



Our CEO engaged in a conversation with six teammates to summarise key topics of 2020 for Etex.

We care about the world

→ **Eva Angeli**
Corporate Social Responsibility Specialist

As a company with a global role and a long-term vision, we care about our teammates, our customers and the planet. In 2020, we created the Green Team, a group of 30 internal experts and motivated employees who focussed on sustainability.

Thanks to their efforts in collecting and reviewing our global environmental data to ensure that it is aligned with Global Reporting Initiative standards, Etex now has group-wide CSR reporting capabilities.

Watch the video



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Financial report

Results fuelling focused growth

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Consolidated financial statements

Consolidated income statement

<i>in thousands of EUR</i>	Notes	2019	2020
Revenue	(1)	2,940,083	2,615,892
Cost of sales	(2)	-2,044,201	-1,767,505
Gross profit		895,882	848,387
Distribution expenses	(2)	-400,231	-346,947
Administrative and general expenses	(2)	-185,371	-171,256
Other operating charges	(3)	-22,819	-23,687
Other operating income	(3)	4,851	4,479
Operating income before non recurring items		292,312	310,976
Gain / (losses) on disposal of assets and businesses	(4)	137,304	38,389
Other non recurring items	(4)	-161,709	-77,015
Operating income (EBIT)		267,907	272,349
Interest income	(5)	6,402	3,026
Interest expenses	(5)	-32,464	-24,090
Other financial income	(5)	6,327	10,449
Other financial expense	(5)	-10,822	-14,566
Share of profit in equity accounted investees	(12)	1,118	-2,304
Profit before income tax		238,468	244,863
Income tax expense	(6)	-57,733	-43,604
Profit for the year		180,735	201,259
Attributable to shareholders of Etex		175,981	194,134
Attributable to non-controlling interests		4,754	7,125

Consolidated statement of comprehensive income

<i>in thousands of EUR</i>	2019	2020
Profit for the year	180,735	201,259
Remeasurements in employee benefit obligations	-81,527	-55,058
Income tax effect	17,220	13,912
Net other comprehensive income not to be reclassified to income statement in subsequent periods	-64,308	-41,147
Changes in cash flow hedge reserves	4,521	10,410
Income tax effect	-1,617	-2,299
Exchange differences on translation of foreign operations	-1,341	-83,672
Net other comprehensive income to be reclassified to income statement in subsequent periods	1,563	-75,562
Other comprehensive income, net of tax	-62,744	-116,708
Total comprehensive income for the period, net of tax	117,991	84,550
Attributable to shareholders of Etex	115,869	80,314
Attributable to non-controlling interests	2,121	4,237

Consolidated statement of financial position

<i>in thousands of EUR</i>	Notes	2019	2020
Non-current assets		2,093,578	1,873,823
Property, plant and equipment	(7)	1,631,437	1,392,373
<i>Property, plant and equipment - owned</i>	(7)	1,513,450	1,288,177
<i>Property, plant and equipment - leased</i>	(7)	117,986	104,197
Goodwill	(8)	122,411	123,447
Other intangible assets	(9)	200,392	196,784
Investment properties	(10)	14,148	13,369
Assets held for sale	(11)	3,215	5,461
Investments in equity accounted investees	(12)	9,526	18,024
Other non-current assets	(13)	3,649	3,469
Deferred tax assets	(24)	98,033	114,218
Employee benefits assets	(21)	10,768	6,677
Current assets		914,014	1,024,682
Inventories	(15)	403,419	333,094
Trade and other receivables	(14)	310,494	277,267
Other current assets	(14)	7,070	23,984
Cash and cash equivalents	(17)	193,031	390,337
TOTAL ASSETS		3,007,592	2,898,505
Total equity	(18)	1,159,403	1,200,534
<i>Issued share capital</i>		2,533	2,533
<i>Share premium</i>		743	743
<i>Reserves and retained earnings</i>		1,119,234	1,167,101
Attributable to the equity shareholders of Etex		1,122,510	1,170,377
Non-controlling interests		36,893	30,157
Non-current liabilities		916,697	794,071
Provisions	(19)	126,021	131,446
Employee benefits liabilities	(21) (22)	392,303	385,976
Loans and borrowings	(23)	301,871	199,017
<i>of which leasing</i>	(23)	96,071	86,402
Deferred tax liabilities	(24)	76,097	66,561
Other non-current liabilities	(25)	20,405	11,071
Current liabilities		931,492	903,900
Provisions	(19)	58,363	40,561
Current portion of loans and borrowings	(23)	229,484	230,123
<i>of which leasing</i>	(23)	24,056	20,925
Trade and other liabilities	(25)	643,645	633,216
TOTAL EQUITY AND LIABILITIES		3,007,592	2,898,505

Consolidated statement of cash flows

<i>In thousands of EUR</i>	Notes	2019	2020
Operating income (EBIT)		267,907	272,349
Depreciation, amortization and impairment losses - owned	(26)	260,568	168,799
Depreciation, amortization and impairment losses - leased assets	(26)	28,090	27,201
Losses (gains) on sale of intangible assets and property, plant and equipment	(26)	-3,329	-8,799
Losses (gains) on sale of businesses		-133,057	-28,865
Income tax paid	(26)	-65,348	-61,562
Changes in working capital, provisions and employee benefits	(26)	-24,343	64,233
Changes in other non currents assets/liabilities		3,119	7,089
Cash flow from operating activities		333,607	440,445
Proceeds from sale of intangible assets and property, plant and equipment	(26)	7,691	19,778
Acquisition of business		-	-17,946
Disposal of business		276,546	108,623
Capital expenditure - owned	(26)	-134,893	-90,639
Other investing activities	(a)	-1,025	-15,401
Cash flow from investing activities		148,319	4,415
Capital increase / (decrease)		16	1,169
Proceeds (repayment) of borrowings		-332,765	-108,242
Interest and dividend received	(26)	7,262	3,759
Dividend paid	(26)	-47,675	-53,949
Interest paid		-22,418	-17,687
Cash flow from financing activities		-395,580	-174,950
Net increase (decrease) in cash and cash equivalents		86,346	269,910
Cash and cash equivalents at the beginning of the year		127,183	192,510
Translation differences		7,569	-21,911
Changes in the scope of consolidation		-28,588	-50,499
Net increase (decrease) in cash and cash equivalents		86,346	269,910
Net cash and cash equivalents at the end of the year		192,510	390,010
<i>Cash and cash equivalents</i>		193,031	390,337
<i>Bank overdrafts</i>		-521	-327

(a) 'Other investing activities' mainly include the effect of capital increases and acquired activities in 'investments in equity accounted entities' (note 12)

Consolidated statement of changes in equity

Attributable to the equity holders of Etex (Note 18)							
<i>in thousands of EUR</i>	Issued share capital and share premiums	Treasury shares	Post employment benefits reserves and financial instruments	Cumulative translation adjustments	Other reserves and retained earnings	Non-controlling interests	Total Equity
At December 31, 2018	3,276	-19,988	-230,127	-293,894	1,585,702	36,772	1,081,740
Total comprehensive income	-	-	-61,234	1,120	175,983	2,121	117,991
Capital increase / (decrease)	-	-	-	-	-	16	16
Dividend	-	-	-	-	-45,335	-2,039	-47,375
Other equity movements	-	-	-	-	7,008	23	7,031
Treasury shares	-	-	-	-	-	-	-
At December 31, 2019	3,276	-19,988	-291,361	-292,774	1,723,358	36,893	1,159,403
Total comprehensive income	-	-	-33,036	-80,786	194,136	4,237	84,550
Capital increase / (decrease)	-	-	-	-	-	1,169	1,169
Dividend	-	-	-	-	-45,335	-11,576	-56,911
Other equity movements	-	-	14,462	-	-1,573	-565	12,324
Treasury shares	-	-	-	-	-	-	-
At December 31, 2020	3,276	-19,988	-309,935	-373,560	1,870,585	30,157	1,200,534

Accounting policies

Etex N.V. (the “Company”) is a company domiciled in Belgium. The consolidated financial statements comprise the Company and its subsidiaries, interests in jointly controlled entities and equity accounted entities (together referred to as “the Group”) as at 31 December each year.

The financial statements have been authorised for issue by the Board of Directors on 01 April 2021.

Statement of compliance

The consolidated financial statements of Etex for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU).

The Group applied the same IFRSs as those adopted in the previous years, except for the new IFRSs and interpretations the entity adopted as of 1st January 2020.

The nature each of the following new standards, amendments and/or interpretations are described below:

- Amendments to references to the conceptual framework in IFRS standards (effective 1 January 2020)

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

- Amendments to IAS 1 and IAS 8 (effective 1 January 2020)

The amendments clarify the definition of material and make IFRSs more consistent. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need. The amendments are not expected to have a significant impact on the preparation of financial statement.

- Amendments to IFRS 9, IAS 39 and IFRS 7 (effective 1 January 2020)

These amendments provide certain reliefs in connection with the interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

- Amendments to IFRS 3 Business combinations (effective 1 January 2020)

The change revises the definition of a business. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.

The amendments and/or interpretations do not have any significant effect on the financial statements.

Basis of preparation

A - Functional and presentation currency

The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

B - Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets are stated at their fair value: derivative financial instruments. Also, the liabilities for cash-settled share based payment arrangements are measured at fair value. The consolidated financial statements have been prepared using the accrual basis for accounting, except for cash flow information.

C - Use of judgement, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and related disclosures at the date of the financial statements. These judgements, estimates and associated assumptions are based on management's best knowledge at reporting date of current events and actions that the Group may undertake in the future. However, actual results could differ from those estimates, and could require adjustments to the carrying amount of the asset or liability affected in the future. The estimates and underlying assumptions are reviewed on an ongoing basis.

The significant estimates made by management concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The recoverable amount of the cash-generating units tested for impairment is the higher of its fair value less costs to sell and its value in use. Both calculations are based on a discounted cash-flow model. The cash flows are derived from the internal forecasts for the next three to ten years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units, including a sensitivity analysis, are further explained in Note 8.

Provisions

The assumptions that have significant influence on the amount of the provisions are the estimated costs, the timing of the cash outflows and the discount rate. These assumptions are determined based on the most appropriate available information at reporting date. Further details about the assumptions used are given in Note 19.

Employee benefits

The measurement of the employee benefits is based on actuarial assumptions. Management believes that the assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases used for these actuarial valuations are appropriate and justified. They are reviewed at each balance-sheet date. However, given the long-term nature of these benefits, any change in certain of these assumptions could have a significant impact on the measurement of the related obligations. Further details about assumptions used are given in Note 21.

Recognition of deferred tax assets on tax losses carried forward

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of the deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The potential utilisation of tax losses carried forward is based on budgets and forecasts existing at reporting date. Actual results could differ from these budgets with an impact on the utilisation of tax losses carried forward.

Cash-settled share-based payment transaction

The Group measures the cost of cash-settled transactions with employees by reference to the fair value of the equity instruments at each reporting date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 22.

Financial instruments

To measure the fair value of financial assets that cannot be derived from active markets, management uses a valuation technique based on discounted future expected cash flows. The inputs of this model require determining a certain number of assumptions, including discount rate, liquidity risk and volatility, subject to uncertainty. Changes in these assumptions could have an impact on the measurement of the fair value. Further details are given in Note 16.

Business Combinations

The acquisition method is applied in business combinations. The consideration is measured at fair value on the transaction date, which is also the date when fair value of identifiable assets, liabilities and contingent liabilities acquired in the transaction are measured. If the accounting of a business combination is incomplete at the end of the reporting period, in which the transaction occurred, the Group will report preliminary values for the assets and liabilities. Preliminary values are adjusted throughout the measuring period of maximum one year in order to reflect new information obtained about circumstances that existed as of the acquisition date, that if known, would have affected the valuation on that date. Correspondingly, new assets and liabilities can be recognised. The transaction date is when risk and control has been transferred and normally coincides with the closing date.

Non-controlling interests are recognised either at fair value or the proportionate share of the identifiable net assets and liabilities. The assessment is done for each transaction.

Any differences between cost and fair value for acquired assets, liabilities and contingent liabilities are recognised as goodwill or recognised in the income statement when the cost is lower. No provisions are recognised for deferred tax on goodwill.

Transaction costs are recognised in the income statement when incurred.

If business combinations are achieved in stages, the existing ownership interests is recognised at fair value at the point in time when control is transferred to the Group. Such a change in the carrying value of the investment is recognised in the income statement.

The principles applied to the recognition of acquisition of associated companies and joint ventures are in general the same as those applied to the acquisition of subsidiaries.

Hyperinflation

In May 2018, the Argentinian peso underwent a severe devaluation resulting in the three-year cumulative inflation of Argentina to exceed 100% in 2018, thereby triggering the requirement to transition to hyperinflation accounting as prescribed by IAS 29 Financial Reporting in Hyperinflationary Economies as of 1 January 2018. The main principle in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy must be stated in terms of the measuring unit current at the end of the reporting period. Therefore, the non-monetary assets and liabilities stated at historical cost, the equity and the income statement of subsidiaries operating in hyperinflationary economies are restated for changes in the general purchasing power of the local currency applying a general price index. Monetary items that are already stated at the measuring unit at the end of the reporting period are not restated. These re-measured accounts are used for conversion into Euro at the period closing exchange rate. Consequently, the company has applied hyperinflation accounting for its Argentinian subsidiaries applying the IAS 29 rules as follows:

- Hyperinflation accounting was applied as of 1 January 2018;
- Non-monetary assets and liabilities stated at historical cost (e.g. property plant and equipment, intangible assets, goodwill, etc.) and equity of Argentina were restated using an inflation index. The hyperinflation impacts resulting from changes in the general purchasing power until 31 December 2017 were reported in retained earnings and the impacts of changes in the general purchasing power from 1 January 2018 are reported through the income statement on a dedicated account for hyperinflation monetary adjustments in the finance line (see also Note 5 Finance income and expense);
- The income statement is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies), thereby restating the year to date income statement account both for inflation index and currency conversion;

D - Basis of consolidation

Subsidiaries

Subsidiaries are entities that are controlled, directly or indirectly, by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Investments in associates and joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Equity accounted entities are companies over which the Group generally holds between 20 per cent and 50 per cent of the voting rights. The Group’s interest in joint ventures or equity accounted entities is consolidated using the equity method.

Equity accounting starts when joint control or significant influence is established until the date it ceases. When the Group’s share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of any further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the companies. The financial statements of these companies are prepared for the same reporting year as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Unrealised gains arising from transactions with joint ventures and equity accounted entities are eliminated to the extent of the Group’s interest. Unrealised losses are eliminated the same way as unrealised gain but only to the extent that there is no evidence of impairment. The investments accounted for using the equity method include the carrying amount of any related goodwill.

E - Foreign operations

The individual financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). Income statements of foreign entities are translated into the Group’s reporting currency at average exchange rates for the year. Assets and liabilities, including goodwill and fair value adjustments arising on consolidation are translated at exchange rates ruling on 31 December. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a non euro entity, the cumulative amount recognised in equity relating to that particular foreign operation is released to the income statement.

F - Transactions in foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates on 31 December are recognised in the income statement. Non-monetary assets and liabilities in a foreign currency are translated using the exchange rate at the date of the transaction.

G - Exchange rates

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

		2019		2020	
		Average	End of period	Average	End of period
Argentinean peso	ARS	67.0400	67.0400	103.5297	103.5297
Chilean peso (000)	CLP	0.7875	0.8365	0.9026	0.8724
Chinese yuan	CNY	7.7367	7.8155	7.8740	8.0250
Colombian peso (000)	COP	3.6748	3.6815	4.2140	4.2120
Danish krone	DKK	7.4662	7.4715	7.4541	7.4409
Pound sterling	GBP	0.8778	0.8508	0.8899	0.8990
Hungarian forint	HUF	325.3006	330.5300	351.2878	363.8900
Indonesian rupiah (000)	IDR	15.8396	15.5956	16.6321	17.2408
Nigerian naira	NGN	343.3113	404.8980	436.1916	503.4178
Peruvian nuevo sol	PEN	3.7362	3.7238	4.0016	4.4470
Polish zloty	PLN	4.2961	4.2568	4.4418	4.5597
US dollar	USD	1.1197	1.1234	1.1432	1.2271
South African rand	ZAR	16.1746	15.7773	18.7255	18.0219

Risk profile

The Group is exposed to the normal range of general business risks. The Group takes measures to cover these risks through insurance and internal policies. Fully operational since 2011, the internal audit department reviews our companies in a three-year cycle.

Typical risks include third-party and product liability, property damage, business interruption, employer’s liability, and, in certain instances, credit risk.

The Group is active around the world. As such, the group is exposed to the impact of currency fluctuations on revenues, costs, assets, and liabilities arising outside the Eurozone. In 2020, the Group continued to follow our well-thought-out policies for addressing these risks.

Demand for building materials is mainly driven by growing populations and increasing prosperity. Another important factor is changing macroeconomic parameters, including GDP growth, public spending, interest rates and government policies.

The Group achieves risk diversification through our geographic spread and diversified portfolio. An additional element contributing to this diversification is the Group’s broad involvement in residential, commercial, and industrial building, as well as renovation and new housing developments.

The Group uses a variety of raw materials to manufacture its products. Cement, for instance is a key ingredient. It is usually broadly available from several suppliers. Furthermore, the fibres which are used to reinforce some of our products are sourced from a limited number of Japanese and Chinese companies. The Group has built long-term relationships and contracts with each of these businesses. For natural resources such as clay and gypsum, we either own raw material supplies or we secure them by means of long-term contracts.

Our energy costs are significant. This is true for the production of specific products as much as for the manufacturing of the raw materials we receive from our suppliers. That is why we constantly review measures to reduce our energy consumption.

In the past, some Group companies regrettably used asbestos as a raw material. These businesses are exposed to claims from people having developed asbestos-related diseases. The Group is committed to ensuring fair compensation for those suffering from an illness caused by our former use of asbestos. The compensation costs are covered by state social security schemes, insurance companies and our own resources. Given the long latency of some of these diseases, we will remain exposed to this risk in the medium term.

For the Group’s risks from business activities and the use of financial instruments, we refer to section ‘R- Risk management.

Significant accounting policies

The accounting policies have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by all entities. Certain comparatives have been reclassified to conform to current year’s presentation.

A - Property, plant and equipment

Property, plant and equipment are measured at acquisition or construction costs less accumulated depreciation and impairment loss (see Note E). The cost of property, plant and equipment acquired in a business combination is the fair value as at the date of acquisition. After recognition, the items of property, plant and equipment are carried at cost and not revaluated.

Costs include expenditures that are directly attributable to the acquisition of the asset; e.g. costs incurred to bring the asset to its working condition and location for its intended use. It includes the estimated costs of dismantling and removing the assets and restoring the sites, to the extent that the liability is also recognised as a provision. The costs of self-constructed assets include the cost of material, direct labour and an appropriate proportion of production overheads. Borrowing costs incurred and directly attributable to the acquisition or construction of an asset that takes a substantial period of time to get ready for its intended use, are capitalised as incurred. When all the activities necessary to prepare this asset are completed, borrowing costs cease to be capitalised.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the operating income in the year the asset is derecognised.

Subsequent expenditures

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the costs of the item can be measured reliably. The carrying amount of the parts replaced is derecognised. All other costs are recognised in the income statement as an expense as incurred.

Assets held under lease (right-of-use assets)

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The corresponding lease liabilities are included in non-current and current financial liabilities.

Depreciation

Depreciation starts when an asset is available for use and is charged to the income statement on a straight-line basis over the estimated useful life. The depreciable amount of each part of property, plant and equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately over its useful life on a straight-line basis. Costs of major inspections are depreciated separately over the period until the next major inspection. Temporarily idle assets continue to be depreciated.

Estimated useful lives of the major components of property, plant and equipment are as follows:

– Lands (excluding lands with mineral reserves):	<i>nil</i>
– Lands with mineral reserves:	<i>exploitation lifetime</i>
– Lands improvements and buildings:	<i>10 - 40 years</i>
– Plant, machinery and equipment:	<i>5 - 30 years</i>
– Furniture and vehicles:	<i>3 - 10 years</i>

Mineral reserves, which are presented as “lands” of property, plant and equipment, are valued at cost and are depreciated based on the physical unit-of-production method over the estimated tons of raw materials to be extracted from the reserves.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

B - Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (see Note E).

Internally generated intangible assets are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. Expenditure capitalised include the costs of materials, direct labour and an appropriate portion of overheads.

The useful lives of intangible assets are assessed to be either finite or indefinite on the following bases:

– Patents, trademarks and similar rights:	<i>Indefinite</i>
– Software ERP:	<i>10 years</i>
– Other software:	<i>5 years</i>
– Development costs:	<i>15 years</i>
– Customer lists:	<i>3 - 15 years</i>
– Brands:	<i>15 years</i>
– Technology and design:	<i>15 years</i>
– Rights to exploit and extract mineral resources:	<i>usage</i>

Intangible assets with finite lives are amortised over the useful economic life using the straight-line method. The estimated useful lives are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates by changing the amortisation charge for the current and future periods. The amortisation expense is recognised in the income statement in the expense category consistent with the function of the asset.

C - Goodwill

Goodwill represents the excess of the cost of a business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, equity accounted entities or joint venture at the date of acquisition. Goodwill on acquisitions of equity accounted investee or joint ventures is included in the carrying amount of the investments. Goodwill on the acquisition of subsidiaries is presented separately, and is stated at cost less accumulated impairment losses (see Note E).

If the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, this excess (frequently referred to as negative goodwill or badwill) is immediately recognised in the profit and loss statement, after a reassessment of the fair values.

Additional investments in subsidiaries in which the Company already has control are accounted for as equity transactions; any premium or discount on subsequent purchases of shares from minority interest are recognised directly in the Company’s shareholders equity.

D - Investment property

Investment property is property held to earn rental income or for capital appreciation or for both and is valued at acquisition cost less accumulated depreciation and impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Investment property is depreciated similar to owned property (see Note A).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation.

E - Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset, other than inventories and deferred taxes, may be impaired. If any such indication exists, the recoverable amount of the asset (being the higher of its fair value less costs to sell and its value in use) is estimated. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised in the income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for that asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised immediately in the income statement apart from goodwill for which no such reversal is allowed.

Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be adequate. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Financial assets: When a decline in the fair value of a financial asset valued at fair value over OCI (FVOCI) has been recognised directly in comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in comprehensive income is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. The reversal of an impairment loss in respect of an investment in an equity instrument classified as financial asset FVOCI, following an event occurring after the recognition of the impairment loss, is performed in comprehensive income. In the case of equity investments classified as financial asset FVOCI, objective evidence would include a significant or prolonged decline in fair value of the investment below its cost.

F - Investments in debt and equity securities

All purchases and sales of investments are recognised on trade date, which is the date that the Group commits to purchase or sell the asset.

Investments in equity securities are undertakings in which the Group does not have significant influence or control. These investments are designated as fair value through OCI financial assets, as they are not held for trading purposes. At initial recognition they are measured at fair value unless the fair value cannot be measured reliably in which case they are measured at cost. The fair value is determined by reference to their quoted bid price at reporting date. Subsequent changes in fair value, except those related to impairment losses which are recognised in the income statement, are recognised directly in comprehensive income. On disposal of an investment, the cumulative gain or loss previously recognised in comprehensive income is recognised in the income statement.

G - Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an asset, the grant value is recognised as a deferred income and is released to the income statement as a reduction of the depreciation charge over the expected useful life of the relevant asset by equal annual instalments. When the grant relates to a compensation of an expense, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs incurred.

Government grants that are expected to be released within twelve months after the reporting date are classified as other current liabilities. The other government grants are classified as non-current liabilities.

H - Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is assigned by using the weighted average cost method. The cost of inventories comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. For manufactured inventories, cost means full cost including all direct and indirect production costs required to bring the inventory items to the stage of completion at the reporting date. Allocation of indirect production costs is based on normal operating capacity. Borrowing costs are expensed as incurred. The costs of inventories may also include transfers from equity of any gain or loss on qualifying cash flow hedges on foreign currency purchases of inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

I - Trade and other receivables

Trade and other receivables are initially recognised at fair value which generally corresponds with the nominal value. Trade and other receivables are subsequently carried at amortised cost using the effective interest rate method. An impairment allowance is recognised for any uncollectible amounts when there is objective evidence that the Group will not be able to collect the outstanding amounts. The Group applies the simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses.

J - Cash and cash equivalents

Cash and cash equivalents are readily convertible into known amounts of cash. Cash and cash equivalents comprise cash at banks and on hand and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are not included in cash and cash equivalents but classified as current financial liabilities. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are carried in the statement of financial position at amortised cost.

K - Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares or share options are recognised as a deduction of equity, net of tax effects.

Treasury shares

Own equity instruments (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Dividends

Dividends are recognised as liabilities in the period in which they are declared.

L - Provisions

A provision is recognised when the Group has a legal or constructive obligation arising from past events for which it is probable the settlement will require an outflow of resources embodying economic benefits and a reliable estimate can be made on the amount of the obligation. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. The result of the yearly discounting of the provision, if any, is accounted for as financial result.

Warranty provisions

The Group recognises a provision to cover the costs arising from contractual obligation or established practice of repairing or replacing faulty or defective products sold on or before the reporting date. The estimate of warranty provision is based on past experience on the level of repairs, applied to past period sales that are still under warranty.

Restructuring provisions

Restructuring provisions are recognised when one of the following conditions is met:

- the decision to restructure is based on a detailed formal plan identifying at least: the business and the employees concerned, the expected expenditures and the expected date of implementation,

- there is a valid expectation that the plan will be carried out to those affected by it by the reporting date,
- the restructuring has either commenced or has been announced publicly.

Any restructuring provision only includes the direct expenditure arising from the restructuring which is necessarily incurred and is not associated with the ongoing activities of the Group.

Emission rights

The initial allocation of emission rights granted is recognised at nominal amount (nil value) and is subsequently carried at cost. Where the Group has emitted CO² in excess of the emission rights granted, it will recognise a provision for the shortfall based on the market price at that date. The emission rights are held for compliance purposes only and therefore the Group does not actively trade these in the market.

Other provisions

These captions include provisions for claims and litigation with customers, suppliers, personnel, tax authorities and other third parties. It also includes provisions for onerous contracts, for guarantees given to secure debt and commitment of third parties when they will not fulfil their obligation and for site restoration costs.

A provision for onerous contracts is recognised 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.

A provision for site restoration costs in respect of contaminated land is recognised whenever the Group has a legal obligation to clean the land or where there is an intention to sell the land.

Provisions that are expected to be settled within twelve months after the reporting date are classified as other current liabilities. The other provisions are classified as non-current liabilities.

M - Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation,
- or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the statement of financial position. They are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed if the inflow of economic benefits is probable.

N - Post employment benefits and other long-term employee benefits

Defined benefits plans

Some Group companies provide pension or medical plans for their employees which qualify as defined benefits plans. The net obligation resulting from these plans, which represents the amount of future benefits that employees have earned in return of their service in the current and prior periods, are determined separately for each plan by a qualified actuary using the projected unit credit method. The calculations are based on actuarial assumptions relating to mortality rates, rates of employee turnover, future salary levels and medical costs increase which reflect the economic conditions in each country or entity.

Discount rates are determined by reference to the market yields at the reporting date on high quality corporate bonds or to the interest rates at the reporting date on government bonds where the currency and terms of the bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Re-measurements, comprising actuarial gains and losses (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit obligation under :

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in operating income before non-recurring items
- Net interest expense in interest expenses.

The defined benefit liability is the aggregate of the present value of the defined benefits obligation reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, a net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan and any unrecognised past service costs.

Defined contributions plans

In addition to the defined benefits plans described above, some Group companies sponsor defined contributions plans based on local practices and regulations. The Group's contributions to defined contributions plans are charged to the income statement in the period in which the contributions are due.

Other long term benefits plans

Other long term obligations include the estimated costs of early retirement for which a constructive obligation exists at reporting date.

Short term benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short term cash-bonus plans if the Group has a present and constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

O - Employee benefits – Share based payment transactions

The Group operates various share-based compensation plans which qualify as equity-settled transactions with a cash alternative. In addition to the shares options, beneficiaries receive put options which entitle them to a cash payment, and as management assumes that most of these put options will be exercised, the Company accounts for the grants as a cash-settled transaction. The services received and the liability incurred are measured initially at fair value at the grant date using the Black and Scholes method taking into account the terms and conditions upon which the instruments were granted. The initial fair value is expensed over the period until vesting. The fair value of the liability is re-measured at each reporting date up to and including the settlement. Any changes in fair value of the liability are recognised in the income statement.

P - Financial liabilities

Bank loans and other borrowings

Bank loans and other borrowings are recognised initially at the fair value of the consideration received, net of transaction costs incurred. In subsequent periods, bank loans and other borrowings are stated at amortised cost, with any difference between costs and redemption value being recognised in the income statement, using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

These liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Lease payments do not include payments allocated to non-lease components of a contract. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occur.

The Group presents interests paid on its lease liabilities as financing activities in the cash-flow statement. Variable payments as well as amounts paid for short-term and low-value leases are presented as operating activities.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset

The lease payments due within twelve months are included in current financial liabilities.

Q - Trade and other payables

Trade and other payables are initially recognised at fair value which generally corresponds with the nominal value. They are subsequently carried at amortised cost using the effective interest rate method.

R - Risk Management

The Group has exposure to the following risks from its business activities and use of financial instruments in running and managing its business:

a. Market risk

b. Credit risk

c. Liquidity risk

d. Capital risk

The Group's risk management policies have been established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly in the light of market conditions and changes in the Group's activities.

As the COVID-19 pandemic continues to develop and an increasing number of countries are continuously reviewing their containment measures, companies around the world remain under pressure. Etex is no exception, and the impact of the virus outbreak on our business continues to evolve. We have limited visibility when it comes to the potential impact of the virus on our markets in the coming months. Any disruption is uncertain, but we have robust governance and management tools in place to mitigate any potential impact and to closely monitor the level of spending.

a. Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices, will (positively or negatively) affect the Group's income or expenses or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group creates financial assets and incurs financial liabilities in the ordinary course of business. It buys and sells derivatives in order to manage market risk. Generally, the Group seeks to apply hedge accounting to allow it to offset, at maturity, the gains or losses on the hedging contracts against the value of costs and revenue. Hedge accounting enables it to manage volatility in the income statement.

Currency risk

In its operations, the Group is exposed to currency risk on sales, purchases and borrowings.

The translation of local statements of financial position and income statements into the Group reporting currency leads to currency translation effects. If the Group hedges net investments in foreign entities with foreign currency borrowings or other instruments, the hedges of net investments are accounted for similarly to cash flow hedges. All foreign exchange gains or losses arising on translation are recognised in equity and included in cumulative translation differences.

Due to the nature of the Group's business, a high proportion of revenues and costs is in local currency, thus transaction risk is limited. Where Group entities have expenditures and receipts in different foreign currencies, they enter into derivative contracts themselves or through the Group's treasury centre to hedge their foreign currency exposure over the following months (based on forecasted purchases and sales). These derivatives are designated either as cash flow hedges, fair value hedges or non hedging derivatives.

Interest rate risk

The Group's primary source of funding is floating rate bank debt. Therefore it is exposed to the risk of changes, beneficial or adverse, in market interest rates. The Group's long-term borrowings have been raised by companies in Belgium, Chile, and Germany. To manage its interest costs, the Group has entered into interest rate swaps. The hedges ensure that the major part of the Group's interest rate cost on borrowings is on a fixed rate basis. The timing of such hedges is managed so as to lock interest rates whenever possible.

Equities and securities risk

Equity price risk arises from financial asset valued at fair value through OCI. In general, the Group does not acquire any shares or options on shares or other equity products, which are not directly related to the business of the Group.

b. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or finance counterparty to a deposit, lending or derivative instrument fails to meet its contractual obligations. It arises principally from the Group's receivables from customers and from bank deposits and investment securities. It also includes the risk that a financial counterparty may fail to meet its obligation under a financial liability. The Group constantly monitors credit risk, and ensures that it has no excessive concentration of credit risk with any single counterparty or group of connected counterparties.

To manage the risk of customer default, the Group periodically assesses the financial reliability of customers, and establishes purchase limits for each customer. The Group applies the simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses. The main components of these allowances are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Finance counterparties consist of a number of major financial institutions. The Group does not expect any counterparties to fail to meet their obligations, including their lending obligations, given their high credit risk ratings. Nevertheless, the Group seeks to spread its interactions with the banking world on a sufficient number of market players to mitigate the risk of a potential default.

c. Funding and long term liquidity risk

Funding risk is the risk that the Group will be unable to access the funds that it needs when it comes to refinance its debt or through the failure to meet the terms of its main syndicated credit facility. A summary of the terms of the facility are to be found in note 23 on financial debts. Refinancing risk is managed through developing and maintaining strong bank relationships with a group of financial institutions and through maintaining a strong and prudent financial position over time.

Long term liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, and so avoid incurring unacceptable losses or risking damage to the Group's reputation.

Short term liquidity risk is managed on a daily basis with funding needs being fully covered through the availability of credit lines. Cash is maintained, where necessary, to guarantee the solvency and financial flexibility of the Group at all times. In 2015 a factoring and credit insurance plan is set up for trade receivables (refer to note 14).

d. Capital risk

The Group's primary objective when managing capital is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic situations.

S - Derivative financial instruments

The Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risk associated with foreign currency and interest rate fluctuations. In accordance with its treasury policy, the Group does not hold derivative financial instruments for trading purposes. Derivative financial instruments that do not qualify for hedge accounting are accounted for as financial assets and liabilities at fair value through profit and loss.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into. The fair value of derivative financial instruments is either the quoted market price or is calculated using pricing models taking into account current market rates and current creditworthiness of the counterparties.

Subsequently to initial recognition, derivative financial instruments are stated at fair value at the reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Derivative financial instruments are stated at cost if their fair value cannot be measured reliably.

Gains or losses on re-measurement to fair value are recognised immediately in the income statement unless the derivative qualifies for hedge accounting whereby recognition is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives either as:

- a hedge of a particular risk associated with a recognised asset or liability or highly probable forecasted transaction, such as variability in cash flows of future interest payments on a floating rate debt (cash flow hedge), or
- a hedge of a net investment in a foreign entity.

A derivative instrument is accounted for as a hedge, when:

- The hedging relationship is documented as of its inception.
- The hedging is highly effective in achieving its objective.
- The effectiveness can be reliably measured.

For a cash flow hedge, the forecasted transaction which is the subject of the hedge must be highly probable.

Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are effective are recognised in equity. Where the firm commitment results in the recognition of a non-financial asset, for example property, plant equipment or inventory, or a non-financial liability, the gains or losses previously recognised in equity are transferred from equity and included in the initial measurement of the non-financial asset or liability. Otherwise, amounts recognised in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the cash flows, such as interest payments, or hedged firm commitments, affect the income statement. Any ineffective portion is reported immediately in the income statement. When a hedging instrument is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed transaction ultimately is recognised in the income statement. However, if a committed transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedge

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation that are effective, are recognised in equity and included in cumulative translation differences. The amounts deferred in equity are transferred to the income statement on disposal of the foreign entity.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, may not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement. The changes in fair value that are recognised in profit and loss of the period are classified in operating result if the derivative relates to a non-financial asset and in financial result if the derivative relates to a financing transaction.

T - Income taxes

Income taxes include current and deferred income taxes.

Current income taxes

Current tax is the expected tax payable on taxable income for the year, and any adjustment to tax payable in respect of previous years. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred income taxes

Deferred income taxes are calculated, using the balance sheet liability method, on all temporary differences arising between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax base. The amount of deferred tax provided is based on the expected manner of realisation of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the reporting date.

Deferred tax liabilities are recognised, except:

- where the temporary differences arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit on that date.
- in respect of taxable temporary differences associated with investments in subsidiaries, equity accounted entities and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised only when it is probable that taxable profits will be available in the coming 3 years, against which the deductible temporary difference or the tax loss to be carried forward can be utilised, except:

- where the temporary differences arise from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit on that date.
- in respect of deductible temporary differences associated with investments in subsidiaries, equity accounted entities and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date to assess the probability that sufficient taxable profit will be available to allow deferred taxes to be utilised.

Deferred tax is recognised in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is treated accordingly.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

U - Revenue

Revenue arising from contracts with customers is recognised applying the five-step model. Revenue is recognized at an amount that reflects the consideration to which Group expect to be entitled in exchange for transferring goods or services to a customer.

Sales of goods

Contracts with customers to sell goods has only performance obligation. Revenue recognition (net of sales tax and discounts) occurs at a point in time, when control of the asset is transferred to the customer.

Project - Construction contracts

A limited number of activities of the Group (representing less than 1% of total revenues) are construction contract driven. Consequently contract revenue and contract costs are recognised in the income statement on the percentage-of-completion method, with the stage of completion being measured by reference to actual work performed to date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract expenses that are recoverable. In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the estimated ultimate loss is charged to the income statement.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases.

Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

Dividends

Dividends are recognised when the Group's right to receive payment is established.

V - Expenses

Finance income and expenses

Finance costs comprise:

- interest payable on borrowings calculated using the effective interest rate method;
- foreign exchange gains and losses on financial assets and liabilities;
- gains and losses on hedging instruments that are recognised in the income statement;
- the expected return on plan assets; and
- interest costs with respect to defined benefit obligations.

The interest expense component of lease payments is recognised in the income statement using the effective interest rate method.

W - Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

A discontinued operation is a component of the Group business that represents a separate major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operations meet the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

X – Non recurring items

Income statement items that relate to significant restructuring measures and business transformations, health claims and environmental remediation, major litigation, and goodwill impairment, income or expenses arising from disposal of businesses or non productive assets and other significant one-off impacts such as those relating to long term employee benefits settlement.

Y - Hyperinflation

Following the categorization of Argentina as a country with a three-year cumulative inflation rate greater than 100%, the country is considered highly inflationary in accordance with IFRS thereby triggering the requirement to transition to hyperinflation accounting as prescribed by IAS 29 Financial Reporting in Hyperinflationary Economies.

Z - Future changes in accounting policies

New or amended standards and interpretations issued up to the date of issuance of the Group's financial statements, but not yet effective for 2020 financial statements, which could be applicable to the Group are listed below:

- Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 1 January 2022)

It affects only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The IASB has issued an exposure draft to defer the effective date to 1 January 2023. They:

- o Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- o Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services

- IFRS 17 Insurance contracts (effective 1 January 2023)

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (effective 01/01/2022).

The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- o **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- o **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- o **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making.
- o **Annual Improvements** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 01/01/2021).

These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective 01/06/2020, with early application permitted).

If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 01/01/2021).

This amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Explanatory notes

Note 1 – Revenue

Revenue by activity

<i>In thousands of EUR</i>	2019	2020
Building Performance	1,782,666	1,639,285
Exteriors	587,930	569,397
Residential Roofing	379,026	253,252
Industry	178,988	143,659
New Ways	11,473	10,299
Total	2,940,083	2,615,892

Revenue by geographical area

<i>In thousands of EUR</i>	2019	2020
France	522,538	488,589
Germany	386,315	412,161
United Kingdom	470,186	339,926
Benelux	190,589	171,685
Poland	133,689	125,258
Spain	124,525	115,429
Other Europe	414,391	395,039
Chile	102,391	88,725
Argentina	71,662	54,795
Peru	73,044	60,047
Colombia	64,110	51,863
Nigeria	83,536	72,083
South Africa	53,168	28,439
Rest of the World	249,939	211,853
Total	2,940,083	2,615,892

Note that the sales in the United Kingdom for 2020 (€ 339,926 thousand) should be compared to €358,828 thousand the corresponding pro forma value for 2019, excluding the sales realized by Marley in the United Kingdom, a business disposed in the course of 2019.

Note 2 – Operating charges by nature

The Group's major operating charges by function in 2020 are as follows:

<i>In thousands of EUR</i>	Personnel & temporary	Depreciation & impairment	Goods & materials	Energy	Transport & travel	Others	Total
Cost of sales	-316,053	-131,763	-741,083	-172,771	-250,541	-155,294	-1,767,505
Distribution expenses	-197,935	-27,412	-	-580	-11,431	-109,588	-346,947
Administrative and general expenses	-100,070	-9,291	-	-606	-2,357	-58,931	-171,256
Other operating charges	-11,708	-4,455	-	-91	-742	-6,691	-23,687
Non recurring items	-20,206	-23,079	-	-	-	4,659	-38,626
Total	-645,972	-196,000	-741,083	-174,048	-265,072	-325,846	-2,348,021

The Group's major operating charges by function in 2019 are as follows:

<i>In thousands of EUR</i>	Personnel & temporary	Depreciation & impairment	Goods & materials	Energy	Transport & travel	Others	Total
Cost of sales	-348,829	-148,505	-879,740	-189,382	-279,311	-198,434	-2,044,201
Distribution expenses	-207,879	-28,106	-	-679	-20,075	-143,492	-400,231
Administrative and general expenses	-102,790	-12,523	-	-588	-6,093	-63,376	-185,371
Other operating charges	-14,021	-1,334	-	-83	-1,934	-5,447	-22,819
Non recurring items	-19,116	-98,192	-	-	-	92,903	-24,405
Total	-692,636	-288,658	-879,740	-190,733	-307,414	-317,846	-2,677,027

The Group's total personnel expenses, are made up of the following elements:

<i>In thousands of EUR</i>	2019	2020
Wages and salaries	-506,688	-466,521
Social security contributions	-108,746	-103,661
Contributions to defined contribution plans	-11,662	-11,086
Charges for defined benefit plans (service cost)	-14,654	-18,586
Restructuring and termination charges	-19,116	-20,206
Other employee benefits expenses	-31,770	-25,912
Total employee benefits expenses	-692,636	-645,972

The number of the Group's employees is split into the following categories:

<i>In thousands of EUR</i>	2019	2020
Production	8,566	7,869
Sales and marketing	3,901	3,548
Administration and research	1,371	1,361
Average number of personnel	13,838	12,778

Note 3 – Other operating charges and income

<i>In thousands of EUR</i>	2019	2020
Research	-20,539	-20,434
Other operating taxes	-2,241	-2,205
Direct expenses arising from investment properties	-2	-35
Miscellaneous	-37	-1,013
Total other operating charges	-22,819	-23,687

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<i>In thousands of EUR</i>	2019	2020
Income from investment property	880	598
Government grant amortisation	1,461	1,497
Royalties and license income	-37	-
Miscellaneous	2,547	2,384
Total other operating income	4,851	4,479

Note 4 – Non recurring items

<i>In thousands of EUR</i>	2019	2020
Gains / (losses) on disposal of assets	4,247	9,524
Gains / (losses) on disposal of businesses	133,057	28,865
Total gains / (losses) on disposal of assets and businesses	137,304	38,389
Restructuring costs	-36,340	-43,039
Health claims	-9,518	-1,635
Environmental remediation	-18,100	-18,460
Asset impairment	-61,558	-8,727
Impairment on goodwill	-29,500	-
Others	-6,694	-5,154
Total other non recurring items	-161,709	-77,015
Non recurring items	-24,405	-38,626

Etex has opted for a non recurring classification of significant one-off impacts on the income statement, both positive and negative impacts relating to significant restructuring measures and business transformation, gain and losses on disposal of assets or businesses and goodwill impairments, settlements relating to post-employment liabilities or litigation not relating to current activities. Non recurring items also include the impact of health claims and environmental remediation, as these health claims and environmental remediation impacts can fluctuate from one year to another and relate to the asbestos legacy of Etex.

The 2020 gain on disposal of assets relates to disposal of non operational sites in Germany, in Mexico and in Chile. In 2019, it related mainly to additional compensation received triggered by development permit obtained by third party to which we sold, in 2005, a real property located in the United Kingdom.

In December 2020, Etex completed the disposal of the Creaton roofing business in Germany, Hungary, Poland and Belgium to the French company Terreal. Earlier in 2020, the disposal of the South African Marley Roofing business and the associated company RBB (Belgium) took place. Etex divested Marley in in the United Kingdom and Umbelino Monteiro in Portugal, two other businesses in the clay and concrete tile segment, in 2019. Following the disposals of Marley, Umbelino and Creaton businesses over 2019 and 2020, Etex completely divested its clay and concrete tile activities and its division Residential Roofing by the end of 2020. In another segment, Etex also disposed in 2020 its German fire-resistant glass business part of the Industry division to AGC Glass Europe

Out of total gain on business disposals realised in 2020 (€ 28,865 thousand), a prominent part was generated by the disposal of the Creaton business. In total, businesses sales transactions of 2020 generated a net disposal proceed of €108,623 thousand (mainly linked to the Creaton business) and a price adjustments of €10.567 thousand to be collected in 2021.

The 2019 disposal of Marley Ltd in in the United Kingdom is the most significant part of the gain that was realised on the disposal of businesses. Business disposals in 2019 in other segments related to the water-based paints joint-venture Rothenburg in Thailand and the disposal of the Nidaplast business, French polypropylene honeycomb blocks and panels producer.

In 2020, impairment loss relates to the thermal insulation powder blanket line in Belgium (€4,951 thousand), to unused gypsum concession in Cyprus (€2,264 thousand) and to some divested or poorly performing production lines in Chile, in France and in Germany (€1,512 thousand).

The impairment losses incurred in 2019 were relating to Residential Roofing division for both goodwill (€29,500 thousand) and property, plant & equipment (€60,022 thousand).

Restructuring charges in 2020 mainly relate to the following:

- the closure of the Bègles plasterboard-paper mill (charges €20,742 thousand and impairment of equipment for €13,756 thousand) and the re-location of a production line in France (charges €3,367 thousand, impairment of equipment for €596 thousand),
- the centralisation of commercial processes of Industry division, including internal customer services and technical support (€2,569 thousand),
- the re-location of shared service centre roles to Lithuania (€ 1,368 thousand),
- the remaining part of the restructuring charges include the further re-design of regional functions within the Etex Exteriors division (in Chile and in Ireland), specific restructuring measures made mainly in Central and Eastern Europe, partially offset by the reversal of some unnecessary restructuring provisions booked in prior year in the Residential Roofing division.

In 2019, following restructuring measures were implemented:

- the closure of the clay tile plant in Malsch, Germany (charges €16,475 thousand and impairment of equipment for €4,474 thousand) and the re-location of a production line in France (charges €2,092 thousand, impairment of equipment for €2,660 thousand),
- the re-design and centralisation of regional functions within the Etex Exteriors division as well as down-sizing sales and operations roles in France, Denmark, Italy and Switzerland (€4,377 thousand),
- the restructuring with Etex Residential Roofing management roles in disposed entities which took place prior to disposal of businesses (€2,880 thousand),
- other streamlining and centralisation of support roles (€ 3,381 thousand), in Belgium and in Germany.

The health claims charges decrease in 2020 compared to prior year as Etex had, in 2019, to adjust the then experienced and expected increase in future cost in specific geographies.

Environmental remediation charges cover various projects for which costs were exposed to renovate asbestos-containing sites and properties.

Other non recurring charges amount to €5,154 in 2020: this includes mainly one-off external advisors fees with respect to acquisition projects, to non-operational assets disposals and more, as well as specific charges incurred in order to deeply transform the IT support processes within Etex gradually as from 2021. Favourable impact of reversed post-disposal provision not deemed necessary are also included. In 2019, other non recurring (€ 6,694 thousand) charges were relating to acquisition and disposal projects mainly.

Note 5 – Finance income and expense

<i>In thousands of EUR</i>	2019	2020
Interest income from receivables, deposits and cash and cash equivalents (loans and receivables)	6,332	3,031
Positive impact of change in discount rate of long term provisions	48	-9
Other interest related income	22	4
Interest income	6,402	3,026
Interest expense on financial liabilities measured at amortised cost	-22,379	-17,728
Net interest expense on post-employment benefits	-5,459	-4,534
Unwinding of discount long term provisions	-433	-24
Negative impact of change in discount rate of long term provisions	-3,157	-966
Other interest related charges	-1,036	-838
Interest expense	-32,464	-24,090
Dividend income from shares in non consolidated companies	49	100
Net foreign exchange gains (loans and receivables)	6,240	10,109
Other	38	240
Other finance income	6,327	10,449
Net foreign exchange losses	-10,139	-12,198
Impairment of shares in non consolidated companies	-	-763
Hyperinflation Argentina	-378	-1,314
Other	-305	-291
Other finance expense	-10,822	-14,566
Net finance costs	-30,557	-25,181

The interest expense on financial liabilities measured at amortised cost decreased because of financing at lower cost and decreasing net financial debt position. It also includes the effect of interest rate swaps hedging the Group's interest rate risk: €7,587 thousand paid in 2020 (€7,715 thousand paid in 2019). Those interest rates swaps have all matured in December 2020.

The other interest related charges mainly include upfront fee expenses for €805 thousand (€662 thousand in 2019) in connection with external financial debt which are amortised over the duration of the loan.

Foreign exchange gains and losses are presented net of the effect of foreign exchange derivative instruments. The net exchange loss is the result of the Group's foreign exchange exposure in mainly Argentina, Indonesia, Russia, Ukraine and Nigeria on the current financial asset and liabilities in these countries.

The impact of hyperinflation in Argentina in 2020 is €-1,314 thousand (€-378 thousand in 2019).

Note 6 - Income tax expense

<i>In thousands of EUR</i>	2019	2020
Current income tax charge for the year	-65,753	-75,901
Adjustments to current income tax of previous years	-5,213	1,065
Current income tax expense	-70,966	-74,836
Origination and reversal of temporary differences	23,363	29,954
Net effect on deferred tax assets	-13,038	-536
Net effect of changes in tax rates on deferred tax	2,908	1,814
Deferred income tax expense	13,233	31,232
Total income tax expense	-57,733	-43,604

The reconciliation between the effective income tax expense and the theoretical income tax expense is summarised below. The theoretical income tax expense is calculated by applying the domestic nominal tax rate of each Group entity to their contribution to the Group profit before income tax and before share of the profit in equity accounted investees.

<i>In thousands of EUR</i>	2019	2020
Profit before income tax and before share of profit in equity accounted investees	237,350	247,167
Theoretical income tax expense (nominal rates)	-40,520	-58,888
Weighted average nominal tax rate %	17.1%	23.8%
Tax impact of		
<i>Non deductible expenses</i>	-9,690	-7,982
<i>Tax on profit distribution inside the Group</i>	-2,044	-3,306
<i>Tax-free gains/losses on investments</i>	26,291	12,004
<i>Other tax deductions</i>	4,338	3,700
<i>Unrecognised deferred tax assets on current year losses</i>	-15,706	-10,135
<i>Recognition of previously unrecognised deferred tax assets</i>	2,668	9,599
<i>Net effect of changes in tax rates on deferred tax</i>	2,908	1,814
<i>Adjustments to prior year income tax</i>	-5,213	1,065
<i>Other tax adjustments</i>	-20,765	8,525
Income tax expense recognised in the income statement	-57,733	-43,604
Effective tax rate %	24.3%	17.6%

The recognition of previously unrecognized deferred tax assets relates mainly to the structural changes being implemented that allow the future use on tax losses carried forward.

Income tax recognised directly in equity is related to:

<i>In thousands of EUR</i>	2019	2020
Actuarial gains (losses) on post employment benefit plans	17,220	13,912
Gains (losses) on financial instruments - cash flow hedging	-1,617	-2,299
Total	15,603	11,613

Note 7 - Property, plant and equipment

<i>In thousands of EUR</i>	Land and buildings	Plant, machinery, equipment	Furniture, vehicles	Other property, plant, equipment	Under construction	Total
At 31 December 2018						
Gross book value	1,144,799	2,511,616	223,868	25,287	118,151	4,023,721
Accumulated depreciation	-560,231	-1,563,378	-158,732	-26,782	-	-2,309,123
Accumulated impairment loss	-8,285	-60,201	-1,138	-78	-3,069	-72,771
Net book value	576,283	888,037	63,998	-1,573	115,082	1,641,827
<i>Of which leased assets</i>	-	3,869	10	-	-	3,879
IFRS 16 - opening balance correction	62,067	14,090	33,590	180	-	109,927
Additions	23,102	47,604	17,808	1,801	73,666	163,981
Disposals	-1,470	-802	-1,977	-114	-34	-4,397
Disposal of subsidiaries	-27,554	-26,039	-346	-	-5,266	-59,205
Transfer between captions	13,407	45,442	2,107	535	-64,373	-2,882
Depreciation for the year	-40,469	-101,248	-24,803	-1,858	-	-168,378
Impairment loss of the year	-30,510	-32,475	-1,565	-57	-450	-65,057
Reversal impairment loss	26	1	1	-	-	28
Hyperinflation - opening balance restatement through equity	25	-	-25	-	-	-
Hyperinflation - impact of the year	3,646	5,741	484	72	4,886	14,829
Translation differences	2,416	-987	-643	2,466	-2,574	678

At 31 December 2019						
Gross book value	1,187,244	2,462,129	265,077	27,652	124,234	4,066,336
Accumulated depreciation	-567,529	-1,534,685	-173,880	-26,063	-	-2,302,157
Accumulated impairment loss	-38,746	-88,080	-2,482	-137	-3,297	-132,742
Net book value	580,969	839,364	88,715	1,452	120,937	1,631,437
<i>Of which leased assets</i>	62,365	26,364	29,030	227	-	117,986
Additions	15,635	40,360	13,163	1,596	31,961	102,715
Disposals	-7,438	-193	-957	7	-	-8,581
Acquisition of subsidiaries	2,814	1,554	92	-	-	4,460
Disposal of subsidiaries	-36,697	-46,391	-9,777	3	-2,064	-94,926
Transfer between captions	15,307	28,663	1,335	3,306	-56,962	-8,351
Depreciation of the year	-36,853	-90,926	-20,164	-1,772	-	-149,715
Impairment loss of the year	-4,568	-16,645	-25	-	-768	-22,006
Reversal of impairment loss	1,292	3	4	-	-	1,299
Hyperinflation - impact of the year	1,014	5,090	330	-3	3,303	9,734
Translation differences	-27,304	-38,232	-1,739	1,387	-7,805	-73,693

At 31 December 2020						
Gross book value	1,005,734	2,064,355	217,226	29,232	92,203	3,408,750
Accumulated depreciation	-491,491	-1,301,746	-145,680	-23,181	-	-1,962,098
Accumulated impairment loss	-10,072	-39,962	-569	-75	-3,601	-54,279
Net book value	504,171	722,647	70,977	5,976	88,602	1,392,373
<i>Of which leased assets</i>	57,578	25,709	20,636	274	-	104,197

Despite the significant impact of COVID 19 on our investment's projects, several investments were made in capacity increase, sustainability, health & safety and in some replacements, especially in France, Germany, UK and Belgium. There are no borrowing costs capitalised in 2020 and 2019.

The disposal proceeds of property, plant and equipment in 2020 amount to €12,876 thousand, resulting in a net gain of € 4,295 thousand. In 2019, the proceeds amounted to €7,608 thousand with a net gain of €3,296 thousand.

Acquisition of subsidiaries (€4,460 thousand) represents the impact of FSi as disclosed in note 8.2.

We refer to note 8.3 for the impairment testing of capital employed.

Note 8 – Goodwill and business combinations

8.1. Reconciliation of the carrying amount of goodwill

<i>In thousands of EUR</i>	2019	2020
Gross book value	253,357	204,590
Accumulated impairment losses	-51,924	-82,179
Net book value at the beginning of the year	201,433	122,411
Additions through business combinations	-	4,489
Translation differences	-77	-3,453
Changes in the scope of consolidation	-49,445	-
Impairment loss of the year	-29,500	-
Net book value at the end of the year	122,411	123,447
Gross book value	204,590	141,087
Accumulated impairment losses	-82,179	-17,640

The movements of the year are resulting from the acquisition of the FSi Limited, a UK company, in 2020 (see Note 8.2). In 2019, the movements of the year are due to disposals of Roofing businesses (Marley UK and, to a lesser extent, Nidaplast) and from the impairment recognised on the remaining part of the Etex Residential Roofing division.

The main components of the carrying amount of goodwill are the following:

<i>In thousands of EUR</i>	2019	2020
Building Performance	85,789	81,858
Exteriors	11,290	11,325
Industry	25,332	27,154
New Ways	-	3,110
Total	122,411	123,447

Certain comparatives have been reclassified conform to current year's presentation in line with current organisational structure.

8.2. Business combinations

On 23 September 2020, Etex acquired 100% of the shares of FSi Limited, a UK company specialising in passive fire protection solutions with a strong focus on fire stopping with a production facility in Measham (East Midlands) and a distribution centre within the Greater London area, for a total consideration of €17.289 thousand (plus acquisition cost of €457 thousand).

The fair value of the identifiable assets and liabilities of the business acquired in 2020 as at the date of acquisition are disclosed in the following table:

<i>In thousands of EUR</i>	FSi Ltd	2020
Non-current assets	18,209	18,209
Property, plant and equipment	4,460	4,460
<i>Property, plant and equipment - owned</i>	1,646	1,646
<i>Property, plant and equipment - leased</i>	2,814	2,814
Intangible assets	13,749	13,749

Current assets	7,845	7,845
Inventories	2,103	2,103
Trade and other receivables	4,023	4,023
Cash and cash equivalents	1,719	1,719
TOTAL ASSETS	26,054	26,054

Non-current liabilities	7,243	7,243
Loans and borrowings	4,523	4,523
<i>of which leasing</i>	2,885	2,885
Deferred tax liabilities	2,720	2,720
Current liabilities	6,010	6,010
Trade and other liabilities	6,010	6,010
TOTAL LIABILITIES	13,253	13,253

Net identifiable assets and liabilities	12,801	12,801
Group share	12,801	12,801

Acquisition price satisfied in cash (Group share)	17,289	17,289
Goodwill generated	4,489	4,489

The goodwill generated by this acquisition is explained by the synergies expected from this transaction.

8.3 Impairment testing of goodwill and capital employed

Impairment reviews were performed in 2020, by comparing the carrying value of capital employed including goodwill with the recoverable amount of the cash-generating unit to which goodwill has been allocated.

The capital employed and goodwill values tested in the global cash-generating unit Building Performance include the goodwill generated by the acquisition of the plasterboard business in Europe and in Brazil in 2011, of Pladur in 2017 and of the technical construction business, at the time part of the Fire Protection and Insulation business, generated by the acquisition of Comais (1996, calcium silicate boards), Intumex (2000, intumescent products) and Cafco (2007, paint and spray) as allocated in 2017 between the Etex Building Performance and the Etex Industry divisions. It also includes a portion of the goodwill impact of the 2020 acquisition of FSi Limited (passive fire protection).

Etex Industry capital employed value, consistently tested as one whole, include the above-mentioned goodwill values and the impact of the acquisition of Microtherm (2011, high performance insulation). It also includes a portion of the goodwill impact of the 2020 acquisition of FSi Limited (passive fire protection).

The global cash-generating unit for Etex Exteriors was tested: it covers fibre-cement façade and roofing business in Europe and in Americas and was tested for impairment on its capital employed including goodwill, mainly relating to the acquisition of business in Nordic countries (2008).

Etex New Ways capital employed value, to be consistently tested as one whole, include the goodwill generated by the acquisition of EOS (2016, previously part of Building Performance).

The recoverable amount of the cash-generating units Etex Building Performance, Exteriors, Industry and New Ways was based on its value in use and exceeds by far the values of their respective capital employed. The value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- cash flows were projected based on actual operating results and the 3 year business plan,
- cash flows for further periods were extrapolated using a constant growth rate of 1.0% to 3.1% per annum depending on the countries involved and their inflation (1.5 % to 4.5% in 2019)
- cash flows were discounted using the weighted average cost of capital (WACC) in a range of 5.8 % to 9.4 % depending on the countries involved (5.8 % to 8.7 % in 2019).

In connection with the impairment testing process on the capital employed including goodwill, the future cash flows were subjected to stress tests that included changes in individual macroeconomic parameters as part of a sensitivity analysis. Goodwill values are not sensitive to reasonable changes in assumptions (such as an increase of WACC by 1%).

Etex management will closely monitor the impact of macro-economic evolution, including the potential impact of the Covid 19 virus.

Note 9 – Intangible assets other than goodwill

<i>In thousands of EUR</i>	Concessions	Software	Brands	Technology	Customer list	Others	Total
At 31 December 2018							
Gross book value	85,474	104,026	103,814	75,885	60,339	14,683	444,221
Accumulated amortisation	-18,799	-78,763	-49,747	-32,832	-24,879	-12,389	-217,409
Accumulated impairment losses	-4,540	-381	-	-	-991	-58	-5,970
Net book value	62,135	24,882	54,067	43,053	34,469	2,236	220,842
Additions	182	3,688	-	-	-	1,047	4,917
Disposal of subsidiaries	-167	-46	-3,166	-	-	-	-3,379
Transfer between captions	-641	2,413	-	-129	-	148	1,791
Amortisation for the year	-264	-6,011	-6,127	-4,346	-4,445	-154	-21,347
Impairment loss of the year	-1,535	-4	-	-1,922	-	-	-3,461
Hyperinflation - impact of the year	-	5	-	-	-	-	5
Translation differences	-115	-15	634	222	-2	300	1,024
At 31 December 2019							
Gross book value	85,255	106,661	100,291	76,208	60,821	16,188	445,424
Accumulated amortisation	-19,584	-81,602	-54,883	-37,408	-29,663	-12,611	-235,751
Accumulated impairment losses	-6,076	-147	-	-1,922	-1,136	-	-9,281
Net book value	59,595	24,912	45,408	36,878	30,022	3,577	200,392
Additions	75	3,877	1,090	-	-	3,089	8,131
Disposals	-35	-8	-	-	-	-97	-140
Acquisition of subsidiaries	-	-	-	-	13,749	-	13,749
Disposal of subsidiaries	-	-737	-	-	-	-1,301	-2,038
Transfer between captions	762	4,567	-	78	-	-	5,407
Amortisation for the year	-643	-6,657	-6,865	-3,939	-4,704	-175	-22,983
Impairment loss of the year	-2,264	-117	-	-	-	-	-2,381
Hyperinflation - impact of the year	-	-9	-	-	-	-	-9
Translation differences	-1,585	-852	-675	-295	211	-148	-3,344
At 31 December 2020							
Gross book value	71,310	106,852	99,874	73,710	73,963	11,652	437,361
Accumulated amortisation	-7,327	-81,651	-60,916	-40,988	-33,817	-6,707	-231,406
Accumulated impairment losses	-8,078	-225	-	-	-868	-	-9,171
Net book value	55,905	24,976	38,958	32,722	39,278	4,945	196,784

Acquisition of subsidiaries (€13,749 thousand) represents the impact of FSI as disclosed in note 8.2.

We refer to note 8.3 for the impairment testing of capital employed.

Note 10 – Investment properties

<i>In thousands of EUR</i>	2019	2020
Gross book value	39,254	42,788
Accumulated depreciation	-18,136	-20,291
Accumulated impairment losses	-7,534	-8,349
Net book value at the beginning of the year	13,584	14,148
Depreciation for the year	-128	-283
Impairment losses	-815	-
Reversal of impairment losses	-	69
Additions	240	245
Transfer between captions	1,091	-
Disposals	-1	-659
Change in the scope of consolidation	-137	-
Hyperinflation - impact of the year	492	150
Translation differences	-178	-301
Net book value at the end of the year	14,148	13,369
Gross book value	42,788	34,126
Accumulated depreciation	-20,291	-12,477
Accumulated impairment losses	-8,349	-8,280

Investment properties comprise several pieces of land and buildings, mainly in France, Germany and Italy. The disposal amounting to €-539 thousand mainly related to investment properties in Germany, sold for a consideration of € 1,950 thousand.

The fair value of the investment properties is estimated at €20,446 thousand (€21,023 thousand in 2019). Where external valuations were not available, best estimates have been used.

Note 11 – Assets held for sale

<i>In thousands of EUR</i>	2019	2020
Gross book value	9,198	9,136
Accumulated impairment losses	-6,036	-5,921
Net book value at the beginning of the year	3,162	3,215
Disposals	-50	-1,474
Additions	-	1,092
Transfer between captions	-	2,944
Translation differences	103	-316
Net book value at the end of the year	3,215	5,461
Gross book value	9,137	11,079
Accumulated impairment losses	-5,922	-5,618

Assets held for sale are mainly lands, buildings and machines that are not used in operations and for which the Group is actively looking for a buyer. Most of these assets are located in Spain, the United Kingdom and Germany.

In 2020, a land located in Mexico was disposed. The transfer between captions for 2020 (€2,892 thousand) is the net of transferred assets which are no longer used in operations with a gross carrying amounts for €26,468 thousand and accumulated depreciation for €-23,576 thousand from 'Property, plant and equipment'. The additions booked in 2020 relate mainly to that specific asset.

Note 12 – Investments in equity accounted entities

<i>In thousands of EUR</i>	2019	2020
At the beginning of the year	10,309	9,526
Result for the year	1,118	-2,304
Dividends paid	-927	-698
Acquisition	-	3,601
Disposal	-1,431	-2,079
Capital increases	397	12,127
Cumulative translation adjustments	60	-2,150
At the end of the year	9,526	18,024

In 2020, E2E (Chilean joint venture) acquired a majority stake in Tecverde Engenharia, a Brazilian innovative building company specialised in wood-frame construction systems; explaining the increase of the Group's investments at equity accounted entities of €3,601 thousand.

The 2020 disposal value represents on the one hand the sale of RBB NV (Belgium) (€-1,622 thousand) for a total consideration of €750 thousand, and on the other hand the sale of Oberlausitzer Tonbergbau GmbH (Germany) (€-456 thousand) which forms part of the divestment of the Creaton group.

The 2019 disposal value represents the sale of Rothenburg FAR Company Ltd. (€1,431 thousand) for a total consideration of €810 thousand.

In 2020 and 2019 the Group's share of the capital increase in E2E (Chilean joint venture) equals to respectively €6,511 thousand and €397 thousand.

In 2020 the Group's share of capital increase in Tecverde (Brazilian joint venture) equals to €5,616 thousand.

Summarised financial information of investments in equity accounted entities (Group's share):

<i>In thousands of EUR</i>	2019	2020
Property plant and equipment	7,659	5,525
Other non-current assets	420	6,069
Current assets	8,094	13,729
Non-current liabilities	-2,071	-2,258
Current liabilities	-4,576	-5,041
Total net assets	9,526	18,024
Revenue	21,398	20,395
Operating income	1,095	-823
Profit after tax	1,118	-2,304

Transactions between the Group and equity accounted entities can be summarised as follows:

<i>In thousands of EUR</i>	2019	2020
Transactions		
Purchases from associates	4,332	2,284
Sales to associates	4,066	4,575
Dividends paid	927	698
Outstanding balances		
Trade receivables	330	38
Other current receivables	1,490	-
Trade liabilities	215	-

Note 13 – Other non-current assets

<i>In thousands of EUR</i>	2019	2020
Trade and other receivables	3,754	3,366
Impairment on trade and other receivables	-1,344	-1,274
Net trade and other receivables	2,410	2,092
Available-for-sale investments	628	617
Impairment on available-for-sale investments	-128	-128
Net available-for-sale investments	500	489
Loans granted	739	888
Total	3,649	3,469

The non-current available-for-sale investments include unquoted equity instruments that are measured at cost for €489 thousand as their fair value cannot be measured reliably (€500 thousand in 2019).

Note 14 – Trade and other receivables and Other current assets

Current trade and other receivables

<i>In thousands of EUR</i>	2019	2020
Trade receivables	245,618	219,429
Impairment on trade receivables	-17,419	-16,660
Trade receivables	228,199	202,769
Other receivables	82,295	74,498
Total	310,494	277,267

At 31 December 2020, an amount of €159.6 million (€153.7 million in 2019) has been received in cash under various non-recourse factoring and credit insurance programs, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. Continuing involvement for late payment risk is not significant. The net amount of sold trade receivables is derecognized from the balance sheet.

Other receivables are mainly composed of:

<i>In thousands of EUR</i>	2019	2020
Income taxes recoverable	28,333	21,720
Other taxes recoverable	41,616	25,432
Derivative financial instruments with positive fair values	298	439
Prepaid charges and accrued income	2,966	1,851
Advances due from customers for contracts in progress	1,396	1,179
Advances to personnel	1,697	1,350
Others	5,989	22,527
Total	82,295	74,498

The other receivables of €22.527 thousand includes the price adjustment of €10.567 thousand on business disposal transactions as described in Note 4.

Exposure to credit risk – impairment losses

The ageing of trade and other receivables at reporting date was as follows:

<i>In thousands of EUR</i>	2019	2020
Neither impaired nor past due at reporting date	395,871	382,804
Not impaired at reporting date and past due	68,306	53,455
<i>Up to 30 days</i>	50,081	36,015
<i>Between 31 and 60 days</i>	5,505	9,716
<i>Between 61 and 90 days</i>	2,390	1,884
<i>Between 91 and 120 days</i>	2,619	868
<i>Between 121 and 150 days</i>	1,245	811
<i>More than 150 days</i>	6,466	4,161
<i>Non-recourse factoring</i>	-153,683	-158,992
Net carrying amount at the end of the year	310,494	277,267

The Group applied the IFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses. The Group analysed the impact of IFRS 9 and concluded there is no material impact on the impairment losses booked. The Group also assessed whether the historic pattern would change materially in the future and expects no significant impacts.

The movement in the allowance for impairment of current trade and other receivables was as follows:

<i>In thousands of EUR</i>	2019	2020
Allowances at the beginning of the year	-24,779	-17,419
Additions	-1,943	-2,839
Use	6,413	2,064
Reversal	1,859	786
Change in the scope of consolidation	1,031	748
Allowances at the end of the year	-17,419	-16,660

Other current assets

<i>In thousands of EUR</i>	2019	2020
Available-for-sale investments	807	3,551
Deposits	6,263	20,433
Total	7,070	23,984

Note 15 – Inventories

The different types of inventories are detailed below:

<i>In thousands of EUR</i>	2019	2020
Raw materials	113,843	104,279
Work in progress	28,920	24,353
Finished goods	193,087	143,641
Spare parts and consumables	84,194	71,368
Goods purchased for resale	34,623	25,304
Write-downs to net realisable value	-51,248	-35,851
Total	403,419	333,094

In 2020, the Group recognised inventory write-downs to net realisable value of €-11,426 thousand (€-7,123 thousand in 2019) as an expense, and a reversal of prior year write-downs amounting to €13,586 thousand (€7,589 thousand in 2019) as an income. Reversals of write-downs without impact on the income statement amount to €720 thousand (€-2,356 thousand in 2019), mainly due to foreign currency conversions.

The net impact of scope changes on the total inventory equals to €-37,834 thousand; with an impact on the gross carrying amount of €-50,353 thousand, and €12,519 thousand on the write downs to net realisable value.

Note 16 – Risk management and financial derivatives

16.1 Risk management

A. Market risk

Exposure to currency risk

Around 46% of the Group’s revenue is generated by subsidiaries with a functional currency other than the Euro (50% in 2019). The Group has its main foreign exchange exposure in the following foreign currencies: Argentinean peso, Chilean peso, Colombian peso, Nigerian naira, Peruvian nuevo sol and Pound sterling.

Translation currency sensitivity analysis

On the basis of the volatility of these currencies against the Euro in 2020, the reasonably possible change of the exchange rate of these currencies against the Euro is estimated as follows:

Rates used for sensitivity analysis					
	Closing rate 31 December 2020	Average rate 2020	Possible volatility of rates in %	Range of possible closing rates 31 December 2020	Range of possible average rates 2020
Argentinean peso	103.5297	103.5297	22	81,188 - 125,8714	81,188 - 125,8714
Chilean peso (000)	0.8724	0.9026	14	0,7535 - 0,9913	0,7796 - 1,0256
Colombian peso (000)	4.2120	4.2140	14	3,6232 - 4,8009	3,6249 - 4,8031
Nigerian naira	503.4178	436.1916	18	411,5441 - 595,2915	356,5866 - 515,7965
Peruvian nuevo sol	4.4470	4.0016	11	3,9605 - 4,9335	3,5638 - 4,4394
Pound sterling	0.8990	0.8899	7	0,8359 - 0,9622	0,8274 - 0,9524

As a comparison, the reasonably possible change of exchange rate of these currencies against the Euro was estimated as follows for 2019:

Rates used for sensitivity analysis					
	Closing rate 31 December 2019	Average rate 2019	Possible volatility of rates in %	Range of possible closing rates 31 December 2019	Range of possible average rates 2019
Argentinean peso	67.0400	67.0400	21	53,2036 - 80,8764	53,2036 - 80,8764
Chilean peso (000)	0.8365	0.7875	12	0,7372 - 0,9359	0,694 - 0,8811
Colombian peso (000)	3.6815	3.6748	12	3,2344 - 4,1287	3,2285 - 4,1211
Nigerian naira	404.8980	343.3113	5	384,6531 - 425,1429	326,1457 - 360,4769
Peruvian nuevo sol	3.7238	3.7362	9	3,3913 - 4,0564	3,4026 - 4,0699
Pound sterling	0.8508	0.8778	7	0,7927 - 0,9089	0,8178 - 0,9377

If the Euro had weakened or strengthened during 2020 by the above estimated possible changes against the listed currencies with all other variables held constant, the 2020 profit would have been €9,366 thousand (12%) higher or €6,876 thousand (-10%) lower while equity would have been €63,133 thousand (5%) higher or €50,478 thousand (-4%) lower. In 2019, if the Euro had weakened or strengthened the profit would have been €21,912 thousand (8%) higher or €18,562 thousand (-6%) lower while equity would have been €53,013 thousand (4%) higher or €44,996 thousand (-4%) lower.

<i>In thousands of EUR</i>	2020			
	If euro weakens Profit	Equity	If euro strengthens Profit	Equity
Argentinean peso	2,678	13,696	-1,727	-8,834
Chilean peso	1,010	11,613	-767	-8,826
Colombian peso	99	6,991	-75	-5,276
Nigerian naira	2,972	6,421	-2,055	-6,989
Peruvian nuevo sol	205	10,051	-165	-8,069
Pound sterling	2,402	14,361	-2,087	-12,484
Total	9,366	63,133	-6,876	-50,478

In thousands of EUR

	If euro weakens		If euro strengthens	
	Profit	Equity	Profit	Equity
Argentinean peso	2,061	11,479	-1,356	-7,590
Chilean peso	846	8,440	-666	-7,353
Colombian peso	400	6,983	-313	-5,637
Nigerian naira	591	2,709	-534	-2,453
Peruvian nuevo sol	518	8,790	-433	-7,672
Pound sterling	17,496	14,612	-15,260	-14,291
Total	21,912	53,013	-18,562	-44,996

Interest rates sensitivity analysis

At the end of 2020 €128,170 thousand or 30% of the Group's interest bearing financial liabilities, before offset of any surplus cash, bear a variable interest rate (€ 206,268 thousand or 39% at the end of 2019). This floating debt portion consists of debt instruments almost exclusively denominated in Euro apart from € 17,572 thousand that is denominated in Pound sterling (€13,414 thousand in 2019), €0 that is denominated in Romanian Leu (€12,181 thousand in 2019) and € 607 thousand denominated in other currencies.

The total interest expense recognised in the 2020 income statement on the Group's variable rate debt portion, net of the effect of interest rate derivative instruments, amounts to € 10,229 thousand (€ 13,554 thousand in 2019). The total interest expense recognised on the fixed rate portion amounts to € 2,880 thousand (€ 4,205 thousand in 2019).

The reasonably possible change of the market interest rates applicable to the Group's floating rate debt after hedging is as follows:

Rates used for sensitivity analysis			
	Rates at 31 December 2020	Possible volatility of rates	Possible rates at 31 December 2020
Euro	-0.55%	-0,12% - 0,27%	-0,67% - -0,28%
Pound sterling	0.03%	-0,26% - 0,51%	-0,23% -0,54%
Romanian Leu	1.73%	-0,41% - 0,85%	1,32% -2,58%

Rates used for sensitivity analysis			
	Rates at 31 December 2019	Possible volatility of rates	Possible rates at 31 December 2019
Euro	-0.38%	-0,09% - 0,05%	-0,47% --0,33%
Pound sterling	0.79%	-0,05% - 0,12%	0,74% -0,91%
Romanian Leu	2.86%	-0,26% - 0,27%	2,6% -3,13%

Application of the reasonably possible fluctuations in the market interest rates mentioned above on the Group's floating rate debt at 31 December 2020, with all other variables held constant and net of the effect of interest rate derivative instruments, would result in a decrease of the 2020 profit by €388 thousand and an increase of € 178 thousand (a decrease of € 91 thousand and an increase of € 115 thousand in 2019). Cash and cash equivalents in Euro of € 110,950 thousand (€ 20,073 thousand in 2019), Pound sterling balances of € 143,737 thousand (€ 153,333 thousand in 2019) and Romanian Leu balances of € 9,454 thousand (€ 6,339 thousand in 2019) generate interest that would partially offset any variations in interest payable. The cash pool balances are monthly netted (in euro). The fair value of the Group's interest rate hedging contracts would, on basis of the above possible change in interest rates, decrease by € 21 thousand / increase by € 50 thousand against an increase / decrease of equity for that amount (decrease by € 231 thousand and increase by € 130 thousand in 2019).

B. Credit risk

At the reporting date the exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position (refer to note 13 for investments, note 14 for trade and other receivables, and note 17 for cash and cash equivalents).

C. Funding and long term liquidity risk

Maturity schedule

At 31 December 2020 the contractual maturities of financial liabilities, including interest payments, are the following:

In thousands of EUR	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Bank loans	187,575	192,388	78,893	714	112,781	-
Other financial loans	134,238	134,874	131,874	1,087	1,513	400
Obligations under leases	107,327	129,144	23,636	21,279	32,642	51,587
Trade and other liabilities	641,050	630,441	630,441	-	-	-
Derivative financial liabilities						
Interest rates swaps	-	-	-	-	-	-
Commodity contracts	106	106	106	-	-	-
Foreign exchange contracts	3,131	3,131	3,131	-	-	-
Total	1,073,427	1,090,084	868,081	23,080	146,936	51,987

Bank loans are shown according to their contractual maturity date, rather than their interest and roll-over date.

At 31 December 2019 the contractual maturities of financial liabilities, including interest payments, were the following:

In thousands of EUR	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Bank loans	214,668	221,718	14,358	84,728	122,423	209
Other financial loans	196,620	197,172	191,756	2,931	1,931	554
Obligations under leases	120,067	145,637	27,722	23,648	40,727	53,540
Trade and other liabilities	650,170	630,226	630,226	-	-	-
Derivative financial liabilities						
Interest rates swaps	7,487	7,487	7,487	-	-	-
Commodity contracts	398	398	398	-	-	-
Foreign exchange contracts	5,995	5,995	5,995	-	-	-
Total	1,195,405	1,208,633	877,942	111,307	165,081	54,303

D. Capital risk

The Group monitors capital using the debt covenant specifications as outlined in the latest syndicated loan agreement signed on 11 October 2018 (which was amended and restated into a sustainability linked loan in November 2019, without any impact on the debt covenant) and the Schuldschein loan. The Group targets to maintain a debt covenant ratio between 1.5 and 2.5 on the long term. The adjusted net financial debt (for covenant purposes) to recurring EBITDA ratio amounts to -0.21 at 31 December 2020 (0.50 at 31 December 2019), well below the lowest covenant of 3.25. The net cash interest to recurring EBITDA ratio amounts to 37.90 at 31 December 2020 (35.04 at 31 December 2019), well above the covenant of 4.

16.2 Financial derivatives

The Group uses derivative financial instruments to hedge its exposure to currency risk, commodity prices and interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. All derivatives are measured at fair value.

The following table provides an overview of the outstanding derivative financial instruments at 31 December:

<i>In thousands of EUR</i>	2019		2020	
	Fair value	Carrying amount	Fair value	Carrying amount
Foreign exchange contracts				
Assets	298	298	439	439
Liabilities	-5,995	-5,995	-3,131	-3,131
Commodity contracts				
Liabilities	-398	-398	-106	-106
Interest rate swaps				
Liabilities	-7,487	-7,487	-	-
Total	-13,582	-13,582	-2,798	-2,798

The following table indicates in which caption of total comprehensive income, the changes in fair value of the derivative financial instruments outstanding at 31 December 2020, have been recognised:

	Profit for the year				
<i>In thousands of EUR</i>	Cost of sales	Interest expense	Other financial income	Other financial charges	Other comprehensive income
Foreign exchange contracts					
Assets	188	-	-	-	-47
Liabilities	188	-	-	-	2,677
Commodity contracts					
Liabilities	-	-	-	-	294
Interest rate swaps					
Liabilities	-	-	-	-	7,486
Total	376	-	-	-	10,410

A. Cash flow hedges

At 31 December 2020, the Group holds forward exchange contracts designated as hedges of expected future raw material purchases from suppliers for purchases denominated in US Dollar and Japanese Yen, of expected future sales denominated in Polish Zloty, and of expected future purchases denominated in Euro by companies whose functional currency is the British Pound and Polish Zloty.

At 31 December 2020, the Group holds commodity swap agreements designated as hedges to cover a portion of the exposure of future price changes on mainly fuel and other raw material.

During 2020, the Group had an interest rate swap agreements in place with a nominal amount of €250,000 thousand (€250,000 thousand in 2019) whereby it received a variable interest rate based on Euribor three or six months, as the case may be, and pays a fixed rate on the notional amount. The swaps matured in December 2020 and were being used to hedge the exposure to interest rate risk on its floating debt. The floating rate debt and the interest rate swaps had the same critical terms.

The Group did not recognise any ineffectiveness in 2020 and 2019.

The following tables indicate the period in which the undiscounted cash flows are or were expected to occur. This is the same period as the period in which the cash flows are expected to impact the income statement (cost of sales if relating to forward exchange contracts covering sales and purchases in foreign currencies and the commodity swap agreements, and interest expense if concerning interest rate swaps).

At 31 December 2020:

<i>In thousands of EUR</i>	Carrying amount	Total expected cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
Foreign currency						
Foreign exchange contracts						
Assets	205	205	205	-	-	-
Liabilities	-2,296	-2,296	-2,296	-	-	-
Commodity						
Commodity contracts						
Assets	-	-	-	-	-	-
Liabilities	-106	-106	-106	-	-	-
Interest rate						
Interest rate swaps						
Assets	-	-	-	-	-	-

At 31 December 2019:

<i>In thousands of EUR</i>	Carrying amount	Total expected cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
Foreign currency						
Foreign exchange contracts						
Assets	188	188	188	-	-	-
Liabilities	-5,162	-5,162	-5,162	-	-	-
Commodity contracts						
Commodity contracts						
Assets	-	-	-	-	-	-
Liabilities	-398	-398	-398	-	-	-
Interest rate						
Interest rate swaps						
Assets	-	-	-	-	-	-
Liabilities	-7,487	-7,487	-7,487	-	-	-

B. Derivatives without hedging relationship

Certain derivative transactions, while providing effective hedges under the Group's risk management policy, may not qualify for hedge accounting due to the complexity of the instruments. There are no such derivative transactions in 2020.

16.3 Financial instruments – fair values

Fair values of the financial assets and liabilities approximate their carrying amounts.

<i>In thousands of EUR</i>	2019	2020
Assets	514,244	695,057
Other non current assets	3,649	3,469
<i>Trade and other receivables (loans and receivables)</i>	2,410	2,092
<i>Loans (loans and receivables)</i>	739	888
<i>Bonds (available-for-sale)</i>	4	3
<i>Other</i>	496	486
Trade and other receivables	310,494	277,267
<i>Trade and other receivables (loans and receivables)</i>	310,196	276,828
<i>Derivatives – not used for hedging (held for trading at fair value through profit and loss)</i>	110	234
<i>Derivatives – used for hedging (cash flow hedging)</i>	188	205
Other current assets	7,070	23,984
<i>Current financial assets – deposits (loans and receivables)</i>	6,263	20,433
<i>Shares (available-for-sale)</i>	807	3,551
Cash and cash equivalents (loans and receivables)	193,031	390,337
Liabilities	1,195,405	1,073,427
Financial liabilities (liabilities at amortised cost)	301,871	199,017
Other non-current liabilities	20,405	11,071
<i>Other non-current liabilities (liabilities at amortised cost)</i>	20,405	11,071
Current portion of financial liabilities (liabilities at amortised cost)	229,484	230,123
Trade and other liabilities	643,645	633,216
<i>Trade and other payables (liabilities at amortised cost)</i>	629,765	629,979
<i>Derivatives – not used for hedging (held for trading at fair value through profit and loss)</i>	833	835
<i>Derivatives – used for hedging (cash flow hedging)</i>	13,047	2,402

Unquoted equity instruments are measured either at fair value using a valuation technique or at cost. Further explanation is provided in note 13.

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market interest rate at reporting date.

The fair value of forward exchange contracts and the commodity swap agreements is based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate (based on government bonds).

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on terms and maturity of each contract and using market interest rates for a similar instrument at reporting date.

The fair value of interest bearing loans and borrowings has been calculated by discounting the expected future cash flows (principal and interest cash flows) at prevailing interest rates at reporting date.

Fair value hierarchy

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant impact on the recorded fair value that are not based on observable market data.

2020

<i>In thousands of EUR</i>	Level 1	Level 2	Level 3
Assets measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	234	-
Derivatives – used for hedging (cash flow hedging)	-	205	-
Liabilities measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	835	-
Derivatives – used for hedging (cash flow hedging)	-	2,402	-

During 2020 and 2019 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

2019

<i>In thousands of EUR</i>	Level 1	Level 2	Level 3
Assets measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	110	-
Derivatives – used for hedging (cash flow hedging)	-	188	-
Liabilities measured at fair value			
Derivatives – not used for hedging (held for trading at fair value through profit and loss)	-	833	-
Derivatives – used for hedging (cash flow hedging)	-	13,047	-

As stated in note 11, assets held for sale are measured at the lower of carrying amount and fair value less costs to sell in 2020 and 2019 since no observable fair value could be obtained.

The investment properties are measured at amortised cost, we refer to note 10.

Note 17 – Cash and cash equivalents

Cash and cash equivalents per end of the year increased in 2020 compared to 2019. This was mainly due to a combination of (i) a strong cash generation of the group throughout 2020 and (ii) the receipt of important proceeds from the sale of our clay and concrete tile activities in Germany, Poland, Hungary and South-Africa. Only part of the cash generated could be used to pay back some of our outstanding debt without penalties such as some local external financing in Brazil, Indonesia and Romania. The use of commercial paper was also reduced in 2020. We also refer to Note 23 ‘Loans & borrowings’ for further explanation. The different types of cash and cash equivalents are detailed below:

<i>In thousands of EUR</i>	2019	2020
Cash on hand and bank deposits	177,009	385,211
Short-term deposits (less than three months)	16,022	5,126
Total	193,031	390,337

Note 18 – Equity

Ordinary shares

The issued share capital (share premium included) of Etex N.V. amounts to €3,276 thousand at 31 December 2020. It is represented by 82,837,819 fully paid ordinary shares without par value.

	2019	2020
At the beginning of the year	82,837,819	82,837,819
Movement of the year	-	-
At the end of the year	82,837,819	82,837,819

Treasury shares

At 31 December 2020 the Group owns 4,673,495 ordinary shares representing 5.64% of the total number of ordinary shares.

	2019	2020
At the beginning of the year	4,673,495	4,673,495
At the end of the year	4,673,495	4,673,495

Dividend

The 2020 dividend will be proposed for approval at the General Shareholders' Meeting of Etex N.V. on 26 May 2021 (after issuance of the financial statements) and will amount to €0.70 per share representing a total dividend of €54,715 thousand.

In 2020, a dividend of €45,335 thousand has been paid out based on:

- the decision of the General Shareholders' Meeting of Etex N.V. on 27 May 2020 to allocate a dividend of EUR 0.29 per share;
- the resolution of the Extraordinary Shareholders' meeting of Etex N.V. on 22 October 2020 to distribute an interim dividend of EUR 0.29 per share.

	Number of shares	EUR/share	Dividend in EUR
Ordinary shares	82,837,819	0.58	48,045,935
Treasury shares	-4,673,495	0.58	-2,710,627
Dividend paid out	78,164,324		45,335,308

Details changes in equity

<i>in thousands of EUR</i>	Issued share capital	Share premiums	Issued share capital and share premiums	Post employment benefits reserves	Financial instruments	Post employment benefits reserves and financial instruments
At December 31, 2018	2,533	743	3,276	-217,534	-12,593	-230,127
Total comprehensive income	-	-	-	-64,138	2,904	-61,234
At December 31, 2019	2,533	743	3,276	-281,672	-9,689	-291,361
Total comprehensive income	-	-	-	-41,147	8,111	-33,036
Other equity movements	-	-	-	14,462	-	14,462
At December 31, 2020	2,533	743	3,276	-308,357	-1,578	-309,935

Other equity movements

The 2020 Other equity movements of €12,324 thousand mainly relate to the scope out impact post employment benefits reserves, linked to the disposed companies during 2020; and the translation effects of IAS 29 (hyperinflation accounting) in Argentina impacting Other reserves and retained earnings

The 2019 Other equity movements of €7,031 thousand mainly relate to the translation effects of IAS 29 (hyperinflation accounting) in Argentina impacting Other reserves and retained earnings.

Note 19 – Provisions

<i>In thousands of EUR</i>	Warranty	Health claims	Litigation	Others	Total
At 31 December 2019	43,517	72,915	14,479	53,473	184,384
Additional provisions made	5,037	1,725	1,656	33,820	42,238
Amounts utilised during the year	-5,343	-4,032	-2,344	-16,884	-28,603
Unused amounts reversed	-1,334	-1,873	-1,598	-7,210	-12,015
Changes in the scope of consolidation	-8,182	-	-15	-5,170	-13,367
Translation differences	-80	-566	-701	-282	-1,629
Discount rate adjustment	338	151	-	510	999
At 31 December 2020	33,953	68,320	11,477	58,257	172,007
Non-current at the end of the period	26,893	58,912	5,559	40,082	131,446
Current at the end of the period	7,060	9,408	5,918	18,175	40,561

Warranty provisions

The provisions for warranty costs are estimates of future payments for claims relating to sales of goods based on historical data; they cover mainly roofing products in Europe for which a long warranty period is granted to customers. Increases of the provision during the year are based on an estimate of the probability of future product claims applied to the sales figures of the year and specific claims exceeding statistical estimates.

Health claims provision

In the past, various Etex subsidiaries used asbestos as a raw material in their industrial process. The use of asbestos has been banned in the entire Group for many years now, but some companies may still receive claims relating to past exposure to asbestos. The potential risk varies depending on the legal situation in the relevant country, its national social security system and the insurance cover of the relevant company.

The accounting approach is to provide for the costs of the settlement of claims which are both probable and can be reliably estimated. The provision at 31 December 2020 for the cost of asbestos claims comprises an amount of €25,883 thousand (€28,333 thousand in 2019) for the expected costs of settling notified claims and a discounted amount of €42,437 thousand (€44,579 thousand in 2019) in respect of losses arising from claims which have not yet been notified but which are both probable and can be reliably estimated. These future claims are discounted at different rates from 0.00 % to 4.0 % depending on the country (the same range of rates in 2019).

Most of the Etex's subsidiaries work with external counsels and, if applicable, insurance companies to review the asbestos claims. If a compensatory disease is proven and the causation can be established, the settlement is provided for an amount that reflects the type of disease, the seriousness of the injury, the age of the claimant and the particular jurisdiction of the claim.

The estimation of future claims is based on an up to 25-year cost estimate which takes into account the current level of claims as well as a reduction of claims over time as the number of diseases is expected to decline. Whilst further claims are likely to arise after this up to 25-year-period, the associated costs of resolution cannot be reliably estimated and no provision has been made to cover these possible liabilities. The estimate of future liabilities takes into account a large number of variables such as the number of employees exposed, the likely incidence, the disease mix, the mortality rates, the legislative environment and the expected insurance coverage. As these assumptions may change over time, there can be no guarantee that the provision for asbestos liabilities is an accurate prediction of the actual future costs. As a consequence, the provision may have to be revised in the future as additional information becomes available or trends change. The provision is reviewed at least once a year.

The number of new claims received during 2020 was 26 (43 in 2019), 23 cases were settled and 12 resolved without cost. The number of outstanding cases for which a provision has been made at 31 December 2020, was 147 (156 in 2019).

Litigation provisions

Litigation provisions mainly include estimated future outflows relating to, various direct and indirect tax litigations, litigations with customers, former employees, suppliers and other parties.

Other provisions

Other provisions include mainly estimated future outflows for environmental obligations and restructuring. The Group meets all obligations imposed by relevant laws with respect to CO2 emission rights, land decontamination and site restoration. Where requested, necessary expenses are made and provision for future estimated costs are set-up. At 31 December 2020, these provisions amount to €26,693 thousand (€24,783 thousand in 2019). Restructuring provisions relate mainly to restructuring of companies in France. Further information is disclosed under note 4.

Note 20 – Commitments and contingencies

Health claims

There has been a history of bodily injury claims resulting from exposure to asbestos being lodged against subsidiaries of the Group for a number of years. The Group’s approach is to provide for the costs of resolution which are both probable and reliably estimable (refer to note 19 on provisions). At present the provision for the costs which are both probable and can be reliably estimated cover up to 25 years of estimated gross costs. Whilst further claims are likely to be resolved beyond this timeframe, the associated costs of resolution are not able to be reliably estimated and no provision has been made to cover these possible liabilities, which are considered contingent.

Legal claims

In the ordinary course of business, the Group is involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environment and health and safety matters, etc. The Group operates in countries where political, economic, social and legal developments could have an impact on the Group’s operations. The Group is required to assess the likelihood of any adverse judgements or outcomes to these matters, as well as potential ranges of probable losses. The effects of such risks which arise in the normal course of business are not foreseeable and are therefore not included in the accompanying consolidated financial statements.

Guarantees

At 31 December 2020, the Group issued the following guarantees to third parties:

<i>In thousands of EUR</i>	2019	2020
Guarantees issued after business disposals	322,361	328,016
Guarantees issued by the Group to cover the fulfilment of Group companies obligations	372,947	295,736
Guarantees issued by Third Parties to cover fulfilment of the Group companies obligations	606	606
Secured debt	19,051	2,586

Guarantees issued by the Group to cover the fulfilment of Group companies’ obligations consists mainly of the joint and several cross guarantees provided by the group and its affiliates relating to our outstanding syndicated credit facility (€600 million), commercial paper program (€200 million), Schuldschein loan (€185 million), as well as securities issued to guarantee other commitments (€326 million). The values disclosed in the above table are based on outstanding amounts.

Secured debt includes mortgages and pledges provided in Japan to cover local credit facilities in 2020.

Commitments

In the ordinary course of business, the Group enters into purchase commitments for goods and services and capital expenditures, buys and sells investments and Group companies or portions thereof. At 31 December 2020 Etex had purchase commitments of €21,713 thousand (€6,214 thousand in 2019).

Commitments relating to uncaptialized lease payments are disclosed in Note 23.

Note 21 – Employee benefits

Defined contribution plans

For defined contribution plans Group companies pay contributions to pensions funds or insurance companies. Once contributions have been paid, the Group companies have no further significant payment obligation. Contributions constitute an expense for the year in which they are due. In 2020, the defined contribution plan expenses for the Group amounted to €11,086 thousand (€11,662 thousand in 2019).

Defined benefit plans

Some Group companies provide defined benefit pension plans to their employees as well as defined benefit medical plans and early retirement plans.

The following tables reconcile the funded and unfunded status of defined benefit plans to the amounts recognised in the statement of financial position:

<i>In thousands of EUR</i>	2019	2020
<i>Present value of funded obligations</i>	1,357,787	1,349,225
<i>Fair value of plan assets</i>	1,135,599	1,116,358
Plan (surplus) deficit of funded obligations	222,188	232,867
Present value of unfunded obligations	131,881	121,461
Net liability from funded and unfunded plans	354,069	354,328
Other long term benefits	5,785	5,398
Termination benefits	3,108	2,817
Stock option plans	18,573	16,756
Net employee benefits liability	381,535	379,299
Employee benefit obligation	1,517,134	1,495,657
Fair value of plan assets	1,135,599	1,116,358
Net liability at the end of the year	381,535	379,299
Net employee benefits liability (assets)	381,535	379,299
<i>Employee benefits in the statement of financial position:</i>		
<i>Liabilities</i>	392,303	385,976
<i>Assets</i>	10,768	6,677

Funded pension plans have been established in the United Kingdom, Ireland, Germany, Belgium, Indonesia and Brazil. They are all closed for new employees.

Unfunded pension plans exist mainly in Germany and Chile, but also in Japan and Lithuania.

Other post employment benefits such as medical plans, early retirement plans and gratuity plans are granted mainly in Belgium, the United Kingdom, France, Germany, Austria and Italy. Other long term benefits consist mainly of “Jubileum” premiums in Germany and Poland. In France it relates to long term profit sharing and “Medailles du travail”.

Termination benefit plans consist of specific early retirement plans, mainly in Germany and Chile.

Stock options plans are detailed in note 22.

The largest individual plans are in UK and Ireland. Together they account for 83% (79% in 2019) of the total Group defined benefit obligation, and 93% (92% in 2019) of its plan assets.

UK Pension Plans

In the UK, the Group sponsors two defined benefit pension plans – the ML Pension Scheme (the “Scheme”) and the Eternit Pension Plan (the “Plan”, together “the Plans”). The Plans were closed to future accrual on 31 December 2009 at which point all active members were granted preserved benefits in the Plans with ongoing pension provision via a separate company sponsored defined contribution pension scheme.

The Plans target a pension paid for life. The amount of pension depends on how long employees were active members of the Plans and their salary when they left the Plans, revalued on a statutory basis until retirement.

The Plans are governed by boards of Trustees (the “Trustees”) that have control over the operation, funding and investment strategy. The Trustees are comprised of nominees of the sponsoring employers and elected members of the Plans. The Trustees work together with the UK sponsoring employers of the Plans (the UK sponsors).

UK legislation requires the Trustees to carry out valuations according to local funding requirements at least every three years and to target full funding against a basis that prudently reflects the Plans’ risk exposure. The most recent valuations were carried out as at 31 March 2020 and the results showed a deficit of £11.2million (funding level 98%) for the Scheme and a deficit of £2.4 million (funding level 99%) for the Plan against the Trustees’ funding objective, agreed with the UK sponsors.

During the 2017 actuarial valuation discussions, an agreement was reached with the UK Sponsors and the Trustees of the Plan agreed to take a £43,975 thousand interest in an asset backed contribution (ABC) arrangement – the EPP ABC Limited Partnership (“the EPP ABC”), following receipt of a contribution of the same amount from Eternit UK Limited on 28 March 2018. The agreement provides additional covenant support for the Plan. The EPP ABC releases cash each quarter to the Plan of £1,025 thousand no later than 5 business days following 31 March, 30 June, 30 September, 31 December each year starting on 30 June 2018 for a 14 year 6-month period with the last payment made no later than 5 business days following 31 December 2032. This agreement and term of the arrangement remains the same following completion of the 2020 funding valuation.

The UK sponsors also agreed a similar agreement for the Scheme to take a £36,157 thousand interest in an asset backed contribution (ABC) arrangement – the MPS ABC Limited Partnership (“the MPS ABC”), following receipt of a contribution of the same amount from Marley Eternit Limited on 28 March 2018. The agreement provides additional covenant support for the Scheme. As with the EPP ABC, the MPS ABC releases cash to the Scheme of £842 thousand each quarter no later than 5 business days following 31 March, 30 June, 30 September, 31 December each year starting on 30 June 2018 for a 14 year 6-month period with the last payment made no later than 5 business days following 31 December 2032. This agreement and term of the arrangement remains the same following completion of the 2020 funding valuation.

In addition, the UK Sponsors agreed to meet all expenses going forward for both the Plan and the Scheme.

The approximate weighted average duration of the defined benefit obligation is approximately 16 years for the Scheme and 17 years for the Plan as at 31 December 2020.

The Plans hold a diversified portfolio of assets including multi-asset absolute return funds, property, private debt, infrastructure, insurance-linked securities, liability driven investments, buy and hold credit funds, and cash. The investment strategy is reviewed regularly by the Trustees in conjunction with the UK sponsors. The last review for both the Scheme and Plan was in 2020, and the changes introduced aim at improving risk-adjusted returns by allocating to credit market opportunities that had been particularly impacted by COVID-19.

There is a risk that changes in the assumptions for investment return, price inflation or life expectancy could result in deterioration in the funding level of the Plans both on an accounting basis and the local funding basis. Other assumptions used to value the defined benefit obligation are also uncertain. Other risks such as actions taken by the local regulators could result in stronger local funding standards, which could affect cash flow.

In order to mitigate risk and working together with the Trustees, the UK sponsors have carried out two risk management exercises since the closure of the Plans. The first of these was a pension increase exchange exercise whereby members of the Plans were offered the opportunity to exchange non-statutory inflation linked pension increases for a higher initial pension, but one which did not then increase in payment thereby reducing the inflation exposure of the Plans. A flexible pension option exercise took place at the end of 2013/start of 2014 in which preserved pensioners aged 55 or over were reminded of their option to retire early or transfer out of the Plans with the offer of independent financial advice. To the extent members decide to transfer out of the Plans some of the risks described are reduced.

Ireland Pension Plans

In Ireland, the Group sponsors two defined benefit pension plans – The Tegral Group Pension Plan (the “Main Plan”) and the Tegral Group Executives Pension Plan (the “Exec Plan”) together (“the Plans”). The Plans were closed to future accrual on 31 December 2010 at which point all active members were granted preserved benefits in the Plans with ongoing pension provision via a separate company sponsored defined contribution pension scheme (the DC Scheme).

The Plans target a pension paid for life. The amount of pension depends on how long employees were active members of the Plans and their salary when they left the Plans, revalued on a statutory basis until retirement.

The Plans are governed by boards of Trustees (the “Trustees”) that have control over the operation, funding and investment strategy.

The Trustees are comprised of nominees of the sponsoring employers and elected members of the Plans. The Trustees work together with the Irish sponsoring employer of the Plans (the Irish sponsors).

Irish legislation requires the Trustees to carry out valuations according to local funding requirements at least every three years. The most recent valuations were carried out as at 1 January 2018 and the next formal actuarial valuation of the Plans will be as of 1 January 2021.

The results of the 1 January 2018 valuations showed that both schemes satisfied the statutory minimum funding standard but there was a combined deficit of €5.3 million (funding level 95%) against the Trustees’ funding objectives. The Irish sponsors have agreed to pay fixed contributions of €1.32 million per annum over the period to the next formal valuations at 1 January 2021.

The combined approximate weighted average duration of the defined benefit obligation is 18 years for the Plans.

The Plans hold a diversified portfolio of assets including equities, bonds, property, cash and absolute return funds. The investment strategy is reviewed regularly by the Trustees in conjunction with the Irish sponsors.

There is a risk that experience being different to the assumptions for investment return, price inflation or life expectancy could result in deterioration in the funding level of the Plans. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

Other risk such as actions taken by the local regulators could result in stronger local funding standards, which could affect cash flow. However, because the sponsor has a right to a refund of any surplus assets, there would be no further balance sheet effect.

In order to mitigate this risk and working together with the Trustees, the Irish sponsors have controlled risk by closing the Plans to future accrual and reducing the investment risk of the Plans.

The distribution of the employee benefit obligation per country, at the end of the year is as follows:

<i>In thousands of EUR</i>	2019	2020
United Kingdom	1,110,269	1,134,433
Germany	156,927	113,930
Ireland	93,710	99,797
Belgium	82,718	87,535
France	19,241	19,123
Others	54,269	40,839
Employee benefit obligation	1,517,134	1,495,657

The changes in the present value of the employee benefit obligations are as follows:

<i>In thousands of EUR</i>	2019	2020
Employee benefit obligation at the beginning of the year	1,342,826	1,517,133
Service cost	14,654	20,241
Past service cost (gain)/loss	-151	-236
Settlements	-188	-1,419
Service cost	14,314	18,586
Interest cost	34,217	25,025
Actuarial (gains) and losses	145,685	125,626
Benefits paid	-72,622	-76,081
Plan participants contribution	1,012	1,099
Derecognized plan	-	-11,344
Disposal of subsidiaries	-773	-42,757
Translation differences	52,475	-61,630
Employee benefit obligation at the end of year	1,517,134	1,495,657

The table above includes the changes for the defined benefit obligations, stock option plans, termination benefits and other long term benefits.

Belgian plans subject to minimum guaranteed rate of return

Etex offers defined contribution pension plans funded through group insurance to employees of its Belgian affiliates. The Belgian defined contribution plans are subject to the Law of 28 April 2003 on occupational pensions. According to article 24 of this Law, the employer has to guarantee a minimum return (3.25% p.a. / 3.75% p.a. on employer / employee contributions paid before 1 January 2016 and 1.75% p.a. on employer /employee contributions paid as from 1 January 2016), therefore these plans are considered to be defined benefit plans under IAS 19. They induce a financial risk for the group during periods of declining market interest rates when the returns guaranteed by the insurance companies are lower than the minimum legal returns. The assets of these plans are entirely managed by external insurance companies referred to as "qualifying parties" which do not have any link with the group.

Other plan costs and income

Past service costs of € 54 thousand relate to plans in Germany and Netherlands. Past service gains of €205 thousand mainly relate to plans in France. Settlements of €187 thousand relate to Belgium. The changes in the fair value of the plan assets are as follows:

<i>In thousands of EUR</i>	2019	2020
Fair value of plan assets at the beginning of the year	1,037,204	1,135,598
Interest income	28,758	20,491
Actuarial gains and (losses)	64,158	70,568
Employer contribution	17,083	13,141
Plan participants contribution	1,012	1,099
Administration cost (excluding management of assets)	-153	-161
Derecognized plan	-	-11,344
Disposal of subsidiaries	-	-7,802
Benefits paid	-57,550	-54,442
Translation differences	45,087	-50,790
Fair value of plan assets at the end of the year	1,135,599	1,116,358

The expense recognised in the income statement is detailed as follows:

<i>In thousands of EUR</i>	2019	2020
Service cost	-14,314	-18,586
Interest cost	-34,217	-25,025
Interest Income	28,758	20,491
Administration cost (excluding management of assets)	-153	-161
Total employee benefit expense	-19,926	-23,281
<i>The employee benefit expense is included in the following line items of the income statement :</i>		
<i>Operating income</i>	<i>-14,467</i>	<i>-18,747</i>
<i>Financial result</i>	<i>-5,459</i>	<i>-4,534</i>

The main weighted assumptions used in measuring the employee benefit liabilities are the following:

	2019	2020
Discount rate	1.78%	0.92%
Future salary increases	3.53%	5.03%
Pension increase	2.54%	2.09%
Medical cost trend	5.40%	5.40%

The distribution of the plan assets is the following:

	2019	2020
Equity instruments	3%	7%
Debt instruments	35%	38%
Real estate	10%	7%
Etex shares (200,190 shares)		
Cash and fixed deposits	7%	7%
Insurance	7%	7%
Other	38%	34%
Total	100%	100%

The expected employer contributions to be paid in 2021 to defined benefit plans amount to €5,136 thousand.

Sensitivity analysis

UK

The measurement of the defined benefit obligation for the Plans in UK is particularly sensitive to changes in key assumptions, as described below:

The discount rate has been selected following actuarial advice and taking into account the duration of the liabilities. A decrease in the discount rate of 1.0% would result in a £190 million increase in the present value of the defined benefit obligations of the Plans (which is likely to be mitigated in part by an increase in asset values). The inflation assumption adopted is consistent with the discount rate used. It is used to set the assumptions for pension increases and deferred revaluations used for preserved members’ benefits. An increase in the inflation rate of 1.0% would result in a £118 million increase in the present value of the defined benefit obligation of the Plans (which is likely to be mitigated in part by an increase in asset values). The increase in the present value of the defined benefit obligation due to a member living one year longer would be approximately £46 million.

There is also a risk of asset volatility leading to lower funding levels in the Plans.

Ireland

The measurement of the defined benefit obligation for the Plans in Ireland is particularly sensitive to changes in key assumptions, as described below:

The discount rate has been selected following actuarial advice and taking into account the duration of the liabilities. A decrease in the discount rate of 1.0% would result in a €20 million increase in the present value of the defined benefit obligations of the Plans (which is likely

to be mitigated in part by an increase in asset values). The inflation assumption adopted is consistent with the discount rate used. It is used to set the assumptions for pension increases and deferred revaluations used for preserved members’ benefits. An increase in the inflation rate of 1.0% would result in a €20 million increase in the present value of the defined benefit obligation of the Plans (which is likely to be mitigated in part by an increase in asset values). The increase in the present value of the defined benefit obligation due to a member living one year longer would be approximately €4.5 million.

There is also a risk of asset volatility leading to lower funding levels in the Plans.

Note 22 – Share based payments

On 7 July 2009 the Board introduced a stock option plan to reward executives and senior staff. The plan authorises issuance of a maximum of 3,000,000 options over 5 year (SOP 2009, SOP 2010, SOP 2011, SOP 2012 and SOP 2013). On 18 December 2013 the Board extended this plan by one year (SOP 2014) and authorised a maximum of 1,000,000 options to be granted.

On 19 December 2014, the Board introduced a new stock option plan on similar terms: the plan authorises the issuance of a maximum of 5,000,000 options to be granted annually over a 5-year period with an annual maximum of 1,000,000 options. In 2015, 2016, 2017, 2018 and in 2019 grants were made under this plan (SOP 2015, SOP 2016, SOP 2017, SOP 2018 and SOP 2019).

On 22 October 2019, the Board introduced a new stock option plan on similar terms: the plan authorises the issuance of a maximum of 5,000,000 options to be granted annually over a 5-year period with an annual maximum of 1,000,000 options however if less distributed over past years allocation could be higher in a certain year. In 2020 grants were made under this plan (SOP 2020).

Each option gives the beneficiary the right to buy one Etex N.V. share at an exercise price determined at grant date and is vested on a monthly basis over 4 years. Each beneficiary of an option is also granted a put option whereby the shares acquired under the stock option plan can be sold back to the Group at a price determined at each put exercise period, which is similar to the stock option plan exercise period.

Fair value of the options granted during the period

The fair value of the services received in return for share options is based on the fair value of the share options granted, measured using the Black & Scholes model with the following inputs:

	2019	2020
Expected volatility (% pa)	20.00	20.00
Risk-free interest rate (% pa)	-0.04	-0.22
Expected dividend increase (% pa)	10.00	10.00
Rate of pre-vesting forfeiture (% pa)	-	-
Rate of post-vesting leaving (% pa)	1.00	1.00
Share Price (as estimated)	29.35	28.69
Expected early exercise of options	5-6 years	5-6 years
Fair value per granted instrument determined at grant date (€)	3.50	3.53

The expected volatility is slightly lower than the industrial Belgian listed companies (25%), because the market ratios are fixed for the entire exercise period of the option.

Due to newly granted stock options in current year and due to the increase of the fair value of the options granted in the past and not exercised yet, Etex recognised a share-based payment expense of €9,090 thousand during the year (an expense of €7,328 thousand in 2019). The total carrying amount of the liability related to the stock option plans amounts to €16,756 thousand (€18,573 thousand in 2019) and is disclosed under “Employee benefits liabilities” as described under note 21.

Stock option plans granted by the company

Plan	Contractual life of an option	Exercise period	Exercise price	Number of options still to be exercised
SOP 2014	20.6.2021	Once a year as from 2018, between 1.6 and 20.6	30.09	7,000
SOP 2015	20.6.2022	Once a year as from 2019, between 1.6 and 20.6	32.83	32,000
SOP 2016	20.6.2023	Once a year as from 2020, between 1.6 and 20.6	26.74	73,500
SOP 2017	20.6.2024	Once a year as from 2021, between 1.6 and 20.6	33.23	735,153
SOP 2018	20.6.2025	Once a year as from 2022, between 1.6 and 20.7	33.65	848,499
SOP 2019	20.6.2026	Once a year as from 2022, between 1.6 and 20.8	29.35	789,071
SOP 2020	20.6.2027	Once a year as from 2023, between 1.6 and 20.8	28.69	754,625

Details of the share options outstanding during the year

<i>In thousands of EUR</i>	2019		2020	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	3,947,103	30.81	3,946,688	30.83
Granted during the year	791,000	29.35	754,625	28.69
Forfeited during the year	-37,817	32.00	-13,315	31.13
Exercised during the year	-740,098	29.16	-1,440,150	28.95
Expired during the year	-13,500	24.22	-8,000	27.76
Outstanding at the end of the year	3,946,688	30.83	3,239,848	31.18
<i>Of which exercisable at the end of the year</i>	<i>800,625</i>	<i>31.02</i>	<i>112,500</i>	<i>28.68</i>

For share put options exercised during the period, the weighted average share price was €36.52 (€33.54 in 2019).

Note 23 – Loans and borrowings

<i>In thousands of EUR</i>	2019	2020
Bank loans	200,442	109,559
Other financial loans	5,418	3,056
Obligations under leases	96,011	86,402
Total non-current financial liabilities	301,871	199,017

<i>In thousands of EUR</i>	2019	2020
Bank loans	13,705	77,689
Bank overdrafts	521	327
Other financial loans	191,202	131,182
Obligations under leases	24,056	20,925
Total current financial liabilities	229,484	230,123

In October 2018, Etex signed the documentation for the refinancing of a €600 million Syndicated Credit Facility for a period of 5 years (extendable to 7 years) with a pool of 12 core banks. That Syndicated Facility was drawn at €0 million per end of 2020 (drawn at €0 million per end of 2019). The facility was used to a limited extent during the year to cope with any possible impact of Covid-19 in the second quarter of 2020, but the strong recovery and cash flow generation as from the third quarter enabled the Group to reimburse all outstanding amounts on this facility that same quarter.

Etex also uses a Schuldschein loan of €185 million (€185 million in 2019) and a Commercial Paper program of €200 million, drawn at €104.1 million per end of 2020 (€153 million per end of 2019). The €48.9 million decrease in commercial paper versus 2019 was also possible thanks to the strong cash flow generation, as well as by using part of the proceeds from sale of our clay and concrete tile activities in Germany, Poland, Hungary and South-Africa.

In 2020, Etex continued using its € 200 million non-recourse Factoring Program, through which customer receivables from 14 entities in 10 European countries are being sold to a pool of banks on a non-recourse basis. Per end of 2020, €184.7 million were financed through that program, out of which €159 million was eligible for trade receivables derecognition.

The utilisations of the Syndicated Loan Facility may be in Euro or other freely available currencies, as agreed. The interest payable is calculated at the relevant interbank rate for the period of the utilisation that has been chosen by the borrower, floored at 0%, plus the applicable margin. The Credit Facility and Schuldschein contain a number of operating covenants, including restrictions on giving security to lenders, on the amount of external subsidiary borrowings and restrictions on the acquisition and the disposal of material assets. They also contain financial covenants which includes in particular a required ratio of consolidated net debt to consolidated EBITDA of the Group. We also refer to Note 16.

Transaction costs on the Syndicated Loan of 2018 and on the Schuldschein Loan of 2016 have been deducted from the loan at initial recognition and are being amortised over the life of the extended loan. The amount still to be amortized at the end of 2020 amounts to €2,066 thousand (€2,149 thousand at the end of 2019).

Finally, for its local funding, the Group is relying on some long-term and short-term facilities with local banks for a total amount of €8.7 million end of 2020 (€38.2 million end of 2019). Pladur Gypsum Spain is financed via Spanish state subsidised loans for €4.3 million (€6.9 million at the end of 2019); and Promat Japan has a local financing for €4.3 million (€2.8 million in 2019).

The local financing in Romania (€12.2 million at the end of 2019), Indonesia (€10.9 million at the end of 2019) and Brazil (€4.9 million at the end of 2019) have been reimbursed.

The management of interest rate risk is described in Note 16.

Net financial debt

The net financial debt position is calculated as follows:

<i>In thousands of EUR</i>	2019	2020
Non-current loans and borrowings	301,871	199,017
Current portion of loans and borrowings	229,484	230,123
Current financial assets	-7,070	-23,984
Cash and cash equivalents	-193,031	-390,337
Net financial debt	331,254	14,819

Lease liabilities

The Group is leasing for various items of plant, property and equipment. At commencement date of the lease, the Group recognises the right-of-use assets (refer to Note 7 – Property, plant and equipment) and the lease liability measured at the present value of lease payments to be made over the lease term. The Group presents interest paid on its lease liabilities as financing activities in the cash flow statement (refer to Consolidated statement of cash flows) and as interest expense on financial liabilities measured at amortised cost in the income statement (refer to Note 5 – Finance income and expenses). The future minimum lease payments, interest payments and present value of payments are as follows:

<i>In thousands of EUR</i>	2019			2020		
	Minimum lease payments	Interest	Present value	Minimum lease payments	Interest	Present value
Less than 1 year	27,722	-3,666	24,056	23,634	-2,709	20,925
Between 1 and 5 years	64,377	-8,744	55,633	53,923	-6,904	47,019
More than 5 years	53,540	-13,162	40,378	51,587	-12,204	39,383
Total	145,639	-25,572	120,067	129,144	-21,817	107,327

Uncapitalized lease payments

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term lease and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The variable lease payments that do not depend on an index or rate are recognised as expense in the period on which the event or condition that triggers the payment occur. The total expenses for uncapitalized lease payments recognised in the consolidated income statement for 2020 amount to €5,318 thousand. Future committed uncapitalized lease payments are as follows:

In thousands of EUR

	2019				2020			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Short-term leases	2,653	-	-	2,653	2,840	-	-	2,840
Low-value leases	375	468	154	997	213	277	13	503
Total	3,028	468	154	3,650	3,053	277	13	3,343

Variable lease payments that do not depend on an index or a rate are not material.

Note 24 – Deferred tax

In thousands of EUR

	Assets	Liabilities	Net
Net carrying amount at 31 December 2019	98,033	76,097	21,936
Translation differences	-5,706	-5,266	-440
Recognised in income statement	29,032	-2,200	31,232
Recognised in equity	-	-11,613	11,613
Change in scope of consolidation	-24,430	-7,090	-17,340
Hyperinflation - Impact of the year through financial result	619	-	619
Netting	16,670	16,633	37
Net carrying amount at 31 December 2020	114,218	66,561	47,657

The amount of deferred tax assets and liabilities are attributable to the following items:

In thousands of EUR

	2019		2020		2019	2020	
	Assets	Liabilities	Assets	Liabilities	Net	Net	Variance
Property, plant and equipment	5,992	138,604	1,135	114,981	-132,612	-113,846	18,766
Intangible assets	2,295	28,623	1,827	27,193	-26,328	-25,366	962
Employee benefits assets	4,043	1,346	2,096	835	2,697	1,261	-1,436
Inventories	5,432	1,315	5,000	1,066	4,117	3,934	-183
Trade & other receivables	4,755	646	3,218	586	4,109	2,632	-1,477
Other assets	7,973	1,358	13,066	1,110	6,615	11,956	5,341
Provisions	14,959	4,112	18,744	4,097	10,847	14,647	3,800
Employee benefits liabilities	50,114	382	52,427	412	49,732	52,015	2,283
Loans and borrowings	11,005	1,683	9,986	684	9,322	9,302	-20
Other non-current liabilities	261	389	-	309	-128	-309	-181
Current liabilities	17,349	1,567	10,124	2,581	15,782	7,543	-8,239
Tax losses carried forward	197,874	-	209,422	-	197,874	209,422	11,548
Unrecognised deferred tax assets	-120,091	-	-125,534	-	-120,091	-125,534	-5,443
Netting by taxable entity	-103,927	-103,927	-87,293	-87,293	-	-	-
Total	98,034	76,098	114,218	66,561	21,936	47,657	25,721

Deferred taxes have not been recognised in respect of tax losses carried forward for an amount of €122,973 thousand (€119,307 thousand in 2019) and net deductible temporary differences for €2,561 thousand (€784 thousand in 2019) when it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

The amount of deferred tax assets computed on tax losses carried forward is detailed below, before deduction of unrecognised deferred tax assets, by year in which tax losses will expire:

Expiration year	Deferred Tax Asset
2021	1,026
2022	3,650
2023	39
2024	760
2025 or later	874
Without expiration date	203,074
Total	209,422

Note 25 – Trade and other liabilities

Non-current liabilities

In thousands of EUR	2019	2020
Deferred income - Government grants	19,864	10,610
Other liabilities	541	461
Total	20,405	11,071

The Group has been awarded a number of government grants related to investments in property, plant and equipment. These government grants are recognised in the statement of financial position as deferred income for €10,610 thousand (€19,864 thousand in 2019) and amortised over the useful life of the assets. All conditions attached to these grants have been fulfilled.

Current liabilities

In thousands of EUR	2019	2020
Trade liabilities	452,502	437,363
Other liabilities	191,143	195,853
Total	643,645	633,216

The other current liabilities include:

In thousands of EUR	2019	2020
Income taxes payable	36,271	43,598
Other taxes payable	27,920	45,280
Remuneration payable	69,922	64,819
Social security payable	22,731	21,035
Deferred income and accrued charges	12,494	10,985
Derivative financial instruments with negative fair values	13,880	3,237
Dividends payable	41	879
Amount due to customers for construction contracts in progress	-	34
Current cash guarantees received	804	931
Other	7,079	5,055
Total	191,142	195,853

Note 26 – Statement of cash flow details

(a) Depreciation, amortisation and impairment losses

2020

<i>In thousands of EUR</i>	Property, plant, equipment (note 7)	Intangible assets (note 8, 9)	Investment properties (note 10)	Assets held for sale (note 11)	Total
Depreciation	149,715	-	283	-	149,998
Amortisation	-	22,983	-	-	22,983
Impairment losses	20,707	2,381	-69	-	23,019
Total	170,422	25,364	214	-	196,000

2019

<i>In thousands of EUR</i>	Property, plant, equipment (note 7)	Intangible assets (note 8, 9)	Investment properties (note 10)	Assets held for sale (note 11)	Total
Depreciation	168,378	-	128	-	168,506
Amortisation	-	21,347	-	-	21,347
Impairment losses	65,029	32,961	815	-	98,805
Total	233,407	54,308	943	-	288,658

(b) Gains (losses) on sale and retirement of intangible assets and property, plant and equipment

2020

<i>In thousands of EUR</i>	Property, plant, equipment (note 7)	Intangible assets (note 9)	Investment properties (note 10)	Assets held for sale (note 11)	Total
Disposal proceeds	12,876	5	1,950	4,947	19,778
Net book value disposals	-8,581	-265	-659	-1,474	-10,979
Gains (losses) on disposal	4,295	-260	1,291	3,472	8,799
Losses on retirement	-	-	-	-	-
Total	4,295	-260	1,291	3,472	8,799

2019

<i>In thousands of EUR</i>	Property, plant, equipment (note 7)	Intangible assets (note 9)	Investment properties (note 10)	Assets held for sale (note 11)	Total
Disposal proceeds	7,608	-	1	82	7,691
Net book value disposals	-4,311	-	-1	-50	-4,362
Gains (losses) on disposal	3,297	-	-	32	3,329
Losses on retirement	-	-	-	-	-
Total	3,297	-	-	32	3,329

(c) Capital expenditure

<i>In thousands of EUR</i>	2019	2020
Property, plant and equipment (note 7)	163,981	102,715
Intangibles assets (note 9)	4,917	8,131
Investment properties (note 10)	240	245
Assets held for sale (note 11)	-	1,092
Total	169,138	112,183

Property, plant and equipment - leased	34,245	21,544
Total Capital expenditure - leased	34,245	21,544

Property, plant and equipment - owned	129,736	81,171
Intangibles assets - owned	4,917	8,131
Investment properties - owned	240	245
Assets held for sale - owned	-	1,092
Total Capital expenditure - owned	134,893	90,639

(d) Changes in working capital, provisions and employee benefits

<i>In thousands of EUR</i>	2019	2020
Inventories	12,946	12,454
Trade and other receivables, trade and other liabilities	-5,431	62,872
Provisions	-9,937	6,518
Employee benefits	-21,921	-17,610
Total	-24,343	64,233

(e) Interest and dividend received

<i>In thousands of EUR</i>	2019	2020
Interest received	6,286	2,961
Dividend received	49	100
Dividend Associates	927	698
Total	7,262	3,759

(f) Reconciliation Income tax expense – income tax paid

<i>In thousands of EUR</i>	2019	2020
Income Tax expense	-57,733	-43,604
Changes in Deferred taxes	-13,233	-31,232
Changes in income tax payables/receivables	5,617	13,274
Income Tax paid	-65,348	-61,562

(g) Dividend paid

<i>In thousands of EUR</i>	2019	2020
Dividend Etex N.V.	-45,335	-45,335
Minority interest	-2,039	-11,576
Changes dividend payable	-5	838
Exchange difference	-295	2,124
Total dividend paid	-47,675	-53,949

(h) Changes in liabilities arising from financial liabilities

2020

In thousands of EUR	Non-cash changes								December 31, 2020
	January 01, 2020	Cash flows	Foreign exchange movements	New leases	Transfers	Disposal	Scope in	Scope out	
Bank loans	200,442	-14,627	-522	-	-75,734	-	-	-	109,559
Other financial loans	5,418	-2,427	-1	-	-1,271	-	1,337	-	3,056
Non-current lease liability	96,011	-1,367	-4,777	21,544	-22,781	-1,624	3,300	-3,904	86,402
Non-current financial liabilities	301,871	-18,421	-5,300	21,544	-99,786	-1,624	4,637	-3,904	199,017
Bank loans	13,705	-9,785	-1,610	-	75,734	-	-355	-	77,689
Bank overdrafts	521	295	-	-	-	-	-	-489	327
Other financial loans	191,202	-60,917	-968	-	1,271	-	-	594	131,182
Current lease liability	24,056	-19,414	-4,250	-	22,781	-13	-	-2,235	20,925
Current financial liabilities	229,484	-89,821	-6,828	-	99,786	-13	-355	-2,130	230,123
Total loans and borrowings	531,355	-108,242	-12,128	21,544	-	-1,637	4,282	-6,034	429,140

2019

In thousands of EUR	Non-cash changes								December 31, 2019
	January 01, 2019	Cash flows	Foreign exchange movements	New leases	Transfers	Disposal	First Adop IFRS16	Scope out	
Bank loans	512,095	-303,556	-211	-	-7,886	-	-	-	200,442
Other financial loans	6,892	6	1	-	-1,481	-	-	-	5,418
Non-current lease liability	3,852	-5,300	1,111	34,245	-24,078	-	86,823	-642	96,011
Non-current financial liabilities	522,839	-308,850	901	34,245	-33,445	-	86,823	-642	301,871
Bank loans	19,947	-13,408	-720	-	7,886	-	-	-	13,705
Bank overdrafts	6,981	-6,458	-2	-	-	-	-	-	521
Other financial loans	169,817	19,110	795	-	1,481	-	-	-1	191,202
Current lease liability	181	-23,159	142	-	24,078	-	23,104	-290	24,056
Current financial liabilities	196,926	-23,915	215	-	33,445	-	23,104	-291	229,484
Total loans and borrowings	719,765	-332,765	1,116	34,245	-	-	109,927	-933	531,355

Note 27 – Transactions with related parties

Transactions between Etex and its subsidiaries, which are related parties, have been eliminated in the consolidation and are accordingly not included in the notes. Transactions with equity accounted investees and joint ventures are included in note 12.

Transactions with members of the Board of Directors and Executive Committee:

In thousands of EUR	2019	2020
Board of Directors:		
Short term employee benefits	824	730
Executive Committee:		
Short term employee benefits	4,541	5,140
Post employment benefits	590	460
Share based payment	992	1,628
Number of stock options granted during the year	145,000	240,625

Transactions with companies in which members of the Board of Directors are active, reflect third party conditions and are immaterial in scope.

Note 28 – Remuneration of statutory auditor

The world-wide audit remuneration for the statutory auditor totalled €2,053 thousand (€2,145 thousand in 2019). The fees paid to the statutory auditor for additional services amounted to €688 thousand (€757 thousand in 2019), of which €152 thousand Other engagements (€63 thousand in 2019) and €536 thousand tax & advisory services (€694 thousand in 2019)

Note 29 – Etex companies

The major companies included in the consolidated financial statements are listed below. An exhaustive list of the Group companies with their registered office will be filed at the Belgian National Bank together with the consolidated financial statements.

		% equity interest	
		2019	2020
Europe			
Austria	Etex Building Performance GmbH	100%	100%
Belgium	Comptoir du Bâtiment N.V.	100%	100%
	Creaton Benelux N.V.	100%	0%
	Etergyp N.V.	100%	100%
	Eternit N.V.	100%	100%
	Etex Building Performance N.V.	100%	100%
	Etex N.V.	100%	100%
	Etex Services N.V.	100%	100%
	Etexco N.V.	100%	100%
	Euro Panels Overseas N.V.	100%	100%
	Microtherm N.V.	100%	100%
	Promat Research and Technology Center N.V.	100%	100%
Bosnia	Siniat Adria Gips LLC	100%	100%
Cyprus	Asmad Alci Ltd STI	100%	100%
Czech Republic	Promat s.r.o.	100%	100%
Denmark	Etex Nordic A/S	100%	100%
France	Etermat S.A.S.U.	100%	100%
	Eternit S.A.S.U.	100%	100%
	Etex Building Performance International S.A.S.	100%	100%
	Etex France Building Performance S.A.	100%	100%
	Etex France Exteriors	100%	100%
	Etex Matériaux de Construction S.A.S.	100%	100%
	Papeteries de Bègles S.A.S.	100%	100%
	Pladur France S.A.S.	100%	100%

		% equity interest	
		2019	2020
Germany	Creaton GmbH	100%	0%
	Creaton Produktions GmbH	99.98%	0%
	El-Tec	51.00%	0%
	Eternit Management Holding GmbH	100%	100%
	Etex Building Performance GmbH	100%	100%
	Etex Germany Exteriors GmbH	100%	100%
	Etex Holding GmbH	100%	100%
	Promat Service GmbH	100%	100%
	Wanit Fulgurit GmbH	100%	100%
Hungary	Creaton South-East Europe Kft.	100%	0%
Italy	Edilit S.r.l.	100%	100%
	Etex Building Performance S.p.A.	100%	100%
	Etex Italia	100%	100%
	Immogit S.r.l.	100%	100%
	Promat S.p.A.	100%	100%
	Siniat Holding Italy S.r.l.	100%	100%
Ireland	Etex Ireland Limited	100%	100%
	Tegral Holdings Ltd.	100%	100%
Lithuania	UAB Eternit Baltic	100%	100%
Luxemburg	EASA S.A.	100%	100%
	Eternit Investment S.à.r.l.	100%	100%
	Etex Asia S.A.	100%	100%
	Etex Finance S.A.	100%	100%
	Maretex S.A.	100%	100%
	Merilux S.à.r.l.	100%	100%
	Poly Ré S.A.	100%	100%
Netherlands	Eternit B.V.	100%	100%
	Eternit Holding B.V.	100%	100%
	Etex Building Performance B.V.	100%	100%
	Nefibouw B.V.	100%	100%

		% equity interest	
		2019	2020
Poland	Creaton Polska Sp. z o.o.	100%	0%
	Promat TOP Sp. z o.o.	100%	100%
	Siniat Polska Sp. z o.o.	100%	100%
	Siniat Sp. z o.o.	100%	100%
Portugal	EPISA SL	100%	100%
Romania	Etex Building Performance S.A.	100%	100%
Russia	Etex Russia	100%	100%
Serbia	Siniat Gips Beocin Ltd	100%	100%
Slovenia	Promat d.o.o.	100%	100%
Spain	Almería Gypsum S.A.	100%	100%
	Escayolas Marin SL	100%	100%
	Euronit Fachadas y Cubiertas S.L.	100%	100%
	Pladur Gypsum	100%	100%
	Promat Ibérica S.A.	100%	100%
	Promat Inversiones S.L.	100%	100%
Switzerland	Etex Switzerland & Austria GmbH	100%	100%
	Polyfibre S.A.	100%	100%
Ukraine	Promat Ukraine	100%	100%
	Siniat Gips ALC	100%	100%
	Siniat Gips Ukraine LLC	100%	100%
United Kingdom	Crucible Gypsum Recycling Ltd	100%	100%
	EM Holdings UK Ltd.	100%	100%
	EOS Framing Limited	100%	100%
	EOS Offsite Solutions Limited	100%	100%
	Eternit UK Ltd.	100%	100%
	Etex (Exteriors) UK Limited	100%	100%
	Etex (U.K.) Limited	100%	100%
	Etex Building Performance UK Ltd.	100%	100%
	FSi Limited	0%	100%
	John Brash Ltd	100%	100%
	ML UK Holding Limited	100%	100%
	Promat Glasgow Ltd.	100%	100%
	Promat UK Ltd.	100%	100%
Latin America			
Argentina	Durlock S.A.	100%	100%
	Eternit Argentina S.A.	99.44%	99.44%
	Siniat Holding Argentina S.A.	100%	100%
Brazil	Siniat Holding Brazil S.A.	100%	100%
	Siniat S.A. Mineração Indústria e Comércio	100%	100%
Chile	Centro de Servicios Compartidos SpA	99.79%	99.83%
	Empresas Pizarreño S.A.	99.83%	99.83%
	Inversiones Etex Chile Ltda.	100%	100%
	Inversiones San Lorenzo Chile S.A.	99.79%	99.83%
	Sociedad Industrial Pizarreño S.A.	99.66%	99.77%
	Sociedad Industrial Romeral S.A.	99.83%	99.87%

		% equity interest	
		2019	2020
Colombia	Etex Colombia S.A.	99.95%	99.95%
	Gyplac S.A.	100%	100%
	Shared Services Colombia S.A.S	100%	100%
Mexico	Servicios de Gestion S.A. de C.V.	100%	100%
	Servicios Atacama S.A. de C.V.	99.79%	99.79%
Peru	Etex Peru S.A.C.	100%	100%
	Fabrica Peruana Eternit S.A.	89.16%	89.16%
Uruguay	Eternit Uruguay S.A.	97.50%	97.50%
Africa, Asia, Oceania, North America			
Australia	Promat Australia Pty Ltd.	100%	100%
China	Eternit Guangzhou Building Systems Ltd.	66.65%	66.65%
	Promat International (Asia Pacific) Ltd.	100%	100%
	Promat Shanghai Ltd.	100%	100%
India	Promat India	100%	100%
Indonesia	Etex BP Indonesia	92.62%	94.93%
Japan	Promat Japan	100%	100%
Malaysia	Etex Malaysia	100%	100%
Nigeria	Emenite Ltd.	56.87%	56.87%
	Eternit Ltd.	60.00%	100%
	Nigerite Ltd.	56.85%	56.85%
Singapore	Promat Building System Pte Ltd.	100%	100%
South Africa	Etex South Africa Building Systems	100%	100%
	Marley SA (Pty) Ltd.	100%	0%
United Arab Emirates	Promat Fire Protection LLC	100%	100%
United States of America	Promat Inc.	100%	100%

Equity accounted entities

		% equity interest	
		2019	2020
Belgium	RBB N.V.	50%	0%
Brazil	Tecverde Engenharia	0%	45.14%
Chili	E2E	50%	50%
Germany	Lichtensteiner Brandschutzglas GmbH & Co. KG	50%	50%
	Neuwieder Brandschutzglas GmbH	50%	50%
	Oberlausitzer Tonbergbau GmbH	49.99%	0.00%
Poland	Kopalnia Gipsu Leszcze S.A.	50%	50%
	Nida Media Sp. z o.o.	50%	50%
Switzerland	Promat AG	26%	26%

Note 30 – Subsequent events

In January 2021, Etex acquired a majority stake in the French offsite construction company e-Loft, which has become part of the New Ways, representing a new step towards our ambition to shape the future of construction.

In February 2021, Etex finalized the acquisition of Knauf's plasterboard business in Australia, expanding our geographical plasterboard footprint and gaining access to a market that offers significant growth opportunities.

The 2020 consolidated accounts are impacted by neither of these two acquisitions.

Statutory Auditor's Report



STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ETEX NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Etex NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 23 May 2018, following the proposal formulated by the board of directors, following the recommendation by the risk and audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2020. We have performed the statutory audit of the Company's consolidated accounts for 3 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2020, 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 explanatory notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR'000 2,898,505 and a profit for the year of EUR'000 201,259.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company 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.

Key Audit Matters

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

Health Claims – Note 19

Description of the key audit matter

As described in the Note 19, health claim provisions totalling mEUR 68.3 as at December 31, 2020 have been reported in the consolidated financial statements of Etex Group. In the past, various Etex subsidiaries used asbestos as a raw material in their industrial process. Even though we understand the use of asbestos has been banned in the entire Group, some companies may still receive claims relating to past exposure to asbestos. The provisions reflect the costs of the settlement of claims which are both probable and can be reliably estimated.

The matter is of most significance to our audit because the assessment process is complex, the potential risk varies depending on the legal situation in the relevant country, its national social security system and the insurance cover of the relevant company and involves significant management judgement. Assumptions and estimates used in valuing these provisions are, amongst others, related to:

- the number of employees involved;
- the likely incidence, the disease mix and the mortality rates;
- expected insurance cover;
- legislative environment.

Changes in assumptions and estimates used to value the environmental provisions may have a significant effect on the Group's financial position.

How our audit addressed the key audit matter

As part of our audit procedures, we have assessed management's process to identify asbestos obligations and changes in existing obligations in compliance with IAS 37 requirements. We assessed the accuracy, valuation and completeness of health claim provisions as per 31 December 2020. This assessment included:

- meetings with Group management;
- inquiries of in-house legal counsel;
- review of litigation reports;
- evaluate management's assessment including consistency in assumptions;
- analysis and back testing of the cash outflow projections;
- tracing of corroborative evidence of the amounts spent.

We found the assumptions and data used to be reasonable and in line with our expectations, management's methodology and estimates to be reasonable and the related disclosures appropriate.

Post-employment benefit obligations – Note 21

Description of the key audit matter

As described in Note 21, the Group has defined benefit pension plans of which the most significant are in the UK and Ireland. Through its defined benefit pension plans, the Group is exposed to a number of risks, mainly being:

- asset volatility, the pension plans hold significant investments in equities, bonds, cash, property and funds;
- actuarial assumptions including expected inflation, discount rate, future salary increases and mortality rates life expectancy.

The procedures over the post-employment benefit provisions were of most significance to our audit because the assessment process is complex and involves significant management judgement. Actuarial assumptions are used in valuing the Group's post-employment benefit plans. Small changes in assumptions and estimates used to value the Group's net post-employment benefit liability may have a significant effect on the Group's financial position. Technical expertise is required to determine these amounts.

The post-employment benefit provision as per 31 December 2020 in respect of both funded and unfunded plans consists out of defined benefit obligations (mEUR 1,471) offset by plan assets (mEUR 1,116).

How our audit addressed the key audit matter

We evaluated and challenged management's key actuarial assumptions (both financial and demographic) by performing independent testing of those assumptions supporting the Group's post-employment benefit obligation.

In performing the evaluation of the assumptions (being discount, inflation and salary increase rates and mortality / life expectancies), we utilized our internal specialists' knowledge to assess the reasonableness of the assumptions used by management.

We tested the participant census data as included in the actuarial reports obtained by the company and we obtained the valuation reports of the plan assets from the investment managers.

We found the assumptions and data used to be reasonable and in line with our expectations, management's methodology and estimates to be reasonable and company's disclosures of post-employment benefit provisions appropriate.

Impairment testing of goodwill, intangible assets and property, plant and equipment – Note 7, 8 and 9

Description of the key audit matter

The carrying value of the Group's goodwill, intangible assets & property, plant and equipment amounts to mEUR 1,713 as at 31 December 2020.

We consider this as most significant to our audit because the determination of whether or not an impairment charge for these assets is necessary involves significant judgement by the Directors and management about the future results of the business.

The impairment assessment holds a comparison of the recoverable amount of the Cash Generating Unit (CGU) and its specific assets to its carrying value: the CGU's were defined in compliance with the organizational structure as described in Note 8.

In particular, we focused on the reasonableness and impact of key assumptions including:

- cash flow forecasts derived from internal forecasts and the assumptions around the future performance;
- the discount rate and the long term growth rate including assessment of risk factors and growth expectations of the relevant territory;

How our audit addressed the key audit matter

We evaluated management's assessment of the indicators of impairment and challenged impairment calculations by assessing the future cash flow forecasts used in the models and the process by which they were drawn up, including comparing them to the latest internal forecasts presented to the Board of Directors.

We understood and challenged:

- assumptions used in the Group's internal forecasts and the long term growth rates by comparing them to economic and industry forecasts;
- the historical accuracy of forecasts to actual results to determine whether cash flow forecasts are reliable based on past experience;
- the discount rate by assessing the cost of capital and other inputs including benchmarking with comparable organizations;
- the mathematical accuracy of the underlying calculations.

In performing the above work, we utilized our internal valuation experts to provide challenge and external market data to assess the reasonableness of the assumptions used by management.

We performed sensitivity analysis around the key drivers within the cash flow forecasts to ascertain the extent of change in those assumptions and also considered the likelihood of such a movement in those key assumptions arising.

Whilst recognizing that cash flow forecasting and impairment modelling are both inherently judgmental, we found that the assumptions used by management were within an acceptable range of reasonable estimates and company's disclosures of impairment assessment appropriate.

Responsibilities of the board of directors for the preparation of consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

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

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level.

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

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts, and the other information included in the annual report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing:

- Consolidated Key Figures and information 'About Etex' (Chapter 1);
- Social and environmental report (Chapter 3);
- Governance report (Chapter 4);

is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Sint-Stevens-Woluwe, April 2, 2021
The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
Represented by

Peter Van den Eynde
Réviseur d'Entreprises / Bedrijfsrevisor

Non-consolidated accounts of Etex N.V.

The annual accounts of Etex N.V. are presented below in a summarised form.

In accordance with the Belgian Company Code, the annual accounts of Etex N.V., together with the management report and the auditor's report, will be registered at the National Bank of Belgium.

These documents are also available upon request at:

Etex N.V.
Group Finance Department
Passport Building | Luchthaven Brussel Nationaal | Gebouw 1K
1930 Zaventem

The auditors have expressed an unqualified opinion on the annual statutory accounts of Etex N.V.

Summarised balance sheet

<i>in thousands of EUR</i>	2019	2020
Fixed assets	1,704,979	1,712,761
Tangible and intangible assets	4,166	1,861
Financial assets	1,700,813	1,710,900
Current assets	12,990	41,457
TOTAL ASSETS	1,717,969	1,754,218
Capital and reserves	1,096,134	1,485,538
Capital	2,533	2,533
Share premium	743	743
Reserves	1,092,858	1,482,262
Provisions	9,427	7,657
Creditors	612,408	261,023
TOTAL EQUITY AND LIABILITIES	1,717,969	1,754,218

Glossary

Definitions below relate to alternative performance measures.

Summarised income statement

<i>in thousands of EUR</i>	2019	2020
Operating income	49,189	46,528
Operating charges	-45,651	-47,044
Operating result	3,538	-516
Financial result	-272	471,758
Profit / <loss> before taxes	3,267	471,242
Income taxes	-338	172
Profit / <loss> for the year	2,928	471,414
Release of tax free reserves	-	-
Profit / <loss> for the year to be appropriated	2,928	471,414

The financial result includes non-recurring items for €5,387 thousand in 2020, and €3,785 thousand in 2019.

Profit distribution

The Board of Directors will propose at the General Shareholders’ Meeting on 26 May 2021 a net dividend of €0.4900 per share. The proposed gross dividend is €0.70 per share.

Appropriation account

<i>in thousands of EUR</i>	2019	2020
Profit / <loss> to be appropriated	2,928	471,414
Profit / <loss> for the year to be appropriated	2,928	471,414
Appropriation of the result	2,928	471,414
Transfer to/from reserve	21,095	-413,427
Profit to be distributed	-24,023	-57,986

Statutory nominations

The director mandates of Messrs. Jean-Louis de Cartier de Marchienne, Paul Van Oyen, Teodoro Scalmani, Christian Simonard, Caroline Thijssen, Jo Van Biesbroeck, Pascal Emsens, and Guillaume Voortman will expire at the end of the Annual General Shareholders’ Meeting of May 26, 2021. The Remuneration and Nomination Committee is assisting the Board in preparing the proposals for election by the Annual General Shareholders’ Meeting.

The auditor mandate of PricewaterhouseCoopers Bedrijfsrevisoren B.V., represented by its permanent representative Mr. Peter Van den Eynde, will expire at the end of the Annual General Shareholders’ Meeting of May 26, 2021. The Board proposes to the Annual General Shareholders’ Meeting to renew the mandate for a period of three years expiring at the end of the 2024 Annual General Shareholders’ Meeting.

Capital employed

Non-cash working capital plus property, plant and equipment, goodwill and intangible assets, investment properties and non-current assets held for sale.

Capital expenditure

Acquisition of property, plant and equipment, intangible assets and investment properties, excluding acquisitions through business combination.

Effective income tax rate

Income tax expense divided by the profit before income tax and before share of result in investments accounted for using the equity method, expressed as a percentage.

Free Cash Flow

Free cash flow is the sum of the cash flow from operating activities, interest paid and received, dividend received less capital expenditure.

Net financial debt

Current and non-current financial liabilities, including capital leases, less current financial assets and cash or cash equivalents.

Net recurring profit (Group Share)

Net profit for the year before non recurring items, net of tax impact and attributable to the shareholders of the Group.

Revenue

Includes the goods delivered and services provided by the Group during the period, invoiced or to be invoiced, net of discounts, rebates and allowances.

Non recurring items

Income statement items that relate to significant restructuring measures and business transformations, health claims and environmental remediation, major litigation, and goodwill impairment, income or expenses arising from disposal of businesses or non productive assets and other significant one-off impacts such as those relating to long term employee benefits settlement.

Operating income or EBIT (earnings before interest and taxes)

Income from operations, before financial charges and income, share of result in investments accounted for using the equity method and in-come tax expenses.

Operating cash flow or EBITDA (earnings before interest, taxes, depreciation and amortisation)

Operating income before charges of depreciation, impairment or amortisation on tangible and intangible fixed assets.

Net profit (Group share)

Profit for the year attributable to the shareholders of the Group.

Recurring distribution rate

Gross dividend per share divided by the net recurring profit (Group share) per share, expressed as a percentage.

Recurring operating income (REBIT)

Income from operations, before non recurring items and before financial charges and income, share of result in investments accounted for using the equity method and income tax expenses.

Recurring operating cash flow (REBITDA)

Recurring operating income before charges of depreciations, impairment or amortization on tangible and intangible fixed assets.

Return on capital employed (ROCE)

Operating income divided by the average capital employed (at the beginning of the year plus at the end of the year divided by two), expressed as a percentage.

Theoretical income tax expenses

Country-based nominal tax rate applied to the profit before taxes of each entity.

Weighted average nominal tax rate

Country-based nominal tax rate applied to the profit before taxes of each entity divided by the Group’s profit before income tax and before share of result in investments accounted for using the equity method, expressed as a percentage.

Weighted average number of shares

Number of issued shares at the beginning of the period adjusted for the number of shares cancelled or issued during the period multiplied by a time-weighting factor.

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Caring makes it work

Annual Report 2020



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