ExCom reviews its own performance. The CEO reports these findings to the Board of Directors.

Activities of the ExCom

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

The CEO chairs the ExCom and ensures its organization and proper operation.

In principle, the ExCom meets every week, and additional meetings may be convened at any time by any of its members. On a (bi-)monthly basis the ExCom meets with the company' Business Units in order to review and discuss the operational performance and strategic decisions of the Business Unit. A comparable performance dialogue is organized with representatives of the supporting group functions.

The ExCom is responsible for:

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

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

Remuneration Report Directors[6]

Remuneration policy

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

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

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

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

In order to align the Directors fees with the current market practices, it has been decided by the General Shareholders' Meeting of June 7, 2016, that as of January 1, 2016, each Director receives a fixed annual fee of 25,000 EUR. This remuneration covers the activities as member of the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee. Moreover, the following additional fees are granted:

a) a variable fee of 1,000 EUR per half day attendance;
b) an additional annual fee of 30,000 EUR for the chairman of the Board of Directors; and
c) an additional annual fee of 3,000 EUR for the chairman of the Audit Committee.

[6] Including executive directors for their remuneration as director.

Remuneration Received

The Directors receive a fixed annual remuneration of 25,000 EUR it being understood that this remuneration covers the activities as member of the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee. Moreover, the following additional fees are granted:

a) a variable fee of 1,000 EUR per half day attendance;
b) an additional annual fee of 30,000 EUR for the chairman of the Board of Directors;
c) an additional annual fee of 3,000 EUR for the chairman of the Audit Committee.

The non-Belgian Directors receive a 500 EUR reimbursement of travel expenses per attended meeting. Remuneration is paid during the year in which the meetings were held.

Member	2016	Earned Fees (in EUR)
Véronique Bolland (independent non-executive Director)	Fixed annual fee	25,000.00
	Variable fee per half day attended	9,000.00
	Total remuneration	**34,000.00**
Philium BVBA represented by its permanent representative Mr. Philippe Coens (independent non-executive Director)	Fixed annual fee	25,000.00
	Additional fixed annual fee for Chairman of AC	3,000.00
	Variable fee per half day attended	9,000.00
	Total remuneration	**37,000.00**
Dominique Damon-Zakovitch (independent non-executive Director)	Fixed annual fee	25,000.00
	Variable fee per half day attended	9,000.00
	Travel fee	3,000.00
	Total remuneration	**37,000.00**
Stefaan Haspeslagh (executive Director)	Fixed annual fee	25,000.00
	Additional fixed annual fee for Chairman of BoD	30,000.00
	Variable fee per half day attended	9,000.00
	Total remuneration	**64,000.00**
Luc Tack (executive Director)	Fixed annual fee	25,000.00
	Variable fee per half day attended	9,000.00
	Total remuneration	**34,000.00**
Karel Vinck (non-executive Director)	Fixed annual fee	25,000.00
	Variable fee per half day attended	9,000.00
	Total remuneration	**34,000.00**
GENERAL TOTAL		**240,000.00**

Remuneration Report Executive Committee (ExCom)

Remuneration policy

This section describes the guiding principles of the group reward policies relating to executive compensation. It aims to provide an overview of the executive compensation structure. The Nomination and Remuneration Committee defines the remuneration policy principles of the ExCom members and submits them to the Board of Directors. The principle is to target remuneration in line with market practice in order to provide an attractive reward program.

Tessenderlo Group’s competitive internal and external landscape is changing fast. For the group to achieve its ambitions in such a challenging environment, it needs to be a high performance organization focused on strategy execution, resulting in a need for talented executives. The reward is designed to align performance of the individual members with the business goals of Tessenderlo Group. By doing this, the group creates a globally consistent framework for developing, rewarding and empowering its people. The Group sees recognition and leadership as the key foundation for employee engagement. Our compensation system allows the group to attract, retain and motivate the best talent to meet its short and long term goals, while operating a globally consistent reward framework that rewards the achievement of business objectives and that encourages the delivery of shareholder value.

The Group Reward principles are:

Recognition and leadership are key for employee and team engagement
Our compensation system will serve to attract and retain the talent that the group requires to meet its short and long term goals
Our compensation system will be positioned at the appropriate and defined local reference point, where the group combines market competitiveness with an affordable employee cost structure
Our base salary will drive and reward growing competencies, showing the right corporate attitudes and living according to the group's guiding principles
Our variable pay will link the success of the enterprise to the rewards enjoyed by employees, as a team, taking into account the individual contributions to the Company’s success
Our job grading and our compensation system for external/internal appointments are based on an objective methodology and measurable market data
Our compensation system will never knowingly discriminate between employees on any grounds
Our benefits plans are designed to provide a safety net for our employees and their families. In many cases, they are a key element of deferred compensation

Compensation package

The ExCom compensation package consists of the following items:

- Base salary/management fee
- Variable salary/success fee
- Other compensation items

Base salary

The base salary/management fee compensates individual members as per market reference and in line with their level of skill/experience and position within the group combined with the right behaviours and living according the group's guiding principles.

Variable compensation

The variable salary/success fee of the members of the ExCom is set at 45% (CEO) and 40% (COO-CFO) of the overall yearly base salary/management fee based upon annual objectives entirely linked to group results and individual objectives. As such, the variable salary/success fee of the ExCom members is considered through the obligation set forward in the Company Code (article 520ter).
The incentive plans do not explicitly provide any "claw-back" provisions entitling the Company to reclaim the compensation paid on the basis of incorrect financial data.

I. Short-term variable compensation

Tessenderlo Group has developed a short-term variable compensation plan in order to ensure that all ExCom members are compensated according to the overall performance of Tessenderlo Group.
The short term incentive/success fee for all current ExCom members varies between 0% and 90% of the base salary. The objectives measured over the calendar year are set on the group financial objectives and individual objectives with a modifier for personal performance, proposed by the Nomination and Remuneration Committee.
For 2016, the financial objectives of the group were set at Total Comprehensive Income and EBIT. The personal modifier is linked to progress in strategy execution and business transformation within the group. The evaluations of the CEO target objectives against the realizations are performed by the Nomination and Remuneration Committee after the end of the financial year and submitted for approval towards the Board of Directors. The evaluation for the COO-CFO is performed after the end of the financial year by the CEO and submitted for approval to the Nomination and Remuneration Committee and Board of Directors.

II. Long-term variable compensation

Share Options (Warrants)

The Board of Directors decided not to allocate share options (warrants) for 2016 nor any other long-term incentive.
In 2012 a long-term Performance Cash Plan was developed for both GMC (ExCom) members at that time and other members of senior management. The long-term Performance Cash Plan is a one-time individual selective grant of a deferred cash bonus covering a four year period (2012-2015). Payout occurred early 2016 based on an employment condition as well as a mix of the group and Business Unit ROCE and REBITDA target achievement.

Long Term Incentive (LTI) Performance Cash Plan

A long-term incentive plan for (some) key personnel was approved by the Board of Directors on March 7, 2016. The intention of the LTI Performance Cash Plan is to create an incentive for senior management (including ExCom members) to further drive increased shareholder value and the sustainable growth of the company.
This LTI plan covers a 3 year period (2016-2018), with an expected pay out in April 2019, based on pre-set performance metrics of the Tessenderlo Group.

Other compensation items

The CEO is eligible to participate in the extra-legal pension plan from the defined contribution type, a hospitalization plan, a life insurance plan, etc., which are also available to the other members of the senior management.

The CEO also benefits from certain other benefits such as a company car and representation allowance.

The COO-CFO does not receive any other compensation items for his activities as COO-CFO.

Remuneration earned in 2016

Each year, the Nomination and Remuneration Committee considers the appropriate compensation to be offered to the ExCom. These recommendations result from objective third party market studies, to ensure the competitiveness of the compensation packages and to stay in line with market movements.

Tessenderlo Group benchmarks the ExCom's compensation against a peer group of companies of similar size with the same type of activities of Tessenderlo Group. The actual compensation level for each individual member is set according to the benchmark and takes into account the member's performance and experience in relation to the benchmark.

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

Annual gross compensation earned by the ExCom[1] in 2016 is detailed below:

Component	Amount CEO	Amount COO-CFO
Fixed compensation (excluding Director fees)[2/5]	398,000 EUR	425,300 EUR
Variable compensation[2/6]	232,830 EUR	221,156 EUR
Pension[3]	26,215 EUR	0 EUR
Other benefits[4]	36,074 EUR	0 EUR
TOTAL (cost to the company)	693,119 EUR	646,456 EUR

(1) The ExCom is composed of the CEO (Luc Tack) and one executive Director (the COO-CFO), Findar BVBA, represented by Stefaan Haspeslagh.
(2) Excluding social security contributions.
(3) Pension Plan: annual service cost for 2016, as calculated by an actuary.
(4) Other benefits include coverage for death, disability, work accident insurance, taxes (4.40%), meal vouchers, company car - all under the same conditions applicable to other members of senior management and the ruling approved by the Belgian tax authorities for representation allowance.
(5) Exchange rate used: 1.00 EUR = 1.1069 USD (for all conversions related to the US package).
(6) Short term incentive realization as determined by Nomination and Remuneration Committee of February 27, 2017

Stock options (warrants) granted to ExCom members[7]

During 2016, no stock options were awarded to ExCom members.

[7] Findar bvba, represented by Stefaan Haspeslagh and Luc Tack, have never received stock options of Tessenderlo Chemie nv.

Agreements on severance pay
The management agreement with the COO-CFO provides for a notice period of maximum 12 months (i.e. an increase from the eight months that was included before).

The management agreement with the CEO does no longer provide for a notice period (i.e. a decrease from the previously included maximum eight months' notice period (prior to 2021) and maximum twelve months' notice period (after 2021)). The CEO will therefore no longer be entitled to termination protection.

Main features of the group's Internal Control and Risk Management Framework

Internal control framework

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

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

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

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

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

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

Internal Control monitoring

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

The Audit Committee is informed of the planning and the results of the internal audits and the proper implementation of the recommendations.

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

Preparation and Processing of Financial and Accounting Information

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

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

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

Compliance

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

Enterprise Risk Management (ERM) System

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

The Enterprise Risk Management policy applies to the entire group and all of its affiliates worldwide. This policy describes the organization and goals of the ERM system including the responsibilities at all levels of management.

A risk management structure has been rolled out, both on group and on Business Unit levels in order for risk management to become an inherent part of daily operations.

Identified risks in various Business Units or general supporting services are evaluated and followed in order to implement risk optimization. The status of these efforts is reported to the ExCom and to the Audit Committee at regular intervals.

The aim of the implemented “Group Crisis Management policy” is to standardize crisis management across the group and all affiliates. The Risk Management department is the owner of this policy and responsible for the coordination at group level and providing assistance and guidance to the various entities in the development of a crisis plan, clarifying the responsibilities at all levels and establishing the reporting channels.

Policy on Inside Information and Market Manipulation

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

In accordance with the Dealing Code, the Board of Directors has appointed a Compliance Officer. The Compliance Officer is responsible for supervising compliance with the Dealing Code. He/she is also the point of contact for questions about the application of the Dealing Code. Mr. John Van Essche, Legal Counsel, holds the title of Compliance Officer.

External audit

PwC Bedrijfsrevisoren bcvba (PwC), represented by Peter Van den Eynde, was re-appointed as group statutory auditor by the shareholders meeting of the company on June 7, 2016.

The fees paid by the group to its auditor amounted to:

(Million EUR)	2016			
	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	-	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
Total	**0.8**	**-**	**0.1**	**0.9**

(Million EUR)	2015			
	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	0.2	0.5
PwC (Outside Belgium)	0.5	-	0.1	0.6
Total	**0.8**	**-**	**0.3**	**1.1**

Subsequent Events

No significant subsequent events occurred after the balance sheet date.

Application of Art. 523 of the Companies Code

Meeting of the Board of Directors dated January 24, 2016

[…]

"The following prior statements of the Directors are made:

- *Stefaan Haspeslagh representing Luc Tack states that Luc Tack has an indirect conflict of financial interest in respect of project Pilates[8].*

  Luc Tack is the ultimate beneficial owner of the shareholding of Verbrugge nv and Symphony Mills in the Company as Luc Tack is the controlling shareholder of Artela nv and Symphony Mills nv, which are the controlling shareholders of Picanol nv. Furthermore, Luc Tack is managing Director (gedelegeerd bestuurder) of Picanol nv.The contemplated business combination consists of a merger of a newly to be incorporated company (whose subsidiary will at the moment of the merger in Tessenderlo Chemie hold all assets and liabilities of Picanol nv (except excess cash, a loan to Verbrugge and the shares in Verbrugge nv) and Verbrugge nv (except the shares in Tessenderlo Chemie nv and a loan from Picanol)) into Tessenderlo Chemie nv. The proposed merger may have an effect on the existing shareholding of Verbrugge nv and Symphony Mills in the Company.

  Luc Tack has requested that the auditor is informed of this conflict of interest. Luc Tack will not participate in the call for the deliberation and vote in respect to agenda item

- *Stefaan Haspeslagh states that he has an indirect conflict of financial interest in respect of Project Pilates. Further to Exhibit H of the corporate governance charter, a member of the Board of Directors shall be considered to have a conflict of interest of the Belgian Companies Code in case "he […] is a member of the Board of Directors or ExCom or holds a similar office with, a company with which the Company intends to enter into a material transaction."*
  Stefaan Haspeslagh has requested that the auditor is informed of this conflict of interest. Stefaan Haspeslagh will not participate in the call for the deliberation and vote in respect to agenda item 2.
- *The other Directors of the Company who are present or validly represented state that they do not have a direct nor indirect conflict of financial interest with the decisions to be taken whether or not as referred to in article 523 BCC.*

Before deliberating on agenda item 2. Stefaan Haspeslagh does no longer participate in the call.
After review, the Board of Directors approves the enclosed press release consisting of informing the market on the fact that the number of shares registered for the extraordinary shareholders meeting called for 29 January 2016 does not reach the legally required quorum of 50 %. The board agrees that taking into account the voting instructions currently known, there is no certainty that the proposals would carry a 75 % majority at the second meeting that was scheduled to take place on 23 February and that is therefore in the interest of the Company to equally postpone for the time being the calling of that second meeting.

The Board agrees that it is in the interest of the Company to enter into negotiations with Picanol nv (and its subsidiary Verbrugge nv) to determine whether and how, also taking into account the input received from the shareholders, the terms and conditions of the proposed transactions can be improved with a view to their approval by the shareholders.

The Board agrees with unanimous consent to communicate to the market as soon as there is more clarity in respect of the progress of the negotiations.

The Board agrees that further it should be investigated if the extraordinary general meeting of 29 January 2016 can be cancelled so as not to have to take place at all.

After debate and subject to legal counsel's (Stibbe) confirmation with respect to the latter, which will be

[8] Pilates refers to the project of Tessenderlo Group and Picanol Group to combine the industrial activities of both companies into one larger industrial group.

circulated by the secretary of the Board as soon as possible, the Board members with unanimous consent agree that they will each then individually confirm to the secretary of the Board whether or not they agree to effectively proceed to the formal cancellation of the meeting of 29 January, 2016, as a result of which also the meeting of 23 February 2016 will not take place as well as approve the wording of the press release that is then to be published and will be circulated in parallel by the secretary to the board, such confirmations to then operate as a board decision.
[…]"

Meeting of the Board of Directors dated March 7, 2016 (10h30 a.m.)

[…]
PRELIMINARY STATEMENTS
The following prior statements of the Directors are made:

- *Luc Tack states that he has an indirect conflict of interest in respect of project Pilates.*
  Luc Tack is the ultimate beneficial owner of the shareholding of Verbrugge nv and Symphony Mills in the Company as Luc Tack is the controlling shareholder of Artela nv and Symphony Mills nv, which are the controlling shareholders of Picanol nv. Furthermore, Luc Tack is managing Director (gedelegeerd bestuurder) of Picanol nv.The contemplated business combination consists of a contribution in kind of all the shares held by Picanol nv and Verbrugge nv in Picanol Group nv into Tessenderlo Chemie nv.The proposed contribution in kind may have an effect on the existing shareholding of Verbrugge nv and Symphony Mills in the Company.Luc Tack has requested that the auditor is informed of this conflict of interest.
  Luc Tack will not participate in the call for the deliberation and vote in respect to the agenda.
- *Stefaan Haspeslagh states that he has an indirect conflict of interest in respect of Project Pilates.*
  Further to Exhibit H of the corporate governance charter, a member of the Board of Directors shall be considered to have a conflict of interest of the Belgian Companies Code in case "he […] is a member of the Board of Directors or ExCom or holds a similar office with, a company with which the Company intends to enter into a material transaction."
  Stefaan Haspeslagh has requested that the auditor is informed of this conflict of interest. Stefaan Haspeslagh will not participate in the call for the deliberation and vote in respect to the agenda.
- *The other Directors of the Company who are present state that they do not have a direct nor indirect conflict of financial interest with the decisions to be taken whether or not as referred to in article 523 BCC.*

Before deliberating, Stefaan Haspeslagh and Luc Tack do no longer participate in the meeting.

1. Status update and conclusion of Project Pilates

The Ad Hoc Committee informs the Board of Directors of the reception of a letter from the board of Directors of Picanol nv, in which is stated that Picanol nv wishes to terminate the contribution agreement and to abort Project Pilates.

The board of Picanol nv has decided that it is in the best interest of Picanol nv to terminate the negotiations with the Company due to the fact that it will not be possible to find within the current Transaction structure an exchange ratio that would be acceptable to both the market and to Picanol as shareholder of the Company, especially in view of the current volatile market circumstances. According to the board of Picanol nv, alternative Transaction structures will potentially lead to new impediments. In light thereof, the board of Directors of Picanol nv has decided not to endorse any changes to the terms of the Transaction or its structure, also considering the consistently positive recent results of both Picanol and the Company.
The Board of Directors discusses the decision of Picanol nv, and unanimously agrees with the decision of the Ad Hoc Committee to terminate the negotiations regarding Project Pilates.
The financial consequences of the decisions taken in the context of Project Pilates are limited to the fees of the advisors incurred to date. These advisory fees amount to approximately 2 million EUR and can thus be considered as reasonable and in line with expectations and market practice for the preparation of a transaction of this kind. Moreover, the fees have been strictly monitored to remain within the budgets set forth. The Board of Directors considers that such expenses are in the interest of the Company as they have allowed the Board and the Ad Hoc Committee to make an informed decision regarding the contemplated transaction.

2. Consequences of the conclusion of Project Pilates

As a consequence of the conclusion of Project Pilates, the Board of Directors unanimously agrees to take the following steps in order to unwind the preparatory actions that were taken in relation to Project Pilates:

- *termination of the contribution agreement dated 15 December 2015 entered into between the Company, Verbrugge nv, Picanol nv and Picanol Group nv;*
- *termination of the non-disclosure agreement entered into between the Company and Picanol nv in accordance with the terms thereof (including the return or destruction of any confidential information); and*
- *providing of information to the personnel (communication to the extraordinary works council).*

3. Press release

The Board discusses the draft press release drawn up in view of the decision to terminate the negotiations regarding Project Pilates, and approves such joint press release and its publication.

4. Proxy

The Board of Directors herewith grants a power of attorney to each Director and the secretary of the Board, each acting individually and with the power of substitution, to sign, amend, execute and/or initial any documents and to perform any actions which are necessary or useful for the implementation of any of the above decisions which were taken regarding Project Pilates.

Mr. Luc Tack and Mr. Stefaan Haspeslagh rejoin the meeting.

[…]

Meeting of the Board of Directors dated March 7, 2016 (16h00 p.m.)

[…]

Prior to deliberating and adopting the resolution on the 2015 short term incentive/success fee of the Executive Committee, Mr. Stefaan Haspeslagh indicates that he has a conflict of interest regarding the decisions to be taken in compliance with article 523 of the Belgian Companies' Code since it concerns the determination of his service/success fee with Findar BVBA, a company in which Stefaan Haspeslagh is also managing Director.

Mr. Stefaan Haspeslagh declares that they will inform the company auditors of this conflict of interest of a proprietary nature and he leaves the meeting for this specific agenda item.

After hearing the proposal and recommendation of the Nomination and Remuneration committee presented by its chairman Mr. Karel Vinck, the Board unanimously approves the 2015 short term incentive to Luc Tack and service fee for the services rendered by Findar BVBA, represented by Stefaan Haspeslagh.The amounts determined and approved are a short term incentive payout for Mr. Luc Tack at 282,071 EUR and the success fee for Findar BVBA at 343,457 EUR.

.[…]

Meeting of the Board of Directors dated April 25, 2016

[…]

Prior to deliberating and adopting the resolution on the salary package of Mr. Luc Tack and on the service fee with Findar BVBA, Messrs Luc Tack and Stefaan Haspeslagh indicate that they have a conflict of interest regarding the decisions to be taken in compliance with article 523 of the Belgian Code of Companies since it concerns the determination of the remuneration for 2016 of Mr. Luc Tack and remuneration and/or service fee with Findar BVBA, a company in which Stefaan Haspeslagh is also managing Director.

Both Mr. Luc Tack and Stefaan Haspeslagh leave the meeting.

The Chairman of the Nomination and Remuneration Committee takes the floor and proposes the approval of Findar BVBA, represented by Stefaan Haspeslagh as COO/CFO of the Company; the Board approves the proposal with unanimous consent. After hearing the proposal of the Nomination and Remuneration Committee on the base salary, short term incentive and long term incentive plan for 2016 the Board approves with unanimous consent the following decisions:

Luc Tack:

- *To fix the 2016 base salary at 398 K€*
- *To fix the variable part at 45% at target*
- *To grant a long term incentive at 180 K€ per year.*

Findar BVBA (represented by Stefaan Haspeslagh)

- *To fix the 2016 service fee at 425 K€*
- *To fix the variable part at 40% at target*
- *To grant a long term incentive at 170 K€ per year.*

Both Mr. Luc Tack and Stefaan Haspeslagh re-enter the meeting room.

Full details on the packages are detailed in the attachment of the meeting of the Nomination and Remuneration Committee.

Information Required by Art. 34 of the Royal Decree of November 14, 2007

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

Each share entitles the holder to one vote. The articles of association of the Company do not contain any restriction on the transfer of the shares. Please also refer to the sections above on Shareholder structure.

In accordance with the applicable provision of the Companies Code, the shares issued for the benefit of the personnel of Tessenderlo Group cannot be transferred during a period of five years from the date of subscription of the shares.

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

The Board of Directors of the Company is not entitled to any authorized capital to increase the Company's share capital. The Company is not entitled to acquire its own shares or other securities.

Tessenderlo Chemie nv is a party to the following contracts which become effective, undergo changes or terminate in case of a change of control over Tessenderlo Chemie nv after a public takeover bid:

- the bilateral revolving facilities agreements entered into on December 23, 2015, for a total amount of 142.5 million EUR with the Company and Tessenderlo USA, Inc. as borrowers and KBC Bank NV, ING NV, Belfius Bank NV and BNP Paribas Fortis NV as lenders: according to the terms of these agreements, a “change of “control” over Tessenderlo Chemie nv will entitle each lender to ask for termination of the bilateral facility agreement. For purposes of the change of control clause described above, a “change of control” shall occur if a third party (i.e. any party other than Verbrugge nv or any person acting in concert with Verbrugge nv) acquires 30% or more of the voting rights of the Company (unless Verbrugge nv (alone or together with or any person acting in concert) holds more voting rights than such third party);

- the prospectus dated June 15, 2015, of Tessenderlo Chemie nv regarding the issue of and public offer of two series of bonds with a maturity of 7 years (the “2022 Bonds”) and 10 years (the “2025 Bonds”, and together with the 2022 Bonds, the “Bonds”) for an expected minimum amount of 75.0 million EUR for the 2022 Bonds and an expected minimum amount of 25.0 million EUR for the 2025 Bonds and for a combined maximum amount of 250 million EUR including: according to the terms and conditions of these Bonds, the Bonds will be redeemable at the option of the bondholders prior to maturity in the case of a change of control. Only the Bonds held by the bondholders who submit put option notices shall be immediately due and repayable in case of a change of control, with exception of all other bonds. If bondholders submit put option notices in respect of at least 85 percent of the aggregate nominal amount of the outstanding 2022 bonds, all (but not some only) of the 2022 bonds may be redeemed at the option of the Company prior to maturity. If bondholders submit put option notices for at least 85 percent of the aggregate nominal amount of the outstanding 2025 Bonds, all (but not some only) of the 2025 Bonds may be redeemed at the option of the issuer prior to maturity. A “change of control” shall occur if a third party (i.e. any party other than Verbrugge nv or any person acting in concert with Verbrugge nv) acquires 30% or more of the voting rights of the Company (unless Verbrugge nv (alone or together with or any person acting in concert) holds more voting rights than such third party);

- terms and conditions of the bond loan with warrants issued under the 2002-2006 Plan, and terms and conditions of the warrants issued under the 2007-2011 Plan, under the 2011 Plan and under the 2012 Plan of Tessenderlo Chemie nv: according to the terms and conditions mentioned above, the warrant holders will be entitled to exercise their warrants prior to the date on which they normally become exercisable, in the event of any operation that significantly impacts the shareholder structure. This paragraph also relates to any public takeover bid on the Tessenderlo Chemie nv shares or any other form of taking control or any merger involving a redistribution of the securities. Such early exercise allows the warrant holders to take part in the above mentioned operations at the same conditions as existing shareholders. As of December 31, 2016; 172,436 warrants were outstanding. The clauses described above have been approved by the General Shareholders’ Meeting of Tessenderlo Chemie nv and a copy of the resolutions has been filed promptly thereafter at the registry of the court of commerce.

Dividend Policy

Tessenderlo Chemie nv has not declared or paid dividends for the financial year ending on December 31, 2016. The Company's dividend policy may be amended from time to time, and each dividend distribution remains subject to the Company's earnings, financial condition, share capital requirements and other important factors subject to proposal and approval by the competent corporate body of the Company and subject to the availability of distributable reserves as required by the Company Code and the Articles of Association. Any distributable reserves of the Company have to be computed in respect of its statutory balance sheet prepared in accordance with Belgian GAAP, which may differ from the consolidated financial statements in IFRS reported by the Company.

Information required by Art. 96, §2, 2° Companies Code

Provision 4.7 of the Corporate Governance Code

The current Chairman of the Company was previously appointed as an executive Director. The Company has carefully considered the positive and negative aspects in favor of such a decision and has concluded that such appointment is in the best interest of the Company given his extensive experience, expertise, in-depth knowledge and proven track-record in relevant business environments. The Board of Directors furthermore clarifies that provision 3.9 of the Corporate Governance Charter provides additional conflict of interest procedures in case any material transaction is being considered by the Company with a company in which Directors are also a Director or executive. In this respect it is stressed that although article 523 of the Belgian Companies Code was not applicable in the case at hand, Mr. Luc Tack and Mr. Stefaan Haspeslagh have not participated in the deliberation and decision making process of the Board of Directors regarding the decisions related to the contemplated transaction of a contribution in kind of all shares of Picanol Group nv into the share capital of the Company.

Provision 4.13 of the Corporate Governance Code

Currently, no formal evaluation procedure exists regarding individual Directors (deviation from 4.13 Corporate Governance Code). The Company is of the opinion that the individual evaluation of the Directors is only feasible to the extent that the evaluation process is entrusted to an external company, an option which is not retained by the Company. However, the Company is convinced that the formal evaluation of the Board of Directors, for which the Company uses a standard questionnaire as developed by Guberna (Belgian Institute of Directors) as described under section Activities of Board of Directors is sufficient in order to ensure the active and proper contribution of each member of the Board.

Brussels – March 27, 2017

On behalf of the Board of Directors

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

FINANCIAL REPORT 2016

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(Million EUR)	note	For the year ended December 31 2016	2015
Revenue		1,590.1	1,589.0
Cost of sales		-1,196.0	-1,208.2
Gross profit		**394.1**	**380.8**
Distribution expenses		-89.5	-90.5
Sales and marketing expenses		-57.7	-54.4
Administrative expenses		-109.0	-117.1
Other operating income and expenses	5	-13.7	-14.4
Profit (+) / loss (-) from operations before non-recurring and exceptional operating items (REBIT)		**124.1**	**104.4**
Gains and losses on disposals	6	0.3	10.6
Restructuring	6	-0.7	-2.0
Gains on disposal groups	6	1.4	0.9
Impairment losses	6	-2.3	-23.6
Provisions and claims	6	-2.3	-5.9
Other income and expenses	6	-2.3	-7.5
Profit (+) / loss (-) from operations (EBIT)		**118.1**	**77.1**
Finance costs		-26.0	-51.7
Finance income		26.3	59.7
Finance (costs) / income - net	9	**0.2**	**8.1**
Share of result of equity accounted investees, net of income tax		3.4	4.0
Profit (+) / loss (-) before tax		**121.8**	**89.1**
Income tax expense	10	-23.6	-7.2
Profit (+) / loss (-) for the period		**98.2**	**81.9**
Attributable to:			
- Equity holders of the company		**98.8**	**84.5**
- Non-controlling interest		**-0.7**	**-2.6**
Basic earnings per share (EUR)	20	2.30	1.98
Diluted earnings per share (EUR)	20	2.30	1.98

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31	
(Million EUR)	note	2016	2015
Profit (+) / loss (-) for the period		**98.2**	**81.9**
Translation differences		2.6	-23.9
Net change in fair value of derivative financial instruments, before tax	26	0.7	-0.0
Other movements		0.1	-0.5
Income tax on other comprehensive income		-0.3	0.0
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**3.2**	**-24.4**
Remeasurements of the net defined benefit liability, before tax	23	-14.9	12.7
Income tax on other comprehensive income		-1.2	-0.8
Other comprehensive income not being classified to profit or loss in subsequent periods		**-16.1**	**11.9**
Other comprehensive income, net of income tax		**-12.9**	**-12.4**
Total comprehensive income		**85.3**	**69.5**
Attributable to:			
- Equity holders of the company		85.8	72.3
- Non-controlling interest		-0.6	-2.8

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Million EUR)	note	For the year ended December 31 2016	2015
Assets			
Total non-current assets		**661.4**	**628.9**
Property, plant and equipment	11	508.4	462.3
Goodwill	12	35.6	35.3
Other intangible assets	13	45.7	59.3
Investments accounted for using the equity method	14	27.3	25.1
Other investments		1.9	2.0
Deferred tax assets	15	31.7	30.0
Trade and other receivables	16	10.9	14.9
Total current assets		**697.4**	**673.3**
Inventories	17	309.7	288.9
Trade and other receivables	16	268.0	253.2
Derivative financial instruments	26	0.5	1.0
Cash and cash equivalents	18/22	119.2	130.2
Non-current assets classified as held for sale		**0.0**	**1.4**
Total assets		**1,358.8**	**1,303.6**
Equity and Liabilities			
Equity			
Equity attributable to equity holders of the company		**604.7**	**516.8**
Issued capital		215.8	215.0
Share premium		235.6	232.9
Reserves and retained earnings		153.3	69.0
Non-controlling interest		**1.3**	**1.5**
Total equity		**605.9**	**518.2**
Liabilities			
Total non-current liabilities		**482.8**	**468.2**
Loans and borrowings	22	226.9	226.7
Employee benefits	23	61.5	48.3
Provisions	24	132.4	135.0
Trade and other payables	25	4.2	4.3
Derivative financial instruments	26	12.2	11.1
Deferred tax liabilities	15	45.5	42.7
Total current liabilities		**270.1**	**317.2**
Bank overdrafts	18/22	0.0	0.5
Loans and borrowings	22	28.9	48.3
Trade and other payables	25	221.9	243.4
Derivative financial instruments	26	6.0	6.3
Current tax liabilities		1.5	0.7
Employee benefits	23	1.8	1.7
Provisions	24	10.0	16.3
Total liabilities		**752.9**	**785.4**
Total equity and liabilities		**1,358.8**	**1,303.6**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Million EUR)	note	Issued capital	Share premium	Legal reserves	Translation reserves	Hedging reserves	Retained earnings	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at January 1, 2016		**215.0**	**232.9**	**18.4**	**-79.9**	**-7.3**	**137.8**	**516.8**	**1.5**	**518.2**
Profit (+) / loss (-) for the period		-	-	-	-	-	98.8	98.8	-0.7	98.2
Other comprehensive income										
- Translation differences		-	-	-	2.7	-	-	2.7	0.0	2.6
- Remeasurements of the net defined benefit liability, net of tax		-	-	-	-	-	-16.1	-16.1	-	-16.1
- Net change in fair value of derivative financial instruments, net of tax		-	-	-	-	0.4	-	0.4	-	0.4
- Other movements		-	-	-	-	-	-	-	0.1	0.1
Comprehensive income, net of income taxes		**0.0**	**0.0**	**0.0**	**2.7**	**0.4**	**82.7**	**85.8**	**-0.6**	**85.3**
Transactions with owners, recorded directly in equity										
- Shares issued	19	0.8	2.7	-	-	-	-	3.5	-	3.5
- Changes in non-controlling interest		-	-	-	-	-	-1.5	-1.5	0.4	-1.1
Total contributions by and distributions to owners		**0.8**	**2.7**	**0.0**	**0.0**	**0.0**	**-1.5**	**2.0**	**0.4**	**2.4**
Balance at December 31, 2016		**215.8**	**235.6**	**18.4**	**-77.2**	**-6.8**	**219.0**	**604.7**	**1.3**	**605.9**

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

(Million EUR)	note	Issued capital	Share premium	Legal reserves	Translation reserves	Hedging reserves	Retained earnings	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at January 1, 2015		**212.4**	**224.2**	**15.9**	**-55.7**	**-7.3**	**44.0**	**433.5**	**3.4**	**436.9**
Profit (+) / loss (-) for the period		-	-	-	-	-	84.5	84.5	-2.6	**81.9**
Other comprehensive income										
- Translation differences		-	-	-	-24.2	-	-	-24.2	0.3	**-23.9**
- Remeasurements of the net defined benefit liability, net of tax		-	-	-	-	-	11.9	11.9	-	**11.9**
- Net change in fair value of derivative financial instruments, net of tax		-	-	-	-	0.0	-	0.0	-	**0.0**
- Other movements		-	-	-	-	-	-	-	-0.5	**-0.5**
Comprehensive income, net of income taxes		**0.0**	**0.0**	**0.0**	**-24.2**	**0.0**	**96.4**	**72.3**	**-2.8**	**69.5**
Transactions with owners, recorded directly in equity										
- Shares issued		2.5	8.7	-	-	-	-	11.2	0.6	**11.8**
- Changes in non-controlling interest		-	-	-	-	-	-0.2	-0.2	0.2	**0.0**
Total contributions by and distributions to owners		**2.5**	**8.7**	**0.0**	**0.0**	**0.0**	**-0.2**	**11.0**	**0.8**	**11.8**
Other movements		-	-	2.4	-	-	-2.4	-	-	-
Balance at December 31, 2015		**215.0**	**232.9**	**18.4**	**-79.9**	**-7.3**	**137.8**	**516.8**	**1.5**	**518.2**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(Million EUR)	note	For the year ended December 31 2016	2015
Operating activities			
Profit (+) / loss (-) for the period		98.2	81.9
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	8	76.1	87.6
Changes in provisions		-8.8	-12.4
Finance costs	9	26.0	51.7
Finance income	9	-26.3	-59.7
Loss / (profit) on sale of non-current assets		-0.7	-10.4
Share of result of equity accounted investees, net of income tax		-3.4	-4.0
Income tax expense	10	23.6	7.2
Other non-cash items		1.2	0.2
Changes in inventories		-20.2	-46.9
Changes in trade and other receivables		-19.1	8.9
Changes in trade and other payables		-21.5	9.9
Change in accounting estimates - inventory write off		1.0	21.6
Revaluation electricity forward contracts		1.8	1.3
Cash generated from operations		**128.0**	**136.8**
Income tax (paid)/received		-19.7	-0.3
Dividends received	30	1.2	1.8
Cash flow from operating activities		**109.4**	**138.4**
Investing activities			
Acquisition of property, plant and equipment	11	-93.6	-60.8
Acquisition of other intangible assets	13	-0.4	-0.3
Acquisition of businesses, net of cash acquired	4	-3.3	-27.8
Proceeds from the sale of property, plant and equipment		3.3	5.7
Proceeds from the sale of other intangible assets		0.0	1.5
Proc. from the sale of investments accounted for using the eq. method		-0.6	0.3
Proceeds from the sale of other investments		-	6.7
Cash flow from investing activities		**-94.5**	**-74.7**
Financing activities			
Increase of issued capital - conversion of warrants	19	3.5	11.2
Capital increase from non-controlling interests		-	0.6
Change in non-recourse factoring and securitization		-	-98.2
Proceeds from new borrowings		0.0	226.3
(Reimbursement) of borrowings		-20.7	-165.4
Cash movement resulting from settlement financial instruments		-	-47.9
Interest paid		-7.1	-9.4
Interest received		0.5	0.7
Other finance costs paid		-1.4	-3.5
(Increase) of long term receivables		-0.2	-3.4
Cash flow from financing activities		**-25.4**	**-89.0**
Net increase / (decrease) in cash and cash equivalents		**-10.5**	**-25.3**
Effect of exchange rate differences		-0.0	-1.5
Cash and cash eq. less bank overdrafts at the beginning of the period	18/22	129.7	156.5
Cash and cash eq. less bank overdrafts at the end of the period	18/22	119.2	129.7

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tessenderlo Chemie nv (hereafter referred to as the "company"), the parent company, is domiciled in Belgium. The consolidated financial statements for the year ended December 31, 2016, comprise the company and its subsidiaries (together referred to as the "group") and the group's interests in associates and jointly controlled entities.

The IFRS financial statements were authorized for issue by the Board of Directors of Tessenderlo Chemie nv on Monday March 27, 2017.

(A) Statement of compliance

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

(B) Basis of preparation

The financial statements are presented in euro, which is the company's functional currency, rounded to the nearest million which may not add up due to rounding. They are prepared on the historical cost basis except for derivative financial instruments and investments available-for-sale, which are stated at fair value.

Assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

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

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34 - Critical accounting estimates and judgments.

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

The accounting policies set out below have been applied consistently by the company and all consolidated companies to all periods presented in these consolidated financial statements.

(C) Principles of consolidation

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

Any remaining interest in the former subsidiary is measured at fair value at the date that control is lost. Subsequently the investment is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Separate disclosure is made of non-controlling interests. Losses realized by subsidiaries with non-controlling interests are proportionally allocated to the non-controlling interests in these subsidiaries, even if this means that the non-controlling interests display a negative balance.

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

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

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

(D) Foreign currency

• Foreign currency transactions

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate. The resulting gains and losses of these transactions are recognized in the income statement of the period.

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

• Foreign currency translation

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

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

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

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

• Exchange rates

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

	Closing rate		Average rate	
1 EUR equals :	2016	2015	2016	2015
Argentine peso	16.6673	14.0484	16.3312	10.2696
Brazilian real	3.4305	4.3117	3.8561	3.7004
Chinese yuan	7.3202	7.0608	7.3522	6.9733
Czech crown	27.0210	27.0230	27.0343	27.2792
Hungarian forint	309.8300	315.9800	311.4379	309.9956
Polish zloty	4.4103	4.2639	4.3632	4.1841
Pound sterling	0.8562	0.7340	0.8195	0.7258
US dollar	1.0541	1.0887	1.1069	1.1095

(E) Other intangible assets

• Research and development

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

Expenditure resulting from development activities, whereby research findings are applied to a plan or design for production of new or substantially improved products and processes, is capitalized if all of the following conditions are met:
• It is technically feasible to complete the asset so that it will be available for sale or use;
• Management intends to complete the development of the asset;
• It is demonstrated how the asset will generate probable future economic benefits. The market potential or the usefulness of the intangible asset have been clearly demonstrated;
• Adequate technical, financial and other resources to complete the development are available; and
• The expenditures related to the process or product can be clearly identified and reliably measured.

The capitalized expenditure includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development is stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy J).

• Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of another intangible asset, requiring a long preparation, are included in the cost of the other intangible asset. All other borrowing costs are expensed as incurred and are recognized as finance costs. Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of the funds.

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

The fair value of forward purchase and sale contracts of emission allowance certificates is based on quoted market prices for futures of EU allowances (EUAs) and Certified Emission Reductions (CERs)[9].

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

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

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

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

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

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

Other intangible assets with indefinite life are not amortized, but tested for impairment on annual basis. The indefinite life is re-assessed at each year-end or at the moment plans would exist to discontinue the related activity.

(F) Goodwill

• Business combination
All business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
When the excess is negative, a bargain purchase gain is recognized immediately in the income statement after re-assessment of the fair values.

Goodwill is expressed in the currency of the subsidiary, jointly controlled entity or associate to which it relates.

[9] The group did not have any such contracts during 2015 and 2016.

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

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

• Subsequent measurement of goodwill
Goodwill is measured at cost less accumulated impairment losses. In respect of investments accounted for using the equity method, the carrying amount of goodwill is included in the carrying amount of the investment.

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

(G) Property, plant and equipment

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

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

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

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

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

Improvements to land	10 to 20 years
Buildings	20 to 40 years
Building improvements	10 to 20 years
Plant installations	6 to 20 years
Machinery and equipment	5 to 15 years
Furniture and office equipment	4 to 10 years
Extrusion and tooling equipment	3 to 7 years
Laboratory and research – infrastructure	3 to 5 years
Vehicles	4 to 10 years
Computer equipment	3 to 5 years

Land is not depreciated as it is deemed to have an indefinite life.
Useful lives and residual values, if significant, are re-assessed annually and adjusted if appropriate.

• Government grants

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

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

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

(H) Leased assets

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

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

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

(I) Other investments

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

• Investments in equity securities

Investments in equity securities are undertakings in which the group does not have significant influence or control. This is generally evidenced by ownership of less than 20% of the voting rights. Such investments are designated as available for sale financial assets and are recorded at their fair value unless the fair value cannot be reliably determined in which case they are carried at cost less impairment losses. The fair value is the quoted bid price at balance sheet date. Changes in fair value are directly recognized in other comprehensive income, except for impairment losses. On disposal of other investment, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the income statement.

• Other investments

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

(J) Impairment

The carrying amounts of property, plant and equipment, and other intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated for an individual asset or for a cash-generating unit. An impairment loss is recognized whenever the carrying amount of an asset or the related cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

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

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

• Calculation of recoverable amount

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

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

• Reversal of impairment

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

An impairment loss in respect of goodwill cannot be reversed.

• Financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes debtor experiencing significant financial difficulty, default or delinquency by a debtor, indications that a debtor will enter bankruptcy, or economic conditions that correlate with defaults. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

For financial assets carried at amortized cost, the group considers evidence of impairment individually for significant assets, or collectively for non-significant assets. All individually significant assets are assessed for specific impairment. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be recognized on the reduced carrying amount.

For available-for-sale financial investments, impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in other comprehensive income to income statement. The cumulative loss that is reclassified from other comprehensive income to income statement is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in income statement.

(K) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined by the weighted average cost method.

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

(L) Trade and other receivables

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

(M) Cash and cash equivalents

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

(N) Issued capital

• Ordinary shares

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

• Repurchase of issued capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold or re-issued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in retained earnings.

• Dividends

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

(O) Financial liabilities

Financial liabilities are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis.

(P) Provisions

Provisions are recognized in the balance sheet when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is presented as a component of finance costs.

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

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

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

(Q) Employee benefits

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

- Defined contribution plans:

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

- Defined benefit plans:

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

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

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

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

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

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

• Termination benefits (pre-retirement plans, other termination obligations)
These benefits arise as a result of the group's decision to terminate the employment of an employee or group of employees before the normal retirement date or of an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

• Share-based payment plans[10]
A warrant plan allows senior management to acquire shares of the company. The warrant's exercise price equals the lowest of the average market price of the underlying shares in the 30 trading days preceding the offer date or the market price on the last day preceding the offer date. These share-based payments are recognized in the financial statements based on the fair value of the awards measured at grant date, as an expense spread over the vesting period with a corresponding increase in equity. When the warrants are exercised, equity is increased by the amounts of the proceeds received.

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

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

(R) Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

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

(S) Trade and other payables

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

(T) Income

• Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, there are no significant uncertainties regarding recovery of the consideration due, when the associated costs and possible return of goods can be estimated reliably, when there is no continuing management involvement with the goods and when the amount of revenue can be estimated reliably.

For the sale of goods, revenue is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.
For the rendering of services, revenue is recognized in the income statement by reference to the stage of completion of the transaction using one of the following methods depending on the type of service provided: specific performance method, completed performance method, percentage of completion method.
The amount of revenue from services is not presented separately in the income statement because it represents currently an insignificant portion of total revenue for the group.

• Finance income

Finance income comprises interest receivable on funds invested, dividend income, foreign exchange gains and gains on derivative financial instruments.
Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset.

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

(U) Expenses

• Finance costs

Finance costs comprise interest payable on loans and borrowings, unwinding of the discount on provisions, foreign exchange losses and losses on derivative financial instruments.
Interest expense is recognized in the income statement as it accrues, taking into account the effective interest rate.
The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

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

(V) Derivative financial instruments

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

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

• Cash flow hedges

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

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

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

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

(W) Non-current assets classified as held for sale and discontinued operations

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This classification occurs when the following conditions are met:

• The asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets or disposal groups; and
• The sale of the asset or disposal group must be highly probable.

The group presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from the other assets in the statement of financial position. Similarly, the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position. Statements of financial position for comparative periods are not represented. Moreover, the group presents separately any income or expense recognized directly in equity that is related to a non-current asset classified as held for sale e.g. translation differences.

An investment, or portion of an investment, in an associate or a joint-venture that meets the criteria to be classified as held for sale, is accounted for similarly.

Immediately before classification as held for sale, the remeasurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell. The assets classified as held for sale, including those within a disposal group, are no longer depreciated or amortized.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the group's business that represents a separate major line of business or a geographical area of operations, is part of a coordinated single plan to dispose of a separate line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the date when the operation meets the criteria to be classified as held for sale or when an operation has been disposed of.

When operations are classified as discontinued, the "Profit (+) / loss (-) for the period from discontinued operations" is presented on a separate line in the income statement and in the statement of comprehensive income.

In addition to the requirements for the presentation of disposal groups in the statement of financial position, the figures of the reported comparable period in the income statement and the statement of comprehensive income are represented for the presentation of the results of discontinued operations. Furthermore, net cash flows attributable to the operating, investing and financing activities of the discontinued operations are presented separately.

(X) Earnings per share

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

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

(Y) Segment reporting

Operating segments are components of the group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. Discrete financial information is available and evaluated regularly by the Executive

Committee in deciding how to allocate resources and in assessing performance. The Executive Committee has been identified as the chief operating decision maker.

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

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

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

(Z) Changes in accounting policy and disclosures

• New and amended standards adopted by the group

The following interpretation and amendments to standards, mandatory for the first time for the financial year beginning January 1, 2016, are relevant to the consolidated financial statements:

- Amendment to IFRS 11 *Joint arrangements*
- Amendment to IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets*
- Amendments to IAS 1 *Presentation of financial statements*
- Amendment to IAS 19 *Employee benefits*
- *Annual improvements 2010-2012 and 2012-2014*
- Amendments to IFRS 10 *Consolidated financial statements*, IFRS 12 *Disclosure of interests in other entities* and IAS 28 *Investments in associates and joint-ventures*.

These new standards had no significant impact on the financial statements of the group.

• New standards and interpretations issued but not yet adopted

The following new standards and amendments to standards, which have been issued but are not mandatory for the first time for the financial year beginning January 1, 2016 and have been endorsed by the European Union, are relevant for the consolidated financial statements:

- IFRS 9 *Financial instruments*
- IFRS 15 *Revenue from contracts with customers*

The group has not applied these new or amended standards in preparing the 2016 consolidated financial statements.

IFRS 15 Revenue from contracts with customers will replace the current standards IAS 18 *Revenue*, IAS 11 *Construction contracts* and a number of revenue related interpretations. IFRS 15 specifies how and when revenue is recognized and provides more informative and relevant disclosures.

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

For the sale of products, revenue is currently recognized when goods are delivered to the customer, which is the point in time at which the customer accepts the goods and the related risks and rewards of ownership are transferred. Revenue is only recognized at this moment after other requirements are also met, such as no continuing management involvement with goods, revenue and costs can be reliable measured and probable recovery of the considerations. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

For the rendering of services, revenue is currently recognized when inflow of the amounts are deemed probable and revenue and costs associated to the stage of completion of a contract or transaction can be reliable measured. Revenue from rendering services is deferred and recognized over the period during which the service is rendered. Under IFRS 15, revenue will be recognized when a customer obtains control of the services, which can be at a point in time or over time. For each performance obligation satisfied over time, revenue needs to be recognized by measuring the progress towards complete satisfaction of that performance obligation at the end of each reporting period.

Costs of obtaining a contract are currently expensed. Under IFRS 15, the incremental costs of obtaining a contract with a customer will be recognized as an asset if the entity expects to recover them.

The group started with an initial assessment in 2016 and expects an insignificant impact on the timing of the revenue recognition in its MPR business, within the operating segment Industrial Solutions, which includes the construction of specific assets for individual clients. The group does not expect any significant impact because of features such as variable consideration or contracts with multiple obligations. Such features are not common in current contracts with customers. At this stage, the group does not anticipate significant differences between its current accounting treatment and IFRS 15. Changes to the statement of financial position are expected, e.g. separate line items for contract assets and liabilities are required. Quantitative and qualitative disclosures will be added.

The group is currently not yet able to estimate the detailed impact of the new standard on the group financial statements. Further analysis is ongoing and additional disclosure can be expected in the interim report for the 6 month period ending June 30, 2017.

• New standards and interpretations issued, but not yet adopted nor been endorsed by the European Union

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning January 1, 2016, and have not been endorsed by the European Union and are considered to be relevant for the consolidated financial statements:

- IFRS 16 *Leases*
- Amendments to IFRS 15 *Revenue from contracts with customers*
- Amendments to IFRS 2 *Share-based payments*
- Amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint-ventures*
- Amendments to IAS 12 *Income taxes*
- Amendments to IAS 7 *Statement of cash flows*
- *Annual improvements 2014-2016*
- IFRIC 22 *Foreign currency transactions and advance consideration*

Management is currently assessing the new rules. At this stage, the group is not able to estimate the impact of the new standards on the group financial statements. The group has however a significant number of operating leases (note 27 - operating leases). The new IFRS 16 *Leases* standard will therefore probably have a significant impact on the consolidated statement on the financial position. A more detailed assessment will be made over the next 12 months.

2. DETERMINATION OF FAIR VALUES

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in note 11 - Property, plant and equipment, note 12 - Goodwill and note 26 - Financial instruments.

Property, plant and equipment

The fair value of property, recognized as a result of a business combination or as a result of classification as held for sale or used in impairment testing, is based on the estimated amount for which a property could be exchanged on the date of valuation in an arm’s length transaction. The result is benchmarked with market values, if available. If no significant and active market exists, the replacement cost is used.
The fair value of items of plant, equipment, fixtures and fittings is based on the market or cost approach using quoted market prices for similar items when available and replacement costs when appropriate. The replacement cost is the combined result of the cost of a new plant, equipment, fixtures and fittings with the same capacity and the value in use considering the business activity.
The measurement of the fair value of property, plant and equipment is based on valuation studies which are performed internally as well as outsourced to external, independent valuation companies having appropriate qualifications and experience.

Other intangible assets

The fair value of other intangible assets used in impairment testing or in a disposal group classified as held for sale is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.
The measurement of the fair value of other intangible assets is based on valuation studies performed internally as well as outsourced to external, independent valuation companies having appropriate qualifications and experience.

Derivative financial instruments

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

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

Other financial instruments

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

Share-based payment[11]

IFRS 2 *Share-based payment* requires share based payments made to employees to be recognized in the financial statements based on the fair value of the warrants measured at grant date. The fair value of the warrants granted is determined using the Black & Scholes valuation model.

3. SEGMENT REPORTING

The following 3 operating segments fulfill the quantitative thresholds and are reported separately:

- "Agro" - includes manufacturing and distribution of fertilizers and crop protection products (including the following businesses: Crop Vitality, Tessenderlo Kerley International, NovaSource and SOP Plant Nutrition).
- "Bio-valorization" - includes collecting and processing of animal by-products; manufacturing and distribution of gelatins (including the following businesses: Gelatin and Akiolis).
- "Industrial Solutions" - includes manufacturing and distribution of solutions for industrial applications, including water management and solutions for the mining industry (including the following businesses: Plastic Pipe Systems, Mining and Industrial, Performance Chemicals[12] and MPR/ECS).

The engineering and construction activities of the subsidiary Tessenderlo Kerley Services Inc. were previously reported within the Agro segment. The subsidiary is however currently executing a material contract for the joint-venture Jupiter Sulphur LLC and therefore impacts in a significant way the revenue of the Agro segment. Although the activities of this subsidiary are not considered to form a separate segment, the subsidiary's results have been excluded from Agro and are presented separately within "Other". The 2015 figures have also been represented.

The recurring costs (costs included within REBIT) related to the corporate activities are allocated to the different operating segments they support.

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

The Executive Committee has been identified as the chief operating decision maker. The measure of segment profit/loss is REBIT, which is consistent with information that is monitored by the chief operating decision maker.

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

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

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

[12] As from 2016, the businesses Water Treatment and Sulfur Derivatives are combined within Performance Chemicals.

	note	Agro		Bio-valorization		Industrial Solutions		Other		Non-allocated		Tessenderlo Group	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue (internal and external)		572.0	627.4	494.4	488.7	476.9	454.8	47.6	18.9	-	-	1,590.9	1,589.8
Revenue (internal)		0.7	0.6	-	0.1	0.1	0.0	-	-	-	-	0.8	0.8
Revenue		**571.4**	**626.8**	**494.4**	**488.5**	**476.8**	**454.8**	**47.6**	**18.9**	**-**	**-**	**1,590.1**	**1,589.0**
REBIT		**94.8**	**117.7**	**1.6**	**-29.9**	**25.5**	**18.7**	**2.3**	**-2.1**	**-**	**-**	**124.1**	**104.4**
REBITDA		**118.7**	**140.7**	**31.6**	**-1.2**	**45.3**	**42.8**	**2.5**	**-1.9**	**-**	**-**	**198.0**	**180.4**
Return on revenue (REBITDA/revenue)		**20.8%**	**22.5%**	**6.4%**	**-0.2%**	**9.5%**	**9.4%**	**5.3%**	**-9.9%**	**-**	**-**	**12.5%**	**11.4%**
Segment assets		500.8	462.9	391.6	366.9	237.7	227.9	9.0	9.5	39.7	49.1	1,178.8	1,116.3
Investments accounted for using the equity method	14	17.0	14.5	0.7	2.8	-	-	-	-	9.6	7.8	27.3	25.1
Other investments		-	-	-	-	-	-	-	-	1.9	2.0	1.9	2.0
Deferred tax assets	15	-	-	-	-	-	-	-	-	31.7	30.0	31.7	30.0
Cash and cash equivalents	18	-	-	-	-	-	-	-	-	119.2	130.2	119.2	130.2
Total assets		**517.8**	**477.4**	**392.2**	**369.6**	**237.7**	**227.9**	**9.0**	**9.5**	**202.1**	**219.2**	**1,358.8**	**1,303.6**
Segment liabilities[13]		64.7	86.3	134.8	130.7	68.7	63.9	3.9	3.9	179.5	182.3	451.6	467.1
Loans and borrowings	22	-	-	-	-	-	-	-	-	255.8	275.0	255.8	275.0
Bank overdrafts	18/22	-	-	-	-	-	-	-	-	0.0	0.5	0.0	0.5
Deferred tax liabilities	15	-	-	-	-	-	-	-	-	45.5	42.7	45.5	42.7
Total equity		-	-	-	-	-	-	-	-	605.9	518.2	605.9	518.2
Total Equity and Liabilities		**64.7**	**86.3**	**134.8**	**130.7**	**68.7**	**63.9**	**3.9**	**3.9**	**1,086.7**	**1,018.8**	**1,358.8**	**1,303.6**
Capital expenditures: property, plant and equipment and other intangible assets	11/13	47.2	37.7	23.3	12.7	23.3	9.4	0.0	-	0.3	1.3	94.0	61.1
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	8	-24.0	-22.5	-30.0	-36.7	-20.5	-27.8	-0.2	-0.2	-1.4	-0.1	-76.1	-87.2
Impairment losses on disposal groups and non-current assets classified as held for sale		-	-	-	-	-	-	-	-	-	-0.4	-	-0.4

[13] Non-allocated segment liabilities mainly include environmental provisions recognized for the Ham (Belgium), Tessenderlo (Belgium) and Loos (France) sites, as well as derivative financial instruments.

The reconciliation of the profit before tax is as follows:

(Million EUR)	2016	2015
REBITDA of reportable segments	195.5	182.3
Other REBITDA	2.5	-1.9
REBITDA	**198.0**	**180.4**
Depreciation, amortization and provisions	-73.9	-76.0
Non-recurring and exceptional operating income/(expense) items	-6.0	-27.3
Finance (costs) / income - net	0.2	8.1
Share of result of equity accounted investees, net of income tax	3.4	4.0
Profit (+) / loss (-) before tax	**121.8**	**89.1**

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

	Revenue by market		Non-current segment assets	
(Million EUR)	2016	2015	2016	2015
Belgium	96.0	93.2	102.3	102.9
The Netherlands	163.7	146.5	22.5	25.0
France	270.4	270.6	143.5	117.1
Germany	43.7	42.7	10.1	10.2
Spain	51.5	51.4	-	-
United Kingdom	86.5	91.0	10.9	12.1
Other European countries	116.2	123.3	11.5	11.8
US	526.4	509.9	239.0	229.1
Rest of the world	235.7	260.4	49.9	48.6
Tessenderlo Group	**1,590.1**	**1,589.0**	**589.7**	**556.9**

4. ACQUISITIONS AND DISPOSALS

Acquisitions – Activities / Subsidiaries

In February 2016, the group exercised the call option to acquire the remaining 13.8% equity interest in the subsidiary PB Gelatins (Heilongjiang) Co. Ltd., a Chinese subsidiary within the operating segment Bio-valorization. Following this transaction, the group now holds 100% of the shares of PB Gelatins (Heilongjiang) Co. Ltd. The insignificant impact of this transaction was directly recognized within equity in accordance with IFRS 3 *Business Combinations*.

The remaining 50% share of the joint-venture Établissements Violleau SAS, a French entity within the operating segment Bio-valorization, was acquired as per March 2016. Following this transaction, the group now holds 100% of the shares of Établissements Violleau SAS. The impact of the remeasurement of the initial 50% share in Établissements Violleau SAS at fair value at acquisition date was not significant. The total acquisition cost could be attributed fully to the acquired assets and liabilities and therefore this acquisition did not result in the recognition of any goodwill. The contribution of this acquisition to the result of the year is not considered to be significant.

Disposals – Activities / Subsidiaries

The 50% share of the joint-venture Apeval SAS, a French entity within the operating segment Bio-valorization, was sold as per March 2016. The contribution of this activity and the result of the sale did not have a significant impact on the financial statements.

5. OTHER OPERATING INCOME AND EXPENSES

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

(Million EUR)	2016	2015
Additions to provisions	-0.6	0.2
Research and development cost	-8.3	-9.5
Grants	0.2	0.2
Depreciation	-0.1	-0.2
Gains on disposal of property, plant and equipment and other intangible assets	0.4	0.3
Impairment losses on trade receivables	-1.8	-1.1
Other	-3.6	-4.2
Total	**-13.7**	**-14.4**

Costs arising from the research phase of an internal project are expensed as incurred. The major part of research and development costs relates to salaries paid for an amount of 5.5 million EUR (2015: 5.7 million EUR) and depreciation charges for an amount of 0.4 million EUR (2015: 0.3 million EUR). In 2016 and 2015, no significant development costs were capitalized. We refer to note 13 - Other intangible assets.

The other operating income and expenses (-3.6 million EUR) are mainly explained by the tax charges other than income taxes, such as withholding taxes and regional taxes and several, individually insignificant items within several subsidiaries of the group.

6. NON-RECURRING AND EXCEPTIONAL OPERATING INCOME/ (EXPENSE) ITEMS

The non-recurring and exceptional operating income/(expense) items for 2016 show a net loss of -6.0 million EUR (2015: -27.3 million EUR).

(Million EUR)	2016	2015
Gains and losses on disposals	0.3	10.6
Restructuring	-0.7	-2.0
Gains on disposal groups	1.4	0.9
Impairment losses	-2.3	-23.6
Provisions and claims	-2.3	-5.9
Other income and expenses	-2.3	-7.5
Total	**-6.0**	**-27.3**

The gains on disposal groups amount to 1.4 million EUR and relate to an additional one-off income for previously done divestments.

Impairment losses (-2.3 million EUR) were recognized on several assets which are no longer considered to have an economic value as they are no longer in use or for which the carrying amount of the assets exceeded the recoverable amount.

Provisions and claims for -2.3 million EUR mainly relate to environmental provision adjustments.

Other income and expenses (-2.3 million EUR) mainly concern the impact of an electricity purchase agreement, for which the own-use exemption under IAS 39 is not applicable anymore, and several other individually insignificant items.

7. PAYROLL AND RELATED BENEFITS

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

(Million EUR)	note	2016	2015
Wages and salaries		-211.8	-215.0
Employer's social security contributions		-52.6	-53.6
Other personnel costs		-16.2	-15.8
Contributions to defined contribution plans		-7.6	-6.3
Expenses related to defined benefit plans	23	-5.6	-6.3
Total		**-293.8**	**-297.0**

The number of FTE's at year-end 2016 amounts to 4,530 (2015: 4,515).

8. ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

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

(Million EUR)	note	Depreciation on PPE		Amortization on other intangible assets		Total	
		2016	2015	2016	2015	2016	2015
Cost of sales		-54.9	-57.4	-4.3	-2.8	**-59.2**	**-60.2**
Administrative expenses		-3.3	-3.6	-2.9	-3.1	**-6.3**	**-6.7**
Sales and marketing expenses		-0.1	-0.1	-7.8	-6.3	**-7.9**	**-6.4**
Other operating income and expenses		-0.5	-0.5	-	-	**-0.5**	**-0.5**
Total	11/13	**-58.8**	**-61.7**	**-15.1**	**-12.2**	**-73.9**	**-73.9**

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

(Million EUR)	note	Impairment losses on PPE		Impairment losses on other intangible assets		Impairment losses on goodwill		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
Impairment losses on disposal groups and non-current assets classified as held for sale		-	-0.4	-	-	-	-	**0.0**	**-0.4**
Impairment losses		-1.0	-7.9	-1.3	-	-	-5.5	**-2.3**	**-13.3**
Total	11/13	**-1.0**	**-8.2**	**-1.3**	**0.0**	**-**	**-5.5**	**-2.3**	**-13.7**

Total depreciation, amortization and impairment losses in 2016 amount to 76.1 million EUR compared to 87.6 million EUR in 2015 (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets).

9. FINANCE COSTS AND INCOME

Net finance costs and income amount to +0.2 million EUR as per December 31, 2016, compared to +8.1 million EUR as per December 31, 2015 and are detailed below:

(Million EUR)	2016			2015		
	Finance costs	Finance income	Total	Finance costs	Finance income	Total
Interest expense on loans and borrowings measured at amortized cost	-7.1	-	-7.1	-11.0	-	-11.0
Amortization charges of transaction costs related to loans and borrowings	-	-	0.0	-2.1	-	-2.1
Commitment fee on unused portion of the credit facility	-0.2	-	-0.2	-1.1	-	-1.1
Factoring expense	-0.1	-	-0.1	-0.7	-	-0.7
Total borrowing costs	**-7.4**	**0.0**	**-7.4**	**-14.9**	**0.0**	**-14.9**
Dividend income from other investments	-	0.1	0.1	-	0.1	0.1
Interest income from cash and cash equivalents	-	0.5	0.5	-	0.7	0.7
Total income from investments and cash & cash equivalents	**0.0**	**0.6**	**0.6**	**0.0**	**0.7**	**0.7**
Expense for the unwinding of discounted provisions	-1.1	-	-1.1	-1.1	-	-1.1
Net interest (expense)/income on pension asset/(liability)	-0.7	0.1	-0.6	-0.7	0.1	-0.6
Net foreign exchange gains and losses (including revaluation to fair value and realization of derivative financial instruments)	-16.1	25.4	9.3	-33.7	58.8	25.1
Net other finance (costs)/income	-0.7	0.2	-0.6	-1.3	0.1	-1.2
Total	**-26.0**	**26.3**	**0.2**	**-51.7**	**59.7**	**8.1**

Total borrowing costs decreased from -14.9 million EUR to -7.4 million EUR. This decrease is a consequence of the lower interest rates due on the financial debt following its 2015 refinancing. Also in 2015 transaction costs relating to the previous syndicated credit facility and private placement were still to be amortized, while this was no longer the case in 2016.

The net foreign exchange gain can mainly be explained by the unrealized foreign exchange gains on USD intercompany loans, which are not hedged.

10. INCOME TAX EXPENSE

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

(Million EUR)	2016	2015
Recognized in the income statement		
Current tax expense	-27.5	-16.9
Adjustment current tax expense previous periods	1.4	-0.1
Deferred tax income / (expense)	2.5	9.8
Total income tax expense in the income statement	**-23.6**	**-7.2**
Profit (+) / loss (-) before tax	121.8	89.1
Less share of result of equity accounted investees, net of income tax	3.4	4.0
Profit (+) / loss (-) before tax and before result from equity accounted investees	**118.4**	**85.1**
Effective tax rate	**19.9%**	**8.5%**
Reconciliation of effective tax rate		
Profit (+) / loss (-) before tax and before result from equity accounted investees	**118.4**	**85.1**
Adjustments on taxable basis	**-14.1**	**-9.1**
- Expenses not deductible for tax purposes	4.7	9.5
- Non-taxable income	-6.2	-7.4
- Capital gains and losses on participations	-2.0	-5.3
- Tax incentives	-11.3	-6.3
- Other	0.6	0.4
Taxable result	**104.2**	**76.0**
Theoretical tax rate[1]	39.3%	39.8%
Expected income tax at the theoretical tax rate	**-41.0**	**-30.2**
Difference between theoretical and effective tax expenses	**-17.5**	**-23.0**
Adjustment on deferred taxes	**1.8**	**0.2**
Change in tax rates	1.8	0.2
Adjustment on tax expenses	**15.6**	**22.9**
Use or recognition of tax losses / tax credits not previously recognized	15.3	38.6
Tax losses / temporary differences for which no deferred tax asset has been recorded	-5.4	-18.3
Adjustment current tax expense previous periods	1.4	-0.1
Other	4.3	2.6

[1] Theoretical aggregated weighted tax rate of all group companies.

The non-deductible expenses include permanent differences such as expenses which are non-deductible under local tax laws (e.g. car expenses and meal expenses).
Non-taxable income includes credits for competitiveness, employment and research as well as differences due to the translation from local to functional currency.
Tax incentives include the notional interest deduction, deductions claimed for research and development expenses, as well as for businesses performing manufacturing or other production activities in the United States.
The use or recognition of tax losses/tax credits not previously recognized mainly relates to the use of previously non-recognized tax credits in Belgium and the recognition of additional deferred tax assets on fiscal losses carried forward in Belgium and France.
The tax losses and temporary differences for which no deferred tax asset was recognized in 2016 and 2015 mainly relate to tax losses within Gelatin. The 2016 adjustment current tax expense previous periods mainly relates to amended state tax returns in the United States.

11. PROPERTY, PLANT AND EQUIPMENT

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At January 1, 2016	**398.3**	**1,092.0**	**91.5**	**55.0**	**1,636.7**
- change in consolidation scope (acquisitions)	2.1	4.1	0.1	-	6.3
- dismantlement provision	0.2	1.0	-	-	1.2
- capital expenditure	1.2	14.9	0.9	76.7	93.6
- sales and disposals	-3.7	-25.3	-19.8	-0.4	-49.2
- transfers	25.6	32.6	4.2	-63.1	-0.7
- translation differences	3.9	4.4	0.2	0.2	8.7
At December 31, 2016	**427.6**	**1,123.7**	**77.0**	**68.4**	**1,696.7**
Depreciation and impairment losses					
At January 1, 2016	**-214.0**	**-875.1**	**-85.3**	**0.0**	**-1,174.4**
- depreciation	-15.6	-40.1	-3.2	-	-58.8
- impairment losses	-0.3	-0.7	-	-	-1.0
- sales and disposals	3.6	24.6	19.5	-	47.8
- transfers	0.7	-0.6	0.0	-	0.1
- translation differences	-0.2	-1.6	-0.1	-	-1.9
At December 31, 2016	**-225.8**	**-893.5**	**-69.1**	**0.0**	**-1,188.3**
Carrying amounts					
At January 1, 2016	**184.2**	**216.9**	**6.2**	**55.0**	**462.3**
At December 31, 2016	**201.8**	**230.2**	**8.0**	**68.4**	**508.4**

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At January 1, 2015	**382.3**	**1,055.1**	**92.7**	**57.2**	**1,587.3**
- dismantlement provision	0.0	0.4	-	-	0.4
- capital expenditure	0.6	4.8	0.6	54.9	60.8
- sales and disposals	-8.1	-16.0	-5.0	-2.1	-31.2
- transfers	15.5	38.3	2.2	-57.8	-1.8
- translation differences	8.0	9.5	0.9	2.7	21.2
At December 31, 2015	**398.3**	**1,092.0**	**91.5**	**55.0**	**1,636.7**
Depreciation and impairment losses					
At January 1, 2015	**-202.8**	**-834.9**	**-87.1**	**0.0**	**-1,124.8**
- depreciation	-16.2	-42.9	-2.5	-	-61.7
- impairment losses	-1.1	-4.7	-	-2.1	-7.9
- sales and disposals	7.1	14.7	5.0	2.1	29.0
- transfers	0.4	0.2	0.0	-	0.7
- translation differences	-1.6	-7.6	-0.6	-	-9.8
At December 31, 2015	**-214.0**	**-875.1**	**-85.3**	**0.0**	**-1,174.4**
Carrying amounts					
At January 1, 2015	**179.5**	**220.2**	**5.6**	**57.2**	**462.6**
At December 31, 2015	**184.2**	**216.9**	**6.2**	**55.0**	**462.3**

The capital expenditure on property, plant and equipment amounts to 93.6 million EUR (2015: 60.8 million EUR) and is presented per operating segment in note 3 - Segment reporting.

The change in consolidation scope (acquisitions) in 2016 relates to the acquisition of Établissements Violleau SAS (note 4 - Acquisitions and disposals).

The majority of the capital expenditure relates to the completion of the calcium chloride production plant in Ham (Belgium) as well as to the construction of:

- a Thio-Sul® production facility in East Dubuque, Illinois (United States)
- a Thio-Sul® production plant in Rouen (France)
- an electrolysis production plant based on membrane technology in the Produits Chimiques de Loos site (France)
- a collagen peptides plant in Santa Fe (Argentina).

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

No amounts of borrowing costs were capitalized in 2016 and 2015.

The group leases property, plant and equipment under a number of finance lease agreements. At the end of each of the leases, the group has the option to purchase the equipment at a beneficial price. The net carrying amount of leased property, plant and equipment is not significant.

No property, plant and equipment is pledged as security for liabilities.

12. GOODWILL

Goodwill accounts for approximately 2.6% of the group's total assets as per December 31, 2016, or 35.6 million EUR (2015: 2.7% or 35.3 million EUR).

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

	2016			2015		
(Million EUR)	Cost	Impairment/ Amortization*	Carrying amounts	Cost	Impairment/ Amortization*	Carrying amounts
Agro	**5.1**	**-4.4**	**0.7**	**4.9**	**-4.3**	**0.7**
Bio-valorization	**30.4**	**-4.0**	**26.4**	**29.9**	**-4.0**	**25.9**
Group Akiolis	18.4	-3.4	15.0	18.4	-3.4	15.0
Gelatin America	12.0	-0.6	11.4	11.5	-0.6	10.9
Industrial Solutions	**10.6**	**-2.1**	**8.5**	**11.1**	**-2.3**	**8.8**
John Davidson Pipes	3.4	-1.1	2.3	3.9	-1.3	2.7
Nyloplast	3.0	-	3.0	3.0	-	3.0
Group BT Bautechnik	0.7	-	0.7	0.7	-	0.7
MPR	3.5	-1.0	2.4	3.4	-1.0	2.4
Total	**46.1**	**-10.6**	**35.6**	**45.9**	**-10.6**	**35.3**

* Goodwill has been amortized till January 1, 2004.

Group Akiolis and Gelatin America have the most significant carrying amount of goodwill:

- Group Akiolis (part of the operating segment Bio-valorization); 15.0 million EUR (2015: 15.0 million EUR).
- Gelatin America (part of the operating segment Bio-valorization); 11.4 million EUR (2015: 10.9 million EUR).

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

(Million EUR)	2016	2015
Cost		
At January 1	**45.9**	**46.6**
- sales and disposals	-	-3.4
- translation differences	0.2	2.7
At December 31	**46.1**	**45.9**
Impairment losses		
At January 1	**-10.6**	**-7.8**
- impairment losses	-	-5.5
- sales and disposals	-	3.4
- translation differences	0.0	-0.7
At December 31	**-10.6**	**-10.6**
Carrying amounts		
At January 1	**35.3**	**38.8**
At December 31	**35.6**	**35.3**

There were no events in 2016 and 2015 which resulted in the recognition of goodwill.

During the fourth quarter of 2016, the group completed its annual impairment test for goodwill. No impairment charges were deemed necessary.

The group cannot foresee whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. The group believes that all of its estimates are reasonable. They are consistent with the internal reporting and reflect management's best estimates.

The impairment testing on goodwill relies on a number of critical judgments, estimates and assumptions. Goodwill has been tested for impairment on the level of its cash-generating unit and is based on value-in-use calculations.

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

- The cash flow projection of the first year is based on the current year financial budget approved by the management (2017). The forecasted cash flows are based on the following expectations, taking into account internal and external sources.
    - Estimated revenue is derived from estimated sales volumes and estimated sales prices. Sales volumes are based on past performance and management's expectation of market development. New product lines or product developments are only included when it is technically feasible to produce with the current assets. Sales prices are based on current market trends also taken into account inflation and pricing power in the market.
    - Gross profit margins are based on current sales margin levels, future product mix and estimated evolution of the main raw material prices.
    - Indirect costs, which do not vary significantly with sales volumes or prices, are based on the current cost structure, including long term inflation forecasts and excluding unrealized future restructuring or cost saving measures.
    - Capital expenditures only include the cash outflows required to keep the assets in their current condition and do not include future capital expenditures significantly improving or enhancing the assets in excess of their originally assessed standard performance.
- In order to calculate the terminal value, the data of the fifth year are extrapolated by using simplified assumptions such as constant volumes, combined with constant costs. The growth rate is assumed to be 1%.
- Projections are made in the functional currency of the cash-generating unit and are discounted at the after-tax Weighted Average Cost of Capital (WACC) at the level of the cash-generating unit. The latter ranged between 6.6% and 8.2%. Since after-tax cash flows are incorporated into the calculation of the

"value in use" of the cash-generating units, a post-tax discount rate is used in order to remain consistent.

For Group Akiolis and Gelatin America the WACC used in the impairment test was respectively 6.6% (2015: 7.9% %) and 7.9% (2015: 7.6%).
An increase of these WACC's by 1% and a simultaneous reduction of total projected future cash flow by 10% would not have resulted in the carrying amounts of these significant cash-generating units exceeding their recoverable amount.

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

13. OTHER INTANGIBLE ASSETS

	Useful life					
	Finite				Indefinite	
(Million EUR)	Concessions, patents, licenses	Software	Customer lists	Other intangible assets	Other intangible assets	Total
Cost						
At January 1, 2016	**79.7**	**14.4**	**38.4**	**26.1**	**0.0**	**158.6**
- change in consolidation scope (acquisitions)	-	-	0.1	-	-	0.1
- capital expenditure	0.0	0.3	-	0.0	-	0.4
- sales and disposals	-6.5	-0.4	0.1	-	-	-6.8
- transfers	1.2	1.3	-	-1.0	-	1.5
- translation differences	1.8	-0.3	0.6	0.6	-	2.7
At December 31, 2016	**76.2**	**15.3**	**39.2**	**25.7**	**0.0**	**156.4**
Amortization and impairment losses						
At January 1, 2016	**-46.8**	**-9.7**	**-27.6**	**-15.1**	**0.0**	**-99.3**
- amortization	-5.8	-2.3	-4.8	-2.3	-	-15.1
- impairment losses	-1.3	-	-	-	-	-1.3
- sales and disposals	6.4	0.6	-0.1	-	-	6.8
- transfers	0.0	0.0	-	-	-	0.0
- translation differences	-1.0	0.2	-0.5	-0.6	-	-1.9
At December 31, 2016	**-48.5**	**-11.2**	**-33.1**	**-18.0**	**0.0**	**-110.7**
Carrying amounts						
At January 1, 2016	**32.9**	**4.7**	**10.7**	**11.0**	**0.0**	**59.3**
At December 31, 2016	**27.7**	**4.1**	**6.1**	**7.7**	**0.0**	**45.7**

(Million EUR)	Useful life					
	Finite				Indefinite	
	Concessions, patents, licenses	Software	Customer lists	Other intangible assets	Other intangible assets	Total
Cost						
At January 1, 2015	**58.5**	**13.4**	**34.4**	**18.9**	**3.2**	**128.3**
- change in consolidation scope (acquisitions)	17.0	-	2.5	1.9	-	21.4
- capital expenditure	0.0	0.3	-	-	-	0.3
- sales and disposals	-	-0.2	-0.2	-0.3	-	-0.7
- transfers	0.2	1.2	-	3.5	-3.5	1.3
- translation differences	4.1	-0.2	1.7	2.1	0.3	7.9
At December 31, 2015	**79.7**	**14.4**	**38.4**	**26.1**	**0.0**	**158.6**
Amortization and impairment losses						
At January 1, 2015	**-39.6**	**-8.0**	**-23.1**	**-12.4**	**0.0**	**-83.1**
- amortization	-5.0	-2.1	-3.5	-1.6	-	-12.2
- impairment losses	-	-	-	-	-	0.0
- sales and disposals	-	0.2	0.2	0.3	-	0.7
- translation differences	-2.2	0.2	-1.3	-1.4	-	-4.7
At December 31, 2015	**-46.8**	**-9.7**	**-27.6**	**-15.1**	**0.0**	**-99.3**
Carrying amounts						
At January 1, 2015	**18.8**	**5.4**	**11.3**	**6.5**	**3.2**	**45.2**
At December 31, 2015	**32.9**	**4.7**	**10.7**	**11.0**	**0.0**	**59.3**

The capital expenditure on other intangible assets amounts 0.4 million EUR (2015: to 0.3 million EUR) and is presented per operating segment in note 3 - Segment reporting.

No borrowing costs were capitalized during 2016 and 2015.

The "other" intangible assets with finite useful lives mainly consist of non-compete agreements, know-how, product labels, trademarks and land-use rights. The non-compete agreements, the product labels and the know-how are amortized on a straight-line basis over 10 to 20 years.

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

No intangible assets are pledged as security for liabilities.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method consist of joint-ventures and associates.

The joint-ventures of the group are:

	Country	Ownership 2016	Ownership 2015
MPR Middle East WLL	Bahrain	-	50%
Apeval SAS	France	-	50%
Établissements Michel SAS	France	50%	50%
Établissements Violleau SAS	France	-	50%
Jupiter Sulphur LLC	US	50%	50%

In 2016 the group acquired the remaining 50% of shares of Établissements Violleau SAS, while the 50% share in Apeval SAS was sold (note 4 - Acquisitions and disposals). MPR Middle East WLL was dissolved in 2016. The result on these transactions was insignificant.

The associates of the group are:

	Country	Ownership	
		2016	2015
T-Power SA	Belgium	20%	20%
Wolf Mountain Products LLC	US	45%	45%

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

(Million EUR)	2016	2015
Établissements Violleau SAS	-	1.9
Jupiter Sulphur LLC	17.0	14.7
T-Power SA	9.6	7.8
Other equity investments	0.7	0.7
Total	**27.3**	**25.1**

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

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

(Million EUR)	2016	2015
Non-current assets	415.1	389.3
Current assets	99.7	83.7
Total assets	**514.7**	**473.1**
Equity	83.5	73.6
Non-current liabilities	400.0	364.8
Current liabilities	31.2	34.7
Total equity and liabilities	**514.7**	**473.1**
Revenue	107.4	125.8
Cost of sales	-33.9	-49.7
Gross profit	73.5	76.1
Profit (+) / loss (-) from operations before non-recurring and exceptional operating items (REBIT)	38.5	39.8
Profit (+) / loss (-) from operations (EBIT)	38.5	39.8
Finance (costs) / income - net	-15.8	-16.7
Profit (+) / loss (-) before tax	22.7	23.1
Profit (+) / loss (-) for the period	14.7	13.9
Total comprehensive income	16.2	19.5

The increase of the non-current assets is related to the construction of a new sulfur recovery and processing plant by Jupiter Sulphur LLC. To finance this construction, Jupiter Sulphur LLC entered into new borrowings, which impacts the non-current liabilities.

15. DEFERRED TAX ASSETS AND LIABILITIES

(Million EUR)	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	1.7	0.9	-48.5	-42.4	-46.8	-41.5
Other intangible assets	9.1	7.5	-6.6	-7.0	2.5	0.5
Inventories	8.5	4.7	-0.7	-0.8	7.7	3.9
Employee benefits	4.6	3.6	-1.8	-2.6	2.8	1.0
Provisions	17.0	21.6	-24.3	-27.2	-7.3	-5.7
Other items	6.6	5.1	-7.7	-3.7	-1.0	1.4
Losses carried forward	28.2	27.7	-	-	28.2	27.7
Gross deferred tax assets / (liabilities)	**75.7**	**71.1**	**-89.5**	**-83.8**	**-13.8**	**-12.7**
Set-off of tax	**-44.0**	**-41.1**	**44.0**	**41.1**		
Net deferred tax assets / (liabilities)	**31.7**	**30.0**	**-45.5**	**-42.7**	**-13.8**	**-12.7**

Deferred tax assets on fiscal losses carried forward were recognized on the Belgian parent company, Tessenderlo Chemie nv, for an amount of 20.0 million EUR (total tax losses and tax credits carried forward in Tessenderlo Chemie nv amount to 146.1 million EUR) as per year-end 2016. Furthermore deferred tax assets were recognized in 2016 for an amount of 8.2 million EUR, mainly on French fiscal losses carried forward (total tax losses and tax credits carried forward in France amount to 67.4 million EUR). These were recognized following a review of the future taxable profits as per year-end 2016.

On December 31, 2016, a deferred tax liability of 1.7 million EUR (2015: 4.2 million EUR) relating to undistributed reserves within the subsidiaries of the group has not been recognized because management believes that this liability will not incur in the foreseeable future.

Tax losses and tax credits carried forward, including notional interest deduction, on which no deferred tax asset is recognized amount to 258.1 million EUR (2015: 285.3 million EUR). Of these tax credits, 41.7 million EUR have a finite life (they expire in the period 2017-2021). Deferred tax assets are only recognized based on the probability assessment whether future taxable profits (within the next 5 years) will be available, against which the unused tax losses and credits can be utilized.

The movements in the deferred tax balances during the year can be summarized as follows[14]:

(Million EUR)	Balance at January 1, 2016	Recognized in the income statement	Recognized in other comprehensive income	Change in consolidation scope	Translation differences	Balance at December 31, 2016
Property, plant and equipment	-41.5	-3.0	-	-1.0	-1.3	-46.8
Other intangible assets	0.5	1.9	-	0.0	0.1	2.5
Inventories	3.9	3.8	-	-	0.0	7.7
Employee benefits	1.0	2.9	-1.2	-	0.1	2.8
Provisions	-5.7	-1.6	-	-	0.0	-7.3
Other items	1.4	-2.1	-	-	-0.3	-1.0
Losses carried forward	27.7	0.6	-	-	-0.1	28.2
Total	**-12.7**	**2.5**	**-1.2**	**-1.0**	**-1.4**	**-13.8**

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

16. TRADE AND OTHER RECEIVABLES

(Million EUR)	2016	2015
Non-current trade and other receivables		
Trade receivables	0.0	0.0
Gross trade receivables	0.0	0.0
Amounts written off	-	-
Other receivables	10.9	10.5
Assets related to employee benefit schemes	-	4.4
Total	**10.9**	**14.9**

(Million EUR)	2016	2015
Current trade and other receivables		
Trade receivables	226.3	208.7
Gross trade receivables	232.9	216.9
Amounts written off	-6.6	-8.1
Other receivables	34.2	35.5
Prepayments	0.4	0.8
Receivables from related parties	7.1	8.2
Total	**268.0**	**253.2**

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

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

The non-current other receivables mainly relate to a French tax receivable of 8.2 million EUR (2015: 7.9 million EUR), related to tax credits for competitiveness, employment and research.

The decrease of the assets related to employee benefit schemes is explained by a change in financial assumptions (decrease of the discount rate used to discount the obligations), which resulted in a liability exceeding the assets of the UK pension fund.

The current other receivables mainly include a net income tax receivable in the US, other tax and VAT receivables and several, individually insignificant items within several subsidiaries of the group.

The non-recourse factoring program was suspended during 2016 and 2015. There was no cash received under various non-recourse factoring agreements, whereby trade receivables were sold at their nominal value minus a discount in exchange for cash.

17. INVENTORIES

(Million EUR)	2016	2015
Consumables	61.4	56.8
Work in progress	7.7	8.6
Finished goods	212.8	198.4
Goods purchased for resale	27.8	25.1
Total	**309.7**	**288.9**

There are no inventories pledged as security.

The cost of inventories recognized as cost of sales in 2016 amounts to 615.7 million EUR (2015: 651.8 million EUR).

There have been no significant additions or reversals of write-offs on inventories in 2016. In 2015, an amount of 27.8 million EUR was expensed, of which 21.6 million EUR was a write-off on inventory and spare parts (which are included in consumables) following changed accounting estimates concerning inventory obsolescence (11.8 million EUR was recognized within cost of sales and 9.8 million EUR within non-recurring and exceptional operating items).

18. CASH AND CASH EQUIVALENTS

(Million EUR)	2016	2015
Term accounts	57.7	80.0
Current accounts	61.5	50.2
Cash and cash equivalents	**119.2**	**130.2**
Bank overdrafts	-0.0	-0.5
Cash and cash equivalents in the statement of cash flows	**119.2**	**129.7**

The term accounts have a maximum maturity of 1 month. As per December 31, 2016, the cash and cash equivalents include 77.3 million USD (or 73.3 million EUR).

19. EQUITY

Issued capital and share premium

	Ordinary shares	
	2016	2015
On issue at January 1	42,902,722	42,396,563
Issued for cash at July 16, 2015	-	396,476
Issued for cash at August 24, 2015	-	53,866
Issued for cash at October 26, 2015	-	12,251
Issued for cash at December 18, 2015	-	43,566
Issued for cash at July 19, 2016	61,236	-
Issued for cash at August 26, 2016	46,009	-
Issued for cash at October 27, 2016	24,784	-
Issued for cash at December 16, 2016	34,133	-
On issue at December 31 – fully paid	**43,068,884**	**42,902,722**

The number of shares comprised 13,832,834 registered shares (2015: 13,892,809) and 29,236,050 ordinary shares (2015: 29,009,913). The shares are without nominal value. The holders of Tessenderlo Chemie nv shares are entitled to receive dividends as declared and are also entitled to one vote per share at shareholders' meetings of the company.

Following the conversion of warrants, ordinary shares were included for trading on Eurolist on Euronext Brussels on:
- July 19, 2016: 61,236 ordinary shares, leading to an increase of issued capital and share premium by 1.3 million EUR;
- August 26, 2016: 46,009 ordinary shares, leading to an increase of issued capital and share premium by 1.0 million EUR;
- October 27, 2016: 24,784 ordinary shares, leading to an increase of issued capital and share premium by 0.5 million EUR;
- December 16, 2016: 34,133 ordinary shares, leading to an increase of issued capital and share premium by 0.7 million EUR.

On the annual shareholders' meeting of Tessenderlo Chemie nv on June 7, 2016, the shareholders of Tessenderlo Chemie nv approved the proposal of the Board of Directors not to pay out a dividend for the 2015 financial year.

No new offering of shares to be subscribed by staff took place in 2016.

Authorized capital

According to the decision of the extraordinary general meeting of June 7, 2011, the Board of Directors was granted the authority to increase the capital in one or more times, during the period and in the manner specified, up to a maximum amount of 40.0 million EUR, exclusively within the frame of (i) capital increases reserved for the personnel of the company or of its affiliates, (ii) capital increases within the frame of the issue of warrants in favor of certain members of the personnel of the company or of its affiliates and, possibly, in favour of certain persons who are not part of the personnel of the company or of its affiliates, (iii) capital increases within the frame of an optional dividend, whether in this respect the dividend is directly distributed in the form of shares or is directly distributed in cash and afterwards the paid cash can be used to subscribe to shares, the case being by means of a surcharge and (iv) capital increases carried out by conversion of reserves or other entries of equity capital, so as to enable to round the amount of the capital to the nearest convenient rounded amount. The authority to increase the capital by the Board of Directors expired on June 7, 2016.

Legal reserves

According to Belgian law, 5% of the statutory net income of a Belgian company must be transferred each year to a legal reserve until the legal reserve reaches 10% of the issued capital. At balance sheet date, the legal reserve of the company amounts to 18.4 million EUR. Generally, this reserve cannot be distributed to the shareholders other than upon liquidation.

The amount of dividends payable to Tessenderlo Chemie nv by its operating subsidiaries is subject to, among other restrictions, general limitations imposed by the corporate laws, capital transfer restrictions and exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate. Dividends paid to the company by certain of its subsidiaries are also subject to withholding taxes.

Translation reserves

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

Hedging reserves

The hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedges to the extent the hedged risk has not yet impacted the income statement.

Dividends

The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of June 6, 2017, not to pay out a dividend for the 2016 financial year.

Capital Management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the issued capital, share premium and reserves. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with borrowings and the advantages and security afforded by a strong capital position. The gearing ratio at the end of 2016 is 18.4% (2015: 21.9%).

20. EARNINGS PER SHARE

Basic earnings per share

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

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

	2016	2015
Adjusted weighted average number of ordinary shares at December 31[1]	**42,952,548**	**42,603,242**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	98.8	84.5
Basic earnings per share (in EUR)	**2.30**	**1.98**

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

Diluted earnings per share

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

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

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

	2016	2015
Adjusted weighted average number of ordinary shares at December 31	42,952,548	42,603,242
Effect of warrants issued[1]	6,386	63,266
Diluted weighted average number of ordinary shares at December 31	**42,958,934**	**42,666,508**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	98.8	84.5
Diluted earnings per share (in EUR)	**2.30**	**1.98**

[1] The average share price used in the calculation of the earnings per share is based on the daily average closing share price of Tessenderlo Group quoted on the stock market.

As per December 31, 2016, 117,345 warrants are outstanding that were granted to senior management, of which 41,520 were dilutive and were included in the calculation of the diluted earnings per share (the effect of warrants issued amounted to 6,386). The 2016 calculation of diluted earnings per share does not include 75,825 warrants because they were antidilutive.

21. NON-CONTROLLING INTEREST

The detail of the non-controlling interest in subsidiaries of the group is as follows:

	Country	Non-controlling interest percentage 2016	2015
Environmentally Clean Systems LLC	US	30.99%	30.99%
ECS Myton, LLC	US	49.00%	49.00%
PB Gelatins (Wenzhou) Co. Ltd.	China	20.00%	20.00%
PB Gelatins (Heilongjiang) Co. Ltd.	China	-	13.80%

In February 2016, the group acquired the remaining 13.8% equity interest in the subsidiary PB Gelatins (Heilongjiang) Co. Ltd. (note 4 - Acquisitions and disposals).

Summary financial information of subsidiaries with a non-controlling interest at 100%:

(Million EUR)	2016	2015
Non-current assets	11.8	32.6
Current assets	13.6	26.0
Total assets	**25.4**	**58.5**
Equity	2.3	3.9
Non-current liabilities	4.6	7.7
Current liabilities	18.6	47.0
Total equity and liabilities	**25.4**	**58.5**
Revenue	15.2	24.7
Cost of sales	-15.4	-29.9
Gross profit	-0.2	-5.2
Profit (+) / loss (-) from operations before non-recurring and exceptional operating items (REBIT)	-3.6	-9.4
Profit (+) / loss (-) from operations (EBIT)	-3.7	-13.5
Finance (costs) / income - net	-1.0	-2.5
Profit (+) / loss (-) before tax	-4.7	-16.0
Profit (+) / loss (-) for the period	-4.9	-14.2

22. LOANS AND BORROWINGS

(Million EUR)	2016	2015
Non-current loans and borrowings	226.9	226.7
Current loans and borrowings	28.9	48.3
Total loans and borrowings	**255.8**	**275.0**
Cash and cash equivalents	-119.2	-130.2
Bank overdrafts	0.0	0.5
Net loans and borrowings	**136.6**	**145.3**

As per year-end 2016, the group net financial debt stood at 136.6 million EUR, implying a leverage of 0.7x. The net debt at year-end 2015 amounted to 145.3 million EUR.

Non-current and current loans and borrowings:

(Million EUR)	2016	2015
Non-current loans and borrowings		
Lease payables	0.1	0.1
Bonds (maturity date in 2022 and 2025)	223.6	223.6
Credit institutions	3.2	3.0
Total	**226.9**	**226.7**
Current loans and borrowings		
Lease payable within 1 year	0.1	0.0
Credit institutions and commercial paper	28.8	48.3
Total	**28.9**	**48.3**

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

The group has access to a Belgian commercial paper program of 200.0 million EUR of which 28.0 million EUR was used at the end of December 2016 and is included in current loans and borrowings (December 31, 2015: 43.0 million EUR). These are issued by Tessenderlo Chemie nv, the parent company.

There has been no drawdown as per December 31, 2016, on the 5 year committed bilateral credit lines. The committed bilateral credit lines amount to 142.5 million EUR (of which part can be drawn in USD).

As per year-end 2016, there are no significant pledges securing the loans and borrowings, nor any covenants significantly different from those disclosed in the 2015 bond documentation.

Non-current and current loans and borrowings by currency

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2016):

(Million EUR)	EUR	Other	Total
Current loans and borrowings	28.8	0.1	**28.9**
Non-current loans and borrowings	226.7	0.2	**226.9**
Total loans and borrowings	**255.6**	**0.3**	**255.8**
In percentage of total loans and borrowings	**99.9%**	**0.1%**	**100.0%**

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2015):

(Million EUR)	EUR	Other	Total
Current loans and borrowings	43.6	4.7	**48.3**
Non-current loans and borrowings	226.6	0.1	**226.7**
Total loans and borrowings	**270.2**	**4.8**	**275.0**
In percentage of total loans and borrowings	**98.2%**	**1.8%**	**100.0%**

Finance leasing

There are no individual significant finance lease contracts for 2016 and 2015.

23. EMPLOYEE BENEFITS

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

(Million EUR)	2016				2015			
	Early retirement provision	Defined benefit liability	Other employee benefits	Total	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Non-current	5.6	51.1	4.8	61.5	7.8	38.0	2.4	48.3
Current	1.7	-	0.2	1.8	1.6	-	0.2	1.7
Total	**7.3**	**51.1**	**5.0**	**63.3**	**9.4**	**38.0**	**2.6**	**50.0**

(Million EUR)	2016			
	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Balance at January 1, 2016	**9.4**	**38.0**	**2.6**	**50.0**
Additions	0.1	13.8	1.8	15.7
Use of provision	-1.7	-0.7	-0.1	-2.5
Reversal of provisions	-	-	-	0.0
Transfers	-0.6	-	0.7	0.1
Translation differences	-	0.0	0.0	0.0
Balance at December 31, 2016	**7.3**	**51.1**	**5.0**	**63.3**

The early retirement provision amounts to 7.3 million EUR as per December 31, 2016, of which 5.6 million EUR relates to the closure of the phosphate production in 2013 (recognized in accordance with the guidance in IAS 19 for termination benefits).

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

General description of the type of plan

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

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

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

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

The defined contribution plans in Belgium are legally subject to a minimum guaranteed return (the legal minimum guaranteed return as from January 1, 2016 is 1.75%, while before it was 3.25% for employer contributions). If the legal minimum guaranteed return is sufficiently covered, the group has no obligation to pay further contributions than those that are recognized as an expense in the income statement as the related service is provided. The Belgian defined contribution pension plans are to be treated as defined benefit pension plans under IAS 19 as they do not meet the criteria to be accounted for as pure defined contribution pension plans under IFRS. The group follows the prescribed methodology for measurement and accounting for defined benefit pension plans in line with IAS 19 § 57.(a), meaning the projected unit credit method. In the context of a defined contribution pension plan with guaranteed return, this means that the defined benefit obligation is the present value of the projected total expected benefit (ultimate cost) for a full career using accumulated rights at date of calculation and adding expected future contributions (projected using salary increase assumption) which relates to the service rendered at the date of calculation and reporting. The future contributions are accumulated with the legal minimum return. The group recognizes the difference between the defined benefit obligation and the fair value of plan assets (IAS 19 § 57.(a) (iii)) on the balance sheet.

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

- For the contributions paid until January 1, 2001, the guaranteed interest rate equals 4.75%;
- For the contributions paid during the period from January 1, 2001 until January 1, 2013, the guaranteed interest rate equals 3.25%;
- For the contributions paid as from January 1, 2013 until April 1, 2015, the guaranteed interest rate equals 1.75%;
- For the contributions paid during the period from April 1, 2015 until October 1, 2015, the guaranteed interest rate equals 0.75%;
- For the contributions paid as from October 1, 2015 until October 1, 2016, the guaranteed interest rate equals 0.50%;
- For the contributions paid as from October 1, 2016, the guaranteed interest rate equals 0.10%.

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

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

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

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

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

Defined benefit pension plans

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

(Million EUR)	note	2016	2015
Present value of wholly funded obligations		-	-47.3
Present value of partially funded obligations		-137.9	-79.5
Present value of wholly unfunded obligations		-25.8	-21.8
Total present value of obligations		**-163.7**	**-148.6**
Fair value of plan assets		**112.6**	**115.1**
Net defined benefit (liability)/asset		**-51.1**	**-33.6**
Amounts in the statement of financial position:			
Liabilities		-51.1	-38.0
Assets	16	-	4.4
Net defined benefit (liability)/asset		**-51.1**	**-33.6**

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

	2016			2015		
(Million EUR)	Present value of obligations	Fair value of plan assets	Net defined benefit (liability)/ asset	Present value of obligations	Fair value of plan assets	Net defined benefit (liability)/ asset
Balance at January 1	**-148.6**	**115.1**	**-33.6**	**-161.5**	**117.1**	**-44.4**
Included in profit or loss						
Current service cost	-5.0	-	-5.0	-5.8	-	-5.8
Current service cost - Employee contribution	-	0.3	0.3	-	0.4	0.4
Interest (cost) / income	-3.5	3.0	-0.6	-3.6	3.0	-0.6
Curtailment (cost)/benefit	-	-	0.0	0.1	-	0.1
Administrative expenses	-	-0.3	-0.3	-	-0.4	-0.4
Total included in profit or loss	**-8.5**	**3.0**	**-5.6**	**-9.3**	**3.1**	**-6.3**
Included in other comprehensive income						
Remeasurements:						
- Gain/(loss) from change in demographic assumptions	-	-	-	-	-	-
- Gain/(loss) from change in financial assumptions	-19.3	-	-19.3	8.2	-	8.2
- Experience gains/(losses)	0.5	3.9	4.4	2.7	1.8	4.5
Total included in other comprehensive income	**-18.8**	**3.9**	**-14.9**	**10.9**	**1.8**	**12.7**
Other						
Exchange differences on foreign plans	7.0	-7.4	-0.4	-3.3	3.3	0.0
Contributions by employer	-	3.4	3.4	-	4.4	4.4
Benefits paid	5.3	-5.3	0.0	14.6	-14.6	0.0
Total other	**12.3**	**-9.3**	**3.0**	**11.3**	**-6.9**	**4.4**
Balance at December 31	**-163.7**	**112.6**	**-51.1**	**-148.6**	**115.1**	**-33.6**

The 2016 loss resulting from the change in financial assumptions, included in other comprehensive income, is mainly the result of the decrease of the discount rate used to calculate the present value of the defined benefit obligations in 2016 (weighted average of 1.7%), compared to the rate used in 2015 (weighted average of 2.5%). The 2015 gain from the change in financial assumptions was explained by the increase of the weighted average discount rate compared to the rate used in 2014 (from 2.2% to 2.5%).
The net periodic pension cost is included in the following line items of the income statement:

(Million EUR)	2016	2015
Cost of sales	-0.8	-0.7
Distribution expenses	-0.1	-0.1
Sales and marketing expenses	-0.2	-0.3
Administrative expenses	-2.5	-3.4
Other operating income and expenses	-1.4	-1.1
Finance costs - net	-0.6	-0.6
Non-recurring and exceptional operating income/(expense) items	-	0.0
Total	**-5.6**	**-6.3**

The actual return on plan assets in 2016 was 6.9 million EUR (2015: 4.8 million EUR).

The group expects to contribute 3.2 million EUR to its defined benefit pension plans in 2017.

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

	2016				2015			
(Million EUR)	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Property	-	4.0	4.0	3.6%	-	4.0	4.0	3.5%
Qualifying insurance policies	-	18.7	18.7	16.6%	-	17.9	17.9	15.6%
Cash and cash equivalents	-	7.4	7.4	6.5%	-	4.9	4.9	4.3%
Investment funds	80.4	-	80.4	71.4%	86.1	-	86.1	74.9%
Tessenderlo Chemie bond with maturity date July 15, 2022	2.1	-	2.1	1.9%	2.0	-	2.0	1.8%
Total	**82.5**	**30.1**	**112.6**	**100.0%**	**88.2**	**26.9**	**115.1**	**100.0%**

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

The investment funds consist of a portfolio of investments in equity, fixed interest investments and other financial assets. This diversification reduces the portfolio risk to a minimum.
The principal actuarial assumptions used in determining pension benefit obligations for the group's plans at the balance sheet date (expressed as weighted averages) are:

	2016	2015
Discount rate at 31 December	1.7%	2.5%
Future salary increases	1.0%	1.0%
Inflation	2.3%	2.3%

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

	Mortality table
Belgium	MR/FR - 3
United Kingdom	Non Pensioners: S1PXA CMI 2013 1.25% M/1.00% F trend from 2003. Pensioners: 90% S1PMA/80% S1PFA CMI 2013 1.25% M/1.00% F trend from 2008
Germany	© RICHTTAFELN 2005 G von Klaus Heubeck - Lizenz Heubeck-Richttafeln-GmbH, Köln

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

For the UK plan the next triennial funding valuation will be completed as at January 1, 2017. For the Belgian plan a funding valuation is completed every year. The group doesn't expect the regular contributions to increase significantly.

The weighted average duration of the defined benefit obligation is 10.7 years for the pension plans in the euro zone. The duration of the UK pension plan is 19.8 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions, as per December 31, 2016, is:

	Change in assumption	Impact on defined benefit obligation	Change in assumption	Impact on defined benefit obligation
Discount rate	+0.5%	-7.5%	-0.5%	8.0%
Salary growth rate	+0.5%	3.5%	-0.5%	-1.3%
Pension growth/inflation rate	+0.5%	4.7%	-0.5%	-4.5%
Life expectancy	+ 1 year	1.9%	- 1 year	-1.9%

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

Share-based payments

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

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

The table below gives an overview of the granted warrants at December 31, 2016:

Allocation date	Last exercise date	Average exercise price	Number of outstanding warrants
November '05	July '17	25.46	7,400
November '06	July '18	28.20	22,120
January '08	December '17	40.48	75,825
January '13	December '19	20.81	12,000
Total			**117,345**

IFRS 2 *Share-based payment* requires share based payments made to employees to be recognized in the financial statements based on the fair value of the warrants measured at grant date.

No new offering of warrants to the group's senior management took place in 2015 and 2016.
The number and weighted average exercise price of share warrants is as follows:

	2016		2015	
	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
Outstanding at the beginning of the period	26.09	338,598	23.69	870,073
Forfeited during the period	21.26	55,091	23.44	25,316
Exercised during the period	21.26	166,162	22.10	506,159
Granted during the period	-	-	-	-
Outstanding at the end of the period	35.21	117,345	26.09	338,598
Exercisable at the end of the period	35.21	117,345	30.31	188,598

As per year-end 2016, 117,345 warrants are exercisable at an average exercise price of 35.21 EUR (the actual exercise price being between 20.76 EUR and 40.48 EUR).

The weighted average remaining contractual life of the warrants outstanding as per December 31, 2016, is 1.2 years (2015: 2.6 years).

24. PROVISIONS

	2016			2015		
(Million EUR)	Current	Non-Current	Total	Current	Non-Current	Total
Environment	7.2	104.0	111.2	7.1	104.9	111.9
Dismantlement	-	20.5	20.5	-	19.5	19.5
Restructuring	0.3	1.7	2.1	2.5	2.6	5.1
Other	2.5	6.1	8.6	6.7	8.0	14.8
Total	**10.0**	**132.4**	**142.4**	**16.3**	**135.0**	**151.3**

	Environment	Dismantlement	Restructuring	Other	**Total**
Balance at January 1, 2016	**111.9**	**19.5**	**5.1**	**14.8**	**151.3**
Additions	1.1	1.3	-	1.8	4.2
Use of provisions	-4.3	-0.3	-2.4	-5.9	-12.8
Reversal of provisions	-0.3	0.0	-0.5	-2.0	-2.7
Effect of discounting	2.6	-	-	-	2.6
Translation differences	-	0.1	-	-0.0	0.0
Transfers	-	-	-0.1	-	-0.1
Balance at December 31, 2016	**111.2**	**20.5**	**2.1**	**8.6**	**142.4**

The environmental provisions amount to 111.2 million EUR and mainly relate to environmental provisions to cover the cost for the remediation of historical soil and ground contamination of the factory sites in Ham (Belgium), Tessenderlo (Belgium), Vilvoorde (Belgium) and Loos (France). A reliable estimate of the amount of outflow of resources to settle this obligation was made and there were no significant changes in assumptions in 2016. The outstanding environmental provisions reflect the discounted value of the expected future cash out, spread over the period 2017-2053. The discount rate, derived from the yield curve of Belgian and French government bonds, varied between 0% and 2%.

The use of environmental provisions amounts to -4.3 million EUR in 2016 (2015: -5.3 million EUR), while the effect of unwinding the discount amounts to -1.1 million EUR in 2016 (2015: -1.1 million EUR), which is included in finance costs (note 9 - Finance costs and income). The impact on environmental provisions, following an adjustment of the phasing due to earlier expected future cash outs, amounts to -1.6 million EUR and was recognized in non-recurring and exceptional operating items.

The amounts recognized reflect management’s best estimate of the expected expenditures required to settle the present obligation at balance sheet date.

In France, some facilities operated by the group are subject to regulations pertaining to environmentally regulated facilities (Classified Facilities for the Protection of the Environment “ICPE”). This legislation requires to dismantle the classified facilities. The dismantlement provision is included in the cost basis of the related property, plant and equipment, which cost is depreciated accordingly. The total provision recognized on those French facilities amounts to 17.8 million EUR as per December 31, 2016 (2015: 17.4 million EUR). The amounts recognized are based on an internal assessment and on the gross book value of the related assets. They reflect management’s best estimate of the expected expenditures. The expected timing of the cash outflow is not yet known. However, no significant cash outflow is expected to take place within the foreseeable future.

The restructuring provisions relate to the remaining balance of previously announced restructurings.

The other provisions include provisions for onerous lease contracts, tax contingencies, pending commercial disputes and product liability claims, and several, individually less significant amounts.

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

25. TRADE AND OTHER PAYABLES

(Million EUR)	2016	2015
Non-current trade and other payables		
Accrued charges and deferred income	3.0	3.7
Other amounts payable	1.2	0.6
Total	**4.2**	**4.3**
Current trade and other payables		
Trade payables	144.5	161.1
Remuneration and social security	51.8	56.3
VAT and other taxes	10.8	10.9
Accrued charges and deferred income	7.1	6.9
Trade and other payables from related parties	1.1	1.9
Other amounts payable	6.6	6.3
Total	**221.9**	**243.4**

26. FINANCIAL INSTRUMENTS

Foreign currency risk

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

Subsidiaries are required to submit information on their net foreign exchange positions when invoiced (customers, suppliers) to Tessenderlo Chemie nv, the parent company. All the positions are netted at the level of Tessenderlo Chemie nv and the net positions (long/short), are then sold or bought on the market. The main management tools are the spot purchases and sales of currencies followed by currency swaps.

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

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

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

(Million EUR)	2016				2015			
	EUR*	CNY	USD	GBP	EUR*	CNY	USD	GBP
Assets	7.6	292.7	548.2	34.3	8.4	253.1	547.5	27.3
Liabilities	-13.3	-	-48.4	-0.5	-11.3	-	-36.5	-0.6
Gross exposure	**-5.7**	**292.7**	**499.8**	**33.9**	**-2.8**	**253.1**	**511.0**	**26.8**
Foreign currency swaps	-4.1	-	5.0	-0.8	-0.8	-	-	-6.9
Net exposure	**-9.8**	**292.7**	**504.8**	**33.1**	**-3.7**	**253.1**	**511.0**	**19.8**
Net exposure (in EUR)	**-9.8**	**40.0**	**478.9**	**38.6**	**-3.7**	**35.8**	**469.4**	**27.0**

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

The USD, CNY and GBP exposure is mainly due to intragroup loans which are no longer hedged as from March 2015.

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

(Million EUR)	Change in rate	Impact on the income statement: loss(-)/gain(+)	Impact on equity: loss(-)/gain(+)
At December 31, 2016			
USD	+10%	-48.6	-48.1
	-10%	59.4	58.8
GBP	+10%	-3.0	-2.2
	-10%	3.6	2.6
CNY	+10%	-2.7	-2.5
	-10%	3.3	3.1
At December 31, 2015			
USD	+10%	-45.9	-35.3
	-10%	56.1	43.1
GBP	+10%	-1.9	-2.1
	-10%	2.3	2.5
CNY	+10%	-2.0	-2.5
	-10%	2.4	3.1

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

Credit risk

The group is subject to the risk that the counterparties with whom it conducts its business (in particular its customers) and who have to make payments to the group, are unable to make such payment in a timely manner or at all. A large majority of the receivables is covered under a group credit insurance program. The group is confident that the current level of credit insurance coverage can be sustained in the future.

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

The maximum exposure to credit risk amounts to 398.6 million EUR as per December 31, 2016 (2015: 399.3 million EUR). This amount consists of current and non-current trade and other receivables (278.9 million EUR, note 16 - Trade and other receivables), current derivative financial instruments (0.5 million EUR) and cash and cash equivalents (119.2 million EUR, note 18 - Cash and cash equivalents).

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

(Million EUR)	2016	2015
Agro	80.5	75.3
Bio-valorization	78.0	69.4
Industrial Solutions	62.0	62.6
Other	0.0	0.0
Non-allocated	5.7	1.4
Total	**226.3**	**208.8**

The ageing of trade receivables at the reporting date was:

(Million EUR)	2016		2015	
	Gross	Amounts written off	Gross	Amounts written off
Not past due	189.6	-	178.1	-0.4
Past due 0-30 days	29.5	-0.0	26.0	-0.0
Past due 31-120 days	6.6	-0.3	4.0	-0.1
Past due 121-365 days	2.6	-1.8	0.7	-0.2
More than one year	4.6	-4.4	8.1	-7.5
Total	**232.9**	**-6.6**	**216.9**	**-8.1**

The group estimates that the un-impaired amounts that are past due are still collectible, based on historic payment behavior and extensive analysis of customer credit risk.

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

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

(Million EUR)	note	2016	2015
Balance at January 1		**-8.1**	**-8.2**
Use of impairment loss		3.2	1.4
Impairment loss recognized	5	-1.8	-1.1
Other movements		0.1	-0.2
Balance at December 31	16	**-6.6**	**-8.1**

Interest risk

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

At the end of 2016, the financial debt position was mainly funded by fixed interest rate instruments, i.e. issued bonds.

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

(Million EUR)	note	2016	2015
Fixed rate instruments			
Financial assets	18	15.0	80.0
Loans and borrowings	22	227.8	227.2
Variable rate instruments			
Financial assets	18	104.2	50.2
Loans and borrowings	22	28.0	48.3

The outstanding loans and borrowings amount to 255.8 million EUR, of which 227.8 million EUR has a long term fixed interest rate. The fixed interest rate loans and borrowings mainly include the 2022 and 2025 bonds, with a fixed rate of 2.875% and 3.375% respectively. The loans and borrowings with a variable rate mainly relate to the commercial paper program. As such, movements in interest rates would not have a significant impact on the group's cash flow or result.

Liquidity Risk

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

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

- the set-up of a factoring program at the end of 2009, which is put on hold since 2015.
- a capital increase of 174.8 million EUR in December 2014.
- the issuance in July 2015 of two series of bonds with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds"). The total issue amount was 250.0 million EUR, of which 192.0 million EUR for the 2022 bonds and 58.0 million EUR for the 2025 bonds.
- the replacement of the syndicated facility agreement (terminated in December 2015) by 5 year committed bilateral agreements for a total amount of 142.5 million EUR (of which part can be drawn in USD) with four banks. These facilities have no financial covenants and ensure maximum flexibility for the different activities.

In addition, the group uses a commercial paper program of maximum 200.0 million EUR.

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

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

(Million EUR)	2016				
	Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
Non-derivative loans and borrowings					
Bond with maturity date July 15, 2022	165.6	192.0	4.8	19.0	168.2
Bond with maturity date July 15, 2025	58.0	74.7	2.0	7.8	64.9
Credit institutions (commercial paper)	28.0	28.0	28.0	-	-
Credit institutions	4.0	4.6	1.1	2.6	0.9
Bank overdrafts	0.0	0.0	0.0	-	-
Finance lease liabilities	0.2	0.2	0.1	0.1	-
Total	**255.8**	**299.5**	**35.9**	**29.6**	**234.0**
Derivatives					
Foreign currency swaps	0.5				
Inflow		10.3	-	-	-
Outflow		-9.8	-	-	-
Total	**0.5**	**0.5**	**-**	**-**	**-**

(Million EUR)	2015				
	Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
Non-derivative loans and borrowings					
Bond with maturity date July 15, 2022	165.6	196.8	4.8	19.0	173.0
Bond with maturity date July 15, 2025	58.0	76.7	2.0	7.8	66.9
Credit institutions (commercial paper)	43.0	43.1	43.1	-	-
Credit institutions	8.2	8.8	5.5	3.3	-
Bank overdrafts	0.5	0.5	0.5	-	-
Finance lease liabilities	0.2	0.2	0.0	0.1	-
Total	**275.5**	**326.0**	**55.8**	**30.3**	**239.9**
Derivatives					
Foreign currency swaps	0.0				
Inflow		10.3	-	-	-
Outflow		-10.3	-	-	-
Total	**0.0**	**0.0**	**0.0**	**-**	**-**

Estimation of fair value of financial assets and liabilities

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

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

(Million EUR)	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans and borrowings				
Leasing payables	-0.1	-0.1	-0.1	-0.1
Credit institutions	-3.2	-3.4	-3.0	-3.2
Bonds (maturity date in 2022 and 2025)	-223.6	-236.5	-223.6	-227.7

The bonds issued in 2015 with a maturity of 7 years (the “2022 bonds”) and 10 years (the “2025 bonds”) were quoted at 105.5% and 106.5% respectively as per December 31, 2016.

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

- Trade and other receivables
- Other investments
- Cash and cash equivalents
- Current loans and borrowings
- Trade and other payables
- Assets within “Non-current assets classified as held for sale”

Fair value of derivative financial instruments

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

(Million EUR)	2016							
	Carrying amount balance sheet				Fair value hierarchy			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Level 1	Level 2	Level 3	Total
Foreign currency swaps	0.5	-	0.0	-	-	0.5	-	0.5
Electricity forward contracts	-	-	-6.0	-12.2	-	-	-18.3	-18.3
Total	**0.5**	**0.0**	**-6.0**	**-12.2**	**-**	**0.5**	**-18.3**	**-17.8**

(Million EUR)	2015							
	Carrying amount balance sheet				Fair value hierarchy			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Level 1	Level 2	Level 3	Total
Foreign currency swaps	0.0	-	-	-	-	0.0	-	0.0
Electricity forward contracts	1.0	-	-6.3	-11.1	-	-	-16.5	-16.5
Total	**1.0**	**0.0**	**-6.3**	**-11.1**	**-**	**0.0**	**-16.5**	**-16.5**

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

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

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

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

(Million EUR)	2016		2015	
	Contractual amount	Fair value	Contractual amount	Fair value
Foreign currency swaps	10.3	0.5	10.3	0.0
Electricity forward contracts	N/A	-18.3	N/A	-16.5
Total	**10.3**	**-17.8**	**10.3**	**-16.5**

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

The total fair value of the derivative financial instruments at December 31, 2016, amounts to -17.8 million EUR (2015: -16.5 million EUR) and consists of an electricity forward contract and foreign currency swaps, the latter with maturity date during the first half of 2017.

The net change of the amount of derivative financial instruments before tax, as included in the other comprehensive income, amounts to 0.7 million EUR, and can be explained by the group's part of the change in fair value of the interest rate swaps in the associate T-Power SA and in the joint-venture Jupiter Sulphur LLC, recorded in equity in accordance with the accounting policy related to cash flow hedging.

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

(Million)	2016		2015	
	Amount in foreign currency	Amount in EUR	Amount in foreign currency	Amount in EUR
GBP	0.8	0.9	6.9	9.4
USD	5.0	4.8	-	-
JPY	445.4	4.1	-	-
Other		0.5		0.8
Total		**10.3**		**10.3**

Because of significant unobservable inputs, a level 3 fair value measurement is applied for the fair value measurement of an electricity purchase agreement ('PPA' – Purchase Power Agreement), for which the own-use exemption under IAS 39 is not applicable anymore. The value of the contract is depending on the future difference between market electricity prices and the generation cost based on market gas prices (the "spark spread"), and on the effect of the hourly pricing optimization as foreseen in the contract. Forward prices are only available for a 3-year period and for a base load product. The uncertainty beyond that period is high on different important parameters (including also the regulatory environment), however based on more favourable market and regulatory condition assumptions, the fair value of the PPA contract is set to zero beyond the initial 3 years. The used base load future prices are calculated based on the 2016 average daily Zeebrugge Gas Yearly forward prices and on the 2016 average daily Endex Yearly forward electricity prices for Belgium. The future hourly optimization effect is calculated as an extrapolation of the trend since the start of the contract.

As per December 31, 2016 the above inputs lead to a net fair value of -18.3 million EUR compared to a net fair value of -16.5 million EUR as per December 31, 2015. The change in net fair value for an amount of -1.8 million EUR has been recognized as an exceptional operating item (note 6 - Non-recurring and exceptional operating income/(expense) items).

The key assumptions used in the valuation as per December 31, 2016, are:

		2017	2018	2019
Gas forward price	EUR/MWh	17.0	17.5	17.4
Electricity forward price	EUR/MWh	36.4	34.8	33.7
Discount rate	5.5%			

The key assumptions used in the valuation as per December 31, 2015 are:

		2016	2017	2018
Gas forward price	EUR/MWh	16.4	16.9	16.0
Electricity forward price	EUR/MWh	35.1	34.8	34.6
Discount rate	5.5%			

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

Change in assumption		Impact fair value (Million EUR)	
		2016	2015
Gas price	+1 EUR/MWh	-2.3	-2.3
Electricity price	+1 EUR/MWh	1.2	1.2
Spark spread optimization	+1 EUR/MWh	1.2	1.2
Discount rate	+1%	0.3	0.3
Running hours T-Power	+10%	-0.1	0.0

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

27. OPERATING LEASES

Leases as lessee

The non-cancellable operating leases are payable as follows:

(Million EUR)	2016	2015
Less than one year	27.3	26.5
Between 1 and 5 years	66.7	69.7
More than 5 years	9.6	16.2
Total	**103.6**	**112.4**

During the current year, 30.6 million EUR was recognized as an expense in the income statement in respect of operating leases as lessee (2015: 31.8 million EUR). Certain leases provide for additional payments that are contingent on volume. Contingent rents recognized in the income statement under operating leases amount to 3.3 million EUR (2015: 3.6 million EUR).

The non-cancellable operating leases mainly consist of land and buildings (22.6 million EUR), plant, machinery and equipment (28.9 million EUR) and furniture and vehicles (51.9 million EUR).

There are no significant leased properties which have been sublet by the group.

Some lease arrangements contain renewal options at normal market conditions. No restrictions are imposed by lease arrangements.

Leases as lessor

There are no significant assets leased out under operating leases.

28. GUARANTEES AND COMMITMENTS

(Million EUR)	2016	2015
Guarantees given by third parties on behalf of the group	27.1	26.8
Guarantees given on behalf of third parties	1.6	1.7
Guarantees received from third parties	3.0	0.3
Commitments related to capital expenditures	29.8	32.9

Guarantees given by third parties on behalf of the group mainly relate to the fulfillment of environmental obligations for 19.5 million EUR (2015: 19.1 million EUR). The remaining balance consists of numerous other guarantees to secure financing, custom and other obligations.

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

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

Capital expenditure contracted for at the end of the reporting period but not yet incurred amounts to 29.8 million EUR (2015: 32.9 million EUR). The majority of the commitments relates to the construction of a Thio-Sul® production facility in East Dubuque, Illinois (United States), a membrane technology based production plant in the Produits Chimiques de Loos site (France) and a Thio-Sul® production plant in Rouen (France).

The shares of T-Power SA are pledged in first degree to guarantee the liabilities in respect of a “facility agreement” of 440.0 million EUR signed on December 18, 2008, between T-Power SA and a syndicate of banks. The T-Power SA shares are pledged in second degree to guarantee the ”tolling agreement” for the entire 425 MW capacity signed on August 13, 2008, between T-Power SA and RWE group. The tolling agreement has a 15 years duration with an optional 5-year extension thereafter.

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

29. CONTINGENCIES

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

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

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

As stated in note 24 - Provisions, the environmental provisions in accordance with the above policies aggregated to 111.2 million EUR at December 31, 2016 (December 31, 2015: 111.9 million EUR).

While it is not feasible to predict the outcome of all pending environmental exposures, it cannot be excluded that there will be a need for future provisions for environmental costs which, in management's opinion, based on information currently available, would not have a material effect on the group's financial position, but could be material to the group's results in any one accounting period.

Acquisition, investment and joint-venture agreements as well as divestments may contain habitual provisions leading to price adjustments. In addition, for divestments, proper consideration has been given to provisions for possible indemnifications payable to the acquirer, if any, including matters in the area of health, environment, tax, product liability, restructuring, competition, pensions and share incentives.

The group has been allocated emission allowances for the period 2013-2020, that are yearly granted free of charge to cover operational emissions for products exposed to carbon leakage. Additional emission allowances will be purchased in case of any deficit. The cost of additional emission allowances purchased during 2016 was insignificant. The surplus or deficit of emission allowances over the next years may vary, depending of several factors such as future production volumes, process optimization and energy efficiency improvements, however management expects that the impact of any surplus or deficit of emission allowances over the next years will not significantly impact the group's consolidated financial statements.

In the third quarter of 2014 the group was informed by the local Chinese authorities of their intention to expropriate the gelatin plant in the Zhejiang Province in order to build a new public infrastructure. The group started negotiations with the government for obtaining compensation for such expropriation. Management estimates to recover the carrying amount of the assets involved and therefore no impairment loss has been recognized as per year-end 2016.

30. RELATED PARTIES

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

As per December 31, 2016, Verbrugge nv, controlled by Picanol nv, is holding 15,618,653 shares (36.26% of the company). Its affiliated company Symphony Mills nv holds 1,694,774 shares (3.94%). Picanol Group is a listed Belgian industrial company and specialized in the development, production and sale of weaving machines, engineered casting solutions and custom-made controllers. Picanol Group is represented in the Board of Directors through two members: Mr. Stefaan Haspeslagh (Chairman Picanol Group) and Mr. Luc Tack (Managing Director Picanol Group).

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

Premiums for an amount of 1.7 million EUR were paid to the Belgian pension fund, "OFP Pensioenfonds" (2015: 2.6 million EUR). Liabilities related to employee benefit schemes as per December 31, 2016, include 13.5 million EUR related to the "OFP Pensioenfonds" (2015: 6.9 million EUR).

Transactions with joint-ventures:

(Million EUR)	2016	2015
Transactions with joint-ventures - Sales	56.5	32.2
Transactions with joint-ventures - Purchases	-20.2	-30.8
Current assets	7.1	8.2
Current liabilities	1.1	1.9

The increase in revenue with joint-venture is explained by Tessenderlo Kerley Services Inc., which is currently executing engineering and construction activities for the joint-venture Jupiter Sulphur LLC.

Transactions with associates:

(Million EUR)	2016	2015
Other operating income	0.1	0.1

Dividends were received from joint-ventures and associates for an amount of 1.1 million EUR (2015: 1.8 million EUR), while dividends received from other investments amounted to 0.0 million EUR (2015: 0.1 million EUR).

Transactions with the members of the Group Management Committee/Executive Committee:

(Million EUR)	2016	2015
Short-term employee benefits	1.3	1.4
Post-employment benefits	0.0	0.0
Termination benefits	-	0.1
Total	**1.3**	**1.5**

Short-term employee benefits include salaries and accrued bonuses over 2016 (including social security contributions), car leases and other allowances where applicable.

The short term employee benefits include 1.1 million EUR fix and 0.2 million EUR variable employee benefits (2015: 0.7 million EUR and 0.6 million EUR respectively).

The employee benefits of the Group Management Committee are included until January 14, 2015. The Board of Directors decided on January 14, 2015, to replace the Group Management Committee by an Executive Committee, which was composed by the co-CEO's (Luc Tack/Melchior de Vogüé), the Executive Directors (currently Findar BVBA, represented by Stefaan Haspeslagh) as well as any other member appointed by the Board of Directors (no one at this stage). On April 30, 2015, Melchior de Vogüé left the group.

There was no new emission of warrants in 2016 and no warrants were exercised by members of the current Executive Committee during 2016.

31. AUDITOR'S FEES

PwC Bedrijfsrevisoren bcvba (PwC), represented by Peter Van den Eynde, was re-appointed as group statutory auditor by the shareholders meeting of the company on June 7, 2016.

The fees paid by the group to its auditor amounted to:

(Million EUR)	2016			
	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	-	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
Total	**0.8**	**-**	**0.1**	**0.9**

(Million EUR)	2015			
	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	0.2	0.5
PwC (Outside Belgium)	0.5	-	0.1	0.6
Total	**0.8**	**-**	**0.3**	**1.1**

32. SUBSEQUENT EVENTS

No significant subsequent events occurred after the balance sheet date.

33. GROUP COMPANIES

Listed below are all the group companies.

The total number of consolidated companies is 56[15].

List of the consolidated companies on December 31, 2016, accounted for by the full consolidation method:

Europe	Entity	Address	Belgian company number	Ownership
Belgium	Dyka Plastics nv	3900 Overpelt	0414467340	100%
Belgium	Limburgse Rubber Produkten nv	1050 Brussels	0415296392	100%
Belgium	Tessenderlo Chemie International nv	1050 Brussels	0407247372	100%
Belgium	Tessenderlo Chemie nv	1050 Brussels	0412101728	parent company
Belgium	Tessenderlo Finance nv	1050 Brussels	0878995984	100%
Czech Republic	Dyka s.r.o.	27361 Velka Dobra		100%
France	Akiolis Group SAS	72000 Le Mans		100%
France	Atemax France SAS	72000 Le Mans		100%
France	Établissements Charvet Père et Fils SAS	91490 Milly-La-Forêt		100%
France	Produits Chimiques de Loos SAS	59120 Loos		100%
France	Tessenderlo Kerley France SAS	59120 Loos		100%
France	SAR (Société Azuréenne de Récupération) SAS	06670 Castagniers		100%
France	Soleval France SAS	72000 Le Mans		100%
France	Sotra-Seperef SAS	62140 Sainte Austreberthe		100%
France	Tefipar SAS	59120 Loos		100%
France	Tessenderlo Services SARL	59120 Loos		100%
France	Établissements Violleau SAS	79380 La Forêt sur Sèvre		100%
Germany	BT Bautechnik Impex GmbH	86551 Aichach		100%
Germany	PB Gelatins GmbH	31582 Nienburg		100%
Hungary	BTH Fitting Kft	3636 Vadna		100%
Italy	Tessenderlo Cologna Veneta S.r.l.	20122 Milano		100%
Luxembourg	Térélux SA	2163 Luxembourg		100%
Poland	Dyka Polska Sp.z.o.o.	55-221 Jelcz-Laskowice		100%
Romania	Dyka Plastic Pipe Systems S.R.L.	76100 Bucarest, sector 1		100%
Slovakia	Dyka SK s.r.o.	82109 Bratislava		100%
The Netherlands	Dyka BV	8331 LJ Steenwijk		100%
The Netherlands	Nyloplast Europe BV	3295 KG 's Gravendeel		100%
The Netherlands	Plastic Pipe Systems Holding BV	8331 LJ Steenwijk		100%
The Netherlands	Tessenderlo NL Holding BV	4825 AV Breda		100%
United Kingdom	Dyka UK Ltd.	Longtown-Carlisle Cumbria CA6 5LY		100%
United Kingdom	John Davidson Holdings Ltd.	Edinburgh EH3 8UL		100%
United Kingdom	John Davidson Pipes Ltd.	Edinburgh EH3 8UL		100%
United Kingdom	PB Gelatins UK Ltd.	Pontypridd CF 375 SQ		100%
United Kingdom	Tessenderlo Holding UK Ltd.	Pontypridd CF 375 SQ		100%

[15] Siram SARL, Impex Wimmer GmbH and BT Bautechnik Impex GmbH & Co. Kg have merged with other subsidiaries of the group. Apeval SAS has been sold (note 4 - Acquisition and disposals), while MPR Middle East WLL has been dissolved (note 14 - Investments accounted for using the equity method).

US			
US	Environmentally Clean Systems LLC	Dover, Delaware 19904	69.01%
US	ECS Myton, LLC	Dover, Delaware 19904	51.00%
US	Kerley Trading Inc.	Dover, Delaware 19904	100%
US	MPR Services Inc.	Dover, Delaware 19904	100%
US	PB Leiner USA Corporation	Davenport, Iowa 52806	100%
US	Tessenderlo Kerley, Inc.	Dover, Delaware 19904	100%
US	Tessenderlo Kerley Services, Inc.	New Mexico - 88220 Carlsbad	100%
US	Tessenderlo U.S.A. Inc.	Dover, Delaware 19904	100%

Rest of the world			
Argentina	PB Leiner Argentina SA	Sarmiento 1230, piso 4° - Ciudad Autónoma de Buenos Aires	100%
Brazil	PB Brasil Industria e Commercio de Gelatinas Ltda	Acorizal, Mato Grosso CEP 78480-000	100%
Chile	Kerley Latinoamericana Commercializadora Limitada	9358 Santiago	100%
China	PB Gelatins (Wenzhou) Co. Ltd.	Ping Yang County - 325401 Zhejiang Province	80.00%
China	PB Gelatins (Heilongjiang) Co. Ltd.	Kongguo County - Heilongjiang Province	100%
China	Tessenderlo Trading (Shanghai) Co. Ltd.	China R.P. - 200021 Shanghai	100%
Japan	TKI Japan KK	Tokyo - Chiyoda-ku	100%
Mexico	Tessenderlo Kerley Mexico SA de CV	Novojoa, Sonora	100%
Paraguay	Maramba S.R.L.	Villa Hayes - Asuncion del Paraguay	100%
Turkey	Tessenderlo Agrochem Tarim Ve Kimya San. Ve Tic. Ltd. Sti.	34387 Kuştepe - Şişli / İstanbul	100%

List of the consolidated companies on December 31, 2016, accounted for by the equity method:

Europe				
Belgium	T-Power SA	1200 Brussels	0875650771	20,00%
France	Établissements Michel SAS	31800 Villeneuve de Rivière		50,00%

Rest of the world			
US	Jupiter Sulphur LLC	Dover, Delaware 19904	50,00%
US	Wolf Mountain Products LLC	Lindon - Utah 84042	45,00%

List of the non-consolidated companies on December 31, 2016, due to their insignificant impact on the consolidated figures:

Europe			
Switzerland	Tessenderlo Schweiz AG	5332 Rekingen	100%
United Kingdom	Britphos Ltd.	Pontypridd CF 375 SQ	100%

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS as adopted for use by the European Union requires management to make judgments, estimates and assumptions that affect the application of the accounting policies, the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results could differ from those estimates.

Estimates and assumptions are reviewed periodically and the effects of revisions, if needed, are reflected in the financial statements.

The judgments, estimates and assumptions used in preparing the consolidated financial statements as per December 31, 2016, are the same as those applied and disclosed in the consolidated financial statements at December 31, 2015.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below:

- Impairments. The carrying amount of financial assets, property, plant and equipment, goodwill and other intangible assets is reviewed at each balance sheet date to determine whether an indication of impairment exits. If any such indication exists, the asset's recoverable amount is estimated (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Other intangible assets).
- Inventory obsolescence and lower of cost of net realizable value adjustments, which are determined based on experience and the assessment of market circumstances (note 17 - Inventories).
- Employee benefits. The calculation of defined benefit obligations is based on actuarial assumptions such as future salary increases, inflation and through the use of a discount rate (note 23 - Employee benefits).
- Deferred taxes. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. In making its judgment, management takes into account the long term business strategy (note 15 - Deferred tax assets and liabilities).
- Provisions and contingencies. The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows. Provisions can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation, a change in best practices for sanitation, a change in timing of cash outflows, a change in agreement with authorities on the treatment of the polluted site or other factors of a similar nature (note 24 - Provisions).
- Financial instruments (note 26 - Financial instruments). These are measured at fair value in the statement of financial position based on:
    - inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices) or
    - inputs for the asset or liability that are not based on observable market data.

STATEMENT ON THE TRUE AND FAIR VIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE FAIR OVERVIEW OF THE MANAGEMENT REPORT

Mr. Luc Tack (CEO) and Mr. Stefaan Haspeslagh, representative of Findar BVBA (COO/CFO), certify, on behalf and for the account of the company, that, to his/their knowledge,

a) the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and the income statement of the company, and the entities included in the consolidation as a whole,

b) the consolidated management report includes a fair overview of the development and performance of the business and the position of the company, and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.

AUDITOR'S REPORT

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2016

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated accounts - Unqualified opinion

We have audited the consolidated financial statements of Tessenderlo Chemie nv ("the Company") and its subsidiaries (jointly "the group") for the year ended 31 December, 2016, 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 total of the consolidated statement of financial position amounts to 1,358.8 million EUR and the consolidated statement of comprehensive income shows a profit for the year of 98.2 million EUR.

Board of Directors' responsibility for the preparation of the consolidated accounts

The board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as 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 (ISAs) as endorsed in Belgium. 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 board of Directors and the company's officials the explanations and information necessary for performing our audit.

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

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

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.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact 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 does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Antwerp, 31 March, 2017

The Statutory Auditor
PwC Bedrijfsrevisoren bcvba
Represented by Peter Van den Eynde

STATUTORY FINANCIAL REPORT

Balance sheet of Tessenderlo Chemie nv

(Million EUR)	2016	2015
Total assets		
Non-current assets	**963.0**	**911.7**
Other intangible assets	0.4	5.2
Property, plant and equipment	92.1	91.7
Financial assets	870.5	814.9
Current assets	**441.0**	**470.1**
Non-current trade and other receivables	0.7	0.7
Inventories	74.8	65.2
Current trade and other receivables	275.8	295.3
Other investments	57.7	80.0
Cash and cash equivalents	21.1	18.6
Prepaid expenses and accrued income	10.9	10.2
Total assets	**1,404.0**	**1,381.8**
Total liabilities		
Shareholders' equity	**801.5**	**721.9**
Issued capital	215.8	215.0
Share premium	235.6	232.9
Reserves	26.1	23.1
Retained earnings	323.7	250.9
Capital grants	0.3	0.2
Provisions and deferred taxes	**133.1**	**141.2**
Provisions	132.1	140.1
Deferred taxes	1.0	1.0
Liabilities	**469.4**	**518.7**
Liabilities due in more than one year	262.4	261.2
Liabilities due within one year	200.8	251.4
Accrued expenses and deferred income	6.2	6.1
Total liabilities	**1,404.0**	**1,381.8**

Profit and loss statement of Tessenderlo Chemie nv

(Million EUR)	2016	2015
Total operating income	**403.1**	**462.5**
Sales	342.1	398.8
Change in work in progress, finished goods and orders in progress (increase+/decrease-)	9.8	7.7
Production capitalized	1.5	4.1
Other operating income	46.2	45.3
Non-recurring operating income	3.5	6.6
Total operating charges	**-401.1**	**-429.6**
Raw materials and goods purchased for resale	-188.1	-217.2
Services and other goods	-137.8	-141.4
Wages, salaries, social charges and pensions	-60.7	-67.0
Depreciations and amortizations on formation expenses, tangible and intangible assets	-10.3	-12.5
Amounts written-off stocks and trade receivable (charges (-) / write-back (+))	-0.3	0.4
Provision for liabilities and charges (utilisations and write-backs less charges)	8.6	13.6
Other operating charges	-10.5	-3.2
Non-recurring operating charges	-1.9	-2.3
Operating result	**2.0**	**32.9**
Finance income	95.1	97.5
Finance costs	-21.3	-151.2
Profit before taxes	**75.8**	**-20.8**
Income taxes	-0.1	-0.1
Deferred taxes	0.1	0.1
Profit (+) / losses (-)	**75.8**	**-20.7**
Untaxed reserves	0.2	0.2
Profit (+) / losses (-) for the year to be allocated	**76.1**	**-20.5**

Allocations and distributions

(Million EUR)	2016	2015
The Tessenderlo Chemie nv Board of Directors propose to allocate the		
- Profits, being	76.1	-20.5
- Increased by prior years' retained earnings	250.9	271.4
Totaling:	**326.9**	**250.9**
In the following manner:		
- Reserves	3.2	-
- Dividends	-	-
- Retained earnings	323.7	250.9
Totaling:	323.7	250.9

Extract from the Tessenderlo Chemie nv separate (non-consolidated) financial statements prepared in accordance with Belgian GAAP

The preceding information is extracted from the separate Belgian GAAP financial statements of Tessenderlo Chemie nv. These separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request at Tessenderlo Chemie nv, Troonstraat 130, 1050 Brussel.

It should be noted that only the consolidated financial statements present a true and fair view of the financial position and performance of the group.

Since Tessenderlo Chemie nv is essentially a holding company, which recognizes its investments at cost in its non-consolidated financial statements, these separate financial statements present no more than a limited view of the financial position of Tessenderlo Chemie nv. For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at, and for the year ended December 31, 2016.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Tessenderlo Chemie nv prepared in accordance with Belgian GAAP for the year ended December 31, 2016, give a true and fair view of the financial position and results of Tessenderlo Chemie nv in accordance with all legal and regulatory dispositions.

FINANCIAL GLOSSARY

Basic earnings per share (Basic EPS)
Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the weighted average number of ordinary shares outstanding during the period.

Capital employed (CE)
The carrying amount of property, plant and equipment (PP&E), other intangible assets and goodwill together with working capital.

Capital expenditure
Amount of money spent to upgrade, acquire or maintain property, plant and equipment (PP&E) and other intangible assets.

Dividend per share (gross)
Total amount paid as dividend divided by the number of shares issued at closing date.

Diluted earnings per share (Diluted EPS)
Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the fully diluted weighted average number of ordinary shares outstanding during the period.

Diluted weighted average number of ordinary shares
Weighted average number of ordinary shares, adjusted by the effect of warrants on issue.

EBIT
Earnings before interests and taxes (Profit (+)/loss (-) from operations).

Gearing
Net financial debt divided by the sum of net financial debt and equity attributable to equity holders of the company.

Leverage
Net financial debt divided by REBITDA over the last 12 months.

Market capitalization
Number of shares issued (at the end of the period) multiplied by the market price per share (at the end of the period).

Net financial debt
Non-current and current loans and borrowings minus cash and cash equivalents and bank overdrafts.

Non-recurring and exceptional operating income/(expense) items
Non-recurring and exceptional operating items are those items that in management's judgment need to be disclosed by virtue of their size or incidence. Such items are disclosed on the face of the consolidated income statement or separately disclosed in the notes to the financial statements. Transactions which may be recognized as non-recurring and exceptional operating items are principally related to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

Payout ratio
Gross dividend divided by profit for the period attributable to equity holders of the company.

REBIT
Recurring earnings before interests and taxes (Profit (+)/loss (-) from operations before non-recurring and exceptional operating income/(expense) items).

REBITDA
Recurring earnings before interests, taxes, depreciation, amortization and provisions. (Profit (+)/loss (-) from operations before non-recurring and exceptional operating items plus depreciation, amortization and provisions).

Return on capital employed (ROCE)
REBIT (last 12 months) divided by the average capital employed (last 4 quarters) .

Theoretical aggregated weighted tax rate
Calculated by applying the statutory tax rate of each country on the profit before tax of each entity and by dividing the resulting tax charge by the total profit before tax of the group.

Weighted average number of ordinary shares
Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

Working capital
The sum of inventories, trade and other receivables minus trade and other payables.

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