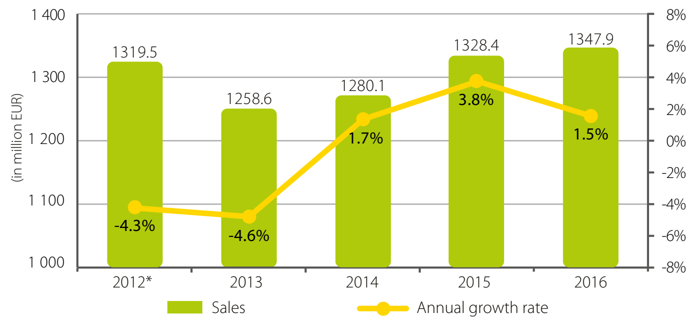
Annual Report 2016

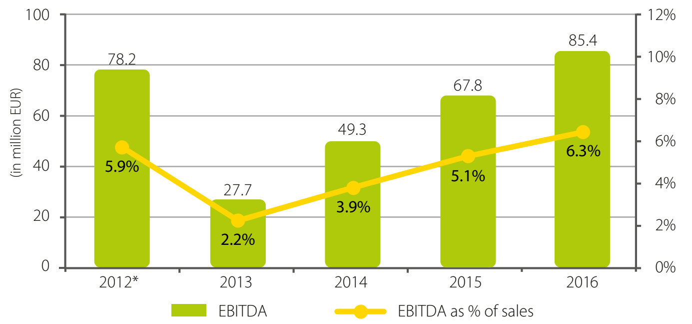
RECTICEL
The passion for comfort

Key Figures

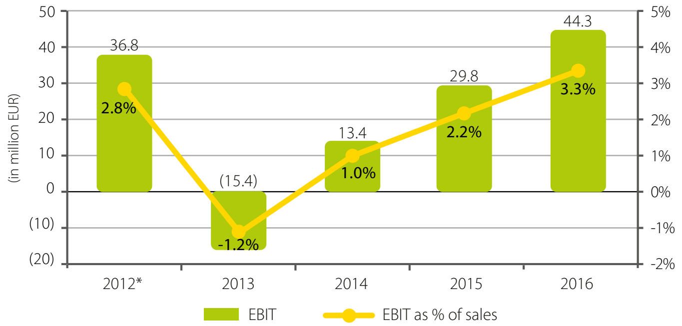
Combined sales & growth rates



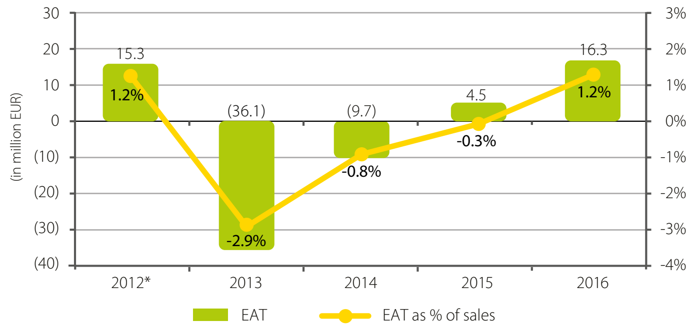
Combined EBITDA & EBITDA margin



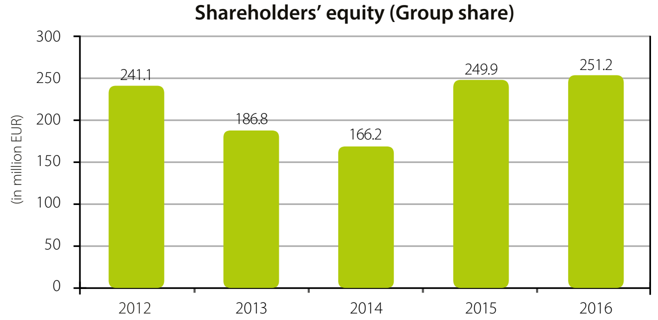
Combined EBIT & EBIT margin



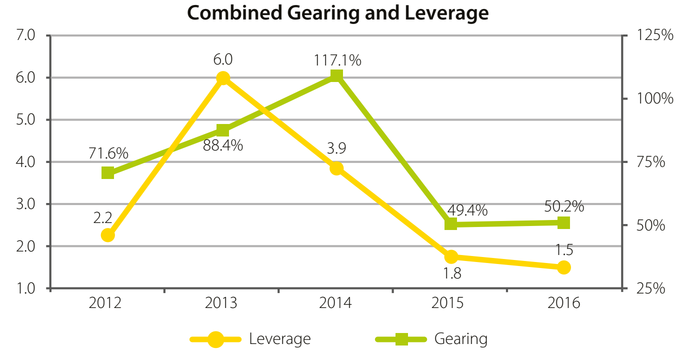
Combined earnings after taxes & EAT margin



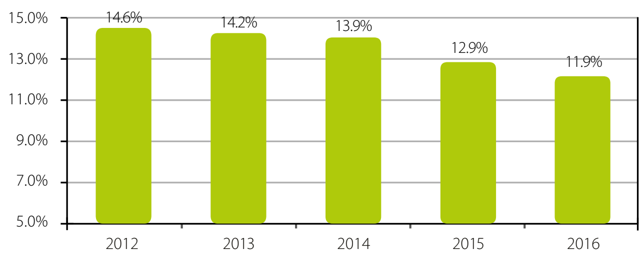
Shareholders' equity (Group share)



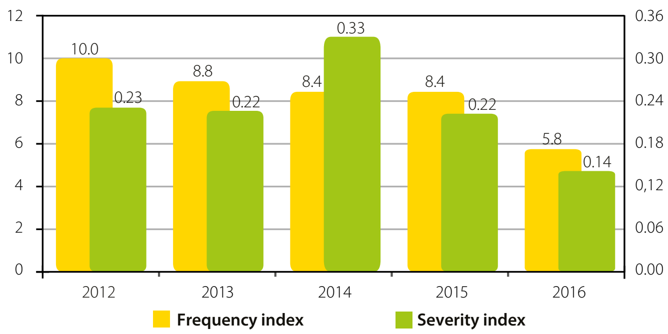
Combined Gearing and Leverage



Average net working capital as percentage of gross sales



Frequency index - Severity index
Industrial accidents



* 2012 figures are restated for IAS 19.

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* These chapters form an essential part of the Report of the Board of Directors and contain the information required by the Belgian Company Code regarding consolidated accounts.

RECTICEL The passion for comfort

This was 2016

Future expectations

This document contains specific quantitative and/or qualitative future-oriented statements and expectations regarding results and the financial state of affairs of the Recticel Group. Such forward-looking statements are not a guarantee for future achievements considering the future holds several risks and uncertainties that relate to future events and developments. The reader is reminded to take sufficient care with the interpretation of these future expectations because the actual results and events may be influenced in the future by one or more factors, both external and internal. As a result, the actual results and performances may possibly deviate considerably from the predicted expectations, objectives and possible statements. The most important and most relevant risk and uncertainty factors are described in more detail in the Chapter "Risk factors and risk management" of the financial section of this Annual Report. Recticel is not committed in any manner possible to updating possible changes and developments in these risk factors, nor to releasing the possible impact on the prospects, either immediately or with some delay.

FINANCIAL CALENDAR FOR SHAREHOLDERS	
First quarter 2017 trading update	26 April 2017 (before opening of the stock exchange)
Annual General Meeting	30 May 2017 (at 10:00 AM CET)
Ex-coupon date	31 May 2017
Record date	01 June 2017
Dividend payment date	02 June 2017
First half-year 2017 results	31 August 2017 (before opening of the stock exchange)
Third quarter 2017 trading update	31 October 2017 (before opening of the stock exchange)

www.recticel.com

EUR 1.35 billion of combined net sales

7,925 employees

{ Light-weight comfort solutions for our modern society, that is what we offer with our polyurethane-based products. }

Who we are

presence in **28** countries

98 sites

As an **international industrial player we** want to make an essential difference in the **daily comfort experience** of everyone. Relying on our competences, our profound expertise in the transformation of **polyurethane chemistry**, we are committed to bring responsible answers to the various challenges and needs of our time and to create shared value for Recticel and society. We aim to achieve, in an efficient, sustainable and balanced manner, added value and a steady and profitable growth for all our clients and shareholders.

It is our aspiration to serve our customers and end-consumers better than our best competitors, in every category and every country where we choose to compete — creating superior shareholder value in the process.

We **serve diverse markets - primarily in Europe**, which account for around 93% of our net sales, but also in the USA and in Asia - whereby we support our industrial clients in finding innovative, sustainable solutions by implementing ever more responsible and value-creating products and services. Our core portfolio is organised around four selected application areas: Insulation for the construction sector, Bedding, Flexible Foams for domestic and industrial applications and Automotive.

Although we produce in first instance semi-finished products (Flexible Foams and Automotive), we also develop, manufacture and commercialise finished products and durable goods for end-users (Bedding and Insulation).

> *Whether it is for energy-efficient buildings, fuel-efficient cars, sound silencing or other durable comfort needs, Recticel has an answer.*

Our **Flexible Foams** division develops and produces a wide variety of solutions with product attributes such as silencing, sealing, filtering, carrying, protecting, supporting and comforting.

In our **Bedding** division, consumer-ready mattresses, slat bases and box springs are marketed under well-known brand names such as Beka®, Lattoflex®, Literie Bultex®, Schlaraffia®, Sembella®, Superba®, Swissflex®, … and ingredient brands (GELTEX inside®, Bultex®).

Our **Insulation** division offers high quality thermal insulation products that are immediately used in construction projects and building renovations. Our insulation products are marketed under well-known brand and product names: Eurowall®, Powerroof®, Powerdeck®, Powerwall®, Xentro®, Recticel Insulation®...

Our **Automotive** division, which comprises seating solutions (via a joint venture) and interior trim activities, emphasises on innovation, technological progress and superior product quality and customer service.

We are headquartered in Brussels (Belgium) and employ on a combined basis (including pro rata share in joint ventures) about **7,925 people** in **98 locations** across **28 countries.** In 2016, we generated combined **sales of EUR 1.35 billion** (IFRS 11 consolidated sales: EUR 1.05 billion).

Recticel (Euronext™: REC.BE – Reuters: RECTt.BR – Bloomberg: REC.BB) is listed on the Euronext™ stock exchange in Brussels.

Our highlights in 2016 and early 2017

January 2016

Organisation – Sustainable Innovation Department

In our continuous quest to enhance our capability to develop sustainable innovations which create value for our customers, for the society, for our shareholders and all other stakeholders, we have decided to merge the International Development Center (IDC) and Sustainability functions into a newly created Sustainable Innovation Department (SID). The new department, located in Wetteren (Belgium), will be managed and developed under the leadership of Jean-Pierre De Kesel, Chief Sustainable Innovation Officer and member of the Management Committee.

January 2016

Bedding – imm Cologne Fair

Recticel Bedding (Schlaraffia®, Superba®, Swissflex®, Ubica®) is showcasing its marketing and product innovations at the imm Cologne, Europe's leading furniture and bedding fair with 80,000 trade visitors from 128 countries. Recticel is the only bedding company that presents end-2-end concepts from consumer story to POS theatre to product.

De wakkere keuze in slapen

Bedding – Ubica®

For the first time in its long history, our Dutch brand Ubica® participates at the imm - the international furniture faire in Cologne (Germany). It hereby joins our other bedding brands - Schlaraffia®, Superba®, Swissflex® and Grand Luxe® - that are traditionally present at this important sector fair. At imm, Ubica® presented its new collection of Geltex® inside-matrasses, called the Excellence-set, as well as other innovative products. Ubica® showed two new slat bases - Motion and Balancer – with a befitting upholstered bedframe.

February 2016

Flexible Foams - France

Recticel SAS announces the intention to close its plant in Noyen-sur-Sarthe (France). After negotiations with the works council in order to identify the most appropriate social support measures, the plant was finally closed in June 2016, and its activities were transferred to the plants in Louviers (France) and Langeac (France).

Corporate - Financing

Recticel extends its existing EUR 175 million secured multi-currency credit facility for another 5 years. The extension of the credit facility, concluded with six European banks, allows Recticel to secure liquidity and to extend its debt maturity profile. The proceeds have been used to repay by anticipation the amounts still outstanding under the EUR 175 million club deal of 2011, which was due to expire in December 2016.

February 2016

Bedding - Germany

Swissflex® receives the internationally renowned German Design award for the revolutionary bridge® technology used in its uni 22 bridge® bed bases.

February 2016

Flexible Foams – Thermoflex

Thermoflex, our PU foam which, after 3D thermo compression, provides lightweight and self-supporting parts with superior silencing performance, is particularly suitable in car engine compartments. This product is now adopted by the majority of OEMs as it offers an outstanding weight reduction compared to conventional solutions. To cope with the growing demand by Tier 1 suppliers, a new Thermoflex foaming and converting line was successfully started up in our plant in Ciudad Rodrigo (Spain). In addition, a new thermo compression line was set up in our plant in Louviers (France). Both investments confirm our commitment to offer sustainable solutions and our leading expertise in foam thermo compression.

February 2016

Flexible Foams – SituSense®

Based on dedicated research, our Flexible Foams division launches SituSense®, a new, unique range of sensing solutions for modern vehicle interiors. SituSense® is a family of innovative, high-performing polyether polyurethane foams intended mainly for pour-in-place/in-situ applications. SituSense® solutions exceed stringent international standards on fogging, flammability, ageing resistance and emissions, making life easier for designers and manufacturers. It ensures trouble-free processing at a cost-effective price. SituSense® offers comforting and sensing solutions for passenger vehicles seating covers and accessories, headliners and door panels.

{ We are well positioned to achieve further profitable growth. }

Our highlights in 2016 and early 2017

March 2016

Flexible Foams – United Kingdom

Aston Martin, the iconic British manufacturer of luxury sports cars and grand tourers selected to supply seating and interior trim foams for its new DB11 model. The grand tourer was revealed for the first time at the Geneva motor show in March 2016 and went into production in quarter four of 2016. The DB11 business is an important recognition of Recticel's capabilities and technical expertise to succeed in meeting Aston Martin's challenging requirements.

June 2016

Flexible Foams – India

The industrial sector is the world's largest consumer of energy and drives demand for gensets, as power failures have a huge impact on productivity and profits. At the same time, a better understanding of the impact of sound on human health leads to stricter noise legislation. As part of its strategic focus, a new impregnation line went operational in our plant in Tajola (India). With this investment, we complement our portfolio of value added acoustic solutions to the local industrial equipment market.

July 2016

Research & Development – New CO_2 based polyol

Recticel and Covestro join forces on new CO_2 based polyols. Recticel announces that it will use the innovative CO_2 based cardyon® polyol developed by Covestro - formerly Bayer MaterialScience - for the production of its flexible foams and more specifically for furniture and mattresses.

The new cardyon® polyol is a novel raw material for Recticel. Cardyon® contains about 20% CO_2 by weight and replaces a portion of the petroleum on which the precursor polyols are usually based. As such, it will save finite natural resources and will contribute to mitigating global warming by significantly reducing a product's carbon footprint.

September 2016

Corporate – Sustainability report

A new milestone in our history was reached when we published our first sustainability report, drawn up in accordance with Global Initiative Report (GRI) Guidelines G4 - Core level. This new report not only highlights our sustainability strategy -the result of a strategic process involving internal and external stakeholders to establish our most important sustainability aspects- but also identifies objective KPIs and clear targets for 2020.

Sustainability is now strategically embedded in our organisation as a key driver for innovation. By focusing our R&D efforts on climate change, conservation of natural resources, and support to ageing population, we will be able to develop value-added solutions for our customers and society.

September 2016

Insulation – Belgium

Recticel Insulation starts using the new integrated production hall and state-of-the-art warehouse for finished building products at its facility in Wevelgem (Belgium). This important investment (more than EUR 10 million) will offer a solid base to meet the strong growing demand for high performance/high value added insulation products in the continental European market. It will also enhance logistic capabilities to further develop an integrated supply chain with our customers.

October 2016

Flexible Foams - Organisation

Mr François Desné (°1971, French) is appointed as new Group General Manager Flexible Foams in replacement of Mr Marc Clockaerts who retired after a career of 42 years at Recticel. Mr François Desné becomes a member of the Group Management Committee.

Insulation – Innortex (France)

In line with our growth strategy, Recticel Insulation acquires the business from the small French company Innortex, which is specialised in the production of fibre-bonded foam solutions by using flexible trim foam, and in a later stage end of life materials (flexible foams and/or textiles). By doing so, the Insulation business line will not only expand its current product offering but will also be able to provide solutions combining thermal and acoustic insulation. These fibre-bonded foam solutions are highly sustainable and perfectly fit the requirements of a circular economy.

October 2016

Automotive - Interiors

In the course of 2016 various new multi-year contracts were awarded to our Automotive Interiors division. These new contracts, both in Europe and China, relate to high-quality trim parts to be used in different car models of Audi, BMW, Volkswagen and Volvo. The new programs will be gradually started-up in the course of the coming two years. They represent estimated cumulative life-time sales of approximately EUR 90 million.
The interior trim parts, on the basis of our patented Colo-Sense® Lite Spray technology, will be supplied from our plants in the Czech Republic (Most, Mlada Boleslav), Germany (Wackersdorf) and China (Changchun, Ningbo and Shenyang).

In 2016 we started production of interior trim for respectively Mercedes E-Class and Volkswagen Magotan in Langfang and Changchun (both in China).

cardyon™

December 2016

Flexible Foams – First delivery of the new CO_2 based polyol

Our Swedish Flexible Foams plant in Gislaved receives as first in the world the new cardyon® polyols, a novel raw material developed by Covestro AG. Cardyon® contains about 20% CO_2 by weight and replaces a portion of the petroleum on which the precursor polyols are usually based. This new sustainable product was accepted in our plant in Gislaved (Sweden) for the production of mattresses and toppers.

December 2016

Insulation – Vacuum Insulation Panels (VIP)

Our Insulation division announces it has entered into a production joint venture with the private Slovenian company TURNA d.o.o. by acquiring 50% of the shares of the latter's affiliate TURVAC.

TURVAC d.o.o. is located in Šoštanj (Slovenia) and is specialized in the production of Vacuum Insulation Panels ("VIP"). Recticel Insulation will commercialize VIPs for certain niche applications in the construction market, whereas TURNA will focus on the sale of such products in the household appliances markets.

Vacuum Insulation Panels consist of a high barrier membrane in form of a foil bag, which is first filled with fumed silica or glass fibre, and thereafter vacuumed and sealed. The finished product has an aged thermal conductivity which is three times better than today's PIR insulation boards, and hence allows optimal insulation solutions in combination with PIR insulation boards for more demanding building applications. This new technology allows Recticel Insulation to enhance its products portfolio and to strengthen its leading position in high performance insulation solutions for the European building market.

Turvac®

January 2017

Bedding - Organisation

CEO, Mr Olivier Chapelle (°1964, Belgian) assures ad interim the responsibilities of the Group General Manager Bedding in replacement of Mr Philipp Burgtorf who left the company.

Automotive Interiors – Czech Republic

A severe fire incident occurs in one of the production halls of our Automotive-Interiors site in Most (Czech Republic). As a result of this, Recticel had to declare force majeure to the customers of our Most plant.

February 2017

Insulation at Batibouw® – Belgium

At Batibouw®, the leading fair for the construction and renovation sector in Belgium, Recticel Insulation introduces two new products.

With the new Xentro® technology, our Insulation business line introduces thinner insulation boards with a further improved insulation performance. These Xentro® insulation boards have a 13% better insulation performance than current PUR/PIR panels, which corresponds to an unmatched λ (lambda) insulation value of 0.019W/mK.

Besides our Insulation business line also introduced Simfofit® panels for sound isolation for internal use. Simfofit® is an acoustic material made of recycled polyurethane flakes. Besides its acoustic effect, it also offers some thermal insulation to buildings.

March 2017

Insulation – United Kingdom

Recticel announces that its Insulation division plans to invest in additional production capacity in the United Kingdom, in order to enable further growth with its customers. The investment is expected to amount to at least EUR 20 million and start of production is planned in the 3rd quarter of 2018.

Mr. Johnny Thijs
Chairman of the Board of Directors

Mr. Olivier Chapelle
Chief Executive Officer

Letter from the Chairman of the Board of Directors and the Chief Executive Officer

Brussels, April 29th 2016

Dear Employee,
Dear Customer,
Dear Shareholder,
Dear Reader,

2016 has been a successful and confirmation year for Recticel.

In an improving yet still volatile European business environment, Recticel has grown its sales by 1.5%, thanks to volume growth and positive mix, and despite significant currency adverse effects (-2.2% mostly linked to the Brexit).

During 2016, simplification and rationalisation of the Group have continued with the closing of 2 factories, and organisation enhancements aimed at optimising the company's operating costs.

Sales growth and improved cost efficiency have consequently generated a 19.3% REBITDA increase and a 29.6% REBIT increase, leading to a net profit of EUR 16.3 million.

With regards to the financing of the Group, the EUR 175 million credit facility has been extended, with a February 2021 maturity.

After the successful May 2015 capital increase, the Group has clearly "turned the page" in 2016, and has taken several strategic steps to create the conditions for future growth.

After having grown by +5.0% in 2015, the sales turnover has steadily increased by 1.5% during the full year 2016, supported by a favourable economic environment, by successful new products introductions and despite negative effects of -2.2%. The EU 28 Automotive market has continued to grow by +6.8% in 2016. European construction markets have performed well, with the exception of France. Bedding and overall Furniture markets have been slightly positive, supported by positive consumer sentiment, while industrial production output has also accelerated. In addition, China, India, Turkey and the USA, the non-European countries where Recticel is present, have also performed well. As a consequence, all divisions but Bedding have grown, with Automotive growing by 3.1%, Insulation growing by 2.1%, Flexible Foams growing by 0.8%. Bedding contracted by -0.5% as a result of logistic issues in the last quarter. Geltex® inside in Bedding, which now represents a sales turnover of EUR 55 million, Colo-Sense Lite® in Automotive Interiors, the new SituSense® value proposition in Flexible Foams and new solutions and channels in Insulation have been key to our market success in 2016, and confirm the contributions of innovation at Recticel.

Rationalization efforts in 2016, to continuously adapt the industrial footprint to market needs, have led to the closing of the Flexible Foams facility of Noyen (France) in June 2016 and of the Automotive facility in Beijing (China) in September 2016. Moreover, the Group has taken significant actions to adapt its operating model in order to reduce its SG&A spending and improve its efficiency.

Our investments in 2016 have been concentrated on growth: capacity increase and warehouse expansion in our insulation plant in Wevelgem, capacity increase in our Flexible Foams facility in Romania (Eurofoam joint venture), start-up of the Changchun and Langfan facilities in China for the Automotive business, and the impregnation capacity increase in our Flexible Foam facility in India are good illustrations.

Moreover, for the first time in 6 years, two external growth moves have been executed. The first consists of the acquisition of the activities of Innortex in France. It brings the Fiber Bonded Foam technology and immediate capacity to the Insulation business, in order to initiate production and sales of a recycled product providing the combination of acoustic and thermal insulation properties. The second has led to the creation of the Turvac joint Venture in Slovenia, providing to Recticel with the VIP technology (Vacuum Insulated Panel), offering ultra-high insulation properties for specific niche markets.

To conclude on the investments, Recticel has announced a significant capacity increase in the United Kingdom to produce Insulation boards, in order to support the growth of its customers.

In 2016, the R&D activities and the Sustainable Development team have been merged into a new Sustainable Innovation department. It has focused its resources on 5 key innovation programs, all aimed at enhanced value proposition to our customers, while increasing the contribution of Recticel to the sustainable development of the society. As a consequence, a first significant new product has been introduced in February 2017 at the Batibouw building trade show in Brussels: the Xentro® insulation technology allows our insulation boards to reach a new benchmark performance level of lambda 19, a 13% improvement over the current technology. In September 2016, the first Sustainable Development report has been issued. It includes the Group's promise on 6 key measurable objectives to be delivered by 2020, on which the Group will make a first progress report in February 2018.

With the first quarter of 2017 now behind us, we observe a business environment which is increasingly volatile, due to many geopolitical developments in the world, to continuing currency fluctuations, and to sky-rocketting raw material prices. Despite these uncertainties, end-use markets remain supportive in Europe, and in the other regions in the world where Recticel is present. In that context, Recticel remains confident in its ability to grow its volumes, to leverage market opportunities thanks to a strengthening competitive position and to its recently launched growth initiatives.

We want to thank our employees for their contributions in 2016, our customers for their business and trust, and our shareholders for their loyalty and continued support.

Mr. Johnny Thijs
Chairman of the Board of Directors

Mr. Olivier Chapelle
Chief Executive Officer

Report by our Board of Directors

Annual results 2016

RECTICEL DELIVERS FURTHER STRUCTURAL PROFIT GROWTH

- Combined[a] sales growth of +1.5%, including adverse currency impact of -2.2%
- Combined REBITDA increased by +19.3%
- Result of the period (share of the Group): EUR 16.3 million
- Combined net financial debt: EUR 126.0 million (31-Dec-2015: EUR 123.0 million)
- Proposal to pay a gross dividend of EUR 0.18 per share

Olivier Chapelle (CEO): *"We are satisfied with 2016, another year of sales and profit growth, and an important milestone in our aim to make Recticel a reliable value creation company.*

Combined sales grew by +1.5%, based upon solid volume growth, despite adverse currency effects of -2.2%. Our combined REBITDA increased by +19.3%, supported by volume growth and by efficiency & mix improvements which beat our 2016 targets, and more than offset volatile and adverse currency and raw material prices evolutions. Our total combined net financial debt (including the off balance sheet financing) has reached a historically low level at EUR 178.2 million.

The supply market for isocyanates turned short over the last 9 months of 2016, leading to significant raw materials price increases. In addition, a force majeure at one of our key suppliers in October in combination with production issues at several suppliers' factories further aggravated the situation. This force majeure has now been lifted.

We expanded our Insulation business by acquiring the Innortex activities in France (acoustic solutions) and the creation of the Turvac joint venture in Slovenia (Vacuum Insulation Panels).

Going forward we will remain focused on raising our performance by building the foundation for stronger sales growth, further streamlining and strengthening of our product portfolio, improving productivity and cost structures, and strengthening our organization and culture."

OUTLOOK

For the full year 2017, the Group expects continued growth of its combined sales, and to increase its combined REBITDA thanks to a combination of volume growth, improved mix and efficiency gains.

All comparisons are made with the comparable period of 2015, unless mentioned otherwise.

[a] For the definition of other used terminology, see glossary at the end of this press release.

1. Key figures

1.1. CONSOLIDATED DATA

- **Sales:** from EUR 1,033.8 million to EUR 1,048.3 million (+1.4%) including currency impact of -2.3%
- **EBITDA:** from EUR 52.9 million to EUR 72.7 million (+37.5%)
- **EBIT:** from EUR 23.2 million to EUR 39.2 million (+68.8%)
- **Result of the period** (share of the Group): from EUR 4.5 million to EUR 16.3 million
- **Net financial debt[1]:** EUR 108.4 million (31 December 2015: EUR 98.5 million; 30 September 2016: EUR 108.5 million)

in million EUR

	2015 (a)	2016 (b)	Δ 2016/2015 (b)/(a)-1
Sales	**1 033.8**	**1 048.3**	**1.4%**
Gross profit	194.4	201.1	3.4%
as % of sales	*18.8%*	*19.2%*	
EBITDA	**52.9**	**72.7**	**37.5%**
as % of sales	*5.1%*	*6.9%*	
EBIT	**23.2**	**39.2**	**68.8%**
as % of sales	*2.2%*	*3.7%*	
Result of the period (share of the Group)	**4.5**	**16.3**	**259.5%**
Result of the period (share of the Group) - base (per share, in EUR)	0.10	0.31	199.0%
Gross dividend per share (in EUR)	**0.14**	**0.18**	**28.6%**
Total Equity	**249.0**	**251.2**	**0.9%**
Net financial debt [1]	98.5	108.4	10.0%
Gearing ratio	**39.6%**	**43.1%**	

[1] Excluding the drawn amounts under non-recourse factoring/forfeiting programmes: EUR 51.7 million per 31 December 2016 (EUR 53.7 million per 31 December 2015, and EUR 54.7 million per 30 September 2016).

1.2. COMBINED DATA

- **Sales:** from EUR 1,328.4 million to EUR 1,347.9 million (+1.5%), including currency effects of -2.2%
- **REBITDA:** from EUR 81.9 million to EUR 97.7 million (+19.3%)
- **EBITDA:** from EUR 67.8 million to EUR 85.4 million (+26.0%)
- **REBIT:** from EUR 44.9 million to EUR 58.2 million (+29.6%)
- **EBIT:** from EUR 29.8 million to EUR 44.3 million (+48.6%)
- **Result of the period** (share of the Group): from EUR 4.5 million to EUR 16.3 million
- **Net financial debt[1]:** EUR 126.0 million (31 December 2015: EUR 123.0 million; 30 September 2016: EUR 131.9 million)

in million EUR

	1H15	2H15	FY15	1H16	2H16	FY16	Δ 1H	Δ 2H	Δ FY
Sales	**667.5**	**661.0**	**1 328.4**	**686.0**	**661.9**	**1 347.9**	**2.8%**	**0.1%**	**1.5%**
Gross profit	119.8	113.1	232.9	133.4	112.1	245.5	11.4%	-0.9%	5.4%
as % of sales	*17.9%*	*17.1%*	*17.5%*	19.4%	16.9%	18.2%			
REBITDA	**42.9**	**39.0**	**81.9**	**54.8**	**42.9**	**97.7**	**27.9%**	**9.8%**	**19.3%**
as % of sales	*6.4%*	*5.9%*	*6.2%*	*8.0%*	*6.5%*	*7.2%*			
EBITDA	**38.8**	**29.0**	**67.8**	**47.9**	**37.6**	**85.4**	**23.3%**	**29.6%**	**26.0%**
as % of sales	*5.8%*	*4.4%*	*5.1%*	*7.0%*	*5.7%*	*6.3%*			
REBIT	**24.8**	**20.1**	**44.9**	**35.6**	**22.6**	**58.2**	**43.5%**	**12.4%**	**29.6%**
as % of sales	*3.7%*	*3.0%*	*3.4%*	*5.2%*	*3.4%*	*4.3%*			
EBIT	**20.0**	**9.8**	**29.8**	**27.6**	**16.6**	**44.3**	**38.5%**	**69.2%**	**48.6%**
as % of sales	*3.0%*	*1.5%*	*2.2%*	*4.0%*	*2.5%*	*3.3%*			

	30 JUN 15	31 DEC 15		30 JUN 16	31 DEC 16				
Total Equity	**249.5**	**249.0**	**249.0**	**245.6**	**251.2**	**251.2**	**-1.6%**	**0.9%**	**0.9%**
Net financial debt 1	137.5	123.0	123.0	132.9	126.0	126.0	-3.3%	2.4%	2.4%
Gearing ratio	**55.1%**	**49.4%**	**49.4%**	**54.1%**	**50.1%**	**50.1%**			

[1] Excluding the drawn amounts under non-recourse factoring/forfeiting programmes: EUR 52.2 million per 31 December 2016 (EUR 60.4 million per 31 December 2015, and EUR 60.4 million per 30 September 2016).

2. Comments on the Group results

Detailed comments on the sales and results of the different segments are given in chapter 6 on the basis of the combined figures (joint ventures integrated following the proportionate consolidation method).

Combined Sales: from EUR 1,328.4 million to **EUR 1,347.9 million** (+1.5%), including a negative currency effect of -2.2%; primarily due to the depreciation of the Pound Sterling and the Polish Zloty.

On an annual basis, all segments reported higher sales, except Bedding which contracted slightly (-0.5%). The overall progress is mainly explained by (i) successful growth initiatives in Insulation and Flexible Foams, and (ii) the start-up of scheduled new programmes in Automotive Interiors as well as strong volumes in the automotive market.

Breakdown of the **combined** sales by segment

in million EUR

	1Q2016	2Q2016	3Q2016	4Q2016
Flexible Foams	156.1	154.2	141.3	155.7
Bedding	79.0	69.1	70.1	74.7
Insulation	55.5	62.7	59.0	57.0
Automotive	73.9	73.0	64.2	77.8
Eliminations	(18.9)	(18.4)	(16.7)	(21.4)
TOTAL COMBINED SALES	**345.5**	**340.5**	**318.1**	**343.8**
Adjustment for joint ventures by application of IFRS 11	(75.9)	(75.6)	(68.0)	(80.0)
TOTAL CONSOLIDATED SALES	**269.6**	**264.9**	**250.1**	**263.8**

in million EUR

2H2015	2H2016	Δ 2H		FY2015	FY2016	Δ FY
296.4	297.0	0.2%	Flexible Foams	602.3	607.2	0.8%
151.1	144.9	-4.1%	Bedding	294.5	292.9	-0.5%
116.1	116.0	-0.1%	Insulation	229.4	234.1	2.1%
137.4	142.0	3.3%	Automotive	280.3	288.9	3.1%
(40.1)	(38.0)	-5.2%	Eliminations	(78.1)	(75.4)	-3.5%
661.0	**661.9**	**0.1%**	**TOTAL COMBINED SALES**	**1 328.4**	**1 347.9**	**1.5%**

3Q2015	3Q2016	Δ 3Q		4Q2015	4Q2016	Δ 4Q
145.0	141.3	-2.5%	Flexible Foams	151.5	155.7	2.8%
73.1	70.1	-4.1%	Bedding	77.9	74.7	-4.1%
60.3	59.0	-2.1%	Insulation	55.8	57.0	2.0%
65.1	64.2	-1.3%	Automotive	72.4	77.8	7.5%
(20.1)	(16.7)	-17.1%	Eliminations	(20.0)	(21.4)	6.9%
323.4	**318.1**	**-1.6%**	**TOTAL COMBINED SALES**	**337.6**	**343.8**	**1.8%**

After two quarters of positive sales growth (1Q2016: +0.6% and 2Q2016: +5.1%) and a weaker 3Q2016 sales (-1.6%), **combined sales** increased from EUR 337.6 million to **EUR 343.8 million** in **4Q2016** (+1.8%). This positive development was achieved despite a negative currency effect of -2.9% in the fourth quarter, mainly from the Pound Sterling and Polish Zloty. Strong volumes in a supportive market environment have more than offset the negative currency impacts and some price erosion.

As anticipated, the Automotive segment realised the largest sales increase (+7.5%) during 4Q2016, due to new programme start-ups in Interiors in a very strong automotive market.

The Flexible Foams segment grew by +2.8% in 4Q2016, which is higher than its annual growth rate of +0.8%. The evolution was primarily driven by the Technical Foams segment and by growth in Central Europe.

The Insulation segment grew by +2.0% during 4Q2016, thanks to strong volume growth partially offset by price erosion in its most competitive national markets.

The Bedding segment contracted in 4Q2016 by -4.1%, as a result of supply chain issues having affected its market position during the quarter.

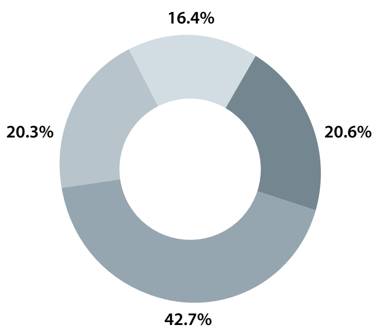
Combined REBITDA: from EUR 81.9 million to **EUR 97.7 million** (+19.3%)

REBITDA margin increased from 6.2% to 7.2%.

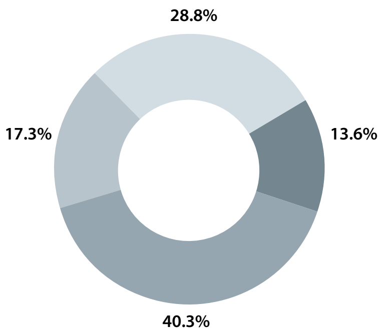
Recurrent profitability increased year-on-year in 2H2016 by +9.8% versus a very strong 2H2015, thanks to a combination of (i) higher volumes, (ii) positive product-mix and (iii) operational efficiency.

Sequentially, profitability in 2H2016 ended up lower than in 1H2016, as a result of (i) much higher raw material prices – specifically TDI and MDI –, (ii) adverse exchange rate impacts which weighed on profitability in 2H2016 - especially in Insulation -, and (iii) to the systematically lower number of working days in industry in the second half of a calendar year.

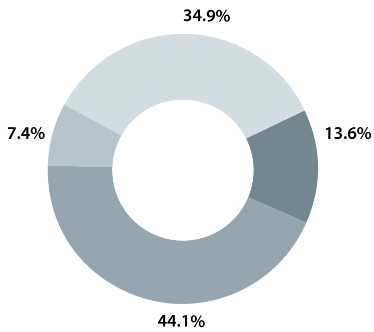
Combined sales 2016
(before intra-Group sales)



Combined REBITDA 2016
(before Corporate)



Combined REBIT 2016
(before Corporate)



Insulation Flexible Foams Bedding Automotive

Breakdown of the **combined REBITDA** by segment

in million EUR

	1H15	2H15	FY15	1H16	2H16	FY16	Δ 1H	Δ 2H	Δ FY
Flexible Foams	20.4	17.6	38.0	28.2	18.1	46.3	37.8%	3.1%	21.7%
Bedding	6.0	8.1	14.1	7.9	7.8	15.7	31.6%	-3.4%	11.5%
Insulation	16.1	16.2	32.3	17.8	15.3	33.1	10.6%	-5.9%	2.3%
Automotive	9.5	5.9	15.4	10.5	9.4	19.9	10.7%	58.7%	29.1%
Corporate	(9.2)	(8.8)	(18.0)	(9.6)	(7.8)	(17.3)	4.1%	-12.0%	-3.7%
TOTAL COMBINED REBITDA	**42.9**	**39.0**	**81.9**	**54.8**	**42.9**	**97.7**	**27.9%**	**9.8%**	**19.3%**

- **Flexible Foams** continued to enhance its industrial performance throughout the period, to increase its volumes and to improve its product/market mix.
- **Insulation** profitability increased on higher volumes and excellent efficiency, thereby over-compensating the negative impact of price erosion in some markets and a depreciated Pound Sterling.
- The increased profitability in **Automotive** is driven by the improvement in Seating due to the positive effect from the closure in 2015 of the Rüsselsheim (Germany) plant and overall efficiency gains, as well as by the contribution of the new Automotive Interior programmes.
- **Bedding** benefited from an improved product- and customer-mix and from strong growth in boxspring sales, but suffered from an insufficient overall performance in the last quarter.

Combined REBIT: from EUR 44.9 million to **EUR 58.2 million** (+29.6%)

REBIT margin increased from 3.4% to 4.3%.

Breakdown of the **combined REBIT** by segment

in million EUR

	1H15	2H15	FY15	1H16	2H16	FY16	Δ 1H	Δ 2H	Δ FY
Flexible Foams	14.6	11.5	26.1	22.0	11.8	33.8	50.6%	2.3%	29.3%
Bedding	2.8	4.9	7.7	5.1	5.3	10.4	81.7%	8.3%	35.0%
Insulation	13.3	13.1	26.4	14.7	12.0	26.8	10.8%	-7.8%	1.6%
Automotive	3.8	(0.1)	3.6	3.9	1.8	5.7	2.9%	n.m.	55.3%
Corporate	(9.7)	(9.3)	(18.9)	(10.1)	(8.3)	(18.4)	4.6%	-10.1%	-2.6%
TOTAL COMBINED REBIT	**24.8**	**20.1**	**44.9**	**35.6**	**22.6**	**58.2**	**43.5%**	**12.4%**	**29.6%**

Non-recurring elements: (on combined basis, including pro rata share in joint ventures)

EBIT includes non-recurring elements for a total net amount of EUR -13.9 million (compared to EUR -15.1 million in 2015).

in million EUR

	2015	1H2016	2H2016	2016
Restructuring charges and provisions	(12.7)	(4.7)	(3.1)	(7.8)
Capital gain on divestment	1.6	0.0	0.0	0.0
Other	(3.0)	(2.3)	(2.1)	(4.4)
TOTAL IMPACT ON EBITDA	**(14.1)**	**(7.0)**	**(5.2)**	**(12.2)**
Impairments	(1.0)	(1.0)	(0.7)	(1.7)
TOTAL IMPACT ON EBIT	**(15.1)**	**(7.9)**	**(6.0)**	**(13.9)**

Additional restructuring measures were implemented in execution of the Group's rationalisation plan, including (i) the closure of the Flexible Foams plant in Noyen-sur-Sarthe (France), (ii) further rationalisation measures in Bedding, (iii) additional costs relating to sites closed in 2015 and (iv) incurred costs and provisions for legal fees.

Impairment charges amounted to EUR -1.7 million (2015: EUR -1.0 million) and relate to (i) idle equipment in Flexible Foams in the United Kingdom and France (cfr. closure of the site in Noyen-sur-Sarthe) and (ii) idle tangible and intangible assets in Bedding.

Combined EBITDA: from EUR 67.8 million to **EUR 85.4 million** (+26.0%)

EBITDA margin increased from 5.1% to 6.3%.

Breakdown of **EBITDA** by segment

in million EUR

	1H15	2H15	FY15	1H16	2H16	FY16	Δ 1H	Δ 2H	Δ FY
Flexible Foams	19.9	14.2	34.0	23.6	15.9	39.6	19.0%	12.4%	16.3%
Bedding	5.1	4.4	9.5	6.6	5.5	12.1	29.6%	25.6%	27.7%
Insulation	17.7	15.7	33.4	17.8	15.1	32.9	0.4%	-3.9%	-1.6%
Automotive	5.7	4.3	9.9	9.5	8.8	18.3	68.8%	104.8%	84.4%
Corporate	(9.5)	(9.6)	(19.1)	(9.7)	(7.8)	(17.4)	1.9%	-19.0%	-8.6%
TOTAL COMBINED EBITDA	**38.8**	**29.0**	**67.8**	**47.9**	**37.6**	**85.4**	**23.4%**	**29.6%**	**26.0%**
Adjustment for joint ventures by application of IFRS 11[1]	(7.1)	(7.9)	(14.9)	(6.9)	(5.9)	(12.7)	-3.0%	-25.2%	-14.7%
TOTAL CONSOLIDATED EBITDA	**31.7**	**21.1**	**52.9**	**41.0**	**31.7**	**72.7**	**29.2%**	**50.0%**	**37.5%**

[1] By application of IFRS 11 the net result after depreciation, financial and tax charges are integrated in consolidated EBITDA

Combined EBIT: from EUR 29.8 million to **EUR 44.3 million** (+48.6%)

EBIT margin increased from 2.2% to 3.3%.

Breakdown of **EBIT** by segment

in million EUR

	1H15	2H15	FY15	1H16	2H16	FY16	Δ 1H	Δ 2H	Δ FY
Flexible Foams	13.3	7.8	21.1	17.2	9.3	26.5	29.6%	18.9%	25.6%
Bedding	1.9	1.2	3.2	3.1	2.6	5.8	63.0%	111.3%	81.9%
Insulation	14.9	12.6	27.5	14.7	11.9	26.6	-1.3%	-5.4%	-3.2%
Automotive	(0.1)	(1.8)	(1.9)	2.9	1.2	4.0	n.m.	n.m.	n.m.
Corporate	(10.0)	(10.1)	(20.0)	(10.2)	(8.3)	(18.6)	2.5%	-17.0%	-7.3%
TOTAL COMBINED EBIT	**20.0**	**9.8**	**29.8**	**27.6**	**16.6**	**44.3**	**38.5%**	**69.2%**	**48.6%**
Adjustment for joint ventures by application of IFRS 11[1]	(3.0)	(3.5)	(6.6)	(3.0)	(2.0)	(5.1)	0.0%	-42.3%	-22.8%
TOTAL CONSOLIDATED EBIT	**16.9**	**6.3**	**23.2**	**24.6**	**14.6**	**39.2**	**45.3%**	**132.0%**	**68.8%**

[1] By application of IFRS 11 the net result after financial and tax charges are integrated in consolidated EBIT

Consolidated financial result: from EUR -12.5 million to **EUR -11.7 million**

Net interest charges decreased from EUR -9.6 million to EUR -8.1 million following a lower average net interest-bearing debt, including the usage of 'off-balance' factoring/forfeiting programmes, and better credit conditions following the refinancing of the credit facility in February 2016.

'Other net financial income and expenses' (EUR -3.6 million compared to EUR -3.0 million in 2015) comprise mainly interest capitalisation costs under provisions for pension liabilities (EUR -1.1 million versus EUR -0.8 million in 2015) and exchange rate differences (EUR -2.6 million versus EUR -2.0 million in 2015).

Consolidated income taxes and deferred taxes:
from EUR -6.2 million to **EUR -11.2 million**

- Current income tax charge: EUR -3.5 million (2015: EUR -2.4 million);
- Deferred tax charge: EUR -7.6 million (2015: EUR -3.8 million).

Consolidated result of the period (share of the Group):
from EUR +4.5 million to **EUR +16.3 million**

3. Financial situation

On 31 December 2016, **combined net financial debt** amounted to **EUR 126.0 million** (31 December 2015: EUR 123.0 million; 30 September 2016: EUR 131.9 million), excluding the amounts drawn under the off-balance non-recourse factoring/forfeiting programmes of EUR 52.2 million (31 December 2015: EUR 60.4 million; 30 September 2016: EUR 60.4 million).

Total combined net debt, including off-balance non-recourse factoring/forfeiting programmes decreased to a historically low EUR 178.2 million (31 December 2015: EUR 183.4 million; 30 September 2016: EUR 192.3 million).

On 31 December 2016, **consolidated net financial debt** amounted to **EUR 108.4 million** (31 December 2015: EUR 98.5 million; 30 September 2016: EUR 108.5 million), excluding the amounts drawn under off-balance non-recourse factoring/forfeiting programmes of EUR 51.7 million (31 December 2015: EUR 53.7 million; 30 September 2016: EUR 54.7 million).

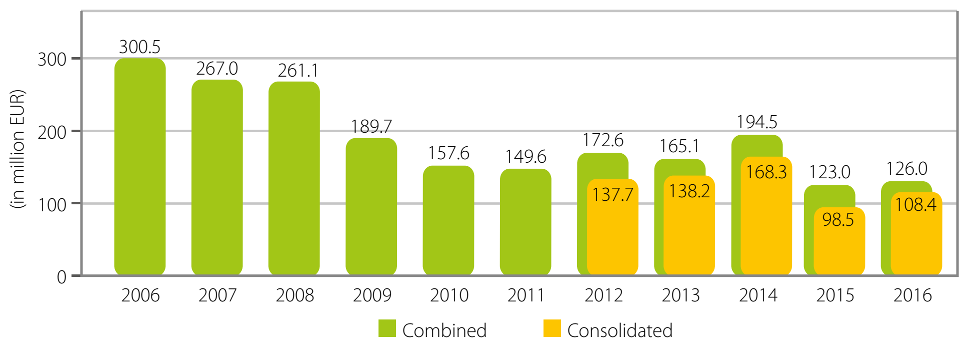
Total consolidated net debt, including off-balance non-recourse factoring/forfeiting programmes landed at EUR 160.1 million (31 December 2015: EUR 152.2 million; 30 September 2016: EUR 163.2 million).

On 31 December 2016 **total equity** amounted to EUR 251.2 million compared to EUR 249.0 million on 31 December 2015.

On a **combined** basis, **'net debt to equity'** remained stable at 50.1% (2015: 49.4%).

On a **consolidated** basis, the '**net debt to equity'** ratio slightly deteriorated to 43.1% (2015: 39.6%).

Net financial debt (per 31 December)



[1] Excluding the drawn amounts under non-recourse factoring/forfeiting programmes.

The Group confirms that all conditions under the financial arrangements with its banks are respected on 31 December 2016.

4. Proposed dividend

The Board of Directors will propose to the Annual General Meeting of 30 May 2017 the payment of a gross dividend of EUR 0.18 per share on 54.1 million shares or a total dividend pay-out of EUR 9.7 million (2015: respectively EUR 0.14/share and EUR 7.5 million in total).

5. Subsequent event

• Automotive Interiors – Czech Republic

On 22 January 2017, a serious fire incident occurred in one of the production halls of the Automotive-Interiors site in Most (Czech Republic). As a result of this, RAI Most s.r.o., a 100% subsidiary of Recticel, had to declare force majeure to its customers.

Recticel and its customers, supported by the affected OEMs PSA Peugeot Citroën, Renault, Daimler, BMW and Volkswagen, have been closely cooperating to elaborate the solutions and alternative production plans, in order to allow as early as possible a gradual restart of the production of parts, and to minimize the disruption at the customers' assembly plants.

Since 27 January 2017, intense engineering and contractor work is on-going in Most and in other facilities of the division to which some production has been transferred. As a result, production has restarted for the majority of the parts originally produced in Most, and although the situation is not yet normalized, Tier 1 and OEM customers are now being delivered with substantial volumes.

RAI Most s.r.o. is insured according to industry standards. To date, the non-recurring financial impact is assessed at EUR 4 million, including the insurance deductibles. Going forward, Recticel will keep the market informed of any new developments in this regard.

The plant in Most produces - on the basis of the patented Colo-Fast® and Colo-Sense® Lite spray technologies - elastomer interior trim parts for cars, such as skins for dashboard and door panels, which are sold to various Tier-1 automotive suppliers. In 2016, RAI Most s.r.o. realised sales of CZK 547 million (EUR 20.3 million) and employed 390 people.

6. Market segments

IFRS 8 requires operating segments to be identified on the basis of the internal reporting structure of the Group that allows a regular performance review by the chief operating decision maker and an adequate allocation of resources to each segment. Therefore, the Group continues to comment on the development of the different segments on the basis of the **combined** figures, consistent with the managerial reporting and in line with IFRS 8.

6.1. FLEXIBLE FOAMS

in million EUR

	1H15	2H15	FY15	1H16	2H16	FY16	Δ 1H	Δ 2H	Δ FY
Sales	**305.9**	**296.4**	**602.3**	**310.3**	**297.0**	**607.2**	1.4%	0.2%	**0.8%**
REBITDA	**20.4**	**17.6**	**38.0**	**28.2**	**18.1**	**46.3**	37.8%	3.1%	**21.7%**
as % of sales	*6.7%*	*5.9%*	*6.3%*	*9.1%*	*6.1%*	*7.6%*			
EBITDA	**19.9**	**14.2**	**34.0**	**23.6**	**15.9**	**39.6**	19.0%	12.4%	**16.3%**
as % of sales	*6.5%*	*4.8%*	*5.6%*	*7.6%*	*5.4%*	*6.5%*			
REBIT	**14.6**	**11.5**	**26.1**	**22.0**	**11.8**	**33.8**	50.6%	2.3%	**29.3%**
as % of sales	*4.8%*	*3.9%*	*4.3%*	*7.1%*	*4.0%*	*5.6%*			
EBIT	**13.3**	**7.8**	**21.1**	**17.2**	**9.3**	**26.5**	29.6%	18.8%	**25.6%**
as % of sales	*4.3%*	*2.6%*	*3.5%*	*5.5%*	*3.1%*	*4.4%*			

SALES

4Q2016 combined external sales increased by +1.6% from EUR 137.1 million to **EUR 139.3 million.** Total combined sales, including intersegment sales (4Q2016: EUR 16.4 million; +13.9%) increased by +2.8% from EUR 151.5 million to **EUR 155.7 million.** Currency exchange differences had a negative effect of -2.6%.

Full year 2016 combined external sales grew by +1.4% from EUR 543.9 million to EUR 551.3 million. Total combined sales, including intersegment sales (EUR 56.0 million; -4.3%), increased by +0.8% from EUR 602.3 million to **EUR 607.2 million.** Currency exchange differences had a negative effect of -2.1%.

Higher sales in Technical Foams (EUR 240.2 million; +1.7%) have been supported by solid industrial demand and dynamic automotive markets. In the West-European Comfort markets, strong volume growth has been offset by eroding selling prices. Sales in the Central & Eastern European countries remained strong.

PROFITABILITY

REBITDA margin increased from 6.3% to 7.6%.

Profitability improved substantially, resulting in an EBITDA increase of EUR 5.6 million, from EUR 34.0 million to EUR 39.6 million. The improved profitability is due to strong volumes and structural progress in operational efficiency.

EBITDA includes EUR -6.8 million non-recurring elements (2015: EUR –4.0 million), which mainly relate to (i) the closure of the plant in Noyen-sur-Sarthe (France), (ii) restructuring charges in Scandinavia and The Netherlands, (iii) onerous contracts in Spain and (iv) incurred legal costs and provisions for legal fees.

6.2. BEDDING

in million EUR

	1H15	2H15	FY15	1H16	2H16	FY16	Δ 1H	Δ 2H	Δ FY
Sales	**143.5**	**151.1**	**294.5**	**148.1**	**144.9**	**292.9**	3.2%	-4.1%	**-0.5%**
REBITDA	**6.0**	**8.1**	**14.1**	**7.9**	**7.8**	**15.7**	31.6%	-3.4%	**11.5%**
as % of sales	*4.2%*	*5.4%*	*4.8%*	*5.3%*	*5.4%*	*5.4%*			
EBITDA	**5.1**	**4.4**	**9.5**	**6.6**	**5.5**	**12.1**	29.6%	25.6%	**27.7%**
as % of sales	*3.5%*	*2.9%*	*3.2%*	*4.5%*	*3.8%*	*4.1%*			
REBIT	**2.8**	**4.9**	**7.7**	**5.1**	**5.3**	**10.4**	81.7%	8.3%	**35.0%**
as % of sales	*2.0%*	*3.3%*	*2.6%*	*3.5%*	*3.7%*	*3.6%*			
EBIT	**1.9**	**1.2**	**3.2**	**3.1**	**2.6**	**5.8**	63.0%	111.3%	**81.9%**
as % of sales	*1.3%*	*0.8%*	*1.1%*	*2.1%*	*1.8%*	*2.0%*			

SALES

After a flat 1Q (-0.3%), a very strong 2Q (+6.8%) and a weaker 3Q2016 (-3.6%), **4Q2016 combined external sales** decreased by -3.2% from EUR 72.4 million to **EUR 70.1 million.** Total combined sales, including intersegment sales (4Q2016: EUR 4.6 million; -16.3%), decreased from EUR 77.9 million to **EUR 74.7 million in 4Q2016** (-4.1%), including exchange rate differences for -0.7%.

Full year 2016 combined external sales slightly decreased by -0.4% from EUR 275.4 million to **EUR 274.5 million.** Total combined sales, including intersegment sales (2016: EUR 18.5 million; -3.2%), decreased from EUR 294.5 million to **EUR 292.9 million** (-0.5%), including exchange rate differences for -0.6%. The product-mix further improved, especially following the strong sales growth of boxspring beds.

Annual revenues of the sub-segment **Branded Products** increased by +3.9%, supported by the growth in sales of boxsprings. Sales of GELTEX® inside products increased by +0.8% compared to 2015.

The sub-segment **Non-Branded/Private Label** recorded lower sales (-6.0%), particularly in Austria, Germany, Scandinavia and Switzerland.

PROFITABILITY

Despite lower sales, REBITDA margin increased from 4.8% to 5.4%.

Profitability improved, resulting in an EBITDA increase from EUR 9.5 million to EUR 12.1 million. The improvement in recurring operational profitability results from (i) temporarily lower raw material prices in 1H2016, (ii) the better product and customer-mix, and (iii) the impact of cost control initiatives.

The 2016 EBITDA was also impacted by non-recurring elements amounting to EUR -3.6 million (2015: EUR -4.6 million), mainly relating to rationalisation measures taken in Switzerland and onerous contracts recognised in Austria and Switzerland.

6.3. INSULATION

in million EUR

	1H15	2H15	FY15	1H16	2H16	FY16	Δ 1H	Δ 2H	Δ FY
Sales	**113.3**	**116.1**	**229.4**	**118.1**	**116.0**	**234.1**	4.3%	-0.1%	**2.1%**
REBITDA	**16.1**	**16.2**	**32.3**	**17.8**	**15.3**	**33.1**	10.6%	-5.9%	**2.3%**
as % of sales	*14.2%*	*14.0%*	*14.1%*	*15.1%*	*13.2%*	*14.1%*			
EBITDA	**17.7**	**15.7**	**33.4**	**17.8**	**15.1**	**32.9**	0.4%	-3.9%	**-1.6%**
as % of sales	*15.6%*	*13.6%*	*14.6%*	*15.0%*	*13.0%*	*14.0%*			
REBIT	**13.3**	**13.1**	**26.4**	**14.7**	**12.0**	**26.8**	10.8%	-7.8%	**1.6%**
as % of sales	*11.7%*	*11.2%*	*11.5%*	*12.5%*	*10.4%*	*11.4%*			
EBIT	**14.9**	**12.6**	**27.5**	**14.7**	**11.9**	**26.6**	-1.3%	-5.4%	**-3.2%**
as % of sales	*13.1%*	*10.8%*	*12.0%*	*12.4%*	*10.3%*	*11.4%*			

SALES

4Q2016 combined sales increased from EUR 55.8 million to **EUR 57.0 million** (+2.0%), including exchange rate differences of -7.0% related to the weakening of the Pound Sterling.

The positive growth trend of the first two quarters (1Q2016: +2.8%; 2Q2016: +5.7%), followed by a weaker 3Q2016 (-2.1%), resumed in 4Q2016. Strong volume growth more than offset the negative currency effects (-7.0%) in overall competitive construction markets.

Full year 2016 combined sales increased by +2.1% from EUR 229.4 million to **EUR 234.1 million,** including exchange rate differences of -4.4% (i.e. Pound Sterling).

Early October 2016 and in line with its growth strategy, Recticel Insulation acquired the business from the small French company Innortex, which specialised in the production of fibre-bonded foam solutions by using end of life materials (flexible foams and/or textiles). Through this acquisition, the Insulation business line not only expands its current product offering but will also be able to provide solutions combining thermal and acoustic insulation. Fibre-bonded foam solutions are highly sustainable and perfectly fit the requirements of a circular economy.

In December 2016 Recticel Insulation also expanded its Insulation business in Vacuum Insulation Panels (VIP), through the creation of the production joint venture Turvac in Slovenia. This application will provide a complementary highly efficient thermal insulation solution for various niche applications.

PROFITABILITY

REBITDA margin stabilised at 14.1%.

EBITDA slightly decreased from EUR 33.4 million to EUR 32.9 million (-1.6%). The 2015 results included a non-recurring capital gain of EUR 1.6 million on the divestment of the 50% participation in the joint venture Kingspan Tarec Industrial Insulation (KTII). Higher volumes and operational efficiency gains offset the negative currency impact from the depreciation of the Pound Sterling as well as from higher raw material prices (i.e. MDI) and some price erosion.

6.4. AUTOMOTIVE

in million EUR

	1H15	2H15	FY15	1H16	2H16	FY16	Δ 1H	Δ 2H	Δ FY
Sales	**142.9**	**137.4**	**280.3**	**146.9**	**142.1**	**288.9**	2.8%	3.4%	**3.1%**
REBITDA	**9.5**	**5.9**	**15.4**	**10.5**	**9.4**	**19.9**	10.7%	58.7%	**29.1%**
as % of sales	*6.7%*	*4.3%*	*5.5%*	*7.2%*	*6.6%*	*6.9%*			
EBITDA	**5.7**	**4.3**	**9.9**	**9.5**	**8.8**	**18.3**	68.8%	104.9%	**84.4%**
as % of sales	*4.0%*	*3.1%*	*3.5%*	*6.5%*	*6.2%*	*6.3%*			
REBIT	**3.8**	**(0.1)**	**3.6**	**3.9**	**1.8**	**5.7**	2.9%	n.m.	**55.3%**
as % of sales	*2.6%*	*-0.1%*	*1.3%*	*2.6%*	*1.3%*	*2.0%*			
EBIT	**(0.1)**	**(1.8)**	**(1.9)**	**2.9**	**1.2**	**4.0**	n.m.	n.m.	**n.m.**
as % of sales	*-0.1%*	*-1.3%*	*-0.7%*	*2.0%*	*0.8%*	*1.4%*			

SALES

4Q2016 combined sales increased by +7.5% from EUR 72.4 million to **EUR 77.8 million,** including a currency impact of -1.8%.

Sales in **Interiors** increased by a strong +20.1% to **EUR 40.5 million** (4Q2015: EUR 33.7 million). The evolution was expected and follows the successful start-up of scheduled new programmes. Currency exchange differences had a negative impact of -1.2%.

Sales in **Seating** (i.e. Proseat, the 51/49 joint venture between Recticel and Woodbridge) decreased by -3.4% to **EUR 37.3 million** (4Q2015: EUR 38.7 million), including a currency impact of -2.4% and reflecting lower volumes by year-end.

Full year combined sales increased by +3.1% from EUR 280.3 million to **EUR 288.9 million,** including a currency impact of -1.4%.

Sales in **Interiors** increased by +9.0% to **EUR 143.5 million** (2015: EUR 131.7 million). The evolution was expected and followed the gradual start-up and ramp-up of new programmes. Currency exchange differences had a negative impact of -0.8%.

Sales in **Seating** (i.e. Proseat, the 51/49 joint venture between Recticel and Woodbridge) decreased by -2.1% to **EUR 145.5 million** (2015: EUR 148.5 million), including a currency impact of -2.0% (i.e. Pound Sterling and Polish Zloty).

PROFITABILITY

REBITDA margin increased from 5.5% to 6.9%.

The strong increase in EBITDA is explained by (i) higher volumes in Interiors and (ii) the overall improved result of Seating following the closure of the Proseat plant in Rüsselsheim (Germany) in 2015 and significant efficiency improvements.

Non-recurring elements (EUR -1.6 million, compared to EUR -5.5 million in 2015) relate mainly to restructuring charges in both Interiors and Seating in Germany.

7. Profit appropriation policy

The Annual General Meeting decides on the appropriation of the amounts available for distribution on the basis of a proposal from the Board of Directors.

When drawing up its proposal, the Board of Directors tries to achieve the right balance between ensuring a stable dividend for shareholders and maintaining sufficient investment and self-financing opportunities to secure the company's longer-term growth.

The Board of Directors decided to present the following appropriation of the results to the General Meeting:

in EUR

Profit/(Loss) for the financial year		25 005 896
Profit/(Loss) brought forward from previous year	+	39 572 274
Profit/(Loss) to be added to legal reserves	-	1 250 295
Profit/(Loss) to be added to other reserves	-	0
Result to be appropriated	=	**63 327 876**
Gross dividend [1]	-	9 731 254
Profit to be carried forward	=	**53 596 622**

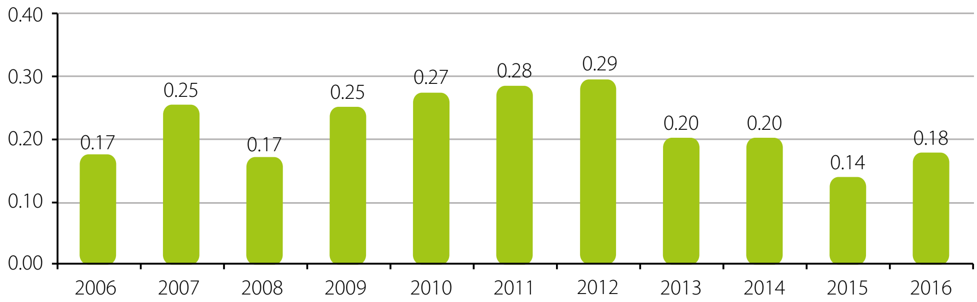
[1] Gross dividend per share of EUR 0.18, resulting in a net dividend after tax of EUR 0.126 per ordinary share.

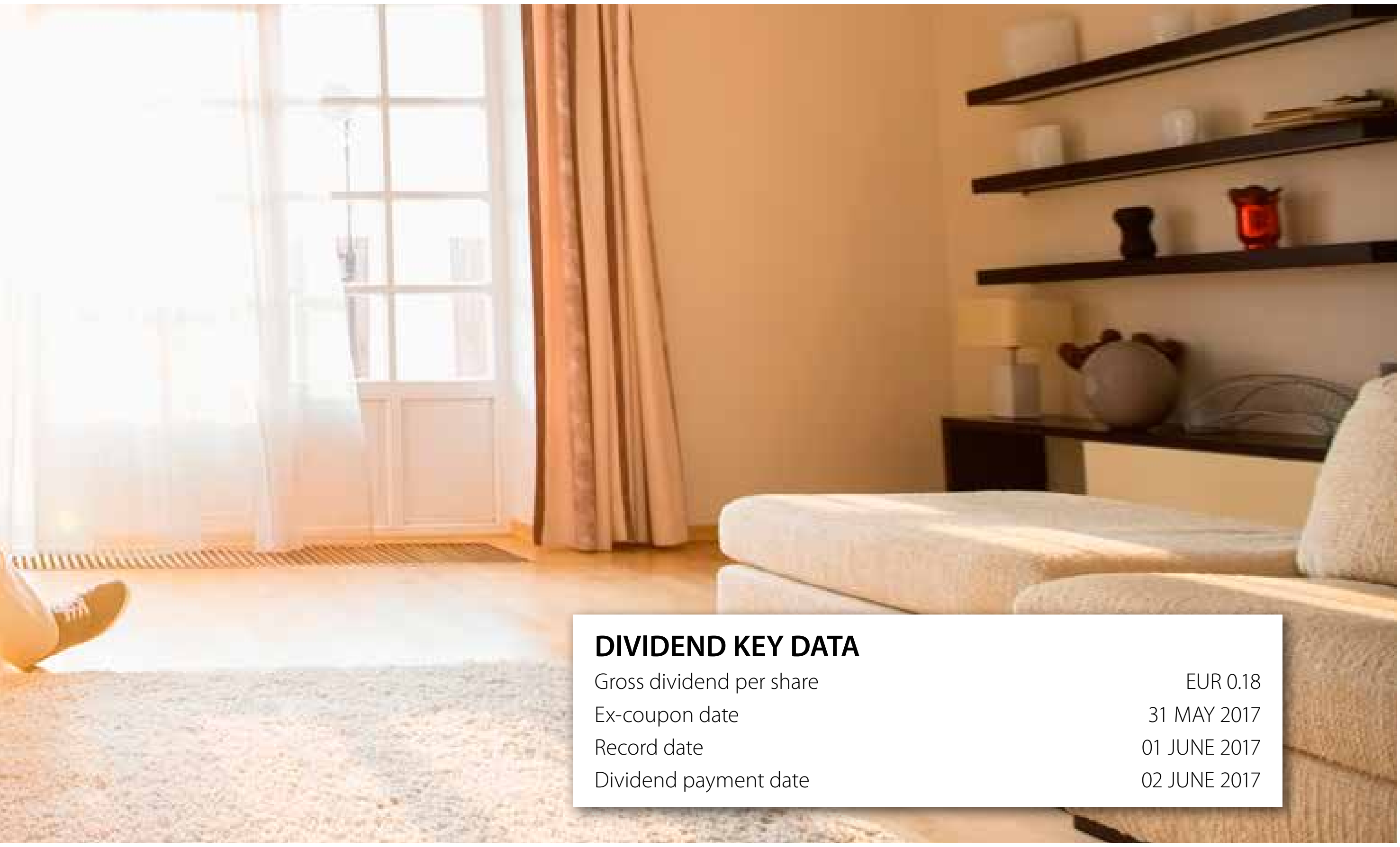
8. Dividend payment

Subject to approval by the General Meeting of 30 May 2017 of the profit appropriation, a dividend of EUR 0.18 gross will be paid per ordinary share, or EUR 0.126 net (-30% withholding tax). This dividend will be payable from 02 June 2017. KBC bank acts as Paying Agent.

The payment for the registered shares will take place via bank transfer on the shareholders' bank account.

Gross dividend per share (in EUR)





DIVIDEND KEY DATA

Gross dividend per share	EUR 0.18
Ex-coupon date	31 MAY 2017
Record date	01 JUNE 2017
Dividend payment date	02 JUNE 2017

Our mission, vision, values, strategy and activities

OUR MISSION

In all we do at Recticel, we always try to leverage our outstanding expertise in polymer applications, particularly - but not limited - in polyurethane. We offer competitive high value added solutions to our customers, hereby creating day-to-day comfort and shared value for our customers, employees, shareholders and all other stakeholders.

OUR VISION

We aim to be the leading global provider of high value added comfort solutions in all our core markets; this by supporting key worldwide trends such as environment protection, energy conservation, aging and increasing population and water management.

Our core values

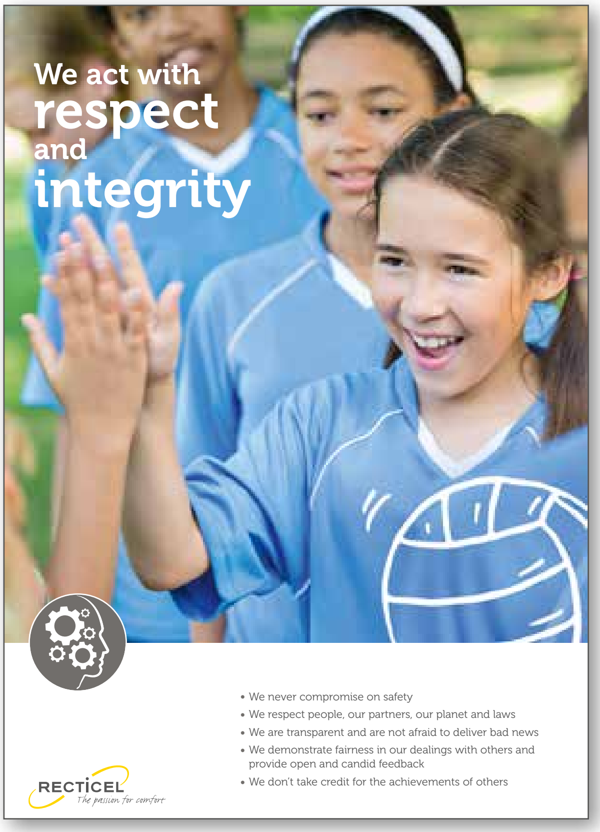
Our five core values for a promising future

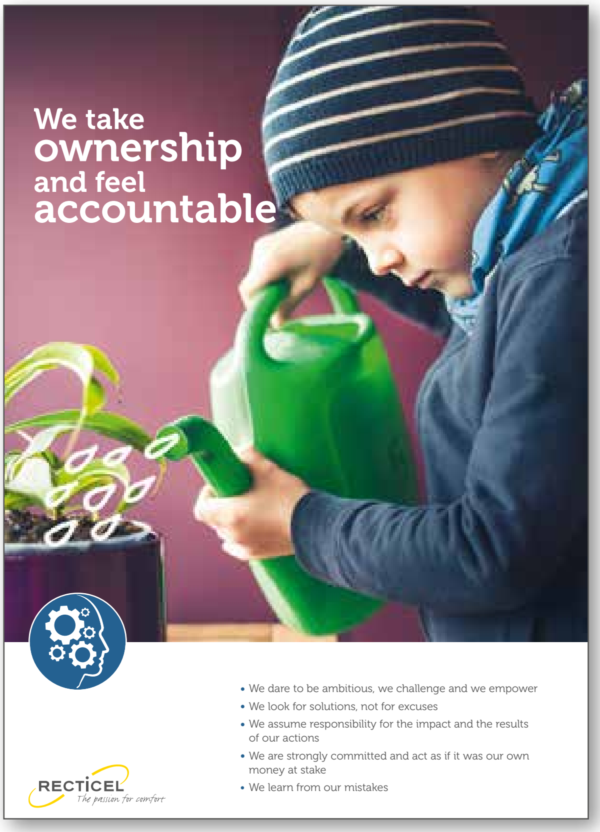
Early 2016 we have carefully redefined our Group core values in to order enable our organisation to fully align its actions and attitudes towards internal as well as external stakeholders.

Today our core values, which each are linked to clearly defined underlying behaviours, can be summarized in the following five key notes:

Living the core values

We are convinced that core values cannot just be hollow slogans that are simply shared and visualised through fancy posters and canvases. Defining a new set of core values is one thing, but the exercise would be futile if these are not implemented and, above all, shared and lived by all stakeholders, in particular our human capital. When we defined these values we wanted them to be active and ambitious in nature. They will help teams and employees to progress, to create a positive corporate culture and to give our organization as a whole a strong stimulus for growth.






IMPORTANT POINT
JUST
THE

Our Group strategy and activities

Market experts believe that the polyurethane sector will grow faster than the average global economy for reasons that our industries will be driven by supportive mega trends such as climate change –resulting in actions for energy conservation and CO_2 reduction-, expanding and aging population, urbanisation, increasing mobility and overall rising standards of living. Our products and services have unmistakable advantages to master the challenges that lie ahead. Our Group strategy has been particularly articulated and builds around these market key drivers. We deeply believe that through product and process innovation, geographical diversification and operational excellence, we can differentiate ourselves from competition.

{ Today we are optimistic about the future and are therefore gearing up for further sustainable and profitable growth. }

Group Strategy

Our strategy is to position the Group in a sustainable way as the leading supplier of high value added solutions in our defined key markets.

On the basis of a clear segment strategy, priority will be given to:

- **sustainable innovation** in the areas of applications, products and materials, in combination with high quality and service levels, and to brand awareness among end consumers wherever applicable;
- **international expansion outside Europe;** and
- the overall **simplification** of the Group and the rationalization of the manufacturing footprint.

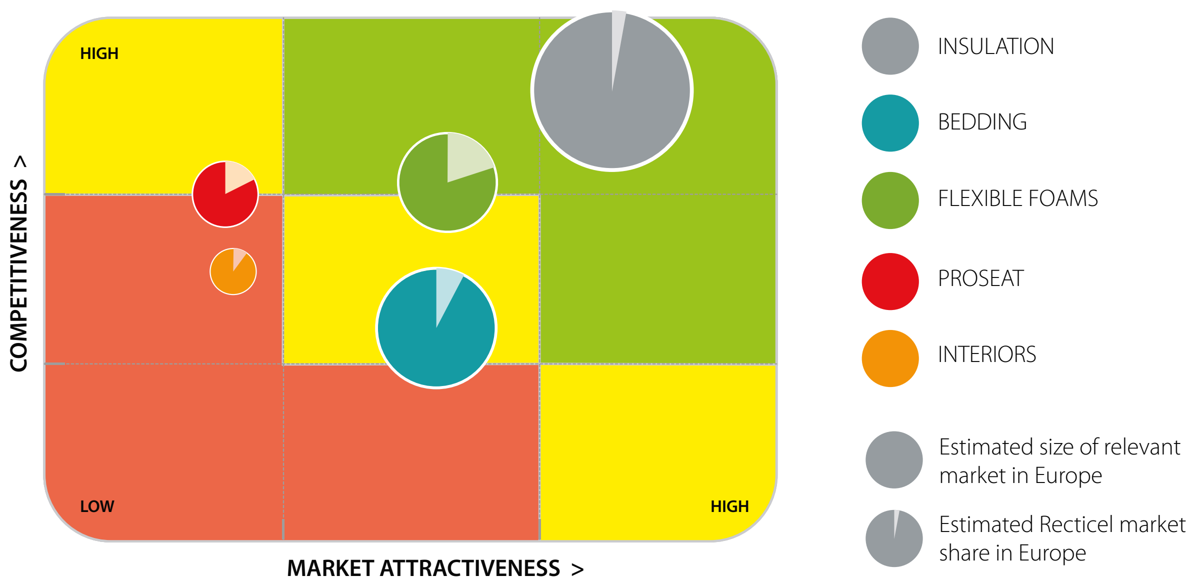
Continuous improvement in the development of our **human resources,** as we are convinced that people and teams are key to success. Likewise, meeting **sustainable development** criteria in all business decisions is considered to be a mandatory contribution to long term success. It is also in this context that we published in 2016 our first Sustainability Report.

The building blocks of our Group's strategy can be illustrated as follows:

Segment Strategy : Business line positioning and strategic views

Our Group's strategy is defined on the basis of its core competences of transforming PU and other polymers and materials in value-added applications, the relative attractiveness of the markets in which we operate and the competitive strengths of our Group in each of these markets. The strategic plan prioritises resource allocation to the various business segments.

We assessed the attractiveness of the markets in which each of our business lines is operating, based on criteria such as size, growth, profitability and capital intensity. In addition, our competitiveness in each of these markets was evaluated. On the basis of this analysis we concluded that the business line Insulation is the most attractive, followed by Bedding and Flexible Foams. Given the positioning of our business line Automotive, both divisions of this business line are considered non-core for Recticel in realising its strategy going forward.



On the basis of the above illustrated business line positioning and looking forward, Group management has defined specific strategic actions. In some cases these actions are common to all business lines, in other cases the Group will pursue business line specific actions. As a result, each business line has its own strategy, which can be summarized as follows:

Insulation	Grow through international expansion, innovation and the introduction of new products, modules and distribution channels, supported by capacity and geographical expansion and selective acquisitions.
Bedding:	Growth will be based upon a clear focus and prioritisation of branded products supported by (i) a strong marketing strategy, (ii) product innovation, (iii) an online selling channel, (iv) geographical expansion; and (v) an optimised network of highly efficient production facilities. Europe will remain the focus market for this business line.
Flexible Foams	Globally active, we aim to improve our profitability through (i) selective growth initiatives based on new products and further geographical expansion in the Technical Foams division; particularly in North-America, Asia and North-Africa, and (ii) rationalisation and modernisation of the manufacturing footprint.
Automotive	Fully capitalize on the existing production capacity and on the introduction of innovative products.

Supporting Strategies

To support the execution of the different business line strategies, Group management believes that each should be further supported and guided by the following three action drivers:

- **Simplification**

The Group intends to further simplify its structure, organisation and processes in order to increase its operational efficiency and to reduce fixed costs. This should allow us to react even more quickly on market evolutions, increase profitability and better manage our people and processes.

A major industrial footprint restructuring programme has been implemented over the last six years to improve profitability and competitiveness. In total 34 plants have been closed, 5 have been sold, but 12 new facilities have also been opened or acquired; mainly outside Europe.

At the same time, the workforce has been reduced to approximately 7,925 employees and the number of joint ventures has been scaled down from 22 entities to 13. In the same context, the number of subsidiaries has been reduced from 119 legal entities to 81. Further rationalisation opportunities will materialise in the coming years.

In addition, Group management aims to foster on synergies via further centralisation, standardisation and optimisation of common processes and administrative tasks.

- **International Expansion**

Holding strong market positions in various European markets, we intend to further pursue growth via international expansion, inside as well as outside Europe.

- **Sustainable innovation**

Market-driven innovation is at the heart of Recticel's success. In order to successfully capture future opportunities, our Research & Development department has been re-organized in order to increase the pull effect by the different business lines. Also the flexibility in the Group's resource utilisation has been upgraded with the goal of providing successful innovation.

The following important innovations have been brought into the markets:

In our business line **Insulation**, several new products have been introduced, including a higher performance product with an insulation factor (lambda) reaching 0.019 W/mK. This new generation of PIR panels, commercialized under the brand Xentro®, offers a 13% improvement in thermal insulation by its improved chemistry. This creates important savings in living space. The product was launched on the Belgian construction fair Batibouw in 2017.

For our business line **Bedding**, an innovative new product, branded as GELTEX® inside has been created. In this application area, it is our division's largest and most important innovation of the last decade. The product differentiates itself through a combination of optimal pressure distribution, ideal support and maximum permeability/climate control properties. The development of the GELTEX® inside brand has been translated in effective and growing sales' levels.

In our business line **Flexible Foams**, new generation of acoustic foams have been introduced. In this context our Technical Foams division won new contracts for SpaceX. Also new products and solutions have been developed and marketed for acoustic insulation for the building sector. We have further developed a new comfort foam angelpearl® for our third party bedding customers.

In our business line **Automotive**, an important innovation has been marketed as from 2013. The product is branded under the name Colo-Sense® Lite. It is a high performance skin for automotive interiors applications enabling a weight reduction of 25% responding to the OEM's constant search for lighter products. The product is not only lighter, but has premium optic and haptic characteristics, with the same quality and durability properties as its predecessor Colo-Fast®. This innovation attracted the attention of several premium OEMs and resulted in a series of new contracts.

- **Human Organisation**

Next to the strategic action drivers (simplification – international expansion - innovation), the successful execution of our strategy can only be realized by a professional human resources process.

In the rapidly changing business environment, the ability to learn quickly and to swiftly acquire new competencies can be a key competitive advantage for the future growth of our Group. All employees should therefore be able and get the chance to continuously develop and learn new competencies. To reach this objective, we have implemented a wide set of policies, programmemes and actions.

- **Sustainability**

Looking forward, our Group actions are expected to be more and more guided by sustainability purposes. We endeavour to embrace sustainability in order to create a competitive edge and create value for all our stakeholders. For all new investments, the element of sustainability will be taken into consideration. In this same context, we published our first sustainability report in 2016 in which we have exposed our strategy and ambitions.

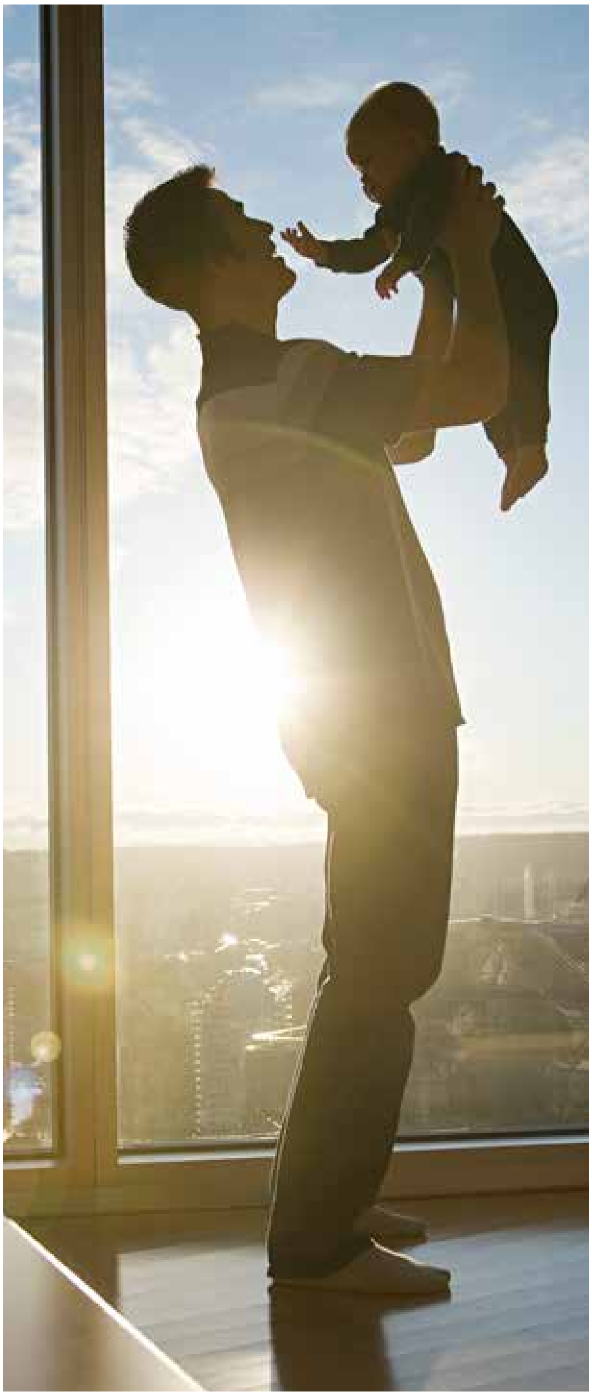
2016 – the year of our first sustainability report

Since 2013, after a declaration of intent by the Management Committee, we have been actively working on a policy and action plan to make sustainable development concrete and tangible.

In 2016 we published our first sustainability report, which was drawn up in accordance with the Global Reporting Initiative (GRI) G4 guidelines - Core level. This comprehensive framework is widely used around the world for its credibility, consistency and comparability, and is now the de facto standard for sustainability reporting (www.globalreporting.com).

This first sustainability report, titled 'Growing together towards a PURe future', primarily explains our strategy in the field of sustainability and provides clear priorities and key performance indicators, as well as, clear target for 2020 and beyond.

Our sustainability report gives a clear insight in the policies and the sustainable performance of our company. The report is built around six central themes themes or 'material aspects' based on internal and external stakeholder engagement.



Overall Recticel is already a 'green company' as our insulation solutions help avoid about 20 times more CO_2 emissions than the carbon footprint of all our activities combined.

Growing together towards a **PUR**e future

SOCIETAL NEEDS AS A DRIVER FOR INNOVATION

SUSTAINABLE INNOVATION PLAN

PEOPLE PRIORITY PLAN

FOCUS ON SAFETY AND TALENT DEVELOPMENT

Enable more sustainable lifestyles, reduce negative impacts, improve wellbeing

KPI
- Sustainability Index

TARGET
- 80% of R&D projects classified as sustainable by 2020

INNOVATION FULFILLING SOCIETAL NEEDS

See p 14

BUSINESS ETHICS & INTEGRITY

See p 24

Act with respect and integrity in everything we do

KPI
- Number of legal trainings provided

TARGET
- Increase the number of legal trainings provided by 5% per year (cumulative) compared to 460 in 2015

Reduce carbon footprint throughout the value chain in collaboration with partners

KPI
- Recticel carbon footprint (tonnes of CO_2e)
- Positive Impact Recticel (tonnes of avoided CO_2e)

TARGET
- Reduce Recticel carbon footprint by 25% in 2020 and by 40% in 2030 compared to 100% activity level in 2013
- Increase Net Recticel Impact from 20 in 2013 to 30 by 2020 and 40 by 2030

OPTIMISING CARBON FOOTPRINT

See p 17

REDUCE HS&E IMPACTS OF OUR ACTIVITIES

See p 26

Ensure safe working conditions and minimise negative impacts on the planet

KPI
- Frequency work accidents represents the average on Group level

TARGET
- < 3 by 2020

Aim for zero-waste future by increasing efforts to prevent, reuse and recycle production and end-of-life waste

KPI
- Tonnes of recycled flexible foam produced

TARGET
- 100% increase by 2020 compared to 2015 and production waste gradually replaced by post-consumer waste.

RESOURCE EFFICIENCY

See p 21

AN INSPIRING & REWARDING PLACE TO WORK

See p 30

Offer a place where employees feel engaged and where their talents can develop

KPI
- The number of countries in which engagement surveys are conducted among blue and white collars.

TARGET
- Two new countries each year.

OUR FINANCIAL OBJECTIVES

Raising the bar on performance

As far as our financial objectives are concerned, we aim for the following medium term objectives (by 2019):

- Generate a 10% REBITDA margin on sales (on combined basis)
- Deliver a ROCE (EBIT / Average capital employed) of at least 15%
- Lower the gearing ratio (Net Financial Debt/Equity) below 50%
- Enable double digit growth in net earnings and dividends



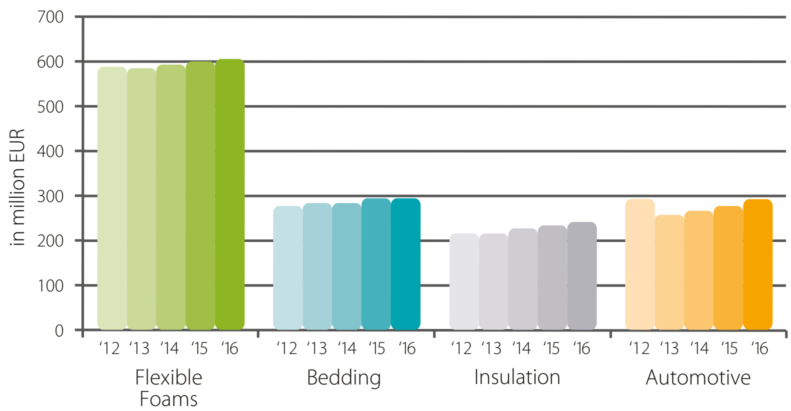

Activities

Ever since we entered the world of polyurethane technology more than 65 years ago, we have continuously shown our pioneering spirit by regularly pushing boundaries with the development of new innovative applications and solutions.

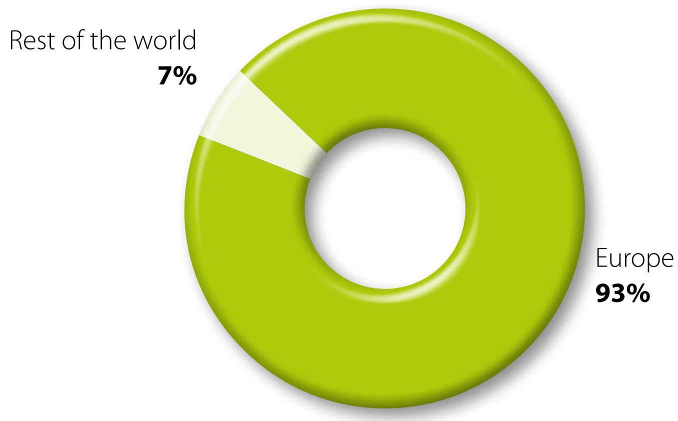
Polyurethane is an extremely versatile material made out of derivatives of crude oil; It forms the basis of our Group businesses

With a passion for comfort and as a manufacturer and transformer of polyurethane chemistry, we offer a broad variety of ultimate comfort applications. We have organised our activities around four distinctive business lines, which all are well positioned in their markets. Although our activities have an unmistakable link with the polyurethane technology, they are nevertheless very distinctive as each of them serves very specific market sectors. From a geographical point around 93% of our total Group sales are generated in Europe.

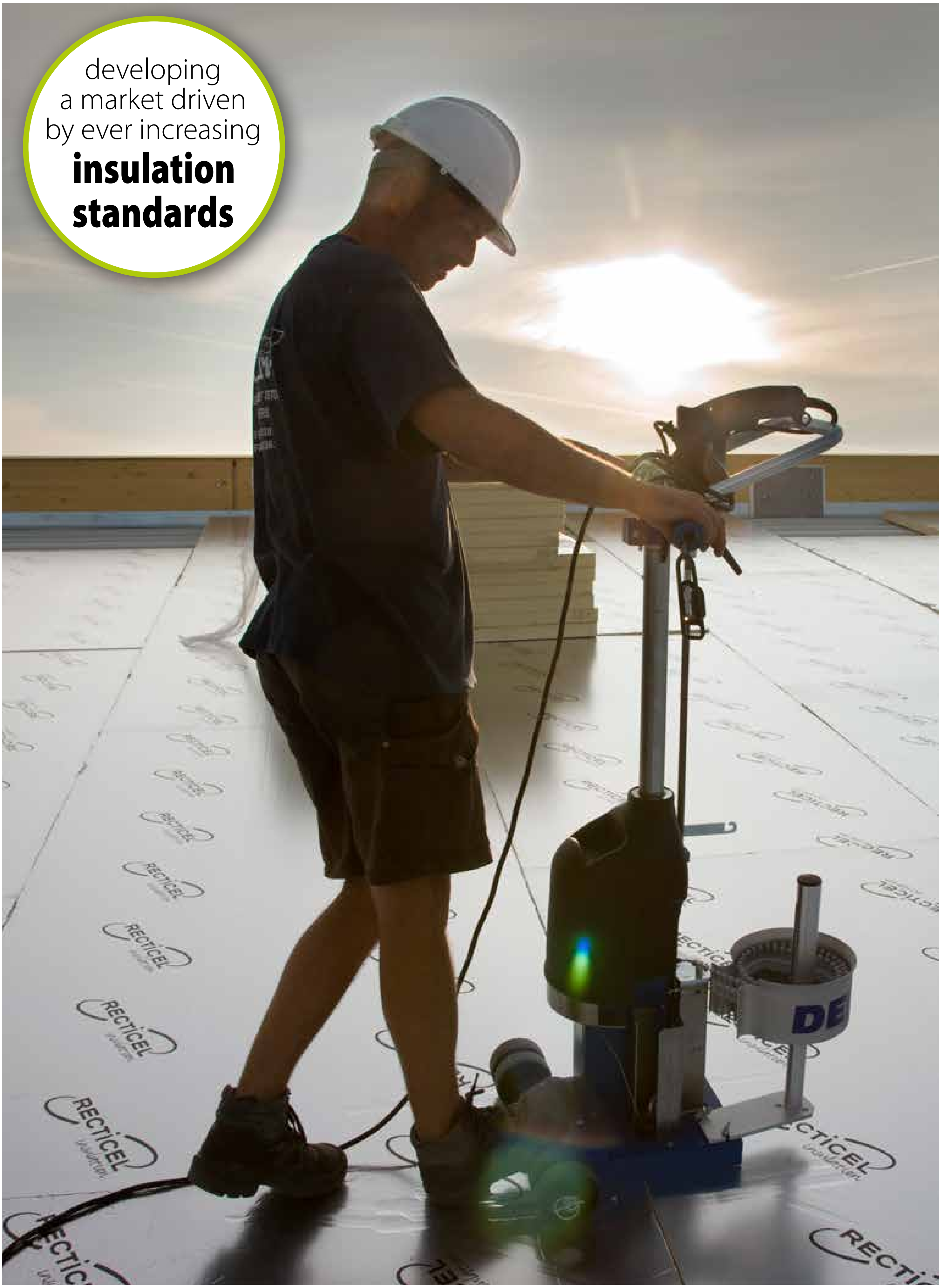
Combined sales per business line



Combined sales 2016 (before intra-Group sales)



developing
a market driven
by ever increasing
**insulation
standards**

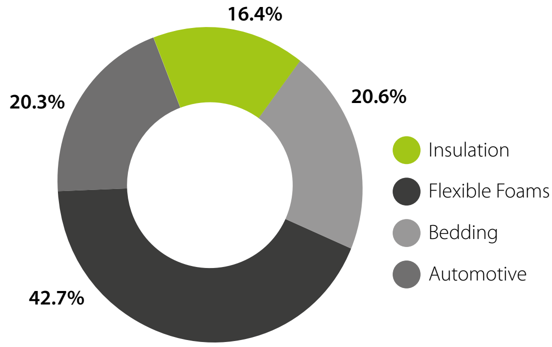


focused on **Europe**

3 major state-of-the-art production sites, complemented by 2 transformation units

Insulation

Combined sales 2016 (before intra-Group sales)



What we do

Today our Insulation business line concentrates solely on the production and commercialisation of high-performance and durable thermal insulation boards in rigid closed cell polyurethane - (PU/PUR) and polyisocyanurate foam (PIR) for the construction sector. In this respect, rigid polyurethane foams have excellent product features. Today they are even the best insulation materials against cold and heat available on an industrial scale. Since end 2016 we have also added Vacuum Insulation Panels (VIP) to our product offering. This has been made possible through the investment in the joint venture company Turvac, located in Šoštanj (Slovenia).

{ Rigid polyurethane foams are currently the best thermal insulation materials available on an industrial scale }

Our insulation products are used in a wide variety of construction applications, such as walls, floors and roofs in either residential, commercial, industrial, public, logistics as well as agricultural buildings. We aim to further improve the thermal insulation performance of our products, while at the same time reducing the amount of material required. Our products can significantly reduce energy consumption and CO_2 emissions.

Insulation

Today our Insulation division operates from 3 major state-of-the-art production sites in Wevelgem (Belgium), Bourges (France) and in Stoke-on-Trent (the United Kingdom), with local sales offices in Germany, Poland and The Netherlands. In 2016 two smaller activities in France (for bonded foams) and Slovenia (for vacuum insulation panels) were added to the footprint.

Our Insulation segment, the smallest of the Group, accounts for 16.4% of total combined sales and has the highest growth potential.

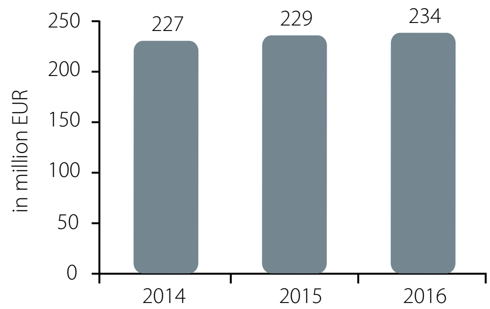
We sell our insulation products mainly to contractors, building promoters and wholesale building material distributors. To support our commercial policy, sales and marketing efforts are also made towards architects and the end consumer.

Market drivers

Our competitiveness and future opportunities in this field are supported by the fact that thermal insulation solutions in polyurethane offer the highest insulation performance materials. As such, and supported by ever increasing insulation standards, polyurethane insulation (as technology) is clearly gaining market share from more traditional insulation materials, such as mineral wools (glass wool, rock wool) or polystyrenes (EPS, XPS). European legislation, such as the Energy Performance of Buildings Directive 2010/31/EU (EPBD) and the European Energy Directive (2012/27/EU) (EED), in order to strengthen energy performance requirements and energy efficiency clearly remains a supporting key pillar for the insulation sector in general.

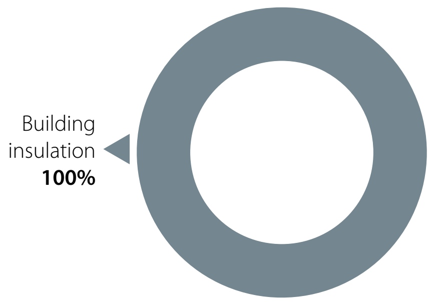
In addition, our business line Insulation benefits from a lean and clean production footprint and we can rely on a good, yet improving, cost performance. Supported by continuous research and development efforts, we expect to have a high development potential through the introduction of new innovative products and solutions, and through geographic expansion.

Combined sales Insulation



Combined 2016 sales Insulation

EUR 234.1 million



FEEL GOOD INSIDE

Our new Xentro® insulation panels offer currently the best PIR/PUR solutions in the market

www.recticelinsulation.com

Market attractiveness

Our Insulation business is primarily driven by the global mega-trends around environmental protection and energy conservation. As thermal insulation offers today the highest return on investment in this respect, it's obvious that the insulation sector as a whole will benefit from overall stricter building and insulation norms and standards. The potential of thermal insulation materials and solutions are best illustrated by the fact that the heating and cooling of buildings accounts for approximately 22% of the worldwide energy consumption. In Europe, buildings account for 40% of total energy consumption.

EU Directives and regulations currently drive growth of insulation solutions in the new building market, while subsidy policies drive growth in the renovation market.

On top of the overall attractiveness of the building insulation sector, it should be stressed that rigid polyurethane foams - compared to alternative materials such as mineral wools, polystyrenes … - are currently the best thermal insulation materials available on an industrial scale.

{ *Vacuum insulation panels (VIP) have now also been added to our product offering* }

Competitiveness

Rigid polyurethane foam is known as the thermal insulation material with the highest insulation performance characteristics; hence its ever increasing market share over more traditional insulation materials such as polystyrene and rock- or glasswool.

We are recognised in the market for our broad/high quality product range, and for our high level and efficient service.

Our industrial footprint is marginal as a result of our very efficiently operating and ideally located production facilities.

Since end-2016 we have added a new promising technology to our portfolio. Vacuum Insulation Panels (VIP) is today the most efficient insulation material, but given its product characteristics and high cost, it can only be used in very specific and demanding situations or projects.

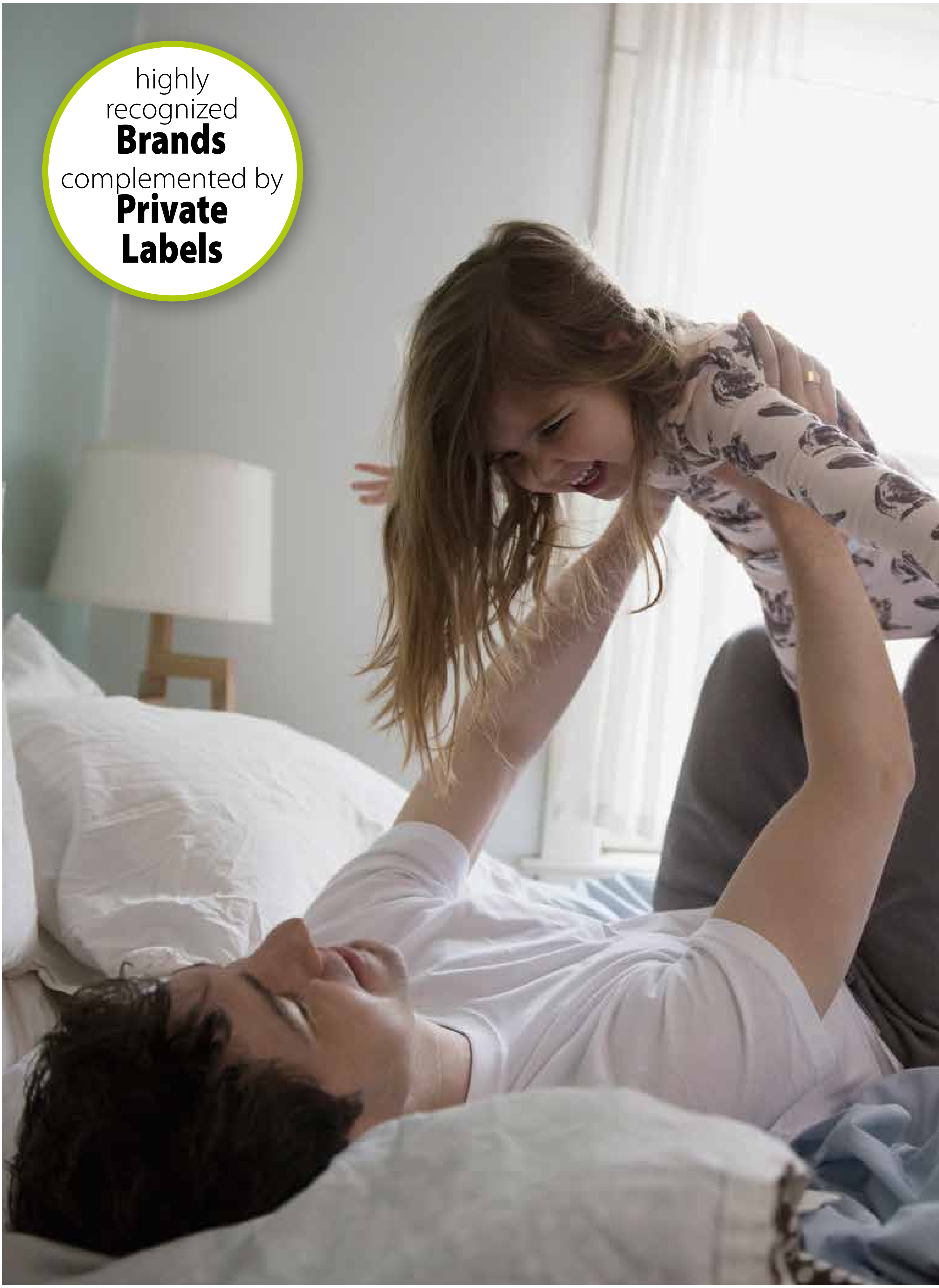
Strategy

- In our Insulation business we primarily focus on Europe.
- We aim for accelerated growth through either organic growth and/or acquisitions.
- The future of our Insulation business will primarily be supported by innovation, new product introductions and the diversification of the distribution channels.

in million EUR

COMBINED KEY FIGURES	2014 (AS PUBLISHED)	2014 (RESTATED)[2]	2015	2016
Sales [1]	227.0	211.6	229.4	234.1
Growth rate of sales (%)	*3.2%*	-	*8.4%*	*2.1%*
REBITDA	27.1	26.0	32.3	33.1
REBITDA margin (as % of sales)	*11.9%*	*12.3%*	*14.1%*	*14.1%*
EBITDA	27.1	26.0	33.4	32.9
EBITDA margin (as % of sales)	*11.9%*	*12.3%*	*14.6%*	*14.0%*
REBIT	21.1	20.4	26.4	26.8
REBIT margin (as % of sales)	*9.3%*	*9.6%*	*11.5%*	*11.4%*
EBIT	21.1	20.4	27.5	26.6
EBIT margin (as % of sales)	*9.3%*	*9.6%*	*12.0%*	*11.4%*

[1] before eliminations of intra-Group transactions
[2] restated for the divestment of the joint venture Kingspan Tarec Industrial Insulation in February 2015

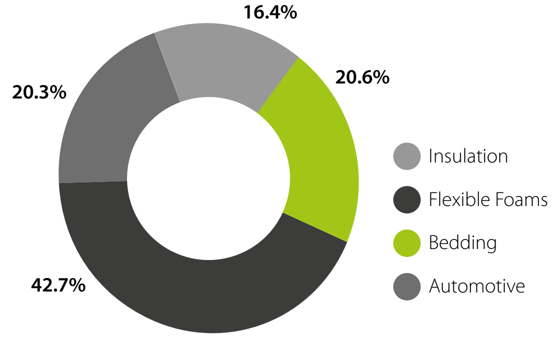

highly
recognized
Brands
complemented by
Private
Labels

Bedding

12 production sites in **8** countries

industry-leading innovations support our strong market positions.

Combined sales 2016 (before intra-Group sales)



What we do

Our Bedding business line focuses on the development, production and the commercialisation of finished mattresses, slat bases and bed bases, beds in general. Having a distinct business-to-consumer character, our Bedding strategy is particularly articulated around strong (national) brands - either owned or licensed -, which are also supported by innovative ingredient brands such as GELTEX® inside. Besides, our branded activities are complemented by Private Labels for our customers, hereby enabling an optimised use of our manufacturing footprint.

Today our Bedding division operates from 12 main production sites in Austria (1), Belgium (2), Germany (3), The Netherlands (1), Poland (1), Romania (1), Sweden (1) and Switzerland (2).

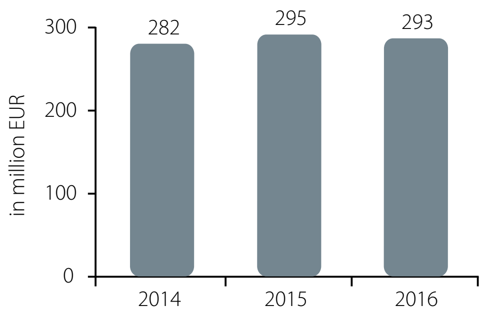
Our Bedding segment accounts for 20.6% of our Group's total combined sales.

{ Strong Brands with a unique value proposition creating more comfortable, aesthetic, fashionable and contemporary sleeping comfort. }

Our Bedding customer base is broad and includes independent bed and furniture specialists as well as large distribution groups. We do not sell directly to the end user but to do so via an external network of distribution channels.

Our customer base encompasses more than 1,000 customers with over 5,000 points of sale. It is very diversified going from independent bedding and furniture specialists running between one and 30 stores, department store chains, mail order and e-commerce companies, members of - mostly national - buying groups to international retail chains owning over 1,000 stores.

Combined sales Bedding



Market drivers

While bedding is a product category of low involvement and low interest to most consumers most of the time, it becomes one of high involvement and high interest once the consumer wants or needs to purchase a new bed or a mattress. Only then consumers are willing to pay significantly more for a product if they perceive additional benefits, in this case specifically superior comfort.

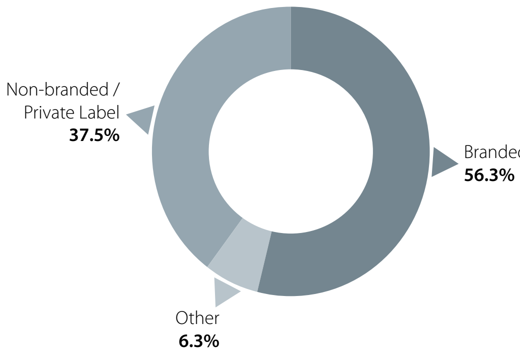
Consumer research across our most important markets shows consistently that the top-ranking purchasing criteria in terms of functional aspects of comfort focus on body support, pressure distribution and climate comfort, i.e. breathability or evacuation of moisture – aside from aspects which have become almost industry standard in the mid- to premium segment of the market, namely durability of the product and anti-allergic and anti-bacterial treatment of the cover and the core of the mattress.

Given the limited possibilities for product testing before purchase the challenge in this product segment is to make the consumer understand and trust that a given product offers the desired benefits. An inspiring end-consumer communication promising proven and tested consumer benefits via trusted brands can help the consumer orient in an otherwise confusing product offering in the market. If the communication is done not only at the point of sale ("below the line"), but also in media ("above the line": online, TV, out-of-home, print etc.) it will also help both retailer and supplier to "pre-sell" the product. Our expertise in materials (foam, springs, latex…) in combination with our strong branding strategy tries to respond to and benefit optimally from these structural market drivers.

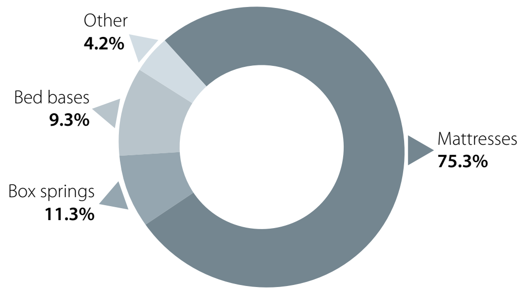
Combined 2016 sales Bedding

EUR 292.9 million

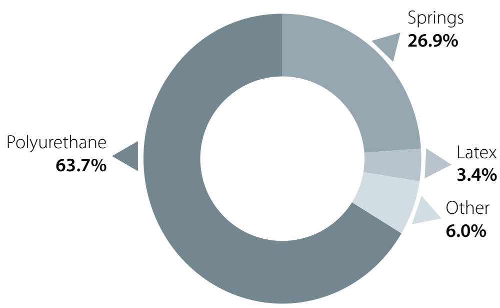
Branded versus Non-branded products



Mattresses & Bed basses



By technology



Market attractiveness

The European Bedding market is primarily driven by demographic evolution.

Many studies confirm that sleeping quality is increasingly identified as a critical comfort and health factor. This is not only translated by higher investments in high value bedding systems, but also into more frequent mattress and bed base replacements.

High value branded products represents the top-end segment of the market, while the 'Private label' segment represents a growing share in the market.

Competitiveness

Polyurethane foam for mattresses enables the market offering of a broad/diverse product range. As a result of its product characteristics, foam mattresses have become the leading solution enabling a market share increase versus traditional spring or latex solutions.

With its strong brands' portfolio, our Bedding business is well-positioned in five European countries. In order to strengthen its market position it will however need some streamlining of its industrial set-up.

Our Bedding business clearly benefits from the integration with the Recticel Flexible Foams segment, as it enables the swift introduction of market innovations and new products.

Strategy

Our Bedding business line aims primarily organic growth, although it will not exclude external growth opportunities.

- We will continue to focus on strong brands and ingredient brands.
- We foster product innovation.
- We want to further rationalise and optimise our manufacturing footprint.

in million EUR

COMBINED KEY FIGURES	2014	2015	2016
Sales [1]	281.6	294.5	292.9
Growth rate of sales (%)	*-0.5%*	*4.6%*	*-0.5%*
REBITDA	13.5	14.1	15.7
REBITDA margin (as % of sales)	*4.8%*	*4.8%*	*5.4%*
EBITDA	2.9	9.5	12.1
EBITDA margin (as % of sales)	*1.0%*	*3.2%*	*4.1%*
REBIT	7.2	7.7	10.4
REBIT margin (as % of sales)	*2.5%*	*2.6%*	*3.6%*
EBIT	-3.5	3.2	5.8
EBIT margin (as % of sales)	*-1.2%*	*1.1%*	*2.0%*

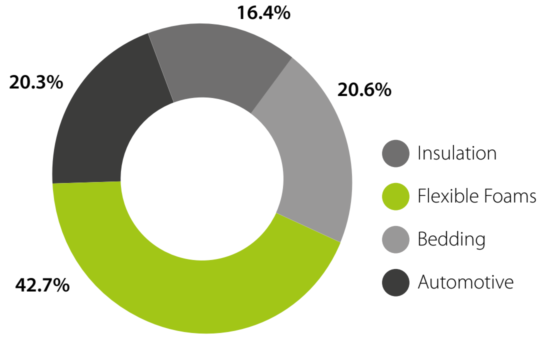
[1] before eliminations of intra-Group transactions

GELTEX® inside
is available at:
Beka®, Lattoflex®, Schlaraffia®, Sembella®, Superba®, Swissflex®, and Ubica®

a leading local presence with 61 production sites in 27 countries
Technical Foams with higher value-added complements the more commoditised Comfort Foams
producing close to our customers offers logistical advantages

Flexible Foams

Combined sales 2016 (before intra-Group sales)



What we do

Our Flexible Foams business provide durable solutions for a wide variety of customer needs in domains such as silencing, sealing, filtering, carrying, protecting, supporting and comforting. By nature we focus on the production, transformation and commercialization of predominantly customised semi-finished products in flexible polyurethane foam. We organise our foams' activities around two poles; **Comfort**, which comprises mainly bulky commodities for upholstered furniture and mattresses, and **Technical Foams**, which are merely higher value specialties for smaller niche markets. Technical foam types are used in a wide range of applications, such as sponges, scouring pads, filters, paint rollers, seals, packaging, vibration damping and acoustic insulation.

Our Flexible Foams business line has historically always been the largest.

Today our Flexible Foams division operates from 60 production and/or conversion sites in 27 countries, mainly in Europe (54), but also in China (1), India (2), Turkey (1), and the United States (2), The activities in Central and Eastern Europe are done through the joint venture Eurofoam (50/50 with Greiner – Austria). Italy is covered via the joint venture Orsafoam (33/67 with the Orsa Group– Italy).

Our Flexible Foams segment accounts for 42.7% of our Group's total combined sales.

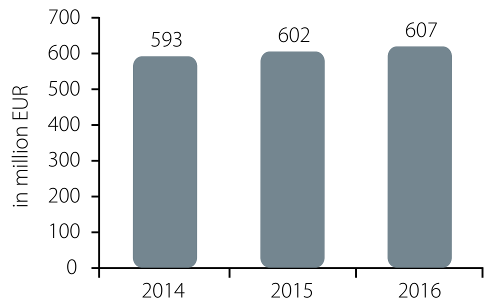
Market drivers

In general, polyurethane flexible foam is a very versatile material that can offer real solutions for the divers practical comfort needs. Polyurethane foam is characterised by its wide range of attributes (silencing, sealing, filtering, support, comfort …) and possible functionalities (acoustic insulation, vibration dampening, shock absorption, antistatic …). In addition, polyurethane foam has the advantage that it can be used in a wide variety of applications for diversified target markets. The major markets we serve are Industry, Building & Infrastructure, Transport, Consumer Goods, Furniture & Upholstery and Medical.

Each of these markets is driven by generally rising standards of comfort. For example:

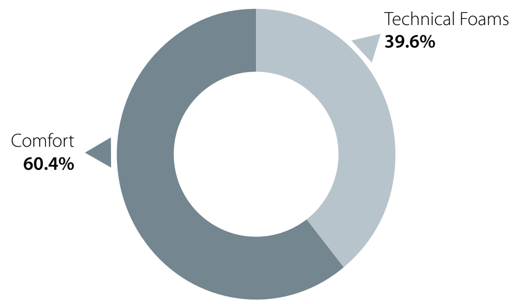
- in Transport: extra demand for acoustics and sealing components, and reduction in weight in order to reduce fuel consumption and CO_2 emissions;
- in Furniture & Upholstery: higher expectations around ergonomics, durability and the optimal pressure and counter-pressure distribution or design possibilities;
- in Medical: due to an ageing population, higher demands on health services, in terms of both quality and efficiency;
- in Industry: more stringent health & safety regulations (noise reduction and fire safety) and need for lightweight and sustainable materials that will help to meet environmental standards;
- in Consumer Goods: evolving customer preferences with an enhanced demand for lifestyle-improving products that offer consumers better comfort, design, safety and well-being at ever lower prices;
- in Building & Infrastructure: the impact of the built environment on climate change and the use of natural resources are huge market drivers. Indoor climate and health standards are other growth drivers.
- In Acoustics: reducing the impact of airborne sound should begin in a building's design phase. In consultation with civil engineers and other industry specialists, materials are created for industrial, commercial and residential buildings, offices and indoor and outdoor sports facilities.
- …

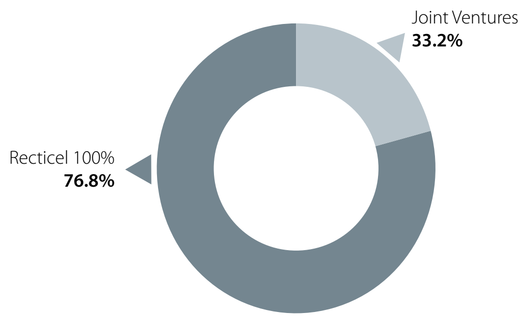
Combined sales Flexible Foams



Combined 2016 sales Flexible Foams

EUR 607.2 million





www.recticelflexiblefoams.com

Market attractiveness

The flexible foams market is basically split between Comfort and Technical Foams. Commodity applications are found in the Comfort segment, whereas specialty applications to a broad variety of industries are clustered in the Technical Foams segment.

Optimal asset management and performance drive our Comfort segment; whereas innovation and differentiation drive our Technical Foams segment.

Worldwide the foam market is growing thanks to the performance of the polyurethane chemistries.

We regularly introduce new ways to increase the knowledge of our customers, hereby determining which parameters are critical for them and, based on that, improve our customer service and approach.

Competitiveness

As major player, we benefit from strong R&D capabilities, which enable us to occupy strong positions in new niche markets.

We rely on our wide geographical presence with an industrial footprint enabling positioning in many countries, but still requesting adjustments and restructuring.

Our global size enables us to have access to competitive raw material prices.

Strategy

- In first instance we focus on the rationalisation and modernisation of our industrial footprint.
- Besides with foster selective growth initiatives based on new products and solutions
- Geographical expansion is solely reserved for our Technical Foams segment.

in million EUR

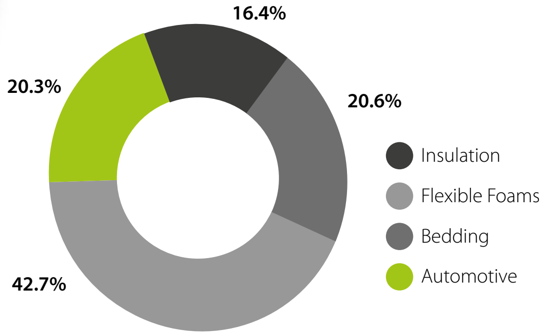
COMBINED KEY FIGURES	2014	2015	2016
Sales [1]	593.0	602.3	607.2
Growth rate of sales (%)	*1.6%*	*1.6%*	*0.8%*
REBITDA	27.7	38.0	46.3
REBITDA margin (as % of sales)	*4.7%*	*6.3%*	*7.6%*
EBITDA	25.1	34.0	39.6
EBITDA margin (as % of sales)	*4.2%*	*5.6%*	*6.5%*
REBIT	16.5	26.1	33.8
REBIT marge (as % of sales)	*2.8%*	*4.3%*	*5.6%*
EBIT	13.2	21.1	26.5
EBIT margin (as % of sales)	*2.2%*	*3.5%*	*4.4%*

[1] before eliminations of intra-Group transactions

as **ColoSense® Lite** weights about **25% less** than traditional thermoplastic materials, it has been widely adopted by premium OEMs

Automotive

Combined sales 2016 (before intra-Group sales)



What we do

Our Automotive business line clustered around two distinctive activities; Interiors and Seating. Both serve high-demanding global Tier-1 customers as well as original equipment makers (OEM) in the automotive sector.

Our automotive products help to make cars lighter and thus also more fuel-efficient.

Our **Interiors** division is particularly active in the development, production and commercialization of innovative elastomer interior solutions for cars. The unrivalled characteristics of our unique, patented Colo-Fast® and Colo-Sense® Lite spray technology give extreme design-freedom to the car interiors industry. Our renowned pigmented light-stable PU compounds, dashboard skins, cockpit and door panel trim parts have the additional advantage that they only weight about 25% less than traditional thermoplastics.

Today our Interiors division operates globally from 10 production sites in China (4), the Czech Republic (2), Germany (2) and the United States (2).

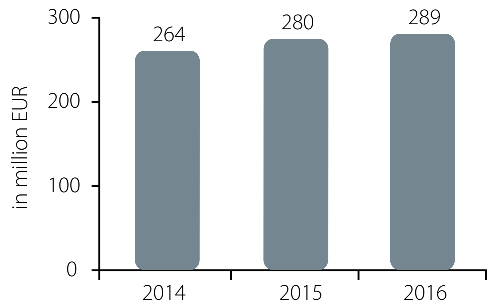
Automotive

Next to the technology-driven Interiors business, we are also offering moulded comfort foam pads for car seats. These **Seating** activities are developed through Proseat, the 51/49 joint venture between Recticel and Woodbridge. Over the last years Proseat has gradually been diversifying its product offering by also adding trim parts and EPP products to its catalogue.

Our Seating division, which geographical footprint is restricted to Europe, has 8 production sites in the Czech Republic (1), France (1), Germany (2), Poland (2), Spain (1) and the United Kingdom (1).

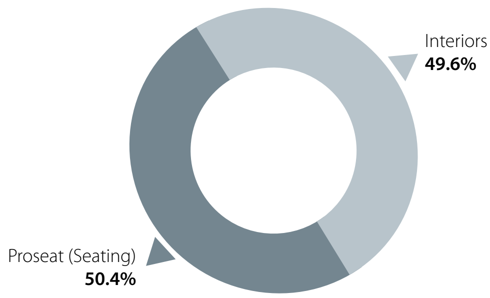
Our Automotive segment accounts for 20.3% of our Group's total combined sales.

Combined sales Automotive



Combined 2016 sales Automotive

EUR 288.9 million



Market drivers

The main driver for most OEM customers is still the cost competitiveness of the products. OEMs are increasing cost pressure on suppliers whilst remaining highly demanding on quality and technical specifications, such as weigh and design freedom. This puts pressure on Tier-1 suppliers leading to a general trend of centralisation and insourcing to fill up capacity, which on its turn impacts Tier-2 suppliers.

Besides there are some global market trends that also influence demand and the competitive landscape in general. One trend is the shift of car sales and car manufacturing from Western Europe and the United States towards Asia, and China in particular. The global importance of Western Europe as production hub is declining due to decreasing local sales and the increasing number of global OEMs following global market demand. This leads to a globalization of production platforms creating an increasing need for local presence by Tier-1 and Tier-2 suppliers.

Another trend is the increased focus on and awareness of sustainability and the reduction of CO_2 emissions. In the automotive interiors industry, an important effect of this trend is an increased attention on weight reduction of products and parts.

In a demanding automotive sector where just-in-time deliveries are crucial, our technical expertise and the flexibility of our interiors manufacturing set-up, are seen as a competitive advantage.

www.recticel-automotive.com

www.proseat.de

Market attractiveness

In Europe the automotive sector remains a highly competitive and cyclical market characterised by unprecedented overcapacities.

Contrary to the Seating segment (Proseat), which is highly commoditized, our Interiors business is particularly a technology-driven, hence capital intensive activity.

Innovation and differentiation are mandatory in this sector, but it often only generates thin price premiums.

It is generally speaking difficult to protect intellectual property; hence to keep it for a long period.

Competitiveness

Our Automotive businesses are well positioned with Tier 1 customers and OEMs. We are recognised for our best performance products in Interiors and for our innovative concepts in Seating (Proseat).

We aim to improve our EBIT profitability through restructuring and efficiency efforts.

We dispose of an ideal global industrial footprint in Interiors (Europe, USA and China).

Strategy

- Our objective is to stabilize the two business segments, Interiors and Proseat (Seating), with a focus on profits.
- To remain competitive we stay focused on the introduction of new innovative product.
- Footprint and capacity utilisation optimisation is and will be a continuous effort and process.

in million EUR

COMBINED KEY FIGURES	2014	2015	2016
Sales	264.0	280.3	288.9
Growth rate in sales (%)	*2.2%*	*6.2%*	*3.1%*
REBITDA	14.9	15.4	19.9
REBITDA margin (as % sales)	*5.6%*	*5.5%*	*6.9%*
EBITDA	12.5	9.9	18.3
EBITDA margin (as % of sales)	*4.7%*	*3.5%*	*6.3%*
REBIT	4.2	3.6	5.7
REBIT margin (as % of sales)	*1.6%*	*1.3%*	*2.0%*
EBIT	1.8	-1.9	4.0
EBIT margin (as % of sales)	*0.7%*	*-0.7%*	*1.4%*

[1] before eliminations of intra-Group transactions

Sustainable innovation

1
2
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8

Towards sustainable and market-driven innovation

In order to embed sustainability in our R&D operations, we merged early 2016 our research and development department with our sustainability department. With this newly created Sustainable Innovation Department (SID) we ensure that sustainability and market-driven innovation drive and orient all our research and development efforts. Sustainability is a key driver for our future research & development programmemes. It is at the heart of our strategy and a key decision factor in everything we do. Relying on our competences and by transforming polyurethane chemistry, we are committed to finding responsible solutions to the various challenges and needs of our customers and the planet.

Market-driven R&D should always be based on a structured, multi-phase innovation process.

We believe that future growth will come from our capability to perfectly respond to more complex societal needs. Our markets are more and more driven by the sustainability agenda, which undeniably provides us promising perspectives for the future.

That is why we are increasing our efforts to find innovative solutions for the major challenges in society today, such as global warming, conservation of natural resources and ageing population.

We are convinced that these societal sustainability challenges will drive our future innovations.

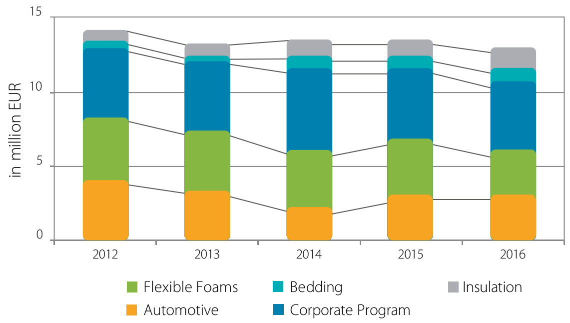
Sustainability is a key driver for our reseach & development programmes.

Sustainability has always been at the heart of our activities. Our insulation solutions help avoid about 20 times more CO_2 emissions than the carbon footprint of all Recticel's activities combined. Sustainability has also found its way into our Automotive business line, where the customer requirement for reducing carbon emissions pushed our innovation processes to develop lightweight materials. In our other business lines, the traditional focus has been on durability and providing optimal comfort during the use phase.

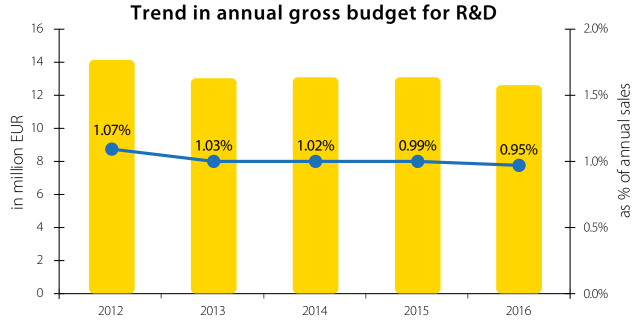
It is our ambition to increase our positive impact on society and the environment and reduce any negative effects throughout the entire value chain through partnerships.

Concrete examples of our sustainable efforts can be primarily found in the field of solutions to reduce greenhouse gases. Our thermal insulation products for building renovation and/or new constructions already today strongly contribute to a low carbon society. Also our lightweight components reduce the weight of cars; hence their fuel consumption and carbon emissions. In the transformation process towards a circular economy, waste becomes a resource or building block for new products. In this respect we acquired in October 2016 a small activity – Innortex - in France in order to

Trend in composition of annual budget for Research & Development



Trend in annual gross budget for R&D



recycle flexible trim foam and to transform it into high performing acoustic insulation panels for building applications. In a second phase, end-of-life materials will be validated for the same process.

Reducing the use of raw materials by being more innovative and efficient should also be complemented by the use of more sustainable raw materials. In partnership with Covestro AG, the former Bayer MaterialScience, we are the first to use novel polyols which by weight contain about 20% CO_2 as replacement of petroleum on which the precursor polyols are usually based. In December 2016, our plant in Gislaved (Sweden) received the very first delivery of this material which we will use for the production of flexible foams for mattresses and furniture.

Compared to the previous years, we continued to spend around EUR 12.8 million on Research & Development, which is 0.95% of total combined sales.

- innovation fulfilling societal needs
- optimising our carbon footprint
- resource efficiency
- business ethics and integrity
- reduce HS&E impacts of our activities
- an inspirings and rewarding place to work.

For each of these material aspects or priorities, we have selected one key performance indicator and target to measure progress. We will publish our second sustainability report in 2018.

Five sustainable innovation programmes

As a company and producer of durable goods, we consider it to be our mission to help sustainable development move forward. For this reason we have made sustainability a key driver for innovation in our Group strategy. By linking our innovation processes to global sustainability, we are convinced that we create value for society as well as for the company.

When we merged our Research and Development department with our sustainability department into the Sustainable Innovation Department, we refocused our innovations efforts on five innovation programmes. Four of the programmes are aligned with the future needs of business lines such as developing new comfort foams for bedding or seating applications, or finding solutions to fulfil the requirements of technical foams in the field of silencing. Developing new insulation solutions with lower Lambda values is high on our agenda just as even further reducing the weight of our automotive interiors technology.

The fifth or 'corporate' programme coordinates all initiatives to ready durable polyurethane products for the circular economy, including studying how polyurethane can be recycled and reused. The Innortex acquisition in France in October 2016 fits herein and offers us the ability to transform flexible foam production waste foam into high performance acoustic insulation. In a second phase, end-of-life materials will be validated for the same process.

{ It is our ambition to increase our positive impact on society and the environment and to reduce any negative effects throughout the entire value chain }

Another example is the use of a new CO_2 based polyol for the production of flexible foam products for bedding and seating. The partial replacement of oil by CO_2 reduces the carbon footprint of our products.

These five programmes underpin our sustainability strategy to address new societal needs and support the transition towards a circular economy by differentiating ourselves as a company and creating shared value for all stakeholders.

Human Resources

ANNUAL REPORT 2016 – HR SECTION HR BACKPACK

In 2016 we continued to execute our 15–17 Human Resources' strategy, called the HR Backpack, which is centered around the following strategic thrusts:

1. **B**ack to basics
2. **A**dequately resource
3. **C**ontinue excellent collective employee relations and enhance engagement
4. **K**ey HR processes streamlining
5. **P**eople review towards "living" talent management
6. **A**ssess extensively and train for success
7. **C**lassification of jobs – grade for triple C (clarity/ competitive benchmarking/consistency)
8. **K**reate and work as a glocal HR team

We clearly made significant progress, and more particularly in the following fields:

- We deployed a new annual salary review process
- We implemented a new Hay® based grading system
- We further extended the people review process
- We redesigned the the performance management system
- We revamped the local bonus plans
- We launched an international engagement survey

Compensation & Benefits

In June 2016, as an outcome of the implementation of the Hay® job family framework, our Management Committee approved the career map which is will be used to slot and grade white collar jobs across the Group. In this context, Recticel relies on the Hay® PayNet database to further build its understanding of pay practices in the market.

Following the review of the Group Bonus plan in 2015, we further streamlined the administration of local bonus plans at the hand of five Group principles that ensure enhanced governance and a more consistent design.

Finally the new Group-wide Annual Salary Review process was successfully deployed with a better differentiation among employees so that the link between individual pay progression and one's own performance is now stronger.

Assess and train for success

At Recticel, we foster a performance-driven culture. The annual performance management discussions are crucially important in this respect. During these discussions, employees have the opportunity to talk about such issues as their career development ambitions, working conditions and work-life balance. These discussions help managers understand development needs so that they can coach and further optimize their employees' performance in a more focused way.

In 2016, approximately 1,600 white collar employees went through a structured performance management discussion. During the second semester of the year 2016, we decided to streamline and simplify the Employee Performance Management process in order to strengthen the qualitative discussion between manager and employee. The new process and format is used globally for all our white collar population and it is closely linked to all other main HR processes, including reward and retention, learning and development, succession and career path planning.

An inspiring and rewarding place to work

In 2016, we continued our People Review Process. As part of this process, the management of each business line or function dedicated a full day with the Global HR team to discussing topics such as succession planning, people SWOT analysis, high potential identification, future recruitment and retirement planning, including knowledge transfer plans.

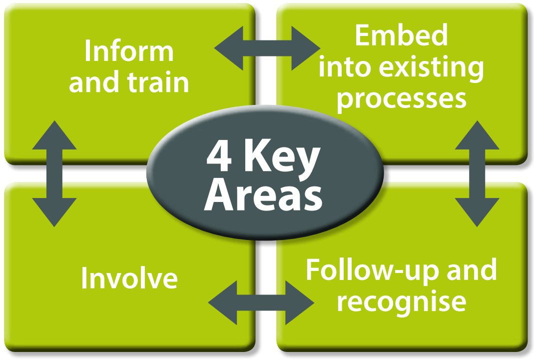
For those identified as having high potential, we develop a career path and a development plan. This approach helps us anticipate the succession needs internally, as well as motivate staff with high potential through concrete career opportunities and retain their knowledge, passion and skills within our organization. We believe that this approach will stimulate home-made talent to take up new challenges in their careers.

The People Review Process has been introduced not only at top management level, but the methodology is also applicable and already implemented in several countries and regions during 2016; including UK, France and North region.

Core Values

Early 2016, the Recticel Group Management Committee redefined five core values and assigned five concrete behaviors to each value - strongly believing that these values exemplify our Recticel culture. They describe how we interact, how we do business and how we work together in order to grow as a company and as individuals.

Our core values are being deployed throughout the whole organisation and they have already been translated into fourteen languages. We appointed a cross-functional, cross-business line Values Deployment Team to develop a detailed implementation plan and selected over 70 Core Values Ambassadors from each country and location. The plan, which was launched in September 2016, has had four key ambitions:



1. to inform and train
2. to embed the values into existing processes
3. to involve the whole organisation
4. to recognise the achievements of individuals and teams representing these values

Our target is to make sure that every Recticel employee will be familiar with the values. We will achieve this through information sessions, e-learning modules and various communication materials. Recticel will also introduce Living The Values Award.

Recticel University

RECUN offers programmes that are either tuned to specific business line needs or to cross-departmental competences such as finance, project management, communication and leadership.

During the year 2016, we put specific focus on introducing new RECUN modules to boost the business performance and reviewed the content of all existing modules to strengthen the link between RECUN and Recticel daily business. Strong focus was to improve operational excellence. Key development areas were also related to Lean, Supply Chain, Leadership, Communication and Negotiation skills. In 2016 we offered 21 development courses and organised over 800 training days.

RECUN
RECTICEL UNIVERSITY

TECUN
RECTICEL TECHNICAL UNIVERSITY

Engagement Survey

In September 2016 we launched an engagement survey in Belgium, UK and Spain for both the white and blue collar populations. For Belgium it was the third participation, for the other countries the first one.

The engagement survey gave us an insight in employee engagement and satisfaction; including leadership, job content, compensation, personal development, communication, cooperation, physical work environment and impact on society and wellbeing.

The completion ratio for 2016 survey was considerably high; in total 1340 employees (79% of the target population) completed the survey. Results of the engagement survey have been shared with the management and the employees and the project team is working on defining the tangible actions to retain the company strengths and to develop the areas which were identified as critical. Our intention is to extend the population by adding each year two countries to the survey.

T.A.G. Summit 2016

T.A.G. Summit 2016 took place in March 2016 in Brussels. Over 100 top leaders of Recticel from all countries and continents were invited to share their insights on how Recticel could progress in a direction which creates shared value for all our stakeholders.

The aim of the Summit was to challenge and inspire Recticel leaders to higher innovative and sustainable growth standards. The meeting was highly appreciated by Recticel leaders and all presented development ideas were recorded and discussed in the Group Management Committee, and at a later stage, in various ad hoc project teams. All Summit participants received regular feedback on the status of the decided development projects. The next T.A.G. Summit is planned to take place in 2018.

NUMBER OF STAFF[1]

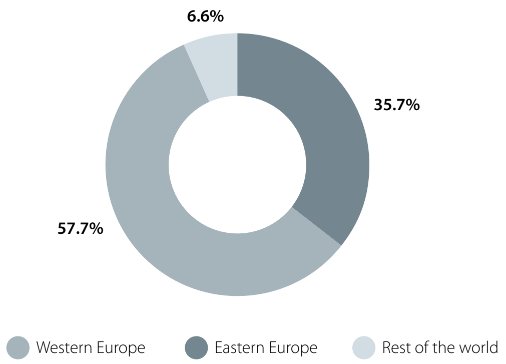
	31 DEC 2015		31 DEC 2016	
Poland	1 074	14.1%	1 270	16.0%
Belgium	1 100	14.5%	1 110	14.0%
Germany	1 062	14.0%	1 011	12.8%
Czech Republic	910	12.0%	972	12.3%
France	652	8.6%	655	8.3%
United Kingdom	544	7.2%	542	6.8%
The Netherlands	307	4.0%	308	3.9%
Romania	255	3.3%	308	3.9%
Spain	217	2.8%	243	3.1%
People's Republic of China	169	2.2%	236	3.0%
Austria	249	3.3%	233	2.9%
Sweden	184	2.4%	169	2.1%
USA	150	2.0%	152	1.9%
Hungary	135	1.8%	135	1.7%
Switzerland	128	1.7%	112	1.4%
Estonia	92	1.2%	95	1.2%
Finland	86	1.1%	91	1.1%
Turkey	83	1.1%	87	1.1%
Italy	64	0.8%	61	0.8%
India	41	0.5%	42	0.5%
Norway	38	0.5%	36	0.5%
Bulgaria	18	0.2%	19	0.2%
Slovakia	13	0.2%	11	0.1%
Serbia	10	0.1%	11	0.1%
Lithuania	8	0.1%	7	0.1%
Ukraine	8	0.1%	7	0.1%
Russia	5	0.1%	5	0.1%
Morrocco	2	0.0%	2	0.0%
TOTAL	**7 598**	**100%**	**7 925**	**100%**

	31 DEC 2015		31 DEC 2016	
Western-Europe	4 629	60.9%	4 569	57.7%
Eastern-Europe	2 520	33.2%	2 832	35.7%
Rest of the world	450	5.9%	524	6.6%
TOTAL	**7 598**	**100%**	**7 925**	**100%**

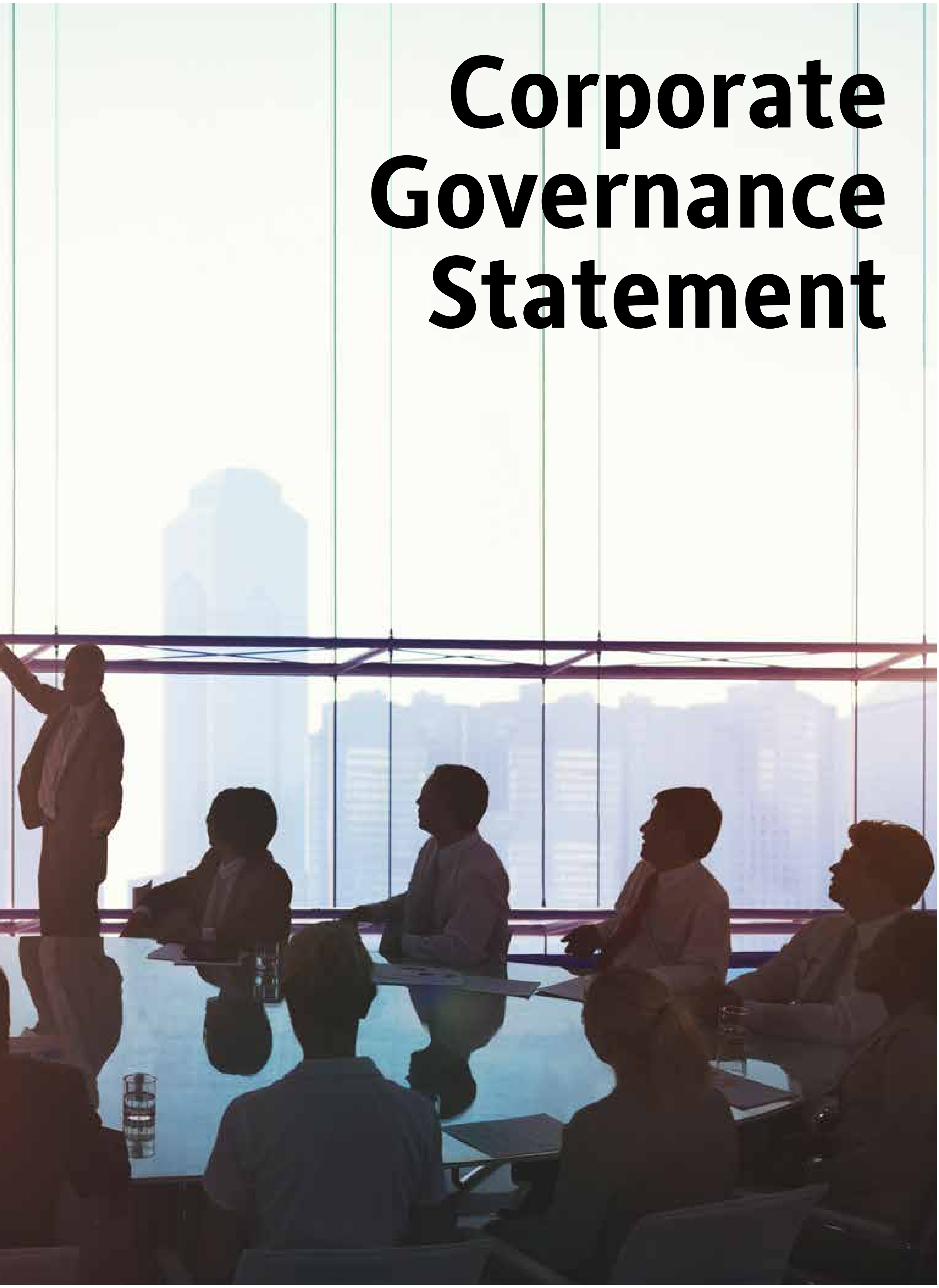
1 Full-time and part-time personnel with permanent or temporary employment contracts valid at the end of the period. Headcount information excludes external agency employees, but includes the proportional personnel headcount of joint ventures that are managed at least 33% by Recticel.(rounded figures)

Total headcount per region

(FTE - December 31, 2016)



Corporate Governance Statement



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Corporate Governance Statement

1. Applicable rules and reference code

Recticel publishes its Corporate Governance Charter on its website (www.recticel.com) in accordance with the requirements of the Belgian Corporate Governance Code 2009. The latest version is dated 25 April 2017. Any interested party can download the Charter there, or request a copy from the company's registered office. The Charter contains a detailed description of the governance structure and the company's governance policy.

Recticel uses the Belgian Governance Code of 2009 as reference code, which can be found on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be).

As from the Ordinary General Shareholders' Meeting of 26 May 2015, Recticel complies with all recommendations contained in the reference code.

This chapter contains more factual information regarding corporate governance in general and, the application of the Code during the last financial year in particular.

In accordance with the Belgian Companies Code, the Board of Directors is authorized to undertake all necessary actions to achieve the company's objective, except those that only the general meeting is authorized to perform by law. The authority granted to the Board of Directors was not further limited in the articles of association.

The terms of reference of the Board of Directors are described in more detail in Recticel's Corporate Governance Charter.

2. Internal control and risk management

Every entity exists to create value for the stakeholders and this forms the basis of risk management for every company. The challenge that faces the Board of Directors and executive management is in determining how much uncertainty they wish to accept in their strive for creating value. The value is maximized if the administration is successful in creating an optimal balance between growth and turnover on the one hand and the connected risks on the other.

Identifying and quantifying the risks and setting up and maintaining an efficient control mechanism is the responsibility of Recticel Group's Board of Directors and executive management.

The framework for internal control and risk management applied by the Recticel Group is based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) model and is in line with the requirements imposed by the Belgian Corporate Governance Code, taking into account the Recticel Group's size and specific needs.

Since mid-2010 the Board of Directors and the executive management have reviewed the framework for internal control and risk management and an amended Compliance programme is implemented.

The basis is formed by the revised Code of Conduct, applicable on all Recticel directors, corporate officers and employees, and published on Recticel's website (www.recticel.com).

Important matters like ethics, safety, health and environment, quality, conflicts of interest, anti-trust, fraud and others are being dealt with.

Corporate policies have been elaborated to cover these principles that are further explained in the Business Control Guide, which provides more concrete and detailed guidelines, for instance guidelines on the level of Tax management, Treasury management, Accounting policies, Investments, Purchases, Mergers and Takeovers, and such. The internal financial reporting and control occurs based on the Group Accounting Manual, Group Accounting Methodology and Cost Accounting Methodology.

This Business Control Guide includes the general delegation of deciding powers and responsibilities for specific areas of competence.

The Board of Directors and executive management regularly reviews the most important risks that the Recticel Group is exposed to and submits a list of priorities. A general description of the risks can be found in the financial part of this annual report.

One of the objectives of the internal control and risk management system is also to ensure a timely, complete and accurate communication. To this end the Business Control Guide and all other guidelines contain the necessary regulations on roles and responsibilities. Also, the necessary attention is given to ensuring the security and confidentiality of the data exchange, if and when necessary.

In the event of violation of internal or external laws and regulations, the Recticel Group has also implemented a Group Policy for the Reporting of Misconduct and the Protection of Whistle-blowers to enable anyone to report on behaviour that may represent a violation of the applicable Code of Conduct, the Group Corporate Policies or any other laws and regulations.

Finally, the Audit committee, amongst others, has the task of informing and advising the Board of Directors regarding the annual follow up of the systems of internal control and risk management.

The Internal Audit Department works based on an Internal Audit Charter and has the primary function of delivering objectives opinions about the internal control in place in the Recticel Group. The Internal Audit aims at providing the reasonable assurance that the strategic, operational, compliance and reporting objectives of the Recticel Group can be realized in the most efficient way. To this end they seek to ensure the following objectives:

- the reliability and integrity of the information;
- compliance with policies, plans, procedures, laws and agreements;
- safeguarding of assets;
- economical and efficient use of resources;
- achieving the goals set by operations and programs.

3. External audit

The external audit of Recticel SA/NV's company and consolidated annual accounts has been entrusted by the Annual General Meeting of 2016 to the limited liability cooperative company "DELOITTE Bedrijfsrevisoren", represented by Mr Kurt DEHOORNE.

The Auditor conducts its audits in accordance with the standards of the Belgian Institute of Company Auditors and delivers a report, which confirms if the company's annual accounts and the consolidated financial statements of the company reflect a true and fair view of the assets, financial condition and results of the company. The Audit committee investigates and discusses these bi-annual reports in the presence of the Auditor, and afterwards also with the Board of Directors.

The Auditor's remuneration for the audit of Recticel NV's annual and consolidated annual accounts intended in article 134, §2 of the Companies' Code, amounts to EUR 836,600 for 2016. Next to this remuneration, another legal mission was invoiced for an amount of 4,500 EUR.

The global amount of the remunerations for additional services of the Auditor and parties related to the Auditor, amounts to 834,406 EUR at the level of the Recticel Group. This amount consists of an amount of 24,328 EUR for additional audit work and 810,078 EUR for other consulting assignments (consisting of an amount of

308,882 EUR for additional tax services and an amount of 501,196 EUR for other consulting assignments).

Since the remuneration of the Auditor amounts to 836,600 EUR at group level, the one-to-one limit intended in article 133 of the Belgian Companies Code still applicable to that accounting year has not been exceeded on consolidated level, taking into account the fact that the additional legal mission of the Auditor for amount of 4,500 EUR falls outside the scope of the one-to-one rule.

Details on these compensations are included in the explanatory notes on VOL 6.18.2. in the statutory annual accounts as well as in the explanatory notes in the financial part of the Consolidated Annual report.

The Auditor's mandate was renewed in 2016 and will end after the upcoming Ordinary General meeting of 2019.

4. Composition of the Board of Directors

Recticel's Board of Directors currently consists of ten members. There are nine non-executive directors, five of which are independent. OLIVIER CHAPELLE SPRL/BVBA, represented by Mr Olivier CHAPELLE, Chief Executive Officer, is the executive director.

The Chief Executive Officer represents the management and three directors represent the reference shareholder.

With reference to the Law of 28 July 2011 setting the obligation to have at least 1/3 of the members of the Board of the opposite gender by 1 January 2017, the Board of Directors reviewed different options in order to increase the number of female members. The mandate of REVAM BVBA, permanently represented by Mr Wilfried VANDEPOEL comes to an end at the Ordinary General Meeting of 30 May 2017. The Board of Directors proposes to appoint IPGM Consulting GmbH, represented by Ms. Anne De Vos, resulting in three out of ten directors being women. As a result, the obligation of article 518bis of the Companies' Code will be complied with.

From left to right : *Frédéric VAN GANSBERGHE, Pierre-Yves de Laminne de Bex, Benoit DECKERS, Danielle SIOEN, Johnny THIJS, Olivier CHAPELLE, Ingrid MERCKX, Kurt PIERLOOT, Wilfried VANDEPOEL, Luc MISSORTEN*

The following table provides an overview of the current members of Recticel's Board of Directors (as from 31 May 2016).

NAME	FUNCTION	TYPE	YEAR OF BIRTH	START OF MANDATE	END OF MANDATE	PRIMARY FUNCTION OUTSIDE OF RECTICEL	MEMBERSHIP COMMITTEE
Johnny THIJS (1)	Chairman	Independent	1952	2015	2018	Delhaize Group Director	AC / RC
Olivier CHAPELLE (2)	Managing Director	Executive	1964	2009	2019		MC
Benoit DECKERS (3)	Director	Non-executive	1964	2015	2018	CEO of Compagnie du Bois Sauvage SA	AC
Pierre-Yves de LAMINNE de BEX (4)	Director	Non-executive	1969	2014	2018	Vice-President of the Board of Compagnie du Bois Sauvage SA / Managing Director Entreprises et Chemins de Fer en Chine SA	
Ingrid MERCKX (5)	Director	Independent	1966	2012	2019	Agfa Healthcare (Fr-Belux), Chief Executive Officer	AC
Luc MISSORTEN (6)	Director	Independent	1955	2015	2018	Chairman of Ontex	AC / RC
Kurt PIERLOOT	Director	Independent	1972	2015	2018	Member of the Executive Committee of bpost- Domestic & International	RC
Wilfried VANDEPOEL (7)	Director	Non-executive	1945	1999	2017	Groep Van Roey NV Director	AC
Frédéric VAN GANSBERGHE (8)	Director	Non-executive	1958	2014	2019	Compagnie du Bois Sauvage Chairman	RC
Danielle SIOEN	Director	Independent	1966	2016	2019	Sioen Industries NV Director	

(1) in his capacity as Permanent Representative of THIJS JOHNNY BVBA
(2) in his capacity as Permanent Representative of OLIVIER CHAPELLE SPRL
(3) in his capacity as Permanent Representative of COMPAGNIE DU BOIS SAUVAGES SERVICES SA
(4) in his capacity as Permanent Representative of COMPAGNIE DU BOIS SAUVAGE SA
(5) in her capacity as Permanent Representative of IMRADA BVBA
(6) in his capacity as Permanent Representative of REVALUE BVBA
(7) in his capacity as Permanent Representative of REVAM BVBA
(8) in his capacity as Permanent Representative of ENTREPRISES ET CHEMINS DE FER EN CHINE SA

AC = Audit Committee
RC = Renumeration and Nomination Committee
MC = Management Committee

The following table provides an overview of the members of the Board of Directors of Recticel of who the mandate expired in the course of 2016.

NAME	FUNCTION	TYPE	YEAR OF BIRTH	START OF MANDATE	END OF MANDATE	PRIMARY FUNCTION OUTSIDE OF RECTICEL	MEMBERSHIP COMMITTEE
Marion DEBRUYNE (1)	Director	Independent	1972	2012	2016	Vlerick Management Gent Management School Partner and Associate Professor	RC
Patrick VAN CRAEN	Director	Non-executive	1953	2012	2016	CLE (CFE Group) Managing Director	
Jacqueline ZOETE	Director	Non-executive	1942	2010	2016	Sioen Industries NV Director	

(1) in her capacity as Permanent Representative of MARION DEBRUYNE BVBA

RE = Remuneration and Nomination Committee

Amendments since the previous annual report – statutory appointments – presentation of new directors

As proposed by the Board of Directors and based upon the recommendation made by the Remuneration and Nomination committee, the following has been decided during the Ordinary General Meeting dated 31 May 2016:

- The general meeting established that the mandate of (i) MARION DEBRUYNE BVBA, represented by Ms Marion DEBRUYNE as independent director and (ii) Mr Patrick VAN CRAEN, as non-executive director, will end after the General Meeting of 31 May 2016. The general meeting accepted not to replace these Directors, and therefore to decrease the number of board members from twelve to ten.

- The general meeting accepted, in replacement of Ms Jacqueline ZOETE, the appointment of Ms Danielle SIOEN, as independent director, for a term of three years expiring after the General Meeting of 2019.

- The general meeting renewed the mandate of OLIVIER CHAPELLE SPRL, represented by Mr Olivier CHAPELLE, as managing director for a term of three years expiring after the General Meeting of 2019.

- The general meeting renewed the mandate of IMRADA BVBA, represented by Ms Ingrid MERCKX, as independent director, for a term of three years expiring after the General Meeting of 2019.

- The general meeting renewed the mandate of ENTREPRISES ET CHEMINS DE FER EN CHINE SA, represented by Mr Frédéric VAN GANSBERGHE, as non-executive director, for a term of three years expiring after the General Meeting of 2019.

- The general meeting elected Danielle SIOEN as independent director in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Ms Danielle SIOEN meets all the criteria indicated in article 526ter of the Companies Code as well as the independence criteria of the Code on Corporate Governance 2009.

- The general meeting confirmed IMRADA BVBA represented by Ms Ingrid MERCKX, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code, until the maturity of her current mandate. Ms Ingrid MERCKX meets all the criteria indicated in article 526 ter of the Companies Code as well as the independence criteria of the Code on Corporate Governance 2009.

Taking into account the above, and upon advice of the Remuneration & Nomination Committee, the Board of Directors proposes at the Ordinary General Meeting of 30 May 2017 to approve the:

- Notification that the mandate of REVAM BVBA, represented by Mr Wilfried VANDEPOEL, as non-executive director, will end after the Ordinary General Meeting of 30 May 2017. It is not available for a renewal of the mandate. Decision is to foresee a replacement.

- In replacement of REVAM BVBA, represented by Mr Wilfried VANDEPOEL, appointment of IPGM Consulting GmbH, represented by Ms. Anne De Vos, as non-executive and independent director, for a term of three years expiring after the Ordinary General Meeting of 2020.

- Election of IPGM Consulting GmbH, represented by Ms. Anne De Vos as independent director in the sense of articles 524 §2 and 526bis §2 of the Companies Code. She meets all the criteria indicated in article 526ter of the Companies Code as well as the independence criteria of the Code on Corporate Governance 2009.

Ms. Anne De Vos obtained an MBA in international marketing and a Master in Chemical Engineering and gained experience amongst others with Givaudan and Sigma Aldrich Corporation.

* * *

Functioning of the Board of Directors

The Board of Directors gathered a total of seven times in 2016. One meeting handled mainly the 2016 budget and two meetings handled the establishment of the annual accounts as per 31 December 2015 and the mid-year accounts as per 30 June 2016.

Each meeting also addressed the state of affairs per business line and the most important current acquisition and/or divestment files. Other subjects (human resources, external communication, litigations and legal issues, delegations of authority and such) are discussed as and when necessary.

The written decision procedure was not applied in 2016.

Mr Dirk VERBRUGGEN, General Counsel and General Secretary, acts as Secretary of the Board of Directors.

The individual attendance rate of the directors at the meetings in 2016 was:

NAME	ATTENDANCE RATE 2016
Johnny THIJS	7/7
Olivier CHAPELLE	7/7
Benoit DECKERS	7/7
Pierre-Yves de LAMINNE de BEX	6/7
Ingrid MERCKX	6/7
Luc MISSORTEN	7/7
Kurt PIERLOOT	7/7
Wilfried VANDEPOEL	7/7
Frédéric VAN GANSBERGHE	6/7
Danielle SIOEN (1)	4/4
Jacqueline ZOETE (2)	3/3
Patrick VAN CRAEN (3)	3/3
Marion DEBRUYNE (4)	2/3

(1) start of mandate 31/05/2016
(2) end of mandate 31/05/2016
(3) end of mandate 31/05/2016
(4) end of mandate 31/05/2016

The Board of Directors organises a self-assessment of its functioning as well as an assessment of its interaction with the members of the Management committee on a regular basis. Such self-assessment starts through a questionnaire to be remitted to and completed by each individual director. The results of the questionnaire are then be discussed and further analysed during a subsequent meeting of the Board of Directors. The last assessment took place in the middle of the year 2015. The individual assessment of the directors is done by the Remuneration and Nomination Committee.

5. Committees set up by the Board of Directors

a) The Audit committee

In accordance with company law, the audit committee supervises the financial reporting process, the effectiveness of the internal control and risk management systems of the company, the internal audit, the statutory control of the annual accounts and the consolidated accounts, and the Auditor's independence. The Audit committee's terms of reference are included in the Corporate Governance Charter.

In view of the modification of article 526bis of the Companies' Code, the mission and tasks of the Audit Committee for the financial year 2017 were subject to a review of the board of directors, in order to align them with the modified legislation.

The Audit committee consists of five members. All members are non-executive directors and three members, one of which is the Chairman, are independent directors in the sense of article 526ter of the Belgian Companies Code.

Mr Dirk VERBRUGGEN, General Counsel and General Secretary, acts as Secretary of the Audit committee.

The composition of the Audit committee complies with the stipulations of Recticel NV's articles of association and the relevant provisions of the Belgian Companies Code, and as from 26 May 2015 complies with principle 5.2. /4. of the Belgian Corporate Governance Code 2009 which provides that at least the majority of the members of the Audit committee must be independent.

In accordance with article 526bis of the Companies Code, Recticel NV declares that the Chairman of the Audit committee, Mr Luc MISSORTEN, meets the independence requirements and that he possesses the requisite expertise in accounting and auditing. The members of the Audit committee have the collective expertise at the level of the activities of the Company.

The following table contains the members of the Audit committee during the financial year 2016 to date.

NAME	FUNCTION	ATTENDANCE RATE IN 2016
Luc MISSORTEN (1)	Chairman	4/4
Johnny THIJS (2)	Member	4/4
Ingrid MERCKX (3)	Member	3/4
Benoit DECKERS (4)(5)	Member	3/3
Wilfried VANDEPOEL (6)	Member	4/4
Pierre-Yves de LAMINNE de BEX (7) (8)	Member	1/1

(1) In his capacity as Permanent Representative of REVALUE BVBA
(2) In his capacity as Permanent Representative of THIJS JOHNNY BVBA
(3) In her capacity as Permanent Representative of IMRADA BVBA
(4) In his capacity as Permanent Representative of COMPAGNIE DU BOIS SAUVAGES SERVICES SA
(5) Start mandate 25/2/2016
(6) In his capacity as Permanent Representative of REVAM BVBA
(7) In his capacity as Permanent Representative of COMPAGNIE DU BOIS SAUVAGES SA
(8) End of mandate 25/2/2016

The Audit committee convened four times in 2016. Two meetings were devoted primarily to the audit of the annual accounts per 31 December 2015 and the interim accounts per 30 June 2016. All meetings also focus on the internal audit program, risk management, compliance, taxation and IFRS related accounting questions.

The Audit Committee conducts regularly an informal self-assessment of its functioning during one of its meetings and reserves the necessary time to discuss and analyse the same. In the beginning of 2017, a formal assessment was conducted.

b) The Remuneration and Nomination Committee

The Remuneration and Nomination Committee makes proposals to the Board of Directors regarding the remuneration policy and the individual remuneration of directors and members of the Management committee and prepares and explains the remuneration report at the Ordinary General Meeting. They also make the necessary proposals regarding the evaluation and re-appointment of directors as well as the appointment and induction of new directors. The terms of reference of the Remuneration and Nomination Committee are included in Recticel's Corporate Governance Charter.

The Remuneration and Nomination Committee consists of four members, all non-executive directors, of which three are independent directors.

Mr Dirk VERBRUGGEN, General Counsel and General Secretary, fulfils the role of secretary of the Remuneration and Nomination Committee.

The composition of the Remuneration and Nomination committee meets the requirements with respect to the Companies Code, as well as the requirements of the Belgian Corporate Governance Code.

The committee is composed as follows:

NAME	FUNCTION	ATTENDANCE RATE IN 2016
Johnny THIJS (1)	Chairman	2/2
Kurt PIERLOOT	Member	2/2
Frédéric VAN GANSBERGHE (2)	Member	1/2
Luc MISSORTEN (3)(4)	Member	1/1
Marion DEBRUYNE (5)(6)	Member	1/1

(1) In his capacity as Permanent Representative of THIJS JOHNNY BVBA
(2) In his capacity as Permanent Representative of ENTREPRISES ET CHEMINS DE FER EN CHINE SA
(3) Start of mandate 25/2/2016
(4) In his capacity as Permanent Representative of REVALUE BVBA
(5) End of mandate 25/2/2016
(6) In her capacity as Permanent Representative of MARION DEBRUYNE BVBA

In accordance with article 526quater of the Companies' Code, Recticel declares that the Remuneration and Nomination committee possesses the necessary expertise in the area of remuneration policy.

The Remuneration and Nomination committee convened two times in 2016.

These meetings dealt with the fixed and variable remuneration of the executive management as well as with the election and re-election of directors.

The set-up and functioning of the Remuneration and Nomination Committee was thoroughly reviewed at the end of 2010 following the introduction of the Law dated 6 April 2010 amending the Belgian Companies Code and introducing an article 526quater, whereby the setting-up of a Remuneration and Nomination Committee has become mandatory for Belgian listed companies.

Consequently, the Remuneration and Nomination Committee conducts regularly an informal self-assessment of its functioning during one of its meetings and reserves the necessary time to discuss and analyse the same.

6. The Executive management

The Board of Directors has entrusted the day-to-day management of the company to its Managing Director and Chief Executive Officer, "OLIVIER CHAPELLE" SPRL/BVBA, located in 1180 Brussels, Avenue de la Sapinière 28, represented by its General Manager and permanent representative, Mr Olivier CHAPELLE.

The Chief Executive Officer is assisted by the Management committee, of which the members (for the period 2016 to present) are indicated in the following list:

NAME	FUNCTIE
Olivier CHAPELLE (1)(2)(3)	Chief Executive Officer
Ralf BECKER	Group General Manager Insulation
Betty BOGAERT	Chief Information Officer
Philipp BURGTORF (4)	Group General Manager Bedding
Marc CLOCKAERTS (5) (6)	Group General Manager Flexible Foams
Jean-Pierre DE KESEL	Chief Sustainable Innovation Officer
François DESNÉ (7)	Group General Manager Flexible Foams
Bart MASSANT	Chief Human Resources Officer
Jean-Pierre MELLEN	Chief Financial Officer
Jan MEULEMAN	Group General Manager Automotive
François PETIT	Chief Procurement Officer
Dirk VERBRUGGEN	General Counsel & General Secretary

(1) in his capacity as Permanent Representative of OLIVIER CHAPELLE SPRL
(2) until 29/4/216 till 19/10/2016 - Group General Manager Flexible Foams
(3) as from 20/1/2017 - Group General Manager Bedding
(4) till 20/1/2017
(5) In his capacity as Permanent Representative of EMSEE BVBA
(6) till 29/4/2016
(7) as from 19/10/2016

The Management committee has an advisory role on behalf of the Chief Executive Officer and is not an executive committee in the sense of article 524bis of the Belgian Companies Code.

From left to right : *Jean-Pierre MELLEN, Jan MEULEMAN, Betty BOGAERT, Jean-Pierre DE KESEL, François DESNÉ, François PETIT, Olivier CHAPELLE, Bart MASSANT, Dirk VERBRUGGEN, Ralf BECKER*

7. Remuneration report

I. Introduction

The Recticel Group's Remuneration policy can be found in the Corporate Governance Charter on the Recticel web site (www.recticel.com).

The Group Remuneration Policy was not amended during the year 2016.

The Board of Directors of the Group has determined the remuneration of the Management Committee (hereafter the "Senior Management" or the "Senior Managers") on recommendation of the Remuneration and Nomination Committee and proposes the remuneration of the directors to the General Shareholders' meeting.

In order to assist the Committee in its analysis of the competitive environment in Belgium and Europe, as well as other factors that are necessary for the evaluation of remuneration matters by the committee, the committee can call on the services of internationally acknowledged remuneration consultants.

In line with the recommendation of the Remuneration and Nomination Committee, the Board has reaffirmed the general principles of the Group Remuneration Policy for the next three years, except as mentioned below.

Remuneration of the directors

The company's directors are rewarded for their services with a fixed remuneration for the year, as well as a fixed attendance fee per attended meeting. The remuneration is determined by the Board of Directors upon proposal of the Remuneration and Nomination Committee and presented for approval to the General Meeting for the current year. The Chairman of the Board receives a remuneration of 200% of the remuneration specified for other members of the Board.

The General Meeting also proposes on the additional remuneration for Board Committee members. The Chairman of the Committees receives a remuneration of 200% of the remuneration specified for other members of the Committee. The level as well as the structure of the remuneration of the directors is reviewed on an annual basis. For 2017, the Board of Directors shall propose to the Ordinary General meeting of 30 May 2017 the following changes:

- Fixing and approval of the Directors' emoluments, i.e.:
  - A single fixed indemnity for Directors of EUR 15,000 a year and for the Chairman of the Board of Directors of EUR 30,000 a year;
  - Directors' fees of EUR 2,500 per meeting and for the Chairman of the Board of Directors of EUR 5,000 per meeting.

- Fixing of the amount of fees for the members of the Audit Committee at EUR 2,500 per meeting and for the Chairman of the Audit Committee at EUR 5,000 per meeting.

- Fixing of the amount of fees for the members of the Remuneration and Nomination Committee at EUR 2,500 per meeting and for the Chairman of the Remuneration and Nomination Committee at EUR 5,000 per meeting.

Non-executive directors of the Company receive no remuneration, bonus, or equity-linked, or other incentives from the Company and/or its affiliates except as remuneration for their services as Director to the Company and/or its affiliates. The company will not grant credit, nor maintain credit, nor award credit in the form of a personal loan, nor extend an existing credit, to any member of the Board of Directors.

Remuneration of the members of the Management committee

The remuneration of the members of the Management committee is calculated to:

- ensure that the company can attract, motivate and retain stable talent of a high calibre with great potential, with the view of measuring up to regional and international concurrent;
- motivate the achievement of board approved objectives, with the view at increasing short, medium and long term shareholder value, and
- stimulating, acknowledging and rewarding personal and team performances.

The level as well as the structure of the remuneration of the members of the Management committee is reviewed annually by the Remuneration and Nomination Committee, which consequently presents a proposal to the Board of Directors for approval.

The remuneration package for the members of the Management committee combines three integrated elements, which together form the "total direct remuneration". These integrated elements are the fixed compensation, the annual incentive bonus and the long-term incentives. The company will not grant credit, nor maintain credit, nor award credit in the form of a personal loan, nor extend an existing credit, to any member of the Management committee.

When determining the remuneration levels for the members of the Management committee, along with the internal factors, the remuneration of executives in multinational companies of similar size and/or similar activities with headquarters in Belgium and neighbouring countries are taken into account. It is the intention to establish remuneration levels that, in general, lie on or around the average market level, for as far as the results of the company allow this.

Evaluation criteria for the bonus remuneration of the members of the Management committee as from the year 2016

The CEO receives a bonus remuneration based on his performance over the calendar year. This bonus remuneration can amount up to maximum 100% of the annual fixed remuneration. The evaluation criteria are based on collective targets linked to certain key performance indicators ("KPI's") in relation to REBITDA and Combined Net Cash Flow at Group level, as well as individual targets linked to the development of the company for the future (for example structure, commercial practices, new products and/or markets, M&A, human resources, compliance, etc.). Collective objectives count for 70% of the bonus. Individual objectives amount for 30%.The Remuneration and Nomination Committee makes the evaluation in a private session and discusses the evaluation with the CEO before presenting a proposal to the Board for approval.

The Group General Managers at the head of the four different business lines likewise receive a bonus remuneration based on their performance during the calendar year. Their bonus remuneration can amount up to maximum 50% of their annual fixed remuneration. The evaluation criteria are based on financial targets linked to certain KPI's in relation to the annual budget, both at Group level, as at the level of their respective business lines. Financial targets account for 70% of the bonus, the Combined Group Net Cash Flow will account for 30% of the pay-out, the business line REBITDA will account for another 30% of the pay-out and in addition, another 10% of the pay-out will consist of a business line specific objective. Individual targets account for 30% linked to the development of the business line for the future (for example structure, commercial practices, new products and/or markets, M&A, human resources, compliance, etc.).

For the support functions within the Management Committee (CFO, General Counsel, Procurement, ICT, HR and R&D), collective targets account for 70% and relate to the Group results. Individual targets account for 30% and are linked to the development of the department for the future (for example structure, new products, M&A, human resources, compliance, etc.). Their bonus remuneration can amount up to maximum 50% of their annual fixed remuneration.

Budget reached on target leads to 75% pay out on the collective financial targets. On the individual targets, pay-out is 100% if the target is reached.

The CEO performs the evaluation of the other members of the Management Committee, and discusses the results of the evaluation with the Remuneration Committee.

With regard to article 520ter of the Companies Code, relating to the need to defer variable remuneration payments over a three year period in case certain thresholds are passed, the Board of Directors had proposed to the 2016 General Shareholder meeting to approve a deviation from the said rule in line with the possibility offered by the legislation, as this principle was only applicable to the Managing Director and CEO, OLIVIER CHAPELLE SPRL/BVBA, as all other members of the Management Committee remained below the 25% threshold, since the calculation is done here on the basis of the total compensation package.

The 2016 General Shareholders' meeting approved this proposal

The Remuneration and Nomination Committee and the Board of Directors reviewed again the various possibilities that the legislation offers for its application and finally decided that it would remain in the best interest of the company to keep the variable remuneration payment structure at the same level for all Management Committee members. As the target variable remuneration bonus pay-out for the Managing Director and CEO surpasses the 25% maximum threshold, the Board will hence propose to the 2017 General Shareholders' meeting to approve, as for last year, the said deviation from the principle of a deferral over three years, and hence to allow the full payment of the variable remuneration within one year.

It shall be finally noted that there exists no right of recovery in case the variable remuneration would have been granted based on incorrect financial data.

II. Publication of the remunerations of the directors and the members of the executive management

II.1. Gross remunerations of the directors

in EUR

NAME	DIRECTORS FEES 2016	ATTENDANCE FEES BOARD OF DIRECTORS 2016	AUDIT COMMITTEE 2016	REMUNERATION AND NOMINATION COMMITTEE 2016	REMUNERATION FOR SPECIAL ASSIGNMENTS	TOTAL (GROSS) 2016
THIJS JOHNNY BVBA	25 900	20 000	5 550	7 400	-	58 850
OLIVIER CHAPELLE BVBA	12 950	10 000	-	-	-	22 950
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	12 950	10 000	5 550	-	-	28 500
COMPAGNIE DU BOIS SAUVAGE SA	11 100	10 000	1 850	-	-	22 950
ENTREPRISES ET CHEMIN DE FER EN CHINE SA	11 100	10 000	-	3 700	-	24 800
IMRADA BVBA	11 100	10 000	5 550	-	-	26 650
REVAM BVBA	12 950	10 000	7 400	-	-	30 350
REVALUE BVBA	12 950	10 000	14 800	1 850	-	39 600
Kurt PIERLOOT	12 960	10 000	-	3 700	-	26 660
Danielle SIOEN	7 400	5 824	-	-	-	13 224
MARION DEBRUYNE BVBA	3 700	4 176	1 850	-	-	9 726
Patrick VAN CRAEN	5 550	4 176	-	-	-	9 726
Jacqueline ZOETE	5 550	4 176	-	-	-	9 726

Since 2016 directors have received a remuneration of EUR 1,850 per attended meeting, and the Chairman has received double this amount. The members of the Audit Committee received EUR 1,850 per attended meeting and the Chairman EUR 3,700. The members of the Remuneration and Nomination Committee are entitled to EUR 1,850 per year; the Chairman EUR 3,700 per year.

For 2016, a fixed annual consideration was approved and granted for an amount of EUR 10,000 for a director and EUR 20,000 for the Chairman of the Board.

For 2017, the proposal to be presented to the General Shareholders' meeting will be a single fixed indemnity for Directors of EUR 15,000 a year and for the Chairman of the Board of Directors of EUR 30,000 a year. The members of the Audit Committee would receive a fee of EUR 2,500 per meeting and for the Chairman EUR 5,000 per meeting. The members of the Renumeration and Nomination Committee would receive a fee of EUR 2,500 per meeting and for the Chairman EUR 5,000 per meeting.

The remuneration of the executive director (Olivier Chapelle SPRL/BVBA) in his capacity as director, as included in the above overview is taken into account for its total compensation package on the basis of its management services agreement.

II.2. Remuneration of the CEO and the other members of the Management Committee

in EUR

TOTAL COST FOR THE COMPANY	OLIVIER CHAPELLE SPRL REPRESENTED BY OLIVIER CHAPELLE		OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Number of persons	1	1	11	11	12	12
Fixed remuneration	500 000	486 000	2 295 700	2 749 619	2 795 700	3 235 619
Variable remuneration	497 250	437 000	1 101 548	1 165 514	1 598 798	1 602 514
Subtotal	**997 250**	**923 000**	**3 397 248**	**3 915 133**	**4 394 498**	**4 838 133**
Pensions	0	0	192 254	228 888	192 254	228 888
Other benefits	38 328	38 040	230 979	285 773	269 307	323 813
Total	**1 035 578**	**961 040**	**3 820 481**	**4 429 794**	**4 856 059**	**5 390 834**

Remarks:

- The table above is established in line with the guidance provided by the Belgian Corporate Governance Committee, meaning that for members with employee status, the gross remuneration is taken, without the employer social contributions, and for members utilising a management company, total remuneration fees invoiced for the year.
- Variable remuneration means the remuneration earned for the performance over 2016, but which will only be paid out in 2017. The amount of the variable remuneration which has been paid out in 2016 can be found under the exercise year 2015.
- Members of the Management Committee with an employee status also have a company vehicle (including fuel) and company mobile phone at their disposal. The costs thereof have been included in the above amount of "other benefits". Members of the Management Committee operating through a management company receive no such benefits, though certain costs may be invoiced separately, in which case they are also taken into account in the above overview.
- With regard to group insurance and pension arrangements, a distinction needs to be made between members being employees, and members operating through a management company. The latter receive no group insurance or pension arrangements. Until 2003 the pension arrangement consisted of a defined benefit plan. As from 2003, this defined benefit plan has been replaced by a defined contribution plan.
- Members of the Management Committee with an employee status employed before 2001 are included in the Recticel Group Defined Benefit Plan. Members hired externally since 2001 are included in the Recticel Group Defined Contribution Plan. The service costs relating thereto have been included in the above overview

II.3. Shares, stock options and other rights to acquire shares

In line with the Corporate Governance Code, the Board of Directors requested the Ordinary General Meeting of May 2015 for approval and obtained said approval for the issue of a stock option plan of maximum up to 480,000 warrants for the senior managers of the Group.

During the year 2015, this renewed stock option plan was however not issued to the leading staff members of the Group, due to a closed period. The plan of 2015 was finally issued in April 2016.

This plan relates to 325.000 stock options for a total of 33 managers. The exercise price was fixed on the average share price during the previous 30 days, namely EUR 5.73 and the exercise period runs from 1 January 2020 till 28 April 2025. The total cost for the Company for this serie 2016 is EUR 0.7856 per share option or EUR 255.320 in total, spread over 4 years (issue year and three years vesting period).

Under this plan the members of the Management Committee received the following warrants:

NAME	NUMBER OF WARRANTS ALLOCATED	THEORETICAL VALUE OF WARRANTS AT THE MOMENT OF THE ATTRIBUTION - IN EUR
Olivier Chapelle	45 000	35 370
Ralf Becker	15 000	11 790
Betty Bogaert	15 000	11 790
Philipp Burgtorf (1)	15 000	11 790
Marc Clockaerts (2)	15 000	11 790
François Desné (3)	0	0
Jean-Pierre De Kesel	15 000	11 790
Bart Massant	15 000	11 790
Jean-Pierre Mellen	15 000	11 790
Jan Meuleman	15 000	11 790
François Petit	15 000	11 790
Dirk Verbruggen	15 000	11 790

(1) till 20/1/2017
(2) till 29/4/2016
(3) since 19/10/2016

During 2016, no warrants expired. The following stock options were exercised by the members of the Management Committee:

NAME	NUMBER OF WARRANTS EXERCISED	PLAN
Marc CLOCKAERTS (1)	19 690	December 2011
Marc CLOCKAERTS (1)	11 814	December 2012
Betty BOGAERT	10 000	December 2011
François PETIT	19 690	December 2011
Jan MEULEMAN	8 353	December 2011
Jean-Pierre DE KESEL	19 690	December 2011
Jean-Pierre MELLEN	19 690	December 2011
Dirk VERBRUGGEN	8 353	December 2011

(1) till 29/4/2016

Shares and warrants held by the members of the Board of Directors and the members of the Management Committee

The total shares and warrants held by the members of the Board of Directors as of 31 December 2016 is:

DIRECTORS	SHARES	WARRANTS
THIJS JOHNNY BVBA	0	0
Johnny THIJS (permanent representative)	28 950	0
OLIVIER CHAPELLE BVBA	79 665	265 928
Olivier CHAPELLE (permanent representative)	0	0
ENTREPRISES ET CHEMINS DE FER EN CHINE SA	119 774	0
Frédéric VAN GANSBERGHE (permanent representative)	0	0
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	0	0
Benoit DECKERS (permanent representative)	2 700	0
COMPAGNIE DU BOIS SAUVAGE SA	15 044 410	0
Pierre-Yves de LAMINNE de BEX(permanent representative)	540	0
IMRADA BVBA	0	0
Ingrid MERCKX(permanent representative)	0	0
REVAM BVBA		0
Wilfried VANDEPOELI(permanent representative)	5 256	0
REVALUE BVBA	0	0
Luc MISSORTEN (permanent representative)	0	0
Kurt PIERLOOT	0	0
SIHOLD NV (linked to Danielle SIOEN)	1 341 189	0
Danielle SIOEN	0	0

The total shares and warrants held by the members of the Management Committee as of 31 December 2016 is:

MEMBERS OF THE MANAGEMENT COMMITTEE	SHARES	WARRANTS
Ralf Becker	0	25 000
Betty Bogaert	0	110 228
Philipp Burgtorf (1)	0	48 628
Jean-Pierre De Kesel	16 690	92 184
François Desné (2)	6 250	0
Bart Massant	0	25 000
Jean-Pierre Mellen	7 190	98 151
Jan Meuleman	0	57 816
François Petit	0	48 628
Dirk Verbruggen	9 414	59 368

(1) till 20/1/2017
(2) since 19/10/2016

II.4. Primary contractual assessment of recruitment and departure regulation for the members of the Management committee

Most agreements with the members of the Management Committee contain no specific end of contract regulation. Consequently common labour law is decisive. Some members do have such regulation in proportion to their seniority. Below an overview of the dismissal period and severance pay for each member of the Management Committee.

NAME	DISMISSAL PERIOD/ SEVERANCE PAY	COMMENTS
Olivier Chapelle	12 months	
Ralf Becker	12 months	
Betty Bogaert	12 months	Legal minimum - Claeys formula applies until 31/12/2013 - Then new legislation
Jean-Pierre De Kesel	18 months	Legal minimum - Claeys formula applies until 31/12/2013 - Then new legislation
François Desné	6 months	12 months as from October 2017
Bart Massant	12 months	
Jean-Pierre Mellen	15 months	
Jan Meuleman	15 months	Legal minimum - Claeys formula applies until 31/12/2013 - Then new legislation
François Petit	12 months	
Dirk Verbruggen	12 months	Legal minimum

8. Transactions and other contractual ties between the Company and members of the Board of Directors or members of the Management committee

Chapter VII.1. of the Recticel Corporate Governance Charter describes Recticel NV's policy on related party transactions that are not governed by the legal conflict of interest scheme. The application of this policy is explained hereafter.

During 2016, no conflicts of interests arose between a director and the Company as referred to in Articles 523 and 524 of the Belgian Companies Code, except in the context of the stock option plan edition April 2016 whereby Mr Chapelle had a conflict of interest. The procedure laid down in Article 523 was applied. Reference is made here to the statutory annual report, which contains an extract of the minutes of April 29, 2016 in this regard.

9. Insider trading and market manipulation

The company policy regarding the prevention of insider trading and market manipulation is further explained in chapter VII.2 of Recticel's Corporate Governance Charter.

These measures include the implementation of restrictions on the execution of transactions (« closed periods ») applicable since 2006.

Mr Dirk VERBRUGGEN was appointed as Compliance Officer, responsible for monitoring the observance of these regulations.

1 2 3 4 5 6 7 8

10. Relationships with the reference shareholders and other elements related to possible public takeover bids

Here follows the overview of the shareholders who, under the statutes of the law, have addressed a notification to the company and to the FSMA:

Name	DATE OF NOTIFICATION	NUMBER OF SHARES (2)	% OF VOTING RIGHTS ATTACHED TO SHARES (EXCLUDING SHARES HELD BY RECTICEL) (1) (4)	% OF VOTING RIGHTS ATTACHED TO SHARES (INCLUDING SHARES HELD BY RECTICEL) (1) (4)
Compagnie du Bois Sauvage SA (2) (3)	13/05/2015	15 044 410	28.00%	27.83%
Entreprises Chemins de Fer en Chine SA (2) (3)	26/05/2015	119 774	0.22%	0.22%
Total Compagnie du Bois Sauvage SA		15 164 184	28.22%	28.05%
Capfi Delen Asset Management NV	28/05/2015	2 130 992	3.97%	3.94%
BNP Investment Partners	12/05/2016	1 615 744	3.01%	2.99%
Dimensional Holdings Inc/Dimensional Fund Advisors LP (5)	16/01/2017	1 596 684	2.97%	2.95%
Public	N/A	33 228 116	61.84%	61.46%
Total (excluding treasury Shares)		53 735 720	100.00%	99.40%
Treasury Shares	N/A	326 800		0.60%
Total (including treasury Shares)		54 062 520		100.00%

(1) The percentage of voting rights is calculated on the basis of the 54.062.520 existing Shares as at 31 December 2016. The calculation is adjusted to take into account that the voting rights attached to the 326,800 own Shares held by the Company are suspended by operation of law.
(2) The percentage of voting rights is calculated on the basis of the 54.062.520 existing Shares as at 31 December 2016 (including the own Shares held by the Company), based upon the information received by the Company as of 31 December 2016- which may be different from the actual situation
(3) For the purposes of their transparency declaration dated 13 and 26 May 2015, Compagnie du Bois Sauvage SA and Entreprises et Chemins de Fer en Chine SA included the 326,800 own Shares held by the Company in the number of Shares controlled by them, given that they are deemed to be acting in concert with the Company for the purposes of the applicable transparency disclosure rules.
(4) Due to rounding, the sum of the percentages of voting rights included in this table may not exactly amount to 100%
(5) Notification received on 16 January 2017. Total number of shares owned: 1,623,425 hereby crossing upwards the 3% treshold.

The capital structure, with the number of shares, strips, convertible bonds and warrants of the company can be found in the chapter "Information on the Share" on the Recticel website (www.recticel.com).

An amendment of the articles of association of Recticel can only be obtained, following the special majorities of article 37 of the Articles of Association.

The Board of Directors submits its proposals regarding the appointment or re-election of directors to the general meeting of the shareholders. The Remuneration and Nomination Committee recommends one or several candidates to the Board, taking into account the needs of the company and following the appointment procedure and the selection criteria drawn up by the Board for that purpose. The composition of the Board is determined based on the necessary diversity and complementary skills, experience and knowledge.

The general meeting of the shareholders appoints the directors of their choice with a simple majority of the votes cast. Directors can likewise be dismissed "ad nutum" by the general meeting with a majority of the votes cast, before the normal expiry of his or her term of office.

If a position of director becomes vacant as a result of resignation, incapacity or death, the Board may provisionally fill the vacancy, upon recommendation from the Remuneration and Nomination Committee.

There are no legal or statutory limitations on transfer of securities. There are no securities with special control rights. There are no legal or statutory restrictions on the exercise of voting rights, for as far as the shareholder is legally represented at the Ordinary General Meeting, and his/her voting rights have not been suspended for any reason.

In accordance with the powers granted at the extraordinary general meeting on 22 July 2015, and incorporated in article 6 of the Articles of Association, the Board of Directors has certain powers to issue new shares, convertible bonds, bonds or subscription rights, with or without preferential rights, and offering these to shareholders or other persons, with restriction of the preferential right, under the Companies Code. In this way the Board of Directors can, via the authorized capital, increase the subscribed capital in all possible ways. The authorization is valid for a period of three years, and can be renewed following the applicable legal rules. It may even be exercised after receipt of the notice given by FSMA that a notice of public takeover was submitted.

Under article 15 of the articles of association, the Company is entitled to acquire or dispose of shares in the Company, without a decision by the general meeting, if this acquisition is necessary in order to avoid an imminent and serious harm to the company under article 620 or 622 of the Belgian Companies Code.

There are no agreements between the Company and its directors or employees that would provide for compensations after a public takeover bid, the directors resigning or departing without any valid reason, or the employment of the employees being terminated.

The following agreements, whereby the company is party, contain the clauses that take effect, undergo changes or end, in the event of a change of control over Recticel SA/NV:

- The conditions of the 1,150 convertible bonds of EUR 50,000, for a total amount of EUR 57,500,000, issued on 11 July 2007, and providing a put option for the bond holders and an amendment of the conversion prices, in the event of a change of control over Recticel SA/NV.
- The "Amendment and Restatement Agreement, as agreed on 25 February 2016 between Recticel SA/NV and Recticel International Services NV on the one hand and ING Belgium SA/NV, BNP Paribas Fortis SA/NV, Commerzbank Aktiengesellschaft, Filiale Luxembourg and KBC Bank NV on the other hand, for an amount of EUR 175,000,000, whereby, in case of a change of control over the Company, or over a subsidiary that is also an obligor under the amendment and restatement agreement, each of the banks participating in the Facility will have the right to request prepayment and cancellation of their respective Facility commitment, and if banks representing a special majority of the total Facility amount request such, then the total Facility will have to be prepaid and cancelled. This agreement completes and modifies the "Facility Agreement" for an amount of 175,000,000 EUR as signed on 9 December 2011 between the aforementioned parties.

These clauses were specifically approved by Recticel's General Shareholder Meeting.

In line with the Belgian Companies Code, for such a clause to take effect requires the approval of the General Shareholder meeting.

1 2 3 4 5 6 7 8

Glossary

General concepts

Blowing agent	Carbon dioxide is produced from the reaction of isocyanate and water. This gas functions as blowing agent in the production of flexible foam.
Catalyst	Accelerates the reaction process and ensures the balance in the polymerization and the blowing. Catalysts determine the foaming speed of the process.
Dodecahedron	A regular dodecahedron or a spatial figure with 12 pentagonal faces, 20 end points and 30 edges. This is one of the five regular polyhedra in three dimensions.
Colo-Fast®	Aliphatic polyurethane that is distinguished by its colour fastness (light-stable).
Colo-Sense®	Variation of Colo-Fast®.
Frequency rate of industrial accidents	Time cost of industrial accidents per million working hours.
IDC	Is short for International Development Centre, the department for international research and development of the Recticel Group.
Isocyanate	Highly reactive substance that easily combines with other substances (such as alcohols). The structure of these alcohols determines the hardness of the PU-foam.
Lambda	Expression of the thermal conductivity of thermal insulation.
MDI	Is short for Methylene diphenyl diisocyanate.
PIR	Abbreviation for polyisocyanurate.
Polyisocyanurate	Is an improved version of polyurethane. PIR-foam has an improved dimensional stability, excellent mechanical properties such as compressive strain and is a much stronger fire retardant. PIR is mainly used as thermal insulation.
Polyol	Synonym for PU polyalcohol, which is acquired from propylene oxide.
Polyurethane	Represents an important group of products within the large family of polymers or plastics. Polyurethane is a generic term for a wide range of foam types.
PU or PUR	Polyurethane.
REACH	Is a system for Registration, Evaluation and Authorization of Chemical substances that are produced or imported in the European Union. This regulation came into force on 01 June 2007.
Stabilizers	Provides the homogeneous structure and the stabilization of the cellular network up to the complete rise of the foam in the reaction process.
Severity index of accidents	Number of calendar days lost per thousand working hours.
TDI	Toluene diphenyl diisocyanate.

Financial concepts

• IFRS measures

Associated companies	Entities in which Recticel has a significant influence and that are processed using the equity-method.
CGU	Is short for Cash Generating Unit or cash flow generating unit.
Combined figures	Figures including Recticel's pro rata share in the joint ventures, after elimination of intercompany transactions, in accordance with the proportional consolidation method.
Consolidated figures	Figures following the application of IFRS 11, whereby Recticel's joint ventures are integrated on the basis of the equity method.
Earnings per share, base	Net result for the period (Group share) / Average outstanding shares over the period.
Earnings per share, diluted	Net result for the period (Group share) / [Average number of outstanding shares over the period – own shares + (number of possible new shares that have to be issued within the framework of the existing outstanding stock option plans x dilution effect of the stock option plans)].
EBIT	Operating results + profit or loss from equities.
EBITDA	EBIT + depreciation and additional impairments/increases on assets.
Equity capital	Total equity, including minority interests.
Investments	Capitalized investments in tangible and intangible assets.
Joint ventures	Entities that are controlled jointly and that are consolidated proportionately. Following the early adaption of IFRS 11 since 2013, these participations are consolidated following the equity method.
Net financial debt	Interest bearing financial debts at more than one year + interest bearing financial debts within maximum one year – cash and cash equivalents - Available for sale investments + Net marked-to-market value position of hedging derivative instruments.
Subsidiaries	Fully consolidated entities under Recticel control.

• Alternative Performance measures

Appropriated capital	Net intangible fixed assets + goodwill + tangible fixed assets + working capital. Average = [Appropriated capital at the end of last year + Appropriated capital at the end of the last period] / 2.
Appropriated capital, Average	Half yearly: average appropriated capital at the beginning and at the end of the period. Average = [Appropriated capital at the end of last year + Appropriated capital at the end of the last period] / 2. For the full year: average of the half yearly averages.
Gearing ratio	Net financial debt / Total equity (including shares of external parties).
Leverage	Net financial debt/EBITDA
Market capitalization	Closing price x total number of outstanding shares.
Non-recurring elements	Non-recurring elements include operating revenues, expenses and provisions that pertain to restructuring programmes (redundancy payments, closure & clean-up costs, relocation costs,...), reorganisation charges and onereous contracts, impairments on assets ((in)tangible assets and goodwill), revaluation gains or losses on investment property, gains or losses on divestments of non-operational investment property, and on the liquidation of investments in affiliated companies, gains or losses on discontinued operations, revenues or charges due to important (inter)national legal issues.
Recurring EBIT(DA) or REBIT(DA)	EBIT(DA) before non-recurring elements.
Return on Capital Employed	EBIT / average appropriated capital.
Return on Equity (ROE)	Net result for the period (share of the Group) / Average total equity over the period (the Group's share).
ROCE	Represents Return on Capital Employed.
Total net financial debt	= Net financial debt + the drawn amounts under off-balance sheet non-recourse factoring/ forfeiting programs.
Working capital	Inventories + trade receivables + other receivables + recoverable taxes - trade payables - payable taxes - other commitments.

Financial report

Financial Report 2016

Table of contents

a These sections are an integral part of the Report by the Board of Directors, and comprise the information as required by the Belgian Company Code for the annual consolidated financial statements.

a These sections are an integral part of the Report by the Board of Directors, and comprise the information as required by the Belgian Company Code for the annual consolidated financial statements.

I. Consolidated financial statements

The consolidated financial statements have been authorised for issue by the Board of Directors on 24 February 2017.

I.1. Consolidated income statement

in thousand EUR

Group Recticel	NOTES*	2016	2015
Sales	**II.3.**	**1 048 323**	**1 033 762**
Distribution costs		(57 855)	(58 039)
Cost of sales		(789 360)	(781 282)
Gross profit		**201 108**	**194 441**
General and administrative expenses		(79 395)	(76 723)
Sales and marketing expenses	II.4.1.	(72 031)	(77 123)
Research and development expenses		(12 890)	(12 537)
Impairments - Intangible assets (1)		*(700)*	*(55)*
Impairments - Tangible assets (2)		*(972)*	*(928)*
Impairments (1)+(2)	II.4.2.	(1 672)	(983)
Other operating revenues (3)		6 907	8 869
Other operating expenses (4)		(19 735)	(19 583)
Total other operating revenues/(expenses) (3) + (4)	II.4.2.	(12 828)	(10 714)
Income from joint ventures and associates	II.5.5.	16 927	6 874
EBIT	**II.4.3.**	**39 219**	**23 235**
Interest income		689	791
Interest expenses		(8 784)	(10 345)
Other financial income		7 116	8 418
Other financial expenses		(10 749)	(11 386)
Financial result	**II.4.4.**	**(11 728)**	**(12 522)**
Result of the period before taxes		**27 491**	**10 713**
Current income taxes	II.4.5.	(3 539)	(2 402)
Deferred taxes	II.4.5.	(7 622)	(3 768)
Result of the period after taxes		**16 330**	**4 543**
of which non-controlling interests		0	0
of which share of the Group		16 330	4 543

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

I.2. Earnings per share

in EUR

Group Recticel	NOTES *	2016	2015
Basic earnings per share	II.4.7.	0.31	0.10
Diluted earnings per share	II.4.8.	0.30	0.10

I.3. Consolidated statement of comprehensive income

in thousand EUR

Group Recticel	2016	2015
Result for the period after taxes	**16 330**	**4 543**
Other comprehensive income		
Items that will not subsequently be recycled to profit and loss		
Actuarial gains and losses on employee benefits	(7 971)	6 400
Deferred taxes on actuarial gains and losses on employee benefits	2 656	(1 227)
Currency translation differences	886	(461)
Joint ventures and associates	296	(463)
Total	**(4 133)**	**4 249**
Items that subsequently may be recycled to profit and loss		
Hedging reserves	1 857	1 624
Currency translation differences	(5 057)	4 058
Foreign currency translation reserve difference recycled in the income statement	(332)	(455)
Deferred taxes on interest hedging reserves	(631)	(553)
Joint ventures and associates	355	(264)
Total	**(3 808)**	**4 410**
Other comprehensive income net of tax	**(7 941)**	**8 659**
Total comprehensive income for the period	**8 389**	**13 202**
Total comprehensive income for the period	**8 389**	**13 202**
of which attributable to non-controlling interests	0	0
of which attributable to the owners of the parent	8 389	13 202

For more details of other comprehensive income from Interests in Joint Ventures and Associates, see II.5.5.

I.4. Consolidated balance sheet

in thousand EUR

Group Recticel	NOTES *	31 DEC 2016	31 DEC 2015
Intangible assets	II.5.1.	12 104	13 411
Goodwill		25 073	25 888
Property, plant & equipment	II.5.2.& II.5.3.	216 207	209 681
Investment property		3 331	3 331
Interests in joint ventures and associates	II.5.5.	82 389	73 196
Other financial investments		71	30
Available for sale investments		410	1 015
Non-current receivables	II.5.6.	13 860	13 595
Deferred taxes	II.4.5.	37 820	43 272
Non-current assets		**391 265**	**383 419**
Inventories and contracts in progress	II.5.7. & II.5.8.	91 900	93 169
Trade receivables	II.5.9.	101 506	83 407
Other receivables	II.5.9.	69 561	55 327
Income tax receivables	II.4.5.	1 441	2 061
Other investments		107	91
Cash and cash equivalents	II.5.10.	37 174	55 967
Disposal group held for sale	II.5.11.	0	3 209
Current assets		**301 689**	**293 231**
Total assets		**692 954**	**676 650**

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

in thousand EUR

Group Recticel	NOTES *	31 DEC 2016	31 DEC 2015
Share capital	II.5.12.	135 156	134 329
Share premium account	II.5.13.	126 071	125 688
Share capital		**261 227**	**260 017**
Treasury shares		(1 450)	(1 450)
Other reserves		(17 430)	(12 324)
Retained earnings		24 855	14 906
Hedging and translation reserves		(15 997)	(12 189)
Equity - share of the Group		**251 205**	**248 960**
Non-controlling interests		0	0
Total equity		**251 205**	**248 960**
Pensions and similar obligations	II.5.14.	50 979	49 581
Provisions	II.5.15.	13 208	11 505
Deferred taxes	II.4.5.	10 116	9 505
Bonds and notes	*II.5.16.*	*0*	*26 631*
Financial leases	*II.5.16 & II.5.18.*	*8 683*	*11 867*
Bank loans	*II.5.16.*	*86 589*	*0*
Other loans		*1 777*	*1 865*
Interest-bearing borrowings	II.5.16.	97 049	40 363
Other amounts payable	II.5.17.	183	226
Non-current liabilities		**171 535**	**111 180**
Pensions and similar obligations	II.5.14.	4 168	2 370
Provisions	II.5.15.	1 780	4 566
Bonds and notes		*27 269*	*0*
Other loans		*22 878*	*114 675*
Interest-bearing borrowings	II.5.16.	50 147	114 675
Trade payables	II.5.20.	102 929	94 276
Income tax payables	II.4.5.	2 291	2 463
Other amounts payable	II.5.20.	108 899	98 160
Current liabilities		**270 214**	**316 510**
Total liabilities		**692 954**	**676 650**

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

I.5. Consolidated cash flow statement

in thousand EUR

Group Recticel	NOTES *	2016	2015
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	II.4.3.	**39 219**	**23 235**
Amortisation of intangible assets	II.5.1.	2 896	2 530
Depreciation of tangible assets	II.5.2.	27 582	24 990
Amortisation of deferred long term and upfront payment	II.4.3.	1 338	1 136
Impairment losses on intangible assets		700	55
Impairment losses on tangible assets	II.5.2.	972	928
Write-offs/(write-backs) on assets		(1 557)	1 555
Changes in provisions		(3 577)	2 817
(Gains) / Losses on disposals of assets		292	(1 939)
Income from joint ventures and associates		(16 927)	(6 873)
GROSS OPERATING CASH FLOW BEFORE WORKING CAPITAL MOVEMENTS		**50 938**	**48 433**
Inventories		*137*	*5 207*
Trade receivables		*(20 704)*	*(2 078)*
Other receivables		*(5 799)*	*(3 831)*
Trade payables		*8 122*	*(10 977)*
Other payables		*19 224*	*627* [1]
Changes in working capital		**980**	**(11 051)**
Trade and other long term debts and debt maturing <1 year		*(6 915)*	*(6 626)* [1]
Income taxes paid		(2 539)	(1 865)
NET CASH FLOW FROM OPERATING ACTIVITIES (a)		**42 465**	**28 891**
Interests received		1 052	587
Dividends received		7 350	13 764
Increase of loans and receivables		(11 096)	(6 290)
Decrease of loans and receivables		2 751	3 875
Investments in intangible assets	II.5.1.	(3 060)	(3 872)
Investments in property, plant and equipment	II.5.3.	(40 552)	(29 967)
Investment in associates		(1 513)	(5 100)
Disposals of intangible assets	II.5.1.	95	116
Disposals of property, plant and equipment	II.5.3.	7 506	4 010
Disposals of investments in joint ventures		503	8 934
(Increase) / Decrease of investments available for sale		(16)	(16)
NET CASH FLOW FROM INVESTMENT ACTIVITIES (b)		**(36 980)**	**(13 958)**
Interests paid (1)		(7 559)	(9 777)
Dividends paid		(7 492)	(5 893)
Increase (Decrease) of capital		1 210	74 216
Increase of financial debt		85 832	21 102
Decrease of financial debt		(94 168)	(63 058)
NET CASH FLOW FROM FINANCING ACTIVITIES (c)		**(22 176)**	**16 590**
Effect of exchange rate changes (d)		(2 101)	(1 719)
Effect of changes in scope of consolidation and of foreign currency translation reserves recycled (e)		0	0
CHANGES IN CASH AND CASH EQUIVALENTS (a)+(b)+(c)+(d)+(e)		**(18 792)**	**29 804**
Net cash position opening balance		55 967	26 163
Net cash position closing balance		37 174	55 967
CHANGES IN CASH AND CASH EQUIVALENTS		**(18 792)**	**29 804**
NET FREE CASH FLOW (a)+(b)+(1)		**(2 074)**	**5 156**

[1] Other (current) payables had a positive variance per 31 December 2015 due to the the transfer from Trade & Other long term debts maturing within one year. This variance corresponds mainly to the last tranche (EUR 6.9 million) of the EC fine which was payable in April 2016.

For the investment/disposal activities, only the cash payment and cash receipts have been reported as stipulated under IAS 7.

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

Notes to the consolidated cash flow statement

The **gross operating cash flow before working capital movements** increased from EUR 48.4 million to EUR 50.9 million, or +5.2% compared to 2015. The variance is primarily the result of:

(i) EUR 16.0 million higher EBIT, explained by:
- a combination of higher sales volumes, positive product/market-mix and operational efficiency
- a lower impact from net non-recurring elements (EUR -13.9 million compared to EUR -15.1 in 2015)

(ii) lower corrective non-cash items of EUR -13.5 million, of which:
- EUR +3.9 million for depreciation, amortization and impairments
- EUR -10.1 million relating to the strongly improved contribution from joint ventures and associates (EUR 16.9 million versus EUR 6.9 million in 2015)
- EUR -6.4 million net for provisions for pensions, restructurings, environmental risks and civil claims.
- EUR -0.9 million for write-offs, fair value gains and losses on disposal of assets

The **net cash flow from operating activities** increased from EUR +28.9 million to EUR +42.5 million, or +47.0% compared to 2015. The lower net working capital needs, despite the higher activity levels, led to a EUR +12.0 million improvement of the operating cash flow.

The main working capital elements which influenced this variance are:

(i) EUR +0.1 million from lower inventories
(ii) EUR -20.7 million from higher trade receivables, particularly in Automotive Interiors due to the business expansion in China, in combination with a lower utilisation of factoring/forfaiting programs
(iii) EUR -5.8 million from higher other receivables
(iv) EUR +8.1 million from higher trade payables
(v) EUR +19.2 million from higher other payables

In addition, the net cash flow from operating activities was impacted by:

(vi) EUR -6.9 million following the payment of the last tranche (EUR 6.9 million) of the EC fine which was due in April 2016.
(vii) EUR -2.5 million income taxes paid, excluding deferred taxes.

The **net cash flow from investment activities** increased from EUR -14.0 million to EUR -37.0 million.

The increase mainly results from EUR 9.8 million higher net cash outlays for investments in intangible assets (EUR -3.1 million) and property, plant & equipment (EUR -40.6 million) compared to previous year. The increase in capital expenditures relates mainly to the finalisation of the investment programs in Automotive Interiors (i.e. China) and the expansion of the Insulation plant in Wevelgem (Belgium).

EUR +7.5 million has been generated from the disposal of property, plant & equipment (EUR +4.0 million in 2015). The disposals relate to Insulation in Belgium (EUR +3.5 million) and in Automotive Interiors in Germany (EUR +4.0 million).

In 2016 the Group also invested EUR -1.5 million in associates (i.e. Turvac - Insulation) (EUR -5.1 million in 2015) and received EUR +7.4 million dividends from joint ventures and associates (compared to EUR 13.8 million in 2015).

Other loans & receivables increased by EUR 8.3 million (EUR 2.4 million in 2015) and relate mainly to factoring programs (EUR 2.8 million), VAT (EUR 2.6 million) and other short term loans to affiliates (EUR 1.5 million).

The **cash flow from financing activities** decreased from EUR +16.6 million to EUR -22.2 million. The 2015 figures included the net impact of the capital increase of EUR 74.2 million. Interest payments decreased from EUR –9.8 million to EUR -7.6 million.

The share capital increased by EUR +1.2 million following the exercise of warrants.

The cash flow movements described hereabove led to a decrease in gross financial debt by a net amount of EUR -8.3 million. At year-end the 'cash and cash equivalents' position amounted to EUR 37.2 million, a decrease of EUR -18.8 million compared to end-2015.

The **net free cash flow** resulting from (i) the net cash flow from operating activities (EUR +42.5 million) (ii) the net cash flow from investment activities (EUR -37.0 million) and (iii) the interest paid (EUR -7.6 million), amounts to EUR -2.1 million, compared to EUR +5.2 million in 2015.

I.6. Statement of changes in shareholders' equity

For the year ending 2016

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	TREASURY SHARES	ACTUARIAL GAINS AND LOSSES (IAS 19R)	IFRS 2 OTHER CAPITAL RESERVES	RETAINED EARNINGS	TRANSLATION DIFFERENCES RESERVES	HEDGING RESERVES	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY, NON-CONTROLLING INTERESTS INCLUDED
At the end of the preceding period (31 December 2015)	**134 329**	**125 688**	**(1 450)**	**(15 471)**	**3 147**	**14 906**	**(5 986)**	**(6 203)**	**248 960**	**0**	**248 960**
Dividends	0	0	0	0	0	(7 522)	0	0	(7 522)	0	(7 522)
Stock options (IFRS 2)	0	0	0	0	(430)	598	0	0	168	0	168
Capital movements [(1)]	827	383	0	0	(146)	146	0	0	1 210	0	1 210
Reclassification	0	0	0	0	(396)	396	0	0	0	0	0
Shareholders' movements	**827**	**383**	**0**	**0**	**(972)**	**(6 382)**	**0**	**0**	**(6 144)**	**0**	**(6 144)**
Profit or loss of the period	**0**	**0**	**0**	**0**	**0**	**16 330**	**0**	**0**	**16 330**	**0**	**16 330**
Other comprehensive income	**0**	**0**	**0**	**(4 133)**	**(1)**	**1**	**(5 057)**	**1 249**	**(7 941)**	**0**	**(7 941)**
At the end of the current period (31 December 2016)	**135 156**	**126 071**	**(1 450)**	**(19 604)**	**2 174**	**24 855**	**(11 043)**	**(4 954)**	**251 205**	**0**	**251 205**

[(1)] see notes II.5.12. and II.5.13.

For the year ending 2015

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	TREASURY SHARES	ACTUARIAL GAINS AND LOSSES (IAS 19R)	IFRS 2 OTHER CAPITAL RESERVES	RETAINED EARNINGS	TRANSLATION DIFFERENCES RESERVES	HEDGING RESERVES	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY, NON-CONTROLLING INTERESTS INCLUDED
At the end of the preceding period (31 December 2014)	**74 161**	**108 568**	**(1 735)**	**(19 797)**	**2 982**	**18 583**	**(10 044)**	**(6 555)**	**166 163**	**0**	**166 163**
Dividends	0	0	0	0	0	(5 928)	0	0	(5 928)	0	(5 928)
Stock options (IFRS 2)	0	0	0	0	165	0	0	0	165	0	165
Capital movements [(1)]	60 168	17 120	285	0	0	(3 356)	0	0	74 217	0	74 217
Income tax relating to components of shareholders' movements	0	0	0	0	0	1 141	0	0	1 141	0	1 141
Shareholders' movements	**60 168**	**17 120**	**285**	**0**	**165**	**(8 143)**	**0**	**0**	**69 595**	**0**	**69 595**
Profit or loss of the period	**0**	**0**	**0**	**0**	**0**	**4 543**	**0**	**0**	**4 543**	**0**	**4 543**
Other comprehensive income	**0**	**0**	**0**	**4 326**	**0**	**(77)**	**4 058**	**352**	**8 659**	**0**	**8 659**
At the end of the current period (31 December 2015)	**134 329**	**125 688**	**(1 450)**	**(15 471)**	**3 147**	**14 906**	**(5 986)**	**(6 203)**	**248 960**	**0**	**248 960**

[(1)] see notes II.5.12. and II.5.13.

II. Notes to the consolidated financial statements for the year ending 31 December 2016

II.1. Summary of significant accounting policies

II.1.1. Statement of compliance - basis of preparation

Recticel s.a./n.v. (the "Company") is a limited company domiciled in Belgium. The Company's consolidated financial statements include the financial statements of the Company, its subsidiaries, interests in jointly controlled entities (joint ventures) and in associates, both accounted for under the equity method (together referred to as "the Group").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

II.1.2. Changes in accounting policies and disclosures

New and amended standards and interpretations that became effective in the current year.

The Group has adopted the following standards and interpretations applicable for the annual period beginning on 1 January 2016:

- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 19 Employee Benefits – Employee Contributions (applicable for annual periods beginning on or after 1 February 2015)

The application of these new standards has no material impact on the financial accounts of the Group.

Voluntary changes in accounting policies

The Belgian defined contribution plans classify as defined benefit plans in view of the guaranteed minimum rates of return. Before the law changed on 18 December 2015, under the previous legal framework, the application of the Projected Unit Credit (PUC) method was considered problematic, and there was uncertainty with respect to the future evolution of the minimum guaranteed rates of return. Therefore, the Company did not apply the PUC method for the Belgian defined contribution plans up to 2014. In view of the above, management decided to apply the "Intrinsic Value" approach to these plans. This approach consists in calculating the liability in the statement of financial position as the sum of any individual differences between the minimum guaranteed reserves (as determined by Article 24 of the law of 28 April 2003 with respect to complementary pensions ("WAP/LPC"), calculated by applying the minimum return on the contributions paid and the actual accumulated reserves (reserves calculated by capitalising the past contributions at the technical interest rate applied by the insurance company, taking profit-sharing into account).

With the change in the law in December 2015, there was no longer a reason not to apply the PUC method. However, because of the late law change in 2015 and impact of applying the PUC method was estimated to be immaterial, the Intrinsic Value approach was still applied in 2015. The PUC method has been applied in 2016.

The related obligations recognized in the consolidated balance sheet represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions. Details of the assumptions used are provided in note II.5.14.

Standards and interpretations published, which are not yet applicable for the annual period beginning on 1 January 2016

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in EU)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in EU has been postponed)
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)

Potential impact of new standards and of new standards which are not yet applicable

- ***IFRS 15 Revenue from Contracts with Customers, applicable as from 1 January 2018***

IFRS 15 was issued in May 2014 and Clarifications to IFRS 15 in April 2016 as part of a convergence project with the FASB. The standard is to be applied for reporting periods beginning on 1 January 2018 or later. The standard replaces the current standards IAS 18 and IAS 11 as well as their interpretations.

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

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expect to be entitled in exchange for those goods or services. The new standard establishes a five-step approach to revenue recognition:

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

Under IFRS 15, revenue is recognized when a customer obtains control of an asset or service, i.e., when it has both the ability to direct the use and obtain the benefits of the asset or service. The customer obtains control at a specific moment in time or over time. IFRS 15 includes new guidance in order to determine whether revenue should be recognized over time or at a point in time. Under the current standard IAS 18, "transfer or risks and rewards" was the main element as to the timing of revenue recognition in respect of sale of goods.

During 2016, the Company performed a preliminary assessment of IFRS 15 at the level of the parent entity and its subsidiaries, which is subject to changes arising from a more detailed on-going analysis. At this stage, no detailed review of some major contracts was actually performed. The preliminary findings discussed below are all based on discussions with controllers of the different operating segments of the Group, persons involved in contract negotiations and business line leaders.

Step 1: Identifying contract(s) with a customer

Generally for major customers in the operating segments Flexible Foam, Insulation and Automotive, the Group enters into general supply agreements in which the Group is committed to specific selling prices for different products for a specific period (generally one year). These agreements might define target quantities to be delivered and in Automotive the Group is generally committed to target quantities, but the customer is never committed to these quantities. The supplied quantities are based on the customer's purchase orders.

Step 2: Identify the performance obligations in the contract

Substantially all of the performance obligations of the Group relate to the delivery of goods.
In some situations, the Group is also responsible for the transportation services of the goods to the customer, but in the vast majority of these cases, the customer does not obtain control of the goods before these services are completed. Therefore, these transportation services are not considered as a distinct performance obligation under IFRS 15.

Mainly in Automotive and to a lesser extent in Flexible Foam, the current revenue figures also include revenue with respect to the construction and supply of a mould, upon which the parts are then to be produced. Currently, we apply IAS 11 Construction Contracts to these moulds and therefore, revenue is recognized by applying the percentage of completion over the construction period of the mould.

Under IFRS 15, the Company has preliminary concluded that some moulds in Automotive are not capable of being distinct and are therefore to be combined with the specific parts to be delivered which are produced using the specific mould. This would defer the recognition of revenue in respect of these moulds compared to current practice.

Step 3: Determine the transaction price

There are no significant financing components identified which require adjustments to the transaction price for the time value of money under IFRS 15.

The most common type of variable consideration in all our operating segments relate to volume discounts/rebates. The effect of the variable consideration on the transaction price is taken into account in revenue recognition by estimating the probability of the realization of the volume discount/rebate. It is not expected that the principles of IFRS 15 in this respect will affect the current revenue principles and policies applied by the Group in respect of volume discounts/rebates.

Step 4: Allocate the transaction price to the performance obligations in the contract

IFRS 15 requires that the transaction price is allocated to the different performance obligations of the contract on the basis of their relative stand-alone selling price. At this stage the Company does not anticipate material differences in the revenue recognition under multiple component accounting. With the exception for the moulds as discussed earlier and some contracts in the project business of Insulation, the prices applied in the purchase orders generally reflect stand-alone selling prices.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Except for the moulds, revenue is currently recognized when the risks and rewards of ownership are transferred (generally determined by the incoterms). Revenue is currently only recognized at this moment after other requirements also being met, such as no continuing managerial involvement with the goods, revenue and costs can be measured reliably and probable recovery of the consideration. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. Based on the initial assessment, the Company did not identify material differences between the transfer of control and the current transfer of risk and rewards.

Other elements

The Group does currently not incur incremental costs of obtaining a contract with the customer and did not identify costs to fulfil a contract that shall be recognized under IFRS 15.

- ***IFRS 16 Leasing, applicable as from 01 January 2019.***

The Group has started an analysis to evaluate the potential impacts on the financial statements. All outstanding operating leases will have to be recognised on the balance sheet as a leased asset and a leased debt. Consequently in the profit and loss accounts, operating expenses related to the operating leases will be replaced by depreciation charges of the leased assets and financial expenses on the leased debt.

Operating lease agreements are further disclosed in note II.6.1.

II.1.3. General principles

Currency of accounts

The financial statements are presented in thousand euro (EUR) (unless specified otherwise), which is the currency of the primary economic environment in which the Group operates. The financial statements of foreign operations are translated in accordance with the policies set out below under 'Foreign Currencies'.

Historical cost convention

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. Investments in equity instruments which are not quoted in an active market and whose fair value cannot be reliably measured by alternative valuation methods are carried at cost.

Foreign currencies

Transactions in currencies other than EUR are accounted for at the exchange rates prevailing at the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at closing rate. Non-monetary assets and liabilities carried at fair value and denominated in foreign currencies are translated at the exchange rates prevailing at the date the fair value was determined. Gains and losses resulting from such translations are recognised in the financial result of the income statement, except when deferred in equity.

For purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at closing rate. Income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Resulting exchange differences are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), exchange differences accumulated in equity are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities (joint ventures) that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Consolidation principles

Consolidated financial statements include subsidiaries and interests in jointly controlled entities (joint ventures) and associates accounted for under the equity method.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group transactions, balances, income and expenses are eliminated in consolidation.

• *Subsidiaries*

Subsidiaries are entities that are controlled directly or indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation of subsidiaries starts from the date Recticel controls the entity until the date such control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

However, when the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

• *Jointly controlled entities*

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share in any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Group reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the Group's investments in Eurofoam and in Proseat, which were classified as a jointly controlled entity under IAS 31 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under IFRS 11 and accounted for using the equity method.

• *Joint Ventures and Associates*

The results and assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in a joint venture and an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the venture and the associate. When the Group's share of losses of a venture and an associate exceeds the Group's interest in that joint venture and associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture and associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture and associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture and an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture and an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of fair value and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a joint venture and an associate that results in the Group losing significant influence over that joint venture and associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39.

The difference between the previous carrying amount of the joint venture and associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the joint venture and associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture and associate on the same basis as would be required if that joint venture and associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture and associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that joint venture and associate.

• *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

When Recticel acquires an entity or business, the identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date, except for:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Where such a difference is negative, the excess is, after a reassessment of the values, recognised as income immediately as a bargain purchase gain.

Non-controlling interests (minority shareholders) that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If Recticel increases its interest in an entity or business over which it did not yet exercise control (in principle increasing its interest up to and including 50% to 51% or more) (a business combination achieved in stages), the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (maximum one year after acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

II.1.4. Balance sheet items

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

Goodwill is reviewed for impairment at least annually. Any impairment loss is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the related goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

An item of property, plant and equipment is recognised if it is probable that associated future economic benefits will flow to the Group and if its cost can be measured reliably. After initial recognition, all items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, except for land which is not depreciated. Cost includes all direct costs and all expenditure incurred to bring the asset to its working condition and location for its intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent expenditure related to an item of property, plant and equipment is expensed as incurred.

Depreciation is provided over the estimated useful lives of the various classes of property, plant and equipment using the straight-line method. Depreciation starts when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives of the most significant items of property, plant and equipment are within the following ranges:

Land improvements	: 25 years
Offices	: 25 to 40 years
Industrial buildings	: 25 years
Plants	: 10 to 15 years
Machinery	
Heavy	: 11 to 15 years
Medium	: 8 to 10 years
Light	: 5 to 7 years
Pre-operating costs	: 5 years maximum
Equipment	: 5 to 10 years
Furniture	: 5 to 10 years
Hardware	: 3 to 10 years
Vehicle fleet	
Cars	: 4 years
Trucks	: 7 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Leases – Recticel as lessee

• Financial leases

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under financial leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as a financial lease obligation. Lease payments are apportioned between financial charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under financial leases are depreciated over their expected useful lives on the same basis as owned assets, except if the lease does not transfer ownership of the asset, in which case the leased asset is depreciated over the shorter of its useful live and the lease term.

• Operating leases

Leases under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Rents under operating leases are charged to income on a straight-line basis over the lease term. Benefits received or to be received as an incentive to enter into an operating lease are also recognised on a straight-line basis over the lease term.

Impairment of tangible and intangible assets

Except for goodwill and intangible assets with an indefinite useful life which are tested for impairment at least annually, other tangible and intangible fixed assets are reviewed for impairment when there is an indication that their carrying amount will not be recoverable through use or sale. If an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell or value-in-use and the carrying amount. In assessing the fair value or value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in previous years. However, impairment losses on goodwill are never reversed.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Financial investments

Investments are recognised or derecognised on the trade date which is the date the Group undertakes to purchase or sell the asset. Financial investments are initially measured at the fair value of the consideration given, including transaction costs.

Investments held for trading or available for sale are subsequently carried at their fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period.

For investments available for sale, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is deemed to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Equity participations classified as 'available for sale', which are not quoted on an active market and for which the fair value cannot be measured reliably by alternative valuation methods, are measured at cost.

Financial investments which are 'held to maturity' are carried at amortised cost, using the effective interest rate method, except for short-term deposits, which are carried at cost.

• *Impairment of financial assets*

The impairment loss of a financial asset measured at amortised cost is equal to the difference between the carrying amount and the estimated future cash flows, discounted at the initial effective rate. The impairment of an available-for-sale financial asset is calculated with reference to its current fair value.

An impairment test is performed, on an individual basis, for each material financial asset. Other assets are tested as groups of financial assets with similar credit risk characteristics.

Impairment losses are recognised in profit and loss. With respect to available-for- sale assets, in the event of an impairment loss, the cumulative negative changes in fair value previously recognised in equity are transferred to profit and loss.

The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment was recognised.

For financial assets measured at amortised cost and available-for-sale financial assets, the reversal is recognised in profit and loss. For available-for-sale financial assets which represent equity instruments, the reversal is recognised directly in equity. Impairment losses relating to assets recognised at cost cannot be reversed.

• *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On the entire derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in profit and loss.

On the partial derecognition of a financial asset other than its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Receivables

Short-term receivables are recognised at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

Interest-bearing borrowings and equity instruments

Interest-bearing borrowings and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

• *Compound financial instruments*

The components of compound instruments (convertible notes) issued by the Company are classified separately as debt component and equity component in accordance with the substance of the contractual arrangements and the definitions of the debt portion and an equity portion of such instrument.

At the time the conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, such compound instrument is re-qualified as an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised costs basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The value of the conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case the balance recognised in equity will be transferred to financial liability.

When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to financial liability. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are including in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

• *Interest-bearing borrowings at fair value through profit and loss*

Interest-bearing borrowings are classified at fair value through profit and loss ("FVTPL") if they are held for trading. Interest-bearing borrowings at FVTPL are stated at fair value with any resultant gains or losses recognised in profit and loss. A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as FVTPL unless they are designated and effective as hedges.

Pensions and similar obligations

• *Retirement benefit schemes*

In accordance with the laws and practices of each country, the affiliated companies of the Group operate "defined benefit" and/or "defined contribution retirement benefit" plans.

1 - Defined contribution plans

Payments to "defined contributions" plans are charged as expenses as they fall due. It is the Group policy to have "defined contributions" plans for new hired employees where this is possible and appropriate.

2 - Defined benefit plans

Regarding the "defined benefit" plans, the amount recognised in the balance sheet is the present value of the "defined benefit obligation" less the fair value of any plan assets.

If the amount to be recognised in the balance sheet is negative, the asset does not exceed the net total of the present value of any future refunds from the plan or reductions in future contributions to the plan.

In the income statement, current and past service costs (including curtailments), settlement costs and administration expenses are charged in "other operating income & expenses", while the net interest cost is booked in "other financial income & expenses".

The present value of the "defined benefit obligations" and the related current and past service costs are calculated by qualified actuaries using the "projected unit credit method". The discount rate is based on the prevailing yields of high quality corporate bonds (i.e. AA corporate bonds) that have maturity dates approximating to the terms of the benefit obligations.

The fair value of group insurance contracts that match the amount and timing of some or all of the benefits payable under the plan is deemed to be the present value of the related obligations.

The actuarial gains and losses, resulting from differences between previous actuarial assumptions and actual experience, as well as changes in actuarial assumptions, are determined separately for each "defined benefit plan" and recognised in other comprehensive income. The asset gains and losses and the effect of changes in the asset ceiling, excluding amounts included in the net interest, are also recognized in other comprehensive income.

Past service costs, which arise from plan amendments, are recognised immediately as an expense.

Defined contribution pension plans in Belgium and Switzerland are 'hybrid' pension plans that qualify as defined benefit plans for IFRS purposes, because they are by law subject to minimum guaranteed rates of return and have to guarantee minimum annuity conversion rates. There is hence a risk that the Company may have to pay additional contributions related to past service. Any such additional contributions will depend on the actual investment returns as well as the future evolution of the minimum guarantees.

Termination benefits

The entity shall recognize a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black & Scholes model. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in the notes.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled shared-based payments.

Provisions

Provisions are recognised in the balance sheet when the Group has a present obligation (legal or constructive) resulting from a past event and which is expected to result in a future outflow of resources which can be reliably estimated.

Provisions for warranty costs are recognised at the date of sale of the relevant products based on the best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for restructuring that has been communicated to affected parties before the balance sheet date.

Interest-bearing borrowings

Interest-bearing borrowings are recorded at the proceeds received, net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value (including premiums payable on settlement or redemption) is recognised in the income statement over the period of the borrowing.

Non-interest-bearing payables

Trade payables which are not interest-bearing are stated at cost, being the fair value of the consideration to be paid.

Derivative financial instruments

Derivative financial instruments are accounted for as follows:

• Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or a forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

• Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency reserve. The gain or loss to the ineffective portion is recognised immediately in profit and loss.

• Fair value hedges

A derivative instrument is recognised as fair value hedge when it hedges the exposure to variation of the fair value of the recognised assets or liabilities. Derivatives classified as a fair value hedge and the hedged assets or liabilities are carried at fair value. The corresponding changes of the fair value are recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

II.1.5. Revenue recognition

General

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date.

This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Variations in contract work, claims and incentive payments are recognised when it is probable that these will be accepted by the customer and the amounts can be measured reliably.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that the contract costs incurred will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to staff training costs are recognised as income over the periods required to match them with the related costs and are deducted from the related expense.

Government grants relating to property, plant & equipment are treated by deducting the received grants from the carrying amount of the related assets. These grants are recognised as income over the useful life of the depreciable assets.

Income taxes

The tax expense represents the sum of the current tax expense and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that will never become taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liabilities have been recognised on undistributed retained earnings of subsidiaries, associates and joint ventures, as the impact is not material.

The carrying amount of deferred tax assets is reviewed at least at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

II.1.6. Critical accounting assessment and principal sources of uncertainty

Drawing up the annual accounts in accordance with IFRS requires management to make the necessary estimates and assessments. The management bases its estimates on past experience and other reasonable assessment criteria. These are reviewed periodically and the effects of such reviews are taken into account in the annual accounts of the period concerned. Future events which may have a financial impact on the Group are also included in this.

The estimated results of such possible future events may consequently diverge from the actual impact on results. Assessments and estimates were made, inter alia, regarding:

- additional impairments in respect of fixed assets, including Goodwill;
- determination of provisions for restructuring, contingent liabilities and other exposures;
- determination of provisions for irrecoverable receivables;
- determination of write-downs on inventories;
- valuation of post-employment defined benefit obligations, other long term employee benefits and termination benefits;
- the recoverability of deferred tax assets.

It is not excluded that future revisions of such estimates and assessments could trigger an adjustment in the value of the assets and liabilities in future financial years.

II.1.6.1. Impairments on goodwill, intangible assets and property, plant and equipment

For amortized long term assets, an impairment analysis should be performed in case of impairment indicators. If such indicators exist, an impairment analysis shall be performed at the CGU level. For goodwill (and other not depreciated long term assets) an impairment test should be performed at least annually. The carrying amount can be allocated on a reasonable and consistent basis. Goodwill can be allocated for impairment testing to a group of cash generating units (CGUs), if the chief operating decision maker considers this as the most appropriate allocation. There is a link between the level at which goodwill is tested for impairment and the level of internal reporting that reflects the way the entity manages its operations and with which the goodwill is associated (as such it cannot exceed the level of the reported segments as defined by IFRS 8).

For the segment **Flexible Foams**, the CGU level is defined following the market and production capacity. This approach leads to the determination of four CGUs:

- CGU “Flexible Foams - United Kingdom”;
- CGU “Flexible Foams - Continental”;
- CGU “Flexible Foams - Scandinavia”;
- CGU “Flexible Foams - International”.

An impairment analysis was performed for the CGUs “Flexible Foams - United Kingdom” and “Flexible Foams - Scandinavia” considering the goodwill allocated to these CGUs. For the other CGUs of the Flexible Foams division, there is no goodwill and there are no impairment indicators for the long term assets, hence no impairment review is required in accordance with IAS36.

For the segment **Bedding**, the CGU level is defined globally at the Bedding segment level as a whole, considering the strong interdependence between the different markets and production capacity and the central decision making process. This new approach leads to the determination of only one CGU at the segment level.

The net book value of the assets retained for impairment tests, as included in the below table, represents about 85.4% of the total goodwill, 44.0% of the total property, plant and equipment and 46.5% of the total intangible assets. The examined assets relate to (i) the Flexible Foams’ activities in the United Kingdom and Scandinavia, (ii) Bedding activities at the level of the whole segment and to (iii) the Automotive-Interiors’ operations of the Group.

The most relevant results of these tests are listed below:

For **2016:**

Book value in thousand EUR

Group Recticel	FLEXIBLE FOAMS		BEDDING	AUTOMOTIVE	TOTAL
	United Kingdom	**Scandinavia**		**Interiors**	
Goodwill	4 194	5 583	11 647	0	21 424
Other intangible assets	154	253	2 692	2 525	5 624
Property, plant & equipment	4 084	7 277	32 368	51 466	95 195
Total	**8 432**	**13 113**	**46 707**	**53 991**	**122 243**
Impairments	(284)	0	(1 130)	0	(1 414) (1)
Net book value	**8 148**	**13 113**	**45 577**	**53 991**	**120 829**

Footnote: Working capital is not included in the analysis.
(1) excluding an additional impairment (EUR 0.258 million) resulting from the restructuring of the Flexible Foams plant in Noyen-sur-Sarthe (France) in 2016; hence the total amount of impairments recognised in 2016 amounts to EUR 1.672 million.

For **2015:**

Book value in thousand EUR

Group Recticel	FLEXIBLE FOAMS		BEDDING	AUTOMOTIVE	TOTAL
	United Kingdom	**Scandinavia**		**Interiors**	
Goodwill	4 994	5 621	11 585	0	22 200
Other intangible assets	208	321	2 430	2 160	5 119
Property, plant & equipment	5 235	7 983	37 879	46 693	97 790
Total	**10 437**	**13 925**	**51 894**	**48 853**	**125 109**
Impairments	0	0	0	0	0
Net book value	**10 437**	**13 925**	**51 894**	**48 853**	**125 109**

Footnote: Working capital is not included in the analysis.

For the impairment test of the balance sheet items included in the table above, certain assumptions were made. The recoverable amount of the total "cash-generating unit" ("CGU") is determined on the basis of the fair value or value-in-use model.

An impairment has been recognised due to (i) idle equipment resulting from the rationalisation of the industrial footprint in Flexible Foams (France and United Kingdom) (EUR 0.6 million) and in Bedding (Austria) (EUR 0.4 million), and (ii) intangible assets (software) in Bedding (EUR 0.7 million).

When determining its expected future cash flows, the Group takes into account prudent, though realistic, assumptions regarding the evolution of its markets, its sales, the raw materials prices, the impact of past restructurings and the gross margins, which all are based on (i) the past experiences of the management and/or (ii) which are in line with trustworthy external information sources. It can however not be excluded that a future reassessment of assumptions and/or market analysis induced by future developments in the economic environment might lead to the recognition of additional impairments.

For the discounting of the future cash flows, a uniform overall Group-based pre-tax discount rate of 6.40% is used for all CGUs (8.60% in 2015). This pre-tax discount rate is based on a (long-term) weighted average cost of capital based on the current market expectations of the time value of money and risks for which future cash flows must be adjusted; the risks being implicit in the cash flows.

For countries with a higher perceived risk (i.e. emerging markets), the level of investments is relatively limited (1.4% of total fixed assets); hence no separate pre-tax discount rate is used.

The pre-tax discount rate for impairment testing is based on the following assumptions: (EUR based)

Group target ratios:	**2016**	**2015**
Gearing: net financial debt/total equity	: 50%	50%
% net financial debt	: 33%	33%
% total equity	: 67%	67%
Pre-tax cost of debt	**: 3,57%**	**4.45%**
Pre-tax cost of equity = $R_f + E_m * \beta + S_p)/(1-T)$		
	: 9.29%	**12.10%**
Risk free interest rate = R_f	: 0.77%	1.25%
Beta = β	: 0.80	1.05
Market equity risk premium = E_m	: 6.50%	6.50%
Small cap premium = S_p	: 1.0%	1.0%
Corporate tax rate = T	**: 25.0%**	**25.0%**
Assumed inflation rate	: 1.0%	1.5%
Pre-tax WACC (weighted average cost of capital)	**: 6.40%**	**8.60%**

The discount factors are reviewed at least annually.

II.1.6.1.1. Flexible Foams

II.1.6.1.1.1. Key assumptions

Cash flows:

For the CGU "Flexible Foams – United Kingdom" the value-in-use model projections are based on budgets and financial plans covering a three-year period without any anticipated average growth in sales. The gross margin is expected to improve by an average of 1.0% (of the nominal amount) in the projection. After this 3-year period, a perpetuity value is taken into account without growth rate. A major restructuring plan has been initiated in 2011 and was planned for execution over a 4-year period until 2014. As expected by the Management, after this major reorganisation, the operations have benefited from the improvement of the industrial performance. 2016 confirmed the recovery of performance initiated in 2015.

For the CGU "Flexible Foams – Scandinavia", the value-in-use model projections are based on budgets and financial plans covering a three-year period with an anticipated average sales growth of 1.66% and average decrease of gross margin of -2.0% (of the nominal amount). After this 3-year period, a perpetuity value is taken into account without growth rate.

For the CGU "Flexible Foams – Continental Europe" an impairment on property, plant and equipment has been recognized in 2016 for EUR -0.6 million, following the rationalisation of the industrial footprint in Flexible Foams in the United Kingdom and the closure of the Flexible Foams plant in Noyen-sur-Sarthe (France).

Discount rate:

The pre-tax discount rate used amounts to 6.40% (2015: 8.60%) and is based on a weighted average cost of capital (WACC) based on the current market expectations of the time value of money and risks for which future cash flows must be adjusted. On this basis, the value-in-use of the CGU "Flexible Foams – United Kingdom" amounts to 9.4 times (2015: 3.2 times) the net asset book value, and the value-in-use of the CGU "Flexible Foams – Scandinavia" amounts to 5.6 times (2015: 7.5 times) the net asset book value.

II.1.6.1.1.2. Sensitivity analysis

A first sensitivity analysis is performed to measure the impact of a changing WACC rate (+1%) on the outcome of the impairment tests:

- the value-in-use of the CGU "Flexible Foams – United Kingdom" – discounted at 7.40% (2015: 9.60%) amounts to 8.0 times (2015: 2.8 times) the net book value, and
- the value-in-use of the CGU "Flexible Foams – Scandinavia" – discounted at 7.40% (2015: 9.60%) amounts to 4.8 times (2015: 6.6 times) the net book value.

A second sensitivity analysis is performed to measure the impact of a changing gross margin (-1%) on the outcome of the impairment tests – applied on the business plan 2017-2019 and the perpetuity:

- the value-in-use of the CGU "Flexible Foams – United Kingdom" –, with a decrease in gross margin of 1% (of the nominal amount), amounts to 8.2 times (2015: 2.6 times) the net book value, and
- the value-in-use of the CGU "Flexible Foams – Scandinavia" –, with a decrease in gross margin of 1% (of the nominal amount), amounts to 5.1 times (2015: 6.8 times) the net book value.

A sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin (-1%) – applied on the business plan 2017-2019 and the perpetuity- on the outcome of the impairment tests:

- the value-in-use of the CGU "Flexible Foams – United Kingdom" –, discounted at 7.40% (2015: 9.60%) and with a decrease in gross margin of 1% (of the nominal amount), amounts to 5.8 times (2015: 2.3 times) the net book value, and
- the value-in-use of the CGU "Flexible Foams – Scandinavia" –, discounted at 7.40% (2015: 9.60%) and with a decrease in gross margin of 1% (of the nominal amount), amounts to 4.4 times (2015: 6.1 times) the net book value.

II.1.6.1.2. Bedding

II.1.6.1.2.1. Key assumptions

Cash flows:

For the CGU "Bedding – Segment" from 2016 onwards, the value-in-use model projections are based on budgets and financial plans covering a three-year period with an anticipated average sales growth of 0.43% and average growth in gross margin of 0.87% (of the nominal amount). After this 3-year period, a perpetuity value is taken into account without growth rate.

Discount rate:

The pre-tax discount rate used amounts to 6.40% (2015: 8.60%) and is based on a weighted average cost of capital (WACC) based on the current market expectations of the time value of money and risks for which future cash flows must be adjusted. On this basis, the value-in-use of the CGU "Bedding – Segment" amounts to 6.2 times (2015: 2.4 times) the net asset book value.

II.1.6.1.2.2. Sensitivity analysis

A first sensitivity analysis is performed to measure the impact of a changing WACC rate (+1%) on the outcome of the impairment tests:

- the value-in-use of the CGU "Bedding – Segment" – discounted at 7.40% (2015: 9.60%) amounts to 5.2 times (2015: 2.1 times) the net book value.

A second sensitivity analysis is performed to measure the impact of a changing gross margin (-1%) on the outcome of the impairment tests.

- the value-in-use of the CGU "Bedding - Segment" –, with a decrease in gross margin of 1% (of the nominal amount), amounts to 5.1 times (2015: 1.95 times) the net book value.

A sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin (-1%) – applied on the business plan 2017-2019 and the perpetuity- on the outcome of the impairment tests:

- the value-in-use of the CGU "Bedding - Segment" –, discounted at 7.40% (2015: 9.60%) and with a decrease in gross margin of 1% (of the nominal amount), amounts to 4.4 times (2015: 1.7 times) the net book value.

II.1.6.1.3. Automotive

II.1.6.1.3.1. Key assumptions

Cash flows:

For the CGU "Interiors", the value-in-use model projections are based on the budgets and financial plans for the duration of each project/model, in combination with an overview of the entire capacity utilisation. Recticel benefits from sales picking up again in 2015, after a turbulent period in which overall performance of the CGU 'interiors' was negatively impacted by the economic crisis. 2014 and 2015 should be considered as a transitional period with the termination of some programs and the launch of developments for some new programs to come to effective start-up in 2016. Project assets are depreciated over the project life time. As such, at the end of the project production life time, there will be no residual book value of specific project related assets.

The CGU "Interiors" uses a project approach. Impairments are booked on property, plant and equipment and intangible assets:

- if a project generates insufficient cash flow to cover the depreciation of the property, plant and equipment and intangible assets assigned to the project,
- for property, plant and equipment or intangible assets which are expected not to be reallocated to other projects. Consequently, assets which are expected to become available within 2 years and cannot be reallocated to other projects, need to be impaired.

No impairments have been recognized in 2016.

Discount rate:

The pre-tax discount rate used amounts to 6.40% (2015: 8.60%) and is based on a weighted average cost of capital based on the current market expectations of the time value of money and the risks for which future cash flows must be adjusted.

II.1.6.1.3.2. Sensitivity analysis

With regard to the CGU "Interiors", an increase in the pre-tax discount rate to 7.40% (2015: 9.60%) or decrease of margin of 1% (of the nominal amount) would not give rise to material impairments.

A sensitivity analysis is also performed to measure the combined effect of a changing WACC rate (+1%) together with a change in gross margin (-1%) – applied on the business plan 2017-2019 and the perpetuity - on the outcome of the impairment tests. This would not give rise to material impairments.

II.1.6.2. Deferred tax

Deferred tax assets are recognised for the unused tax losses carried forward and unused tax credits, to the extent that it is expected that future taxable profits will be available against which these unused tax losses carried forward and unused tax credits can be offset. For this purpose, Management bases recognition of deferred tax assets on its business plans (see note II.4.5.).

After a reassessment of the future profitability, confirmed in 2016 by a strong performance and sustainable recovery, management decided to recognise deferred tax assets for Recticel (UK) Ltd (Flexible Foams and Insulation) and Germany (tax unit; Bedding and Automotive Interiors) for respectively EUR 3.1 million and EUR 3.7 million.

II.2. Changes in scope of consolidation

In December 2016 Recticel contributed EUR 1.5 million in capital to the newly created 50/50 joint venture Turvac (Slovenia - Insulation). This investment has no major impact on the results of 2016. There were no other changes in the scope of consolidation in 2016.

In February 2015 Recticel divested its 50% participation in the joint venture Kingspan Tarec Industrial Insulation (KTII) (Belgium and UK; Insulation). KTII has been sold for a consideration of EUR 8.7 million (equity value: EUR 7.1 million), resulting in a capital gain of EUR 1.6 million.

II.3. Business and geographical segments

II.3.1. Business segments

The Group has adopted IFRS 8 with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of the internal reporting structure of the Group that allows a regular performance review by the chief operating decision maker and an adequate allocation of resources to each segment. Despite the application of IFRS 11, the chief operating decision makers continue to operate on the basis of financial data per segment on a "Combined" basis, i.e. including Recticel's pro rata share in the joint ventures, after intercompany eliminations, in accordance with the proportionate consolidation method.

The identification of the Group's reportable segments has not changed following the adoption of IFRS 8. The information reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment per segment is more specifically focussed on Sales, EBITDA, EBIT, Capital Employed and Operational Cash Flow per segment. The principal market segments for these goods are the four operating segments: Flexible Foams, Bedding, Insulation, Automotive, and Corporate. For more details on these segments, reference is made to the first part of this annual report. Information regarding the Group's reportable segments is presented below. Inter-segment sales are made at prevailing market conditions.

Income statement for the year 2016

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
SALES								
External sales	551 273	274 455	288 041	234 131		**1 347 900**		
Inter-segment sales	55 975	18 473	905	3	(75 356)	**0**		
Total sales	**607 248**	**292 928**	**288 946**	**234 134**	**(75 356)**	**1 347 900**	**(299 577)**	**1 048 323**
EARNINGS BEFORE INTEREST AND TAXES (EBIT)								
Segment result	26 473	5 768	4 028	26 583		**62 852**	**(5 065)**	**57 787**
Unallocated corporate expenses [1]						**(18 568)**	**0**	**(18 568)**
EBIT	**26 473**	**5 768**	**4 028**	**26 583**	**0**	**44 284**	**(5 065)**	**39 219**
Financial result								**(11 728)**
Result for the period before taxes								**27 491**
Income taxes								**(11 161)**
Result for the period after taxes								**16 330**
of which non-controlling interests								**0**
of which share of the Group								**16 330**

[1] Includes mainly headquarters' costs (EUR 12.0 million (2015: EUR 15.6 million)) and R&D expenses (Corporate Programme) (EUR 3.0 million (2015: EUR 2.7 million)).

Other information 2016

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Depreciation and amortisation	12 535	5 238	14 281	6 312	1 122	**39 488**	(7 672)	**31 816**
Impairment losses recognised in profit and loss	542	1 130	0	0	0	**1 672**	0	**1 672**
EBITDA	39 550	12 136	18 309	32 895	(17 446)	**85 444**	(12 737)	**72 707**
Capital expenditure/additions	13 150	2 550	22 030	13 243	2 885	**53 858**	(9 471)	**44 387**

Impairments

In 2016, impairment losses recognized in profit and loss are mainly related to idle equipment in Flexible Foams (France and United Kingdom) (EUR 0.54 million) and to a building improvement (EUR 0.43 million) and intangible assets (EUR 0.70 million) in Bedding.

EBITDA

EBITDA per segment is commented in the first part of this annual report (section Report by the Board of Directors).

Balance sheet at 31 December 2016

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
ASSETS								
Segment assets	281 172	131 468	260 939	107 879	(183 568)	**597 890**	(148 725)	**449 165**
Investment in associates	14 246	0	0	1 521	0	**15 767**	66 622	**82 389**
Unallocated assets						**145 394**	16 006	**161 400**
Total consolidated assets						**759 051**	(66 097)	**692 954**
LIABILITIES								
Segment liabilities	155 610	67 611	125 784	64 415	(183 368)	**230 052**	(51 068)	**178 984**
Unallocated liabilities						**277 794**	(15 029)	**262 765**
Total consolidated liabilities (excluding equity)						**507 846**	(66 097)	**441 749**

The unallocated assets, which amount to EUR 145.4 million, include the following items:

- Financial receivables for EUR 28.8 million
- Current tax receivables for EUR 1.9 million
- Other receivables for EUR 15.7 million
- Deferred tax assets for EUR 38.7 million
- Cash & cash equivalent for EUR 51.7 million.

The unallocated liabilities, which amount to EUR 277.8 million (equity excluded), include mainly the following items:

- Provisions for pensions – long term for EUR 60.0 million
- Provisions for pensions – short term for EUR 4.2 million
- Provisions other – long term for EUR 15.5 million
- Provisions other – short term for EUR 2.1 million
- Deferred tax liabilities for EUR 10.8 million
- Interest-bearing borrowings long-term for EUR 100.9 million
- Interest-bearing borrowings short-term for EUR 61.3 million
- Current taxes payable for EUR 3.9 million.

The breakdown of the goodwill per business line per 31 December 2016

in thousand EUR

Group Recticel	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Eurofoam	488	(488)	0
Germany	806	0	806
Netherlands	253	0	253
Scandinavia	5 583	0	5 583
United Kingdom	4 195	0	4 195
Total Flexible Foams	**11 325**	**(488)**	**10 837**
Total Bedding	**11 648**	**0**	**11 648**
Belgium	1 619	0	1 619
United Kingdom	969	0	969
Total Insulation	**2 588**	**0**	**2 588**
Proseat (Seating)	8 978	(8 978)	0
Total Automotive	**8 978**	**(8 978)**	**0**
			0
Total goodwill	**34 539**	**(9 466)**	**25 073**

Income statement for the year 2015

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
SALES								
External sales	543 876	275 423	279 764	229 385		**1 328 448**		
Inter-segment sales	58 469	19 081	544	21	(78 115)	**0**		
Total sales	**602 345**	**294 504**	**280 308**	**229 406**	**(78 115)**	**1 328 448**	**(294 686)**	**1 033 762**
EARNINGS BEFORE INTEREST AND TAXES (EBIT)								
Segment result	21 079	3 171	(1 872)	27 453		**49 831**	**(6 563)**	**43 268**
Unallocated corporate expenses (1)						**(20 033)**	**0**	**(20 033)**
EBIT	**21 079**	**3 171**	**(1 872)**	**27 453**	**0**	**29 798**	**(6 563)**	**23 235**
Financial result								**(12 522)**
Result for the period before taxes								**10 713**
Income taxes								**(6 170)**
Result for the period after taxes								**4 543**
of which non-controlling interests								**0**
of which share of the Group								**4 543**

(1) Includes mainly headquarters' costs (EUR 15.6 million (2014: EUR 14.3 million)) and R&D expenses (Corporate Programme) (EUR 2.7 million (2014: EUR 3.6 million)).

Other information 2015

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Depreciation and amortisation	11 913	6 330	11 802	5 986	945	**36 976**	(8 321)	**28 655**
Impairment losses recognised in profit and loss	1 025	0	1	0	0	**1 026**	(43)	**983**
EBITDA	34 017	9 501	9 931	33 439	(19 088)	**67 800**	(14 927)	**52 873**
Capital expenditure/additions	11 926	3 637	21 988	5 922	3 027	**46 500**	(8 474)	**38 026**

Impairments

In 2015, impairment losses recognized in profit and loss are mainly related to idle equipment (The Netherlands – Flexible Foams) (EUR 1.0 million).

EBITDA

EBITDA per segment is commented in the first part of this annual report (section Report by the Board of Directors).

Balance sheet at 31 December 2015

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
ASSETS								
Segment assets	265 987	126 123	223 939	109 372	(156 017)	**569 404**	(140 369)	**429 035**
Investment in associates	14 025	0	0	0	0	**14 025**	59 171	**73 196**
Unallocated assets						**171 923**	2 496	**174 419**
Total consolidated assets						**755 352**	(78 702)	**676 650**
LIABILITIES								
Segment liabilities	128 525	62 848	114 121	64 021	(155 747)	**213 768**	(5 090)	**208 678**
Unallocated liabilities						**292 624**	(73 612)	**219 012**
Total consolidated liabilities (excluding equity)						**506 392**	(78 702)	**427 690**

For the combined segment figures the contribution of the joint venture Kingspan Tarec Industrial Insulation (KTII) has not been impacted by IFRS 5.

The unallocated assets, which amount to EUR 171.9 million, include the following items:

- Financial receivables for EUR 24.5 million
- Current tax receivables for EUR 2.8 million
- Other receivables for EUR 11.5 million
- Deferred tax assets for EUR 43.7 million
- Cash & cash equivalent for EUR 75.5 million.

The unallocated liabilities, which amount to EUR 292.6 million (equity excluded), include mainly the following items:

- Provisions for pensions – long term for EUR 58.4 million
- Provisions for pensions – short term for EUR 2.4 million
- Provisions other – long term for EUR 12.8 million
- Provisions other – short term for EUR 5.4 million
- Deferred tax liabilities for EUR 10.4 million
- Interest-bearing borrowings long-term for EUR 44.9 million
- Interest-bearing borrowings short-term for EUR 154.4 million
- Current taxes payable for EUR 2.5 million.

The breakdown of the goodwill per business line per 31 December 2015

in thousand EUR

Group Recticel	COMBINED TOTAL (A)	ADJUSTMENT FOR JOINT VENTURES BY APPLICATION OF IFRS 11 (B)	CONSOLIDATED (A)+(B)
Eurofoam	484	(484)	0
Continental	1 059	0	1 059
Scandinavia	5 500	0	5 500
United Kingdom	4 994	0	4 994
Total Flexible Foams	**12 037**	**(484)**	**11 553**
Total Bedding	**11 585**	**0**	**11 585**
Belgium	1 619	0	1 619
United Kingdom	1 131	0	1 131
Total Insulation	**2 750**	**0**	**2 750**
Proseat (Seating)	8 978	(8 978)	0
Total Automotive	**8 978**	**(8 978)**	**0**
			0
Total goodwill	**35 350**	**(9 462)**	**25 888**

Non-recurring elements (on a combined basis) in the EBIT per segment

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	NOT ALLOCATED	COMBINED TOTAL
2016						
Impairments	(542)	(1 130)	0	0	0	(1 672)
Restructuring charges	(2 461)	(3 542)	(1 549)	(191)	0	(7 743)
Capital gain on divestment	0	0	0	0	0	0
Other	(4 287)	(3)	(85)	0	(127)	(4 502)
TOTAL	**(7 290)**	**(4 675)**	**(1 634)**	**(191)**	**(127)**	**(13 917)**
2015						
Impairments	(1 026)	0	0	0	0	(1 026)
Restructuring charges	(1 968)	(4 432)	(5 077)	(323)	(483)	(12 283)
Capital gain on divestment	0	0	0	1 576	0	1 576
Other	(2 050)	(132)	(442)	(150)	(613)	(3 387)
TOTAL	**(5 044)**	**(4 564)**	**(5 519)**	**1 103**	**(1 096)**	**(15 120)**

For **2016**

- Impairment losses recognized in profit and loss are mainly related to idle equipment in Flexible Foams (France and United Kingdom) (EUR 0.54 million) and to a building in Bedding (Austria, EUR 0.43 million) and intangible assets (IT development costs, EUR 0.70 million) in Bedding.
- Additional restructuring measures were implemented in execution of the Group's rationalisation plan, including the closure of the Flexible Foams plant in Noyen-sur-Sarthe (France) and additional costs relating to Bedding (Austria and Switzerland) and Automotive Interiors (Germany and USA).
- Other non-recurring elements relate mainly to incurred costs and provisions for legal fees and litigation.

For **2015**

- Impairment charges relate to idle equipment (The Netherlands – Flexible Foams).
- Restructuring charges are mainly related to measures taken in execution of the Group's rationalisation plan. The main restructurings relate to the closure of the Automotive-Seating plant in Rüsselsheim (Germany) and to additional actions in Flexible Foams (Spain, Sweden and The Netherlands) and in Bedding (Germany and The Netherlands).
- A capital gain has been realised on the divestment of the 50% participation in Kingspan Tarec Industrial Insulation (KTII)
- Other non-recurring elements relate mainly to incurred costs and provisions for legal fees and litigation.

II.3.2. Geographical information

The Group's operations are mainly located in the European Union.

The following table provides an analysis of the Group's sales and fixed assets by geographical market.

Sales (by destination)

in thousand EUR

Group Recticel	2016	2015
Belgium	133 925	128 171
France	135 190	127 490
Germany	194 285	197 649
United Kingdom	145 292	143 270
Other EU countries	293 800	293 828
European Union	**902 491**	**890 408**
Other	145 832	143 354
TOTAL	**1 048 323**	**1 033 762**

Reliance on major customers

The Group has no major customers that represent more than 10% of total sales. The top-10 customers of the Group represents 26.0% of total consolidated sales.

Intangible assets – property, plant & equipment – investment property

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015	ACQUISITIONS, INCLUDING OWN PRODUCTION	
			2016	2015
Belgium	73 468	65 663	16 341	8 753
France	40 156	41 014	3 140	3 222
Germany	19 229	26 310	7 525	8 199
United Kingdom	11 585	15 036	1 239	2 582
Other EU countries	55 878	55 527	9 111	9 327
European Union	**200 316**	**203 550**	**37 356**	**32 083**
Other	31 325	22 873	7 031	5 943
TOTAL	**231 641**	**226 423**	**44 387**	**38 026**

II.4. Income statement

II.4.1. General and administrative expenses - Sales and marketing expenses

General and administrative expenses increased by EUR +2.7 million to EUR 79.4 million. This increase results mainly from salary inflation.

Sales and marketing expenses decreased by EUR -5.1 million to EUR 72.0 million. The decrease is mainly due to lower advertising and promotion expenses in the Bedding and Insulation segments.

II.4.2. Other operating revenues and expenses

in thousand EUR

Group Recticel	2016	2015
Other operating revenues	6 907	8 869
Other operating expenses	(19 735)	(19 583)
TOTAL	**(12 828)**	**(10 714)**
Restructuring charges (including site closure, onerous contracts and clean-up costs)	(6 004)	(7 966)
Gain (Loss) on disposal of intangible and tangible assets	(117)	169
Gain (Loss) on disposal of joint ventures and other financial investments	(88)	1 560
Amounts written-back/(-off) on affiliates investments	28	(103)
Other expenses	(13 302)	(10 557)
Other revenues	6 655	6 183
TOTAL	**(12 828)**	**(10 714)**

Restructuring

During **2016**, restructuring charges are mainly related to Flexible Foams in France, Scandinavia and Spain; to Bedding in Austria, Germany and Switzerland and to Automotive Interiors in Germany and the USA.

During **2015**, restructuring charges are mainly related to Flexible Foams in Spain, Sweden and The Netherlands; and to Bedding in Germany and The Netherlands.

Gain (loss) on disposal of joint ventures and other financial investments

In **2015**, this item relates to the realised capital gain on the divestment of the 50% participation in Kingspan Tarec Industrial Insulation (Insulation).

Other revenues and expenses

"Other revenues and expenses" in **2016** comprised mainly:

(i) The net impact of pension liabilities (EUR -2.0 million), including additional service costs, other social costs and currency effects on pension plans. These current effects on pension plans were partly offset by a positive impact resulting from a reduction of liabilities in Belgium due to the application of the law restricting the retirement conditions.
(ii) additional legal fees and settlement costs related to claims in relation with the EC investigation (Flexible Foams) (EUR -3.1 million)
(iii) net revenues from insurance premiums (EUR +2.3 million)
(iv) re-invoicing of services and goods, rentals (EUR +0.7 million)
(v) additional accruals for different operational claims (EUR -3.8 million)
(vi) damage costs from a leakage incident in a Flexible Foams plant in Norway (EUR -0.5 million)

"Other revenues and expenses" in **2015** comprised mainly:

(i) the net impact of pension liabilities (EUR -2.7 million), including additional service costs, other social costs and currency effects on pension plans
(ii) additional legal fees in relation with the EC investigation (Flexible Foams) (EUR -0.4 million)
(iii) accrual for claim litigation (EUR 1.3 million)
(iv) net provision effect for environmental risks in Tertre (Belgium) (EUR -1.6 million)
(v) provisions for other social, tax litigations and quality claims (EUR -0.7 million)
(vi) provision for EC claim settlement (Flexible Foams – United Kingdom) (EUR -0.4 million)
(vii) net revenues from insurance premiums (EUR +0.6 million)
(viii) re-invoicing of services and goods, rentals (EUR +1.3 million)
(ix) revenues from royalties with associates (EUR +0.9 million).

II.4.3. Earnings before interest and taxes (EBIT)

The components (by nature) of EBIT are as follows:

in thousand EUR

Group Recticel	2016		2015	
Sales	1 048 323	*100%*	1 033 762	*100%*
Purchases and changes in inventories	(511 522)	*-48,8%*	(515 884)	*-49,9%*
Other goods and services	(214 009)	*-20,4%*	(214 698)	*-20,8%*
Labour costs	(276 263)	*-26,4%*	(270 562)	*-26,2%*
Amortisation and depreciation on non-current assets	(30 389)	*-2,9%*	(27 519)	*-2,7%*
Impairments on non-current assets	(1 672)	*-0,2%*	(983)	*-0,1%*
Amounts written back/(off) on affiliated investments	28	*0,0%*	(103)	*0,0%*
Amounts written back/(off) on inventories	913	*0,1%*	(510)	*0,0%*
Amounts written back/(off) on receivables	1 316	*0,1%*	(861)	*-0,1%*
Amortisation of deferred long term and upfront payment	(1 338)	*-0,1%*	(1 136)	*-0,1%*
Provisions	(6 647)	*-0,6%*	(6 924)	*-0,7%*
Gain/(Loss) on disposal financial assets	(88)	*0,0%*	1 562	*0,2%*
Own production	7 194	*0,7%*	8 875	*0,9%*
Other revenues [1]	27 356	*2,6%*	24 041	*2,3%*
Other expenses [2]	(20 910)	*-2,0%*	(12 699)	*-1,2%*
Income from associates & joint ventures	16 927	*1,6%*	6 874	*0,7%*
EBIT	**39 219**	***3,7%***	**23 235**	***2,2%***

	2016	2015
[1] Other revenues		
Reinvoicing of expenses	11 332	5 708
Insurance premiums	2 810	2 847
Indemnities	932	1 814
Subsidies	2 778	5 998
Service fees	1 083	2 004
Royalties	1 067	990
Gain on disposal of tangible assets	97	695
Gains on sale & lease backs	472	472
Operating lease income	1 930	1 933
Other	4 855	1 580
Total	**27 356**	**24 041**
[2] Other expenses		
Operating taxes	(6 143)	(6 283)
Indemnity for claims	(2 101)	0
Damage claim	(491)	0
Expenses to be reimbursed	(984)	0
Loss on disposal of tangible assets	(102)	(308)
Loss on realisation of trade receivables	(551)	(55)
Loss on sale & lease backs	(671)	(671)
Repair costs	(1 622)	0
Extraordinary loss	(1 522)	(900)
Other	(6 723)	(4 482)
Total	**(20 910)**	**(12 699)**

Other goods and services comprise mainly transportation costs (EUR 52.0 million versus EUR 51.0 million in 2015), operating leases (EUR 28.2 million versus EUR 26.9 million in 2015), supplies (EUR 24.9 million versus EUR 24.8 million in 2015), fees (EUR 16.5 million versus EUR 16.1 million in 2015), repair and maintenance costs (EUR 16.3 million versus EUR 16.4 million in 2015), advertising/fairs/exhibition costs (EUR 16.8 million versus EUR 16.2 million in 2015), travel expenses (EUR 8.8 million versus EUR 8.5 million in 2015) and administrative expenses (EUR 7.7 million versus EUR 8.2 million in 2015).

The higher **income from joint ventures & associates** is mainly explained by the improved operational performance of Proseat (Automotive-Seating), Eurofoam (Flexible Foams) and Orsafoam (Flexible Foams). In comparison, 2015 results were negatively impacted by non-recurring restructuring charges of EUR -4.2 million in Proseat. In 2015 the contribution of Orsafoam was also impacted by its settlement with the Italian Competition Authority (EUR -0.6 million).

In 2015, the **gain/(loss) on disposal of financial assets** related to the sale of the 51% participation in Kingspan Tarec Industrial Insulation.

II.4.4. Financial result

in thousand EUR

Group Recticel	2016	2015
Interest charges on bonds & notes	(1 440)	(1 427)
Interest on financial lease	(334)	(500)
Interest on long-term bank loans	(2 329)	(3 791)
Interest on short-term bank loans & overdraft	(1 123)	(1 346)
Interest on other long-term loans	0	0
Interest on other short-term loans	(54)	(104)
Net interest charges on Interest Rate Swaps	(2 405)	(2 184)
Net interest charges on foreign currency swaps	(552)	(324)
Total borrowing cost	**(8 236)**	**(9 676)**
Interest income from bank deposits	29	40
Interest income from financial receivables	660	751
Interest income from financial receivables and cash	**689**	**791**
Interest charges on other debts	(720)	(696)
Interest income from other financial receivables	172	27
Total other interest	**(548)**	**(669)**
Interest income and expenses	**(8 095)**	**(9 554)**
Exchange rate differences	**(2 554)**	**(2 008)**
Interest actualisation for other provisions	0	0
Net interest cost IAS 19	(1 102)	(1 080)
Interest actualisation revenue for receivables	10	257
Interest on provisions for employee benefits and other debt	**(1 092)**	**(823)**
Other financial result	12	(137)
FINANCIAL RESULT	**(11 728)**	**(12 522)**

II.4.5. Income taxes

1. Income tax expense

in thousand EUR

Group Recticel	2016	2015
Recognised in the income statement		
Current income tax:		
Domestic	(75)	(374)
Foreign	(3 464)	(2 029)
Total current tax (1)	**(3 539)**	**(2 403)**
Deferred taxes:		
Tax effect on deferred tax adjustments related to previous years (2.a.)	(5 979)	(4 136)
Movements of temporary differences (2.b.)	2 695	(293)
Utilisation of previous years' losses (2.c.)	(8 618)	(3 914)
Deferred tax on current year's losses and prior losses not recognised in the past (2.d.)	4 281	4 575
Total deferred tax (2)	**(7 621)**	**(3 768)**
Grand total (A)	**(11 160)**	**(6 171)**

in thousand EUR

Group Recticel	2016	2015
Reconciliation of effective tax rate		
Profit / (loss) before taxes	27 490	10 713
Minus income from associates	(16 927)	(6 874)
Result before tax and income from associates	**10 563**	**3 839**
Tax at domestic income tax rate of 33.99% (B)	**(3 590)**	**(1 305)**
Tax effect of non-deductible expenses:		
Non-deductible amortisation of goodwill and intangibles	0	(6)
Expenses not deductible for tax purposes (2.A.a.)	(8 080)	(5 611)
Other	(2 294)	(176)
Tax effect of tax-exempt revenues:		
Tax deductible expenses and non-taxable financial and other income (2.A.b.)	2 916	3 587
Other	555	72
Deferred tax effect resulting from a change in tax rates	(306)	19
Tax effect of current and deferred tax adjustments related to prior years (2.A.b.)	(4 778)	(3 007)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(150)	80
Tax effect of notional interest deduction	538	668
Write-back/(Valuation allowance on deferred tax assets and tax assets not recognised) (2.A.c.)	4 029	(492)
Tax expense and effective tax rate for the year (A)	**(11 160)**	**(6 171)**

in thousand EUR

Group Recticel	2016	2015
Deferred tax income (expense) recognised directly in equity		
Impact of IAS 19R on equity	2 160	206
Impact of movements in exchange rates	30	(28)
On effective portion of changes in fair value of cash flow hedges	631	(571)
Total	**2 821**	**(393)**

The global income tax charges amount to EUR -11.2 million and are composed of two elements:

1. The current tax charge recognized in the profit and loss account amounts to EUR -3.5 million against a tax charge of EUR -2.4 million in 2015.
   The tax mentioned in the cash flow statement of EUR -2.5 million represents the amount of tax effectively paid during the exercise.
2. A deferred tax charge recognized in the profit and loss account of EUR -7.6 million against EUR –3.8 million in 2015.

The variance in deferred taxes of EUR -3.8 million is mainly explained by:

a) A tax effect on deferred tax adjustment related to previous years (EUR -6.0 million against EUR -4.1 million) resulting from regularizations between the first corporate tax estimates prepared at closing and the actual corporate tax charge which is determined with an average delay of 12-24 months after the year-end closing.
   The main impact in 2016 results from (i) the use of tax losses carry forward of prior years relating to a transfer pricing correction in Belgium on chemical purchasing prices for the years 2004-2011(EUR -9.9 million) and (ii) a positive correction of trade tax losses carry forward by the German tax authorities (EUR +4.7 million).
b) Movements of temporary differences (EUR +2.7 million against EUR -0.3 million in the previous period) resulting mainly from valuation allowances of deferred tax assets' computation of EUR 4.0 million, which are explained in 2.A.c.
c) The increase in the utilization of previous years' tax losses (EUR -8.6 million against EUR -3.9 million in 2015) is explained by the consumption of deferred tax assets recognised in the past for companies which became taxable in the current tax year; mainly the United Kingdom (EUR -2.0 million), Belgium (EUR -5.0 million) and Germany (EUR -1.4 million).
d) The level of deferred tax expenses of the current year is comparable to that of the previous year.

2.A. The difference of EUR -4.0 million between the effective tax expenses for the year (EUR -11.2 million) and the theoretical tax calculation (EUR -3.6 million), is mainly explained by the following factors:

a) non-deductible expenses: EUR -8.0 million, mainly related to non-deductible elements (EUR -2.1 million), transfer pricing adjustments relating to prior years (EUR -1.3 million), taxable differences from non-consolidated companies and companies consolidated following the equity method (EUR -1.2 million) and tax credits (EUR -3.4 million);
b) current and deferred taxes on adjustments for prior years: EUR -4.8 million from (i) corrections on tax losses carry forward of prior years amount to EUR -6.8 million, which are mainly related to the United Kingdom (EUR +1.1 million), The Netherlands (EUR -1.6 million), Belgium (EUR -12.0 million) and Germany (EUR +5.1 million) and (ii) the positive impact from the reversal of provisions for pensions which are recognised as taxable in Belgium (EUR +2.0 million);
c) net write-back of valuation allowances: EUR 4.0 million resulting from status update of the deferred tax assets situation (defined limit of time for use or reassessment of potential use) mainly in Belgium (EUR 2.2 million), the United Kingdom (EUR 3.2 million), France (EUR -1.3 million), the German Unit (EUR 0.6 million), Austria (EUR -0.4 million) and some other smaller companies (EUR -0.3 million).

2. Deferred tax

in thousand EUR

Group Recticel	31 DEC 2016		31 DEC 2015	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Recognised deferred tax assets and liabilities				
Intangible assets	12 406	(889)	11 591	(865)
Property, plant & equipment	25 094	(19 145)	24 916	(18 587)
Investments	0	(1 152)	0	(1 013)
Inventories	654	(719)	396	(3)
Receivables	1 237	(1 201)	1 209	(1 054)
Cash flow hedges (equity)	897	0	1 544	0
Other current assets	764	0	1 051	0
Pension provisions	14 090	(102)	12 104	(5)
Other provisions	6 412	(5 896)	5 681	(5 574)
Other liabilities	2 053	(4 322)	720	(6 042)
Notional interest deduction	9 182	0	11 339	0
Tax loss carry-forwards/ Tax credits	171 347	0	181 223	0
Total	**244 136**	**(33 426)**	**251 774**	**(33 143)**
Valuation allowance [(1)]	(183 006)	0	(184 865)	0
Set-off [(2)]	(23 310)	23 310	(23 637)	23 637
Total (as provided on the balance sheet)	**37 820**	**(10 116)**	**43 272**	**(9 506)**

[(1)] The variation of EUR 1.9 million (EUR 183.0 million minus EUR 184.9 million) is mainly explained by a valuation allowance of EUR +3.3 million, by an effect on tax rate changes of EUR +0.7 million, by an effect on exchange rate of EUR -1.2 million (UK and USA) and an effect on equity of EUR -0.9 million related to pensions under IAS19R and financial instruments (IRS - hedging interest).

[(2)] According to IAS 12 (Income Taxes), deferred tax assets and deferred tax liabilities should, under certain conditions, be offset if they relate to income taxes levied by the same taxation authority.

Tax loss carry-forward by expiration date:

in thousand EUR

Group Recticel	2016	2015
One year	15 439	8 103
Two years	16 930	18 881
Three years	8 077	20 250
Four years	3 645	2 383
Five years and thereafter	207 041	202 523
Without time limit	366 662	397 613
Total	**617 794**	**649 753**

Deferred tax assets recognised and unrecognised by the Group apply to the following elements as at **31 December 2016:**

in thousand EUR

Group Recticel	TOTAL POTENTIAL DEFERRED TAX ASSETS	RECOGNISED DEFERRED TAX ASSETS	UNRECOGNISED DEFERRED TAX ASSETS	GROSS AMOUNT OF UNRECOGNISED TAX LOSSES
Tax losses carried forward (*)	171 346	37 819	133 527	460 904
Notional interest deductions (*)	9 182	0	9 182	27 013
Property, plant and equipment	25 094	3 995	21 099	64 358
Pension provisions	14 090	7 059	7 031	21 463
Other provisions	6 412	2 385	4 027	12 301
Other temporary differences	18 012	9 872	8 140	27 422
Total	**244 136**	**61 130**	**183 006**	**613 461**

(*) As of 31/12/2016, deferred tax assets and notional interests deductions of EUR 37.8 million (2015: EUR 46.7 million) are recognized out of EUR 617.8 million (2015: EUR 649.8 million) tax losses carryforward. These deferred tax assets represent income likely to be realisable in the foreseeable future.

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Deferred tax assets recognised and unrecognised by the Group apply to the following elements as at **31 December 2015:**

in thousand EUR

Group Recticel	TOTAL POTENTIAL DEFERRED TAX ASSETS	RECOGNISED DEFERRED TAX ASSETS	UNRECOGNISED DEFERRED TAX ASSETS	GROSS AMOUNT OF UNRECOGNISED TAX LOSSES
Tax losses carried forward (*)	181 223	46 738	134 485	465 162
Notional interest deductions (*)	11 339	0	11 339	33 359
Property, plant and equipment	24 916	3 800	21 116	64 203
Pension provisions	12 104	4 781	7 323	25 645
Other provisions	5 681	2 121	3 560	10 748
Other temporary differences	16 511	9 469	7 042	24 407
Total	**251 774**	**66 909**	**184 865**	**623 524**

(*) As of 31/12/2015, deferred tax assets and notional interests deductions of EUR 46.8 million (2014: EUR 51.9 million) are recognized out of EUR 649.8 million (2014: EUR 641.6 million) tax losses carryforward. These deferred tax assets represent income likely to be realisable in the foreseeable future.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liabilities have been recognised on undistributed retained earnings of subsidiaries, associates and joint ventures, as the impact is not material.

II.4.6. Dividends

Amounts recognised as distributions to equity holders in the period.

Dividend for the period ending 31 December 2015 of EUR 0.14 (2014: EUR 0.20) per share.

Proposed dividend for the period ending 31 December 2016 of EUR 0.18 per share, or in total for all shares outstanding EUR 9,731,253.60 (2015: EUR 7,522,425.12).

The proposed dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

II.4.7. Basic earnings per share

From continuing and discontinuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

Group Recticel	2016	2015
Net profit (loss) for the period (in thousand EUR)	**16 330**	**4 543**
Net profit (loss) from continuing operations	16 330	4 543
Net profit (loss) from discontinuing operations	0	0
Weighted average shares outstanding		
Ordinary shares on 01 January (excluding own shares bought back)	53 404 808	29 337 456
Shares bought back during the period	0	0
Shares issued following rights' issue of May 2015	0	23 733 804
Exercise of warrants	330 912	333 548
Ordinary shares on 31 December (excluding own shares bought back)	53 735 720	53 404 808
Weighted average ordinary shares outstanding	**53 504 432**	**44 510 623**

in EUR

Group Recticel	2016	2015
Basic earnings per share	0.31	0.10
Basic earnings per share from continuing operations	0.31	0.10
Basic earnings per share from discontinuing operations	0.00	0.00

II.4.8. Diluted earnings per share

in thousand EUR

Group Recticel	2016	2015
Computation of the diluted earnings per share :		
Dilutive elements		
Net profit (loss) from continuing operations	16 330	4 543
Convertible bond [(2)]	1 341	0
Profit (loss) attributable to ordinary equity holders of the parent entity including assumed conversions	**17 671**	**4 543**
Weighted average ordinary shares outstanding	**53 504 432**	**44 510 623**
Stock option plans - warrants [(1)]	116 657	193 860
Convertible bond [(2)]	6 022 013	0
Weighted average shares for diluted earnings per share	**59 643 102**	**44 704 483**

Group Recticel	2016	2015
Diluted earnings per share	**0.30**	**0.10**
Diluted earnings per share from continuing operations	0.30	0.10
Diluted earnings per share from discontinuing operations	0.00	0.00

	2016	2015
Anti-dilutive elements		
Impact on net profit from continuing operations		
Convertible bond [(2)]	0	1 303
Impact on weighted average ordinary shares outstanding		
Stock option plan - warrants - "out-of-the-money" [(1)]	897 121	833 141
Convertible bond [(2)]	0	5 947 205

[(1)] Per 31 December 2016 and 2015, three warrant plans were in-the-money, i.e. the plans from December 2011, December 2012 and June 2015, which were considered for the computation of the diluted earnings per share. The remaining warrant plans were out of the money and disclosed as anti-dilutive.

[(2)] For 2016, the additional potential shares as a result of the convertible bonds are dilutive and are therefore included in the computation of the diluted earnings per share (assuming full conversion). The theoretical annual interest charges saved in case of conversion of the bonds would amount to EUR 1,3 million. For 2015, the additional earnings and potential shares as a result of the potential conversion of the convertible bonds are anti-dilutive and are therefore excluded from the computation of the diluted earnings per share.

II.5. Balance sheet

II.5.1. Intangible assets

For the year ending 2016:

in thousand EUR

Group Recticel	DEVELOPMENT COSTS	TRADEMARKS, PATENTS & LICENCES	CLIENT PORTFOLIO GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS	TOTAL	
At the end of the preceding period							
Gross book value	15 346	46 259	8 631	337	6 853	77 426	
Accumulated amortisation	(14 117)	(33 817)	(8 597)	(279)	0	(56 810)	
Accumulated impairment	(11)	(6 363)	0	0	(831)	(7 205)	
Net book value at the end of the preceding period	**1 218**	**6 079**	**34**	**58**	**6 022**	**13 411**	
Movements during the year:							
Acquisitions	0	157	0	3	499	659	(1)
Own production	0	0	0	10	1 459	1 469	(1)
Impairments	0	0	0	0	(700)	(700)	
Expensed amortisation	(666)	(1 955)	(21)	(24)	(143)	(2 807)	
Sales and scrapped	0	(2)	0	0	0	(2)	(2)
Transfers from one heading to another	1 312	1 745	0	0	(2 882)	176	
Exchange rate differences	0	(98)	(0)	(0)	(3)	(101)	
At the end of the current period	**1 865**	**5 927**	**13**	**47**	**4 253**	**12 104**	
Gross book value	14 296	47 318	8 507	328	5 928	76 377	
Accumulated amortisation	(12 431)	(35 088)	(8 494)	(282)	(143)	(56 438)	
Accumulated impairment	0	(6 303)	0	0	(1 531)	(7 834)	
Net book value at the end of the period	**1 865**	**5 927**	**13**	**47**	**4 253**	**12 104**	
Useful life (in years)	3-5	3-10	5-10	5 maximum	n.a.		

Acquisitions		**Disposals**	
Cash-out on acquisitions of intangible assets	(3 060)	Cash-in from disposals of intangible assets	95
Acquisitions included in working capital	932	Disposals included in working capital	(93)
Total acquisitions of intangible assets (1)	(2 128)	Total disposals of intangible assets (2)	2

For the year ending 2015:

in thousand EUR

Group Recticel	DEVELOPMENT COSTS	TRADEMARKS, PATENTS & LICENCES	CLIENT PORTFOLIO GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS	TOTAL	
At the end of the preceding period							
Gross book value	13 704	44 083	8 880	341	6 504	73 512	
Accumulated amortisation	(13 101)	(31 792)	(8 790)	(260)	0	(53 943)	
Accumulated impairment	(32)	(6 322)	0	0	(831)	(7 185)	
Net book value at the end of the preceding period	**571**	**5 969**	**90**	**81**	**5 673**	**12 384**	
Movements during the year:							
Acquisitions	0	208	0	60	573	841	(1)
Own production	0	0	0	0	2 576	2 576	(1)
Impairments	0	(55)	0	0	0	(55)	
Expensed amortisation	(403)	(2 028)	(58)	(41)	0	(2 530)	
Sales and scrapped	0	0	0	0	0	0	(2)
Transfers from one heading to another	1 038	1 890	0	(42)	(2 812)	74	
Exchange rate differences	12	95	2	0	12	121	
At the end of the current period	**1 218**	**6 079**	**34**	**58**	**6 022**	**13 411**	
Gross book value	15 346	46 259	8 631	337	6 853	77 426	
Accumulated amortisation	(14 117)	(33 817)	(8 597)	(279)	0	(56 810)	
Accumulated impairment	(11)	(6 363)	0	0	(831)	(7 205)	
Net book value at the end of the period	**1 218**	**6 079**	**34**	**58**	**6 022**	**13 411**	
Useful life (in years)	3-5	3-10	5-10	5 maximum	n.a.		

Acquisitions		**Disposals**	
Cash-out on acquisitions of intangible assets	(3 872)	Cash-in from disposals of intangible assets	116
Acquisitions included in working capital	455	Disposals included in working capital	(116)
Total acquisitions of intangible assets (1)	(3 417)	Total disposals of intangible assets (2)	0

In **2016**, the total acquisition of intangible assets and own production of intangible assets amounted to EUR 2.1 million, compared to EUR 3.4 million the year before. The investments in intangible assets in 2016 mainly related to "Assets under construction and advance payments" for new developments and licence costs related to the roll-out of the SAP IT platform (EUR 1.8 million) and capitalised development costs for Automotive-Interiors projects (EUR 0.3 million).

In **2015**, the total acquisition of intangible assets and own production of intangible assets amounted to EUR 3.4 million, compared to EUR 3.0 million the year before. The investments in intangible assets in 2015 mainly related to "Assets under construction and advance payments" for new developments and licence costs related to the roll-out of the SAP IT platform (EUR 1.3 million) and capitalised development costs for Automotive-Interiors projects (EUR 1.7 million).

In December 2011, Recticel s.a./n.v. and Recticel International Services s.a./n.v. concluded a joint credit facility agreement ('club deal') amounting to EUR 175 million. Under this club deal, Recticel s.a./n.v. and/or its affiliates have pledged their main trademarks and patents in favour of the banks up to a maximum amount of EUR 175 million plus interest and related costs. The tenor of this 'club deal' facility has been extended in February 2016 for another five years. It currently will mature in February 2021.

II.5.2. Property, plant & equipment

For the year ending 2016:

in thousand EUR

Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	LEASES AND SIMILAR RIGHTS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
At the end of the preceding period							
Gross value	185 070	519 470	24 892	35 340	5 071	20 144	789 988
Accumulated depreciation	(119 699)	(413 237)	(20 410)	(14 247)	(1 292)	(36)	(568 920)
Accumulated impairments	(697)	(9 478)	(9)	(81)	(984)	(136)	(11 386)
Net book value at the end of the preceding period	**64 673**	**96 755**	**4 473**	**21 013**	**2 795**	**19 972**	**209 681**
Movements during the year							
Acquisitions, including own production	289	4 439	670	503	76	36 282	42 259 [1]
Impairments	(682)	(287)	(3)	0	0	0	(972)
Expensed depreciation	(3 622)	(20 399)	(1 786)	(1 599)	(98)	(78)	(27 582)
Sales and scrapped	(3 921)	(285)	(14)	0	(6)	(8)	(4 233) [2]
Transfers from one heading to another	8 762	28 278	864	(479)	0	(37 616)	(191)
Exchange rate differences	(191)	(2 118)	(99)	0	(1)	(346)	(2 756)
At the end of the period	**65 308**	**106 383**	**4 106**	**19 438**	**2 767**	**18 205**	**216 207**
Gross value	181 487	498 464	24 912	35 319	5 076	18 307	763 565
Accumulated depreciation	(114 877)	(385 022)	(20 803)	(15 805)	(1 325)	(79)	(537 910)
Accumulated impairments	(1 302)	(7 059)	(3)	(76)	(984)	(24)	(9 447)
Net book value at the end of the period	**65 308**	**106 383**	**4 106**	**19 438**	**2 767**	**18 205**	**216 207**

Acquisitions		**Disposals**	
Cash-out on acquisitions of tangible assets	(40 552)	Cash-in from disposals of tangible assets	7 506
Acquisitions shown in working capital	(1 707)	Disposals shown in working capital	(3 273)
Total acquisitions of tangible assets [1]	(42 259)	Total disposals of tangible assets [2]	4 233

For the year ending 2015:

in thousand EUR

Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	LEASES AND SIMILAR RIGHTS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
At the end of the preceding period							
Gross value	185 006	502 387	24 723	35 315	5 135	15 602	768 168
Accumulated depreciation	(115 329)	(401 671)	(20 379)	(12 605)	(1 320)	(36)	(551 340)
Accumulated impairments	(808)	(11 759)	(31)	(139)	(984)	(374)	(14 095)
Net book value at the end of the preceding period	**68 869**	**88 957**	**4 313**	**22 571**	**2 831**	**15 192**	**202 733**
Movements during the year							
Acquisitions, including own production	287	4 247	703	23	83	29 266	34 609 [1]
Impairments	0	(928)	0	0	0	0	(928)
Expensed depreciation	(4 023)	(17 501)	(1 792)	(1 581)	(93)	0	(24 990)
Sales and scrapped	(562)	(126)	(7)	0	8	0	(687) [2]
Reclassification to held for sale	(3 137)	(71)	0	0	0	0	(3 208)
Transfers from one heading to another	2 895	20 554	1 156	0	(25)	(24 746)	(166)
Exchange rate differences	344	1 623	100	0	(9)	260	2 318
At the end of the period	**64 673**	**96 755**	**4 473**	**21 013**	**2 795**	**19 972**	**209 681**
Gross value	185 070	519 470	24 892	35 340	5 071	20 144	789 987
Accumulated depreciation	(119 699)	(413 237)	(20 410)	(14 246)	(1 292)	(36)	(568 920)
Accumulated impairments	(698)	(9 478)	(9)	(81)	(984)	(136)	(11 386)
Net book value at the end of the period	**64 673**	**96 755**	**4 473**	**21 013**	**2 795**	**19 972**	**209 681**

Acquisitions		**Disposals**	
Cash-out on acquisitions of tangible assets	(29 967)	Cash-in from disposals of tangible assets	4 010
Acquisitions shown in working capital	(4 642)	Disposals shown in working capital	(3 323)
Total acquisitions of tangible assets [1]	(34 609)	Total disposals of tangible assets [2]	687

Total acquisition of tangible assets amounted to EUR 42.3 million, compared to EUR 34.6 million last year.

At 31 December **2016**, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 6.7 million (2015: EUR 5.5 million).

In **2016**, impairment losses recognized in profit and loss are related to idle equipment in Flexible Foams (France and United Kingdom) (EUR -0.5 million) and to a building in Bedding (Austria) (EUR -0.4 million).

In **2015**, impairment losses recognized in profit and loss are related to idle equipment in The Netherlands (Flexible Foams) (EUR -1.0 million).

In **2015,** 'reclassification held for sale' (EUR 3.1 million) relates to the building (Insulation) in Wevelgem (Belgium).

As already stated under Intangible Assets, in December 2011, Recticel s.a./n.v. and Recticel International Services s.a./n.v. concluded a new joint credit facility agreement ('club deal') amounting to EUR 175 million. Under this club deal, Recticel s.a./n.v. and/or its affiliates have pledged their shares and/or their production sites in Belgium, Germany, France, the Netherlands and Sweden in favour of the banks up to a maximum amount of EUR 175 million plus interest and related costs. The tenor of this 'club deal' facility has been extended in February 2016 for another five years. It currently will mature in February 2021.

II.5.3. Assets under financial lease

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Total land and buildings	19 424	20 969
Total plant, machinery & equipment	0	21
Total furniture and vehicles	14	23
Total assets under financial lease	**19 438**	**21 013**
Fixed assets held under financial lease - Gross	35 319	35 340
Fixed assets held under financial lease - Depreciation	(15 805)	(14 246)
Fixed assets held under financial lease - Impairments	(76)	(81)
Fixed assets held under financial lease	**19 438**	**21 013**

II.5.4. Subsidiaries, joint ventures and associates

Unless otherwise indicated, the percentage shareholdings shown below are identical to the percentage voting rights.

1. SUBSIDIARIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD

		% shareholding in	
		31 DEC 2016	31 DEC 2015
Austria			
Sembella GmbH	Aderstrasse 35 - 4850 Timelkam	100.00	100.00
Belgium			
s.c. sous forme de s.a. Balim b.v. onder vorm van n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Finapal n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Recticel International Services n.v.	Olympiadenlaan 2 - 1140 Evere	100.00	100.00
s.a. Recticel UREPP Belgium n.v.	Damstraat 2 - 9230 Wetteren	100.00	-
China			
Ningbo Recticel Automotive Parts Co. Ltd.	525, Changxing Road, (C Area of Pioneer Park) Jiangbei District, Ningbo Municipality	100.00	100.00
Recticel Foams (Shanghai) Co Ltd	525, Kang Yi Road - Kangyiao Industrial Zone, 201315 Shanghai	100.00	100.00
Shenyang Recticel Automotive Parts Co Ltd	12, Hangtian Road - Dongling District, 110043 Shenyang City	100.00	100.00
Beijing Recticel Automotive parts CO Ltd	32A, Block Yi, No. 15, Jingsheng Nan Si Jie, Jingiao Science	100.00	100.00
Langfang Recticel Automotive Parts Co Ltd	10, Anjin Road - Anci Industrial Zone, 065000 Langfang City	100.00	100.00
Changchun Recticel Automotive Parts Co Ltd.	Intersection of C19 Rd. and C43 St. in Automotive industry Development Zone; 13000 Changchun, Jilin Province	100.00	100.00
Czech Republic			
RAI Most s.r.o.	Moskevska 3055 - Most	100.00	100.00
Recticel Czech Automotive s.r.o.	Chuderice-Osada 144 - 418,25 Bilina	100.00	100.00
Recticel Interiors CZ s.r.o.	Plazy, 115 - PSC 293 01 Mlada Boleslav	100.00	100.00
Estonia			
Recticel ou	Pune Tee 22 - 12015 Tallin	100.00	100.00
Finland			
Recticel oy	Nevantie 2, 45100 Kouvola	100.00	100.00
France			
Recticel s.a.s.	7, rue du Fossé blanc, bâtiment C2 - 92622 Gennevilliers	100.00	100.00
Recticel Insulation s.a.s.	7, rue du Fossé blanc, bâtiment C2 - 92622 Gennevilliers	100.00	100.00
Germany			
Recticel Automobilsysteme GmbH	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Dämmsysteme Gmbh	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Recticel Deutschland Beteiligungs GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Recticel Grundstücksverwaltung GmbH	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Handel GmbH	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Recticel Schlafkomfort GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00	100.00
Recticel Verwaltung Gmbh & Co. KG	Im Muehlenbruch 10-12 - 53639 Königswinter	100.00	100.00
Luxembourg			
Recticel RE s.a.	23, Avenue Monterey, L-2163 Luxembourg	100.00	100.00
Recticel Luxembourg s.a.	23, Avenue Monterey, L-2163 Luxembourg	100.00	100.00
India			
Recticel India Private Limited	407, Kapadia Chambers, 599 JSS Road, Princess Street, Marine Lines (East), 400002 Mumbai Maharashtra	100.00	100.00
Morroco			
Recticel Mousse Maghreb SARL	31 Avenue Prince Héritier, Tanger	100.00	100.00
The Netherlands			
Akoestikon Geluidsisolatie B.V.	Fahrenheitbaan, 4c - 3439 MD Nieuwegein	- (a)	100.00
Enipur Holding BV	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel Holding Noord B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel International B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00

(a) Merged with Recticel bv on 31 December 2016

1. SUBSIDIARIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD (continued)

		% shareholding in 31 DEC 2016	31 DEC 2015
Norway			
Recticel AS	Øysand - 7224 Mehus	100.00	100.00
Poland			
Recticel Sp. z o.o.	Ul. Graniczna 60, 93-428 Lodz	100.00	100.00
Romania			
Recticel Bedding Romania s.r.l.	Miercurea Sibiului, DN1, FN, ground floor room 2 3933 Sibiu County	100.00	100.00
Sweden			
Recticel AB	Södra Storgatan 50 b.p. 507 - 33228 Gislaved	100.00	100.00
Spain			
Recticel Iberica s.l.	Cl. Catalunya 13, Pol. Industrial Cam Ollersanta Perpetua de Mogoda 08130	100.00	100.00
Switzerland			
Recticel Bedding (Schweiz) AG	Bettenweg 12 Postfach 65 - 6233 Büron - Luzern	100.00	100.00
Turkey			
Teknofoam Izolasyon Sanayi ve Ticaret a.s.	Esentepe Milangaz caddesi 40 Kartal, Istanbul	100.00	100.00
United Kingdom			
Gradient Insulations (UK) Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Recticel (UK) Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Recticel Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
United States of America			
Recticel Interiors North America Llc.	5600 Bow Point Drive - MI 48346-3155 Clarkston	100.00	100.00
Recticel Urepp North America Inc.	Metro North Technology Park - Atlantic Boulevard 1653 - MI 48326 Auburn Hills	100.00	100.00
The Soundcoat Company Inc.	Burt Drive 1 PO Box 25990 - NY 11729 Deer Park County of Suffolk	100.00	100.00

Significant restrictions to realize assets or settle liabilities

In the framework of the EUR 175 million credit facility agreement ('club deal') dated 09 December 2011, as amended on 25 February 2016, Recticel s.a./n.v. provided the following guarantees to its banks:

- a mortgage mandate on the trading fund;
- a mortgage mandate on different production sites of the Recticel Group on property located in Belgium, Germany and Sweden;
- a mortgage over property located in Kesteren (The Netherlands);
- a pledge on the shares it holds in various group companies.

Recticel s.a./n.v. has provided bank guarantees for (i) an aggregate amount of EUR 2.0 million in favour of OVAM regarding the sanitation and rehabilitation projects on some of its sites and/or sites of its subsidiaries, and (ii) an aggregate amount of EUR 0.8 million in favour of the 'Office Wallon des Déchets'.

Recticel s.a./n.v. also provides guarantees and comfort letters to and/or on behalf of various direct or indirect subsidiaries, of which the material (> EUR 1 million) ones are:

- on behalf of Recticel Iberica: EUR 1.5 million;
- on behalf of Recticel Bedding Romania s.r.l.: EUR 1.5 million;
- on behalf of Recticel Ltd.: EUR 18.2 million, of which an estimated EUR 12.1 million for the pension fund;
- on behalf of Recticel Verwaltung GmbH: EUR 5.0 million and EUR 2.5 million;
- on behalf of Recticel s.a.s. in the framework of a real estate lease: EUR 13.0 million;
- on behalf of Recticel Turkey: EUR 5.6 million;
- on behalf of Recticel AB: EUR 4.2 million;
- on behalf of Recticel India: EUR 4.0 million;
- on behalf of Sembella GmbH (Austria).

Moreover Recticel s.a./n.v. guarantees its subsidiaries Recticel Interiors North America LLP and Recticel Urepp North America Inc., in the framework of the revised agreements with the Johnson Control Group following the settlement by which the latter no longer falls under the Chapter 11 procedure (April 2010).

Recticel s.a./n.v. also guarantees in favour of Daimler AG the correct execution of all running Mercedes programs of the Interiors division.

As stated in the club deal, the maximum dividend authorised for distribution amounts to the highest of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 12.0 million.

2. JOINT VENTURES CONSOLIDATED USING THE EQUITY METHOD

		% shareholding in	
		31 DEC 2016	31 DEC 2015
Austria			
Eurofoam GmbH	Greinerstrasse 70 - 4550 Kremsmünster	50.00	50.00
Belgium			
s.a. Proseat n.v.	Olympiadenlaan 2 - 1140 Evere	51.00	51.00
Czech			
Proseat Mlada Boleslav s.r.o.	Plazy, 115 - PSC 293 01 Mlada Boleslav	51.00	51.00
France			
Proseat s.a.s.	Avenue de Verdun, 71, 77470 Trilport	51.00	51.00
Germany			
Eurofoam Deutschland GmbH Schaumstoffe	Hagenauer Strasse 42 – 65203 Wiesbaden	50.00	50.00
KFM-Schaumstoff GmbH	Rosenauer Strasse, 28 - 96487 Dörfles-Esbach	50.00	50.00
Proseat Gmbh & Co. KG	Hessenring 32 - 64546 Mörfelden-Walldorf	51.00	51.00
Proseat Schwarzheide GmbH	Schipkauer Strasse 1 - 01987 Schwarzheide	51.00	51.00
Proseat Verwaltung Gmbh	Hessenring 32 - 64546 Mörfelden-Walldorf	51.00	51.00
Hungary			
Eurofoam Hungary Kft.	Miskolc 16 - 3792 Sajobabony	50.00	50.00
Poland			
Eurofoam Polska Sp. z o.o.	ul Szczawinska 42 - 95-100 Zgierz	50.00	50.00
Proseat Spolka. z o.o.	ul Miedzyrzecka, 16 - 43-382, Bielsko-Biala	51.00	51.00
Romania			
Eurofoam s.r.l.	Str. Garii nr. 13 Selimbar 2428 - O.P.8 C.P. 802 - Jud. Sibiu	50.00	50.00
Slovenia			
Turvac d.o.o.	Primorska 6b, 3325 Šoštanj	50.00	-
Spain			
Proseat Foam Manufacturing SLU	Carretera Navarcles s/n, Poligono Industrial Santa Ana II - Santpedor (08251 Barcelona)	51.00	51.00
United Kingdom			
Proseat LLP	Unit A, Stakehill Industrial Estate, Manchester, Lancashire	51.00	51.00

Apart of having the approval from the other joint venture partners to distribute dividends, there are no specific restrictions on the ability of joint ventures to transfer funds to Recticel in the form of cash dividends, or to repay loans or advances made by Recticel.

Recticel s.a./n.v. also provides guarantees and comfort letters to and/or on behalf of various direct or indirect joint ventures, of which the material (> EUR 1 million) ones are:

- on behalf of Eurofoam GmbH and subsidiaries: EUR 7.5 million;
- on behalf of Proseat NV: EUR 5.1 million;
- on behalf of Proseat GmbH: EUR 9.8 million.

3. ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

		% shareholding in	
		31 DEC 2016	31 DEC 2015
Bulgaria			
Eurofoam-BG o.o.d.	Raiko Aleksiev Street 40, block n° 215-3 Izgrev district, Sofia	50.00	50.00
Czech Republic			
B.P.P. spol s.r.o.	ul. Hájecká 11 – 61800 Brno	25.68	25.68
Eurofoam Bohemia s.r.o.	Osada 144, Chuderice - 418 25 Bilina	50.00	50.00
Eurofoam TP spol.s.r.o.	ul. Hájecká 11 – 61800 Brno	40.00	40.00
Sinfo	Souhradi 84 - 391 43 Mlada Vozice	25.50	25.50
Eurofoam Industry	ul. Hájecká 11 – 61800 Brno	-(b)	50.00
Italy			
Orsafoam s.p.a.	Via A. Colombo, 60 21055 Gorla Minore (VA)	33.00	33.00
Lithuania			
UAB Litfoam	Radziunu Village, Alytus Region	30.00	30.00
Poland			
Caria Sp. z o.o.	ul Jagiellonska 48 - 34 - 130 Kalwaria Zebrzydowska	25.50	25.50
PPHIU Kerko Sp. z o.o.	Nr. 366 - 36-073 Strazow	25.86	25.86
Romania			
Flexi-Mob Trading s.r.l.	Interioara Street, 3 Pol. II, Inc. Federalcoop, Nr. 1, Constanta	25.00	25.00
Russian Federation			
Eurofoam Kaliningrad	Kaliningrad District, Guierwo Region , 238352 Uszakowo	50.00	50.00
Slovak Republic			
Poly	Dolné Rudiny 1 - SK-01001 Zilina	50.00	50.00
Serbia			
Eurofoam Sunder d.o.o.	Vojvodanska Str. 127 - 21242 Budisava	50.00	50.00
Ukraine			
Porolon Limited	Grodoocka 357 - 290040 - Lviv	47.50	47.50

(b) Merged with Eurofoam Bohemia s.r.o. on 01 January 2016

Apart of having the approval from the controlling shareholder(s) to distribute dividends, there are no specific restrictions on the ability of associates to transfer funds to Recticel in the form of cash dividends, or to repay loans or advances made by Recticel.

4. NON-CONSOLIDATED ENTITIES

Some subsidiaries more than 50% controlled are not consolidated because they are (still) non-material. As soon as they have reached a sufficient size, however, they will be included in the scope of consolidation.

		% shareholding in	
		31 DEC 2016	31 DEC 2015
China			
Recticel Shanghai Ltd	No. 518, Fute North Road, Waigaoqiao Free Trade Zone - 200131 Shanghai	100.00	100.00
Greece			
Teknofoam Hellas	Kosma Etolou Street, 13 - Neo Iraklio - Attica	100.00	100.00
Japan			
Inorec Japan KK	Imaika-Cho 1-36, Anjo-Shi	50.00	50.00
Luxembourg			
Recfin S.A.	412F, route d'Esch, L-2086 Luxembourg	100.00	100.00
Romania			
Eurofoam s.r.l. Baia Mare	Str. Margeanulin, 5 - 4800 Baia Mare	50.00	50.00
Sweden			
Nordflex A.B.	Box 507 - 33200 Gislaved	100.00	100.00

II.5.5. Interests in joint ventures and associates

A list of the significant investments in joint ventures and associates is included in note II.5.6.

in thousand EUR

Group Recticel	31 DEC 2016		31 DEC 2015	
At the end of the preceding period	**73 196**		**73 644**	
Movements during the year				
Actuarial gains/(losses) recognized in equity	(552)	(1)	600	(1)
Deferred tax relating to components of other comprehensive income	248		(137)	
Equity value adjustment on intra-Group disposal	0		524	
Exchange rate differences	(1 231)	(2)	341	
Group's share in the result of the period	16 927	(3)	6 873	(2)
Dividends distributed	(7 522)	(4)	(13 487)	(3)
Result transfer	(189)		(22)	
Capital increase	1 512		4 860	(4)
At the end of the period	**82 389**		**73 196**	

(1) In **2016** the actuarial losses relate to the impact of the lower discount rate under IAS19 pension liabilities
(2) Exchange rate differences relates mainly to GBP (Proseat UK) and PLN (Eurofoam Polska and Proseat Poland)
(3) The higher income from joint ventures & associates in 2016 is mainly explained by the good operational performance of respectively Proseat (Automotive Seating), Eurofoam (Flexible Foams) and Orsafoam (Flexible Foams).
(4) In 2016 dividends distributed by the joint ventures relate solely to the Eurofoam group.

(1) In **2015** the actuarial gains relate to the impact of the higher discount rate under IAS19 pension liabilities
(2) In 2015 the lower income from joint ventures & associates (EUR 6.9 million (2014: EUR 9.0 million) is mainly explained by a lower contribution of the 51/49 joint venture Proseat (Automotive - Seating), which result was impacted by non-recurring restructuring charges of EUR -4.2 million and by a lower contribution of Orsafoam, due to its settlement with the Italian Competition Authority (EUR -0.6 million).
(3) In 2015 dividends distributed by joint ventures, mainly Eurofoam (EUR 5.6 million) and Proseat (EUR 7.8 million), amounted to EUR 13.5 million.
(4) In 2015 the item capital increase relates to different companies of the Proseat group, whose equity base has in total been increased by EUR 4.9 million.

The following pro forma key figures for the **joint ventures** are shown on a combined 100% basis:

in thousand EUR

Group Recticel	EUROFOAM		PROSEAT		TOTAL	
	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015
Non current assets	151 243	145 490	73 668	71 563	224 911	217 053
Cash and cash equivalents	*9 182*	*22 420*	*17 989*	*15 150*	*27 171*	*37 570*
Current assets	109 777	132 233	168 050	152 419	277 827	284 652
Total assets	**261 020**	**277 723**	**241 718**	**223 982**	**502 738**	**501 705**
Interest-bearing borrowings	*(25 141)*	*(180)*	*(15 786)*	*(16 318)*	*(40 927)*	*(16 498)*
Non current liabilities	(42 063)	(16 070)	(47 679)	(51 277)	(89 742)	(67 347)
Interest-bearing borrowings	*(17 504)*	*(76 365)*	*(99 731)*	*(82 224)*	*(117 235)*	*(158 589)*
Current liabilities	(70 383)	(123 567)	(143 015)	(131 301)	(213 398)	(254 868)
Total liabilities	**(112 446)**	**(139 637)**	**(190 694)**	**(182 578)**	**(303 140)**	**(322 215)**
Net equity	**148 574**	**138 086**	**51 024**	**41 404**	**199 598**	**179 490**
Revenues	**378 218**	**373 076**	**262 751**	**263 851**	**640 969**	**636 927**
Amortization, Depreciation and Impairments	(8 071)	(8 138)	(6 358)	(7 581)	(14 428)	(15 720)
Total income taxes	(5 974)	(6 834)	(792)	(709)	(6 765)	(7 543)
Profit or (loss) of the period	**23 679**	**21 770**	**7 138**	**(10 290)**	**30 817**	**11 479**

Footnote:
- The above figures are not necessarily equal to those published by the joint venture companies. Variances may arise due to differences in the accounting rules and scope of consolidation.
- Recticel s.a./n.v. has issued (i) a comfort letter for EUR 7.5 million on behalf of the joint venture company Eurofoam GmbH (Austria/Germany) to cover a local bank loan, (ii) a EUR 5.1 million guarantee on behalf of the joint venture Proseat s.a./n.v. and Proseat sp.z.o.o. to cover a local bank loan, (iii) a EUR 3.9 million guarantee on behalf of the joint venture Proseat GmbH to cover a local lease agreement and (iv) a guarantee on behalf of the joint venture Proseat GmbH to cover a EUR 6.0 million credit line.
- Proseat delivered a strong profitability improvement resulting from the full effect of the shutdown of the loss-making plant in Rüsselsheim (Germany), the positive contribution of the new plant in Schwarzheide (Germany) (start-up in 2015) and strong efficiency improvement in the industrial operations.

in thousand EUR

Group Recticel	EUROFOAM		PROSEAT	
	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015
Net equity (Group share)	**74 287**	**69 043**	**26 021**	**21 116**
Goodwill	499	495	8 977	8 978
Intragroup eliminations	(5 883)	(4 910)	12 428	12 653
Investment in partnership	0	0	15 276	15 807
Deferred taxes	535	650	(381)	(357)
IAS 19 assumptions	(139)	(106)	0	0
Other	135	(701)	0	0
Investment in affiliates	(33 637)	(33 637)	(31 496)	(29 862)
Carrying amount of interests in joint ventures	**35 797**	**30 834**	**30 825**	**28 335**

The following key figures for the **associates** are shown on a 100% basis:

in thousand EUR

Group Recticel	ORSAFOAM S.P.A.		EUROFOAM		TURVAC		TOTAL	
	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015
Non current assets	29 009	30 414	6 701	5 573	2 549	0	38 259	35 987
Current assets	60 565	54 943	13 526	9 935	674	0	74 765	64 878
Total assets	**89 574**	**85 357**	**20 227**	**15 508**	**3 223**	**0**	**113 024**	**100 865**
Non current liabilities	(4 071)	(1 124)	(1 791)	(1 578)	(150)	0	(6 012)	(2 702)
Current liabilities	(52 323)	(51 663)	(10 001)	(7 771)	(30)	0	(62 354)	(59 434)
Total liabilities	**(56 394)**	**(52 787)**	**(11 792)**	**(9 349)**	**(180)**	**0**	**(68 366)**	**(62 136)**
Net equity	**33 180**	**32 570**	**8 435**	**6 159**	**3 043**	**0**	**44 658**	**38 729**
Revenues	77 406	71 045	39 048	35 281	883	0	117 337	106 326
Profit or (loss) of the period	**1 255**	**69**	**2 836**	**2 051**	**18**	**0**	**4 109**	**2 120**

in thousand EUR

Group Recticel	31 DEC 2016			31 DEC 2015		
	AGGREGATE COMPREHENSIVE INCOME FROM JOINT VENTURES	AGGREGATE COMPREHENSIVE INCOME FROM ASSOCIATES	TOTAL	AGGREGATE COMPREHENSIVE INCOME FROM JOINT VENTURES	AGGREGATE COMPREHENSIVE INCOME FROM ASSOCIATES	TOTAL
Result from continuing operations	15 480	1 447	16 927	5 637	1 238	6 874
Actuarial gains/(losses) on employee benefits	552	0	552	(600)	0	(600)
Deferred taxes on actuarial gains/(losses) on employee benefits	(248)	0	(248)	137	0	137
Foreign currency translation differences recycled in the income statement	(8)	0	(8)	1	0	1
Currency translation differences	329	26	355	(253)	(11)	(264)
At the end of the period	**16 106**	**1 473**	**17 580**	**4 922**	**1 227**	**6 148**

The paragraphs IAS 28 - §37a, §37e, §37g and §40 are not applicable.

II.5.6. Non-current receivables

For the year ending 2016:

in thousand EUR

Group Recticel	LOANS	CASH ADVANCES & DEPOSITS	OTHER RECEIVABLES	TOTAL
Gross value at the end of the preceding period	**6 005**	**701**	**6 889**	**13 595**
Amounts written-off at the end of the preceding period	0	0	0	**0**
Net book value at the end of the preceding period	**6 005**	**701**	**6 889**	**13 595**
Interest accruals per 31 December 2015	**322**	**0**	**0**	**322**
Gross value at end of the current period	**6 053**	**758**	**7 049**	**13 860**
Amounts written-off at the end of the current period	0	0	0	**0**
Net book value at end of current period	**6 053**	**758**	**7 049**	**13 860**
Interest accruals 31 December 2016	**66**	**0**	**0**	**66**

The item 'Loans' relates mainly to a loan to joint venture Proseat s.r.o. (EUR 3.9 million; 2015: idem) and to loans provided by Recticel SAS, France (EUR 2.0 million; 2015: idem).

For the year ending 2015:

in thousand EUR

Group Recticel	LOANS	CASH ADVANCES & DEPOSITS	OTHER RECEIVABLES	TOTAL
Gross value at the end of the preceding period	**8 807**	**646**	**5 746**	**15 199**
Amounts written-off at the end of the preceding period	(1 826)	0	0	**(1 826)**
Net book value at the end of the preceding period	**6 981**	**646**	**5 746**	**13 373**
Interest accruals per 31 December 2014	**113**	**0**	**0**	**113**
Gross value at end of the current period	**6 005**	**701**	**6 888**	**13 594**
Amounts written-off at the end of the current period	0	0	0	**0**
Net book value at end of current period	**6 005**	**701**	**6 888**	**13 594**
Interest accruals 31 December 2015	**322**	**0**	**0**	**322**

The carrying amounts of these non-current receivables approximate the fair value since the interest rate is a variable rate in line with market conditions.

The maximum exposure to credit risk equals to the carrying amounts of these assets as recognized on the balance sheet.

There are no due but unpaid receivables, nor impairments on the outstanding receivables. There are no specific guarantees offered for the outstanding receivables.

The item 'Cash advances and deposits' is a significant item under 'Non-current receivables', consisting of the following:

Group Recticel	31 DEC 2016	31 DEC 2015
Rent	491	472
Supplies (water, electricity, telecom, waste treatment, ...)	223	198
Other	44	31
Total	**758**	**701**

II.5.7. Inventories

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Raw materials & supplies - Gross	54 521	56 464
Raw materials & supplies - Amounts written off	(4 567)	(5 377)
Raw materials & supplies	**49 954**	**51 087**
Work in progress - Gross	9 789	8 750
Work in progress - Amounts written off	(220)	(170)
Work in progress	**9 569**	**8 580**
Finished goods - Gross	24 753	27 629
Finished goods - Amounts written off	(1 910)	(2 112)
Finished goods	**22 843**	**25 517**
Traded goods - Gross	6 091	4 326
Traded goods - Amounts written off	(302)	(321)
Traded goods	**5 789**	**4 005**
Down payments - Gross	310	239
Down payments - Amounts written off	0	0
Down payments	**310**	**239**
Contracts in progress - Gross	3 435	3 741
Contracts in progress - Amounts written off	0	0
Contracts in progress	**3 435**	**3 741**
Total inventories	**91 900**	**93 169**
Amounts written-off on inventories during the period	(2 491)	(510)
Amounts written-back on inventories during the period	3 403	0

II.5.8. Construction contracts

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Contract revenues recognised over the period	24 297	25 967
Contract costs incurred plus recognised profits less recognised losses to date	13 728	10 694
Advance payments received	1 412	2 851

In the automotive activity, Recticel developed a polyurethane-based technology for the manufacturing of interior trim components. For optimum implementation of these two applications, based on the specifications given by its customers, Recticel ensures the manufacturing of the moulds with its own suppliers during the pre-operating phase, before starting production of components. At the end of this subcontracting process, the moulds are sold to the customer. In 2016 the contract revenues were positively influenced by the mould and tooling developments.

Considered as a long-term contract, the recognition of the costs and revenues of the 'moulds' activity is reflected in the accounts by reference to the stage of completion. Under the so-called 'percentage of completion' method, contract revenue is matched with the contract costs incurred in reaching the stage of completion.

II.5.9. Trade receivables and other receivables

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Trade receivables	106 543	90 920
Accumulated amounts written-off on trade receivables	(5 037)	(7 513)
Total trade receivables	**101 506**	**83 407**
Other receivables (1)	**26 768**	**23 699**
Derivatives (FX Forward contracts)	1 646	586
Loans carried at amortised cost	41 146	31 042
Total financial assets (2)	**42 793**	**31 628**
Subtotal (1)+(2)	**69 560**	**55 327**
Total loans and receivables	**171 066**	**138 734**

Trade receivables at the balance sheet date **2016** comprise amounts receivable from the sale of goods and services for EUR 101.5 million (2015: EUR 83.4 million).

This net amount of EUR 101.5 million consists of:

(i) gross trade receivables amounting to EUR 174.0 million (2015: EUR 156.3 million), after deduction of:

- EUR 11.4 million in credit notes still to be drawn (2015: EUR 19.2 million)
- EUR 75.1 million as a result of non-recourse factoring programmes in Belgium, France, Germany, the Netherlands and the United Kingdom
- EUR 5.0 million write-off of estimated irrecoverable amounts from the sale of goods (2015: EUR 7.5 million),

(ii) EUR 19.0 million in bills of exchange and invoices to issue (2015: EUR 25.8 million).

In **2016, other receivables** amounting to EUR 26.8 million relate to (i) VAT receivable (EUR 10.2 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 8.3 million), (iii) prepayments, tax credits and subsidies, and contractual commitments with co-contractors (EUR 8.3 million).

In **2015, other receivables** amounting to EUR 23.7 million relate to (i) VAT receivable (EUR 7.7 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 7.9 million), (iii) prepayments, tax credits and subsidies, and contractual commitments with co-contractors (EUR 7.9 million).

In **2016, other financial assets** (EUR 42.8 million) mainly consist of financial receivables on affiliated companies which are not consolidated (EUR 17.0 million), a receivable of EUR 24.1 million (2015: EUR 21.3 million) relating to the undrawn balance under non-recourse factoring programmes in Belgium, France, Germany, The Netherlands and the United Kingdom which includes residual risks which remain with the affiliated companies involved following their continuing involvement, as well as EUR 1.7 million relating to the revaluation of derivative instruments (FX forward contracts).

In **2015, other financial assets** (EUR 31.6 million) mainly consist of financial receivables on affiliated companies which are not consolidated (EUR 9.7 million), a receivable of EUR 21.3 million (2014: EUR 24.0 million) relating to the undrawn balance under non-recourse factoring programmes in Belgium, France, Germany, The Netherlands and the United Kingdom which includes residual risks which remain with the affiliated companies involved following their continuing involvement, as well as EUR 0.6 million relating to the revaluation of derivative instruments (FX forward contracts).

As already mentioned above, in December 2011, Recticel s.a./n.v. and Recticel International Services s.a./n.v. concluded a joint credit facility agreement ('club deal') for EUR 175 million. Under this club deal, Recticel s.a./n.v. and/or its subsidiaries have granted a floating charge mandate in favour of the banks up to a maximum amount of EUR 175 million plus interest and related costs. The tenor of this 'club deal' facility has been extended in February 2016 for another five years. It currently will mature in February 2021.

Credit risk

The Group's principal current financial assets are cash & cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The risk profile of the trade receivables portfolio is segmented by business line and based on the conditions of sale observed on the market. At the same time, it is confined by the agreed limits of the general conditions of sale and the specifically agreed conditions, adapted accordingly. The latter also depend on the degree of industrial and commercial integration of the customer, as well as on the level of market competitiveness.

The trade receivables portfolio in Flexible Foams, Bedding and Insulation consists of a large number of customers distributed among various markets, for which the credit risk is assessed on an on-going basis and based on which the commercial and financial conditions are granted. In addition, the credit risks on trade receivables, with the exception of Automotive, are mostly covered by credit insurance policies which the Group manages centrally and harmonises. The credit risk management is also bolstered by the implementation of SAP software modules (FSCM) and best practice processes regarding the collection of receivables.

In Automotive, the credit risks are reasonably concentrated and the Group relies on the solvency ratios allocated by independent rating agencies.

Credit terms granted on sales vary in function of the customer credit assessment, the business line and the country of operations.

There is a limited credit risk assessment on shareholder loans granted to the joint ventures. Shareholder loans to joint ventures are provided in accordance with rules foreseen in the joint venture agreements, which are subject to the evolution of the operational business performance.

Factoring/Forfeiting

In order to confine credit risks, non-recourse factoring, forfaiting and discounting programmes were established for a total amount of EUR 108.4 million (of which EUR 75.7 million were actually used at 31 December 2016). End 2016 all forfaiting programs were stopped.

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Factoring without recourse		
Gross amount	75 098	65 365
Retention	(24 147)	(21 301)
Net amount	**50 952**	**44 064**
Amount recognized in debt *	701	807
Forfeiting - net amount	**0**	**6 589**
Amount recognized in debt *	0	2 217

* included in the current interest-bearing borrowings

The average outstanding amounts from due receivables vary according to business line between 0.5% and 1.5% of total sales. The Group considers that there is no particular risk of non-recovery, although it is necessary to remain vigilant.

The retention figure consists of the part of the receivables which are non-eligible for off-balance sheet treatment and therefore could not be derecognised (default reserve, concentration, rebates and credit notes).

Ageing balance of trade receivables due, for which no provision has been recognised:

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
30 days	5 899	3 890
60 days	1 678	1 639
90 days	476	919
120 days	190	199
150 days	370	176
180 days and more	156	414
Total overdue	**8 769**	**7 237**
Undue receivables	90 176	77 116
Total trade receivables	**98 945**	**84 353**

The aging balance of the overdue trade receivables is related to gross trade receivables of EUR 174.0 million (in 2015: EUR 156.3 million). The total trade receivables referred to here above exclude the trade receivables transferred under the factoring/forfaiting programs (EUR 75.1 million versus 2015: EUR 72.0 million).

The higher amount of overdues 30 days is explained by a deferred payment by two customers in the Automotive segment. The situation has been normalised by the payment of these overdues in January-February 2017.

The higher amount of undue receivables is mainly explained by higher sales in the last months of 2016.

Movement in provisions for doubtful trade receivables:

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
At the end of the preceding period	**(7 513)**	**(7 254)**
Write off	(322)	(1 185)
Reversal	1 618	324
Non-recoverable amounts	1 052	633
Reclassification	37	0
Exchange differences	90	(31)
Total at the end of the period	**(5 037)**	**(7 513)**

Ageing balance of other receivables due, for which no provision has been recognised:

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
30 days	0	0
60 days	0	0
90 days	0	0
120 days	0	0
150 days	0	0
180 days and more	0	0
Total overdue	**0**	**0**
Undue other receivables	26 768	23 699
Total other receivables	**26 768**	**23 699**

II.5.10. Cash and cash equivalents

Cash and cash equivalents includes cash held by the Group and short-term bank deposits with an original maturity of three months and less. The carrying amount of these assets approximates to their fair value.

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Short-term bank deposits - equal to or less than 3 months	0	0
Cash at bank & in hand	37 174	55 967
Total cash and cash equivalents	**37 174**	**55 967**

II.5.11. Disposal group held for sale

In 2015 this item relates to a building in Wevelgem (Belgium) (Insulation). This building has been sold in 2016.

II.5.12. Share capital

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Issued shares		
54 062 520 ordinary shares without nominal value (2015: 53 731 608 shares)	135 156	134 329
Fully paid-up shares		
54 062 520 ordinary shares without nominal value (2015: 53 731 608 shares)	135 156	134 329

The change in share capital is explained by the exercise of warrants in 2016.

II.5.13. Share premium account

in thousand EUR

Group Recticel	
Balance at 31 December 2015	**125 688**
Premium arising on issue of equity during 2016 [1]	383
Balance at 31 December 2016	**126 071**

[1] see II.5.14. hereabove

II.5.14. Pensions and similar obligations

Retirement benefit schemes

Several Recticel companies operate defined benefit and/or defined contribution plans.

• Defined benefit plans for post-employment benefits

- Total provisions for defined benefit pension plans

Over 99% of the defined benefit obligation is concentrated in five countries: Belgium (38%), United Kingdom (26%), Switzerland (20%), Germany (9%) and France (6%).

Within these five countries Recticel operates funded and unfunded retirement plans. These defined benefit plans typically provide retirement benefits related to remuneration and period of service. The following sections describe the largest retirement plans which make up 84% of the total defined benefit obligations.

in thousand EUR

31 DEC 2016	DEFINED BENEFIT OBLIGATIONS	ASSETS	FUNDED STATUS
Belgium	61 675	43 555	18 120
United Kingdom	43 226	30 853	12 373
Switzerland	33 694	33 796	(102)
Other countries	25 522	4 356	21 166
Total	**164 117**	**112 560**	**51 557**

Belgium

The defined benefit and hybrid pension plans in Belgium make up 38% of the total defined benefit obligations. They are funded plans, insured through collective and/or individual group insurance contracts. Only the employer pays contributions to fund the plans. The defined benefit plans are closed for new employees. Most hybrid plans are still open to new employees. The plans function in and comply with a large regulatory framework and comply with the local minimum funding requirements. The plan participants are entitled to a lump sum on retirement at age 65. The pension benefits provided by the plans are related to the employees' salary. Active members also receive a benefit on death-in-service. The assumed form of benefit payment is in all cases a lump sum, but the plans foresee the option to convert to annuity.

At January 1, 2016 the hybrid defined contribution plans were reclassified as defined benefit plans. An initial liability of EUR 0.6 million was set up for these plans at the end of last year, and increased to a liability of EUR 1.1 million by the end of the year.

United Kingdom

Recticel sponsors only one defined benefit plan in the United Kingdom, which makes up 26% of the total defined benefit obligation. It is a funded pension plan which is closed to future accrual. The plan is administered via a pension fund which is legally separate from Recticel. The Board of Trustees of the fund is composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits. The plan functions in and complies with the regulatory framework and complies with the local minimum funding requirements. Under the plan, participants are entitled to annual pensions on retirement at age 65 based on the final pensionable salary and the years of service. Members also receive benefits on death.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was carried out as at 01 January 2014 and showed a deficit of GBP 6.6 million. A new recovery plan was agreed in August 2015 to eliminate the shortfall in funding by 31 December 2024. Recticel agreed to pay a total amount of GBP 8.5 million as recovery contributions during the period 1 January 2014 to 31 December 2024. The outstanding amount at 31 December 2016 is GBP 6.2 million.

Switzerland

Recticel sponsors a hybrid pension plan in Switzerland which makes up 20% of the total defined benefit obligations. Both employer and employees pay contributions to fund the plan. The plan is open to new employees. The plan is administered via a pension fund and a welfare fund which are legally separate from Recticel. The board of Trustees of the pension fund is equally composed of representatives of both the employer and employees, where the board of the welfare fund is composed of employer representatives. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets and the administration and financing of the benefits. The plan functions in and complies with a large regulatory framework and complies with the local minimum funding requirements. Under the plan, participants are insured against the financial consequences of old age, disability and death.

At January 1, 2016 this hybrid defined contribution plan was reclassified as a defined benefit plan. An initial provision of EUR 0 was set up for this plan at the start of the year, which decreased to an asset of EUR 0.1 million by the end of the year.

• Risks associated to defined benefit pension plans

The most significant risks associated with Recticel's defined benefit plans are:

Asset volatility :

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The schemes hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to equities is monitored to ensure it remains appropriate given the long term obligations.

Changes in bond yields :

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be partially offset by an increase in the value of the bond holdings.

Inflation risk :

The benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in some cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy :

Many of the obligations are to provide benefits for the life of the member or take into account member mortality rates, so increases in life expectancy will result in an increase in the liabilities.

Currency risk :

The risk that arises from the change in price of the euro against other currencies.

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Evolution of the net liability during the year is as follows:		
Net liability at 1 January	**47 563**	**52 160**
Expense recognised in the income statement	5 066	3 798
Employer contributions	(6 782)	(4 083)
Transfers between accounts or internal	39	0
Reclassification of hybrid pension plans	600	0
Amount recognised in other comprehensive income	6 866	(5 201)
Exchange differences	(1 793)	889
Net liability at 31 December	**51 559**	**47 563**

The reclassification of hybrid pension plans relates to the Belgian and Swiss defined contribution pension plans which are treated as defined benefit plans as from January 1, 2016. The transfer between accounts relates to the Indian gratuity plan which is included in the IAS19 numbers as from January 1, 2016

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Pension costs recognised in profit and loss and other comprehensive income:		
Service cost:		
Current service cost	6 743	2 326
Employee contributions	(558)	0
Past service cost (including curtailments)	(2 739)	190
Cost or gain of settlement	244	0
Administration expenses	346	267
Net interest cost:		
Interest cost	3 069	2 461
Interest income	(2 039)	(1 446)
Pension expense recognised in profit and loss	**5 066**	**3 798**
Remeasurements in other comprehensive income		
Return on plan assets (in excess of)/below that recognised in net interest	(11 455)	196
Actuarial (gains)/losses due to changes in financial assumptions	13 270	(4 442)
Actuarial (gains)/losses due to changes in demographic assumptions	1 638	0
Actuarial (gains)/losses due to experience	3 411	(955)
Adjustments due to the asset ceiling, excluding amounts recognised in net interest cost	2	0
Total amount recognised in other comprehensive income	**6 866**	**(5 201)**
Total amount recognised in profit and loss and other comprehensive income	**11 932**	**(1 403)**

Amounts for past service costs (including curtailments) and settlements are related to the impact of a law change in Belgium on early retirement benefits and the impact of the dismissal of a number of employees in Switzerland and France.

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Amount recorded in the balance sheet in respect of the defined benefit plans are:		
Defined benefit obligations for funded plans	157 160	98 328
Fair value of plan assets	(112 560)	(57 490)
Funded status for funded plans	**44 600**	**40 838**
Defined benefit obligations for unfunded plans	6 957	6 725
Total funded status at 31 December	**51 557**	**47 563**
Adjustment due to asset ceiling, excluding amounts recognised in net interest cost	**2**	**0**
Net liabilities at 31 December	**51 559**	**47 563**
Current liabilities	1 457	2 707
Non-current liabilities	50 102	44 856
The key actuarial assumptions used at 31 December (weighted averages) are:		
Discount rate	1,67%	2,61%
Future pension increases	0,77%	2,16%
Expected rate of salary increases	1,71%	2,75%
Inflation	1,66%	1,85%
The mortality assumptions are based on recent mortality tables and the mortality tables of the United Kingdom allow for expected future improvements in mortality rates.		
Movement of the plan assets		
Real value of plan assets at 1 January	57 490	59 578
Interest income	2 039	1 446
Employer contributions	6 782	4 083
Employee contributions	558	0
Benefits paid (direct & indirect, including taxes on contributions paid)	(4 471)	(8 890)
Return on assets, excl. interest income	11 455	(196)
Amounts paid in respect to any settlement	(1 656)	0
Reclassification of hybrid pension plans	44 662	0
Actual administration expenses	(346)	(267)
Exchange differences	(3 953)	1 736
Real value of plan assets at 31 December	**112 560**	**57 490**

The funded plans' assets are invested in mixed portfolios of shares and bonds, or insurance contracts. The plan assets do not include direct investments in Recticel shares, Recticel bonds or any property used by Recticel companies.

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Plan assets portfolio mix at 31 December		
Government bonds (quoted)	13.26%	24.18%
Government bonds (non-quoted)	0.00%	0.00%
Corporate bonds (quoted)	13.47%	7.94%
Corporate bonds (non-quoted)	0.00%	0.00%
Equity (quoted)	15.42%	13.17%
Equity (non-quoted)	0.00%	0.00%
Cash (quoted)	0.12%	0.05%
Cash (non-quoted)	0.00%	0.00%
Property (quoted)	9.04%	0.00%
Property (non-quoted)	0.00%	0.00%
Derivatives (quoted)	0.00%	0.00%
Derivatives (non-quoted)	0.00%	0.00%
Asset backed securities (quoted)	0.00%	0.00%
Asset backed securities (non-quoted)	0.00%	0.00%
Structured debt (quoted)	0.00%	0.00%
Structured debt (non-quoted)	0.00%	0.00%
Other (quoted)	0.00%	0.00%
Other (non-quoted)	4.35%	3.92%
Non unit-linked Insurance contracts (quoted)	0.00%	0.00%
Non unit-linked Insurance contracts (non-quoted)	11.52%	19.14%
Unit-linked Insurance contracts (quoted)	0.00%	0.00%
Unit-linked Insurance contracts (non-quoted)	32.82%	31.60%
Where the unit-linked insurance contracts can be divided in the following asset classes:		
% bonds	73.41%	72.62%
% equity	24.47%	24.21%
% cash	2.12%	3.18%

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Movement of the defined benefit obligation		
Defined benefit obligation at 1 January	105 053	111 738
Current service cost	6 185	2 326
Employee contributions	558	0
Interest cost	3 069	2 461
Benefits paid (direct & indirect, including taxes on contributions paid)	(4 471)	(8 890)
Actuarial (gains)/losses on liabilities arising from changes in financial assumptions	13 270	(4 442)
Actuarial (gains)/losses on liabilities arising from changes in demographic assumptions	1 638	0
Actuarial (gains)/losses on liabilities arising from experience	3 411	(955)
Reclassification of hybrid pension plans	45 262	0
Transfers between accounts or internal	39	0
Past service cost (incl. curtailments)	(2 739)	190
Settlement (gains)/losses	(1 412)	0
Exchange differences	(5 746)	2 625
Defined benefit obligation at 31 December	**164 117**	**105 053**
Split of the defined benefit obligation per population		
Active members	75 718	45 764
Members with deferred benefit entitlements	30 293	27 519
Pensioners/Beneficiaries	58 106	31 770
Total defined benefit obligation at 31 December	**164 117**	**105 053**
Changes in the effect of the asset ceiling during the year		
Asset ceiling at 1 January	0	0
Interest on asset ceiling	0	0
Effect of curtailments and settlements	0	0
Change in asset ceiling	2	0
Exchange differences	0	0
Asset ceiling at 31 December	**2**	**0**
Weighted average duration of the defined benefit obligation at 31 December	**15**	**14**
Sensitivity of defined benefit obligation to key assumptions at 31 December		
Current defined benefit obligation at 31 December	164 117	105 053
% increase in defined benefit obligation following a 0.25% decrease in the discount rate	3.95%	3.62%
% decrease in defined benefit obligation following a 0.25% increase in the discount rate	-3.71%	-3.41%
% decrease in defined benefit obligation following a 0.25% decrease in the inflation rate	-1.57%	-2.48%
% increase in defined benefit obligation following a 0.25% increase in the inflation rate	1.65%	2.63%

For plans where a full valuation has been performed the sensitivity information shown above is exact and based on the results of this full valuation. For plans where results have been roll forwarded from the last full actuarial valuation, the sensitivity information above is approximate and takes into account the duration of the liabilities and the overall profile of the plan membership.

in thousand EUR

Group Recticel	2017	2016
Estimated contributions for the coming year		
Expected employer contributions	6 238	3 503

• Defined contributions plans

The total contributions paid by Recticel during the current year amount to EUR 3,263,254, compared to an amount of EUR 3,363,608 last year (EUR 6,682,583 was reported last year, including EUR 3,318,975 employer contributions paid for the Belgian and Swiss hybrid pension plans which are, from this year onwards, reclassified in Defined Benefit Plans).

II.5.15. Provisions

For the year ending 2016

in thousand EUR

Group Recticel	EMPLOYEE BENEFITS	OTHER LITIGATION	DEFECTIVE PRODUCTS	ENVIRONMENTAL RISKS	REORGANISATION	PROVISIONS FOR ONEROUS CONTRACTS	OTHER RISKS	TOTAL
At the end of the preceding year	**51 951**	**60**	**2 177**	**5 240**	**6 747**	**434**	**1 413**	**68 022**
Movements during the year								
Expected returns on assets/actuarial gains (losses) recognized in equity	6 867	0	0	0	0	0	0	**6 867**
Actualisation	1 102	0	0	0	0	0	0	**1 102**
Increases	5 313	40	1 076	0	1 744	2 165	1 800	**12 138**
Utilisations	(7 182)	(52)	(123)	(788)	(5 997)	(91)	(400)	**(14 634)**
Write-backs	(1 071)	0	(114)	0	(10)	0	(55)	**(1 249)**
Transfer from one heading to another	(38)	0	0	0	151	(420)	0	**(307)**
Exchange rate differences	(1 796)	0	(15)	0	(4)	10	0	**(1 805)**
At year-end	**55 147**	**48**	**3 002**	**4 452**	**2 631**	**2 097**	**2 758**	**70 134**
Non-current provisions (more than one year)	50 979	48	2 652	4 202	1 948	1 600	2 758	**64 187**
Current provisions (less than one year)	4 168	0	350	250	683	497	0	**5 947**
Total	**55 147**	**48**	**3 002**	**4 452**	**2 631**	**2 097**	**2 758**	**70 134**

The **provisions for employee benefits** have increased by EUR 3.2 million. This variance is mainly explained by actuarial losses due to lower discount rates (EUR +6.9 million), which were partly offset by (i) a write-back resulting for the restructuring in France and a change in law in Belgium (EUR 1.1 million) and (ii) exchange rate differences in the United Kingdom (EUR +1.8 million).

The **provisions for defective products** are mainly related to warranties granted for products in the bedding division. The provisions are generally calculated on the basis of 1% of yearly turnover, which corresponds to the management's best estimate of the risk under 12-month warranties. When historical data are unavailable, the level of the provisions is compared to the yearly effective rate of liabilities, and if necessary, the amount of provision is adjusted. The increase in 2016 relates mainly to a claim in Insulation.

Provisions for environmental risks cover primarily (i) the identified risk at the Tertre (Belgium) site (see section II.6.11.1.) and (ii) other pollution risks in Belgium. EUR 0.8 million of this provision has been used in 2016 to cover clean-up costs on the site in Tertre.

Provisions for reorganisation relate to the outstanding balance of expected expenses relating to the closure of the Flexible Foams plant in Noyen-sur-Sarthe (France) and additional restructuring charges in Bedding (Austria and Switzerland) and Automotive Interiors (Germany and USA).

Provisions for onerous contracts relate mainly to operational lease agreements.

Provisions for other risks relate mainly to legal costs and future claim settlements.

For the major risks (i.e. environmental and reorganisation risks) the cash outflow is expected to occur within a two years' horizon.

For the year ending 2015

in thousand EUR

Group Recticel	EMPLOYEE BENEFITS	OTHER LITIGATION	DEFECTIVE PRODUCTS	ENVIRONMENTAL RISKS	REORGANISATION	PROVISIONS FOR ONEROUS CONTRACTS	OTHER RISKS	TOTAL
At the end of the preceding year	**56 753**	**50**	**1 808**	**4 210**	**4 627**	**892**	**401**	**68 741**
Movements during the year								
Expected returns on assets/actuarial gains (losses) recognized in equity	(5 199)	0	0	0	0	0	0	**(5 199)**
Actualisation	1 079	0	0	0	0	0	0	**1 079**
Increases	3 993	50	641	2 009	3 833	0	1 305	**11 831**
Utilisations	(4 939)	(40)	(115)	(622)	(1 688)	(465)	(16)	**(7 885)**
Write-backs	(622)	0	(179)	(357)	(61)	(39)	(277)	**(1 535)**
Transfer from one heading to another	0	0	0	0	35	0	0	**35**
Exchange rate differences	886	0	22	0	1	46	0	**955**
At year-end	**51 951**	**60**	**2 177**	**5 240**	**6 747**	**434**	**1 413**	**68 022**
Non-current provisions (more than one year)	49 581	60	2 177	4 990	2 851	14	1 413	**61 086**
Current provisions (less than one year)	2 370	0	0	250	3 896	420	0	**6 936**
Total	**51 951**	**60**	**2 177**	**5 240**	**6 747**	**434**	**1 413**	**68 022**

II.5.16. Interest-bearing borrowings

II.5.16.1. Interest-bearing borrowings carried at amortised cost

in thousand EUR

Group Recticel	NOTES	NON-CURRENT LIABILITIES USED		CURRENT LIABILITIES USED	
		31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015
Secured					
Financial leases		8 683	11 867	3 652	3 199
Bank loans		86 589	0	0	89 684
Bank loans - factoring with recourse		0	0	701	807
Total secured		**95 272**	**11 867**	**4 353**	**93 690**
Unsecured					
Bonds & notes		0	26 631	27 269	0
Non-current bank loans with current portion		0	0	0	0
Other loans		1 777	1 865	250	270
Current bank loans		0	0	860	9 918
Bank loans - forfeiting		0	0	0	2 217
Bank overdraft		0	0	10 178	866
Other financial liabilities	II.5.16.2.	0	0	7 237	7 714
Total unsecured		**1 777**	**28 496**	**45 794**	**20 985**
Total liabilities carried at amortised cost		**97 049**	**40 363**	**50 147**	**114 675**

in thousand EUR

Group Recticel	NON-CURRENT LIABILITIES UNUSED		CURRENT LIABILITIES UNUSED	
	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015
Secured				
Bank loans	89 118	78 131	0	0
Bank loans - factoring with recourse	0	0	0	0
Discounted bills of exchange	0	0	0	0
Total secured	**89 118**	**78 131**	**0**	**0**
Unsecured				
Bank loans	0	0	52 808	42 470
Total unsecured	**0**	**0**	**52 808**	**42 470**
Total liabilities carried at amortised cost	**89 118**	**78 131**	**52 808**	**42 470**

At the end of 2016, the gross interest-bearing borrowings of the Group amounted to EUR 147.2 million, compared to EUR 155.0 million at the end of 2015, i.e. a decrease of EUR 7.8 million. This was mainly due to lower amounts drawn under the 'club deal' facility, a gross dividend (EUR 7.5 million), various cash-outlays for previously announced restructurings, planned capital expenditures and the pre-financing of moulds in Automotive Interiors.

The use of non-recourse factoring/forfaiting programs amounted to EUR 51.7 million, compared to EUR 53.7 million in 2015. The forfaiting programs were all closed at year-end 2016.

At the end of 2016, the weighted average lifetime of debts payable after one year was 4.0 years (2015: 2.2 years), the average lifetime increased due to the extension of the tenor of the club deal facility in February 2016. The bonds and the financial leases (except the financial lease for the Bourges facility) are at fixed interest rates.

At the end of **2016**, besides the net drawn amounts under the club deal financing agreement (EUR 86.6 million), the Group also benefited from EUR 42.3 million long term loan commitments, of which EUR 31.2 million are maturing within one year. The Group also had at its disposal EUR 89.1 million under the 'club deal' facility and EUR 84.6 million undrawn short term credit facilities ('on balance' (EUR 52.8 million) as well as available 'off balance' amounts under the factoring programs (EUR 31.8 million)).

At the end of **2015**, besides the net drawn amounts under the club deal financing agreement (EUR 89.6 million) and the guaranteed amount related to the EC fine (EUR 6.9 million) under the 'club deal' facility, the Group also benefited from EUR 44.6 million long term loan commitments, of which EUR 3.5 million were maturing within one year. The Group also had at its disposal EUR 78.1 million under the 'club deal' facility and EUR 91.4 million undrawn short term credit facilities ('on balance' (EUR 42.5 million) as well as available 'off balance' amounts under the factoring/forfeiting programs (EUR 48.9 million)).

Outstandings other than the 'club deal'

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Long term liabilities		
Bonds & Notes	0	26 631
Financial leases	8 683	11 867
Other loans	1 777	1 865
Subtotal	**10 460**	**40 363**
Short term liabilities		
Bonds & Notes	27 269	0
Financial leases	3 652	3 199
Loans - Factoring	701	807
Other loans	250	270
Subtotal	**31 872**	**4 275**
Total	**42 332**	**44 638**

The fair value of floating rate borrowings is close to the nominal value. The interest cost for these variable interest rate borrowings ranged from 0.80% to 2.0% p.a. in EUR.

At balance sheet date the total borrowings were directly or synthetically (through currency swaps) denominated for 29.1% in CZK, 27.0% in EUR, 25.3% in USD, 12.1% in PLN, 6.0% in CHF, and 0.5% in various other currencies.

The majority of the Group's financial debt is centrally contracted and managed through Recticel International Services n.v./s.a., which acts as the Group's internal bank.

The borrowings under the 'club deal' are subject to bank covenants based on a leverage ratio, an interest cover and a minimum equity requirement. At end-2016, Recticel complied with all its bank covenants. On the basis of the budget 2017 management expects to be in a position to meet the bank covenants in the coming year.

Under the club deal financing agreement, the maximum dividend authorised for distribution amounts to the highest of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 12.0 million.

Reference to II.5.18. Liquidity risk.

(i) Convertible bonds
The convertible bonds were issued in July 2007, for a nominal amount of EUR 57.5 million, of which the Group bought back EUR 11.2 million during 2008, EUR 17.3 million in 2009 and EUR 1.4 million in 2011. Out of the remaining outstanding balance of EUR 27.6 million, EUR 27.3 million is recorded under financial debt. The remaining balance (equity component) is entered in a specific capital account. The bonds carry a 5.0% p.a. coupon and had a 10-year tenor at issuance, with a put option for investors in July 2014. Only EUR 50,000 was repaid through the exercise of this put option in July 2014.

These bonds are convertible into shares. The initial conversion price was set at EUR 14.34 per share. This conversion price has been subject to adjustments in function of the dividend payments. The current conversion price (at 31 December 2016) is fixed at EUR 9.54. The bonds are convertible until 16 July 2017 into ordinary shares at the current conversion price.

Unless the bond is redeemed, converted or cancelled earlier, the bonds will be redeemed in cash on 23 July 2017 at par, together with the interest due and not yet paid. As the convertible bond will come to final maturity in July 2017, the bond has been reclassified in 2016 as long term debt maturing within one year. The fair value of the bond as of 31 December 2016 amounted to EUR 27.6 million.

(ii) Financial leases
This item consists mainly of two leases. The first one finances the new Insulation plant in Bourges (France) and has an outstanding amount as of 31 December 2016 of EUR 10.3 million and is at floating rate. The second one for buildings in Belgium, has an outstanding amount as of 31 December 2016 of EUR 2.0 million on the balance sheet and is at a fixed rate.

(iii) Bank loans – "club deal"
On 09 December 2011, Recticel concluded a new five-year club deal with 7 European banks for a multi-currency loan of EUR 175 million. The tenor of this 'club deal' facility has been extended in February 2016 for another five years. It currently will mature in February 2021.

II.5.16.2. Other financial liabilities

For interest rate swaps reference is made to II.5.17.

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Interest rate swaps	3 690	5 464
Interests from FX swaps	131	106
FX swaps contracts	316	0
Transactional hedges - operational	1 706	541
Derivatives at fair value	**5 843**	**6 111**
Other financial debt	389	284
Interest accruals	1 004	1 319
Total	**7 237**	**7 714**

II.5.17. Other amounts payable

in thousand EUR

Group Recticel	NON-CURRENT LIABILITIES		CURRENT LIABILITIES	
	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015
Customers' deposits	179	194	0	0
Other amounts payable	4	32	187	7 144
Total other debts payable	**183**	**226**	**187**	**7 144**

Current other amounts payable decreased per 31 December 2016 by EUR 7.0 million, which corresponds mainly to the last tranche of the EC fine (EUR 6.9 million) which was paid in April 2016.

II.5.18. Obligations under financial leases

in thousand EUR

Group Recticel	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015
Lease payments due within one year	3 975	3 652	3 613	3 199
Between one and five years	10 783	8 683	14 157	11 867
Over five years	0	0	0	0
Total lease payments	**14 758**	**12 335**	**17 770**	**15 066**
Future financial charges	(2 423)	-	(2 704)	-
Present value of lease obligations	**12 335**	**12 335**	**15 066**	**15 066**
Less amounts due for settlement within 12 months	-	(3 652)	-	(3 198)
Amounts due for settlement after 12 months	**-**	**8 683**	**-**	**11 868**

The financial leases were contracted by the operating affiliates to finance buildings amounting to EUR 12.3 million, with a funding cost ranging from 1.78% p.a. to 8.35% p.a.

II.5.19. Financial instruments and financial risks

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note II.1.3. to the financial statements.

Categories of financial instruments

in thousand EUR

Group Recticel	NOTES	31 DEC 2016	31 DEC 2015
Financial assets			
Interest rate swaps designated as cash flow hedge relationship	II.5.9.	0	1
Subtotal interest rate swaps designated as cash flow hedge relationship (b)		**0**	**1**
Fair value through profit or loss account ("FVTPL")			
FX swaps contracts		475	0
Transactional hedges - operational		1 172	585
Financial assets at fair value through profit & loss account (b)	II.5.9.	**1 646**	**585**
Non-current trade receivables (a)	II.5.6.	0	0
Current trade receivables	II.5.9.	101 506	83 407
Trade receivables (A)		**101 506**	**83 407**
Other non-current receivables (a)	II.5.6.	7 049	6 889
Cash advances & deposits (a)	II.5.6.	758	701
Other receivables (b)	II.5.9.	26 768	23 699
Other receivables (B)		**34 574**	**31 289**
Loans to affiliates	II.5.6.	3 883	3 882
Other loans	II.5.6.	2 170	2 123
Non current loans (a)		**6 053**	**6 005**
Financial receivables (b)	II.5.9.	41 146	31 043
Loans (C)		**47 199**	**37 048**
Cash and cash equivalents (D)	I.4. & II.5.10.	**37 174**	**55 967**
Total loans & receivables (A+B+C+D)		**220 454**	**207 711**
Other investments (available for sale investments)		517	1 106
Non-current receivables (sum of (a))	I.4. & II.5.6.	**13 860**	**13 595**
Other receivables (sum of (b))	I.4. & II.5.9.	**69 560**	**55 328**
Financial liabilities			
Interest rate swaps designated as cash flow hedge relationship		3 690	5 464
Subtotal interest rate swaps designated as cash flow hedge relationship (E)		**3 690**	**5 464**
Interests from FX swaps		131	106
FX swaps contracts		316	0
Transactional hedges - operational		1 706	541
Financial liability at fair value through profit & loss account (F)	II.5.16.	**2 153**	**647**
Non current financial liabilities at amortised cost (G) *	I.4. & II.5.16.	**97 050**	**40 363**
Current financial liabilities at amortised cost (H)	II.5.16.	**44 303**	**108 564**
Current financial liabilities (E+F+H)	I.4. & II.5.16.	**50 147**	**114 675**
Trade payables (I)	II.5.20.	**102 930**	**94 276**
Other non-current payables	II.5.17.	183	226
Other payables	II.5.20.	108 900	98 161
Other payables (J)	II.5.16.	**109 082**	**98 387**
Current financial liabilities (G+H+I+J)	I.4. & II.5.16.	**353 365**	**341 589**

* The carrying amount of the convertible bond amounts EUR 27.3 million (31 December 2015: EUR 26.6 million). Indicative fair value price per 31 December 2016 stood at EUR 27.6 million.

Footnote : FX swaps contracts are taken to hedge (1) financial FX exposure that results from current accounts balances of affiliates towards Recticel International in foreign currency and (2) financial FX exposure that results from long term loans and deposits to/from affiliates in foreign currencies. Transactional hedges are forward FX contracts taken to hedge the FX exposure resulting from the monetary assets and liabilities of affiliates booked in foreign currencies (Balance sheet exposure).

The Group uses the following hierarchy for determining and disclosing 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 effect on the recorded fair value that are not based on observable market data.

During the reporting period ending 31 December 2016, 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.

Fair value of financial instruments per **31 December 2016**

in thousand EUR

Group Recticel	DESIGNATED IN HEDGE RELATIONSHIP	AT FAIR VALUE THROUGH PROFIT OR LOSS - HELD FOR TRADING	AVAILABLE FOR SALE	LOANS & RECEIVABLES AT AMORTISED COST	FAIR VALUE	FAIR VALUE LEVEL
Financial assets						
Interest rate swaps designated as cash flow hedge relationship	0	0	0	0	0	2
Subtotal interest rate swaps designated as cash flow hedge relationship (b)	**0**	**0**	**0**	**0**	**0**	**2**
FX swaps contracts	0	475	0	0	475	2
Transactional hedges - operational	0	1 172	0	0	1 172	2
Financial assets at fair value through profit & loss account (b)	**0**	**1 646**	**0**	**0**	**1 646**	**2**
Non-current trade receivables (a)	0	0	0	0	0	2
Current trade receivables	0	0	0	101 506	101 506	2
Trade receivables (A)	**0**	**0**	**0**	**101 506**	**101 506**	**2**
Other non-current receivables (a)	0	0	0	7 049	7 049	2
Cash advances & deposits (a)	0	0	0	758	758	2
Other receivables (b)	0	0	0	26 768	26 768	2
Other receivables (B)	**0**	**0**	**0**	**34 574**	**34 574**	**2**
Loans to affiliates	0	0	0	3 883	3 883	2
Other loans	0	0	0	2 170	2 170	2
Non current loans (a)	**0**	**0**	**0**	**6 053**	**6 053**	**2**
Financial receivables (b)	0	0	0	41 146	41 146	2
Loans (C)	**0**	**0**	**0**	**47 199**	**47 199**	**2**
Cash and cash equivalents (D)	**0**	**0**	**0**	**37 174**	**37 174**	**2**
Total loans & receivables (A+B+C+D)	**0**	**0**	**0**	**220 454**	**220 454**	
Other investments (available for sale investments)	0	0	517	0	517	2
Non-current receivables (sum of (a))	**0**	**0**	**0**	**13 860**	**13 860**	
Other receivables (sum of (b))	**0**	**1 646**	**0**	**67 914**	**69 560**	
Financial liabilities						
Interest rate swaps designated as cash flow hedge relationship	3 690	0	0	0	3 690	2
Subtotal interest rate swaps designated as cash flow hedge relationship (E)	**3 690**	**0**	**0**	**0**	**3 690**	**2**
Interests from FX swaps	0	131	0	0	131	2
FX swaps contracts	0	316	0	0	316	2
Transactional hedges - operational	0	1 706	0	0	1 706	2
Financial liability at fair value through profit & loss account (F)	**0**	**2 153**	**0**	**0**	**2 153**	**2**
Non current financial liabilities at amortised cost (G)	**0**	**0**	**0**	**97 050**	**97 050**	**2**
Current financial liabilities at amortised cost (H)	**0**	**0**	**0**	**44 303**	**44 303**	**2**
Current financial liabilities (E+F+H)	**3 690**	**2 153**	**0**	**44 303**	**50 147**	
Trade payables (I)	0	**0**	**0**	**102 930**	**102 930**	**2**
Other non-current payables	0	0	0	183	183	2
Other payables	0	0	0	108 900	108 900	2
Other payables (J)	**0**	**0**	**0**	**109 082**	**109 082**	**2**
Current financial liabilities (G+H+I+J)	**0**	**0**	**0**	**353 365**	**353 365**	

Fair value of financial instruments per **31 December 2015**

in thousand EUR

Group Recticel	DESIGNATED IN HEDGE RELATIONSHIP	AT FAIR VALUE THROUGH PROFIT OR LOSS - HELD FOR TRADING	AVAILABLE FOR SALE	LOANS & RECEIVABLES AT AMORTISED COST	FAIR VALUE	FAIR VALUE LEVEL
Financial assets						
Interest rate swaps designated as cash flow hedge relationship	1	0	0	0	1	2
Subtotal interest rate swaps designated as cash flow hedge relationship (b)	**1**	**0**	**0**	**0**	**1**	**2**
Transactional hedges - operational	0	585	0	0	585	2
Financial assets at fair value through profit & loss account (b)	**0**	**585**	**0**	**0**	**585**	**2**
Non-current trade receivables (a)	0	0	0	0	0	2
Current trade receivables	0	0	0	83 407	83 407	2
Trade receivables (A)	**0**	**0**	**0**	**83 407**	**83 407**	**2**
Other non-current receivables (a)	0	0	0	6 889	6 889	2
Cash advances & deposits (a)	0	0	0	701	701	2
Other receivables (b)	0	0	0	23 699	23 699	2
Other receivables (B)	**0**	**0**	**0**	**31 289**	**31 289**	**2**
Loans to affiliates	0	0	0	3 882	3 882	2
Other loans	0	0	0	2 123	2 123	2
Non current loans (a)	**0**	**0**	**0**	**6 005**	**6 005**	**2**
Financial receivables (b)	0	0	0	31 043	31 043	2
Loans (C)	**0**	**0**	**0**	**37 048**	**37 048**	**2**
Cash and cash equivalents (D)	**0**	**0**	**0**	**55 967**	**55 967**	**2**
Total loans & receivables (A+B+C+D)	**0**	**0**	**0**	**207 711**	**207 711**	
Other investments (available for sale investments)	0	0	1 106	0	1 106	2
Non-current receivables (sum of (a))	**0**	**0**	**0**	**13 595**	**13 595**	
Other receivables (sum of (b))	**1**	**585**	**0**	**54 742**	**55 328**	
Financial liabilities						
Interest rate swaps designated as cash flow hedge relationship	5 464	0	0	0	5 464	2
Subtotal interest rate swaps designated as cash flow hedge relationship (E)	**5 464**	**0**	**0**	**0**	**5 464**	**2**
Interests from FX swaps	0	106	0	0	106	2
Transactional hedges - operational	0	541	0	0	541	2
Financial liability at fair value through profit & loss account (F)	**0**	**647**	**0**	**0**	**647**	**2**
Non current financial liabilities at amortised cost (G)	**0**	**0**	**0**	**40 363**	**40 932**	**2**
Current financial liabilities at amortised cost (H)	**0**	**0**	**0**	**108 564**	**108 564**	**2**
						2
Current financial liabilities (E+F+H)	**5 464**	**647**	**0**	**108 564**	**114 675**	
Trade payables (I)	0	**0**	**0**	**94 276**	**94 276**	**2**
Other non-current payables	0	0	0	226	226	2
Other payables	0	0	0	98 161	98 161	2
Other payables (J)	**0**	**0**	**0**	**98 387**	**98 387**	**2**
Current financial liabilities (G+H+I+J)	**0**	**0**	**0**	**341 589**	**341 589**	

Credit risk management

Reference is made to II.5.9. – Trade receivables and other receivables.

Financial risk management

The Group is managing a portfolio of derivative financial instruments to hedge foreign exchange and interest rate exposures resulting from operational and financial activities. It is the Group's policy not to engage in speculative or leveraged transactions nor to hold or issue derivative financial instruments for trading purposes.

Interest rate risk management

Recticel is hedging the interest rate risk linked to its interest-bearing borrowings on a global basis. The main hedging instruments used to convert floating rate debt into fixed rate debt are Interest Rate Swaps (IRS). The amount of fixed rate arrangements in relation to total financial debt is reviewed on an on-going basis by the Finance Committee and adjusted as and when deemed appropriate. In this, the Finance Committee aims at maintaining an appropriate balance between fixed and floating rate arrangements based on a philosophy of sound spreading of interest rate risks.

In an interest rate swap ("IRS") agreement, the Group undertakes to pay or receive the difference between the amounts of interest at fixed and floating rates on a nominal amount. This type of agreement enables the Group to fix the rate on a portion of its floating rate debt in order to be protected against the risk of higher interest charges on a loan at floating interest rates.

The market value of the portfolio of interest rate swaps on the balance sheet date is the discounted value of the future cash flows from the contract, using the interest rate curves at that date.

The current portfolio of IRS covers a portion of interest-bearing borrowings until February 2017 for EUR 10 million, until February 2018 for EUR 67 million and until October 2019 for EUR 10 million. The total IRS portfolio (EUR 87 million) qualifies for hedge accounting under the rules of IAS 39.

The weighted average life of the IRS portfolio is 1.2 years.

On 31 December 2016, the fair value of the interest rate swaps was estimated at EUR -3.7 million. The revaluation of the IRS portfolio directly impacts the Group equity (and not the profit and loss accounts) since these instruments are benefiting from a hedge accounting treatment based on periodic effectiveness testing validating the fact that those hedges perfectly match characteristics of underlying debt.

The convertible bond (of which a EUR 27.3 million portion is booked as financial debt) and a portion of the total financial leases (i.e. EUR 2.0 million) were issued at a fixed rate; most other bank debt is contracted at floating rate. A current portfolio of derivative products provides a global hedge for a total of EUR 87.0 million at 31 December 2016, meaning that total fixed-rate arrangements represent 57% of the total net debt including 'off-balance' factoring.

For **2016**

1. Hedge accounting

in thousand EUR

Group Recticel	AT THE END OF THE PRECEDING PERIOD	PAYMENT OF INTERESTS	FAIR VALUE RECOGNIZED IN EQUITY	INTEREST RECOGNIZED IN INCOME STATEMENT	TRANSFER	AT THE END OF THE CURRENT PERIOD
Interest Rate Swaps (IRS) assets	1	(1)	0	0	0	0
Interest Rate Swaps (IRS) liabilities	(5 464)	2 321	1 857	(2 404)	0	(3 690)
Net position	**(5 463)**	**2 320**	**1 857**	**(2 404)**	**0**	**(3 690)**

The table does not comprise the deferred tax impact of EUR -0.648 million.

For **2015**

1. Hedge accounting

in thousand EUR

Group Recticel	AT THE END OF THE PRECEDING PERIOD	PAYMENT OF INTERESTS	FAIR VALUE RECOGNIZED IN EQUITY	INTEREST RECOGNIZED IN INCOME STATEMENT	TRANSFER	AT THE END OF THE CURRENT PERIOD
Interest Rate Swaps (IRS) assets	6	0	0	(5)	0	1
Interest Rate Swaps (IRS) liabilities	(7 035)	2 125	1 625	(2 179)	0	(5 464)
Net position	**(7 029)**	**2 125**	**1 625**	**(2 184)**	**0**	**(5 463)**

The table does not comprise the deferred tax impact of EUR -0.553 million.

in EUR

Group Recticel	OUTSTANDING IRS PORTFOLIO AS OF 31 DEC 2016						
START	MATURITY	RATE	2016	2017	2018	2019	FAIR VALUE AS PER 31 DEC 2016
22/02/14	22/02/17	1.05%	10 000	0	0	0	(65)
22/02/13	22/02/18	1.07%	7 000	7 000	0	0	(135)
22/02/13	22/02/18	3.96%	25 000	25 000	0	0	(1 594)
22/02/13	22/02/18	3.80%	12 500	12 500	0	0	(768)
22/02/13	22/02/18	3.64%	12 500	12 500	0	0	(737)
22/02/14	22/02/18	1.12%	10 000	10 000	0	0	(202)
6/10/14	6/10/19	0.48%	10 000	10 000	10 000	10 000	(189)
	Average rate	**2.60%**	**87 000**	**77 000**	**10 000**	**10 000**	**(3 690)**

Sensitivity on interest rate

The Group's interest rate risk exposure derives from the fact that it finances at both fixed and variable interest rates. The Group manages the risk centrally through an appropriate structure of loans at fixed and variable interest rates and through interest rate swaps (IRS). The interest rate hedges are evaluated regularly to bring them in line with the Group's view on the trend in interest rates on the financial markets, with the aim of optimising interest charges throughout the various economic cycles.

Equity impact

Had the interest rates yield curve risen by 100 basis points, with all other parameters unchanged, the Group's profit in 2016 would not have been impacted by the change in 'marked-to-market' value of the derivatives. However the reserves in equity would have increased by EUR +1.2 million as a result of the change in the 'marked-to-market' value of the interest rate swaps concluded to hedge the outstanding debts (compared to EUR +1.6 million in 2015).

Conversely, had the interest rates yield curve fallen by 100 basis points, with all other parameters unchanged, the reserves in equity would have decreased by EUR -1.2 million as a result of the fall in the 'marked-to-market' value of the interest rate swaps concluded to hedge the debts (compared to EUR -1.9 million in 2015).

The sensitivity to interest rate variations decreased in 2016 compared to 2015, due to the effect of a lower modified duration. In 2016 the nominal amount of the portfolio remained the same as in 2015 (EUR 87.0 million).

Profit and loss impact

Had the interest rates yield curve risen by 100 basis points, with all other parameters unchanged, the Group's profit in 2016 would have decreased by EUR -0.9 million, compared to EUR -0.9 million in 2015.

Conversely, had the interest rates yield curve fallen by 100 basis points, with all other parameters unchanged, the Group's profit in 2016 would have increased by EUR +0.9 million, compared to EUR +0.9 million in 2015.

Exchange risk management

It is the Group's policy to hedge foreign exchange exposures resulting from financial and operational activities via Recticel International Services s.a./n.v. (RIS), which acts as internal bank of the Group. This hedging policy is mainly implemented through forward exchange contracts.

In general, the Group concludes forward exchange contracts to cover foreign exchange risks on incoming and outgoing payments in foreign currency. The Group also concludes forward exchange contracts and option contracts to cover exchange risks associated with planned sales and purchases of the year, at a percentage which varies according to the predictability of the payment flows.

At balance sheet date, forward exchange contracts were outstanding for a notional value of EUR 209.8 million and with a total fair value of EUR +0.4 million. The currency swap contracts, maturing within 12 months, have a notional value of EUR 132.9 million, corresponding to a total fair value of EUR 0.2 million. At balance sheet date, no currency option contracts were outstanding. Recticel does not apply hedge accounting treatment to FX contracts as they are all less than 1 year.

Overview of forward exchange contracts

For **2016:**

in thousand EUR

Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2016	FAIR VALUE NEGATIVE AT 31 DEC 2016	NET FAIR VALUE AT 31 DEC 2016	RECOGNISED IN THE INCOME STATEMENT OF 2016	RECOGNISED IN THE INCOME STATEMENT OF PREVIOUS YEARS
Forward purchasing contracts less than 6 months	73 679	1 820	(316)	1 504	6 082	1 570
Forward purchasing contracts more than 6 months	21 354	98	(386)	(288)	3 626	2 930
Forward sale contracts less than 6 months	88 878	173	(1 551)	(1 378)	(2 092)	(762)
Forward sale contracts more than 6 months	25 913	84	(284)	(200)	(2 235)	48
Total forward exchange contracts	**209 824**	**2 175** (a)	**(2 537)** (b)	**(362)**	**5 381**	**3 786**

For **2015:**

in thousand EUR

Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2015	FAIR VALUE NEGATIVE AT 31 DEC 2015	NET FAIR VALUE AT 31 DEC 2015	RECOGNISED IN THE INCOME STATEMENT OF 2015	RECOGNISED IN THE INCOME STATEMENT OF PREVIOUS YEARS
Forward purchasing contracts less than 6 months	10 156	0	(98)	(98)	1 570	554
Forward purchasing contracts more than 6 months	0	0	0	0	2 930	148
Forward sale contracts less than 6 months	12 575	40	(15)	25	(762)	255
Forward sale contracts more than 6 months	0	0	0	0	48	192
Total forward exchange contracts	**22 731**	**40** (a)	**(113)** (b)	**(73)**	**3 786**	**1 149**

For **2016:**

Overview of currency swap contracts

in thousand EUR

Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2016	FAIR VALUE NEGATIVE AT 31 DEC 2016	FAIR VALUE NET AT 31 DEC 2016
Sales / Purchases	98 429	624	(287)	337
Purchases / Sales	34 483	112	(290)	(178)
Total currency swap contracts	**132 911**	**736** (a)	**(577)** (b)	**159**

For **2015:**

in thousand EUR

Group Recticel	NOMINAL VALUE	FAIR VALUE POSITIVE AT 31 DEC 2015	FAIR VALUE NEGATIVE AT 31 DEC 2015	FAIR VALUE NET AT 31 DEC 2015
Sales / Purchases	57 805	188	(166)	22
Purchases / Sales	29 348	430	(20)	410
Total currency swap contracts	**87 153**	**618** (a)	**(186)** (b)	**432**

in thousand EUR

Group Recticel	2016	2015
Assets (sum of (a))	1 172	585
Liabilities (sum of (b))	(1 706)	(541)
FX forward contracts	**(534)**	**44**

Sensitivity analysis on the foreign exchange risks

The Group deals mainly in 5 currencies outside the euro zone: GBP, USD, CHF, SEK, and CZK.

The following table details the sensitivity of the Group to a positive or negative variation, compared to the annual variation in the pairs of currencies during the previous financial year.

The sensitivity analysis covers only the financial amounts in foreign currency which are recognised in the balance sheet and which are outstanding at 31 December, and determines their variations at the conversion rates based on the following assumptions: USD and GBP 10%; CZK, CHF and SEK 5%.

The following table details the Group's sensitivity in profit or loss or equity to a respectively 10% increase (or decrease) of the US Dollar and Pound Sterling against the Euro, and 5% increase and decrease of the Czech Crown, Swedish Krona and Swiss Franc against the Euro. The percentages applied in this sensitivity analysis represent the management's assessment of the volatility of these currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10%, respectively 5%, change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. It includes also the foreign exchange derivatives (not designated as hedging instruments).

A positive number indicates an increase in profit or equity when the Euro weakens by respectively 10% against the US Dollar or the Pound Sterling, or 5% against the Czech Crown, Swedish Krona or Swiss Franc. For a respectively 10% strengthening of the Euro against the US Dollar or the Pound Sterling, or 5% against the Czech Crown, Swedish Krona or Swiss Franc, there would be a comparable opposite impact on the profit or equity (i.e. the impact would be negative).

in thousand EUR

Group Recticel	Strengthening of USD versus EUR		Strengthening of GBP versus EUR		Strengthening of CZK versus EUR		Strengthening of SEK versus EUR		Strengthening of CHF versus EUR	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Historical average variation	10%	10%	10%	10%	5%	5%	5%	5%	5%	5%
Profit or (loss) recognized in the P&L account	5 512	78	160	2 959	2 020	232	(471)	(264)	461	193
Profit or (loss) recognized in equity	0	0	0	0	0	0	0	0	0	(272)
Financial assets *	61 150	32 926	6 538	50 001	24 171	51 796	2 255	1 452	36 326	7 198
Financial liabilities *	(70 342)	(33 619)	(40 296)	(20 416)	(28 962)	(22 345)	(7 950)	(6 736)	(34 913)	(15 893)
Derivatives	64 316	1 473	35 358	0	45 199	(24 816)	(3 735)	0	7 810	0
Total net exposure	**55 124**	**780**	**1 600**	**29 585**	**40 409**	**4 635**	**(9 429)**	**(5 284)**	**9 223**	**(8 695)**

* includes trade and other receivables and trade and other payables.

Financial assets and liabilities represent the foreign currency exposure of the different subsidiaries of the Group in relation to their local currency.

Liquidity risk

The financing sources are well diversified and the bulk of the debt is irrevocable and long-term. This debt includes the EUR 57.5 million convertible bond loan concluded in July 2007 and expiring in July 2017 (of which EUR 11.2 million was bought back in 2008, EUR 17.3 million in 2009 and EUR 1.4 million in 2011). It also includes the 5-year club deal concluded on 09 December 2011 for an amount of EUR 175 million, which was extended in February 2016 for a new 5-year period until February 2021. In addition, the Group still holds EUR 12.5 million in other long-term debt.

In addition to these long-term loans, the Group has a diversified range of short-term financing sources, including non-recourse factoring programmes.

The diversified financing structure and the availability of committed unused credit facilities for EUR 84.6 million (2015: EUR 91.4 million) guarantee the necessary liquidity to ensure the future activities and to meet the short- and medium-term financial commitments.

The Group does not enter in financial instruments that require cash deposits or other guarantees (e.g. margin calls).

the club deal financing agreement is subject to bank covenants based on an adjusted leverage ratio, an adjusted interest cover and a minimum equity requirement. At the end of 2016, Recticel complied with all its bank covenants. On the basis of the 2017 budget and the business plan management expects to be in a position to meet its bank covenants in the coming year.

Under the club deal financing agreement, the maximum dividend authorised for distribution amounts to the highest of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 12.0 million.

The convertible bond issued by Recticel is not subject to any financial covenants.

For the year ending 2016

in thousand EUR

Group Recticel	Notes	Maturing within one year	Maturing between 1 and 5 years	Maturing after 5 years	Total long- term	Future financial charges	Carrying amount	
Bonds and notes		28 763	0	0	**28 763**	(1 494)	**27 269**	
Financial leases		3 975	10 783	0	**14 758**	(2 423)	**12 335**	
Bank loans		230	88 301	0	**88 531**	(1 942)	**86 589**	
Other loans		260	905	1 090	**2 255**	(228)	**2 027**	
Total Financial liabilities - long term		**33 228**	**99 990**	**1 090**	**134 307**	**(6 087)**	**128 220**	II.5.16.1.
Bank loans		860						
Bank loans - forfeiting		0						
Bank loans - factoring with recourse		701						
Bank overdraft		10 178						
Other financial debt		315						
Current accounts & cash pooling		74						
Accrued liabilities - financial short term		22						
Total Financial liabilities - short term (a)		**12 150**						
Interest rate swaps		63	3 627	0	3 690			
Interest from FX swaps		131			131			
FX swap contracts		316			316			
Trading/economic hedge		1 706	0	0	1 706			
Derivative instruments at fair value (b)		**2 216**	**3 627**	**0**	**5 843**			

Grand total financial liabilities due within one year		**47 594**

Non-current financial liabilities	I.4.	97 049
Current portion of non-current financial liabilities (b)		31 171
Total		**128 220**

Total financial liabilities - short term (a)		12 150
Derivative instruments at fair value (b)		5 843
Current portion of non-current financial liabilities (c)		31 171
Interest accruals on non-current financial liabilities		982
Total current financial liabilities	**I.4.**	**50 147**

For the year ending 2015

in thousand EUR

Group Recticel	NOTES	MATURING WITHIN ONE YEAR	MATURING BETWEEN 1 AND 5 YEARS	MATURING AFTER 5 YEARS	TOTAL LONG- TERM	FUTURE FINANCIAL CHARGES	CARRYING AMOUNT	
Bonds and notes		1 614	33 190	0	**34 804**	(8 173)	**26 631**	
Financial leases		3 613	14 157	0	**17 770**	(2 704)	**15 066**	
Bank loans		90 183	0	0	**90 183**	(499)	**89 684**	
Other loans		275	932	1 630	**2 837**	(702)	**2 135**	
Total Financial liabilities - long term		**95 685**	**48 279**	**1 630**	**145 594**	**(12 078)**	**133 516**	II.5.16.1.
Bank loans		9 918						
Bank loans - forfeiting		2 217						
Bank loans - factoring with recourse		807						
Bank overdraft		866						
Other financial debt		217						
Current accounts & cash pooling		67						
Accrued liabilities - financial short term		141						
Total Financial liabilities - short term (a)		**14 233**						
Interest rate swaps		0	5 464	0	5 464			
Interest from FX swaps		106			106			
Trading/economic hedge		541			541			
Derivative instruments at fair value (b)		**647**	**5 464**	**0**	**6 111**			

Grand total financial liabilities due within one year		**110 565**
Non-current financial liabilities	I.4.	40 363
Current portion of non-current financial liabilities (b)		93 153
Total		**133 516**
Total financial liabilities - short term (a)		14 233
Derivative instruments at fair value (b)		6 111
Current portion of non-current financial liabilities (c)		93 153
Interest accruals on non-current financial liabilities		1 178
Total current financial liabilities	**I.4.**	**114 675**

II.5.20. Trade and other payables

Trade payables principally comprise amounts outstanding for trade purchases. Higher trade payables are explained by higher activity levels and raw material price increases in the last quarter of the year.

Other current amounts payable increased by EUR 10.7 million, including a reduction by EUR 6.9 million following the payment of the last tranche of the EC fine in April 2016. This increase is mainly the result of other debt resulting from reverse factoring programs with suppliers (EUR +5.8 million), payroll and social security liabilities (EUR +5.0 million), other operating accruals (EUR +6.5 million) and higher VAT payable and current taxes linked to the higher activities (EUR +0.9 million).

II.5.21. Business combinations and disposals

In December 2016 Recticel acquired a 50% participation in the joint venture Turvac (Slovenia - Insulation).

In February 2015 Recticel divested its 50% participation in the joint venture Kingspan Tarec Industrial Insulation (KTII) (Belgium and UK; Insulation). KTII has been sold for a consideration of EUR 8.7 million (equity value: EUR 7.1 million), resulting in a capital gain of EUR 1.6 million.

There were no other material business combinations during 2016.

II.5.22. Capital structure

Level of debt

At the end of 2016, the consolidated net financial debt, excluding the amounts drawn under the off-balance non-recourse factoring programs, increased to EUR 108.4 million (end 2015: EUR 98.5 million). Consolidated net financial debt amounted to 43.1% % of equity (2015: 39.6%). The Group aims for further gradual debt reduction in the coming years.

II.6. Miscellaneous

II.6.1. Operating lease arrangements

Operating lease payments represent the sum of non-discounted future rental payments for certain of industrial and/or office properties and for certain production, logistic and /or administrative equipment:

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Payments due within one year	(22 810)	(23 089)
Between one and five years	(52 006)	(53 102)
Over five years	(25 957)	(28 186)
Minimal future payments	**(100 772)**	**(104 377)**

The below table only comprises the recognized lease payments of the financial period.

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Operating lease - land and buildings	(17 168)	(15 985)
Operating lease - plant, machinery and equipment	(3 507)	(2 784)
Operating lease - furniture	(294)	(305)
Operating lease - vehicules	(7 204)	(7 875)
Total	**(28 173)**	**(26 949)**

II.6.2. Other off-balance sheet items

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Guarantees given or irrevocably promised by Recticel SA/NV as security for debts and commitments of companies	82 780	92 245

These guarantees include mainly parental corporate guarantees and letters of comfort for commitments contracted by subsidiaries with banks (EUR 47.6 million), lessors (EUR 19.6 million), governmental institutions (EUR 3.1 million) and other third parties (EUR 12.5 million).

As already mentioned above, in December 2011, Recticel s.a./n.v. and Recticel International Services s.a./n.v. concluded a joint credit facility agreement ('club deal') amounting to EUR 175 million, which in February 2016 has been extended for 5 years until February 2021. Under this club deal and the agreement relating to the subordinated loans, Recticel s.a./n.v. and/or its subsidiaries have granted a floating charge mandate in favour of the banks up to a maximum amount of EUR 175 million plus interest and related costs.

II.6.3. Share-based payments

The Recticel Group has implemented a warrant plan for its leading managers. .

The table below gives the overview of all outstanding warrants per 31 December 2016:

ISSUE	NUMBER OF WARRANTS OUTSTANDING	EXERCISE PRICE (IN EUR)	EXERCISE PERIOD [1]
2006	357 992	8.09	01 Jan 10 - 21 Dec 17
May 2007	51 909	8.77	01 Jan 11 - 01 May 18
Dec 2007	465 390	8.20	01 Jan 11 - 02 Dec 18
May 2011	399 758	6.44	01 Jan 15 - 29 May 17
Dec 2011	193 457	3.38	01 Jan 15 - 21 Dec 17
Dec 2012	239 826	4.15	01 Jan 16 - 20 Dec 18
Apr 2014	358 112	5.64	1 Jan 18 - 28 Apr 20
Jun 2015	304 000	4.31	1 Jan 19 - 22 Jun 21
Apr 2016	317 500	5.73	29 Apr 19 - 29 Apr 25
Total	**2 687 944**		

All warrants have a vesting period of 3 years. Beneficiaries can lose the right to exercise their warrants in case of voluntary leave of dismissal for misconduct.

The expense recognised for the year for the share-based payments amounts to EUR 0.168 million (2015: EUR 0.165 million).

A more general overview showing the trend during 2016 is given below:

in units

Group Recticel	2016	2015
Warrants - end of period (31 Dec)	2 687 944	2 701 356
Weighted average exercise price (in EUR)	6.15	5.90
Outstanding at the beginning of the period	2 701 356	2 325 000
Granted during the period (adjustment for rights' issue May 2015)	0	448 862
Granted during the period (new)	317 500	304 000
Expired during the period	0	42 958
Exercised during the period	330 912	333 548
Outstanding at the end of the period	2 687 944	2 701 356
Total exercisable at the end of the period	1 707 752	1 680 178
Total 'in-the-money' at the end of the period	736 703	1 068 195
Total exercisable and 'in-the-money' at the end of the period	432 703	405 128

The warrants outstanding at 31 December 2016 had a weighted average exercise price of EUR 6.15, and a weighted average remaining contractual life of 2.62 years.

The Group follows the transitional provisions prescribed by IFRS 2 (i.e. equity instruments granted after 7 November 2002 and not yet vested on 1 January 2008).

In 2016, 330,912 warrants were exercised at a weighted average exercise price of EUR 3.66. The average closing price of period between which these warrants were exercised (between 31 May 2016 and 23 December 2016) was EUR 5.58 per share. The average daily closing price for the full year 2016 was EUR 5.56 per share. One new warrant plan (317,500 warrants with exercise price of EUR 5.73) was issued in April 2016.

To date, the Group has not issued share appreciation rights to any of its managers or employees, nor has it implemented any share purchase plan.

The theoretical value of the warrants at issuance is calculated by applying the Black & Scholes formula, and taking into account certain assumptions regarding dividend payment (last dividend compared to share price) (dividend yield: 2.44%), interest rate (Euribor 5 years) (0.0001%) and volatility (stock market data on the Recticel share) (23%). For the issue of June 2016 the fair value amounted to EUR 0.7856 per warrant.

Overview of the outstanding warrants and shares held by the members of the current (01 March 2017) Management Committee:

in units

ISSUE[a]	NUMBER OF WARRANTS HELD BY THE MEMBERS OF THE CURRENT MANAGEMENT COMMITTEE
2006	41 766
May 2007	3 580
Dec 2007	55 490
May 2011	130 668
Dec 2011	69 355
Dec 2012	103 222
Apr 2014	103 222
Jun 2015	110 000
Jun 2016	125 000
Total	**742 303**

[a] the conditions of the various issues are reflected in the global overview table herabove.

The following members of the Management Committee received the following warrants for the 2016 series:

Name	TOTAL NUMBER OF WARRANTS	TOTAL THEORETICAL VALUE OF WARRANTS AT ISSUANCE - IN EUR (*)
Olivier Chapelle	45 000	35 370
Ralf Becker	15 000	11 790
Betty Bogaert	15 000	11 790
Philipp Burgtorf (1)	15 000	11 790
Marc Clockaerts (2)	15 000	11 790
François Desné (3)	0	0
Jean-Pierre De Kesel	15 000	11 790
Bart Massant	15 000	11 790
Jean-Pierre Mellen	15 000	11 790
Jan Meuleman	15 000	11 790
François Petit	15 000	11 790
Dirk Verbruggen	15 000	11 790

(1) until 20 January 2017
(2) until 29 April 2016
(3) from 19 October 2016
(*) The theoretical value is calculated by using a Black & Scholes formula, and taken into account certain hypotheses regarding dividend yield, interest rate and volatility.

II.6.4. Events after the balance sheet date

• Automotive Interiors – Czech Republic

On 22 January 2017, a serious fire incident occurred in one of the production halls of the Automotive-Interiors site in Most (Czech Republic). As a result of this, RAI Most s.r.o., a 100% subsidiary of Recticel, had to declare force majeure to its customers. Recticel and its customers, supported by the affected OEMs PSA Peugeot Citroën, Renault, Daimler, BMW and Volkswagen, have been closely cooperating to elaborate the solutions and alternative production plans, in order to allow as early as possible a gradual restart of the production of parts, and to minimize the disruption at the customers' assembly plants.

Since 27 January 2017, intense engineering and contractor work is on-going in Most and in other facilities of the division to which some production has been transferred. As a result, production has progressively restarted to the maximum possible extent on most of the parts originally produced in Most, and although the situation is not yet normalized, deliveries to the Tier 1 customers have resumed where possible.

RAI Most s.r.o. is insured according to industry standards. To date (March 2017), the non-recurring financial negative impact is assessed at EUR 4 million, including the insurance deductibles. Going forward, Recticel will keep the market informed of any new developments in this regard.

The plant in Most produces - on the basis of the patented Colo-Fast® and Colo-Sense® Lite spray technologies - elastomer interior trim parts for cars, such as skins for dashboard and door panels, which are sold to various Tier-1 automotive suppliers. In 2016, RAI Most s.r.o. realised sales of CZK 547 million (EUR 20.3 million) and employed 390 people.

II.6.5. Related party transactions

Transactions between Recticel s.a./n.v. and its subsidiaries, which are related parties, have been eliminated in the consolidation and are not disclosed in this note. Transactions with other related parties are disclosed below, and concern primarily commercial transactions done at prevailing market conditions. The tables below include only transactions considered to be material, i.e. exceeding a total of EUR 1 million.

Transactions with joint ventures and associates: 2016

in thousand EUR

Group Recticel	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES	REVENUES	PURCHASES
Total Orsafoam companies	0	7	1 443	221	0	165	(434)
Total Eurofoam companies	0	2 587	0	3 189	0	23 951	(24 863)
Total Proseat companies	3 883	1 857	15 630	83	13 160	23 566	211
TOTAL	**3 883**	**4 451**	**17 074**	**3 492**	**13 160**	**47 682**	**(25 086)**

Transactions with joint ventures and associates: 2015

in thousand EUR

Group Recticel	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES	REVENUES	PURCHASES
Total Orsafoam companies	0	634	1 298	318	1	207	(642)
Total Eurofoam companies	0	1 880	42	2 582	0	24 886	(25 827)
Kingspan Tarec Industrial Insulation nv	0	0	0	0	0	0	0
Total Proseat companies	3 882	3 065	8 429	56	13 340	28 803	191
TOTAL	**3 882**	**5 579**	**9 769**	**2 956**	**13 341**	**53 896**	**(26 278)**

II.6.6. Remuneration of the Board of Directors and of the Management Committee

The remuneration of the members of the Board of Directors and of the Management Committee is included in this note. For more information, reference is made to the remuneration report in the section 'Corporate Governance' of this annual report.

Gross remuneration for the members of the Board of Directors : 2016

in EUR

NAME	DIRECTOR'S FEES 2016	ATTENDENCE FEES BOARD 2016	AUDIT COMMITTEE 2016	REMUNERATION AND NOMINATION COMMITTEE 2016	REMUNERATION FOR SPECIAL ASSIGNMENTS 2016	TOTAL (GROSS) 2016
JOHNNY THIJS BVBA	25 900.00	20 000.00	5 550.00	7 400.00	-	58 850.00
OLIVIER CHAPELLE BVBA	12 950.00	10 000.00	-	-	-	22 950.00
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	12 950.00	10 000.00	5 550.00	-	-	28 500.00
COMPAGNIE DU BOIS SAUVAGE SA	11 100.00	10 000.00	1 850.00	-	-	22 950.00
ENTREPRISES ET CHEMINS DE FER EN CHINE SA	11 100.00	10 000.00	-	3 700.00	-	24 800.00
IMRADA BVBA	11 100.00	10 000.00	5 550.00	-	-	26 650.00
REVAM BVBA	12 950.00	10 000.00	7 400.00	-	-	30 350.00
REVALUE BVBA	12 950.00	10 000.00	14 800.00	1 850.00	-	39 600.00
Kurt PIERLOOT	12 950.00	10 000.00	-	3 700.00	-	26 650.00
Danielle ZOETE	7 400.00	5 824.18	-	-	-	13 224.18
MARION DEBRUYNE BVBA	3 700.00	4 175.82	1 850.00	-	-	9 725.82
Patrick VAN CRAEN	5 550.00	4 175.82	-	-	-	9 725.82
Jacqueline ZOETE	5 550.00	4 175.82	-	-	-	9 725.82
TOTAL	**146 150.00**	**118 351.64**	**42 550.00**	**16 650.00**	**0.00**	**323 701.64**

Gross remuneration for the members of the Board of Directors : 2015

in EUR

NAME	DIRECTOR'S FEES 2015	ATTENDENCE FEES BOARD 2015	AUDIT COMMITTEE 2015	REMUNERATION AND NOMINATION COMMITTEE 2015	REMUNERATION FOR SPECIAL ASSIGNMENTS 2015	TOTAL (GROSS) 2015
Etienne DAVIGNON	7 269.23	13 200.00	10 000.00	-	-	30 469.23
OLIVIER CHAPELLE BVBA	9 000.00	16 500.00	-	-	-	25 500.00
André BERGEN Comm. V.	3 634.62	6 600.00	15 000.00	2 500.00	-	27 734.62
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	9 000.00	13 200.00	-	2 500.00	-	24 700.00
COMPAGNIE DU BOIS SAUVAGE SA	9 000.00	16 500.00	5 000.00	-	-	30 500.00
Pierre-Alain DE SMEDT	3 634.62	4 950.00	-	3 750.00	-	12 334.62
ENTREPRISES ET CHEMINS DE FER EN CHINE SA	9 000.00	14 850.00	-	2 500.00	-	26 350.00
Marion DEBRUYNE BVBA	9 000.00	14 850.00	-	2 500.00	-	26 350.00
IMRADA BVBA	9 000.00	14 850.00	5 000.00	-	-	28 850.00
REVAM BVBA	9 000.00	14 850.00	15 000.00	-	-	38 850.00
Patrick VAN CRAEN	9 000.00	16 500.00	7 500.00	-	-	33 000.00
Johnny THIJS BVBA	10 780.22	19 800.00	2 500.00	3 750.00	-	36 830.22
REVALUE BVBA	5 390.11	9 900.00	7 500.00	-	-	22 790.11
Kurt PIERLOOT	5 390.11	9 900.00	-	2 500.00	-	17 790.11
Jacqueline ZOETE	9 000.00	16 500.00	-	-	-	25 500.00
TOTAL	**117 098.98**	**202 950.00**	**67 500.00**	**20 000.00**	**0.00**	**407 548.91**

Gross remuneration for the members of the Management Committee

in EUR

TOTAL COST FOR THE COMPANY	OLIVIER CHAPELLE SPRL REPRESENTED BY OLIVIER CHAPELLE		OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2016	2015	2016	2015	2016	2015
Number of persons	1	1	11	11	12	12
Fixed remuneration	500 000	486 000	2 295 700	2 749 619	2 795 700	3 235 619
Variable remuneration	497 250	437 000	1 101 548	1 165 514	1 598 798	1 602 514
Subtotal	**997 250**	**923 000**	**3 397 248**	**3 915 133**	**4 394 498**	**4 838 133**
Pensions	0	0	192 254	228 888	192 254	228 888
Other benefits	38 328	38 040	230 979	285 773	269 307	323 813
Total	**1 035 578**	**961 040**	**3 820 481**	**4 429 794**	**4 856 059**	**5 390 834**

II.6.7. Exchange rates

in EUR

Group Recticel		CLOSING RATE		AVERAGE RATE	
		2016	2015	2016	2015
Bulgarian Lev	BGN	0.511300	0.511300	0.511300	0.511300
Swiss Franc	CHF	0.931185	0.922935	0.917301	0.936455
Yuan Renminbi	CNY	0.136608	0.141627	0.136013	0.143404
Czech Crown	CZK	0.037008	0.037006	0.036990	0.036658
Pound Sterling	GBP	1.167979	1.362491	1.220281	1.377723
Forint	HUF	0.003228	0.003165	0.003211	0.003226
Indian Rupee	INR	0.013968	0.013885	0.013446	0.014046
Yen	JPY	0.008104	0.007630	0.008320	0.007445
Moroccan Dirham	MAD	0.096544	0.093016	0.094886	0.092642
Norwegian Krone	NOK	0.110056	0.104134	0.107636	0.111737
Zloty	PLN	0.226742	0.234527	0.229189	0.238999
Romanian Leu (new)	RON	0.220313	0.221043	0.222696	0.224951
Serbian Dinar	RSD	0.008104	0.008228	0.008132	0.008289
Russian Rouble	RUB	0.015552	0.012396	0.013487	0.014690
Swedish Krona	SEK	0.104685	0.108820	0.105609	0.106912
Turkish Lira (new)	TRY	0.269745	0.314812	0.299110	0.330529
Ukrainian Hryvnia	UAH	0.034980	0.038328	0.035230	0.040218
US Dollar	USD	0.948677	0.918527	0.903421	0.901296

II.6.8. Staff

in thousand EUR

Group Recticel	31 DEC 2016	31 DEC 2015
Management Committee	10	12
Employees	2 131	2 188
Workers	4 280	3 811
Average number of people employed (full time equivalent) on a consolidated basis (i.e. excluding joint ventures)	**6 421**	**6 011**
Average number of people employed in Belgium	1 068	1 062
Remuneration and social charges (in thousand EUR)	**276 263**	**270 562**

II.6.9. Audit and non-audit services provided by the statutory auditor

Overview of the audit fees and additional services performed for the Group by the auditor and companies related to the auditor for the year ending 31 December 2016.

in thousand EUR

Group Recticel	DELOITTE	OTHERS
Audit fees	837	437
Other legal missions	5	0
Tax services	309	64
Other services rendered related to other assurance reporting	526	10
Total fees in 2016	**1 676**	**511**

In the above overview the fees of the joint venture companies are included at 100%.

II.6.10. Contingent assets and liabilities

II.6.10.1. Tertre (Belgium)

1. Carbochimique, which was progressively integrated into Recticel in the 1980s and early 1990s, owned industrial site in Tertre (Belgium), where various carbochemical activities in particular had been carried on since 1928. These activities were gradually spun off and sold and are now carried on by different industrial companies, including Yara and Erachem (Eramet group). Finapal, a Recticel subsidiary, retained ownership of some plots on the site, chiefly old dumping sites and settling ponds that have been drained.

   In 1986, Recticel sold its "fertilizer" division, in particular the activities of the Tertre site, to Kemira, now acquired by Yara. As part of this agreement, Recticel undertook to set an old basin ("Valcke Basin"), in line with environmental regulations. This requirement has not yet been performed because of the mutual dependence of the environmental conditions within the industrial site in Tertre. Yara has for precautionary reasons sued Recticel pursuant to this obligation in July 2003. A settlement agreement was negotiated and signed by the parties in the course of 2011, which ended the dispute definitively.

   Under the settlement agreement Yara and Recticel are committed to prepare together a recovery plan for four contaminated areas of the industrial area in Tertre, including the Valcke Bassin and a dump of Finapal, and for dividing the cost thereof.

   This plan was approved in December 2013 by Ministerial Order of the Walloon Government.

   The parties have developed in consultation a specification book, which was approved by the authorities. End of December 2015 Ecoterres was appointed as contractor. Provisions for these works amounted to EUR 2.1 million per 31 December, 2016. The works were started on 15 February, 2016. End of the works is expected by 2019.

2. Following the sale of the entity Sadacem to the French group Comilog, now part of the group Eramet, Recticel committed itself to sanitise, on a shared cost basis, an old industrial waste site on the grounds of Erachem. The start of the execution of this commitment was studied in consultation with the entity Erachem and has been provisioned in the accounts of the Recticel Group. A proposal was submitted to the Office Wallon des Déchets in April 2009 and since been approved.

   The implementation of the restructuring plan started in 2013 and runs to date as planned. The provision for works on amounts to EUR 0.3 million on December 31, 2016. The clean-up works were completed last year but are still subject to a monitoring phase during 3 years.

II.6.10.2. Inspection by the Directorate-General for Competition of the European Commission

On January 29, 2014 Recticel announced that a settlement was reached with the European Commission in the polyurethane foam research and thus the case is closed.

Under the settlement decision, the effective overall fine for Recticel, including its 50% share of the fine related to Eurofoam, EUR 26.98 million, of which the last instalment of EUR 6.9 million was paid in April 2016.

The full impact of the fine was recognized in the 2013 accounts.

Nationally, the Spanish National Competition Commission (CNC) announced on March 6, 2013 that it has fined ten companies in the Spanish market, including Recticel Iberica SL and to the national industry association for operating cartels in the market for production of flexible polyurethane foam for the comfort industry. Recticel Iberica SL was exempt from the payment on the basis of the leniency of the CNC.

The decision of the CNC has meanwhile been appealed by certain companies. Those procedures in appeal that have already been dealt with, didn't alter the position of Recticel. Some of the procedures are still on-going.

II.6.10.3. Litigations

The Group has been the subject of antitrust investigations at European and national level, and in Spain the Group is currently involved in several appeals started by competitors after a decision of the Spanish competition authority in 2013. It cannot be excluded that other claims (including class actions claims) based on the same facts, may arise.

Various claims have been issued by one or more customers in the United Kingdom, in which these entities allege harm with regard to the European Commission's cartel decision. Some procedures have been stopped in the course of 2016, with no material impact for the Group.

Regarding the on-going litigations no considered judgment can at this stage be formed on the merits of these claims or on the amount of any potential loss for the company.

Some years ago Recticel has initiated opposition proceedings against the patent application of a Swiss competitor which had been developed by and has been since many years used by the Group. Recticel's opposition was successful; the patent was revoked. The patent owner has appealed the decision. Recticel is confident that the revocation of the patent will be maintained in appeal.

As of 31 December 2016, total litigation provisions and accruals on Recticel Group level amounted to EUR 4.3 million in the combined financial statements.

III. Recticel sa/nv - General information

Recticel s.a./n.v.

Address: Avenue des Olympiades, 2
B-1140 Brussels (Evere)

Established: on 19 June 1896 for thirty years, later extended for an unlimited duration.

Object: (article 3 of the Coordinated Articles) The object of the company is the development, production, conversion, trading, buying, selling and transportation, on its own account or on behalf of third parties, of all plastics, polymers, polyurethanes and other synthetic components, of natural substances, metal products, chemical or other products used by private individuals or by industry, commerce and transport, especially for furniture, bedding, insulation, the construction industry, the automotive sector, chemicals, petrochemicals, as well as products belonging to or necessary for their production or which may result or be derived from this process.

It may achieve its object in whole or in part, directly or indirectly, via subsidiaries, joint ventures, participations in other companies, partnerships or associations.

In order to achieve this object, it can carry out all actions in the industrial, property, financial or commercial field which are associated with its object directly or indirectly, in whole or in part, or which would be of a nature to promote, develop or facilitate its operation or its trade or that of the companies, partnerships or associations in which it has a participation or an interest; it can in particular develop, transfer, acquire, rent, hire out and exploit all movable and immovable goods and all intellectual property.

Legal form: naamloze vernnootschap / société anonyme (limited company)

Recorded in the Brussels register of legal entities

Company number: 405 666 668

Subscribed capital: EUR 135 156 300

Type and number of shares: at 31 December 2016 there was only one type of shares, namely ordinary shares (number: 54 062 520)

Portion of the subscribed capital still to be paid up: 0 shares/EUR 0.

Nature of the shares not fully paid up: none.

Percentage fully paid up: 100%. The shares are all fully paid up.

The accounts were prepared in accordance with requirements specified by the Royal Decree of 30 January 2001.

These annual accounts comprise the balance sheet, the income statement and the notes prescribed by law. They are presented hereafter in condensed form.

In accordance with Belgian law, the management report, the annual accounts of Recticel s.a./n.v. and the report of the Statutory Auditor will be filed with the Belgian National Bank.

They are available on request from:

Recticel s.a./n.v.
Corporate Communications
Avenue des Olympiades, 2
B-1140 Brussels (Evere)

Tel.: +32 (0)2 775 18 11
Fax: +32 (0)2 775 19 90
E-mail: desmedt.michel@recticel.com

The notes to the annual accounts are related to the financial situation of the company as shown in the balance sheet. The results are also commented on in the preceding annual report.

The Statutory Auditor has delivered an unqualified opinion on the statutory annual accounts of Recticel s.a./n.v..

The statutory annual accounts of Recticel s.a./n.v., as well as the statutory report by the Board of Directors, are freely available on the company's web site http://www.recticel.com/index.php/investor-relations/annual-and-halfyear-reports.

IV. Recticel sa/nv - Condensed statutory accounts

in thousand EUR

Group Recticel		31 DEC 2016	31 DEC 2015
ASSETS			
FIXED ASSETS		**360 193**	**346 016**
I.	Formation expenses	2 294	2 965
II.	Intangible assets	32 764	32 153
III.	Tangible assets	58 088	53 834
IV.	Financial assets	267 047	257 064
CURRENT ASSETS		**178 567**	**178 822**
V.	Amounts receivable after one year	11 778	11 170
VI.	Inventories and contracts in progress	22 951	27 589
VII.	Amounts receivable within one year	140 747	136 282
VIII.	Cash investments	1 398	1 398
IX.	Cash	305	501
X.	Deferred charges and accrued income	1 388	1 881
TOTAL ASSETS		**538 761**	**524 838**
LIABILITIES			
I.	Capital	135 156	134 329
II.	Share premium account	126 071	125 688
III.	Revaluation surplus	2 551	2 551
IV.	Reserves	12 096	10 846
V.	Profits (losses) brought forward	53 597	39 572
VI.	Investment grants	17	29
VII.	A. Provisions for liabilities and charges	7 562	10 188
	B. Deferred taxes	0	0
VIII.	Amounts payable after one year	13 883	93 369
IX.	Amounts payable within one year	180 035	101 100
X.	Accrued charges and deferred income	7 793	7 165
TOTAL LIABILITIES		**538 761**	**524 838**

in thousand EUR

Group Recticel		31 DEC 2016	31 DEC 2015
PROFIT AND LOSS ACCOUNT			
I.	**Operating revenues**	**369 983**	**365 864**
II.	Operating charges	(348 433)	(357 299)
III.	**Operating profit (loss)**	**21 549**	**8 566**
IV.	Financial income	17 401	19 424
V.	Financial charges	(13 893)	(27 528)
VI.	**Profit (loss) for the year before taxes**	**25 057**	**462**
VII.	Income taxes	(51)	(34)
VIII.	**Profit (loss) for the year after taxes**	**25 006**	**428**
IX.	Transfer to untaxed reserves	0	0
X.	**Profit (loss) for the period available for appropriation**	**25 006**	**428**

The statutory annual accounts of Recticel s.a./n.v. as well as the statutory report by the Board of Directors, is freely available on the company's web site www.recticel.com.

Profit appropriation policy

The General Shareholders Meeting decides on the appropriation of the profit available for the distribution of a dividend based upon a proposal by the Board of Directors.The Board of Directors intends to propose to pay out a stable or gradually increasing annual dividend, taking into account the following elements:

- proper compensation for the shareholders
- retention of adequate self-financing capacity to enable investment in value creation opportunities.

The Board of Directors decided to present the following appropriation of the results to the General Meeting:

in EUR

Group Recticel		
Profit/(Loss) for the financial year		25 005 896.21
Profit/(Loss) brought forward from previous year	+	39 572 274.79
Profit/(Loss) to be added to legal reserves	-	1 250 294.81
Profit/(Loss) to be added to other reserves	-	0.00
Result to be appropriated	**=**	**63 327 876.19**
Gross dividend [1]	-	9 731 253.60
Profit to be carried forward	**=**	**53 596 622.59**

[1] Gross dividend per share of EUR 0.18, resulting in a net dividend after tax of EUR 0.126 per ordinary share.

V. Declaration by responsible officers

Mr Johnny Thijs (Chairman of the Board of Directors), Mr Olivier Chapelle (Chief Executive Officer) and Mr Jean-Pierre Mellen (Chief Financial Officer), declare that:

- the annual accounts, which have been drawn up in accordance with the applicable accounting standards, give a true and fair view of the assets, the financial situation and the results of Recticel and the consolidated companies;
- the report for the 12 months ending on 31 December 2016 gives a true and fair view of the development and the results of the company and of the position of Recticel and the consolidated companies, as well as a description of the principal risks and uncertainties confronting them.

VI. Auditor's report on the consolidated financial statements for the year ending 31 December 2016

Deloitte.

Statutory auditor's report to the shareholders' meeting of Recticel NV/SA on the consolidated financial statements for the year ended 31 December 2016

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Recticel NV/SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 692 954 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 16 330 (000) EUR.

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

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

Statutory auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

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

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
Registered Office: Gateway building, Luchthaven Nationaal 1 J, B-1930 Zaventem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

Unqualified opinion

In our opinion, the consolidated financial statements of Recticel NV/SA give a true and fair view of the group's net equity and financial position as of 31 December 2016, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

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

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

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

Ghent, 26 April 2017

The statutory auditor

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

VII. Comparable overview of the consolidated financial statements (2007-2016)

in thousand EUR

Group Recticel	31 DEC 2016 CONSOLIDATED	31 DEC 2015 CONSOLIDATED	31 DEC 2014 CONSOLIDATED	31 DEC 2013 CONSOLIDATED	31 DEC 2012 CONSOLIDATED	31 DEC 2012 COMBINED	31 DEC 2011 COMBINED	31 DEC 2010 COMBINED	31 DEC 2009 COMBINED	31 DEC 2008 COMBINED	31 DEC 2007 COMBINED
ASSETS											
Intangible assets	12 104	13 411	12 384	11 954	11 148	13 031	12 580	13 307	14 301	20 104	19 779
Goodwill	25 073	25 888	24 949	24 610	25 113	35 003	34 688	34 365	33 311	39 164	37 555
Property, plant & equipment	216 207	209 681	202 733	204 614	219 180	270 904	255 347	270 979	286 789	336 560	349 381
Investment property	3 331	3 331	3 306	3 330	4 452	4 452	3 331	896	896	896	896
Interest in associates	82 389	73 196	73 644	72 507	69 123	13 784	12 957	15 451	15 697	13 626	11 078
Other financial investments	71	30	160	161	236	240	3 399	1 151	1 999	11 446	2 565
Available for sale investments	410	1 015	771	275	111	122	121	86	85	197	77
Non-current receivables	13 860	13 595	13 373	10 973	10 153	7 664	8 305	10 070	9 605	5 005	5 024
Deferred tax	37 820	43 272	46 834	48 929	49 530	45 520	50 290	55 739	43 365	52 020	56 367
Non-current assets	**391 265**	**383 419**	**378 154**	**377 353**	**389 046**	**390 720**	**381 018**	**402 044**	**406 048**	**479 018**	**482 722**
Inventories and contracts in progress	91 900	93 169	96 634	94 027	91 028	116 607	116 002	113 671	105 827	120 035	127 852
Trade receivables	101 506	83 407	78 109	64 516	78 359	114 540	132 910	141 783	142 104	170 117	175 496
Other receivables	69 561	55 327	49 597	46 358	56 528	48 123	39 567	62 285	58 016	60 095	61 825
Income tax receivables	1 441	2 061	504	3 851	3 736	4 345	3 847	3 552	4 367	1 130	1 315
Available for sale investments	107	91	75	60	45	45	205	181	156	293	411
Cash and cash equivalents	37 174	55 967	26 163	26 237	18 533	27 008	54 575	53 938	41 388	68 151	41 049
Disposal held for sale	0	3 209	8 569	0	0	0	0	0	0	0	0
Current assets	**301 689**	**293 231**	**259 651**	**235 049**	**248 229**	**310 668**	**347 106**	**375 410**	**351 858**	**419 821**	**407 948**
Total assets	**692 954**	**676 650**	**637 805**	**612 402**	**637 275**	**701 388**	**728 124**	**777 454**	**757 906**	**898 839**	**890 670**

in thousand EUR

Group Recticel	31 DEC 2016 CONSOLIDATED	31 DEC 2015 CONSOLIDATED	31 DEC 2014 CONSOLIDATED	31 DEC 2013 CONSOLIDATED	31 DEC 2012 CONSOLIDATED	31 DEC 2012 COMBINED	31 DEC 2011 COMBINED	31 DEC 2010 COMBINED	31 DEC 2009 COMBINED	31 DEC 2008 COMBINED	31 DEC 2007 COMBINED
LIABILITIES											
Capital	135 156	134 329	74 161	72 368	72 329	72 329	72 329	72 329	72 329	72 329	72 329
Share premium	126 071	125 688	108 568	107 042	107 013	107 013	107 013	107 013	107 013	107 013	107 013
Share capital	**261 227**	**260 017**	**182 729**	**179 410**	**179 342**	**179 342**	**179 342**	**179 342**	**179 342**	**179 342**	**179 342**
Treasury shares	(1 450)	(1 450)	(1 735)	(1 735)	0	0	0	0	0	0	0
Retained earnings	7 425	2 582	1 768	27 364	75 565	95 010	85 191	75 179	67 582	51 222	47 453
Hedging and translation reserves	(15 997)	(12 189)	(16 599)	(18 279)	(13 817)	(13 728)	(15 739)	(12 853)	(21 395)	(19 951)	(10 964)
Equity before non-controlling interests	**251 205**	**248 960**	**166 163**	**186 760**	**241 090**	**260 624**	**248 794**	**241 668**	**225 529**	**210 613**	**215 831**
Non-controlling interests	0	0	0	0	0	0	0	0	429	23 090	32 491
Total equity	**251 205**	**248 960**	**166 163**	**186 760**	**241 090**	**260 624**	**248 794**	**241 668**	**225 958**	**233 703**	**248 322**
Pensions and similar obligations	50 979	49 581	54 548	44 557	44 548	28 048	35 289	34 988	37 209	40 155	45 235
Provisions	13 208	11 505	7 301	8 149	9 439	9 798	12 964	24 452	23 008	17 893	17 681
Deferred tax	10 116	9 505	8 907	8 203	7 257	8 554	9 134	8 800	8 187	9 429	9 549
Subordinated loans	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*89 014*	*97 495*
Bonds and notes	*0*	*26 631*	*26 037*	*0*	*25 023*	*45 023*	*44 546*	*39 780*	*39 368*	*14 500*	*15 040*
Financial leases	*8 683*	*11 867*	*15 057*	*18 113*	*19 941*	*20 850*	*11 024*	*13 285*	*15 986*	*19 346*	*21 214*
Bank loans	*86 589*	*0*	*99 240*	*78 850*	*73 458*	*74 595*	*79 534*	*111 977*	*128 200*	*140 161*	*22 085*
Other loans	*1 777*	*1 865*	*1 801*	*1 871*	*2 038*	*2 039*	*2 111*	*2 082*	*2 201*	*5 123*	*5 794*
Interest-bearing borrowings	**97 049**	**40 363**	**142 135**	**98 834**	**120 460**	**142 507**	**137 215**	**167 124**	**185 755**	**268 144**	**161 628**
Other amounts payable	183	226	6 810	444	704	501	353	510	359	1 782	462
Non-current liabilities	**171 535**	**111 180**	**219 701**	**160 187**	**182 408**	**189 408**	**194 955**	**235 874**	**254 518**	**337 403**	**234 555**
Pensions and similar obligations	4 168	2 370	2 205	1 809	1 404	1 529	3 126	3 846	3 893	4 674	4 083
Provisions	1 780	4 566	4 687	6 732	1 255	1 523	6 328	14 480	8 312	8 516	5 443
Interest-bearing borrowings	50 147	114 675	52 798	66 181	36 454	57 840	67 680	45 691	47 740	68 872	150 765
Trade payables	102 929	94 276	96 373	81 720	86 066	104 980	119 274	141 887	114 208	146 993	160 443
Income tax payables	2 291	2 463	414	3 086	2 071	2 281	3 974	7 542	4 712	3 389	9 659
Other amounts payable	108 899	98 160	95 464	105 927	86 527	83 203	83 993	86 466	98 565	95 289	77 400
Current liabilities	**270 214**	**316 510**	**251 941**	**265 455**	**213 777**	**251 356**	**284 375**	**299 912**	**277 430**	**327 733**	**407 793**
Total liabilities	**692 954**	**676 650**	**637 805**	**612 402**	**637 275**	**701 388**	**728 124**	**777 454**	**757 906**	**898 839**	**890 670**

in thousand EUR

Group Recticel	2016 CONSOLIDATED	2015 CONSOLIDATED	2014 CONSOLIDATED	2013 CONSOLIDATED	2012 CONSOLIDATED	2012 COMBINED	2011 COMBINED	2010 COMBINED	2009 COMBINED	2008 COMBINED	2007 COMBINED
INCOME STATEMENT											
Sales	**1 048 323**	**1 033 762**	**983 367**	**976 763**	**1 035 050**	**1 319 488**	**1 378 122**	**1 348 430**	**1 276 662**	**1 555 450**	**1 611 788**
Distribution costs	(57 855)	(58 039)	(54 135)	(52 934)	(54 460)	(65 838)	(65 182)	(64 768)	(62 061)	(74 528)	(76 777)
Cost of sales	(789 360)	(781 282)	(757 025)	(756 916)	(809 871)	(1 042 700)	(1 101 628)	(1 066 780)	(982 511)	(1 260 090)	(1 279 997)
Gross profit	**201 108**	**194 441**	**172 207**	**166 913**	**170 719**	**210 950**	**211 312**	**216 882**	**232 090**	**220 832**	**255 014**
General and administrative expenses	(79 395)	(76 723)	(72 299)	(74 397)	(66 772)	(83 711)	(85 059)	(80 367)	(82 166)	(90 587)	(88 537)
Sales and marketing expenses	(72 031)	(77 123)	(73 257)	(64 532)	(65 796)	(74 792)	(73 836)	(74 331)	(81 040)	(88 077)	(89 454)
Research and development expenses	(12 890)	(12 537)	(13 277)	(14 177)	(12 940)	(14 899)	(14 820)	(15 794)	(13 941)	(17 006)	(17 936)
Impairments	(1 672)	(983)	(688)	(3 365)	(1 110)	(1 555)	(5 260)	(10 800)	(10 362)	(12 280)	(1 400)
Other operating revenues (expenses)	(12 828)	(10 714)	(12 869)	(31 766)	2 867	3 033	8 363	(10 075)	31	26 367	5 561
Income from associates	16 927	6 874	8 964	439	6 008	711	1 741	935	1 608	1 899	(24)
Income from investments	0	0	2	0	0	0	(406)	1 164	7	265	2 013
EBIT	**39 219**	**23 235**	**8 783**	**(20 885)**	**32 976**	**39 737**	**42 035**	**27 614**	**46 227**	**41 413**	**65 237**
Interest income and expenses	(8 095)	(9 554)	(10 031)	(9 405)	(9 320)	(11 889)	(13 270)	(11 770)	(16 919)	(24 414)	(25 181)
Other financial income and expenses	(3 633)	(2 968)	(2 799)	(1 940)	(2 271)	(2 450)	(3 414)	(5 325)	3 125	(2 022)	(3 566)
Financial result	**(11 728)**	**(12 522)**	**(12 830)**	**(11 345)**	**(11 591)**	**(14 339)**	**(16 684)**	**(17 095)**	**(13 794)**	**(26 436)**	**(28 747)**
Result of the period before taxes	**27 491**	**10 713**	**(4 047)**	**(32 230)**	**21 385**	**25 398**	**25 351**	**10 519**	**32 433**	**14 977**	**36 490**
Income taxes	(11 161)	(6 170)	(5 702)	(3 908)	(6 035)	(7 834)	(7 933)	4 108	(12 396)	(10 378)	(14 325)
Result of the period after taxes	**16 330**	**4 543**	**(9 749)**	**(36 138)**	**15 350**	**17 564**	**17 418**	**14 627**	**20 037**	**4 599**	**22 165**
Share of minority interests	0	0	0	0	0	0	0	(188)	703	6 949	(626)
Share of the Group	**16 330**	**4 543**	**(9 749)**	**(36 138)**	**15 350**	**17 564**	**17 418**	**14 439**	**20 740**	**11 548**	**21 539**

VIII. Risk factors and risk management

Assisted in its work by the Audit Committee, the Board of Directors determines the Group's risk management policy, taking the significance of the general corporate risks that it is prepared to accept into account.

Business and management imply dealing with external and internal uncertainties. These uncertainties imply that decisions intrinsically involving potential risks are constantly being taken at all levels. For this reason, and also because a company must be able to achieve its objectives, it is important to outline, assess, quantify and grade corporate risks as precisely as possible. An appropriate, adapted risk management system that can also draw on efficient monitoring mechanisms and best practices must avoid any adverse effects of potential risks on the company and its value or at least control or minimise those effects.

RISK FACTORS

The items dealt with below are the most relevant risk factors for the Recticel Group, as defined during the assessment process described above.

1. The Group's investment programs are subject to the risk of delays, cost overruns and other complications, and may not achieve the expected returns

The Group's businesses are, and will continue to be, capital-intensive. A number of its plants have operated for many years, and a large part of the Group's capital expenditures relate to the repair, maintenance and improvement of these existing facilities.

The Group's investments programs in the field of repair, maintenance and improvements of its existing equipment and facilities are subject to the risk of incorrect or inadequate evaluation. As a result, these investment programs may suffer from delays or other complications, and may not achieve the return projected at the beginning of such programs. Furthermore, the Group's actual expenditures may ultimately reveal to be higher than budgeted for various reasons beyond its control. Such cost increases may be material and may have a material adverse effect on its business, financial condition, operating results and cash flows.

2. Price volatility of major chemicals

As a producer and converter of polyurethane foam and other products, the Group is sensitive to fluctuations in the prices of chemical raw materials, in particular those chemical raw materials used for the production of polyurethane. The main chemical raw materials used by the Group are polyols and isocyanates (TDI and MDI). Although these base materials are petroleum derivatives, and hence follow the evolution of the oil price, their price evolution may differ from that of petroleum products on the global market. Excess volatility of raw materials prices or their scarcity or shortage may have a negative effect on Recticel's results and financial situation.

Chemical raw materials represent, on average, nearly 48% of the cost of sales of the Group's finished products. For certain flexible foam, seating and insulation applications, this share is even higher.

These raw materials are purchased on the open market. The Group has to date not hedged its commodity risk.

The purchase of chemical raw materials is centralised and the relevant central department negotiates the supply contracts. The centralized approach allows better negotiation power and continuous optimisation.

Although the Group monitors raw material price developments and tries to reflect price increases in its sales prices when appropriate, ultimately the extent to which such increased chemical raw material prices can be charged to customers depends on the commercial negotiations with customers and competition on the market. There may be periods of time in which the Group is not able to timely or fully recover increases in the cost of chemical raw materials due to weakness in demand for its products or the actions of its competitors. On the other hand, during periods in which market prices of Group's chemical raw materials fall, the Group may face demands from its customers to reduce its prices or experience falls in demand for its products while customers delay orders in anticipation of price reductions.

3. The Group may be subject to the risk of not identifying an M&A opportunity or not being able to afford it

Making acquisitions are an integral part of the Group's growth strategy. There can be no assurance that any of these transactions will be realised or, if realised, will be beneficial to the Group.

The Group continues to explore additional opportunities to implement its strategy which may require substantial investment and subsequent capital expenditures. To date, the Group has been able to fund its capital investment projects through cash generated from its internal operations and debt financing. If the Group's cash flows were reduced or if it were to make further acquisitions, the Group would need to seek to fund its cash requirements through additional debt and equity financing or through asset divestitures.

4. If the Group fails to identify, develop and introduce new products successfully it may lose key customers or product orders and its business could be harmed

The Group regularly introduces new products, such as Thermoflex® in its Business Line Flexible Foams, the ingredient GELTEX® inside brand in its Business Line Bedding, Lambda 19 Eurowall® Xentro® and Eurofloor Xentro® in its Business Line Insulation and Colo-Sense Lite® in its Business Line Automotive.

The Group competes in industries that are changing and becoming more complex. The Group's ability to make a successful evolution of its existing products to new offerings and differentiation of its products requires that accurate predictions of the product development schedule as well as market demand are made. The process of developing new products is complex and often uncertain due to the frequent introduction of new products by competitors. The Group may anticipate demand and market acceptance that differs from the product's realisable customer demand and revenue stream. Furthermore, in the face of intense industry competition, any unanticipated delay in implementing certain product strategies or in the development, production or marketing of a new product could adversely affect the Group's revenues.

The Group invests constantly in the development of new products. These investments are subject to a number of risks, including: difficulties and delays in the development, production, testing and marketing of products; customer acceptance of products; resources to be devoted to the development of new technology; and the ability to differentiate the Group's products and compete with other companies which are active in the same markets.

The Group's ability to generate future revenue and operating income depends upon, among other factors, its ability to timely develop products that are suitable for manufacturing in a cost effective manner and that meet defined product design, technical and performance specifications.

All of these factors could have a material adverse impact on the Group's business, operations and financial results.

5. The Group may be subject to misconduct by its employees and managers or third party contractors

The Group may be subject to misconduct by its employees and managers or third party contractors, such as theft, bribery, sabotage, violation of laws or other illegal actions and may be exposed to the risk of stoppages by third parties, such as transport companies. Any such misconduct may lead to fines or other penalties, slow-downs in production, increased costs, lost revenues, increased liabilities to third parties, impairment of assets or harmed reputation, any of which may have a material adverse effect on the Group's operations, business and financial results.

The Group has developed various internal initiatives to limit the risk of misconduct of its own employees and managers. These initiatives include the reinforcement of the internal audit function, the setting up of a Compliance Committee whose role is to investigate matters reported to it, as well as the organisation, on a regular basis, of various internal training sessions for employees aimed at increasing awareness on compliance. However, there can be no assurance that such initiatives will result in effectively preventing any misconduct by its employees and managers.

Furthermore, such initiatives are not aimed at third party contractors, as a result of which the Group relies on the third party contractors' capacity to prevent misconduct by their own employees and managers.

6. Evaluation of projects and investments

The Group may be subject to the risk that an innovation project fails and that the innovation investments do not achieve the target to contribute to a sustainable revenue growth or cost effectiveness, including the risk of not having the right human resources to achieve the incremental changes needed to achieve the innovation strategy.

7. Failure to obtain the needed chemical raw materials

The Group has negotiated yearly or multi-year supply agreements with important suppliers to secure more than half of its yearly supplies of isocyanates. The supply of polyols is for a minority share secured under yearly supply agreements. The Group sources its remaining chemical raw materials essentially from suppliers with whom it has a long-term relationship, but with monthly or quarterly price and volume negotiations.

Notwithstanding the existence of long-term supply agreements for certain chemical raw materials, the risk of a delivery disruption of chemical raw materials cannot be excluded. Such delivery disruptions may result from, amongst others, a major accident or incident in a supplier's processing plant, transportation problems or any other fact or circumstance that can give rise to a force majeure situation. In such case, there can be no assurance that the Group can source alternative supplies of chemical raw materials on a timely basis and at acceptable conditions or at all, which could have a material adverse impact on the Group's business, operations and financial results. Neither can it be excluded that a decrease in volumes of raw material procurement (e.g. due to market trends) could have an impact on raw material prices or that it could incite suppliers to end their supplies to the Group, the latter scenario forcing the Group to search for other suppliers, which may not be available on a timely basis or at an acceptable conditions or at all. This could have a material adverse impact on the Group's business, operations and financial results.

8. Safety, health and the environment - new regulations and its impacts

Due to the nature of its activities, the Recticel Group is exposed to environmental risks. The Group uses potentially hazardous products (chemicals and the like) as part of its development activities and manufacturing processes. Pollution can never be ruled out. The Group prevents pollution by adopting appropriate industrial policies. Scenarios precisely outlining the modus operandi for tackling this type of crisis and managing the consequences thereof have been circulated throughout the organisation.

It goes without saying that the handling of these same products constitutes a health risk for staff, customers and any other visitor, particularly in the event of failure to comply with the safety rules issued by Recticel.

Due to new regulations, the Group may face the risk that these new regulations may have a significant negative business impact.

Failure to comply with the various laws and regulations governing the Group's activities is likely to have a negative impact on these activities and invoke its liability.

These activities are particularly subject to various environmental laws and regulations that are likely to expose the Group to major compliance costs or legal proceedings.

The Group further operates in some countries in old industrial sites, already operational at a time when no or insufficient environmental legislation was in place, potentially leading to historic pollution, for which the Group may be held liable leading to important compliance or clean-up costs.

Furthermore, the Group may incur other major costs following the non-fulfilment of its contractual obligations or also in cases where the negotiated contractual provisions in place prove to be insufficient, or even inadequate.

9. The risk that the importance of certain stakeholders is underestimated when making strategic decisions

The Group is exposed to the risk that the importance of certain stakeholders is underestimated when making important strategic decisions for the Group. This could lead to resistance and put at risk the implementation of the strategy.

10. Risks relating to not fully analysing the investment decisions

The Group may face difficulties if investment decisions have not been fully analysed and as such lead to unsuccessful investments not reaching the initial objectives, as well as the risk that investment capacity is absorbed by one business unit, not leaving sufficient investment fund for more profitable investments in other business segments.

11. Risks relating to sub-optimal execution of transactions

The Group is subject to the risk of a suboptimal execution of transactions due to the lack of preparation, communication and/or project management. Although the Group has developed M&A guidelines, there is no assurance that these risks will not materialize, and if so, this might have a material adverse effect on the Group's operations, business and financial results.

12. The Group's results may be substantially affected by general macroeconomic trends and the level of activity in its industries

The Group is exposed to the risks related to an economic recession. The (global) economy has recently been experiencing a period of significant turbulence and uncertainty and the outlook remains uncertain. Economic factors outside of the Group's control (including slowing economic growth, particularly in Europe where the Group realizes approximately 95% of its consolidated turnover, inflation or deflation or fluctuations in interest and foreign currency exchange rates) could affect the Group's financial results and prospects.

The Group's business and operating results have been affected by the global recession and other challenges that affected and continue to impact the global economy and the Group's customers. There can be no assurance that global economic conditions will improve and there is a risk that certain markets in which the Group is active will experience economic decline or a prolonged period of negligible growth in the future. The current uncertainty about economic recovery and the pace of growth may negatively affect the level of demand from existing and prospective customers. Additional factors which may influence customer demand include access to credit, budgetary constraints, unemployment rates and consumer confidence.

13. Product liability

The Group produces and sells both semi-finished and finished consumer durable goods (bedding and insulation). In both cases, the Group is exposed to any complaints relating to product liability. Recticel tries to offset or limit these risks by means of product guarantees provided for in the conditions of sale and through the application of a strict quality control system. To protect itself from the adverse effects of product liability, the Group has put in place general and product-specific insurance policies.

14. The implementation of the Group's business strategy is dependent on its ability to attract and retain qualified personnel

The Group's ability to maintain its competitive position and to implement its business strategy will largely depend on its ability to attract and retain skilled personnel and management. The loss or diminution in the services of skilled employees and management, or difficulties in recruiting or retaining them, could have a material adverse effect on the Group's operations, business and financial results. Competition for personnel with relevant expertise is intense due to the relatively small number of qualified individuals, and the Group may have difficulties in obtaining or enforcing non-compete obligations from its skilled personnel and management, all of which may seriously affect the Group's ability to retain existing skilled employees and management and attract additional qualified personnel. If the Group were to experience difficulties in recruiting or retaining qualified personnel, this could have a material adverse effect on the Group's operations, business and financial results.

RISK MONITORING

Operational and industrial risks are usually covered by centrally managed insurance contracts. The conditions governing these contracts are reviewed on a regular basis. Recticel owns a reinsurance subsidiary, whose principal task consists of reinsuring the Group's own risk associated with the excesses that are payable by the Group under external insurance policies.

The risks and uncertainties for which provisions have been raised in accordance with IFRS rules are explained under the heading II.5.15. of the financial section of the annual report. More precisely, these are provisions for litigation, product guarantees, environmental risks and reorganisation charges.

Recticel's Internal Audit Department is involved in implementing control procedures in the broadest sense and ensures that they are complied with. It also plays a major role in the permanent monitoring of corporate risks and contributes to the basic considerations regarding these risks in the Group.

8. Key Figures

in million EUR

Group Recticel	2012	2013	2014	2015	2016
Combined income statement					
Sales	1 319.5	1 258.6	1 280.1	1 328.4	1 347.9
REBITDA	87.7	72.8	65.9	81.9	97.7
EBITDA	78.2	27.7	49.3	67.8	85.4
REBIT	47.8	33.2	30.7	44.9	58.2
EBIT	36.8	(15.4)	13.4	29.8	44.3
Result of the period after taxes	15.3	(36.1)	(9.7)	4.5	16.3
Combined profitability ratios					
REBITDA / Sales	6.6%	5.8%	5.2%	6.2%	7.2%
EBITDA / Sales	5.9%	2.2%	3.9%	5.1%	6.3%
REBIT / Sales	3.6%	2.6%	2.4%	3.4%	4.3%
EBIT / Sales	2.8%	-1.2%	1.0%	2.2%	3.3%
Result of the period after taxes (share of the Group) / Sales	1.2%	-2.9%	-0.8%	0.3%	1.2%
Annual growth rates (combined)					
Sales	-4.3%	-4.6%	1.7%	3.8%	1.5%
REBITDA	-1.1%	-17.0%	-9.4%	24.2%	19.3%
EBITDA	-12.0%	-64.5%	77.9%	37.4%	26.0%
REBIT	1.5%	-30.6%	-7.6%	46.5%	29.6%
EBIT	-12.5%	-141.8%	nr	122.4%	48.6%
Result of the period after taxes (share of the Group)	-12.1%	-336.2%	-73.0%	-146.6%	259.5%

in million EUR

	2012	2013	2014	2015	2016
Balance sheet					
Non-current assets	389.0	377.4	378.2	383.4	391.3
Current assets	248.2	235.0	259.7	293.2	301.7
TOTAL ASSETS	637.3	612.4	637.8	676.7	693.0
Total Equity	241.1	186.8	166.2	249.0	251.2
Non-current liabilities	182.4	160.2	219.7	111.2	171.5
Current liabilities	213.8	265.5	251.9	316.5	270.2
TOTAL LIABILITIES	637.3	612.4	637.8	676.7	693.0
Net working capital	55.0	18.0	32.6	39.1	50.3
Market capitalisation (December 31st)	152.5	163.0	152.8	300.9	358.4
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Combined net financial debt	172.6	165.1	194.5	123.0	126.0
ENTERPRISE VALUE	325.1	328.1	347.3	423.9	484.4
Combined Investments versus Combined Depreciation					
Investments in intangible and tangible fixed assets	52.3	30.5	35.8	46.5	53.9
Depreciation (excluding amortisation on goodwill, including impairment)	41.4	43.1	36.0	38.0	39.5
Investments / Sales	4.0%	2.4%	2.8%	3.5%	4.0%
Financial structure ratios					
Net financial debt / Total equity (including non-controlling interests)	72%	88%	117%	49%	50%
Total equity (including non-controlling interests) / Total assets	38%	30%	26%	37%	36%
Leverage (Combined net financial debt/Combined EBITDA)	2.2	6.0	3.9	1.8	1.5
Current ratio	1.2	0.9	1.0	0.9	1.1
Valuation ratios					
Price / Earnings (Market capitalisation (Dec 31st) / Result of the period (Group share))	10.0	n.r.	n.r.	66.2	21.9
Enterprise value / EBITDA	4.2	11.8	7.0	6.3	5.7
Price / Book value (=Market capitalisation/Book value (share of the Group))	0.63	0.87	0.92	1.21	1.43

in million EUR

Group Recticel	2012	2013	2014	2015	2016
Combined sales per business line					
Flexible foams	588.3	583.4	593.0	602.3	607.2
growth rate	*-1.3%*	*-0.8%*	*1.6%*	*1.6%*	*0.8%*
Bedding	276.5	283.0	281.6	294.5	292.9
growth rate	*-5.3%*	*2.3%*	*-0.5%*	*4.6%*	*-0.5%*
Insulation	220.7	220.0	227.0	229.4	234.1
growth rate	*-1.1%*	*-0.3%*	*3.2%*	*1.1%*	*2.1%*
Automotive	289.7	258.4	264.0	280.3	288.9
growth rate	*-10.8%*	*-10.8%*	*2.2%*	*6.2%*	*3.1%*
Eliminations	(55.7)	(86.2)	(85.6)	(78.1)	(75.4)
Total sales	**1 319.5**	**1 258.6**	**1 280.1**	**1 328.4**	**1 347.9**
growth rate	***-4.3%***	***-4.6%***	***1.7%***	***3.8%***	***1.5%***

in million EUR

Combined EBITDA per business line	2012	2013	2014	2015	2016
Flexible foams	24.3	(2.4)	25.1	34.0	39.6
as % of sales	*4.1%*	*-0.4%*	*4.2%*	*5.6%*	*6.5%*
Bedding	12.8	10.4	2.9	9.5	12.1
as % of sales	*4.6%*	*3.7%*	*1.0%*	*3.2%*	*4.1%*
Insulation	36.1	27.6	27.1	33.4	32.9
as % of sales	*16.4%*	*12.5%*	*11.9%*	*14.6%*	*14.0%*
Automotive	22.5	10.4	12.5	9.9	18.3
as % of sales	*7.8%*	*4.0%*	*4.7%*	*3.5%*	*6.3%*
Corporate	(14.5)	(18.3)	(18.2)	(19.1)	(17.4)
Total EBITDA	**81.1**	**27.7**	**49.3**	**67.8**	**85.4**
as % of sales	***6.1%***	***2.2%***	***3.9%***	***5.1%***	***6.3%***

in million EUR

Combined EBIT per business line	2012	2013	2014	2015	2016
Flexible foams	9.8	(16.4)	13.2	21.1	26.5
as % of sales	*1.7%*	*-2.8%*	*2.2%*	*3.5%*	*4.4%*
Bedding	7.3	3.8	(3.5)	3.2	5.8
as % of sales	*2.6%*	*1.4%*	*-1.2%*	*1.1%*	*2.0%*
Insulation	32.1	21.9	21.1	27.5	26.6
as % of sales	*14.6%*	*10.0%*	*9.3%*	*12.0%*	*11.4%*
Automotive	5.9	(5.3)	1.8	(1.9)	4.0
as % of sales	*2.0%*	*-2.1%*	*0.7%*	*-0.7%*	*1.4%*
Corporate	(15.3)	(19.4)	(19.2)	(20.0)	(18.6)
Total EBIT	**39.7**	**(15.4)**	**13.4**	**29.8**	**44.3**
as % of sales	***3.0%***	***-1.2%***	***1.0%***	***2.2%***	***3.3%***

in units

Key figures per share	2012	2013	2014	2015	2016
Number of shares (31 December)	28 931 456	28 947 356	29 664 256	53 731 608	54 062 520
Weighted average number of shares outstanding (before dilution)	28 931 456	28 498 521	28 953 478	44 510 623	53 504 432
Weighted average number of shares outstanding (after dilution)	33 990 837	28 498 521	28 953 478	44 704 483	59 643 102

in EUR

	2012	2013	2014	2015	2016
Combined REBITDA	3.03	2.55	2.28	1.84	1.83
Combined EBITDA	2.70	0.97	1.70	1.52	1.60
Combined REBIT	1.65	1.16	1.06	1.01	1.09
Combined EBIT	1.27	-0.54	0.46	0.67	0.83
Result of the period (share of the Group) - Basic (1)	0.53	-1.27	-0.34	0.10	0.31
Result of the period (share of the Group) - Diluted	0.49	-1.27	-0.34	0.10	0.30
Gross dividend	0.29	0.20	0.20	0.14	0.18
Pay-out ratio	55%	n.r.	n.r.	137%	59%
Net book value (Group share)	8.33	6.45	5.60	4.63	4.65
Price / Earnings ratio (2)	10.0	n.r.	n.r.	66.2	21.9

(1) calculated on the basis of the weigthed average number of shares outstanding (before dilution effect)

(2) based on the share price of 31 December. Earnings = Result of the period (share of the Group) per share

in EUR

Ordinary share	2012	2013	2014	2015	2016
on 31 December	5.27	5.63	5.15	5.60	6.63
lowest of the year	4.26	4.63	4.90	3.88	4.57
highest of the year	6.25	6.82	7.98	5.64	6.63
average daily volume traded (units)	19 748	36 049	43 974	83 737	51 513

Colophon

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