

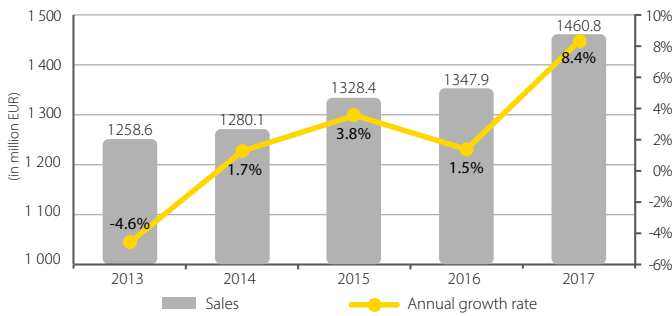


ANNUAL REPORT 2017

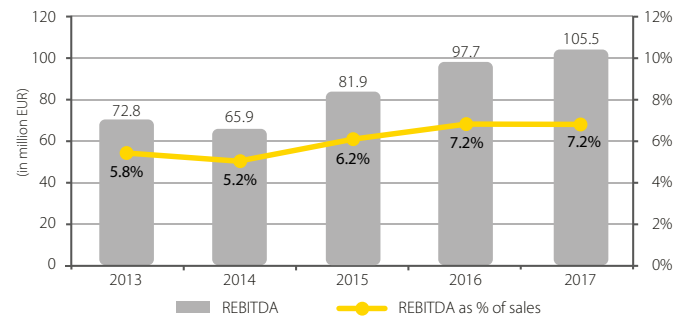


KEY FIGURES

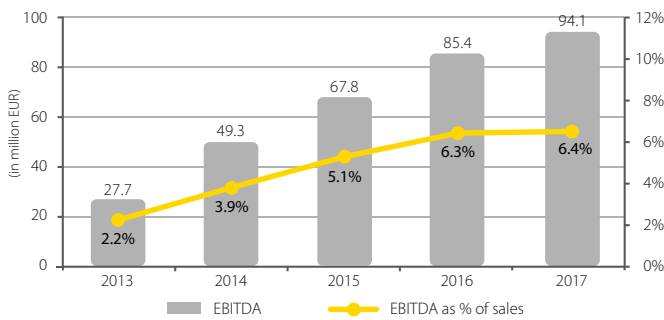
Combined sales & growth rates



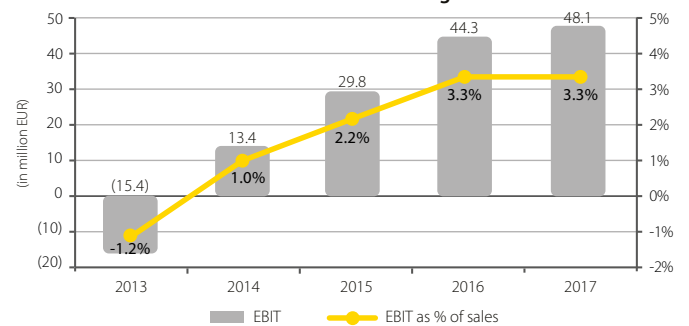
Combined REBITDA & REBITDA margin



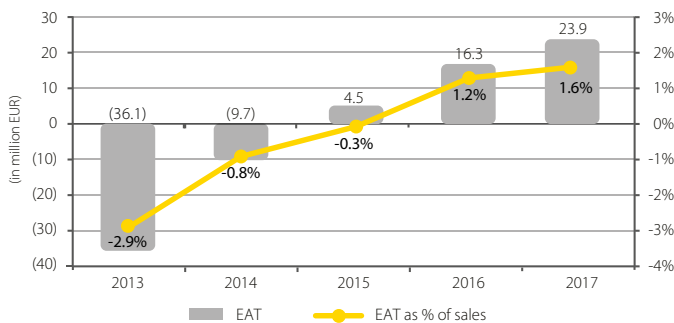
Combined EBITDA & EBITDA margin



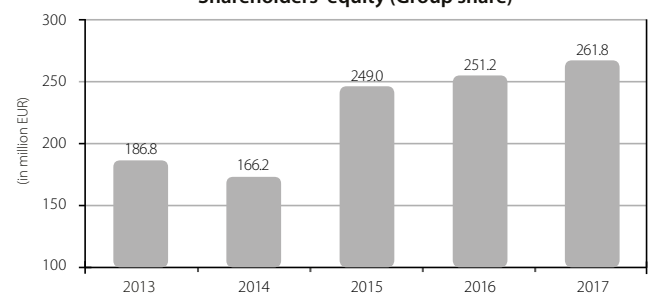
Combined EBIT & EBIT margin



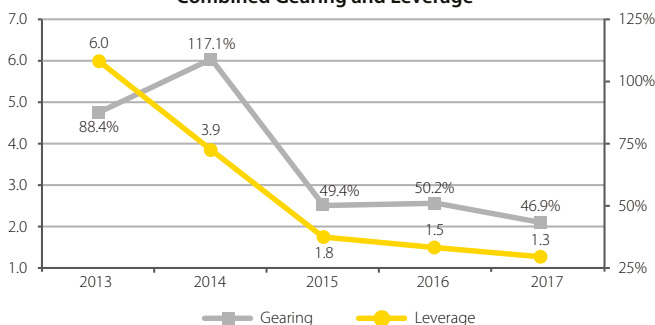
Combined earnings after taxes & EAT margin



Shareholders' equity (Group share)



Combined Gearing and Leverage



Average net working capital as percentage of gross sales

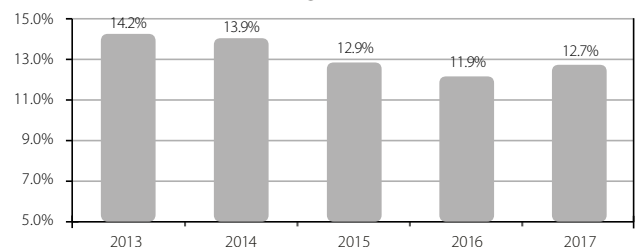


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* These chapters form an essential part of the Report of the Board of Directors and contain the information required by the Belgian Company Code regarding consolidated accounts.

Future expectations

This document contains specific quantitative and/or qualitative future-oriented statements and expectations regarding results and the financial state of the Recticel Group. These statements are not a guarantee for future achievements, as the future holds risks and uncertainties related to future events and developments. Actual results and performance may deviate considerably from the predicted expectations, objectives and possible statements. The most important and relevant risk and uncertainty factors are described in more detail in the "Risk factors and risk management" chapter of the financial section of this Annual Report. Recticel is not obligated to provide updates regarding potential changes or developments pertaining to these risk factors, or to release any information about their potential impacts on its prospects.

1 THIS WAS 2017

1

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FINANCIAL CALENDAR FOR SHAREHOLDERS

First quarter 2018 trading update	26 April 2018 (at 07:00 AM CET)
Annual General Meeting	29 May 2018 (at 10:00 AM CET)
Ex-coupon date	30 May 2018
Record date	31 May 2018
Dividend payment date	01 June 2018
First half-year 2018 results	29 August 2018 (at 10:00 AM CET)
Third quarter 2018 trading update	31 October 2018 (at 10:00 AM CET)

**EUR
1,460.8
million**

in combined
net sales

98

sites

Insulation

Automotive

Bedding

Flexible Foams

presence in

28

countries

8,411

employees

WHO WE ARE

With our industrial activities, Recticel strives to **make an essential difference in the universal daily comfort experience**. To do so, we rely on our profound expertise in the transformation of polyurethane chemistry. Our overarching ambition is to create shared value for Recticel, our stakeholders and society as a whole. We seek to achieve, in an efficient, sustainable and balanced way, **steady, profitable growth** for our clients and shareholders.

We are committed to **providing responsible solutions** to the diverse challenges and dynamic needs of today's world, and in doing so, serving our customers and end consumers better than any of our competitors. We support our industrial clients around the world by implementing responsible, value-generating products and services.

As an international industrial player, Recticel is present in diverse markets. Europe accounts for 91% of our net sales, but we also operate in the United States and in Asia. We are **active in four application areas**: Insulation for the construction sector, Bedding, Flexible Foams for domestic and industrial applications and Automotive.

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

We focus on innovative, lightweight and sustainable polyurethane-based products to meet societal comfort needs.

Our **INSULATION** division offers **high-quality thermal insulation products** used in construction projects and building renovations. These products are marketed under well-known brands and product names such as Eurowall®, Powerroof®, Powerdeck®, Powerwall®, Xentro® and Recticel Insulation®.

Our **BEDDING** division develops and produces **consumer-ready mattresses, slat bases and box springs**, primarily marketed under popular brand names such as Beka®, Lattoflex®, Literie Bultex®, Schlaraffia®, Sembella®, Superba®, Swissflex®, as well as ingredient brands including GELTEX inside® and Bultex®.

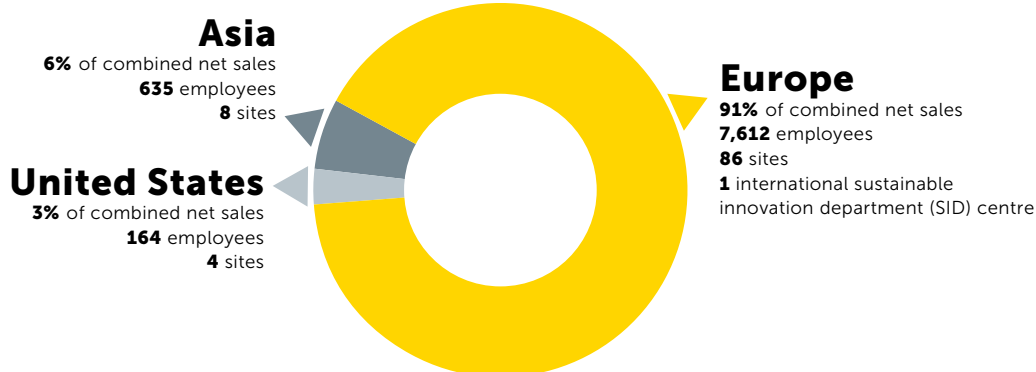
Our **FLEXIBLE FOAMS** division develops and manufactures **diverse innovative solutions** with specific product attributes, including silencing, sealing, filtering, carrying, protecting, supporting and comforting.

Our **AUTOMOTIVE** division develops **seating solutions** (via a joint venture) and **interior trim for the car industry**, prioritising innovation, technological progress, superior quality and excellent customer service. Recticel is headquartered in Brussels (Belgium). We employ a total of (including pro rata share in joint ventures) about 8,411 people in 98 locations across 28 countries. In 2017, we generated combined sales of EUR 1.46 billion (IFRS 11 consolidated sales: EUR 1.14 billion).

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

In 2017, we accelerated our strategic plan and in-depth transformation. This annual report presents an update of this process.

Our presence



HIGHLIGHTS

IN 2017 AND EARLY 2018



INSULATION AT BATIBOUW® – BELGIUM

Recticel Insulation launched two new products at Batibouw®, Belgium's premier fair for the construction and renovation sectors. In Xentro® technology, our Insulation business line introduces thinner insulation boards with enhanced insulation performance. These Xentro® insulation boards are 13% more performant than current PUR/PIR panels, for an unmatched λ (lambda) insulation value of 0.019W/mK.



Simfofit® panels for sound isolation were also introduced at the event. Simfofit® is an acoustic material made of recycled polyurethane flakes that also offers thermal insulation properties.



INSULATION – UNITED KINGDOM

Recticel announced that its Insulation division plans to invest at least EUR 20 million in additional production capacity in the United Kingdom to meet market needs even better. The project is temporarily on hold due to the uncertainty surrounding Brexit.

BEDDING – ORGANISATION

CEO, Mr Olivier Chapelle assumed the responsibilities of the Group General Manager of Bedding ad interim, replacing Mr Philipp Burgdorf, who left the company.

AUTOMOTIVE INTERIORS – CZECH REPUBLIC

A severe force majeure fire incident occurred in one of the production halls of our Automotive Interiors site in Most (Czech Republic).

January - 2017

February - 2017

March - 2017

2017

INSULATION – SUPPLY/PROCUREMENT

In May 2017, a *force majeure* incident at Covestro and start-up issues at Huntsman reduced the availability of MDI raw materials, leading to an unprecedented shortage of MDI. This shortage affected Recticel's Insulation business, leading to a temporary 10-15% reduction in production output until October 2017.



INSULATION – FINLAND

Recticel announced that its Insulation division plans to invest EUR 26 million in a greenfield production site in Finland to meet growing demand for high-performance thermal insulation materials in the Nordic region (Finland, Norway, Sweden, Denmark and the Baltic countries). Production start-up is expected for the fourth quarter of 2018.



CORPORATE – FINANCING

At maturity date, Recticel reimbursed all outstanding amounts under its 2007-2017 EUR 57.5 million 5% convertible bonds.



FLEXIBLE FOAMS – HSE ISSUE

On 05 October 2017, BASF notified Recticel and its other customers that between 25 August 2017 and 29 September 2017, polluted toluene diisocyanate ("TDI") – specifically Lupranate T80 A – was supplied by the BASF plant in Ludwigshafen (Germany). Five Recticel sites received the polluted material.

Because Recticel prioritises health and safety, production was immediately stopped at the affected sites, and all required safety measures were taken.

Mid-October 2017, Recticel confirmed that all affected sites had restarted production with conform TDI. All affected foam products still at Recticel sites were quarantined, and in close cooperation with its customers, Recticel successfully traced all affected foam deliveries.

In the meantime, BASF released a further statement saying that there is no health risk, and that they will – as a precautionary measure – collect all foam products containing non-conform BASF TDI for the bedding and upholstery industries.

May & June - 2017

July - 2017

October - 2017



AUTOMOTIVE – INTERIORS

In 2017, new multi-year contracts in China and the USA were awarded to our Automotive Interiors division. These contracts govern the provision of high-quality trim parts to be used in BMW, and Volvo cars, as well as in Peterbilt, Kenworth and Navistar trucks. The new programs will be gradually rolled out over the next two years and represent estimated cumulative lifetime sales of approximately EUR 110 million. The interior trim parts, based on our patented Colo-Sense® Lite Spray technology, will be supplied by our plants in China (Shenyang) and in the USA (Tuscaloosa).

In 2017, Recticel began producing interior trim for the BMW X3 (Tuscaloosa, USA and Shenyang, China), the facelift of the 1-serie and 3-serie (Wackersdorf, Germany), Peugeot 3008/5008 (Ningbo, China), Volvo XC40 (Mlada Boleslav, Czech Republic), Volvo X60 (Mlada Boleslav, Czech Republic and Changchun, China) and Volkswagen Arteon (Mlada Boleslav, Czech Republic) respectively.

FLEXIBLE FOAMS – THE NETHERLANDS

Recticel BV announced its intention to streamline its Flexible Foams converting activities in The Netherlands, resulting in the potential closure of its foam converting factory in Buren before the end of June 2018. The activities of this site are under consideration for integration into the conversion capacities at the converting unit in Kesteren (The Netherlands).



BEDDING – IMM COLOGNE FAIR

Recticel Bedding (Schlaraffia®, Superba®, Swissflex®, Ubica®) showcased its marketing and product innovations at the imm Cologne, Europe's leading furniture and bedding fair, which welcomes 80,000 trade visitors from 128 countries. Recticel presented its new box spring collection and new GELTEX® technology.

It also successfully introduced the 'Silence' headboard, which combines technical innovation with outstanding design. The sound-blocking effect of this well-received acoustic panel was displayed through an impressive demonstration featuring a loud alarm clock. Shortly after the fair, this bed was nominated for the German Innovation Award by the expert committee of the German Design Council (Rat für Formgebung).

December - 2017

January - 2018

2018



FLEXIBLE FOAMS – SOUNDCOAT – UNITED STATES

Recticel Flexible Foams supported its customer SpaceX during the historic Falcon Heavy launch. Through its US subsidiary Soundcoat, Recticel supplies high-performing thermal acoustic insulation for the cargo compartment in the fairing of the rocket's payload area. The fairing protects satellites during delivery to destinations in low Earth orbit (LEO), geosynchronous transfer orbit (GTO) and beyond. In the case of the Falcon Heavy test launch, Soundcoat materials "protected" Elon Musk's personal red Tesla Roadster during its trip into space.



CORPORATE – SUSTAINABILITY REPORT

A new milestone in our history was reached when we published our second sustainability report, drawn up in accordance with the G4 Global Initiative Report (GRI) Guidelines – 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 focussing our R&D efforts on climate change, conservation of natural resources, and supporting our ageing population, we seek to develop value-added solutions that benefit our customers and society.

SUSTAINABLE INNOVATIVE DEVELOPMENT – BELGIUM

Flemish Minister for Work, Economy, Innovation and Sport Philippe Muyters inaugurated the new pilot line for flexible foaming recycling at Recticel in Wetteren (Belgium). The pilot line is the result of the CATALISTI research project ALFIBOND, which aims to develop processing technologies for, among other things, material from discarded mattresses. The new pilot line and the new laboratories are the final part of a multi-year R & D investment project of over EUR 10 million that fits Recticel's Group strategy to put sustainable innovation at the center. With this initiative, Recticel takes a new step towards a circular economy.



AUTOMOTIVE – INTERIORS

Recticel starts in Most (Czech Republic) with the production of interior trim for the new Audi A6, a first program won by Recticel Interiors for this premium OEM.

February - 2018

March - 2018

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

Brussels, April 26th, 2018

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

2017 has been another successful year for Recticel, despite significant headwinds and unforeseen impactful incidents. In that context, the Recticel organisation has displayed resolve and reactivity to improve its profitability, and generate a historically high net result.

In a supportive macro-economic environment, Recticel has indeed grown its sales by 8.4%, has increased its REBITDA by 8.0% and, generated record EUR 23.9 million earnings after taxes. But in 2017, our Group has faced adverse currency effects, unprecedented raw material price increases, an MDI supply shortage affecting our Insulation division, a serious fire incident in our Automotive factory in Most (Czech Republic), and a significant pollution issue due to TDI supplied by BASF. The potential consequences of these situations have indeed all been mitigated during the year.

That has not prevented Recticel to pursue the development of growth initiatives based upon geographic expansion projects and substantial innovations which are expected to contribute to sales growth as from 2019.

Last, Recticel has prepared the divestment case of its Automotive activity and has appointed an external advisor in order to proceed with the divestment in 2018.

The sales turnover has steadily increased by 8.4% during the full year 2017, supported by a favourable economic environment, by successful new products introductions and despite negative currency exchange effects of -0.9%. The EU 28 Automotive market has continued to grow, European construction markets have performed well, Bedding and overall Furniture markets have been slightly positive, supported by positive consumer sentiment, while industrial production output has remained strong. The only exception to that positive environment is the United Kingdom, in which we have perceived market slowdown in each segment where



MR. JOHNNY THIJIS

Chairman of the Board of Directors

MR. OLIVIER CHAPELLE

Chief Executive Officer

we are present. In addition, China, India, Turkey and the USA, the non-European countries where Recticel is present, have continued to perform well. As a consequence, all divisions but Bedding have grown, with Automotive growing by +21.3%, Insulation growing by +16.3%, Flexible Foams growing by +3.1%, while Bedding contracted by -7.1% mainly due to the German market where the penetration of new online players has impacted the traditional distribution channels.

Profitability has improved in an eventful year 2017, characterised by serious and unexpected incidents. A progressively building supply-demand imbalance in the isocyanates markets has led to unprecedented MDI and TDI price increases, representing about EUR 100 million cost increase for Recticel. The strong business teams focus on passing these cost increases through to our customers has allowed to mitigate this profitability risk. But the subsequent supply shortage in MDI during the second and third quarters of 2017 has reduced our insulation boards production output, and has prevented us from supplying the quantities requested by our customers, leading them in most cases to put their construction sites to a stop. We concurred to their frustrations, and did our best efforts to minimise impacts on their business. The fire incident in our Most (Czech Republic) Automotive plant, obviously affected our customers' businesses. Thanks to the joint efforts and teamwork between our OEM & Tier 1 customers, our operation teams, our business teams and our insurers, we hope to have minimized delivery issues considerably. We seize the opportunity to thank all of them for their very constructive reactivity and support.

In 2017, we have focused our investments on growth projects: the set-up and equipment of our new Technical Foams converting facilities in China and Morocco, both expected to start up in the second quarter of 2018, the construction of our new Insulation facility in Finland, expected to start up in the fourth quarter of 2018, and the continued investment in Automotive, leading to the successful start-ups of the many projects booked in previous years.

Our Sustainable Innovation teams, in close cooperation with our business teams, have concentrated on 5 key innovation programs, all aimed at enhanced value proposition to our customers, while generating a positive societal contribution (see the 2nd edition of our Sustainability Report published in March 2018). As a result, we have introduced in February 2017 the Xentro® insulation technology allowing our insulation boards to reach a new benchmark performance level of lambda 19, a 13% improvement over the current technology. In January 2018, we have introduced our new Geltex® 2.0 foam, exclusively available with the Recticel Bedding brands, which improves on all characteristics of Geltex® while providing benchmark durability with renewable content. And last, our ColoSense® X-Lite skin technology, the successor to our currently commercialised ColoSense® Lite technology, has passed the development gate #5 (out of 6), is currently tested at our Automotive OEM customers, and is providing an enhanced performance-to-weight ratio.

This last innovation, combined with the profitable growth demonstrated by our Automotive activity in 2017, and with the exceptional customer portfolio of the division (completed in 2018 by the notable addition of Audi with its new A6), gives us the confidence to successfully divest the activity in the course of this year. To that extent, we have appointed Ernst & Young as advisor.

The economic context of the first quarter of 2018 is a continuation of 2017: supportive economic environment, adverse currency evolution, still rising raw material prices, very unfavourable weather conditions, especially in February and March and uncertain geopolitical developments in the world. Despite these uncertainties and thanks to the confidence gained in 2017, Recticel expects to grow its sales, to leverage market opportunities and to increase its results thanks to a strengthening competitive position.

We want to thank our employees for their exceptional contributions in 2017, our customers for their business and trust, and our shareholders for their continued loyalty, support and precious insights.

Mr. Johnny Thijs
Chairman of the Board of Directors

Mr. Olivier Chapelle
Chief Executive Officer

REPORT BY OUR BOARD OF DIRECTORS

Annual results 2017

Recticel delivers further sales and profit growth

- Combined^a sales grew by +8.4% to EUR 1,460.8 million
- Combined REBITDA increased by +8.0% to EUR 105.5 million
- Result of the period (share of the Group): from EUR 16.3 million to EUR 23.9 million (+46.4%)
- Combined net financial debt: EUR 122.9 million (31 Dec 2016: EUR 126.0 million)
- Proposal to pay a gross dividend of EUR 0.22 per share

The combined sales growth accelerated in 2017 to +8.4 %, leading to an 8.0% increase in combined REBITDA, achieved despite severe headwinds: the unprecedented increases in raw material prices and subsequent shortage in isocyanates, the negative currency impacts, and the unforeseeable situations created by the fire incident in our Automotive Interiors plant in Most in the Czech Republic in 1Q2017 and by the BASF TDI quality issue in 4Q2017.

The Result of the Period reached a historical high at EUR 23.9 million, while the combined net financial debt reached a low of EUR 122.9 million.

Olivier Chapelle (CEO): "We are satisfied with our sales and profit growth in 2017, achieved under a combination of very challenging market conditions and exceptional events. This growth in sales and results reflects the Group's resilience and further strengthens our confidence in our capacity to achieve our long term targets and to deliver consistent value creation."

Going forward we remain focused on growth, raising overall performance by the continued strengthening of our product portfolio, improving productivity and optimizing the operating model of the Group, as well as expanding our Insulation business line."

OUTLOOK

For the full-year 2018, the Group expects continued growth of its combined sales and REBITDA thanks to a combination of volume growth, improved mix and efficiency gains.

All comparisons are made with the comparable period of 2016, unless mentioned otherwise.

^a For the definition of other used terminology, see glossary at the end of this annual report.

1. Key figures

1.1. CONSOLIDATED DATA

- **Sales:** from EUR 1,048.3 million to EUR 1,135.4 million (+8.3%) including a currency impact of -1.4%
- **EBITDA:** from EUR 72.7 million to EUR 82.8 million (+13.9%)
- **EBIT:** from EUR 39.2 million to EUR 44.9 million (+14.4%)
- **Result of the period (share of the Group):** from EUR 16.3 million to EUR 23.9 million (+46.4%)
- **Net financial debt¹:** EUR 87.1 million (31 December 2016: EUR 108.4 million; 30 September 2017: EUR 114.4 million)

	in million EUR		
	2016 (a)	2017 (b)	Δ 2017/2016 (b)/(a)-1
Sales	1 048.3	1 135.4	8.3%
Gross profit ²	201.1	183.5	-8.7%
<i>as % of sales</i>	19.2%	16.2%	
EBITDA	72.7	82.8	13.9%
<i>as % of sales</i>	6.9%	7.3%	
EBIT	39.2	44.9	14.4%
<i>as % of sales</i>	3.7%	4.0%	
Result of the period (share of the Group)	16.3	23.9	46.4%
Result of the period (share of the Group) - base (per share, in EUR)	0.31	0.44	44.8%
Gross dividend per share (in EUR)	0.18	0.22	22.2%
Total Equity	251.2	261.8	4.2%
Net financial debt ¹	108.4	87.1	-19.6%
Gearing ratio (Net financial debt¹/Total Equity)	43.1%	33.3%	
Leverage ratio (Net financial debt¹/EBITDA)	1.49	1.05	

¹ Excluding the drawn amounts under non-recourse factoring programs: EUR 54.7 million per 31 December 2017 (EUR 51.7 million per 31 December 2016, and EUR 66.9 million per 30 September 2017).

² The gross profit 2017 includes EUR -30.0 million non-recurring costs from additional expenses incurred due to alternative production solutions and operational inefficiencies following the fire incident in the Most-plant (Automotive Interiors - Czech Republic).

1.2. COMBINED DATA

- **Sales:** from EUR 1,347.9 million to EUR 1,460.8 million (+ 8.4%), including currency impact of -0.9%
- **REBITDA:** from EUR 97.7 million to EUR 105.5 million (+8.0%)
- **REBIT:** from EUR 58.2 million to EUR 66.5 million (+14.2%)
- **Result of the period (share of the Group):** from EUR 16.3 million to EUR 23.9 million (+46.4%)
- **Net financial debt¹:** EUR 122.9 million (31 December 2016: EUR 126.0 million; 30 September 2017: EUR 151.6 million)

	in million EUR								
	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Sales	686.0	661.9	1 347.9	726.8	734.0	1 460.8	5.9%	10.9%	8.4%
Gross profit ²	133.4	112.1	245.5	100.2	107.2	207.4	-24.9%	-4.4%	-15.5%
<i>as % of sales</i>	19.4%	16.9%	18.2%	13.8%	14.6%	14.2%			
REBITDA	54.8	42.9	97.7	50.1	55.4	105.5	-8.6%	29.2%	8.0%
<i>as % of sales</i>	8.0%	6.5%	7.2%	6.9%	7.5%	7.2%			
EBITDA	47.9	37.6	85.4	41.0	53.1	94.1	-14.3%	41.3%	10.2%
<i>as % of sales</i>	7.0%	5.7%	6.3%	5.6%	7.2%	6.4%			
REBIT	35.6	22.6	58.2	31.3	35.1	66.5	-11.9%	55.2%	14.2%
<i>as % of sales</i>	5.2%	3.4%	4.3%	4.3%	4.8%	4.6%			
EBIT	27.6	16.6	44.3	22.2	25.9	48.1	-19.6%	55.3%	8.6%
<i>as % of sales</i>	4.0%	2.5%	3.3%	3.1%	3.5%	3.3%			
	30 JUN 16	31 DEC 16		30 JUN 17	31 DEC 17				
Total Equity	245.6	251.2	251.2	257.1	261.8	261.8	4.7%	4.2%	4.2%
Net financial debt ¹	132.9	126.0	126.0	151.4	122.9	122.9	13.9%	-2.4%	-2.4%
Gearing ratio	54.1%	50.1%	50.1%	58.9%	46.9%	46.9%			
Leverage ratio			1.5			1.3			

¹ Excluding the drawn amounts under non-recourse factoring programs: EUR 54.7 million per 31 December 2017 (EUR 52.2 million per 31 December 2016, and EUR 66.9 million per 30 September 2017).

² The gross profit 2017 includes EUR -30.0 million non-recurring costs from additional expenses incurred due to alternative production solutions and operational inefficiencies following the fire incident in the Most-plant (Automotive Interiors - Czech Republic).

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 financial data (joint ventures integrated following the proportionate consolidation method).

COMBINED SALES:

from EUR 1,347.9 million to **EUR 1,460.8 million (+8.4%)**, including an adverse currency impact of -0.9% due to the depreciation of most currencies versus the Euro.

There were no changes in the scope of consolidation in 2017.

All segments except Bedding reported higher sales. The overall progress is the result of (i) a strong volume growth in Automotive, positively influenced by the start-up of scheduled new programs in Automotive Interiors, and (ii) increased average sales prices following the steep increase of raw material costs (i.e. isocyanates MDI and TDI).

Breakdown of the combined sales by segment

	in million EUR			
	1Q2017	2Q2017	3Q2017	4Q2017
Flexible Foams	160.6	157.0	148.6	159.9
Bedding	75.0	63.3	64.9	68.9
Insulation	61.3	67.9	72.4	70.8
Automotive	84.6	88.8	84.1	92.8
Eliminations	(16.3)	(15.4)	(14.0)	(14.4)
TOTAL COMBINED SALES	365.3	361.5	356.0	378.0
Adjustment for joint ventures by application of IFRS 11	(83.4)	(77.4)	(77.1)	(87.5)
TOTAL CONSOLIDATED SALES	281.9	284.1	278.9	290.5

				in million EUR		
2H2016	2H2017	Δ 2H		FY2016	FY2017	Δ FY
297.0	308.6	3.9%	Flexible Foams	607.2	626.1	3.1%
144.9	133.8	-7.7%	Bedding	292.9	272.1	-7.1%
116.0	143.1	23.4%	Insulation	234.1	272.3	16.3%
142.0	176.9	24.6%	Automotive	288.9	350.4	21.3%
(38.0)	(28.4)	-25.4%	Eliminations	(75.4)	(60.1)	-20.2%
661.9	734.0	10.9%	TOTAL COMBINED SALES	1 347.9	1 460.8	8.4%

3Q2016	3Q2017	Δ 3Q		4Q2016	4Q2017	Δ 4Q
141.3	148.6	5.2%	Flexible Foams	155.7	159.9	2.7%
70.1	64.9	-7.5%	Bedding	74.7	68.9	-7.8%
59.0	72.4	22.5%	Insulation	57.0	70.8	24.2%
64.2	84.1	30.9%	Automotive	77.8	92.8	19.3%
(16.7)	(14.0)	-16.0%	Eliminations	(21.4)	(14.4)	-32.7%
318.1	356.0	11.9%	TOTAL COMBINED SALES	343.8	378.0	10.0%

The sales growth observed in the first three quarters (1Q2017: +5.7%, 2Q2017: +6.2% and 3Q2017: +11.9%) was confirmed by a +10.0% growth in 4Q2017 with combined sales increasing from EUR 343.8 million in 4Q2016 to EUR 378.0 million in 4Q2017 including a negative currency impact of EUR -1.5 million (-0.8%).

The Insulation segment grew by +24.2% during 4Q2017, thanks to higher selling prices compensating for the higher chemical raw materials costs.

The Automotive segment grew by +19.3% during 4Q2017, thanks to the strength of the automotive market combined with the start-up of many new programs.

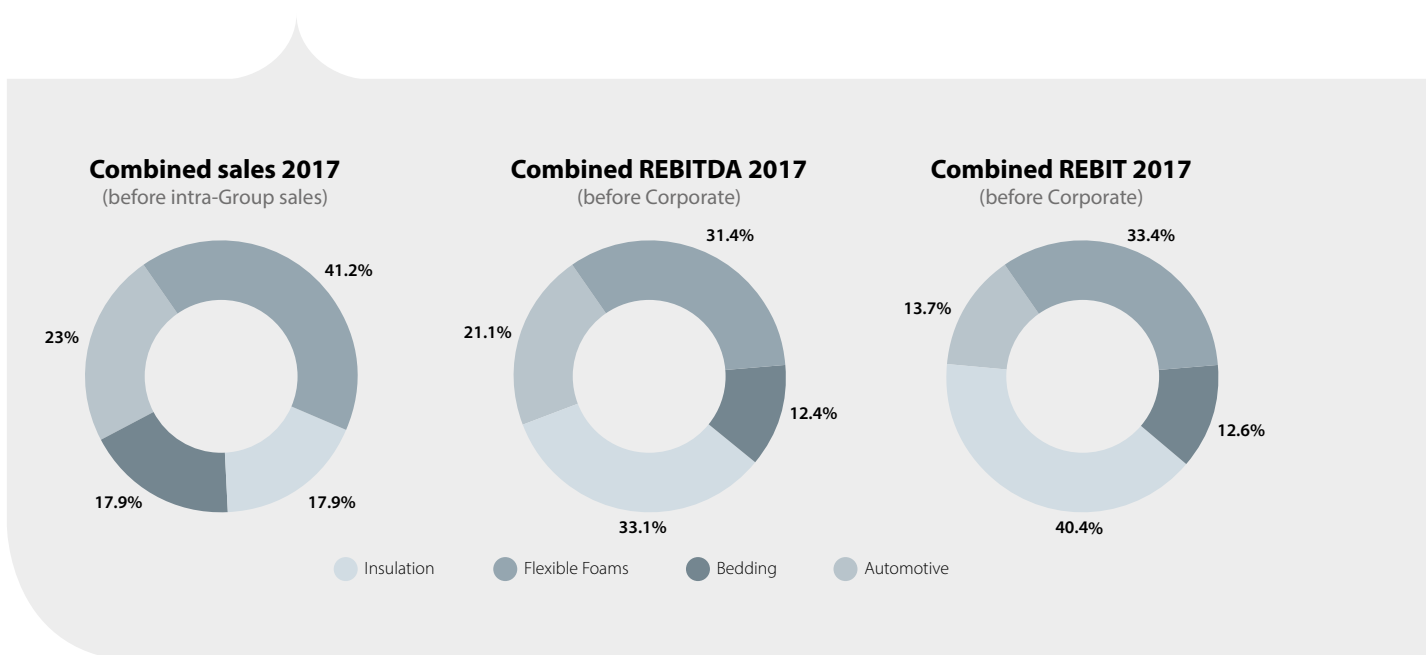
Sales in the Flexible Foams segment grew by +2.7% in 4Q2017, the increase being driven by the Technical Foams segment, while the Comfort segment suffered temporarily from the TDI quality issues at BASF (see press release of 19 October 2017).

The Bedding segment further contracted in 4Q2017 as a result of the lower demand, influenced by the TDI quality issues at BASF.

COMBINED REBITDA: from EUR 97.7 million to EUR 105.5 million (+8.0%)

REBITDA margin stabilized at 7.2%.

Despite the impacts of raw material price increases and adverse currency evolutions, recurrent profitability increased thanks to a combination of volume growth, selling price increases, efficiency improvements and Group operating efficiency improvements.



Breakdown of the **combined REBITDA** by segment

in million EUR									
	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Flexible Foams	28.2	18.1	46.3	23.3	17.3	40.6	-17.2%	-4.9%	-12.4%
Bedding	7.9	7.8	15.7	7.7	7.4	15.1	-2.0%	-5.4%	-3.7%
Insulation	17.8	15.3	33.1	14.2	26.1	40.3	-20.2%	71.2%	21.9%
Automotive	10.5	9.4	19.9	13.5	12.1	25.6	27.9%	29.1%	28.5%
Corporate	(9.6)	(7.8)	(17.3)	(8.6)	(7.5)	(16.1)	-9.9%	-3.1%	-6.8%
TOTAL COMBINED REBITDA	54.8	42.9	97.7	50.1	55.4	105.5	-8.6%	29.2%	8.0%

- Flexible Foams continued to improve its operational efficiency and mix, but has been impacted by its Eurofoam joint venture which has not succeeded in fully passing through the raw material price increases to the market.
- In Bedding, the impact of lower sales – partially explained by the quality issues at BASF – could not be fully compensated by the focus on the higher margin business and the significant cost reduction measures. The supply chain issues which impacted 2H2016 and 1Q2017 results were fully resolved during 1H2017.
- Despite slightly lower volumes due to shortages in the MDI supply in 2Q2017 and 3Q2017, profitability in Insulation further improved as the higher raw material costs were passed on to the market.
- Automotive benefited from a supportive market environment with overall higher volumes; the latter induced by solid market demand and additional volumes related to the new Interiors programs.

COMBINED REBIT:

from EUR 58.2 million to **EUR 66.5 million (+14.2%)**

REBIT margin increased from 4.3% to 4.6%.

Breakdown of the **combined REBIT** by segment

in million EUR									
	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Flexible Foams	22.0	11.8	33.8	17.1	10.7	27.9	-22.0%	-9.1%	-17.5%
Bedding	5.1	5.3	10.4	5.4	5.1	10.5	5.3%	-3.9%	0.6%
Insulation	14.7	12.0	26.8	11.0	22.7	33.7	-25.6%	88.7%	25.8%
Automotive	3.9	1.8	5.7	7.0	4.5	11.4	80.5%	147.5%	101.8%
Corporate	(10.1)	(8.3)	(18.4)	(9.1)	(7.9)	(17.0)	-10.0%	-5.2%	-7.9%
TOTAL COMBINED REBIT	35.6	22.6	58.2	31.3	35.1	66.5	-11.9%	55.2%	14.2%

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 -18.4 million (compared to EUR -13.9 million in 2016).

	in million EUR			
	2016	1H2017	2H2017	2017
Net impact of fire incident in Most	0.0	(4.9)	3.9	(1.1)
Restructuring charges and provisions	(7.8)	0.4	(4.1)	(3.7)
Other	(4.4)	(4.5)	(2.1)	(6.6)
TOTAL IMPACT ON EBITDA	(12.2)	(9.1)	(2.3)	(11.4)
Impairments linked to fire incident in Most	0.0	0.0	(6.7)	(6.7)
Impairments - other	(1.7)	0.0	(0.3)	(0.3)
TOTAL IMPACT ON EBIT	(13.9)	(9.1)	(9.3)	(18.4)

The major non-recurring event in 2017 was the fire incident in the Automotive Interiors plant in Most (Czech Republic) on 22 January 2017. At EBIT level, its net financial impact on 31 December 2017 amounts to EUR -7.8 million including: additional expenses, inefficiencies and losses on assets induced by the fire, impairments, reinsurance costs and insurance payments.

In addition, restructuring measures (EUR -3.7 million) were decided and/or implemented in execution of the Group's rationalisation plan, including (i) further reorganisations in Flexible Foams and (ii) some additional costs relating to sites closed in 2016.

The 'other' non-recurring elements (EUR - 6.6 million) relate mainly to legacy environmental and legal files and provisions for litigation.

Impairment charges amounted to EUR -7.0 million (2016: EUR -1.7 million) and relate to (i) impairment of equipment in Automotive Interiors (EUR -6.7 million) following the fire incident in the Most plant in the Czech Republic and (ii) idle tangible and intangible assets in Flexible Foams and Bedding (EUR -0.3 million).

COMBINED EBITDA: from EUR 85.4 million to **EUR 94.1 million** (+10.2%)

EBITDA margin increased from 6.3% to 6.4%.

Breakdown of **combined EBITDA** by segment

	in million EUR								
	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Flexible Foams	23.6	15.9	39.6	18.7	11.9	30.6	-21.0%	-25.2%	-22.7%
Bedding	6.6	5.5	12.1	7.6	6.8	14.3	15.0%	21.8%	18.1%
Insulation	17.8	15.1	32.9	14.2	25.9	40.1	-20.0%	71.4%	22.0%
Automotive	9.5	8.8	18.3	9.1	15.9	25.0	-4.4%	81.1%	36.6%
Corporate	(9.7)	(7.8)	(17.4)	(8.6)	(7.3)	(16.0)	-10.9%	-5.5%	-8.5%
TOTAL COMBINED EBITDA	47.9	37.6	85.4	41.0	53.1	94.1	-14.3%	41.3%	10.2%
Adjustment for joint ventures by application of IFRS 11 ¹	(6.9)	(5.9)	(12.7)	(5.6)	(5.8)	(11.3)	-19.1%	-1.7%	-11.1%
TOTAL CONSOLIDATED EBITDA	41.0	31.7	72.7	35.4	47.3	82.8	-13.5%	49.3%	13.9%

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

COMBINED EBIT:

from EUR 44.3 million to **EUR 48.1 million** (+8.6%)

EBIT margin stabilized at 3.3%.

Breakdown of **combined EBIT** by segment

	in million EUR								
	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Flexible Foams	17.2	9.3	26.5	12.5	5.2	17.7	-27.3%	-43.8%	-33.1%
Bedding	3.1	2.6	5.8	5.3	4.3	9.6	67.3%	65.3%	66.4%
Insulation	14.7	11.9	26.6	11.0	22.5	33.5	-25.3%	89.2%	26.0%
Automotive	2.9	1.2	4.0	2.6	1.5	4.1	-8.6%	28.8%	2.2%
Corporate	(10.2)	(8.3)	(18.6)	(9.1)	(7.7)	(16.8)	-11.0%	-7.4%	-9.4%
TOTAL COMBINED EBIT	27.6	16.6	44.3	22.2	25.9	48.1	-19.6%	55.3%	8.6%
Adjustment for joint ventures by application of IFRS 11 ¹	(3.0)	(2.0)	(5.1)	(1.6)	(1.6)	(3.2)	-45.6%	-22.9%	-36.4%
TOTAL CONSOLIDATED EBIT	24.6	14.6	39.2	20.6	24.3	44.9	-16.4%	66.3%	14.4%

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

CONSOLIDATED FINANCIAL RESULT:

from EUR -11.7 million to **EUR -4.7 million**

Net interest charges decreased from EUR -8.1 million to EUR -6.5 million as a result of a lower cost of debt.

'Other net financial income and expenses' (EUR +1.7 million compared to EUR -3.6 million in 2016) comprise mainly interest capitalisation costs under provisions for pension liabilities (EUR -1.0 million versus EUR -1.1 million in 2016) and exchange rate differences (EUR +3.2 million versus EUR -2.6 million in 2016).

CONSOLIDATED INCOME TAXES AND DEFERRED TAXES:

from EUR -11.2 million to **EUR -16.2 million**

- Current income tax charge: EUR -6.0 million (2016: EUR -3.5 million);
- Deferred tax charge: EUR -10.2 million (2016: EUR -7.6 million).

The corporate tax reform in Belgium lead to a EUR -4.5 million additional deferred tax charge.

CONSOLIDATED RESULT OF THE PERIOD (SHARE OF THE GROUP):

from EUR +16.3 million to **EUR +23.9 million** (+46.4%)

3. Financial position

On 31 December 2017, the **combined net financial debt** amounted to EUR 122.9 million (31 December 2016: EUR 126.0 million; 30 September 2017: EUR 151.6 million) excluding the amount of EUR 54.7 million drawn under the factoring programs (31 December 2016: EUR 52.2 million; 30 September 2017: EUR 66.9 million).

Total combined net debt, including amounts drawn under off-balance non-recourse factoring programs, amounted to EUR 177.6 million (31 December 2016: EUR 178.2 million; 30 September 2017: EUR 218.5 million).

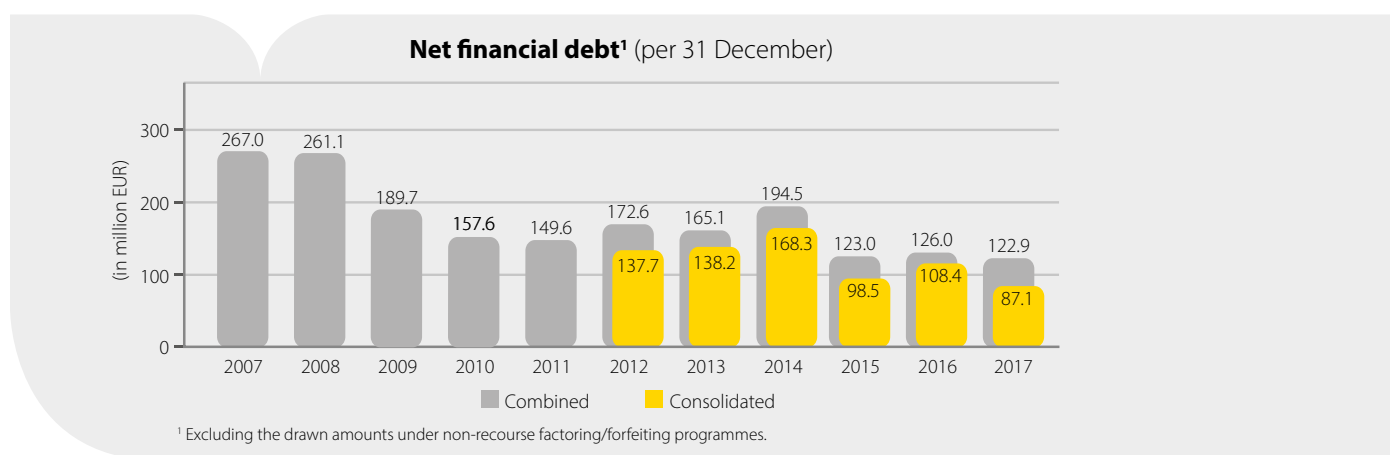
On 31 December 2017, the **consolidated net financial debt** amounted to EUR 87.1 million (31 December 2016: EUR 108.4 million; 30 September 2017: EUR 114.4 million) excluding the amount of EUR 54.7 million drawn under the factoring programs (31 December 2016: EUR 51.7 million; 30 September 2017: EUR 66.9 million).

Total consolidated net debt, including amounts drawn under off-balance non-recourse factoring programs, amounted to EUR 141.8 million (31 December 2016: 160.1 million; 30 September 2017: 181.3 million).

On 31 December 2017 **total equity** amounted to EUR 261.8 million compared to EUR 251.2 million on 31 December 2016.

On a **combined** basis, '**net debt to equity**' improved to 46.9% (2016: 50.1%).

On a **consolidated** basis, '**net debt to equity**' improved to 33.3% (2016: 43.1%).



On 24 July 2017 the Group fully reimbursed the outstanding amounts (EUR 27.7 million) under the 5% convertible bonds 2007-2017.

On 31 January 2018 the banks participating in the EUR 175 million 2016-2021 Credit Facility consented with the discharge and release of all securities previously granted.

The Group confirms that all conditions under the financial arrangements with its banks are respected on 31 December 2017.

4. Proposed dividend

The Board of Directors will propose to the Annual General Meeting of 29 May 2018 the payment of a gross dividend of EUR 0.22 per share on 54.8 million shares or a total dividend payout of EUR 12.1 million (2016: respectively EUR 0.18/share and EUR 9.7 million in total).

5. Miscellaneous

5.1. 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 actively cooperated since then to fully restore contractual deliveries, which happened as of September 2017.

RAI Most s.r.o. is insured according to industry standards. At the end of 2017, the net non-recurring financial impact was assessed at EUR -7.8 million, being the result of: additional expenses, inefficiencies and losses on assets induced by the fire, impairments, reinsurance costs and insurance payments. Additional non-recurring costs as well as insurance indemnity payments are still expected in 2018.

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 2017, RAI Most s.r.o. realised sales of CZK 865 million (EUR 32.8 million) and employed 519 people.

5.2. BASF quality supply issues

On 10 October 2017, Recticel announced that on 5 October 2017 it received a notification from BASF stating that between 25 August 2017 and 29 September 2017, polluted toluene diisocyanate ("TDI") – more particularly Lupranate T80 A - has been supplied by the BASF plant in Ludwigshafen (Germany) to five Recticel sites, producing flexible polyurethane foams for the industry. BASF is one of the major suppliers of TDI and other BASF customers have been confronted with the same issue and received similar notifications.

On 19 October 2017, Recticel confirmed that all affected sites have restarted production with conform TDI. All affected foam products still in the Recticel sites were quarantined, and in close cooperation with its customers, Recticel completed the traceability exercise to identify all affected foam deliveries. BASF provided clarity with regard to the safety concern and risk associated with the non-conform BASF TDI, stating that there was no health risk, and offered - as a precautionary measure - to collect all foam products produced with non-conform BASF TDI for the bedding and upholstery industries.

Recticel continues to cooperate with BASF to resolve the remaining issues with customers and to deal with the collection of the affected foam products and does not expect this issue to have a material financial impact.

6. Operating 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

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Sales	310.3	297.0	607.2	317.5	308.6	626.1	2.3%	3.9%	3.1%
REBITDA	28.2	18.1	46.3	23.3	17.3	40.6	-17.2%	-4.9%	-12.4%
<i>as % of sales</i>	9.1%	6.1%	7.6%	7.3%	5.6%	6.5%			
EBITDA	23.6	15.9	39.6	18.7	11.9	30.6	-21.0%	-25.2%	-22.7%
<i>as % of sales</i>	7.6%	5.4%	6.5%	5.9%	3.9%	4.9%			
REBIT	22.0	11.8	33.8	17.1	10.7	27.9	-22.0%	-9.1%	-17.5%
<i>as % of sales</i>	7.1%	4.0%	5.6%	5.4%	3.5%	4.5%			
EBIT	17.2	9.3	26.5	12.5	5.2	17.7	-27.3%	-43.8%	-33.1%
<i>as % of sales</i>	5.5%	3.1%	4.4%	3.9%	1.7%	2.8%			

in million EUR

SALES

Combined sales increased from EUR 155.7 million in 4Q2016 to **EUR 160.0 million in 4Q2017** (+2.8%), including exchange rate differences (-0.8%). Excluding intersegment sales, combined external sales increased by +6.2% to EUR 147.9 million. Strong growth in Technical Foams (+10.1%) was partially offset by a limited decrease in Comfort (-1.7%).

For the **full-year 2017**, combined sales increased from EUR 607.2 million in 2016 to **EUR 626.1 million** (+3.1%), including exchange rate differences (-1.0%). Excluding intersegment sales, combined external sales increased by +4.4% to EUR 575.8 million.

The positive evolution was primarily driven by the Technical Foams division (+7.5%); whereas the Comfort division (+0.2%) temporarily suffered from the TDI quality issues at BASF, which also indirectly impacted the bedding sector.

PROFITABILITY

REBITDA margin decreased from 7.6% to 6.5%.

Profitability margins decreased as a consequence of the Eurofoam joint venture not succeeding in fully passing through the substantial raw material price increases to the market.

Full-year EBITDA decreased by EUR 9.0 million, from EUR 39.6 million to EUR 30.6 million. EBITDA includes EUR -10.0 million non-recurring elements (2016: EUR -6.8 million), which mainly relate to (i) costs relating to additional restructuring measures implemented in execution of the Group's rationalisation plan, (ii) costs related to the closure of the site in Buren (The Netherlands), and (iii) incurred costs and provisions for litigations and legal fees.



6.2. BEDDING

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Sales	148.1	144.9	292.9	138.3	133.8	272.1	-6.6%	-7.7%	-7.1%
REBITDA	7.9	7.8	15.7	7.7	7.4	15.1	-2.0%	-5.4%	-3.7%
<i>as % of sales</i>	5.3%	5.4%	5.4%	5.6%	5.5%	5.6%			
EBITDA	6.6	5.5	12.1	7.6	6.8	14.3	15.0%	21.8%	18.1%
<i>as % of sales</i>	4.5%	3.8%	4.1%	5.5%	5.0%	5.3%			
REBIT	5.1	5.3	10.4	5.4	5.1	10.5	5.3%	-3.9%	0.6%
<i>as % of sales</i>	3.5%	3.7%	3.6%	3.9%	3.8%	3.9%			
EBIT	3.1	2.6	5.8	5.3	4.3	9.6	67.3%	65.3%	66.4%
<i>as % of sales</i>	2.1%	1.8%	2.0%	3.8%	3.2%	3.5%			

in million EUR

SALES

The sales trend of the first nine-months (1Q: -5.0%; 2Q: -8.4% and 3Q: -7.5%) was continued in the last quarter. **4Q2017** combined sales decreased by -7.8% from EUR 74.7 million in 4Q2016 to **EUR 68.9 million**, including a -0.4% impact from exchange rate differences.

Excluding intersegment sales, combined external sales decreased by -4.1% to amount EUR 67.2 million in 4Q2017. In difficult market conditions, due to the quality issues of the TDI supplied by BASF in October 2017, the sub-segment Branded Products was broadly flat, while the sub-segment Non-Branded/Private Label declined by -7.7%, including a continued rationalisation of the mix.

Over the **full-year 2017**, combined sales decreased from EUR 292.9 million to **EUR 272.1 million** (-7.1%), with a minor impact from exchange rate differences (-0.2%).

Excluding intersegment sales, combined external sales decreased by -3.7% to EUR 264.2 million. Operating in difficult market conditions, especially in Germany, the decrease was limited in the sub-segment Branded Products (-1.6%), while the sub-segment Non-Branded/Private Label decreased by -7.2%.

PROFITABILITY

Despite lower sales, REBITDA margin improved from 5.4% to 5.6%.

Profitability margins improved as a result of a better product-mix and the much improved supply chain performance.

Full-year EBITDA increased from EUR 12.1 million to EUR 14.3 million. EBITDA was marginally impacted by non-recurring restructuring measures amounting to EUR -0.8 million (2016: EUR -3.6 million).



6.3. INSULATION

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Sales	118.1	116.0	234.1	129.2	143.1	272.3	9.4%	23.4%	16.3%
REBITDA	17.8	15.3	33.1	14.2	26.1	40.3	-20.2%	71.2%	21.9%
<i>as % of sales</i>	15.1%	13.2%	14.1%	11.0%	18.2%	14.8%			
EBITDA	17.8	15.1	32.9	14.2	25.9	40.1	-20.0%	71.4%	22.0%
<i>as % of sales</i>	15.0%	13.0%	14.0%	11.0%	18.1%	14.7%			
REBIT	14.7	12.0	26.8	11.0	22.7	33.7	-25.6%	88.7%	25.8%
<i>as % of sales</i>	12.5%	10.4%	11.4%	8.5%	15.9%	12.4%			
EBIT	14.7	11.9	26.6	11.0	22.5	33.5	-25.3%	89.2%	26.0%
<i>as % of sales</i>	12.4%	10.3%	11.4%	8.5%	15.7%	12.3%			

in million EUR

SALES

The strong sales trend observed in the first nine months (1Q: +10.5%; 2Q: +8.4% and 3Q: +22.5%) was extended in the last quarter of the year. **4Q2017** sales increased by +24.2% from EUR 57.0 million to **EUR 70.7 million**, including a negative currency impact of the Pound Sterling (-0.7%). The higher sales figure is primarily explained by higher selling prices to reflect the higher chemical raw materials costs and the postponement of some volumes from 3Q2017 into 4Q2017 due to the supply shortage during the summer months.

Over **full-year 2017**, sales increased by +16.3% from EUR 234.1 million to **EUR 272.3 million**, including exchange rate differences (-2.3%; i.e. Pound Sterling). Volumes were broadly flat, compared to 2016, not due to weaker demand, but as a consequence of the supply shortage of MDI in 2Q and 3Q2017. The lower volumes and the negative impact of the Pound Sterling have been offset by a better product-mix in combination with significantly higher selling prices which had to be implemented following the substantial rise in chemical raw material prices (MDI).

As announced in the press release of 21 June 2017, Recticel will establish a new manufacturing unit in Finland. The project is on schedule to start production in the course of 4Q2018, and is expected to generate growth in Scandinavia, the Baltics and Russia as from 2019.

PROFITABILITY

REBITDA margin increased from 14.1% to 14.8%.

Despite the temporarily limited market availability of MDI volumes in 2Q and 3Q2017 (cfr press release of 12 May 2017), and the consequently higher chemical raw material costs, profitability margins increased. Substantially increased selling prices, combined with a better product-mix, and the spread of the volumes over a longer building season explains this favourable evolution. Although the MDI market supply gradually normalised towards the end of the year, raw material prices still remain at a high level.



6.4. AUTOMOTIVE

in million EUR

	1H16	2H16	FY16	1H17	2H17	FY17	Δ 1H	Δ 2H	Δ FY
Sales	146.9	142.1	288.9	173.5	176.9	350.4	18.1%	24.5%	21.3%
REBITDA	10.5	9.4	19.9	13.5	12.1	25.6	27.9%	29.1%	28.5%
<i>as % of sales</i>	7.2%	6.6%	6.9%	7.8%	6.9%	7.3%			
EBITDA	9.5	8.8	18.3	9.1	15.9	25.0	-4.4%	81.1%	36.6%
<i>as % of sales</i>	6.5%	6.2%	6.3%	5.3%	9.0%	7.1%			
REBIT	3.9	1.8	5.7	7.0	4.5	11.4	80.5%	147.5%	101.8%
<i>as % of sales</i>	2.6%	1.3%	2.0%	4.0%	2.5%	3.3%			
EBIT	2.9	1.2	4.0	2.6	1.5	4.1	-8.6%	28.8%	2.2%
<i>as % of sales</i>	2.0%	0.8%	1.4%	1.5%	0.8%	1.2%			

SALES

The sales trend observed during the first nine months (1Q: +14.5%; 2Q: +21.7% and 3Q: +30.9%) was further extended in the last quarter. Combined sales increased from EUR 77.8 million in 4Q2016 to **EUR 92.8 million** (+19.3%) **in 4Q2017**, including a currency impact of -0.9%. The Automotive segment continued to benefit from strong volumes on running programs as well as the successful new program start-ups. Both sub-segments, Interiors and Seating, reported higher sales.

The sub-segment Interiors grew by +22.2%. As in the previous quarters, this growth was driven by the gradual start-up of scheduled new programs, as well as strong market demand for several car models.

The sub-segment Seating (i.e. Proseat, the 51/49 joint venture between Recticel and Woodbridge) reported +16.1% higher sales, also benefiting from strong market demand.

Over the **full-year 2017** combined sales increased from EUR 288.9 million to **EUR 350.4 million** (+21.3%), with a minor impact from exchange rate differences (-0.2%). Both sub-segments increased their sales significantly: Interiors with +30.4% to EUR 187.1 million, and Seating with +12.2% to EUR 163.3 million.

The growth in Interiors was realised despite the severe impact of the fire incident in the Most plant (Czech Republic), following which Recticel had to declare earlier in the year a force majeure to its customers.

PROFITABILITY

REBITDA margin increased from 6.9% to 7.3%.

More programs in combination with higher volumes - despite some temporary setback related to the fire incident in the Interiors plant in Most - explain the improvement, particularly in Interiors. Higher chemical raw material costs (i.e. TDI) had an adverse impact on the profit margins of the Seating sub-segment as these costs could not sufficiently be passed on to the market.

EBITDA includes non-recurring elements for a total net amount of EUR -0.6 million (2016: EUR -1.6 million), which relate mainly to the net impact, including the insurance coverage and reinsurance costs, of the fire accident in the Interiors plant in Most (Czech Republic).

7. Profit appropriation policy

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

When drawing up its proposal, the Board of Directors strives for the ideal 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 presented the following appropriation of the results to the General Meeting:

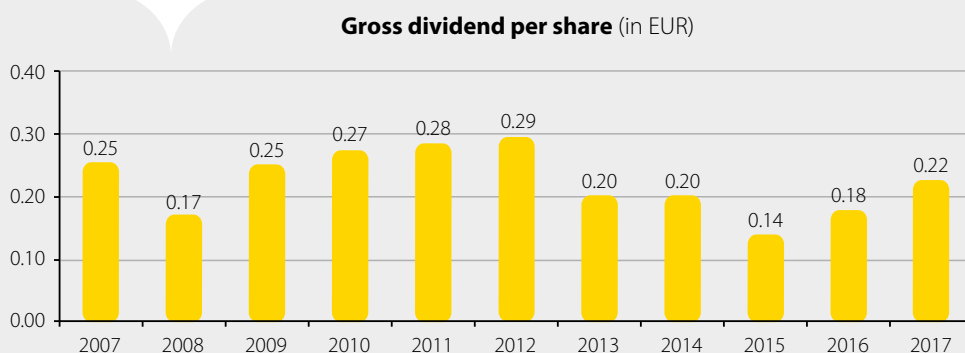
		in EUR
Profit/(loss) for the financial year		26 302 493
Profit/(loss) brought forward from previous year	+	53 596 623
Profit/(loss) to be added to legal reserves	-	1 315 125
Profit/(loss) to be added to other reserves	-	0
Result to be appropriated	=	78 583 991
Gross dividend ¹	-	12 050 799
Profit to be carried forward	=	66 533 193

¹ Gross dividend per share of EUR 0.22, resulting in a net dividend after tax of EUR 0.154 per ordinary share.

8. Dividend payment

Subject to approval of the profit appropriation by the General Meeting of 29 May 2018, a dividend of EUR 0.22 gross will be paid per ordinary share, or EUR 0.154 net (-30% withholding tax). This dividend will be payable from 01 June 2018. KBC Bank acts as paying agent.

Payments for the registered shares will take place via bank transfer to the shareholders' bank accounts.



DIVIDEND KEY DATA

Gross dividend per share	EUR 0.22
Ex-coupon date	30 May 2018
Record date	31 May 2018
Dividend payment date	01 June 2018



2 OUR MISSION, VISION AND CORE VALUES

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Our mission

We leverage our outstanding expertise in polymer applications, particularly polyurethane. We offer competitive, high value-added solutions to our customers with the goal of increasing day-to-day comfort and generating shared value for our customers, employees and stakeholders.

Our vision

we aim to be the leading global provider of comfort solutions in all our core markets by responding to key global challenges such as environmental protection, energy conservation, an ageing and increasing population, and water management.

OUR CORE VALUES

Our five core values for a promising future

In early 2016, we redefined our Group core values to enable our organisation to fully align its actions and attitudes towards internal and external stakeholders.

Today, our core values, which are each linked to clearly defined underlying behaviours, can be summarised by the following five statements:



We strive for results

- We think ahead, define goals and ensure that they are well understood
- We focus, plan, align and cascade objectives
- We are persistent and assure timely execution
- We manage by facts, not by opinions
- We communicate, share the progress accomplished, adapt plans if needed and celebrate success

RECTICEL
The passion for comfort


We innovate to create value

- We constantly challenge the status quo
- We remain curious, we never stop learning and we anticipate the challenges of tomorrow
- We passionately embrace change to make things better and to make better things
- We dare to go and we dare to stop
- We aim for the best, but we do not wait for perfection


RECTICEL
The passion for comfort



We act with respect and integrity



- We never compromise on safety
- We respect people, our partners, our planet and laws
- We are transparent and are not afraid to deliver bad news
- We demonstrate fairness in our dealings with others and provide open and candid feedback
- We don't take credit for the achievements of others




We take ownership and feel accountable



- We dare to be ambitious, we challenge and we empower
- We look for solutions, not for excuses
- We assume responsibility for the impact and the results of our actions
- We are strongly committed and act as if it was our own money at stake
- We learn from our mistakes




We cooperate to win



- We communicate in an open, transparent manner
- We welcome other opinions and value diversity
- We anticipate others' needs and we support others to succeed
- We trust and build on each other's strengths
- We do not go for individual glory, we let the team shine



Living the core values

At Recticel, we believe that core values must be more than hollow slogans visualised on fancy posters. They must be **shared, discussed, believed in and lived** by all stakeholders, particularly our people. As active and ambitious action drivers, our core values will help teams and employees progress, create a positive corporate culture and provide our organisation with a strong stimulus for growth.

OUR GROUP STRATEGY AND ACTIVITIES



The polyurethane sector is expected to grow faster than the global economy on average, as it is driven by supportive megatrends such as climate change, sustainability, conservation, an expanding and ageing population, urbanisation, increasing mobility and rising standards of living. Our products and services pose solutions to the challenges that lie ahead. Our Group strategy is specifically built around these key market drivers. Through **product and process innovation, international presence and operational excellence**, we are poised to differentiate ourselves from our competitors.

We are facing the future with confidence and gearing up for continuing sustainable and profitable growth.

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Group Strategy

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

Our priorities are:

- **sustainable innovation** in applications, products and materials in combination with high quality, service levels and end-consumer brand awareness where applicable;
- **international expansion outside Europe**; and
- **simplification** of the Group structure and clear manufacturing footprint rationalisation.

We strive to continuously **develop our human talent**, as people and teams are crucial to our successful future. Likewise, **meeting sustainable development criteria** is a mandatory contribution to long-term growth. In this context, we published our second Sustainability Report in early 2018.

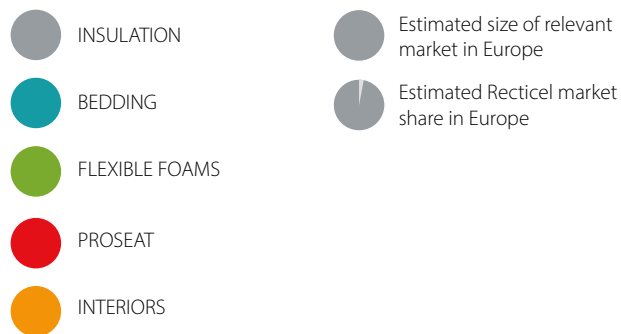
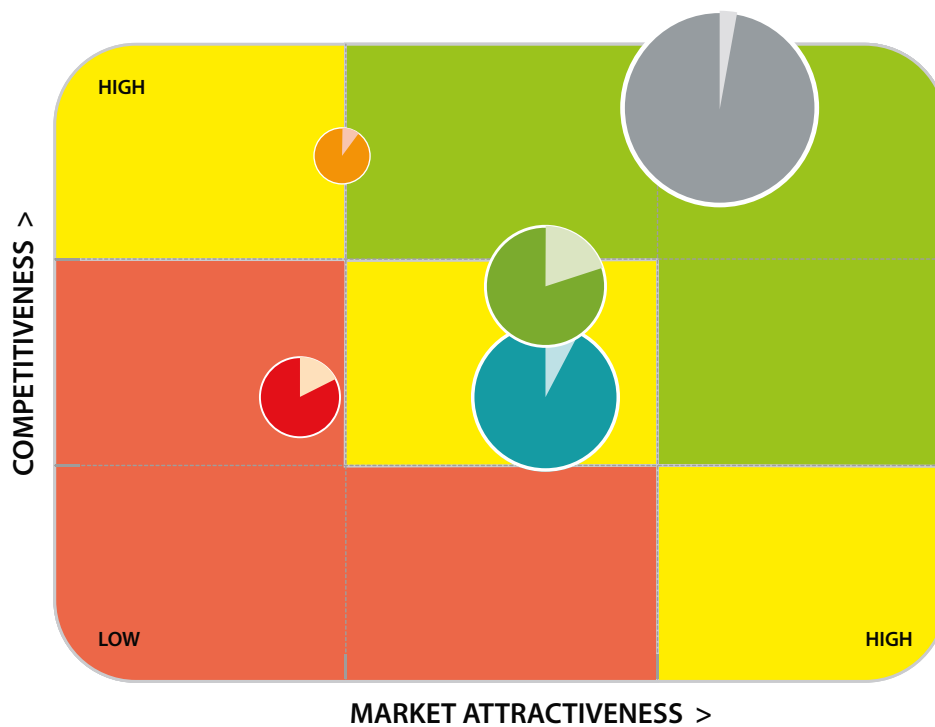
The building blocks of our strategy:



Segment strategy: business line positioning and strategic views

The Group strategic plan allocates resources to our business segments based on our market strengths and competencies.

To develop it, we assessed the attractiveness of the markets in which our business lines are active according to specific criteria such as size, growth, profitability and capital intensity. We also evaluated our competitiveness in each of these markets. We concluded that our Insulation business line has the highest potential, followed by Bedding and Flexible Foams. Both activities of our Automotive business line are non-core.



Going forward, Group management has defined specific strategic actions based on our business line positioning. Some actions are common to all business lines, while others are business line-specific. As a result, each business line has its own strategy:

Insulation	Grow through geographic expansion, innovation and the introduction of new products, modules and distribution channels. In addition, accelerate growth through acquisitions.
Bedding:	Prioritise branded products supported by (i) a strong marketing strategy, (ii) product innovation, (iii) an online sales channel, (iv) geographic expansion and (v) an optimised network of highly efficient production facilities. Europe will remain the focal market for this business line.
Flexible Foams	Boost profitability through (i) selective growth initiatives based on new products and further geographic expansion in the Technical Foams division, particularly in North America, Asia and North Africa, (ii) manufacturing footprint rationalisation and modernisation, and (iii) commercial and operational excellence.
Automotive	Fully capitalise on existing production capacity and the introduction of innovative products.

Supporting Strategies

For our business line strategies to be successful, they must be supported and guided by three action drivers:

1. Simplification

To quickly react to market evolutions, increase profitability and better manage our people and processes, the Group will further simplify its structure and processes, **boosting operational efficiency and reducing fixed costs.**

A major **industrial footprint restructuring programme** has been implemented over the last seven years. 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 8,411 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.

Internally, Group management will foster synergies through **greater centralisation, standardisation and optimisation** of common processes and administrative tasks.

2. International Expansion

With already strong positions in European markets, we will pursue further growth by expanding internationally, inside as well as outside Europe.

3. Sustainable innovation

Market-driven innovation is at the heart of Recticel's success. To successfully capture future opportunities, our Research & Development department has been reorganised to increase the pull effect of the business lines. Moreover, the Group's **upgraded and flexible approach to resource use** supports our innovation efforts.

Several high-impact innovations have been launched:

Our Group is now perfectly positioned to continue further profitable growth.

Our **Insulation** business line introduced several new solutions, including a higher-performance product with an extremely competitive insulation factor (λ) of 0.019 W/mK. As mentioned earlier in this document, this new generation of PIR panels, commercialised under the Xentro® brand, offers a 13% improvement in thermal insulation through improved chemistry, for energy cost savings.

Our **Bedding** business line launched the new GELTEX® generation. In addition to the combination of optimal pressure distribution, ideal support and maximum climate control properties, the new GELTEX® adds unprecedented performance durability, as well as improved sustainability through the use of CO₂ based polyols. This key innovation effort will further support Recticel's technological advance and generate increased sales.

Our **Flexible Foams** business line introduced a new generation of acoustic foams, leading to new contracts with SpaceX in the Technical Foams application area. Novel acoustic insulation products and solutions for the building sector were also developed and marketed. For our third-party bedding customers, we developed a new comfort foam, angelpearl®.

Our **Automotive** business line began marketing and prototyping the new Colo-Sense® X-Lite, an improved version of the Colo-Sense® Lite high-performance skin for automotive interiors introduced in 2013. Colo-Sense® X-Lite enables a further weight reduction and packaging efficiency, responding to OEMs' constant search for lighter products.

- **Human Organisation**

Next to these three strategic action drivers, a professional, forward-thinking approach to human resources is essential to the strategy's success.

In today's dynamic business environment, the ability to learn quickly and to swiftly acquire new competencies is a critical competitive advantage for the future growth of our Group. It is important for us to present our employees with regular and relevant development opportunities. As such, we have implemented a wide set of policies, programmes and actions related to talent development and continuing education.

- **Sustainability**

Sustainability will be the compass of the Group's actions in the future. For all new investments, the element of sustainability will be taken into consideration in order to boost our competitive edge and create ever more value for our stakeholders.

Our financial objectives

Throughout the transformation process we started in 2010, we continue to raise the bar for our financial performance.

As far as our financial objectives are concerned, we aim for the following medium-term (by 2020) objectives:

- **Generate a 10% REBITDA margin on sales (on a combined basis)**
- **Deliver a ROCE (EBIT/average capital employed) of at least 15%**
- **Keep the combined gearing ratio (net financial debt/equity) below 50%**
- **Enable double-digit growth in net earnings and dividends**

OUR ACTIVITIES

Bedding



Automotive

Whether it is for energy-efficient buildings, fuel-efficient cars, sound silencing or other durable comfort needs, we provide our customers with useful solutions.



Insulation

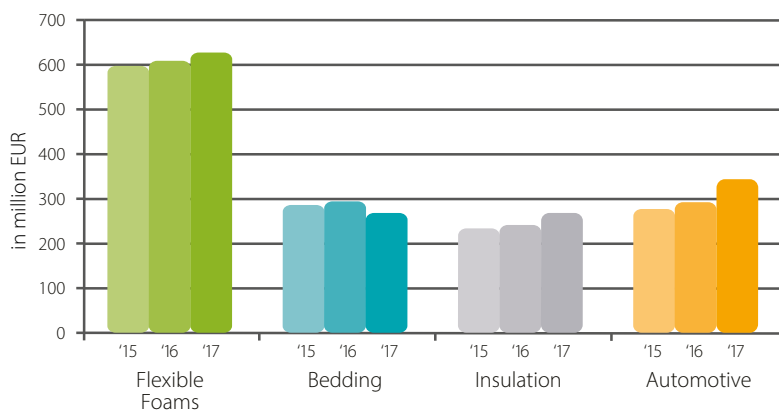
Polyurethane is an extremely versatile material made from polyols and isocyanates – both derivatives of crude oil. Polyurethane chemistry is at the core of our Group business lines.

For seven decades, Recticel's pioneering spirit and passion for comfort has driven our development of innovative applications and solutions that push the limits of polyurethane technology.

Our portfolio is organised around four distinctive business lines, which all are well-positioned in their respective markets. Although our activities are unmistakably linked with polyurethane technology, they each serve specific market sectors.

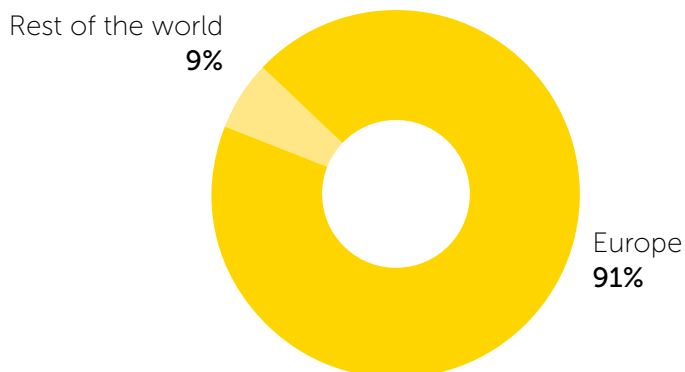
Around 91% of our total Group sales are generated in Europe.

Combined sales per business line



Flexible Foams

Combined sales 2017 (before intra-Group sales)



A photograph of a man in a light green sweater and blue jeans sitting in a wooden rocking chair, holding a baby in a white onesie. The room is a nursery with a white crib in the background, a white paper lantern hanging from the ceiling, and a wall with a colorful, abstract pattern. The text is overlaid on the image in white circles.

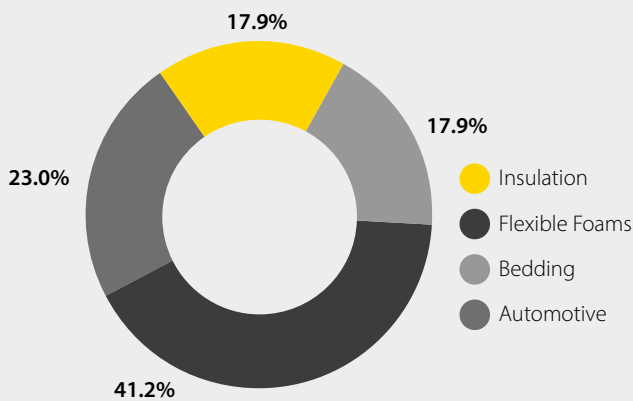
Our new plant in
Finland
will offer us a great
stepping stone to the
promising Scandinavian
and Baltic insulation
markets

VIP
vacuum insulation
panels complement
our Insulation
product range

INSULATION

Our customers expect our products to display superior appearance and thermal performance.

Combined sales 2017 (before intra-Group sales)



What we do

Driven by a culture of innovation, technical competence and flair, we are dedicated to raising the quality standard of thermal insulation products for the construction industry. Our Insulation business line concentrates on the **production and commercialisation of high-performance and durable thermal insulation boards** in rigid closed-cell polyurethane (PU/PUR) and polyisocyanurate foam (PIR).

All our PIR insulation boards are heavily tested during development and before launch to ensure excellence in product quality. Today, they are the best insulation materials against cold and heat available on an industrial scale. Since the end of 2016, we have also added Vacuum Insulation Panels (VIP) for niche applications to our product offering.

Our range of thermal insulation boards spans an extensive array of **applications across the complete building envelope**. For flat and pitched roofs, walls and floors, we offer solutions for new-build and refurbishment projects, including residential, commercial, industrial, public, logistics and agricultural buildings. We seek to continuously improve the thermal insulation performance of our products while reducing the amount of material required. Our products have the potential to significantly reduce energy consumption and CO₂ emissions.

we focus on the **European** insulation market

3

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

Recticel’s Insulation division operates from **3 major state-of-the-art production sites** in Wevelgem (Belgium), Bourges (France) and in Stoke-on-Trent (United Kingdom), with local sales offices in Germany, Poland and the Netherlands. In 2016, two smaller activities in France (bonded foams) and Slovenia (vacuum insulation panels) were added to the footprint, and a greenfield production plant is currently under construction in Finland to serve the Scandinavian and Baltic markets. This plant will become operational in the fourth quarter of 2018.

Insulation customers are mainly contractors, building promoters and wholesale building material stockists and distributors. To support our commercial policy, sales and marketing efforts also target architects and end consumers.

The Insulation business line is the Group’s smallest. Although it currently accounts for 17.9% of total combined sales, it offers the highest future growth potential.

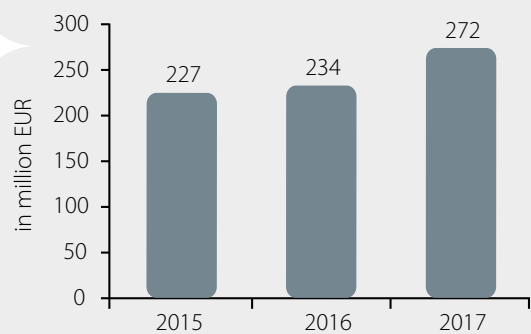
Market drivers

Polyurethane thermal insulation solutions are the **highest-performing insulative materials on an industrial scale**. Supported by ever-increasing insulation standards, polyurethane insulation is gaining market share from more traditional insulation materials, such as mineral wools (glass wool, rock wool) and polystyrenes (EPS, XPS). European legislation for energy performance requirements and energy efficiency, e.g. the Energy Performance of Buildings Directive 2010/31/EU (EPBD) and the European Energy Directive (2012/27/EU) (EED), is a key supporting pillar of the insulation sector.

In addition, our Insulation business line benefits from a **lean and clean production footprint** in strategic locations, for an ever-better cost performance.

Finally, supported by consistent R&D efforts, we anticipate **high development potential** through the introduction of new innovative products and solutions and continuing geographic expansion.

Combined sales Insulation



PUR/PIR high performance insulation plays a leading role in the market’s transition towards more energy-friendly buildings



Market attractiveness

Global megatrends revolving around environmental protection, sustainability and energy conservation drive the thermal insulation materials sector. As a result, the sector will continue to **benefit from stricter building and insulation norms** and standards, particularly in Europe. The market potential of thermal insulation products are best illustrated by the fact that the heating and cooling of buildings accounts for approximately 22% of energy consumption worldwide. In Europe, buildings use 40% of the total energy consumed.

The growth of insulation solutions in the new building market is supported by EU Directives and regulations, and subsidy policies in different member states drive growth in the renovation market.

In addition to the attractiveness of the building insulation sector, the extremely high-performing properties of rigid polyurethane foams make them better positioned than traditional alternatives.

Competitiveness

In addition to the superior technical features of our rigid polyurethane foam solutions, Recticel is recognised in the market for its **broad and high-quality product range**, as well as for its **professional and efficient customer service**.

Even in view of the planned expansion in Finland, our industrial footprint remains relatively limited in terms of number of sites. As a result, Recticel is a particularly cost-efficient operator.

Since the end of 2016, we have added vacuum insulation panels (VIP), a promising new technology considered the most efficient building insulation solution, to our portfolio. However, because of its product characteristics and high cost, VIP remains a complementary technology useful in specific and demanding situations or niche projects.

Strategy

Looking forward, our business line specific strategy will continue to focus on European building insulation markets. Although we expect our existing opportunities to generate further organic growth, we also seek to accelerate our growth path through **new investments in capacity** and/or through **external acquisitions**. In addition, as innovation will drive the future of our Insulation business, new product introductions and distribution channel diversification are key priorities.

COMBINED KEY FIGURES INSULATION	in million EUR		
	2015	2016	2017
Sales ⁽¹⁾	229.4	234.1	272.3
Growth rate of sales (%)	8.4%	2.1%	16.3%
REBITDA	32.3	33.1	40.3
REBITDA margin (as % of sales)	14.1%	14.1%	14.8%
EBITDA	33.4	32.9	40.1
EBITDA margin (as % of sales)	14.6%	14.0%	14.7%
REBIT	26.4	26.8	33.7
REBIT margin (as % of sales)	11.5%	11.4%	12.4%
EBIT	27.5	26.6	33.5
EBIT margin (as % of sales)	12.0%	11.4%	12.3%

⁽¹⁾ before eliminations of intra-Group transactions

Innovative ingredient
brands such as
Geltex[®]
are the drivers of
our brand portfolio



BEDDING

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

What we do

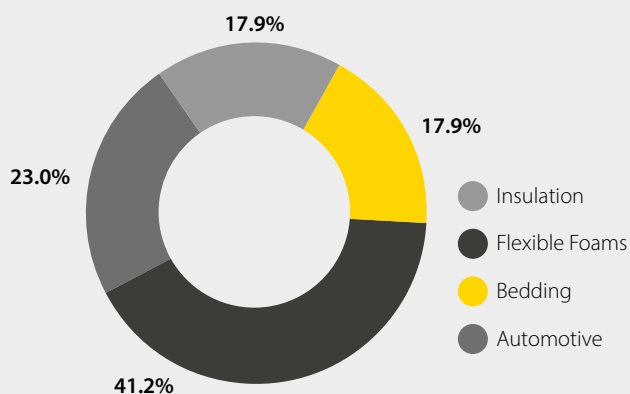
Our Bedding business line, which has a distinct focus on end consumers, **develops, produces and commercialises finished mattresses, slat bases and bed bases**. Our strategy revolves around strong (national) brands – owned or licensed – which may be further supported by innovative ingredient brands such as GELTEX® inside. In addition, to further optimise our manufacturing footprint, we also offer private label products.

The Bedding division sells to end users through a network of external distribution channels, and our customer base is broad and varied. It encompasses more than **1,000 customers with over 5,000 points-of-sale** across Europe. Our clients are diverse, ranging from independent bedding and furniture specialists operating between one and 30 stores, department store chains, mail order and e-commerce companies and members of – mostly national – buying groups to international retail chains owning over 1,000 stores.

Currently, our Bedding division operates 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 17.9% of our Group's total combined sales.

Combined sales 2017 (before intra-Group sales)



Strong local bedding brands
with local stories

12 production sites
in **8** countries

Market drivers

Bedding is a slow-moving consumer goods market. As a result, bedding products only generate high levels of customer interest when the need to buy or replace a mattress or bed arises. In these situations, consumers are sensitive to the comfort aspects of the products and the perceived benefits of available bedding technologies.

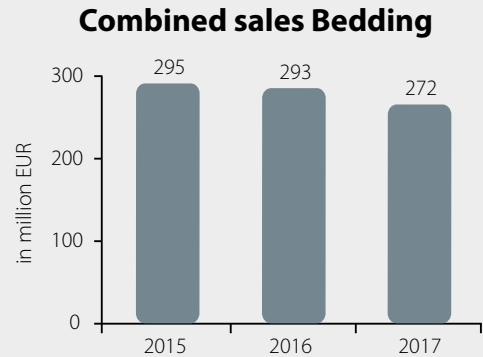
Customers rely mainly on product communication and storeowner advice to navigate the diverse and sometimes confusing bedding product offering, with limited product testing opportunities. In the end, product image and consumer brand trust are equally important in convincing the customer to make a purchase.

We respond to and benefit optimally from these structural market drivers by relying on our **expertise in materials** (foam, springs, latex, etc.) and the **strength of our brands**. Our Geltex® ingredient brand, one of our differentiators, is a key example of this strategy in action. Regarding functional comfort, consumer research consistently identifies body support, pressure distribution and climate comfort, i.e. breathability and moisture evacuation, as the top-ranking purchasing criteria. This is in addition to industry standard criteria in mid and premium market segments, which are durability, anti-allergenic and anti-bacterial properties.

Market attractiveness

The European bedding market is primarily driven by demographic evolution and the ever-increasing **need for a better and healthier sleeping comfort**. These trends drive more frequent replacement and consumers' larger sleeping comfort budgets.

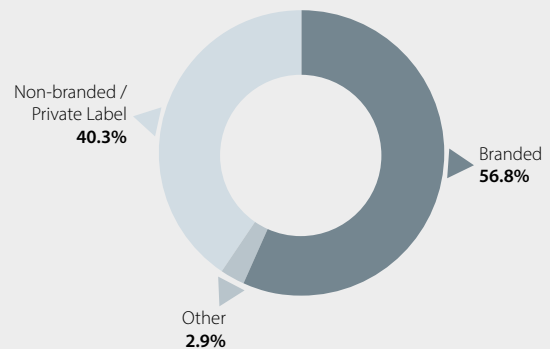
High-value branded products represent the premium market segment, while the private-label segment is growing in market share.



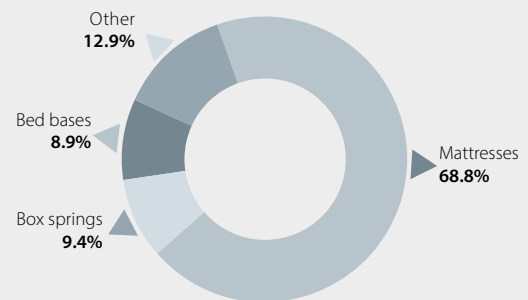
Combined 2017 sales Bedding

EUR 272.1 million

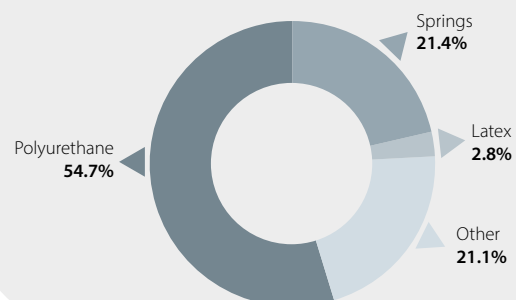
Branded & Non-branded products



Mattresses & Bed bases



By technology



Competitiveness

There's no such thing as a one-size-fits-all perfect mattress. In the end, the best mattress is the one that offers each unique consumer the best (personal) comfort and a good price-performance ratio. Personal sleeping habits, individual requirements and extras, specific bedding technologies and material qualities drive a purchase choice.

Over the last few decades, polyurethane foam mattresses have **gained substantial market share** from traditional technologies such as springs or latex. The characteristics of foam drive a broad and diverse product range, including hybrid technologies. Our Bedding business is closely integrated with the Flexible Foams segment, offering synergies that strengthen our competitiveness. This close relationship enables Recticel to **swiftly introduce innovations and new products** in a competitive and fragmented market.

In addition to our technological expertise, our competitive positions in European markets are boosted by the strength of our brand portfolio. We are particularly **well-positioned in five European countries**, where we compete with primarily national brands.

Strategy

Although we do not exclude external growth opportunities, the strategy of our Bedding division relies mainly on organic growth. To support this strategy, we will continue to **focus on strong product and ingredient brands** such as Geltex® and Bultex®, supported by distinctive product innovation. We plan to continue to rationalise and optimise our manufacturing footprint

COMBINED KEY FIGURES BEDDING	in million EUR		
	2015	2016	2017
Sales ⁽¹⁾	294.5	292.9	272.1
Growth rate of sales (%)	4.6%	-0.5%	-7.1%
REBITDA	14.1	15.7	15.1
REBITDA margin (as % of sales)	4.8%	5.4%	5.6%
EBITDA	9.5	12.1	14.3
EBITDA margin (as % of sales)	3.2%	4.1%	5.3%
REBIT	7.7	10.4	10.5
REBIT margin (as % of sales)	2.6%	3.6%	3.9%
EBIT	3.2	5.8	9.6
EBIT margin (as % of sales)	1.1%	2.0%	3.5%

⁽¹⁾ before eliminations of intra-Group transactions


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



We offer
our customers
**superior
solutions**
for their
**practical
comfort
needs**

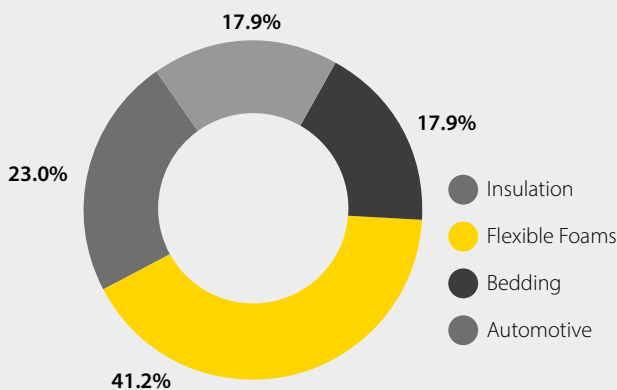
Seven
**key
product
attributes**
– endless possibilities



FLEXIBLE FOAMS

Due to its extreme versatility, foam is a true problem-solver in almost every industry.

Combined sales 2017 (before intra-Group sales)



What we do

The key to the success of PU foams is their seemingly endless versatility. They can be **tailored to almost any application** and we are continually innovating to optimise our product range in line with new demands and ideas. Our comprehensive portfolio of solutions offers the functionalities demanded by every market we serve, and is organised around seven product attributes: **silencing, sealing, filtering, carrying, protecting, supporting** and **comforting**.

Providing the right material using the right technology so that we can add value to our customers' products: that is what drives our Flexible Foams business line. To do so, we predominantly offer semi-finished flexible polyurethane foam products and components for B2B markets. We tailor our products using different technologies to influence their properties and behaviour. And as new demands and ideas emerge, new solutions are offered.

Our foam activities fall into two categories: **Comfort**, which comprises mainly bulky commodities for upholstered furniture and mattresses, and **Technical Foams**, which are higher-value specialty foams 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.

Today, our Flexible Foams division operates 11 foaming plants and 23 converting plants across EMEA, Asia-Pacific and North America. Flexible foam activities in Central and Eastern Europe are managed through a joint venture with Eurofoam (50/50 with Greiner of Austria). Business in Italy is covered by a joint venture with Orsafoam (33/67 with the Orsa Group of Italy).

A leading local presence with
61
production sites
in **27** countries



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Our Flexible Foams business line has historically always been our largest and currently generates 41.2% of the Group's total combined sales.

Market drivers

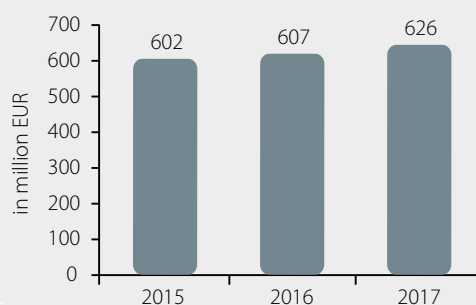
Polyurethane can be used in diverse applications (acoustic insulation, vibration dampening, shock absorption, antistatic, etc.) for diversified target markets due to its broad range of attributes. Our major markets are transport, industry, furniture & upholstery, medical, building & sports infrastructure, and consumer goods.

Rising standards of comfort are key drivers of all these markets. For example:

- Transport:** rapidly-evolving challenges are a hallmark of the transport industry. Today's vehicle manufacturers seek **eco-friendly production and assembly methods** as well as **lightweight materials** that reduce fuel consumption and emissions. Higher engine temperatures and pressures place extra demands on silencing, sealing and filtering components. Superior silencing materials are also required to enhance comfort in car interiors, contributing to general well-being and safer driving.
- Industry:** noise and vibration are concerns in all industrial sectors, and manufacturers depend on silencing solutions to **protect employees** and **meet increasingly strict legislation**. Industrial devices rely on effective sealing of air, gas, water and liquids for maximum efficiency. Filtering solutions protect machinery and ensure the quality of industrial output, and packaging materials protect end products. We work with manufacturers and suppliers throughout the industrial world to meet these challenges and more.
- Furniture & upholstery:** consumers are increasingly conscious of their personal well-being and sleep quality. They see their homes as safe havens and demand **more comfortable seating** as well as mattresses that **enhance the sleep experience**. Manufacturers must offer new features and possibilities to stay ahead. Our range includes both standard foams and speciality foams with customised features.

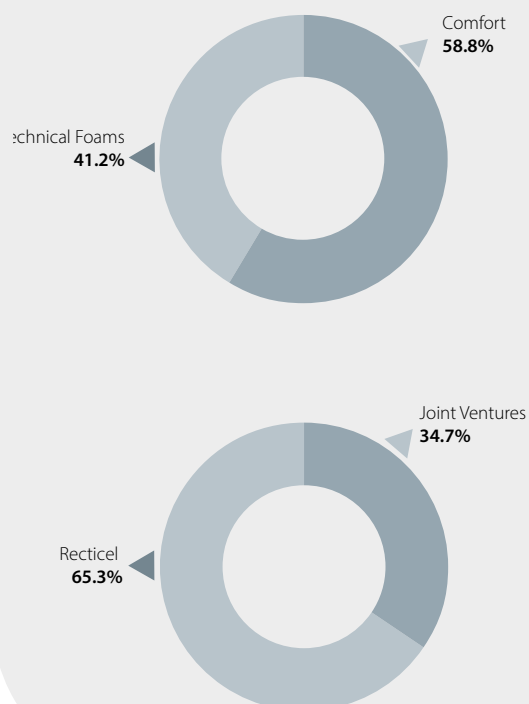
- Medical:** standards of comfort, hygiene and cost-efficiency continue to rise in the medical sector. An aging population places more pressure on hospitals, while better home care possibilities can help to save resources and improve quality of life. **Safe and reliable equipment** is needed wherever patients are treated. Our foams are used in numerous medical applications ranging from mattresses and wheelchair cushions to tracheostomy filters.

Combined sales Flexible Foams



Combined 2017 sales Flexible Foams

EUR 626.1 million



- **Building & sports infrastructure:** foams **protect users** and **improve athletic performance** in leisure facilities and playgrounds. We provide engineering professionals with foams for improved silencing and sealing performance to meet their goals in a growing construction industry driven by rising standards in comfort, safety and sustainability.
- **Consumer goods:** today's consumers demand **increasing variety and personalisation, cost-efficiency** and **user-friendly products**. Manufacturers are constantly discovering new uses for foams, which offer a huge palette of colours, shapes and textures as well as many qualities that are useful in home and personal care. A broad portfolio of solutions are useful in diverse applications such as abrasive and cleaning sponges, polishing pads for car and shoe care, cosmetic applicators, clothing, footwear and protective accessories, etc.

Market attractiveness

In the foam market, growth is slightly higher than GDP due to **increasing daily comfort demands** and the **substitution of alternative technologies** and solutions with polyurethane foams. Although both product portfolios are manufactured on the same production lines, the flexible foams market is split between Comfort and Technical Foams. Commodity applications are primarily found in the Comfort segment, while specialty applications are clustered in the Technical Foams segment.

Competitiveness

As major European player, our **robust R&D capabilities** enable us to hold strong positions in existing markets and develop new niche target markets.

Our **wide geographic presence** and **well-established industrial footprint** is essential to our competitiveness, and provides us access to competitive raw material prices. In terms of differentiating priorities, our Comfort division focusses on optimal asset management and cost performance, and our Technical Foams division relies on innovation and product differentiation.

Strategy

One key strategic focus of our Flexible Foams business is the **rationalisation and modernisation of our industrial footprint**. In addition to our aim to become a cost-efficient producer, we also develop and introduce new products and solutions that target growth, and pursue geographic expansion for our Technical Foams segment.

	in million EUR		
COMBINED KEY FIGURES FLEXIBLE FOAMS	2015	2016	2017
Sales ⁽¹⁾	602.3	607.2	626.1
Growth rate of sales (%)	1.6%	0.8%	3.1%
REBITDA	38.0	46.3	40.6
REBITDA margin (as % of sales)	6.3%	7.6%	6.5%
EBITDA	34.0	39.6	30.6
EBITDA margin (as % of sales)	5.6%	6.5%	4.9%
REBIT	26.1	33.8	27.9
REBIT marge (as % of sales)	4.3%	5.6%	4.5%
EBIT	21.1	26.5	17.7
EBIT margin (as % of sales)	3.5%	4.4%	2.8%

⁽¹⁾ before eliminations of intra-Group transactions

Our
innovative
materials
are transforming
**interior
design**

and comfort
standards
in cars

A global presence
with

22

production sites

in **8**

countries



AUTOMOTIVE

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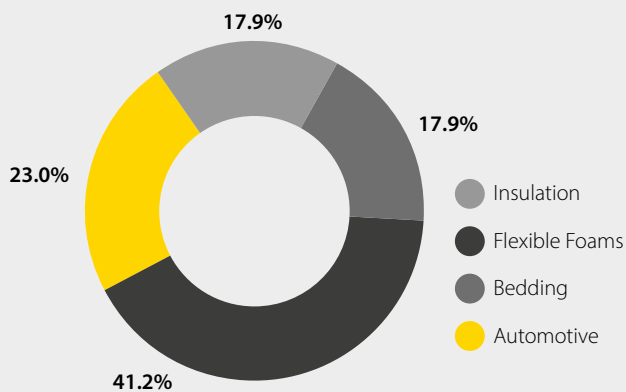
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Combined sales 2017 (before intra-Group sales)



What we do

Our Automotive business line is built around two activities: interior trim (Interiors) and moulded car seat pads and headrests (Seating). Both divisions serve demanding global Tier 1 customers as well as original equipment makers (OEM) in the automotive sector.



Our **Interiors** division develops, produces and commercialises innovative elastomer interior trim solutions for cars. Our patented polyurethane-based technology – branded Colo-Fast® and Colo-Sense® Lite spray – not only offers extreme design freedom, but also weighs about 40% less than traditional thermoplastics.

Our renowned pigmented light-stable PU compounds, dashboard skins, cockpit and door panel trim parts are manufactured across 11 production sites located in China (5), the Czech Republic (2), Germany (2) and the United States (2).



Our **Seating** division develops, produces and commercialises moulded comfort foam pads for car seats, headrests and lightweight EPP structural car elements. Our Seating activities are managed through Proseat, a 51/49 joint venture between Recticel and Woodbridge.

Proseat's geographic footprint is restricted to Europe. The company has 8 production sites spread across the Czech Republic (1), France (1), Germany (2), Poland (2), Spain (1) and the United Kingdom (1).

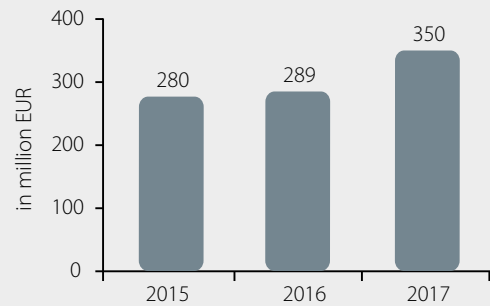
Our Automotive segment generates 23.0% of our Group's total combined sales.

Market drivers

Despite the car industry’s supportive market environment, most OEM customers still focus on **cost competitiveness**. OEMs continue to pressure suppliers to reduce their costs while remaining highly demanding in terms of quality and technical specifications, such as weight and design freedom. This evolution puts further pressure on Tier 1 suppliers, leading to a trend of centralisation and insourcing to optimise capacity, which in turn impacts Tier 2 suppliers.

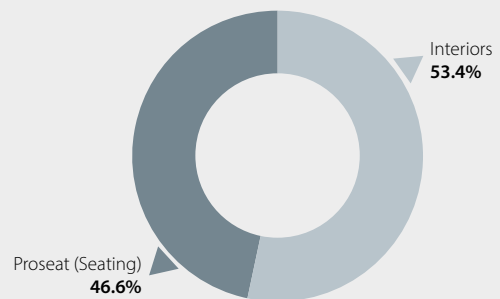
Sustainability and the **reduction of CO₂** and other emissions are also important trends. In the automotive interiors industry, including the seating business, this has led to increased attention on the weight reduction of products and parts.

Combined sales Automotive



Combined 2017 sales Automotive

EUR 350.4 million



Our **lightweight materials**

contribute significantly to better fuel-efficiency in modern vehicles

Market attractiveness

The mature automotive sectors of Western Europe are mainly highly competitive, cyclical replacement markets. However, **new mobility needs** and **environmental challenges** offer strong innovation incentives.

Product innovation and differentiation provide key approaches to these new challenges.

Competitiveness

While our Seating activity is highly commoditised, our Interiors business is poised to play a leading role in the Tier 2 automotive suppliers market. Being particularly technology-driven, it offers **price-competitive alternative solutions** to those based on traditional materials, such as PVC.

Our Automotive businesses are well-positioned with Tier 1 customers and OEMs. We are recognised for our top-performing, patented products in Interiors, and for our innovative concepts in Seating. Our Interiors activity also enjoys an ideal global industrial footprint in Europe, the United States and China.

Strategy

Gradual **improvement and stabilisation of operating results** form the core of Automotive segment strategy. To do so, we focus on optimising our industrial footprint and capacity utilisation. The introduction of innovative products drives our competitiveness.

	in million EUR		
COMBINED KEY FIGURES AUTOMOTIVE	2015	2016	2017
Sales	280.3	288.9	350.4
Growth rate in sales (%)	6.2%	3.1%	21.3%
REBITDA	15.4	19.9	25.6
REBITDA margin (as % sales)	5.5%	6.9%	7.3%
EBITDA	9.9	18.3	25.0
EBITDA margin (as % of sales)	3.5%	6.3%	7.1%
REBIT	3.6	5.7	11.4
REBIT margin (as % of sales)	1.3%	2.0%	3.3%
EBIT	-1.9	4.0	4.1
EBIT margin (as % of sales)	-0.7%	1.4%	1.2%

⁽¹⁾ before eliminations of intra-Group transactions



3 SUSTAINABLE INNOVATION



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Sustainability through technological advances

In February 2018, we published our second sustainability report. This 2017 report is the product of a journey that began in 2012. The first step of this journey was to define our strategy for sustainability, which was embedded in the Group strategy in 2015 and which resulted in our first sustainability report in 2016. With this first report, we aimed to **give external and internal stakeholders insight into our sustainability journey**, strategy and six material aspects. For each of these, we selected a key performance indicator and target to measure progress.

Two years after launching our sustainability strategy, it is clear that focussing on innovation was the right approach for recticel. stakeholder feedback confirmed that we have selected relevant priorities in our sustainable innovation plan.



Our second sustainability report **quantifies our progress towards our targets** and the obstacles we have encountered on this continuous journey. Limited external assurance was performed by PwC on the six material aspects covering the seven key performance indicators (KPIs) identified in the report.

In September 2017, the EU Directive 2014/95/EU on non-financial and diversity information reporting was enacted into Belgian national law. We now not only cover corporate governance and risk management statements in our annual report (as required by the Belgian Company Code), but also report on **environmental, social, human rights & anti-corruption and bribery topics** in our sustainability report.

The Directive recommends using internationally recognised frameworks and standards to structure and publish our responses. Hence, our second sustainability report was drawn up **in accordance with the Global Reporting Initiative (GRI) Standard** guidelines. This comprehensive framework is known globally for its credibility, consistency and comparability, and is now the de facto standard for sustainability reporting.

Recticel sustainability reports are available on our corporate website, www.recticel.com.

Strategy

Growing together towards a PUre future expresses our firm commitment to reducing any negative effects of our activities and to optimising Recticel's positive impact throughout the value chain. We continue to seek innovative solutions to society's major challenges, such as global warming, an ageing population and conservation of natural resources.

Sustainability has always been at the heart of our activities. Our thermal Insulation solutions for building renovations and new constructions contribute to a low-carbon society. They cut the emission of 20 times more CO₂ than the carbon footprint of Recticel's combined activities. Sustainability is also an important element of our Automotive business line, where customer demand for reduced carbon emissions drives our development of lightweight materials. Similarly, in our Flexible Foams business line, innovative lightweight solutions have been developed for speciality applications in car engine compartments that require superior silencing properties.

In other markets, the traditional focus has been on durability and providing optimal comfort during the use phase. We are now preparing our durable, polyurethane-based products for the transition to a waste-free circular economy.

Together with our stakeholders, including customers, employees, suppliers, the industry, knowledge institutes and authorities, we explore ways to reduce waste and design products that are eco-friendly and easy to dismantle. New chemical and mechanical recycling processes will allow us to reuse materials, paving the way for more advanced value-added applications. Our Simfofit® insulation panels are a perfect example of how production waste and end-of-life material (currently in development) can be transformed into an innovative acoustic insulation product that reduces noise by 60%.

Innovation and efficiency initiatives have reduced our use of raw materials, and should be complemented by our choice of more sustainable raw materials. In partnership with Covestro, formerly Bayer MaterialScience, Recticel is the first company worldwide to use a CO₂-based polyol in its flexible foam production process for products such as mattresses. This helps conserve natural resources and combat climate change.

Key societal sustainability challenges will continue to drive our future innovations.

We cannot risk becoming obsolete because we missed the turn. the circular economy is a real challenge, and we are dedicated to closing the loop.

Targets

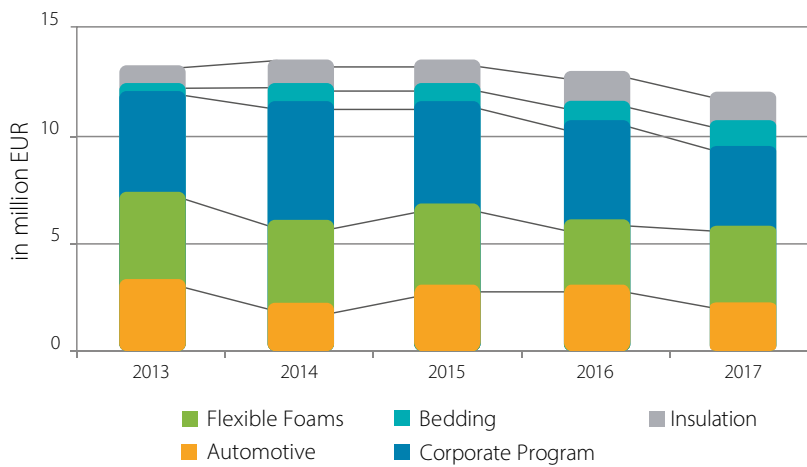
Innovation and people are key in achieving our sustainability strategy. Through a stakeholder consultation process, we defined the six most important aspects for Recticel and clustered them in a Sustainable Innovation Plan and a People Priority Plan. We then selected a key performance indicator and target for each aspect.

We support the United Nations Sustainable Development Goals, particularly those to which Recticel's expertise and activities are most relevant, such as: 'Climate Action', 'Responsible Consumption and Production' and 'Decent Work and Economic Growth'.

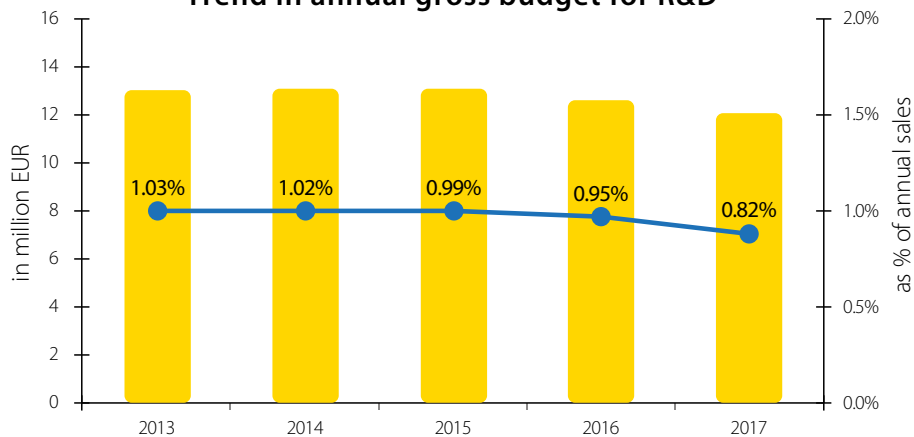
Five sustainable innovation programmes

With the goal of **leading the transition to a circular economy** and a low-carbon society and promoting well-being at every age, Recticel's SID R&D efforts are centred around five innovation programmes, each led by an Innovation Manager. Developed through permanent collaboration between product development teams and SID innovation teams, four of the programmes are aligned with market expectations and will make our Automotive, Bedding, Flexible Foams and Insulation divisions more sustainable.

Trend in composition of annual budget for Research & Development



Trend in annual gross budget for R&D



The fifth programme covers projects impacting all four divisions and coordinates all initiatives to prepare durable polyurethane products for the circular economy. This covers the entire product value chain, from raw materials purchasing to polyurethane recycling and reuse.

These programmes underpin our sustainability strategy, differentiate Recticel from its competitors and generate shared value for all stakeholders. Some specific examples of progress made in 2016 and 2017:

- *New comfort foam for bedding and seating*
In developing the new Geltex® foam with CO₂ polyol, we support the introduction of **new sustainable technologies** into our bedding product portfolio. At the same time, Geltex® mattresses are more durable. The worldwide launch took place at the Cologne IMM trade fair in January 2018.
- *Technical foams with enhanced silencing properties*
Research projects are ongoing to find **solutions that help reduce noise** caused by industrial appliances, contributing to a more comfortable and productive working environment.
- *Reduced lambda values in insulation*
Launched in March 2017, Xentro® achieves **high insulation values with less material** and lower volume, as well as lower thermal conductivity and a 13% reduction in lambda value over its market reference material.
- *Lighter automotive interior technologies*
Through innovations in layer density reduction techniques, Colo-Sense® X Lite automotive skins are even **lighter, high-performing and cost-effective**, cutting transport costs and emissions.
- *Corporate sustainability programme*
This programme steers all initiatives to **prepare durable polyurethane products for the circular economy**. This covers the whole value chain of our products, from raw materials to studying how polyurethane can be recycled and reused.

An October 2016 acquisition in France enabled us to scale up the go-to-market process of an advanced technology that **transforms our flexible foam production waste into high-performance acoustic insulation**. The first results are Simfofit®, an acoustic insulation panel for the do-it-yourself market, which reduces sound by up to 12 dB and Silentpart®, an acoustic insulation panel for use in systems or lightweight partition walls.

In 2018, Recticel will continue to participate in international multi-actor research and development projects connected to one or more of our 5 innovation programmes, two of which are described below.

Low-lambda

Manufacturing **high-value polyurethane materials from CO₂ by-products** of the steel industry is the ambition of Carbon4PUR, an EU Research and Innovation programme Horizon2020 project involving 14 partners from 8 countries. If the technology is proven feasible, Recticel will play a part in testing it in rigid foam applications such as insulation panels.

Corporate sustainability

Recticel will proactively participate in international R&D partnerships with knowledge institutes and actors across the value chain to prepare durable polyurethane products for the circular economy.



4 HUMAN RESOURCES



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Core values

in 2017, Recticel continued to actively deploy the core values project by launching a core values e-learning path and the 'CEO's Core Values' video in 14 languages. The latter was also launched externally via LinkedIn and the Recticel corporate website.

Core values team discussions started in the beginning of the year and continued throughout the year. Team discussions helped our employees familiarise themselves with each of the five values and key behaviours, and linked each value with individual and team performance. Team discussions made the core values more real, placing them within the context of work-life situations.

Over 70 core values ambassadors worked actively throughout the year to support line managers and employees in organising different core values-related events, information and training sessions and internal campaigns. They also facilitated team discussions.

In May 2017, we launched our global Living The Values Award campaign. We were very pleased to receive 203 Living The Values Award nominations from our sites around the world, demonstrating the Recticel community's dedication to the five core values. A cross-functional, cross-cultural Living The



Values Award Selection Committee was nominated in October 2017 with the goal of selecting the five final individual or team winners from these excellent nominees. The five final winners were announced in December 2017, and the first-ever Living The Values Award Ceremony was held end March 2018.

Assess and train for success

Recticel continued to actively develop its talent and concentrated on attracting new, skilled employees. We continued to assess and train our employees in a structured way. Regular performance management discussions were crucial to this strategy, and these discussions took place with all white-collar employees globally (approximately 1,800 people). During performance management discussions, employees had the opportunity to talk about their career development ambitions, working conditions and work-life balance. The output was used not just to optimise training and development, but also to enhance reward, retention, succession and career planning processes.

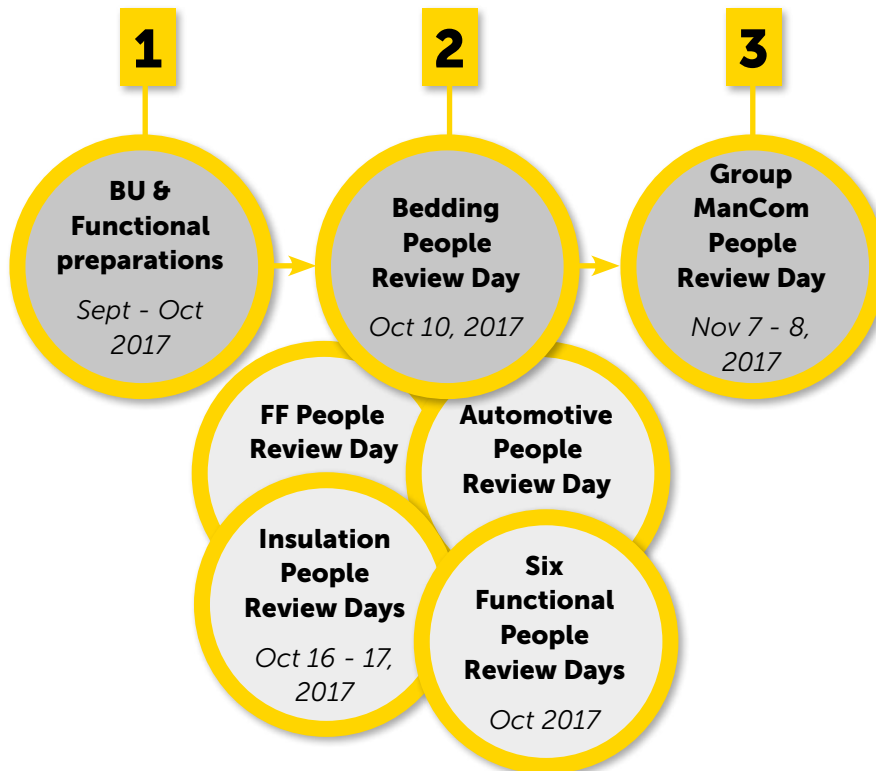
In 2017, Recticel University put specific emphasis on lean management, project management, leadership, presentation, communication and negotiation skills. Of 1,000 Recticel University training days – a record high –, almost 50% were tailored to business line or functional needs and concentrated on improving concrete impacts on the business.



YEAR	STANDARD COURSES	TAILOR MADE COURSES	# OF PARTICIPANTS	# OF TRAINING DAYS
2014	24	1	302	691
2015	29	12	556	984
2016	21	8	352	808
2017	29	16	516	1 024

In 2017, we continued our People Review Process and raised the bar by putting more emphasis on action plans and follow-up. Facilitated by the Group HR team, business line and functional management teams dedicated an entire day to discussing topics such as succession planning, people SWOT analysis, high-potential identification, future recruitment and retirement planning, including knowledge transfer plans. After these meetings, the Group Management Committee spent two half-days participating in the same exercise and defining action plans for identified high potentials.

The company developed a career path development plan for these high potentials. The People Review Process will be closely monitored in 2018 through quarterly action plan reviews performed by each business, and a semi-annual review with the CEO. This approach helps us anticipate internal succession needs and boost employee motivation, engagement, knowledge transfer and business performance.



Engagement survey

In September 2016, Recticel launched an engagement survey for all employees in Belgium, UK and Spain, covering approximately **1,700 employees**. **1,340 employees shared their opinions** on the company in general, and on various aspects of the working climate.

This high **response rate of 79%** gave us insight into employee engagement and satisfaction topics in these three countries, including leadership, job content, compensation, personal development, communication, cooperation, physical work environment and impact on society and well-being. The survey was set up in cooperation with external provider ICMA Group.

The results of the engagement survey were shared with management and employees in multiple informational sessions. Assigned project teams tackled critical areas, set clear action plans and agreed on key focal points for each country:

Belgium: improving **leadership and communication skills** in operations, especially at the first level of management; **improving communication** (through active supervision boards, info meetings, the 'Communication' workgroup, communication standardisation via informational meetings, development of an internal communication plan); facilitating **access to training**, etc.

UK: improving **management** (especially training and personal development), well-being (including working morale and working environment) and communication (communicating the strategy and the role of each employee).

Focus groups were conducted in all plants by August 2017. A three-day foundation programme in essential people management skills for all managers was established, focussing on 110 managers (to be completed in April 2018). A performance review program for blue collar employees was established and a cycle-to-work program was launched.

Spain: a cross-functional collaboration was initiated to prepare and follow up on action plans, and involve the blue collar employees and employee representatives.

The country action plan was finalised and consists of four main pillars; **management, personal development, communication and working conditions**.

Supported by an external consultant, the Group Management Committee dedicated one day to discussing the results of the survey, and agreed on concrete, corporate-level actions to increase employee engagement and maintain and strengthen key areas.

In 2017, engagement surveys were conducted in two additional countries, **Poland and Romania**, with the support of ICMA Group. The survey was conducted in Poland at two sites and covered both Bedding and Insulation business lines (520 employees). In Romania, the survey covered one Bedding business line site (175 employees). Both white and blue-collar employees were included in the engagement surveys.

Each year, the engagement survey will be rolled out in two new countries. In 2018, we will conduct it in **Sweden and Norway**, covering three sites and 204 employees.

Compensation and benefits

in 2017, Recticel continued to further streamline and professionalise its compensation and benefits management practices worldwide.

Group design and governance principles were implemented to administer local bonus plans aligned with the new Group Bonus Plan policy. This function is enabled by an IT solution developed in-house as part of the overall performance management process. Managers and employees can discuss and validate their bonus objectives and achievements, and the online Employee Performance Management Discussion (EPMD) platform automatically processes pay-out calculations.

The Recticel Career Map describes 30 families of jobs. On this front, Recticel made progress on implementing the newly established Hay grading structure across its European operations, concentrating initially on the Insulation division. The outcome will be analysed in light of Hay PayNet, which provides up-to-date insights into remuneration best practices in our markets and supports informed compensation and benefits decision-making.

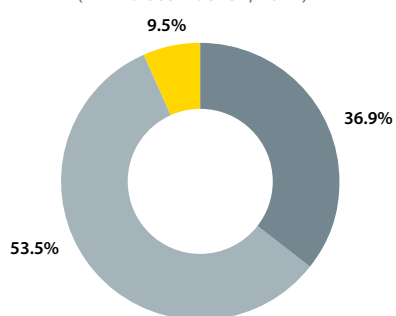
NUMBER OF STAFF¹

	31 DEC 2016		31 DEC 2017	
Poland	1 270	16.0%	1 338	15.9%
Czech Republic	972	12.3%	1 161	13.8%
Belgium	1 110	14.0%	1 089	12.9%
Germany	1 011	12.8%	1 019	12.1%
France	655	8.3%	606	7.2%
United Kingdom	542	6.8%	556	6.6%
People's Republic of China	236	3.0%	515	6.1%
Romania	308	3.9%	323	3.8%
The Netherlands	308	3.9%	320	3.8%
Spain	243	3.1%	245	2.9%
Austria	233	2.9%	224	2.7%
Sweden	169	2.1%	169	2.0%
USA	152	1.9%	164	1.9%
Hungary	135	1.7%	134	1.6%
Estonia	95	1.2%	95	1.1%
Switzerland	112	1.4%	94	1.1%
Finland	91	1.1%	85	1.0%
Turkey	87	1.1%	80	1.0%
Italy	61	0.8%	61	0.7%
India	42	0.5%	40	0.5%
Norway	36	0.5%	35	0.4%
Bulgaria	19	0.2%	20	0.2%
Slovakia	11	0.1%	11	0.1%
Serbia	11	0.1%	10	0.1%
Lithuania	7	0.1%	7	0.1%
Ukraine	7	0.1%	6	0.1%
Russia	5	0.1%	5	0.1%
Morocco	2	0.0%	3	0.0%
TOTAL	7 925	100%	8 411	100%

	31 DEC 2016		31 DEC 2017	
Western Europe	4 569	57.7%	4 502	53.5%
Eastern Europe	2 832	35.7%	3 108	36.9%
Rest of world	524	6.6%	802	9.5%
TOTAL	7 925	100%	8 411	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 proportion of personnel of joint ventures that are managed at least 33% by Recticel (rounded figures).

Total headcount per region (FTE - December 31, 2017)



● Western Europe ● Eastern Europe ● Rest of world



5 CORPORATE GOVERNANCE STATEMENT

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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 objective 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 civil limited liability cooperative company "DELOITTE Bedrijfsrevisoren", represented by Mr. Kurt DEHOORNE.

The Auditor conducts its audits in accordance with the International Standards on Auditing (ISA) 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 remuneration of the Deloitte network (in its capacity as Auditor) for the audit of Recticel NV's annual and consolidated annual accounts intended in article 134,§2 of the Companies' Code, amounts to EUR 867,000 for 2017.

The global amount of the remunerations for additional services of the Auditor and parties related to the Auditor, amounts to EUR 234,000 at the level of the Recticel Group. This amount consists

of an amount of EUR 33,000 for additional audit related work and EUR 201,000 for other consulting assignments (consisting of an amount of EUR 169,000 for additional tax services and an amount of EUR 32,000 for other consulting assignments).

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, six 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 Directors 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 came to an end at the Ordinary General Meeting of 30 May 2017. At the Ordinary General Meeting of 30 May 2017, IPGM Consulting GmbH, represented by Ms. Anne De Vos, was appointed as a director resulting in three out of ten directors being women. As a result, the obligation of article 518bis of the Companies' Code is complied with.

The following table provides an overview of the current members of Recticel's Board of Directors (as from 30 May 2017).



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, Anne DE VOS, Luc MISSORTEN

NAME	FUNCTION	TYPE	YEAR OF BIRTH	START OF MANDATE	END OF MANDATE	PRIMARY FUNCTION OUTSIDE OF RECTICEL	MEMBERSHIP COMMITTEE
Johnny THUIS ⁽¹⁾	Chairman	Independent	1952	2015	2018	Spadel, Corealis, Hospital Logistics, President / Essers, Ahold Delhaize, Director	AC / RC
Olivier CHAPELLE ⁽²⁾	Managing Director	Executive	1964	2009	2019	Director Cofinimmo	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	President at 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), Managing director	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
Anne DE VOS ⁽⁷⁾	Director	Independent	1958	30/05/17	2020	Sigma - Aldrich Corporation - Director, Sales & Tactical Marking	
Frédéric VAN GANSBERGHE ⁽⁸⁾	Director	Non-executive	1958	2014	2019	GALACTIC NV - Managing Director	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 her capacity as Permanent Representative of IPGM Consulting GmbH

⁽⁸⁾ in his capacity as Permanent Representative of ENTREPRISES ET CHEMINS DE FER EN CHINE SA

AC = Audit Committee

RC = Remuneration 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 2017.

NAME	FUNCTION	TYPE	YEAR OF BIRTH	START OF MANDATE	END OF MANDATE	PRIMARY FUNCTION OUTSIDE OF RECTICEL	MEMBERSHIP COMMITTEE
Wilfried VANDEPOEL (1)	Director	Non-executive	1945	1999	30/05/17	Van Rooy NV, Director	AC

⁽¹⁾ in his capacity as Permanent Representative of REVAM BVBA

AC = Audit 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 30 May 2017 :

- The general meeting established that the mandate of REVAM BVBA, represented by Mr. Wilfried VANDEPOEL, as non-executive director, would end after the Ordinary General Meeting of 30 May 2017. It was not available for a renewal of the mandate. The meeting decided to foresee a replacement.
- The general meeting accepted in replacement of REVAM BVBA, represented by Mr. Wilfried VANDEPOEL, the 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.
- The general meeting elected 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.

Taking into account the above, and upon advice of the Remuneration & Nomination Committee, the Board of Directors proposes at the Ordinary General Meeting of 29 May 2018 to approve the:

- Renewal of the mandate of THIJS JOHNNY BVBA, represented by its permanent representative Mr. Johnny THIJS, as non-executive and independent director, for a new term of three years expiring after the Ordinary General Meeting of 2021.
- Renewal of the mandate of COMPAGNIE DU BOIS SAUVAGE SERVICES SA, represented by its permanent representative Mr. Benoit DECKERS, as non-executive director, for a new term of three years expiring after the Ordinary General Meeting of 2021.
- Renewal of the mandate of COMPAGNIE DU BOIS SAUVAGE SA, represented by its permanent representative Mr. Pierre-Yves de LAMINNE de BEX, as non-executive director, for a new term of three years expiring after the Ordinary General Meeting of 2021.
- Renewal of the mandate of REVALUE BVBA., represented by its permanent representative Mr. Luc MISSORTEN, as non-executive and independent director, for a new term of three years expiring after the Ordinary General Meeting of 2021.
- Renewal of the mandate Mr. Kurt PIERLOOT, as non-executive and independent director, for new a term of three years expiring after the Ordinary General Meeting of 2021.
- Confirmation of THIJS JOHNNY BVBA represented by its permanent representative Mr. Johnny THIJS, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Mr. Johnny THIJS 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.
- Confirmation of REVALUE BVBA represented by its permanent representative Mr. Luc MISSORTEN, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Mr. MISSORTEN 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.
- Confirmation of Mr. Kurt PIERLOOT as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Mr. PIERLOOT 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.

Functioning of the Board of Directors

The Board of Directors gathered a total of six times in 2017. One meeting handled mainly the 2017 budget and two meetings handled the establishment of the annual accounts as per 31 December 2016 and the mid-year accounts as per 30 June 2017.

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 2017.

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 2017 was:

NAME	ATTENDANCE RATE IN 2017
Johnny THUIS	6/6
Olivier CHAPELLE	6/6
Benoit DECKERS	6/6
Pierre-Yves de LAMINNE de BEX	6/6
Ingrid MERCKX	6/6
Luc MISSORTEN	6/6
Kurt PIERLOOT	6/6
Wilfried VANDEPOEL ⁽¹⁾	2/2
Frédéric VAN GANSBERGHE	5/6
Danielle SIOEN	4/6
Anne DE VOS ⁽²⁾	4/4

⁽¹⁾ end of mandate 30/05/2017

⁽²⁾ start of mandate 30/05/2017

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 2017. 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 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.

In accordance with article 526bis,§4 of the Companies Code, the audit committee supervises amongst others 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 that also describes more in detail the tasks of the Audit Committee.

The Audit committee currently consists of four 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 2017 to date.

NAME	FUNCTION	ATTENDANCE RATE IN 2017
Luc MISSORTEN ⁽¹⁾	Chairman	4/4
Johnny THUIS ⁽²⁾	Member	4/4
Ingrid MERCKX ⁽³⁾	Member	4/4
Benoit DECKERS ⁽⁴⁾	Member	4/4
Wilfried VANDEPOEL ^{(5) (6)}	Member	2/2

⁽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⁾ In his capacity as Permanent Representative of REVAM BVBA

⁽⁶⁾ End of mandate 30/05/2017

The Audit committee convened four times in 2017. Two meetings were devoted primarily to the audit of the annual accounts per 31 December 2016 and the interim accounts per 30 June 2017. 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 2017
Johnny THUIS ⁽¹⁾	Chairman	3/3
Kurt PIERLOOT	Member	3/3
Frédéric VAN GANSBERGHE ⁽²⁾	Member	3/3
Luc MISSORTEN ⁽³⁾	Member	3/3

⁽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⁾ In his capacity as Permanent Representative of REVALUE 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 three times in 2017.

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 2017 to present) are indicated in the following list:

NAME	FUNCTION
Olivier CHAPELLE ⁽¹⁾⁽²⁾	Chief Executive Officer
Ralf BECKER	Group General Manager Insulation
Betty BOGAERT	Chief Information Officer
Jean-Pierre DE KESEL	Chief Sustainable Innovation Officer
François DESNE	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⁾ as from 20/1/2017 - Group General Manager Bedding

The Management committee has an advisory role vis-à-vis the Board of Directors as a whole and is not an executive committee in the sense of article 524bis of the Belgian Companies Code.

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 2017.

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.



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

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 2018, the Board of Directors shall not propose modifications to the Ordinary General meeting of 29 May 2018, only a confirmation of the emoluments of 2017:

- 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 competition;
- 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 since the financial 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% of the bonus of which 30% Combined Group Net Cash Flow and 40% Group REBITDA. 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 2017 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 2017 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 2018 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 remuneration of the directors and the members of the executive management

II.1. Gross remuneration of the directors

							in EUR
NAME	ATTENDANCE FEES BOARD OF DIRECTORS 2017	FIXED REMUNERATION BOARD OF DIRECTORS 2017	AUDIT COMMITTEE 2017	REMUNERATION AND NOMINATION COMMITTEE 2017	REMUNERATION FOR SPECIAL ASSIGNMENTS	TOTAL (GROSS) 2017	
THIJS JOHNNY BVBA	30 000	30 000	10 000	15 000	-	85 000	
OLIVIER CHAPELLE BVBA	15 000	15 000	-	-	-	30 000	
COMPAGNIE DU BOIS SAUVAGE SERVICES SA	15 000	15 000	10 000	-	-	40 000	
COMPAGNIE DU BOIS SAUVAGE SA	15 000	15 000	-	-	-	30 000	
ENTREPRISES ET CHEMIN DE FER EN CHINE SA	15 000	12 500	-	7 500	-	35 000	
IMRADA BVBA	15 000	15 000	10 000	-	-	40 000	
REVAM BVBA ⁽¹⁾	6 223	7 500	5 000	-	-	18 723	
REVALUE BVBA	15 000	15 000	20 000	7 500	-	57 500	
Kurt PIERLOOT	15 000	15 000	-	7 500	-	37 500	
Danielle SIOEN	15 000	10 000	-	-	-	25 000	
IPGM Consulting GmbH ⁽²⁾	8 777	10 000	-	-	-	18 777	

⁽¹⁾ End of mandate 30/05/2017

⁽²⁾ Start of mandate 30/05/2017

Since 2017, 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 has been granted. The members of the Audit Committee receive a fee of EUR 2,500 per meeting and for the Chairman EUR 5,000 per meeting. The members of the Remuneration and Nomination Committee receive a fee of EUR 2,500 per meeting and for the Chairman EUR 5,000 per meeting.

For the year 2018 it is proposed to the ordinary general shareholder's meeting to confirm the abovementioned amounts.

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	
	2017	2016	2017	2016	2017	2016
Number of persons	1	1	10	11	11	12
Fixed remuneration	520 000	500 000	2 612 904	2 295 700	3 132 904	2 795 700
Variable remuneration	354 640	497 250	744 046	1 101 548	1 098 686	1 598 798
Subtotal	874 640	997 250	3 356 950	3 397 248	4 231 590	4 394 498
Pensions	0	0	280 649	192 254	280 649	192 254
Other benefits	26 128	38 328	261 030	230 979	287 158	269 307
Total	900 768	1 035 578	3 898 629	3 820 481	4 799 397	4 856 059

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 the financial year 2017, but which will only be paid out in 2018. The amount of the variable remuneration which has been paid out in the financial year 2017 can be found under the financial year 2016.
- 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. The 'Other benefits' also include an insurance (death, incapacity, medical) and remuneration of training costs.
- 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.
- The employment contract with Mr. Philipp Burgdorf, member of the Management Committee, has been ended by mutual consent in the beginning of 2017. The departure compensation granted to him has been calculated according to the legal provisions.

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

In June 2017, a stock option plan was issued for the leading staff members of the Group.

This plan related to 410,000 stock options for a total of 30 managers. The exercise price was fixed on the average share price during the previous 30 days, namely EUR 7.00 and the exercise period runs from 1 January 2021 till 29 June 2024. The total cost for the Company for this series 2017 is EUR 0.928 per share option or EUR 380,480 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	60 000	55 680
Ralf BECKER	25 000	23 200
Betty BOGAERT	25 000	23 200
François DESNE	25 000	23 200
Jean-Pierre DE KESEL	25 000	23 200
Bart MASSANT	25 000	23 200
Jean-Pierre MELLEN	25 000	23 200
Jan MEULEMAN	25 000	23 200
François PETIT	25 000	23 200
Dirk VERBRUGGEN	25 000	23 200

During 2017, the following warrants expired:

- Stock option plan December 2006: issued by the Board of Directors on 22 December 2006, exercise period 1/1/2010 until 21/12/2012 with prolongation until 21/12/2017;
- Stock option plan May 2011: issued by the Board of Directors on 31 May 2011, exercise period 1/1/2015 until 29/05/2017;
- Stock option plan December 2011: issued by the Board of Directors on 22 November 2011, exercise period 1/1/2015 until 21/12/2017.

During 2017, the following stock options were exercised by the members of the Management Committee:

NAME	NUMBER OF WARRANTS EXERCISED	PLAN
Olivier CHAPELLE	59 665	May 2011
	59 665	December 2011
	35 799	December 2012
Betty BOGAERT	19 690	May 2011
	9 690	December 2011
	11 814	December 2012
François PETIT	11 814	December 2012
Jan MEULEMAN	8 353	May 2011
	8 353	December 2012
Jean-Pierre DE KESEL	19 690	May 2011
	11 814	December 2012
Jean-Pierre MELLEN	19 690	May 2011
	11 814	December 2012
Dirk VERBRUGGEN	8 353	May 2011

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

The total number of shares and warrants held by the members of the Board of Directors as per 31 December 2017 is:

DIRECTORS	SHARES	WARRANTS
THIJS JOHNNY BVBA	0	0
Johnny THIJS (permanent representative)	28 950	0
OLIVIER CHAPELLE BVBA	206 799	170 799
Olivier CHAPELLE (permanent representative)	0	0
ENTREPRISES ET CHEMINS DE FER EN CHINE SA	0	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
IPGM Consulting GmbH	0	0
Anne DE VOS (permanent representative)	0	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 number of shares and warrants held by the members of the Management Committee as per 31 December 2017 is:

MEMBERS OF THE MANAGEMENT COMMITTEE	SHARES	WARRANTS
Ralf Becker	0	50 000
Betty Bogaert	16 504	79 714
Jean-Pierre De Kesel	21 004	73 714
François Desné	6 250	25 000
Bart Massant	0	50 000
Jean-Pierre Mellen	14 004	79 714
Jan Meuleman	8 353	66 110
François Petit	11 814	61 814
Dirk Verbruggen	9 414	77 208

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 - Claey's formula applies until 31/12/2013 - Then new legislation
Jean-Pierre De Kesel	18 months	Legal minimum - Claey's 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 - Claey's 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 2017, 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 June 2017 whereby Mr Chapelle had a conflict of interest. The procedure laid down in Article 523 of the Companies Code was applied. Reference is made here to the statutory annual report, which contains an extract of the minutes of June 30, 2017 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.

10. Diversity policy

Recticel strives to create a community where everyone is included and respected, bringing people together for a better world. We believe that a diverse team improves the quality of decision making, and ultimately improves overall performance.

Recticel has currently not established a formal specific diversity policy, but is an equal employer in all aspects of recruitment and selection, and is committed to a fair and consistent approach to recruitment and selection. Recticel works actively to develop a positive employer image amongst the internal and external stakeholders. Recticel commits to hire all candidates irrespective of age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation or hours of work.

Recticel also commits to offering learning opportunities to all employees irrespective of age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation or hours of work.

Recticel is proud to be present in 19 countries, with employees of different nationalities.

Currently one woman is represented in the Management Committee. Furthermore, one third of the members of the Board of Directors is a woman, in accordance with article 518bis of the Companies Code.

The selection process of the members of the Board of Directors is described in the Corporate Governance Charter of Recticel, with the aim to come to a composition that is diverse in all its aspects, both at the level of gender, background, professional experience, competence and education.

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11. 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	27,63%	27,47%
Entreprises Chemins de Fer en Chine SA ^{(2) (3)}	26/05/2015	0	0,00%	0,00%
Total Compagnie du Bois Sauvage SA		15 044 410	27,63%	27,47%
Capfi Delen Asset Management NV	28/05/2015	2 130 992	3,91%	3,89%
BNP Investment Partners	12/05/2016	1 615 744	2,97%	2,95%
Dimensional Holdings Inc/Dimensional Fund				
Advisors LP ⁽⁵⁾	10/05/2017	1 628 985	2,99%	2,97%
Public	N/A	34 029 426	62,50%	62,12%
Total (excluding treasury Shares)		54 449 557	100,00%	99,40%
Treasury Shares	N/A	326 800		0,60%
Total (including treasury Shares)		54 776 357		100,00%

⁽¹⁾ The percentage of voting rights is calculated on the basis of the 54,776,357 existing Shares as at 31 December 2017. 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 54,776,357 existing Shares as at 31 December 2017 (including the own Shares held by the Company), based upon the information received by the Company from its shareholders as per 31 December 2017- 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%

The capital structure, with the number of shares 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 7 July 2017, 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 was entitled until 31 August 2017 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 "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.
- The Recticel Group's Stock Option Plans of December 2012, April 2014, June 2015, April 2016 and June 2017 (warrant plans December 2012, April 2014, June 2015, April 2016, June 2017) issued by the Board of Directors Administration that contain a clause 6.2. which gives the beneficiaries the right to exercise their warrants, if applicable under the conditions determined by the Board of Directors, immediately in the event of a change of control (that is, in the event of a transfer, in one or more transactions, more than fifty percent (50%) of the voting rights) or in the case of the launch of a public share purchase offer. Approval hereof shall be proposed to the General meeting of 29 May 2018 in accordance with article 556 of the Companies Code.

These clauses were specifically approved by Recticel's General Shareholder Meeting or will be submitted for approval at the General Meeting on 29 May 2018.

In line with article 556 of the Belgian Companies Code, for such a clause to take effect requires the approval of the General Shareholder meeting.

6 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 onerous 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.

7 FINANCIAL REPORT





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