2020 ANNUAL REPORT

PICANOL GROUP

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The statement of non-financial information is included in a separate sustainability report and this is published on the company's website. This separate report constitutes the declaration of non-financial information of the group and meets the requirements of art. 3:6, § 4, and art. 3:32, § 2, of the Companies Code.

COMPANY PROFILE

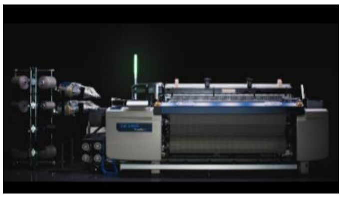
Picanol Group is a diversified industrial group and it is active worldwide in the fields of mechanical engineering, agriculture, food, energy, water management, the efficient (re)use of natural resources and other industrial markets with a focus on water. The group's products are used in a variety of applications, industrial and consumer markets.

Picanol Group has approximately 7,000 employees worldwide and is listed on Euronext Brussels (PIC) via Picanol nv. Picanol Group was founded in 1936. Since 2013, Picanol Group has also had a reference interest in Tessenderlo Group (Euronext: TESB), and since 2019, Tessenderlo Group has been fully consolidated in the results.

Picanol Group in 2020:

Consolidated turnover:	2,188.5 million EUR
Number of employees:	7,000
Euronext Brussels:	PIC
Web:	www.picanolgroup.com

Picanol Group's activities are divided into five business segments:



The segment **Machines & Technologies** includes the activities Weaving Machines (Picanol), the foundry and mechanical finishing (Proferro) and the development and production of electronics (PsiControl).

The **Agro** segment combines our activities in the production, trading and marketing of crop nutrients (liquid crop fertilizers and potassium sulfate fertilizers, based on sulfur) and crop protection products.

Our activities in animal by-product processing are combined in the **Bio-valorization** segment. This consists of PB Leiner (the production, trading and sales of gelatins and collagen peptides) and Akiolis (the rendering, production, trading and sales of proteins and fats).

The **Industrial Solutions** segment includes products, systems and solutions for the handling, processing and treatment of water, including flocculation and depressants.

The **T-Power** segment includes the combined cycle gas turbine (CCGT) with a 425 MW capacity in Tessenderlo (Belgium).

Activity report 2020

2020 HIGHLIGHTS

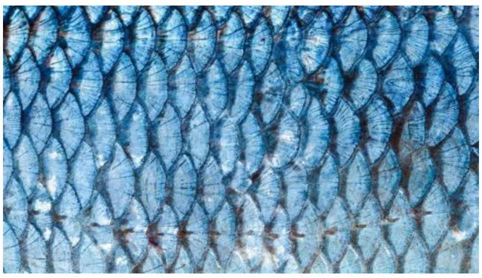
Within the Machines & Technologies segment, in September 2020, Picanol launched the new TerryPlus-*i*, which is the most efficient and versatile airjet weaving machine on the market for terry weaving.

Proferro (Machines & Technologies segment) is currently investing in an automatic high-bay warehouse in Ieper that will come into operation in the spring of 2021.

PsiControl (Machines & Technologies segment) is currently constructing a new factory in Rasnov (Romania). The works should be completed by the end of 2021.

In 2020, Tessenderlo Kerley International (Agro segment) signed a long-term partnership agreement with an international partner to produce premium SOP fertilizers (both standard and water-soluble grade) at a plant in Helsingborg (Sweden). Tessenderlo Kerley International will market these products. This agreement became operational at the beginning of 2021.

Within the Bio-valorization segment, PB Leiner inaugurated a new collagen peptides line in February 2020 at its production plant in Santa Fe (Argentina). This additional production facility allows for a considerable extra production volume of SOLUGEL® collagen peptides.



PB Leiner and Zhejiang Shengda Ocean Co., Ltd. in Zhoushan (P.R. China) have established a joint venture in the second quarter of 2020 for the construction of a marine collagen peptides plant. Under the terms of this agreement, PB Shengda (Zhejiang) Biotechnology Co., Ltd. will produce marine collagen peptides based on PB Leiner's technology. PB Leiner will offer its customers an even more diversified range of high-quality collagen peptides.

In the second quarter of 2020, DYKA Group (Industrial Solutions segment) completed the acquisition of a production plant in La Chapelle-Saint-Ursin (France).

Within the Industrial Solutions segment, S8 Engineering has ceased to exist. The engineering and construction activities were integrated into Tessenderlo Kerley, Inc. in the first quarter of 2020.

At the beginning of July 2020, Tessenderlo Group started filing the relevant applications in order to participate in the Belgian Capacity Remuneration Mechanism (CRM) tender for the construction of a second gas-fired power station in the Belgian municipality of Tessenderlo.

- In September 2020, an incident occurred at the Bakken plant (North Dakota, USA) when a fire, which was caused by lightning, resulted in the loss of the production assets of Environmentally Clean Systems LLC (Industrial Solutions segment). Following this incident, the group will be reviewing the future of ECS as a viable business.

After the balance sheet date:

- Within the Agro segment, the business unit Tessenderlo Kerley International will build a new liquid fertilizer plant in Western Europe. Upon receiving the necessary permits and approvals, it will begin the construction of a Thio-Sul® (ammonium thiosulfate) manufacturing plant in Geleen (the Netherlands). The plant is currently scheduled to start production in Q2 2023.

- Tessenderlo Kerley International is also studying a major Thio-Sul® investment in the Eastern European/CIS region as to support quality and productivity increases of agriculture in that region.

- In the first quarter of 2021, Tessenderlo Group created a new growth unit, ‘Violleau’, to support the growth of organic agricultural solutions in Europe. This growth unit will be part of the Bio-valorization segment.

- On March 16, 2021, Picanol Group acquired a 10% minority stake in Rieter Holding AG (SWX: RIEN), amounting to a total of 467,236 shares for a price of 45.4 million EUR (or a price per share of 107.5 CHF). Rieter is the world’s leading supplier of systems for short-staple fiber spinning.

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2020 was unquestionably a very challenging year for our employees. They spent much of the year locked in a constant battle to keep our supply chain afloat. As a group, we adapted quickly to the many challenges presented by COVID-19 and this involved us taking all the necessary steps to keep our people safe and keep our plants and businesses running. Impressively, our people showed magnificent team spirit and dedication from the start of the pandemic by working very closely together (whilst obviously respecting social distancing requirements) and this meant that we were able to maintain our production and service levels during this unprecedented year. To this end, we would like to take this opportunity to say a big thank you to all of our employees who really did go the extra mile last year.

In 2020, Picanol Group realized a consolidated revenue of 2,188.5 million EUR, in line with the 2,221.4 million EUR in 2019. Machines & Technologies experienced a decline in revenue (-6%), mainly as a result of the impact of the COVID-19 pandemic on the global machine market in the first half of 2020. The revenue of Bio-valorization increased by +7.1% when excluding the foreign exchange effect, while a decrease could be noted in the other segments (Industrial Solutions: -2.7%, T-Power: -2.2% and Agro: -1.9%). The 2020 Adjusted EBITDA amounts to 361.7 million EUR, compared to 279.9 million EUR in 2019. Picanol Group closed 2020 by recording a net profit of 55.4 million EUR compared to 41.7 million EUR in 2019.

2020 also involved the continuation of our robust investment program. This is because we remain fully committed to strengthening our fields of competence and expertise, as we truly believe in the value of our products for the future. This investment program applies to all of our business units.

Within the Machines & Technologies segment, in September 2020, Picanol launched the new TerryPlus-*i*, which is the most efficient and versatile airjet weaving machine on the market for terry weaving. In Ieper, Proferro is currently investing in an automatic high-bay warehouse that will come into operation in the spring of 2021. Meanwhile, PsiControl is currently constructing a new factory in Rasnov (Romania). The works should be completed by the end of 2021.

Within the Agro segment, we signed a long-term partnership agreement to produce premium SOP fertilizers at a plant in Helsingborg (Sweden) and Tessenderlo Kerley International is marketing these products.

Meanwhile, within the Bio-valorization segment, PB Leiner inaugurated a new collagen peptides line at the production plant in Santa Fe (Argentina). This additional production facility has enabled a considerable extra production volume of SOLUGEL® collagen peptides. PB Leiner and Zhejiang Shengda Ocean Co., Ltd. in Zhoushan (P.R. China) have established a joint venture in 2020 for the construction of a marine collagen peptides plant. This joint venture, PB Shengda (Zhejiang) Biotechnology Co., Ltd. will produce marine collagen peptides based on PB Leiner's technology and PB Leiner will be offering its customers an even more diversified range of high-quality collagen peptides.

Also in 2020, DYKA Group (Industrial Solutions segment) completed the acquisition of a production plant (mainly for pipes) in La Chapelle-Saint-Ursin (France). This strategically significant acquisition was especially positive as France has been pinpointed as an extremely critical market by DYKA Group regarding its wastewater plastic pipe systems. We hope that this increased presence will result in some great opportunities in the years ahead.

And last but not least, in 2020, we started filing the relevant applications in order to participate in the Belgian Capacity Remuneration Mechanism (CRM) tender for the construction of a second gas-fired power station in the Belgian municipality of Tessenderlo. If we are successful in the CRM auction, the new power plant should be operational by November 1, 2025.

In 2020, we also continued on the path towards further strengthening our innovation capabilities. This has involved a sustained organizational focus on business development and innovation portfolio management in all of our businesses. In this connection, PB Leiner launched several new product developments in 2020. These included gelwoRx™, which is a new product family that has been created to efficiently address the needs of the health care sector. And following the release of our first gelatin bio-ink in the Claro™ series of tissue-engineering products in 2019, we have continued to make further investments, work on scientific developments, and we've set-up partnerships.

In 2020, Picanol Group remained once again focused on the automation and robotization of our production plants, product development, sustainability in all our activities, the digitalization of our processes, increasing logistics efficiencies, debottlenecking plants, implementing coordinated procurement and sourcing activities, profitable growth and customer focus in order to better serve the markets in which we operate. All of these initiatives, combined with a constant focus on operational excellence, will enable us to lay a solid foundation for the future development of Picanol Group.

Dividend
At the annual shareholders' meeting of May 17, 2021, the Board of Directors will propose to the shareholders not to pay out a dividend for the 2020 financial year.

Outlook
The following statements are forward looking and actual results may differ materially.

The group anticipates a continued high level of uncertainty in the first half of 2021 due to the ongoing COVID-19 pandemic, where the development of customer demand and margin is likely to be exposed to increased risk. However, based on the current situation, Picanol Group is anticipating an Adjusted EBITDA for the full financial year 2021 that will be in line with that of 2020. This guidance already takes into account the expected negative foreign exchange effect in 2021, following the weakening of the USD at the time of writing. The group would like to emphasize that it currently operates in a volatile political, economic and financial environment.

On behalf of the Board of Directors, we would like to thank everyone who contributed to the success of Picanol Group during 2020. This includes our employees for their loyalty and commitment, as well as our shareholders, customers and business partners for the trust that they continue to show in our group.

Kind regards,

Luc Tack	Stefaan Haspeslagh
CEO	Chairman of the Board of Directors

Note: For some explanations on the financial statements of Picanol nv, please refer to page 124 of this annual report.

MACHINES & TECHNOLOGIES SEGMENT

Picanol Group's Machines & Technologies segment comprises the development, production and sale of high-tech weaving machines (Picanol), foundry and mechanical finishing (Proferro), and electronics development and production (PsiControl).

PRODUCTION LOCATIONS

Belgium (1), Romania (1) and China (1). Sales offices for weaving machines, spare parts and after-sales services in Brazil, China, India, Indonesia, Mexico, Turkey and the USA.

CORE MARKETS

Machines and technology

AREA OF ACTIVITIES

Development, production, sales and service of high-tech weaving machines (Picanol), foundry and mechanical finishing (Proferro) and electronics development and production (PsiControl).

BUSINESS DRIVERS

- Rising demand for textiles due to a globally expanding middle class.
- Rising demand for complex cast iron parts.
- Rising demand for electronics due to digitalization of machines and processes.
- The development of technology and big data.

STRATEGIC FOCUS

Picanol:

- To further expand the product range of weaving machines and offer applications for new market segments.
- To further strengthen (weaving) performance, the quality of our products and services and to support our customers' cost competitiveness.

Proferro:

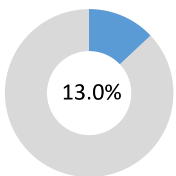
- The 3-pillar strategy, casting-finishing-assembly.

PsiControl:

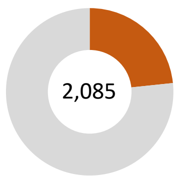
- Custom-made controllers for medium-sized series, and expertise in Electronic Manufacturing Services (EMS).

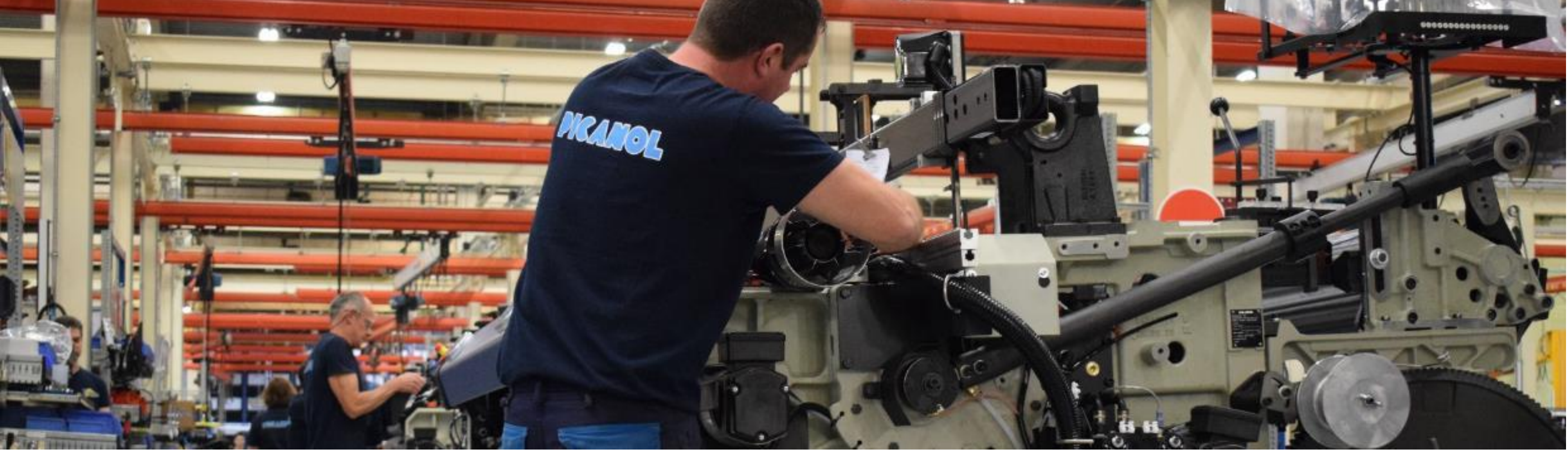
KEY NUMBERS

Share of Adjusted EBITDA



Headcount (FTE)





PICANOL

- **Who are we?**
  Picanol develops, manufactures and sells high-tech weaving machines featuring insertion by means of airjet or rapier technology. Picanol supplies weaving machines to weaving mills in more than 100 countries worldwide, and also provides customers with products and services such as weaving frames, training courses, upgrade kits, and spare parts. Picanol has been an international pioneer in the fields we operate in for 85 years, and we are among the world's top weaving machine manufacturers.

  Picanol supplies weaving machines for general textile applications, such as denim (jeans), shirt fabric, toweling, and household & interior textiles. Picanol also supplies weaving machines for niche applications, such as technical textiles for airbags, medical applications, parachutes, and tire cord.

  In addition to our headquarters in Belgium (Ieper), Picanol has a production facility in China, Picanol (SIP) Textile Machinery, coupled to our own worldwide service and sales network. The Picanol slogan, “Let's grow together”, refers to our strong customer orientation, our focus on maximum performance, and our continuous innovation of machines and components.

- **Business in 2020**
  2020 started with a positive outlook. After the strong growth of the order book in Suzhou at the end of 2019, orders in Ieper were also increasing strongly, leading to preparations for an increase in production capacity at both locations. However, due to the impact of the COVID-19 pandemic on the global machinery market, Picanol was then faced with stagnating global demand for weaving machines. A gradual market recovery started in the second half of the year, with a very strong fourth quarter for the Suzhou plant. By the end of 2020, there was also a clear increase in incoming orders in Ieper. Further capacity expansions were prepared, both in Ieper and Suzhou. COVID-19 also illustrated some of our strengths: we were able to quickly restart production in Suzhou and Ieper. The presence of our own local teams in the important textile countries also made it possible for us to stay close to our customers in terms of sales and service, despite the travel restrictions in place.

  Most of the textile machinery fairs where Picanol would have had a physical presence in 2020 were cancelled or postponed to 2021. Against this background, Picanol increased our online efforts on our website, app, and social media in 2020. In addition, for the first time in our history, a brand new airjet weaving machine was launched virtually. The new TerryPlus-*i* is the market’s most efficient and versatile airjet weaving machine for terry cloth. With this launch, Picanol set a new standard in terry cloth weaving. The TerryPlus-*i* distinguishes itself by, among other things, providing the highest industrial speeds on the market, combined with the best fabric quality and the most complex terry designs. It uses the OmniPlus-*i* technology launched in 2019.

The following four principles are always at the heart of weaving machine development: Smart Performance, Sustainability Inside, Driven by Data, and Intuitive Control. In 2020, the most important R&D focal points were also the development of weaving machines with higher performance, material efficiency, user-friendliness, easier adjustability, far-reaching use of sensors and digitalization with a view to future connectivity.

In the first half of 2020, Picanol reached a new milestone with the production of our 100,000th rapier weaving machine (OptiMax-*i*) in Ieper. This confirmed our leading role in the global market for rapier weaving machines. In the second half of the year, the millionth frame was produced in Picanol's Frame Division. These frames, which are a crucial component of the weaving machines, have been shipped all over the world with new Picanol machines and have also been sold directly to weaving mills. In 2020, Picanol continued to invest in the renewal and modernization of our production sites and continued our work at the Ieper plant, on our way to becoming the (manufacturing) company of and for the future. In combination with further productivity and quality improvements, the Ieper site aims both to improve our own competitive position and to enable our customers to be more competitive.

- **Outlook**

  Picanol expects the order book to improve in the first half of 2021, compared to the previous year. However, it remains difficult to estimate the impact of COVID-19 and some geopolitical uncertainties.

  In 2021, Picanol will keep building on its technological leadership by further extending its weaving machine product range and offering applications for new market segments. The main challenges continue to be the further strengthening of (weaving) performance, product quality and service, as well as helping to strengthen the customers' cost competitiveness – and to do all of this in the most sustainable way. At the same time, previously launched initiatives on connectivity and digitalization will continue undiminished.

  In the areas of product development, sourcing, and assembly, Picanol will intensify its efforts to further improve both productivity and process efficiency.

PROFERRO

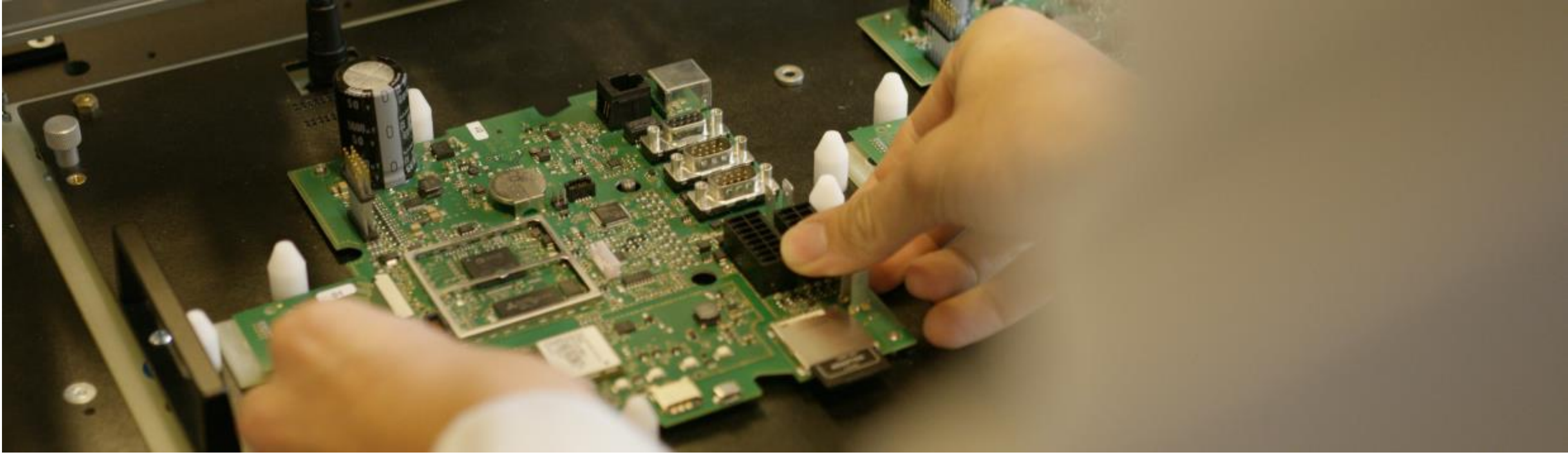
- **Who are we?**
  Proferro performs all casting and mechanical finishing activities for Picanol Group. Proferro offers engineered casting solutions for medium-sized series of 500 to 20,000 pieces, in a long-term partnership context. The company produces parts in lamellar and nodular cast iron from 20 to 500 kg, with box dimensions of 1600x1200x(2x400). The group offers a range of in-house mechanical finishing for the production of both prototypes and series, utilizing very diverse technologies such as CNC milling, gear cutting, grinding, and heat treatment.

  Proferro supplies original equipment manufacturers worldwide, in various market segments such as agricultural machinery, earthmoving machinery, compressors, textile machinery, and general mechanical engineering. By combining casting, mechanical finishing, assembly, and co-design, Proferro can successfully respond to the increasing demand for larger, more technically challenging, core-intensive parts.

- **Business in 2020**
  Lower demand from Picanol was reflected at Proferro through a sharp downturn in weaving machine parts. Activities for external customers in market segments such as compressors and agriculture held up, despite production stops at many customers due to the COVID-19 pandemic. The 3-pillar strategy of casting-finishing-assembly and the HWS molding line are increasingly valued by the market.

  In 2020, Proferro invested in the further renovation and automation of our production facilities, including the installation of a new deburring robot and six new CNC machines for the milling of castings. The focus was on high-level production continuity, with due regard for employee health and safety. In 2020, Proferro also commenced with the construction of a new, high-bay warehouse reaching 32 meters in height. This will be the logistics hub of Proferro, with automated storage for more than 10,000 pallets and four automatic cranes, and it will be closely connected to both production and the new, multi-dock, loading and unloading area.

- **Outlook**
  In 2021, Proferro is counting on growing demand in various market segments – for weaving machines and customers in other segments. In 2021, Proferro will keep focusing on broadening its customer portfolio, both in castings and mechanical finishing. The company will continue to invest, for example in a new induction hardening machine. The new high-bay warehouse is scheduled for use with effect from April 2021.



PSICONTROL

- **Who are we?**
  With offices in Ieper (Belgium) and Rasnov (Romania), PsiControl focuses on the design, development, production, and support of custom-made controllers. PsiControl offers tailor-made solutions based on real-time controllers. Our proprietary platforms reduce development time and enable high-performance, price-friendly solutions.

  PsiControl has research, development, and prototyping departments in Ieper and purchasing, production, and service activities in both Ieper and Rasnov. PsiControl focuses mainly on industrial customers, for whom reliability is crucial. Today it supplies various sectors, such as textile machinery, compressors, HVAC, and fleet management.

- **Business in 2020**
  Despite lower off-take from Picanol and production interruptions at many customers due to the COVID-19 pandemic, PsiControl had a good year. We continued to focus on our custom-made controllers for medium-size series and our expertise in Electronic Manufacturing Services (EMS). In terms of technology, PsiControl's main focus in 2020 was on HMI, touch systems, and connectivity. We focused on high production continuity, with attention being placed on employee health and safety.

  In September 2020, PsiControl participated in Caravan Salon in Düsseldorf, which is the largest international event for caravans and camping. The significant growth of the caravan sector brings with it increased demand for connectivity and user-friendly touch controls, and this creates many opportunities for PsiControl. In 2020, PsiControl had already started the construction of a new production facility in Rasnov (Romania).

- **Outlook**
  The outlook for PsiControl, in the various customer segments in which we operate, is positive. In 2021, PsiControl will continue to concentrate on technological focal points and process improvements. Construction work on the new production facility in Romania is scheduled to be completed by the end of 2021.

AGRO SEGMENT

Our Agro segment combines Tessenderlo Group's activities in the production, trading and marketing of crop nutrients (liquid crop fertilizers and potassium sulfate fertilizers, based on sulfur) and crop protection products.

PRODUCTION LOCATIONS	15 production plants: US (12 production plants and more than 100 terminals), Belgium (1), France (1) and Turkey (1), and 10 terminals in Europe and Mexico.
CORE MARKETS	Agriculture
AREA OF ACTIVITY	Value-added specialty liquid, solid and soluble fertilizers, and crop protection products with a focus on precision agriculture applications.

BUSINESS DRIVERS

- Growing population.
- Increased demand for quality fertilizers for modern and sustainable precision agriculture and crop protection products.
- To support efficient water management.

STRATEGIC FOCUS

Crop Vitality™/Tessenderlo Kerley International:

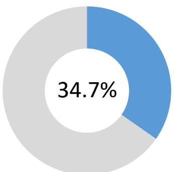
- To maintain our global leadership position in selective specialty liquid and soluble SOP fertilizers, while expanding further into key target markets in the Americas, Europe, Middle East and Australia.
- To expand the product portfolio and applications offerings to strengthen our position in specialty niche markets.
- To develop and provide sustainable organic agricultural solutions.
- To build a global network of connected technical experts and storage.
- To focus on expanding market share by providing continuous education throughout the value chain with a view to increasing food production in a sustainable manner.
- To continuously improve the cost efficiency of our production processes and supporting departments while optimizing our customer-centered supply chain.
- To optimize our energy footprint.

NovaSource®:

- To expand the product portfolio through acquisitions.
- To maintain product registrations, register and market our current and acquired products in additional countries.
- To identify, develop, register and market new uses of current and acquired products.

KEY FIGURES

Share of Adjusted EBITDA



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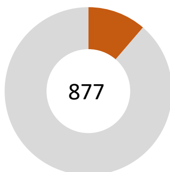


CROP VITALITY

- **Who are we?**
  Crop Vitality provides world-class crop nutrient products and is the world's leading producer of sulfur-based crop nutrition products used in the agriculture industry. Crop Vitality offers a diverse portfolio of products that are vital to crop health, including Thio-Sul®, KTS®, K-Row 23®, CaTs®, GranuPotasse®, and SoluPotasse®. Our experienced team of agronomic experts and our comprehensive network of production and distribution facilities makes us a preferred partner in the US and Canadian markets.

  Crop Vitality's product portfolio exemplifies how we help to nurture crop health by providing the essential nutrients that plants require. "Nurturing Crop Life" is not just our tagline, it signifies our passion to deliver vital elements for optimal plant and soil health. Our products represent our core competence – sulfur. This vital nutrient emphasizes our commitment to upholding sustainable agricultural practices that use science-based management plans, such as 4R Nutrient Stewardship, in order to minimize environmental impact. Our priority is to improve continually with the aim of realizing the highest quality, environmentally friendly, and sustainable products. Our Crop Vitality Learning Center, which is located in Dinuba, California (US), performs key research on crop nutrition, and it both develops and tests products to assure optimal plant health. These activities provide valuable insights and resources to crop growers.

- **Business in 2020**
  Along with the normal business challenges, we also faced additional challenges and opportunities in 2020 during the COVID-19 pandemic. Decreased oil consumption slowed refinery operations and this reduced sulfur supply. However, through our strong network of valued partners and storage capacities, we were still able to secure raw materials and serve our customers' needs.

- **Outlook**
  Global food prices continue to climb, as does the demand for fertilizers. Our quality crop nutrition products have been integral in maintaining the ability of growers to optimize the health of their crops and keep delivering quality crops. As we continue to navigate through the demands of the pandemic, we will focus on maintaining our strategic partnerships with our valued suppliers and customers.

TESSENDERLO KERLEY INTERNATIONAL

- **Who are we?**
  Tessenderlo Kerley International supplies value-added liquid, soluble, and solid plant nutrition to support growers in realizing efficient and sustainable agriculture. Our global team of agronomists and commercial advisers is characterized by a strong customer focus and has an outstanding heritage. This is because we are able to build on the 100 years of expertise at Tessenderlo (in solid and soluble potassium-based fertilizers) and the 70 years of expertise at Kerley (in liquid fertilizers). Our dedication to giving farmers the precise tools needed to optimize their crops is at the very heart of everything we do. Our portfolio consists of well-recognized specialty fertilizers such as SoluPotasse®, Thio-Sul®, KTS®, CaTs®, K-Leaf®, etc., and we continuously invest in these products in terms of innovation, product development, and support. This is how we can guarantee that all of our interventions – whether they involve our products, our experts, or our advisers – will create maximal output: i.e. a better yield for crops, more control for farmers, and a healthier planet for everyone.

- **Business in 2020**
  During 2020, Tessenderlo Kerley International continued to execute the long-term strategy and made progress in driving top-line growth while strengthening the growth foundations. Recruiting commercial and agronomical talent in new markets, running a portfolio of trials, developing new customers/applications, expanding and upgrading our existing manufacturing facilities, and setting up new supply chains are just a few examples of how we are strengthening these growth foundations.

  With regard to liquid fertilizers, the Thio-Sul® manufacturing plant in Rouen (France), celebrated its third full year of operation and it was further expanded. This illustrates the widespread adoption of Thio-Sul® as a liquid fertilizer, complementing sulfur nutrition and limiting nitrogen losses for broad-acre crops. For the sulfate of potash (SOP) product family, the market was overall more challenging given the additional competitive pressures. The premium water-soluble SOP segment, where Tessenderlo Kerley International holds a leading position with its flagship product SoluPotasse, remained robust. We are continuing to progress in regard to even further strengthening our market position in the long-term, i.e. focusing on high-quality products and services that are well-recognized in terms of global market reach and our strong local connection with different stakeholders in the chain.

- **Outlook**
  In 2021, Tessenderlo Kerley International will continue to execute its strategy of profitable growth, including expanding the frontline team, strengthening the go-to-market channels, building agronomical know-how, and driving excellence throughout the value chain. As the value proposition of the liquid fertilizers is increasingly being recognized and valorized by customers in the regions where we currently operate, additional prioritized markets will be developed. Tessenderlo Kerley International will build a new liquid fertilizer plant in Europe. Upon receiving the necessary permits and approvals, it will begin the construction of a Thio-Sul® (ammonium

thiosulfate) manufacturing plant in Geleen (the Netherlands). The construction of this plant is currently scheduled for the second quarter of 2023. Tessenderlo Kerley International is also studying a major investment in the broader Eastern European/CIS region with the aim of supporting sustainable growth and a quality and productivity increase of agriculture in that region.

With the SOP products, we are strengthening the global market-leading position of our water-soluble brand, SoluPotasse®. Aligned with this strategy, Tessenderlo Kerley International signed a long-term partnership agreement to produce premium SOP fertilizers (both standard and water-soluble grade) at a plant in Helsingborg (Sweden) and Tessenderlo Kerley International started marketing these products with effect from the beginning of 2021.

While the long-term outlook clearly suggests positive growth, we have observed over the last few years that swings can occur in the agro market over the short-term. However, we are conscious that results will ultimately depend on the evolution of the agro market. We have a clear strategy for remaining at the forefront of the specialty SOP and liquid fertilizers. We will continue to consistently deliver high-quality products while improving our focus on customer service and applying the group's considerable experience in these industries.

NOVASOURCE

- **Who are we?**
  NovaSource delivers a portfolio of niche crop protection products to agriculture customers worldwide. Focusing on specialty crops, NovaSource brings value to the market using active ingredients that are proven to boost crop yields and quality. For over 10 years, NovaSource has marketed the premium crop protection product LINEX®, an agricultural herbicide, for use on potatoes, soybeans, and other crops. LINEX® provides value to the customer thanks to its effect on weeds that are difficult to control and its impressive crop safety. Other products in the NovaSource portfolio include SEVIN®, an agricultural insecticide, SECTAGON®, an agricultural fumigant, and VELPAR®, an agriculture herbicide. Through a diverse array of superior crop protection products, NovaSource protects growers' crops from a variety of damaging weeds, insects, and diseases, hence increasing the growers' yields, profitability, and predictability.

- **Business in 2020**
  In 2020, the COVID-19 pandemic introduced unprecedented variables to the agriculture industry. With fluctuating demand and labor availability, inventory levels shifted, which resulted in an increasingly competitive market. These challenges led us to build deeper relationships with our customers and gave us a better understanding of their changing needs. NovaSource was able to navigate through the global pandemic by working on the supply chain, managing transportation, and through superior customer service. Meanwhile, favorable weather in many regions of North America in 2020 also positively contributed to increased sales and the use of NovaSource's products.

- **Outlook**
  NovaSource continues to focus on expanding label uses of the existing portfolio, extending products to different geographical regions and (if possible), growing the business through acquisitions. We are collaborating on several research trials, testing variables of products and applications that will meet and exceed customer needs in key growth markets. NovaSource will continue advocacy efforts to further increase the drive towards behavioral change, growing industry knowledge regarding pesticide use for maximizing yields, and supporting land conservation.

BIO-VALORIZATION SEGMENT

Our Bio-valorization segment, which covers Tessenderlo Group's activities in animal by-product processing, consists of PB Leiner (production, trading and sale of gelatins and collagen peptides) and Akiolis (rendering, production, trading and sale of proteins and fats) with three entities (Atemax, Soleval and Violleau).

PRODUCTION LOCATIONS

PB Leiner: 3 production plants in Europe (Belgium, Germany, UK), 1 in China and 3 in the Americas (US, Argentina, Brazil).
Akiolis:
3 production plants, 28 collection centers in France (Atemax).
8 production plants, 20 collection centers in France (Soleval).
1 production plant in France (Violleau).

CORE MARKETS

Food, pharma, health & beauty, pet food, agriculture, aqua feed, animal feed, energy, biodiesel, oleochemistry, and sanitary services.

AREA OF ACTIVITY

Bio-resources, agriculture

BUSINESS DRIVERS

- Growing demand for bio-based environmentally friendly offerings in feed, food, health & beauty, fertilization, energy, and pharmaceutical and technical applications.
- Improved standards of living result in increased protein demand.
- Increased need for sanitary procedures to protect the food chain and the health of animals dedicated to human food.

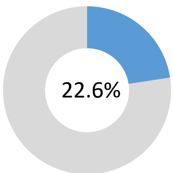
STRATEGIC FOCUS

PB Leiner:
- To optimize efficiencies on existing assets.
- To focus on customer relationships and new product development.
- To vigorously focus on realizing manufacturing excellence and the improved valorization of access to raw materials.
- To increase the focus on health & beauty (collagen peptides) and pharma.
- Valorization of fats.

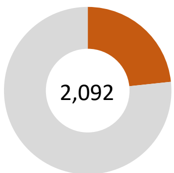
Akiolis:
- To improve the valorization of finished products in organic fertilization, pet food and aquaculture markets.
- To strengthen our position in our core business on upstream markets by pushing long-term and quality-based contracts.
- To focus on customer relationships and new product development.
- To improve efficiency in existing plants and logistics.
- To focus on sanitary service for breeders, and on quality control for slaughterhouses and butchers.
- Valorization of fats.

KEY FIGURES

Share of Adjusted EBITDA



Headcount (FTE)



PB LEINER

- **Who are we?**
  PB Leiner supplies a complete range of high-quality gelatins and collagen peptides, tailoring solutions to customer applications. PB Leiner is one of the top three players in the world in our sector. The gelatin process includes raw material (pre)treatment, collagen extraction, and gelatin purification. The overall production processes can take up to six months for specific qualities and some fractions of the gelatin are further processed into collagen peptides for health and nutrition applications. Gelatins are used in multiple markets, including food (e.g. confectionery and dairy), pharmaceuticals (e.g. capsules) and photography (e.g. film and photography paper). In most applications, gelatins are only added in small portions to the formulation, as a functional ingredient with superior characteristics. PB Leiner produces collagen and gelatin derived from pigskin, beef hide, and bone. Raw materials are mainly sourced regionally and competition for raw materials is not limited to other gelatin manufacturers, but also comprises other end-uses such as direct use as human food, pet food, and leather manufacturing. Fluctuations in the supply and demand of raw materials have an important impact on gelatin prices and availability. Securing sufficient raw material volumes is key to the business.

- **Business in 2020**
  First and foremost, 2020 was marked by the turbulence of the COVID-19 pandemic. This caused instability in the raw materials market, fluctuations in demand in the markets in which PB Leiner operates, and it required constant vigilance of the teams with regard to safety and manpower. Whereas the first half was marked by high demand and high prices in most segments, the second half of the year was characterized by a drop in demand in both the food and health & nutrition segments.

  - The turbulent times notwithstanding, PB Leiner further continued the implementation of the strategy in 2020, by focusing on Sales Excellence (by strengthening the cooperation with our key customers on supply optimization and product development) and Operational Excellence (by the debottlenecking of plants, improving quality systems, optimizing processes, and stimulating a culture of employee engagement).

  - In September 2020, several new products were launched. SOLUGEL® Dynamica has been developed specifically for application in nutritional bars and beverages, and SOLUGEL® Certified Grass-fed is the world's first collagen to be derived from certified grass-fed cattle. In the Pharma segment, a new specialty product family, gelwoRx™, was launched. Within this product family, gelwoRx™ Dsolve ensures better dissolution and faster release of capsule fillings, while gelwoRx™ Dhydra accelerates the production time of capsules.

  - 2020 saw the launch of a new joint venture with a Chinese partner: PB Shengda (Zhejiang) Biotechnology Co. will construct a new plant for the production of marine collagen. The plant is expected to be operational by 2022.

- **Outlook**

  In 2021, we will continue to ensure quality and delivery reliability for its customers, as well as invest in upgrading its plants. PB Leiner will also continue to develop close relationships with customers and will keep developing specialties in order to meet the demands and challenges of the food, pharma, and health & nutrition sectors. The long-term outlook for the gelatin and collagen markets remains positive for several reasons: the growing global middle-class population, the increased consumption of medication in the developing world, and greater health and nutrition awareness and habits in all markets. The raw material supply also remains a factor of potential instability, which is, among other things, linked to the evolution of African swine flu.

AKIOLIS

- **Who are we?**
  Akiolis specializes in rendering activities and the transformation of animal by-products into high-value proteins and fats. Our links with partners from the livestock sector, meat industry, butchers, and retailers enable us to get access to a vast array of animal materials and our industrial processes allow us to valorize our products in markets such as pet food and animal nutrition, aqua feed and lipochemistry, fertilization, gelatins, cement plants, and energy sectors. Our targets for each market are agility and service-minded operations, and a focus on our customers' needs and business key success factors. This approach will enable us to deliver products and services featuring a very high standard of quality and innovative solutions that meet the rate of development in our customers' own markets. It will also enable us to be and remain in the future a solid partner for breeders contributing to the sanitary protection of livestock and therefore the human food chain.

- **Business in 2020**
  In the context of the global COVID-19 pandemic, Akiolis carried on with our activities in France as normal, even during the lockdown periods. As a key actor in the human food chain and guarantor of the continuity of the meat supply to the French households, we continued at the same time to collect raw materials and deliver animal ingredients to our customers in various essential sectors, such as pet food, aqua feed, lipochemistry, gelatins, and energy. Thanks to a strict collective application of measures and the individual commitment of the teams, all collection centers and plants went through the pandemic without suffering a significant impact, while telecommuting was implemented as often as possible in the support services. With the exception of Violleau, which had to face a significant decrease in demand, Akiolis' activities remained at the expected level. During this crisis period, Akiolis continued to focus on customer satisfaction, product quality, and service excellence in order to maintain profitability and managed to take advantage of the favorable international context regarding the proteins and fats drivers. High prices combined with internal commercial excellence programs helped to boost the results despite a slight drop in volumes for the rendering activities following the heat wave in the summer of 2020, which did not cause significant additional mortality as it did in 2019. In parallel, in-house performance in logistics and production contributed to further securing sustainable relationships with key customers in strategic markets (e.g. pet food, aqua feed, biofertilization, and biodiesel) while strategic investments aimed at specializing in the valorization of mono-species ingredients from feathers, blood, and pork were confirmed.

- **Outlook**
  Sustainability and customer satisfaction will continue to be the keywords for Akiolis in 2021 with the implementation of a new strategic plan promoting Akiolis as a "Révélateur de valeur" for our customers, suppliers, people, and the planet. In parallel, Akiolis will deploy action plans in three strategic areas: strengthening of the basis, specialization in ingredients and service solutions, and the development of activities (collection and transformation) in new sustainable markets. In particular, a higher level of valorization in the pet food and aqua feed markets will be realized with

investments and innovative new processes for feather and blood meal. These will start in Javené and Rion (France) before mid-2021. Meanwhile, a complete revamping of the Pontivy (France) site will enable Akiolis to develop a new offer with genuine pork ingredients.

INDUSTRIAL SOLUTIONS SEGMENT

Our Industrial Solutions segment includes products, systems and solutions for the handling, processing and treatment of water, including flocculation and depressants. This segment includes the production, trading and sale of plastic pipe systems, water treatment chemicals and other industrial activities, such as the production and sale of mining and industrial auxiliaries, the delivery of services for the treatment and disposal of produced and flowback water from oil and gas exploration, as well as the recovery of industrial process fluids.

PRODUCTION LOCATIONS

DYKA Group: 8 production plants (2 in the Netherlands, 1 in Belgium, 2 in France, 1 in Germany, 1 in Poland and 1 in Hungary) and more than 70 branches in Europe.
Performance Chemicals: 4 production plants (2 in Belgium, 1 in France and 1 in Switzerland).
Mining & Industrial, MPR Services & ECS: 3 production plants (US).

CORE MARKETS

Water, sewage, air and gas piping systems and services, water treatment, process chemicals services, refinery and mining services.

AREA OF ACTIVITY

Building and installation, public infrastructure and utility works, industrial and municipal markets, industry and mining.

BUSINESS DRIVERS

- Clean water demand and hygiene – industry need for the sustainable purification of process water and valorization of water.
- Scarcity of natural resources and environmental footprint.
- Global warming, storm water (infiltration), energy neutral buildings, health and comfort.
- Base chemicals supply is driven by economic activity.

STRATEGIC FOCUS

DYKA Group:

- To further grow customer intimacy, to introduce innovative systems and services, and to strengthen our position in various sectors, product ranges and key geographies.

Performance Chemicals:

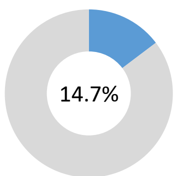
- To provide long-term and environmentally attractive solutions to industries and municipalities, turning by-products into value-added solutions.

Mining & Industrial/MPR/ECS:

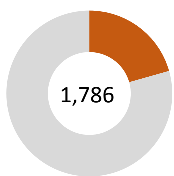
- To expand the Mining & Industrial business and to provide a full service water treatment and recycling model, and to enter new market segments.

KEY FIGURES

Share of Adjusted EBITDA



Headcount (FTE)



DYKA GROUP

- **Who are we?**

  DYKA Group (which is composed of the three entities DYKA, BT Nyloplast, and JDP) provides high quality, value-added piping solutions for utilities, agricultural, building, and civil engineering markets. We focus on achieving higher levels of customer satisfaction by offering pre-assembled piping kits, project consultancy services, engineering support for ventilation solutions, sewage and rainwater solutions, and siphonic roof drainage systems. We provide our solutions via our integrated sales and support network, our manufacturing and logistics professionals, and over 70 customer-oriented branches, as well as more than 2,000 points of sale in Europe.

  Attenuating or infiltrating rainwater from more frequent and heavier showers, accommodating increasing requirements to move towards more energy-neutral buildings, preventing the leakage of valuable drinking water with better quality piping networks, and reducing costs in complex construction value chains are just a few challenges that our customers face. These are best managed by applying the range of systems and services from DYKA Group. In addition, increasingly more recycled material is being applied in the manufacturing of our products and systems, and thus optimizing the environmental footprint of our business. This gives new value to both post-industrial and post-consumer plastics and consequently reduces demands on finite resources.

- **Business in 2020**

  DYKA Group had a challenging 2020. We were able to respond quickly to a fluctuating market, customer demand, and global sourcing constraints regarding raw materials on the back of the global pandemic. We managed to overcome the uncertainty and impact on the various Brexit key dates, while underlying demand remained good. Moreover, we extended our focus on the supply chain to further please our customers. And we successfully integrated DYKA Tube in La Chapelle-Saint-Ursin (France) and implemented ERP at that location.

- **Outlook**

  In 2021, DYKA Group will continue to focus on providing sustainable growth while building on its strategic fundamentals: an integrated model to provide engineered pipe solutions to selective C&I (Civils & Infrastructure) and B&I (Building & Installation) markets by providing differentiating portfolios (products, systems, and solutions) with sustainable and selective own production. In addition to that, we want to optimize and grow our branches. And we aim to further grow in terms of systems, services and ventilation solutions (DYKA Air). Finally, we want to continue our successful integration and investments in our La Chapelle-Saint-Ursin plant to strengthen our position in the French market.

PERFORMANCE CHEMICALS

- **Who are we?**
  Performance Chemicals provides industrial and municipal markets with coagulants and other chemicals for either the treatment of wastewater or the purification of drinking water. We also produce industrial chemicals which are used by a broad spectrum of industries, such as the pharmaceutical industry, oil and refinery, steel, de-icing, and fertilizers. Other chemicals include bleach, acids for disinfection and household cleaning, calcium chloride for food, de-icing, oil and gas, or industrial applications. Performance Chemicals is also active in the market for sodium hydroxide (NaOH), which is used for, among other things, paper and detergents. The production processes of Performance Chemicals enable the conversion or recycling of industrial by-products (for example, from the steel industry) into attractive new products for water treatment. Performance Chemicals has four production sites and these are located in Loos (France), Tessenderlo and Ham (Belgium), and Rekingen (Switzerland). The production sites are centrally located in areas where the demand is highest. We supply some of the largest metropolitan areas in Western Europe, such as Paris, Amsterdam, Geneva, and Brussels, with the chemicals required to treat their wastewater.

- **Business in 2020**
  In 2020, our activities held up rather well despite the health crisis. Indeed, our water treatment products, such as ferric chloride as a coagulant and bleach for disinfection, have proved to be necessary and essential for the manufacture of drinking water and the treatment of wastewater used in everyday life by people. The acids and bases we manufacture have also continued to play their role in the food sector and industry in general.

  At the same time, we continued to invest in improving our processes and in sustainable development, especially with the installation of a barge to deliver hydrochloric acid between our Belgian and French factories which has considerably reduced truck traffic.

- **Outlook**
  We are continuing our capacity expansion program at our production sites in France and Belgium, giving maximum priority to the recovery of co-products from the metallurgical industries as well as the modernization of our current ferric chloride installations. We are thus strengthening our leadership position for this product in Northwest Europe.

  In addition, we are studying various development axes for our hydrogen that is coproduced on-site and which results from our new membrane electrolysis.

MINING & INDUSTRIAL

- **Who are we?**
  Mining & Industrial (M&I) is one of the leading producers of sulfur-based specialty chemistries for a wide range of vital markets. M&I is driven to be a sustainable partner of choice by co-creation of value through essential chemistry and solution offerings. The M&I product portfolio is coupled with deep technical institutional knowledge that is tailored to delivering improvements in health, safety, handling, and environmental profiles while increasing efficiencies and effectiveness in recovering base/precious metals, food processing, water and waste treatment, as well as various other industrial applications. M&I enhances our customers' applications through innovative chemistry and solutions. Our principal products are Thio-Gold® (thiosulfate-based lixiviants) and Cyntrol® (sulfites/sulfides for cyanide (CN) detoxification and control). The M&I team is committed to providing unique solutions and service to our customers so they can obtain maximum value from their existing operations and explore new potential applications. M&I utilizes two innovation centers where a customer-centric approach guides all development aspects.

- **Business in 2020**
  From fluctuating demand to government-mandated shutdowns, the COVID-19 pandemic inflicted challenges on the mining and industrial markets. These effects cascaded into a wide range of disruptions from refinery curtailments, temporary shutdowns of mines, and interruptions to industrial processing facilities. The subsequent uncertainty created volatility across the value chain with geographic imbalances for certain materials and the supply chain. By remaining connected with our partners and leveraging our flexible manufacturing/supply chain footprint, we were able to maintain market strength, despite the volatility. The precious metals market has proven resilient, while the base metals market has seen recurrent volatility. Other industrial markets are in various stages of recovery, but they are anticipated to strengthen as the pandemic is further controlled.

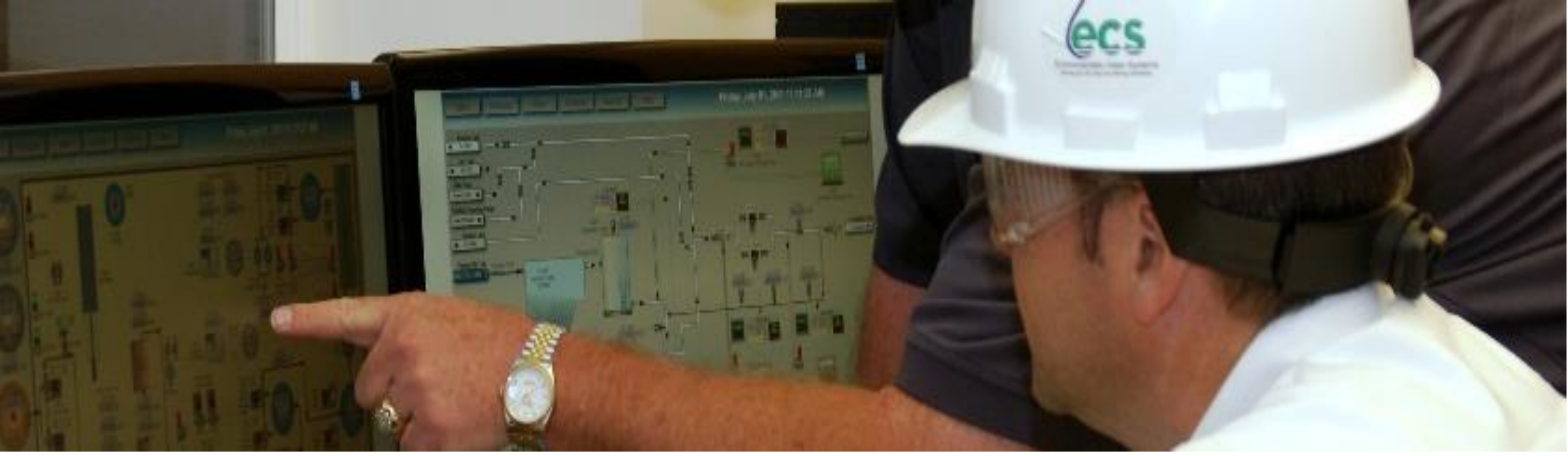
- **Outlook**
  We will leverage our expertise to ensure that we understand the dynamically evolving needs of our partners, and deliver innovative solutions centered on value creation. Our extensive manufacturing and supply chain will receive further investments and optimizations to help expand access to products, meeting our strategic intent to grow the market. Our technical specialists will continue to be the market stewards for the safe, effective and efficient use of our products and solutions, while focusing on fueling innovations in order to create the next generation of offerings.

MPR SERVICES

- **Who are we?**
  MPR Services is a world leader in high-value solvent reclamation at refinery and gas processing locations. Our business model is built on sustainability and by reclaiming what matters (amines, glycols, sulfolane, etc.), we effectively reduce waste generated by the disposal and replenishment of such solvents. We are able to deploy solutions across the globe that ensure significant cost savings for our customers, while also enabling them to maximize the effectiveness of their operations. Our expert on-site operators, teamed with chemists at our state-of-the-art Innovation Center, provide direct support and monitoring services to ensure efficient operations, helping our partners “Reclaim What Matters”.

- **Business in 2020**
  MPR experienced significant stressors to the markets it serves and its operations as a result of the pandemic, and this was compounded by several hurricanes that affected the Gulf Coast of the United States. In addition, the stringent travel restrictions further complicated the mobile reclamation business. As an essential service, MPR was able to overcome these hurdles and maintain our partners’ vital operations. This further validated the strategic plan in place that directed focus on the niche process offering within targeted markets, such as LNG/gas processing, which are continuing to expand. MPR placed additional efforts on strengthening established relationships with our permanent unit customers, which has already resulted in the extension of multiple long-term contracts and a growing funnel of new opportunities.

- **Outlook**
  MPR Services will continue to track the growing shift to environmentally conscious activities in energy markets. As the bridge to a cleaner energy future, natural gas remains an area of focus as it is indispensable during that transition. As the refinery markets recover after the pandemic, we will continue to execute our strategy and focus on our core offerings. Our mobile and permanent projects are showing lasting success in sustainable solvent hygiene services. Furthermore, our extensive technical expertise remains key to delivering tailored process solutions to specific solvent reclamation needs.



ENVIRONMENTALLY CLEAN SYSTEMS (ECS)

- **Who are we?**
  Environmentally Clean Systems (ECS) serves the oil and gas industries, providing water reclamation and disposal options for produced, frack, black and flowback water. ECS offers high quality and environmentally safe solutions to dispose of and/or beneficially reuse wastewaters generated during oil and gas exploration activities. ECS tailors our technologies to meet individual needs and situations. The result is flexibility in regard to wastewater utilization or disposal at lower costs.

- **Business in 2020**
  In 2020, we continued to focus on improving our performance while simultaneously reducing costs. These efficiency improvements have made ECS stronger, more competitive, and better prepared to provide a dedicated service for wastewater applications for the oil and gas industry.

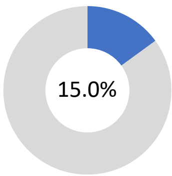
  In September 2020, an incident occurred at the Bakken plant (North Dakota, US) when a fire, which was caused by lightning, resulted in the loss of the production assets of Environmentally Clean Systems LLC (Industrial Solutions segment). Following this incident, the group will be reviewing in the coming months the future of ECS as a viable business.

T-POWER SEGMENT

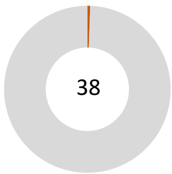
Our T-Power segment covers Tessenderlo Group's activities in the production of electricity by means of a combined cycle gas turbine (CCGT) with a 425 MW capacity.

PRODUCTION LOCATIONS	1 power plant: Tessenderlo (Belgium).
CORE MARKET	Energy
AREA OF ACTIVITY	Production of electricity in gas fired power plants.
BUSINESS DRIVERS	Proper execution of the gas tolling agreement.
STRATEGIC FOCUS	Focus on the efficiency and availability of the existing assets.
KEY FIGURES	**Share of Adjusted EBITDA** / **Headcount (FTE)**

Share of Adjusted EBITDA



Headcount (FTE)



T-POWER

- **Who are we?**
  T-Power was founded in 2005, with Tessenderlo Group as one of its original three shareholders. After completion of the development program, the T-Power 425 MW gas-fired combined cycle power plant (CCGT) located in Tessenderlo was built and commissioned in 2011. Thanks to its high efficiency and flexibility, the T-Power power plant is one of the most competitive gas-fired power plants in Belgium and the broader interconnected electricity trading area. T-Power operates as a project-financed Independent Power Producer, and we get our revenues through a 15-year gas-to-electricity tolling agreement with the RWE group. After several changes in shareholding over the years, Tessenderlo Group acquired 100% of T-Power in October 2018 by purchasing the shares held by the remaining shareholders.

- **Business in 2020**
  The T-Power plant enjoyed a good running regime in 2020. Throughout the year, the plant maintained its excellent availability and health and safety records.

  At the beginning of July 2020, Tessenderlo Group started filing the relevant applications in order to participate in the Belgian Capacity Remuneration Mechanism (CRM) tender for the construction of a second gas-fired power station in the Belgian municipality of Tessenderlo.

- **Outlook**
  In 2021, in addition to focusing further on the efficiency, flexibility, and availability of the existing assets, T-Power has a dedicated project team that is preparing for the CRM auction in September 2021. The project is to deliver all required inputs to participate in the CRM auction with respect to technology, permits, and commercial and financial requirements. If successful in the CRM auction, the new power plant should be operational by November 1, 2025.

CORPORATE GOVERNANCE STATEMENT 2020

TRANSPARENT MANAGEMENT

Picanol nv follows the Belgian legislation as reference code for Corporate Governance. In case that the Company does not comply with one or more provisions of this code, it shall indicate with which provision it is not complying and give justified reasons for this deviation. The Belgian Corporate Governance Code is available at: www.corporategovernancecommittee.be/en/home.

The Company's adherence to the principles of Corporate Governance is reflected in the Corporate Governance Charter (hereinafter referred to as the "Charter"). The Charter is available at www.picanolgroup.com.

On October 28, 2020, the Board of Directors of the Company approved the new changes of the Corporate Governance Charter following the conversion of the European Shareholders' Directive II (SRDII) in the Belgian Code of Companies and Associations ('BCCA').

CAPITAL & SHARES

CAPITAL

The capital of Picanol nv at December 31, 2020, amounts to 21,720,000 EUR.

SHARES

The share capital is represented by 17,700,000 shares without par value.

By decision of the extraordinary general meeting of shareholders of March 16, 2020, the loyalty voting right has been introduced. As a consequence, each share which has been fully paid up and which is registered in the name of the same shareholder in the register of registered shares since at least two uninterrupted years, gives right to a double vote in accordance with the BCCA.

All Picanol nv's shares are admitted for listing and trading on Euronext Brussels.

SHAREHOLDERS & SHAREHOLDERS' STRUCTURE

On the basis of the notifications provided to the Company, the status of the voting rights of the Company at December 31, 2020, is as follows:

	# voting rights	%
Artela nv	22,960,492	68.5%
Symphony Mills nv	8,664,268	25.8%
Other registered shares	201,162	0.6%
Free float	1,704,892	5.1%
Total	**33,530,814**	**100.0%**

Artela nv and Symphony Mills nv are controlled by Mr. Luc Tack. Following the introduction of the loyalty voting right on March 16, 2020, the share of the voting rights of Artela nv and Symphony Mills nv increased from 89.3% to 94.3%. At the date of this report, the Company has no knowledge of any agreements made between the shareholders.

Shareholders whose stake in Picanol nv's capital surpasses the threshold of 5% and each multiple of 5%, in either direction, are required to notify the Belgian Financial Services and Markets Authority (FSMA) (TRP.Fin@fsma.be) and Picanol nv (corporatecommunication@picanol.be).

GOVERNANCE STRUCTURE

The Company has opted for the monistic structure with a Board of Directors authorized to carry out all acts necessary or useful for the realization of the Company's objective, with the exception of those reserved by law to the general shareholders' meeting.

BOARD OF DIRECTORS

COMPOSITION

At December 31, 2020, the composition of the Board of Directors of Picanol nv was as follows:

	Start of initial term	End of term
Independent Non-Executive Directors		
nv Kantoor Torrimmo, represented by its permanent representative Mr. Jean Pierre Dejaeghere	April 2010	May 2023
The Marble bv, represented by its permanent representative Mr. Luc Van Nevel	April 2016	May 2023
7 Capital sprl, represented by its permanent representative Mrs. Chantal De Vrieze	April 2017	May 2021
Ann Vereecke bv, represented by its permanent representative Mrs. Ann Vereecke	April 2019	May 2024
Non-Executive Directors		
Pasma nv, represented by its permanent representative Mr. Patrick Steverlynck	December 2009	May 2024
Executive Directors		
Mr. Luc Tack	July 2009	May 2024
Mr. Stefaan Haspeslagh – Chairman	April 2010	May 2022

The composition of the Board of Directors fulfils the objective of assembling complementary skills in terms of age, competencies, experience, and business knowledge.

On December 31, 2020, the Board of Directors was in full compliance with the Law of July 28, 2011, requiring that as of January 1, 2017, one-third of the members of the Board of Directors should be of the opposite gender.

All meetings of the Board of Directors were attended by the Secretary of the Board of Directors.

The mandates held in listed companies (other than Picanol) by the non-executive directors are:

- Patrick Steverlynck: none
- Jean Pierre Dejaeghere: TINC Comm. V. A.
- Luc Van Nevel: none
- Chantal De Vrieze: EVS, Colruyt
- Ann Vereecke: Ter Beke

ACTIVITIES

The Board of Directors convened according to a previously determined schedule. The Board of Directors met six (6) times during 2020.

During 2020, the Board's main areas of discussion, review and decision were:

- the group's long-term strategy and budget;
- the financial statements and reports;
- proposals to the general and extraordinary shareholders' meetings;
- the reports of the Audit Committee and the Nomination and Remuneration Committee;
- the remuneration policy and the remuneration of the members of the ExCom;
- the financial communication and reporting by segment;
- the approval of various investment files;
- the discussion on the effects of the COVID-19 crisis on the Company's activities worldwide and the measures taken in this respect;
- the discussion of the different measures taken following the cyber attack;
- the discussion on the various law changes relative to Corporate Governance and the approval of the modified Corporate Governance Charter of the Company;
- the decision relating to the purchase of additional shares in Tessenderlo Group with application of art. 7:96 of the 'Belgian Code of Companies and Associations (BCCA);
- transactions with related parties.

EVALUATION OF THE BOARD OF DIRECTORS

Evaluations of the functioning of the Board of Directors, the Nomination and Remuneration Committee and the Audit Committee are performed periodically. In the context of such evaluations, the members can give a scoring (from 1-5) on different subjects relating to the board and committee functioning and can share their views on areas for improvement.

Such evaluations are performed through the use of a self-assessment questionnaire. The exercise focuses primarily on the following domains: role, responsibilities and the composition of the Board of Directors and the committees, the interactions between Directors, the conduct of the meetings and evaluation of the training and resources used by the Board of Directors and/or the committees.

Where appropriate, the individual Directors also share their view on how the Board of Directors and the committees could improve their operation. The Chairman and the Secretary of the Board of Directors share the results of the evaluation with the Directors and formulate initiatives for improvement. In 2018 the Directors were invited to complete a self-assessment questionnaire for the evaluation of the Board of Directors.

APPOINTMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS

In its selection process for members of the Board, the Board integrates criteria such as variety of competences, age and gender diversity.

BOARD COMMITTEES

On December 31, 2020, the following Committees were active within the Board of Directors of Picanol Group:

- The Nomination and Remuneration Committee;
- The Audit Committee.

Please see the Charter for a description of the operations of the various Committees on www.picanolgroup.com.

NOMINATION AND REMUNERATION COMMITTEE

On December 31, 2020, the Nomination and Remuneration Committee was constituted as follows:

- The Marble bv, represented by its permanent representative Mr. Luc Van Nevel (Chairman);
- nv Kantoor Torrimmo, represented by its permanent representative Mr. Jean Pierre Dejaeghere;
- 7 Capital sprl, represented by its permanent representative Mrs. Chantal De Vrieze;
- Ann Vereecke bv, represented by its permanent representative Mrs. Ann Vereecke.

All members of the Nomination and Remuneration Committee meet the independence criteria set forth by Article 7:87 §1 of the BCCA and the Corporate Governance Charter and the committee demonstrates the skills and the expertise requested in matters of remuneration policies as required by Article 7:100 of the BCCA.

The Nomination and Remuneration Committee met two (2) times in 2020.

- ***Activities of the Nomination and Remuneration Committee***

In 2020, the Committee discussed the ExCom's remuneration package and made recommendations in this regard. The Committee also made recommendations with regard to the granting of remuneration in the form of shares to the Non-Executive Directors and ExCom, the determination of a minimum threshold of shares to be held by the ExCom and the determination of claw-back provisions in the agreements with the CEO and the CFO-COO. The Committee also discussed on the changes in the European Shareholders' Directive (SRDII) and more especially on the changes with respect to the remuneration policy and the remuneration report. The Nomination and Remuneration Committee also prepared the remuneration report, as included in the annual report.

In compliance with the Corporate Governance Charter, the majority of the members of the Nomination and Remuneration Committee are independent.

- ***Evaluation of the Nomination and Remuneration Committee***

For information on the evaluation process of the Nomination and Remuneration Committee, please refer to the section "Evaluation of the Board of Directors".

AUDIT COMMITTEE

At December 31, 2020, the Audit Committee was constituted as follows:

- nv Kantoor Torrimmo, represented by its permanent representative Mr. Jean Pierre Dejaeghere (Chairman);
- The Marble bv, represented by its permanent representative Mr. Luc Van Nevel;
- 7 Capital sprl, represented by its permanent representative Mrs. Chantal De Vrieze;
- Ann Vereecke bv, represented by its permanent representative Mrs. Ann Vereecke.

The Audit Committee met according to a previously determined schedule; i.e. four (4) times during 2020.

The CEO, the CFO, the Internal Auditor, the statutory auditor and the corporate secretary attended the meetings of the Audit Committee. The other Directors were invited to participate to the meetings of the Audit Committee without any voting rights.

As legally required, the Audit Committee has among its members at least one independent Director with the necessary accounting and auditing expertise.

The members of the Audit Committee fulfil the criterion of competence with their own training and by the experience gathered during their previous functions. In compliance with the Charter, the majority of the members are independent Directors.

- ***Activities of the Audit Committee***

In addition to monitoring the integrity of the quarterly financial statements and financial results press releases per semester, including disclosures, consistent application of the valuation and accounting principles, consolidation scope, closing process quality and accounting estimates, the Audit Committee heard reports from the external auditors regarding the year-end audit scope, the internal control system, the key audit matters and the valuation and accounting treatment of certain exceptional items.

The Audit Committee also addressed specific topics such as monitoring the effectiveness of the Enterprise Risk and Compliance Management systems and the follow-up of cyber security within the Company and made recommendations regarding the further follow-up of improvement actions. Further, the Audit Committee reviewed the status of the major pending litigations.

The Audit Committee also followed up on the findings and recommendations of the external auditors, reviewed their independence and approved requests for non-audit services.

The Audit Committee also heard the Internal Auditor on the Internal Audit program for 2020, the risk assessment analysis and the activity reports of the internal audits which had been carried out, as well as on the review of the follow-up actions taken by the Company to remedy certain weaknesses identified by the Internal Audit Department. The Audit Committee also approved the internal control plan for the year 2020 and heard reports from Internal Control on its various findings.

- ***Evaluation of the Audit Committee***

For information on the evaluation process of the Audit Committee, please refer to the section "Evaluation of the Board of Directors".

Attendance rate for members of the Board of Directors meetings and members of the special committees meetings in 2020:

	Board of Directors	Audit Committee	Nomination & Remuneration Committee
Number of meetings in 2020	**6**	**4**	**2**
nv Kantoor Torrimmo, represented by its permanent representative Mr. Jean Pierre Dejaeghere	6/6	4/4	2/2
The Marble bv, represented by its permanent representative Mr. Luc Van Nevel	6/6	4/4	2/2
7 Capital sprl, represented by its permanent representative Mrs. Chantal De Vrieze	6/6	4/4	2/2
Ann Vereecke bv, represented by its permanent representative Mrs. Ann Vereecke	6/6	4/4	2/2
Pasma nv, represented by its permanent representative Mr. Patrick Steverlynck	6/6		
Mr. Luc Tack	6/6		
Mr. Stefaan Haspeslagh	6/6		

EXECUTIVE COMMITTEE (EXCOM)

ROLES AND RESPONSIBILITIES

As per December 31, 2020, the ExCom of Picanol Group was constituted as follows:

- Mr. Luc Tack (CEO);
- Mr. Stefaan Haspeslagh, representative of Findar BV (CFO).

The composition was unchanged from December 2019.

EVALUATION OF THE EXCOM

At least once a year, the ExCom reviews its own performance.

ACTIVITIES OF THE EXCOM

The Board of Directors has empowered the ExCom to enable it to perform its responsibilities and duties. Taking into account the Company's values, its risk appetite and key policies, the ExCom shall have sufficient latitude to propose and implement the corporate strategy.

The CEO chairs the ExCom and ensures its organization and proper operation. In principle, the ExCom meets every week, and additional meetings may be convened at any time by any of its members. On a bi-weekly basis the ExCom meets with the company's Business Units in order to review and discuss the strategic decisions and the operational performance of the Business Units.

The ExCom is responsible for:

- running the Company;
- overseeing the proper organization and operation of the Company, ensuring oversight of its activities, including the introduction of internal control processes for the identification, assessment, management and monitoring of financial and other risks;
- the appointment of senior executives of the Company and determination of the senior executives compensation policies[1];
- the main decisions and investments involving amounts under the thresholds as defined in the Corporate Governance Charter;
- preparing the proposals for decisions on those matters under the competence of the Board of Directors, including the complete, timely, reliable and accurate preparation of the Company's annual accounts, in accordance with the applicable accounting standards and policies of the Company, as well as the Company's required disclosure of the financial statements and other material financial and non-financial information;
- presenting the Board of Directors a balanced and understandable assessment of the Company's financial situation;
- providing the Board of Directors in due time with all information necessary for the Board of Directors to carry out its duties;
- executing and implementing the decisions taken by the Board of Directors.

The ExCom tasks are further described in the ExCom terms of reference as set out in Exhibit G of the Corporate Governance Charter.

REMUNERATION REPORT: DIRECTORS

REMUNERATION POLICY

It is the responsibility of the Board of Directors of the Company to make proposals to the shareholders regarding the remuneration of the Directors.

The Nomination and Remuneration Committee makes proposals to the Board of Directors concerning:
- the remuneration for participating in the Board and the Board's Committees meetings;
- the remuneration awarded for assignments related to special mandates.

In order to determine the remuneration of the Directors, a benchmarking exercise of similar Belgian companies has been performed. Membership of Committees entitles the participants to an attendance fee in line with the benchmark. Finally, the Chairman receives an additional fee for his responsibility as Chairman in line with the benchmark.

Each Director receives a fixed annual fee of 17,500 EUR (15,000 EUR in 2019). This remuneration covers the activities as member of the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee. Moreover, the following additional fees are granted:
a) an attendance fee of 2,000 EUR per half day attendance;
b) an additional annual fee of 60,000 EUR for the Chairman of the Board of Directors.

Remuneration is paid during the year in which the meetings were held.

In its meeting on October 28, 2020, the Board of Directors decided not to grant any remuneration in shares of the company to the non-executive directors for 2020 and this until further notice.

[1] The Senior Executives of the Company are those executives who together with the ExCom manage and determine the strategy of the Businesses as well as the Heads of the Functional departments.

REMUNERATION RECEIVED

Member	2020	Earned fees (in EUR)
Mr. Stefaan Haspeslagh*	Fixed annual fee Attendance fee Additional fee as chairman **Total remuneration**	42,500 24,000 90,000 **156,500**
Mr. Luc Tack*	Fixed annual fee Attendance fee **Total remuneration**	42,500 24,000 **66,500**
Pasma nv, represented by its permanent representative Mr. Patrick Steverlynck	Fixed annual fee Attendance fee **Total remuneration**	17,500 12,000 **29,500**
nv Kantoor Torrimmo, represented by its permanent representative Mr. Jean Pierre Dejaeghere	Fixed annual fee Attendance fee **Total remuneration**	17,500 12,000 **29,500**
The Marble bv, represented by its permanent representative Mr. Luc Van Nevel	Fixed annual fee Attendance fee **Total remuneration**	17,500 12,000 **29,500**
7 Capital sprl, represented by its permanent representative Mrs. Chantal De Vrieze	Fixed annual fee Attendance fee **Total remuneration**	17,500 12,000 **29,500**
Ann Vereecke bv, represented by its permanent representative Mrs. Ann Vereecke	Fixed annual fee Attendance fee **Total remuneration**	17,500 12,000 **29,500**
GENERAL TOTAL		**370,500**

**include amounts paid in the Board of Picanol nv and Tessenderlo Group*

REMUNERATION REPORT: EXECUTIVE COMMITTEE (EXCOM)

REMUNERATION POLICY

This chapter describes the principles underlying Picanol Group’s remuneration policy, management remuneration, structure and philosophy. The Nomination and Remuneration Committee determines the principles of the remuneration policy for the ExCom members (the CEO and CFO) and submits them to the Board of Directors. The aim is to achieve total remuneration packages that are attractive and in line with the market.

The internal and external competitive landscape of and around Picanol Group is changing rapidly. In order to realize the group’s ambitions in this challenging environment, the organization needs to perform strongly and focus on the implementation of a sustainable strategy. Talented managers are indispensable in terms of achieving this goal. The remuneration policy aims to link this strategy and the company’s objectives to the performance and remuneration of management.

In this way, the group creates a globally consistent framework for the development, remuneration and empowerment of its people. The group considers commitment, recognition and leadership as important foundations for employee engagement. This enables the group to attract, retain and motivate the best talents to achieve both short-term and long-term objectives. This is all within the context of a globally consistent remuneration policy that rewards the contribution towards and the achievement of company objectives and the generation of shareholder value.

The group reward principles are:

Recognition and leadership are key for employee and team engagement.
Our compensation system will serve to attract and retain the talent that the group requires to meet its short- and long-term goals.
Our remuneration policy will be positioned on or just above the median, and tested annually against a selected basket of relevant industry references and industries in which the group is active.
Our base salary will drive and reward growing competencies, showing the right corporate attitudes and living according to the group's guiding principles.
Our variable remuneration policy links the success of the group to the various business units, departments, teams and individual contributions.
Our job grading and our compensation system for external/internal appointments are based on an objective methodology and measurable market data.
Our compensation system will never knowingly discriminate between employees on any grounds.

COMPENSATION PACKAGE

The ExCom remuneration package, including the remuneration paid within Tessenderlo Group, consists of the following items:

- fixed compensation;
- variable compensation;
- other compensation items.

Fixed compensation
The fixed part of the remuneration compensates individual members as per market reference and in line with their level of skill and position within the group combined with the right behavior and living according to the group's guiding principles. In its meeting of 28 October 2020, the Board of Directors decided not to grant remuneration (partially) in shares for the ExCom nor to fix a minimum threshold of the amount of shares to be held by the Excom, and this for 2020 and until further notice.

Variable compensation
The variable compensation is only applicable within subsidiary Tessenderlo Group. For a description of the variable compensation attributed to the ExCom members within Tessenderlo Group, we refer to the annual report (www.tessenderlo.com).

Other compensation items
The other compensation items are only applicable within subsidiary Tessenderlo Group and include participation in the extra-legal pension plan of the defined contribution type, a hospitalization insurance, eco-cheques, representation allowance and a car allowance.

REMUNERATION EARNED IN 2020

Each year, the Nomination and Remuneration Committee evaluates the appropriate compensation of the ExCom.

Compensation of the CFO is reviewed on an annual basis by the Nomination and Remuneration Committee on the recommendation of the CEO, while compensation of the CEO is reviewed by the Nomination and Remuneration Committee on the recommendation of the Chairman of the Board of Directors.

Annual gross compensation earned by the ExCom[1] in 2020 is detailed below (including the compensation earned within subsidiary Tessenderlo Group):

Component (amounts in EUR)	Amount CEO	Amount CFO/COO
Fixed compensation (excluding Director fees)[2]	748,027	704,370
Variable compensation Short Term[2/5]	455,812	607,749
Variable compensation Long Term[6]	0	0
Pension[3]	87,029	23,657
Other benefits[4]	44,471	26,103
TOTAL (cost to the company)	**1,335,339**	**1,361,879**

[1] The ExCom is composed of the CEO (Luc Tack) and one executive Director (the COO-CFO), Stefaan Haspeslagh/Findar bv, represented by Stefaan Haspeslagh.
[2] Excluding social security contributions.
[3] Pension Plan: annual service cost for 2020, as calculated by an actuary.
[4] Other benefits include coverage for death, disability, work accident insurance, taxes (4.40%), meal vouchers, company car – all under the same conditions applicable to other members of senior management and the ruling approved by the Belgian tax authorities for representation allowance.
[5] Short-term and long-term incentive realization as determined by the Nomination and Remuneration Committee of Tessenderlo Group.
[6] No long-term incentive pay-out in 2020.

Agreements on severance pay
Within Tessenderlo Group, the management agreement with the COO-CFO provides for a notice period of maximum 12 months. The management agreement with the CEO does not provide for a notice period. The CEO will therefore not be entitled to termination protection.

MAIN FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK

INTERNAL CONTROL FRAMEWORK

Responsibilities
The Board of Directors delegated the task of monitoring the effectiveness of the Internal Control System to the Audit Committee.

The ultimate responsibility for the implementation of the Internal Control System is delegated to the ExCom.

The daily management of each Business Unit is accountable for the implementation and maintenance of a reliable Internal Control System.

The Internal Audit department assists the Business Units and the Headquarters functions in the implementation and assessment of the effectiveness of the Internal Control System in their organization.

The levels of internal control are tailored to the residual risk that is acceptable to the management. The ultimate objective is to reduce possible misstatements of the financial statements as published by the group.

Scope of the Internal Control Framework
The Internal Control System is based on the COSO Internal Control – Integrated Framework with the main focus on the internal control over the financial reporting by mitigating risks through group level controls, entity level controls, process level controls, general IT controls and segregation of duties.

INTERNAL CONTROL MONITORING

The Audit Committee is in charge of monitoring the effectiveness of the internal control systems. This includes the supervision of the Internal Audit department about compliance monitoring.

The Internal Audit department conducts a risk based compliance audit program with the objective to validate the internal control effectiveness in the various processes at entity and group level. The ultimate goal of these reviews is to provide reasonable assurance on the reliability of the financial reporting.

The Internal Auditor is invited to the Audit Committee meetings. He informs the Audit Committee of the planning and the results of the internal audits and the proper implementation of the recommendations. A rating is used to indicate the severity of audit recommendations as well as to give an overall appreciation of the audited entity or process.

PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

A centralized controlling and reporting department coordinates and controls the financial and accounting information.

Each Business Unit has a controlling department responsible for monitoring the performance of the operational units.

The Financial and Accounting Information System is based on consolidation software that allows the group to produce the required information.

COMPLIANCE

The Internal Audit & Control department is responsible for compliance testing of both the Internal Control Framework and the key control procedures on the preparation and processing of financial and accounting information and monitors compliance with internal policies and procedures as well as external laws and regulations.

ENTERPRISE RISK MANAGEMENT (ERM) SYSTEM

Risks are an essential and inherent aspect of conducting business. The group has developed some policies and procedures with the aim of managing and reducing risks to an acceptable level.

Every year a risk assessment exercise is performed by all business units. The identified risks are evaluated within the various Business Units or general supporting services and are followed-up in order to implement risk optimization. The status of these efforts is reported to the ExCom and to the Audit Committee on an annual basis.

RISK ANALYSIS

The Company analyzes on a regular basis the risks related to its activities worldwide. The Group Risk Manager coordinates the analysis and reports the various risks on the group's radar to the Audit Committee annually. Each year, all business units are requested to identify and evaluate the significant risks related to their business units.

In 2020, the group's focus was on the following activities:

- dealing with the risks associated with COVID-19;
- cyber security;
- ethics and compliance;
- adapting our Enterprise Risk Management process to take into account the rapidly changing circumstances such as the occurrence of natural disasters, cyber security, pandemics ….

Ethics and Compliance

Risks can arise from potential failure to comply with the Code of Conduct of Picanol Group and the supporting internal procedures, as well as from changes to and application of the laws and regulations in the various jurisdictions in which Picanol Group operates. Picanol Group has a Code of Conduct that was revised in 2020 and supplemented with more specific guidelines. The Code of Conduct includes a possibility to report rule violations to the hierarchical superior and, if necessary, the Compliance Officer. In order to manage the risk, we will put increased focus on training worldwide on the application of the Code of Conduct, on handling of confidential information and on compliance with competition rules. In 2020, new procedures were launched regarding human- and labour rights and diversity and inclusion within Picanol Group. We also developed a supplier a Supplier Code of Conduct and submitted it to all our suppliers.

Safety at the workplace

A safety event which impacts the employees, sites, assets, environment or critical information could have negative consequences for the Company. In order to manage and prevent risks, Picanol Group has a strict safety policy in order to protect the employees. It is the culture of the company to put safety in the workplace first and make each individual responsible for it. Picanol Group is assisting with the necessary coaching, training and support.

Cyber security
In the Company there is a data protection policy in order to protect sensitive and confidential information within the group and programs are set up in order to manage security risks with regard to ICT and enhance cyber security within the group. A major cyberattack could have a negative impact on the Company's operations and results. Therefore, within Picanol Group, cyber defenses continue to improve to cope with the developments in cyberattacks.

Within the group, security risk management is carried out as follows:

- External experts carry out independent assessments of the risks. Based on this analysis, a plan is developed to better protect the company against cyberattacks.

In 2020:

- In the first half of 2020, Picanol Group fell victim to a large-scale ransomware attack which caused a disruption of the group’s activities, however with a limited financial impact (less than 1 million EUR).
- End-user safety training remains mandatory for all employees. To increase employee awareness, cyber security tips are published regularly.
- The company has acquired several ICT tools that allow us to increase the cyber security of the group's systems.
- Picanol Group continues to improve its cyber security strategy and management, to further develop its corporate information security program, and to investigate other functions/opportunities to improve the company's security status and response to cyber attacks.
- Various procedures and guidelines have been developed regarding the use of the computer systems and protecting cyber security, which will be further rolled out in the group in 2021.

Industrial safety
A major accident such as fire, explosion or release of harmful substances may result in possible fatalities, life-altering injuries, harm to the environment or local communities. As explained hereabove, safety on the workplace is a top priority within the group. The group also has an insurance program to limit the financial impact of the risks.

Transport accidents
An accident with chemical substances may result in risk of injuries to neighbors or the public. Within the Company there are various transport safety programs in order to reinforce prevention and safety. Furthermore, the group has an insurance program to limit the financial consequences of the risks on transport accidents.

Usage of the Picanol Group products
The usage risk stems from the possibility of third parties being injured, suffering an adverse health impact or property damage caused by the use of a Picanol Group product as well as the resulting litigation or the inappropriate use of some Picanol Group products for applications and/or markets for which the product is not designed or not in accordance with Picanol Group’s instructions for use. Possible consequences are exposure to liability for injury or damage and product recalls. Product liability risk is the highest for products used in crop protection, food and healthcare applications. Apart from the various measures taken in order to inform third parties on the specifications and use of the product and to regularly assess and adjust product risks in line with regulations, the group has an insurance program in order to limit the financial impact of product liability risk.

Volatility of certain raw materials
The company is particularly sensitive to the fluctuations of the following raw materials: ammonia, potassium chloride and sulfur for the production of fertilizers, polyvinyl chloride for the production of plastic piping systems, pig and beef bones and hides for the gelatin production and different metals such as scrap metal, steel plate, cupper,.. in the Machines & Technologies segment. The group's most important purchase contracts are centralized at group or business unit level. This method allows the Company to strengthen its negotiating position. To the extent possible, price fluctuations are, where possible, translated into its sales prices of the products. We consider that, given the high inventory rotation, volatile raw material prices have no material impact on the carrying amounts of the applicable assets and liabilities.

The Company is often active in markets and activities that are highly regulated by, among other things, strict rules and environmental provisions.

The Company cannot guarantee that in the future there will be no sudden or significant changes to, on the one hand, existing laws or regulations or, on the other hand, to trends where environmental awareness and sustainability requirements are central. Our Stakeholders may find that the Company and its subsidiaries have not responded adequately to these trends and that this may consequently have an impact on our business and financial results. These changes and the costs of adapting to them could have a significant impact on the activities. The Company ensures that, in the case of new investments or expansions, it always takes into account the impact on the environment and the sustainability of the solution in the long term in its decision. Moreover, with its activities in the Bio-Valorization and Industrial Solutions segments, Picanol Group plays in a closed loop model by reusing and valorizing different sources of raw materials. Picanol Group plays an important role in the transition to a low-carbon future. We do this with materials that respond to global trends of clean air and e-mobility, while our closed loop model conserves resources.

Climate & climate risks
Particularly in the Agro and the Industrial Solutions segments, exceptional weather conditions, such as sustained heat waves, flooding or natural disasters can have an important impact on the operational results. In 2020, together with an external insurer, some of our sites were mapped using a *Catastrophe Risk Insight* tool and the potential financial risks from the consequences of a climate risk or natural disaster were subjected to an external insurance program.

Risk of an outbreak of an epidemic with a large geographical reach or pandemic
Due to its global presence, the group may be subject to the consequences of the local or worldwide spread of viruses that pose a risk to public health and may be serious and unexpected. Such outbreaks may have an impact on social life and the economy. The Company believes that it is difficult to estimate the impact that the regional spread of viruses or a pandemic could have on the economies in which we operate, and therefore the impact that these factors could have on our financial results.

In the context of the 2020 COVID-19 outbreak, the Company has taken some specific health, travel and safety measures in order to protect the employers and other persons from the disease in accordance with the guidelines imposed by the local authorities. These measures include rules on working from home, wearing a mouth mask at work and also respecting distance rules. In 2020, several sites also developed continuity plans to avoid any disruption of the supply chain due to the pandemic or any other crisis situation.

Risk related to the development of the economic and business cycle
The future results of segment Machines & Technologies are highly dependent on the evolution of the textile industry. Unexpected changes in the economic climate, customers' investment cycles, important developments in production and market acceptance of technologies may affect these industries and, consequently, the company's results.

The group is exposed to risks associated with growth economies
A substantial part of the activities of segment Machines & Technologies can be attributed to emerging markets in Asia and South America. Picanol's activities in these markets are subject to the usual risks associated with doing business in developing economies, such as political and economic uncertainties, currency controls, exchange rate fluctuations and shifts in government policy.

Analysis of the financial risks
For a more detailed overview of the financial risks related to the situation in 2020 and the Picanol Group policy regarding the management of such risks, please see the Financial Instruments section in the Financial Report (note 26 – Financial instruments).

POLICY ON INSIDE INFORMATION AND MARKET MANIPULATION

The Company has issued a Dealing Code including a set of rules regulating the declaration and conduct obligations regarding transactions in shares or other financial instruments of the Company carried out by Directors, ExCom members and other designated persons for their own account. Such Dealing Code is included in Exhibit I. of the Corporate Governance Charter.

According to the Market Abuse Regulation, the Company has to take all reasonable steps to ensure that any person on its insider list acknowledges in writing the obligations and its awareness of the sanctions applicable to insider trading and the unlawful disclosure of inside information.
The Belgian law of July 31, 2017, with effect as of August 21, 2017, has changed the applicable sanctions. The maximum prison sentences that are possible have significantly increased:

- abuse of inside info: 4 years (was 1 year);
- market manipulation: 4 years (was 2 years);
- unlawful disclosure of inside info: 2 years (was 1 year).

In accordance with the Dealing Code, the Board of Directors has appointed a Compliance Officer. The Compliance Officer is responsible for supervising compliance with the Dealing Code. He/she is also the point of contact for questions about the application of the Dealing Code. Mrs. Karen D'Hondt holds the title of Compliance Officer.

EXTERNAL AUDIT

KPMG Bedrijfsrevisoren BV, with Mr. Patrick De Schutter as authorized representative, has been appointed as statutory auditor for Picanol Group since fiscal year 2018 and for Tessenderlo Group since fiscal year 2019.

(Million EUR)	**2020**			
	Audit	**Audit related**	**Other**	**Total**
KPMG (Belgium)	0.4	0.0	0.1	0.4
KPMG (Outside Belgium)	0.7	0.0	0.0	0.7
Total	**1.1**	**0.0**	**0.1**	**1.1**
(Million EUR)	**2019**			
	Audit	**Audit related**	**Other**	**Total**
KPMG (Belgium)	0.4	0.0	0.0	0.4
KPMG (Outside Belgium)	0.7	0.0	0.3	0.9
Total	**1.0**	**0.0**	**0.3**	**1.3**

SUBSEQUENT EVENTS

On March 16, 2021, Picanol Group acquired a 10% minority stake in Rieter Holding AG (SWX: RIEN), amounting to a total of 467,236 shares for a price of 45.4 million EUR (or a price per share of 107.5 CHF). Rieter is the world's leading supplier of systems for short-staple fiber spinning.

APPLICATION OF ART. 7:96 OF THE BELGIAN CODE OF COMPANIES AND ASSOCIATIONS (BCCA) (PREVIOUSLY ART. 523 OF THE BELGIAN CODE OF COMPANIES)

Extract from the minutes of the Board of Directors of August 26, 2020:
[…]
Conflicts of interest: Statement by Mr. Luc Tack:
In accordance with Article 523 of the Belgian Company Code, Mr. Luc Tack declares that he may have a financial interest that could be in conflict with the decision on the acquisition of additional Tessenderlo Group shares. This potential conflict of interest follows from the fact that Mr. Luc Tack is the controlling shareholder of Symphony Mills nv, which is not only a shareholder of Picanol nv but also a direct shareholder of Tessenderlo Group. Although the personal interest of Mr. Luc Tack and the interest of Picanol nv as shareholder of Tessenderlo Group nv are similar, Mr. Luc Tack has decided to avoid any semblance of a conflict of interest and to apply the procedure provided for in Article 523. Mr. Luc Tack therefore stated that he would not participate in (and leave the meeting during) the decision-making process. Mr. Luc Tack requests that the statutory auditor of Picanol nv be informed of this potential conflict of interest.
Mr. Luc Tack left the meeting before proceeding with the deliberation.
Mr. Stefaan Haspeslagh explains that within the mandate of 60 million EUR granted by the Board of Directors on August 23, 2019, 9 million EUR is open. In order to be able to take advantage of possible opportunities that might arise in the future, the Chairman asks for a new mandate, for 60 million EUR, which would replace the current mandate. The directors then decide that a further development of the interest in Tessenderlo Group is in the interest of Picanol Group if this is done at an interesting rate and given that other opportunities are also weighed up. The Board of Directors grants a special power of attorney to Mr. Luc Tack and Mr. Stefaan Haspeslagh, together or alone, to acquire additional shares up to an amount of 60 million EUR. […]

INFORMATION REQUIRED BY ART. 34 OF THE ROYAL DECREE OF NOVEMBER 14, 2007

The share capital of the Company is represented by ordinary shares.

The extraordinary shareholders' meeting of March 16, 2020, decided to authorize the Board of Directors, for a period of 5 years from the publication of the authorization in the Annex to the Belgian State Gazette, to increase the share capital, in one or more times, up to an amount of EUR 4,440,000 (for million four hundred and forty thousand EUR), in accordance with the provisions set out in the BCCA and the articles of association of the company. The Board of Directors is allowed to use the authorized capital to take protective measures for the Company through capital increases, with or without limitation or withdrawal of preferential rights, even outside the context of a possible public takeover bid, to the extent that the Company has not yet received a notification of the FSMA with respect to a public takeover bid on its securities.

Without prejudice to the possibility to realize the commitments that were validly entered into before receipt of the notification of the FSMA pursuant to article 7:202, paragraph 2, 1° of the BCCA, the Board of Directors is authorized, for a period of 3 years form the authorization by the extraordinary general meeting of March 16, 2020, to proceed to a capital increase within the framework of authorized capital, with or without limitation or withdrawal of preferential rights as the case may be in favor of one or more persons, following receipt of a notification of the FSMA with respect to a public takeover bid on the company's securities, in accordance with the conditions set out in article 7:202, paragraph 2, 2° of the BCCA and the articles of association of the company.

The Board of Directors is also authorized, with right of substitution, to amend the company's articles of association in accordance with the capital increase that was decided within the scope of the authorized capital.

By decision of the extraordinary general meeting of shareholders of March 16, 2020, the loyalty voting right has been introduced. As a consequence, each share which has been fully paid up and which is registered in the name of the same shareholder in the register of registered shares since at least two uninterrupted years, gives right to a double vote in accordance with the BCCA. Each other share gives right to one vote at the general meeting.

The articles of association of the Company do not contain any restriction on the transfer of the shares.

The rules with respect to the appointment and resignation of Directors and amendments to the articles of association of the Company as set forth in the articles of association of the Company do not deviate from the applicable rules set forth in the BCCA.

The Company may, in accordance with the conditions set by law, acquire its own shares, profit-sharing certificates, or certificates relating thereto, by way of a purchase or an exchange, directly or through the intermediary of a person acting in its own name but for the account of the company, following a decision of the shareholders' meeting taken in accordance with the applicable requirements on quorum and majority. Such decision in particular determines the maximum number of shares, profit-sharing certificates or certificates relating thereto that can be acquired, the term for which the authorization is granted and which may not exceed five years, as well as the minimum and maximum value of the compensation.

Pursuant to the decision of the extraordinary general meeting of March 16, 2020, the Board of Directors is authorized, for a period of 5 years from the publication of the authorization in the Annex of the Belgian Official Gazette, to repurchase, in accordance with the conditions set by law, the company's shares, profit-sharing certificates or certificates relating thereto for the account of the company of which the accounting par value, including the securities previously acquired by the company and held by it, is not higher than 25% (twenty five per cent) of the issued capital and at a price ranging between minimum 20% (twenty per cent) below the average of the closing price of the company's share during the last 30 trading days preceding the Board's resolution to acquire such securities, and maximum 20% (twenty per cent) above the average of the closing price of the company's share during the last 30 trading days preceding the Board's resolution to acquire such securities, it being understood that the price will never be lower than 50 EUR (fifty EUR) or exceed 90 EUR (ninety EUR).

The Board of Directors is explicitly authorized according to the resolution of the extraordinary general meeting of March 16, 2020 to dispose of the acquired securities that are listed, on or outside the stock exchange, without the need for a prior consent or other intervention by the general meeting, without prejudice to the fact that the disposal possibilities of the Board of Directors are further mandatory organized under the new BCCA and these shall thus have to be respected in parallel by the Company for the remaining period of the authorization granted by the general meeting within the framework of the acquisition of own securities. The aforementioned provisions equally apply to the acquisition or transfer of the Company's securities by the Company's directly controlled subsidiaries or through the intermediary of a person acting in its own name but for the account of these subsidiaries, in accordance with articles 7:221 and 7:222 of the BCCA.

DIVIDEND POLICY

Picanol nv wil propose to the general assembly not to pay out a dividend for financial year ending on December 31, 2020. The Company's dividend policy may be amended from time to time, and each dividend distribution remains subject to the Company's earnings, financial condition, share capital requirements and other important factors subject to proposal and approval by the competent corporate body of the Company and subject to the availability of distributable reserves as required by the BCCA and the articles of association. Any distributable reserves of the Company have to be computed in respect of its statutory balance sheet prepared in accordance with Belgian GAAP, which may differ from the consolidated financial statements in IFRS reported by the Company.

INFORMATION REQUIRED BY ART. 3:6 BELGIAN CODE OF COMPANIES AND ASSOCIATIONS

PROVISION 3.12 OF THE CORPORATE GOVERNANCE CODE 2020

The current Chairman of the Company was previously appointed as an executive Director. The Company has carefully considered the positive and negative aspects in favor of such a decision and has concluded that such appointment is in the best interest of the Company given his extensive experience, expertise, in-depth knowledge and proven track-record in relevant business environments. The Board of Directors furthermore clarifies that Exhibit H. of the Corporate Governance Charter provides additional conflict of interest procedures in case any material transaction is being considered by the Company with a company in which Directors are also a Director or Executive Director.

PROVISION 7.6 OF THE CORPORATE GOVERNANCE CODE 2020 WITH RESPECT TO REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Company does not grant any remuneration in the form of shares to the Non-Executive Directors for 2020, as it is of the opinion that a payment in shares does not have a positive impact on decisions of these Directors that support the long term vision of the Company, given the presence of a reference shareholder who aims to create sustainable value within the Company.

PROVISION 7.9 OF THE CORPORATE GOVERNANCE CODE 2020 WITH RESPECT TO REMUNERATION OF EXECUTIVE DIRECTORS

The Company does not grant any minimum threshold of remuneration in the form of shares to the ExCom in 2020, as it is of the opinion that a payment in shares does not have a positive impact on decisions of the ExCom that support the long term vision of the Company, given the presence of a reference shareholder who aims to create sustainable value within the Company. It was also decided not to modify the remuneration policy as already approved, during the course of the year.

PROVISION 8.7 OF THE CORPORATE GOVERNANCE CODE 2020 WITH RESPECT TO THE CONCLUSION OF A RELATIONSHIP AGREEMENT WITH ITS REFERENCE SHAREHOLDER

The Company has not concluded an agreement with its reference shareholder Luc Tack due to his representation in the Board of Directors of Picanol nv.

Ieper, March 24, 2021
On behalf of the Board of Directors

Luc Tack	Stefaan Haspeslagh
Director and CEO	Chairman of the Board of Directors

Financial report 2020

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

		For the year ended December 31	
(Million EUR)	**Note**	**2020**	**2019**
Revenue	3	2,188.5	2,221.4
Cost of sales		-1,664.3	-1,765.7
Gross profit		**524.2**	**455.6**
Distribution expenses		-111.8	-113.7
Sales and marketing expenses		-136.3	-136.3
Administrative expenses		-72.4	-83.6
Other operating income and expenses	5	-33.5	-31.8
Adjusted EBIT[2]	3	**170.2**	**90.2**
EBIT adjusting items	6	-12.0	-14.8
EBIT (Profit (+) / loss (-) from operations)		**158.2**	**75.4**
Finance income	9	7.7	23.1
Finance cost	9	-45.0	-26.7
Finance (costs) / income - net	9	**-37.3**	**-3.5**
Share of result of equity accounted investees, net of income tax		-1.9	0.3
Profit (+) / loss (-) before tax		**119.0**	**72.2**
Income tax expense	10	-32.2	-8.1
Profit (+) / loss (-) for the period		**86.8**	**64.0**
Non-controlling interest		31.4	22.3
Profit (+) / loss (-) for the period attributable to the equity holders of the company		**55.4**	**41.7**
Basic earnings per share (EUR)	20	3.1	2.4
Diluted earnings per share (EUR)	20	3.1	2.4

The accompanying notes are an integral part of these consolidated financial statements.

[2] Adjusted EBIT is considered by the group to be a relevant performance measure in order to compare results over the period 2019-2020, as it excludes adjusting items from the EBIT (Earnings before interests and taxes). EBIT adjusting items principally relate to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31	
(Million EUR)	**Note**	**2020**	**2019**
Profit (+) / loss (-) for the period		**86.8**	**64.0**
Translation differences		-14.7	0.1
Net change in fair value of derivative financial instruments, before tax	26	-0.2	-3.2
Other movements		-0.2	0.1
Income tax on other comprehensive income	15	0.1	0.8
Share in other comprehensive income of joint ventures accounted for using the equity method		0.0	-0.3
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**-15.1**	**-2.4**
Remeasurements of the net defined benefit liability, before tax	23	-1.0	-2.6
Income tax on other comprehensive income	15	1.1	0.7
Other comprehensive income not being classified to profit or loss in subsequent periods		**0.1**	**-1.9**
Other comprehensive income, net of income tax		**-14.9**	**-4.3**
Total comprehensive income		**71.9**	**59.7**
Non-controlling interest		23.8	19.5
Total comprehensive income attributable to the equity holders of the company		**48.0**	**40.3**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As per December 31	
(Million EUR)	**Note**	**2020**	**2019**
Assets			
Total non-current assets		**1,651.6**	**1,738.4**
Property, plant and equipment	11	1,061.8	1,078.4
Goodwill	12	42.1	42.1
Intangible assets	13	469.8	537.9
Investments accounted for using the equity method	14	20.0	18.9
Other investments	14	10.3	11.3
Deferred tax assets	15	33.2	30.8
Trade and other receivables	16	14.4	19.0
Total current assets		**1,111.1**	**1,039.5**
Inventories	17	393.4	380.3
Trade and other receivables	16	342.2	349.4
Current tax assets		9.3	15.4
Short term investments	18/22	20.0	0.0
Cash and cash equivalents	18/22	345.9	290.3
Assets held for sale		0.3	4.1
Total assets		**2,762.7**	**2,777.9**
Equity and Liabilities			
Equity			
Equity attributable to equity holders of the company		**816.3**	**773.1**
Issued capital		21.7	21.7
Share premium		1.5	1.5
Reserves and retained earnings		793.0	749.9
Non-controlling interest		**647.6**	**659.9**
Total equity		**1,463.8**	**1,433.0**
Liabilities			
Total non-current liabilities		**822.5**	**860.1**
Loans and borrowings	22	393.2	426.3
Employee benefits	23	71.2	64.7
Provisions	24	141.8	132.3
Trade and other payables	25	14.5	10.1
Derivative financial instruments	26	25.3	31.5
Deferred tax liabilities	15	176.5	195.2
Total current liabilities		**476.3**	**484.8**
Bank overdrafts	18/22	0.0	0.1
Loans and borrowings	22	69.8	98.9
Trade and other payables	25	374.0	348.1
Derivative financial instruments	26	11.8	12.7
Current tax liabilities		3.7	4.1
Employee benefits	23	1.8	1.5
Provisions	24	15.1	19.3
Total liabilities		**1,298.9**	**1,344.9**
Total equity and liabilities		**2,762.7**	**2,777.9**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Million EUR)	Note	Issued capital	Share premium	Other reserves and retained earnings	Translation differences	Repurchase treasury shares by subsidiaries	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance on January 1, 2020		**21.7**	**1.5**	**783.2**	**-33.3**	**0.0**	**773.1**	**659.9**	**1,433.0**
Profit (+) / loss (-) for the period				55.4			55.4	31.4	86.8
Other comprehensive income:									
- Translation differences					-7.2		-7.2	-7.5	-14.7
- Remeasurements of the net defined benefit liability, net of tax				-0.1			-0.1	0.2	0.1
- Net change in fair value of derivative financial instruments, net of tax				-0.1			-0.1	-0.1	-0.2
- Other movements				-0.1			-0.1	-0.1	-0.2
Comprehensive income, net of income taxes		**0.0**	**0.0**	**55.2**	**-7.2**		**48.0**	**23.8**	**71.9**
Transactions with owners, recorded directly in equity									
Repurchase treasury shares by subsidiaries				1.8		-4.2	-2.4	-1.8	-4.2
- Dividends				-3.5			-3.5		-3.5
- Change in non-controlling interest				3.8	-2.7		1.1	-34.3	-33.3
Total contributions by and distributions to owners		**0.0**	**0.0**	**2.1**	**-2.7**	**-4.2**	**-4.9**	**-36.1**	**-41.0**
Balance on December 31, 2020		**21.7**	**1.5**	**840.4**	**-43.2**	**-4.2**	**816.3**	**647.6**	**1,463.8**

(Million EUR)	Note	Issued capital	Share premium	Other reserves and retained earnings [3]	Translation differences	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance on December 31, 2018		**21.7**	**1.5**	**710.0**	**5.6**	**738.9**	**0.0**	**738.9**
Adjustment to the opening balance sheet for the initial consolidation of Tessenderlo Group				39.6	-33.5	6.1	700.4	706.5
Balance on December 31, 2018*		**21.7**	**1.5**	**749.6**	**-27.9**	**745.0**	**700.4**	**1,445.4**
Adjustment to the opening balance sheet for the initial application of IFRS16				-1.3		-1.3	-1.8	-3.2
Adjusted balance on January 1, 2019		**21.7**	**1.5**	**748.3**	**-27.9**	**743.7**	**698.5**	**1,442.2**
Profit (+) / loss (-) for the period				41.7		41.7	22.3	64.0
Other comprehensive income:								
- Translation differences				0.1	-0.2	0.0	0.2	0.1
- Remeasurements of the net defined benefit liability, net of tax				-0.9		-0.9	-1.0	-1.9
- Net change in fair value of derivative financial instruments, net of tax				-1.0		-1.0	-1.4	-2.3
- Share in other comprehensive income of joint ventures accounted for using the equity method				-0.1		-0.1	-0.2	-0.3
- Other movements				0.6		0.6	-0.6	0.1
Comprehensive income, net of income taxes		**0.0**	**0.0**	**41.3**	**-1.1**	**40.3**	**19.5**	**59.7**
Transactions with owners, recorded directly in equity								
- Dividends				-3.5		-3.5		-3.5
- Change in non-controlling interest				-7.3		-7.3	-58.1	-65.4
Total contributions by and distributions to owners		**0.0**	**0.0**	**-10.9**	**0.0**	**-10.9**	**-58.1**	**-69.0**
Balance on December 31, 2019		**21.7**	**1.5**	**783.2**	**-33.3**	**773.1**	**659.9**	**1,433.0**

[3] Translation differences of Tessenderlo Group attributable to the shareholder were reclassified from retained earnings

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended December 31	
(Million EUR)	**Note**	**2020**	**2019**
Operating activities			
Profit (+) / loss (-) for the period		86.8	64.0
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	8	194.6	192.7
Changes in provisions		8.2	-1.6
Finance costs	9	45.0	26.7
Finance income	9	-7.7	-23.1
Loss / (profit) on sale of non-current assets		-1.7	-3.5
Share of result of equity accounted investees, net of income tax		1.9	-0.3
Income tax expense	10	32.2	8.1
Changes in inventories		-34.0	16.0
Changes in trade and other receivables		2.6	12.9
Changes in trade and other payables		34.5	-4.9
Change in write off on inventory	3/17	12.7	5.1
Other cash from operating activities		-6.5	1.9
Cash generated from operations		**368.6**	**294.0**
Income tax (paid)/received		-45.6	-39.7
Dividends received		0.1	0.1
Cash flow from operating activities		**323.1**	**254.4**
Investing activities			
Acquisition of property, plant and equipment	11	-111.9	-118.2
Acquisition of other intangible assets	13	-1.1	-1.7
Acquisition of subsidiaries net of cash acquired[4]	4	-5.7	164.0
Acquisition of equity accounted investees	14	-2.0	1.1
Proceeds from the sale of property, plant and equipment		5.8	6.0
Proceeds from the sale of subsidiaries, net of cash disposed of		-0.1	
Cash flow from investing activities		**-115.1**	**51.2**
Financing activities			
Acquisition of non-controlling interest	21	-33.2	-64.3
Transactions with NCI - conversion of warrants		0.0	0.2
Repurchase of treasury shares by subsidiaries		-4.2	0.0
Payment of lease liabilities	11/22	-24.2	-25.4
Proceeds from new borrowings	22	7.8	18.7
Reimbursement of borrowings	22	-56.0	-83.1
Short term investments	18/22	-20.0	0.0
Interest paid		-18.1	-21.9
Interest received		2.6	4.9
Dividends paid		-3.5	-3.5
Settlement interst rate swap T-Power		0.0	-8.0
Other cash flows from financing activities		-1.3	-6.2
Cash flow from financing activities		**-150.1**	**-188.8**
Net increase / (decrease) in cash and cash equivalents		**57.9**	**116.8**
Effect of exchange rate differences		-2.2	0.4
Cash and cash eq. less bank overdrafts at the beginning of the period	18/22	**290.3**	**173.0**
Cash and cash eq. less bank overdrafts at the end of the period	18/22	**345.9**	**290.3**

The accompanying notes are an integral part of these consolidated financial statements.

The cash flow from operating activities increased from 254.4 million EUR in 2019 to 323.1 million EUR as per December 31, 2020. This increase can mainly be explained by an improvement of the operational result in 2020

[4] The 164 million EUR in 2019 represents the cash of Tessenderlo Group on January 1, 2019, acquired as a result of the initial consolidation of Tessenderlo Group

compared to last year. All operating segments contributed to a higher Adjusted EBITDA (+81.8 million EUR or +49.6 million EUR excluding fair value adjustment compared to last year) (note 3 - Segment reporting). The changes in working capital led to a cash inflow of +3.1 million EUR in 2020 as the impact of higher inventories was more than offset by the increase of trade and other payables. The increase in taxable result, resulted in higher income taxes paid (-45.6 million EUR in 2020 compared to only -39.7 million EUR in 2019). The income taxes paid mainly relate to activities in the United States and Belgium, while the French and Brazilian income tax payments were offset against outstanding tax receivables (note 10 - Income taxes and note 16 - Trade and other receivables).

The cash flow from investing activities amounted to -115.1 million EUR in 2020. The reported cashflow from investing activities in 2019 of +51.2 million EUR includes an amount of +164.0 million EUR for the initial consolidation of the cash of Tessenderlo Group. Actual cash flow from investing activities therefor decreased from -112.8 million EUR to -115.1 million EUR. Total capital expenditure amounts to -113.1 million EUR (2019: -119.9 million EUR) (note 3 - Segment reporting). The proceeds from the sale of property, plant and equipment for an amount of 5.8 million EUR mainly relate to the sale of the former Kerley headquarters building in the United States (note 6 - EBIT adjusting items). The acquisition of the production plant in La Chapelle-Saint-Ursin (France) by DYKA Tube SAS (segment Industrial Solutions) resulted in a consideration paid in cash of -5.7 million EUR (note 4 - Acquisitions and disposals). An amount of -2.0 million EUR was already paid for the establishment of the 50% joint venture PB Shengda (Zhejiang) Biotechnology Co. Ltd. The unpaid share capital amounts to 3.0 million EUR as per December 31, 2020 (note 14 - Investments accounted for using the equity method).

The cash flow from financing activities amounts to -150.1 million EUR as per year-end 2020 (2019: -188.8 million EUR). The acquisition of non-controlling interest for -33.2 million EUR is the purchase of additional shares of subsidiary Tessenderlo Group which resulted in an increase of the shareholders percentage from 43.88% at December 31, 2019 to 46.65% at the end of 2020. The reimbursement of borrowings (-56.0 million EUR) mainly relates to a decrease of the use of the commercial paper program (19.0 million EUR compared to 39.0 million EUR in 2019), the half yearly reimbursements of the T-Power credit facility (-25.7 million EUR) and a decrease in export financing (-8.7 million EUR). The 2019 financing activities included the prepayment of the loan for an amount of -55.4 million EUR and the partial settlement of interest rate swaps after a review of the T-Power nv financing structure, while this did not occur in 2020. In 2020, a new loan (7.5 million EUR) was drawn by Tessenderlo Group nv to finance the purchase of vehicles within the operating segment Bio-valorization (note 22 - Loans and borrowings). During 2020, subsidiary Tessenderlo Group bought 132,000 of treasury shares at 32 EUR per share for a total amount of -4.2 million EUR. As per year end 2020, an investment in two short term bank notes is outstanding (short term investments for -20.0 million EUR). The counterparty is a highly rated international bank. The notes have an original duration of 6 months (maturing in February and in April 2021) (note 18 - Cash and cash equivalents).

As a result cash and cash equivalents less bank overdrafts increased from 290.3 million EUR to 345.9 million EUR (note 18 - Cash and cash equivalents).

CONSEQUENCES AND IMPACT OF THE COVID-19 PANDEMIC

Since the first quarter of 2020, the COVID-19 pandemic has not only negatively affected social lives, but also the global economy. The group has taken all the necessary steps to ensure that it keeps its people safe and keep its plants and businesses running. This is because the group provides support for vital services and the flow of crucial goods. Subsidiary Tessenderlo Group supplies the basic chemicals for the production of drinking water based on side streams in the form of hydrochloric acid from the production of sulfate of potash (SOP). In addition, the group produces gelatin for medical and food applications, electricity, crop nutrition and crop protection products for agriculture and plastic pipe systems for maintaining drinking water supply systems and polluted water evacuation, while Akiolis protects the meat chain (in France). All of the plants and activities are now running in line with expectations.

In February 2020, a disruption of production occurred at the Chinese plants in Nehe (PB Leiner) and Suzhou (segment Machines & Technologies). In March/April, a disruption of production occurred at Picanol’s plant in Ieper (Belgium), at DYKA Group’s plant in Sainte-Austreberthe (France), as well as a temporary closure of a number of JDP sales branches (United Kingdom) (both active in the Industrial Solutions segment). While revenue was negatively impacted during these months, the lost production and revenue was partially offset against higher demand in subsequent months. The impact on the revenue in segment Machines & Technologies was significant in the first half of 2020 but this was mostly compensated by increased demand in the second half. In 2020, travelling was restricted in many countries and major events, such as trade fairs, were cancelled. This resulted in less sales and marketing activities.

The COVID-19 impact on the 2020 consolidated financial statements was not significant, however the continued pandemic and related uncertainty might negatively impact the group's results in future periods. It remains difficult to estimate the future impact of the pandemic on the economies where the group is active, and hence the impact these factors might have on the financial results. Activities could be further impacted in the coming months if too many employees are impacted by COVID-19 and/or if access to raw materials and auxiliary materials or means of transportation becomes more complicated, or if customers are no longer able to process or resell our products. Changes in market demand and customer behavior can impact the group's future sales, negatively impacting its results and cash flows.

In view of the continued uncertainty associated with the nature of the COVID-19 pandemic, the significant assumptions and accounting estimates, to support the reported amounts of assets and liabilities, income and expenses, were regularly reviewed, and if needed updated, during 2020. The main judgements, estimates and assumptions, which might be impacted by COVID-19, are:

- Impairments: The carrying amount of property, plant and equipment, goodwill and intangible assets is reviewed at each balance sheet date to determine whether an indication of impairment exists. If any such indication exists, the asset's recoverable amount is estimated. There were no indications of any potential impairments during 2020 as a consequence of the COVID-19 pandemic.
- Inventory obsolescence and lower of cost of net realizable value adjustments are determined based on experience and the assessment of market circumstances. Inventories are stated at the lower of cost or net realizable value. The calculation of a potential write-off is based on experience and on the assessment of market circumstances. The COVID-19 pandemic impacted the ageing of inventories as well as future demand, and this mainly within the operating segments Bio-valorization and Machines & Technologies (note 3 - Segment reporting). This resulted in a write-off for an amount of -12.7 million EUR (compared to only -5.1 million EUR in 2019).
- Employee benefits: The calculation of defined benefit obligations is based on actuarial assumptions. Increased volatility and uncertainty in the financial markets following the COVID-19 outbreak led to a decrease of the discount rates used, as well as higher volatility in the return of the plan assets. The loss following the change in financial assumptions (increasing the pension obligations) was partially offset by experience gains on the plan assets (note 23 - Employee benefits).
- Allowance for expected credit losses: In accordance with IFRS 9, the group recognizes expected credit losses on trade receivables following the simplified approach. Lifetime expected losses are recognized for the trade receivables, excluding recoverable VAT amounts. As COVID-19 might negatively impact group's customers, there could be an increased potential for future credit losses. However, based on customer's payment behavior, no significant additional allowances for expected credit losses were to be recognized as per December 31, 2020 (note 26 - Financial instruments).

As the COVID-19 pandemic further evolves, potential changes in these views might occur in 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Picanol nv (hereafter referred to as the "company"), the parent company, is domiciled in Belgium. The consolidated financial statements for the year ended December 31, 2020, comprise the company and its subsidiaries (together referred to as the "group") and the group's interests in jointly controlled entities.

The IFRS financial statements were authorized for issue by the Board of Directors of Picanol nv on Wednesday March 24, 2021.

(A) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

(B) Basis of preparation

The financial statements are presented in euro, which is the company's functional currency, rounded to the nearest million which may not add up due to rounding. They are prepared on the historical cost basis except for derivative financial instruments, net defined benefit (liabilities)/assets and investments available-for-sale, which are stated at fair value. Assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised (if the revision affects only that period) or in the period of the revision and future periods (if the revision affects both current and future periods).

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33 - Critical accounting estimates and judgments.

The consolidated financial statements are presented before the effect of the profit appropriation of the company proposed to the General Assembly of shareholders.

The accounting policies set out below have been applied consistently by the company and all consolidated companies to all periods presented in these consolidated financial statements.

(C) Principles of consolidation

Subsidiaries are entities controlled by the group. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If the group no longer has control over a subsidiary all assets and liabilities of the subsidiary, any non-controlling interests and other equity components with regard to the subsidiary are derecognized. The gains or losses arising on the loss of control are recognized in the income statement.

Non-controlling interests are presented separately from equity attributable to equity holders of the company. Losses realized by subsidiaries with non-controlling interests are proportionally allocated to the non-controlling interests in these subsidiaries, even if this means that the non-controlling interests display a negative balance.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in the income statement.

Investments in associates and joint ventures are included in the consolidated financial statements using the equity method. The investments in associates are those in which the group has significant influence over the financial and operating policies, but which it does not control. In general, it is the case when the group holds between 20% and 50% of the voting rights. The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. All joint arrangements are determined to be joint ventures, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The equity method is used as from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the group's share of losses exceeds its interest in an associate or joint venture, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations in respect of the associate or joint venture.

All intercompany transactions, balances and unrealized gains and losses on transactions between group companies have been eliminated. Unrealized gains arising from transactions with associates and joint arrangements are eliminated to the extent of the group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(D) Foreign currency

- ***Foreign currency transactions***

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at foreign exchange rates of the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. For available-for-sale non-monetary assets, foreign exchange gains and losses are not separated from the total fair value changes.

Foreign currency differences are recognized in profit or loss and presented within finance costs.

- ***Foreign currency translation***

Assets and liabilities of foreign entities included in the consolidation are translated to euro at the foreign exchange rates applicable at the balance sheet date. The income statement of foreign entities is translated to euro at the annual average foreign exchange rates (approximating the foreign exchange rates prevailing at the dates of the transactions). The components of equity attributable to equity holders of the company are translated at historical rates.

Exchange differences arising from the translation of the equity attributable to the equity holders of the company to euro at year-end exchange rates are recognized in other comprehensive income and presented within "Translation reserves" in Equity. In case of non-wholly owned subsidiaries, the relevant proportion of the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserves related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal of the foreign operation.

When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount in the translation reserves is reattributed to non-controlling interests. When the group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

- ***Exchange rates***

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

	Closing rate		Average rate	
1 EUR equals:	**2020**	**2019**	**2020**	**2019**
Brazilian real	6.37	4.52	5.89	4.41
Chinese yuan	8.02	7.82	7.87	7.74
Costa Rican colón	743.89	638.58	665.45	654.66
Czech crown	26.24	25.40	26.46	25.70
Hungarian forint	363.89	330.50	351.25	325.30
Indian rupee	89.66	80.19	84.64	78.92
Polish zloty	4.56	4.30	4.44	4.30
Pound sterling	0.90	0.90	0.89	0.90
Romanian leu	4.87	4.78	4.84	4.75
Swiss franc	1.08	1.09	1.07	1.11
Turkish lira	9.11	6.68	8.05	6.36
US dollar	1.23	1.12	1.14	1.12
Indonesian rupee	17.24	15.60	16.65	15.80
Mexican Peso	24.42	21.22	24.45	21.63

(E) Intangible assets

- ***Research and development***

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure resulting from development activities, whereby research findings are applied to a plan or design for production of new or substantially improved products and processes, is capitalized if all of the following conditions are met:

- it is technically feasible to complete the asset so that it will be available for sale or use;
- management intends to complete the development of the asset;
- it is demonstrated how the asset will generate probable future economic benefits. The market potential or the usefulness of the intangible asset have been clearly demonstrated;
- adequate technical, financial and other resources to complete the development are available; and
- the expenditures related to the process or product can be clearly identified and reliably measured.

Other development expenditure is recognized in the income statement as an expense as incurred.

The capitalized expenditure includes the cost of materials and direct labor. Capitalized development is stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy J.).

- ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, or production of an intangible asset, requiring a long preparation, are included in the cost of the intangible asset.

- ***Emission allowances***

The cost of acquiring emission allowances is recognized as other intangible asset, whether they have been purchased or received free of charge (in the latter case the acquisition cost is zero). Emission allowances are not amortized but subject to impairment testing. A provision is set up to cover obligations to refund allowances depending on emissions if, during a given period, the number of allowances required exceeds the total number of allowances acquired. This provision is measured at the estimated amount of the expenditure required to settle the obligation.

The fair value of forward purchase and sale contracts of emission allowance certificates is based on quoted market prices for futures of EU allowances (EUAs) and Certified Emission Reductions (CERs)[5].

- ***Intangible assets initial valuation***

Intangible assets, acquired by the group, are stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy J.).

- ***Subsequent expenditure***

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

- ***Amortization***

Intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of the respective asset categories are as follows:

Development	5 years
Software	3 to 5 years
Customer list	3 to 10 years
Concessions, licenses, patents and other	10 to 20 years

Useful lives and residual values, if significant, are re-assessed annually and adjusted if appropriate.

(F) Goodwill

- ***Business combination***

All business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the group obtained control.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the income statement after re-assessment of the fair values.

Goodwill is expressed in the currency of the subsidiary to which it relates.

Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the income statement.

- ***Subsequent measurement of goodwill***

Goodwill is measured at cost less accumulated impairment losses.

[5] The group did not have any such contracts during 2019 and 2020.

Goodwill is tested at least annually for impairment and whenever there is an indicator that the cash-generating unit to which the goodwill has been allocated may be impaired (see accounting policy J.).

(G) Property, plant and equipment

- ***Owned assets***

Items of property, plant and equipment (further also "PPE") are stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (e.g. non-refundable tax, transport and the costs of dismantling and removing the items and restoring the site on which they are located, if applicable). The cost of a self-constructed asset is determined using the same principles as for an acquired asset and includes the cost of materials, direct labor and other directly attributable expenses. Borrowing costs directly attributable to the acquisition, construction or production of an asset, requiring a long preparation, are included in the cost of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

- ***Subsequent expenditure***

Subsequent expenditure incurred in replacing or renewing components of some items of property, plant and equipment is accounted for as the acquisition of a separate asset and the replaced asset is written off. Capitalization of subsequent expenditure is only done when it increases the future economic benefits embodied in the item of property, plant and equipment and significantly increases production capacity. Repair and maintenance, which do not increase the future economic benefits of the asset to which they relate, are expensed as incurred.

- ***Depreciation***

Depreciation is charged to the income statement as from the date the asset is available for use, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives of the respective asset categories are as follows:

Land infrastructure[6]	10 to 20 years
Buildings	20 to 40 years
Building improvements	10 to 20 years
Plant installations	6 to 20 years
Machinery and equipment	5 to 15 years
Furniture and office equipment	4 to 10 years
Extrusion and tooling equipment	3 to 7 years
Laboratory and research – infrastructure	3 to 5 years
Vehicles	4 to 10 years
Computer equipment	3 to 5 years

Land is not depreciated as it is deemed to have an indefinite life.

Useful lives and residual values, if significant, are re-assessed annually and adjusted if appropriate.

- ***Government grants***

Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of the related asset when there is reasonable assurance that they will be received and the group will comply with the conditions attached to it. They are deducted in the income statement from the related depreciation charges on a straight-line basis over the estimated useful life of the related asset.

Grants that compensate the group for expenses incurred are recognized as deduction of the related expense on a systematic basis in the same periods in which the expenses are incurred.

[6] Land infrastructure mainly includes access roads, fencing and lighting.

The accounting policy for emission allowances is discussed in section (E) Other intangible assets.

(H) Leased assets

Policy applicable as from January 1, 2019:
The group has applied IFRS 16 *Leases* since January 1, 2019 using the modified retrospective approach, under which comparative information is not restated.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Assets, representing the rights to use the underlying leased asset, are capitalized as property, plant and equipment at cost, comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs.

The corresponding lease liabilities, representing the net present value of the lease payments, are recognized as long-term or current liabilities depending on the period in which they are due.

The lease payments are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group’s incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the group uses its incremental borrowing rate as the discount rate.

Leased assets and liabilities are not recognized for low-value items and short term leases. Short-term leases are leases with an initial lease term of 12 months or less. The lease payments associated with these low-value items and short term leases are recognized on a straight-line basis as an expense over the lease term.

Lease interest is charged to the income statement as an interest expense.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has applied judgement in evaluating whether it is reasonably certain to exercise the option to renew by considering all relevant factors that create an economic incentive for it to exercise the renewal.

(I) Other and short term investments

Each category of other investments is accounted for at trade date.

- ***Investments in equity securities***

Investments in equity securities are undertakings in which the group does not have significant influence or control. This is generally evidenced by ownership of less than 20% of the voting rights. Such investments are designated as equity investments at fair value through other comprehensive income and are recorded at their fair value on the balance sheet, unless the fair value cannot be reliably determined in which case they are carried at cost less impairment losses. The fair value is the quoted bid price at balance sheet date. Changes in fair value are directly recognized in other comprehensive income. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. If investments in equity securities are disposed, the cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income and is never reclassified to profit or loss.

- ***Other investments***

Other investments mainly include cash guarantees. They are initially measured at fair value. Subsequently other investments are measured at amortized cost.

- ***Short term investments***

Short term investments include cash deposits and short term bank notes with a maturity at inception in excess of three months and are intended to be held to maturity less than one year (solely payment of principle and interest). They are recognized at their fair value, with the associated revenue in interest income.

(J) Impairment

The carrying amounts of property, plant and equipment, and other intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated for an individual asset or for a cash-generating unit. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. An impairment loss is recognized whenever the carrying amount of an asset or the related cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Goodwill and other intangible assets not yet available for use are tested for impairment at least annually, and when an indication of impairment exists. An impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of other assets in the cash-generating unit on a pro rata basis.

- ***Calculation of recoverable amount***

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the net present value of the estimated future cash flows from the use of an asset or cash-generating unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, to the business etc. In determining the fair value less costs to sell, recent market transactions are taken into account, if these are available.

If an impairment is a consequence of classifying the assets as non-current assets classified as held for sale, then management's best estimate is used as a basis for the determination of the fair value of the assets (also based on knowledge of previous transactions with similar assets).

- ***Reversal of impairment***

An impairment loss, in respect of the group's assets other than goodwill, recognized in prior periods, is assessed at each balance sheet date for any indication that the impairment loss has decreased or no longer exists. If there has been a change in the estimates used to determine the recoverable amount on assets other than goodwill, the previously recognized impairment loss is reversed through the EBIT adjusting items in the income statement, to the extent that the asset's carrying amount does not exceed its recoverable amount, nor the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

An impairment loss in respect of goodwill cannot be reversed.

- ***Financial assets***

In accordance with IFRS 9, the group recognizes expected credit losses on trade receivables following the simplified approach. Lifetime expected losses are recognized for the trade receivables, excluding recoverable VAT amounts. A provision matrix is used in order to calculate the lifetime expected credit losses for trade receivables, which is based on the overdue amounts at the reporting date and uses historical information on defaults. The group considers a financial asset in default when contractual payments are 60 days past due. For all receivables in excess of 60 days past due, the provision matrix calculates an allowance between 20% and 100%. However, in specific cases, the group may also consider a financial asset in default when specific objective evidence of an impairment is obtained as a result of one or more events, which occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence of impairment includes debtor experiencing significant financial difficulty, default or delinquency by a debtor, indications that a debtor will enter bankruptcy, or economic conditions that correlate with defaults. Impairment losses are recognized in the consolidated income statement.

(K) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined by the weighted average cost method for the divisions of Tessenderlo Group and according to FIFO method for the division Machines & Technologies.

The cost of finished goods and work in progress comprises raw materials, other production materials, direct labor, other direct costs and an allocation of fixed and variable production overhead based on normal operating capacity. Cost of inventories includes the purchase, conversion and other costs incurred to bring the inventories to their present location and condition. Net realizable value represents the estimated selling price, less all estimated costs of making the product ready for sale.

(L) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently stated at amortized cost less appropriate allowances for impairment losses (see accounting policy J.).

(M) Cash and cash equivalents

Cash includes cash in hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, have a maturity date of three months or less from the date of inception and are subject to an insignificant risk of change in value. Cash and cash equivalents are recognized at their fair value.

(N) Issued capital

- ***Ordinary shares***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a reduction from equity, net of any tax effects.

- ***Repurchase of issued capital***

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

- ***Dividends***

Dividends are recognized as a liability in the period in which they are declared.

(O) Non-derivate financial liabilities

Non-derivate financial liabilities are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis.

Export financing is used within the Machines & Technologies division. The company allows long-term payment of trade receivables provided that these are financed via export financing by banks and are guaranteed by Credendo.

Accounting processing of the export financing:
When a machine contract is invoiced, the client receivable (which is spread over several years) is booked under “trade and other receivables”. There are several options to finance these long-term receivables. If Picanol Group takes out a parallel supplier credit with a bank, this debt will be booked under "loans and borrowings". Picanol Group may also decide to proceed with discounting client receivables through a bank or a credit insurer. In this case, the client receivables will be settled the moment the risk of the asset is transferred. The discount costs are included in the profit and loss account under "finance costs”. The income related to re-invoicing the interest costs to the customer is included in the income statement under “finance income".

(P) Provisions

Provisions are recognized in the balance sheet when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is presented as a component of finance costs.

- ***Restructuring***

A provision for restructuring is recognized when the group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it. Future operating costs are not provided for.

- ***Environmental obligations and dismantlement obligations***

These provisions are based on legal and constructive obligations from past events, in accordance with applicable legal requirements.

- ***Onerous contracts***

A provision for onerous contracts is recognized when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Such provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognizes an impairment loss on the assets associated with that contract.

- ***Warranties***

A provision for warranty costs will be made for products under warranty on the basis of historical data with regard to repairs and returned goods. A provision is being made for performance warranties based on individual analysis.

(Q) Employee benefits

- ***Post-employment benefits***

Post-employment benefits include pensions and medical benefits. The group operates a number of defined benefits and defined contribution plans throughout the world, of which the assets are generally held in separate pension funds. Separate trusts and insurers generally hold the pension plans.

Defined contribution plans:
A defined contribution plan is a pension plan under which the group pays fixed contributions into a fund. There is no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution pension plans are recognized as an expense in the income statement as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans:
A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement.

For defined benefit plans, the pension accounting costs are assessed separately for each plan using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement in order to spread the regular cost over the service lives of employees in accordance with the advice of qualified independent actuaries who carry out annually a full valuation of the plans.

The pension obligation recognized in the balance sheet is determined as the present value of the defined benefit obligation, using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability, less the fair value of the plan assets. In countries where there is no deep market in such bonds, the market rates on government bonds are used for discounting.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, and the effect of the asset ceiling (if any), are charged or credited to equity in other comprehensive income in the period in which they arise.

Where the calculation results in a potential asset for the group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Past service costs and gain or loss on curtailment are recognized immediately in the income statement.

- ***Termination benefits (pre-retirement plans, other termination obligations)***

These benefits arise as a result of the group's decision to terminate the employment of an employee or group of employees before the normal retirement date or of an employee's decision to accept voluntary redundancy in exchange for those benefits.

These benefits are recognized as a liability and an expense at the earlier of the following dates: when the group can no longer withdraw the offer of those benefits, or when the group recognizes costs for a restructuring that is within the scope of IAS 37 *Provisions* and involves termination benefits. If benefits are conditional on future service, they are not treated as termination benefits but as post-employment benefits.

- ***Share-based payment plans***[7]

A warrant plan allows senior management to acquire shares of the company. The warrant's exercise price equals the lowest of the average market price of the underlying shares in the 30 trading days preceding the offer date or the market price on the last day preceding the offer date. These share-based payments are recognized in the financial statements based on the fair value of the awards measured at grant date, as an expense spread over the vesting period with a corresponding increase in equity. When the warrants are exercised, equity is increased by the amounts of the proceeds received.

- ***Short-term benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

[7] The last allocation of warrants to senior management of Tessenderlo Group took place in January 2013.

(R) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income or it relates to a business combination, in which case it is recognized against goodwill.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is provided using the balance sheet liability method, for temporary differences arising between the carrying values of assets and liabilities for financial reporting purposes and the basis used for taxation purposes. The following temporary differences are not provided for: taxable temporary differences arising on the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that these will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date and reflects uncertainty related to income taxes, if any.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

(S) Trade and other payables

Trade and other payables are stated at fair value at initial recognition and subsequently at amortized cost.

(T) Income

- ***Revenue***

The five-step model to account for revenue arising from contracts with customers is used. Revenue is recognized at an amount that reflects the consideration to which the group expects to be entitled in exchange for transferring goods or services to a customer.

(1) Sale of goods

The majority of the group's revenue consists of the sale of goods. Products are generally sold directly or through distributors to the customers. Revenue is recognized based on the transfer of control of ownership. The point of recognition is dependent on the contract sales terms, known as the International Commercial terms (Incoterms). The timing of the revenue recognition is not significantly different from the transfer from risk and rewards. The sale of goods, including transportation, qualifies as a separate performance obligation. The related costs of transportation are incurred as part of the performance obligation to transfer goods to the customer. In the segment Machines & Technologies, the installation of the machine at the customer is seen as a separate performance obligation since it can also be performed by the customer or by an external party. However, the turnover with regard to this installation is not material in the total turnover of the group.

(2) Rendering of services
The amount of revenue from services is not presented separately in the income statement because it represents currently an insignificant portion of total revenue for the group.

The sale of services qualifies as a separate performance obligation, of which revenue is recognized when a customer obtains control of the services, which can be at a point in time or over time. For each performance obligation satisfied over time, revenue is recognized by measuring the progress towards complete satisfaction of that performance obligation at the end of each reporting period.

(3) Projects
For revenue out of projects, the amount of revenue is measured by reference to the progress made towards complete satisfaction of the performance obligation. These projects generally have a lifetime of less than one year.

Customer contracts might include trade discounts or volume rebates, which are granted to the customer if the delivered quantities exceed a certain threshold. In these cases, the transaction price includes a variable consideration. The effect of the variable consideration, recognized at fair value, on the transaction price is taken into account in revenue recognition by estimating the probability of the realization of the discount or rebate for each contract.

Customer contracts might contain consignment arrangements. The products are shipped and stored in owned or rented tanks at the customer's premises. The revenue is only recognized at the moment the product is actually withdrawn by the customer. The sales price will be the applicable market price at that moment.

- ***Finance income***

Finance income comprises interest receivable on funds invested, dividend income, foreign exchange gains, gains on derivative financial instruments and financing costs related to weaving machines contracts which are re-invoiced to the customers.

Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset.

Dividend income is recognized in the income statement on the date the entity's right to receive payments is established.

(U) Expenses

- ***Finance costs***

Finance costs comprise interest payable on loans and borrowings, unwinding of the discount on provisions, foreign exchange losses, losses on derivative financial instruments and finance costs related to weaving machines contracts.

Interest expense is recognized as it occurs, taking into account the effective interest rate.

All finance costs (borrowing costs) directly attributable to the acquisition, construction or production of a qualifying asset that form part of the cost of that asset are capitalized. All other borrowing costs are expensed as incurred and are recognized as finance costs.

(V) Derivative financial instruments

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized initially at fair value. The determination of fair values for each type of financial and non-financial assets and liabilities are further discussed in note 2 - Determination of fair values. Subsequent to initial recognition, derivative financial instruments are stated at their fair value at balance sheet date. Depending on whether cash flow hedge accounting (see below) is applied or not, any gain or loss on this remeasurement is either recognized directly in other comprehensive income or in the income statement.

- ***Cash flow hedges***

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect income statement, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (hedging reserves in equity). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In any other case, the amount accumulated in equity is reclassified to income statement in the same period that the hedged item affects the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, or when the hedging instrument is expired, sold or terminated, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. If the forecast transaction is no longer expected to occur, then the cumulative gain or loss recognized in other comprehensive income is reclassified immediately to finance costs and income.

(W) Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held.

The diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to the management.

(X) Segment reporting

Operating segments are components of the group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. Discrete financial information is available and evaluated regularly by the Executive Committee in deciding how to allocate resources and in assessing performance. The Executive Committee has been identified as the chief operating decision maker.

Aggregation of segments has been done in accordance with IFRS 8 *Operating segments* and only when the segments have similar economic characteristics based upon their nature of products and services, nature of the production process, type or class of customer, methods used to distribute products or provide services and the nature of the regulatory environment.

The segment information reported to the Executive Committee (including the measurement of segment profit or loss, segment assets and liabilities) is prepared in conformity with the same accounting policies as those described in the summary of significant accounting policies.

Revenues, expenses and assets are allocated to the operating segments to the extent that items of revenue, expenses and assets can be directly attributed or reasonably allocated to the operating segments. Transfer prices between operating segments are in a similar way to transactions with third parties.

(Y) Changes in accounting policy and disclosures

The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning January 1, 2020 and have been endorsed by the European Union. These did not have a significant impact on the financial statements of the group:

- amendments to IAS 1 and IAS 8 Definition of Material;
- amendments to IFRS 3 Business Combinations: Definition of a Business;
- amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform - Phase 1;
- amendments to references to the Conceptual Framework in IFRS standards;
- amendment to IFRS 16 Leases COVID-19-Related Rent Concessions (only effective as from June 1, 2020).

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning January 1, 2020 and have not been endorsed by the European Union:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective January 1, 2023).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (effective January 1, 2022).
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (effective January 1, 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract (effective January 1, 2022).
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective January 1, 2021).
- Annual Improvements to IFRS Standards 2018–2020 (effective January 1, 2022).

The group has not applied these new standards or amended standards in preparing the 2020 consolidated financial statements. The group is currently assessing the new rules, and at this stage, is not expecting any of these new rules to have a significant impact on the financial statements of the group.

2. DETERMINATION OF FAIR VALUES

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible, or valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair values is included in note 26 - Financial instruments.

Property, plant and equipment
The fair value of property, recognized as a result of a business combination or used in impairment testing, is based on the estimated amount for which a property could be exchanged on the date of valuation in an arm's length transaction. The result is benchmarked with market values, if available. If no significant and active market exists, the replacement cost is used.

The fair value of items of plant and equipment is based on the market or cost approach using quoted market prices for similar items when available and replacement costs when appropriate. The replacement cost is the combined result of the cost of a new plant and equipment with the same capacity and the value in use considering the business activity.

The measurement of the fair value of property, plant and equipment is based on valuation studies which are performed internally as well as outsourced to external, independent valuation companies having appropriate qualifications and experience.

Intangible assets
The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets and on valuation studies performed internally and externally.

Inventories
The fair value of inventories is based on the current market price for raw materials and the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale for finished products including a margin.

Derivative financial instruments
The fair value of forward contracts is calculated as the discounted value of the difference between the contract rate and the forward rate at closing date.

The fair value of these instruments generally reflects the estimated amounts that the group would receive on settlement of favorable contracts or be required to pay to terminate unfavorable contracts at the reporting date, and thereby takes into account the current unrealized gains or losses on open contracts.

Other financial instruments
The fair value of an electricity supply agreement has been estimated using a discounted cash flow method, making certain assumptions about the model inputs, including risk-adjusted discount rate, and commodities market price. The fair value is categorized as level 3 as it is partly based on unobservable market data.

3. SEGMENT REPORTING

The group has 5 operating segments based on the principal business activities, economic environments and value chains in which they operate, as defined under IFRS 8 *Operating Segments*. The customers and main markets of these segments are different. The 5 operating segments fulfill the quantitative thresholds and are reported separately. The information provided below is consistent with the information that is available and evaluated regularly by the Chief Operating Decision Maker (the ExCom).

The following five operating segments meet the quantitative criteria and are reported separately:

- ‘Machines & Technologies’: covers the production, development and sale of high-tech weaving machines and other “*original equipment manufacturers*” industrial products. This segment includes the Weaving Machines (Picanol), Foundry and Mechanical Finishing (Proferro), and Electronics Development and Production (PsiControl) activities. These components are not considered to be separate operating segments.
- ‘Agro’: includes production, trading and distribution of crop nutrients and crop protection products and includes the following businesses: Crop Vitality, Tessenderlo Kerley International and NovaSource. These activities individually meet the definition of a business segment and were aggregated under the operating segment “Agro” in line with the stipulations under IFRS 8.12. This aggregation was possible because these activities sell the same or similar products, their production process is similar and these activities have the same or the same type of customers, while the distribution method of the products is also similar. In addition, there is close cooperation between these activities and management makes decisions that simultaneously have an impact on the various activities.
- ‘Bio-valorization’: includes collecting and processing of animal by-products; production and distribution of gelatins and collagen peptides and rendering, production and sales of proteins and fats and includes the following businesses: PB Leiner and Akiolis. These activities individually meet the definition of a business segment and were aggregated under the segment “Bio-valorization” in line with the stipulations under IFRS 8.12. This aggregation was possible because these activities sell the same or similar products, their production process is similar and these activities have the same or the same type of customers, while the distribution method of the products is also similar. In addition, there is close cooperation between these activities and management makes decisions that simultaneously have an impact on the various activities.
- ‘Industrial Solutions’: includes all possible water related applications (water transport, water treatment, leaching, recovery of water from industrial processes). This segment includes the following distinguishable commercial names: DYKA Group (with DYKA, JDP and BT Nyloplast), Mining & Industrial, Performance Chemicals and MPR/ECS. These components are not considered to be separate operating segments.
- ‘T-Power’: includes a gas-fired 425 MW power plant in Tessenderlo (Belgium). A tolling agreement was concluded with RWE group for a period of 15 years (until 2026) for the full capacity of the plant, with an optional 5-year extension thereafter.

Within the Industrial Solutions segment, S8 Engineering has ceased to exist. The engineering and construction activities were integrated into Tessenderlo Kerley, Inc. during 2020.

The costs included within Adjusted EBIT, related to the corporate activities, are allocated to the different operating segments they support.

Transfer prices between operating segments are in a manner similar to transactions with third parties.

The measure of segment profit/loss is Adjusted EBIT, which is consistent with information that is monitored by the chief operating decision maker.

The group is a diversified specialty group that is worldwide active in many areas of machinery, agriculture, food, water management, efficient (re)use of natural resources and other industrial markets. The products of the group are used in various applications, industrial and consumption markets. Although a leadership position is occupied by the group in a number of diverse markets, the diversification of the group's revenue makes the group not reliant on major customers.

The majority of the group's revenue consists of the sale of goods. Products are generally sold directly or through distributors to the customers. Revenue is therefore recognized when the goods are delivered to the customers, where the point of recognition is dependent on the contract sales terms, known as the International Commercial terms (Incoterms). The group also recognizes revenue from the sale of services. These mainly relate to the collection of organic materials within Akiolis (operating segment Bio-valorization), water treatment services at industrial mining, refinery and oil and gas exploration water treatment locations within MPR and ECS (operating segment Industrial Solutions) and R&D services sold by PsiControl in segment Machines & Technologies. In this case, the revenue is recognized when the customers obtain control of the services, predominantly at a point in time. The group has executed engineering and construction activities through its subsidiary S8 Engineering Inc. For revenue out of projects, the amount of revenue is measured by reference to the progress made towards complete satisfaction of the performance obligation. These projects generally have a lifetime of less than one year.

The major line items of the income statement and statement of financial position are shown per operating segment in the table below.

(Million EUR)	note	Machines & Technologies		Agro		Bio-valorization		Industrial Solutions		T-Power		Non- allocated		Picanol Group	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue (internal and external)		451.3	478.4	583.7	603.5	575.7	543.1	509.5	531.4	69.5	71.1			2,189.7	2,227.6
Revenue (internal)			0.0	0.8	0.8	0.0	0.0	0.4	5.5	0.0	0.0			1.2	6.3
Revenue		**451.3**	**478.4**	**582.9**	**602.8**	**575.7**	**543.1**	**509.1**	**526.0**	**69.5**	**71.1**			**2,188.5**	**2,221.4**
Of which:															
- At a point in time		451.3	478.4	582.9	602.8	575.7	543.1	508.1	520.3	69.5	71.1			2,187.5	2,215.7
- Over time				0.0		0.0		1.0	5.6	0.0				1.0	5.6
Adjusted EBIT		**35.0**	**33.1**	**58.7**	**29.4**	**44.7**	**14.2**	**15.2**	**1.6**	**16.6**	**12.0**	**0.0**	**0.0**	**170.2**	**90.2**
Adjusted EBITDA		**47.1**	**44.4**	**125.6**	**96.6**	**81.9**	**49.6**	**53.0**	**38.0**	**54.1**	**51.2**	**0.0**	**0.0**	**361.7**	**279.9**
Return on revenue (Adjusted EBITDA/revenue)		*10.4%*	*9.3%*	*21.5%*	*16.0%*	*14.2%*	*9.1%*	*10.4%*	*7.2%*	*77.8%*	*72.1%*			*16.5%*	*12.6%*
Segment assets		212.4	211.8	831.8	890.7	470.8	462.1	397.3	397.8	365.4	399.8	75.7	64.3	2,353.3	2,426.6
Derivative financial instruments	26											0.0		0.0	0.0
Investments accounted for using the equity method	14			14.2	18.2	5.7	0.7	0.0		0.0		0.0		20.0	18.9
Other investments	14											10.3	11.3	10.3	11.3
Deferred tax assets	15											33.2	30.8	33.2	30.8
Cash and cash equivalents	18											345.9	290.3	345.9	290.3
Total assets		**212.4**	**211.8**	**846.1**	**908.9**	**476.5**	**463.1**	**397.3**	**398.0**	**365.4**	**400.1**	**465.1**	**396.7**	**2,762.7**	**2,777.9**
Segment liabilities		114.6	114.6	78.2	77.6	156.3	143.8	87.2	72.4	8.9	8.4	177.0	163.4	622.2	580.1
Derivative financial instruments	26											37.1	44.2	37.1	44.2
Loans and borrowings	22											463.0	525.3	463.0	525.3
Deferred tax liabilities	15											176.5	195.2	176.5	195.2
Total equity												1,463.8	1,433.0	1,463.8	1,433.0
Total Equity and Liabilities		**114.6**	**114.6**	**78.2**	**77.6**	**156.3**	**143.8**	**87.2**	**72.4**	**8.9**	**8.4**	**2,317.4**	**2,361.1**	**2,762.7**	**2,777.9**
Capital expenditures: property, plant and equipment and intangible assets	11/13	12.9	15.6	29.9	28.9	46.4	55.6	15.7	18.6	6.7		1.4	1.1	113.1	119.9
Depreciation, amortization and impairment losses on tangible assets, goodwill and intangible assets	8	-12.1	-11.3	-67.0	-67.2	-37.2	-35.5	-40.9	-39.4	-37.4	-39.3	0.0	0.0	-194.6	-192.7
Reversal/(additional) inventory write-offs	17	-2.0	-1.2	-1.8	-1.7	-8.2	-2.2	-0.7	0.0	0.0	0.0	0.0	0.0	-12.7	-5.1

The increase of the investments accounted for using the equity method within Bio-valorization to 5.7 million EUR (as per December 31, 2019: 0.7 million EUR) is related to the establishment of the 50% joint venture PB Shengda (Zhejiang) Biotechnology Co., Ltd in June 2020 between Tessenderlo Group and Zhejiang Shengda Ocean Co., Ltd, a Chinese state-owned company, for the construction of a bone and marine collagen peptides plant. Total issued capital of the joint venture will amount to 10.0 million EUR, of which 2.0 million EUR was already paid by both partners as per December 31, 2020. The unpaid share capital (3.0 million EUR) is included in the current trade and other payables (see also note 25 - Trade and other payables).

The impact of the revaluation of Tessenderlo Group (as a result of the acquisition of control) on the segment assets is: Agro +343.3 million EUR (+383.8 million EUR in 2019), Bio-valorization +20.6 million EUR (+22.9 million EUR in 2019), Industrial Solutions +75.2 million EUR (+84.5 million EUR in 2019), T-Power +9.1 million EUR in 2020 and 2019 and non-allocated +17.6 million EUR in 2020 en 2019.

Non-allocated segment liabilities mainly include environmental provisions recognized for the plants in Belgium (Ham, Tessenderlo, Vilvoorde) and France (Loos).

The reconciliation of the profit before tax is as follows:

(Million EUR)	2020	2019
Adjusted EBIT	**170.2**	**90.2**
EBIT adjusting items	-12.0	-14.8
Finance costs - net	-37.3	-3.5
Share of result of equity accounted investees, net of income tax	-1.9	0.3
Profit (+) / loss (-) before tax	**119.0**	**72.2**

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Non-current segment assets (property, plant and equipment, goodwill and other intangible assets) are based on the geographical location of the assets.

	Revenue by market		Non-current segment assets	
(Million EUR)	2020	2019	2020	2019
Europe	1,105.5	1,121.8	1,008.0	1,019.7
North-Amerika	576.2	592.8	495.0	562.3
South-Amerika	80.5	87.7	50.6	54.0
Asia	367.3	348.8	12.5	14.9
Other	59.2	70.1	7.6	7.5
Total	**2,188.5**	**2,221.4**	**1,573.8**	**1,658.4**

The decrease of the non-current segment assets in Europe is mainly due to the depreciation of the fair value adjustments within T-Power nv, fully acquired in 2018. The purchase price allocation resulted in the recognition of a customer list for an amount of 163.7 million EUR and represented the fair value of a tolling agreement which was concluded with RWE group for a period of 15 years (until June 2026) for the full capacity of the plant. This customer list is being amortized over the remaining duration of the tolling agreement.

This is partially off-set by an increase of the non-current segment assets in France, mainly related to the acquisition of a production plant in La Chapelle-Saint-Ursin (France) by DYKA Tube SAS (note 4 - Acquisitions and disposals), further investments in the optimization of the valorization of animal by-products (segment Bio-valorization), the recognition of a right-of-use asset within the operating segment Industrial Solutions, where a new tank barge was put into operation to facilitate the transport of hydrochloric acid (HCl) from the plant in Ham (Belgium) to the Loos production plant (France), continuing investments in automation of the production facilities in Ieper in segment Machines & Technologies and, in the same segment, the construction of a new electronics factory in Romania.

The decrease of the non-current segment assets in North America is impacted by the weakening of the USD (The USD/EUR 2019 closing rate was 1.1234 compared to 1.2271 as per year-end 2020). It's also impacted by the depreciation of the fair value adjustment booked upon the initial consolidation of Tessenderlo Group (impact -37.1 million EUR).

4. ACQUISITIONS AND DISPOSALS

ACQUISITIONS

In December 2019, Tessenderlo Group announced that it had agreed to acquire a production plant in La Chapelle-Saint-Ursin (France). The plant specialized in the manufacturing of sewer, soil & waste, storm water management and telecom pipes and fittings. This acquisition will further strengthen the position of the business unit DYKA Group on the French market for wastewater plastic pipe systems. Having a second site in France will enable DYKA Group to realize growth in sewer and drainage pipes, while at the same time ensuring an improved service to the market in the south of France. Under the terms of the agreements, the group has taken over the real estate, production assets, stocks and 75 employees in sales and operations, all linked to the wastewater and cable ducting business. While the marketing and sales activities for the business were taken over as of March 1, 2020, the acquisition was only completed as of May 1, 2020. The group integrated the plant within the DYKA Group activity (operating segment Industrial Solutions). The group obtained 100% control over these activities through a new created company DYKA Tube SAS. The purchase consideration paid in cash amounted to 5.7 million EUR, while the transaction-related costs were insignificant. In accordance with IFRS 3 *Business combinations*, the acquired assets and liabilities assumed at acquisition date have been measured at their fair value, which resulted in a bargain purchase gain for an amount of 2.4 million EUR, recognized as EBIT adjusting item as per December 31, 2020 (note 6 - EBIT adjusting items). The bargain purchase allowed the selling party to cease all its activities in La Chapelle-Saint-Ursin (France) and to revoke from part of its social obligations in accordance to French legislation (“Plan de sauvegarde de l’emploi”).

As of acquisition date, the group recognized the fair value of the identifiable assets acquired and the liabilities assumed. The main fair value adjustments, on which deferred tax assets and liabilities were recognized, relate to:

- The fair value of property, plant and equipment, which was determined based on market prices for similar items when they were available or on the depreciated replacement cost taking into account economic obsolescence.
- The fair value of inventories, which was based on the current market price for raw materials and the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale for finished products, including a margin

The table below summarizes the impact of the acquisition on the financial position of the group:

(Million EUR)	**Consideration paid/(received)**	**Fair value adjustments**	**Recognized values on acquisition**
Non-current assets	1.3	3.4	4.7
Current assets	5.6	0.4	6.0
Non-current liabilities	-0.5	-1.4	-1.9
Current liabilities	-0.7	-0.1	-0.7
Net assets	**5.7**	**2.4**	**8.1**
Net cash outflow			**-5.7**
Gain from a bargain purchase			**2.4**

If new information, obtained within one year to the acquisition, about facts and circumstances that existed at the date of acquisition, identifies adjustments to above amounts, the acquisition accounting will be revised.

The contribution to the group’s 2020 revenue amounts to 14.8 million EUR, while the contribution to the group’s result is insignificant. If the acquisition had occurred on January 1, 2020, management estimates that the contribution to the group’s 2020 revenue would have been approximately 20 million EUR, while the contribution to group’s result would have been insignificant as well.

Picanol Group has fully consolidated the results of Tessenderlo Group as of January 1, 2019. This corresponds to the earliest possible period for which a retroactive correction following IAS 8 *Accounting Policies, Changes in Accounting Estimates, Errors* is practicable according to Picanol Group. The interest held at January 1, 2019, was revalued to fair value. This revaluation took place at the share price of January 1, 2019, i.e. 29.1 EUR and it was corrected on the opening balance sheet 2019 which resulted in an increase in equity of 6.1 million EUR and brought the fair value of the participation to 488.5 million EUR. At the time of the initial consolidation, Picanol Group held 38.9% of the shares of Tessenderlo Group for a total purchase value of 482.4 million EUR.

The acquisition accounting of Tessenderlo Group required the use of significant estimates and judgments. These estimates have been addressed in Note 33.

The group has recognized the fair value of the identifiable assets and liabilities at the date of initial consolidation. The main fair value adjustments relate to:

- Valuation of tangible fixed assets on the basis of market prices (where available) or on the basis of depreciated replacement cost, taking into account economic obsolescence: 139.7 million EUR.
- Valuation of the customer lists of Crop Vitality, NovaSource, DYKA and SOLUGEL®: +391.3 million EUR.
- Valuation of the brand names of Crop Vitality, NovaSource, DYKA and SOLUGEL®: +25.2 million EUR.
- Valuation of stocks at market value: +32.2 million EUR.
- Valuation of the financial debts (bond) on the basis of the market price on the initial consolidation date: -11.5 million EUR.
- Recognition of a net deferred tax liability on the above-mentioned revaluations: -132.6 million EUR.

The remaining goodwill amounts to 109.2 million EUR (at 100% value) or 42.5 million EUR for the Picanol Group share (as included in the opening balance at January 1, 2019). The remaining goodwill is mainly attributable to the expertise and technical qualities of Tessenderlo Group employees and it is not tax-deductible.

The depreciation of the fair value adjustments takes place in accordance with the valuation rules of the group.

The table below summarizes the impact of the acquisition of control over Tessenderlo Group on Tessenderlo Group's financial position on January 1, 2019, at 100% value.

(Million EUR)	**Before acquisition**	**Fair value adjustments**	**Values recognized at acquisition**
FIXED ASSETS	**1,083.0**	**521.0**	**1,604.0**
Goodwill	35.0	-35.0	0.0
Intangible fixed assets	190.2	416.3	606.5
Tangible fixed assets	789.2	139.7	928.9
Other fixed assets	68.6	0.0	68.6
CURRENT ASSETS	**754.6**	**32.2**	**786.8**
Inventories	303.0	32.2	335.2
Other current assets	451.6	0.0	451.6
NON CURRENT LIABILITIES	**773.1**	**144.1**	**917.2**
Deferred tax liabilities	79.1	132.6	211.6
Loans and borrowings	464.0	11.5	475.5
Other liabilities > 1 year	230.1	0.0	230.1
CURRENT LIABILITIES	**327.2**	**0.0**	**327.2**
Net assets	**737.2**	**409.1**	**1,146.3**
Fair value at share price (29.1)			**1,255.6**
Goodwill (100%)			**109.2**
Picanol Group share goodwill (38.9%)			**42.5**

DISPOSALS

The subsidiary Tessenderlo Trading (Shanghai) Co. Ltd., a Chinese trading company within the operating segment Industrials Solutions, was disposed during 2020, leading to an insignificant result. The yearly contribution of this activity to the group’s results was also not significant.

In 2019 the assets of subsidiary Burcklé were reclassified to assets held for sale for an amount of 0.8 million EUR. In 2020 the inventories were fully written-off (0.5 million EUR) and the remaining value of 0.3 million EUR relates to the land and buildings.

5. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are shown in the table below:

(Million EUR)	2020	2019
Additions to provisions	-0.9	-1.2
Research and development cost	-24.4	-24.9
Grants	0.0	0.0
Depreciation	0.0	-0.2
Gains on disposal of property, plant and equipment and other intangible assets	0.2	0.2
Reversal/(recognition) of impairment losses on trade receivables	-0.6	-0.3
Other	-7.8	-5.4
Total	**-33.5**	**-31.8**

Costs arising from the research phase of an internal project are expensed as incurred. The major part of research and development costs relates to salaries paid for an amount of -16.3 million EUR (2019: -16.5 million EUR) and include depreciation charges for an amount of -0.6 million EUR (2019: -0.6 million EUR). In 2019 and 2020, no significant development costs were capitalized. IWT subsidies received for R&D projects are deducted from the research and development costs.

The other operating income and expenses (-7.8 million EUR) are mainly explained by the tax charges other than income taxes, such as withholding taxes and regional taxes, the cost of emission allowances consumed and individually insignificant items within several subsidiaries of the group.

6. EBIT ADJUSTING ITEMS

The EBIT adjusting items for 2020 show a net loss of -12.0 million EUR (2019: -14.8 million EUR).

(Million EUR)	2020	2019
Gains and losses on disposals	1.0	3.4
Restructuring	-0.5	-2.1
Impairment losses	-3.0	-3.1
Provisions and claims	-5.0	-5.9
Other income and expenses	-4.4	-7.1
Total	**-12.0**	**-14.8**

Gains and losses on disposals mainly include the gain on disposal of the former Kerley headquarters building in Phoenix (Arizona, United States). The proceeds of the sale amounted to 4.7 million EUR while the remaining net book value after fair value adjustment amounted to 3.3 million EUR.

Adjustments to ongoing restructuring programs (within the operating segment Bio-valorization) led to a reversal of provisions. This income was offset by, individually insignificant, restructuring expenses within the operating segment Industrial Solutions (S8 Engineering, which ceased to exist in 2020, and DYKA Group).

Impairment losses (-3.0 million EUR) mainly relate to assets within Industrial Solutions, which will not be used anymore following changes in market conditions and to assets which have been destroyed, following a lightning which caused a fire at the plant of Environmentally Clean Systems LLC (ECS, United States) in September 2020. The fire led to a loss of the production assets as well as to land pollution due to contaminated water leakage.

Provisions and claims (-5.0 million EUR) mainly include:

- The -5.5 million EUR impact of the decrease of the discount rate applied to the environmental provisions to cover the cost, over the period 2021-2054, for the remediation of historical soil and ground contamination of the factory sites in Belgium (Ham, Tessenderlo and Vilvoorde) and France (Loos). The discount rate as per December 31, 2020 varied between 0% and 1% (between 0% and 1% at year-end 2019).

- The insurance deductible related to the costs for mitigation of the environmental risks after the fire at the ECS plant.
- Several other individually insignificant changes to provisions and claims, mainly following the settlement of these provisions and claims for which the actual result differs from management estimates.

Other income and expenses mainly relate to:
- The impact of an electricity purchase agreement (-5.2 million EUR in 2020), for which the own-use exemption under IAS 39 is not applicable anymore.
- The recognition of the bargain purchase gain (+2.4 million EUR) following the acquisition of activities in La Chapelle-Saint-Ursin (France) by DYKA Tube SAS (note 4 - Acquisitions and disposals).
- The flooding from storm Dennis in Treforest (United Kingdom) in February 2020 resulted in the write-off of inventories and damaged equipment, as well as related clean-up expenses (for a total amount, net of insurance reimbursement, of -0.8 million EUR) in PB Gelatins UK Ltd. (segment Bio-valorization).
- Several other individually insignificant items.

7. PAYROLL AND RELATED BENEFITS

The payroll and related benefits costs, excluding restructuring costs, are shown in the table below:

(Million EUR)	Note	2020	2019
Wages and salaries		-313.6	-315.1
Employer's social security contributions		-67.6	-68.7
Other personnel costs		-25.5	-23.5
Contributions to defined contribution plans		-10.9	-9.0
Expenses related to defined benefit plans	23	-6.9	-6.9
Total		**-424.5**	**-423.2**

The number of FTE's at year-end 2020 amounts to 6,878 (2019: 6,845).

8. ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

Depreciation and amortization on property, plant and equipment (PPE) and other intangible assets are included in the following line items in the income statement:

(Million EUR)	Note	Depreciation on PPE		Amortization on intangible assets		Total	
		2020	2019	2020	2019	2020	2019
Cost of sales		-113.3	-109.1	-63.7	-64.6	-177.0	-173.6
Administrative expenses		-7.7	-8.3	-1.5	-1.5	-9.3	-9.8
Sales and marketing expenses		-0.9	-1.0	-3.8	-4.6	-4.7	-5.6
Other operating income and expenses		-0.5	-0.7	0.0	0.0	-0.5	-0.7
Total	11/13	**-122.5**	**-119.0**	**-69.1**	**-70.7**	**-191.6**	**-189.7**

Impairment losses on property, plant and equipment, other intangible assets and goodwill are included in the following line items in the income statement:

(Million EUR)	Note	Property, plant and equipment		Intangible assets		Goodwill		Total	
		2020	2019	2020	2019	2020	2019	2020	2019
Impairment losses		-3.0	-2.3	0.0	0.0	0.0	-0.7	-3.0	-3.1
Total	11/13	**-3.0**	**-2.3**	**0.0**	**0.0**	**0.0**	**-0.7**	**-3.0**	**-3.1**

Total depreciation, amortization and impairment losses in 2020 amount to -194.6 million EUR compared to -192.7 million EUR in 2019 (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Intangible assets). These include depreciation charges on the revaluated assets of Tessenderlo Group for -48.8 million EUR of which -7.2 million EUR on tangible fixed assets and -41.6 million EUR on intangible assets.

9. FINANCE COSTS AND INCOME

Net finance costs and income amount to -37.3 million EUR as per December 31, 2020, compared to -3.5 million EUR as per December 31, 2019 and are detailed below:

(Million EUR)	2020			2019		
	Finance costs	Finance income	Total	Finance costs	Finance income	Total
Interest expense on loans and borrowings measured at amortized cost	-9.5	0.0	-9.5	-11.3	0.0	-11.3
Commitment fee on unused portion of the credit facility	0.0	0.0	0.0	-0.3	0.0	-0.3
Factoring expense	0.0	0.0	0.0	0.0	0.0	0.0
Dividend income from other investments	0.0	0.1	0.1	0.0	0.1	0.1
Interest income from cash and cash equivalents	0.0	0.4	0.4	0.0	1.1	1.1
Expense for the unwinding of discounted provisions	-0.4	0.0	-0.4	-0.7	0.0	-0.7
Net interest (expense)/income on pension asset/(liability)	-0.4	0.0	-0.3	-0.6	0.1	-0.5
Net foreign exchange gains /(losses) (including revaluation to fair value and realization of derivative financial instruments)	-32.2	2.7	-29.5	-8.0	15.7	7.7
Interest (costs)/income on trade finance	-1.7	2.0	0.3	-2.7	3.6	1.0
Net other finance (costs)/income	-1.0	2.6	1.6	-3.0	2.5	-0.5
Total	**-45.0**	**7.7**	**-37.3**	**-26.7**	**23.1**	**-3.5**

The interest expenses on loans and borrowings amount to -9.5 million EUR (2019: -11.3 million EUR) and mainly consist of:

- The interest charges on the bonds (-6.7 million EUR), issued in 2015, with a maturity of 7 years (the “2022 bonds”) and 10 years (the “2025 bonds”) with a fixed rate of 2.875% and 3.375% respectively.
- The interest charge on the term loan facility of T-Power nv, which equals the EURIBOR plus a spread. For 80% of the outstanding loan, the EURIBOR was fixed at 5.6% per annum through a series of forward agreements. The fair value of these forward agreements amounted to -38.1 million EUR at acquisition date (recognized as derivative financial instruments in the statement of financial position, see also note 26 - Financial instruments). The 2020 interest paid for this long term facility loan resulted in a cash out of -8.2 million EUR (2019: -10.6 million EUR), of which -1.3 million EUR was recognized as interest expenses, while the remaining amount of -6.9 million EUR relates to the half yearly payments for forward rate agreements reaching their maturity date.
- The interest expenses on lease liabilities (in accordance with IFRS 16 *Leases*) for -1.1 million EUR (2019: -1.4 million EUR).

Total cash-out related to interest payments therefore amounts to -16.5 million EUR (interest expenses for -9.5 million EUR and payments for forward rate agreements reaching their maturity date for -6.9 million EUR).

The net foreign exchange loss (-29.5 million EUR) can mainly be explained by unrealized foreign exchange losses on intercompany loans and cash and cash equivalents (mainly in USD), which are not hedged. The strengthening of the EUR against the USD (+9.2%) impacted this result. We refer to note 26 - Financial instruments for more information of the group’s exposure to foreign currency risk.

The decrease of the other finance costs (-1.0 million EUR in 2020 compared to -3.0 million EUR in 2019) is mainly related to one-off expenses in 2019 related to the refinancing of T-Power nv.

10. INCOME TAX EXPENSE

The reconciliation between the theoretical tax rate and the effective tax rate for the total income tax expense is as follows:

(Million EUR)	2020	2019
Recognized in the income statement		
Current tax expense	-51.1	-35.6
Adjustment current tax expense previous periods	-0.1	2.7
Deferred tax - due to changes in temporary differences	22.0	25.1
Deferred tax - due to changes in tax rate	-3.6	0.8
Deferred taxes - recognition (derecognition) of tax losses	0.5	-1.1
Total income tax expense in the income statement	**-32.2**	**-8.1**
Profit (+) / loss (-) before tax	119.0	72.2
Less share of result of equity accounted investees, net of income tax	-1.9	0.3
Profit (+) / loss (-) before tax and before result from equity accounted investees	**120.9**	**71.9**
Effective tax rate	**26.6%**	**11.3%**
Reconciliation of effective tax rate		
Profit (+) / loss (-) before tax and before result from equity accounted investees	**120.9**	**71.9**
Theoretical tax rate	27.6%	31.5%
Expected income tax at the theoretical tax rate	**-33.3**	**-22.7**
Difference between theoretical and effective tax expenses	**1.0**	**14.5**
Adjustment on deferred taxes	**-3.1**	**-0.3**
Change in tax rates	-3.6	0.8
Recognition (+) / derecognition (-) of previously recognized tax losses	0.5	-1.1
Adjustment on tax expenses	**4.0**	**14.8**
Expenses not deductible for tax purposes	-2.5	-2.8
Non taxable income	3.6	5.1
Capital gains and losses on participations	0.0	0.8
Tax incentives	2.0	1.5
Use or recognition of tax losses / tax credits not previously recognized	6.6	3.7
Tax losses / temporary differences for which no deferred tax asset has been recorded	-13.7	-4.2
Adjustment current tax expense previous periods	-0.2	3.0
Other	8.2	7.6

The theoretical aggregated weighted tax rate amounted to 27.6% in 2020 compared to 31.5% in 2019. Variances of the tax rate can be explained by changes in the relative weight of the result of each subsidiary, with different individual theoretical tax rates, in the total group result.

The following corporate income tax reform impacted the 2020 income tax expense:

- In Belgium, the standard tax rate is reduced from 29.58% to 25% following the corporate tax reform.
- The French Parliament approved the Finance Bill for 2020, reducing the corporate income tax rate for large companies from 33.33% to 31% for taxable income in excess of 0.5 million EUR.

The recognition of tax losses in 2020 (0.5 million EUR) is the result of a year-end 2020 review of the future taxable profits.

The expenses not deductible for tax purposes include permanent differences such as expenses which are non-deductible under local tax laws (e.g. car expenses and meal expenses).

Non-taxable income includes credits for competitiveness, employment and research, patent income, as well as differences due to the translation from local to functional currency.

Tax incentives in 2020 include deductions claimed for research and development expenses, as well as the foreign-derived intangible income (FDII) deduction in the United States.

The 2019 and 2020 use of tax losses/tax credits not previously recognized mainly relates to the use of previously unrecognized French and Brazilian fiscal losses.

The tax losses and temporary differences for which no deferred tax asset was recognized in 2020 mainly relate to tax losses within Belgium, the United Kingdom and China.

The 2020 and 2019 items included in “Other” mainly relate to statutory results on intragroup transactions, which were eliminated for consolidation purposes

11. PROPERTY, PLANT AND EQUIPMENT

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At January 1, 2020	**369.7**	**814.8**	**140.5**	**59.7**	**1,384.8**
- change in consolidation scope (disposal)	0.0	0.0	-0.1	0.0	-0.1
- change in consolidation scope (acquisitions)	3.7	0.7	0.2	0.0	4.6
- dismantlement provision	0.4	0.5	0.0	0.0	0.9
- capital expenditure	1.6	25.0	3.0	82.3	111.9
- IFRS 16 new leases	2.9	0.6	10.8	0.0	14.3
- sales and disposals	-9.4	-16.2	-24.9	0.0	-50.5
- transfers	12.0	41.5	18.2	-72.3	-0.6
- translation differences	-17.1	-28.8	-4.7	-1.4	-52.0
At December 31, 2020	**363.7**	**838.2**	**143.0**	**68.3**	**1,413.2**
Depreciation and impairment losses					
At January 1, 2020	**-61.8**	**-163.5**	**-81.1**	**0.0**	**-306.4**
- change in consolidation scope (disposal)	0.0	0.0	0.1	0.0	0.1
- depreciation	-26.1	-73.5	-22.8	0.0	-122.5
- impairment losses (note 6/8)	0.0	-3.0	0.0	0.0	-3.0
- sales and disposals	9.0	15.9	24.7	0.0	49.6
- transfers	-0.6	0.6	0.0	0.0	0.0
- translation differences	7.4	20.1	3.0	0.0	30.5
At December 31, 2020	**-72.0**	**-203.5**	**-76.0**	**0.0**	**-351.4**
Carrying amounts					
At January 1, 2020	**308.0**	**651.3**	**59.4**	**59.7**	**1,078.4**
At December 31, 2020	**291.7**	**634.7**	**66.9**	**68.3**	**1,061.8**

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At December 31, 2018	**43.3**	**186.8**	**13.8**	**4.6**	**248.6**
Initial consolidation Tessenderlo Group	273.4	600.1	8.1	47.3	928.9
At December 31, 2018*	**316.7**	**786.9**	**21.9**	**51.9**	**1,177.4**
- initial application of IFRS16	54.2	8.6	111.9	0.0	174.7
- dismantlement provision	0.3	0.5	0.0	0.0	0.7
- capital expenditure	1.6	31.4	2.9	82.2	118.2
- IFRS 16 new leases	4.0	3.1	10.3	0.0	17.4
- sales and disposals	-19.9	-67.2	-19.7	0.0	-106.8
- transfers	10.1	47.6	13.0	-74.5	-3.7
- translation differences	2.7	3.9	0.1	0.1	6.9
At December 31, 2019	**369.7**	**814.8**	**140.5**	**59.7**	**1,384.8**
Depreciation and impairment losses					
At December 31, 2018	**-24.0**	**-148.5**	**-11.3**	**0.0**	**-183.8**
- initial application of IFRS16	-30.3	-5.2	-66.3	0.0	-101.9
- depreciation	-25.4	-72.2	-21.4	0.0	-119.0
- impairment losses	0.0	-2.3	0.0	0.0	-2.3
- sales and disposals	19.3	66.3	18.1	0.0	103.7
- transfers	-0.2	0.3	0.0	0.0	0.1
- translation differences	-1.2	-1.8	-0.1	0.0	-3.1
At December 31, 2019	**-61.8**	**-163.5**	**-81.1**	**0.0**	**-306.4**
Carrying amounts					
At December 31, 2018	**19.3**	**38.3**	**2.5**	**4.6**	**64.7**
Initial consolidation Tessenderlo Group	273.4	600.1	8.1	47.3	928.9
At December 31, 2018*	**292.7**	**638.4**	**10.6**	**51.9**	**993.6**
At December 31, 2019	**285.9**	**647.2**	**21.7**	**59.7**	**1,078.4**

The capital expenditure on property, plant and equipment amounts to 111.9 million EUR and is presented per operating segment in note 3 - Segment reporting (including 1.1 million EUR of capex on intangible assets).

The majority of the capital expenditure relates to:

- advance payments for the construction of a new electronics factory for PsiControl Romania and a high-bay warehouse for Proferro (segment Machines & Technologies);
- investments in the valuation of gelatin side streams and in the optimization of the valorization of animal by-products (operating segment Bio-valorization);
- investments in additional storage capacity within the operating segment Agro;
- advance payments and capital expenditure made for equipment replacements and plant upgrades (within the operating segments Machines & Technologies, T-Power and Agro);
- the replacement of equipment and vehicles, which were previously leased, through acquisition.

The cost of the 2020 “sales and disposals” amounts to -50.5 million EUR, and mainly relates to the expiration of lease contracts, for which a right-of-use asset was recognized and fully depreciated in accordance with IFRS 16 *Leases*.

Depreciation charges include depreciation on the revalued assets of Tessenderlo Group for 6.3 million EUR within plant, machinery and equipment and 0.9 million EUR in Land and buildings.

For the line items of the income statement in which depreciation, impairment losses and reversal of impairment losses have been recorded, refer to note 8 - Additional information on operating expenses by nature.

No amounts of borrowing costs were capitalized in 2019 and 2020.

The property, plant and equipment of T-Power nv (Tessenderlo, Belgium), as well as the Kerley headquarters in Phoenix (Arizona, US), are pledged as securities for liabilities, with a carrying amount as per year-end 2020 of 234.2 million EUR and 12.3 million EUR respectively.

The carrying amount of the Right-of-use assets per category is shown in the table below:

(Million EUR)	**Carrying amount right-of-use assets**		**Depreciation charges right-of-use assets**	
	2020	**2019**	**2020**	**2019**
Land and buildings	18.9	22.0	5.5	6.1
Plant, machinery and equipment	2.7	4.2	1.9	2.3
Furniture and vehicles	31.5	37.7	16.1	16.7
Total	**53.0**	**63.8**	**23.5**	**25.1**

The carrying amount of the Right-of-use assets per operating segment is shown in the table below:

(Million EUR)	**2020**	**2019**
Machines & Technologies	2.9	3.4
Agro	8.3	11.4
Bio-valorization	12.3	18.0
Industrial Solutions	24.6	25.3
T-Power	0.0	0.0
Non-allocated	4.9	5.7
Total	**53.0**	**63.8**

The main leases consist of land and buildings (mainly the electronics factory of Machines & Technologies in Romania, sales branches within Industrial Solutions and the Brussels headquarters office of Tessenderlo Group within Non-allocated), a large number of trucks and railcars (mainly within Agro and Bio-valorization), as well as company cars. Within the operating segment Industrial Solutions, a new tank barge was put into operation to facilitate the transport of hydrochloric acid (HCl) from the plant in Ham (Belgium) to the Loos production plant (France). The decrease of the right-of-use assets within Bio-valorization can be mainly explained by the annual depreciation of the truck leases, which are replaced by new trucks through acquisition at lease expiration.

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has applied judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the group considered all relevant factors that create an economic incentive for it to exercise the renewal. The main leases with an estimated remaining lease term of more than 5 years mainly relate to the sales branches within Industrial Solutions (a weighted average lease term of 11 years) , the Brussels headquarters office (remaining lease term of 8 years) and the lease of a barge within Industrial Solutions (remaining lease term of 10 years). See note 26 - Financial instruments for the contractual maturities of the lease liabilities, including interest payments. Gross lease payments in 2020 amount to -25.3 million EUR (2019: -26.8 million EUR), which include interest charges for -1.1 million EUR (2019: -1.4 million EUR).

The depreciation charges recognized, on a straight-line basis over the shorter of the asset's useful life and its lease term, amount to 23.5 million EUR, compared to 25.1 million EUR in 2019 (note 8 - additional information operating expenses by nature).

The group chose not to recognize right-of-use assets and lease liabilities for low value items, mainly IT equipment and small items of office furniture, and short-term liabilities. The expense of these low value items and short-term leases is not significant.

12. GOODWILL

Goodwill accounts for approximately 1.5% of the group's total assets as per December 31, 2020, or 42.1 million EUR (2019: 1,6%).

The carrying amount of goodwill per operating segment and per cash-generating unit, is shown in the table below:

		2020			2019		
(Million EUR)	**Note**	**Cost**	**Impairment/ Amortization**	**Carrying amounts**	**Cost**	**Impairment/ Amortization**	**Carrying amounts**
Agro		19.1	0.0	19.1	19.1	0.0	19.1
Bio-valorization		6.8	0.0	6.8	6.8	0.0	6.8
Industrial Solutions		6.6	0.0	6.6	7.0	-0.4	6.6
T-Power		9.7	0.0	9.7	9.7	0.0	9.7
Total		**42.1**	**0.0**	**42.1**	**42.5**	**-0.4**	**42.1**

The goodwill was booked following the initial consolidation of the Tessenderlo Group on January 1, 2019 and was allocated to the various divisions on the basis of the respective net asset values.

All movements related to goodwill are shown in the table below:

(Million EUR)	**2020**	**2019**
Cost		
At January 1	**42.1**	**0.0**
- acquisitions through business combinations	0.0	42.5
- other movements	0.0	0.0
- translation differences	0.0	0.3
At December 31	**42.1**	**42.8**
Impairment losses		
At January 1	**0.0**	**0.0**
- other movements	0.0	-0.7
- translation differences	0.0	0.0
At December 31	**0.0**	**-0.7**
Carrying amounts		
At January 1	**42.1**	**0.0**
At December 31	**42.1**	**42.1**

The group cannot foresee whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. The group believes that all of its estimates are reasonable. They are consistent with the internal reporting and reflect management's best estimates.

The impairment testing on goodwill relies on a number of critical judgments, estimates and assumptions. Goodwill has been tested for impairment on the level of its cash-generating unit and is based on value-in-use calculations.

The key judgments, estimates and assumptions used in these calculations are as follows:

- the cash flow projection of the first year is based on the 2021 financial budget approved by the Board of Directors of Tessenderlo Group;
- to take a prudent approach, a 0% future growth rate was applied to calculate the terminal value;
- the terminal value is discounted at an after-tax Weighted Average Cost of Capital (WACC) of 7% (WACC's at the level of the cash-generating unit range between 5.0% and 6.9%);
- capital expenditures only include the cash outflows required to keep the assets in their current condition and do not include future capital expenditures significantly improving or enhancing the assets in excess of their originally assessed standard performance.

Although the group believes that its judgments, assumptions and estimates are appropriate, actual results may differ from these estimates under different assumptions or conditions.

13. INTANGIBLE ASSETS

(Million EUR)	Useful life				
	Finite				
	Concessions, patents, licenses	Software	Customer lists	Other intangible assets	Total
Cost					
At January 1, 2020	**17.6**	**14.1**	**551.9**	**44.4**	**628.0**
- change in consolidation scope (disposal)	0.0	0.0	0.0	0.0	0.0
- capital expenditure	0.0	1.1	0.0	0.0	1.1
- net change in emission allowances	0.0	0.0	0.0	0.3	0.3
- sales and disposals	-0.2	-0.4	0.0	0.0	-0.6
- transfers	0.3	0.3	0.0	0.0	0.7
- translation differences	-4.4	-0.3	-1.4	-1.8	-7.9
At December 31, 2020	**13.3**	**14.8**	**550.5**	**42.9**	**621.6**
Amortization and impairment losses					
At January 1, 2020	**-4.6**	**-10.6**	**-61.5**	**-13.4**	**-90.1**
- change in consolidation scope (disposal)	0.0	0.0	0.0	0.0	0.0
- amortization	-3.5	-1.6	-60.5	-3.4	-69.1
- sales and disposals	0.2	0.4	0.0	0.0	0.6
- transfers	0.0	0.0	0.0	0.0	0.0
- translation differences	3.6	0.2	1.3	1.7	6.8
At December 31, 2020	**-4.3**	**-11.6**	**-120.7**	**-15.2**	**-151.8**
Carrying amounts					
At January 1, 2020	**13.0**	**3.5**	**490.4**	**31.0**	**537.9**
At December 31, 2020	**9.0**	**3.2**	**429.8**	**27.8**	**469.8**

(Million EUR)	Useful life				
	Finite				
	Concessions, patents, licenses	Software	Customer lists	Other intangible assets	Total
Cost					
At December 31, 2018	**0.0**	**10.4**	**0.0**	**9.6**	**20.0**
Initial consolidation Tessenderlo Group	17.1	2.6	551.6	35.2	606.5
At December 31, 2018*	**17.1**	**13.0**	**551.6**	**44.8**	**626.6**
- acquisitions through business combinations	0.0	0.0	0.0	0.1	0.1
- capital expenditure	0.0	1.2	0.0	0.6	1.7
- sales and disposals	-0.5	-0.2	0.0	-1.6	-2.3
- transfers	0.0	0.1	0.0	0.1	0.2
- translation differences	1.0	0.0	0.3	0.4	1.7
At December 31, 2019	**17.6**	**14.1**	**551.9**	**44.4**	**628.0**
Amortization and impairment losses					
At December 31, 2018	**0.0**	**-9.3**	**0.0**	**-9.6**	**-18.9**
- amortization	-4.4	-1.5	-61.2	-3.5	-70.6
- sales and disposals	0.5	0.2	0.0	0.0	0.7
- translation differences	-0.7	0.0	-0.3	-0.3	-1.3
At December 31, 2019	**-4.6**	**-10.6**	**-61.5**	**-13.4**	**-90.1**
Carrying amounts					
At December 31, 2018	**0.0**	**1.1**	**0.0**	**0.0**	**1.1**
Initial consolidation Tessenderlo Group	17.1	2.6	551.6	35.2	606.5
At December 31, 2018*	**17.1**	**3.7**	**551.6**	**35.2**	**607.7**
At December 31, 2019	**13.0**	**3.5**	**490.4**	**31.0**	**537.9**

The capital expenditure on other intangible assets amounts to 1.1 million EUR (2019: 1.7 million EUR) and is presented per operating segment in note 3 - Segment reporting.

The decrease of the customer lists is explained on the one hand by the yearly amortization charge (-21.1 million EUR) of the customer list of T-Power nv. This customer list was recognized in 2018, after the acquisition of T-Power nv, for an amount of 163.7 million EUR and represents the fair value of a tolling agreement which was concluded with RWE group for a period of 15 years (until June 2026) for the full capacity of the plant. This customer list is amortized over the remaining duration of the tolling agreement and has been pledged as security for liabilities. On the other hand, the decrease of the customer list is explained by the depreciation on the revalued customer list of Tessenderlo Group (-39.1 million EUR) which was recognized in 2019 upon the initial consolidation of Tessenderlo Group and is depreciated over a period of 10 years.

No borrowing costs were capitalized during 2019 and 2020.

The “other” intangible assets with finite useful lives mainly consist of emission allowances purchased for own use, know-how, product labels, trademarks, and land-use rights. The product labels and the know-how are amortized on a straight-line basis over 10 to 20 years. The net change in emission allowances for 0.3 million EUR (2019: -1.6 million EUR) mainly relates to emission allowances acquired and used to cover operational emissions for products exposed to carbon leakage. As per December 31, 2020, the carrying amount of emission allowances included in intangible assets amounts to 3.2 million EUR (2019: 2.9 million EUR).

See note 8 - Additional information on operating expenses by nature for the line items of the income statement in which amortization, impairment losses and reversal of impairment losses have been recorded.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On December 31, 2020, investments accounted for using the equity method consist solely of joint ventures of Tessenderlo Group.

The joint ventures of the group are:

		Ownership	
	Country	**2020**	**2019**
Jupiter Sulphur LLC	US	50%	50%
PB Shengda (Zhejiang) Biotechnology Co., Ltd	China	50%	0%
Établissements Michel SAS	France	50%	50%

Jupiter Sulphur LLC is a joint venture between Phillips 66 Inc. and Tessenderlo Kerley Inc.. The joint venture performs sulfur recovery and manufactures sulfur-based products, which are sold to Tessenderlo Kerley Inc.. Currently Jupiter Sulphur LLC owns and manages two facilities in the United States, located in Ponca City (Oklahoma) and Billings (Montana).

PB Shengda (Zhejiang) Biotechnology Co., Ltd, a 50% joint venture between Tessenderlo Group and Zhejiang Shengda Ocean Co., Ltd, a Chinese state-owned company, was established in June 2020 for the construction of a bone and marine collagen peptides plant. Under the terms of this agreement, PB Shengda (Zhejiang) Biotechnology Co., Ltd. will produce bone and marine collagen peptides based on PB Leiner’s technology.

The carrying amount of the investments accounted for using the equity method is as follows:

(Million EUR)		**2020**	**2019**
Jupiter Sulphur LLC		14.2	18.2
PB Shengda (Zhejiang) Biotechnology Co., Ltd		5.0	-
Établissements Michel SAS		0.8	0.7
Total		**20.0**	**18.9**

Tessenderlo Kerley Inc. has granted a 11.0 million USD loan (9.0 million EUR) to the joint venture Jupiter Sulphur LLC, which was fully drawn in the period over 2017 and 2018. The loan is interest bearing (3.0%) and was originally reimbursable to Tessenderlo Kerley Inc. in the period 2020-2023. Jupiter Sulphur LLC obtained the same amount from the other joint venture partner. In 2020, the financing structure of Jupiter Sulphur LLC was reviewed. While the loans with credit institutions were early reimbursed, the reimbursement of both partner loans was postponed till December 2026, taking into account the cash needs in Jupiter Sulphur LLC. The granted loan is included in "Other investments" in the group's consolidated statement of financial position. The related interest income is considered to be insignificant and is not eliminated.

In 2020 the group already made a cash contribution of 2.0 million EUR related to the establishment of the 50% joint venture PB Shengda (Zhejiang) Biotechnology Co., Ltd between Tessenderlo Group and Zhejiang Shengda Ocean Co., Ltd, a Chinese state-owned company. Total issued capital of the joint venture is expected to amount to 10.0 million EUR. The unpaid share capital (3.0 million EUR) is included in the current trade and other payables (note 25 - Trade and other payables).

None of the group's equity-accounted investees are publicly listed entities and consequentially they do not have published price quotations.

Summary of financial information on investments accounted for using the equity method at 100% at December 31:

(Million EUR)	**2020**	**2019**
Non-current assets	98.4	114.6
Current assets	23.2	16.4
Total assets	**121.6**	**131.0**
Equity	39.9	37.8
Non-current liabilities	18.5	32.7
Current liabilities	63.2	60.5
Total equity and liabilities	**121.6**	**131.0**
Revenue	40.6	36.9
Cost of sales	-43.6	-34.9
Gross profit	-3.0	2.0
EBIT (Profit (+) / loss (-) from operations)	-4.0	1.9
Finance (costs) / income - net	-1.0	-1.1
Profit (+) / loss (-) before tax	-5.0	0.9
Profit (+) / loss (-) for the period	-3.7	0.7
Total comprehensive income for the period	-3.8	0.1

The current assets include the unpaid share capital of both partners of PB Shengda (Zhejiang) Biotechnology Co., Ltd. (6.0 million EUR).

The decrease of the non-current liabilities is mainly explained by the refinancing of Jupiter Sulphur LLC, resulting in an early reimbursement of the loans with credit institutions, while the reimbursement of the loans granted by both joint venture partners, for a total amount of 17.9 million EUR, was postponed till December 2026.

15. DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
(Million EUR)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Property, plant and equipment	2.6	2.8	-79.8	-81.8	-77.2	-79.0
Intangible assets	5.0	5.8	-117.6	-132.0	-112.6	-126.2
Inventories	10.4	6.7	-0.4	-0.4	10.0	6.3
Employee benefits	12.1	10.2	-0.3	-0.9	11.8	9.3
Derivative financial instruments	5.3	6.9	0.0	0.0	5.3	6.9
Provisions	8.3	10.9	-13.4	-15.6	-5.1	-4.7
Other items	5.1	6.0	-14.2	-16.2	-9.1	-10.2
Losses carried forward	33.5	33.0	0.0	0.0	33.5	33.0
Gross deferred tax assets / (liabilities)	**82.3**	**82.3**	**-225.7**	**-246.7**	**-143.4**	**-164.5**
Set-off of tax	**-49.1**	**-51.5**	**49.1**	**51.6**	**0.0**	**0.0**
Net deferred tax assets / (liabilities)	**33.2**	**30.8**	**-176.5**	**-195.2**	**-143.4**	**-164.5**

The net deferred tax position on December 31, 2020 includes deferred taxes recognized upon the initial consolidation of Tessenderlo Group on property, plant and equipment for -21.1 million EUR (2019: -22.6 million EUR) and intangible assets for -86.0 million EUR (2019: -94.3 million EUR).

Other than this, the net deferred tax liability on intangible assets is mainly related to the customer list (operating segment T-Power), representing the fair value of the tolling agreement which was concluded with RWE group for a period of 15 years (until June 2026). The yearly amortization of this customer list resulted in a decrease of the recognized deferred tax liability by 5.3 million EUR.

Deferred tax assets on fiscal losses carried forward recognized on Tessenderlo Group nv, amount to 6.9 million EUR (total tax losses and tax credits carried forward in Tessenderlo Group nv amount to 194 million EUR) as per year-end 2020. The other deferred tax assets on fiscal losses carried forward recognized mainly relate to French fiscal losses carried forward (total tax losses and tax credits carried forward in France amount to 56 million EUR). These were recognized following a review of the future taxable profits as per year-end 2020. The 2020 fiscal results of the subsidiaries, for which deferred tax assets on fiscal losses carried forward were recognized, were positive, except for Tessenderlo Group nv. Although the fiscal result of Tessenderlo Group nv was negative in 2020, mainly impacted by unrealized USD exchange losses, the probability assessment whether future taxable profits will be available remained positive.

A deferred tax liability relating to undistributed reserves within the subsidiaries of the group has not been recognized because management believes that this liability will not incur in the foreseeable future. The deferred tax liability is not significant as the majority of dividends received by the company (Picanol nv) is tax exempt.

Tax losses and tax credits carried forward on which no deferred tax asset is recognized amount to 227.8 million EUR (2019: 233.6 million EUR). Of these tax credits, 13.5 million EUR have a finite life (they expire mainly in the period 2021-2025). Deferred tax assets are only recognized based on the probability assessment whether future taxable profits (within the next 5 years) will be available, against which the unused tax losses and credits can be utilized.

The movements in the deferred tax balances during the year can be summarized as follows[8]:

(Million EUR)	Balance at December 31, 2019	Recognized in the income statement	Recognized in other comprehensive income	Acquisitions through business combinations	Translation differences	Balance at December 31, 2020
Property, plant and equipment	-79.0	0.6	0.0	-0.8	2.0	-77.2
Intangible assets	-126.3	13.9	0.0	0.0	-0.1	-112.5
Inventories	6.4	4.0	0.0	-0.1	-0.3	9.9
Employee benefits	9.2	1.6	1.1	0.0	-0.2	11.7
Derivative financial instruments	7.0	-1.7	0.1	0.0	0.0	5.4
Provisions	-4.5	-0.4	0.0	0.0	-0.1	-5.1
Other items	-10.2	0.5	0.0	0.0	0.7	-9.1
Losses carried forward	32.9	0.5	0.0	0.0	0.0	33.4
Total	**-164.5**	**18.9**	**1.2**	**-0.9**	**2.0**	**-143.4**

The deferred taxes recognized in the income statement include +9.1 million EUR due the reversal of deferred tax liabilities related to the depreciation of the revalued assets of Tessenderlo Group (mainly in property plant and equipment and intangible assets).

16. TRADE AND OTHER RECEIVABLES

(Million EUR)		Note	2020	2019
Non-current trade and other receivables				
Trade receivables			2.0	2.4
	Gross trade receivables		2.0	2.4
	Amounts written off		0.0	0.0
Other receivables			6.4	13.6
Receivables from related parties			0.9	0.7
Assets related to employee benefit schemes		23	5.1	2.3
Total			**14.4**	**19.0**

(Million EUR)		Note	2020	2019
Current trade and other receivables				
Trade receivables		26	279.7	298.7
	Gross trade receivables	26	285.7	306.2
	Amounts written off	26	-6.0	-7.5
Other receivables			59.1	47.4
Prepayments			2.6	2.6
Receivables from related parties			0.8	0.7
Total			**342.2**	**349.4**

The non-current other receivables include a French tax receivable of 2.7 million EUR (2019: 5.6 million EUR), related to tax credits for competitiveness, employment and research. The remaining Brazilian VAT receivable only amounts to 0.6 million EUR (2019: 4.2 million EUR), as the receivable could be offset against the 2020 current income tax expenses.

Receivables from related parties concern receivables from joint ventures (note 29 - Related parties).

The assets related to employee benefit schemes concern the net pension asset of the UK pension fund where the pension assets are higher than the pension liabilities.

[8] Deferred tax liabilities and deferred tax expenses are presented as negative amounts; deferred tax assets and deferred tax income are presented as positive amounts.

The ageing of the gross trade receivables and amounts written off is disclosed in the section “Credit risk” of note 26 - Financial instruments.

The current other receivables mainly relate to other tax and VAT receivables for 16.8 million EUR (2019: 15.3 million EUR) and bank notes in China (these are receivables with banks with a term of more than 3 months) (20.0 million EUR in 2020 compared to 12.5 million EUR in 2019). They also include an expected insurance reimbursement recognized following a fire incident caused by a lightning at the plant of Environmentally Clean Systems LLC. As per December 31, 2020, the group estimates the remaining costs, in order to mitigate the environmental risks of the land pollution due to contaminated water leakage, at 5.0 million EUR, which are covered by insurance. As a result thereof, both an environmental provision and a current other receivable were recognized for this amount as per December 31, 2020. Furthermore, in January 2021, an insurance compensation for an amount of 2.2 million EUR was received to compensate for the loss of the production assets. This amount was also recognized as a receivable at year end 2020. In accordance with the group’s insurance policies, this amount will be reclaimed from the group’s insurance captive Terelux SA (note 25 - Trade and other payables).

The non-recourse factoring program is suspended since 2015. There was no cash received under non-recourse factoring agreements, whereby trade receivables were sold at their nominal value minus a discount in exchange for cash.

17. INVENTORIES

(Million EUR)	2020	2019
Raw materials	77.9	74.7
Work in progress	19.3	17.9
Finished goods	245.5	234.5
Goods purchased for resale	36.2	35.1
Spare parts	14.7	18.0
Total	**393.4**	**380.3**

There are no inventories pledged as security.

In 2020 inventories for 1,468.2 million EUR (2019: 1,539.9 million EUR) were recognized as an expense during the year and included in the line item cost of sales within the income statement.

Inventories are stated at the lower of cost and net realizable value. The calculation of a potential write-off is based on experience and on the assessment of market circumstances. The COVID-19 pandemic impacted the ageing of inventories as well as future demand, and this mainly within the operating segment Bio-valorization (note 3 - Segment reporting). This resulted in a write-off for an amount of -12.7 million EUR (compared to only -5.1 million EUR in 2019).

The group expects to recover or settle the inventory, available as per December 31, 2020, within the next twelve months, except for the inventory of non-strategic spare parts. These spare parts will be used whenever deemed necessary.

18. CASH AND CASH EQUIVALENTS

(Million EUR)	Note	2020	2019[9]
Term accounts	26	204.7	162.6
Current accounts	26	141.2	127.8
Cash and cash equivalents		**345.9**	**290.3**
Bank overdrafts	22/26	0.0	-0.1
Cash and cash equivalents in the statement of cash flows		**345.9**	**290.2**

[9] The classification between term accounts and current accounts was corrected for 2019.

The term accounts have a maximum maturity of 1 month. As per December 31, 2020, the cash and cash equivalents include 34.1 million USD or 27.8 million EUR (2019: 20.8 million USD or 18.6 million EUR). The cash held within subsidiary Tessenderlo Group amounts to 230.1 million EUR (2019: 154.5 million EUR)

As per year end 2020, an investment in two short term bank notes (of 10.0 million EUR each) is outstanding. The counterparty is a highly rated international bank. The notes have an original duration of 6 months (maturing in February and in April 2021). As these notes have an initial maturity of more than three months, they are not included within “Cash and cash equivalents”, but in “Short term investments”.

19. EQUITY

ISSUED CAPITAL AND SHARE PREMIUM

	Shares	
	2020	**2019**
On issue at January 1	17,700,000	17,700,000
Issued for cash	-	-
On issue at December 31 - fully paid	**17,700,000**	**17,700,000**

The number of shares comprised 15,995,108 registered shares (2019: 15,831,234) and 1,704,892 ordinary shares (2019: 1,868,766). The shares are without nominal value. The holders of Picanol nv shares are entitled to receive dividends as declared. In accordance with article 7:53 of the Belgian Code of Companies and Associations, the extraordinary meeting of shareholders of March 16, 2020, has decided to introduce a loyalty voting right for each fully paid-up share that has continuously been registered in the share register on the name of the same shareholder for at least two years. The number of voting rights on December 31, 2020 amounted to 33,530,814.

On the annual shareholders’ meeting of Picanol nv on May 18, 2020, the shareholders approved the proposal of the Board of Directors to pay out a dividend of 0.2 EUR per share for the 2019 financial year.

No offering of shares to be subscribed by staff took place in 2020.

AUTHORIZED CAPITAL

According to the decision of the extraordinary general meeting of March 16, 2020, the Board of Directors was granted the authority, for a period of 5 years from the publication of the authorization in the Annex to the Belgian State Gazette, to increase the share capital, in one or more times, up to an amount of 4,440,000 EUR, in accordance with the provisions set out in the Belgian Companies Code and the articles of association of the company. The Board of Directors is allowed to use the authorized capital to take protective measures for the company through capital increases, with or without limitation or withdrawal of preferential rights, even outside the context of a possible public takeover bid, to the extent that the company has not yet received a notification of the FSMA with respect to a public takeover bid on its securities.

Without prejudice to the possibility to realize the commitments that were validly entered into before receipt of the notification of the FSMA pursuant to article 7:202, paragraph 2, 1° of the Belgian Code on Companies and Associations,, the Board of Directors was authorized, for a period of 3 years from the authorization by the extraordinary general meeting of March 16, 2020, to proceed to a capital increase within the framework of authorized capital, with or without limitation or withdrawal of preferential rights as the case may be in favor of one or more persons, following receipt of a notification of the FSMA with respect to a public takeover bid on the company’s securities, in accordance with the conditions set out in article 7:202, paragraph 2, 2° of the Belgian Code on Companies and Associations and the articles of association of the company.

The Board of Directors is also authorized, with right of substitution, to amend the company’s articles of association in accordance with the capital increase that was decided within the scope of the authorized capital.

LEGAL RESERVES

According to Belgian law, 5% of the statutory net income of a Belgian company must be transferred each year to a legal reserve until the legal reserve reaches 10% of the issued capital. At balance sheet date, the legal reserve of the company amounts to 2.2 million EUR. Generally, this reserve cannot be distributed to the shareholders other than upon liquidation.

The amount of dividends payable to Picanol nv by its operating subsidiaries is subject to general limitations imposed by the corporate laws, capital transfer restrictions and exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate. There are no other significant restrictions. Dividends paid to the company by certain of its subsidiaries are also subject to withholding taxes.

TRANSLATION RESERVES

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

DIVIDENDS

The Board of Directors will propose to the shareholders, at the annual shareholders' meeting of May 17, 2021, not to pay out a dividend for the 2020 financial year.

CAPITAL MANAGEMENT

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the issued capital, share premium and reserves. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with borrowings and the advantages and security afforded by a strong capital position. The gearing ratio at the end of 2020 is 11% (2019: 23%). The gearing is calculated as the net financial debt divided by the sum of the net financial debt and equity attributable to equity holders of the company.

20. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares and the earnings per share are calculated as follows:

	2020	2019
Adjusted weighted average number of ordinary shares at December 31*	**17,700,000**	**17,700,000**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	55.4	41.7
Basic earnings per share (in EUR)	**3.1**	**2.4**

*Takes into account the effect of shares issued, which is based on the weighted average number of issued shares during the accounting period.

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the diluted weighted average number of ordinary shares outstanding during the year.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

As there are no warrants outstanding, there is no dilution of the shares.

21. NON-CONTROLLING INTEREST

Tessenderlo Group became a subsidiary with a non-controlling interest on January 1, 2019. During 2020 Picanol, through its subsidiary Verbrugge nv, acquired 1,196,674 shares of Tessenderlo Group for a total value of 33.2 million EUR (at an average share price of 27.7 EUR). These purchases, combined with the re-purchase by Tessenderlo Group nv of 132,000 of treasury shares, resulted in a decrease of the non-controlling interest with 2.9% from 56.1% to 53.2% per December 31, 2020.

In accordance with article 7:53 of the Belgian Code of Companies and Associations, Tessenderlo Group has introduced a loyalty voting right for each fully paid-up share that has continuously been registered in the share register on the name of the same shareholder for at least two years. On December 31, 2020, Picanol nv (through its subsidiary Verbrugge nv) held 59% of the voting rights of Tessenderlo Group.

There are no restrictions on dividend distribution for example from specific debt covenants imposed on Tessenderlo Group.

		Non-controlling interest percentage	
	Country	2020	2019
Tessenderlo Group nv	BE	53.2%	56.1%

Summary financial information of subsidiaries with a non-controlling interest at 100% as per December 31, 2020:

(Million EUR)	As reported	Fair value adjustments	After fair value adjustment
FIXED ASSETS	**1,105.9**	**424.9**	**1,530.8**
Goodwill	33.4	-33.4	0.0
Intangible fixed assets	135.6	333.1	468.6
Tangible fixed assets	862.2	125.2	987.5
Other fixed assets	74.7	0.0	74.7
CURRENT ASSETS	**860.5**	**0.0**	**860.5**
Inventories	332.1	0.0	332.1
Other current assets	528.4	0.0	528.4
NON-CURRENT LIABILITIES	**700.6**	**111.9**	**812.6**
Deferred tax liabilities	66.3	105.6	171.8
Loans and borrowings	385.1	6.3	391.4
Other liabilities > 1 year	249.3	0.0	249.3
CURRENT LIABILITIES	**361.6**	**0.0**	**361.6**
Net assets	**904.1**	**313.0**	**1,217.1**
Non-controlling interest %			53.2%
Non-controlling interest			**647.6**

For more information on the financial statements of the Tessenderlo Group, we refer to the annual report which is published on the website: www.tessenderlo.com.

22. LOANS AND BORROWINGS

(Million EUR)	Note	2020	2019
Non-current loans and borrowings		393.2	426.3
Current loans and borrowings		69.8	98.9
Total loans and borrowings		**463.0**	**525.3**
Cash and cash equivalents	18	-345.9	-290.3
Bank overdrafts	18	0.0	0.1
Short term investments	18	-20.0	0.0
Net loans and borrowings		**97.1**	**235.1**

As per year-end 2020, the group net financial debt amounted to 97.1 million EUR, implying a leverage of 0.3 and included a lease liability, in accordance with IFRS 16 *Leases*, for an amount of 56.3 million EUR (2019: 67.6 million EUR). Excluding the impact of IFRS 16 *Leases*, the net financial debt would have amounted to 40.8 million EUR as per year-end 2020, compared to 167.4 million EUR as per year-end 2019.

Reconciliation of changes in net loans and borrowings arising from cash flows and non-cash changes:

	Note	Bank overdrafts	Cash and cash equivalents	Short term investments	Lease payable within 1 year	Lease payable more than 1 year	Current loans and borrowings	Non-current loans and borrowings	Total
Net financial debt as per December 31, 2019		**-0.1**	**290.3**	**0.0**	**-22.7**	**-44.9**	**-76.2**	**-381.4**	**-235.1**
Cash flows		0.1	62.6	20.0	24.2	0.0	53.7	-5.6	155.0
Acquisitions through business combinations	4	0.0	-5.7	0.0	-0.1	-0.1	0.0	0.0	-5.9
IFRS 16 new leases and lease modifications		0.0	0.0	0.0	-2.2	-12.6	0.0	0.0	-14.8
Depreciate revaluation on bond		0.0	0.0	0.0	0.0	0.0	0.0	2.6	2.6
Transfers		0.0	0.0	0.0	-19.5	19.5	-27.8	27.8	0.0
Effect of exchange rate differences		0.0	-1.4	0.0	0.6	0.9	0.1	0.5	0.7
Net financial debt as per December 31, 2020		**0.0**	**345.9**	**20.0**	**-19.6**	**-37.1**	**-50.3**	**-356.1**	**-97.1**

NON-CURRENT AND CURRENT LOANS AND BORROWINGS

(Million EUR)	Note	2020	2019
Non-current loans and borrowings			
Non-current lease liabilities		37.0	49.9
Bonds (maturity date in 2022 and 2025)		229.8	232.5
Credit facility T-Power nv		115.8	141.5
Credit institutions		10.6	7.4
Total		**393.2**	**426.3**
Current loans and borrowings			
Current lease liabilities		19.6	22.7
Current portion credit facility T-Power nv		25.7	25.7
Credit institutions		5.5	11.5
Commercial paper		19.0	39.0
Total	**26**	**69.8**	**98.9**

The non-current loans and borrowings include two series of bonds, issued in July 2015, with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds"), both with a fixed rate of 2.875% and 3.375% respectively. The group repurchased "2022 bonds" for a nominal amount of 0.1 million EUR at a price of 101.5% in 2020.

The outstanding loan of T-Power nv as per December 31, 2020 amounts to 141.5 million EUR. The T-Power nv assets and shares are serving as guarantee for the loan. The term loan credit facility contains a covenant stating a minimum required debt service cover ratio (based on the last 12 months cash flow available for debt service). This covenant has been complied with as per December 31, 2020.

Tessenderlo Kerley Inc. has a loan outstanding of 6.0 million EUR, of which 0.8 million EUR is current. The loan has a maturity of 10 years (2018-2028) at a fixed rate of 3.95%. The financed Phoenix headquarters building (Arizona, US) is serving as guarantee for the loan.

A new loan was drawn by Tessenderlo Group nv in 2020 of 7.5 million EUR to finance the purchase of vehicles within the operating segment Bio-valorization, which were previously leased. The loan has a maturity of 5 years (2020-2025) at a fixed rate of 0.33% and has no financial covenants. As per December 31, 2020, 7.1 million EUR was outstanding of which 1.7 million EUR is current.

Within segment Machines & Technologies, the current loans with credit institutions include export financing for 1.9 million EUR (10.6 million EUR in 2019) which have been discounted with the credit insurance company but for which the risk has not yet been transferred as the first installment date has not yet past.

The lease liability, in accordance with IFRS 16 *Leases*, amounts to 56.3 million EUR (December 31, 2019: 67.6 million EUR), of which 36.9 million EUR is included in non-current and 19.4 million EUR in current loans and borrowings (Note 11 - Property, plant and equipment). The weighted average borrowing rate applied to lease liabilities was 2.0% in 2020 (2019: 2,1%). See note 26 - Financial instruments for the contractual maturities of the lease liabilities, including interest payments.

The group has access to a Belgian commercial paper program of 200.0 million EUR of which 19.0 million EUR was used at the end of December 2020 and is included in current loans and borrowings (December 31, 2019: 39.0 million EUR). These are issued by Tessenderlo Group nv.

There has been no drawdown as per December 31, 2020 on the 5 year committed bi-lateral credit lines, which were renewed for 5 years in December 2019. The committed bi-lateral credit lines amount to 142.5 million EUR (of which part can be drawn in USD).

NON-CURRENT AND CURRENT LOANS AND BORROWINGS BY CURRENCY

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2020):

(Million EUR)	**EUR**	**USD**	**Other**	**Total**
Current lease liabilities	12.3	4.7	2.5	**19.5**
Other current loans and borrowings	49.1	1.1	0.0	**50.2**
Non-current lease liabilities	26.3	4.0	6.8	**37.1**
Other non-current loans and borrowings	351.0	5.2	0.0	**356.2**
Total loans and borrowings	**438.7**	**15.0**	**9.3**	**463.0**
In percentage of total loans and borrowings	**94.8%**	**3.2%**	**2.0%**	**100.00%**

Analysis of non-current and current loans and borrowings by currency, expressed in EUR (2019):

(Million EUR)	**EUR**	**USD**	**Other**	**Total**
Current lease liabilities	14.0	6.1	2.5	**22.7**
Other current loans and borrowings	75.4	0.9	0.0	**76.2**
Non-current lease liabilities	27.6	9.0	8.3	**44.9**
Other non-current loans and borrowings	374.9	6.5	0.0	**381.4**
Total loans and borrowings	**491.9**	**22.5**	**10.8**	**525.3**
In percentage of total loans and borrowings	**93.6%**	**4.3%**	**2.1%**	**100.00%**

23. EMPLOYEE BENEFITS

The provisions for employee benefits recognized in the balance sheet as of December 31 are as follows:

	2020				2019			
(Million EUR)	Early retirement provision	Defined benefit liability	Other employee benefits	Total	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Non-current	2.5	61.0	7.7	71.2	2.8	54.3	7.6	64.7
Current	1.1	0.0	0.7	1.8	1.3	0.0	0.2	1.5
Total	**3.6**	**61.0**	**8.4**	**72.9**	**4.1**	**54.3**	**7.8**	**66.2**

	2020			
(Million EUR)	Early retirement provision	Defined benefit liability	Other employee benefits	Total
Balance at December 31, 2019	**4.1**	**54.3**	**7.8**	**66.2**
Change in consolidation scope (acquisitions)	0.0	0.8	0.0	0.8
Additions	1.3	12.2	0.6	14.1
Use of provision	-1.3	-5.8	-0.2	-7.4
Reversal of provisions	-0.5	-0.4	-0.2	-1.1
Other movements	0.0	0.0	0.4	0.4
Translation differences	0.0	-0.2	0.0	-0.2
Balance at December 31, 2020	**3.6**	**61.0**	**8.4**	**72.9**

The early retirement provision amounts to 3.6 million EUR as per December 31, 2020, of which 1.5 million EUR relates to the closure of the phosphate production in 2013 (recognized in accordance with the guidance in IAS 19 for termination benefits).

The provisions for other employee benefits include long-service benefits (e.g. medal of honor of labor, jubilee premiums, …).

GENERAL DESCRIPTION OF THE TYPE OF PLAN

- ***Post-employment benefits***

These liabilities are recorded to cover the post-employment benefits and cover the pension plans and other benefits in accordance with local practices and conditions, following an actuarial calculation taking into account the financing of insurance companies and other pension funds. The most important pension plans are located in Belgium, the Netherlands, the United Kingdom and Germany.

- ***Defined contribution pension plans***

Defined contribution pension plans are plans for which the group pays pre-determined contributions to a legal entity or a separate fund, in accordance with the settings of the plan. The group's legal or constructive obligation is limited to the amount contributed. The contributions are recognized as an expense in the income statement as incurred and are included in note 7 - Payroll and related benefits.

- ***Defined benefit pension plans***

The defined benefit pension plans provide benefits related to the level of salaries and the years of service. These plans are financed externally by pension funds or insurance companies. Independent actuaries perform an actuarial valuation on an annual basis.

The defined benefit pension plans in Belgium are all final salary pension plans which provide benefits to members in the form of a guaranteed pension capital (payable either as capital or pension for life). These plans are covered by a trustee administered pension fund and group insurance contracts. The level of benefits provided depends on members' length of service and the average salary in the final 3 years leading up to retirement, or the average salary of the best 3 consecutive years, if higher.

The defined contribution plans in Belgium are legally subject to a minimum guaranteed return (the legal minimum guaranteed return as from January 1, 2016 is 1.75%, while before it was 3.25% for employer contributions). If the legal minimum guaranteed return is sufficiently covered, the group has no obligation to pay further contributions than those that are recognized as an expense in the income statement as the related service is provided. The Belgian defined contribution pension plans are to be treated as defined benefit pension plans under IAS 19 as they do not meet the definition of a defined contribution pension plan under IFRS. The group follows the prescribed methodology for measurement and accounting for defined benefit pension plans in line with IAS 19 § 57.(a), meaning the projected unit credit method, without adding expected future contributions. The group recognizes the difference between the defined benefit obligation and the fair value of plan assets (IAS 19 § 57.(a) (iii)) on the balance sheet.

The plan assets of the Belgian defined contribution plans are included in the Belgian pension fund “OFP Pensioenfonds” or are insured externally through insurance contracts. For the plans financed with insurance contracts, several rates are guaranteed by insurance companies on the reserves and on different levels of the premiums depending on the levels reached at certain dates.

The UK and German pension plans are final salary pension plans providing a guaranteed pension payable for life. The UK plan is covered by a trustee administered pension fund and the German plan is covered by recognized provisions in the consolidated statement of financial position.

For the UK and Belgian plans covered by trustee administered pension funds, the board of trustees must consist of representatives of the company and plan participants in accordance with the plan regulations. The governance responsibility for these plans rests with the board of trustees.

Through its defined benefit pension plans, the group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility: The group performs on a regular basis asset-liability studies for the trustee administered pension funds to ensure an accurate match between plan assets and liabilities. The plans hold significant investments in investment funds, which include quoted equity shares, and are thus exposed to equity market risks.
- Inflation, interest rate and life expectancy: The pensions in most of the plans are linked to inflation, therefore the pension plans are exposed to risks linked to inflation, interest rate and life expectancy of pensioners.

The group considers all defined benefit pension plans as having similar characteristics and risks.

DEFINED BENEFIT PENSION PLANS

The amounts recognized in the statement of financial position are as follows:

(Million EUR)	**Note**	**2020**	**2019**
Present value of wholly funded obligations		-49.8	-49.4
Present value of partially funded obligations		-124.9	-119.9
Present value of wholly unfunded obligations		-32.3	-28.1
Total present value of obligations		**-207.0**	**-197.3**
Fair value of plan assets		151.1	145.3
Net defined benefit (liability)/asset		**-55.9**	**-52.0**
Amounts in the statement of financial position:			
Liabilities		-61.0	-54.3
Assets	16	5.1	2.3
Net defined benefit (liability)/asset		**-55.9**	**-52.0**

The following table shows a reconciliation of the net defined benefit (liability)/asset and its components.

	2020			2019		
(Million EUR)	**Present value of obligations**	**Fair value of plan assets**	**Net defined benefit (liability)/ asset**	**Present value of obligations**	**Fair value of plan assets**	**Net defined benefit (liability)/ asset**
Balance at January 1	**-197.3**	**145.3**	**-52.0**	**-175.8**	**128.7**	**-47.1**
Included in profit or loss						
Current service cost	-6.8	0.0	-6.8	-6.4	0.0	-6.4
Past service (cost)/benefit	0.0	0.0	0.0	-0.1	0.0	-0.1
Current service cost - Employee contribution	0.0	0.4	0.4	0.0	0.3	0.3
Interest (cost) / income	-2.0	1.9	-0.2	-3.2	2.7	-0.4
Administrative expenses	0.0	-0.4	-0.4	0.0	-0.3	-0.3
Total included in profit or loss	**-8.8**	**1.9**	**-6.9**	**-9.6**	**2.7**	**-6.9**
Included in other comprehensive income						
Remeasurements:						
- Gain/(loss) from change in demographic assumptions	1.6	0.0	1.6	0.2	-	0.2
- Gain/(loss) from change in financial assumptions	-12.1	0.0	-12.1	-15.4	-	-15.4
- Experience gains/(losses)	0.3	9.2	9.5	1.7	10.9	12.6
Total included in other comprehensive income	**-10.2**	**9.2**	**-1.0**	**-13.5**	**10.9**	**-2.6**
Other						
Exchange differences on foreign plans	3.4	-3.4	0.0	-2.4	2.5	0.1
Contributions by employer	0.0	4.8	4.8	0.0	4.4	4.4
Benefits paid	6.7	-6.7	0.0	4.0	-4.0	0.0
Change in consolidation scope (acquisitions)	-0.8	0.0	-0.8			
Total other	**9.3**	**-5.4**	**4.0**	**1.6**	**2.9**	**4.5**
Balance at December 31	**-207.0**	**150.9**	**-55.9**	**-197.3**	**145.3**	**-52.0**

The 2020 loss from change in financial assumptions, included in other comprehensive income, is mainly the result of the decrease of the discount rate used to calculate the present value of the defined benefit obligations (2020 weighted average discount rate of 0.7%, compared to 1.0% in 2019). The 2020 experience gains, included in other comprehensive income that will not be reclassified subsequently to profit or loss in subsequent periods, are mainly the result of higher than expected return on plan assets.

The net periodic pension cost is included in the following line items of the income statement:

(Million EUR)	**Note**	**2020**	**2019**
Cost of sales		-1.0	-1.0
Distribution expenses		-0.1	-0.1
Sales and marketing expenses		-0.2	-0.2
Administrative expenses		-3.9	-3.7
Other operating income and expenses		-1.5	-1.3
EBIT adjusting items		0.0	0.0
Finance (costs) / income - net	9	-0.3	-0.5
Total		**-6.9**	**-6.9**

The actual return on plan assets in 2020 was +10.2 million EUR (2019: +12.5 million EUR).

The group expects to contribute 4.9 million EUR to its defined benefit pension plans in 2021.

The fair value of the major categories of plan assets is as follows:

	2020				2019			
(Million EUR)	**Quoted**	**Unquoted**	**Total**	**%**	**Quoted**	**Unquoted**	**Total**	**%**
Property	0.0	4.0	4.0	2.7%	0.0	4.0	4.0	2.8%
Qualifying insurance policies	0.0	42.2	42.0	27.8%	0.0	40.2	40.2	27.7%
Cash and cash equivalents	0.0	4.4	4.4	2.9%	0.0	5.9	5.9	4.0%
Investment funds	98.4	0.0	98.4	65.2%	93.1	0.0	93.1	64.1%
Tessenderlo Group bond with maturity date July 15, 2022	2.1	0.0	2.1	1.4%	2.1	0.0	2.1	1.5%
Total	**100.6**	**50.6**	**150.9**	**100.00%**	**95.2**	**50.1**	**145.3**	**100.0%**

The plan assets include no property occupied by the group and no shares of the parent company nor of subsidiaries.

The investment funds include a portfolio of investments in equity, fixed interest investments and other financial assets. This diversification reduces the portfolio risk to a minimum.

The principal actuarial assumptions used in determining pension benefit obligations for the group's plans at the balance sheet date (expressed as weighted averages) are:

	2020	2019
Discount rate at December 31	0.7%	1.0%
Future salary increases	1.4%	1.4%
Inflation	2.0%	2.1%

Assumptions regarding future mortality are based on published statistics and mortality tables, and are the following:

	Mortality table
Belgium	MR/FR - 3
United Kingdom	110% S3PMA, 105% S3PFA, CMI_2019 [1.50% M, 1.25% F] [S-kappa=7, A=0.25%] from 2016
Germany	© RICHTTAFELN 2018 G von Klaus Heubeck - Lizenz Heubeck-Richttafeln-GmbH, Köln

For the UK and Belgian plans covered by trustee administered pension funds, an asset-liability matching exercise is performed at least every 3 years, in line with the Statements of Investment Principles (SIP) of the funds. The trustees ensure that the investment strategy as outlined in the SIP is in line with the assets and liabilities management (ALM) strategy and is closely followed by the investment managers.

For the UK plan the next triennial funding valuation will be completed in 2023. For the Belgian plan a funding valuation is completed every year. The group does not expect the regular contributions to increase significantly.

The weighted average duration of the defined benefit obligation is 13 years for the pension plans in the euro zone. The duration of the UK pension plan is 19 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions, as per December 31, 2020, is:

	Change in assumption	**Impact on defined benefit obligation ***	**Change in assumption**	**Impact on defined benefit obligation ***
Discount rate	+0.5%	-6.6%	-0.5%	7.2%
Salary growth rate	+0.5%	1.1%	-0.5%	-1.1%
Pension growth/inflation rate	+0.5%	4.1%	-0.5%	-3.8%
Life expectancy	+ 1 year	2.3%	- 1 year	-2.4%

* A positive percentage indicates an increase of the defined benefit obligation, while a negative percentage indicates a decrease of the defined benefit obligation.

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions stable. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

SHARE-BASED PAYMENTS

Share-based payments existed only within Tessenderlo Group. In the past warrant plans were created in order to increase the loyalty and motivation of the group's senior management. The plans gave senior management the opportunity to accept warrants which gave them the right to subscribe to shares. The Board of Directors determined annually the list of beneficiaries. There existed no conditions on the number of years of service, however the beneficiaries could not have resigned or been dismissed (and were serving their notice). The Appointment and Remuneration Committee allocated the warrants granted to the beneficiaries based on performance.

The exercise price of the warrant equaled the lower of the average market price of the underlying shares in the 30 trading days preceding the offer date or the market price on the last day preceding the offer date. For American residents, the exercise price equaled the price of the normal shares of Tessenderlo Group nv at the stock exchange closing on the day itself of the offer.

There are no warrants outstanding as per December 31, 2020 nor per December 31, 2019.

No new offering of warrants to the group's senior management took place in 2019 and 2020.

The number and weighted average exercise price of share warrants is as follows:

	2020		2019	
	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
Outstanding at the beginning of the period	-	-	20.81	8,000
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	20.81	8,000
Granted during the period	-	-	-	-
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-

24. PROVISIONS

		2020			2019		
(Million EUR)	Note	Current	Non-Current	Total	Current	Non-Current	Total
Environment	28	7.8	111.9	119.7	8.0	102.9	110.9
Dismantlement		0.0	23.2	23.2	0.0	21.2	21.2
Restructuring		1.0	0.0	1.0	3.6	0.4	4.0
Other		6.3	6.7	13.0	7.7	7.8	15.5
Total		**15.1**	**141.8**	**157.0**	**19.3**	**132.3**	**151.6**

	Environment	Dismantlement	Restructuring	Other	Total
Balance at December 31, 2019	**110.9**	**21.2**	**4.0**	**15.5**	**151.6**
Additions	9.8	2.4	0.6	1.9	14.7
Use of provisions	-6.5	0.0	-1.2	-2.6	-10.3
Reversal of provisions	-0.1	0.0	-2.0	-1.7	-3.8
Effect of discounting	5.9	0.0	0.0	0.0	5.9
Other movements	0.0	0.0	-0.4	0.0	-0.4
Translation differences	-0.3	-0.4	0.0	0.0	-0.7
Balance at December 31, 2020	**119.7**	**23.2**	**1.0**	**13.1**	**157.0**

The environmental provisions amount to 119.7 million EUR and mainly relate to environmental provisions to cover the cost for the remediation of historical soil and ground contamination of the factory sites in Belgium (Ham, Tessenderlo and Vilvoorde) and France (Loos). A reliable estimate of the amount of outflow of resources to settle this obligation was made, but a change in assumptions was made by decreasing the discount rate applied. The outstanding environmental provisions reflect the discounted value of the expected future cash out, spread over the period 2021-2054. The discount rate, derived from the yield curve of Belgian and French government bonds, varied between 0% and 1% in 2020 (between 0% and 1% at year-end 2019). An increase of the discount rate by 1% would lower the environmental provisions by approximately -10 million EUR.

The increase of environmental provisions is mainly related to the expected amount of clean-up costs to mitigate environmental risks for land pollution due to contaminated water leakage following a fire incident caused by a lightning at the plant of Environmentally Clean Systems LLC (operating segment Industrial Solutions). The total expected clean-up costs were estimated at 9.6 million EUR. As per December 31, 2020, the group estimates the remaining costs, in order to mitigate the environmental risks of the land pollution due to contaminated water leakage, at 5.0 million EUR, which are covered by insurance. As a result thereof, both an environmental provision and a current other receivable were recognized for this amount as per December 31, 2020 (note 16 – Trade and other receivables).

The use of environmental provisions amounts to -6.5 million EUR in 2020 (2019: -3.5 million EUR), while the effect of unwinding the discount amounts to -0.4 million EUR in 2020 (2019: -0.7 million EUR), which is included in finance costs (note 9 – Finance costs and income). The impact on environmental provisions, following an adjustment of the timing and discounting of future cash outs, amounts to -5.5 million EUR (2019: -5.6 million EUR) and was recognized in EBIT adjusting items.

The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date and are based on the current knowledge on the potential exposure. These provisions are reviewed periodically and will be adjusted, if necessary, when additional information would become available. These provisions could change in the future due to the emergence of additional information on the nature or extent of the contamination, a change in legislation or other factors of a similar nature.

In France, some facilities are subject to regulations pertaining to environmentally regulated facilities (Classified Facilities for the Protection of the Environment "ICPE"). This legislation requires to dismantle the classified facilities. The dismantlement provision is included in the cost basis of the related property, plant and equipment, which cost is depreciated accordingly. The total provision recognized on those French facilities amounts to 18.5 million EUR as per December 31, 2020 (2019: 18.0 million EUR). The amounts recognized are based on an internal assessment and on the gross book value of the related assets. They reflect management's best estimate of the expected expenditures. The expected timing of the cash outflow is not yet known. However, no significant cash outflow is expected to take place within the foreseeable future.

The decrease of the restructuring provisions mainly relates to the 2020 settlement of a previously announced restructuring mainly within the operating segment Bio-valorization and Machines & Technologies. The remaining balance outstanding as per December 31, 2020 mainly relates to a restructuring within Industrial Solutions, which was announced in 2020 and is expected to be settled in 2021. The recognized restructuring provisions reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date.

The other provisions include provisions for onerous contracts, claims and several, individually less significant amounts. The use of provisions in 2020 for 2.6 million EUR mainly relate to provisions for product warranties in segment Machines & Technologies. These provisions are reviewed regularly and, if necessary, adjusted based upon new available information or changes in circumstances. They reflect management's best estimate of the expected expenditures of the expected cash outflows required to settle the present obligation at balance sheet date.

Except for the insurance receivable following the fire incident at Environmentally Clean Systems LLC (see also above), no other assets have been recognized as all expected reimbursements, if any, are deemed immaterial (e.g. resulting from the execution of environmental and dismantlement plans).

25. TRADE AND OTHER PAYABLES

(Million EUR)	2020	2019
Non-current trade and other payables		
Accrued charges and deferred income	3.8	4.7
Remuneration and social security	8.9	2.4
Other amounts payable	1.8	3.0
Total	**14.5**	**10.1**
Current trade and other payables		
Trade payables	255.4	239.3
Remuneration and social security	82.6	78.9
VAT and other taxes	13.3	10.9
Accrued charges and deferred income	10.0	11.4
Trade and other payables from related parties	4.0	1.2
Other amounts payable	8.8	6.4
Total	**374.0**	**348.1**

The non-current remuneration and social security mainly relates to the accrued charges for a long-term incentive plan for members of senior management within Tessenderlo Group. This long-term incentive plan covers a 3 year period (calendar years 2019-2021), with pay-out in April 2022, based on pre-set performance metrics of the group.

The non-current other payables mainly relate to prepayments made in the execution of a long-term third-party maintenance contract (within the operating segment T-Power).

The current trade and other payables from related parties include the group's share of unpaid share capital (3.0 million EUR) of the 50% joint venture PB Shengda (Zhejiang) Biotechnology Co., Ltd between Tessenderlo Group and Zhejiang Shengda Ocean Co., Ltd, a Chinese state-owned company. Total issued capital of the joint venture is expected to amount to 10.0 million EUR. The group already made a cash contribution of 2.0 million EUR in 2020.

The other amounts payable include, in line with the group's insurance policies, the group's insurance captive payable (2.2 million EUR) for the compensation of the loss of the production assets following the fire incident, caused by a lightning, at Environmentally Clean Systems LLC (note 16 – Trade and other receivables).

26. FINANCIAL INSTRUMENTS

FOREIGN CURRENCY RISK

The group is exposed to fluctuations in exchange rates which may lead to profit or loss in currency transactions. The group's assets, earnings and cash flows are influenced by movements in foreign exchange rates. More in particular, the group incurs foreign currency risks on, amongst others, sales, purchases, investments and borrowings that are denominated in a currency other than the group's functional currency. The currencies giving rise to this risk are primarily USD (US dollar) and GBP (British pound). Movements in foreign currency therefore may adversely affect the group's business, results of operation or financial condition.

The main management tools to hedge foreign currency risks are the spot purchases and sales of currencies followed by currency swaps.

Group borrowings are generally carried out by the group's holding and finance companies, which make the proceeds of these borrowings available to the operating entities. In principle, operating entities are financed in their functional currency. As from March 2015, the group no longer uses currency swaps to hedge intragroup loans.

In emerging countries, it is not always possible to borrow in local currency because local financial markets are too narrow, funds are not available or because the financial conditions are too onerous. Those amounts are relatively small for the group.

The group's exposure to foreign currency risk was as follows based on nominal amounts (for the exchange rates used, please refer to note 1 - Summary of significant accounting policies):

(Million EUR)	**2020**			**2019**			
	EUR*	**USD**	**GBP**	**EUR***	**CNY**	**USD**	**GBP**
Assets	21.3	391.3	2.4	23.0	0.0	384.2	58.3
Liabilities	-25.2	-150.9	-4.6	-23.2	0.0	-26.6	-0.2
Gross exposure	**-3.9**	**240.4**	**-2.2**	**-0.2**	**0.0**	**357.6**	**58.1**
Foreign currency swaps	-5.5	0.0	-1.0	-4.7	0.0	0.0	-0.9
Net exposure	**-9.4**	**240.4**	**-3.2**	**-4.9**	**0.0**	**357.6**	**57.2**
Net exposure (in EUR)	**-9.3**	**195.9**	**-3.6**	**-4.9**	**0.0**	**318.3**	**67.2**

*EUR includes the exposure to foreign currency risk in EUR and several, individual insignificant foreign currencies expressed in EUR.

The USD exposure is mainly due to intragroup loans which are no longer hedged since March 2015.

The decrease in the net GBP exposure is explained by the conversion of intragroup loans, granted by Tessenderlo Group nv to Tessenderlo Holding UK Ltd., into equity. The decrease in the net USD exposure is mainly explained by the cash pooling between US subsidiaries and Tessenderlo Group nv. Excess cash in USD was sold during the year and converted into EUR.

If the euro had strengthened or weakened by 10% against following currencies with all other variables being held constant, the impact on equity and post-tax profit for the year would have been as follows:

(Million EUR)	**Change in rate**	**Impact on the income statement: loss(-)/gain(+)**	**Impact on equity: loss(-)/gain(+)**
At December 31, 2020			
USD	+10%	-30.0	-44.2
	-10%	36.7	54.0
GBP	+10%	-5.0	-8.5
	-10%	6.1	10.4
At December 31, 2019			
USD	+10%	-25.5	-32.9
	-10%	31.2	40.2
GBP	+10%	-5.0	-2.0
	-10%	6.1	2.5
CNY	+10%	-2.9	-7.1
	-10%	3.5	8.2

The potential impact on equity and post-tax profit as a consequence of a change in USD or GBP is mainly caused by non-hedged intragroup loans and would therefore not impact the cash flow generated by the group. The net GBP exposure reduced in 2020 as the intragroup loans, granted by Tessenderlo Group nv to Tessenderlo Holding UK Ltd., were converted into equity at the end of 2020. There is no longer a significant CNY exposure in 2020 due to the conversion of intragroup loans, granted by Tessenderlo Group nv to PB Gelatins (Heilongjiang) Co. Ltd., into equity at the end of 2019.

CREDIT RISK

The group is subject to the risk that the counterparties with whom it conducts its business (in particular its customers) and who have to make payments to the group, are unable to make such payments in a timely manner or at all. In order to manage its credit exposure, a credit committee or credit manager per Business Unit has been created to determine a credit policy with credit limit requests, approval procedures, continuous monitoring of the credit exposure and dunning procedure in case of delays. The group has moreover elaborated a credit insurance program to protect accounts receivable from third party customers against non-payment. The large majority of legal entities of the group is participating to this program and the insurance is provided by highly top rated international credit insurance companies. A large majority of the receivables (around 95%) is covered under this group credit insurance program. The contract protects the insured activities against non-payment with a deductible of 5 to 10% and foresees an indemnification cap at group level. The program foresees a pay-out of the insured claims within 6 months after declaration.

The group has no significant concentration of credit risk. However, there can be no assurance that the group will be able to limit its potential loss of proceeds from counterparties who are unable to pay in a timely manner or at all. The liquidities available at year-end are deposited for very short term at highly rated international banks.

The maximum exposure to credit risk amounts to 722.5 million EUR as per December 31, 2020 (2019: 674.1 million EUR). This amount consists of current and non-current trade and other receivables (356.6 million EUR, note 16 - Trade and other receivables), the loan granted by Tessenderlo Kerley Inc. to Jupiter Sulphur LLC (9.0 million EUR, note 14 - Investments accounted for using the equity method), short term investments (20.0 million EUR) and cash and cash equivalents (345.9 million EUR, note 18 - Cash and cash equivalents).

The maximum exposure to credit risk for trade receivables at the reporting date by operating segment was (note 16 - Trade and other receivables):

(Million EUR)	Note	2020	2019
Machines & Technologies		44.3	55.5
Agro		94.3	97.1
Bio-valorization		79.7	80.3
Industrial Solutions		63.3	63.8
T-Power		0.2	2.7
Non-allocated		0.0	1.7
Total	**16**	**281.7**	**301.1**

The ageing of trade receivables at the reporting date was:

(Million EUR)	Note	2020		2019	
		Gross	Amounts written off	Gross	Amounts written off
Not past due		247.5	0.0	256.1	0.0
Past due 0-120 days		34.0	-0.6	43.6	-0.2
Past due 121-365 days		1.5	-0.6	4.4	-3.1
More than one year		4.9	-4.8	4.5	-4.2
Total	**16**	**287.8**	**-6.0**	**308.6**	**-7.5**

The group estimates that the amounts that are past due are still collectible, following an expected credit loss assessment based on historic payment behavior and extensive analysis of customer credit risk.

Based on the group's monitoring of customer credit risk, the group estimates that, except for the amounts mentioned in the table above, no impairment allowance is necessary in respect of trade receivables not past due.

The movement in the allowance for impairment in respect to trade receivables during the year was as follows:

(Million EUR)	Note	2020	2019
Balance at January 1		**-7.5**	**-5.7**
Use of impairment loss		0.4	1.1
Reversal / (recognition) of impairment losses		1.1	-3.0
Other movements		0.0	0.0
Balance at December 31	16	**-6.0**	**-7.5**

INTEREST RISK

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they may affect the market value of certain financial assets, liabilities and instruments.

At the reporting date, the group's interest-bearing financial instruments were:

(Million EUR)	Note	2020	2019
Fixed rate instruments			
Cash and cash equivalents	18	204.7	162.6
Short term investments	18	20.0	0.0
Loans and borrowings	22	301.6	318.2
Variable rate instruments			
Cash and cash equivalents	18	141.2	127.8
Loans and borrowings	22	161.4	207.2

The loans and borrowings with a variable rate mainly relate to the long term facility loan of T-Power nv. The decrease compared to prior year can be explained by the two half-yearly reimbursements (25.7 million EUR). The remaining outstanding capital of the T-Power nv long term facility loan amounts to 141.5 million EUR as per December 31, 2020 (2019: 167.3 million EUR). Approximately 80% of the loan is hedged through a series of forward rate agreements (the EURIBOR was fixed at 5.6% per annum). The remaining loans and borrowings with a variable rate can be mainly explained by the commercial paper program of 19.0 million EUR (2019: 39.0 million EUR). Movements in interest rates would therefore not have a significant impact on the group's cash flow or result.

LIQUIDITY RISK

Liquidity risk is defined as the risk that a company may have insufficient resources to fulfill its financial obligations at any time. Failure to meet financial obligations can result in significantly higher costs, and it can negatively affect reputation.

In order to limit this risk, the Tessenderlo group took a series of actions:

- The set-up of a factoring program at the end of 2009, which is put on hold since 2015.
- A capital increase of 174.8 million EUR in December 2014.
- The issuance in July 2015 of two series of bonds with a maturity of 7 years (the "2022 bonds") and 10 years (the "2025 bonds"). The total issue amount was 250.0 million EUR, of which 192.0 million EUR for the 2022 bonds and 58.0 million EUR for the 2025 bonds.
- Refinancing of T-Power nv in 2019, bringing the new term loan facility to 193.0 million EUR reimbursable in the period June 2019-June 2026.
- The replacement of the syndicated facility agreement (terminated in December 2015) by 5 year committed bi-lateral agreements for a total amount of 142.5 million EUR (of which part can be drawn in USD) with four banks. These facilities were renewed for 5 years in December 2019, and have no financial covenants and ensure maximum flexibility for the different activities
- A commercial paper program of maximum 200.0 million EUR.

In addition, Picanol nv has non-committed credit lines for 57.1 million EUR excluding bank guarantees or 74.1 million EUR including bank guarantees.

The group regularly projects short and long-term forecasts in order to adapt financial means to forecasted needs.

The following are the contractual maturities of loans and borrowings, including interest payments:

(Million EUR)		2020				
	Note	Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
Non-derivative loans and borrowings						
Bond with maturity date July 15, 2022		169.9	177.1	4.9	172.2	0.0
Bond with maturity date July 15, 2025		59.9	68.8	2.1	66.8	0.0
Credit facility T-Power nv		141.5	142.7	26.0	103.7	12.9
Credit institutions (commercial paper)		20.9	20.9	20.9	0.0	0.0
Credit institutions		14.2	15.2	3.8	9.2	2.1
Bank overdrafts[10]		0.0	0.0	0.0	0.0	0.0
Finance lease liabilities		56.5	61.3	19.7	31.1	10.5
Total	**22**	**463.0**	**486.0**	**77.5**	**383.0**	**25.5**
Derivatives						
Foreign currency swaps		0.0	0.0	0.0	0.0	0.0
Inflow		0.0	0.0	0.0	0.0	0.0
Outflow		0.0	6.5	6.5	0.0	0.0
Interest rate swaps		0.0	-6.6	-6.6	0.0	0.0
Inflow		-21.0	0.0	0.0	0.0	0.0
Outflow		0.0	-20.8	-6.6	-13.8	-0.3
Total		**-21.0**	**-20.8**	**-6.7**	**-13.8**	**-0.3**

(Million EUR)		2019				
	Note	Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
Non-derivative loans and borrowings						
Bond with maturity date July 15, 2022		172.2	177.7	5.0	181.2	0.0
Bond with maturity date July 15, 2025		60.3	68.9	2.0	8.2	61.7
Syndicated credit facility T-Power nv		167.3	170.3	26.3	105.0	39.0
Credit institutions (commercial paper)		49.6	39.0	49.6	0.0	0.0
Credit institutions		8.3	9.6	1.2	4.3	4.1
Bank overdrafts		0.1	0.1	0.1	0.0	0.0
Finance lease liabilities		67.6	72.9	23.3	38.3	11.3
Total	**22**	**525.3**	**538.5**	**107.6**	**337.0**	**116.1**
Derivatives						
Foreign currency swaps		0.0	0.0	0.0	0.0	0.0
Inflow		0.0	5.8	5.8	0.0	0.0
Outflow		0.0	-5.8	-5.8	0.0	0.0
Interest rate swaps		-27.7	0.0	0.0	0.0	0.0
Inflow		0.0	0.3	0.0	0.3	0.1
Outflow		0.0	-27.8	-7.7	-18.3	-1.8
Total		**-27.7**	**-27.5**	**-7.7**	**-18.1**	**-1.8**

ESTIMATION OF FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of non-derivative loans and borrowings is calculated based on the net present value of future principal and interest cash flows discounted at market rate. These are based on market inputs from reliable financial information providers. Therefore, the fair value of the fixed interest-bearing loans and borrowings is within level 2 of the fair value hierarchy.

[10] A bank overdraft is a flexible borrowing facility on a bank current account, which is repayable on demand.

The fair value of the non-current loans and borrowings at fixed interest rate, measured at amortized cost in the statement of financial position as per December 31 is presented below:

(Million EUR)	Note	2020		2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans and borrowings					
Leasing payables	22	-37.0	-38.1	-44.9	-46.2
Credit institutions	22	-10.6	-11.8	-6.5	-6.6
Bonds (maturity date in 2022 and 2025)	22	-229.8	-230.7	-232.5	-234.4

The bonds issued in 2015 with a maturity of 7 years (the “2022 bonds”) and 10 years (the “2025 bonds”) were respectively quoted at 102.9% and 104.3% as per December 31, 2020. In 2020 the group repurchased “2022 bonds” for a nominal amount of 0.1 million EUR at a price of 101.5%.

The fair value of the following financial assets and liabilities approximates their carrying amount:

- trade and other receivables;
- other investments;
- cash and cash equivalents;
- current loans and borrowings;
- trade and other payables.

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The following table shows the carrying amounts of derivative financial instruments measured at fair value in the statement of financial position including their levels in the fair value hierarchy:

(Million EUR)	2020							
	Carrying amount balance sheet				Fair value hierarchy			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Level 1	Level 2	Level 3	Total
Foreign currency swaps	0.0	-	-0.0	-	-	-0.0	-	-0.0
Interest rate swaps	-	-	-6.7	-14.3	-	-21.0	-	-21.0
Electricity and gas forward contracts	-	-	-5.1	-11.0	-	-	-16.1	-16.1
Total	**0.0**	**-**	**-11.8**	**-25.3**	**-**	**-21.0**	**-16.1**	**-37.1**

(Million EUR)	2019							
	Carrying amount balance sheet				Fair value hierarchy			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Level 1	Level 2	Level 3	Total
Foreign currency swaps	0.0	-	0.0	-	-	-0.0	-	-0.0
Interest rate swaps	-	-	-7.7	-20.0	-	-27.7	-	-27.7
Electricity forward contracts	-	-	-5.0	-11.5	-	-	-16.5	-16.5
Total	**0.0**	**0.0**	**-12.7**	**-31.5**	**-**	**-27.7**	**-16.5**	**-44.2**

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of forward contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate.

The fair value of these instruments generally reflects the estimated amounts that the group would receive on settlement of favorable contracts or be required to pay to terminate unfavorable contracts at the reporting date, and thereby taking into account the current unrealized gains or losses on open contracts.

The following table indicates the fair values of all outstanding derivative and other financial instruments at year-end:

(Million EUR)	**2020**		**2019**	
	Contractual amount	**Fair value**	**Contractual amount**	**Fair value**
Foreign currency swaps	6.5	-0.0	5.8	0.0
Interest rate swaps	-20.8	-21.0	-27.5	-27.7
Electricity and gas forward contracts	N/A	-16.1	N/A	-16.5
Total	**-14.2**	**-37.1**	**-21.7**	**-44.2**

The contractual amount indicates the volume of outstanding derivatives at the balance sheet date and therefore does not reflect the group's exposure to risks from such transactions.

The total fair value of the derivative financial instruments at December 31, 2020 amounts to -37.1 million EUR (2019: -44.2 million EUR) and consists of:

- forward interest rate agreements at T-Power nv, with maturity date in the period 2021-2026;
- foreign currency swaps, with maturity date in January 2021;
- an electricity forward contract, with maturity date in June 2026

The outstanding interest rate swaps of T-Power nv (which fixed the 6 months EURIBOR at 5.6% per annum for approximately 80% of the outstanding loan with maturity dates till 2026) are, in accordance with the requirements of IFRS 9, designated as hedging instruments in a cash flow relationship as per December 31, 2020. The effective portion of the change in fair value is therefore recognized in the hedging reserves (Other comprehensive income). A level 2 fair value measurement is applied for the fair value measurement of these agreements.

The table below indicates the underlying contractual amount of the outstanding foreign currency contracts per currency at year-end (selling of foreign currencies):

(Million)	**2020**		**2019**	
	Amount in foreign currency	**Amount in EUR**	**Amount in foreign currency**	**Amount in EUR**
GBP	1.0	1.1	0.9	1.1
JPY	443.2	3.5	416.6	3.4
Other		2.0		1.3
Total		**6.5**		**5.8**

The group sold the majority of its PVC/Chlor-Alkali activities in the third quarter of 2011. The electricity purchase agreement relating to that activity was not part of the sale transaction and therefore the group is still under an obligation to purchase certain quantities of electricity. As the group no longer needs the electricity for its own use, it needs to sell the electricity on the market until the end of the contract. Because of significant unobservable inputs, a level 3 fair value measurement is applied for the fair value measurement of the electricity purchase agreement ('PPA' – Purchase Power Agreement), for which the own-use exemption under IFRS 9 is not applicable anymore. The value of the contract is depending on the current and future difference between market electricity prices and the generation cost based on market gas prices (the "spark spread"), and on the effect of the hourly pricing optimization as foreseen in the contract. Forward prices are only available for a 3-year period and for a base load product. The uncertainty beyond that period is higher on different important parameters (including also the regulatory environment), however based on more favourable market and regulatory condition assumptions, the fair value of the PPA contract is set to zero beyond the initial 3 years. The used base load future prices are calculated based on the 2020 average daily Zeebrugge Gas Yearly forward prices and on the 2020 average daily Endex Yearly forward electricity prices for Belgium. The future hourly optimization effect is calculated as an extrapolation of the trend since the start of the contract.

As per December 31, 2020 the inputs above lead to a net fair value of -16.1 million EUR compared to a net fair value of -16.5 million EUR as per December 31, 2019. The change in net fair value for an amount of +0.4 million EUR has been recognized as an EBIT adjusting item (note 6 – EBIT adjusting items).

The key assumptions used in the valuation as per December 31, 2020, are:

		2020	2021	2022
Gas forward price	EUR/MWh	13.5	14.9	15.4
Electricity forward price	EUR/MWh	40.7	43.4	45.4
Discount rate	0.0%			

The key assumptions used in the valuation as per December 31, 2019 are:

		2020	2021	2022
Gas forward price	EUR/MWh	18.3	18.6	18.3
Electricity forward price	EUR/MWh	51.0	48.3	48.7
Discount rate	0.0%			

The sensitivity of the valuation to changes in the principal assumptions is the following:

Change in assumption		Impact fair value (Million EUR)	
		2020	2019
Gas price	+1 EUR/MWh	-2.5	-2.6
Electricity price	+1 EUR/MWh	1.3	1.3
Spark spread optimization	+1 EUR/MWh	1.3	1.3
Discount rate	+1%	0.3	0.3
Running hours T-Power	+10%	-0.9	-0.7

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions stable. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. If the key assumptions of 2023 would also have been applied for the period 2024-June 2026, a period for which no market data is available, the fair value of the contract (2021-June 2026) would have amounted to -29.5 million EUR.

The net change in fair value of derivative financial instruments before tax, as included in the other comprehensive income, amounts to -0.2 million EUR, and can be explained by the change in fair value of the interest rate swaps of the subsidiary T-Power nv.

27. GUARANTEES AND COMMITMENTS

(Million EUR)	2020	2019
Guarantees given by third parties on behalf of the group	29.6	28.9
Guarantees given on behalf of third parties	1.7	1.7
Guarantees received from third parties	3.7	5.0
Commitments related to capital expenditures	33.0	33.5

Guarantees given by third parties on behalf of the group mainly relate to the fulfillment of environmental obligations for 20.8 million EUR of Tessenderlo Group nv (2019: 20.6 million EUR). The remaining balance consists of bank guarantees for commercial purpose and numerous other guarantees to secure financing, custom and other obligations.

Guarantees given on behalf of third parties mainly relate to guarantees given for the fulfillment of lease obligations.

The guarantees received from third parties concern guarantees, which suppliers grant to the group as guarantee for the proper execution of investment projects.

Capital expenditure contracted for at the end of the reporting period, but not yet incurred, amounts to 33.0 million EUR (2019: 33.5 million EUR). These commitments can be mainly explained by capital expenditure in equipment and infrastructure to modernize and automate production facilities and for a new electronics plant in Romania (segment Machines & Technologies), capital expenditure in equipment and efficiency improvements (segment Agro), to facilitate an improved valorization of animal by-products (segment Bio-valorization) and also for the purchase of trucks which were previously leased.

The shares of T-Power nv are pledged in first degree to guarantee the liabilities in respect of a “facility agreement” of 440.0 million EUR signed on December 18, 2008 between T-Power nv and a syndicate of banks as amended and restated for the last time pursuant to an amendment and restatement deed on March 25, 2019 (with one remaining bank). The T-Power nv shares are pledged in second degree to guarantee the “tolling agreement” for the entire 425 MW capacity signed on August 13, 2008 between T-Power nv and RWE group. The tolling agreement has a 15 years duration with an optional 5-year extension thereafter.

The group and its subsidiaries have certain other contingent liabilities relating to long-term purchase obligations and commitments. The agreements typically concern strategic raw materials and goods and services, such as electricity and gas.

28. CONTINGENCIES

The group is confronted with a number of claims or potential claims and disputes, which are a consequence of the daily operational activities. To the extent such claims and disputes are such that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation, suitable provisions have been made.

It is the group's policy to recognize environmental provisions in the balance sheet, when the group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

These provisions are reviewed periodically and adjusted, if necessary, as assessments and work proceeds and additional information becomes available. Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation or other factors of a similar nature.

As stated in note 24 - Provisions, the environmental provisions in accordance with the above policies aggregated to 119.7 million EUR at December 31, 2020 (December 31, 2019: 110.9 million EUR).

While it is not feasible to predict the outcome of all pending environmental exposures, it cannot be excluded that there will be a need for future provisions for environmental costs. In management's opinion, based on information currently available, such provisions would not have a material effect on the group's financial position, taking into account the current financial structure of the group. However it cannot be excluded that such provisions could have a material impact on the income statement of a specific accounting period.

Acquisition, investment and joint venture agreements as well as divestments may contain habitual provisions leading to price adjustments. In addition, for divestments, proper consideration has been given to provisions for possible indemnifications payable to the acquirer, if any, including matters in the area of health, environment, tax, product liability, restructuring, competition, pensions and share incentives. Based on information currently available, the possibility of any significant cash outflow is considered to be remote.

Some plants of the group need to comply with the European regulations to cover operational emissions for products exposed to carbon leakage. In a case of a deficit, additional emission allowances will be purchased. The cost of additional emission allowances purchased during 2020 was insignificant. The surplus or deficit of emission allowances over the next year may vary, depending on several factors such as future production volumes, process optimizations and energy efficiency improvements. The carrying amount of emission allowances included in intangible assets amounts to 3.2 million EUR as per December 31, 2020 (2019: 2.9 million EUR).

29. RELATED PARTIES

Picanol Group has a related party relationship with its subsidiaries, joint ventures, its main shareholder, directors and its Executive Committee. The Belgian pension fund “OFP Pensioenfonds”, which covers the post-employment benefit obligation of the employees of Tessenderlo Group nv and Tessenderlo Chemie International nv, is also considered to be a related party.

The controlling shareholder of the Picanol Group is Mr. Luc Tack through Symphony Mills nv and Artela nv (see shareholders’ structure on page 32 in the Corporate Governance Statement).

The group purchased and sold goods and services to various related parties in which the group holds a 50% or less equity interest (note 14 - Investments accounted for using the equity method). Such transactions were conducted at terms comparable to transactions with third parties.

Premiums for an amount of 1.7 million EUR were paid to the Belgian pension fund, “OFP Pensioenfonds” (2019: 1.5 million EUR). Liabilities related to employee benefit schemes as per December 31, 2020 include 13.1 million EUR related to the “OFP Pensioenfonds” (2019: 11.9 million EUR).

Transactions only have taken place with the main shareholder, joint ventures, the members of the Executive Committee and the Board of Directors.

TRANSACTIONS WITH THE MAIN SHAREHOLDER

(Million EUR)	2020	2019
Trade and other receivables	0.0	0.0
Trade and other payables	-0.2	0.0
Revenue	1.1	1.4
Cost of goods sold	0.0	0.0

For the shareholders’ structure we refer to the Corporate Governance Statement on page 32.

The transactions are commercial transactions related to the sales of weaving machines and spare parts to companies linked to the main shareholder.

TRANSACTIONS WITH JOINT VENTURES[11]

(Million EUR)	2020	2019
Transactions with joint ventures - Sales	0.8	4.1
Transactions with joint ventures - Purchases	-19.0	-25.5
Non-current assets	9.9	10.5
Current assets	0.7	0.7
Current liabilities	4.0	1.2

Within the Industrial Solutions segment, S8 Engineering has ceased to exist. The engineering and construction activities were integrated during 2020 into Tessenderlo Kerley, Inc.. The 2019 revenue with joint ventures was explained by sales of S8 Engineering Inc. to the joint venture Jupiter Sulphur LLC. The revenue was considered to be insignificant and was therefore not eliminated.

Tessenderlo Kerley Inc. has granted a 11.0 million USD loan (9.0 million EUR) to the joint venture Jupiter Sulphur LLC, which was fully drawn in the period over 2017 and 2018. The non-current loan is interest bearing (3.0%). In 2020, the financing structure of Jupiter Sulphur LLC was reviewed and the duration of the loan was extended till December 2026. Jupiter Sulphur LLC obtained the same amount from the other joint venture partner. The granted loan is included in “Other investments” in the group’s consolidated statement of financial position. The related interest income is considered to be insignificant and is not eliminated.

[11] We refer to note 14 - Investments accounted for using the equity method for more information on the group’s joint ventures.

The current liabilities include the group's share of unpaid share capital (3.0 million EUR) of the 50% joint venture PB Shengda (Zhejiang) Biotechnology Co., Ltd between Tessenderlo Group and Zhejiang Shengda Ocean Co., Ltd, a Chinese state-owned company (note 25 - Trade and other payables).

TRANSACTIONS WITH THE MEMBERS OF THE EXECUTIVE COMMITTEE

(Million EUR)	2020	2019
Short-term employee benefits	2.7	2.3
Post-employment benefits	0.1	0.1
Total	**2.8**	**2.4**

The Executive Committee on December 31, 2020, consists of Luc Tack (CEO) en Stefaan Haspeslagh (CFO) and was unchanged from previous year.

Short-term employee benefits include salaries and accrued bonuses over 2020 (including social security contributions), car leases and other allowances where applicable.

The short-term employee benefits include 1.6 million EUR fix and 1.1 million EUR variable employee benefits (2019: 1.5 million EUR and 0.8 million EUR respectively). The variable employee benefits consist of 1.1 million EUR short term variable compensation (2019: 0.8 million EUR), payable within 12 months after the end of the period, while there is no long-term variable compensation in 2020 and 2019.

The post-employment benefits include the periodic pension costs of the pension plan, calculated by an actuary.

There was no new emission of warrants in 2020 and no warrants were exercised by members of the ExCom during 2020.

No transactions, except for those mentioned above, have occurred with the members of the ExCom.

TRANSACTIONS WITH THE MEMBERS OF THE BOARD OF DIRECTORS

Members	Remuneration in EUR	2020	2019
Stefaan Haspeslagh (executive director)	Fixed annual fee	42,500	40,000
	Additional fixed fee for chairman of the Board	90,000	90,000
	Variable fee per half day attended	24,000	16,000
	Total remuneration	**156,500**	**146,000**
Luc Tack (executive director)	Fixed annual fee	42,500	40,000
	Variable fee per half day attended	24,000	16,000
	Total remuneration	**66,500**	**56,000**
Patrick Steverlynck, as permanent representative of Pasma nv (non-executive director)	Fixed annual fee	17,500	15,000
	Variable fee per half day attended	12,000	8,000
	Total remuneration	**29,500**	**23,000**
Jean Pierre Dejaeghere, as permanent representative of nv Kantoor Torrimmo (independent non-executive director)	Fixed annual fee	17,500	15,000
	Variable fee per half day attended	12,000	8,000
	Total remuneration	**29,500**	**23,000**
Luc Van Nevel, as permanent representative of The Marble BV (independent non-executive director)	Fixed annual fee	17,500	15,000
	Variable fee per half day attended	12,000	8,000
	Total remuneration	**29,500**	**23,000**
Chantal De Vrieze, as permanent representative of 7 Capital sprl (independent non-executive director)	Fixed annual fee	17,500	15,000
	Variable fee per half day attended	12,000	8,000
	Total remuneration	**29,500**	**23,000**
Ann Vereecke, as permanent representative of Ann Vereecke bva (independent non-executive director) since February 2019	Fixed annual fee	17,500	15,000
	Variable fee per half day attended	12,000	6,000
	Total remuneration	**29,500**	**21,000**
Total		**370,500**	**315,000**

30. AUDITOR'S FEES

KPMG Bedrijfsrevisoren BV, with Mr. Patrick De Schutter as authorized representative, has been appointed as statutory auditor for Picanol Group since fiscal year 2018 and for Tessenderlo Group since fiscal year 2019.

(Million EUR)	**2020**			
	Audit	**Audit related**	**Other**	**Total**
KPMG (Belgium)	0.4	0.0	0.1	0.4
KPMG (Outside Belgium)	0.7	0.0	0.0	0.7
Total	**1.1**	**0.0**	**0.1**	**1.1**

(Million EUR)	**2019**			
	Audit	**Audit related**	**Other**	**Total**
KPMG (Belgium)	0.4	0.0	0.0	0.4
KPMG (Outside Belgium)	0.7	0.0	0.3	0.9
Total	**1.0**	**0.0**	**0.3**	**1.3**

31. SUBSEQUENT EVENTS

On March 16, 2021, Picanol Group acquired a 10% minority stake in Rieter Holding AG (SWX: RIEN), amounting to a total of 467,236 shares for a price of 45.4 million EUR (or a price per share of 107.5 CHF). Rieter is the world's leading supplier of systems for short-staple fiber spinning.

32. GROUP COMPANIES

Listed below are all the group companies. The total number of consolidated companies is 75[12]. List of the consolidated companies on December 31, 2020, accounted for by the full consolidation method:

Country	Entity	Address	Belgian company number	Ownership
Belgium	Picanol nv	8900 Ieper	0405502362	Parent Company
Belgium	Proferro nv	8900 Ieper	0438243426	100%
Belgium	PsiControl nv	8900 Ieper	0437446145	100%
Belgium	Verbrugge nv	8900 Ieper	0441554490	100%
Belgium	Melotte nv	3520 Zonhoven	0407155421	100%
Belgium	Picanol Group nv	8900 Ieper	0643795829	100%
Belgium	Tessenderlo Group *	1050 Brussels	0412101728	46.7%
France	Burcklé SAS	68290 Bourbach-le-Bas		100%
Romania	PsiControl Srl	505400 Rasnov, Brasov County		100%
US	Picanol of America	Greenville SC 29605		100%
Brasil	Picanol Do Brazil	Americana/ SP CEP 13471-030		100%
China	Picanol (Suzhou Industrial Park) Textile Machinery Co. Ltd.	Suzhou 215122		100%
China	Picanol (Suzhou) Trading Co., Ltd.	Suzhou 215122		100%
India	Picanol India	New Delhi, India, 110 015		100%
Indonesia	PT. Picanol Indonesia	Bandung 40261, West Java		100%
Mexico	Picanol de Mexico	08400, Mexico D.F.		100%
Turkey	Picanol Tekstil Makinalari	34149 Yesilkoy, Istanbul		100%

Tessenderlo Group*: since January 1, 2019, Tessenderlo Group is consolidated according to the full consolidation method. List of the consolidated companies of Tessenderlo Group by the full consolidation method where the ownership is the % held by Tessenderlo Group:

Country	Entity	Address	Belgian company number	Ownership
Belgium	DYKA Plastics nv	3900 Pelt	0414467340	100%
Belgium	Limburgse Rubber Produkten nv	1050 Brussels	0415296392	100%
Belgium	Tessenderlo Chemie International nv	1050 Brussels	0407247372	100%
Belgium	Tessenderlo Group nv	1050 Brussels	0412101728	parent company
Belgium	T-Power nv	1050 Brussels	0875650771	100%
Belgium	Tessenderlo Development Services nv	1050 Brussels	0724619989	100%
Belgium	T-Power Energy Services bv	1050 Brussels	0838489378	100%
Czech Republic	DYKA s.r.o.	27361 Velka Dobra		100%
France	Akiolis Group SAS	72000 Le Mans		100%
France	Atemax France SAS	72000 Le Mans		100%
France	Etablissements Charvet Père et Fils SAS	91490 Milly-La-Forêt		100%
France	Etablissements Violleau SAS	79380 La Forêt sur Sèvre		100%
France	Produits Chimiques de Loos SAS	59120 Loos		100%
France	Tessenderlo Kerley France SAS	59120 Loos		100%
France	Soleval France SAS	72000 Le Mans		100%
France	DYKA SAS	62140 Sainte Austreberthe		100%
France	DYKA Tube SAS	18570 La Chapelle-Saint-Ursin		100%
France	SCI Les Violettes	79380 La Forêt sur Sèvre		100%
France	Tefipar SAS	59120 Loos		100%
France	Tessenderlo Services SARL	59120 Loos		100%
Germany	BT Nyloplast GmbH	86551 Aichach		100%
Germany	PB Gelatins GmbH	31582 Nienburg		100%

[12] DYKA Tube SAS, PB Shengda (Zhejiang) Biotechnology Co., Ltd. and Tessenderlo Kerley Bela LLC are new created companies in 2020. S8 Engineering Inc was liquidated in 2020 and its activities were integrated in Tessenderlo Kerley Inc. Tessenderlo Trading (Shanghai) Co. Ltd. was sold in 2020.

Hungary	BT Nyloplast Kft	3636 Vadna		100%
Luxembourg	Terelux SA	2163 Luxembourg		100%
Poland	DYKA Sp.z.o.o.	55-221 Jelcz-Laskowice		100%
Romania	DYKA Plastic Pipe Systems S.R.L.	76100 Bucarest, sector 1		100%
Slovakia	DYKA SK s.r.o.	82109 Bratislava		100%
Switzerland	Tessenderlo Schweiz AG	5332 Rekingen		100%
The Netherlands	DYKA B.V.	8331 LJ Steenwijk		100%
The Netherlands	BT Nyloplast B.V.	3295 KG 's Gravendeel		100%
The Netherlands	Tessenderlo NL Holding B.V.	4825 AV Breda		100%
United Kingdom	DYKA UK Ltd.	Longtown-Carlisle Cumbria CA6 5LY		100%
United Kingdom	John Davidson Holdings Ltd.	Edinburgh EH3 8UL		100%
United Kingdom	John Davidson Pipes Ltd.	Edinburgh EH3 8UL		100%
United Kingdom	PB Gelatins UK Ltd.	Pontypridd CF 375 SQ		100%
United Kingdom	Tessenderlo Holding UK Ltd.	Pontypridd CF 375 SQ		100%
US	Environmentally Clean Systems LLC	Wilmington, DE 19801		69,01%
US	ECS Myton, LLC	Wilmington, DE 19801		51,00%
US	Kerley Trading Inc.	Wilmington, DE 19801		100%
US	MPR Services Inc.	Wilmington, DE 19801		100%
US	PB Leiner USA Corporation	Davenport, Iowa 52806		100%
US	Tessenderlo Kerley Inc.	Wilmington, DE 19801		
US	Tessenderlo USA Inc.	Wilmington, DE 19801		100%
Argentina	PB Leiner Argentina SA	Ciudad Autónoma de Buenos Aires		100%
Australia	Tessenderlo Kerley Australia PTY LTD	Melbourne VIC 3000		100%
Belarus	Tessenderlo Kerley Bela LLC	220036 Minsk		100%
Brazil	PB Brasil Industria e Comercio de Gelatinas Ltda	Acorizal, Mato Grosso CEP 78480-000		100%
Chile	Kerley Latinoamericana Comercializadora Limitada	9358 Santiago		100%
China	PB Gelatins (Heilongjiang) Co. Ltd.	Xinyi Village, Kongguo County, Nehe City, Qiqihaer City, Heilongjiang Province		100%
Costa Rica	Tessenderlo Kerley Costa Rica SA	La Union Tres Rios - Cartago		100%
India	Tessenderlo Kerley India Private Ltd.	New Delhi, South Delhi, 11019		100%
Japan	TKI Japan KK	Tokyo - Chiyoda-ku		100%
Mexico	Tessenderlo Kerley Mexico SA de CV	Ciudad Obregon, Estado de Sonora		100%
Paraguay	Maramba S.R.L.	Chacoi Villa Hayes - Asuncion del Paraguay		100%
Peru	TKP Peru S.A.C.	Ciudad de Lima - Provincia de Lima		100%
Turkey	Tessenderlo Kerley Turkey Tarim Ve Kimya Sanayi Ve. Tic. Ltd. STI	35730 Kemalpasa - Izmir		100%

List of the consolidated companies of Tessenderlo Group on December 31, 2020 accounted for by the equity method:

Country				
France	Etablissements Michel SAS	31800 Villeneuve de Rivière		50%
China	PB Shengda (Zhejiang) Biotechnology Co., Ltd	Zhoushan City, Zhejiang Province		50%
US	Jupiter Sulphur LLC	Wilmington, DE 19801		50%

List of the non-consolidated companies on December 31, 2020 due to their insignificant impact on the consolidated figures:

Country				
Belgium	Syndicaat van Belgische textielmachinebouwers	1030 Brussel		34%

33. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS as adopted for use by the European Union requires management to make judgments, estimates and assumptions that affect the application of the accounting policies, the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results could differ from those estimates.

Estimates and assumptions are reviewed periodically and the effects of revisions, if needed, are reflected in the financial statements.

The areas of judgments, estimates and assumptions used in preparing the consolidated financial statements as per December 31, 2020 are the same as those applied and disclosed in the consolidated financial statements at December 31, 2019.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below:

- Impairments. The carrying amount of property, plant and equipment, goodwill and intangible assets is reviewed at each balance sheet date to determine whether an indication of impairment exits. If any such indication exists, the asset's recoverable amount is estimated (note 11 - Property, plant and equipment, note 12 - Goodwill and note 13 - Intangible assets).
- Leases. The company leases various items of Property, plant and equipment, mainly including real estate and vehicles. Some leases contain extension options, allowing operational flexibility, exercisable by the group. The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has applied judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the group considered all relevant factors that create an economic incentive for it to exercise the renewal (note 11 - Property, plant and equipment).
- Inventory obsolescence and lower of cost of net realizable value adjustments, which are determined based on experience and the assessment of market circumstances (note 17 - Inventories).
- Employee benefits. The calculation of defined benefit obligations is based on actuarial assumptions such as future salary increases, inflation and through the use of a discount rate (note 23 - Employee benefits).
- Deferred taxes. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. In making its judgment, management takes into account the long term business strategy (note 15 - Deferred tax assets and liabilities).
- Provisions and contingencies. The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows. Provisions can change substantially due to the emergence of additional information on the nature or extent of the contamination, a change in legislation, a change in best practices for sanitation, a change in timing of cash outflows, a change in agreement with authorities on the treatment of the polluted site or other factors of a similar nature (note 24 - Provisions).
- Financial instruments (note 26 - Financial instruments). These are measured at fair value in the statement of financial position based on:
  - inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices) or
  - inputs for the asset or liability that are not based on observable market data.

STATEMENT ON THE TRUE AND FAIR VIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE FAIR OVERVIEW OF THE MANAGEMENT REPORT

Mr. Luc Tack (CEO) and Mr. Stefaan Haspeslagh, representative of Findar BV (CFO), certify, on behalf and for the account of the company, that, to his/their knowledge,

a) the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, the income statement of the company, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, and the entities included in the consolidation as a whole,

b) the consolidated management report includes a fair overview of the development and performance of the business and the position of the company, and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.

AUDITOR’S REPORT

STATUTORY AUDITOR’S REPORT TO THE GENERAL MEETING OF PICANOL NV ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020

In the context of the statutory audit of the consolidated financial statements of Picanol nv (“the Company”) and its subsidiaries (jointly “the Group”), we provide you with our statutory auditor’s report. This includes our report on the consolidated financial statements for the year ended 31 December 2020, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 18 April 2018, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers’ council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ending 31 December 2020. We have performed the statutory audit of the consolidated financial statements of the Group for three consecutive financial years.

<u>REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS</u>

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 2.762.700.(000) and the consolidated income statement shows a profit for the year of EUR 86.800.(000).

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

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB and applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the “Statutory auditors’ responsibility for the audit of the consolidated financial statements” section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company’s officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Impairment of goodwill, intangible assets and property, plant and equipment

We refer to Notes 11, 12 and 13 being respectively ‘Property, plant and equipment’, ‘Goodwill’ and ’Intangible assets’ of the consolidated financial statements.

- Description

  Goodwill, intangible assets and property plant and equipment amount to EUR 1.573,7 million as at 31 December 2020 and represent 57,0% of the Group's total assets as at 31 December 2020.

  The Group performs a yearly impairment assessment over goodwill and in case of triggering events the Group performs an impairment assessment over goodwill, intangible assets and property, plant and equipment ('PPE'). This assessment is performed for each smallest group of assets that generate largely independent cash flows (the cash generating unit or 'CGU'). Management prepares a recoverable amount assessment by discounting future cash flow projections to determine whether these assets are impaired at the reporting date as well as the level of impairment charge to be recognized.

  Impairment of goodwill, intangible assets and property, plant and equipment is identified as a key audit matter due its significance to the balance sheet total and the level of judgement required by management and potential management bias in the assessment of impairment, which principally related to the inputs used in both forecasting and discounting future cash flows to determine the recoverable amount.

- Our audit procedures

  Our audit procedures included among others:
  - Challenging management's assessment of potential indicators of impairment based on our own expectations developed from our knowledge of the Group and our understanding of internal and external factors relevant to the Group;
  - Challenging management's identification of CGUs with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;
  - Evaluating the process by which management's cash flow forecasts were prepared, including testing the underlying calculations and reconciling them to the latest board of directors approved financial targets;
  - Analyzing the Group's previous ability to forecast cash flows accurately by comparing key assumptions to historical results. We also challenged key inputs and data used to develop the forecasted cash flows based on our knowledge of the business;
  - Assessing the appropriateness of the Group's valuation methodology and its determination of discount rates by involving our own valuation specialists;
  - Testing the mathematical accuracy of the discounted cash flow models;
  - Performing sensitivity analyses around the key assumptions used for the determination and discounting of cash flow forecasts, in particular EBIT, CAPEX, weighted average cost of capital and growth rates used by the Group; and
  - Assessing the appropriateness of the Group's disclosures in respect of impairment of goodwill, intangible assets and property plant and equipment as included in Notes 11, 12 and 13 to the consolidated financial statements.

Post-employment benefit provisions

We refer to Note 23 section 'Employee benefits' of the consolidated financial statements.

- Description

  The Group provides retirement benefits predominantly in Belgium, Germany and the UK. Retirement benefits are organized through defined contributions plans as well as defined benefit plans. As described in Note 23, the Group sponsors defined benefit pension plans in Belgium, Germany and the UK and defined contribution plans in Belgium. Post – employment benefits are considered as a key audit matter due to the complexity and judgment involved in determining the key assumptions used in the determination of the Group's obligations as well as the assumptions used in determining the fair value of the plan assets. In addition, small changes in key assumptions used to determine the obligations and fair value of the Group's pension plans.

- Our audit procedures

  Our audit procedures included among others:
  - We obtained an understanding of the Group's valuation process;
  - We assessed the competence, objectivity and capabilities of the external actuarial experts engaged by management;
  - We challenged management's key actuarial assumptions, being the discount rates, inflation rates, mortality expectations, future salary increases and personnel turnover underlying the valuation of the Group's post-

employment benefit obligations with the assistance of our actuarial specialists. This includes a comparison of key assumptions used against externally derived data;
- With the assistance of our own financial instrument specialist, we reconciled the fair value of the plan assets with direct external confirmations and verified the adequacy of the fair value of the plan assets;
- We assessed overall reasonableness of the valuation outcome; and
- We assessed the appropriateness of the Group’s disclosures in respect of employee benefits, which are included in Note 23 to the consolidated financial statements.

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

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

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

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of the board of directors
The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report.

Statutory auditor's responsibilities
In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

Aspects concerning the board of directors' annual report on the consolidated financial statements and other information included in the annual report
Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report:

- Activity report 2020
- Corporate Governance statement 2020

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:32 §2 of the Companies' and Associations' Code has been included in a separate report attached to the board of directors' annual report on the consolidated financial statements, which is the 2020 Sustainability Report. This report on the non-financial information contains the information required by article 3:32 §2 of the Companies' and Associations' Code and is consistent with the consolidated financial statements for the same period. The Company has prepared this non-financial information based on the Global Reporting Initiative framework (GRI). In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the GRI mentioned in the separate 2020 Sustainability Report.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

Other aspect

- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Zaventem, March 24, 2021
KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor
represented by

Patrick De Schutter
Bedrijfsrevisor / Réviseur d'Entreprises

STATUTORY FINANCIAL REPORT

BALANCE SHEET OF PICANOL NV

(Million EUR)	2020	2019
Total assets		
Non-current assets	**122.3**	**122.4**
Other intangible assets	0.8	0.7
Property, plant and equipment	14.1	13.2
Financial assets	107.4	108.4
Current assets	**537.5**	**532.3**
Non-current trade and other receivables	415.3	377.9
Inventories	24.2	21.7
Current trade and other receivables	30.6	41.1
Other investments	20.0	60.0
Cash and cash equivalents	46.1	29.8
Prepaid expenses and accrued income	1.3	1.9
Total assets	**659.9**	**654.7**
Total liabilities		
Shareholders' equity	**576.3**	**559.5**
Issued capital	22.2	22.2
Share premium	1.5	1.5
Reserves	45.2	45.2
Retained earnings	507.4	490.6
Capital grants	0.0	0.0
Provisions and deferred taxes	**5.9**	**7.0**
Provisions	5.9	7.0
Deferred taxes	0.0	0.0
Liabilities	**77.7**	**88.2**
Liabilities due in more than one year	0.0	0.1
Liabilities due within one year	75.2	83.5
Accrued expenses and deferred income	2.5	4.6
Total liabilities	**659.9**	**654.7**

PROFIT AND LOSS STATEMENT OF PICANOL NV

(Million EUR)	2020	2019
Total operating income	**317.1**	**358.4**
Sales	300.3	340.5
Change in work in progress, finished goods and orders in progress (increase+/decrease-)	3.6	3.1
Production capitalized	0.0	0.0
Other operating income	13.1	14.7
Non-recurring operating income	0.0	0.0
Total operating charges	**-304.7**	**-337.8**
Raw materials and goods purchased for resale	-212.8	-233.3
Services and other goods	-51.4	-55.9
Wages, salaries, social charges and pensions	-38.9	-43.4
Depreciations and amortizations on formation expenses, tangible and intangible assets	-3.4	-3.8
Amounts written-off stocks and trade receivable (charges (-) / write-back (+))	1.2	-3.4
Provision for liabilities and charges (utilizations and write-backs less charges)	1.1	2.5
Other operating charges	-0.4	-0.5
Non-recurring operating charges	0.0	0.0
Operating result	**12.5**	**20.6**
Finance income	8.9	19.5
Finance costs	-2.9	-4.5
Profit before taxes	**18.4**	**35.6**
Income taxes	-1.7	-4.4
Deferred taxes		
Profit (+) / losses (-)	**16.8**	**31.2**
Untaxed reserves	0.0	0.0
Profit (+) / losses (-) for the year to be allocated	**16.8**	**31.2**

ALLOCATIONS AND DISTRIBUTIONS

(Million EUR)	2020	2019
The Picanol nv Board of Directors proposes to allocate the		
- Profits, being	16.8	31.2
- Increased by prior years' retained earnings	490.6	463.0
Totaling:	**507.4**	**494.2**
In the following manner:		
- Reserves		
- Dividends	0.0	3.5
- Retained earnings	507.4	490.6
Totaling:	**507.4**	**494.2**

EXTRACT FROM THE PICANOL NV SEPARATE (NON-CONSOLIDATED) FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH BELGIAN GAAP

The preceding information is extracted from the separate Belgian GAAP financial statements of Picanol nv. These separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request at Picanol nv, Steverlyncklaan 15, 8900 Ieper.

It should be noted that only the consolidated financial statements present a true and fair view of the financial position and performance of the group.

An integral version of the statutory financial statements, including the related reports is published on the company website: www.picanolgroup.com.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Picanol nv prepared in accordance with Belgian GAAP for the year ended December 31, 2020 give a true and fair view of the financial position and results of Picanol nv in accordance with all legal and regulatory dispositions.

FINANCIAL GLOSSARY

Adjusted EBIT
Earnings before interests, taxes and EBIT adjusting items.

Adjusted EBITDA
Earnings before interests, taxes and EBIT adjusting items plus depreciation and amortization.

Basic earnings per share (Basic EPS)
Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the weighted average number of ordinary shares outstanding during the period.

Capital expenditure
Amount of money spent to upgrade, acquire or maintain property, plant and equipment (PP&E) and other intangible assets.

Dividend per share (gross)
Total amount paid as dividend divided by the number of shares issued at closing date.

Diluted earnings per share (Diluted EPS)
Profit (+)/loss (-) for the period attributable to equity holders of the company divided by the fully diluted weighted average number of ordinary shares outstanding during the period.

Diluted weighted average number of ordinary shares
Weighted average number of ordinary shares, adjusted by the effect of warrants on issue.

EBIT
Profit(+)/loss(-) from operations.

EBIT adjusting items
EBIT adjusting items are those items that in management's judgment need to be disclosed by virtue of their size or incidence. Such items are disclosed in the notes to the financial statements. Transactions which may be recognized as EBIT adjusting items are principally related to restructuring, impairment losses, provisions, gains or losses on significant disposals of assets or subsidiaries and the effect of the electricity purchase agreement.

Gearing
Net financial debt divided by the sum of net financial debt and equity attributable to equity holders of the company.

Leverage
Net financial debt divided by Adjusted EBITDA over the last 12 months.

Market capitalization
Number of shares issued (at the end of the period) multiplied by the market price per share (at the end of the period).

Net financial debt
Non-current and current loans and borrowings minus cash and cash equivalents and bank overdrafts.

Theoretical aggregated weighted tax rate
Calculated by applying the statutory tax rate of each country on the profit before tax of each entity and by dividing the resulting tax charge by the total profit before tax of the group.

Weighted average number of ordinary shares
Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

ALTERNATIVE PERFORMANCE MEASURES

The following alternative performance measures are considered to be relevant in order to compare the results over the period 2019 - 2020 and can be reconciled to the consolidated financial statements as follows:

Reconciliation from Adjusted EBIT to EBIT

(Million EUR)	Note	2020	2019
Adjusted EBIT		**170.2**	**90.2**
Gains and losses on disposals	6	1.0	3.4
Restructuring	6	-0.5	-2.1
Impairment losses	6	-3.0	-3.1
Provisions and claims	6	-5.0	-5.9
Other income and expenses	6	-4.4	-7.1
EBIT (Profit (+) / loss (-) from operations)		**158.2**	**75.4**

Reconciliation from Adjusted EBITDA to EBIT

(Million EUR)	Note	2020	2019
Adjusted EBITDA		**361.7**	**279.9**
Gains and losses on disposals	6	1.0	3.4
Restructuring	6	-0.5	-2.1
Provisions and claims	6	-5.0	-5.9
Other income and expenses	6	-4.4	-7.1
EBITDA		**352.8**	**268.1**
Depreciation	8	-191.5	-189.7
Impairment losses	8	-3.0	-3.1
EBIT (Profit (+) / loss (-) from operations)		**158.2**	**75.4**

Reconciliation gearing

(Million EUR)	Note	2020	2019
Non-current loans and borrowings	22	393.2	426.3
Current loans and borrowings	22	69.8	98.9
Short term investments	22	-20.0	-0.0
Cash and cash equivalents	18	-345.9	-290.3
Bank overdrafts	18	0.0	0.1
Net financial debt		**97.1**	**235.1**
Equity attributable to equity holders of the company		816.3	773.1
Gearing (net financial debt / (equity + net financial debt))		**10.6%**	**23.3%**

Reconciliation leverage

(Million EUR)	Note	2020	2019
Non-current loans and borrowings	22	393.2	426.3
Current loans and borrowings	22	69.8	98.9
Short term investments	22	-20.0	-0.0
Cash and cash equivalents	18	-345.9	-290.3
Bank overdrafts	18	0.0	0.1
Net financial debt		**97.1**	**235.1**
Adjusted EBITDA		361.7	279.9
Leverage (net financial debt / Adjusted EBITDA last 12 months)		**0.3**	**0.8**

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