

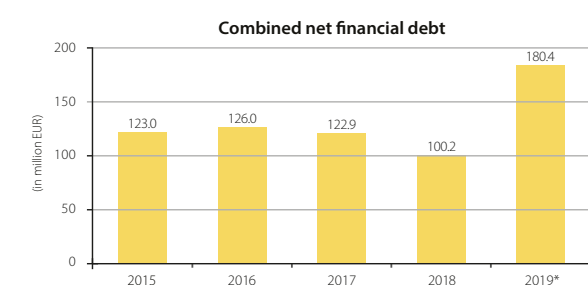
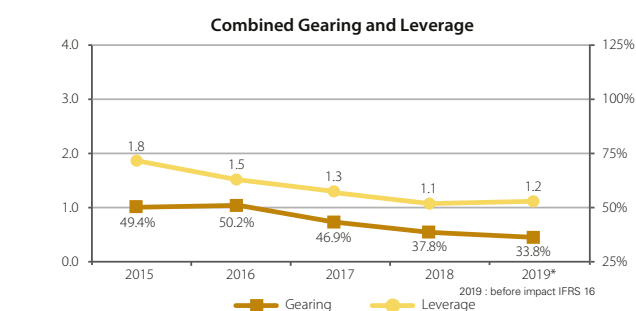
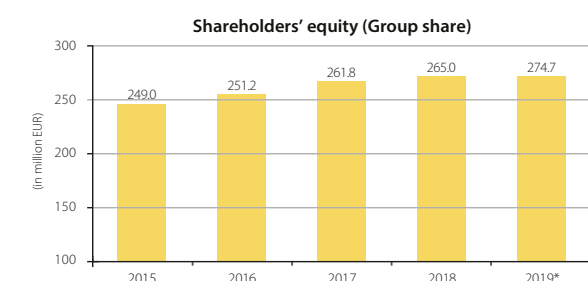
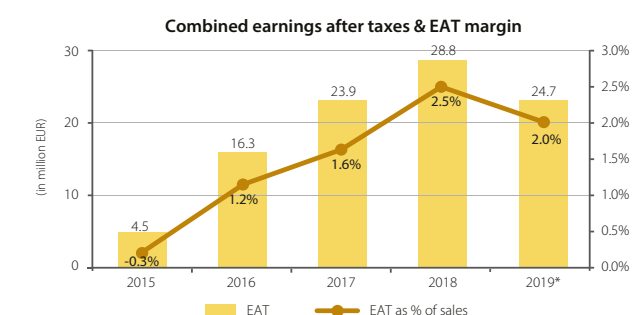
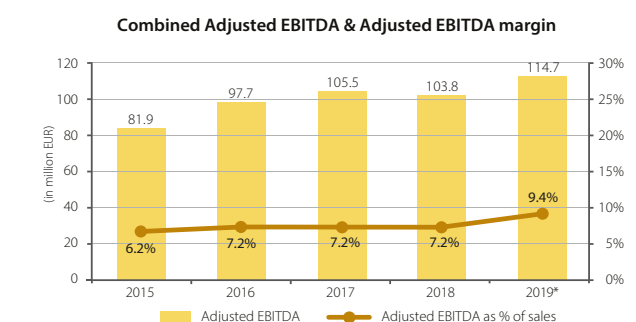
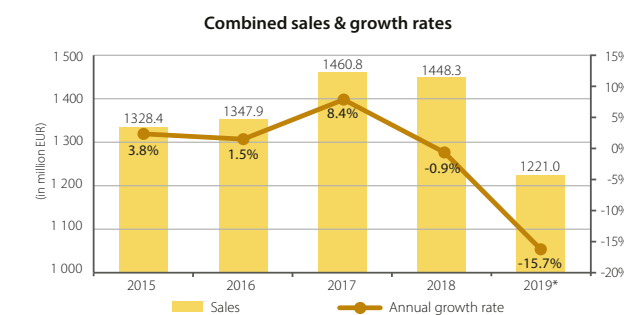
Shaping the **future**



2019
annual report



* Proseat, which was partially divested in 2019, is integrated in the 2019 combined figures according to the 'equity method', i.o. previously on a proportionate basis. 2019 figures are also shown including impact of IFRS 16. Figures of previous years have not been restated accordingly.

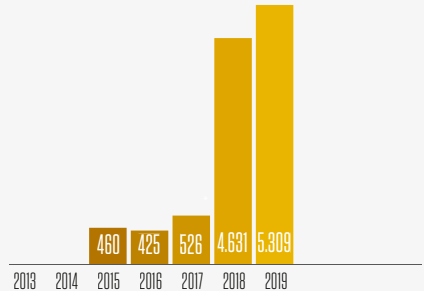
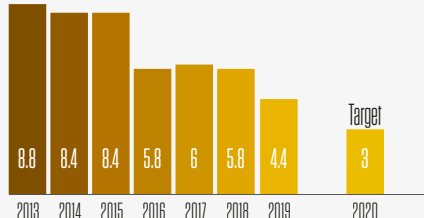
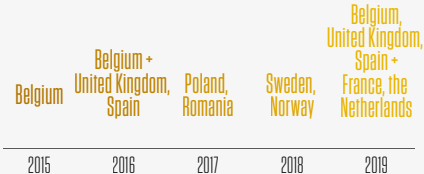


SUSTAINABILITY STRATEGY SUMMARY

SUSTAINABLE INNOVATION PLAN

MATERIAL ASPECT	KPI	TARGET																					
INNOVATION FULFILLING SOCIETAL NEEDS	Sustainability index. (scope: innovation pipeline Sustainable Innovation Department)	80% of active R&D projects classified as sustainable by 2020 according to the Sustainability Index.	<table><tr><th>Year</th><th>Percentage</th></tr><tr><td>2013</td><td></td></tr><tr><td>2014</td><td></td></tr><tr><td>2015</td><td>40%</td></tr><tr><td>2016</td><td>45%</td></tr><tr><td>2017</td><td>54%</td></tr><tr><td>2018</td><td>66%</td></tr><tr><td>2019</td><td>62%</td></tr><tr><td>2020</td><td>Target 80%</td></tr></table>	Year	Percentage	2013		2014		2015	40%	2016	45%	2017	54%	2018	66%	2019	62%	2020	Target 80%		
	Year	Percentage																					
2013																							
2014																							
2015	40%																						
2016	45%																						
2017	54%																						
2018	66%																						
2019	62%																						
2020	Target 80%																						
OPTIMISING CARBON FOOTPRINT	Recticel Carbon footprint indicator expressed in tonnes of CO ₂ equivalent compared to the 100% activity level in 2013. (scope: production sites) The method of calculation is derived from the Cradle to Grave method.	Reduce Recticel Carbon Footprint Indicator by 25% in 2020 and by 40% in 2030.	<table><tr><th>Year</th><th>Percentage</th></tr><tr><td>2013</td><td>100%</td></tr><tr><td>2014</td><td>100%</td></tr><tr><td>2015</td><td>84%</td></tr><tr><td>2016</td><td>83%</td></tr><tr><td>2017</td><td>83%</td></tr><tr><td>2018</td><td>83%</td></tr><tr><td>2019</td><td>82%</td></tr><tr><td>2020</td><td>Target 75%</td></tr><tr><td>2030</td><td>Target 60%</td></tr></table>	Year	Percentage	2013	100%	2014	100%	2015	84%	2016	83%	2017	83%	2018	83%	2019	82%	2020	Target 75%	2030	Target 60%
	Year	Percentage																					
2013	100%																						
2014	100%																						
2015	84%																						
2016	83%																						
2017	83%																						
2018	83%																						
2019	82%																						
2020	Target 75%																						
2030	Target 60%																						
OPTIMISING CARBON FOOTPRINT	Net Recticel Impact Ratio (whole value chain) defined as ratio of the Recticel Positive Impact to the Recticel Carbon Footprint. The Recticel Positive Impact is expressed in tonnes of avoided CO ₂ equivalent in use phase . (using appropriate method of calculation per type of product and using appropriate conversion factors calculated by a third party)	Increase Net Recticel Impact Ratio from 20* in 2013 to 30 by 2020 and 50 (40) by 2030. We have reached our 2020 target three years early and have amended our 2030 target to 50. * We have reviewed our method of calculation. The original results over 2013, 2014, 2015 were 20, 20, 26.	<table><tr><th>Year</th><th>Ratio</th></tr><tr><td>2013</td><td>27</td></tr><tr><td>2014</td><td>28</td></tr><tr><td>2015</td><td>34</td></tr><tr><td>2016</td><td>36</td></tr><tr><td>2017</td><td>36</td></tr><tr><td>2018</td><td>37</td></tr><tr><td>2019</td><td>41</td></tr><tr><td>2020</td><td>Target 30</td></tr><tr><td>2030</td><td>Target 50 (40)</td></tr></table>	Year	Ratio	2013	27	2014	28	2015	34	2016	36	2017	36	2018	37	2019	41	2020	Target 30	2030	Target 50 (40)
	Year	Ratio																					
2013	27																						
2014	28																						
2015	34																						
2016	36																						
2017	36																						
2018	37																						
2019	41																						
2020	Target 30																						
2030	Target 50 (40)																						
RESOURCE EFFICIENCY	Tonnes of recycled flexible foam produced by Recticel.	100% increase by 2020 compared to 2015. The increase is possible if flexible foam production waste is gradually replaced by post-consumer waste.	<table><tr><th>Year</th><th>Percentage</th></tr><tr><td>2013</td><td></td></tr><tr><td>2014</td><td></td></tr><tr><td>2015</td><td></td></tr><tr><td>2016</td><td>-10%</td></tr><tr><td>2017</td><td>-17%</td></tr><tr><td>2018</td><td>-27%</td></tr><tr><td>2019</td><td>-18%</td></tr><tr><td>2020</td><td>Target 100%</td></tr></table>	Year	Percentage	2013		2014		2015		2016	-10%	2017	-17%	2018	-27%	2019	-18%	2020	Target 100%		
	Year	Percentage																					
2013																							
2014																							
2015																							
2016	-10%																						
2017	-17%																						
2018	-27%																						
2019	-18%																						
2020	Target 100%																						

PEOPLE PRIORITY PLAN

MATERIAL ASPECT	KPI	TARGET																			
BUSINESS ETHICS AND INTEGRITY	Number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed.	Increase the number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed by 5% per year (cumulative) compared to 460 in 2015.	 <table><thead><tr><th>Year</th><th>Number of courses</th></tr></thead><tbody><tr><td>2013</td><td></td></tr><tr><td>2014</td><td></td></tr><tr><td>2015</td><td>460</td></tr><tr><td>2016</td><td>425</td></tr><tr><td>2017</td><td>526</td></tr><tr><td>2018</td><td>4,631</td></tr><tr><td>2019</td><td>5,309</td></tr></tbody></table>	Year	Number of courses	2013		2014		2015	460	2016	425	2017	526	2018	4,631	2019	5,309		
			Year	Number of courses																	
2013																					
2014																					
2015	460																				
2016	425																				
2017	526																				
2018	4,631																				
2019	5,309																				
REDUCE HS&E IMPACT OF OUR ACTIVITIES	Frequency work accidents represents the average on Group level for all our plants and offices.	Frequency = < 3 by 2020 $\frac{\text{number of accidents} \times 1,000,000}{\text{number of hours performed}}$	 <table><thead><tr><th>Year</th><th>Frequency</th></tr></thead><tbody><tr><td>2013</td><td>8.8</td></tr><tr><td>2014</td><td>8.4</td></tr><tr><td>2015</td><td>8.4</td></tr><tr><td>2016</td><td>5.8</td></tr><tr><td>2017</td><td>6</td></tr><tr><td>2018</td><td>5.8</td></tr><tr><td>2019</td><td>4.4</td></tr><tr><td>2020</td><td>Target 3</td></tr></tbody></table>	Year	Frequency	2013	8.8	2014	8.4	2015	8.4	2016	5.8	2017	6	2018	5.8	2019	4.4	2020	Target 3
			Year	Frequency																	
2013	8.8																				
2014	8.4																				
2015	8.4																				
2016	5.8																				
2017	6																				
2018	5.8																				
2019	4.4																				
2020	Target 3																				
AN INSPIRING AND REWARDING PLACE TO WORK	The number of countries in which engagement surveys are conducted among blue and white collars.	Two new countries each year.	 <table><thead><tr><th>Year</th><th>Number of countries</th></tr></thead><tbody><tr><td>2015</td><td>1 Belgium</td></tr><tr><td>2016</td><td>2 Belgium + United Kingdom, Spain</td></tr><tr><td>2017</td><td>3 Poland, Romania</td></tr><tr><td>2018</td><td>4 Sweden, Norway</td></tr><tr><td>2019</td><td>5 Belgium, United Kingdom, Spain + France, the Netherlands</td></tr></tbody></table>	Year	Number of countries	2015	1 Belgium	2016	2 Belgium + United Kingdom, Spain	2017	3 Poland, Romania	2018	4 Sweden, Norway	2019	5 Belgium, United Kingdom, Spain + France, the Netherlands						
			Year	Number of countries																	
2015	1 Belgium																				
2016	2 Belgium + United Kingdom, Spain																				
2017	3 Poland, Romania																				
2018	4 Sweden, Norway																				
2019	5 Belgium, United Kingdom, Spain + France, the Netherlands																				

About this report

In this annual report we present the financial and non-financial information of the Recticel Group over 2019.

In the first section - Understanding Recticel - we give an overview of who we are, our mission, vision, values and strategy and how we operate in our markets.

In the second section - Management report - we provide the financial results and the financial state of the Recticel Group. It also includes the Corporate governance section and the Non-financial information statement which was prepared using the recommendations of the GRI Standard guidelines, Core. Limited assurance was provided on the seven KPIs covering the six material aspects.

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.

FINANCIAL CALENDAR FOR SHAREHOLDERS

First quarter 2020 trading update	28 April 2020 (at 07:00 AM CET)
Annual General Meeting	26 May 2020 (at 10:00 AM CET)
Ex-coupon date	28 May 2020
Record date	29 May 2020
Dividend payment date	02 June 2020
First half-year 2020 results	28 August 2020 (at 07:00 AM CET)
Third quarter 2020 trading update	30 October 2020 (at 07:00 AM CET)
Annual results 2020	26 February 2021 (at 07:00 AM CET)
First quarter 2021 trading update	27 April 2021 (at 07:00 AM CET)
Annual General Meeting	25 May 2021 (at 10:00 AM CET)
First half-year 2021 results	27 August 2021 (at 07:00 AM CET)
Third quarter 2021 trading update	29 October 2021 (at 07:00 AM CET)



This report is also available online

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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.



1. Understanding Recticel

EUR
1,220.9
million
in combined
net sales

BEDDING

AUTOMOTIVE 81 sites¹

¹ excluding joint ventures

7,028 INSULATION

employees¹

presence in

¹ excluding minority
shareholdings
in joint ventures

27

countries

FLEXIBLE
FOAMS

OUR PRESENCE	EUROPE	ASIA	UNITED STATES
Combined net sales	89%	6%	4%
Employees	6 258	517	253
Sites	68	9	4

In 2019, we set an important step in realizing our ambition of leading the transition to a **circular economy** and **low-carbon society**. We are proud to participate in and be the project leader of the PReSmart project, funded by the European Union's 2020 innovation and research programme, to develop a complete circular product life cycle and turn polyurethane into a truly sustainable material: recover the used material – such as mattresses – and turn it into building blocks for existing or new products.

In 2019, we further executed our strategic plan and in-depth transformation. This annual report, presents an update of the progress we made in **transforming our group into a sustainable and long-term value creating company**. We are committed to continuing to integrate sustainability elements into the daily management of our businesses and that to the benefit of all our stakeholders. The current progress report is a further step towards the integration of sustainability in our annual report.

For an in-depth insight into our Group, also visit our corporate website: www.recticel.com

1.1. Who we are



Relying on our core competence, expertise and skills in polyurethane chemistry and technology, we strive to **make an essential difference in the universal daily comfort experience**. Based on our industrial activities, we aim to create shared value for 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 be better and more innovative than our competitors, in order to serve our customers and end-consumers by **providing real responsible solutions** to the diverse challenges and dynamic needs of today's world. We support our industrial clients around the world by implementing responsible, value-generating products and services. In this respect, we are committed to further reducing any negative effects of our activities and to further optimize our positive impact across the value chain, from raw materials sourcing to product manufacturing, consumption and end-of-life.

CO₂ emissions avoided by our insulation solutions offset more than 40 times the carbon footprint of the activities of our four business lines combined.

Recticel is present in diverse markets. Some 89% of our net sales are realised in Europe, but we also operate in the United States and in Asia. Our activities are grouped in four business lines: Insulation for the construction sector, Flexible Foams for domestic, transport and industrial applications, Bedding 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).

Recticel (Euronext™: REC.BE – Reuters: RECTt. BR – Bloomberg: REC.BB) is listed on the Euronext™ stock exchange in Brussels and is part of the BEL Mid® index (Euronext™: BELM – Reuters: .BELM – Bloomberg: BELM; index weighting: 1.07% - situation 20 April 2020)



1

Our **INSULATION** division offers **high-quality thermal insulation PU- and PIR-based 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®.

2

Our **FLEXIBLE FOAMS** division develops and manufactures **diverse proven innovative solutions** with very specific product attributes to address practical needs such as silencing, sealing, filtering, carrying, protecting, supporting and comforting.

3

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®.

4

Our **AUTOMOTIVE** division is currently primarily focused on the development of **interior trim for the car industry**, prioritising innovation, technological progress, superior quality and excellent customer service. In addition, our Group remains involved in the development of **seating solutions** via the Proseat joint venture in which it holds, until early 2022 at the latest, a minority stake of 25%. Last but not least, early 2020 the Group agreed to bring its Interiors activities under a new joint venture in which it will keep for the time being 49%, with an exit option by March 2024.

1.2. Highlights of 2019 and early 2020

January 2019



Sustainable innovation PolyUrethane Recycling towards a Smart Circular Economy

Recticel has taken the initiative to coordinate for a duration of four years the newly launched PUReSmart project, a polyurethane recycling research initiative. The project is supported by EUR 6 million in funding from the European Union Horizon 2020 Research and Innovation Programme.

The PUReSmart collaborative consortium gathers nine partners from six different countries and seeks ways of transitioning from the current linear lifecycle of polyurethane (PU) products to a circular economy model. To do so, the PUReSmart project will explore new methods, technologies and approaches to overcome these challenges and transform PU into a true circular material.

PUReSmart targets the recovery of over 90% of end-of-life PU with the goal of converting it into valuable inputs for new and known products. The PUReSmart consortium is an end-to-end collaboration spanning the entire polyurethane reprocessing value chain and comprises both industrial players and dedicated research partners.



Insulation Turvac

On 31 January 2019, Recticel Insulation became majority shareholder (74%) in Turvac d.o.o., the Slovenian producer of Vacuum Insulation Panels (VIP), by acquiring an additional 24% of the shares of Turvac d.o.o. held by the Slovenian joint venture partner Turna d.o.o. Since November 2016 Recticel already held 50% in the joint venture Turvac d.o.o. which operates from Šoštanj (Slovenia). Under the joint venture agreement, Recticel Insulation commercializes for the European construction market the VIPs produced by the joint venture, whereas the joint venture partner Turna d.o.o. focusses on the sale of VIPs to the household appliances sector (e.g. freezers and refrigerators).

The factory in Šoštanj (Slovenia) has been continually improving its VIP products to comply with the quality required for construction purposes. These CE certified VIP boards offer an aged lambda value of 0.006W/mK, which is the benchmark in the industry.



Recticel Insulation introduced to the market Deck-VQ®, an ultra-performant thermal insulation solution with a PIR-VIP combination, for flat roofs and terraces.

By holding 74% of the shares of Turvac d.o.o., Recticel secures the know-how and production base for this high-performance insulation material. This is another step forward to become the European leader in high performance insulation solutions for buildings.

February 2019



Automotive Proseat

Recticel confirms the closing of its divestment from the Proseat joint venture in two steps, as announced in December 2018. All conditions having been met and the necessary regulatory approvals being obtained the closing agreements became immediately effective. All manufacturing, operational and commercial operations continued with no changes in the existing teams in place.

April 2019

Corporate

After due consideration, Recticel's Board of Directors - in line with its fiduciary duties - unanimously decides to reject the unsolicited non-binding offer from Kingspan Plc - partly backed by the Greiner group - to acquire Recticel's Insulation and Flexible Foams divisions, as it believes that for the various reasons disclosed in its press release of 26 April 2019 it is not in the interest of its stakeholders to engage with Kingspan/Greiner in this respect.

Simply Safe

Global Safety Day

At Recticel, we strive to make our working environment "Simply Safe" for everyone, every day. We identified six major potential risks we face in our operations and other activities and turned them into six Golden Safety Rules. We all know that it is difficult to change our habits and adopt new ways of working. During the 2019 Recticel Global Safety Day, we introduced our STOP, THINK, ACT! mantra.

Recticel will continue to organise safety-related projects and events to ensure that our common goal – an incident-free workplace – remains a priority for everyone.



June 2019

Flexible Foams United Kingdom

Recticel received its third FIRA (Furniture Industry Research Association) Gold Certificate for its Foamflex™ Reversible Foam. It follows two existing FIRA Gold Certifications for Foamflex™ Cushion Foam / Foamflex™ Cushion Slim and Aurora Seating. The FIRA Gold Certificate is a mark of the highest quality standards for furniture products and installation services. It is backed by rigorous testing from FIRA International's UKAS accredited laboratory. To earn FIRA Gold Certification, the product or installation service must be assessed against specified performance levels, whereby also a thorough factory visit is conducted. Going forward, holders are thereafter regularly reassessed through future testing and inspections to ensure that the standards remain high.

Foamflex™ Reversible Foam achieved FIRA Gold after a vigorous testing regime whereby the foam was subjected to constant load pounding test over 80,000 cycles of 750 newtons. It was then measured for any loss of hardness and thickness against the original sample. The results demonstrated that the foam is classified as 'severe' rating, making the range suitable for all domestic use, private and commercial vehicle seats and cinema armrests. In addition, Foamflex™ Reversible Foam passed the testing under the Furniture and Furnishings (Fire) (Safety) Regulations 1988.

> www.fira.co.uk/commercial-services/fira-gold

July 2019

Corporate Poland

To better serve its customers, the Group launches its second phase in the roll-out and development of its centralized European Shared Service Center in Łódź (Poland).

Flexible Foams Eurofoam Germany

The 50/50 joint venture Eurofoam continued to further optimise its overhead and operating cost structure by closing its plant in Troisdorf (Germany).

Bedding Germany

Mid-October 2018, Recticel Schlafkomfort GmbH (Germany) announced its intention to streamline its production activities by closing its production site in Hassfurt, where 79 people are employed. The site was finally closed end July 2019.

September 2019

Bedding Czech Republic

Recticel starts to test the bedding market in the Czech Republic and Slovakia by launching a direct online business-to-consumer platform for its bedding brand Sembella®.



Flexible Foams Germany

Recticel Flexible Foams attended Foam Expo Europe, Stuttgart, Germany. Under the motto Transforming your world together. Recticel and Eurofoam attended the second edition of Foam Expo Europe from 10 - 12 September 2019, where we presented our various solutions for the world of transport, industrial equipment and consumer goods.



December 2019

Automotive Interiors Germany

Recticel Automobilesysteme GmbH announced its intention to streamline its activities by closing its production site in Schönebeck (Germany) before end 2020. This closure will affect 62 employees.

Insulation France

On 2 December, Silentwall® - our acoustic insulation panel - received the Silver Decibel Award at the 18th "Decibel d'Or" Ceremony by the French National Council against Noise (Conseil National du Bruit, CNB) in Paris, France.

The jury particularly appreciated its easy installation and its contribution to the circular economy.

Since 1991, the competition rewards products that demonstrate significant, innovative or outstanding achievements in the field of noise environment improvement. Silentwall® participated in the category Acoustic materials and construction systems.

The Minister of Ecological Transition and the chairwoman of the CNB presented the award to the French Recticel Insulation team.



Januari 2020

SCHLARAFFIA® Guter Schlaf. Gutes Leben.

Bedding Schlaraffia®

At the imm Cologne 2020 fair, the leading German mattress manufacturer Schlaraffia® celebrates its 111th anniversary – "Better sleeping for a better life – since 111 years".

Corporate Electricity Sustainability Roadmap 2020-2025

Recticel launches its first Electricity Sustainability Roadmap 2020 - 2025, an ambitious action plan to reduce the CO₂ impact related to electricity usage by 75%. The Group will start engaging through the build-up and implementation of an energy savings plan at each plant, the deployment of smart efficient lighting, and the selective installation of several solar panels and wind mills projects to generate green electricity. This ambitious Roadmap will prioritize 41 plants in Europe.

March 2020

COVID-19

In response to the COVID-19 outbreak Recticel gives priority to ensure safe working conditions. In all sites we implemented strict behavioral and necessary precautionary measures to keep our employees healthy and ensuring a safe workplace, by minimizing contamination risks.

In line with lower demand as a result of COVID-19, we have adapted our production levels, either by curtailing production or by temporarily shutting down production sites. Also temporary unemployment is being implemented to the maximum extent where applicable and top management remuneration is temporarily reduced.

In response to this unprecedented environment, capital expenditure has also been reduced to the minimum, and all non-essential projects have been put on hold.



April 2020

Corporate International Headquarters

With the purpose to improve the daily working conditions at the International Headquarters, the Group decided to move to a new location which better responds to the needs of the streamlined organisation.



Automotive Interiors Divestment

Recticel announced that it has entered into a binding agreement in order to bring its Automotive Interiors business in a new joint venture under the control of Munich-based privately owned investment company Admetos GmbH. Under the terms of the agreement the Automotive Interiors division will be transferred to a new joint venture holding company, controlled by Admetos who will own 51% of its shares, with Recticel retaining the other 49%. The new joint venture will allow Automotive Interiors to build on its leading patented interior trim technology, to further develop its customer base, and to expand its geographic reach.



Flexible Foams Divestment

Recticel announced that it has reached a binding agreement with Greiner AG to divest its 50% participation in the Eurofoam joint venture. Following the divestment of the Proseat activities in 2019, the divestment from Automotive-Interiors and this Eurofoam deal Recticel will fundamentally refocus on its higher value added activities, and provide increased flexibility to pursue strategic development opportunities in the future.

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

Brussels, April 30th 2020

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

2019 has been a pivotal year for Recticel in a highly uncertain economic and geopolitical context.

Recticel has transformed deeply its business perimeter thanks to three major strategic transactions. The first transaction was closed in February 2019, concerning the 2-step divestment to Sekisui Plastics Co. of its 51% participation in Proseat. The second transaction related to the 2-step divestment of its Automotive Interiors division to Admetos, which has been signed early April 2020. The third transaction related to the sale of its 50% participation in the Eurofoam JV to Greiner AG, which has also been signed early April 2020. These three major strategic milestones will enable to simplify and focus the Group on its core and high value added activities.

In a year of softening end-use markets and deflationary raw material prices, sales have decreased by 7.2% on a comparable basis, leading to an Adjusted EBITDA of €114.7m. Net Financial Debt reached a new historical low, while earnings after taxes reached their second historical best at €24.4m, leading the Board of Directors to propose a stable dividend of €0.24 per share.

Whilst the Group has taken substantial measures to optimize its cost structure by further streamlining its industrial footprint, it has also invested in important Sustainable Innovation programs and in Digitalisation initiatives that will position our Group at the forefront of its sector.



Mr. Johnny Thijs

Chairman of the Board of Directors

Mr. Olivier Chapelle

Chief Executive Officer

Last but not least, the reactivity, collaborative spirit, transparency and agility displayed by our global teams in the context of the COVID-19 pandemic, have enabled the Group to promptly take drastic measures to protect its employees and minimize economic consequences.

In 2019, our sales turnover has decreased by 7.2% to €1.22Bn, primarily driven by price erosion as a consequence of raw material price reductions. Our Adjusted EBITDA has reached €114.7m, driven by the record performance of our Flexible Foams division due to strong operational performance and by the solid improvement of our Bedding division supported by the successful introductions of its new Geltex® 2.0 products. The Automotive activities have been impacted by the substantial slowdown of the global Automotive markets. The Insulation activities, despite double digit volume growth, have generated less profit due to temporary margin erosion linked to increased competition and to the ramp-up of our new factory in Finland which is expected to break even in Q4 2020.

During the year, while ramping up our new Technical Foams converting facilities in China and Morocco and the new Insulation facility in Finland, which were all started up in 2018, we have taken additional footprint optimisation measures with the closure of Hassfurt (Germany – Bedding), Troisdorf (Germany – Flexible Foams) and with the announcement of the closure of Schönebeck (Germany – Automotive).

The Innovation work of the past two years is generating incremental sales with Geltex® 2.0 (Bedding), Simfofit® (Insulation) and Silentwall® (Insulation), while our ColoSense® X-Lite new skin technology for Automotive Interiors trim is now homologated at Daimler. In parallel, work on circular economy and end-of-life recycling projects is progressing rapidly in the context of the following programs: PUReSmart, Valpumat, Carbon4PUR, and SweetWoods.

The execution of our Digitalisation Roadmap 2018 is progressing well: we have opened our B2C Bedding e-commerce site in the Czech Republic and Slovakia, we have started up an Artificial Intelligence based Sales & Operation Planning tool in our Insulation division and we are launching our B2B portal before the end of Q2 2020 for our Insulation customers.

With regards to 2020, the key focus is now on the COVID-19 pandemic crisis. Our prime concern relates to the safety and health of our employees, and in that context, we have taken all precautionary measures to eliminate the infection risk to the maximum extent possible. After the protection of our employees, the next priority is the protection of our Group. The lockdowns in the various countries where it has been implemented have considerably decreased the demand for our products, which in turn has led us to significantly curtail production output and temporarily shut down production sites. We are thankful and impressed by the level of responsibility, maturity and reactivity of our employees around the world to do whatever it takes to protect the economic strength of our Group and enable a smooth restart in the countries where the lockdown is progressively lifted. Likewise, the collaborative spirit between our staff through the use of virtual meeting places is fantastic, and is teaching us lessons that will be useful post-crisis.

In these exceptional circumstances, we warmly thank our employees for their contribution in 2019 and their full commitment in this COVID-19 crisis. Likewise, we thank our customers for their business and partnership, and our shareholders for their continued trust, support and precious insights. We are striving to close the two divestment deals before the end of Q2 2020, and to leverage the newly created focus to create value for our Group.

Olivier Chapelle
Chief Executive Officer

Johnny Thijs
Chairman of the Board of Directors

1.4. Our mission, vision & values



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 to increase day-to-day comfort and to generate 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, a growing and ageing population, and acoustic insulation. To achieve this, we strongly believe in and focus on short-term efficiency, mutual benefits of partnerships, innovation and long-term sustainability.

Our **5** values for a promising future

In 2016 we redefined five core values and assigned to each of them concrete behaviours. Our values describe how we interact, do business and work together in Recticel in order to grow as a company and as individuals. The ultimate goal of the promotion of our core values - the basis of the expected individual and collective behaviours – is to align our organisation's actions and attitudes towards internal as well as external stakeholders in such a way that we can successfully execute our corporate strategy and ultimately realise our corporate objectives.

An active Value Ambassador community of over 90 people worldwide supports and promotes these values in our daily corporate life. Each year, we organize the Living The Value Award (LTVA) campaign to recognize and reward colleagues and teams who lead by example. The five winners or representatives of the winning teams are invited by the Management Committee to the LTVA ceremony in Brussels.



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

RECTICEL
The passion for comfort



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

RECTICEL
The passion for comfort



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

RECTICEL
The passion for comfort



1.5. Our Group strategy & activities

Market & challenges

Market research shows that polyurethane applications in general will grow faster than the global economy on average. This statement relies on supportive megatrends such as climate change, sustainability, conservation, an expanding and ageing population, urbanisation, increasing mobility and rising standards of living.

We at Recticel believe that our products and services can bring real practical solutions to the various challenges that lie ahead. Our Group strategy is therefore specifically built around these key markets supported by long term megatrends. This is one of the reasons why we decided to divest our Automotive segments, believing that the “individual car” society model will tend to disappear, progressively replaced by shared vehicles. By prioritising **product and process innovation, international presence and operational excellence**, we believe we can successfully differentiate ourselves from competition.

Flexibility, cost-efficiency, customer-orientation and sustainable innovation are embedded in our DNA.

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 over the last years and for the future can be summarised as follows:

- **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.

In support of these priorities we strive to continuously develop our human talent, as people and teams are crucial to remain successful in the future. Likewise, sustainable development and digitalisation have become mandatory components for long-term growth.

The building blocks of our strategy:



Segment strategy and strategic views

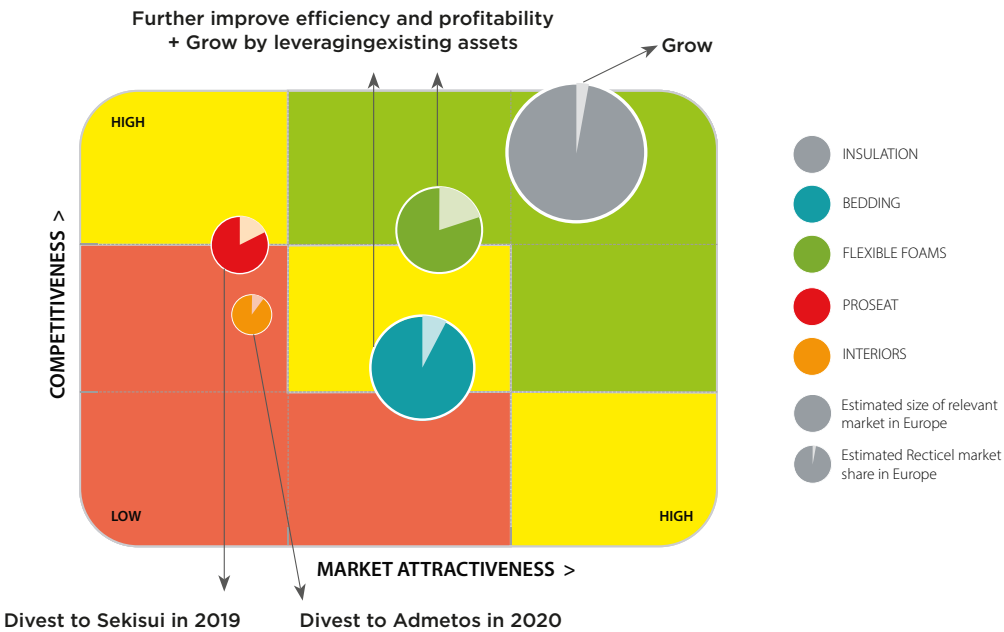
Based on the strategic internal and external positioning of each business line, Group management defined specific strategic actions to realise in a balanced way our global corporate objectives. Some of these action points are common to all business lines, while others are very business line-specific. Provided the specific market positioning, strength and weakness of each activity, tailor-made strategies have been developed for each individual business line. These differentiated segment strategies can be summarised as follows:

Insulation	Organically grow through geographic expansion, innovation and the introduction of new products, modules and distribution channels, and if possible, accelerate growth through acquisitions.
Flexible Foams	Bolster profitability through (i) selective growth initiatives based on new products, (ii) further geographic expansion in the Technical Foams division, particularly in North America, Asia and North Africa, (iii) rationalisation and modernisation of the manufacturing footprint, and (iv) commercial and operational excellence.
Bedding	Prioritise the development of branded products which should be supported by (i) a strong marketing strategy, (ii) distinctive product innovation, (iii) an online strategy, (iv) geographic expansion and (v) an optimised network of highly efficient production facilities; whereby Europe will remain the focal market.
Automotive	Support our partners Sekisui (Proseat) and Admetos (Interiors) in successful transition until the full exits respectively early 2022 and 2024.

Business line positioning

The key idea of our Group strategic plan is to consider our relative market strengths and competencies and, on this basis, to optimally allocate resources to the different business segments.

With respect to the assessment of the attractiveness of the markets in which our businesses are active we rely on objective criteria such as size, growth, profitability and capital intensity. Likewise, we also evaluate our relative competitiveness in each of these markets. Based on our findings we consider that our Insulation business line holds the highest potential, followed by Bedding and Flexible Foams. At the other end, our two Automotive business lines are deemed not to offer the same prospects and have hence been qualified as non-core activities.



Our **Bedding** business line launched the new upgraded GELTEX® 2.0 generation, which offers an improved mix of optimal pressure distribution, ideal support and maximum climate control properties. More particularly, the new GELTEX® 2.0 adds unprecedented performance durability, as well as improved sustainability through the use of CO₂ based polyols. This key innovation effort offers Recticel a technological advance in the market.

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. Colo-Sense® X-Lite enables a further weight reduction and packaging efficiency, responding to OEMs' constant search for lighter products. Now homologated by Daimler.

4 Sustainability

We are positioning sustainability in at the heart of the Group's research and development activities. It is our ambition to help deliver new solutions that will meet the planet's sustainability challenges. For all new investments, whether it is for existing products or for new innovative projects, the element of sustainability is taken into consideration to boost our competitive edge and create ever more value for our stakeholders.

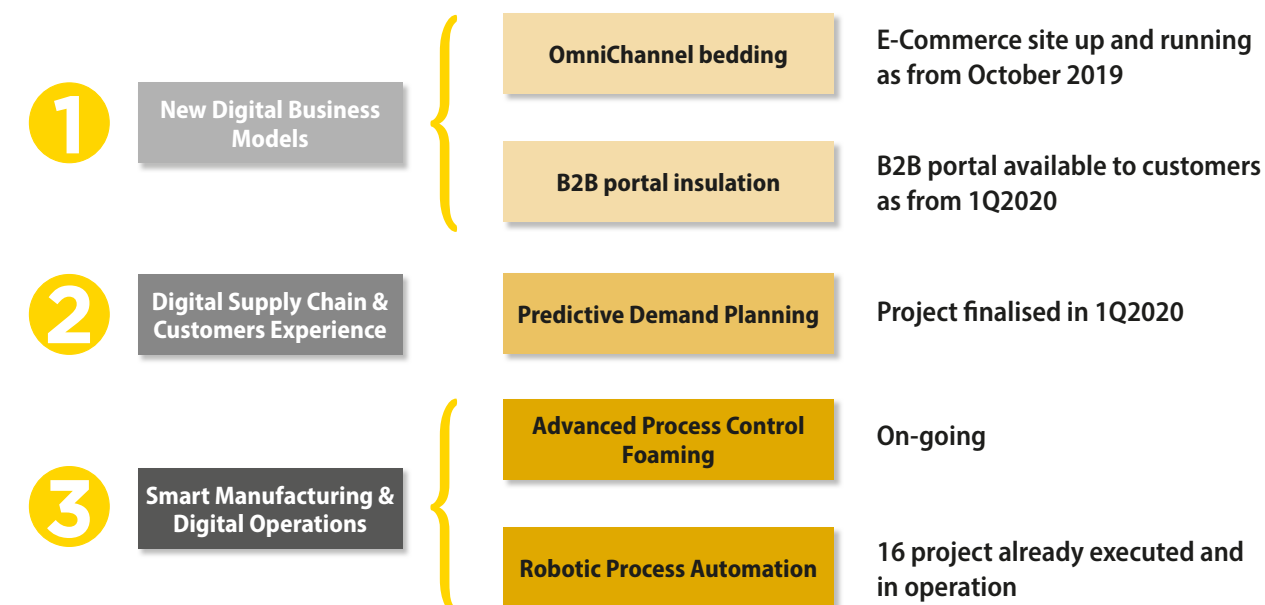


5 Digitalisation

The swift and disrupting technological progress and development of robotics, artificial intelligence, internet of things and 3D printing has created an explosion of new threats but also new opportunities. Industries have been, and will continue to be, deeply transformed by digitalisation. Recticel is embracing digitalisation to seize new growth opportunities and make the success of our company sustainable.

With this in mind, the Management Committee has developed a digital vision in support of the company's overall strategic objectives, and thereby positioned digitalisation as a key driver for innovation.

Digital technologies will enable Recticel to make a step change in creating value and differentiation in the following three areas:



- New digital Business Models: Increase our customer intimacy through a better understanding and anticipation of the customer and customer needs, and differentiating value propositions in a changing market place.
- Digital Supply Chain & Customer Experience: Retrieve value from existing and new data sources through seamless interfaces and big data approach to accelerate and streamline the customer experience and create transaction efficiency.
- Smart Manufacturing & Digital Operations: Further accelerate our use of digital in manufacturing and operations to optimize our operational efficiency by primarily focusing on: (i) labour efficiency, (ii) material efficiency, (iii) production flows and (iv) internal logistics.

In all these areas, digital opportunities have been prioritised based upon their potential for the Divisions and Functions.

The renamed Information & Digitalisation Technology department (IDT) acts as a centre of expertise and will work in close collaboration with the businesses to deliver on the digital roadmap which will involve the entire organisation.

Innovate to create value is one of the five core values, the foundation of our corporate culture. We passionately embrace change to make things better and to make better things. Our digital vision reflects this mindset to constantly challenge the status quo. By working together and building on everyone's talents and skills, we are confident that we will successfully implement our digital roadmap and achieve our goals.

6 Human organisation and talent

The above-mentioned strategic action drivers can only be successfully executed if they are supported by a strong human resources organisation. Our people are truly the drivers of our transformation; their understanding of our environment allows us to anticipate and address our customers' needs. We therefore recognize their talent, we empower them as much as we can, and we help them thrive and develop by offering them a wide set of training and development programs.

1.6. Our activities



Bedding

Insulation

Automotive

Flexible Foams

Recticel enjoys almost 70 years of experience, expertise and passion for polyurethane technology.

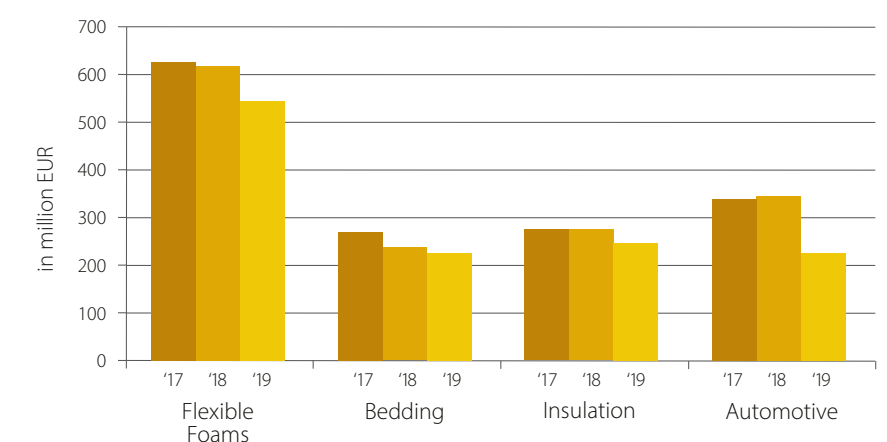
Polyurethane is an extremely versatile material made from polyols and isocyanates – both derivatives of crude oil. Polyurethane chemistry is at the core of our Group business lines.

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. We innovate to ensure our customers' expectations are met. We therefore actively seek new and improved solutions for tomorrow. This way we can provide adapted solutions for various applications and challenges.

Centred around polyurethane technology, our activities are organised around four distinctive business lines, which serve very specific markets.

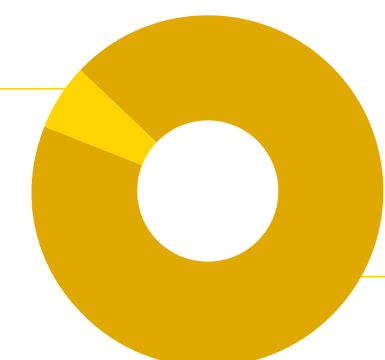
Our activities are broadly spread geographically, but our Group remains primarily a European player. Around 89% of our total Group sales are generated in Europe.

Combined sales per business line



Combined sales 2019 (before intra-Group sales)

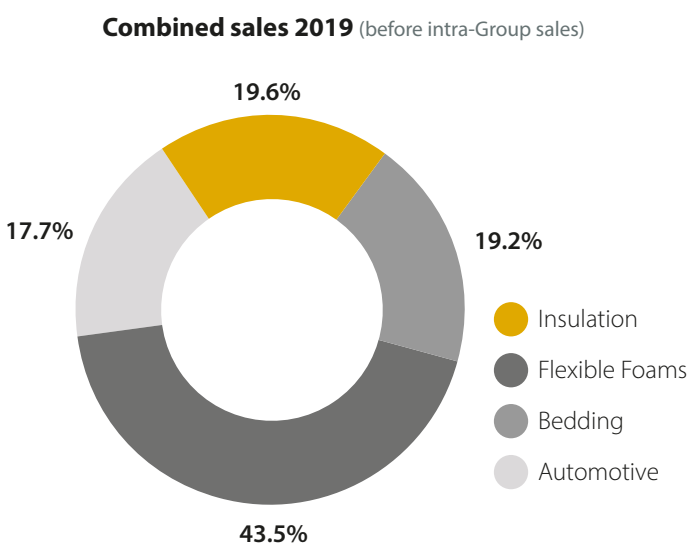
Rest of world
11%



Europe
89%



1.6.1. Insulation



What we do

Recticel Insulation is a reliable and experienced insulation partner, providing high-performance insulation solutions for both residential and non-residential buildings, meeting occupant needs for comfort and greater energy efficiency.

Conserving energy and lowering the carbon footprint, particularly for the housing sector, is one of the key objectives of our Insulation business. 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 we are engaged in the **manufacturing and commercialisation of high-performance and durable thermal insulation boards** in rigid closed-cell polyurethane (PU/PUR) and polyisocyanurate foam (PIR).

Heavily tested during development and before launch to ensure excellence in product quality, they are today - available on an industrial scale - the best insulation materials against cold and heat.

The range of thermal insulation boards spans an extensive array of **applications across the complete building envelope**. We offer solutions for new-build and refurbishment projects. Product-wise we have solution for the thermal insulation of walls, for flat and pitched roofs, and for floors, Building-wise we supply products for residential, commercial, industrial, public, logistics as well as agricultural buildings.

To stay ahead of competition, we seek to continuously improve the thermal insulation performance of our products while reducing the amount of material required. Our products truly have the potential to significantly reduce energy consumption and CO₂ emissions.

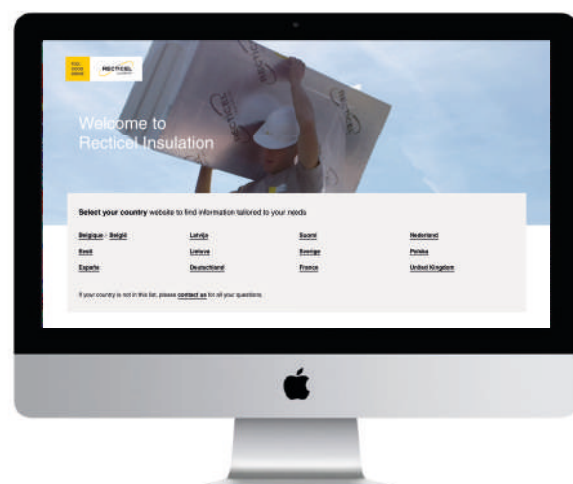


Since the end of 2016, we have also added Vacuum Insulation Panels (VIP) for niche applications to our product offering. In this respect, we launched in 2018 the first ultra-high-performance encapsulated VIP insulation – commercialised under the brand name Deck-VQ® - for application in flat roofs and terraces. These high-performance Deck-VQ® products are characterised by a very low lambda of 0.006 and offer today the best thermal performance in the market.

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

Recticel's Insulation division operates from **4 major state of the art production sites** in Wevelgem (Belgium), Bourges (France), Mäntsälä (Finland) and in Stoke-on-Trent (United Kingdom), with local sales offices in Germany, Poland and the Netherlands. In addition, the division also operates two fiber-bonded foams activities in France and holds a 75% participation in the Slovenian joint venture company Turvac which is active in vacuum insulation panels.

The Insulation business line is the Group's smallest in terms of industrial footprint and employment. It currently accounts for 19.6% of total combined sales, it brings a big contribution to operating results and offers the highest future growth potential.

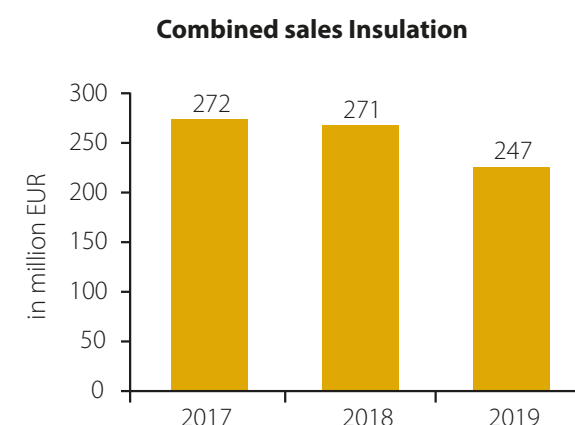


Market drivers

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), as polyurethane thermal insulation solutions are considered to offer today **the highest-performing insulation materials on an industrial scale**. This enviable position is furthermore supported by 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).

Besides the external drivers, our Insulation business also benefits from its **lean and mean production footprint**, hereby offering a competitive cost performance.

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



Market attractiveness

The growth of insulation solutions in the new building market has been, and continues to be, supported by EU Directives and stricter regulations. In addition, several subsidy policies in different member states have driven growth in the renovation market.

Not only legislative incentives, but also underlying customer awareness of global megatrends revolving around environmental protection, sustainability and energy conservation have boosted the thermal insulation materials sector. It is expected that these concerns and initiatives will continue in the near future.

The market potential of thermal insulation products is 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.

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

Competitiveness

Today Recticel is recognised in the market for its **broad and high-quality product range**, as well as for its **professional and efficient customer service**.

Despite the recent expansion in southern Finland, our industrial footprint remains relatively limited in terms of number of sites. As a result, Recticel remains a particularly **cost-efficient operator**.

Since the end of 2016, we have added **vacuum insulation panels** (VIP) and fiber-bonded foam insulation solutions to our portfolio. This promising new technology is the most efficient building insulation solution. 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 aspire to accelerate our growth with **new investments in capacity** and, where appropriate, through external acquisitions. As innovation will continue to drive the future of our Insulation business, the introduction of novel products and the diversification of the distribution channel will remain key priorities.

COMBINED KEY FIGURES INSULATION	in million EUR			
	2017 ⁽¹⁾	2018 ⁽²⁾	2019 ⁽²⁾	2019 (INCLUDING IFRS 16 IMPACT)
Sales ⁽¹⁾	272.3	271.2	247.2	247.2
Growth rate of sales (%)	16.3%	-0.4%	-8.9%	-8.9%
Adjusted EBITDA	40.3	44.7	28.5	31.6
Adjusted EBITDA margin (as % of sales)	14.8%	16.5%	11.5%	12.8%
EBITDA	40.1	44.7	28.3	31.4
EBITDA margin (as % of sales)	14.7%	16.5%	11.5%	12.7%
Adjusted EBIT	33.7	38.1	20.2	20.9
Adjusted EBIT margin (as % of sales)	12.4%	14.1%	8.2%	8.4%
EBIT	33.5	38.1	20.1	20.7
EBIT margin (as % of sales)	12.3%	14.1%	8.1%	8.4%

⁽¹⁾ before eliminations of intra-Group transactions

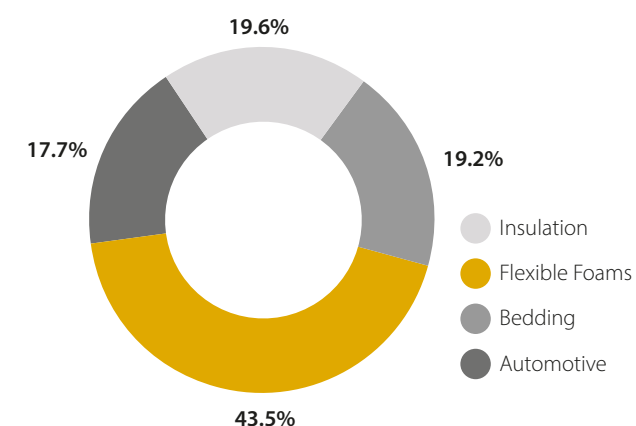
⁽²⁾ before IFRS 16 impact

 www.recticelinsulation.com



1.6.2. Flexible Foams

Combined sales 2019 (before intra-Group sales)



What we do

Polyurethane foams are inherently endlessly versatile. This versatility explains the large success of PU foams, which are a true problem-solver in almost every industry, as they can be **tailored to almost any application**.

We are continuously innovating to extend and optimise our product offering in line with new demands. Very concretely, we provide durable solutions for a wide variety of customer needs in domains such as silencing, sealing, filtering, carrying, protecting, supporting and comforting. Our comprehensive portfolio of solutions provides practical answers to the various functionalities demanded by a wide range of different markets.

7 key product attributes – endless possibilities



- **Medical:** it is no secret that 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.
- **Building & sports infrastructure:** leisure facilities and playgrounds are potentially hazardous. To reduce the risks of injuries foams can **protect users** and **improve athletic performance**. We provide various durable solutions in polyurethane foams for protection, safety, isolation, comfort and eventually increased performance.
- **Consumer goods:** generally speaking, consumers demand for **increasing variety and personalisation, cost-efficiency** and **user-friendly products**. To respond to these requests manufacturers, need constantly to develop new solutions and products. In our sector this translates into the discovery and development of new uses for foams, or the offering of new colours, shapes and textures as well as many other qualities that are useful in home and personal care. Examples

of our broad portfolio comprise solutions that 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

Increasing daily comfort demands and the **substitution of alternative technologies** and solutions with polyurethane foams drive the foam market, which annual growth is slightly higher than GDP. 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

In Europe Recticel occupies a leading position in the flexible foams market with a wide industrial network. Our **robust research and development capabilities** enable us to hold strong positions in existing markets and develop new niche target markets. On the contrary, outside Europe we hold relatively smaller positions in primarily targeted niche markets for technical foams.

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 of the key strategic pillars 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, especially outside Europe.

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.

Thanks to this new technology, CO₂ can be used as a partial substitute for oil when creating PU flexible foams like KAPUA® mattress foam. When manufacturing KAPUA® foam, a minimum of one-seventh of oil content is replaced by CO₂ based chemicals.



 www.recticelflexiblefoams.com

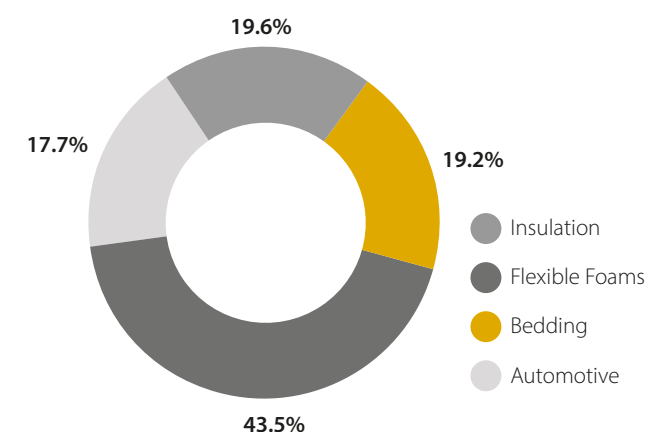
in million EUR				
COMBINED KEY FIGURES FLEXIBLE FOAMS	2017 ⁽¹⁾	2018 ⁽²⁾	2019 ⁽²⁾	2019 (INCLUDING IFRS 16 IMPACT)
Sales ⁽¹⁾	626.1	621.5	549.1	549.3
Growth rate of sales (%)	3.1%	-0.7%	-11.7%	-11.7%
Adjusted EBITDA	40.6	41.5	49.0	58.9
Adjusted EBITDA margin (as % of sales)	6.5%	6.7%	8.9%	10.7%
EBITDA	30.6	33.0	44.2	54.1
EBITDA margin (as % of sales)	4.9%	5.3%	8.1%	9.9%
Adjusted EBIT	27.9	28.9	36.5	37.6
Adjusted EBIT margin (as % of sales)	4.5%	4.6%	6.6%	6.8%
EBIT	17.7	15.6	31.6	32.7
EBIT margin (as % of sales)	2.8%	2.5%	5.8%	6.0%

⁽¹⁾ before eliminations of intra-Group transactions
⁽²⁾ before IFRS 16 impact



1.6.3. Bedding

Combined sales 2019 (before intra-Group sales)



What we do

Our Bedding business line **develops, produces and commercialises finished mattresses, slat bases and bed bases** which we sell through a broad range of external distribution channels. We are passionate about sleeping comfort and we have clear distinct focus on end-consumers. In this respect, we have a comprehensive offering of products built around strong (national) brands – owned or licensed –. Our brand portfolio includes many highly recognized brands in the industry. Some of these are further supported by innovative ingredient brands such as GELTEX® inside. In addition, to further optimise our manufacturing footprint, we also offer private label products.

Although our offering appeals to a broad range of consumers, we are not selling directly to retail. We sell our products through a network of external distribution channels. Our customer base is broad and varied, ranging from independent bedding and furniture retailers operating between one and 30 stores, department stores, mail order and e-commerce companies, members of – mostly national – buying groups to international retail chains owning over 1,000 stores.

Currently, our Bedding division operates 11 main production sites in Austria (1), Belgium (2), Germany (2), the Netherlands (1), Poland (1), Romania (1), Sweden (1) and Switzerland (2).

Our Bedding segment accounts for 19.2% of our Group's total combined sales.

Market drivers

Mattresses, slat-bases and box-springs are a typically slow-moving consumer goods. It is therefore logic that 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 start to become sensitive to questions such as functional sleep comfort and the perceived benefits of the various bedding technologies. 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. In mid and premium market segments, properties such as durability, anti-allergenic and anti-bacterial are added to the equation. Particularly the ageing population in Europe is highly sensitive to these arguments.

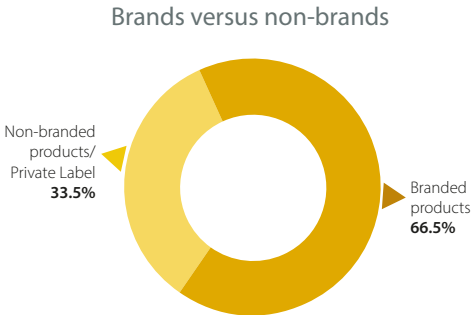
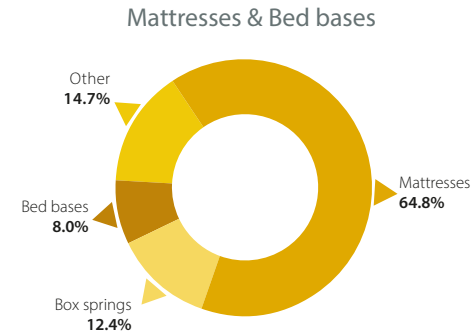
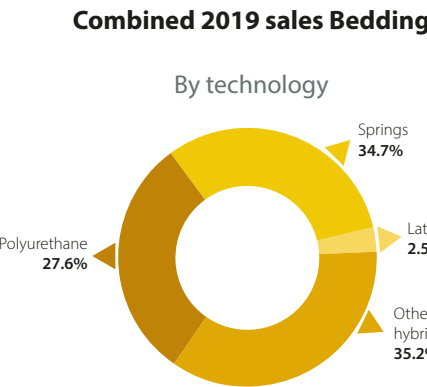
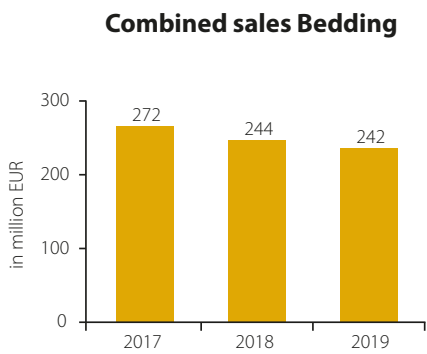
In their decision-making process, customers therefore mainly have to rely on product communication and storeowner advice to navigate the diverse and sometimes confusing bedding product offering, with in most cases only limited product testing opportunities. On top of this, product image and consumer brand trust are equally important in convincing the customer to make a purchase.

Our Bedding business line benefits optimally from these structural market drivers. Our **expertise in materials** (foam, springs, latex, etc.) and the **strength of our brands** are key to capture the opportunities of these naturally mature European markets.

Market attractiveness

Generally speaking, the European bedding market is today primarily driven by demographic evolution and the ever-increasing **need for a better, fresh, healthier and aesthetical sleeping comfort**. These trends do not only drive more frequent replacement but do also call for consumers’ larger sleeping comfort budgets.

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



Competitiveness

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

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 the development of hybrid technologies. By leveraging on the closely integrated link we have with our Flexible Foams business, our Bedding business is clearly benefitting from valuable synergies that strengthen our competitiveness. The close relationship between both business lines enables us to **swiftly introduce innovations and new products** in a competitive and still fragmented market.

In addition to our technological expertise and regular new product introductions, 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. With our portfolio of strong local brands with local stories, each offering unique value propositions, we want to bring to customers more comfortable, aesthetically pleasing, fashionable and contemporary sleeping comfort.

Strategy

Currently the strategy of our Bedding division is focused on organic growth in our branded products while striving for optimal cost efficiency in the non-branded segment. Under the current strategy, we **focus on strong quality, local brands** and complementary **ingredient brands** such as Geltex®. The whole business is further supported by distinctive product innovation. In a continuous quest for improving cost-competitiveness, we will continue to put efforts in the rationalisation and optimisation of our manufacturing footprint.

COMBINED KEY FIGURES BEDDING				
	2017 ⁽²⁾	2018 ⁽²⁾	2019 ⁽²⁾	2019 (INCLUDING IFRS 16 IMPACT)
Sales ⁽¹⁾	272.1	243.8	242.3	242.3
Growth rate of sales (%)	-7.1%	-10.4%	-0.6%	-0.6%
Adjusted EBITDA	15.1	6.8	12.4	16.9
Adjusted EBITDA margin (as % of sales)	5.6%	2.8%	5.1%	7.0%
EBITDA	14.3	2.0	11.5	16.0
EBITDA margin (as % of sales)	5.3%	0.8%	4.7%	6.6%
Adjusted EBIT	10.5	2.3	7.8	8.2
Adjusted EBIT margin (as % of sales)	3.9%	1.0%	3.2%	3.4%
EBIT	9.6	-2.1	6.7	7.0
EBIT margin (as % of sales)	3.5%	-0.8%	2.8%	2.9%

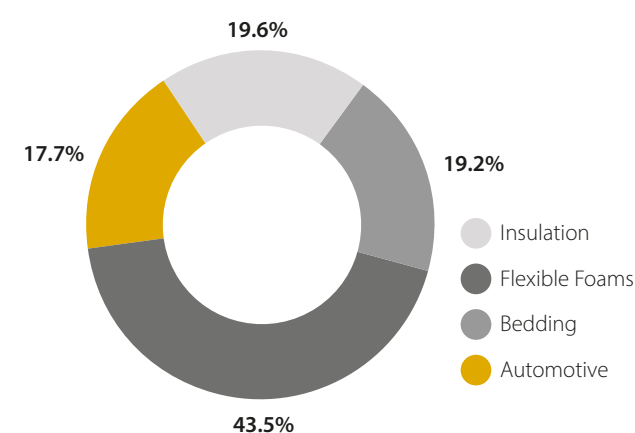
⁽¹⁾ before eliminations of intra-Group transactions
⁽²⁾ before IFRS 16 impact

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



1.6.4. Automotive

Combined sales 2019 (before intra-Group sales)



The Automotive business line is specialised in the production of Interior trim parts (Interiors) and moulded car seat pads and headrests (Seating). Both divisions operate separately and serve demanding global Tier 1 customers as well as original equipment makers (OEM) in the automotive sector.

The **Interiors** division develops, produces and commercialises innovative elastomer interior trim solutions for cars. Its 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.

Harmonious overall appearance in series

The combination of the visual impression and haptics of the surface result in a harmonious product experience. That's why this business commits itself with great passion to the design optimization of grain surfaces – from the microscopic detail to the finished component in all its individuality. This is how it reaches an overall harmonious appearance in the car interior.

Progressive thinking for car interiors

Innovative thought and action are the driving forces behind our product development.

As a leader in the market, it serves all areas, from lab analysis over product design up to series production.

The outcome is a long row of innovative solutions having been successfully established on the automotive market since 1990.

Recticel Automotive connects
OEM and TIER 1

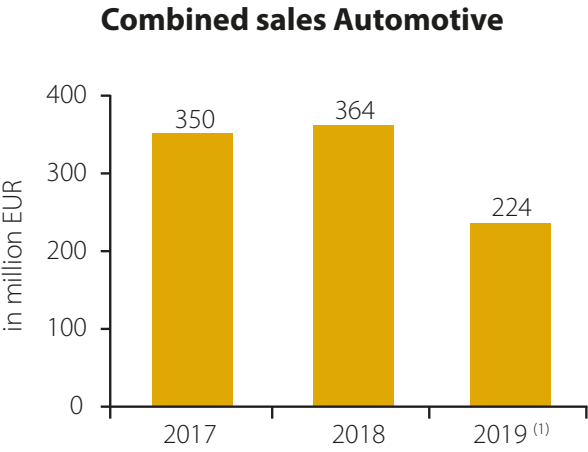
The production chain follows the customers. As a competent partner for its customers, Automotive Interiors supports them in all areas of production and service as there are: trend analysis, product design, sales, tool engineering, production process, and logistics.

As a dynamic partner, the business integrates into the production chain of its customers and produces “plant in plant”. This leads to synergy effects – above all when it comes to developing new and innovative production solutions. Proximity and competence connect and create added value.

Proximity to customers as a production advantage
With approximately 1,400 employees, The Automotive Interiors business operates on three continents.

Global car production is now a matter of course and quality requirements are on the same high level everywhere in the world. Parts are produced along international standards close to its customers or directly on site. This creates reliability and perfect conditions for short lines in production and logistics.

Automotive Interiors is present across 11 production sites located in China (5), the Czech Republic (2), Germany (2) and the United States (2); all supported by central functions located in Belgium (1) and Germany (1).



¹ Proseat is integrated in the 2019 combined figures according to the 'equity method', i.o. previously on a proportionate basis. Figures of previous years have not been restated.

A new chapter for Interiors

In April 2020, Recticel announced that it has entered into a binding agreement in order to bring its Automotive Interiors business in a new joint venture under the control of Munich-based privately owned investment company Admetos GmbH. Under the terms of the agreement the Automotive Interiors division will be transferred to a new joint venture holding company, controlled by Admetos who will own 51% of its shares, with Recticel detaining the other 49%. The new joint venture will allow Automotive Interiors to build on its leading patented interior trim technology, to further develop its customer base, and to expand its geographic reach. The agreement contains reciprocal call/put options for Admetos to acquire, or Recticel to sell, its remaining 49% share, exercisable as from March 2024 at a price calculated on the basis of a pre-agreed EBITDA multiple. The transaction is expected to close in the course of the second quarter of 2020, subject to customary closing conditions.

Proseat develops, produces and commercialises moulded comfort foam pads for car seats, headrests and lightweight EPP structural car elements. Since early 2019, these activities are managed through Proseat Europe GmbH, a 25/75 joint venture between Recticel and the Japanese public company Sekisui Plastics Co. Ltd. Recticel holds a put option exercisable in 2022 which allows a disposal of its remaining 25% in Proseat.

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).

In 2019, our Automotive segment – restricted to Interiors - generated 17.7% of our total combined sales of the Group.

Market drivers

Today the car industry is particularly focused on cost price competitiveness and technological development. Both aspects are illustrated by the OEMs continued pressure on suppliers to reduce production costs while remaining highly demanding in terms of quality and technical specifications, such as weight and design freedom. This evolution is also felt at the level of Tier 1 suppliers, which leads to a trend of centralisation and insourcing to optimise capacity. This cascading pressure consequently also impacts Tier 2 suppliers.

Besides cost pressure there is a second leading trend which is linked to **sustainability** and the **reduction of CO₂** and other emissions. In the automotive interiors industry, including the seating business, this has led to increased attention on the weight reduction of products, modules and parts.

Market attractiveness

The Western European automotive markets are inherently mature, highly competitive and cyclical replacement markets. However, **new mobility** needs and environmental challenges offer strong innovation incentives, also at the level of practical comfort. Product innovation and differentiation are therefore key to successful answer these new challenges.

Competitiveness

While so far, the Proseat activities have been a highly commoditised business, the Interiors business has acquired a leading technological role in the Tier 2 automotive suppliers' market. Being particularly technology-driven, it offers clearly **price-competitive alternative solutions** to other technologies, such as for instance PVC.

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

Strategy

Development of innovative solutions responding to the market's demand and deploy serial production in a cost-efficient manner is the core of the Recticel strategy in Automotive. To realise this, we focus on optimising our industrial footprint and capacity utilisation. Maximising the loading of our factories and the introduction of innovative products ultimately drives our competitiveness.

In line with our defined corporate strategy, it is Recticel's intention to exercise the put option on its remaining 25% stake in Proseat by 2022.

After the signing of the agreement with Admetos GmbH, the Group will bring its Interiors activities under a new joint venture and stay on board for at least until March 2024 (option date).

in million EUR				
COMBINED KEY FIGURES AUTOMOTIVE	2017 ⁽²⁾	2018 ⁽²⁾	2019 ⁽¹⁾⁽²⁾	2019 (INCLUDING IFRS 16 IMPACT)
Sales ⁽¹⁾	350.4	363.9	223.7	223.7
Growth rate in sales (%)	21.3%	3.9%	-38.5%	-2.6%
Adjusted EBITDA	25.6	25.9	14.4	22.1
Adjusted EBITDA margin (as % sales)	7.3%	7.1%	6.5%	9.9%
EBITDA	25.0	30.5	17.2	24.8
EBITDA margin (as % of sales)	7.1%	8.4%	7.7%	11.1%
Adjusted EBIT	11.4	9.8	0.9	1.7
Adjusted EBIT margin (as % of sales)	3.3%	2.7%	0.4%	0.8%
EBIT	4.1	12.9	2.2	3.0
EBIT margin (as % of sales)	1.2%	3.5%	1.0%	1.3%

⁽¹⁾ As from 2019 the joint venture Proseat was no longer consolidated following the proportional method, but following the equity method.
⁽²⁾ before IFRS 16

1.7. Sustainable & market-driven innovation



Sustainability is profoundly embedded in Recticel's strategy. We are committed to finding responsible solutions for the various challenges and needs of our customers and the planet. Our sustainability strategy and progress against our targets are described in detail in our Non-Financial Information Statement, Chapter 2.3 of this Annual Report.

We believe that **our company's success relies on our ability to find innovative solutions for the major challenges facing society today**, such as global warming, conservation of natural resources and an ageing population.

In 2016, our Group's Research and Development Centre merged with our Sustainability Department. The newly created Sustainable Innovation Department (SID) ensures that sustainability and market-driven innovation guide all our research and development efforts.

We refocused our innovation efforts on **five innovation programmes**, four of which are aligned with the future needs of our business lines, such as developing new comfort foams for bedding or seating applications and finding solutions to fulfil the requirements of technical foams in the field of silencing. Developing new insulation solutions with lower and, therefore, better lambda values is high on our agenda, as is further reducing the weight of our skins for automotive interiors.

The fifth, or 'corporate', programme coordinates all initiatives to prepare durable polyurethane products for a low-carbon society and a circular economy.

Readying polyurethane for a low-carbon society and a circular economy

Innovation and efficiency initiatives have reduced our use of raw materials and are complemented by our choice of more sustainable raw materials to reduce dependence on fossil resources.

Polyurethane is a durable thermoset material characterised by a high lifespan. It cannot easily be melted or reformed at the end of its use phase.

However, our products contain materials that can be reused or recycled for other value-added purposes.

The goal of our research & development projects is to find economically viable solutions for waste streams that also benefit the environment.

Together with our stakeholders, including customers, employees, suppliers, the industry and knowledge institutes, we explore ways to reduce waste across our entire value chain and design products that are eco-friendly and easy to dismantle.

Until now, new chemical and mechanical recycling processes have already allowed us to reuse our production waste. As of 2020, Recticel will also process end-of-life foam in two of its French plants and transform this valuable material into acoustic insulation solutions, thus gradually replacing the current use of production waste.

Five sustainable innovation programmes

With the goal of leading the transition to a circular economy and a low-carbon society as well as promoting well-being, our Sustainable Innovation Department's 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 the **specific market expectations** of our divisions and will bring more sustainable solutions to our Automotive, Bedding, Flexible Foams and Insulation customers.

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

Sustainability index

In 2014, we developed a methodology to score all research and development projects spearheaded by the Sustainable Innovation Department. The resulting Sustainability Index, now in its 2nd generation, is a way to measure, track and compare the **sustainability performance** of active R&D projects. It comprises criteria linked to Planet and People aspects.

Our **five innovation programmes** underpin our sustainability strategy, differentiate Recticel from its competitors and generate shared value for all stakeholders.

FIT² – NEW COMFORT FOAM FOR BEDDING AND SEATING



Fit²

The Fit² programme seeks to gain a deeper scientific understanding of comfort for seating and sleeping systems. The new knowledge is reflected in the Sleep Triangle as the guideline for the development of new, more durable and sustainable materials and systems.

As a first result, a new generation of Geltex® foams for mattresses was launched in 2018. This new Geltex® foam family offers excellent support, ideal pressure distribution and good climate control. It is more resistant to humidity, temperature changes and mechanical stress, offering a longer lifetime at the same level of comfort. Additionally, the new Geltex® foam contains CO₂-based raw materials, partially replacing traditional fossil fuel-based raw materials.

Together with our suppliers, we examine every possibility of reinventing our products for the circular economy **without compromising on comfort and durability**. In January 2020, we introduced 100% recyclable Geltex® mattresses with covers from recycled materials at the Cologne IMM trade fair. This year will see the launch of a range of new developments that underline our vision of sustainable sleep comfort.

SILENCING – TECHNICAL FOAMS WITH ENHANCED SILENCING PROPERTIES



Silencing

The Silencing programme concentrates on the development of differentiated and innovative acoustic solutions for automotive and industry markets. The aim of our research is to reduce noise impacts contributing to more comfortable and productive environments. We established a centre of competence for acoustics with state-of-the-art equipment, methods and tools for the characterisation of the acoustic performance of materials and solutions.

In 2019, we further extended our acoustic lab capabilities from small-scale and pilot-scale testing of materials and solutions towards real-life testing of complete systems in their applications. We have developed an **in-depth expertise to better understand the fundamentals of acoustics**: sound, its propagation and the different ways of minimising its impact on the environment.

Advanced multilayered complexes are under development for use in automotive applications, including electric vehicles, and also in low noise industrial equipment applications, such as compressors and gensets. It demonstrates our ambition to be the global preferred supplier of silencing solutions for these industries.

LOW LAMBDA - REDUCED LAMBDA VALUES IN INSULATION



Low Lambda

Sustainability has always been core for the thermal insulation business. Our thermal insulation solutions for building renovations and new constructions contribute to a low-carbon society:

CO₂ emissions avoided

by our insulation solutions add up to more than 40 times the carbon footprint of the activities of our four business lines combined.

The Low Lambda programme concentrates on developing new rigid foams with better insulation values. Improving the insulation value of a product has an immense, positive effect on natural resource consumption. Xentro® features a 13% lambda value reduction, achieving the lowest lambda value ever for rigid polyurethane panels. Research is ongoing to push the boundaries of insulation properties even further.

Innovative combinations

Comfofix® combines a thermal insulation panel with a recycled, flexible foam, acoustic layer, enabling an easy-to-install pitched roof insulation product. Du.Panel® X, an advanced thermal insulation panel for the agricultural sector, combines a high insulation value with enhanced fire resistance properties.

In 2019, we developed Lumix®, a new type of thermal insulation board for pitched roofs on agricultural buildings. The Lumix® sheets are covered with a unique dark layer that absorbs rather than reflects light, thus providing more comfort for domestic fowl and pigs in the barn and, therefore, excellent for organic livestock farming.

X-LITE - LIGHTER AUTOMOTIVE INTERIOR TECHNOLOGIES



X-Lite

Recticel continuously advances its polyurethane technology for car interiors, such as dashboard skins. Driven by innovations in layer density reduction techniques, Recticel is launching its fourth generation of dashboard skins.

The new generation Colo-Sense® X Lite automotive skins are lighter, high-performing and cost-effective, cutting transport costs and emissions. They combine extreme durability and excellent mechanical and design properties at the lowest possible weight.

Colo-Sense® X Lite sets the scene for a new era of car interior materials, responding to OEMs' constant search for lighter products.

CORPORATE SUSTAINABILITY PROGRAMME



Sustainability

This programme steers all initiatives that aim to prepare durable polyurethane products for the circular economy. This covers the whole value chain of our products,

from raw materials to the recycling and reuse of polyurethane. Partnerships with all players in the value chain are essential to a successful transition. A variety of large projects are currently running, in collaboration with different consortia as enablers, that aim to realise our sustainability goals.

Two projects, PURESmaRT and Valpumat, focusing on developing **chemical and mechanical recycling options** for polyurethanes and, more specifically, flexible foams, have been launched:

PURESmaRT

Recticel is coordinating the PURESmaRT project, launched on 1 January 2019 for a duration of four years. It is supported by EUR 6 million in funding from the European Union's Horizon 2020 research and innovation programme. The PURESmaRT collaborative consortium gathers nine partners from six different countries and seeks ways of transitioning from the current linear lifecycle of polyurethane (PU) products to a circular economy model.

In this context, Covestro, one of the world's largest polymer companies and a PURESmaRT project member, is already **investigating the feasibility of a short-term scaleup from laboratory scale to semi-industrial level, with the aim of making chemical recycling an efficient industrial process.** This solution should then also support the current PURESmaRT project.



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 814543.

For more information and the video, see <https://www.puresmart.eu/>

VALPUMAT

The Valpumat project, or Valorisation of the Polyurethane of Mattresses, is one of the nine winners of the first Eco-innovation challenge launched in 2017 by Eco-mobilier.

Eco-mobilier is a non-profit eco-organisation approved by the French Ministry of Ecology, Sustainable Development and Energy. It organises the collection and recycling of used furniture. The Eco-innovation challenge was originally set up to explore **new ways of recycling mattresses and to develop new value-added applications based on polyurethane.**

Recticel and Tesca Group, a French manufacturer specialising in textiles and seat components for the automotive industry, have teamed up to tackle this innovation challenge.² Mechanical recycling options are under investigation as well as developing effective sorting methods.

After a mechanical recycling process, the valuable polyurethane material is transformed into acoustic insulation solutions for buildings. Applications for the automotive and industrial industry are also in scope.

As of 2020, Recticel will process **end-of-life foam in two of its French plants** and transform this valuable material into acoustic insulation solutions, thus gradually replacing production waste.

Besides mechanical recycling projects, Recticel also explores the production of polyurethane using **raw materials with lower carbon footprints, including bio-based materials.** Two projects, Carbon4PUR and SWEETWOODS, centred on **rigid foam for insulation applications**, illustrate this commitment:

² <https://www.eco-mobilier.fr/nine-innovative-and-ambitious-projects-in-order-to-find-new-ways-of-recycling-and-recovering-materials/>

Carbon4PUR

Recticel is proud to be a partner in the Carbon4PUR project, an EU Horizon 2020 research and innovation programme project involving 14 partners from 7 countries, with Covestro as project coordinator.

Carbon4PUR aims to turn industrial waste gases produced by the steel industry (mixed CO/CO₂) streams into intermediates for polyurethane plastics for **rigid foams building insulation** and coatings.

The industrially driven, multidisciplinary consortium is developing **a novel process based on direct chemical flue gas mixture conversion**, avoiding expensive physical separation, thus substantially reducing the carbon footprint, and also contributing to high monetary savings.

During the first two years of the project, processes were evaluated to convert CO/CO₂ to intermediates as polyol building blocks, and catalysts were tested to form reactive intermediates and to convert these to polyols. First process concepts to transfer the chemistry into an industrial process were made.

Recticel has successfully screened the first Carbon4PUR polyol samples on lab scale for insulation applications. A selected number of polyols is now being scaled up to set up semi-industrial trials.

For more information and the video see <https://www.carbon4pur.eu>



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 768919.

SWEETWOODS

Nine European companies representing 6 EU member states have joined forces for the SWEETWOODS project. The goal of the project is to establish a first-of-its-kind wood fractionation flagship plant to demonstrate the successful and profitable production of **high-purity lignin and sugars** on an industrial level. Recticel's aim is to incorporate lignin into rigid polyurethane foams for insulation panels.

On 17 September 2019, Graanul Biotech, Graanul Invest's sub-company, laid the **cornerstone for the wood processing flagship plant** on the territory of Graanul Invest in Estonia. The purpose is the development and production of biomaterials from low-quality wood residues. As a result of temperature, pressure and mechanical force, the innovative technology of the plant splits wood fibres into basic elements – high-purity lignin and wood sugars, which can be used in several industries.

The estimated time of completion of the first stage of the flagship plant is the first half of 2020.

SWEETWOODS has received funding from the Bio-Based Industries Joint Undertaking under the European Union's Horizon 2020 research and innovation programme, under grant agreement N° 792061.

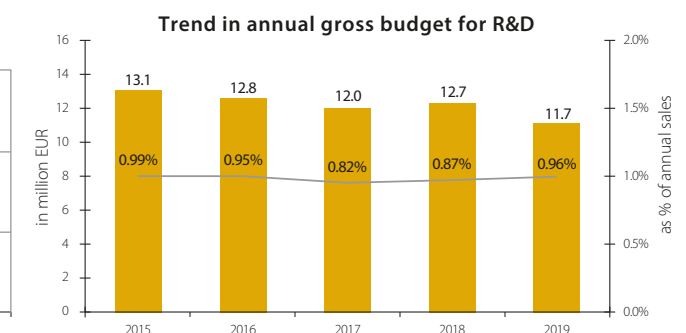
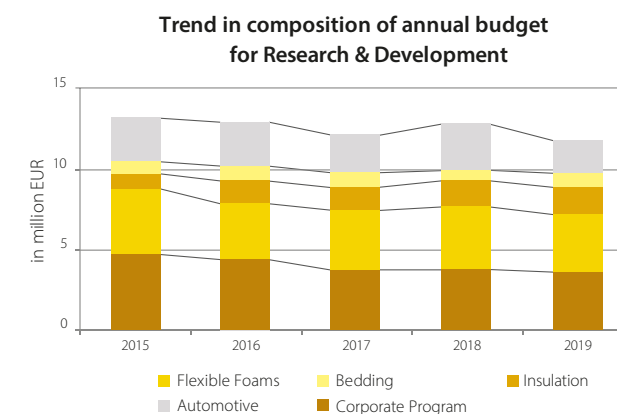
<https://sweetwoods.eu/>



R&D budget

The impact of aligning our innovation efforts with market expectations and sustainability priorities is reflected in the annual budget. We see a slight shift in the R&D budget in favour of developments for the Insulation business line and the Corporate Programme (covering all business lines).

The further decrease in the R&D efforts of the Automotive division reflects Recticel's intent to divest this activity. All our R&D investments remain focused on developing more sustainable solutions for a low-carbon society and a circular economy.



1.8. Human resources & major production sites



1.8.1. Training and developing talent at Recticel

1.8.1.1. Talent development

Recticel is putting great emphasis on attracting and onboarding new skilled employees. Once on board, talents are continuously developed. Regular performance management discussions with our ca. 1800 white collar employees are pivotal for assessing the training needs and defining the development plans for each individual employee. The output is also essential to enhance the reward, retention, succession, and career planning process.



1.8.1.2. Recticel University programs

The international Recticel University (RECUN) program is tailored to the development needs identified in the performance management discussions and includes leadership development programs, 360-degree team assessments, project management, change management, and communication modules.

The content of the training modules is continuously adapted to the evolving business needs and aligned with the corporate strategy. Where appropriate, specific trainings are provided at the country or functional level to larger groups in complement to the branded RECUN programs.

1.8.1.3. New training modules in 2019

For 2019, the content of most modules had been reviewed and up-dated. Two new training modules have been added to the current RECUN offerings.

To succeed in these ambitious initiatives, in 2019 Recticel launched a new training module on Agile and SCRUM methodologies for employees that are involved in these digital pilot projects. The training provided participants with the opportunity to explore new ways of working by introducing new agile project management approaches and collaborative work methods.

Adopting new ways of working as an enabler to succeed in the Digital Roadmap

Recticel is embracing digitalization to seize growth opportunities and make the success of our company more sustainable. In 2018, Recticel engaged into digital initiatives to achieve significant innovation in the areas of Smart Manufacturing & Digital Operations, Digital Supply Chain & Customer Experience, but also to venture into new digital business models.

Recruitment Interview Skills

Hiring new talent is an organisational priority. Selecting the right candidate is one of the most important decisions that a manager can make. A new training module has been introduced that provides hiring managers with the opportunity to improve their skills in conducting interviews, asking the right questions, and making job interviews a positive and engaging experience for candidates.

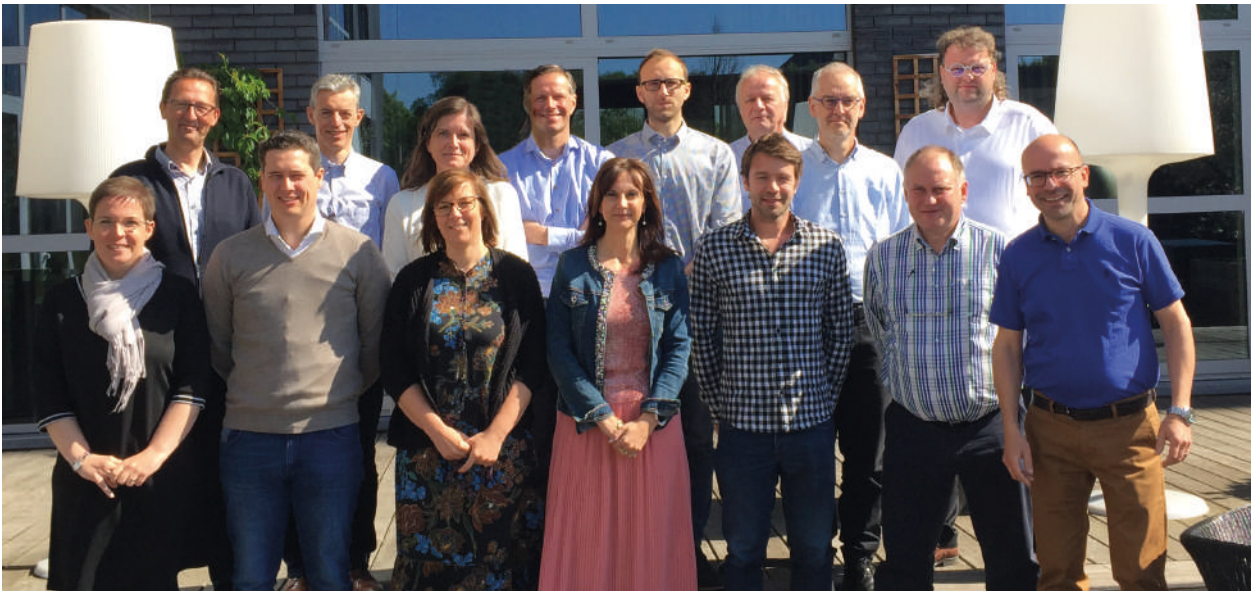
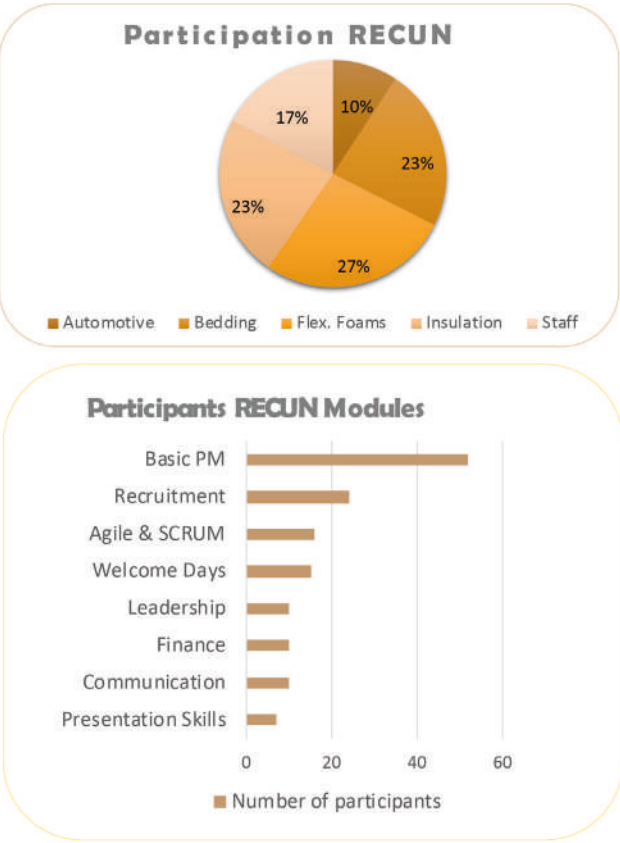
RECUN 2019

- > 1800 Employees completing the E-learning on DIGIWIZZ, Data Protection, Ethics Policy, Basics of Contract law
- > 450 Participants to Classroom legal trainings: Competition Law, Contract Law, Whistleblowing
- > 400 RECUN training days
- > 150 participants RECUN module

13 RECUN Modules

- Leadership that gets Results – 1 module
- Basic PM Skills – 4 modules
- Creating Effective Communication – 1 module **NEW**
- High-impact Presentation Skills – 1 module
- Finance for non-financial Managers – 1 module **NEW**
- Recruitment Interview Skills – 3 modules **NEW**
- Agile & SCRUM – 1 module **NEW**
- Group Welcome Days – 1 module **NEW**

Average scoring **4,4/5**



RECUN Training: “Introducing Agile and SCRUM as New Ways of Working”

1.8.2. e-learning

Self-paced e-learning has become an important tool to make continuous learning part of our daily work. Employees who start a training module at the Recticel University embark on a journey of several months. Each module begins with a preparatory phase consisting of an extensive e-learning path that has been developed in collaboration with expert trainers.

Complementary to the offerings at RECUN, we are consistently increasing the e-learning offerings with the aim to reach all white collar employees and not only those who enrol in a RECUN training. As a first step, we implemented legal and compliance e-learning, as well as modules that enhance employee awareness on Cybersecurity.

Legal e-learning

Initiated by Recticel's Legal department, the offering of Legal e-learning has been continuously extended and up-dated to make the training sessions more interactive and appealing. Today employees can do self-paced e-learning on a variety of legal subjects such as Intellectual Property, Group Bribery Policy, Product Liability, and EU competition Law Compliance.

Some of the trainings related to compliance are compulsory for all white collar employees and deliver the necessary knowledge on the Recticel Ethics Policy, Data Protection procedure, and the basics of Contract Law.

Phishing test campaign

Cybersecurity is becoming an increasing concern. Stealing credentials such as user IDs and passwords via phishing e-mails remains one of the most common type of cyberattack that affects organisations.

In 2019, Recticel has launched several 'Phishing' tests. These tests allow employees to consciously improve their awareness regarding cyberattack techniques and to recognise and report them. These tests are part of the IT Security Awareness campaign named 'DIGIWIZZ' which focuses on Cyber security, Malware, and Phishing. The campaign provides employees the opportunity to stay alert and test their behaviour and allows Recticel to monitor the progress of learning.

1.8.3. Recticel Core Values & Living The Values Award winner ceremony

In May 2019, we had the honour to celebrate the second group of employees winning the Living the Values Awards. These five winners were individuals or teams who demonstrated an outstanding behaviour in their daily work for one of the Core Values.



The winners once again came from very different countries, business lines, roles or functions in the organization. At the ceremony, the winners met with the Group Management Committee and celebrated their award together with other members of the Core Values project team.

Five Recticel Core Values in a Nutshell

- Five Recticel Core Values were defined by the Recticel Group Management Committee.
- To each value, concrete behaviours are assigned that describe how we interact, do business, and work together at Recticel to grow as a company and as individuals.
- The Core Values are deployed in the organisation through a cross-functional and cross-divisional project team.
- The Core Values are embedded into the leadership communication process and an important evaluation parameter in the annual performance management discussions with each employee.
- There are more than 90 Values Ambassadors in over 20 countries to mobilize and support global campaigns, local initiatives, and special events to promote the Core Values.

During the 2019 Living the Values Award Campaign, more than 220 employees nominated a colleague or a team for demonstrating an outstanding behaviour related to one of the Recticel Core Values. This high number of nominations not only exemplifies how well received the Core Values are throughout the organisation, but also the appreciation employees expressed towards their colleagues for living the values.


**We
innovate**
to create value


**We strive for
results**


**We act with
respect &
integrity**


**We
cooperate**
to win


**We take
ownership
and feel
accountable**

1.8.4. Welcome days 2019

Senior managers who recently joined Recticel in an international role were invited to the Welcome Days 2019. The event was highly interactive and gave the participants not only the opportunity to learn more about the company, the business, and the strategic priorities, but also to give their input on such important topics such as Sustainability and Digitalization.

During the two days, the entire Recticel Management Committee was fully engaged. The interactive program was a great success and provided plenty of room for new insights and inspiration to all involved. At the event, new senior managers from the different business lines and functions had the opportunity to connect and build a network with the aim to accelerate organisational learning and drive business development.



Onboarding at Recticel

Recticel pays particular attention to the onboarding of new employees. Personalized induction programs provide our newcomers with a learning and development path with the aim to empower them as fast as possible to take full responsibility in their new function

1.8.5. Engagement survey

An inspiring and rewarding place to work

At Recticel, we are aware that success comes from the ability to attract, engage, and retain a pool of talented employees. The People Priority Plan in our sustainability strategy has the aim to offer all employees a stimulating and rewarding place to work that encourages them to feel engaged and allows them to develop their talents and skills.

Enhanced Employee Engagement through International Surveys

Every year Recticel rolls out engagement surveys through an independent research agency, Profacts. This allows employees to provide their feedback in full anonymity on topics such as working environment, leadership, cooperation, communication, career development, and employee engagement.

Two additional countries every year

Recticel has set a target to roll out the engagement surveys in two additional countries every year. In 2019, the engagement surveys were rolled out for the first time in **France** and **The Netherlands**, and repeated in **Belgium**, **Spain** and **UK**. This gave more than 1800 employees, from 17 locations, the opportunity to express their opinion about the company.

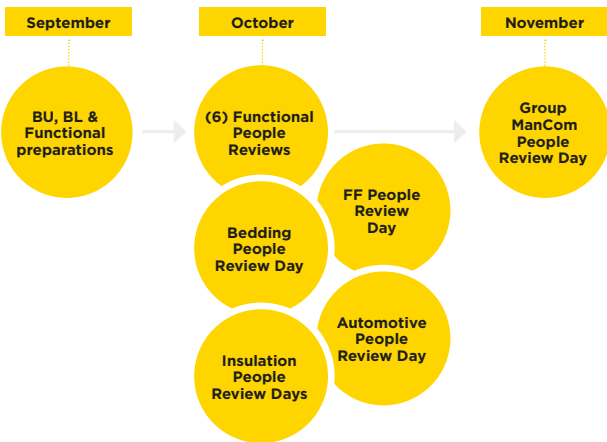
For 2020, Recticel is planning to roll out the engagement survey for the first time in **Finland** and **Estonia** and repeat the surveys in **Poland** and **Romania**.

1.8.6. People review & succession planning

In 2019, we continued our People Review Process and raised the bar by putting more emphasis on action planning and follow-up, organizing the process at more layers in the organization and assuring more consistency between the people review process and other related processes such as Employee Performance Management discussions or the salary review process.

Facilitated by the Group HR team, business line and functional management teams dedicated an entire day to discussing topics such as succession planning, people related SWOT analysis of each Business Line and Function, identification of high-potentials, future recruitment and retirement planning, and related knowledge transfer plans. The Group Management Committee went through the same process.

This approach helps Recticel to anticipate internal succession needs and to leverage employee motivation, knowledge transfer, and business performance.



1.8.7. Embarking on a digital HR transformation

To better manage an increasing speed of business change and to bring our globally standardized HR processes to the next level, Recticel decided to move its current global HR processes into a new, cloud based, HR information system. This transition will be a significant driver of business integration and end-to-end processing efficiency and increase our employer branding and attractiveness.

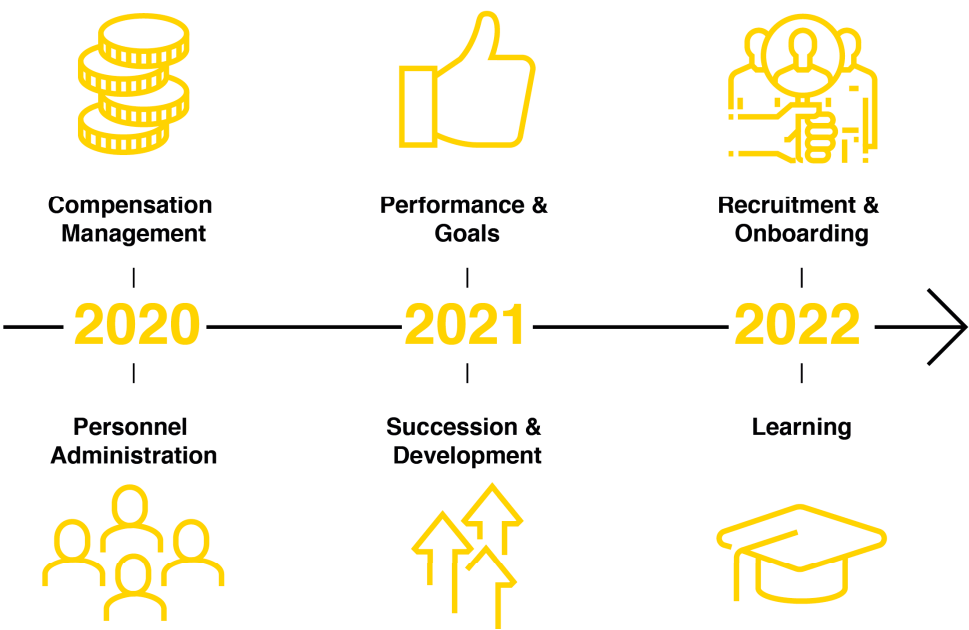
In 2019, a cross-functional project team kicked off to define the scope and system implementation plan. In close collaboration with the purchasing and IDT departments, the HRIS system vendor has been selected. The system implementation will be launched on a global level in 2020. The priority will be the implementation of the core HR systems related to personnel management and the compensation module; this will allow the next annual salary review process to run on the new system.

1.8.8. Further refinement of our compensation & benefit processes

Recticel continues to upgrade its HR processes. As an example, an additional step has been built into the salary review process whereby calibration meetings regarding individual employee performance are being held at Business Line level.

In parallel, Recticel worked on further structuring its remuneration practices based on the recently deployed Recticel Hay Grading structure to streamline compensation and benefit decisions, including at the time of recruitment. This is supported by an improved online benchmarking interface, Pay Hub, released by Korn Ferry Hay.

HR System Implementation

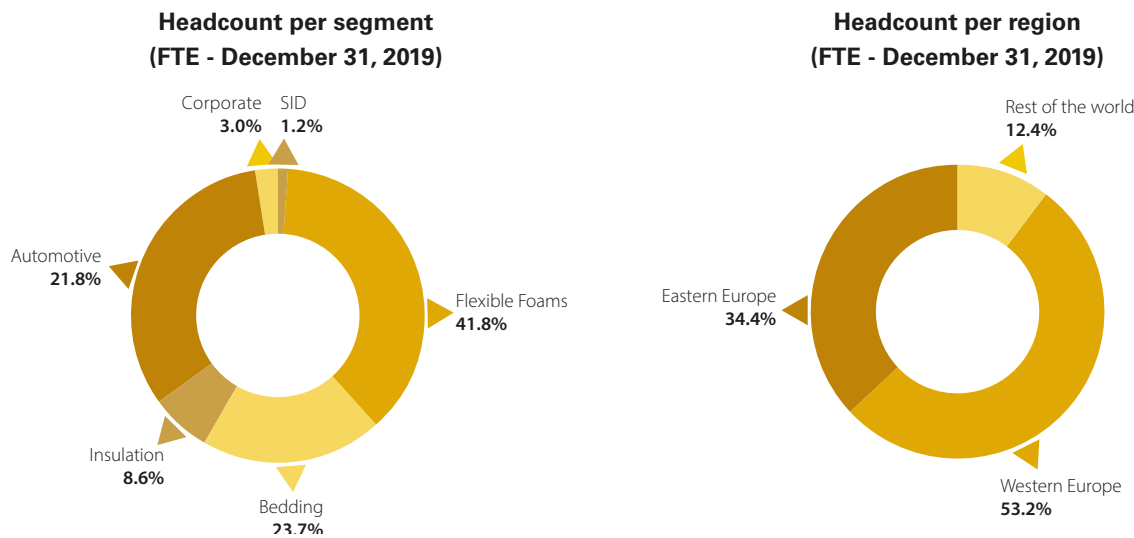


Number of staff¹

	31 DEC 2018		31 DEC 2019	
BELGIUM	1 105	15.1%	1 067	15.2%
POLAND	938	12.8%	967	13.8%
CZECH REPUBLIC	922	12.6%	795	11.3%
GERMANY	791	10.8%	693	9.9%
FRANCE	561	7.6%	558	7.9%
PEOPLE'S REPUBLIC OF CHINA	523	7.1%	479	6.8%
UNITED KINGDOM	473	6.4%	464	6.6%
ROMANIA	362	4.9%	366	5.2%
THE NETHERLANDS	291	4.0%	265	3.8%
USA	225	3.1%	253	3.6%
AUSTRIA	222	3.0%	214	3.0%
SWEDEN	163	2.2%	160	2.3%
HUNGARY	133	1.8%	128	1.8%
FINLAND	110	1.5%	105	1.5%
SPAIN	107	1.5%	93	1.3%
ESTONIA	96	1.3%	93	1.3%
TURKEY	88	1.2%	89	1.3%
SWITZERLAND	85	1.2%	88	1.3%
INDIA	42	0.6%	38	0.5%
NORWAY	34	0.5%	34	0.5%
BULGARIA	20	0.3%	25	0.4%
SLOVENIA	8	0.1%	17	0.2%
SLOVAKIA	11	0.1%	11	0.1%
SERBIA	9	0.1%	10	0.1%
MOROCCO	10	0.1%	9	0.1%
UKRAINE	5	0.1%	5	0.1%
RUSSIA	4	0.1%	5	0.1%
LITHUANIA	5	0.1%	0	0.0%
TOTAL	7 341	100%	7 028	100%

	31 DEC 2018		31 DEC 2019	
Western Europe	3 942	53.7%	3 740	53.2%
Eastern Europe	2 511	34.2%	2 420	34.4%
Rest of world	888	12.1%	868	12.4%
TOTAL	7 341	100%	7 028	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 and the proportion of personnel of joint ventures in which the Group has a minority stake(rounded figures).



Major production sites

Although we are most active in Europe and present in most European countries, we also maintain strong production and sales networks in Asia and the United States. Our global presence and technological support system are reinforced by our dedication to local service.

COUNTRY	FLEXIBLE FOAMS ⁽¹⁾	BEDDING	INSULATION	AUTOMOTIVE
AUSTRIA	Kremsmünster Linz	Timelkam		
BELGIUM	Wetteren	Geraardsbergen Hulshout	Wevelgem	
CZECH REPUBLIC				Mladá Boleslav Most
ESTONIA	Tallinn			
FINLAND	Kouvola		Mäntsälä	
FRANCE	Langeac Louviers Trilport		Bourges	Trilport
GERMANY	Burkhardtsdorf Ebersbach	Jöhstadt Wattenscheid		Königswinter Schönebeck Wackersdorf
HUNGARY	Sajóbábony			
INDIA	Taloja, New Bombay Bangalore			
ITALY	Gorla Minore			
MOROCCO	Tanger			
NORWAY	Åndalsnes			
PEOPLE'S REPUBLIC OF CHINA	Wuxi			Changchun Langfang Ningbo Shengyang
POLAND	Zgierz	Łódź		
ROMANIA	Sibiú	Miercurea Sibiului		
SLOVENIA			Šoštanj	
SPAIN	Ciudad Rodrigo			
SWEDEN	Gislaved	Gislaved		
SWITZERLAND		Flüh		
THE NETHERLANDS	Kesteren	Kesteren		
TURKEY	Istanbul			
UNITED KINGDOM	Alfreton Corby		Stoke-on-Trent Burntwood	
UNITED STATES	Deer Park, NY Irvine, CA			Auburn Hills, MI Tuscaloosa, AL

⁽¹⁾ For Flexible Foams, only the major foams plants are listed.

This table lists our principal production units (excluding joint venture companies in which the Group has a minority stake). In addition to these sites, we have 40 other conversion units and sales offices in Europe, the United States and Asia. At the end of 2019, our Group operated 81 production units in 27 countries.



2. Management report

2.1. Report of our Board of Directors

Annual results 2019

- Combined¹ sales decreased by 7.2% on a comparable restated basis²
- Combined Adjusted EBITDA: EUR 114.7 million, EUR 88.2 million before IFRS 16
- Result of the period (share of the Group): EUR 24.8 million, EUR 26.0 million³ before IFRS 16
- Total combined net financial debt⁴: EUR 227.5 million, including EUR 87.0 million impact of IFRS 16 (30 September 2019: 237.2 million; 30 June 2019: EUR 261.3 million)
- Proposal to pay a stable gross dividend of EUR 0.24 per share

Olivier Chapelle (CEO): *“Amid global trade tensions and geopolitical uncertainty, our topline has decreased by 7.2% in 2019. It has been primarily influenced by selling price erosion as a consequence of substantial isocyanates raw material cost decrease, and by soft global Automotive and Comfort markets.*

Our Flexible Foams division delivered a record performance, in spite of lower volumes. In changing market dynamics, our Bedding division has confirmed its growth potential over the last 9 months of 2019, and has significantly improved its profitability. Considering the overall turmoil in the sector, especially in China, our Automotive division has adapted itself and managed to limit the impacts on its profitability when compared to sector peers. Our Insulation division has grown its volumes in 2019, but has seen its profitability reduced due to margin erosion on the back of intensified competition in its main markets, in combination with the ramp-up costs of its new Scandinavian facility.

While the Group's profitability has been slightly affected by these circumstances, Recticel generated a solid cash flow allowing to further reduce its financial debt”.

¹ For the definition of terminology used, see Glossary and Alternative Performance Measures (“APM”) at the end of this report.

² Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

All comparisons are made with the comparable period of 2018, unless mentioned otherwise.

Following the partial divestment from Proseat (Automotive – Seating) in February 2019, Proseat is integrated in the 2019 combined figures according to the ‘equity method’, i.e. previously on a proportionate basis. For comparison purposes the 2018 data have been restated accordingly.

³ To facilitate comparisons and understanding of the Group's underlying performance, all comments in this document on developments in revenue or results are made on a like-for-like basis unless otherwise indicated; i.e. 2018 restated data compared to 2019 data before the impact of IFRS 16.

⁴ Including the drawn amounts under non-recourse factoring programs: EUR 47.0 million per 31 December 2019 versus EUR 32.9 million per 30 September 2019 and EUR 60.2 million per 30 June 2019.

2.1.1. Key figures

2.1.1.1. Consolidated data¹

- **Sales:** from EUR 1,117.7 million to EUR 1,038.5 million (-7.1 %), including a currency effect of +0.24 %
- **EBITDA:** EUR 95.3 million, EUR 70.8 million³ before IFRS 16 (versus EUR 80.5 million²)
- **EBIT:** EUR 37.1 million, EUR 34.4 million³ before IFRS 16 (versus EUR 42.9 million²)
- **Result of the period** (share of the Group): EUR 24.8 million, EUR 26.0 million³ before IFRS 16
- **Total net financial debt⁴:** EUR 215.6 million including EUR 80 million impact of IFRS 16 (30 September 2019: EUR 222.4 million; 30 June 2019: EUR 243.9 million)

	in million EUR				
	FY2018 (a)	FY2019 before IFRS 16 (b)	Δ % (b)/(a)-1	FY2019 after IFRS 16 (c)	Δ (c) - (b)
Sales	1 117.7	1 038.5	-7.1%	1 038.5	0.0
Gross profit	201.6	189.4	-6.1%	191.1	1.6
as % of sales	18.0%	18.2%		18.4%	
Income from joint ventures and associates	10.2	9.4	-8.0%	9.3	(0.1)
EBITDA	80.5	70.8	-12.1%	95.3	24.5
as % of sales	7.2%	6.8%		9.2%	
EBIT	42.9	34.4	-20.0%	37.1	2.8
as % of sales	3.8%	3.3%		3.6%	
Financial result	(3.9)	(4.2)	8.3%	(8.2)	(4.0)
Income taxes and deferred taxes	(10.2)	(4.2)	-58.8%	(4.2)	0.0
Result of the period (share of the Group)	28.8	26.0	-9.9%	24.8	(1.2)
Result of the period (share of the Group) - base (per share, in EUR)	0.53	0.47	-11.1%	0.45	(0.02)

	31 DEC 18	31 DEC 19	31 DEC 19		
Total Equity	265.0	276.6	4.4%	275.4	-1.2
Net financial debt ⁵	84.6	88.6	4.7%	168.6	80.0
Gearing ratio (Net financial debt ⁴ /Total Equity)	31.9%	32.0%		61.2%	
Leverage ratio (Net financial debt ⁴ /EBITDA)	1.1	1.3		1.8	

⁵ Excluding the drawn amounts under non-recourse factoring programs: EUR 47.0 million per 31 December 2019 versus EUR 32.9 million per 30 September 2019 and EUR 51.3 million per 31 December 2018.

Consolidated Sales

from EUR 1,117.7 million to **EUR 1,038.5 million** (-7.1 %)

Income from joint ventures and associates:

from EUR 10.2 million to EUR 9.3 million¹

The decrease in ‘Income from joint ventures & associates’ is mainly due to the lower contribution of the Eurofoam group, impacted by closure costs of the Troisdorf plant (Germany).

Consolidated EBITDA

EUR 95.3 million, EUR 70.8 million before IFRS 16 versus eur 80.5 million in 2018.

Consolidated EBIT

EUR 37.1 million, EUR 34.4 million before IFRS 16 versus EUR 42.9 million in 2018.

Consolidated financial result

EUR -8.2 million, EUR -4.2 million before IFRS 16 versus EUR -3.9 million in 2018.

Net interest charges: EUR -7.0 million, EUR -2.8 million before IFRS 16 versus EUR -3.3 million in 2018.

‘Other net financial income and expenses’: EUR -1.2 million, EUR -1.5 million before IFRS 16 versus EUR -0.6 million in 2018. This item comprises mainly interest capitalisation costs under provisions for pension liabilities (EUR -0.8 million versus EUR -0.8 million in 2018) and exchange rate differences (EUR +0.1 million versus EUR +0.1 million in 2018).

Consolidated income taxes and deferred taxes

From EUR -10.2 million to **EUR -4.2 million**

- Current income tax: EUR -6.7 million (2018: EUR -3.3 million);
- Deferred tax: EUR +2.4 million (2018: EUR -7.0 million).

Consolidated result of the period (share of the Group):

EUR 24.8 million, EUR 26.0 million before IFRS 16 versus EUR 28.8 million in 2018.

2.1.1.2. Combined data¹

- **Sales:** from EUR 1,315.5 million to EUR 1,220.9 million (-7.2%) including currency effect (+0.1%)
- **Adjusted EBITDA:** EUR 114.7 million, EUR 88.2 million (-9.6%) before IFRS 16 (versus EUR 97.7 million)²
- **EBITDA:** EUR 105.6 million, EUR 79.1 million³ (-9.5%) before IFRS 16 (versus EUR 87.3 million)²
- **Total net financial debt⁴:** EUR 227.5 million including EUR 87 million IFRS 16 impact (30 September 2019: EUR 237.2 million³; 30 June 2019: 261.3 million³)

	in million EUR					
	FY2018 (as published)	FY2018 (restated) ² (a)	FY2019 before IFRS 16 (b)	Δ % (b)/(a)-1	FY2019 after IFRS 16 (c)	Δ (c) - (b)
Sales	1 448.3	1 315.5	1 220.9	-7.2%	1 220.9	0.0
Gross profit	239.5	224.8	217.4	-3.3%	219.1	1.7
as % of sales	16.5%	17.1%	17.8%		17.9%	
Adjusted EBITDA	103.8	97.7	88.2	-9.7%	114.7	26.6
as % of sales	7.2%	7.4%	7.2%		9.4%	
EBITDA	93.4	87.3	79.1	-9.5%	105.6	26.6
as % of sales	6.4%	6.6%	6.5%		8.7%	
Adjusted EBIT	63.3	60.9	48.3	-20.7%	51.2	2.9
as % of sales	4.4%	4.6%	4.0%		4.2%	
EBIT	47.0	44.9	37.4	-16.7%	40.3	2.9
as % of sales	3.2%	3.4%	3.1%		3.3%	

	31 DEC 18	31 DEC 18	31 DEC 19	31 DEC 19		
Total Equity	265.0	265.0	276.6	4.4%	275.4	-1.2
Net financial debt ⁶	100.2	84.6	93.4	10.5%	180.4	87.0
Gearing ratio (Net financial debt ⁶ /Total Equity)	37.8%	31.9%	33.8%		65.5%	
Leverage ratio (Net financial debt ⁶ /EBITDA)	1.1	1.0	1.2		1.7	

⁶ Excluding the drawn amounts under non-recourse factoring programs: EUR 47.0 million per 31 December 2019 versus EUR 32.9 million per 30 September 2019 and EUR 51.3 million per 31 December 2018.

2.1.2. Comments on the Group results

Detailed comments on sales and results of the different segments are given in chapter 4 on the basis of the combined figures (joint ventures integrated following the proportionate consolidation method).

Main changes in the scope of consolidation in 2019:

- Reduction of the participation in Proseat (Automotive – Seating) from 51% to 25%. Consequently, Proseat is integrated in the combined figures of 2019 according to the ‘equity method’ and no longer on a proportionate basis.
- Increase of the participation in Turvac (Insulation) from 50% to 74%, leading to its full consolidation.

Combined Sales: on a like-for-like basis sales decreased by 7.2% from EUR 1,315.5 million² (as published: EUR 1,448.3 million) to **EUR 1,220.9 million**, including a currency impact of +0.1%.

4Q2019 Combined sales decreased on a like-for-like basis by 6.9% from EUR 318.9 million to EUR 296.8 million.

- Flexible Foams sales decreased essentially due to price erosion due to lower raw material costs, and to soft demand in the comfort and automotive end-use markets throughout the year, leading to lower volumes.
- Bedding sales were flat over the full year, after a weak 1Q. The enhanced product offerings of the division allowed for external sales growth rates (2Q2019: +3.6%; 3Q2019: +1.9%; 4Q2019: +4.7%).
- The Insulation volumes increased by a double-digit percentage on an annual basis, although quite weak in 4Q due to inventory adjustments at our customers. The volume effect on sales has however been more than offset by lower selling prices induced by lower raw material costs and intense competition in some markets.
- The Automotive division reported lower sales on a like-for-like basis² as volumes dropped globally in the main Automotive markets.

Breakdown of the combined sales by segment

	in million EUR					
	FY2018 RESTATED ²	1Q2019	2Q2019	3Q2019	4Q2019	FY2019
Flexible Foams	621.5	148.0	139.2	128.4	133.5	549.1
Bedding	243.8	64.3	55.6	57.8	64.6	242.3
Insulation	271.2	62.5	67.4	62.9	54.4	247.2
Automotive	229.6	54.1	61.0	53.9	54.7	223.7
Eliminations	(50.5)	(11.2)	(10.1)	(9.5)	(10.4)	(41.2)
TOTAL COMBINED SALES	1 315.5	317.6	313.0	293.6	296.8	1 220.9
Adjustment for joint ventures by application of IFRS 11	(197.9)	(49.4)	(45.1)	(43.2)	(44.7)	(182.4)
TOTAL CONSOLIDATED SALES	1 117.7	268.2	267.9	250.3	252.1	1 038.5

	AS PUBLISHED			RESTATED ²						2019 VERSUS 2018 RESTATED		
	1H2018	2H2018	FY2018	1H2018	2H2018	FY2018	1H2019	2H2019	FY2019	Δ 1H	Δ 2H	Δ FY
Flexible Foams	330.6	290.9	621.5	330.6	290.9	621.5	287.2	261.9	549.1	-13.1%	-10.0%	-11.7%
Bedding	124.6	119.2	243.8	124.6	119.2	243.8	119.8	122.4	242.3	-3.8%	2.7%	-0.6%
Insulation	132.7	138.5	271.2	132.7	138.5	271.2	129.8	117.3	247.2	-2.2%	-15.3%	-8.9%
Automotive	195.6	168.3	363.9	121.5	108.1	229.6	115.1	108.6	223.7	-5.3%	0.5%	-2.6%
Eliminations	(27.6)	(24.5)	(52.1)	(26.6)	(23.8)	(50.5)	(21.4)	(19.9)	(41.2)	-19.8%	-16.6%	-18.3%
TOTAL COMBINED SALES	755.9	692.4	1 448.3	682.7	632.8	1 315.5	630.6	590.4	1 220.9	-7.6%	-6.7%	-7.2%
Adjustment for joint ventures by application of IFRS 11	(176.2)	(154.4)	(330.6)	(103.0)	(94.8)	(197.9)	(94.5)	(87.9)	(182.4)	-8.3%	-7.3%	-7.8%
TOTAL CONSOLIDATED SALES	579.7	537.9	1 117.7	579.7	537.9	1 117.7	536.1	502.4	1 038.5	-7.5%	-6.6%	-7.1%

Combined Adjusted EBITDA

EUR 114.7 million, EUR 88.2 million³ before IFRS 16 versus EUR 97.7 million² in FY2018 (as published: EUR 103.8 million)

Adjusted EBITDA margin of 9.4 %, 7.2%³ before IFRS 16 versus 7.4%² in FY2018 (as published: 7.2%).

Breakdown of combined Adjusted EBITDA by segment

	in million EUR				
	FY2018 (as published)	FY2018 (restated) ² (a)	FY2019 before IFRS 16 (b)	Δ % (b)/(a)-1	FY2019 after IFRS 16
Flexible Foams	41.5	41.5	49.0	18.2%	58.9
Bedding	6.8	6.8	12.4	80.7%	16.9
Insulation	44.7	44.7	28.5	-36.3%	31.6
Automotive	25.9	19.8	14.4	-27.0%	22.1
Corporate	(15.2)	(15.2)	(16.1)	6.3%	(14.7)
TOTAL COMBINED ADJUSTED EBITDA	103.8	97.7	88.2	-9.7%	114.7

- Despite lower volumes, Flexible Foams continued to benefit from a positive product & price mix as well as from continuous operational improvements.
- Bedding strongly improved profitability, driven by a gradually improving volume trend over the year, an improved product-mix following the introduction of new product ranges and further cost rationalisation measures.
- Despite substantially higher sales volumes, profitability in Insulation decreased as a consequence of lower average margins due to intensified competition in its main markets. The new plant in Finland, which started production in 4Q2018, was ramping-up, leading to temporarily unabsorbed additional fixed costs.
- Automotive was impacted by lower overall call-offs under running programs.

Combined Adjusted EBIT

EUR 51.2 million, EUR 48.3 million³ before IFRS 16 versus EUR 60.9 million² in FY2018 (as published: EUR 63.3 million)

Adjust EBIT margin of 4.2%, 4.0%³ before IFRS16 versus 4.6%² in FY2018 (2) published:

Breakdown of combined Adjusted EBIT by segment

	in million EUR				
	FY2018 (as published)	FY2018 (restated) ² (a)	FY2019 before IFRS 16 (b)	Δ % (b)/(a)-1	FY2019 after IFRS 16 (c)
Flexible Foams	28.9	28.9	36.5	26.4%	37.6
Bedding	2.3	2.3	7.8	234.7%	8.2
Insulation	38.1	38.1	20.2	-46.9%	20.9
Automotive	9.8	7.4	0.9	-87.9%	1.7
Corporate	(15.9)	(15.9)	(17.2)	8.1%	(17.1)
TOTAL COMBINED ADJUSTED EBIT	63.3	60.9	48.3	-20.7%	51.2

Adjustments to EBIT: (on combined basis, including pro rata share in joint ventures)

	in million EUR				
	2018 (as published)	2018 (restated) ²	1H2019	2H2019	2019
Gain/(loss) on disposals	0.0	0.0	5.0	0.9	5.9
Restructuring charges and provisions	(10.1)	(9.9)	(3.2)	(8.0)	(11.2)
Net impact fire incident in Most	5.6	5.6	0.0	0.0	0.0
Other	(6.0)	(6.0)	(1.5)	(2.2)	(3.8)
TOTAL IMPACT ON EBITDA	(10.4)	(10.2)	0.3	(9.3)	(9.1)
Impairments	(5.8)	(5.8)	(0.7)	(1.1)	(1.8)
TOTAL IMPACT ON EBIT	(16.2)	(16.0)	(0.4)	(10.5)	(10.9)

Adjustments to EBIT in 2019 include the net gain realised in 1H upon the reduction of the participation in Proseat from 51 % to 25 % (cfr. press release dd. 19.02.2019) and the fair value of the put/call option structure defining the terms of divestment of the remaining 25% participation in Proseat, as well as various additional restructuring measures in execution of the Group's rationalisation plan.

Restructuring measures (EUR -11.2 million) in execution of the Group's rationalisation plan, include: (i) restructuring costs in Flexible Foams following the closure of the Troisdorf plant (Eurofoam Germany), (ii) rationalisation measures in Automotive Interiors (Germany) and (iii) further streamlining in the corporate and central services.

The 'other' adjustments to EBIT (EUR -3.8 million) relate mainly to costs and fees for legacy remediation and litigations, and costs linked to the contingency plan following the fire incident in the plant in Wetteren (Belgium).

Impairment charges of EUR -1.8 million (2018: EUR -5.8 million) include (i) in Bedding: impairment of assets following the closure of the Hassfurt plant (EUR -0.3 million) and (ii) in Automotive Interiors: impairment of assets in Germany (EUR -0.8 million) and in China (EUR -0.7 million).

Combined EBITDA

EUR 105.6 million, EUR 79.1 million³ before IFRS 16 versus EUR 87.3 million² in FY2018 (as published: EUR 93.4 million)

EBITDA margin of 8.7%, 6.5%³ before IFRS 16 versus 6.6%² in FY2018 (as published: 6.4%).

Breakdown of EBITDA by segment

	in million EUR				
	FY2018 (as published)	FY2018 (restated) ² (a)	FY2019 before IFRS 16 (b)	Δ % (b)/(a)-1	FY2019 after IFRS 16
Flexible Foams	33.0	33.0	44.2	34.2%	54.1
Bedding	2.0	2.0	11.5	474.1%	16.0
Insulation	44.7	44.7	28.3	-36.6%	31.4
Automotive	30.5	24.5	17.2	-29.8%	24.8
Corporate	(16.8)	(16.8)	(22.2)	31.9%	(20.8)
TOTAL COMBINED EBITDA	93.4	87.3	79.1	-9.5%	105.6
Adjustment for joint ventures by application of IFRS 11	(12.9)	(5.0)	(8.3)	66.4%	(10.4)
TOTAL CONSOLIDATED EBITDA	80.5	82.4	70.8	-14.1%	95.3

Combined EBIT

EUR 40.3 million, EUR 37.4 million³ before IFRS 16 versus EUR 44.9 million² in FY2018 (as published: EUR 47.0 million)

EBIT margin of 3.3%, 3.1%³ before IFRS 16 versus 3.4%² in FY2018 (as published: 3.2%).

Breakdown of EBIT by segment

	in million EUR				
	FY2018 (as published)	FY2018 (restated) ² (a)	FY2019 before IFRS 16 (b)	Δ % (b)/(a)-1	FY2019 after IFRS 16
Flexible Foams	15.6	15.6	31.6	103.3%	32.7
Bedding	(2.1)	(2.1)	6.7	n.m.	7.0
Insulation	38.1	38.1	20.1	-47.4%	20.7
Automotive	12.9	10.8	2.2	-79.6%	3.0
Corporate	(17.5)	(17.5)	(23.2)	32.6%	(23.1)
TOTAL COMBINED EBIT	47.0	44.9	37.4	-16.7%	40.3
Adjustment for joint ventures by application of IFRS 11	(4.1)	(0.1)	(3.0)	4206.1%	(3.1)
TOTAL CONSOLIDATED EBIT	42.9	44.8	34.4	-23.4%	37.1

2.1.3. Financial position

	in million EUR				
	31 DEC 2018	31 MAR 2019	30 JUN 2019	31 SEP 2019	31 DEC 2019
TOTAL EQUITY - before IFRS 16	265.0	-	266.5	-	276.6
Combined debt figures					
Net financial debt on balance sheet	100.2	103.6	83.9	113.5	93.4
+ Impact of application IFRS 16	-	112.0	117.1	90.8	87.0
+ Drawn amounts under factoring programs	51.3	36.0	60.2	32.9	47.0
TOTAL COMBINED NET FINANCIAL DEBT	151.5	251.6	261.3	237.2	227.5
GEARING - COMBINED BEFORE IFRS16					
	37.8%	-	-	-	33.8%
LEVERAGE - COMBINED BEFORE IFRS16					
	1.1	-	-	-	1.2
Consolidated debt figures					
Net financial debt on balance sheet	84.6	97.0	73.8	105.5	88.6
+ Impact of application IFRS 16	-	105.0	109.8	84.0	80.0
+ Drawn amounts under factoring programs	51.3	36.0	60.2	32.9	47.1
TOTAL CONSOLIDATED NET FINANCIAL DEBT	135.9	237.9	243.9	222.4	215.6
GEARING - CONSOLIDATED BEFORE IFRS16					
	31.9%	-	-	-	32.0%
LEVERAGE - CONSOLIDATED BEFORE IFRS16					
	1.1	-	-	-	1.3

The Group further reduced its combined financial debt.

End-December 2019, the application of IFRS 16 to outstanding operating lease arrangements led to an addition of EUR 87.0 million to the combined net financial debt and EUR 80.0 million to the consolidated net financial debt. Compared to the position per 30 June 2019, the reduction in IFRS 16 impact on consolidated and combined debt results essentially from the exercise of the option to purchase the Insulation plant in Stoke-on-Trent (United Kingdom) for GBP 18.4 million.

The application of IFRS 16 has no consequences for the Group's financial covenant testing, as the syndicated bank financing agreement includes a 'frozen GAAP' provision.

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

2.1.4. Market segments

IFRS 8 requires operating segments to be identified on the basis of the internal reporting structure of the Group that allows a regular performance review by the chief operating decision maker and an adequate allocation of resources to each segment. Therefore, the Group will continue 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.



2.1.4.1. Insulation

	in million EUR			
	FY2018 (a)	FY2019 before IFRS 16 (b)	Δ (b)/(a)-1	FY2019 after IFRS 16
Sales	271.2	247.2	-8.9%	247.2
Adjusted EBITDA	44.7	28.5	-36.3%	31.6
as % of sales	16.5%	11.5%		12.8%
EBITDA	44.7	28.3	-36.6%	31.4
as % of sales	16.5%	11.5%		12.7%
Adjusted EBIT	38.1	20.2	-46.9%	20.9
as % of sales	14.1%	8.2%		8.4%
EBIT	38.1	20.1	-47.4%	20.7
as % of sales	14.1%	8.1%		8.4%

SALES

Fourth quarter 2019

Sales dropped by 21.4% **in 4Q2019**, from EUR 69.3 million to **EUR 54.4 million**, including a currency impact of +1.1%; primarily due to price erosion linked to isocyanates raw material price reduction, and lower volumes driven by inventory reduction measures taken by customers.

Full-year 2019

Despite a double-digit volume growth, sales decreased over the **full year 2019** by 8.9% from EUR 271.2 million to **EUR 247.2 million**, including a currency impact of +0.2%.

Price erosion due to intensified competition has more than offset the positive volume impact.

The new production facility in Finland – which started production in 4Q2018 – is ramping-up, with all products now certified for the Nordic countries.

PROFITABILITY

Adjusted EBITDA margin of 12.8%, 11.5%³ before IFRS 16 versus 16.5%² in FY2018.

Before IFRS 16 impact, profitability receded as the growth in sales volumes was more than offset by lower average profit margins. In addition, the new plant in Finland which started production in 4Q2018 was still ramping-up and hence induced incremental fixed costs which were not yet absorbed by the additional sales contribution. It is expected that this new plant will generate a positive contribution to the results as from 4Q2020 onwards.



2.1.4.2. Flexible foams

	in million EUR			
	FY2018 (a)	FY2019 before IFRS 16 (b)	Δ (b)/(a)-1	FY2019 after IFRS 16
Sales	621.5	549.1	-11.7%	549.1
Adjusted EBITDA	41.5	49.0	18.2%	58.9
as % of sales	6.7%	8.9%		10.7%
EBITDA	33.0	44.2	34.2%	54.1
as % of sales	5.3%	8.1%		9.9%
Adjusted EBIT	28.9	36.5	26.4%	37.6
as % of sales	4.6%	6.6%		6.8%
EBIT	15.6	31.6	103.3%	32.7
as % of sales	2.5%	5.8%		6.0%

SALES

Fourth quarter 2019

During **4Q2019** combined sales decreased from EUR 145.4 million to **EUR 133.5 million** (-8.2%).

Full-year 2019

For the **full-year 2019, combined sales** decreased from EUR 621.5 million to **EUR 549.1 million** (-11.7%), including a -0.1% impact from exchange rate differences.

Both sub-segments Comfort (EUR 305.9 million; -14.2%) and Technical Foams (EUR 243.1 million; -8.2%) reported lower sales, due to a combination of selling price erosion as a consequence of falling chemical raw material prices, and lower volumes.

PROFITABILITY

Adjusted EBITDA margin of 10.7%, 8.9%³ before IFRS 16 versus 6.7%² in 2018. The margin improvement is attributable to positive net pricing effects including increased prices for trim foam, an improved product-mix and operational efficiency gains.

EBITDA includes adjustments for EUR - 4.8 million (2018: EUR -8.5 million) mainly (i) restructuring charges following the closure of the Eurofoam plant in Troisdorf (Germany), (ii) streamlining of central departments, and (iii) net costs linked to the fire incident in the Wetteren plant (Belgium).



2.1.4.3. Bedding

	in million EUR			
	FY2018 (a)	FY2019 before IFRS 16 (b)	Δ (b)/(a)-1	FY2019 after IFRS 16
Sales	243.8	242.3	-0.6%	242.3
Adjusted EBITDA	6.8	12.4	80.7%	16.9
<i>as % of sales</i>	2.8%	5.1%		7.0%
EBITDA	2.0	11.5	474.1%	16.0
<i>as % of sales</i>	0.8%	4.7%		6.6%
Adjusted EBIT	2.3	7.8	234.7%	8.2
<i>as % of sales</i>	1.0%	3.2%		3.4%
EBIT	(2.1)	6.7	n.m.	7.0
<i>as % of sales</i>	-0.8%	2.8%		2.9%

SALES

Fourth quarter 2019

The positive sales trend observed in 2Q2019 (+3.6%) and 3Q2019 (+1.9%), was confirmed in 4Q2019, following the success of the new generation of Geltex® products. **Combined sales** increased by 4.4% from EUR 61.9 million to **EUR 64.6 million**, including a +0.2% impact from exchange rate differences.

Full-year 2019

For the **full-year 2019, combined sales** slightly decreased from EUR 243.8 million to **EUR 242.3 million** (-0.6%), including a -0.1% impact from exchange rate differences.

The sub-segment “Branded Products” grew by 4.6% thanks to the new innovative Geltex® 2.0 and boxsprings product lines, while the sub-segment “Non-Branded/Private Label” receded by 8.1% in a market characterised by strong competition from e-commerce players, and a specific market situation related to one customer in Germany.

PROFITABILITY

Adjusted EBITDA margin of 7.0%, 5.1%³ before IFRS 16 versus 2.8%² in FY2018.

EBITDA, before IFRS 16 impact, increased from EUR 2.0 million to EUR 11.5 million; including adjustments for EUR -0.9 million (2018: EUR -4.8 million) mainly for reorganisation charges in central departments.

The growth in Branded sales, the reduction of low margin business and cost reductions as a result of the closure of the Hassfurt plant, were the key drivers behind the profitability improvement.



2.1.4.4. Automotive

	in million EUR				
	FY2018 (as published)	FY2018 (restated) (a)	FY2019 before IFRS 16 (b)	Δ (b)/(a)-1	FY2019 after IFRS 16
Sales	363.9	229.6	223.7	-2.6%	223.7
<i>of which Interiors</i>	199.4	199.4	183.5	-8.0%	183.5
<i>of which sale of chemicals to Proseat</i>	14.8	30.1	40.2	33.3%	40.2
Adjusted EBITDA	25.9	19.7	14.4	-26.8%	22.1
<i>as % of sales</i>	7.1%	8.6%	6.5%		9.9%
EBITDA	30.5	24.5	17.2	-29.8%	24.8
<i>as % of sales</i>	8.4%	10.7%	7.7%		11.1%
Adjusted EBIT	9.8	7.4	0.9	-87.9%	1.7
<i>as % of sales</i>	2.7%	3.2%	0.4%		0.8%
EBIT	12.9	10.8	2.2	-79.6%	3.0
<i>as % of sales</i>	3.5%	4.7%	1.0%		1.3%

SALES

Fourth quarter 2019

Sales comprise the Interiors business (4Q2019: EUR 44.7 million; -5.0%) as well as sales of chemical raw materials at cost to the Proseat companies (4Q2019: EUR 10.0 million; +46.3%), as Recticel became - since April 2019 - the sole supplier of such raw materials to Proseat (versus 51% of the volumes previously).

The trend observed during 1Q2019 (-7.2%), 2Q2019 (-3.5%) and 3Q2019 (-0.5%) reversed somewhat in 4Q2019. On a like-for-like basis² **combined sales** increased from EUR 53.9 million to **EUR 54.7 million** (+1.5%) in **4Q2019**, including exchange rate differences (+0.5%).

Full-year 2019

For the full year 2019, like-for-like sales decreased by 2.6% from EUR 229.6 million to **EUR 223.7 million**, including a currency impact of +0.8%. Sales comprise the Interiors business (FY2019: EUR 183.5 million; -8.0%) and sales of chemical raw materials at cost to the Proseat companies (FY2019: EUR 40.2 million; +33.3%)

Sales volumes remained adversely affected by the continued weakness of the European and Chinese Automotive markets.

PROFITABILITY

Adjusted EBITDA margin of 9.9%, 6.5%³ before IFRS 16 versus 8.6%² in 2018 (as published: 7.1%).

Before IFRS 16 impact, the profitability decreased mainly due to lower volumes in Interiors.

EBITDA includes adjustments for a net amount of EUR +2.7 million (2018: EUR -4.5 million) representing the gain linked to the partial divestment from the Proseat companies in February 2019 and the revaluation of the option structure determining the minimum value of the remaining participation, which is offset by restructuring costs in the Interiors operations in Germany (EUR -2.9 million).

2.1.5. 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:

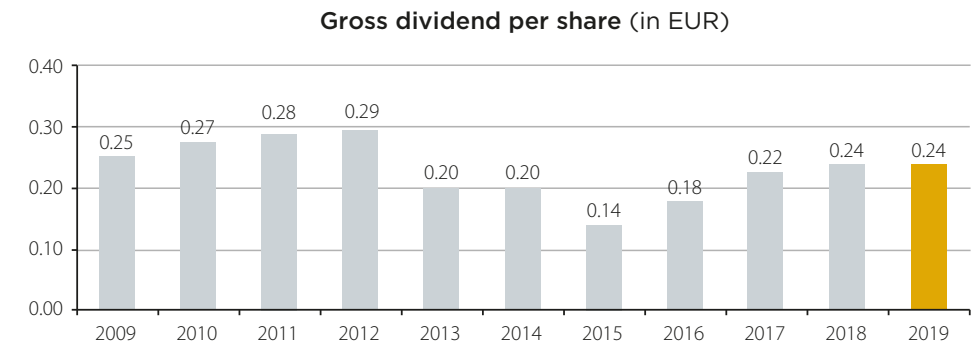
in EUR		
Profit/(loss) for the financial year		19 851 565,18
Profit/(loss) brought forward from previous year	+	65 478 814,11
Profit/(loss) to be added to legal reserves	-	992 578,26
Profit/(loss) to be added to other reserves	-	0,00
Result to be appropriated	=	84 337 801,03
Gross dividend ⁽¹⁾	-	13 295 385,36
Profit to be carried forward	=	71 042 415,67

¹ Gross dividend per share of EUR 0.24, resulting in a net dividend after tax of EUR 0.168 per ordinary share.

2.1.6. Dividend payment

Subject to approval of the profit appropriation by the General Meeting of 26 May 2020, a dividend of EUR 0.24 gross will be paid per ordinary share, or EUR 0.168 net (-30% withholding tax). This dividend will be payable from 2 June 2020. 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 0.24
Ex-coupon date	28 MAY 2020
Record date	29 MAY 2020
Dividend payment date	2 JUNE 2020

2.2. Corporate Governance Statement



2.2.1. 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 2020. The latest version is dated 27 April 2020. 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.

As of this year, Recticel uses the new Belgian Governance Code of 2020 as reference code, which can be found on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be).

Recticel complies with all recommendations contained in the reference code, except for the cases where it is explicitly stated in this statement below.

This chapter contains more factual information regarding corporate governance in general and, the application of the Belgian Corporate Governance Code 2020 (hereinafter also "the Code") during the last financial year in particular.

Recticel confirms its explicit choice for the monistic governance structure under the Belgian Companies and Associations Code. The Board of Directors is therefore authorized to undertake all necessary or useful 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.

2.2.2. 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 Ethics, applicable on all Recticel directors, corporate officers and employees, and published on Recticel's website: (https://www.recticel.com/sites/default/files/who_we_are/discover_the_recticel_group/business_ethics_integrity/01_Ethics_policy_English.pdf).

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 reports with opinions and other information indicating to which extent the internal audit meets predetermined criteria. 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.

2.2.3. External audit

The external audit of Recticel SA/NV's company and consolidated annual accounts has been entrusted by the Annual General Meeting of 2019 to the 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 3:65 of the Belgian Companies and Associations Code, amounted to EUR 837K for 2019.

The global amount of the remunerations for additional services of the Auditor and parties related to the Auditor, amounts to EUR 195K at the level of the Recticel Group. This amount consists of an amount of EUR 28K for additional audit related work and EUR 167K for other consulting assignments (consisting of an amount of EUR 5K for additional tax services, an amount of EUR 34K for other consulting assignments and an amount of EUR 128K for other services related to assurance reporting).

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 will end after the upcoming Ordinary General meeting of 2022.

The yearly remuneration of the statutory auditor amounts to EUR 291K, including domestic expenses and excluding IBR contribution, foreign travel expenses and VAT.

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2.2.4. Composition of the Board of Directors

Recticel’s Board of Directors currently consists of nine members. There are eight non-executive directors, six of which are independent. OLIVIER CHAPELLE SRL/BV, represented by Mr. Olivier CHAPELLE, Managing Director, is the executive director.

The Managing Director represents the management and two directors represent the reference shareholder.

With reference to the obligation to have at least 1/3 of the members of the Board of Directors of the opposite gender as provided by article 7:86 of the Belgian Companies’ and Associations Code, the Board of Directors reviewed different options during the last years in order to increase the number of female members. At present, three out of the nine directors are women. As a result, the obligation of article 7:86 of the Belgian Companies’ and Associations Code is complied with. At the end of the mandate of Ms. Anne De Vos at the ordinary general meeting of 26 May 2020, a new female director will be appointed to replace her in order to further comply with the obligation of article 7:86 of the Belgian Companies’ and Associations Code. Please find below an overview of the members of the

The following table provides an overview of the current members of Recticel’s Board of Directors.

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	2021	President Electrabel, Corealis, Hospital Logistics / Director Essers	AC / RC
Olivier CHAPELLE ⁽²⁾	Managing Director	Executive	1964	2009	2022	Director Cofinimmo	MC
Benoit DECKERS ⁽³⁾	Director	Non-executive	1964	2015	2021	CEO of Compagnie du Bois Sauvage SA	AC
Pierre-Yves de LAMINNE de BEX ⁽⁴⁾	Director	Non-executive	1969	2014	19/03/20	President of Compagnie du Bois Sauvage SA / Managing Director Entreprises et Chemins de Fer en Chine SA	
Ingrid MERCKX ⁽⁵⁾	Director	Independent	1966	2012	2022	CEO of Securitas Belgium and Luxembourg	AC
Luc MISSORTEN ⁽⁶⁾	Director	Independent	1955	2015	2021	Chairman of Ontex	AC / RC
Kurt PIERLOOT ⁽⁷⁾	Director	Independent	1972	2015	2021	CEO Bleckmann	RC
Anne DE VOS ⁽⁸⁾	Director	Independent	1958	2017	2020	Symrise AG - Global Account Director Nestle	
Frédéric VAN GANSBERGHE ^{(9) (11)}	Director	Non-executive	1958	2014	2022	Managing Director of GALACTIC NV	RC
Elisa VLERICK ⁽¹⁰⁾	Director	Independent	1986	28/05/19	2022	Legal & Tax and Real Estate development at Vlerick School	

⁽¹⁾ in his capacity as Permanent Representative of THUIS JOHNNY BV

⁽²⁾ in his capacity as Permanent Representative of OLIVIER CHAPELLE SRL

⁽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 until 19/03/2020

⁽⁵⁾ in her capacity as Permanent Representative of IMRADA BV

⁽⁶⁾ in his capacity as Permanent Representative of REVALUE BV

⁽⁷⁾ his capacity as Permanent Representative of CARPE VALOREM BV

⁽⁸⁾ in her capacity as Permanent Representative of IPGM Consulting GmbH

⁽⁹⁾ in his capacity as Permanent Representative of ENTREPRISES ET CHEMINS DE FER EN CHINE SA until 31/03/2020

⁽¹⁰⁾ in her capacity as Permanent Representative of MOROXCO BV

⁽¹¹⁾ in his capacity as Permanent Representative of COMPAGNIE DU BOIS SAUVAGE SA as of 31/03/2020

AC = Audit Committee

RC = Remuneration and Nomination Committee

MC = Management Committee

Board of Directors of Recticel of who the mandate expired in the course of 2019 (not reappointed):

- Ms. Danielle Sioen, independent director, mandate from 2016 - 28 May 2019

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 28 May 2019 :

- The general meeting renewed the mandate of OLIVIER CHAPELLE BVBA, represented by its permanent representative Mr. Olivier CHAPELLE, as managing director, for a new term of three years expiring after the Ordinary General Meeting of 2022.

- The general meeting renewed the mandate of IMRADA BVBA, represented by its permanent representative Ms. Ingrid MERCKX, as non-executive and independent director, for a new term of three years expiring after the Ordinary General Meeting of 2022.
- The general meeting renewed the mandate of ENTREPRISES ET CHEMINS DE FER EN CHINE SA, represented by its permanent representative Mr. Frédéric VAN GANSBERGHE, as non-executive director, for a new term of three years expiring after the Ordinary General Meeting of 2022.
- The general meeting accepted the resignation of Mr. Kurt PIERLOOT as non-executive and independent director with effect as of 1 January 2019 and confirmation of the appointment of CARPE VALOREM BVBA, with registered office at Acaciadreef 29, 3140 Keerbergen, enterprise number 0712.532.009, represented by its permanent representative Mr. Kurt PIERLOOT, as non-executive and independent director, for a term starting on 1 January 2019 and expiring after the Ordinary General Meeting of 2021.
- The general meeting accepted, in replacement of Ms. Danielle Sioen, the appointment of MOROXCO BVBA, with registered office at Beekstraat 56, 8550 Zwevegem, enterprise number 0719.795.230, represented by its permanent representative Ms. Elisa VLERICK, as non-executive and independent director, for a term of three years expiring after the Ordinary General Meeting of 2022.
- The general meeting confirmed IMRADA BVBA represented by its permanent representative Ms. Ingrid MERCKX, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code as well as the independence criteria of the Code on Corporate Governance 2009.

- The general meeting confirmed CARPE VALOREM BVBA represented by its permanent representative Mr. Kurt PIERLOOT, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Mr. Kurt 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.
- The general meeting confirmed MOROXCO BVBA, represented by its permanent representative Ms. Elisa VLERICK, as independent director, in the sense of articles 524 §2 and 526bis §2 of the Companies Code. Ms. Elisa VLERICK 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.

Upon advice of the Remuneration & Nomination Committee, the Board of Directors proposes at the Ordinary General Meeting of 26 May 2020 to approve the following:

- Establishment that the mandate of IPGM Consulting GmbH, represented by Ms. Anne De Vos, as independent director, expires after the Ordinary General Meeting of 26 May 2020. Decision to proceed with a replacement.
- The board of Directors recommends appointing Ms. Carla Sinanian as non-executive and independent director, for a term of three years expiring after the Ordinary General Meeting of 2023. Ms. Carla Sinanian has the following relevant professional qualifications and exercises already the following functions:

Ms. Carla Sinanian is a graduate in Engineering and worked in the past for Medtronic Inc, Synectics Medical, Philips, NXP, Akzo Nobel and Deloitte in strategic and commercial functions. In 2017 she joined ETEX as Chief Strategy Officer where she is until today member of the Executive Committee, responsible for strategy, corporate development and digital functions. She acquired relevant experience in the building materials industry.

In replacement of IPGM Consulting GmbH, represented by Ms. Anne De Vos, appointment of Ms. Carla Sinanian as non-executive and independent director, for a term of three years expiring after the Ordinary General Meeting of 2023.

- Establishment that the mandate of Mr. Pierre-Yves de Laminne de Bex as permanent representative of Compagnie du Bois Sauvage SA, non-executive director, ended on 19 March 2020 as he passed away.
- Acceptance of the replacement of Mr. Pierre-Yves de Laminne de Bex by Mr. Frédéric Van Gansberghe as the new permanent representative of Compagnie du Bois Sauvage SA with effect as of 31 March 2020.
- Acceptance of the resignation of Entreprises et Chemins de Fer en Chine SA, permanently represented by Mr. Frédéric Van Gansberghe, as non-executive director, with effect as of 31 March 2020. Decision not to proceed with a replacement.
- On 24 March 2020, upon recommendation by the Remuneration & Nomination Committee, the Board of Directors accepted the resignation of Revalue BV, permanently represented by Mr. Luc Missorten and decided to proceed with the co-optation of Lubis BV, permanently represented by Mr. Luc Missorten, as independent director, for a term starting on 24 March 2020 and expiring after the Ordinary General Meeting of 2021.
- Acceptance of the resignation of Revalue BV, permanently represented by Mr. Luc Missorten as independent director with effect as of 24 March 2020 and confirmation of the appointment of Lubis BV, permanently represented by Mr. Luc Missorten, as independent director, for the remaining term of the mandate, i.e. for a term starting on 24 March 2020 and expiring after the Ordinary General Meeting of 2021.

- Appointment of Ms. Carla Sinanian as independent director in the meaning of article 7:87 of the Companies and Associations Code. Ms. Carla Sinanian meets all criteria as mentioned in article 7:87 of the Companies and Associations Code (as further developed through the function, family and financial criteria as provided by principle 3.5. of the Corporate Governance Code 2020).
- Confirmation of Lubis BV, permanently represented by Mr. Luc Missorten, as independent director in the meaning of article 7:87 of the Companies and Associations Code. Lubis BV and Mr. Luc Missorten each meet all criteria as mentioned in article 7:87 of the Companies and Associations Code (as further developed through the function, family and financial criteria as provided by principle 3.5. of the Corporate Governance Code 2020).

The Board of Directors pays tribute to Mr. Pierre-Yves de Laminne de Bex, representing Compagnie du Bois Sauvage SA and Director since 2014, who passed away on 19 March 2020. He will be remembered as a friendly, professional colleague.

Functioning of the Board of Directors

The Board of Directors gathered a total of 15 times in 2019. One meeting handled mainly the 2019 budget and two meetings handled the establishment of the annual accounts as per 31 December 2018 and the mid-year accounts as per 30 June 2019. Additional meeting were held with respect to the public takeover bid by Kingspan and the strategy to be adopted by the company.

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 2019.

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 2019 was:

NAME	ATTENDANCE RATE IN 2019
Johnny THIJIS	15/15
Olivier CHAPELLE	15/15
Benoit DECKERS	15/15
Pierre-Yves de LAMINNE de BEX	15/15
Ingrid MERCKX	13/15
Luc MISSORTEN	13/15
Kurt PIERLOOT	14/15
Frédéric VAN GANSBERGHE	12/15
Anne DE VOS	15/15
Elisa VLERICK ⁽¹⁾	5/6
Danielle SIOEN ⁽²⁾	7/9

⁽¹⁾ As from 28/5/2019

⁽²⁾ Until 28/5/2019

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. The next formal assessment is planned in the course of this year 2020.

2.2.5. Committees set up by the Board of Directors

2.2.5.1. The Audit committee

In accordance with article 7:99 of the Belgian Companies and Associations 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 7:87,§1 of the Belgian Companies and Associations Code iuncto principle 3.5 of the Corporate Governance Code 2020.

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 and Associations Code.

In accordance with the old article 526bis of the Companies Code, still applicable over 2019, Recticel NV declares, as far as necessary, 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. Furthermore, two other members of the Audit Committee are also independent. 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 2019 to date.

NAME	FUNCTION	ATTENDANCE RATE IN 2019
Luc MISSORTEN ⁽¹⁾	Chairman	4/4
Johnny THIJIS ⁽²⁾	Member	2/4
Ingrid MERCKX ⁽³⁾	Member	3/4
Benoit DECKERS ⁽⁴⁾	Member	4/4

⁽¹⁾ In his capacity as Permanent Representative of REVALUE BV

⁽²⁾ In his capacity as Permanent Representative of THIJS JOHNNY BV

⁽³⁾ In her capacity as Permanent Representative of IMRADA BV

⁽⁴⁾ In his capacity as Permanent Representative of COMPAGNIE DU BOIS SAUVAGES SERVICES SA

The Audit committee convened four times in 2019. Two meetings were devoted primarily to the audit of the annual accounts per 31 December 2018 and the interim accounts per 30 June 2019. All meetings also focus on the internal audit program, risk management, compliance, taxation and IFRS related accounting questions. There was at least two times a meeting with the statutory auditor and the person responsible for internal audit.

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. The next formal assessment is planned in the course of this year 2020.

2.2.5.2. 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 Belgian Companies and Associations Code, as well as the requirements of the Corporate Governance Code 2020.

The committee is composed as follows:

NAME	FUNCTION	ATTENDANCE RATE IN 2019
Johnny THIJIS ⁽¹⁾	Chairman	4/4
Kurt PIERLOOT ⁽²⁾	Member	4/4
Frédéric VAN GANSBERGHE ⁽³⁾	Member	2/4
Luc MISSORTEN ⁽⁴⁾	Member	4/4

⁽¹⁾ In his capacity as Permanent Representative of THIJS JOHNNY BV

⁽²⁾ In his capacity as Permanent Representative of CARPE VALOREM BV

⁽³⁾ In his capacity as Permanent Representative of ENTREPRISES ET CHEMINS DE FER EN CHINE SA

⁽⁴⁾ In his capacity as Permanent Representative of REVALUE BV

In accordance with the old article 526quater of the Companies' Code, applicable in 2019, Recticel declares that the Remuneration and Nomination committee possesses the necessary expertise in the area of remuneration policy.

The Remuneration and Nomination committee convened four times in 2019.

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 CEO was present at the discussion about the remuneration of the other members of the executive management.

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. A formal assessment is planned in the course of this year 2020.

2.2.5.3 Ad hoc Strategy Committee

In the framework of the Kingspan public offer an ad hoc strategy committee was set up in order to allow the quick follow-up of the events and to prepare the strategy of the company in view of such events.

The ad hoc strategy committee consists of four members, all non-executive directors, of which three are independent directors.

NAME	FUNCTION	ATTENDANCE RATE IN 2019
Johnny THIJIS ⁽¹⁾	Chairman	3/3
Kurt PIERLOOT ⁽²⁾	Member	1/3
Benoit Deckers ⁽³⁾	Member	3/3
Luc MISSORTEN ⁽⁴⁾	Member	3/3

⁽¹⁾ In his capacity as Permanent Representative of THIJS JOHNNY BV

⁽²⁾ In his capacity as Permanent Representative of CARPE VALOREM BV

⁽³⁾ In his capacity as Permanent Representative of COMPAGNIE DU BOIS SAUVAGE SERVICES SA

⁽⁴⁾ In his capacity as Permanent Representative of REVALUE BV

The ad hoc strategic committee convened 3 times in 2019.

2.2.6. 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” SRL/ BV, located in 1180 Brussels, Avenue de la Sapinière 28, represented by its General Manager and permanent representative, Mr. Olivier CHAPELLE.

The Managing Director is assisted by the Management committee, of which the members (for the period 2019 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 and Digitalisation Officer
Jean-Pierre DE KESEL ⁽³⁾	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 SRL
⁽²⁾ As from 20/01/2017 : Group General Manager Bedding
⁽³⁾ As from 1/1/2020 as permanent representative of SUSTAINALOGIC BV

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 7:104 of the Belgian Companies and Associations Code.

2.2.7. Remuneration report for financial year 2019

2.2.7.1. Introduction

a) 2019 business results

- A highly volatile and increasingly uncertain economic and geopolitical environment.
- A solid volume increase but a lower than expected margin improvement in the Insulation Business Line.

- A decrease of the top line, influenced by receding Automotive markets and by selling price erosion as a consequence of the isocyanates raw material cost decrease.
- A decrease of the net financial debt supported by solid operational cash flow.
- Continued efforts to actively pursue the optimisation of the overhead and operating cost structures in anticipation of a less favourable economic environment.

b) 2019 remuneration outcomes

Remuneration policy - After validation by the AGM in May 2019, Recticel implemented its new remuneration policy, established following the requirements of the Shareholder Rights Directive II, the Belgian Companies and Associations Code and the new Corporate Governance Code 2020. It is available for consultation on the company website. We do not expect a change to the remuneration policy in the next two financial years (2020 and 2021).

Remuneration of Board and Committee members - The Remuneration structure of the members of the Board and the members of the Committees (Audit Committee, and Remuneration and Nomination Committee) was adjusted in January 2017 and remained unchanged since then. The total remuneration paid to Directors varies in accordance with the number of Board and Committee meetings held in the course of the reporting years. For the year 2019, details are provided in the section “2.2.7.3. Remuneration of the Non-Executive Directors”

Remuneration of Management Committee Members

- **Bonus awards** - In accordance with our policy, Group Net Cash Flow and Adjusted EBITDA as well as selected Growth objectives are key drivers to determine the level of bonus awards:
 - The level of combined net cash flow reached by the Group was at the maximum of the bonus pay out range.
 - The level of Group Adjusted EBITDA was too low to generate an award. The picture is different for the Business Lines. For three of the four Business Lines (Bedding, Automotive and Insulation), the level of BL Adjusted EBITDA was too low to generate a pay-out. For Flexible Foams, the level of Adjusted EBITDA achieved triggered a pay out at maximum.

- For the GROWTH objectives, there as been no pay out for Flexible Foams in relation to production volume (tonnes of foam), nor Automotive business volume (orderbook) and Bedding sales (net sales in EUR), however partial pay out for Insulation (volume development in cubic meters).
- **Stock options** -The 2015 stock option grant vested on January 1, 2019; several beneficiaries exercised their rights in the course of the year. Another grant was made in June 2019 at a strike price of EUR 7.90.
- **Retention** – Following the public takeover bid by one of its competitors, Recticel introduced a retention bonus for the members of the Management Committee in April 2019, payable in 2020. The bonus foresees the payment of an equivalent of 100% of the annual base pay for the CEO and 50% of the annual base pay for the other members of the Management Committee, pending the beneficiary is still engaged by the Company or qualifies as a Good Leaver on 31st December 2019.

c) Shareholder engagement

The Annual General Meeting held on May 28th, 2019 approved the 2018 remuneration report with 91.30% of shareholder votes. In establishing its remuneration policy and its future revisions, Recticel endeavours to take into account the votes and views of the shareholders. Recticel is committed to an open and transparent dialogue with its shareholders on remuneration as well as other governance matters.

d) Looking ahead

- As an attempt to anticipate, the present report was drafted following the Shareholder Rights Directive II (and the draft European reporting guidelines) and the new Corporate Governance Code 2020, while still complying with the Belgian Companies and Associations Code. Recticel will continue to monitor changes in the corporate governance landscape and will respond accordingly.

- Following careful consideration, the Board of Directors, upon recommendation of the Remuneration and Nomination Committee, decided that the same performance criteria (Group Net Cash Flow, Group and Business Line Adjusted EBITDA, and specific GROWTH objectives for each Business Line) will be used to award bonuses for performance year 2020. The Committee will measure performance against them throughout the year.

2.2.7.2. Our 2019 Remuneration Policy at a glance

a) Directors

Per policy terms, Directors receive a fixed fee / retainer and an attendance fee, whereas Committee Members receive attendance fees.

	BOARD		COMMITTEE	
	CHAIR	MEMBER	CHAIR	MEMBER
Fixed fee	€ 30,000	€ 15,000	N/A	N/A
Attendance fee	€ 5,000	€ 2,500	€ 5,000	€ 2,500

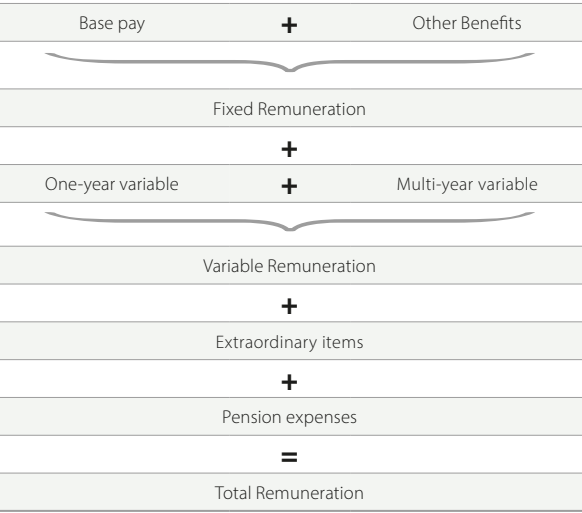
In accordance with the policy, Non-Executive Board Members do not receive variable and or equity-related remuneration as referred to under principle 7.6. of the Corporate Governance Code 2020. Recticel considers that the Corporate Governance Code’s goals of promoting the achievement of strategic objectives in accordance with the company’s risk appetite and behavioural norms and promoting sustainable value creation are better served by remunerating the non-executive directors entirely in cash to avoid any conflicts of interest and guarantee their complete financial independence.

Non-Executive Board Members are not entitled to receive benefits. Expenses incurred when travelling abroad will be arranged for by Recticel directly.

Executive Directors are remunerated in accordance with the remuneration policy for the members of the Management Committee and any director fees paid to the Executive Directors are deducted from the remuneration received as a member of the Management Committee. The level and structure of remuneration paid to the Directors is regularly assessed against “BEL Mid” market practice.

b) Management Committee

The remuneration policy for Recticel’s Management Committee was reviewed and validated by the Remuneration Committee on February 25, 2019 and approved by the Board of Directors on February 27, 2019. The policy was adopted during the General Meeting of Shareholders on May 28, 2019 and became effective as of January 1, 2019.



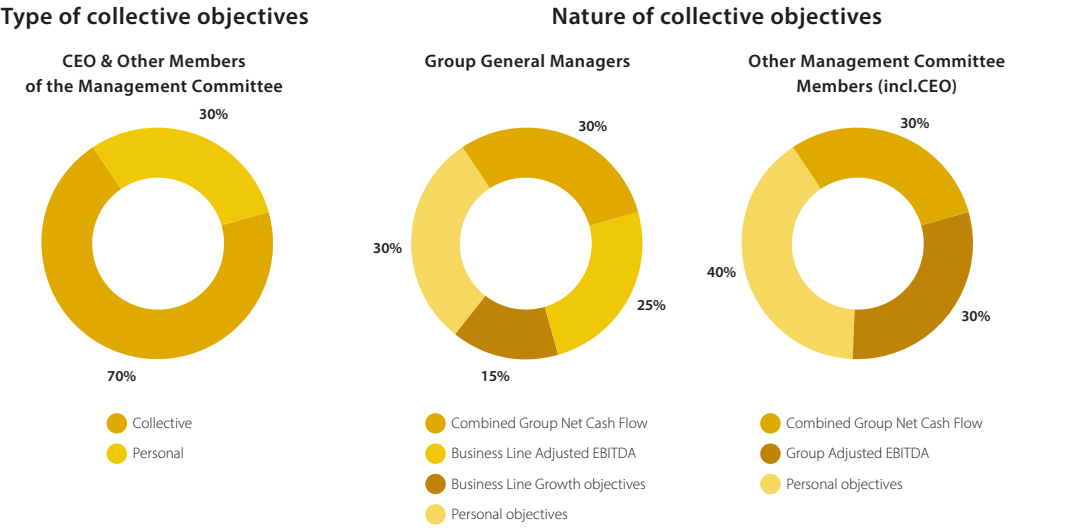
The total remuneration package of the Management Committee members consists of the following elements that will be further explained in this report.

The level as well as the structure of the remuneration 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. When determining the remuneration levels for the members of the Management Committee, Recticel considers a Belgian frame of reference comprising companies similar in size (as compared on the basis of revenues) and exclusive of the Financial Sector. The objective is to establish target remuneration levels that, as a general rule, are at or around the median market level and this as far as the performance of the Company can afford it.

ELEMENT	OPERATION AND PERFORMANCE CRITERIA
Base Pay	Individual's role, experience, performance and market practice are considered when determining salary levels. Any director fees paid to the Executive Directors are deducted from the remuneration received as a member of the Management Committee.
Other Benefits	The Management Committee Members receive benefits in line with Recticel's remuneration policy, including hospitalization, disability coverage and a company car. Members operating through a management company do not receive perquisites and benefits, though certain costs may be invoiced separately.

ELEMENT	OPERATION AND PERFORMANCE CRITERIA
One-Year Variable (STI)	<p>Operation:</p> <ul style="list-style-type: none">For threshold performance: the bonus pay-out will be nil.For target performance: the bonus pay-out will be 75% of base salary for the CEO and 37.5% for the other Management Committee membersFor maximum performance: the bonus pay-out will be 117.5% of base salary for the CEO. For the other Management Committee members, it is 58.00% or 58.75% depending on whether they head a Business Line or a FunctionNo deferral policy is applicable. <p>Performance criteria:</p> <p>The annual bonus is linked to both collective targets (both at group and divisional level, the latter only for positions with a divisional scope) and personal targets. Collective objectives are all quantitative and financially driven (e.g. Net Cash Flow, Adjusted EBITDA, ...). Personal objectives include at least one target related to sustainable development.</p>

For performance year 2019, the following performance criteria were applied.



Note that the Growth objectives at Business Line level are dependent on Sales, Business Volume and Production Volume.

Article 7:91 of the Belgian Companies and Associations Code prescribes the need to spread variable remuneration payments over a three year period in case certain thresholds are passed. The 25% threshold was passed in the case of the Managing Director and CEO, Olivier Chapelle SRL, represented by Olivier Chapelle and the other members of the Management Committee. Hence the Board of Directors proposed to the 2019 General Shareholder meeting to approve a deviation from the said rule in line with the possibility offered by the legislation. This proposal was approved during the 2019 General Shareholders’ meeting.

Multi-Year Variable (LTI)	The long-term incentive plan is granted by means of stock options. Options granted in 2019 cannot be exercised before January 2023, nor can they be exercised later than end of June 2026.
Dismissal period or severance pay	On termination of the employment of a member of the Management Committee by the company, Recticel will apply a notice of 12 months, unless other applicable legal mandatory provisions require to apply a higher number of months.
Pension	Members of the Management Committee employed before 2003 are included in the Recticel Group Defined Benefit Plan, members hired externally since 2003 are included in the Recticel Group Defined Contribution Plan.
Contract	The CEO provides services through a management company.
Clawback	No clawback provisions are in place for the annual bonus plan, in deviation of principle 7.12 of the Corporate Governance Code 2020. Recticel considers that based on general principles of law, the company can recover payments (1) if they were undue or (2) in case of fraud. The company does not wish to renegotiate existing agreements with Management Committee members to provide for additional clawback possibilities.
Shareholding guidelines	The members of the Management Committee are encouraged to build stock ownership in the company up to an amount equivalent to 50% of their annual gross base salary over a period of 5 years, preferably by keeping part of the stocks that they purchase under the existing stock option plan.

2.2.7.3. Remuneration of the Non-Executive Directors

The following table sets out the total remuneration for each Non-Executive Director in 2019, in EUR.

NAME	FIXED FEE	ATTENDANCE FEES
THIJS JOHNNY BV, represented by Johnny Thijs	30,000	110,000
OLIVIER CHAPELLE SRL, represented by Olivier Chapelle	15,000	35,000
COMPAGNIE DU BOIS SAUVAGE SERVICES SA, represented by Benoit Deckers	15,000	52,500
COMPAGNIE DU BOIS SAUVAGE SA, represented by Pierre-Yves de Laminne de Bex	15,000	35,000
ENTREPRISES ET CHEMIN DE FER EN CHINE SA, represented by Frederic Van Gansberghe	15,000	32,500
IMRADA BV, represented by Ingrid Merckx	15,000	37,500
REVALUE BV, represented by Luc Missorten	15,000	70,000
CARPE VALOREM BV, represented by Kurt Pierloot	15,000	45,000
IPGM Consulting GmbH, represented by Anne De Vos	15,000	35,000
MOROXCO BV ¹ , represented by Elisa Vlerick	8,860	10,000
Danielle SIOEN ²	6,140	17,500

¹ as from 28/05/2019
² until 28/05/2019

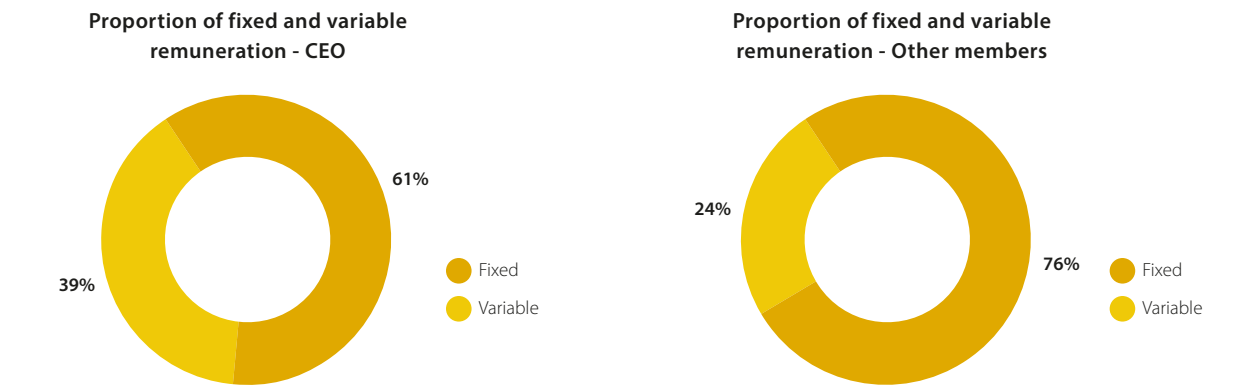
2.2.7.4. Remuneration of the Management Committee Members

a) Total Remuneration

An overview of the total remuneration of the CEO and the other members of the Management Committee in 2019 can be found in the table below.

INCUMBENT NAME	1 – FIXED REMUNERATION		2 – VARIABLE REMUNERATION		3 – EXTRAOR-DINARY ITEMS	4 – PENSION EXPENSE	5 – TOTAL REMUNERA-TION	PROPORTION OF FIXED AND VARIABLE REMUNERATION	
	BASE PAY	OTHER BENEFITS	ONE-YEAR VARIABLE	MULTI-YEAR VARIABLE				FIXED ² (1+4)/(5-3)	VARIABLE ² 2/(5-3)
Olivier Chapelle SRL represented by Olivier Chapelle (CEO)	€ 545,400 ¹	€ 1,331	€ 286,335	€ 62,400	€ 545,400	€ 0	€ 1,440,866	61%	39%
Other Members of the Management Committee	€ 2,292,998	€ 308,305	€ 779,080	€ 166,400	€ 1,150,153	€ 418,419	€ 5,115,355	76%	24%

¹ Only the CEO receives fees as Executive Director. These are deducted from the Base Pay. Fees therefore are not presented in a separate column in the table above.
² The proportion of fixed and variable pay excludes the retention bonus introduced in 2019 as this is an extraordinary item (reported in column 3)



b) Fixed remuneration

Base pay	+	Other Benefits
Fixed Remuneration		

Base pay

The table below shows the base pay actually paid in 2019 to the CEO and the other members of the Management Committee and how it compares to 2018.

INCUMBENT NAME	2019	2018	%
Olivier Chapelle SRL represented by Olivier Chapelle (CEO and Group General Manager Bedding)	€ 545,400	€ 540,000	101%
Other Members of the Management Committee	€ 2,292,998	€ 2,225,207	103%

The base pay levels for Olivier Chapelle SRL include the fees received as a Member of the Board of Directors (EUR 50,000 in 2019).

Other benefits

The amounts mentioned in the column “Other benefits” in the total remuneration table in section 2.2.74. a) relate to the following benefits: insurances (death, disability, medical), company car (leasing costs), fuel costs, mobile phone costs and schooling costs, and exclude pension.

c) Variable Remuneration

One-year variable	+	Multi-year variable
Variable Remuneration		

STI (“One-Year Variable”)

2019 Performance against Targets

The achievement of the performance targets was measured during a period of time that started on 1st January 2019 and ended on 31st December 2019. As per our remuneration policy, the evaluation of the CEO’s performance was done by the Remuneration and Nomination Committee on the basis of audited company results before presenting a proposal to the Board of Directors. The evaluation of the other Management Committee members was done by the CEO on the basis of audited company results, who then discusses this with the Remuneration and Nomination Committee before presenting a proposal to the Board of Directors.

INCUMBENT NAME	TARGET AS % OF BASE SALARY	ACTUAL AS % OF BASE SALARY	ACTUAL AMOUNT
Olivier Chapelle SRL represented by Olivier Chapelle (CEO)	75.0%	52.5%	€ 286.335
Other Members of the Management Committee	37.5%	33.9%	€ 779.080

LTI (“Multi-Year Variable”)

(i) Grant made in 2019

NAME OF DIRECTOR (POSITION)	NUMBER OF OPTIONS GRANTED	STRIKE PRICE	TOTAL THEORETICAL VALUE AT GRANT
Olivier Chapelle (Chief Executive Officer & Group General Manager Bedding)	120,000	€ 7.90	€ 141,720
Ralf Becker (Group General Manager Insulation)	30,000	€ 7.90	€ 35,430
François Desné (Group General Manager Flexible Foams)	30,000	€ 7.90	€ 35,430
Jan Meuleman (Group General Manager Automotive)	30,000	€ 7.90	€ 35,430
Betty Bogaert (Chief Information & Digitalisation Officer)	30,000	€ 7.90	€ 35,430
Jean-Pierre de Kesel (Chief Sustainable Innovation Officer)	30,000	€ 7.90	€ 35,430
Bart Massant (Chief Human Resources Officer)	30,000	€ 7.90	€ 35,430
Jean-Pierre Mellen (Chief Financial Officer)	30,000	€ 7.90	€ 35,430
François Petit (Chief Procurement Officer)	30,000	€ 7.90	€ 35,430
Dirk Verbruggen (General Counsel & General Secretary)	30,000	€ 7.90	€ 35,430

The theoretical value of the options at grant is calculated by applying the Black & Scholes formula, taking into account certain assumptions regarding dividend payment (dividend yield: 3.07%, interest rate: 0.00000001 %, and volatility 26.5%). For the grant in June 2019, the value amounted to EUR 1.181/warrant.

(ii) 2019 Vesting

The following stock options, relating to the June 2015 grant, vested on January 1, 2019.

NAME OF DIRECTOR (POSITION)	NUMBER OF OPTIONS VESTED	STRIKE PRICE	SHARE PRICE AT VESTING	VALUE AT VESTING
Olivier Chapelle (Chief Executive Officer & Group General Manager Bedding)	30,000	€ 4.31	€ 6.39	€ 62,400
Ralf Becker (Group General Manager Insulation)	10,000	€ 4.31	€ 6.39	€ 20,800
Jan Meuleman (Group General Manager Auto-motive)	10,000	€ 4.31	€ 6.39	€ 20,800
Betty Bogaert (Chief Information & Digitalisation Officer)	10,000	€ 4.31	€ 6.39	€ 20,800
Jean-Pierre de Kesel (Chief Sustainable Innovation Officer)	10,000	€ 4.31	€ 6.39	€ 20,800
Bart Massant (Chief Human Resources Officer)	10,000	€ 4.31	€ 6.39	€ 20,800
Jean-Pierre Mellen (Chief Financial Officer)	10,000	€ 4.31	€ 6.39	€ 20,800
François Petit (Chief Procurement Officer)	10,000	€ 4.31	€ 6.39	€ 20,800
Dirk Verbruggen (General Counsel & General Secretary)	10,000	€ 4.31	€ 6.39	€ 20,800

François Desné was appointed as Group General Manager Flexible Foams as per October 19, 2016. Therefore, no stock option grant was made to him in 2015 and no options vested in 2019.

d) Extraordinary items

Retention awards made in 2019

Following the public takeover bid by one of its competitors, Recticel introduced a retention bonus for the members of the Management Committee in April 2019, payable in 2020. The bonus foresees the payment of an equivalent of 100% of the annual base pay for the CEO and 50% of the annual base pay for the other members of the Management Committee, pending the beneficiary is still engaged by the Company or qualifies as a Good Leaver on 31st December 2019.

e) Pension expense

NAME OF DIRECTOR (POSITION)	PENSION EXPENSE
OLIVIER CHAPELLE SRL, represented by Mr. Olivier CHAPELLE, Chief Executive Officer	Included in fee
Other Members of the Management Committee	€ 418,419

For Members of the Management Committee other than the CEO, Recticel reports the actual contributions paid into the plan for DC plan beneficiaries. For DB plan beneficiaries, Recticel reports the service cost as the plan is a collective plan.

f) Additional disclosure

- Recticel did not apply any clawback provisions during the year under review.
- None of the Management Committee Members stepped down during the year under review.
- The following table shows the level of shareholdership of the CEO and the other members of the Management Committee. It shows that the actual level of shareholdership of the CEO is higher than the policy requirement and that, on average, the other Members of the Management Committee comply with the policy.

Level of shareholdership of the CEO and the other membersof the Management Committee

NAME	NUMBER OF SHARES HELD ON 31ST DEC 2019	VALUE OF THE STOCK ON 31ST DEC 2019	TOTAL VALUE OF SHARES HELD	ACTUAL LEVEL OF SHAREHOLDERSHIP (% BASE SALARY)
CEO	242,598	€ 8.23	€ 1,996,582	366%
Other Management Committee Members	147,503	€ 8.23	€ 1,213,950	55% on average

The level of shareholdership is determined by comparing the value of the number of shares held on 31st December 2019 to 50% of their annual gross base salary (or the sum of the annual gross base salaries in the case of the other

Management Committee members) on 31st December 2019. The value of the shares held is obtained by multiplying the number of shares held on 31st Dec 2019 by the closing price of the stock on that date (€ 8.23).

2.2.7.5. Share-based remuneration

The tables below detail the opening and closing balance, as well as movements during the year in terms of share-based remuneration for each of the Management Committee Members. In line with the information presented in previous tables, shares have been valued at fair value at grant / vesting.

INCUMBENT NAME	THE MAIN CONDITIONS OF THE SHARE OPTION PLANS					INFORMATION REGARDING THE REPORTED FINANCIAL YEAR							
						OPENING BALANCE	DURING THE YEAR					CLOSING BALANCE	
	SPECIFICATION OF THE PLAN	AWARD DATE	VESTING DATE	EXERCISE PERIOD	STRIKE PRICE OF THE OPTION	SHARE OPTIONS OUTSTANDING AT THE BEGINNING OF THE YEAR	SHARE OPTIONS AWARDED		SHARE OPTIONS VESTED		SHARE OPTIONS EXERCISED	SHARE OPTIONS AWARDED AND UNVESTED	SHARE OPTIONS VESTED BUT UNEXERCISED
NUMBER							VALUE	NUMBER	VALUE				
Olivier Chapelle (Chief Executive Officer & Group General Manager Bedding)	2014 grant	29/04/2014	1/01/2018	1-1-2018 - 28-4-2020	€ 5.64	235,000						325,000	30,000
	2015 grant	23/06/2015	1/01/2019	1-1-2019 - 22-6-2021	€ 4.31				30,000	62,400 €			
	2016 grant	29/04/2016	1/01/2020	1-1-2020 - 28-4-2025	€ 5.73								
	2017 grant	30/06/2017	1/01/2021	1-1-2021 - 29-6-2024	€ 7.00								
	2018 grant	25/04/2018	1/01/2022	1-1-2022 - 24-4-2025	€ 10.21								
	2019 grant	28/06/2019	1/01/2023	1-1-2023 - 27-6-2026	€ 7.90		120,000	141,720 €					
Ralf Becker (Group General Manager Insulation)	2015 grant	23/06/2015	1/01/2019	1-1-2019 - 22-6-2021	€ 4.31	75,000			10,000	20,800 €		95,000	10,000
	2016 grant	29/04/2016	1/01/2020	1-1-2020 - 28-4-2025	€ 5.73								
	2017 grant	30/06/2017	1/01/2021	1-1-2021 - 29-6-2024	€ 7.00								
	2018 grant	25/04/2018	1/01/2022	1-1-2022 - 24-4-2025	€ 10.21								
	2019 grant	28/06/2019	1/01/2023	1-1-2023 - 27-6-2026	€ 7.90		30,000	35,430 €					
François Desné (Group General Manager Flexible Foams)	2017 grant	30/06/2017	1/01/2021	1-1-2021 - 29-6-2024	€ 7.00	50,000						80,000	0
	2018 grant	25/04/2018	1/01/2022	1-1-2022 - 24-4-2025	€ 10.21								
	2019 grant	28/06/2019	1/01/2023	1-1-2023 - 27-6-2026	€ 7.90		30,000	35,430 €					
Jan Meuleman (Group General Manager Automotive)	2014 grant	29/04/2014	1/01/2018	1-1-2018 - 28-4-2020	€ 5.64	83,353					8,353	95,000	0
	2015 grant	23/06/2015	1/01/2019	1-1-2019 - 22-6-2021	€ 4.31				10,000	20,800 €	10,000		
	2016 grant	29/04/2016	1/01/2020	1-1-2020 - 28-4-2025	€ 5.73								
	2017 grant	30/06/2017	1/01/2021	1-1-2021 - 29-6-2024	€ 7.00								
	2018 grant	25/04/2018	1/01/2022	1-1-2022 - 24-4-2025	€ 10.21								
	2019 grant	28/06/2019	1/01/2023	1-1-2023 - 27-6-2026	€ 7.90		30,000	35,430 €					
Betty Bogaert (Chief Information Officer)	2014 grant	29/04/2014	1/01/2018	1-1-2018 - 28-4-2020	€ 5.64	86,814					11,814	95,000	10,000
	2015 grant	23/06/2015	1/01/2019	1-1-2019 - 22-6-2021	€ 4.31				10,000	20,800 €			
	2016 grant	29/04/2016	1/01/2020	1-1-2020 - 28-4-2025	€ 5.73								
	2017 grant	30/06/2017	1/01/2021	1-1-2021 - 29-6-2024	€ 7.00								
	2018 grant	25/04/2018	1/01/2022	1-1-2022 - 24-4-2025	€ 10.21								
	2019 grant	28/06/2019	1/01/2023	1-1-2023 - 27-6-2026	€ 7.90		30,000	35,430 €					
Jean-Pierre de Kesel (Chief Sustainable Innovation Officer)	2014 grant	29/04/2014	1/01/2018	1-1-2018 - 28-4-2020	€ 5.64	86,814						95,000	21,814
	2015 grant	23/06/2015	1/01/2019	1-1-2019 - 22-6-2021	€ 4.31				10,000	20,800 €			
	2016 grant	29/04/2016	1/01/2020	1-1-2020 - 28-4-2025	€ 5.73								
	2017 grant	30/06/2017	1/01/2021	1-1-2021 - 29-6-2024	€ 7.00								
	2018 grant	25/04/2018	1/01/2022	1-1-2022 - 24-4-2025	€ 10.21								
	2019 grant	28/06/2019	1/01/2023	1-1-2023 - 27-6-2026	€ 7.90		30,000	35,430 €					
Bart Massant (Chief Human Resources Officer)	2015 grant	23/06/2015	1/01/2019	1-1-2019 - 22-6-2021	€ 4.31	75,000			10,000	20,800 €	10,000	95,000	0
	2016 grant	29/04/2016	1/01/2020	1-1-2020 - 28-4-2025	€ 5.73								
	2017 grant	30/06/2017	1/01/2021	1-1-2021 - 29-6-2024	€ 7.00								
	2018 grant	25/04/2018	1/01/2022	1-1-2022 - 24-4-2025	€ 10.21								
	2019 grant	28/06/2019	1/01/2023	1-1-2023 - 27-6-2026	€ 7.90		30,000	35,430 €					
Jean-Pierre Mellen (Chief Financial Officer)	2014 grant	29/04/2014	1/01/2018	1-1-2018 - 28-4-2020	€ 5.64	75,000						95,000	10,000
	2015 grant	23/06/2015	1/01/2019	1-1-2019 - 22-6-2021	€ 4.31				10,000	20,800 €			
	2016 grant	29/04/2016	1/01/2020	1-1-2020 - 28-4-2025	€ 5.73								
	2017 grant	30/06/2017	1/01/2021	1-1-2021 - 29-6-2024	€ 7.00								
	2018 grant	25/04/2018	1/01/2022	1-1-2022 - 24-4-2025	€ 10.21								
	2019 grant	28/06/2019	1/01/2023	1-1-2023 - 27-6-2026	€ 7.90		30,000	35,430 €					

INCUMBENT NAME	THE MAIN CONDITIONS OF THE SHARE OPTION PLANS					INFORMATION REGARDING THE REPORTED FINANCIAL YEAR							
						OPENING BALANCE	DURING THE YEAR					CLOSING BALANCE	
	SPECIFICATION OF THE PLAN	AWARD DATE	VESTING DATE	EXERCISE PERIOD	STRIKE PRICE OF THE OPTION	SHARE OPTIONS OUTSTANDING AT THE BEGINNING OF THE YEAR	SHARE OPTIONS AWARDED		SHARE OPTIONS VESTED		SHARE OPTIONS EXERCISED	SHARE OPTIONS AWARDED AND UNVESTED	SHARE OPTIONS VESTED BUT UNEXERCISED
							NUMBER	VALUE	NUMBER	VALUE			
François Petit (Chief Procurement Officer)	2014 grant	29/04/2014	1/01/2018	1-1-2018 - 28-4-2020	€ 5.64	61,814						81,814	11,814
	2015 grant	23/06/2015	1/01/2019	1-1-2019 - 22-6-2021	€ 4.31				10,000	20,800 €	10,000		
	2016 grant	29/04/2016	1/01/2020	1-1-2020 - 28-4-2025	€ 5.73								
	2017 grant	30/06/2017	1/01/2021	1-1-2021 - 29-6-2024	€ 7.00								
	2018 grant	25/04/2018	1/01/2022	1-1-2022 - 24-4-2025	€ 10.21								
	2019 grant	28/06/2019	1/01/2023	1-1-2023 - 27-6-2026	€ 7.90		30,000	35,430 €					
Dirk Verbruggen (General Counsel & General Secretary)	2014 grant	29/04/2014	1/01/2018	1-1-2018 - 28-4-2020	€ 5.64	86,814						106,814	21,814
	2015 grant	23/06/2015	1/01/2019	1-1-2019 - 22-6-2021	€ 4.31				10,000	20,800 €			
	2016 grant	29/04/2016	1/01/2020	1-1-2020 - 28-4-2025	€ 5.73								
	2017 grant	30/06/2017	1/01/2021	1-1-2021 - 29-6-2024	€ 7.00								
	2018 grant	25/04/2018	1/01/2022	1-1-2022 - 24-4-2025	€ 10.21								
	2019 grant	28/06/2019	1/01/2023	1-1-2023 - 27-6-2026	€ 7.90		30,000	35,430 €					

2.2.7.6. Annual Change in Remuneration of Directors versus the Wider Workforce & Company Performance

The European Reporting guidelines and the Belgian legislation are not final yet. This section will be completed once the full requirements of the comparison will be known.

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

Chapter 7.1. 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 2019, no conflicts of interests arose between a director and the Company as referred to in Articles 523 and 524 of the Belgian Companies Code, applicable at that time, except in the context of the granting of the retention bonus mentioned under section 2.2.7. above and the stock option plan edition June 2019 whereby Mr Olivier 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 February 11, 2019 and June 28, 2019 in this regard.

2.2.9. Insider trading and market manipulation

The company policy regarding the prevention of insider trading and market manipulation is further explained in chapter 7.2 of Recticel’s Corporate Governance Charter as well as the new Dealing Code which has been adopted by the Board of Directors and published on the Recticel web site www.recticel.com..

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.

2.2.10. 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 20 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 7:86 of the Companies and Associations 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.

2.2.11. 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	PERCENTAGE OF SHARES AT THE MOMENT OF NOTIFICATION ⁽¹⁾	PERCENTAGE OF SHARES AT BALANCE SHEET DATE	PERCENTAGE OF VOTING RIGHTS ATTACHED TO SHARES AT BALANCE SHEET DATE ⁽²⁾
Compagnie du Bois Sauvage SA ⁽³⁾	13/05/2015	15 094 410	28.17%	27.25%	27.41%
Own shares	13/05/2015	326 800	0.61%	0.59%	0%
Subtotal (own shares included) ⁽³⁾	13/05/2015	15 421 210	28.78%	27.84%	27.41%
BNP Investment Partners	12/05/2016	1 615 744	3.01%	2.92%	2.93%
KBC Asset Management NV	19/05/2018	1 648 964	3.01%	2.98%	2.99%
Public	Not applicable	36 711 521		66.26%	66.67%
Total (excluding own shares)		55 070 639			100.00%
Total (including own shares)		55 397 439		100.00%	

⁽¹⁾ The percentage of shares is calculated based upon the number of existing shares at the moment of the notification.
⁽²⁾ The percentage of voting rights is calculated based upon the 55 397 439 existing shares per 31 December 2019 based upon the information the Company has received from its shareholders per 31 December 2019, which can be different from the actual situation. The calculation has been adjusted to take into account the suspension of the voting rights of the 326,800 own shares held by the Company as foreseen by the law.
⁽³⁾ The number of own shares of the company was included in the notification, given the fact that they are legally deemed to act in concert with the Company for the purposes of the applicable transparency disclosure rules. On 8 November 2018, the Financial Market Authority (FSMA) was informed (transactions by leadership) that 50,000 shares were acquired additionally.

The company has not concluded a relationship agreement with the main shareholder Compagnie du Bois Sauvage SA in accordance with principle 8.7 of the Corporate Governance Code 2020, as there is a sufficient line of representation of the main shareholder through its representation within the Board of Directors.

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 and Associations 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, and such renewal will be submitted to the Extraordinary General Meeting of 26 May 2020. It may even be exercised after receipt of the notice given by FSMA that a notice of public takeover was submitted.

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 April 2014, June 2015, April 2016, June 2017, April 2018, June 2019 (warrant plans, April 2014, June 2015, April 2016, June 2017, April 2018, June 2019) 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.

These clauses were specifically approved by Recticel’s General Shareholder Meeting or will be submitted for approval at the General Meeting on 26 May 2020 (warrant plan June 2019).

In line with article 7:151 of the Belgian Companies and Associations Code, for such a clause to take effect requires the approval of the General Shareholder meeting.

2.2.12. Statement on non-financial information

The statement on non-financial information in accordance with article 3:6,\$4 of the Belgian Companies and Associations Code has been enclosed to the statutory annual report of Recticel NV/SA and the consolidated annual report of the Recticel Group.

2.3. Non-financial information statement



2.3.1. Introduction

In 2016 we published our first separate sustainability report covering the years 2013-2015 and drawn up in accordance with the GRI G4 guidelines, a comprehensive framework known globally for its credibility, consistency and comparability and now the *de facto* standard for sustainability reporting. This first report provided insight in our sustainability journey, the strategy itself and the six material aspects, key performance indicators and targets to measure progress.

In September 2017, the EU Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings was transposed into Belgian national law. The Directive recommends using internationally-recognized frameworks and standards to prepare and publish sustainability reports.

Our second sustainability report was drawn up in accordance with the Global Reporting Initiative (GRI) Standard guidelines, Core. It was published in 2018, covered the period 2016-2017 and provided transparency on progress against our 2020 targets. Limited external assurance was performed on the seven KPIs covering the six material aspects.

The reporting over 2018 and 2019 was prepared using the recommendations of the GRI Standard guidelines, Core. We integrated the reporting on non-financial information such as environmental, social, human rights, anti-bribery and anti-corruption topics in our annual reports, and provided transparency on progress against our 2020 targets. The information about diversity is available in our Corporate Governance Statement.

Over 2019, 51 fully-owned Recticel subsidiaries employing 5,847 people in 20 countries were in the scope; joint ventures being excluded.

2.3.2. Activities of the company

Recticel is an international industrial player with an ambitious goal: to take the daily experience of comfort to a new level in quality and innovation. We rely on our expertise in the transformation of polyurethane chemistry to meet customer and societal challenges responsibly, and to generate added value for our clients, shareholders, partners and employees. For a further description of the activities of Recticel and the Recticel Group, reference is made to Chapter 1 of the annual report of Recticel as published on the website of Recticel under <https://www.recticel.com/index.php/investors/annual-half-year-reports.html>.

2.3.2.1. A strategy for sustainability: Growing together towards a PUn future

a) Recticel’s ambition

Recticel’s ambition is to lead the transition to a circular economy and a low-carbon society. *Growing together towards a PUn future* expresses our firm commitment to reducing any negative effects of our activities and to optimising Recticel’s positive impact across the value chain, from raw materials sourcing to product manufacturing, consumption and end-of-life.

Since 2013, sustainable innovation is a key driver at the heart of our Group strategy.



It was created to respond to key societal challenges, such as energy conservation, CO₂ reduction, and an aging and increasing population. Sustainability shapes our portfolio strategy and our innovation priorities, and as a result, it nourishes our long-term competitiveness. The long-term needs and challenges of our sectors and our society are our compass.

Our activities position us in a sustainable way as the leading supplier of polyurethane and polymer-based solutions in our markets for durable (consumer) goods such as insulation panels (50-year lifespan), mattresses (10-year lifespan), car dashboards and highly specialized technological applications with attributes such as silencing, sealing or carrying.



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. **CO₂ emissions avoided by our insulation solutions add up to more than 40 times the carbon footprint of our activities combined.**

In our Automotive business line customer demand for reduced carbon emissions drive our development of lightweight materials. Similarly, in our Flexible Foams business line, innovative lightweight solutions have been developed to 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. In recent years, we have directed our research efforts to eco-design and repurposing our valuable polyurethane materials after their usage phase.

Mechanical and chemical recycling are the two routes we follow towards circularity.

b) Ready to polyurethane for the circular economy

Our products are predominantly, though not exclusively, based on polyurethane (PU). This versatile material allows us to develop long-lasting high-quality and durable solutions that promote comfort in our daily life such as insulation panels or mattresses. Preparing them for the transition to a circular economy is an important challenge.

Our strategic Corporate Sustainability Innovation Programme³, led by our Sustainable Innovation Department, the R&D Center of the Group, focuses on discovering new ways of making polyurethane more sustainable in every phase from raw materials, to production, to end-of-life.

Raw materials

Innovation and efficiency initiatives have reduced our use of raw materials and are complemented by our choice of more sustainable raw materials to reduce dependence on fossil resources.

In partnership with the company Covestro, Recticel was the first company worldwide to use a CO₂-based polyol in its flexible foam production for products such as mattresses.

Carbon capture and utilization is also at the heart of the **Carbon4PUR** project, a EU Research and Innovation Programme Horizon 2020 project aiming at manufacturing high-value polyurethane materials using industrial waste gases produced by the steel industry (mixed CO/CO₂ streams). Recticel is testing this new technology for insulation panels.

³ See Chapter 1.7 Sustainable and market-driven innovation



This project has received funding from the European Union's Horizon 2020 Research and Innovation programme under grant agreement N° 768919.

SWEETWOODS, a EU Horizon 2020 Research and Innovation programme, focuses on biobased materials such as wood to replace fossil fuel. The project aims at demonstrating the successful and profitable production of high-purity lignin, derived from low-quality wood residues and sugars, on an industrial level. Recticel will test its use in rigid foam applications such as insulation panels.



SWEETWOODS has received funding from the Bio-Based Industries Joint Undertaking under the European Union's Horizon 2020 Research and Innovation programme, under grant agreement N° 792061.



Responsible production

Including sustainability in our production processes helps reduce our carbon footprint and increases operational excellence. Together with industrial partners and knowledge institutes, we explore ways to reduce production waste and design products that are eco-friendly and easy to dismantle.

Sustainability is also tactical. It means less waste and greater resistance to material shortages and price fluctuations.

We have developed a **fiber-bonded foam technology** to transform polyurethane production waste into new applications: Simfofit® acoustic insulation panels reduce sound by up to 12 dB while also helping to conserve energy. The production waste from fiber-bonded foam products can be reused in the process, and end-of-life material can be recycled, thus closing the materials loop.

We continue to explore the possibilities of fiber-bonded foam for other application areas, such as automotive and industry. As for Bedding, our German brand Schlaraffia introduced a concept bed using recycled foam instead of virgin foam in its bedframes and headboards, this January, on the 2020 IMM professional furniture fair in Cologne.

Recycling of end-of-life materials

Replacing production waste by end-of-life material is an important target to achieve resource efficiency.

Recticel is partner of the **Valpumat** project, or Valorization of the Polyurethane of Mattresses. This initiative is one of the nine winners of the first Eco-innovation challenge launched in 2017 by Eco-mobilier, France, in order to develop new ways of recycling mattresses. As of 2020, Recticel will process, on an annual basis, end-of-life foam in two of its French plants and transform this valuable material into acoustic insulation solutions, thus gradually phasing out production waste.

New mechanical and chemical recycling processes will allow us to recycle materials, paving the way for new value-added applications.

We are proud to participate in and be the project leader of the **PUReSmart** project funded by the European Union's Horizon 2020 Innovation and Research programme to develop a complete circular product life cycle and turn polyurethane into a truly sustainable material: recover the used material (e.g. mattresses) and turn them into building blocks for existing or new products.

In this context, Covestro, one of the world's largest polymer companies and PUReSmart project member, is already investigating the feasibility of a short-term scale-up from laboratory scale to semi-industrial level, with the aim of making chemical recycling an efficient industrial process. This solution should then also support the current PUReSmart project.



This project has received funding from the European Union's Horizon 2020 Research and Innovation programme under grant agreement N° 814543.

In 2019, Recticel signed the Declaration of the **Circular Plastics Alliance**¹ which promotes voluntary actions for a well-functioning EU market in recycled plastics. The declaration lays out how the alliance will reach the target of 10 million tons of recycled plastics used to make new products every year in Europe, by 2025. This target was set by the European Commission in its 2018 Plastics Strategy as part of its efforts to boost plastics recycling in Europe.

Recticel also supports the **Moonshot**² initiative launched by the Flemish government in Belgium. In this ambitious industrial innovation programme hosted by Catalisti, Flemish universities, research institutes and industries join hands to develop breakthrough technologies by 2040 to create new climate-friendly processes and products.

On 10 January 2020, a first series of innovation projects received support worth more than 18 million euro to make Flemish industries carbon circular and low in CO₂ by 2050. Recticel is joining the Advisory Board of two Moonshot programmes: MOT1 *Biobased Chemistry* and MOT2 *Circularity in Materials*.

c) Focus on people and sustainable innovation – six important material aspects

Innovation and people are key in achieving our ambitions. Our business lines will create more shared value through innovation focused on societal needs and aligned with stakeholder expectation.

The parties that invest in and impact our activities to the greatest degree comprise customers (including consumers), employees, and the Board of Directors, authorities, financial analysts and suppliers.

Working closely with them, we defined the **six most important material aspects** for Recticel with the potential to turn sustainability into a keener competitive edge. These aspects form the basis of our Sustainable Innovation plan and People Priority plan.

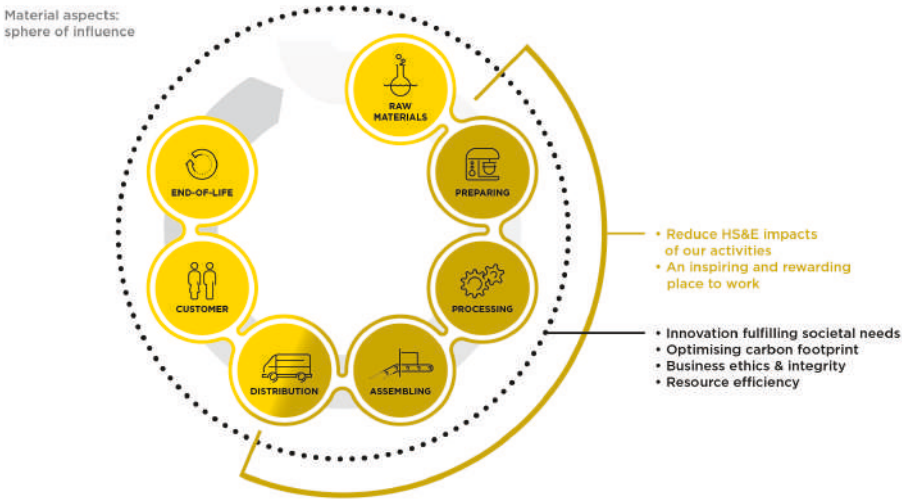


For a further description of our materiality process, reference is made to our 2017 Sustainability Report as published on the Recticel website.
<https://www.recticel.com/index.php/sustainability-innovation/sustainability/reports.html>

¹ See https://ec.europa.eu/growth/industry/policy/circular-plastics-alliance_en

² See 1 <https://moonshotflanders.be/project-overview-results/>

All aspects linked to innovation have been brought together in the **sustainable innovation plan**, focusing innovative efforts on meeting the needs of society, optimizing the carbon footprint throughout the value chain and the efficient use of resources. New societal needs and the transition towards a circular economy



Sustainability is considered **along our entire value chain**, from raw material sourcing to product manufacturing, consumption and end-of-life. We take responsibility for our own activities and for those within our sphere of influence, upstream as well as downstream.

Recticel supports the **Sustainable Development Goals (SDG)** launched in 2015 by the United Nations. This universal set of targets and indicators is designed to help countries and end poverty, protect

bring with them opportunities to differentiate ourselves and create shared value. We have to seize these opportunities and further explore the possibilities for reuse and recycling our products at end-of-life stage while intensifying our focus on production waste reduction.

the planet and ensure global prosperity as part of a new sustainable development agenda. By upholding recognized standards and principles on human rights, labour, the environment and anti-corruption, business makes an essential contribution to the SDGs.

Recticel has identified five SDGs that are most impactful, relevant and strategically embedded in our company's sustainability strategy:

HOW RECTICEL CONTRIBUTES

SUSTAINABLE DEVELOPMENT GOALS



d) Risk management

Since the beginning of our sustainability journey, we see sustainability as an opportunity to create shared value for the company and society. Our sustainability journey is closely interwoven with the Recticel Group risk management system, which enables Recticel to identify, manage and mitigate the main issues that could impact our business. Assisted by the Audit Committee, the Board of Directors defines the Group's major risks. Placing sustainability at the centre of Recticel's strategy takes these risks into account, and avoids or minimizes any adverse effects of potential risk on the company. This is how we maintain our competitive edge and generate value for our stakeholders.



2.3.2.2. Recticel targets & results

For the six material aspects previously described, Recticel defined different targets to be met. These targets are measured through key performance indicators (KPI).

For most of our targets we have set a 2020 deadline. In 2020, we will review our materiality matrix together with internal and external stakeholders. We will also determine if new or additional KPIs and targets have to be defined for our 2020-2025 / 2030 sustainability strategy.

The summarized overview of our 2019 results can be found in the 'Summary Table' (page 127) and in the 'Sustainability Strategy Summary' (page 128), followed by the 'Independent limited assurance on non-financial information statement' (page132).

a) Targets related to the environment

• Innovation fulfilling societal needs

Target: 80% of active R&D projects classified as sustainable by 2020 according to the Sustainability Index.

KPI: Sustainability Index (scope: innovation pipeline Sustainable Innovation Department (hereinafter "SID"))

Result 2019: 62%

The number of active R&D projects aimed at ground-breaking sustainable development research is constantly increasing. This is not reflected in the 2019 result that remains stable due to the strict assessment methodology we developed in 2015. In our Sustainability Index, we currently compare new projects with their predecessors and assess whether there is a significant improvement on all People and Planet aspects. For projects such as biobased or recycled materials, it is almost impossible to score sufficiently high on all sub-criteria to be classified as sustainable. The assessment methodology therefore needs to be re-evaluated. We are confident that within our R&D projects the focus on sustainable development is in line with our strategic intention.

Background

Our continued growth depends on our ability to respond to complex and dynamic societal needs. This is why we strive to develop innovative solutions that maximize resource efficiency, reduce carbon emissions and support sustainable, healthy lifestyles. Sustainability is at the core of Recticel's strategy, and sustainable innovation programmes, led by our Sustainable Innovation Department (SID), shape our company's future.

Sustainability index

In 2014, Recticel developed its own methodology to score all research and development projects, spearheaded by the Sustainable Innovation Department. The resulting Sustainability Index, now in its 2nd generation, is a way to measure, track and compare the sustainability performance of active R&D projects. It comprises criteria linked to Planet and People aspects. Projects are scored by the Programme Innovation Manager, Corporate Sustainability Innovation Manager and corporate sustainability experts.

In the **Planet** aspect, criteria such as carbon footprint, reduced by saving resources, recycling and reusing end-of-life materials, are considered. The **People** aspect concerns criteria for social responsibility, such as health, safety and environment (HS&E) as well as social impact.

Each development is rescored on an annual basis or when the project enters a new phase, with scorings reviewed when significant changes are made to a project's scope, or when important new research data have become available. People or Planet criteria can be rescored either in a positive or negative way depending on new insights or developments on the market or the product.

• **Optimising carbon footprint**

Target 1: Reduce Recticel Carbon Footprint Indicator by 25% in 2020 and by 40% in 2030.

KPI: Recticel Carbon Footprint Indicator expressed in tonnes of CO₂ equivalent compared to the 100% activity level in 2013 (scope: production sites). The method of calculation is derived from the Cradle to Grave method.

Result 2019: 82% (18% reduction vis-à-vis the 2013 basis)
There have been no fundamental changes over the last three years in footprint reduction. The impact of the new CO₂ polyol is still limited, as products have only been recently introduced to the market. We are committed to our target

Target 2: Increase Net Recticel Impact Ratio from 20 in 2013 to 30 by 2020 and 50 in 2030.

KPI: Net Recticel Impact Ratio (whole value chain) defined as ratio of the Recticel Positive Impact to the Recticel Carbon Footprint. The Recticel Positive Impact is expressed in tonnes of avoided CO₂ equivalent in use phase (using appropriate method of calculation per type of product and using appropriate conversion factors calculated by a third party).

Result 2019: 41.
The growing impact of the Insulation business line volume continues to have a positive impact on the multiple.

Background

The aim of the 2015 United Nations COP 21 Paris Agreement is to limit the increase of the global temperature above pre-industrial as much as possible. Recticel contributes to this aim by optimizing its carbon footprint throughout the value chain, alongside its partners.

We focus on introducing raw materials with lower GWP (global warming potential) values, improving the energy efficiency of our activities, and developing more sustainable products and end-of-life solutions that support a circular economy.

We estimate that, in 2019, **the CO₂ emissions avoided by our insulation solutions total over 40 times** our carbon impact throughout the value chain, making the growth of this business a priority. Our lightweight car components reduce vehicle weight, lowering their fuel consumption and carbon emissions.

To optimize our carbon footprint, we want to reduce our negative impact and increase our positive impact in a significant way. In line with these goals, we focus on areas in our value chain where the biggest progress in carbon footprint reduction can be made: **upstream (raw materials) and downstream (usage and end-of-life phases).**

Upstream

Together with our **suppliers**, we explore innovative solutions and investigate more sustainable raw materials such as a CO₂ polyol. Polyols and isocyanates are fossil fuel-derived raw materials used to make polyurethane. The production of these chemicals is energy-intensive. Thus, our suppliers strive to optimize energy efficiency and find alternatives to fossil fuels. Covestro developed a revolutionary new polyol that replaces 20% in weight with a by-product of the CO₂ captured from a nearby facility. Recticel supported this innovative development from the beginning and was the first worldwide to implement it for the production of flexible foam used in mattresses.

Downstream

Together with **industry peers and knowledge institutes** we investigate the impacts of closing the materials loop. Polyurethane is a thermoset material characterized by high durability. It cannot be melted or reformed at the end of its use phase. Our products contain materials that can be reused or recycled for other value-added purposes. The goal of these research projects is to find economically viable solutions for waste streams that also benefit the environment.

Energy consumption

Although the biggest impact on carbon footprint reduction is situated upstream and downstream, we are also fully committed to reducing the impact of our **energy consumption**.

Since 2013, we have systematically recorded annual energy costs and consumption data across the Group and have strived to make our operations more energy-efficient.

In 2020 we introduce our **Electricity Sustainability Roadmap 2020 - 2025**, an ambitious action plan to reduce the CO₂ impact related to electricity usage by 75%.

We will reach that target following three paths in parallel:

- 1) Build up and implement an **energy saving plan** at each plant;
- 2) Develop **smart efficient lighting**;
- 3) Selectively implement a number of **solar panels and wind mills** projects to generate green electricity.

The Roadmap will prioritize our 41 plants in Europe. The three paths have been defined based on the lessons learned from projects on energy usage that have already been carried out, as well as from extensive energy audits conducted in 19 plants.

• **Resource efficiency**

Target: 100% increase of recycled foam produced by Recticel by 2020 compared to 2015. The increase is possible if flexible foam production waste is gradually replaced by post-consumer waste.

KPI: Tonnes of recycled flexible foam produced by Recticel.

Result 2019: -18% (vis-à-vis the 2015 basis).

Background

The volumes realised with traditional bonded foam continue to decrease and are compensated by higher volumes in fiber-bonded foam. Since the end of 2019, we have started to replace production waste by end-of-life foam in fiber-bonded foam acoustic insulation and bedding applications. This evolution will have a positive impact in 2020 but we take into account that we might not realise our target.

Recticel supports the transition from the linear ‘take, make, dispose’ economic model to a circular economy by seeking new ways to prevent and reuse production waste and to mechanically and chemically recycle end-of-life waste while minimizing demand for constrained natural resources.

Our expertise lies predominantly in polyurethane applications for durable (consumer) goods such as insulation panels (50-year lifespan), mattresses (10-year lifespan), car dashboards and highly specialized technological applications with attributes such as silencing, sealing or carrying.

Our R&D efforts and Corporate Sustainability Programme aim to reduce waste and enable production of end-of-life foam to be recycled in value-added new solutions.

New mechanical recycling solutions

For many years, Recticel has used the production waste of polyurethane as a raw material to make bonded foam. This recycled foam is supplied to customers who utilize it in flooring, upholstery and technical applications.

In the traditional process of recycling flexible foams, foam flakes are coated with isocyanate, pressed into a block, infused with steam and then dried in an energy-intensive process.

In the **new fiber-bonded foam process**, foam flakes are mixed with fibers and melted in a continuous process that does not require drying. We introduced a first application based on this new technology, an acoustic thermal insulation panel and continue to explore new applications for automotive, industry and bedding.

The production waste from fiber-bonded foam products can be reused in the process, and end-of-life material can be recycled, thus closing the materials loop.

Recticel is partner of the **Valpumat** project, or Valorization of the Polyurethane of Mattresses. This initiative is one of the nine winners of the first Eco-innovation challenge launched in 2017 by Eco-mobilier, France, in order to develop new ways of recycling mattresses. As of 2020, Recticel will process, on an annual basis, **end-of-life foam** in two of its French plants and transform this valuable material into acoustic insulation solutions, thus gradually phasing out production waste.

New chemical recycling solutions

In 2015, we expressed our firm commitment to make polyurethane more sustainable over the coming years. This included closely monitoring and supporting the development of new polymers that combine the advantages of both thermoset (for durability) and thermoplastic (for recyclability) materials. Since then, we have engaged with knowledge institutes and suppliers to join forces.

The Europe-wide **PUReSmart** project, which comprises nine companies and academic institutions from six countries started in 2019. It aims at developing a complete circular product life cycle and turn flexible polyurethane foam into a truly sustainable material: recover the used material (e.g. mattresses) and turn them into building blocks for existing or new products.

Covestro, one of the project members, is already investigating the feasibility of a short-term scale-up from laboratory scale to semi-industrial level, with the aim of making chemical recycling an efficient industrial process. This solution should then also support the current PUReSmart project.

For a further description of the R&D activities of the Recticel Group, reference is made to Chapter 1.7 Sustainable and Market-Driven Innovation.

b) Targets related to social matters and personnel

• Reduce HS&E impacts of our activities

Target: Frequency work accidents = < 3 by 2020 (number of accidents x 1,000,000 / number of hours performed).

KPI: Frequency work accidents represents the average on Group level for all our plants and offices.

Result 2019: 4,4

Background

We see a significant drop in the frequency compared to last year and are pleased that the ongoing efforts to keep safety top of mind are beginning to bear fruit. We hope that this trend reversal will continue in 2020, although it will remain a challenge to meet our target.

Our ultimate goal is to be incident-free. We work relentlessly to eliminate the possibility of and/or potential for work-related incidents, emissions, production leaks, fires and near-misses. The Recticel Corporate Health, Safety & Environment Policy defines strategic objectives to **minimize risks for people and the planet**. Through risk assessments, mitigation initiatives and process improvements, we aim to make Recticel a safe place to work and to visit.

Corporate HS&E Policy

The Recticel Corporate HS&E Policy defines strategic objectives to **minimize all HS&E risks and environmental impacts inherent to the company’s activities and products**. This is above and beyond our basic obligation to comply with all applicable health, safety and environmental regulations.

We perform root cause analyses and implement corrective and preventive actions on critical operations. Recticel foaming sites adhere to strict regulations (such as SEVESO and/or COMAH), and several plants have certified health & safety and/or environmental management systems (OHSAS 18001 and/or ISO 14001-certified). Recticel is an active member of national and European professional associations such as EUROPUR, PU Europe, Essenscia and Federplast.

The Group HS&E Manual provides guidance for the implementation of the HS&E Policy. Recticel recognizes the need for personal initiative, professional and safe behaviour, safety awareness and respect for each other and the environment to implement the HS&E policy. QHS&E managers in our business lines drive and support the change in safety culture by developing operational standards, improving working environments, raising awareness and training personnel.

Corporate HS&E and Sustainability Steering Committee

Management commitment to HS&E is reinforced by our **Corporate HS&E and Sustainability Steering Committee** (CHSSC) spearheaded by our CEO. It defines Group strategies and policies regarding HS&E and sustainability, advises and assists the business lines with their implementation and follows up on progress. By sharing knowledge and unifying HS&E practices, such as standardized root cause analysis, and HS&E rules company-wide, we seek to make our processes more efficient.

In 2018, we selected an integrated Group HS&E reporting tool to support alignment, improve follow-up and reporting, underpin best practices and facilitate the monitoring of changing regulations. The pilot project in 2019 showed that the selected tool did not fully meet our requirements. A new test phase will therefore be set up in Q1 2020 involving HS&E teams from several major Bedding, Flexible Foams and Insulation business line sites covering different countries. The global rollout will take place in Q2.

We never compromise on safety

We continue to raise awareness on safety. It is embedded in our Core Value of acting with respect and integrity.

In 2018, we held our first **Recticel Global Safety Day**¹. As well as renewing and clarifying the focus on this vital issue, it relayed an important message: safety is everyone’s responsibility. It marked the launch of our **Simply Safe** initiative across all business lines and in every site. We introduced a clear framework of Golden Safety Principles and Golden Safety Rules which are now displayed on posters at all our sites.

¹ See <https://www.recticel.com/simplysafe>

In 2019, Recticel Global Safety Day’s goal was to make everyone realise that we should all try to change our habits to guarantee a safe working environment. Whenever we notice a hazard, or whenever we start a new task, we should **stop, think** and then **act**.

• **An inspiring and rewarding place to work**

Target : Add two new countries each year where the engagement survey is rolled out.

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

Result 2019: Belgium, United Kingdom, Spain + France, The Netherlands

We are on track and we will move forward with the defined programme of adding two new countries every year.

Background

Recticel’s skilled and creative employees enable us to excel and achieve our sustainable growth ambitions. Success comes from being able to attract, motivate and retain a talented pool of workers. We seek to offer all our employees a stimulating and rewarding place to work, a place where they feel engaged, contribute to company goals, and where their talents can develop. We foster a collaborative and result-driven culture based on cooperation, respect, integrity and accountability. We encourage colleagues, customers and partners to innovate together to deliver winning solutions. Our human resources strategy aims to ensure the availability, engagement, motivation and continuous development of our employees.

Engagement survey

Recticel introduced an engagement survey to gain insight in the satisfaction, loyalty, engagement and motivation of our employees. It is progressively rolled out at a rate of two new countries each year and repeated every three years.

In 2019, we added two new countries, France and the Netherlands, and repeated the survey in Belgium, the United Kingdom and Spain. In 2020, we will roll out the initiative in Finland and Estonia and repeat it in Poland and Romania.

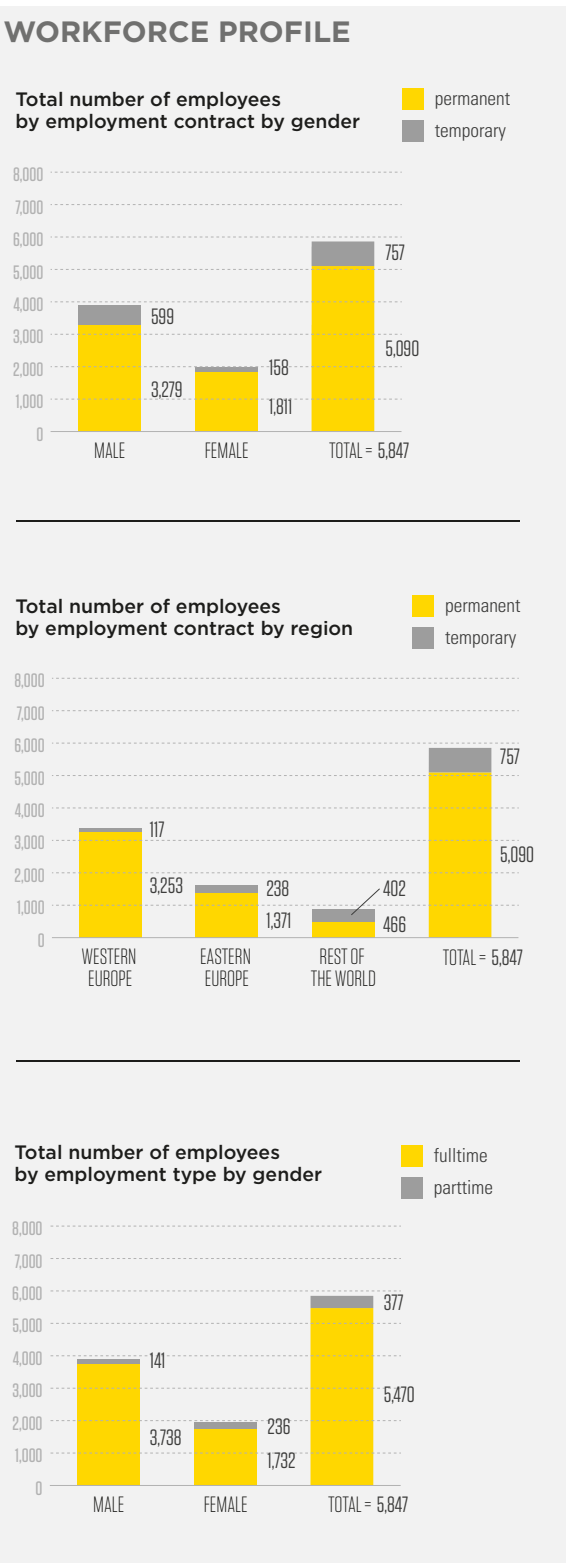
We act with respect and integrity

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 wants 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 wants to offer 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 an equal opportunity employer who offers men and women the same opportunities to develop their talents, build a career and balance work-life by offering the opportunity to work full-time or part-time at every stage of this career⁴.



See also Chapter 1.8 - Human resources and major production sites

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 7:86 of the Companies and Associations 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.

c) Targets related to ethics and integrity

• **Business ethics and integrity**

Target: Increase the number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed by 5% per year (cumulative) compared to 460 in 2015.

KPI: Number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed.

Result 2019: 5,309 (1.054% increase vis-à-vis the 2015 basis)

Background

The number of training courses attended has increased with 14% compared to 2018. We have expanded our range of mandatory Legal e-learning for all Recticel office employees with a third training course, “Basics of Contract Law.” For “Data Protection,” “Ethics Policy” and “Basics of Contract Law” the status “completed” is only achieved if the office employee obtains a test result of minimum 80% at the end of the module.

² See also information with respect to diversity in section 2.2.10. of the Corporate Governance Declaration

Acting with respect and integrity is one of our core values. Respectful behaviour acknowledges the worth, dignity and uniqueness of others. We have created **codes and policies** to ensure we do business honestly, respectfully, and in full compliance with international rules and regulations.

A clear set of **values** and respectful behaviours unites our organisation. Redefined in 2016, our values align our actions and attitudes towards internal and external stakeholders. Behaviours associated with the five key values give direction to our employees and stakeholders.

Recticel highly values the importance of **legal training**, especially for those target groups who, due to the nature of their professional activities, are at a higher risk of being exposed to noncompliant situations, bribery or corruption. Our Corporate Legal Team regularly provides face-to-face training sessions and subject specific e-learning modules.

Ethics and compliance as part of our DNA
Corporate compliance is embedded in all our policies. We have developed guidelines for awareness creation, templates for reporting compliance issues, whistleblowing procedures and speak-up communication channels that enable employees to address issues in a variety of ways.

Recticel is aware of corporate risks, and we apply due diligence to both our own operations and supply chain. Where specific risks or exposure to noncompliant situations, bribery or corruption have been identified, policies are implemented that provide guidelines on how to avoid or mitigate them.

d) Targets related to human rights

Regarding the respect of human rights, Recticel has, as a precautionary measure, taken over the obligation in its purchasing conditions that its suppliers do business in an ethical, correct, transparent, trustworthy and social responsible way and that they guarantee that nor their personnel or subcontractors are involved in discrimination, violation of human rights, corruption, violation of antitrust laws, child labor, forced labor, slavery or other unacceptable labor working conditions or terms. In this framework, the suppliers need to comply strictly with the 'Recticel Supplier Sustainability Requirements (RSSR)'. At first request of Recticel the suppliers need to be able to demonstrate that they respect this RSSR.

Nowadays, Recticel has not yet drafted a specific charter with respect to human rights, nor are there specific KPIs that are applied. This is related to the fact that the activities of the group are situated mainly in Europe. Such indicator is therefore less relevant for the activities of the Company.

Summary

The table below provided a summary of Recticel's sustainability strategy regarding its six material aspects, the seven KPIs and targets.

SUMMARY TABLE


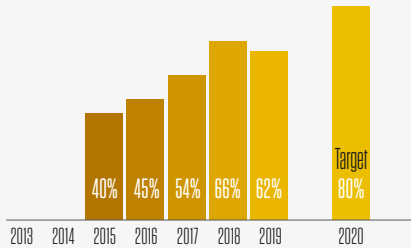
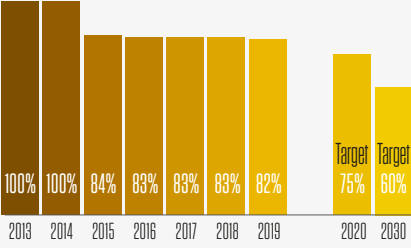
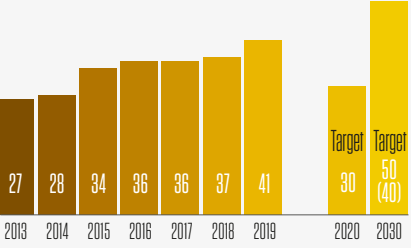
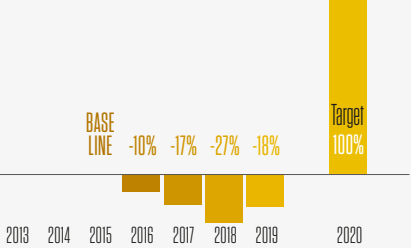
RECTICEL'S MATERIAL TOPICS AND RELATED KPIs

(table subject to PwC limited assurance)(*)

MATERIAL ASPECT	KPI	2016	2017	2018	2019
INNOVATION FULFILLING SOCIETAL NEEDS	Sustainability Index (Percentage of active R&D projects classified as sustainable)	45%	54%	66%	62%
	Recticel carbon footprint (tonnes of CO ₂ e)	1,082,707	1,090,548	998,407	969,543
OPTIMISING CARBON FOOTPRINT	Positive impact Recticel expressed in tonnes of avoided CO ₂ e in use phase	38,767,116	39,391,355	36,898,355	39,723,922
	Tonnes of recycled flexible foam produced by Recticel	5,567	5,129	4,534	5,044
RESOURCE EFFICIENCY					
BUSINESS ETHICS AND INTEGRITY	Number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed	425	526	4,631	5,309
	Work accident frequency rate	5.8	6	5.8	4.4
REDUCING HS&E IMPACTS OF OUR ACTIVITIES					
INSPIRING & REWARDING PLACE TO WORK	The number of countries in which engagement surveys are conducted among blue and white collars	3 countries	2 countries	2 countries	5 countries

(*) The Independent Limited Assurance report by PwC covering 2019 can be found as an annex to the Non-Financial Information Statement of Recticel.

SUSTAINABILITY STRATEGY SUMMARY

 SUSTAINABLE INNOVATION PLAN			
MATERIAL ASPECT	KPI	TARGET	
INNOVATION FULFILLING SOCIETAL NEEDS	Sustainability index. <small>(scope: innovation pipeline Sustainable Innovation Department)</small>	80% of active R&D projects classified as sustainable by 2020 according to the Sustainability Index.	
	Recticel Carbon footprint indicator expressed in tonnes of CO ₂ equivalent compared to the 100% activity level in 2013. <small>(scope: production sites)</small> The method of calculation is derived from the Cradle to Grave method.	Reduce Recticel Carbon Footprint Indicator by 25% in 2020 and by 40% in 2030.	
OPTIMISING CARBON FOOTPRINT	Net Recticel Impact Ratio (whole value chain) defined as ratio of the Recticel Positive Impact to the Recticel Carbon Footprint. The Recticel Positive Impact is expressed in tonnes of avoided CO ₂ equivalent in use phase . <small>(using appropriate method of calculation per type of product and using appropriate conversion factors calculated by a third party)</small>	Increase Net Recticel Impact Ratio from 20* in 2013 to 30 by 2020 and 50 (40) by 2030. We have reached our 2020 target three years early and have amended our 2030 target to 50. * We have reviewed our method of calculation. The original results over 2013, 2014, 2015 were 20, 20, 26.	
	Tonnes of recycled flexible foam produced by Recticel.	100% increase by 2020 compared to 2015. The increase is possible if flexible foam production waste is gradually replaced by post-consumer waste.	

 SUSTAINABLE INNOVATION PLAN	
COMMENTS	EVOLUTIONS
The number of active R&D projects aimed at ground-breaking sustainable development research is constantly increasing. This is not reflected in the 2019 result that remains stable due to the strict assessment methodology we developed in 2015. In our Sustainability Index, we currently compare new projects with their predecessors and assess whether there is a significant improvement on all People and Planet aspects. For projects such as biobased or recycled materials, it is almost impossible to score sufficiently high on all sub-criteria to be classified as sustainable. The assessment methodology needs to be re-evaluated. We are confident that within our R&D projects the focus on sustainable development is in line with our strategic intention.	In 2020 we will re-evaluate and improve our Sustainability Index scoring methodology.
There have been no fundamental changes over the last three years in footprint reduction. The impact of the new CO ₂ polyol is still limited, as products have only been recently introduced to the market. We are committed to our target.	We expect an important reduction in 2020 due to the increasing use of end-of-life foam
The growing impact of the Insulation business line volume continues to have a positive impact on the multiple.	We expect that the positive impact of further Insulation growth will continue. In addition, the reduction of the Recticel carbon footprint will also impact the value.
The volumes realised with traditional bonded foam continue to decrease and are compensated by higher volumes in fiber-bonded foam. Since the end of 2019, we have started to replace production waste by end-of-life foam in fiber-bonded foam acoustic insulation and bedding applications. This evolution will have a positive impact in 2020 but we take into account that we might not realise our target.	We anticipate that the volumes of end-of-life foam will significantly increase in 2020 and beyond. We will also introduce this recycled material in our Bedding products, more specifically in bedframes and boxsprings. We expect that the use of end-of-life foam will also have a positive impact on our carbon footprint.

PEOPLE
PRIORITY PLAN

MATERIAL ASPECT	KPI	TARGET																			
BUSINESS ETHICS AND INTEGRITY	Number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed.	Increase the number of legal training courses provided by the Corporate Legal Team and the IP Officer (SID) as face-to-face meetings attended and e-learning modules completed by 5% per year (cumulative) compared to 460 in 2015.	<table><tr><th>Year</th><th>Value</th></tr><tr><td>2013</td><td>460</td></tr><tr><td>2014</td><td>425</td></tr><tr><td>2015</td><td>526</td></tr><tr><td>2016</td><td>463</td></tr><tr><td>2017</td><td>530</td></tr><tr><td>2018</td><td>463</td></tr><tr><td>2019</td><td>530</td></tr></table>	Year	Value	2013	460	2014	425	2015	526	2016	463	2017	530	2018	463	2019	530		
Year	Value																				
2013	460																				
2014	425																				
2015	526																				
2016	463																				
2017	530																				
2018	463																				
2019	530																				
REDUCE HS&E IMPACT OF OUR ACTIVITIES	Frequency work accidents represents the average on Group level for all our plants and offices.	Frequency = < 3 by 2020 $\frac{\text{number of accidents} \times 1,000,000}{\text{number of hours performed}}$	<table><tr><th>Year</th><th>Value</th></tr><tr><td>2013</td><td>8.8</td></tr><tr><td>2014</td><td>8.4</td></tr><tr><td>2015</td><td>8.4</td></tr><tr><td>2016</td><td>5.8</td></tr><tr><td>2017</td><td>6</td></tr><tr><td>2018</td><td>5.8</td></tr><tr><td>2019</td><td>4.4</td></tr><tr><td>2020</td><td>3</td></tr></table>	Year	Value	2013	8.8	2014	8.4	2015	8.4	2016	5.8	2017	6	2018	5.8	2019	4.4	2020	3
Year	Value																				
2013	8.8																				
2014	8.4																				
2015	8.4																				
2016	5.8																				
2017	6																				
2018	5.8																				
2019	4.4																				
2020	3																				
AN INSPIRING AND REWARDING PLACE TO WORK	The number of countries in which engagement surveys are conducted among blue and white collars.	Two new countries each year.	<table><tr><th>Year</th><th>Countries</th></tr><tr><td>2015</td><td>Belgium</td></tr><tr><td>2016</td><td>Belgium + United Kingdom, Spain</td></tr><tr><td>2017</td><td>Poland, Romania</td></tr><tr><td>2018</td><td>Sweden, Norway</td></tr><tr><td>2019</td><td>Belgium, United Kingdom, Spain + France, the Netherlands</td></tr></table>	Year	Countries	2015	Belgium	2016	Belgium + United Kingdom, Spain	2017	Poland, Romania	2018	Sweden, Norway	2019	Belgium, United Kingdom, Spain + France, the Netherlands						
Year	Countries																				
2015	Belgium																				
2016	Belgium + United Kingdom, Spain																				
2017	Poland, Romania																				
2018	Sweden, Norway																				
2019	Belgium, United Kingdom, Spain + France, the Netherlands																				

PEOPLE
PRIORITY PLAN

COMMENTS	EVOLUTIONS
The number of training courses attended has increased with 14% compared to 2018. We have expanded our range of mandatory Legal e-learning for all Recticel office employees with a third training course, Basics of Contract Law. (1)	In order to further deepen the knowledge of all Recticel managers and employees on ethics and integrity, we will organise in 2020 compulsory face-to-face trainings for white and blue collar employees in all our locations. We will reconsider our KPI and target for 2020, as we have surpassed our goal of a 5% increase per year (cumulative).
We see a significant drop in the frequency compared to last year and are pleased that the ongoing efforts to keep safety top of mind are beginning to bear fruit. We hope that this trend reversal will continue in 2020, although it will remain a challenge to meet our target.	In 2020 we will introduce a new way of embedding our Golden Safety Rules and Principles within the organisation. All blue and white collar employees worldwide can master the basic safety guidelines and test their understanding in an interactive game based on real-life situations and problems. We will also continue to harmonise our reporting standards by implementing a company-wide HS&E reporting tool.
We are on track and we will move forward with the defined programme of adding two new countries every year.	The analysis of our results in France and the Netherlands (new countries added in 2019) and in Belgium, UK, Spain (countries where the survey was repeated) is ongoing. Clear action plans will be developed per country. In 2020, we will roll out the initiative in Finland and Estonia and repeat the engagement survey in Poland and Romania.

¹ For "Data Protection", "Ethics Policy" and "Basics of Contract Law" the status "completed" is only achieved if the office employee obtains a test result of minimum 80% at the end of the module.

2.3.3. Independent limited assurance on non-financial information statement



INDEPENDENT LIMITED ASSURANCE REPORT ON SELECTED SUSTAINABILITY INDICATORS OF THE NON-FINANCIAL INFORMATION STATEMENT 2019 OF RECTICEL SA AND ITS SUBSIDIARIES

This report has been prepared in accordance with the terms of our engagement contract dated 15 October 2019, whereby we have been engaged to issue an independent limited assurance report in connection with selected sustainability indicators in the non-financial information statement 2019 of Recticel SA as included in the Annual Report of Recticel SA and its subsidiaries (the "Report").

Responsibility of Board of Directors

The Board of Directors of Recticel SA ("the Company") is responsible for the preparation of the selected sustainability indicators presented in the Summary Table "Recticel's material topics and related KPIs" as included in the non-financial information statement 2019 of the Annual Report of Recticel and its subsidiaries (the "Subject Matter Information"), in accordance with the criteria disclosed in the Report (the "Criteria").

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Board of Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained. Our assurance report has been prepared in accordance with the terms of our engagement contract.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether the Subject Matter Information has been prepared, in all material respects, in accordance with the Criteria issued by the Company.

The objective of a limited-assurance engagement is to perform the procedures we consider necessary to provide us with sufficient appropriate evidence to support the expression of a conclusion in the negative form on the Subject Matter Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The selection of such procedures depends on our professional judgment, including the assessment of the risks of management's assertion being materially misstated. The scope of our work comprised the following procedures:

- assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information as of and for the year ended 31 December 2019 presented in the Report;
- conducting interviews with responsible officers including site visits;
- inspecting internal and external documents.

We have evaluated the Subject Matter Information against the Criteria. The accuracy and completeness of the Subject Matter Information are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information. Our Limited Assurance Report should therefore be read in connection with the Criteria.

PwC Bedrijfsrevisoren BV - PwC Revisors d'Entreprises SRL - Financial Assurance Services
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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures performed, as described in this Independent Limited Assurance Report, and the evidence obtained, nothing has come to our attention that causes us to believe that the selected sustainability indicators presented in the Summary Table "Recticel's material topics and related KPIs" for the year ended 31 December 2019, as included in the non-financial information statement 2019 of the Annual Report of Recticel and its subsidiaries, are not fairly stated, in all material respects, in accordance with the Criteria.

Restriction on Use and Distribution of our Report

Our report is intended solely for the use of the Company, in connection with their Report as of and for the year ended 31 December 2019 and should not be used for any other purpose. We do not accept or assume and deny any liability or duty of care to any other party to whom this report may be shown or into whose hands it may come.

Sint-Stevens-Woluwe, 6 March 2020

PwC Bedrijfsrevisoren BV
Represented by

Marc Daelman
Registered auditor

2.4. Financial report

