

## TRADING UPDATE 3<sup>rd</sup> QUARTER 2017

- **Combined<sup>a</sup> 3Q sales growth of +11.9%, including a -0.8% adverse currency impact**
- **Combined year-to-date 9M sales growth of +7.8%, including a -1.0% adverse currency impact**
- **Combined net financial debt<sup>1</sup>: EUR 151.6 million (30 June 2017: EUR 151.4 million; 30 September 2016: EUR 131.9 million)**

<sup>1</sup> Excluding the drawn amounts under non-recourse factoring/forfeiting programs: EUR 66.9 million per 30 September 2017 versus EUR 70.8 million per 30 June 2017 and EUR 60.4 million per 30 September 2016.

Olivier Chapelle (CEO): *"In overall supportive end-use markets, our sales growth has accelerated to 11.9% during the 3rd quarter of 2017, thanks to strong volume growth in Automotive and overall higher selling prices resulting from the pass-through of higher chemical raw material prices."*

*The Group continued to face very challenging chemical raw material supply conditions during the 3<sup>rd</sup> quarter. Chemical raw material prices have reached new record levels, driven by the global market demand, and by incidents and planned maintenance operations at supplier's production facilities. Moreover, MDI supply remained insufficient to cover market demand, limiting Recticel's ability to fulfill the demand from its customers of rigid insulation panels; no substantial improvement is expected in the short term.*

*Under these unfavourable raw material market conditions, combined with adverse movements of the Pound and the Dollar, our commercial teams have continued to take the appropriate measures to safeguard profit margins.*

*Our Automotive Interiors division has managed to further reduce the negative impact of the fire incident in our Interiors factory in Most (Czech Republic). The Most facility has been largely rebuilt, and the plant is now fully operational, although not yet at the normal performance level.*

*The substantial TDI quality issue of BASF, impacting our Flexible Foams and Bedding divisions (see press release of 10 and 19 October 2017), has finally been assessed by BASF to generate neither health nor safety hazard. As a precautionary measure, BASF has offered to collect affected foams at Recticel and/or Recticel's customers. Recticel has reserved its rights, and expects to recover in due course all damage in this regard from its supplier and/or insurance companies.*

### **OUTLOOK**

The Group maintains its guidance for the full year 2017: Recticel expects continued growth of its full year 2017 combined sales and an increase of its full year 2017 REBITDA.

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

<sup>a</sup> For the definition of other used terminology, see lexicon at the end of this press release.

## 1. COMBINED DATA

**Combined sales** increased from EUR 318.1 million in 3Q2016 to **EUR 356.0 million in 3Q2017** (+11.9%), including a negative currency effect of EUR -3.0 million (-0.8%). After two quarters of sales growth (1Q2017: +5.7% and 2Q2017: +6.2%), sales growth further accelerated in 3Q2017. The growth is mainly driven by (i) increased selling prices in Insulation and Flexible Foams, (ii) strong volumes in Automotive and (iii) the start-up of scheduled new programs in Automotive Interiors. The growth pattern observed in the individual business segments during 1H2017 was extended in 3Q2017, with Automotive (+30.9%) and Insulation (+22.5%).

Over **9M2017**, combined sales increased by +7.8% from EUR 1,004.1 million to **EUR 1,082.8 million**, including a negative currency impact of EUR -10.6 million (-1.0%). All segments reported higher sales, except Bedding which contracted by -6.9%.

### Breakdown of **combined** sales by segment (unaudited)

<i>in million EUR</i>	2016		2017		Δ	Δ
	3Q	9M	3Q	9M	3Q y-o-y	9M y-o-y
Flexible Foams	141,3	451,6	148,6	466,2	5,2%	3,2%
Bedding	70,1	218,2	64,9	203,2	-7,5%	-6,9%
Insulation	59,0	177,2	72,4	201,6	22,5%	13,8%
Automotive	64,2	211,2	84,1	257,6	30,9%	22,0%
Eliminations	( 16,7)	( 54,0)	( 14,0)	( 45,7)	-16,0%	-15,3%
<b>TOTAL COMBINED SALES</b>	<b>318,1</b>	<b>1 004,1</b>	<b>356,0</b>	<b>1 082,8</b>	<b>11,9%</b>	<b>7,8%</b>
Adjustment for joint ventures by application of IFRS 11	( 68,0)	( 219,6)	( 77,1)	( 237,9)	13,5%	8,3%
<b>TOTAL CONSOLIDATED SALES</b>	<b>250,1</b>	<b>784,5</b>	<b>278,9</b>	<b>844,9</b>	<b>11,5%</b>	<b>7,7%</b>

### A. Flexible Foams

**Combined sales** increased from EUR 141.3 million in 3Q2016 to **EUR 148.6 million in 3Q2017** (+5.2%), including exchange rate differences (-1.0%). Excluding intersegment sales, **combined external sales** increased by +5.8% to **EUR 136.6 million**. Strong growth in Technical Foams (+12.9%) was complemented by a limited increase in Comfort (+1.3%).

Over **9M2017**, **combined sales** increased from EUR 451.6 million in 9M2016 to **EUR 466.2 million** (+3.2%), including exchange rate differences (-1.0%). Excluding intersegment sales, **combined external sales** increased by +3.9% to **EUR 427.9 million**.

## B. Bedding

**3Q2017 Combined sales** decreased by -7.5% from EUR 70.1 million in 3Q2016 to **EUR 64.9 million**, including a -0.4% impact from exchange rate differences. Excluding intersegment sales, combined external sales decreased by -4.1% to EUR 63.3 million in 3Q2017. Both sub-segments reported lower sales: sub-segment Branded Products -3.5% and sub-segment Non-Branded/Private Label -5.0% in difficult market conditions in Germany.

Over **9M2017, combined sales** decreased from EUR 218.2 million in 9M2016 to **EUR 203.2 million** (-6.9%), including exchange rate differences (-0.1%). Excluding intersegment sales, combined external sales decreased by -3.6% to EUR 197.0 million. While the decrease was limited in the sub-segment Branded Products (-1.4%), the sub-segment Non-Branded/Private Label declined by -7.0% including a continued rationalisation of the mix.

## C. Insulation

After a strong 1Q2017 (+10.5%) and 2Q2017 (+8.4%), **3Q2017 sales** increased by +22.5% from EUR 59.0 million to **EUR 72.4 million**, including a negative currency impact of the GBP (-1.9%). Volumes sold were about 5% lower than 3Q2016, not due to weaker demand, but as a consequence of the supply shortage of MDI. Lower volumes have been more than compensated by the selling price increases which had to be implemented following the substantial rise in chemical raw material prices (MDI).

Over **9M2017**, sales increased by +13.8% from EUR 177.2 million to **EUR 201.6 million**, including exchange rate differences (-2.8%), with volumes sold at the same level as 9M2016.

As announced in the press release of 21 June 2017, Recticel will establish a new manufacturing unit in Finland, which will enable mid-term growth in Scandinavia, the Baltics and Russia. The project is on schedule to start production in the course of 4Q2018.

## D. Automotive

After a strong 1Q2017 (+14.5%) and 2Q2017 (+21.7%), **combined sales** further accelerated from EUR 64.2 million to **EUR 84.1 million** (+30.9%) in **3Q2017**, including a currency impact of +0.2%. The Automotive segment is benefitting from strong volumes on running programs as well as the new program start-ups. Both sub-segments reported higher sales.

The sub-segment Interiors grew by +37.3%. This growth was driven by the gradual start-up of scheduled new programs, as well as strong market demand for several car models.

The sub-segment Seating (i.e. Proseat, the 51/49 joint venture between Recticel and Woodbridge) reported +24.1% higher sales, also benefiting from strong market demand.

Over **9M2017** combined sales increased from EUR 211.2 million to **EUR 257.6 million** (+ 22.0%), with almost no material impact from exchange rate differences (+0.1%). Both sub-segments have increased their sales significantly: Interiors with +33.6% to EUR 137.6 million, and Seating with +10.9% to EUR 120.0 million.

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

## **2. CONSOLIDATED DATA**

- **3Q consolidated sales:** from EUR 250.1 million to EUR 278.9 million (+11.5%)
- **Year-to-date 9M sales:** from EUR 784.5 million to EUR 844.9 million (+7.7%)
- **Consolidated net financial debt<sup>1</sup>:** EUR 114.4 million (30 June 2017: EUR 117.5 million; 30 September 2016: EUR 108.5 million)

1 Excluding the drawn amounts under non-recourse factoring/forfeiting programs: EUR 66.9 million per 30 September 2017 versus EUR 54.7 million per 30 September 2016 and EUR 70.8 million per 30 June 2017.

## **3. FINANCIAL POSITION**

On 30 September 2017, the **combined net financial debt** amounted to **EUR 151.6 million** (30 June 2017: EUR 151.4 million; 30 September 2016: EUR 131.9 million) excluding the amount of EUR 66.9 million drawn under the factoring programs (30 June 2017: EUR 70.8 million; 30 September 2016: EUR 60.4 million).

**Total combined net debt**, including amounts drawn under off-balance non-recourse factoring programs, amounted to **EUR 218.5 million** (30 June 2017: EUR 222.2 million; 30 September 2016: EUR 192.3 million) and follows the seasonal working capital build-up in combination with the effect of higher raw material prices and consequently higher selling prices, as well as the growth in the Automotive segment.

On 30 September 2017, the **consolidated net financial debt** amounted to **EUR 114.4 million** (30 June 2017: EUR 117.5 million; 31 September 2016: EUR 108.5 million) excluding the amount of EUR 66.9 million drawn under the factoring programs (30 June 2017: EUR 70.8 million; 30 September 2016: EUR 54.7 million).

**Total consolidated net debt**, including amounts drawn under off-balance non-recourse factoring programs, amounted to **EUR 181.3 million** (30 June 2017: 188.3 million; 30 September 2016: 163.2 million)

The off-balance 'forfeiting' programs have been discontinued as from 31 December 2016.

#### **4. AUTOMOTIVE INTERIORS – CZECH REPUBLIC**

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

Recticel and its customers, supported by the affected OEMs PSA Peugeot Citroën, Renault, Daimler, BMW and Volkswagen, have actively cooperated since then to fully restore contractual deliveries, which has now happened.

Since 27 January 2017, intense engineering and contractor work has taken place in Most and the plant is now totally rebuilt and operational since mid-October 2017.

RAI Most s.r.o. is insured according to industry standards. At the end of the 1<sup>st</sup> half 2017, the net non-recurring financial impact were assessed at EUR -4.9 million, being the result of the very important additional operational costs, which were compensated to a large extent by insurance advances. Given that the Most plant has not been fully operational during the 3<sup>rd</sup> quarter of 2017, additional non-recurring costs have been incurred. It is expected that additional non-recurring costs and income will be taken over the remainder of 2017.

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

#### **5. MISCELLANEOUS**

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

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

While Recticel cannot yet estimate the financial impact of this issue, it expects that all costs and damages in this regard will be recuperated from the supplier and/or insurance companies.

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## **Glossary**

### • **IFRS measures**

Combined (figures)	: Figures including Recticel's pro rata share in the joint ventures, after elimination of intercompany transactions, in accordance with the proportional consolidation method.
Consolidated (figures)	: Figures following the application of IFRS 11, whereby Recticel's joint ventures are integrated on the basis of the equity method.
EBITDA	: = EBIT + depreciation, amortisation and impairment on assets.
Net financial debt	: Interest bearing financial debts at more than one year + interest bearing financial debts within maximum one year – cash and cash equivalents + Net marked-to-market value position of hedging derivative instruments. The interest-bearing borrowings do not include the drawn amounts under non-recourse factoring/forfeiting programs

### • **Alternative Performance Measures**

In addition, the Group uses alternative performance measures (Alternative Performance Measures or "APM") to express its underlying performance and to help the reader to better understand the results. APM are not defined performance indicators by IFRS. The Group does not present APM as an alternative to financial measures determined in accordance with IFRS and does not give more emphasis to APM than the defined IFRS financial measures.

Gearing	: Net financial debt / Total equity
Non-recurring elements	: Non-recurring elements include operating revenues, expenses and provisions that pertain to restructuring programmes (redundancy payments, closure & clean-up costs, relocation costs,...), reorganisation charges and onerous contracts, impairments on assets ((in)tangible assets and goodwill), revaluation gains or losses on investment property, gains or losses on divestments of non-operational investment property, and on the liquidation of investments in affiliated companies, gains or losses on discontinued operations, revenues or charges due to important (inter)national legal issues.
REBIT	: = EBIT before non-recurring elements.
REBITDA	: = EBITDA before non-recurring elements
Total net financial debt	: = Net financial debt + the drawn amounts under off-balance sheet non-recourse factoring/forfeiting programs

## **Uncertainty risks concerning the forecasts made**

This press report contains forecasts which entail risks and uncertainties, including with regard to statements concerning plans, objectives, expectations and/or intentions of the Recticel Group and its subsidiaries. Readers are informed that such forecasts entail known and unknown risks and/or may be subject to considerable business, macroeconomic and competition uncertainties and unforeseen circumstances which largely lie outside the control of the Recticel Group. Should one or more of these risks, uncertainties or unforeseen or unexpected circumstances arise or if the underlying assumptions were to prove to be incorrect, the final financial results of the Group may possibly differ significantly from the assumed, expected, estimated or extrapolated results. Consequently, neither Recticel nor any other person assumes any responsibility for the accuracy of these forecasts.

## **Financial calendar**

Third quarter 2017 trading update	31.10.2017 (at 07:00 AM CET)
Annual Results 2017	26.02.2018 (at 07:00 AM CET)
First quarter 2018 trading update	26.04.2018 (at 07:00 AM CET)
Annual General Meeting	29.05.2018 (at 10:00 AM CET)
First half-year 2018 results	29.08.2018 (at 07:00 AM CET)
Third quarter 2018 trading update	31.10.2018 (at 07:00 AM CET)

## **For additional information**

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## **Recticel in a nutshell**

Recticel is a Belgian Group with a strong European dimension, but it also operates in the rest of the world. Recticel employs 7,925 people in 98 establishments in 28 countries.

Recticel contributes to daily comfort with foam filling for seats, mattresses and slat bases of top brands, insulation material, interior comfort for cars and an extensive range of other industrial and domestic applications.

Recticel is the Group behind well-known bedding brands (Beka®, Lattoflex®, Literie Bultex®, Schlaraffia®, Sembella®, Swissflex®, Superba®, Ubica®, etc.) and GELTEX® inside. Within the Insulation sub-segment high-quality thermal insulation products are marketed under the well-known brands Eurowall®, Powerroof®, Powerdeck®, Powerwall® and Xentro®. Technological progress and innovation have led to breakthrough at the biggest names in the Automotive industry thanks to Colo-fast®, Colo-Sense® and Colo-Sense Lite®.

In 2016 Recticel achieved combined sales of EUR 1.35 billion (IFRS 11 consolidated sales: EUR 1.05 billion).

Recticel (Euronext: REC – Reuters: RECTt.BR – Bloomberg: REC:BB) is listed on Euronext in Brussels.

The press release is available in English, Dutch and French on the website [www.recticel.com](http://www.recticel.com)