

In 2019, we have delivered on all of our strategic priorities

Through relentless strategic execution and group-wide commitment to our three-pillar agenda, Etex made significant strides forward in 2019 toward its ambition: to establish ourselves as a lightweight construction specialist in order to meet global challenges and be a key player in the transformation of the construction industry.

Advancing on our three-pillar agenda

The future success of our company hinges on three priorities defined in 2018: **profitable growth, operational performance and engaged people**. All of our concrete strategic initiatives and decisions are both driven and enabled by this three-pillar agenda, which requires the dedication of every single Etex colleague around the world.

Profitable growth

Financial results

We recorded **remarkable financial results** in 2019 as a group, with mixed divisional results adding up to record top-line growth. Our Building Performance, Residential Roofing and Industry divisions delivered strong growth, while Exteriors was down in the context of a transitional year. Both the REBITDA and net recurring profit (Group share) of Etex have recorded double digit growth, while the net financial debt has decreased with more than EUR 360 million year-on-year, to reach its lowest level since 2011 (read more on p. 15).

Progress on our six strategic pillars

Last year, Etex made notable achievements related to the six key strategic pillars defined by our leadership team. The group's GBP 140-million investment – the largest in its history – on a **new plasterboard factory** in Bristol (UK) underlines our confidence in the strong potential of the British market and the commitment to our customers. This new, state-of-the-art plant will feature energy- and resource-efficient production technologies.

In order to **maximise our position in fibre cement**, the Exteriors division was launched in January 2019. It centralises the production capabilities, resources and technologies of all our fibre cement activities, achieving greater agility, alignment and customer centricity. While 2019 was a transitional year, robust foundations in quality, innovation and branding were laid, paving the way for a promising future.

In Residential Roofing, we have **divested two large businesses last year**, Marley Ltd (UK) and Umbelino Monteiro (Portugal). This decision is fully aligned with our strategy, as roofing tiles and components fall outside the scope of our ambition to become a global player in lightweight and modular construction. In Germany and Eastern Europe,

we have successfully strengthened our Creaton brand.

Our **Promat** passive fire protection and thermal insulation solutions are world leaders in quality, innovation and performance. Last year, we launched a comprehensive brand awareness campaign with clear segmentation and positioning, accelerated our innovation strategy in all business segments and unrolled a digital knowledge centre to share know-how and best practices.

We have also reached four important **digital milestones** in 2019: the creation of a dedicated digital team, the launch of communication platform Hubster, the introduction of a Building Information Modelling (BIM) automation tool, and the fast rollout of Salesforce.

Last but not least, we have decided to create a new division dedicated to lightweight, dry and modular building technologies. Operational since January 2020, **New Ways** combines our expertise in fibre cement and plasterboard solutions with new methods of construction that are faster, more sustainable, resource friendly and affordable than traditional approaches. The division specialises in two core modular building technologies, wood and steel framing.

Jean-Louis de Cartier de Marchienne, Chairman of the Board of Directors

Paul Van Oyen, Chief Executive Officer

Our deepest gratitude

When it comes to embracing a dynamic global environment, harnessing its opportunities and transforming the world in the process, we cannot do this without our people. We extend our deep appreciation to all of our employees for their commitment to our ambitions and willingness to adopt new ways of working, thinking and acting to transform Etex into the building materials company of the future.

Our heartfelt gratitude also goes to our shareholders, partners and customers for their continuing trust in Etex.

The currently ongoing coronavirus crisis will obviously have a major impact on our performance in 2020, although it is currently impossible to accurately determine it. We are confident that our financial position, strong balance sheet at the end of 2019 and available financial resources will allow us to face the situation. We are determined to take all the necessary measures to protect our employees, to support our customers by keeping our business running, and to continue to Inspire ways of living.

Operational performance

New organisational structure

Etex's new structure was discussed in the 2018 annual report and continues to be highly relevant to our 2019 results. A common theme throughout this year's report is the **increasing unity, alignment, agility and focus** that this new structure has given us. The creation of the New Ways division is a huge achievement on this front.

As part of our transformation journey towards a customer-centric organisation, a **Supply Chain** function has been created at group level, with the appointment of a Head of Supply Chain in July 2019. Subsequently, a Supply Chain Center of Excellence is being implemented to harmonise and improve processes to world class levels. By driving these processes we will improve both our efficiency and our ability to partner with customers, as well as delight them.

One Etex: a movement in motion

In 2018, we introduced One Etex: a global movement that aims to **align processes, activities and collaboration** within our organisation to take performance and customer focus to new heights. After launching the project at our annual Senior Leaders Meeting, we reached several milestones last year:

- **Kick-off of the seven workstreams:** manufacturing, supply chain, finance, human resources, SAP, CRM and master data
- **Simplification of strategic and forecasting processes**
- **Opening of a Shared Services Centre in Vilnius, Lithuania**
- **Go-live of first robot** for process automation
- **Redesign of the performance management process**

Relentlessly committed to zero accidents

Safety was, is and will continue to be our top priority, as illustrated by our **"Safety is key, it's up to you and me"** slogan. Etex facilities around the world set new records for accident-free days – with nine sites celebrating at least ten years of accident-free operations in 2019.

19.73 safety training hours and 5.8 safety conversations per employee were recorded, and corrective actions were taken following 86% of accidents, serious event reports and near misses. The gravity rate of accidents decreased from 0.40 in 2018 to 0.11 last year, while the number and frequency of accidents remained steady. Moving forward, we remain **committed to becoming a zero-accident organisation**.

Building a sustainable, socially responsible organisation founded on integrity

Our new global code of conduct, 'The Etex Way', was launched in 2019. It clarifies Etex's commitment to safety, ethics, integrity and its enhanced focus on compliance. It sets out the minimum standard to which all colleagues must adhere so that Etex can maintain its high ethical standards in all countries in which it operates. Our new code is supplemented by an e-learning module guiding employees through the key principles that everyone should follow at all times. Completing this module is now an integral part of the performance review cycle of all white-collar employees.

Sustainalytics issued a report granting Etex an environmental, social and governance (ESG) rating score of 19.9. Etex ranks 9th out of 118 peers in Building Products (Industry Group). The report states that Etex is at **low risk of experiencing material financial impacts from ESG factors**, due to its low exposure and average management of material ESG issues.

Targeting excellence in purchasing

Last year, Etex continued its journey towards **purchasing excellence**, strengthening category management and harmonising purchasing processes. These measures led to material savings of EUR 47 million and will be amplified in 2020.

How did our businesses perform in 2019?

On a like-for-like basis, Etex's revenue grew by 4.9% to EUR 2,940 million.

Building Performance recorded significant like-for-like revenue growth of 8.0%, with strong performance in almost all geographies. Excluding the two businesses divested in 2019, **Residential Roofing** recorded a like-for-like revenue increase of 3.9%, mainly thanks to the strong performance of the Creaton brand in Eastern Europe. The **Exteriors** division experienced a transitional first year, with a 3.1% like-for-like reduction of revenue attributable to Northern Europe, Germany, Latin America and the United States. The revenue of the **Industry** division grew by 4.3% like-for-like, with strong revenue growth recorded for the third year running.

Like-for-like, Etex achieved a 15.6% REBITDA improvement over 2018, reaching EUR 483 million. This performance is mainly attributable to the combination of the increase in volumes and an improved gross profit. Overheads have been contained following the execution of restructuring measures decided at the end of 2018.

2019 was a record year in terms of **Etex's net recurring profit (Group share), which increased by 12.7% to EUR 187 million.** This strong performance was achieved even in the face of increased net financial charges primarily due to the newly recognised lease debt. Cash generation reached EUR 152 million before dividends, acquisitions and business disposals – also a performance milestone.

Etex's net financial debt decreased strongly to EUR 331 million at the end of December 2019, despite the impact of additional lease debt caused by compliance with new lease accounting rules. The reduction can be attributed mainly to proceeds from the sale of Residential Roofing businesses in the UK and Portugal and the continuing favourable effects of the non-recourse factoring programme set up in 2015.

More details on our 2019 performance on p. 26.

Engaged people

Introducing the Etex Awards

Responding to the results of our first global employee engagement survey in 2018, we introduced the Etex Awards in 2019: **three levels of recognition for individuals and teams** that deliver exceptional performance, significant financial impact or breakthroughs on Etex's strategic goals. 405 Etex Impact Awards and 66 Etex Excellence Awards were presented in 2019. Due to the outbreak of the COVID-19 sanitary crisis, the presentation of the first Etex CEO Award has been postponed until Q2 this year.

Acting on our sense of purpose

Last year, Etex partnered with non-profit organisation **Techo**, a Latin American housing initiative fighting poverty in countries across the region, to build safe, beautiful, affordable and resilient modular homes for families in Peru. Our call for Etex volunteers generated a tremendous response, with over 400 candidates applying to participate. Together with Techo experts, the Etex volunteers demonstrated our **shared commitment to 'Connect and Care'** by improving the living conditions of nine families in the Ventanilla district near Lima. Moving forward, we will continue to build on our collaboration with Techo and set up new projects embodying our "Inspiring ways of living" purpose.

Fostering talent for the future

The young talent today will be the Etex leaders of the future. To **shape, develop and inspire our emerging talent**, we organised the second edition of the Etex Explorer programme in 2019 in collaboration with Vlerick Management School (Belgium). Through this intensive week-long programme, our most promising young colleagues have learned more about themselves, our organisation and the path to sustainable profitable growth.

Paul Van Oyen,
Chief Executive Officer

Jean-Louis de Cartier de Marchienne,
Chairman of the Board of Directors