



Campine NV

Statutory auditor's report to the shareholders' meeting for the year ended  
31 December 2017

The original text of this report is in Dutch

## Statutory auditor's report to the shareholders' meeting of Campine NV for the year ended 31 December 2017

### (Consolidated financial statements)

In the context of the statutory audit of the consolidated financial statements of Campine NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 9 May 2017, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2019. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment.

#### Report on the audit of the consolidated financial statements

##### Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated overview of the total result, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 72 173 (000) EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 7 008 (000) EUR.

In our opinion, the consolidated financial statements of Campine NV give a true and fair view of the group's net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

##### Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

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 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 judgment, 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.

Key audit matters	How our audit addressed the key audit matters
<p><b>Exposure of the economic performance to evolution in market prices</b></p> <p>The Group's earnings are highly dependent on the market prices of raw materials and metals, which are subject to (significant) fluctuations because of changing supply and/or demand of raw materials and end products, or because of speculation on the market. This can affect the company's financial statements in the following areas:</p> <p><u>Inventory valuation:</u> Inventories are valued according to the FIFO method due to which they are closely aligned with the evolution of market prices. Consequently, significant price evolutions have a direct impact on the valuation of inventory.</p> <p>As a result of frequent price changes in the market, the company performs a monthly Lower of Cost or Market analysis. The provision for Lower of Cost or Market is mainly calculated on the raw materials and the byproducts as the finished goods are manufactured when a client order is received. During its analysis of the Lower of Cost or Market provision, the company reviews the valuation of its inventory against independent market benchmarks for lead and antimony prices.</p> <p><u>Operating and hedging result:</u> Fluctuations in market prices have a direct impact on the turnover and the cost of goods sold, however the company is confronted with a time lag on the price levels of both financial flows and accordingly is subject to potential significant impacts on the operational margin. To manage exposures on open inventory balances, the company enters into hedge contracts for lead activities.</p>	<p>During our audit procedures, we have performed the following with respect to inventory valuation and operating and hedging result:</p> <p><u>Inventory valuation:</u> We have reviewed the valuation of raw materials as well as the valuation of these raw materials in work in progress and finished goods in order to conclude on the correct valuation of the inventory following the FIFO principle.</p> <p>Additionally, we also verified the calculations and challenged the analyses and judgments made by management in determining the provision for Lower of Cost or Market against independent market benchmarks for lead and antimony prices.</p> <p><u>Operating and hedging result:</u> We have identified and tested the relevant key internal controls with respect to the revenue and expenditure business cycle to conclude on the appropriateness of revenue and cost of goods sold being recognized.</p> <p>We reviewed the detailed analysis of the margin per business unit as prepared by management in which the operational results of these business units are rationalized versus the evolution of market prices.</p> <p>The market value of the hedging contracts as disclosed in note 5.14 are reconciled with the confirmations of the brokers, and the fair market value of the outstanding hedge contracts is rationalized. Additionally, for a sample of settled hedge transactions, the results accounted for are validated with the settlement agreements received from the brokers, in order to verify the accuracy of the results recorded.</p>
<p><b>Accounting of provisions for soil sanitation</b></p> <p>As of 31 December 2017, the total provisions for liabilities and charges amounted to 1.090 KEUR, of which the full amount relates to provisions for soil sanitation.</p> <p>These provisions are set up based on sanitation obligations that exist as of balance sheet date or will become effective based on management's investments plans, which were formally approved by the Board of Directors at balance sheet date. The decision to construct new warehouses or production facilities often involves the obligation to sanitize the underlying soil.</p> <p>The liability and sanitation responsibility as well as the costs with respect to the sanitation operations are</p>	<p>During our audit procedures, we have performed the following with respect to the provisions for soil sanitation, as disclosed in note 5.21:</p> <p>We obtained an understanding of the recognition process for provisions for soil sanitation and evaluated the design of, and performed tests of controls in this area.</p> <p>We have reviewed all communication with the external service provider to identify any changes regarding the current sanitation obligations or changes in legislation which might result in a correction with respect to the provisions recognized in the result of previous years.</p>

determined based on a report received from an external environmental expert who ensures compliance with the environmental regulation.

We have focused on this area of the financial statements as changes in management decisions or changes in legislation can significantly impact the amount recorded with respect to provisions for soil sanitation in the financial statements.

Additionally, we have also discussed with management the investment plans which were approved by the Board of Directors in order to review potential new sanitation obligations.

We have also performed a test of detail with respect to the actual sanitation operations executed in the current period in order to benchmark the budgeted sanitation cost provided for in prior periods against the actual sanitation cost incurred in the current period.

For new sanitation provisions, we have performed a sensitivity analysis in order to:

- ) Analyze the appropriateness and validity of the assumptions used by management to determine the provision
- ) Challenge the management estimates with the report from the external service provider and recent actual costs of sanitation operations
- ) Review consistency of the process with respect to the calculation of soil sanitation provisions.

#### Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 to be considered for 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 other realistic alternative but to do so.

#### Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISA 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 users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ) 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 an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ) obtain an understanding of internal control 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;

- J conclude on the appropriateness of management's 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 auditor's 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 auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- J evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- J obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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, amongst 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 we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated to 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 any public disclosure about the matter.

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### Report on other legal, regulatory and professional requirements

#### Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

#### Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements.

#### Aspects regarding the directors' report on the consolidated financial statements and other matters disclosed in this report

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the directors' report on the consolidated financial statements, i.e.:

- J the required components of the Campine annual report in accordance with Articles 96 and 119 of the Companies Code appear in the chapter "Report of the Board of Directors to the Annual Meeting of Shareholders on Tuesday 22 May 2018, based on the consolidated annual financial statements" of the annual financial report.

is free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement. We do not express any kind of assurance on the annual report.

#### Statements regarding independence

- J Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- J The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

#### Other statements

This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Antwerp, 13 April 2018

The statutory auditor

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BV o.v.v.e. CVBA / SC s.f.d. SCRL  
Represented by Luc Van Coppenolle

**Deloitte.**

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Société civile sous forme d'une société coopérative à responsabilité limitée  
Registered Office: Gateway building, Luchthaven Nationaal 1 J, B-1930 Zaventem  
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

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